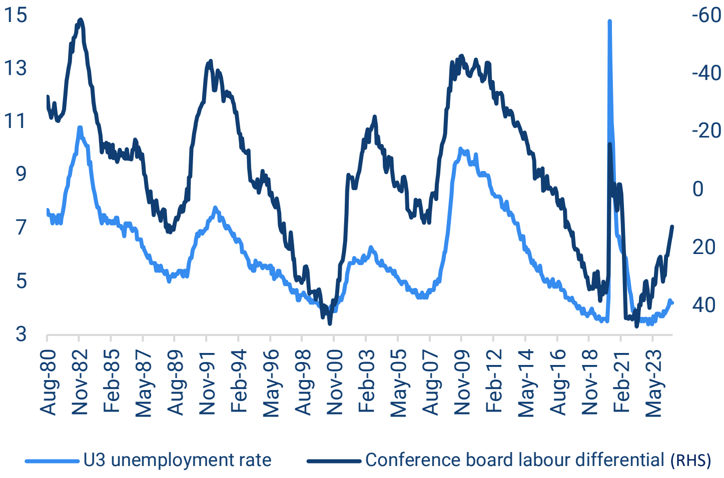
10X Global Connect – September 2024

US labour market shows signs of continued softening

Conference Board labour differential vs Unemployement rate



Source: 10X Investments, Bloomberg

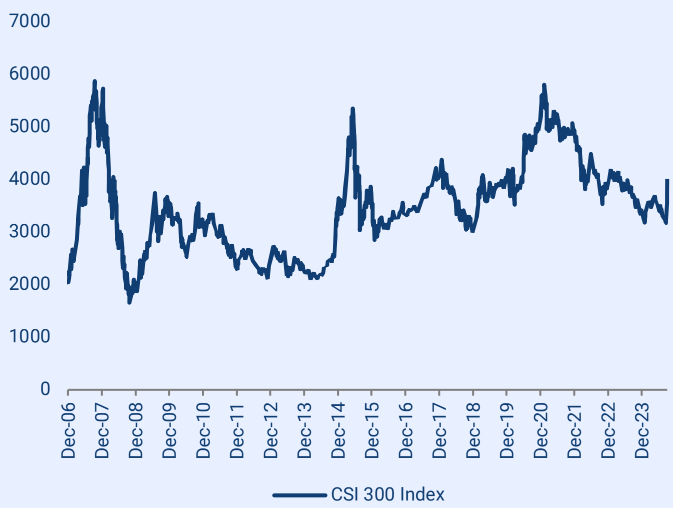
The Conference Board's labour differential, which tracks how many people in the US perceive jobs as "plentiful" versus "hard-to-get," often precedes shifts in the unemployment rate.

In September 2024, a decline in this metric indicated that rising unemployment is likely in the near future.

As fewer individuals see the job market as favourable, it signals growing slack in employment conditions. These warning signs signal that policymakers may not be acting quickly enough to stem the rise in unemployment.

Chinese equities rally, still 30% below all time highs

CSI 300 Index Dec 2006 - Sept 2024



Source: 10X Investments, Bloomberg

China introduced major stimulus measures at the end of September, potentially injecting over 2 trillion yuan into its struggling economy.

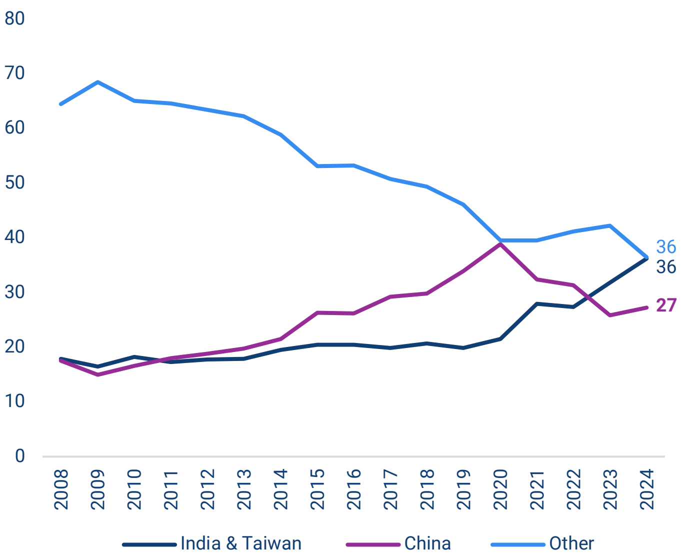
The PBoC announced multiple rate cuts, reduced the reserve requirement ratio, and committed to fully backing loans to local governments for purchasing unsold housing inventory. The required down payment for second homes was also reduced.

Additionally, the government will support the stock market with a 500-billion-yuan swap line and 300 billion yuan in low-interest loans for share buybacks.

These actions, combined with low starting valuations, helped the market rally over 25% in the last week of the month. Despite this rally, the market is still 30% below the highs of 2021.

