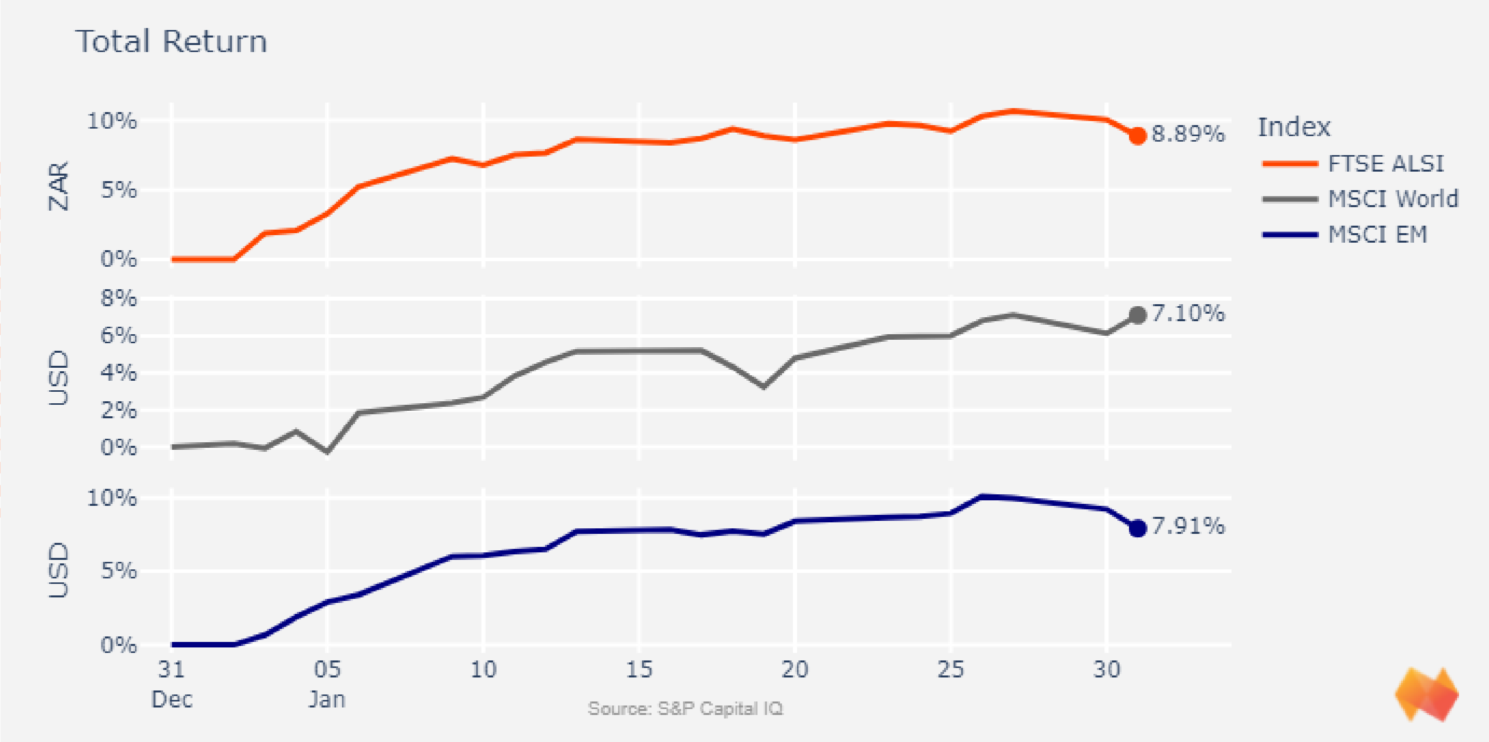
