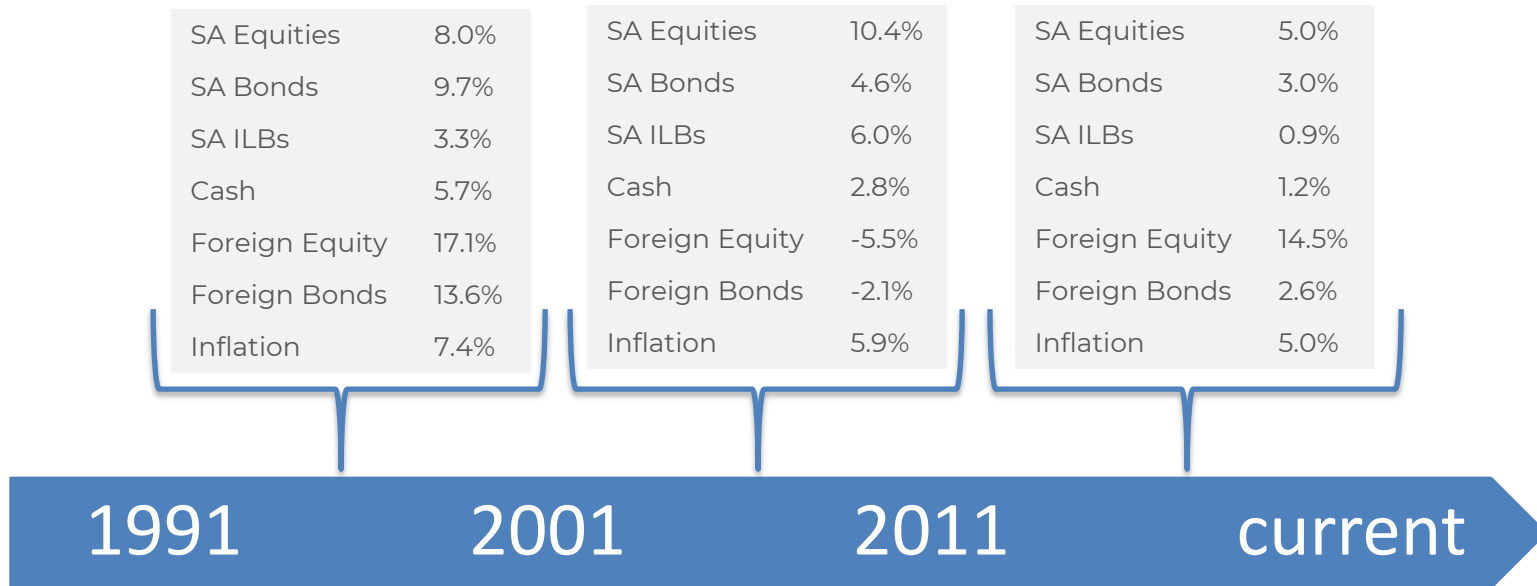




BALANCING RISK AND RETURN

# Long term asset class returns



Asset Class Real Returns over 29 years (to September 2021)

