

# Interactive Portfolios

2024 MARKET REVIEW | QUARTER 1

## SOUTH AFRICAN ASSET CLASS RETURNS

Quarter 1 | 2024

Currency: South African Rand

Best ↑      ↓ Worst	Global Equity 12,2	Global Equity 32,1	Global Equity 59,1	Global Equity 125,8	Global Equity 334,9
	SA Property 3,8	SA Property 20,5	SA Property 47,9	SA Equity 58,7	Global Property 157,2
	Global Property 2,2	Global Property 14,8	SA Equity 26,3	SA Bonds 40,6	SA Equity 117,5
	SA Cash 2,1	SA Cash 8,4	SA Bonds 23,9	SA Cash 33,8	SA Bonds 109,7
	Global Bonds 0,6	Global Bonds 4,7	Global Property 23,3	Global Property 30,6	SA Cash 87,8
	SA Bonds -1,8	SA Bonds 4,2	SA Cash 19,4	Global Bonds 16,5	Global Bonds 64,9
	SA Equity -2,2	SA Equity 1,5	Global Bonds 5,8	SA Property 3,6	SA Property 36,2
	Last Quarter	1 Year	3 Year	5 Year	10 Year

## GLOBAL ASSET CLASS RETURNS

Quarter 1 | 2024

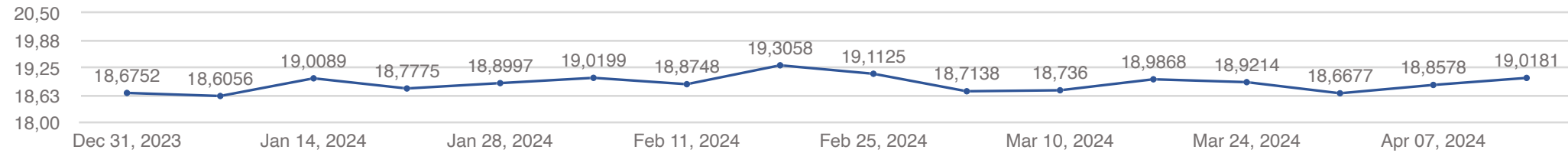
Currency: US Dollar

Best ↑ ↓ Worst	DM Equity 9,0	DM Equity 25,7	DM Equity 30,0	DM Equity 81,3	DM Equity 158,8
	EM Equity 2,4	EM Equity 8,6	DM Property -0,6	EM Equity 13,8	DM Property 48,1
	EM Bonds 1,5	DM Property 8,6	EM Bonds -4,4	EM Bonds 5,5	EM Equity 38,8
	DM Property -1,0	EM Bonds 8,4	EM Equity -13,4	DM Property 3,8	EM Bonds 33,1
	DM Bonds -3,2	DM Bonds -3,3	DM Bonds -19,5	DM Bonds -14,3	EM Property -0,4
	EM Property -4,2	EM Property -3,8	EM Property -32,1	EM Property -34,8	DM Bonds -10,9
	Last Quarter	1 Year	3 Year	5 Year	10 Year

