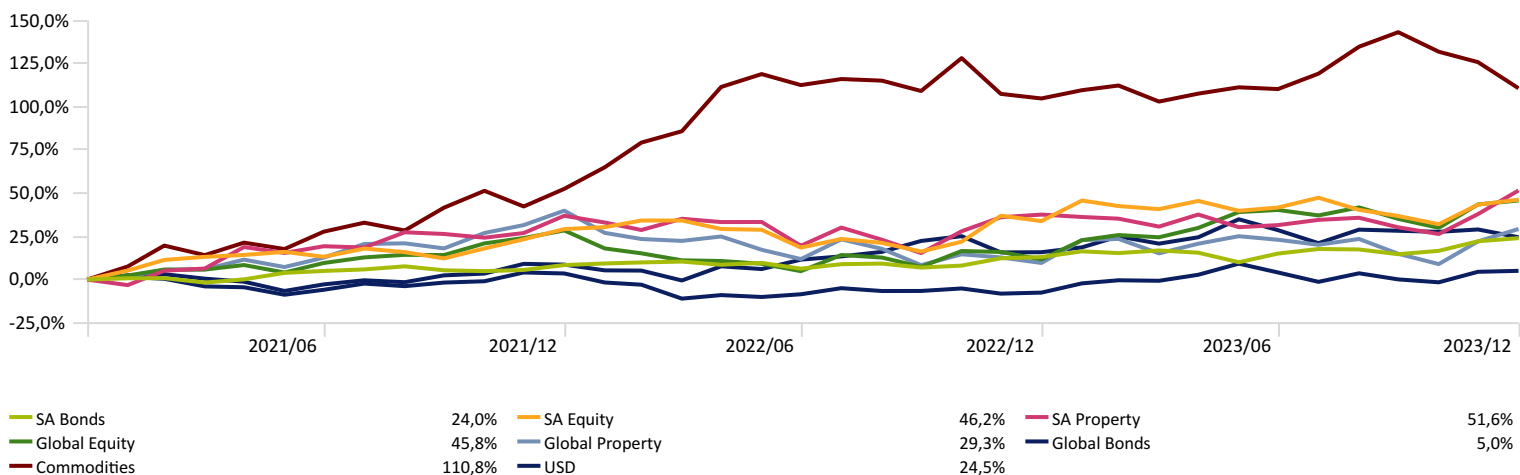


SA OVERVIEW	SA EQUITY	ASISA CATEGORIES	SA COMMENTARY	O/S OVERVIEW	O/S EQUITY	CATEGORY AVERAGES	DM COMMENTARY	DISCLAIMER
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ASSET CLASS RETURNS in ZAR

	1 Month	3 Months	YTD	1 Year	*3 Years
SA Bonds	1,5	8,1	9,7	9,7	7,4
SA Equity	2,0	6,9	9,3	9,3	13,5
SA Property	9,9	16,4	10,1	10,1	14,9
Global Bonds	0,5	4,9	13,6	13,6	1,7
Global Equity	1,6	7,9	30,5	30,5	13,4
Global Property	5,9	12,5	18,0	18,0	8,9
Commodities	-6,7	-13,3	2,9	2,9	28,2
USD	-3,5	-2,9	7,5	7,5	7,6

3 YEAR CUMULATIVE RETURNS in ZAR



CALENDAR YEAR RETURNS in ZAR

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
Best	Glb Property 34,5	Glb Property 36,6	SA Bonds 15,4	SA Equity 21,0	USD 16,2	Glb Equity 22,8	Glb Equity 22,2	Commodities 52,5	Commodities 34,3	Glb Equity 30,5	Glb Equity 30,5
	SA Property 26,6	USD 33,9	SA Property 10,2	SA Property 17,2	Glb Bonds 14,8	Glb Property 20,6	Glb Bonds 14,7	Glb Property 41,3	USD 6,6	Glb Property 19,3	Glb Property 19,3
	Glb Equity 14,6	Glb Equity 31,0	SA Equity 2,6	Glb Equity 12,3	Glb Property 10,7	Commodities 14,3	SA Bonds 8,7	SA Property 36,9	SA Bonds 4,3	Glb Bonds 13,6	Glb Bonds 13,6
	Glb Bonds 11,1	Glb Bonds 29,7	Commodities -1,7	SA Bonds 10,2	SA Bonds 7,7	SA Equity 12,0	SA Equity 7,0	SA Equity 29,2	SA Equity 3,6	SA Property 10,1	SA Property 10,1
	SA Equity 10,9	SA Property 8,0	Glb Equity -4,3	Glb Property -1,0	Glb Equity 4,4	SA Bonds 10,3	USD 5,0	Glb Equity 28,4	SA Property 0,5	SA Bonds 9,7	SA Bonds 9,7
	USD 10,5	SA Equity 5,1	Glb Property -6,7	Glb Bonds -2,8	Commodities 0,1	Glb Bonds 3,9	Glb Property -3,3	USD 8,7	Glb Bonds -10,7	SA Equity 9,3	SA Equity 9,3
	SA Bonds 10,1	SA Bonds -3,9	Glb Bonds -9,9	Commodities -4,2	SA Equity -8,5	SA Property 1,9	Commodities -19,9	SA Bonds 8,4	Glb Equity -13,0	USD 7,5	USD 7,5
Worst	Commodities -26,1	Commodities -10,1	USD -11,7	USD -9,5	SA Property -25,3	USD -2,8	SA Property -34,5	Glb Bonds 3,5	Glb Property -20,9	Commodities 2,9	Commodities 2,9

CURRENCIES VS. ZAR

	1 Month	3 Months	YTD	1 Year	*3 Years
EUR	-2,3	1,3	11,2	11,2	4,0
USD	-3,5	-2,9	7,5	7,5	7,6
GBP	-2,8	1,4	13,9	13,9	5,1
JPY	1,2	2,7	0,6	0,6	-3,0

Currency performance in ZAR - a positive number represents ZAR weakness, while a negative number represents ZAR strength