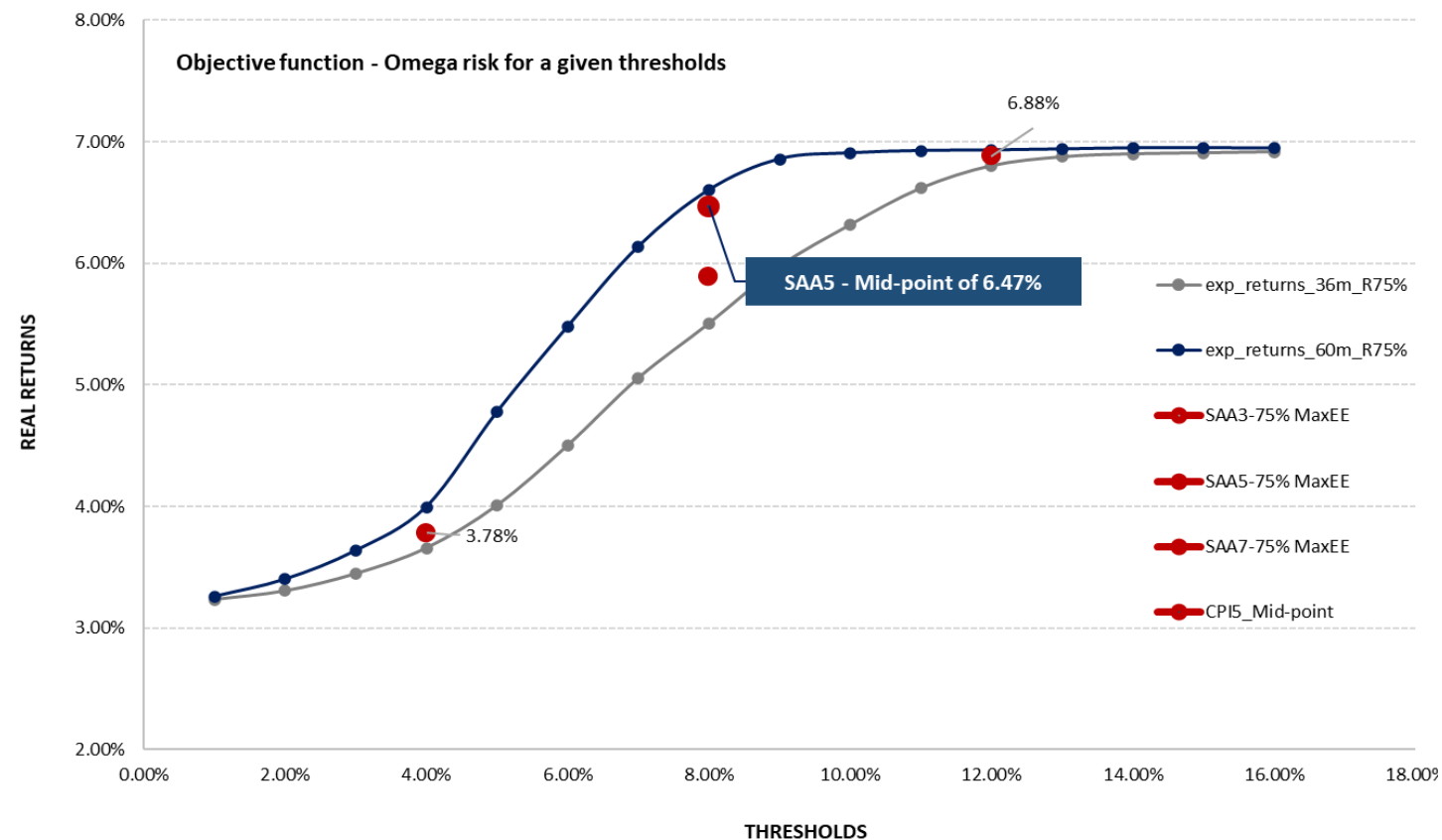
SA Equities	8.0%
SA Bonds	5.5%
SA ILBs	3.5%
SA Cash	3.2%
Foreign Equities	7.9%
Foreign Bonds	4.6%
Inflation	6.4%

- The core drivers of strategic asset allocation
- Poor returns in the last decade for local assets

Source: JSE, Vunani Fund Managers

# Strategy framework

## strategic asset allocation framework



Strategic asset allocation determination:

