LIVE WEBINAR

US Election Outcome & an Improving SA Economy

Positioning portfolios in a complex & risky world

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

November 8 Agenda

01. Impact of the USA Elections
02. Recap from August webinar?
03. How is it playing out!
04. Are there green shoots?
05. Real companies - Real opportunities
06. How are local and foreign investors positioned
07. Offshore vs local: the next three years
08. How Rezco is positioning portfolios for growth
09. Q&A

Impact of the USA Elections

The Impact of the USA Elections

Short term - everything risk asset rally

The dichotomy:

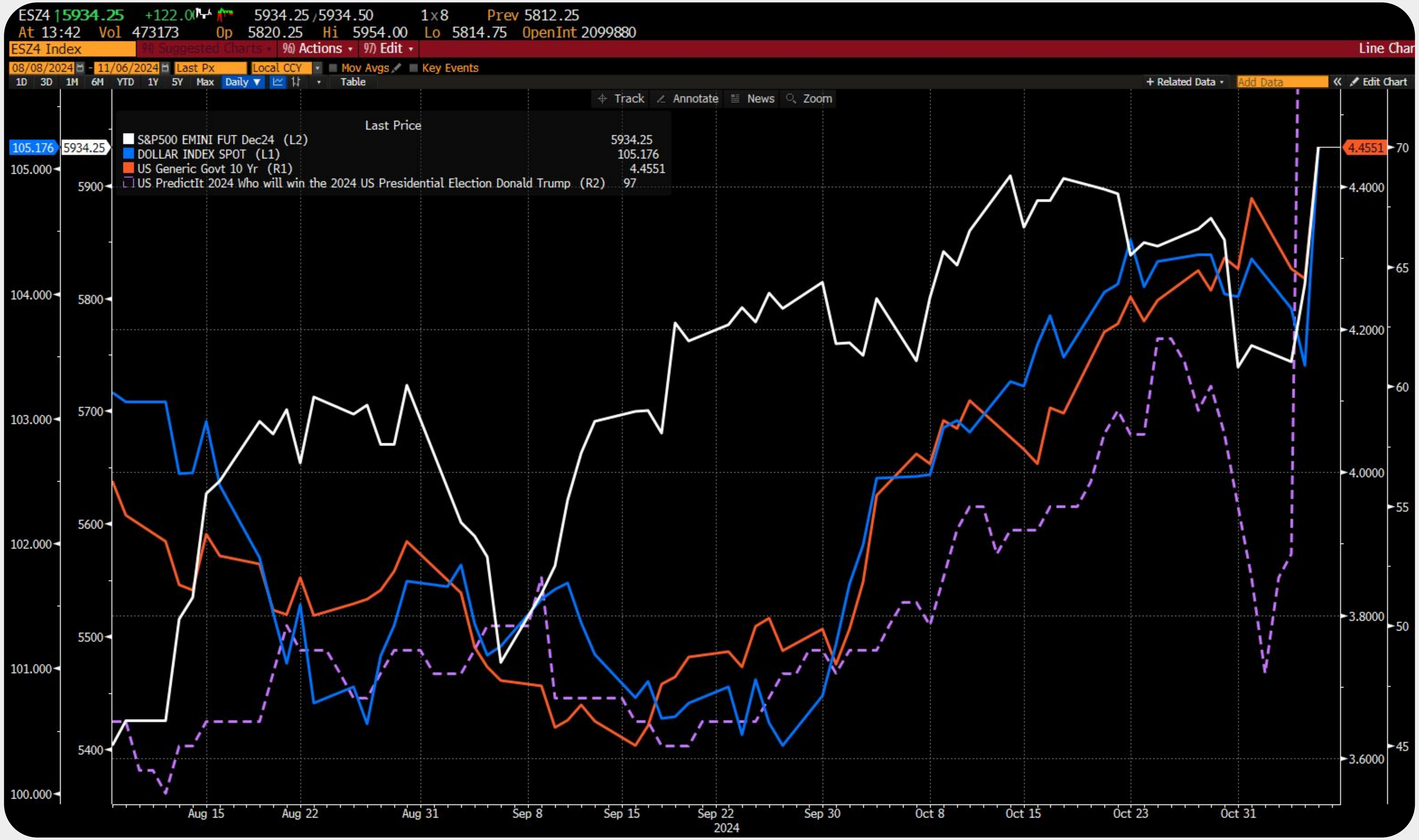
- Lower taxes and fiscal stimulus is good for profits

- Unsustainable fiscal stimulus - about to get bigger
- Inflation is not dead yet
- Therefore interest rates don't drop as much
- Tariffs are inflationary
- Does this drive the Fed more hawkish?

Bond interest rates could go a lot higher
Eventually interest rates impacts equity markets

A Lot Is In The Price Already

Betting odds, 10 yr yield, S&P, & dollar



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Impact On ZAR & EM Currencies & Euro

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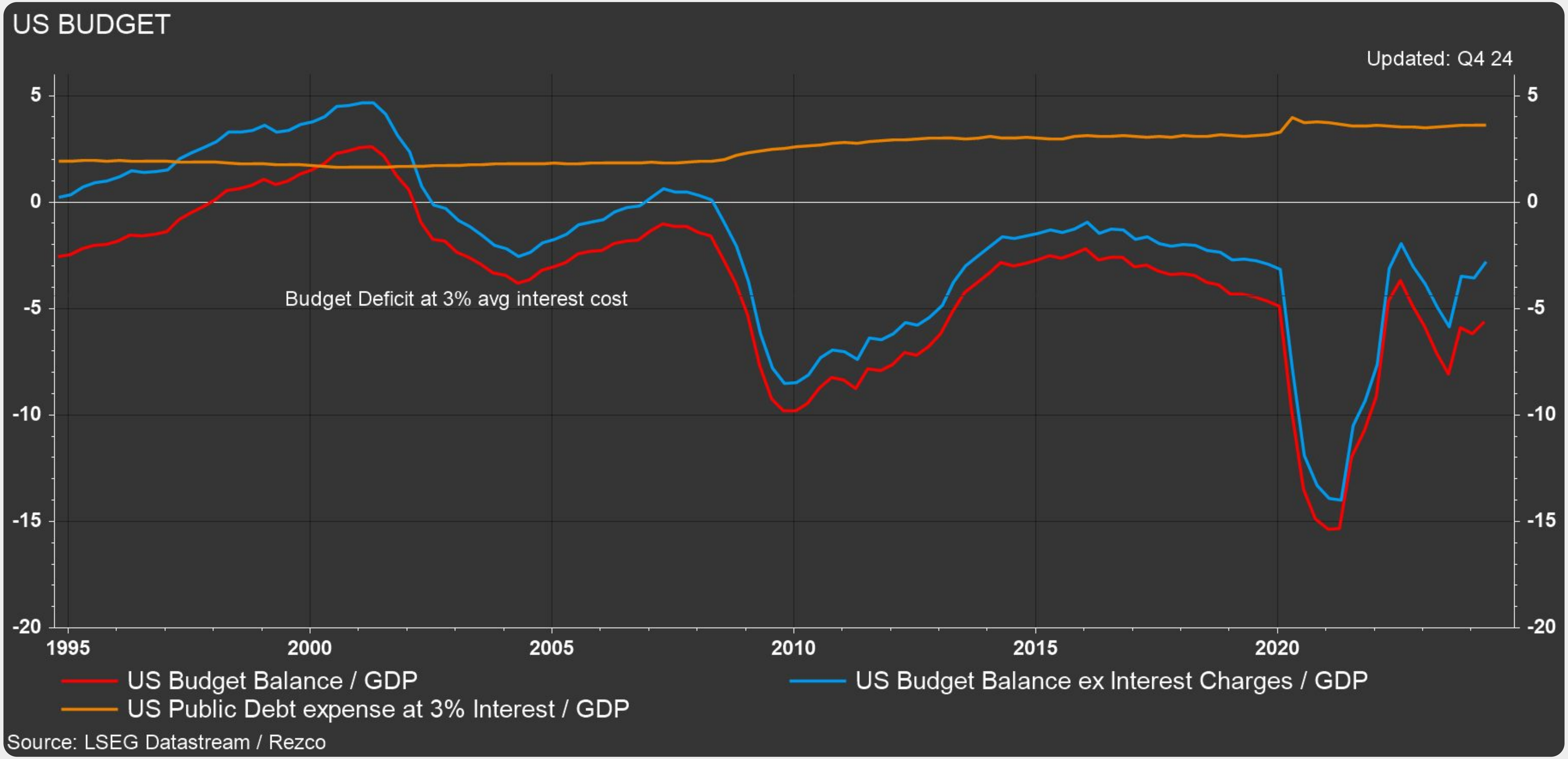
USA Budget Deficit

Grows a lot under Trump



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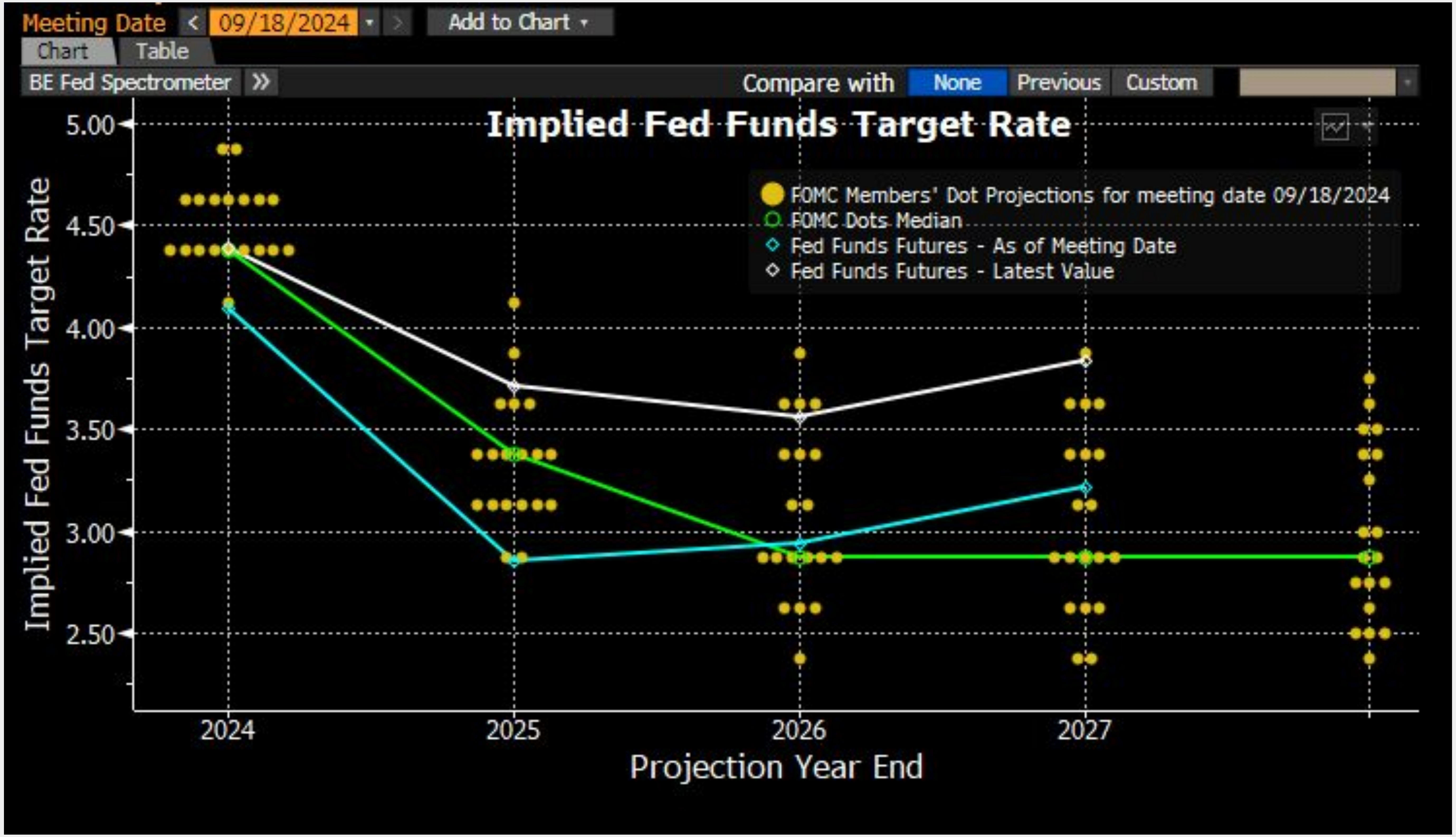
The FED & Interest Rates

(The election already impacted expected cuts)



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Equity Market Is Expensive Relative To Interest Rates

MSCI USA 12m fwd P/E vs. 5-year US real yield inverted

Source: LSEG Datastream / Rezco

Recap Rezco August Webinar

The SA Inc Story

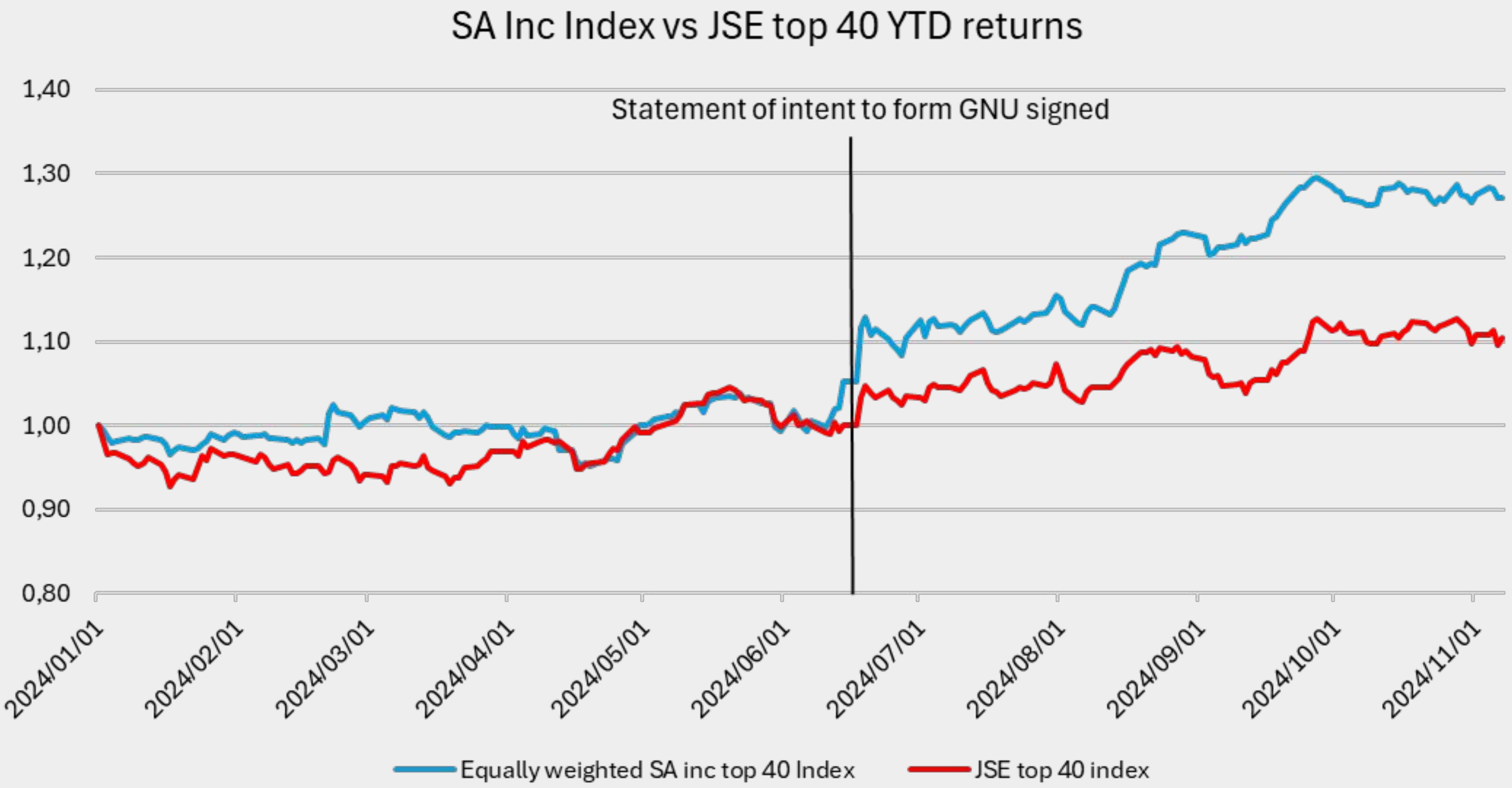
Recap Rezco August Webinar

The SA Inc Story

- SA Inc equities could deliver 20% p/a for the next 3 years
- The base is very low
- RSA shares and currency ***were*** pricing in “no hope”
  - and zero economic growth
- The ANC has swung pragmatist & there is a lot of low hanging fruit
- There are early signs of improvement
- The Rand could strengthen 10% over the next year
- Mid caps have been neglected

