



Welcome

Agenda:

Macro outlook
Investment update
Retirement fund
Tax free savings

Mike Brown
Gareth Stobie
Suzan Ramotshabi
Nerina Visser

Macro economic outlook 2024



Global perspective



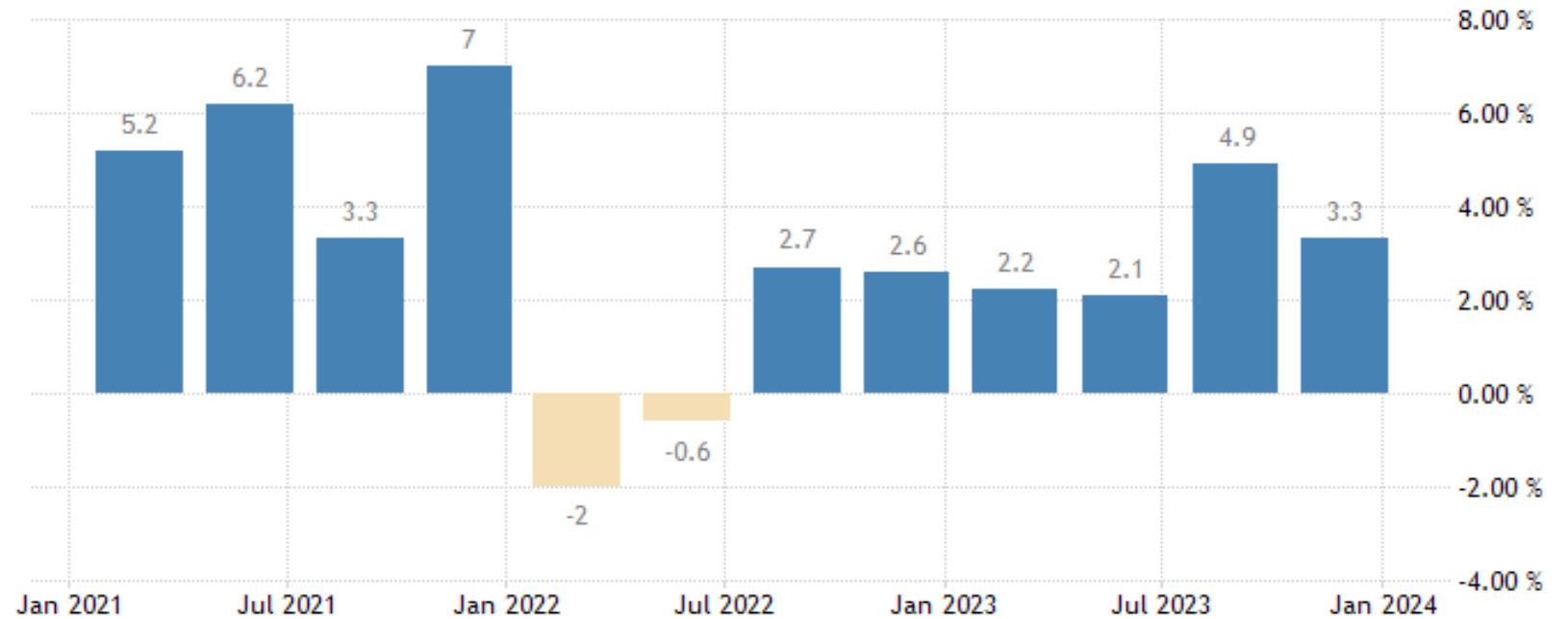
South African specific issues

Mike Brown

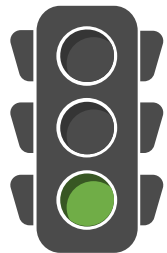


What Recession?

US Real GDP Growth (Quarter on Quarter)



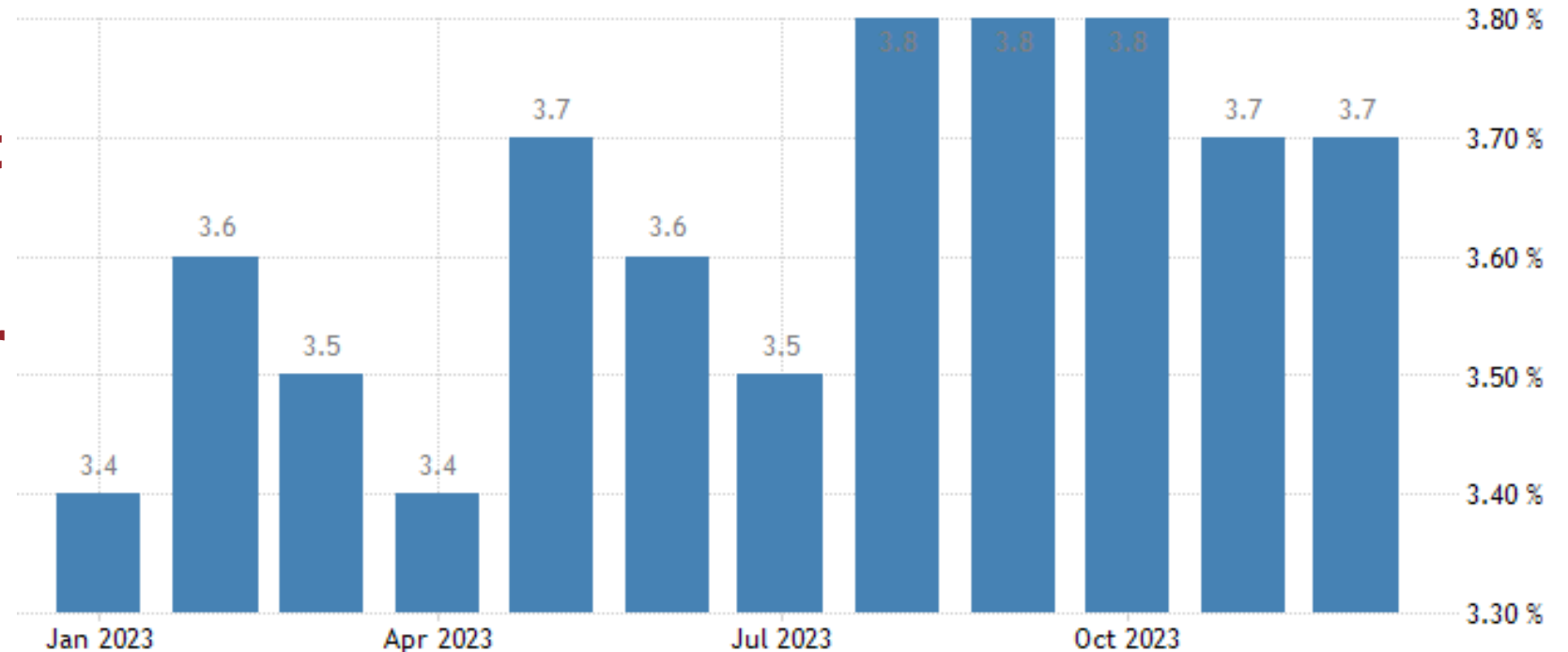
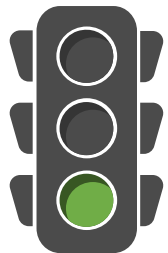
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| | | | |
|---------------------------------------|--|-------------|-------------|
| Year-on-Year Annual Growth | 3,30% (4th Q - 4th Q) | 2022 | 2023 |
| | | 1,9% | 2,5% |



US Unemployment Rate (% of total Labour Force)



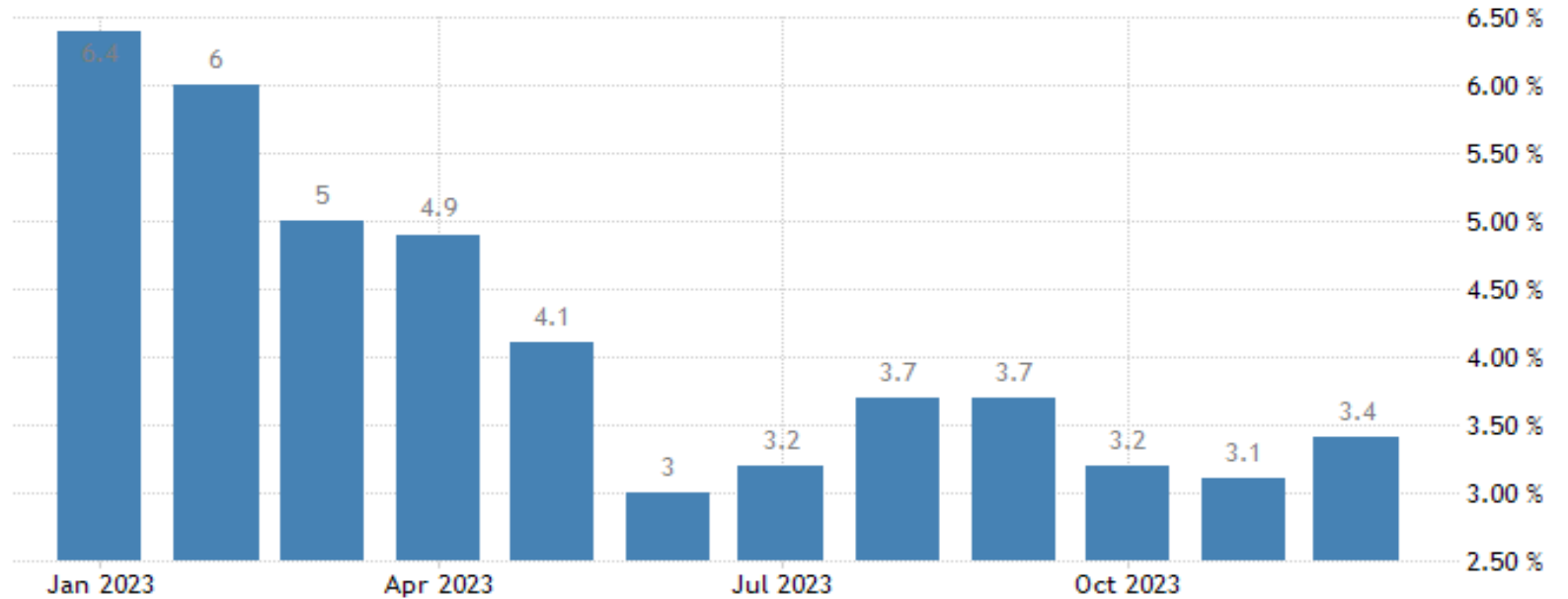
TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

Anything under 4% is normally regarded as full employment.

