

Salvo Investment Managers

Monthly Market & Fund Update

April 2020





Summary – April '20

Local Economic Update

- South African equity markets bounced back with 13.77% in April. Equities are still 24% below their highs.
- The Rand weakened further during April by 2.39% against the US Dollar.
- The reserve bank estimates that South African GDP will contract by 6.1% due to the lockdown of the economy and the effects of COVID-19.
- SA Bonds also officially exited the WGBI index but regardless of this bonds recovered 3.72% in April.
- Interest rates were cut 100bps during April. The current yield on cash is 4.50% per year.

Global Economic Update

- Global equity markets recovered some value in April, bouncing back 10.82%. The reasons for this was the gradual easing of the lockdowns around the world and optimism of a vaccine by year end
- The US has seen layoffs in excess of 20.2m workers. This number is expected to rise during May as companies will look to cut costs.
- The US Dollar continued to strengthen against many currencies.
- Many credit and property markets also recovered but are still off of their highs prior to COVID-19.

Asset Classes

Resources 10	22.60%
Top 40	13.77%
MSCI World ZAR	13.44%
Industrials 25	9.58%
Financial 15	8.80%
Small Caps	8.67%
Mid Caps	7.63%
Listed Property	4.87%
Bonds (ALBI)	3.72%
USD/ZAR	2.39%

Worst Performing Top 40 Shares

Shoprite Holdings	-14.30%
Redefine Properties	-4.22%
SPAR Group	-2.68%
Standard Bank Group	-0.33%
MTN Group	0.45%
FirstRand	0.50%
MultiChoice Group	1.70%
Capitec Bank Holdings	2.50%
Bidvest Group	2.98%
Reinet Investments	4.24%

Equity Sectors

Basic Materials	22.89%
Technology	13.13%
Consumer Goods	9.47%
Financials	8.59%
Health Care	8.33%
Industrials	5.58%
Telecommunications	2.67%
Consumer Services	1.15%

Top Performing Top 40 Shares

Sasol	136.28%
Sibanye Stillwater	67.30%
Gold Fields	53.68%
Impala Platinum Holdings	48.14%
AngloGold Ashanti	45.62%
Northam Platinum	33.19%
Nedbank Group	29.70%
Anglo American Platinum	29.48%
Aspen Pharmacare	25.10%
Discovery	24.42%

Asset Returns

Income Fund

Flexible Fund

Alternative Fund

Offshore Flexible Fund

Disclaimer

Summary



Asset Class Returns

Asset Returns

Income Fund

Flexible Fund

Alternative Fund

Offshore Flexible Fund

Disclaimer

Year to Date	3 Months	6 Months	12 Months	3 Years Ann.	5 years Ann.
USD/ZAR 30.2%	USD/ZAR 21.9%	USD/ZAR 21.4%	USD/ZAR 27.6%	MSCI World ZAR 14.3%	MSCI World ZAR 12.0%
MSCI World ZAR 13.4%	MSCI World ZAR 6.9%	MSCI World ZAR 11.6%	MSCI World ZAR 20.2%	Resources 10 11.4%	USD/ZAR 8.9%
Industrials 25 2.3%	Cash 1.6%	Cash 3.4%	Cash 7.1%	USD/ZAR 10.9%	Cash 7.2%
Cash 2.2%	Industrials 25 0.3%	Industrials 25 1.6%	Bonds (ALBI) 0.0%	Cash 7.3%	Bonds (ALBI) 6.0%
Bonds (ALBI) -5.0%	Resources 10 -5.8%	Bonds (ALBI) -3.1%	Resources 10 -2.6%	Bonds (ALBI) 6.1%	Industrials 25 0.7%
Top 40 -8.8%	Bonds (ALBI) -6.1%	Resources 10 -4.0%	Industrials 25 -3.4%	Top 40 -0.5%	Resources 10 0.2%
Resources 10 -9.2%	Top 40 -7.4%	Top 40 -7.6%	Top 40 -11.3%	Industrials 25 -0.7%	Top 40 -0.8%
Small Caps -27.3%	Small Caps -26.6%	Mid Caps -28.2%	Mid Caps -26.7%	Mid Caps -11.4%	Mid Caps -6.8%
Mid Caps -31.4%	Mid Caps -29.0%	Small Caps -28.7%	Small Caps -33.2%	Financial 15 -12.1%	Financial 15 -10.5%
Financial 15 -34.9%	Financial 15 -30.8%	Financial 15 -35.6%	Financial 15 -40.4%	Small Caps -18.7%	Small Caps -11.5%
Listed Property -46.4%	Listed Property -44.7%	Listed Property -47.8%	Listed Property -51.0%	Listed Property -27.7%	Listed Property -18.5%



