OLDMUTUAL

OLD MUTUAL MULTI-MANAGERS

INSTITUTIONAL REPORT Q3 2024

Contents

BUSINESS UPDATE

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MANAGING DIRECTOR

GOVERNMENT OF NATIONAL UNITY – A CENTURY NOT OUT

South Africa's government of national unity (GNU) has passed its first 100 days and made good progress, as can be seen in the improved relationship between business and government. So far, it seems to be working and the longer it holds together, the more likely that Team GNU can stabilise the SA economy. However, it is still early days and there is much work to still be done.

Challenges and sticking points remain, notably the fact that the GNU agreement has not been replicated at local government level. Despite some of these issues, the market response has been unequivocally positive. During the third quarter, the rand was 7.5% stronger, the bond market returned 11%, and the JSE's main index rose 10%.

G20

President Ramaphosa will have to draw from his deep vault of leadership experience to align the world's superpowers as the next president of the G20 from 1 December 2024 to 30 November 2025. The presidency of the G20 comes at a time of fragile global order, as more than 30% of the Sustainable Development Goals have stalled or gone into reverse, and inequality and chronic under-development are deepening. Depending on how the US election plays out, we might see further instability of the global order. According to President Ramaphosa, South Africa's G20 Presidency will place Africa's developmental priorities at the top of its agenda working with the African Union which has now been admitted as a member of the G20.

COOPERATION

It can be argued that one of President Ramaphosa's strengths is the ability to focus on the greater good, rather than personalities. Recently, he led a business engagement to the New York Stock Exchange in an economic diplomacy trip. One of those meetings was with Elon Musk. President Ramaphosa knew that his meeting with the brilliant, but divisive South African-born entrepreneur billionaire, would ignite passionate public discourse, despite the fact that South Africans have been asking each other when the Starlink satellite-based internet is coming to South Africa.

Convincing entrepreneurs like Elon Musk, and other entrepreneurs and businessmen like him, to invest in South Africa will require major improvements in the ease of doing business, but there have been a few notable successes by the GNU.

ACHIEVING INVESTMENT GOALS

As asset managers and custodians of investors' hard-earned money, our responsibility remains offering an appropriate range of solutions and ensuring that they on their stated objectives. Key to this is having the right people in place across the investment, product and operations teams.

As asset managers and custodians of investors' money, our responsibility remains to ensure that we manage your hard-earned wealth by offering a range of solutions which target inflation plus returns and others which target absolute returns and capital protection.

In recent months, I have communicated about various senior appointments in the Old Mutual Multi-Managers team. We are hard at work to strengthen our investment solutions and processes so that we can continue to deliver on our promise to you. In doing so, we consider the latest developments in both the global and domestic environment to ensure we provide you with the expertise and experience to reach your investment goals.

We thank you for your continued support and for trusting us to be your long-term partner in investments.

Kieyam

INSTITUTIONALOVERVIEW

ANDREW DAVISON
HEAD | INSTITUTIONAL

The two-pot system went live with a bang at the start of September. The latest figures from SARS as at 10 October indicate that over a million people have accessed their savings pots totalling R21 billion since the start of September. Despite some hiccups, the country's retirement fund administrators as well as SARS were well prepared and ready to manage the large volumes of withdrawals from members. In relation to investments, stock and bond markets seemed to shrug off the heightened levels of portfolio withdrawals, showing strong gains during September. Amidst warnings from retirement industry experts that members should only access their savings in the event of emergencies and withdrawals being taxed at marginal rates, the large volumes of withdrawals show that South Africans are under immense financial pressure. One positive is that the withdrawals will hopefully provide some relief to consumer finances in the short term.

In other positive news, Eskom has passed the milestone of 200 days with no loadshedding (difficult to comprehend after the dark days of regular stage 6 outages). The GNU is holding together and many of the new ministers have taken to their portfolios with fresh energy. The SA Reserve Bank cut interest rates (just by 25 basis points, but it's still welcome relief for indebted consumers) and then, of course, there was the Springboks wrapping up the 2024 Rugby Championship. All of this is giving rise to renewed optimism about the future amongst South Africans and the newfound consumer and business confidence has the potential to provide a meaningful boost to the economy and financial markets. As always, there are uncertainties and risks that could derail the nascent recovery, so diversification is essential in any investment portfolio.