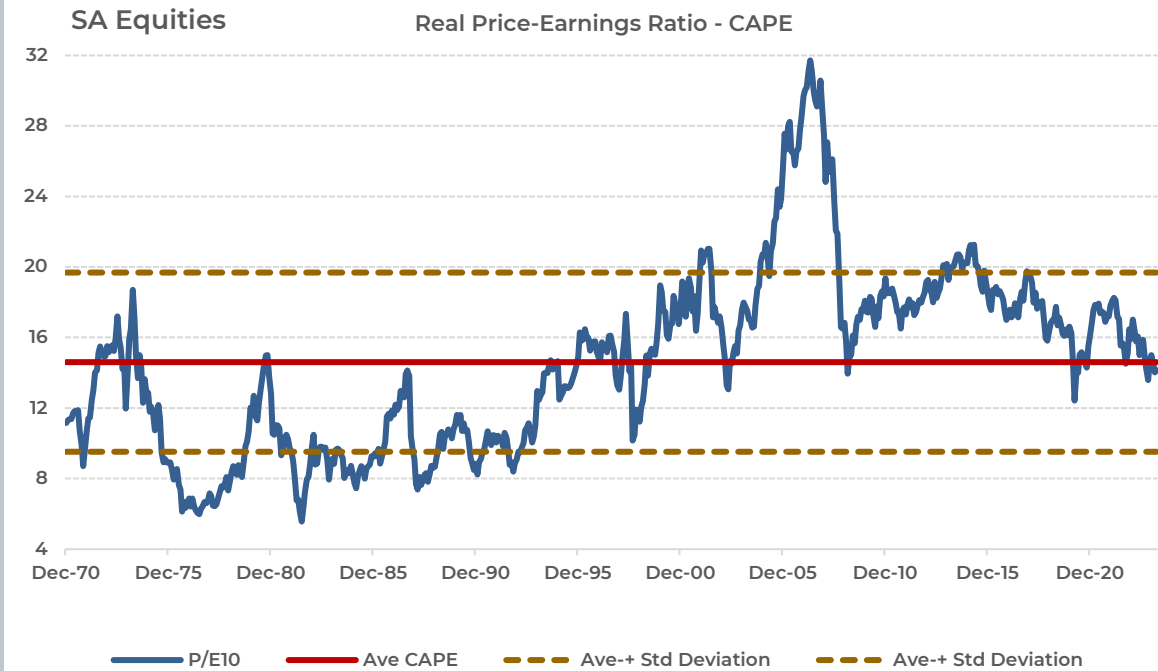
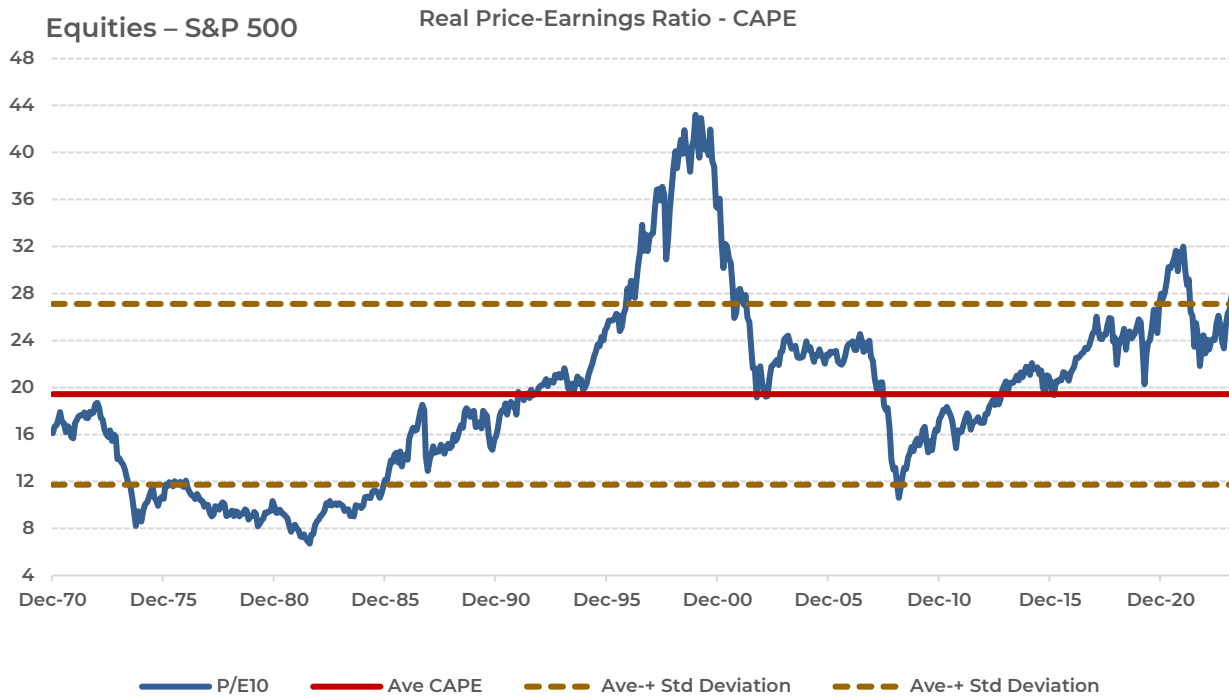
- Optimising for a sustainable long term returns
- Outcome based return profiles
- Balancing risk/reward to achieve attainable targets