Chart Of the Month

Markets bounce back

Markets bounced back sharply during April on the back of positive news. Many countries started to relax lockdown restrictions and positive signs from China's economy restored some hope that the impact from COVID 19 will be shorter lived than initially expected.

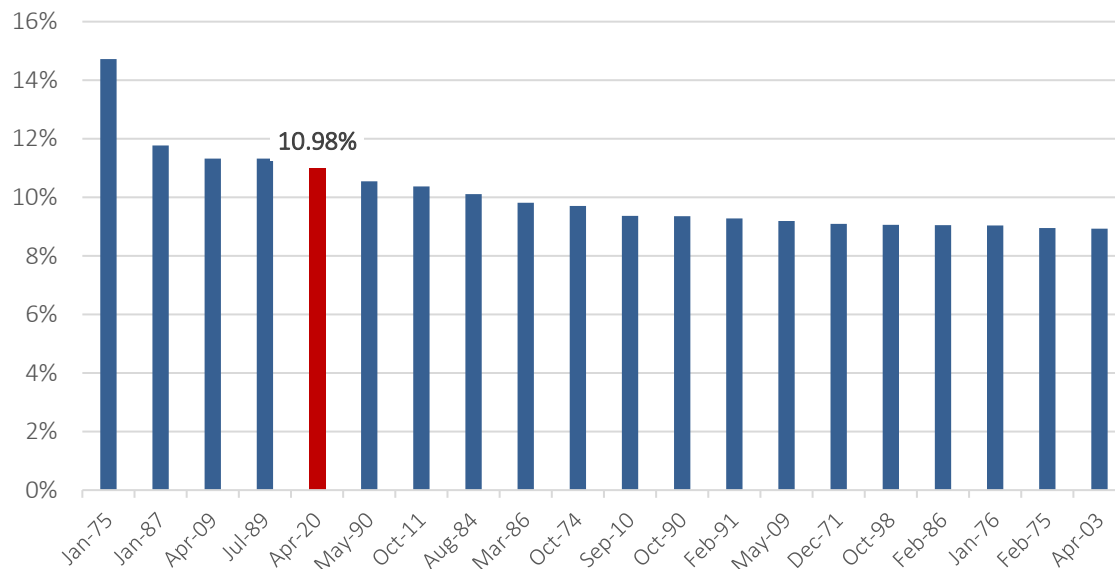
April saw the 5th best month for the MSCI World Index since 1960 with global equities returning 10.98%. Equity markets are forward looking and many companies have given profit guidance of a underperforming 2nd quarter followed by an anticipated recovery in demand for goods & services.

Salvo took advantage of buying into the market at 34% below it's highs as we took a forward view from those valuation levels towards the end of March. We have subsequently started reducing equity exposure as markets bounced back sharply.

