FG ASSET MANAGEMENT

ARCHITECTS OF SENSIBLE INVESTMENT SOLUTIONS

MARKET COMMENTARY

Jacy Harington

Portfolio Manager
FG Asset Management

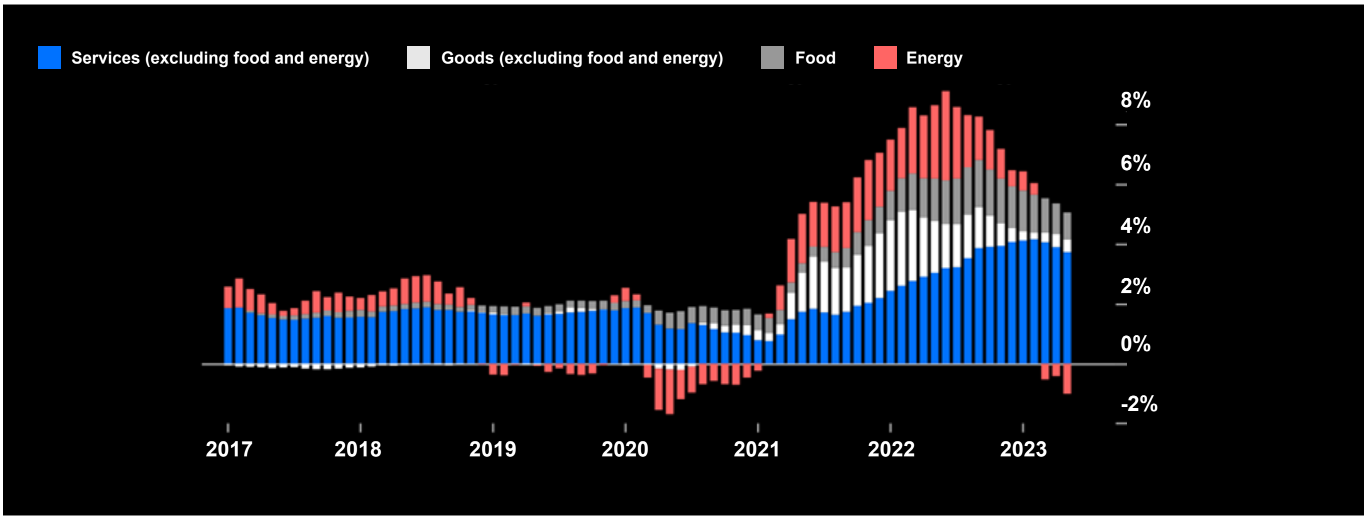
Global growth has been unexpectedly resilient regardless of elevated inflation

Over the past year, global central banks have delivered significant policy tightening with the aim to ease rising price pressures. Even though inflation has declined, it remains well above targets. This brings uncertainty around the duration and the extent of additional future restrictive monetary policy that will be required. This of course will have negative growth implications; however, the extent of the global growth slowdown remains uncertain especially as growth has remained unexpectedly resilient until now. We have also witnessed some of the unintended consequences of the significant tightening come through in terms of further bank failures in the US. The market was content that the specific bank failures had been contained, but the risk of tighter credit standards remains a threat to economic growth. In addition, local asset valuations have come under pressure over the past three months given the worsening power crisis, poor growth outlook and the accusation of selling arms to Russia.

Inflation continues to influence the tightening of monetary policies

Inflation remained a significant market driver given its importance in determining the extent to which global central banks will need to tighten monetary policy further. US inflation has been coming down steadily over the past year, declining 5.1% from its peak in June last year at 9.1%. The problem remains however that even with the significant easing of price pressures, it still remains at 4%, double that of its 2% target. Elevated inflation is currently being propped up by shelter inflation, which if excluded brings headline inflation down to 2.1%. Shelter inflation tends to be backward looking as it includes rents of units of continuing renters and not just rents that are up for renewal. It usually takes between 12 to 18 months for shelter inflation to reflect current market conditions.

Figure 1: US inflation breakdown



Source: Bloomberg, (2017 to 2023)

Employment opportunities and wages continued to decline in the US

US employment data was also closely followed as it serves as a good gauge for the health of the economy and also provides insight into wage growth. The US labour market has been very robust as the unemployment rate has remained around historical low levels. The most recent release in June, however, did hint at some weakness as it increased to 3.7%. Wage growth has been falling too but like overall inflation at a much slower pace than anticipated.