Source: Vunani Fund Managers

\*Long term SAA mid-point is derived from beta  
 \*Data start from February 1991  
 \*Regulation 28 complaint

# Equity market

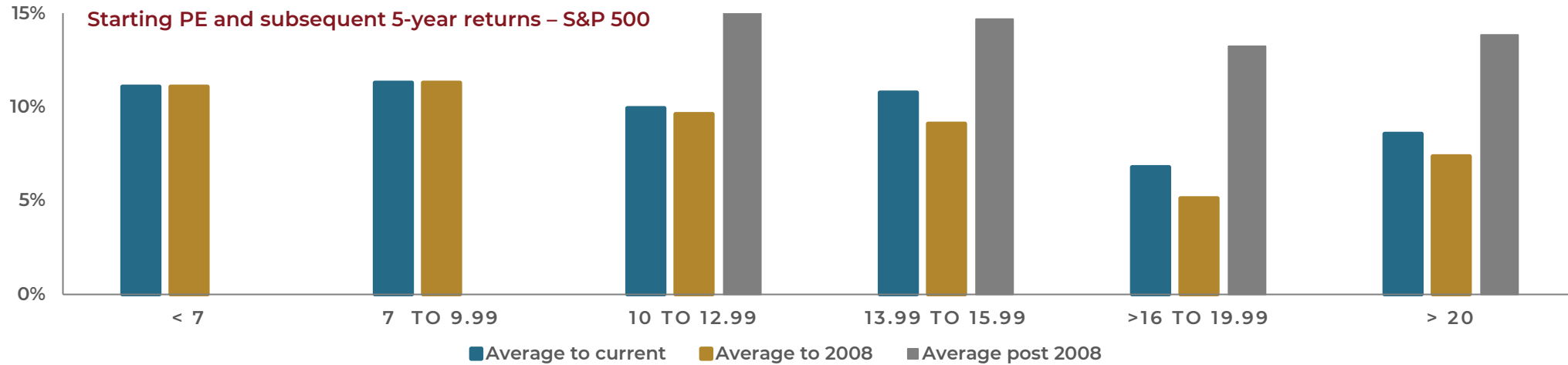
Domestic market better on a relative basis



