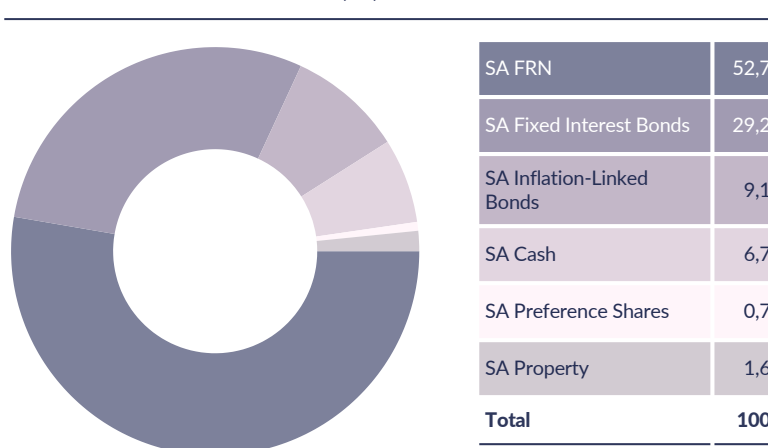


**Fund Details**

Benchmark	ASISA Category	Portfolio Managers	Suitable Investor
STeFI	South African Multi-Asset Income	Daniel King	The Merchant West Sanlam Collective Investments Enhanced Income Fund is suitable for a conservative investor seeking regular income payments or moderate capital growth. The recommended investment horizon is three years or more.

**Top 10 Holdings**

	%
Republic of South Africa F/R 17092030	22,2
RSA Govt Bond R2035 8.875% 28022035	20,0
RSA Govt Inflation-Linked Bond I2033 1.875% 022033	8,2
Merchant West SCI* Money Market Fund Class B	6,1
Nedbank F/R 9.275% 15082029	5,6
RSA Govt Bond R2037 8.50% 31012037	4,8
Standard Bank F/R 19082026	4,8
Momentum Metropolitan Life Limited F/R 10122026	3,4
RSA Govt Bond R2053 11.625% 31032053	2,4
Growthpoint Properties Ltd F/R 20112024	2,3

**Asset Allocation** Portfolio Date: 31/12/2024

**Annualised Performance**

	Fund %	Benchmark %
3 months	1,9	2,0
1 year	13,5	8,5
3 years	9,1	7,2
5 years	7,8	6,2
10 years	8,1	6,7
Since Inception (December 2012)	7,5	6,4
Launch Date (December 2012)		

**Highest and Lowest Annual Returns**

	%
Highest annual return	13,5
Lowest annual return	4,5

**Performance Review**

The Fund returned 1.86% for the quarter, slightly underperforming its benchmark, the STeFI Composite Rate, which returned 2.01%. The average local multi-asset income fund delivered a return of 1.52% during the quarter, while the average local bond fund delivered 0.41%.

The Fund's net return over 12 months is 13.46% versus the STeFI Composite return of 8.51% and a peer group return of 10.15% over the period. The average bond fund delivered 15.34% over 12 months. The Fund's overweight position in long-dated government bonds has been a boost to relative performance during the year.

**Market and Economic Review**

Fed Chair Jerome Powell's cautious stance on for US inflation should not come as a surprise. US inflation increased in November to 2.7% YoY from 2.6% YoY in October, in line with market forecasts. The Fed announced another 25 basis points cut to the federal funds rate in December, marking its third consecutive cut in 2024 and reducing the Fed's target range to 4.25% to 4.5%. Hawkish comments from Chair Powell post the meeting and a revised Fed committee dot plot indicating that policymakers now anticipate just two interest rate cuts in 2025, totalling 50 basis points, compared to 100 basis points of reductions projected in the previous quarter surprised investors. The Fed also revised its GDP growth forecasts upward for 2025 from 2.0% to 2.1% and reduced its unemployment forecast for 2025 from 4.4% to 4.3%.

The hawkish comments from Chair Powell around the Fed's outlook for US inflation and reduced expectations for interest rate cuts for 2025 caused a sell-off in US treasury bonds in December as bond yields moved significantly higher. The US 10-year treasury yield increased 39 basis points to 4.58%. This was nearly one percentage point higher than when the Fed began cutting US interest rates in September. This is the opposite of what the central bank would have expected as investors demand a higher risk premium on US government bonds. Bond yields also increased in the UK and Europe during December. The higher bond yields, especially in the US, left the Bloomberg Barclays Global Aggregate Treasuries Index with a total return of -6.0% in the fourth quarter, and -3.6% for the calendar year.

South Africa's inflation rate increased slightly to 2.9% year-on-year (YoY) in November but came in below market forecasts of 3.0% and remains well below the SARB's midpoint target of 4.5%. Core inflation eased from 3.8% YoY in October to 3.7% in November.

The South African Reserve Bank reduced its key interest rate by 25 basis points to 7.75% at its November meeting, as anticipated, bringing borrowing costs to their lowest level since April 2023. Policymakers stressed that while inflation is well-contained in the short term, the medium-term outlook carries significant uncertainties and potential for upside risks.

While SA bonds (BEASSA All Bond Index) produced a negative return of 0.3% in December as local bond yields moved higher, in line with global peers, this was not sufficient to result in a negative quarter. The All Bond Index managed a total return of 0.4% for the quarter, and a stellar 17.2% for the calendar year.

### Portfolio Strategy

As the South African bond yield curve has shifted downwards, we have actively switched our long-dated bond exposures into shorter dated equivalents. We also continue to diversify our bond exposures with a sizable, low duration, floating rate note weighting in the Fund. We have maintained an overweight exposure to inflation-linked bonds over the prior year, providing greater protection against macroeconomic volatility and attractive real yields, slightly below 5%. Against this backdrop, the Fund continues to be a valuable investment proposition for clients given that South African fixed-interest assets are attractively priced both in absolute and relative terms.

**Daniel King**  
Portfolio Manager

\*Sanlam Collective Investments

#### Disclaimer

Sanlam Collective Investments (RF) (Pty) Ltd is a registered Manager in terms of the Collective Investment Schemes in Securities. Collective investment schemes are generally medium to long-term investments. Please note that past performance is not necessarily a guide to future performance and that the value of investments may go down as well as up. A schedule of fees, charges and maximum commissions can be obtained from the Manager. Additional information of the proposed investment, including brochures, application forms and annual or quarterly reports, can be obtained from the Manager, free of charge. Collective investments are traded at ruling prices and can engage in borrowing and script lending. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. Charges of the most expensive fee class, maximum fund charges include (incl. VAT): Manager initial fee (max.): 3.45%; Manager annual fee (max.): 0.63%; Total Expense Ratio (TER): 0.67%. The Manager retains full legal responsibility of the third-party portfolio. The registered name of the Fund is "Merchant West Sanlam Collective Investments Enhanced Income Fund." The performance of the portfolio depends on the underlying assets and variable market factors. Performance is based on NAV-to-NAV calculations with income reinvestments done on the ex-dividend date. Lump sum investment performances are quoted. 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 actual investment performance of the portfolio and the investor will differ depending on the initial fees applicable, the actual investment date, and the date of reinvestment of income as well as dividend withholding tax. Past performance is not indicative of future performance. The Management of this portfolio is outsourced to Merchant West Investments (Pty) Ltd, (FSP) License No. 44508, an Authorised Financial Service Provider under the Financial Advisory and Intermediary Services Act, 2002. The manager has the right to close the portfolio to new investors in orders to manage it more efficiently in accordance with its mandate. Annualised return is the weighted average compound growth rate over the period measured.