

## South Africa Fund Manager Survey

## 2024: local assets to beat offshore returns

## Equity Strategy

## #315\*. Managers strong bond bulls; weaker equity bulls

**Market +12Ms:** All-Share index 80k (81k Dec.). **Total returns:** equities 13%, R2035 15%, cash 9%. Elevated net bond bulls eased to 36% (40%). Equity bulls fell to 29% (40%). Net cash bears rose to 43% (33%). Survey responses support expected returns, on average. A lower net 50% (67%) of managers say equities are undervalued versus an elevated net 57% (60%) for bonds. Outperformers in 2024: local bonds, then equities (Exhibit 2). +12Ms, consumers gain ground over financials. Resources out of favour.

Market risks: SOEs, EPS, policy shifts. 1<sup>st</sup> rate cut in Q2

On 12Ms a net 29% (13%) expect the economy to get 'a little stronger'; a lower net 50% (73%) expect inflation 'slightly lower'. USDZAR forecast at 17.73 (17.77); lower repo and 10Y at 7.42% (7.53%) & 10.73% (10.77%), respectively. 10Y bond yield consensus 10.5%. A higher 75% expect the first repo cut in Q2 '24 (25% say Q3). No reform likely.

## Domestic equities in focus. Consumers on the radar

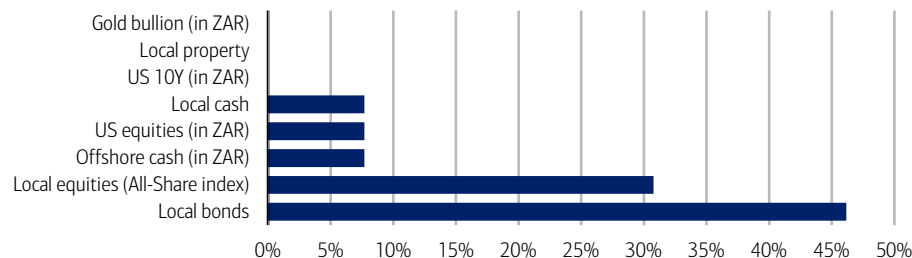
A higher net 79% (47%) want to OW domestic stocks +12Ms. A far lower net 14% (67%) believe they 'have not seen the worst of the impact of high interest rates and inflation on consumer spending'. Consumers rose the most up the preferred sector ranks +12Ms, at the expense of financials (the positioning spread narrowed as well).

## OW bonds, cash, banks, equities, healthcare. UW offshore

Managers are more uncertain and defensive. A net 36% want to invest cash in offshore assets. The survey weight fell to 32% (target c.40%). A net 14% want to invest in bonds. Most preferred +12Ms: banks, general industrials, food producers. Gold, telecoms, real estate, least. Food producers and retailers rose up the ranks the most; banks lost ground.

## Exhibit 2: What asset class do you expect to outperform in 2024...?

Local bonds, then local equities



Source: BofA Global Research, SA FMS January '24. \*Edition #315 – 26<sup>th</sup> Anniversary year

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Refer to important disclosures on page 26 to 28.

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16 January 2024

Investment Strategy  
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## Exhibit 1: Positioning: 1ow - 5uw

#1 bonds, #5 offshore. Software #1

Relative to history	Dec	Nov	OW/UW
Bonds	1	1	ow
Equities	3	3	ow
Cash	Fs3	3	ow
Offshore	Fb5	5	uw
Chemicals	3	4	uw
Gold	3	2	uw
Platinum	3	4	uw
Metals & mining	4	4	uw
Banks & IBK/Brokers	3	2	ow
Life	3	1	uw
'Heavy' industrials	3	2	n
Retail/Food producers	2	3	ow
Telecoms	4	4	uw
Personal goods	3	3	uw
Beverages & Tobacco	3	3	ow
Real estate	3	3	uw
Software	1	2	uw
Healthcare	3	3	ow

Source: BofA Global Research.

Note: Positioning relative to history; 1 (high) to 5 (low)

Firm buyers (fb); firm sellers (fs), firm tussle (ft)

Absolute overweight (ow), underweight (uw), neutral (n)

'Heavy' industrials: general industrials, transport, construction & materials.

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# Methodology

- The Fund Manager Survey was conducted between 5<sup>th</sup> and 11<sup>th</sup> January 2024. It incorporates the views of 14 managers.
- \*This is Edition #315, the 26<sup>th</sup> Anniversary year of the South Africa Fund Manager Survey. A big thank you to all the participants for your commitment, contribution and insights, since 1997. You have made 'market consensus' possible.

## How the survey is conducted.

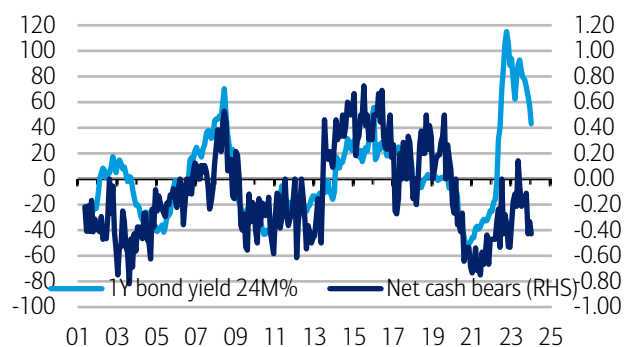
Ipsos begins fieldwork on the day the U.S. payroll data is released. Fieldwork continues through the following week and is closed on the following Thursday.

Ipsos sends a link to the website containing the unprocessed results to survey panellists (who completed the survey). All bona fide institutional fund managers are welcome to participate in the panel

- Net buyers/sellers refers to the difference between the number of managers planning to increase and those planning to decrease exposure over the next three months
- Net over/underweight refers to the difference between the number of managers who are overweight and those that are underweight, a particular asset class or sector
- Net bulls refers to the number of managers who are bullish less the number of managers who are bearish

## Exhibit 3: Cash bears and interest rates

More cash bears this month: supportive equity returns +12M



Source: BofA Global Research, South Africa Fund Manager Survey

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## Exhibit 4: Markets between fieldwork periods:

Oil gains: resources, copper and All-Share the loses

### FTSE/JSE All-Share (73,834: 11<sup>th</sup> Jan)

FTSE/JSE Resources	-1.93%
FTSE/JSE Findi	-3.0%
USDZAR	-1.5%
SA generic 10y Bond (bps)	-1.7%
Gold Bullion (US\$)	-7bps (11.02%)
Crude Oil-Brent (US\$)	-0.4%
Copper (US\$)	+1.0%
VIX	-2.3%
	-0.3%

Source: BofA Global Research, IRESS

Capital return Dec-Jan'24 survey closing dates

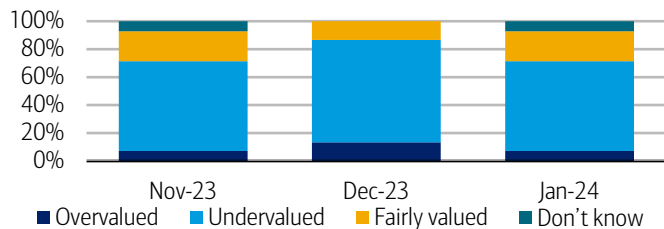
Findi = Financial & Industrial index: All-Share ex-resources

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## Special Questions

### Exhibit 5: Do you think S. Africa 10Y bonds are?

Undervalued



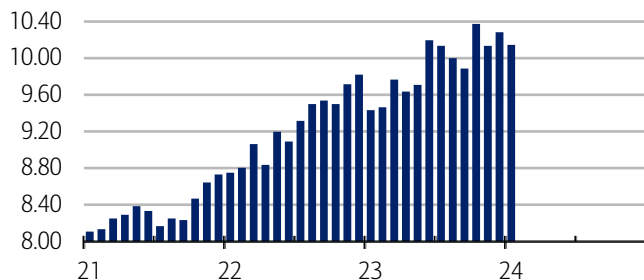
Source: BofA Global Research, South Africa Fund Manager Survey

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Fifty-seven percent of managers (60%) say bonds are undervalued, an elevated reading: 56Ms of undervaluation in a row. Fifty percent (67%) say equities are undervalued

### Exhibit 6: Amid strong risk-on, at what yield would you sell the R2035..?

10.15%. Consensus 10.00%



Source: BofA Global Research, South Africa Fund Manager Survey. Prior to Dec'23, R2032

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Yields off peak. Managers would sell the R2035 at 10.15%. R2035 11.08% (11.63%) during the survey period

### Exhibit 7: Where do you think the equity Market will be in 6Ms?

Up

%	Jan-24	Dec-23	Nov-23
Up	50%	53%	71%
Down	21%	20%	14%
Flat	7%	0%	0%
Don't know	21%	27%	14%
Net Up/Down	29 %	33 %	57 %
Total	100%	100%	100%

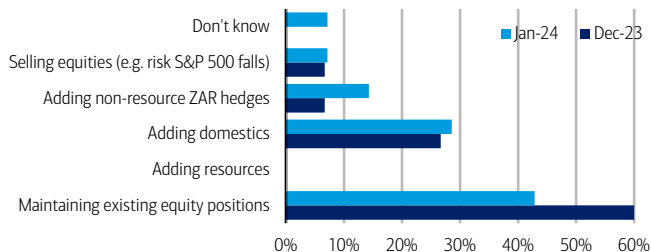
Source: BofA Global Research, South Africa Fund Manager Survey

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Fewer managers see the market up +6Ms, a recent trend