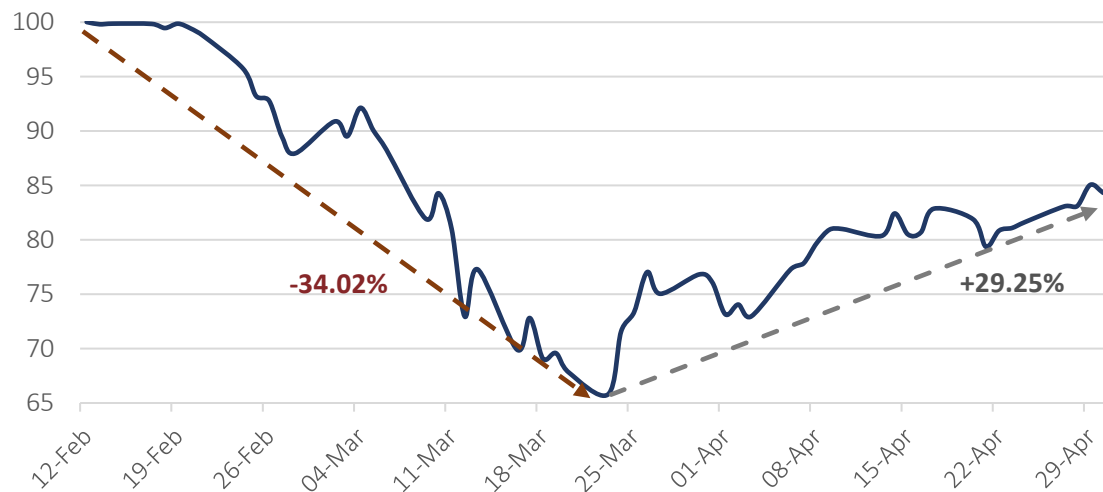
We believe that until there is more certainty regarding a global vaccine, markets will continue to be tremendously volatile which may offer short-term opportunities. Even though there may be tactical shifts in asset allocation over the short term, our main priorities are to manage risk effectively on behalf of client's & focus on the long-term investment opportunities present in markets.

The graphs to the right show just how quickly markets can change course. That is why we argue that clients should remain invested in the funds we manage & allow us to make investment decisions, rather than panic and realise investment losses.

