



September 2023 | Quarterly Commentary & MDDs

Narratives & Numbers

The 3rd quarter of 2023 proved to be a tough one for global and local equity investors - the MSCI World Index and the JSE Swix Index declined 3.5% & 4.0% respectively in the quarter. As ever in South Africa the quarter saw divergent returns across the major sectors, with the Resources and Industrial Indices both declining over 5%, and Financials gaining nearly 2%. Against this backdrop, the **ClucasGray Equity Prescient Fund** held up well. The fund gained 2.5%,

outperforming the JSE Swix benchmark by 6.5% and the peer group returns by 4.6%. Similarly, the **ClucasGray Equilibrium Prescient Fund** gained 1.6%, outperforming the peer group (-1.5%) by over 3% in the quarter.

The South African investment landscape is intriguing. Events, global and local, political and economic, have lead to extreme moves in key variables. Take the Rand – for many, including ourselves, viewed an inexpensive currency in 2022 at R15/\$, has rebased to around R19/\$ in the wake of the prolonged Russia / Ukrainian conflict and global geopolitical backdrop. In real terms, the devaluation has been seismic, the most extreme since the 2001 currency crisis. Similarly, the South African 10 year Government bond, long deemed elevated at 9.5%, implying a 5% real bond yield, now yields over 12%. Or domestic equity valuations – companies which for decades traded at 10 to 11 PE multiples, now trading at 7's and 8's. The narrative is poor, numbers have been dramatically rebased - 19 is seemingly the new 15, 12 the new 9, and 7 the new 11! Variables have adjusted in sync, as they always do. History guides us that these adjustments are seldom permanent.

“Buying cheap is great – and if I can buy good companies cheap, even better.” Joel Greenblatt

Over the last 3 years, the **ClucasGray Equity Prescient Fund** has delivered a compound annual return of 23.7% - this compares favourably with the JSE Swix and Peers returns of 11.2% and 12.8% respectively. We analysed the major contributors to performance relative to the benchmark over this period, and 7 of the top 10 contributors to the fund's relative outperformance are what we would deem to be mid or smaller cap shares. This aligns closely with our stated objective of striving to take advantage of mispriced opportunities across the market cap spectrum.

Of these 7 companies, 4 were the target of corporate buy-outs and were delisted. We believe that this outcome is in many ways a vindication of our investment and decision making processes – companies we believed to be good businesses trading at the wrong price, being bought out by other companies or private investors who also saw the same value we identified.

We have long articulated the ever expanding opportunity set in South African equities – clearly there are a plethora of reasons for the material de-rating of many companies, including but not limited to the difficult global and local economic backdrop, the ever weakening currency, rising interest rates and the operational impediments caused by loadshedding. Regardless of the near term challenges, we believe we have identified numerous good companies, of all sizes, that can grow their earnings over time, and are trading at appetising prices. We remain of the view that if current valuations persist, more companies will find themselves the targets of buy-outs and join the ranks of the recently delisted – an enticing prospect for current shareholders, and a theme for which we believe we are well placed.

For further details on the positioning and performance of the **ClucasGray Equity Prescient** and **ClucasGray Equilibrium Prescient Funds**, please click on the links below.

If there is any interest to meet, virtually or in person, please don't hesitate to get in touch with us. Good luck for the run into year end.

Regards
Andrew & Grant

ClucasGray Equity Prescient Fund | Net Annualised Performance Figures to 30 September 2023

	1 Year	3 Years	5 Years	10 Years	Since Inception* (Annualised)
Fund*	12.5%	23.7%	8.8%	8.8%	11.4%
Class A2**	11.6%	22.7%	8.0%	8.0%	10.3%
SWIX TR	12.2%	11.2%	6.2%	7.1%	10.1%
SA Equity General Peer Group	11.9%	12.9%	6.8%	6.0%	8.5%

* Inception 1 October 2011

Source: Prescient Fund Services September 2023

** Highest Fee Class

Highest Rolling 1 Year Return * 55.3%

Lowest Rolling 1 Year Return * -30.7%

ClucasGray Equilibrium Prescient Fund | Net Annualised Performance Figures to 30 September 2023

	1 Year	3 Years	5 Years	Since Inception* (Annualised)
Fund*	14.2%	15.9%	8.7%	8.8%
Class C**	13.5%	15.3%	8.0%	8.1%
SA Multi Asset High Equity Peer Group	13.4%	10.3%	6.9%	6.1%

* Inception 16 January 2015

Source: Prescient Fund Services September 2023

** Highest Fee Class

Highest Rolling 1 Year Return * 34.2%

Lowest Rolling 1 Year Return * -17.6%

[Click Here to view the September 2023 ClucasGray Equilibrium Prescient Fund MDD](#)

[Click Here to view the September 2023 ClucasGray Equity Prescient Fund MDD](#)

[Click Here to visit our Website](#)

Our funds are available on the following platforms:

AIMS | Allan Gray | Glacier | Momentum
NinetyOne | Multilect | Old Mutual | Prescient | Prime | Stanlib

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investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request.

ClucasGray Asset Management (Pty) Ltd is an independent investment management company registered in South Africa, company registration number 2019/060149/07 and authorised financial services provider under the Financial Sector Conduct Authority (FSCA) registration number 50733. The main business of ClucasGray is the provision of investment management services to private and institutional clients.

Annualised performance: Annualised performance shows longer term performance rescaled to a 1-year period. Annualised performance is the average return per year over the period. Actual annual figures are available to the investor on request.

Highest and Lowest Returns: The highest and lowest returns for any 1 year over the period since inception have been shown.

NAV: The net asset value represents the assets of a Fund less its liabilities.

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