

BALONDOLOZI

— INVESTMENT LEADERSHIP —

BALONDOLOZI MODEL ESG FUND

February 29, 2024

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	0.58%
Portfolio TER	0.58%
Management Fees	0.50%
Transaction Costs	0.00%
Audit Fees	0.00%
Other Costs	0.00%
Vat	15.00%
Pricing	Daily at 17:00

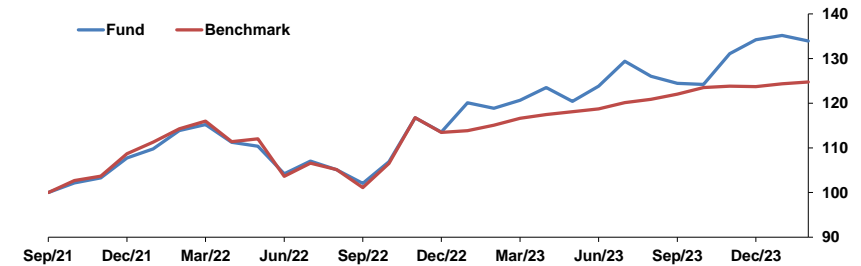
RISK RATIOS

	<i>Fund</i>	<i>Benchmark</i>
Annualised Return	12.85%	9.59%
Sharpe Ratio	0.54	0.30
Sortino Ratio	1.23	0.51
Max Drawdown	-5.58%	-7.48%
Drawdowns	12	6

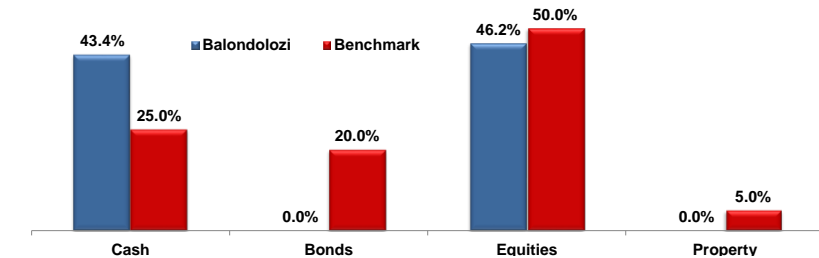
PERFORMANCE (Gross of fees)

	<i>Fund</i>	<i>Benchmark</i>
Feb-24	-0.93%	0.33%
Year to Date	-0.23%	0.83%
Rolling 12 months	12.65%	8.42%
Return p.a. since inception	12.85%	9.59%
Return since inception	33.92%	24.76%
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, economic activity is still muted while core inflation indicators continue to be higher than pre-pandemic levels even though inflation rates have been declining.

Equities returned -2.48% (FTSE/JSE Top 40); nominal bonds delivered -0.58% (ALBI); inflation linked bonds returned -0.7% (CIL) and cash returned 0.63% as indicated by the STeFi Call Index in Feb 2024. Within equities; the financial services sector delivered -0.85% (FINI 15), the industrial sector -0.64% (INDI 25) and the resources sector -6.92% (RESI 20).

During the same period; near term volatilities ticked down by -0.91% (SAVI) to 20.5% whilst the historic price to earnings (P/E) ratio for the FTSE/JSE Top 40 drifted higher by +0.84 points to close at 11.44. Yields for 12-month negotiable certificates of deposits rose by +7.5 bps to close the month at 8.98%. Foreigners sold local equities worth -R9.8 billion as markets sold-off during the month of Feb 2024.

Overall, the fund delivered -0.93% for the month. The cash strategy returned 0.93%, whilst equities in the fund returned -2.12%.

Local equity markets came under pressure for the month of February as economic activity remains muted and inflation rates remain stubborn. The JSE Capped SWIX All Share was down over 2% for the month, dragged down by the resource sector (-7.17%) following depraved trading updates from mining companies. Financials and Industrial sectors were also down marginally, 0.85% and 0.64% respectively for the month of February.

An overweight position in industrial counter Richemont contributed positively towards performance as continued positive momentum drove continued share price appreciation. An overweight position in banking counter, Standard Bank also contributed positively towards performance for the month of February.

An underweight position in pulp, paper and packaging group, Sappi, detracted from performance for the month of February.

The recent sustainability symposium hosted by the International Financial Reporting Standards (IFRS) Foundation in New York City on the 22nd of February 2024 marked a pivotal moment for the international business community.

At the conference, representatives from the Foundation together with esteemed International Sustainability Standards Board (ISSB) engaged with a diverse array of stakeholders, including numerous companies and entities spanning over 50 regions. The primary focus of the discussions was centered around the practicalities of implementing and embracing the ISSB's two pivotal sustainability disclosure standards (IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2: Climate-related Disclosures) to promote the integration of sustainability considerations into strategic decision-making processes, thereby driving long-term value creation and resilience for businesses.

The conference highlighted the increasing acknowledgment of sustainability as a vital component of corporate governance within organisations, emphasising the urgent

requirement for standardised frameworks to streamline reporting practices. Companies across different regions outlined some of the steps they are taking to implement the ISSB standards, including conducting cross-training and educational sessions between finance, accounting and sustainability teams, establishing robust governance and controls around data management, as well as strategically hiring ESG controllers.

Anglo American being one of the companies whose climate change reporting and recommendations are informed by the ISSB and reporting processes for all their reports guided by the principles and requirements contained in the IFRS have been adopting more sustainable and lower carbon fuel options like the Liquefied Natural Gas (LNG) dual fuelled bulk carriers, called the Ubuntu Liberty. This follows the company's goal of actively seeking to contribute towards a cleaner and greener future for the maritime industry.

The Ubuntu fleet stands as a key component of Anglo American's ambition to achieve carbon-neutrality for its controlled ocean freight by 2040, aligning with its Sustainable Mining Plan commitment to carbon neutral operations across their mines by the same year. The LNG dual-fuelled vessels offer an estimated 35% reduction in emissions compared to ships fuelled by conventional marine oil fuel and are the most efficient vessels of their type today. Initiatives such as these, connected to organisations like the ISSB and IFRS, are therefore crucial catalysts for mitigating climate change, promoting sustainability, and fostering global cooperations towards a more resilient and prosperous future.

During the month of February, the annual general meetings were held by the following companies: SAP, OCE, BAW, RDF, CML, SPP, TXT, TBS and RLO. The predominant concerns shared across these companies encompassed remuneration policies that lacked any reference to salary levels among companies within the same industry, size range, or business variety in the context of benchmarking remuneration against industry players, financial KPIs of Short Term Incentives too limited as they lacked metrics like earnings per share or return metrics, which could provide a broader view of the financial performance beyond just operating profit or earnings per share (HEPS) as well as a lack of specificity in terms of ESG measurable targets, although the inclusion of the ESG metrics were appreciated, for companies like Reunert Limited.

Majority of board members received in-favour votes except in instances where the independence of members might be compromised due to extended tenures exceeding 10 years and interlocking directorships.

Financial assistance is generally approved unless there are unique instances, similar to the resolution by Life Healthcare Group, that seeked authority to provide financial assistance to "any person" thus, potentially exposing the company to the risk of default or non-repayment.

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