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FUND ROCK

BOUTIQUE COLLECTIVE INVESTMENTS

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Sasfin Asset Managers

BCI Boutiques on Wednesdays

The Uncertain Path Ahead

Raphi Rootshtain

April 2025

sasfin Asset Managers

The State of Play

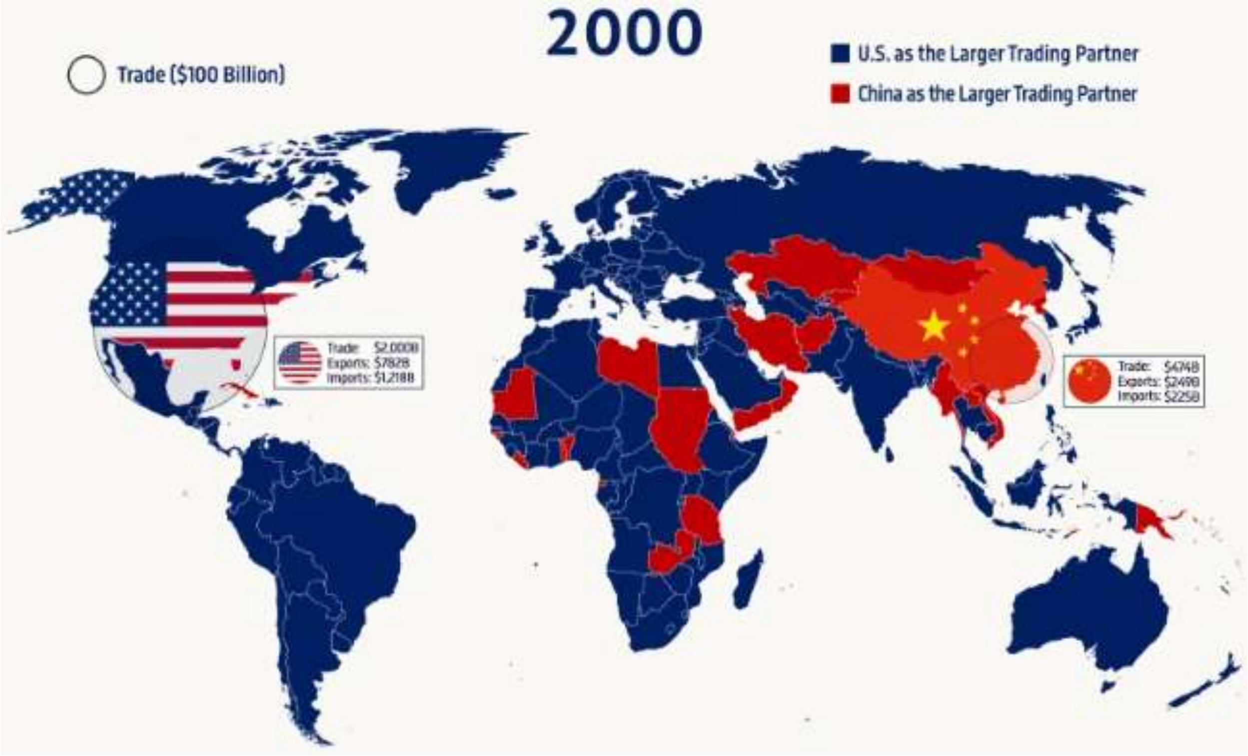
"Good evening, and welcome to 'What's Trump Done Now?'"

sasfin Asset Managers

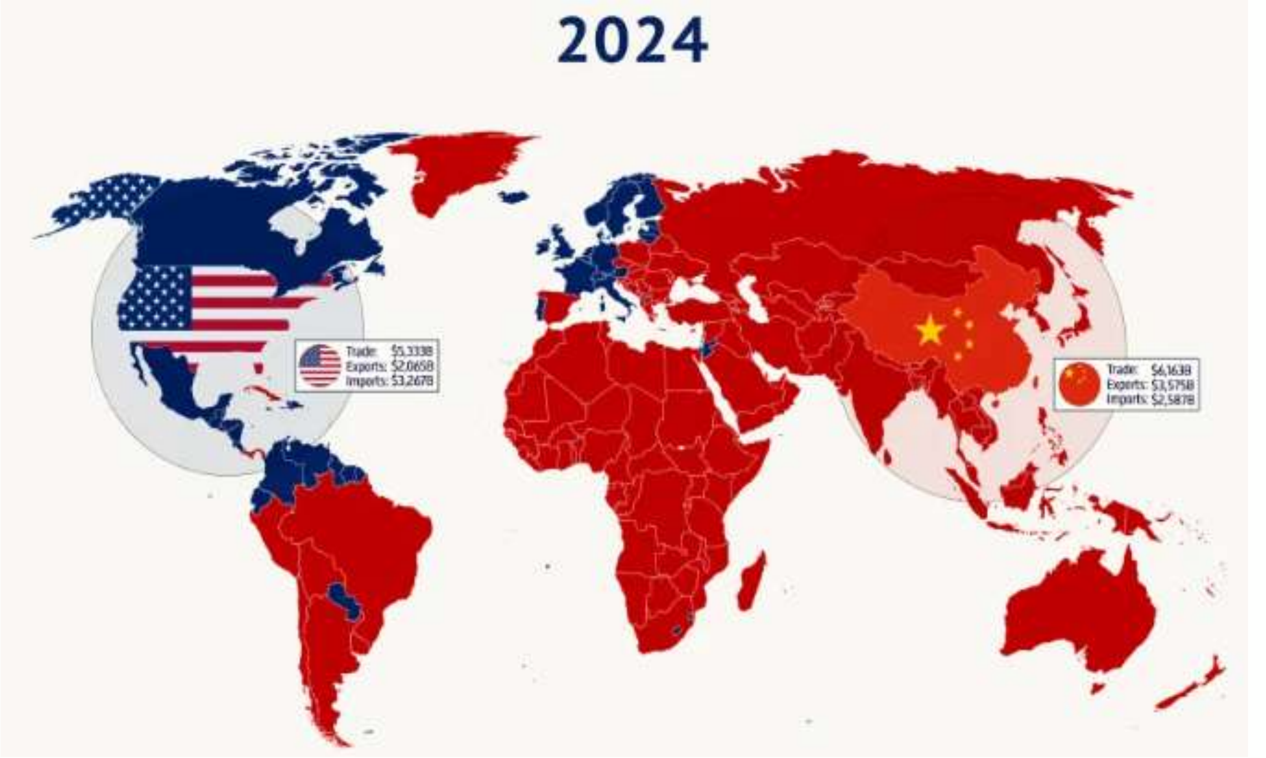
Source: https://www.telegraph.co.uk/news/0/matt-cartoons-april-2025/;
https://www.dailymaverick.co.za/cartoon/pending/?dm_source=dm_block_grid&dm_medium=card_link&dm_campaign=main

Global Trade Dominance

US vs China – The Changing World Order?



In 2000, trade totaled $2.0tn – more than 4x China's $474bn. From 2000 to 2024, U.S. trade expanded by 167% (4.2 CAGR), while China's trade surged by 1,2000% (11.3% CAGR), surpassing the U.S. in 2012. By 2024, total trade reached $5.3tn for the U.S. and $6.2tn for China.



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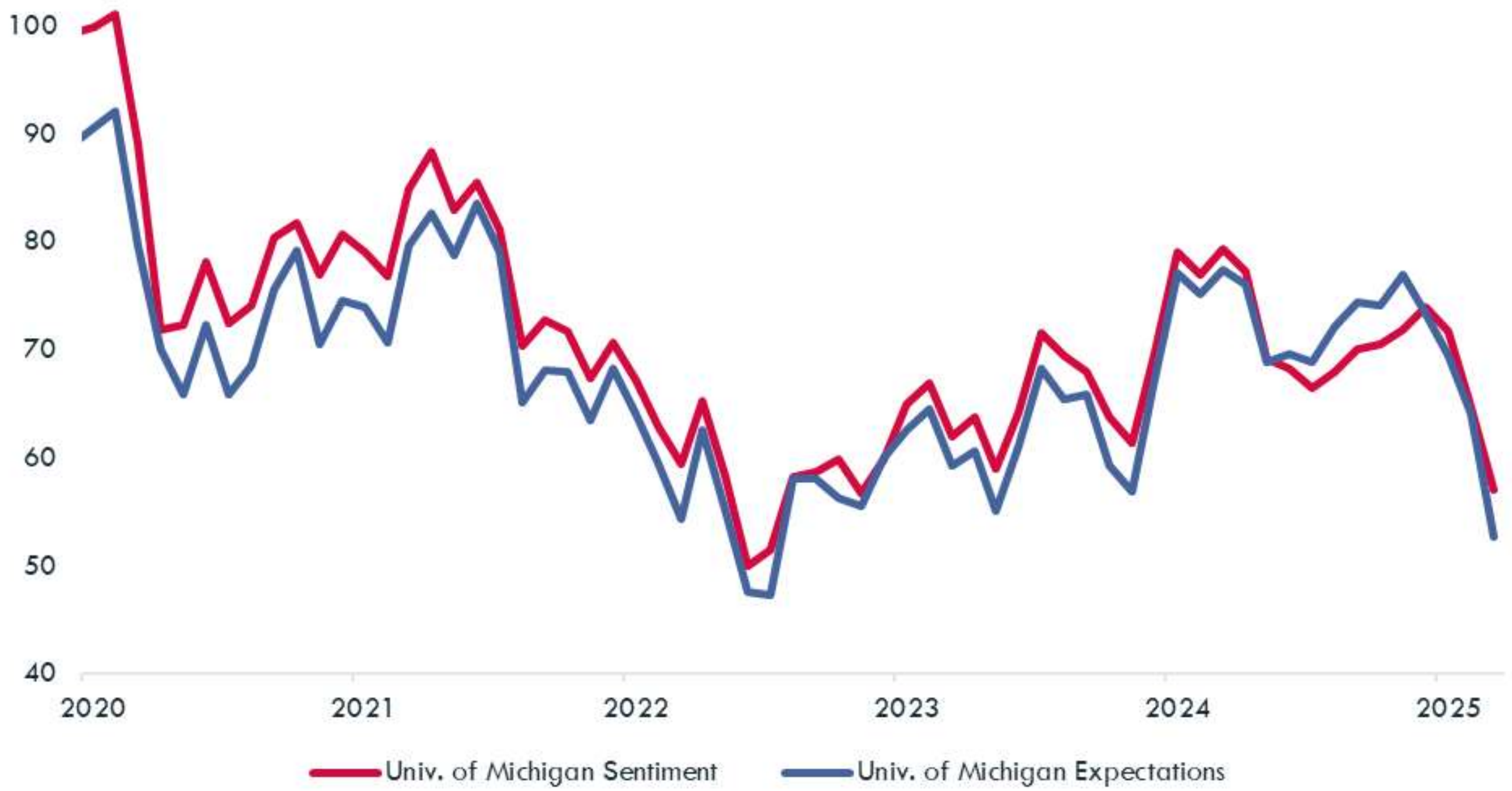
Sources: U.S. Census, Customs of China; Research and visualization:Ehsan Soltani; www.econovis.net

