



APS INVESTMENT MEETING

27 March 2024

analytics 

SHAPING TOMORROW'S
WEALTH, TOGETHER.



AGENDA

MACRO VIEWS

PERFORMANCE

APS RISK PROFILES

FUND COMPARISONS



MACRO VIEWS

10 KEY QUESTIONS FOR 2024

WHERE WILL INFLATION SETTLE?

Wages and rents and potentially geopolitical risks could keep inflation elevated for longer between 3% to 4%.

1

Settles between 3% to 4%

● Settles at 2% target

Increases to above 4%

Pause rate hikes for 2024

● Cut rates in 2024

Need to increase rates again

2

WHAT WILL CENTRAL BANKS DO?

Sticky inflation leads to Central Banks pausing rates for most of 2024.

RECESSION IN 2024?

Expect either a mild recession in certain countries, or no recession in the US.

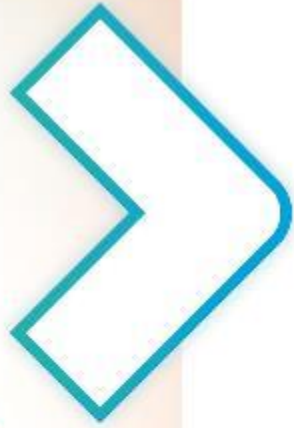
3

Mild recession

● No recession

Global recession

10 KEY QUESTIONS FOR 2024



Selective opportunities
Soft landing - Bull market
Earnings downgrade - Bear market

4

ARE MARKETS EXPENSIVE?

S&P 500 at index-level is expensive, but World-Excl US is attractive. Active stock-picking preferred within US market.

WILL THE DOLLAR DEPRECIATE?

With US rates on hold, and with geopolitical issues potentially leading to a flight to safety, the US Dollar should be strong to stable.

5

USD is strong to stable

Gradual weakening

Significant depreciation

Gradual recovery
Consumers spend and global trade picks up
Growth hampered by geopolitics

6

WILL THE EUROZONE OUTPERFORM?

Expect a gradual recovery, hampered by geopolitical risks.

10 KEY QUESTIONS FOR 2024

WILL GEOPOLITICS IMPROVE?

Geopolitical risks will be present throughout the year – need to monitor global energy prices closely.

7

No escalation in risks

● Wars & conflicts end quickly

Escalation in wars & conflicts

WILL CHINA RECOVER IN 2024?

China should recover gradually and selected opportunities will become available in the year.

8

Gradual recovery

● Market-friendly policies implemented

Too slow and few changes

IMPACT OF ELECTIONS ON MARKETS?

Attention-grabbing headlines cause short-term market volatility, but no long-term effects.

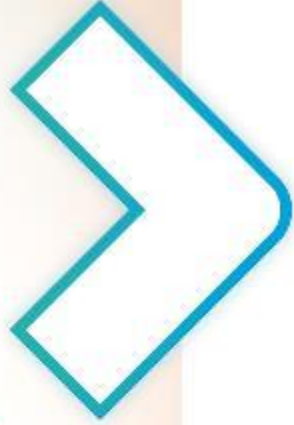
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Short-term market volatility

● Increased investor confidence

Political gridlock-downturn

10 KEY QUESTIONS FOR 2024



Selective opportunities
Functional coalition – catalyst
for risk assets
Policy paralysis weighs on
markets

10

IS SOUTH AFRICA INVESTABLE?

Selective opportunities in the SA market – but caution is warranted. Reminder that politics and the economy are not fully equal to the SA market.

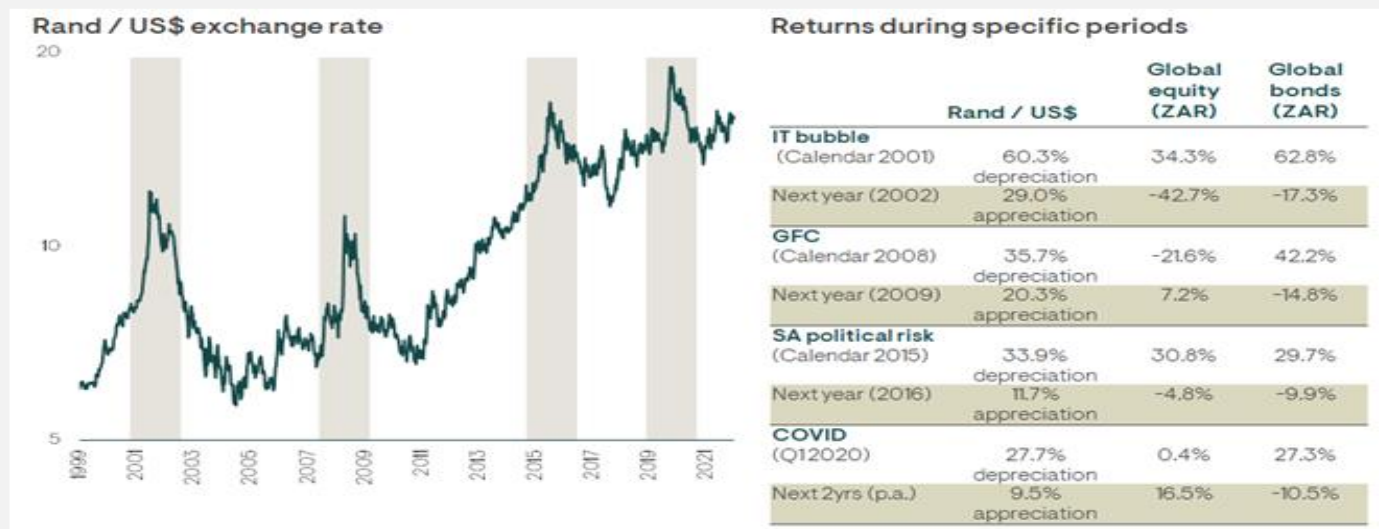
NINETY ONE



Global does not always outperform



Rand does not always depreciate





NINETY ONE



Zero exposure to SA Equities in an Unconstrained portfolio?

- Investors most likely have ZAR-based requirements/liabilities and to have all their investments (assets) in one currency and their liabilities in another can create a mismatch.
- Global equities do not always outperform domestic equities over the long-term and the Rand does not always weaken.
- Currently have around 78% exposure to equities (54% offshore and 24% local) in an unconstrained portfolio.
- A large portion of the revenues generated from companies listed on our market comes from outside of SA.

JSE shares versus their global counterparts?

- British American Tobacco
- SA Banks

CORONATION



Zero exposure to SA Equities in an Unconstrained portfolio?

- Every instrument in a portfolio should stack up on merit irrespective of where the stock is listed.
- Our unconstrained portfolio has held some SA counters in the past and there has been times where it has had none.

JSE shares versus their global counterparts?

- We are fortunate to have world class business listed on our exchange - BTI, Naspers, Mondi, Richemont, Sanlam to name but a few.
- Our unconstrained portfolio currently hold Pepkor, Naspers, and RMB Holdings.



FAIRTREE



FAIRTREE

Zero exposure to SA Equities in an Unconstrained portfolio?

- We believe in diversified portfolio construction and therefore recommend a good balance between offshore and SA equities.
- Keep in mind that much of SA equity exposure derive their revenues globally, around two-thirds.
- We believe it is appropriate to maintain a high degree of exposure to local assets where value may be unlocked via rate cuts, the election outcome and improved economic reforms. However, one can balance this exposure with global defensive sectors, safe-havens and cyclical exposures in other emerging markets.

JSE shares versus their global counterparts?

- Outsurance - superior profit margins in South Africa and Australia.
- Capitec - highest Return on Equity and growth profiles over the years.
- Bidcorp has industry leading margins and operate across Europe, UK, Australasia and Africa.
- British American Tobacco have excellent distribution and brands.
- Richemont is the closest to a Jewellery pure play in the world, owning brands that are ~100 years old.

FRANS CRONJE



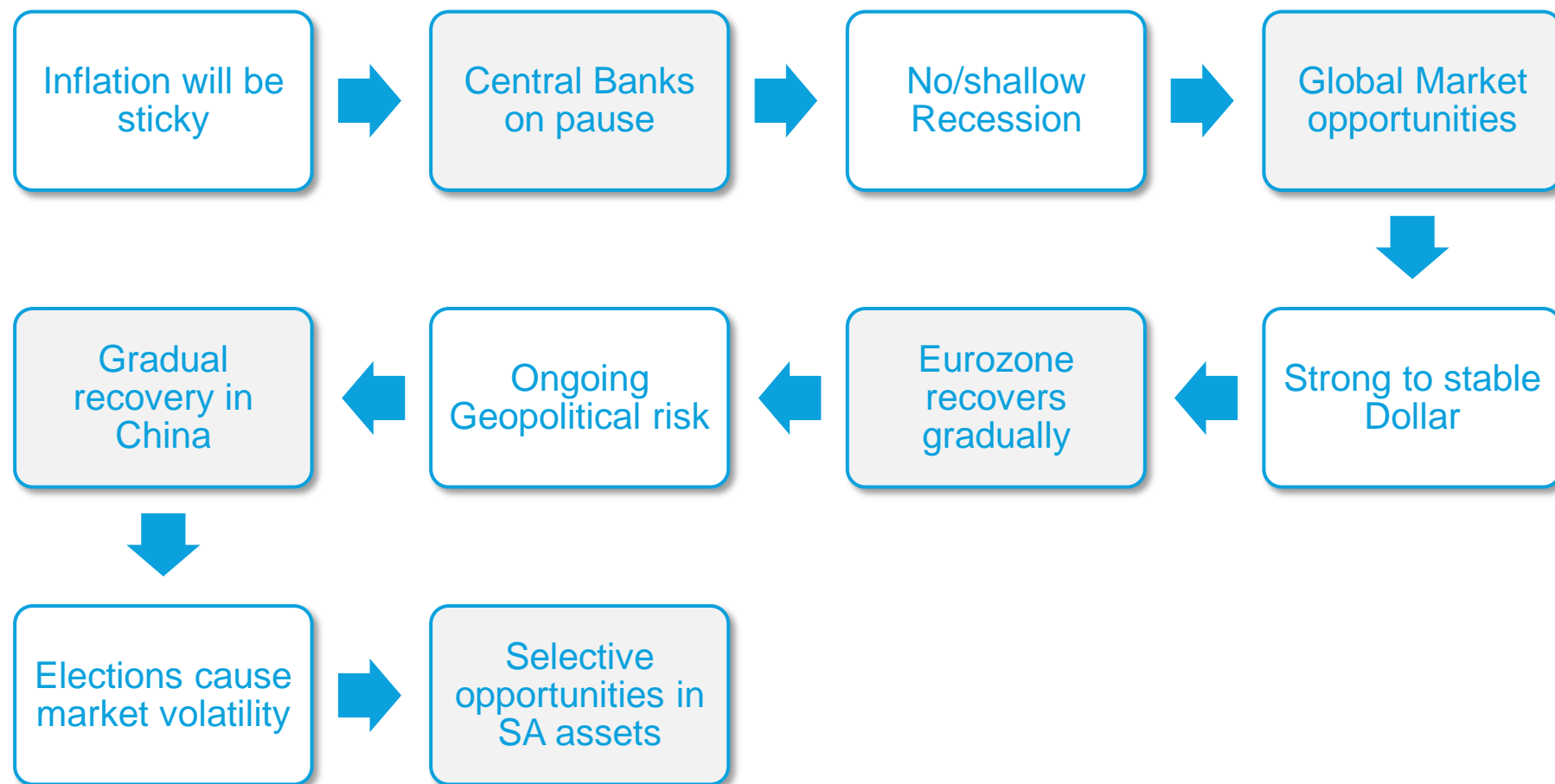
ANC wins outright or coalition with fractional parties (50%)

