

LIVE WEBINAR

SA Equity Portfolios Reconsidered: Politics, Growth & Price

June 2025

REZCO

Event Logistics



You will receive a **link to the recording** of the webinar after the event on Monday morning.



CPD points will be allocated to those that registered with their ID No.



Submit questions anytime using the questions tab and we will answer through the session or on the question board.

Speakers



Rob Spanjaard

Chief Investment Officer



Simon Sylvester

CEO, Portfolio Manager

SA Equity Portfolios Reconsidered:

Politics, Growth & Price



Outline

As political tail risks recede, SA Inc equities present a more compelling risk/reward profile.

Key Discussion Topics

- **Derisked Politics:** The GNU has held through its first major test, Ramaphosa is back from the White House, and far-left parties appear to be fracturing.
- **Enhanced Risk/Reward:** A cyclical recovery, paired with optionality around structural reform, offers a tailwind environment.
- **Growth Opportunities at Reasonable Value:** We are finding high-quality companies with growing earnings, strong balance sheets and at attractive valuations.
- **Practical Implications:** Benchmark agnostic stock picking, bottom up valuations and allocations based on total risk should do well for clients over the 3 year horizon

Risks, Emotion & Volatility

Our job is to take *good* risks

THE WALL STREET JOURNAL.

businessU.S. Politics Economy Tech Markets & Finance Opinion Arts Lifestyle Real Estate Personal Finance Health

Tariff News, April 2, 2025: Trump Unveils Sweeping Levies in Stark Shift in Trade Policy

Trading partners face a 10% rate or higher; stock-index futures fell sharply in response

Last Updated: 3 April 2025 at 3:16 am New York Time



Country	Tariffs Charged to the U.S.A. including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
	97%	49%
	10%	10%
	60%	30%

Photo: Mark Schiefelbein/Associated Press

04 Apr

Share

SA has 'a lot to lose' if GNU collapses, business tells Ramaphosa and Steenhuisen

Compiled by Carol Paton

news24

CommentsGift articleBookmark

Listen to this article03:35



Global Markets are Rightly Cautious When it Comes to Coalitions

GNU survived a major test where many coalitions have failed

Politics

Dutch Government Falls After Far-Right Party Quits Coalition



German coalition collapses after Scholz fires key minister

7 November 2024

Ido Vock & Damien McGuinness
BBC News in London & Berlin

Share Save

World ▾ Business ▾ Markets ▾ Sustainability ▾ Legal ▾ Breakingviews ▾ Technology ▾ In

French government faces collapse as left and far-right submit no-confidence motions

By Elizabeth Pineau and Ingrid Melander

Post Match Review:

"We have learned some lessons" *Enoch Godongwana*

BBC

Home News Sport Business Innovation Culture Arts Travel Earth Audio Video Live

South Africa's finance minister fails to unveil budget after tax row

7 days ago

Share Save

Khanyisile Ngcobo
BBC News, Johannesburg



Enoch Godongwana has suffered a major blow after the coalition deadlocked over his budget

Question: Given everything that's happened, what are some of the key lessons from the parliamentary process?

Answer: **We are in a coalition government** – we have got to do things differently. And therefore, **a budget is an important political tool, so we need to maximise unity around it.** That means crafting an agreement as early as possible with a number of political parties.

Question: **The budget allocation can lead to governments collapsing where there is power sharing - we saw that in Germany.** [... How] are you going to handle the MTF in the future and are you looking to present new budget processes?

Answer: We have now agreed that **we need to find a new process of consultation**, [...] so that by the time we table the Medium-Term Budget Policy Statement, there's [a broadly] agreed approach on the budget over the medium term.

The GNU is Hotel California

Everyone was invited, but no-one can leave

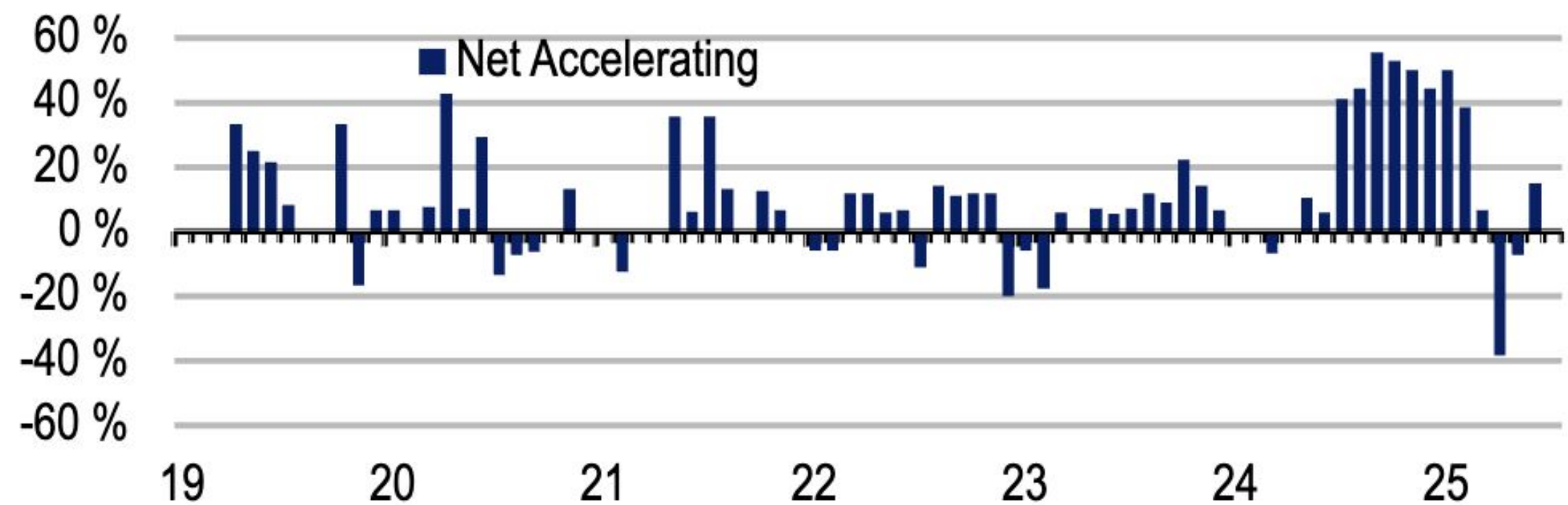


"The two individuals that are in that video that you've seen are both leaders of opposition minority parties in South Africa. [...] The reason that my party, the Democratic Alliance, which has been an opposition party for over 30 years, chose to join hands with [the ANC] precisely to keep those people out of power. We cannot have those people sitting at the union buildings making decisions. And that is why after 30 years of [the ANC and the DA] exchanging bombs across the floor at parliament, **we've decided to join hands** precisely to keep [the EFF and MK] out of government."

John Steenhuisen

Are Markets Moved by Headlines and Emotion or Sound Risk Management?

Exhibit 9: Do you see government reform?
Reform hopes swing positive



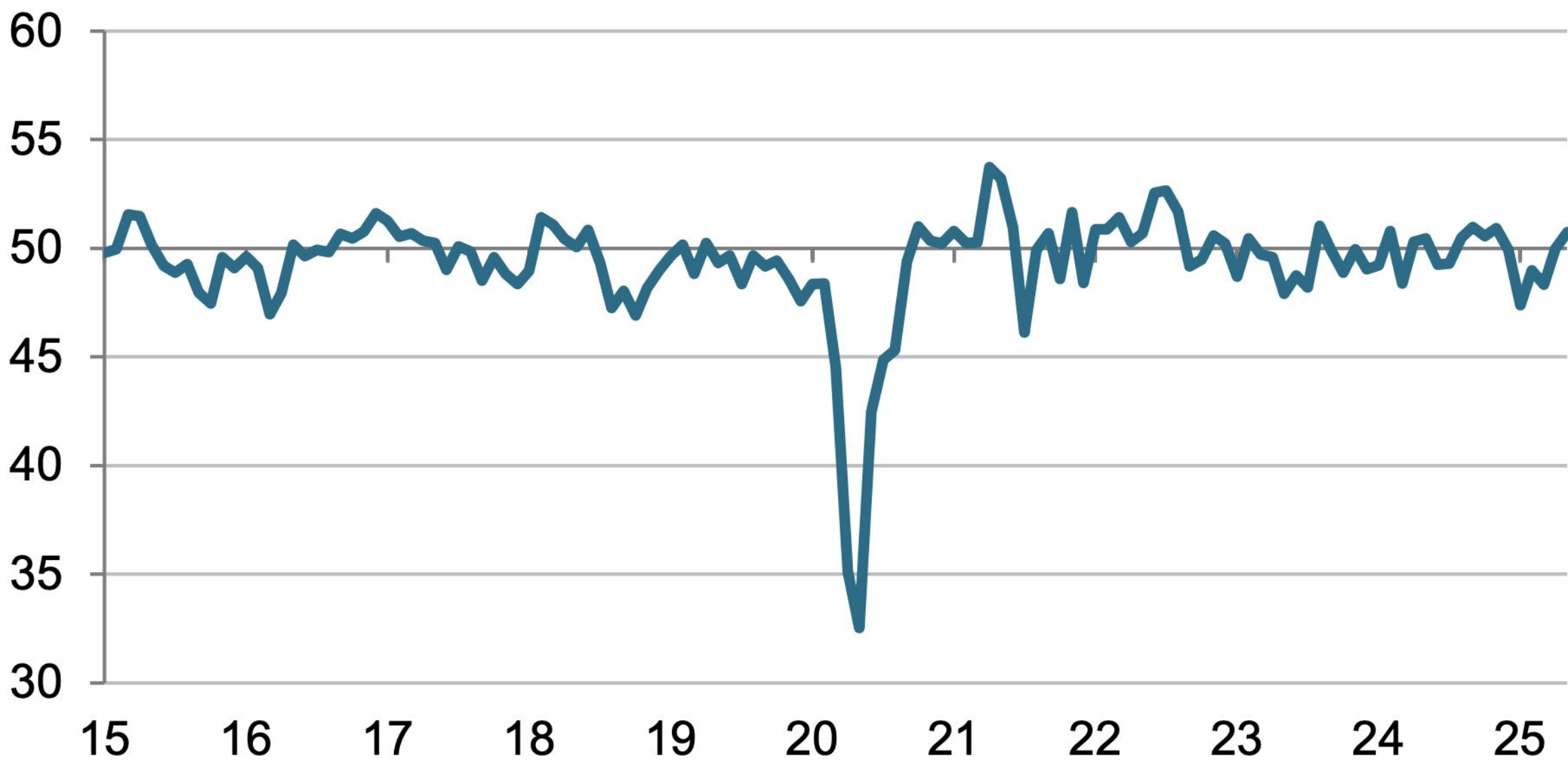
Source: BofA Global Research, South Africa Fund Manager Survey

