

BALONDOLOZI

— INVESTMENT LEADERSHIP —

BALONDOLOZI MODEL ESG FUND

December 31, 2023

FACT SHEET

INVESTMENT OBJECTIVE

The fund seeks to achieve long-term growth by gaining exposure to companies with high ranking Environmental, Social and Governance (ESG) scores relative to their peers.

INVESTMENT STRATEGY

The fund aims to generate an excess return above the benchmark on a consistent long-term basis through investing in companies with good ESG scores versus their peers. This is achieved by rating companies on their ability to manage Environmental, Social and Governance (ESG) risks relative to their peers. The fund holds overweight positions in companies with good ESG scores and reduces or even avoids exposure in poorly rated counters.

FUND INFORMATION

| | |
|---------------------|---|
| Fund Classification | South African - Multi Asset - High Equity |
| Benchmark | CPI + 4% |
| Risk Profile | Aggressive |
| Fund Managers | Fannuel Tigere, Magdalene Baloyi, Sandelee Van Wyk, Christopher Pratt |
| Inception Date | 01 October 2021 |
| Fund Size | R4 million |
| Currency | SA Rands |
| Administration | Balondolozzi Investment Services |
| Trustees | RMB |
| Regulator | Financial Sector Conduct Authority (FSCA) |
| Regulation 28 | Compliant |

FEES

| | |
|-------------------------|----------------|
| Initial & Exit Fees | Nil |
| Total Investment Charge | 0.65% |
| Portfolio TER | 0.61% |
| Management Fees | 0.50% |
| Transaction Costs | 0.03% |
| Audit Fees | 0.00% |
| Other Costs | 0.03% |
| Vat | 15.00% |
| Pricing | Daily at 17:00 |

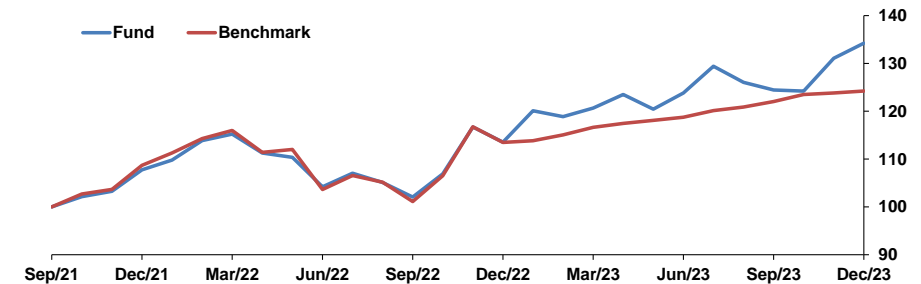
RISK RATIOS

| | Fund | Benchmark |
|-------------------|-------------|------------------|
| Annualised Return | 13.98% | 10.12% |
| Sharpe Ratio | 0.63 | 0.35 |
| Sortino Ratio | 1.51 | 0.76 |
| Max Drawdown | -5.58% | -7.48% |
| Drawdowns | 11 | 5 |

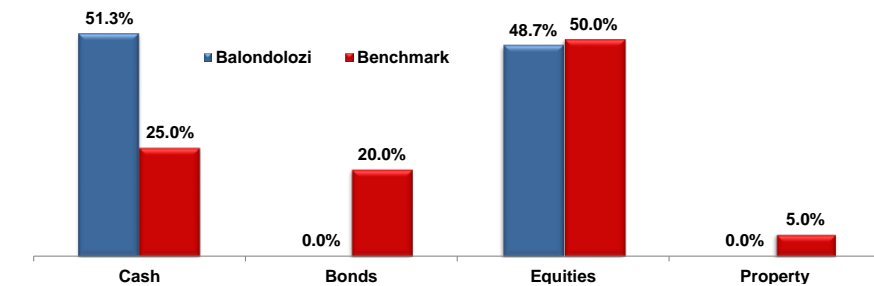
PERFORMANCE (Gross of fees)

| | Fund | Benchmark |
|-------------------------------|-------------|------------------|
| Dec-23 | 2.40% | 0.33% |
| Year to Date | 18.23% | 9.47% |
| Rolling 12 months | 18.23% | 9.47% |
| Return p.a. since inception | 13.98% | 10.12% |
| Return since inception | 34.23% | 24.23% |
| Highest Rolling 1-year Return | 21.94% | 20.69% |
| Lowest Rolling 1-year Return | 2.06% | 0.56% |

