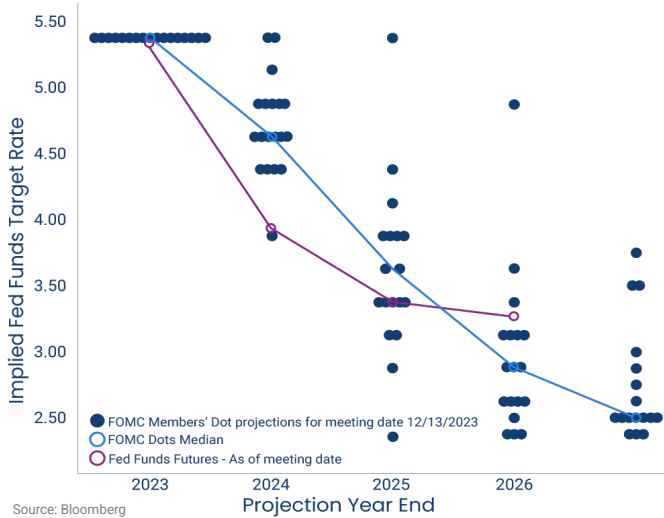


## Market is pricing 1.5% of cuts vs Fed of 0.75

FOMC Dots vs Fed Funds Futures Dec 2023



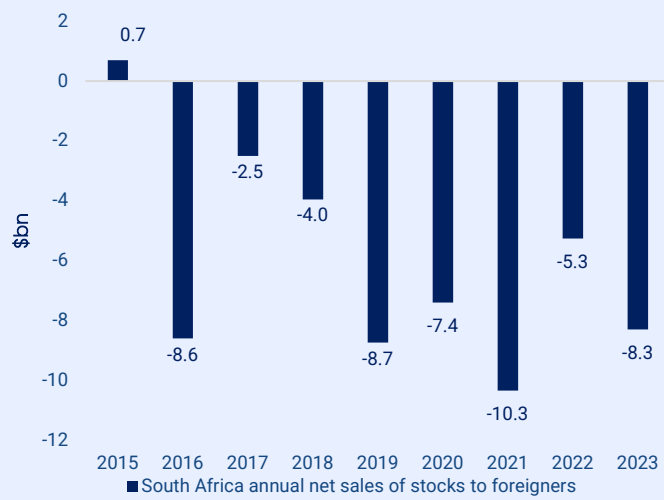
The Fed's decision to hold rates steady in December was in line with expectations. On the back of declining inflation, the Dot Plot indicated that the Fed expects to "pivot" to interest rate cuts in 2024, with a reduction of 0.75% by the end of the year.

The market was already expecting double that, with 1.5% of cuts priced in by the end of 2024. Following the "pivot," yields continued to fall, and equity markets rallied on the hope of more accommodative monetary policy and a soft landing.

At the end of December, the Bloomberg Financial Conditions Index indicated that financial conditions were the loosest they had been in over two years.

## Foreign capital has left SA Equity markets

\$53bn net sales over the last 8 years



Over the past eight years, foreigners have sold a net \$53 bn of SA equity exposure, leading to a shrinking SA equity market, lower trading volumes, and a decline in broader capital market activity.

Emerging markets have generally experienced outflows, underperforming developed markets by 6% p.a. in US dollars over the last decade.

However, SA's weight in the MSCI EM Index has dropped from 7.7% (2014) to 2.8% (2023), indicating that even within emerging markets, investors have been shying away from South Africa as a destination for capital.

The attractive real returns on offer from SA equity based on current valuations need to be viewed against the risk of a structurally lower valuation discount.

## Half the world goes to the ballot box in 2024

Date	Country/Region	Event	Net Leader Approval	Incumbent Party Support	Misery Index
Dec 10-12, 23	Egypt	Presidential Election	46.0	NA	44.5
Jan 13, 24	Taiwan	Presidential Election	-16.5	27.1	6.4
Feb, 14, 24	Indonesia	Presidential Election	63.0	27.9	8.1
Feb 25, 24	Belarus	Parliamentary and Local Election	NA	NA	8.7
Mar 1, 24	Iran	Parliamentary Election	NA	NA	56.4
Mar 17, 24	Russia	Presidential Election	72.0	NA	9.0
Apr/May, 24	India	General Election	59.0	43.0	13.5
May, 24	South Africa	General Election	-28.0	45.3	38.0
Jun 2, 24	Mexico	General Election	35.0	66.0	7.3
Jun 6-9, 24	EMU	European Parliament Election	NA	NA	9.3
Nov 5, 24	US	US Presidential Election	-15.1	43.7	6.8

Over 4 billion people in more than 50 countries will be heading to the ballot boxes in 2024.