On the global front, the US election looms large while the US stock market remains at expensive levels by almost any measure amid high expectations of the game-changing impact of Artificial Intelligence (AI). The US Fed began cutting interest rates and more cuts are expected across developed markets as inflation has largely been tamed. Conflict in the Middle East continues to escalate and the Russian invasion of Ukraine drags on. China is trying to kickstart its massive economy with stimulus measures – if they work, South Africa's commodity producers are likely to benefit. India's economy continues to power ahead, while Europe languishes.

At Old Mutual Multi-Managers our steadfast focus is on constructing and managing diversified portfolios within a solid risk management framework. Our portfolios are designed to withstand unforeseen shocks and outperform inflation over the long term empowering retirement fund members to build the savings needed for a financially secure retirement.

Look out for our latest Responsible Investing 2024 report including our progress on ESG matters, thought-provoking articles as well as some insightful case studies.

QUARTERLY PERFORMANCE REVIEW

The third quarter of 2024 saw a continuation of strong markets both locally and globally. In South Africa, the initial momentum created by the GNU dovetailed perfectly with the commencement of a broad rate-cutting cycle in September. Further abroad, both Japan and China provided further tailwinds to the market during the quarter through their own positive town and policy interventions. It has not all been smooth sailing though, as inflation remains sticky in the US and equity and bond markets are still reacting strongly to any unexpected economic data releases, whether from the US job market or from local inflation statistic updates.

Local bonds again pipped SA equity over the quarter with an outsized return of 10.5%, compared to a 9.6% return on the All Share Index. In dollar terms, global markets, as measured by the MSCI World Index, was up 6.4%, since especially the US, Germany and Europe enjoyed strong markets through the quarter.

The local market experienced another risk-on period, therefore it is not surprising that small caps outperformed the mid-cap sector as well as the Top 40 Index. Financials was the best performing sector, and resources continue to lag other sectors as reduced commodity demand and a stronger rand impact their earnings.

Despite strong returns from local equity and bonds, we still see significant upside in the local market. SA equities are still trading below long-term fair value in our view, but with local bond yields lowering, we believe that the bond market is now pricing in less risk. Global equity remains expensive relative to history, but with higher valuations concentrated in some of the key US sectors and industry-leading stocks.

The environment still remain conducive to strong market returns, as long as inflation keeps coming down globally, and the worldwide trend of rate-cutting remains on track. It is, however, clear that the market is more likely to react to any negative news after a period of lower volatility.

ROLAND GRÄBE
CHIEF INVESTMENT OFFICER

POSITIONING IN THE STRATEGY FUNDS

Our most recent modelling of valuation opportunities indicates that our decision to be conservative in our total offshore allocation is still appropriate. During the quarter we continued to lighten our total offshore exposure and added cautiously to local assets based on their more attractive valuation. Against the global backdrop of accommodating fiscal policy, we remain constructive on risk assets and generally maintain low levels of cash, with moderately high total risk exposures. We remain of the view that the risk to further strengthen the rand continues, but the rand has moved some distance towards fair value already.

BUILDING BLOCK PERFORMANCE

Our local equity performance has continued its improved performance through our three core managers, namely Coronation, M&G and Ninety One. Year-to-date this building block is now ahead of its benchmark. Our local property managers, Catalyst and Sesfikile, returned around 30% year-to-date and are up 50% over the last 12 months, roughly in line with their market benchmark. We achieved some modest outperformance of the ALBI in our mandates with Coronation and M&G year-to-date and over the last 12 months, while the Aluwani/Prescient mandate lagged behind by virtue of a higher allocation to inflation-linked bonds.

Global equity managers continued to show highly uncorrelated performance. The standout managers over the last year included the World ESG Leaders Index managed by Old Mutual Investment Group (OMIG) as well as Orbis gaining some good returns over the year.

Despite a strong turnaround in June, the Ninety One Global Franchise fund remains behind benchmark. More recently, strong returns from the emerging market manager Hermes also added to our improving returns from global equity.

Global bond returns were considerably softer than their local equivalent, but performance remained close to benchmarks with our diversified allocations performing in line with market benchmarks. The 12-month dollar return of roughly 9% on global bonds was largely offset by the strengthening of the rand over the same period.

Our overall outlook, especially on risk assets, remains bullish, but we also take care to diversify our exposures appropriately in line with the investment horizon associated with each solution we manage. With the recent strong returns, it is appropriate, however, to anticipate some volatility over the short term. Therefore we continue to focus on the risk management framework used to ensure that we remain diversified at an asset class as well as asset manager level.

