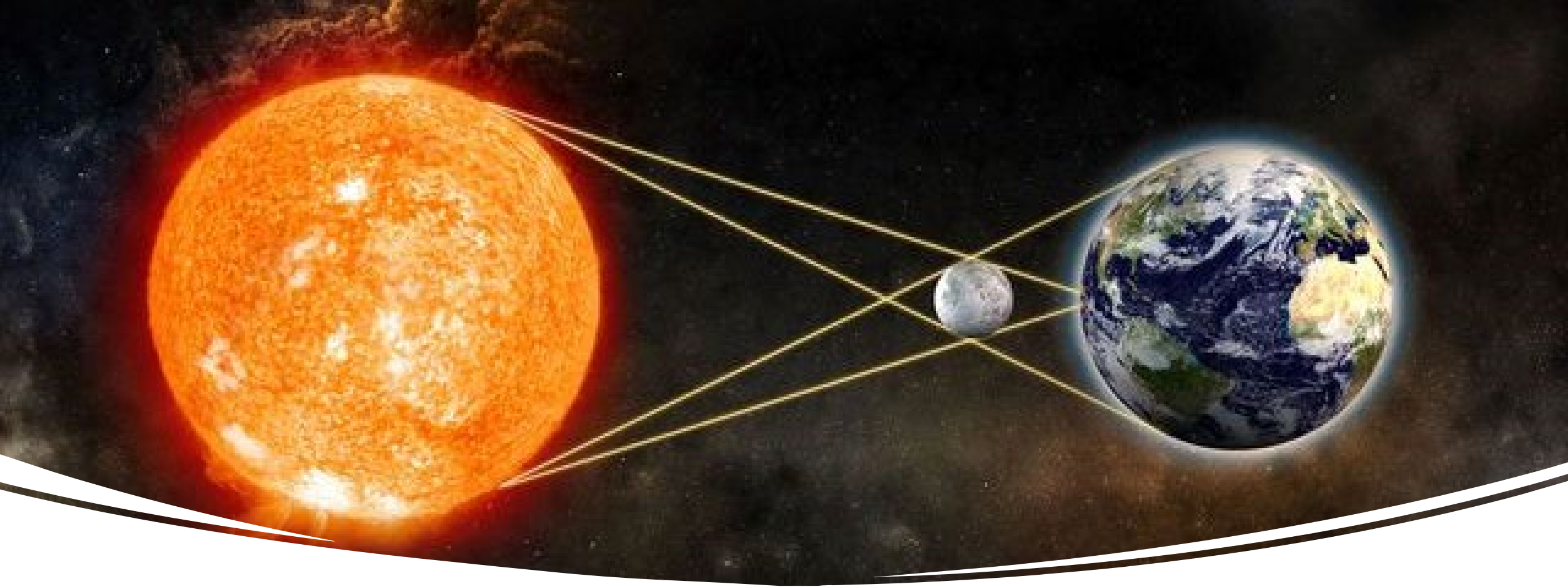


BCI GLOBAL CONFERENCE

THE PATH OF TOTALITY

PRESENTED BY: Sidney McKinnon

Date: 07 MAY 2024



A solar eclipse occurs when the moon passes between earth and the sun, thereby obscuring the view of the sun from a small part of earth, **totally** or partially.



Global Risks

Risk categories

- Economic
- Environmental
- Geopolitical
- Societal
- Technological

2 years

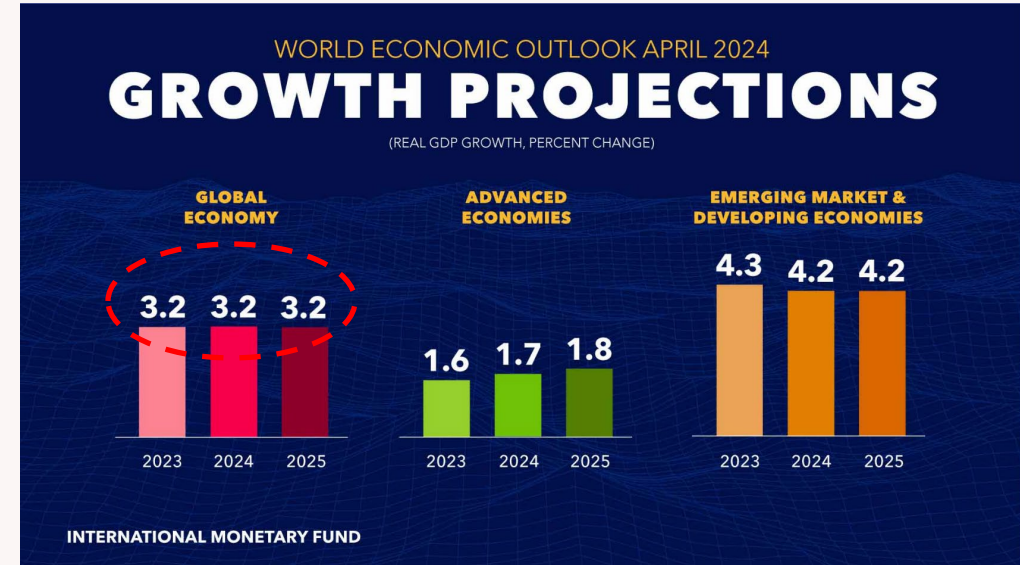
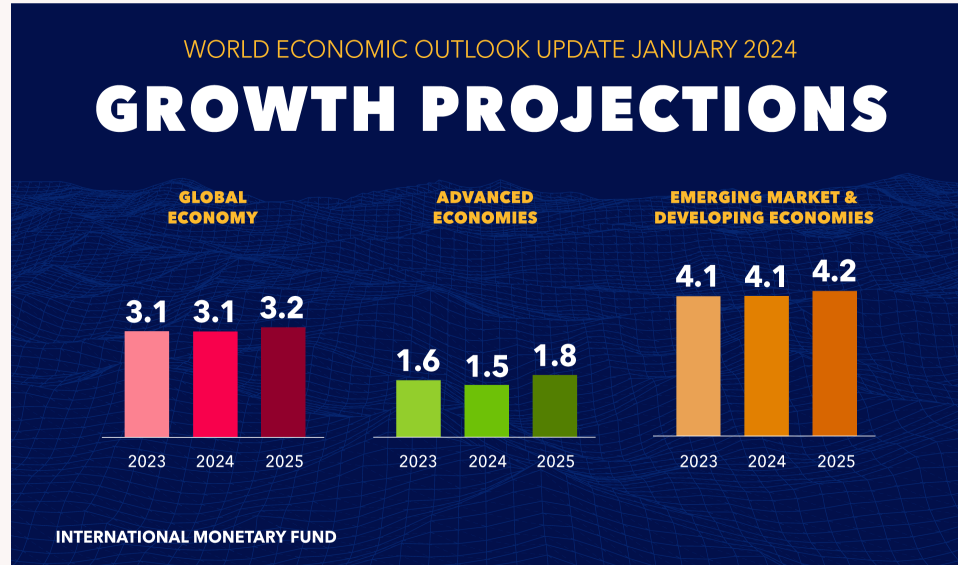


10 years





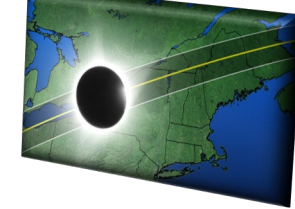
Global Growth



The global economy remains resilient despite uneven growth.

Global growth for 2024 and 2025 expected to hold steady around 3.2%.

