

## Portfolio Manager Quarterly Comment

### Market overview

Global equities and bonds rallied during the fourth quarter of 2023 as major central banks kept interest rates unchanged and indicated the end of their rate hiking cycles amid falling inflation. In the US, the Federal Reserve indicated three 25bps cuts in 2024 and forecasted a “soft landing” for the US economy. This improved investor outlook for 2024 despite the uncertainty surrounding the negative impacts from the steep rate hiking cycles of central banks.

Looking at fixed income, the fourth quarter of 2023 saw a decrease in global bonds yields following a general shift to a more dovish stance by central banks. The US 10-year yield declined from 4.57% to 3.88%, the UK 10-year Gilt yield fell from 4.44% to 3.54% and the 10-year German bund yield fell from 2.84% to 2.02%.

The MSCI World and MSCI EM indices returned +11.42% and +7.86% (in USD), respectively, during the quarter. In the US, the Nasdaq (+13.79%) outperformed, followed by the Dow Jones (+13.09%) and the S&P 500 (+11.69%). In Europe, the Euro Stoxx 50 and FTSE 100 returned +8.55% (in euro) and +2.31% (in GBP), respectively. Global bonds, represented by the Bloomberg Global Aggregate Bond Index, returned +8.1% (in USD). Global property (FTSE EPRA/NAREIT Global REIT Index) outperformed other asset classes for the quarter, returning +15.58% (in USD).

In South Africa, the SA Reserve Bank voted unanimously to keep the repo rate steady at 8.25% in their November meeting, as expected. Economic data revealed that the SA economy contracted 0.7% year-on-year for Q3, compared to the -0.2% forecast. Output declined in agriculture, mining and construction, while services output expanded. The SARB projected GDP growth at 0.8% for 2023, 1.2% in 2024 and 1.3% in 2025.

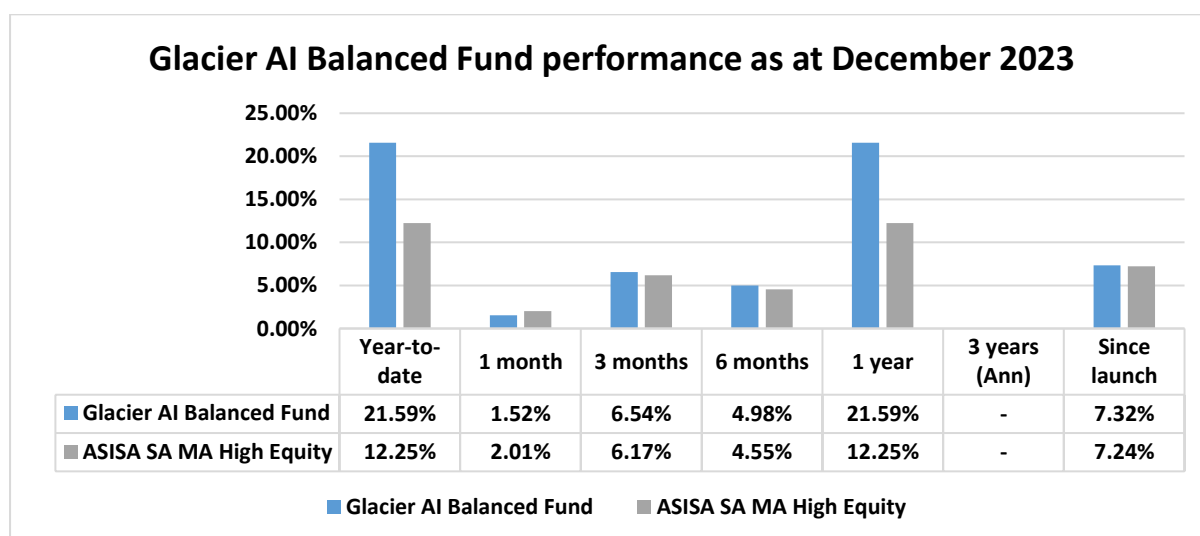
The JSE All Share Index gained 6.92% and the Capped SWIX added 8.21% for the quarter. Financials outperformed, returning +12.27%, followed by industrials (+5.87%) which were hurt by a sharp fall in Naspers and Prosus shares in December. Resources underperformed, losing 0.04% for the quarter. SA Listed Property returned +16.37%. On the fixed income side, nominal bonds returned +8.11%, with the longer end of the yield curve outperforming. Cash (STeFI) returned +2.09%.

## Fund performance

Over the fourth quarter of 2023, the Glacier AI Balanced Fund returned +6.54%, outperforming the ASISA SA Multi-Asset High Equity category average, which returned +6.17%.

Over the quarter, all underlying ETFs in the portfolio delivered positive returns. Locally, equities underperformed, with the Satrix Top 40 ETF returning +6.51% for the quarter. The Fund held an average local equity allocation of 27% for the quarter. Local bonds, which averaged 19% over the quarter, added 8.09%. Property outperformed for the quarter, returning +14.44%, which was not held in the fund. In terms of the offshore allocation, the higher allocation to the Nasdaq index (20%) relative to the MSCI World and MSCI EM, an average of 4% each, proved to be the correct offshore allocation, as the Nasdaq (+11.11%) outperformed the MSCI World (+8.55%) and the MSCI EM (+5.48%). The 8% average allocation to developed market property added nicely to performance, as the iShares Developed Markets Property Yield ETF gained 11.93% over the quarter. The large cash holding in the Fund, which ended the quarter at over 20%, detracted from relative returns, as cash underperformed riskier assets over the quarter.

From an asset allocation perspective, at quarter-end, the Fund's largest exposure was to international equities, which stood at 30.1%, the same as at the end of the previous quarter, with exposure largely to the Nasdaq. Local equity exposure decreased from 19.9% to 17% over the quarter. On the fixed income side, exposure to local bonds increased from 16.5% to 20.1%. Local cash decreased from 23.8% to 22.7%. Local property exposure remained close to 0%. Exposure to developed market property also remained relatively unchanged at 9.6%.



Source: Morningstar Direct & Glacier Research