

# Terebinth FI Macro FR Retail Hedge Fund

Minimum Disclosure Document | Fee Class: 1 | As of 31/07/2024



## Key Facts

Investment Manager	Terebinth Capital (Pty) Ltd
Portfolio Manager	Erik Nel & Nomathibana Okello
Inception Date	01/04/2013
CISCA Transition	01/08/2017
Benchmark	STeFI Composite Index
ASISA Category	Retail Hedge Fund – South African – Fixed Income
Currency	South African Rand
Fund Size	1,565,600,075.00
Unit Price	2943.520338
Units in Issue	734995.0634
Ticker	DRR900

## Investment Strategy

The fund is a South African domiciled, rand-denominated fixed income hedge fund, focusing on macro strategies. Through the use of qualitative and quantitative methodologies opportunities are exploited across three disciplines: Structural/Strategic; Technical; Tactical. The fund is actively managed, with a focus on risk management and to provide investors with a high degree of confidence regarding liquidity.

## Portfolio Objective

Provide returns in excess of 5% over benchmark on an average annual basis over rolling 36-month periods with a low degree of volatility. The strategy is primarily focused in the most liquid areas of the broader income spectrum, with a strong focus on risk management.

## Risk Profile

Medium

## Fees(%)- Including VAT

Initial Advice Fee (Max) Annual	3.45
Advice Fee (Max) Initial	1.15
Service Fee	1.41
Performance Fee	17.25
Total Expense Ratio	2.81*
Transaction Costs	0.10
Total Investment Charge	2.91

\*Includes a performance fee of 1.43%.

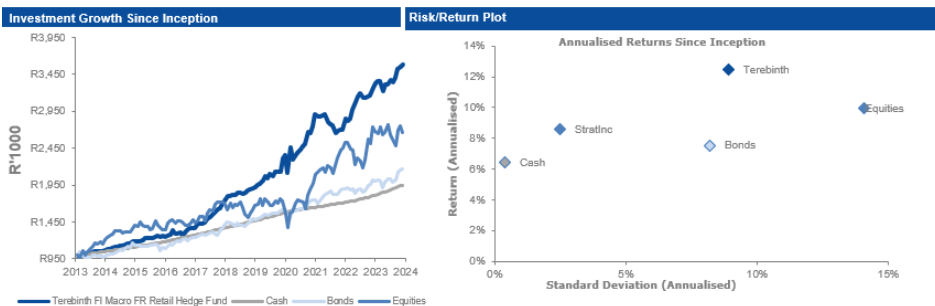
## Annual Distributions

Dec 2023: 11,933.31 cents

## Additional Information

Minimum Investment: R1 000 000  
 Notice Period: One Calendar Month  
 Portfolio Valuation Frequency: Monthly  
 Transaction Cut-Off: 10:00am of last business day of month prior  
 Annual Distribution Declaration Date: December  
 Performance Fee: Uncapped  
 Participation Rate: 15%

## Investment Growth & Risk-Reward - Since Inception



The investment performance is for illustrative purposes only and is calculated by taking the actual initial fees and all ongoing fees into account for the amount shown. Income is reinvested on the reinvestment date.

## Period Returns (%)

	YTD	1 Year <sup>1</sup>	3 Years <sup>1</sup>	5 Years <sup>1</sup>	Since Inception <sup>1</sup>
Terebinth FI Macro FR Retail Hedge 1	10.72	15.13	9.45	13.06	12.65
STeFI Composite	4.12	8.50	6.47	6.05	6.23
FTSE/JSE All Bond TR	5.55	13.73	7.62	7.82	8.58
FTSE/JSE All Share TR	5.75	9.14	10.96	10.57	9.41

