QUARTERLY MARKET INSIGHT

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At MitonOptimal we take asset allocation (AA) very seriously, taking into consideration both Strategic AA (3-7 years) and Tactical AA within the various asset classes. This quarterly piece provides insight into our short term tactical calls on a 12-month view (reviewed quarterly) and as such may diverge from our long term strategic AA views. We review our strategic AA bi-annually as we believe this is prudent practice, in a world dominated by debt de-leveraging, central bank and political interference.

Index	Q4-2022	2022
FTSE/JSE Capped SWIX All Share	12.22%	4.41%
FTSE/JSE SA Listed Property	19.31%	0.49%
FTSE/JSE All Bond	5.68%	4.26%
FTSE/JSE ALB 1-3 Yr	0.70%	5.73%
STeFI Composite	0.54%	5.19%
MSCI World	3.92%	-12.73%
MSCI Emerging Markets	3.86%	-14.81%
S&P 500	-5.71%	-13.13%
Global Bond Index	-1.11%	-13.09%
USD Money Market	-4.53%	8.16%
S&P Global REIT	1.46%	-18.55%
Commodity Index	-2.35%	23.77%

SA EQUITY

Overweight - Outperformed

Quarter 4 of 2022 saw risk assets pull back the losses sustained throughout the rest of the year. South African Equities were no exception to the rule with the Capped SWIX All Share Index returning 12.22% for the quarter bringing the total return for 2022 back into positive territory 4.41%.

It seems like global inflation figures have turned the corner, as in South Africa. The SARB's quick and effective (and sometimes painful) response has done the job of keeping inflation in check. But the new threat on the horizon is growing fear that a global recession might be on the cards because of all the monetary tightening.

This was very evident in December, as we saw risk assets give back some of the gains that were made in October and November.

Overall, we feel more positive regarding our South African Equity allocation and moved slowly from a neutral to a slightly overweight position. The negatives of growing concerns of a recession, more stage 6 loadshedding and an uncertain political landscape are somewhat overshadowed by a positive outlook on the South African equity market in general, President Cyril Ramaphosa winning a 2nd term as leader of the ruling ANC and a trade balance that is (for now at least) still in SA's favour.

Given the various influences (positive and negative) on our local equity market, we remain positive on SA Equity, although cautiously. Our slight overweight allocation has stood us in good stead over the last quarter, but we will look to take profits when the opportunities arise.

SA LISTED PROPERTY

Neutral - Outperformed

The sector had a troublesome start to the year and continued the trend throughout the second and third quarters. This was, however, pulled back in the 4th quarter with SA Listed Property being one of the best performing asset classes returning 19.31% in Q4 2022. We are still uncertain of the future for the asset class and remain vigilant, but our neutral stance gave us enough exposure to benefit from the uptick in prices. The sector also remains attractive from a dividend yield perspective and even more so when compared to our global counterparts. When focusing on certain sectors like warehousing, personal storage and convenience retail and staying away from large retail and office space, the yield and growth prospects seem considerably better.

As stated previously, we are neutral on SA Listed Property, but once interest rates start to normalise, we might see this turning towards a slight overweight in the coming months.

SA FIXED INTEREST

Overweight – Outperformed

Although underperforming versus Q3, the asset class still had a marginal outperformance of the average return factor. The JSE All Bond Index returned 5.68%, underperforming the Capped SWIX All Share Index by over 6%.

Although our medium to long term government bonds are yielding real returns in excess of 4%, there is still selling pressure as long as the FED continues its hawkish nature. It could be said that locking in the higher yields now should bode well for future returns, but we have to factor in the opportunity of risk assets continuing to outperform over the medium term.

For now, we remain slightly overweight to neutral in the asset class going into 2023.

SA CASH

Overweight - Underperformed

Our overweight exposure to cash was a detractor to the performance of our funds and portfolios at the start of the quarter. We did manage to utilise the cash exposure into risk assets by November and December, ultimately moving to an under-weight exposure. But our overall exposure to SA Cash was the only detractor to performance over the last quarter. The SteFI Composite Index returned just over 1% for the quarter, underperforming the Capped SWIX All Share Index by over 10%.

We are keeping to a neutral to underweight exposure to SA Cash, given the high yields on SA Fixed Interest and the possibility of continued outperformance of SA risk assets.