### Exhibit 8: Considering a US slowdown and Fed/SARB cutting cycles, are you thinking of..?

Maintaining positions



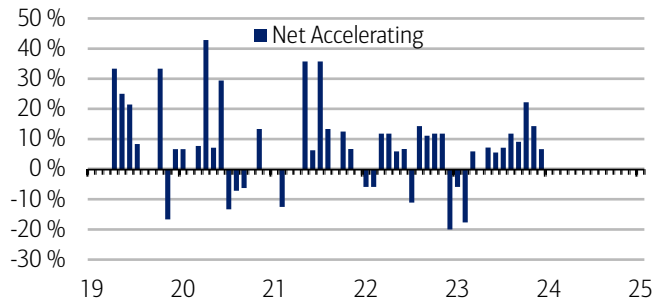
Source: BofA Global Research, South Africa Fund Manager Survey

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Fewer managers maintaining positions for 2024. Adding to domestics and non-resource rand hedges. No manager is adding to resources

**Exhibit 9: Do you see government reform?**

No



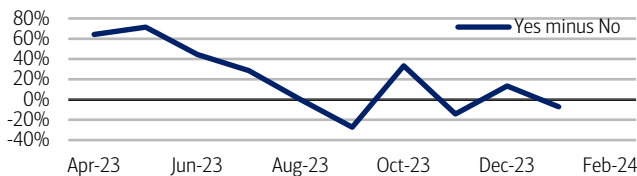
Source: BofA Global Research, South Africa Fund Manager Survey

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Reform prospects fade: 71% say 'at the same pace'. South Africa 'has a major problem'. Poor skills outcomes, wage rigidity, government intervention and delivery failures (state owned enterprises and municipalities – logistics, electricity & water)

**Exhibit 10: Too early to buy interest-rate sensitives for next cutting cycle?**

No



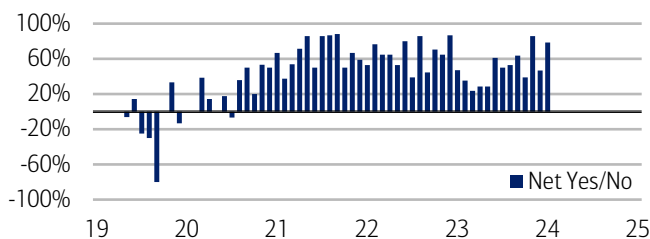
Source: BofA Global Research, South Africa Fund Manager Survey

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Last month, a net 13% of managers said 'Yes', it is too early. This month, a net 7% say 'No'

**Exhibit 11: Would you overweight S. Africa domestic stocks +12Ms?**

Yes



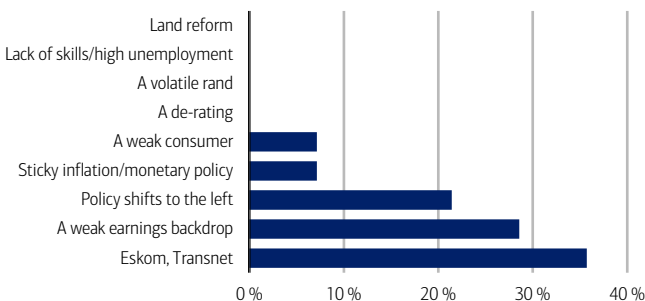
Source: BofA Global Research, South Africa Fund Manager Survey

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A higher net 79% (47%) would overweight domestic +12Ms, a question to gauge reform/risk-on. 2024, weaker dollar, better S. Africa growth and Fed/SARB cutting cycles should provide good support later in the year

**Exhibit 12: What is your biggest domestic risk to S. African equities?**

SOEs and weak earnings



Source: BofA Global Research, South Africa Fund Manager Survey

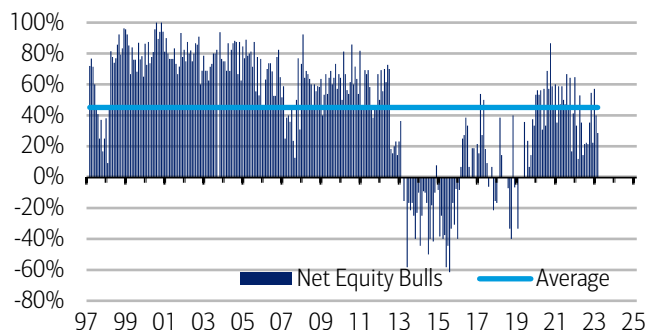
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#1 'Eskom & Transnet'. Then 'weak earnings' and 'policy shifts to the left'

## Prospects: 12-month view

### Exhibit 13: Are you bullish or bearish on South African equities on a 12-month view?

Bullish



Source: BofA Global Research, South Africa Fund Manager Survey

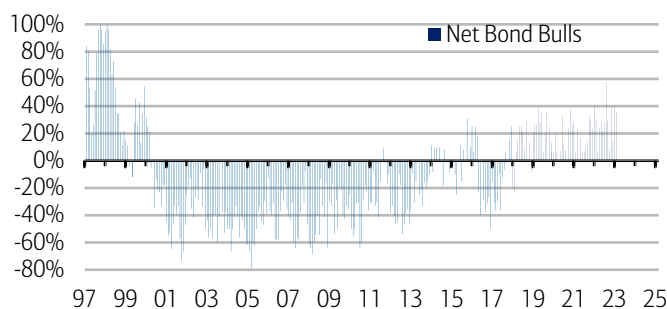
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South African equities:

Fewer equity bulls this month (+29% vs. +40%)

### Exhibit 14: Are you bullish or bearish on South African bonds on a 12-month view?

Bullish



Source: BofA Global Research, South Africa Fund Manager Survey

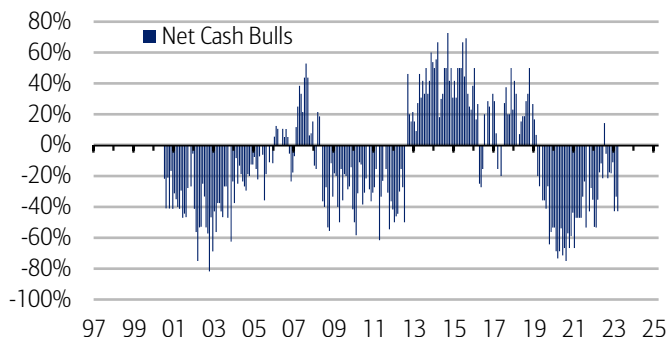
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South African bonds:

Fewer bond bulls this month (+36% vs. +40%): still supportive above-inflation bond returns +12Ms, on average

### Exhibit 15: Are you bullish or bearish on cash on a 12-month view?

Bearish



Source: BofA Global Research, South Africa Fund Manager Survey

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Cash:

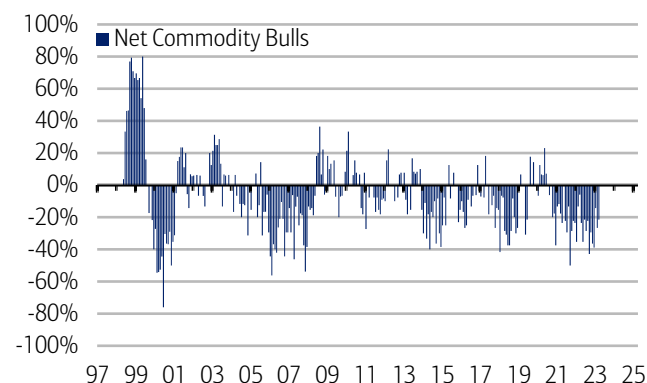
More managers bearish cash (-43% vs. -33%). Supportive equity returns +12Ms, on average

**Exhibit 16: Are you bullish or bearish commodities +12Ms?**

Bearish

Commodities:

Fewer bears (-21% vs. -27%). No bulls



Source: BofA Global Research, South Africa Fund Manager Survey

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**Exhibit 17: Are you bullish or bearish on the following asset classes on a 12 month view?**

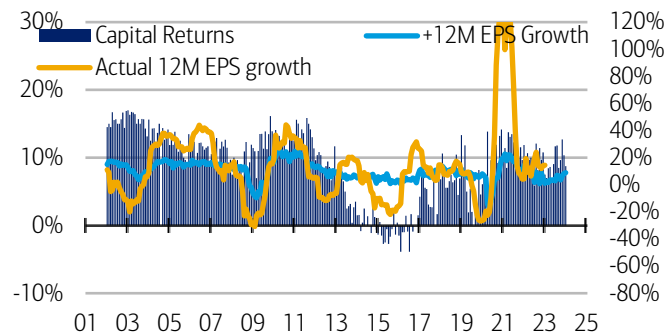
Less bullish equities and bonds. More bearish cash and less bearish commodities

	Jan	Dec	Nov
<b>Most bullish</b>			
South African equities	43%	47%	64%
South African bonds	43%	40%	21%
Cash	14%	13%	14%
Commodity prices	0%	0%	0%
Don't know	0%	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Most bearish</b>			
South African equities	14%	7%	7%
South African bonds	7%	0%	7%
Cash	57%	47%	57%
Commodity prices	21%	27%	14%
Don't know	0%	20%	14%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Net Bulls</b>			
South African equities	29%	40%	57%
South African bonds	36%	40%	14%
Cash	-43%	-33%	-43%
Commodity prices	-21%	-27%	-14%

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**Exhibit 18: +12M equity capital returns; EPS growth?**