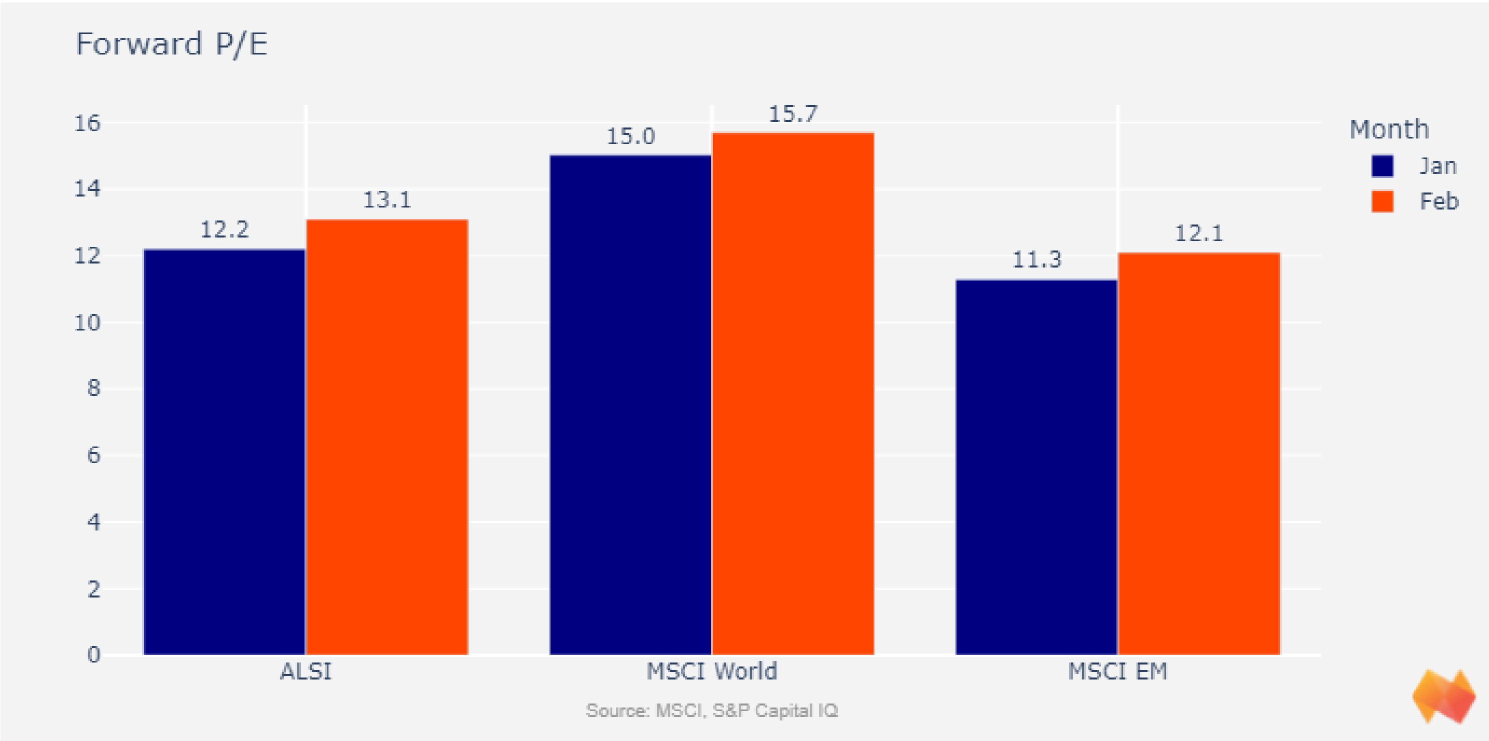
NEW ROAD CAPITAL
INVESTMENT MANAGEMENT

