



# Fairtree Equity

## 2024 – A tale of two halves

Portfolio Manager – Chantelle Baptiste

7 May 2024



# The future remains perplexing

Recent covers from The Economist



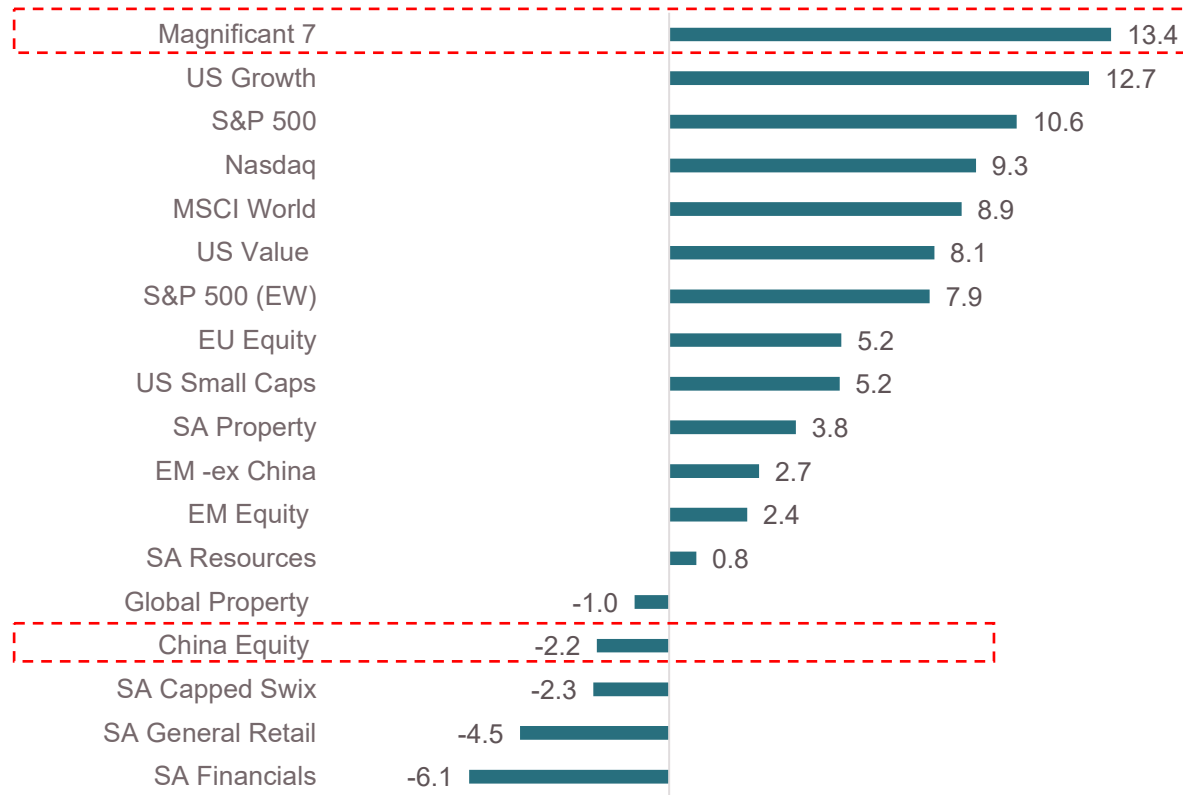
Source: The Economist

# Asset class performance across Q1-2024

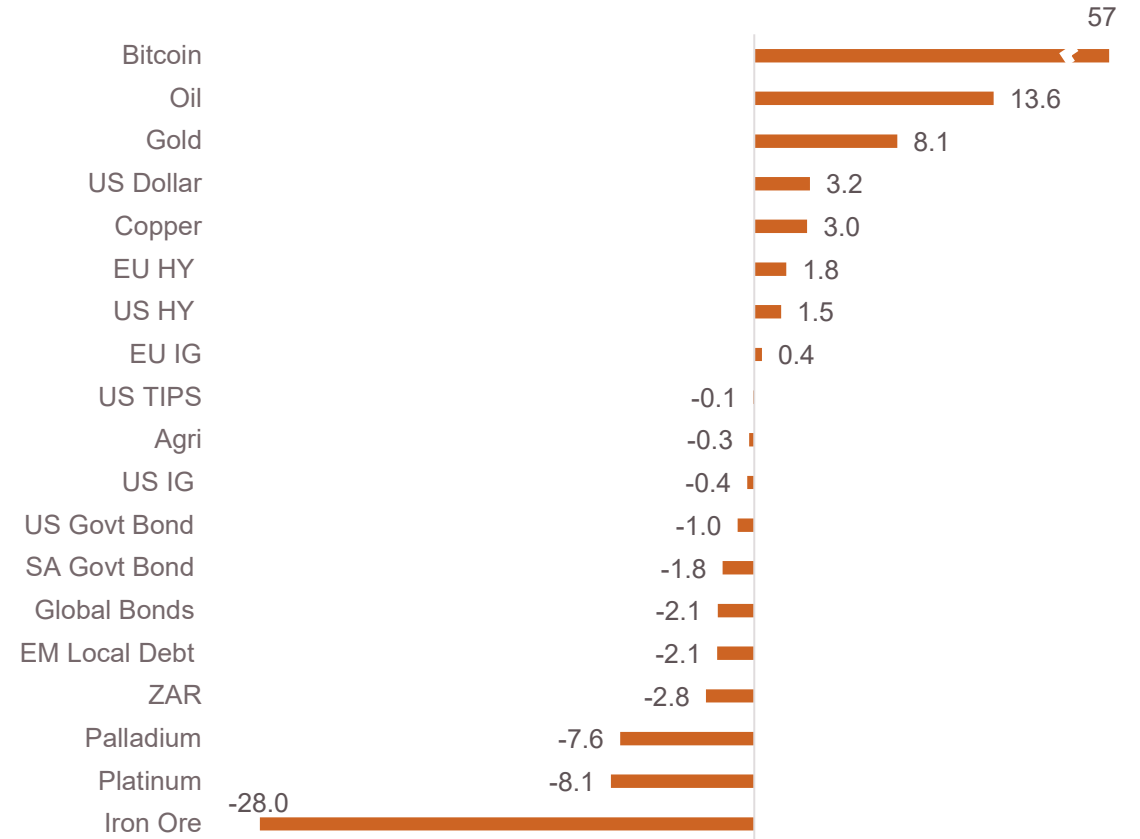
US equity rally continues despite growing headwinds

## Market Total Returns (%)

## Equities



## Bonds, Commodities & FX



Source: Bloomberg, Fairtree. Total return indices shown. As at March 2024.



**MARKET BEARS**

<sup>recession</sup>  
The ~~end~~ is inevitable, Maverick.  
<sup>job</sup>  
Your ~~kind~~ is headed for extinction.