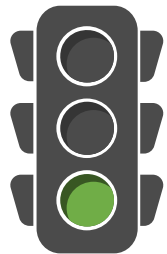


US Inflation Rate

Inflation trending down



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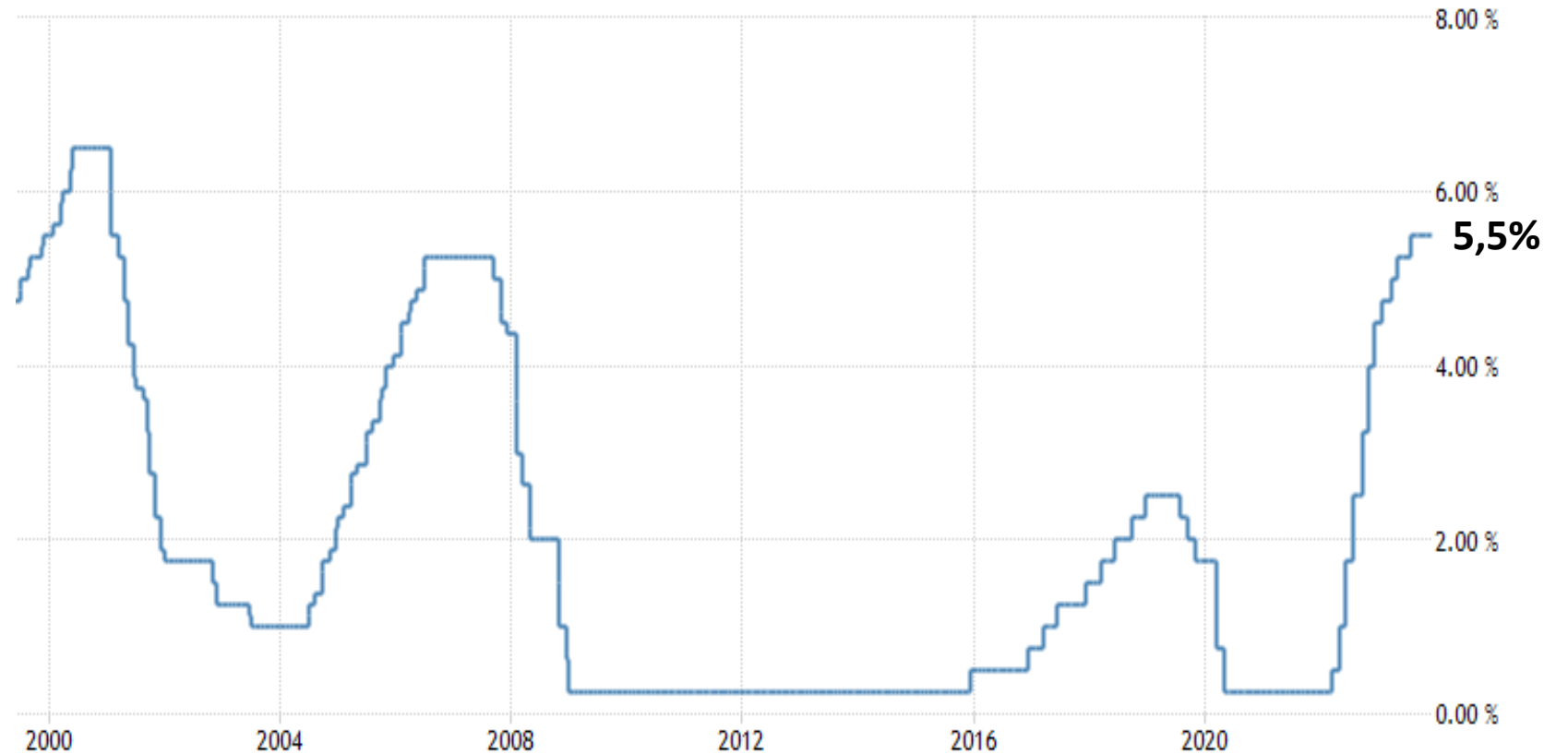
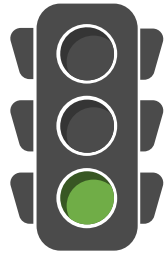


| | Nov | Dec |
|---------------------------|----------------|----------------|
| Food Inflation | 2,70% | 2,90% |
| Energy Inflation | (2,02%) | (5,44%) |
| Services Inflation | 5,17% | 4,95% |
| Producer Prices | 1,00% | 0,80% |



Fed – interest rate tightening – end in sight?

US Fed Fund Rate



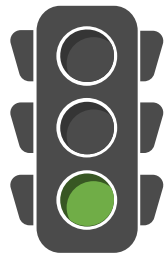
TRADINGECONOMICS.COM | FEDERAL RESERVE

Currently 5,5%.

Eleven increases from 0,25% in mid-2022 to 5,50% now.



US Inverted Yield Curve (Sometimes signals recession)



Source: Federal Reserve Bank of St. Louis

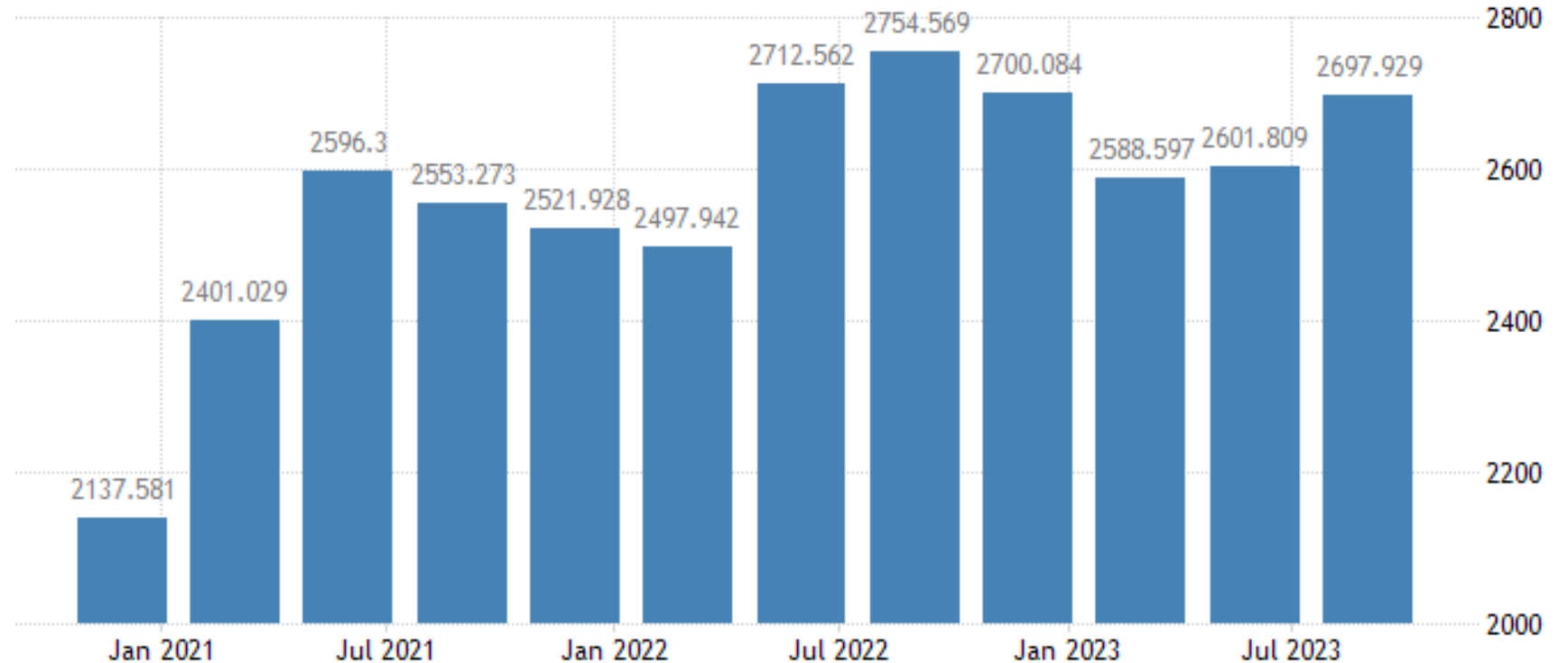
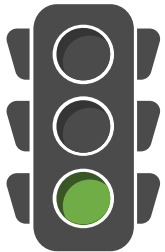
Shaded areas indicate US recessions



