

Market Overview

November 2023

Morningstar Investment Management
December 2023

For Financial Advisers & Their Clients

Market and Economic Summary

Global markets headed higher this month, as positive economic signals and strong sentiment fuelled a rally in risk assets. Investors piled into risk assets in the growing belief that the US Federal Reserve and other global central banks are close to winning their battle with inflation. After six consecutive months of a rising 10-year US treasury yield, November saw the biggest fall in the US 10-year yield since 2008. The S&P 500 produced its 7th best monthly return in the past 30 years, however, the year-to-date returns continue to be dominated by a small group of companies. Even with a slight broadening in the performance decomposition of the S&P 500 return in November, the top five contributors for the S&P 500 account for 68% of the index's gain this year, and the top 10 make up 90% of the return. While most global equity markets produced strong returns, China was the biggest laggard this month, as continued concerns around the real estate sector coupled with concerns around its slowing economy weighed on investor sentiment.

Developed market inflation numbers continued their downward trend this month as energy prices continued to moderate, fuelling sentiment that global monetary tightening cycle may be close to its end. The annual inflation rate in the US slowed to 3.2% (year-on-year to the end of October) from 3.7% in September, and below market forecasts of 3.3%. Energy was the largest contributor to the decrease in inflation, as it fell 4.0% and gasoline fell 5.3%. The inflation rate in the euro area declined to 2.4% (year-on-year to the end of October), reaching its lowest level since July 2021 and falling below the market consensus of 2.7%. Consumer price inflation in the United Kingdom fell to 4.6% (year-on-year to the end of October) from 6.7% in September, below the market consensus of 4.8%. China's consumer prices fell by 0.2% (year-on-year to the end of October). The latest data indicated persistent deflationary pressures in the world's second-largest economy, fuelling continued concerns about the sustainability of the economic recovery.

Most global central banks kept interest rates unchanged this month, as they continue to keep a close eye on the economy while focusing on keeping inflation in check. The US Federal Reserve kept the target range for the federal funds rate at a 22-year high of 5.25%-5.5% for a second consecutive month, reflecting policymakers' dual focus on returning inflation to the 2% target while avoiding excessive monetary tightening. The Bank of England maintained its benchmark interest rate at a 15-year high of 5.25% for the second consecutive time during its November meeting, as policymakers evaluate recent signs of an economic slowdown in the UK. The central bank also emphasized that monetary policy is likely to remain restrictive for an extended period to steer inflation back towards the 2% target.

South African asset classes followed global peers higher this month, as local equities, property and bonds produced robust returns. South African equities produced strong returns this month, in line with the broader emerging market complex. South African bonds continued their strong run, producing robust returns for November, ahead of global peers. The rand weakened this month, despite a broadly weaker US dollar.

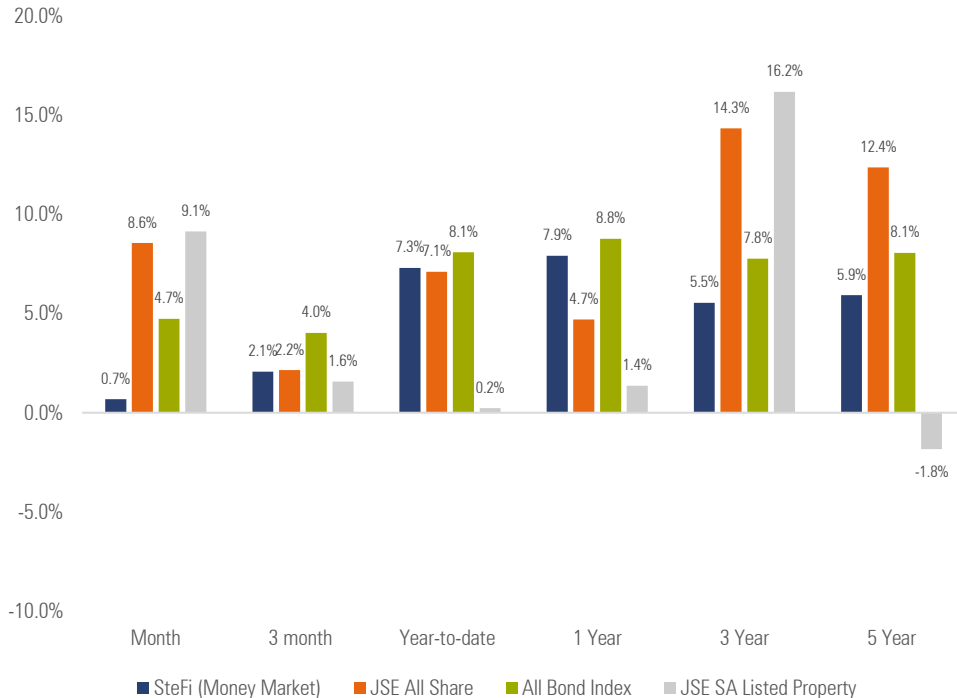
While most emerging-market currencies have benefitted from a weaker US dollar in November, the rand has been weighed down by local influences. These include persistent power cuts and rail and ports constraints which are weighing on economic growth and sentiment.