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 1.39% (FTSE/JSE Top 40); nominal bonds delivered 1.49% (ALBI); inflation linked bonds returned 2.19% (CIL) 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; near term volatilities ticked up by +0.9% (SAVI) to 18.8% whilst the historic price to earnings (P/E) ratio for the FTSE/JSE Top 40 edged lower by -0.18 points to close at 10.99. Yields for 12-month negotiable certificates of deposits rose by +12.5 bps to close the month at 9.03%. Foreigners sold local equities worth -R9 billion as markets rallied during the month of Dec 2023.

Overall, the fund delivered 2.40% for the month. The cash strategy returned 2.19%, whilst equities in the fund returned 2.68%.

Local equity markets tracked global markets higher for the month of December. The JSE Capped SWIX All Share Index rose 2.90% for the month. Financial and Industrial sectors closed in the green for the month, while the Resources sector closed in the red for the month of December.

Overweight exposure in gold counter, Harmony Gold, detracted from performance during the month of December, 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 Richmond registered market related performance. Overweight exposure in banking counter, Standard Bank, contributed positively towards performance for the month of December.

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.

The global emphasis on sustainability as well as the urgent need to address climate change, continues to spark a significant shift in investment patterns, with traditional investment channels gradually giving way to green investments, whereby renewable energy projects are taking prominence.

Government policies globally are being implemented to encourage and incentivise the use of renewable energy sources, thus boosting private investment in these industries. Furthermore, technological improvements have significantly lowered the costs connected to renewable energy projects, making them increasingly competitive compared to traditional energy sources. The US Treasury Department issued a proposed guidance for the clean hydrogen tax credit under the Inflation Reduction Act (IRA), which outlines conditions of eligibility for this tax credit, an incentive that can be up to \$3/kilogram on the hydrogen produced using clean energy sources. The suggested recommendations enable grid-connected hydrogen projects to qualify for the credit while setting evidence-based guardrails to ensure that public funds achieve the required carbon reductions.

The clean hydrogen tax credit initiative intends to drive tremendous industrial expansion across America while also protecting global communities from global warming pollution. Aligning these policies with international norms will promote global trade as well as increase the United States' competitiveness in the clean energy sector. Industries that clean hydrogen, be it the steel, shipping, aviation, and the fertilizer industry, to name a few touches nearly every aspect of our lives, from where we live, how we move and what we eat daily. Clean hydrogen is therefore critical in delivering the solutions that will reduce carbon pollution from these sectors. The scale of the technology-neutral hydrogen tax credit and the rules proposed will further provide early movers with the capital and credibility needed to rapidly scale their operations and jumpstart a low-emissions hydrogen economy.

With these initiatives, investors are swiftly recognizing the immense potential and long-term viability of green investments, thus pushing sustainable finance strategies to gain traction as portfolios that include environmentally conscious assets consistently demonstrate resilience and stability. Embracing the increase in green investments therefore signifies more than just a financial opportunity but also reflects a collective commitment towards building a greener and more sustainable future, as the trend is not just about profits but also about contributing positively to the environment, addressing climate concerns, and fostering a more resilient economy.

We will continue to seek superior returns by looking for companies that respond maturely to medium and long-term non-financial issues material to their financial sustainability. Companies that manage energy use and reduce reliance on fossil fuels, versus renewable energy options, are preferred compared to companies that don't. Companies that manage labour issues with fairness, and effectively develop the knowledge and skills of its employees while managing and promoting the health, safety and wellness of its employees are favourable.