The US Federal Reserve (Fed) held two meetings over the quarter, hiking rates by 0.25% at its May meeting to bring the Fed's funds range to 5-5.25%. The hikes that occurred in May were the central bank's 10th increase since it started hiking rates in March last year — increasing interest rates by 5% and bringing them to the highest level since before the global financial crisis in 2007. At the June meeting, the Fed left interest rates unchanged to provide room to assess the impact that the tighter monetary policy and credit conditions have had on inflation and economic growth. Fed Chairman, Jerome Powell, however, stressed that if inflation did not decidedly ease that interest rates would need to be raised further. It is also important to note that the Fed is not implying a reduction of rates into yearend but rather at least keeping interest rates at current levels, while they assess if the inflation is meaningfully moving towards the 2% target.

The extension of the US's debt ceiling brought about more uncertainty, which if not agreed upon would have created significant economic risks as the US government would have been unable to pay any of its financial obligations. Early June, however, saw relief in markets as a new bill was passed by the Senate that suspended the debt ceiling until January 2025.

The rand continued to depreciate in the second quarter

Locally the South African Reserve Bank (SARB) only held one meeting over the quarter, where they increased the repo rate by 0.5% to bring it to 8.25%, the highest level in 14 years. While the 0.50% rate hike at the May meeting was unanimous and widely expected, the statement following the announcement that the currency could likely weaken further "given upside inflation risks, larger domestic and external financing needs, and loadshedding" led to the rand depreciating significantly on the day. The Monetary Policy Committee (MPC) also see the current policy as restrictive which does give the indication that they see interest rates nearing their peak however later clarified that this does not keep them from moving policy more restrictive if required.

Local inflation remained high, despite the decrease in fuel prices and the slow rise in food prices

The rate increases came despite headline inflation rate falling overall from 7.1% to 6.3% over the quarter. The decline was predominantly driven by the easing of fuel prices, and encouragingly food price increases seem to be waning. Falling fuel prices are expected to help headline inflation return to the 3% to 6% inflation target range in the second half of this year, however inflation risks remain to the upside given the weak currency, excessive loadshedding and increasing administered prices all adding upward pressure to prices.

Local market concerns rose after South Africa was alleged to have provided weapons to Russia

In May, the allegations by the US ambassador that South Africa had secretly supplied arms and ammunition to Russia drove significant risk-off sentiment in local markets. Local assets saw a significant loss in value as the market started pricing in the consequences of possible sanctions or the removal of South Africa from the preferential trade agreement, African Growth and Opportunities Act (AGOA) with the US. The South African government denied the allegations and responded with an inquiry into the matter which did little to ease market concerns. This could be put down to other factors driving South Africa's risk premium higher such as the intensifying power crisis where the possibility of a grid collapse increased the compensation demanded by investors.

FG SCI* JUPITER INCOME FUND OF FUNDS

For periods until 30 June 2023

Performance and quartile ranking in sector | Launch date 15 August 2005

	Year to Date	6 Months	1 Year	3 Years*	5 Years*	10 Years*	Since Inception*
FG SCI Jupiter Income FoF	3.73%	3.73%	8.07%	6.59%	6.74%	7.10%	7.67%
STeFI Composite Index	3.70%	3.70%	6.76%	4.98%	5.81%	6.26%	6.90%
ASISA SA Multi Asset Income Category Average	3.67%	3.67%	7.94%	6.64%	6.77%	6.90%	7.54%
				1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data longer than 12 months are annualised
Source: Morningstar, performance for A class shares
Annualised returns are period returns re-scaled to a period of 1 year

Underlying funds

- Abax Flexible Income Fund (Nedgroup)
- Granate BCI Multi Income Fund
- Matrix SCI Stable Income Fund
- Prescient Income Provider Fund
- Terebinth SCI Strategic Income Fund (Amplify)

Performance statistics

	Fund	Benchmark
Highest 12-month performance	11.61%	11.77%
Lowest 12-month performance	3.25%	3.76%
% Positive months	92.99%	100.00%

*Source until 31 May 2018: MoneyMate
Source from 30 June 2018: Morningstar

The FG SCI Jupiter Income Fund of Funds returned +1.23% in the second quarter of 2023 and +8.07% over the past 12 months, underperforming the benchmark Alexander Forbes Short Term Fixed Income Index quarterly return of +1.92%, while outperforming the 12-month return of +6.76%. The Matrix SCI Stable Income Fund was the best-performing underlying fund over the quarter, returning +1.88%. No changes were made to the fund over the quarter.

