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# Market Commentary

Quarterly Report  
Ending December 2023



## MARKET COMMENTARY ENDING DECEMBER 2023

### SOUTH AFRICAN MARKETS

The fourth quarter of 2023 was a positive one for South African markets, as they benefited from the global rally in equities and bonds. The optimism was driven by the expectations that the US Federal Reserve (Fed) would soon cut interest rates to support the slowing US economy and inflationary pressures begin to ease. The Fed's dovish stance also boosted emerging markets, which had suffered from higher US rates and a stronger US dollar in previous quarters.

The FTSE/JSE All Share Index gained 6.9% in Q4. The best performing sectors were information technology, consumer

discretionary and industrials, while the worst performers were energy, materials and utilities. The rand also appreciated against the US dollar over the quarter, ending the year at R18.28/USD, from R18.92/USD at the end of Q3. <sup>v</sup>

The South African economy showed some signs of recovery in Q4, after contracting by 0.2% quarter-on-quarter in Q3. The inflation rate eased to 5.5% in November, from 5.9% in October, staying within the South African Reserve Bank's (SARB) target range of 3%-6%, but still above the midpoint target. The SARB kept its repo rate unchanged at 8.25% in Q4, balancing the need

to support growth and contain inflation. <sup>ii) b</sup>

The outlook for 2024 remains uncertain, as the South African economy faces several challenges, such as the fiscal and debt sustainability issues, power supply constraints, and the social and political instability due to the elections. However, some positive factors could also support the markets, such as the global economic recovery, the accommodative monetary policy stance of the Fed and the SARB point toward lower inflation and economic growth, and the structural reforms and infrastructure spending plans of the government.

### US MARKETS

US equities exhibited robust growth, propelled by the anticipation of impending interest rate reductions. The S&P 500 index closed the year just shy of its previous record high established in early 2022. <sup>v</sup>

During this period, the annual inflation rate in the US, as measured by the consumer price index, decelerated from 3.7% in September to 3.2% in October and further to 3.1% in November. <sup>iii) a</sup> The Federal Reserve's preferred gauge of inflation, the core personal consumption expenditure index, displayed

a milder-than-anticipated increase, rising by 0.1% month-on-month in November. Concurrently, the economic growth for Q3 was revised downward to an annualized rate of 4.9%, down from the earlier reported 5.2%. <sup>v</sup>

These data points reinforced the prevailing market consensus that the Federal Reserve has concluded its cycle of raising interest rates and is poised to shift towards rate cuts in 2024. Federal Reserve Chair Jerome Powell acknowledged the central bank's awareness of the risk associated with maintaining rates at restrictive levels

for an extended duration. Minutes from the Federal Open Market Committee's latest policy meeting revealed policymakers' expectations of year-end rates in the range of 5.25%-5.5%. <sup>ii) b</sup>

In response to the prospects of imminent rate cuts, US equities experienced a substantial rally. Sectors most responsive to interest rates, including information technology, real estate, and consumer discretionary, emerged as top performers. Conversely, the energy sector recorded a negative return, influenced by weaker crude oil prices during the quarter. <sup>ii) c</sup>

### EUROPEAN MARKETS

The European equity demonstrated resilience in the last quarter of the year, driven by optimism that interest rates might remain steady with no further increases. The performance of listed equities in Europe (as represented by

the MSCI EMU) saw a notable 7.8% gain, with real estate and information technology leading the way in top-performing sectors. However, healthcare and energy experienced negative returns, emerging as the main underperformers. <sup>v</sup>

This positive market trend was supported by subdued inflation figures in Europe, fuelling expectations that not only interest rates may have reached their peak, but there could also be rate cuts in 2024. Annual inflation in the European area declined

## MARKET COMMENTARY ENDING DECEMBER 2023

### EUROPEAN MARKETS (CONTINUED)

from 2.9% in October to 2.4% in November, a significant drop from the 10.6% rate recorded a year earlier. <sup>iii) a</sup>

The impact of higher interest rates on the economy was evident, with European GDP contracting by 0.1% quarter-on-quarter in Q3, according to Eurostat data. <sup>iii) b</sup> Additionally, the purchasing managers' index (PMI) for December fell to 47.0,

suggesting a likely contraction in the region's economy in Q4. (PMI readings below 50 indicate contraction, while those above 50 signal expansions.) <sup>iii) c</sup>

Amidst the anticipation of future rate cuts, most sectors experienced gains. Real estate thrived, driven by the prospect of lower debt costs, while IT stocks also performed well.

Economically sensitive sectors like industrials and materials posted strong gains. Conversely, the energy sector faced challenges due to weakened oil prices, and stock-specific factors weighed on the healthcare sector.

