INTERACTIVE

2024 MARKET REVIEW | QUARTER 4

SOUTH AFRICAN ASSET CLASS RETURNS

Quarter 4 | 2024

Currency: South African Rand

	Last Quarter	1 Year	3 Year	5 Year	10 Year
Best	Global Equity 8,5	SA Property 29,0	SA Property 42,7	Global Equity 123,1	Global Equity 314,9
	Global Bonds 2,9	Global Equity 21,8	Global Equity 40,6	SA Equity 77,5	SA Equity 137,4
	SA Cash 2,0	SA Bonds 17,2	SA Bonds 34,0	SA Bonds 57,9	SA Bonds 129,3
	SA Bonds 0,4	SA Equity 13,4	SA Equity 28,4	SA Cash 34,9	Global Property 117,3
	SA Property -0,8	SA Cash 8,5	SA Cash 23,3	Global Property 28,5	SA Cash 90,9
	Global Property -1,1	Global Property 4,8	Global Property 0,7	SA Property 28,1	Global Bonds 53,4
Worst	SA Equity -2,1	Global Bonds -0,5	Global Bonds -2,0	Global Bonds 14,4	SA Property 36,0

GLOBAL ASSET CLASS RETURNS

Quarter 4 | 2024

Currency: US Dollar

Best → Worst	Last Quarter	1 Year	3 Year	5 Year	10 Year
Best	DM Equity -0,1	DM Equity 19,2	DM Equity 22,0	DM Equity 73,9	DM Equity 171,9
	EM Bonds -1,5	EM Equity 8,1	EM Bonds -1,5	EM Equity 11,0	EM Equity 48,6
	DM Bonds -6,3	EM Bonds 6,6	EM Equity -4,4	EM Bonds 3,2	EM Bonds 37,1
	EM Equity -7,8	DM Property 2,0	DM Property -14,5	DM Property -0,2	DM Property 37,0
	DM Property -9,5	EM Property -3,6	EM Property -17,3	DM Bonds -18,6	EM Property -1,1
Worst	EM Property -12,1	DM Bonds -4,7	DM Bonds -19,6	EM Property -40,4	DM Bonds -9,3

CURRENCY COMPARISONS

Quarter 4 | 2024

In Quarter 4 2024, the South African Rand faced renewed pressure against major currencies.

The Rand depreciated 4% against the US Dollar, reflecting fiscal concerns raised in the Medium-Term Budget Policy Statement.

It weakened further against the Euro and British Pound, driven by rate cuts from the SARB compared to more stable monetary policies in Europe and the UK.

Geopolitical uncertainties and mixed global economic performance contributed to additional volatility.