GLOBAL EQUITIES

Underweight – Neutral performance

Global markets remained volatile this quarter, as growth and inflationary concerns continue to wreak havoc. This sparked conversations about when rather than if a global recession is on the cards for global markets and so fears mounted all the way into December. Although the FED seems to have inflation under control with US CPI hitting a low of 7.1% (year-on-year) in November, it was the weakening US Dollar that had the biggest say in the relative underperformance.

We have been reducing exposure to global equities in favour of local risk assets for a while now and have benefited from that again this quarter. We have been skeptical about valuations and fundamentals for a while now, especially on US Equities. With the US Dollar weakening versus the ZAR, it meant that the returns for the MSCI World Index closed out at just under 4% and the MSCI EM Index about there with a 3.8% return for the quarter.

Our allocation also favoured Emerging Markets above Developed Markets, which didn't have much of an effect for the quarter, but we feel confident in the exposure going into 2023. We feel that there are still some negatives that could play out in the medium term and with the ZAR looking strong, we are keeping our underweight exposure to global risk assets.

GLOBAL FIXED INTEREST

Neutral – Underperformed

With global interest rates still very low relative to history and inflation on the rise, we have been skeptical on Global Fixed Interest for quite a while. This skepticism reduced on the back of rising bond yields over the last two months. Over the quarter we were mostly underweight the asset class but returned to neutral midway through the quarter.

With global yields ticking up slightly and the outlook seeming more positive with the FED hiking cycle seemingly coming to an end, we might be inclined to add some allocation in the near future. For now, we remain underweight to the asset class though, but that could return to a neutral allocation if the opportunity comes.

GLOBAL CASH

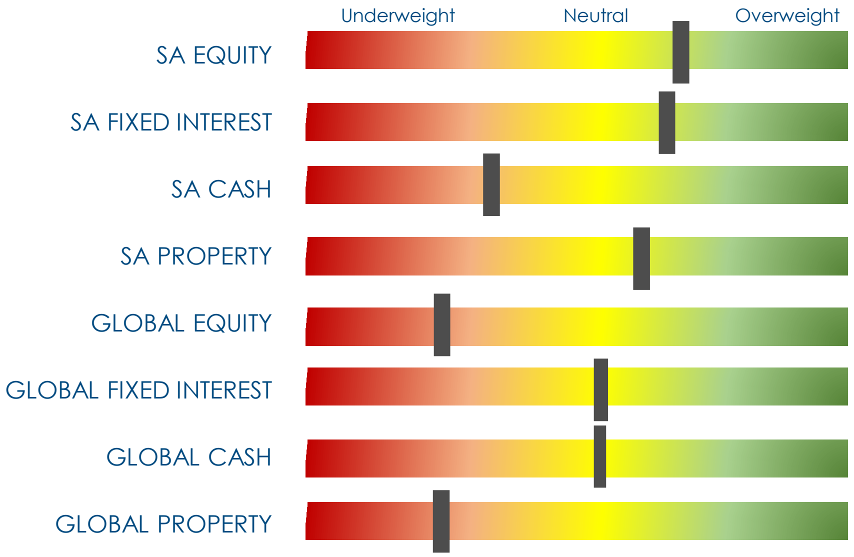
Neutral - Underperformed

As with local cash exposure, the Global Cash allocation is used as either a risk mitigator or as a place holder for future deployment into risk opportunities. Although we started off the quarter with a slight overweight allocation, we found favour in risk assets and moved to slight underweight by December. With our global cash proxy returning -4.5% (in ZAR terms) for the quarter, this decision was a positive contributor to performance.

We feel confident in maintaining a neutral to underweight exposure into 2023, using Global Cash as a risk mitigation tool when and where appropriate.

PORTFOLIO ASSET CLASS WEIGHTINGS

The actual weightings are relative to each portfolio's long term neutral weighting and the actual weighting varies between different risk profiles/mandates.



GLOBAL PROPERTY

Underweight - Underperformed

Global Property was once again an underperformer with lots of headwinds to account for. Although still ending the quarter positive in ZAR terms, the relative ZAR strength and underperformance of the asset class versus equities meant that our underweight stance was a positive contributor to the performance of our funds and portfolios. The Global Property sector (S&P Global REIT Index) ended the quarter with a ZAR return of 1.1%, underperforming Global Equities by almost 3% and underperforming SA Property by 19%.

With risks to the downside still present in the risk-off environment we remain underweight the sector. But where we do own Global Listed Property, we are focused on sectors such as warehousing, storage, data centers and infrastructure.

Source of all data: Morningstar