REZCO

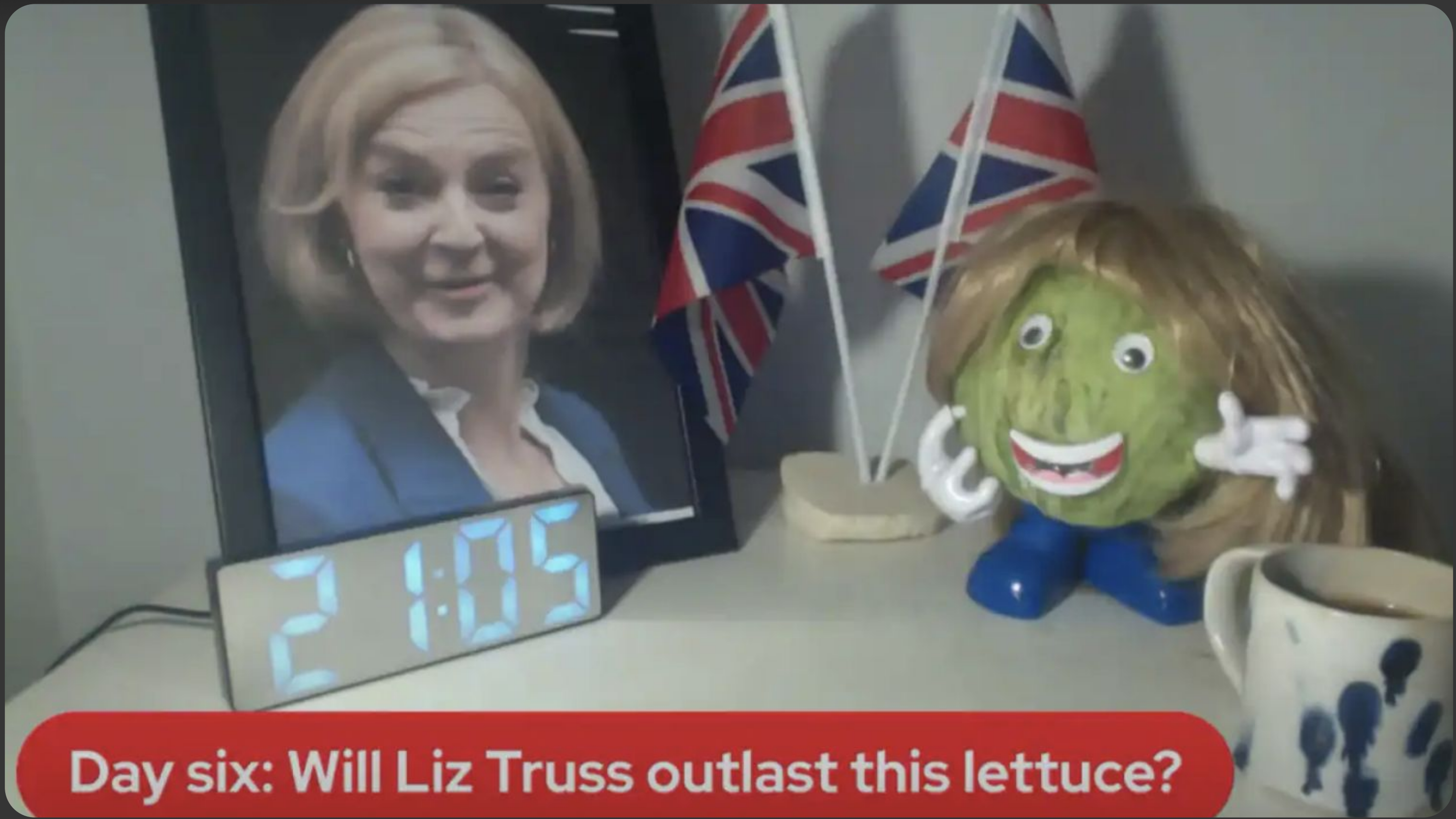
Rezco Webinar:

2024 National Elections: Should we Consider Investment Risk Like Argentinians or British?

Rob Spanjaard | CIO
Simon Sylvester | CEO & PM

April 2024

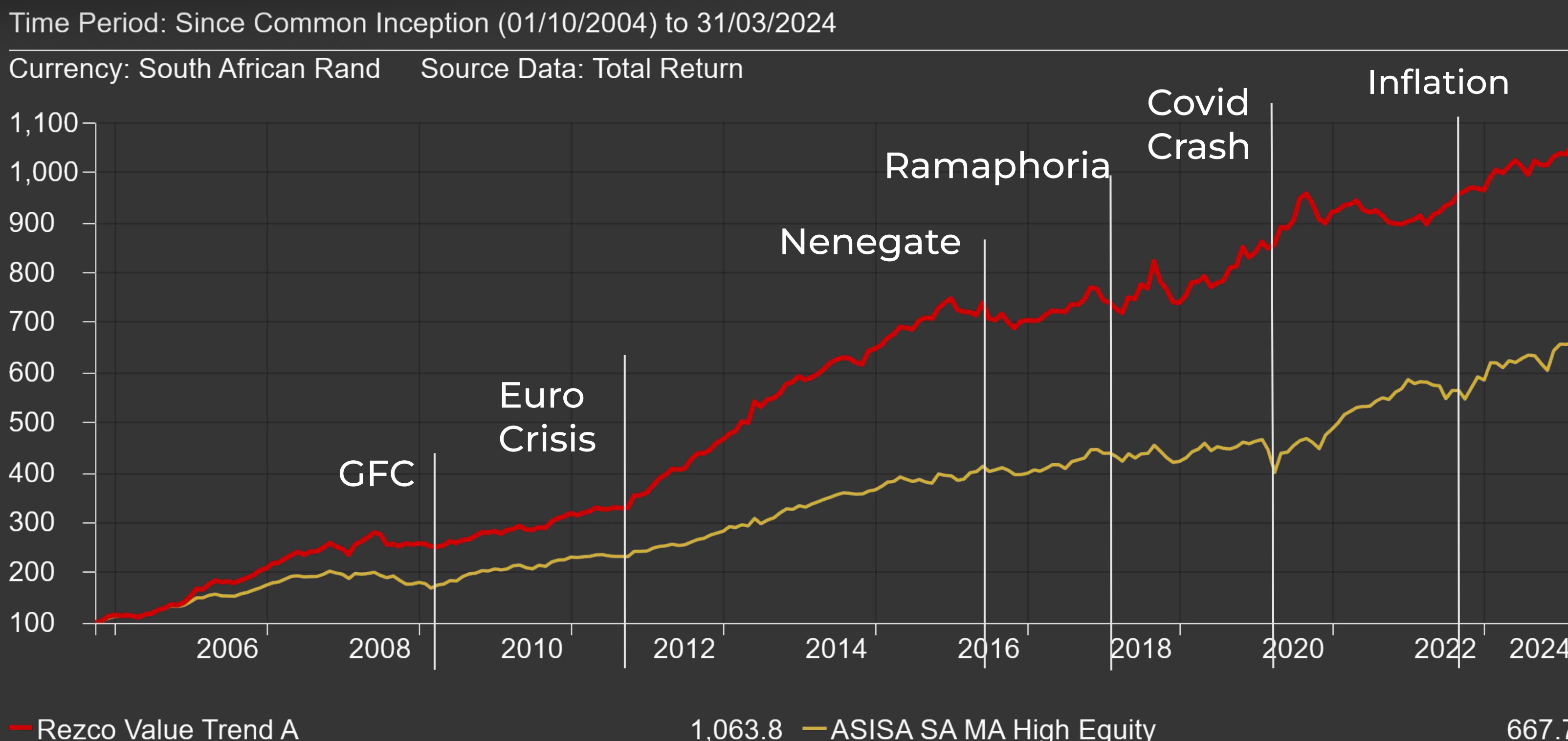
When Developed Economies Propose Bad Policy



The Lettuce Is No Match for These EM Leaders

But Success Stories Generate Great Returns

Rezco Value Trend Through Risk Events

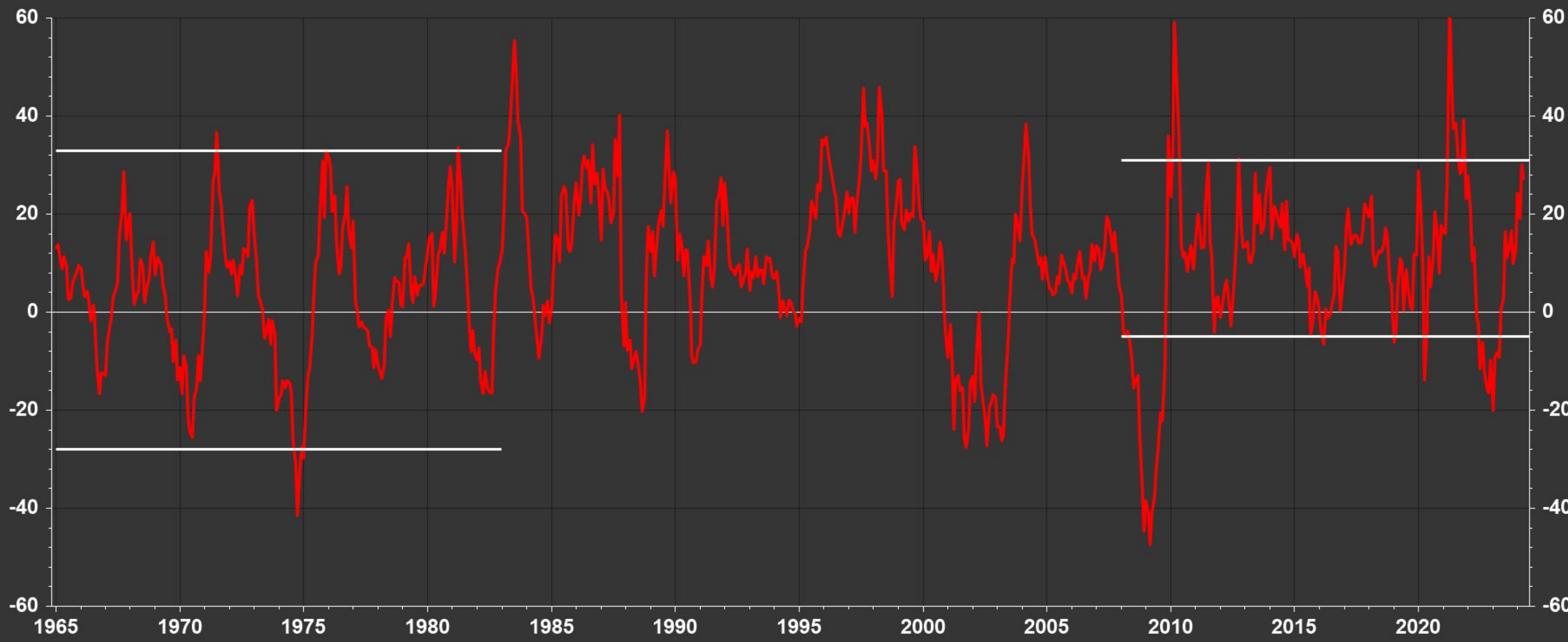


Source: Morningstar Direct

Global Macro: Back to the 1970's

S&P 500 annual rolling returns

Updated: 23/04/2024



Source: LSEG Datastream / Rezco

SA Elections - Digging into the Details

How We See Politics & the Market in SA

South African election scenario based views

Scenario	1994 Style optimism	Status Quo	Broken Alliances	Doomsday Coalitions
Probability	20%	25%	40%	15%
SA Inc Earnings	+5%	0%	-10%	-15% to -30%
PE Ratio	+25%	+10%	↑ ↓	-20%
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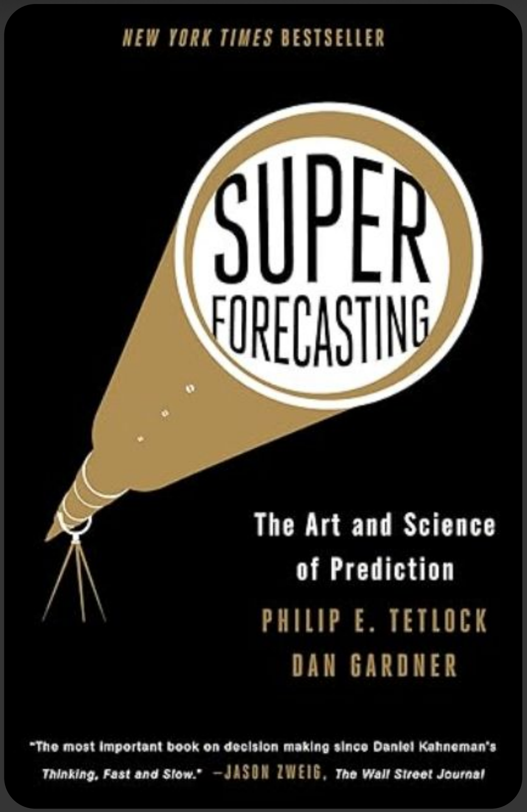
Superforecasting Mindset