A collapse in sentiment



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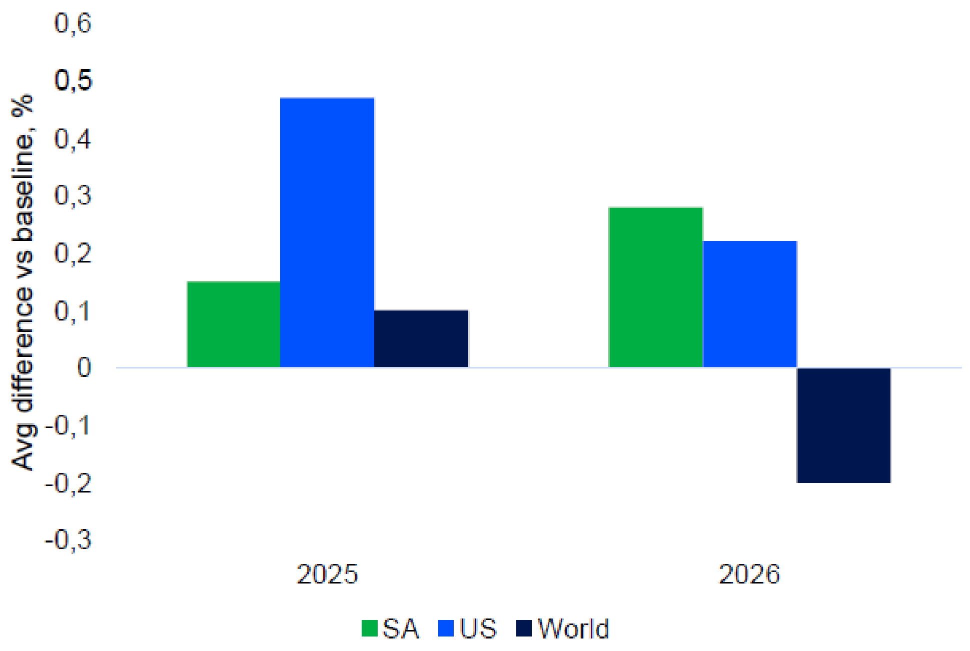
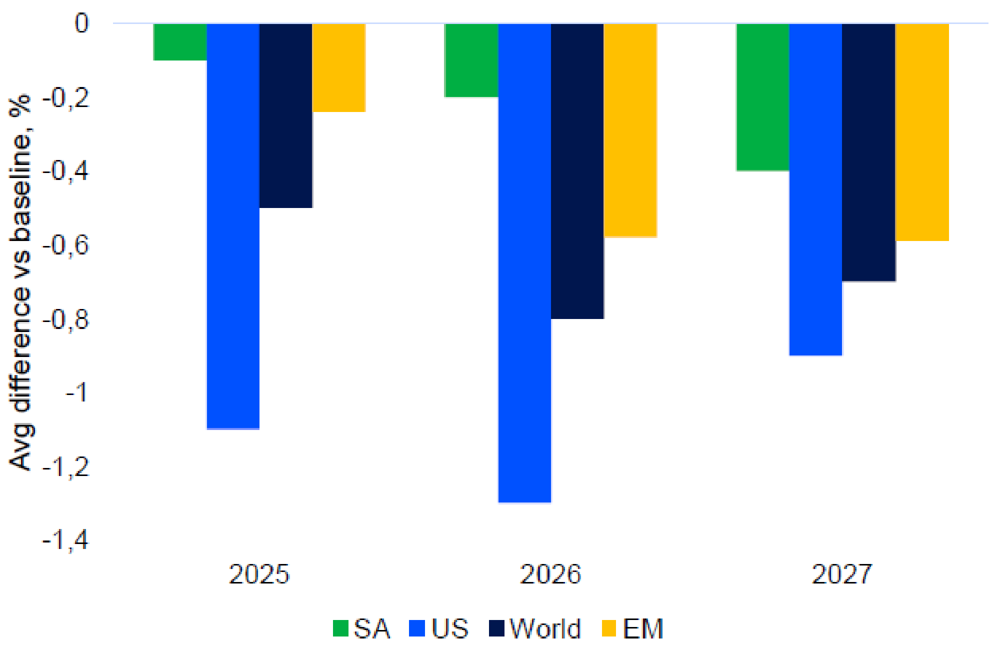
Source: Bloomberg, Sasfin Asset Managers

Impact of Tariffs
Based on 10% on all US imports, with retaliatory measures

CPI impact



GDP impact



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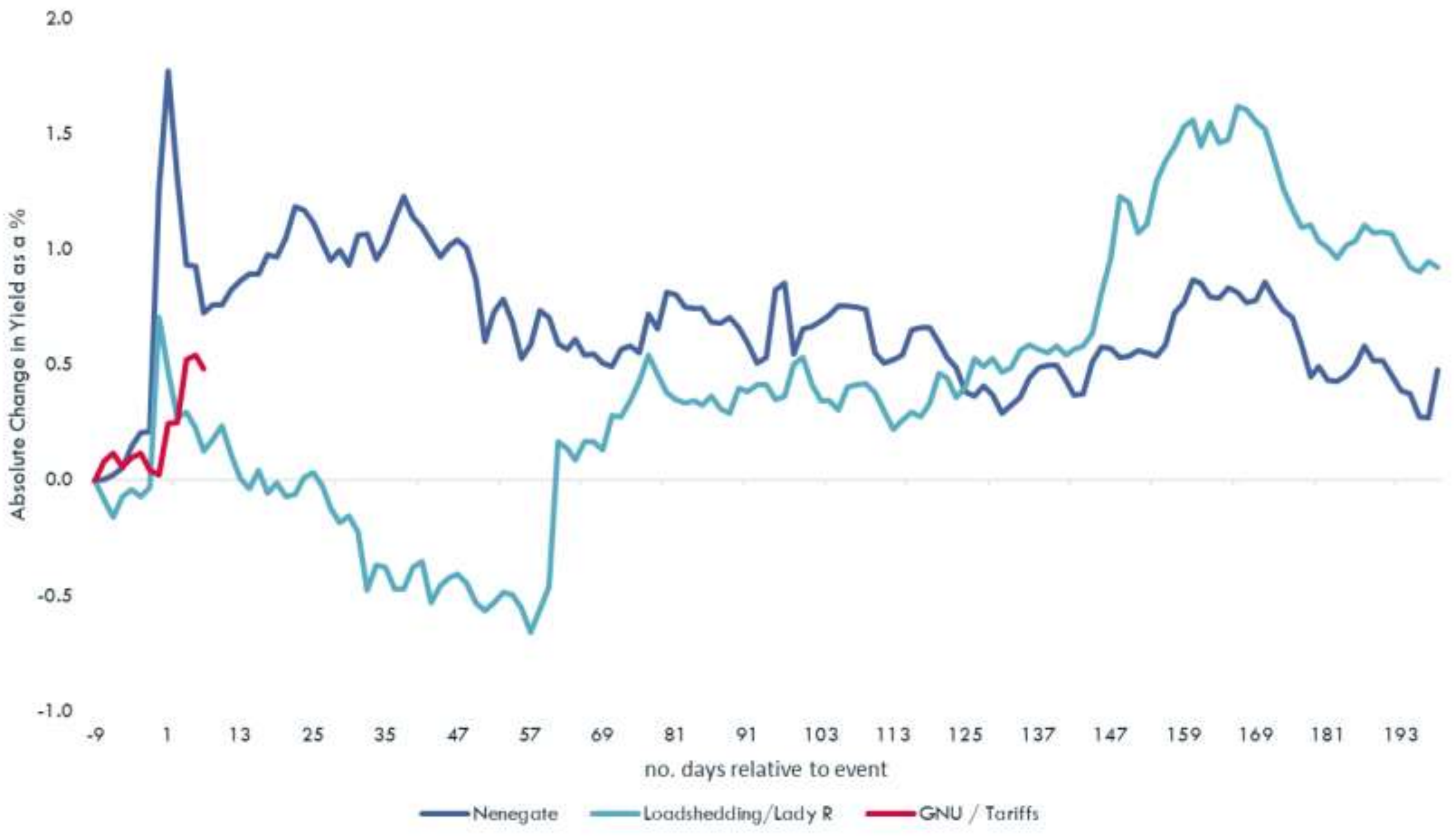
Sources: Bloomberg, IMF, UNCTAD, Standard Bank Research

Compared to previous crises
The Impact on Rates (SA 10-Year Yield)



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Sources: Bloomberg, Sasfin Asset Managers

Sasfin's Income Flagship Funds

Sasfin BCI Flexible Income Fund

- Bond-like returns with lower volatility using all risk / return levers
- **Tracks bond yields**

+

Sasfin BCI High Yield Fund

- Low volatility monthly income focus on floating rate note exposure
- **Tracks interest rates**

=

Best of Breed Income solutions

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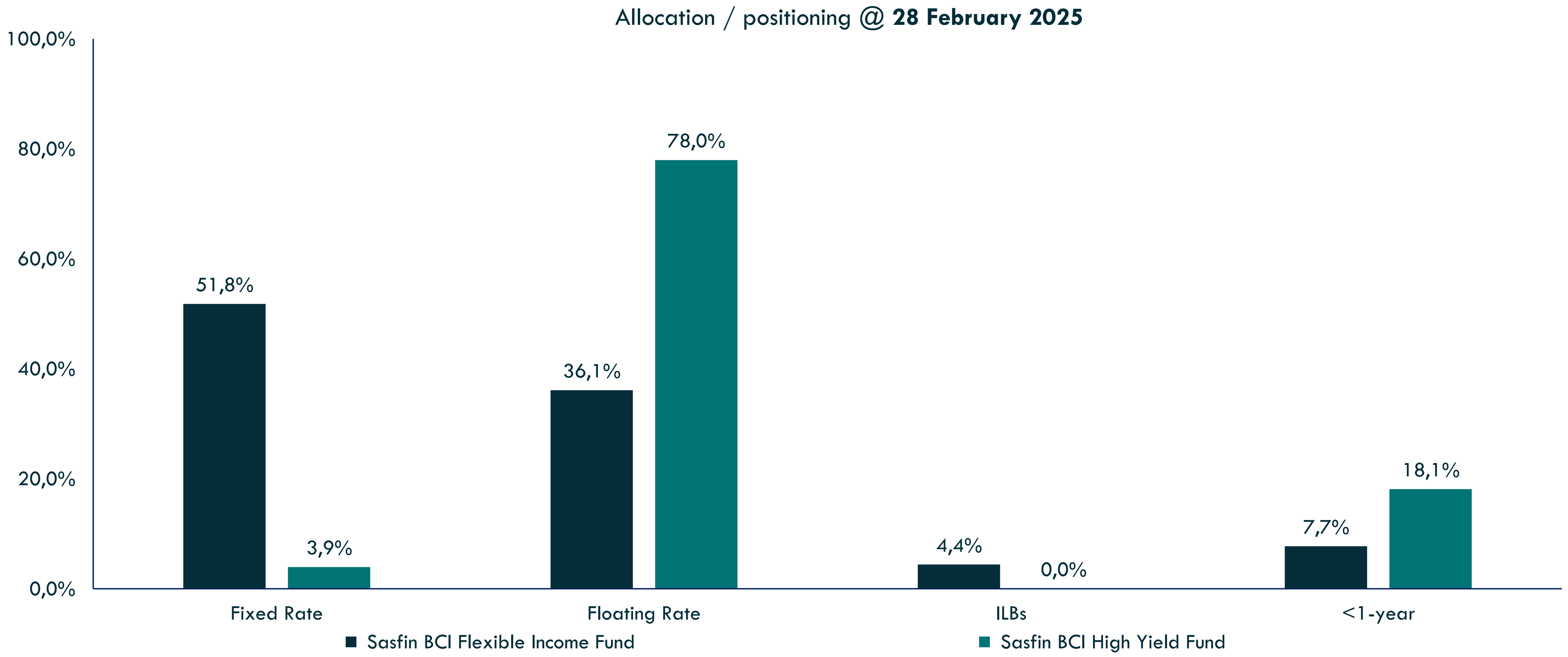
Fund differentiation between the Sasfin BCI High Yield Fund & the Sasfin BCI Flexible Income Fund
Fixed and floating allocation @ 28 February 2025