Source: Bloomberg, Vunani Fund Managers

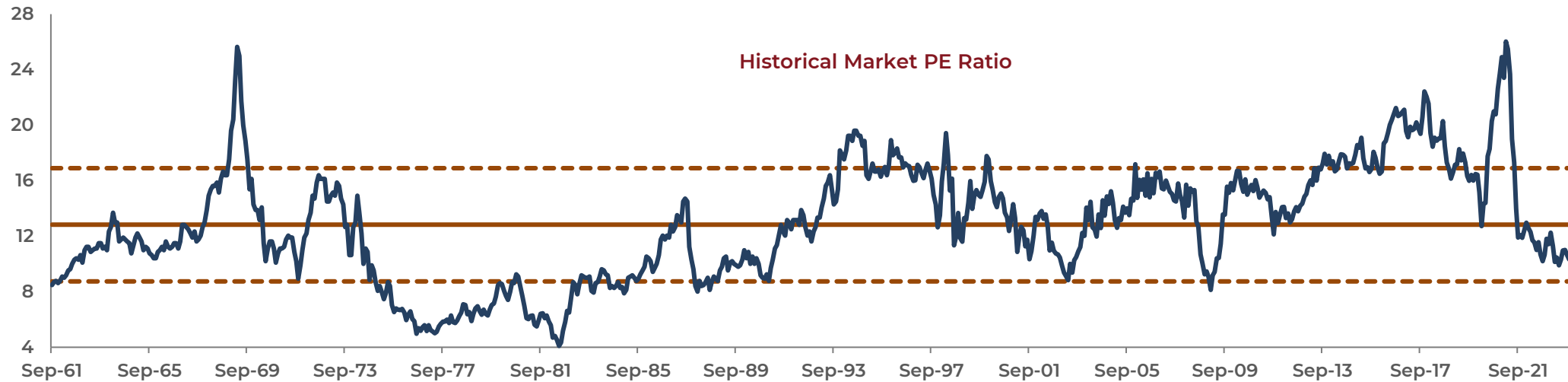
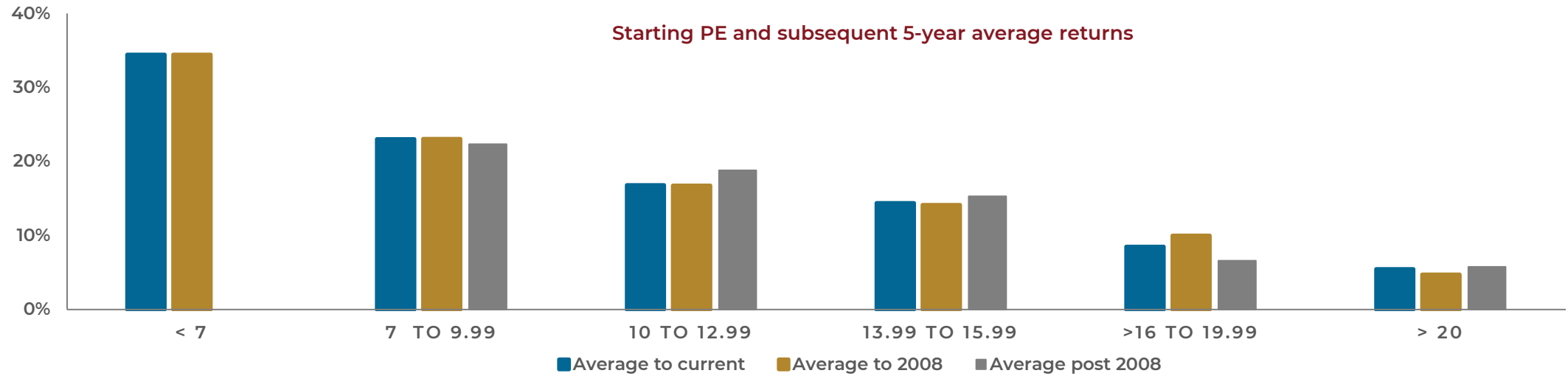
# Starting valuation matters

The current P/E valuation is not cheap but still supports decent subsequent returns relative to LT ( 25.16x March)