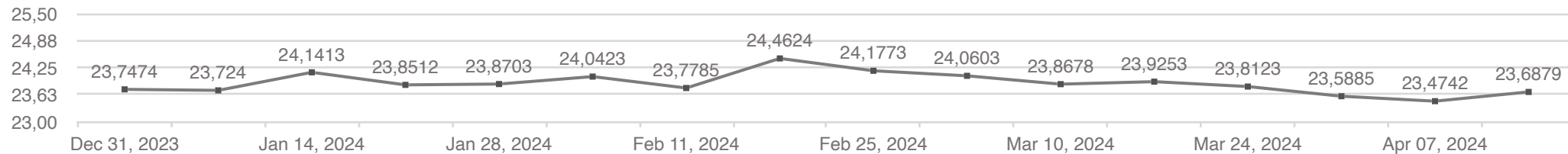
# CURRENCY COMPARISONS

Quarter 1 | 2024

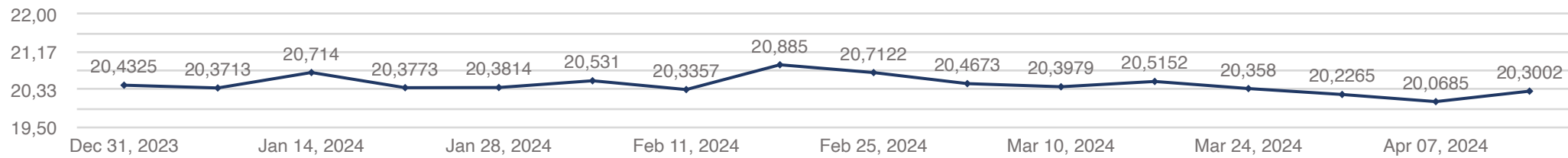
## USD/ZAR



## GBP/ZAR

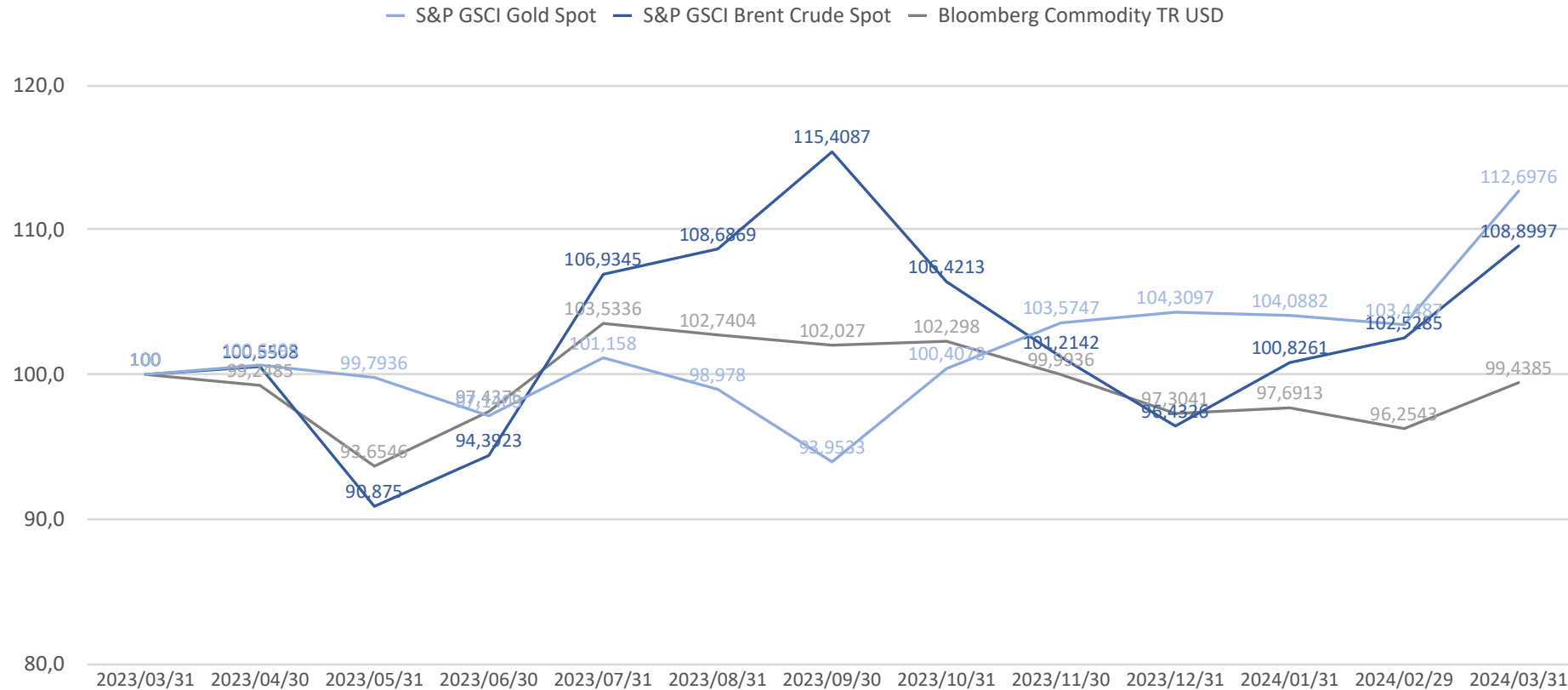


## EUR/ZAR



# COMMODITY TRACKER

Quarter 1 | 2024



The commodity basket saw upward movement towards the end of the quarter. **Gold** was the largest gainer with a **12.7% gain in Q1** when measured in Dollars.



# COUNTRIES SCHEDULED TO HOST ELECTIONS IN 2024

Quarter 1 | 2024



# GLOBAL EQUITY RETURNS

Quarter 1 | 2024

Returns quoted in US Dollars



# THE GLOBAL SCENE

Quarter 1 | 2024



## GLOBAL

SOUTH AFRICA

AMERICA

EUROPE

ASIA

## ECONOMIC MOOD



## CAUTIOUS OPTIMISM

### GLOBAL EQUITIES PERFORMANCE

The MSCI World Index rose by 9% in USD over the past quarter, continuing its positive trend from 2023. This growth was fuelled by:

- Expectations of decreasing interest rates by mid-2024
- Strong corporate earnings.
- A surge in technology stocks, especially in AI.
- Positive returns in emerging markets, notably from India.

### CHALLENGES IN DEVELOPED MARKET BONDS

- Remained in negative territory due to persistent high inflation.
- Initial optimism about rate cuts has diminished

### POSITIVE ASPECTS IN EMERGING MARKET BONDS

- Contrasted developed markets by generating positive returns

