

SYNOPSIS

PERFORMANCE (TOTAL RETURN)

	<u>Portfolio</u>	<u>Benchmark</u>
Annualised (since 02/09/2002)	13.7%	13.8%
Last 12 months	13.2%	8.4%
Last 3 months	6.0%	7.0%

PORTFOLIO VALUE

R 3 711.9 million (30/09/2023: R 3 500.1 million)

INVESTMENT OUTLOOK AND PORTFOLIO CONSTRUCTION

World: US economy likely to soften

Inflation decreasing, but outlook uncertain

Interest rates likely to have peaked

Earnings growth decelerating

Geopolitical tensions are high

South Africa: Poor economic growth prospects

Energy crisis a persistent headwind

Inflation moderating but with upside risks

Interest rates remain near peak

Rand remains vulnerable ahead of Budget Speech

Portfolio construction: Equity weight maintained

Low exposure to resources maintained

Physical gold position hedges systemic risks

SA financials trimmed on valuation

Healthcare remains significant given it's defensive characteristics

Naspers/Prosus largest holding on attractive valuation

Listed property focused on discreet opportunities

Meaningful cash position retained

EFFECTIVE ASSET ALLOCATION (previous)

	<u>Portfolio</u>	
	<u>%</u>	<u>%</u>
JSE equities	81	(81)
JSE property	4	(4)
Commodities	1	(1)
Money market	14	(14)
	<u>100</u>	

1. PORTFOLIO PERFORMANCE

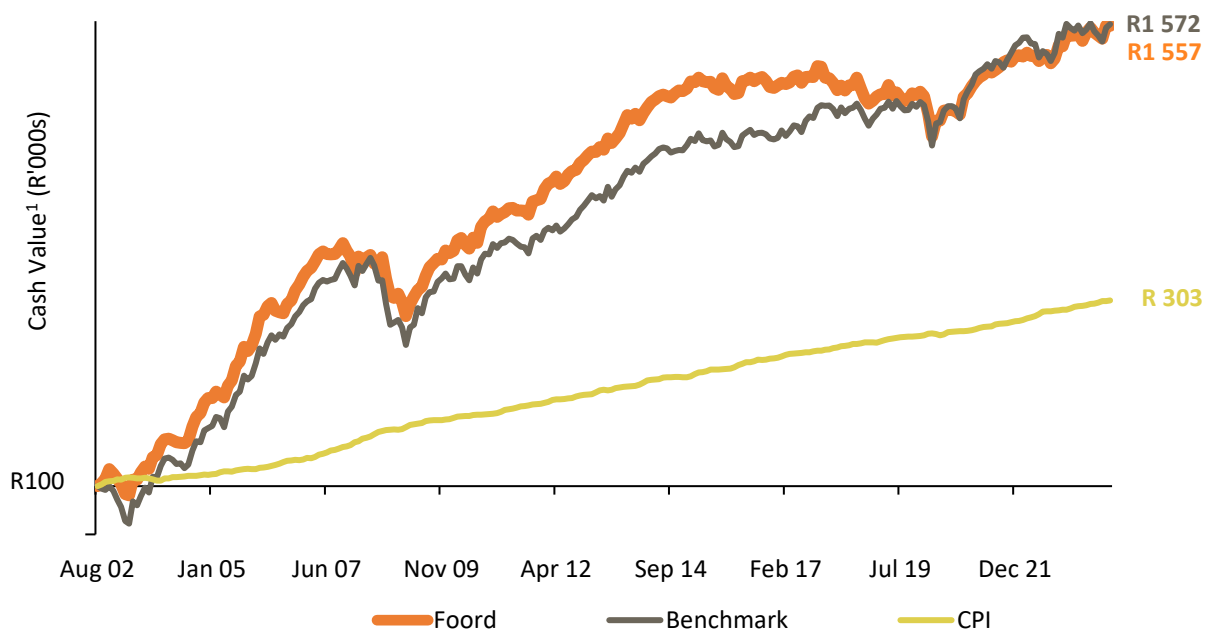
Total performance to 31 December 2023

	<u>Portfolio</u>	<u>Benchmark*</u>	<u>Variance</u>	<u>Peer Group#</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
From inception (02/09/2002)	13.7	13.8	- 0.1	12.4
20 years	13.3	14.1	- 0.8	12.2
15 years	11.2	12.5	- 1.3	10.1
10 years	5.4	8.9	- 3.5	6.6
7 years	5.2	10.2	- 5.0	7.1
5 years	9.3	11.9	- 2.6	9.2
3 years	14.4	14.3	0.1	12.3
1 year	13.2	8.4	4.8	6.1
3 months	6.0	7.0	- 1.0	5.9

* Total return of the FTSE/JSE Capped All Share Index (prior to 01/07/2018 FTSE/JSE All Share Index)

(ASISA) South Africa Equity – General (SA only) average

Daily linked time-weighted total rates of return (capital and income) based on unit price. Returns in percent net of management fees and fund expenses. Returns for periods exceeding 12 months are annualised percentages.