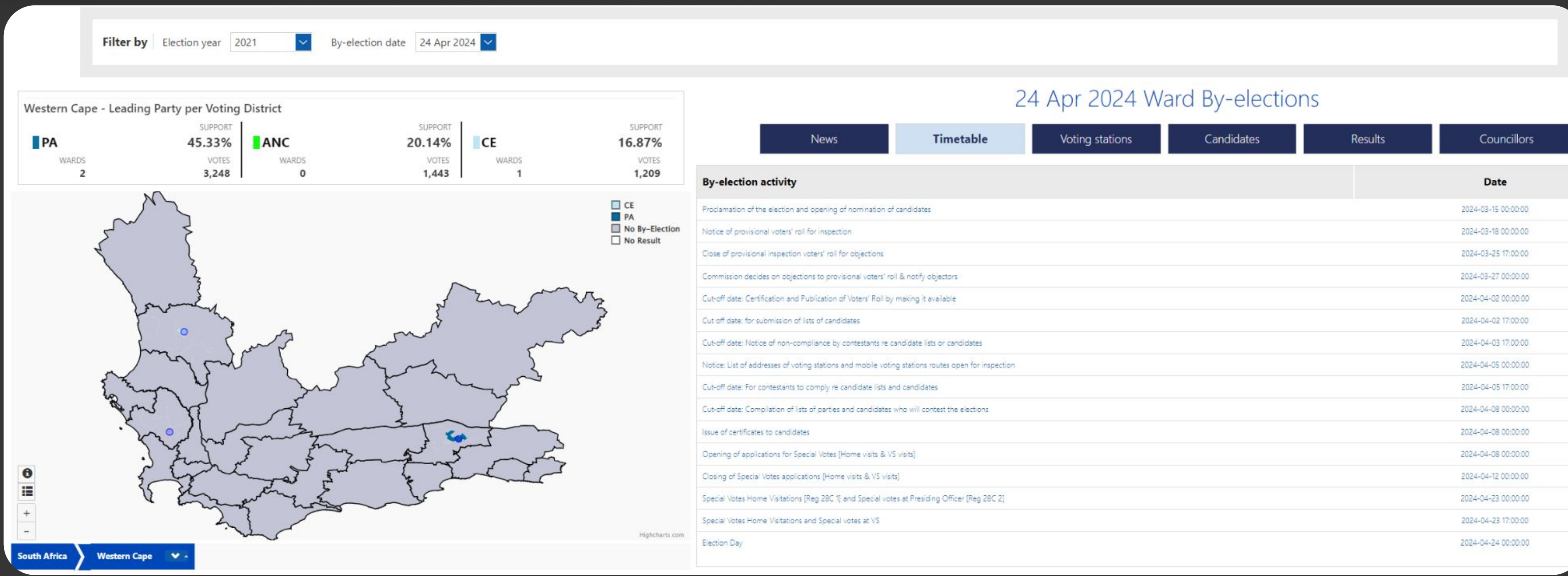


For superforecasters, beliefs are hypotheses to be tested, not treasures to be guarded.

Churchill sent Keynes a cable reading, 'Am coming around to your point of view.' His Lordship replied, 'Sorry to hear it. Have started to change my mind.'

Philip Tetlock; *Superforecasting: The Art and Science of Prediction*

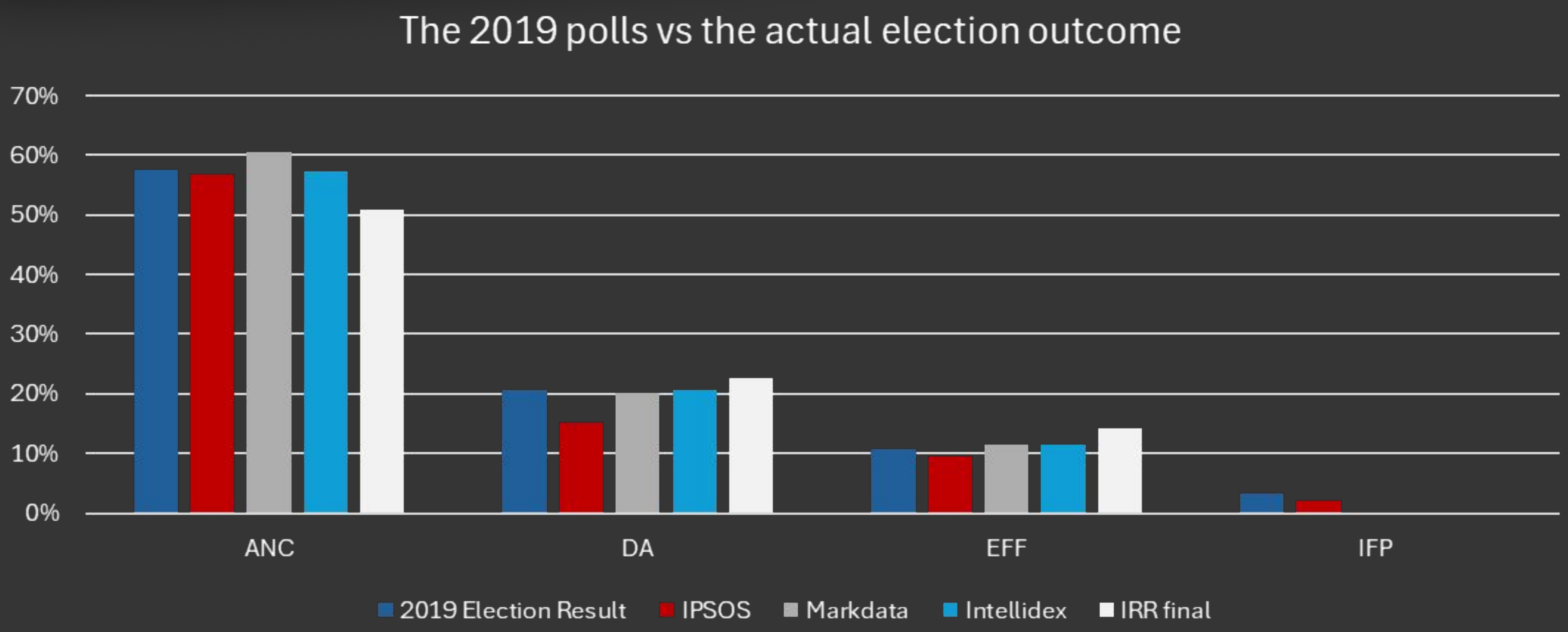
Track the Data and Revise Views with New Information



The State of Play Coming into the SA National Elections

Date:	2014 National Election	2019 National Election	2021 Municipal Election	09/2023	22/01/2024	06/02/2024	11/03/2024	17/03/2024	08/04//2024	10/04/2024	22/04/2024
View/Poll by:	IEC actual data	IEC actual data	IEC actual data	IPSOS	Highly regarded political analyst	IPSOS	Brenthurst	RW Johnson eNCA survey	Highly regarded political analyst	SRF	Rezco' s Current View
ANC	62%	57,5%	45,6%	43%	47,5%	40,5%	39%	41,1%	45%	37%	42%
DA	22%	20,8%	21,7%	20%	22.5%	20,5%	27%	20%	20%	25%	20%
EFF	6,4%	10,8%	10,3%	18%	11%	19,6%	10%	15,5%	12,5%	11%	11%
MK							13%	11%	6%	13%	6%
IFP	2,4%	3,4%	5,6%	5%	6%	4,9%	2%	4,3%	5,5%	5%	4%
Action SA			2,3%		3%	4,3%		1,4%	3%		2.5%
PA	0,07%	0,04%	1%		1.5%				1.5%		3.5%
Other	7,13%	7,46%	13,5%	14%	8.5%	10,2%	9%	6,7%	6.5%	9%	11%

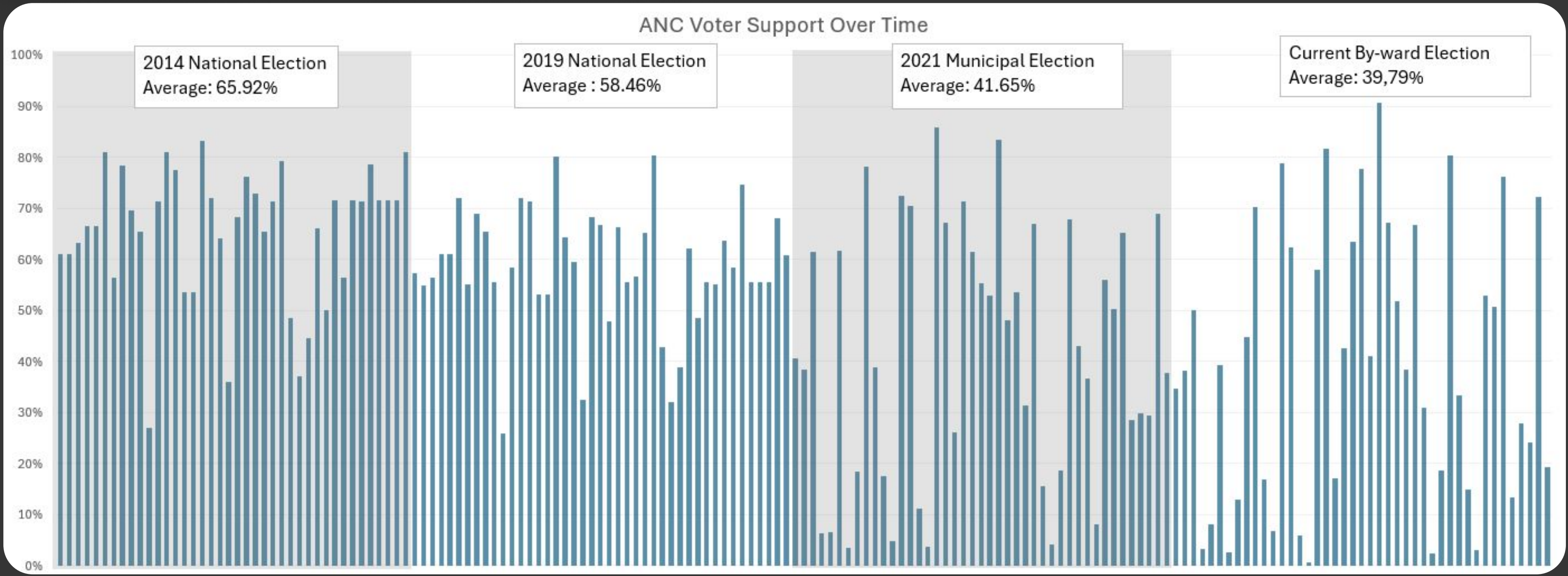
How Right Were the Polls Last Time?



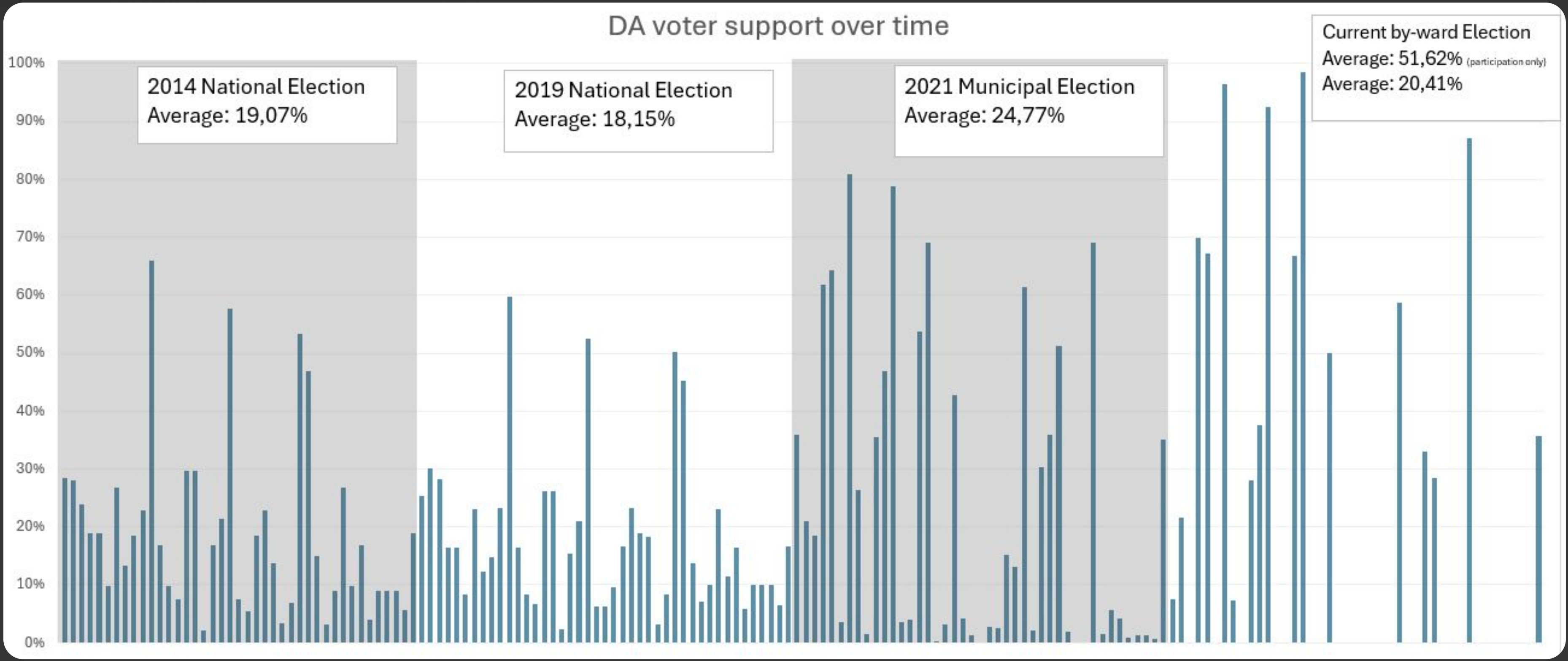
Source: IEC, IPSOS and Businesstech

What the Polls Are Not Looking At?

