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

The Fund had an excellent start to the year, delivering a return of 9.8% for the first quarter (Q1-21). This marks the first 12-month period since the collapse of most markets due to the Covid-19 crisis. It also explains why the Fund's 12-month return is so strong at 45.3%. This return is well ahead of the benchmark return of 35.5%, showing how many of the active allocation and investment decisions made during this tumultuous period have paid off for investors.

The key driver of the returns for Q1-21 has been an overweight position in equities and very good alpha generated within the equity portfolio. We have been steadily reducing this overweight position into the very strong markets, especially the offshore component, where markets have been exceptionally robust, and valuations are starting to look stretched. We have not reduced the domestic equity allocation as much, as we continue to see significant value in the domestic market.

Within our domestic equity allocation, our positive alpha has continued to be driven by a meaningful position in resources shares. In Q1-21, in particular, our holdings of the platinum group metal (PGM) shares and Exxaro made a big contribution to the Fund's return. All the PGM shares have reported financial results, and all showed prodigious cash generation and de-gearing. With a general commitment to maintaining a disciplined approach to investing new capital, the majority of this cash is being returned to shareholders. Our investment in Royal Bafokeng Platinum was a standout in this regard, declaring an enormous maiden dividend. After many years of supporting this mine through equity and bond raises, it is a fantastic conclusion to see it generating meaningful returns, having created jobs, having a positive impact on the surrounding communities and now returning cash to shareholders.

Exxaro has also shown exemplary capital allocation. In this period, it disposed of its remaining holding in Tronox, the US-listed mining business, at a very attractive price. They have subsequently announced that the majority of these proceeds will be returned to shareholders by means of a special dividend.

The other driver of our alpha in this period was our holding in Naspers. While historically the share price has just tracked its main underlying holding, TenCent, it significantly outperformed in Q1-21, driven by the announced share repurchases being conducted by Prosus as a means to reduce the substantial discount that Naspers trades to its underlying holdings.

The Fund is still underweight pure domestic SA businesses, though we continue to add to the high-quality names that we think can continue to grow in a tough domestic environment. We added to a couple of smaller industrial businesses, such as KAP and Metair and Alexander Forbes, the financial services business that should still benefit from higher market levels, even though formal employed numbers are down.

Our offshore equity holdings are more overweight emerging markets than developed markets. The investment thesis that the rampant printing of US dollars will result in a weaker dollar and much stronger economic growth for the more industrialised emerging markets still holds. While global emerging markets (GEM) were a beneficiary of this last year, we have seen a small reversal this year as the dollar has stabilised as the yields on longer-dated US bonds have ticked up. We don't expect this to last for long, and still believe the relative valuation gap justifies a much bigger investment in the GEM universe.

Portfolio managers
Neville Chester and Nicholas Stein
as at 31 March 2021