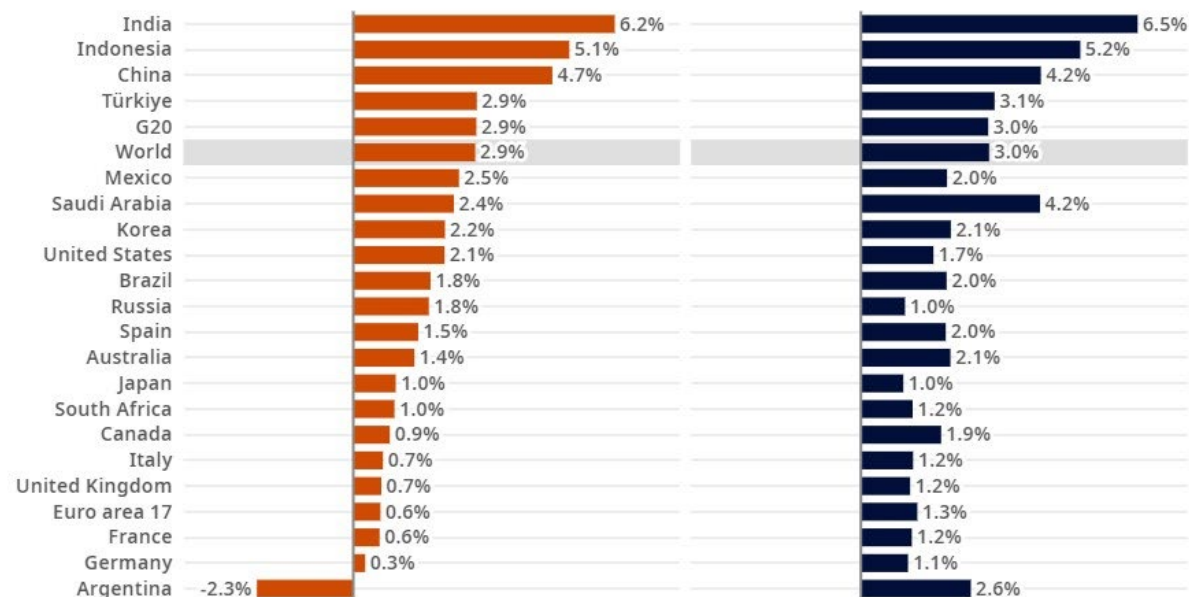
Source: IMF World Economic Outlook, January 2024 / April 2024



Global Growth

GDP projected growth rates for 2024 and 2025

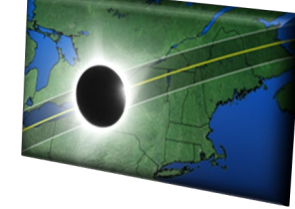
% , year-on-year



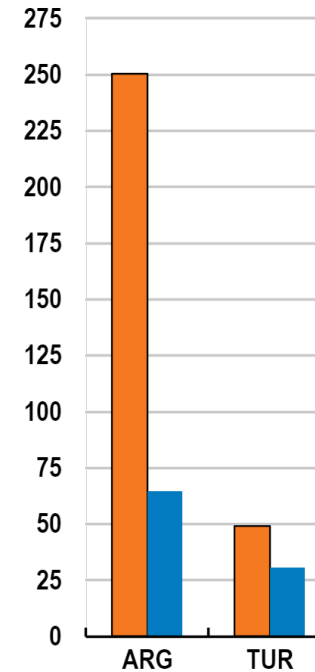
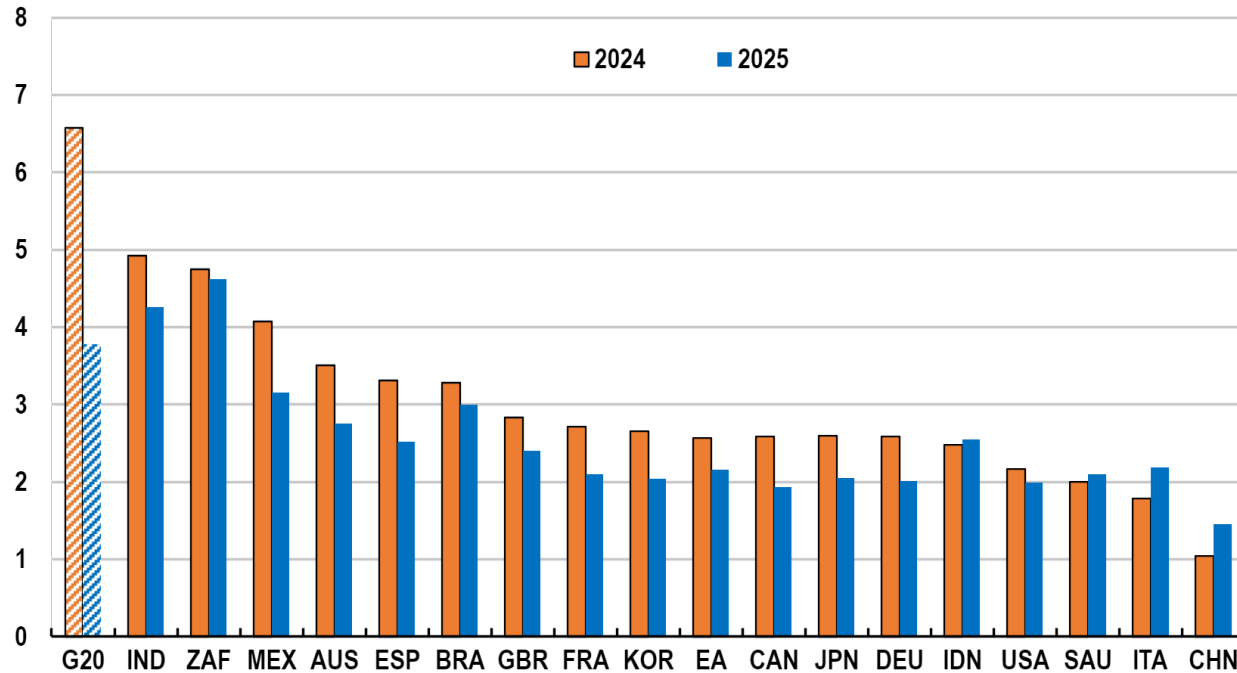
Source: OECD Economic Outlook, Interim Report February 2024.



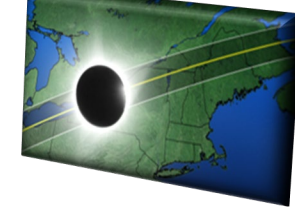
- Growth holding steady as inflation returns to target.
- Despite many gloomy predictions, the world avoided a recession.
- The **pace of expansion** is low due to:
 - High borrowing costs.
 - Longer-term effects from COVID-19.
 - Russia's invasion of Ukraine.
 - Weak productivity growth.
 - Increasing geo-economic fragmentation.



