GLOBAL MACRO
OVERVIEW

BRENTHURST
THE HOME OF WEALTH

BRENTHURST
FUND OF FUNDS

QUARTERLY REVIEW
01 JULY 2023 – 30 SEPTEMBER 2023

INVEST WITH SA'S
LEADING BOUTIQUE WEALTH MANAGER

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FOR 7 CONSECUTIVE YEARS
WINNER 2020 & 2017 | RUNNER-UP 2023 & 2018 | TOP 3 2022 & 2021 | TOP 4 2019

GLOBAL MACRO OVERVIEW

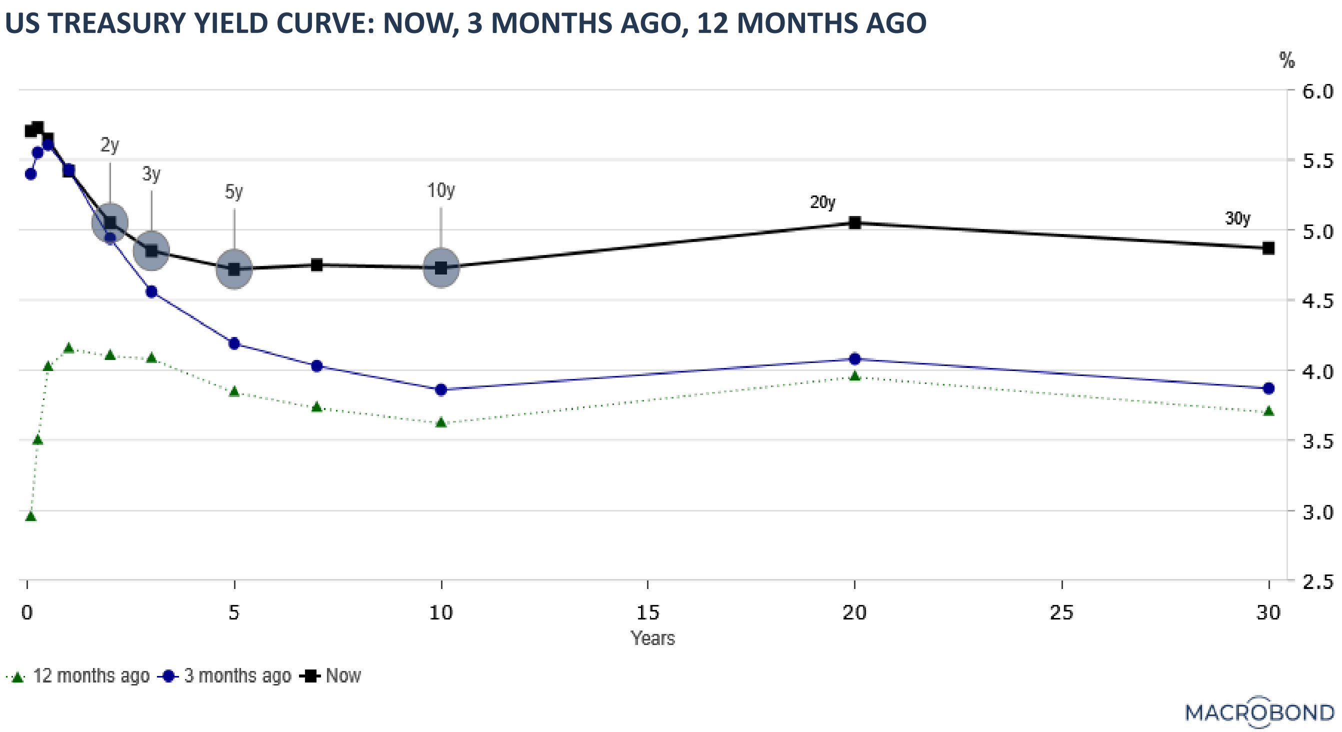
THE PAST NINE MONTHS HAVE BEEN A WILD RIDE FOR INVESTORS.

2023 started with expectations of a recession in the US and a pivot in the Fed Fund rate to accommodate weaker economic conditions. Nine months later, the spectre of a recession in the US has all but receded, with the consensus now looking for a "soft-landing" and the Fed set to raise rates one more time and then stay at elevated levels for a protracted period. US bond yields have, somewhat dramatically, begun to reflect this scenario, with yields rising sharply. This "bear-steepener" has, in turn, impacted equity prices, with the broader market selling off for the quarter.

Where, then, do financial markets go from here?

The answer depends on two essential pathways**.** The first is somewhat technical and relates to the **"term-premium"** implicit in the US yield curve. **The term premium is the extra yield an investor requires for taking on inflation risk.** Unquestionably, term premium has been too low for a while and needed to adjust upwards. With the ten-year US treasury yield having moved from 3.6% to 4.8% during the quarter, it would be natural to assume that the adjustment is complete. It's a difficult call as the average term premium is around 150bp compared to 20bp. Also, the break-even inflation rate has barely moved, with the 10-year rate now at 2.3%.

Chart 1: US Yield Curve



Put differently, the bond market sees no inflation shock on the horizon, with 10-year TIPS offering 2.4%. So, for nominal yields to go higher without any move in the break-even inflation rate suggests that real yields would need to go even higher or the term premium on nominals would need to go higher still. Both are possible, but the recent move's magnitude stretches things a bit.

