Market Overview

30 September 2023

Local Market

The local equity market declined for a second consecutive month in September. Local government bond yields also sold off in sympathy with global rates on concerns that global central banks may need to keep rates elevated for longer. Adding further pressure on South African consumers was a substantial R1.71/l rise in the petrol price (diesel price increased by R2.84/l), due to the higher international refined fuel price and a weak exchange rate. The increase will add significant upward pressure on SA inflation.

At its September meeting, the South African Reserve Bank's MPC voted 3 to 2 to leave the repo rate unchanged at 8.25%, with the prime rate remaining at 11.75%. This was in-line with expectations, however the tone of the MPC statement was hawkish as they cautioned that they might need to tighten rates further if supported by data developments.

After an improved performance in the second quarter, incoming economic data for the third quarter is less promising, pointing to some loss of momentum. Budget figures for the first 5 months of the fiscal year released at the end of September show further deterioration, with the deficit widening to R238bn or 87% of the full-year budget.

The SA business confidence index (chart 1) improved marginally in Q3 to 33 index points, up from 27 in Q2 2023, helped by an easing of electricity outages in the quarter. Unfortunately, business confidence remains depressed, and has been at 50 index points or less since 2015. The SA consumer confidence index also improved in Q3 to -16, versus -25 in Q2.

Diplomatic relations between the US and SA remain sound, despite the recent tensions over Russia's invasion of Ukraine, according to Reuben Brigety, the US ambassador to Pretoria. Brigety, who alleged that weapons were loaded onto a Russian cargo ship in Simon's Town in May, has not withdrawn his comments despite a judicial probe uncovering no evidence to back up his allegations. Brigety mentioned that SA is the only member of the G20 to have access to the US market that AGOA provides, which demonstrates the strength of the relationship and the fact that it is in the interest of the US that SA can provide jobs to bring dignity for its citizens and increase economic growth.

Global Market

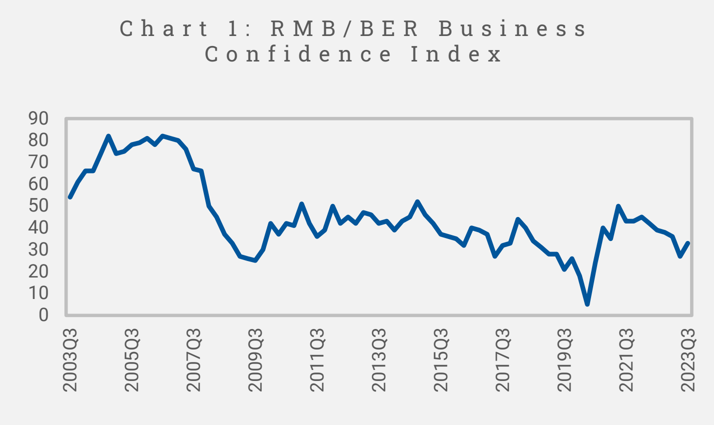
September was a turbulent month for global markets as optimism faded and concerns about the global economic outlook and high interest rates resurfaced. Geopolitical tensions, surging oil prices, and rising bond yields also impacted market sentiment, while China's Evergrande saga continued to weigh on Asian markets. On top of everything else, a potential US government shutdown also weighed on markets. However, this has been temporarily averted as the Senate passed a last-minute spending bill on the 30th of September, allowing the US government to stay open for 45 more days.

As bonds and equities fell simultaneously, commodities were the notable outperformer, buoyed by surging oil prices. Brent crude oil prices (chart 2) rose by 10% in September and by over 26% in the third quarter. The announcement that Saudi Arabia and Russia will extend voluntary oil output cuts through to the end of the year was the major catalyst behind the move.

