

Dear Investor,

Banks reflect economic conditions, and given both the extended pandemic lockdown and abnormally low interest rates, JSE-listed banks are trading at unprecedented discounts to their book values.

- ❖ We believe that the drivers for the recovery of the earnings of banks are evolving positively, namely a normalisation of interest rates (which will increase bank's profit margins) and a recovery in GDP over the next 12 months (increased economic activity).
- ❖ We don't expect any dividends for the next 6 months, but do expect a resumption of dividends on a 12 month horizon.
- ❖ From a technical perspective, JSE Banks are trading at a cyclical low relative to the JSE ALSI.

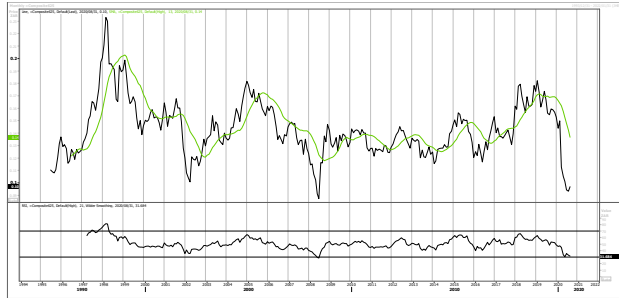


Figure 1 – JSE Banks relative to JSE ALSI

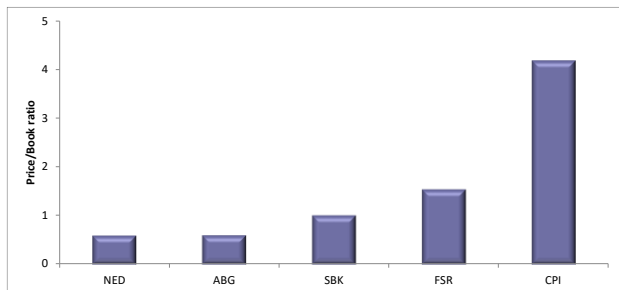


Figure 2 – JSE Banks Price/Book ratios

We believe that an overweight position in clients' portfolios is justified at current levels.

Please contact your Afrifocus Portfolio Manager.

Regards

Afrifocus Personal Wealth

The disclaimer is available on our website <http://www.afrifocus.co.za>