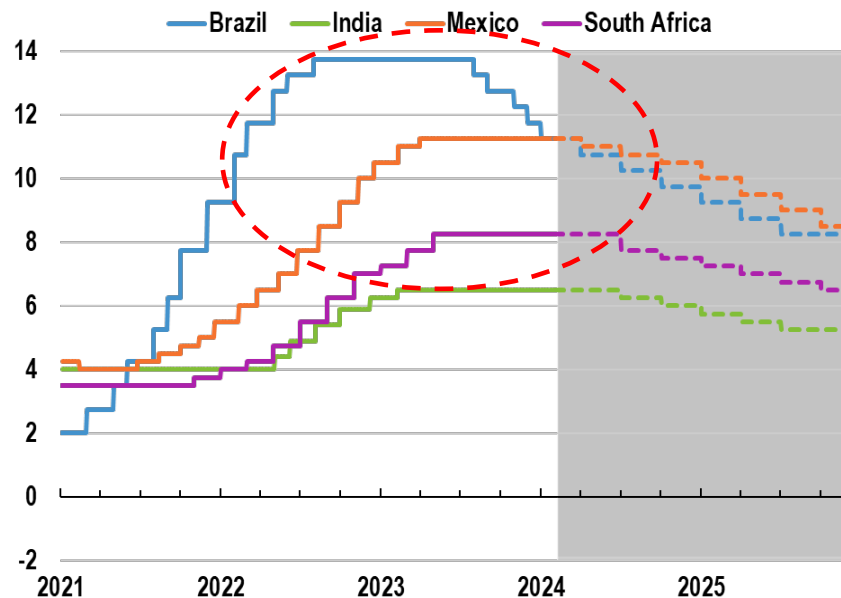
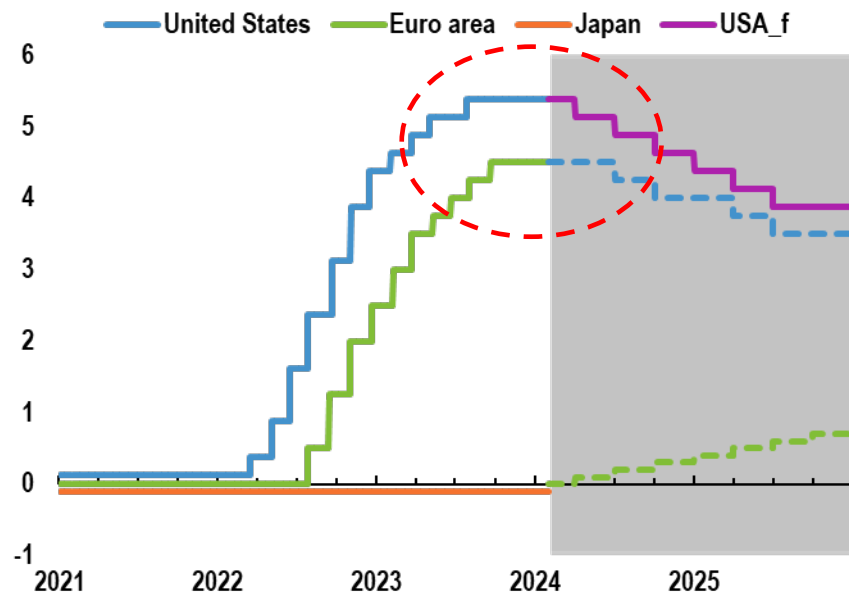
Global Inflation



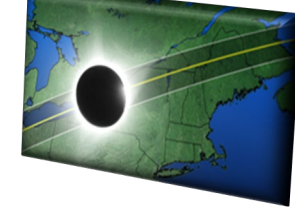
- Inflation is projected to decline further over the next two years.
- In lower-income countries, inflation higher than expected due to higher price pressures.
- The outlook for inflation is a downward revision for advanced economies, offset by an upward revision for emerging market and developing economies.



Global Monetary Policy

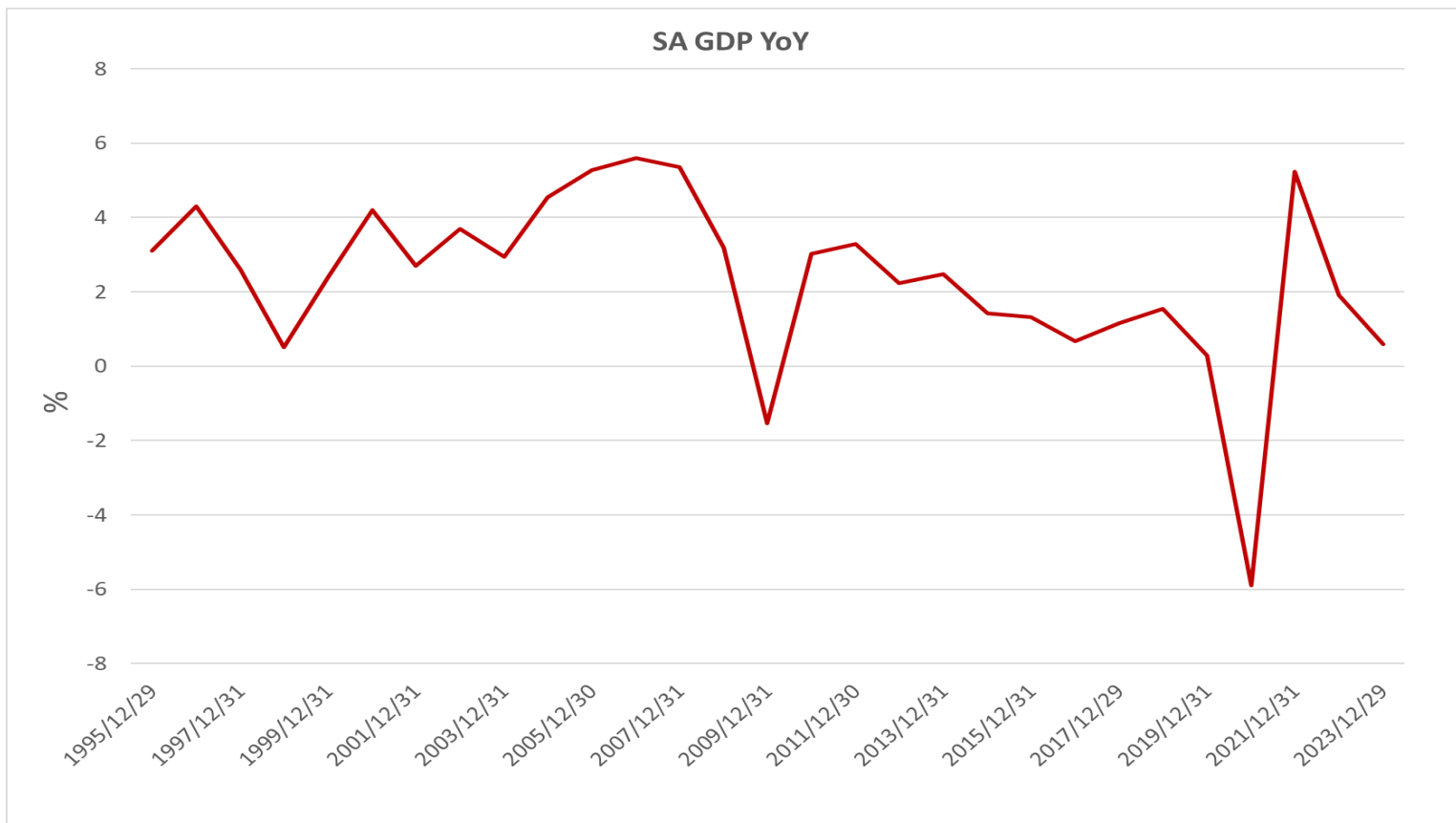


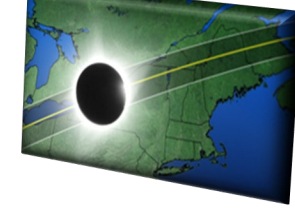
- Global economic downturn caused by a sharp rise in policy rates did however not materialise immediately.
- The cooling effects of high policy rates are now intensifying in several economies.
- With inflation expectations falling, real policy rates are rising even where central banks have not changed nominal rates.
- Policy rates of central banks in major advanced economies are expected to decline in the second half of 2024



Local Growth

- GDP at 0.1% on a QoQ basis for the fourth quarter of 2023.
- Sizeable contraction in the agricultural sector.
- Positive contributions from mining.
- Economic growth for 2023 pegged at 0.6% and expected to print at about 1.2% for 2024.
- **Weak growth** remains underpinned by factors such as rail and road constraints, loadshedding, a contraction in household consumption, high unemployment, and weak business confidence.
- Theoretically this should keep a lid on yields.