### GLOBAL POLITICAL CLIMATE

- Upcoming elections in 64 countries, including a significant vote in Taiwan that could impact its relations with China.

### CENTRAL BANKS ROLE

Decisions on interest rates will be critical, balancing between reducing inflation and avoiding recession.

- Any signals from the Federal Reserve about potential interest rate cuts could boost market sentiment and potentially weaken the US dollar against major currencies, including emerging market currencies like the South African Rand
- This anticipation may drive investors to increase their exposure to risk assets, expecting favourable pricing before any rate cuts

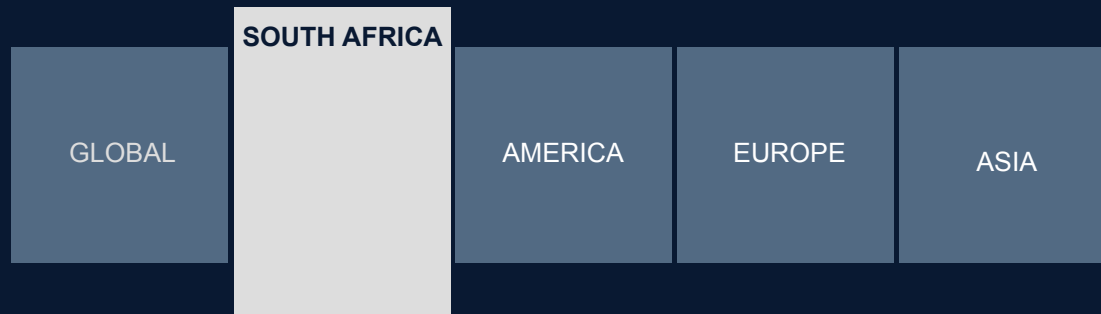
### MARKET OUTLOOK

- Continued volatility expected due to geopolitical tensions in Ukraine and the Middle East.
- Inflation remains unpredictable, influenced by data deviations expecting central banks to cut rates toward the end of 2024



# THE GLOBAL SCENE

Quarter 1 | 2024



## ECONOMIC MOOD



CAUTIOUS OPTIMISM

### UNDERPERFORMANCE OF SOUTH AFRICAN EQUITIES:

- Lagged behind global markets mainly due to the strong US dollar and weak economic performance in South Africa.
- Uncertainty from upcoming SA elections has made foreign investors cautious.

