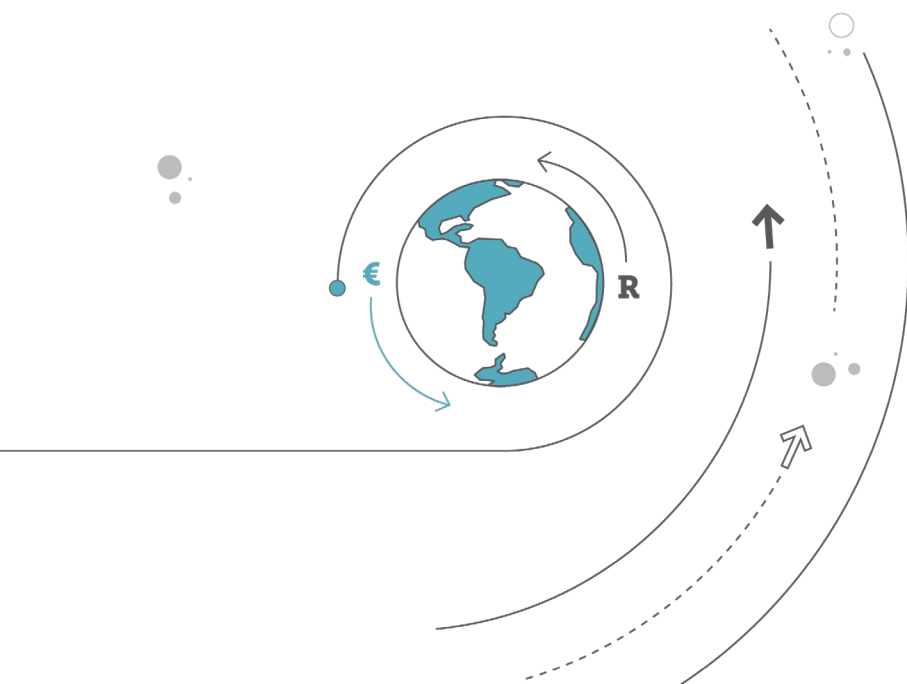




Sasfin BCI Flexible Income Fund

Quarterly Update

March 2021



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BCI Flexible Income Fund

Dear Investor,

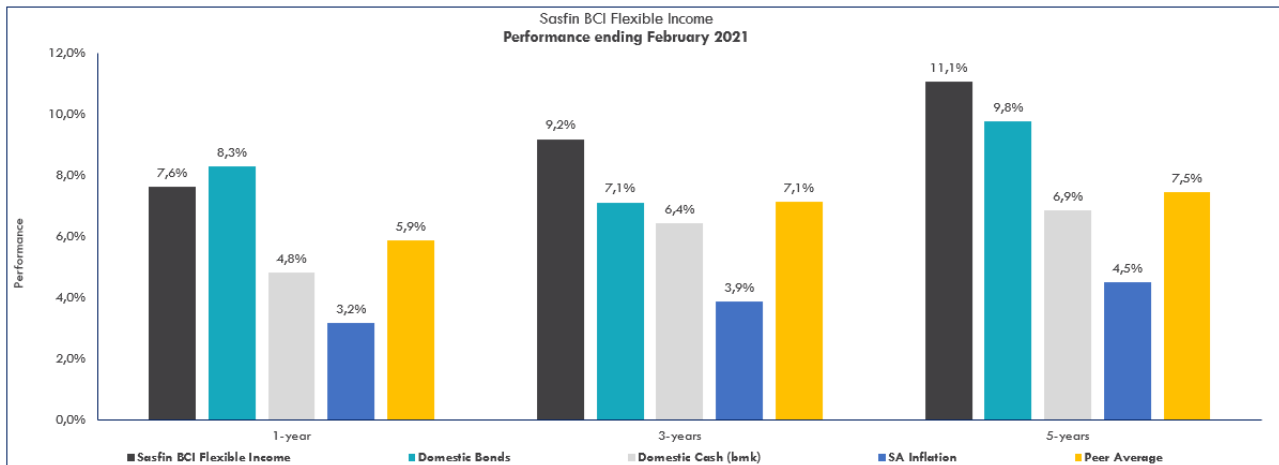
This note provides an update on the Sasfin BCI Flexible Income Fund including performance, current and forward positioning as at the end of February 2021.

The Sasfin BCI Flexible Income Fund continues to provide investors with high levels of income whilst preserving capital over the long-term. The Fund has a flexible mandate and actively invests in instruments which include cash, fixed and floating-rate bonds.

The Sasfin BCI Flexible Income Fund returned 7.6% for the 12 months ending February and an annualised 11.1% per year over 5 years; these realised returns are net of fees. This sees the fund outperforming the All Bond Index (9.8%), domestic inflation (4.5%), domestic cash (6.9%) and the peer average (7.5%).

