BALONDOLOZI
— INVESTMENT LEADERSHIP —

BALONDOLOZI BALANCED FUND July 31, 2025

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 Balondolozi 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, Sandelee van Wyk, Karabo Matsepe, Sindisiwe Mahlangu
Inception Date	01 October 2014
Fund Size	R525 million
Currency	SA Rands
Administration	Balondolozi Investment Services (Pty) Ltd
Trustees	RMB
Regulator	Financial Services Regulatory Authority (FSRA)
Regulation 28	Not Applicable

FEES

Initial & Exit Fees	Nil
Total Investement Charge	0.59%
Portfolio TER	0.58%
Management Fees	*0.50%*
Transaction Costs	*0.02%*
Audit Fees	*0.00%*
Other Costs	*0.00%*
Vat	*15.00%*
Pricing	Daily at 17:00

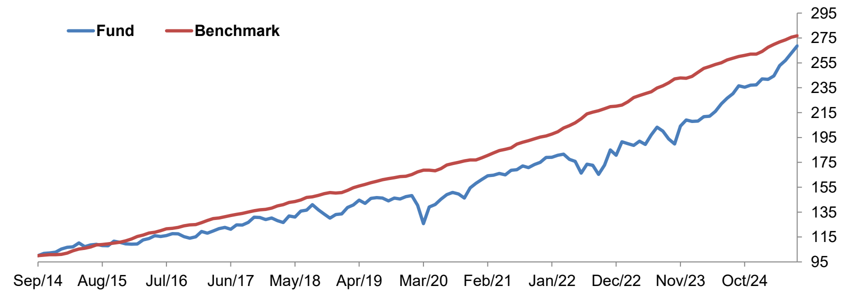
RISK RATIOS

	Fund	*Benchmark*
Annualised Return	9.55%	9.85%
Sharpe Ratio	0.36	2.33
Sortino Ratio	0.50	13.30
Max Drawdown	-10.52%	-0.28%
Drawdowns	46	6

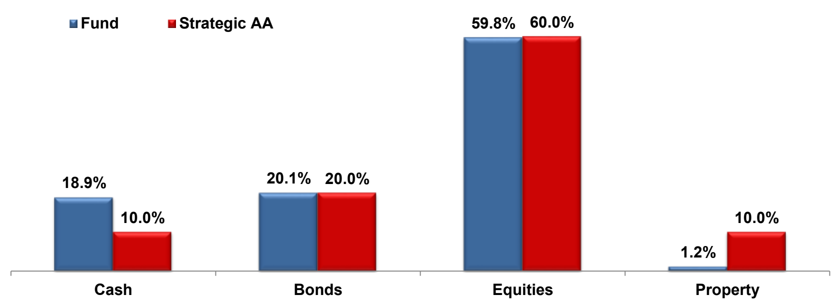
PERFORMANCE (Gross of fees)

	Fund	*Benchmark*
Jul-25	2.17%	0.42%
Year to Date	13.16%	5.62%
Rolling 12 months	18.51%	7.55%
Return p.a. since inception	9.55%	9.85%
Return since inception	168.61%	176.76%
Highest Rolling 1-year Return	31.01%	13.13%
Lowest Rolling 1-year Return	-10.73%	6.92%

GROWTH OF R100 INVESTED AT INCEPTION



SECTOR ANALYSIS



FUND COMMENTARY

Global central banks have largely opted to hold interest rates steady amid growing uncertainty over trade dynamics and geopolitical tensions. At the centre of this caution is the United States, where renewed tariff threats by the Trump administration, targeting key trading partners including the Euro Area, China, and South Africa, which are disrupting trade flows and complicating monetary policy decisions.

Equities returned 2.27% (FTSE/JSE Shareholder Weighted All Share); nominal bonds delivered 2.73% (ALBI); inflation linked bonds returned 0.59% (CILI) and cash returned 0.6% as indicated by the STeFi Call Index in July 2025. Within equities, the financial services sector delivered 1.44% (FINI 15), the industrial sector 1.26% (INDI 25) and the resources sector 5.15% (RESI 20).

