ADAGIO FUND

QUARTERLY FACT SHEET AS AT 31 DECEMBER 2023

The Adagio Fund invests in a range of local and foreign asset classes, including equities, listed property, bonds and cash. The management of the assets are outsourced to professional investment managers that have been given full discretion to allocate capital between (and within) these asset classes in line with their views of current and expected market and economic conditions, in proportions appropriate to the portfolio's objective, and subject to the regulatory limits applicable to retirement funds. Passive strategies may be included where deemed appropriate, either by the underlying managers themselves, or as separate building blocks. The underlying managers bring a diverse range of capabilities, investment styles and philosophies to the table, with the aim of achieving competitive relative performance throughout the market cycle.

GENERAL FUND INFORMATION

FUND:	**Adagio** (/əˈdɑː(d)ʒɪəʊ/, meaning at ease, or slow)		HIGH	MED	**LOW**

Objective: To provide a consistent, but typically lower, level of investment growth over the short term.

Fund characteristics: Given the fund's objective of providing consistent returns, the majority of the portfolio's assets will be invested in relatively stable asset classes such as bonds and cash. Where appropriate opportunities arise, the managers may invest a small portion of the portfolio's assets in equities (<10%) or listed property (<25%).

The Adagio Fund has been designed to fulfil a similar role as a typical money market fund, but is expected to have a higher and slightly more volatile return profile.

Although the fund is expected to display a very high degree of capital stability, on very rare occasions a month's return may dip below zero by a small margin.

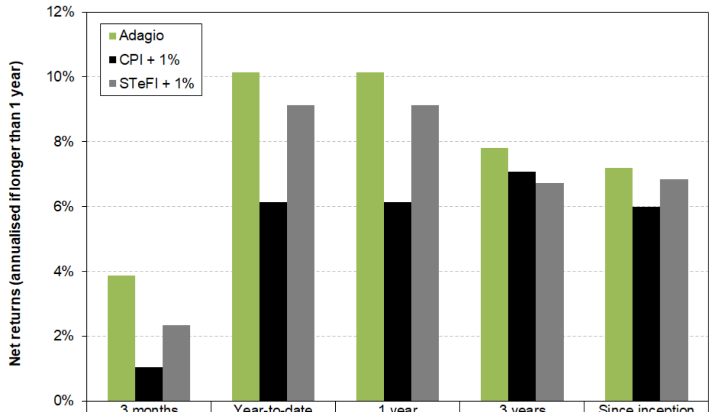
Risk profile & suitability: Has a low risk profile, and is typically suitable for members who:

- Are seeking very consistent levels of return;
- Cannot afford to lose capital;
- Are willing/able to forgo high investment growth over the long term;
- Want to house short term capital in a bucket strategy.

Return target:	Aims to achieve a net return of 1-2% a year above inflation over the short term (i.e. one to three years).	**Benchmark:**	Cash (STeFI composite) + 1%
Total Investment Charges (TIC):	0.57%	**Inception date:**	1 July 2019

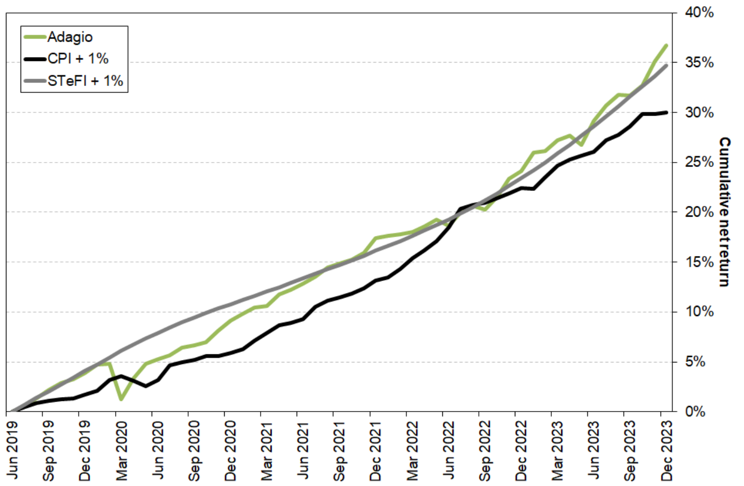
PERFORMANCE

NET RETURNS



	3 months	Year-to-date	1 year	3 years	Since inception
Adagio	3.9%	10.2%	10.2%	7.8%	7.2%
CPI + 1%	1.0%	6.1%	6.1%	7.1%	6.0%
STeFI + 1%	2.3%	9.1%	9.1%	6.7%	6.8%