BofA GLOBAL RESEARCH

Wobbled on emotion of GNU, still need to see further strengthening

S&P Global South Africa PMI

Index, sa, >50 = improvement m/m



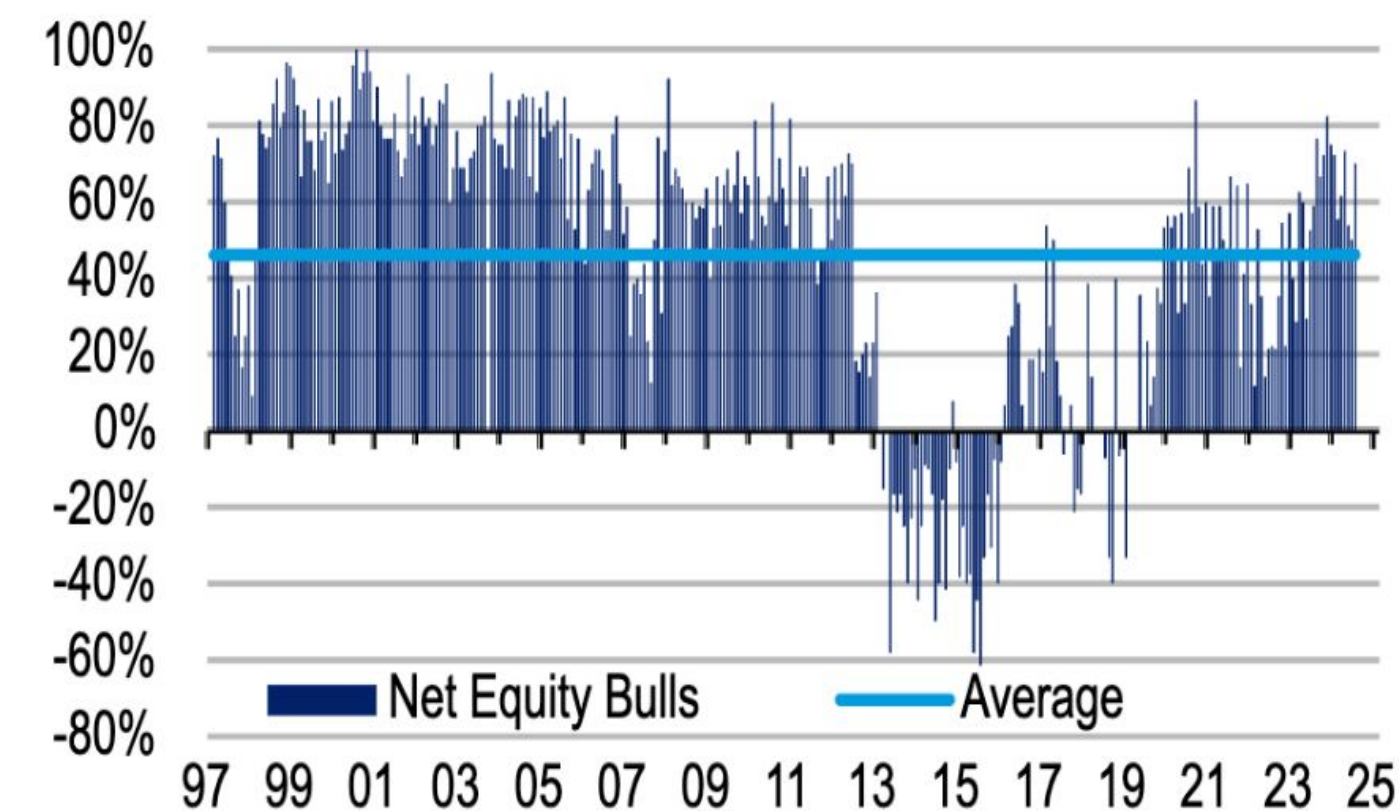
Data were collected 12-28 May 2025.

Source: S&P Global PMI. ©2025 S&P Global.

Big Jump in May in SA Equity Bulls

Exhibit 13: Are you bullish or bearish S. Africa equities +12Ms?

Bullish



Source: BofA Global Research, South Africa Fund Manager Survey

BofA GLOBAL RESEARCH

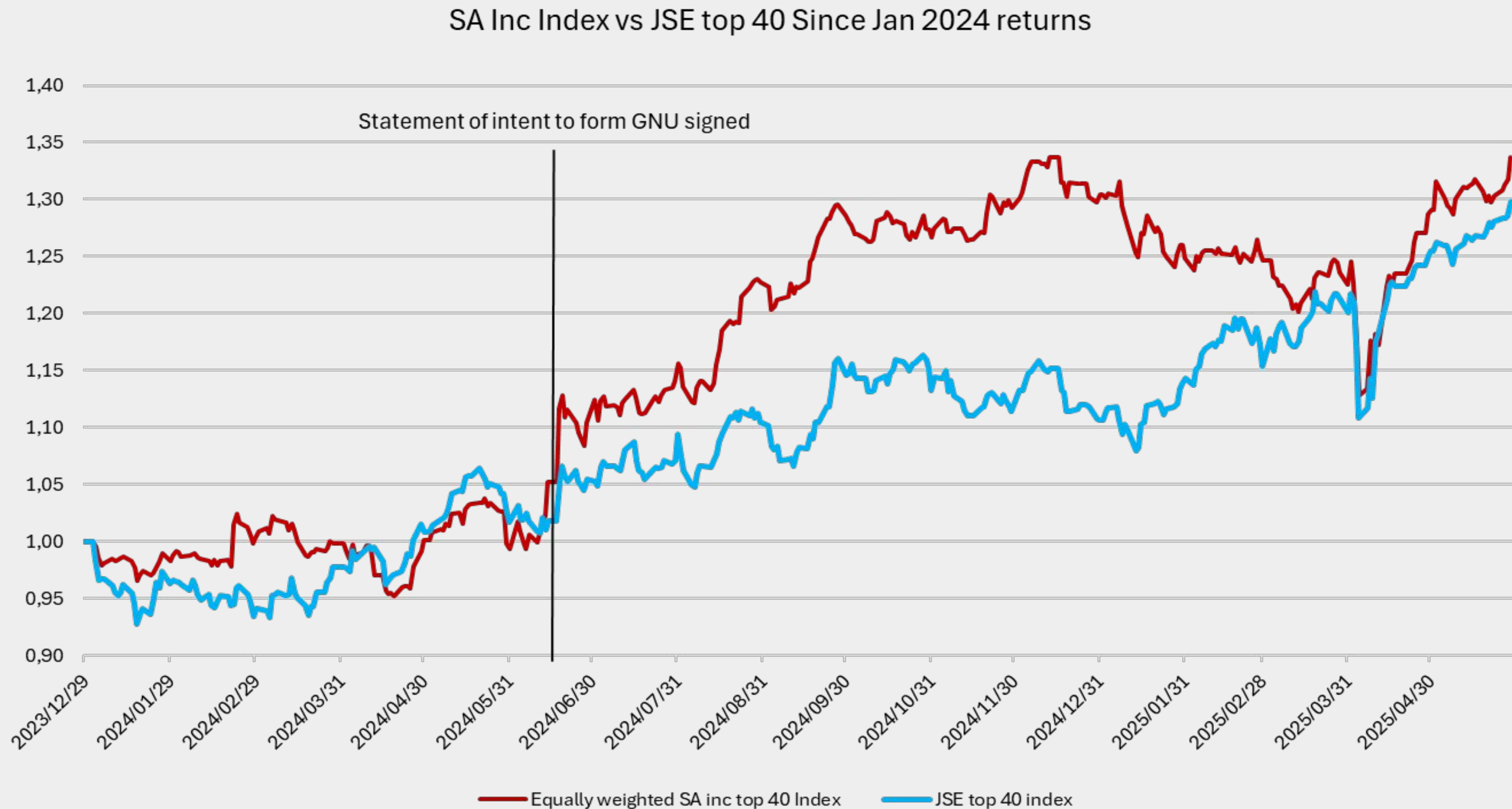
South African equities:

More equity bulls (+70% vs. +50%)

So How Did All This Sentiment Impact Price, Risk and Value?