SA OVERVIEW	SA EQUITY	ASISA CATEGORIES	SA COMMENTARY	O/S OVERVIEW	O/S EQUITY	CATEGORY AVERAGES	DM COMMENTARY	DISCLAIMER
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SECTORAL RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
JSE ALSI TR	2,0	6,9	9,3	9,3	13,5
Basic Materials	-0,3	2,9	-11,9	-11,9	7,2
Consumer Goods	2,2	7,0	10,1	10,1	12,9
Consumer Services	5,6	9,5	29,2	29,2	29,6
Financials	5,3	11,8	21,5	21,5	19,6
Health Care	7,3	9,4	29,4	29,4	17,5
Industrials	6,9	5,8	24,6	24,6	12,2
Technology	-9,6	3,2	9,8	9,8	-1,7
Telecommunication	12,2	3,8	-9,6	-9,6	13,4

ALSI Contributors YTD (Approximate)

	Weight	Return	Contribution
Compagnie Financiere Richemont SA Dc	8,5	13,5	2,2
Gold Fields Ltd	3,0	63,5	1,3
Firstrand Ltd	4,7	25,8	1,1
Standard Bank Group Ltd	3,4	33,9	1,1
Naspers Ltd Class N	8,8	11,0	0,8
Sanlam Ltd	1,5	59,2	0,7
Mondi PLC	2,1	30,4	0,6
Harmony Gold Mining Co Ltd	0,6	105,2	0,5
Bid Corp Ltd	1,9	32,4	0,5
Shoprite Holdings Ltd	1,6	25,2	0,4

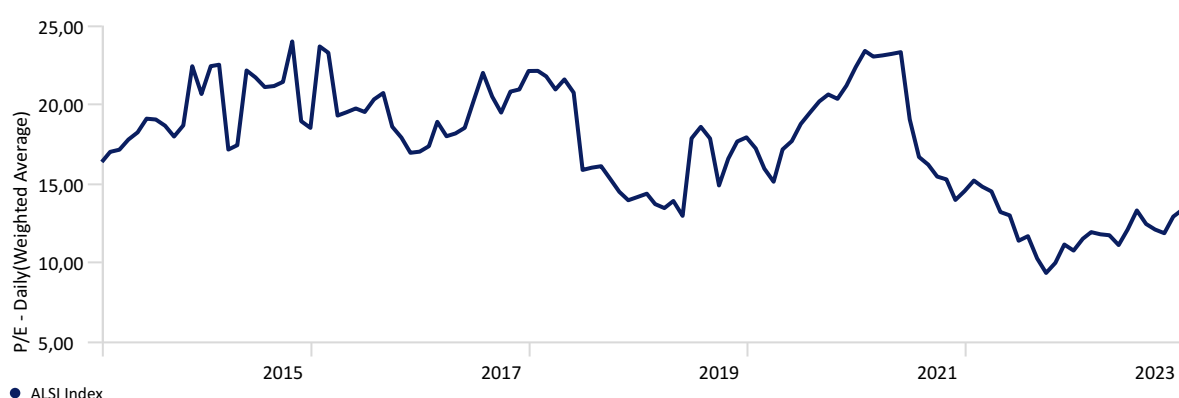
ALSI Detractors YTD (Approximate)

	Weight	Return	Contribution
Anglo American PLC	9,7	-27,4	-3,1
Impala Platinum Holdings Ltd	1,6	-55,4	-1,3
Compagnie Financiere Richemont SA Class A	1,4	-19,1	-0,7
Sibanye Stillwater Ltd Ordinary Shares	1,3	-41,6	-0,7
Sasol, Ltd.	2,0	-26,3	-0,6
British American Tobacco PLC	2,3	-12,8	-0,3
MTN Group Ltd	3,2	-6,9	-0,3
Anglo American Platinum Ltd	0,7	-28,8	-0,3
Transaction Capital Ltd	0,1	-75,9	-0,2
Absa Group Ltd	2,1	-9,0	-0,2

Current ALSI Metrics

P/E	11,2
P/B	1,6
P/EBITDA	7,0
P/Cash Flow	7,1
P/S	1,9
Debt/Capital	30,1

Historical P/E



MARKET CAP RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
Small Caps	6,0	8,6	11,2	11,2	23,9
Mid Caps	7,9	10,0	9,7	9,7	12,8
Top 40	1,4	6,6	9,0	9,0	13,4

STYLE BASED RETURNS

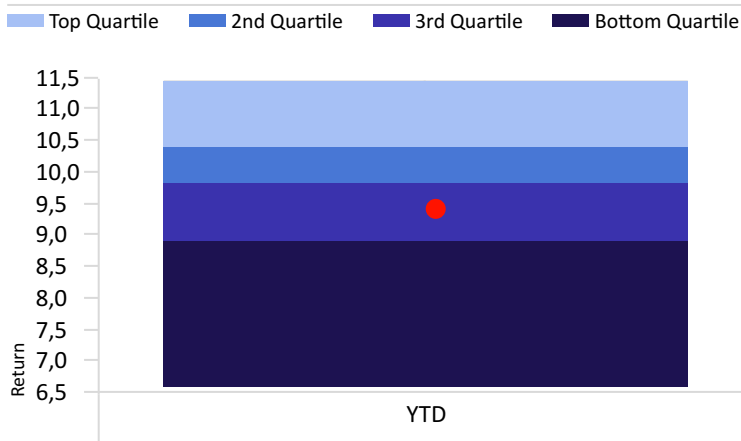
	1 Month	3 Months	YTD	1 Year	*3 Years
JSE Growth	1,2	11,8	14,5	14,5	11,0
JSE Value	2,8	2,2	2,8	2,8	16,6

