



FG INVESTMENT PARTNERS

GLOBAL BRIEF

Quarter 2 | 2024



EDITORIAL COMMENT

Sarah Crone
Director and Investment Committee Member
FG Asset Management

CONTENTS

Editorial comment

By Sarah Crone

1-2

The tech giants are facing an “existential event”

Adapted from an article by Tom Aylott

3-4

The power brief: Episode 2

Sourced from an edition of Coronation Fund Managers’ podcast in June 2024

5

Cracks revealed, slowdown ahead?

Adapted from an article by Saul Miller

6-7

Cybersecurity: How to fortify your digital defences

Adapted from an article by Nesaar Banderker

8

Local assets experienced positive sentiment influenced by the GNU and Operation Vulindlela

It is perhaps apt that we start off this editorial by highlighting the local investment backdrop first this time around as the main influencing factors on domestic investments were indeed local. Yes, you’ve guessed it: sentiment here at home was dominated by the election outcome and a “relatively” favourable formation of the Government of National Unity (GNU). We have put out a separate note on the possible investment implications of the GNU and will not be going into too much detail here other than to point out that there is a lot more “Business friendly” representation in Government than there used to be. Operation Vulindlela, (a joint initiative of the Presidency and National Treasury to accelerate structural reforms and support economic recovery) has been in place for some time but now appears to have improved implementation prospects. All of this has proved sentiment positive for local assets over the quarter. As perceived South African risk declined, bond yields also declined giving bonds over a 7% return for the quarter. The FTSE/JSE All Share Index reflected a return in excess of 8% (driven mainly by SA Inc shares such as banks and retailers) while property performed by more than 5% for the June quarter. The rand improved by just under 4% against the US dollar. Our funds will certainly benefit from our diversified local exposure.

Globally, the US and Europe cut interest rates but China experienced challenges due to the property sector

On the global front, the US economy has remained relatively robust but there are increasing signs of a softening further down the line. The labour market still looks quite robust although the unemployment rate is starting to edge up. Inflation is going in the right direction but progress on this front has been quite slow.

INDEPENDENT TRANSPARENT COMPETENT

The market is currently pricing in two rate cuts, but this changes frequently as new data gets released. It should be mentioned that Europe has started to cut rates, but further cuts are far from certain. Chinese growth remains challenged with a constrained property sector. As far as global investment markets are concerned the MSCI World Equity Index returned just under 3% for the quarter (although slightly negative in rand terms for the first time in a long while) driven by fairly solid corporate earnings (especially on the technology side) but bonds were negative over the quarter as big deficits and the potentially inflationary implications of a Donald Trump presidency have started to be factored in.

Overall, we have ensured a healthy exposure to risk assets although elevated valuation levels especially on the offshore side lead us to retain a slightly cautious disposition.

What you can look forward to in this edition

Tom Aylott, Features Editor at Portfolio Advisor has written a thoughtful article about the existential threat that big tech companies could face in the future. He suggests that AI is likely to operate in a “winner takes most” environment leaving many to fall behind. Mauro Longano (Head of Fixed Income Research and Portfolio Manager) and Azola Lowan (Client Service Fund Manager, Institutional Business) from Coronation Fund Managers caution against getting too excited (yet) about the recent break from loadshedding. Mauro predicts one or two stages of loadshedding for the rest of the year. Saul Miller, a Portfolio Manager at Truffle points out that early signs of an economic slowdown in the US should not be ignored globally. Here at home, he suggests that while the GNU will face challenges, it’s crucial to distinguish between market noise driving volatility and fundamental changes which could impact the longer-term outlook. Nesaar Banderker, Head of Technology at Sanlam Private Wealth, writes about cybersecurity and how to fortify digital defences.

We hope that you enjoy these articles.

The FG Asset Management Investment Team



THE TECH GIANTS ARE FACING AN “EXISTENTIAL EVENT”

Adapted from an article by
Tom Aylott

Features Editor
Portfolio Adviser

You can read the full article [here](#).



Mega-cap leaders have overcapitalised in the winner takes all race for dominance in artificial intelligence (AI), putting their future relevance into question.

Hype and overspending on AI could lead to disappointed shareholders

Some of the world's leading technology companies have seen their share prices soar over the past year thanks to excitement surrounding AI, but the hype they've drummed up could instead become their fatal flaw. Orbis Global Balanced manager Alec Cutler said mega-cap tech stocks are facing an “existential event” after having overpromised and overspent on AI in a winner takes all race for supremacy in the space.

The likes of Alphabet, Amazon, Meta, Microsoft and Nvidia have all sworn to be the leaders of the AI revolution, but they can't all take the crown. If they fail to live up to these hefty assurances – which Cutler expects most of them to – then they will be left with a lot of underwhelmed shareholders.

Tech giants will need to use AI wisely to succeed

“They sold investors last year on the fact that they're going to cut costs and rationalise it and make efficiency gains, but this is an existential event for them,” Cutler said. “They have to win in AI. This is a winner take most space so they're all going for it, but only around two of them is really going to make it. Yet they're all spending as if they're going to be one of those two.”

The necessity for these companies to become leaders in what could be the most profitable technology of the next decade is essential to their survival. Cutler noted how these multi-billion-dollar companies have swelled to such enormous sizes that they need to find new growth drivers to ensure they continue expanding. There is a risk now that these companies not only plateau without AI dominance but decline in relevance.