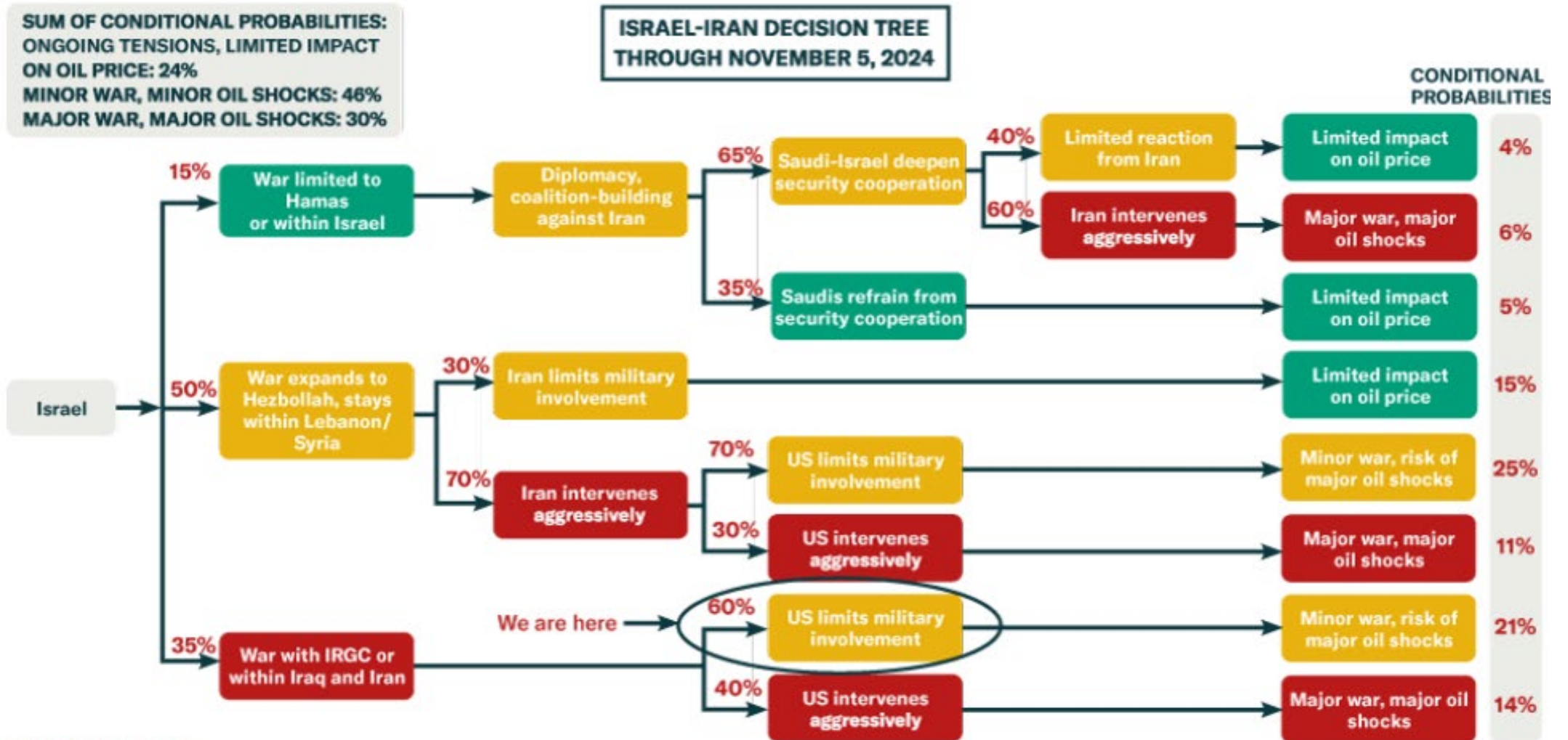
**US CONSUMER**

Maybe so, sir.  
But not today.



