

BALONDOLOZI

— INVESTMENT LEADERSHIP —

BALONDOLOZI MODEL EQUITY FUND

February 29, 2024

FACT SHEET

INVESTMENT OBJECTIVE

The fund seeks to outperform the FTSE/JSE Capped SWIX All Share Index by 1% per annum over a rolling 3 year period.

INVESTMENT STRATEGY

The fund aims to generate in excess of 1% above the benchmark returns on a consistent long-term basis through both top down and bottom up analysis. The Fund uses a four factor model, namely; Macro-Economic Model, a Fundamental Accounting Value Model, a Behavioural Model, and a Technical Analysis Model. The models are blended to ensure consistency of performance and lower fund volatility versus the benchmark.

FUND INFORMATION

Fund Classification	South African - Equity - General
Benchmark	FTSE/JSE Capped SWIX All Share Index
Risk Profile	Aggressive
Fund Managers	Fannuel Tigere, Sandelee Van Wyk, Christopher Pratt
Inception Date	01 November 2018
Fund Size	R636 million
Currency	SA Rands
Administration	Balondolozzi Investement Services (Pty) Ltd
Trustees	Nedbank
Regulator	Financial Sector Conduct Authority (FSCA)
Regulation 28	Compliant

FEES

Initial & Exit Fees	Nil
Total Investment Charge	0.60%
Portfolio TER	0.57%
Management Fees	0.50%
Transaction Costs	0.03%
Audit Fees	0.00%
Other Costs	0.00%
Vat	15.00%
Pricing	Daily at 17:00

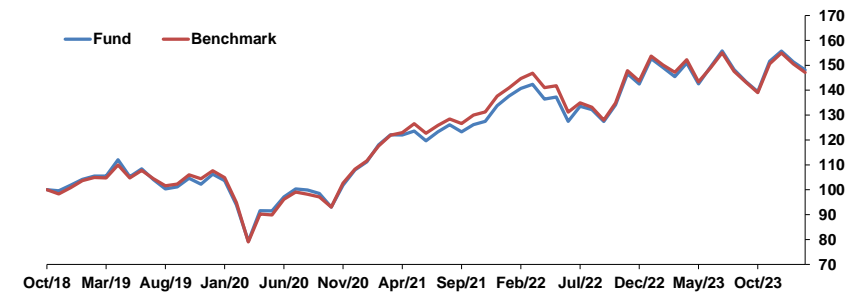
RISK RATIOS

	<i>Fund</i>	<i>Benchmark</i>
Annualised Return	7.65%	7.51%
Sharpe Ratio	0.11	0.17
Sortino Ratio	0.18	0.25
Max Drawdown	-15.57%	-16.69%
Drawdowns	29	28

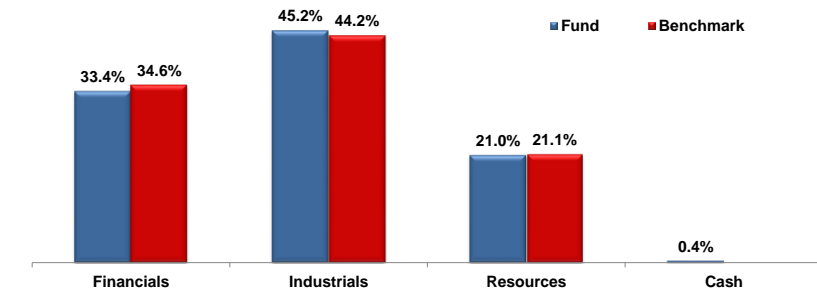
PERFORMANCE (Gross of fees)

	<i>Fund</i>	<i>Benchmark</i>
Feb-24	-2.12%	-2.27%
Year to Date	-4.85%	-5.05%
Rolling 12 months	-0.64%	-1.97%
Return p.a. since inception	7.65%	7.51%
Return since inception	48.17%	47.15%
Highest Rolling 1-year Return	28.66%	31.92%
Lowest Rolling 1-year Return	-23.79%	-24.29%

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 -2.19% (FTSE/JSE Shareholder Weighted All Share); nominal bonds delivered -0.58% (ALBI); inflation linked bonds returned -0.7% (CILI) 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 SWIX Top 40 drifted higher by +0.47 points to close at 11.5. 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.

The fund returned -2.12% against the benchmark -2.27% (JSE Capped Swix All Share) resulting in positive alpha of 0.15% for the month.

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.

After registering a value of 5.1% in Dec 2023, headline inflation for Jan 2024 was 5.3% (consensus 5.4%). On the same note, the price for Brent crude oil rose by 1.69%, to end the month at \$81.91 per barrel and the Rand depreciated against the Dollar by -2.54% to close at R19.16 per dollar. The seasonally adjusted Kagiso Purchasing Managers' Index (PMI) declined by -6.7 index points to reach 41.8 in Jan 2024.

