Terebinth FI Macro FR Retail Hedge Fund

Minimum Disclosure Document | Fee Class: 1 | 31 May 2025

TEREBINTH CAPITAL

Fund Information

Investment Manager	Terebinth Capital (Pty) Ltd
Fund Manager	Erik Nel & Nomathibana Okello
Inception Date	01/04/2013
CISCA Transition	01/08/2017
Benchmark	STeFI Composite Index
ASISA Category	Retail Hedge Fund – South African – Fixed Income
Currency	Rand
Fund Size	2,123,941,897.53
Unit Price	3128.59
Units in Issue	1,139,597.85
Ticker	DRR900

Risk Profile

Medium

Portfolio Objective

Provide returns in excess of 5% over benchmark on an average annual basis over rolling 36-month periods with a low degree of volatility. The strategy is primarily focused in the most liquid areas of the broader income spectrum, with a strong focus on risk management.

Investment Strategy

The fund is a South African domiciled, rand-denominated fixed income hedge fund, focusing on macro strategies. Through the use of qualitative and quantitative methodologies opportunities are exploited across three disciplines: Structural/Strategic; Technical; Tactical. The fund is actively managed, with a focus on risk management and to provide investors with a high degree of confidence regarding liquidity.

Fees (%) - Including VAT

Service Fee	1.34
Performance Fee	17.25
Total Expense Ratio	2.81*
Transaction Costs	0.07
Total Investment Charge	2.88

*Includes a performance fee of 1.45%

Annual Distributions

Dec 2024: 5,323.12 cents

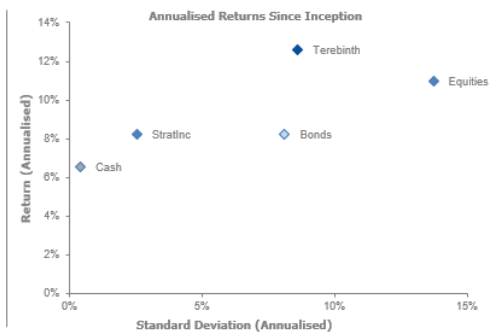
Additional Information

Minimum Investment: R1 000 000
Notice Period: One calendar month
Portfolio Valuation Frequency: Monthly
Transaction Cut-Off: 10:00 of last business day of month
Annual distribution declaration date: December
Performance Fee: Uncapped
Participation Rate: 15%

Investment Growth & Risk-Reward - Since Inception

Investment Growth Since Inception

Risk/Return Plot



The investment performance is for illustrative purposes only and is calculated by taking the actual initial fees and all ongoing fees into account for the amount shown. Income is reinvested on the reinvestment date.

Period Returns (%)

	YTD	1 Year[1]	3 Years[1]	5 Years[1]	Since Inception[1]
Terebinth FI Macro FR Retail Hedge 1	3.01	12.41	12.73	13.16	12.62
STeFI Composite	3.15	8.14	7.72	6.26	6.56
FTSE/JSE All Bond TR	4.24	21.78	11.36	10.13	8.25
FTSE/JSE All Share TR	14.02	27.30	13.66	17.62	10.99

Monthly Performance*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	STEFI
2017	0.81%	0.02%	4.15%	-0.50%	0.57%	1.03%	4.37%	0.30%	1.83%	3.14%	1.61%	1.58%	**20.46%**	7.52%
2018	2.99%	3.96%	2.43%	0.39%	0.89%	-0.38%	1.33%	0.16%	-0.20%	0.54%	1.36%	0.59%	**14.91%**	7.29%
2019	1.15%	0.60%	2.03%	0.64%	1.76%	3.16%	-1.61%	3.33%	-1.75%	3.34%	0.13%	-0.38%	**12.95%**	7.29%
2020	8.51%	2.15%	-10.34%	16.26%	-6.91%	2.22%	2.01%	1.49%	2.09%	1.45%	6.09%	-0.48%	**24.47%**	5.39%
2021	3.86%	5.56%	-1.05%	-0.09%	0.70%	0.71%	-3.96%	-1.04%	-0.17%	-4.05%	1.05%	0.70%	**1.83%**	3.81%
2022	-0.03%	5.45%	-0.92%	0.87%	4.31%	3.84%	2.27%	1.39%	-1.83%	-0.22%	0.53%	0.72%	**17.36%**	5.19%
2023	3.28%	1.73%	1.10%	-0.02%	-4.24%	3.00%	-0.10%	1.98%	-1.15%	2.01%	3.17%	0.86%	**11.99%**	8.03%
2024	0.98%	0.42%	0.62%	0.52%	3.89%	2.95%	0.92%	1.26%	0.22%	1.41%	1.45%	0.60%	**16.28%**	8.51%
2025	0.03%	0.69%	0.79%	-0.87%	2.36%								**3.01%**	3.15%

*Performance is quoted net of all fees. The performance figures until the end of July 2017 (shaded) reflect performance achieved prior to CISCA regulation.