SA OVERVIEW	SA EQUITY	ASISA CATEGORIES	SA COMMENTARY	O/S OVERVIEW	O/S EQUITY	CATEGORY AVERAGES	DM COMMENTARY	DISCLAIMER
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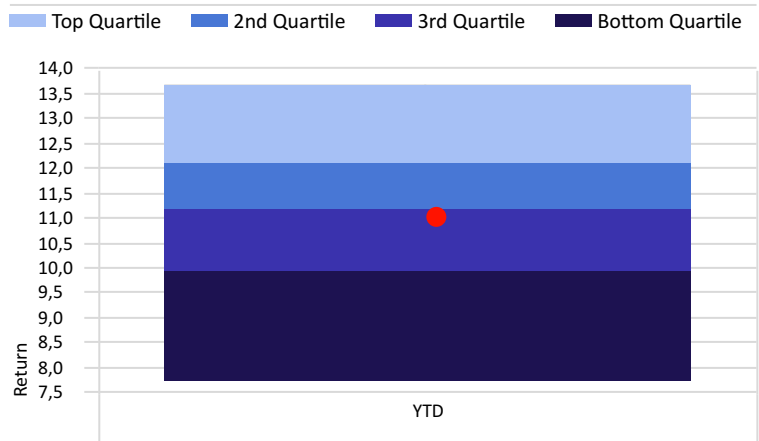
CATEGORY AVERAGES in ZAR

	1 Month	3 Months	YTD	1 Year	*3 Years
(ASISA) SA MA Inc	1,1	3,9	9,4	9,4	7,2
(ASISA) SA MA Low EQ	1,6	5,4	11,0	11,0	8,5
(ASISA) SA MA Med EQ	1,7	5,8	11,3	11,3	9,4
(ASISA) SA MA High EQ	2,0	6,2	12,3	12,3	10,5
(ASISA) SA EQ General	2,1	6,2	7,3	7,3	11,9
(ASISA) SA RE General	9,0	14,3	8,5	8,5	13,4
(ASISA) Glb MA Low EQ	0,5	3,8	16,8	16,8	7,9
(ASISA) Glb MA Flex	1,6	5,7	21,7	21,7	8,8
(ASISA) Glb MA High EQ	2,1	6,3	21,8	21,8	8,7
(ASISA) Glb EQ General	2,2	7,3	27,6	27,6	10,4

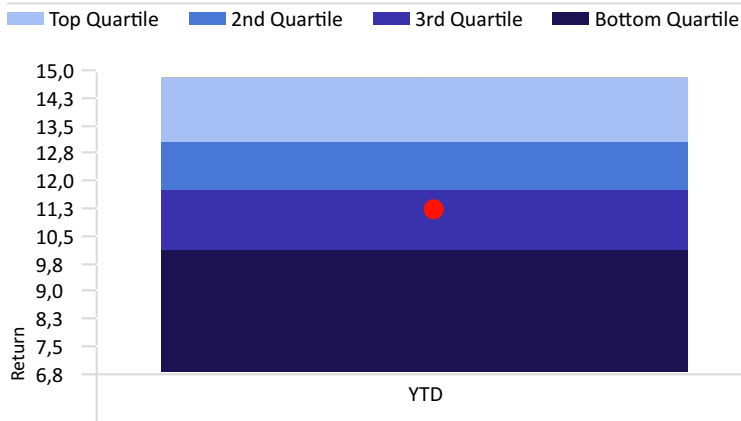
SA MA INCOME



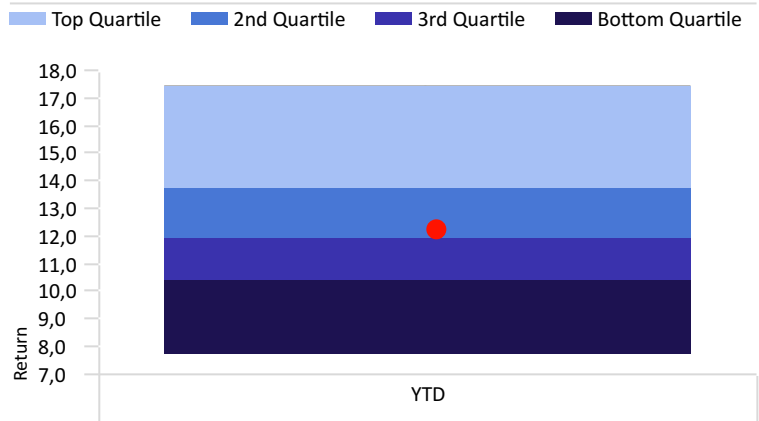
SA MA LOW EQUITY



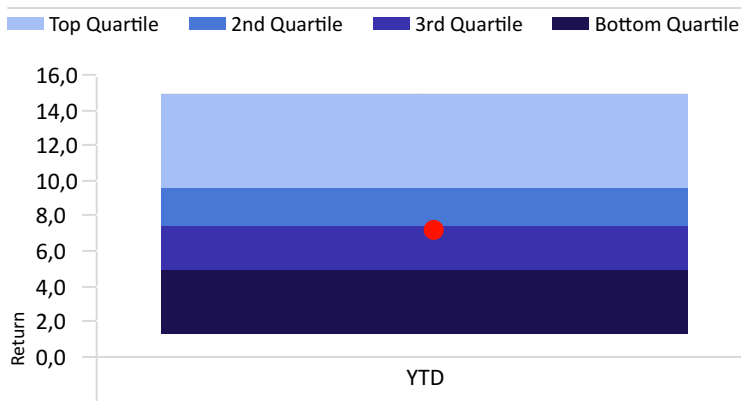
SA MA MED EQUITY



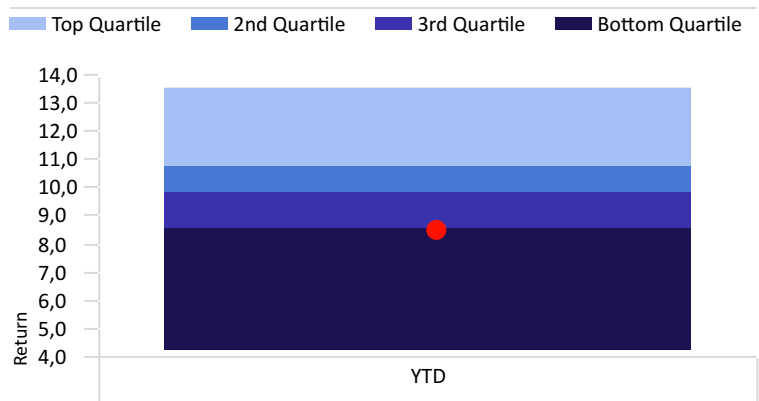
SA MA HIGH EQUITY



SA EQUITY GENERAL



SA RE GENERAL



SA OVERVIEW	SA EQUITY	ASISA CATEGORIES	SA COMMENTARY	O/S OVERVIEW	O/S EQUITY	CATEGORY AVERAGES	DM COMMENTARY	DISCLAIMER
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LOCAL COMMENTARY

