LEGACY AFRICA REGIONAL EQUITY PRESCIENT FUND

LEGACY AFRICA FUND MANAGERS

Minimum Disclosure Document & General Investor Report

30 June 2024

Fund Details

Fund Manager	Godwin Sepeng
Investment Manager	Legacy Africa Fund Managers
Inception Date	15 May 2023
Publication Date	26 July 2024
ASISA Classification	Regional Equity - General
Benchmark	MSCI EFM Africa ex-SA Index
Fund Size	R 32,728,647
Number of Units	32,728,647
NAV Price	100c
Initial Fees	0 %
TER	New Fund
TC	New Fund
TIC	New Fund
Class	A1, A2, B
Management Fees	0.85%, 1.00%, 1.25%
Minimum Lump Sum	R50 000
Minimum Debit Order	R1 000
Income Declaration	Monthly

Risk Profile

The Fund invests in companies that generate most of their business in Africa outside of South Africa. These companies are large, liquid and listed in any major stock exchange anywhere in the world. The Fund invests primarily in equity securities, although it can invest up to 20% in liquid non-equity securities such as preference shares, debentures, bonds, collective investment schemes, and cash. The Fund is at all times diversified across sectors and industries, countries, and currencies as well as stock exchange listings.

Sector Allocation

	Sector Allocation	Benchmark
Cash	19,50%	0,0%
Telecommunication Services	8,35%	16,20%
Financials	46,61%	52,17%
Health Care	0,03%	1,17%
Consumer Staples	10,97%	8,25%
Industrials	0,00%	3,68%
Materials	10,89%	9,47%
Real Estate	3,62%	7,29%
Other	0,00%	1,76%

Risk Profile

High Risk: The Fund is classified as high risk and is subject to the following risk factors: Country Risk, Currency Risk, Equity Risk, Industry Risk, and Repatriation Risk.

Country Risk: refers to the potential economic, political, and financial risks that may arise from investing or doing business in a particular country.

Currency Risk: also known as exchange rate risk, refers to the potential financial risk that arises from changes in currency exchange rates.

Equity Risk: also known as stock market risk, refers to the potential financial risk that arises from investing in stocks or other equity securities.

Industry Risk: refers to the potential financial risk that arises from investing in a particular industry or sector.

Repatriation Risk: refers to the potential financial risk that arises when a company or investor invests in a foreign country and faces difficulties repatriating their profits or capital back to their home country.

Asset Allocation

	Asset Allocation
Traded Cash	19,50%
Equity	80,50%

Country Allocation

	Country Allocation	Benchmark
Cash	19,50	0,0%
Egypt	38,12%	20,07%
Kenya	19,32%	12,32%
Morocco	10,50%	49,25%
Nigeria	3,75%	0,0%
Mauritius	0,00%	7,73%
Tunisia	0,00%	5,23%
Other	1.89%	5,40%

Fund Objective

The Fund's primary objective is the growth of capital invested over the long term. The Fund is expected to have a higher risk than the non-equity Funds, but with a higher expected return. The Fund is expected to generate its returns from capital growth as well as dividend income from its investee companies. The Fund aims to outperform African equity markets over the long-term at lower-than-average risk. The Fund's benchmark is the MSCI EFM Africa ex-South Africa Index. The fund has adhered to its policy objective.

Fund Performance

Returns	Gross Fund	Net Fund	Benchmark
Cumulative:			
Since Inception: 1 July 2023	-8,18%	-9,07%	13,85%
Annualised:			
Since Inception: 1 July 2023	-8,18%	-9,07%	13,85%
Minimum 1 Year	-26,5%	-26,5%	-3,3%
Maximum 1 Year	11,7%	11,6%	8,6%

Notes

1. **Inception**: The Fund was under cashflow and trading embargo during the first 9 months preceding inception date. Performance is thus calculated from 1 July 2023.

2. **Benchmark:** The market value-weighted average return of funds in the Regional Equity General category. The Fund's geographic focus is Pan- Africa excluding South Africa. Source: FundsData.

3. **Maximum** (and minimum) percentage change refer to movements within the 12 month reporting period to June 2024. These are NOT rolling 12 month percentage changes. Rolling 12 month percentage changes will be available for the quarter three 2024 reporting period.

