

Live with confidence

Investments

H2 FUND UPDATE 2022





balanced

Agenda

- Market moves and building block performance
- Initial positioning and performance
- Valuation update
- Current positioning and thinking going forward

Confidence Rule 47:

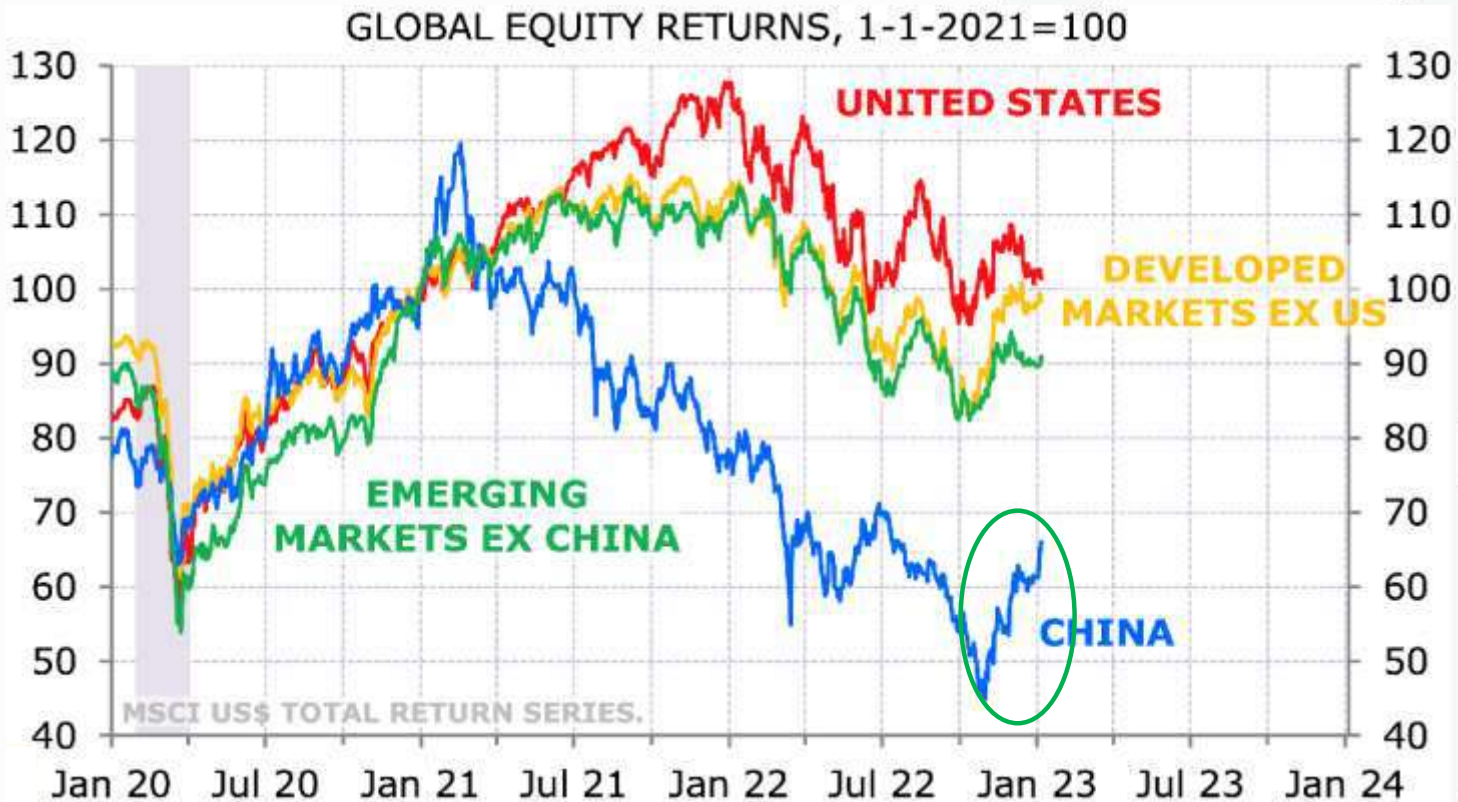
**A SUSTAINABLE FUTURE
IS THE BEST LONG-TERM
INVESTMENT YOU CAN MAKE**

Foreign asset class returns



Source: Bloomberg, USD total returns, SIM – Jan 2023