Company earnings in US – still supporting equity markets

US Corporate Profits

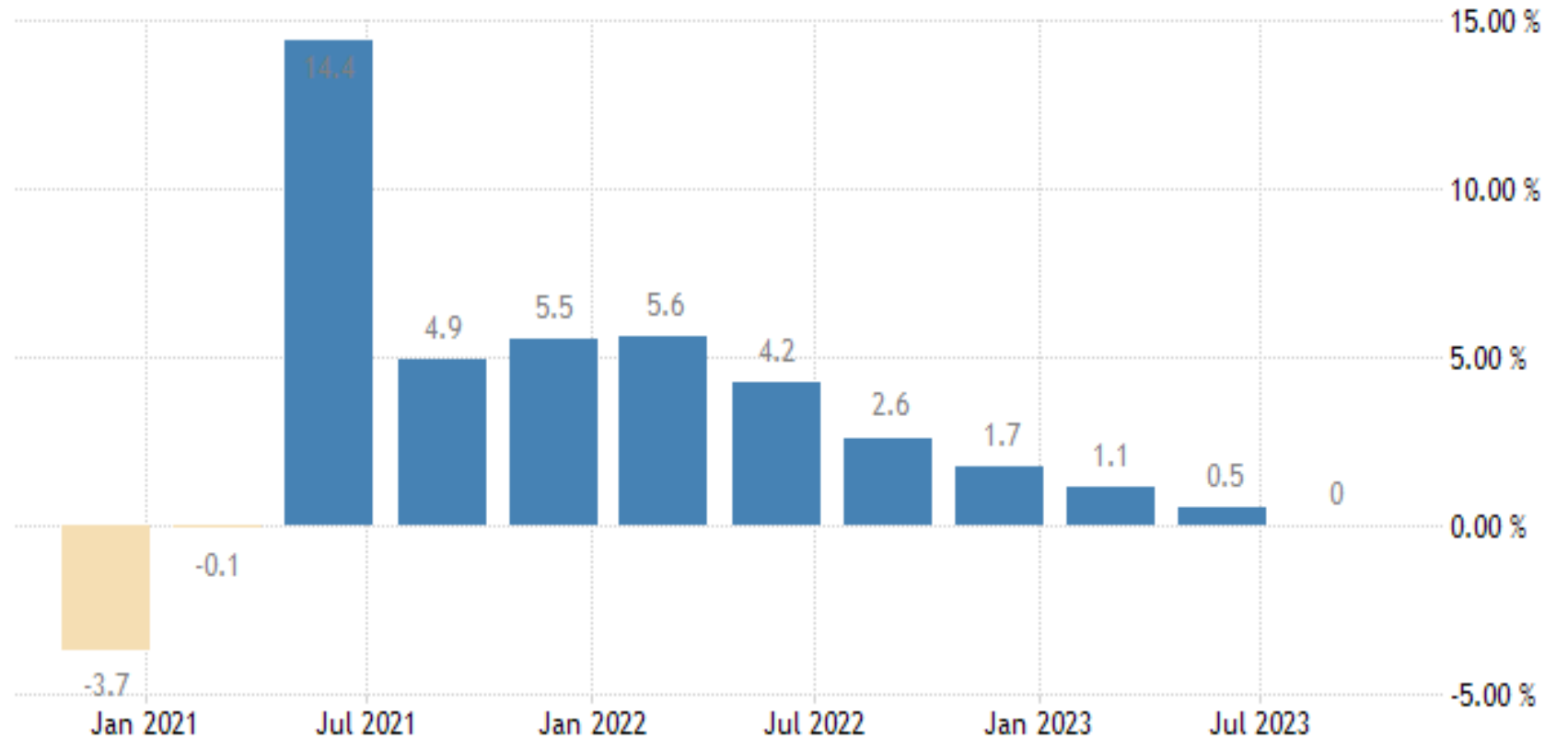
(US Dollars Billions)





