



## WHAT'S HAPPENING IN THE MARKETS?

### Market Returns

Financial markets rallied towards the end of the year with most asset classes producing good returns for the final quarter of 2023. The returns of the main asset classes for the period ending December 2023 were as follows:

	3 months	6 Months	1 year
SA Equity (Capped SWIX)	8.2%	4.1%	7.9%
SA Bonds (ALBI)	8.1%	7.7%	9.7%
SA Property (ALPI)	15.9%	15.2%	10.7%
SA Cash (STeFI)	2.1%	4.2%	8.1%
SA Inflation Linked Bonds (CILI)	6.1%	6.9%	7.1%
Global Equity (MSCI World (\$))	11.4%	7.6%	23.8%
Global Equity (MSCI World (R))	8.2%	4.1%	33.0%
Global Bonds (WGBI (\$))	8.1%	3.5%	5.2%
Global Bonds (WGBI (R))	4.9%	0.2%	13.1%

Despite many concerns regarding the outlook for local economic growth and the impact of higher interest rates, South African property performed the best over the last quarter with a return of 15.9%. This strong performance resulted in SA property being the best-performing local asset class for 2023 with a return of 10.7%.

**Global equity continued to steam ahead. It was the best-performing asset class over the year in both US Dollar and Rand terms.**

### Global Markets

Geopolitical tensions and the increase of conflicts led to headlines over the quarter. The terrorist attacks in Israel and subsequent retaliation have threatened to destabilise the Middle East region. This has even impacted global shipping routes, as the consequences of the war spill over to key trade routes. Unfortunately, the war in the Ukraine also continues, with prospects of peace shrinking by the day.



**While these events are significant and concerning, investors seemed to shrug these off during the last quarter. Sentiment within financial markets lifted due to the outlook for inflation and interest rates in key developed markets such as the US. Markets interpreted the December 2023 statement from the US Federal Reserve (Fed) as signalling the end of the interest rate hiking cycle and the start of rate cuts in 2024. The Fed could start its rate-cutting cycle in 2024 if inflation continues to reduce and remain low.**

Markets in Japan had a great year as the economy began to experience positive levels of inflation once again and move out of the deflationary era it has seen for decades. The Nikkei was up 28.2% over 2023. The UK's FTSE had a modest quarter, up by 1.6% over the quarter. China was an outlier as the economy struggled to rebound post the easing of strict Covid-19 constraints at the start of 2023. The Shanghai Composite Index was down 4.4% for the quarter.

### Local Markets

Local equity and bond markets staged a recovery by the end of 2023. The bond market was quick to price in the curbing of inflation and the potential for interest rate cuts. The local equity market lagged behind global markets, though. It was dragged lower by poor returns from Naspers and Prosus, both linked to Chinese listed stock Tencent, which sold off as new draft restrictions on gaming were released.

lower food and fuel prices, but inflationary pressures could resurface if oil prices or the exchange rate become more unstable. The SARB may lower interest rates in 2024, in line with other central banks, and could continue into 2025. However, the country's fiscal situation remains shaky. The budget deficit and the debt-to-GDP ratio are expected to widen further. SA needs to escalate structural reforms to boost its productivity, competitiveness, and growth.

**In 2023, the South African equity market has lagged in developed and other emerging markets as the weight of our low economic growth, the poor state of the country's finances and the energy crisis have driven foreign investors away and dented local investor eagerness.**

**2024 is set to be an interesting year. With the highest number of democracies worldwide holding elections this year, including the US, India and South Africa, there are bound to be surprises and short-term impacts within the financial markets. These impacts are likely to be short-lived, and OMEGS members should remain committed to their long-term investment plans, as that is the best way to create long-term wealth.**

South Africa's economic prospects for 2024 do show progress, but major risks and doubts cloud the outlook. Inflation is projected to ease, reflecting

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## INVESTMENT PERFORMANCE SUMMARY AS AT 31 DECEMBER 2023

The table below provides the gross return of each portfolio over the 1, 3- and 5-year periods ending 31 December 2023.

Category	Portfolio	1 Year	3 Years	5 Years	10 Years
Default	Old Mutual Absolute Smooth Growth	11.4%	11.7%	8.2%	9.9%
	Target: Inflation + 6%	11.4%	12.4%	11.4%	11.5%
Market-Linked	Old Mutual Multi-Managers Inflation Plus 5 - 7% Strategy	13.8%	13.4%	12.3%	9.6%
	Old Mutual Profile Edge 28	9.5%	12.6%	10.1%	9.0%
	Coronation Managed	16.4%	14.1%	13.2%	9.5%
	Target: Inflation + 6%	11.4%	12.4%	11.4%	11.5%
	M&G Balanced	12.7%	14.2%	11.3%	9.5%
	Old Mutual Balanced Index Fund	15.4%	12.5%	9.9%	8.4%
	Target: Inflation + 5%	10.4%	11.4%	10.3%	10.4%
Smooth Bonus	Old Mutual Absolute Smooth Growth	11.4%	11.7%	8.2%	9.9%
	Target: Inflation + 6%	11.4%	12.4%	11.4%	11.5%
	Old Mutual Coregrowth 100	9.0%	8.4%	7.3%	8.8%
Target: Inflation + 3%	8.3%	9.3%	8.2%	8.3%	
Shari'ah	Old Mutual Investment Group Shari'ah Composite Fund	13.8%	12.6%	9.8%	8.5%
	Target: Inflation + 4.5%	9.9%	10.9%	9.8%	9.9%
Money Market	Old Mutual SA Money Market	8.5%	6.0%	6.3%	6.9%
	Target: Inflation	5.1%	6.1%	5.0%	5.2%

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