Capital returns (LHS) c.+9%. Similar earnings growth



Source: BofA Global Research, South Africa Fund Manager Survey

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Expected +12M equity capital return +9%. EPS growth high single digit as well

**Exhibit 19: Capital return and EPS growth**

High single digit capital returns and earnings growth

	Jan	Dec	Nov
<b>Q1. What capital return do you expect over the next 12-months?</b>			
Minus 30%	0%	0%	0%
Minus 25%	0%	0%	0%
Minus 20%	0%	0%	0%
Minus 15%	0%	0%	0%
Minus 10%	7%	13%	7%
Minus 5%	0%	0%	0%
Zero	0%	0%	0%
Plus 5%	14%	13%	0%
Plus 10%	43%	7%	21%
Plus 15%	21%	47%	57%
Plus 20%	0%	13%	0%
Plus 25%	0%	0%	7%
Plus 30%	0%	0%	0%
Plus 35%	0%	0%	0%
Plus 40% or more	0%	0%	0%
Don't know	14%	7%	7%
<b>Expected capital return</b>	<b>8.8%</b>	<b>10.4%</b>	<b>12.7%</b>

**Q2. What EPS growth do you expect over the next 12-months?**

	Jan	Dec	Nov
Minus 30%	0%	0%	0%
Minus 25%	0%	8%	8%
Minus 20%	0%	0%	0%
Minus 15%	0%	0%	0%
Minus 10%	0%	0%	0%
Minus 5%	0%	0%	0%
Zero	0%	0%	0%
Plus 5%	33%	17%	33%
Plus 10%	56%	50%	42%
Plus 15%	11%	8%	8%
Plus 20%	0%	17%	8%
Plus 25%	0%	0%	0%
Plus 30%	0%	0%	0%
Plus 35%	0%	0%	0%
Plus 40%	0%	0%	0%
Don't know	0%	0%	0%
<b>Expected change in EPS</b>	<b>8.9%</b>	<b>8.3%</b>	<b>6.7%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

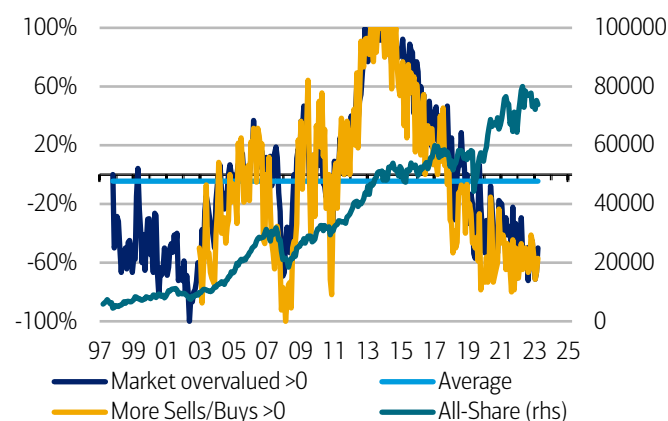
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Equity capital returns ease to +9% (+13%). Range -10% to +15%

Earnings growth single digit at +9%. Range narrows to +5% to +15%

## Exhibit 20: Q1 - Is the equity market overvalued, fairly valued or undervalued? Q2 - Are you finding more Buy or Sell opportunities?

Undervalued. Buys



Source: BofA Global Research, South Africa Fund Manager Survey

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A lower net 50% (67%) of managers see the equity market as undervalued; a lower net 57% (67%) see more Buy than Sell opportunities

## Exhibit 21: Equity market and Buy vs Sells

Fewer see value and Buys

### Q1. The South Africa equity market is:

	Jan	Dec	Nov
Overvalued	7%	13%	7%
Fairly valued	29%	7%	14%
Undervalued	57%	80%	79%
Don't know	7%	0%	0%

### Net overvalued

**-50%**      **-67%**      **-71%**

### Q2. Buy vs sell opportunities:

	Jan	Dec	Nov
More Buys	71%	80%	86%
More Sells	14%	13%	14%
Don't know	14%	7%	0%

### See more Sells than Buys

**-57%**      **-67%**      **-71%**

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# Asset allocation: current and future

## Exhibit 22: South African distribution of international funds

Selling offshore bonds for local equities

	Jan Hi	Jan Lo	Median	Jan	Dec	Nov
<b>Equity</b>	<b>58</b>	<b>27</b>	<b>44</b>	<b>43</b>	<b>41</b>	<b>45</b>
Resource Stocks	18	5	10	11	11	11
Financial Stocks	20	7	12	13	12	14
Industrial Stocks	28	10	20	20	18	20
<b>Bonds</b>	<b>26</b>	<b>0</b>	<b>14</b>	<b>14</b>	<b>15</b>	<b>15</b>
<b>IL Bonds</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Property</b>	<b>5</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Cash</b>	<b>22</b>	<b>0</b>	<b>4</b>	<b>6</b>	<b>5</b>	<b>4</b>
<b>Alternative</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>Offshore</b>	<b>42</b>	<b>20</b>	<b>35</b>	<b>32</b>	<b>35</b>	<b>31</b>
Overseas Stocks	38	8	30	24	23	24
Overseas Bonds	8	0	3	3	6	3
Overseas IL Bonds	5	0	0	1	1	1
Overseas Property	4	0	0	1	1	1
Overseas Cash	12	0	0	2	3	1
Overseas Alternative	11	0	0	1	1	2

Source: BofA Global Research, South Africa Fund Manager Survey

All-Share weights: Resources 26%, Financials & REITS 31% and Industrials 43% (JSE)

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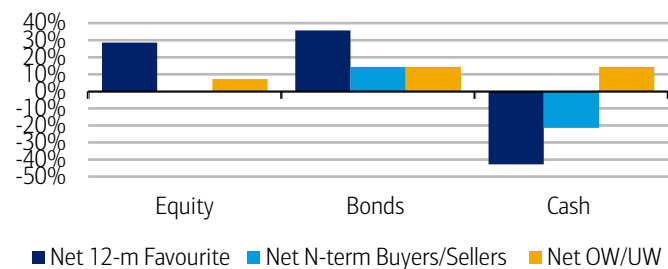
Seventy-five percent (74%) in financials and industrials in the domestic equity portion of the portfolio

Managers sold offshore bonds for local equities (industrials). Lightened local bonds for cash. Added to local and offshore property

Offshore investments well off regulatory 45% limits at 32% (35%). Target c.40%

## Exhibit 23: Domestic preference

Bonds #1; equities #2



Source: BofA Global Research, South Africa Fund Manager Survey

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On various measures, bonds preferred over equities. Equities and cash lose ground

## Exhibit 24: Asset Allocation

Want to invest in offshore assets/bonds. UW offshore. OW cash/bonds

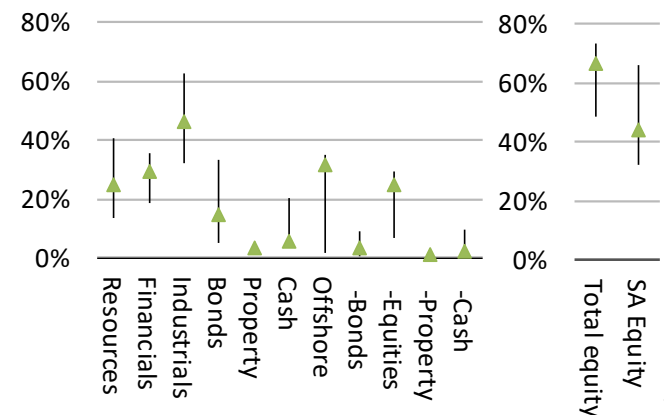
	Equity	Cash	Bonds	Offshore
<b>Do you intend to increase, decrease or maintain your weightings for the next 3 months?</b>				
Increase	14%	7%	14%	36%
Decrease	14%	29%	0%	0%
Maintain	50%	36%	50%	21%
Don't Know	21%	29%	36%	43%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Net near-term buyers/sellers</b>	<b>0%</b>	<b>-21%</b>	<b>14%</b>	<b>36%</b>
<b>Do you consider your position to be overweight, underweight or neutral relative to your internal benchmark?</b>				
Overweight	43%	36%	36%	14%
Underweight	36%	21%	21%	43%
Neutral	21%	36%	21%	21%
Don't Know	0%	7%	21%	21%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Net overweight/underweight</b>	<b>7%</b>	<b>14%</b>	<b>14%</b>	<b>-29%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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## Exhibit 25: Asset allocation

Total cash levels 8% (8%). Local 6% (5%). Total equity 69% (64%)



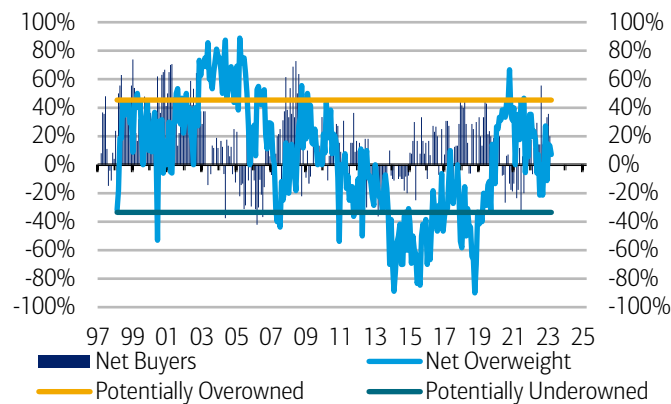
Source: BofA Global Research, South Africa Fund Manager Survey

