

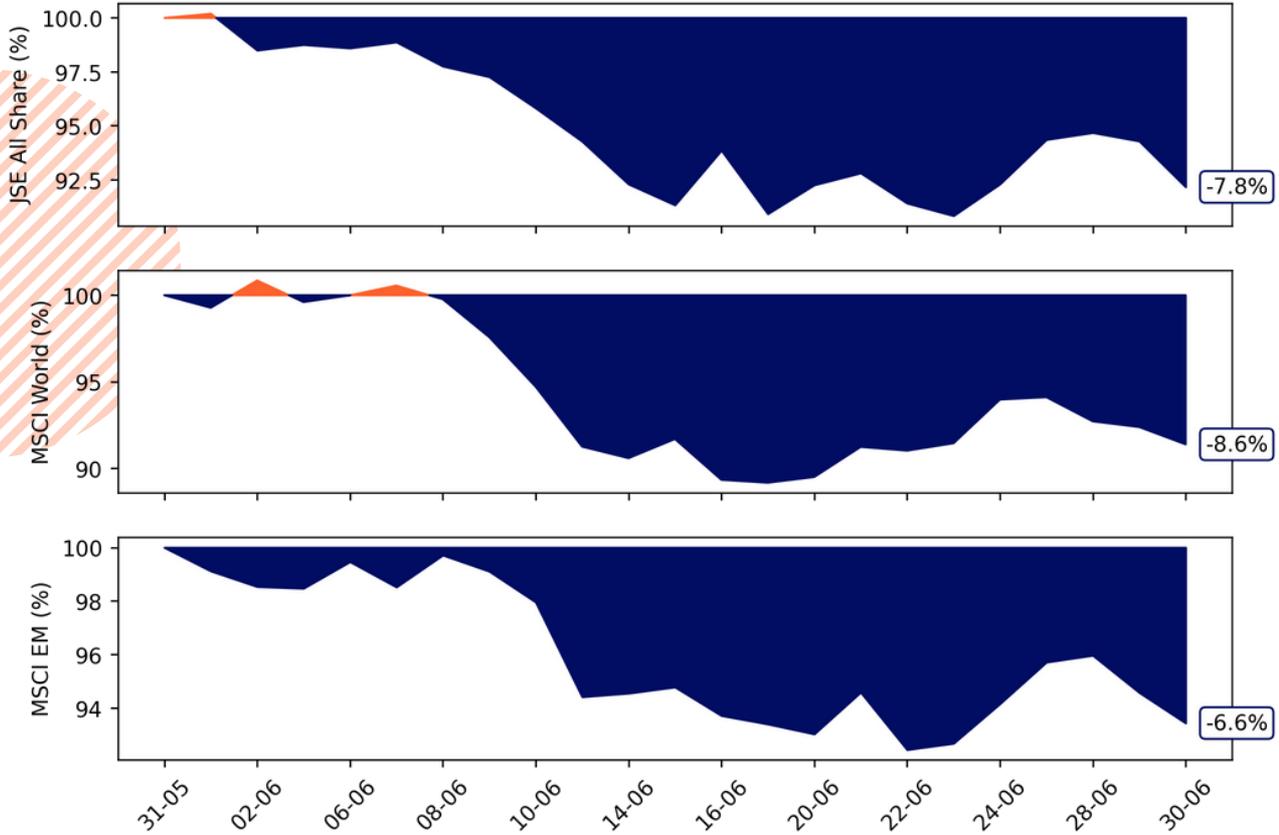


MONTHLY REPORT

JUNE-END REVIEW 2022

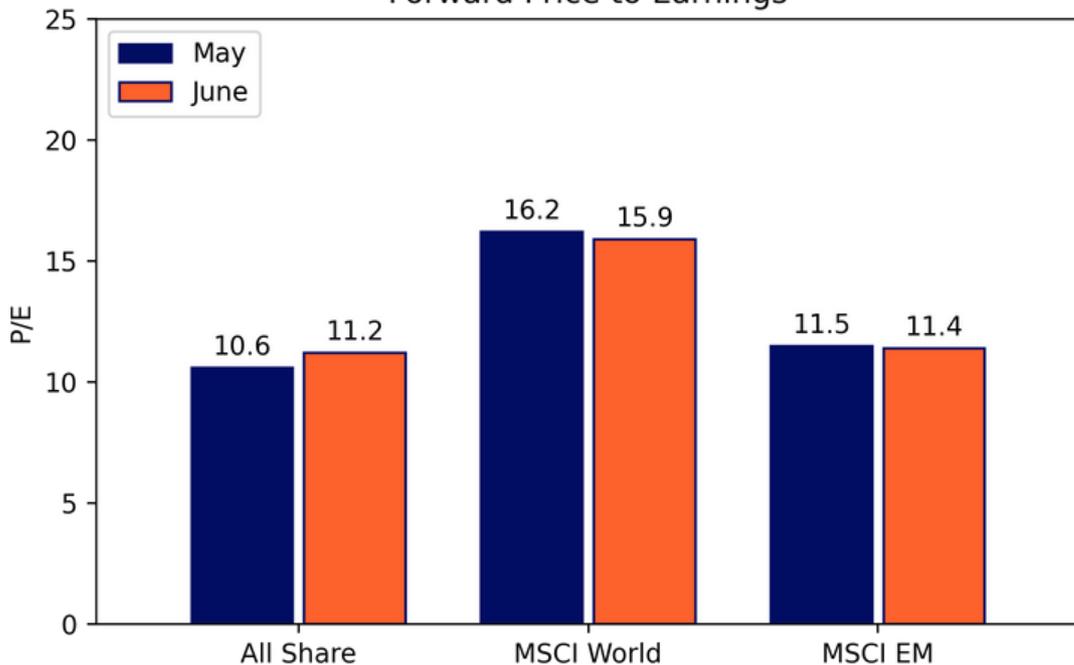
Equities

Total Return in ZAR



Source: S&P Capital IQ Pro

