

# Terebinth FI Macro FR Retail Hedge Fund

Minimum Disclosure Document | Fee Class: 1 | As of 31/05/2024



## 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	1,477,792,033.00
Unit Price	2833.02
Units in Issue	724,912.74
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	1.26
Transaction Costs	0.08
Total Investment Charge	1.34

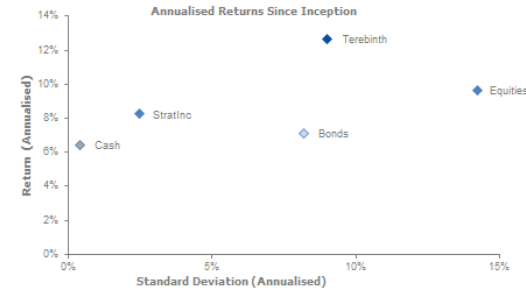
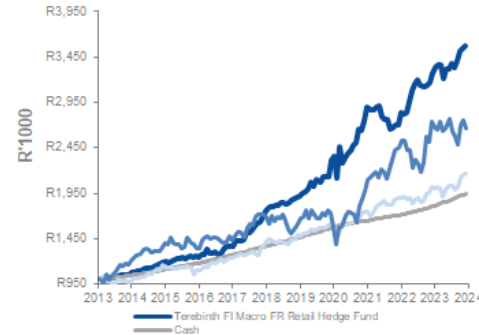
## Annual Distributions

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 (%)

	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	17.34	9.33	13.53	12.64
STeFI Composite	8.52	6.35	6.04	6.43
FTSE/JSE All Bond TR	13.03	6.19	7.21	7.12
FTSE/JSE All Share TR	6.27	8.60	10.71	9.64

<sup>1</sup>Annualised Return: An annualised rate of return is the average rate of return per year, measured over a period either longer or shorter than one year, such as a month, or two years, annualised for comparison with a one-year return.

## 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%								6.56%	3.52%

\*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	8.98	0.67	0.72	11.54	0.86	37.31	-7.15
STeFI Composite	0.38	—	—	-0.68	-0.47		
FTSE/JSE All Bond TR	8.17	0.10	0.40	2.83	-0.59		
FTSE/JSE All Share TR	14.24	0.25	0.31	0.79	0.21		

## Value at Risk (VaR) (%) - Since Inception

Current VaR	5.37
Maximum VaR	7.84
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

Minimum Disclosure Document | Fee Class: 1 | As of 31/05/2024



## Contact Details

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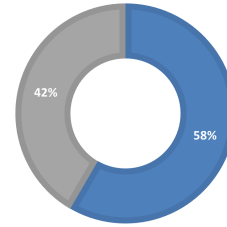
## Disclaimer

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: 21 June 2024

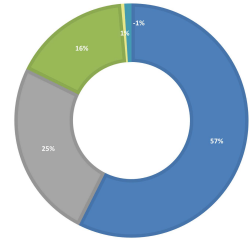
## Asset Allocation

■ FIXED INCOME: Bonds and derivatives ■ CASH / MONEY MARKET



## Counterparty Exposure

■ SSE Debt Market ■ Absa Bank Limited ■ FirstRand Bank Limited ■ SSE Clear Pty Limited ■ Other



## Market and Fund Commentary

### Global

So far, the story this year has been relatively straightforward. Despite sticky inflation and a full reversal of Fed cut expectations, equities have traded higher thanks to strong growth expectations and abundant liquidity. 'Bad news' (jobs miss) is celebrated as 'good news' (rate cuts), which is a very thin landing ground for the 'soft landing' narrative. While corporate earnings have outperformed, US activity data is not performing as well.

While popular greed/fear indices do not necessarily speak to excessive levels of exuberance, the month kicked off with a popular survey indicating global fund managers being the most bullish since November 2021. The same survey continues to expect rate cuts in 2H24 and no recession. Cash levels screened at 3-year lows, while stock allocation was at the highest since January 2022. The most crowded trade remains long Mag-7.

On central bank rhetoric there remains a high level of homogeneity in the US that more works needs to be done to bed down low(er) inflation before interest rate relief comes into play, while in Europe the views are mixed, albeit leaning towards some relief even if conviction seems low as manufacturing and industrial economies appear to be slowly lifting themselves off the floor.

Within geopolitics, Yellen continues to rack up airmiles to East Asia, while in the Middle East and Eastern Europe, solutions to ongoing wars seem distant. Even as South Africa features less on the global stage, investors are keenly aware of our election. The UK has also called early elections, with the lack of popularity for their politicians challenging our own. Mexico's election will also be an important one to monitor with markets likely to slowly shift its focus to the US elections later this year and to what it will mean for emerging markets.

Our macro work continues to indicate late-cycle conditions, especially in the US. Real GDP growth has remained robust, while inflation's progress towards 2.0% has slowed in 1Q24. We can expect emphasis on growth, employment, and inflation data into mid-year, while it can be reasonably assumed that policy rates will remain elevated until tighter financial conditions slows consumption demand. To understand the difficulty in this regard, the following sell-side summary captured it well:

"Data in the US has come off the highs in recent weeks. However, the data in absolute terms remains robust. Following downward revisions in the wake of the retail sales miss, Atlanta Fed forecast still has growth tracking 3.6%. Also, base effects in 2H24 could keep core inflation sticky above target through to the end of the year. It is therefore notable that we are now back at the lows (easiest levels), and FCIs are providing a tailwind for growth through the next 3 quarters."

Further complicating matters for tighter financial conditions is the pre-election Biden administration's keenness to stimulate the economy, running war-like fiscal deficits while the economy is booming. Just as was the case in SA in late-May, we can fully expect Biden to 'buy' votes through student-debt-forgiveness and stimulus measures and even to pre-empt the Congressional Review Act and getting as much policy done as possible before the summer.

The battle between forecasters persist. The coming weeks and months will reveal whether stable growth and moderate disinflation trumps over-tight policy and darker days ahead. In the case of the former, mild policy easing prevents a recession, whereas in the latter the lags lead to recession. The debate on soft, no, and hard landings is likely to continue for the while being. Expect central bankers to remain highly data dependent and markets to be more volatile than the pre-Covid levels we have been accustomed to.

### Local

Let it first be said that there cannot be much value focusing too much on what happened in May or sounding overconfident about the short-term path in June, when publishing a monthly comment three days after a national election, and at the start of what will likely prove to be very tough negotiations between political parties. The big story (almost the only story? As the May MPC was, as expected, a non-event) was the drubbing the ANC received at the polls, and almost exclusively so at the hands of a vengeful Jacob Zuma.

The bigger story, of course, will be what this will eventually mean for the economy. With at least three, if not four, more-than-plausible scenarios (even if some are highly unpalatable), this monthly comment has to be void of predictions. Even if the base case remains that a positive step for the country would be the ANC partnering with social democrats, a 40% outcome for the ruling party raises the potential for a minority government with confidence-and-supply agreements if it agrees that a sharp shift towards populism is not what voters want. We expect uncertainty, and volatility, to persist until more clarity on these issues presents itself. With regards to monetary policy, the latest credit data continues to show weak growth, underscoring the need for interest rate relief. However, based on post-MPC engagements, the key consideration for the MPC remains the anchoring of inflation expectations, while keeping a hawkish eye on US economic developments, even if the ECB and BoE are widely expected to kick off its rate-cutting campaign this month.