Bars represent high and low median values through time

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**Exhibit 26: Q1. Is your SA equity position ow, uw or neutral relative to internal benchmarks? Q2. Will you increase, decrease or maintain your weight for the next 3Ms?**

Overweight. Tussle



Source: BofA Global Research, South Africa Fund Manager Survey

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South African equity:

Fewer managers overweight. A tussle on intentions after firm buyers last month

**Exhibit 27: South African equities**

Overweight and buyers fade

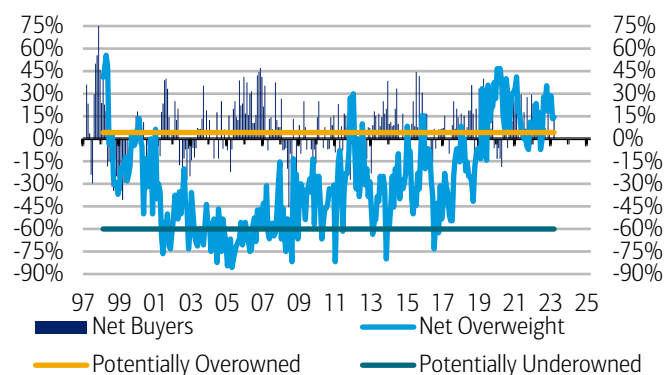
	Jan	Dec	Nov
<b>Q1. Is your equity position OW, UW or neutral relative to internal benchmarks?</b>			
Overweight	43%	47%	43%
Underweight	36%	33%	29%
Neutral	21%	20%	21%
Don't know	0%	0%	7%
Total	100%	100%	100%
<b>Net overweight/underweight</b>	<b>7%</b>	<b>13%</b>	<b>14%</b>
<b>Q2. Do you intend to increase, decrease or maintain that weighting for the next three months?</b>			
Increase	14%	33%	43%
Decrease	14%	13%	7%
Maintain	50%	40%	43%
Don't know	21%	13%	7%
Total	100%	100%	100%
<b>Net buyers/sellers</b>	<b>0%</b>	<b>20%</b>	<b>36%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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**Exhibit 28: Q1. Is your SA bond position ow, uw or neutral relative to internal benchmarks? Q2 Will you increase, decrease or maintain +3Ms?**

Overweight. Buyers



Source: BofA Global Research, South Africa Fund Manager Survey

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South African bonds:

Managers remain overweight (elevated relative to history). No sellers this month. More managers undecided

**Exhibit 29: South African bonds**

Steady overweight; sellers disappear

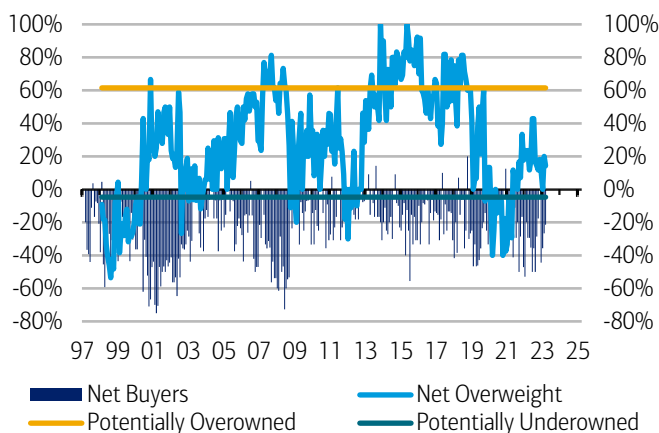
	Jan	Dec	Nov
<b>Q1. Is your bond position OW, UW or neutral relative to internal benchmarks?</b>			
Overweight	36%	47%	50%
Underweight	21%	33%	21%
Neutral	21%	13%	14%
Don't know	21%	7%	14%
Total	100%	100%	100%
<b>Net overweight/underweight</b>	<b>14%</b>	<b>13%</b>	<b>29%</b>
<b>Q2. Do you intend to increase, decrease or maintain that weighting for the next three months?</b>			
Increase	14%	20%	21%
Decrease	0%	20%	21%
Maintain	50%	40%	43%
Don't know	36%	20%	14%
Total	100%	100%	100%
<b>Net buyers/sellers</b>	<b>14%</b>	<b>0%</b>	<b>0%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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**Exhibit 30: Q1. Is your cash position ow, uw or neutral relative to internal benchmarks? Q2. Will you increase, decrease or maintain your weight for the next three months?**

Overweight. Investing

Cash  
Managers overweight. Firm investors

Source: BofA Global Research, South Africa Fund Manager Survey

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**Exhibit 31: South Africa cash**

More managers undecided

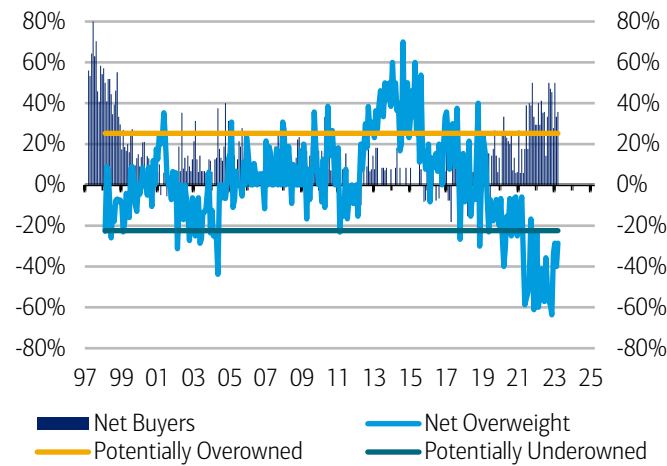
	Jan	Dec	Nov
<b>Q1. Is your cash position OW, UW or neutral relative to internal benchmarks?</b>			
Overweight	36%	47%	36%
Underweight	21%	27%	36%
Neutral	36%	27%	21%
Don't know	7%	0%	7%
Total	100%	100%	100%
<b>Net overweight/underweight</b>	<b>14%</b>	<b>20%</b>	<b>0%</b>
<b>Q2. Do you intend to increase, decrease or maintain that weighting over the next three months?</b>			
Increase	7%	7%	14%
Decrease	29%	33%	50%
Maintain	36%	47%	21%
Don't know	29%	13%	14%
Total	100%	100%	100%
<b>Net buyers/sellers</b>	<b>-21%</b>	<b>-27%</b>	<b>-36%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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**Exhibit 32: Q1. Is your offshore position ow, uw or neutral relative to internal benchmarks? Q2. Will you increase, decrease or maintain your weight for the next three months?**

Underweight. Buyers



Source: BofA Global Research, South Africa Fund Manager Survey

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Offshore assets:

Fewer managers underweight this month. Strong buying intentions +3M, but well off November's levels. More managers undecided this month on intentions. Scope to ultimately invest offshore c. 8% (target likely c.40% of AUM)

**Exhibit 33: Overseas investment**

Fewer underweight: steady and firm buyers (45Ms in a row). No sellers

	Jan	Dec	Nov
<b>Q1. Is your offshore position OW, UW or neutral relative to internal benchmarks?</b>			
Overweight	14%	13%	21%
Underweight	43%	53%	50%
Neutral	21%	20%	7%
Don't know	21%	13%	21%
Total	100%	100%	100%
<b>Net overweight/underweight</b>	<b>-29%</b>	<b>-40%</b>	<b>-29%</b>
<b>Q2. Do you intend to increase, decrease or maintain that weighting for the next three months?</b>			
Increase	36%	33%	57%
Decrease	0%	0%	7%
Maintain	21%	40%	14%
Don't know	43%	27%	21%
Total	100%	100%	100%
<b>Net buyers/sellers</b>	<b>36%</b>	<b>33%</b>	<b>50%</b>

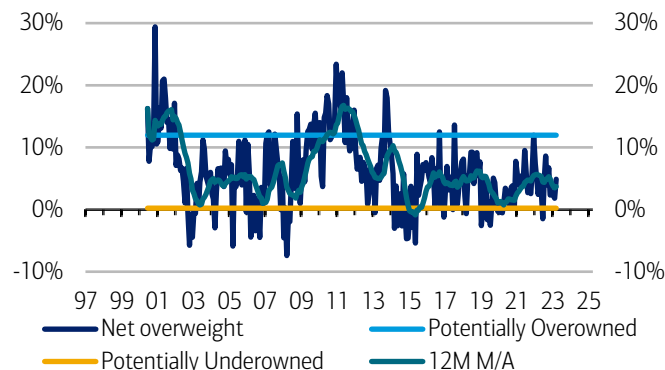
Source: BofA Global Research, South Africa Fund Manager Survey

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# Sector allocation

## Exhibit 34: Are you ow/uw chemicals to internal benchmarks?

Overweight



Source: BofA Global Research, South Africa Fund Manager Survey

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Chemicals:

More managers overweight after a few months of steady positioning

## Exhibit 35: Chemicals

Positioning rises on oil

### Q1. Are you OW or UW oil and gas relative to internal benchmarks?

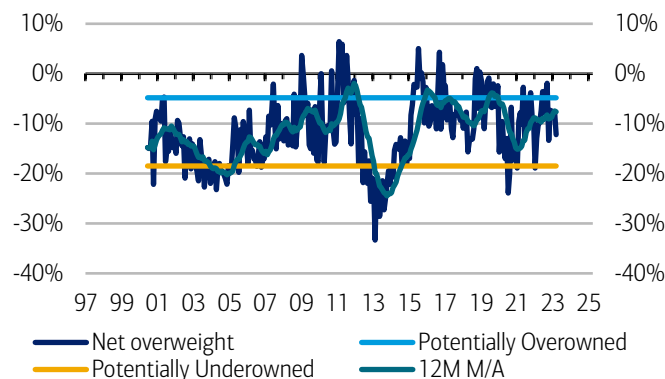
	Jan	Dec	Nov
Overweight	7%	6%	7%
Underweight	2%	4%	4%
<b>Net overweight/underweight</b>	<b>5%</b>	<b>2%</b>	<b>2%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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## Exhibit 36: Are you ow/uw gold mining to internal benchmarks?

