BALONDOLOZI
— INVESTMENT LEADERSHIP —

BALONDOLOZI MODEL BALANCED FUND **December 31, 2023**

FACT SHEET

INVESTMENT OBJECTIVE

The fund seeks to outperform CPI (inflation) plus 5% over a rolling 3 year period.

INVESTMENT STRATEGY

This is a Global Asset Allocation Fund that blends strategies employed in the Balondolozi Money Market, Bonds, and Active Equity Funds.The equity benchmark is the FTSE/JSE Capped SWIX All Share 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.

FUND INFORMATION

Fund Classification	South African - Multi Asset - High Equity
Benchmark	CPI + 5%
Risk Profile	Moderate
Fund Managers	Fannuel Tigere, Christopher Pratt
Inception Date	01 October 2014
Fund Size	R414 million
Currency	SA Rands
Administration	Balondolozi Investment Services (Pty) Ltd
Trustees	RMB
Regulator	Financial Services Regulatory Authority (FSRA)
Regulation 28	Not Applicable

FEES

Initial & Exit Fees	Nil
Total Investement Charge	0.61%
Portfolio TER	0.60%
Management Fees	*0.50%*
Transaction Costs	*0.01%*
Audit Fees	*0.00%*
Other Costs	*0.02%*
Vat	*15.00%*
Pricing	Daily at 17:00

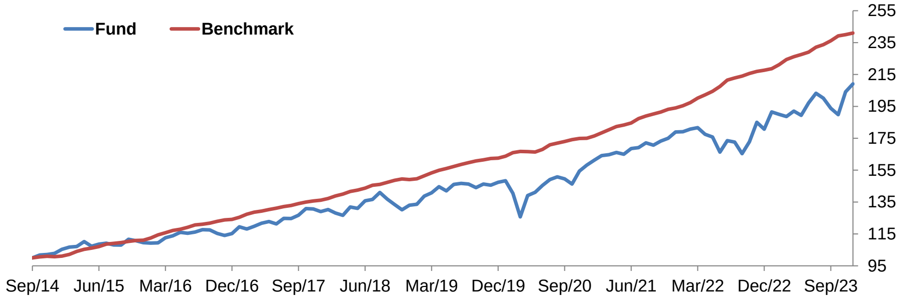
RISK RATIOS

	Fund	*Benchmark*
Annualised Return	8.30%	9.98%
Sharpe Ratio	0.24	2.61
Sortino Ratio	0.35	18.10
Max Drawdown	-10.52%	-0.27%
Drawdowns	43	4

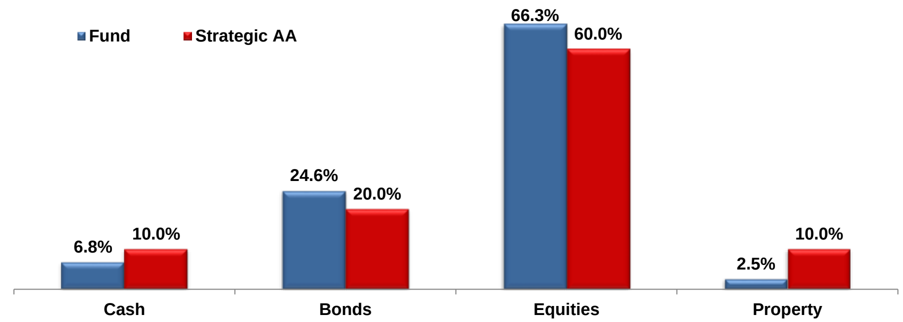
PERFORMANCE (Gross of fees)

	Fund	*Benchmark*
Dec-23	2.45%	0.42%
Year to Date	15.71%	10.70%
Rolling 12 months	15.71%	10.70%
Return p.a. since inception	8.30%	9.98%
Return since inception	109.12%	141.00%
Highest Rolling 1-year Return	31.01%	12.88%
Lowest Rolling 1-year Return	-10.73%	6.64%

GROWTH OF R100 INVESTED AT INCEPTION



SECTOR ANALYSIS



FUND COMMENTARY

Globally, inflation remains a constant battle as the central banks continuously make efforts to bring it down to the targeted range, through their monetary tightening policies with the hopes of avoiding restricting economic growth and employment opportunities but improve the standards of living in the future.