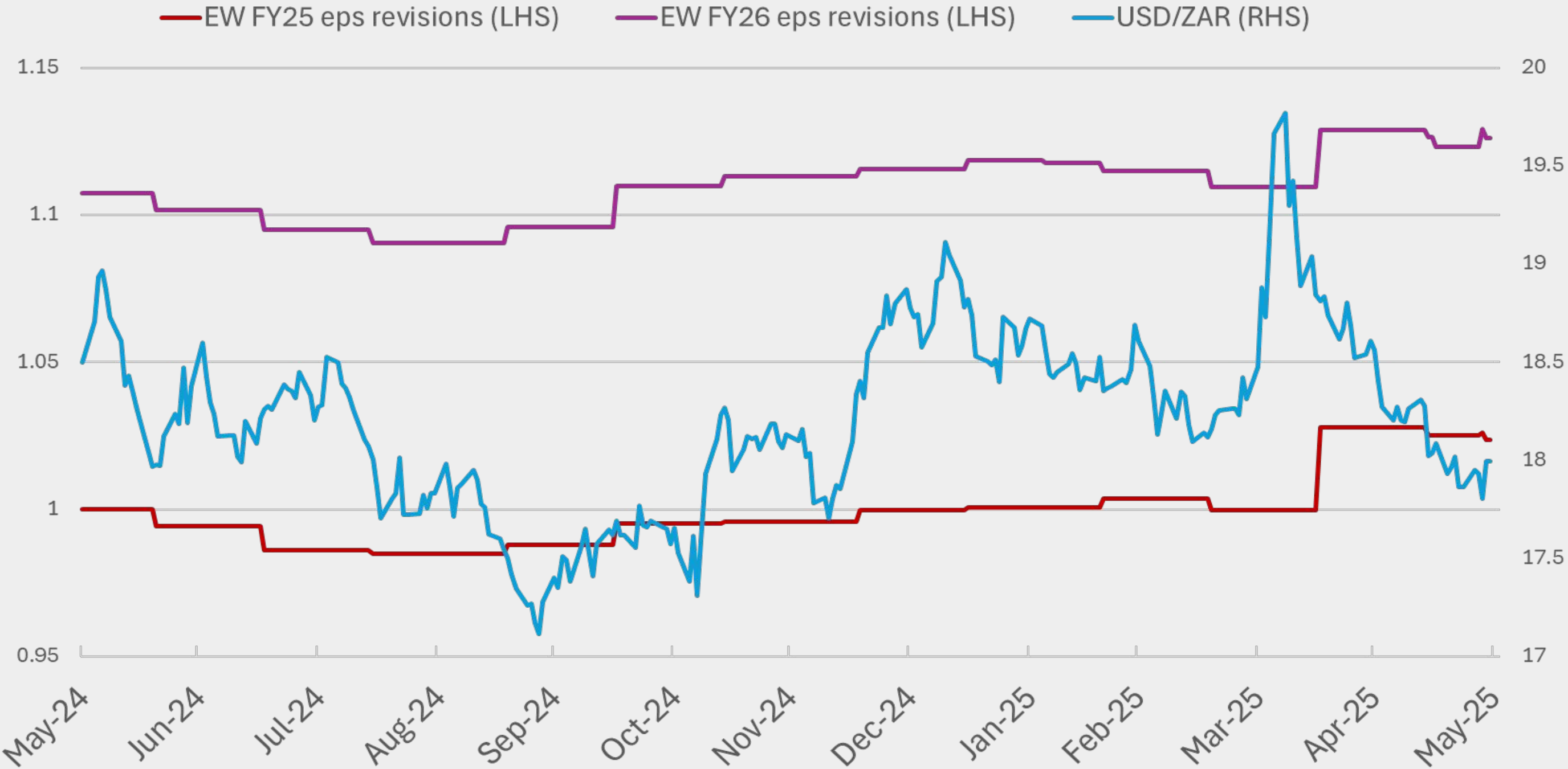


SA Inc Equity: Sentiment Driving Price Short Term



SA Inc Companies Earnings Expectations Have Improved

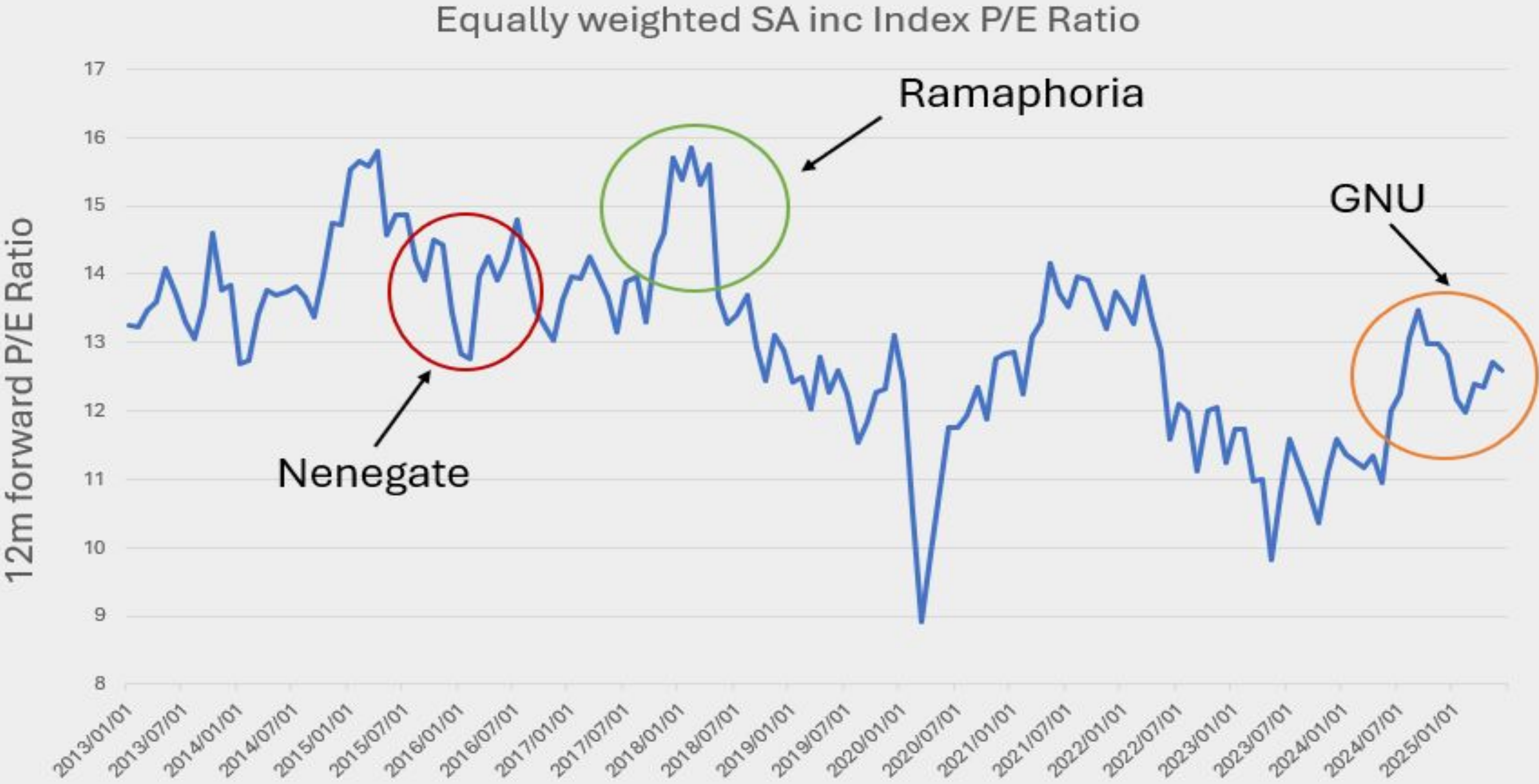
An equal weight SA inc basket of shares earnings revisions vs SA sentiment



Source: LSEG Workspace (eikon)

SA Inc basket: PPH, DSY, SHP, CPI, WHL, CLS, DCP, TBS, RFG, TKG, HDC, ABG, INL, ADH, TFG, MRP, FBR, SBK, OUT, TRU, MTN, OMU, MTM, NED, SLM, SPP, AVI, BVT, VOD₁₅

RSA Inc Shares: Cheaper with Less Risk



Source: Refinitiv Datastream. Construction: A custom basket of equities, equally weighted consensus forward P/Es of the largest 40 largest JSE stocks each month, excluding miners, oil & paper producers or where a majority of the stocks earnings are derived from outside South Africa.

Two Main Ways of Managing Risk

Tracking Error:
Risk of deviating from the index

Or

Risk Adjusted Returns:
The return in context of the risk you took to get it

Event Risk is Important for Emerging Market Portfolios

Rezco at Meet the Managers Industry Event **June 2024** - between elections and GNU

HOW WE SEE POLITICS & THE SA MARKET

South African post-election scenarios

Scenario:	Reform Coalition	Minority Gov	ANC/EFF/MK/PA	KZN unrest
Probability	20%	35%	45%	{20%}
SA Earnings	+10%	0%	-15% to -30%	?
PE Ratio	+20%	+8%	-20%	
ZAR/USD	+15%	0%	R/\$ 30++	
Description	ANC internal reform with strong coalitions built on structural reform. Branded Government of National Unity.	Big political change as move into coalition politics, but economically speaking little changes. Political instability.	ANC/EFF/MK unite to govern with a majority. Economic Policy deteriorates, investor sentiment tanks.	This can occur under any scenario that would otherwise be positive for SA or with MK not governing KZN.

FLEXIBILITY vs DIVERSIFICATION

In Emerging Markets: Sometimes you have to take a view

- In Developed Markets you can stick to Long Term Strategic Asset Allocation (close to fixed) - there is usually 'political mean reversion' over time
- In Emerging Markets political tail risk events are more frequent and can carry high risk of 'permanent' capital losses
- Diversification doesn't help sufficiently to manage binary political risks

Rezco Equity Fund CY 2024 - How to Value Risk Management When the Risk Event Doesn't Occur?