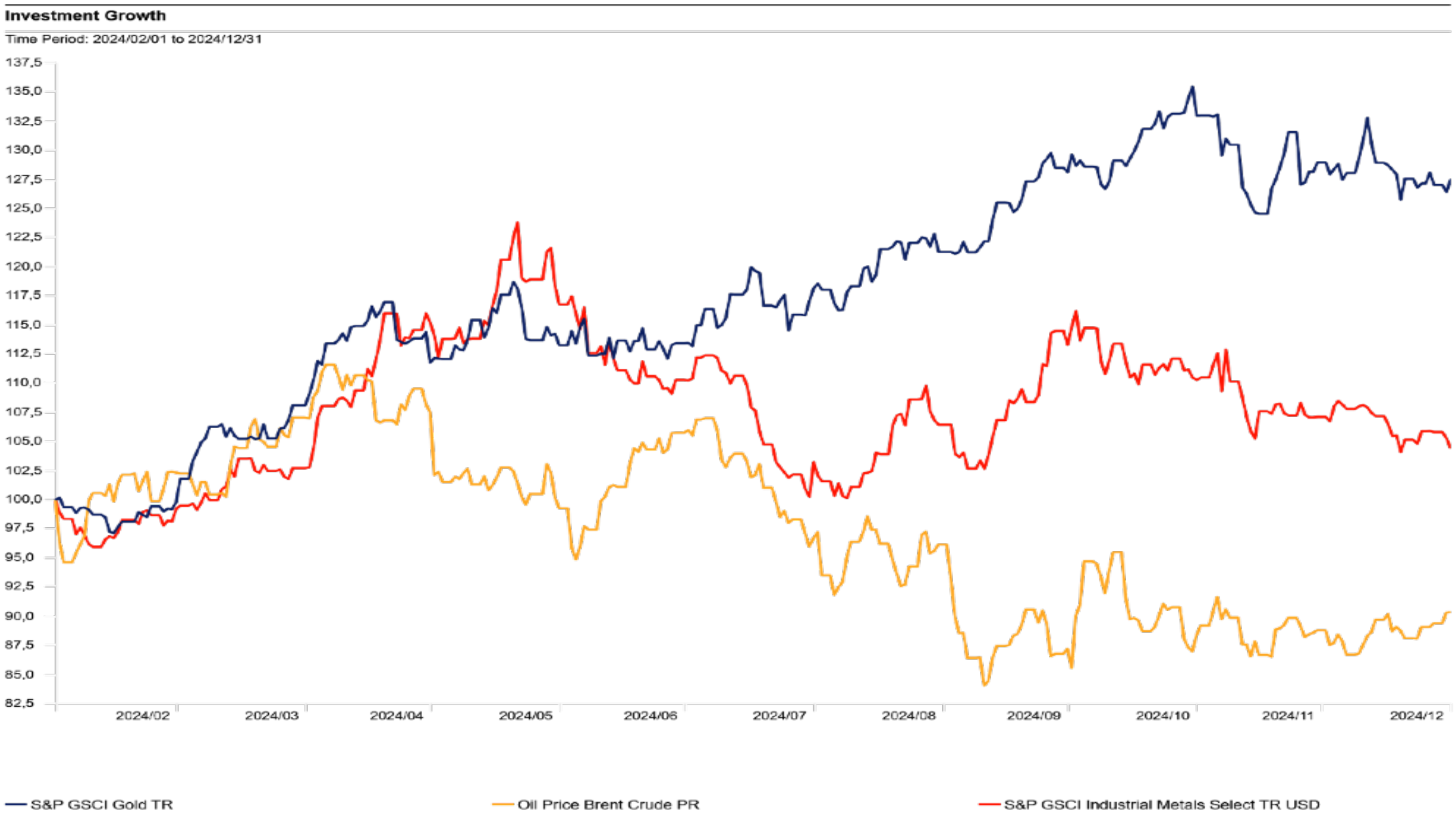
COMMODITY TRACKER

Quarter 4 | 2024

Gold: Gold prices were flat for the quarter, as geopolitical risks and central bank buying offset downward pressure from stronger economic data globally.

Brent Crude: Brent crude prices rose by 6% during the quarter, driven by tighter OPEC+ supply and improving demand expectations, particularly from China as stimulus measures gained traction.

Dow Jones Commodity Index: The index declined by 2%, reflecting weakness in agricultural and energy commodities, though metals like copper and platinum posted modest gains



GLOBAL EQUITY RETURNS

Quarter 4 | 2024

Returns quoted in US Dollars

THE GLOBAL SCENE SUMMARY

Quarter 4 | 2024

REGION/CATERGORY	SUMMARY	CONSENSUS/MOOD
Global Equities	- Strong performance across regions despite geopolitical uncertainties.	**Cautiously Optimistic**
South Africa	- Post-election reforms and eased policies drove recovery. - Rand weakened amidst fiscal concerns but created opportunities.	**Cautiously Optimistic**
America	- S&P 500 achieved its strongest YTD performance this century (21%). - Federal Reserve pivoted with significant rate cuts.	**Cautiously Optimistic**
Europe	- Sluggish growth and weak manufacturing data persisted. - ECB rate cuts provided some support but failed to boost sentiment fully.	**Neutral**
United Kingdom	- Modest equity recovery amidst inflation concerns. - Bank of England maintained a cautious stance with limited rate cuts.	**Neutral**
Asia	- Stimulus measures continued but failed to fully restore confidence. - Property market and demand recovery remained sluggish.	**Neutral**
Emerging Markets	- Resilience driven by commodity-exporting regions. - Strong performance in Latin America and parts of Asia.	**Cautiously Optimistic**

