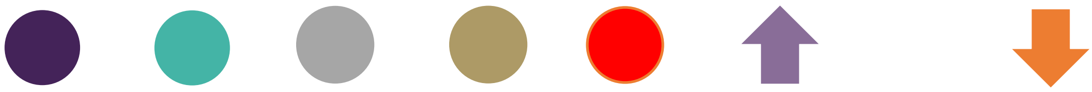
Quarterly House View – Quarter 2, 2024

The publication summarises the investment committee's latest forward-looking house view on several asset classes based on the four dimensions of our quarterly capital markets research (the 4**R**s Process: *Economic* **R**egime, *Implied* **R**eturns, *Technical* **R**isk *and Value*, and **R**elative *Positioning*). The house view underpins our target tactical asset allocation decisions and implementations across the Hollard BCI Conservative Growth, Moderate Growth and Managed Growth Funds of Funds. It is a consensus outcome of a constructive, rigorous, and research-based team debate, as articulated by the investment charter.

Asset class ratings – relative attractiveness

- Figure 1 shows our quintile rating framework for expressing the overall attractiveness of each asset class. The up/down arrows depict the relative changes from the previous quarter.
- Figure 2 shows the application of the quintile rating framework, provides detailed insights into each asset class, dimension, and tactical decision relative to the strategic asset allocation.
- Figure 3 is a summary table of Figure 2, expressed in terms of ratings.

Figure 1: Asset class rating calibration framework



Asset class rating	Very attractive	Attractive	Neutral	Unattractive	Very unattractive	Up from previous quarter	No change	Down from previous quarter
Tactical view	Assertively Overweight	Moderately Overweight	Neutral	Moderately Underweight	Assertively Underweight	More attractive from the previous quarter		Less attractive from the previous quarter

Figure 2: Main asset classes: tactical view

Asset Group	Asset Class	Rating	Expectations	Key Inputs • Returns (Valuations) • Regime (Economic and financial conditions) • Risk (Technical risk and value indicators) • Relative positioning (Tactical decision)
Equity	SA equity		Returns & Regime: Our base-case scenario for SA equity indicates very attractive 1-year-forward total returns in the range of 15-20%. The expected total return assumes 1-year forward consensus earnings growth of 11%, current and a base-case 1-year exit price: earnings ratios of 13.2x and 13.2x-14.1x respectively, and an implied price: earnings valuation re-rating of 8%. The combined market cap of resources and financial is equivalent to almost half of the Capped SWIX index. The resources (11.8x) and financials (10.5x) equity sectors are currently trading at attractive price: earnings multiples and ranked 72nd and 80th percentile relative to their respective 20-year histories respectively. The industrials equity sector (18.5x) appears somewhat cheap with a current price: earnings ratio ranked 60th percentile relative to its 20-year history. In Q1 2024, South Africa's real GDP contracted by 0.1%, but better growth is expected in subsequent quarters. The IMF projects 2024 growth at just below 1%, while the SARB and National Treasury anticipate a growth rate of 1.2%-1.3%. The medium-term growth outlook remains muted due to structural challenges such as high unemployment (32.1% in Q4 2023),	