Pre GNU protect capital (spending power), rotate quickly post GNU

3 June 2024:
65% Zar hedge
35% Diversified SA
Inc (eg Discovery,
Investec etc)



Source: LSEG Datastream / Rezco

Year To Date: Sentiment Has Caused Volatility

But fundamental risks are reducing

CUMULATIVE RETURNS - Since Inception

Time Period: 2023/01/01 to 2025/05/31

Currency: Rand Source Data: Total Return



— Rezco Equity C

126.1

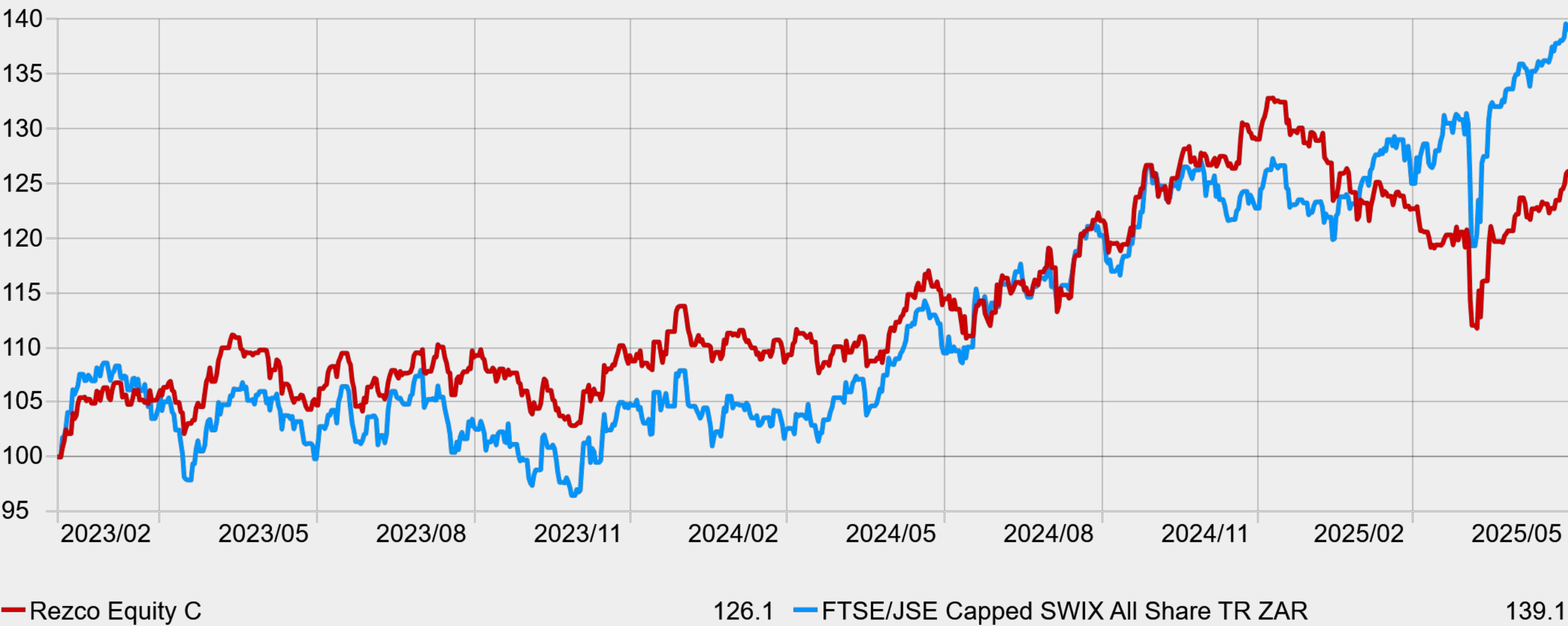
Source: Morningstar Direct

Tracking Error: Index Risk is Increasing

CUMULATIVE RETURNS - Since Inception

Time Period: 2023/01/01 to 2025/05/31

Currency: Rand Source Data: Total Return



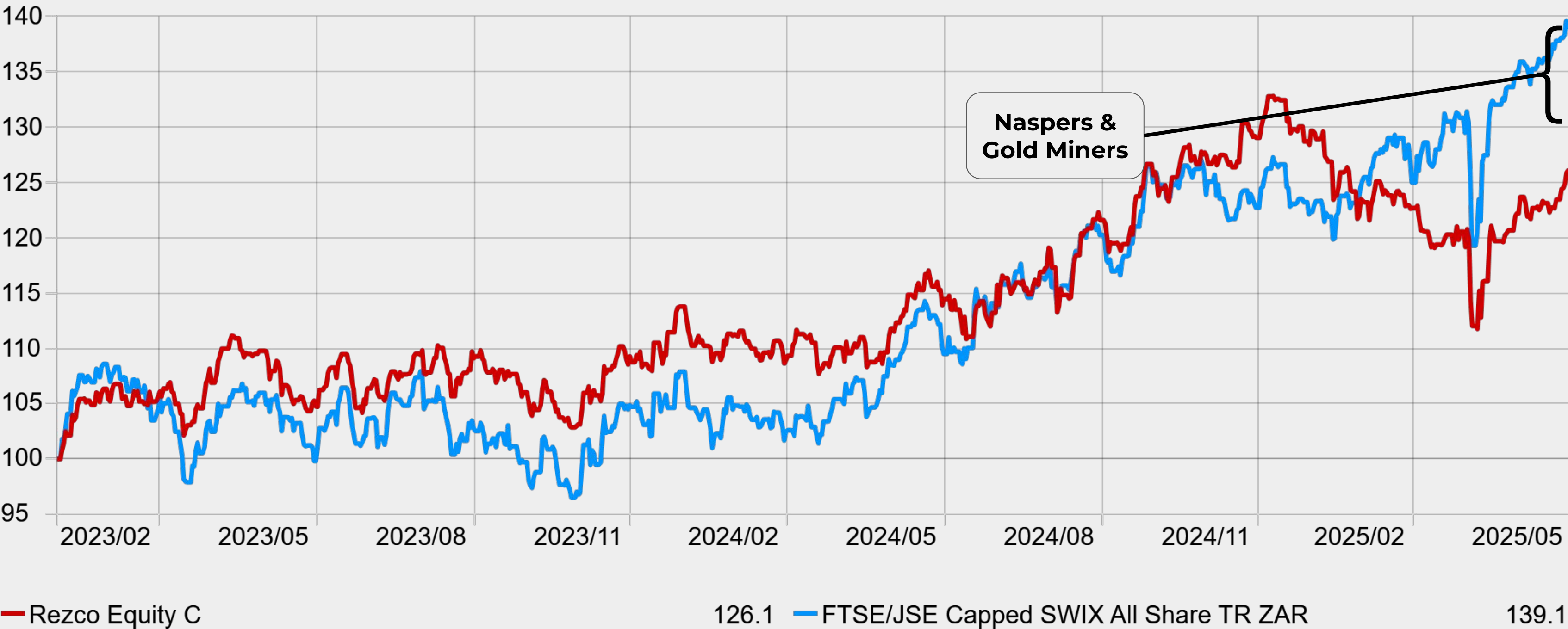
Source: Morningstar Direct

Index Concentration Causing Distortions Short Term

CUMULATIVE RETURNS - Since Inception

Time Period: 2023/01/01 to 2025/05/31

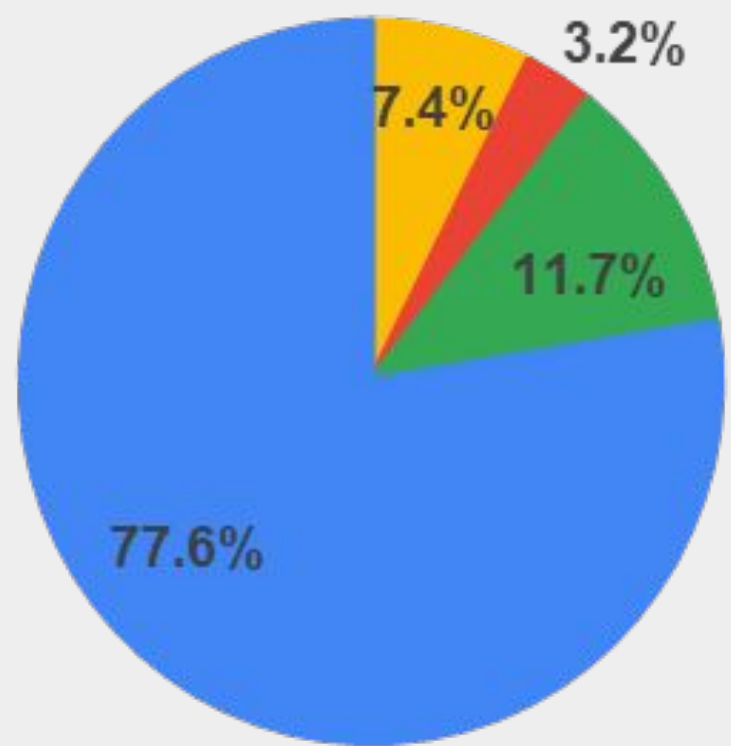
Currency: Rand Source Data: Total Return



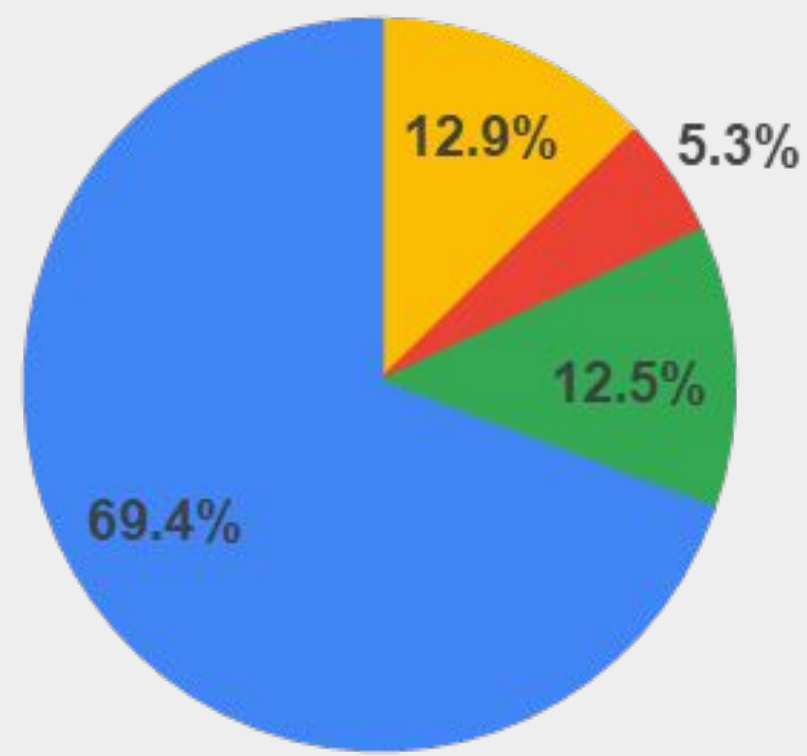
Source: Morningstar Direct

Should Active Managers Benchmark Risk to the Index?

FTSE/JSE Capped SWIX All Share Index
as of 01/01/2025



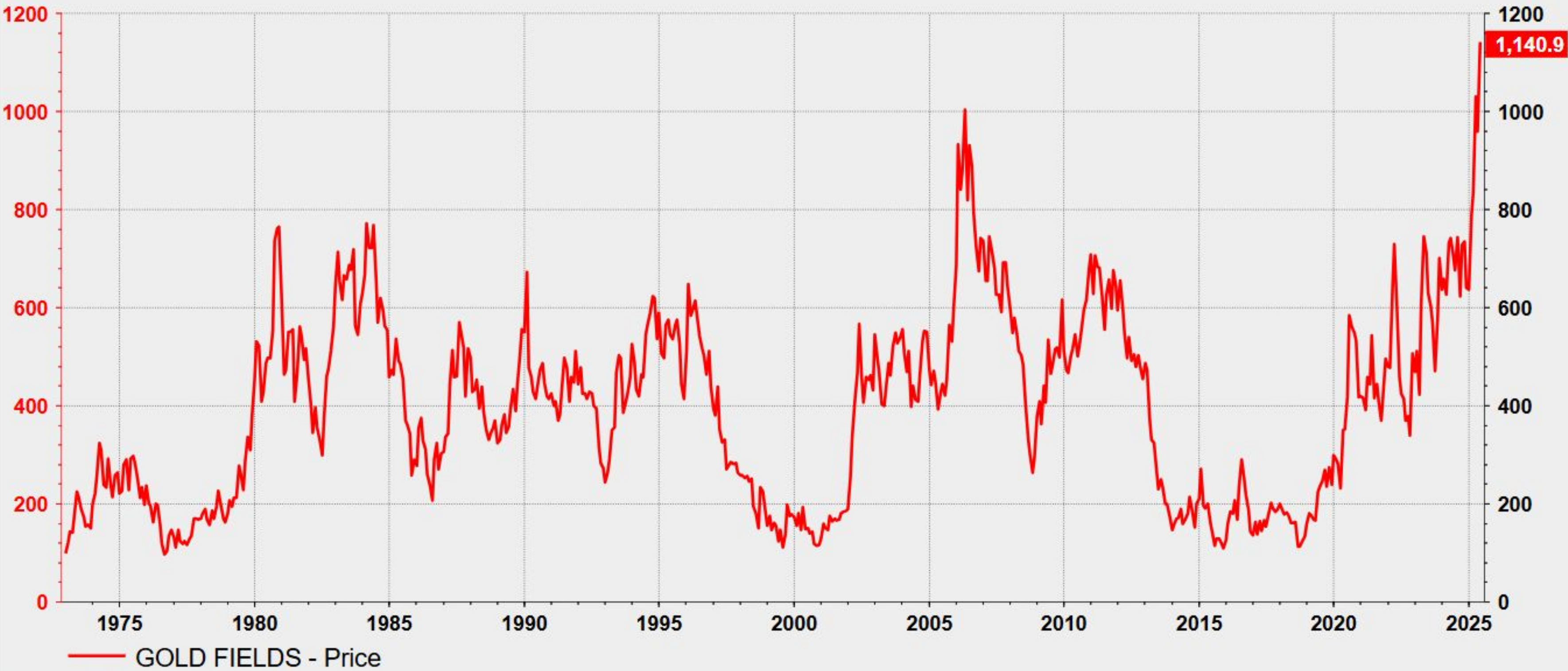
FTSE/JSE Cappex SWIX All Share Index
as of 17/06/2025



Gold Miners PGM Miners Naspers + Prosus Other Constituents

Long Term Gold Fields Share Price: Risky

Gold Fields Long-Term Performance (USD)



Source: LSEG Datastream / Rezco

REZCO

Naspers: Corporate Governance, China Economic Structure Risks



China PE's: Banks vs Tech

Will Tech PE's mean revert, or derate to reflect China utilities serving the public interest?

Chinese Banks vs Tech: 12 month Forward PE

updated: 04/06/2025



Source: LSEG Datastream / Rezco

Two Main Ways of Managing Risk

Tracking Error:
Risk of deviating from the index

Or

Risk Adjusted Returns:
The return in context of the risk you took to get it

A portfolio of good companies, with tailwinds,
on reasonable valuations relative to their growth.

Macro risk facing these companies is manageable and decreasing.

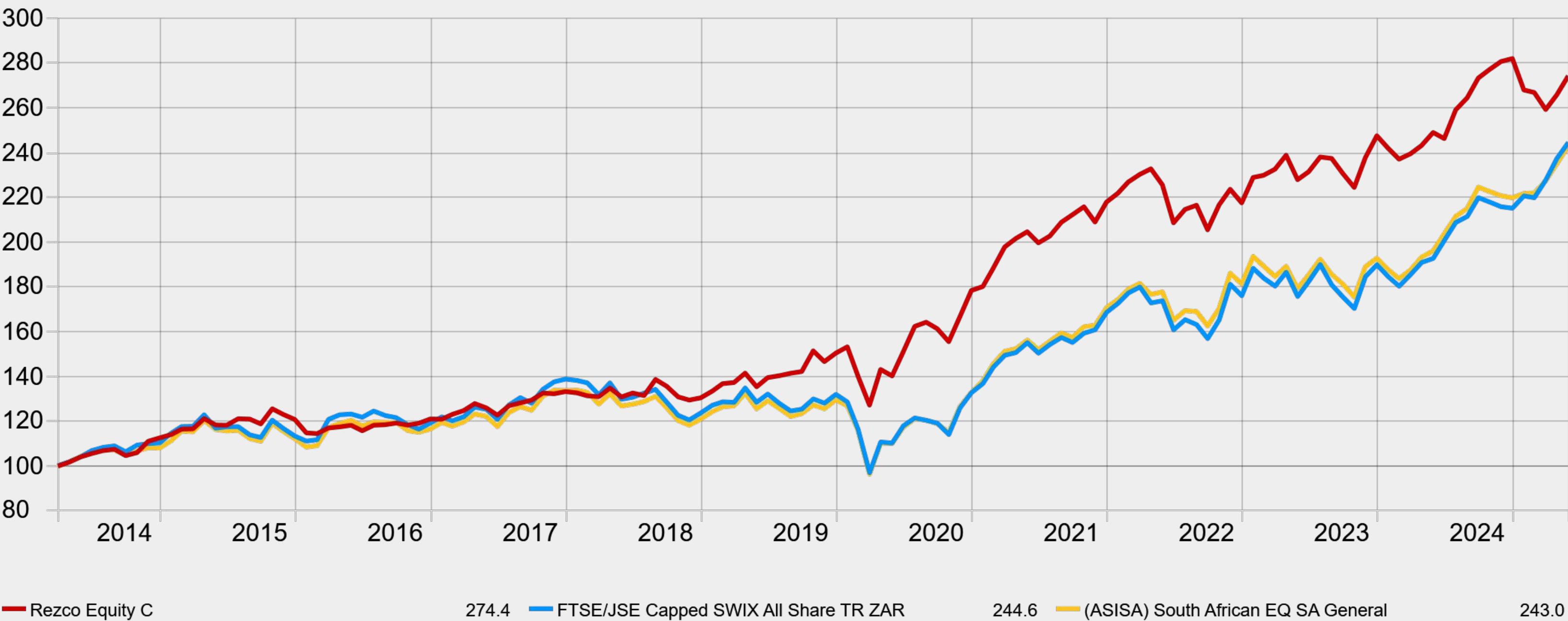
Company risks are understandable and diversified in the portfolio.