Forward Price to Earnings



Source: S&P Capital IQ Pro, MSCI



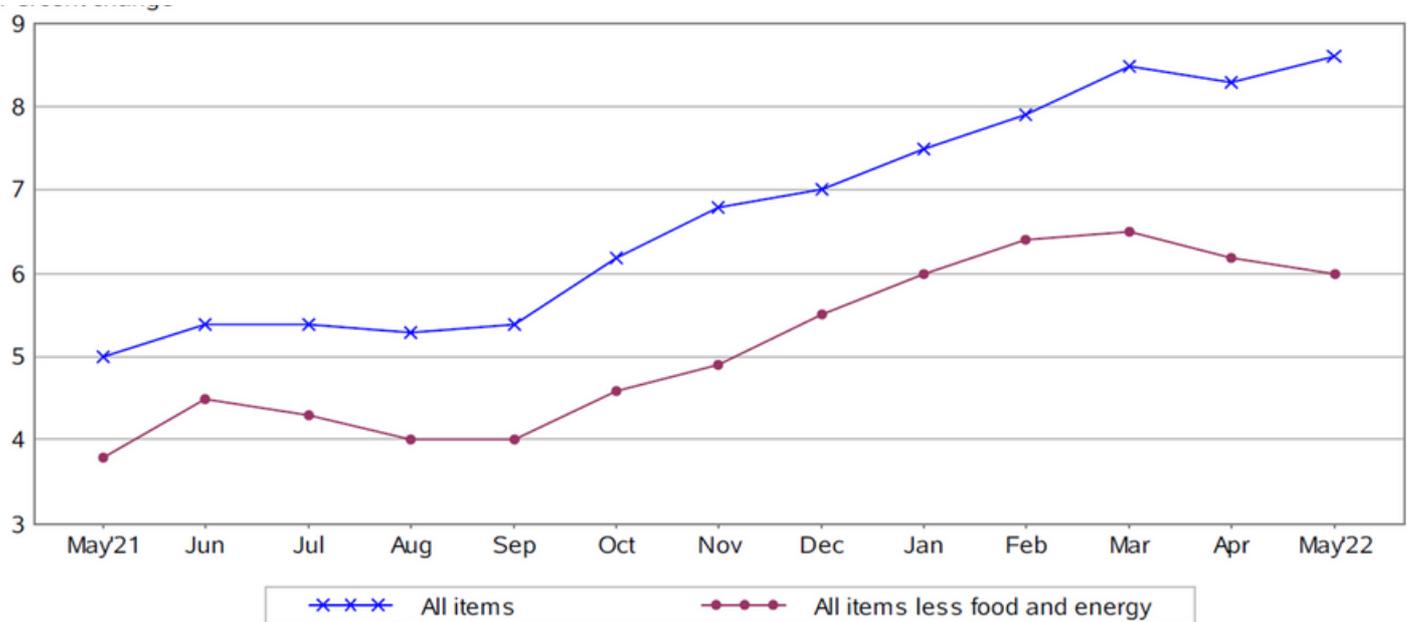
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Equities

