BALONDOLOZI
— INVESTMENT LEADERSHIP —

BALONDOLOZI GLOBAL EQUITY FUND | **July 31, 2025**

FACT SHEET

INVESTMENT OBJECTIVE

The fund seeks to outperform the MSCI All Country World Index (ACWI) Index by 1% per annum.

INVESTMENT STRATEGY

The objective of a portable alpha strategy is to generate returns more than a specific market index over a market cycle. The portable alpha strategy effectively separates the returns of a preferred index, or beta, and the returns of an alpha-seeking strategy, or alpha. This separation allows the returns of the alpha component to be "ported" on top of whatever market index exposure is desired by a portfolio.

FUND INFORMATION

Fund Classification	Worldwide - Multi Asset - High Equity
Benchmark	MSCI All Country World Index (ACWI)
Risk Profile	Aggressive
Fund Managers	01 December 2021
Inception Date	R834 million
Fund Size	R153 million
Currency	SA Rands
Administration	Balondolozi Investment Services (Pty) Ltd
Trustees	Standard Bank
Regulator	Financial Sector Conduct Authority (FSCA)
Regulation 28	Compliant

FEES

Initial & Exit Fees	Nil
Total Investement Charge	0.30%
Portfolio TER	0.30%
Management Fees	
Transaction Costs	*0.00%*
Audit Fees	*0.00%*
Other Costs	*0.00%*
Vat	*15.00%*
Pricing	Daily at 17:00

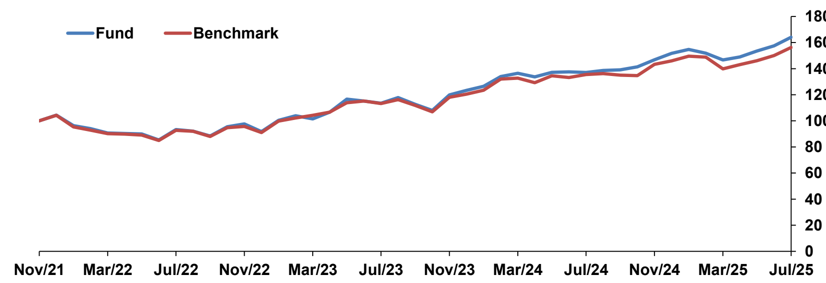
RISK RATIOS

	Fund	*Benchmark*
Annualised Return	-0.35%	-0.36%
Sharpe Ratio	-0.05	-0.05
Sortino Ratio	0.09	0.09
Max Drawdown	-7.77%	-8.45%
Drawdowns	3	3

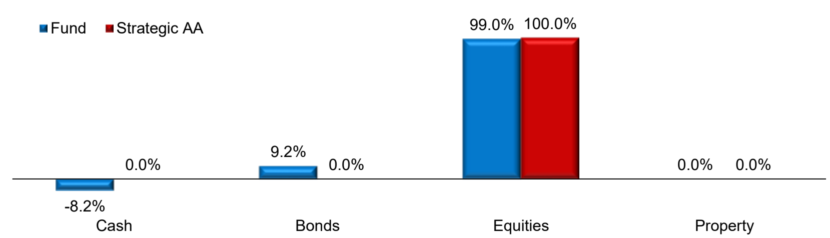
PERFORMANCE (Gross of fees)

	Fund	*Benchmark*
Jul-25	4.17%	4.17%
Year to Date	8.17%	7.05%
Rolling 12 months	19.75%	15.37%
Return p.a. since inception	14.46%	12.95%
Return since inception	64.09%	56.27%
Highest Rolling 1-year Return	34.92%	35.54%
Lowest Rolling 1-year Return	-12.15%	-12.68%

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 2.31% (FTSE/JSE Top 40); S&P 500 delivered 2.17% (in rand terms); MSCI EM Equities delivered 1.67% (in rand terms); listed property returned 4.75% (SAPY); 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.

During the same period, the yield for the R186 (benchmark bond) fell by -5.5 basis points to end the month at 7.68% whilst the historic price to earnings (P/E) ratio for the FTSE/JSE Top 40 drifted higher by +1.58 points to close at 18.53. Concurrently, the near-term volatilities ticked down by -0.56% (SAVI) to 16.44% whilst medium-term break-evens tightened by -0.14% to 3.69%. Yields for 12-month negotiable certificates of deposits rose by +8.3 bps to close the month at 7.48%. Foreigners sold assets worth -R1.3 billion as markets rallied during the month of July 2025.

Overall, the fund delivered 4.20% for the month, higher than the benchmark returns of 4.17% resulting in an alpha of 0.03%. Fixed income enhancements added 0.33%, while the timing differences between the benchmark and futures detracted 0.18% with interaction resulting in the remainder. In US dollars, the fund delivered 1.31% compared to 1.28 % of the benchmark as the dollar gained 2.78% against the rand for the month.

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 favor 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, fueled 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 skeptical of its terms, which appear to favor 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.

To enhance risk-adjusted returns, the fund continues to employ a portable alpha strategy, decoupling yield generation from market-directional risk. High-quality credit spreads (alpha) will be the primary source of excess return, while global equity market exposure (beta) will be passively obtained via futures. Given the SARB's 25 bps cut, alpha can be systematically ported from alternative exposures, such as inflation-linked bonds (where real yields compensate for depressed breakevens), that offer better relative value. Inflation-linked bonds serve as a dual role: they provide uncorrelated alpha potential from mispriced inflation expectations while acting as a hedge against stagflationary beta shocks. Through this framework, the fund targets pure alpha from credit selection and relative fixed income value, while dynamically managing its beta through futures.

Given this backdrop, valuations still suggest that equities are stretched whilst medium term bonds are fairly valued. Thus, the fund will maintain its defensive stance in equities as asset prices adjust to waning Fed support whilst taking a neutral stance in bonds due to the balance of risks in interest rates. The fund reduced bonds exposure to 20% after the mid-month rally. Since credit spreads are widening, the fund will look to maintain exposure in high quality names to benefit from the yield pick-up whilst minimising the risk of widening spreads noticed in lower rated credits. Going forward, the managers will not hesitate to take short term opportunities offered by the volatility in the markets.