The Rezco Equity Fund Since Inception

CUMULATIVE RETURNS - Since Inception

Time Period: Since Common Inception (2014/04/01) to 2025/05/31

Currency: Rand Source Data: Total Return



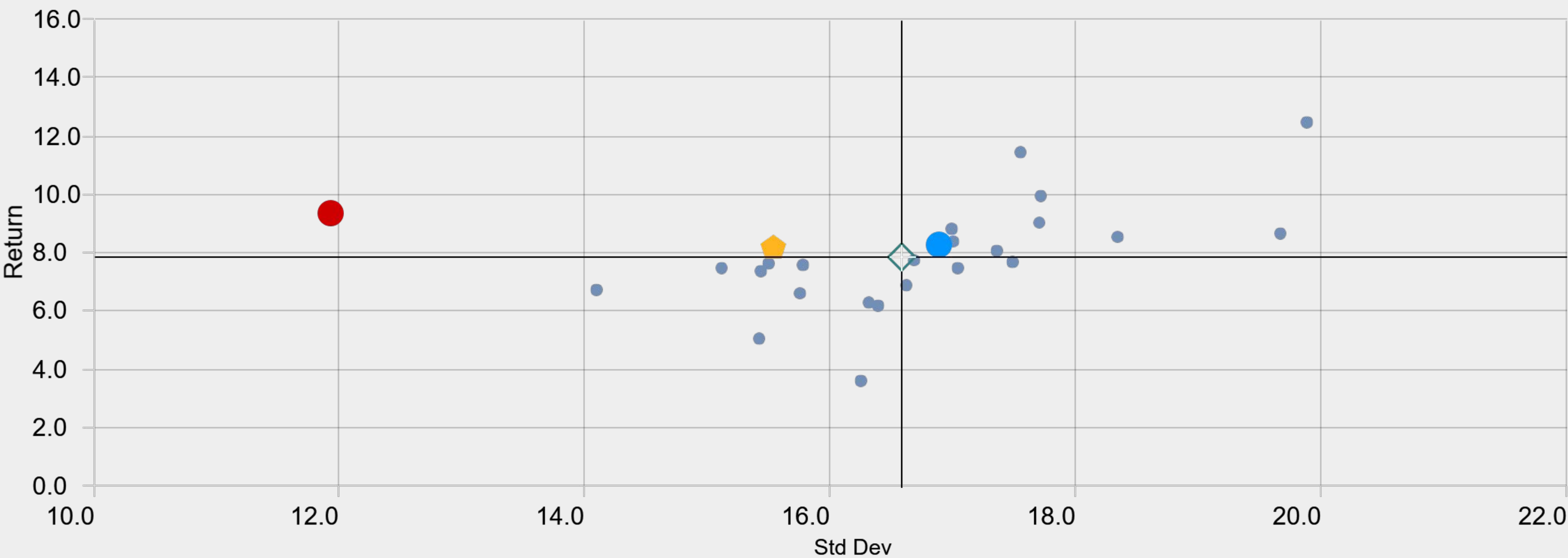
Source: Morningstar Direct

The Rezco Equity Fund. Risk-managed.

RISK-RETURN PROFILE

Time Period: Since Common Inception (2014/04/06) to 2025/05/24

Peer Group (1-100%): Fund Comp - (ASISA) South African EQ SA General Currency: Rand Source Data: Total, Weekly Return Calculation Benchmark: FTSE/JSE Capped SWIX All Share TR ZAR



● Rezco Equity C ● FTSE/JSE Capped SWIX All Share TR ZAR ◆ (ASISA) South African EQ SA General
◆ Peer Group Average

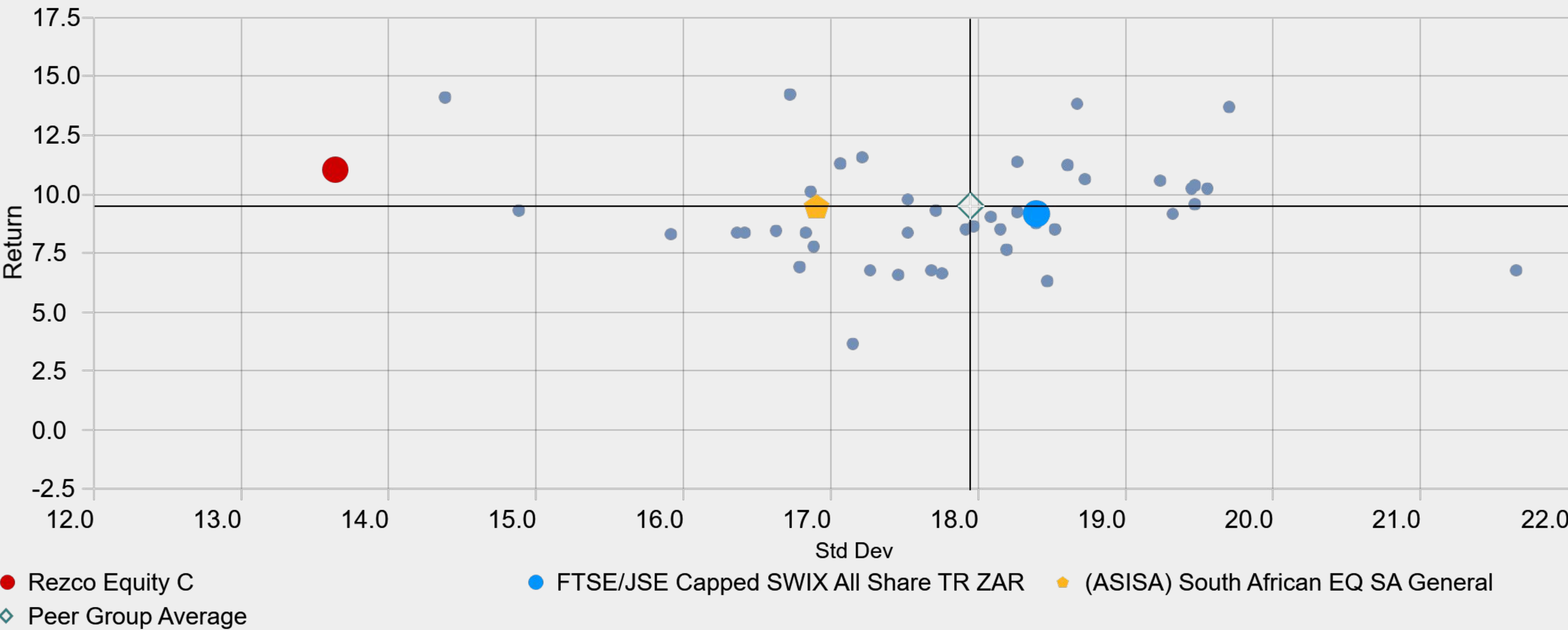
Source: Morningstar Direct

The Rezco Equity Fund. Risk-managed.

RISK-RETURN PROFILE

Time Period: 2018/06/03 to 2025/05/24

Peer Group (1-100%): Fund Comp - (ASISA) South African EQ SA General Currency: Rand Source Data: Total, Weekly Return Calculation Benchmark: FTSE/JSE Capped SWIX All Share TR ZAR



Source: Morningstar Direct

SA Cyclical Recovery

Good Risks

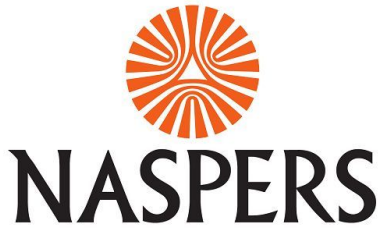


How Best to Build a Portfolio?

Diversify earnings streams. Both groups have similar capped SWIX
ALSI index weights



BRITISH AMERICAN TOBACCO



NASPERS



GOLD FIELDS



ANGLOGOLDASHANTI



RICHEMONT



TRUWORTHS INTERNATIONAL



PEPKOR Holdings Limited



HYPROP



CLICKS



ALEXANDER FORBES



TIGER BRANDS



REUNERT REUNERT LIMITED



momentum



Investec



ALTRON



vodacom



NETCARE



AVI



Motus



AECI



BOXER



mr price



OLDMUTUAL



Life HEALTH CARE



exxaro



aspen



Hudaco



Bidvest



ARM African Rainbow Minerals



Ninety One



Rhodes Quality



Nampak



ITALTILE Limited



Discovery



SHOPRITE & Checkers



Cashbuild



OUT SURANCE



Spar



Kap BEING THE CHANGE



FOSCHINI



AFRIMAT



absa



PnP



OMNIA



AD-TECH GROUP



GROWTH-POINT PROPERTIES



adcock ingram



Sanlam



NEDBANK



RAUBEX



PPC



Southern Sun



CURRO



we buy cars



SPAR



famous brands you're in good company



Dis-Chem



WBHO

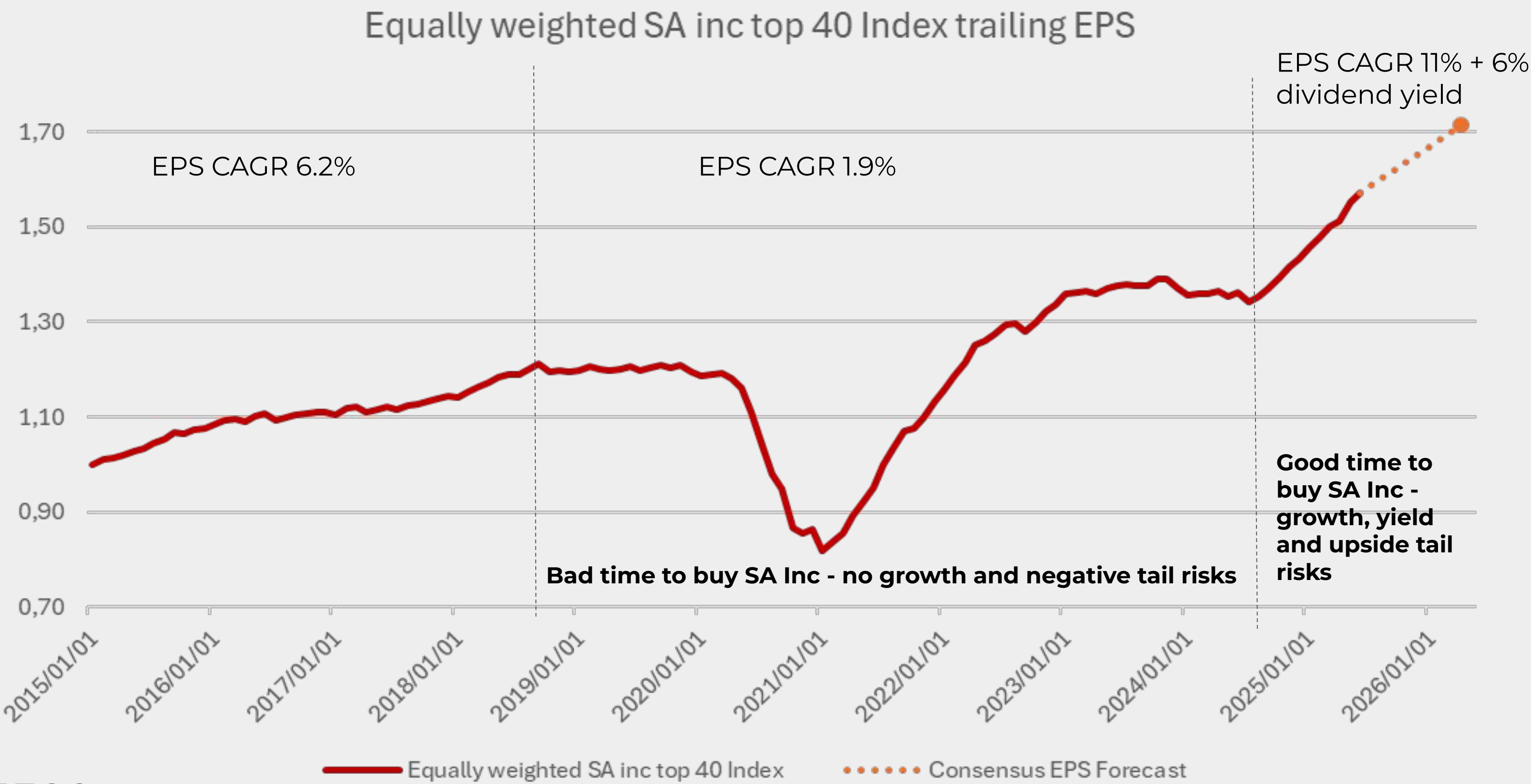


OCEANA GROUP



WOOLWORTHS

Historic Earning Growth & Bottom Up Consensus



SA Inc Equity Consensus Numbers

Buy when cheap, sell when expensive, sounds easy, but hard in reality!

