BALONDOLOZI
— INVESTMENT LEADERSHIP —

BALONDOLOZI MODEL ESG FUND May 31, 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	Balondolozi Investment Services
Trustees	RMB
Regulator	Financial Sector Conduct Authority (FSCA)
Regulation 28	Compliant

FEES

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

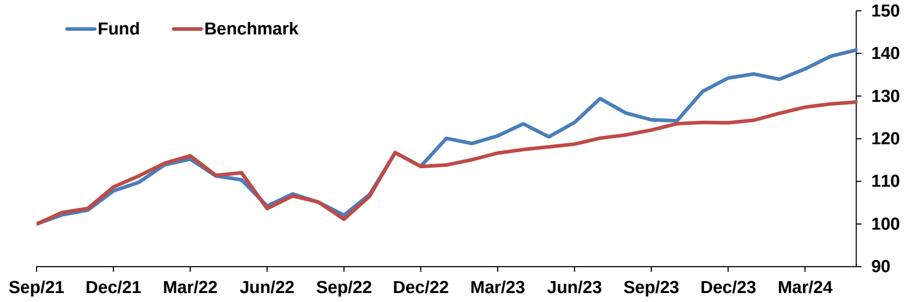
RISK RATIOS

	Fund	*Benchmark*
Annualised Return	13.69%	9.89%
Sharpe Ratio	0.63	0.33
Sortino Ratio	1.35	0.53
Max Drawdown	-5.58%	-7.48%
Drawdowns	12	6

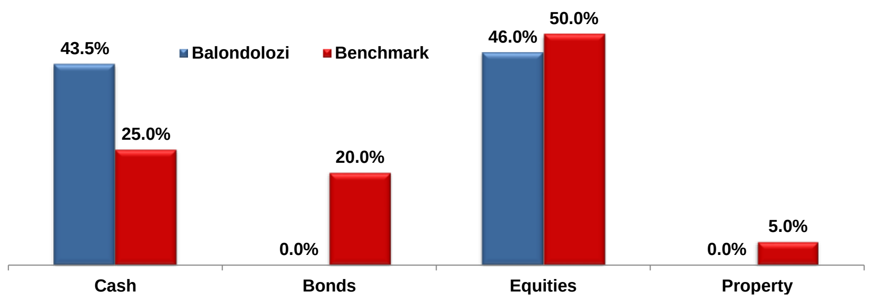
PERFORMANCE (Gross of fees)

	Fund	*Benchmark*
May-24	1.06%	0.33%
Year to Date	4.90%	3.93%
Rolling 12 months	16.92%	8.90%
Return p.a. since inception	13.69%	9.89%
Return since inception	40.80%	28.60%
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

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

Equities returned 0.88% (FTSE/JSE Top 40); nominal bonds delivered 0.75% (ALBI); inflation linked bonds returned -0.75% (CILI) and cash returned 0.67% as indicated by the STeFi Call Index in May 2024. Within equities; the financial services sector delivered -0.42% (FINI 15), the industrial sector 1.69% (INDI 25) and the resources sector 0.98% (RESI 20).

During the same period; near term volatilities ticked down by -1.18% (SAVI) to 17.52% whilst the historic price to earnings (P/E) ratio for the FTSE/JSE Top 40 edged lower by-0.13 points to close at 13.35. Yields for 12-month negotiable certificates of deposits fell by -8.3 bps to close the month at 9.09%. Foreigners sold local equities worth -R23.5 billion as markets rallied during the month of May 2024.

Overall, the fund delivered 1.06% for the month. The cash strategy returned 1.14%, whilst equities in the fund returned 0.90%.

Interest rates were held steady by major global central banks in an attempt to continue to curb inflation. Local equity markets were plagued by heightened uncertainty regarding the local election outcome and the possibility of a coalition government.

The JSE Capped SWIX All Share was marginally up by 0.93% for the month of May, led by Industrial counters, with resource counters marginally up for the month of May. Financial counters came under pressure for the month due to interest rate and election uncertainty.

An overweight position in industrial counter, Richemont contributed positively towards performance for the month, while an overweight position in banking counter, Standard Bank delivered marginal outperformance relative to the benchmark.

ESG has become a prominent contributor to sustainable investing, emphasing the need to align sustainability and corporate governance with investment decisions. Investors are increasingly understanding the need to recognize the long-term impact of ESG factors on the performance of their portfolios.

The EU has introduced several sustainability regulations that have significant effects on the supply chain of multinational companies as well as their trading partners. These regulations aim to promote environmental sustainability and help address issues such as deforestation, climate change, and accountability. However, these regulations have received resistance, with some arguing that the EU aims to regulate the global market.

These regulations include the Corporate Sustainability Reporting Directive (CSRD), European Union Deforestation Regulations (EUDR), Carbon Border Adjustment Mechanism (CBAM), and the Corporate Sustainability Due Diligence Directive (CS3D). These policies pose adverse consequences for companies, such as increased costs and penalties for companies that do not comply. South Africa has expressed that these policies are in breach of World Trade Organization rules; in contrast, countries like Malaysia and India have started strategically managing and measuring their emissions to stay ahead of global competition. As sustainability continues to affect trade, it is anticipated that these measures will raise trade disputes in the upcoming future. This is evident as the US imposes protectionism policies to protect its domestic clean technology industry against cheap Chinese exports and the UK implements the carbon border tax.

South Africa's Companies and Intellectual Property Commission (CIPC) takes a proactive step in introducing ESG mandatory reporting requirements. This reporting standard will be made compulsory in 2025, and it will aim to improve transparency and accountability in public and state-owned companies. This will set a precedent for the global sustainability market, showcasing the importance of data transparency and accountability as it relates to ESG reporting. South Africa's reliability on carbon-intensive solutions to energy needs increases pressure on the economy and has a major impact on investment decisions. As climate change continues to be of major concern, carbon-emitting companies like Sasol and coal miners Thungela and Exxaro are significant contributors to the climate crisis. Notably, Sasol accounts for a significant portion of global greenhouse gas emissions. Despite setting emission reduction targets, these companies lack plans to address their emissions effectively, particularly from coal mining operations. Industries that are adversely impacted by climate change include agriculture, insurance, tourism, and the energy sector. Businesses that operate in these industries need to act towards reducing the risk of climate change.

The following companies convened their Annual General Meetings (AGMs) in the month of May: SAC, ADH, SLM, ABG, OMU, GFI, TGA, NED, CPI, SNT, SSW, AFE, KIO, GL, MTN, ANG, EXX, GND, TFG, QLT, LTE, NRP, and AMS. Most of the resolutions tabled at the 2024 AGM passed with the required support from shareholders. Several shareholders hold key concerns regarding ESG commitments, as these allow for effective evaluation of risks and the potential for shareholder return opportunities. Given the current geopolitical, economic, and climate crises, it is imperative that stakeholders continue to advocate for sustainability and the mitigation of these risks.

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 while managing and promoting the health, safety and wellness of its employees are favourable.