How Has It Been Playing Out Since August

Note: This is a three year story for phase 1



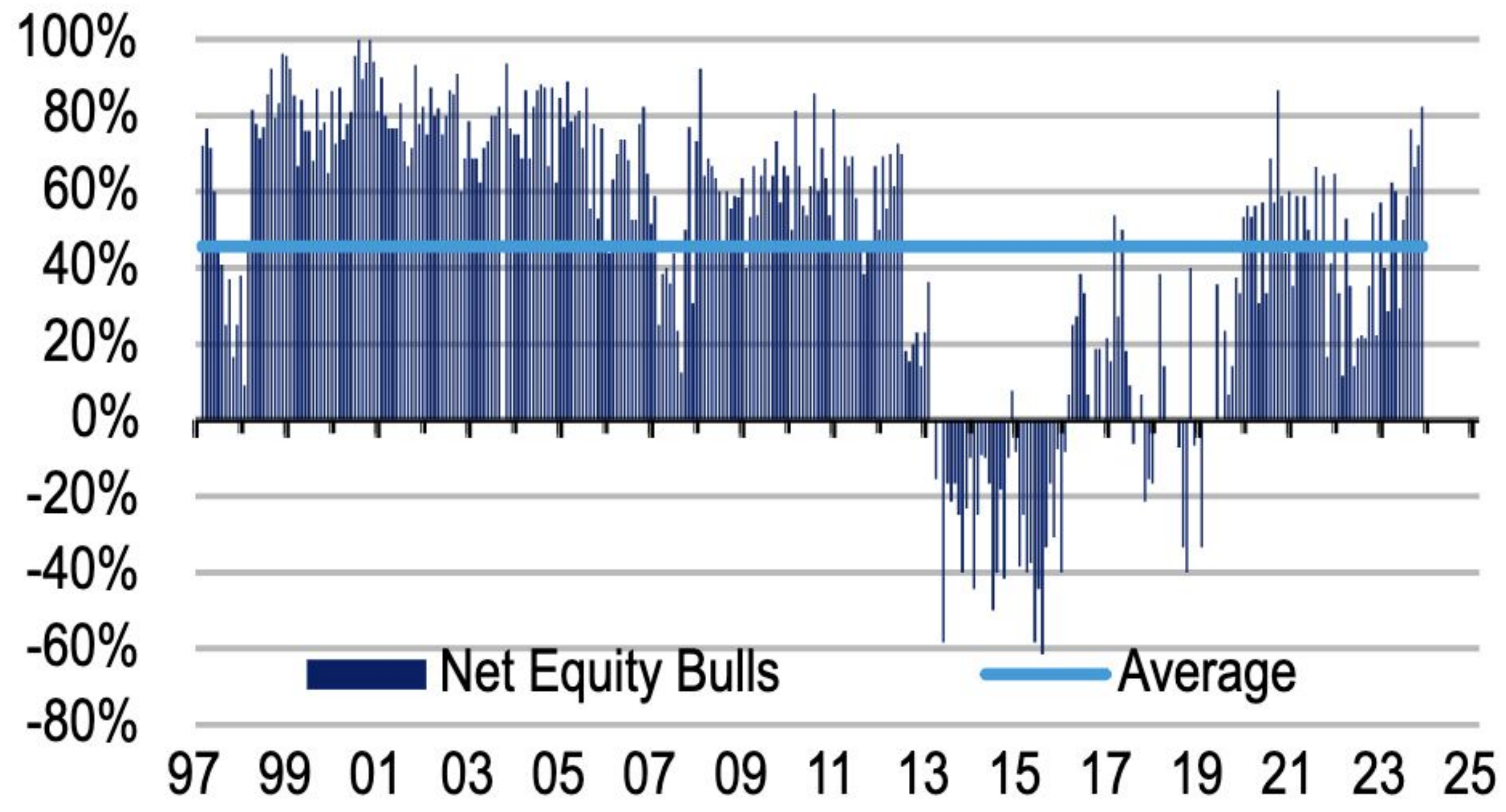
Source: Refinitiv Datastream. Construction of the SA Inc index returns: Equally weighting the returns of the largest 40 largest JSE stocks, excluding miners, oil & paper producers or where a majority of the stocks earnings are derived from outside South Africa.

Positive RSA Inc: The New Consensus

Bofa RSA Fund Manager Survey

Exhibit 13: Are you bullish or bearish on South African equities on a 12-month view?

Bullish



Source: BofA Global Research, South Africa Fund Manager Survey

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Phases of the Economic Recovery

	YEAR	SA Inc EARNINGS	GDP
STAGE ONE : LOW HANGING FRUIT	1-3	15%	2%
No loan shedding			
Stronger currency			
Lower interest rates			
Two Pot			
Lower Inflation			
Lower fuel costs			
Improved confidence			
Low base - eg Transnet and Portnet			
Tourist visa system			
More sensible global politics			
Pragmatist mindset			
STAGE TWO : INVESTMENT DRIVEN			
State	2-5	20%	3-4%
Private			
Grey list exit			

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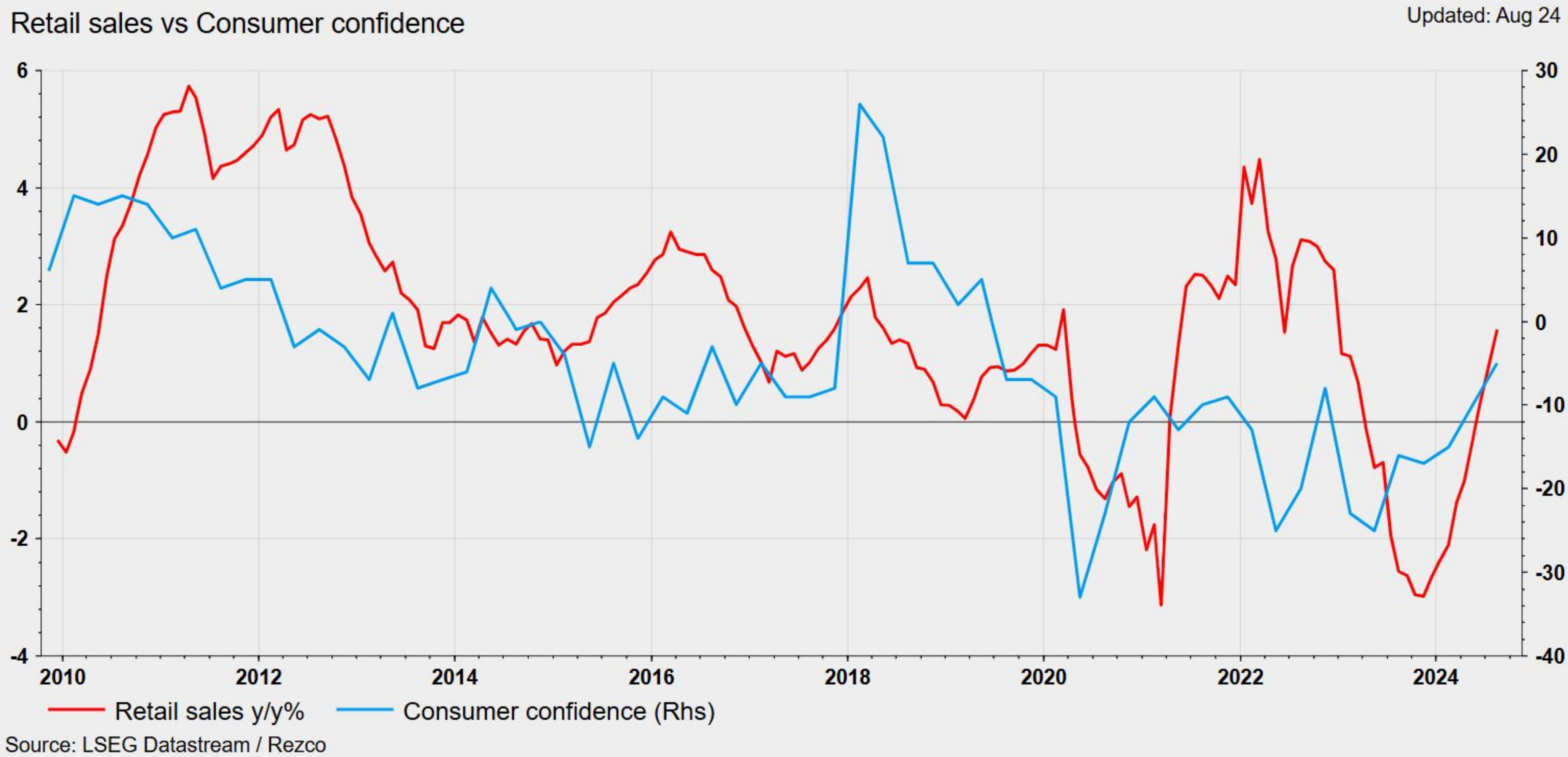
Current Fund Positioning

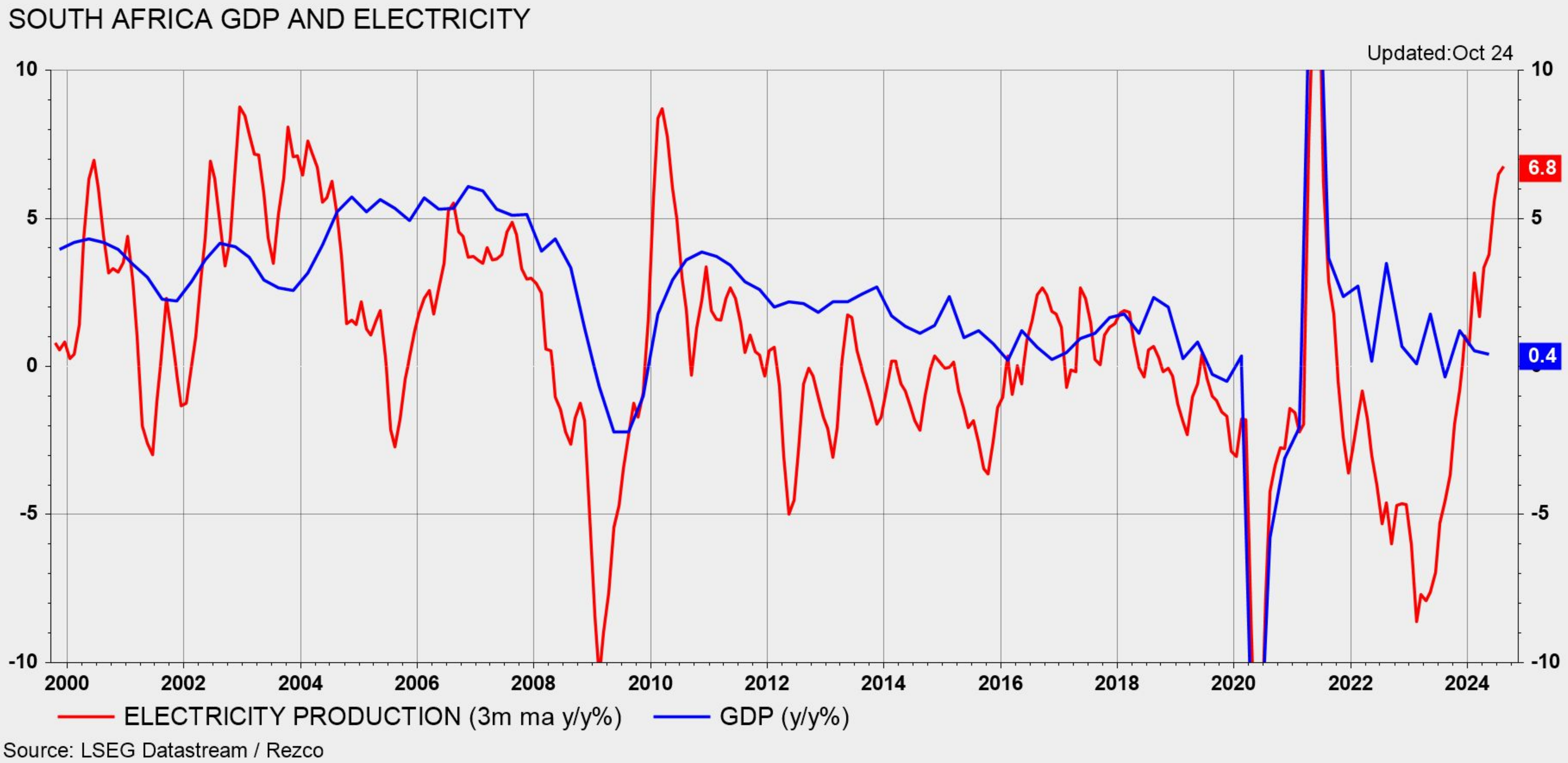
	Managed Plus	Value Trend	Stable	Equity
SA Equity	**56%**	**46%**	**30%**	**97%**
SA Inc - Insurance and Other Financials	6%	5%	3%	9%
SA Inc - Industrials	7%	6%	4%	12%
SA Inc - Education	5%	4%	2%	7%
SA Inc - Consumer	19%	16%	10%	32%
SA Inc - Banks	10%	6%	7%	25%
Mining and Resources	3%	3%	2%	5%
Gold	6%	6%	3%	6%
Global Equity	12%	10%	6%	
Total Equity	68%	56%	36%	
SA Short Duration	9%	22%	22%	
SA Long Duration	15%	16%	36%	
Global Fixed Income	8%	6%	5%	
Direct Offshore	**20%**	**16%**	**11%**	

