**BALONDOLOZI MODEL ACTIVE BALANCED FUND**
**October 31, 2017**

## FACT SHEET

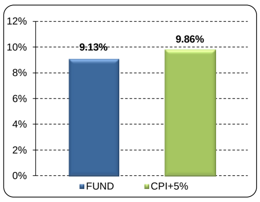
**Fund Description**

This is an Asset Allocation Fund that blends strategies employed in the Balondolozi Money Market, Bonds, and Active Equity Funds. The Fund is Reg.28 compliant.

**Fund Objectives**

To outperform CPI (inflation) plus 5% over a rolling 3 year period. The equity benchmark is the FTSE JSE CAPI 40 Index, the bond benchmark is the All Bond Index (ALBI), the property benchmark is the South Africa Listed Property Index (SAPY), the international benchmark is 60% the MSCI World Index in Rands and 40% the Overnight US Libor Rate Index in Rands, and the cash benchmark is STeFi Call.

### Investment Performance

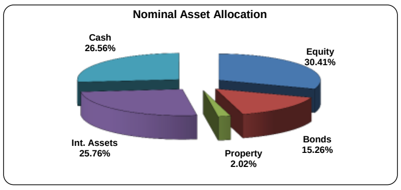


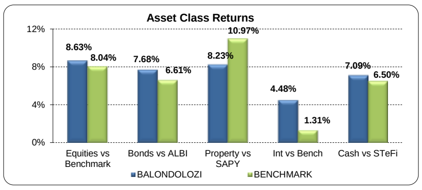

| | Fund | Benchmark | Alpha |
|---|---|---|---|
| Cumulative Performance | | | |
| 1 month | 3.27% | 0.42% | 2.85% |
| 3 months | 4.88% | 1.87% | 3.01% |
| 6 months | 7.50% | 3.33% | 4.17% |
| YTD | 13.58% | 7.68% | 5.89% |
| 1 year | 13.46% | 8.78% | 4.68% |
| 3 years | 8.74% | 9.93% | -1.19% |
| Calendar Year Performance | | | |
| 2015 | 6.28% | 11.60% | -5.32% |
| 2016 | 5.23% | 11.91% | -6.68% |
| 2017 | | | |

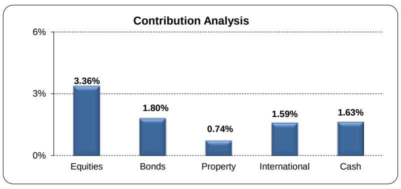
| | Equities | Capi 40 | Bonds | ALBI | Property | SAPY | Int. Assets | Int. Benmk | Cash | STeFi |
|---|---|---|---|---|---|---|---|---|---|---|
| Cumulative Performance | | | | | | | | | | |
| 1 month | 5.74% | 5.01% | -1.37% | -2.30% | 3.12% | 1.99% | 6.54% | 6.88% | 0.73% | 0.57% |
| 3 months | 8.46% | 7.37% | 0.70% | -0.20% | 2.56% | 3.99% | 11.66% | 12.19% | 1.46% | 1.66% |
| 6 months | 9.52% | 10.35% | 2.38% | 1.32% | 6.69% | 8.27% | 13.36% | 11.05% | 1.09% | 3.45% |
| YTD | 16.46% | 18.10% | 6.05% | 5.34% | 10.27% | 10.30% | 11.30% | 6.58% | 3.80% | 5.75% |
| 1 year | 16.00% | 19.42% | 5.40% | 5.04% | 11.27% | 11.13% | 13.03% | 10.29% | 4.89% | 6.92% |
| 3 years | 8.06% | 7.94% | 6.82% | 5.61% | | | | | 7.11% | 6.52% |
| Calendar Year Performance | | | | | | | | | | |
| 2015 | 9.41% | 6.16% | -0.64% | -3.93% | | | | | 6.73% | 5.60% |
| 2016 | -1.33% | 2.87% | 14.39% | 15.45% | | | | | 9.83% | 7.28% |
| 2017 | | | | | | | | | | |

Inception: 1-Oct-2014
Inflation figures lagged by 1 month.

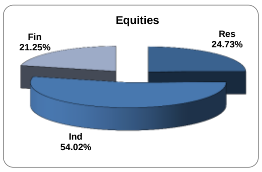
### Fund Analysis

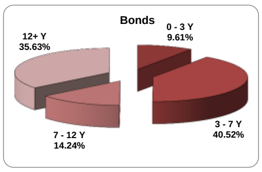


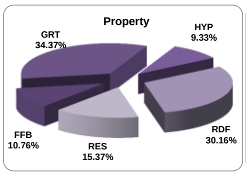



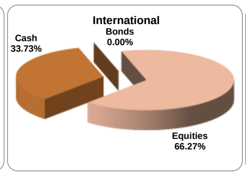



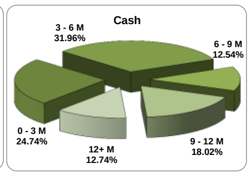

### Sector Analysis




### Investment Risk Measures

| | Fund | Benchmark | ALSI | ALBI | SAPY | International |
|---|---|---|---|---|---|---|
| Return | 9.13% | 9.86% | 8.04% | 6.61% | 10.97% | 1.31% |
| Sharpe Ratio | 0.46 | 1.96 | 0.13 | 0.01 | | |
| Sortino Ratio | 0.88 | N/A | 0.25 | 0.02 | | |
| Max Drawdown | -2.65% | -0.27% | -4.34% | -6.67% | -3.34% | -5.56% |
| Drawdowns | 10 | 1 | 14 | 13 | 2 | 10 |

**Tracking Error**

| | | | | |
|---|---|---|---|---|
| Equities | | 3.87% | | |
| Bonds | | | 1.60% | |
| Property | | | | |
| International | | | | |

### Benchmark Comparisons

| | Fund | Benchmark |
|---|---|---|
| Money Market Duration | 59.21 | 90.00 |
| Bond Duration | 6.17 | 6.93 |
| Banks | 6.08% | 8.29% |
| Chemicals | 0.00% | 0.00% |
| Consumer Goods | 0.00% | 0.00% |
| Diversified Reits | 5.33% | 3.21% |
| Equity Investment Instruments | 1.00% | 0.00% |
| Forestry & Paper | 0.00% | 0.00% |
| General Industrials | 0.00% | 0.00% |
| Health Care | 0.00% | 0.00% |
| Insurance | 0.00% | 0.00% |
| Investment Services | 1.64% | 0.00% |
| Media | 0.00% | 0.00% |
| Mining | 0.00% | 0.00% |
| Pharmaceuticals | 2.04% | 2.05% |
| Real Estate | 0.00% | 0.00% |
| Retailers | 0.00% | 0.00% |
| Telecommunications | 0.00% | 0.00% |

### Fund Comment

In October, the torrid MTBPS led to a sell-off in bonds and sharp outflows of foreign capital whilst equities benefited from the depreciating rand. Global markets were mixed on the balance of risks between developments on the stimulus U.S. tax reforms and the shift in global monetary policy environment.

Equities returned 5.01% (FTSE/JSE CAPI 40); nominal bonds delivered -2.3% (ALBI); inflation linked bonds returned -0.6% (CILI) and cash returned 0.57% as indicated by the STeFi Call Index in Oct 2017. Within equities; the financial services sector delivered 2.58% (FINI 15), the industrial sector 8.14% (INDI 25) and the resources sector 6.37% (RESI 20).

During the same period; the yield for the R186 (benchmark bond) rose by +54 basis points to end the month at 9.09% whilst the historic price to earnings (P/E) ratio for the FTSE/JSE SWIX Top 40 drifted higher by +1.23 points to close at 19.22. Concurrently, the near term volatilities ticked down by 0.48% (SAVI) to 13.88% whilst medium-term break-evens widened by +0.39% to 5.91%. Yields for 12-month negotiable certificates of deposits rose by +35.9 bps to close the month at 8.04%. Foreigners bought assets worth R0.6 billion as markets sold-off during the month of Oct 2017.

Overall, the fund delivered 3.27% for the month. Equities in the fund returned 5.74%; property returned 3.12%; international assets delivered 6.54%; cash strategy returned 0.73% whilst bonds returned -1.37%. The equity portion of the fund was alpha positive. Over-weights in NPN, CPI, SAP and SBK added significantly to the alpha for October as positive market conditions rewarded undervalued growth counters. Some gains were eroded as uncertainty in the local political and economic arena led to volatility in the Rand and the rush to offshore counters. Our underweight exposure to NRP and LHC detracted some of the positive gains made. Exposure in SHP detracted further gains closer to month end as a trading update suggested growth in Africa will be muted, falling short of analyst expectations. Property outperformed the benchmark as international property performed better as investors rushed into offshore counters following the subdued outlook in local property. On the fixed interest front, the returns for bonds were higher than the benchmark due to the uptick in the yields when the fund had a short position versus the benchmark. Cash returns were higher than the benchmark, due to a neutral duration versus the index.

After registering a value of 4.8% in Aug 2017, headline inflation for Sep 2017 was 5.1% (consensus 5%). On the same note, the price for brent crude oil rose by 6.66%, to end the month at $61.37 per barrel and the Rand depreciated against the Dollar by -4.19% to close at R14.13 per dollar. The seasonally adjusted Kagiso Purchasing Managers' Index (PMI) nudged up by 0.9 index points to reach 44.9 in Sep 2017.

Data from the US and the Euro zone signalled a positive global growth environment. Despite hurricanes, US economy expanded as reflected in the third quarter GDP first estimate printing at 3% QoQ annualized growth. Meanwhile, the YoY consumer inflation rate came in higher than a previous figure of 1.9% to print at 2.2% (the first figure above the Fed inflation target of 2% in five months). The unemployment rate remained at 4.2%. US retail sales rebounded from a negative territory of -0.2% to 1.6% MoM. Manufacturing and services PMIs also remained at expansionary levels. Developments on tax reforms and the speculations on the next Fed chair also gained momentum and fuelled expectations of a shift to expansionary fiscal policy and tightening on the monetary policy front. In the Eurozone, the third quarter first GDP estimate printed at 0.5% QoQ as expected, meanwhile manufacturing PMIs recorded a strong figure of 58.1. Despite the stable growth figures from Euro-zone, the ECB announced a gradual reduction in QE asset purchases; the still dovish ECB increases the economic stimulus in line with the loose Japan monetary policy.UK economic growth numbers also pointed to a stronger global economy with CPI YoY and GDP QoQ figures printing at 3% and 0.4% respectively. On the same note, China PPI YoY figure came out at 6.9% beating estimates of 6.3%. The upward trend in oil prices resulting from optimism that OPEC and its allies will extend output cuts also puts upward pressure on global inflation.

Locally; core inflation remained below the reserve bank upper target band printing at 4.6%.Contrary to a stable core CPI, PPI printed at 5.2% from 4.2% in July, and CPI YoY also came at 5.1% beating estimates of 5%. The trade balance surprised to the downside coming in below consensus at R4bn (Consensus: R10bn), and below the previous month at R5.9bn. Manufacturing data showed marginal improvement increasing from -1.4% to 1.5% YoY, the monthly budget data also showed a sharp rebound printing at -R3.5bn. However, the latest MTBPS suggest that this might not be sustainable. Meanwhile the unemployment rate remaining at the highs of 27.7% reflects that structural issues persist and that the economy remains under a low growth trap despite improved global growth prospects. The rand closed the month lower against the dollar following a medium term budget release which reflected fiscal slippage. The rand selloff receded after having touched R14.3575 to close the month at around R14.13 to the dollar."

Given this backdrop, valuations suggest that equity markets are fully valued whilst medium term bonds are fairly valued. Thus, the fund will look to take a defensive stance in the equity markets whilst taking a slight short stance in bonds due to momentum indicators suggesting that the interest rates have both downside and upside risks, while economic analysis suggests upward pressure in yields. Equity exposure is unchanged at 30% and bonds exposure kept unchanged at 17%. Property exposure was reduced to 2%. Since credit spreads are tightening, the fund will look to maintain exposure in high quality names to benefit from the yield pick-up whilst minimising the risk of widening credit spreads. Going forward, the managers will not hesitate to take short term opportunities offered by the volatility in the markets.

**Fees**

0.50% : R0 - R250m
045% : R250m - R500m
0.40% : +R500m