Their pledges to remain at the forefront on innovation seem to have convinced markets. Cutler said: “We did our work and looked into it, and what we figured out is these companies are completely wrong. There's a gold rush element to it, and there's also an existential risk element to it. Right now, the market is seeing this as a positive for the primary players such as Microsoft, Google, Apple, Meta and Amazon because it's being framed as a new revenue generator for them. But these are companies that need to find something really big in order to grow and sustain their billion-dollar market caps.”

After investing record-high levels of capital expenditure on AI, these companies will also be at a substantial monetary loss if it doesn't pay off. Meta, for example, plans to spend up to \$40 billion in 2024 in building up its AI infrastructure, and Microsoft has already splashed out over a quarter of that (\$14 billion) in just the first three months of 2024.

Cutler said: “I don't know how it's going to make everyone so more productive that it's going to be worth the capital they've invested and produce a return on the billions of dollars they've spent buying chips that will be obsolete in two years.”

Yet so much of what it takes to stay ahead in the race for AI depends on who can spend the most money, according to Richard de Lisle, manager of the VT De Lisle America fund. He said it is a matter of scale and those who can afford to keep throwing money at AI are the only ones able to stay in the race. We have already witnessed some early AI leaders fall back due to having less spending power than their peers, such as Tesla. After soaring 101.7% in the AI rally of 2023, its share price took a turn in 2024 (dropping 28.3% year-to-date) as investors questioned its ability to keep up with other tech behemoths.

What exactly could it take to profit from the AI hype?

“Elon Musk came out and said Tesla is an AI company now. Well, the problem with that is in order to be one, he would have to spend billions to be as strong as the likes of Meta and he doesn't have that capital. Mark Zuckerberg does, but Tesla can't do that,” de Lisle said. “I don't think Tesla will be a good performing stock going forward just because of the capital requirements. Regardless of what you think about Musk as a person or electric cars, Tesla is undercapitalised and in order to play the game, everyone's suddenly got to spend more money.”

Upping capital expenditure to all-time highs has been enough to maintain their seats at the table, but it doesn't ensure they'll be a leader in future. Many tech giants are more vulnerable to being toppled and replaced by new entrants now than ever before, and their high volumes of spending are an attempt to simply keep pace, according to de Lisle.

“They're all terrified,” he explained. “These companies wouldn't be spending all these billions otherwise. It's because they're scared. There's a group of stocks that will win, but it's not necessarily the group of stocks that we've got at the moment. Some will lose and fall off, and then there's another group that will come in. People aren't really sure what those are yet – they are looking for them now.”

Investors are keen to hold on to companies that could be the next tech champions

But “people lose sight of how quickly the leading group changes”, according to de Lisle. And as AI develops and businesses fine tune their applications, the rate at which these market leaders switch places is accelerating. Just a couple of years ago, markets were focused on the FAANGs, which were quickly replaced by the magnificent seven, and even those are now shifting. Trying to keep up with the rapid changes is becoming an ever more challenging task for active managers.

Amid the AI revolution, it may be safer to opt for a tracker index

“The whole AI revolution is going to increase the speed of change of the top companies,” de Lisle said. “It argues for indexation in a way because you might say, well I can’t keep up with this, so I better buy a tracker for the S&P 500 and that will sort it out for me. Because if a company is getting bigger and more important, it will get a bigger weighting in the index. You don’t have to work out whether Tesla is going to fall or not. It’s an automatic thing and in that way, you get covered from the increasingly rapid change in technology.”

Under certain conditions, there could still be potential gains amid market uncertainty

Amid all this uncertainty at the top of the market, there are ways to benefit further down the supply chain. De Lisle said “the only thing that’s pretty clear is that the leading stock in a year’s time will be Nvidia,” so working out what companies it relies on and that it will pull up with it is key. By that logic, he bought shares in Supermicro, which climbed a whopping 922.9% since the start of last year.

Yet there is one thing that all these tech companies – regardless of who wins the AI race – need a lot more of to support their operations, and it is something both de Lisle and Cutler have been allocating to. All the infrastructure needed to support AI at scale requires enormous amounts of energy. “That’s really what it comes down to,” de Lisle said. “It’s all very wonderful, but they need an awful lot of power. That is what’s at the end of the food chain, really.”

The AI race will result in a higher demand for electricity infrastructure

Cutler said the composition of the leading tech companies struggling for dominance in AI could swing quickly and often, but businesses addressing this universal need for power will thrive regardless of who is leading in the race. He added: “They’re all spending like crazy, so when you have all these combatants trying to be a winner, do you really want to invest? Do you want to bet on which will be the two winners that are able to monetize to the degree that it’s going to pay off? Or do you bet on the ammo providers?”

“These companies will be paying a lot for electricity and will need to build an entirely new grid surrounding their facilities, so it’s been a wonderful shot in the arm for the critical energy infrastructure theme. Not only will they need to rewire a very densely wired server, but you now have to rebuild the entire grid around it to supply the amount of wattage that’s now needed by that facility.”





THE POWER BRIEF: EPISODE 2

Sourced from an edition of Coronation Fund Managers' podcast in June 2024



In the second episode of "The Power Brief," Coronation Fund Managers' Azola Lowan and Mauro Longano delve into South Africa's loadshedding prospects. They highlight the issues with the aging coal power fleet, despite recent maintenance efforts, and the challenges faced by new coal plants. They explore the potential of renewable energy which is making significant contributions, but intermittent nature and transmission capacity constraints pose challenges. They also mention that there is an expectation for reduced loadshedding stages until the end of 2025, with a balanced energy mix and improved transmission infrastructure needed for a long-term solution.