The China effect



Local asset class returns



Source: Bloomberg, ZAR total returns, SIM – Jan 2023

Foreign equity building block added value



Source: Bloomberg, ZAR total returns, SIM – Jan 2023

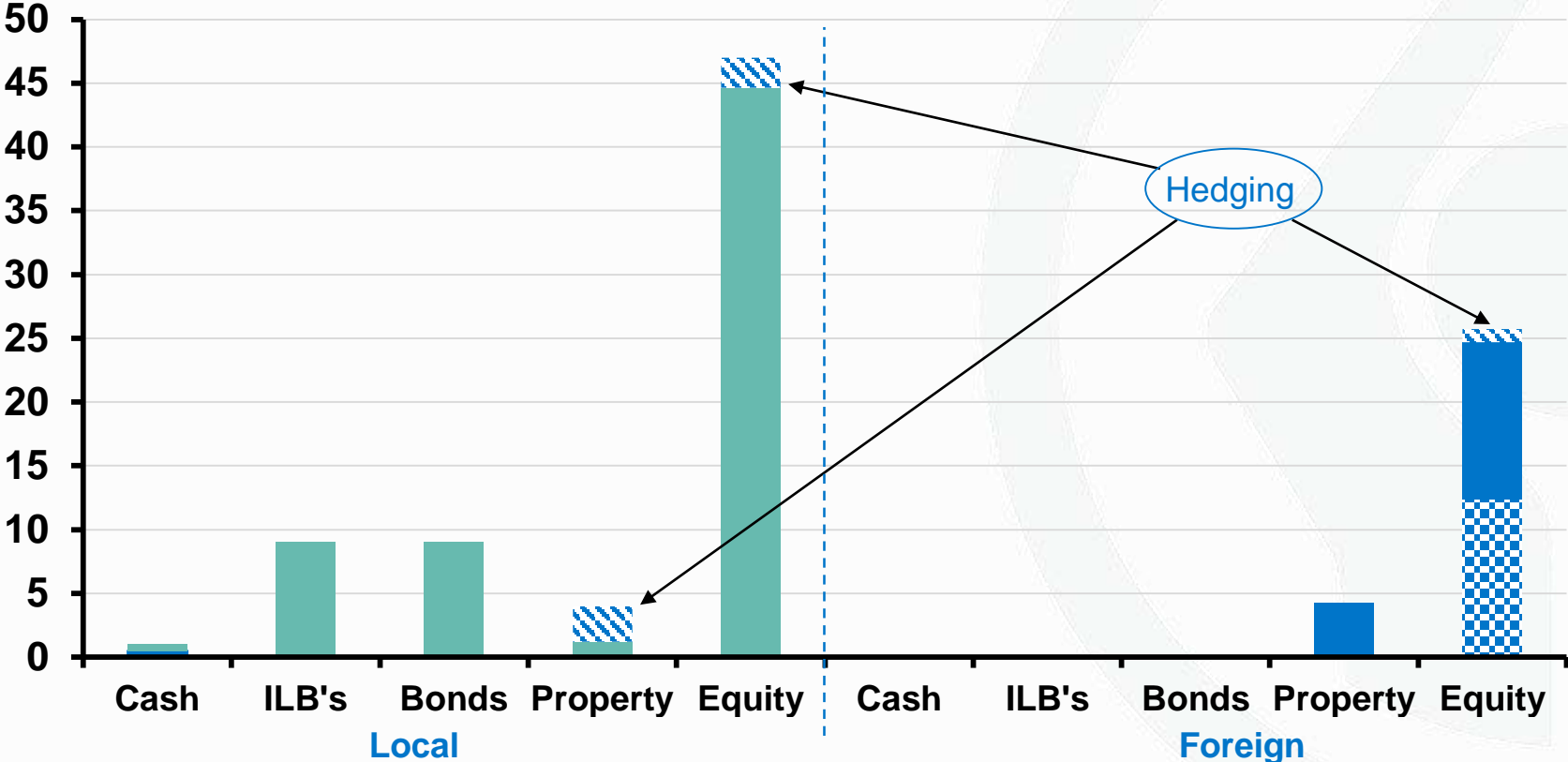
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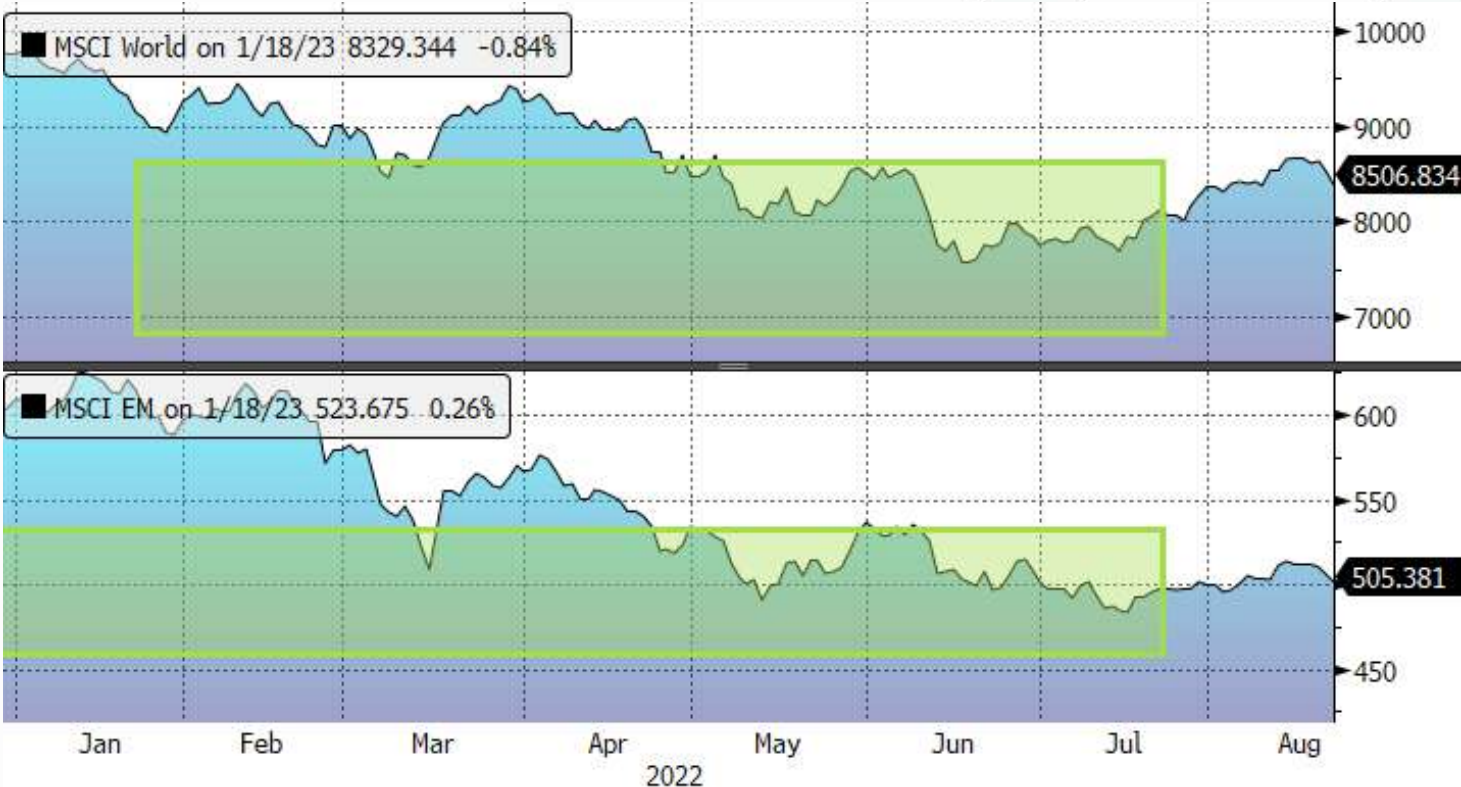
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'Entry' positioning