			energy & logistical constraints, low fixed investment, geopolitical tensions, and weak external demand, particularly from major trading partners like China and Europe. A tailwind is the expected reduction in the negative impact of load-shedding on growth, decreasing from -1.5% in 2023 to -0.5% in 2024 and -0.04% in 2026. Structural reforms through Operation Vulindlela and increased private sector collaboration could also boost growth. Additionally, moderating inflation could lead to interest rate cuts, and a potential rebound in Chinese economic growth along with a more resilient global economy may provide further support. Nonetheless, in the near term, challenges are likely to outweigh these potential positive factors. Risk & Technical: Our technical risk and value metrics indicate a combination of a low downside risk and moderate momentum for SA equity. Relative positioning change: The SA equity tactical exposures in the Hollard BCI Multi-Asset Funds and solutions were increased from a mild underweight (-1%) position to a neutral position (0%) relative to respective strategic asset allocations.
	Developed economies' equity		Returns & Regime: Our base case scenario shows a 1-year-forward total return (USD) in the range 10-15% from developed markets' equities in aggregate. Our total return expectations for large individual markets peg the Eurozone-ex UK in the 5-10% range, in local currency terms. The US equity and UK equity are expected to deliver returns in the range of 10-15%, in local currency terms. Japanese equity is expected to deliver returns in the range of 15-20%, in local currency terms. The key valuation measures (current & 1-year exit price: earnings ratio; 1-year-forward nominal earnings growth) for the US, UK, Eurozone-ex UK, and Japan are (22.5x & 22.1x; 12%), (10.6x & 11.5x; 7%), (13x & 13.7x; 6%) and (13x & 13.7x; 16%) respectively. Global growth has been resilient despite high interest rates, geopolitical tensions, and other uncertainties. The risk of a global recession has dissipated, as there are no significant signs of widespread debt stress in global financial markets. Therefore, a soft landing is expected, with the global economy projected to grow at 3.2% in 2024 and 2025, similar to 2023. The IMF expects growth in developed market economies to marginally improve in 2024, driven by a recovery in the euro area and steady growth in the US. The US economy, which constitutes 70% of the MSCI World Index, is expected to remain resilient in 2024, with slower growth expected in 2025. Some factors that continue to support the US economy's resilience include the insensitivity of households to higher interest rates due to fixed-rate mortgages, higher yields on savings and the significant positive wealth effects created by US companies which are leading in AI technologies. In addition, the balance of risks from the upcoming US presidential election suggests policies that would be marginally supportive of US growth and potentially detrimental elsewhere. Risk & Technical: Our technical risk and value indicators show a combination of a low downside risk and high in momentum potential for developed markets equity. Relative positioning change: The developed markets equity tactical exposures in the Hollard BCI Multi-Asset Funds and solutions were increased from a moderate underweight position (-2.5%) to a neutral position (0%) relative to respective strategic asset allocations.
	Emerging economies equity		Returns & Regime: Our base case scenario assumes a 1-year-forward total return in the range 10 - 15% from emerging markets equities in aggregate. This expected total return is underpinned by an expected earnings growth of 11%. At a country level, Taiwan and India are expected to generate returns in a range of 10%-15% in local currency terms. India and South Korea are expected to generate returns in a range of 20%-25% in local currency terms. The fundamentals (current & 1-year forward price: earnings; 1-year-forward earnings growth) for Taiwan, India, China and South Korea are (19.3x & 18.4x; 7%), (26.3x & 25.8x; 19%), (11.9x & 12.0x; 13%) and (18.6x & 17.4x; 25%) respectively. The IMF forecasts stable economic growth for emerging market economies at 4.2% for 2024 and 2025, consistent with the 4.3% achieved in 2023. However, economic prospects vary significantly across regions, with some facing challenges like elevated debt levels, sluggish growth, and the risk of debt distress due to prolonged high interest rates and weakened currencies. Of concern is the Chinese economy, comprising 30% of the MSCI Emerging Markets Index, which is expected to slow down, with the IMF projecting growth at 4.6% in 2024 and 4.1% in 2025, below historical