Rest of world – not as positive as USA

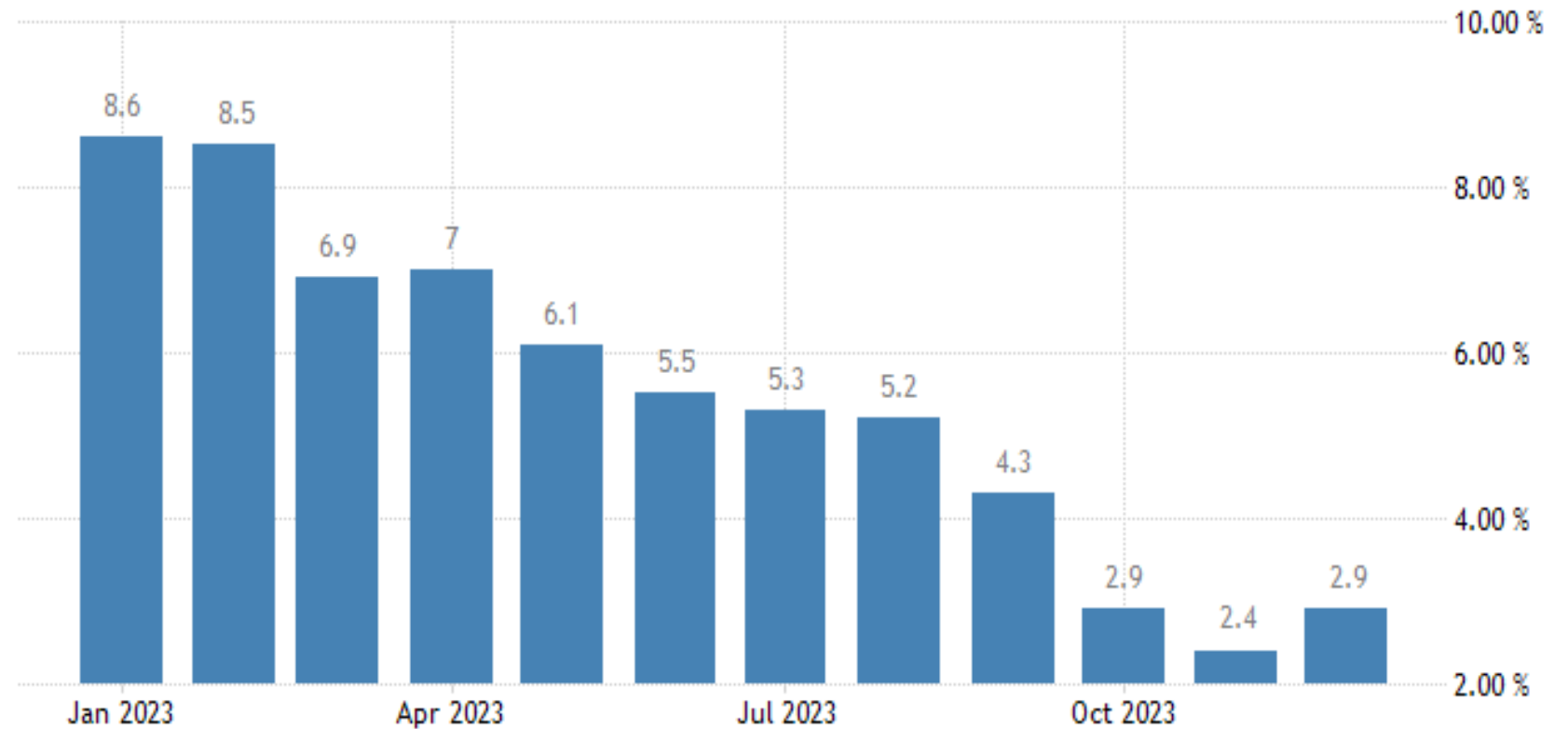
EU – Real GDP Growth Rate





But inflation also under control

EU – Inflation Rate





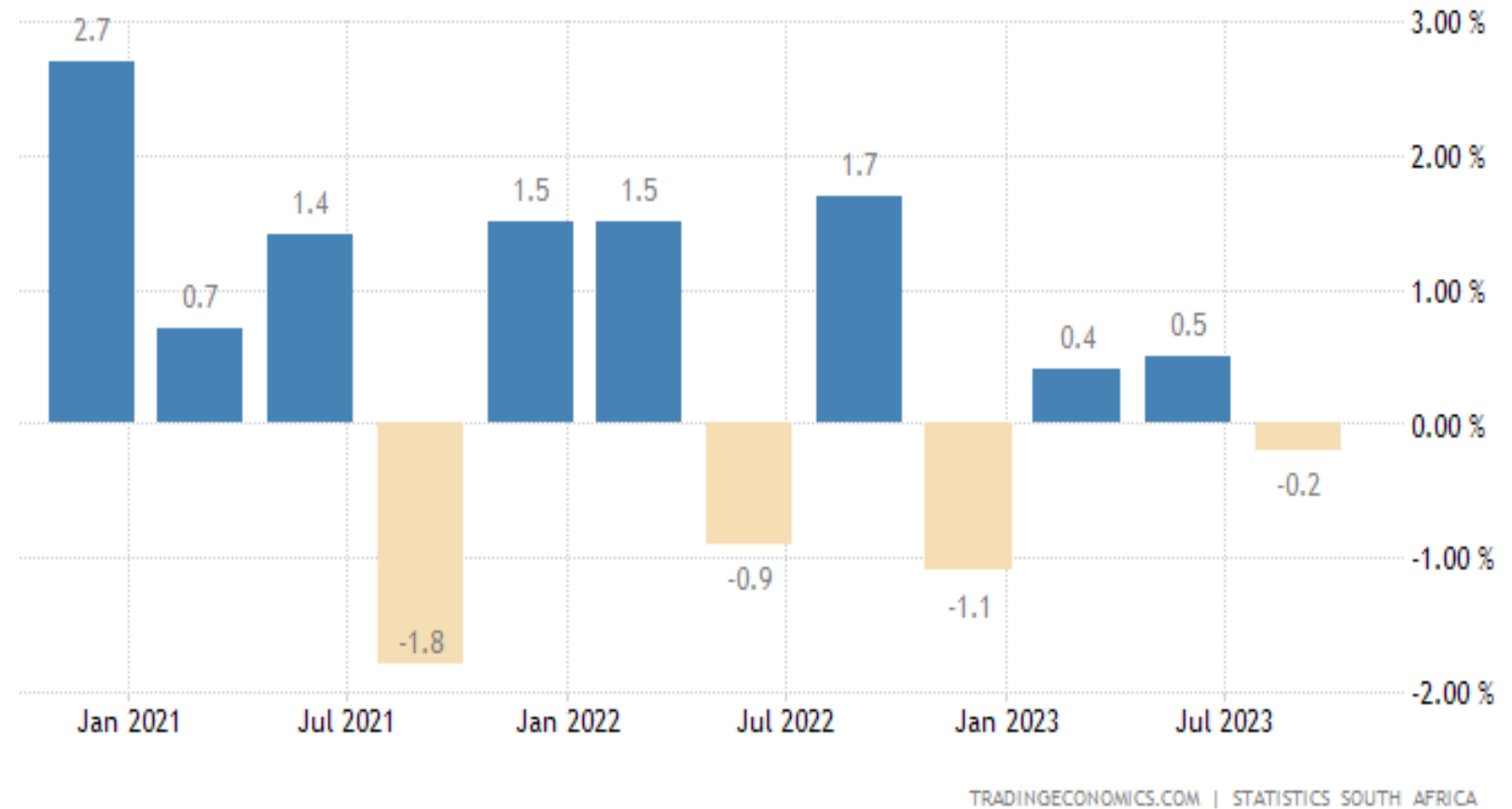
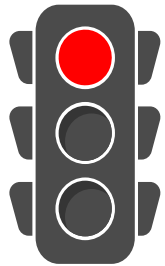
Global Outlook

- **Recession unlikely** – some slowdown possible “soft landing”.
- **Inflation now clearly trending down** – but still above target rates.
- **Interest rates** – will come down – starting in the US, but perhaps not as soon as expected.
- **Geo-political disruptions** – have limited impact.



SA – technical recession coming up

South Africa – Real GDP Growth (quarter-on- quarter)

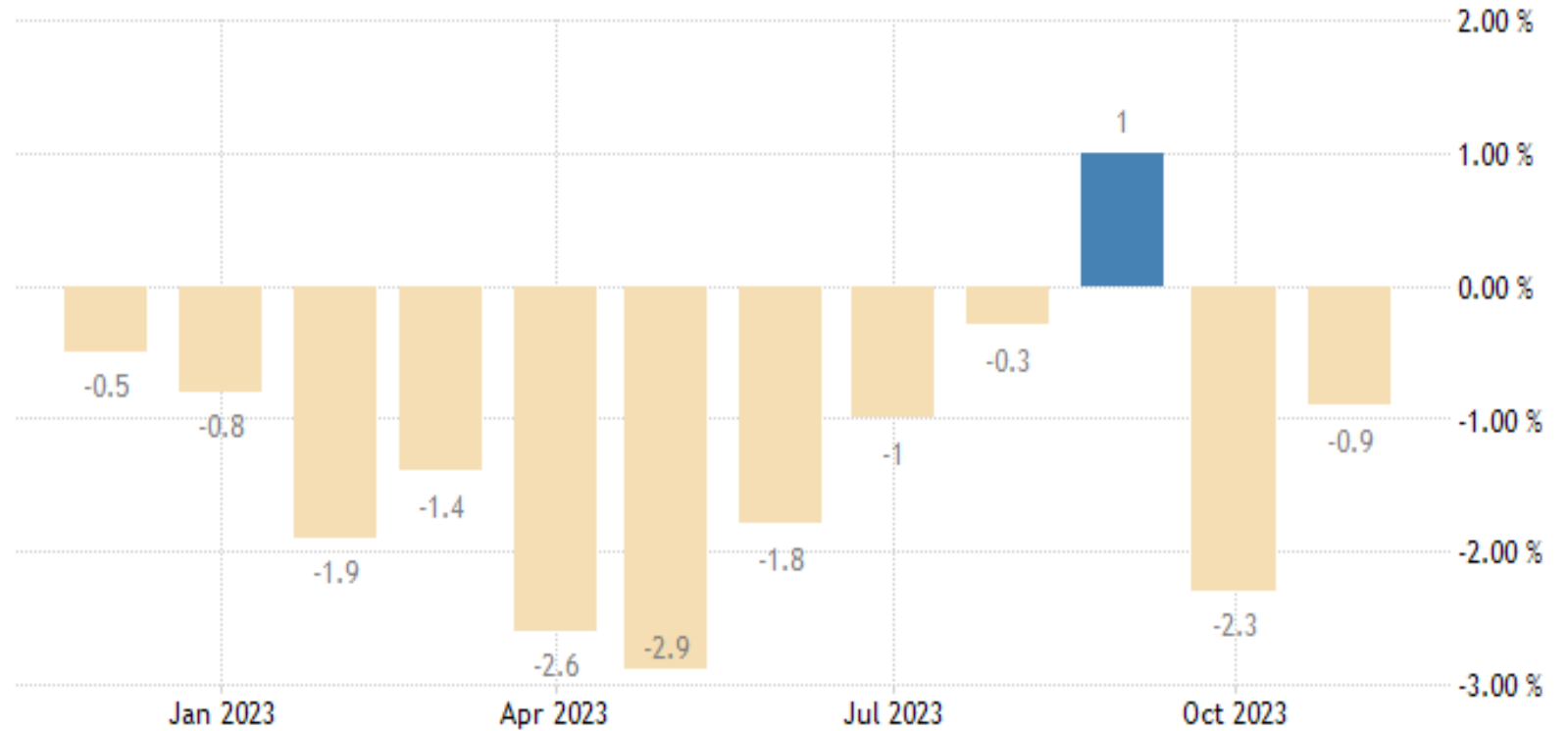
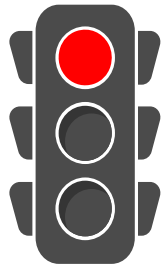


Year-on-year growth rate (0,7%) in September 2023.

**1993-2023 – average real GDP growth rate
0,60% per year.**



South Africa – Total Retail Sales (year-on-year)

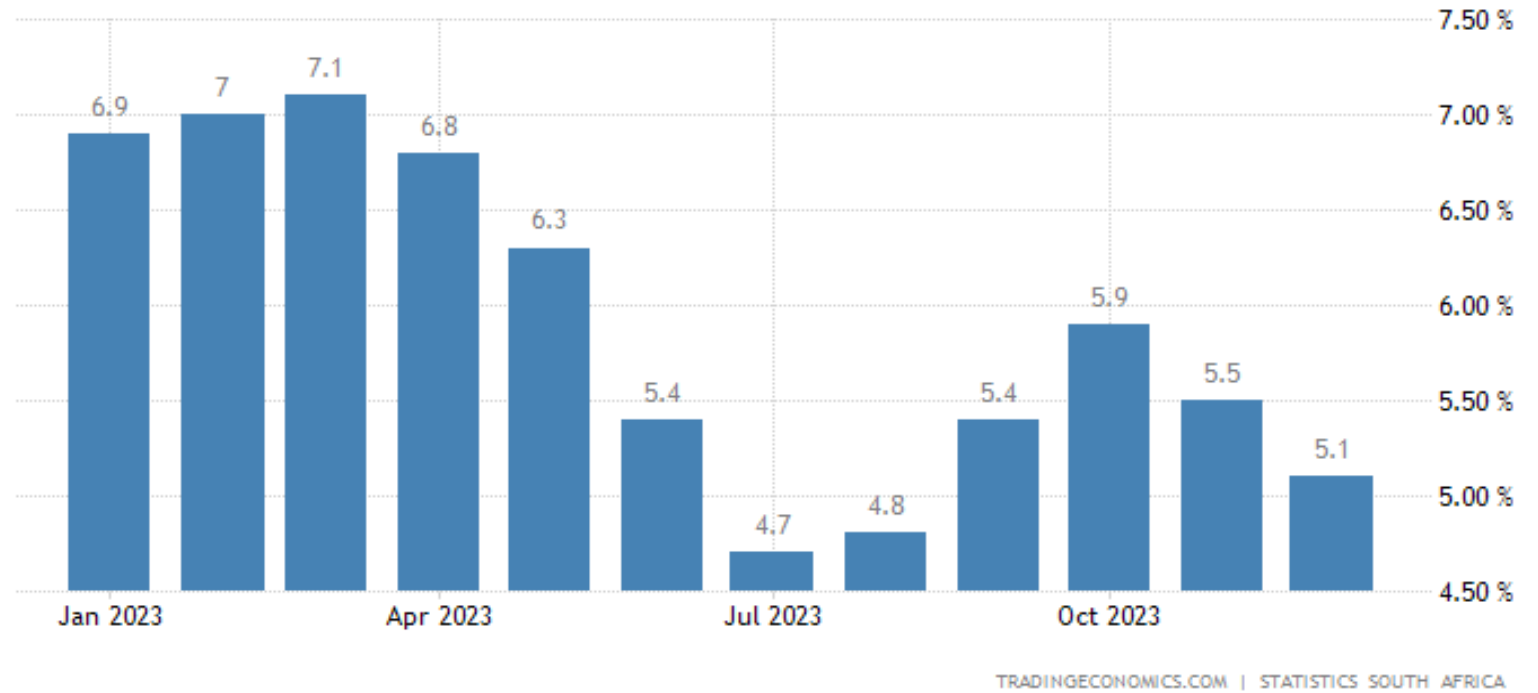


TRADINGECONOMICS.COM | STATISTICS SOUTH AFRICA

| Month-on-Month Retail Sales | |
|-----------------------------|-------|
| October 2023 | -1,2% |
| November 2023 | 0,4% |



