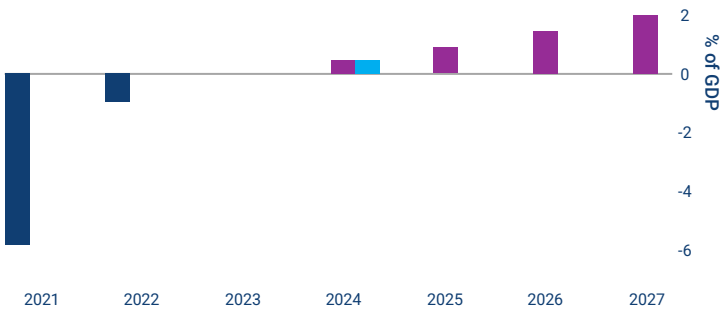


South Africa Achieves Primary Budget Surplus in 2023–24

Preliminary data from Treasury shows first positive balance in 15 years



Source: National Treasury
Note: Chart shows data for fiscal years ending March 31

■ Primary budget balance ■ National Treasury Feb. forecast ■ Preliminary data

Bond investors will be encouraged by the continuity in the finance ministry following the elections, given its commitment to fiscal consolidation. This is shown by South Africa achieving its first primary budget surplus since the Great Financial Crisis.

The primary surplus, which is 0.4% of GDP, matches the ambitious targets set by the National Treasury and is the first step in the right direction towards achieving debt stabilisation.

A better debt trajectory could lead to lower financing costs for government, which would not only create a crowding-in of investment but also provide additional budget for spending on service delivery.

Weight of the top 10 stocks in the S&P 500

% of market capitalisation of the S&P 500



Concentration continues to grow in the S&P 500 with the Top 10 stocks now making up 37% of the index's weight by market capitalisation. The latest run-up has been driven by multiple expansion, as these same 10 companies only account for 27% of S&P 500 earnings.

As of the end of June, the disconnect between these two metrics is the largest in over 30 years, with the value of these companies far outstripping their share of earnings. This indicates investors' exuberant expectations for these companies' future earnings.

This represents a significant increase in single-stock risk for the S&P 500 index, with every quarterly earnings call of these 10 companies scrutinised by investors to validate their positive expectations.

Earnings contribution of the top 10 in the S&P 500

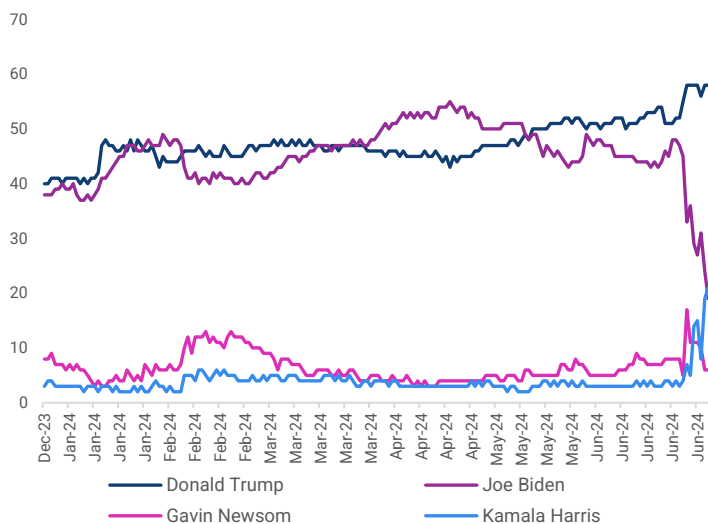
Based on last 12 month' earnings



Source: 10X Investments, JPAM

Support for Biden falls following debate

2024 US Election Winning Candidate – Betting Odds



Source: 10X Investments PredictIt, Bloomberg

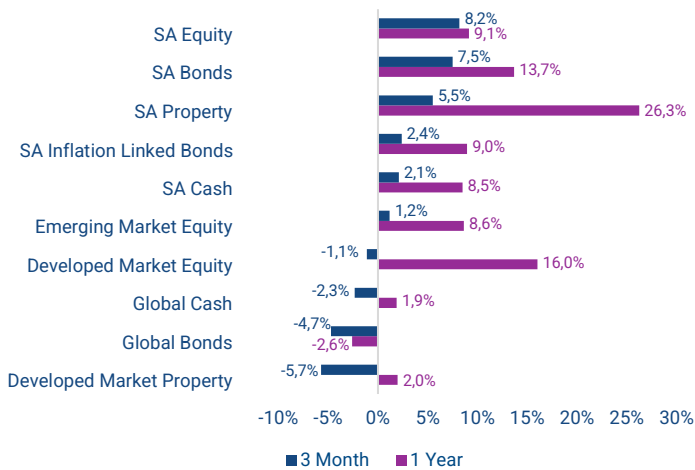
Polling for President Joe Biden suffered a dramatic fall following the presidential debate with Republican Donald Trump.