Chart 1 – US Yield Curve

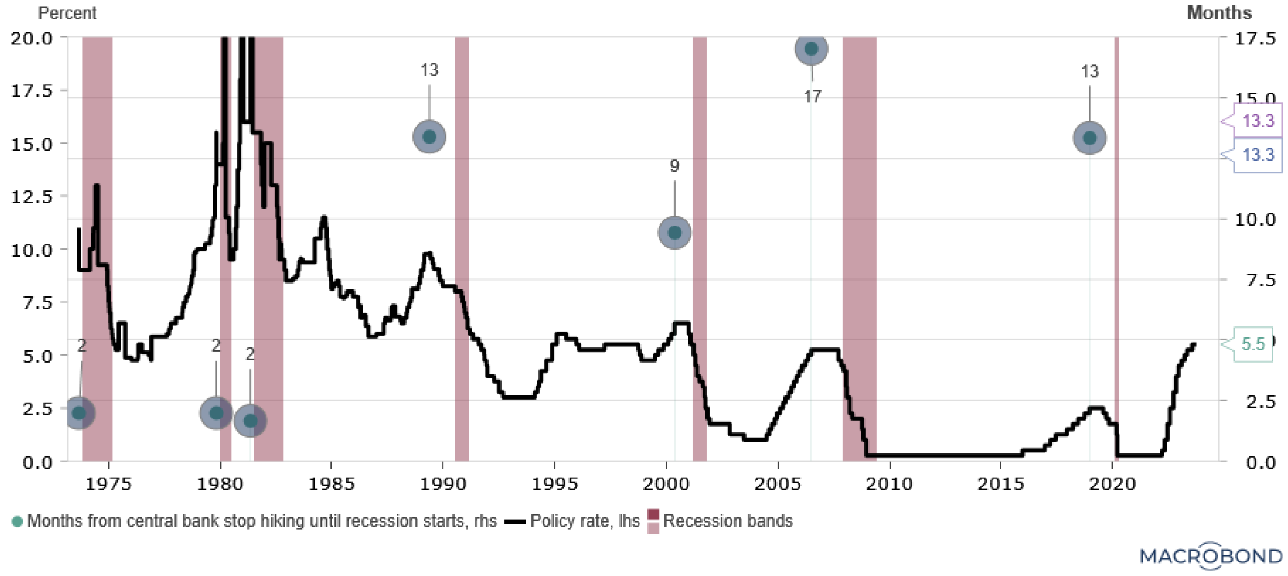
The other, and thankfully more straightforward pathway, is that the record issuance in US treasuries (to fund the current fiscal program introduced by President Biden) puts much pressure on rates.

With over $1,6trn in funding required to top up the General Treasury Account, plus the need to find additional funds to support the various programs and accommodate the ongoing sales by China of US treasuries, yields need to rise to reflect an imbalance in supply vs. demand. Both have unquestionably played a role in the recent spike in yields.

Chart 2: US Fed Cycle & Recession

UNITED STATES: MONTHS BETWEEN CENTRAL BANK STOPS HIKING TILL RECESSION HITS

Source: NBER (National Bureau of Economic Research), Federal Reserve



With expectations of a **"soft landing"** still the consensus view, little attention is paid to the possibility of a hard landing in which something breaks.

As it has done throughout history, the Fed is poor at judging these events. It remains internally conflicted as to the pathways the US economy will follow.

With inflation in the US slowing due to supply-side easing, attention is focused on demand, where consumer sentiment and spending remain robust. But, as we all know, a single event can easily change this pattern. Lending standards have declined quickly as credit standards tighten.

Going forward, we may see inflation as a more structural consequence of demand-side drivers with a consequential impact on yields.

With the S&P 500 index declining from 4600 at the end of July to current levels or around 4200, the focus has shifted to whether the market will hold support at these levels.

Given that the bulk of this move is an adjustment of valuation based on the increase in bond term premium, the S&P may find support at these levels over the near term. However, cognisance must be taken of the impact that higher interest rates are likely to have on the US economy during 2024.

