

Amplify SCI* Equity Fund

Fund Commentary | June 2024



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Market overview

ALSI posts positive returns for the quarter

The second quarter of 2024 saw a strong return, with the FTSE/JSE Capped Shareholder Weighted All Share Index increasing by 8.21% after the much-awaited elections had a positive outcome with the ANC, DA and some of the smaller parties forming a Government of National Unity (GNU). The EFF and MK Party opted not to join the GNU, which the market read as positive and, combined with the DA gaining some key ministerial positions, caused the South African-focused shares to outperform, the rand hedges off a more optimistic outlook for South Africa and drove a stronger rand. The rand strengthened by 3.64% from R18.88 to R18.10 by the end of the second quarter and the bonds rallied off the optimism in the South African economy with yields compressing, causing the FTSE/JSE All Bond Index to rally 7.49% for the second quarter. The FTSE/JSE Small Cap Index caught the positive tailwinds from the more constructive South African outlook, increasing 10.73% in the second quarter, with some underperformance from the resources index highlighted by the FTSE/JSE Resource 10 Index only returning 3.45% in the second quarter.

Willingness to fix SA issues

Other data in the second quarter that turned investors more positive was the fact that loadshedding did not return post-elections, as many had feared and the implemented fixes at Eskom

seem to be delivering results. This, combined with positive interactions from the private sector with Transnet and a willingness to fix the infrastructure can potentially contribute meaningfully to GDP growth. These positive data points overshadowed the weak car sales, weaker economic conditions in China and weaker business confidence levels in SA. The US inflation data is slowing slightly faster than predicted, causing interest rate cut expectations to get pulled forward, which should ultimately be positive for emerging market assets.

Portfolio performance and positioning

The biggest contribution to the funds' performance was from the overweight position in banks and clothing retailers funded by underweight positions in the platinum space. This was offset by the positions in the dual-listed rand hedges.

The fund outperformed the market, returning 8.74% over the second quarter. The fund was not positioned for any election outcomes due to the complexity of calling the outcomes.

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