



## KEY FACTS

|                           |                                |
|---------------------------|--------------------------------|
| Portfolio Managers:       | Andrew Vintcent & Grant Morris |
| Launch Date:              | 07 December 2022               |
| Solution Name:            | CGAM Focussed Equity           |
| Solution Structure:       | Standard Bank AMC              |
| Benchmark:                | Capped SWIX Total Return       |
| Note Price:               | R1 138                         |
| Number of Notes in Issue: | 93644                          |
| AUM:                      | R 106 million                  |
| Minimum Investment:       | R100 000                       |
| Denomination:             | ZAR                            |
| Annual Management Fee:    | 0.75% pa (excl VAT)            |
| ISIN:                     | ZAE000316923                   |
| Alpha Code:               | AMCO03                         |

## PERFORMANCE AS AT 31 JANUARY 2025

|           | 3 Months | 6 Months | 1 Year | Since Inception* |
|-----------|----------|----------|--------|------------------|
| Fund      | 0.0%     | 3.3%     | 11.5%  | 6.2%             |
| Benchmark | 1.3%     | 5.7%     | 19.7%  | 10.4%            |

\* Annualised since inception

## QUARTERLY COMMENTARY | DECEMBER 2024

On the back of an eventful 9 months, the final quarter of 2024 was a little bit disappointing for South African equity investors. The JSE Swix declined by just over 2% in the quarter. The CGAM Focussed Equity AMC declined by 3% in the final quarter, impacted by disappointing performances from Sasol, AECI, Grindrod and Africa Rainbow Minerals, each of which declined by over 15% in the quarter. Countering these, the fund benefitted from Aveng which rallied over 30% in the quarter, while Absa, Ethos and British American Tobacco each gained nearly 10%.

A noteworthy development in December was the 14% move in MTN – it has struggled for much of the year, having been hamstrung by adverse developments in the Nigerian economy. There appear to be signs of the Naira currency market stabilising, and in January the regulators announced tariff increases for mobile operators which would help them offset the significant cost inflation all Nigerian companies have endured. At the time of writing MTN is up another 20% in January. Before December, at the then suppressed MTN share price levels, we believe investors were paying less than zero for the most dominant mobile operator in Nigeria. The subsequent rally in the MTN Group share price of over 30% has changed the dynamic somewhat, but prospective returns from current levels remain attractive.

The CGAM AMC is a differentiated product, offering investors exposure to high conviction ideas in a focussed product. History teaches us that to deliver outperformance of any index over time, portfolios need to look different to that index. The CGAM Focussed Equity AMC is indeed different. We believe we can segment the portfolio into a few broad categories:

1. Companies who have already embarked on a process to unlock value. These would include AECI, Aveng, Ethos and to some extent British American Tobacco. Others in this group could include Sasol, which has recently alluded to constructive plans to segment the group into two divisions, and Old Mutual, who have embarked on a capital efficiency drive and share buy back program.
2. There are a few companies that are aware of the value trap embedded in their current group structure, but to date have been reluctant to enact any changes. These include Caxton, HCI African Rainbow Minerals. We believe all 3 have the ability to deliver meaningful returns to shareholders through a restructure – their sum of the parts is worth a lot more than their current market value.
3. A few companies have endured a difficult operating environment. Any sense of improvement into 2025 & 2026 should see a meaningful re-rating of both Absa and Metrofile. Metrofile, historic a stable and highly cash generative business, has struggled to maintain its earnings profile over the last few years. A return to a more normalised level of earnings, and free cash flow generation, should provide them with opportunities to unlock what we see as significant value.

South African equities remain selectively attractive. It has always been tough to form a generic view on the JSE, given both the disparate make up of the index, and the dominance of larger global companies. We invest broadly, across the market cap spectrum, in mispriced opportunities. Whilst some companies and sectors have rallied hard post the formation of the GNU, we believe there are numerous companies that remain materially mispriced.

The year ahead is filled with potential opportunities and pitfalls – geopolitics, politics and the ever present economic risks that global economies face. We are of the view that South Africa will show an improved level of economic growth, with positive spin offs for corporate earnings and the country's fiscal positioning. We do naturally acknowledge that none of us can know for certain what the year will bring. However, given the portfolio composition, with undemanding equity valuations and unique investment cases alluded to earlier, we believe the CGAM Focussed Equity AMC is well positioned to deliver on its long term objective of generating attractive and differentiated returns for investors over sustained periods of time.