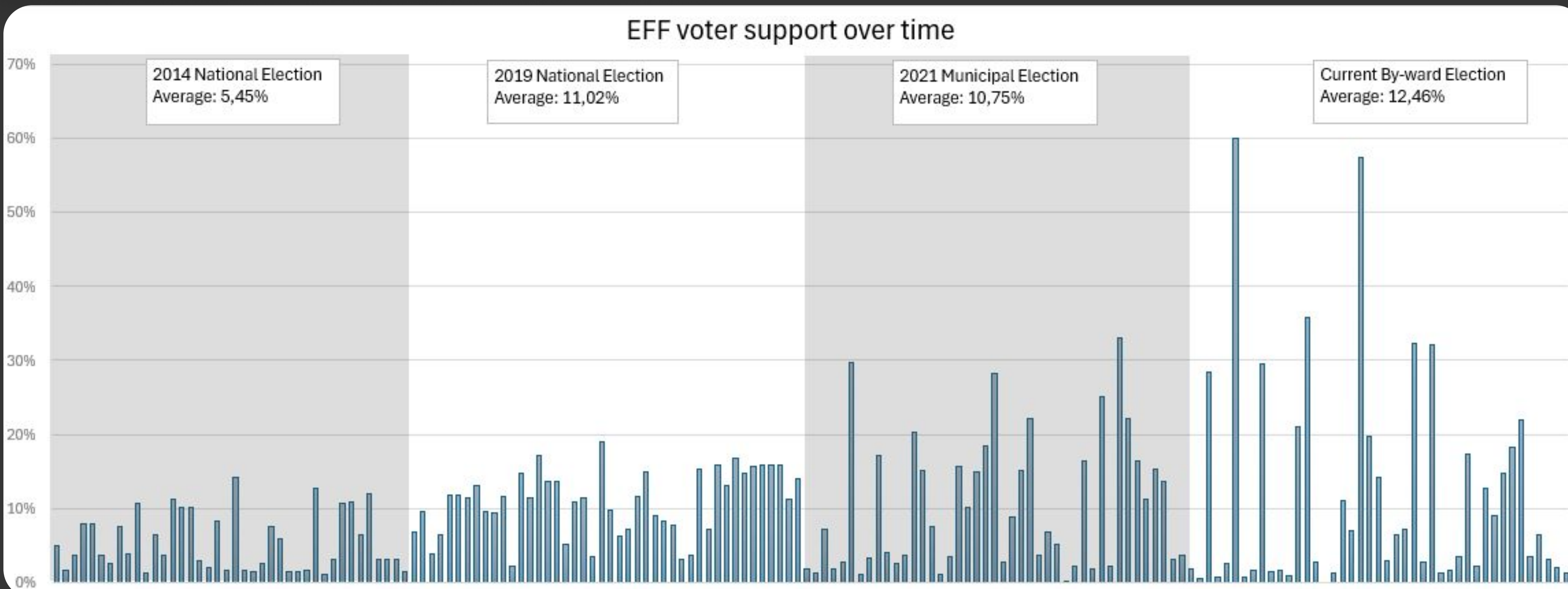
Ward data insight: ANC have a lot of gaps



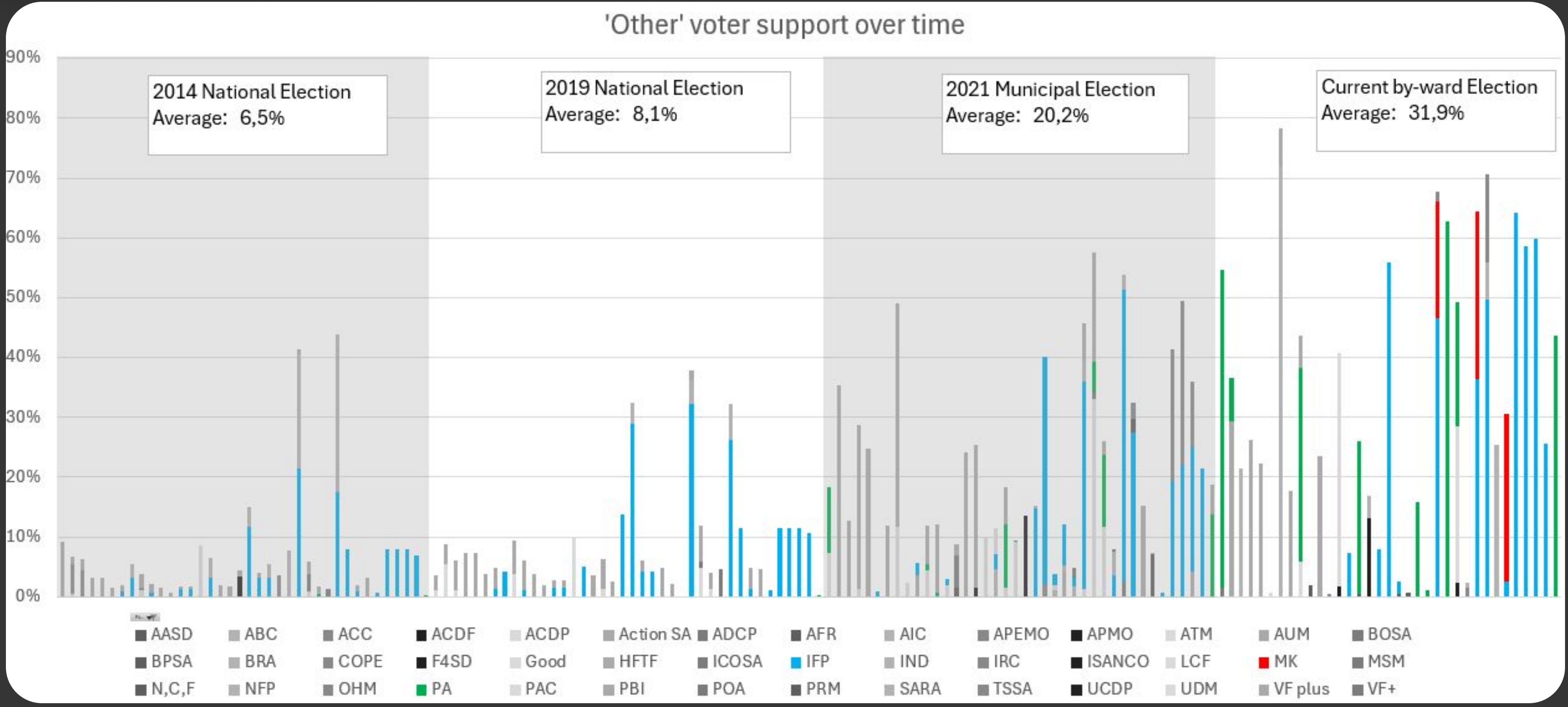
DA Are Getting Weaker



EFF Are Not Broadening Out



Ignore the "Popcorn Parties" at Your Peril



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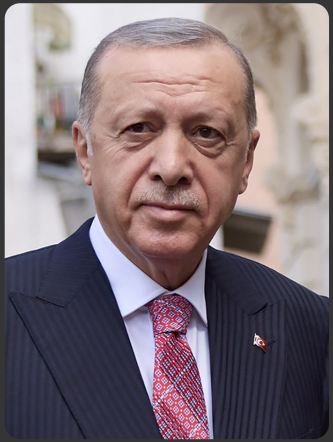
Funds Positioning (Target)

	Managed Plus	Value Trend	Stable	Equity	Global Flexible
SA Equity	**22%**	**8%**	**5%**	**~97%**	
Local Exposure	12%	4%	3%	52%	
Global Exposure	9%	3%	2%	41%	
Gold	2%	1%	0%	7%	
Global Equity	**29%**	**23%**	**17%**		**24%**
Total Equity	**51%**	**31%**	**23%**		**24%**
SA Short Duration	**32%**	**47%**	**54%**		
SA Long Duration	**5%**	**5%**	**5%**		
Global Short Duration	**11%**	**13%**	**13%**		**69%**
Global Long Duration	**1%**	**4%**	**5%**		**7%**
Direct Offshore	**40%**	**40%**	**35%**		
ZAR Currency Hedge	-11%		-10%		