Asset allocation as at 31 May 2023

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG SCI Jupiter Income FoF	0%	2%	47%	44%	7%

FG SCI* VENUS CAUTIOUS FUND OF FUNDS

For periods until 30 June 2023

Performance and quartile ranking in sector | Launch date 2 July 2007

	Year to Date	6 Months	1 Year	3 Years*	5 Years*	10 Years*	Since Inception*
FG SCI Venus Cautious FoF	6.37%	6.37%	12.38%	8.88%	7.83%	8.18%	8.55%
ASISA SA Multi Asset Low Equity Category Average	5.80%	5.80%	11.48%	8.38%	6.76%	7.03%	7.44%
				1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data longer than 12 months are annualised
Source: Morningstar, performance for A class shares
Annualised returns are period returns re-scaled to a period of 1 year

Underlying funds

- 36ONE BCI Equity Fund
- Abax Opportunity Fund (Nedgroup)
- Coronation Global Optimum Growth Feeder Fund
- Fairtree Equity Prescient Fund
- Granate BCI Multi Income Fund
- Matrix SCI Defensive Balanced Fund (Amplify)
- Matrix SCI Stable Income Fund
- Ninety One Diversified Income Fund
- Ninety One Global Multi-Asset Income Feeder Fund
- Ninety One Global Franchise Feeder Fund
- Prescient Income Provider Fund
- Saffron BCI Opportunity Income Fund
- Satrix Bond Index Fund
- Sanlam Multi Managed Inflation Linked Bond Fund
- Terebinth SCI Strategic Income Fund (Amplify)
- Veritas Global Equity Feeder Fund (Nedgroup)

Performance statistics

	Fund	Benchmark
Highest 12-month performance	16.83%	17.26%
Lowest 12-month performance	-1.41%	-3.15%
% positive months	71.88%	70.83%

*Source until 31 May 2018: MoneyMate
Source from 30 June 2018: Morningstar

The FG SCI Venus Cautious Fund of Funds returned +2.50% in the second quarter of 2023 and +12.38% over the past 12 months, outperforming the benchmark peer group average quarterly return of +2.14%, and the 12-month return of +11.48%. The Ninety One Global Franchise Feeder Fund was the best-performing underlying fund, returning +11.46% over the quarter. Over the quarter the fund's South African nominal bond and inflation linked bond exposure was reduced and rotated into shorter duration fixed income funds. In addition, the fund's global equity exposure was reduced, this was also switched into shorter duration fixed income funds.

Asset allocation as at 31 May 2023

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG SCI Venus Cautious FoF	13%	2%	29%	35%	21%

FG SCI* SATURN MODERATE FUND OF FUNDS

For periods until 30 June 2023

Performance and quartile ranking in sector | Launch date 15 August 2005

	Year to Date	6 Months	1 Year	3 Years*	5 Years*	10 Years*	Since Inception*
FG SCI Saturn Moderate FoF	7.16%	7.16%	14.12%	11.62%	8.43%	8.45%	10.06%
ASISA SA Multi Asset Medium Equity Category Average	6.66%	6.66%	13.37%	9.88%	7.19%	7.38%	8.73%
				1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data for longer than 12 months are annualised
Source: Morningstar, performance for A class shares
Annualised returns are period returns re-scaled to a period of 1 year

Underlying funds

- 36ONE BCI Flexible Opportunity Fund
- Abax Opportunity Fund (Nedgroup)
- Bateleur Flexible Prescient Fund
- Coronation Market Plus Fund
- Coronation Global Optimum Growth Feeder Fund
- Matrix SCI Defensive Balanced Fund (Amplify)
- Matrix SCI Stable Income Fund
- Ninety One Opportunity Fund
- PSG Flexible Fund
- Rezco Value Trend Fund
- Satrix Bond Index Fund
- Terebinth SCI Strategic Income (Amplify)
- Truffle SCI Wealth Protector Fund (Amplify)

Performance statistics

	Fund	Benchmark
Highest 12-month performance	31.40%	26.41%
Lowest 12-month performance	-18.22%	-15.68%
% positive months	69.63%	65.89%

*Source until 31 May 2018: MoneyMate
Source from 30 June 2018: Morningstar

The FG SCI Saturn Moderate Fund of Funds returned +2.69% over the second quarter of 2023 and +14.12% over the past 12 months, outperforming the benchmark peer group average quarterly return of +2.52%, and the 12-month return of +13.37%. The Coronation Global Optimum Growth Feeder Fund was the best-performing underlying fund, returning +8.06% over the quarter. As a result of the new allocation that was made to the Truffle SCI Wealth Protector Fund (Amplify), the Truffle SCI Flexible Fund's exposure needed to be prorated to the 36ONE BCI Flexible Opportunity Fund and the Bateleur Flexible Prescient Equity Fund in order to maintain diversification. Over the quarter the fund's South African nominal bond exposure was reduced and rotated into shorter duration fixed income funds. In addition, the fund's global equity exposure was reduced, this was also switched into shorter duration fixed income funds.