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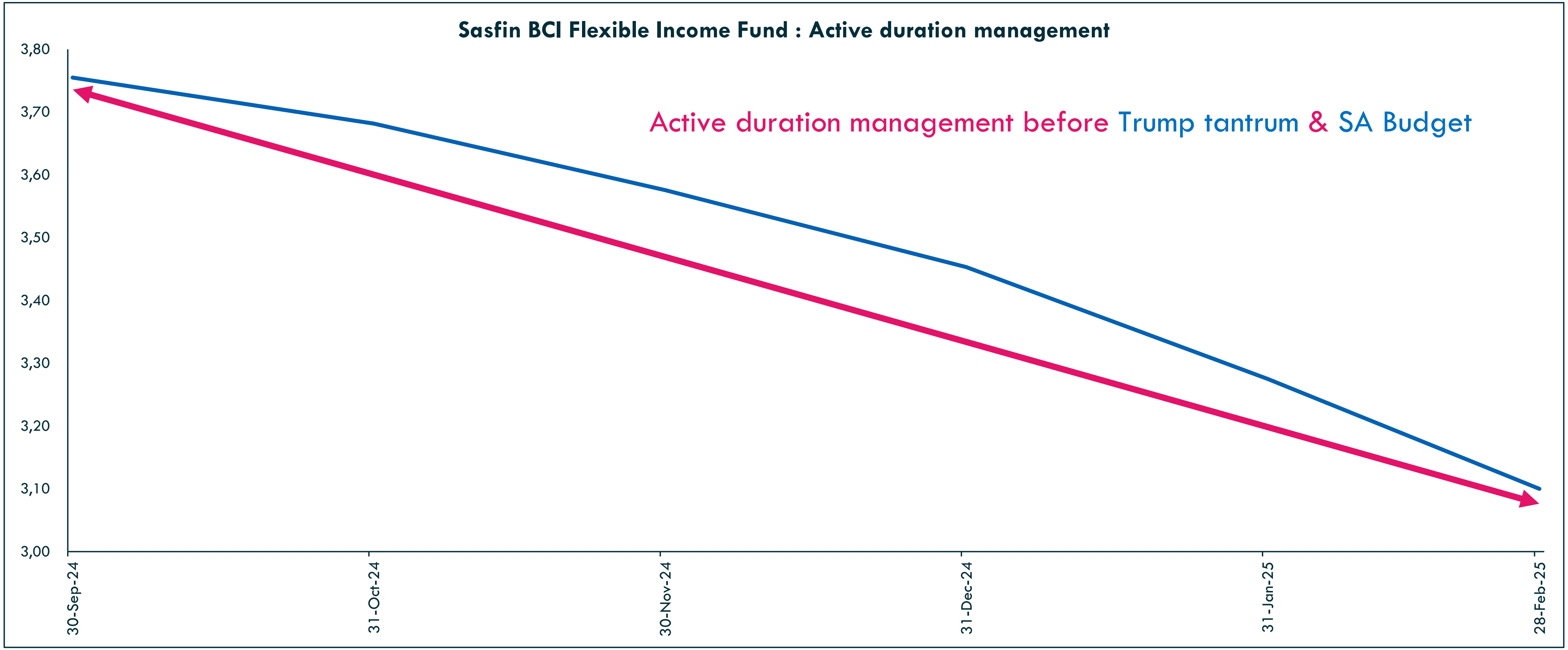
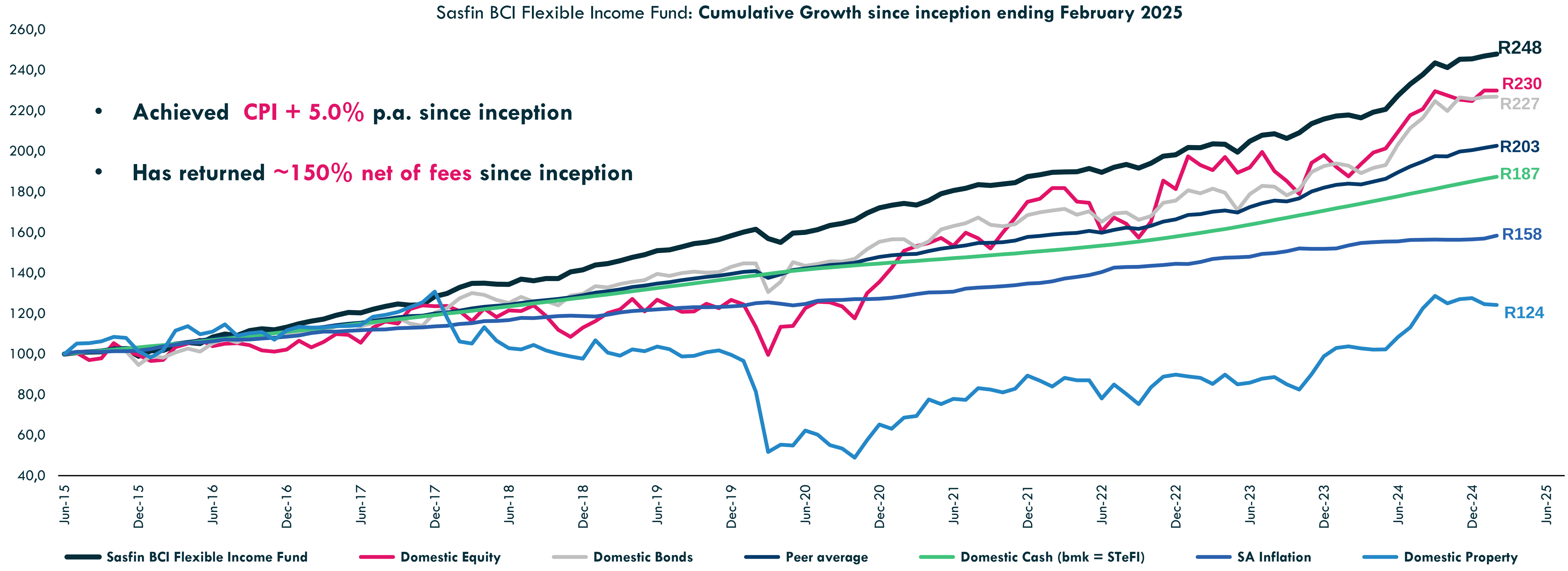
Living our Investment Philosophy : "TAKE APPROPRIATE RISK AT THE APPROPRIATE TIME"



Sasfin BCI Flexible Income Fund : Performance (net) ending 28 February 2025



Source: Morningstar

Notes: B-class; Inception of 01 July 2015; Peer average refers to the ASISA SA Multi-Asset Income Average; Domestic Equity = FTSE/JSE All Share Index; Domestic Bonds = FTSE/JSE All Bond Index
Domestic Property = FTSE/JSE SA Property Index; Fund highest and lowest calendar year performance (31 December 2023): High = 14.53%; Low = 5.78%;
Bmk = Benchmark = STeFI Composite.

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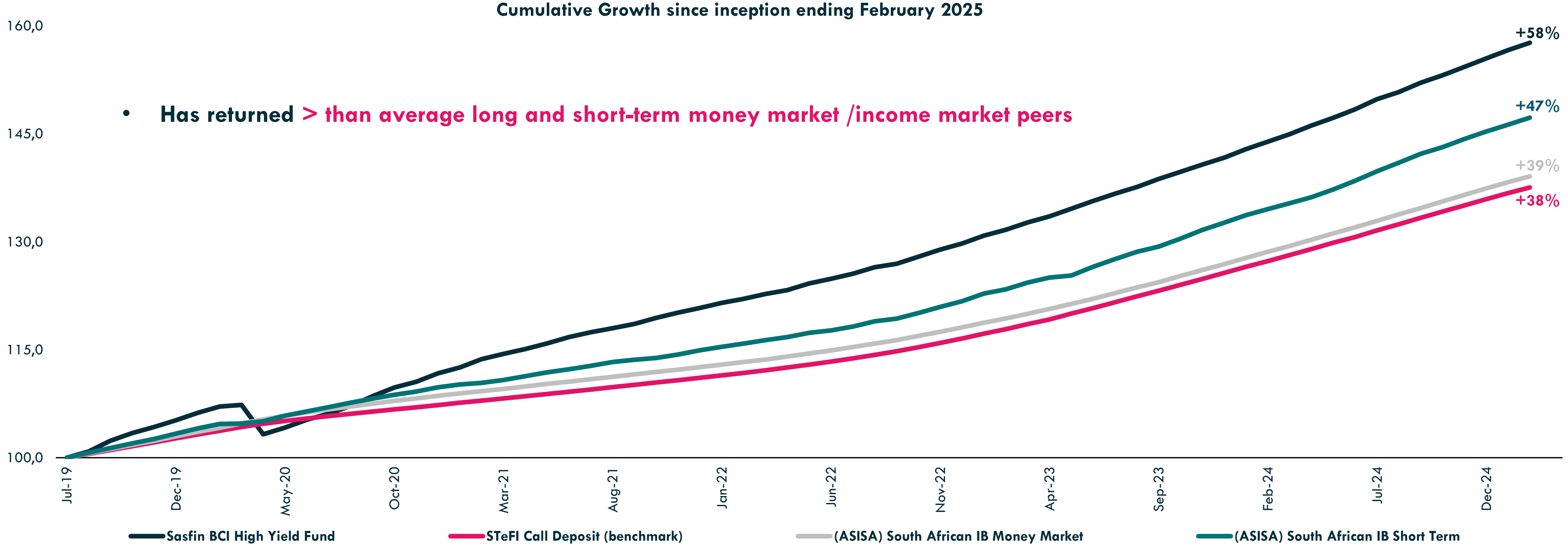
Sasfin BCI High Yield Fund : Cumulative growth (net) ending 28 February 2025



Source: Morningstar
Notes: A-class
Inception = 24 July 2019 but starting graph point is 01 August 2019