## Monthly performance\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	STeFI
2013				-0.05%	-0.03%	2.61%	-0.06%	0.04%	0.81%	1.73%	-0.39%	0.58%	5.32%	3.93%
2014	0.40%	1.48%	1.15%	0.30%	0.82%	0.80%	1.05%	0.44%	0.21%	1.91%	0.90%	0.64%	10.58%	5.90%
2015	1.95%	0.56%	-0.27%	0.21%	1.29%	1.99%	0.32%	0.12%	-0.28%	1.11%	0.71%	-0.98%	6.89%	6.48%
2016	1.76%	-1.09%	1.26%	0.96%	4.12%	-3.19%	-0.14%	1.35%	-3.15%	3.30%	2.93%	1.18%	9.36%	7.37%
2017	0.81%	0.02%	4.15%	-0.50%	0.57%	1.03%	4.37%	0.30%	1.83%	3.14%	1.61%	1.58%	20.46%	7.52%
2018	2.99%	3.96%	2.43%	0.39%	0.89%	-0.38%	1.33%	0.16%	-0.20%	0.54%	1.36%	0.59%	14.91%	7.29%
2019	1.15%	0.60%	2.03%	0.64%	1.76%	3.16%	-1.61%	3.33%	-1.75%	3.34%	0.13%	-0.38%	12.95%	7.29%
2020	8.51%	2.15%	-10.34%	16.26%	-6.91%	2.22%	2.01%	1.49%	2.09%	1.45%	6.09%	-0.48%	24.47%	5.39%
2021	3.86%	5.56%	-1.05%	-0.09%	0.70%	0.71%	-3.96%	-1.04%	-0.17%	-4.05%	1.05%	0.70%	1.83%	3.81%
2022	-0.03%	5.45%	-0.92%	0.87%	4.31%	3.84%	2.27%	1.39%	-1.83%	-0.22%	0.53%	0.72%	17.36%	5.19%
2023	3.28%	1.73%	1.10%	-0.02%	-4.24%	3.00%	-0.10%	1.98%	-1.15%	2.01%	3.17%	0.86%	11.99%	8.03%
2024	0.98%	0.42%	0.62%	0.52%	3.89%	2.95%	0.92%						10.72%	4.12%

\*Performance is quoted net of all fees. The performance figures until the end of July 2017 (shaded) reflect performance achieved prior to CISCA regulation.

## Risk Statistics (%) - Since Inception

	Std Dev	Sharpe Ratio	Sortino Ratio	Kurtosis	Skewness	Highest rolling 12 month return (Rolling Maximum)	Lowest rolling 12 month return (Rolling Minimum)
Terebinth FI Macro FR Retail Hedge 1	8.90	0.72	0.72	11.54	0.86	37.31	-7.15
STeFI Composite	0.39	—	—	-0.67	-0.56		
FTSE/JSE All Bond TR	8.18	0.13	0.18	2.81	-0.56		
FTSE/JSE All Share TR	14.16	0.32	0.50	0.83	0.16		

## Value at Risk (VaR) (%)

Current VaR	3.7
Maximum VaR	3.7
Mandate VaR	20.00

Total exposure and leverage is calculated using the VaR approach. VaR represents the statistical loss that the Fund can experience given its current holdings over a one Month period with a 1% probability. Portfolio stress testing is performed by subjecting a portfolio through extreme market situations, and noting the portfolio profit and loss, value at risk and exposure movements. Risk Monitoring Specialist: Risk Café.

# Terebith FI Macro FR Retail Hedge Fund

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## Contact Details

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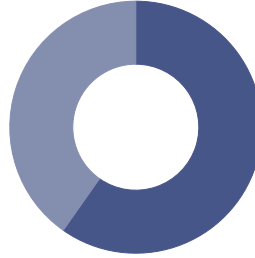
## Disclaimer