- ANC drives reform process and regains national majority in 2029 (25%)
- ANC fails to drive reform process, leading to steep loss in 2029. Coalition with populist party leads to economic slump (30%)
- ANC fails to drive reform process, leading to steep loss in 2029. Coalition with centrist party leads to messy economic recovery (45%)

ANC loses by enough to need DA/EFF support (50%)

- ANC in coalition with EFF, leading to 5-year economic slump and steep loss in 2029. Coalition with centrist party leads to messy economic recovery (50%)
- ANC in coalition with EFF, leading to 5-year economic slump and erosion of the rule of law – SA gravitates to failed state (25%)
- Coalition with DA leads to messy economic recovery (25%)

BASE CASE VIEWS



PORTFOLIO POSITIONING

Base Case

- ❑ Moderate exposure to risk assets
- ❑ Slightly higher cash exposures
- ❑ Higher offshore asset exposures

Bull Case

- ❑ High exposure to risk assets
- ❑ Less cash, higher bond exposure
- ❑ Lower offshore asset exposures

Bear Case

- ❑ Very low exposure to risk assets
- ❑ High exposure to cash
- ❑ High offshore asset exposures



PERFORMANCE



PERFORMANCE OF ASSET CLASSES (ZAR)

Asset Classes	1 Month		3 Month		6 Month		1 Year		3 Years		5 Years	
SA Equity	-2.4%		-3.4%		-1.3%		-2.9%		7.5%		9.3%	
SA Property	0.8%		15.3%		17.1%		17.6%		14.8%		0.6%	
SA Bonds	-0.6%		1.6%		5.7%		7.6%		7.2%		7.8%	
SA Cash	0.7%		2.1%		4.2%		8.3%		5.9%		6.0%	
Offshore Equity	7.6%		11.3%		13.1%		28.7%		15.5%		17.6%	
Offshore Property	5.0%		6.8%		7.4%		9.0%		11.8%		10.8%	
Offshore Bonds	1.8%		2.7%		3.5%		7.7%		2.2%		5.3%	
Offshore Cash	3.6%		2.7%		4.2%		10.5%		11.5%		8.9%	

Currency (+ weaken; - strengthen)	1 Month		3 Month		6 Month		1 Year		3 Years		5 Years	
Rand/Dollar	3.3%		1.4%		1.5%		5.6%		8.9%		7.2%	

Offshore Equity markets (USD)	1 Month		3 Month		6 Month		1 Year		3 Years		5 Years	
MSCI World	4.2%		10.7%		12.5%		25.0%		8.6%		11.7%	
MSCI ACWI	4.3%		9.9%		11.7%		23.1%		6.8%		10.5%	
MSCI EM	4.8%		3.8%		4.9%		8.7%		-6.3%		1.9%	
S&P 500	5.3%		12.0%		13.9%		30.5%		11.9%		14.8%	
EURO STOXX 50	4.6%		10.7%		13.8%		20.4%		8.6%		9.6%	
FTSE 100	-0.2%		2.9%		3.7%		5.3%		6.0%		4.3%	
Nikkei 225	5.5%		15.8%		17.9%		32.6%		0.7%		8.5%	
MSCI AC Asia Ex Japan	5.6%		3.4%		3.4%		4.9%		-8.4%		1.8%	

Source: Morningstar; Returns to Feb 2024

PORTFOLIO RETURNS AND PEER BENCHMARKS (ZAR): FEB 2024

Feb-24	1 Month		3 Month		6 Month		1 Year		3 Years		5 Years		7 Years		10 Years
APS Cautious A1	2.26%	↑	3.43%	↑	4.58%	↓	9.09%	↑	8.03%	↑	7.55%	↑	6.85%	↓	#N/A
SA MA Low Eqty Av	0.65%		2.57%		4.62%		7.83%		7.71%		7.42%		6.96%		6.85%
APS Moderate A1	1.66%	↑	2.31%	↓	3.78%	↓	7.11%	↑	8.18%	↑	8.29%	↑	7.04%	↓	#N/A
SA MA Med Eqty Av	0.75%		2.59%		4.36%		6.96%		8.04%		7.95%		7.14%		6.81%
APS Managed Growth A1	1.46%	↑	1.82%	↓	3.40%	↓	6.02%	↓	7.78%	↓	8.45%	↑	6.80%	↓	#N/A
SA MA Hi Eqty Av	0.76%		2.67%		4.32%		6.73%		8.61%		8.41%		7.33%		6.97%
APS Equity A1	1.19%	↑	1.01%	↑	2.36%	↑	3.30%	↑	7.91%	↑	10.18%	↑	8.27%	↑	#N/A
SA EQ General	-1.49%		-1.75%		-0.01%		-1.51%		7.45%		7.20%		6.04%		5.60%
APS Global Flexible FF B (ZAR)	5.86%	↑	7.39%	↑	7.10%	↓	16.37%	↑	10.44%	↑	10.30%	↓	9.39%	↑	#N/A
EAA Fund USD Flexible Allocation	4.72%		6.57%		7.38%		14.35%		9.39%		10.30%		9.24%		8.33%
APS Global Flexible B (USD)	2.75%	↑	6.24%	↑	6.08%	↑	12.13%	↑	2.60%	↑	4.11%	↑	3.98%	↑	#N/A
EAA Fund USD Flexible Allocation	1.53%		5.27%		5.99%		9.42%		1.11%		3.66%		3.42%		2.23%

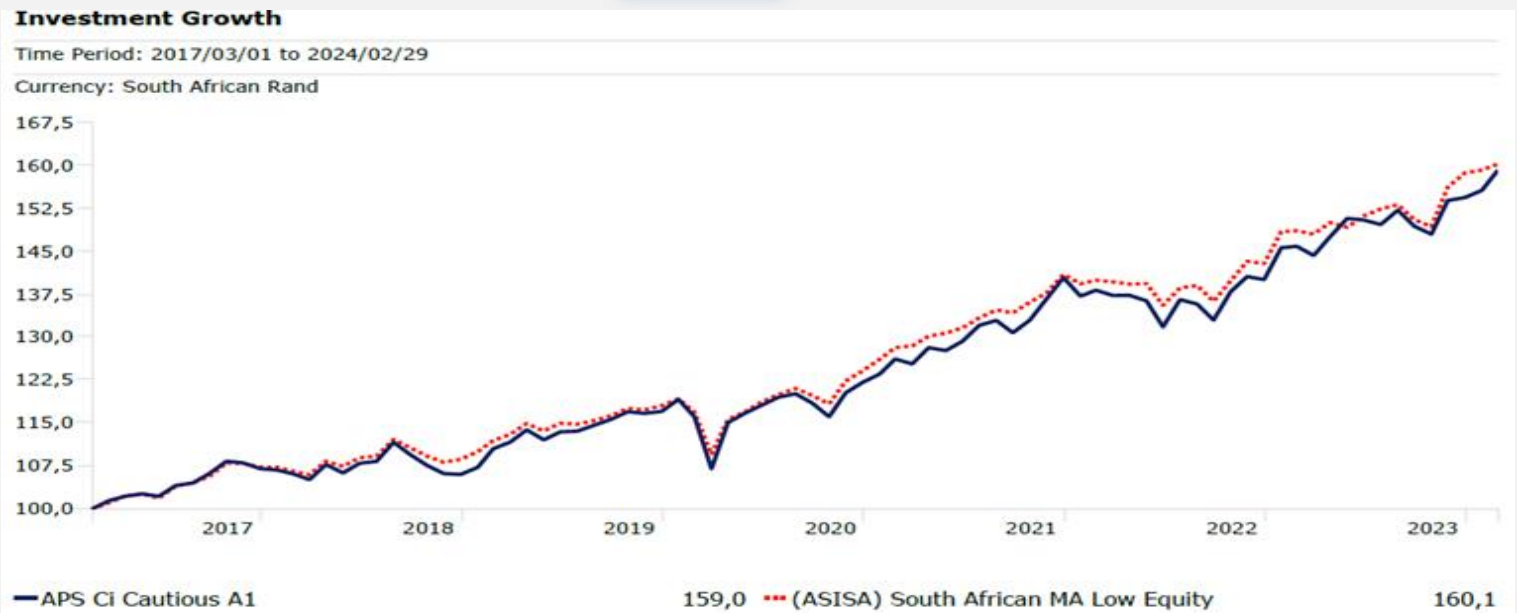
Source: Morningstar; Returns to Feb 2024