Generally speaking, global financial markets ended 2023 almost as strongly as they started, however besides select companies and sectors, the trajectory of returns between February and October was anything but upward. In fact in many instances throughout the year, it seemed like most financial assets were generally trending down. As a local example, at the end of January the FTSE/JSE ALSI TR and ALBI were up 8.9% and 2.9% respectively but by the end of October the ALSI was down 1.3% and SA bonds had returned a measly 3.2% year to date. A similar scenario played out in global bonds, equally weighted US indices like the S&P 500 and UK equities. Investors will remember the frenzied reopening in China's reopening that led the early gains, but it was typically developed markets that closed off the year on the front foot.

Ultimately, local investors benefited from the general improvement in global market conditions, characterized by falling inflation, stable global economic growth, a weaker oil price (despite ongoing wars in Gaza and Ukraine), and most importantly falling rate expectations. This was to some extent offset by weak commodity prices and worsening terms of trade for SA, persistent and record electricity outages, and weak economic growth. But despite these headwinds, local investors went home with above average inflation beating returns in most asset classes and most Reg 28 savings solutions. As an example, the average SA MA Low, Medium and High Equity funds delivered an annual return of 11.1%, 11.3% and 12.3% respectively.

A major driver of volatility intra year was the sharp rise in global bond yields but this was put to bed as the US Federal Reserve kept rates unchanged once again at their December meeting where they appeared to signal the definitive end of the tightening cycle which came as a surprise to the market. This was a major catalyst to the performance of interest rate sensitive property stocks and bonds which were the best performing local asset classes in Q4, returning 16.4% and 8.1% respectively. They also happened to be the best performing asset classes in 2023, returning 10.8% and 9.7% respectively, compared to SA equities which delivered 9.3%.

Some of the best performing companies on the JSE in 2023 were gold miners Harmony (+102%) and Gold Fields (58%), cement maker PPC (+83%), shipping container co Textainer (+74%), and financial services provider Sanlam (+49%). As far as the biggest losers go, there were some previous darlings such as tax finance business Transaction Capital (-75%), retailer Pick n Pay (-57%), and PGM miners Sibanye (-42%) and Impala Platinum (-55%).

From an economic perspective, data released during December showed that the SA economy fared worse than the market expected in Q3, contracting by a QoQ rate of 0.2% compared with the consensus forecast of 0.0%. This comes after expanding by 0.5% in 2Q23. Over this period it seems unusual to have seen a weaker than expected outcome considering that load-shedding was significantly lower during the quarter. The main detractor was in fact the agricultural sector which fell -9.6% QoQ, although the weakness was broad-based, with five of the ten sectors (production side) recording negative growth. Expenditure data shows that 3Q23 Household Consumption contracted (-0.3%) for the second consecutive quarter – a rare occurrence which last happened in 2009, pointing to intensified headwinds due to higher interest rates and muted real wage growth. Economist forecasts for 2024 are for a better performance (1.3% vs. 0.7% in 2023) largely predicated on further improvement in electricity availability and both lower inflation and interest rates (probably only impacting the economy in 2H23).

In terms of inflation, annual consumer price inflation eased to 5.5% in November from 5.9% in October, its first contraction since July. While the expectations were slightly lower (at 5.4%), it was still a good outcome, and the market enjoyed the fact that the recent uptick in inflation will prove to be short lived as this was associated with higher fuel prices which are now easing. Other intermittent factors that have weighed on inflation in recent months was the outbreak of the avian flu and this was still evident in the November prices where eggs were 40% higher than where they were in 2022. From an estimated average of 5.8% this year, inflation is expected to decline to 5.0% next year and 4.5% in 2025, according to the median forecasts of 19 economists polled in December by Reuters.