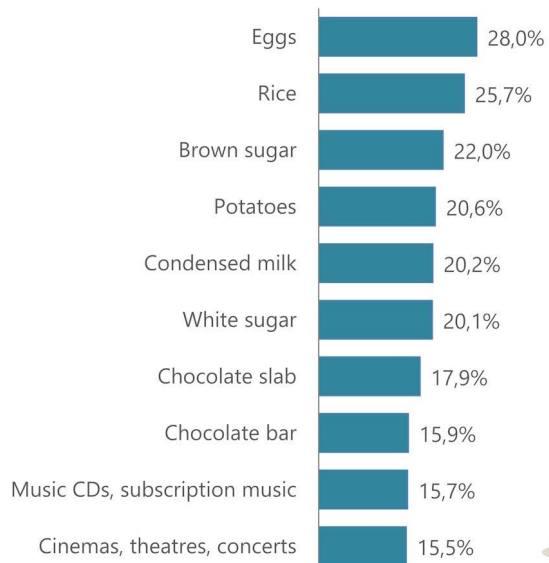




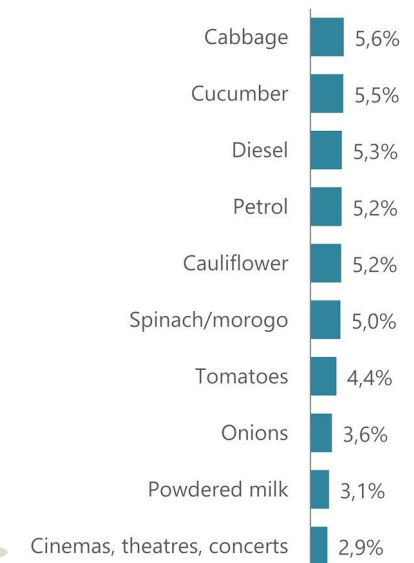
Local Inflation

- CPI inflation dropped, to 5.3% y/y in March.
- The overall food inflation rate fell to 5.1% y/y, on previously supportive weather conditions for agriculture .
- March recorded a petrol price increase, of R1.21/litre, which exerted some marked upwards pressure on inflation.
- Core inflation retraced to 4.9% y/y from 5.0% at the previous reading.

Products that have become more expensive over the last year
Percentage change in price indices, March 2024 vs March 2023



Products that have become more expensive in the last month
Percentage change in price indices, March 2024 vs February 2024

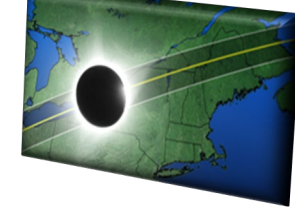


The largest consumer price increases (March 2024)



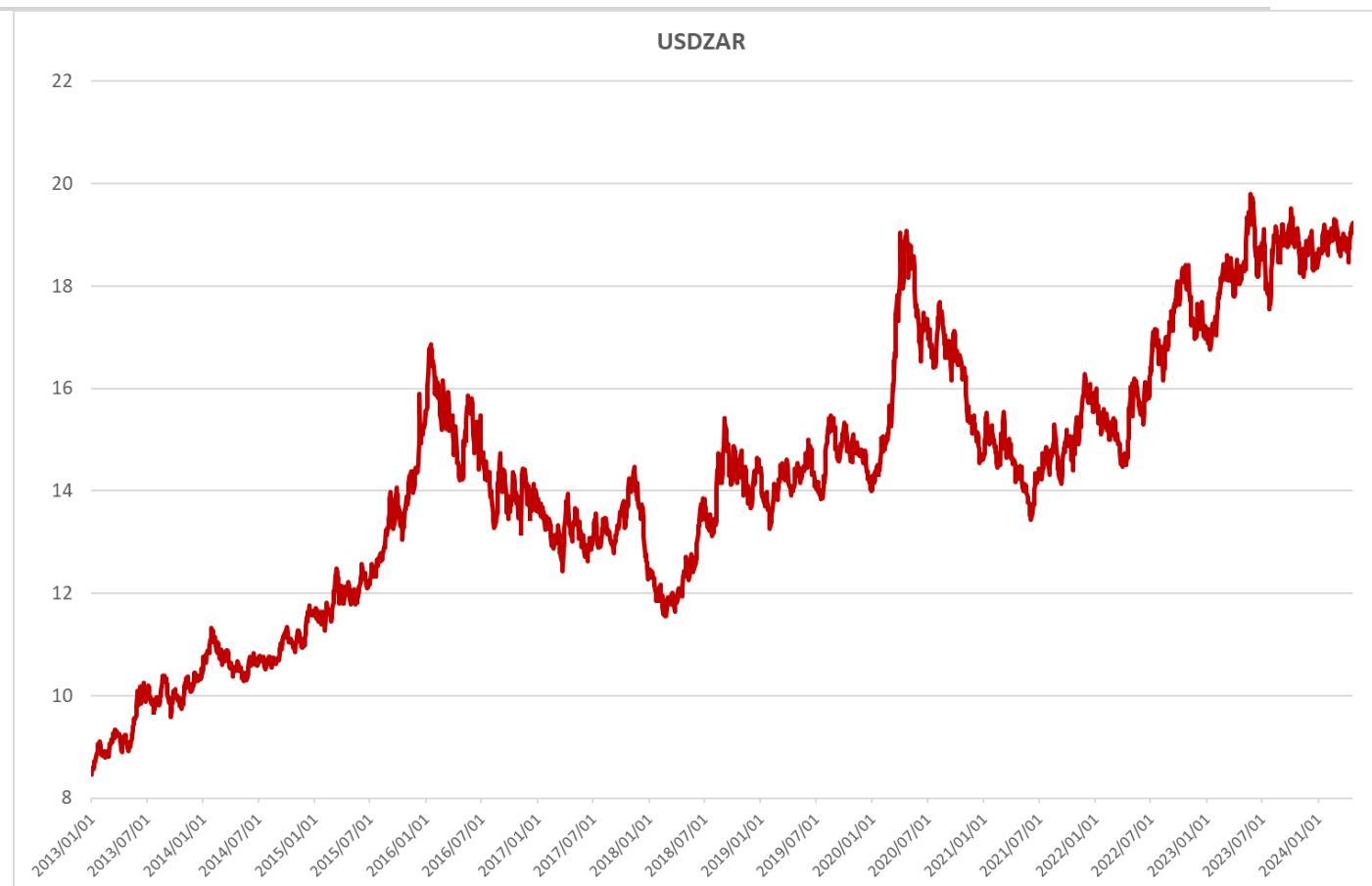
Source: Consumer Price Index (CPI), March 2024