CUMULATIVE NET RETURNS

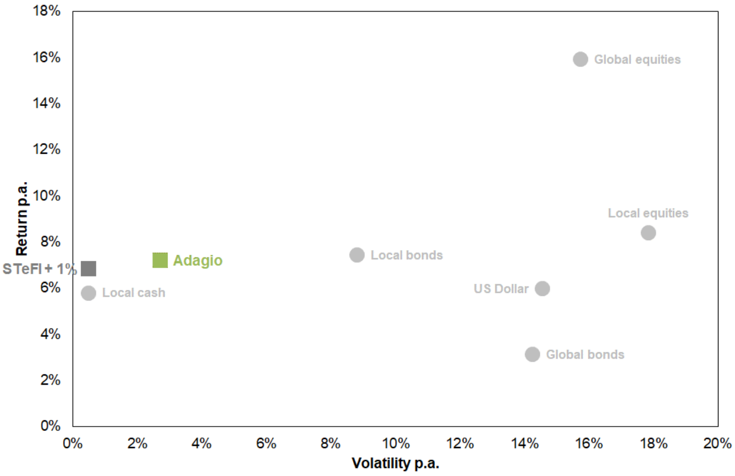


MONTHLY NET RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Benchmark
2019							0.6%	0.8%	0.8%	0.7%	0.4%	0.6%	**3.9%**	**4.1%**
2020	0.8%	0.1%	-3.4%	2.1%	1.4%	0.4%	0.4%	0.7%	0.2%	0.3%	1.1%	1.0%	**5.1%**	**6.4%**
2021	0.6%	0.6%	0.1%	1.1%	0.4%	0.5%	0.6%	0.8%	0.3%	0.4%	0.6%	1.3%	**7.6%**	**4.8%**
2022	0.2%	0.1%	0.2%	0.5%	0.6%	-0.5%	1.1%	0.6%	-0.3%	1.1%	1.4%	0.7%	**5.7%**	**6.3%**
2023	1.5%	0.2%	0.8%	0.4%	-0.7%	1.9%	1.2%	0.8%	-0.1%	0.8%	1.8%	1.2%	**10.2%**	**9.1%**

RISK

VOLATILITY VS RETURN [1]



ASSET ALLOCATION

Asset class	Local	Foreign	Total
Equities	1.4%	0.0%	**1.4%**
Property	1.7%	0.0%	**1.7%**
Bonds	63.3%	13.3%	**76.6%**
Cash	19.2%	1.5%	**20.8%**
Other	-0.4%	0.0%	**-0.4%**
Total	**85.2%**	**14.8%**	**100.0%**

RISK

Risk statistic [1]	Adagio	STeFI + 1%
Volatility	2.7%	0.5%
% negative months	9.3%	0.0%
Largest monthly loss	-3.4%	0.0%
Largest cumulative loss	-3.4%	0.0%

UNDERLYING PORTFOLIO ALLOCATION

Portfolio	Strategic allocation	Current allocation
Coronation Strategic Income	33.3%	30.1%
Nedgroup Flexible Income	33.3%	29.6%
Prescient Income Provider	33.4%	40.2%

NOTES

1. Since inception.

COMMENTARY

The markets

The year ended well for the markets, with most asset classes rallying strongly on the back of waning inflation concerns and the possibility of interest rate cuts in 2024. With positive returns of around 7-8% from local equities, local bonds and global equities during the quarter, the average balanced fund returned a very satisfying +6% in 2023 Q4.

With such a strong finish under its belt the average balanced fund ended up having a relatively good year, returning +12% in 2023. Although Q4's recovery managed to push the local markets' returns into respectable territory for the year (equities = +9%, bonds = +10% and cash = +8%), it was the strong returns from global markets (equities = +31% and bonds = +13%) that did most of the heavy lifting for retirement funds in 2023.

Following a flat 2022 (when local markets were the main contributor to returns), a strong 2021 (+20%), a slow 2020 (+5%) and a decent 2019 (+10%), the average balanced fund has delivered positive returns of around 9-11% p.a. over the medium term (3-5 years). This is about 4-5% p.a. ahead of inflation, which is in line with most retirement funds' real return targets. Considering the many global and local challenges markets have faced over this period (including lockdowns, rising inflation and interest rates, geopolitical tensions, infrastructure breakdowns, political missteps, etc.), this is not a bad outcome.

With the end of a strong 5-year bull market (from 2009 to 2013) providing an elevated base at the start, a stagnating economy in the middle, and quite poor sentiment incorporated in local markets at the end (reflected in current crisis-like valuation levels), most balanced funds have endured a difficult 10 years. This is unsurprisingly reflected in their rather unimpressive average returns of around 7-8% p.a. over this period. That being said, in this 'worst-case-like' scenario, the average balanced fund still managed to outperform cash by 1-2% p.a., and inflation by 2-3% p.a.

Over longer periods (15 to 20 years) the average balanced fund has delivered nominal returns of 9-12% p.a., which translates to a sufficient real return of 4-6% p.a.

Your portfolio

The Adagio portfolio produced a solid return of +3.9% in Q4, benefitting from the strong rise in the local bond market.

For the year Adagio returned +10.2%, which is comfortably ahead of cash (+8.1%) and marginally better than the return from local bonds (+1.5%), despite exhibiting a significantly lower volatility profile.

Since inception Adagio has outperformed both its cash and inflation plus 1% p.a. benchmarks.