

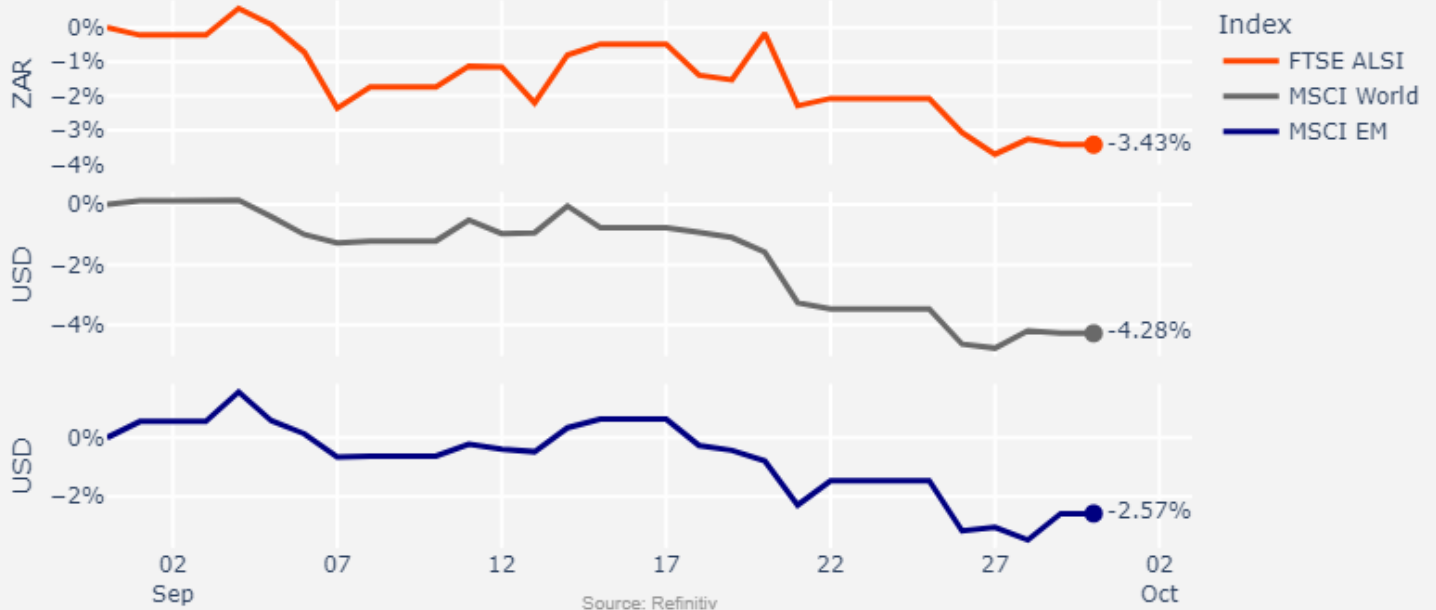


MONTHLY REPORT

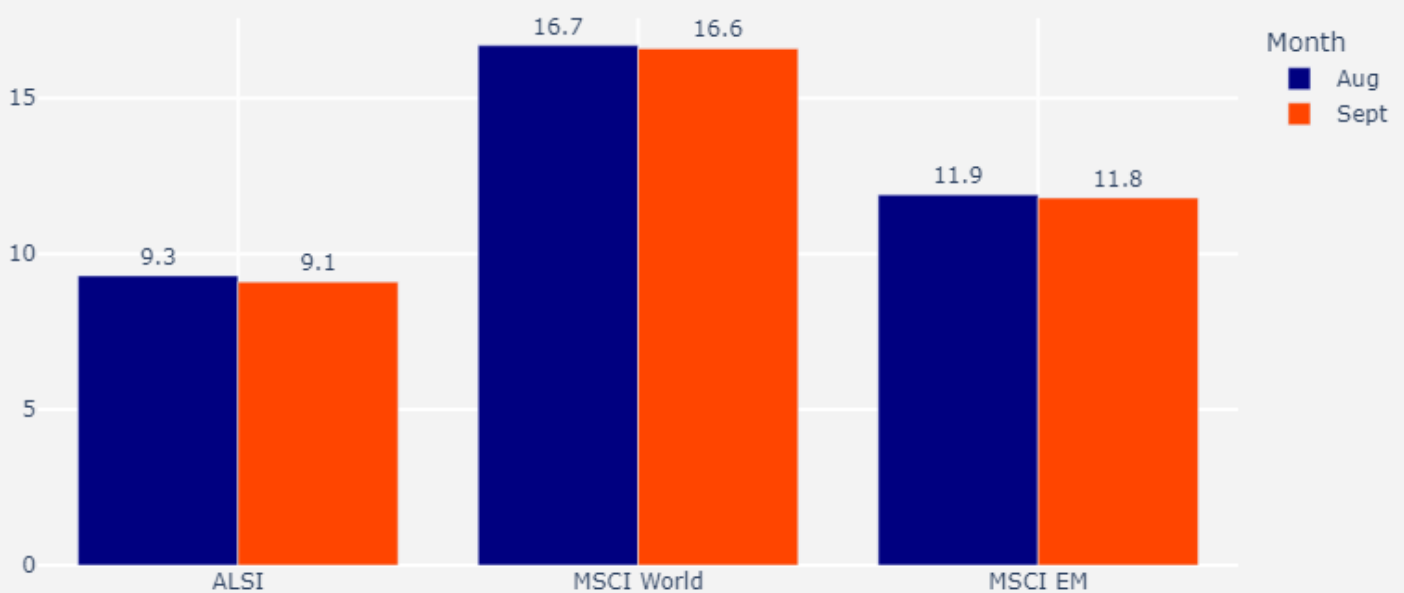
SEPTEMBER - END REVIEW 2023

Equities

Total Return



Forward P/E





NEW ROAD CAPITAL
INVESTMENT MANAGEMENT

MONTHLY REPORT

SEPTEMBER - END REVIEW 2023

Equities

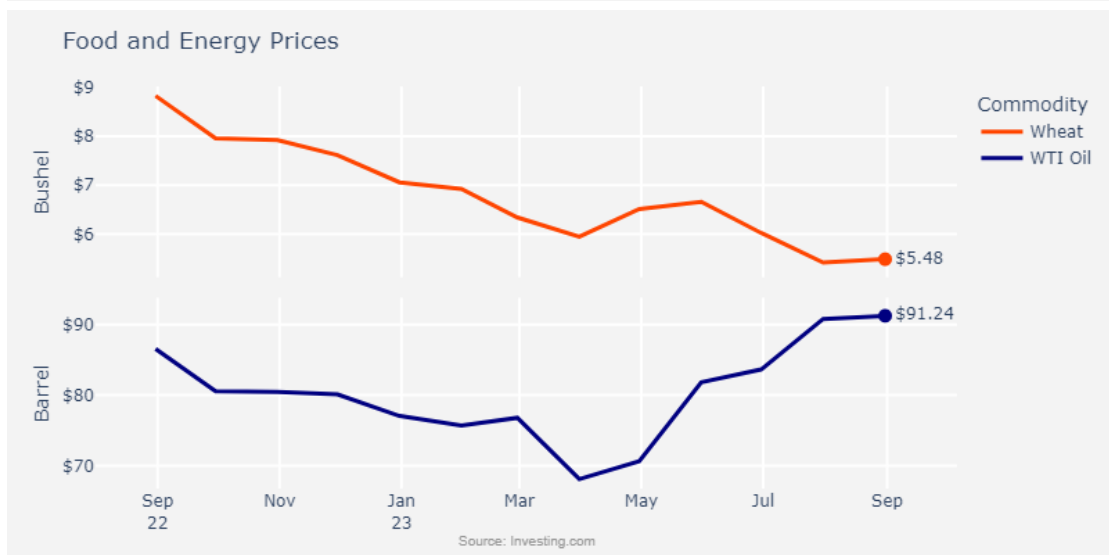
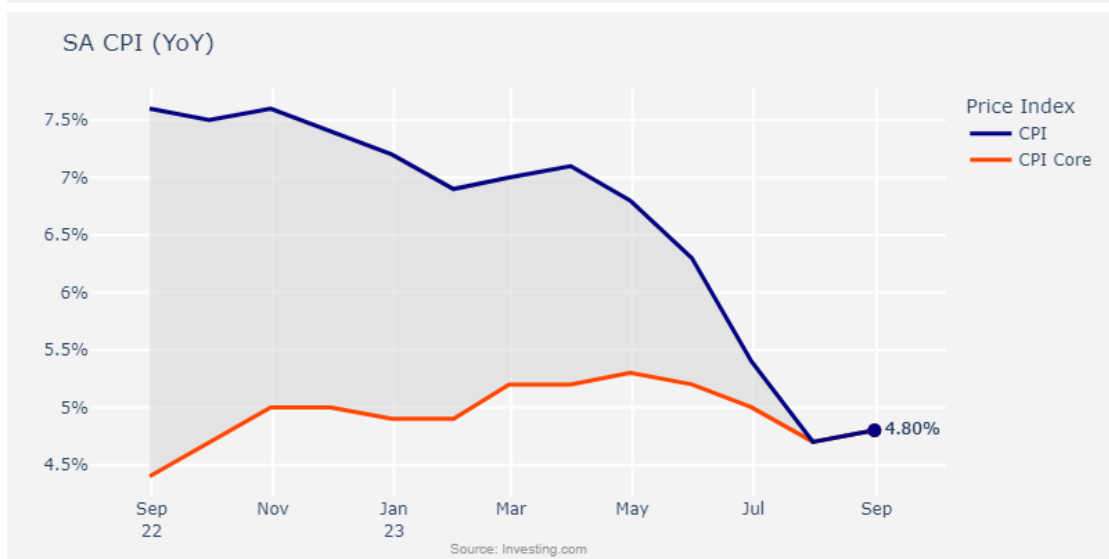