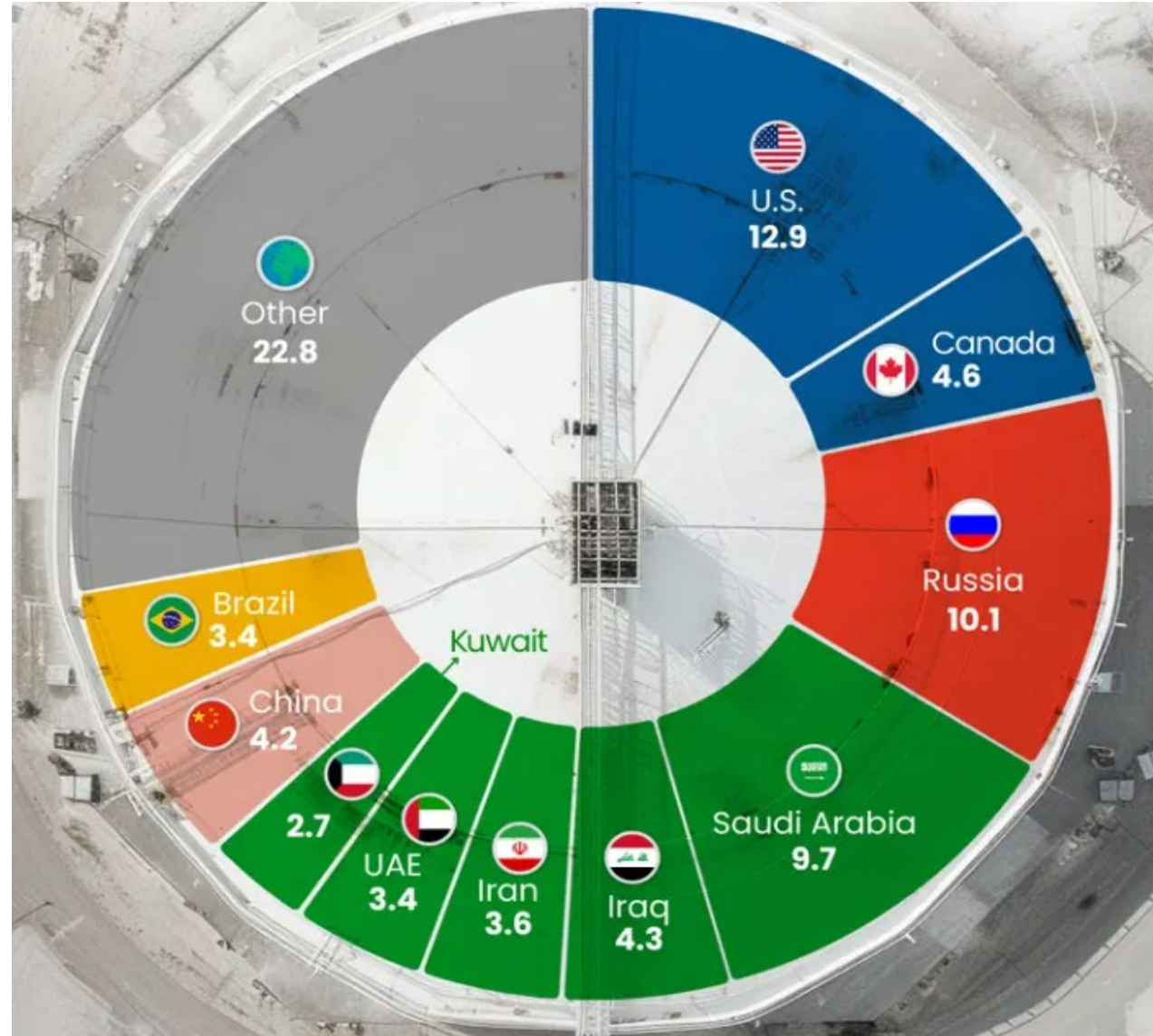
# Middle East conflict outlook

## BCA Decision Tree



# Global crude oil production

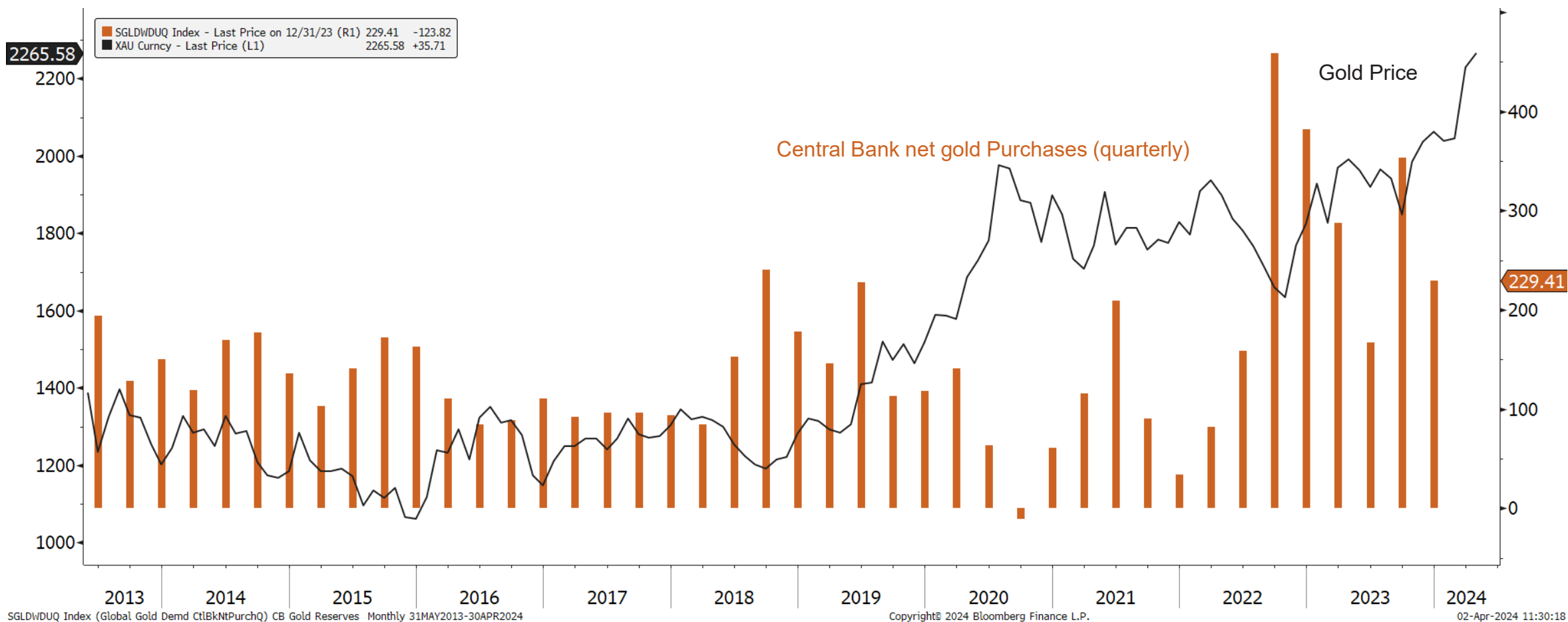
Millions of barrels per day



Source: US Energy Info Admin,  
International Energy Statistics.

# Central banks have increased their gold buying

## Gold price vs CB quarterly gold purchases



Source: Fairtree, Bloomberg.

# US vs China Tech

The bifurcation remains wide



700 HK Equity (Tencent Holdings Ltd) Tencent vs Nasdaq Daily 06APR2018-22APR2024

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Source: Fairtree, Bloomberg.