			averages. China faces headwinds from its real estate sector crisis which is weakening confidence and domestic demand. Lower domestic demand could lead to increased external surpluses which could exacerbate trade tensions. Geopolitical concerns, such as the US-China rivalry and China-Taiwan tensions, could continue to drain capital from Southeast Asian markets. A potential tailwind for emerging markets is the expectation of lower interest rates in developed economies, which could increase the appetite for emerging market assets. Risk & Technical: Our technical risk and value indicators show a combination of low downside risk and above average momentum for emerging markets equity. Relative positioning change: The emerging markets equity tactical exposures in the Hollard BCI Multi-Asset Funds and solutions were maintained at a neutral (0%) position relative to respective strategic asset allocations.
Property	SA listed property		Returns & Regime: Our base-case scenario for SA listed property indicates attractive 1-year-forward total return in the range 10-15%. The expected total return assumes a dividend yield of 6.6% p.a, 1-year forward consensus earnings growth of 5%, current and a base-case 1-year exit price: earnings ratios of 12.0x and 12.0x-12.6x respectively, and an implied price: earnings valuation re-rating of 5.3%. The fundamentals of South African listed property continue to improve, marked by broader-based improvements in rental reversions, decreasing vacancies, better rent collections, and accelerating top-line lease escalations. With prospects across all three major property sectors (retail, office, and logistics) improving, the outlook for South African listed property is positive. The macroeconomic environment also provides significant tailwinds for the asset class. A falling interest rate environment results in higher property intrinsic values as discount rates reduce. In addition, lower funding costs enable companies to refinance expiring loans at lower rates, alleviating pressure on forward earnings growth. SA idiosyncratic risks, such as high levels of load shedding and uncertainty around the election outcome, have dissipated, which should provide a further boost to the asset class. Risk & Technical: Our technical risk and value indicators show a combination of low downside risk and high in momentum potential for SA listed property. Relative positioning change: The SA listed property tactical exposures in the Hollard BCI Multi-Asset Funds and solutions were maintained at a mild underweight (-1%) position relative to respective strategic asset allocations.
	Developed economies' listed property		Returns & Regime: Our base case scenario for Global developed markets real estate (rental- as opposed to development-oriented) indicates a 1-year-forward total return in the range 8%-12% in aggregate in hard currency terms. The return expectation assumes a dividend yield of 4.1%, earnings or Funds from Operations (FFO) growth of 4.0%, current and a base-case 1-year exit price: earnings ratios of 27.5x and 27.5x-27.7x respectively, and an implied price: earnings valuation re-rating of 0.9%. The outlook for developed market property has improved as the likelihood of a soft-landing increases for the global economy. Better-than-expected tenant demand and muted supply growth in most property sectors provide a positive tailwind. Additionally, a falling global monetary policy cycle is expected to result in lower funding costs, allowing property companies to refinance loans at lower rates, thus supporting better forward earnings growth. Furthermore, lower funding costs will likely see investment markets return to more normalized levels, enabling REITs to deleverage more quickly through asset disposals. Developed market property is appealing for its inherent characteristics as an inflation hedge, given that real estate leases are often tied to inflation through annual escalations. Additionally, this asset class has historically demonstrated greater sectoral diversity, with over 16 sectors, more depth and liquidity with a $1.5 trillion market capitalization, and over 350 investable REITs, compared to South African-listed property with 5 sectors, a $30 billion market capitalization, and 24 investable REITs. This presents opportunities for value enhancement through strategic asset allocation. Considering our current divested position, we are reassessing the asset class within our portfolio solutions. Risk & Technical: Our technical risk and value indicators are indicating a combination of a moderate growth trend and reduced downside risk for developed markets listed property.

			Relative positioning change: The developed markets listed property tactical exposures in the Hollard BCI Multi-Asset Funds and solutions were maintained at a mild underweight (-1.5%) position relative to respective strategic asset allocations. This relative positioning is expressed through the funds remaining divested from the asset class.
Bonds and cash	SA long bonds		Returns & Regime: Despite the increase in long-term sovereign risk, the compensation on SA government fixed rate bonds still looks reasonable on an inflation risk-adjusted basis, and we do not expect the SA government to default in the near term. The 1-year forward total returns for SA fixed rate bonds: 1-3 years, 3-7 years, 7-12 years, and 12+ years are 9%, 14%, 15% and 17% respectively. South Africa is expected to experience a decline in its terms of trade, as exports are anticipated to grow slower than imports. Subdued external demand, lower commodity prices, and logistical bottlenecks have constrained exports, while import volume growth between 2024 and 2026 is expected to be boosted by energy-related fixed investment outlays. The current account deficit is projected to be 1.8% of GDP in 2023, 2.8% in 2024, and 3% of GDP in 2025 and 2026. The SARB expects South Africa's external financing needs to rise due to this expansion in the current account deficit. The budget deficit is expected to gradually improve from -4.9% in 2023/2024 to -4.5% in 2024/2025, -3.7% in 2025/2026, and -3.3% by 2026/2027. The debt-to-GDP ratio is projected to peak in 2025/2026 at 75.3% of GDP before declining steadily thereafter. While the government remains committed to fiscal sustainability and continues to prioritize stabilizing debt and debt-service costs, upside risks to the fiscal outlook remains. Such risks emanate from low economic growth, higher borrowing costs, unaffordable wage increases, and increased bailout demands from struggling SOEs. The elevated risk of fiscal slippage could negatively impact long bond yields and the performance of the rand. Relative positioning change: The SA long (nominal) bonds exposures in the Hollard BCI Multi-Asset Funds and solutions were increased to align closer to their respective strategic asset allocations.
	SA short bonds and cash		Returns & Regime: The real repo rate has increased to 3.05%, with SA inflation for May 2024 at 5.2%, while the nominal repo rate remains at 8.25%. At the time of writing, the Forward Rate Agreement (FRA) curve reflects a 50% probability of a 25bps rate cut over the next 12 months. The SARB expects inflation to stabilize at the 4.5% objective in Q2 2025, and significant upside risks to inflation from fuel and food prices have diminished. Any possible interest rate cuts will likely only materialize towards the end of 2024 and will depend on the inflation outlook (both locally and globally) and global interest rate developments. We expect a shallow and slower interest rate cutting cycle which implies that cash could remain attractive over the next 6 months. Such assets are anticipated to play a crucial role in mitigating downside risks in portfolios. Relative positioning change: The SA short-duration tactical exposures in the Hollard BCI Multi-Asset Funds and solutions were reduced from an assertively overweight position (+4.5%) to a moderately overweight position (+2%) relative to respective strategic asset allocations.
	Advanced economies' cash & bonds		Returns & Regime: The 1-year forward total return for US fixed rate bonds: 2 years and 5 years are 4.5% and 4.2% respectively. The current inverted US yield curve suggests that the market is anticipating either a recession or very modest growth in the US. Continued financial market volatility is expected in the short to medium term due to the prevailing tight financial conditions globally, the potential for sudden market repricing due to changes in policy rate expectations, and the possibility of policy errors by Central banks (such as risks of over/under tightening). Recognizing the elevated duration risk, we express a preference for cash and short-dated bond exposures in developed markets, valuing their safe-haven attributes. As the US Fed continues to normalize its balance sheet, demand for US government bonds is decreasing. The supply of these bonds has increased due to the substantial expansion of the US government's budget deficit, driven by the implementation of stimulus programs in response to the COVID-19 crisis. This worsening imbalance in supply and demand, coupled with high debt-to-GDP ratios and low term premiums at the long end, presents a headwind for longer-dated US government bonds. In contrast, US short bonds, with their safe haven status in times of increased market uncertainty, are offering attractive real yields of about 2%. As both headline and core inflation continue to fall in 2024, DM central banks are broadly signalling a midyear start to their easing cycles. Although