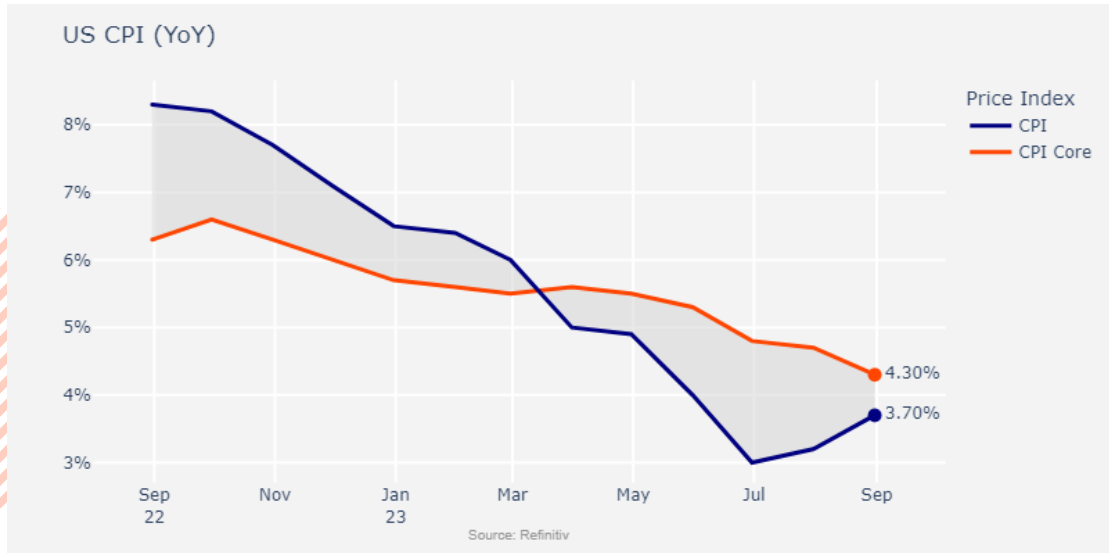
- Although there are reasons to be bullish for the long-term, markets can become volatile in the shorter term, and September was one of those months where most asset classes were sold off.
- The noise of September is likely nothing to be worried about, as no structural shift has changed long-term expectations.
- A likely explanation for the poor performance of September was the latest inflation prints coming out of the developed world: while still under control, US inflation has ticked up slightly and this has given more popularity to the idea of interest rates staying elevated for extended periods.



