

BALONDOLOZI

— INVESTMENT LEADERSHIP —

BALONDOLOZI MODEL MODERATE BALANCED FUND

August 31, 2024

FACT SHEET

INVESTMENT OBJECTIVE

The fund seeks to outperform CPI (inflation) plus 4% over a rolling 3 year period.

INVESTMENT STRATEGY

This is a Domestic 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), and the cash benchmark is STeFi Call.

FUND INFORMATION

| | |
|---------------------|--|
| Fund Classification | South African - Multi Asset - High Equity |
| Benchmark | CPI + 4% |
| Risk Profile | Moderately Conservative |
| Fund Managers | Fannuel Tigere, Sandelee van Wyk, Karabo Matsepe, Sindisiwe Mahlangu |
| Inception Date | 01 December 2022 |
| Fund Size | R349 million |
| Currency | SA Rands |
| Administration | Balondolozzi Investment Services (Pty) Ltd |
| Trustees | Standard Bank |
| 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 |

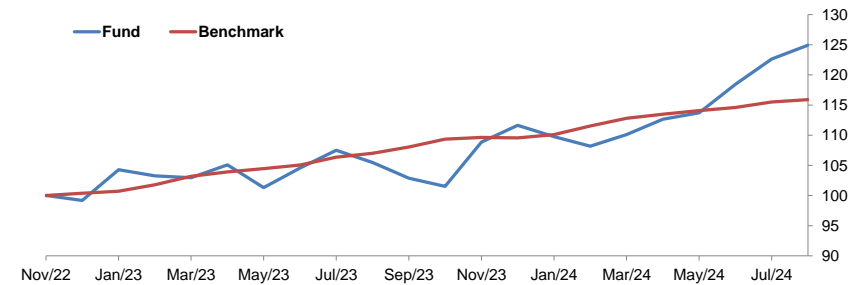
RISK RATIOS

| | Fund | Benchmark |
|-------------------|-------------|------------------|
| Annualised Return | 13.56% | 8.80% |
| Sharpe Ratio | 0.54 | 0.60 |
| Sortino Ratio | 1.80 | N/A |
| Max Drawdown | -3.57% | -0.07% |
| Drawdowns | 9 | 1 |

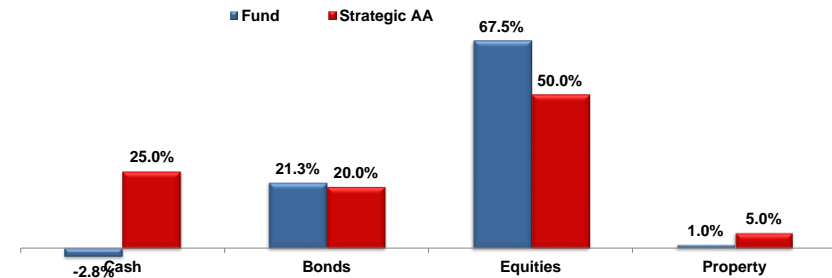
PERFORMANCE (Gross of fees)

| | Fund | Benchmark |
|-------------------------------|-------------|------------------|
| Aug-24 | 1.86% | 0.33% |
| Year to Date | 11.90% | 5.80% |
| Rolling 12 months | 18.43% | 8.30% |
| Return p.a. since inception | 13.56% | 8.80% |
| Return since inception | 24.92% | 15.90% |
| Highest Rolling 1-year Return | 18.43% | 9.62% |
| Lowest Rolling 1-year Return | 4.76% | 8.30% |

GROWTH OF R100 INVESTED AT INCEPTION



SECTOR ANALYSIS



FUND COMMENTARY

The global economic outlook presents a complex and varied picture when considering the four economies, the US, Euro Area, China and South Africa. Recent indications suggest that imminent interest rate reductions by central banks and a decline in inflation are contributing to improved economic sentiment. Despite rising unemployment in certain regions and underperformance in the manufacturing sector in others, several countries continue to demonstrate resilience and strength in the broader economic market.

Equities returned 1,01% (FTSE/JSE SWIX 40); S&P 500 delivered 2,28% (in rand terms); MSCI EM Equities delivered 1,4% (in rand terms); listed property returned 8,25% (SAPY); nominal bonds delivered 2,38% (ALBI); inflation linked bonds returned 2,24% (CIL) and cash returned 0,65% as indicated by the STeFi Call Index in August 2024. Within equities; the financial services sector delivered 5,66% (FINI 15), the industrial sector 4,03% (INDI 25) and the resources sector -10,14% (RESI 20).

During the same period; the yield for the R186 (benchmark bond) fell by -15 basis points to end the month at 8,17% whilst the historic price to earnings (P/E) ratio for the FTSE/JSE SWIX Top 40 drifted higher by +1,57 points to close at 15,57. Concurrently, the near term volatilities ticked down by -0,6% (SAVI) to 15,64% whilst medium-term break-evens widened by +0,13% to 4,81%. Yields for 12-month negotiable certificates of deposits fell by -32,5 bps to close the month at 8,23%. Foreigners bought assets worth -R3,3 billion as markets rallied during the month of August 2024.