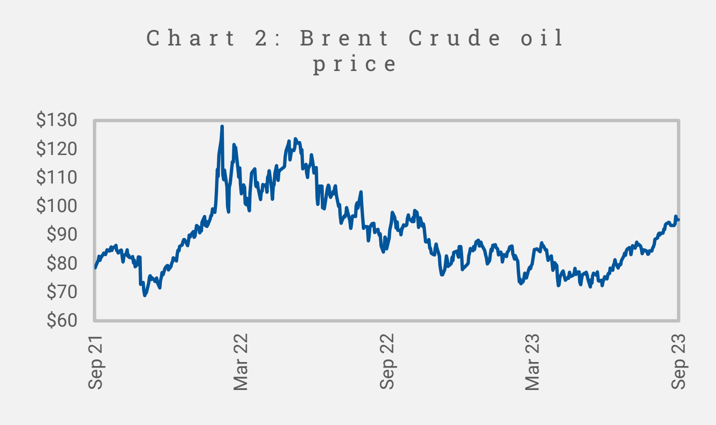
Central banks showed renewed hawkishness, signalling their commitment to a "higher for longer" stance on interest rates as they try to balance the risks of inflation and growth slowdown. The US Federal Reserve kept interest rates unchanged at a range of 5.25% to 5.5% at its September meeting, but signalled that interest rates could increase once more during the remainder of the year. In addition, policymakers surprised markets by changing their expectations for rate cuts in 2024. Previously the Summary of Economic Predictions (SEP) reflected four rate cuts of 25 basis points each in 2024. This has been revised to only two cuts.

The Bank of England's (BoE) Monetary Policy Committee also voted to keep the key policy interest rate unchanged at 5.25%. This is the country's first pause in rate hikes since December 2021. The European Central Bank (ECB), on the other hand, increased their main refinancing interest rates by 0.25% to 4.75%. This was above market expectations for interest rates to remain unchanged and the ECB's 10th consecutive increase in rates.

The People's Bank of China (PBoC) cut its reserve ratio requirement by 0.25% for most banks for the second time this year to help inject more liquidity into the financial system. The PBoC is expected to ease monetary policy further this year as the government tries to boost China's post-pandemic recover, which has lost momentum in recent months.



Source: ber.ac.za (30 September 2023)



Source: Business insider (30 September 2023)

Asset Class (ZAR)	MTD	YTD	1 Year	3 Years	5 Years	10 Years
Local Equity	-2.5%	2.2%	17.7%	14.5%	9.3%	8.6%
Local Property	-4.1%	-5.4%	12.9%	16.8%	-3.5%	1.5%
Local Bonds	-2.3%	1.5%	7.2%	7.0%	7.2%	7.2%
Local Cash	0.6%	5.7%	7.3%	5.0%	5.4%	5.8%
Global Equity	-4.6%	21.9%	26.6%	11.3%	12.7%	14.5%
Global Property	-6.8%	5.7%	7.2%	5.7%	5.7%	10.4%
Global Bonds	-3.4%	8.3%	7.2%	-3.1%	4.2%	6.0%
Global Cash	-0.1%	15.0%	10.0%	6.2%	7.9%	7.8%

Market Overview

30 September 2023

seed investments

Local Review

Equity

Local equities exhibited continued vulnerability and followed global equities lower in September. The JSE All Share Index was down 2.5% for the month, bringing the index's year-to-date return down to 2.2%. On a sectoral level, industrials were the biggest drag on the local bourse's performance, depreciating 4.1%. Financials also struggled, down 3.7% for the month, while resources managed to deliver a small positive contribution of 1.2%. Our models indicate that there remains significant value on offer in local equities relative to other asset classes, we therefore maintain our allocation to local equity at levels moderately above benchmark.

Property

Local property, the worst performing domestic asset class in September, had a difficult month as the realities of tough debt capital markets weighed on corporate earnings. The SA Property Index ended September in the red at -4.1%. Year-to-date the index has now returned -5.4%. This asset class remains very volatile and the yields on offer do not fully reflect the underlying fundamental risks. We therefore maintain an underweight ranking on local property.

Bonds

Local Bonds sold off in September and the JSE All Bond Index fell 2.3%. Year-to-date local bonds have now posted only a 1.5% gain. The SA 10-year government bond yield rose alongside global yields and ended the month 0.7% higher at 12.0%, about as high as it has been in two decades. We maintain our allocation to bonds at overweight levels relative to the benchmark as local bonds continue to provide investors with very attractive forward returns.