### SOUTH AFRICAN PROPERTY MARKET:

- Showed positive returns, benefiting from its role as an inflation hedge.
- Recovery from historically low values.

### SOUTH AFRICAN CASH AND MONEY MARKETS:

- Continued to yield strong positive returns amidst high-interest rates.

### ATTRACTIVE EQUITY VALUATIONS:

- Johannesburg Stock Exchange (JSE) All Share Index trades at a PE multiple of 11, well below the 10-year average of 17.3 times.
- Indicates potential undervaluation and a good entry point for investors.

### CORPORATE EARNINGS AND MARKET OUTLOOK

- Currently low, providing a base for potential growth.
- Improvements in energy infrastructure could boost economic activity and earnings.
- Possible interest rate cuts and a stable post-election political environment could further improve market conditions.

### POLITICAL CLIMATE AND MARKET SENTIMENT:

- Continuity of the ANC might stabilise local markets but could deter foreign investors.
- A coalition government is seen as favourable, but concerns remain about potential partners.
- Market sentiment favours an ANC and DA coalition as the most desirable outcome for stability and investment confidence.

### OUTLOOK:

- Bullish on South African equities with a long-term investment perspective, looking past short-term market fluctuations.

# THE GLOBAL SCENE

Quarter 1 | 2024



## ECONOMIC MOOD



**CAUTIOUS OPTIMISM**

## OUTLOOK

- The political climate is uncertain amidst a heated election year, with potential implications for the markets.
- Anticipated rate cuts could weaken the dollar, yet may strengthen the appeal of long-term U.S. bonds.
- Solid economic fundamentals and positive consumer sentiment appear set to continue supporting the equity markets.
- A move toward lowering interest rates is anticipated as the year progresses.

# MAJOR SECTOR CONTRIBUTIONS

## AMERICA

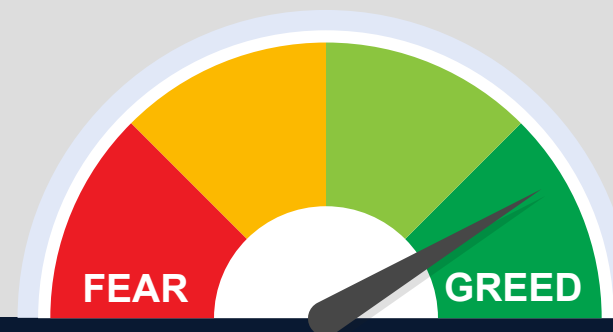
### TECH STOCKS VS OTHER EQUITIES

The technology sector led the charge of the course of Quarter 1, Specifically those involved in AI. Equities were also supported by the market **optimism** that a soft landing is attainable and most likely achievable

Tech Stock Valuations	P/E Ratio Current	Normal P/E Ratio 9 Yr Avg
Alphabet Inc	27.15	25.54
Apple Inc	26.58	21.72
Meta Platforms Inc	26.78	24.74
Microsoft Corp	35.6	30.04
NVIDIA Corp	56.3	48.54

### THE FEAR & GREED RESPONSE

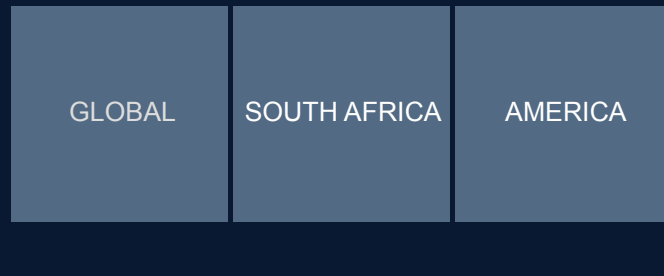
Market dynamics are often influenced by fear and greed. Fear can lead to rapid sell-offs and lower stock prices, as investors rush to avoid losses. Conversely, greed can drive prices up as investors buy in hopes of achieving substantial gains. These emotional responses play a crucial role in financial market fluctuations



