

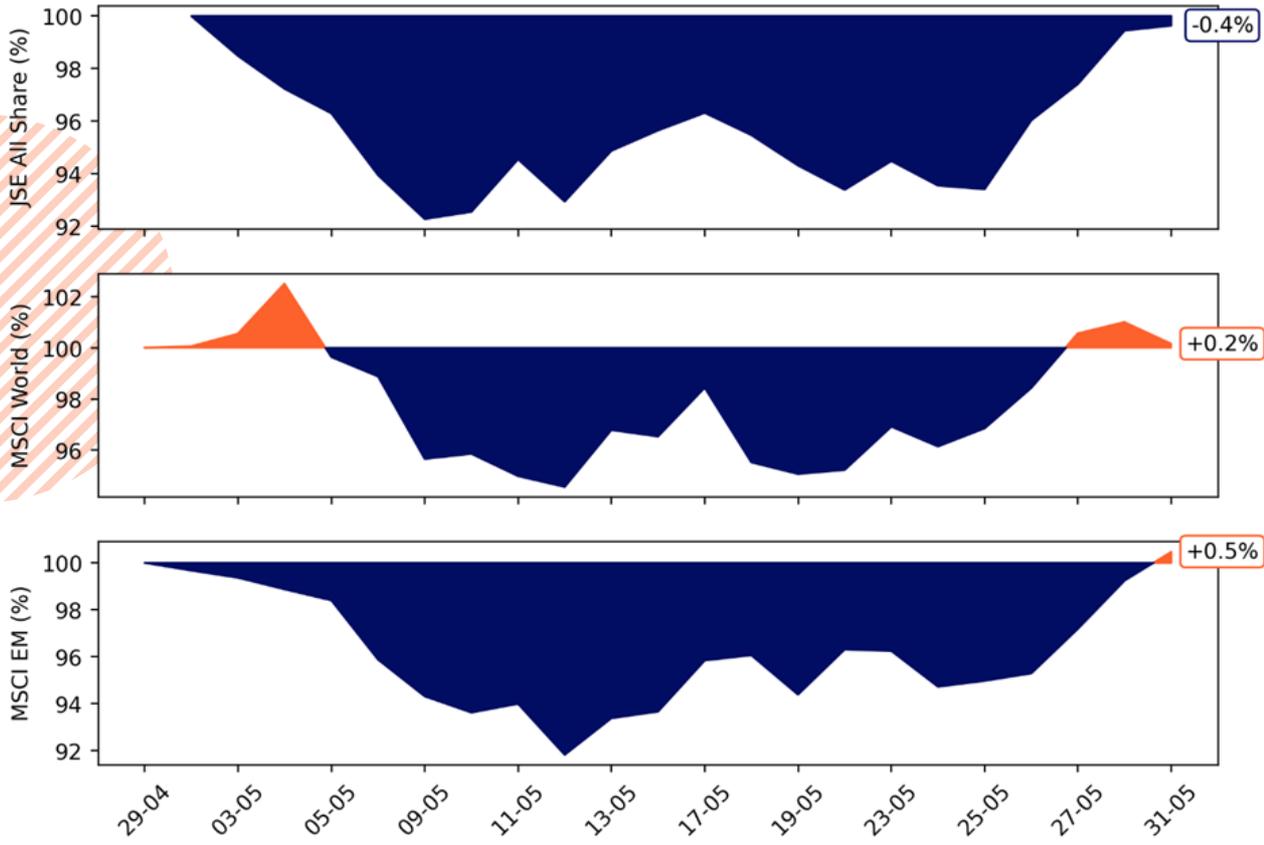


MONTHLY REPORT

MAY - END REVIEW 2022

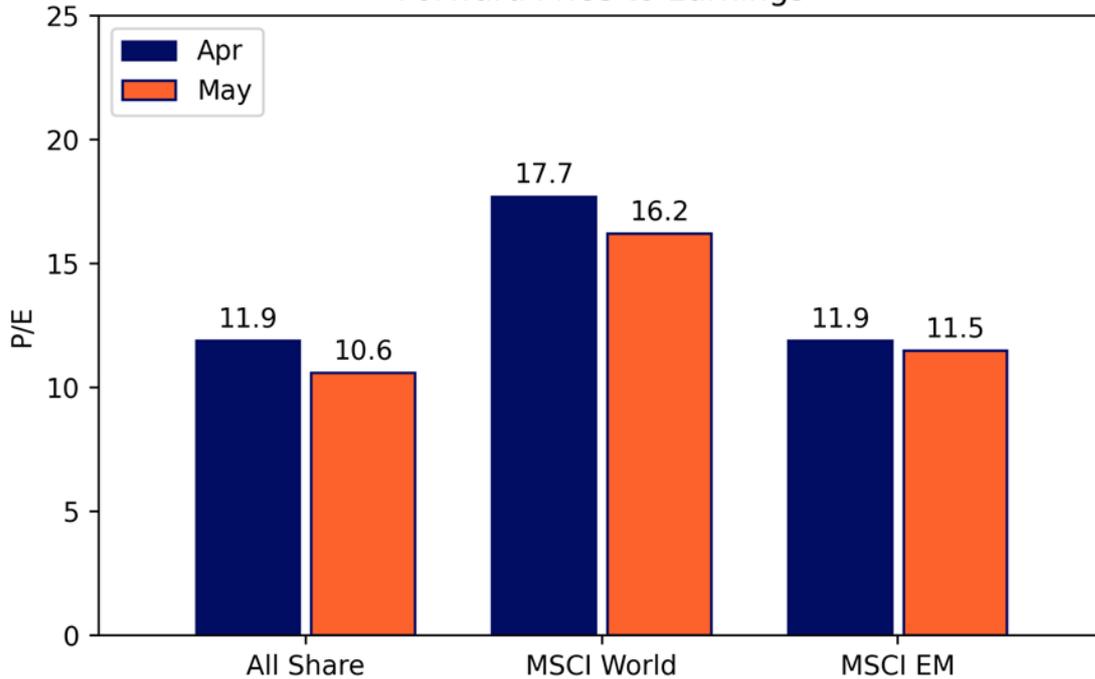
Equities

Total Return in ZAR



Source: S&P Capital IQ Pro

Forward Price to Earnings



Source: S&P Capital IQ Pro, MSCI



MONTHLY REPORT

APRIL - END REVIEW 2022

Equities

- During the month of May, equities all followed a similar trend across the board. Markets experienced a large drawdown during the first half of the month, with local and emerging market equities reaching a low of nearly 8% down, while developed markets were down nearly 5%. This sharp downturn was followed by a strong recovery towards the end of the month for all equities, with local equities being down only 0.4%, and the MSCI World and Emerging Markets Indices being up 0.2% and 0.5%, respectively.
- The observed turn in the markets was likely due to the news of a stabilisation in US core inflation, excluding food and energy. Although still at elevated levels, the rate of price increases seemed to have peaked, with hopes being now that it will continue to improve.
- In a similar fashion, oil prices also appear to have reached their peak, and remain at high, but stable levels. The impact of the Russia-Ukraine conflict still raises concerns regarding global food prices due to the disruption of Ukrainian grain production.
- The optimism around improving inflationary conditions fed into the US Fed's last meeting, during which they indicated that they would continue to raise rates by 50 bps for the next two meetings, after which they will no longer continue with the hikes that were expected.
- The news likely contributed to the bounce observed in the equities market shortly after as the market was pricing in more interest rate hikes to come.
- Valuations have improved across the board over the month as earnings increases have come through and remain strong as recessionary fears start to reside for now.
- Local and emerging market equities still remain more attractively priced than their higher valued developed market counterparts.

