



**LAURIUM
CAPITAL**

LAURIUM HEDGE FUNDS

Quarterly Commentary | June 2025

The past quarter was marked by heightened levels of trade uncertainty. The announcement by US President Donald Trump of reciprocal tariffs in early April sent equity markets sharply lower and (more notably) US treasury yields higher alongside broad US dollar weakness. The weakness seen in US treasuries and the US dollar, usually safe havens during asset price volatility and rising risk aversion, was unusual in comparison with previous market sell-offs. In the face of these dislocations, and with trading partners including China beginning to engage with the US on broader trade-related matters, President Trump backtracked by delaying the tariff implementation into July (at least). This, coupled with a challenge to the legality of the tariffs, saw US markets rallying strongly through May and June, and reverting to prior record levels. Equity investors also took encouragement from broadly stable US labour market dynamics, stable earnings outlooks from the bellwether US technology firms, and ongoing bullishness for key industrial segments of the economy (notably electrification, AI and defence).

Geopolitical Tension

Conflict in the Ukraine and the Middle East continued throughout the period culminating in the US bombing Iranian nuclear facilities in mid-June. The tragic loss of life in these regions notwithstanding, the immediate impact on markets from the above conflicts was muted. Oil prices lifted temporarily in June before reversing all gains. The key Strait of Hormuz, through which c.25-30% of global oil exports flow, remained open and Iran's production levels (if lost) could easily be met by spare OPEC capacity. Nevertheless, ongoing geopolitical tensions remain high and ideological differences remain entrenched on all sides. As a result, market confidence in peaceful settlement in both regions is low, reflected in the elevated gold price, and in ongoing investment in the global defence sector.

Challenge to US Exceptionalism and US Dollar dominance.

President Donald Trump's isolationist stance, weaponisation of tariffs and trade policy and targeted sectoral spending cuts have challenged the global order and traditional market relationships. He has also not been shy to openly attack the US Federal Reserve governor Jerome Powell and is likely to replace Powell with a more dovish candidate within a year. As mentioned, the sell-off in April was remarkable in that US treasury yields rose, and the US dollar weakened whilst equity markets sold off (usually yields head lower and the dollar strengthens in such instances). Recent auctions of 30-year US treasuries have seen weak demand. The upshot is that the US dollar's reserve status has been incrementally challenged, and the market view of US treasuries as a safe haven has been openly questioned. Investor positioning in US equities remains at all-time highs, coupled with stretched valuation differentials of such assets when compared to the rest of the world. This is justifiable only while US corporate earnings are growing faster or deemed more stable than other regions. However, an increase in trade uncertainty (which may impact US consumer sentiment), a stabilised Chinese economy and a boost in German fiscal policy (with increased EU defence spending) are all likely to see investor positioning broadening further into other, increasingly attractive capital markets and thus retain pressure on the US dollar.

Domestic Sentiment remains low; consumer health improving at the margin

Fixed investment and activity levels remain low across the SA economy. The GNU has failed to garner much needed confidence due to in-fighting and policy paralysis, as evidenced by the budget stand-off at the beginning of April. Credit growth both in the retail and corporate sectors remains low.

However food inflation is moderating, and we expect further – albeit limited – rate cuts (see below). At the margin this should aid a consumer recovery boosting the outlook for retail and banking shares

Change in SARB inflation target

The SARB is pushing to move the inflation target to 3% (from the current band of 3-6%). Their view is that in the long-term lower inflation will reduce interest rates and borrowing costs and thus support the economy. Breakeven 10-year inflation levels have in response reduced sharply over the last 18 months (from above c.7% down to 4.8%) and as a result nominal yields have fallen below 10%. Real yields however remain high (c.5%) and in the short term a lower inflation target means a shallower rate cycle and thus a more muted consumer recovery.

Fund Performance and Attribution

Fund performance during the quarter was positive (see below)

The fund's position in Prosus delivered strong returns. The e-commerce assets of Prosus have turned cash positive and are thus anticipated to be self-funding going forward. This is a key achievement, enabling the full Tencent dividend to be passed through to shareholders, aiding a narrowing of the group discount (currently 30%) and opening the possibility that in the medium term, Tencent may be unbundled. Continued buybacks remain NAV per share accretive. We remain bullish on the prospects for Prosus.

Given the strong rally in gold and platinum prices, the funds commodity exposures (albeit small) delivered positive returns. AB InBev rallied from depressed levels as the company continues to deliver operationally, win back market share in the US and has guided to steady growth in EBITDA earnings.

The funds holding in Momentum Metropolitan also delivered positive results after profit targets were reiterated at a Capital Market Day in June.

The falling oil price (down c.10 % in rand terms this year) dragged the funds position in Sasol lower. The fund retains a small position in the name - mostly as a portfolio hedge - given ongoing geopolitical tensions in the Middle East.

Given the strong quarter for markets, moderate losses emanated from short positions and portfolio hedges (including currencies).

Outlook and positioning

In summary markets appear to have climbed a wall of worry, with economies, households and companies adopting to this new “normal” of heightened tension. However, geopolitical conflicts, trade uncertainty and large government deficits globally will continue to hamper growth at the margin and keep risks elevated. These risks to domestic assets are offset partly by the view that a potential rotation out of US assets will be beneficial for Emerging Markets such as South Africa.

Domestically, reducing inflation and lower interest rates (albeit shallow) will assist a consumer recovery at the margin. However, confidence levels are low and fixed investment is sluggish. A shift in the inflation target is positive longer term for interest rates and risk premiums but may hamper a growth recovery in the short term. As a result, we see a continuation of tepid growth in South Africa.

