

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

Performance and fund positioning

The Fund returned 4.7% for the quarter and 15.2% for the last 12 months. Shorter-term performance has been disappointing relative to the benchmark, explained by our underweight position in gold shares (discussed later). It is worth flagging the concentrated nature of market returns over the last year. The FTSE/JSE Capped SWIX Index is up 28% over the last 12 months. If one excludes gold share performance, the Index return was 15.6%. When excluding both gold and PGM shares, the Index return amounts to “only” 10.2%.

Our overweight position in Northam Platinum contributed to performance, while our underweight position in Gold Fields and overweight position in Mondi detracted from performance.

We note a significant investment conundrum for both gold and gold equities. Both the gold price and South African (SA) gold miners are trading at all-time highs, and commentary and news headlines suggest we are in the “frothy phase” of a bull market. The bull case for gold rests primarily on increasing systemic risks and consistent, price-insensitive central bank buying. This buying activity is a reaction to the US weaponisation of the dollar, following Russia’s invasion of Ukraine, coupled with fears that future administrations might further undermine the dollar or attack the independence of the Federal Reserve. Other major drivers include increasing global geopolitical risk, such as brittle US-China relations, and the slow-brewing crisis associated with overindebted sovereigns globally. Given these accumulating risks, gold is seen as one of the very few legitimate monetary assets and hedges, which remains under-owned by global investors looking for an alternative to fiat currency.

Despite the compelling bullish arguments, we maintain a cautious stance. Historically, every comparable gold bull market has been followed by a downcycle, resulting in steep losses for shareholders. Costs tend to follow prices higher, albeit with a lag. We expect the same from this cycle. Furthermore, SA gold miners are characterised as inherently poor businesses due to being high-cost and having short mine lives that necessitate ongoing capital expenditure. These companies have historically been poor stewards of shareholder capital, exhibiting poor cost control, engaging in value-destructive pro-cyclical corporate action, and failing to return cash to shareholders consistently. This informs our material underweight in gold equities. We are managing the overall size of the underweight given the range of the outcomes for the metal. Our preferred exposure remains AngloGold.

We have reduced our Anglo American holding. Anglo American has been a strong performer, with the market crediting it for its increased copper exposure and successful implementation of its simplification strategy. Anglo American recently announced a merger bid with Teck Resources (a Canadian-listed primarily copper producer). We view this bid as a rare “unicorn” in mining M&A: a deal in the right commodity, at a fair price, with legitimate operational synergies. We have increased our position in Glencore. Glencore has lagged due to production mishaps in its copper

assets, as well as a lower thermal coal price. We see both as temporary, with the share price discounting continued bad news.

Two new additions to the Fund are MTN (a past holding) and Bytes Technology Group (Bytes, a new holding). MTN’s Nigeria and Ghana businesses are performing strongly, supported by robust data demand, disciplined commercial pricing, and healthy competition dynamics. MTN has enviable competitive positions in both markets. In Nigeria, a regulatory-backed price increase provides a further tailwind. Whereas a strong dollar has acted as a headwind for Nigeria’s basket of African currencies, this headwind has become a tailwind as the US dollar continues its weakening trend. The share price has pulled back after results, creating an opportunity to rebuild our position.

Bytes represents a high-quality play on structural growth in cloud computing, cybersecurity, and AI-driven IT spend, particularly within the UK’s mid-market and public sectors. The company’s recent sales force realignment and segmentation exercise are strategically aimed at expanding capacity and deepening specialisation, which are critical levers to capture rising demand in Microsoft’s Cloud Solution Provider and AI ecosystems. Despite a softer start to FY26, the underlying pipeline health remains strong. We view the recently announced share buyback as a positive capital allocation decision. With execution improvements under a refreshed management structure and exposure to the fastest-growing areas of enterprise IT, Bytes is well-positioned to sustain mid-teens profit growth over time and re-rate as operational confidence rebuilds.

South African (SA) economic growth remains lacklustre. Despite low inflation and interest rate cuts, consumer demand has disappointed. A contained oil price and rand strength could support further interest rate cuts. The SA Reserve Bank has signalled a desire to permanently lower the inflation target to 3% (from a 3-6% range). An exception to generally weak consumer demand has been the explosion in online gambling, facilitated by increased ease of access. This highly unproductive spending is concerning, given that it has little lasting benefit flowing to either the consumer or the local economy. Our base case is a sustained low-growth environment given SA’s structural impediments to growth. Poor service delivery and challenged infrastructure weigh on the cost of doing business. Deteriorating educational outcomes undermine productivity. Factors such as these are eroding competitiveness. Attempts to intervene are yielding some results in rail and electricity, where performance has improved from recent lows.

For many domestic companies, their ratings have become more attractive. We suspect one reason is that many players buying gold equities are funding their buying from domestic shares. We have used this opportunity to add to the SA-focused portfolio names.

Outside of gold shares, we are finding good investment opportunities at attractive valuations. This should bode well for future Fund returns.

Portfolio managers

Neville Chester, Nicholas Stein and Nicholas Hops
as at 30 September 2025