Risk Statistics (%) - Since Inception

	Std Dev	Sharpe Ratio	Sortino Ratio	Kurtosis	Skewness	Highest Rolling 12 Month Return	Lowest Rolling 12 Month Return
Terebinth FI Macro FR Retail Hedge 1	8.60	0.70	0.77	12.45	0.88	37.31	-7.15
STeFI Composite	0.39	—	—	-0.61	-0.62		
FTSE/JSE All Bond TR	8.09	0.20	0.28	2.73	-0.56		
FTSE/JSE All Share TR	13.77	0.38	0.61	0.95	0.12		

Value at Risk (VaR) (%)

Current VaR	4.13
Maximum VaR	4.91
Mandate VaR	20.00

Total exposure and leverage is calculated using the VaR approach. VAR represents the statistical loss that the Fund can experience given its current holding over a one month period with a 1% probability. Portfolio stress testing is performed by subjecting a portfolio through extreme market situations, and noting the portfolio profit and loss, value at risk and exposure movements. Risk Monitoring Specialist: Risk Café.

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Contact Details

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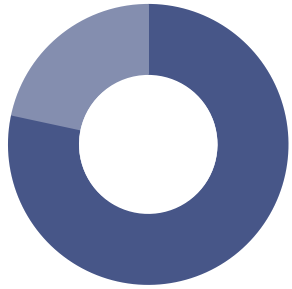
Disclaimer

Grossary Terms

■Net Asset Value (NAV): means net asset value, which is the total market value of all assets in a portfolio including any income accruals and less and deductible expenses such as audit fees, brokerage and service fees. ■Annualised Return: is the weighted average compound growth rate over the performance period measured. ■Highest & Lowest Return: The highest and lowest rolling twelve-month performance of the portfolio since inception. ■Total Expense Ratio (TER) reflects the percentage of the average Net Asset Value (NAV) of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's. ■Transaction Costs (TC) is the percentage of the value of the Fund incurred as costs relating to the buying and selling of the Fund's underlying assets. Transaction costs are a necessary cost in administering the Fund and impacts Fund returns. ■Total Investment Charge (TIC) should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Fund, investment decisions of the investment manager. ■Total Investment Charges (TIC%) = TER (%) + TC (%): The Total Investment Charges (TIC), the TER + the TC, is the percentage of the net asset value of the class of the Financial Product incurred as costs relating to the investment of the Financial Product. It should be noted that a TIC is the sum of two calculated ratios (TER+TC). ■Sharpe Ratio: The ratio of excess return over the risk-free rate divided by the total volatility of the portfolio. ■Sortino Ratio: The ratio of excess return over the risk-free rate divided by the downside deviation of the portfolio. ■Standard Deviation/Volatility: The deviation of the return of the portfolio relative to its average. ■Frequency Distribution: How often returns occur within a specified band. ■Skew: A measure of the distribution of values around the mean. ■Kurtosis: Is a measure of the combined weight of a distribution's tails relative to the center of the distribution with 3 being a measure of normality.

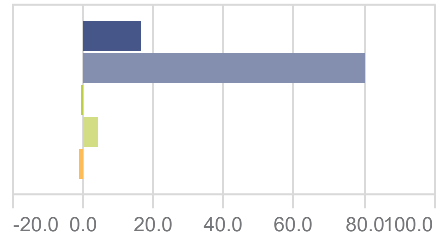
Issue date: 13 June 2025

Asset Allocation



	%
FIXED INCOME: BONDS AND DERIVATIVES	78.4
CASH / MONEY MARKET	21.6
Total	**100.0**

Counterparty Exposure



	%
ABSA BANK LIMITED	16.6
JSE DEBT MARKET	80.3
JSE CLEAR PTY LIMITED	-0.3
FIRSTRAND BANK LIMITED	4.2
OTHER	-0.8
Total	**100.0**

Market and Fund Commentary

The global economy recorded a 2.3% annualised growth rate in 1Q25, with global manufacturing surging nearly 5%, driven by front-loading in anticipation of US tariffs. However, this boost is expected to unwind by midyear, stalling manufacturing output as trade war headwinds intensify. Prolonged unresolved trade conflicts threaten economic stability, with forward-looking surveys indicating a rapid deterioration in sentiment. US household purchasing power is set to weaken as tariff hikes pass through to consumer prices, while declining business confidence may curb capital expenditure and hiring. May surveys present mixed signals. Euro area services weakened, and US all-industry output prices hit a two-and-a-half-year high, though sentiment shows signs of rebounding. The IMF downgraded its 2025 growth forecasts for 86% of global GDP, cutting the US outlook by 1%, reflecting tariff-related uncertainty. Risks of a US recession remains relatively elevated due to policy disruptions, despite a resilient economy underpinned by strong private sector balance sheets ($2.9T in corporate cash) and dovish Fed policies.