The Green Shoots for Phase 1

Retail Sales



Eskom & Power Generation



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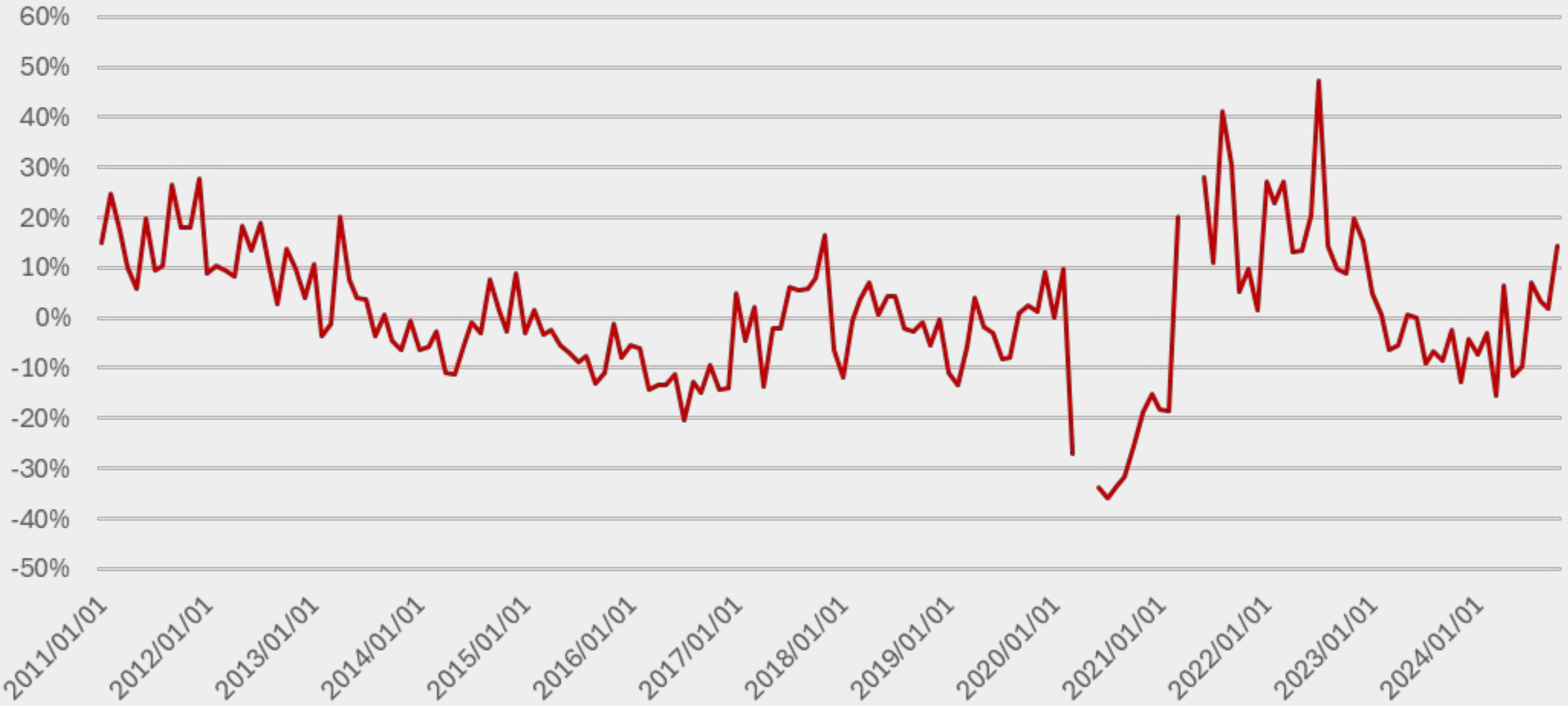
SA Passenger Vehicle Sales y/y Growth



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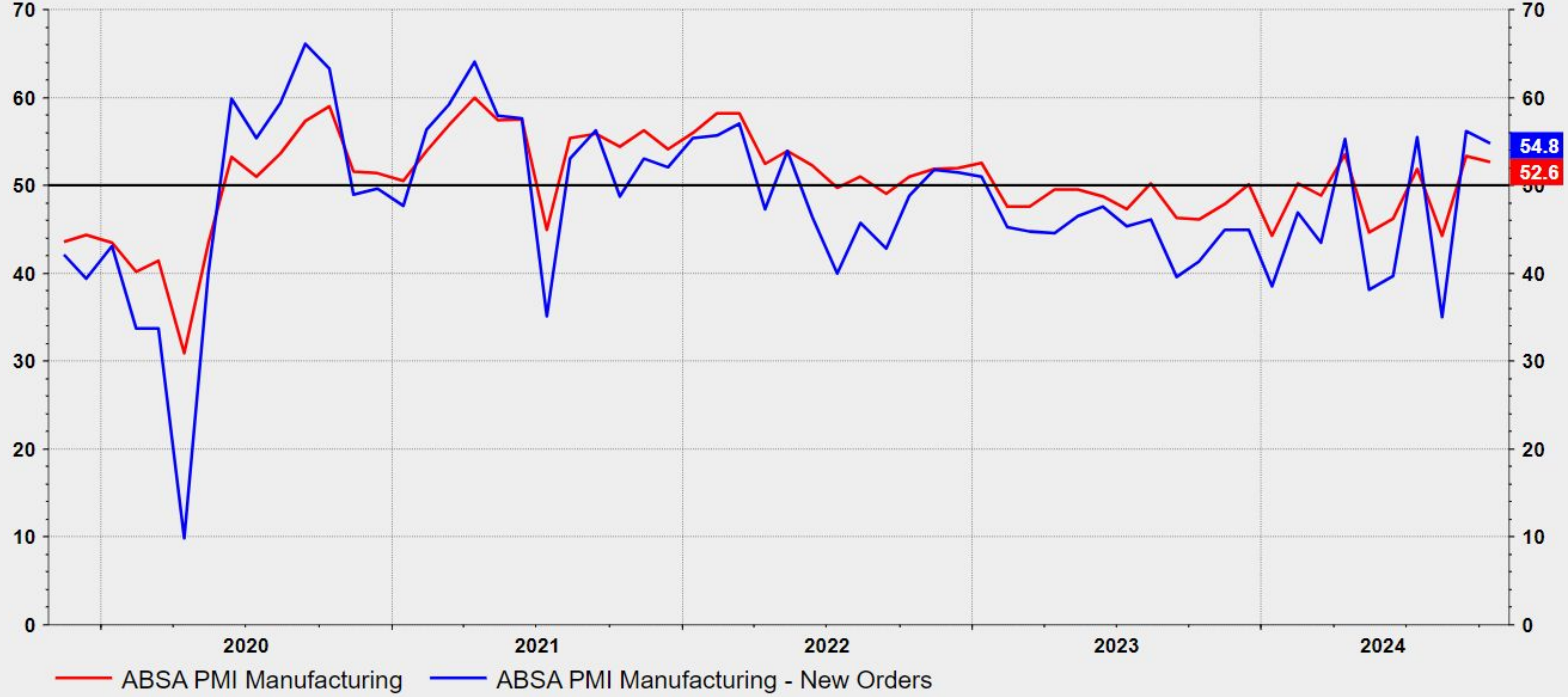
2 Pot Withdrawals

PMI's: Early Green Shoots



Source: LSEG Datastream / Rezco

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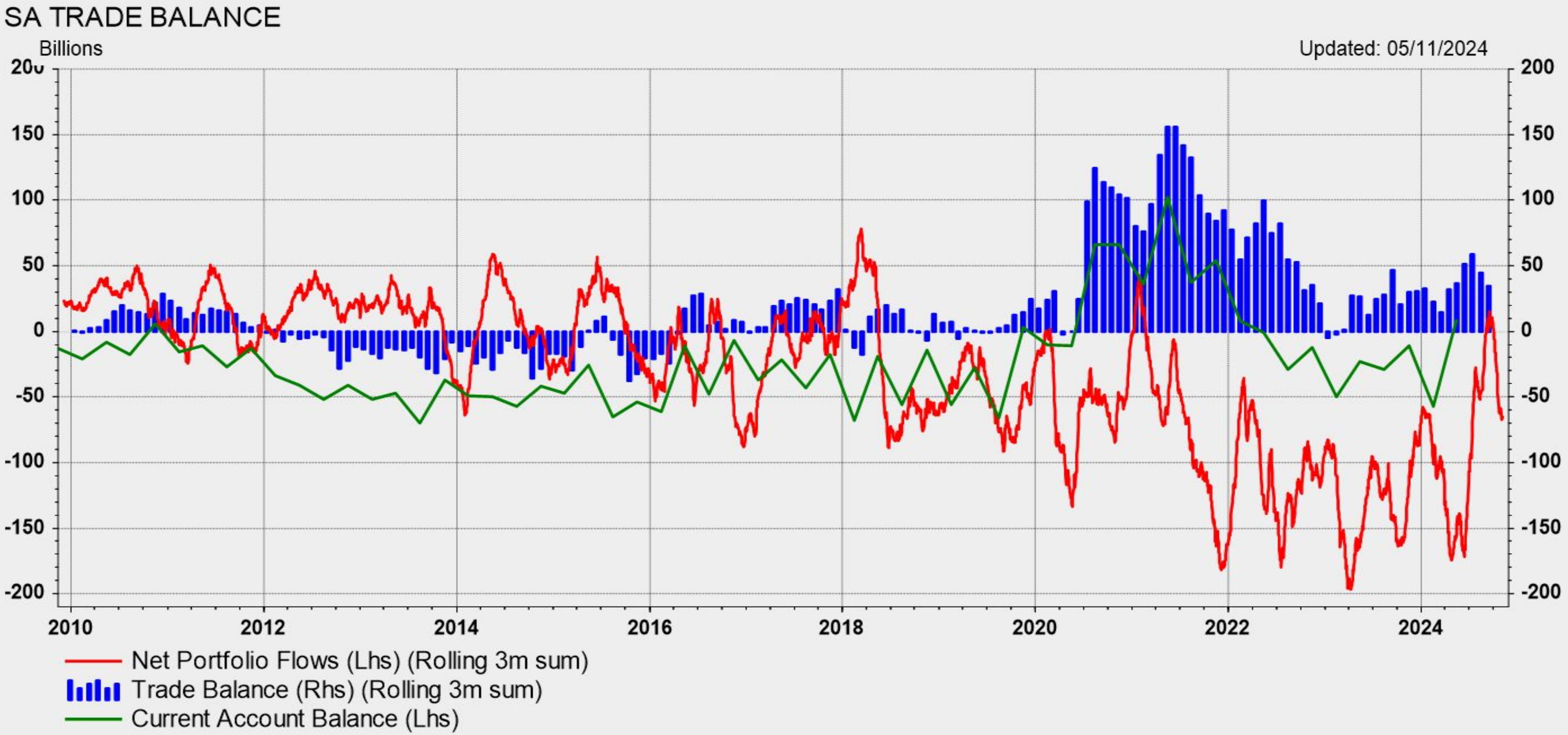
The Rand:

Portfolio flows no longer a headwind



Source: LSEG Datastream / Rezco

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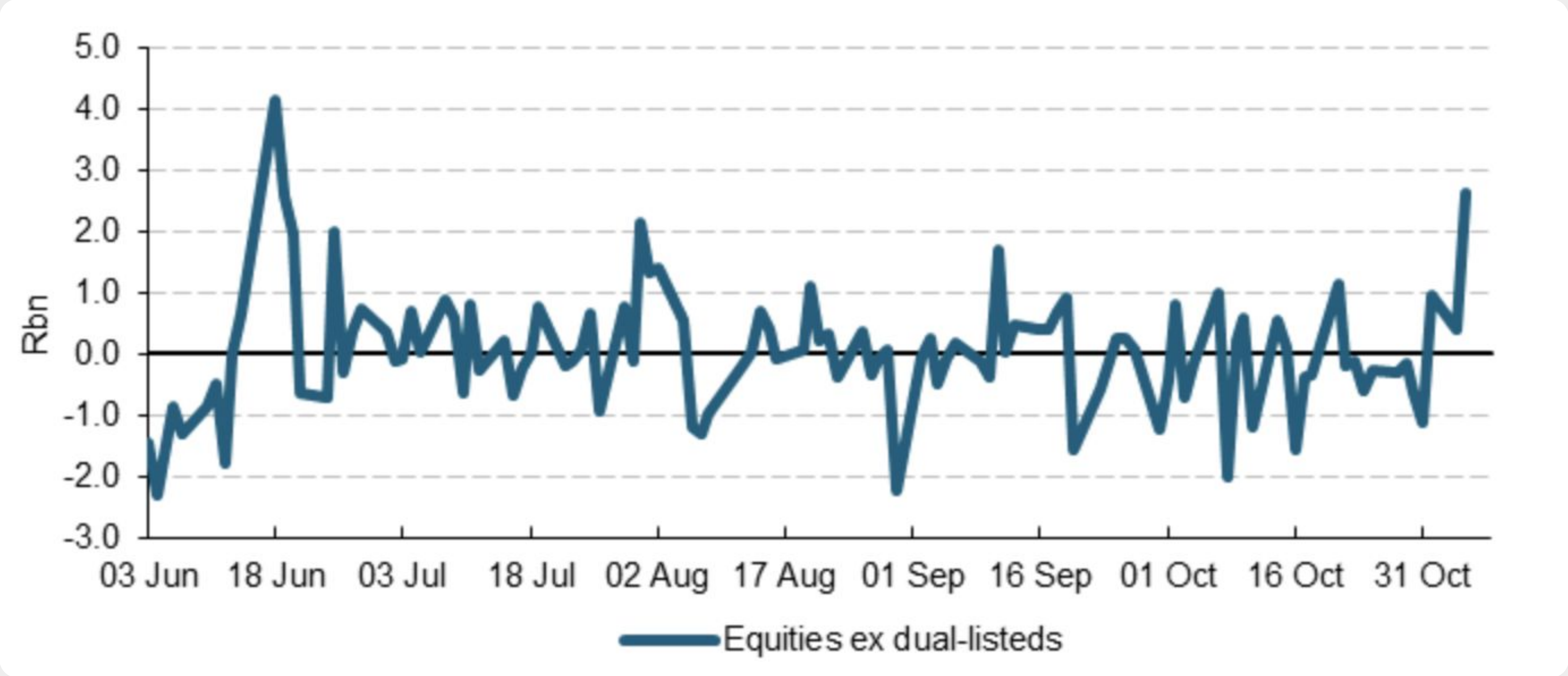
Foreigners - Getting Convinced About RSA Equities