### EMERGING MARKETS

Despite facing early challenges, such as rising bond yields and the conflict in Gaza, between Israel and Hamas, impacting emerging market (EM) returns, Q4 of 2023 witnessed overall strength in EM equities, albeit trailing behind developed market equities. Positive indicators of a "soft landing" for the US economy and growing expectations of interest rate cuts in 2024 provided support. However, China continued to exert a drag on the broader EM performance. China's mixed economic data indicated a lacklustre recovery from the Covid-induced slowdown. In addition, Chinese equities continue to be negatively affected by regulatory overhang, particularly in the tech and gaming sector.

Poland emerged as the standout performer during the quarter, with markets responding positively to Donald Tusk's election as prime minister, leading a pro-EU liberal coalition government and ending the eight-year rule of the populist Law & Justice (PiS) party. Peru, Egypt, and Mexico also delivered robust double-digit returns in US dollars. <sup>v</sup>

Brazil's strong performance was fuelled by persistent signs of disinflation and the central bank's consequent reduction in policy rates. Taiwan's equities performed well, benefiting from strong returns in certain tech-related stocks and resilient tech exports. Korea also experienced a rally, driven by strong tech-

related performance. Hungary, Colombia, and Greece all saw positive gains. India exhibited strong gains amid moderating inflation.

Although Saudi Arabia slightly outperformed the index, other markets lagged behind. Kuwait, UAE, China, and Turkey recorded negative returns. The ongoing real estate crisis and concerns about potential gaming regulations adversely affected sentiment later in the quarter. Despite a seemingly shift towards a more orthodox monetary policy with several interest rate hikes, Turkey performed the worst in the EM index, grappling with inflation rates exceeding 60%. <sup>v</sup>

### FUNDS ON THE OUTVEST PLATFORM

The last quarter of 2023 was a generally a good quarter for our funds. The rebound in global markets filtered through into our funds. Our funds performed very well when compared to peers. The OutModerate Index fund managed to outperform 81% of peers in December and 80% in the quarter. All our Multi-Assets funds outperformed their peers in the last quarter of 2023.

i. South African Markets

- a. Statement of the Monetary Policy Committee November 2023 (resbank.co.za)
- b. Economy | Statistics South Africa (statssa.gov.za)

ii. US Markets

- a. 12-month percentage change, Consumer Price Index, selected categories (bls.gov)
- b. Federal Reserve issues FOMC statement - December 13, 2023
- c. Markets rally on rate cut expectations | Capital Group

iii. European Markets

- a. Inflation and consumer prices (europa.eu)
- b. Statistics | Eurostat (europa.eu)
- c. Euro Area Composite PMI (tradingeconomics.com)

iv. Emerging Markets

- a. EM Bonds Are In Good Shape For 2024 | Seeking Alpha
- v. Infront Professional Terminal

OUTvest (Pty) Ltd is an Authorised FSP. All investments are exposed to risk and not guaranteed. Collective investment schemes are generally medium to long-term investments. The performance calculated for our portfolios and the individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Past performance is not necessarily a guide to future performance.

## GRANATE BCI MONEY MARKET B AND D COMPOSITE ENDING DECEMBER 2023

Peer Group: ASISA South African IB Money Market Morningstar Rating Overall - N/A	1 Month		3 Month		1 Year		2 Year		4 Year		6 Year	
	Return (Cumulative)	% of Peer Group Beaten	Return (Cumulative)	% of Peer Group Beaten	Return (Cumulative)	% of Peer Group Beaten	Return (Annualised) *	% of Peer Group Beaten	Return (Annualised) *	% of Peer Group Beaten	Return (Annualised) *	% of Peer Group Beaten
<b>Growth</b>	0.7	63	2.2	79	8.8	84	7.2	78	6.1	79	6.6	71
<b>Number of investments ranked</b>	53		53		52		50		44		39	

### INFLATION TARGET 3 YEARS TO END DECEMBER 2023

Annualised Performance	Annualised CPI	CPI Target	CPI Target in annualised percentage	Performance against inflation target
6.2%	6.1%	CPI	6.1%	101%

## 10X TOTAL WORLD STOCK FEEDER ETF ENDING DECEMBER 2023

Peer Group: ASISA Sector (South Africa) = (ASISA) Global EQ General Morningstar Rating Overall - N/A	1 Month		3 Month		1 Year		2 Year		4 Year		6 Year	
	Return (Cumulative)	% of Peer Group Beaten	Return (Cumulative)	% of Peer Group Beaten	Return (Cumulative)	% of Peer Group Beaten	Return (Annualised) *	% of Peer Group Beaten	Return (Annualised) *	% of Peer Group Beaten	Return (Annualised) *	% of Peer Group Beaten
<b>Growth</b>	1.3	26	7.7	58	30.1	63	6.3	64	-	-	-	-
<b>Number of investments ranked</b>	130		127		117		97					

