AFFINITY CAPITAL MANAGEMENT

COLLABORATING FOR INVESTMENT RESULTS

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April 2024 | Investment Report

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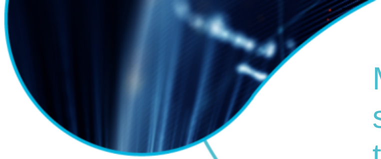
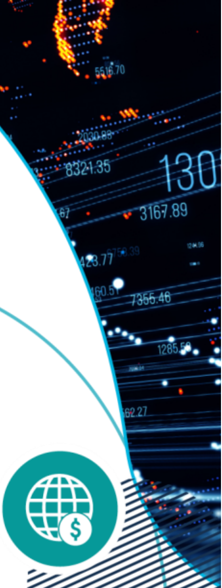
ECONOMIC OVERVIEW





Markets have not shown significant additional volatility in the run-up to this watershed election

March in Review

Inflation and interest rates remained in the news, as various central banks had their meetings on monetary policy. At the end of the month the Federal Open Market Committee (FOMC) of the US Federal Reserve decide to not change policy rates. This was widely expected, with the Federal funds target rate range maintained at 5.25% - 5.50%. However, with recent inflation data having disappointed and the economy still strong, the focus was instead very much on any change in tone in the FOMC statement and Chair Jerome Powell's press conference. In this the overarching message was that the Fed was not prepared to cut interest rates anytime soon, with any easing only being appropriate once the committee had greater confidence that inflation was returning sustainably to the 2% target. The Fed's renewed caution over inflation was evident in the policy statement in changes to the wording that reflected the Fed's assessment that there had 'been a lack of further progress' towards target.

In South Africa inflation still hovers a little above 5%. This, coupled with the "higher for longer" interest rate message from the FOMC make it unlikely that local consumers will benefit from a rate cut soon.

With no Monetary Policy Committee (MPC) meeting at the South African Reserve Bank in April the focus has shifted from policy rates to politics as the general election on 29 May looms. Markets have not shown significant additional volatility in the run-up to this watershed election which will likely see the formation of coalition government with the ANC still, by some margin the senior partner. International investors are likely to remain on the sidelines until after elections, before committing funds to either local bonds or equities. Both of which look appealing from a valuation point of view.

The South African Revenue Service reported that South Africa recorded a trade surplus of R7.3bn in March 2024, on the back of imports of R156.8 billion and exports of R164.1 billion. The biggest contributor to the trade surplus comes from trade with Africa where exports exceeded imports by over R25 billion for the month, but this was just about offset by trade with Asia where imports exceeded exports by a similar margin.

Efforts have intensified to secure a deal for a ceasefire in Gaza and the release of hostages, with talks resuming in Cairo early in May. Estimates are that more than 35 000 Palestinians and Israelis have died as a result of the armed conflict that started in October last year.

US Stocks have remained largely resilient in recent weeks, despite reports of sticky inflation and risk that the Federal Reserve holds interest rates higher for longer. Wall Street strategists believe this is likely due to a better-than-expected set of first quarter earnings. With 80% of the companies in the S&P 500 done reporting by the time of writing, the benchmark index is pacing for 5% growth in first quarter earnings per share, (according to FactSet). This is the biggest year-over-year increase since the second quarter of 2022 and higher than the 3.2% growth analysts had expected prior to the start of the season.

Global equity markets ended a five month run of strong returns as the S&P500, Nasdaq100, Nikkei225 and Eurostoxx all ended in the red. The MSCI World Index gave up 3.6% in April while emerging markets gained 0.7% in US dollar terms.

Local equities fared better and the JSE All Share index gained 3.0% for the month. This was driven by a rise in resource stocks, Anglo American in particular. This stalwart on the local exchange is the target of a $39 billion takeover bid by BHP Group of Australia which caused the Anglo share price to soar by almost one third in April. Barloworld and African Rainbow Minerals also showed strong upward price movement during the month while Sasol and Richemont shed nearly ten percent each.

The biggest contributor to the trade surplus comes from trade with Africa

South African bonds showed their resilience amid all the talk of a delay in interest rate cuts and gained 1.5% in April. Much of this support comes against an expectation that the election results won't be disastrous for capital markets and the South African government's ability to borrow money in future.