Overall, the fund delivered 1.86% for the month. Equities returned 1.49%; cash returned 0.92%; bonds delivered 2.24% and property exposure returned 4.36%.

Local equity markets inched higher during the month of August as lower inflation boosts interest rate pivot expectations. An overweight position in banking counter, Standard Bank was the biggest contributor to performance, with an overweight position in retailer, Spar, also contributing positively towards performance while an underweight position in Remgro detracted from performance. Underweight exposure in industrial counters were mixed for the month, with an underweight position in retailer, Woolworths, detracting from performance while an underweight position in Mondi, contributed positively towards performance. Bonds underperformed due to a shorter duration as yields rallied at the long end of the curve outperformed. Cash outperformed due to high yielding shorter dated non-bank fixed term deposits and longer-dated floating rate instruments. There is currently value in fixed instruments since interest rate cuts are expected. Property exposure underperformed the benchmark with MAS Real Estate, NEPI Rockcastle and Vukile underperforming the property benchmark.

After registering a value of 5.1% in June 2024, headline inflation for July 2024 was 4.6% (consensus 4.6%). On the same note, the price for Brent crude oil fell by -4.84%, to end the month at \$76.93 per barrel and the Rand appreciated against the Dollar by 2% to close at R17.83 per dollar. The seasonally adjusted Kagiso Purchasing Managers' Index (PMI) nudged up by 5.8 index points to reach 49 in July 2024.

The United States Federal Reserve Bank's chair, Jerome Powell, delivered the much-anticipated speech highlighting recent developments in the country's economic outlook and the Fed's monetary policy independence. US annual inflation has slowed for the fourth consecutive month to 2.9%, the lowest level since 2021, though it remains above the 2% target due to persistent price pressures. Food price inflation held steady at 2.2%, while the energy index increased by 1.1%, marking the fifth consecutive month of rising energy prices, excluding gasoline and fuel oil.

Looking ahead, the Federal Reserve is prepared to reduce interest rates in response to the approaching resolution of inflation and signs of a cooling job market. Consequently, it is anticipated that South Africa will follow a similar trend. Exports of goods and services have continued to grow, rising by \$3.9 billion, driven primarily by increases in civilian aircraft, natural gas, fuel oil, and petroleum products.

In the Eurozone, the European Central Bank has strengthened economic sentiment with expectations of rate cuts in September 2024, leading to the Euro trading at \$1.108 at the end of August. Annual inflation rates in the Eurozone fell to 2.2% from 2.6% in August 2024, aligning with market expectations. This slowdown follows a period of persistent inflation above the European Central Bank's 2% target, attributed to a significant decline in energy costs and non-energy industrial goods. However, inflation increased for services, food, alcohol, and tobacco, rising by 10-20 basis points above expected figures. The manufacturing Purchasing Managers' Index (PMI) dropped to 45.6, reflecting a decline similar to that in July. This decrease is linked to a reduction in workforce numbers and diminished demand for purchases and finished goods.

In China, the annual inflation rate exceeded market forecasts by 20 basis points, reaching 0.5%. This marks the sixth consecutive month of consumer inflation as Beijing has intensified stimulus measures to boost economic consumption. While food prices remained stable, non-food prices continued to rise by 10 basis points, driven by sustained increases in the costs of clothing, housing, healthcare, and education. Conversely, transport costs declined further by 0.6% compared to 0.3% previously, as the effects of utility price hikes and higher railway ticket prices in major cities diminish. The People's Bank of China maintained interest rates at record lows during the August fixing. The Chinese yuan has strengthened against the dollar, reaching its highest level since June 2023. This appreciation is supported by increased dollar selling by Chinese companies and rising expectations of interest rate cuts by the Federal Reserve. However, unemployment rates have risen to 5.2%, slightly above market forecasts.

South Africa's manufacturing output for June fell short of expectations both on a month-over-month and year-over-year basis, highlighting potential challenges for the country's fourth largest industry. However, there are signs of easing inflationary pressures, as the producer price index (PPI) recorded a smaller-than-expected decline of 0.2% from the previous month. Additionally, the consumer price index (CPI) and core CPI both increased by 4.6% and 4.3%, respectively. The annual inflation rate has decreased for the second consecutive month, approaching the South African Reserve Bank's (SARB) target of 4.5%. Despite the central bank's previous cautious stance, this softer inflation figure raises the possibility of interest rate cuts at the much-anticipated Monetary Policy Committee Meeting scheduled for September 2024. Unemployment rates have continued to defy expectations, with the rate rising to 33.5% in the second quarter of 2024, contrary to forecasts of a decline. The number of unemployed individuals has reached 8.4 million, with approximately 60% of them being youth.

On a positive note for the country's economic outlook, Eskom anticipates that the persistent electricity issues may be resolved as the warmer months approach. As a result, the South African rand has hit a record 13-month high – trading below R17.70/USD - signalling economic recovery.

Given this backdrop, valuations suggest that equities are undervalued (Developed markets however showing signs of being overvalued) and the PPP-models suggest that the rand is undervalued. Economic metrics suggest there is value in bonds. Hence, the fund maintains its constructive stance in local equities and bonds. However, the fund took profits in equities bonds after the rally in June and July. 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.