MONTHLY REPORT

JANUARY - END REVIEW 2023

Equities

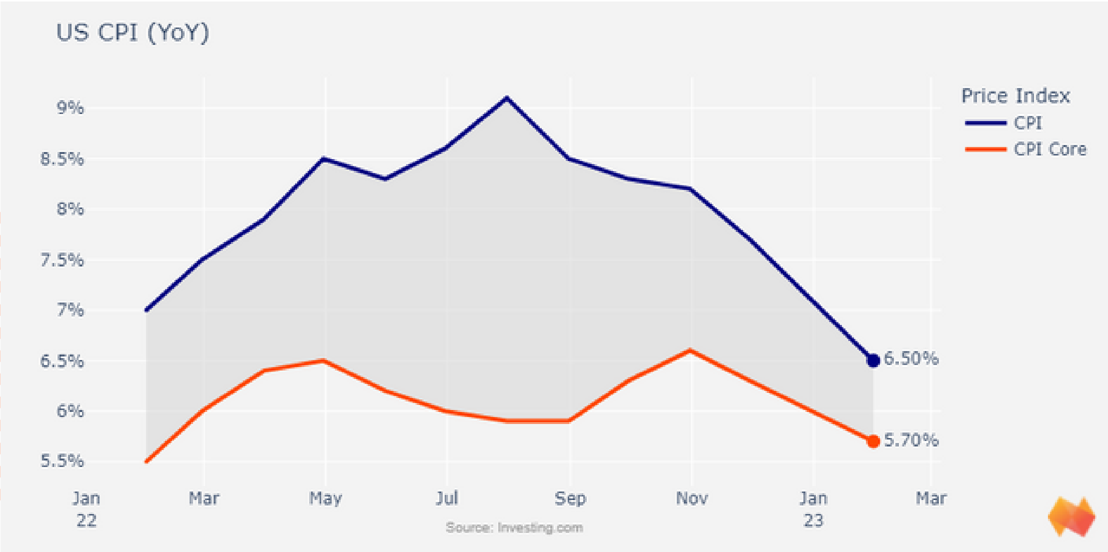


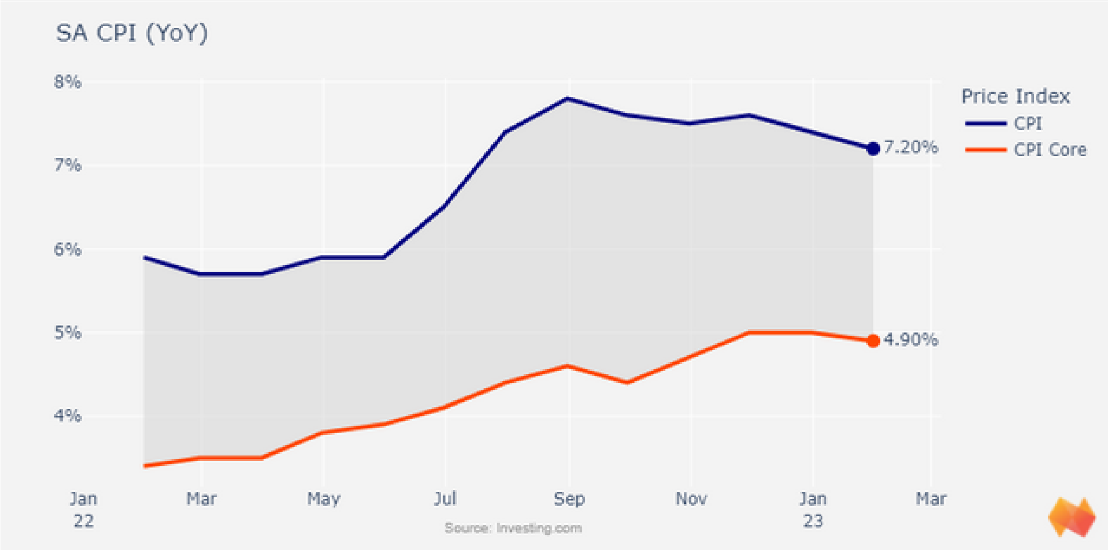


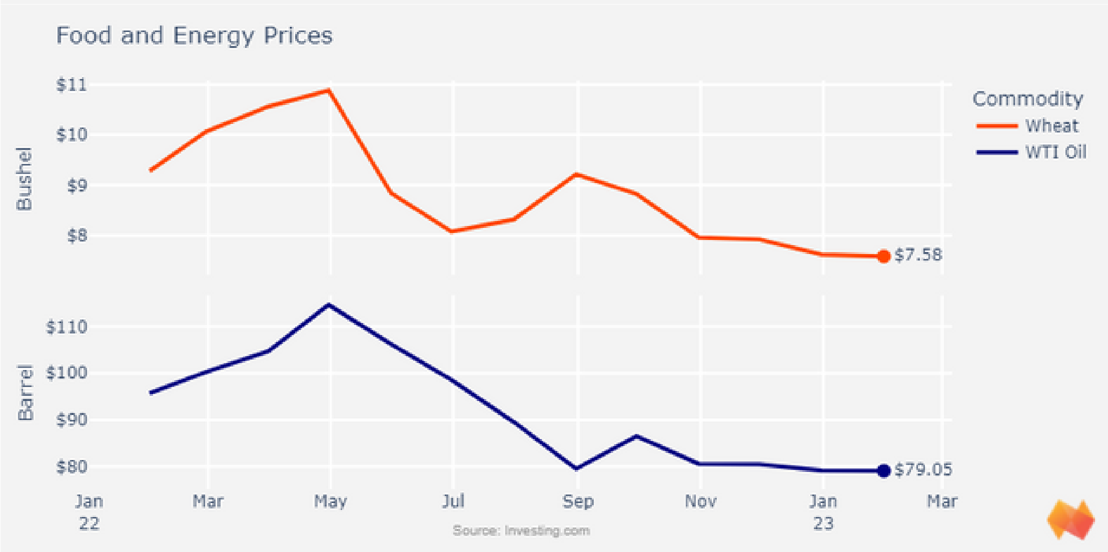
Equities

- For our first update of 2023, markets are already off to a great start with local, developed offshore and emerging offshore markets posting strong returns and setting new all-time highs. The upbeat markets were expected after a turbulent 2022 set the stage for a recovery.
- Even after the performance seen in January, equity valuations still seem attractive and suggest that both local and global markets may have more to offer going forward into the year.
- Emerging markets have done especially well in January with China opening up once more after ending the multi-year reign of its Zero-Covid policy.
- The increase in Chinese market activity will likely lead to increased global demand for commodities, which could benefit South Africa’s mining-intensive exports and economy, while luxury goods companies such as Richemont will also benefit from the increase in demand.

Inflation


US CPI (YoY)
9%
8.5%
8%
7.5%
7%
6.5%
6%
5.5%
Jan 22
Mar
May
Jul
Sep
Nov
Jan 23
Mar
6.50%
5.70%
Price Index
CPI
CPI Core
Source: Investing.com


SA CPI (YoY)
8%
7%
6%
5%
4%
Jan 22
Mar
May
Jul
Sep
Nov
Jan 23
Mar
7.20%
4.90%
Price Index
CPI
CPI Core
Source: Investing.com


Food and Energy Prices
Bushel
$11
$10
$9
$8
$7.58
Barrel
$110
$100
$90
$80
$79.05
Jan 22
Mar
May
Jul
Sep
Nov
Jan 23
Mar
Commodity
Wheat
WTI Oil
Source: Investing.com

Inflation

- One of the reasons equities did so well in January may be due to the easing of inflation concerns worldwide, as well as the perceived risk of recession waning.
- US inflation, although still elevated, has now been on a downtrend consistently and surprises mainly on the downside.
- Headline inflation, under the influence of the cyclical food and energy industries, is now experiencing deflationary components as oil and wheat prices are lower today than what they were a year ago.
- In South Africa, a similar story follows: although still slightly outside the target range of 3% to 6%, our inflation levels have come off its highs and seem to be under control.