Hedging performance – ‘banked’ hedges



Contributions to returns

Fund contributions 12 months to end December 2022

Sector	Contribution	Building block alpha*
SA Fixed Interest	0.55%	0.29%
SA ILB's	0.26%	0.42%
SA Property	0.04%	0.40%
SA Equity	2.76%	1.28%
International	-2.89%	
- Foreign Equity	-2.24%	4.63%
- Foreign Property	-0.62%	-0.03%
TOTAL PORTFOLIO	0.89%	

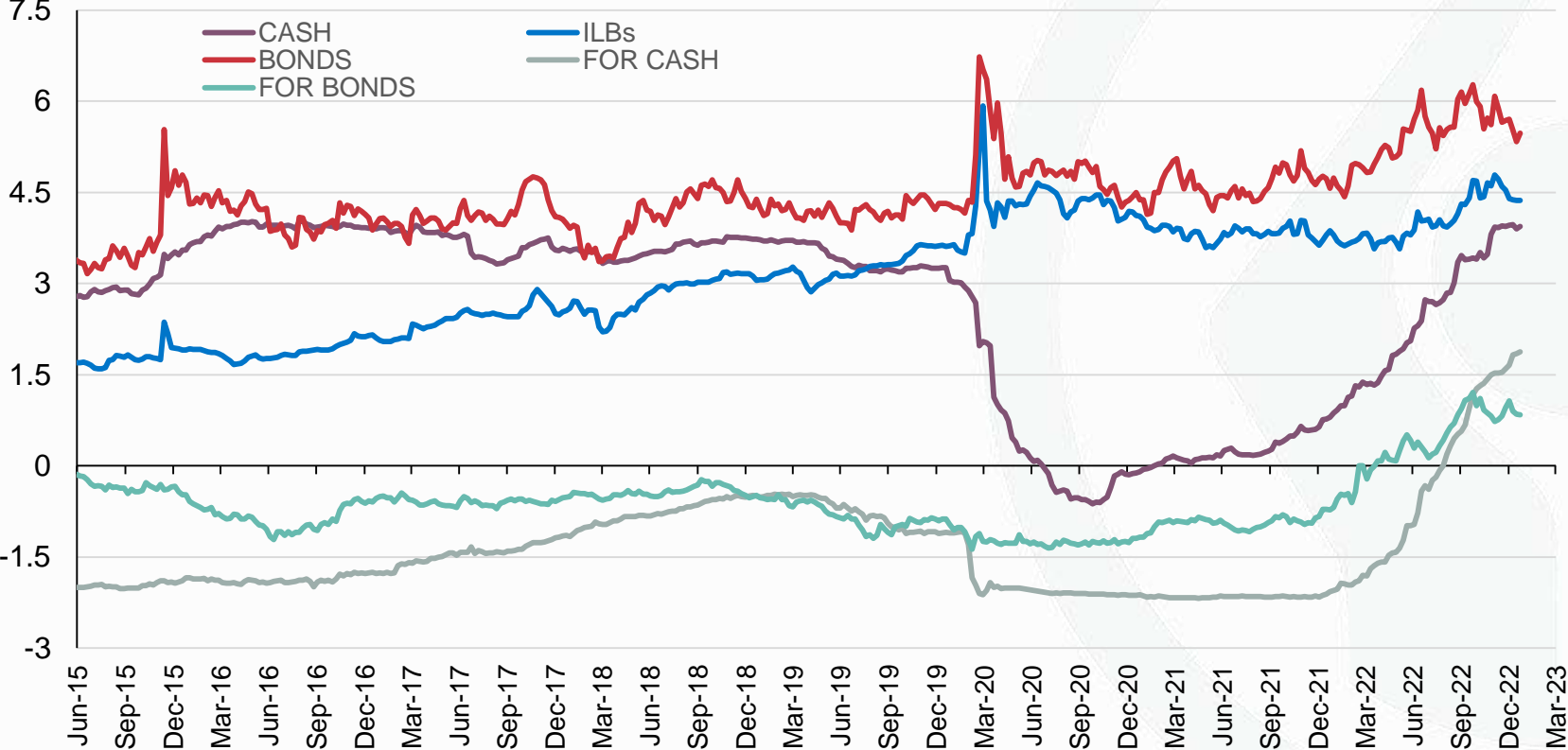
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Fixed interest assets – indicative real yields



Source: IRESS, SIM – Jan 2023

Local property prospective returns

EXIT FAD YIELD

4 YEAR FAD GROWTH (CAGR)

	7.4%	7.7%	7.9%	8.2%	8.4%
-5.8%	9.4%	8.9%	8.3%	7.8%	7.3%
-4.8%	10.3%	9.8%	9.2%	8.7%	8.2%
-3.8%	11.2%	10.6%	10.1%	9.5%	9.0%
-2.8%	12.1%	11.5%	11.0%	10.4%	9.9%
-1.8%	13.0%	12.4%	11.8%	11.3%	10.8%

