

SYNOPSIS**PERFORMANCE (TOTAL RETURN)**

	<u>Portfolio</u>	<u>Benchmark</u>
Annualised (since 02/09/2002)	13.8%	13.7%
Last 12 months	12.6%	9.2%
Last 3 months	8.1%	8.2%

PORTFOLIO VALUE

R 3 758.9 million (31/03/2024: R 3 580.2 million)

INVESTMENT OUTLOOK AND PORTFOLIO CONSTRUCTION*World:* US economy starting to slow

Inflation decreasing, but outlook uncertain

Interest rates likely to have peaked

Earnings growth decelerating

Geopolitical tensions are high

South Africa: Improved growth from very low base

Energy supply improving but risk of disruption remains

Inflation moderating but with upside risks

Interest rates likely to have peaked

After the relief rally, rand now vulnerable to negative surprises

Portfolio construction: Low exposure to resources maintained

Physical gold position hedges systemic risks

Limited exposure to financials, given economic risk

Healthcare remains significant weight, given defensive characteristics

Naspers/Prosus largest holding on attractive valuations

Selective exposure to listed property

Cash deployed into undervalued SA Inc. opportunities

EFFECTIVE ASSET ALLOCATION (previous)

	<u>Portfolio</u>	
	<u>%</u>	<u>%</u>
JSE equities	87	(83)
JSE property	4	(3)
Commodities	2	(2)
Money market	7	(12)
	<u>100</u>	

1. PORTFOLIO PERFORMANCE

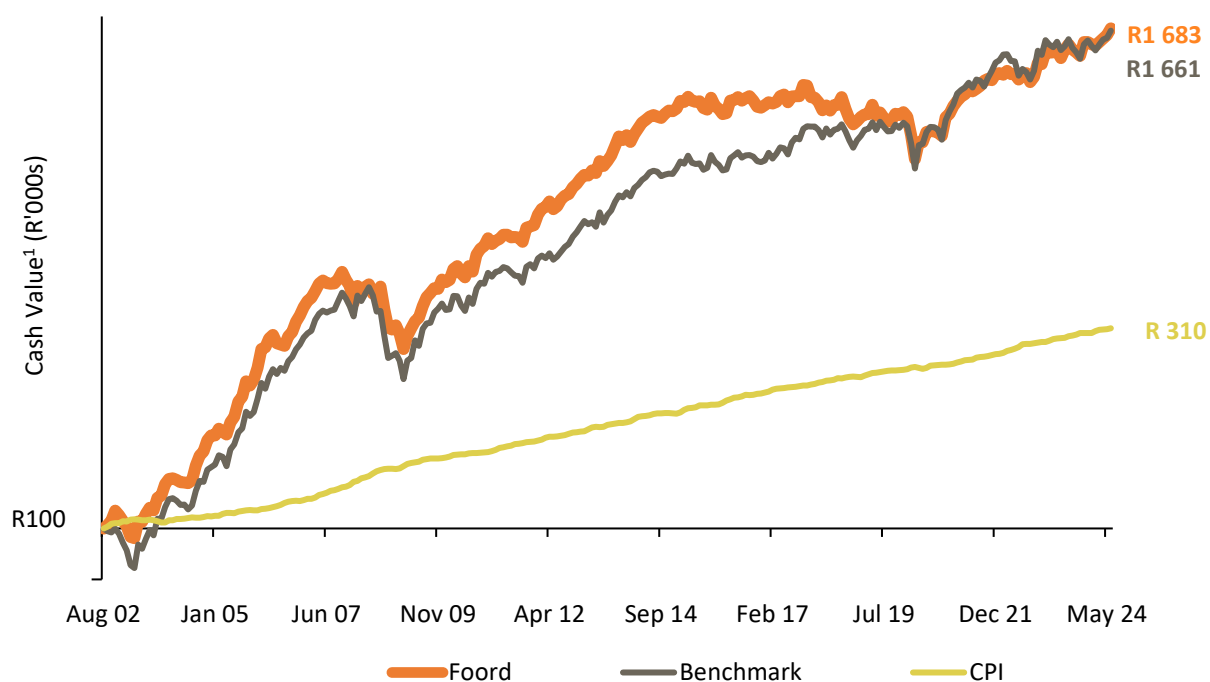
Total performance to 30 June 2024

	<u>Portfolio</u>	<u>Benchmark*</u>	<u>Variance</u>	<u>Peer Group#</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
From inception (02/09/2002)	13.8	13.7	0.1	12.2
20 years	13.7	14.5	-0.8	12.3
15 years	11.5	12.6	-1.1	10.1
10 years	5.1	8.3	-3.2	6.2
7 years	6.1	10.5	-4.4	7.9
5 years	9.9	10.8	-0.9	8.8
3 years	12.6	11.2	1.4	9.7
1 year	12.6	9.2	3.4	9.6
6 months	8.1	5.7	2.4	5.5
3 months	8.1	8.2	-0.1	8.2

* Total return of the FTSE/JSE Capped All Share Index (prior to 01/07/2018 FTSE/JSE All Share Index)

(ASISA) South Africa Equity – General (SA only) average

Daily linked time-weighted total rates of return (capital and income) based on unit price. Returns in percent net of management fees and fund expenses. Returns for periods exceeding 12 months are annualised percentages.