Cash

After four consecutive months of decline South Africa's annual inflation came in at 4.8% for August, up from 4.7% in July, matching market estimates. The annual core inflation, which excludes prices of food, non-alcoholic beverages, fuel and energy, also edged higher to 4.8% in August, up from a ten-month low of 4.7% in the prior month and slightly above market forecasts of 4.7%. Cash currently delivers a very attractive real yield of 3.5%, as such our allocation to cash is at overweight levels relative to the benchmark.

Global Review

Currency

The local currency held up relatively well against a generally strong US dollar. The rand started the month at R18.87/$ and weakened only -0.3% against the greenback to close September at R18.92/$. Year-to-date the local currency has now depreciated 10.0% against the greenback. At month end, the ZAR was trading at 8% undervalued relative to the trade weighted basket of currencies on a purchasing power parity basis. Using the same methodology, the ZAR was 59% undervalued versus the USD.

Equity

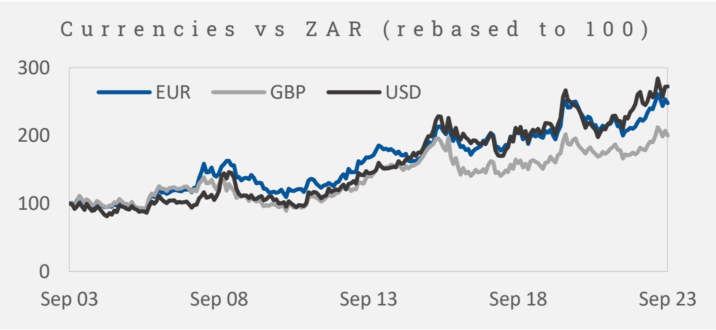
Global equities recorded declines for a second consecutive month in September. In US dollar terms, the MSCI All Country World Index depreciated 4.1%. The year-to-date performance of the index remains strong at 10.1%. The Nasdaq and the S&P 500 both had their worst month of 2023, down 5.8% and 4.8% respectively. Emerging market equites outperformed their developed market counterparts with the MSCI Emerging Markets Index delivering -2.6%. Year-to-date the index has returned 1.8%, with China remaining the biggest drag on EM stocks. We continue to favour allocation to high quality stocks and maintain our allocation to global equity at levels just below benchmark.

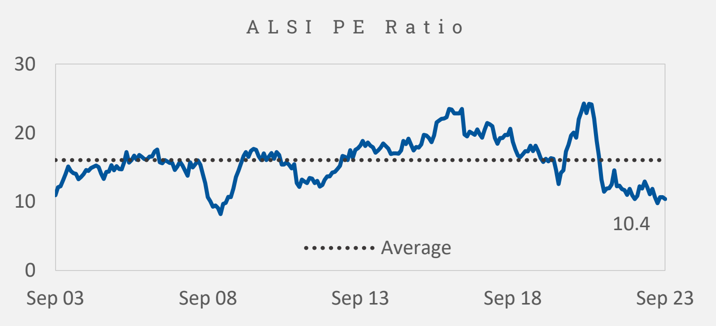
Fixed Income

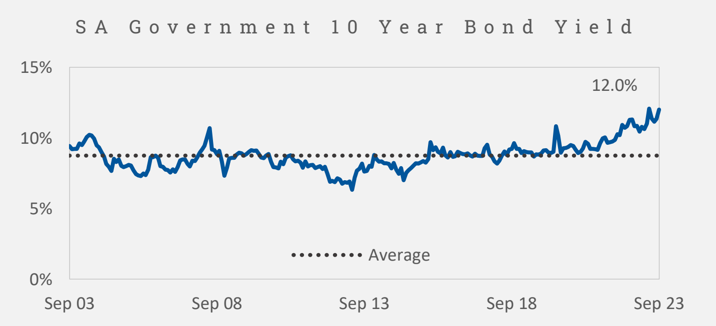
Global bonds experienced significant selling pressure and saw longer-term Treasury yields soar, triggering renewed recession worries as the cost of borrowing increases. The yield on the US 10-year treasury traded at its highest rate in 17 years in September. Starting the month at 4.1%, it to 4.6% at month end. BCA Research does not see 10-year US Treasury yields rising much further on a 12-month basis.