Evolution of country weights in Emerging Markets

MSCI EM INdex Sept 2008 - Sept 2024



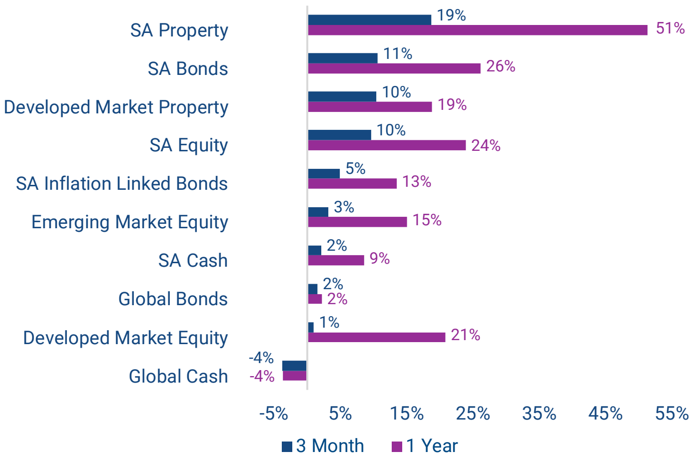
Country exposures in broad emerging market indices have shifted significantly over the past four years.

China's weight, which dominated at over 40% in 2020, has fallen to 27% due to the market de-rating in the face of economic challenges.

Meanwhile, India and Taiwan have risen in prominence, now collectively representing over 36% of the index. A large portion of this increase was driven by multiple expansion, making these markets some of the most expensive globally, even rivalling the U.S.

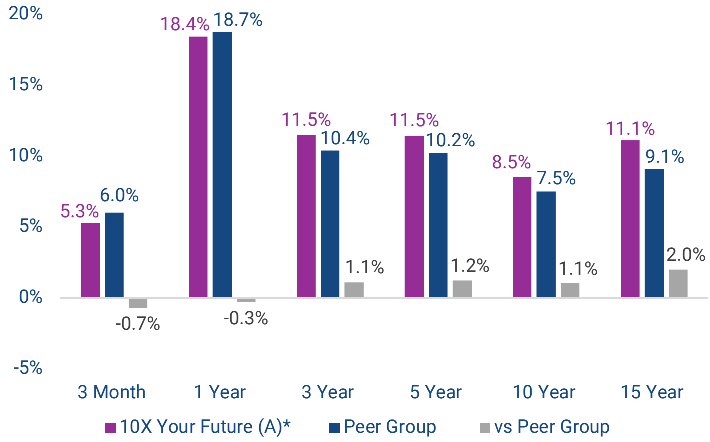
The broad index has become bifurcated, with high valuations in India and Taiwan, contrasting with cheaper markets like China, South Africa, and Latin America.

Asset class returns to 30 September 2024
SA assets outperforming



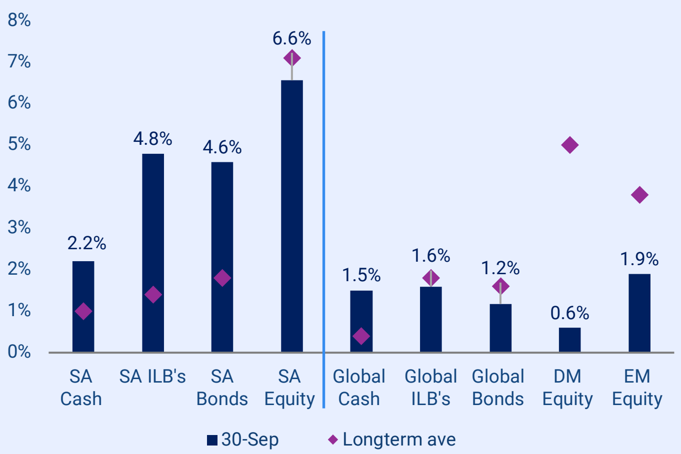
Source: 10X Investments Bloomberg

Portfolio returns to 30 September 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 expected real returns
in local currency - 30 September 2024



Source: 10X Investments, Bloomberg

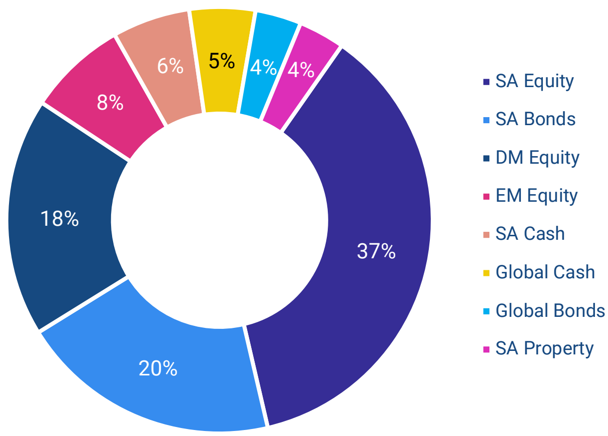
Real (after-inflation) return expectations

Bond yields continued to fall during the month as central banks around the world cut interest rates during September.

The rally in the local market was entirely driven by a compression in breakeven inflation, so much so that forward return for inflation linked bonds are now more favourable than nominal bonds.

SA Equity is the one growth asset class set to deliver returns above inflation+6% whilst the outlook for global growth assets continues to deteriorate.

10X Your Future Fund Asset Allocation
30 September 2024



Source: 10X Investment

Asset Allocation

The portfolio is defensively positioned with a 66% allocation to growth assets, However, within this, we have a significantly higher allocation to SA growth assets (41%) compared to global growth assets (25%).

During the month we further reduced our exposure to developed markets on the back of elevated valuations, this exposure was rotated into emerging markets.

Locally we continued to favour inflation-linked bonds given how the high real yields on offer from this asset class can deliver the targeted return in a low-risk manner.

Anton Eser
Chief Investment Officer

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Head of Multi Asset Funds

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