MONTHLY REPORT

SEPTEMBER - END REVIEW 2023

Inflation





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MONTHLY REPORT

SEPTEMBER - END REVIEW 2023

Inflation

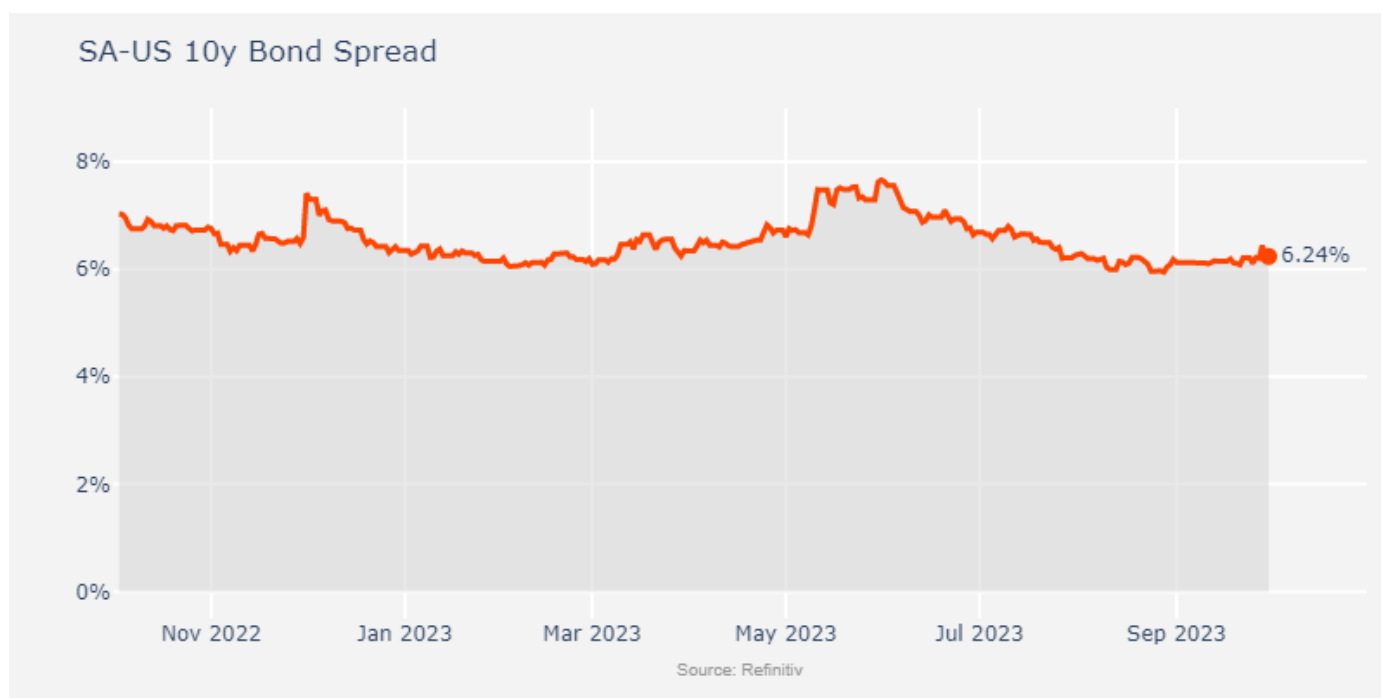
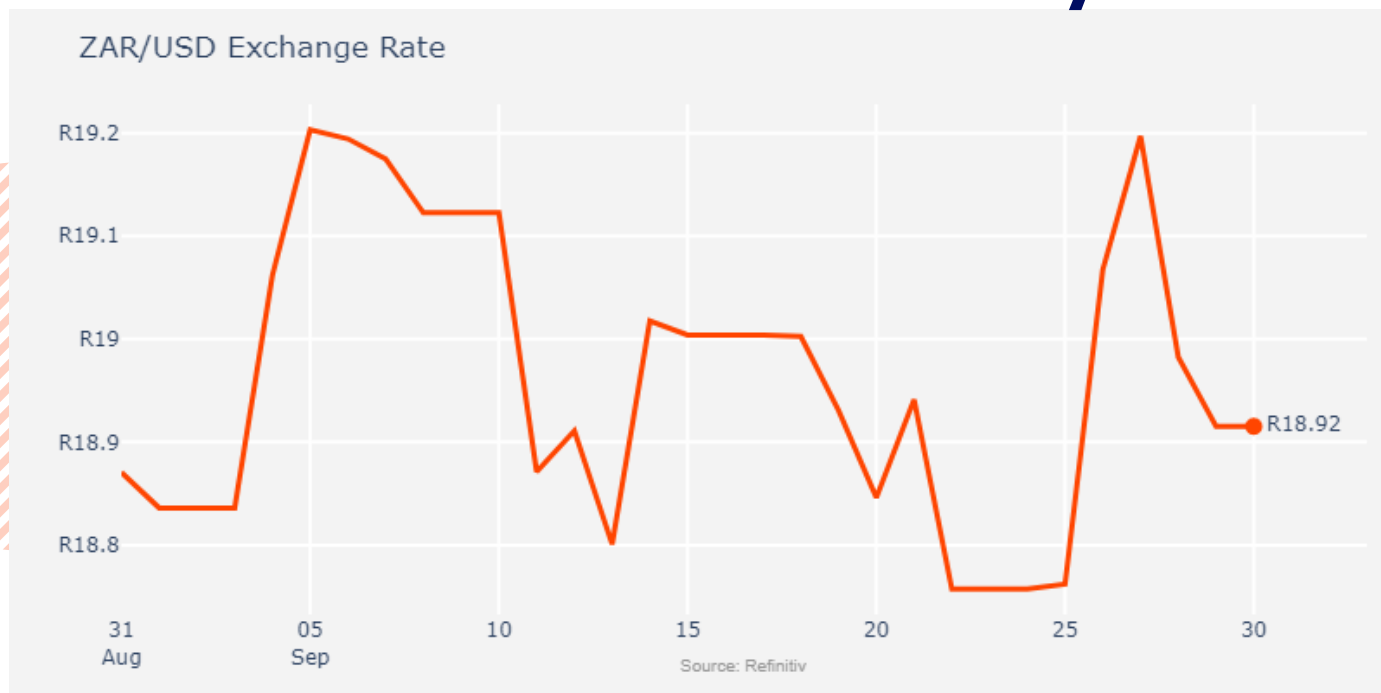
- US headline inflation continued slightly upward in September, away from the target of 2% set by the US Fed; however, it is still a long way from the highs of above 9% last year.
- As inflation is taking longer to reach the target, interest rates are likely to come down later than what was initially forecasted.
- It is now anticipated that rates will not necessarily rise much more, if at all, but that they will stay normalised for a while longer.
- In the long term, higher interest rates could be positive if the underlying economy also remains strong—which is the case in the US—as this has historically been good for asset class returns.
- South African prices are still under control, being close to the mid-range of our 3–6% target for inflation. In this respect, South Africa is ahead of the US in bringing inflation fully under control.



