AFFINITY CAPITAL MANAGEMENT

COLLABORATING FOR INVESTMENT RESULTS

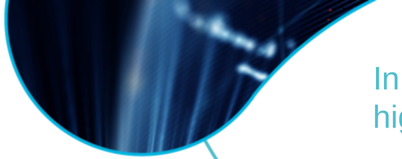
futurity WEALTH MANAGEMENT | ATOM CAPITAL | SERALA YOUR FINANCIAL SUMMIT | FIDUCIA WEALTH

March 2024

Investment Report

CONTENTS

ECONOMIC OVERVIEW



In 2023 food inflation hit its highest level since 2008.

March in Review

In the United States, the Federal Open Market Committee (FOMC) of the Federal Reserve decided to keep rates on hold for the fifth consecutive meeting. A few weeks later Jerome Powell, chairman of the FOMC, insisted that they are still on track to lower the official lending rate three times in 2024, each time with 0.25% increments. He argued that recent data had not materially changed the overall picture, which he characterised as “one of solid growth, a strong but rebalancing labour market and inflation moving down to 2% on a sometimes bumpy path”.

The Monetary Policy Committee (MPC) of the South African Reserve Bank also decided to keep rates on hold. This was a unanimous decision, as the reasons for an interest rate cut are currently balanced by factors that call for an increase. In his speech the governor said that in 2023 food inflation hit its highest level since 2008. It has now slowed, but due to a hot and dry growing season, lower supply may cause a rise in food prices again.

With reference to the exchange rate of the rand against major currencies, the MPC statement said the rand has been trading somewhat weaker than expected since the previous meeting in January. This is partly due to interest rates in the major advanced economies staying high for longer. The currency is also under pressure from weakening terms of trade. Furthermore, investors see significant near-term domestic uncertainty. The Reserve Bank views the exchange rate as undervalued.

Euro area economic activity at the start of 2024 has remained subdued. Indicators are however showing some improvement, which should see quarterly economic activity returning to growth in the first quarter of this year. Investec Economics' view for ECB policy expects a first cut of 0.25% in the official bank rates in June. They expect two further rate reductions across the rest of the year, which would leave the Deposit rate in Euroland at 3.25% by the end of the year.

Early in April South Africa's National Assembly speaker Nosiviwe Mapisa-Nqakula resigned from her position amid an investigation into alleged corruption during her tenure as defence minister. Mapisa-Nqakula's home was raided in March by investigators as part of the corruption inquiry. She faces 12 charges of corruption and one of money-laundering, after allegedly benefiting from more than R4 million in payments from a contractor providing services to the department of defence and military veterans while she was its minister.

South African government bonds sold off to their highest yield in over 5 months. Visio Capital reported that this was due to mounting concerns over South Africa's fiscal outlook, and uncertainty around the election outcome. The pending election result has seen foreign investors shy away from the local market, despite what now appears to be an attractive entry point for buyers.

The gold price ended the quarter to nearly USD 2 250, after another strong performance during March. It has now increased by nearly 20% in the last six months, and early in April showed no signs of stopping. Oil edged up by nearly 5% last month taking the year-to-date increase to almost 14%. This continues to put upward pressure in inflation around the globe.

Euro area economic activity at the start of 2024 has remained subdued.

Global equity markets continued their strong start to 2024 ending the month a little over 3.1% higher in US dollars. Local equities followed suit, as the strong performance of resource shares led the South African equity market higher by 3.2%.

