

## South Africa Fund Manager Survey

## 2024: local assets to outperform offshore

## Equity Strategy

## #314\*. Managers strong local bond, equity &amp; bank bulls

**Market +12Ms:** All-Share index 81k (82k Nov.). **Total returns:** equities 15%, R2035 16%, cash 9%. Net bond bulls by manager rose to 40% (14%); equity bulls eased to 40% (57%). A net 67% of managers say the equity market is undervalued and see more Buys than Sells. A net 60% say the bond market is undervalued. Net cash bears 33% (43%). Responses support equity & bonds returns +12Ms. 2024 outperformers: local bonds and equities (Exhibit 1). Wary rallies: fewer expect the market up in 6Ms. Cash levels rise.

## Firmer ZAR +12Ms. 93% say the next repo move is down

A net 13% (21%) expect the economy to get 'a little stronger' +12Ms. A higher net 73% (64%) expect inflation 'slightly lower'. +12Ms USDZAR at 17.77 (17.30); repo and 10Y at 7.53% (7.61%) and 10.77% (10.82%), respectively. 10Y bond yield consensus 10.50%. A higher consensus 69%, expect the first repo cut in Q2 '24 (31% say Q3).

## Consumer earnings risk into H1. No resource sector bulls

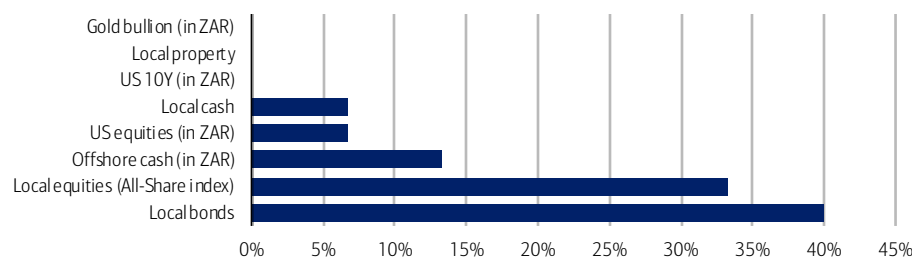
A net 67% (29%) believe we have not seen the worst of the impact of high interest rates and inflation on consumer spending: a net 13% say it is too early to buy interest-rate sensitives. A lower net 47% (86%) want to overweight domestic stocks +12Ms. Banks preferred over retailers. Managers maintaining positions into 2024: no one adding resources.

## Overweight: cash, banks, equity, bonds, life, healthcare

Managers moved net overweight cash. A net 40% (29%) are underweight offshore assets. Fewer want to invest cash into offshore/local equities +3Ms. A net 28% (56% in Oct.) want to invest offshore +12Ms. Survey weight at 35%, a high (target c.41%). Most preferred +12Ms: banks (85<sup>th</sup> percentile), software, general industrials. Gold, real estate, telecoms least. Banks rose up the ranks the most, healthcare fell: a more cyclical domestic bias.

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

Local bonds, then local equities. Cash features



Source: BofA Global Research, SA FMS December '23. \*Edition #314 – 26<sup>th</sup> Anniversary year

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Refer to important disclosures on page 28 to 29.

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

#1 bonds, #5 offshore. #1 Life, #2 banks

Relative to history	Dec	Nov	OW/UW
<b>Bonds</b>	(Ft)1	1	ow
Equities	(Fb)3	3	ow
Cash	(Fs)3	4	ow
<b>Offshore</b>	(Fb)5	5	uw
Chemicals	4	4	uw
Gold	2	3	uw
Platinum	4	4	uw
Metals & mining	4	3	uw
Banks & IBK/Brokers	2	1	ow
<b>Life</b>	1	3	ow
'Heavy' industrials	2	3	ow
Retail/Food producers	3	1	uw
Telecoms	4	5	uw
Personal goods	3	3	uw
Beverages & Tobacco	3	2	ow
Real estate	3	5	uw
Software	2	1	n
Healthcare	3	2	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 8<sup>th</sup> and 14<sup>th</sup> December 2023. It incorporates the views of 15 managers.
- \*This is Edition #314, 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 4: Markets between fieldwork periods:

Weaker dollar winners: Findi, gold, copper, All-Share. VIF falls sharply

### FTSE/JSE All-Share (72,290: 14<sup>th</sup> Dec)

FTSE/JSE Resources	+4.24%
FTSE/JSE Findi	+0.2%
USDZAR	+5.8%
SA generic 10y Bond (bps)	+1.8%
Gold Bullion (US\$)	-46bps (11.10%)
Crude Oil-Brent (US\$)	+5.3%
Copper (US\$)	-4.2%
VIX	+5.0%
	-18.4%

Source: BofA Global Research, IRESS.

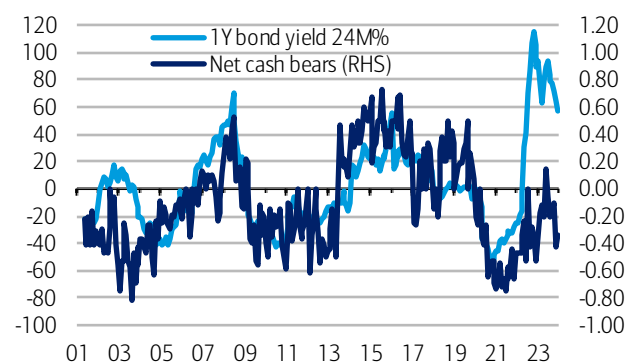
Capital return Nov-Dec'23 survey closing dates

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

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## Exhibit 3: Cash bears and interest rates: tough macro

Fewer cash bears this month: still supportive equity returns +12M



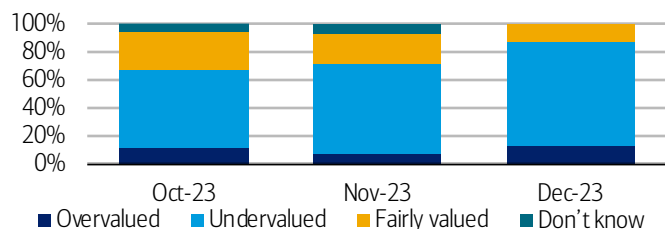
Source: BofA Global Research, South Africa Fund Manager Survey

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# Special Questions

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

Undervalued



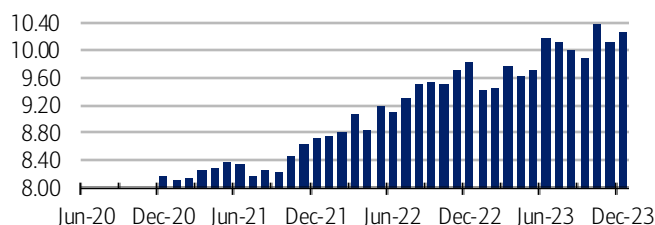
Source: BofA Global Research, South Africa Fund Manager Survey

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Sixty percent of managers (57%) say bonds are undervalued, an elevated reading: 55Ms of undervaluation in a row. Sixty-seven percent (71%) say equities are undervalued

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

10.28%. Consensus 10.50%



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 10.28%. R2035 11.63% during the survey period

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

Up

%	Dec-23	Nov-23	Oct-23
Up	53%	71%	67%
Down	20%	14%	11%
Flat	0%	0%	6%
Don't know	27%	14%	17%
Net Up/Down	33 %	57 %	56 %
Total	100%	100%	100%

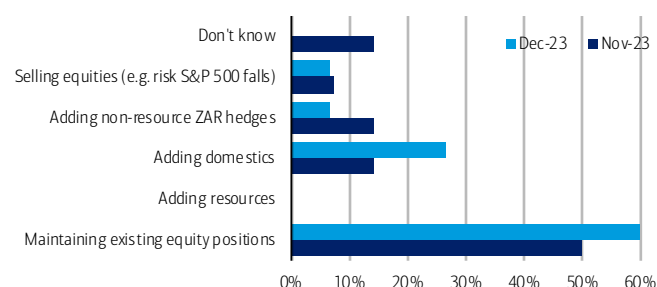
Source: BofA Global Research, South Africa Fund Manager Survey

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Fewer managers see the market up +6Ms

