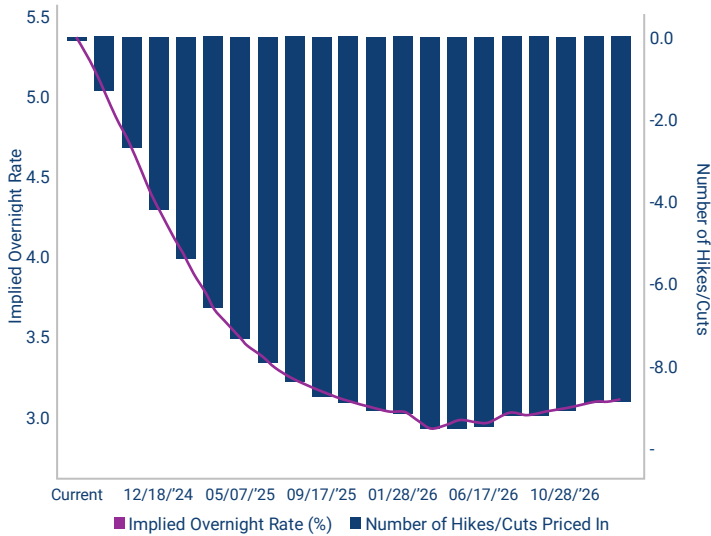


2.25% of rate cuts priced into US Bonds

US implied overnight rate & number of cuts



Source: 10X Investments Bloomberg

Jerome Powell, Chairman of the US Federal Reserve, indicated at the Jackson Hole Symposium that he is more concerned about the trajectory of employment than inflation.

Amid a softening labour market, the US bond market interpreted this as a signal for larger rate cuts, resulting in a significant rally during the month.

The market has now priced in nine cuts of 0.25% each, totalling 2.25% over the next 12 months. Historically, rate cuts of this magnitude have only occurred during recessions.

Given the substantial rate cuts already priced in, a US recession would be necessary to trigger further rallies in US bonds.

Yen driven by short-term interest rate differentials

Difference between US and Japan short rates vs USDJPY
Apr 2020 – Aug 2024



Source: 10X Investments, Bloomberg

Short-term interest rate differentials are a key driver of currencies. Since 2020, the Yen has significantly weakened against the US Dollar as Japan kept short-term rates below 0%, while US rates rose above 5%.

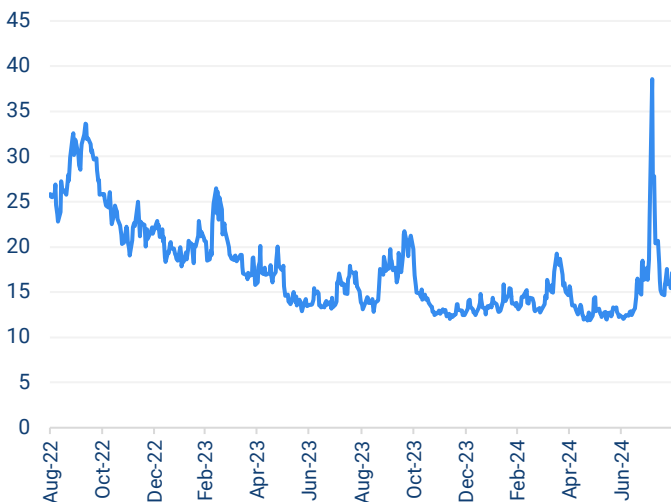
The Bank of Japan has now begun its rate hiking cycle just as interest rate cuts are being priced into the US market.

The Yen has depreciated nearly 50% over the past three years. While it has strengthened significantly over the last month, it is lagging the move in interest rate expectations.

Historically, the Yen has served as a safe haven, benefiting during risk-off environments. If recession fears grow, this could provide additional support for Yen strengthening.

Spike in VIX very quickly suppressed

S&P 500 VIX - August 2022 - August 2024



Source: 10X Investments, Bloomberg

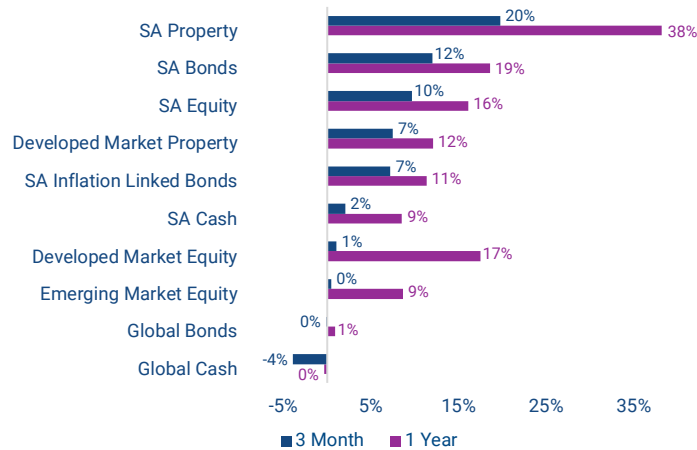
The initial unwinding of the Yen carry trade in early August caused the VIX - often referred to as the market's fear gauge - to spike to levels typically seen during extreme selloffs.

