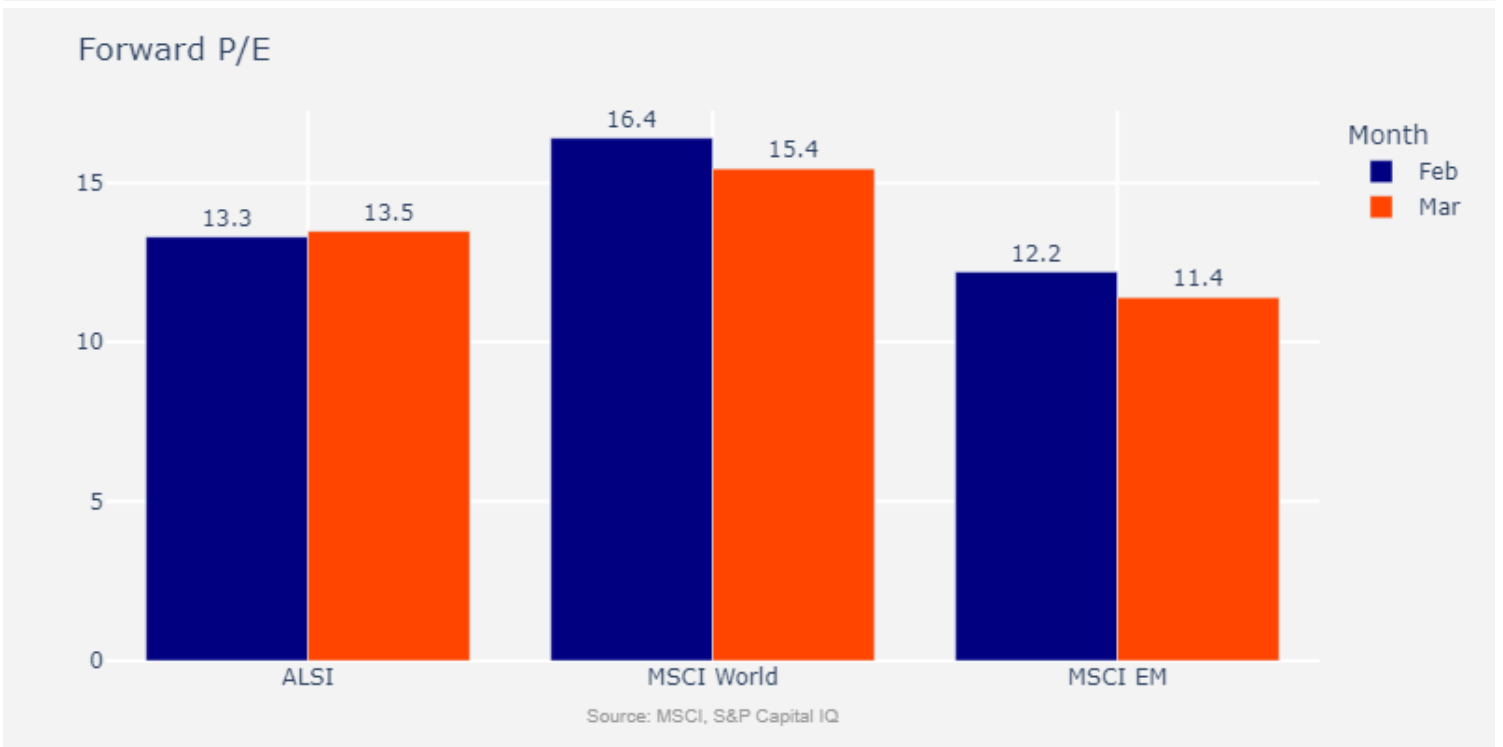