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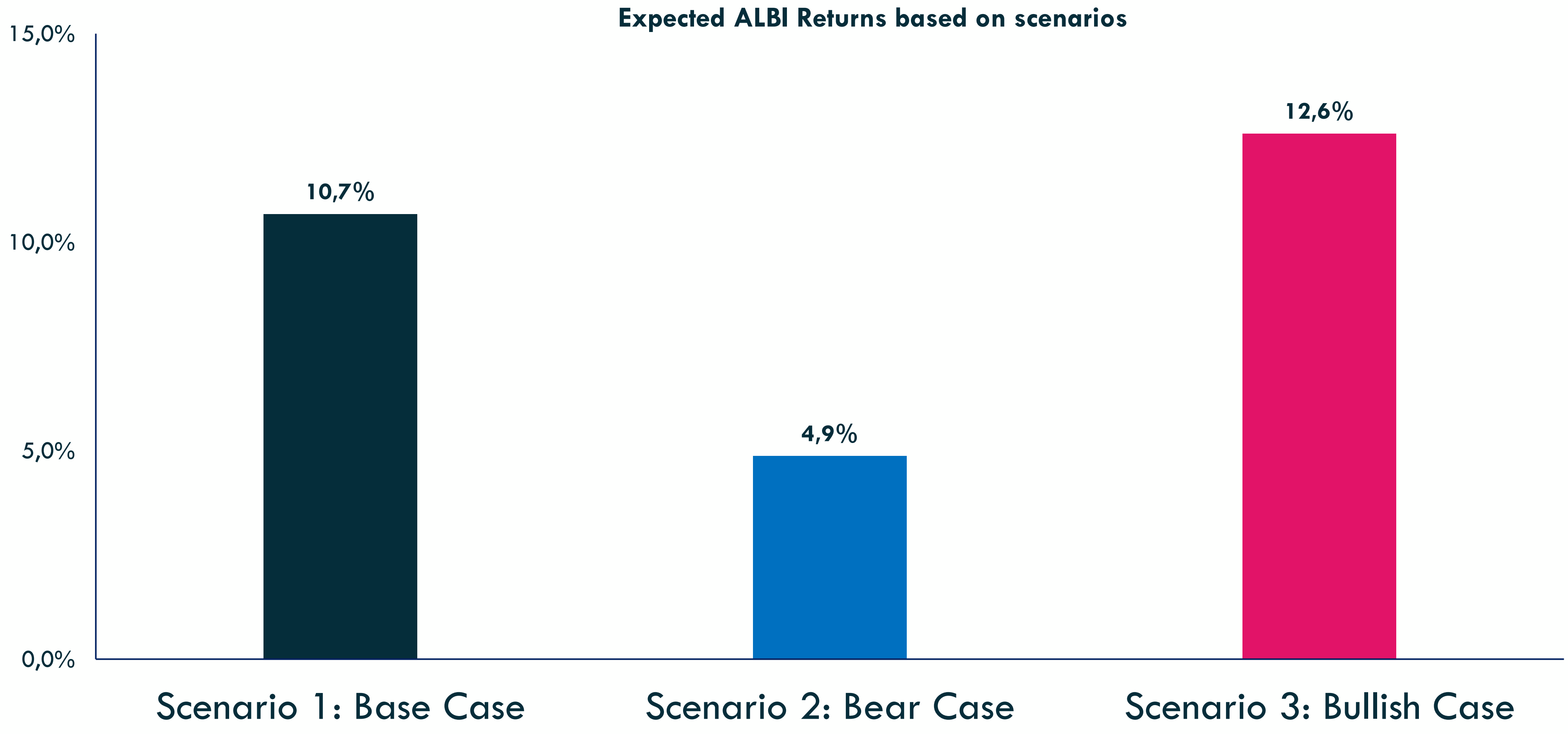
SAM 12m Modelled Returns for 2025



Source: Sasfin Asset Managers

Thank you

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The investment performance is calculated by taking the actual initial fees and all ongoing fees into account for the amount shown.

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Bateleur Capital

Boutiques on a Wednesday

April 2025

Background

Experienced and stable team

Sound long term track record

Consistent investment process

Nimble and flexible

Business founded in 2004, built the team steadily to current compliment of 17. Currently manage R16bn of assets.

All funds have outperformed their benchmarks since inception. Bateleur L/S has compounded at 15.1% net of fees over 20 years.

Focused suite of equity centric products with a capital preservation objective. All managed using a consistent investment process.

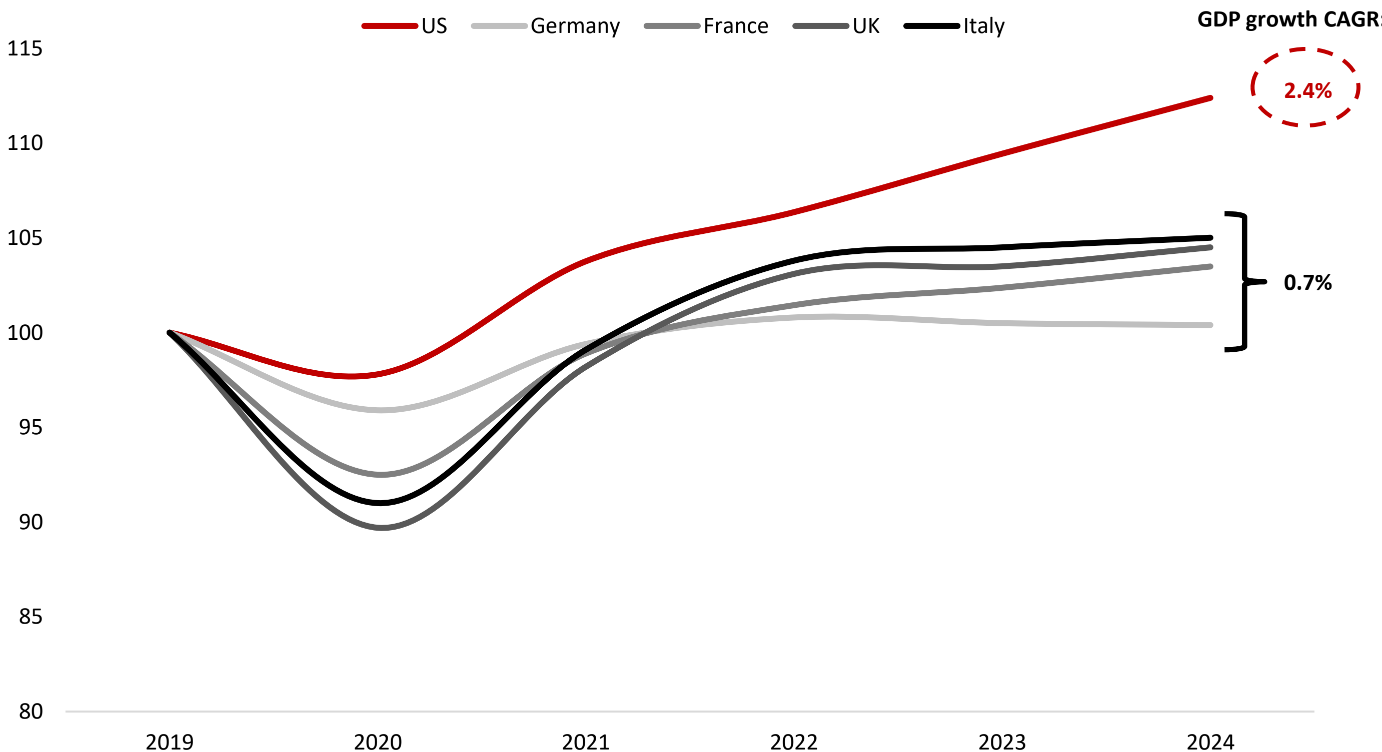
Entrepreneurial culture and flat organizational structure enables swift implementation of investment decisions.

Source: Bateleur

2025...

Source: Bateleur

GDP growth – US vs Europe (rebased to 100)



Source: Bateleur

US has benefitted from expansionary fiscal policy

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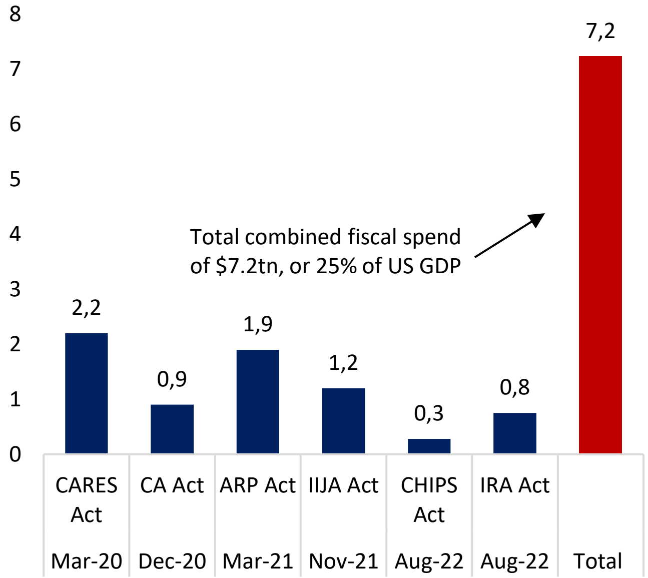
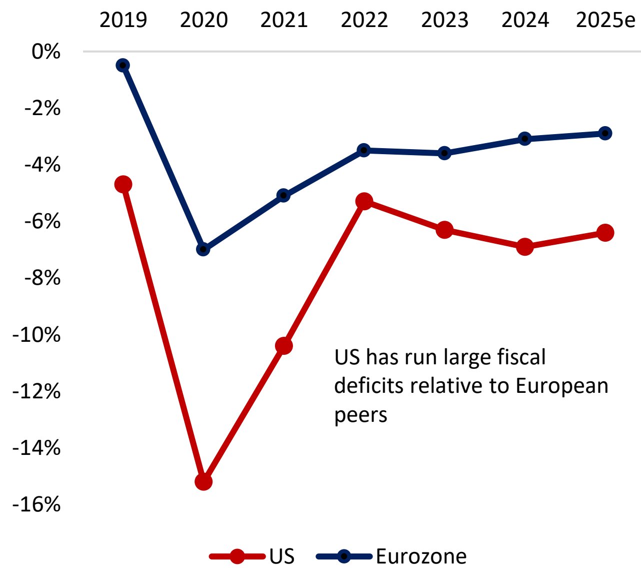
US fiscal packages ($tn)



US deficit as % of GDP vs Eurozone



- Superior growth has been assisted by **sizable fiscal support**.
- Beyond the $5tn deployed during covid, an additional $2.2tn has been provided for strategic investments.
- Long term consequences for US debt and interest bill – a focus for the Trump administration.

Source: Bateleur, Bloomberg

Index performance – last 5 years (USD)

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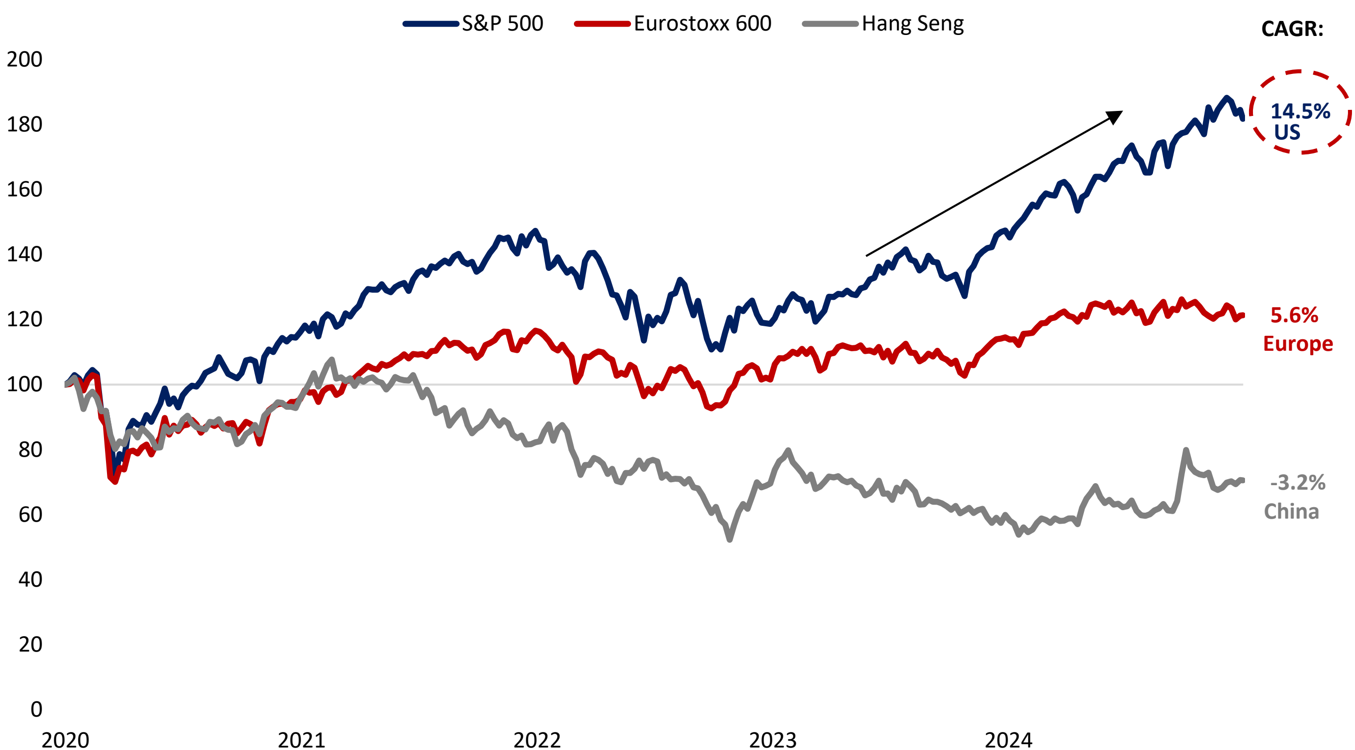

Source: Bateleur

Trump 2.0

- Reduce corporate taxes
- Reduce regulation
- Reduce illegal immigration
- Reduce energy prices
- Increase tariffs
- Reduce US trade deficit
- Reduce government waste (DOGE)

Following US elections, consensus that:

- Trump policies pro business and pro capital markets.
- Reduction in red tape, reduction in taxes and onshoring to support economy.