Underweight



Source: BofA Global Research, South Africa Fund Manager Survey

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Gold:

More managers move underweight (joint #1 ranked UW with real estate, by sector, by manager)

## Exhibit 37: Gold Mining

Moving more out of favour

### Q1. Are you OW or UW gold mining relative to internal benchmarks?

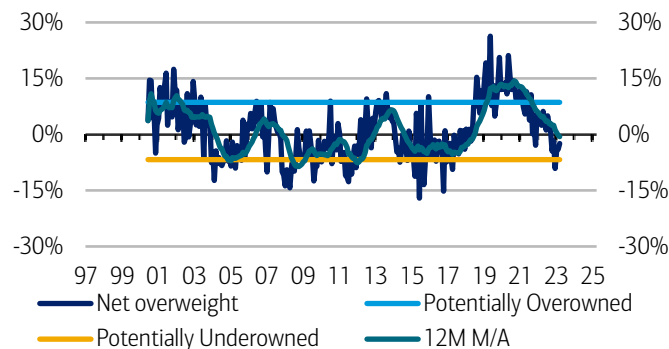
	Jan	Dec	Nov
Overweight	2%	4%	2%
Underweight	15%	12%	11%
<b>Net overweight/underweight</b>	<b>-12%</b>	<b>-8%</b>	<b>-9%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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**Exhibit 38: Are you ow/uw platinum relative to internal benchmarks?**

Underweight



Source: BofA Global Research, South Africa Fund Manager Survey

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Platinum:  
Managers less underweight**Exhibit 39: Platinum**

Underweight off recent lows

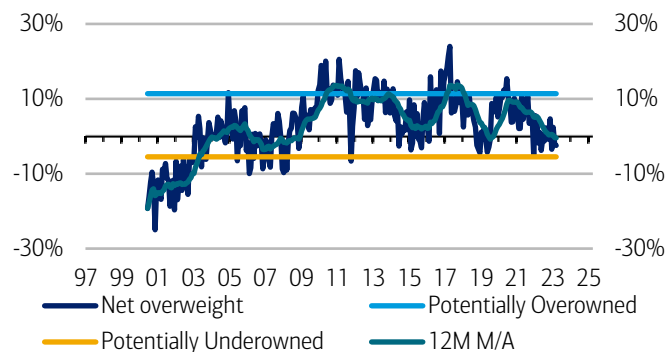
	Jan	Dec	Nov
<b>Q1. Are you OW or UW platinum relative to internal benchmarks?</b>			
Overweight	10%	8%	7%
Underweight	12%	12%	11%
<b>Net overweight/underweight</b>	<b>-2%</b>	<b>-4%</b>	<b>-4%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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**Exhibit 40: Are you ow/uw metals/min. to internal benchmarks?**

Underweight



Source: BofA Global Research, South Africa Fund Manager Survey

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Metals & mining:  
Managers remain underweight. Near Covid-19 (2020) and China  
hard landing fear (2015/16) levels**Exhibit 41: Metals & Mining**

Steady positioning

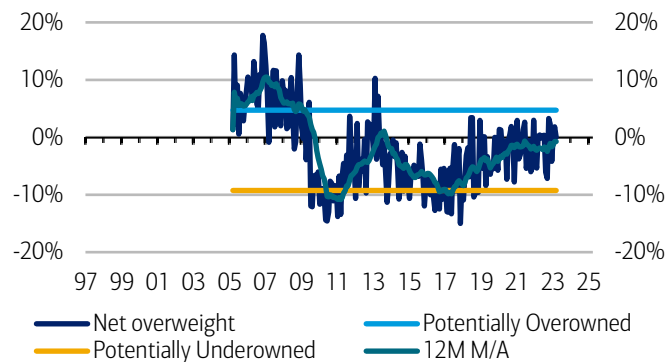
	Jan	Dec	Nov
<b>Q1. Are you OW or UW general mining relative to internal benchmarks?</b>			
Overweight	7%	9%	9%
Underweight	10%	12%	7%
<b>Net overweight/underweight</b>	<b>-2%</b>	<b>-2%</b>	<b>2%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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**Exhibit 42: Are you ow/uw 'heavy' industrials to your benchmarks?**

Neutral



Source: BofA Global Research, South Africa Fund Manager Survey

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'Heavy' industrials (construction, general industrials and transport):

Managers back down to neutral

**Exhibit 43: 'Heavy' Industrials**

A tussle on positioning

	Jan
<b>Q1. Are you OW or UW heavy' industrials relative to internal benchmarks</b>	
Overweight	5%
Underweight	5%
<b>Net overweight/underweight</b>	<b>0%</b>

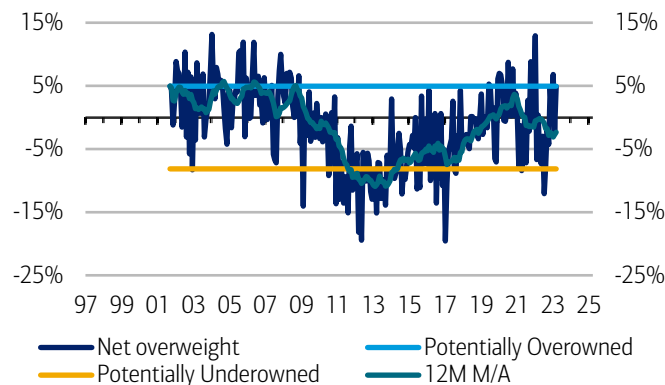
Source: BofA Global Research, South Africa Fund Manager Survey

	Dec	Nov
Overweight	6%	7%
Underweight	4%	7%
<b>Net overweight/underweight</b>	<b>2%</b>	<b>0%</b>

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**Exhibit 44: Are you ow/uw Retail & Food Prod. to your benchmark?**

Overweight



Source: BofA Global Research, South Africa Fund Manager Survey

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Retailers & food producers:

Managers move overweight. Elevated versus history

**Exhibit 45: Retailers & Food Producers**

Managers back to overweight

	Jan
<b>Q1. Are you OW or UW retail/food producers relative to internal benchmarks?</b>	
Overweight	10%
Underweight	5%
<b>Net overweight/underweight</b>	<b>5%</b>

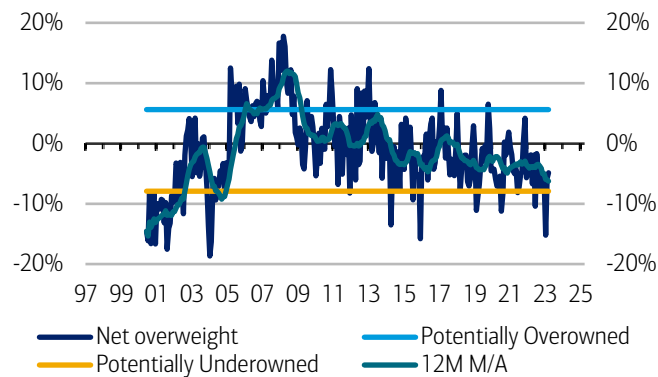
Source: BofA Global Research, South Africa Fund Manager Survey

	Dec	Nov
Overweight	6%	13%
Underweight	8%	7%
<b>Net overweight/underweight</b>	<b>-2%</b>	<b>7%</b>

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**Exhibit 46: Are you ow/uw telecoms to internal benchmarks?**

Underweight



Source: BofA Global Research, South Africa Fund Manager Survey

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Telecommunications:

Managers remain net underweight (#3 UW ranked by sector), but some managers go overweight this month

**Exhibit 47: Telecommunications**

Positioning steady

	Jan
<b>Q1. Are you OW or UW telecommunications relative to internal benchmarks?</b>	
Overweight	5%
Underweight	10%
<b>Net overweight/underweight</b>	<b>-5%</b>

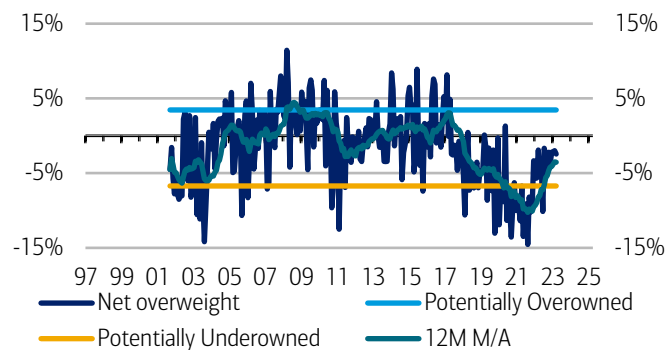
Source: BofA Global Research, South Africa Fund Manager Survey

	Dec	Nov
	0%	0%
	6%	15%
	<b>-6%</b>	<b>-15%</b>

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**Exhibit 48: Are you ow/uw personal goods to internal benchmarks?**

Underweight



Source: BofA Global Research, South Africa Fund Manager Survey

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Personal goods:

Macro slowdown supports the underweight

**Exhibit 49: Personal Goods**

Steady positioning

	Jan
<b>Q1. Are you OW or UW personal goods relative to internal benchmarks?</b>	
Overweight	2%
Underweight	5%
<b>Net overweight/underweight</b>	<b>-2%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