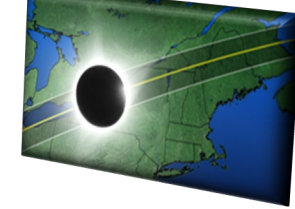




Local Currency

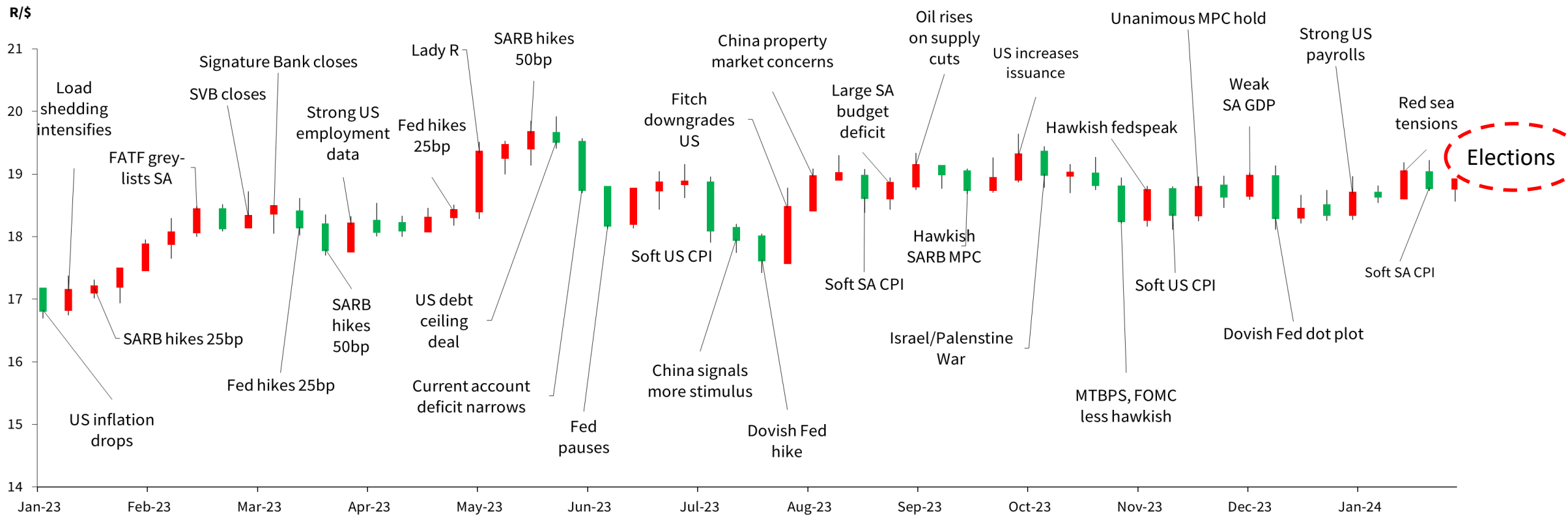
- Emerging market currencies continue to be volatile as global risk aversion rises.
- Growing event risk (elections, geo-political tensions, etc.).
- Implied volatility of the Rand remains high.
- Rand caught up in global central banks monetary policy waiting game.

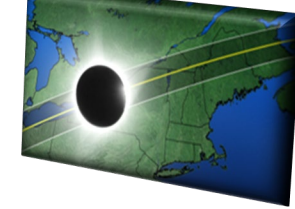




Local Currency

Event Risk and the Rand...





Local Monetary Policy

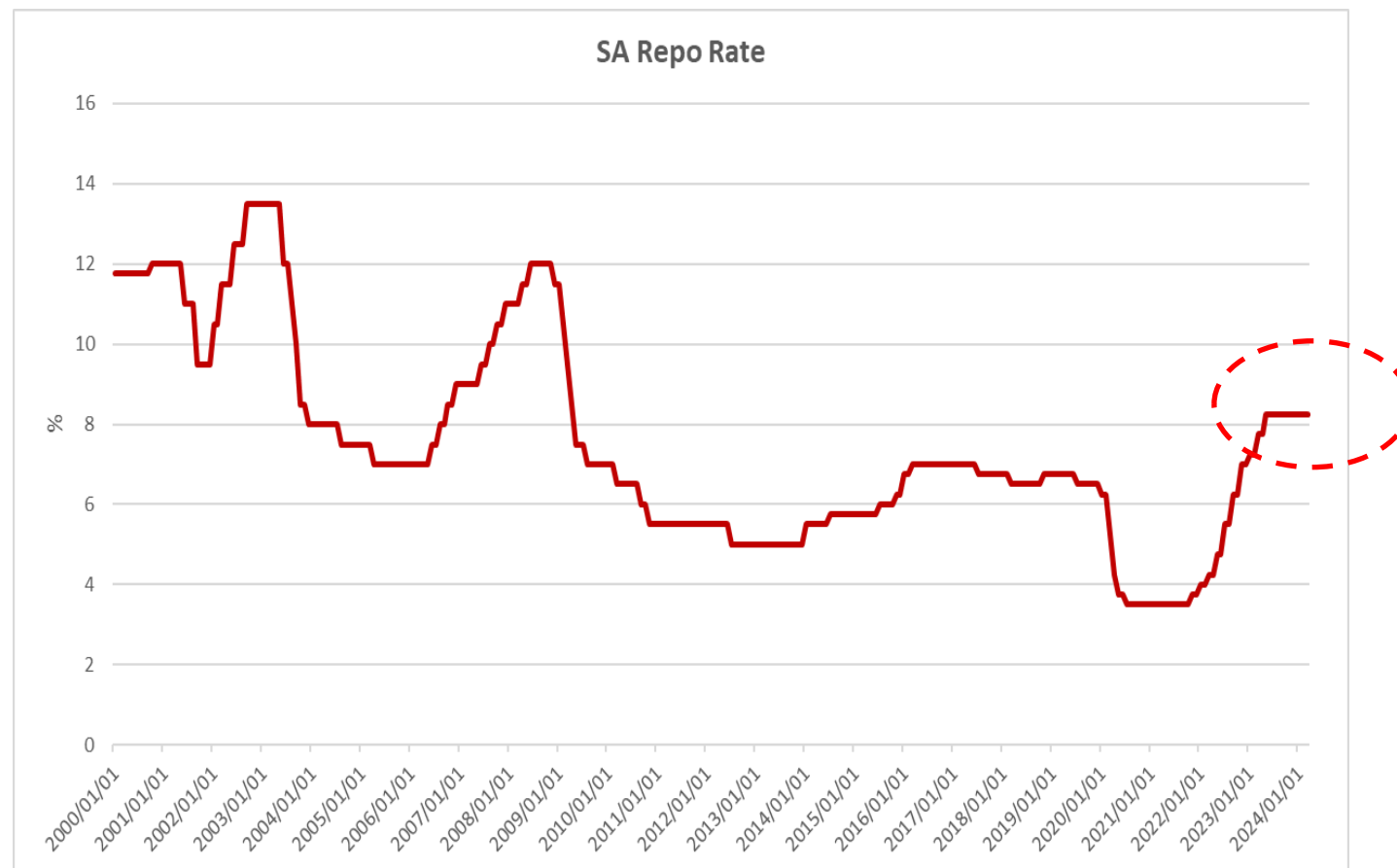
Global inflation has decelerated but core inflation remains sticky.

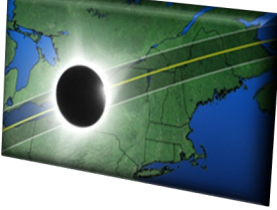
Global central bankers continue to display hawkish sentiments.

The SARB has emphasised that risks to the inflation trajectory remain to the upside.