Listen to the full podcast [here](#)
(it is 12 min 23 sec long).



Speakers



Azola Lowan,
Client Service Fund Manager, Institutional
Business, Coronation Fund Managers



Mauro Longano,
Head of Fixed Income Research and Portfolio
Manager, Coronation Fund Managers

Key takeouts from the discussion:

Coal-fired power stations are in dire need of maintenance

South Africa's coal power stations, particularly the older, under-maintained plants, and the newer but problematic Medupi and Kusile plants, face significant reliability and efficiency issues. Maintenance improvements are ongoing, but the overall efficiency of these plants is expected to decline over time, as a result of plant aging.

Renewable energy, particularly wind and solar, have been a game changer

These energy sources have contributed significantly to the grid. The lifting of the embedded generation cap by President Cyril Ramaphosa has allowed private sector involvement, leading to increased renewable energy projects. However, the intermittent nature of renewables and the lack of sufficient transmission infrastructure present significant challenges. The current transmission system requires extensive investment, running into hundreds of billions of rand, to accommodate the new capacity.

Importance of transmission infrastructure

The transmission system is insufficient and needs extensive upgrades, which could cost billions of rand. This critical infrastructure is essential for integrating new energy projects into the grid, but global demand for transmission components is high, causing delays and complications in upgrading efforts.

Nuclear energy's contribution

Koeberg nuclear plant remains a reliable part of South Africa's energy mix, providing consistent base load power. Efforts are underway to extend its operational life, though these are challenged by regulatory hurdles and the need for significant upgrades to meet international safety standards.

Future projections and solutions

Loadshedding is expected to persist at lower stages until at least the end of 2025 due to gradual improvements in supply from both Eskom and private sectors. However, a fully balanced energy mix, combining sufficient base load capacity with renewable technologies and supporting infrastructure, is essential to completely eliminate loadshedding in the long-term.

Conclusion

The podcast ends on an optimistic note, expecting significant progress in the next two years, but emphasising the need for effective transmission and balanced generation capacity to ensure long-term energy stability in South Africa. Achieving this will require substantial investment and coordinated efforts across various sectors to build a resilient and reliable energy system.

CRACKS REVEALED, SLOWDOWN AHEAD?



Adapted from an article by
Saul Miller

Portfolio Manager
Truffle Asset Management



Signs of slowing in the US with higher unemployment rates, increased debt and reduced savings

The US economy was buoyant through the second quarter; however negative economic surprises are revealing cracks. Historic payroll numbers are being revised down and the unemployment rate has risen to 4.1%. Consumers appear to have spent excess savings, built up over the pandemic period and the savings rate at 3.6% is now below pre-COVID-19 levels. Higher rates on floating debt and tighter lending standards are creating a more challenging environment for borrowers, evident in rising credit card and auto loan delinquencies. Fixed long term mortgages remain shielded from the impact of tight monetary policy but higher rates on new mortgages remains a headwind for new property owners. Similarly, many corporates that are rolling debt will experience much higher rates.

US GDP growth may slow down next year

Subdued private capital expenditure (capex) intentions, a high base of government spending (related to the Inflation Reduction Act) and lower emigration will also likely weigh on GDP growth next year. Although inflation has been sticky, on balance it appears to be declining which should give the Fed room to start its cutting cycle. Hence, bond rates are more likely to drift lower from here. Earnings revisions continue to drift up, although this is due to large capitalisation shares. These two factors could support what is a relatively expensive market in the short term.

The higher likelihood of a Donald Trump presidency increases global geopolitical and economic risk. The worrying long-term trajectory of US debt may well result in Republicans restricting his ability to engage in meaningful stimulus measures that were done during his prior term.

China remains in the doldrums as falling home prices threaten future GDP growth

Chinese equity markets rebounded in the second quarter, boosted by investor sentiment and government initiatives to support the real estate sector. However, a People's Bank of China survey in the first quarter of 2024 showed that the percentage of people expecting home prices to fall further reached a record high (22%). Property rental yields remain low relative to the rest of the world. Although household completions are at reasonable levels, new starts continue to fall which will weigh on future GDP growth.

China consumer confidence remains low albeit stable

Chinese economic growth is supported by exports and manufacturing capex. Exports remain at risk from escalating trade tensions. As economic growth is still in an acceptable range, it seems unlikely that any significant stimulus would be forthcoming at the upcoming Third Plenum.

China's manufacturing activity remains resilient and emerging market manufacturing PMIs (purchasing managers index) in expansionary territory. This should provide support for commodities.

Momentum stalled in Europe amid higher-than-expected inflation and weak PMI

The European Central Bank met market expectations with a June rate cut, however, core inflation appears to be coming down slower than expected, held up by services inflation. Consumption is low relative to pre-COVID-19 levels and capex remains depressed. Although this could present an opportunity, the PMI is now only marginally in expansionary territory and looking weaker than in the first quarter. Given Donald Trump's isolationist stance, the equity risk premium in Europe could increase.

South Africa's new political dawn resulted in a stronger rand

The recent elections were a watershed moment for South Africa and its democracy. The collapse in ANC support left the ruling party in uncharted territory with the task of not only finding a new leadership solution, but also including far larger opposition parties than initially thought.