- On the back of the high inflationary context in the US, equities were down substantially across the globe for June.
- The ALSI went down 7.8%, while the MSCI World Index and MSCI Emerging Markets Index were down 8.6% and 6.6%, respectively.
- Considering valuations, South African equities are still attractively priced, maintaining a forward PE ratio of around 11 for June.
- Emerging market equities remain cheap relative to their developed market peers; however, although developed equities are still relatively expensive, their valuations are starting to become more attractive as they become more fairly priced.
- The US comfortably remains the most expensive in world markets and has been punished the most by the sell-offs—the S&P 500 Index has fallen over 20% since the start of the year.
- As equities continue to become less expensive, the market may offer attractive opportunities for investors.

US Inflation



- June was a big risk-off month for all asset classes across the board after markets responded to the US Fed's reaction to inflation.
- After the announcement of an increased inflation rate in the US, the Fed pivoted away from worrying about unemployment and fixed their attention on keeping inflation in check by raising interest rates by 75 basis points.
- The sell-off reaction of the market indicates that the large interest rate hike was not fully expected, and perhaps that the Fed may have raised rates by too much, too quickly.
- Although US inflation remained at elevated levels, US Core inflation—the non-cyclical component of inflation—had started to come down.
- All eyes are on the upcoming inflation numbers, as these figures will determine how the Fed will react and how monetary policy will be affected.