Fwd FAD yield 9.4%

Local equity price to intrinsic value

JSE SWIX Index



Foreign property prospective returns

EXIT FAD YIELD

4 YEAR FAD GROWTH (CAGR)

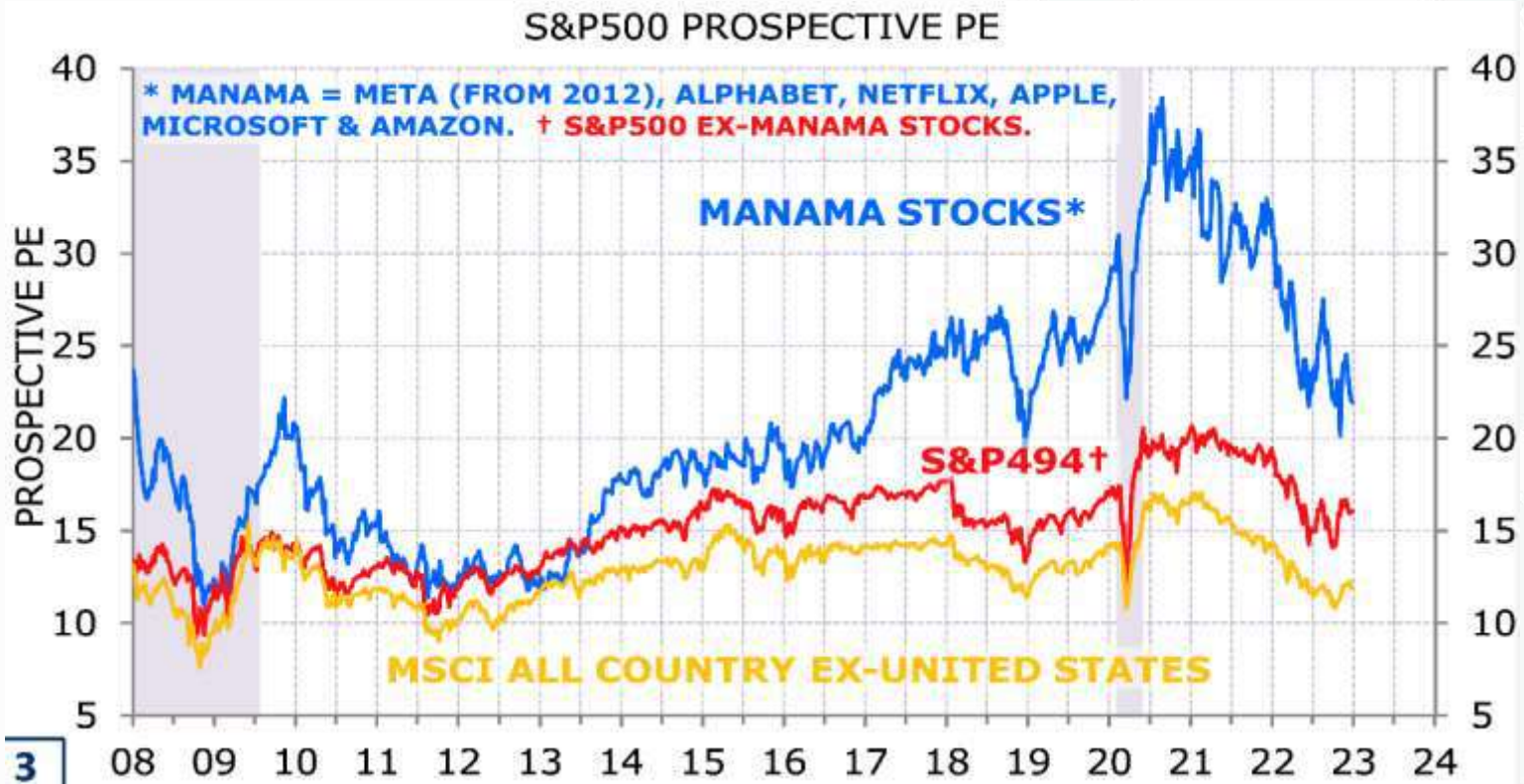
	5.3%	5.5%	5.7%	6.0%	6.3%
3.0%	8.1%	7.2%	6.4%	5.6%	4.9%
3.5%	8.7%	7.8%	7.1%	6.2%	5.5%
3.9%	9.2%	8.3%	7.5%	6.7%	5.9%
4.5%	10.0%	9.1%	8.3%	7.4%	6.7%
5.0%	10.6%	9.7%	8.9%	8.0%	7.3%