Why Flexibility Is Important: Four Case Studies With Lessons for South Africa



The Wrong Strong Man

The Right Strong Man

The One & Only Strong Man

The Departing Strong Men

The Strong Consensus Man

Turkey - The Wrong Strong Man

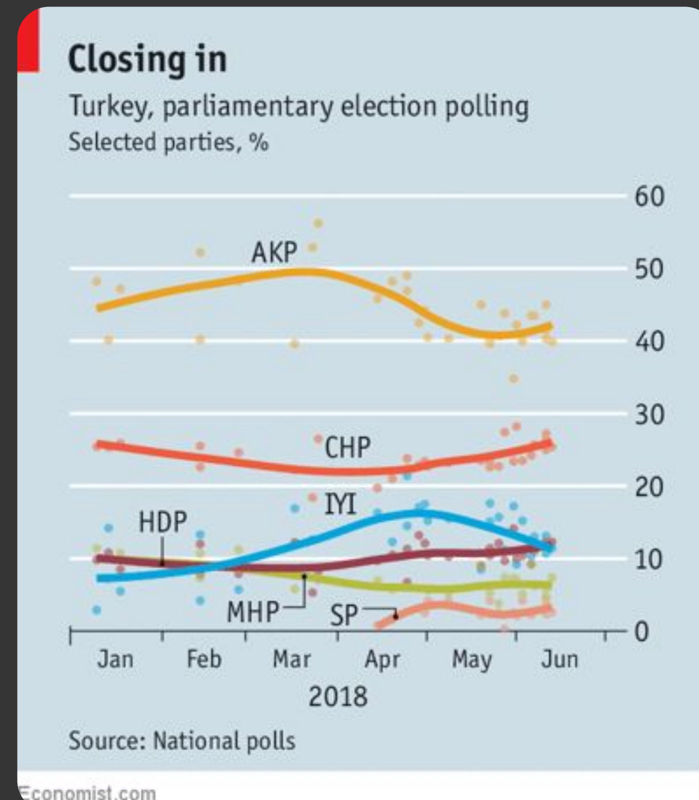
Strong Incumbent and Hopeful Opposition

Turkey's President Erdogan may yet be defeated

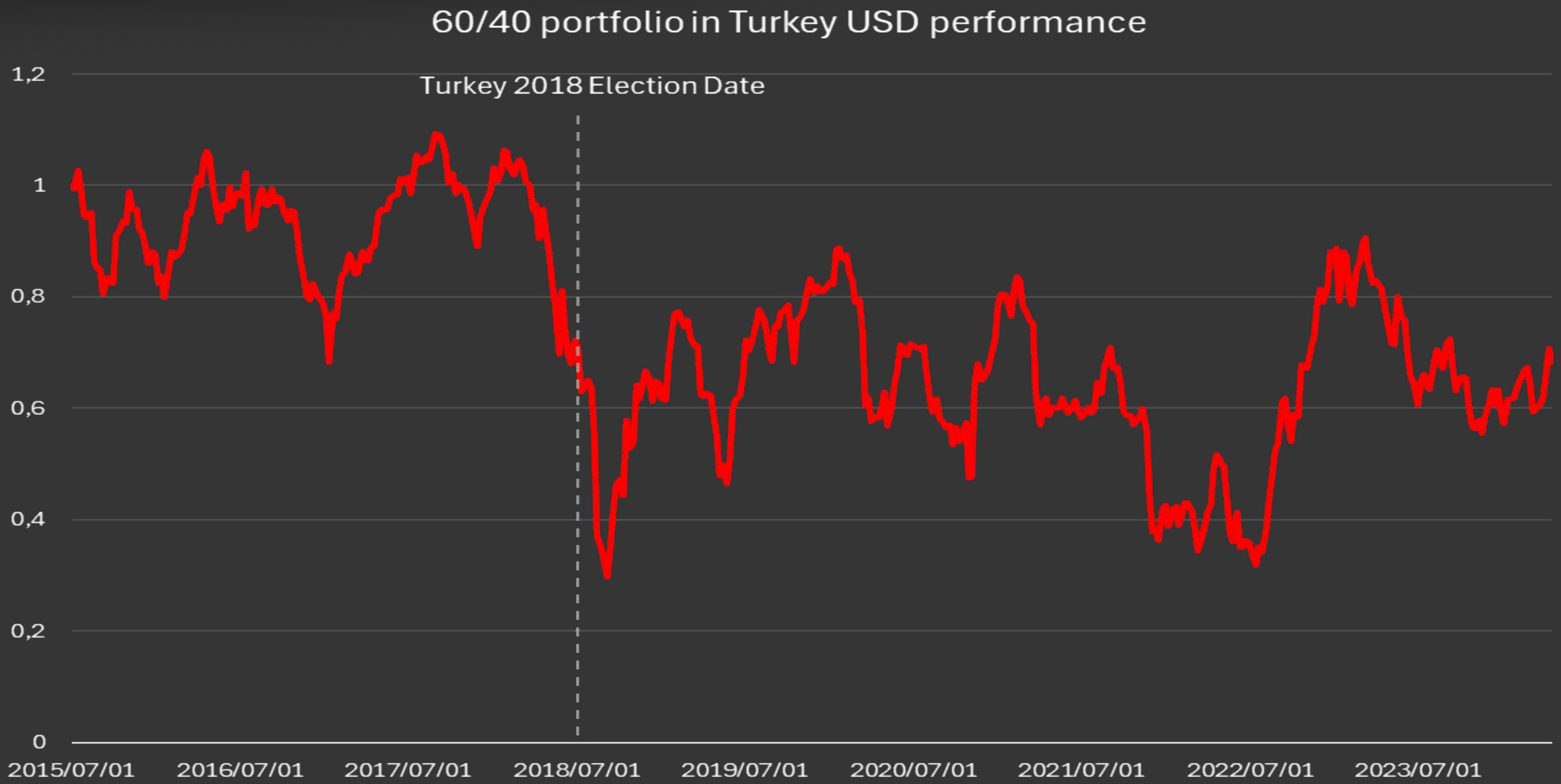
Opposition leaders have a chance of ending, or at least crimping, his increasingly autocratic rule

Jun 21st 2018 | BURSA

Save Share Give



Bad Political Outcome and Policy Resulted in Massive Losses



Source: Refinitiv Datastream. Construction: 60% of the portfolios holdings are MSCI Turkey (USD) & 40% is FTSE Turkey Treasury Bond Index (USD)