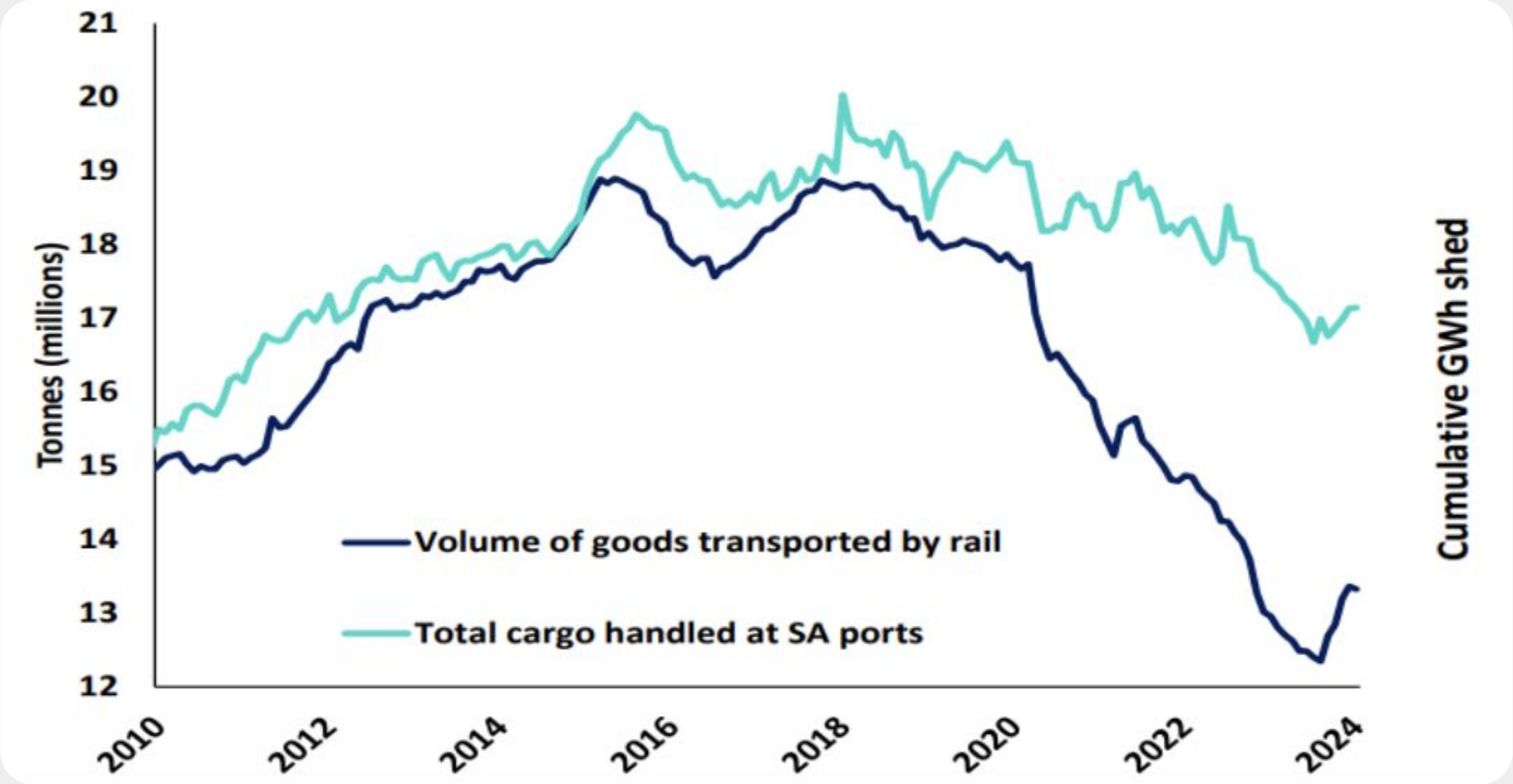
Net foreign purchases of RSA shares



Source: Standard Bank Securities

Ports & Rail

Port & rail cargo handled



Source: Office of the president

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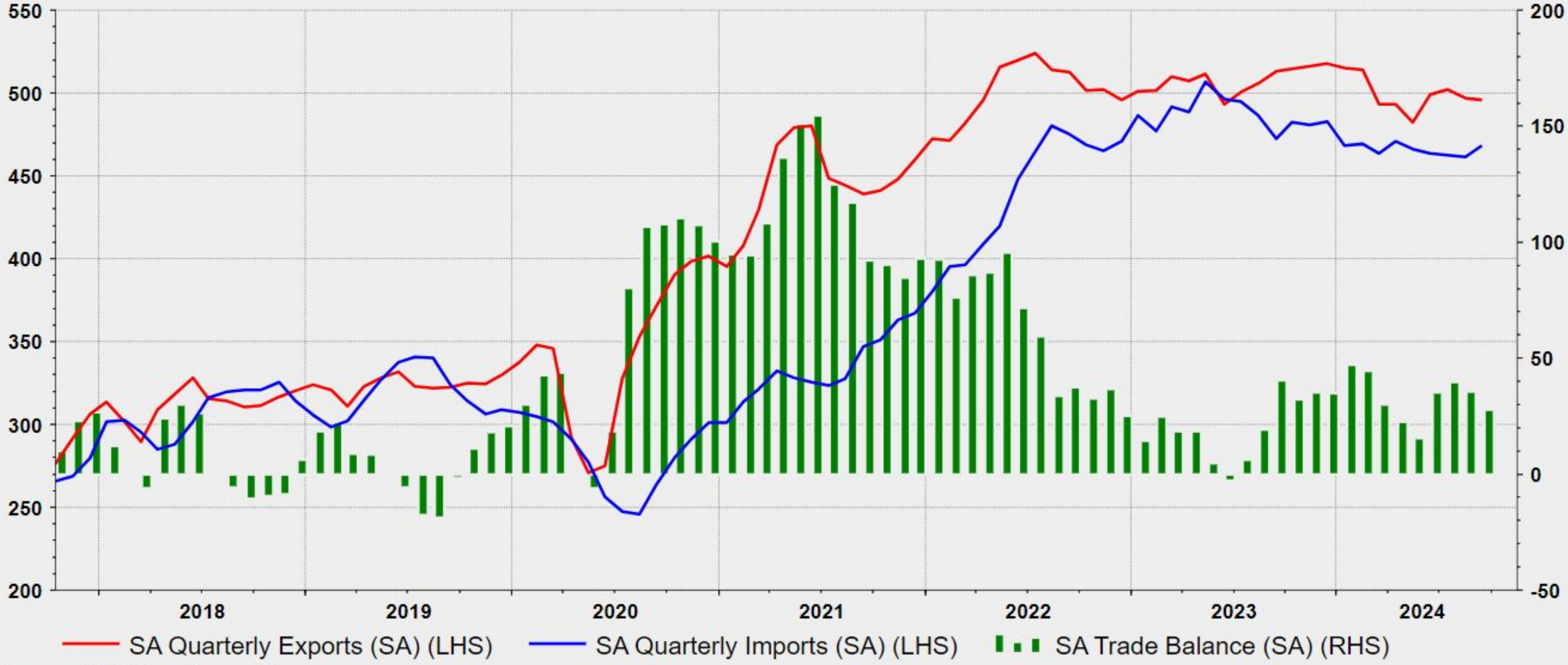
Trade Surplus

SA Trade balance trends



Source: LSEG Datastream / Rezco

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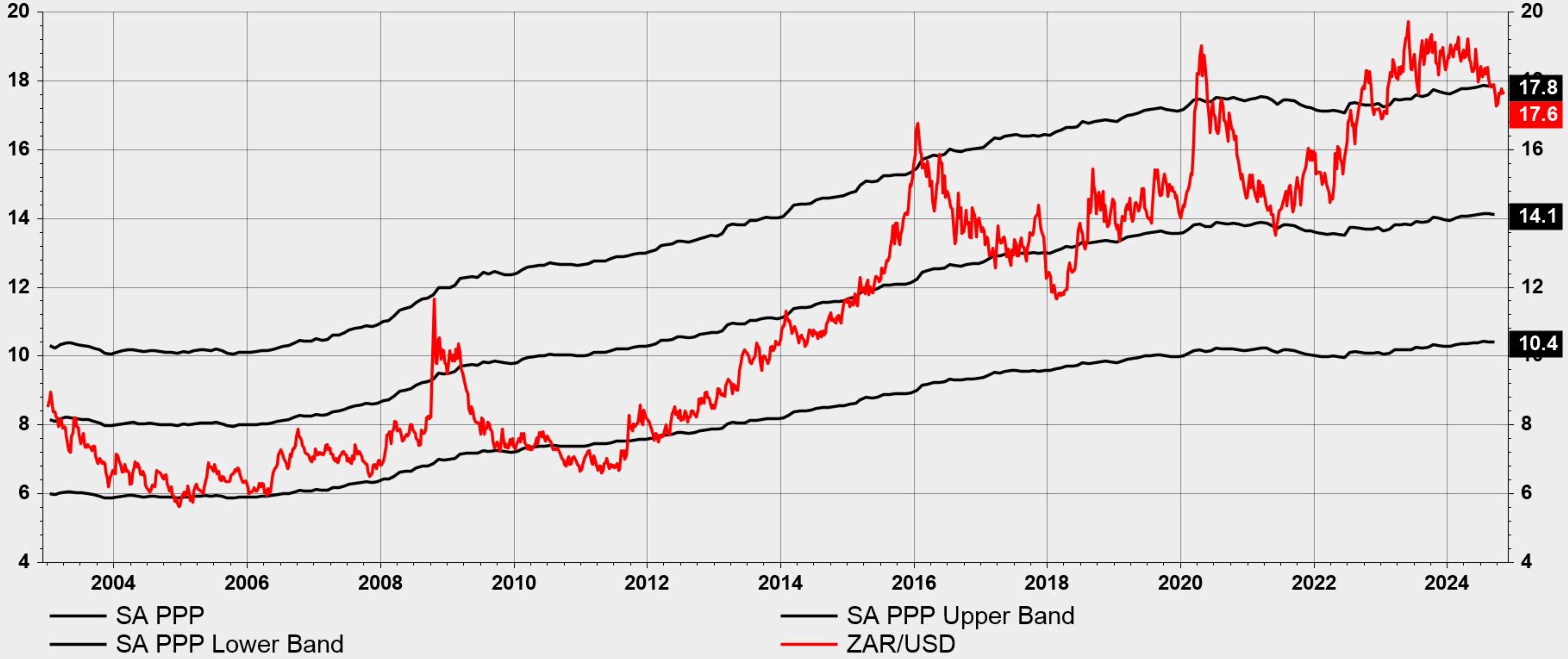
The Rand Can Strengthen From Here

ZAR/USD PPP using CPI



Source: LSEG Datastream / Rezco

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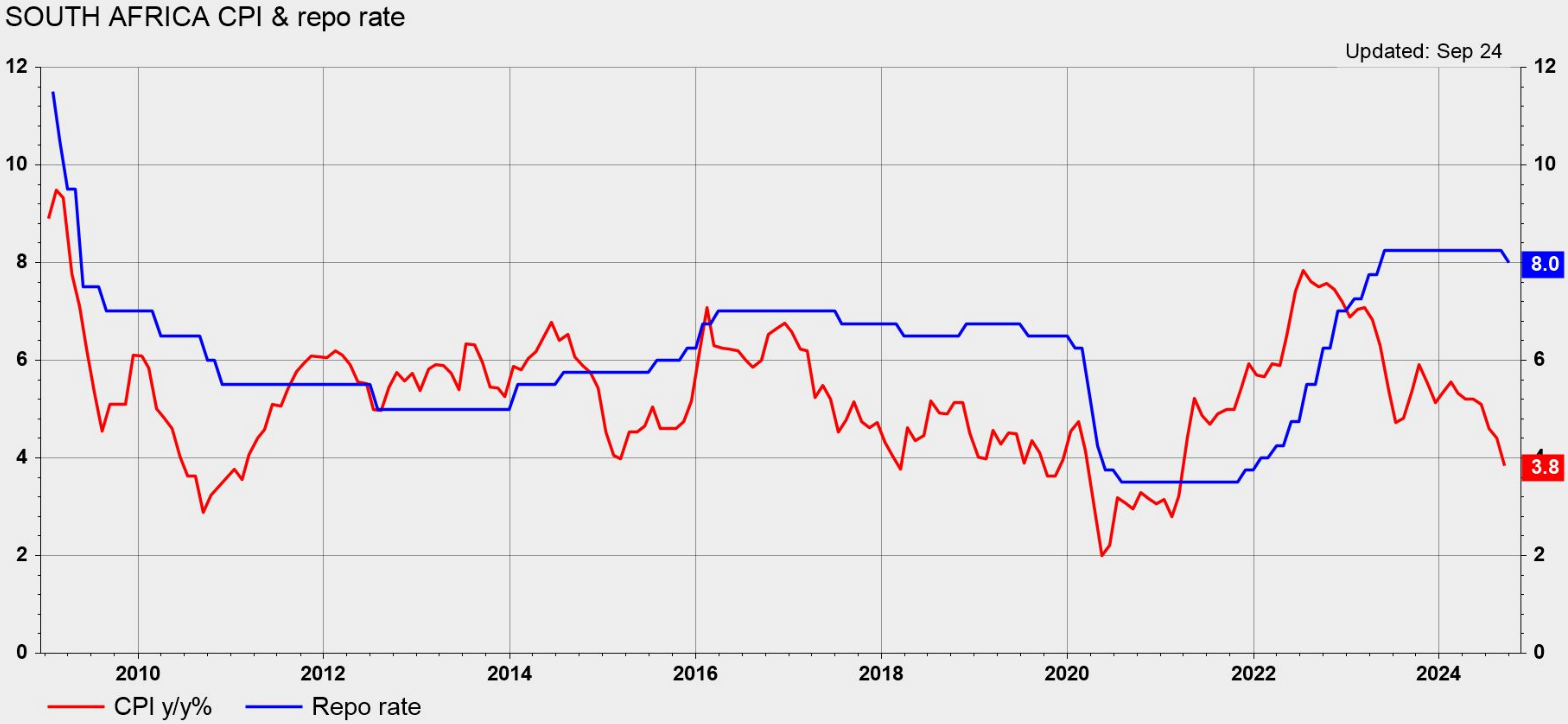
Inflation Allows For Lower Interest Rates

Responsible politics means SARB can be less hawkish



Source: LSEG Datastream / Rezco

What We Love:
Real Companies & Real Opportunities

The Opportunity Set:

Both groups have similar capped SWIX ALSI weights

British American Tobacco
Bidfood Inspired by you
Richemont

=

Truworths International
Pepkor Holdings Limited
Stadio
Spar
Tiger Brands
Reunert Reunert Limited
Woolworths
mr price
AVI
Life Health Care
Foschini
Hudaco
Cashbuild
Netcare
Kap Being the change
PPC
Italtile Limited
Rhodes Quality
Nampak
adcock ingram
PnP
Spur
Adtech Group
Dis-Chem
Curro
Raubex
we buy cars
famous brands you're in good company
WBHO

Great Space for Mid-Sized Managers?

Small Managers

Large Managers

Investment Tech

Research Capability

Proven Track Record, Philosophy & Process

Benchmark Agnostic

Bigger Opportunity Set

Time to Implement Decisions

We Are Looking For:
A good combination of valuation, growth & quality

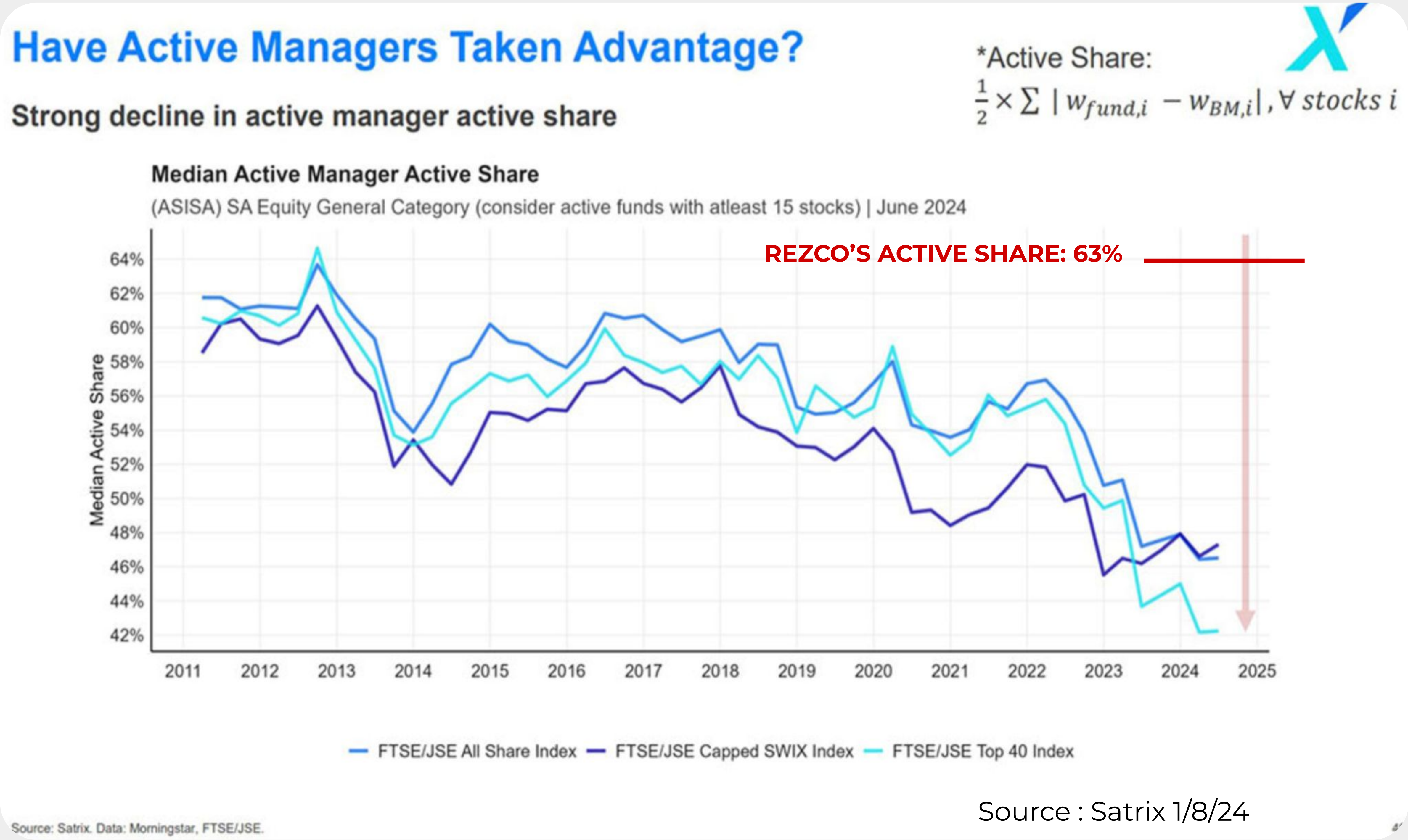
Stable or improving macro environment
- country, industry & company specific factors

