

31 MARCH 2022

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Portfolio Manager and Quantitative Analyst

10 years of investment experience

B.Com, CIPM



MARKET COMMENTARY

Disclosure of FSP: Futuregrowth Asset Management (Pty) Ltd ("Futuregrowth") is a licensed discretionary financial services provider, FSP 520.

FUND OVERVIEW

Markets continue to remain on tenterhooks and are still in the process of digesting the lasting impact of the escalation of the terrible Russia – Ukraine military conflict. The direct effects on global growth are likely to be limited given that both countries only represent around 2% of global GDP. Investors and policy makers alike will concern themselves with the longer-term impact should the conflict escalate or be prolonged. The immediate indirect effect had been mirrored in commodity market turmoil and the tightening of global financial conditions. During March, commodity markets, specifically energy, food, and metals, experienced the biggest price adjustments since the 1973 oil crisis. From a global monetary policy management perspective, the conflict adds another level of complexity with the risk of higher inflation and weaker economic growth (stagflation) to be considered by both monetary and fiscal authorities. This comes at a time when many central banks are already grappling with stubbornly high levels of inflation; one of the legacies of the COVID pandemic.

Domestically, the tabling of the 2022/23 national budget took a back seat in light of disturbing developments in eastern Europe, even though the South African government managed to stick to its consolidation plans. In fact, the Minister of Finance managed to strike a delicate balance across debt containment, bolstering public infrastructure expenditure, and securing the social welfare net. The positive outcome of the 2021/22 budget and the forthcoming fiscal projections reflects a concerted effort to accelerate the pace of fiscal consolidation. In the short term, it is worth noting that the most recent boost to South Africa's main commodity exports due to the Russia-Ukraine conflict could potentially filter down to stronger than expected corporate tax revenue receipts, which in turn will render assistance with efforts to consolidate fiscal finances.

PERFORMANCE REVIEW

The Fund returned 11.85% for the 12-month period ending 31 March 2022, underperforming the benchmark by 0.52%. Underperformance was primarily due to the Fund's underweight position +20-year area of the nominal yield curve, which bull flattened in response to an improved fiscal outlook over the 12-month period.

FUND POSITIONING

The Fund continues to maintain limited exposure to cash given the high opportunity costs of holding this low yielding asset. The quarter

was characterised by episodes of strong bull flattening as the market priced in a positive budget outcome, which drove longer-dated bond yields lower. The Fund opted to re-invest coupons in the 10- to 15-year area of the curve owing to relatively attractive valuation. Subsequently, the Ukraine-Russia conflict triggered an aggressive bout of risk aversion, which saw longer-dated bond yields increase significantly. The Fund utilised yield curve bear steepening to increase exposure in the +15-year area of the curve by using a combination of cash and by selling short-dated bonds to fund the purchases.

SOURCE: OLD MUTUAL INVESTMENT GROUP AS AT 31 MARCH 2022.

FUND INFORMATION

RISK PROFILE



FUND OBJECTIVE

To maximise this fund's total returns through a balance of capital growth and a high level of income. To invest funds into longer term, fixed interest instruments with an emphasis on institutions and projects than contribute to the development of South Africa through meaningful social impact, commitment to development, community participation and support.

INVESTMENT MANDATE

The fund invests in interest-bearing securities and money market instruments. All investments in interest-bearing securities must be approved by Unity Corporation.

CHARACTERISTICS OF THE FUND AND RISKS

This fund is suited to astute investors who have a particular view on a single asset class whilst investing in socially responsible investments. The investor understands the impact of the interest rate cycle and accepts this risk in exchange for moderate capital growth. The Fund is exposed to both interest rate risk and credit risk. In terms of interest rate risk, the risk to the Fund is moderate as the mandate allows for limited positioning relative to benchmark and in terms of credit risk; the Fund's investments are limited to listed credit assets with a credit rating of investment grade or better.

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FUND INFORMATION

FUND CATEGORY	South African – Interest Bearing – Variable Term
FUND BENCHMARK	BEASSA All Bond Index
LAUNCH DATE	14 July 1998
FUND SIZE	R13 million
FUND CODE	CGMI
DEALING PRICE	NAV
DISTRIBUTIONS	Declared: February 2022. Distributed 1 business day after declaration. February 2022: 5.80c per unit.
MINIMUM INVESTMENT	R5000 lump sum. Monthly debit order R500.
INITIAL CHARGE	No initial administration charge. Initial adviser fee will be between 0% to 0.68% (incl. VAT).
SERVICE FEE	0.5% p.a.
NAV PRICE (cents/unit)	143.95c
TOTAL EXPENSE RATIO (TER)*	1.60% (Annualised)

FUND PERFORMANCE % Performance (annualised)

YEARS	FUND %	FUND BENCHMARK %	CATEGORY RANKINGS
1	11.9	11.7	24/36
3	7.1	7.8	29/31
5	7.9	8.3	23/26
7	7.1	7.2	15/19
10	7.8	7.5	9/14

*Past performance is no indication of future performance.

FUND (since Inception)	HIGHEST %	AVERAGE %	LOWEST %
12-month return	14.65%	0.72%	-14.13%

PORTFOLIO COMPOSITION

TEN LARGEST HOLDINGS	%		MARKET VALUE
RSA	8.250	31032032	2 822 305
RSA	8.500	31012037	3 026 293
RSA	8.875	28022035	2 459 115
RSA	9.000	31012040	1 364 209
ESKOM HOLDINGS LTD	8.500	25042042	396 502
TN30	10.500	09102030	289 093
TRANSNET LIMITED	8.900	14112027	295 264
ES33	7.500	150933	229 317
DEVELOPMENT BANK OF SA	9.690	1802	209 756
SA NATIONAL ROADS AGENCY	9.250		181 963

NET ASSET VALUE (NAV) 143.95

MATURITY BANDS	YEARS	%	MARKET VALUE
	0-3	3.6	936 887
	3-7	3.1	802 656
	7-12	13.2	3 453 086
	12+	79.3	20 749 534
	CASH	0.8	209 937
NET ASSET VALUE	100	26 152 099	

MATURITY BANDS	%
12+ YEARS	79.3%
7-12 YEARS	13.2%
3-7 YEARS	3.1%
0-3 YEARS	3.6%

STATUTORY INFORMATION

Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. Past performance is no indication of future growth. Unit trusts may engage in scrip lending and may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Unit trust prices are calculated on a net asset value (NAV) basis, which is the total market value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio divided by the number of units in issue. Each fund's total expense ratio (TER) reflects the percentage of the average Net Asset Value of each portfolio that was incurred as charges, levies

and fees related to the management of the portfolio. Instructions to withdraw must reach Community Growth Management Company (RF) (Pty) Ltd (COMANCO) before 15h00 to ensure same day value.

The portfolio performance is calculated on a NAV-NAV basis and does not take any initial fees into account. Income is reinvested on the ex-dividend date NAV price. Actual investment performance will differ based on the initial fees applicable, the actual investment date and the date of reinvestment of income. Additional information is available free of charge and you could email: invest@comanco.co.za.

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Community Growth Management Company (RF) (Pty) Ltd (COMANCO) is a licensed Management Company approved by the Registrar of Collective Investment Schemes (Registration no. 1992/002327/07).
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