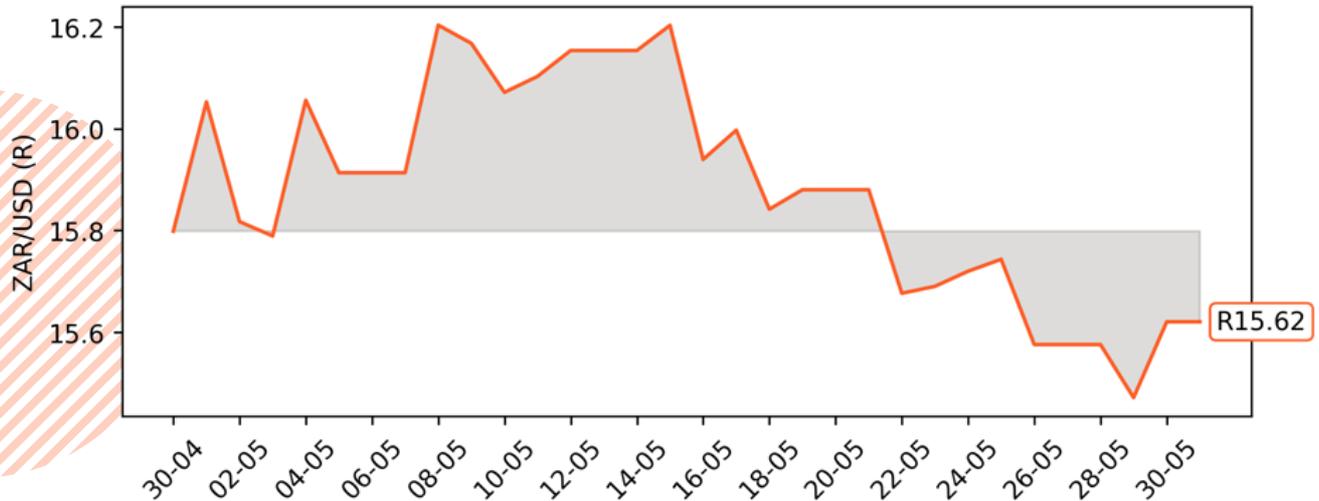


MONTHLY REPORT

MAY-END REVIEW 2022

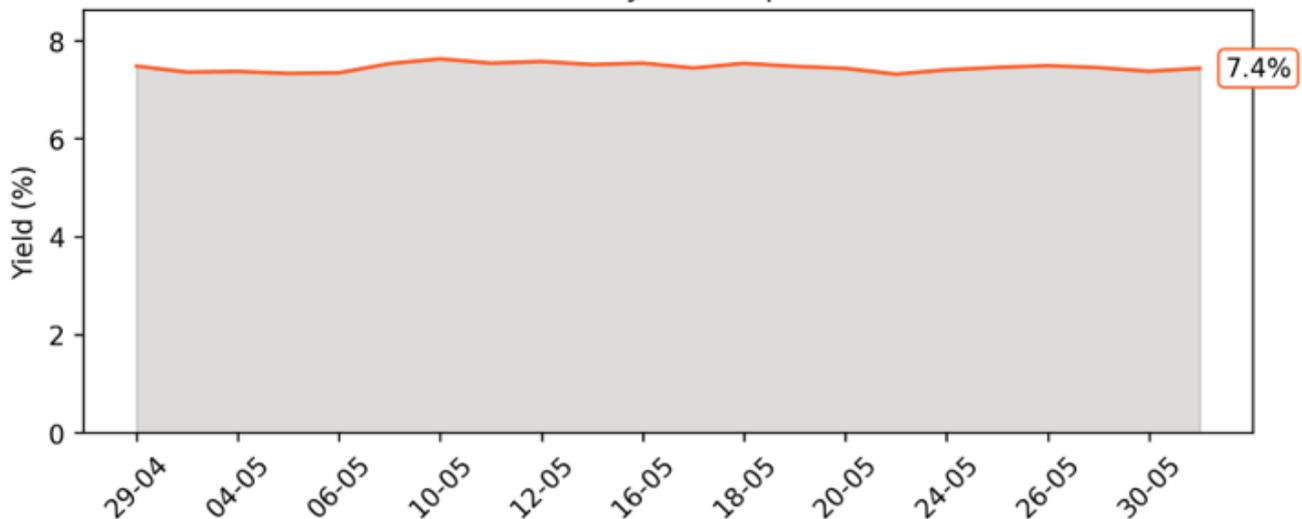
Local vs US Economy

ZAR/USD Exchange Rate



Source: S&P Capital IQ Pro

SA-US 10y Bond Spread



Source: S&P Capital IQ Pro

- The Rand started the month off weakening as a result of the risk-off sentiment that was prevalent during the previous month.
- As worries of inflation and interest rate hikes subsided, the Rand started to strengthen again and ended the month stronger than it started.
- The SA-US 10-year bond spread remained almost unchanged during May, still more than compensating South African bond holders for their additional risk with an added annual yield of 7.4%.