Equities returned 1.95% (FTSE/JSE SWIX 40); S&P 500 delivered 4.42% (in rand terms); MSCI EM Equities delivered 3.63% (in rand terms); listed property returned 9.9% (SAPY); nominal bonds delivered 1.49% (ALBI); inflation linked bonds returned 2.19% (CILI) and cash returned 0.67% as indicated by the STeFi Call Index in Dec 2023. Within equities; the financial services sector delivered 5.54% (FINI 15), the industrial sector 0.49% (INDI 25) and the resources sector -0.03% (RESI 20). During the same period; the yield for the R186 (benchmark bond) fell by -10 basis points to end the month at 8.67% whilst the historic price to earnings (P/E) ratio for the FTSE/JSE SWIX Top 40 edged lower by-0.16 points to close at 11.41. Concurrently, the near term volatilities ticked up by +0.9% (SAVI) to 18.8% whilst medium-term break-evens widened by +0.05% to 5.67%. Yields for 12-month negotiable certificates of deposits rose by +12.5 bps to close the month at 9.03%. Foreigners sold assets worth -R13 billion as markets rallied during the month of Dec 2023.

Overall, the fund delivered 2.45% for the month. Equities returned 2.70%; International Equities returned 0.71%; cash returned 0.92%; bonds delivered 1.80% and property exposure returned 7.27%. Overweight exposure in gold counter, Harmony Gold, detracted from performance during the month, as well as underweight exposure in platinum miner, Sibanye Stillwater. Underweight exposure in industrial counter, Sappi detracted from performance while recently added overweight exposure in Richmont registered market related performance. Overweight exposure in banking counter, Standard Bank, contributed positively towards performance. Bonds outperformed due to sector allocation as yields rallied in the belly of the curve. Cash outperformed due to high yielding shorter dated non-bank fixed term deposits and longer-dated floating rate instruments. Property exposure underperformed the benchmark as NEPI Rockcastle and MAS Real Estate detracted from performance.

After registering a value of 5.9% in Oct 2023, headline inflation for Nov 2023 was 5.5% (consensus 5.6%). On the same note, the price for brent crude oil fell by -4.72%, to end the month at $77.04 per barrel and the Rand appreciated against the Dollar by 2.96% to close at R18.3 per dollar. The seasonally adjusted Kagiso Purchasing Managers' Index (PMI) nudged up by 6 index points to reach 54.7 in Nov 2023.

In the United States, the annual inflation eased to 3.1% in November from 3.2% in October, marking the lowest reading since July 2021 and aligns with the market expectations of 3.1%. This stems from a decline in energy costs of -5.4% vs. -4.5%. On the contrary, costs for food slightly rose by 2.9% from 3.3%, new vehicles 1.3% vs. 1.9%, shelter 6.5% vs. 6.7%, and clothing 1.1% vs. 2.6%. The consumer sentiment for the US had a marginal improvement of 69.7% in December 2023 from a 69.4% preliminary estimate. In their December meeting, the Fed maintained the funds rate for a third consecutive meeting at 5.25% - 5.5%. This aligns to what the market expected as the Fed aim for a 75bps cut in 2024. Unemployment slightly improved to 3.7% in November. New projections from the central banks indicated that GDP growth went up by 2.6% but will be slightly lower next year 2.4% vs 2.5%. Jerome Powell, the Fed's Chair, reiterated that even though the labour market is tight the conditions for supply and demand continue to reach a better balance as wage growth is slightly improving with rising labour supply and declining job vacancies. The United States continues to experience slow economic growth as job opportunities are moderate but remain strong and the continued low unemployment rate. Although it has decreased over the past year, inflation is still high.

The annual inflation rate in the Euro-area had a notable decline to 2.4% in November 2023 from 2.9% in October which is in line with the 2.4% market forecast. To combat inflation, the ECB left the interest rate unchanged at 4.5% as expected by the market, for the second consecutive meeting and indicated an early end to its remaining bond purchasing scheme. The refinancing rate also remained at 4.5% and the deposit facility rate at 4%. The consumer confidence indicator increased by 1.8 points to -15. The economic growth contracted by -0.1% year-on-year in the third quarter of. On a lighter note, public expenditure improved by 0.3% and the household consumption also increased by 0.3%, marking an end to three periods of either stagnant growth or contraction.