APS CAUTIOUS

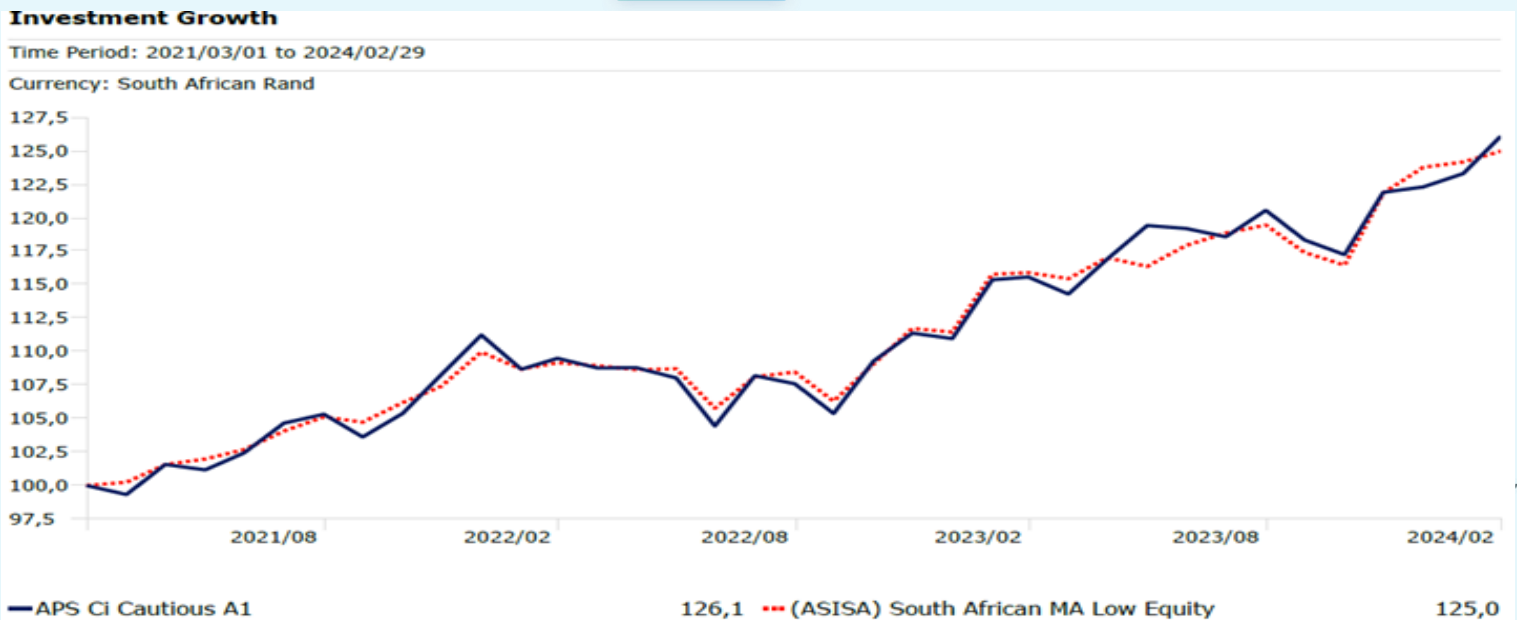


Source: Morningstar; Returns to Feb 2024

Last 7 Years



Last 3 Years

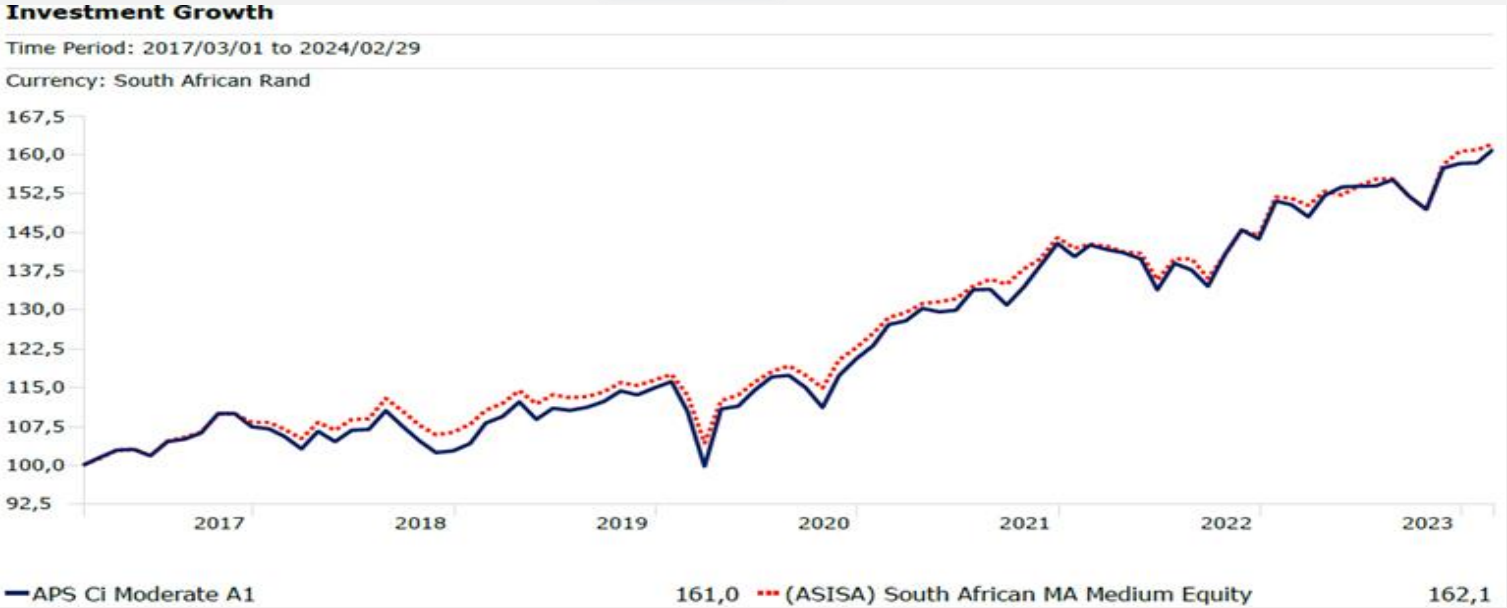


APS MODERATE

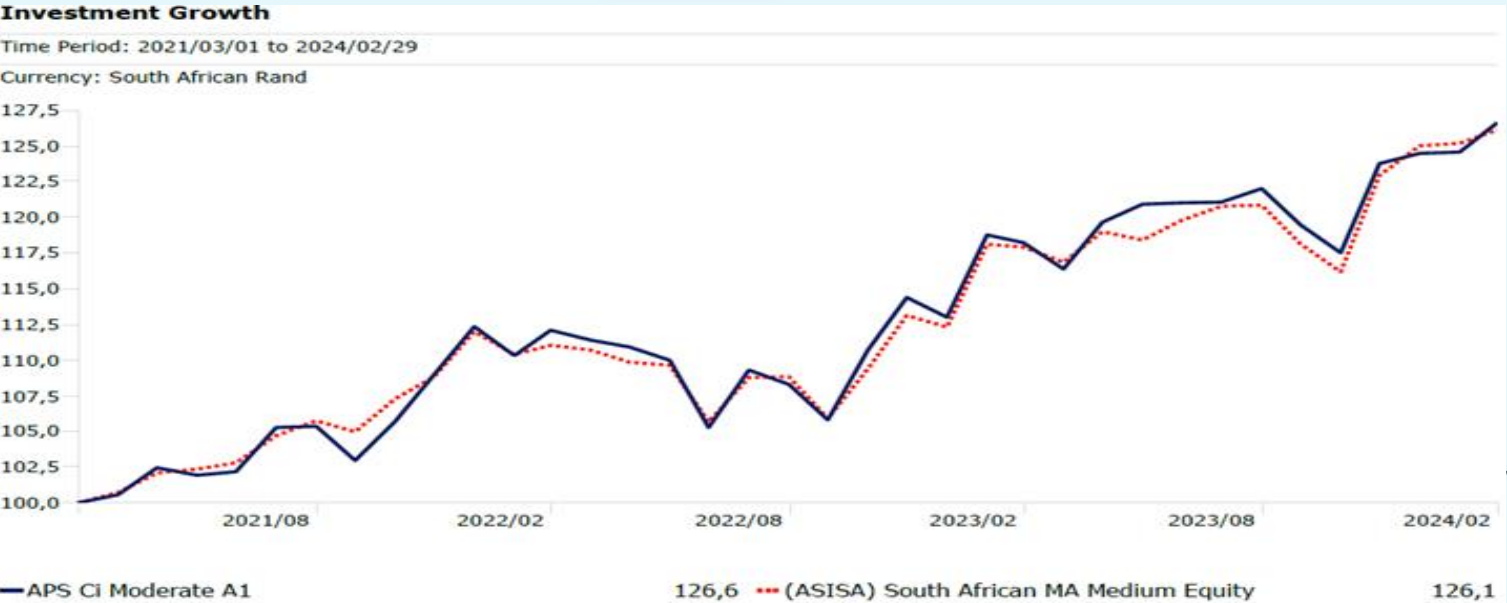


Source: Morningstar; Returns to Feb 2024

Last 7 Years



Last 3 Years

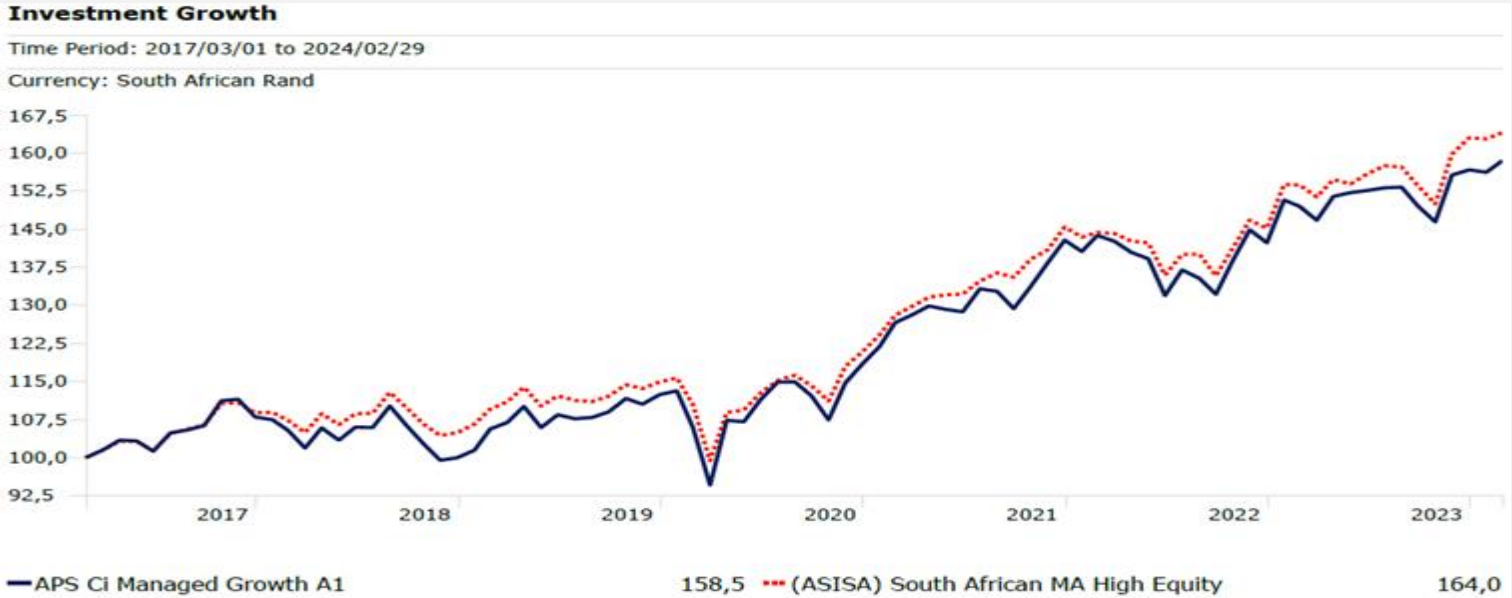


