

The Balanced Investor

Edition 6 – June 2025



Focused through uncertainty, rewarded over time View from the Discovery Balanced Fund Team

Markets are constantly evolving

That's why we continuously review where and how your capital is allocated – to ensure it remains aligned with your long-term goals.

Over the past year, financial markets have transitioned from caution to cautious optimism. Both locally and abroad, a combination of moderating global inflation, early-stage monetary easing, and improving infrastructure performance have reshaped the investment opportunity set. We responded to these developments with proactive and research-driven positioning.

Key themes and changes in the Discovery Balanced Fund over the last 12 months included:



Reallocating from global to local: We reduced offshore exposure from 44% to 35% as relative valuations and bond yields in South Africa became compelling.



Selective global participation: Within global equities, we favoured companies with strong earnings fundamentals – particularly those benefitting from secular trends such as digital infrastructure and artificial intelligence.



Earnings-focused equity selection: The portfolio remained focused on shares with positive earnings revisions and strong valuation support. We look for companies where profits are rising – not just where the share price is going up.



Fixed income optimisation: An increased allocation to SA government bonds (at the expense of offshore developed market bonds) helped lock in real yields while managing currency risk.



We kept our balance: Overall, we took some risk off the table at the start of the year (reducing the fund's equity weight, especially offshore), considering higher valuations and increasing concerns around trade policies. However, we have used periods of market pull-backs (such as April), to re-deploy cash into selective opportunities to generate decent returns.



One-year return: Positioned for outperformance

In our previous editions, we highlighted our investment philosophy, which clearly focuses on earnings growth and resilience, through which we found strategic equity exposures, especially within technology, financials, and local opportunities driven by a recovering South African macro backdrop.

Those decisions have now borne fruit. Our overweight position in key counters like Naspers, Capitec, Discovery and Anglo-Gold, as well as offshore holdings such as Rheinmetall, TKO Group and Take-two Interactive Solutions, has delivered a meaningful uplift to returns.

Over the year, decisions around asset allocation, geographic allocation and stock selection worked together to enhance returns.

For the 12-month period ended 31 May 2025, the Discovery Balanced Fund delivered a return of 16.4%, outperforming the ASISA High-Equity Multi-Asset peer group average of 15.1% – a compelling outcome in any market cycle. Performance was primarily supported by both local and global equity exposure, as well as timely tactical positioning in fixed income.

While the Discovery Balanced Fund's three-year performance ranking is still behind the peer group following a difficult 2023, the fund's first-quartile ranking over one, three and six months at the end of May 2025, is showing our commitment to the recovery of returns.

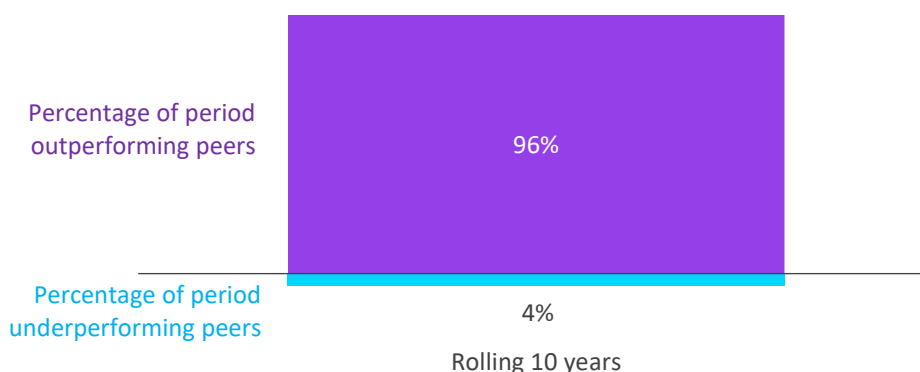
Source: Morningstar, 31 May 2025

The value of staying invested

Over a year ago, headlines warned of crises: Load shedding, surging inflation, and weak growth. It would've been easy to step aside. But those who remained invested captured the rebound – and got rewarded.

As we've said before: "It's not about timing the market. It's about time in the market."

The Discovery Balanced Fund has outperformed most competitors over the long run – as the chart below reveals, over all 10-year rolling periods, since inception, the Fund outperformed peers 96% of the time.



Source: Morningstar, 31 May 2025

This is not luck. It's a result of disciplined decision-making, expert research, and global reach.



What you can expect

While we can't predict every market turn, what we can offer is something even more valuable: A steadfast commitment to thoughtful, disciplined investing:

- We invest with care and purpose.
- We aim to protect your capital while capturing meaningful upside.
- And we remain focused on delivering long-term value.

If you've entrusted us with your clients' investments, we sincerely thank you. And, if you're exploring options for your clients' future, now is a great time to consider the **Discovery Balanced Fund** as part of a well-diversified strategy.

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