Collective Investment Schemes are generally medium- to long-term investments. The value of participatory interests (units) may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investments are traded at ruling prices and can engage in scrip lending and borrowing. A schedule of fees, charges, minimum fees and maximum commissions, as well as a detailed description of how performance fees are calculated and applied, is available on request from the Manager. The Manager does not provide any guarantee in respect to the capital or the return of the portfolio. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressure and in such circumstances, a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. Commission and incentives may be paid, and if so, are included in the overall costs. The Manager may close the portfolio to new investors in order to manage it more efficiently in accordance with its mandate. Additional information, including key investor information documents, minimum disclosure documents, as well as other information relating to the basis on which the manager undertakes to repurchase participatory interests offered to it, and the basis on which selling and repurchase prices will be calculated, is available, free of charge, on request from the Manager. The Manager ensures fair treatment of investors by not offering preferential fee or liquidity terms to any investor within the same strategy. The value of an investment is dependent on numerous factors which may include, but not limited to, share price fluctuations, interest and exchange rates and other economic factors. Where foreign investments are included in the portfolio, performance is further affected by uncertainties such as changes in government policy, political risks, tax risks, settlement risks, foreign exchange risks, and other legal or regulatory developments. Prices are published monthly on the manager's website. The Manager is registered and approved by the Financial Sector Conduct Authority under CISCA. The Manager retains full legal responsibility for the portfolio. FirstRand Bank Limited is the appointed trustee. Terebith Capital (Pty) Ltd., FSP No. 47909, is authorized under the Financial Advisory and Intermediary Services Act 37 of 2002 to render investment management services. A higher Total Expense Ratio (TER) does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. Transaction Costs are a necessary cost in administering the financial product and impacts financial product returns. It should not be considered in isolation as returns may be impacted by many factors over time including market return, the type of financial product, the investment decisions of the investment manager and the TER. The highest and lowest 1-year returns represent the highest and lowest actual returns achieved during a 12-month rolling period year since the original launch date of the portfolio. The annualised total return earned by an investment each year over a given time period, since date of the launch of the fund. Actual annual figures are available from the manager on request. The performance figures given show the yield on a Net Asset Value ("NAV") basis. The yield figure is not a forecast. Performance is not guaranteed, and investors should not accept it as representing expected future performance. Individual investor performance may differ as a result of initial fees, time of entry/actual investment date, date of reinvestment, and dividends withholding tax. Performance is calculated for a lump sum investment on a Net Asset Value basis. The performance figures are reported net of fees with income reinvested. The Financial Services Board in South Africa published Hedge Fund regulations that seek to regulate investment products in this category of investment. All information provided is historic. We believe that Hedge Funds may carry additional risks for investors. They can provide enhanced investment returns on a risk-adjusted basis, and therefore have a role to play in a diversified investment portfolio. **FUND RISK** ■ **Leverage Risk:** The Fund borrows additional funds, trades on margin or performs short sale trades to amplify investment decisions. This means that the volatility of a hedge fund portfolio can be many times that of the underlying investments due to leverage on a fund. ■ **Derivative Risk:** Derivative positions are financial instruments that derive their value from an underlying asset. Derivatives are exposed to implicit leverage which could result in magnified gains and/or losses on the portfolio. ■ **Counterparty Credit Risk:** Counterparty risk is a type of credit risk and is the risk of default by the counterparty associated with trading derivative contracts. An example of counterparty credit risk is margin or collateral held with a prime broker. ■ **Volatility Risk:** Volatility refers to uncertainty and risk related to size of change of an instrument or portfolio. It is a statistical measure of the dispersion of returns for a given security or market index. Volatility is proportional to the directional exposure of a portfolio and is measured by Value at Risk (VaR) which is a statistical technique used to measure and quantify the level of volatility. ■ **Concentration and Maturity Segment Risk:** A large proportion of total assets invested in specific assets and/or maturity segments on the yield curve. Concentrated positions in a portfolio will materially impact the returns of the portfolio more so than diversified portfolios. ■ **Correlation Risk:** A measure that determines how assets move in relation to each other. Correlation risk arises when the correlation between asset-classes change. Correlation risk also arises when the correlation within an asset-class changes. Examples of correlation within asset classes include equity pairs trading, fixed income curve trading and commodities pairs trading. ■ **Interest Rate Risk:** The values of bonds and other debt securities are inversely proportional to the change in interest rates. Interest rate risk is generally greater for investments with longer maturities as well as when the market does not expect a change in the interest rates. ■ **Credit Default Risk:** The risk that the government entity or company that issued the bond will run into financial difficulties and won't be able to pay the interest or repay the principal at maturity. Credit risk applies to debt investments such as bonds. The higher credit rating the less likely the possibility of the issuing company defaulting. ■ **Value at Risk (VaR):** Value at risk is the minimum loss percentage that can be expected over a specified time period at a predetermined confidence level. Data sources: Morningstar Direct, INET BFA and Bloomberg.

Issue date: 19 August 2024

## Asset Allocation

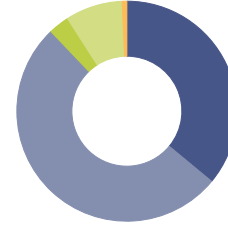
Portfolio Date: 31/07/2024



Category	Percentage
FIXED INCOME: BONDS AND DERIVATIVES	59.8
CASH / MONEY MARKET	40.2
<b>Total</b>	<b>100.0</b>

## Counter Party Exposure

Portfolio Date: 31/07/2024



Category	Percentage
ABSA BANK LIMITED	36.0
JSE DEBT MARKET	51.9
JSE CLEAR PTY LIMITED	3.1
FIRSTRAND BANK LIMITED	8.4
JSE LISTED PHYSICALS	0.7
<b>Total</b>	<b>100.0</b>

## Market and Fund Commentary

Phew! July was just a tad wild... the best gains for sovereign bonds in a while, a massive roundtrip for some stocks. The Yen rallying big time, and for once, the dollar lost some ground. (And based on early-August price action, the themes underlying this price action might just continue).