¹ Current value of R100 000 notional lump sum invested at inception, distributions reinvested (graphically represented in R'000s above)

Quarterly performance comment:

- The fund outperformed its benchmark through a combination of effective sector and security selection — JSE-listed shares rallied over 8% in an eventful quarter with financials and industrials rallying on post-election optimism
- An underweight position in resources contributed positively to returns — resources were weighed down overall by a retracement of most commodity prices after a bullish run this year, with copper down meaningfully
- The underweight to financials detracted from returns — standout performers during the quarter included banks and insurance companies, which surged as a market-friendly election outcome became assured
- A sizeable investment in construction company WBHO contributed meaningfully — companies that are highly geared to the local economic cycle were buoyed by the prospect of structural reform driving long term structural growth
- Positions in midcap consumer-oriented SA Inc. companies contributed positively — companies such as Premier Foods, Spur and Rhodes Food Group all participated meaningfully in the re-rating of local businesses during the relief rally
- An underweight position in gold miners was positive, while exposure to physical gold detracted — gold prices were flat during the quarter despite continued dollar strength
- A sizeable cash weighting detracted in relative terms before being deployed towards quarter-end — despite attractive cash yields, the magnitude of the rally in local equities in the second quarter meant cash underperformed other local asset classes

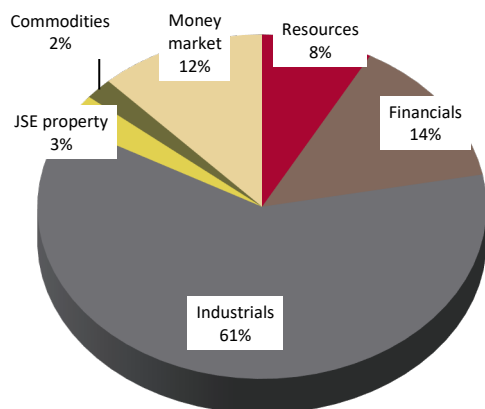
2. PORTFOLIO STRUCTURE

	Portfolio Effective exposure		FTSE/JSE Capped ALSI Weightings
	31/03/2024	30/06/2024	
	%	%	%
JSE equities: resources	8	11	21
JSE equities: financials (ex property)	14	16	27
JSE equities: industrials	61	60	39
JSE property	3	4	4
JSE equities*	86	91	91
Commodities	2	2	
Money market	12	7	
	100	100	

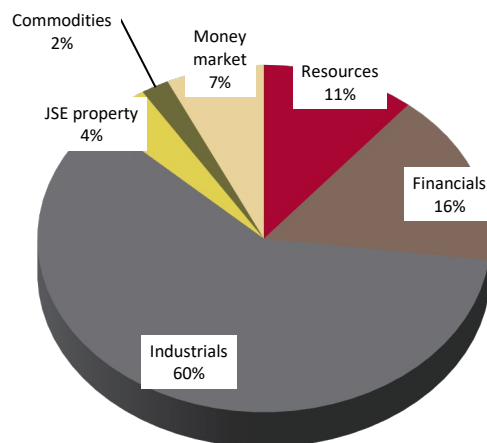
Total portfolio	R 3 580.2m	R 3 758.9m
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*Size distribution of JSE equities	%	%	%
Large capitalisation	66	65	86
Mid capitalisation	12	12	9
Small capitalisation	22	23	5
	100	100	100

Effective exposure 31/03/2024



Effective exposure 30/06/2024



3. PORTFOLIO CONSTRUCTION

- Exposure to SA equities was increased to 87% of total as prospects for SA Inc. companies have improved given political developments, as reflected in price moves — but future outperformance relies on long term structural economic growth
- Cash position was reduced from 12% to 7% — as the likelihood of a market-friendly election outcome increased, we used cash to boost exposure to domestically-focused mid-cap companies still trading on attractive multiples
- Portfolio investments in global media giant Naspers / Prosus were reduced slightly in favour of SA Inc counters — regardless, they remain the top positions in the fund due to balance sheet strength, attractive valuations and good long-term earnings prospects
- Increased exposure to consumer discretionary businesses given improved prospects for economic growth and rate cuts later in the year providing relief — holdings remain focused in quality defensive companies such as Premier Group, Spur and Pepkor which are likely to demonstrate resilience if the economic environment remains challenging
- Relative underweight to financial sector was maintained — we prefer quality banks over life insurance companies, given their strong capital levels and positive gearing to a moderately rising interest rate cycle
- Exposure to commodity companies was kept at low levels, but exposure to gold miners was increased — resource companies face increasing risks to global economic activity levels, however gold prices are likely to remain elevated given geopolitical uncertainty, benefiting gold producers with high operational leverage
- Continue to avoid the large, diversified property counters given poor fundamentals for the asset class including high debt levels, excess capacity and continuing uncertainty regarding demand for office and retail space — switched direct exposure to NEPI Rockcastle into Fortress, which is likely to unbundle its underlying holding of NEPI Rockcastle within the next year
- Our effective asset allocation is:

	<u>Capped ALSI</u>	<u>Portfolio at</u>	
	<u>Current</u>	<u>31/03/2024</u>	<u>30/06/2024</u>
	<u>%</u>	<u>%</u>	<u>%</u>
Precious metals	12	2	5
Commodity cyclicals	11	6	6
Capital goods/construction	1	3	4
Industrials/transport	6	5	6
Overseas companies	8	9	8
Health	2	12	10
Consumer/services	11	13	15
Telecommunications	4	0	0
Media	11	19	18
Financials	29	14	16
Property	5	3	4
Commodities	0	2	1
Money market	0	12	7
	<u>100</u>	<u>100</u>	<u>100</u>

N BALKIN/N HOSSACK/W MURRAY
JULY 2024

4. EFFECTIVE EXPOSURE AND PORTFOLIO SENSITIVITY

4.1 Effective exposure

Asset class	Market value R'000	Option exposure R'000	Effective exposure R'000	Effective exposure %
JSE equities	3,280,968		3,280,968	87.3%
JSE property	159,349		159,349	4.2%
Commodities	53,235		53,235	1.4%
Money market	265,347		265,347	7.1%
Total	3,758,899		3,758,899	100.0%

4.2 Sensitivity report

JSE EQUITIES

Change in portfolio equities

	-20.0%	-10.0%	-5.0%	0.0%	5.0%	10.0%	20.0%
Resultant equity change *	-656,194	-328,097	-164,048	0	164,048	328,097	656,194
Resultant portfolio value *	3,102,705	3,430,802	3,594,851	3,758,899	3,922,947	4,086,996	4,415,093
Resultant portfolio change (%)	-17.5%	-8.7%	-4.4%	0.0%	4.4%	8.7%	17.5%

JSE PROPERTY

Change in portfolio property

	-20.0%	-10.0%	-5.0%	0.0%	5.0%	10.0%	20.0%
Resultant property change *	-31,870	-15,935	-7,967	0	7,967	15,935	31,870
Resultant portfolio value *	3,727,029	3,742,964	3,750,932	3,758,899	3,766,866	3,774,834	3,790,769
Resultant portfolio change (%)	-0.8%	-0.4%	-0.2%	0.0%	0.2%	0.4%	0.8%

*[R'000]

5. RESPONSIBLE INVESTMENT SUMMARY

Voting resolutions for Q2 2024	Total count	For	Against	Abstain
Adopt Financials	7	86%	14%	0%
Auditor/Risk/Social/Ethics related	55	98%	2%	0%
Buy Back Shares	15	100%	0%	0%
Director Remuneration	38	97%	3%	0%
Disapply Preemptive Rights	2	0%	100%	0%
Dividend Related	3	100%	0%	0%
Issue Shares	12	0%	100%	0%
Loan / Financial Assistance	11	36%	64%	0%
Other	8	88%	13%	0%
Political Expenditure/Donation	2	0%	100%	0%
Re/Elect Director	88	99%	1%	0%
Remuneration Policy	23	52%	48%	0%
Shares under Director Control	5	0%	100%	0%

General comments:

- There are few abstentions. We apply our minds to every single resolution put to shareholders. When there is an abstention it would typically be intentional or for strategic reasons
- We typically vote against any resolution that could dilute the interests of existing shareholders. Examples include placing shares under the blanket control of directors, providing loans and financial assistance to associate companies or subsidiaries and blanket authority to issue shares. On the rare occasion, we have voted in favour of such resolutions, we were able to gain the required conviction in the specifics of the strategic rationale for such activities and could gain comfort that such activities are indeed to be used to the reasons stated
- The firm also has a strong philosophy regarding management remuneration models. We believe in rewarding good managers with appropriate cash remuneration on achievement of relevant performance metrics that enhance long-term shareholder value. We are generally not in favour of share option schemes given the inherent asymmetry between risk and reward typical of such schemes. In addition, we do not believe that existing shareholders should be diluted by the issuing of new shares to management as is the case with most option schemes. We are in favour of the alignment created between management and shareholders when management has acquired its stake in the company through open market share trading and paid for out of management's own cash earnings

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