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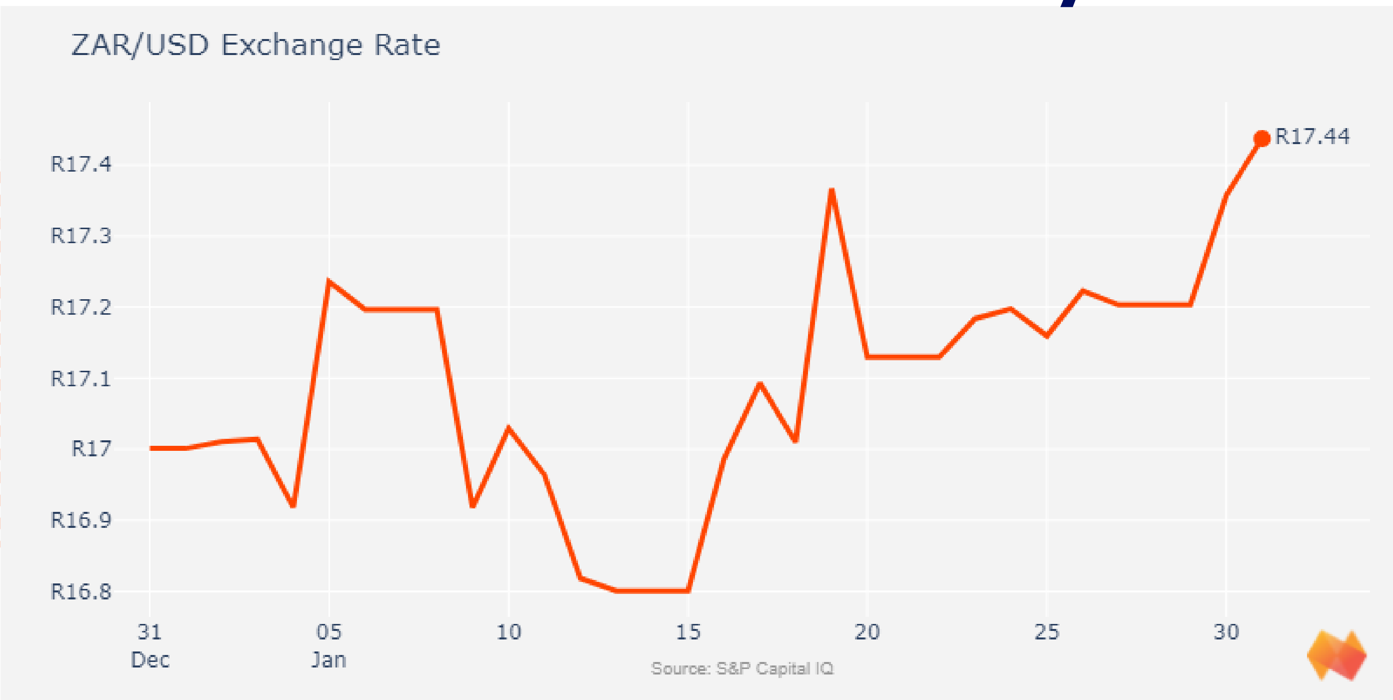
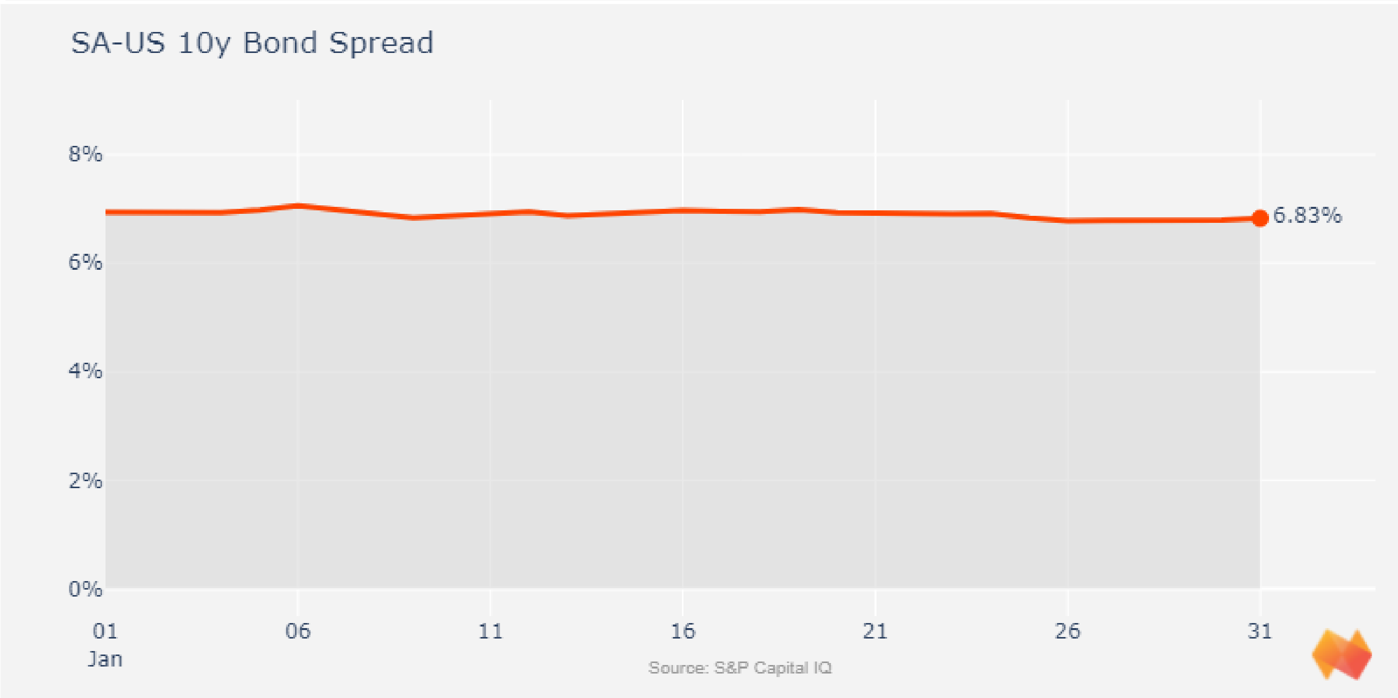
Local vs US Economy





