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

**Performance**

Following a negative first quarter, Q2 was strongly positive for industrials, with the Fund delivering 10.9%. Since inception, the Fund has compounded returns at 15.8% p.a., outperforming the benchmark by approximately 1.9% p.a.

The quarter started off with a sharp global market sell-off in April due to escalating trade tensions following President Trump's "Liberation Day" tariffs. However, by the end of the quarter, the losses had been recouped, and the MSCI All Country World Index rose 12% in USD for the quarter. The market's recovery was driven by renewed investor optimism, easing economic uncertainty and reduced trade tensions following negotiations between the US and its trade partners, particularly with China, to moderate the proposed tariffs. Tensions heightened between Israel and Iran, causing a temporary spike in oil prices. Geopolitical risks continue to be a key uncertainty for global markets going forward. In the domestic market, the FTSE/JSE All Share delivered 10% for the quarter, driven by strong returns out of industrials (+12%), followed by resources (9%) and financials (8%).

Contributors to Fund performance for the quarter include overweight holdings in Naspers and Nampak, as well as underweights in Bidvest, Mr Price and Woolworths. Detractors include overweights in Aspen Pharmacare, Advtech, Shoprite and CA Sales, as well as an underweight in MTN.

**Portfolio actions and fund positioning**

The Fund has an overweight allocation to offshore via some great companies that happen to be listed in our market but have significant exposure to faster growth markets outside of South Africa (SA). These include Naspers, Prosus, Mondi, ABI, Aspen, Bidcorp and Richemont. These companies offer good protection against a weak domestic economy struggling under decades of under-investment in critical infrastructure. Within our SA exposure, we are invested in domestic-facing businesses that can grow earnings despite a weak economy. These tend to be businesses gaining market share or those with self-help opportunities that drive their earnings base. In our view, a low-growth environment amplifies the divergence between strong and mediocre businesses.

During the quarter, we sold out of the Vodacom and Curro holdings and reduced Fund positions in TFG, ABI and Lewis. We added to Fund holdings in Richemont, Nampak, Pepkor, Aspen, and We Buy Cars.

Aspen, one of the global businesses in the Fund, came under significant share price pressure after announcing a dispute with one of its contract manufacturing clients, which would result in a meaningful hit to 2025 earnings due to the contract stopping production. The dispute will still need to be negotiated, and outcomes are uncertain, but even if the volumes from this customer are lost, Aspen retains its valuable sterile manufacturing capacity, which can be sold to other customers. There will undoubtedly be some lost earnings and value in the near term, but the long-term earnings capacity of the company has not changed, given the world's strong demand for high-quality sterile manufacturing capacity. We believe, at current levels, Aspen is undervalued, trading around five times our assessment of its sustainable earnings.

Richemont is a high-quality business, but one where we had concerns about the sustainability of its earnings base following a few years of very strong topline growth. Indeed, for some luxury businesses, this is proving to be the case as they struggle to grow sales, but Richemont has remained robust, partly because it managed the recent years of growth prudently. They elected to take small price increases at a time when the industry was being aggressive, leaving Richemont with a price reservoir relative to its peers, supportive of stronger growth into the future. More importantly, however, Richemont has a unique, multi-year growth opportunity in the branded jewellery space where it is a formidable player via its Cartier brand. Branded jewellery still accounts for a very small proportion of the overall jewellery market, between 20% and 25%, but it is growing faster than unbranded jewellery and therefore taking market share. This structural growth opportunity outweighs any near-term cyclical concerns one might have had on the business. We took the opportunity to increase the Fund's Richemont holding during the quarter.

**Outlook**

The Fund remains focused on generating compelling long-term risk adjusted returns. As such, when markets provide an opportunity to add to assets at attractive pricing, the Fund will take advantage of this, as was the case with both Aspen and Richemont. While the economic outlook in SA remains uncertain, opportunities to invest in great businesses at reasonable valuations are also available, and we continue to pursue them for the Fund.

**Portfolio managers**
**Nicholas Hops and Godwill Chahwahwa**
as at 30 June 2025