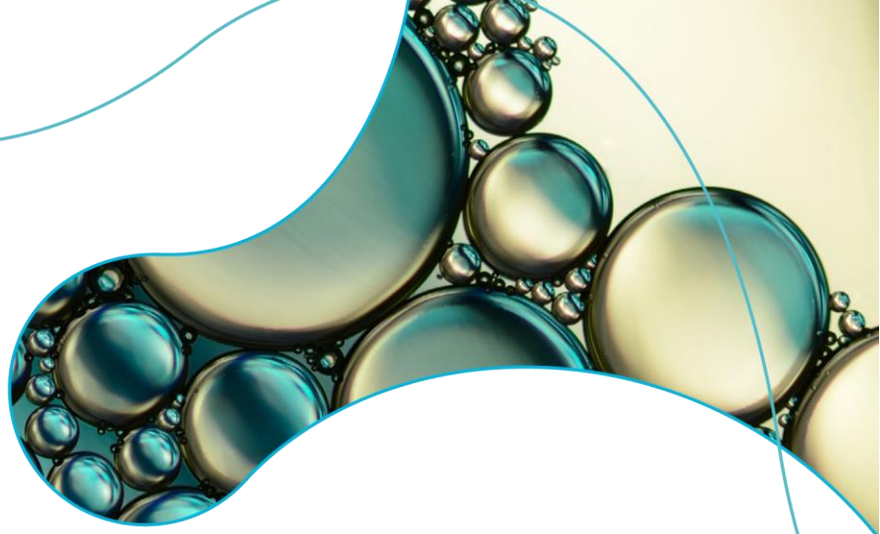
In the local stock market gold mining companies did well, as the gold price hit record highs during the month. Harmony Gold (up 40%), Gold Fields (23%) and Anglogold (18%) all rallied while the big laggards were among the financial stocks. Discovery, ABSA and Standard Bank were among the biggest detractors from overall market performance in March.

Chinese equities had a strong rebound as it ended the month 9.4% higher

MARKET INDICES 1 **(All returns in Rand)**	**31 March 2024**		
	3 months	12 months	5 years[2]
SA equities (JSE All Share Index)	-2.2%	1.5%	9.7%
SA property (S&P SA Reit Index)	0.7%	10.7%	-3.3%
SA bonds (SA All Bond Index)	-1.8%	4.1%	7.0%
SA cash (STeFI)	2.1%	8.3%	6.0%
Global developed equities (MSCI World Index)	12.8%	34.1%	18.9%
Emerging market equities (MSCI Emerging Markets Index)	5.8%	15.6%	8.3%
Global bonds (Bloomberg Barclays Global Aggregate)	1.4%	7.3%	4.4%
Rand/dollar [3]	3.5%	6.7%	5.6%
Rand/sterling	2.6%	9.0%	4.9%
Rand/euro	1.2%	6.1%	4.8%
Gold Price (USD)	7.5%	12.6%	11.4%
Oil Price (Brent Crude, USD)	13.6%	9.7%	5.0%

1 Source: Factset
2 All performance numbers in excess of 12 months are annualized
3 A negative number implies fewer rands are being paid per US dollar, so it implies a strengthening of the rand

AFFINITY INVESTMENT APPROACH



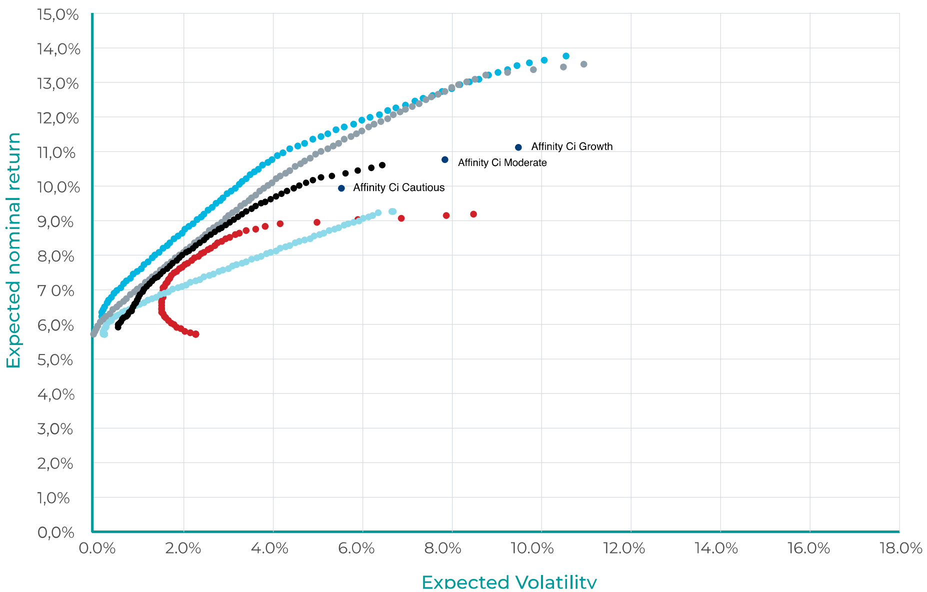
Affinity Capital Management has been established as a collaborative business that works hand in hand with financial advisors and their clients. We believe that investment solutions should not be created in isolation. A collaboration between advice and asset management ensures that investment products are designed solely with the clients' needs in mind. Our investment approach primarily focuses on balancing client return outcomes with risk management.