Our portfolio positioning as always remains bottom-up driven. Domestic exposures are geared towards companies with attractive valuations, improving earnings outlooks and which are well positioned to benefit should growth accelerate but for which such optionality can be purchased for free. SA Banks are such an example with dividend yields approaching that of 10-year bond

yields. Lowering credit losses should see earnings growth in the upper single digits over the short to medium term. Ample capital levels mean the banks are well positioned should fixed investment and credit demand return. Another example is Grindrod, attractively valued at c.6x, our view of sustainable earnings and is well positioned should rail reform gain traction.

The Funds own a position in Remgro where a step discount to NAV of 45% persists and where we see improving prospects for the unlisted portfolio.

Rand hedge exposure is geared to AB InBev and British American Tobacco where again decent growth outlooks can be acquired for attractive valuations. Our bullish view on Prosus was elaborated earlier.

The fund retains moderate commodity exposures across gold, platinum and diversified miners. A weaker dollar offers support, coupled with tight supply markets in may key minerals. Despite the rally in the price, we believe gold still serves as a portfolio hedge but is sized appropriately.

Special situations – such as value unlocks, potential take-outs and pair trades - remain a substantial focus given that these can add idiosyncratic opportunities during times of uncertain macro. Short ideas comprise companies where we believe earnings expectations will underwhelm either due to competitive sector dynamics or historically poor-earnings quality hampering growth prospects.

We also retain portfolio hedges – mainly as index shorts and currency futures. Current fund exposures are diverse across both geographies, sectors and drivers. Our net exposures are moderate and our gross exposures relatively low. We expect bouts of volatility this year and thus have prioritised maintaining dry powder.

Performance declaration for Laurium Long Short Prescient RI Hedge Fund (Class D)

	FUND	BENCHMARK (STEFI)
Annualised return since inception	+10.5%	+6.7%
Cumulative return since inception	+439.4%	+201.5%
Quarter to date	+4.6%	
1 Year	+16.6%	+8.1%
3 Years (annualised)	+9.4%	+7.8%
Highest rolling 1-year return (since inception)	+45.8%	
Lowest rolling 1-year return (since inception)	-24.0%	
Fund inception date (CIS inception date 1 August 2016)	01 August 2008	

Performance declaration for Laurium Market Neutral Prescient RI Hedge Fund (Class D)

	FUND	BENCHMARK (STEFI)
Annualised return since inception	+10.5%	+6.6%
Cumulative return since inception	+421.3%	+187.3%
Quarter to date	+3.3%	
1 Year	+17.1%	+8.1%
3 Years (annualised)	+11.5%	+7.8%
Highest rolling 1-year return (since inception)	+31.9%	
Lowest rolling 1-year return (since inception)	-10.8%	
Fund inception date (CIS inception date 1 August 2016)	01 January 2009	

Performance declaration for Laurium Aggressive Long Short Prescient QI Hedge Fund (Class C)

	FUND	BENCHMARK (STEFI)
Annualised return since inception	+14.8%	+6.5%
Cumulative return since inception	+463.9%	+120.7%
Quarter to date	+5.0%	
1 Year	+18.3%	+8.1%
3 Years (annualised)	+12.0%	+7.8%
Highest rolling 1-year return (since inception)	+69.8%	
Lowest rolling 1-year return (since inception)	-33.6%	
Fund inception date (CIS inception date 1 August 2016)	01 January 2013	

Performance declaration for Laurium Enhanced Growth Prescient RI Hedge Feeder Fund (Class C)

	FUND	BENCHMARK (STEFI)
Annualised return since inception	+25.1%	+8.2%
Cumulative return since inception	+34.8%	+11.1%
Quarter to date	+4.1%	
1 Year	+22.0%	+8.1%
3 Years (annualised)	-	-
Highest rolling 1-year return (since inception)	+28.4%	
Lowest rolling 1-year return (since inception)	+27.1%	
Fund inception date (CIS inception date 1 August 2016)	01 March 2024	

Performance declaration for Laurium Enhanced Growth Hedge Fund (UCITS) (Class A1)

	FUND (USD)	BENCHMARK (SOFR*)
Annualised return since inception	+19.1%	+5.0%
Cumulative return since inception	+31.5%	+7.9%
Quarter to date	+5.1%	
1 Year	+18.7%	+4.7%
3 Years (annualised)	-	-
Highest rolling 1-year return (since inception)	+22.9%	
Lowest rolling 1-year return (since inception)	+17.7%	
Fund inception date (CIS inception date 1 August 2016)	05 December 2023	

*The Fund does not have a benchmark referenced in the fund supplement. The benchmark performance shown is for illustrative purposes only

Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CIS's are traded at the ruling price and can engage in scrip lending and borrowing. A schedule of fees, charges and maximum commissions is available on request from the Manager. There is no guarantee in respect of capital or returns in a portfolio. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request. Highest and lowest is returns for any 1 year over the period since inception have been shown. NAV is the net asset value represents the assets of a Fund less its liabilities. The forecasts are based on reasonable assumptions, are not guaranteed to occur and are provided for illustrative purposes only. The Laurium Aggressive Long Short Prescient QI Hedge Fund is available to qualified investors only. The Laurium Enhanced Growth Hedge Fund (UCITS) is registered and approved under section 65 of the Collective Investment Schemes Control Act 45 of 2002

Annualised performance: Annualised performance shows 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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