Following two weeks of uncertainty and volatility as markets grappled with potential leadership outcomes, the formation of a Government of National Unity (GNU) was formally announced. The GNU, comprising the ANC, DA, IFP, GOOD, PA, PAC and recently the FF parties, will hold 70% of the National Assembly seats under the presidency of Cyril Ramaphosa. Markets have welcomed the outcome given the centrist anchor, policy stability, and the potential for greater commitment to economic reform and growth. The FTSE/JSE All Share Index gained over 5% in two days of trading following the public announcement while the rand strengthened to just below R18 to the US dollar.

Summary and outlook

Globally, inflationary pressures remain evident, but inflation does appear to be slowly gliding down. European policymakers have signalled divergence from the US with rate cuts at the start of June, but any significant shift in rates is unlikely to materialise until further signs of inflation being well under control are evident. Growth data for the US remains buoyant with reported GDP growth of 1.6% in the first quarter of 2024 (annualised), however numerous factors are signalling a slowdown for the US economy. Geopolitical risks across a number of regions remain elevated and continue to drive global economic uncertainty.

While the election fears have settled in South Africa, the new leadership structure and GNU dynamics still need to be bedded down following the recent formation of a new Cabinet. The GNU parties are committed to a workable approach and frankly need each other. While challenges will occur it remains important to distinguish between market noise driving volatility versus fundamental changes which could impact the longer-term outlook. From a macroeconomic perspective, continued improvement to energy security, reform of rail logistics, water and infrastructure remain critical to longer term economic growth in South Africa.



CYBERSECURITY: HOW TO FORTIFY YOUR DIGITAL DEFENCES



Adapted from an article by
Nesaar Banderker

Head of Technology
Sanlam Private Wealth



Anyone can be a target of cybercrime, which is on the rise worldwide as the digital landscape continues to evolve. Here's what you need to know.

According to the World Economic Forum, cybercrime inflicted damage of around US\$6 trillion upon the world economy in 2021 and is projected to cost a staggering US\$10.5 trillion by 2025. On the African continent, Interpol has singled out South Africa as a cybercrime hotspot, recording hundreds of millions of incidents annually. Locally, the estimated cost hovers at around R2.2 billion per year, and we are ranked number five in the world in terms of cybercrime density (measured by the number of victims per million internet users).

Cybercrime knows no boundaries – anyone can be at risk. New types of scams continue to emerge in which fraudsters lure unsuspecting individuals into divulging confidential information – often via email, SMS, phone call, malware or remote access. In some cases, individuals are deceived into transferring funds to a fictitious bank account in the name of a legitimate business.

Cybersecurity protects digital systems and data against threats

As technology forges ahead, it is imperative for us all to remain hypervigilant in protecting our financial assets against cybersecurity threats. In essence, cybersecurity refers to the practices and measures taken to protect computers, networks and online information from unauthorised access, damage or theft. It involves safeguarding digital systems and data from potential threats such as hackers, viruses and other malicious actors.

One can think of cybersecurity as the digital counterpart to the locks and security measures you would use to protect your physical home from burglars. In the digital world, it is about using various techniques, tools and best practices to keep your online assets safe from cybercriminals who might try to gain unauthorised access and steal sensitive information.

How can you fortify your digital defences and avoid falling victim to cybercrime?

Common cybersecurity practices include:

- Using strong, unique passwords.
- Enabling two-factor authentication wherever possible.
- Keeping software up to date.
- Using secure internet connections.
- Being mindful of information shared online.

Be wary of the platform where you share your information

It is crucial to remain vigilant when encountering suspicious emails, text messages or phone calls asking for personal or financial information. Legitimate organisations will never ask for sensitive information via these channels. If someone asks you to make a payment into a bank account, verify the account details with the recipient by phoning them. Some banks can also assist in verifying bank account information.

In addition, never provide personal information via links to websites in SMS messages you receive out of the blue. Your trusted financial services provider is unlikely to send you an SMS or email with a link to a website where you need to provide identifying personal information in an insecure manner. This includes information such as your ID number, bank account number or a one-time password (OTP). If in doubt, always check with your financial services provider.



FG ASSET MANAGEMENT

QUARTERLY REPORT

Quarter 2 | 2024

ARCHITECTS OF SENSIBLE INVESTMENT SOLUTIONS



MARKET COMMENTARY



Jacy Harington

Portfolio Manager
FG Asset Management

Monetary policy and geopolitics influenced financial markets

Global monetary policy developments remained central to financial market movements over the quarter, a familiar theme that has captivated the market since inflation reached record levels after the COVID-19 pandemic. As the market shifted on their views on future interest rates cuts from the US Federal Reserve (the Fed) so too did the sentiment towards growth assets. Geopolitical tensions in the Middle East escalated again, which also contributed to some sentiment swings over the second quarter of 2024. South African equity markets outperformed, as the strong performance of the resources sector provided support in April, while the government coalition announcements drove domestic focussed counters materially higher into quarter end.

Over the second quarter the US economy started to show some signs of slowing

The final estimate of the US GDP growth showed the US economy expanded by 1.4%, below estimates of 2.5% and slower than the fourth quarter's growth of 3.4%. The lower growth rate can predominantly be attributed to the deceleration in consumer spending, exports, and government spending. The US labour market data releases for the quarter showed some weakness, specifically declining job vacancies and lower unit labour costs. The unemployment rate increased to 4% by the end of quarter, the highest levels since the start of 2022. This was seen as supportive for easing monetary policy as a weaker labour market will reduce the price pressures (wage inflation) within the services sector.