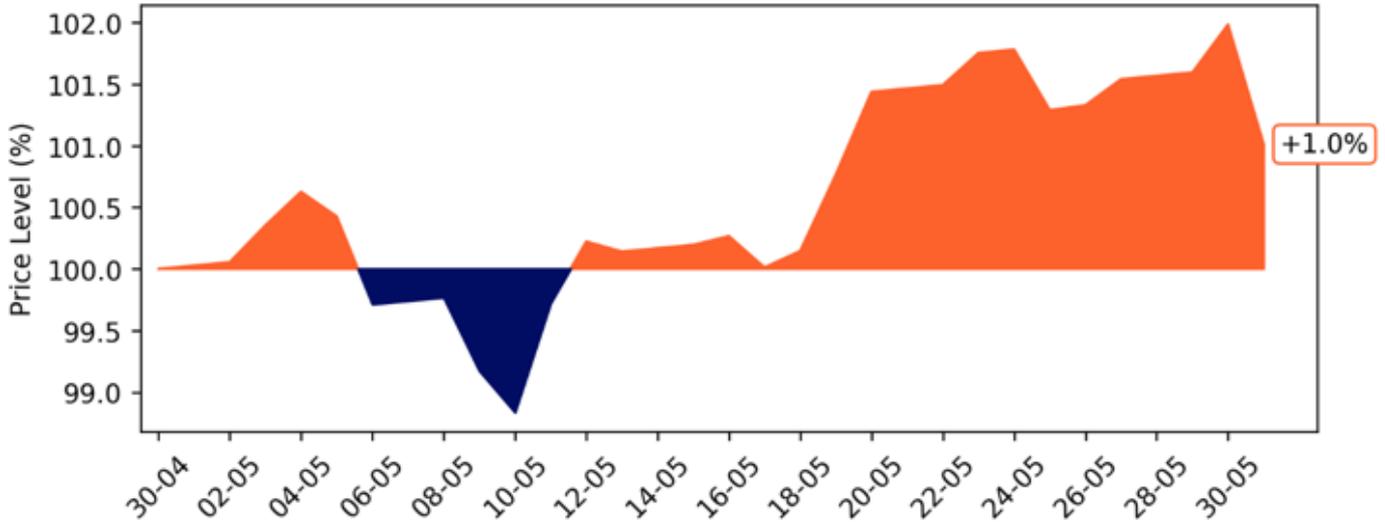


MONTHLY REPORT

MAY-END REVIEW 2022

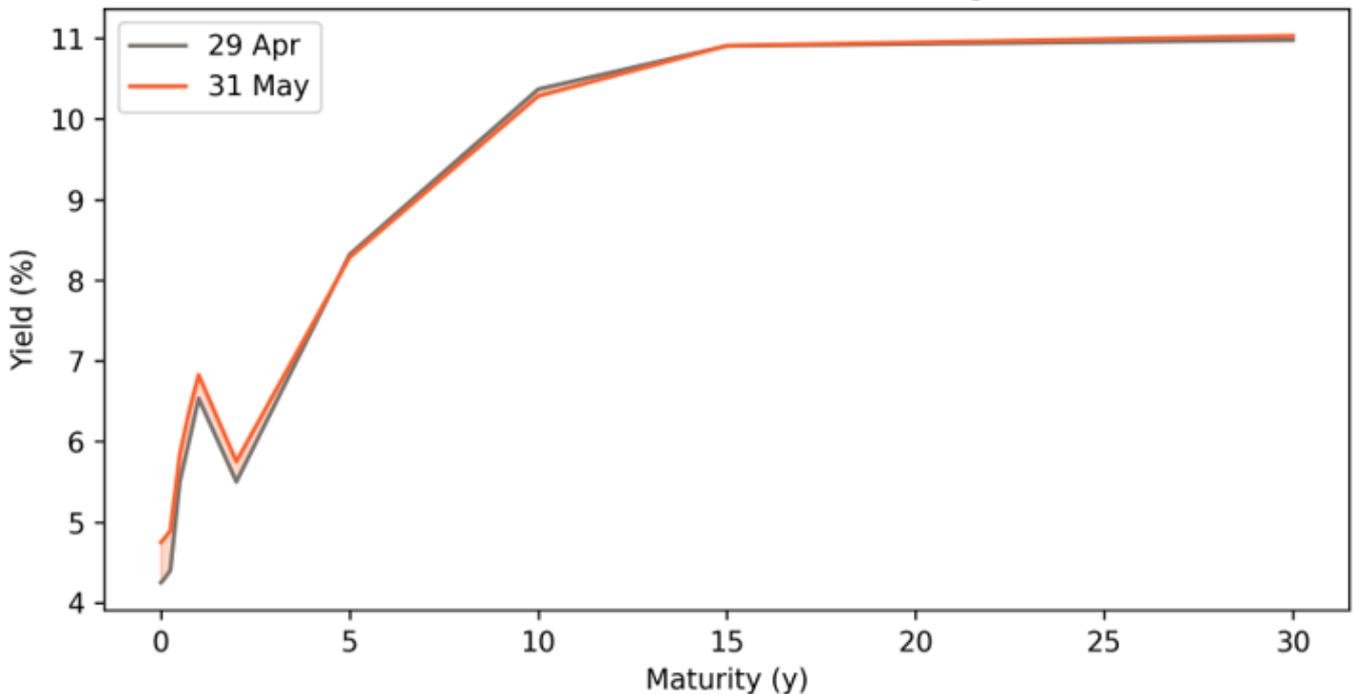
Bonds

ALBI Return



Source: IRESS

South African Yield Curve Change



Source: S&P Capital IQ Pro

- The All Bond Index returned 1% for the month of May despite some volatility at the start—this is a very healthy return for bonds, as it translates to 12.7% returns on an annualised basis.
- The South African yield curve remained largely unchanged between April and May. There was some sell-off in the short-term section due to short term interest rate hikes, but there was little movement in the longer end of the curve as South African bonds remain highly attractive.