Portfolio Manager Quarterly Comment

Market overview

Bullish investor sentiment towards global equities continued in the first quarter of 2024 as positive company earnings reports and robust economic data in the US increased the likelihood of a “soft landing” for the economy. The Japanese market soared as the Bank of Japan announced its first rate hike in 17 years, thereby ending eight years of negative interest rates. Emerging markets were broadly negative, with the exception of India, as Chinese markets remained weak, and growth remained subdued.

Global bonds were, however, weaker as inflation proved higher than expected and major central banks kept interest rates on hold, pushing out market rate cut expectations to later in the year. Global rates therefore rose, with the US 10-year yield increasing from 3.88% to 4.20%, the UK 10-year gilt yield rising from 3.54% to 3.93% and the 10-year German bund yield increasing from 2.02% to 2.30%.

The MSCI World and MSCI EM indices returned +8.88% and +2.37% (in USD), respectively, during the quarter. In the US, the S&P 500 (+10.56%) outperformed, followed by the Nasdaq (+9.31%) and the Dow Jones (+6.14%). In Europe, the Euro Stoxx 50 and FTSE 100 returned +12.8% (in euro) and +3.99% (in GBP), respectively. Global bonds, represented by the Bloomberg Global Aggregate Bond Index, lost -2.08% (in USD). Global property (FTSE EPRA/NAREIT Global REIT Index) also delivered negative returns, dropping 1.51% (in USD).

In South Africa, the SA Reserve Bank kept the repo rate steady at 8.25%, as expected, in its March meeting. Governor Lesetja Kanyago remained hawkish regarding stubbornly high inflation, with CPI rising from 5.3% year-on-year in January to 5.6% year-on-year in February. The economy grew 0.1% quarter-on-quarter (annualised) in the fourth quarter of 2023, with an annual rate of 0.6% for the 2023 calendar year. Equity returns remained subdued by low growth prospects and uncertainty over the upcoming May 2024 national elections.

The JSE All Share Index fell 2.25% and the Capped SWIX fell 2.3% for the quarter. Resources (+0.82%) and industrials (+0.64%) outperformed, followed by financials (-7.08%). SA property returned +3.47%. On the fixed income side, nominal bonds lost 1.8%, with the longer end of the yield curve underperforming, particularly the 12+ year (-2.73%) and the seven- to 12-year (-2.38%) segments. Cash (STeFI) returned +2.06%.

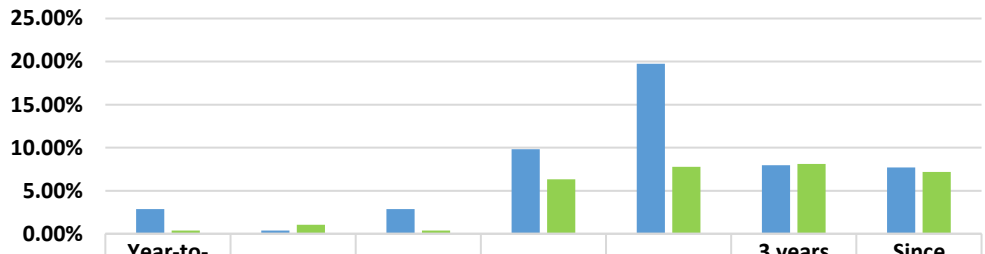
Fund performance

Over the first quarter of 2024, the Glacier AI Flexible Fund of Funds returned +2.86%, outperforming the ASISA SA Multi-Asset Flexible category average, which returned +0.38%.

Over the quarter, performance was mixed between the underlying ETFs. Locally, equities underperformed, with the Satrix Top 40 ETF returning -2.3% over the quarter. The Fund held an average local equity allocation over the quarter of 26%. Local bonds (-1.87%) outperformed local equities, albeit also delivering negative returns, while local property (+3.63%) was the best local performing asset class. Neither local property nor bonds were directly held in the Fund during the quarter. The large local cash holding in the Fund, averaging 34%, boosted returns for the Fund, adding 2.17% during the quarter. In terms of the offshore allocation, the allocation to the NASDAQ index (31%) supported returns, as the Nasdaq returned 12.46%. Offshore bonds (-0.16%) detracted, averaging 8%, while offshore property (+1.6%) gained during the quarter, with an average allocation of below 1%.

From an asset allocation perspective, at quarter-end, the Fund's largest exposure was to local cash (55.3%). International bonds and international equities stood at 20.9% and 19.5%, respectively. Local bonds were at 3.9%, while international cash was at 0.4%. Local equities were not in the Fund at quarter-end.

Glacier AI Flexible FoF performance as at March 2024



	Year-to-date	1 month	3 months	6 months	1 year	3 years (Ann)	Since launch
Glacier AI Flexible FoF	2.86%	0.37%	2.86%	9.82%	19.75%	7.97%	7.68%
ASISA SA MA Flexible	0.38%	1.06%	0.38%	6.34%	7.79%	8.12%	7.16%

Glacier AI Flexible FoF ASISA SA MA Flexible

Source: Morningstar Direct & Glacier Research