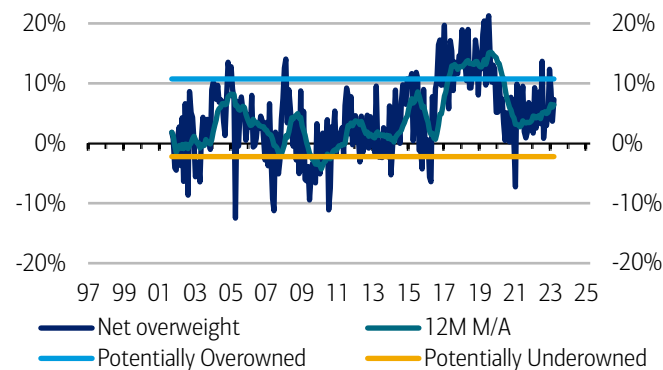
	Dec	Nov
	4%	2%
	6%	4%
	<b>-2%</b>	<b>-2%</b>

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**Exhibit 50: Are you ow/uw bev. & tobacco to your benchmarks?**

Overweight



Source: BofA Global Research, South Africa Fund Manager Survey

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Beverages &amp; tobacco:

More managers overweight. #3 OW ranked by sector

**Exhibit 51: Beverages & Tobacco**

Choppy positioning

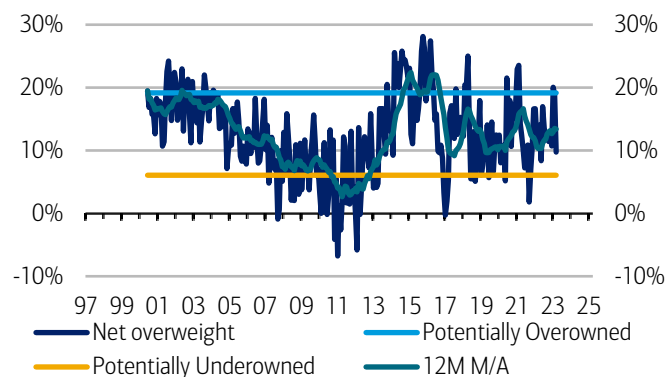
	Jan	Dec	Nov
<b>Q1. Are you OW or UW beverages &amp; tobacco relative to internal benchmarks?</b>			
Overweight	12%	9%	13%
Underweight	5%	6%	4%
<b>Net overweight/underweight</b>	<b>7%</b>	<b>4%</b>	<b>9%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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**Exhibit 52: Are you ow/uw banks & IBK/brokers to your benchmarks?**

Overweight



Source: BofA Global Research, South Africa Fund Manager Survey

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Banks, IBK &amp; brokerages:

Fewer managers overweight (questioning rate cutting cycle vs. falling credit losses): still #1 OW ranked by sector

**Exhibit 53: Banks and IBK & Brokerages**

Weaker positioning

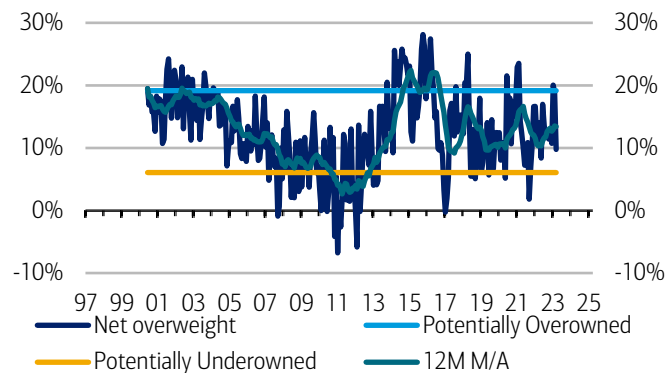
	Jan	Dec	Nov
<b>Q1. Are you OW or UW banks and general financials relative to internal benchmarks?</b>			
Overweight	15%	21%	22%
Underweight	5%	2%	2%
<b>Net overweight/underweight</b>	<b>10%</b>	<b>19%</b>	<b>20%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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**Exhibit 54: Are you ow/uw life insurance to internal benchmarks?**

Underweight



Source: BofA Global Research, South Africa Fund Manager Survey

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Life insurance:

Managers move underweight

**Exhibit 55: Life Insurance**

Overweights fall

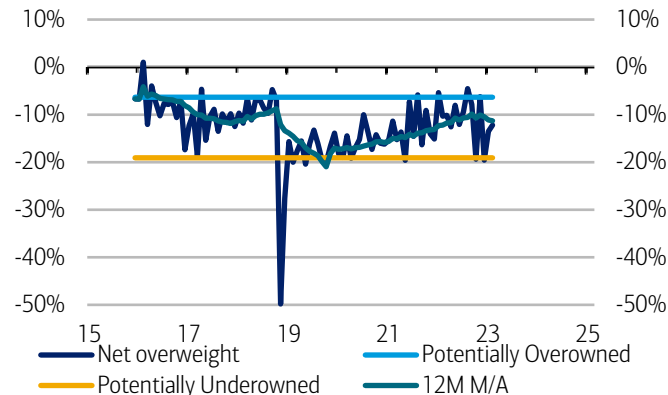
	Jan	Dec	Nov
<b>Q1. Are you OW or UW life insurance relative to internal benchmarks?</b>			
Overweight	2%	9%	4%
Underweight	5%	4%	7%
<b>Net overweight/underweight</b>	<b>-2%</b>	<b>6%</b>	<b>-2%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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**Exhibit 56: Are you ow/uw real estate to internal benchmarks?**

Underweight



Source: BofA Global Research, South Africa Fund Manager Survey

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Real estate:

Managers remain underweight (joint #1 UW with gold, ranked by sector)

**Exhibit 57: Real Estate**

Steady underweight

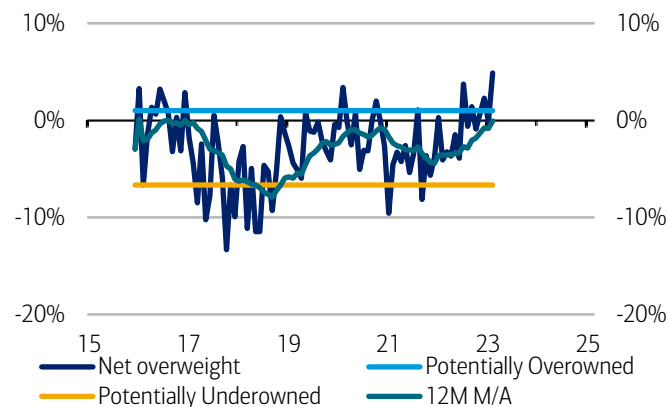
	Jan	Dec	Nov
<b>Q1. Are you OW or UW real estate relative to internal benchmarks?</b>			
Overweight	2%	2%	0%
Underweight	15%	15%	20%
<b>Net overweight/underweight</b>	<b>-12%</b>	<b>-13%</b>	<b>-20%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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**Exhibit 58: Are you ow/uw software relative to internal benchmarks?**

Overweight



Source: BofA Global Research, South Africa Fund Manager Survey

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Software:

Managers move record overweight

**Exhibit 59 Software**

Tussle last month fades with falling US 10Y bond yields

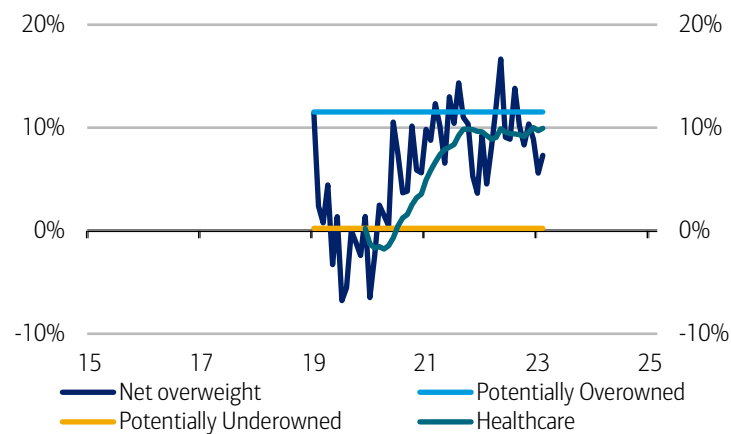
	Jan	Dec	Nov
<b>Q1. Are you OW or UW software relative to internal benchmarks?</b>			
Overweight	10%	8%	4%
Underweight	5%	8%	2%
<b>Net overweight/underweight</b>	<b>5%</b>	<b>0%</b>	<b>2%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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**Exhibit 60: Are you ow/uw healthcare to internal benchmarks?**

Overweight



Source: BofA Global Research, South Africa Fund Manager Survey

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Healthcare

Managers steady overweight, after a declining trend (#2 OW ranked by sector)

**Exhibit 61: Healthcare**

Declining trend steadies

	Jan	Dec	Nov
<b>Q1. Are you OW or UW software relative to internal benchmarks?</b>			
Overweight	10%	9%	9%
Underweight	2%	4%	0%
<b>Net overweight/underweight</b>	<b>7%</b>	<b>6%</b>	<b>9%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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## Bulls and bears (12-month view)

