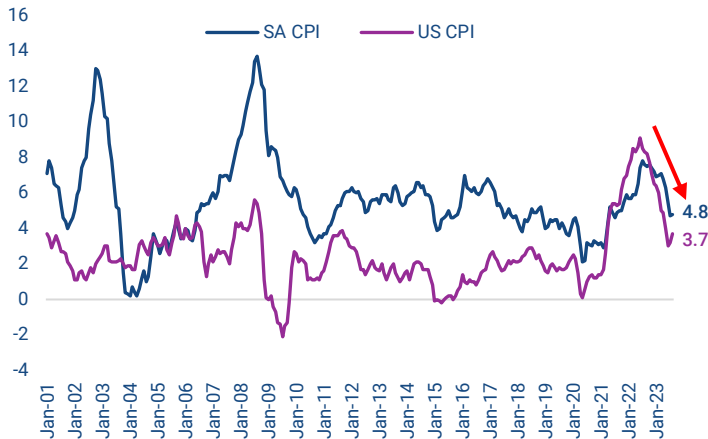


Inflation moderating

CPI (YoY) Jan 2001 – Aug 2023



Source: 10X Investments Bloomberg

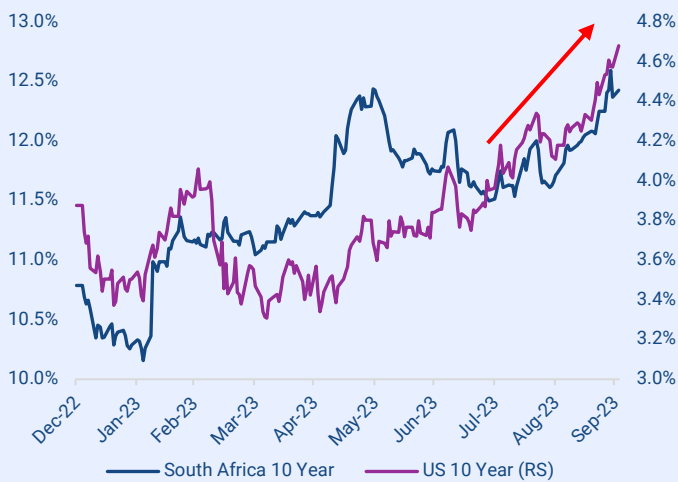
The combination of easing supply chains, lower commodity prices together with powerful base effects saw inflation continue to soften over the last 3 months, down from the highs in the middle of 2022.

The improved inflation outlook was enough for central banks pause rate hikes this quarter, bringing a much-welcomed breather from what has been one of the sharpest hiking cycles in history.

Falling inflation has the effect of tightening real policy rates without further changes to interest rates.

Fiscal jitters drive increasing long term yields

Jan 2023 – Sept 2023



Source: 10X Investments Bloomberg

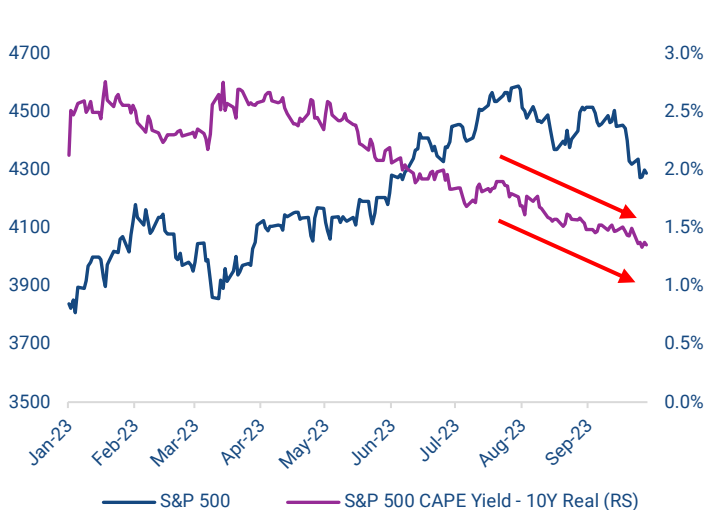
SA (+0.6%) and US (+1%) 10-year yields rose sharply over the quarter as short-term rates stabilised, this led to negative returns for long-term bonds.

In SA concerns around growing fiscal deficits emerged because of higher government spending and lower tax revenue on the back of softer commodity prices.

The US is running its largest fiscal deficit outside of wartime and recessions. The significant supply of treasuries to fund this spending is causing concern for investors, given that the FED has stepped away as a buyer through quantitative tightening. This concern has seen a normalisation of the term premium which has driven the rate rise.

Equity risk more expensive despite Q3 selloff

Jan 2023 – Sept 2023



Source: 10X Investments Bloomberg

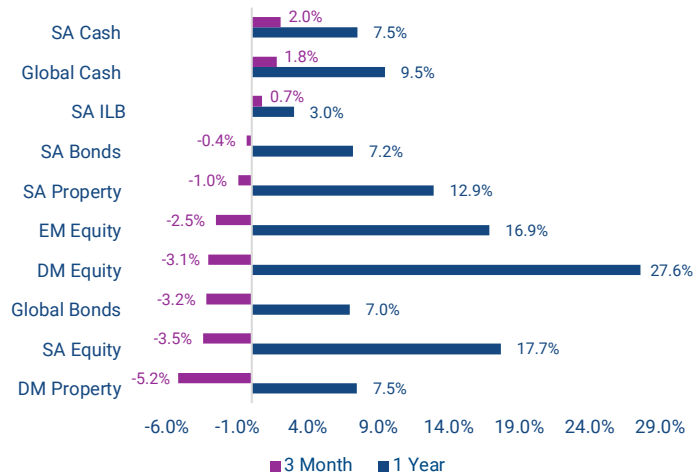
The increase in interest rates took centre stage during the quarter leading to losses in both equities and bonds.