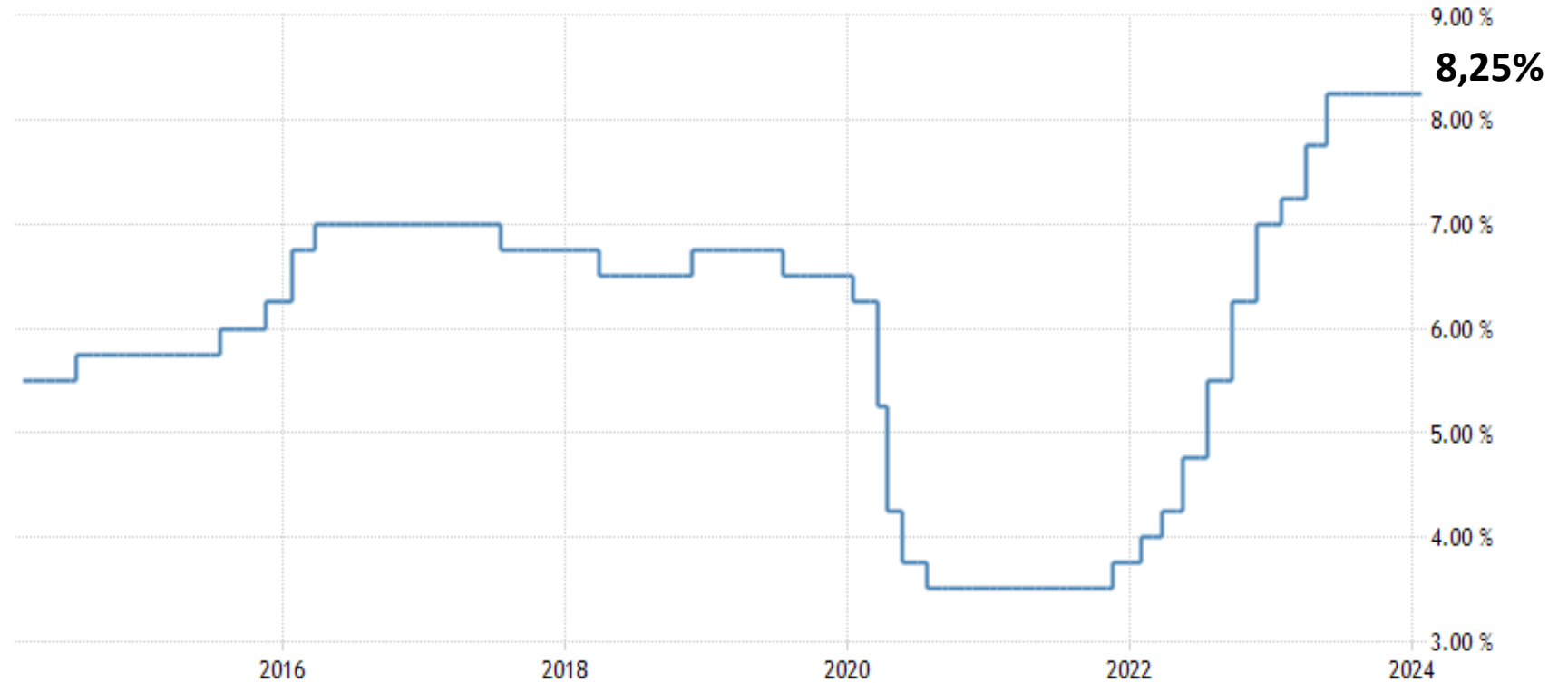
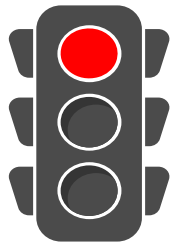
South Africa – Inflation Rate (year-on-year)



| | Dec | Nov |
|------------------------|--------------|---------------|
| Month-on-month | 0,00% | -0,10% |
| Core Inflation | 4,50% | 4,50% |
| Producer Prices | 4,00% | 4,60% |
| Food Inflation | 8,50% | 9,00% |



South Africa – Repo (Banks) Rate



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Currently 8,25%.

Ten increases from late-2021 to date, from 3,75% to 8,25%.



South African Outlook

- **Gloomy**

- **Technical recession** – two quarters of negative growth - looming.
- **Inflation** – only coming down slowly.
- **Interest rates** – cuts only mid-2024 at the earliest.
- **General election** – on the horizon.



South African Outlook

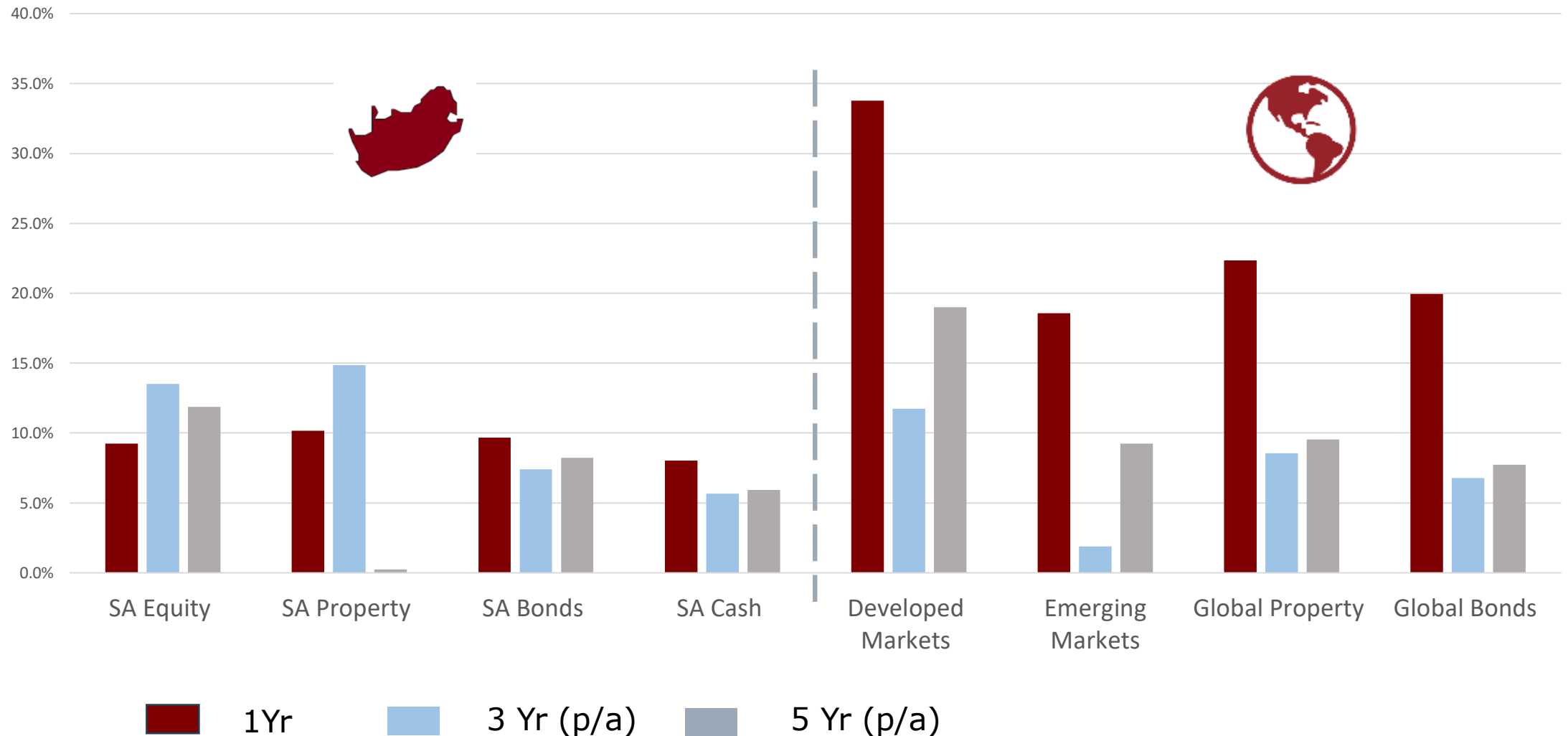
- Dark Clouds Clearing?

- **Election results** – could bring changes.
- **Bottlenecks improving**
 - Eskom becoming increasingly irrelevant.
 - Ports, transport, logistics – privatization.
- **Interest rates** – start coming down.
- **Rand depreciation** – helps growth if infrastructure works.

etfSA: Investment approach and outlook

Gareth Stobie

Financial markets in review (Dec 23)



Source: etfSA, IRESS, Index providers

“The key is not to predict the future, but to prepare for it”

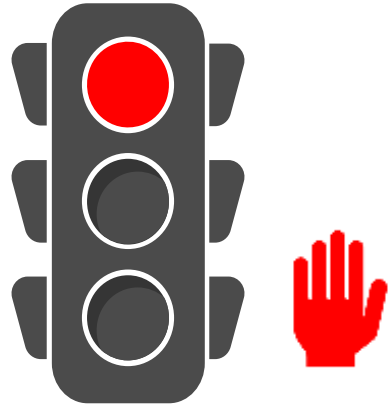


Pericles, Greek politician and general

Giving directions on the back of the Macro picture?