# Electricity supply outlook

## Electricity outlook

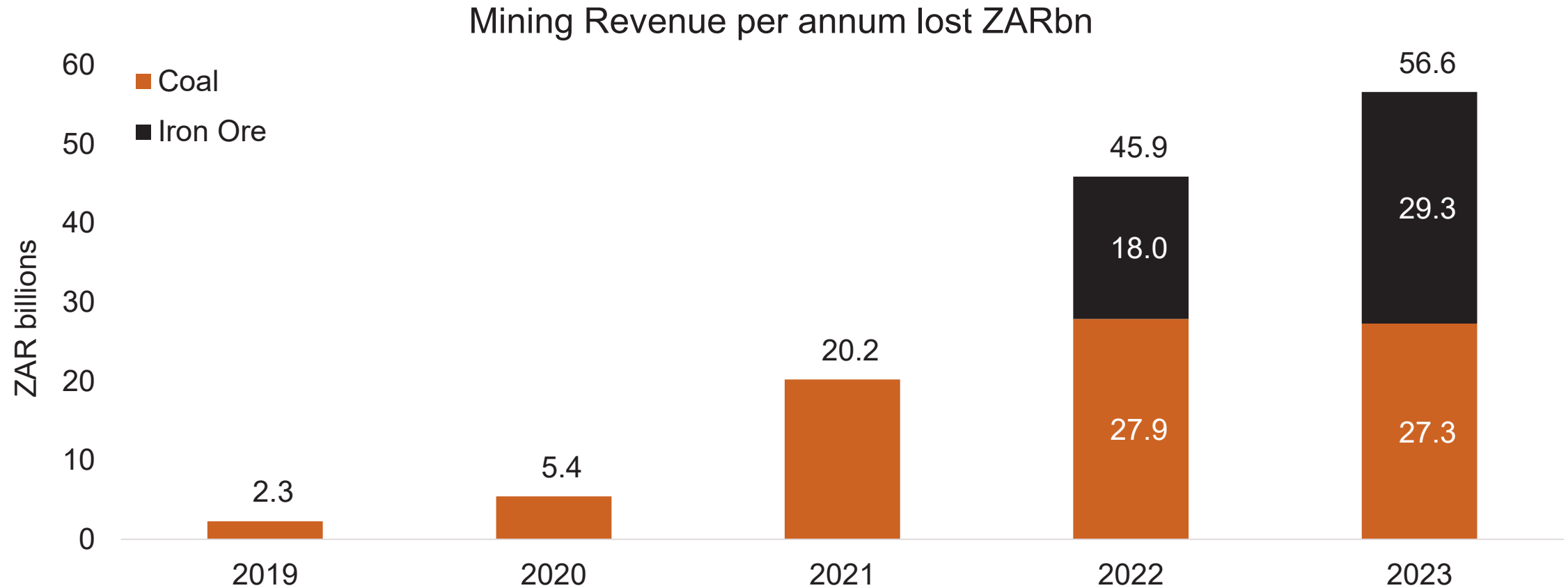
	2020	2021	2022	2023	2024	2025	2026	2027
Coal	39.1	39.3	39.8	39.8	39.9	40.0	39.2	39.1
Nuclear	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Pump Storage	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Hydro	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
OCGT	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Wind	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
<b>ESKOM SUPPLY</b>	<b>46.7</b>	<b>46.9</b>	<b>47.4</b>	<b>47.4</b>	<b>47.5</b>	<b>47.7</b>	<b>46.8</b>	<b>46.7</b>
Planned Maintenance	12%	14%	10%	10%	11%	11%	10%	10%
Unplanned Maintenance	21%	24%	31%	35%	31%	31%	32%	33%
Emergency Supply	2%	2%	2%	2%	2%	2%	2%	2%
<b>Energy Availability Factor</b>	<b>65%</b>	<b>60%</b>	<b>57%</b>	<b>53%</b>	<b>56%</b>	<b>56%</b>	<b>56%</b>	<b>55%</b>
<b>Total Eskom Supply Available</b>	<b>30.4</b>	<b>28.2</b>	<b>27.0</b>	<b>25.1</b>	<b>26.6</b>	<b>26.7</b>	<b>26.2</b>	<b>25.7</b>
Renewable IPP (REIPPPP)	5.0	5.7	6.3	6.2	8.1	9.6	11.9	13.5
Emergency IPP (RMIPPPP)	0.0	0.0	0.0	0.0	0.6	1.4	2.0	2.0
Industrial Supply / Embedded Generation	0.7	1.1	1.2	1.5	4.1	7.7	9.4	10.3
Small Scale Rooftop	0.1	0.3	0.6	1.0	1.2	1.3	1.3	1.3
<b>Total Private Renewable Capacity</b>	<b>5.8</b>	<b>7.1</b>	<b>8.2</b>	<b>8.7</b>	<b>14.0</b>	<b>20.0</b>	<b>24.5</b>	<b>27.1</b>
<i>Load factor</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>
<b>Total Private Renewable Supply</b>	<b>1.7</b>	<b>2.1</b>	<b>2.5</b>	<b>2.6</b>	<b>4.2</b>	<b>6.0</b>	<b>7.4</b>	<b>8.1</b>
<b>Imports</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
<b>Total Supply</b>	<b>33.3</b>	<b>31.5</b>	<b>30.7</b>	<b>28.9</b>	<b>32.0</b>	<b>33.9</b>	<b>34.8</b>	<b>35.0</b>
<b>Peak Demand</b>	<b>33.0</b>	<b>33.0</b>	<b>33.5</b>	<b>34.5</b>	<b>35.2</b>	<b>35.9</b>	<b>36.6</b>	<b>34.6</b>
<b>SURPLUS / (DEFICIT)</b>	<b>0.3</b>	<b>(1.5)</b>	<b>(2.8)</b>	<b>(5.6)</b>	<b>(3.2)</b>	<b>(2.0)</b>	<b>(1.8)</b>	<b>0.4</b>



Source Eskom, DMRE, IRP, RMB Morgan Stanley Research, Fairtree estimates. Winter month estimates shown for each year. Assume; 2% growth in energy demand, no additional imported electricity, private sector project time frames of 18 months build preparation and 18 months actual building, 50% grid capacity for bid windows 7 & 8, rooftop solar limited to 30% penetration rate, planned maintenance assumed inline with recent history rather than Eskom estimates.

