Fund Details

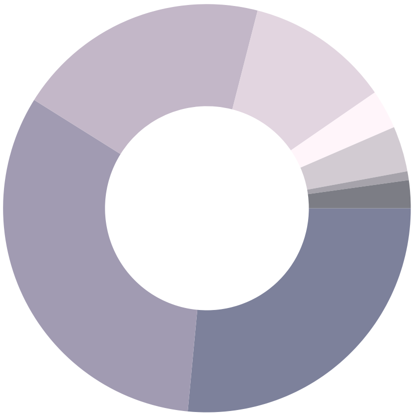
Benchmark	ASISA Category	Portfolio Managers	Suitable Investor
CPI + 4%	South African Multi-Asset Low Equity	Ian Anderson Richard Henwood	The Merchant West Sanlam Collective Investments Stable Payers and Growers Fund is suitable for investors who require a balance between growth and income at moderate to conservative risk levels. The Fund is Regulation 28 compliant and has a maximum effective equity exposure limit of 40%. The recommended investment horizon is three years or more.

Top 10 Holdings

Top 10 Holdings	%
Merchant West SCI* Global Managed Growth Fund Class Z	18.1
RSA Govt Bond R2030 8.0% 31012030	11.4
RSA Govt Bond R2035 8.875% 28022035	10.9
RSA Govt Bond R2040 9.0% 31012040	4.2
Spear REIT Ltd	3.0
Dipula Income Fund B	2.8
Fairvest Limited B	2.7
FirstRand F/R 09032025	2.6
RSA Govt Bond R186 10.5% 122026	2.5
Stor-Age Property REIT Ltd	2.0

Asset Allocation

Portfolio Date: 30/09/2024



Asset Allocation	%
SA Equity	26.5
SA Fixed Income	32.4
SA Property	20.1
Global Equity	11.4
SA Cash	3.1
Global Property	3.6
Global Cash	0.7
Global Bonds	2.2
Total	**100**

Annualised Performance

Annualised Performance	Fund %	Benchmark %
3 months	8.6	1.6
1 year	22.1	7.9
3 years	10.9	9.6
5 years	8.9	8.9
10 years	6.1	9.0
Since Inception (May 2009)	7.6	9.1
Launch Date (May 2009)		

Highest and Lowest Annual Returns

Highest and Lowest Annual Returns	%
Highest annual return	28.3
Lowest annual return	-9.6

Market Overview

Global developed market equities continued their strong run in the third quarter of 2024 with the MSCI World Index rising 6.4% in US dollars. The global equity benchmark has now risen 18.9% year-to-date and is up by just over 32% year-on-year, with only two negative months in the past twelve. The US Federal Reserve (Fed) was a key catalyst driving investor optimism as Fed members agreed to cut rates by 0.5% at their September meeting, a larger cut than many investors anticipated. It was also the first rate cut from the Fed since the easing at the start of the Covid-19 pandemic in March 2020 and dropped the Fed's overnight rate to 5%, off the 20-plus year high it has been at since mid-2023. The Fed cited some early signs of weakness in the US labour market as the motivation for easing monetary conditions. US inflation slowed for a fifth consecutive month to 2.5% year-on-year in August from 2.7% in July, and slightly below market forecasts of 2.6%.

The rate cut helped to nudge the US 10-year bond yield from 4.37% at the end of June to 3.80% at the end of September. This borrowing rate has remained below the 4% level for two months after spending most of the year above 4%. At the end of September, Fed Chair Jerome Powell signalled that more interest rate cuts are in the pipeline but suggested they would occur at a measured pace intended to support a still-healthy economy.

The positive sentiment following the formation of South Africa's business-friendly Government of National Unity (GNU) has triggered a wave of investment announcements and positive sentiment not seen in years, spurring hope that the local economy may finally be finding its footing after a lost decade-and-a-half.