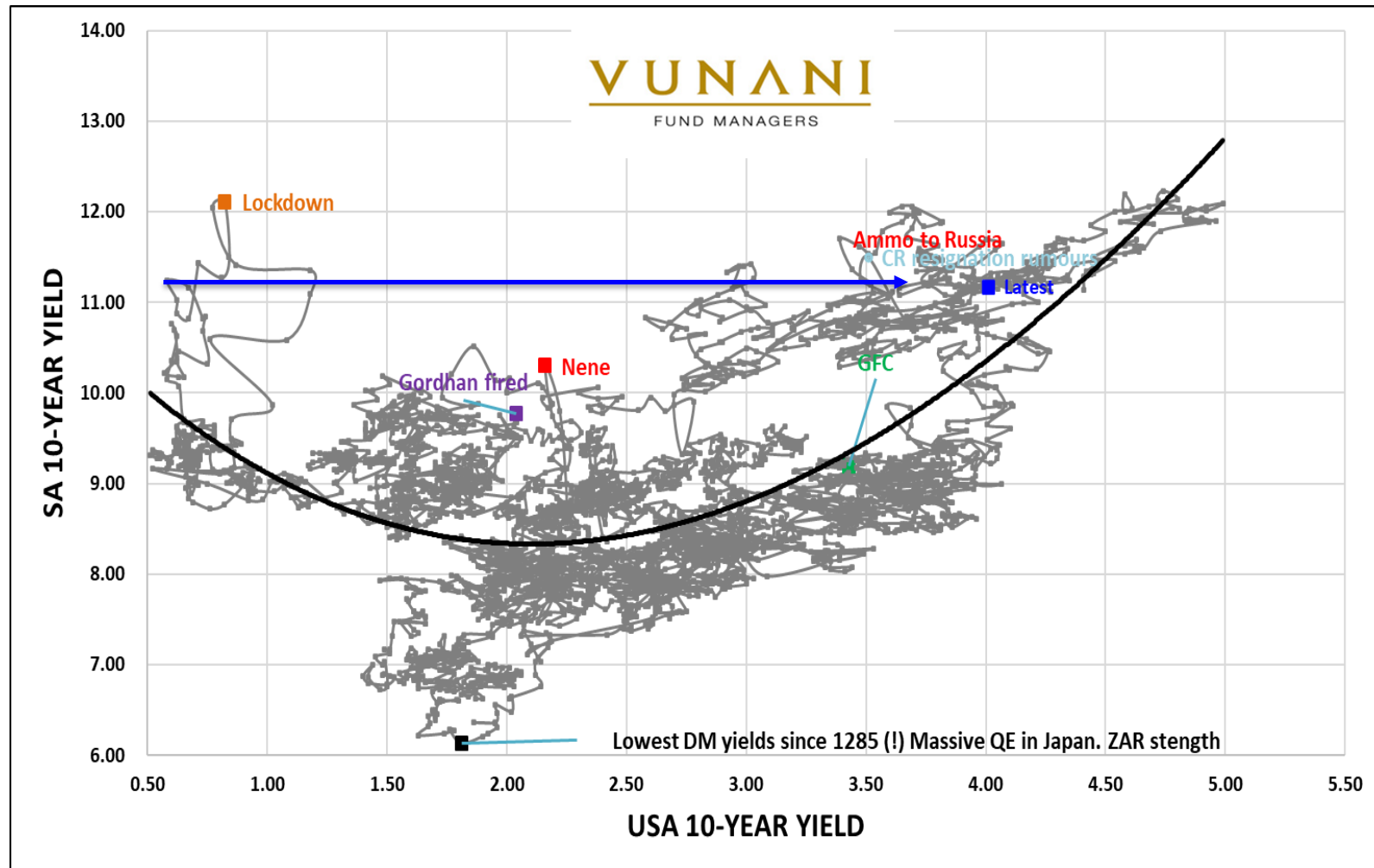


# Starting valuation matters

The current valuation still supports subsequent double digits historical returns ( 11.34x in March )