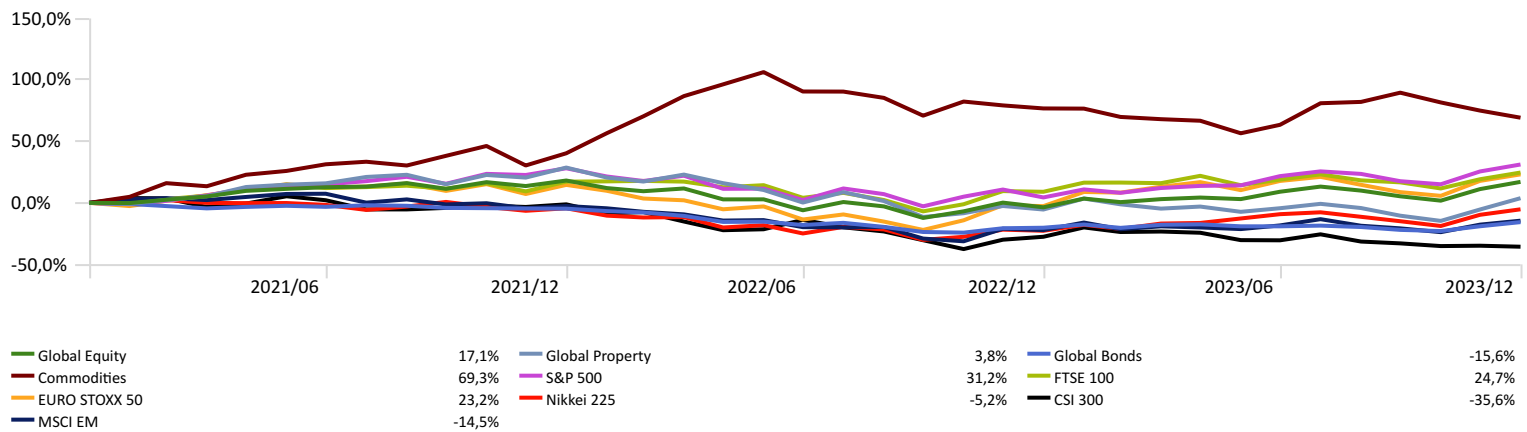
After what was a rather frustrating year where local assets underperformed their global counterparts, although still providing above average absolute returns, remember that this time last year it was the offshore assets that we were all complaining about. Despite all the doom and gloom associated with South Africa, don't forget that over the last 3 years the annualised rand return from SA equities was almost identical to that of global equities, a decent 13.5%. Over the same period, SA bonds delivered 7.4% compared to 3.5% of the S&P Global Sovereign Bond Index on an annualised basis. Lastly, the SA listed property market delivered an annualised return of 14.5% compared to its global counterpart (the FTSE EPRA Nareit Developed Rental Index) of 10.0%.

SA OVERVIEW	SA EQUITY	ASISA CATEGORIES	SA COMMENTARY	O/S OVERVIEW	O/S EQUITY	CATEGORY AVERAGES	DM COMMENTARY	DISCLAIMER
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ASSET CLASS RETURNS in USD

	1 Month	3 Months	YTD	1 Year	*3 Years
Global Equity	5,3	11,1	21,5	21,5	5,4
Global Property	9,7	15,9	9,7	9,7	1,3
Global Bonds	4,2	8,1	5,7	5,7	-5,5
Commodities	-3,3	-10,7	-4,3	-4,3	19,2
S&P 500	4,5	11,6	25,7	25,7	9,5
FTSE 100	4,6	6,9	14,3	14,3	7,6
EURO STOXX 50	4,5	13,3	26,5	26,5	7,2
Nikkei 225	5,0	11,4	22,6	22,6	-1,8
CSI 300	-1,2	-4,1	-11,2	-11,2	-13,7
MSCI EM	3,9	7,9	9,8	9,8	-5,1

3 YEAR CUMULATIVE RETURNS in USD



CALENDAR YEAR RETURNS IN USD

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
Best	CSI 300 51,6	Nikkei 225 10,6	S&P 500 11,2	MSCI EM 37,3	NASDAQ 100 0,0	NASDAQ 100 39,5	NASDAQ 100 48,9	Glb Property 30,0	FTSE 100 -7,0	NASDAQ 100 55,1	NASDAQ 100 55,1
	Glb Property 21,8	NASDAQ 100 9,8	MSCI EM 11,2	NASDAQ 100 33,0	Glb Bonds -1,2	CSI 300 36,9	CSI 300 38,1	S&P 500 28,2	Glb Bonds -16,2	S&P 500 25,7	S&P 500 25,7
	NASDAQ 100 19,4	CSI 300 2,3	NASDAQ 100 7,3	CSI 300 32,3	Glb Property -4,7	S&P 500 30,7	Nikkei 225 24,5	NASDAQ 100 27,5	EU STOXX -17,7	DAX 24,5	DAX 24,5
	S&P 500 13,0	Glb Property 2,0	Glb Property 5,8	EU STOXX 28,1	S&P 500 -4,9	Glb Property 24,1	MSCI EM 18,3	FTSE 100 17,3	DAX -17,7	EU STOXX 22,7	EU STOXX 22,7
	Glb Bonds 0,6	S&P 500 0,7	Nikkei 225 5,6	DAX 28,1	Nikkei 225 -7,9	EU STOXX 23,8	S&P 500 17,8	EU STOXX 14,0	S&P 500 -18,5	Nikkei 225 22,6	Nikkei 225 22,6
	MSCI EM -2,2	EU STOXX -1,0	DAX 3,8	Nikkei 225 25,6	FTSE 100 -14,1	DAX 23,2	DAX 12,9	DAX 7,6	Nikkei 225 -19,1	FTSE 100 14,3	FTSE 100 14,3
	Nikkei 225 -4,5	DAX -1,6	Glb Bonds 2,1	FTSE 100 22,5	MSCI EM -14,6	FTSE 100 22,0	EU STOXX 9,3	CSI 300 -1,2	MSCI EM -20,1	Glb Property 11,0	Glb Property 11,0
	FTSE 100 -5,2	Glb Bonds -3,2	EU STOXX 1,1	S&P 500 21,1	EU STOXX -16,9	Nikkei 225 21,9	Glb Bonds 9,2	MSCI EM -2,5	Glb Property -25,8	MSCI EM 9,8	MSCI EM 9,8
	EU STOXX -8,5	FTSE 100 -6,7	FTSE 100 -0,2	Glb Property 9,4	DAX -22,2	MSCI EM 18,4	Glb Property -7,9	Nikkei 225 -4,4	CSI 300 -26,7	Glb Bonds 5,7	Glb Bonds 5,7
Worst	DAX -9,9	MSCI EM -14,9	CSI 300 -15,4	Glb Bonds 7,4	CSI 300 -27,7	Glb Bonds 6,8	FTSE 100 -8,8	Glb Bonds -4,7	NASDAQ 100 -32,4	CSI 300 -11,2	CSI 300 -11,2

CURRENCIES vs. USD

	1 Month	3 Months	YTD	1 Year	*3 Years
EUR	1,2	4,3	3,5	3,5	-3,4
GBP	0,7	4,4	6,0	6,0	-2,3
JPY	4,9	5,8	-6,4	-6,4	-9,9
CNY	0,5	3,0	-2,0	-2,0	-2,7