## 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

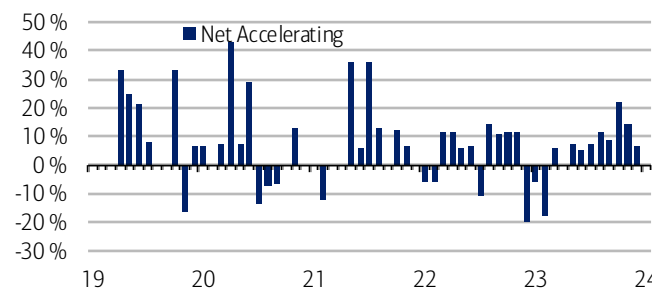
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Managers positioned for 2024. No manager is adding resources



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

No



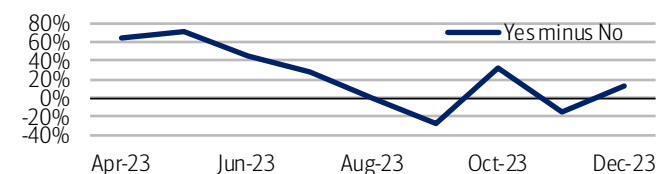
Source: BofA Global Research, South Africa Fund Manager Survey

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Reform prospects fade. 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?**

Yes



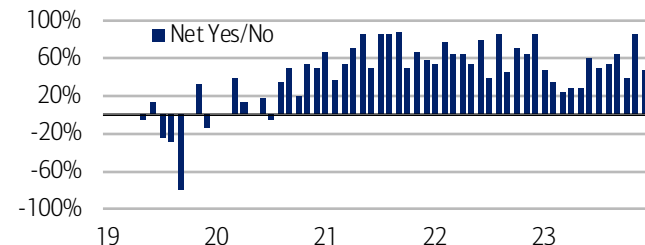
Source: BofA Global Research, South Africa Fund Manager Survey

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Rising uncertainty into the cutting cycle. Last month, a net 14% of managers say 'No'. This month, a net 13% say 'Yes, it is too early to buy rate-sensitives'

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

Yes



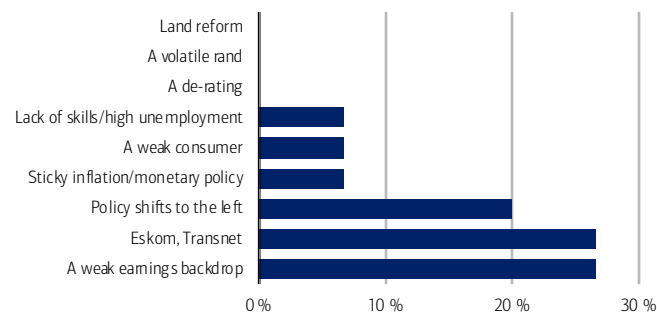
Source: BofA Global Research, South Africa Fund Manager Survey

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A lower net 47% (86%) 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

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

Weak earnings &amp; SOEs



Source: BofA Global Research, South Africa Fund Manager Survey

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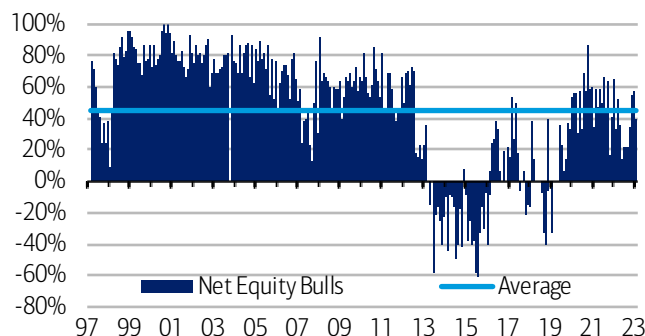
Joint #1 'weak earnings' and 'Eskom & Transnet'. 'Policy shifts to the left' #3. All entwined



## 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

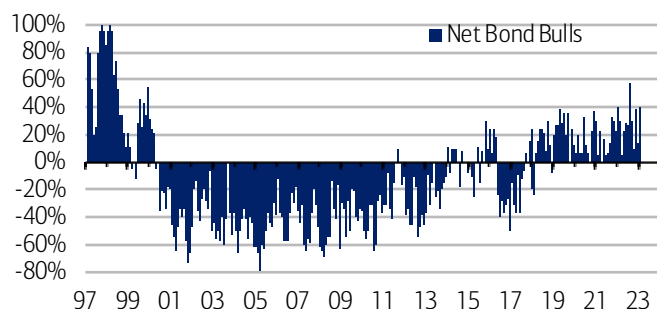
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South African equities:

Fewer equity bulls this month (+40% vs. +57%)

### 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

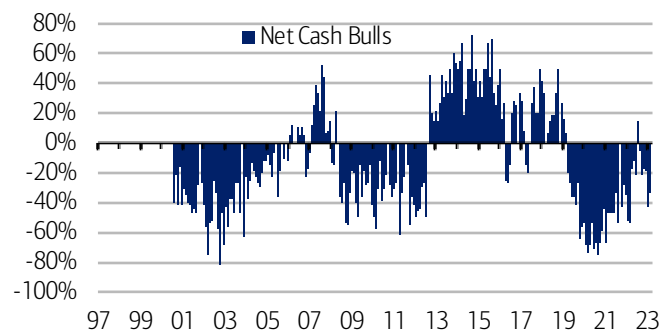
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South African bonds:

More bond bulls this month (+40% vs. +14%): 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:

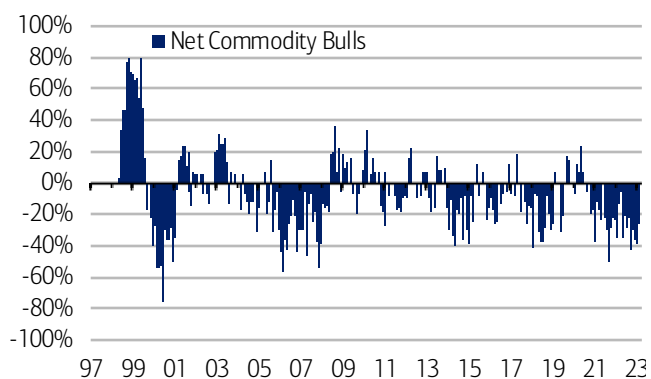
Fewer managers bearish cash (-33% vs. -43%)

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

Bearish

Commodities:

More bears (-27% vs. -14%). 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?**

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

	Dec	Nov	Oct
<b>Most bullish</b>			
South African equities	47%	64%	33%
South African bonds	40%	21%	50%
Cash	13%	14%	17%
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	7%	7%	11%
South African bonds	0%	7%	11%
Cash	47%	57%	28%
Commodity prices	27%	14%	39%
Don't know	20%	14%	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Net Bulls</b>			
South African equities	40%	57%	22%
South African bonds	40%	14%	39%
Cash	-33%	-43%	-11%
Commodity prices	-27%	-14%	-39%

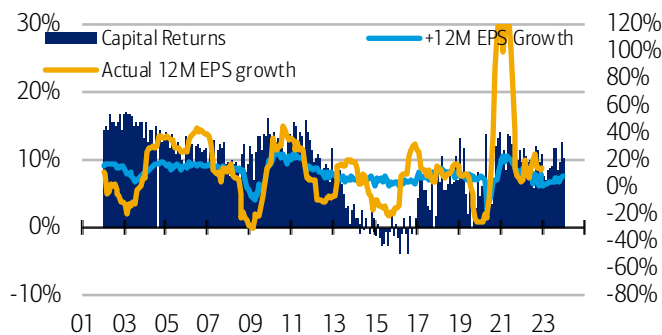
Source: BofA Global Research, South Africa Fund Manager Survey

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

Capital returns (LHS) c.+10%. Earnings growth single digit



Source: BofA Global Research, South Africa Fund Manager Survey

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Expected +12M equity capital return double digit at +10%. EPS growth single digit and rising

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

+10% capital returns and single digit earnings growth

Equity capital returns ease to +10% (+13%). Range -10% to +20%

	Dec	Nov	Oct
<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%	13%	7%	6%
Minus 5%	0%	0%	6%
Zero	0%	0%	0%
Plus 5%	13%	0%	0%
Plus 10%	7%	21%	33%
Plus 15%	47%	57%	33%
Plus 20%	13%	0%	0%
Plus 25%	0%	7%	0%
Plus 30%	0%	0%	0%
Plus 35%	0%	0%	0%
Plus 40% or more	0%	0%	0%
Don't know	7%	7%	22%
<b>Expected capital return</b>	<b>10.4%</b>	<b>12.7%</b>	<b>9.6%</b>
<b>Q2. What EPS growth do you expect over the next 12-months?</b>			
Minus 30%	0%	0%	14%
Minus 25%	8%	8%	0%
Minus 20%	0%	0%	0%
Minus 15%	0%	0%	0%
Minus 10%	0%	0%	0%
Minus 5%	0%	0%	7%
Zero	0%	0%	0%
Plus 5%	17%	33%	21%
Plus 10%	50%	42%	36%
Plus 15%	8%	8%	14%
Plus 20%	17%	8%	7%
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>8.3%</b>	<b>6.7%</b>	<b>3.6%</b>

