Fund Details

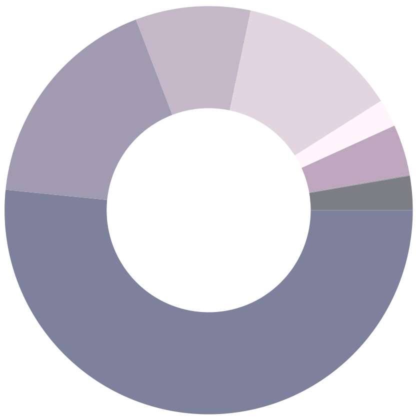
Benchmark	ASISA Category	Portfolio Managers	Suitable Investor
CPI + 6%	South African Multi-Asset High Equity	Ian Anderson Richard Henwood	The Merchant West Sanlam Collective Investments Managed Payers and Growers® Fund is suitable for an investor seeking to achieve long-term income and capital growth at moderate risk levels. The Fund is Regulation 28 compliant and has a maximum effective equity exposure limit of 75%. The recommended investment horizon is five years or more.

Top 10 Holdings

Top 10 Holdings	%
Merchant West SCI* Global Managed Growth Fund Class Z	19,6
RSA Govt Bond R2030 8.0% 31012030	4,6
RSA Govt Bond R2035 8.875% 28022035	4,3
Spear REIT Limited	3,6
Fairvest Limited B	2,7
Dipula Income Fund B	2,6
We Buy Cars Holdings	2,4
Mr Price Group Limited	2,4
The Foschini Group Limited	2,3
British American Tobacco Plc	2,3

Asset Allocation

Portfolio Date: 31/12/2024



Asset Allocation	%
SA Equity	51,6
SA Property	17,6
SA Fixed Income	9,1
Global Equity	12,7
SA Cash	2,2
Global Property	4,0
Global Cash	0,1
Global Bonds	2,7
Total	**100**

Annualised Performance

Annualised Performance	Fund %	Benchmark %
3 months	1,6	1,5
1 year	19,0	9,0
3 years	10,1	11,1
5 years	9,1	10,8
10 years	5,1	10,9
Since Inception (May 2009)	7,9	11,0
Launch Date (May 2009)		

Highest and Lowest Annual Returns

Highest and Lowest Annual Returns	%
Highest annual return	33.5
Lowest annual return	-13.4

Market Overview

The fourth quarter started off with some uncertainty surrounding the outcome of the US election held early in November. The results were conclusive and confirmed that Donald Trump had won the presidential vote and that the Republican party had secured majorities in both chambers of the US Congress. The clean sweep places Donald Trump's administration in a position to quickly enact the "America First" economic policies that were key to his election campaign, including lower taxes, higher trade tariffs and government deregulation which investors hope will boost economic growth. The US significantly outperformed other global equity markets in November.

However, equity markets stumbled in the last month of 2024. Comments from Federal Reserve Chair, Jerome Powell, in December suggested that the Fed's outlook for US inflation had become more cautious and that he saw the need for fewer interest rate cuts in 2025, triggering a sell-off in US equities. The Dow Jones Industrial Index shed 5.2% and the S&P 500 lost 2.4% in December, while the Nasdaq managed to eke out a positive return of 0.5% as the mega-cap tech stocks defied the December gloom.

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. Global listed property (GPR 250 REIT Index, US$, net) was hard hit in December (-7.5% in US dollar) after the significant increase in developed market long bond yields, resulting in a total return of -9.7% for the December quarter and just 1.6% for the calendar year.

Despite the progress being made by the business-friendly GNU, the South African stock market could not escape the gloom in global markets and after three consecutive negative months ended the quarter with a total return of -2.1% for the FTSE/JSE All Share Index. Investors' focus appears to have shifted to global issues, including Trump's potential trade tariffs and sticky inflation. The SA Resources sector was the worst performing major index with a total return of -9.0%, with losses across the board: Industrial Metals & Mining (-7.8%), Precious Metals (-9.4%) and Chemicals (-21.1%) as metal prices fell on concerns about Chinese growth prospects, and Chemicals sector heavyweight Sasol lost more than 28%.

Interest rate sensitive sectors were negatively affected by the weaker rand (which depreciated by 9.5% against a very strong US dollar over the quarter) and the uncertain inflation outlook, with SA Financials losing 1.1%. SA Industrials managed to eke out a positive return of 0.2% for the quarter as rand-hedge stocks benefitted from a weaker rand.

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. South Africa's listed property market (FTSE/JSE SA Listed Property Index) ended the quarter in the red, however, with a total return of -0.8%. For the calendar year, listed property has delivered top performance with a return of 29.0%, outperforming all the major asset classes.

While we remain positive on the outlook for the South African equity market in the medium to long term, subject to the GNU holding and producing results, the challenges facing the country remain. Furthermore, uncertainty on the global economic and investment stage will continue to have a direct impact on the local economy and financial markets and will no doubt result in some volatility in the new year.

Portfolio & Performance Commentary

During the quarter, the Fund returned 1.6%, marginally outperforming its benchmark (CPI + 6%) and the peer group average. For the year, the Fund returned 19.0%, significantly outperforming its benchmark and the peer group average. The outperformance in 2024 can largely be attributed to the Fund's relatively high exposure to South African equities and listed property securities. SA Inc equities and listed property securities benefitted from the improved investor confidence in South Africa following the formation of the GNU at the end of the second quarter.

The Fund disposed of its positions in Mondi plc and Equites during the fourth quarter. Mondi is now operating in an industry where there is little to no pricing power given current supply and demand conditions, while Equites is looking to exit its UK business, a process which is likely to erode shareholder value and create distractions for management.

The Fund's position in the Merchant West SCI* Global Managed Growth Fund was maintained at 20% following a further bout of rand weakness, after Donald Trump was re-elected president of the US.

The Fund paid a distribution of 1.77c for the A class and 1.87c for the A1 class, in line with expectations. The total distributions paid in 2024 amounted to 7.53c for the A class and 7.9c for the A1 class, representing growth of 12% over the distributions paid in 2023.

Current Positioning & Outlook

The Fund's current allocation to growth assets (equities and listed property) has decreased slightly to 85%, following the pullback in global financial markets in December but is not far off the maximum permissible allocation of 90% (65% 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 5.8%, which compares very favourably with the yield on money market and income funds, despite 85% exposure to growth assets. Based on those same forecasts, the income produced by the portfolio is expected to grow at approximately 6.8% 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.

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**Sanlam Collective Investments*