However, after bottoming just 8% below all-time highs in July, the S&P 500 quickly recovered the entire loss by the end of the month. It is unusual for the VIX to retreat from such extreme levels so rapidly.

These types of volatility spikes rarely occur in isolation and can signal both underlying market instability and an early warning of a potentially more volatile period ahead.

Asset class returns to 31 August 2024

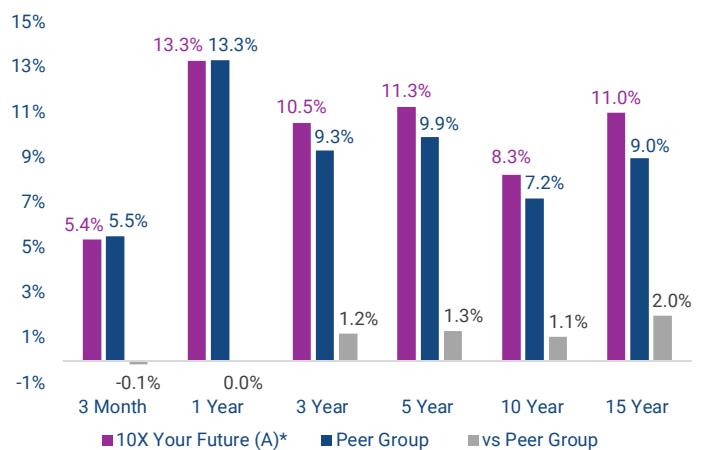
SA assets outperforming



Source: 10X Investments Bloomberg

Portfolio returns to 31 August 2024

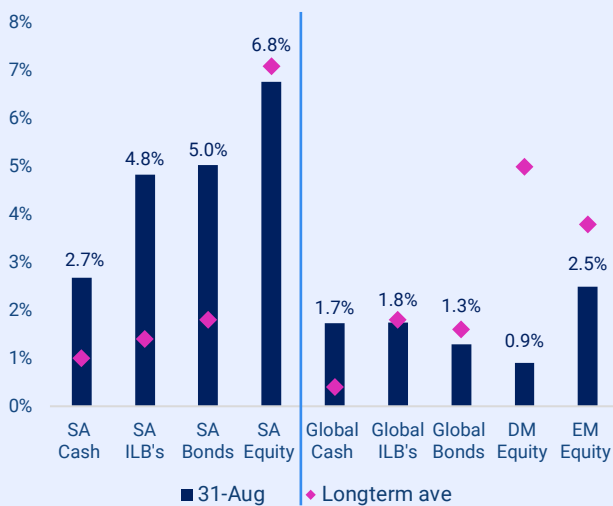
Strong long-term outperformance



Source: 10X Investments Morningstar, * returns prior to March 2019 are those of 10X Umbrella Pension Fund adjusted for Class A fee

5-10 year real returns expectations

in local currency - 31 August 2024



Source: 10X Investments, Bloomberg

Real (after-inflation) return expectations

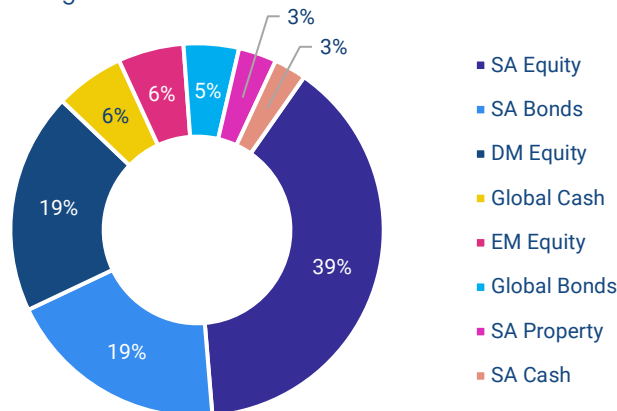
The rally in SA nominal bonds was driven by falling breakeven inflation, leading nominal bonds to outperform inflation-linked bonds and narrowing return expectations between these two asset classes. Given the embedded inflation protection, the outlook for inflation-linked bonds is more favourable on a risk-adjusted basis.

The rebound in developed market equities pushed valuations to extremes, posing a headwind for future returns.

Despite gains in local and global fixed income, defensive asset classes offer better return prospects compared to historical averages, while the outlook for growth assets is softer than what has been realised in the past.

10X Your Future Fund Asset Allocation

31 August 2024



Source: 10X Investment

Asset Allocation

The portfolio remains more defensively positioned with 67% allocated to growth assets and 33% allocated to defensive assets while 36% of the portfolio is invested offshore.

During the month we reduced our exposure to short-dated US inflation-linked bonds following the rally in yields.

We allocated the proceeds to Japanese Yen, increasing diversification in the portfolio and aligning our overall currency exposure more closely with the broad market portfolio.



Anton Eser
Chief Investment Officer



Chris Eddy
Head of Multi Asset Funds

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