

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

Performance and fund positioning

This has been a weak quarter for the Fund, returning -1.4%. After a very strong past five years (21.8% compound annual growth rate [CAGR]), the Fund was probably due for a breather. The three-year CAGR performance remains strong at 16.1%, making it the 2nd best performing fund in its category.

The quarter was characterised by a remarkable run in gold and platinum counters. This has resulted in platinum shares now accounting for 20% of the Fund's benchmark versus a 5% weighting in the Fund. This has resulted in the Fund underperforming its benchmark. While our 5% position in Northam Platinum is amongst our largest holdings, all platinum counters were exceptionally strong. Resource shares as a whole account for 32.9% of the Fund's benchmark, whereas the Fund has 9% exposure to this industry. Various factors are driving this run in commodities, including demand for real assets (like gold and platinum) amidst global angst over high sovereign indebtedness and the possibility of a debasement of fiat currencies, in particular the US dollar. These drivers are hard to predict and can cause volatile share price movements, which we are seeing currently. We are unlikely to chase shares that have moved up rapidly, preferring to keep anchored to our valuation-based process and desire to protect capital.

The two largest buys during the quarter were Reinet and Bytes Technology Group (Bytes).

Reinet recently sold its largest asset, Pension Insurance Corporation ("PIC"), such that it now sits (or will do when the PIC transaction closes) with roughly 80% of its assets in cash. It is not clear what the company plans to do with this cash (strangely, they have not been willing to engage on what the future holds), but there is a chance that Reinet could pay it back to shareholders and wind up the investment vehicle. This would be a good outcome for shareholders and result in decent returns from today's share price. The downside is also limited as the market has not valued Reinet at its full (near cash) value. This is an attractive risk/reward profile in our opinion.

Bytes has been a highly rated company, having performed extremely well as a business for many years. However, in the past quarter, it became apparent that they were unlikely to meet earnings expectations, partly due to a restructuring of how their account managers interact with their vendors and their customers. When a highly rated company misses expectations, the market can be brutal, and Bytes was marked down by over 30%. We took the view that this was an overreaction and bought at the lower levels.

The two largest sells during the quarter were Northam Platinum and Prosus.

Both sells were motivated by the very strong run in the share prices of these two companies. Northam is up 49% in the quarter while Prosus is up 25%. Both counters remain top 10 positions in the Fund.

Outlook

Many stock markets around the world are at or near all-time highs, including the JSE. But these returns have been driven by big moves in specific sectors of our market, particularly gold and platinum counters. The average SA Inc. company, which this Fund has exposure to, remains underloved and therefore undervalued. If SA can harness this environment of lower interest rates, low fuel prices, and very strong commodity prices, perhaps the SA-facing companies can have their time in the sun.

Portfolio manager

Alistair Lea

as at 30 September 2025