We have adopted a long-term strategic asset allocation framework as a basis for our investment solutions. Over long investment time horizons comparisons between active managers and passive strategies show that very few active mangers outperform an efficient frontier and thus a core component of our solutions utilises passive and rules-based strategies to access the market optimally. Active managers are included in our solutions where they have a proven track record of generating excess returns. Since asset allocation is the greatest predictor of portfolio volatility, we construct our portfolios with a clear mindset to risk mandates using a building block approach. This allows us to increase risk and returns in a predictable and measurable manner, creating distinct portfolios by simply increasing or decreasing the weightings of asset classes. An additional layer of portfolio risk management is introduced through diversification both across asset classes and within asset classes. We devote a great deal of time and resources aimed at identifying and extending our asset class categories and how best to access them.

Finally, we believe that a dynamic asset allocation framework can add value to portfolio returns when asset class return profiles and correlation behaviours are understood in different market regimes. Ongoing management of our investment solutions thus centres on understanding market regimes and the behaviours of asset classes in different market cycles. Through our proprietary models we assess certain lead indicators of market cycles and use this to position portfolios optimally for the expected market environment. Based on the signal strength of the lead indicators we will then implement appropriate tilts to the long-term Strategic Asset Allocation weightings.

Asset class return expectations and correlations change in different market cycles. We have thus adopted a dynamic asset allocation approach, which allows us to tilt away from our long term strategic asset allocations through different market cycles. The size of these tilts is informed by the signal strength of various lead indicators. We are currently positioning our portfolios between a contraction and recovery cycle.

Comparison of efficient frontiers through market cycles.
Forward looking Affinity fund positioning