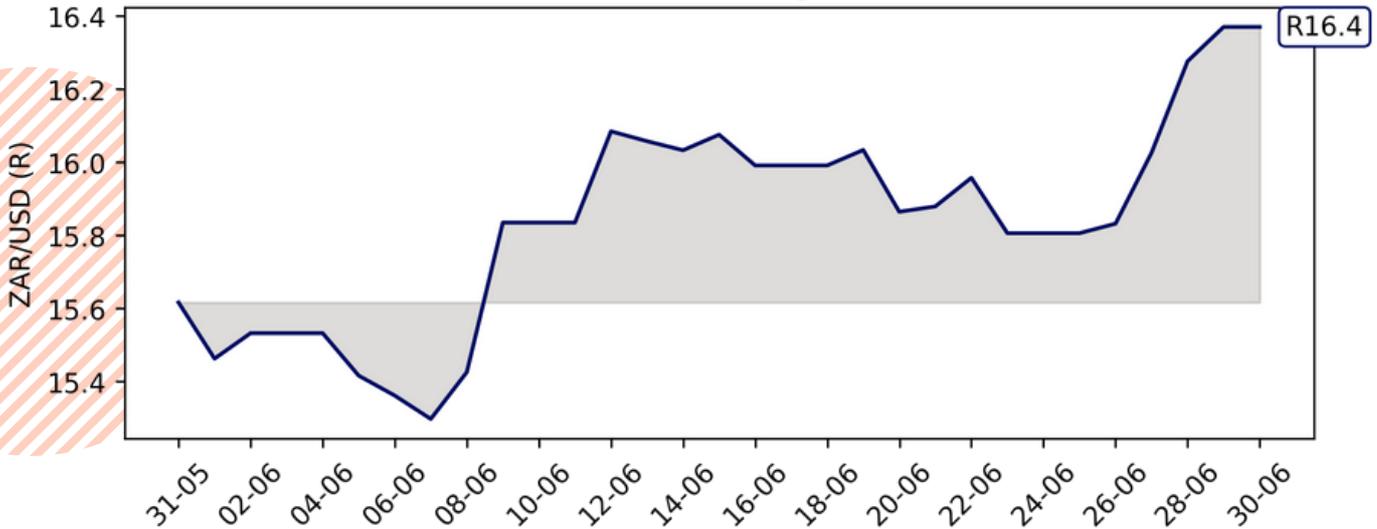


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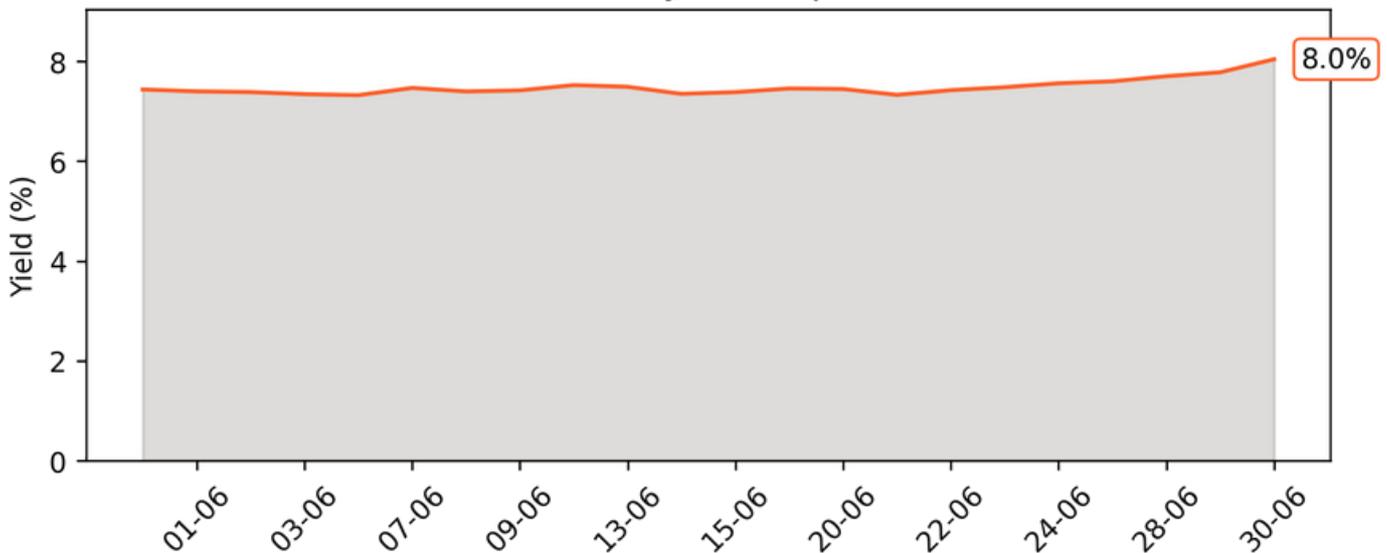
Local vs US Economy

ZAR/USD Exchange Rate



Source: S&P Capital IQ Pro

SA-US 10y Bond Spread



Source: S&P Capital IQ Pro

- As part of the risk-off sentiment for June, the Rand has weakened to the Dollar by rising to R16.40 per Dollar compared to R15.60 at the start of the month.
- Although the Rand has weakened, it has been range-bound for several months now and is holding up fairly well when considering the market sell-offs we experienced.
- The South African-US 10 year bond spread crept up to 8% in June as South African 10 year bonds now offer 8% higher yields than their US counterparts