High US services inflation reduced the urgency for interest rate cuts

The closely followed US inflation data showed pricing pressures slowing, with the annual Consumer price index (CPI) inflation decreasing from 3.5% to 3.3% over the quarter. Overall services inflation (excluding shelter) remains high and is showing little sign of abating. This supports the market view that there would be no urgency for the Fed to cut interest rates as early as they had forecasted at the start of the year and the Fed had also taken the stance to rather wait to gain greater confidence in declining inflation rather than start cutting rates too early.

The Fed held two FOMC (Federal Open Market Committee) meetings in May and June, where they unanimously decided to keep interest rates unchanged at the 5.25-5.50% range. Interest rates have now been at this high level since July 2023, the highest level since 2001. At the May meeting, Fed Chairman Jerome Powell confirmed that, given that the progress of slowing inflation has stalled in the interim, they see it more appropriate to wait and see how inflation develops from here before cutting interest rates. The committee provided their quarterly economic projections at the June meeting, where they reduced their forecast from three 0.25% rate cuts for this year to only one.

South Africa saw slowing food prices and lower inflation

Locally, South Africa also had encouraging inflation releases as inflation deaccelerated over the quarter, with the headline annual rate of inflation falling from 5.3% to 5.2%, while core inflation which excludes food and fuel finished the quarter at 4.6%. Slowing food price increases was the key driver behind the lower inflation and has now fallen for five consecutive months to the lowest level in three years at 4.7%. There is a possibility for the SARB to cut rates in September if inflation continues on its decelerating trend.

Loadshedding hindered South Africa's GDP growth but is expected to improve in the next quarter

On the growth side, the first quarter's GDP growth data was released which showed the South African economy contracted marginally by -0.1% from the previous quarter. This was weaker than expected with manufacturing, mining and construction contracting the most as loadshedding continued to limit growth. The second quarter's growth should be more expansionary as loadshedding had been suspended since the end of March 2024.

The MPC's improved inflation outlook supports a possible rate cut

Locally, the MPC (Monetary Policy Committee) held two meetings over the quarter, in May and June. As widely expected, the committee voted unanimously at both meetings to keep the repo rate unchanged at the 15-year high level of 8.25%. The repo rate has now been at this high level since May last year. The MPC's inflation outlook has



improved as it sees the risks to inflation as being broadly balanced. At the May meeting, the South African Reserve Bank (SARB) also updated their economic forecasts. The SARB has now brought forward its projection by two quarters from its previous estimate to reach its inflation midpoint target by the second quarter of 2025. This was seen as supportive for an interest rate cut in the second half of the year.

Investor confidence was boosted after South Africa's election results

The most significant event for local markets was the national elections that were held on the 29th of May. The official results, released over the last weekend of May, were somewhat surprising, specifically the significant support from within KwaZulu-Natal for the MK (uMkhonto weSizwe) party, which was only started five months prior. In addition, the extent of the decline of the ANC's majority was also larger than expected. Overall, the ANC has failed to win a parliamentary majority for the first time since it came into power in 1994. With only 40.2% of the vote, the ANC was forced to form a coalition or some kind of alliance with one of the larger parties. The coalition negotiations created uncertainty over June but ultimately the ANC agreed to form a broad-based Government of National Unity (GNU) together with 11 other political parties with the DA (Democratic Alliance) and IFP (Inkatha Freedom Party) being the most notable. This allowed for the election of President and National Assembly Speaker within the 14-day period that is allowed by the constitution. Uncertainty however mounted once again into the end of June as speculation heightened over what the cabinet would look like for the new government. Overall, we saw investor confidence return following the GNU agreement, with locally focussed equities, local bonds and the rand all appreciating substantially.

Long-term success of the local market will be based on government policy implementation

Expectations for the historically tight global monetary policy to feed through to the real economy has failed to materialise. There are some signs of global growth (specifically the US) slowing, however market expectations for an outright global recession have been pared back. Global equity markets momentum has continued to carry valuations higher despite elevated inflation and interest rates. This momentum has continued despite the Fed pushing rate cuts later as they have become more data dependent. Locally, markets have been surprisingly stable in the run up to the national election. Going forward the longer-term successful policy implementation from the GNU will be a big determinant for where markets will go to from here. We remain risk aware, while maintaining a healthy exposure to growth assets throughout our funds.



FG SCI* JUPITER INCOME FUND OF FUNDS

For periods until 30 June 2024

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

	Year to Date	6 Months	1 Year	3 Years ¹	5 Years ¹	10 Years ¹	Since Inception ¹
FG SCI Jupiter Income FoF	4.36%	4.36%	10.40%	7.68%	7.12%	7.42%	7.81%
STeFI Composite Index	4.12%	4.12%	8.50%	6.47%	6.05%	6.57%	6.99%
ASISA SA Multi Asset Income Category Average	4.14%	4.14%	9.91%	7.48%	7.07%	7.21%	7.67%
				1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile

¹Data 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

- 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 ²	Benchmark ²
Highest 12-month performance	11.61%	11.77%
Lowest 12-month performance	3.25%	3.76%
% positive months	92.92%	100.00%

²Source until 31 May 2018: MoneyMate

Source from 30 June 2018: Morningstar

The FG SCI Jupiter Income Fund of Funds returned +3.20% in the second quarter of 2024 and +10.40% over the past 12 months, outperforming the benchmark Alexander Forbes Short Term Fixed Income Index quarterly return of +2.02% and the 12-month return of +8.50%. The Terebinth SCI Strategic Income Fund (Amplify) was the best-performing underlying fund over the quarter, returning +4.06%. No changes were made to the fund over the quarter.