PERFORMANCE

Indices	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years	10 Years	YTD
SA Equities (JSE All Share Index)	3.2%	-2.2%	4.5%	1.5%	3.2%	8.1%	9.7%	8.1%	-2.2%
JSE Preference Shares (J251)	1.0%	2.6%	3.6%	8.1%	5.8%	19.7%	11.6%	9.1%	2.6%
SA Property (South African Listed Property Index)	-1.0%	3.8%	20.9%	20.5%	7.9%	13.9%	0.7%	3.1%	3.8%
SA Bonds (SA All Bond Index)	-2.0%	-1.8%	6.1%	4.1%	5.0%	7.4%	7.0%	7.7%	-1.8%
ILBs (Barclays South Africa Government Inflation Linked Bond)	0.3%	-0.4%	5.1%	5.3%	5.1%	7.0%	6.2%	5.3%	-0.4%
SA Cash (STeFI)	0.7%	2.1%	4.1%	8.3%	7.1%	6.0%	6.0%	6.5%	2.1%
Global Equities (MSCI All Countries World Index, $)	3.1%	8.3%	20.3%	23.7%	7.3%	7.4%	11.4%	9.2%	8.3%
Developed Market Equities (MSCI World Index, $)	3.2%	9.0%	21.5%	25.7%	8.4%	9.1%	12.6%	10.0%	9.0%
Emerging Market Equities (MSCI Emerging Market Index, $)	2.2%	2.2%	10.3%	8.3%	-1.4%	-4.8%	2.6%	3.3%	2.2%
Global Bonds (Bloomberg Barclays Global Aggregate,$)	0.6%	-2.1%	5.9%	0.5%	-3.9%	-4.7%	-1.2%	-0.1%	-2.1%
RAND/DOLLAR	-1.3%	3.5%	0.5%	6.7%	13.8%	8.6%	5.6%	6.1%	3.5%
RAND/STERLING	-1.4%	2.6%	4.0%	9.0%	11.5%	5.5%	4.9%	3.2%	2.6%
RAND/EURO	-1.5%	1.2%	2.5%	6.1%	12.2%	5.6%	4.8%	3.5%	1.2%
Solutions	**1 Month**	**3 Months**	**6 Months**	**1 Year**	**2 Years**	**3 Years**	**5 Years**	**10 Years**	**YTD**
Affinity Income Solution	0.2%	1.3%	5.4%	9.1%	8.5%	7.8%	7.4%	6.8%	2.4%
Affinity Ci Cautious Fund	0.2%	1.9%	8.6%	10.3%	7.7%	7.6%	6.5%	6.0%	2.9%
Affinity Ci Moderate Fund	0.9%	2.7%	10.0%	11.7%	7.8%	8.0%	6.9%	6.4%	3.9%
Affinity Moderate Solution (Non Reg 28)	0.7%	5.3%	13.2%	16.8%	10.8%	8.8%	6.8%	6.4%	6.7%
Affinity Ci Growth Fund	1.1%	3.1%	10.6%	12.4%	7.4%	7.7%	6.5%	6.6%	4.4%
Affinity Growth Solution (Non Reg 28)	1.1%	5.8%	14.0%	17.6%	10.9%	9.0%	9.3%	8.3%	7.4%
Affinity High Growth Solution (Non Reg 28)	1.3%	8.2%	17.2%	22.2%	13.0%	9.3%	11.7%	8.8%	10.1%
Affinity Global Cautious Solution	1.3%	2.5%	9.6%	9.6%	2.0%	0.9%	3.7%	2.8%	5.8%
Affinity Global Cautious Restricted	1.5%	2.4%	7.9%	8.4%	2.7%	2.1%	4.6%	3.1%	4.9%
Affinity Global Moderate Solution	1.8%	3.3%	12.6%	11.7%	1.4%	0.6%	4.6%	3.7%	7.7%
Affinity Global Moderate Restricted	2.0%	3.8%	12.1%	11.7%	2.4%	2.0%	5.7%	4.2%	7.6%
Affinity Global Growth Solution	2.2%	4.8%	15.6%	14.3%	1.7%	1.2%	5.9%	4.8%	9.9%
Affinity Global Growth Restricted	2.6%	5.9%	16.5%	15.5%	2.9%	2.8%	7.7%	5.8%	10.8%