During the same period, near term volatilities ticked down by -0.56% (SAVI) to 16.44% whilst the historic price to earnings (P/E) ratio for the FTSE/JSE SWIX Top 440 drifted higher by +1.85 points to close at 18.8. Yields for 12-month negotiable certificates of deposits rose by +8.3 bps to close the month at 7.48%.

Overall, the fund delivered 2.17% for the month. Local equities returned 2.27%; international equities returned 2.48%; cash returned 1.01%, local bonds returned 2.18% while international bonds exposure delivered 4.43%. Property exposure returned 3.14% for the month. Within equities the top contributors to portfolio performance were an overweight position in the global consumer internet group, Naspers, which delivered a solid uplift during the month. Gold Fields also contributed positively to performance, supported by firm commodity prices. Telecoms' counter, MTN, also added further gains, with marginal gains from overweight positions in banking counter Standard Bank and diversified miner South32. Overweight positions in retailers, Shoprite and Mr Price came under pressure during the month. Underweight exposure in Foschini contributed positively while underweight exposure in Glencore, Harmony and Mondi detracted from performance for the month of July. During the month of July, profits were taken in active positions. Cash outperformed due to high yielding shorter dated non-bank fixed term deposits and longer-dated corporate bonds. There is currently value in fixed instruments as interest rate curve has stabilized, and rates are expected to be kept steady. Bonds underperformed due to sector allocation and property underperformed the overall property benchmark as outperformance from Vukile was unable to offset the underperformance from Nepi Rockcastle and MAS Real estate.

The National Council of Provinces (NCOP) approved the Eskom Debt Relief Amendment Bill, increasing support by over 50% to stabilise finances and improve energy security. While supported by the ANC, the EFF opposes the bill, advocating for a coal-based, state-led strategy. A potential settlement with the National Energy Regulator of South Africa (Nersa), would be credit positive for Eskom bondholders. Meanwhile, Transnet requested R16 billion from the Budget Facility for Infrastructure (BFI) and secured R94.8bn in additional guarantees, but S&P downgraded its rating due to weak fundamentals and reliance on government support.

Balondolozi submitted proxies for nine annual general meetings across different sectors, including NinetyOne (NY1/N91), PSG Financial Services (KST) and Capitec (CPI), voting on 162 resolutions and supporting 87%. We also supported MAS plc's (MSP) extraordinary resolution to realise group assets and return proceeds via special dividends. In Hyprop's (HYP) voluntary bid for MSP, we elected to retain our shares respectively, though the corporate action was later withdrawn. Lastly, Datatec (DTC) declared a R2.00 special dividend, which we received under the default option including a 20% withholding tax.

After registering a value of 2.8% in May 2025, headline inflation for June 2025 was 3% (consensus 2.8%). On the same note, the price for brent crude oil rose by 7.28%, to end the month at $72.53 per barrel and the Rand depreciated against the Dollar by -2.82% to close at R18.21 per dollar. The seasonally adjusted Kagiso Purchasing Managers' Index (PMI) nudged up by 5.4 index points to reach 48.5 in June 2025.

In the United States, the Federal Reserve left interest rates unchanged at 4.25%–4.50% for the fifth consecutive meeting, a move widely anticipated by markets. Policymakers cited lingering uncertainty around the economic outlook, with no clear guidance on future rate changes.

Notably, two key members, Bowman and Waller frontrunners in the race for the next Fed Chair, dissented in favour of a rate cut. Inflation picked up again, with the annual rate climbing to 2.7% in June 2025 from 2.4% in May, the highest since February. The economy showed surprising strength, expanding at an annualized 3% in Q2 after contracting 0.5% in Q1, fuelled largely by a sharp 30.3% drop in imports. This plunge followed a front-loading of goods in Q1 due to tariff threats, particularly as President Trump imposed new levies on imports from India and Brazil. Despite solid GDP figures, manufacturing showed signs of weakening, with the S&P Global Manufacturing PMI falling to 49.5 in July, missing expectations. Meanwhile, the 10-year Treasury yield edged higher to 4.37%, as investors digested mixed signals from the Fed, strong GDP numbers, and renewed tariff risks across sectors including autos, lumber, and pharmaceuticals, raising concerns about future growth.