Company specific quality factors:
- Good management (quality & integrity), Ability to innovate
- Durable competitive advantages
- Net tailwinds vs headwinds
- Capital lite, Cash generation
- Balance sheet structure & quality
- Understandable business model
- Return on equity,
- Liquidity of share
- Ability to handle tough times

Not
- Index weight

Now Is a Good Time For Benchmark Agnostic

But the trend is the other way



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RSA Inc: The 3x20% Story Doesn't Need a Rerating

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SA: Bottom Up Fundamental Research

Some examples of 15+5 = 20

Display Name	Indicators	Proposed Weight	Benchmark...	PE F12M	PE F24M	EPS TR12M...	EPS F12M-...	DY F12M	MV ($)	E
theme:			Count: 31	Proposed: 2.3%	Current: 2.4%	Bench: 0.1%	Ref: 0.0%			
theme: Gold			Count: 2	Proposed: 11.8%	Current: 11.4%	Bench: 8.1%	Ref: 0.0%			
theme: Mining and Resources			Count: 2	Proposed: 4.3%	Current: 4.3%	Bench: 13.6%	Ref: 0.0%			
theme: SA Inc - Banks			Count: 4	Proposed: 23.8%	Current: 24.2%	Bench: 22.2%	Ref: 0.0%			
theme: SA Inc - Consumer			Count: 11	Proposed: 31.9%	Current: 31.8%	Bench: 11.3%	Ref: 0.0%			
theme: SA Inc - Education			Count: 3	Proposed: 7.2%	Current: 7.2%	Bench: 0.3%	Ref: 0.0%			
Advtech Ltd	BUY - 0 $ 2024-10-29	4	0.24	14.39	12.29	12.41	17.08	3.47	1,013.75	
Stadio Holdings Ltd	BUY - 3 $ 2024-10-29	1	0.00	17.10	14.04	26.11	21.80	2.32	211.46	
Curro Holdings Ltd	BUY - 4 $ 2024-10-24	2.18	0.10	13.22	11.43	18.28	15.71	1.53	327.88	
theme: SA Inc - Industrials			Count: 5	Proposed: 11.4%	Current: 11.4%	Bench: 9.7%	Ref: 0.0%			
CAPITAL APPRECIATION LTD	BUY - 3 $ 2024-10-30	1	0.00	9.79	8.40	17.32	16.46	6.57	0.00	
KAP Industrial Holdings Ltd	BUY - 7	3.49	0.13	6.89	5.00	9.97	39.08	5.95	475.53	
Hudaco Industries Ltd	BUY - 6 $ 2024-10-30	2.8	0.08	8.16	7.35	18.63	10.99	5.34	350.38	
Reunert Ltd	BUY - 8 $ 2024-10-24	3.39	0.20	10.82	9.49	15.76	11.57	4.23	834.86	
Allied Electronics Corp Ltd	BUY - 1 $ 2024-10-30	0.75	0.07	12.39	10.88	17.36	13.80	4.42	437.48	
theme: SA Inc - Insurance and Other Financials			Count: 1	Proposed: 8.2%	Current: 8.3%	Bench: 7.0%	Ref: 0.0%			
Discovery Ltd	BUY - 9	8.16	1.42	12.48	10.46	24.48	19.21	1.54	6,820.52	

Benchmark Weights Don't Add Value

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Market Cap in $

Still decent sized companies

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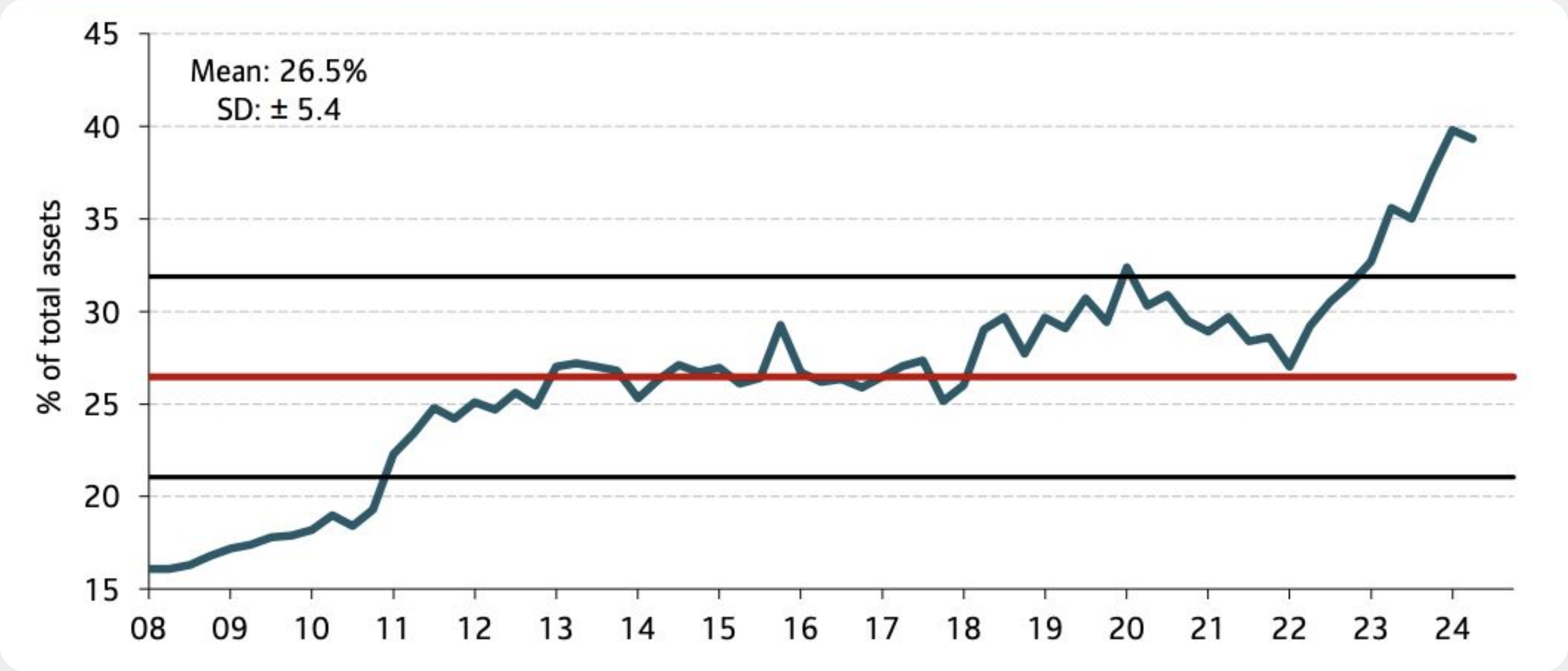
The Consensus of Positive SA:
Is Everyone Already In?

SA Managers Have Moved to 40% Offshore?

SA institutional offshore weightings close to optimal levels



Source: Alexander Forbes Large Manager Watch, SBG Securities analysis

Just As They Have Become More Bullish RSA

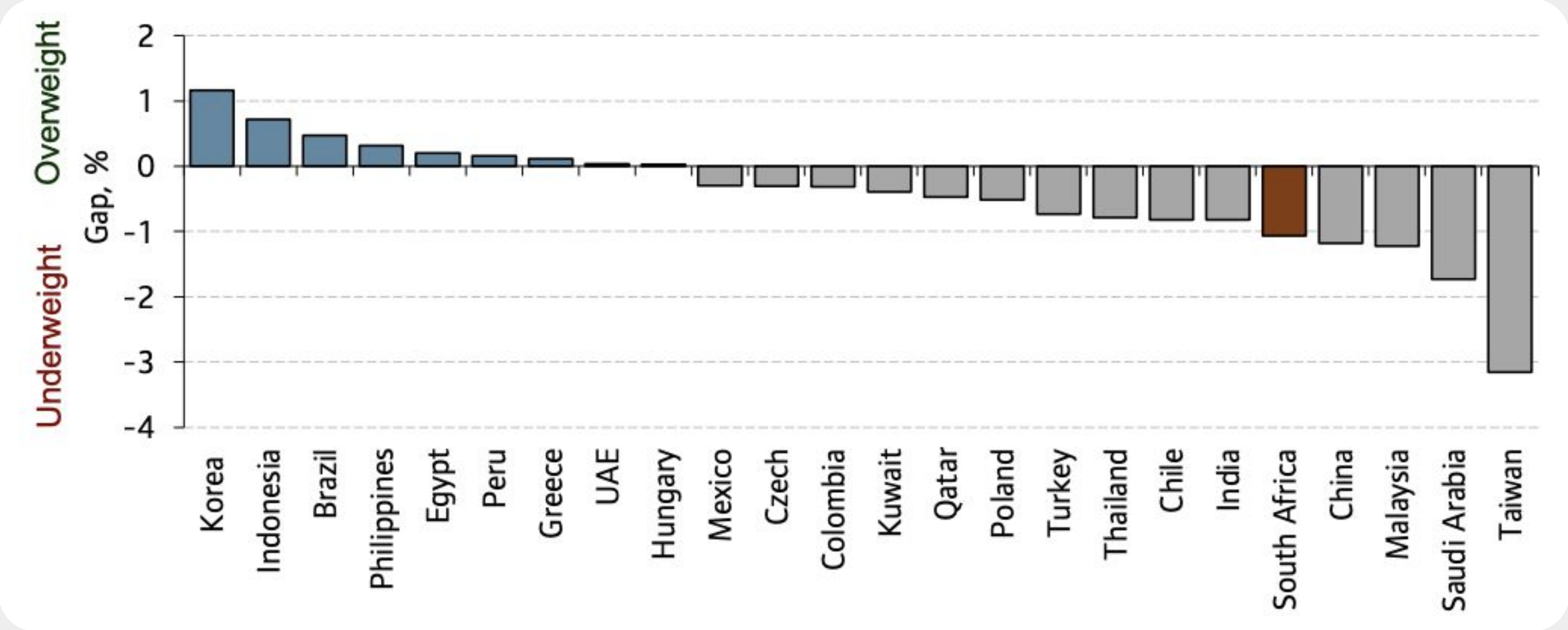
Q2. Do you intend to increase, decrease or maintain that weighting for the next three months?

	OCT	SEP	AUG
Increase	47%	33%	22%
Decrease	6%	6%	6%
Maintain	35%	33%	44%
Don't know	12%	28%	28%
Total	100%	100%	100%
Net buyers/sellers	**41%**	**28%**	**17%**

Source: BOFA Fund Manager Survey

Foreign Investors Are Underweight RSA

GEM funds % allocation to emerging markets country gap



Source: EPFR, SBG Securities analysis

How Are Investors Positioned For New Consensus

Locals have moved a lot offshore

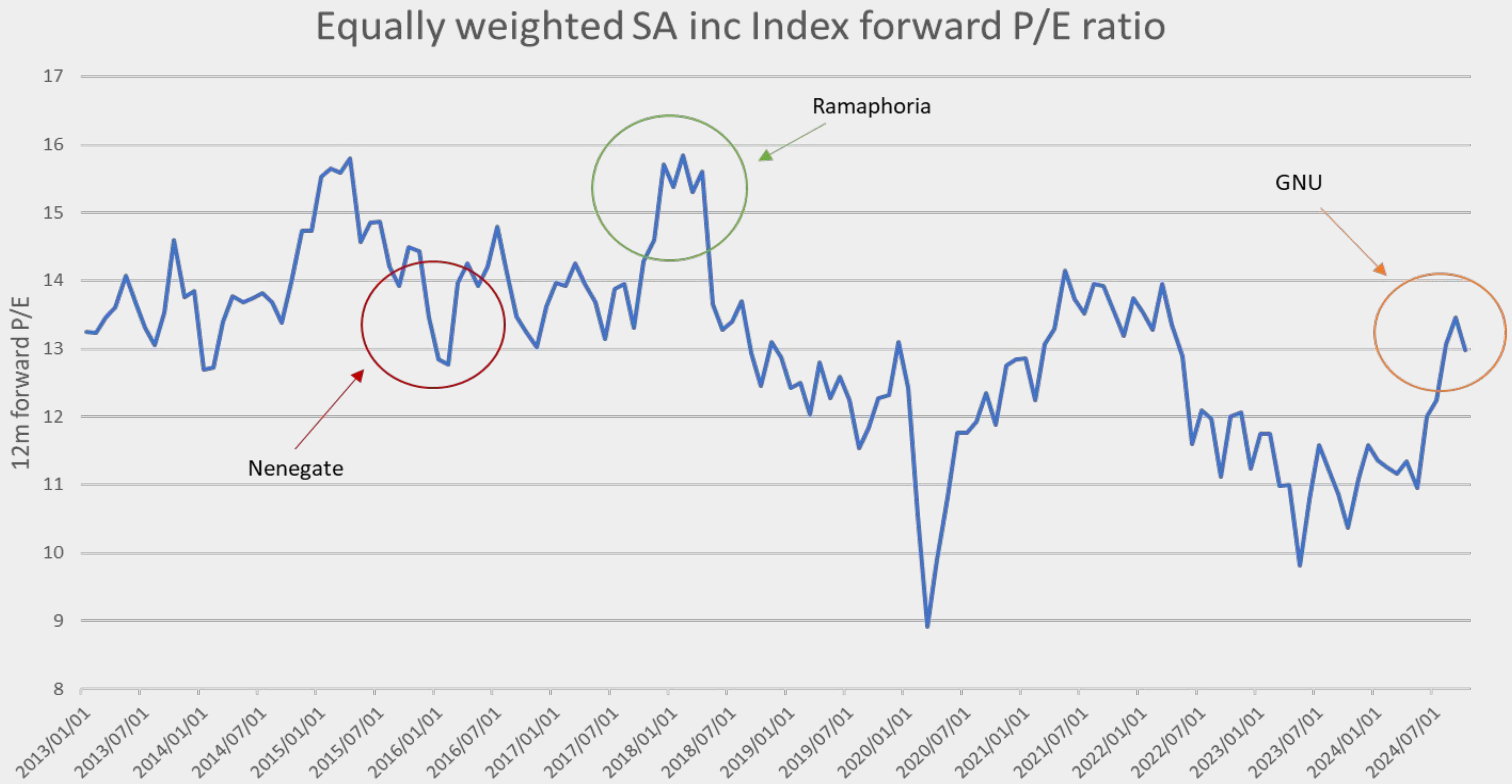
Foreigners

- RSA Inc is back on the radar
- Interest is increasing
- BUT foreign investors still underweight RSA

The door may be too small for everyone to get through

Is It Already All In The Price?

