PSS Provident Fund

30 November 2023

Inception date: 1 September 2002

Fund size: R 11.93bn

Risk profile: Moderate (CPI + 4%)

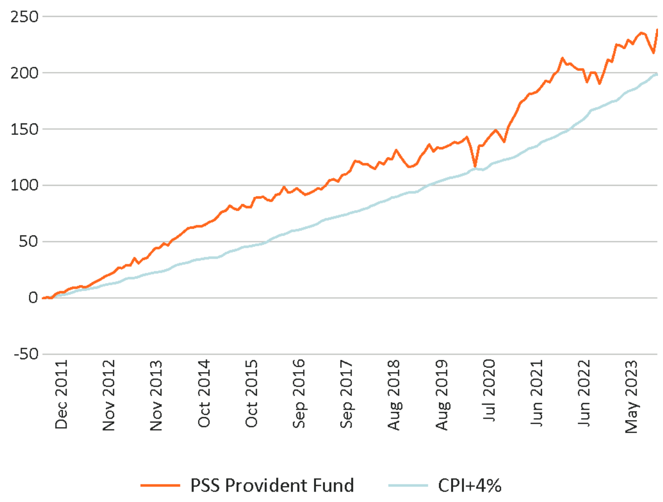
Investment horizon: More than 7.5 years to retirement

The fund is appropriate for members with medium to long-term horizon to moderate capital fluctuation and to also achieve growth. Unexpected global market events may cause negative returns.

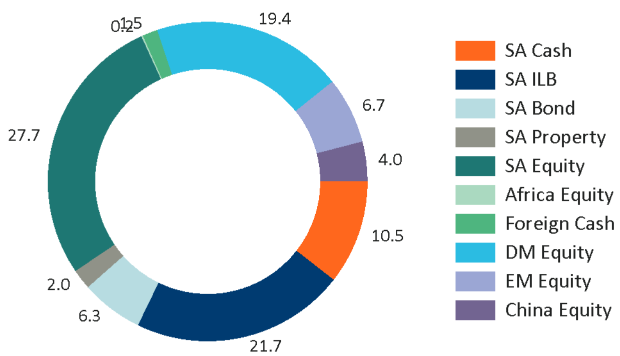
Performance (%)

	3M	12M	24M	36M	60M	YTD	Inception
PSS Provident Fund	1.27	8.56	5.91	10.31	9.35	9.21	10.52
CPI+4%	2.39	9.53	10.46	10.13	9.04	8.78	9.28

Cummulative performance (%)



Asset class allocation (%)



Fees (%)

As at 30 JUNE 2023	**36M**
Total Expense Ratio (TER)	0.63
Transaction Costs (TC)	0.10
Total Investment Charge (TIC)	0.73

Total Expense Ratio (TER): TER is used to determine how much of the Fund's underlying assets are relinquished as payment for services rendered in the administration of the underlying investment products.
Transaction costs (TC): TC is used to determine the costs incurred in buying and selling the underlying assets of the underlying investment products.
Total Investment Charge (TIC): TER + TC = TIC

Return differences between member benefit statements and RisCura factsheets are a result of different return calculation methodologies as well as the impact of fees.
Factsheets display gross of fee returns while benefit statements show returns net of fees.

All investment returns indicated are gross of fees, that is, the total rate of return on an investment before the deduction of any fees or expenses i.e. management fees.

RISCURA

Market commentary

In November, financial markets staged a strong positive month, propelled by indicators showcasing a robust 5.2% GDP growth in the US economy and falling inflation across advanced economies. The data released during the month reinforced the belief that central banks had reached their peak under the current tightening cycle, resulting in upward movements in both equities and fixed income.

Commodity prices, specifically Brent crude oil, retreated from October highs, hitting $80 per barrel despite ongoing tensions in the Middle East. Factors such as increased US supply and non-compliance by OPEC+ members with production quotas contributed to this decline. Natural gas prices fell by 15% in the month, reflecting predictions of reduced demand amid an expected economic slowdown, favourable weather, and sufficient storage in Europe. The US Consumer Price Index (CPI) for October came in lower than anticipated and brought a wave of optimism to the market. Both headline and core inflation dropped to 3.2% and 4.0% year-on-year, respectively, driven by reduced energy and gasoline prices, along with declines in travel expenses and hotel rates. While market sentiment indicated a belief that policy rates had reached their peak, the November FOMC minutes hinted at the Feds commitment to maintaining high policy rates due to resilient economic data. Signs pointing toward a potential slowdown in the US economy included slight increases in initial and continuing jobless claims, a rise in credit card delinquencies, and a slight dip in retail spending in November. Chinas macro data for October presented more positive outcomes than anticipated, with a 7.6% year-over-year increase in retail sales. Yet, additional fiscal stimulus might be necessary to boost consumer sentiment and counter deflationary pressures. Ongoing economic momentum, especially in the U.S., coupled with tight labour markets, reinforced hopes of a smooth economic slowdown, supporting equity markets throughout November. Growth stocks and the tech sector outpaced value peers, bolstered by reduced bond yields and robust corporate earnings. While small caps surged, large caps continued to outperform year-to-date by approximately 12 percentage points. The MSCI Emerging Markets Index grew 8% over the month, supported by MSCI Chinas 2% gain in November, and healthy gains from the likes of India and Brazil. On a year-to-date basis, the MSCI EM Index has gained 5.7%. Core government bonds saw a turnaround from previous losses amid expectations of forthcoming rate cuts in the upcoming year. Excluding sovereign bonds, the broader fixed income universe benefitted from lower yields and anticipated rate cuts in 2024. Investment grade bonds gained traction, and high-yield bonds experienced tighter spreads on the back of optimism for a softer landing. Emerging market debt instruments also recorded growth, supported by accommodative local central bank policies and a weakening US dollar.

November kicked off with the 2023 Medium Term Budget Policy Statement (MTBPS) delivered by Finance Minister Enoch Godongwana. In short, the local economy suffered mainly due to challenges with electricity, infrastructure, and logistics. The inflation rate rose to 5.9% year-on-year, approaching the upper limit of the 6% target band. The local economy also felt the knock-on effects from a slower global economy too. South Africas growth outlook was also revised down to 0.8%. However, the unemployment rate in South Africa decreased to 31.9% in Q3, still ranking among the highest globally. During November, domestic interest rates remained high and subsequently, asset prices are expected to remain volatile. The economic landscape also grappled with high inflation, especially in food and fuel. Household consumption weakened, and the persistent decline in property prices continued. Due to the global increase of energy prices and the export prices remaining relatively flat, the domestic financing needs will need to increase. This will likely lead to the South African current account deficit needing to expand and will thus add further pressure to the local market. The third quarter GDP data showed a contraction of 0.7% year-on-year. In terms of the South African equity market, the FTSE/JSE SWIX increased by 8.6% for the month, while the Capped SWIX enjoyed an 8.3% gain. The stronger-performing sectors for the month included mining (gold and energy), tourism and agriculture. The poorer-performing sectors included industrials and retailers. However, the Black Friday sales results for retailers are expected to start showing in December. The FTSE/All Bond Index experienced a healthy gain of 4.7% for the month, while SA Listed property saw a stellar gain of 9.1%. Gold, copper, and silver saw positive uptick while the PGM counters experienced some losses. Mining has faced continued challenges, with electricity disruptions and logistical constraints playing a significant role. Overall business confidence remains low following on from higher lending rates, persistent loadshedding, logistical constraints, and policy uncertainty. The month ended with the Rand seeing R18.95 to the dollar, approaching R24 to the pound, and reaching R20.68 to the Euro.