The local equity market continued its strong upward momentum in the third quarter, posting its best third quarter performance since 2013 as the FTSE/JSE All Share Index gained 9.6% (on top of the second quarter's 8.2%) in rand terms. Much of the positive action was focussed on the SA Inc segment of the market, with the JSE Banks Index gaining 13.4 %, the JSE Retailers Index returning 23.4%, and the SA Listed Property Index advancing 18.7% over the quarter. The strong performance from SA Inc stocks was also evident in the gains shown by the Small and Mid-caps, which returned 15.6% and 10.9% respectively, while the rand hedge skewed Large Cap Index lagged with a return of 8.3%. Naspers (+17.6%) and Prosus (+16.2%) also boosted market returns during the quarter, rallying on China's stimulus measures, seen as benefitting their major investment in Tencent. While the JSE Resources Index declined 1.1% during the quarter, it did rally strongly post the China stimulus announcements.

South Africa's inflation rate declined from 5.1% in June 2024 to the latest reading of 4.4% in August. As was widely expected, the SA Reserve Bank (SARB) reduced the repo rate from 8.25% to 8.0% in September 2024, the first cut since the heightening cycle commenced in November 2021. Lower interest rates should benefit heavily indebted consumers and businesses alike.
The South African bond market cheered the commencement of the new easing interest rate environment and positive sentiment which drove the rand from a level of R18.19 at the end of the June quarter to R17.27 at the end of September, representing a gain of more than 5% against the US dollar. The BEASSA All Bond Index gained 10.6% over the September quarter.

Portfolio & Performance Commentary

During the quarter, the Fund returned 8.6%, outperforming its benchmark (CPI + 4%) and the peer group average. The outperformance can largely be attributed to the Fund's relatively high exposure to South African equities and listed property securities, as well as the Fund's lower relative exposure to global financial markets. SA Inc equities and listed property securities continued to benefit from the improved investor confidence in South Africa, while the rand strengthened against the US dollar, euro and British pound.

The Fund disposed of its position in Anglo American, while new positions were established in Advtech, Afrimat, Bidcorp, Hudaco, the JSE, Outsurance and We Buy Cars, all of which offer above-average growth in dividends over the medium term but were trading on attractive dividend yields at the time of inclusion in the portfolio.

The Fund's position in the Merchant West SCI* Global Managed Growth Fund was increased to just under 19%, taking advantage of the stronger rand, which is now trading closer to fair value on an adjusted purchasing power parity basis.

The Fund paid a distribution of 25.59c for the A class and 26.98c for the A1 class, in line with expectations. It is worth noting that distributions paid in the first and third quarters are lower than the distributions paid in the second and fourth quarters, mainly because of the timing of dividends paid by the listed property securities in the portfolio.

Current Positioning & Outlook

The Fund's current allocation to growth assets (equities and listed property) has increased to 62%, following the strong rally in South African equities and listed property securities and is not far off the maximum permissible allocation of 65% (40% equity and 25% listed property).

Based on a combination of Bloomberg, Refinitiv, IRESS and Merchant West Investments forecasts, the current one-year forward income yield on the Fund is 7.0%, which compares very favourably with the yield on money market and income funds, despite more than 60% exposure to growth assets. Based on those same forecasts, the income produced by the portfolio is expected to grow at approximately 4.3% per annum over the next three years. This rate of growth has increased following the introduction of several higher growth stocks into the portfolio.

The Fund is ideally suited for investors looking to build an income for their retirement and then to manage that income in retirement such that the major risks facing retirees, namely longevity (how long am I going to live), sequence of returns risk (getting the returns when you need them) and inflation (the hurdle rate and one that grows rather than shrinks in retirement), are mitigated and in some instances completely eradicated. Investors can live off the income provided by the portfolio and not draw excessively against the capital. In this way, the investor's capital is preserved and is only utilised in emergencies during their retirement, irrespective of how long that retirement lasts.

Ian Anderson
Portfolio Manager

Richard Henwood
Portfolio Manager

**Sanlam Collective Investments*

Disclaimer

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