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%.

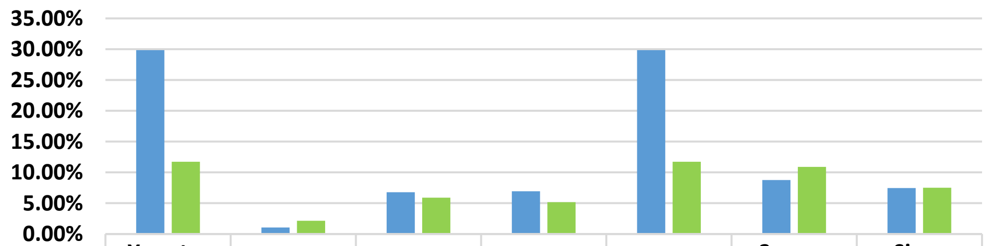
Fund performance

Over the fourth quarter of 2023, the Glacier AI Flexible FoF returned +6.77%, outperforming the ASISA SA Multi-Asset Flexible category average, which returned +5.92%.

Over the quarter, all underlying ETFs in the portfolio delivered positive returns. Locally, equities underperformed, with the Satrix Top 40 ETF returning +6.51% over the quarter. The Fund held an average local equity allocation over the quarter of 27%. Local property (+14.44%) and bonds (+8.09%) outperformed, which were not held in the Fund. The large local cash holding in the Fund, which ended the quarter at over 40%, detracted from relative returns, as cash underperformed riskier assets over the quarter. In terms of the offshore allocation, the allocation to the NASDAQ index (39%) supported returns, as the Nasdaq outperformed the MSCI World and MSCI EM. The Nasdaq ETF returned +11.11%, compared to +8.55% for the MSCI World and +5.48% for the MSCI EM.

From an asset allocation perspective, at quarter-end, the Fund's largest exposure was to local cash (39.9%) and international equities, which stood at 38.9%, marginally increasing from 38.5% at the end of the previous quarter, with exposure being to the Nasdaq. Local equity exposure decreased from 20.3% to 16.8% over the quarter. On the fixed income side, exposure to local bonds increased from 1.9% to 2.3%. Local property exposure remained close to 0%. Exposure to developed market property stayed unchanged at 1.1%.

Glacier AI Flexible FoF performance as at December 2023



	Year-to-date	1 month	3 months	6 months	1 year	3 years (Ann)	Since launch
Glacier AI Flexible FoF	29.84%	1.04%	6.77%	6.95%	29.84%	8.74%	7.47%
ASISA SA MA Flexible	11.75%	2.17%	5.92%	5.16%	11.75%	10.91%	7.49%

Glacier AI Flexible FoF   ASISA SA MA Flexible

Source: Morningstar Direct & Glacier Research