# CORESOLUTIONS **OUTCAUTIOUS** INDEX O ENDING DECEMBER 2023

Peer Group: ASISA Sector  
(South Africa) = (ASISA) South  
Africa MA Low Equity  
Morningstar Rating Overall - ★★★★★

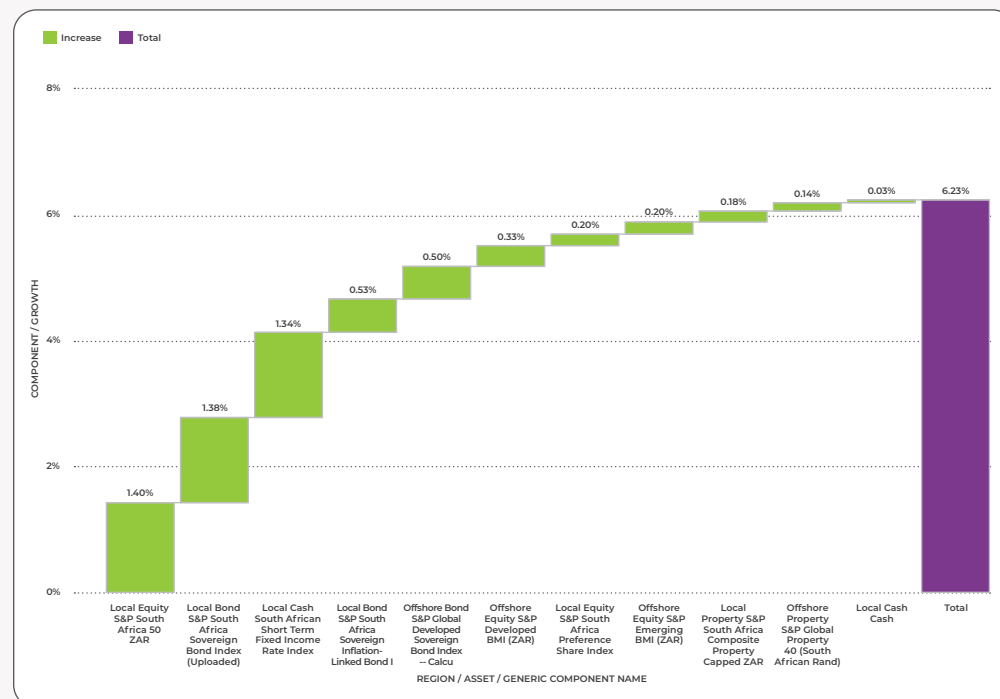
	1 Month		3 Month		1 Year		2 Year		4 Year		6 Year	
	Return (Cumulative)	% of Peer Group Beaten	Return (Cumulative)	% of Peer Group Beaten	Return (Cumulative)	% of Peer Group Beaten	Return (Annualised) *	% of Peer Group Beaten	Return (Annualised) *	% of Peer Group Beaten	Return (Annualised) *	% of Peer Group Beaten
<b>Growth</b>	1.9	75	5.8	64	10.7	33	5.6	33	8.8	81	7.4	63
<b>Number of investments ranked</b>	175		175		172		169		158		137	

## INDEX HOLDINGS (TOP 10)

INSTRUMENT	% of 100
1 Granate BCI Money Market Fund D	25.4%
2 RSA R186 10.50% 211226	4.3%
3 10X Global Prop	4.0%
4 RSA R2030 8% 31012030	3.7%
5 RSA R2048 8.75% 280248	3.2%
6 RSA R2032 8.25% 310332	3.0%
7 RSA R2035 8.875% 280235	2.8%
8 RSA R2037 8.5% 310137	2.4%
9 RSA R2044 8.75% 31012044	2.1%
10 RSA R2040 9.00% 31012040	2.0%

## INFLATION TARGET 3 YEARS TO END DECEMBER 2023

Annualised Performance	Annualised CPI	CPI Target	CPI Target in annualised percentage	Performance against inflation target
9.7%	6.1%	CPI + 2% p.a.	8.1%	120%



# CORESOLUTIONS **OUTSTABLE** INDEX O ENDING DECEMBER 2023

Peer Group: ASISA Sector  
(South Africa) = (ASISA) South  
Africa MA Medium Equity  
Morningstar Rating Overall - ★★★

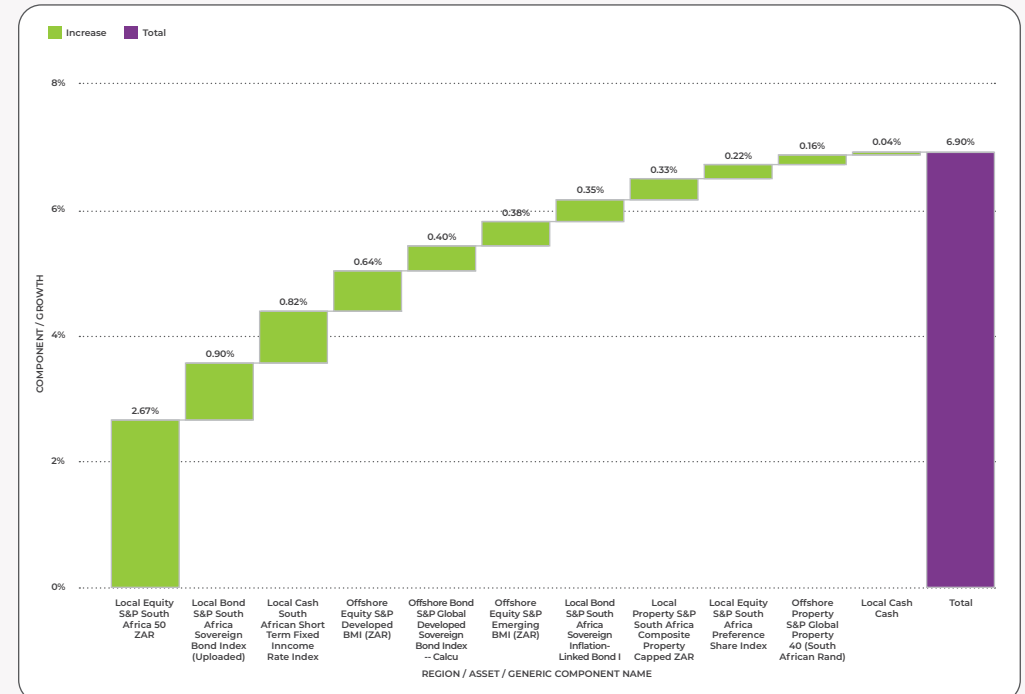
	1 Month		3 Month		1 Year		2 Year		4 Year		6 Year	
	Return (Cumulative)	% of Peer Group Beaten	Return (Cumulative)	% of Peer Group Beaten	Return (Cumulative)	% of Peer Group Beaten	Return (Annualised) *	% of Peer Group Beaten	Return (Annualised) *	% of Peer Group Beaten	Return (Annualised) *	% of Peer Group Beaten
<b>Growth</b>	2.3	87	6.5	76	12.3	61	6.1	56	9.9	89	8.1	82
<b>Number of investments ranked</b>	113		112		109		107		97		85	

## INDEX HOLDINGS (TOP 10)

INSTRUMENT	% of 100
1 Granate BCI Money Market Fund D	15.2%
2 10X Global Prop	3.9%
3 Anglo American Plc	3.7%
4 Firstrand Ltd	3.5%
5 Naspers Ltd - N Shares	3.2%
6 RSA R186 10.50% 211226	2.6%
7 Standard Bank Group Ltd	2.5%
8 RSA R2030 8% 31012030	2.3%
9 Gold Fields Ltd	2.2%
10 RSA R2048 8.75% 280248	2.0%

## INFLATION TARGET 3 YEARS TO END DECEMBER 2023

Annualised Performance	Annualised CPI	CPI Target	CPI Target in annualised percentage	Performance against inflation target
11.5%	6.1%	CPI + 3%	9.1%	126%





# CORESOLUTIONS OUTMODERATE INDEX O ENDING DECEMBER 2023

Peer Group: ASISA Sector  
(South Africa) = (ASISA) South  
Africa MA High Equity  
Morningstar Rating Overall - ★★★