			an asynchronous and generally shallow interest rate cutting cycle is expected, low-duration DM fixed income assets offer a sweet spot between cash and long-duration bonds. Relative positioning change: The developed markets interest-bearing (short-dated) tactical exposures in the Hollard BCI Multi-Asset Funds and solutions were reduced from a mild overweight (+1.5%) position to a neutral (0%) position relative to respective strategic asset allocations.
Currency	USD		Returns & Regime: Our PPP model shows that at R18.2/USD as of 30 June 2024, the rand was approximately 12.6% undervalued against the US dollar relative to the upper band of our fair value range (R/USD 12.5 to 16.2). Risk & Technical: Our technical risk and value indicators show a combination of negative momentum and neutral downside risk for the ZAR/USD spot. Currency Hedge: Currently, the three FOFs have one tranche of Zero-Cost Collar overlays (ZCC_7) equivalent to 16.5% (from 33% in the past quarter) effective hedging on the USD currency exposure. The hedge was put in place on 3 April 2024 at a spot of ZAR/USD 18.8. The FX hedge's collar pay-off levels (i.e., ZAR strength and USD strength protection levels) are set at ZAR/USD 18.3 and ZAR/USD 20.0 respectively. The FX hedge expires on 3 October 2024. Relative positioning change: The USD tactical exposures in the Hollard BCI Multi-Asset Funds and solutions were reduced from a moderate underweight (-2.5%) position to a mild underweight (-1%) position relative to respective strategic asset allocations.

Tactical allocations inputs & outputs - ratings summary

The table in Figure 3 below shows the investment committee's consensus (quintile) ratings in terms of attractiveness per asset class across the different dimensions, and in aggregate.

Figure 3: Asset class views and ratings

2024 Q2							
		Regime	Returns	Risk and Technicals			Total
Asset class	Perspective	Economy and Financial Conditions	Valuations and Business Fundamentals	Technical Value - Upside	Technical Risk - Downside	Aggregate Composite	Overall Perspective 1 (least) to 5 (best)
Equity	SA Equity	3	4	3	5	4	4
	DM Equity	3	3	5	5	5	4
	EM Equity	3	2	4	4	4	3
Property	SA Property	3	3				3
	DM Property		3				3
SA Income	SA Bonds	3	5				4
	SA Income	5	5				5
	SA Cash	4	4				4
Global Income	DM Bonds	2	3				3
	DM Income	4	5				5
	DM Cash	3	4				4
Foreign Currency Exposure relative to ZAR (unhedged)	USD	3	2				3

	Very Unattractive	Unattractive	Neutral	Attractive	Very Attractive
Quintile Rating	1	2	3	4	5
Indicative Relative Positioning	-5%	-2.50%	0%	2.50%	5%

Source: Hollard Investment Managers

Implementations – Hollard BCI Multi-Asset Fund of Funds (with offshore)

The following tactical allocation changes were made in the Hollard BCI Conservative, Moderate and Managed Growth Funds of Funds. Relative to each Fund of Fund's strategic asset allocations (i.e., sector average asset allocations), we have:

Growth assets: target allocation changes – quarter on quarter

- ↑SA equity: increased relative exposure from a mild underweight of -1% to a neutral weight of 0%
- ↔ SA listed property: maintained relative exposure at a mild underweight of -1.0%
- ↑ Developed markets equity: increased relative exposure from a moderate underweight of -2.5% to a neutral weight of 0%
- ↔ Emerging markets equity: maintained relative exposure at a neutral weight of 0%
- ↔ Developed markets property: remained divested from the asset class.

