



INTERACTIVE

2024 MARKET REVIEW | QUARTER 2

SOUTH AFRICAN ASSET CLASS RETURNS

Quarter 2 | 2024

Currency: South African Rand

Best ↑ ↓ Worst	SA Equity 8,2	SA Property 26,3	Global Equity 52,0	Global Equity 121,0	Global Equity 305,8
	SA Bonds 7,5	Global Equity 15,9	SA Property 39,2	SA Equity 65,2	Global Property 124,1
	SA Property 5,5	SA Bonds 13,7	SA Equity 36,6	SA Bonds 45,7	SA Bonds 120,0
	SA Cash 2,0	SA Equity 9,1	SA Bonds 24,6	SA Cash 34,1	SA Equity 119,6
	Global Equity -0,7	SA Cash 8,5	SA Cash 20,7	Global Property 25,7	SA Cash 88,9
	Global Bonds -5,5	Global Property 1,5	Global Property 11,6	Global Bonds 8,9	Global Bonds 50,3
	Global Property -5,6	Global Bonds -4,7	Global Bonds 2,4	SA Property 4,6	SA Property 37,6
	Last Quarter	1 Year	3 Year	5 Year	10 Year

GLOBAL ASSET CLASS RETURNS

Quarter 2 | 2024

Currency: US Dollar

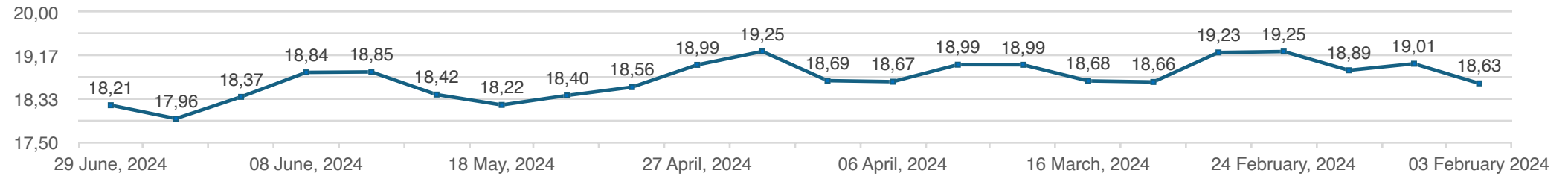
Best ↑ ↓ Worst	EM Equity 5,1	DM Equity 20,8	DM Equity 23,8	DM Equity 78,8	DM Equity 153,2
	DM Equity 2,8	EM Equity 13,0	EM Bonds -6,5	EM Equity 18,7	EM Equity 36,7
	EM Bonds 0,7	EM Bonds 8,0	DM Property -11,1	EM Bonds 2,4	DM Property 34,3
	EM Property -1,0	DM Property 5,7	EM Equity -13,4	DM Property 1,3	EM Bonds 28,2
	DM Property -2,1	EM Property -2,7	DM Bonds -22,2	DM Bonds -19,1	EM Property -2,6
	DM Bonds -2,6	DM Bonds -3,0	EM Property -29,1	EM Property -36,7	DM Bonds -15,2
	Last Quarter	1 Year	3 Year	5 Year	10 Year



