

Global economic activity remains firm, benefiting from easing financial conditions and strong developed market real household income growth due to sharply falling inflation and higher wages. The US economy is demonstrating strength, with relatively strong consumption underpinned by a robust labour market.

Europe's economy, which has stagnated given its link to China's weak economic recovery, should benefit meaningfully from a rebound in global manufacturing activity from low levels, lower gas prices and increased government investment (particularly in the South). Japan is sustaining solid economic activity, with increasing private consumption due partly to high wage growth and improving business investment. Following a very weak post-Covid reopening recovery, Chinese economic growth is very slowly accelerating, but is weak in nominal terms due to persistent deflation.

Economic activity in South Africa is severely constrained by inadequate electricity supply, acute 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 levels - we remain pessimistic regarding the structural growth rate for the local economy.

Global markets were strongly positive in the first quarter (up 9.0% in US dollars), with Japan (up 13.1%) and the US (up 10.6%) outperforming. Emerging markets were also positive in the period (up 2.4%), with outperformance from Turkey (up 14.6%), India (up 6.1%) and South Korea (up 0.7%). South Africa (down 6.7%) and Brazil (down 7.5%), however, underperformed.

In rand terms, the local equity market was down 2.3% in the period. Industrials outperformed (up 0.9%), driven by robust performances by Multichoice (up 40.2%) and Sappi (up 20.1%). Other standout positive performers included Richemont (up 12.5%), AVI (up 11.3%) and Mr Price (up 10.8%). Weak performances were delivered by Spar (down 25%), MTN (down 18.8%) and Woolworths (down 15.9%).

Resources were also positive (up 0.8%), with outperformance from Harmony (up 32.1%) and AngloGold (up 20.6%). Kumba (down 20.9%), Thungela (down 20.8%) and Sasol (down 19.9%) underperformed. Financials underperformed the other sectors (down 7.1%), with listed property up 3.9%, banks down 7% and life insurers down 9%. NEPI Rockcastle (up 7.7%) and Santam (up 7.1%) outperformed, while Remgro (down 24.8%), Discovery (down 16%) and FirstRand (down 13.3%) underperformed.

Rebalancing activity, trading costs and fees resulted in the fund slightly underperforming its benchmark, the FTSE/JSE Top 40 Index, which closed the quarter up 2.9% and 2.4% respectively.

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