- We remain strategically focused on the long-term goals of our clients:
 - Strategic Asset Allocation
 - Weighting to growth vs. defensive assets
 - Access to global markets where mandate allows
- We manage for uncertainty through diversification but remain alert to shorter term opportunities and mean reversions

Course adjustments



NEGATIVE/CAUTIOUS

- China



CAUTIOUS/NEUTRAL

- Local Equities
- South African Rand
- DM Growth
- DM ex-US



POSITIVE

- Global Quality & Value
- High yielding assets
- Global real estate
- SA Bonds

Tactical tilts leading into 2024

Investment view

Defensive, high yielding equities should benefit from decreasing interest rates and 'soft landing'

Global Real Estate, a performance laggard but recovering. Should benefit from easing rates.

Local SA Bonds offering value as interest rates are set to decline and economic outlook improves

Implementation

S&P Dividend aristocrats index franchise

S&P Global 40 Index
FTSE EPRA Nareit Global REITS

Government bond (Govi) index

The etfSA Retirement Annuity

Suzan Ramotshabi

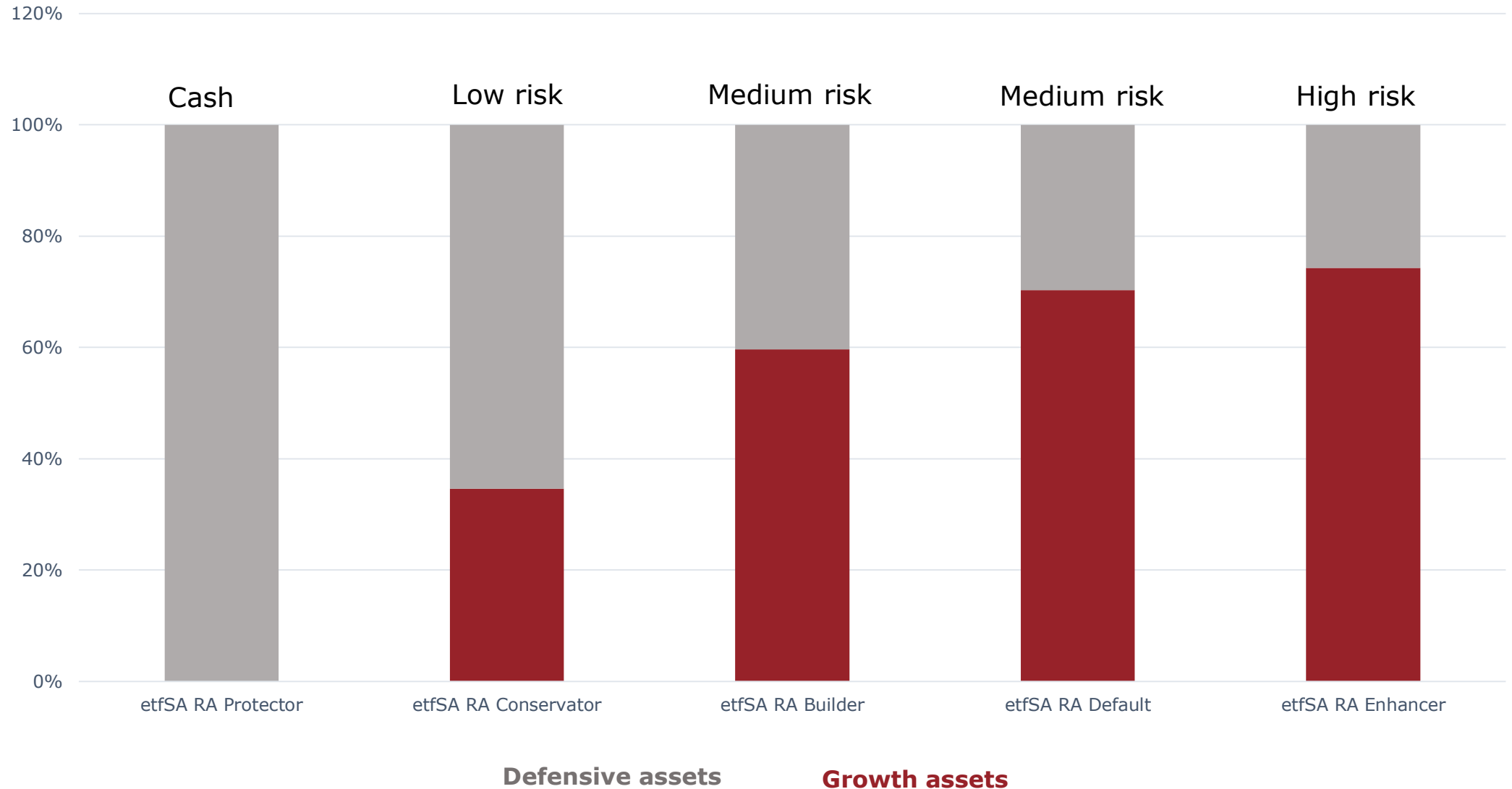
A quick recap on RAs:

- Retirement savings in your own name – you're in control
 1. Contribution amount
 2. Retirement age – after 55 years
 3. Investment portfolio
 4. At retirement, you choose your life product
- **Returns** within an RA fund are **tax exempt** whilst **contributions** are **tax deductible**.
- RAs are excluded from your estate

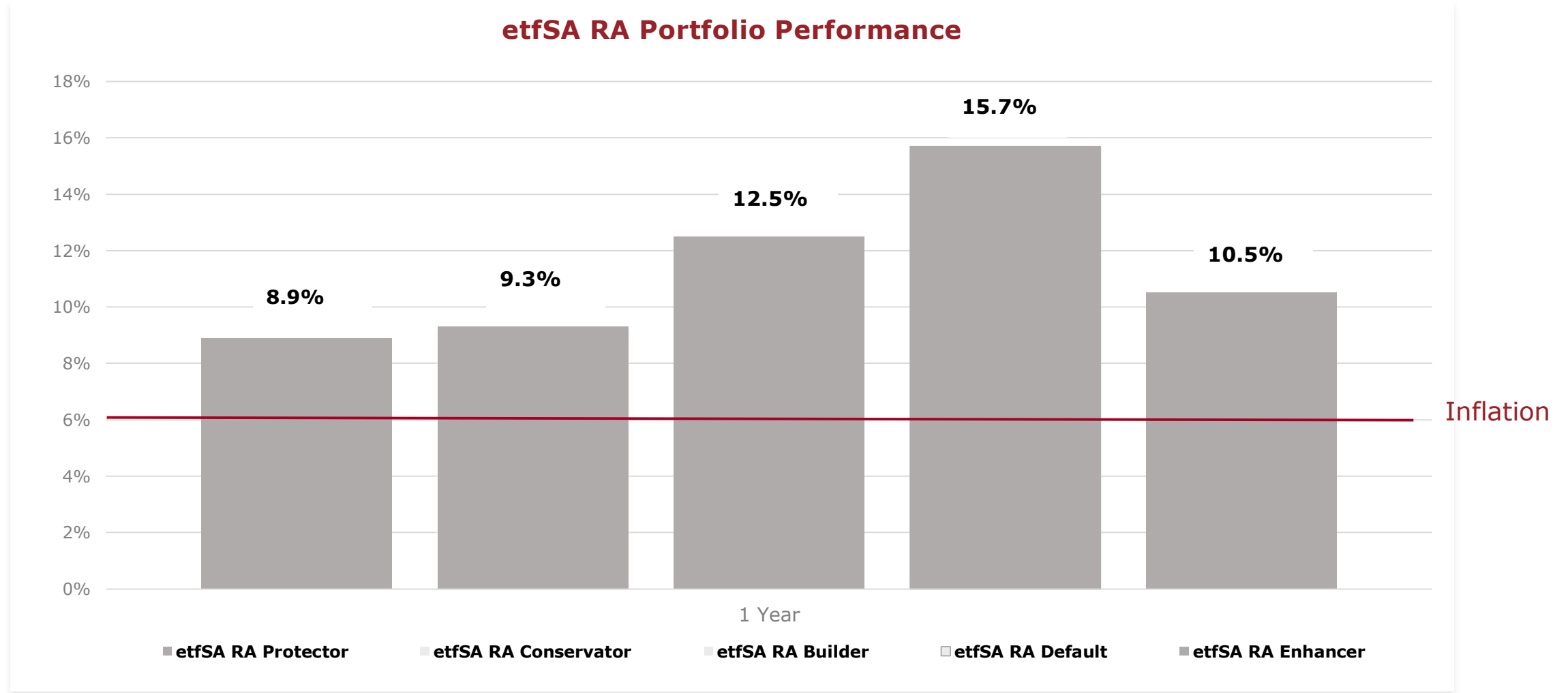
Important tax year-end info:

- Deadline for 2023/2024 contributions is end of February 2024
- You can contribute up to 27.5% of your taxable income, capped at R350 000 per annum
- Any excess contributions will be carried forward to the following tax year
- Please ensure that your contributions are reflecting by 28th February 2024

etfSA RA Portfolio range:



2023 in review, a good year for RA members



Source: etfSA, IRESS, Index providers

Why choose the etfSA RA?