### Exhibit 62: Three favourite and least favoured sectors +12Ms?

Standouts: resources, industrials, gold, banks, telecoms

Sector	Favoured	Least Favoured	Net Bulls		
	Jan	Jan	Jan	Dec	Nov
<b>Resources</b>	<b>15.2</b>	<b>39.4</b>	<b>-24.2</b>	<b>-23.8</b>	<b>-17.9</b>
<b>Financials</b>	<b>27.3</b>	<b>21.2</b>	<b>6.1</b>	<b>19.0</b>	<b>2.6</b>
<b>Industrials</b>	<b>57.6</b>	<b>39.4</b>	<b>18.2</b>	<b>4.8</b>	<b>15.4</b>
Gold	0.0	18.2	-18.2	-14.3	-15.4
Platinum	9.1	9.1	0.0	-2.4	-7.7
Metals & mining	6.1	6.1	0.0	-2.4	5.1
Chemicals	0.0	6.1	-6.1	-4.8	0.0
Banks	21.2	6.1	15.1	26.2	15.4
Life insurance	3.0	3.0	0.0	2.4	0.0
IBK, Brokers	0.0	0.0	0.0	0.0	0.0
Real estate	3.0	12.1	-9.1	-9.5	-12.8
Beverages	3.0	6.1	-3.0	0.0	-5.1
General industrials	9.1	0.0	9.1	4.8	2.6
Personal goods	0.0	3.0	-3.0	2.4	2.6
Food producers	9.1	0.0	9.1	0.0	-2.6
Retailers	9.1	3.0	6.1	-2.4	0.0
Software	6.1	0.0	6.1	4.8	0.0
Tobacco	9.1	6.1	3.0	0.0	7.7
Transportation	0.0	0.0	0.0	0.0	-2.6
Care, drug, grocery	3.0	6.1	-3.0	0.0	2.6
Telecoms	0.0	12.1	-12.1	-7.1	-10.3
Healthcare	9.1	3.0	6.1	2.4	20.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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On a 12-month view, resources remain out of favour. Industrials gain over financials

Within resources, gold is least preferred. A bearish resource tone again this month. Managers are bearish on all the resource sectors (based on history, a bottoming process for the resource index)

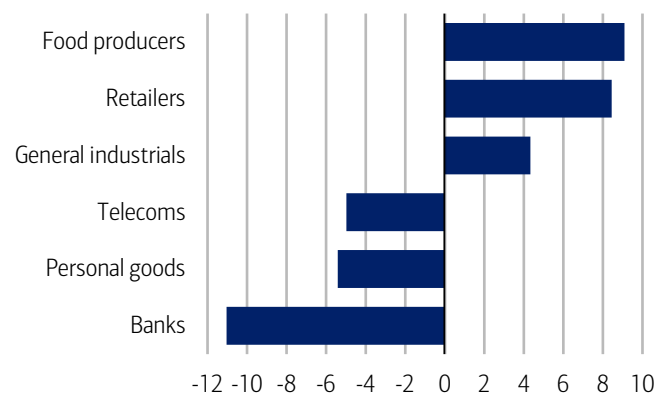
Within financials, banks are #1 preferred, but losing ground. Real estate remains out of favour

In the industrial sector, general industrials and food producers are favoured. Telecoms least favoured and losing ground.

Consumers gain ground

### Exhibit 63: Largest +12M sector preference moves (Dec - Jan)

Consumers gain over banks



Source: BofA Global Research, South Africa Fund Manager Survey

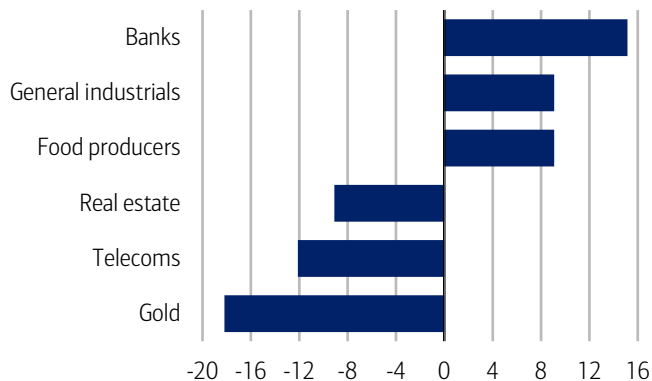
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Extreme scores are sometimes contrarian relative to the All-Share on a three-month view

On +12Ms, consumer in focus. Banks lose ground

**Exhibit 64: Top and bottom +12M sector preferences (current view)**

Banks #1



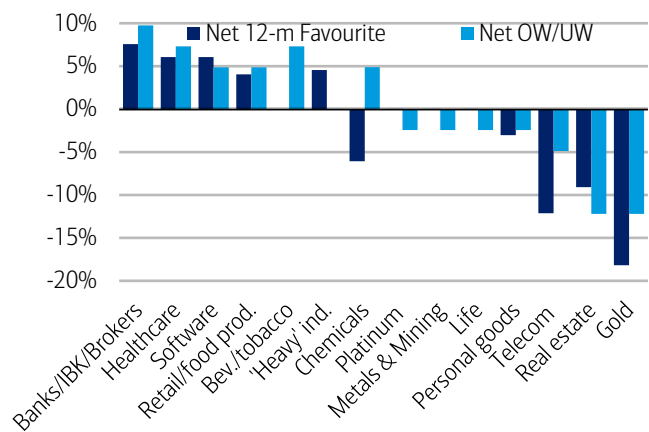
Source: BofA Global Research, South Africa Fund Manager Survey

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Banks over real estate

**Exhibit 65: Sector favourites and positioning**

Banks #1



Source: BofA Global Research, South Africa Fund Manager Survey

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Sectors on the left are popular; on the right disliked

Based on various **broad measures** (average of 'net 12M favourite' and 'net OW/UW') banks are most **preferred**. Gold and real estate sectors are **least preferred**

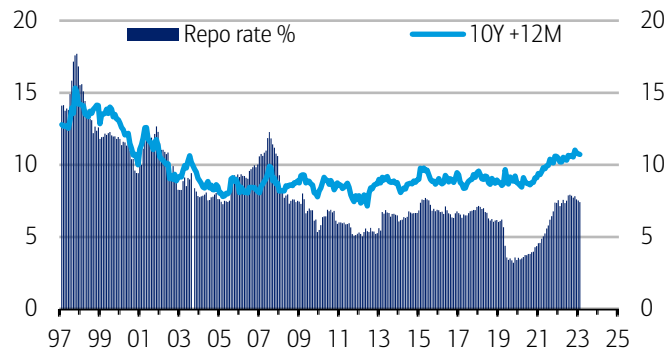
Retail & food producers, software and healthcare experienced the largest **positive gains**; banks, IBK & brokers, life insurance and gold, the **largest falls**

Conviction is lower this month across sectors, except for gold and real estate.

# Economic outlook: 12-month view

## Exhibit 66: Q1. What is your forecast for the repo & 10Y +12Ms?

Gap widening



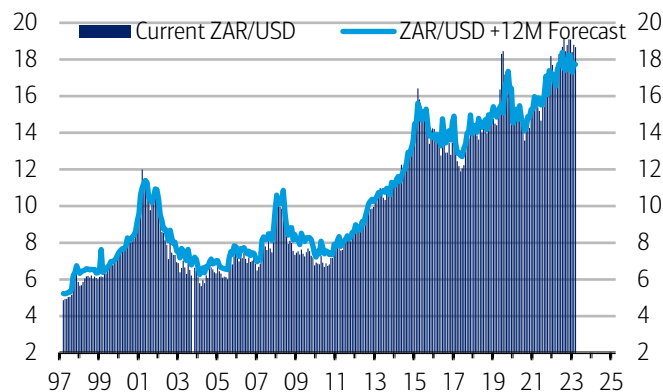
Source: BofA Global Research, South Africa Fund Manager Survey

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Managers' repo forecast over the next 12 months eases to 7.42% (7.53%). The R2035 bond yield forecast moved slightly lower to 10.73% (10.77%)

## Exhibit 67: What is your forecast for the rand/US\$ exchange rate +12M?

ZAR forecast change in Jan +0.3% (Dec -2.7%)



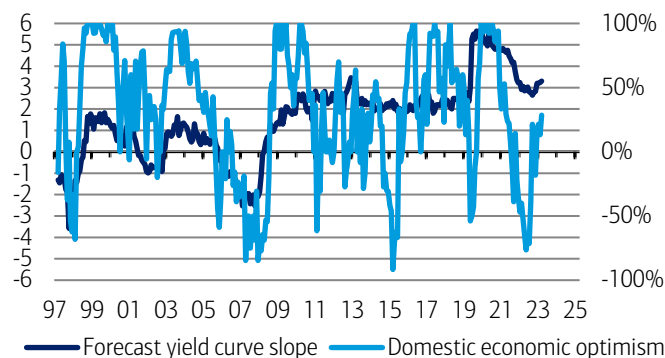
Source: BofA Global Research, South Africa Fund Manager Survey

BofA GLOBAL RESEARCH

The 12-month rand forecast firmed to ZAR17.73/US\$ (ZAR17.77/US\$)