- Achieving this should **support US economic and corporate earnings growth over the medium term.**

Source: Bateleur; Company reports, ^cited from interview with leading candidate for Trump treasury secretary role, Scott Bessent – Bloomberg, November 2024

Druckenmiller bullish on Trump 2.0

Stanley Druckenmiller (the GOAT):

“I've been doing this for 49 years, and we're probably going from the most anti-business administration to the opposite. We do a lot of talking to CEOs and companies on the ground, and I'd say CEOs are somewhere between relieved and giddy.”

Source: Bateleur; X

US Policy uncertainty is hurting growth

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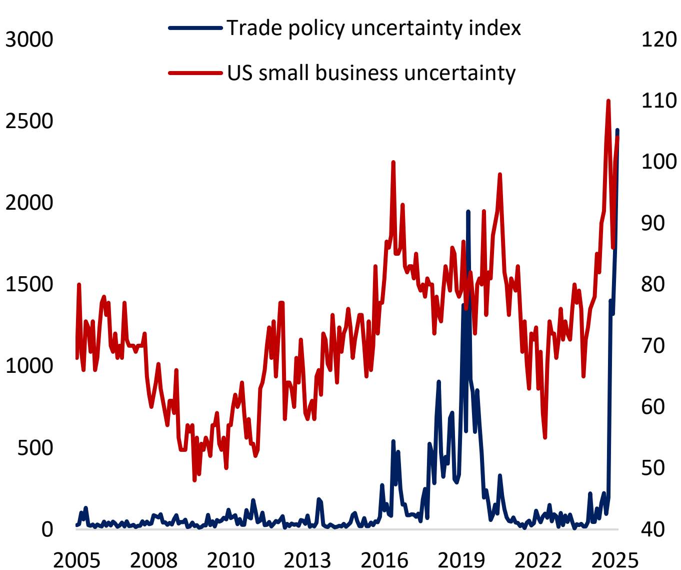
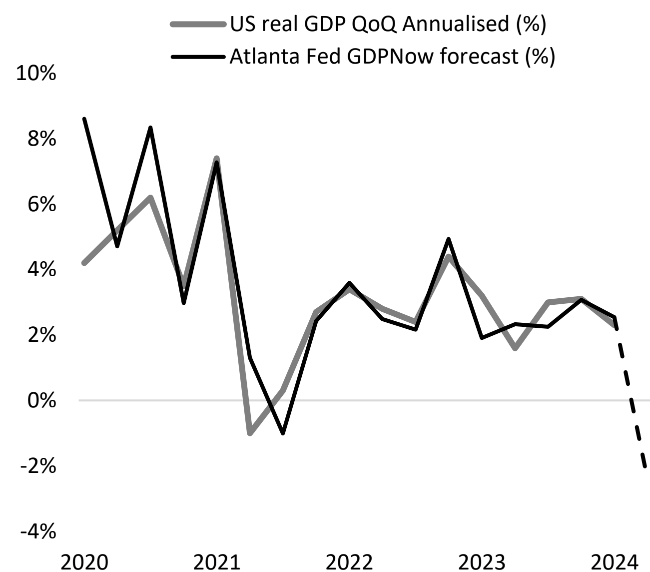
Policy uncertainty is elevated



Lead indicators of growth slowing



- Policy uncertainty is **elevated** and **impacting economic activity** in the short term.
- Atlanta FED GDPNow pointing to **sharp contraction** in Q1 2025 GDP.
- **"There's going to be a detox period"** – Scott Bessent (US Treasury secretary – 13th March 2025).

Source: Bateleur, Bloomberg

Tariffs a significant negative shock

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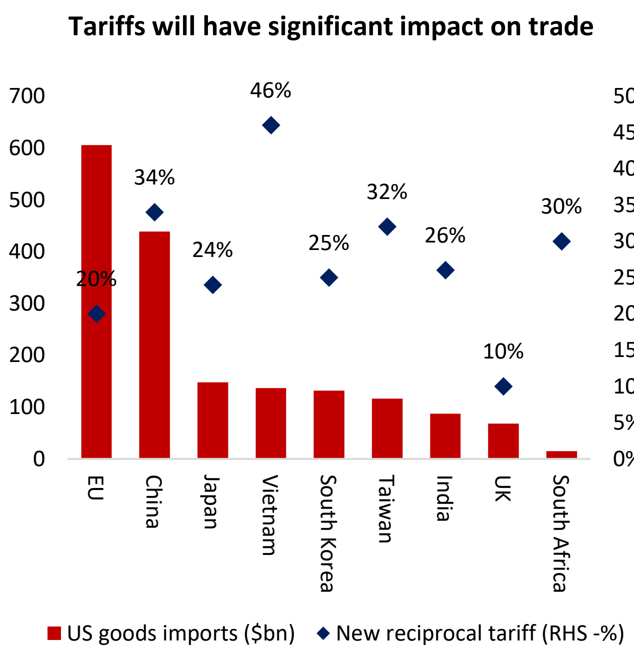
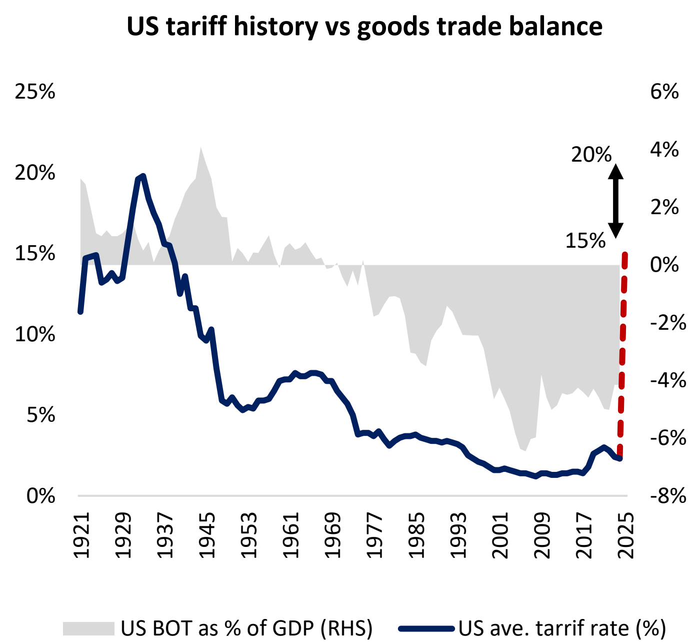




- Tariffs are worst case scenario but are a ceiling – expect negotiations to lower over time.
- US aims to rebalance global trade and reduce US trade deficit with rest of world.
- If implemented fully **– 1.5% drag on US GDP and potential 150/200pp increase in inflation.**

Source: Bateleur, Bloomberg

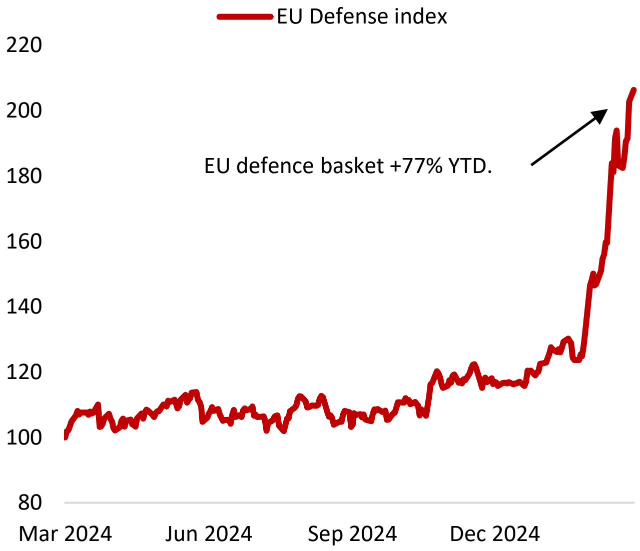
Germany - From fiscal austerity to fiscal bazooka

Germany plans to invest in defense/infrastructure

Germany's Friedrich Merz plans 'double bazooka' for defence and infrastructure

Economists' proposal for up to €800bn of funding under review as part of coalition talks

European defense stocks



- **"Basically we go from fiscal austerity to fiscal bazooka in one go"** - Friedrich Merz.
- Deal includes significant expenditure (EUR900bn) on both defence and infrastructure over the next 10 years.

Source: Bateleur, Bloomberg

China requires further stimulus

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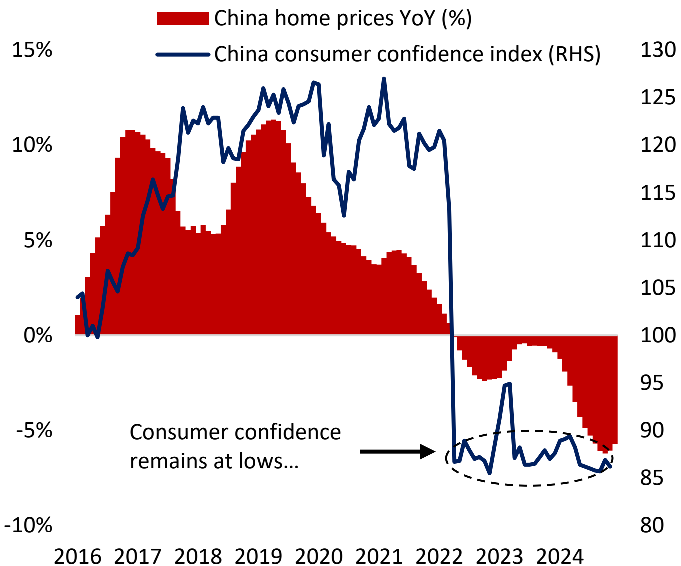
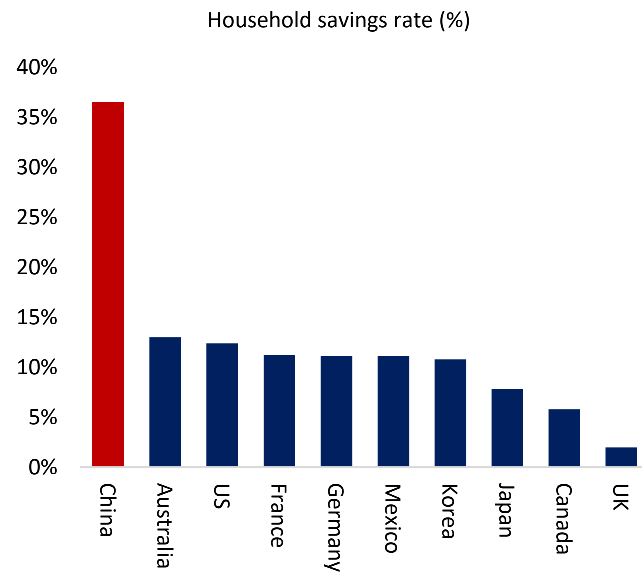
Consumer sentiment & property prices



China household savings rate elevated



- During Q4, policymakers pivoted. While substantial, measures thus far have been **notably smaller than GFC.**
- **Consumer confidence remains low** amid continued deleveraging in face of a weak property sector.
- China household savings rate **well above rest of world** – sentiment & lack of social security.