Asset allocation as at 31 May 2024

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG SCI Jupiter Income FoF	0%	2%	52%	40%	6%

*The full registered name of the fund is FG Sanlam Collective Investments Jupiter Income Fund of Funds.



FG SCI* VENUS CAUTIOUS FUND OF FUNDS

For periods until 30 June 2024

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

	Year to Date	6 Months	1 Year	3 Years ¹	5 Years ¹	10 Years ¹	Since Inception ¹
FG SCI Venus Cautious FoF	4.86%	4.86%	9.73%	8.70%	8.46%	7.69%	8.61%
ASISA SA Multi Asset Low Equity Category Average	4.68%	4.68%	9.87%	8.06%	7.63%	6.80%	7.58%
				1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile

¹Data 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 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 Managed Income Fund
- Ninety One Global Franchise Feeder Fund
- Prescient Income Provider Fund
- Saffron BCI Opportunity Income Retention 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 ²	Benchmark ²
Highest 12-month performance	16.83%	17.26%
Lowest 12-month performance	-1.41%	-3.15%
% positive months	72.55%	71.57%

²Source until 31 May 2018: MoneyMate

Source from 30 June 2018: Morningstar

The FG SCI Venus Cautious Fund of Funds returned +3.03% in the second quarter of 2024 and +9.73% over the past 12 months, underperforming the benchmark peer group average quarterly return of +3.31% and the 12-month return of +9.87%. The Veritas Global Equity Feeder Fund (Nedgroup) was the worst-performing underlying fund over the quarter, returning -5.90%. No changes were made to the fund over the quarter.

Asset allocation as at 31 May 2024

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG SCI Venus Cautious FoF	16%	2%	32%	27%	23%

*The full registered name of the fund is FG Sanlam Collective Investments Venus Cautious Fund of Funds.



FG SCI* SATURN MODERATE FUND OF FUNDS

For periods until 30 June 2024

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

	Year to Date	6 Months	1 Year	3 Years ¹	5 Years ¹	10 Years ¹	Since Inception ¹
FG SCI Saturn Moderate FoF	5.33%	5.33%	10.23%	9.67%	9.80%	7.65%	10.07%
ASISA SA Multi Asset Medium Equity Category Average	5.24%	5.24%	9.83%	8.57%	8.28%	6.72%	8.79%
				1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile

¹Data 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 Global Managed Income Fund
- Ninety One Opportunity Fund
- PSG Flexible Fund
- Satrix Bond Index Fund
- Terebinth SCI Strategic Income Fund (Amplify)
- Truffle SCI Wealth Protector Fund (Amplify)

Performance statistics

	Fund ²	Benchmark ²
Highest 12-month performance	31.40%	26.41%
Lowest 12-month performance	-18.22%	-15.68%
% positive months	70.35%	66.81%

²Source until 31 May 2018: MoneyMate

Source from 30 June 2018: Morningstar

The FG SCI Saturn Moderate Fund of Funds returned +3.82% over the second quarter of 2024 and +10.23% over the past 12 months, outperforming the benchmark peer group average quarterly return of +3.59% and the 12-month return of +9.83%. The Satrix Bond Index Fund was the best-performing underlying fund, returning +7.41% over the quarter. The decision was made over the quarter to switch the fund's global bond exposure into global equities. This resulted in taking a percentage from the Ninety One Global Multi-Asset Income fund and reallocating it to a new manager; the Sarofim Global Equity Fund (Amplify).

Asset allocation as at 31 May 2024

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG SCI Saturn Moderate FoF	29%	3%	24%	11%	33%

*The full registered name of the fund is FG Sanlam Collective Investments Saturn Moderate Fund of Funds.



FG SCI* NEPTUNE GROWTH FUND OF FUNDS

For periods until 30 June 2024

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

	Year to Date	6 Months	1 Year	3 Years ¹	5 Years ¹	Since Inception ¹
FG SCI Neptune Growth FoF	5.13%	5.13%	9.01%	9.15%	9.86%	7.89%
ASISA SA Multi Asset High Equity Category Average	5.50%	5.50%	10.31%	9.15%	8.92%	6.93%
			1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile

¹Data 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

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

Performance statistics

	Fund ²	Benchmark ²
Highest 12-month performance	38.17%	30.65%
Lowest 12-month performance	-11.21%	-10.44%
% positive months	64.41%	62.71%

²Source until 31 May 2018: MoneyMate

Source from 30 June 2018: Morningstar

The FG SCI Neptune Growth Fund of Funds returned +3.58% over the second quarter of 2024 and +9.01% over the past 12 months, underperforming the benchmark peer group average quarterly return of +3.80% and the 12-month return of +10.31%. The Veritas Global Equity Feeder Fund (Nedgroup) was the worst-performing underlying fund, returning -5.90% over the quarter. The decision was made over the quarter to rebalance Neptune's style exposures to achieve a more balanced style exposure. To rebalance; the Ninety One Equity Fund allocation was fully redeemed and reallocated to a new fund allocation (the Granate BCI Flexible Fund) and existing underlying fund managers. The fund's total equity exposure was also realigned to be in line with Venus, Saturn, and the more aggressive multi-asset high equity category by shifting the fund's global bond exposure. This resulted in a 2% reallocation from the Ninety One Global Multi-Asset Income Fund to a new fund manager; the Sarofim Global Equity Fund (Amplify). The decision was also made to increase the fund's local equity allocation by switching 1% from the Matrix SCI Stable Income Fund into the Fairtree Equity Prescient Fund.

