

BALONDOLOZI

— INVESTMENT LEADERSHIP —

BALONDOLOZI MODEL BALANCED FUND

April 30, 2024

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 Balondolozzi 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	R418 million
Currency	SA Rands
Administration	Balondolozzi Investment Services (Pty) Ltd
Trustees	RMB
Regulator	Financial Services Regulatory Authority (FSRA)
Regulation 28	Not Applicable

FEES

Initial & Exit Fees	Nil
Total Investment Charge	0.59%
Portfolio TER	0.59%
Management Fees	0.50%
Transaction Costs	0.00%
Audit Fees	0.00%
Other Costs	0.02%
Vat	15.00%
Pricing	Daily at 17:00

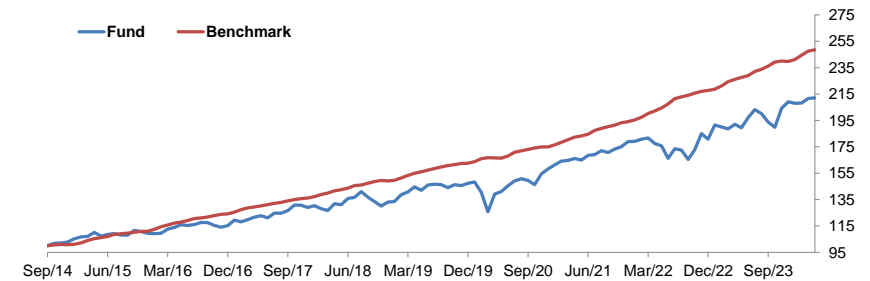
RISK RATIOS

	<i>Fund</i>	<i>Benchmark</i>
Annualised Return	8.16%	9.97%
Sharpe Ratio	0.22	2.51
Sortino Ratio	0.32	16.94
Max Drawdown	-10.52%	-0.27%
Drawdowns	44	5

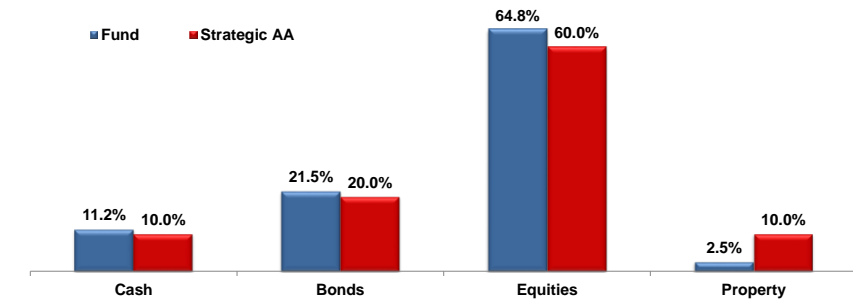
PERFORMANCE (Gross of fees)

	<i>Fund</i>	<i>Benchmark</i>
Apr-24	0.19%	0.42%
Year to Date	1.42%	3.67%
Rolling 12 months	10.44%	9.92%
Return p.a. since inception	8.16%	9.97%
Return since inception	112.09%	148.56%
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

The global economy has demonstrated remarkable resilience despite significant increases in central bank interest rates aimed at achieving price stability.

Equities returned 3.18% (FTSE/JSE SWIX 40); S&P 500 delivered -4.16% (in rand terms); MSCI EM Equities delivered 0.26% (in rand terms); listed property returned -0.59% (SAPY); nominal bonds delivered 1.37% (ALBI); inflation linked bonds returned 0.26% (CIL) and cash returned 0.65% as indicated by the STeFi Call Index in Apr 2024. Within equities; the financial services sector delivered 2.67% (FINI 15), the industrial sector 1.43% (INDI 25) and the resources sector 6.4% (RESI 20).

During the same period; the yield for the R186 (benchmark bond) rose by +16 basis points to end the month at 9.43% whilst the historic price to earnings (P/E) ratio for the FTSE/JSE SWIX Top 40 drifted higher by +0.28 points to close at 13.48. Concurrently, the near term volatilities ticked down by -0.37% (SAVI) to 18.7% whilst medium-term break-evens tightened by -0.05% to 6.16%. Yields for 12-month negotiable certificates of deposits rose by +15 bps to close the month at 9.18%. Foreigners sold assets worth -R36.6 billion as markets sold-off during the month of Apr 2024.

Overall, the fund delivered 0.19% for the month. Equities returned 2.69%; International Equities returned -2.68%; cash returned 1.03%; bonds delivered -1.39% and property exposure returned -1.00%. An overweight position in industrial counter, Richemont detracted from performance for the month while an overweight position in banking counter, Standard Bank, delivered obtuse performance for the month. Bonds underperformed due to sector allocation as the 7-12 year sector underperformed. 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 Vukile and MAS Real Estate added to performance, while NEPI Rockcastle detracted from performance.