Source: Bateleur, Bloomberg

Xi recognizes the importance of the private sector

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Improve private sector confidence

People ‘underestimate’ the importance of Chinese President Xi’s entrepreneur meeting: Alibaba’s Tsai

PUBLISHED TUE, MAR 11 2025 11:35 PM EDT | UPDATED WED, MAR 12 2025 2:56 AM EDT

- Chinese President Xi Jinping held a closed-door symposium last month with some of the country’s most prominent business leaders, including Alibaba founder Jack Ma.
- Alibaba Chairman Joe Tsai said the importance of the meeting has been underestimated, adding that it “gave us the confidence to put our earnings back into CAPEX and investments.”

Revitalize domestic consumption

China unveils plan to ‘vigorously boost’ weak consumption

Policymakers seek to spur demand as economy battles deflationary pressure

- Chinese economy is facing **subdued domestic demand** (consumption) as a result of poor sentiment.
- **Aim to improve sentiment** – private sector investment, job creation, wage growth & improving pension system.
- Significant **pent up savings** to be deployed into consumption - $10tn added to domestic savings since pandemic.

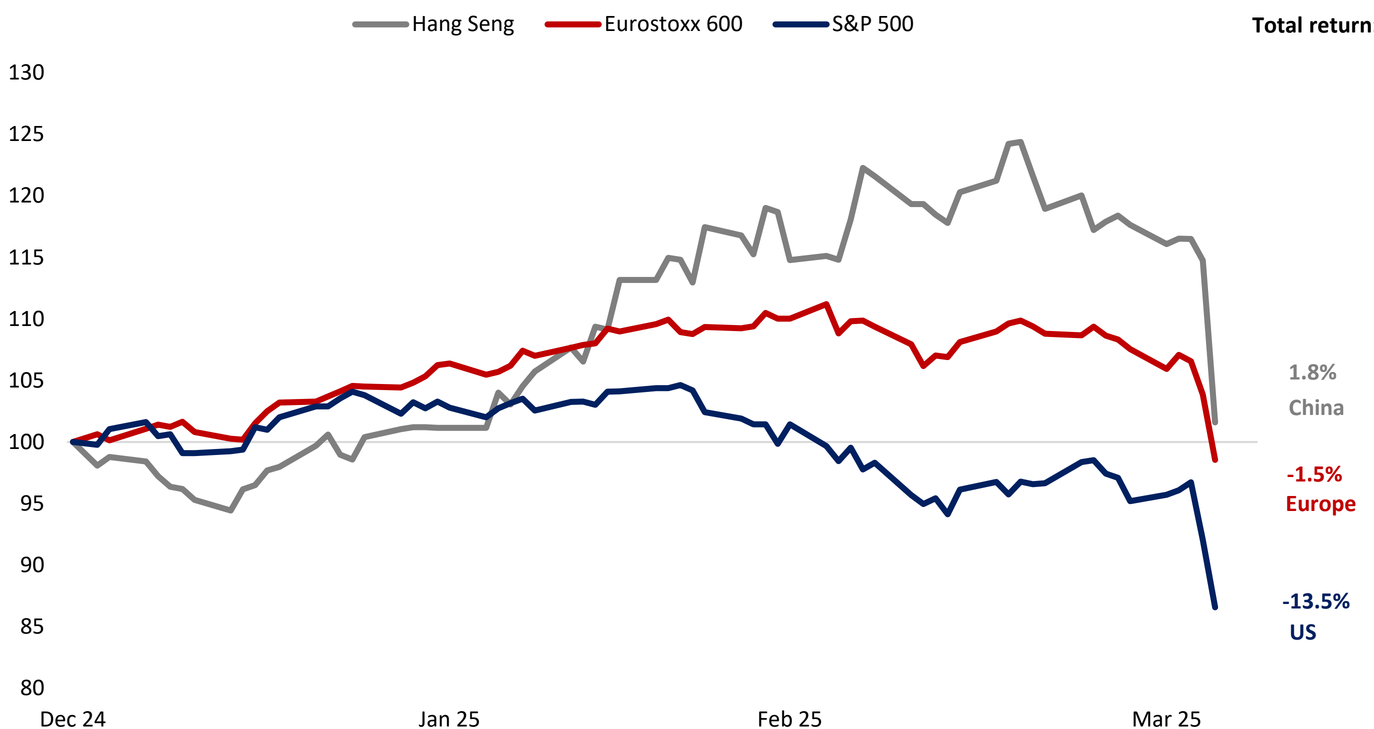
Source: Bateleur, Bloomberg

Consensus expectations vs. reality

Consensus expectations		Reality
US exceptionalism – deregulation, lower taxes and improved growth.	→	**US growth slowing –** hostile foreign policy, tariff volatility, heightened uncertainty.
Europe slumber – increased regulation, fiscal austerity and slow economic growth.	→	**Europe awakening –** tariffs/NATO galvanising Europe = faster growth
China crisis – uninvestable with slowing growth and limited private sector support	→	**China opportunity –** government pro private sector, AI leadership and consumption stimulus.

Source: Bateleur

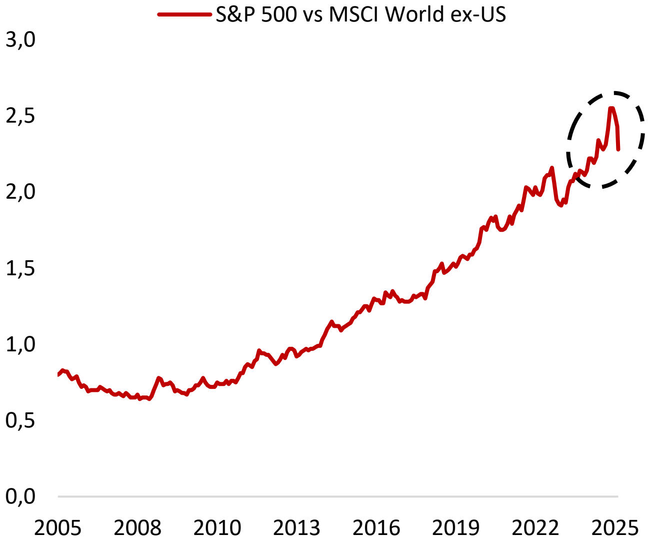
Index performance – year to date (USD)



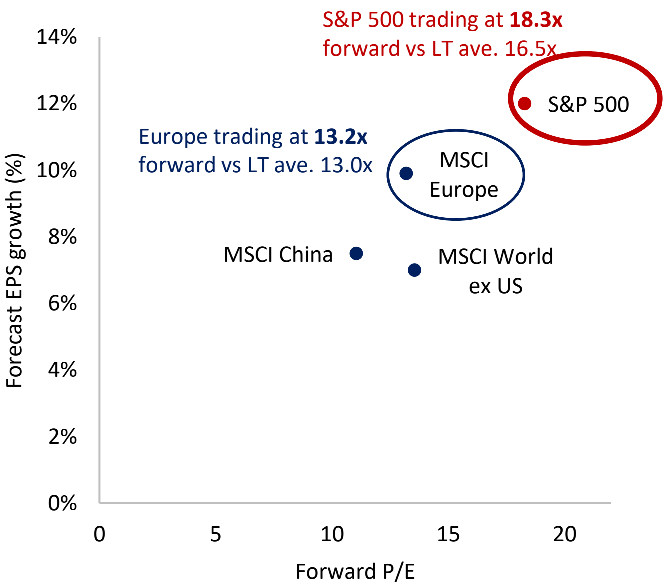
Source: Bateleur

US valuations remain elevated despite pullback

S&P 500 vs MSCI AC ex-US



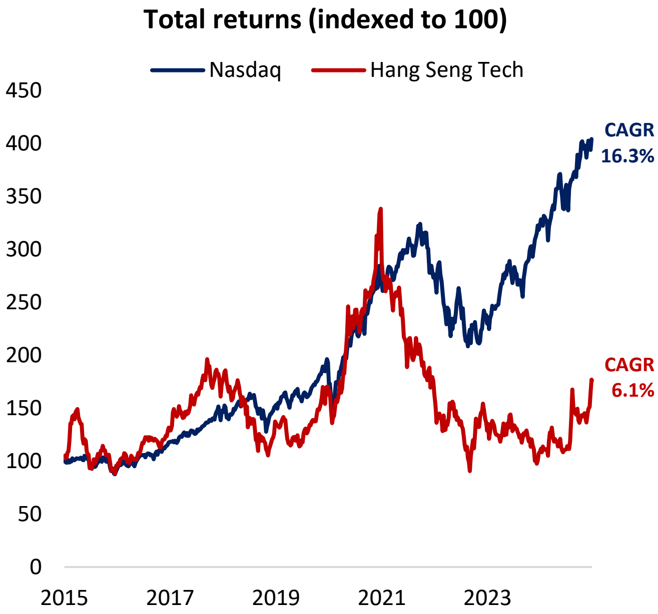
EPS growth vs. forward P/E

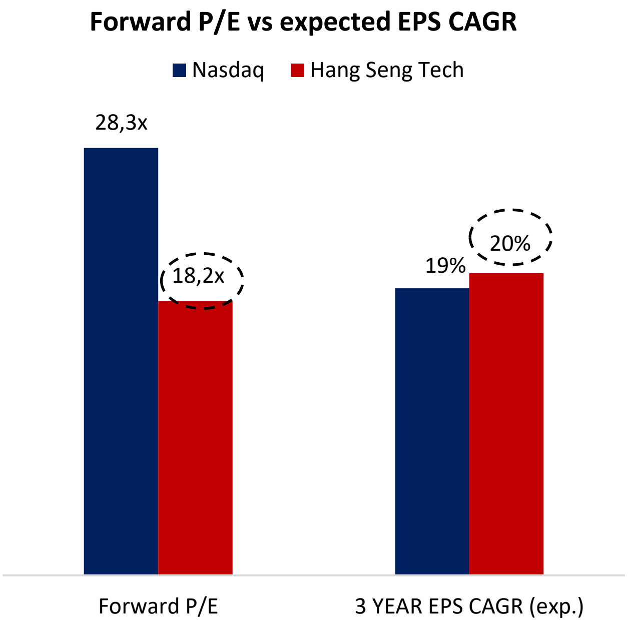


- US equities have enjoyed **significant outperformance.**
- Valuations remain **elevated relative to history** - reflecting expectations for continued outperformance.
- Limited margin of safety should US growth/corporate earnings disappoint to the downside.

Source: Bateleur, Bloomberg

China equity valuations remain attractive





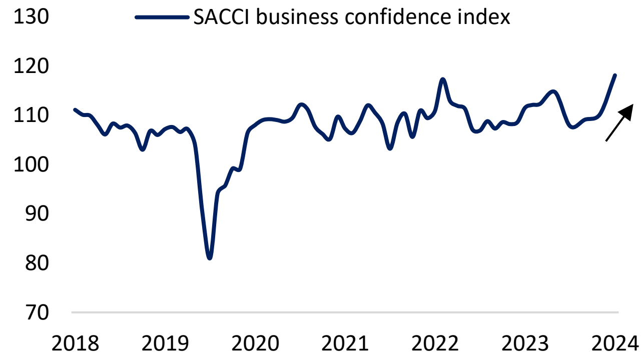
- Chinese equities have **lagged significantly** over the last 3 years.
- Recent outperformance - signs of **improving relations between government & private sector/Deepseek**.
- Valuations remain attractive despite recent outperformance.