The month kicked off with Powell commenting that "more good data would strengthen our confidence that inflation is moving sustainably toward 2%". Sen. Bennet became the first Senator to publicly call for Biden to step down, saying he didn't think Biden could win. By far the biggest story was Trump being grazed by bullet in an assassination attempt.

Understandably, US politics took up the lion's share of the balance of headline stories: A judge threw out Trump's confidential document case; Vance ramped up rhetoric on China being the biggest threat to the US; the US was preparing the most severe trade restrictions on China's chip access; Biden tested positive for Covid; Trump said he would allow Powell to serve out his term, but questioned the US's support for Taiwan; Obama called on Biden to weigh his campaign's viability; and Biden eventually 'agreed' to drop out of the Presidential race and endorsed VP Kamala Harris to be the candidate.

Biden's withdrawal from the presidential race tips the bias towards "more extravagant promises of faster economic growth, higher government spending, lower interest rates and no tax hikes". It all points to US fiscal policy staying on an expansionary procyclical path. As for the Democrats, it is hard to see Kamala Harris, now the presumptive nominee, rowing back from Biden's high-pressure approach to demand management. All this means the deficit could widen before the next US recession strikes. While their tax plans will likely differ, both Republicans and Democrats are shifting to an entrenched procyclical approach to fiscal policy. It is a departure from the conventional Keynesian playbook of countercyclical policy aimed at replacing shrunken demand in downturns and raises questions about the government's ability to act nimbly in a future crisis.

On the macro and market front there was also some (in)action. US CPI surprised to the downside, leading to double-digit declines in bond yields across the curve. Powell said the last three inflation readings added to confidence that it is headed for 2%. Yet policy reluctance arguably contributed to the negative surprise in China's Q2 GDP report, while the Third Plenum also fell short of expectations. Nevertheless, some stimulus was forthcoming with monetary policy easing. In further evidence of escalating geopolitical tensions in cyberspace, a major outage impacted airlines and numerous corporations.

Landing is the most critical phase of a flight. Pilots must concentrate and use all available tools to touchdown smoothly. The Fed is in the pilot's seat as the American economy approaches a soft landing. The runway is in sight, but some careful manoeuvring will still be needed. Growth is moderating as momentum in consumption growth and the labour market have moderated. After stalling during the early part of the year, inflation has resumed its downward trend, leading to rising hopes for a September rate cut.

While moderating demand are more a return to a normal pace than a sign of a recession, the unemployment rate has been ticking upwards. At 4.1% in June, and now 4.3% in July, it has now triggered the well-known recession indicator, the Sahm rule. Softer demand is translating into a loosening of the labour market, fanning worries about the durability of the expansion. The rising inventory of new homes should help to rebalance the demand-supply dynamics in the housing market, which in turn should dampen shelter inflation. Wage growth has eased anew - another positive sign for underlying disinflation.

The view for risk assets and EM ahead depends on what is ultimately driving Fed cuts, even if geopolitical escalation in the Middle East also clearly presents risks. A Fed that is easing because it finally has enough inflation cover in a context of reasonable, even if lower, growth is the sweet spot for risk/EM. However, a Fed that is reacting to a more pronounced economic slowdown would cause the opposite reaction - higher spreads, lower equities, and weaker EM.

It was a relatively quiet month locally, with the stand-out being an unrepentant, some would say stubborn, SARB that left the repo rate unchanged at 8.25%. In the face of weak economic data, the pending disinflation implies that the ex-ante real rate continues to push higher to levels not seen since the early 2000s. We could sight the importance of the two dissenters but in the end, the focus on targeting lower inflation likely carries the bag for the moment. It will be interesting to monitor sentiment towards the SARB if further evidence is presented that suggest it follows the Fed. Irrespective, FRA traders are not waiting for the SARB to move, now pricing almost 75bp worth of easing in 2024, and a total in excess of 125bp for the cycle. Both these indicate it expects SARB to cut more than its own models would suggest.

On the political front, the core theme remains the absolute disgusting behaviour by some on the opposition benches. It will be important for the success of the GNU, and the authority of the President, to take a firmer stance against racially divisive messages coming from the EFF, as well as the MK party. It cannot be that there is rapid movement on race issues in one instance, but complete silence when politicians utter some of the most insane things. The message that is being sent to citizens is of great concern.

South Africa's growth story is improving, with load-shedding in the rear-view mirror, Transnet issues likely treading, and upside potential from a reformed visa regime. This should help keep a lid on concerns about debt sustainability and thus risk premia in bonds.