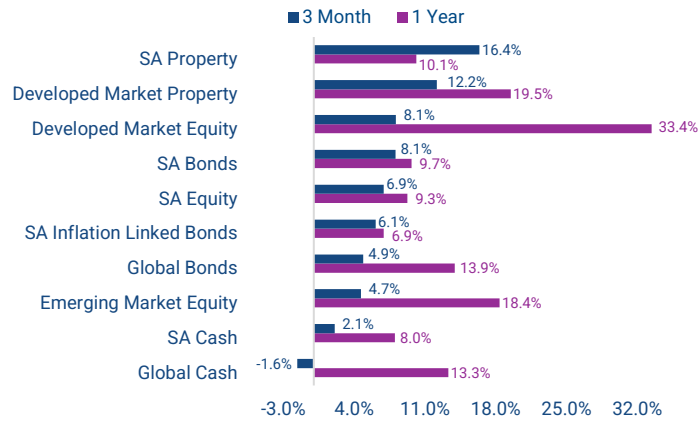
For South Africans, the big question is whether the ANC will manage to hold onto a 50% majority. If not, who will they form a coalition government with? If support falls below 45%, the ANC may struggle to form a coalition with smaller parties, leading to a risk of greater political instability as a choice between the DA and EFF may have to be made.

In the US, all signs are pointing to a rerun of Trump vs Biden in the November elections.

Together with the UK and Taiwan, declining support for the incumbents is set to drive elevated uncertainty in the outcome these four elections and poses a risk of greater fiscal policy uncertainty and rising geo-political tensions.

## Asset class returns to 31 December 2023

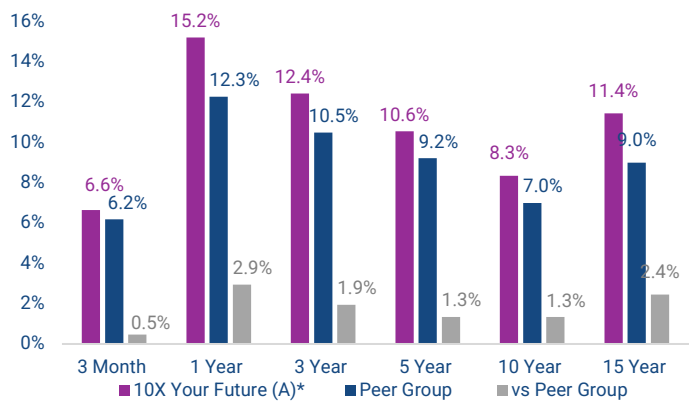
Strong returns over 3 months



Source: 10X Investments Bloomberg

## Portfolio returns to 31 December 2023

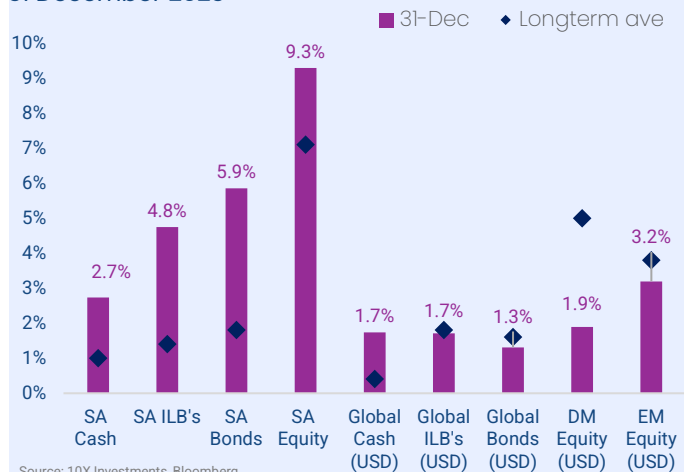
Consistent performance



Source: 10X Investments Morningstar; \* returns prior to March 2019 are those of 10X Umbrella Pension Fund adjusted for Class A fee

## 5-10 year expected asset class return

31 December 2023



Source: 10X Investments, Bloomberg

## Real (after-inflation) return expectations

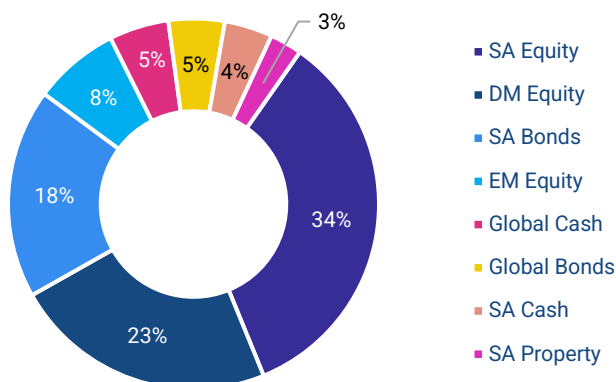
Global bond yields continued to fall as the market discounted a Fed pivot in the interest rate hiking cycle.

Falling yields saw global bonds deliver sizable capital gains over the last 3 months, reducing the long-term return expectations from the highs at the end of October 2023. SA Bonds continue to offer appealing equity-like returns materially higher than their long-term average.

The rerating of US equity valuations continues to drag on expected returns from global equities. Defensive assets offer relatively attractive real returns vs their history and compared to most growth assets on a risk adjusted basis.

## 10X Your Future Fund Asset Allocation

31 December 2023



Source: 10X Investment

## Asset Allocation

The overall risk positioning of the fund remains unchanged and conservatively positioned with 67% exposure to growth assets.

During December we reduced the duration and size of our global bond exposure in favour of global cash as bond yields fell more than 1% from the October highs, reducing the long-term return outcome expected from this asset class.

The market is discounting large interest rate cuts together with strong earnings growth. There are risks to both consensus views leading to a higher allocation to cash, which is currently paying a high real yield.



**Anton Eser**  
Chief Investment Officer



**Chris Eddy**  
Head of Multi Asset Funds

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