April 2020: 5th Best month since 1960 – MSCI World Index



Last 2 months – MSCI World Index





Salvo Fund Updates



Salvo Prime Income Fund

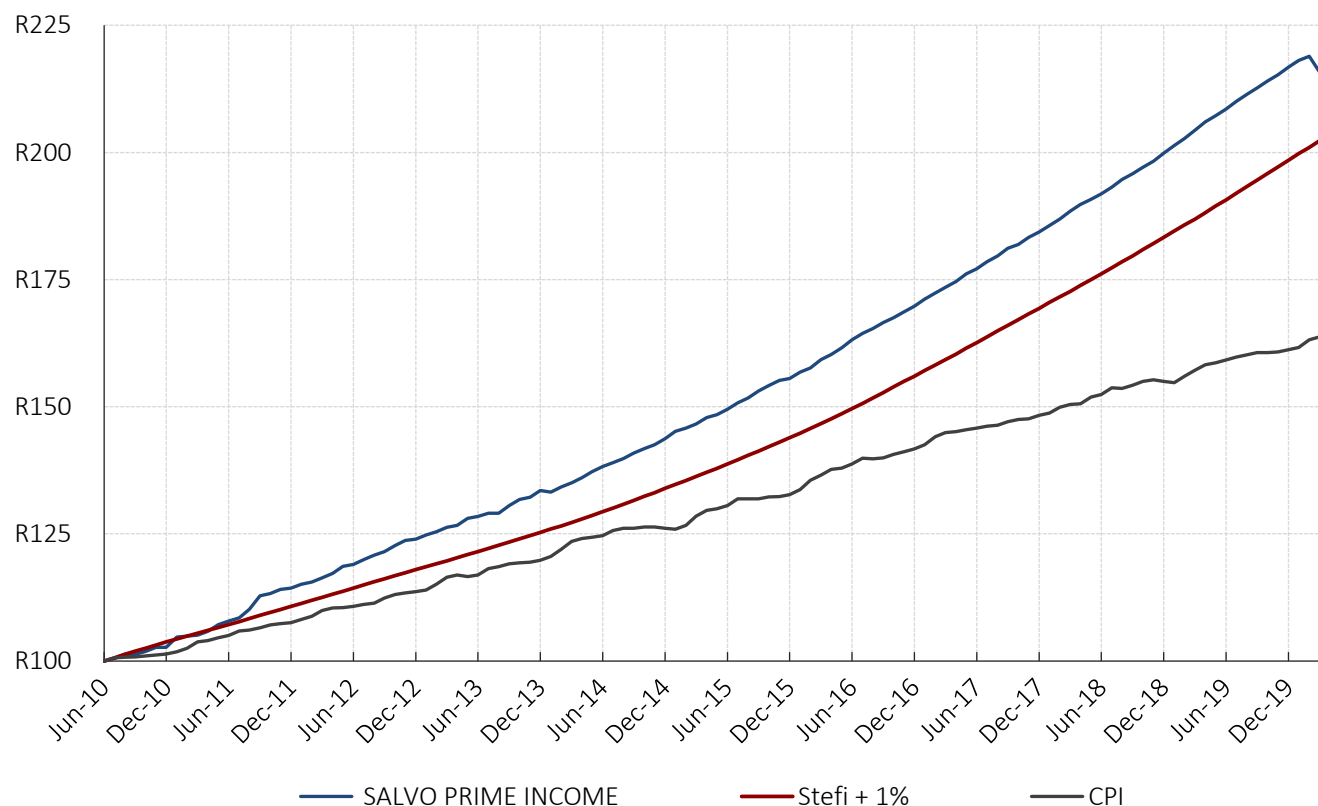
RETURNS	1 MONTH	6 MONTHS	ONE YEAR	THREE YEARS ANN	FIVE YEARS ANN
SALVO NOVARE INCOME	-0.28%	0.55%	4.48%	7.22%	7.80%
STEFI + 1%	0.60%	3.88%	8.14%	8.28%	8.22%
CATEGORY AVG	1.47%	0.57%	4.31%	6.54%	6.78%

Commentary

The Salvo Income fund suffered it's second negative month in a row. This is mainly due to credit funds having a negative month as well as Tier 1 & 2 bank credit re-rating during April. Having exposure to some duration (mainly through the R186 government bond) was a positive contributor to performance.

The current yield of the fund is in excess of 7.3% which is 3% above the current cash rate. We believe that over the next year the fund will significantly outperform cash due to the addition of higher yields during the COVID-19 crisis.

Performance Since Inception





Salvo Prime Dynamic Flexible Fund

RETURNS	1 MONTH	6 MONTHS	ONE YEAR	THREE YEARS ANN	FIVE YEARS ANN
SALVO NOVARE DYNAMIC FLEXIBLE	11.45%	-4.58%	-5.35%	0.39%	1.85%
JSE CAPPED SWIX TR*	14.26%	-14.35%	-16.93%	-4.31%	-2.06%
CATEGORY AVG	13.67%	-4.27%	-4.62%	0.74%	1.03%

