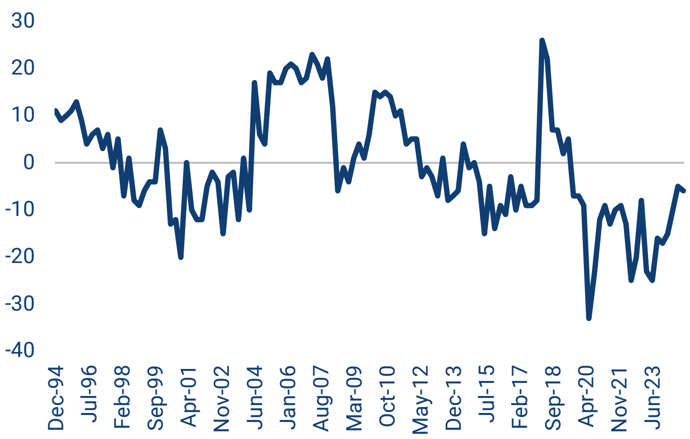
10X Global Connect – November 2024

SA Consumer confidence recovering

BER South Africa Consumer Confidence 1994 - 2024



Source: 10X Investments Bloomberg

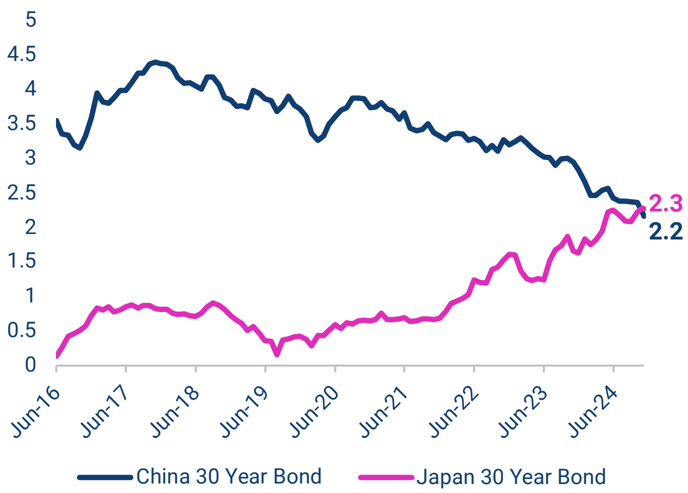
Consumer confidence in South Africa has climbed to its highest level since 2019, though it remains in negative territory. The reduction in load shedding has played a large role in this improving sentiment.

The Reserve Bank's consecutive 0.25% interest rate cuts have provided financial relief to indebted households, boosting disposable income and encouraging consumer spending. Additionally, the introduction of the "two-pot" pension withdrawal system has bolstered sentiment by permitting partial access to retirement savings for immediate needs.

While challenges remain, these developments reflect meaningful progress in rebuilding economic optimism. Improving sentiment lays the foundation for stronger economic growth ahead.

Will China see Japanification

30 year bond yields, China and Japan, 2016-2024



Source: 10X Investments Bloomberg

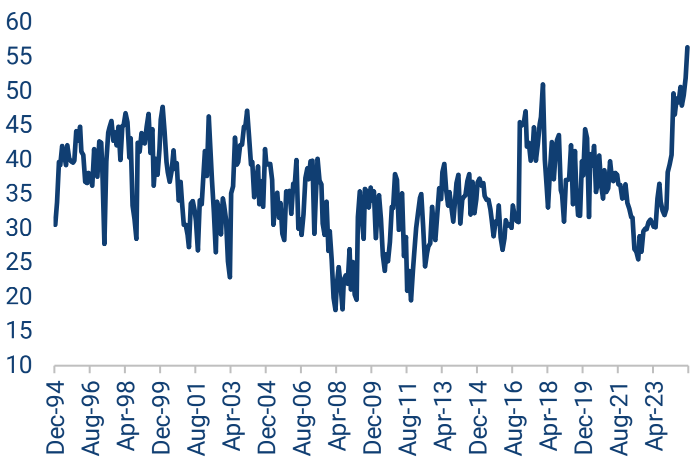
China's 30-year government bond yield has fallenbelow Japan's, signalling a shift in perceptions of growth and risk between the two economies. Traditionally, Japan's ultra-low yields reflected deflation and stability, while China's higher yields signalled robust growth potential.

China's declining yields highlight concerns around slowing growth, demographic challenges, and deflationary pressures, mirroring Japan's historical experience. Meanwhile, Japan exhibits signs of improving growth and rising inflation risks, altering traditional yield dynamics.

This inversion narrows the perceived risk premium between the two nations, reshaping investor behaviour and signalling a shift in global fixed-income dynamics.

US Consumers most bullish on record

US Consumer Confidence: % Expecting higher stock prices in 12 months 1994 - 2024



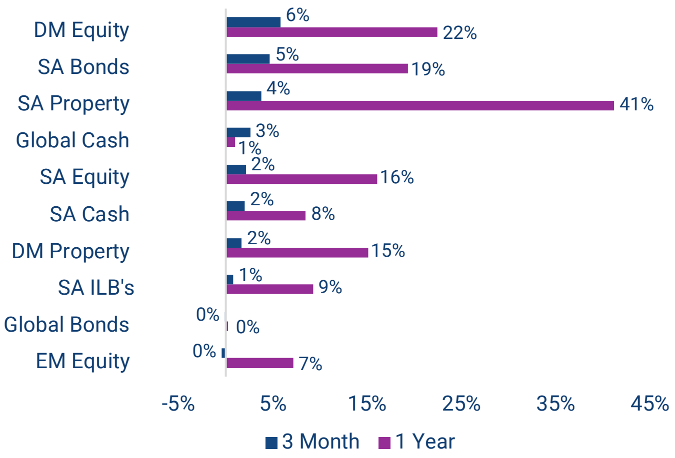
Source: 10X Investments Bloomberg

U.S. consumer confidence in stock prices has reached record highs going back more than 30 years, with the percentage of consumers expecting gains in 12 months at unprecedented levels.