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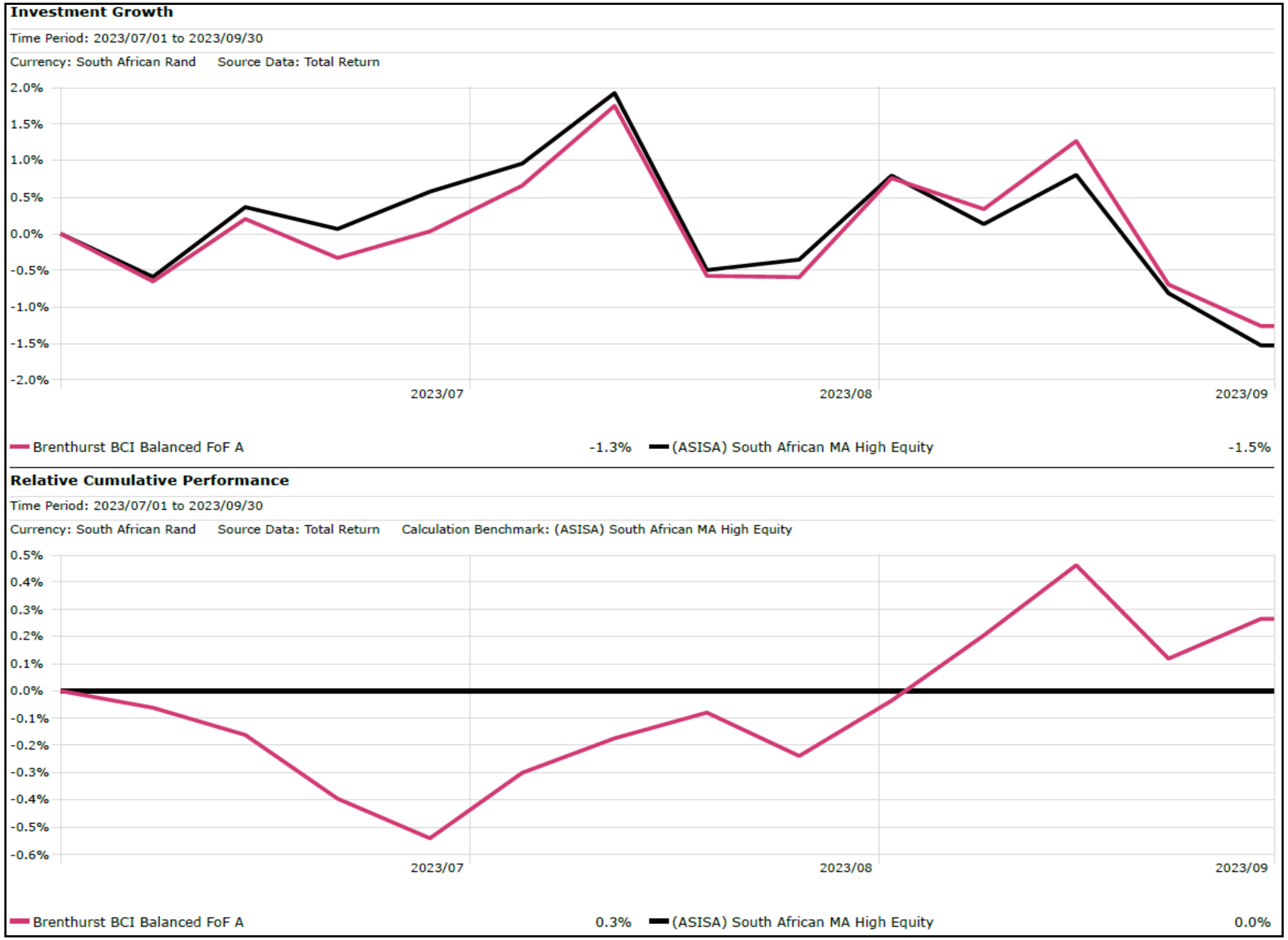
From 1 December 2022 – MiPlan DFM started advising