In the United States, the US economy grew by 3.2% in the fourth quarter of 2023 as opposed to 3.3% which is less than the 4.9% increase in the third quarter. In addition, the goods trade deficit increased, topping estimates of \$88 billion in January 2024 to reach \$90 billion. The Federal Reserve's (Fed) favoured measure of inflation showed growth in January 2024. The price index for personal consumption expenditures rose by 2.4% from the previous year, precisely what analysts had predicted. This confirmed data from the Consumer Price Index for January, which increased by 3.1% annually in January 2024, down from a 3.4% uptick in December 2023 but above the 2.9% expected by the market, further indicating that inflation remained persistently sticky. The Federal Open Market Committee (FOMC) have stated that the current inflation rate is only a temporary setback and there is no indication that inflation is heading in the wrong direction. The benchmark interest rate remains at 5.50%. Minutes from the January FOMC meeting revealed that while Fed policymakers believed the policy rate was at its peak for this tightening cycle, they stated that they did not expect it would be appropriate to reduce it until they had more assurance that inflation was moving sustainably toward 2%.

The Euro Area's economic confidence index fell to 95.4 in February 2024, below the market's expectations of 96.7 and below the revised result of 96.1 in January.

Confidence deteriorated among manufacturers (-9.5 vs -9.3 in January), service providers (6.0 vs 8.4), retailers (-6.7 vs -5.6), and constructors (-5.4 vs -4.6), but improved slightly among consumers (-15.5 vs -16.1). This month, the recession in Germany, the largest economy in Europe, became worse as a slightly better services sector could not offset a significant decline in manufacturing. The Euro Area's inflation rate printed at 2.8% in January 2024, slightly down from December 2023 2.9% and still above the 2.0% target set by the European Central Bank. Concurrently, the core rate which does not account for fluctuating food and energy price cooled to 3.3%, its lowest level since March 2022, for the sixth consecutive month. According to the minutes of the most recent ECB meeting, officials agreed that it was premature to talk about interest rate cuts, even though there are signs that inflationary pressures were abating throughout the Eurozone. They voiced worries that this kind of action would be hasty and might prevent or postpone the prompt return of inflation to target levels.

China's economy is in trouble as the nation's birth rate is still dropping, its youth unemployment rate is alarmingly high, and its GDP growth has reached 30-year lows as the GDP figures for Q4 of 2023 fell to 1% from a previous reading of 1.3% in Q3 below market expectations of 1.5%. In the meantime, the country's financial markets are collapsing, the real estate sector has collapsed, the level of local government debt is concerning to international investors. In February 2024, China's official purchasing managers' index (PMI) dropped from 49.2 in January to 49.1 for a fifth consecutive month, as manufacturing owners struggle to get orders both domestically and internationally. This might heighten the call for further stimulus measures. China's lacking post-COVID recovery has sparked concerns about the viability of its economic model and increased anticipation that policymakers will have to take reforms into account as consumers delay purchases, foreign companies pull out, manufacturers battle to find customers, and local governments grapple with massive debt loads. This was also highlighted by China's consumer prices declining by -0.8% year -on-year in January 2024, which was the biggest decline in almost 14 years and less than the -0.5% decline predicted by the market. The CPI fell for the fourth consecutive month, the longest reduction since October 2009. As a result, The People's Bank of China resolved to reduce the banks' reserve requirement ratios (RRRs) by 50 basis points on February 5, the largest reduction in two years, to support the economy's flagging growth and free up 1 trillion yuan (\$139.0 billion) in long-term liquidity.

Locally, Finance Minister Enoch Godongwana delivered the 2024 Budget Speech earlier this month and emphasised that due to South Africa's poor economic performance, tough choices must be made to ensure that the country's economy expands and adds employment. The government recognized that millions of South Africans depend on social grant payment to make ends meet, and that the cost of living has increased as a result about 60% of the budget, excluding interest payments, was allocated to funding social services, which included paying public employees' wages. Poverty and unemployment have become more entrenched because of the slow economic growth, estimated at 0.6% in 2023 and averaging only 0.8 % over the previous ten years while state budgets are being choked by spiralling debt. This year, the government expects to pay R382 billion in debt service, which is more than three times the amount the nation plagued by crime spends on law enforcement. The tax on alcohol and tobacco goods will increase by up to 8.2% and 7.2%, respectively, but the tax bands will not be adjusted for inflation, resulting in an increase in personal income tax. Additionally, a "global minimum corporate tax" of 15% will be imposed on international firms by South Africa, regardless of where their earnings are situated. The increases are expected to assist in reducing the deficit from 4.9% of GDP this fiscal year to 3.3% in 2026–2027, together with further cost-cutting initiatives and changes on the utilization of valuation gains from foreign currency reserves. As a source of revenue, government tapped in Gold and Foreign Exchange Contingency Reserve Account (GFECRA), to lower borrowing needs. Gross debt is projected to peak at 75.3% of GDP in 2025/26, lower than before. The 2024 budget stresses fiscal consolidation by boosting the primary surplus, managing debt costs, and promoting reforms to improve public finances, diversify revenues and spur growth.

Going forward, the fund will maintain its bias towards stocks with rich fundamental valuations.