BALONDOLOZI

INVESTMENT LEADERSHIP

BALONDOLOZI MODEL MONEY MARKET FUND

December 31, 2023

FACT SHEET

INVESTMENT OBJECTIVE

The fund seeks to outperform the STeFI Composite Index by 0.5% per annum without taking on excessive market risk.

INVESTMENT STRATEGY

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.

FUND INFORMATION

Fund Classification	South African - Interest Bearing - Money Market
Benchmark	STeFI Composite Index
Risk Profile	Conservative
Fund Managers	Fannuel Tigere, Itumeleng Mojaki, Christopher Pratt, Karabo Matsepe (Analyst)
Inception Date	01 February 2016
Fund Size	R389 million
Currency	SA Rands
Administration	Prescient Management Company (RF) (Pty) Ltd
Trustees	Standard Bank
Regulator	Financial Sector Conduct Authority (FSCA)
Regulation 28	Compliant

FEES

Initial & Exit Fees	Nil
Total Investement Charge	0.17%
Portfolio TER	0.17%
Management Fees	*0.15%*
Transaction Costs	*0.00%*
Audit Fees	*0.00%*
Other Costs	*0.00%*
Vat	*15.00%*
Pricing	Daily at 17:00

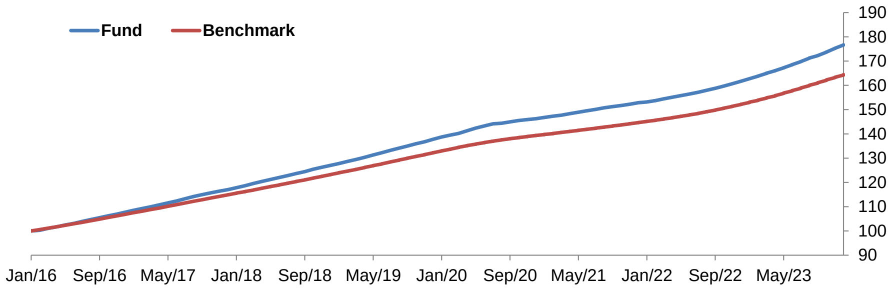
RISK RATIOS

	Fund	***Benchmark***
Annualised Return	7.39%	6.41%
Sharpe Ratio	3.27	2.26
Sortino Ratio	N/A	N/A
Max Drawdown	N/A	N/A
Drawdowns	0	0

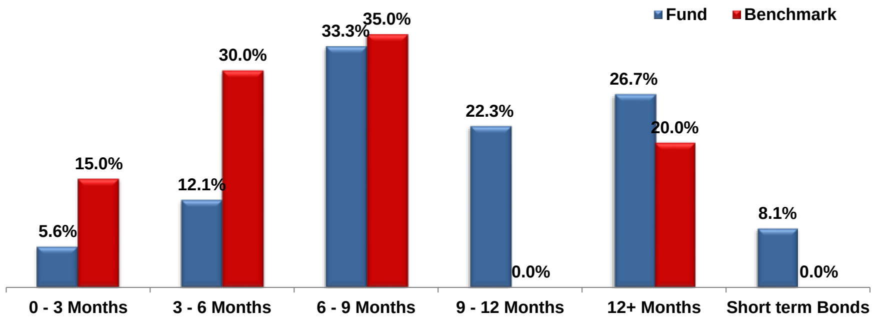
PERFORMANCE (Gross of fees)

	Fund	***Benchmark***
Dec-23	0.79%	0.65%
Year to Date	9.26%	8.03%
Rolling 12 months	9.26%	8.03%
Return p.a. since inception	7.39%	6.41%
Return since inception	189.70%	152.74%
Highest Rolling 1-year Return	77.58%	64.55%
Lowest Rolling 1-year Return	3.73%	3.44%

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.

The STeFi Call Index returned 0.63%; short-term nominal bonds delivered 1.1% (ALBI 1-3 years) and cash returned 0.65% as indicated by the STeFi Composite Index in Dec 2023.

During the same period, yields for 12-month negotiable certificates of deposits rose by +12.5 bps to close the month at 9.03% and the level of the 12 x 15 FRAs fell by -1.1 basis points to end the month at 7.53%. Concurrently, the 12 x 15 FRA/3 x 6 FRA gap ticked up by +2 basis points to -74 bps whilst medium-term break-evens widened by +0.05% to 5.67%. Foreigners sold local assets worth -R12.99 billion as yields sold-off during the month of Dec 2023.

The fund returned 0.79%, higher than the returns of the STeFi Composite Index of 0.65%. Holdings in higher yielding fixed instruments and non-bank credit led to the outperformance. The yield of the fund is 9.24% higher than benchmark at 8.68%, due to holdings in non-bank credit and longer dated fixed instruments. The duration of the fund is 152 days lower than the benchmark at 165 days.

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% in October as gasoline fell by -8.9%, fuel oil and utility gas fell by -24% and -10.4% respectively. 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 compared to 3.9% in September 2023. 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%, while the unemployment rate is projected to remain at 3.8% in 2023 and 4.1% in 2024. 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. Although the inflation is well above the European Central Bank's (ECB) target of 2.0%, this shows progress as it is the lowest reading since July 2021.Conversely prices for services 4% vs 4.6% and food, alcohol, and tobacco 6.9% vs 7.4% increased at a slower rate while energy prices declined slightly more -11.5% vs -11.2% in October and the annual core inflation fell at 3.6%. 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 -15.1 in December 2023 which is above the -16.4 market expectation, consumers hope interest rates will starts to fall as soon as inflation keeps slowing down. The economic growth contracted by -0.1% year-on-year in the third quarter of 2023 as large economies such Germany, France, and the Netherlands experienced contractions of -0.1%, -0.1% and -0.2% respectively. However, Spain expanded by 0.3% followed by Italy at 0.1%. 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 and a decrease in pork prices. The Consumer Price Index (CPI) declined by -0.5%, compared with consensus and October's figure of a -0.1% due to moderate education costs and a drop in transport prices. Housing and health inflation remained stable at 0.3% and 1.3% respectively while clothing saw an increase of 1.3% from 1.1% in October. 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%.

Globally, tightening of the monetary policy is muted and interest rates have peaked. Locally, forward rate agreements (FRAs) are trending downwards and are pricing in four 25bps cuts in the next 12-months with the first one being as soon as in the next 4 months. In essence, the swap curve is indicating that the SARB has reached the peak of the hiking cycle. Therefore, the fund will seek for opportunities to invest in more fixed instruments (and medium-term bonds) compared to floaters. Since credit spreads are widening, the fund will maintain exposure in high quality names to benefit from the yield pick-up whilst minimizing the risk noticed in lower rated credits.