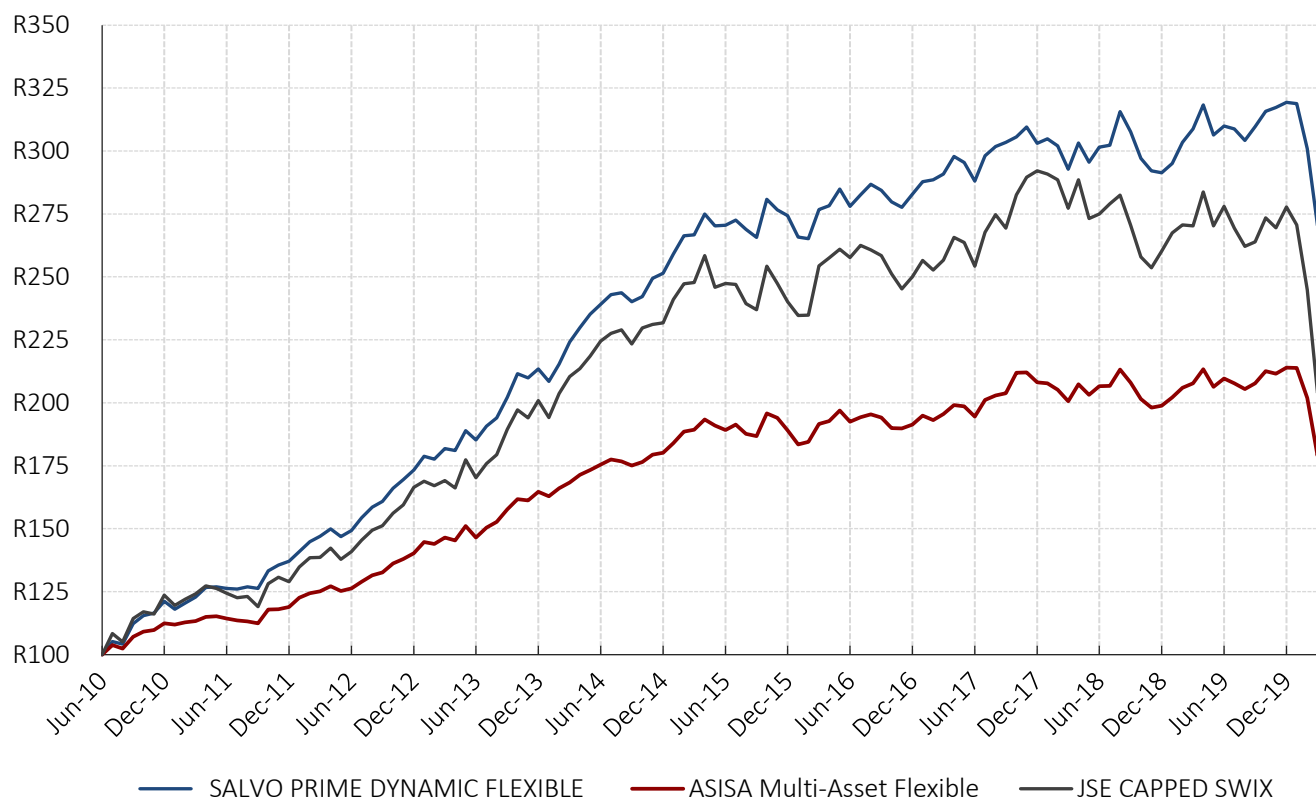
Commentary

The Flexible fund benefitted from tactical asset allocation during at the end of March. After benefitting from the strong performance in April we have started reducing equity exposure as we believe over-optimism may be making investors complacent.

We remain overweight SA Equity relative to offshore equity as we see the Rand at extreme weak levels against the US Dollar.

Over the last year we have outperformed the benchmark by 11%

Performance Since Inception





Salvo Prime Alternative RIHF

RETURNS	1 MONTH	6 MONTHS	ONE YEAR	THREE YEARS ANN	FIVE YEARS ANN
SALVO PRIME ALTERNATIVE RIHF	4.21%	4.53%	4.06%	6.31%	7.91%
CPI + 4%	0.96%	4.51%	9.14%	8.34%	8.92%
STEFI	0.52%	3.41%	7.14%	7.28%	7.22%