Sell Side Consensus Forward Earnings and Dividend Yields

	Total 3 Year Dividends	Year 3 / Year 0 Earnings Growth	Sum
Well Covered Shares			
Discovery	5%	76%	81%
FirstRand	21%	35%	56%
Mr Price	16%	49%	65%
Foschini	14%	36%	49%
Absa	33%	21%	54%
Shoprite	10%	44%	53%
Woolworths	16%	29%	45%
Poorly Covered Shares (incl 1 Analyst)			
Omnia	20%	35%	55%
Hudaco	21%	46%	67%
Reunert	23%	31%	54%
Famous Brands	26%	60%	86%
Advtech	14%	55%	69%
Shares Not Held			
Capitec	8%	59%	67%
Nedbank	30%	30%	60%
Standard Bank	24%	33%	57%
Sanlam	18%	18%	36%
Spar	12%	58%	70%
Pepkor	7%	45%	52%
Truworths	25%	14%	39%

Discovery

Markets, Earnings and Companies do not move in a straight line:
Patience Required - Rezco has been a long term holder of Discovery

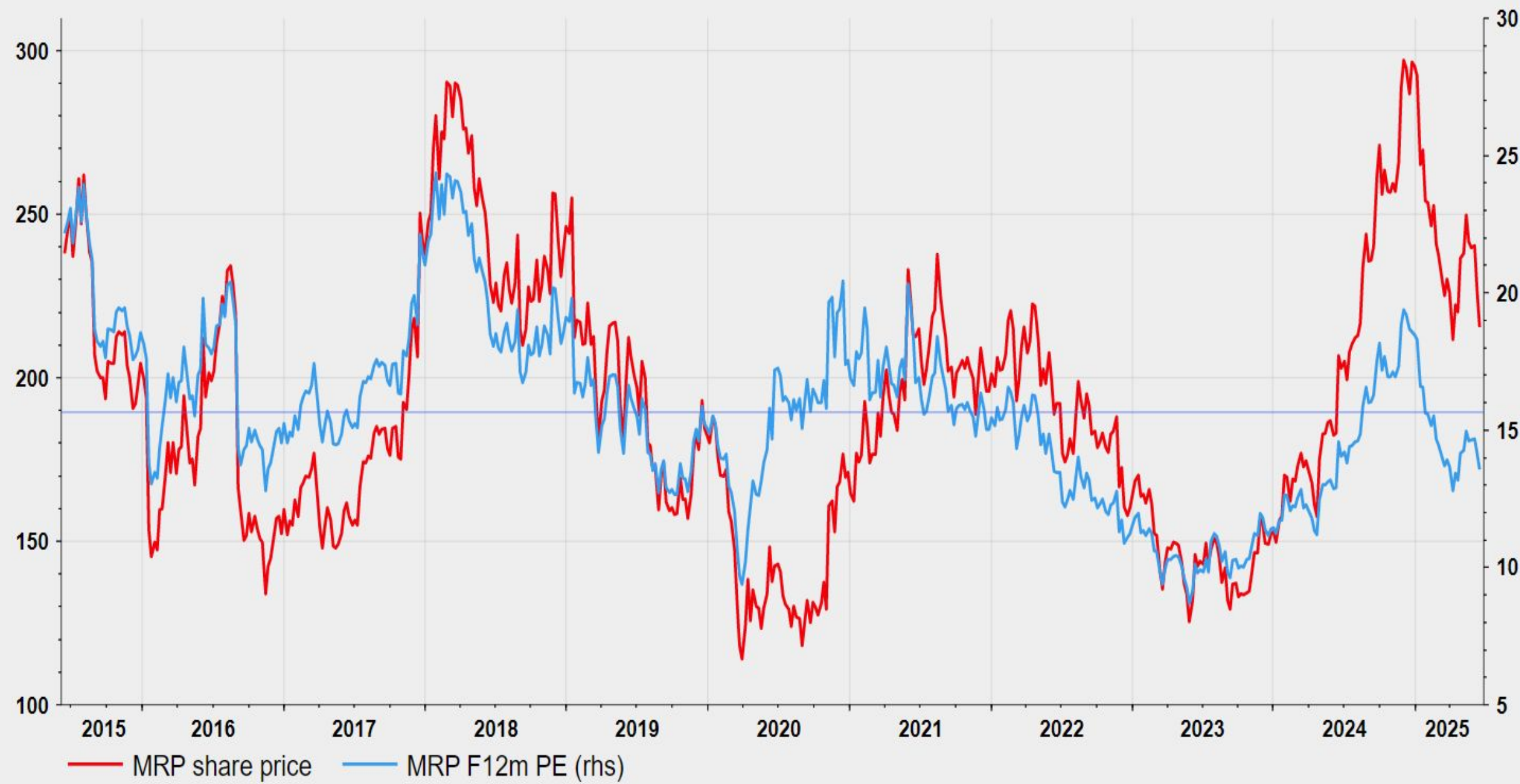


— Discovery share price
Source: LSEG Datastream / Rezco

Allocation	Rezco Equity Fund 9.5% ; Capped SWIX 1.7%
Valuation	Forward PE 13.5
Latest Reported Growth	1H25 Normalised operating profit increased by 28%
Forward Growth	3 yr earnings growth ~20% p.a.
Yield	1.5%
Outlook	After a period of investment, quality growth expected to accelerate as new businesses build scale

Mr Price

Better macro outlook, good growth, lower risk but cheaper than history

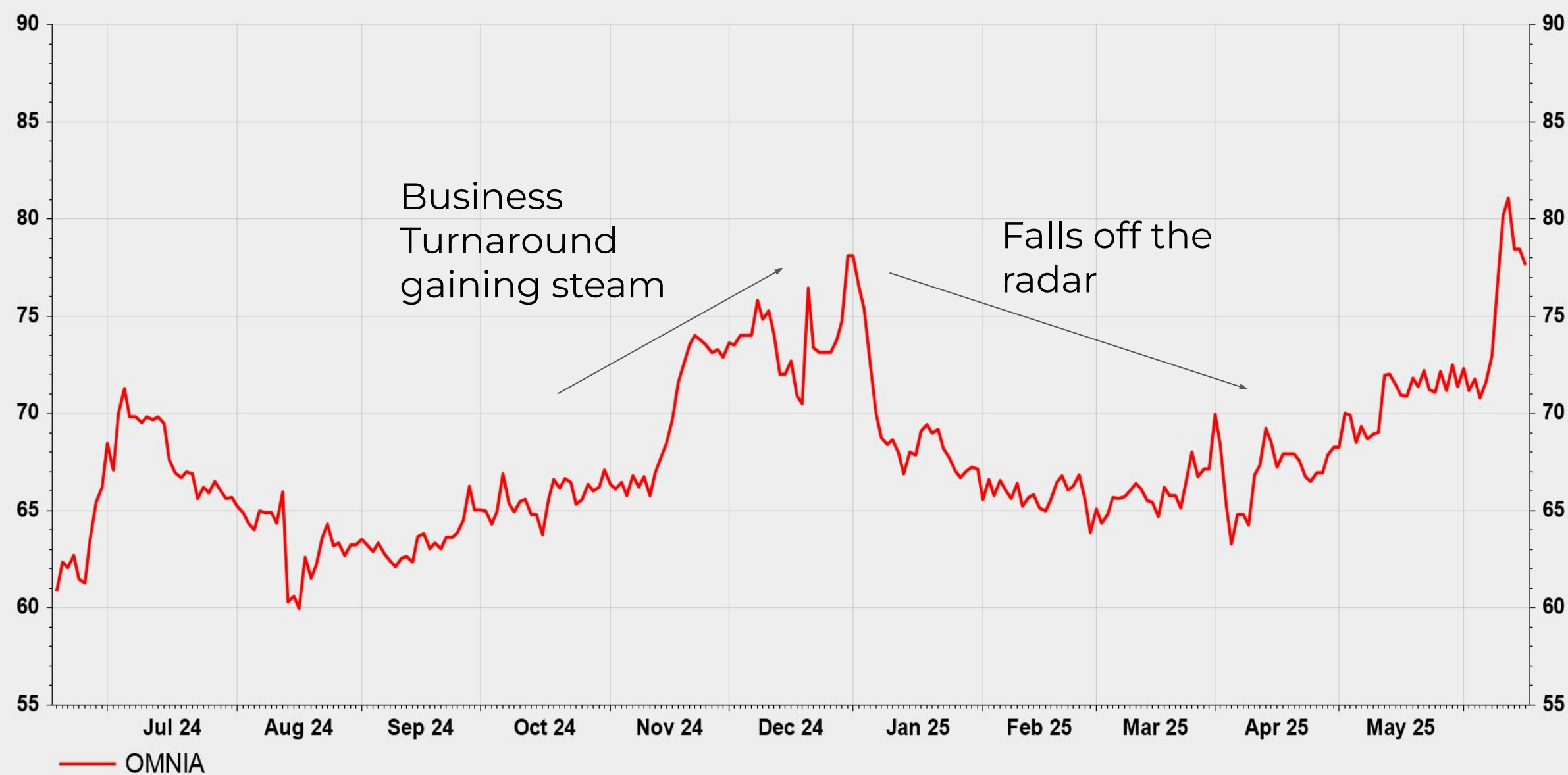


Source: LSEG Datastream / Rezco

Allocation	Rezco Equity Fund 5% ; Capped SWIX 0.8%
Valuation	Forward PE 13
Latest Reported Growth	Diluted HEPS growth of 10.1% for FY25 with 12.1% in H2
Forward Growth	3 yr earnings growth ~14% p.a.
Yield	4%
Outlook	Continuing to win market share, strong balance sheet, results in line and double digit revenue growth after period end of 11.6%. Achieved HEPS growth of 10.7% during a tough economic environment, they operate very efficiently and are geared to benefit even further with a strong macro backdrop.

Omnia

A good quality opportunity off the radar of many managers
At R12.5bn market cap, with dominant market positions in explosives and fertilisers, it is still too small for many managers



Source: LSEG Datastream / Rezco

Allocation	Rezco Equity Fund 6.8% ; Capped SWIX 0.2%
Valuation	Forward PE 8.5
Growth	3 yr earnings growth ~17% p.a.
Yield	6% (plus special dividends)
Outlook	High growth mining business, strong fertilisers with growing specialities, surplus cash and further restructuring. Earnings quality improved but not reflected in valuation. Trading cum 8.6% dividend.

ABSA

Unloved for so long, all the negatives priced in, but the macro will support earnings
SA country risk is reducing, which should support a rerating



Allocation	Rezco Equity Fund 4.5% ; Capped SWIX 2.1%
Valuation	Forward PE 6
Latest Reported Growth	9% Growth (messy and off a low base)
Forward Growth	3 yr earnings growth ~8% p.a.
Yield	10%
Outlook	Low quality retail bank overshadows a good CIB business that should benefit from improving macro. Benefits from lower country risk.