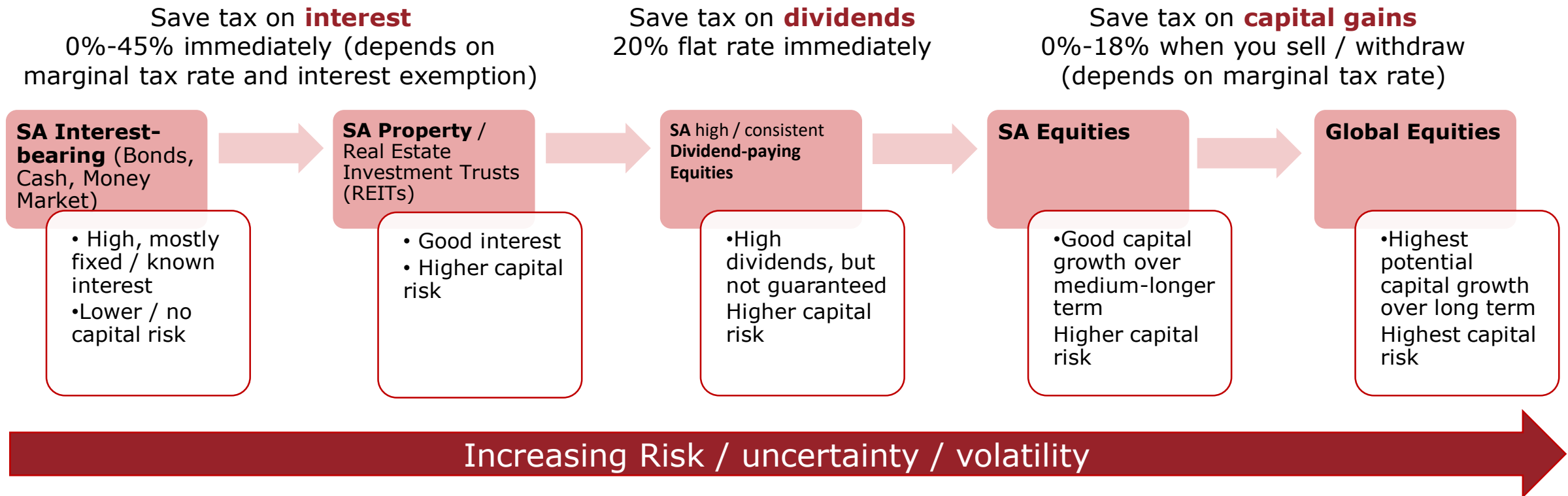
- Diversified index portfolios capturing the benefits of ETF investing
- Transparent, easy to understand fees & no performance fees
- Access to an etfSA advisor
- Use the power of low-cost ETFs and passive investing to compound for your benefit
- Efficient and client focused team ready to assist you

Maximising both returns & tax efficiency

Nerina Visser

Considerations for Tax-Free Investments

What should I put in my tax-free investment account?

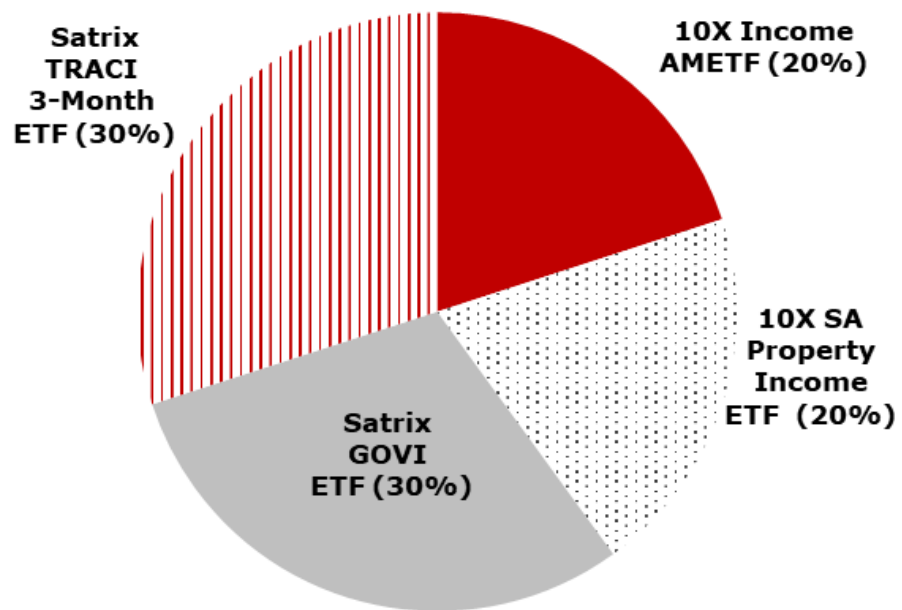


Four Model Portfolios ~ Different Objectives

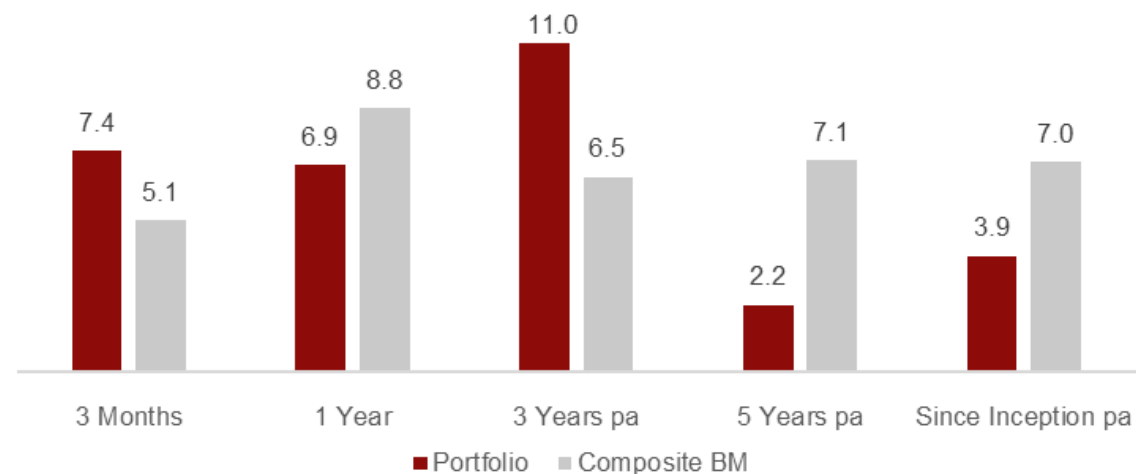
- **Income – lowest risk**
Focus on different sources on income – interest and dividends
- **Balanced – medium risk**
Multi-asset class, local and global
- **Equity – higher risk**
Diversified exposure to local and global equities for capital growth
- **International – highest risk**
Global (non-SA) only, and across asset classes and regions

Income Portfolio

Holdings



Performance

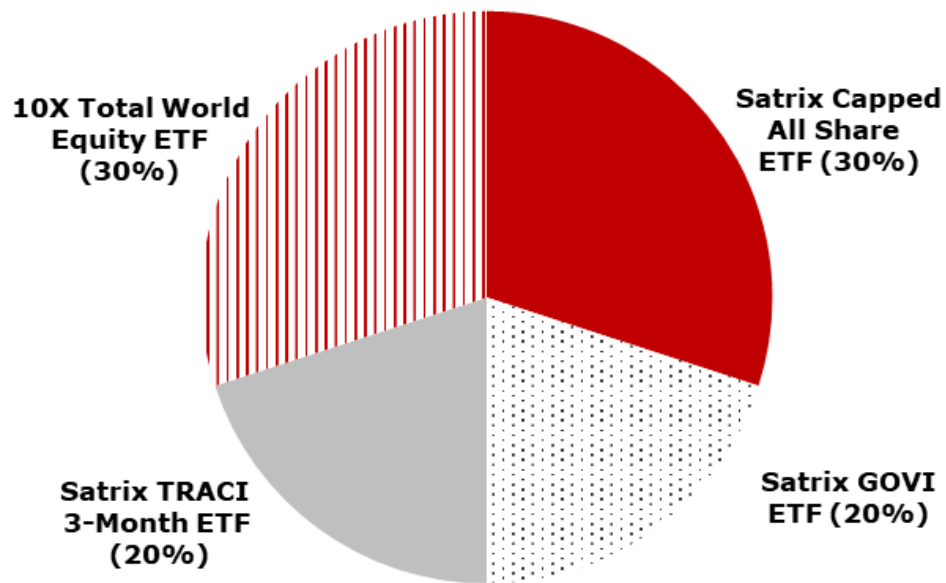


Most recent 5yr returns: 2.2% p.a.
Most recent 12m return: 6.9%
Current historic yield: 8.6%

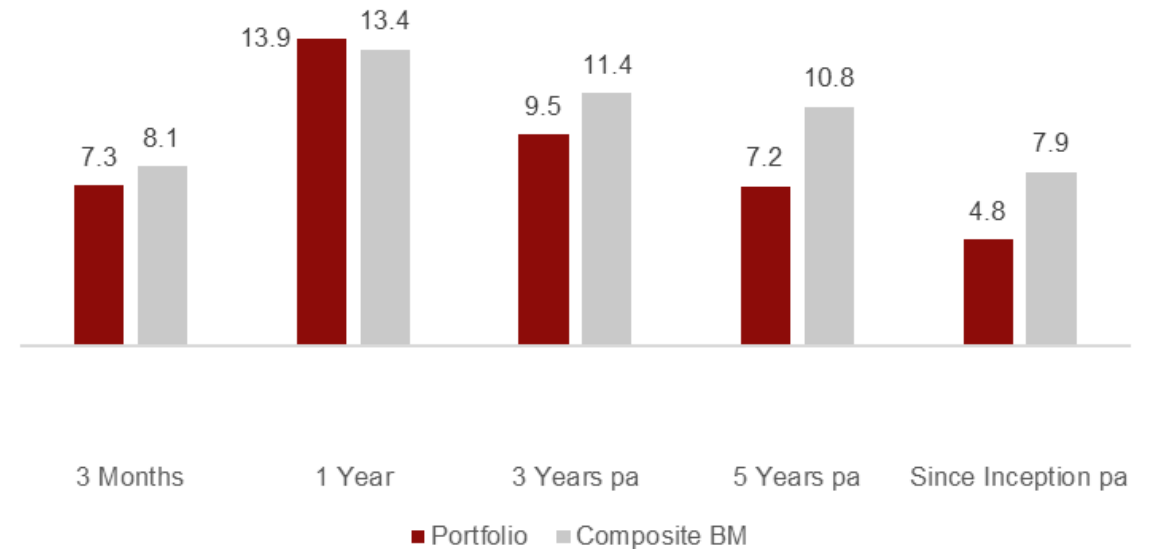
As at Jan-2024

Balanced Portfolio

Holdings



Performance



Most recent 5yr returns: 7.2% p.a.