Valuations and Transaction cut-off times

The valuation point for the purposes of calculating daily transaction prices of participatory interests including selling, repurchase, creation and cancellation will be before 18h00 each business day. Provided that with the consent of the trustee, valuation may take place more frequently but not less frequently. Additionally, the for- warding pricing method of calculation will be applied to all prices.

Market Commentary

Market Review

The MSCI EFM Africa ex-SA Index, which tracks equity markets in 1 Emerging Market and 12 Frontier Markets excluding South Africa, experienced a marginal 2% gain in Q2'24 improving its YTD performance to -10.51%, relative to -12.40% at the end of Q1'24. This is compared to an 3% increase in MSCI ACWI and a 5.4% increase in MSCI Emerging Markets. The MSCI Emerging Market Index was substantially supported by the South African equity market, which made substantial gains in USD as a result of so-called GNUphoria and substantial ZAR strength across the quarter. In a repeat of Q1'24, the Egyptian and Nigerian equity markets continued to weigh on the broader index. The Egyptian Equity Market now represents 20% of the Index as against 26% in Q1'24. The Nigerian Equity Market now represents a negligible proportion of the index. The Kenyan equity market was the standout performer, with the MSCI Kenya gaining 24% in USD on a YTD basis. Morocco continues to tick over, with the MSCI Morocco up 7% in USD on a YTD basis. Morocco maintains its dominant capitalisation in the index, at 49.25% after Egypt imploded as a result of the flotation of the EGP in March 2024.

At the end of Q1'24, we detailed the steps taken to liberalise the Egyptian pound, undertaken in March 2024. To unlock the final tranche of IMF support, ranging between USD 8 billion and USD 10 billion, the Egyptian government acceded to the IMF's demand to liberalise the currency and to increase the interbank deposit rate. The currency devalued by 35% and the interbank deposit rate was increased by 600 basis points. This led to an influx of foreign currency into Egypt including undertakings from the UAE to boost Egyptian FDI by USD 30 billion, and a recovery in expat remittances which had stalled as expats refused to repatriate hard currency at an artificially overvalued exchange rate. From a trough of USD 34 billion 6 months ago, Egyptian foreign currency reserves have stabilised at USD 41 billion, a 20% increase. Since the March devaluation, the Egyptian currency has strengthened, albeit marginally. The higher deposit rate and improved foreign exchange position are slowly taming inflation from a high of 36% 13 months ago, to 33% in May 2024. Unavoidably, the cost of liberalisation and higher rates will be lower GDP growth in 2024, but forecasters are expecting significant recovery in CY'25 and CY'26. Tail risks from the geopolitical tumult in the Middle East also appear to be receding. We emphasise that the Egyptian economy has been set on a more stable footing, which implies upside risk to sentiment and valuations in the Egyptian equity market.

May 2023 saw the inception of "Tinubonomics", a structural adjustment program, the centrepiece of which is the removal of the fuel subsidy and currency regime liberalisation. The fuel subsidy not only greatly distorted economic incentives, fuelling graft at a grand scale it cost a third of the Nigerian budget. As far a currency liberalisation, the Nigerian currency has lost 100% of its value in the 12 months to June 2024 from a starting point of 759 NGN to the USD. Apparently, the currency was 100% overvalued, which both throttled exports while encouraging a lucrative black market driven by mouthwatering arbitrage. The adjustments are underway and have been as painful as feared, further immiserating a population that was already struggling with high prices. Given the substantial devaluation and lack of currency liquidity, the Nigerian equity market has been excluded from the MSCI EFM Africa ex ZA index. With the deposit rate at 18.75% and inflation rampant at 30%, negative real interest rates are insufficient to tame inflation and attract foreign currency, propelled as it is both by the ongoing rightsizing of the fuel price and the exchange rate. At USD32 billion, reserves are lower than they were 12 months ago. While the political fallout from the adjustments remains a worrying tail risk, the IMF is discounting improved growth in CY'2024 and CY'2025 relative to the CY'2023 trough of 2.7%. Given the intensely depressed sentiment and historically depressed valuations in Nigeria, the bar to equity market recovery is not high, with the Naira likely to benefit disproportionately from the imminent US Fed rate cut. We will continue to watch for signs that the adjustments are gaining traction and bearing fruit.