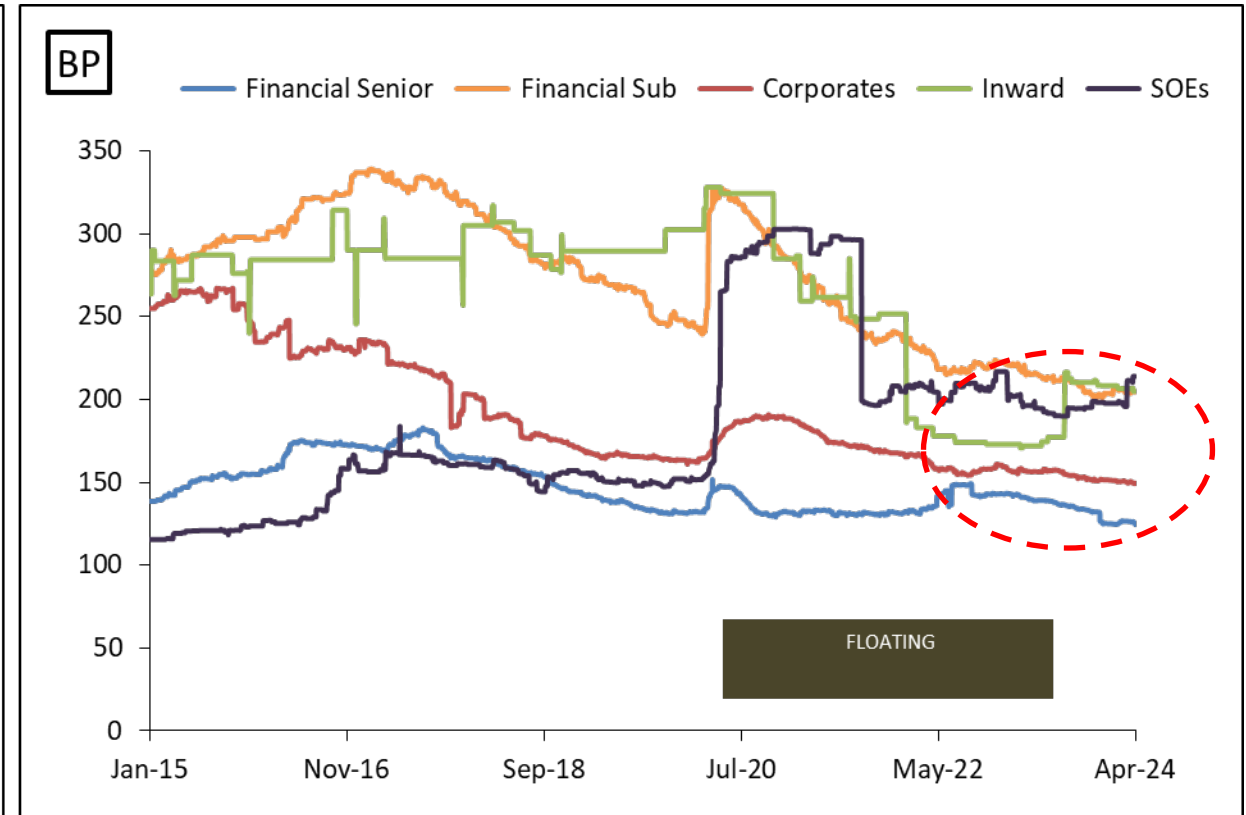
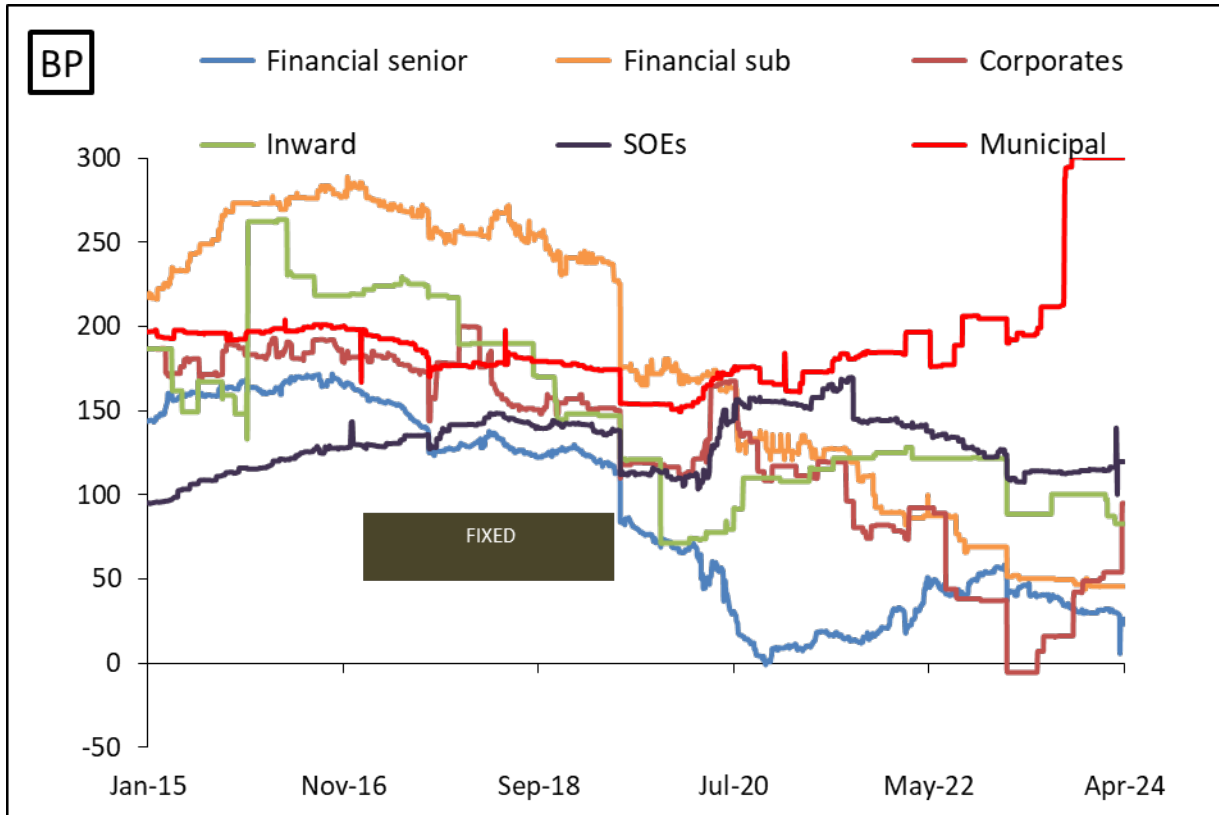
US interest rate trajectory is key.

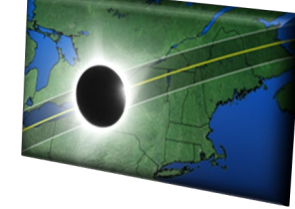
Rate cut expectations have been pushed out to the second half of the year.