This positive stock-bond correlation meant that cash was king during the quarter, not only preserving value but also delivering returns on the back of higher interest rates.

Despite the sell-off in equities, the price of equity risk (measured by the equity risk premium) became more expensive relative to bonds, indicating that the selloff was driven by an increase in real yields. Bonds have become more attractive, equities have not.

Asset class returns to 30 September 2023

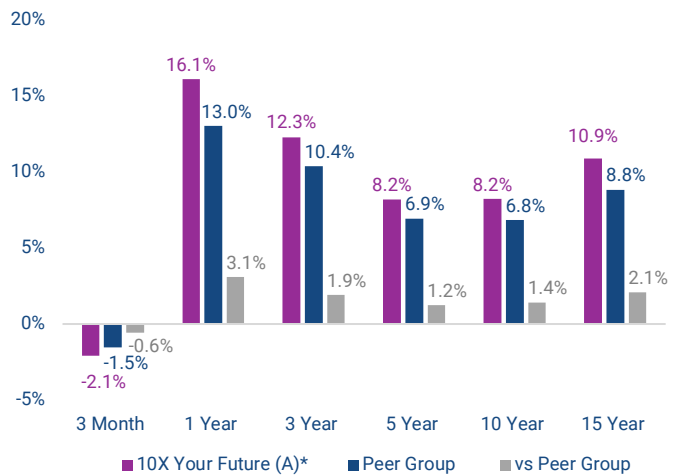
Cash is king



Source: 10X Investments Bloomberg

Portfolio returns to 30 September 2023

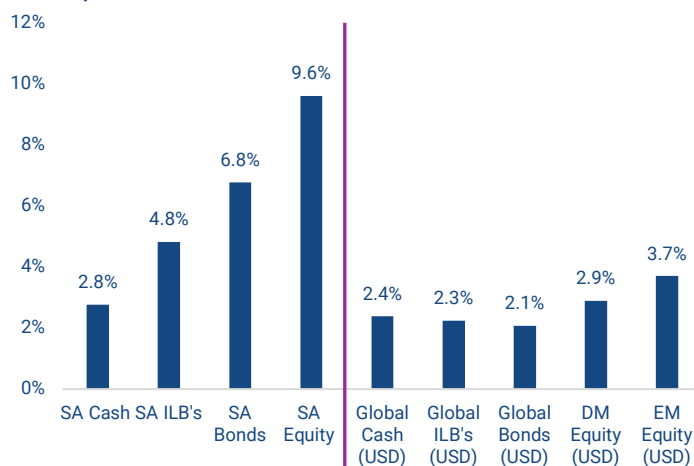
Consistent performance



Source: 10X Investments Morningstar; CPI lagged by 1 month; * returns prior to March 2019 are those of 10X Umbrella Pension Fund adjusted for Class A fee

5-10 year expected asset class returns

30 September 2023



Source: 10X Investments Bloomberg

Return (after-inflation) return expectations

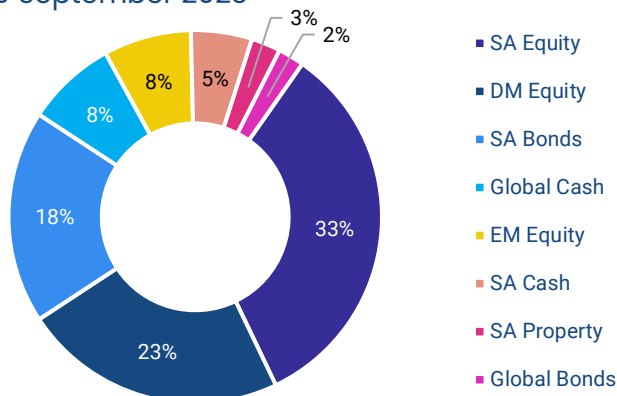
The real yields on offer across defensive assets, both locally and offshore, are the highest that they have been in over 15 years.

The high real rates in SA underpin strong forward looking expected returns, however the premium of SA Equities over SA Bonds (+2.8%) is materially lower than the long-term average of 5.3%.

Whilst the rise in yields has seen global bonds lose more than 40% since 2021, the higher starting yields mean that the forward-looking outlook for this asset class has materially improved, whilst equity valuations have not adjusted to the higher rate environment.

10X Your Future Fund Asset Allocation

30 September 2023



Source: 10X Investment

Asset Allocation

With a 67% allocation to growth assets, the fund is more defensively positioned than we would expect through the cycle based on the unattractive growth asset valuations.

The higher allocation to global cash has positively contributed to return in an environment of a weakening Rand together with both stocks and bonds selling off.

During the quarter SA Bond exposure was increased as valuations became more attractive relative to SA Cash, an opportunity which is also starting to emerge offshore.



Anton Eser
Chief Investment Officer



Chris Eddy
Head of Multi Asset Funds

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