

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

The Fund returned 3.1% for the quarter and has returned 22.6% per annum over the past three years, making it the second-best performing fund in its sector over this time period. We are satisfied with the Fund's performance in an extremely challenging economic environment for South African (SA) corporates. The JSE All Share Index was down -3.5% for the quarter, indicating that it has been a tough quarter across our market, not just amongst the smaller companies.

The two biggest additions to the Fund in the quarter were Dis-Chem and Quilter, the UK-based asset manager.

Dis-Chem was our largest addition to the Fund in the prior quarter as well. It is one of a very select group of companies in SA that is growing and should continue to do so in the foreseeable future. As such, we believe the company's high rating relative to many other shares is justified.

The Fund has a fairly limited ability to invest in businesses that earn hard currency revenues and profits. Most of the so-called rand-hedge companies fall into the Top 40 Index, which is outside of our investable universe. Quilter is a UK business and is an important and valuable diversifier in a rand portfolio. Tough equity markets globally have weighed on the performance of the business, but this has presented us with the opportunity to add to our position.

The two biggest sales in the quarter were Ninety One and Raubex.

We sold a small part of our Ninety One position to fund purchases. It had performed better than Quilter for a while, and the relative valuations had, therefore, moved in favour of Quilter. We still have a position in the company but will probably have to wait for markets to improve before we see earnings growing again. The company earns the bulk of its profits outside of SA (primarily in the UK), which, as discussed above, is an attractive feature in a rand portfolio.

As with Ninety One, we trimmed our Raubex position slightly on the back of a strong share price performance. We remain invested in the company and still believe that the construction sector in our country holds more promise than many other sectors. In addition, Raubex is now benefiting from a brutal decade for construction companies, which resulted in the demise of many players in the industry. Raubex, together with Wilson Bayly Holmes Ovcon, are the only remaining listed companies able to execute large-scale construction contracts. Interestingly, both companies have record-high order books, which bodes well for the years ahead if they can complete this work profitably.

Portfolio manager

Alistair Lea

as at 30 September 2023