APS MANAGED GROWTH

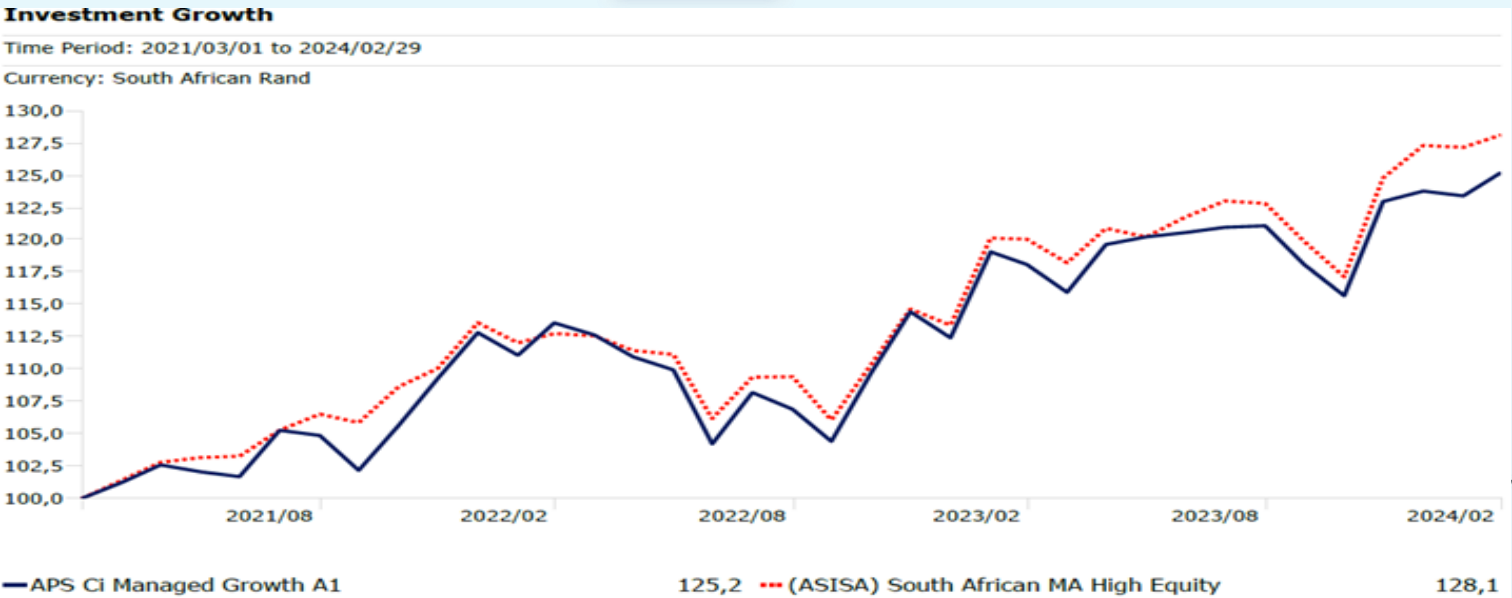


Source: Morningstar; Returns to Feb 2024

Last 7 Years

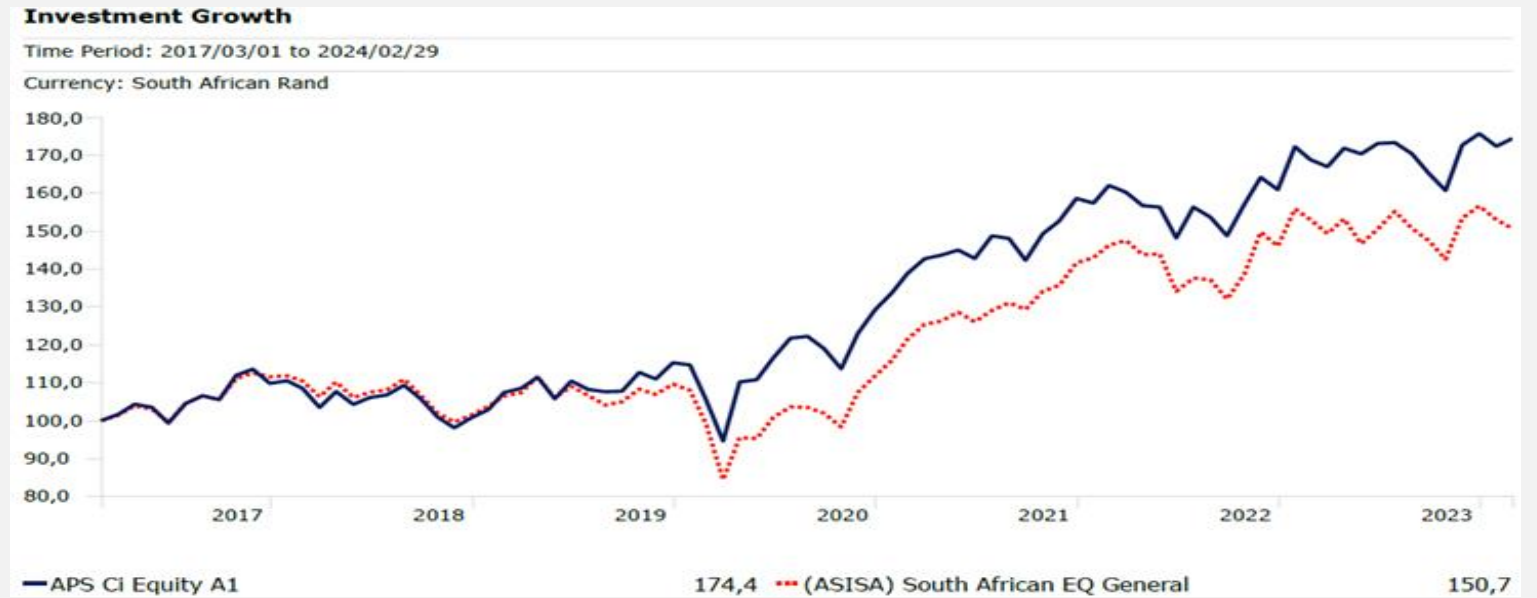


Last 3 Years

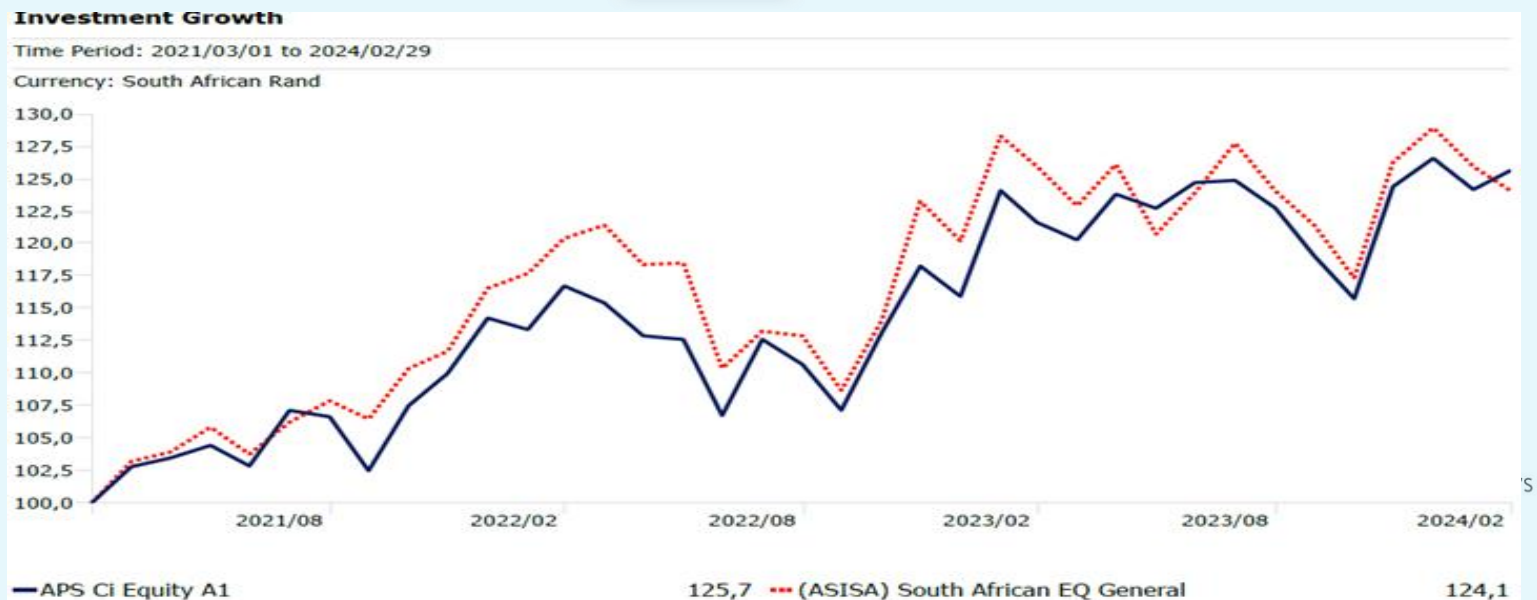


APS EQUITY

Last 7 Years



Last 3 Years



Source: Morningstar; Returns to Feb 2024

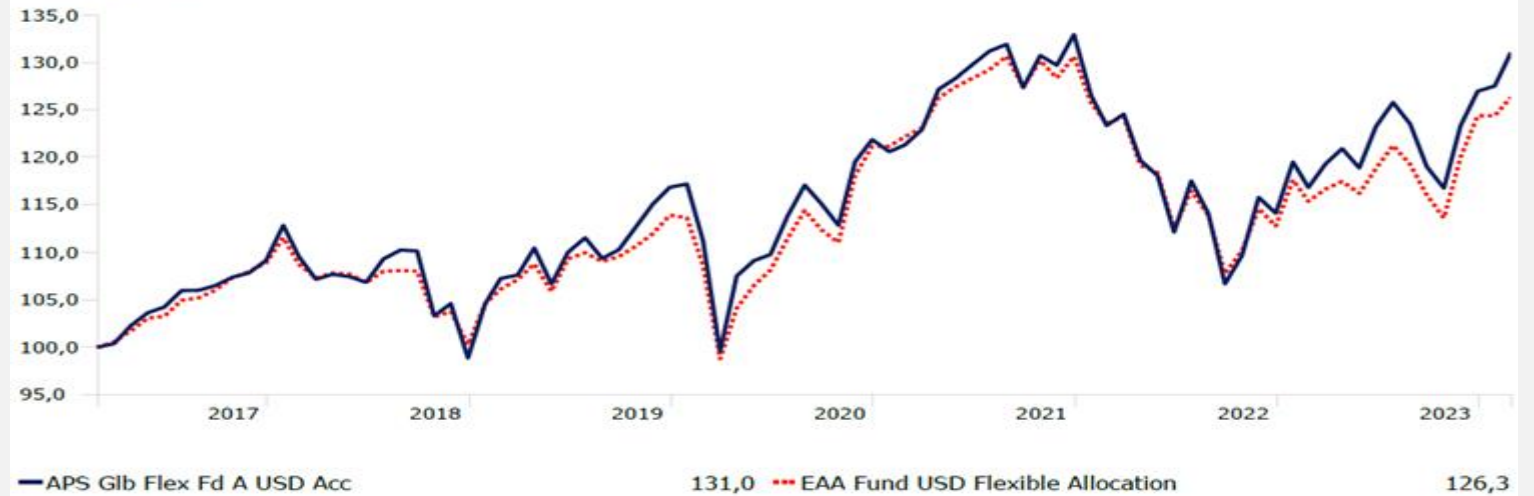