The unprecedented market volatility that was experienced during early 2020 has dissipated somewhat and has allowed us to take advantage of a number of opportunities which has resulted in a strong recovery in returns subsequently. Of concern more recently has been the focus of the market on a faster than previous expected recovery, leading to the Fed beginning to hike rates faster than expected. This may cause another “taper tantrum.”

Performance ending 28 February 2021



Fund highest and lowest calendar year performance (as at 31 December 2020): High = 14.22%; Low = 8.42%;
Source: Morningstar
Notes: A-class; SA Inflation lagged

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Current Fund positioning:

- The Sasfin BCI Flexible Income Fund remains conservatively positioned with a large balance of cash and liquid assets.
- We have been steadily allocating the cash in the Fund to high quality fixed-rate bonds, some of which are currently yielding over 10.5%.
- The current AUM of the Fund is over R6.7 billion.
- The gross indicative forward yield on the Fund remains high at around 8.4%, compared to cash which is now around 3%.

Summary	Current yield (gross)	Current duration (years)
Sasfin BCI Flexible Income	8.4%	2.4
ALBI	9.4%	6.5

Going forward:

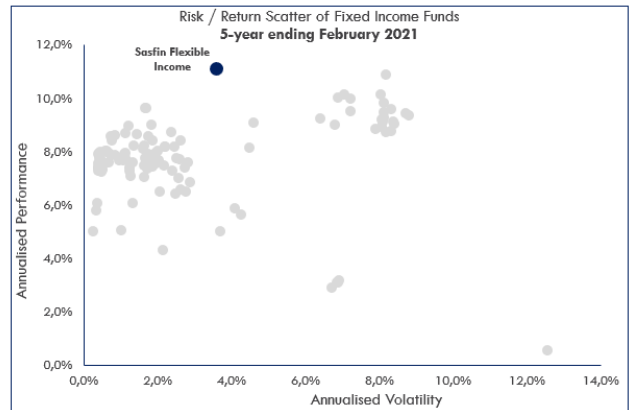
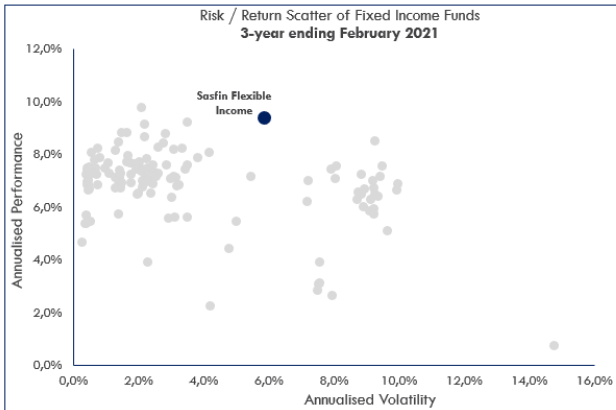
- The fund will continue to be actively managed and look to take advantage of any opportunities that may present themselves.
- The high real yield currently on offer in SA Government bonds is very attractive to foreign investors in a low bond-yield world, and we have seen a distinct shift in risk appetite leading to more of a risk-seeking attitude. This will be positive for our bond market and potentially for the currency as well.
- In the short term though, market concerns about a faster recovery which could see the Fed hiking rates faster than previously expected, as well as growing fears about an inflation resurgence have caused a significant back-up in Treasury yields, with a concomitant move in EM (and in SA) bond yields.
- We will continue to look for any credit opportunities that may present themselves, although we are cognizant of the fact that current credit spreads are significantly lower in general than the recent past.
- The Budget Speech at the end of February was better than expected, and we did use this to add some duration to the fund, but the recent global bond move has overshadowed the SA news. An opportunity still awaits for us to add further duration going forward, as we retain a sizeable position in short-dated assets.
- Maintaining a lower volatility than the benchmark together with high liquidity remains at the forefront of any investment decision.

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The charts below show how the funds' active duration management and inclusion of both fixed and floating rate instruments have provided investors with superior returns whilst being mindful of risk over both 3 and 5 year periods.

3 and 5-year Risk / return of fixed income funds ending 28 February 2021



Sasfin BCI Flexible Income performance is a "hybrid" between short-term & long-term (bond) funds

This confirms the positioning and expected outcomes based on positioning

Source: Morningstar, provisional

Notes: Peers included from SA.MA Income; SA.IB Variable Term & SA.IB Short-term categories

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Platform availability:

Direct via BCI	✓
AIMS	✓
Allan Gray	✓ *restricted list on request
Ashburton	✓
Glacier	✓
Investec	✓
Liberty Bold	✓
Liberty Evolve (all products)	✓
Liberty Gateway	✓
Momentum Wealth	✓
Old Mutual	✓
PPS	✓
STANLIB	✓

Notes:

Annualised return of the fund refers to the weighted average compound growth rate over the measured period; Actual annual figures are available to the investor on request; Fund highest and lowest calendar year performance (as at 31 December 2020): High = 14.22%; Low = 8.42%; A-class performance quoted.

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