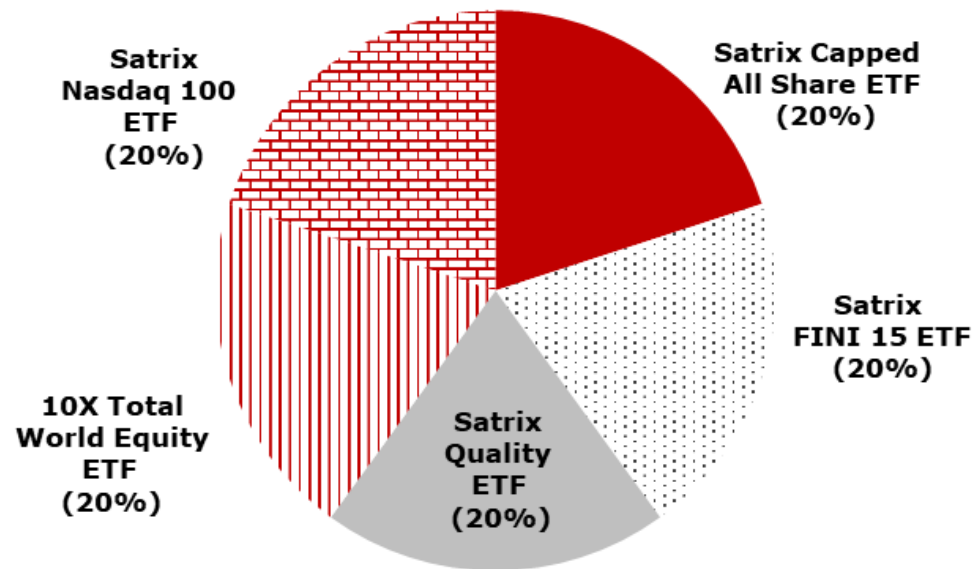
Most recent 12m return: 13.9%

Current historic yield: 5.4%

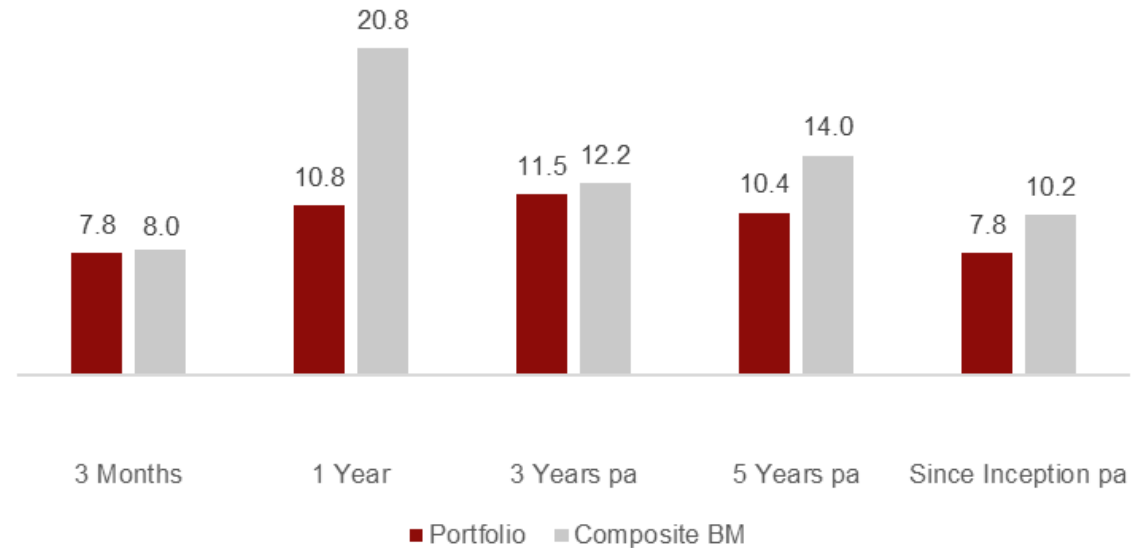
As at Jan-2024

Equity Portfolio

Holdings



Performance



Most recent 5yr returns: 10.4% p.a.

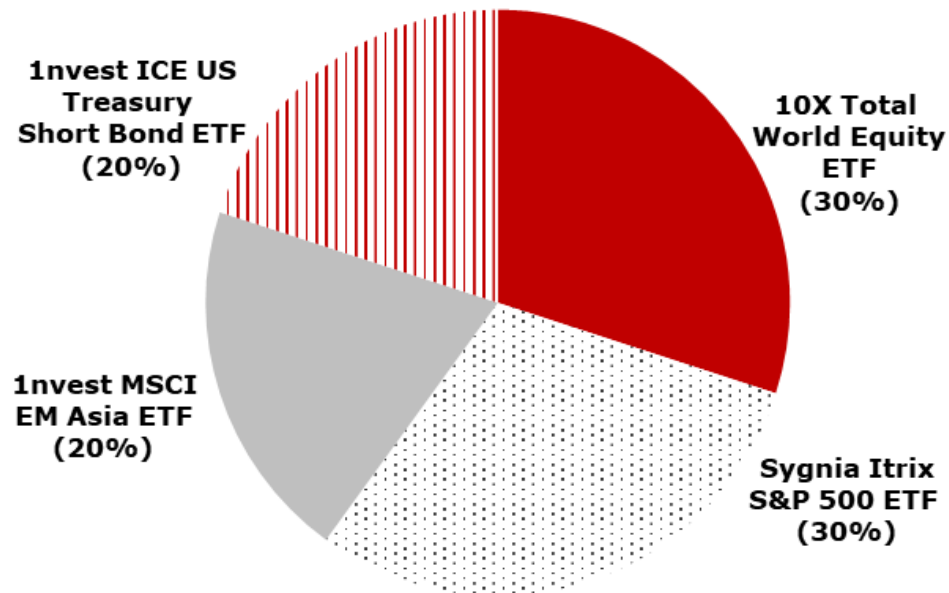
Most recent 12m return: 10.8%

Current historic yield: 3.1%

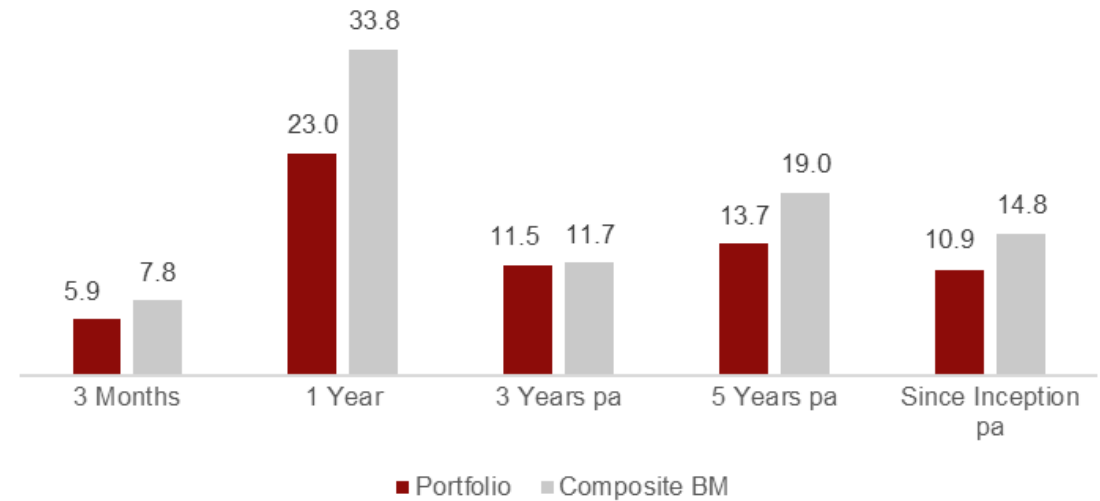
As at Jan-2024

International Portfolio

Holdings



Performance



Most recent 5yr returns: 13.7% p.a.

Most recent 12m return: 23.0%

Current historic yield: 1.6%

As at Jan-2024

Practical Considerations of Model Portfolios

- What you **get**
 - etfSA **best investment views** within each investment objective
 - **Automatic updates**: change in underlying ETFs when we decide to change
 - **Bulked settlement charges** – significant transaction cost savings
 - Minimum investment: R1,000 per portfolio
- You **can't**
 - **change** the underlying ETFs in your model portfolio investment
- You **can**
 - **combine** model portfolios with own choices of other ETFs

Contact us

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THANK YOU

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