



# Welcome

INVESTMENT
PERFORMANCE
AND RELATED
ISSUES

**OCTOBER 2024** 

Presented by the Principal Officer's Office





# **Agenda**

- > ASSET CLASSES
- > HISTORIC PERFORMANCE PER ASSET CLASS
- > NTRF PORTFOLIOS





# **Agenda**

- > THINGS TO CONSIDER
- > ACCESS TO INFORMATION
- **QUESTIONS**





#### **ASSET CLASSES**

- Equities
  - Domestic and global
- Property
- Bonds
- Cash



- Shares listed on the JSE or AltX
  - Dominated by a few large shares
  - Many shares impacted by the exchange rate due to offshore holdings
- Private equity normally reflected separately



#### **DOMESTIC EQUITIES: YEAR TO DATE**

- Domestic equities up for 9 months to 30 September 2024 (data to 3 October)
  - JSE Capped SWIX up 15.81%
  - JSE All Share up 15.87%
  - JSE All Share SWIX up 15.97%
- Upward move continued into October and now almost up 17% year to date.





SWIX stands for Shareholder Weighted Index. It represents the proportion of a company's shares held on the South African share register. In other words, it considers the ownership structure of companies.

The Capped SWIX aims to reduce concentration risk by capping the weightings of individual companies at 10%.



#### STIC EQUITIES: SECTOR SPECIFIC

s have performed differently for 9 months to 30 nber 2024

ustrials up 18.46%

sources up 5.22%

ancials up 21.80%

will also be sectors within sectors.



- Value style vs growth style
  - Managers may favour one style over the other
  - Styles will mean different relative performance cycles
- Value investing is an investment strategy that involves picking stocks that appear to be trading for less than their intrinsic or book value. Value investors actively ferret out stocks they think the stock market is underestimating.
- **Growth investing** is a type of <u>investment strategy</u> focused on <u>capital appreciation</u>. Those who follow this style, known as *growth investors*, invest in companies that exhibit signs of above-average growth, even if the <u>share</u> price appears expensive in terms of metrics such as <u>price-to-earnings</u> or <u>price-to-book</u> ratios.



 Current performance of domestic equities (1 year to 30 September of 24%) needs to be seen in the context of volatile long term performance.

• 3 year returns (14.5% pa) and 5 year returns (14.1% pa) include both the "ups" and the "downs".

 A comparison with the returns to 31 March 2024 which was included in the previous presentation is worth noting.





	Returns to 31 March 2024	Returns to 30 September 2024
1 year JSE equity	1.5%pa	24.0% pa
3 year JSE equity	9.0% pa	14.5% pa
5 year JSE equity	10.0% pa	14.1% pa



# **DOMESTIC EQUITIES: Why the upswing?**

- Consistent energy supply, along with modest gains in rail and port operations, helped drive the recovery, although continued inefficiencies in logistics continue to hold back the economy. The formation of a government of national unity has sparked hopes of accelerating growth in the years ahead. (Momentum)
- Sentiment towards this new political arrangement has been positive (given the economic and political implications of the alternatives). Asset prices have rallied (Coronation)





#### DOMESTIC AND GLOBAL EQUITIES KEY TO LONG TERM PERFORMANCE

	5 year returns to 30 September 2024	7 year returns to 30 September 2024
Domestic Equity	14.1% pa	10.4% pa
Domestic Property	5.0% pa	0.4% pa
Domestic Bonds	9.8% pa	9.7% pa
Domestic cash	6.0% pa	6.4% pa
International Equity (ZAR)	15.1% pa	14.1% pa
Emerging markets	8.5% pa	7.3% pa
International Bonds (ZAR)	1.7% pa	3.8% pa



#### **INTERNATIONAL EQUITIES**

- You need to consider the combined impact of investment returns and the currency movements.
- Year to date (30 September) return on global equities measured in ZAR is 11.8%.
- Over the same period the Rand strengthened against the US dollar by 5.8% and by 0.8% against the UK Pound.
- MSCI World index in USD was up by 18.86% (to 3 October).



#### **INTERNATIONAL EQUITIES (longer term performance)**

• Rand has weakened against the dollar in the longer term. 2.6%pa over 5 years and 3.5% pa over 7 years.

- If you remove the impact of the currency movements, SA equities have outperformed international markets over 5 years and matched them over 7 years.
- Over the longer term developed markets have outperformed emerging markets.



#### **INTERNATIONAL EQUITIES: The US**

- Focus on the US election, but Momentum circulated research which indicates that the elections have limited impact on investment markets.
- Both candidates are making election promises that would widen the budget deficit and increase the government debt even further (if they stick to their promises!)
- The Federal Open Market Committee (FOMC) launched its long-awaited interest rate-cutting cycle in September with a 50-basis point cut and has indicated two further rate reductions before the end of the year. Projections now show the median FOMC member expecting to cut rates by an additional 100 basis points in 2025



#### **INTERNATIONAL EQUITIES: The UK**

• Chancellor Rachel Reeves first budget this week. Potential increases in spending on housing, infrastructure and healthcare to boost investment and growth.