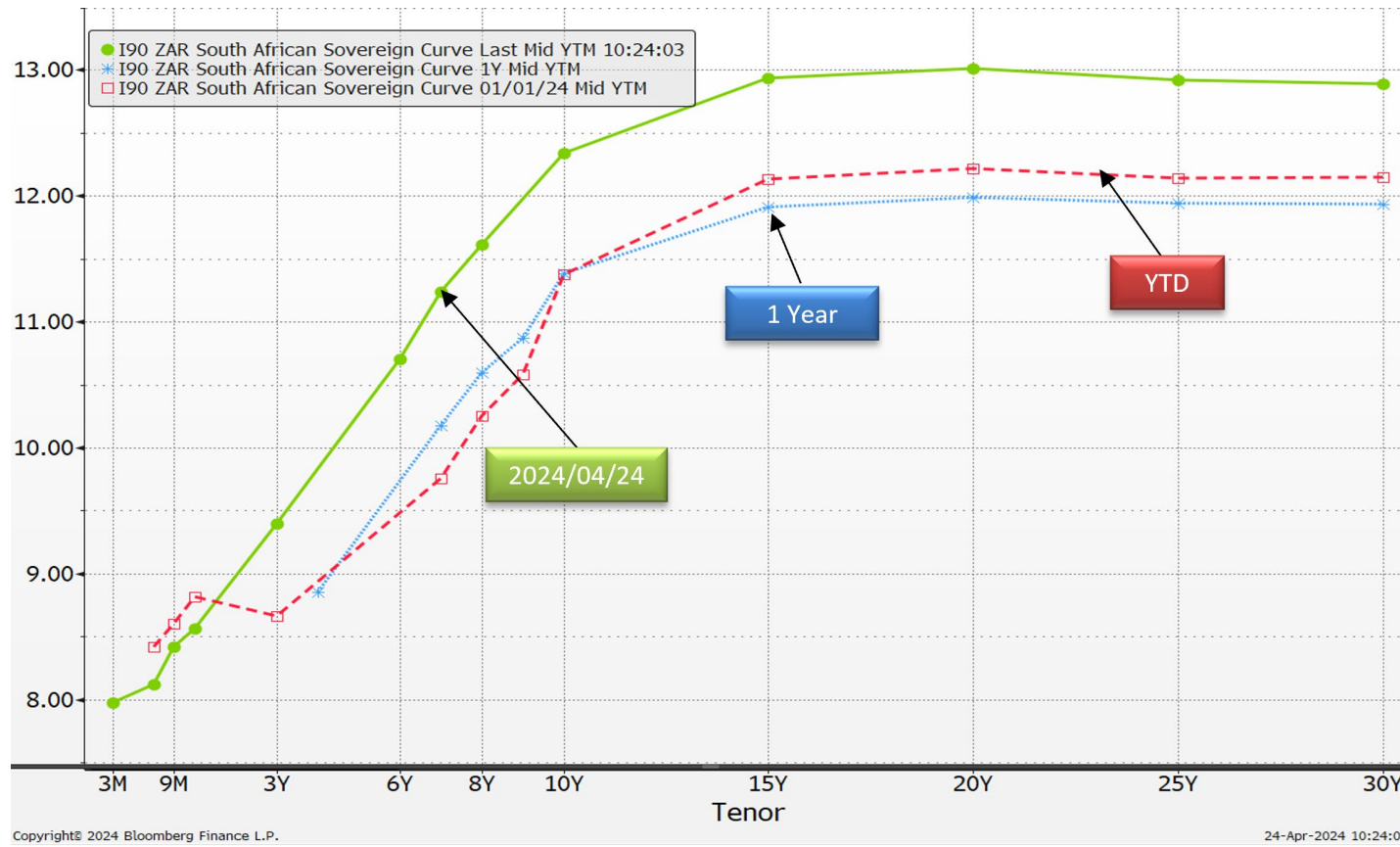


Credit Spreads

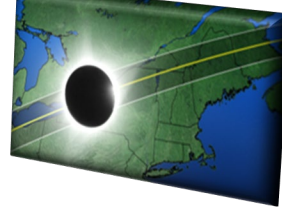




Yield Curve

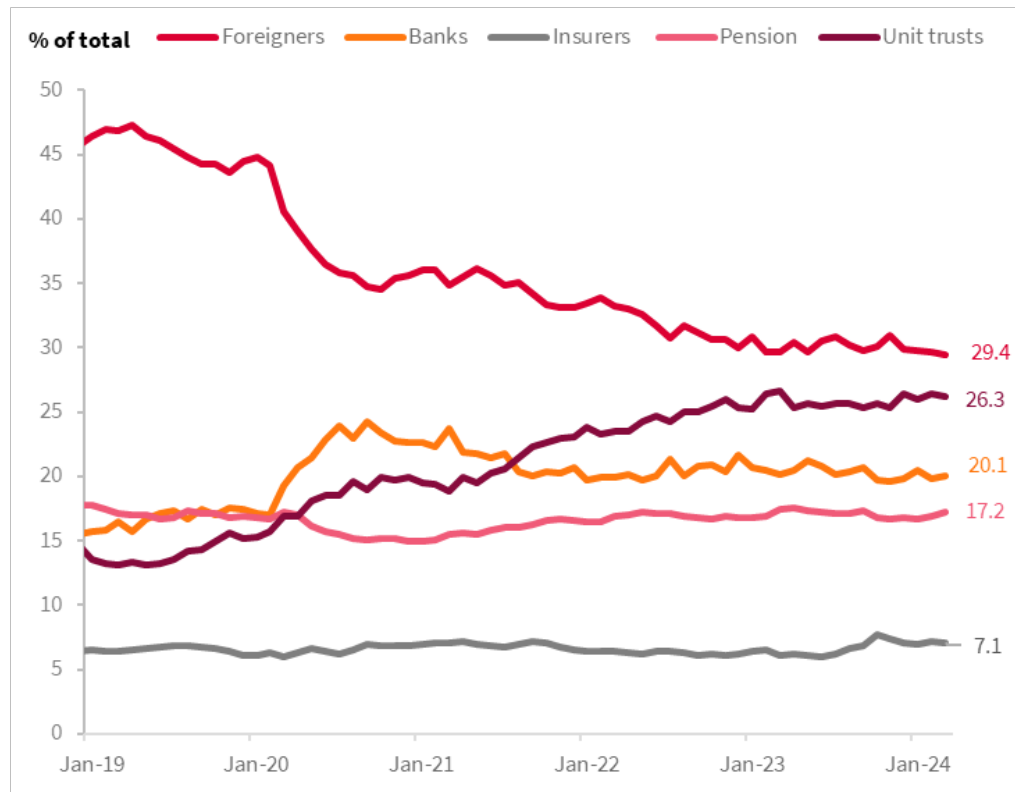


- Steepness in the curve persisting as the prospects of rate cuts are delayed.
- Additional cuts in issuance may see flattening.
- Foreign loans have overshoot budget estimates.