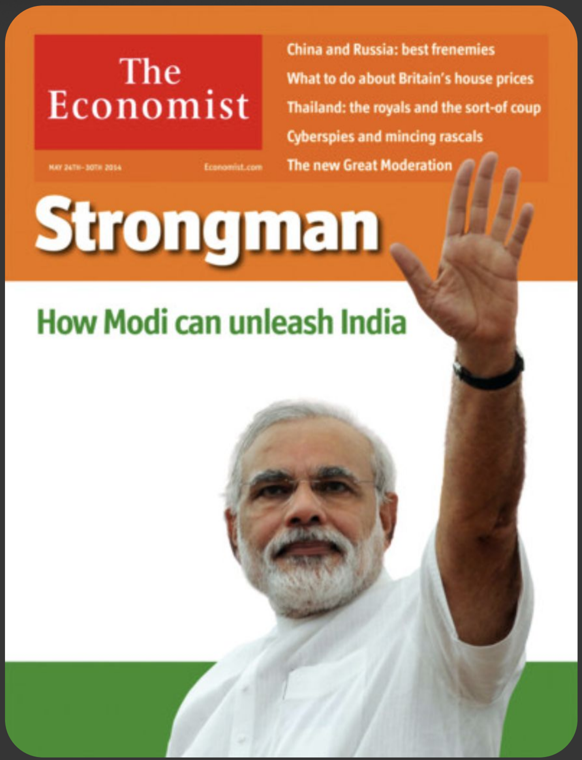
Cheap Can Always Get Cheaper

Source: LSEG Datastream / Rezco

India - The Right Strong Man

Dec 2013

May 2014

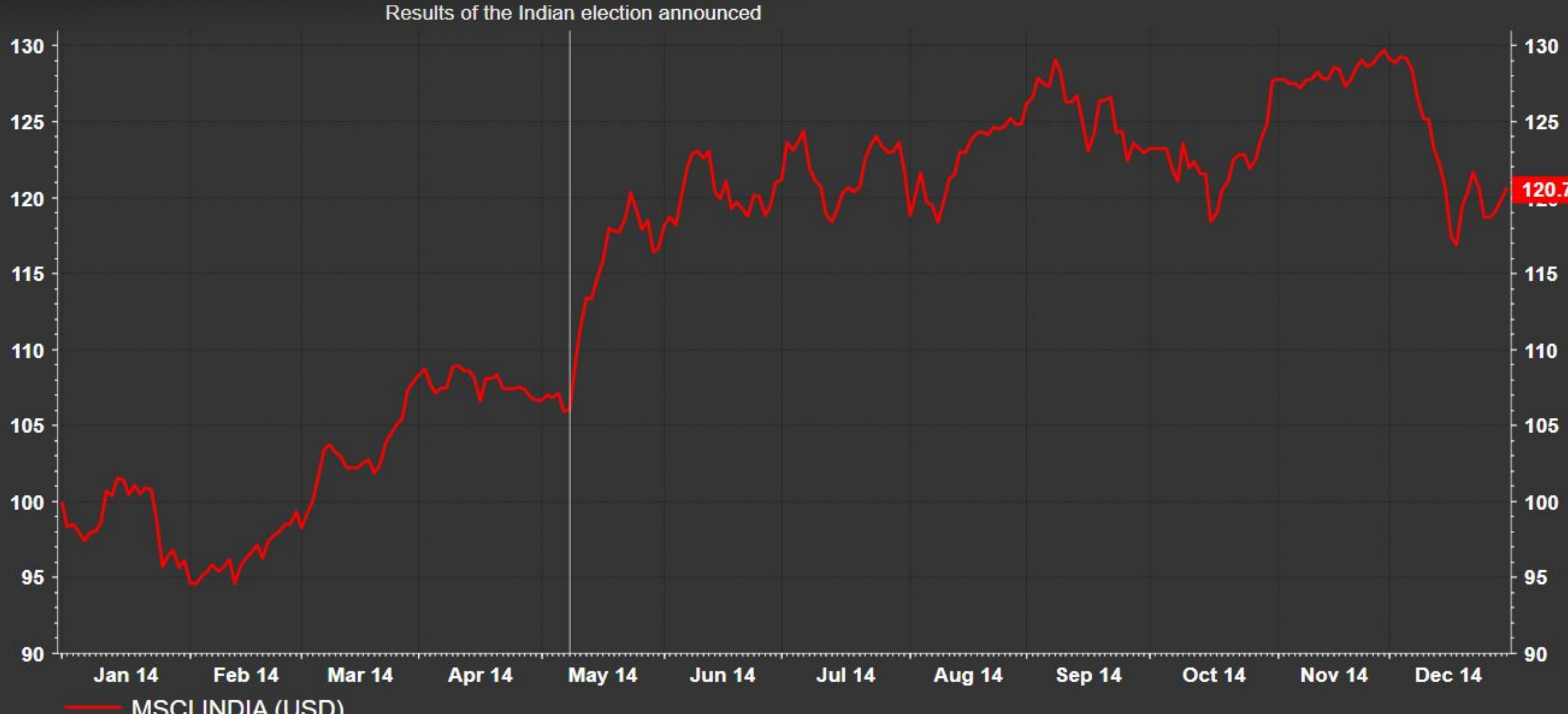


Feb 2015

Structural Reform Takes Time

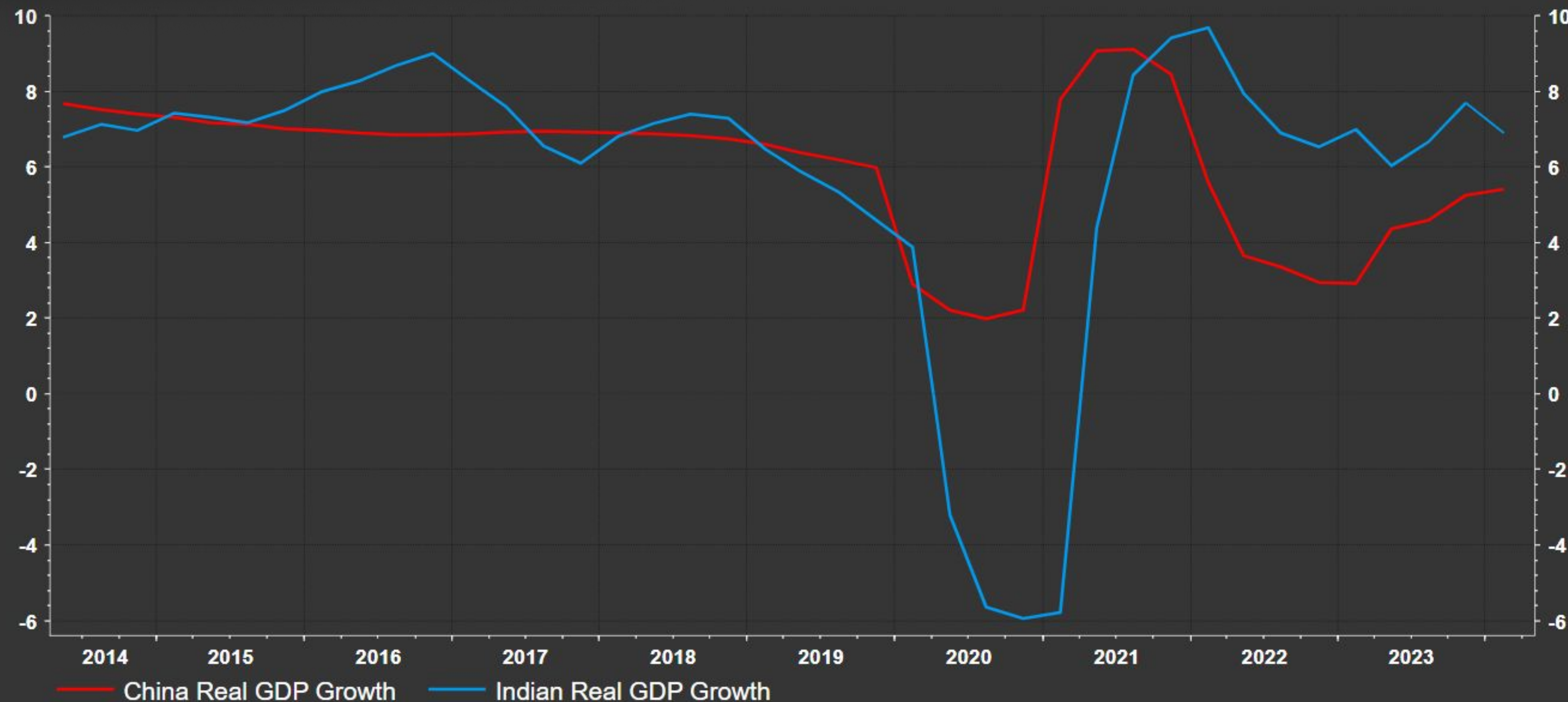
Source: LSEG Datastream / Rezco

Sentiment Pop but Real Returns Require Results



Source: LSEG Datastream / Rezco

India vs China GDP Growth

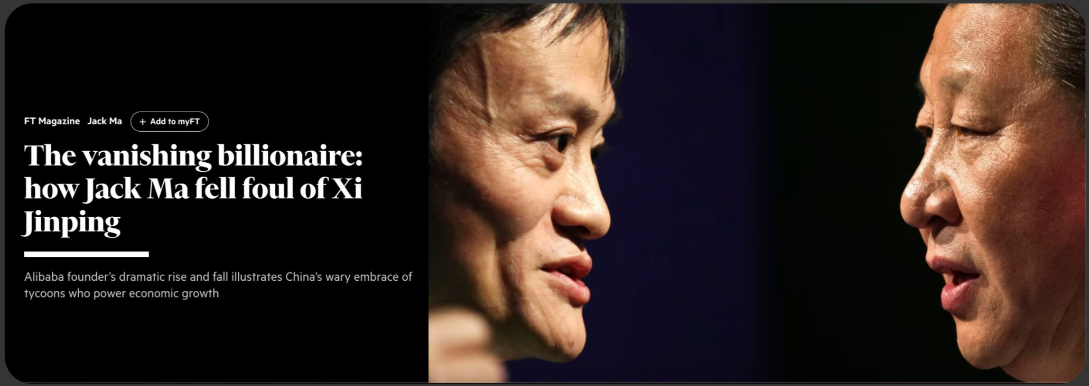


Source: LSEG Datastream / Rezco

China - The One and Only Strong Man

The Writing Was on the Wall

Time Magazine: April 2016



Tencent Earnings vs Share Price

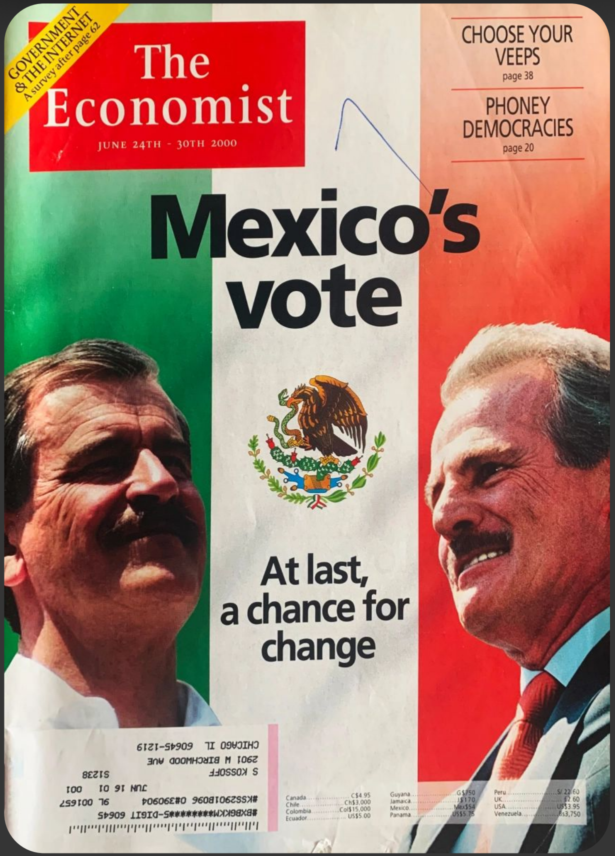
Source: LSEG Datastream / Rezco

India Re-rating vs. China De-rating Is the Main Difference

Source: LSEG Datastream / Rezco

Mexico - The Departing Strong Men

Mexico’s 2000 Pivotal Election



Special

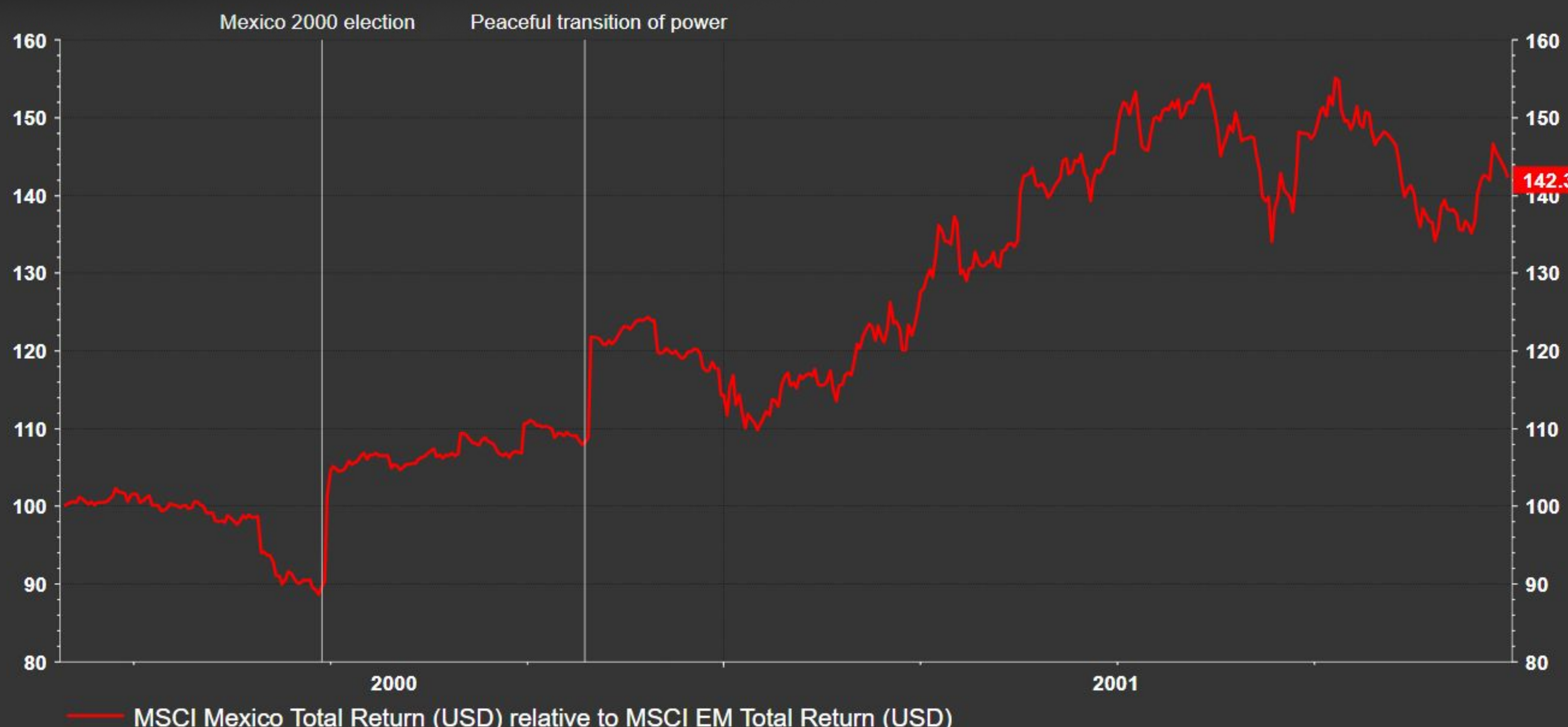
The beginning of the end of the longest-ruling party

As they approach their most hotly contested presidential election in seven decades, Mexicans are divided—and their divisions will mean the demise, sooner or later, of their one-party state

Jun 22nd 2000 | MEXICO CITY

Save Share Give

When Risk Is Priced In, Resolution Rallies Equity



Source: LSEG Datastream / Rezco

South Africa - The Strong Consensus Man

SONA 2018: Ramaphoria Peaked with a Speech

South Africa + Add to myFT

Cyril Ramaphosa outlines blueprint to revive South Africa economy

New president wants to create 'conducive investment climate' after years of scandal

Cyril Ramaphosa in London on Wednesday. He has appointed four 'lions' to help in his hunt for $100bn of investments © Charlie Bibby/FT

David Pilling, **Lionel Barber** and **Alec Russell** in London APRIL 19 2018

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Hard to Get Foreign Investors Excited

Source: LSEG Datastream / Rezco

Bad Policy and Execution Has Had a Cost

Source: LSEG Datastream / Rezco

Navigating Risk and Reward

Opportunity to be flexible

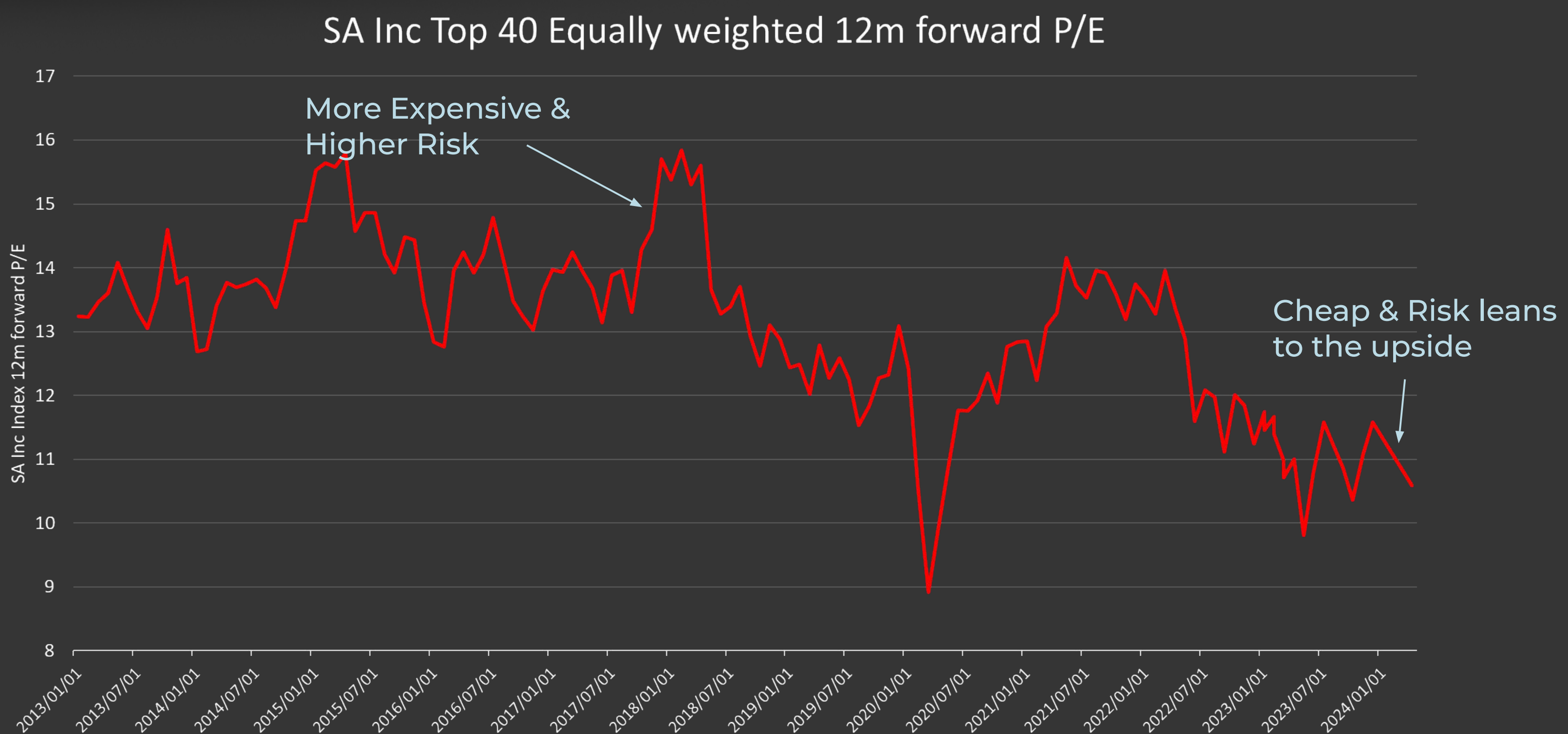
Source: LSEG Datastream / Rezco

Is the Answer Simply Fixed Income?

The Turkey scenario serves as a warning

Source: LSEG Datastream / Rezco

Valuations Going into the Risk Event Are Important



Source: Refinitiv Datastream. Construction: Equally weighted consensus forward P/Es of the largest 40 largest JSE stocks each month, excluding miners, oil, paper producers or where a majority of the stocks earnings are derived from outside South Africa.