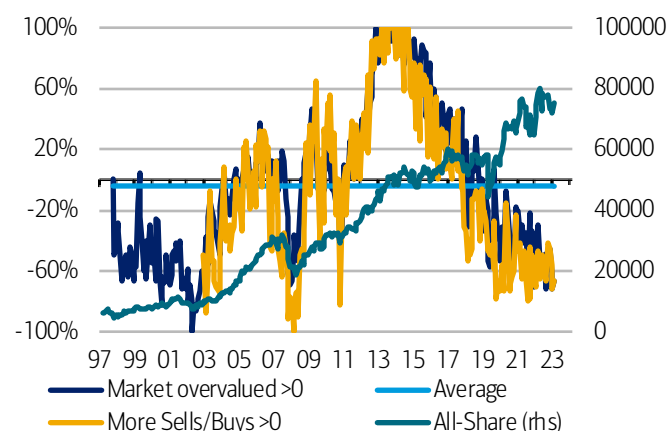
Source: BofA Global Research, South Africa Fund Manager Survey

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Earnings growth single digit at +8%. Range wide at -25% to +20%

## 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 67% (71%) of managers see the equity market as undervalued; a lower net 67% (71%) see more Buy than Sell opportunities. Valuation response is supportive of equity returns +12M

## Exhibit 21: Equity market and Buy vs Sells

Market higher = slightly fewer see value and Buys

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

	Dec	Nov	Oct
Overvalued	13%	7%	11%
Fairly valued	7%	14%	17%
Undervalued	80%	79%	72%
Don't know	0%	0%	0%
<b>Net overvalued</b>	<b>-67%</b>	<b>-71%</b>	<b>-61%</b>

### Q2. Buy vs sell opportunities:

	Dec	Nov	Oct
More Buys	80%	86%	67%
More Sells	13%	14%	11%
Don't know	7%	0%	22%
<b>See more Sells than Buys</b>	<b>-67%</b>	<b>-71%</b>	<b>-56%</b>

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# Asset allocation: current and future

## Exhibit 22: South African distribution of international funds

Selling equities for bonds and cash

	Dec Hi	Dec Lo	Median	Dec	Nov	Oct
<b>Equity</b>	<b>58</b>	<b>10</b>	<b>41</b>	<b>41</b>	<b>45</b>	<b>41</b>
Resource Stocks	20	2	10	11	11	9
Financial Stocks	18	4	12	12	14	11
Industrial Stocks	31	4	20	18	20	20
<b>Bonds</b>	<b>30</b>	<b>0</b>	<b>16</b>	<b>15</b>	<b>15</b>	<b>18</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>0</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Cash</b>	<b>15</b>	<b>0</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>4</b>
<b>Alternative</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>1</b>
<b>Offshore</b>	<b>45</b>	<b>23</b>	<b>36</b>	<b>35</b>	<b>31</b>	<b>32</b>
Overseas Stocks	38	5	25	23	24	23
Overseas Bonds	20	0	5	6	3	6
Overseas IL Bonds	5	0	0	1	1	1
Overseas Property	3	0	0	1	1	0
Overseas Cash	20	0	1	3	1	2
Overseas Alternative	13	0	0	1	2	1

Source: BofA Global Research, South Africa Fund Manager Survey

All-Share weights: Resources 26%, Financials & REITS 30% and Industrials 44% (JSE)

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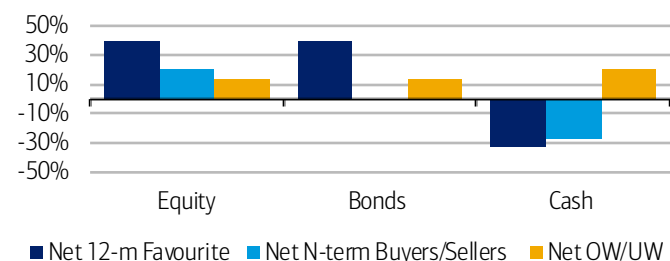
Seventy-four percent (75%) in financials and industrials in the domestic equity portion of the portfolio

Managers sold equities to buy bonds and add to cash: both in local and offshore markets

Offshore investments well off regulatory 45% limits at 35% (31%). Target c.41%

## Exhibit 23: Domestic preference

Equities #1; bonds #2



Source: BofA Global Research, South Africa Fund Manager Survey

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On various measures, equities preferred over bonds. Cash gains ground over equities

## Exhibit 24: Asset Allocation

Looking to invest into equities/offshore: uw offshore. ow cash

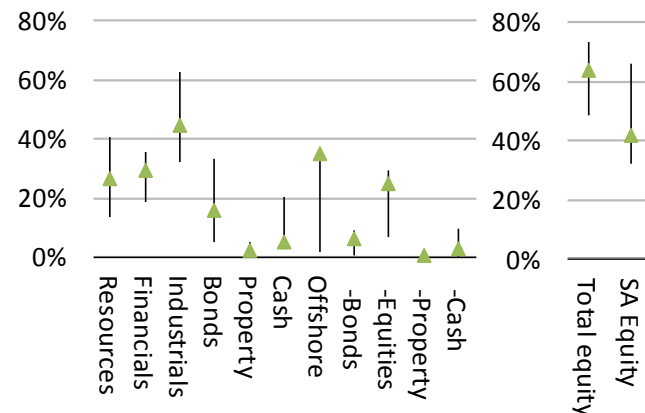
	Equity	Cash	Bonds	Offshore
<b>Do you intend to increase, decrease or maintain your weightings for the next 3 months?</b>				
Increase	33%	7%	20%	33%
Decrease	13%	33%	20%	0%
Maintain	40%	47%	40%	40%
Don't Know	13%	13%	20%	27%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Net near-term buyers/sellers</b>	<b>20%</b>	<b>-27%</b>	<b>0%</b>	<b>33%</b>
<b>Do you consider your position to be overweight, underweight or neutral relative to your internal benchmark?</b>				
Overweight	47%	47%	47%	13%
Underweight	33%	27%	33%	53%
Neutral	20%	27%	13%	20%
Don't Know	0%	0%	7%	13%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Net overweight/underweight</b>	<b>13%</b>	<b>20%</b>	<b>13%</b>	<b>-40%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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## Exhibit 25: Asset allocation

Total cash levels 8% (5%). Local 6% (4%). Total equity 64% (69%)

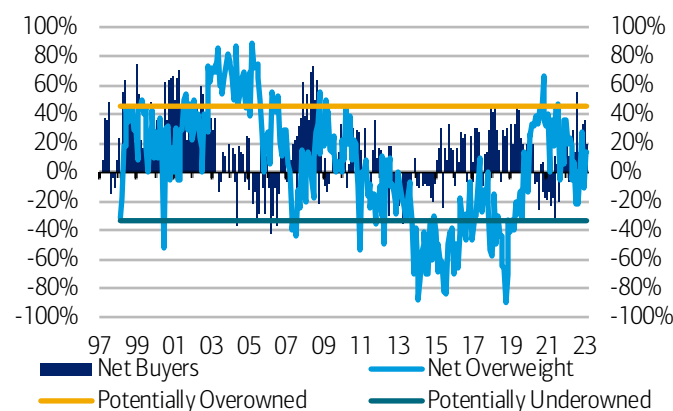


Source: BofA Global Research, South Africa Fund Manager Survey  
Bars represent high and low median values through time

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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. Buyers



Source: BofA Global Research, South Africa Fund Manager Survey

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South African equity:

Managers hold steady overweight. Fewer buyers

**Exhibit 27: South African equities**

Steadfast overweight. Buyers fading

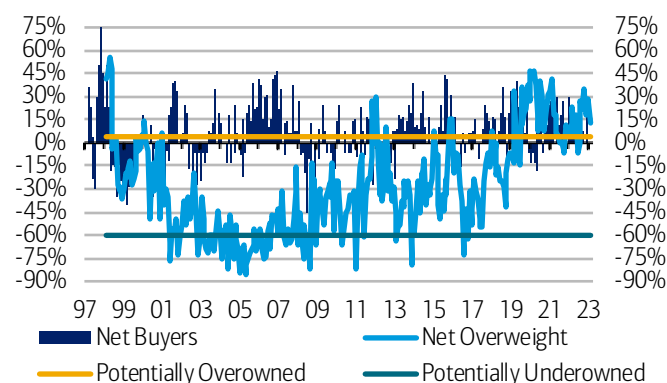
	Dec	Nov	Oct
<b>Q1. Is your equity position overweight, underweight or neutral relative to internal benchmarks?</b>			
Overweight	47%	43%	33%
Underweight	33%	29%	44%
Neutral	20%	21%	17%
Don't know	0%	7%	6%
Total	100%	100%	100%
<b>Net overweight/underweight</b>	<b>13%</b>	<b>14%</b>	<b>-11%</b>
<b>Q2. Do you intend to increase, decrease or maintain that weighting for the next three months?</b>			
Increase	33%	43%	33%
Decrease	13%	7%	0%
Maintain	40%	43%	39%
Don't know	13%	7%	28%
Total	100%	100%	100%
<b>Net buyers/sellers</b>	<b>20%</b>	<b>36%</b>	<b>33%</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. Tussle on views



Source: BofA Global Research, South Africa Fund Manager Survey

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South African bonds:

Fewer managers are overweight (still elevated relative to history). The tussle on intentions remains - net neutral

**Exhibit 29: South African bonds**

Overweight falls; tussle on intentions

	Dec	Nov	Oct
<b>Q1. Is your bond position overweight, underweight or neutral relative to internal benchmarks?</b>			
Overweight	47%	50%	44%
Underweight	33%	21%	22%
Neutral	13%	14%	17%
Don't know	7%	14%	17%
Total	100%	100%	100%
<b>Net overweight/underweight</b>	<b>13%</b>	<b>29%</b>	<b>22%</b>
<b>Q2. Do you intend to increase, decrease or maintain that weighting for the next three months?</b>			
Increase	20%	21%	17%
Decrease	20%	21%	11%
Maintain	40%	43%	39%
Don't know	20%	14%	33%
Total	100%	100%	100%
<b>Net buyers/sellers</b>	<b>0%</b>	<b>0%</b>	<b>6%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

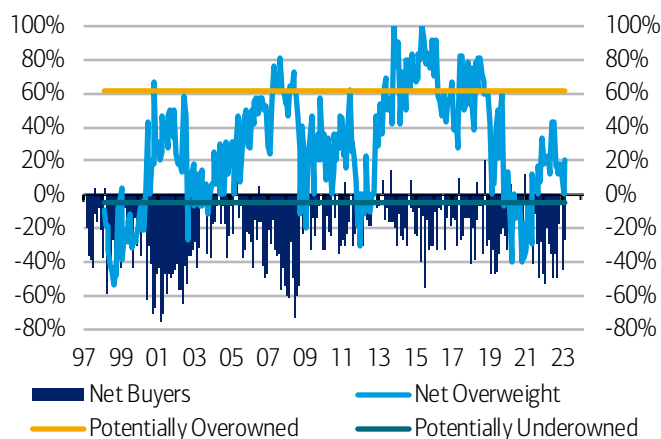
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**Exhibit 30: Q1. Is your cash position ow, uw or neutral relative to internal benchmarks? Q2. Will you increase, decrease or maintain your weight for the next three months?**

Overweight. Investing

Cash

Managers move overweight. Fewer managers want to invest cash



Source: BofA Global Research, South Africa Fund Manager Survey

BofA GLOBAL RESEARCH

**Exhibit 31: South Africa cash**

Overweight. Fewer want to invest (in equity and offshore)

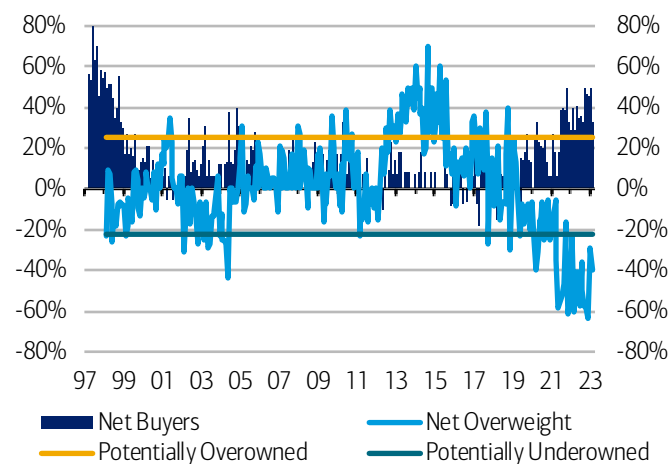
	Dec	Nov	Oct
<b>Q1. Is your cash position overweight, underweight or neutral relative to internal benchmarks?</b>			
Overweight	47%	36%	33%
Underweight	27%	36%	22%
Neutral	27%	21%	33%
Don't know	0%	7%	11%
Total	100%	100%	100%
<b>Net overweight/underweight</b>	<b>20%</b>	<b>0%</b>	<b>11%</b>
<b>Q2. Do you intend to increase, decrease or maintain that weighting over the next three months?</b>			
Increase	7%	14%	0%
Decrease	33%	50%	44%
Maintain	47%	21%	28%
Don't know	13%	14%	28%
Total	100%	100%	100%
<b>Net buyers/sellers</b>	<b>-27%</b>	<b>-36%</b>	<b>-44%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

BofA GLOBAL RESEARCH

**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:

More managers underweight this month. Strong buying intentions +3M, but well off last month's levels. Scope to ultimately invest c. 6% offshore (target likely c.41% of AUM)

**Exhibit 33: Overseas investment**

More underweight: fewer want to add exposure (44Ms in a row). No sellers

	Dec	Nov	Oct
<b>Q1. Is your offshore position overweight, underweight or neutral relative to internal benchmarks?</b>			
Overweight	13%	21%	17%
Underweight	53%	50%	50%
Neutral	20%	7%	11%
Don't know	13%	21%	22%
Total	100%	100%	100%
<b>Net overweight/underweight</b>	<b>-40%</b>	<b>-29%</b>	<b>-33%</b>
<b>Q2. Do you intend to increase, decrease or maintain that weighting for the next three months?</b>			
Increase	33%	57%	28%
Decrease	0%	7%	0%
Maintain	40%	14%	39%
Don't know	27%	21%	33%
Total	100%	100%	100%
<b>Net buyers/sellers</b>	<b>33%</b>	<b>50%</b>	<b>28%</b>

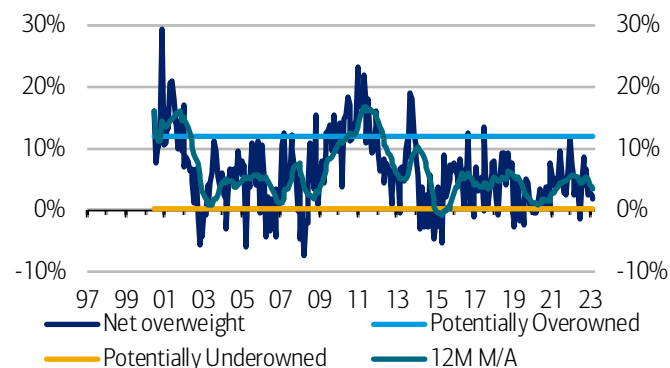
Source: BofA Global Research, South Africa Fund Manager Survey

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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:  
Managers remain overweight

## Exhibit 35: Chemicals

Positioning steady

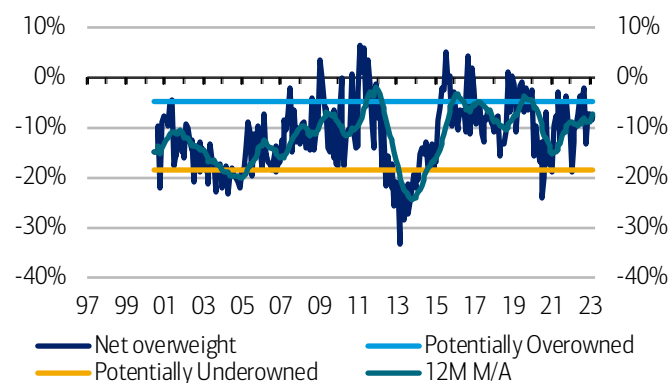
	Dec	Nov	Oct
<b>Q1. Are you overweight or underweight oil and gas relative to internal benchmarks?</b>			
Overweight	6%	7%	6%
Underweight	4%	4%	3%
<b>Net overweight/underweight</b>	<b>2%</b>	<b>2%</b>	<b>3%</b>