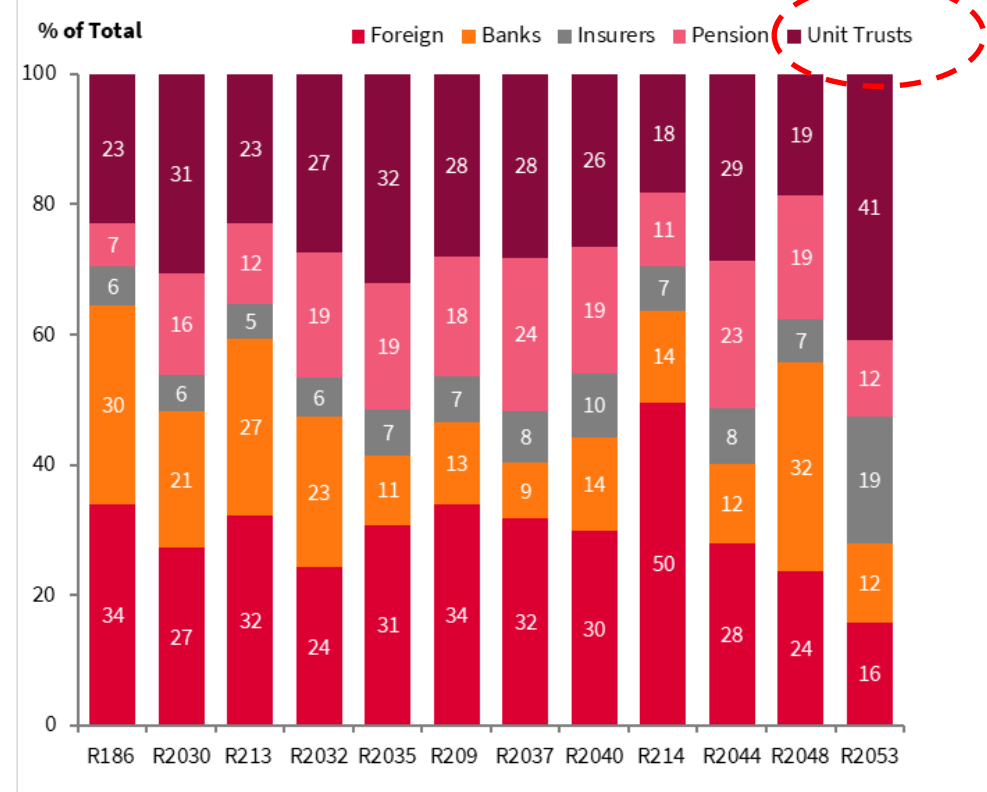


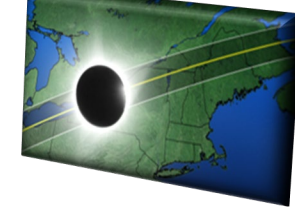
Bond Holdings

Shifts in nominal ownership

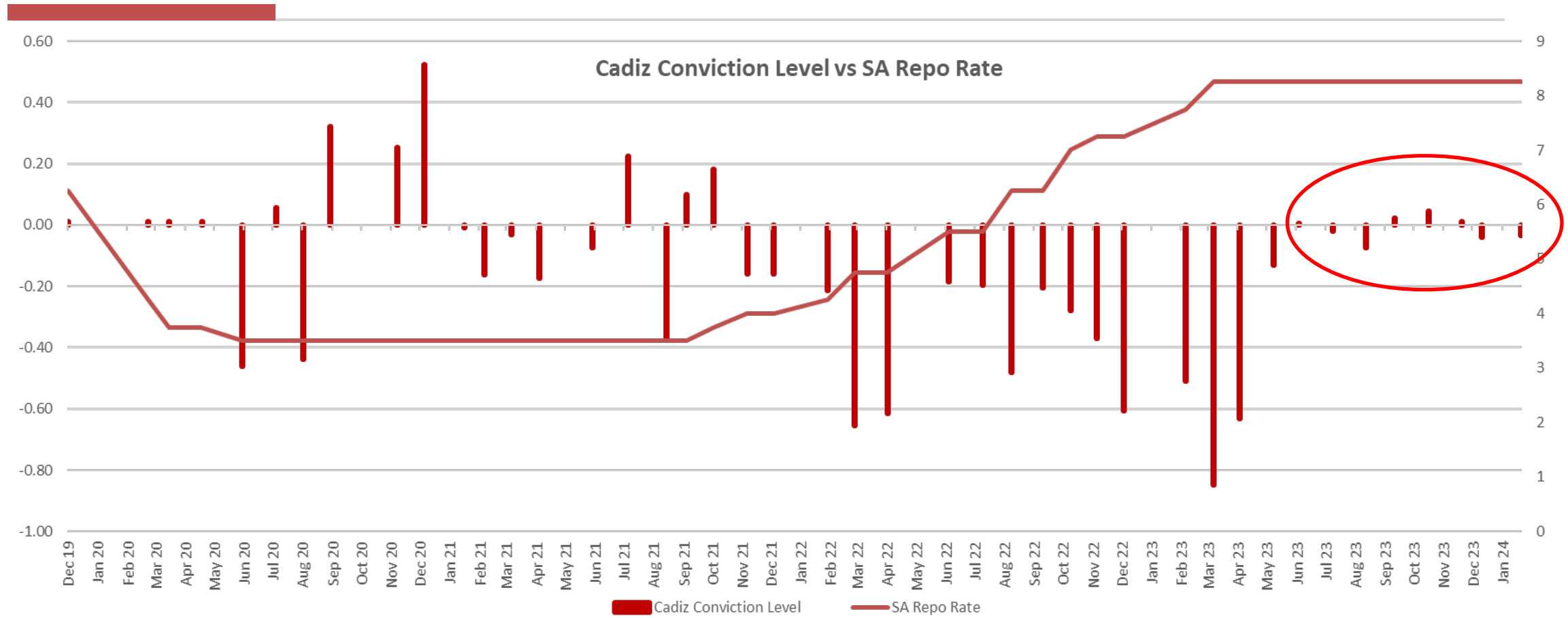


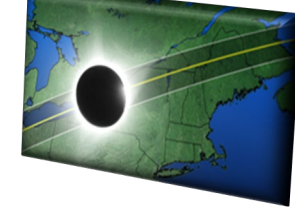
Breakdown of nominal holdings





Cadiz Conviction





Cadiz BCI Enhanced Income Fund

Benchmark: STeFI Call Deposit + 1% p.a.

Regulation 28: Compliant

Fund Size: R1.96bn

Uses credit to enhance return

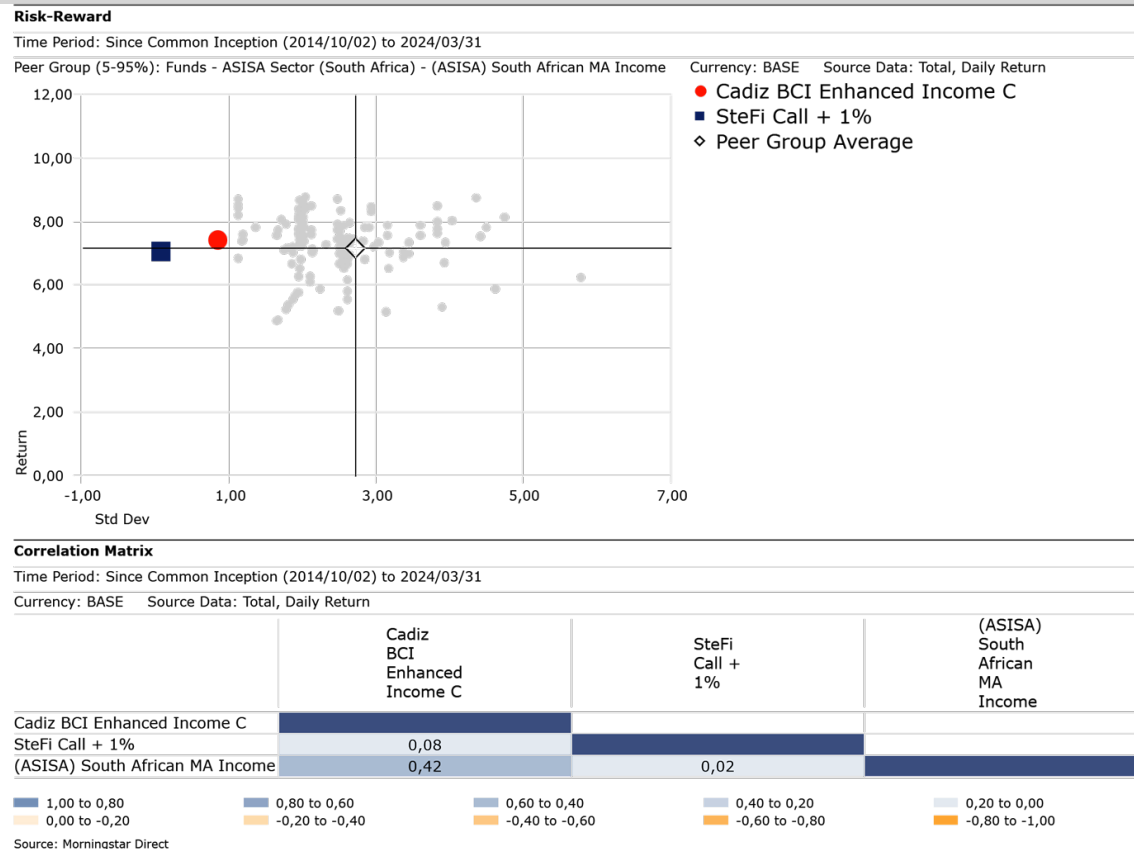
More than 180 counters across more than 40 issuers

No equity, property or international fixed income holdings

Designed for all market conditions – short duration positioning

Low variability of returns, only 2 negative months since inception (11/2014)

Source: Morningstar Direct



Morningstar performance reported for C Class net of fees in ZAR as at 31/03/2024 (ASISA) South African MA Income. Annualised return is the weighted compound growth rate over the period measured.

Benchmark: STeFI Call +1% pa ZAR from 01/11/2014.

Highest Calendar Year Return 9.11%; Lowest Calendar Year Return 5.25%; Standard Deviation 0.84% (1 Year) & 0.69% (3 Years)



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THANK YOU

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