The 90-day US-China tariff pause, reducing rates from 145% to 30% and China's from 125% to 10%, triggered a 6.3% S&P 500 rally in May, the largest surge in 18 months, and tightened credit spreads (investment-grade by 11bps, high-yield by over 50bps). Treasury markets faced pressure, with 30-year yields peaking at 5.15% amid fiscal concerns following a Moody's downgrade (US rating from Aaa to Aa1) and the One Big Beautiful Bill Act's passage through the House. The bill, extending Trump's first-term tax cuts, could expand deficits beyond the current 6% of GDP, raising market sensitivity to rising long-end Treasury yields. A potential "bond vigilante revolt" looms if 10-year yields exceed 5%, threatening risk-parity and 60-40 portfolios, as back-end yields above 5% historically weigh on equities and fixed income.

Trump's tariff policy follows a pattern dubbed the "Taco" (Trump Always Chickens Out) trade, with retreats under market and political pressure, as seen in the tariff reduction. However, his erratic approach - proposing, signing, and sometimes implementing tariffs before backtracking - seeks impactful yet painless protectionism, which analysts deem unattainable. Current tariffs could cut US corporate profits by 4-5%, and potential sectoral tariffs on pharmaceuticals, semiconductors, and copper remain under review. The US Court of International Trade's (USCIT) ruling overturning IEEPA-based tariffs may not halt the administration's agenda, as alternative authorities (e.g., Section 301, Section 232) could reinstate tariffs, potentially delaying economic impacts to 2026. If upheld, the ruling could halve tariff rates, slow trade negotiations, and heighten fiscal sustainability concerns.

US inflation is unlikely to return to the Fed's 2% target without a recession, driven by tariffs, immigration restrictions, and fiscal policies not fully priced into markets. The Fed's dovish stance, aiming for a soft landing, anticipates no rate changes in 2025, with 100bp cuts by 2026. Fiscal dominance may eventually require Yield Curve Control to manage deficits and Treasury demand.

Trump's tariff backtrack and defense of Fed independence mitigate risks of capital outflows and a "Sell America" trade, but policy sequencing - negative supply shocks from tariffs and immigration restrictions before positive shocks from tax cuts and deregulation - could disrupt 2025 growth. Markets are pricing in fiscal largesse, tax cuts, and deregulation, sustaining a K-shaped economy. Strong Q1 earnings (8.5% beat rate) and $234bn in April buybacks signal corporate confidence, but persistent trade tensions and Fed autonomy concerns risk volatility. Clarity in policy communication is critical to sustaining the rally in a complex macro landscape, with USD weakness favouring EM and safe-haven currencies.

SA assets performed strongly in May, with mid-caps outperforming large caps for the first time in months, bolstered by the budget finalisation, a cordial SA-US presidential meeting, and the SARB's plan to lower the inflation target from 4.5% to 3.0%. Inflation edged up slightly to 2.8% y/y in April, but 10-year yields rallied 50bp due to these positive developments and an unexpectedly dovish SARB rate cut. Trade delivered a R14.1bn surplus in April, and air passenger arrivals rose 7.5% YTD, though consumer activity (retail sales, tax receipts, car registrations) shows minimal growth over three years, reflecting soft bases from 2024 election uncertainty.

However, structural weaknesses persist. SA's growth remains consumption-driven rather than investment-led, resulting in low structural growth and productivity. It continues to rank poorly globally for both private and public investment rates, despite Ramaphosa's investment pledges and a pending court ruling on a Durban port management bid. Fiscal consolidation continues to progress too slowly, with debt-to-GDP exceeding expectations by 2%, challenging the target for debt to peak in 2025/26. Downward growth forecasts persist, creeping ever closer to crossing the 1% on the downside, from the earlier elevated 1.9% presented by NT at Budget 1.0, impacted by domestic political strife, a budget impasse costing 0.5% of growth, and weakening global demand, particularly from Europe and China.

On the monetary front, the SARB's shift to a 3% inflation target could lower policy rates by 50bp initially and 150bp eventually, benefiting rate-sensitive sectors like banks, insurers, and real estate. Inflation forecasts for 2025 continues to zone in on the 3% handle, reflecting a wider output gap and global disinflationary pressures, prompting the MPC to cut interest rates by 25bp in May, with a larger 50bp move discussed, and voted for by one Committee member. Despite this, real yields and the yield curve remain elevated, and the Rand is vulnerable to sell-offs amid global uncertainties, including potential US tariff hikes and AGOA trade risks.

Political risks, including tensions within the GNU and US-SA relations, have eased recently but remain concerns. Business and consumer confidence is deteriorating, with job growth expectations scaled back. The budget maintains fiscal consolidation through a rising primary surplus, though market consensus anticipates slippage, keeping risk premia high. Debt stabilisation strategies, including bond switches and FRNs, aim to manage borrowing costs, but success hinges on credibility.

To restore confidence and achieve sustainable growth, South Africa needs structural reforms in energy, logistics, and regulation, alongside credible fiscal and monetary communication. While the lower inflation target offers long-term benefits - lower debt costs, improved competitiveness - short-term growth sacrifices (estimated at 10-20bp of GDP annually over two years) and global headwinds pose risks.

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