MONTHLY REPORT

SEPTEMBER - END REVIEW 2023

Local vs US Economy



- The Rand was very volatile through September but ended the month fairly flat with little net movement.

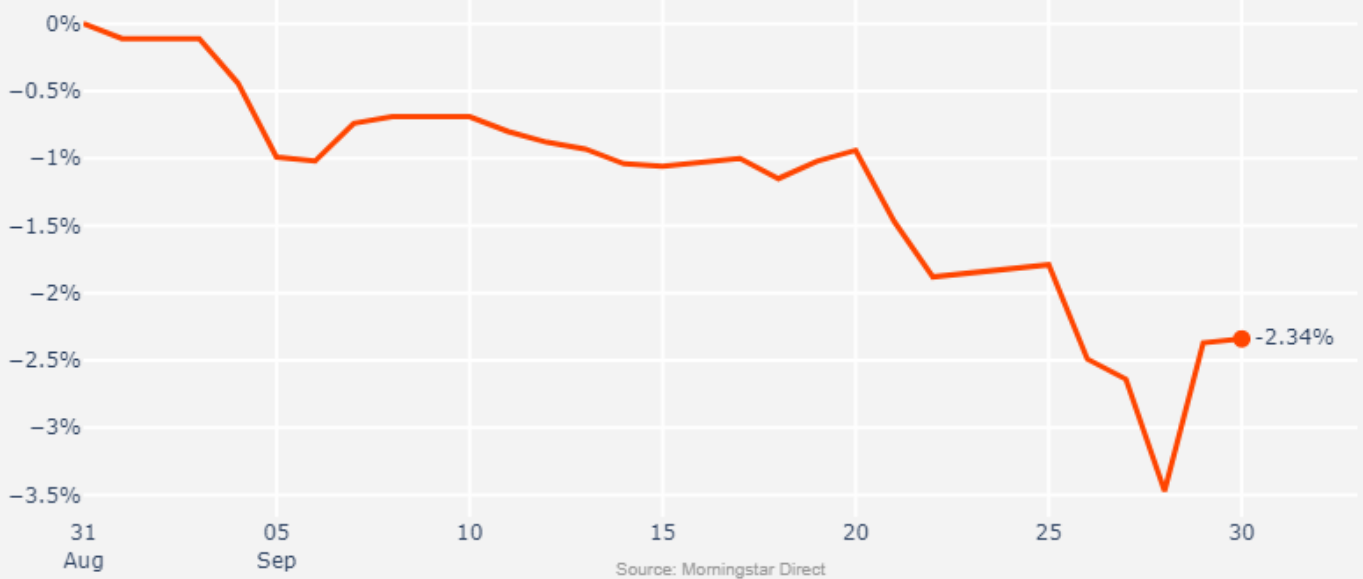


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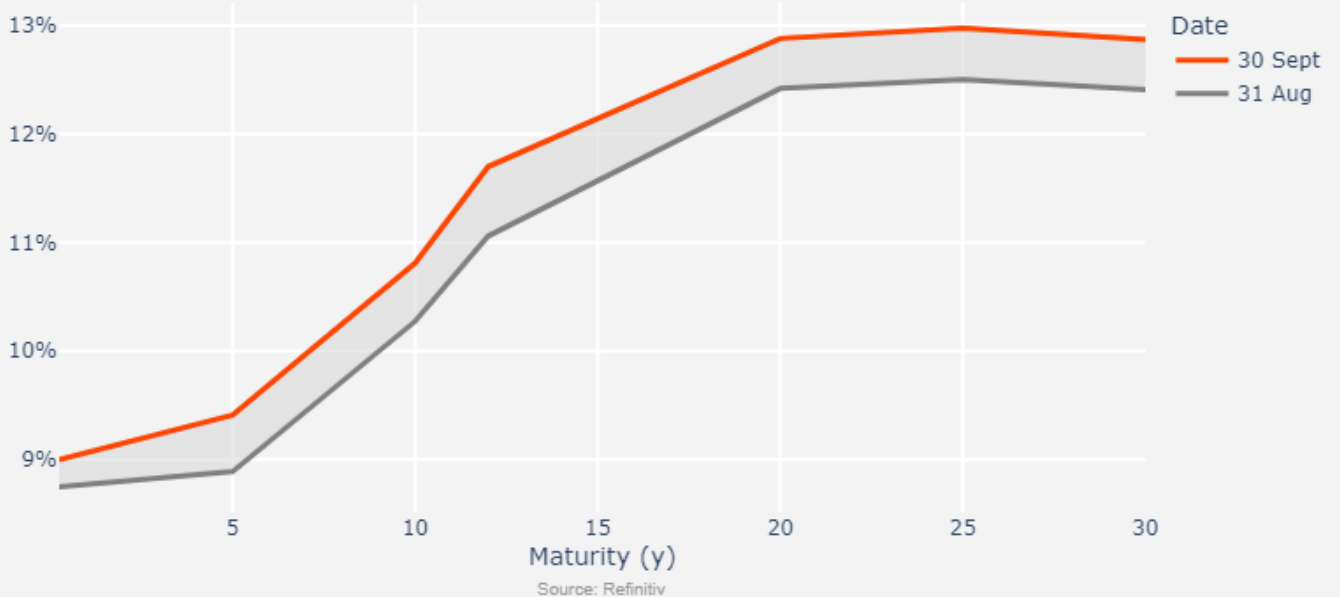
SEPTEMBER - END REVIEW 2023

Bonds

ALBI Total Return



Yield Curve South Africa



- Local bonds also came under pressure in September as was the case with equities.
- Overall, there was a lot of volatility in September which gave an opportunity for rebalances, but fundamentally long-term views remained unchanged.