Phases of the Economic Recovery

Short Term: Cyclical Recovery off Low Base

Period: Years 1-3 | SA Inc Earnings: 10%-15% pa
GDP Growth ~2%

- No Load Shedding
- Stronger Currency, Trade Surplus
- Lower Interest Rates
- Two Pot
- Lower Inflation & Fuel Costs
- Private Sector Participation
- Improved Confidence
- Low Base of Economic Activity (eg Rail and Ports)
- Better Tourism & Visas
- More Sensible Foreign Policy

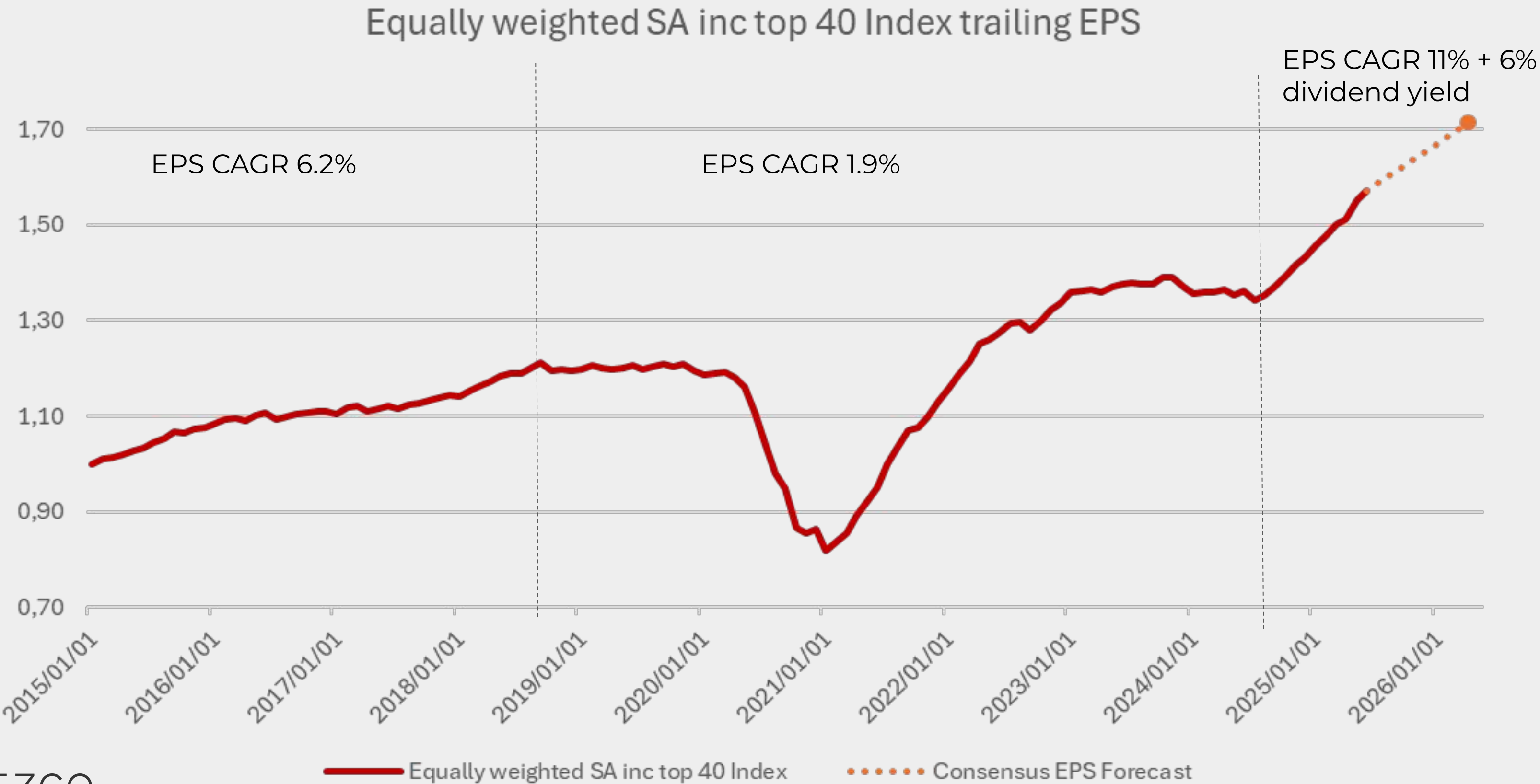
Pragmatism + Low Hanging Fruit = many problems fixable

Long Term: Increased Confidence & Investment

Period: Years 2-5 | SA Inc Earnings: 20% pa
GDP Growth ~3-4%

- Structural reform emerges
- Confidence leads to real investment
- Country risk decreases and asset values re-rate (eg Grey List exit)
- Fiscal prudence allows easing of monetary policy

