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

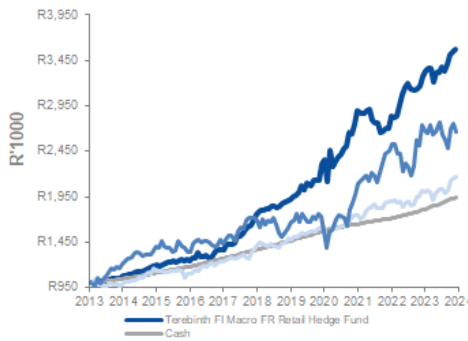
Annual Distributions

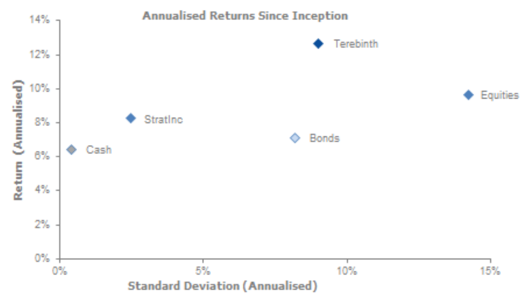
Dec 2023: 11,933.31 cents

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
Partication 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[1]	3 Years[1]	5 Years[1]	Since Inception[1]
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

[1]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.

FUNDROCK

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Contact Details

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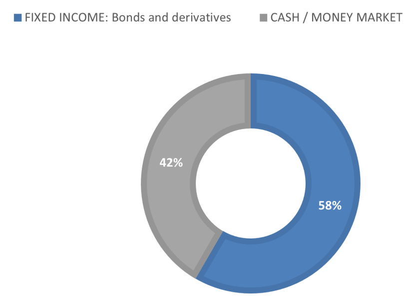
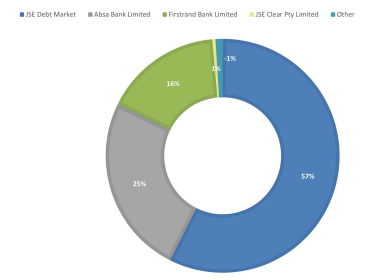
Disclaimer

Issue date: 21 June 2024

Asset Allocation



Counterparty Exposure



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 over-confident 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 of its rate-cutting campaign this month.