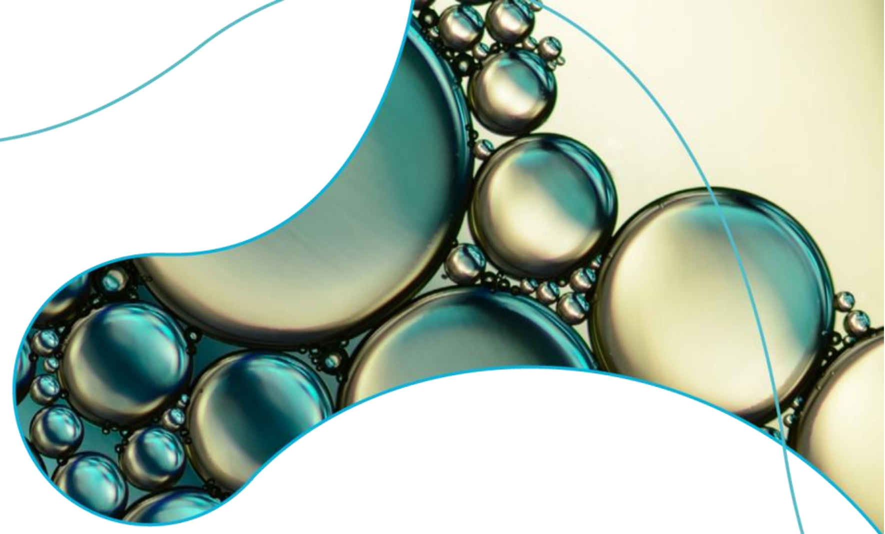
The rand strengthened against most major currencies during the month, while the Japanese Yen briefly hit its worst level against the US Dollar (¥160 per dollar) since April 1990.

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

MARKET INDICES 1 **(All returns in Rand)**	**30 April 2024**		
	3 months	12 months	5 years[2]
SA equities (JSE All Share Index)	3.7%	1.1%	9.4%
SA property (S&P SA Reit Index)	-4.0%	7.5%	-3.9%
SA bonds (SA All Bond Index)	-1.2%	6.9%	7.2%
SA cash (STeFI)	2.0%	8.4%	6.0%
Global developed equities (MSCI World Index)	5.1%	22.5%	17.2%
Emerging market equities (MSCI Emerging Markets Index)	9.3%	13.7%	8.0%
Global bonds (Bloomberg Barclays Global Aggregate)	-2.0%	0.5%	3.9%
Rand/dollar [3]	1.3%	3.0%	5.6%
Rand/sterling	-0.4%	2.6%	4.8%
Rand/euro	-0.3%	-0.2%	4.6%
Gold Price (USD)	11.9%	15.1%	12.3%
Oil Price (Brent Crude, USD)	7.5%	10.5%	3.8%

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



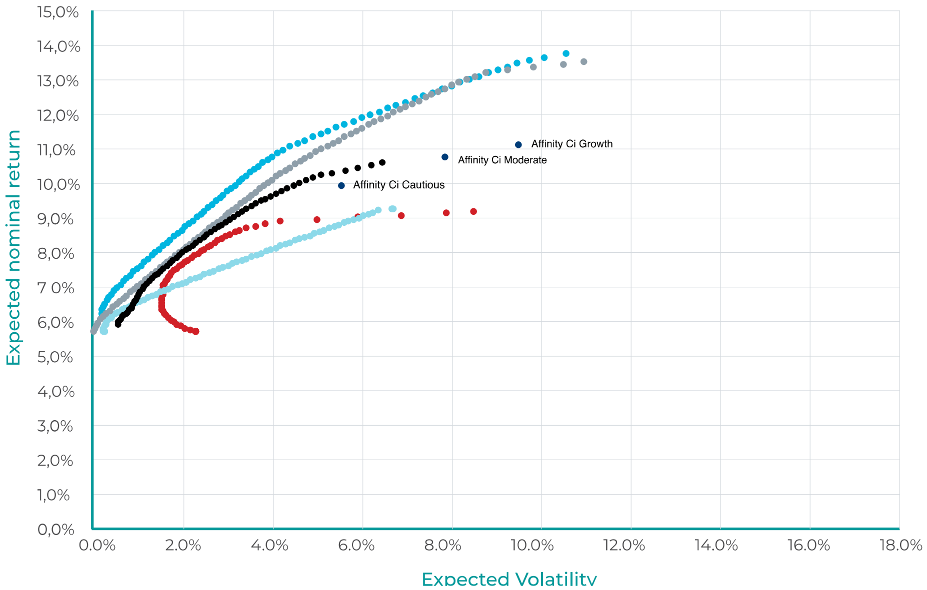
Affinity Capital Management has been established as a collaborative business that works hand in hand with financial advisors and their clients. We believe that investment solutions should not be created in isolation. A collaboration between advice and asset management ensures that investment products 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