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Local vs US Economy

- The Rand was fairly volatile through January as per usual, ending off slightly weaker against the Dollar than at the start of the month.
- The Dollar has been particularly strong over the last year, and we will not be surprised to see some strengthening of the Rand this year as the Dollar normalises.
- South African-US 10-year bond spreads are slightly lower than what they were for the most part of 2022, but still points to attractive yields in our local debt markets.
- Economically, the US is still quite strong, coming out with a higher than expected GDP growth figure of 2.9% for the last quarter.
- Locally, our economy is experiencing more pain, especially as loadshedding continues to take its toll on growth.
- However, markets are forward looking entities, with most of the economic hardships already priced in even as we have not yet fully seen evidence of a recession.
- South African companies are also less dependant on local conditions than one would think—more than 50% of South African listed revenues are generated offshore, which lends itself as a good diversifier of country-specific risks.

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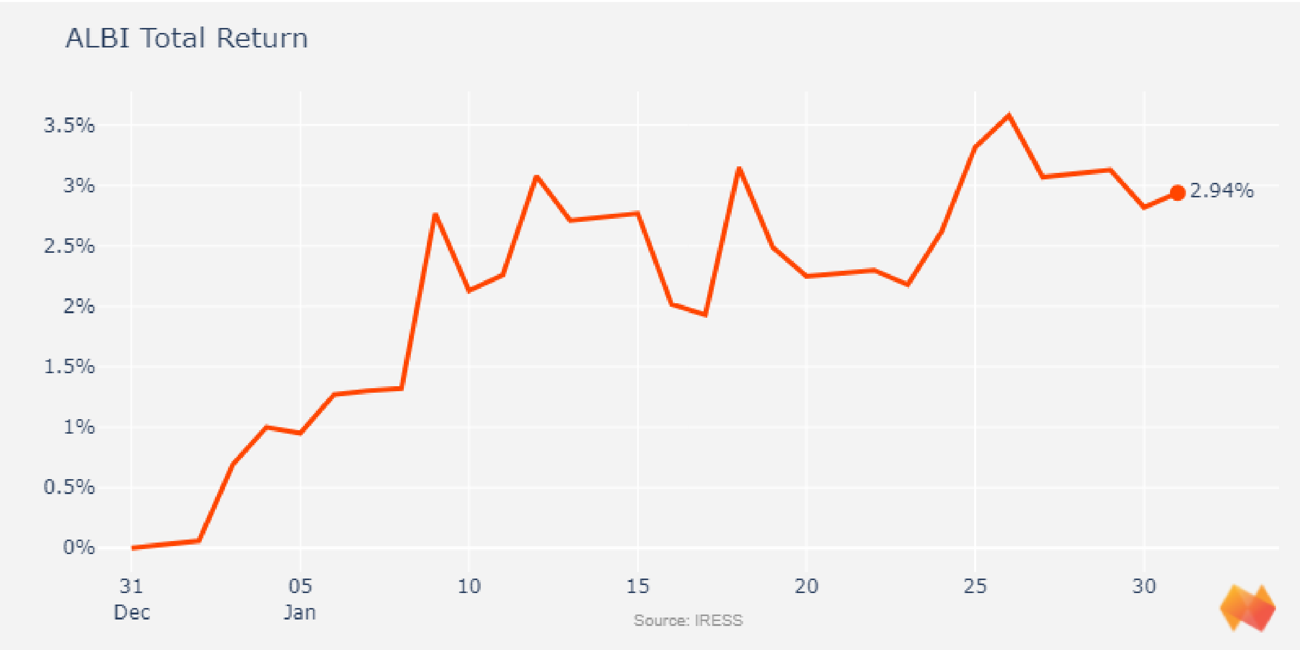
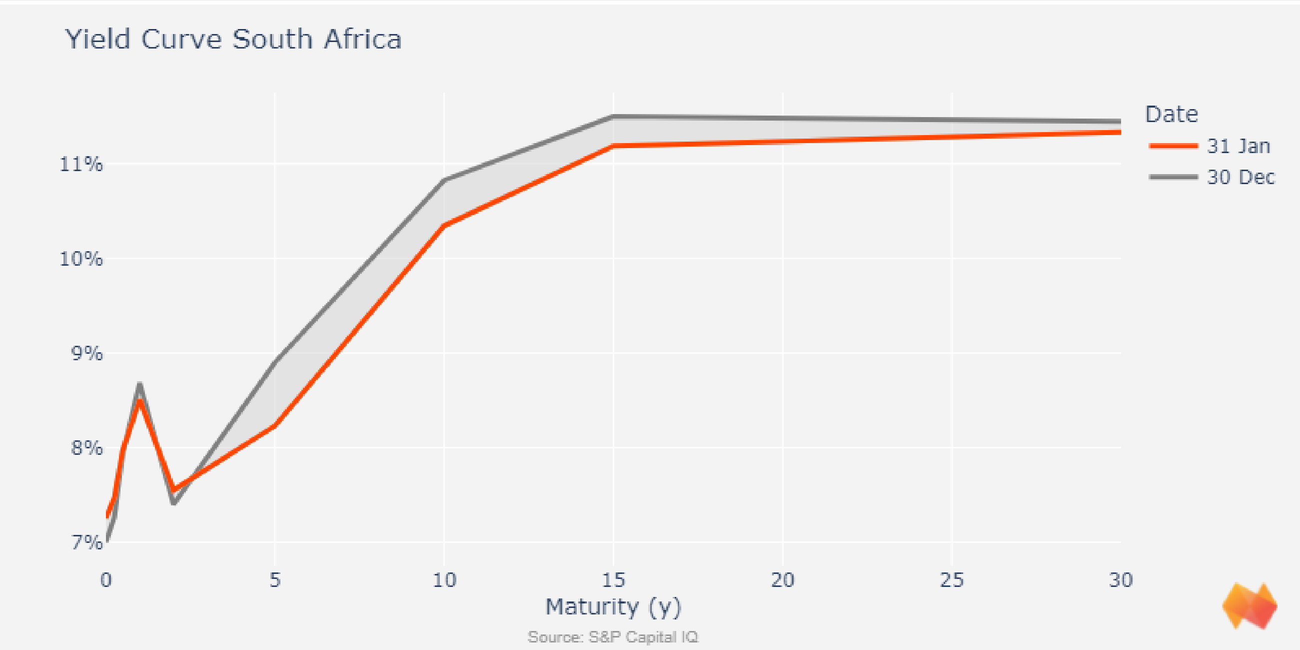
Bonds





- South African bonds also had a great month in January as the year started with a general bullishness and risk-on sentiment.
- Bond returns were also aided by the calming of the inflation narrative, as well as the South African Reserve Bank raising rates less than expected at 25 bps towards the end of January.
- The decision indicates that, although rates are still being raised, we are most likely approaching the end of the cycle as the pace is slowing down.
- The US Federal Reserve's decision of increasing rates by only 25 bps at their latest meeting is also an indication of the end of the rate hiking cycle globally.