Asset allocation as at 31 May 2024

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG SCI Neptune Growth FoF	35%	1%	14%	12%	38%

*The full registered name of the fund is FG Sanlam Collective Investments Neptune Growth Fund of Funds.



FG SCI* MERCURY EQUITY FUND OF FUNDS

For periods until 30 June 2024

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

	Year to Date	6 Months	1 Year	3 Years ¹	5 Years ¹	10 Years ¹	Since Inception ¹
FG SCI Mercury Equity FoF	6.44%	6.44%	9.31%	10.71%	11.21%	7.14%	10.40%
FTSE/JSE Africa All Share (total return)	5.75%	5.75%	9.14%	10.96%	10.57%	8.18%	12.43%
ASISA SA Equity General Category Average	5.48%	5.48%	9.75%	9.43%	8.66%	5.74%	9.99%
				1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile

¹Data 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 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 ²	Benchmark ²
Highest 12-month performance	56.14%	53.98%
Lowest 12-month performance	-31.68%	-37.60%
% positive months	61.95%	61.06%

²Source until 31 May 2018: MoneyMate

Source from 30 June 2018: Morningstar

The FG SCI Mercury Equity Fund of Funds returned +6.55% in the second quarter of 2024 and +9.31% over the past 12 months, underperforming the +8.19% quarterly return of the benchmark FTSE/JSE All Share (total return) Index while outperforming the 12-month return of +9.14%. The Coronation Global Optimum Growth Feeder Fund was the worst-performing underlying fund, returning -3.65% over the quarter. No changes were made to the fund over the quarter.

Asset allocation as at 31 May 2024

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG SCI Mercury Equity FoF	75%	2%	0%	4%	19%

*The full registered name of the fund is FG Sanlam Collective Investments Mercury Equity Fund of Funds.



FG SCI* INTERNATIONAL FLEXIBLE FUND OF FUNDS

For periods until 30 June 2024

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

	Year to Date	6 Months	1 Year	3 Years ¹	5 Years ¹	10 Years ¹	Since Inception ¹
FG SCI International Flexible FoF	4.26%	4.26%	6.39%	8.36%	8.90%	8.75%	8.75%
Benchmark ²	4.54%	4.54%	7.08%	8.71%	9.92%	8.94%	9.56%
ASISA Global Multi Asset Flexible Average ³	4.54%	4.54%	7.08%	8.71%	9.92%	8.91%	8.85%
				1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile

¹Data for longer than 12 months are annualised

Annualised returns are period returns re-scaled to a period of 1 year

²Benchmark 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

³Current 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 ⁴	Benchmark ⁴
Highest 12-month performance	40.26%	34.52%
Lowest 12-month performance	-16.99%	-15.05%
% positive months	56.50%	59.20%

⁴Source until 31 May 2018: Iress

Source from 30 June 2018: Morningstar

The FG SCI International Flexible Fund of Funds returned -2.39% in the second quarter of 2024 and +6.39% over the past 12 months, outperforming the benchmark peer group average quarterly return of -2.72%, while underperforming the 12-month return of +7.08%. The Ninety One Global Strategic Managed Fund was the best-performing underlying fund over the quarter, returning -0.98% in rand terms. No changes were made to the fund over the quarter.

Asset allocation as at 31 May 2024

	Global Equity	Global Fixed Income	Global Cash	Global Property	Local Cash
FG SCI International Flexible FoF	63%	23%	11%	1%	2%

	USD	GBP	Euro	JPY	Other	Rand
Currency breakdown	75%	2%	7%	3%	11%	2%

*The full registered name of the fund is FG Sanlam Collective Investments International Flexible Fund of Funds.



MARKET PERFORMANCE

Index	Asset Class	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Last 12 months	Year to Date 2024*
STEFI Composite Index	Local cash	2.07%	2.09%	2.00%	2.02%	8.50%	4.12%
FTSE/JSE All Bond (total return)	Local bonds	-0.33%	8.11%	-1.80%	7.49%	13.73%	5.55%
FTSE/JSE SA Listed Property (total return)	Local property	-0.97%	16.37%	3.85%	5.50%	26.25%	9.55%
FTSE/JSE Africa All Share (total return)	Local shares	-3.48%	6.92%	-2.25%	8.19%	9.14%	5.75%
Bloomberg Global Aggregate TR USD	Global bonds	-3.59%	8.10%	-2.08%	-1.10%	0.93%	-3.16%
FTSE EPRA Nareit Global REITs TR USD	Global property	-6.50%	15.58%	-1.51%	-1.38%	4.96%	-2.87%
MSCI World GR USD	Global shares	-3.36%	11.53%	9.01%	2.78%	20.75%	12.04%
MSCI ACWI GR USD	Global shares	-3.30%	11.15%	8.32%	3.01%	19.92%	11.58%
US dollar/South African rand (+ weaker rand, -stronger rand)	Exchange rate	-0.27%	-2.93%	3.55%	-3.57%	-3.34%	-0.15%

*Return until 30 June 2024
All performances until 30 June 2024
(Source: Morningstar)