# Where are we now?



Astonishing outperformance of  
US Treasury bonds

Source: Vunani Fund Managers

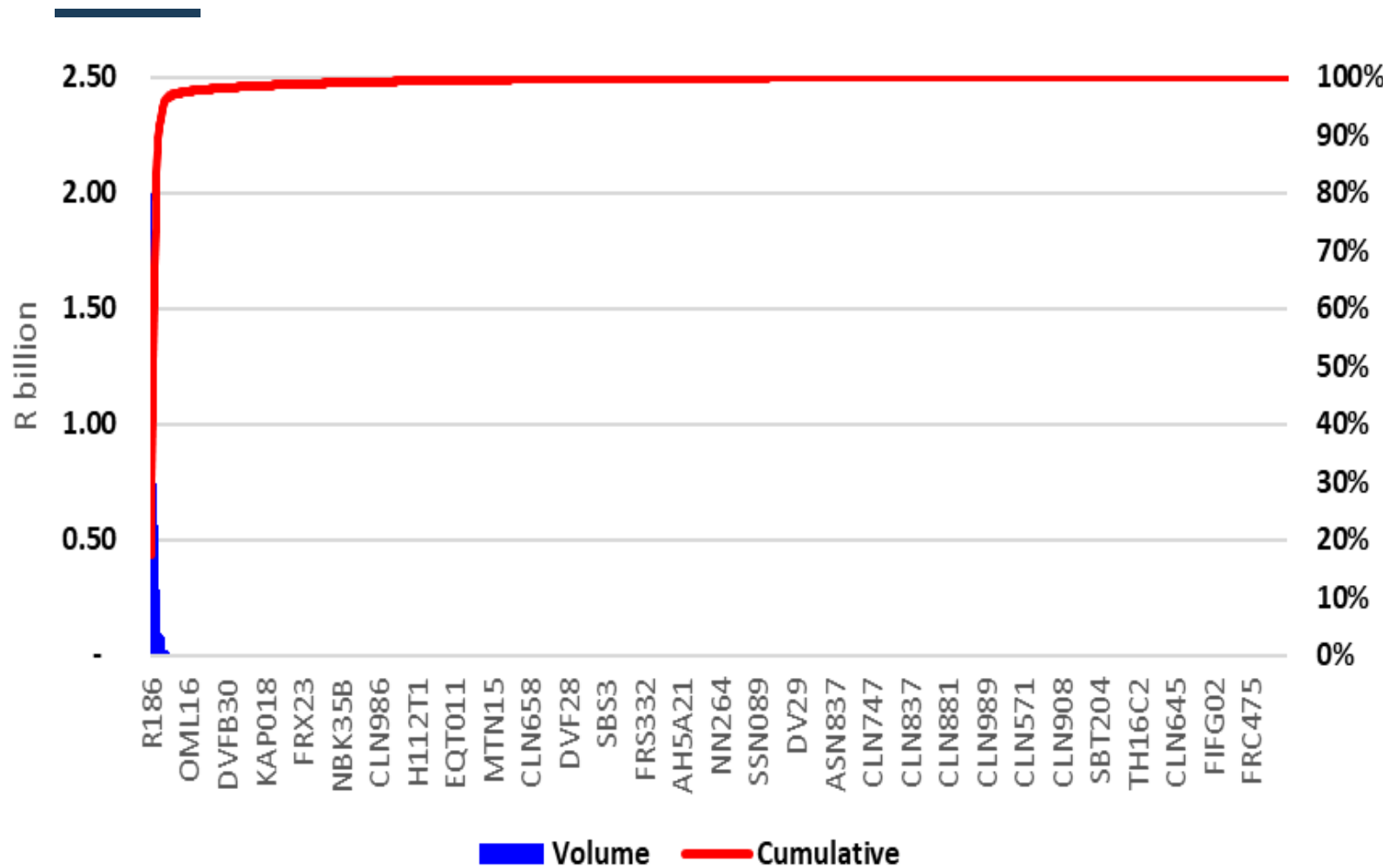
# Lesson from recent distress event

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- Securitisation structures
- Exposure to legal entities/security vs industry (macro)
- Perfecting security
- Economic stress starting to emerge in operating entities
- Debt market liquidity limited



# Domestic Bond market



- 2,233 listed bonds;
- R11 trillion traded in 2023;
- T1 bonds = 90% of all trade

Values traded, 31 Dec 2022 to 31 Dec 23  
 Source: JSE, Vunani Fund Managers

# Conclusion

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- Higher rates for longer require persistency in earnings growth
- SA valuations attractive for longer term investors
- Geo-political tensions
- Debt distress may rise in the period ahead
- Balancing risk and return critical in the period ahead

Thank You



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