Asset allocation as at 31 May 2023

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG SCI Saturn Moderate FoF	28%	2%	25%	16%	29%

FG SCI* NEPTUNE GROWTH FUND OF FUNDS

For periods until 30 June 2023

Performance and quartile ranking in sector | Launch date 1 September 2014

	Year to Date	6 Months	1 Year	3 Years*	5 Years*	Since Inception*
FG SCI Neptune Growth FoF	6.84%	6.84%	14.68%	12.75%	8.89%	7.77%
ASISA SA Multi Asset High Equity Category Average	7.36%	7.36%	14.65%	11.41%	7.49%	6.55%
			1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data for longer than 12 months are annualised
Source: Morningstar, performance for A class shares
Annualised returns are period returns re-scaled to a period of 1 year

Underlying funds

- Coronation Global Optimum Growth Feeder Fund
- Fairtree Equity Prescient Fund
- Laurium Flexible Prescient Fund
- Matrix SCI Stable Income Fund
- M&G Balanced Fund
- Ninety One Equity Fund
- Ninety One Global Franchise Feeder Fund
- PSG Flexible Fund
- Rezco Value Trend Fund
- Saffron BCI Opportunity Income Fund
- Satrix Bond Index Fund
- Sanlam Multi Manged Inflation Linked Bond Fund
- Terebinth SCI Strategic Income (Amplify)
- Truffle SCI Flexible Fund
- Veritas Global Equity Feeder Fund (Nedgroup)

Performance statistics

	Fund	Benchmark
Highest 12-month performance	38.17%	30.65%
Lowest 12-month performance	-11.21%	-10.44%
% positive months	63.21%	62.26%

*Source until 31 May 2018: MoneyMate
Source from 30 June 2018: Morningstar

The FG SCI Neptune Growth Fund of Funds returned +2.64% over the second quarter of 2023 and +14.68% over the past 12 months, underperforming the benchmark peer group average quarterly return of +2.98%, while performing in line with the 12-month return of +14.65%. The Satrix Bond Index Fund was the worst-performing underlying fund, returning -1.61% over the quarter. Over the quarter the fund's South African nominal bond and inflation linked bond exposure was reduced and rotated into shorter duration fixed income funds. In addition, the growth asset exposure was reduced in the fund through rotating exposure from a combination of global equity, local equity and local property into shorter duration fixed income funds.

Asset allocation as at 31 May 2023

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG SCI Neptune Growth FoF	37%	2%	16%	11%	34%

FG SCI* MERCURY EQUITY FUND OF FUNDS

For periods until 30 June 2023

Performance and quartile ranking in sector | Launch date 15 August 2005

	Year to Date	6 Months	1 Year	3 Years*	5 Years*	10 Years*	Since Inception*
FG SCI Mercury Equity FoF	4.80%	4.80%	15.47%	16.66%	9.25%	8.79%	10.46%
FTSE/JSE Africa All Share (Total Return)	5.86%	5.86%	19.58%	16.12%	9.59%	10.32%	12.62%
ASISA SA Equity General Category Average	3.08%	3.08%	12.25%	14.28%	6.97%	7.43%	10.00%
				1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data longer than 12 months are annualised
Source: Morningstar, performance for A class shares
Annualised returns are period returns re-scaled to a period of 1 year

Underlying funds

- 36ONE BCI Equity Fund
- Coronation Global Optimum Growth Feeder Fund
- Fairtree Equity Prescient Fund
- Gryphon All Share Tracker Fund
- Laurium Equity Fund (Nedgroup)
- Ninety One Equity Fund
- Ninety One Global Franchise Feeder Fund
- M&G Equity Fund
- PSG Equity Fund
- Truffle SCI General Equity Fund

Performance statistics

	Fund	Benchmark
Highest 12-month performance	56.15%	53.98%
Lowest 12-month performance	-31.68%	-37.60%
% positive months	62.15%	61.21%

*Source until 31 May 2018: MoneyMate
Source from 30 June 2018: Morningstar

The FG SCI Mercury Equity Fund of Funds returned +1.22% in the second quarter of 2023 and +15.47% over the past 12 months, outperforming the +0.66% quarterly return of the benchmark FTSE/JSE All Share Total Return Index while underperforming the 12-month return of +19.58%. The Ninety One Global Franchise Feeder Fund was the best performing underlying fund, returning 11.46% over the quarter. No changes were made to the fund over the quarter.