THE GLOBAL SCENE

Quarter 4 | 2024

ECONOMIC MOOD

CAUTIOUS OPTIMISM

Global markets closed 2024 on a resilient note, fuelled by central banks easing rates and inflation cooling across key regions. The U.S. outpaced expectations, while emerging markets showed strength amid robust commodity prices. Yet, geopolitical tensions, China's uneven recovery, and fiscal risks in Europe and South Africa keep optimism in check. The tone for 2025: **cautiously optimistic**, with selective opportunities in undervalued markets.

THE GLOBAL SCENE

Quarter 4 | 2024

ECONOMIC MOOD

CAUTIOUS OPTIMISM

Economic Growth:

South Africa's economy displayed signs of recovery, with improved activity in key sectors such as manufacturing and retail. Market sentiment brightened following local elections, contributing to economic optimism.

Inflation:

Inflation stabilised within the South African Reserve Bank's target range, indicating effective monetary policy measures.

Interest Rates:

The South African Reserve Bank reduced the repo rate by 25 basis points to 7.75% in November, aiming to support economic growth.

Corporate Earnings:

The equity market faced challenges, with the FTSE/JSE All Share Index experiencing fluctuations. However, sectors such as Construction, Health Care, and Industrial Metals and Mining posted gains, indicating sector-specific growth.

Valuations:

South African equities offer value, especially in sectors like banks and retailers, which showed significant increases post-election.

Risks and Outlook:

Fiscal concerns persist, particularly following the Medium-Term Budget Policy Statement projecting larger budget deficits and increasing debt. The rand's depreciation against the US dollar reflects market apprehensions, necessitating cautious optimism among investors.

THE GLOBAL SCENE

Quarter 4 | 2024

AMERICA

ECONOMIC MOOD

CAUTIOUS OPTIMISM

Economic Growth:

The U.S. economy exhibited resilience, with the S&P 500 achieving a year-to-date increase of nearly 21%, marking one of its best performances in recent history.

Inflation:

Inflation rates continued to decline, moving closer to the Federal Reserve's target, contributing to economic stability.

Interest Rates:

The Federal Reserve implemented a 50 basis point rate cut in September, followed by an additional 25 basis point reduction in November, signalling a shift towards a more accommodative monetary policy.

Corporate Earnings:

Corporate earnings remained robust, with U.S. large-cap stocks achieving over 20% growth for the year, a rare occurrence historically.

Valuations:

Equity valuations remained elevated, with the stocks-bonds yield gap below its 30-year historical average, suggesting a less favourable risk-return profile for stocks relative to bonds.

Risks & Outlook:

While the economy shows resilience, uncertainties surrounding fiscal policies and potential market corrections pose risks. Investors are advised to maintain a diversified portfolio to mitigate potential volatility.

THE GLOBAL SCENE

Quarter 4 | 2024

ECONOMIC MOOD

NEUTRAL

Economic Growth:

European markets experienced modest growth, with international markets returning 8.1% while U.S. markets rose 5.6%. Building on previous strong performance, global (including U.S.) year-to-date equity returns now exceed 18.7%.

Inflation:

Falling inflation provided the European Central Bank (ECB) the opportunity to commence its rate-cut cycle in June, earlier than the Federal Reserve.

Interest Rates:

The ECB implemented two rate cuts this year, with further reductions anticipated, contingent on economic data.