QUARTERLY REVIEW
JULY 2023 – SEPTEMBER 2023

BRENTHURST BCI BALANCED FOF – 2023 Q3



Source: Morningstar. Data up to 30 September 2023

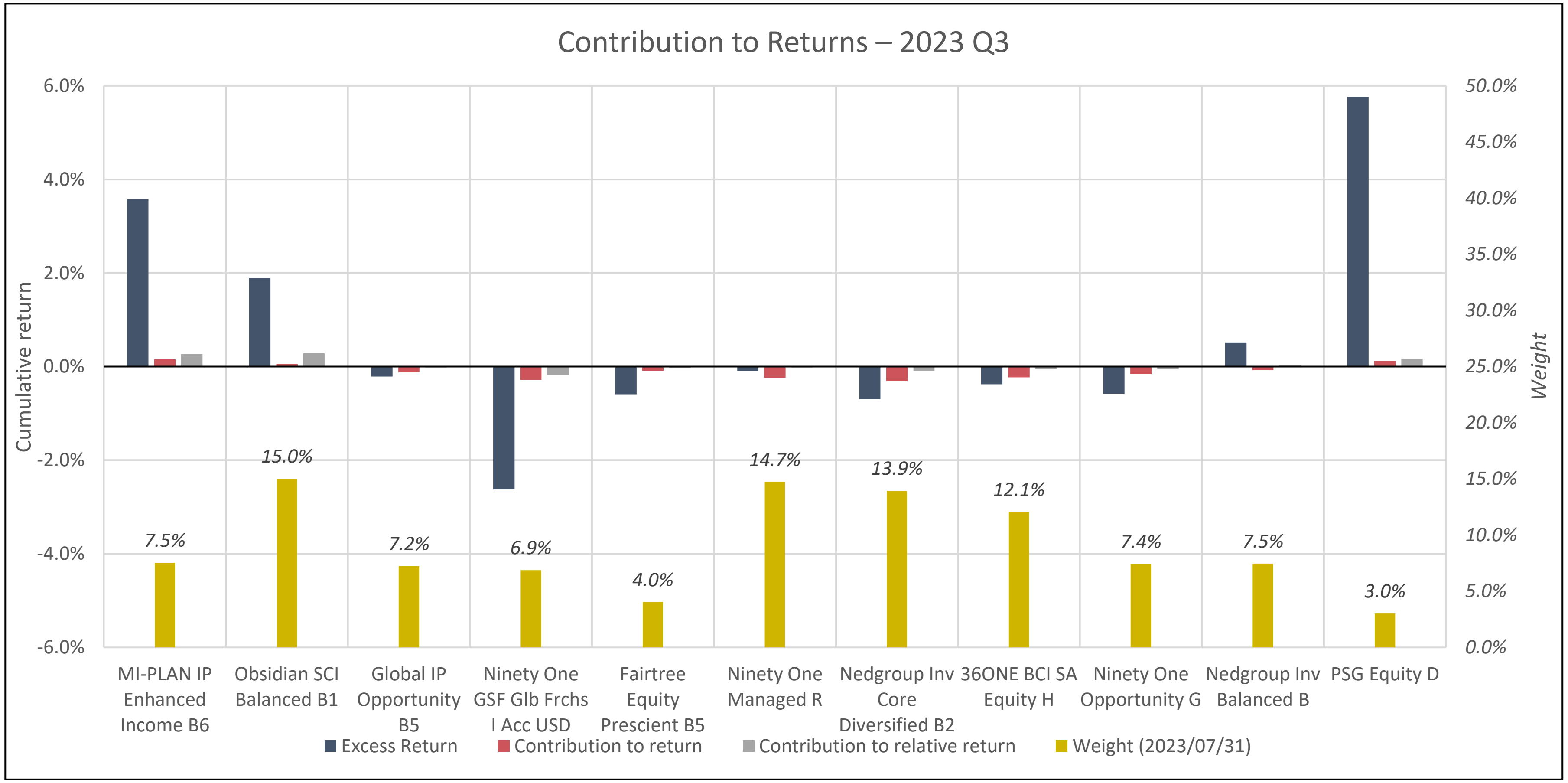
Absolute Returns

Brenthurst Balanced FoF
ASISA MA High Equity

Relative Returns

Brenthurst Balanced FoF
ASISA MA High Equity

BRENTHURST BCI BALANCED FOF – **RETURN CONTRIBUTION**



- *As Q3 2023 was a risk-off quarter, the* ***MiPlan IP Enhanced Income*** *fund outperformed the High Equity sector in this environment.* ***Large*** *impact on performance.*
- *At the start of quarter, the* ***PSG Equity*** *fund was introduced as a diversifier within the selection of SA Equity managers. This fund performed well over the quarter and contributed positively to performance albeit at a relatively small allocation.*
- *Within the selection of multiasset managers, the* ***Obsidian SCI Balanced*** *fund held up well on a relative basis and added positively to performance together with the* ***Nedgroup Inv Balanced*** *fund who experienced an improved quarter.*
- ***OVERALL, THE BRENTHURST BCI BALANCED FOF OUTPERFORMED ITS PEER GROUP FOR THE QUARTER.***

Source*: Morningstar.* ***Data*** *from 1 July 2023 up to 30 September 2023 (excluding that for Merchant West SCI Value which is from 1 April 2023 to 23 May 2023).*
Excess return*: Fund return for the quarter – ASISA South Africa MA High Equity return for the quarter.*
Contribution to return*: Weight of fund x Absolute return for quarter.*
Contribution to relative return*: Weight of fund x Excess return for the quarter.*

BRENTHURST BCI CAUTIOUS FOF – **2023 Q3**

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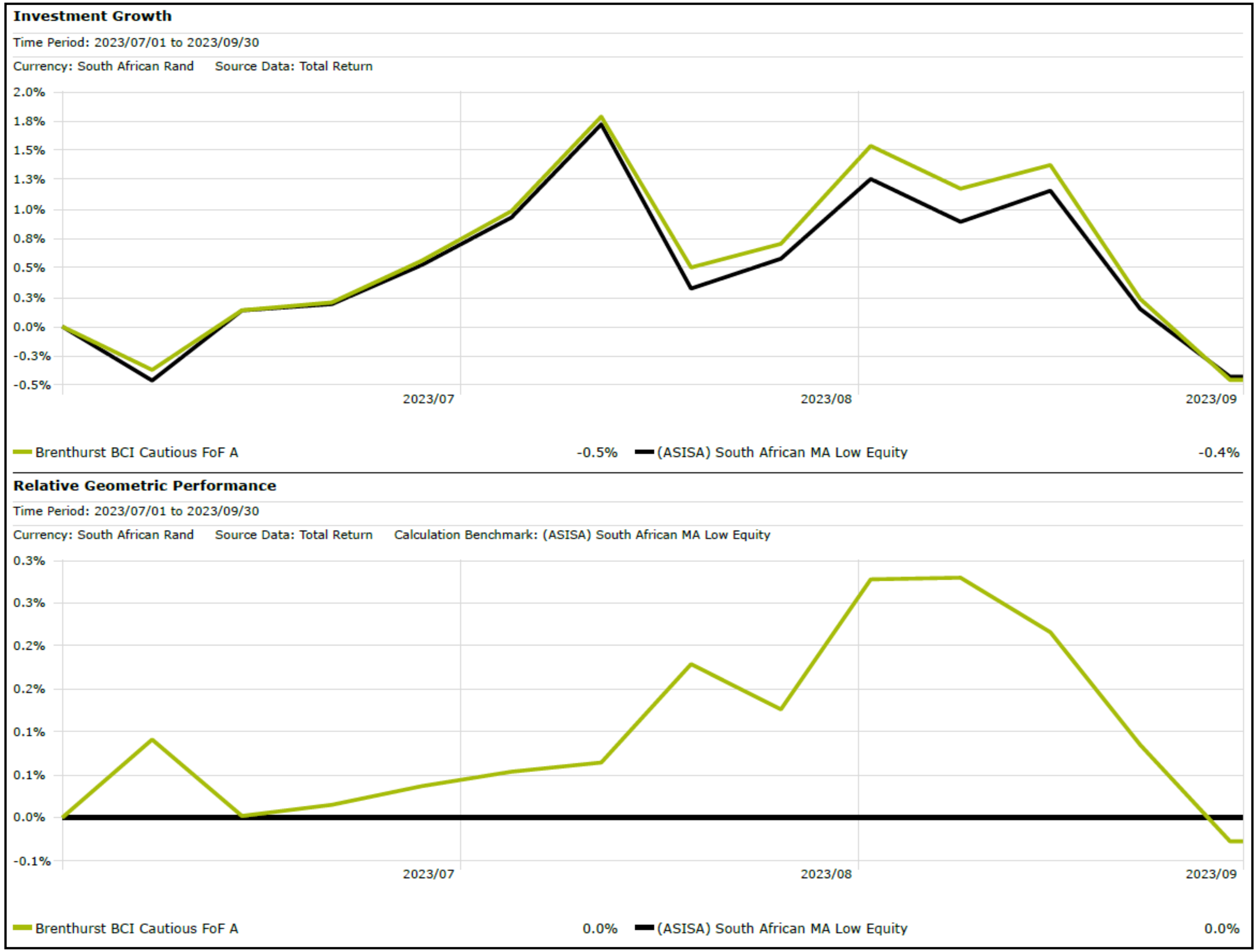