The debate confirmed concerns about Biden's age, leading to a significant drop in betting odds for his successful re-election. This was driven not only by increased odds of Trump winning but also by increasing pressure from within the Democratic Party for Biden to drop out as their candidate.

Fiscal deficits are set to remain high regardless of who wins the Oval Office, which means the risk of significant treasury issuance to fund this deficit remains a concern. The protectionist policies championed by Trump could add further inflationary pressure into the mix.

Asset class returns to 30 June 2024

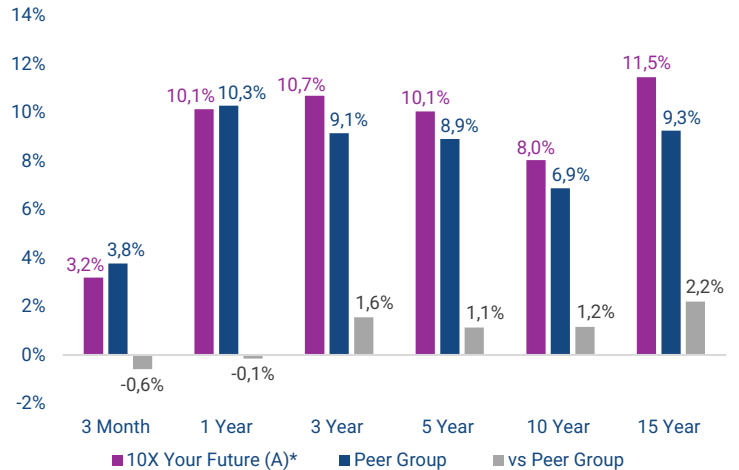
SA assets outperforming



Source: 10X Investments Bloomberg

Portfolio returns to 30 June 2024

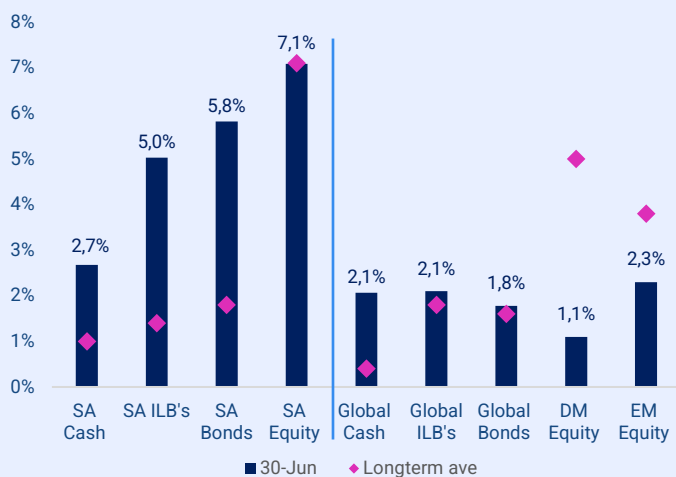
Strong long-term outperformance



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 return

30 June 2024



Source: 10X Investments, Bloomberg

Real (after-inflation) return expectations

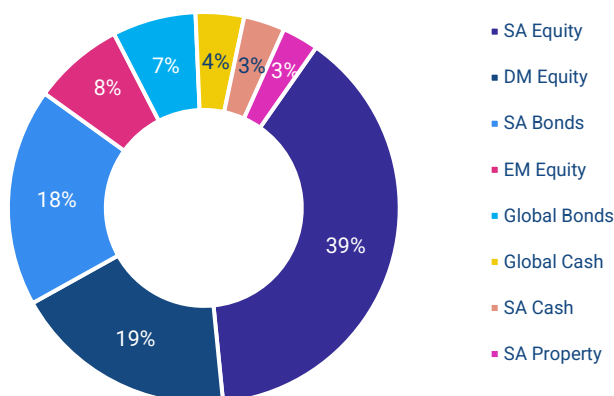
Following the rally in SA bonds over the month, return expectations for this asset class have somewhat moderated. Despite this, they are still set to deliver equity-like returns of over CPI+5%, indicating the significant role that this asset class should play in portfolios.

Expected returns for DM equities continued to moderate on the back of increasing valuations in US equity markets.

SA equities stand out as the one growth asset class set to deliver 5-10 year returns in line with its long-term average. Defensive asset classes are looking attractive as all are set to deliver returns in line or above their long-term average.

10X Your Future Fund Asset Allocation

30 June 2024



Source: 10X Investment

Asset Allocation

We continued to add to SA equity during the month, increasing our exposure by reducing both SA cash and global cash. This resulted in our total offshore exposure declining to 37%, while our growth asset exposure increased to 68%.

We further rotated out of global cash, increasing our exposure to shorter-dated US Inflation-linked bonds, locking in USD real yields over 2.3%. The portfolio remains conservatively positioned with a lower allocation to DM (primarily US) equities.



Anton Eser
Chief Investment Officer



Chris Eddy
Head of Multi Asset Funds

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