APS GLOBAL FLEXIBLE

Last 7 Years

Investment Growth

Time Period: 2017/03/01 to 2024/02/29

Currency: US Dollar

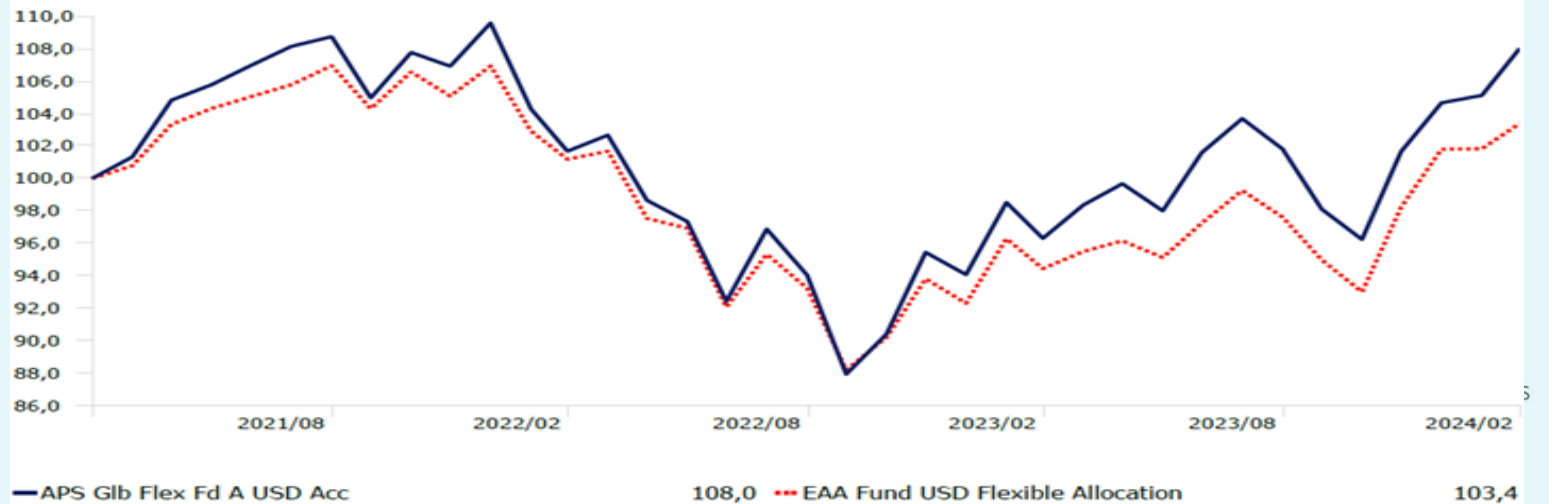


Last 3 Years

Investment Growth

Time Period: 2021/03/01 to 2024/02/29

Currency: US Dollar



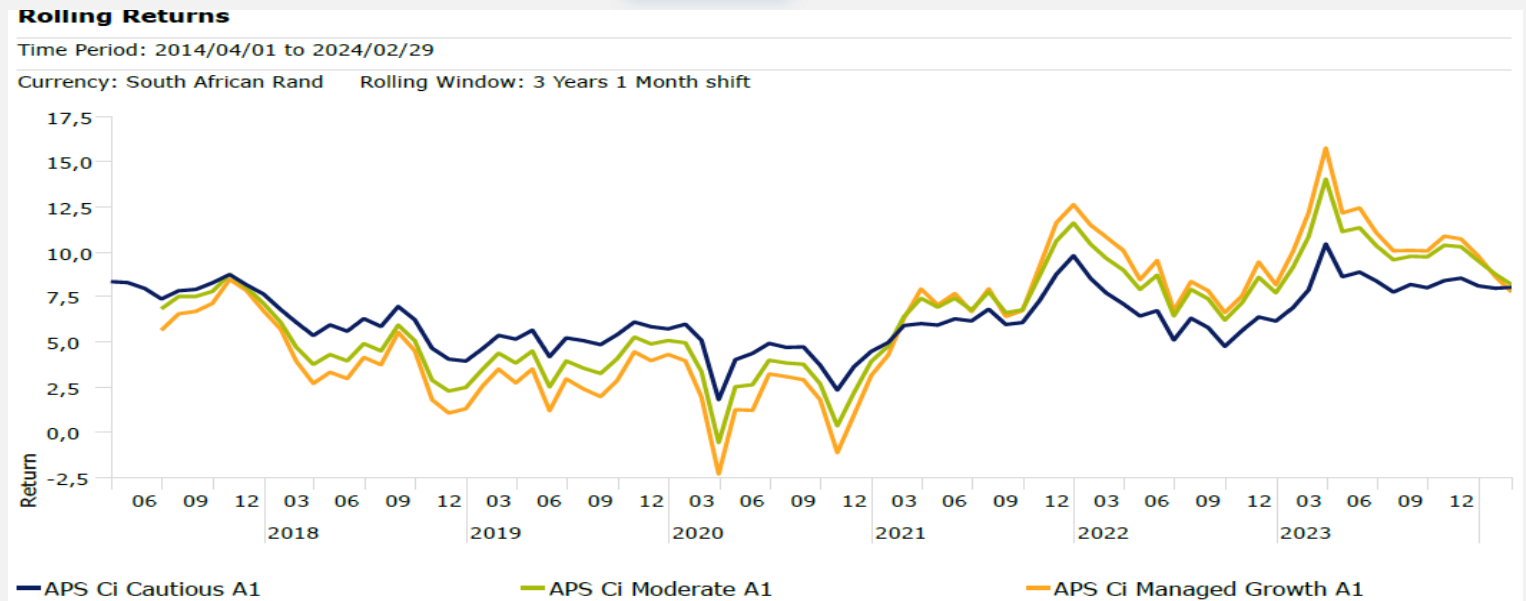
Source: Morningstar; Returns to Feb 2024



