

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 should benefit meaningfully from a rebound in global manufacturing activity, 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 and emerging markets were positive in the second quarter delivering a return of 2.8% and 5.1% respectively in dollar terms.

In rand terms, the local equity market was up 8.2% in the period. Financials outperformed the other sectors (up 17.1%), with banks up 20.0%, life insurers up 17.6% and listed property up 5.5%. Industrials were also positive (up 4.8%), with particularly robust performances from retailers Spar (up 33.8%) and Foschini (up 28.1%).

Resources underperformed the other sectors (up 3.4%). African Rainbow Minerals (up 41.7%) and Anglo American (up 23.9%) outperformed, while Amplats (down 21.7%), Gold Fields (down 10.0%) and Sibanye (down 9.1%) 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 7.9%

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