After registering a value of 5.6% in Feb 2024, headline inflation for Mar 2024 was 5.3% (consensus 5.4%). On the same note, the price for Brent crude oil fell by -0.77%, to end the month at \$86.33 per barrel and the Rand depreciated against the Dollar by -0.65% to close at R18.79 per dollar. The seasonally adjusted Kagiso Purchasing Managers' Index (PMI) declined by -1.6 index points to reach 50.3 in Mar 2024.

In the United States, the economy expanded by a 1.6% annualized rate in the latest quarter, marking its slowest growth in the past two years. While GDP growth fell short of experts' expectations, domestic demand remained strong. In the fourth quarter, the US economy surged by 3.4%, still outpacing the 1.8% rate considered non-inflationary by US central bank officials. The International Monetary Fund (IMF) has revised its estimate for US GDP growth in 2024 from 2.1% in January to 2.7%, despite the impact of high interest rates and lingering effects of previous energy cost increases. This underscores the United States' ability to outpace other advanced economies. However, annual inflation in the US rose for the second consecutive month to 3.5% in March 2024, its highest level since September 2023. Energy prices experienced a notable increase, with fuel oil and utility gas services seeing smaller declines compared to previous months. Despite Federal Reserve officials' hopes of suppressing inflation, price hikes have persisted over the last three months. The Federal Open Market Committee is expected to conclude its two-day meeting on May 1, 2024, with no changes to the fed funds rate, signaling the Fed's intent to maintain high interest rates to temper economic activity and curb inflation until stability is restored. Since July 2023, the Federal Reserve has held its benchmark interest rate steady within a range of 5.25% to 5.5%.

In the Euro Area, economic growth has resumed with an anticipated growth rate of 0.2% in the current quarter and 0.3% in Q1 2024. April witnessed a notable increase in the services sector Purchasing Managers' Index (PMI), surpassing all projections by rising to 52.9 from 51.5 the previous month. However, a decline in the manufacturing index from 46.1 to 45.6 challenges forecasts for growth, casting doubt on the overall economic picture. Despite this, the Euro Area's overall business activity grew at its strongest rate in almost a year, driven by a rebound in the service sector that offset a sharper decline in manufacturing. While the data suggests the Euro Area is emerging from recession, the European Central Bank is expected to lower interest rates in June, as calls for rate cuts mount amidst inflation nearing the bank's two percent target. In April 2024, the annual inflation rate in the Euro Area remained at 2.4%, as anticipated by the market, with decreases in the inflation rates for services and non-energy industrial products, while the inflation rate for food, alcohol, and tobacco increased slightly.

In China, both the manufacturing and services sectors experienced slower growth in April, indicating a potential loss of momentum at the beginning of the second quarter. The purchasing managers' index (PMI) for manufacturing decreased from 50.8 in March to 50.4 in April, while the services sub-index expanded at its slowest rate since January, from 52.4 to 50.3 in April. Despite a strong first quarter GDP performance, the slowing activity in April underscores irregular demand growth and challenges for policymakers. To stimulate economic expansion, the People's Bank of China has implemented slight reductions in interest rates and reserve requirement ratios (RRR), along with increased infrastructure spending and investments in high-tech manufacturing. Additionally, China plans to issue 1 trillion yuan (R659 billion) in special ultra-long term treasury bonds to bolster key sectors and sustain fiscal expenditure intensity.

On the local front, headline inflation in South Africa eased to 5.3% in March from 5.6% in February after a two-month surge, remaining stable between 5% and 6% since September 2023. March saw significant yearly price changes in miscellaneous goods & services (up 8.5%), education (up 6.3%), health (up 6.0%), and housing & utilities (up 5.9%). This trend was reflected in the Consumer Confidence Index for South Africa, which marginally increased from -17 in the final quarter of 2023 to -15 in the first quarter of 2024, the highest level in five quarters, driven by increased confidence among high-income households. Despite some positive developments, such as reduced load-shedding and inflation slowdown, challenges persist, including rising petrol costs and job losses, with the unemployment rate reaching 32.1% in Q4 of 2023. South Africa's trade surplus narrowed to ZAR 7.3 billion in March 2024, with imports increasing by 6.1% to ZAR 156.9 billion and exports growing at a slower rate of 1.8% to ZAR 164.12 billion, primarily due to increased shipments of precious metals and stones.

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, while exchanging 10% local equity for international equity exposure. 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.