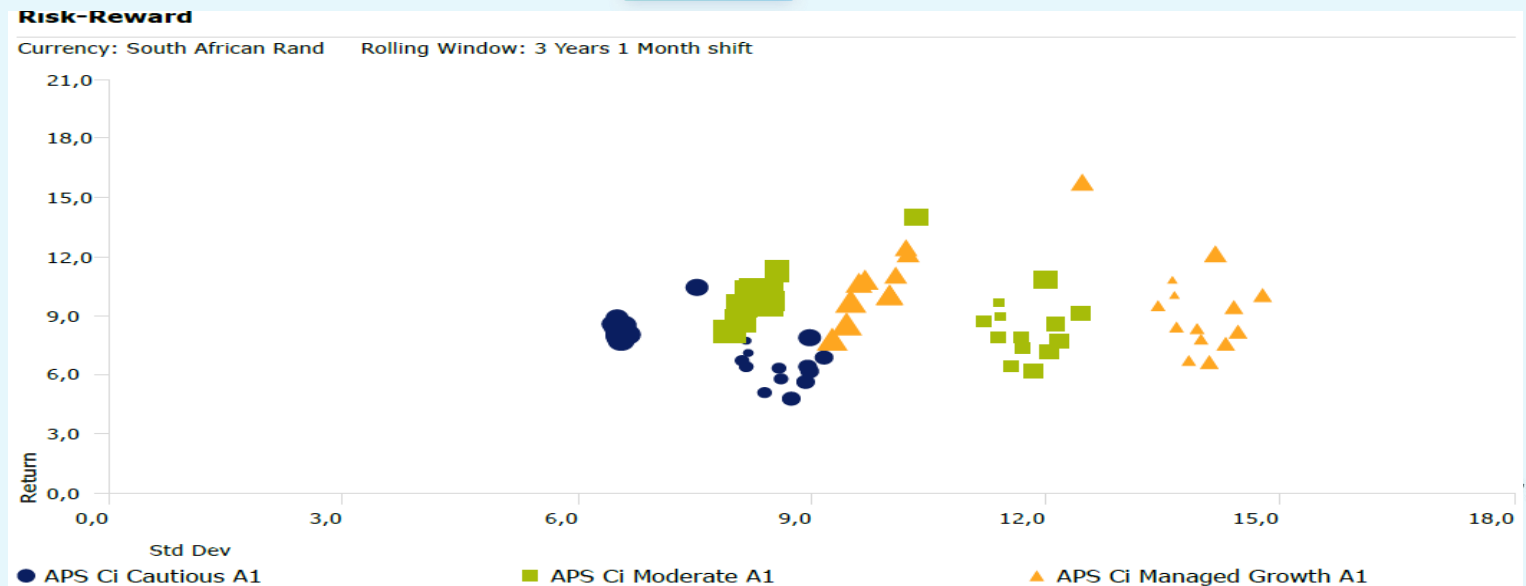
APS RISK PROFILES

ROLLING 3 YEAR RETURN AND RISK

Rolling 3 Year Return



Rolling 3 Year Risk



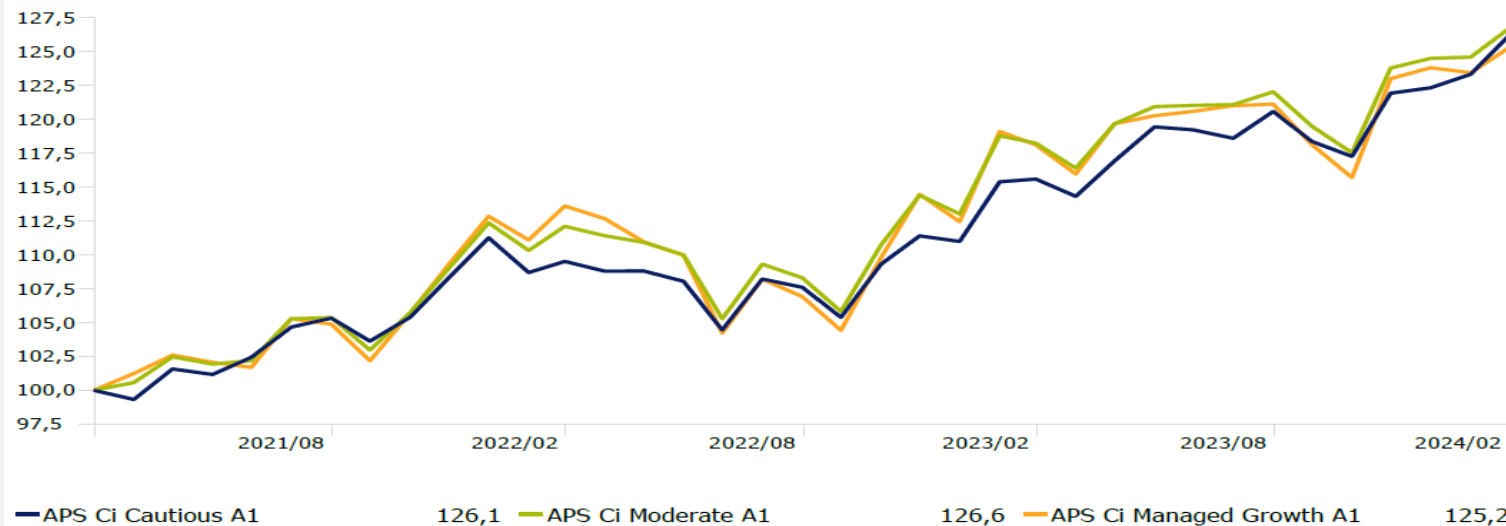
Source: Morningstar; Returns to Feb 2024

LAST 3 YEARS

APS Funds

Investment Growth

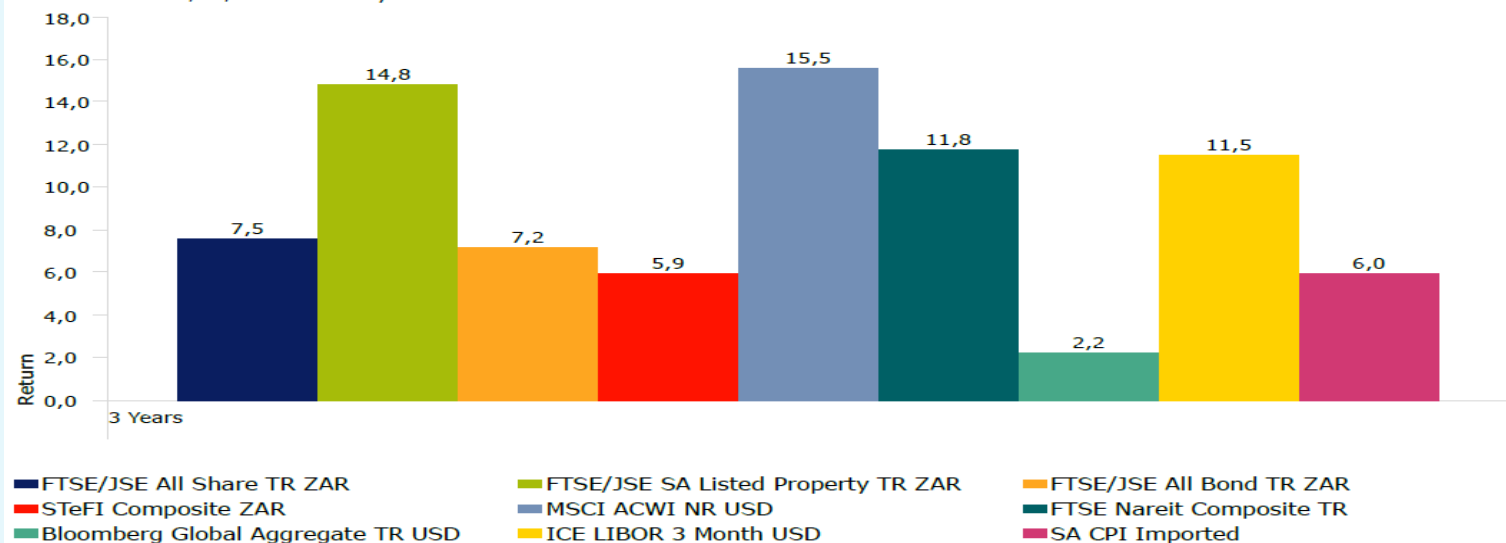
Time Period: 2021/03/01 to 2024/02/29



Asset Classes

Returns

As of Date: 2024/02/29 Currency: South African Rand



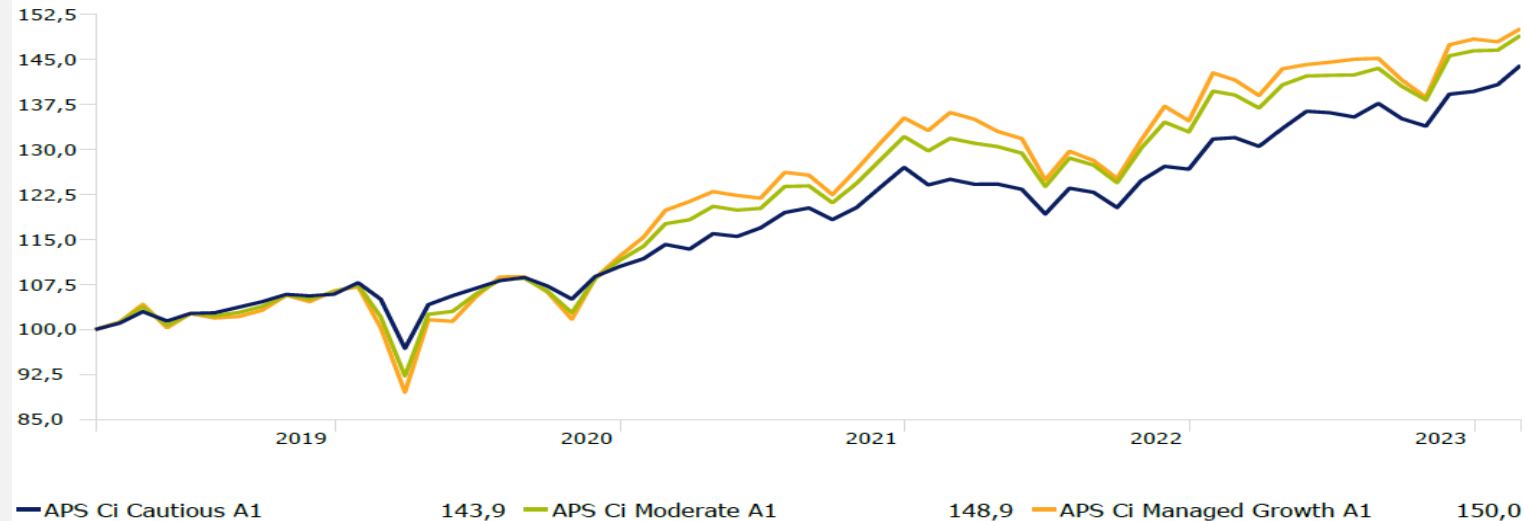
Source: Morningstar; Returns to Feb 2024