¹ Current value of R100 000 notional lump sum invested at inception, distributions reinvested (graphically represented in R'000s above)

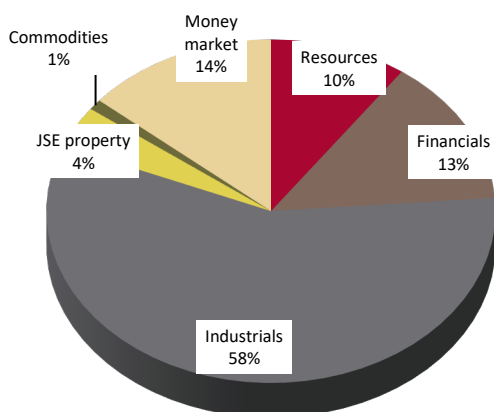
Quarterly performance comment:

- South African equities tracked global bourses higher — the fund performed in line with its benchmark on a combination of both sector allocation and security selection
- The underweight to financials detracted — banks rallied after ratings agency Fitch reported that South African banks' solid buffers for absorbing asset-quality deterioration along with their stable funding liquidity metrics will keep risks to their financial profiles manageable in 2024
- The overweight position in pharmaceutical group Aspen contributed positively — Aspen announced its intention to bulk up its footprint in China through a R2bn acquisition of the Chinese subsidiary of Swiss drugmaker Sandoz
- The overweight position in Anheuser-Busch Inbev benefited — the shares rose after the company announced a stock buyback and reporting results that beat forecasts, despite US sales continuing to lag after a boycott of its Bud Light brand
- Sizeable positions in global media giants Naspers / Prosus detracted from performance — the counters came under pressure after the Chinese government said it would restrict the online gaming industry by limiting in-game purchases and penalizing compulsive playing behaviour, later softening its proposals
- The underweight position in Anglo American Plc and other resource stocks was positive — Anglo American Plc saw its share price fall after unveiling plans to drastically cut production in a bid to reduce costs and boost profitability
- A sizeable allocation to cash detracted in relative terms — despite attractive cash yields, equities outpaced cash given the extent of the rally in tandem with global equity markets

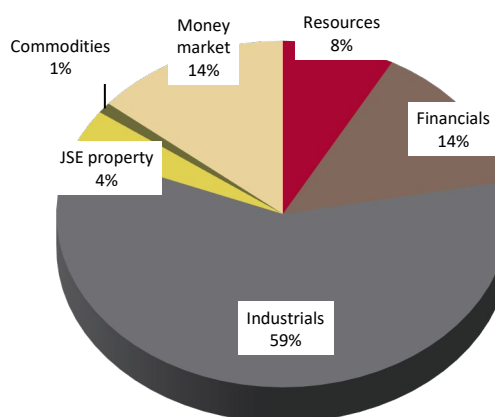
2. PORTFOLIO STRUCTURE

	Portfolio		FTSE/JSE
	Effective exposure		Capped ALSI
	30/09/2023	31/12/2023	Weightings
	%	%	%
JSE equities: resources	10	8	24
JSE equities: financials (ex property)	13	14	22
JSE equities: industrials	58	59	36
JSE property	4	4	3
JSE equities*	85	85	85
Commodities	1	1	
Money market	14	14	
	100	100	
Total portfolio	R 3 500.1m	R 3 711.9m	
	%	%	%
*Size distribution of JSE equities			
Large capitalisation	68	66	88
Mid capitalisation	12	12	8
Small capitalisation	20	22	4
	100	100	100