OLD MUTUAL MULTI-MANAGERS INSTITUTIONAL SOLUTIONS AND BENCHMARK RETURNS

PERIOD ENDING 30 SEPTEMBER 2024

	3 Months	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Inflation plus 1-3%	**5.44%**	**17.18%**	**10.12%**	**10.06%**	**8.98%**	**12.24%**	14-Oct-99
CPI + 2%	1.11%	6.50%	7.73%	7.06%	7.03%	7.60%	
Inflation plus 3-5%	**6.39%**	**20.03%**	**11.57%**	**12.53%**	**9.81%**	**13.56%**	30-Jun-03
CPI + 4% p.a	1.60%	8.59%	9.84%	9.16%	9.13%	9.40%	
Inflation plus 5-7%	**6.20%**	**20.21%**	**11.81%**	**13.03%**	**9.81%**	**13.46%**	14-Oct-99
CPI + 6% p.a	2.08%	10.68%	11.93%	11.25%	11.23%	11.82%	
Max 28	**6.15%**	**20.91%**	**12.82%**	**13.24%**	**9.75%**	**13.00%**	14-Oct-99
CPI + 6.5% p.a	2.20%	11.20%	12.46%	11.77%	11.75%	12.34%	
Moderate Tracker	**7.17%**	**22.01%**	**11.44%**			**11.24%**	11-Oct-19
CPI + 4% p.a.	1.60%	8.59%	9.84%			9.28%	
Balanced Tracker	**7.46%**	**23.39%**	**12.50%**			**12.21%**	11-Oct-19
CPI + 5% p.a	1.84%	9.63%	10.83%			10.29%	
Defensive Balanced	**4.42%**	**16.91%**	**10.97%**	**10.08%**	**8.76%**	**11.18%**	1-Oct-02
CPI + 3% p.a	1.60%	8.59%	9.84%	9.16%	9.13%	9.43%	
Managed	**5.86%**	**20.08%**	**12.51%**	**12.75%**	**9.56%**	**11.90%**	1-Apr-10
Median of Alex Forbes Global Large Manager Watch	6.23%	20.14%	11.36%	11.32%	8.79%	10.82%	
Money Market	**2.33%**	**9.44%**	**7.76%**	**6.88%**	**7.32%**	**8.24%**	1-Aug-00
STeFI 3 Month	2.01%	8.27%	6.56%	5.75%	6.27%	7.41%	
CPI Inflation	**0.61%**	**4.41%**	**5.61%**	**4.96%**	**4.94%**		

Annualised returns are shown for periods greater than 1 year.

Returns are gross of Old Mutual Multi-Managers and underlying investment manager charges.

"CPI" refers to the SA Consumer Price Index headline year-on-year rate as provided by Statistics South Africa but lagged by one month due to the timing of the release of the latest inflation figures.

Sources: Old Mutual Multi-Managers & I-Net

A REFLECTION ON GENDER EQUITY IN FINANCIAL SERVICES

We've reached many milestones when it comes to women's empowerment and inclusion in the workplace. However, according to Stats SA, women still often bear the brunt of inequalities in labour markets worldwide. While some may feel fatigued by annual celebrations of the recent Women's Month and International Women's Day, the continued spotlight on women's empowerment and inclusion remains essential.

At current pace, it will take about 140 years worldwide and 134 years in South Africa to close the gender pay gap according to the World Economic Forum (WEF). In South Africa, women are more likely to be employed in community and social services, trade and private sectors. They predominantly hold clerical, domestic and technical roles versus male-dominated managerial positions. In financial services, the Chief Investment Officer (CIO) position continues to show the slowest growth rate for female appointments, followed by Chief Executive Officer (CEO) and Chief Operating Officer (COO) as stated by Grant Thompson. South Africa has shown the biggest growth rates in these positions and should be commended for its progress towards women's inclusion and empowerment.

Despite the challenges, many South African women continue to enter, hold and excel in senior roles in financial services. So, what makes the financial services industry so exciting for professional women?

FINANCIAL SERVICES – RESPONSIBLE AND HIGH TECH

Bernadette Kolbe, Chief Operating Officer (COO) at Old Mutual Multi-Managers is most excited about the growing recognition of the role women can play in driving positive change. "While the pursuit of financial returns and growth remains at the core of industry objectives, the power of the investment role, to influence the direction of capital towards sustainable and ethical outcomes, has become increasingly important. Being part of an industry that contributes to financial prosperity while shaping a better future through investment decisions is a powerful motivator for me," she says. Indeed, there has been growing awareness and push worldwide for investing for the greater good through responsible and ethical investing. According to the CFA Institute, the growth of responsible investment fund assets has outpaced investment funds not specifically focused on responsible investing over the past decade, reflecting a global shift in priorities.

Suvira Bodha, Deputy Chief Investment Officer at Old Mutual Multi-Managers says, "The appeal lies in the dynamic nature of the investments industry, which is constantly evolving and offering opportunities for learning. We are navigating an age of ultra-efficiency expanding our perspective on how technology can enhance productivity. I am particularly intrigued by the application of technology and Artificial Intelligence (AI) in investments, which opens a new frontier for the industry." Suvira is aligned with current trends, as the use of AI across investment strategies and research is said to stretch far beyond the traditional "quant" cohort, with 91% of managers using it in their strategies, according to a 2024 Mercer study.

THE POWER OF DIVERSITY

For Kim Rassou, Head of Discretionary Funds and Retail at Old Mutual Multi-Managers, powerful women in leadership roles such as Gita Gopinath of the International Monetary Fund (IMF) and Christine Lagarde, of the European Central Bank (ECB), are proof that women have an important contribution to make in decision-making at the highest level. She says, "Research shows that diverse teams make better decisions in conditions of uncertainty. Hiring managers must recognise the importance of attracting the best talent and fostering an environment where cognitive diversity can thrive. It's easy to default to hiring someone who keeps you in your comfort zone, but mastering complexity requires diversity in thinking and experiences."

Kim's personal journey in the financial services industry has been shaped by her humble beginnings. "Growing up in a household where my family lived hand to mouth. I learned the importance of saving and investing from an early age. My passion for investments stems from a desire to help clients plan for a better future, not only for themselves but also for their families."

Suvira, Kim and Bernadette all emphasise the value of diverse perspectives. It is widely accepted that diverse teams often perform better, and in investments, this diversity brings fresh insights and new approaches. Suvira adds, "Diversity is also a qualitative metric used by multi-managers to assess the capability of an asset manager's team to consistently produce alpha-generating investment ideas and manage risks. More women in senior leadership roles would improve how investment decisions are made by bringing different perspectives and experiences to the table."

LEHMAN BROTHERS OR SISTERS, NOT AN EITHER OR

There's a famous case study in investments that poses the question. "What if Lehman Brothers had been Lehman Sisters?". However, the three leaders believe that this is not about replacing men with women, but about ensuring diverse and inclusive leadership. Asking the Lehman Brothers question, they say, misses the point of diversity and inclusion.

Reflecting on the 2008 financial crisis, Bernadette says that it was partly driven by herd mentality and a lack of critical questioning of prevailing practices. She believes that a more diverse set of decision-makers, including women, might have brought different risk perspectives and a more cautious approach, potentially mitigating some of the excessive risk-taking behaviours that contributed to the crash.

KEEPING WOMEN'S EMPOWERMENT IN THE FOREFRONT

The progress of women's empowerment isn't just about how much time has passed but about addressing systemic inequalities that exist in the labour market.

As we celebrate milestones, it is important to continue pushing towards true equity. Empowering women in financial services is more than improving the numbers, it's also about enriching decision-making, leveraging resources such as AI and creating shared value for clients and communities. By keeping women's empowerment and inclusion at the forefront, we ensure that diverse perspectives are not only celebrated but also integrated into shaping the future. With continued effort, we may still see gender parity in our current lifetimes.

LOCAL AND GLOBAL MARKET COMMENTARY

IZAK ODENDAAL
CHIEF INVESTMENT STRATEGIST

GLOBAL

Global equities ended the third quarter on the front foot, with the MSCI All Country World Index returning 6.4% in US dollars in the three months to end September. This boosted the year-to-date return to 18.7% and the 12-month return to 31.8%. Global markets were weak in September and October last year, so the impressive 12-month return is somewhat flattered by the low base.

The US S&P 500 Index returned 5.5% in the third quarter and 22% in the first nine months of 2024. The 12-month return jumped to 36%. Japanese equities bucked the positive global trend, losing 4% in the quarter, with weakness partly due to domestic political uncertainty. This reduced the year-to-date return of the Nikkei 225 to 15%. The yen strengthened further to ¥143 per dollar at the end of September.

Eurozone equities have enjoyed a positive year, with the Eurostoxx 600 returning 12.3% for the first nine months, and 20% over 12 months. The euro ended the quarter at $1.10.

Chinese equities surged from depressed levels after Beijing announced a new set of stimulus measures, some specifically aimed at boosting share prices. Chinese equities gained 23% in the quarter, and since the market had been treading water for several months, the one-year return of the MSCI China Index was a similar 23% at the end of September. This boosted the overall emerging market sector, with the MSCI Emerging Markets Index returning 8.7% in the third quarter and 17% in 2024.

Global bonds had a positive quarter, as the US Federal Reserve finally kicked off its interest rate cutting cycle with a 50 basis points reduction in September. The benchmark US 10-year Treasury yield fell marginally to 3.8% at quarter end, and the policy-sensitive two-year yield to 3.6%. The Bloomberg Global Aggregate Bond Index returned 7% in dollar terms in the quarter.

The rally in listed property shares (REITS) continued as the interest rate outlook improved, with the FTSE/EPRA Nareit Developed Index returning 11.8% in the first nine months of the year, and 32% over 12 months.

LOCAL

South African equities had a good third quarter, with the FTSE/JSE Capped SWIX returning 9.6% and hitting a new record level. This boosted 2024 returns to 15% and the one-year return to 25%, well ahead of cash and inflation, though the 12-month number is flattered by global market weakness a year ago.

South African bonds had very strong quarter, returning 10.5%. This lifted the 2024 return of the JSE All Bond Index to 16%, and the 12-month return to an equity-like 26%, well ahead of cash.

The rally in listed property also continued in the quarter with the FTSE/JSE All Property Index returning an incredible 19%. Coming off a depressed base, the sector has returned a remarkable 30% in 2024 to date, and 51% over 12 months.

The rand closed September 5% stronger at R17.23 per dollar. The 8% appreciation against the dollar over 12 months detracts from the returns South African investors earn abroad.

Note: All bond, equity and property returns are total returns including reinvested dividends/interest unless stated otherwise. Data as of 30 September 2024.

Sources: Iress, LSEG Datastream, national statistical agencies and central banks, cbrates.com.

MARKET INDICES PERFORMANCE TABLE

	3 months	1 year	3 years	5 years	10 years
SA Equities					
JSE AllShare (J203T)	9.61%	23.92%	14.73%	13.67%	9.41%
JSE Capped SWIX (J433T)	9.62%	25.40%	12.36%	11.92%	7.56%
JSE Top 40 (J200T)	8.62%	22.08%	14.79%	13.94%	9.45%
JSE FINI (J580T)	14.33%	39.85%	18.21%	11.36%	8.40%
JSE INDI (J257T)	11.64%	25.15%	15.50%	13.46%	9.07%
JSE RESI (J210T)	-1.10%	3.11%	4.25%	11.02%	5.36%
JSE Midcaps (J201T)	10.95%	28.94%	10.70%	10.24%	7.51%
JSE Smallcaps (J202T)	15.59%	37.47%	18.09%	19.33%	9.63%
JSE All Property Index (J803T)	19.14%	50.97%	15.34%	5.05%	3.07%
SA Bonds					
ALBI	10.54%	26.14%	11.14%	9.84%	9.06%
Global Equities					
MSCI ACWI (Net)	0.61%	20.51%	13.09%	15.10%	14.10%
MSCI EM (Net)	2.60%	15.30%	5.05%	8.50%	8.51%
Global Property Bmark	9.54%	17.87%	5.03%	4.02%	8.72%
SA Cash					
STeFI	2.07%	8.55%	6.86%	6.11%	6.62%
Inflation & Forex					
SA CPI	5.27%	9.66%	-4.41%	-2.58%	-4.18%
ZARUSD	0.61%	4.41%	5.61%	4.96%	4.93%

Currency: ZAR

ASSET CLASS AND MANAGER REVIEWS Q3 2024

SA EQUITY
TINTSWALO MUKANSI |
INVESTMENT ANALYST

The South African equity market had a strong third quarter on the back of dovish global central banks and a positive market outcome in the SA election. September was a particularly strong month on the back of expected economic stimulus in China. The local equity market delivered 9.6% over the quarter. The local equity building block outperformed by 0.1% after fees. M&G and the boutique managers had a particularly strong quarter outperforming by 0.9% and 0.3% respectively. This was a result of having an overweight exposure to domestic facing businesses.

Over one year, the portfolio underperformed the market by 1.9%. This was due to a particularly difficult 2023, where the portfolio was biased towards domestic facing businesses. The global investment environment remained concerned about high interest rates and as a result higher quality shares, which were generally rand hedges, and more expensive local facing businesses performed strongly. Coronation was well positioned in that environment and delivered outperformance of 3.9%. All other managers underperformed.

The outperformance of the fund over five years has been strong. It has delivered 13.4%, while the market delivered 11.9%.

SA FIXED INCOME
AMEER AMOD | HEAD OF ABSOLUTE AND FIXED INTEREST

Stable Income Fund

The Stable Income Fund is a blend of the Coronation Defensive Income Fund, Futuregrowth Interest Plus Fund, M&G Income Fund and Matrix Stable Income Fund. The benchmark for this fund is the STeFI Composite. The fund aims to achieve at least 1% p.a. over the benchmark on a net basis. From a risk management perspective, it is designed to deliver at least cash over rolling three month periods.

At the end of the third quarter, the Stable Income Fund primary held money market fixed rate, floating rate and inflation-linked exposure. This diversified exposure across various fixed income asset classes resulted in a combined weighted average modified duration of 0.95 years and an annualised yield of 8.9%. There has been a slight increase in duration and almost a 0.7% reduction in yield relative to the end of June 2024. Portfolios remain tilted away from SA cash as the interest rate-cutting environment will lead to lower positive real cash rates over the medium term. The forward market is currently expecting SARB to cut the repo rate to around 6.75% over the next 12 months (from 8% currently). Over the quarter ending September 2024, the Stable Income Fund delivered 3.3% against the benchmark return of 2.1%.

Active Income Fund

The Active Income fund is a blend of the Aluwani Flexible Income Fund, Terebinth Strategic Income Fund and Prescient Income Provider Fund. The benchmark for this fund is the STeFI Composite Index. The fund aims to achieve at least 2% p.a. over the benchmark on a net basis. From a risk management perspective, the fund is designed to provide stability by aiming not to lose capital over rolling three month periods.

The fund is primarily exposed to fixed rate bonds, floating rate bonds, domestic cash and offshore (hedged). It has a marginal allocation to SA property. Being prudently diversified across these asset classes, its modified duration is about two years with an annualised yield of 9.5%.

September saw the start of the much-anticipated rate-cutting cycle in both the US and South Africa. Both the Fed and the SARB cut rates during September, with moves broadly in line with market expectations.

This saw the positive momentum in global rates continue with yields moving lower across the global yield curve complex. Market pricing sees further rate reductions throughout the next 12 months. Given the movement in the SA yield curve, exposure to floating rate instruments is preferred. We also see fixed rate bond exposure in the 10-year segment having great value relative to the associated risk.

The fund had a strong performance this quarter ending September 2024 outperforming its benchmark. It delivered 4.4% versus the benchmark of 2.1%. We saw solid contributions from most of the asset classes, with the fixed rate bond exposure being particularly notable.

Fixed Income

The fixed income solution is a blend of active bond funds comprising Coronation, M&G, Aluwani and Futuregrowth. The fund has seen a marginal increase in duration over the last quarter from 5.4 years (end June) to 5.6 years. The current yield of the fund is 10.1% annualised.

The primary reason for the strong performance of the local bond market has been a reduction in the risk premium post elections, which spurred an approximately 250 basis point compression in bond yields. Local bonds have rallied strongly since the Government of National Unity (GNU) announcement. Although we are still positive on this asset class, the move has been so sudden that it would be beneficial to reduce the position marginally. Real yields remain attractive and therefore it makes sense to continue to hold an overweight position to the sector, but at a reduced scale.

SA PROPERTY

NOSIBUSISO NQGONDOYI | HEAD OF PROPERTY AND HEDGE

South African financial markets continued the positive momentum from the prior quarter and recorded the best quarterly returns year to date on the back of the formation of the government of national unity, a rerating in bond yields, and the expectation that the South African Reserve Bank would initiate its interest rate cutting cycle, which materialised in September. The local listed property sector finished the quarter up 19.1%, while local bonds and equities recorded returns of 10.6% and 9.2% respectively. The SA Property building block composite posted a return of 20.2% for the quarter and outperformed the benchmark with both Catalyst and Sesfikile contributing positively to returns. The manager outperformance was driven primarily by underweight exposure in stocks like Lighthouse, Sirius, Growthpoint, and Emira, which underperformed the benchmark, and overweight exposure to Hyprop, which outperformed the benchmark on the back of strong earnings and improved guidance. The fund was up 51.4% and outperformed the benchmark (51.0%) over the one-year period to September. The fund continues to be ahead of the benchmark over the medium to long term.