**“We believe we could be on the greed side of tech. We choose to find value in quality companies trading at fair valuation.”**

# THE GLOBAL SCENE

Quarter 1 | 2024



## EUROPE

ASIA



### ECONOMIC MOOD



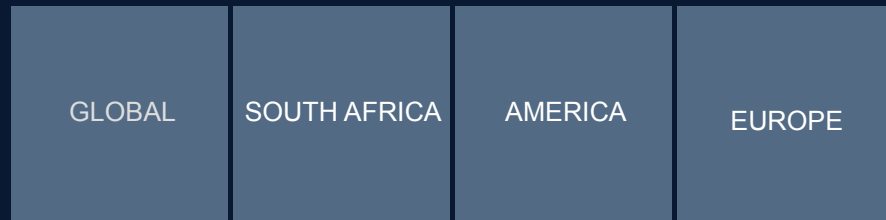
CAUTIOUS

### OUTLOOK

- The prospect of reduced inflation is expected to pave the way for rate cuts, bolstering long-duration euro bonds.
- Lower rates are poised to invigorate consumer spending by diminishing the cost of capital.
- Europe's transition into summer may alleviate pressure on energy resources.
- Concerns persist regarding the implications of the Ukraine-Russia conflict and the ongoing tensions in Israel and Palestine.
- Anticipating quarter two and beyond, electoral events and geopolitical tensions are poised to exert pressure on the European economy. Nonetheless, the mitigation of inflationary pressures and the potential for interest rate reductions are expected to bolster economic activity, thereby supporting equities in the euro-zone.
- Given Europe's low valuation, we see European equities as a good investment opportunity.

# THE GLOBAL SCENE

Quarter 1 | 2024



ASIA



## ECONOMIC MOOD



OPTIMISTIC

## OUTLOOK

- Despite significant stimulus measures by the government to stimulate economic activity, consumer confidence in China continues to be tentative.
- The threat of deflation is present yet Chinese equities are trading at levels below their historical averages, suggesting potential undervaluation.
- Economic indicators are expected to improve, with market sentiments leaning towards an economic rebound.
- We maintain a positive outlook on China's economic resurgence and find the current equity valuations to hold appeal for the long-term investor.



## INTERACTIVE FUNDS OUTLOOK & BEYOND

### Interactive Income Prescient Fund:

As we look ahead into 2024, we expect central banks to maintain higher interest rates for most of the year. This environment is likely to benefit the Interactive Income Prescient Fund, which is poised to offer attractive, low-risk returns. Towards the latter part of 2024 or early 2025, a projected decrease in interest rates could prompt investors to transition towards higher-risk assets. This includes options such as the Interactive Balanced Fund and the Interactive Global Equity Fund, seeking enhanced returns as market conditions evolve.

### Interactive Balanced Fund:

The Interactive Balanced Fund, with its focus on high-dividend equity, has faced challenges over the past two years due to underperformance, primarily driven by persistent high interest rates. This has led investors to prefer the security of bonds, which provide income with lower risk and less volatility, over the more volatile high-dividend equities. However, with potential rate cuts on the horizon by central banks, we anticipate a resurgence in dividend equity investments. Although recent performance has been affected by the Satrix Dividend Plus Fund, we have strategically increased our equity exposure from 68% to 70%. We maintain a balanced approach with a 65/35 split between local and international equities. Given the forthcoming elections and their associated uncertainties, our outlook remains cautiously optimistic, with a focus on long-term opportunities in undervalued South African equities that could benefit from a favourable shift in interest rates.

### Interactive Global Equity Fund:

Global equity performance, as represented by the MSCI World Index, has recently been dominated by the so-called "magnificent seven" companies. While much of their growth has been fuelled by a blend of optimism and market momentum, at Interactive, we continue to adopt a conservative stance. We prefer to focus on dividends, value, and quality investment themes, anticipating that these areas will gradually yield returns as central banks strive to achieve a lower inflation and interest rate environment.

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