Absolute Returns

ASISA MA Low Equity
Brenthurst Cautious FoF

Relative Returns

ASISA MA Low Equity
Brenthurst Cautious FoF

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Source: Morningstar. Data up to 30 September 2023

BRENTHURST BCI CAUTIOUS FOF – **RETURN CONTRIBUTION**

MI-PLAN
Asset Management
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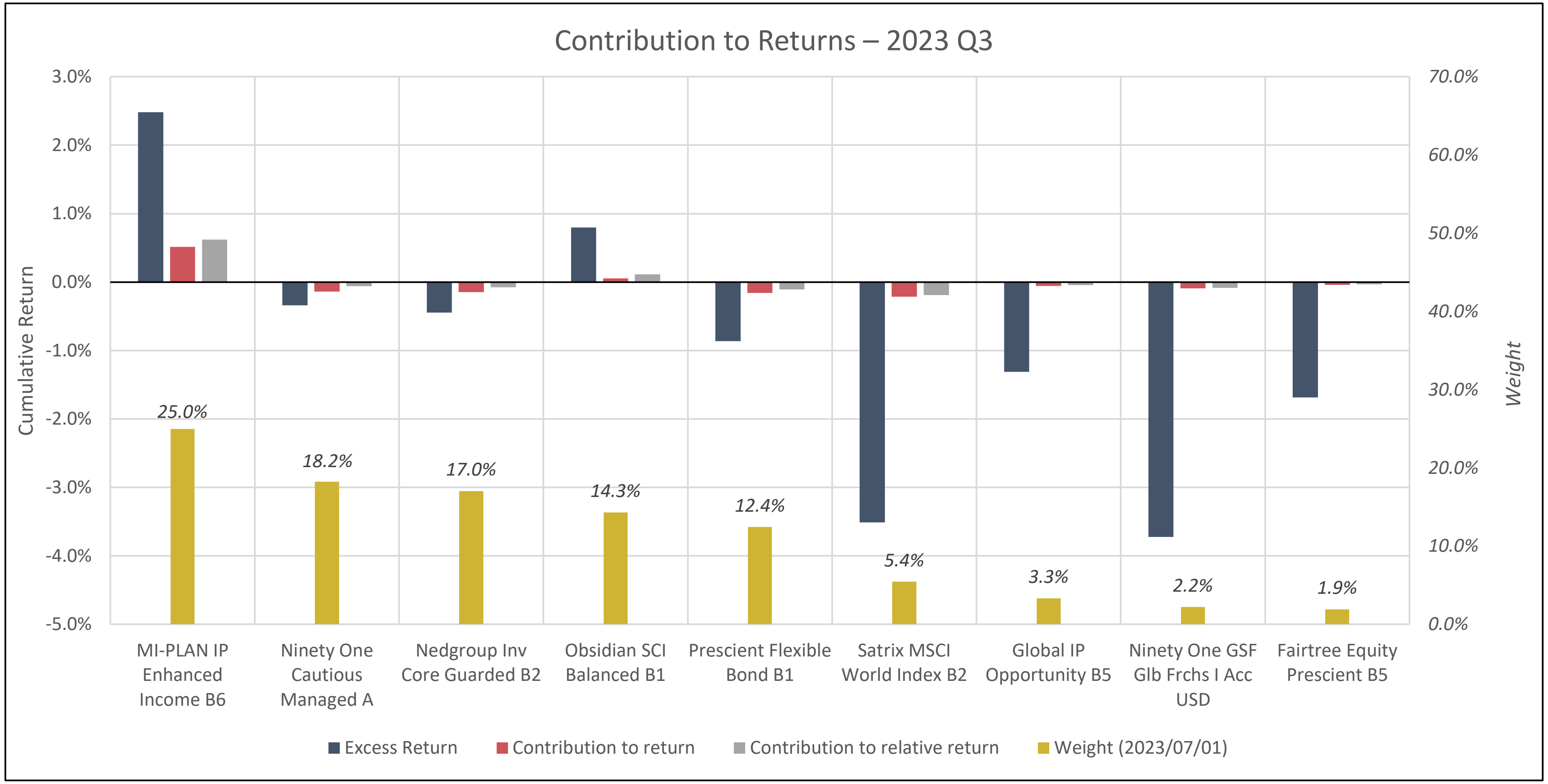