ALTERNATIVE: HEDGE

NOSIBUSISO NQGONDOYI | HEAD OF PROPERTY AND HEDGE

South African financial markets continued the positive momentum from the prior quarter and recorded the best quarterly returns year to date on the back of the formation of the government of national unity, a rerating in bond yields, and the expectation that the South African Reserve Bank would initiate its interest rate cutting cycle, which materialised in September. South African equities (Capped SWIX) recorded a return of 9.6% for the quarter. Hedge funds also performed well against this backdrop, with the Old Mutual Multi-Managers Long Short Equity Fund posting a 7.4% return for the quarter. While this is below the equity return, it is above the two thirds up-capture that the fund targets. The Fund is up 21.0% over the 12-month period to September versus the SA Equity market return of 25.4%. This was generated at a lower net exposure and beta to the equity market. The Fund remains ahead of equities over three years and longer, including 10 years where it delivered an annualised alpha of 2.9% net of fees. We are pleased that the fund has continued to display strong capital preservation and capital growth properties over the short and the long term. Hedge funds continue to prove their worth as a valuable source of return diversification, more so during periods of volatile markets.

ALTERNATIVE: UNLISTED
SHAWN THOMAS | HEAD OF GLOBAL FIXED INCOME & ALTERNATIVE INVESTMENTS

The Futuregrowth Community Property Fund exhibited more moderate returns of 1.5%, reflective of the continued challenges within the real estate sector, with relatively modest growth amidst tighter liquidity and economic concerns in South Africa.

The Futuregrowth Development Equity Fund generated a 2.8% return, trailing the JSE SWIX benchmark (9.6%) for equities, which benefited from the overall strength in the equity market, driven by improving global sentiment and some local sector recovery.

OM Private Equity V experienced a slight decline of -0.6%, indicative of short-term market volatility, while OM Private Equity II saw an outstanding return of 18.2%, reflecting the strong performance of underlying private equity holdings.

The Futuregrowth Power Debt Fund showed stable performance with a 3.6% return, continuing to benefit from the robust credit quality of energy-related debt investments, although it lagged behind the strong gains in listed bonds.

The Futuregrowth Yield Enhanced BB STeFI+ Fund posted a 5.3% return, comfortably outperforming the STeFI benchmark of 2.1%, aided by a conservative yet superior credit selection.

GLOBAL EQUITY
ANDREEA BUNEA | HEAD OF GLOBAL

Global equity markets finished the quarter in the green, despite increased levels of volatility. The MSCI All Country World Index returned 6.6% in US dollars for the quarter and amassed an impressive 18.7% for year to date. Resilient corporate earnings in the US continued to support the market advance, but this was somewhat uneven, with information technology posting a small advance, while interest rate sensitive sectors such as utilities and real estate powered ahead, alongside small caps, as the Fed began its interest rate cutting cycle with a 50 basis points reduction in rates. This also provided a boost to value stocks, which outperformed growth stocks by 6.2% during the quarter. Emerging markets delivered an impressive return of 8.9% in US dollars for the quarter, and 17.2% year to date. The largest contributor to performance was China, supported by new stimulus measures announced towards the end of the quarter. The global equity component marginally underperformed during the quarter, predominantly driven by the growth and quality managers. The narrow market leadership year-to-date has been challenging for many of our active managers, including Harris Associates, Ninety One and Montrusco, Orbis on the other hand, managed to keep up with the market advance, predominantly driven by the fund's concentrated exposure to Financials in South Korea and Japan. Our emerging markets manager also kept up with its specialist benchmark over the last 12 months, which boded well for our neutral exposure to the region. The overall strategy maintains a balanced exposure to various sectors, with a tilt in favour of cheaper areas of global markets, such as Europe and UK, at the expense of the US. From an aggregate holdings perspective, the strategy holds its largest overweight positions in Microsoft, Alphabet and Amazon.

GLOBAL FIXED INCOME
SHAWN THOMAS | HEAD OF GLOBAL FIXED INCOME & ALTERNATIVE INVESTMENTS

The Global Fixed Income building block posted a net return of -1.04% (ZAR) in the last quarter, outperforming its composite benchmark by 195 basis points. Over the 12 months ending in September, the Building Block returned 2.9% (ZAR), outperforming the composite benchmark by 184 basis points.

In September, US Treasury yields continued to decline following the Federal Open Market Committee's (FOMC) decision to implement a 50-bp rate cut in their September meeting. Additionally, the August Consumer Price Index (CPI) came in line with estimates, showing a year-over-year increase of 2.5%, lower than July's reading of 2.9%. The Fed's rate cut provided a boost to the markets as capital markets oscillated between concerns over a weakening US labour market and optimism that the Fed could achieve a soft landing for the US economy. The markets are viewing the recent policy actions positively, suggesting a potential boost in consumption and investment.