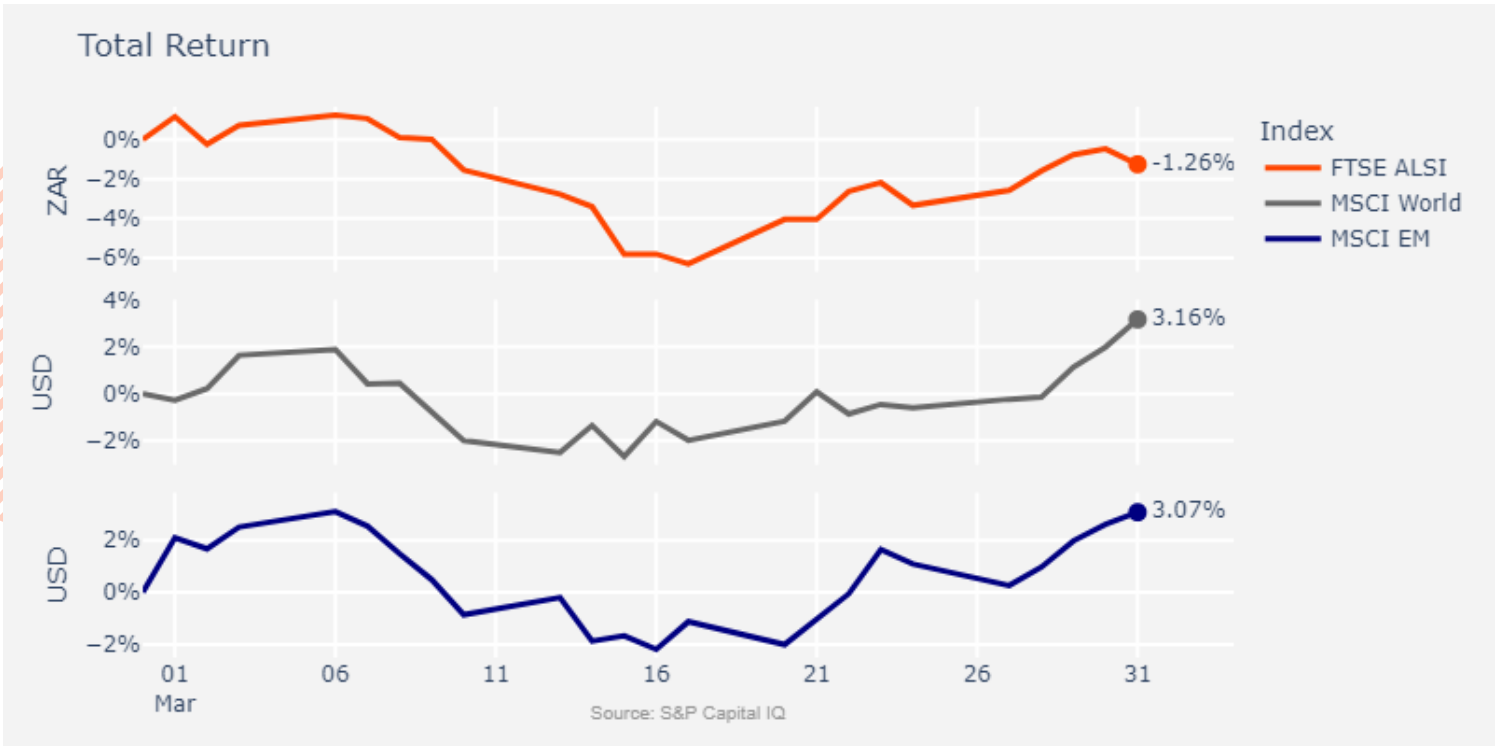