ADDITIONAL FUND INFORMATION

Fund name	No. of participatory interests*	NAV (month-end)*	Total expense ratio (TER)**
FG SCI International Flexible FoF A	10,305,049.60	38.85	1.48
FG SCI International Flexible FoF A1	22.68	37.82	2.03
FG SCI International Flexible FoF B	49,725.84	30.66	3.15
FG SCI International Flexible FoF B1	1,255,395.77	31.81	2.92
FG SCI International Flexible FoF C	12,874,797.95	38.01	1.75
FG SCI Jupiter Income FoF A	28,129,337.48	12.86	1.03
FG SCI Jupiter Income FoF A1	58.60	12.82	1.57
FG SCI Jupiter Income FoF B1	980,060.05	12.75	2.47
FG SCI Jupiter Income FoF C	60,518,073.06	12.84	1.29
FG SCI Mercury Equity FoF A	4,172,977.83	46.48	1.55
FG SCI Mercury Equity FoF A1	17.25	46.36	2.03
FG SCI Mercury Equity FoF B	113.14	44.37	3.28
FG SCI Mercury Equity FoF B1	32,169.46	45.42	2.99
FG SCI Mercury Equity FoF C	513,218.74	46.42	1.81
FG SCI Neptune Growth FoF A	25,852,930.83	16.47	1.72
FG SCI Neptune Growth FoF A1	49.81	16.42	2.21
FG SCI Neptune Growth FoF B1	1,090,001.24	16.32	3.16
FG SCI Neptune Growth FoF C	2,815,405.25	16.45	1.78
FG SCI Saturn Moderate FoF A	38,494,997.21	36.85	1.48
FG SCI Saturn Moderate FoF A1	22.00	36.73	1.99
FG SCI Saturn Moderate FoF B	117,052.75	36.41	3.21
FG SCI Saturn Moderate FoF B1	3,327,854.11	36.47	2.92
FG SCI Saturn Moderate FoF C	16,180,174.58	36.78	1.72
FG SCI Venus Cautious FoF A	54,902,381.13	19.63	1.21
FG SCI Venus Cautious FoF A1	40.09	19.57	1.73
FG SCI Venus Cautious FoF B	25,742.98	19.34	2.95
FG SCI Venus Cautious FoF B1	2,809,150.66	19.36	2.65
FG SCI Venus Cautious FoF C	30,758,353.14	19.60	1.47

*NAV (month-end) and no. of participatory interests as at 30 June 2024

**TER as at 31 May 2024



INDEPENDENT
TRANSPARENT
COMPETENT

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

PRETORIA:

FIRSTGLOBAL Capital (Pty) Ltd
Jan Labuschagne: jan@fgip.co.za
Ernst Beukes: ernst@fgip.co.za
Annalise Rossouw: annalise@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

www.fgip.co.za

DISCLOSURE: All reasonable steps have been taken to ensure the information on this report is accurate. Collective Investment Schemes are generally medium to long term investments. The value of participatory interests or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending. Collective investments are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accruals and less any deductible expenses such as audit fees, brokerage and service fees. The full performance history of the best performing underlying funds mentioned in this report can be viewed on the respective MDDs of that fund. Performance is based on NAV to NAV calculations with income reinvestments done on the ex-dividend date. Forward pricing is used. A schedule of fees and charges and maximum commissions is available on request from the manager. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. Fund of funds invest in portfolios of other Collective Investment Schemes that levy their own charges, which could result in a higher fee structure for the fund of funds. The individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. International investments or investments in foreign securities could be accompanied by additional risks such as potential constraints on liquidity and repatriation of funds, macroeconomic risk, political risk, foreign exchange risk, tax risk, settlement risk as well as potential limitations on the availability of market information. Sanlam Collective Investments (RF) (Pty) Ltd (SCI) retains full legal responsibility for the Co-Naming portfolio. Transaction cutoff time is 15:00 daily. The Manager has a right to close the portfolio to new investors in order to manage it more efficiently in accordance with its mandate. Valuation time is 17:00 for fund of funds. Prices are published daily and available in local media as well as at www.sanlamunittrusts.co.za. SCI, is the authorised Manager of the Scheme – contact 021 916 1800 or service@sanlaminvestments.com. FGAM is appointed to manage the fund on behalf of SCI* and is an authorised Financial Services Provider in terms of the FAIS Act – contact 021 460 5007 or direct@fgam.co.za. Standard Bank is the trustee/custodian – contact sanlam@standardbank.co.za. The client can obtain, free of charge, additional information on the proposed investment including, but not limited to, brochures, application forms and the annual report and any half-yearly report from the Manager. Sanlam is a member of ASISA. Financial Advisor fees as agreed between the Investor and the Advisor may apply and payment to the Advisor will be facilitated on behalf of the Investor. A statement of changes in the composition of the portfolio during the reporting period is available on request. The EAC is a standard industry measure which has been introduced to allow you to compare the charges you incur and their impact on the investment returns over specific periods.

SCI* - Sanlam Collective Investments (RF) (Pty) Ltd

DISCLAIMER: This document is for information purposes only and is not intended for the solicitation of new business. FG Asset Management shall not accept any liability or responsibility of whatsoever nature and however arising in respect of any claim, damage loss or expense relating to or arising out of or in connection with the reliance by anyone on the contents of this document. This quarterly report should be read in conjunction with all FGAM Fund of Funds MDD. FG Asset Management is a licenced Financial Services Provider FSP number 20987.