

Global economic activity has decelerated but is proving reasonably resilient in the face of very rapid monetary tightening. The US economy is demonstrating surprising strength, with a relatively resilient consumer underpinned by a strong labour market with very low unemployment.

Europe's economy has been weak but should benefit from improving consumer real disposable income due to firm wages and sharply falling inflation. The Chinese economy's recovery has fallen well short of expectations after the lifting of prolonged pandemic lockdowns. Although contact-intensive service industries are experiencing a rebound, the property market, manufacturing sector and export industries remain very weak.

Economic activity in South Africa is severely constrained by an inadequate and acutely unstable electricity supply, the underperformance of transport infrastructure, poor service delivery from weak and revenue-hungry municipalities and chronically low business confidence. Coupled with the sizable government debt burden and a large, unskilled population with high unemployment, we remain pessimistic regarding the structural growth rate for the local economy.

Global markets were negative in the third quarter (down 3.4% in US dollars), with Germany (down 7.7%) and Japan (down 6.6%) underperforming. Emerging markets were also weak in the period (down 2.8%), albeit stronger than developed markets, with outperformance from Turkey (up 32.8%) and India (up 2.9%). South Korea (down 6.2%), Brazil (down 5.0%) and South Africa (down 4.4%), however, underperformed.

In rand terms, the local equity market was down 3.5% in the period. Financials outperformed (up 2.0%) with life insurers up 3.9%, banks up 1.6% and listed property down 1.0%. OUTsure (up 25.8%), Sanlam (up 12.5%) and Capitec (up 9.5%) were particularly positive. Growthpoint (down 9.5%), Nedbank (down 7.7%), FirstRand (down 6.8%) and Discovery (down 6.0%) underperformed.

Resources were negative (down 5.2%), with AngloGold (down 23.2%), Gold Fields (down 20.4%), Implats (down 19.8%) and Anglo Platinum (down 15.6%) underperforming. Thungela (up 24.8%), Sasol (up 16.7%) and Exxaro (up 12.0%) outperformed. Industrials underperformed the other sectors (down 6.7%) driven by weak performances delivered by Richemont (down 25.5%), MultiChoice (down 22.5%) and MTN (down 18.3%). Truworths (up 39.6%), Sappi (up 12.9%), Mondi (up 11.4%) and Spar (up 10.7%) outperformed.

The fund marginally outperformed its benchmark, the FTSE/JSE Top 40 Index, which closed the quarter down 4.6%.

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