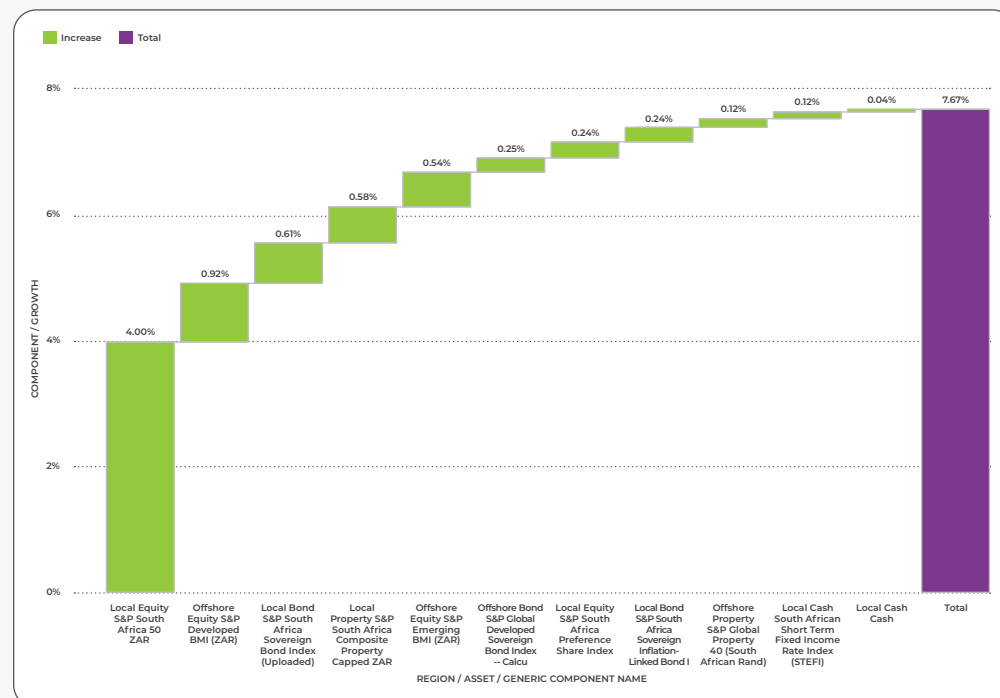
	1 Month		3 Month		1 Year		2 Year		4 Year		6 Year	
	Return (Cumulative)	% of Peer Group Beaten	Return (Cumulative)	% of Peer Group Beaten	Return (Cumulative)	% of Peer Group Beaten	Return (Annualised) *	% of Peer Group Beaten	Return (Annualised) *	% of Peer Group Beaten	Return (Annualised) *	% of Peer Group Beaten
<b>Growth</b>	2.6	81	7.2	80	12.9	63	5.9	51	10.9	83	8.2	81
<b>Number of investments ranked</b>	252		252		241		234		214		186	

## INDEX HOLDINGS (TOP 10)

INSTRUMENT	% of 100
1 Anglo American Plc	5.1%
2 Firstrand Ltd	4.8%
3 Naspers Ltd - N Shares	4.5%
4 Standard Bank Group Ltd	3.4%
5 Gold Fields Ltd	3.1%
6 10X Global Prop	2.7%
7 Granite BCI Money Market Fund D	2.6%
8 MTN Group Ltd	2.4%
9 Capitec Bank Holdings Ltd	2.3%
10 Mondi Plc	2.2%

## INFLATION TARGET 3 YEARS TO END DECEMBER 2023

Annualised Performance	Annualised CPI	CPI Target	CPI Target in annualised percentage	Performance against inflation target
13.0%	6.1%	CPI + 4%	10.1%	128%



# CORESOLUTIONS OUTAGGRESSIVE INDEX O ENDING DECEMBER 2023

Peer Group: ASISA Sector  
(South Africa) = (ASISA)  
Worldwide EQ General  
Morningstar Rating Overall - ★★★★★

	1 Month		3 Month		1 Year		2 Year		4 Year		6 Year	
	Return (Cumulative)	% of Peer Group Beaten	Return (Cumulative)	% of Peer Group Beaten	Return (Cumulative)	% of Peer Group Beaten	Return (Annualised) *	% of Peer Group Beaten	Return (Annualised) *	% of Peer Group Beaten	Return (Annualised) *	% of Peer Group Beaten
<b>Growth</b>	2.5	69	7.3	85	16.7	38	6.1	33	11.9	60	9.2	57
<b>Number of investments ranked</b>	14		14		14		13		11		8	

## INDEX HOLDINGS (TOP 10)

INSTRUMENT	% of 100
1 Anglo American Plc	6.0%
2 Firstrand Ltd	5.7%
3 Naspers Ltd - N Shares	5.3%
4 10X Global Prop	5.0%
5 Standard Bank Group Ltd	4.0%
6 Gold Fields Ltd	3.6%
7 MTN Group Ltd	2.8%
8 Capitec Bank Holdings Ltd	2.7%
9 Mondi Plc	2.6%
10 CIE FINANCIERE R	2.1%

## INFLATION TARGET 3 YEARS TO END DECEMBER 2023

Annualised Performance	Annualised CPI	CPI Target	CPI Target in annualised percentage	Performance against inflation target
14.3%	6.1%	CPI + 5%	11.1%	129%