Currency performance in USD - a positive number represents USD weakness, while a negative number represents USD strength

SA OVERVIEW	SA EQUITY	ASISA CATEGORIES	SA COMMENTARY	O/S OVERVIEW	O/S EQUITY	CATEGORY AVERAGES	DM COMMENTARY	DISCLAIMER
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GLOBAL SECTORAL RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
MSCI ACWI/Financials	5,8	12,5	15,5	15,5	9,0
MSCI ACWI/Health Care	4,3	5,9	3,6	3,6	4,5
MSCI ACWI/Materials	6,6	11,6	12,1	12,1	4,4
MSCI ACWI/Technology	4,5	17,6	51,0	51,0	9,9
MSCI ACWI/Industrials	7,5	13,3	21,9	21,9	7,1
MSCI ACWI/Cons Staples	2,8	5,4	2,5	2,5	2,1
MSCI ACWI/Cons Discretionary	4,9	9,8	29,1	29,1	-1,3
MSCI ACWI/Energy	0,5	-2,9	5,0	5,0	23,9

MSCI ACWI Contributors YTD (Approximate)

	Weight	Return	Contribution
Apple Inc	5,0	49,0	2,1
Microsoft Corp	4,0	58,2	2,0
NVIDIA Corp	1,6	239,0	1,8
Amazon.com Inc	2,0	80,9	1,3
Meta Platforms Inc Class A	1,0	194,1	1,1
Tesla Inc	1,1	101,7	0,7
Alphabet Inc Class A	1,3	58,3	0,6
Alphabet Inc Class C	1,2	58,8	0,6
Broadcom Inc	0,6	104,2	0,5
Eli Lilly and Co	0,7	60,9	0,4

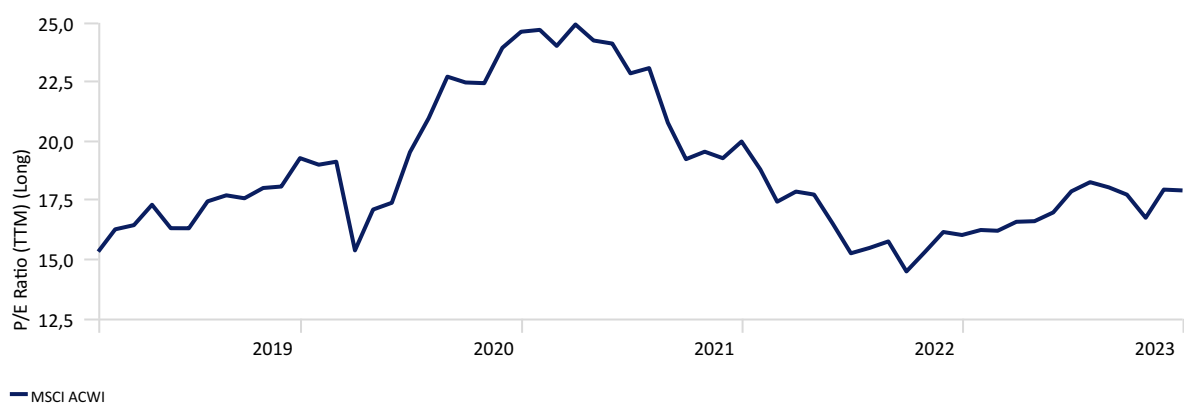
MSCWI ACWI Detractors YTD (Approximate)

	Weight	Return	Contribution
Pfizer Inc	0,4	-41,2	-0,2
Chevron Corp	0,5	-13,6	-0,1
NextEra Energy Inc	0,3	-25,3	-0,1
Bristol-Myers Squibb Co	0,2	-26,2	-0,1
Johnson & Johnson	0,8	-8,6	-0,1
Exxon Mobil Corp	0,8	-6,2	-0,1
Moderna Inc	0,1	-44,6	-0,1
AIA Group Ltd	0,2	-20,0	-0,1
Dollar General Corp	0,1	-44,1	0,0
The Estee Lauder Companies Inc Class A	0,1	-40,1	0,0

Current MSCI AC Metrics

P/E	17,8
P/B	3,0
P/EBITDA	23,1
P/Cash Flow	11,1
P/S	2,8
Debt/Capital	38,7

Historical P/E



MARKET CAP RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
MSCI ACWI Small Cap	8,9	12,0	16,8	16,8	3,3
MSCI ACWI Mid Cap	6,8	11,4	15,4	15,4	2,9
MSCI ACWI Large Cap	4,4	11,0	23,4	23,4	6,3

STYLE BASED RETURNS

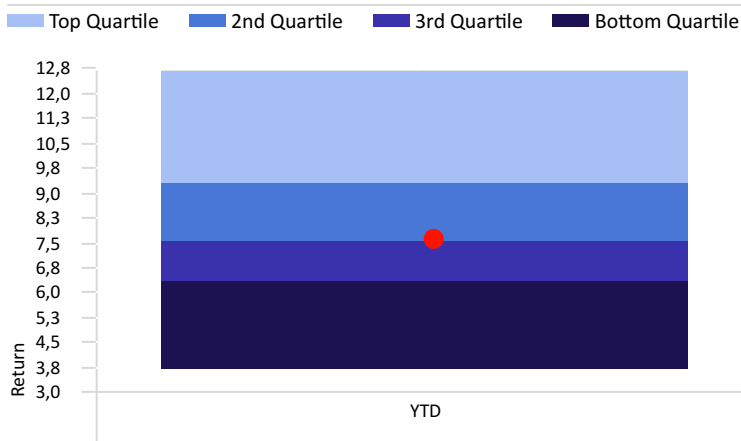
	1 Month	3 Months	YTD	1 Year	*3 Years
MSCI ACWI Value	5,4	9,2	11,8	11,8	7,3
MSCI ACWI Growth	4,2	12,7	33,2	33,2	3,7

