

31 MARCH 2023

## COMMUNITY GROWTH EQUITY FUND

**Yunus January**  
Portfolio Manager & 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.

#### MARKET OVERVIEW

The global banking crisis rattled markets as fears of systemic risk and financial system failure triggered a risk off environment and re-directed capital to safe-haven markets. This resulted in dollar strength on the back of a rally in US Treasuries. Central Banks in the US and Eurozone as well as large commercial banks stepped in to calm markets and avert the risk of a bank run. Even so, these concerns failed to derail the Fed and the ECB from hiking rates further as both central banks increased their respective policy rates at their March policy meetings in order to quash elevated and sticky inflationary pressures. Domestically, the SARB surprised the market by increasing the repo rate by 50 basis points at the March Monetary Policy Committee meeting. Consensus expectation was for a 25-basis point increase, but concerns around stubbornly high domestic food inflation triggered the SARB to act more aggressively. This brings about a cumulative rate increase of 75 basis points over the first quarter of this year, resulting in a repo rate of 7.75%.

On the fiscal front, the Minister of Finance managed to strike a commendable balance between maintaining a credible commitment to fiscal integrity and finding a comprehensive solution to the unsustainable Eskom debt overhang. Having said that, over the longer term, fiscal execution risk remains elevated in light of continued expenditure pressure and the fact that South Africa is saddled with a structurally low growth environment. Despite this, the ALBI index rendered a robust return of 3.4% for the quarter, outperforming both inflation-linked bonds (IGOV) and cash which returned 0.9% and 1.7% respectively.

#### PERFORMANCE REVIEW:

The Fund returned 3.96% over the 12-month period ending March 2023, underperforming the benchmark by 1.9%. Underperformance was primarily due to the Fund's overweight position in the +12-year area of the nominal curve, which was the weaker performing sector over the period as nominal bond yields across the curve trended higher in response to a combination of increasing domestic inflation and an aggressive interest rate hiking cycle.

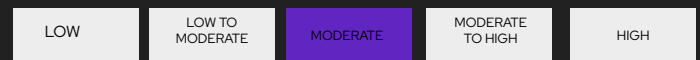
#### FUND POSITIONING:

From a strategic perspective, the Fund favours holding bonds within the 12- to 20-year area of the nominal bond yield curve. Current yield curve steepness renders this part of the curve attractive from an expected risk adjusted return perspective. The Fund continues to maintain limited exposure to the ultra-long +20- year area of the curve given its characteristically high level of interest rate risk and its susceptibility to volatility stemming from fiscal pressures. From a tactical positioning perspective, focus over the past few months has centred around tactically trading the elevated volatility in the longer end of the curve. This is done by rolling up into longer-dated bonds into bouts of market weakness, subsequently taking profit and rolling down the yield curve into bouts of strength. From a strategic positioning perspective, the Fund has gradually increased its level of interest rate risk as valuation has become increasingly attractive. The Fund's modified duration has increased to +0.5 relative to benchmark from -0.2 at the end of March 2022.

Source: Old Mutual Investment Group as at 31 March 2023

### 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 that 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 investors seeking long-term capital growth while investing in socially responsible investments.

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## COMMUNITY GROWTH EQUITY FUND

### FUND INFORMATION

FUND MANAGER	Yunus January
FUND CATEGORY	South African - Interest Bearing - Variable Term
FUND BENCHMARK	BEASSA All Bond Index
LAUNCH DATE:	14 July 1998
FUND SIZE	R9.4 million
DEALING PRICE	NAV
FUND CODE	CGMI
DISTRIBUTIONS	Declared: February 2023 Distributed 2 business day after declaration August 2022: 136.74c per unit February 2023: 136.22c per unit
MINIMUM INVESTMENT	R5 000
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)	137.69c
TOTAL EXPENSE RATIO (TER)*	1.73% (Annualised)

### TOP TEN HOLDINGS

RSA 8.50 31012037	2 519 364
RSA 9.00 31012040	2 470 000
RSA 8.875 28022035	2 280 000
RSA 8.75 31012044	1 110 000
ESKOM HOLDINGS LTD 8.5 25042042	500 000
TRANSNET LIMITED 8.9 14112027	300 000
TN30 10.50 09102030	300 000
ES33 7.5 150933	300 000
SA NATIONAL ROADS AGENCY 9.25	200 000
NRA028 12.25 30122028	100 000

### FUND PERFORMANCE % Performance (annualised)

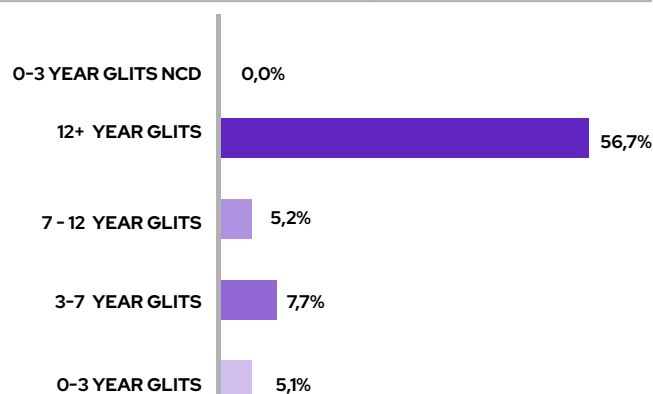
YEARS	FUND %	FUND BENCHMARK %	CATEGORY RANKINGS
1	4,0	5,3	41/46
3	10,1	10,8	30/34
5	5,7	6,5	26/28
7	7,8	8,0	21/24
10	6,7	7,2	14/15

\*Past performance is no indication of future performance

FUND (since Inception)	HIGHEST %	AVERAGE %	LOWEST %
12-month return	14,65%	0,72%	-14,13%

### MATURITY BANDS

MATURITY BANDS	%	MARKET VALUE
0-3 YEARS GILTS	5,1%	477 458
3-7 YEARS GILTS	7,7%	723 121
7-12 YEARS GILTS	5,2%	2 630 616
12+ YEARS GILTS	56,7%	5 334 092
0-3 YEARS NCD	0,0%	
CASH	2,6%	244 742
<b>Total</b>	<b>77,2%</b>	<b>9 410 029</b>



### 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](mailto: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), 3RD FLOOR, BLOCK D, Sunnyside Office Park, 32 Princess of Wales Terrace, PARKTOWN 2193, Johannesburg