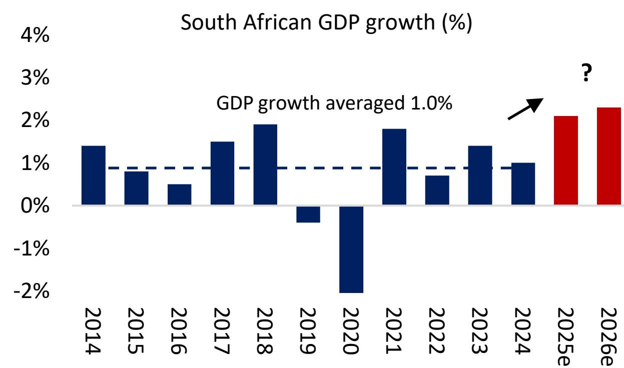
Source: Bateleur, Bloomberg

South Africa needs faster economic growth

0.6% growth is not enough.

Business confidence needs to translate into activity

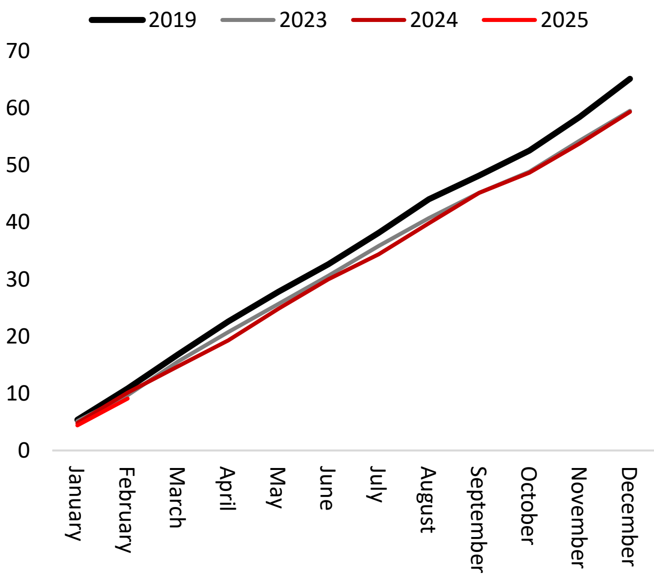




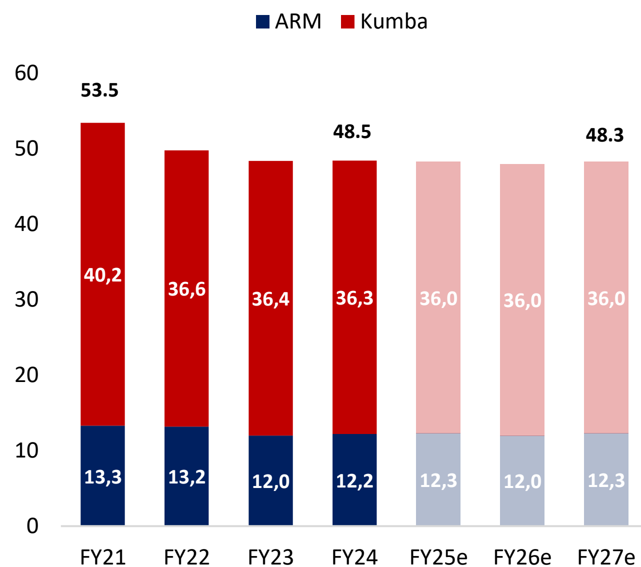
Source: Bateleur; Bloomberg, Company reports

Reform will take time to stimulate economy

Recent export volumes (mt).



Iron ore miner export guidance.



- Up to date export data points to **stabilisation** in export volumes.
- Recent interaction with mining companies points to **first growth in volumes during 2027/28**.

Source: Bateleur; Bloomberg, Company reports

Recent corporate comments are mixed

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Bidvest prospects statement.

"To date, structural reform frameworks and ambitions relating to SA infrastructure build have **not translated into basic infrastructure spend and increased demand…what remains outstanding is action and project mobilisation**. Domestically, broad economic activity is expected to **remain tight until pro growth initiatives are implemented".**

Shoprite prospects statement.

"Whilst lower inflation and interest rates have offered customers a much-needed reprieve….our purchase data across the board informs us that **even our more affluent customers are participating meaningfully in value purchases and promotions".**

Cashbuild prospects statement.

"Revenue for the subsequent seven weeks after half year end increased by 6%...**Management expects trading conditions to remain challenging"**

AVI prospects statement.

"The macro-environment remains increasingly challenging..**it seems likely that rates of growth in the next six months will slow especially if there is no improvement in the operating environment".**

Truworths prospects statement.

"**Discretionary spending is expected to remain muted in the months ahead**…volatility and uncertainty in global economies remain a risk to the stability of the local economy and currency".

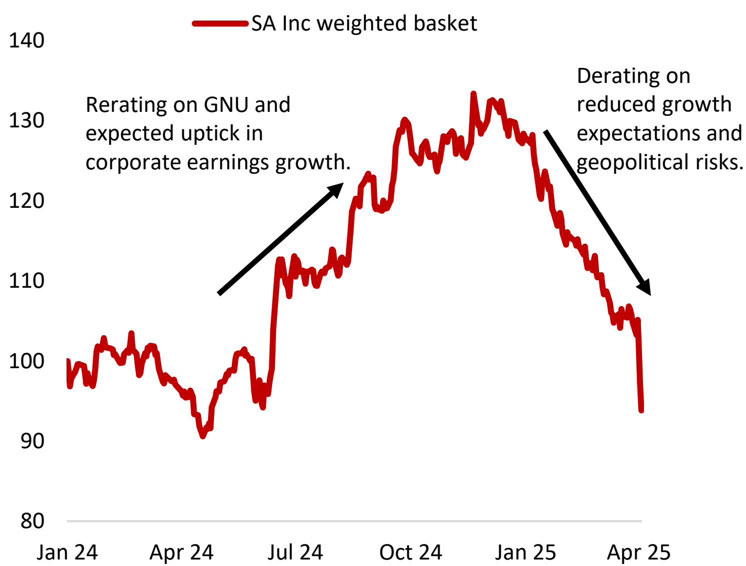
Motus prospects statement.

"**The trading environment is expected to remain challenging due to ongoing economic pressure..**operating profit is expected to be marginally below the prior year"

Source: Bateleur; Bloomberg, Company reports

SA Inc has given up majority of its gains

SA Inc weighted basket

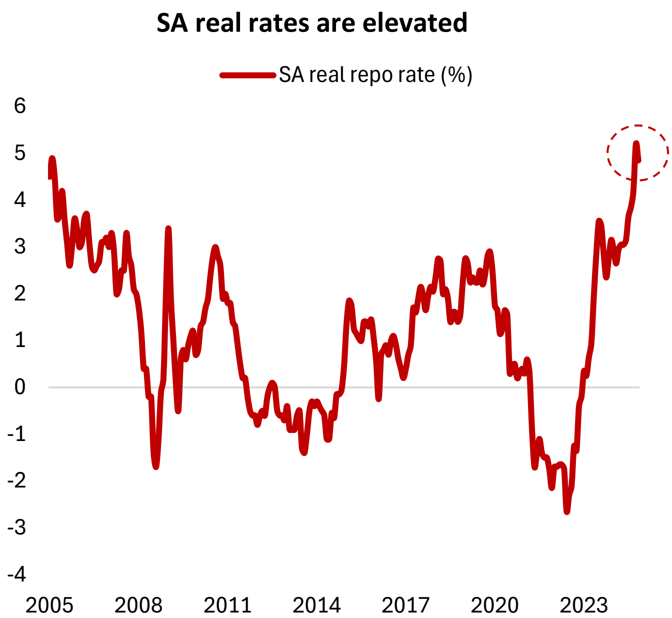


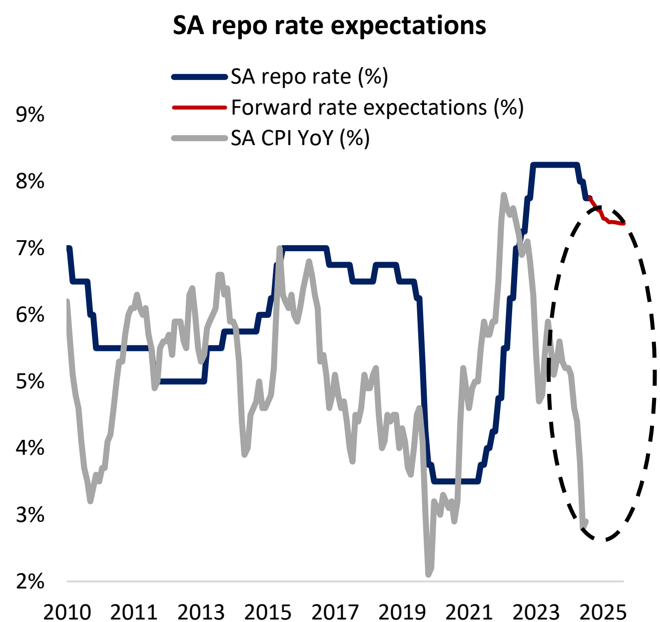
Net foreign equity flows into SA Inc (Rbn)

- SA Inc. has given up majority of its GNU led gains.
- Foreigners have turned net sellers as optimism has waned.
- Recent **corporate outlooks mixed** – limited signs of increased optimism translating into activity.

Source: Bateleur, Bloomberg *SA Inc basket includes SHP, BVT, AVI, TFG, MRP, NTC, NED, TRU, WHL & MTH

Interest rates remain too high





- SA reserve bank continues to hold **real interest rates at 20 year highs** – impediment to growth!
- With inflation at low levels (3.2% in Feb. 2024), there remains ample room to **reduce rates and bolster growth.**

Source: Bateleur, Bloomberg

South African valuations still supportive

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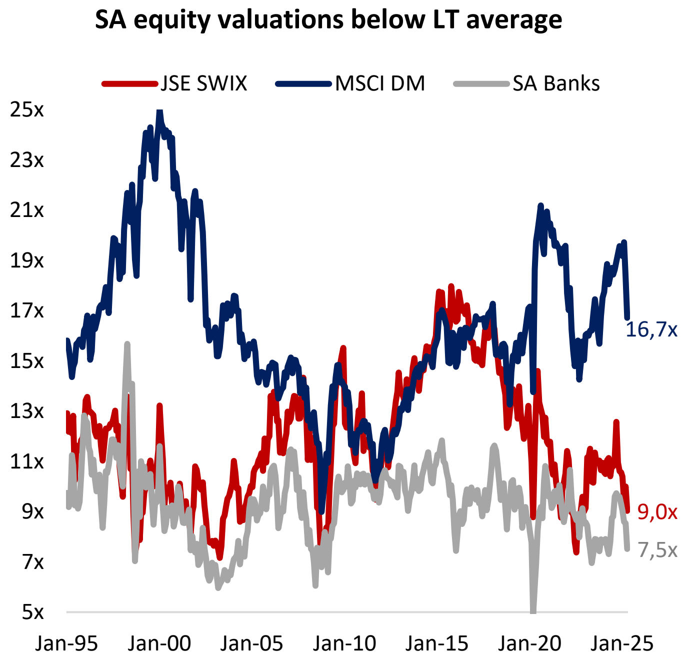

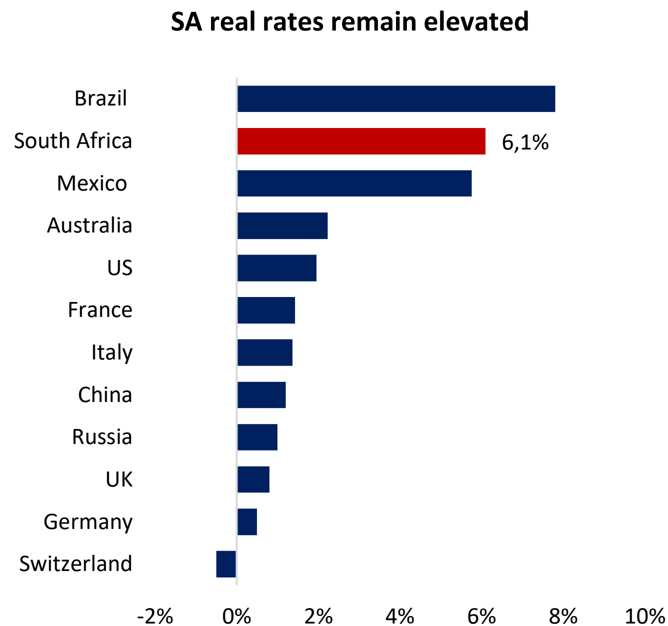

- SA risk assets remain **attractively priced** (both domestic equities and government bonds).
- Need **tangible evidence of accelerating economic growth** for further rerating.