LAST 5 YEARS

APS Funds

Investment Growth

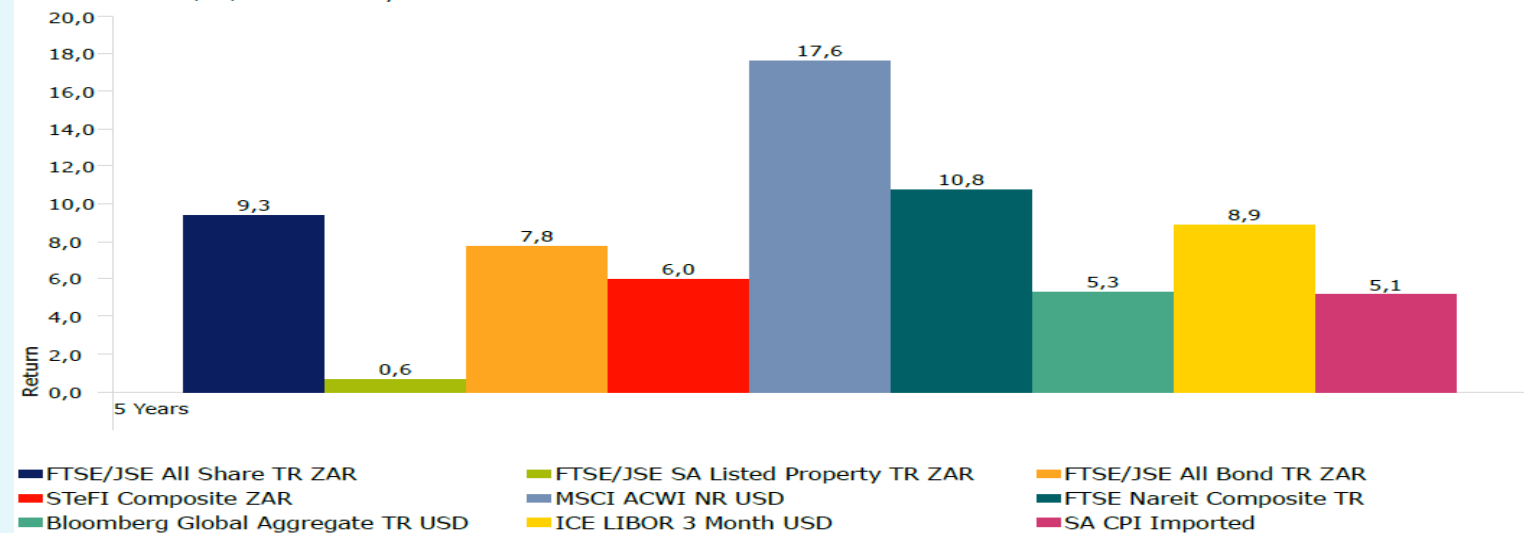
Time Period: 2019/03/01 to 2024/02/29



Asset Classes

Returns

As of Date: 2024/02/29 Currency: South African Rand



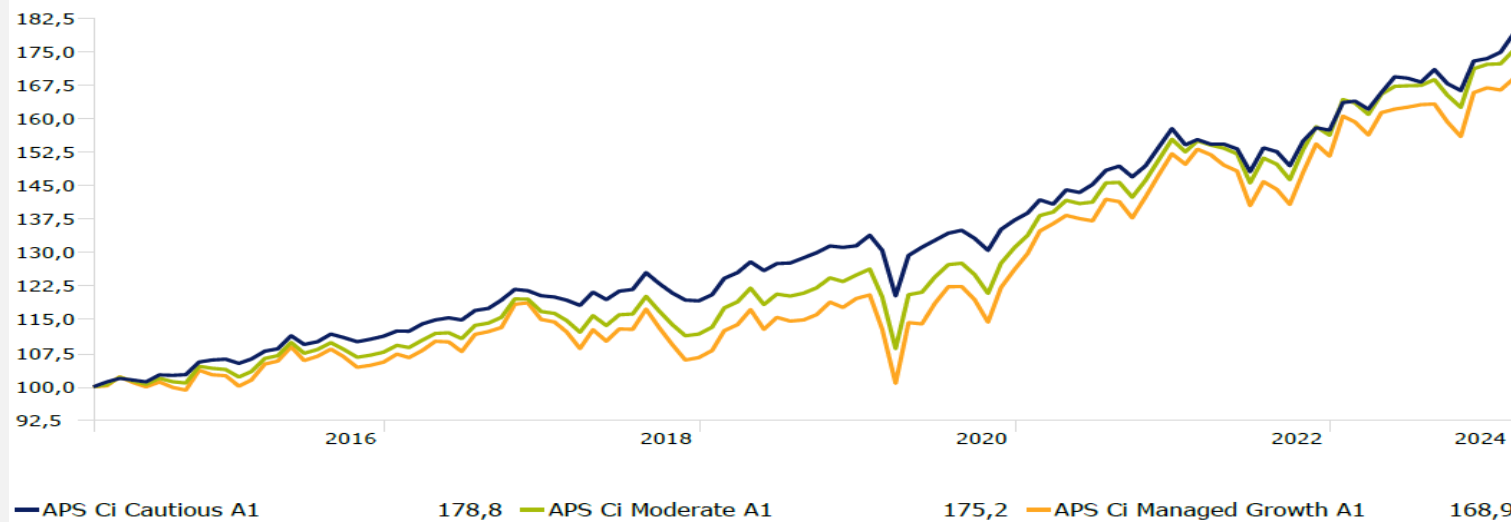
Source: Morningstar; Returns to Feb 2024

LAST 9 YEARS

APS Funds

Investment Growth

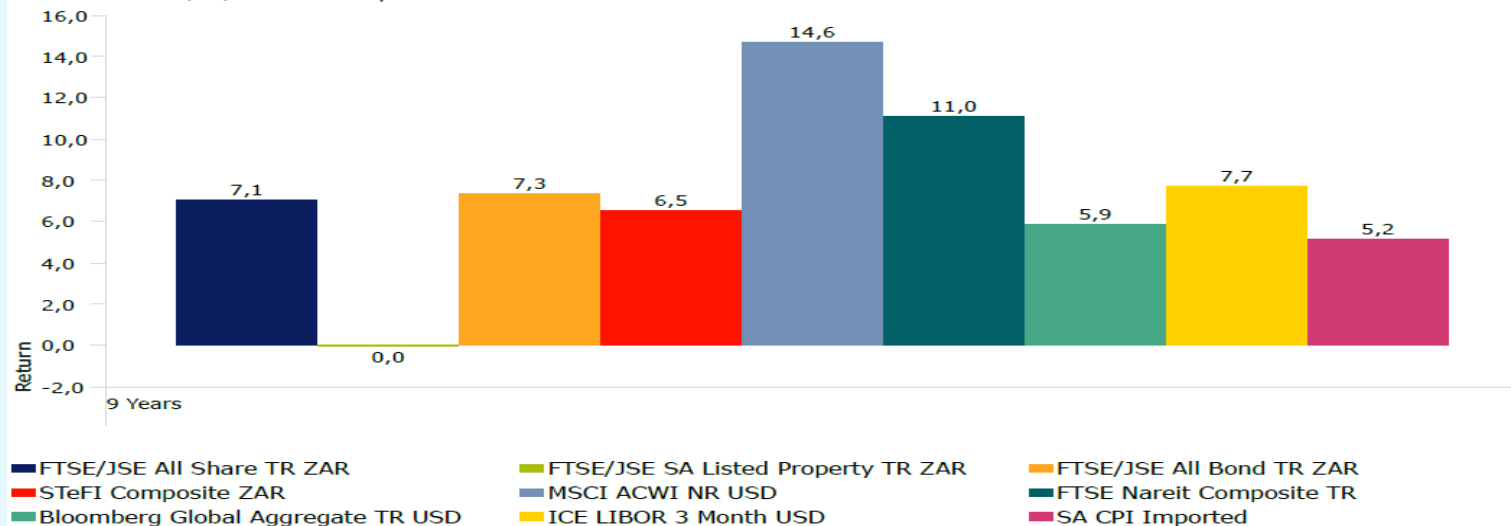
Time Period: 2015/03/01 to 2024/02/29



Asset Classes

Returns

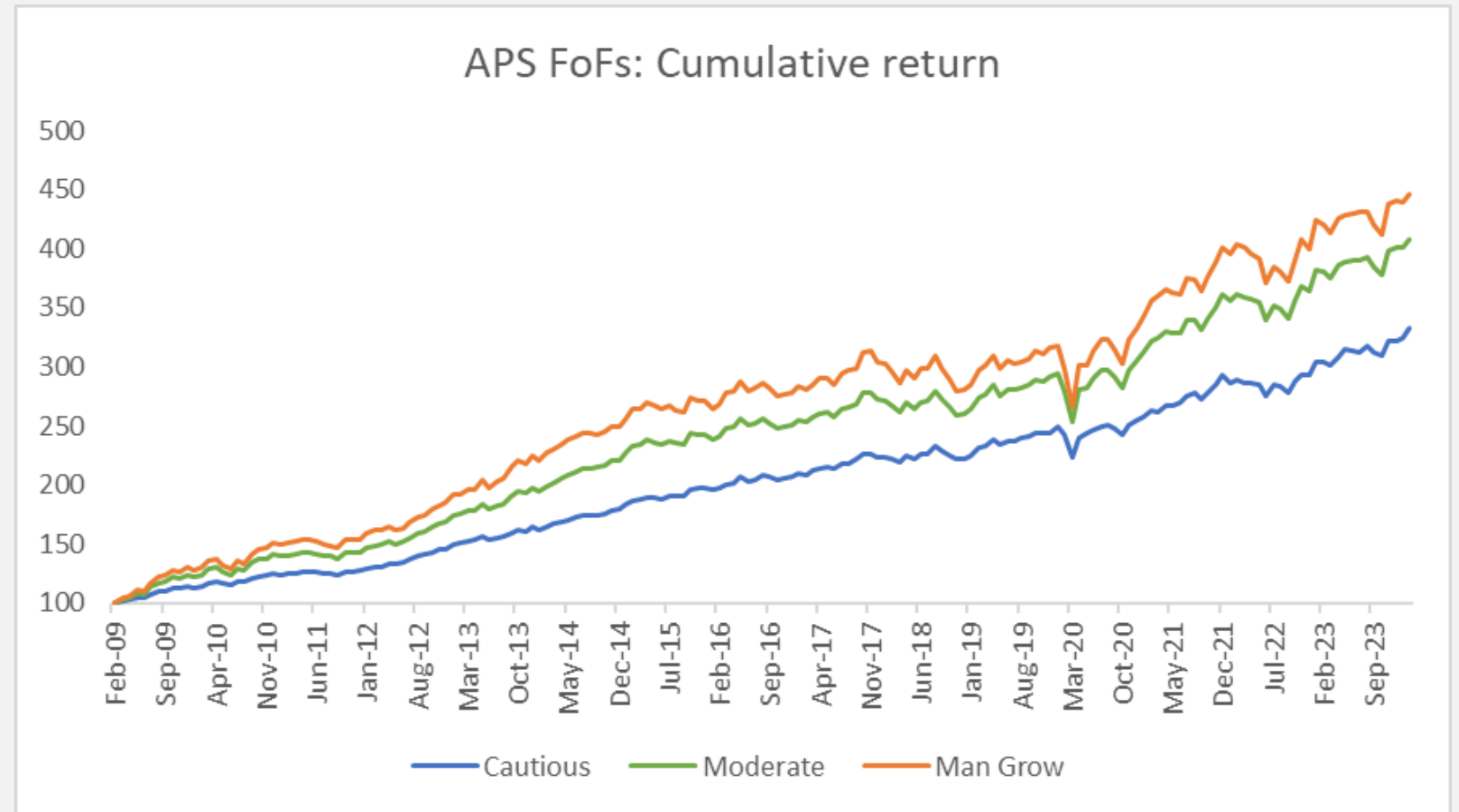
As of Date: 2024/02/29 Currency: South African Rand