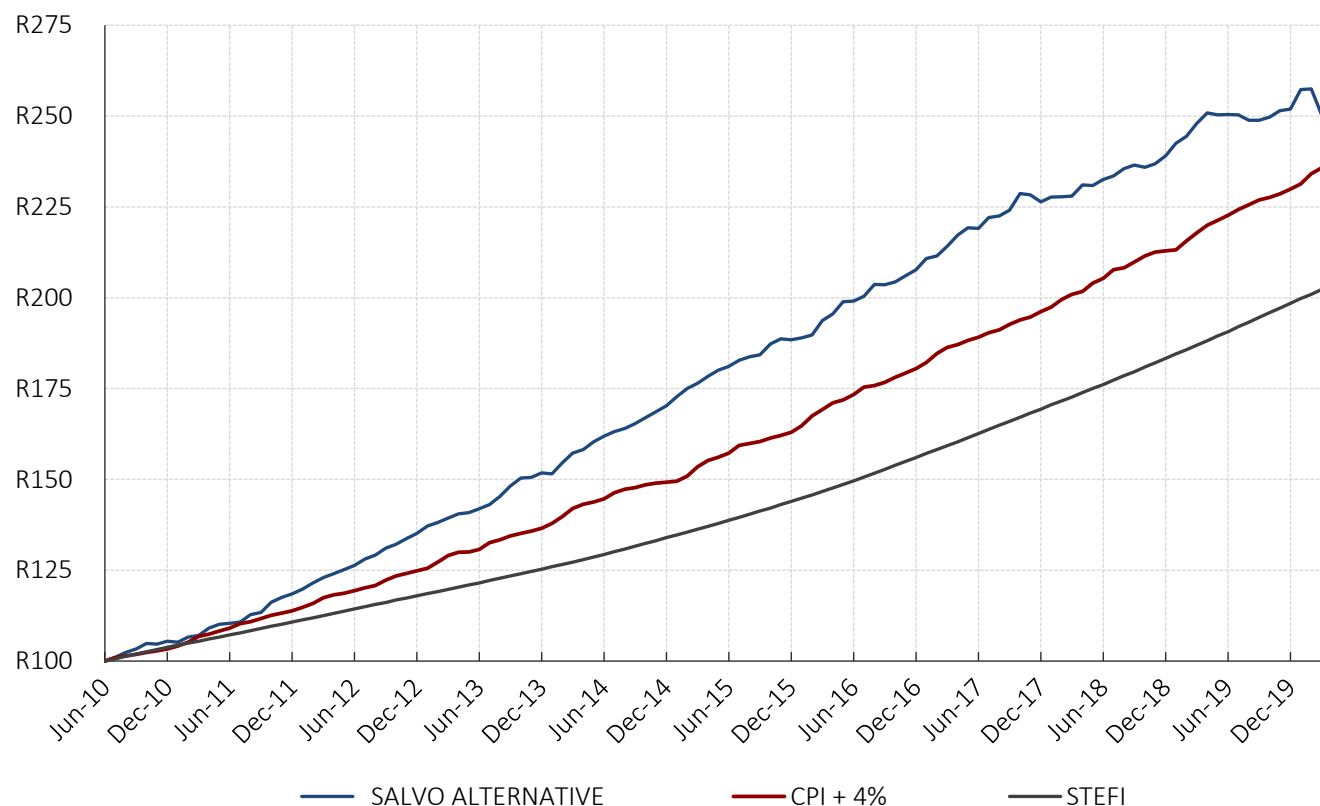
Commentary

The Alternative fund set new highs in April and is the best performing fund for the year.

We rely on hedge funds to be uncorrelated to equity markets and we are pleased with the performance during this crisis.

Market neutral funds performed well during April but the main contributor to performance was the Fixed Interest hedge funds which benefitted from volatility in interest rates during March and April.

