



KEY FACTS

Portfolio Managers:	Andrew Vincent & 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 079
Number of Notes in Issue:	94616
AUM:	R 102 million
Minimum Investment:	R100 000
Denomination:	ZAR
Annual Management Fee:	0.75% pa (excl VAT)
ISIN:	ZAE000316923
Alpha Code:	AMCO03

PERFORMANCE AS AT 31 MARCH 2025

	3 Months	6 Months	1 Year	Since Inception*
Fund	-4.7%	-7.6%	11.3%	3.4%
Benchmark	5.8%	3.6%	22.9%	11.2%

* Annualised since inception

QUARTERLY COMMENTARY | MARCH 2025

The 1st quarter proved to be a challenging one for the CGAM AMC – the note declined by over 4%. Whilst it has delivered a return of over 11% in the last 12 months, it has disappointingly lagged the JSE Capped Swix return of over 22%. As we state on the fact sheet, “this is a high conviction investment offering, aiming to hold no more than 15 positions.” We also state that “given the differentiated and focussed nature of the note, it should be seen as a complimentary offering to an investors existing portfolios”.

None of the above makes up for the underwhelming relative performance over the last quarter and year. It is true that the portfolio is not exposed to some of the large index names that have performed very strongly – these include, amongst others, the likes of Naspers, Prosus, the South African gold companies, and Richemont. It is also true that there is a distinct lack of appetite for some of the lesser known, smaller companies – their limited (trading) liquidity makes them less appealing to larger institutions. We firmly believe that this lack of appetite has resulted in a meaningful pricing anomaly for many smaller companies – history has taught us time and again, when these anomalies correct, investors can earn outsized returns.

An investment into the AMC today provides access to a portfolio of companies with an average estimated Dividend Yield of 6.9%, and an average estimated PE multiple of 6.3x. Even in the context of a South African equity market, which has experienced many crises over the years, these are simply astoundingly attractive valuation multiples. We are not oblivious to the risk that our estimates could prove to be incorrect, with forecasting being a notoriously inexact “science”.

It is an eclectic grouping of companies, with a commonality around the fact that we believe them all to be materially mispriced. Some are larger and well known, such as Absa, Old Mutual, Exxaro and MTN. Others are smaller, lesser known – Zeda, Caxton, Ethos, KAL Group, Metrofile and Nampak will not feature prominently in many investment portfolios, yet each have, in our opinion, their own unique and compelling investment case.

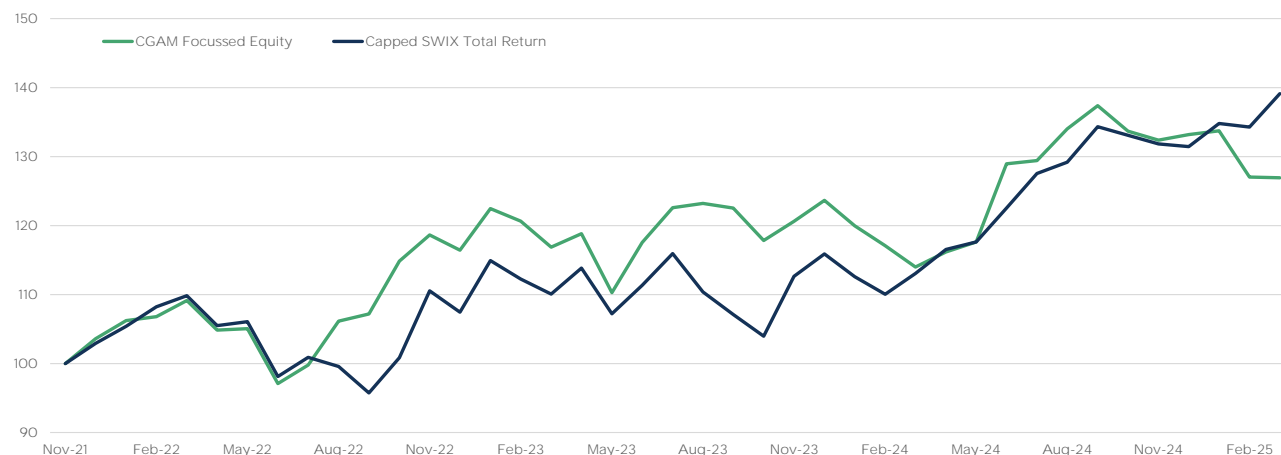
Towards the end of the quarter, Metrofile released an announcement cautioning investors that the board had received approaches to potentially buy out and delist the company. Naturally the share price reacted positively to this development – we await further news with interest. With the increasing number of companies being seemingly ignored by institutional investors, and given the subdued valuations too many companies trade at, we would be surprised if many more companies are not exploring ways to unlock value.

The return delivery for each is, as ever, a combination of dividends, earnings growth and any re-rating that a company may enjoy. Following on from what has been a difficult operating environment for many companies, the portfolio of companies in the AMC has, in our view, the ability to deliver steady, if unspectacular, real earnings growth. With the elevated dividend yield referred to earlier, and extremely suppressed PE multiples, we believe that the portfolio has an ability to deliver very attractive prospective returns to patient investors.

Performance:

We launched the capability in December 2021, with an 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 & 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
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TOP 10 HOLDINGS (ALPHABETICALLY)

ABSA Group	MTN
AECI	Nampak
African Rainbow Minerals	Old Mutual
British American Tobacco	Reunert
KAL Group	Zeda

The top 10 holdings make up 72% 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

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

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