- *As Q3 2023 was a risk-off quarter, largest holding,* ***MiPlan IP Enhanced Income,*** *outperformed the Low Equity sector.* ***Largest holding in FoF: large impact***
- *Within the selection of multiasset managers, the* ***Obsidian SCI Balanced*** *fund held up well on a relative basis and added positively to performance.*
- *Global funds who were the top performers in the previous quarter underperformed the Low Equity sector in 2023 Q3 as global equities experienced a sell-off on the back of the risk-off environment.*
- ***OVERALL, THE BRENTHURST BCI CAUTIOUS FOF PERFORMED IN LINE WITH IT'S PEER GROUP FOR THE QUARTER.***

Source*: Morningstar.* ***Data*** *from 1 July 2023 up to 30 September 2023.*
Excess return*: Fund return for the quarter – ASISA South Africa MA Low Equity return for the quarter.*
Contribution to return*: Weight of fund x Absolute return for quarter.*
Contribution to relative return*: Weight of fund x Excess return for the quarter.*

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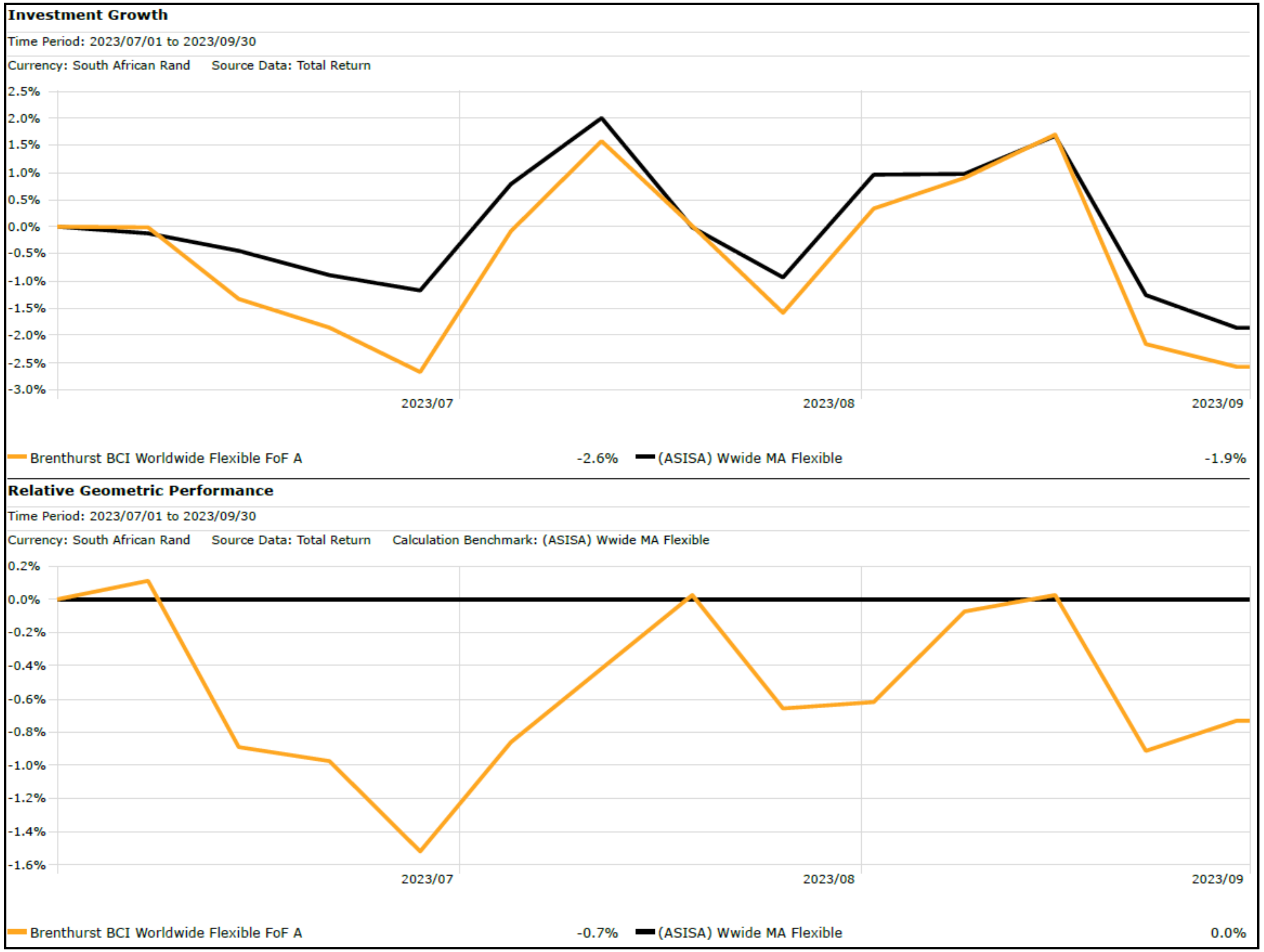
BRENTHURST BCI WORLDWIDE FLEXIBLE FOF – **2023 Q3**