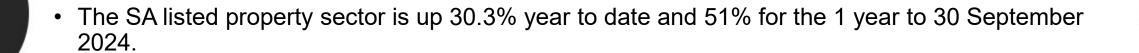


#### **INTERNATIONAL EQUITIES: CHINA**

- China's economic slowdown deepened in August, with industrial profits down 17.8% relative to a year ago and the property sector trapped in its downward spiral.
- Deflationary risks are mounting as core consumer inflation hit a 3.5-year low. In response, Beijing has sent its strongest signal yet of 'forceful' stimulus measures, including interest rate cuts, a reduced reserve requirement ratio and a further relaxation in mortgage rules.
- China offers attractive investment opportunities in leading technology and consumer-facing businesses with compelling valuations compared to alternatives in the US and India



### **Domestic Property**



• Still recovering from historic performance and hence the 7 year return of 0.40%pa



#### **Domestic Bonds and Cash**

• Domestic Bonds are up 16.7% year to date. Note that bonds are influenced by changing long term interest rate projects as much as by the actual rate on the bonds.

• Returns on Cash for the year to date is 6.1%



#### **Domestic Bonds and Cash**

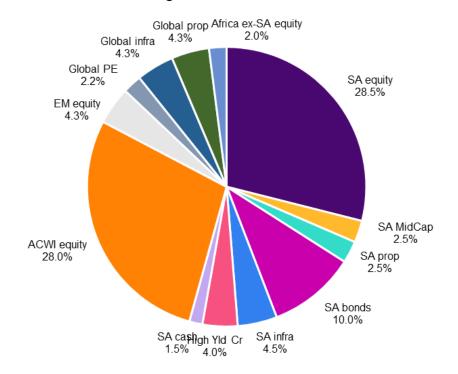
- The <u>South African Reserve Bank's</u> (SARB's) monetary policy committee (MPC) will meet for the sixth and final time this year on **Thursday, 21 November.**
- Annual consumer inflation cooled for a fourth consecutive month, easing to 3.8% in September. This represents the lowest figure since March 2021.
- As a result, economists are now bullish about a **50 basis point** cut





#### **LONG TERM CAPITAL PORTFOLIO**

#### Strategic Asset Allocation





#### **LONG TERM CAPITAL PORTFOLIO**

- Impact of short term "up tick" in terms of domestic equities is seen in the returns to 30 September 2024
- Return compared to inflation.

LTCP	Year to date	1 year	3 year	5 year
Net return	12.3%	20.3%pa	10.9%pa	11.4%pa
Inflation	3.0%	3.8%pa	5.6%pa	4.9%pa





# **LONG TERM CAPITAL PORTFOLIO:** compared to 31 March 2024 reporting

LTCP	Year to date	1 year	3 year	5 year
Net return to 30 Sept 2024	12.3%	20.3%pa	10.9%pa	11.4%pa
Inflation	3.0%	3.8%pa	5.6%pa	4.9%pa
Net return to 31 March 2024		12.8%pa	10.5%pa	9.9%pa
Inflation		5.3%pa	6.1%pa	5.1%pa





#### **LONG TERM CAPITAL PORTFOLIO**

• A reminder of the short term "swings" last year:

• September 2023 : -3.3%

• October 2023 : - 2.5%

• November 2023 : +7.9%





# **STABLE PORTFOLIO:** compared to 31 March 2024 reporting

Stable Portfolio	Year to date	1 year	3 year	5 year
Net return to 30 Sept 2024	9.40%	15.0%pa	9.40%pa	9.30%pa
Inflation	3.0%	3.8%pa	5.6%pa	4.9%pa
Net return to 31 March 2024		12.90%pa	9.40%pa	8.80%pa
Inflation		5.3%pa	6.1%pa	5.1%pa





### **Money Market portfolio**

• Year to date return to 30 September 2024: 7.7%

• 1 year return: 10.5% pa

• 3 year return: 8.7%pa

• 5 year return: 7.7 %pa

Short term return reflects current high interest rates but that cycle appears to be ending.





# Shar'iah portfolio

Performance to 30 September 2024:

• year to date: 6.8%

• 1 year : 13.1%pa

• 3 year return: 8.2%pa

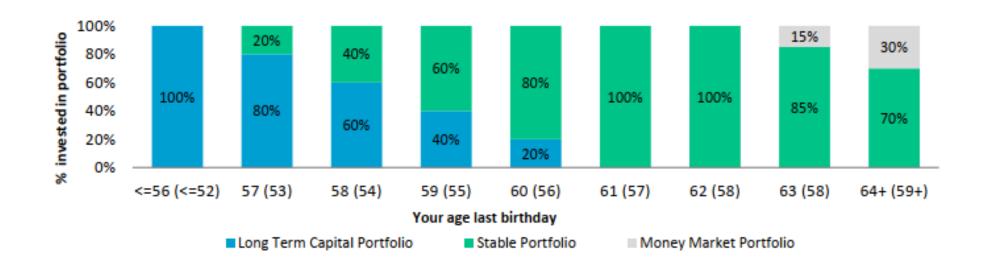
• 5 year return: 9.8%pa





#### Things to consider

Does the lifestage model fit your needs?





#### **Access to information**

- Fund website: www.ntrf.co.za
- Monthly Investment Fund Fact sheets published on Fund website
- Online Member Portal (secure website): <a href="https://mra.momentum.co.za/">https://mra.momentum.co.za/</a>
- Newsletters and articles published on Fund website
- Online Member Retirement Planning Tool coming soon
- Annual Member Benefit Statements & monthly member values (available on Member Portal)
- Online Retirement Seminars





# Questions



#### **Fund Contact Information**

Member Website: <a href="https://www.ntrf.co.za">www.ntrf.co.za</a>

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