

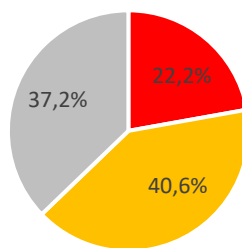
Investment structure and objective

The Baobab Equity Actively Managed Certificate is a locally listed structured equity note. The objective is to provide long-term capital growth ahead of the South African equity market by holding a focussed but differentiated portfolio of shares.

Investment strategy

The Baobab Equity AMC will represent the best equity ideas of two value-conscious boutique managers, Baobab Investment Management and ClucasGray Asset Management (CGAM). 60% of the portfolio will be invested by Baobab Investment Management in their best local and global investment ideas. The remaining 40% will be allocated to the CGAM Focussed Equity Note, a concentrated portfolio reflecting their 10-15 highest conviction local equity holdings. The combination provides a compelling, highly differentiated and complimentary proposition within a traditional equity portfolio.

Current allocation



■ Baobab IM Global ■ Clucas Gray Local ■ Baobab IM Local

Key Features

- Two boutique managers in one solution
- Unconstrained by size, index or peer group
- Exposure to under-owned areas of the market
- Ability to invest in small and mid-cap shares
- Differentiated local and global equity exposure

General Fund Information

Investment Managers	Sandy Le Roux (Baobab) Andrew Vintcent (CGAM)
Product Classification	Actively Managed Certificate
Issuer	Standard Bank
Risk Profile	High
Investment Time Horizon	5-7 Years
Benchmark	JSE Allshare Index
Annual management fee	0.7%
Isin	ZAE000326542
JSE Stock Code	AMC009
Inception date	15 September 2023

Performance

	Baobab Equity AMC	Benchmark
Since inception (Annualised)	14.7%	11.8%
1 Year	19.5%	11.9%

Top 10 Holdings (in alphabetical order)

Absa	HCI
AECI	KAL Group
African Rainbow Minerals	Old Mutual
Aveng	Vivendi
Fairfax India	Zeda

Quarterly Commentary (30 Sep 2024)

The Baobab Equity AMC had a strong quarter, appreciating by 8%. The portfolio has gained 16% over the past 6 months and 24% over the past year.

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. Combining the best ideas of two active managers provides a particularly unique and compelling solution, providing a complimentary investment outcome to the growing number of passive and "index like" equity offerings.

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Baobab commentary

The local portion of the portfolio appreciated strongly in line with many domestic equities. A standout performer has been the engineering and construction sector as investors anticipate renewed focus on infrastructure spend under the GNU. Raubex has appreciated by 90% since the beginning of the year, with WBHO not too far behind. While we think the share prices of both have gotten a bit ahead of themselves in the short-term, the earnings outlook for both is very good. Other notable contributors include Nedbank, Spar and the JSE, all of which have benefitted from improved sentiment in recent months. Despite the significant improvement in sentiment, we remain very constructive about the long-term opportunity for select local equities. We will make the most of our size and flexibility to take full advantage of this multi-year opportunity.

Our global exposure has been a net detractor given the strong gains in domestic equities and the currency, but we remain excited about the long-term opportunity set for select international equities. We continue to use any weakness to add to the Bollore galaxy of companies, providing heavily discounted exposure to a world class asset in Universal Music Group. Bollore now has a very large cash position, providing very strong downside protection at a time when so many global companies trade at such stretched valuations. We have also used weakness in the energy sector to add to our basket of Canadian oil and gas companies, all of which trade at very depressed valuations.

CGAM commentary

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.

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 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. The average PE multiple of the portfolio remains below 10, and the dividend yield elevated, positioning the portfolio well to deliver attractive prospective returns for its investors.

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Glossary

"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.