Value Trend November 2017

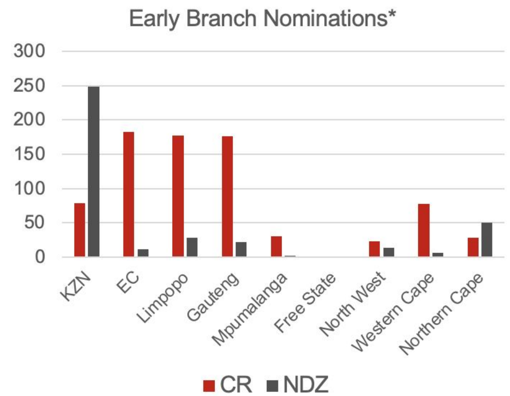
Bad time to take SA risk: Positioned to protect capital in USD

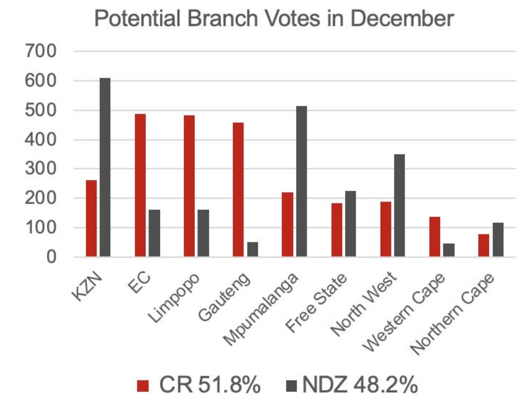
Look-through Equity Exposure to Offshore (USD) Earnings + USD Cash: 70%

Avoided SA Inc and Government Bonds

Our View: CR little upside; NDZ large and permanent capital losses

SA POLITICS TOO CLOSE TO CALL
EXTREME BINARY OUTCOME





- **Early branch nominations show grass root support for CR**
- **CR needs increased support from KZN + Premier League for a convincing victory in the December elective conference**

 ** M&G Article 3 Nov 2017*

Cost of 'Insurance' Is Lower When Flexible

Time Period: 01/09/2017 to 31/12/2019

Currency: South African Rand   Source Data: Total Return

Rezco Value Trend C 115.7 ASISA SA MA High Equity 108.8

Source: Morningstar Direct

2012: Cheap Equity; Euro Debt Crisis

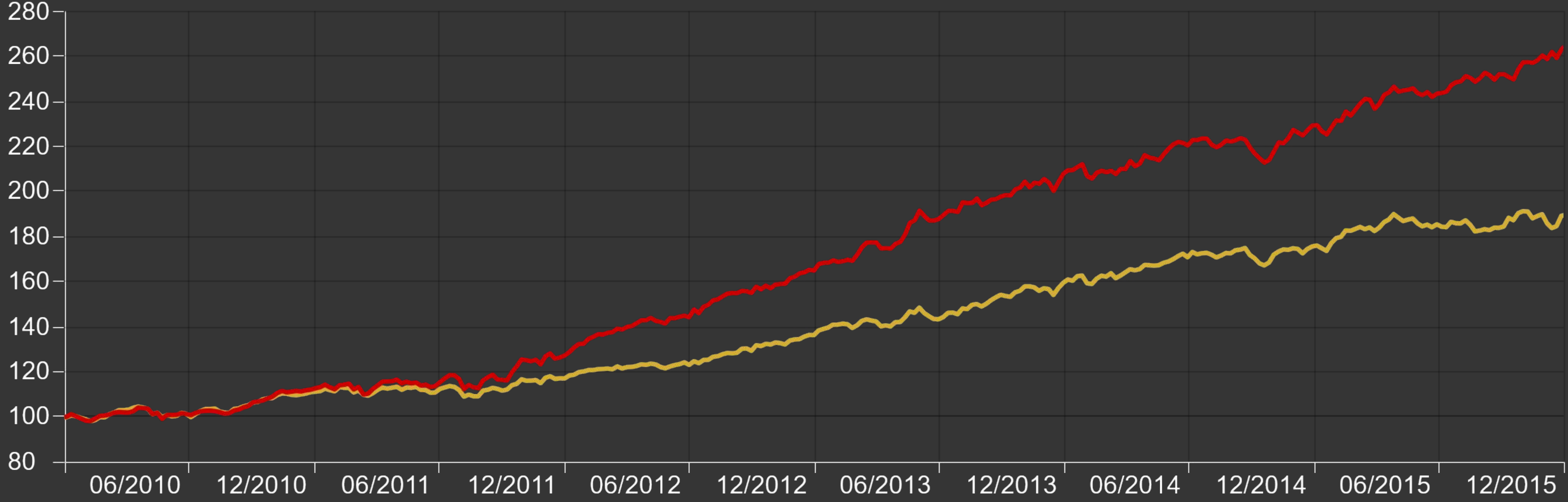
Good time to take risk

Source: LSEG Datastream / Rezco

Value Trend Through the European Debt Crisis

Time Period: 01/01/2010 to 31/12/2015

Currency: South African Rand Source Data: Total Return

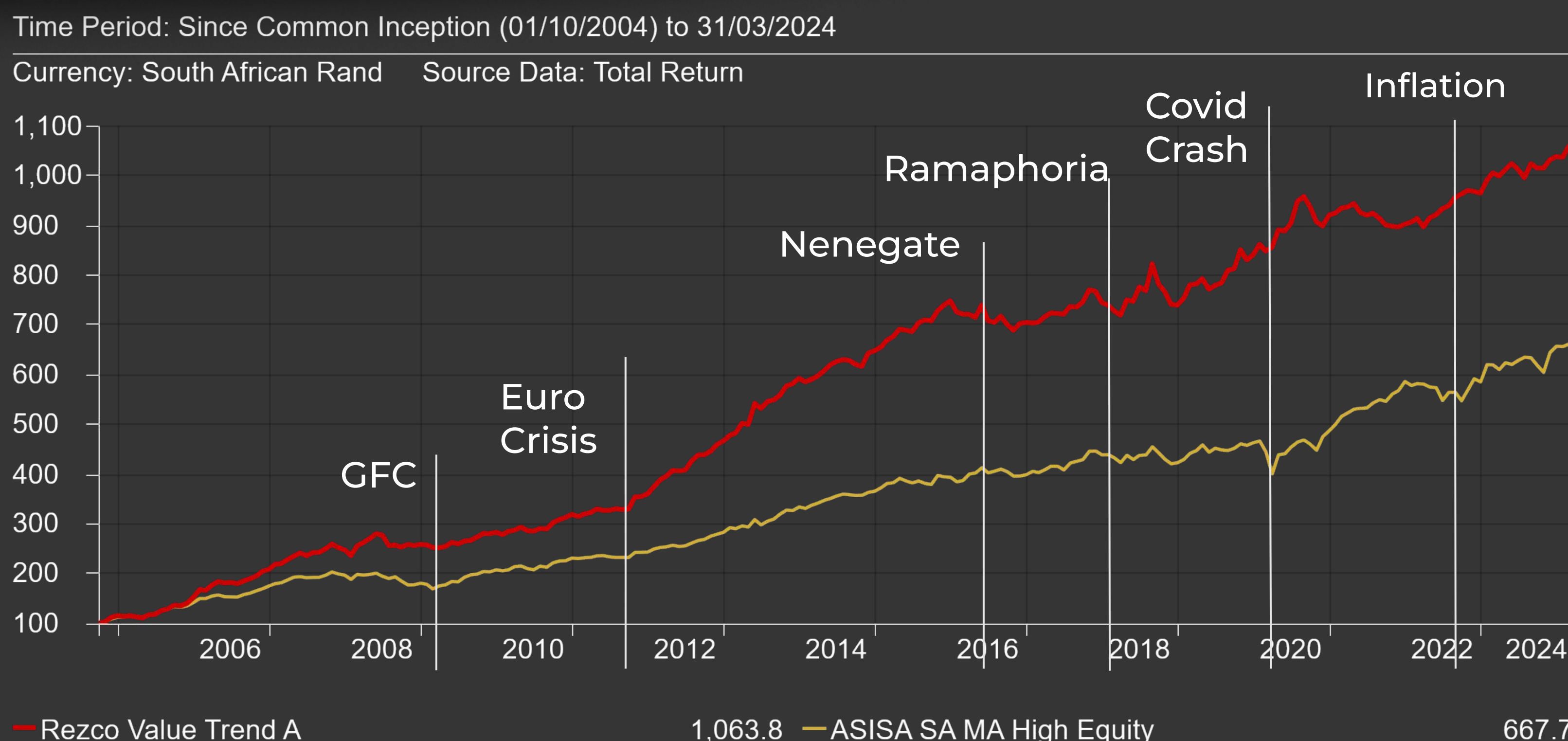


Rezco Value Trend A 264.3 ASISA SA MA High Equity 189.7

Source: Morningstar Direct

Rezco Value Trend Since Inception

Track record of taking risk and avoiding risk

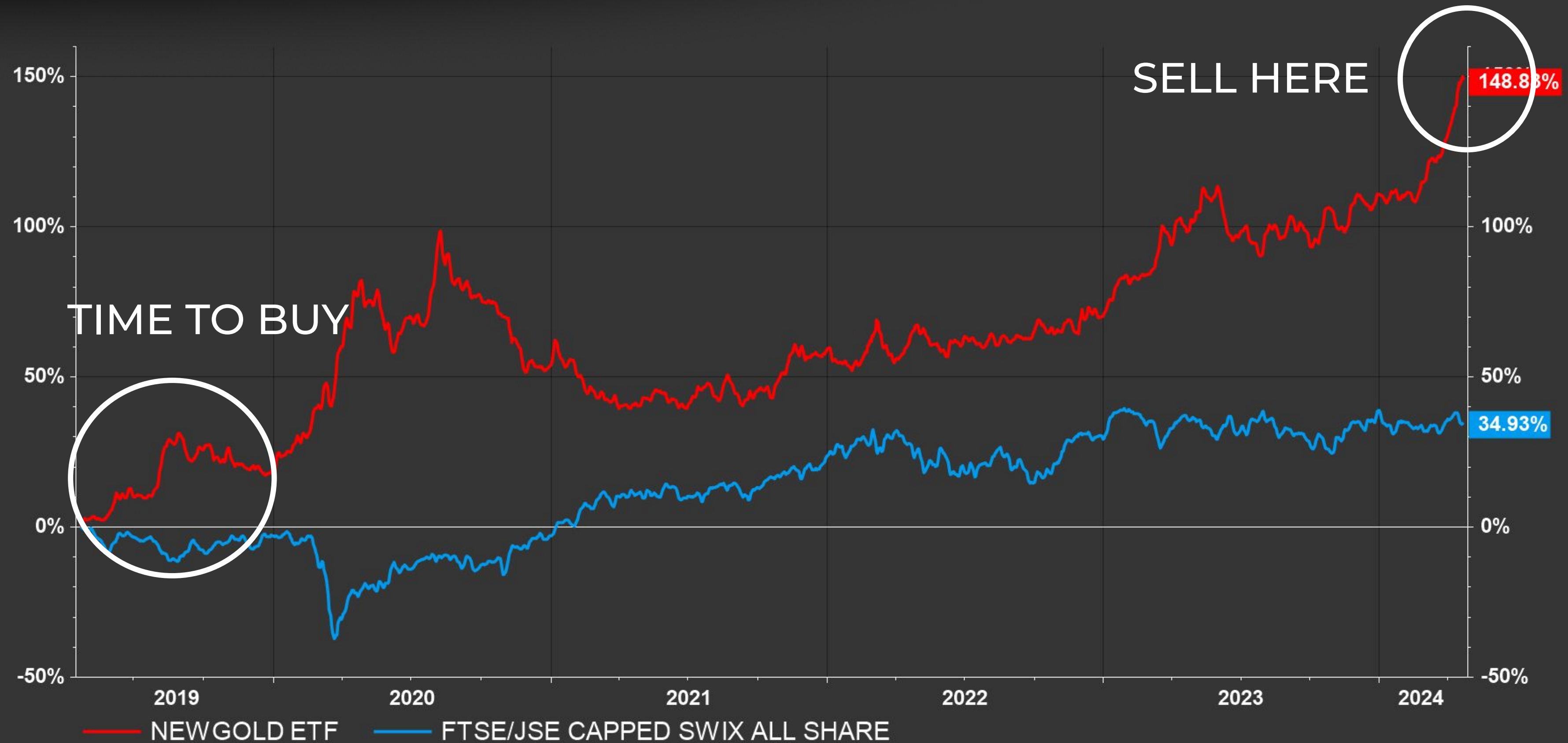


Source: Morningstar Direct

Macro

Gold

Physical Gold ETF in ZAR vs. the JSE SWIX (Time to Exit for Equity Fund)