Performance Since Inception





Salvo Global Managed Fund PC USD

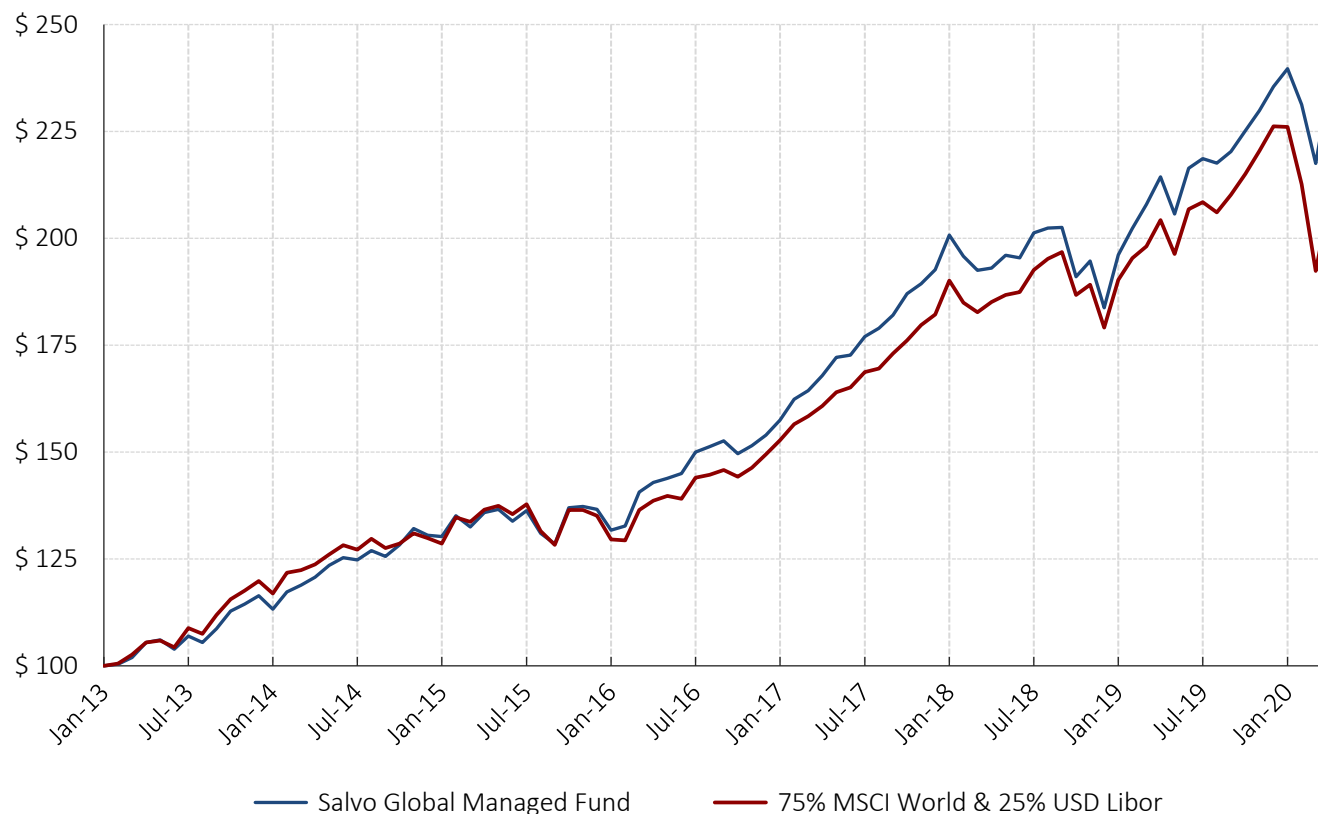
RETURNS	1 MONTH	6 MONTHS	ONE YEAR	THREE YEARS ANN	FIVE YEARS ANN
SALVO GLOBAL MANAGED FUND	8.26%	4.90%	10.18%	12.05%	11.69%
75% MSCI World & 25% USD 3m Libor	8.26%	-2.87%	3.26%	9.12%	8.88%

Commentary

Over the last 12 months the fund has outperformed its benchmark by 6.5%. Once again asset allocation was a key contributor in managing risk & adding alpha. During April we saw strong performance from tech, discretionary and healthcare stocks.