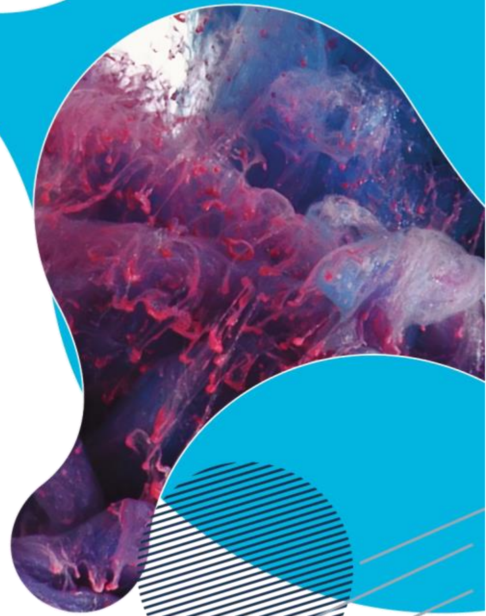
Indices	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years	10 Years	YTD
SA Equities (JSE All Share Index)	3.2%	-2.2%	4.5%	1.5%	3.2%	8.1%	9.7%	8.1%	-2.2%
JSE Preference Shares (J251)	1.0%	2.6%	3.6%	8.1%	5.8%	19.7%	11.6%	9.1%	2.6%
SA Property (South African Listed Property Index)	-1.0%	3.8%	20.9%	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%

Low
Low Medium
Medium
Medium High
High

LESS RISK/ RETURN
MORE RISK/ RETURN

ZAR returns
USD returns

AFFINITY PERFORMANCE



APRIL UPDATE

Global developed stock markets experienced a contraction in April after a five-month rally that was primarily driven by AI euphoria. The contraction occurred due to increasingly hawkish comments from the Federal Reserve, which led the market to believe that the likelihood of interest rate cuts in 2024 is lower than previously expected. It is now implied by the market that there will be only one cut towards the end of the year. In April, Tesla announced that it would lay off 10% of its 140,400 employees, resulting in the loss of around 6,000 jobs across Texas and California due to disappointing sales.

South African stocks continued to perform well for two main reasons. Firstly, there was a broad recovery in the resources sector. Secondly, there was a reduction in the election risk premium that had been priced into the market. A preliminary poll and report released by market research company Ipsos suggested that a coalition government might be a likely outcome after South Africans head to the polls on May 29th. The polls suggested a higher probability of a market-friendly outcome, and this contributed to the positive performance of South African stocks, which had experienced back-to-back months of strong performance.