Effective exposure 30/09/2023



Effective exposure 31/12/2023



3. PORTFOLIO CONSTRUCTION

- Equity weight was tactically maintained at 81% of total, given ongoing concerns around the macro environment — despite attractive valuations, ratings for SA Inc. stocks are likely to remain under pressure, given low economic growth prospects coupled with higher cost of capital
- Cash position was maintained at 14% — we continue to keep some powder dry to buy when opportunities arise in market sell offs
- Portfolio investments in global media giants Naspers / Prosus were increased slightly given a retracement in their share prices on Chinese regulatory flipflopping — they remain the top positions in the fund due to balance sheet strength, attractive valuations and good long-term earnings prospects, given the reopening of China's economy
- Relative underweight to financial sector was maintained — we are concerned about economic headwinds and prefer quality banks over life insurance companies, given their strong capital levels and positive gearing to a moderately rising interest rate cycle
- Exposure to commodity companies was kept at low levels, but a small physical gold position was maintained — resource companies face increasing risks to global economic activity levels, however gold bullion provides a hedge against economic uncertainty and protection against inflation
- Reduced weighting in consumer discretionary businesses, given the likelihood of higher interest rates, inflation and low economic growth weighing on SA consumers — large holdings remain focused in quality defensive South African mid-cap companies such as Spur and Pepkor which are likely to demonstrate resilience in an increasingly difficult economic environment
- Continue to avoid the large, diversified property counters given poor fundamentals for the asset class including high debt levels, excess capacity and continuing uncertainty regarding demand for office and retail space — took advantage of higher prices to trim position in Eastern European property company NEPI Rockcastle
- Our effective asset allocation is:

	<u>Capped ALSI</u>	<u>Portfolio at</u>	
	<u>Current</u>	<u>30/09/2023</u>	<u>31/12/2023</u>
	%	%	%
Precious metals	11	1	2
Commodity cyclicals	17	9	6
Capital goods/construction	1	3	3
Industrials/transport	6	5	6
Overseas companies	9	9	9
Health	2	12	12
Consumer/services	9	11	11
Telecommunications	4	0	0
Media	11	18	18
Financials	26	13	14
Property	4	4	4
Commodities	0	1	1
Money market	0	14	14
	100	100	100

4. EFFECTIVE EXPOSURE AND PORTFOLIO SENSITIVITY**4.1 Effective exposure**

Asset class	Market value R'000	Option exposure R'000	Effective exposure R'000	Effective exposure %
JSE equities	3,000,582		3,000,582	80.8%
JSE property	131,844		131,844	3.6%
Commodities	48,186		48,186	1.3%
Money market	531,250		531,250	14.3%
Total	3,711,862		3,711,862	100.0%

4.2 Sensitivity reportJSE EQUITIES**Change in portfolio equities**

	-20.0%	-10.0%	-5.0%	0.0%	5.0%	10.0%	20.0%
Resultant equity change *	-600,116	-300,058	-150,029	0	150,029	300,058	600,116
Resultant portfolio value *	3,111,746	3,411,804	3,561,833	3,711,862	3,861,891	4,011,920	4,311,978
Resultant portfolio change (%)	-16.2%	-8.1%	-4.0%	0.0%	4.0%	8.1%	16.2%

JSE PROPERTY**Change in portfolio property**

	-20.0%	-10.0%	-5.0%	0.0%	5.0%	10.0%	20.0%
Resultant property change *	-26,369	-13,184	-6,592	0	6,592	13,184	26,369
Resultant portfolio value *	3,685,493	3,698,678	3,705,270	3,711,862	3,718,454	3,725,046	3,738,231
Resultant portfolio change (%)	-0.7%	-0.4%	-0.2%	0.0%	0.2%	0.4%	0.7%

*[R'000]

5. RESPONSIBLE INVESTMENT SUMMARY

Voting resolutions for Q4 2023

	Total count	For	Against	Abstain
Adopt Financials	3	33%	67%	0%
Auditor/Risk/Social/Ethics related	55	96%	4%	0%
Buy Back Shares	10	100%	0%	0%
Director Remuneration	56	100%	0%	0%
Dividend Related	1	100%	0%	0%
Issue Shares	12	8%	92%	0%
Loan / Financial Assistance	12	8%	92%	0%
Other	8	100%	0%	0%
Re/Elect Director	41	98%	2%	0%
Remuneration Policy	21	57%	43%	0%
Share Option Scheme	1	0%	100%	0%
Shares under Director Control	5	20%	80%	0%
Signature of Documents	4	100%	0%	0%

General comments:

- There are few abstentions. We apply our minds to every single resolution put to shareholders. When there is an abstention it would typically be intentional or for strategic reasons
- We typically vote against any resolution that could dilute the interests of existing shareholders. Examples include placing shares under the blanket control of directors, providing loans and financial assistance to associate companies or subsidiaries and blanket authority to issue shares. On the rare occasion, we have voted in favour of such resolutions, we were able to gain the required conviction in the specifics of the strategic rationale for such activities and could gain comfort that such activities are indeed to be used to the reasons stated
- The firm also has a strong philosophy regarding management remuneration models. We believe in rewarding good managers with appropriate cash remuneration on achievement of relevant performance metrics that enhance long-term shareholder value. We are generally not in favour of share option schemes given the inherent asymmetry between risk and reward typical of such schemes. In addition, we do not believe that existing shareholders should be diluted by the issuing of new shares to management as is the case with most option schemes. We are in favour of the alignment created between management and shareholders when management has acquired its stake in the company through open market share trading and paid for out of management's own cash earnings

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