Alternative

Other asset classes that can be considered include structured notes, private equity, direct real estate, commodities, and hedge funds and can provide investors with uncorrelated returns. These uncorrelated global assets are particularly attractive in low interest rate environments as they offer asymmetric return profiles. Alternative asset classes can thus perform a useful role in multi asset portfolios as they help provide more consistent returns.







Market Overview

30 September 2023

Disclaimer

Seed Investment Consultants is an Authorised Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act (Act No. 37 of 2002). The laws of the Republic of South Africa shall govern any claim relating to or arising from the contents of this document. This document may not be amended, reproduced, distributed or published without the prior consent of Seed Investment Consultants.

No guarantee is provided as to the values of any financial product mentioned in this document. All illustrations, forecasts, information and opinions provided within this document are of a general nature and are not intended to address the circumstances of any particular individual or entity. This document does not constitute a solicitation, invitation or investment recommendation. While we endeavour to provide accurate and timely information, all illustrations, forecasts or hypothetical data are not guaranteed and are provided for illustrative purposes only. We make no representation or warranty, expressed or implied with respect to the correctness, accuracy or completeness of the illustrations, forecasts, information or opinions. No party should act upon such information or opinion without obtaining the appropriate professional and specialised financial, legal and tax advice based upon a thorough examination of their particular situation. Seed Investment Consultants will not be held liable for any direct or consequential loss or damage suffered by any party as a result of that party acting on or failing to act on the basis of information or opinion provided by or omitted from this document.

The value of financial products can increase as well as decrease over time depending on the value of the underlying securities and market conditions. Changes in exchange rates may have an adverse effect on the value price or income of any product.

Past performance is not necessarily a guide to future performance. Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager upon request.

Prescient Management Company (RF) (Pty) Ltd are registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. There is no guarantee in respect of capital or returns in a portfolio. CIS's are traded at the ruling price and can engage in scrip lending and borrowing. The CIS may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio divided by the number of participatory interests (units) in issue. Forward pricing is used. In the event that specific CIS in securities are mentioned please refer to the relevant Minimum Disclosure Document in order to obtain all the necessary information in regard to that unit trust. In rare instances redemption transactions may be subject to a redemption fee. The applicable Prospectus and Key Investor Information Document will be made available upon request.

Please note that there are stipulated cut-off times for all documents, notifications of deposit, investment, redemption and switch applications. These cut-off times are product or fund specific and the applicable guidelines have been stipulated on the relevant supporting or transaction documents, application forms and Minimum Disclosure Documents. Where all required and supporting documentation is not received before the stated cut off time no service provider shall not be obliged to transact at the net asset value price as agreed to. Prices are published daily and are available on the Prescient website at www.prescient.co.za.

Investors should at all times remain aware of the risks involved in the buying or selling of any financial product. Where foreign securities are included in a portfolio there may be potential constraints on liquidity and the repatriation of funds, macroeconomic risks, political risks, foreign exchange risks, tax risks, settlement risks, and potential limitations on the availability of market information. The investor hereby acknowledges the inherent risk associated with any selected investments and that there are no guarantees (Paragraph 6(2)(f) of BN92). The Manager retains full legal responsibility for any third-party named portfolio (Paragraph 6(1)(g) of BN92).

For any additional information please visit our website on **www.seedinvestments.co.za**.

Glossary of Terms

Annualised Return	Annualised return shows longer term performance rescaled to a 1 year period. Annualised return is the average return per year over the period. Actual annual figures are available to the investor on request.
Annualised Volatility	The deviation of the calendar month return stream, since launch, relative to its own average.
Highest and Lowest Annual Return	The highest and lowest returns, since launch, for any rolling 1 year period have been shown.
Maximum Drawdown	The maximum calendar month peak to trough loss, since launch, suffered by the Fund.
NAV	The net asset value (NAV) represents the assets of a Fund less its liabilities.
Positive Months	The percentage of calendar months, since launch, where the Fund has delivered a positive return.
Return Horizon	Minimum investment period to have a reasonable probability of receiving the benchmark return.
Risk Horizon	Minimum investment period to have a reasonable probability of receiving a positive nominal return.
Total Expense Ratio (TER)	The Fund's Total Expense Ratio (TER) reflects the percentage of the average NAV of the Fund that was incurred as charges, levies and fees related to the management of the Fund. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs.