BALONDOLOZI MODEL ACTIVE EQUITY FUND
October 31, 2017

FACT SHEET

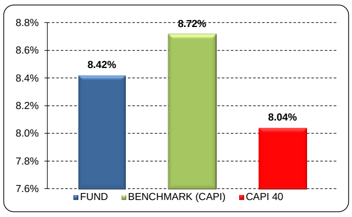
Fund Description

The fund aims to generate an excess return of 1% above the benchmark on a consistent long-term basis through both top down and bottom up analysis. The Fund uses a four factor model, namely; Macro-Economic Model, a Fundamental Accounting Value Model, a Behavioural Model, and a Technical Analysis Model. The models are blended to ensure consistency of performance and lower fund volatility versus the benchmark.

Fund Objectives

The fund aims to outperform the FTSE/JSE CAPI Index by 1% per annum over a rolling 3 year period.

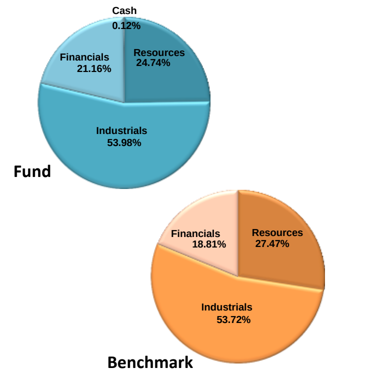
Investment Performance



	Fund	Benchmark	Alpha
Cumulative Performance			
1 month	5.65%	5.23%	0.42%
3 months	7.78%	7.18%	0.60%
6 months	10.50%	9.34%	1.15%
YTD	17.58%	16.68%	0.90%
1 year	17.42%	17.89%	-0.48%
3 years	8.37%	8.59%	-0.23%
Calendar Year Performance			
2015	7.70%	5.17%	2.52%
2016	0.42%	3.94%	-3.52%
2017			
2018			

Inception: 01-Oct-2014

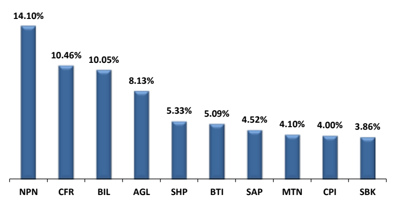
Fund Sector Breakdown



Investment Risk Measures

	Fund	Benchmark
Return	8.42%	8.72%
Sharpe Ratio	0.16	0.19
Sortino Ratio	0.32	0.44
Max Drawdown	-4.19%	-3.95%
Drawdowns	16	17
Tracking Error	**2.28%**	

Top 10 Holdings



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 6.51% (FTSE/JSE Shareholder Weighted All Share); 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; near term volatilities ticked down by -0.48% (SAVI) to 13.88% 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. Yields for 12-month negotiable certificates of deposits rose by +35.9 bps to close the month at 8.04%. Foreigners bought local equities worth R11.2 billion as markets rallied during the month of Oct 2017.

The fund returned 5.65% against the benchmark 5.23% (JSE CAPI) resulting in a positive alpha of 0.42% for the month; the JSE CAPI40 returned 5.01%. The bias towards the Top 40 blue chip stocks led to a slightly negative alpha of -0.22% and the fund's active positions provided a positive alpha of 0.64% against the CAPI40. 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. The uncertainty in local government policies, the volatile economy and low confidence continue to detract long term sustainable investment and predictable growth outputs. We expect further rand weakness in the coming month as the ANC elective conference nears, and thus we are confident in price increases in offshore counters.

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.

As communicated previously, equity markets remain challenging given the evolving political and economic landscape both domestically and internationally. Given the current uncertainty in particular with regard to the impact of the ANC leadership conference combined with factional party politics, and the current technical recession, the view is that equity markets will continue to be volatile in the short term in the absence of clear policy direction and leadership. We are aware of the lack of breath in the current stock market environment due to a few counters leading the market higher. We will not overpay for assets and try to best manage exchange rate movements and these effects on our portfolio. It is safer to lock in investments in the Top 40 blue chip stocks which are more stable in periods of rising volatility and uncertainty. We remain cautious with regard to the remainder of 2017 growth as we believe equities are fairly valued, and believe astute stock picking that delivers superior value through the cycle and provides cash flows that support earnings will tend to outperform the market.

Fees

0.20% : R0 - R250m
0.15% : R250m - R500m
0.10% : +R500m