While this reflects widespread optimism about market growth, such extreme sentiment can lead to expectations outpacing fundamentals. This raises the risk of sharp corrections if expectations are unmet.

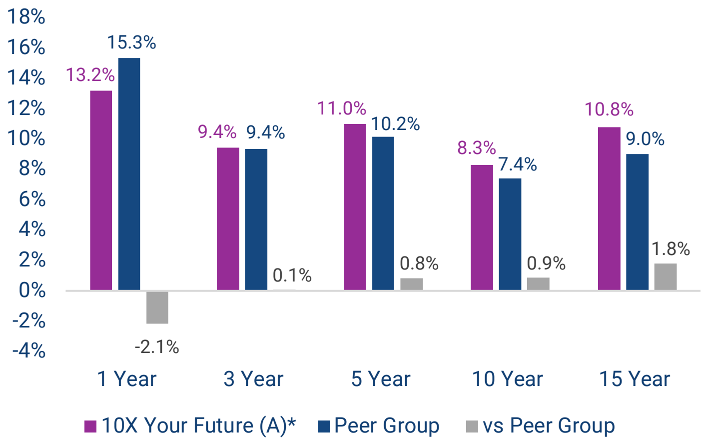
Periods of high confidence often align with elevated valuations and reduced risk premiums, challenging future returns. For long-term investors, staying disciplined and focused on diversified, well-balanced portfolios aligned with core investment objectives remains crucial.

Asset class returns to 30 November 2024



Source: 10X Investments Bloomberg

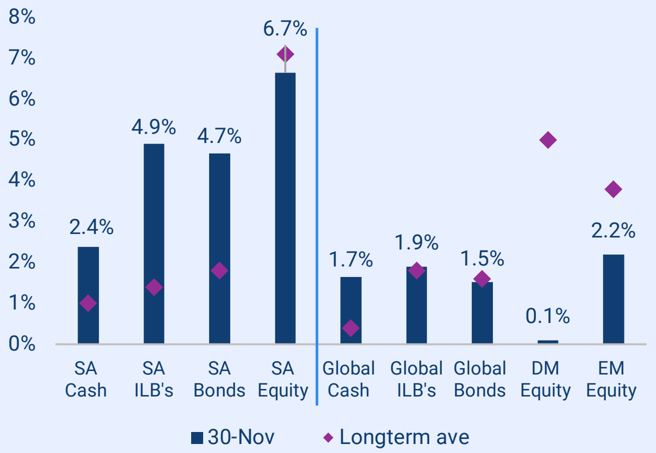
Portfolio returns to 30 November 2024



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 November 2024



Source: 10X Investments, Bloomberg

Real (after-inflation) return expectations

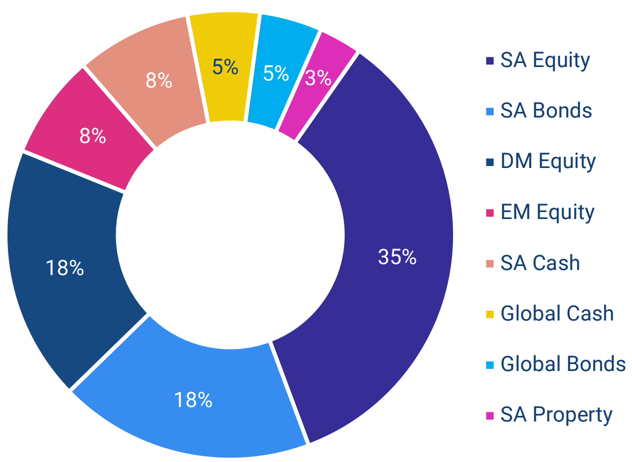
The rally in nominal bonds during the month led to a compression in the inflation risk premium, improving the relative risk-reward trade-off for inflation-linked bonds.

Meanwhile, the strong rally in U.S. equity markets following the U.S. election pushed the CAPE ratio into the 98th percentile historically, creating additional headwinds for DM equity returns in the years ahead.

The narrowing of global equity risk premiums is evident when comparing the forward return potential of global equities versus global bonds, highlighting the challenges for investors in achieving superior risk-adjusted returns.

10X Your Future Fund Asset Allocation

30 November 2024



Source: 10X Investment

Asset Allocation

The portfolio remains conservatively positioned with 64% allocation to growth assets and 36% invested offshore.

On the back of strong gains driven by the compression in inflation risk premiums, we have continued to allocate more of our South African nominal bond exposure into South African inflation-linked bonds as this asset class offers better risk-adjusted returns over the next 5 years.

Global growth asset exposure remains the largest underweight given the challenging return outlook over the next 5 years.

Anton Eser
Chief Investment Officer

Chris Eddy
Head of Multi Asset Funds

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