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

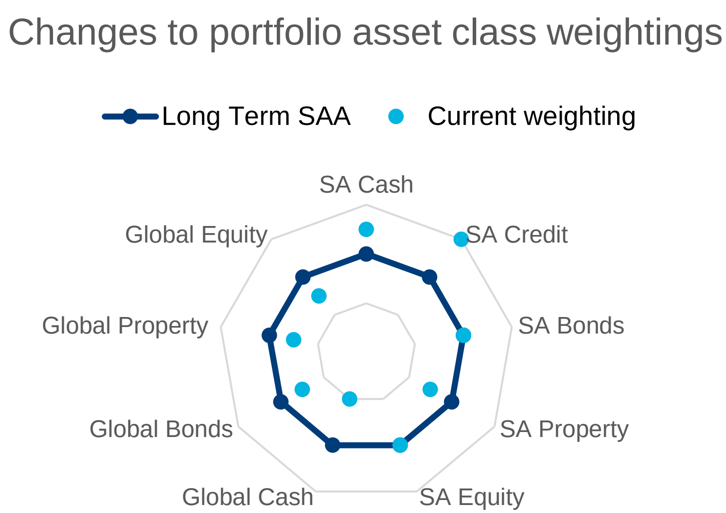
Financial Services Provider: Portfolio Analytics Consulting; FSP No 18490;
Tel: (021) 936 9500; Website: www.analyticsconsulting.co.za.