Corporate Earnings:

Corporate earnings in Europe have been under pressure due to the sluggish economic environment, with companies facing challenges in revenue growth.

Valuations:

European equities offer better value compared to U.S. equities, presenting opportunities for investors seeking exposure in developed markets.

Risks and Outlook:

Geopolitical tensions and potential policy missteps by central banks remain significant risks. Investors should monitor these developments closely.

THE GLOBAL SCENE

Quarter 4 | 2024

GLOBAL | SOUTH AFRICA | AMERICA | EUROPE & UK | ASIA | EMERGING MARKETS

ASIA

ECONOMIC MOOD

NEUTRAL

Economic Growth:

China's economic growth has been slowing, with the People's Bank of China cutting rates several times this year in an attempt to stimulate the economy.

Inflation:

Inflation in China has remained relatively low, allowing for monetary policy easing to support economic growth.

Interest Rates:

The People's Bank of China has implemented multiple rate cuts throughout the year to counteract slowing economic growth.

Corporate Earnings:

Chinese companies have faced headwinds due to the slowing economy, with earnings growth remaining subdued.

Valuations:

Chinese equities are considered undervalued, presenting potential opportunities for contrarian investors.

Risks and Outlook:

The effectiveness of monetary policy in reversing the economic slowdown remains uncertain, posing risks to the growth outlook.

THE GLOBAL SCENE

Quarter 4 | 2024

EMERGING MARKETS

ECONOMIC MOOD

CAUTIOUS OPTIMISM

Economic Growth:

Emerging markets, including Latin America and parts of Asia, showed resilience despite global economic uncertainties. Many regions benefited from higher commodity prices and improved trade balances.

Inflation:

Inflation trends varied across emerging markets, with some regions experiencing relief due to declining food and energy costs.

Interest Rates:

Central banks in emerging markets adopted more neutral or dovish stances, with some regions cutting rates to stimulate growth.

Corporate Earnings:

Earnings were mixed, with stronger performances in commodity-exporting economies.

Valuations:

Emerging markets remained attractively valued, offering opportunities for diversification and higher long-term returns.

Risks and Outlook:

Currency volatility, geopolitical risks, and uneven recovery across regions present challenges.

However, improving fiscal and trade balances, alongside accommodative monetary policies, provide a cautiously optimistic outlook for select emerging markets.

INTERACTIVE FUNDS OUTLOOK & BEYOND

Interactive Income Prescient Fund:

The recent interest rate cut by the South African Reserve Bank has not diminished the appeal of local bond markets, which continue to offer attractive yields relative to inflation & foreign bond markets. **For foreign investors in search of yield**, South African bonds remain an attractive destination. The Income Fund maintains a conservative approach, favouring shorter-duration bonds to minimize volatility while targeting a return of 3% above inflation. **This cautious strategy ensures that the fund remains well-positioned to outpace inflation over the long term, providing investors with a reliable, inflation-beating return.**

Interactive Balanced Prescient Fund:

The Interactive Balanced Prescient Fund slightly underperformed its benchmark in Q4 2024, with challenges stemming from the underperformance of the Satrix Dividend Fund, impacted by reduced demand for South African commodities due to a slowing Chinese economy and expectations of interest rates remaining higher for longer. Investor preference shifted toward fixed-income yields as interest rates remained elevated. However, patience and commitment to the investment process are crucial, as dividends are expected to recover with a Chinese economic revival and a lower interest rate environment. While 2025 holds promise in a context of moderating inflation and easing rates, risks such as geopolitical tensions, inflation resurgence, prolonged high rates, and elevated U.S. equity valuations persist. Maintaining diversification, disciplined long-term allocations, and leveraging negative correlations among asset classes will be key to navigating uncertainties while capitalising on opportunities.

Interactive Global Equity Prescient Fund:

Global equity performance, as represented by the MSCI World Index, has 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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