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:  
Remaining underweight (#2 ranked underweight by sector, by manager)

## Exhibit 37: Gold Mining

Steady underweight

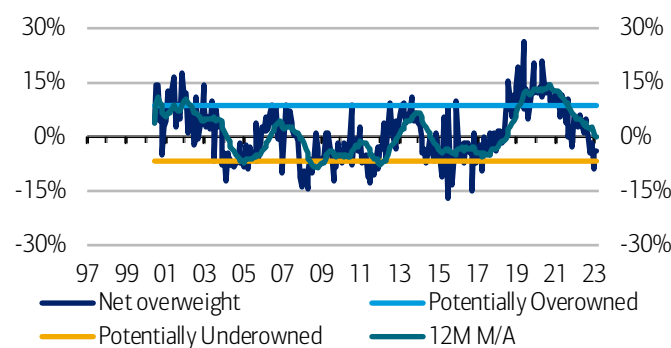
	Dec	Nov	Oct
<b>Q1. Are you overweight or underweight gold mining relative to internal benchmarks?</b>			
Overweight	4%	2%	4%
Underweight	12%	11%	11%
<b>Net overweight/underweight</b>	<b>-8%</b>	<b>-9%</b>	<b>-7%</b>

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

BofA GLOBAL RESEARCH

Platinum:  
Managers remain underweight

**Exhibit 39: Platinum**

Underweight still high versus history

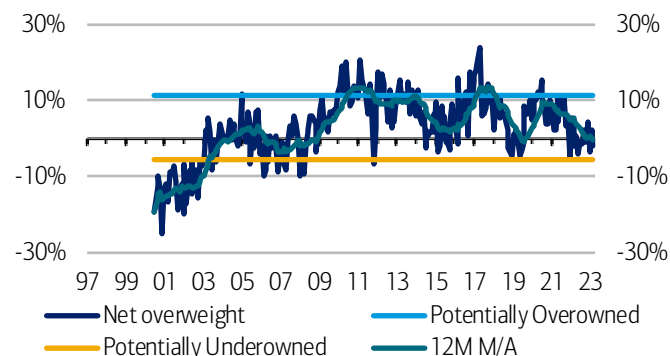
	Dec	Nov	Oct
<b>Q1. Are you overweight or underweight platinum relative to internal benchmarks?</b>			
Overweight	8%	7%	4%
Underweight	12%	11%	13%
<b>Net overweight/underweight</b>	<b>-4%</b>	<b>-4%</b>	<b>-9%</b>

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 move underweight. Near Covid-19 (2020) and China hard landing fear (2015/16) levels

**Exhibit 41: Metals & Mining**

Choppy positioning

	Dec	Nov	Oct
<b>Q1. Are you overweight or underweight general mining relative to internal benchmarks?</b>			
Overweight	9%	9%	8%
Underweight	12%	7%	11%
<b>Net overweight/underweight</b>	<b>-2%</b>	<b>2%</b>	<b>-3%</b>

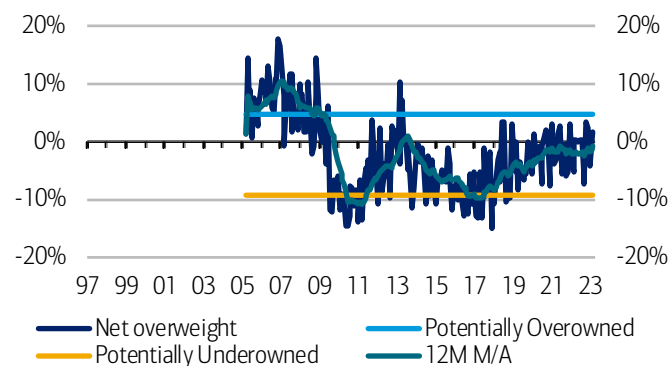
Source: BofA Global Research, South Africa Fund Manager Survey

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

Overweight



Source: BofA Global Research, South Africa Fund Manager Survey

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

Managers move overweight

**Exhibit 43: 'Heavy' Industrials**

A rising trend

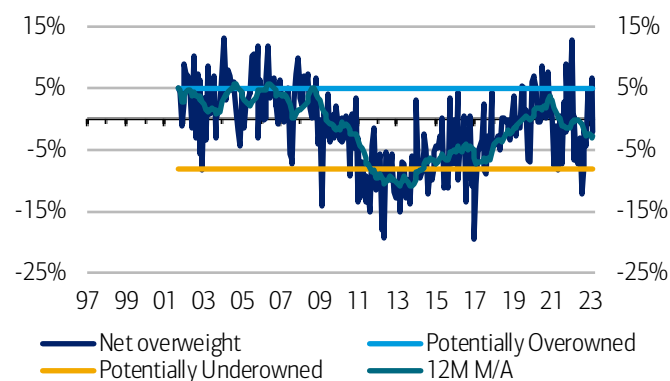
	Dec	Nov	Oct
<b>Q1. Are you overweight or underweight heavy' industrials relative to internal benchmarks</b>			
Overweight	6%	7%	4%
Underweight	4%	7%	8%
<b>Net overweight/underweight</b>	<b>2%</b>	<b>0%</b>	<b>-4%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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

Underweight



Source: BofA Global Research, South Africa Fund Manager Survey

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Retailers & food producers:

Managers move underweight

**Exhibit 45: Retailers & Food Producers**

Managers overweight last month fade

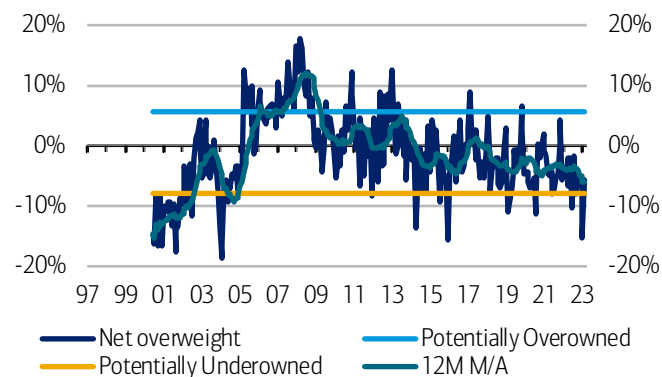
	Dec	Nov	Oct
<b>Q1. Are you overweight or underweight retail/food producers relative to internal benchmarks?</b>			
Overweight	6%	13%	10%
Underweight	8%	7%	10%
<b>Net overweight/underweight</b>	<b>-2%</b>	<b>7%</b>	<b>0%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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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:

Off a near record underweight last month (#3 underweight ranked by sector). No manager is overweight

**Exhibit 47: Telecommunications**

Positioning back within range

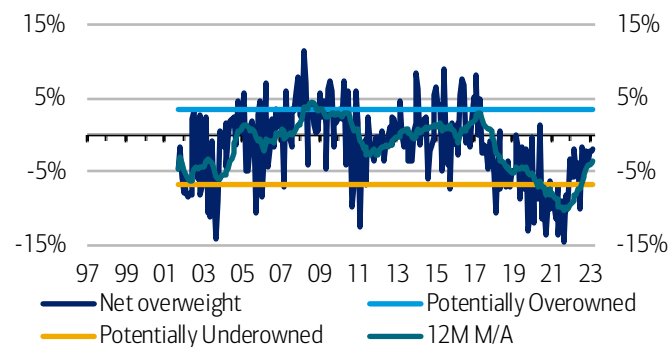
	Dec	Nov	Oct
<b>Q1. Are you overweight or underweight telecommunications relative to internal benchmarks?</b>			
Overweight	0%	0%	6%
Underweight	6%	15%	11%
<b>Net overweight/underweight</b>	<b>-6%</b>	<b>-15%</b>	<b>-5%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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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

	Dec	Nov	Oct
<b>Q1. Are you overweight or underweight personal goods relative to internal benchmarks?</b>			
Overweight	4%	2%	6%
Underweight	6%	4%	8%
<b>Net overweight/underweight</b>	<b>-2%</b>	<b>-2%</b>	<b>-2%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

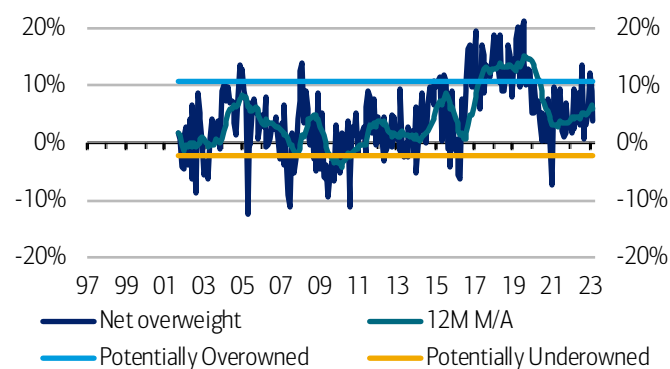
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**Exhibit 50: Are you ow/uw bev. & tobacco to your benchmarks?**

Overweight

Beverages &amp; tobacco:

Fewer managers overweight again this month



Source: BofA Global Research, South Africa Fund Manager Survey

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**Exhibit 51: Beverages & Tobacco**

Declining trend

	Dec	Nov	Oct
<b>Q1. Are you overweight or underweight beverages &amp; tobacco relative to internal benchmarks?</b>			
Overweight	9%	13%	14%
Underweight	6%	4%	2%
<b>Net overweight/underweight</b>	<b>4%</b>	<b>9%</b>	<b>12%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

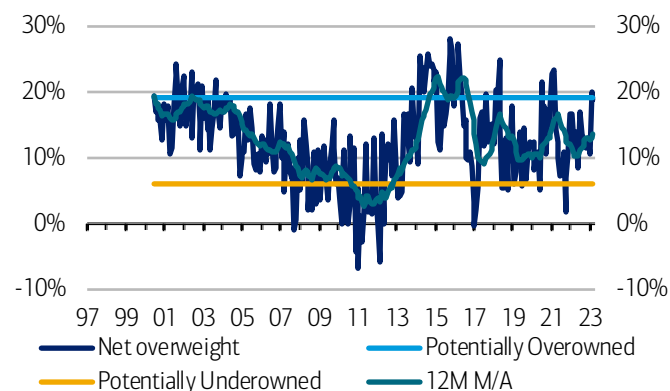
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**Exhibit 52: Are you ow/uw banks & IBK/brokers to your benchmarks?**

Overweight elevated

Banks, IBK &amp; brokerages:

Managers steadfast overweight (although questioning rate cutting cycle vs. falling credit losses): #1 overweight ranked by sector



Source: BofA Global Research, South Africa Fund Manager Survey

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

Strong positioning

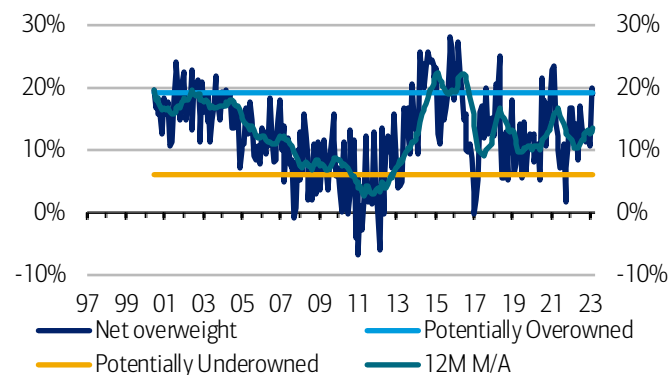
	Dec	Nov	Oct
<b>Q1. Are you overweight or underweight banks and general financials relative to internal benchmarks?</b>			
Overweight	21%	22%	14%
Underweight	2%	2%	3%
<b>Net overweight/underweight</b>	<b>19%</b>	<b>20%</b>	<b>11%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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

Overweight



Source: BofA Global Research, South Africa Fund Manager Survey

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Life insurance:

Managers move overweight (joint #2 overweight ranked by sector)

**Exhibit 55: Life Insurance**

Positioning elevated

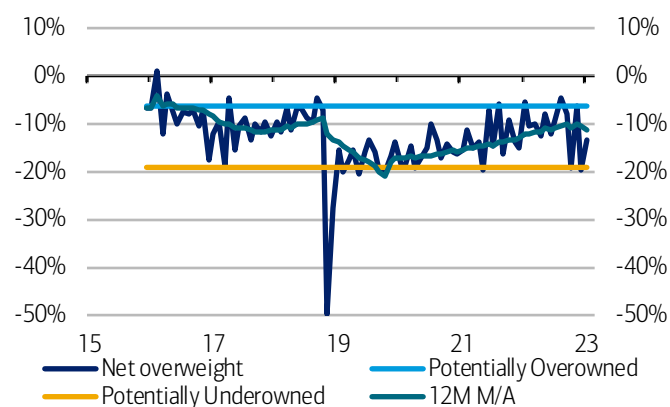
	Dec	Nov	Oct
<b>Q1. Are you overweight or underweight life insurance relative to internal benchmarks?</b>			
Overweight	9%	4%	6%
Underweight	4%	7%	5%
<b>Net overweight/underweight</b>	<b>6%</b>	<b>-2%</b>	<b>1%</b>

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:

Fewer managers underweight (#1 underweight ranked by sector)

**Exhibit 57: Real Estate**

Underweight narrows

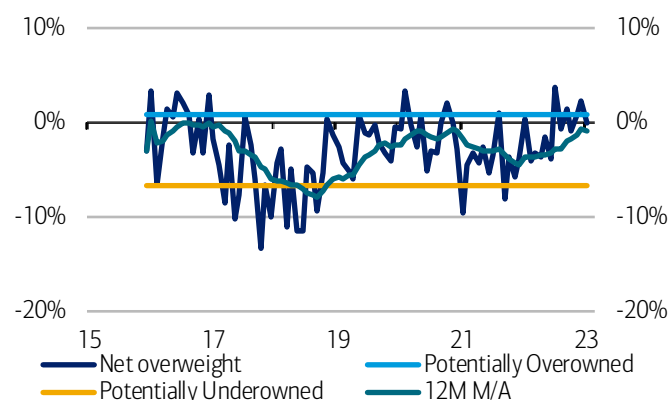
	Dec	Nov	Oct
<b>Q1. Are you overweight or underweight real estate relative to internal benchmarks?</b>			
Overweight	2%	0%	2%
Underweight	15%	20%	8%
<b>Net overweight/underweight</b>	<b>-13%</b>	<b>-20%</b>	<b>-6%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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

Neutral



Source: BofA Global Research, South Africa Fund Manager Survey

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Software:

Managers neutral: firm tussle on the view

**Exhibit 59 Software**

Positioning fairly steady

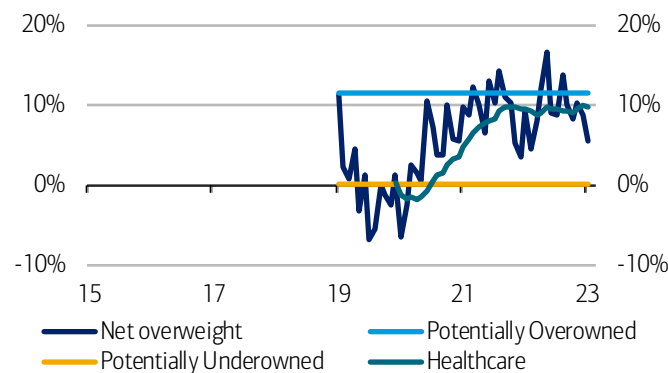
	Dec	Nov	Oct
<b>Q1. Are you overweight or underweight software relative to internal benchmarks?</b>			
Overweight	8%	4%	4%
Underweight	8%	2%	3%
<b>Net overweight/underweight</b>	<b>0%</b>	<b>2%</b>	<b>1%</b>

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

Fewer managers overweight (joint #2 overweight ranked by sector). New underweights this month

**Exhibit 61: Healthcare**

Declining trend

	Dec	Nov	Oct
<b>Q1. Are you overweight or underweight software relative to internal benchmarks?</b>			
Overweight	9%	9%	12%
Underweight	4%	0%	2%
<b>Net overweight/underweight</b>	<b>6%</b>	<b>9%</b>	<b>10%</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, financials, banks, gold, real estate, telecoms

Sector	Favoured	Least Favoured	Net Bulls		
	Dec	Dec	Dec	Nov	Oct
<b>Resources</b>	<b>14.3</b>	<b>38.1</b>	<b>-23.8</b>	<b>-17.9</b>	<b>-22.6</b>
<b>Financials</b>	<b>35.7</b>	<b>16.7</b>	<b>19.0</b>	<b>2.6</b>	<b>13.5</b>
<b>Industrials</b>	<b>50.0</b>	<b>45.2</b>	<b>4.8</b>	<b>15.4</b>	<b>9.2</b>
Gold	2.4	16.7	-14.3	-15.4	-9.0
Platinum	7.1	9.5	-2.4	-7.7	-4.6
Metals & mining	4.8	7.1	-2.4	5.1	-6.8
Chemicals	0.0	4.8	-4.8	0.0	-2.2
Banks	28.6	2.4	26.2	15.4	14.3
Life insurance	4.8	2.4	2.4	0.0	4.0
IBK, Brokers	0.0	0.0	0.0	0.0	0.0
Real estate	2.4	11.9	-9.5	-12.8	-4.9
Beverages	2.4	2.4	0.0	-5.1	3.9
General industrials	4.8	0.0	4.8	2.6	-2.4
Personal goods	2.4	0.0	2.4	2.6	-4.7
Food producers	7.1	7.1	0.0	-2.6	-4.7
Retailers	7.1	9.5	-2.4	0.0	6.1
Software	7.1	2.4	4.8	0.0	-0.3
Tobacco	7.1	7.1	0.0	7.7	12.4
Transportation	0.0	0.0	0.0	-2.6	0.0
Care, drug, grocery	2.4	2.4	0.0	2.6	1.9
Telecoms	4.8	11.9	-7.1	-10.3	-9.2
Healthcare	4.8	2.4	2.4	20.5	6.1
<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 are more out of favour.

Financials gain over industrials

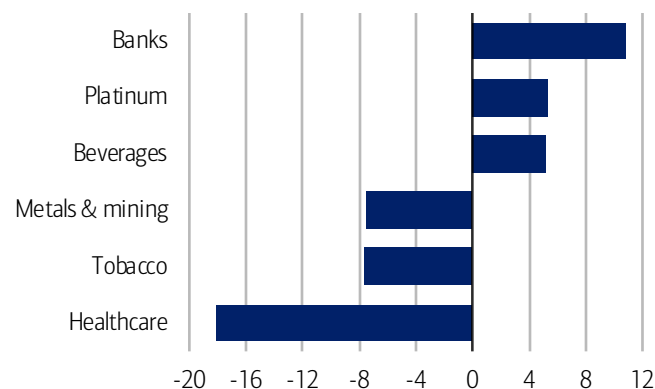
Within resources, gold is least preferred. Metals & mining loses the most ground. A more bearish resource tone this month: managers are bearish on all the resource sectors (based on history, a bottoming process for the resource index)

Within financials, banks are #1 preferred. Less bearish real estate

In the industrial sector, general industrials and software are favoured. Telecoms least favoured (but gaining ground)

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

Banks gain over healthcare



Source: BofA Global Research, South Africa Fund Manager Survey

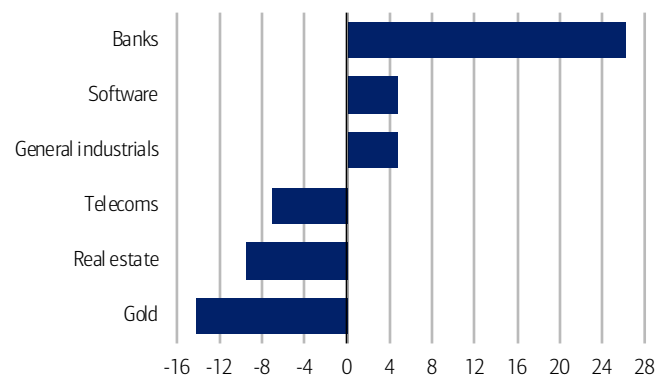
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Extreme scores are sometimes contrarian relative to the All-Share on a three-month view

On +12Ms, more cyclical on balance

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

Banks #1



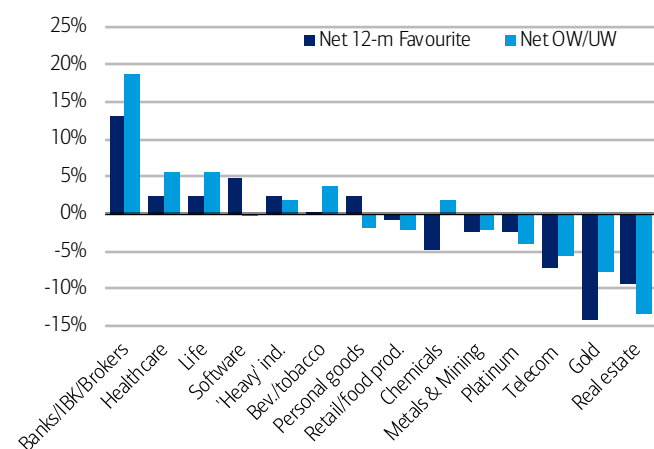
Source: BofA Global Research, South Africa Fund Manager Survey

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Banks over real estate

**Exhibit 65: Sector favourites and positioning**

Banks #1 (healthcare #1 last month)



Source: BofA Global Research, South Africa Fund Manager Survey

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Sectors on the left are popular; on the right disliked

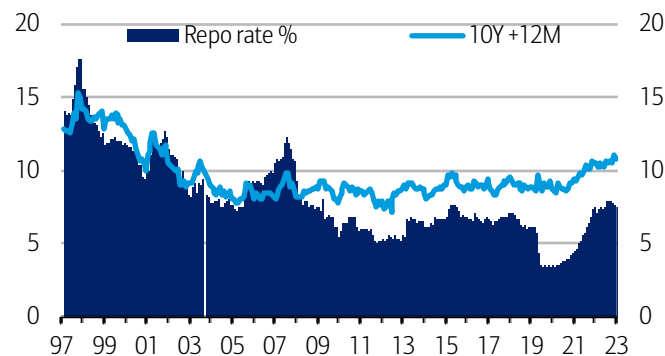
Based on various **broad measures** (average of 'net 12M favourite' and 'net overweight/underweight') banks are most **preferred**. Real estate and gold sectors are **least preferred**

Telecom, life insurance and real estate experienced the largest **positive gains**; healthcare, metal & mining and retail & food producers, the **largest falls**

# Economic outlook: 12-month view

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

Gap widening



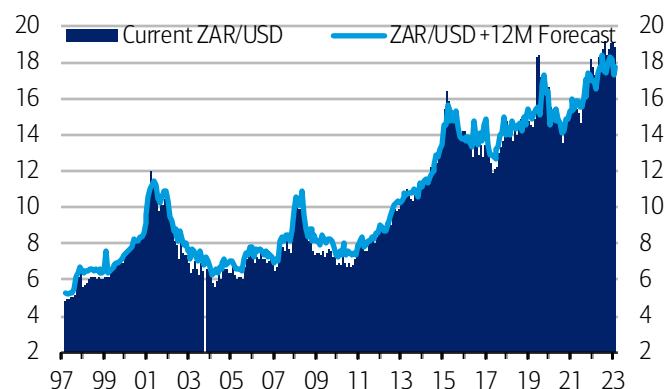
Source: BofA Global Research, South Africa Fund Manager Survey

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Managers' repo forecast over the next 12 months eases to 7.53% (7.61%). The 10Y generic bond yield forecast slightly lower to 10.77% (10.82%)

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

ZAR forecast change in Dec -2.7% (Nov +5.2%)



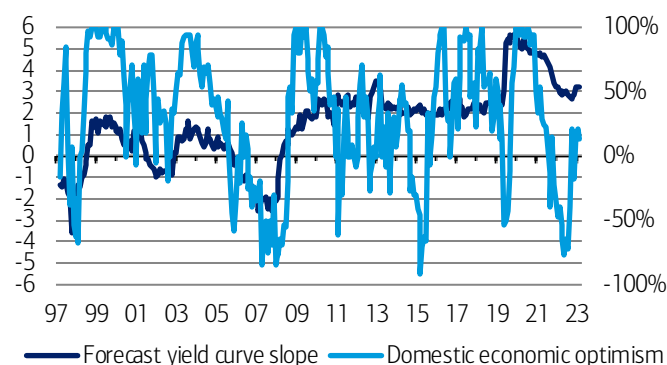
Source: BofA Global Research, South Africa Fund Manager Survey

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The 12-month rand forecast weakened to ZAR17.77/US\$ (ZAR17.30/US\$)