SA OVERVIEW	SA EQUITY	ASISA CATEGORIES	SA COMMENTARY	O/S OVERVIEW	O/S EQUITY	CATEGORY AVERAGES	DM COMMENTARY	DISCLAIMER
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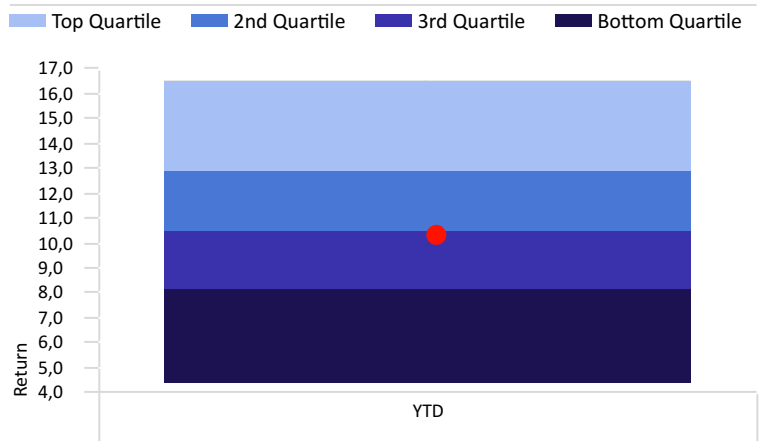
CATEGORY AVERAGES in USD

	1 Month	3 Months	YTD	1 Year	*3 Years
(ASISA) Glb MA Low EQ	4,1	6,9	8,6	8,6	0,3
(ASISA) Glb MA Flex	5,3	8,9	13,2	13,2	1,1
(ASISA) Glb MA High EQ	5,7	9,5	13,3	13,3	1,1
(ASISA) Glb EQ General	5,9	10,5	18,7	18,7	2,6
EAA USD Cautious Allocation	3,0	5,7	7,7	7,7	-0,5
EAA USD Moderate Allocation	3,9	7,4	10,3	10,3	0,6
EAA USD Flexible Allocation	3,7	7,2	10,2	10,2	0,9
EAA USD Diversified Bond - ST	1,0	2,5	5,3	5,3	0,9
EAA USD H/Y Bond	3,3	6,4	10,9	10,9	0,8
EAA USD Aggressive Allocation	4,2	7,7	12,3	12,3	2,2

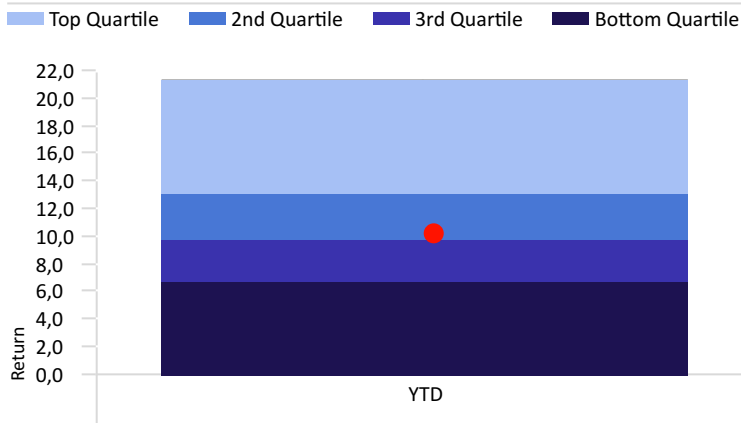
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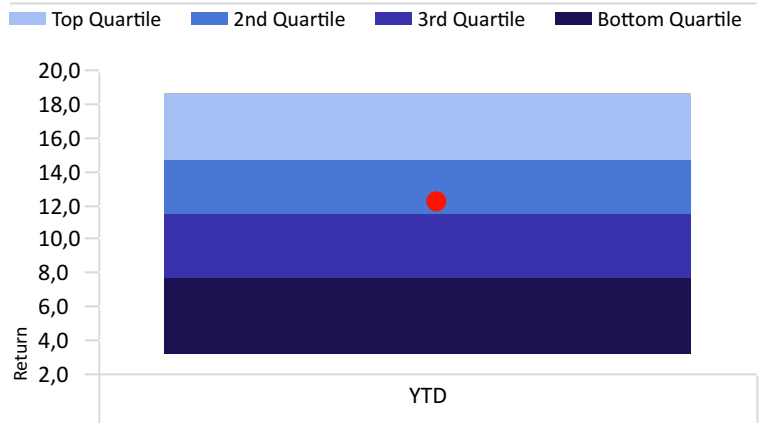
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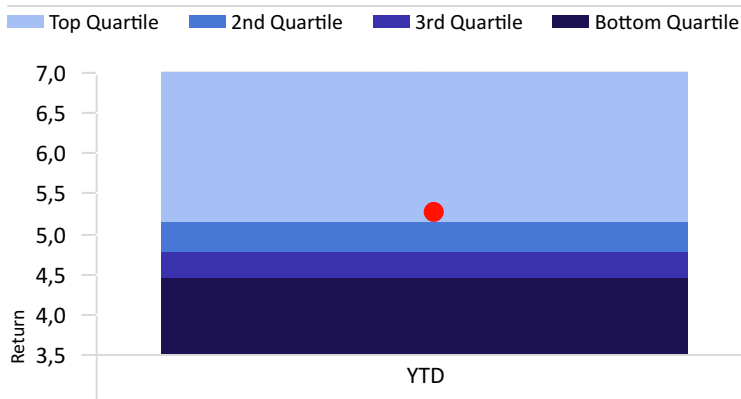
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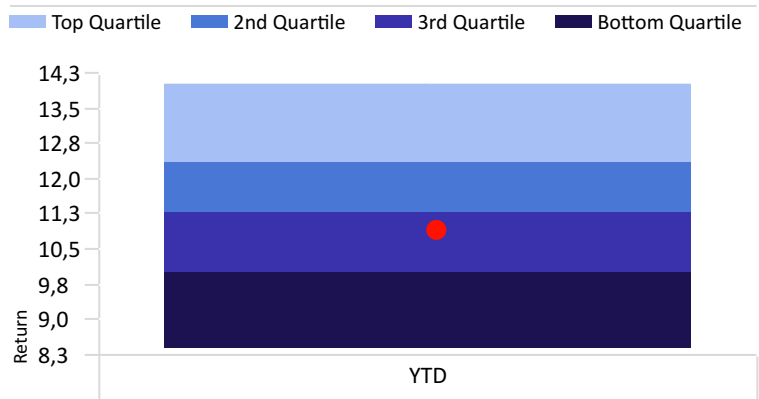
EAA USD AGGRESSIVE ALLOCATION