MONTHLY REPORT

MARCH - END REVIEW 2023

Equities





MONTHLY REPORT

MARCH - END REVIEW 2023

Equities

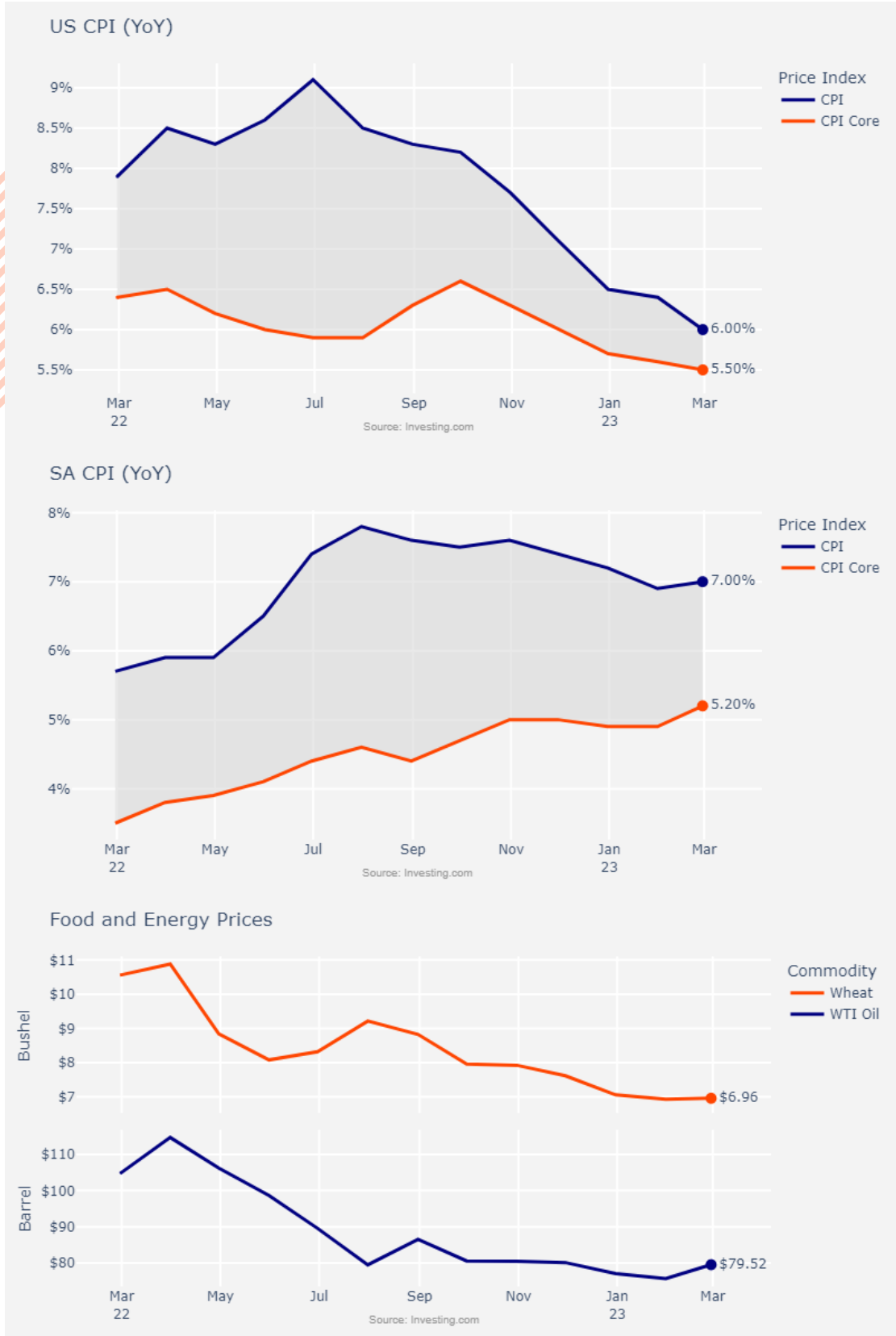
- After experiencing high levels of intra-month volatility, both developed and emerging offshore markets delivered a positive return for March in Dollar terms.
- Our local market was down a bit more, ending the month on a less positive note, but also saw some recovery towards the end of the month following the jitters felt globally.
- Uncertainty surrounding interest rates is still the leading cause of current market volatility, however concerns about the banking sector also caused some alarm—these concerns appear to be largely business-specific, however it did manage to tame some of the hawkish sentiment of the US Fed and may lead to lower rates going forward.
- Equity fundamentals still appear attractive, with local valuations remaining low, and offshore markets becoming cheaper in spite of their recent positive returns as earnings forecasts improve. These present good opportunities going forward, regardless of short-term volatility, which we believe could still be prominent.



