



MARKET STANCE Q2 2023

Dear investor,

As you know we make use of the BIP Investment team to assist us with the management of your portfolios.

In terms of their Houseview reflected in their Global Investment Strategy provided to Neshar Management Services, we have retained a defensive portfolio positioning stance in line with the BIP de-risking strategy outlined in 1Q2023

The following a summary of reasons for our stance as mentioned above: Q2 – 2023:

1. Macroeconomic risks prevail, despite inflation retreating from the recent highs. The US treasury yield curve remains inverted which is usually a reliable indicator of impending recession.

2. Monetary policy around the world remains hawkish with the US Federal Reserve continuing to hike rates in 2023. The South African Reserve Bank is following the Fed and raised rates by an unexpected 50 basis points, after it pointed out that the economy is facing higher levels of inflation than previously expected.

3. Cracks in the financial system are starting to show due to the pressure of higher interest rates. Some financial institutions which were struggling, like Credit Suisse, Silicon Valley Bank (SVB), First Republic Bank and Signature Bank, failed and were taken over in recent months.

4. Equity markets have, to some extent, front loaded returns in the first quarter. Earnings growth is expected to slow in the next few quarters, putting pressure on valuations. Equity markets are pricing in an imminent rate cut, but the bond markets are not convinced. Short duration bond yields are still at elevated levels and the US yield curve remains inverted.

Please email me or WhatsApp me if you need any clarification.

PREPARED BY

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