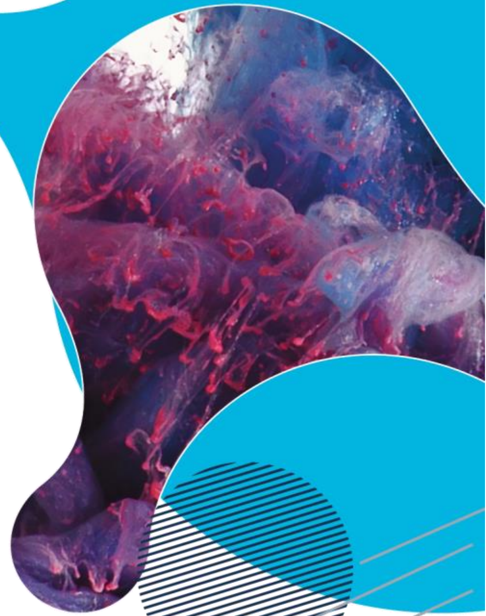
LESS RISK/ RETURN

- Low
- Low Medium
- Medium
- Medium High
- High

MORE RISK/ RETURN

ZAR returns
USD returns

AFFINITY PERFORMANCE



MARCH UPDATE

Global stock markets have had a great start to the year, with the best opening quarter in five years. March was particularly good, with all regions experiencing growth. Europe led the way with an impressive 3.5% increase, thanks to favourable inflation figures and an optimistic macroeconomic outlook. The US economy remained resilient, which meant rate cuts were delayed, and inflation figures were higher than expected in January and February. Meanwhile, Asian and Emerging Markets regions also saw positive returns, with China's equities bouncing back and offsetting some negative reports from larger companies like Alibaba.

South African stocks experienced a significant recovery, driven by a stronger Rand and rallying resources. However, this resurgence is likely due to factors outside the country, as data suggests an increase in productivity in China's manufacturing sector. On the local front, bonds sold off, leading to their highest yield in over five months. The South African Reserve Bank kept the repo rate unchanged, citing risks from higher food and fuel prices. Nonetheless, the country's economy avoided a recession, with growth expected to accelerate in 2024.

AFFINITY PORTFOLIOS

The Affinity strategies invest in strategic asset allocations that have high probabilities of achieving the respective return targets of the various portfolios on a risk adjusted basis. The asset allocation process allows for dynamic asset allocation based on various leading indicators of macro economic regimes. As of late, the OECD indicator suggests that the global economy moved towards an economic slowdown regime and the Affinity portfolios are positioned to mitigate any volatility and allocate to asset classes that are expected to perform well in this regime and underweight the other asset classes that are expected to underperform (within certain limitations). This framework is designed to work (and is best evaluated) over longer investment periods (typically longer than a quarter, a year or even 3 years).

In September and October, the Affinity Ci Cautious, Affinity Ci Moderate and Affinity Ci Growth repositioned the local equity strategies. The 36One SA Equity Fund was introduced as well as a S&P DSW 100 Index. The S&P DSW 100 is a custom-built index to access the local equity market. The Affinity investment committee believes the inclusion of new strategies have a high probability to capture upside when the local equity market recover. The allocation to asset classes did not change.

…Currently the Affinity funds move towards a neutral to underweight these growth asset classes to ultimately minimize market volatility through this period…

Source: Morningstar Direct & Analytics Consulting

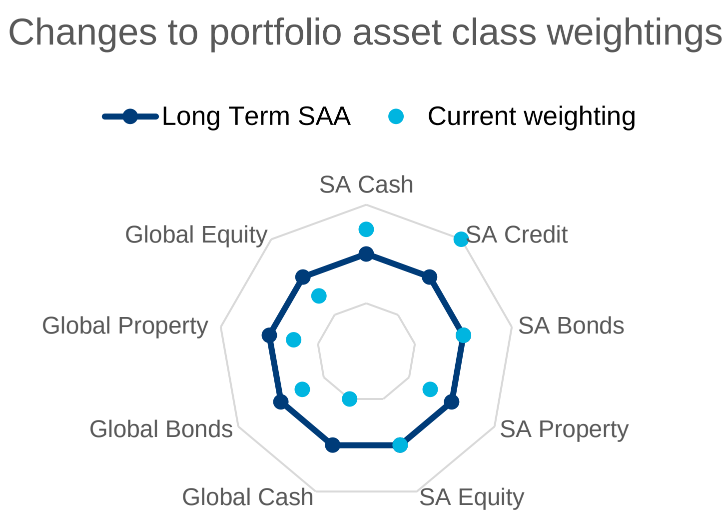
Financial Services Provider: Portfolio Analytics Consulting; FSP No 18490;
Tel: (021) 936 9500; Website: www.analyticsconsulting.co.za.

