

Asset allocation		Top Domestic Holdings	Top Global Holdings
Domestic Equity	49%	Shoprite Anglo American FirstRand Truworths Karoo0000	Osino Resources Alphamin Resources Blackstone Abbvie Inc Meta Platforms
Global Equity	41%		
Cash	10%		

* As percentage of total fund holdings

Performance Period	Fund Return	Benchmark (CPI +5%)	Sector Average
1 Year	7.1%	10.7%	12.1%
3 Years (annualised)	5.3%	10.1%	12.1%
5 Years (annualised)	7.4%	9.7%	7.3%
10 Years (annualised)	8.0%	9.9%	7.3%
Since Inception (annualised)	12.1%	10.5%	11.1%

Performance is reported for the A Class, net of fees

Sector Average: SA - Multi Asset – Flex

Inception date: November 2005

Portfolio Manager: Richard Pitt

Commentary for the Quarter ended September 2023

Performance

For the quarter, the fund returned -2.4% vs. benchmark's 2.5%. Over 12 months, the fund returned 7.1% vs. the benchmark's 10.7%.

Macro

A major shift in narrative around the future path of interest rates occurred during the 3rd quarter. The Fed increased rates by 25 bps in late July and declined to raise rates in September. Nonetheless a clear hawkish tone spoke to still another hike this year – followed by the “higher for longer” mantra needed to cool inflationary pressures – the same message which the Fed has been communicating for some time now. The market has finally bought into this notion, raising the consensus expectations of the forward rate to higher levels. US 10-year yields moved from 3,8% to 5,6% in the quarter. Ominously this takes yields to their highest level in 16 years – back to 2007 and the period before the global financial crisis. Both equities and bonds declined in the quarter by roughly 3 and a half percent. All regions were negative for the quarter (in US\$) with the best performance coming from Japan (down 0,8%) and the worst performance being Europe (-5,5%). Risk assets fell in response to a selloff in global bonds as markets adjusted for a tightening of financial conditions given the continued reduction in the Fed's bond holdings. The value style (-1,7%) beat growth (-4,9%) in the quarter but for the year growth has still outperformed by roughly 18%. The Bloomberg commodity index was up 4% in the quarter largely driven by Brent rallying 28% following production cuts by Russia and Saudi Arabia. Geopolitical tensions continue to increase with the Israel-Hamas conflict intensifying

On the local front, the quarter ended with good news from SARB with a hold on interest rates increase while highlighting a weaker ZAR and higher oil price expectations. SA resource stocks had a tough Q3 given the weak China macro backdrop and contributed to negative MSCI SA earnings revisions (consensus EPS 12m fwd.) coming through in September at -3.4%, along with consumer discretionary and healthcare sectors.

The Portfolio

The standout contributor to the portfolio over the quarter was Truworths (+40%). We believe the company is being sensibly managed for a tough economic environment and this is starting to show in the share performance. Shoprite (+8%) also contributed to performance in the quarter. The detractors include Richemont (-25%) and Alphamin (-12%). Both companies remain good investment opportunities at these levels. The large investment in the BlueAlpha Global Equity Fund (3,2%) also detracted from returns. The global portfolio continues to grow its earnings and its valuation has been reduced substantially over the last year. As always, we continue to focus our attention on finding high quality growth compounders to invest in.