# Adverse impact of Transnet

The SA mining sector has lost c.R130bn in revenue over the last 5 years



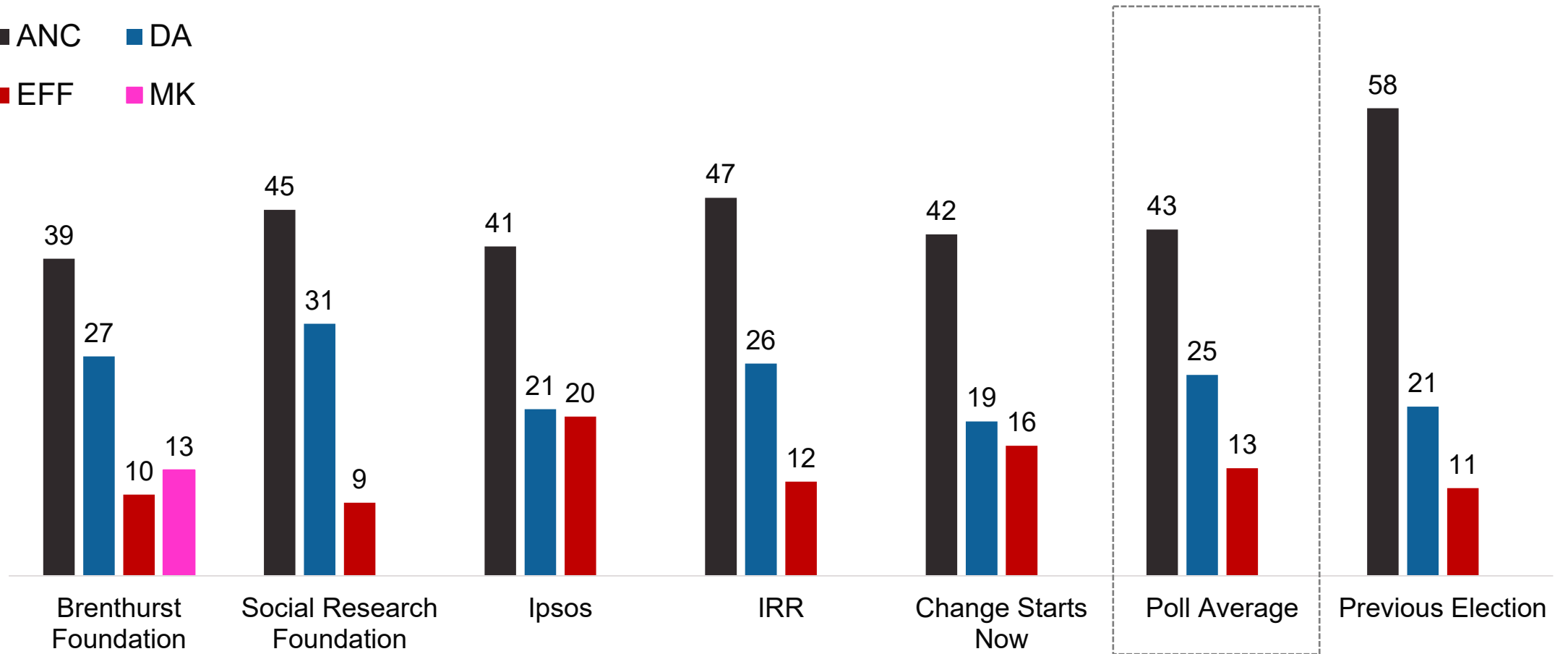
Source: Fairtree, Bloomberg, Company data April 2024.



# Poll results

Recent polls suggest coalition politics will be key in 2024

■ ANC ■ DA  
■ EFF ■ MK





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