The strength in South African equities was broad based, as all sectors produced strong returns. Industrials were the best performer this month, producing double digit returns as index heavy weights Naspers (+19.4%) and Prosus (+19.7%) climbed on the back of strong results. Further to that, most rand hedges including Richemont (+6.1%), Anheuser-Busch InBev (+11.4%) and British American Tobacco (+7.7%) rose on the back of a weaker rand and generally strong global equity markets. Financials produced a strong return this month, driven by strong returns from Capitec (+18.5%) and Investec (+18.4%). Resources produced a strong return this week, however, they lagged the broad market increase on the back of weakness in the energy sector including Sasol (-11.3%) and Thungela (-13.2%). On the other hand, gold counters such as Harmony (+35.4%), Gold Fields (+14.6%) and AngloGold Ashanti (+5.7%) continued to produce strong returns, as the gold price moved higher this month (+1.9%).

Local bonds ended the month higher, as the yield curve shifted lower, with the longer dated part of the yield curve falling the most. The strength in the SA bond market was largely on the back of the risk on environment that led to increased appetite for emerging market asset classes.

Local listed property rebounded strongly in November and was the best performing local asset class. The prevailing risk-on sentiment, coupled with a large increase in the index heavy weight Nepi Rockcastle (+15.2%), led the sector higher.

Exhibit 1 | SA Market Performance (total returns)



Source: Morningstar Direct as at 30/11/2023. Returns are in South African Rand and have been annualised for periods longer than 1 year.

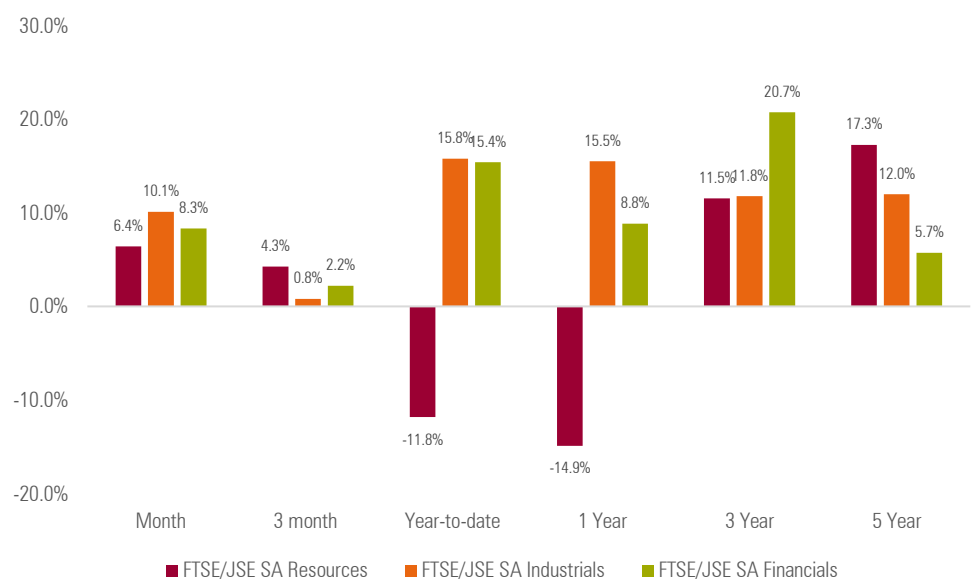
South Africa's annual inflation rate moved higher to 5.9% (year-on-year to the end of October), above market estimates of 5.5%, with the largest price pressures coming from prices of food, non-alcoholic beverages and transportation (namely fuels). The annual core inflation, which excludes prices of food,

non-alcoholic beverages, fuel and energy, eased to a 14-month low of 4.4% (year-on-year to the end of October), ahead of market forecasts of 4.7%.

Against this backdrop, as expected, the South African Reserve Bank (SARB) looked through the first-round inflation impact of these supply-side shocks and kept the repo rate on hold at 8.25% at its last meeting for the year, with the prime interest rate remaining at 11.75%.

South Africa's retail trade rose by 0.9% (year-on-year to the end of October), following a 0.3% decrease in the prior month and better than market forecasts of a 0.1% increase. It follows nine consecutive months of decline, largely driven by increased sales of textiles, clothing, footwear and leather goods.

Exhibit 2 | SA Sector Performance (total returns)



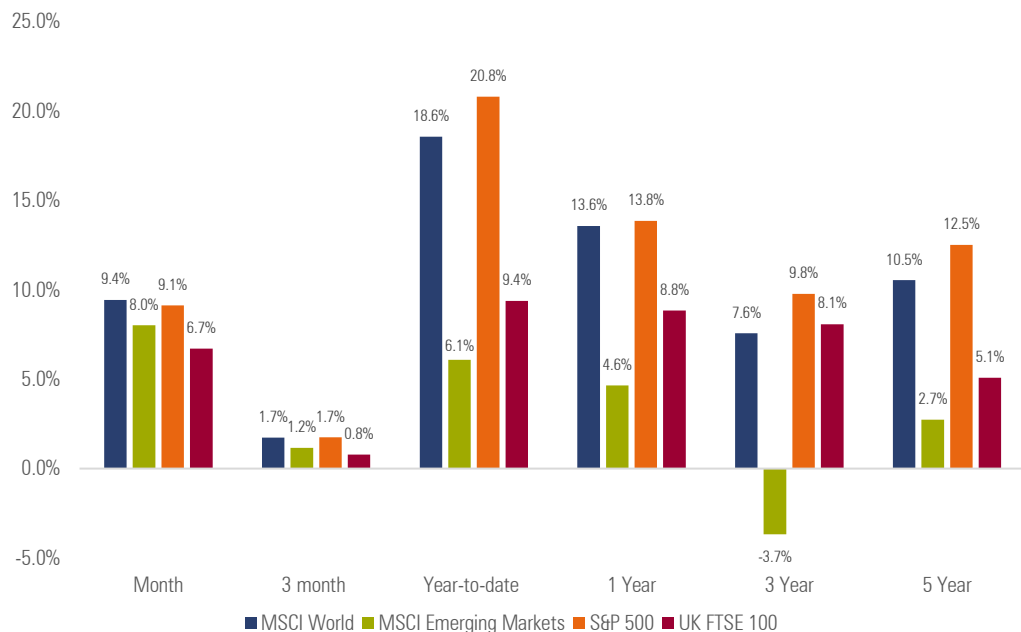
Source: Morningstar Direct as at 30/11/2023. Returns are in South African Rand and have been annualised for periods longer than 1 year.

Most of the major developed equity markets ended the month higher. The **MSCI World Index** delivered a return of +9.4%, which was ahead of emerging market peers.

Most emerging equity markets moved higher during the month, however, the emerging market complex lagged developed market peers on the back of poor performance from Chinese equities. The **MSCI Emerging Markets Index** ended the month +8.0% higher in November.

All major global equity markets produced positive returns in November. The UK's **FTSE 100** (+6.7%), Germany's **FSE DAX** (+13.0%), Japan's **Nikkei 225** (+11.2%) and China's **Shanghai SE Composite** (+3.0%) ended the month in positive territory.

US equities moved higher in November, following global peers. The tech-heavy **NASDAQ 100** (+10.8%) posted a double-digit performance as mega-cap technology stocks continued their strong performance. The **S&P 500** (+9.1%) also ended the month higher, as most sectors ended in positive territory.

Exhibit 3 | International Market Performance (total returns)

Source: Morningstar Direct as at 30/11/2023. Returns are in US dollars and have been annualised for periods longer than 1 year.

Impact on client portfolios

From a portfolio perspective, investors generated a robust performance this month as most asset classes ended in the green. Strong performance from South African equities, the local bond market, local listed property, global equities and bonds provided a tailwind to the performance of portfolios. Rand weakness acted as a further tailwind to the performance of global allocations, as the local unit was weaker against most of the major crosses during the month.

After the strong performance in November, market participants continue to assess the sustainability of this market strength. While the future is uncertain, it seems that central banks have reached the peak of the interest rate cycle, however, they face a tough balancing act of ensuring inflation is moderated without stalling the economy. In this uncertain environment, it reinforces the need for robustness and diversification in portfolios. Specifically, we continue to seek exposure to assets that offer strong forward-looking prospects, while balancing risks with defensive exposures.

We remain comfortable with the current positioning of client portfolios, both from an asset allocation and a manager selection perspective. We will continue to follow our valuation-driven approach by allocating assets to the most attractive areas of the market from a reward-for-risk perspective and ensure we build robust portfolios. We are confident that we will continue to deliver on the specific investment objectives of each client portfolio independent of the prevailing market environment.