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

Yield curve forecast rising; growth expectations ease slightly



Source: BofA Global Research, South Africa Fund Manager Survey

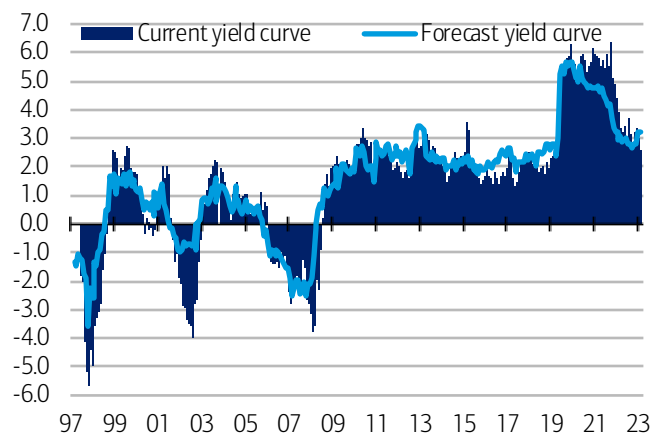
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Economic optimism less positive. +12M yield curve forecast rises 2bps (10Y yield -7bps; repo -5bps). South Africa, 'we still have a major problem': a US soft landing H1 2024, loadshedding and weak logistic infrastructure



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

Forecast slope rises 2bps to 323bps steep (actual 262bps: -41bps)



Source: BofA Global Research, South Africa Fund Manager Survey

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Forecast yield curve slope still elevated after a long unwind from 565bps steep in July 2020. Elevated US 10Y yield and S. Africa fiscal dominance are headwinds

**Exhibit 70: South African macroeconomic forecasts**

ZAR forecast weakened. Rate forecasts lower

	12-month forecast		
	Dec	Nov	Oct
Repo rate (%)	7.53	7.61	7.83
10-year benchmark bond yield (%)	10.77	10.82	11.03
Rand/US dollar	17.77	17.30	18.20

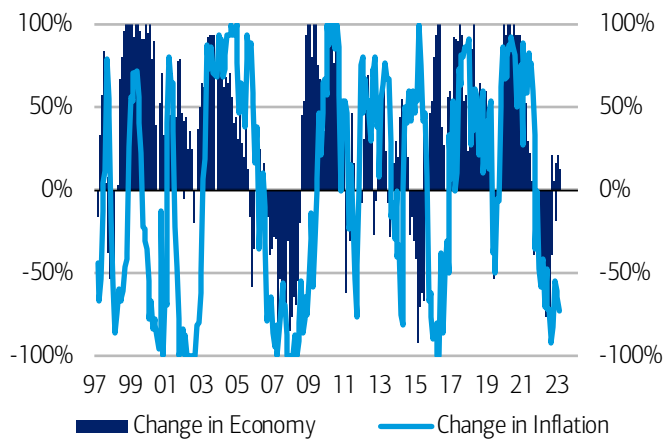
Source: BofA Global Research, South Africa Fund Manager Survey

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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?**

Less positive on economic growth. More see lower inflation



Source: BofA Global Research, South Africa Fund Manager Survey

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Economic growth expectations ease. More expect 'slightly lower' inflation expectations

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

Growth expectations less positive; more expect slightly lower inflation

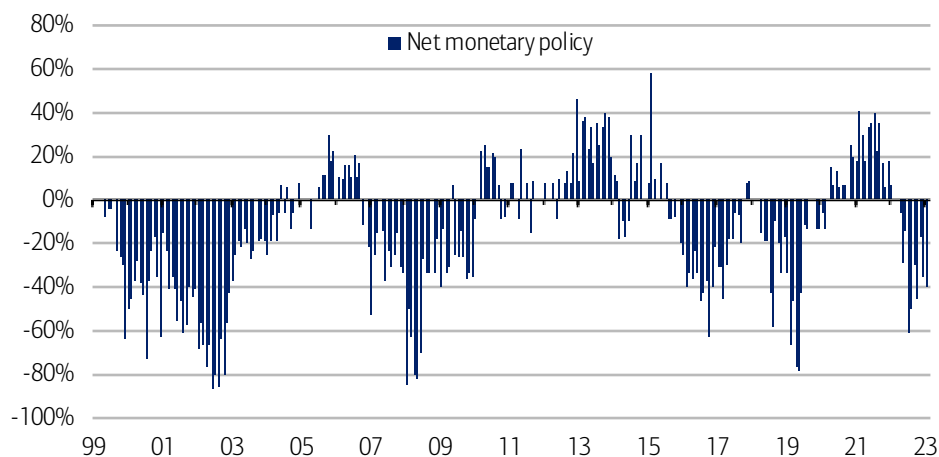
	Dec	Nov	Oct
<b>Q1. How do you think the economy will develop over the next 12 months?</b>			
Get a lot stronger	0%	0%	0%
Get a little stronger	40%	50%	44%
Stay the same	27%	21%	28%
Get a little weaker	27%	29%	28%
Get a lot weaker	0%	0%	0%
Don't know	7%	0%	0%
Total	100%	100%	100%
<b>Net stronger/weaker</b>	<b>13%</b>	<b>21%</b>	<b>17%</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%	11%
Unchanged	13%	21%	17%
Slightly lower	73%	71%	67%
A lot lower	7%	0%	6%
Don't know	0%	0%	0%
Total	100%	100%	100%
<b>Net higher/lower</b>	<b>-73%</b>	<b>-64%</b>	<b>-61%</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 this month



Source: BofA Global Research, South Africa Fund Manager Survey

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

Consensus 'about right'

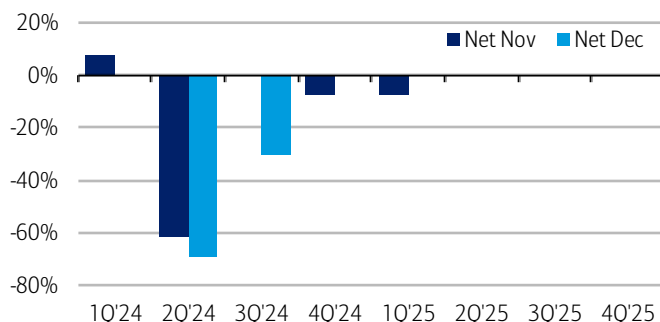
	Dec	Nov	Oct
<b>Do you think South Africa's monetary policy is currently...?</b>			
Too stimulative	0%	0%	0%
About right	60%	64%	78%
Too restrictive	40%	36%	17%
Don't know	0%	0%	6%
Total	100%	100%	100%
<b>Net stimulative/restrictive</b>	<b>-40%</b>	<b>-36%</b>	<b>-17%</b>

Source: BofA Global Research, South Africa Fund Manager Survey

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

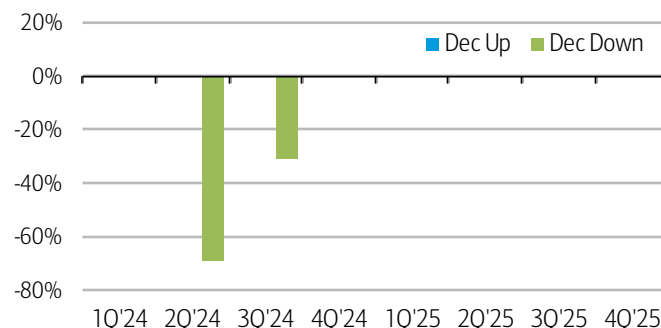
December net down -100% (Nov net down -69%)



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?

69% (62%) 'Down' responses in Q2 '24

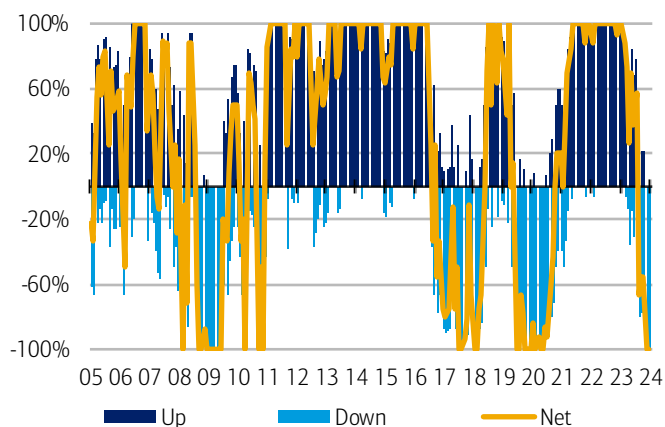


Source: BofA Global Research, South Africa Fund Manager Survey. Note: percentages based on only those managers who expect a rate move over the forecast period

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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 (Q2 2023)

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

Down

	Dec	Nov	Oct
Up	0%	14%	22%
Down	93%	79%	72%
Flat	7%	7%	6%
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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