

BALONDOLOZI

— INVESTMENT LEADERSHIP —

BALONDOLOZI MODEL EQUITY FUND

April 30, 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	R662 million
Currency	ZAR
Administration	Balondolozzi Investment Services (Pty) Ltd
Trustees	Nedbank
Regulator	Financial Sector Conduct Authority (FSCA)
Regulation 28	Compliant

FEES

Initial & Exit Fees	Nil
Total Investment Charge	0.58%
Portfolio TER	0.57%
Management Fees	0.50%
Transaction Costs	0.01%
Audit Fees	0.00%
Other Costs	0.00%
Vat	15.00%
Pricing	Daily at 17:00

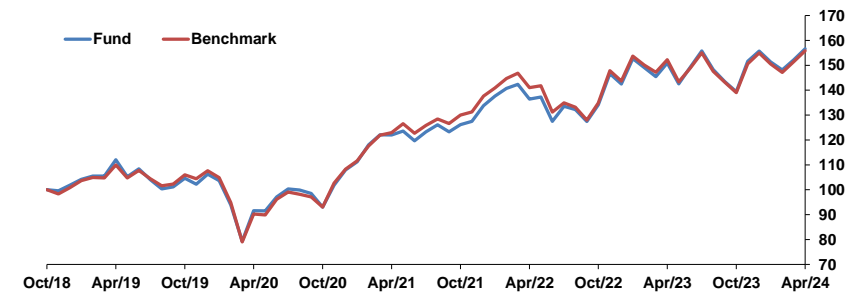
RISK RATIOS

	<i>Fund</i>	<i>Benchmark</i>
Annualised Return	8.50%	8.40%
Sharpe Ratio	0.16	0.21
Sortino Ratio	0.24	0.31
Max Drawdown	-15.57%	-16.69%
Drawdowns	29	28

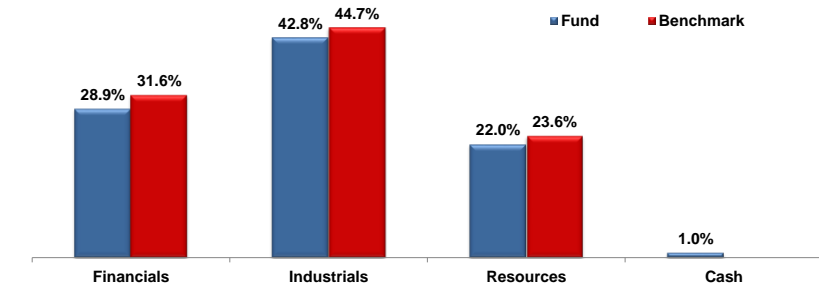
PERFORMANCE (Gross of fees)

	<i>Fund</i>	<i>Benchmark</i>
Apr-24	2.91%	2.92%
Year to Date	0.58%	0.55%
Rolling 12 months	3.77%	2.36%
Return p.a. since inception	8.50%	8.40%
Return since inception	56.62%	55.82%
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

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

Equities returned 2.95% (FTSE/JSE Shareholder Weighted All Share); 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; near term volatilities ticked down by -0.37% (SAVI) to 18.7% 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. Yields for 12-month negotiable certificates of deposits rose by +15 bps to close the month at 9.18%. Foreigners sold local equities worth -R17.2 billion as markets rallied during the month of Apr 2024.

The fund returned 2.91% against the benchmark 2.92% (JSE Capped Swix All Share) resulting in a negative alpha of -0.01% for the month.

Global and local equity markets remained volatile for the month of April as fears that the conflict in the Middle East would result in elevated energy prices, which could result in upward pressures on inflation. Global and local interest rates are expected to be higher for longer, with interest rate pivot expectations being delayed.

The JSE Capped SWIX All Share was up over 3% during the month, led by resources, with Anglo American Plc (AGL) being the top performer, after an acquisition offer from BHP Group (BHG) that was rejected by the board of directors. Industrial counters were marginally up for the month and financial sector constituents remained under pressure.

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. During the month of April, futures exposure was included in the portfolio to equitize cash.

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.

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