Fwd FAD yield = 4.6%

Foreign equity snapshot

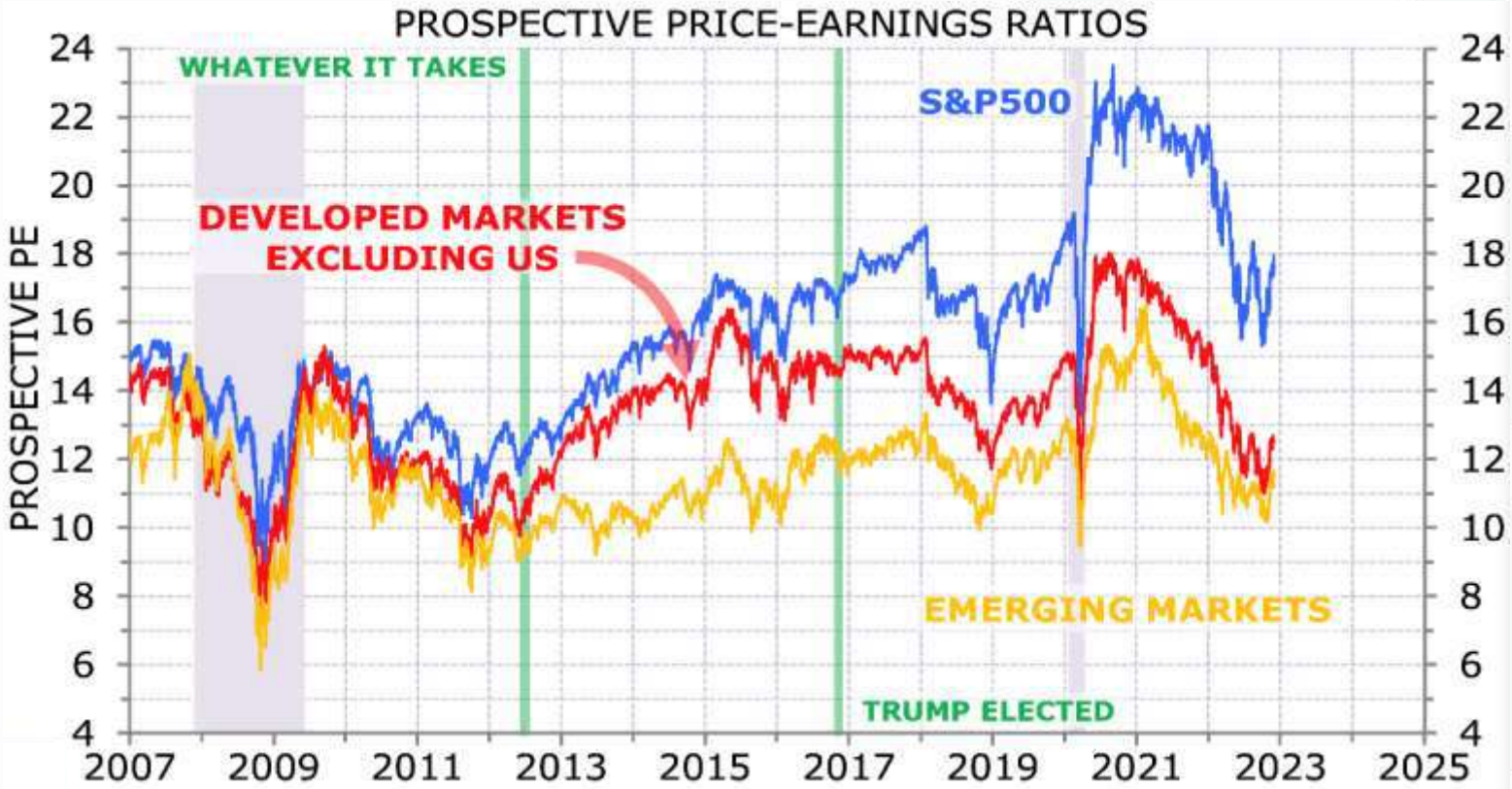


Foreign equity – prospective PEs



Sources: MSCI, Bloomberg, IBES/DataStream, NBER, Minack Advisors – Jan 2023

Foreign equity – prospective PEs



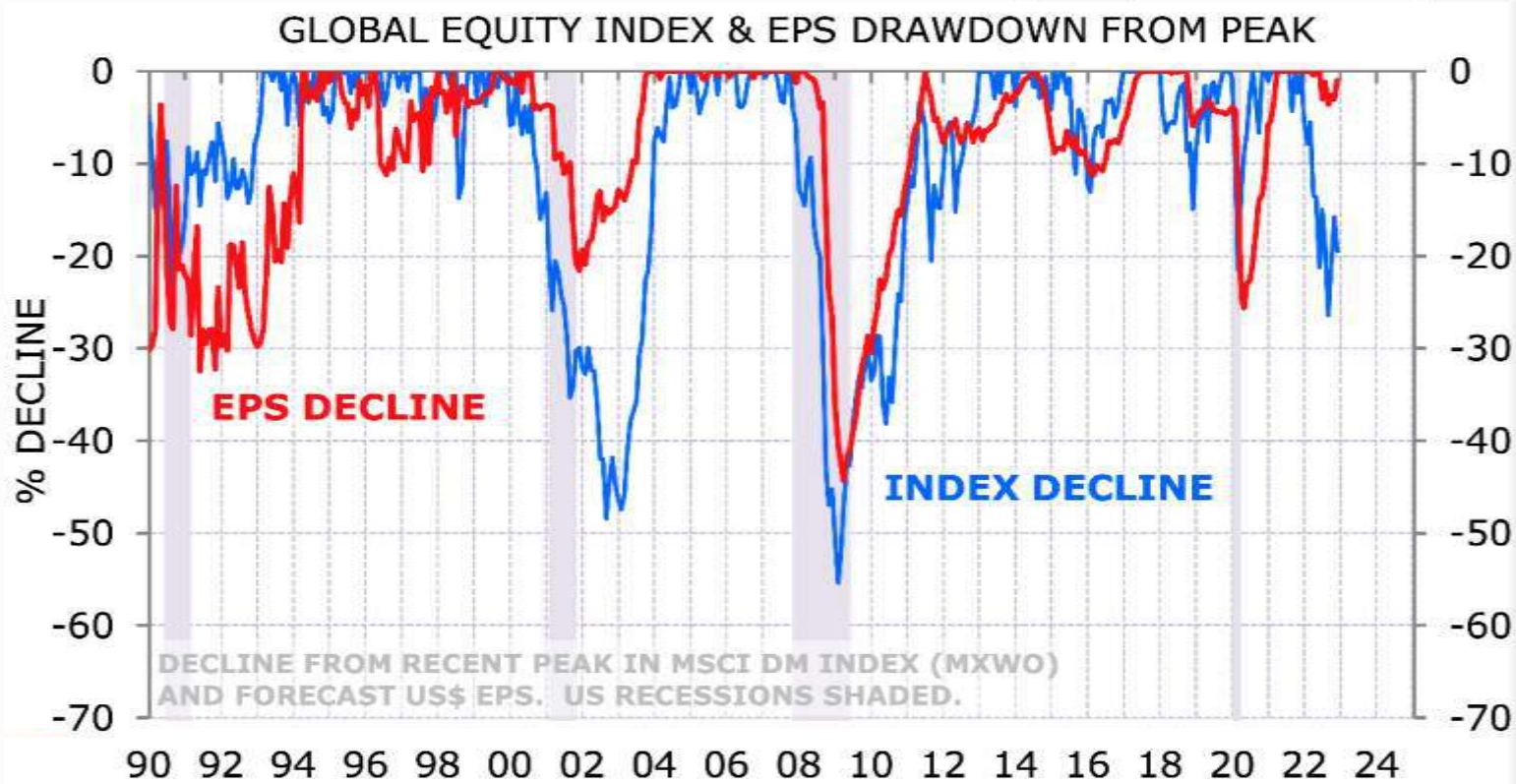
Sources: MSCI, Bloomberg, IBES/DataStream, NBER, Minack Advisors – Jan 2023

Foreign equity – prospective PEs



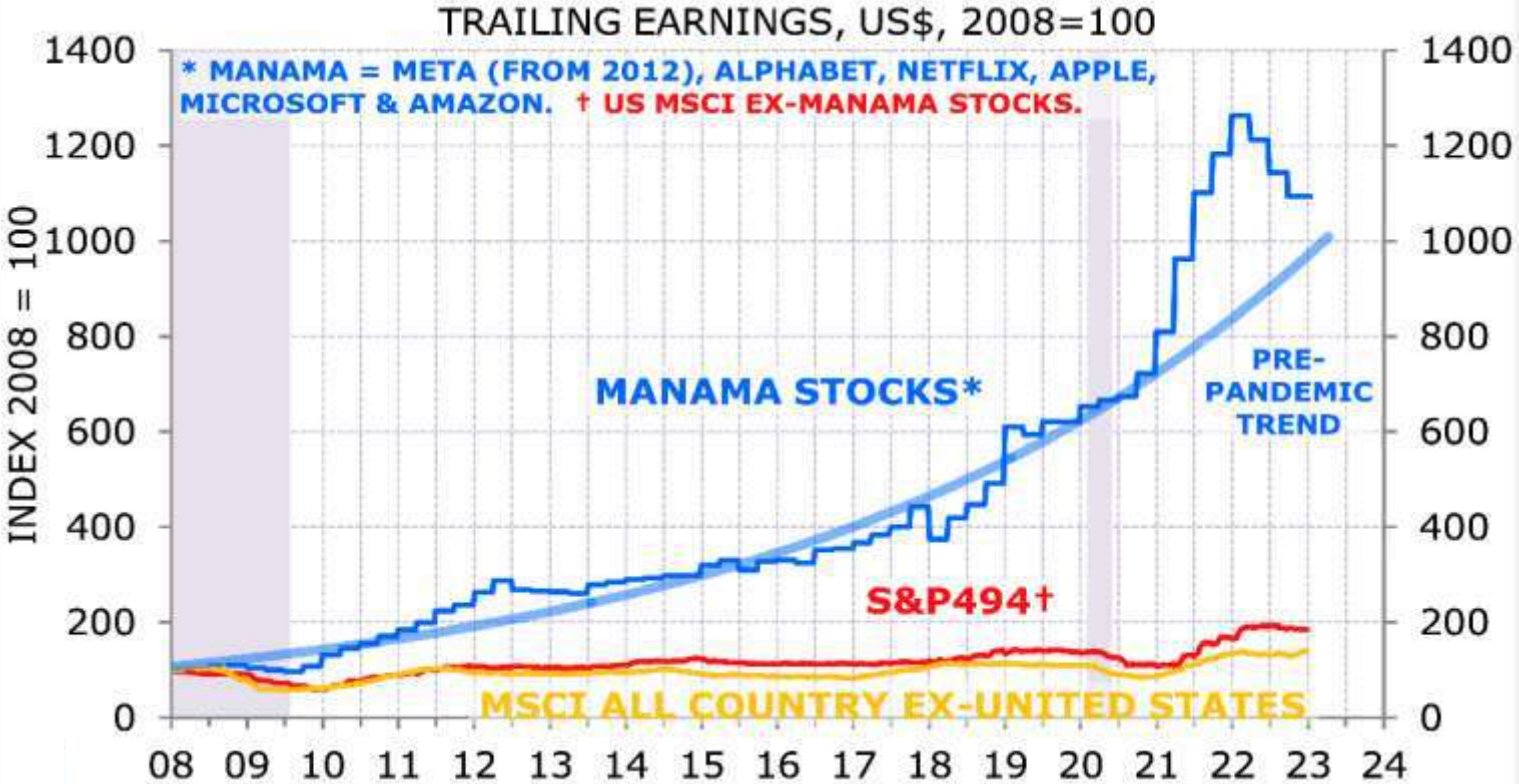
Sources: MSCI, Bloomberg, IBES/DataStream, NBER, Minack Advisors – Jan 2023

Foreign equity – *How much will EPS fall?*



Sources: MSCI, Bloomberg, IBES/DataStream, NBER, Minack Advisors – Jan 2023

Foreign equity – Tech earnings...



Sources: MSCI, Bloomberg, IBES/DataStream, NBER, Minack Advisors – Jan 2023

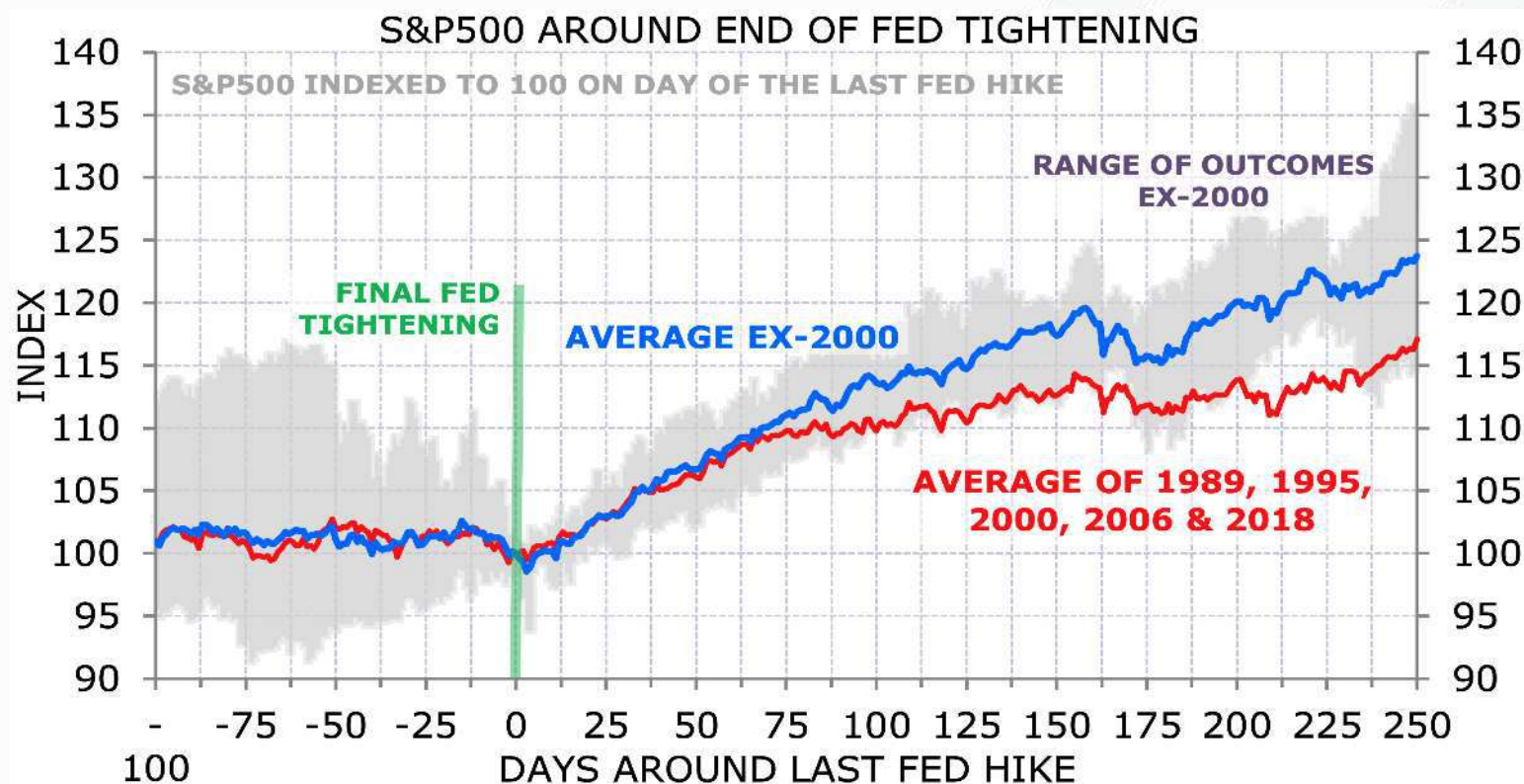
But, will markets fall?

- Where **yields** and **inflation** settles is critical
- Most widely **anticipated** recession ever – so market looking through it?
- Markets always **forward looking** – even more so now than normal
- Inflation will/should assist nominal earnings
- Good news from **China**:
 - Covid reopening, support for property sector
 - Hints of less hostility to the technology sector
 - Moves to improve foreign relations (e.g. ending embargo on some Australian exports)
- Good news from **Europe**:
 - Energy crunch has eased, and energy prices are falling
 - European macro data surprising to the upside
 - Europe's widely expected recession perhaps been avoided or delayed

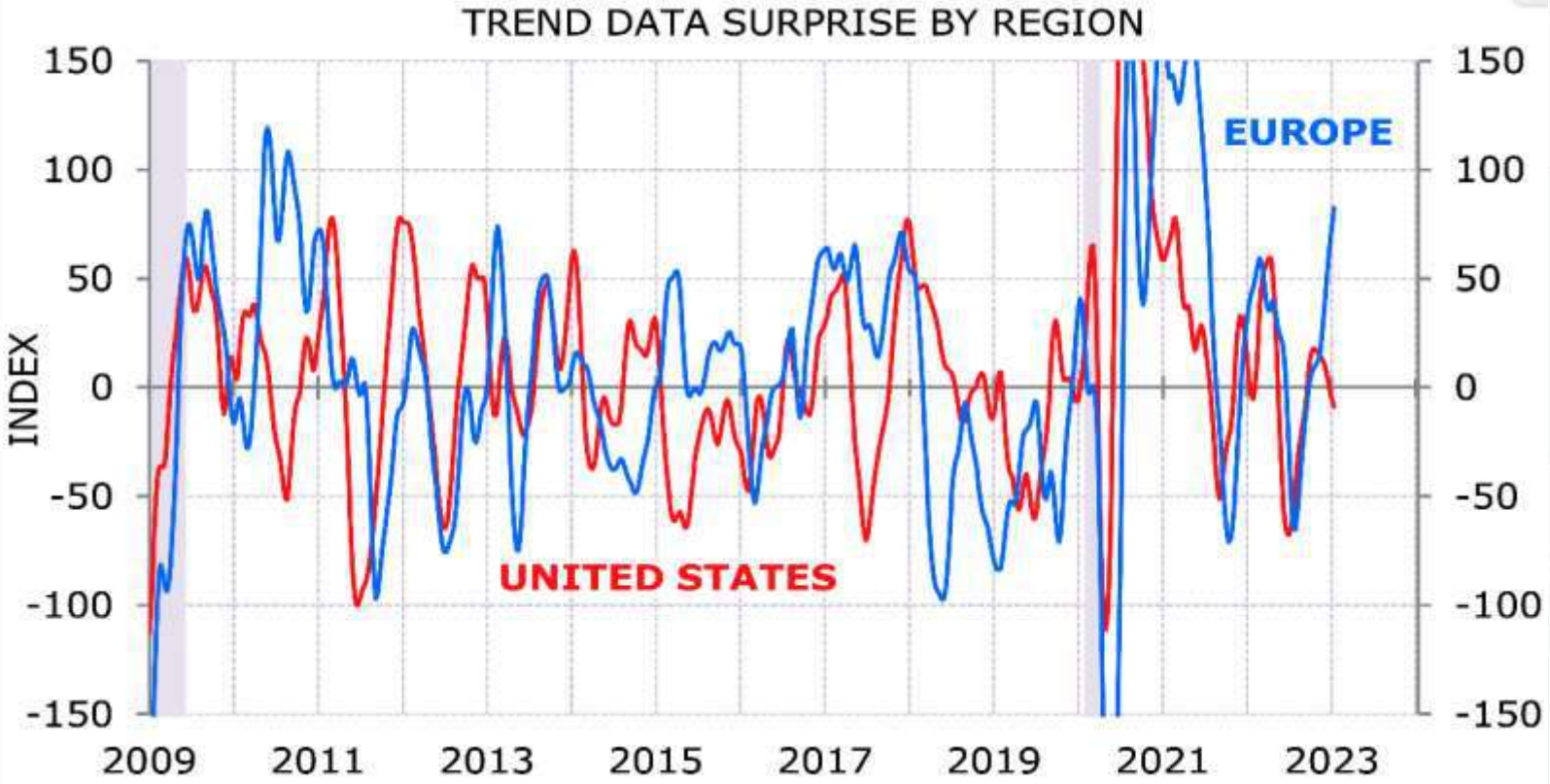
Inflation expectations – *easing pressure on yields*



What happens when tightening stops?



Positive recent European surprises



Source: BLS, Bloomberg, NBER; Minack Advisors – Jan 2023

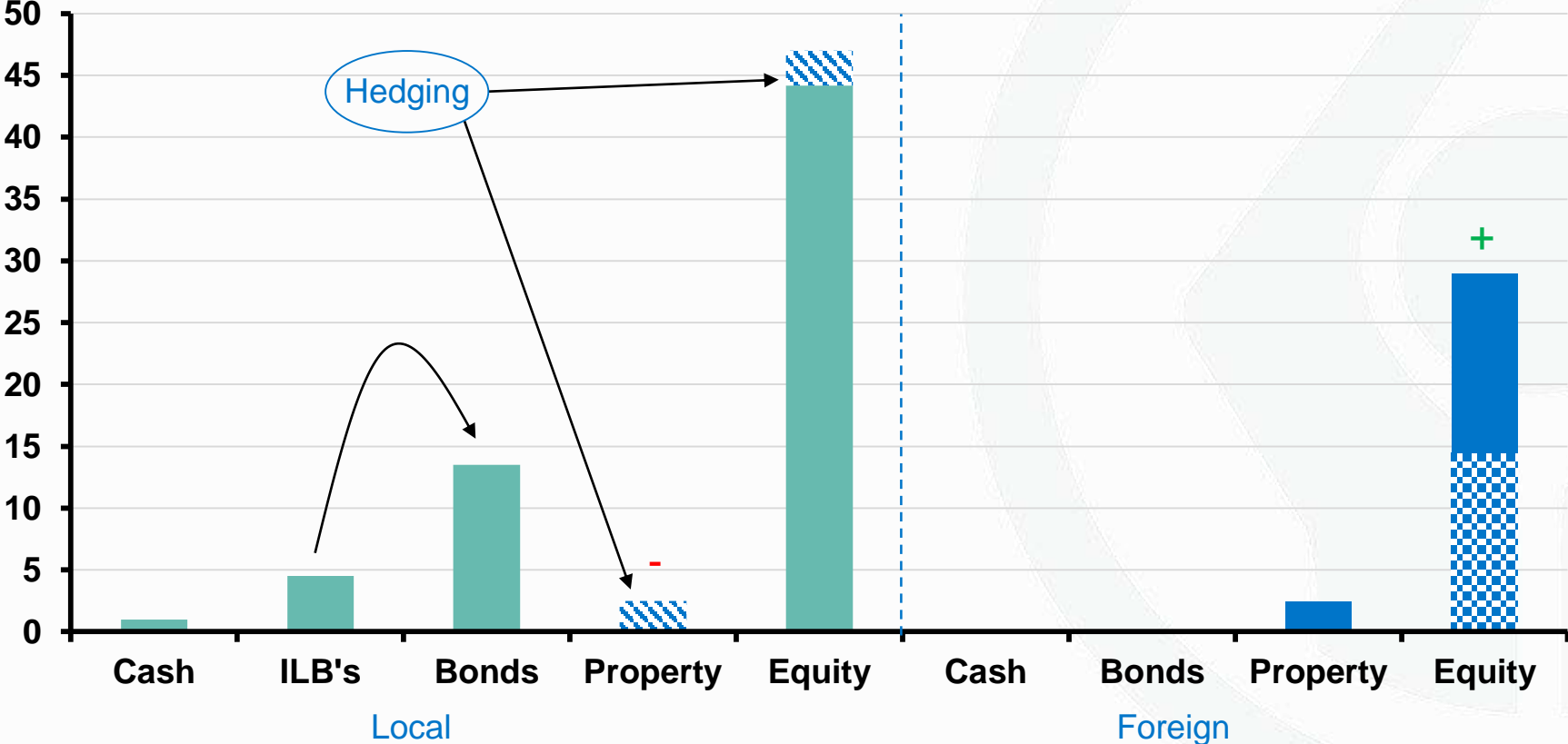
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Current positioning



Source: Statpro, SIM – Jan 2023

Local hedging in a good position





thank you 

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