MONTHLY REPORT

MARCH - END REVIEW 2023

Inflation





MONTHLY REPORT

MARCH - END REVIEW 2023

Inflation

- US inflation remains a hot topic as it ultimately dictates what global interest rates will look like, but the latest print in March appears to confirm the downtrend observed in both headline and core US inflation.
- Although still elevated, the trajectory indicates that the actions of the US Fed are working as intended to bring prices down.
- Food and energy prices remained under control during March, placing less pressure on the cyclical component of inflation.
- Local inflation remains elevated in South Africa, and increased again slightly over March. Much of South Africa's inflation is largely out of our control, as our reliance on imports means that we are sensitive to global factors as well as a weakening exchange rate.
- South African interest rates were increased by a larger than expected 50 basis points in March, which helped to strengthen the Rand and to protect against global price factors.
- Although heightened interest rates do cause some pain in financial markets, South African rates must keep up with developed markets to ensure currency stability.
- The US has been approaching the end of its interest rate hiking cycle and recent concerns regarding their regional banking sector has made the Fed more aware of the effects of high interest rates. Naturally, as the US start to ease rate hiking in the near future, South Africa will follow suit.

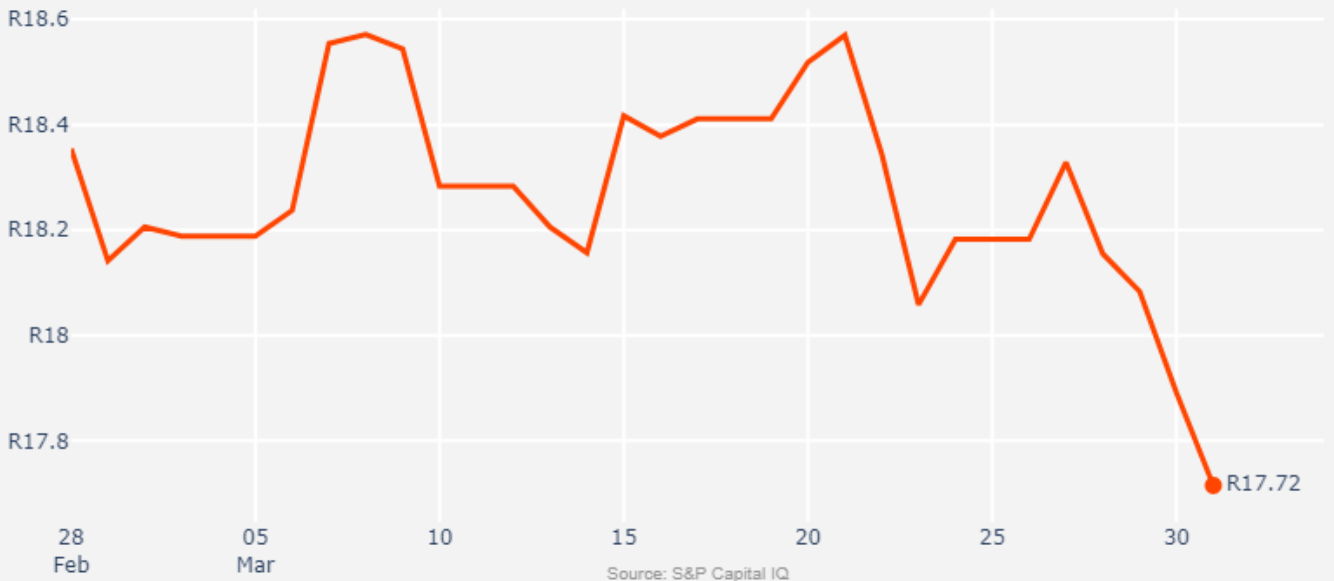


MONTHLY REPORT

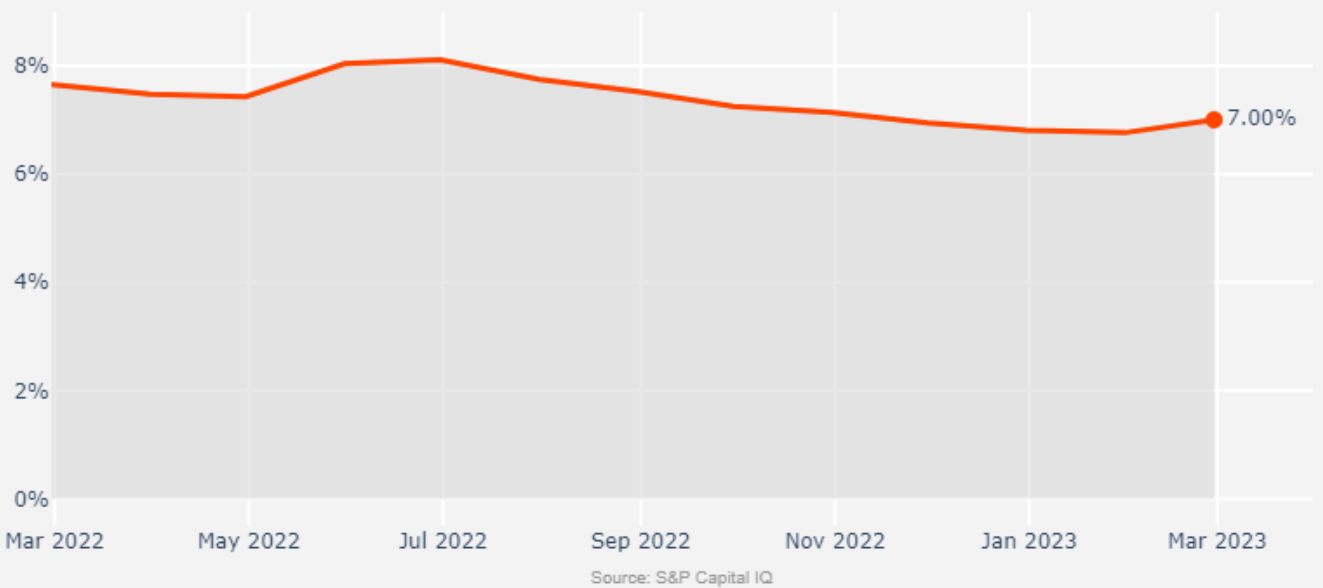
MARCH - END REVIEW 2023

Local vs US Economy

ZAR/USD Exchange Rate



SA-US 10y Bond Spread





MONTHLY REPORT

MARCH - END REVIEW 2023

Local vs US Economy

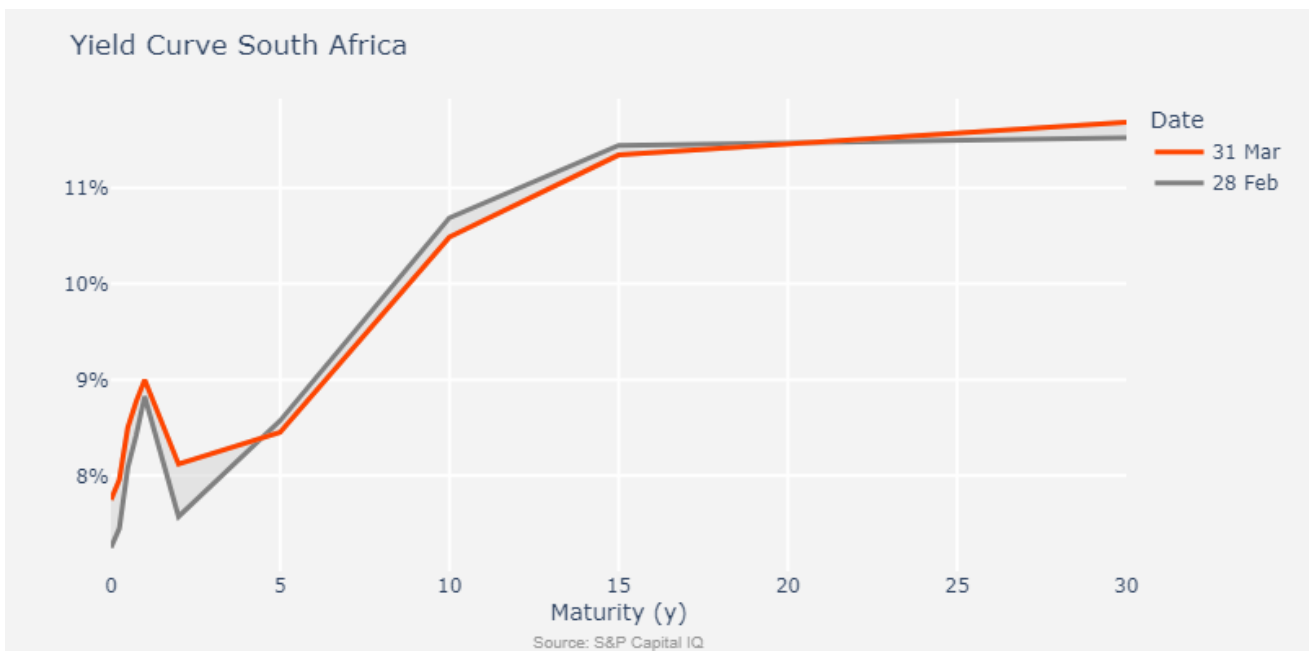
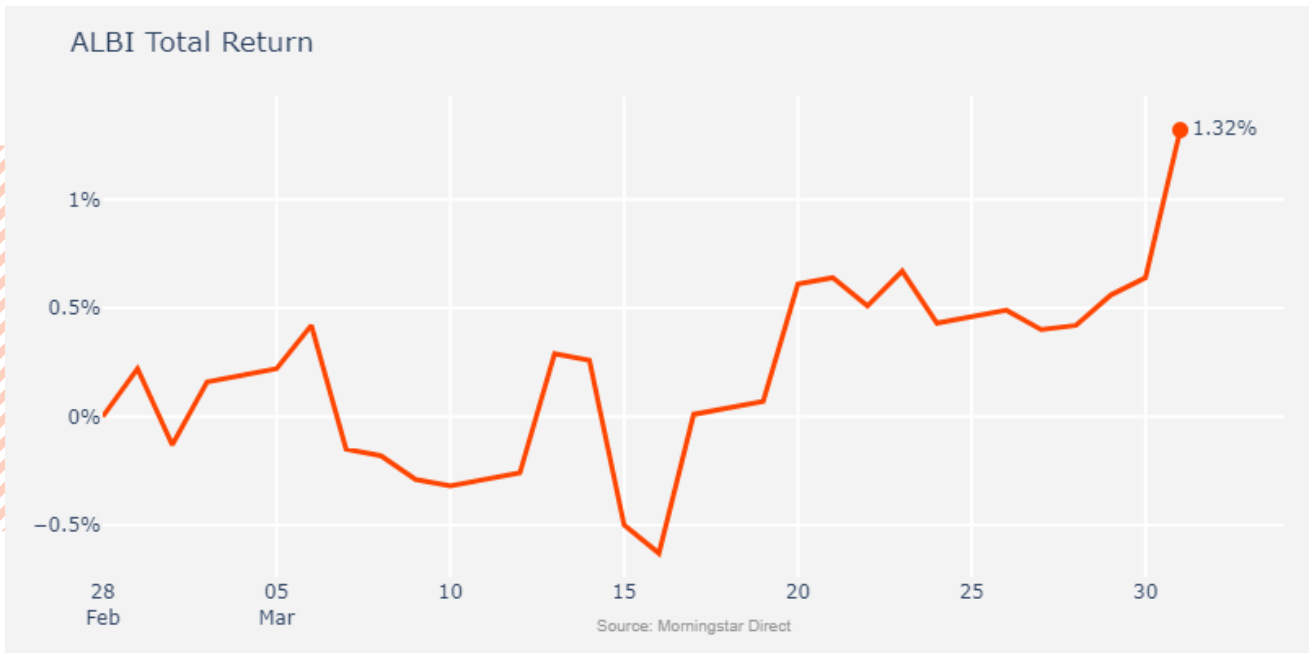
- The Rand strengthened in March after the SARB raised our rates by 50 basis points—25 basis points more than the US Fed for the month.
- South African-US bond spreads still remain attractive, with investors being compensated with an extra 7% yield for holding South African 10 year bonds versus US 10 year bonds.
- The high relative real yield is even more attractive to foreign investors after our interest rate hike and would result in foreign capital flowing into our local markets, as reflected by the strengthening Rand.



MONTHLY REPORT

MARCH - END REVIEW 2023

Bonds



- South African bonds had a great March, with the All Bond Index getting a strong kick toward the end of the month.
- On our yield curve, the long-end sold off slightly, while shorter- to medium-end bonds had a strong rally.
- The steepening yield curve is providing opportunity in long-term maturity bonds again, especially for underlying active income managers.