The European Central Bank kept interest rates unchanged in July, likely marking the end of its easing cycle after eight cuts over the past year. Inflation in the eurozone held steady at 2% in June, while GDP growth slowed sharply to just 0.1% in Q2, down from 0.6% in Q1, boosted previously by pre-tariff U.S. import activity. Despite the slowdown, recent PMI data showed stronger-than-expected business activity, particularly in services and manufacturing, hinting at resilience in the region. However, uncertainty over the incomplete US-EU trade deal continues to dampen business confidence, with investors sceptical of its terms, which appear to favour the U.S. Additional risks include potential deflation pressures from Chinese dumping of surplus goods, which could suppress European prices and force the ECB to consider renewed rate cuts. Markets are already pricing in a 25bps cut by March 2026. On a more positive note, the eurozone's services confidence index climbed to 4.1 in July, its highest level since February, offering some reassurance amid broader concerns.

In China, the central bank maintained key lending rates at record lows during the July fixing, in line with ongoing policy support to counteract economic headwinds. Consumer prices rose 0.1% year-on-year in June 2025, ending a three-month stretch of deflation and surpassing expectations. GDP grew by 1.1% quarter-on-quarter in Q2, a stronger-than-expected performance driven by Beijing's continued stimulus efforts, including rate cuts and liquidity injections. However, trade tensions with the U.S. persist, and no resolution has yet been reached. This fuel concerns that China may offload surplus goods onto global markets, depressing prices and exacerbating trade imbalances elsewhere. Despite the lack of concrete progress, recent US-China trade talks were described as "constructive," with both sides agreeing to extend the 90-day ceasefire on tariffs. Meanwhile, China's 10-year government bond yield rose to 1.74%, reflecting cautious investor optimism amid efforts to stabilize the economy and trade ties.

The South African Reserve Bank cut the policy rate by 25 basis points to 7%, effective 1 August, as inflation remains near the bottom of the 3–6% target range and expectations have eased. Despite weak first-quarter growth and global uncertainty ranging from volatile oil prices and stalled trade deals to potential tariff hikes, the domestic inflation outlook has improved, supported by a stronger rand. The MPC now aims for inflation to settle at 3%, allowing for future interest rate cuts while keeping inflation expectations anchored. Low inflation could support a gradual recovery, but risks remain. June inflation rose to 3%, its highest in four months, while the PMI edged up to 48.5, still indicating weak manufacturing activity. Investor sentiment is cautious, with 10-year bond yields steady around 9.8%. The looming 30% U.S. tariff on South African exports, due on 1 August, poses a major threat to trade and growth, especially with further tariff warnings against BRICS nations. Falling business confidence, persistent infrastructure challenges, and fiscal pressures despite Parliament passing the 2025/26 Appropriation Bill of ZAR 1.2 trillion add to the uncertainty. These factors could derail South Africa's fragile recovery if global and domestic conditions deteriorate.

Given the current backdrop, valuations continue to highlight a disparity between developed and emerging markets. Developed market equities continue to show signs of overvaluation, while emerging markets, having recently crossed above their long-term average and are shifting from fair value levels toward modest overvaluation. This includes S.A. Inc stocks. Additionally, purchasing power parity (PPP) models indicate that the rand is undervalued, offering potential currency upside. The fund remained neutral in terms of equity positioning as uncertainty regarding geo-politics continued to unfold. In local markets, the fund remains cautious in both equities and bonds. The managers remain vigilant and are well-positioned to capitalise on short-term opportunities arising from market volatility while maintaining a long-term perspective on value and risk-adjusted returns.