

Quarterly Performance Commentary – Q2 2024

# Amplify SCI\* Wealth Protector Fund

## Performance

South African equities had a strong quarter (ALSI: 8.2%) as sentiment shifted in the lead-up to and after national elections. A surprisingly positive election outcome led to Rand strength and a re-rating of SA Inc stocks. Although performance has been strong, the index has experienced significant volatility given the election related uncertainty and news flow. SA bonds and Property responded well to election outcomes and in June the SA bond market (ALBI) delivered a best monthly performance since May 2020 of 5.2% bringing quarterly performance to 7.5% for bond investors. South Africa's currency was also supported by positive election sentiment gaining 3.7% in the quarter (3.1% in June) to become the best performing Emerging Market currency for the month of June and recovering losses from the first quarter of 2024.

Global equity markets continued their first quarter momentum as AI exposed companies led performance across all markets. Emerging Markets outshone developed counterparts, largely driven by the AI theme in Taiwan which supported Asian market performance.

The SA bond market benefitted from election sentiment and a strong rally in June resulted in fixed income exposures adding to fund performance over the quarter.

From an equity perspective, the fund benefitted over the quarter from a meaningful position in Anglo American and other diversified miners. We sold down exposures in these counters given profit opportunities but remain constructive on copper on a medium-term view. Copper is benefiting from an improved outlook for global manufacturing and lower supply guidance from major miners is also resulting in a continuation of expected deficits.

Exposure to SA banking stocks, specifically Standard Bank, Nedbank and ABSA was a major contributor for the quarter. The local banking sector performed well, particularly in June when stocks re-rated following a relatively positive election outcome.

Foreign equity exposures detracted, partly due to Rand strength. Increased volatility into the snap French election weighed on much of our European exposure although we are starting to see a recovery into the new quarter.

## Portfolio Movements

We had been steadily increasing our exposure to SA Inc stocks in the run-up to the elections, slowly removing our underweight, so that we entered the election period with a well-balanced portfolio. We increased exposure to banking shares, specifically Standard Bank and Nedbank and added to the SA retailers. We focused on companies trading on generous valuations, with good dividend yields and strong liquidity.

Against an uncertain backdrop our focus remains on managing a well-diversified portfolio and we have maintained positions in Bidcorp and some other Rand hedge stocks with attractive valuations. While many SA Inc stocks have re-rated and are closer to fair value, we maintain an overweight position in the larger SA banking shares given strong free cash flow and compelling dividend yields.

From a fixed income perspective, the fund has benefitted from exposure to duration. In our view, the bulk movement in yields due to a reduction in credit spreads is largely done and further upside would be driven by a decline in US real rates.

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Global equity markets experienced a good first half in 2024 and while continued economic resilience could sustain market strength, US equity valuations remain elevated. We remain underweight the US equity market in our offshore positions but have increased our exposure to European stock markets which are trading in fair value territory.





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Morningstar Awards were awarded to Truffle Asset Management (Pty) Ltd on 23 March 2022 and on 22 March 2023. Details available on request.