We have also started reducing equity exposure due to the fast recovery of the global equity markets. When we account for the impact that COVID-19 will have on corporate earnings, we see valuations at all time highs even though price has come down significantly. This makes us weary of being overweight equity at this stage

Performance Since Inception





Regulatory Disclaimer

GENERAL

Collective Investment Schemes (Unit Trusts) are generally medium to long-term investments. The value of participatory interests (units) or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending (i.e. borrowing and lending of assets). The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. The ability of the portfolio to repurchase is dependent upon the liquidity of the securities and cash of the portfolio. A manager may suspend repurchases for a period, subject to regulatory approval, to await liquidity, and the manager must keep the investors informed about these circumstances. The manager does not provide any guarantee, either with respect to the capital or the return of a portfolio. Any forecasts, back tested data and/or commentary in this document are not guaranteed to occur. Different classes of participatory interests apply to these portfolios and are subject to different fees and charges. A schedule of all fees and charges, inclusive of VAT and maximum commissions, is available on request from Novare or from your financial adviser. Forward pricing is used. For portfolios that include derivatives, there is no assurance that a portfolio's use of a derivative strategy will succeed. A portfolio's management may employ a sophisticated risk management process, to oversee and manage derivative exposures within a portfolio, but the use of derivative instruments may involve risks different from, and, in certain cases, greater than, the risks presented by the securities from which they are derived. Foreign securities within portfolios may have additional material risks, depending on the specific risks affecting that country, such as: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Investors are reminded that an investment in a currency other than their own may expose them to a foreign exchange risk.

PERFORMANCE RETURNS

The performance is calculated for the fee class, not the portfolio. Lump-sum performance returns are being quoted. All return data unless stated other wise is acquired using Thomson Reuters Eikon. Income distributions, prior to the deduction of applicable taxes, are included in the performance calculations. NAV to NAV figures have been used for the performance calculations, as calculated by the Manager at the valuation point defined in the deed, over all reporting periods. Investment performance calculations are available for verification upon request by any person. Reinvestment of income is calculated on the actual amount distributed per participatory interest, using the ex-dividend date NAV price of the applicable class of the portfolio, irrespective of the actual reinvestment date. Returns of the different CISs displayed have been **back tested** with exactly the same underlying holdings prior to October 2017 and returns are based on the entry allocation of the underlying multiplied by the historic audited performance of the underlying since July 2010. We also made provision for Manco fees, admin fees and management fees to get past results as accurate as possible. The individual investor performance may differ, as a result of initial fees, ongoing adviser fees, platform fees, the actual investment date, the date of reinvestment and dividend withholding tax. The rate of return is calculated as the internal rate of return, and the following elements may involve a reduction of the investor's capital: interest rates, economic outlook, inflation, deflation, economic and political shocks or changes in economic policy. Annualised returns are period returns re-scaled to a period of one year. This allows investors to compare returns of different assets that they have owned for different lengths of time. All period returns greater than one year have been annualised. Returns for periods less than one year have not been annualised. A cumulative return is the aggregate amount an investment has gained or lost over time, independent of the period of time involved. Actual annual figures are available to the investor on request.

CO-NAMED AGREEMENTS

The Salvo Prime co-named funds (as defined in BN 778 of 2011) are registered under the Prime Collective Investment Scheme, managed by Prime Collective Investment Schemes Management Company (RF) (Pty) Ltd ("Prime CIS") (Registration No. 2005/017098/07), a registered Collective Investment Schemes Management Company in terms of the Collective Investment Schemes Control Act 45 of 2002, supervised by the Financial Sector Conduct Authority ("FSCA"). Salvo Investment Managers (Pty) Ltd is the FSCA approved and appointed investment manager of the co-named CIS funds.

BENCHMARK INFORMATION FOR FUNDS

Salvo Prime Dynamic Flexible Fund

JSE CAPPED SWIX TR index (Data is used from Jan 2017 and includes all dividends reinvested. Prior to this date the JSE SWIX TR data is used.)

Salvo Prime Income Fund

Stefi Composite Index + 1%

Salvo Novare Alternative RIHF

*JSE CAPPED SWIX TR – Data is used from Jan 2017 and includes all dividends reinvested. Prior to this date the JSE SWIX TR data is used.

Salvo Global Managed PC USD

Composite benchmark of:
75% MSCI World Index TR
25% USD Libor 3m index

CONCLUSION

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