



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 137
Number of Notes in Issue:	92118
AUM:	R 104 million
Minimum Investment:	R100 000
Denomination:	ZAR
Annual Management Fee:	0.75% pa (excl VAT)
ISIN:	ZAE000316923
Alpha Code:	AMC003

PERFORMANCE AS AT 31 OCTOBER 2024

	3 Months	6 Months	1 Year	Since Inception*
Fund	3.3%	15.0%	13.4%	7.1%
Benchmark	4.4%	14.2%	28.0%	11.1%

* Annualised since inception

QUARTERLY COMMENTARY | SEPTEMBER 2024

With the increasing prevalence of passive investing strategies in the global and local investment arena, and hence the dominance of large cap index heavyweights in investment portfolios, we believe the opportunity increasingly exists for differentiated and genuinely active equity solutions. We believe a focussed portfolio of around 15 high conviction ideas is well placed to offer a complementary investment outcome to the growing number of passive and "index like" equity offerings. The CGAM AMC portfolio is a healthy blend of mispriced larger companies, and lesser known mid and small cap companies – all holdings share a commonality around attractive valuations, and, in our view, an ability to deliver compelling prospective returns to investors.

The portfolio has gained 20% in the last 6 months. The formation of the GNU in the aftermath of the May 2024 elections has seen many local equities rally hard. The portfolio benefitted from some strong performances in a number of holdings, most notably Nampak, Ethos, Foschini, Zeda, Reunert, and to a lesser extent Absa and Old Mutual. The latter two have frustratingly lagged their financial sector peers, but nonetheless have delivered reasonable nominal returns.

We have been encouraged by the recent actions of a few portfolio holdings to actively look for ways to unlock shareholder value. Ethos has begun a series of divestments to return proceeds from all disposals to shareholders – given the discount to NAV at which they have perennially traded, any proceeds on asset sales at or above NAV will be accretive to shareholders.

Given the discount to fair value that most holdings trade at, we would expect more companies to embark on strategies to unlock value. In the case of some, a return to a more normalised earnings trajectory should prove accretive; in the case of others, we believe management have the ability to make strategic decisions which, like Ethos are beginning to demonstrate, could add significant shareholder value.

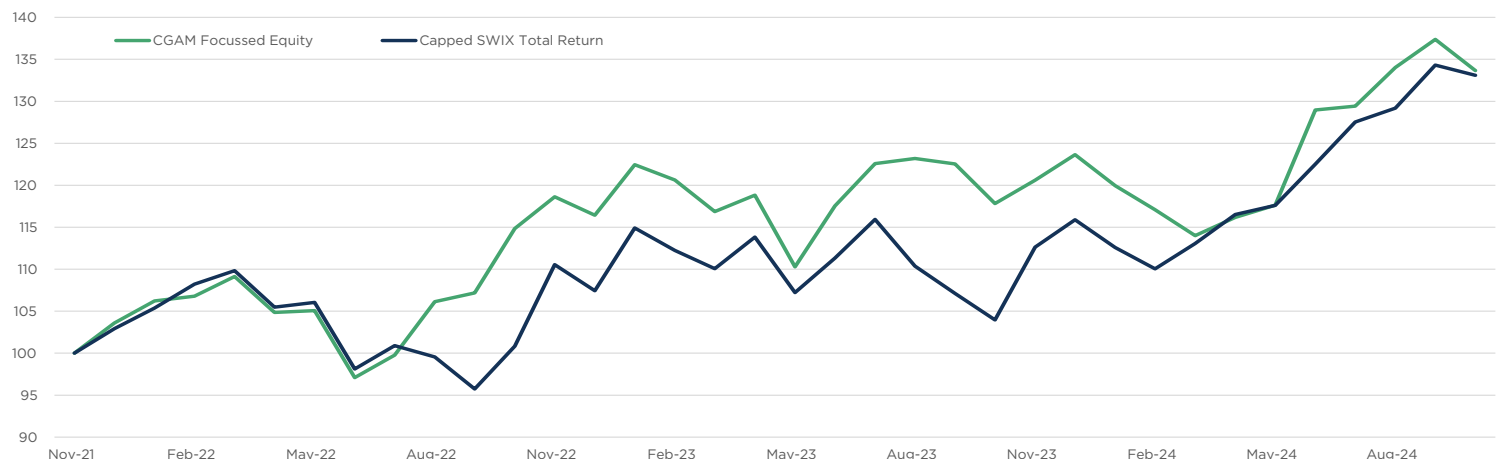
A new holding in the portfolio, Aveng, has also announced plans to radically shake up the group. Recent management changes have led to a strategic shift to split the group into two separate entities. With the current suppressed valuation of the Aveng group, the sum of the two parts is, in our view, worth materially more than the current market cap of the company. We are encouraged by a sense of urgency around implementing the new group structure, and the focus on unlocking what we see as significant value in the group.

The average PE multiple of the portfolio remains below 10, and the dividend yield elevated. These two key drivers of future returns, coupled with the prospect of reasonable earnings growth in an improving domestic economy, lead us to conclude that the CGAM AMC portfolio has the potential to deliver attractive prospective returns for its investors.

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



Please note:

Track record of AMC includes the original Ashburton note launched on the 17th December 2021, and rolled into AMC003 in December 2022.

Given the focussed construction of the AMC, it has been the ability to "dance to a different tune" to the broader market which makes it unique. Over the last 2 ¾ years the fund has managed to outperform the JSE Capped Swix benchmark, but that outperformance has not been delivered consistently every quarter.

We strive for the AMC to provide differentiated exposure for clients, with the objective of delivering alpha over, not necessarily all the time.

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

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

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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