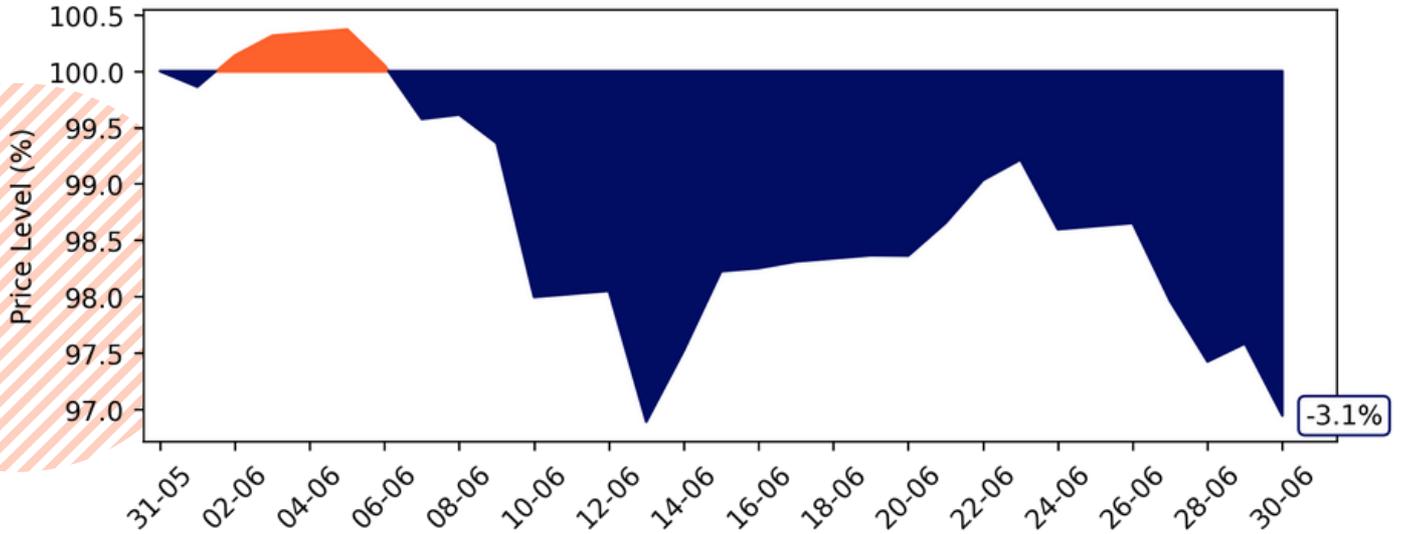


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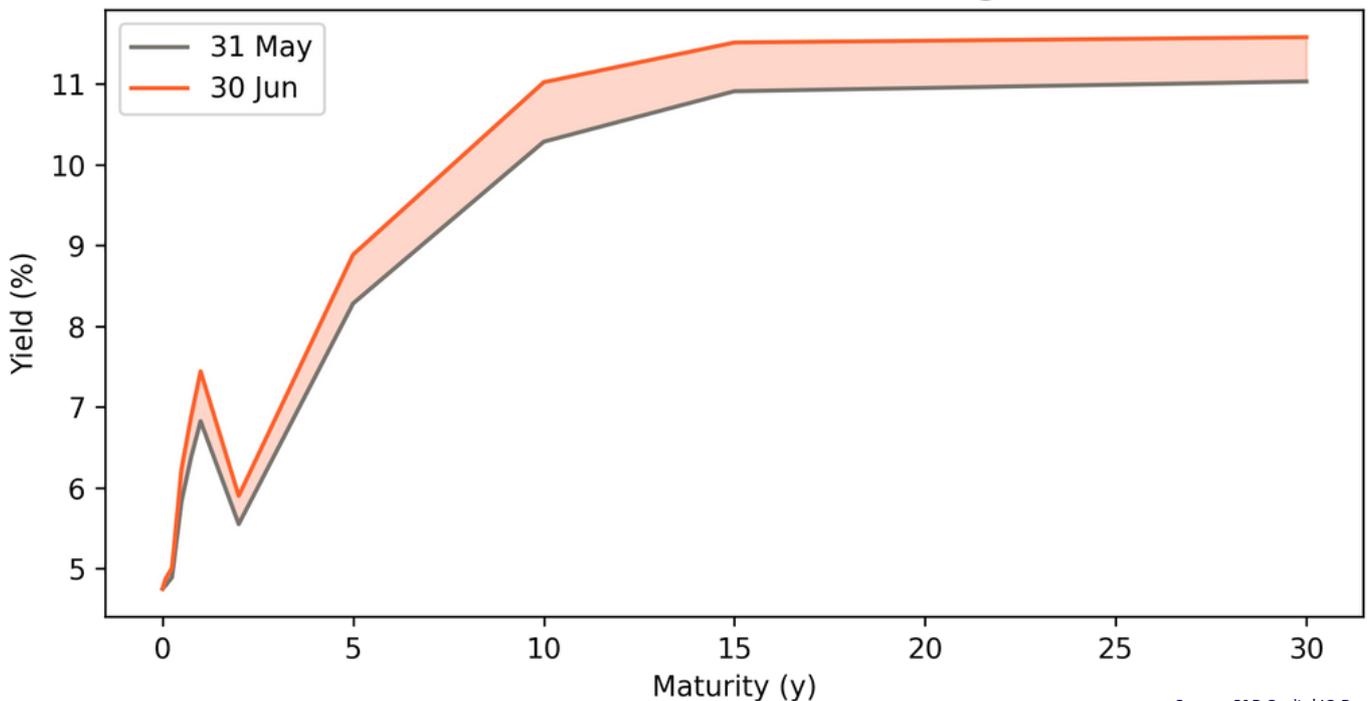
Bonds

ALBI Return



Source: IRESS

South African Yield Curve Change



Source: S&P Capital IQ Pro

- South African bonds are slightly down over the month, ending at a level 3.1% lower than they started.
- The sell-off in bonds also resulted in a slight steepening of the South African yield curve, providing increasingly attractive opportunities for investors.
- South African bonds offer especially attractive yields when considering that the market sell-off was largely due to factors felt globally, and not purely due to idiosyncratic risks specific to South Africa.