Local Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE All Share	8.55	7.11	4.69	14.33	12.37	9.77
JSE Capped SWIX	8.33	4.83	1.89	13.62	8.91	6.81
JSE SA Listed Property	9.14	0.22	1.35	16.17	-1.84	-2.45
All Bond Index	4.73	8.09	8.76	7.76	8.06	8.46
STeFI (Money Market)	0.68	7.31	7.91	5.54	5.92	6.34
Local Market Sectors	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE Top 40	9.09	7.49	5.06	14.36	13.25	10.54
JSE Mid Cap	5.28	1.66	-1.32	12.38	6.37	4.14
JSE Small Cap	4.82	4.88	3.36	23.67	11.22	6.29
FTSE/JSE SA Resources	6.40	-11.81	-14.89	11.53	17.27	14.58
FTSE/JSE Ind/Financials	8.32	15.40	8.83	20.72	5.73	5.91
FTSE/JSE SA Industrials	10.10	15.80	15.48	11.78	11.97	8.49
Global Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
MSCI World	9.43	18.55	13.56	7.56	10.53	10.92
MSCI Emerging Markets	8.02	6.08	4.65	-3.66	2.73	4.84
S&P 500	9.13	20.80	13.84	9.76	12.51	13.01
NASDAQ 100	10.82	46.96	33.73	10.02	19.12	19.79
FTSE 100	6.71	9.37	8.83	8.07	5.07	5.54
SSE Composite	3.00	-4.39	-3.70	-6.23	2.65	-1.49
Nikkei 225	11.18	16.77	15.41	-1.76	4.93	7.13
FSE DAX	13.02	19.06	19.35	3.63	6.78	6.63
US T-Bill 3m	0.46	4.93	5.32	2.35	1.96	1.80
Commodities	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
Oil Price Brent Crude	-5.24	-3.59	-3.04	20.29	7.13	7.33
Gold	1.93	12.22	16.08	4.92	10.82	8.12
Platinum	-0.32	-9.12	-8.59	-1.45	3.08	0.26
Copper	4.36	-1.57	0.34	2.71	5.21	3.63

Note: The performance of Local Market Indices and Local Market Sectors is quoted in rands and the performance of Global Market Indices and Commodities is quoted in US dollars. All data is sourced from Morningstar Direct as at 30/11/2023.

About the Morningstar Investment Management Group

Morningstar's Investment Management group, through its investment advisory units, creates investment solutions that combine award-winning research and global resources with proprietary Morningstar data. Morningstar's Investment Management group provides comprehensive retirement, investment advisory, and portfolio management services for financial institutions, plan sponsors, and advisers around the world.

Morningstar's Investment Management group comprises Morningstar Inc.'s registered entities worldwide including: Morningstar Investment Management LLC; Morningstar Investment Management Europe Limited; Morningstar Investment Management South Africa (Pty) Ltd; Morningstar Investment Consulting France; Ibbotson Associates Japan, Inc; Morningstar Investment Adviser India Private Limited; Morningstar Investment Management Asia Ltd; Morningstar Investment Services LLC; Morningstar Associates, Inc.; and Morningstar Investment Management Australia Ltd.

About Morningstar, Inc.

Morningstar, Inc. is a leading provider of independent investment research in North America, Europe, Australia, and Asia. The company offers an extensive line of products and services for individual investors, financial advisors, asset managers, retirement plan providers and sponsors, and institutional investors in the private capital markets. Morningstar provides data and research insights on a wide range of investment offerings, including managed investment products, publicly listed companies, private capital markets, and real-time global market data. The company has operations in 27 countries.

Important Information

The opinions, information, data, and analyses presented herein do not constitute investment advice; are provided as of the date written; and are subject to change without notice. Every effort has been made to ensure the accuracy of the information provided, but Morningstar makes no warranty, express or implied regarding such information. The information presented herein will be deemed to be superseded by any subsequent versions of this document. Except as otherwise required by law, Morningstar, Inc or its subsidiaries shall not be responsible for any trading decisions, damages or losses resulting from, or related to, the information, data, analyses or opinions or their use. Past performance is not a guide to future returns. The value of investments may go down as well as up and an investor may not get back the amount invested. Reference to any specific security is not a recommendation to buy or sell that security. There is no guarantee that a diversified portfolio will enhance overall returns or will outperform a non-diversified portfolio. Neither diversification nor asset allocation ensure a profit or guarantee against loss. It is important to note that investments in securities involve risk, including as a result of market and general economic conditions, and will not always be profitable. Indexes are unmanaged and not available for direct investment.

This commentary may contain certain forward-looking statements. We use words such as “expects”, “anticipates”, “believes”, “estimates”, “forecasts”, and similar expressions to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially and/or substantially from any future results, performance or achievements expressed or implied by those projected in the forward-looking statements for any reason.

The Report and its contents are not directed to, or intended for distribution to or use by, any person or entity who is not a citizen or resident of or located in any locality, state, country or other jurisdiction listed below. This includes where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Morningstar or its subsidiaries or affiliates to any registration or licensing requirements in such jurisdiction.

The Report is distributed by Morningstar Investment Management South Africa (Pty) Limited, which is an authorized financial services provider (FSP 45679), regulated by the Financial Sector Conduct Authority.

Morningstar South Africa

5th Floor
20 Vineyard Road
Claremont
7708
+27 21 201 4645