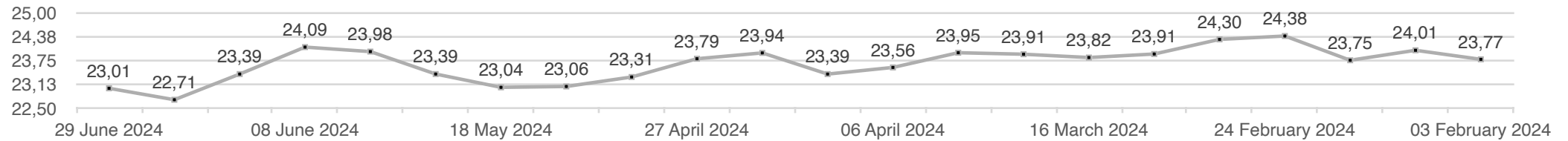
CURRENCY COMPARISONS

Quarter 2 | 2024

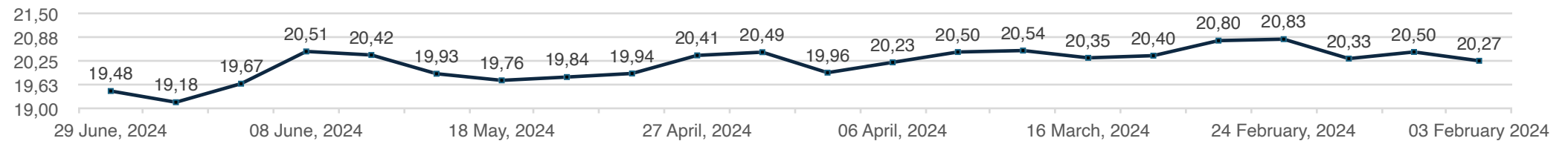
USD/ZAR



GBP/ZAR

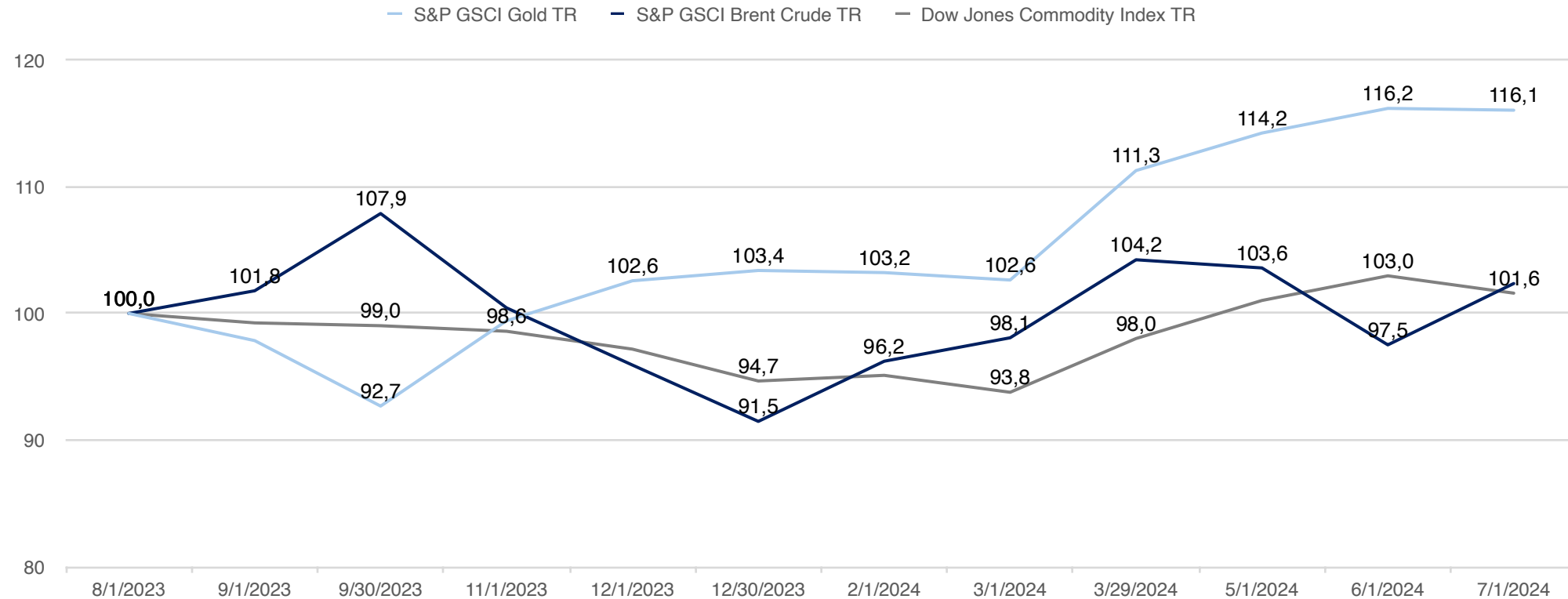


EUR/ZAR



COMMODITY TRACKER

Quarter 2 | 2024




The commodity basket saw upward movement towards the end of the quarter. **Gold** was the largest gainer with a **12.7% gain in Q2** when measured in Dollars.