ATTRIBUTION OF PERFORMANCE

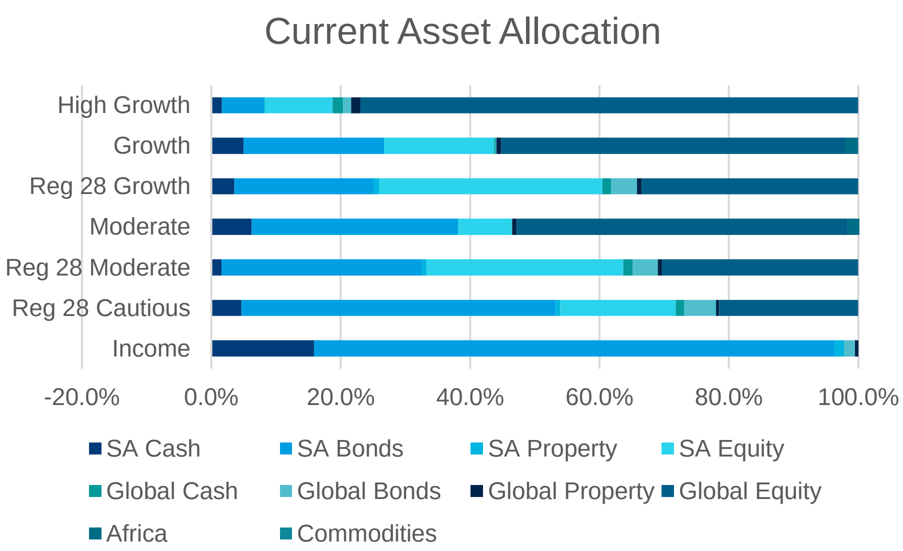
CONTINUED

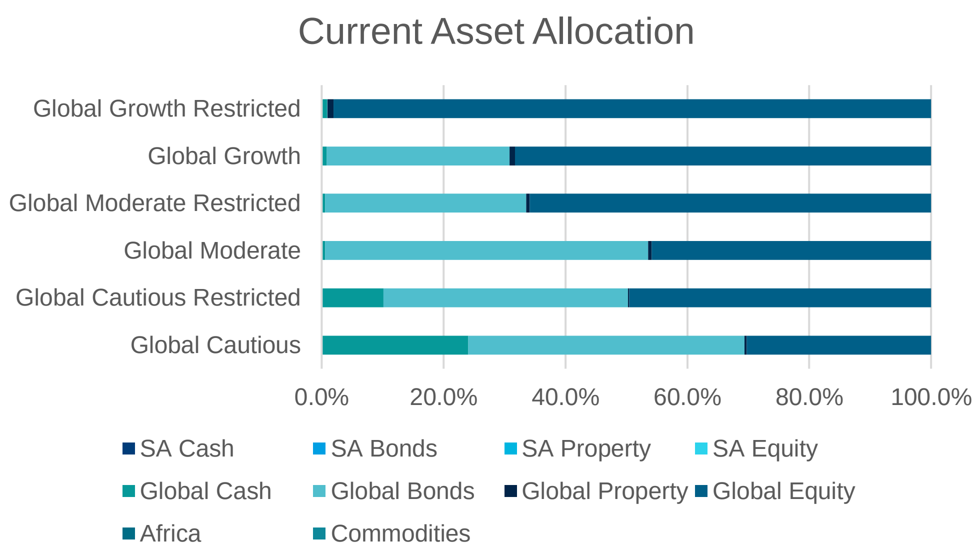
Weighting of asset classes

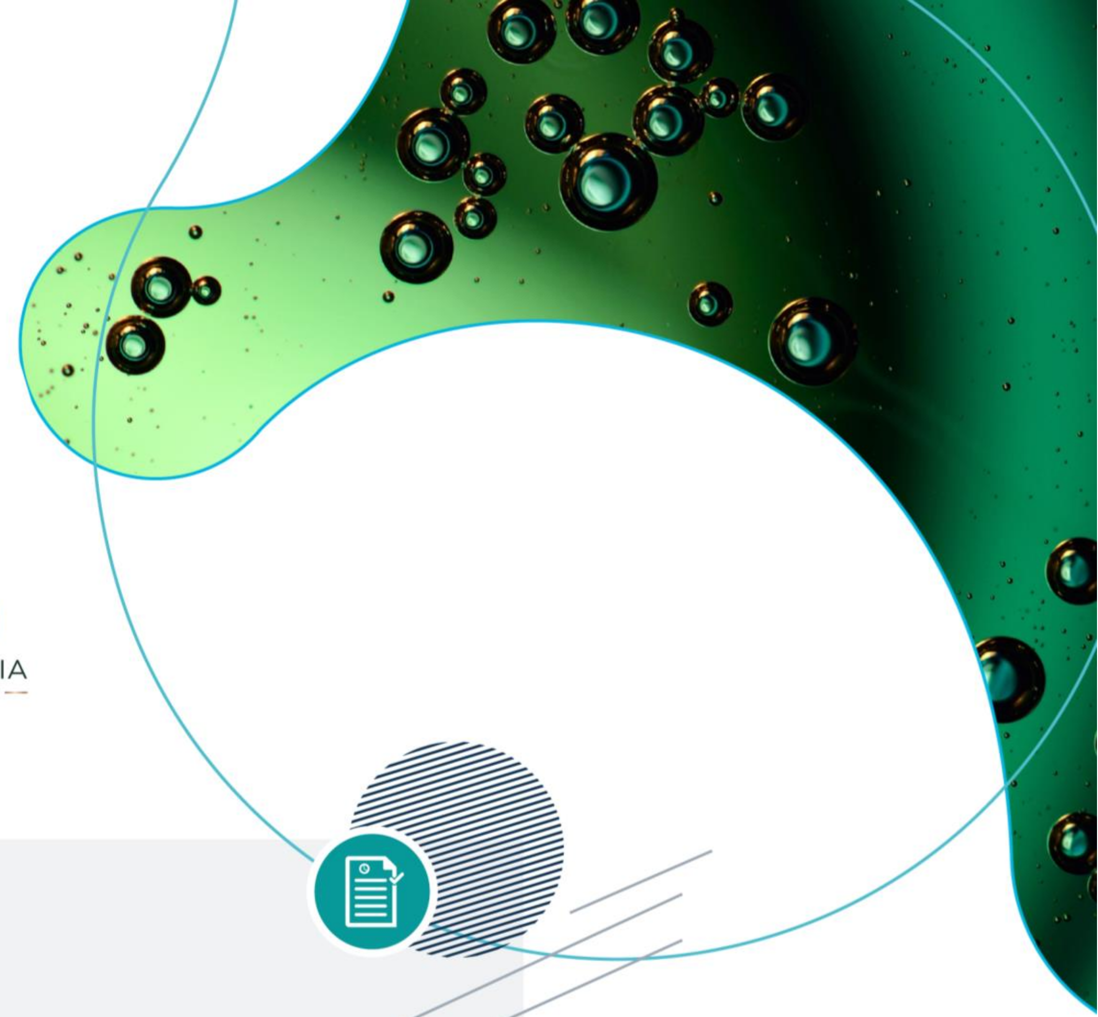
Our asset allocation models indicate that we fall within an economic expansionary regime, thus local government bonds have been increased and within local equities, the level of protection should be reduced in favour of direct equity market exposure and thus the weighting of Methodical (a protected equity 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







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