Asset allocation as at 31 May 2023

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG SCI Mercury Equity FoF	74%	2%	0%	5%	19%

FG SCI* INTERNATIONAL FLEXIBLE FUND OF FUNDS

For periods until 30 June 2023

Performance and quartile ranking in sector | Launch date 17 October 2007

	Year to Date	6 Months	1 Year	3 Years*	5 Years*	10 Years*	Since Inception*
FG SCI International Flexible FoF	18.83%	18.83%	23.86%	7.13%	8.02%	9.95%	8.90%
Benchmark**	18.75%	18.75%	24.34%	7.58%	9.53%	10.45%	9.88%
ASISA Global Multi Asset Flexible Average***	18.75%	18.75%	24.34%	7.58%	9.53%	10.44%	8.97%
				1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data for longer than 12 months are annualised
Annualised returns are period returns re-scaled to a period of 1 year
**Benchmark before June 2013: 50% MSCI World Index, 50% JP Morgan Global Government Bond Index
Benchmark between July 2013 and July 2015: 55% MSCI AC World Index, 33% JP Morgan Global Government Bond Index, 7% FTSE EPRA Nareit Global Property, 5% Stefi Call
***Current benchmark

Underlying funds

- FGAM Global Cautious Fund
- FGAM Global Growth Fund
- FPA Global Flexible Fund (Nedgroup)
- Ninety One Global Strategic Managed Fund
- Ninety One Global Franchise Fund

Performance statistics

	Fund	Benchmark
Highest 12-month performance	40.26%	34.52%
Lowest 12-month performance	-16.99%	-15.05%
% positive months	56.38%	59.26%

*Source until 31 May 2018: Iress
Source from 30 June 2018: Morningstar

The FG SCI International Flexible Fund of Funds returned +8.88% in the second quarter of 2023 and +23.86% over the past 12 months, underperforming the benchmark peer group average quarterly return of +9.16% and the 12-month return of +24.34%. The Ninety One Global Strategic Managed Fund was the worst-performing underlying fund over the quarter, returning +3.74% in rand terms. No changes were made to the fund over the quarter.

Asset allocation as at 31 May 2023

	Global Equity	Global Fixed Income	Global Cash	Global Property	Local Cash
FG SCI International Flexible FoF	66%	23%	7%	2%	2%

	USD	GBP	EUR	JPY	Other	ZAR
Currency Breakdown	68%	2%	8%	7%	13%	3%

MARKET PERFORMANCE

Index	Asset Class	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Last 12 months	Year to Date 2023*
STEFI Composite Index	Local cash	1.35%	1.57%	1.75%	1.92%	6.76%	3.70%
FTSE/JSE All Bond (total return)	Local bonds	0.60%	5.68%	3.39%	-1.53%	8.23%	1.81%
FTSE/JSE SA Listed Property (total return)	Local property	-3.54%	19.31%	-5.05%	0.66%	10.00%	-4.42%
FTSE/JSE Africa All Share (Total Return)	Local shares	-1.92%	15.16%	5.17%	0.66%	19.58%	5.86%
JP Morgan World Govt Bond index (USD)	Global bonds	-7.15%	3.84%	3.08%	-2.21%	-2.82%	0.80%
FTSE EPRA Nareit Global REITs TR USD	Global property	-10.84%	6.89%	1.66%	0.94%	-2.19%	2.62%
MSCI World GR USD	Global shares	-6.08%	9.89%	7.88%	7.00%	19.13%	15.43%
MSCI ACWI GR USD	Global shares	-6.71%	9.88%	7.44%	6.35%	17.13%	14.26%
US dollar/South African rand (+ weaker rand, - stronger rand)	Exchange rate	9.71%	-5.33%	4.28%	6.47%	15.31%	11.03%

*(Return until 30 June 2023)