ELECTION REPORT (A year of anticipated change) 2024

Quarter 2 | 2024

 Awaiting results

 Result Report



GLOBAL EQUITY RETURNS

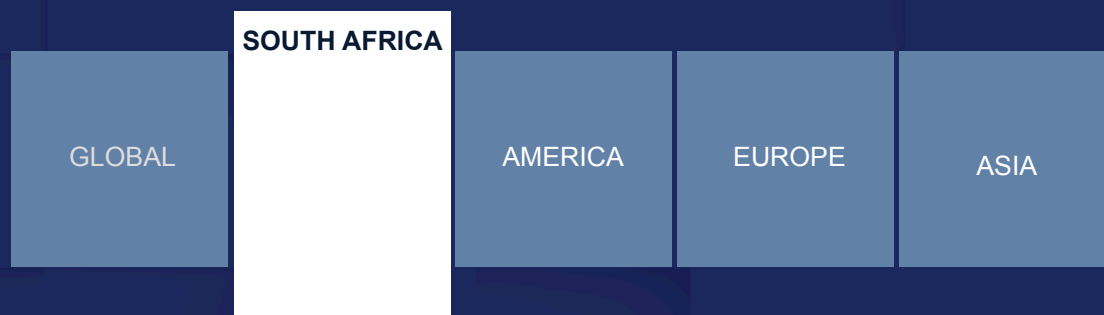
Quarter 2 | 2024

Returns quoted in US Dollars



THE GLOBAL SCENE

Quarter 2 | 2024



ECONOMIC MOOD



OPTIMISTIC

ECONOMIC GROWTH

- Growth remains weak due to persistent energy issues, high inflation, and interest rates.
- Loadshedding continues to be a major constraint, affecting various sectors including manufacturing and mining.

INFLATION & INTEREST RATES

Current Developments:

- Inflation cooled to 5.3% year-on-year as of March 2024 but remains sticky between 5-6%
- Consensus is that SARB will maintain the repo rate at 8.25% through mid-2024 with potential gradual reductions starting late 2024.
- Elevated inflation is driven by high food, fuel, and electricity prices due to loadshedding and global supply chain disruptions.

Consensus:

- Inflation is expected to average around 5.1% for 2024, gradually declining towards 4.5% by 2025.

- Interest rates are projected to see slight cuts, potentially dropping to 7.3% by end of 2025, contingent on inflation trends and economic stability

CORPORATE EARNINGS

- Mining sector faces operational challenges due to intermittent power supply and lower commodity prices.
- Telecommunications and retail sectors are impacted by increased operational costs and reduced revenues from power outages.
- Agriculture sector struggles with rising production costs and irrigation challenges due to inconsistent power supply.

VALUATIONS

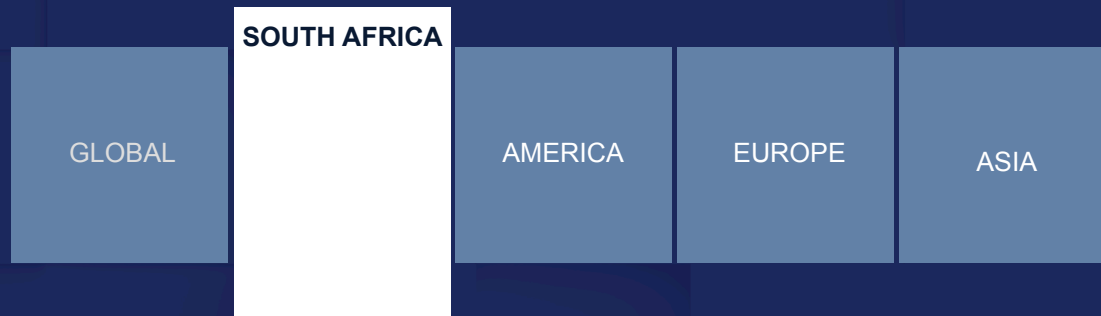
Current P/E Ratios:

- JSE All Share Index P/E ratio is currently 14.2x, which is lower than its 10-year average of 16.59x
- These valuations indicate that South African equities, as measured by these indices, are trading below their historical norms, suggesting they may be undervalued relative to their long-term averages.



THE GLOBAL SCENE

Quarter 2 | 2024



ECONOMIC MOOD



OPTIMISTIC

OPPORTUNITIES

Asset Classes:

- Equities: Long-term investment opportunities in South African equities due to attractive valuations despite short-term challenges.
- Bonds: Higher yields in local bonds compared to global peers, offering attractive returns in a high-interest-rate environment.
- Renewable Energy: Significant investment opportunities in renewable energy projects as the government focuses on resolving the energy crisis

RISKS

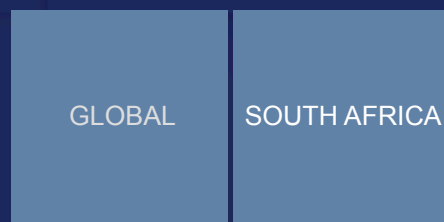
- Continued loadshedding and infrastructure challenges.
- High inflation and interest rates affecting consumer spending and business investment.
- Political uncertainty and potential policy shift due to upcoming elections
- High unemployment remains a detractor for long term economic growth

INVESTMENT STANCE

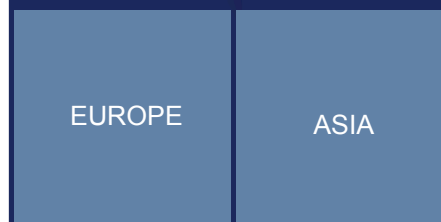
- Bullish on South African equities with a long-term perspective, considering attractive stock valuations and potential improvements in loadshedding.
- Emphasis on a diversified portfolio, including property, bonds, and cash, to mitigate risks and enhance returns.