The S&P Global Eurozone Manufacturing PMI reading remained unchanged at 44.2 in December 2023 which came in below the market expectation of 44.6. Production declined as manufactures had a huge cut in the purchasing activity which resulted to the highest fall in inventories inputs, output and payroll being cut as job losses continue. The Hamburg Commercial Bank (HCOB) Eurozone Services PMI decreased to 48.1 in December 2023 from 48.7 in November 2023 as new orders for service providers fell and employment growth slowed down due to increasing input costs and elevated wages.

The People's Bank of China (PBoC) kept its lending rates unchanged in their December meeting, as the prime rate remained at 3.45% and the five year rate was kept at 4.2% by PBoC. Economic growth improved to 1.3% in Q3 2023, compared to the 0.5% in Q2 2023; exceeding the market expectation of a 1.0% increase. This stems from monetary stimulus including interest rate cuts and centrals bank's constant liquidity injections in the past three months. However, the property sector which contributes to a quarter of the economy continues to drag post Covid recovery due to default risks by property developers. In November China's consumer prices dropped by -0.5% year-on-year, more than the -0.2% decline in November 2023, falling above the market expectation of a -0.1% drop. The fall attributed from decrease in food costs. The Supply chains continued to slightly improve performance as inflation eased. The Caixin China General Manufacturing PMI indicated a decline in PMI, coming in at 50.7 in November 2023 from 49.5 in October, surpassing market expectations of 49.8 the highest reading since August. Concurrently, Service PMI rose by 51.5 in November 2023 from 50.4 in the previous month. Output and buying levels both increased as new orders increased which was the highest in four months while the rate of job losses eased. China's unemployment remains constant at 5% as the government aims to create about 12 million new urban jobs.

Locally, the annual inflation rate for November 2023 moved within the South African Reserve Bank (SARB) target band of 3%-6% as it eased to 5.5% from 5.9% in October 2023, slightly below the market expectation of 5.6%, and higher than the midpoint of 4.5%. The decline in inflate rate is attributed from the slowdown in fuel prices 1.8% vs 11.2% and transportational cost 4.3% vs 7.4% in October. Conversely food prices rose by 9% in November as prices increased for milk, eggs & cheese 13.9%, sugar, sweets, and desserts 18.5%; fruit 11.5% and vegetables 23.5%. Currently the repo rate remains at 8.25%. However, the SARB Governor, Lesetja Kganyago, announced that the repo is projected to be between 7% - 7.25% next year, with its first cut in March 2024. Loadshedding continues to persist , however, in December we saw slight improvements as Eskom announced the suspension of loadshedding due to adequate emergency reserves and consistent improvements in the available capacity generation. On the 1st of December, the government bailed out Transnet with R47 billion to settle its immediate debt obligations, as Transnet's incapacity was crippling the economy particularly the vital sectors such as the commodity exports retail and manufacturing. Locally, the GDP weakened in the third quarter as the economy shrank by -0.2% following a 0.5% revised rise in Q2 2023,worse than the -0.1% fall anticipated by the market .The main contributor is the decline in industries such as Mining production -1.1%; Trade, catering and accommodation -0.2%; Manufacturing -1.3%; Construction -2.8% and Agriculture ,forestry & fishing -9.6%. Looking at the consumer sentiment, the consumer confident dropped to -17 points in Q4 of 2023 from -16 points in Q3, as consumers feel the pressure of the rising cost of living and higher borrowing costs. On a positive note, unemployment rate fell from 32.6% in Q2 to 31.9% in Q3, the lowest in a year while youth unemployment, dropped to an over one-year low of 58%.

Given this backdrop, valuations suggest that equities are undervalued (Developed markets however showing signs of being fairly valued) and the PPP-models suggest that the rand is undervalued. Economic metrics suggest there is value in bonds. The fund maintains its constructive stance on local equities. Since credit market spreads are increasing as economic growth falls, together with the downgrade effects on corporate cost of capital, the fund will maintain its exposure in high quality names to benefit from the yield pick-up whilst minimising the risk of widening spreads. Going forward, the managers will not hesitate to take short term opportunities offered by the volatility in the markets.