Income assets: target allocation changes – quarter on quarter

- ↓ SA fixed income (short and long bonds): reduced relative exposure from an assertive overweight of 4.5% to a mild overweight of 2%
- Hollard BCI Multi-Asset Fund of Funds target allocations for SA long-bonds as a percentage of total SA fixed income exposure:
    - ↑ Conservative Growth FoF: increased from 15% to 25%
    - ↑ Moderate Growth FoF: increased from 15% to 30%
    - ↑ Managed Growth FoF: increased from 20% to 40%
- ↓ Global fixed income: decreased relative exposure from a mild overweight of 1.5% to a neutral weight of 0%

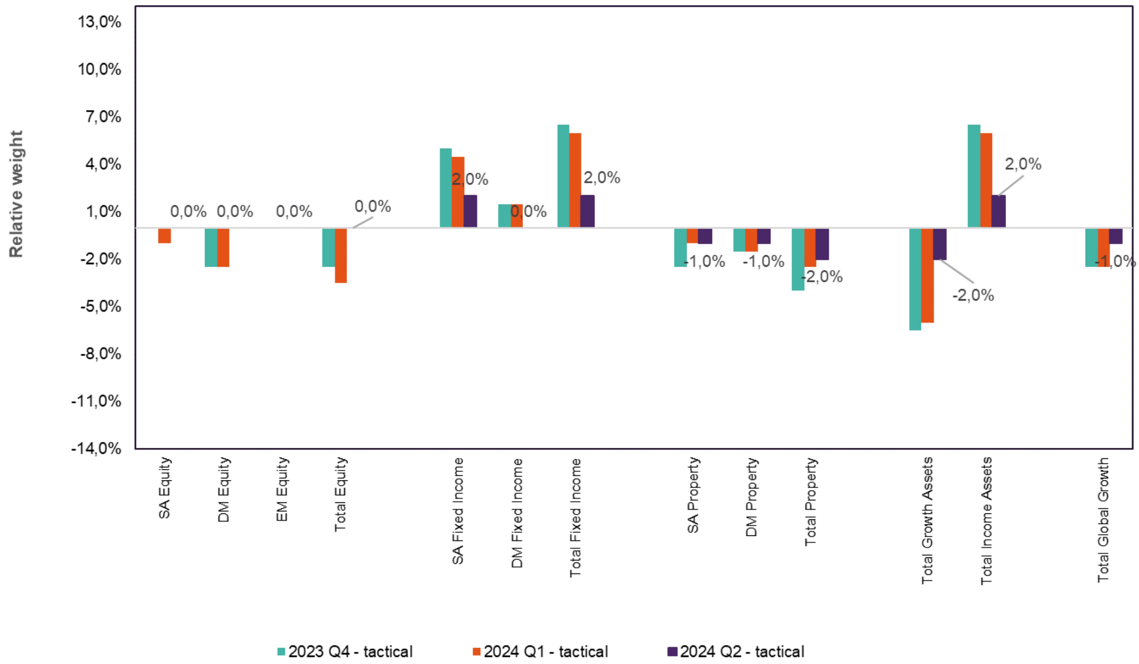
Global assets: target allocation changes – quarter on quarter

- ↑ Total USD-denominated assets: increased relative exposure from a moderate underweight of -2.5% to a mild underweight of -1%. The target total global assets exposure for the Hollard BCI Conservative, Moderate and Managed Growth Funds of Funds are 24.5%, 31% and 34% respectively.