Source: Morningstar. Data up to 30 September 2023

Absolute Returns

ASISA WW Flexible

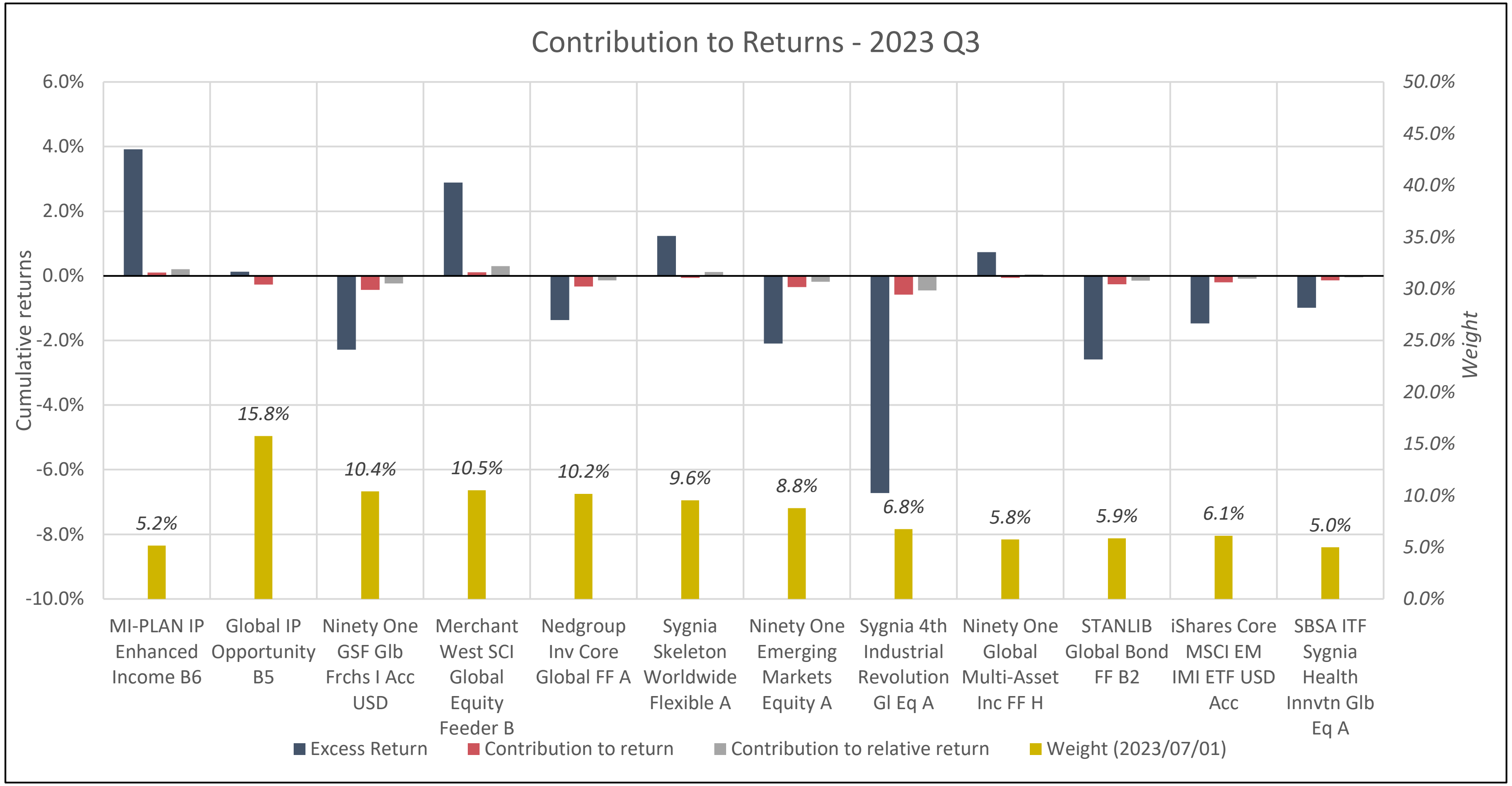
Brenthurst WW Flexible FoF

Relative Returns

ASISA WW Flexible

Brenthurst WW Flexible FoF

BRENTHURST BCI WORLDWIDE FLEXIBLE FOF – **RETURN CONTRIBUTION**



- *Q3 2023 was characterised as risk-off quarter with most asset classes, locally and globally, ending the quarter in the red. Allocations to selected income and multiasset funds aided the funds' performance with the **MiPlan IP Enhanced Income, Sygnia Skeleton WW Flexible, Global IP Opportunity** and **Ninety One MA Income** funds being the top positive contributors to relative performance.*

- *Within the selection of global equity managers, **Merchant West SCI Global Equity,** was the strongest performer relative to the WW Flexible sector as global value stocks held up well over the quarter: large weight in FoF: **large impact**.*

- *On the other end, specialised fund, **Sygnia 4TH Industrial Revolution,** experienced a tough quarter relative to the WW Flexible sector. Small allocation within the fund.*

Source: *Morningstar.* ***Data*** *from 1 July 2023 up to 30 September 2023.*
Excess return: *Fund return for the quarter – ASISA WW Flexible return for the quarter.*
Contribution to return: *Weight of fund x Absolute return for quarter.*
Contribution to relative return: *Weight of fund x Excess return for the quarter.*

SOUTH AFRICAN MULTI ASSET LOW EQUITY (164) (2)

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The table below includes the progression of each fund.

