



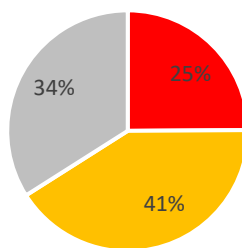
Investment structure and objective

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 |
| Issuer | Certificate Standard Bank |
| Risk Profile | High |
| Investment Time Horizon | 5-7 Years |
| Benchmark | JSE Allshare Total Return |
| Annual management fee | 0.7% |
| Isin | ZAE000326542 |
| JSE Stock Code | AMC009 |
| Inception date | 15 September 2023 |

Performance

| | Baobab Equity AMC | JSE Allshare Total Return |
|------------------------------|-------------------|---------------------------|
| Since inception (Annualised) | 13.4% | 13.9% |
| 1 Year | 14.5% | 13.4% |

Top 10 Holdings (in alphabetical order)

| | |
|--------------------------|---------------|
| Absa | Fairfax India |
| AECI | HCI |
| African Rainbow Minerals | KAL Group |
| Airtel Africa | Old Mutual |
| Aveng | Zeda |

Quarterly Commentary (31 Dec 2024)

The Baobab Equity AMC had a strong 2024, appreciating by 14.5%. We are pleased with the returns to date, but we believe the best days are still ahead 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.

Baobab commentary

A key driver of returns in 2024 was our pivot towards extremely mispriced domestically focussed equities in and around the election. Key local contributors during 2024 include KAL Group, Raubex, WBHO, Aveng, Pan African Resources, JSE, Spar, Nedbank and ABSA. Even though we have trimmed some of this exposure into strength, we remain very constructive about the opportunity set in select local companies.

Our global results were mixed and didn't contribute significantly to results in 2024. IDT Corporation performed strongly on the back of very strong operational results, but the bulk of our offshore holdings produced frustrating returns and remain very undervalued. Our Canadian oil and gas basket was a detractor, but we have used weakness to add to our holdings at what we deem to be very attractive prices. We also initiated a new position in African telecoms and mobile money provider, Airtel Africa. The shares in no way reflect the long-term growth runway or potential value unlock of a spin off of the mobile money business.

As we enter 2025 markets and conversation are focused on the likely impact of the new US president, Donald Trump. We have no unique insights as to what the year ahead may hold but expect that it is unlikely to be quiet. This may lead to more bouts of market volatility, something we would welcome and look to take advantage of. Global equity valuations at an index level are very stretched, but this is skewed by heavy concentration in a small number of companies. Outside of this there are many pockets of mispricing that create a very favourable backdrop for active stock selection. US assets have sucked in capital from everywhere, leaving significant opportunity in capital starved areas that are underowned, underappreciated and very undervalued.

CGAM commentary

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 AECL, 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 and 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, historically 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.

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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.