ATTRIBUTION OF PERFORMANCE

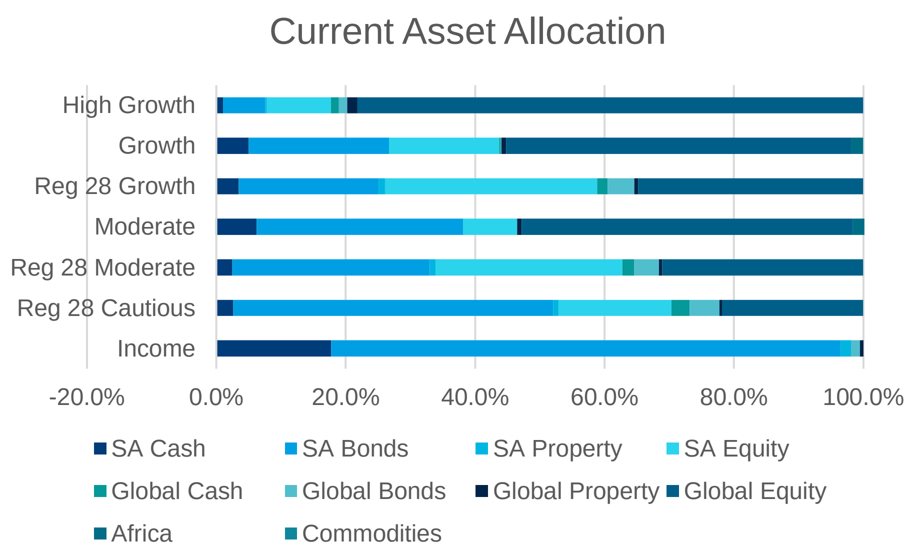
CONTINUED

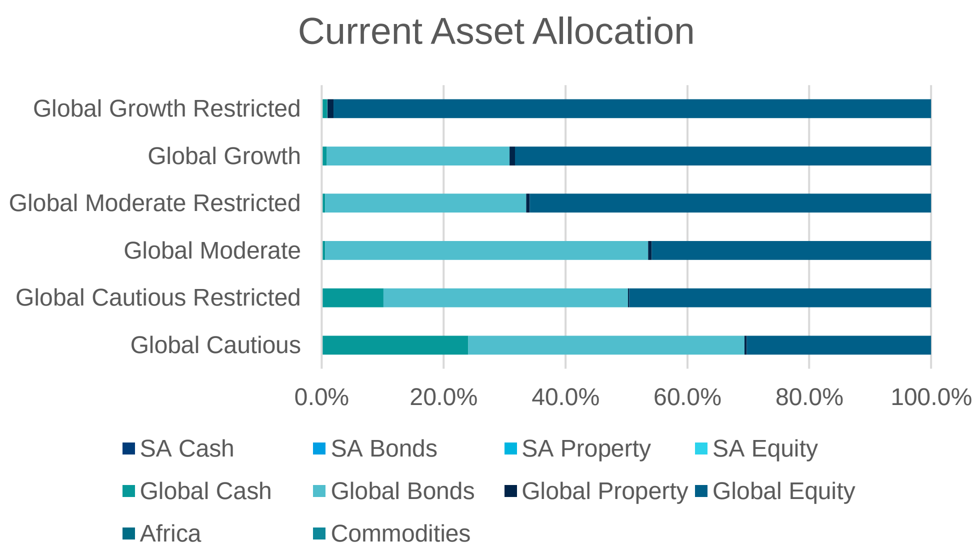
Weighting of asset classes

Our asset allocation models indicate that we fall within an economic expansionary regime, thus local government bonds have been increased and within local equities, the level of protection should be reduced in favour of direct equity market exposure and thus the weighting of Methodical (a protected equity manager) was reduce further. With regards to the portfolio's offshore exposure, the expansionary regime supports our portfolios holding more global equities.



ASSET ALLOCATION ACROSS SOLUTIONS





CONTACT

For more information please feel free to contact us directly:

011 262 2740 | admin@affinitycapital.co.za
Block G, Pin Mill Farm, 164 Katherine Street, Sandton, 2196