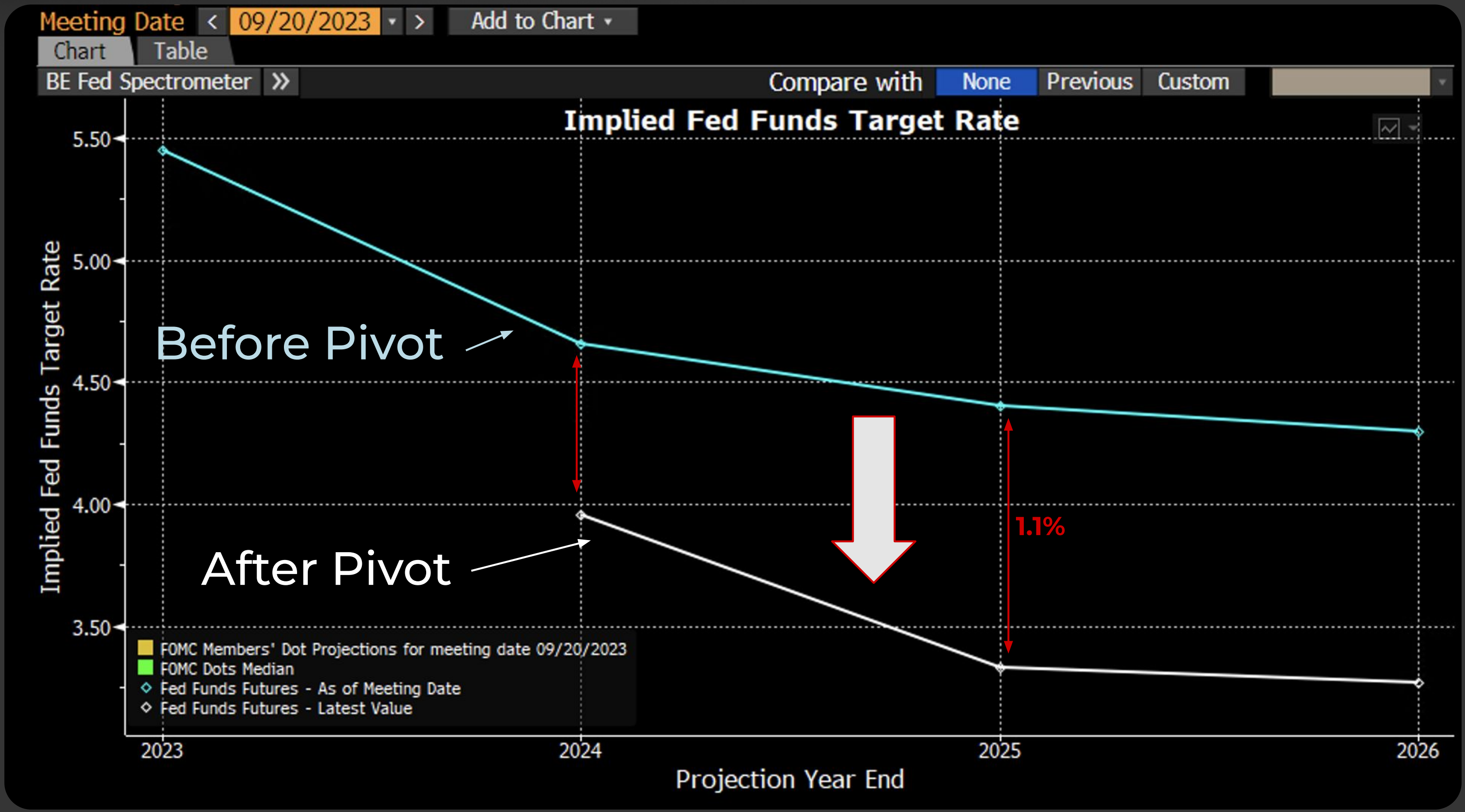
Source: LSEG Datastream / Rezco

Gold vs MSCI (20 Years)

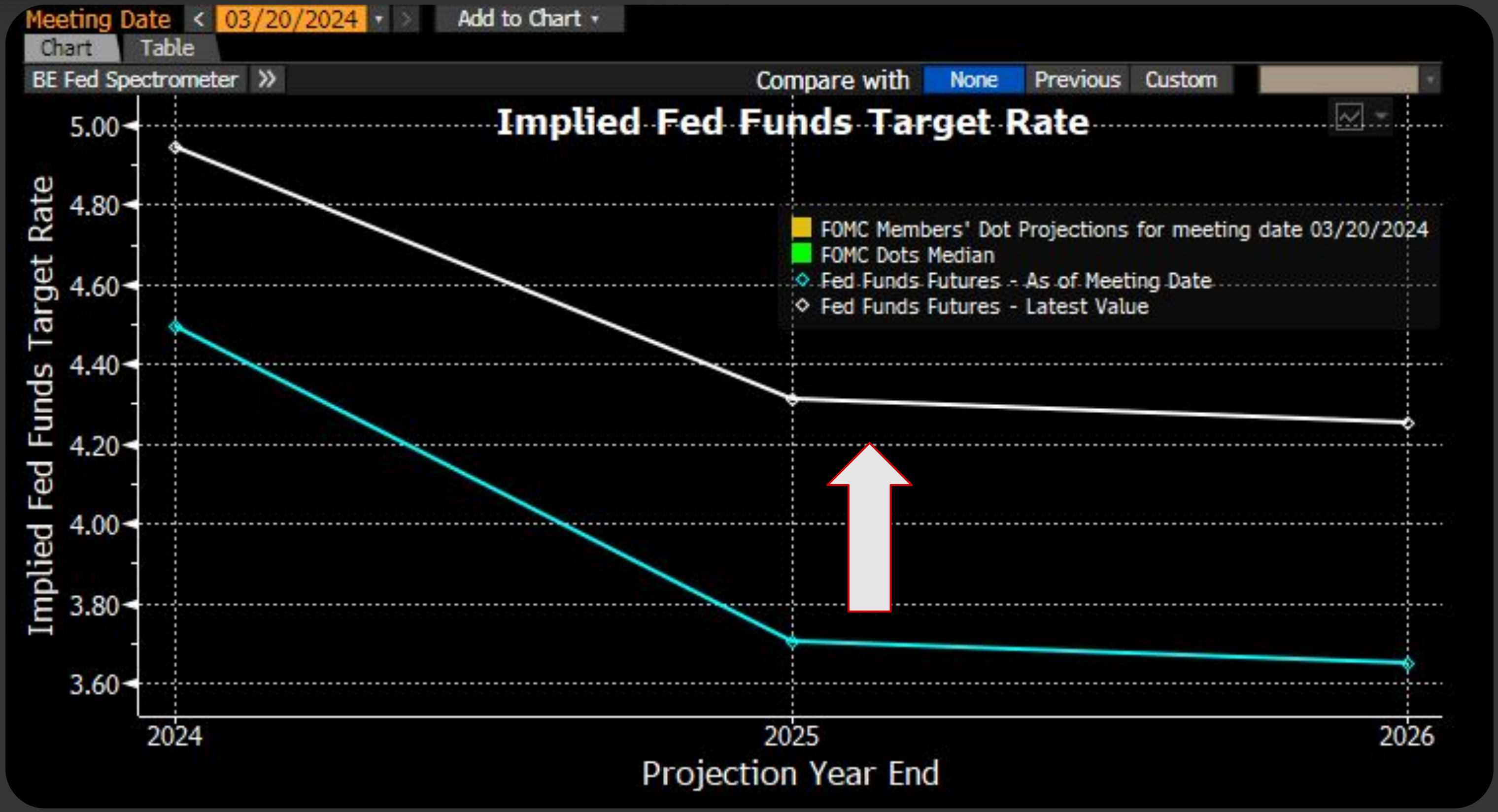
Source: LSEG Datastream / Rezco

Global Macro
The Great Fed Pivot: 2.0

Market Expectations of Fed Rates Dec 23

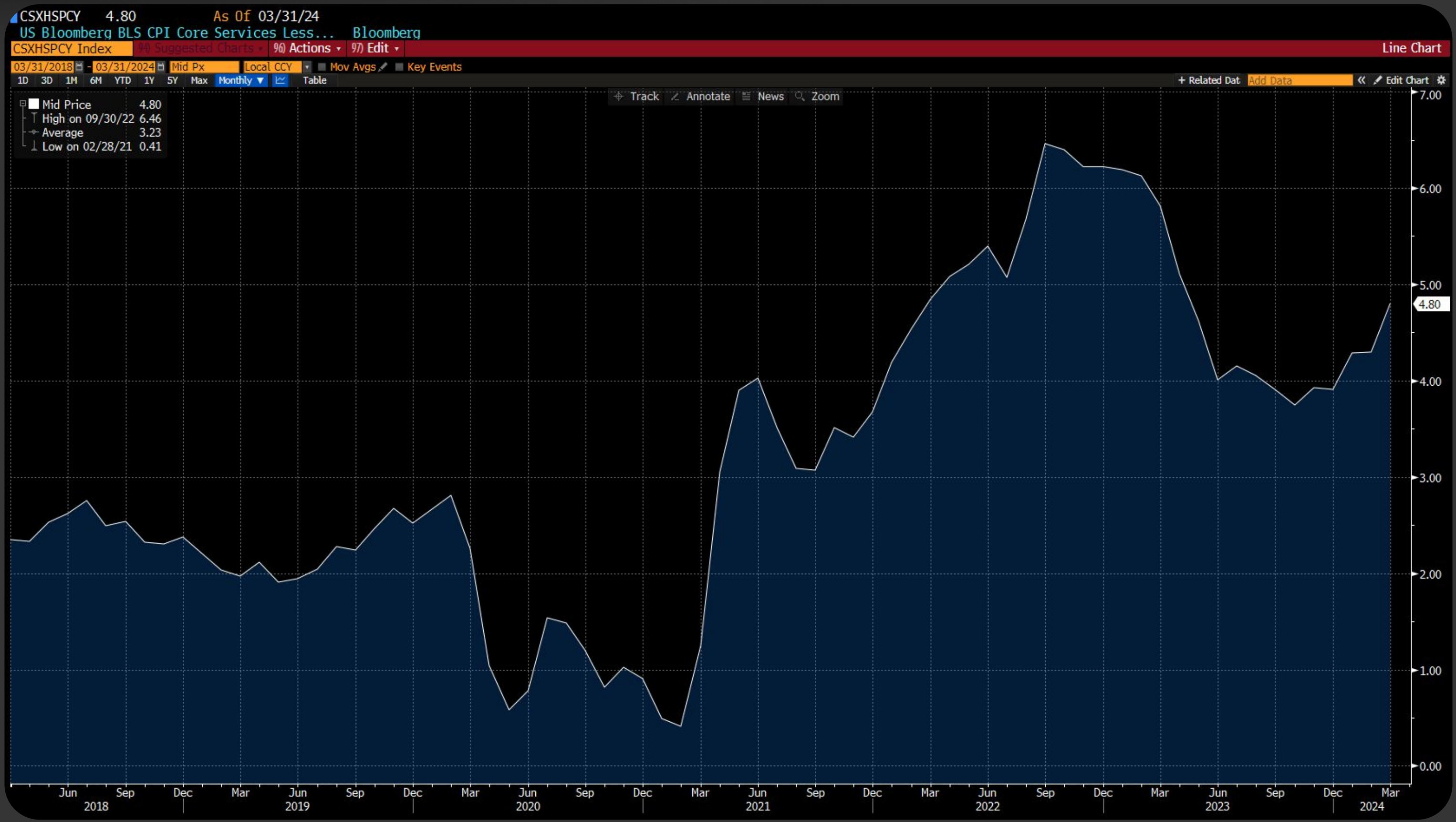


Market Expectations of Fed Rates
Apr 24



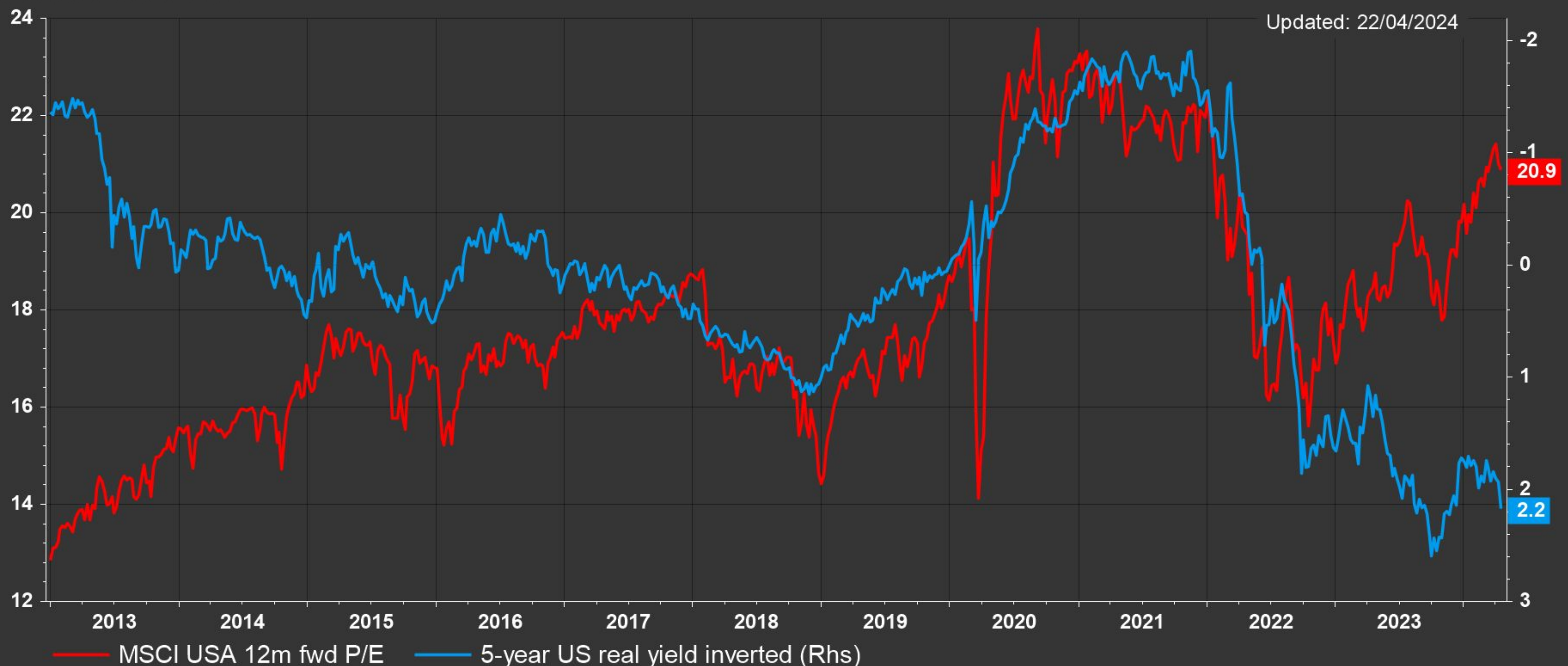
Super-Core Inflation: The Problem?