- A CONSISTENT PERFORMANCE RECOVERY IN ALL FUNDS.

Customise Columns	1m		3m		6m		1yr		3yr		5yr		10yr	
	Value	Qtl	Value	Qtl	Value	Qtl	Value	Qtl	Value	Qtl	Value	Qtl	Value	Qtl
BCI Brenthurst BCI Cautious Fund of Funds A TR in ZA	-0.13	2	0.98	1	1.82	2	10.54	3	14.73	4	27.88	4		
Sector SA Mt South African Multi Asset Low Equity TR in ZA	-0.25		0.35		1.09		10.59		25.97		38.17		89.65	

South African Multi Asset High Equity (224) (2)

	1m		3m		6m		1yr		3yr		5yr		10yr	
	Value	Qtl	Value	Qtl	Value	Qtl	Value	Qtl	Value	Qtl	Value	Qtl	Value	Qtl
BCI Brenthurst BCI Balanced Fund of Funds A TR in ZA	-0.14	2	0.31	1	0.41	2	11.13	4	23.51	4	25.96	4		
Sector SA Mt South African Multi Asset High Equity TR in ZA	-0.53		-0.58		0.10		13.35		33.28		45.23		95.09	

Worldwide Multi Asset Flexible (133) (2)

	1m		3m		6m		1yr		3yr		5yr		10yr	
	Value	Qtl	Value	Qtl	Value	Qtl	Value	Qtl	Value	Qtl	Value	Qtl	Value	Qtl
BCI Brenthurst BCI Worldwide Flexible Fund of Funds A TR in ZA	-1.28	2	0.89	1	4.38	1	17.47	2	15.81	3	44.57	3		
Sector SA Mt Worldwide Multi Asset Flexible TR in ZA	-1.50		-0.07		2.60		16.98		24.14		50.36		135.11	

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TONY BELL | AWARD-WINNING FUND MANAGER AND INVESTMENT OFFICER OF THINKCELL.
Brenthurst Wealth consulting investment advisor.

BRENTHURST STRENGTHENS TIES WITH TONY BELL & MI-PLAN

Brenthurst Wealth has appointed Mi Plan and Thinkcell to provide joint advisory services on its range of funds, effective November 2022

With his extensive expertise, Tony Bell, Chief Investment Officer at ThinkCell, will collaborate closely with our internal investment committee and the team at MiPlan to ensure optimal asset allocation and fund selection based on thorough research, benefiting the construction of client portfolios and delivering superior investment services and solutions to our valued clients.

The renowned Mi Plan / Bell Team will now provide advisory services to Brenthurst Wealth, specifically on fund selection within the Brenthurst fund of funds range.

This includes the Brenthurst BCI Balanced Fund of Funds, Brenthurst BCI Cautious Fund of Funds and Brenthurst BCI Worldwide Flexible Fund of Funds.

Bell's successful management of the Global IP Opportunity Fund for Brenthurst clients via Mi Plan spans seven years, showcasing an exceptional track record, earning the prestigious Raging Bull Award in the Global Multi-Asset Flexible category in 2021

Furthermore, their management of the Mi Plan IP Global Macro Fund has garnered nine awards, including seven consecutive Raging Bull Awards from 2016 to 2022, setting an industry milestone.

BRENTHURST STRENGTHENS TIES WITH
TONY BELL & MI-PLAN

Bell says consistent top-quartile performance cannot be achieved by only running valuation models. His differentiation in managing portfolios is seeing numbers as pictures, referred to as second-order thinking, as opposed to trying to forecast what a company's share price should be. This involves a deeper understanding of the picture the market is painting of a company and how this picture changes over time.

The Mi-Plan Bell Team's performance since inception places them solidly in the first quartile over all periods longer than four years to the end of January 2023 and in the second and third quartile for all other periods.

	1 Year Annualised Return		2 Year Annualised Return		3 Year Annualised Return		4 Year Annualised Return		5 Year Annualised Return		6 Year Annualised Return		7 Year Annualised Return		8 Year Annualised Return		Since Inception Annualised Return*	
	%	*Rank*	*%*	*Rank*	*%*	*Rank*	*%*	*Rank*	*%*	*Rank*	*%*	*Rank*	*%*	*Rank*	*%*	*Rank*	*%*	*Rank*
Global IP Opportunity Fund B5	**3.11**	36 / 49	**5.30**	25 / 44	**8.47**	17 / 40	**14.33**	8 / 37	**12.81**	5 / 32	**12.54**	4 / 29	**9.94**	4 / 28	**12.47**	2 / 23	**12.46**	2 / 22
Sector: ASISA - Global MultiAsset Flexible	*6.28*		*6.14*		*7.73*		*11.68*		*9.71*		*8.83*		*6.64*		*8.92*		*8.60*	

"Tony has exceptional insights, and we believe his analysis, coupled with the research and technical quants skills of Mi-Plan, will make a meaningful contribution to the deliberations and decision-making of the Brenthurst Investment Committee. The Global IP Opportunity Fund, now well in excess of R1bn, has been an anchor fund in portfolios providing offshore exposure via means of asset swaps. It is included in several client portfolios and has weathered market storms to the benefit of our clients. We look forward to the continued engagement with this formidable team of Mi-Plan and Tony," says Magnus Heystek, Brenthurst Director and Investment Strategist.

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