ADDITIONAL FUND INFORMATION

Fund name	No. of participatory interests*	NAV (month-end)*	Total expense ratio (TER)**
FG SCI International Flexible FoF A	15,044,696.09	36.59	1.54
FG SCI International Flexible FoF A1	22.68	35.76	2.1
FG SCI International Flexible FoF B	48,075.18	29.30	3.21
FG SCI International Flexible FoF B1	2,153,870.91	30.33	2.98
FG SCI International Flexible FoF C	7,045,059.97	35.83	1.68
FG SCI Jupiter Income FoF A	41,355,054.64	12.48	1.04
FG SCI Jupiter Income FoF A1	55.02	12.44	1.6
FG SCI Jupiter Income FoF B	8,298.55	12.34	2.77
FG SCI Jupiter Income FoF B1	3,799,118.47	12.37	2.48
FG SCI Jupiter Income FoF C	39,029,095.17	12.29	1.21
FG SCI Mercury Equity FoF A	4,343,257.54	43.60	1.59
FG SCI Mercury Equity FoF A1	16.92	43.49	2.11
FG SCI Mercury Equity FoF B	121.38	41.62	3.31
FG SCI Mercury Equity FoF B1	45,558.51	42.60	3.03
FG SCI Mercury Equity FoF C	295607.52	43.15	1.75
FG SCI Neptune Growth FoF A	25,899,002.50	15.55	1.87
FG SCI Neptune Growth FoF A1	48.67	15.51	2.4
FG SCI Neptune Growth FoF B	65.17	15.38	3.59
FG SCI Neptune Growth FoF B1	1,251,095.35	15.41	3.3
FG SCI Neptune Growth FoF C	1973797.34	15.42	2.04
FG SCI Saturn Moderate FoF A	44,001,840.09	34.83	1.57

* NAV (Mo-End) and no. of participatory interests as at 30 June 2023

**TER as at 31 March 2023

ADDITIONAL FUND INFORMATION
(CONTINUED)

Fund name	No. of participatory interests*	NAV (month-end)*	Total expense ratio (TER)**
FG SCI Saturn Moderate FoF A1	21.24	34.71	2.11
FG SCI Saturn Moderate FoF B	124,833.91	34.41	3.29
FG SCI Saturn Moderate FoF B1	4,601,405.59	34.46	3
FG SCI Saturn Moderate FoF C	10,260,336.75	34.29	1.75
FG SCI Venus Cautious FoF A	68,533,232.02	18.87	1.273
FG SCI Venus Cautious FoF A1	38.22	18.82	1.82
FG SCI Venus Cautious FoF B	30,970.44	18.60	2.9991
FG SCI Venus Cautious FoF B1	5,969,726.35	18.62	2.7132
FG SCI Venus Cautious FoF C	15,187,188.07	18.56	1.31

* NAV (Mo-End) and no. of participatory interests as at 30 June 2023
**TER as at 31 March 2023

CONTACT US

CAPE TOWN:

Borland Financial Services Group (Pty) Ltd
Sarah Crone: sarah@fgip.co.za
Tel: 082 321 4550

Harcourt Martens & Associates (Pty) Ltd
Mike Harcourt: mharcourt@hma.co.za
Tel: 083 440 6480
Danielle Harcourt: danielleharcourt@hma.co.za
Tel: 083 962 9978

DURBAN:

Borland Financial Services Group (Pty) Ltd
Mike Borland: mikeb@fgip.co.za
Sarah Crone: sarah@fgip.co.za
Tammy Loots: tammy@fgip.co.za
Dee Sunny: dee@fgip.co.za
Tel: 031 202 9113

Harcourt Martens & Associates (Pty) Ltd
Sandy Aitken-Rose: sandy@hma.co.za
Tel: 082 576 2371

JOHANNESBURG:

Cento Capital (Pty) Ltd
Hendrik Fourie: hendrik@centocapital.co.za
Louis Wilken: louis@centocapital.co.za
Tel: 011 782 1200

Finleks (Pty) Ltd
Jacques du Plessis: jaduplessis@global.co.za
Tel: 011 552 7345

www.fgam.co.za

PRETORIA:

FIRSTGLOBAL Capital (Pty) Ltd
Jan Labuschagne: jan@fgip.co.za
Ernst Beukes: ernst@fgip.co.za
Annalise Rossouw: annalise@fgip.co.za
Liza Lubcker: liza@fgip.co.za
Karmi Brand: karmi@fgip.co.za
Tel: 012 460 5007

Global Wealth Advisory
Kobus Venter: kobus@fgip.co.za
Adri Viljoen: adri@fgip.co.za
Tel: 012 460 5007

RICHARDS BAY:

Harcourt Martens & Associates (Pty) Ltd
Danielle Harcourt: danielleharcourt@hma.co.za
Tel: 083 962 9978
Louwrens Badenhorst: louwrens@hma.co.za
Tel: 035 789 8525