Source: Bateleur, Bloomberg

African Rainbow Minerals – value unlock

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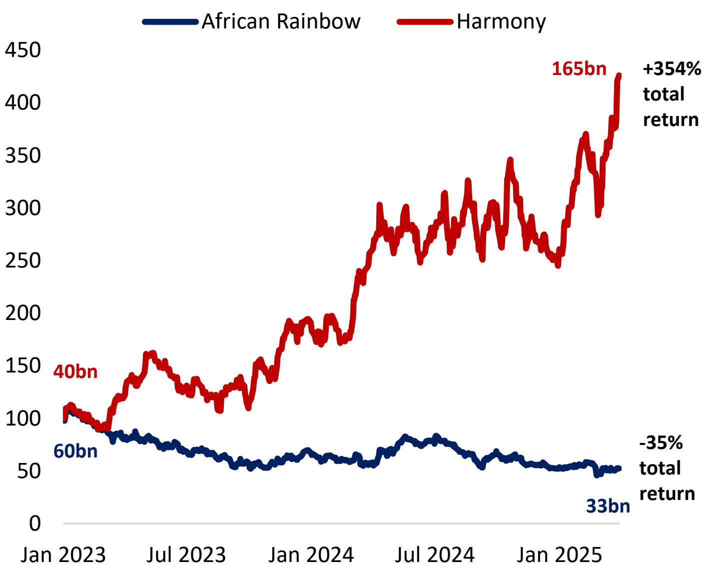
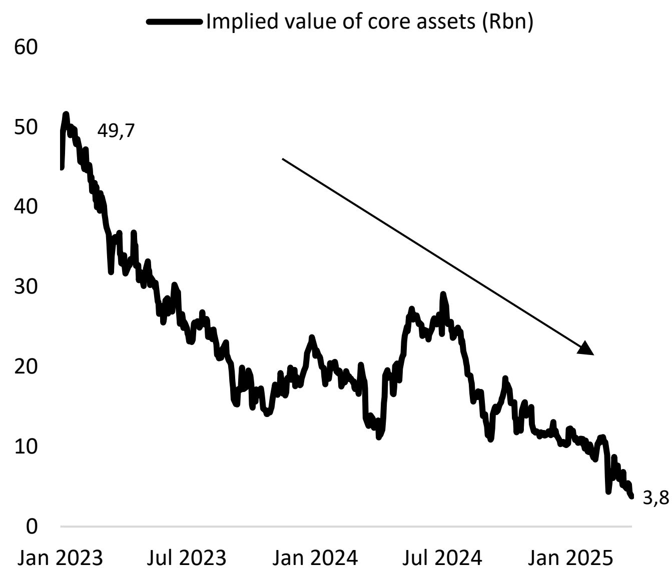
Total returns (rebased to 100)



African Rainbow Minerals "core" assets (Rbn)



- African Rainbow Minerals is a diversified miner with an **11.8% stake in Harmony Gold.**
- Stake in Harmony Gold is worth c.R20bn or **60% of market cap and 87% of enterprise value.**
- Bateleur Capital is **engaging with management** on options to unlock value.

Source: Bateleur, Bloomberg

Reinet – discount to NAV remains elevated

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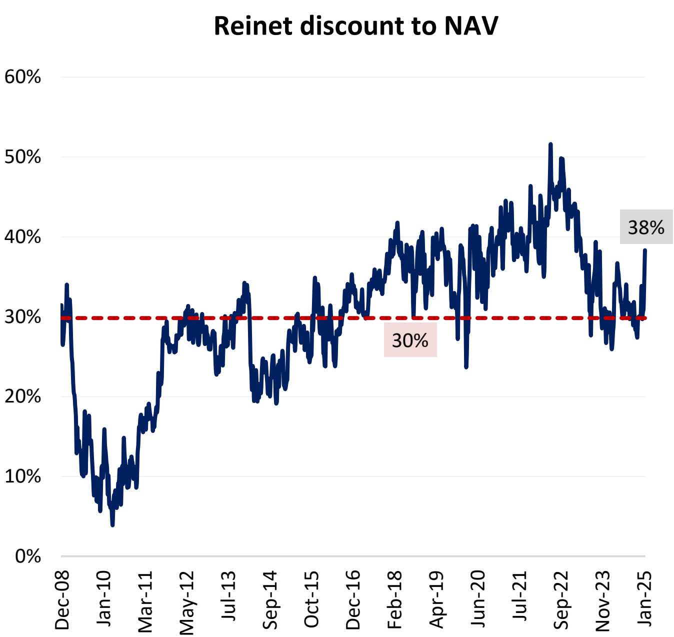
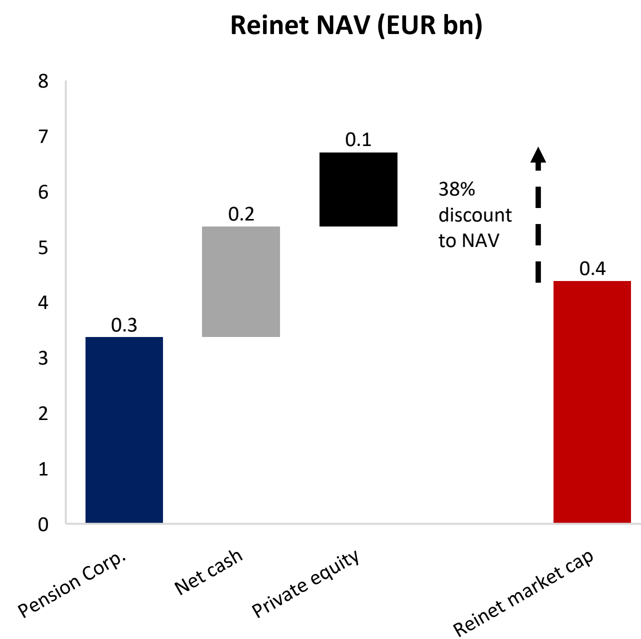


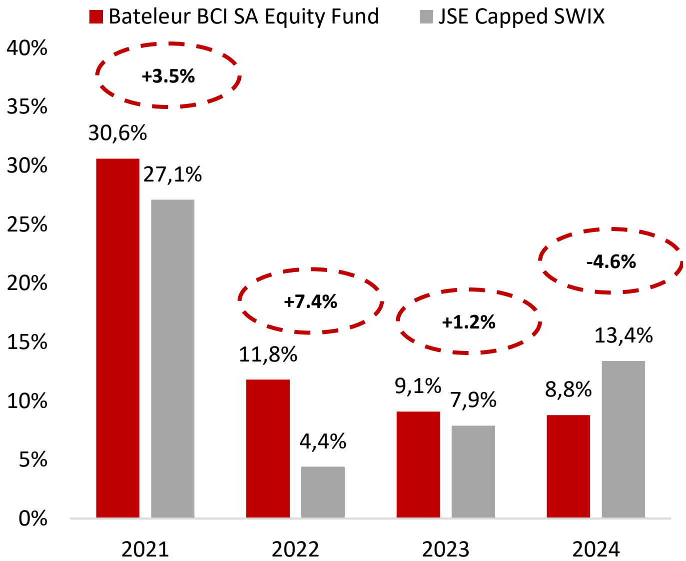


- Reinet has completely exited its stake in **British American Tobacco raising EUR1.6bn.**
- EUR2.0bn in net cash on balance sheet = **46% of market cap and 32% of NAV.**
- Pension corporation = 49% of NAV, Private equity 19% and balance net cash – believe discount should reduce.

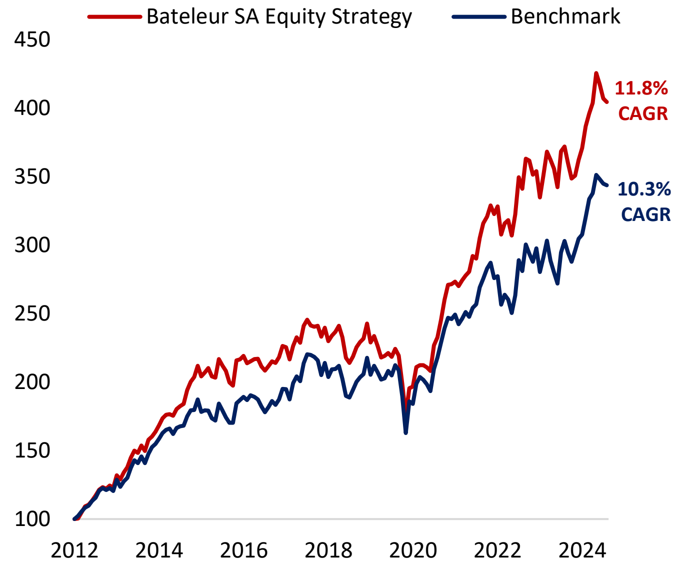
Source: Bateleur, Bloomberg

Bateleur BCI SA Equity Fund – performance

Bateleur SA BCI Equity Fund
Medium term track record



Bateleur SA Equity Strategy
CAGR returns since 2012



- **Performance to 31 December 2024**
- **Inception Dates: SA BCI Equity Fund April 2015 | SA Equity Strategy 1 June 2012**
- **Highest rolling 1 year return 54.4%, Lowest rolling 1 year return -25.5%.**
- **Since Inception (21 April 2015) Fund 6.2% Benchmark 5.9%**
- **5 Year: Fund 12.0% Benchmark 10.3% | 3 Year: Fund 9.7% Benchmark 8.5% | 1 Year: Fund 8.5% Benchmark 13.4%**

Source: Bateleur, Bloomberg *Longest running SA Equity segregated mandate to 31 December 2024, Benchmark – blended = SWIX to July 2021 and Capped SWIX from August 2021 onwards

Conclusion

We remain confident in delivering on the investment objectives of the funds that we manage

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Annualised performance show longer term performance rescaled to a 1 year period. Annualised performance is the average return per year over the period. Actual annual figures are available to the investor on request.

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Boutique Collective Investments (RF) (Pty) Limited, Catnia Building, Bella Rosa Village, Bella Rosa Street, Bellville, 7530