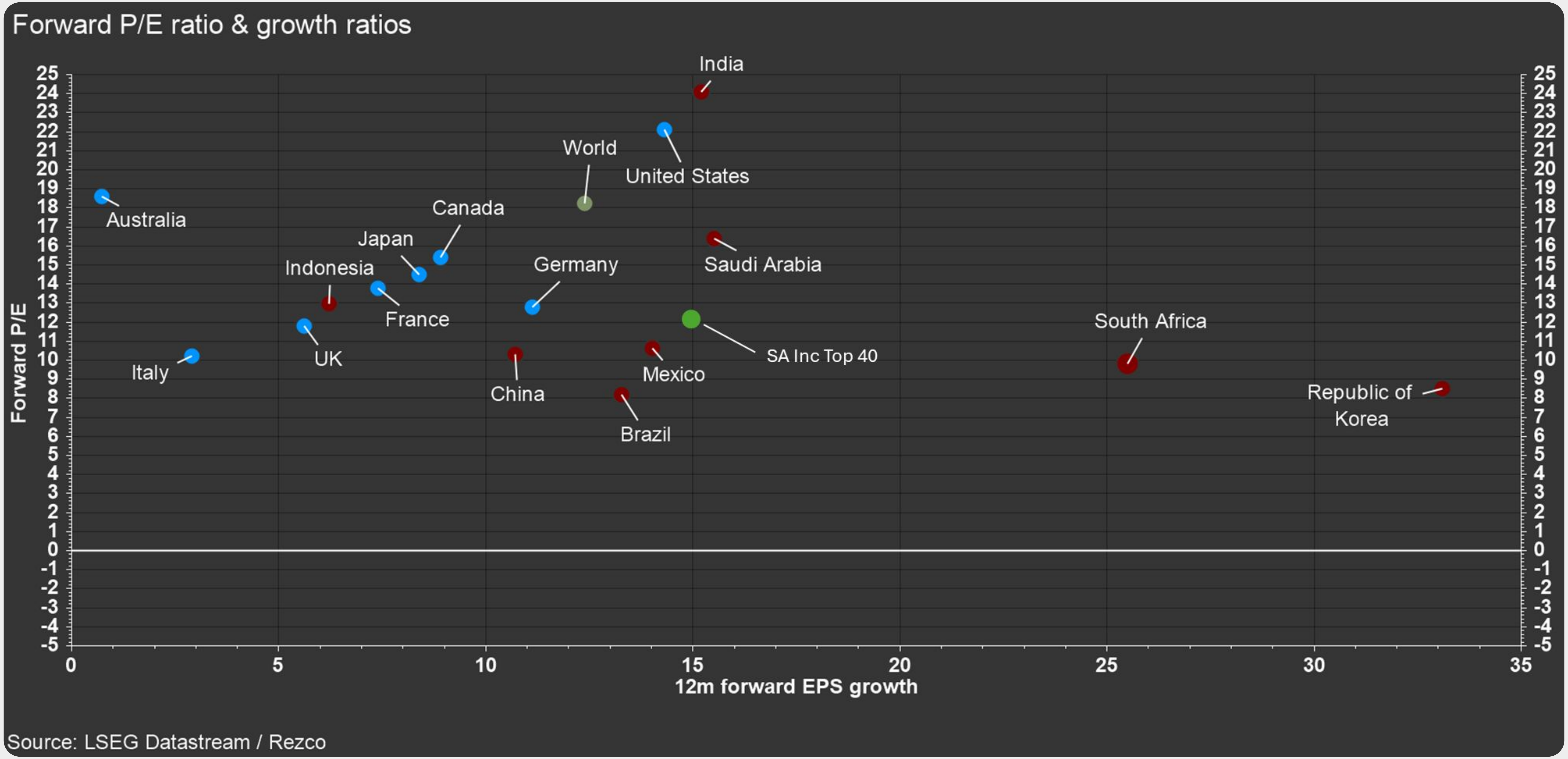
Nenegate Prices For a Better Than Ramaphoria Opportunity



Source: Refinitiv Datastream. Construction: 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.

SA Inc: Not Expensive Yet

PE's & growth rates



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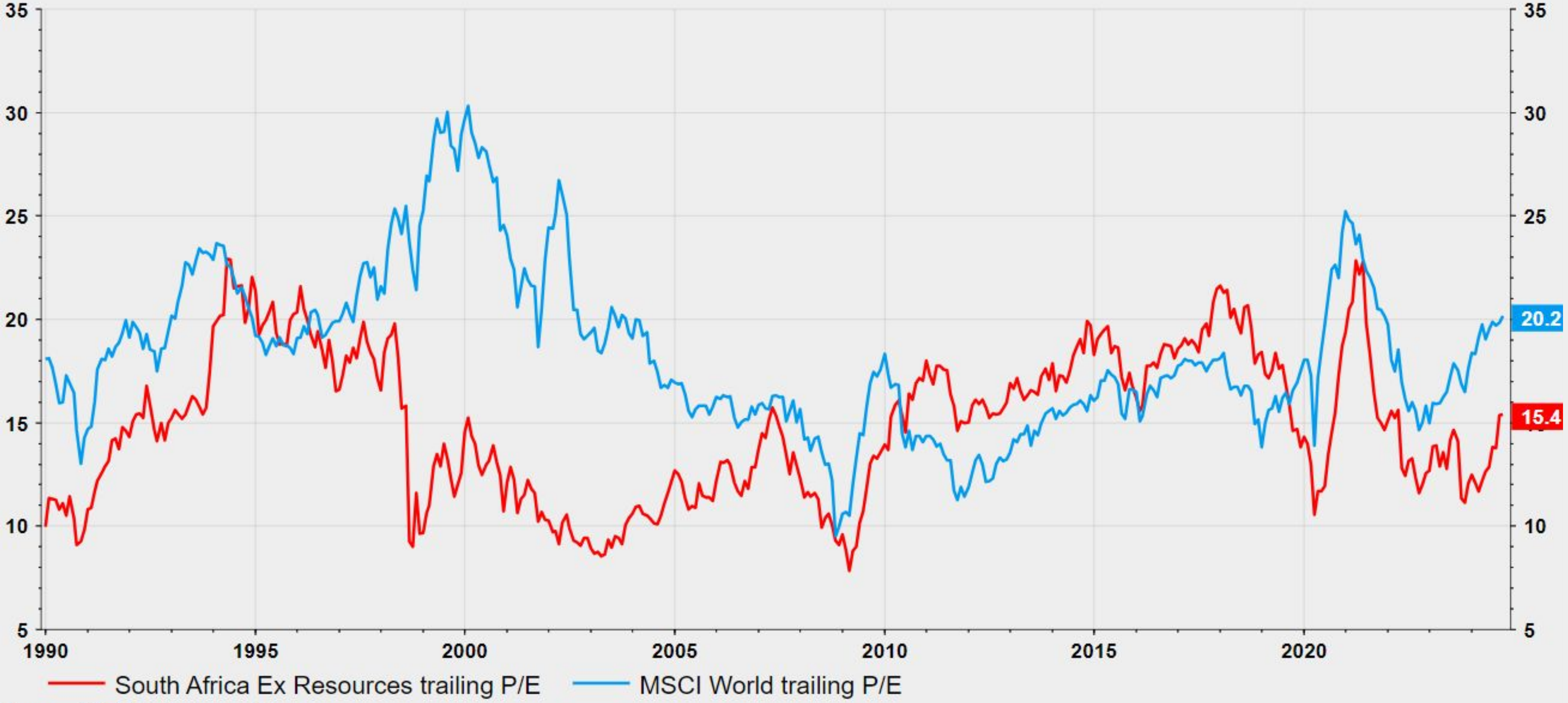
EM vs DM

These are multi-year cycles



Source: LSEG Datastream / Rezco

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RSA Cheap vs World

RSA PE's vs world PE's

Source: LSEG Datastream / Rezco

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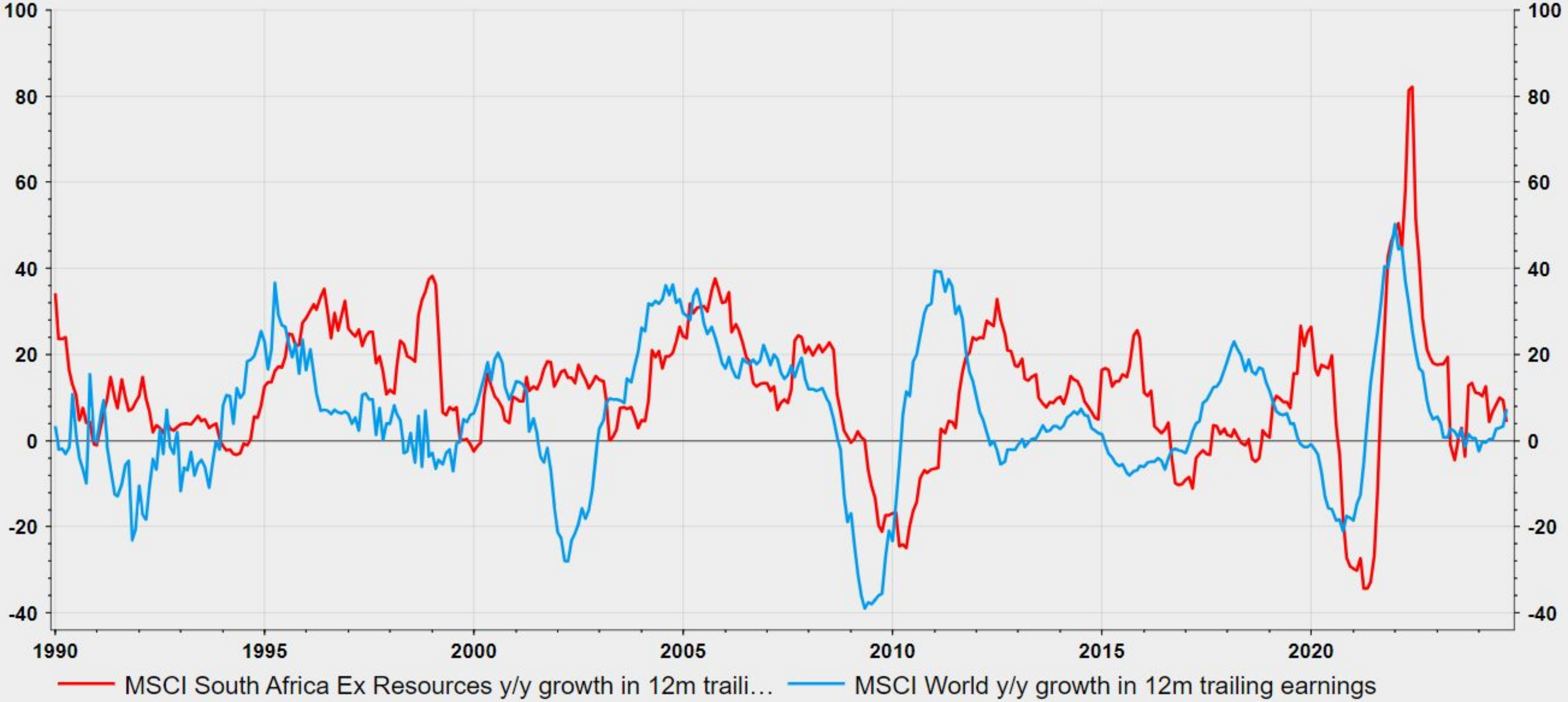
Relative Growth Rates

RSA set to accelerate



Source: LSEG Datastream / Rezco

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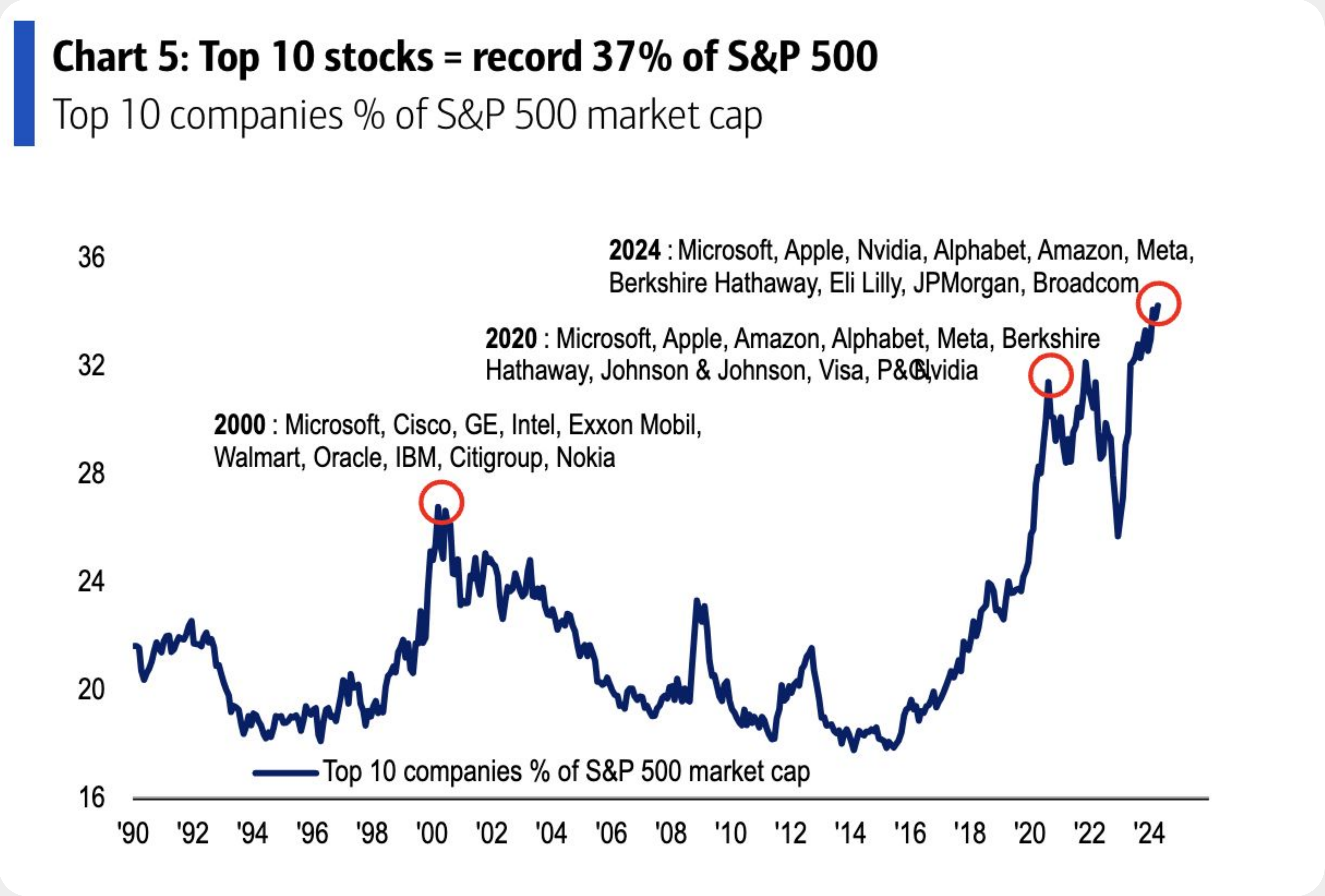
World Markets Are Very Dependent On 10 Shares



