*Please note that the commentary is for the retail class of the Fund.*

The Fund has had a successful year, delivering a return of 41.5%. Over three years, the Fund has returned 16.3% per year, making it the best performing fund in its category and the fourth consecutive year in which the Fund has achieved this. Looking back on the difficulties that the world has faced over the past two years, we still find it somewhat surprising that the Fund (and equity returns in general) has performed as well as it has. This is partly testament to the resilience of many SA companies, as well as the willingness of markets to place high ratings on equities in general.

The two largest additions to the Fund in the past quarter were Santam and Telkom. Santam has been a very successful business for many years. As a consequence, it has often been valued by the market at levels that don't offer much upside. As a short-term insurer, the Covid-19 pandemic has not been positive for the business, and Santam's share price has therefore performed poorly relative to many other shares we hold. We are always on the lookout for a good entry point into high-quality shares, and we think that this was the case here.

Telkom is not known for being a high-quality business. It operates in a highly competitive telecoms industry, and its legacy fixed line voice business has declined significantly in relevance over the past few decades. It is also burdened by a large SA government shareholding, which is never a positive when trying to run a commercial business. Despite all of this, Telkom has been very well run for the past five years, and the business has been repositioned in much higher growth and more relevant technologies, mobile and fibre. Telkom Mobile has arguably emerged as the most credible third operator in the mobile landscape, and Openserve, Telkom's fibre business, is the market leader. We believe that Openserve is significantly undervalued within the Telkom stable, and that a separate listing of this business would unlock value for Telkom shareholders.

The two largest sells in the quarter were Distell and ADvTECH. The Heineken offer to buy Distell was announced in the quarter and has capped the upside in the share, especially considering the considerable amount of time before shareholders will receive the offer proceeds. We think we can do better in other shares than the return we will get from holding onto Distell.

ADvTECH has been a remarkable performer over the past few years, both from a business sense and as a share. At R19, the price at which we trimmed our holding, the upside no longer justified a high weighting within the Fund. We continue to hold ADvTECH and remain optimistic about both its schools and tertiary businesses.

Moving into 2022, our hope is that the world can move beyond treating Covid-19 as a pandemic and the quoting of case numbers on a daily basis. We further hope that the seemingly milder Omicron variant will allow us all to return to some level of normalcy. This would, in all likelihood, be positive for everyone, markets included.

**Portfolio manager**
**Alistair Lea**
as at 31 December 2021