BALONDOLOZI MODEL MONEY MARKET FUND
October 31, 2017

BALONDOLOZI Investment Services

FACT SHEET

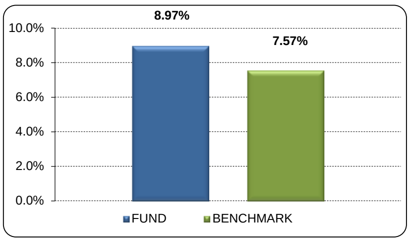
Fund Description

This fund aims to outperform the STeFi Composite Index, through active and quantitatively managed exposure via diverse securities from South Africa's Big 4 banks and short-dated investment. Disciplined portfolio construction along with rigorous risk mitigating controls seek out high yield opportunities andgrade stock.capital appreciation while maintaining a strong credit rating of A1/F1. The fund is Reg.28 compliant.

Fund Objectives

To out-perform the STeFi Composite Index.

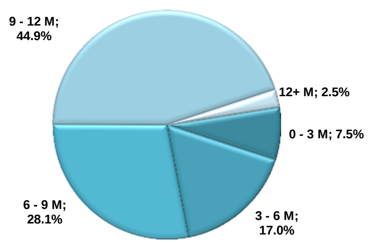
Investment Performance



	Fund	Benchmark	Alpha
Cumulative Performance			
1 month	0.63%	0.62%	0.00%
3 months	2.11%	1.82%	0.29%
6 months	4.44%	3.77%	0.67%
YTD	7.39%	6.30%	1.09%
1 year	8.92%	7.60%	1.33%
3 years			
Calendar Year Performance			
2017			
2018			
2019			

Inception: 16-February-2016

Fund Sector Breakdown



Investment Risk Measures

	Fund	Benchmark
Return	8.97%	7.57%
Sharpe Ratio	8.63	5.88
Sortino Ratio	N/A	N/A
Max Drawdown	0.00%	0.00%
Drawdowns	0	0

Benchmark Comparisons

	Fund	Benchmark
Money Market Duration	136	165
Credit Rating	F1+	
Yield	8.27	7.10

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.

The STeFi Call Index returned 0.57%; short-term nominal bonds delivered -0.18% (ALBI 1-3 years) and cash returned 0.62% as indicated by the STeFi Composite Index in Oct 2017.

During the same period; yields for 12-month negotiable certificates of deposits rose by +35.9 bps to close the month at 8.04% and the level of the 12 x 15 FRAs rose by +65 basis points to end the month at 7.39%. Concurrently, the 12 x 15 FRA/3 x 6 FRA gap ticked up by +41 basis points to 24 bps whilst medium-term break-evens widened by +0.39% to 5.91%. Foreigners bought local assets worth R0.62 billion as yields sold-off during the month of Oct 2017.

The fund returned 0.63%, higher than the returns of the STeFi Composite Index of 0.62%. Holdings in fixed instruments removed the lustre from the fund's returns.

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; technical indicators suggest that the short-term interest rates in the markets indicate that yields are still overbought. However, relative valuations maintain an indication that there is still value in one year fixed deposits. Hence, the fund will maintain a neutral duration stance as yields continue to adjust. More so, the fund will maintain its weight in high quality names to benefit from the yield pick-up whilst minimising the risk of widening spreads.

Fees

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