EAA USD DIVERSIFIED BOND - SHORT TERM



EAA USD HIGH YIELD BOND



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OFFSHORE COMMENTARY

The closing quarter of 2023 marked a significant shift in the global financial landscape, characterized by a robust recovery across various asset classes. This period was crucial in reversing the subdued market sentiment experienced in earlier quarters, culminating in a dynamic and promising year-end for investors. The anticipation of a strategic shift by central banks, particularly the Federal Reserve's potential interest rate cuts, played a pivotal role in fueling this optimism.

Equity Market Dynamics

The equity markets witnessed a remarkable recovery in the last quarter, marking a substantial departure from the cautious trends observed earlier in the year. Developed market equities showcased an impressive 11.5% total return, signaling a strong investor confidence rebound. This resurgence was not confined to specific sectors; both growth and value stocks witnessed considerable gains, with growth stocks recording a 13.4% increase and value stocks 9.5%. The broad-based nature of this rally indicated a significant market shift, moving away from the dominance of a few tech and AI stocks, the 'Magnificent Seven', which had previously driven the market.

The S&P 500 index, with its growth-oriented composition, outperformed other major equity indices by delivering an 11.7% total return, its best in three years. This performance was particularly notable as it encompassed a wider range of sectors, breaking away from the earlier concentration on tech and AI stocks. Internationally, the picture was more mixed. European equities posted robust returns but didn't match the US market's vigor. Emerging markets displayed resilience, with Latin America showing remarkable strength, despite the dampening effect of China's economic slowdown. Japanese equities faced challenges due to lesser central bank support, and the UK market was somewhat restrained due to sectoral and currency influences.

Fixed Income and Bond Markets

The bond markets mirrored the upswing seen in equity markets, benefiting significantly from the shift in monetary policy expectations. The anticipation of earlier-than-expected rate cuts led to a positive performance across the spectrum of fixed-income investments. Government bonds, particularly in Europe, were standout performers, benefiting from the dovish shift in interest rate outlook. The performance of UK Gilts and Italian bonds was particularly strong, supported by longer durations and favorable spreads. The corporate bond sector, encompassing high yield and investment-grade categories, also saw substantial gains. Emerging market debt emerged as the top performer, reflecting a diminished risk perception linked to the anticipated easing of US interest rates.

Economic Indicators and Market Drivers

The shift in market sentiment in 2023 was significantly influenced by key economic indicators. Lower-than-expected inflation figures in the US and Europe alleviated fears of persistently high interest rates, reshaping investor outlook. The Federal Reserve's December meeting was a turning point, signaling a potential dovish shift in monetary policy. This, combined with the US economy's steady growth and a robust job market, painted a picture of resilience and optimism, overshadowing earlier recession concerns.

Geopolitical Factors

Global markets in 2023 were not immune to geopolitical tensions, particularly those emanating from the Middle East, which initially stoked volatility and inflation fears due to spiking oil prices. However, as these conflicts remained contained and oil prices subsequently eased, these concerns diminished. Nonetheless, China's economic slowdown continued to cast a shadow over global commodity markets, underscoring the interconnected nature of global economies. While geopolitical risks persist into 2024 we believe that the main drivers of stock and bond markets will be inflation and associated policy as outlined below.

Outlook for 2024

Entering 2024, the financial markets exhibit cautious optimism, underpinned by expectations of rate cuts by the Federal Reserve and a resilient global economic backdrop. However, the landscape is not without its potential pitfalls. The rally has led to heightened market valuations, raising questions about the sustainability of corporate earnings growth amidst evolving economic conditions. The rapid advancement in AI technology and its widespread impact is a critical area of focus. Moreover, persistent geopolitical tensions necessitate continuous vigilance, given their potential impact on global markets. Even after the year-end rally, we remain bullish on stocks. Of course, a correction is inevitable after the surge, but the odds are good that the equity bull market will be extended by continued disinflation and monetary easing. Both of which we believe will offset any softening in margins. This is further supported by history where after a bear market in U.S. stocks like the one in 2022, the average price gain in the following two years is about 60%. So far, the S&P 500 index has risen 32% from its 2022 lows and presumably, more price gains are expected this year. Of course, there is no guarantee that this historical pattern will be repeated, but it is useful to keep the rally in stocks in perspective.

We expect continued broadening of performance beyond just the Magnificent 7, especially those sectors and asset classes that lagged most of last year due to high rates. That doesn't mean we are ignoring the real chance that these 7 stocks enter mania phase, similar to previous bubbles. They are perceived as "bulletproof leaders", attractive as safe havens that offer pricing power, wide profit margins and a play on the AI theme. Big Tech margins continue to hold up much better than for the rest of the S&P 500. Moreover, they will benefit from forced buying by fund managers and index funds exposed to tracking error if they are not at least market-weighted the Magnificent 7 stocks (27% of S&P 500 market capitalization). The Magnificent 7 stocks are far from cheap in absolute terms, but their combined forward PE ratio is at the low end of its range of the past decade.

Conclusion

The journey of financial markets through 2023 has been a testament to resilience and adaptability in the face of economic and geopolitical challenges. The year concluded on a high note, setting an optimistic tone for 2024. However, investors are reminded of the necessity for prudence and a well-considered, diversified investment strategy to navigate the potential complexities of the upcoming year.

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