Source: Morningstar; Returns to Feb 2024

APS LONG-TERM RETURNS

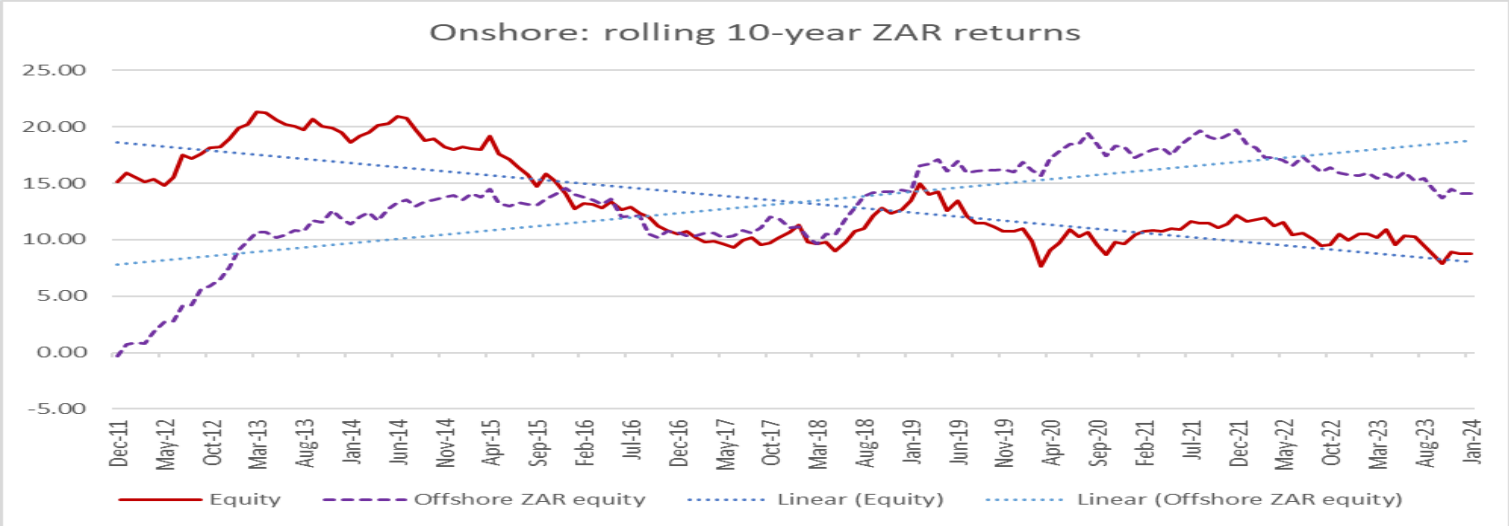
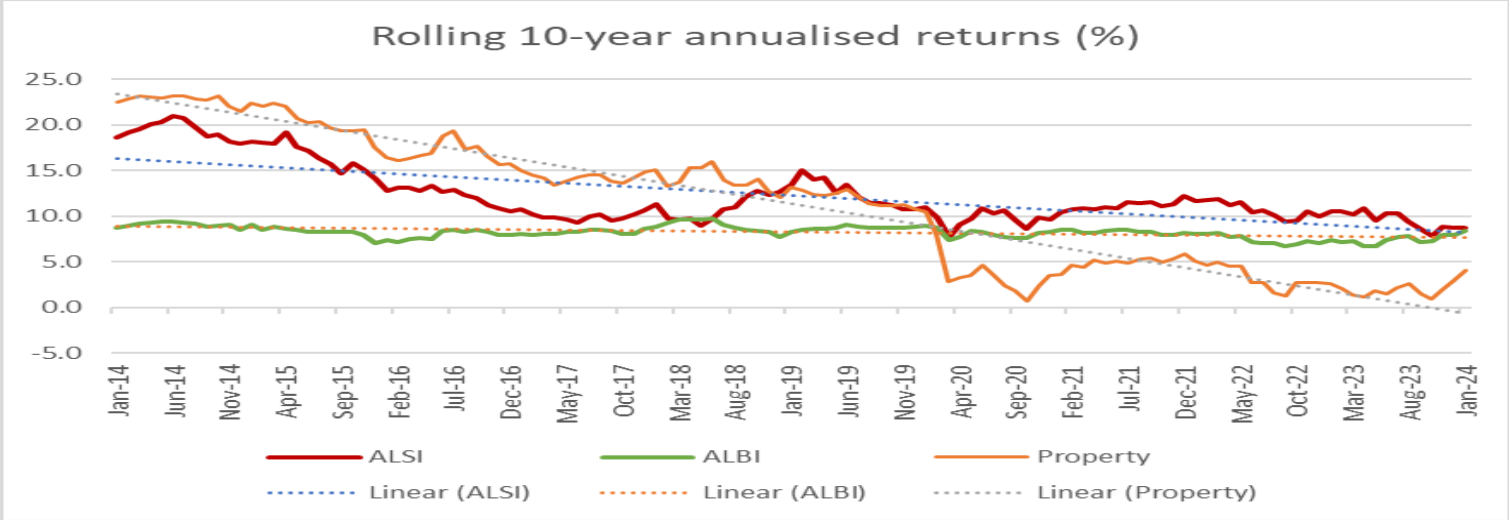
APS Funds



Source: Morningstar; Returns to Feb 2024

ASSET CLASS RETURNS

Asset Classes



Source: Morningstar; Returns to Feb 2024

ALSI PRICE & FORWARD PE

ALSI slide into sub-investment grade rating

Downgrade history	
S&P	03-Apr-17
Moody's	07-Apr-17
Fitch	28-Mar-20

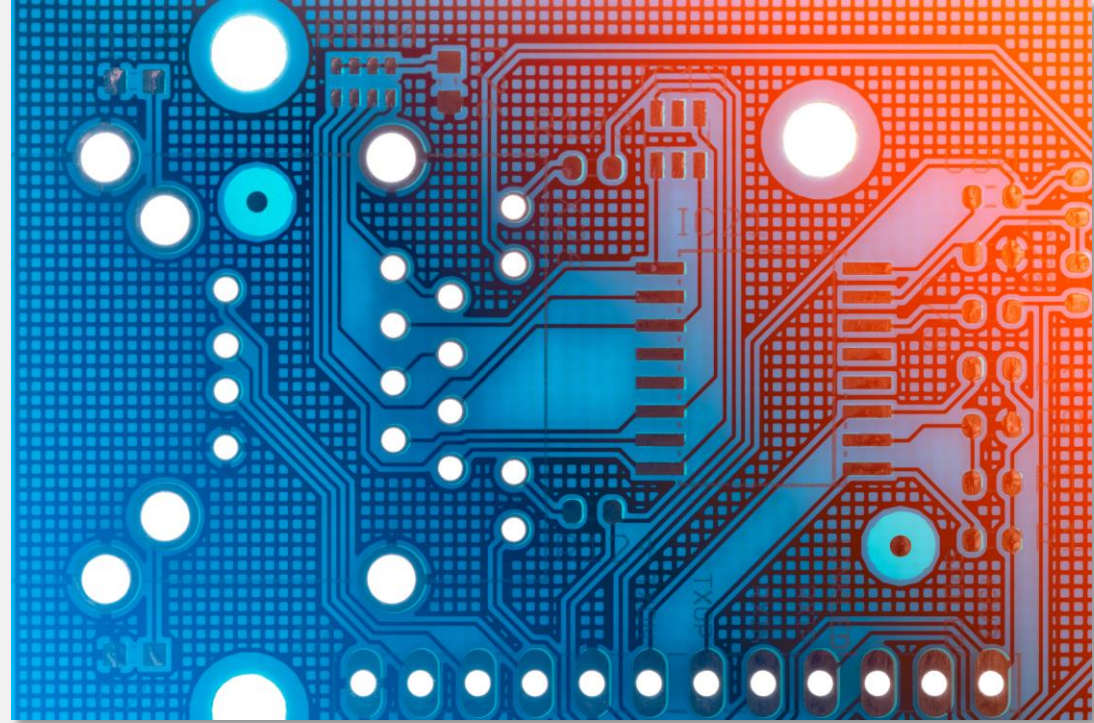


Source: Bloomberg



FUND COMPARISONS

LOCAL EQUITY





SHAPING TOMORROW'S
WEALTH, TOGETHER.

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THANK YOU