THE GLOBAL SCENE

Quarter 2 | 2024



AMERICA



ECONOMIC MOOD



CAUTIOUS OPTIMISM

ECONOMIC GROWTH

Growth is projected at 2.2% for 2024, driven by strong consumer spending and a robust job market. However, the economy faces challenges from high interest rates and inflation pressures, which are expected to moderate growth in the latter half of the year.

INFLATION & INTEREST RATES

- Inflation remains above the Federal Reserve's target, with headline CPI inflation at 3.4% and core PCE inflation at 3.5% as of Q2 2024. The Federal Reserve is expected to maintain high interest rates through the year, with potential rate cuts considered towards the end of 2024.
- Inflation in the U.S. is expected to gradually decline towards the Federal Reserve's target of 2% by the end of 2024, with corresponding interest rate cuts likely if this target is achieved.

CORPORATE EARNINGS

Strong earnings reported in the technology and healthcare sectors. Traditional retail and real estate sectors face pressures from high operational costs and interest rates.

VALUATIONS

S&P 500 (U.S.): The current P/E ratio is around 21.6x, which is slightly higher than its 10-year average of 20.1x, indicating cautious optimism among investors.

OPPORTUNITIES

Selective opportunities in undervalued U.S quality companies and undervalued tech companies in China. Remaining cautious on high valuation U.S tech giants (despite their out performance).

RISKS

Potential recession due to high interest rates, geopolitical tensions.

MAJOR SECTOR CONTRIBUTIONS

AMERICA

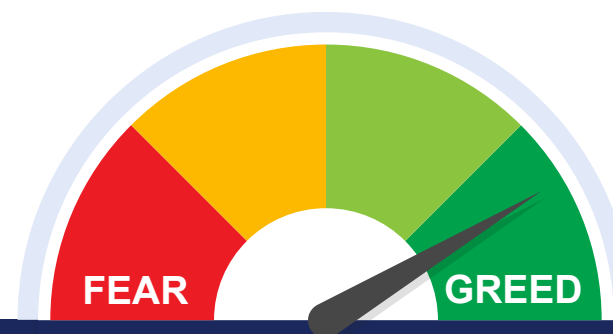
TECH STOCKS VS OTHER EQUITIES

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	26.28	26.08
Apple Inc	34.48	22.71
Meta Platforms Inc	26.82	24.25
Microsoft Corp	36.9	31.2
NVIDIA Corp	61.07	49.75

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 2 | 2024



EUROPE

ASIA



ECONOMIC MOOD



CAUTIOUS

ECONOMIC GROWTH

Economic growth remains subdued due to high energy costs, geopolitical tensions, and persistent inflation. The Eurozone's growth is expected to hover around 1.0% for 2024.

INFLATION & INTEREST RATES

- Inflation driven by energy prices and supply chain disruptions remains a concern. The European Central Bank continues its tightening stance to control inflation.
- European inflation is projected to remain elevated but should moderate as energy prices stabilise and supply chains recover.

CORPORATE EARNINGS

Energy companies benefit from higher prices, but consumer goods and manufacturing sectors see margin compression due to higher input costs.

THE GLOBAL SCENE

Quarter 2 | 2024

GLOBAL

SOUTH AFRICA

AMERICA

EUROPE

ASIA



ECONOMIC MOOD



OPTIMISTIC

ECONOMIC GROWTH

- Growth is driven by industrial production, manufacturing investment, and exports. However, the real estate sector and local government investments continue to face challenges.
- The full-year growth forecast for 2024 is 4.6%, reflecting a slowdown in economic momentum due to persistent structural imbalances and external uncertainties.

INFLATION & INTEREST RATES

Inflation remains moderate but concerns about deflation persist due to weak domestic consumption. The government has maintained expansionary fiscal and monetary policies to support economic recovery.

CORPORATE EARNINGS

Manufacturing and technology sectors are performing well, driven by strong external demand and industrial output. The property sector remains under stress, impacting related industries like construction and materials.

VALUATIONS

Hang Seng Index: The current P/E ratio is around 10.5x, which is lower than its 10-year average of 13.8x, indicating potential undervaluation.

OPPORTUNITIES

Equities: Significant opportunities in technology and manufacturing sectors due to strong external demand and government support.

RISKS

Challenges in the real estate sector, local government debt, and geopolitical tensions could impact economic stability. The risk of deflation remains if consumption does not pick up.

INVESTMENT STANCE

Positive on Chinese equities with a focus on technology



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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