## Performance:

We launched the capability in December 2021, with a instrument that initially proved quite cumbersome. In December 2022, the opportunity arose to launch a JSE listed AMC through Standard Bank – we opted to move the capability from the previous structure to the listed AMC. As a result, we believe the below track record since the initial inception of December 2021 is appropriate way to demonstrate the performance of the capability.

## CUMULATIVE PERFORMANCE SINCE INCEPTION



Track record of AMC includes the original Ashburton note launched on the 17th December 2021, and rolled into AMCO03 in December 2022.

## FUND OBJECTIVE &amp; STRATEGY

The CGAM Focussed Equity is a South African equity structured note. The objective is to provide long term capital growth ahead of its benchmark (JSE Capped Swix), by investing in companies whose shares are listed on a recognised exchange in South Africa. The note is a "long only" product and does not make use of leverage. This is a high conviction investment offering, aiming to hold no more than 15 positions at any point in time. Fundamental analysis, a valuation discipline, patience, and a belief that inefficient markets create opportunities in mispriced assets underpin our process.

## WHO SHOULD INVEST

The investment is suitable for long term investors seeking the potential for higher levels of capital growth. Given the differentiated and focused nature of the note, it should be seen as a complementary offering to an investors' existing portfolios. Investors should be able to tolerate a potential higher level of capital volatility.

## RISK INDICATOR

These investments typically exhibit more volatility given their higher exposure to equities, which may result in capital losses. Expected potential long-term returns could be higher than other risk profiles – conversely potential losses could also be higher.

|     |           |     |            |      |
|-----|-----------|-----|------------|------|
| LOW | LOW - MED | MED | MED - HIGH | HIGH |
|-----|-----------|-----|------------|------|

## TOP 10 HOLDINGS (ALPHABETICALLY)

|                          |            |
|--------------------------|------------|
| ABSA Group               | KAL Group  |
| AECI                     | MTN        |
| African Rainbow Minerals | Nampak     |
| British American Tobacco | Old Mutual |
| Caxton                   | Reunert    |

The top 10 holdings make up 74% of the fund.



## DISCLAIMER

AMC's should be considered as medium to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. AMC's are traded at the ruling price. There is no guarantee in respect of capital or returns in a portfolio.

The investor acknowledges the inherent risk associated with the selected investments and that there are no guarantees. Please refer to the Pricing Supplement for detailed information relating to the AMC. The fact should be read in conjunction with the Pricing Supplement. This is available on the Standard Bank website <https://www.warrants.standardbank.co.za/proxy/warrants/WarrantsAmcPricing.asp>

Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees and the actual investment date. Full performance calculations are available from the manager on request.

Equity investment risk: Value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. bankruptcy), the owners of their equity rank last in terms of any financial payment from that company.

Property risk: Investments in real estate securities can carry the same risks as investing directly in real estate itself. Real estate prices move in response to a variety of factors, including local, regional and national economic and political conditions, interest rates and tax considerations.

Geographic / Sector risk: For investments primarily concentrated in specific countries, geographical regions and/or industry sectors, their resulting value may decrease whilst portfolios more broadly invested might grow.

For any additional information please go to <https://www.warrants.standardbank.co.za/proxy/warrants/WarrantsAmcPricing.asp> and [www.cgam.co.za](http://www.cgam.co.za)

## Glossary Summary

"AMC" means actively managed certificates, being notes issued by an issuer which offer investors exposure to the performance of a single portfolio of underlying assets which are discretionarily managed by a third party in terms of a pre-determined strategy.

## Investment Manager:

ClucasGray Asset Management (Pty) Ltd, Registration number: 2019/060149/07 is an authorised Financial Services Provider FSP50733 under the Financial Advisory and Intermediary Services Act (No.37 of 2002), to act in the capacity as investment manager. This information is not advice, as defined in the Financial Advisory and Intermediary Services Act (No.37 of 2002). Please be advised that there may be representatives acting under supervision. Physical address: Dunkeld Place, 12 North Road, Dunkeld West, 2196 Postal address: PO Box 413037, Craighall, 2024 Telephone number: +27 11 771 1960 Website: [www.cgam.co.za](http://www.cgam.co.za)

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