## Exhibit 68: Economic optimism & forecast YC slope (10Y-repo, LHS)

Yield curve forecast rising; growth expectations improve slightly



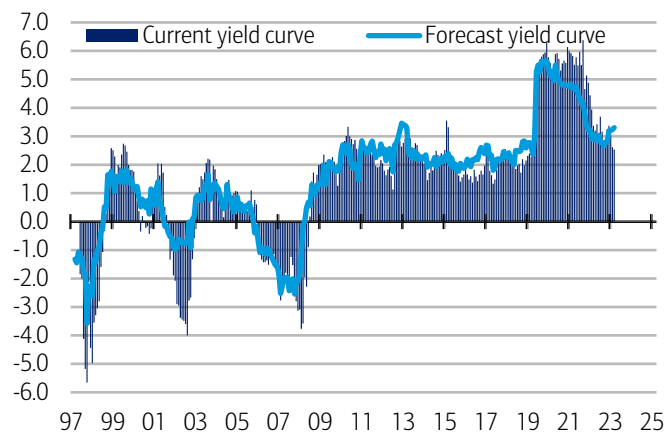
Source: BofA Global Research, South Africa Fund Manager Survey

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Economic optimism more positive. +12M yield curve forecast rises 7bps (10Y yield -4bps; repo -11bps). South Africa, 'we still have a major problem': a US soft landing H1 2024, loadshedding, weak logistic infrastructure and a rising debt path

**Exhibit 69: Current and forecast yield curve slope (YC)**

Forecast slope rises 7bps to 330bps steep (actual 253bps: -8bps)



Source: BofA Global Research, South Africa Fund Manager Survey

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Forecast yield curve slope rises after a long unwind from 565bps steep in July 2020. S. Africa fiscal dominance headwinds. Budget in February

**Exhibit 70: South African macroeconomic forecasts**

Forecasts improved marginally across the board

	12-month forecast		
	Jan	Dec	Nov
Repo rate (%)	7.42	7.53	7.61
10-year benchmark bond yield (%)	10.73	10.77	10.82
Rand/US dollar	17.73	17.77	17.30

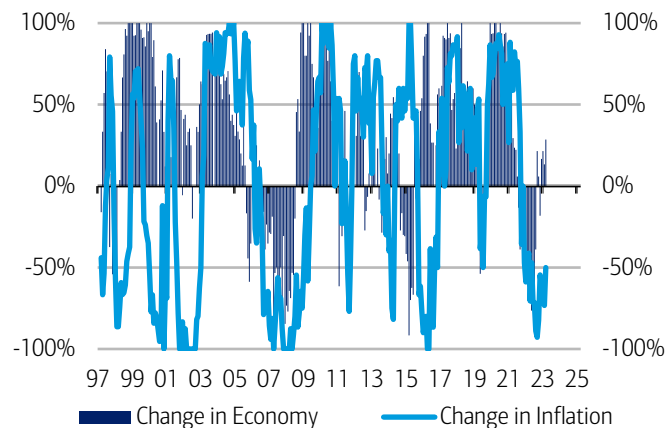
Source: BofA Global Research, South Africa Fund Manager Survey

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+12Ms managers expect a firmer ZAR, lower bond yields and lower repo rate (from today)

**Exhibit 71: How will the economy and inflation develop +12M?**

More positive on economic growth. Fewer see lower inflation



Source: BofA Global Research, South Africa Fund Manager Survey

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Economic growth expectations improve. Fewer expect 'slightly lower' inflation

**Exhibit 72: Domestic economy and inflation expectations over the next 12 months**

Growth expectations more positive; fewer expect slightly lower inflation

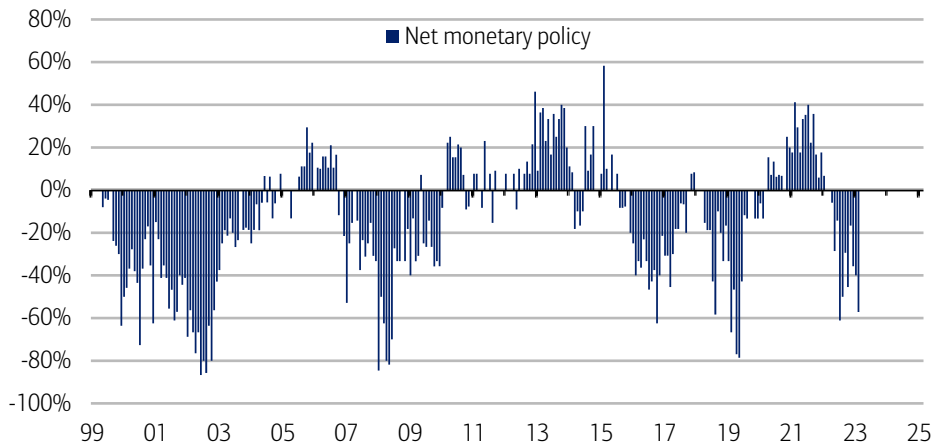
	Jan	Dec	Nov
<b>Q1. How do you think the economy will develop over the next 12 months?</b>			
Get a lot stronger	0%	0%	0%
Get a little stronger	50%	40%	50%
Stay the same	29%	27%	21%
Get a little weaker	21%	27%	29%
Get a lot weaker	0%	0%	0%
Don't know	0%	7%	0%
Total	100%	100%	100%
<b>Net stronger/weaker</b>	<b>29%</b>	<b>13%</b>	<b>21%</b>
<b>Q2. How do you think the core inflation rate will change in the next 12 months?</b>			
A lot higher	0%	0%	0%
Slightly higher	7%	7%	7%
Unchanged	36%	13%	21%
Slightly lower	57%	73%	71%
A lot lower	0%	7%	0%
Don't know	0%	0%	0%
Total	100%	100%	100%
<b>Net higher/lower</b>	<b>-50%</b>	<b>-73%</b>	<b>-64%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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**Exhibit 73: Is monetary policy too restrictive, stimulative, about right?**

Policy seen more restrictive again this month



Source: BofA Global Research, South Africa Fund Manager Survey

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**Exhibit 74: Monetary policy (stimulative minus restrictive)**

Consensus now 'too restrictive'

	Jan	Dec	Nov
<b>Do you think South Africa's monetary policy is currently...?</b>			
Too stimulative	0%	0%	0%
About right	36%	60%	64%
Too restrictive	57%	40%	36%
Don't know	7%	0%	0%
Total	100%	100%	100%
<b>Net stimulative/restrictive</b>	<b>-57%</b>	<b>-40%</b>	<b>-36%</b>

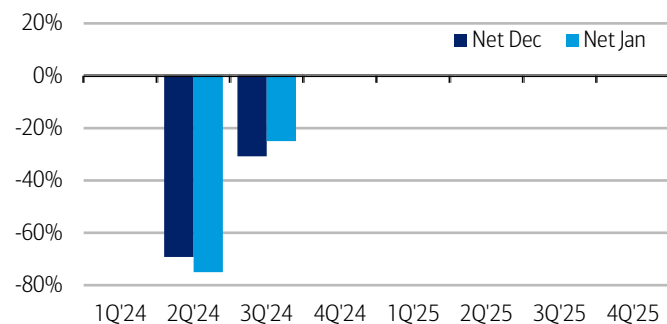
Source: BofA Global Research, South Africa Fund Manager Survey

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**Exhibit 75: Net interest rate expectations compared to last month**

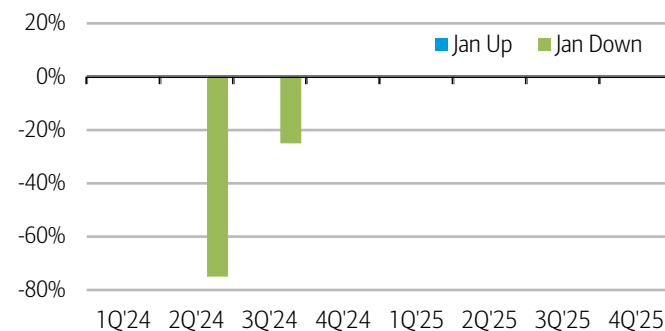
January net down -100% (Dec net down -100%)



**Source:** BofA Global Research, South Africa Fund Manager Survey. Note: percentages based on only those managers who expect a rate move over the forecast period (>0 net up; <0 net down)  
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**Exhibit 76: What do you think the next repo rate move will be?**

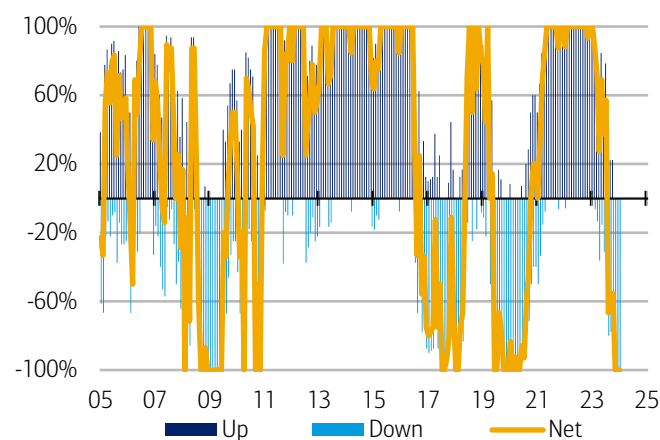
75% (69%) 'Down' responses in Q2 '24



**Source:** BofA Global Research, South Africa Fund Manager Survey. Note: percentages based on only those managers who expect a rate move over the forecast period  
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**Exhibit 77: Managers prediction for next interest rate move +8Qs?**

A cut



**Source:** BofA Global Research, South Africa Fund Manager Survey

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Almost all managers surveyed expect the next repo rate move to be a cut (consensus in Q2 2024)

**Exhibit 78: What do you think the next repo rate move will be over the next eight quarters?**

Down

	Jan	Dec	Nov
Up	0%	0%	14%
Down	93%	93%	79%
Flat	7%	7%	7%
Don't Know	0%	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Source:** BofA Global Research, South Africa Fund Manager Survey

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