Source: BofA Global Investment Strategy, Bloomberg

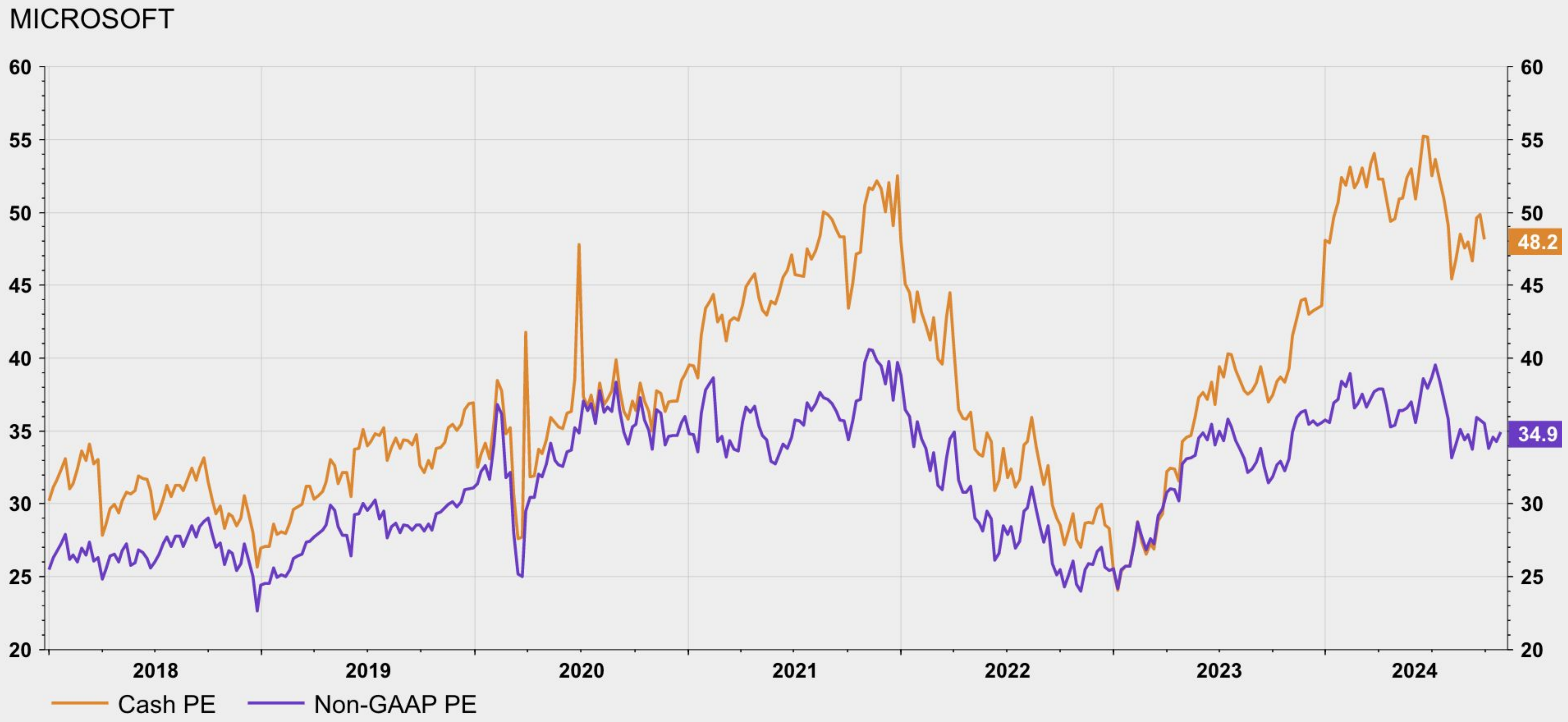
Local vs Global (3 Year View)

Forecast returns if plays out as expected

Rand	:	Probably Strengthens
Global Equity	:	1-5% per annum
RSA Inc Equity	:	10-20% per annum

USA Mag 7 Are Very Expensive

Microsoft cash PE



Source: LSEG Datastream / Rezco

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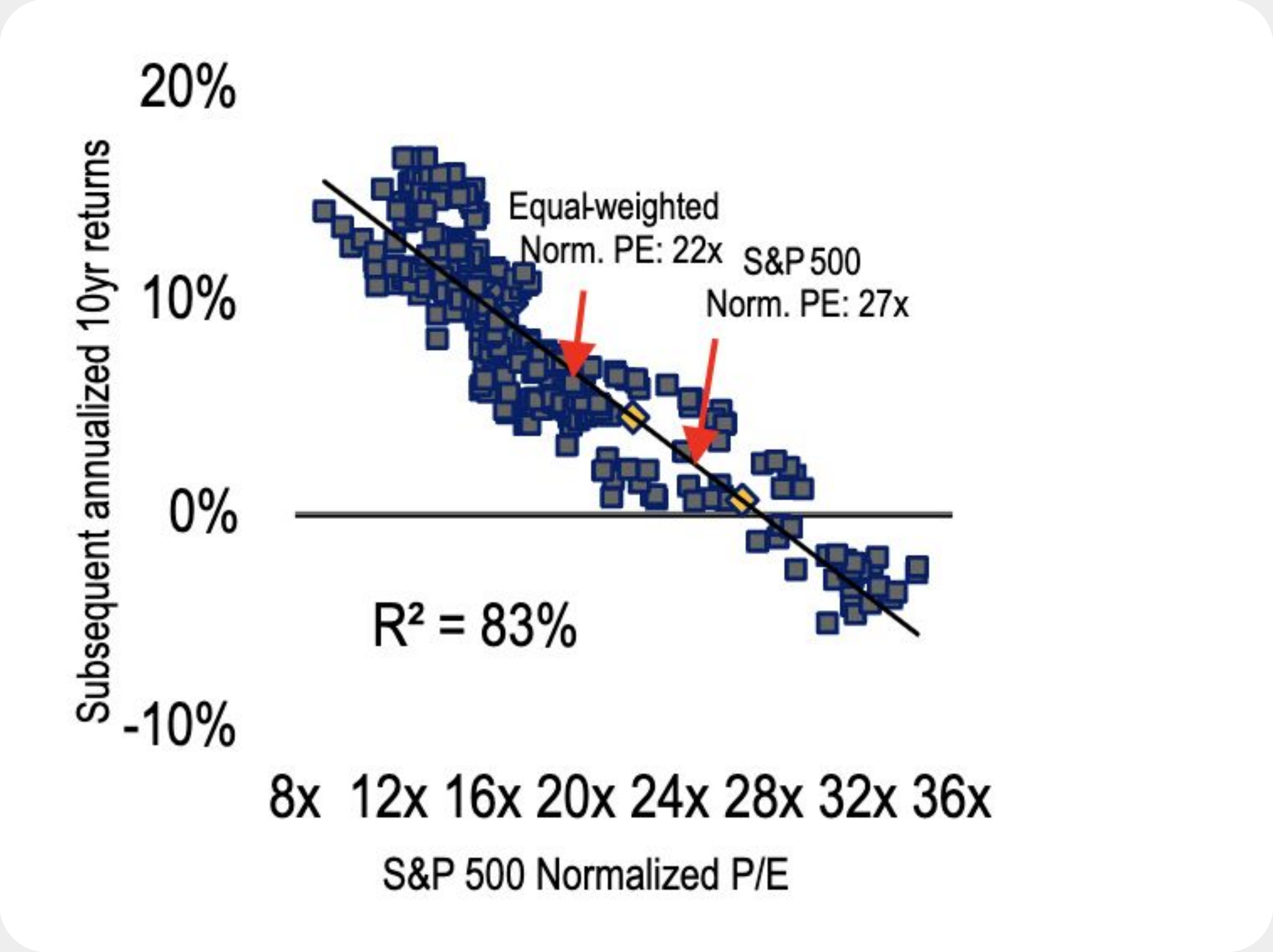
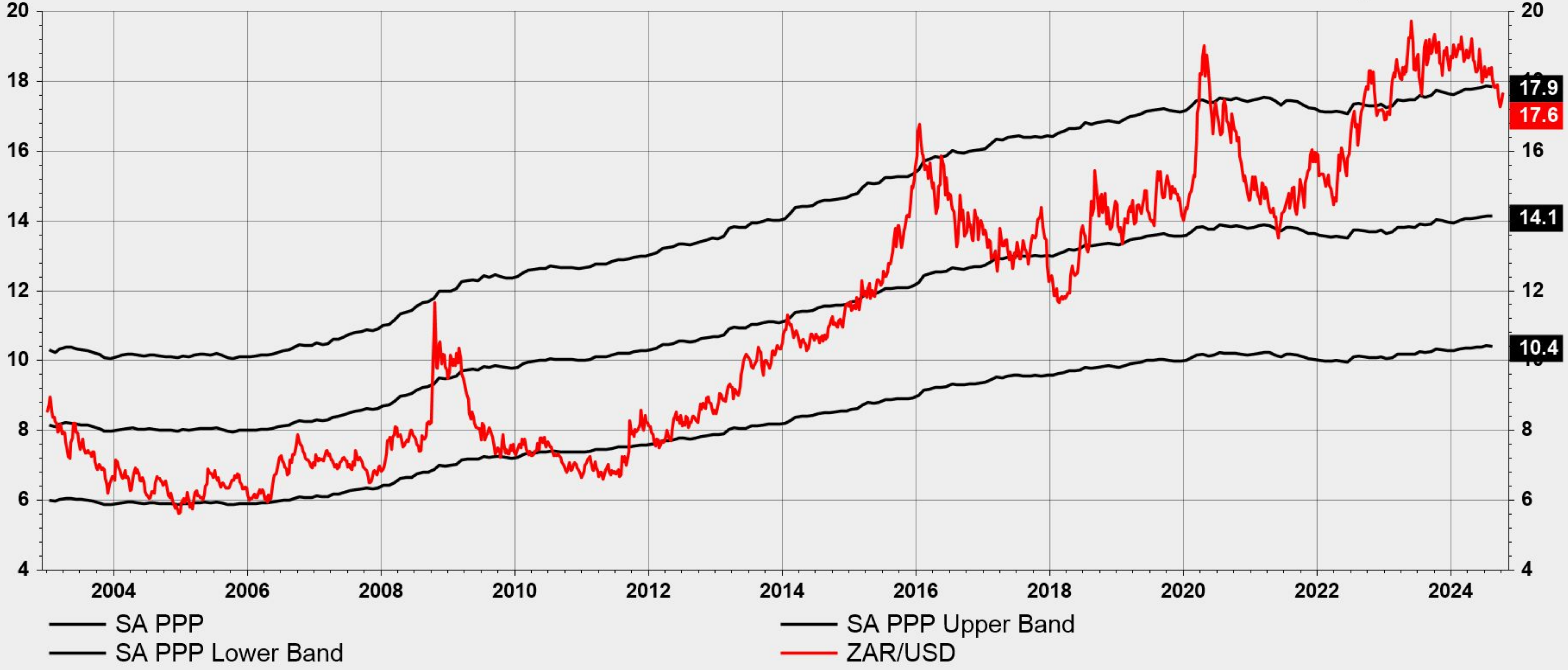
S&P Expected 10 Year Return: 1-2%



Source: BofA US Equity & Quant Strategy, FactSet

The ZAR Can Strengthen A Lot

ZAR/USD PPP using CPI (updated Oct 24)



Source: LSEG Datastream / Rezco

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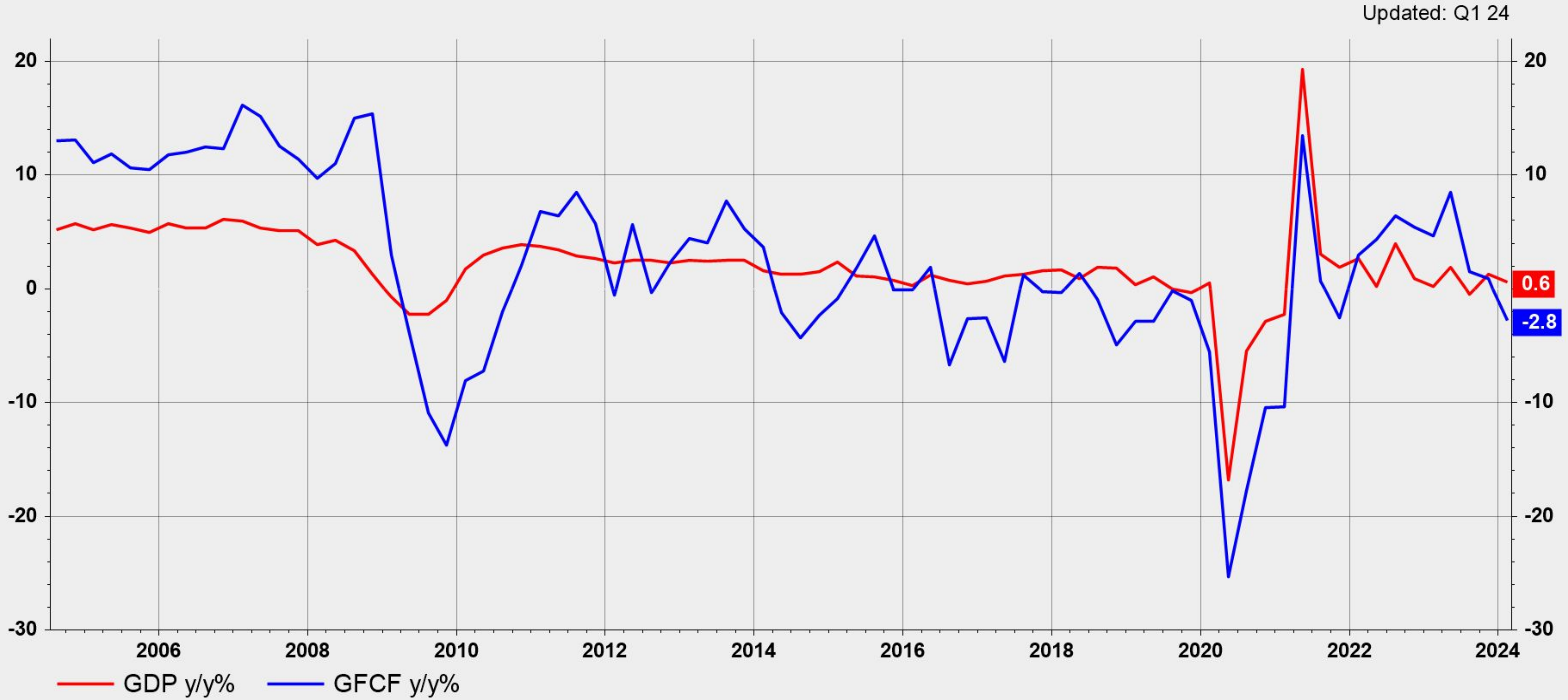
RSA Inc: The 3-5 Year View

