AYLETT BALANCED PRESCIENT FUND
Q1 2024 COMMENTARY

FUND MANAGER COMMENTARY

MARKET REVIEW
For the quarter ended March 2024, the JSE ALSI declined 2.2%, the ALBI was down 1.83% and cash returned a positive 2%. The South African equity market materially underperformed the ACWI Global Index, which climbed 12.2% in ZAR for the quarter. Over the same period, the rand weakened, starting the period at R18.36/$ and finishing at R18.88/$.

FUND PERFORMANCE
The fund was down 0.6% for the quarter, underperforming its benchmark by 0.5%. Rubis, Bath & Body Works, British American Tobacco, and Wabtec contributed positively to performance. The detractors were Remgro, Sabre, AECI, and BHP Billiton. Over one year, the fund has lagged behind the top performers, primarily due to not participating in the developed market tech boom that drove the world indices. Investors who are aligned with us should not be surprised as it would be against our character to invest in the latest momentum trade.

(Annualised Net returns %)	1 year	3 years	5 years	7 years	10 years	Since Inception
Fund[1]	6.4	11.3	12.3	10.9	15.4	10.5
Benchmark[2]	7.5	7.7	9.2	8.9	12.9	9.1

Source: Bloomberg, Morningstar, 31 March 2024. Past performance is not indicative of future performance.

OUTLOOK
Global markets started the year with the expectation that inflation was coming under control and that the Fed was likely to reduce interest rates many times during the year. This had become the consensus view, and the Fed themselves had turned more optimistic, no longer talking of rate hikes but rather of rate cuts. Unfortunately, as we expressed in our December commentary, inflation did not continue its downward trajectory and has left the market uncertain as to whether there will indeed be any rate cuts this year.

Locally, both equity and bond markets have reflected the uncertainty and volatility (“noise”) that we expected in the lead-up to the election. Much anecdotal evidence points to foreigners preferring to wait on the sidelines until the results of the election are known. As investors should expect, we have used this negativity to increase our holdings in several “SA Inc.” counters. In addition, we have added further exposure to the sovereign bonds in the belly of the curve. Equity exposure has increased from 71% to 73% and this has been funded from cash.

On reflection, the fund is well-positioned to benefit from any decrease in bad news. We own quality businesses with high cash flow yields that give us the ability to be patient. We have avoided making all-in

[1] Aylett Balanced Prescient Fund – A1 Class
[2] Blended Benchmark. Benchmark changed from a Composite Benchmark to the ASISA SA – Multi Asset – High Equity Category Average 1 November 2020.

bets on the future of South Africa and instead have reverted to what has worked since our inception – building the portfolio bottom up and allowing the cash to flow to where the best ideas are found.

As always, we thank you for the trust you place in us.

Dagon Sachs

31 March 2024