Previously the Fed made it very clear that this key



Market Is Expensive Relative to Interest Rates

MSCI USA 12m fwd P/E vs. 5-year US real yield inverted

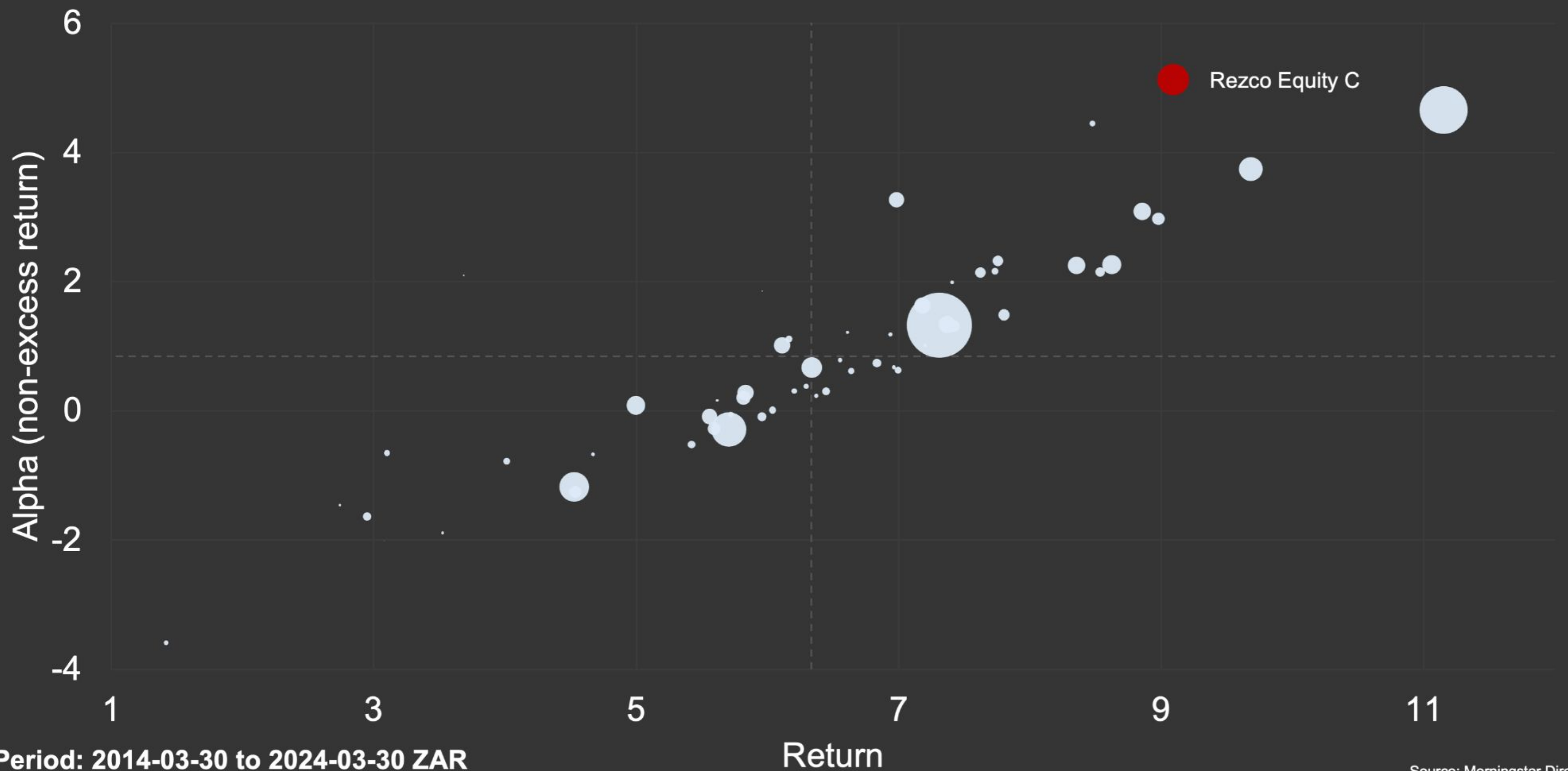


Source: LSEG Datastream / Rezco

Wrapping up

Risk Managed SA Equity Building Block

Time to manage risk well



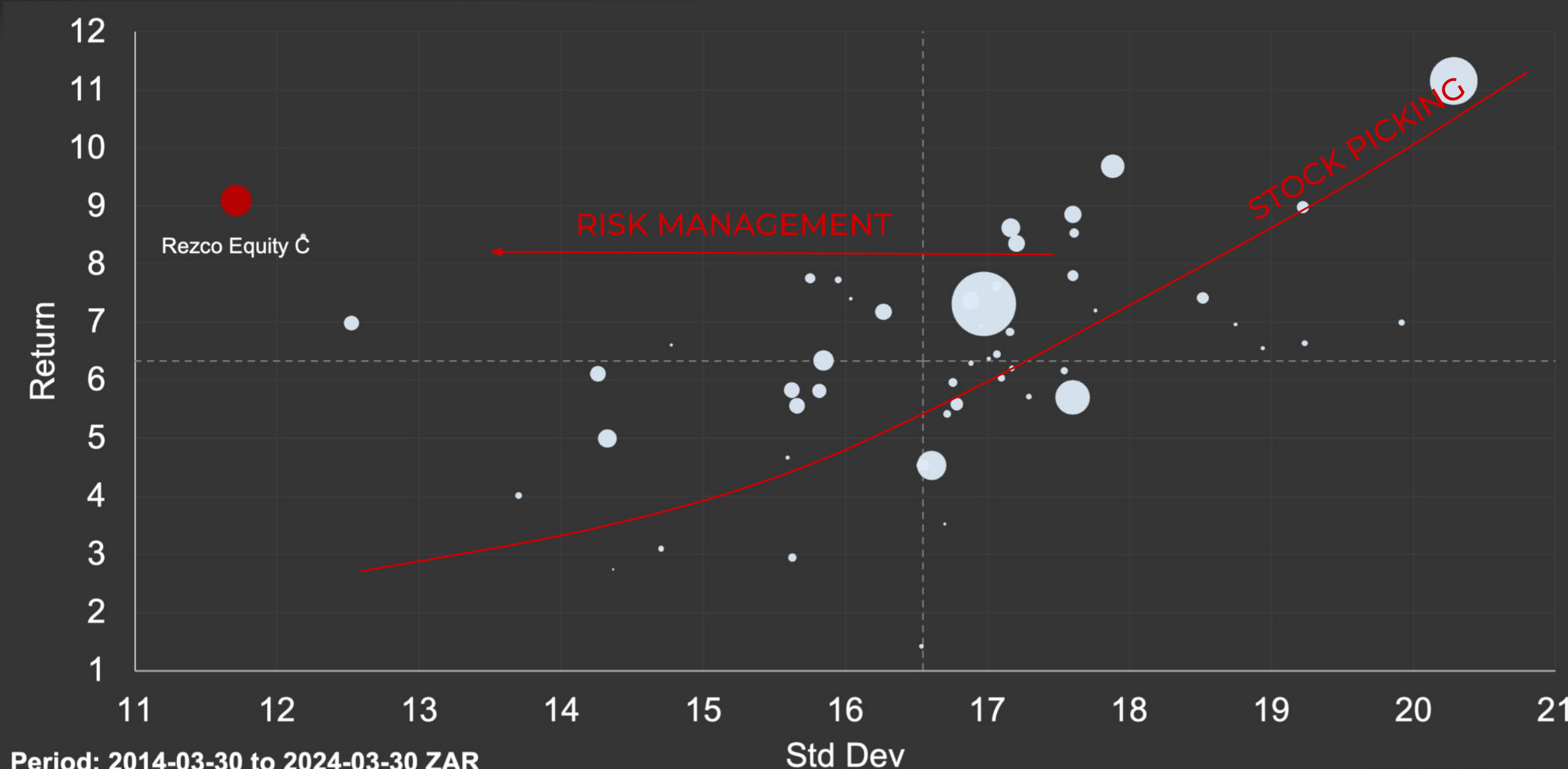
Period: 2014-03-30 to 2024-03-30 ZAR

FTSE/JSE Capped Swix Index TR ZAR | Weekly Frequency Data; dot size determined by fund AUM

Source: Morningstar Direct

Risk Managed SA Equity Building Block

Time to manage risk well



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Flexibility Will Be Important

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REZCO

Thank You

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Preserving Capital* & Creating Wealth.

*While the portfolio manager will attempt to minimise risk, it is possible that the investor could incur losses, including the loss of principal invested.

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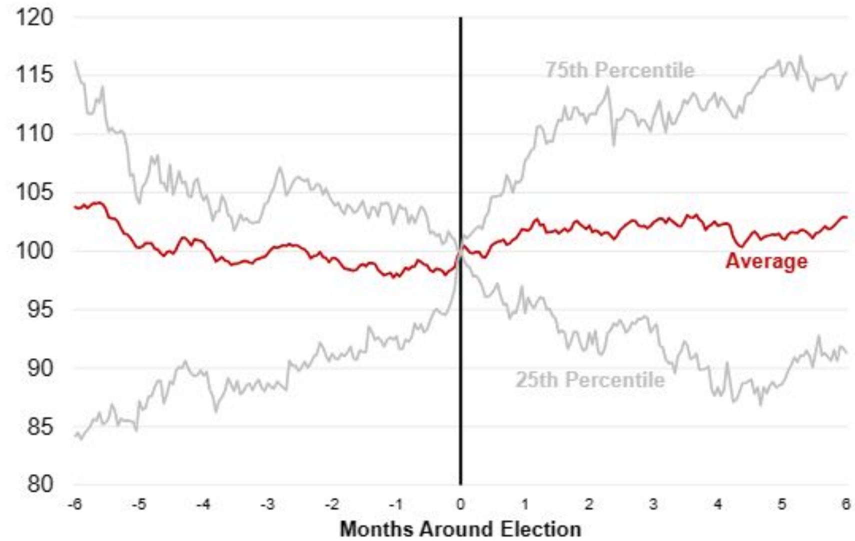
While the portfolio manager will attempt to minimise risk, the value of investments in discretionary accounts and the income derived from those investments may fluctuate, and it is possible that the investor could incur losses, including the loss of principal invested. Past performance is not necessarily indicative of future performance. An investor whose reference currency differs from that in which the fund or segregated account is denominated may be subject to exchange rate movements, which may cause fluctuations in the value of their investments. In addition, investments involving exposure to a currency other than that in which the segregated account or Fund is denominated may also cause values to fluctuate.

How Global Investors See EM Elections

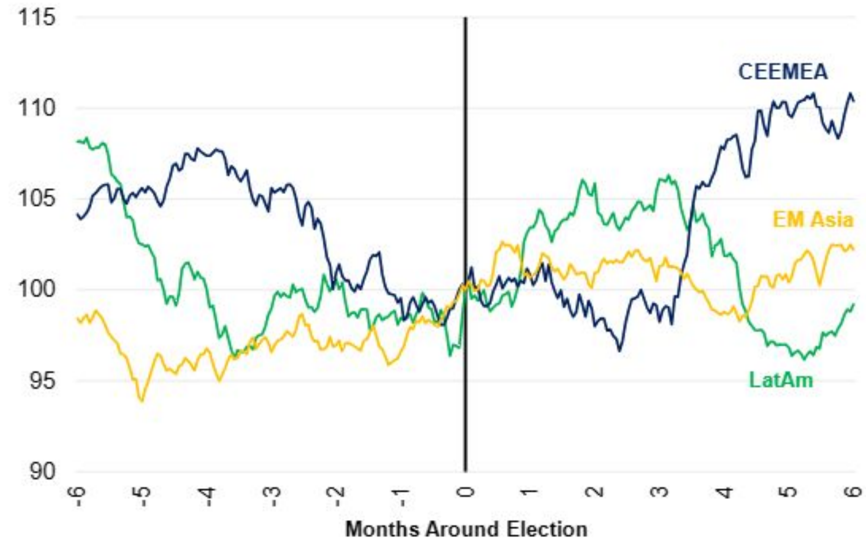
Figure 8. Equity Market Perf Around EM Elections (USD)



Note: Data includes ~50 elections dating back to the 1980s (see Appendix). Excludes elections in volatile global market environments (TMT, GFC, Covid).

Source: Citi Research, DataStream, MSCI

Figure 9. Avg. Perf Around Elections by EM Region (USD)



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