Confidence, Investment & Growth Rates

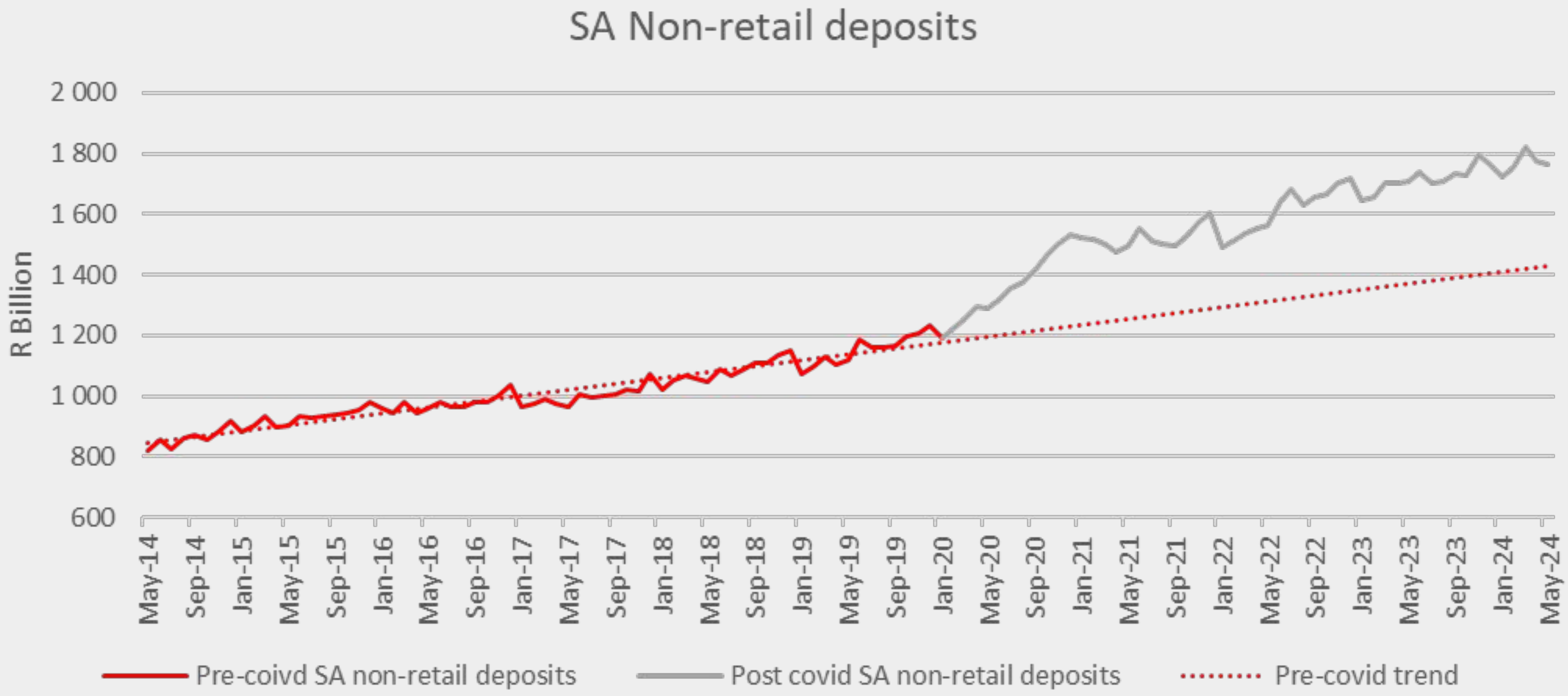
South African economy



Source: LSEG Datastream / Rezco

Need Investment Opportunities & Confidence

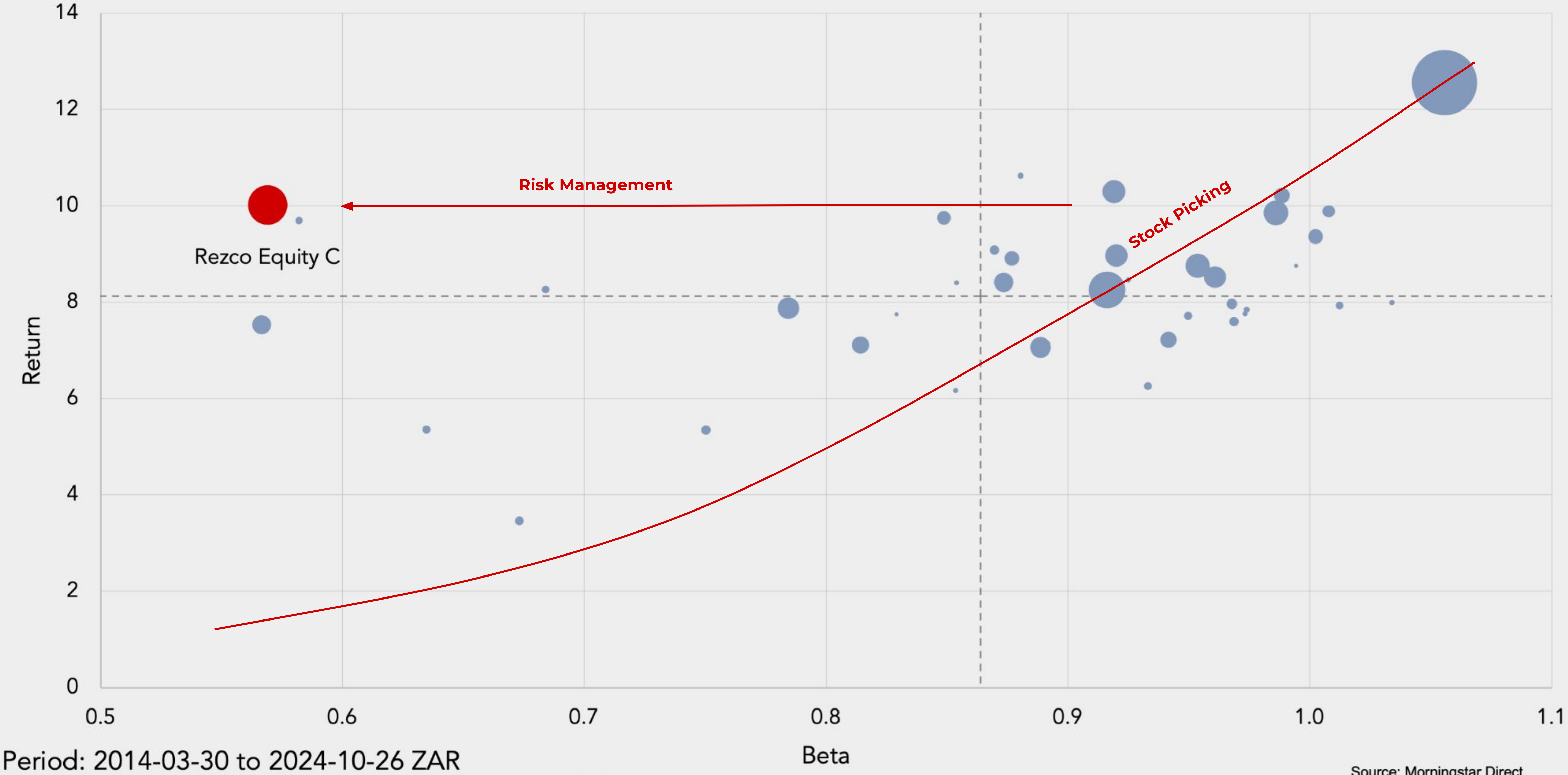
Corporates, excess cash & banks, excess capital



Positioning Portfolios

Rezco SA Equity Selection

Our goal is always risk adjusted returns



Period: 2014-03-30 to 2024-10-26 ZAR

FTSE/JSE Capped Swix Index TR ZAR | Weekly Frequency Data; dot size determined by fund AUM

Source: Morningstar Direct

REZCO

Rezco Equity Fund: Fundamentals Summary

	ALSI Weight	Rezco Weight	ALSI PE	Rezco PE	ALSI Growth	Rezco Growth	Rezco Div Yield	Rezco Avg Market Cap
SA Inc - Insurance	6.9%	9%	13	12.9	9.3%	19.1%	1.5%	R120bn
SA Inc - Industrials	9.7%	12.2%	9	9.1	6.9%	13%	5.2%	R9bn
SA Inc - Education	0.3%	7.7%	14.2	14.6	16.8%	17.4%	2.7%	R12bn
SA Inc - Consumer	11.2%	34%	18	15.1	13.6%	14.5%	3.7%	R72bn
SA Inc - Banks	22.2%	26.2%	11.7	13.1	13.7%	15.2%	5.5%	R300bn
Mining & Resources	13.6%	4.6%	16.5	6.1	6.2%	7.9%	9%	R42bn
Gold	8.1%	6.4%	8.7	8.7	-3.4%	-1.2%	3.6%	R251bn
Global (SA listed)	22.6%	0%	13.6		10.8%			

Rezco SA Equity Selection

Alpha earned through multiple regimes

Time Period: Since Common Inception (2014/04/01) to 2024/10/31

Currency: South African Rand   Source Data: Total Return

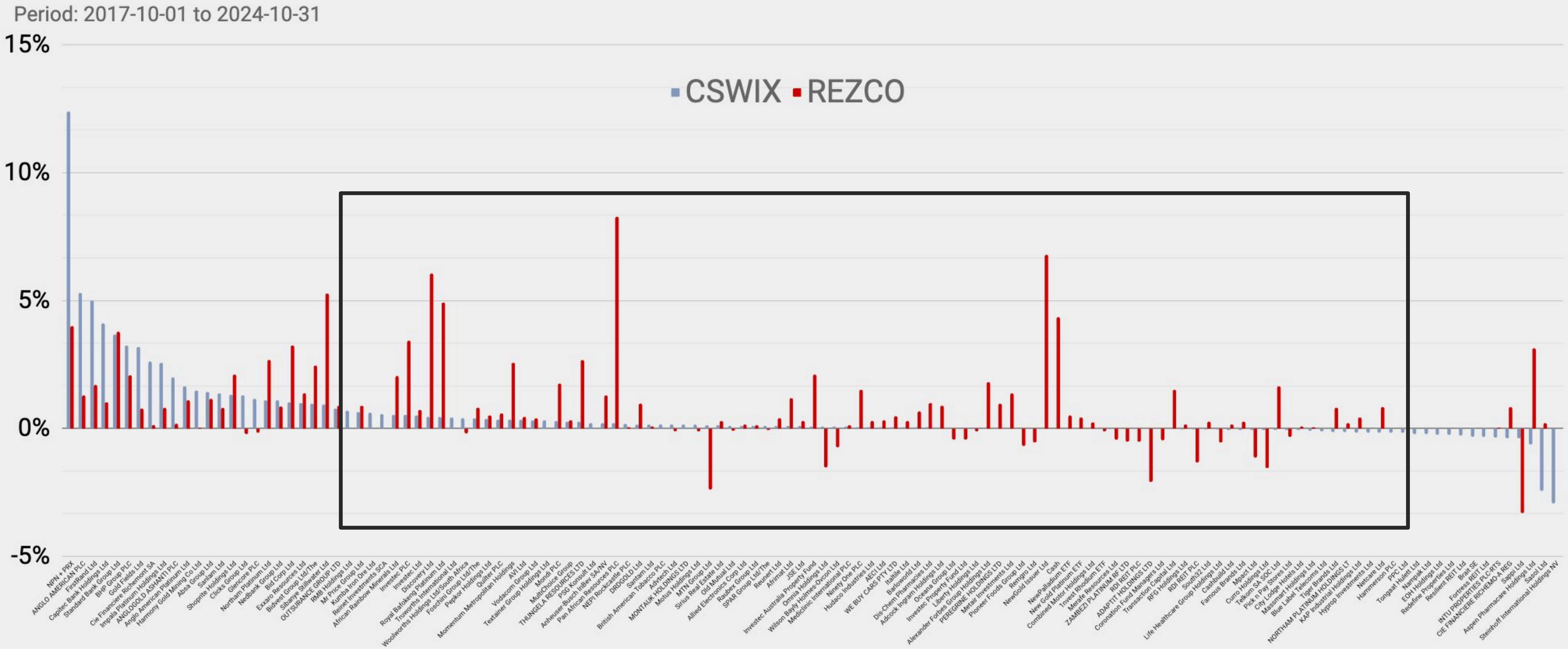
Rezco Equity C 277,3 FTSE/JSE Capped SWIX All Share TR ZAR 217,9

Source: Morningstar Direct

REZCO

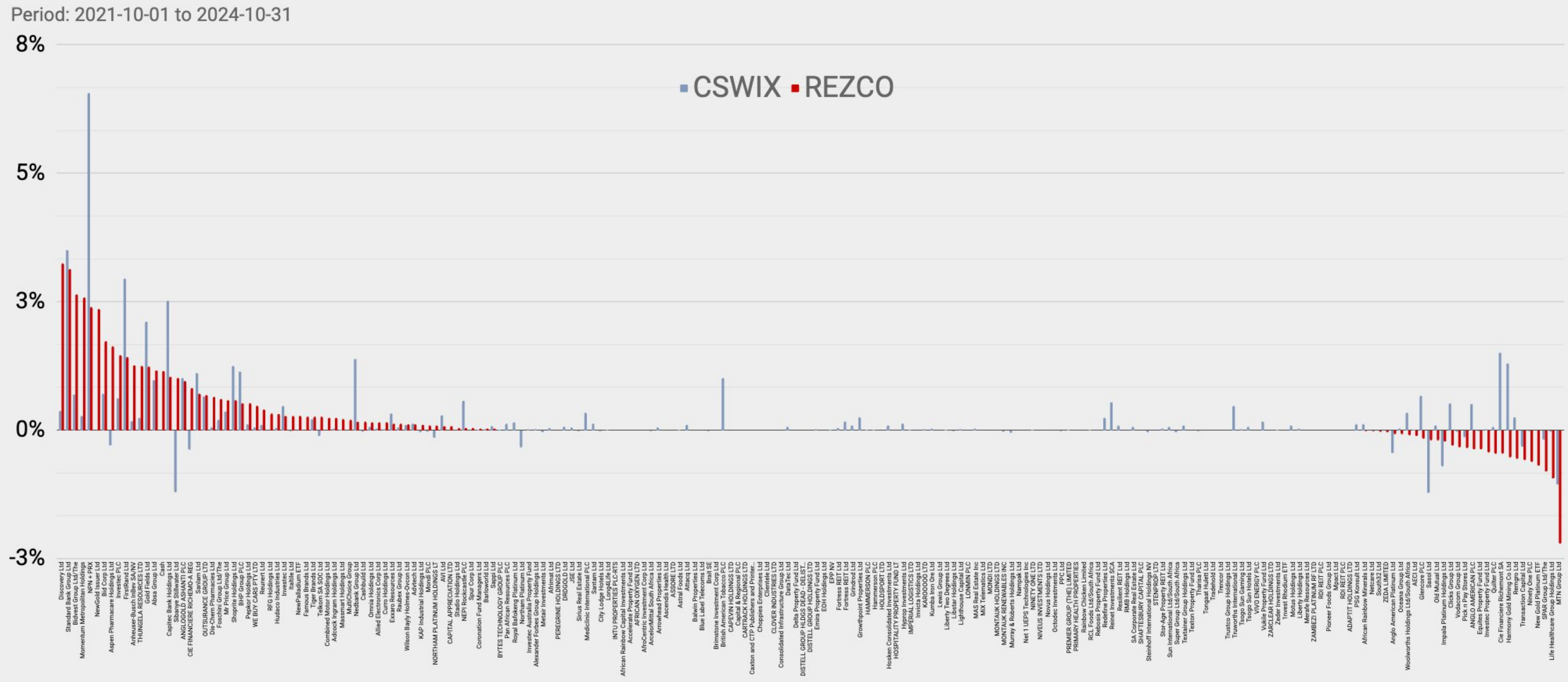
Contribution Per Share vs Capped SWIX ALSI

Rezco Equity: Demonstrable JSE stock picking track record - divergent return sources



Contribution Per Share vs Capped SWIX ALSI

3 Years



REZCO

Current Fund Positioning

	Managed Plus	Value Trend	Stable	Equity
SA Equity	**56%**	**46%**	**30%**	**97%**
SA Inc - Insurance and Other Financials	6%	5%	3%	9%
SA Inc - Industrials	7%	6%	4%	12%
SA Inc - Education	5%	4%	2%	7%
SA Inc - Consumer	19%	16%	10%	32%
SA Inc - Banks	10%	6%	7%	25%
Mining and Resources	3%	3%	2%	5%
Gold	6%	6%	3%	6%
Global Equity	15%	12%	6%	
Total Equity	71%	58%	36%	
SA Short Duration	9%	22%	22%	
SA Long Duration	15%	16%	36%	
Global Fixed Income	3%	2%	5%	
Direct Offshore	**20%**	**16%**	**11%**	

In Closing

The plane is on the runway

But liquidity means that the good seats (SA Inc) are going to run out

- SA Inc offering attractive risk/return with a multi-year tailwind
- Global is overvalued and at risk of a stronger Rand
- Multi-Asset to benefit from both SA Inc and SA duration
    - But careful of anchoring to the high offshore allocations the funds have enjoyed in the past

Live Q&A

Submit your questions by using the Questions tab

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Preserving Capital* & Creating Wealth.

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Thank You