As in the first quarter of 2024, Morocco and Kenya made laudable USD gains, reinforcing their capitalisation in the index. Setting aside its water scarcity, which renders it susceptible to global food inflation, which reared its head in 2023, Morocco's macroeconomic fundamentals are arguably stronger than those of South Africa. At its worst, unemployment peaked at 13% because of COVID in 2022 which is unheard off in SA. Its manageable external debt to GDP (below 50%), declining government debt trajectory, FDI attractiveness, and robust motor vehicle export industry enabled the country to weather the post-COVID inflation spike with poise. Inflation has moderated to 2%, with the country raising interest rate by only 150 basis points as against 450 basis points in SA, suggesting that inflation expectations are well anchored. This stability is priced into the equity market, which trades at substantial premiums to other frontier markets on the continent.

The top performer once again was the Kenyan equity market. On a YTD basis, Kenya has gained 24% in USD terms, driven by the Kenyan Shilling's 17% gain against the USD. Much of this outperformance was predicated on sentiment improving with the January 2024 extension of the Extended Fund Facility and Extended Credit Facility arrangements by the IMF. Cumulatively, the IMF has extended USD3.9 billion to Kenya since April 2021, which alleviated a current account crunch and helped roll-over maturing Eurobonds. Kenya is not out of the woods yet and recent weeks have seen an increase in political risk with protests leading to a heavy handed government response as a result of the Finance Bill of 2024 which was seen as disproportionately burdening the poor with the costs of structural adjustment.

On a YTD basis, in both USD and ZAR terms the Fund has lost value relative to the Index. This primarily reflects the impact of EGP devaluation in Q1'2024. The index has declined 10.91% in ZAR terms on a YTD basis. The fund benefitted from its exposure to select Kenyan equity counters including East Africa Breweries, British American Tobacco Kenya, Equity Group Holdings, and Kenya Commercial Bank. Relative to the previous quarter, the fund is more full deployed, as aggregate cash levels fell from 29% to 19.5%. This is incline with our view that the market is significantly mispricing frontier markets, by extrapolating the region's underperformance over the past 5 years into the future, and ignoring the ongoing structural adjustment efforts across the continent. Given the gearing of these markets to US interest rates, they are set to substantially outperform as the FED begins its cutting cycle. Even with ongoing crises, these markets continue to outperform SA in GDP growth terms. Finally, we believe the Fund's exposure to undervalued London listed gold counters, will support the fund in the face of gold price upside volatility.

Notable compositional changes across the quarter include rotation into undervalued Egyptian banks and sales of Egyptian industrial counters. The Fund's position in the materials sector was increased with purchases of London listed gold counters and London listed miner of mineral sands deposits.

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Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CIS's are traded at the ruling price and can engage in scrip lending and borrowing. The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. A schedule of fees, charges and maximum commissions is available on request from the Manager. There is no guarantee in respect of capital or returns in a portfolio. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio divided by the number of participatory interests (units) in issue. Forward pricing is used. The Fund's 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. During the phase in period TER's do not include information gathered over a full year. 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. It 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 and the TER.

▪**Where a** current yield has been included for Funds that derive its income primarily from interest bearing income, the yield is a weighted average yield of all underlying interest-bearing instruments as at the last day of the month. This yield is subject to change as market rates and underlying investments change.

▪**The Manager** retains full legal responsibility for any third party-named portfolio. Where foreign securities are included in a portfolio there may be 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. The investor acknowledges the inherent risk associated with the selected investments and that there are no guarantees. Please note that all documents, notifications of deposit, investment, redemption and switch applications must be received by Prescient by or before 13:00 (SA), to be transacted at the net asset value price for that day. Where all required documentation is not received before the stated cut off time Prescient shall not be obliged to transact at the net asset value price as agreed to. Funds are priced at either 3pm or 5pm depending on the nature of the Fund. Prices are published daily and are available on the Prescient website. Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request.

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The Management Company and Trustee are registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). Prescient is a member of the Association for Savings and Investments South Africa.

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