Currency hedge changes – quarter on quarter

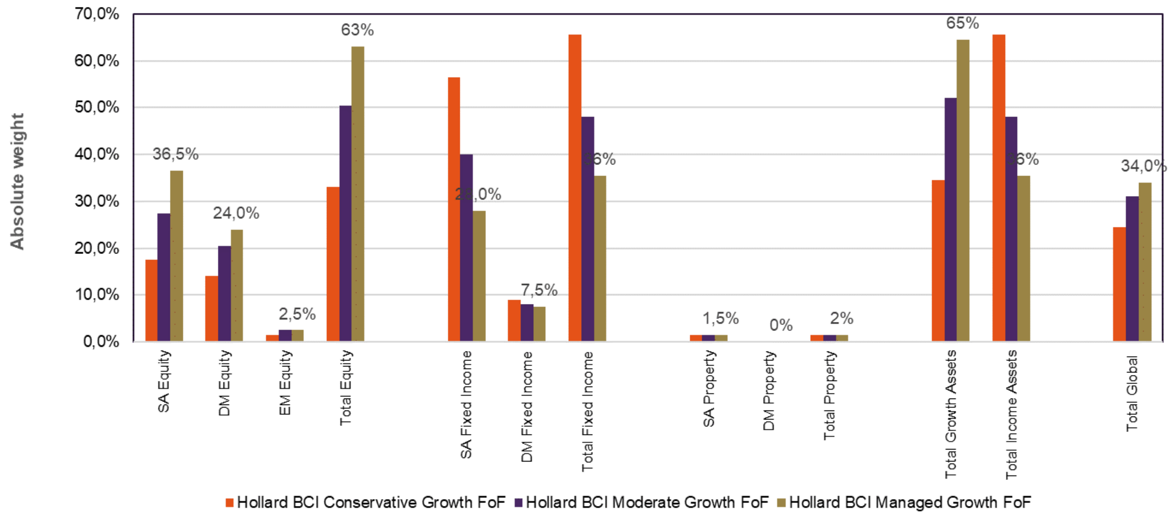
- ↓ Currency hedge: Currently, the three FOFs have one tranche of Zero-Cost Collar overlays (ZCC_7) equivalent to 16.5% (from 33% in the past quarter) effective hedging on the USD currency exposure. The hedge was put in place on 3 April 2024 at a spot of ZAR/USD 18.8. The FX hedge's collar pay-off levels (i.e., ZAR strength and USD strength protection levels) are set at ZAR/USD 18.3 and ZAR/USD 20.0 respectively. The FX hedge expires on 3 October 2024.

Figure 4: Tactical Sector Relative Allocations – Hollard BCI Multi-Asset Fund of Funds



Source: Hollard Investment Managers

Figure 5: Tactical Absolute Allocations – Hollard BCI Multi-Asset Fund of Funds



Source: Hollard Investment Managers

Appendix: Tactical Asset Allocation Dimensions Explained

Regime (macroeconomic indicators)
Asset class ratings are based on insights from a set of macroeconomic metrics, trends and relationships and their influence on global capital movement, and financial conditions across different regions, countries and asset classes. We also gain an understanding of the changes to fiscal profiles and required sovereign risk premiums.

Returns (valuation drivers)
Asset class ratings are based on insights from our proprietary models that measure total required and expected returns for each asset class and sector. Sensitivity analysis (base case, upside and downside) is also performed on the expected total returns to gauge the margin of safety implied in the valuation picture for each asset class and underlying sector.

Risk and Technical (tail risk and momentum indicators)
Asset class ratings are based on insights from our proprietary risk models that measure local and global equity market risks of extreme loss, volatility clustering and the probability of getting worse than a threshold (tail loss) daily return. We can calibrate the priced-in near-term tail risk as better than normal, in line with normal or worse-than-normal downside risk.

Insights from our momentum-focused technical analysis model which measures the intensity and direction of investor sentiment and risk appetite for each asset class by looking at various first- and second-order price measures and trends.

Relative positioning (tactical allocations)
Asset class ratings from each dimension above are consolidated and expressed (by consensus) into tactical views and allocation decisions for each asset class relative to the strategic asset allocations for the multi-asset funds,

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6. Performance is calculated for the portfolio and that the individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax.
7. The investment performance is for illustrative purposes only.
8. The investment performance is calculated by taking the actual initial fees and all ongoing fees into account for the amount shown.
9. Income is reinvested on the reinvestment date.
10. The manager has the right to close the portfolio to new investors to manage it more efficiently in accordance with its mandate.
11. Performance is calculated for the portfolio as well as that of the individual investor. Dealing prices are calculated on a net asset value and auditor's fees, bank charges and trustee fees are levied against the portfolios.
12. A fund of funds is a portfolio that invests in portfolios of collective investment schemes that levy their own charges, which could result in a higher fee structure for the fund of funds.
13. The manager retains full legal responsibility for the third party named portfolio.