During the month, the U.S. Treasury yield curve experienced a bull steepener: the 30-year yield decreased by eight basis points, and the two-year yield dropped by 28 basis points. The 10-year yield fell by 12 basis points, ending the month at 3.8%. Market expectations now indicate that three rate cuts are anticipated for 2024, with the next two FOMC meetings scheduled for November and December.

GLOBAL PROPERTY
NOSIBUSISO NQGONDOYI | HEAD OF PROPERTY AND HEDGE

The third quarter of 2024 saw Global Reits as measured by the FTSE EPRA/NAREIT Developed Index up 16.1% as the US Federal Reserve (Fed) cut interest rates by a larger than expected 50 basis points, signalling a shift in focus from controlling inflation to addressing rising unemployment. The US was the worst performing region with a total USD return of 15.97%, while Europe and the Asia Pacific (APAC) were up 16.9% and 16.7% respectively. Healthcare and self-storage led gains, while the single-family rental sector was the worst-performing sector for the quarter The Global Property building block finished the quarter up 15.8%, and 27 basis points behind the benchmark, with Blackrock the only manager that contributed positively to outperformance. The fund is also ahead of the benchmark over the one-year period to September with a net return of 28.9% relative to a 28.9% benchmark return and remains ahead of the benchmark over the longer term.

BALANCED MANDATES
AMEER AMOD | HEAD OF ABSOLUTE AND FIXED INTEREST

The Managed Fund comprises a blend of Coronation, Ninety-One, M&G and Allan Gray.

Global inflation continued to ease, supporting rate cuts across many markets. The US Fed surprised the market with a 50 basis points cut in September. In South Africa, improving sentiment from a market-friendly election, better economic conditions, and easing monetary policy led to gains in asset prices and the rand, with the JSE All Share Index rising 9.6% in rand terms. Key contributors included listed property (19.1%) and financials (13.7%) while resources declined by 1.1%.

During the third quarter managers have made some changes to the size of their positions due to the rally seen in domestic asset classes, but the broad direction of fund positioning has remained the same. From a valuation perspective, SA equities are coming off a very low base and continue to screen relatively cheap compared to other markets. On the bond side, SA 10-year yield is still pricing real returns and therefore remains a key holding across the funds. Managers are generally underweight the US market in order to take overweight positions in more fairly priced offshore markets. Positions in global bonds and global cash are retained at a marginal allocation.

The fund has benefitted from adding more SA-exposed stocks pre-election, such as increasing the bank and retail exposure in the funds. Another change made during the quarter was to lock in some of the performance experienced in the overweight SA nominal bonds position. Real yields however, still remain attractive and managers continue to hold an overweight position. There is a strong preference for the risk-adjusted returns we receive in the SA equity and bond space and would expect that gap to open even more as local interest rates are cut further beyond this point.

ABSOLUTE RETURN MANDATES
AMEER AMOD | HEAD OF ABSOLUTE AND FIXED INTEREST

The Defensive Balanced Fund comprises a blend of Coronation, Ninety-One and Sanlam Investments. Fund returns are broad based across markets and have been supported by generally resilient economic growth and employment data. Continued easing in inflation supported the start of cuts in policy rates across many markets. The positive outlook also reflected in global bond markets with a 7% return from the Bloomberg Barclays Global Aggregate Bond Index for the quarter. In South Africa, markets performed strongly as positive sentiment attributed to the new government continued into the third quarter, supported by a 25 basis points rate cut from the SARB in September. The JSE Capped SWIX returned 10% for the quarter, taking the year-to-date return to 16%.

The bond market rallied strongly as yields declined, taking the ALBI return to 11% for the quarter and 17% for the year to date.

The Fund retains a reasonably high exposure to global assets. Managers remain of the view that a relatively full allocation to global assets is appropriate. The global fixed income allocation consists of short-dated US T-bills as well as corporate credits offering attractive yields.

Exposure to domestic-facing equities remains concentrated in high quality businesses that one can expect to outperform in a challenged economic environment. Managers have increased the allocation to SA equity slightly during the quarter. Within the domestic equity allocation, there is meaningful exposure to the banks where valuations remain reasonable. Within the domestic fixed income allocation, an allocation to ILBs remain warranted as they offer attractive real yields and protection against higher-than-expected inflation. Managers have also implemented a 'currency hedge' to reduce sensitivity to any further potential rand strength.

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