New phase: Rethink portfolio allocation to SA Inc

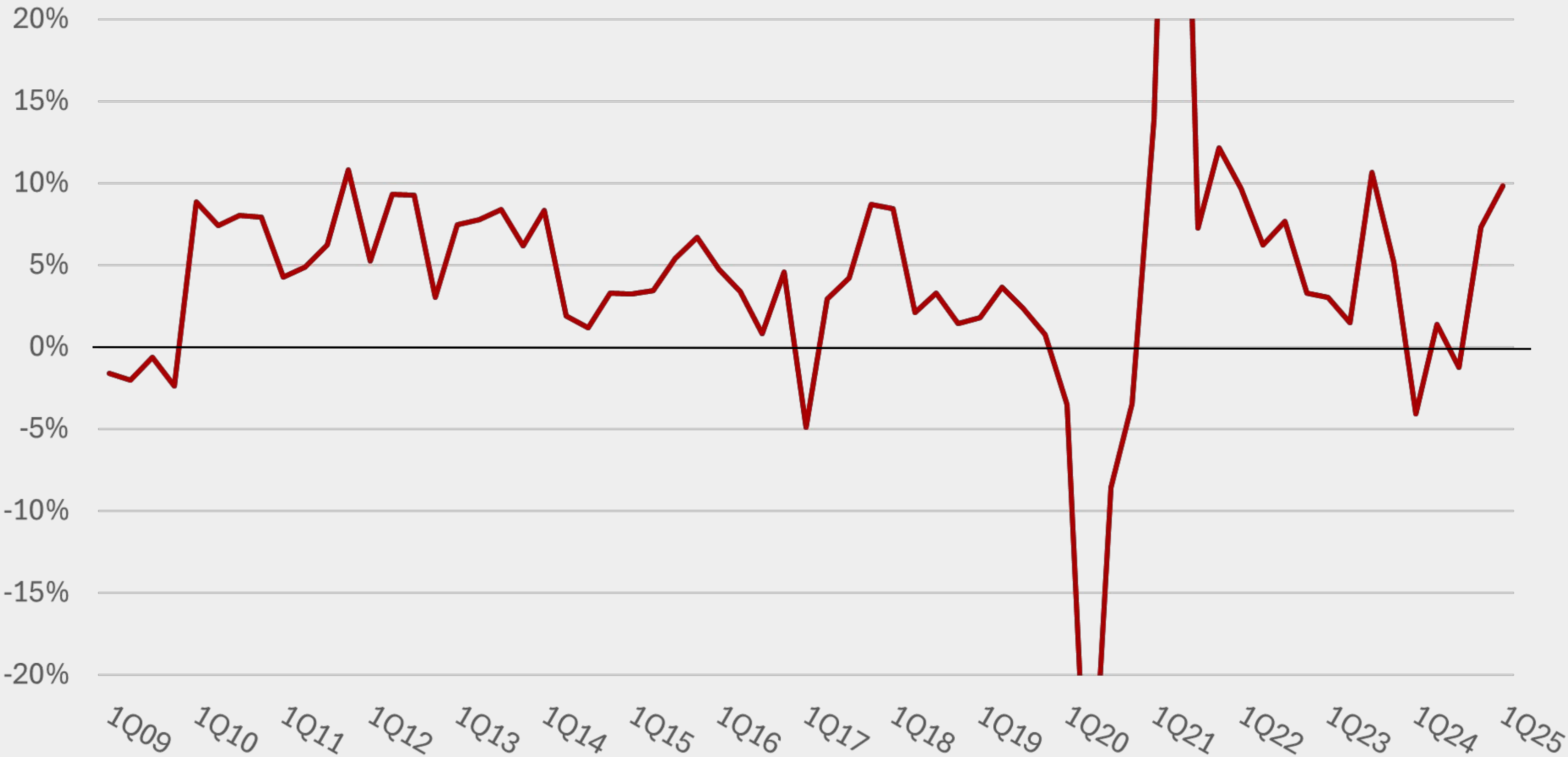


The Green Shoots



SA Clothing & Fashion: Cyclical Recovery

Growth in fashion sales over time



SA Passenger Vehicle Sales y/y Growth

SOUTH AFRICA NEW PASSENGER Vehicle SALES

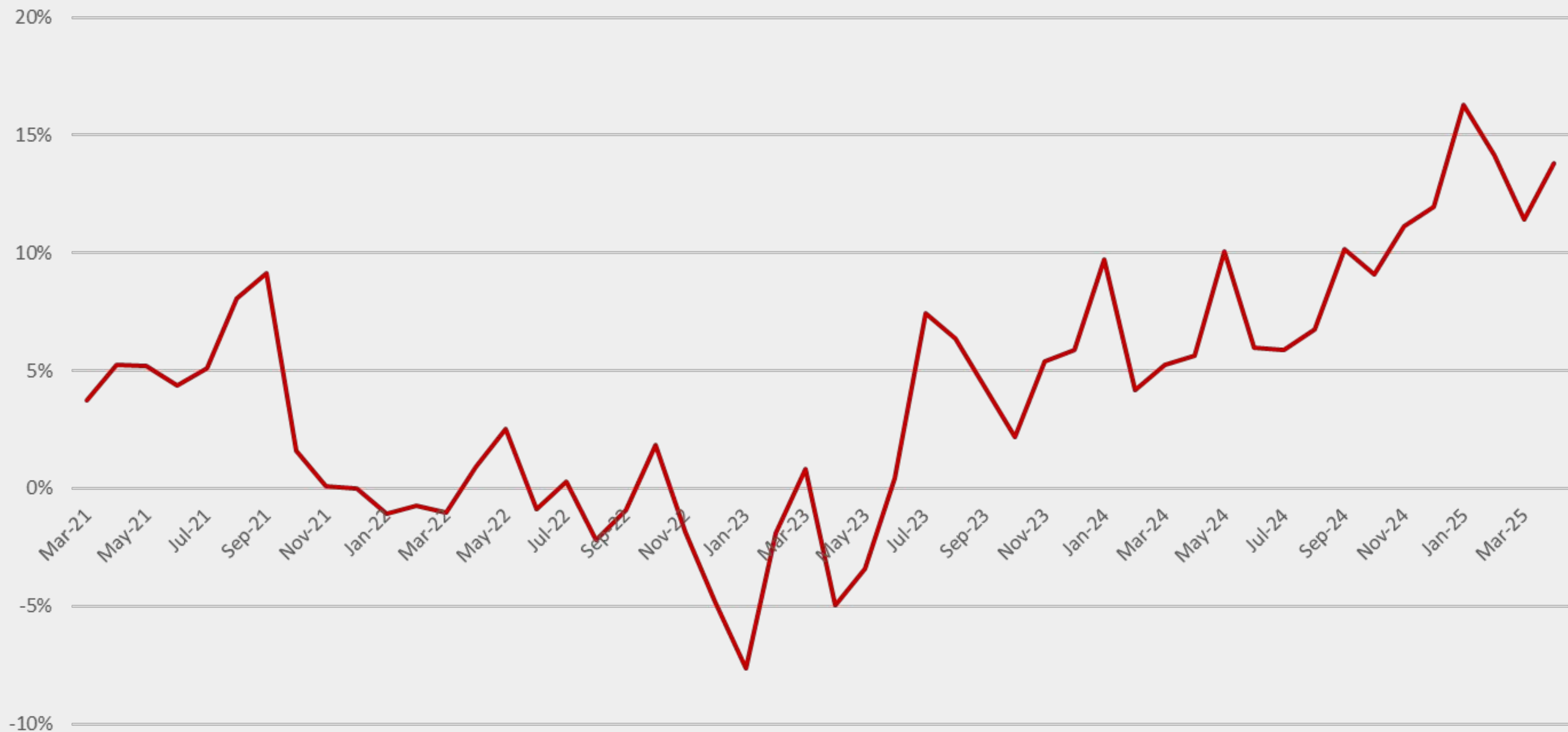
Updated: May 25



Source: LSEG Datastream / Rezco

Take Home Pay is Improving

Bankserv Average Nominal Take Home Pay y/y



Upside Optionality From Structural Reform

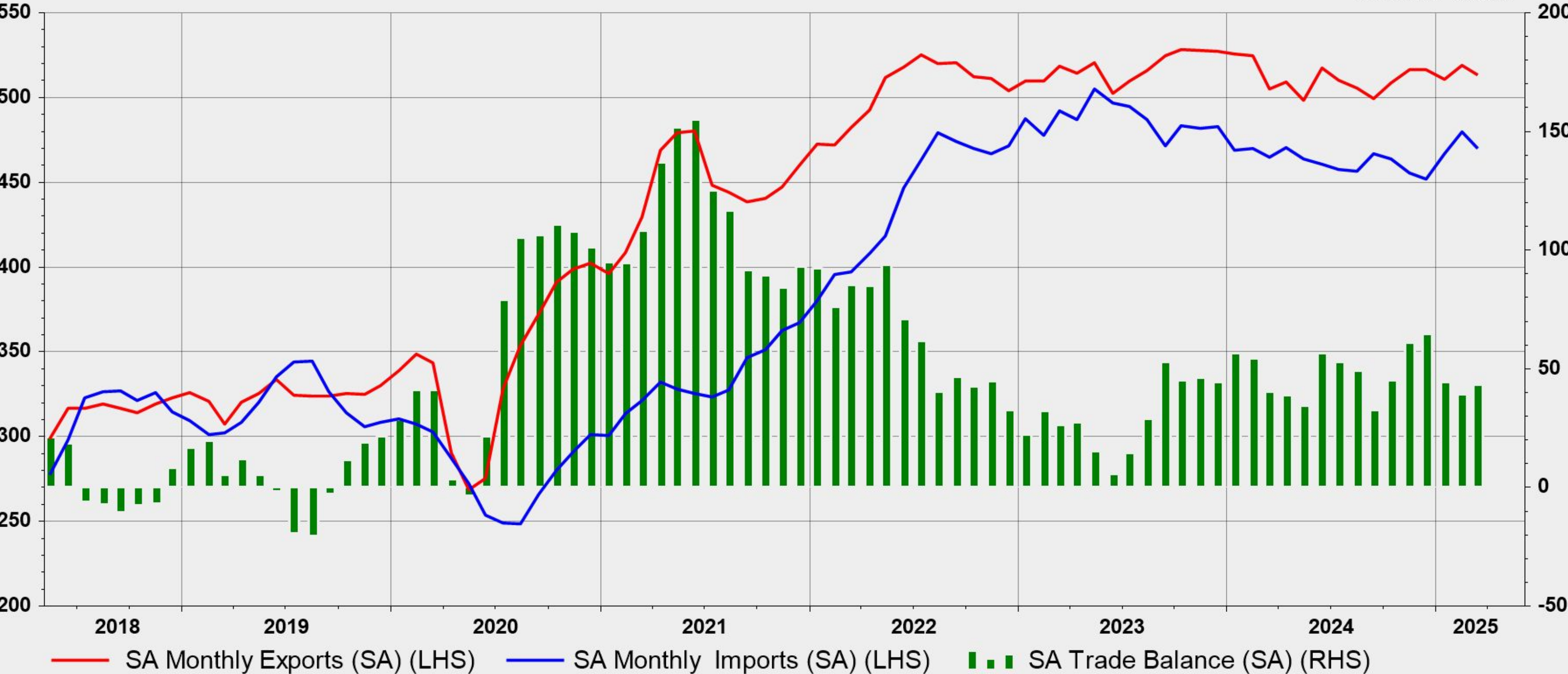


Trade Surplus

SA trade balance trends reduce country risk

SA Trade Balance Trends

updated: May 25
last data: Mar 25



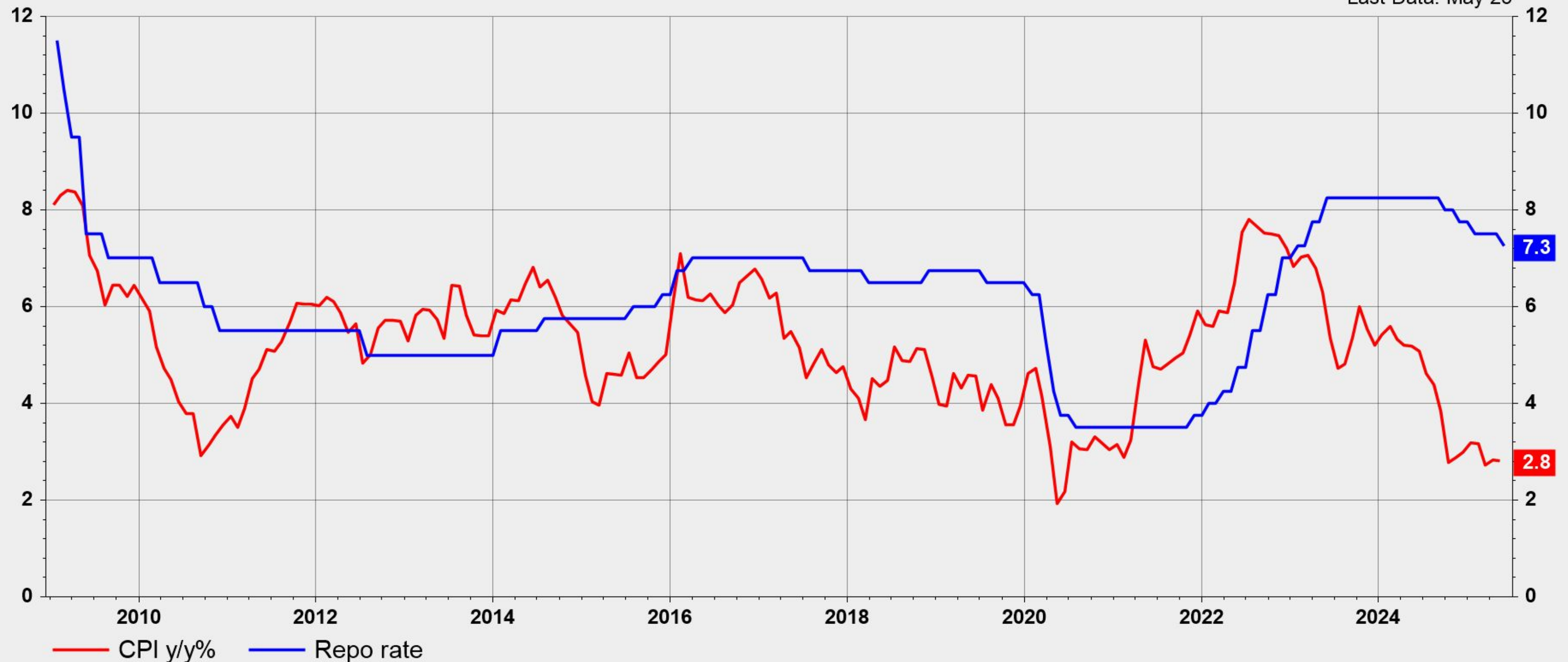
Source: LSEG Datastream / Rezco

Inflation Allows for Lower Interest Rates

Responsible politics means SARB can be less hawkish

SOUTH AFRICA CPI & repo rate

Updated: Jun 25
Last Data: May 25



Source: LSEG Datastream / Rezco

Small Steps to Improve Country Risk



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

1 of 4

Enquiries: Communications Unit • Email: media@treasury.gov.za • Tel: (012) 315 5046 • 40 Church Square, PRETORIA, 0002 • www.treasury.gov.za

MEDIA STATEMENT

SOUTH AFRICA MAKES SIGNIFICANT PROGRESS ON FATF GREYLISTING

The Financial Action Task Force (FATF) today announced that South Africa has substantially completed all 22 action items that were contained in the Action Plan adopted when South Africa was greylisted in February 2023 (**refer to Annexure below**).

The decision, taken at the FATF Plenary in Strasbourg, France, notes that South Africa's progress warrants an on-site assessment to verify that critical [Anti-Money Laundering and the Combating of the Financing of Terrorism] AML/CFT reforms have been implemented, and that the necessary political commitment remains in place to sustain progress.

Reform Will Take a Long Time

Early positive signals

MENU



Help us build a 21st Century transport system – Creecy to private sector

Online portal launched to help ignite participation in rail and port projects.

By Ciaran Ryan · 24 Mar 2025 ⌚ 14:51



A logistics expert says the online process will assist in accelerating the 'much-needed' unbundling of Transnet. Image: Waldo Swiegers/Bloomberg

Transport Minister Barbara Creecy has sent out a call to the private sector: send us your proposals to help build a 21st Century transport system.

Being Negative EM, and South Africa, has been the right strategy

EM Cycles are long, but expectations are turning

Chart 2: Long Emerging Markets

Emerging Market vs. US equities (relative price performance, USD)



Source: BofA Global Investment Strategy, GFD, Bloomberg

BofA GLOBAL RESEARCH

What we are Finding on the JSE:

- Growth shares priced like value shares
- Quality businesses off the radar
- 'Free' upside optionality
- Tailwinds instead of headwinds



Disclaimer

Preserving Capital* & Creating Wealth.

*While the portfolio manager will attempt to minimise risk, it is possible that the investor could incur losses, including the loss of principal invested.

This presentation does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation and is only intended for the use of the original recipient/addressee. If further distributed by the recipient, the recipient will be responsible for ensuring that such distribution does not breach any local investment legislation or regulation.

The information in this material may pertain to the C-Class of the funds available for investment to authorised financial institutions who invest in the funds on behalf of their clients at the fee rate applicable to C-Class. This material is intended only for financial institutions in order to provide them with appropriate information concerning the Fund as it is relevant for their clients. Information concerning the most expensive class of the Fund and its fee may, therefore, not be used in this material but is available from the Manager on request.

Opinions expressed are current opinions as of the date appearing in this material only. The information is confidential and intended solely for the use of Rezco Asset Management's clients, prospective clients, and other specific addressees. It is not to be reproduced or distributed to any other person except to the client's professional advisers.

All data, models and tests are sourced from Rezco Asset Management unless otherwise stated. While the information obtained is from sources we believe to be reliable, Rezco Asset Management does not guarantee the accuracy or completeness thereof. Same as may be provided under law, Rezco Asset Management does not accept any liability for inaccurate or incomplete information contained or for the correctness of any opinions expressed.

Prospective investors should inform themselves and take appropriate advice as to any applicable legal requirements and any applicable taxation and exchange control regulations in the countries of their citizenship, residence or domicile, which might be relevant to the subscription, purchase, holding, exchange, redemption or disposal of any investments.

While the portfolio manager will attempt to minimise risk, the value of investments in discretionary accounts and the income derived from those investments may fluctuate, and it is possible that the investor could incur losses, including the loss of principal invested. Past performance is not necessarily indicative of future performance. An investor whose reference currency differs from that in which the fund or segregated account is denominated may be subject to exchange rate movements, which may cause fluctuations in the value of their investments. In addition, investments involving exposure to a currency other than that in which the segregated account or Fund is denominated may also cause values to fluctuate.

Thank You

