

Market Overview

– October 2023

November 2023



M&G Investments

October was another gloomy month for investors, both in South Africa and globally, as most asset classes were broadly weaker, posting negative returns. Markets continued to factor in the impact of central banks' "higher-for-longer" interest rate paths, selling both equities and bonds amid a slower medium-term growth outlook. Global equity (as measured by the MSCI ACWI) delivered -3.0%, while global bonds produced -1.2% (Bloomberg Global Aggregate Bond Index). In South Africa, the FTSE/JSE Capped SWIX Index posted a -2.9% return, dragged down the most by Resources and Industrial stocks, while local "SA Inc" shares tended to outperform. South African bonds were able to deliver a 1.7% return thanks partly to their high absolute yields, as well as the better-than-expected Medium-Term Budget Policy Statement (MTBPS) unveiled by the Finance Minister during the month. This saw the yield on the 10-year SA government bond rally from near 12% to 11.7%. With the rand gaining some 0.9% against the US dollar and also strengthening against the UK pound and euro, offshore returns for SA investors would have been negatively impacted.

In the [M&G Balanced](#) and [Inflation Plus](#) Funds, we took advantage of the rand's strength and the outperformance of SA equities versus their global counterparts during the month to reduce some of our SA equity exposure and buy global equities. Since July, the ACWI has fallen by around 11%, representing much better value now. We also sold a small amount of SA bond holdings into the rally following the MTBPS, and have kept the proceeds in SA cash to use for tactical opportunities. Both SA equity and SA bond valuations remain compelling versus their history and relative to other markets, and we are staying patient and trusting that our successful valuations-based process will continue to deliver market-beating returns into the future. A good deal of pessimism continues to weigh on SA asset prices, but the bond rally following the MTBPS did give us a hint of what might be possible when we get more better-than-expected news. Read more on our SA equity market views in the accompanying article by Equity Portfolio Manager Kaitlin Byrne on how we're finding safety and good investment opportunities in the SA equity market.

M&G Enhanced Income Fund delivers strong performance

For the month, the [M&G Enhanced Income Fund](#) avoided a negative return and was the best-performing fund (in absolute terms) in our range of local unit trusts, with a return of 1.0%. This has been true for the past 12 months as well -- and its 12-month return of 10.4% was well ahead of inflation and the 7.7% recorded by its benchmark, the STeFI Composite Index. The performances of higher-risk funds were dragged down by their equity and offshore exposure. With interest rates expected to remain at higher levels for longer, the M&G Enhanced Income Fund is well positioned to take advantage of these extended high rates given its focus on low-risk, interest-paying instruments like bank floating-rate notes and negotiable certificates of deposit, enhanced by holdings in government fixed-rate and inflation-linked bonds. The managers deem it most important to protect capital and limit downside, while also aiming to deliver consistent returns above the benchmark. Read more about the fund in our Investment Focus.

For investors, while markets will remain uncertain going forward, it's important to remember that we build all our client portfolios to perform well in most scenarios that might unfold, rather than trying to predict the future. We carefully consider both the risks and potential returns associated with each holding, such that their combination can deliver the performance clients expect over time.

M&G Investments sponsors 100 Women in Finance

We are proud to have hosted a gathering of the South African chapter of the “100 Women in Finance” organisation on 14 November, a global association in which some of South Africa’s top female leaders, and aspiring future leaders, in the financial services industry sponsor education initiatives and share their ideas and experiences in order to achieve greater diversity in the sector. By facilitating a network of talented professionals and fostering these connections, their 30/40 goal is to see 30% of executive and investment professional roles being filled by women by 2040. With 50% of the M&G Investments Exco being women, we are proud to have already achieved this goal. In fact, M&G was instrumental in bringing the organisation to South Africa and is one its founding members. This is part of our commitment to transformation in both our own company and the broader financial services sector, which is why it’s exciting for us to see the growing numbers of talented women coming together to make a difference. On the evening, special guest speaker SARS Commissioner Edward Kieswetter inspired attendees by sharing his unique insights and valuable lessons on the keys to successful leadership based on his long career, particularly in his recent role in spearheading the turnaround in SARS from its condition of disarray under state capture to a more efficient, trustworthy and meritocratic organisation.

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