



CENTAUR
ASSET MANAGEMENT

Investment Update and Outlook

JULY 2023

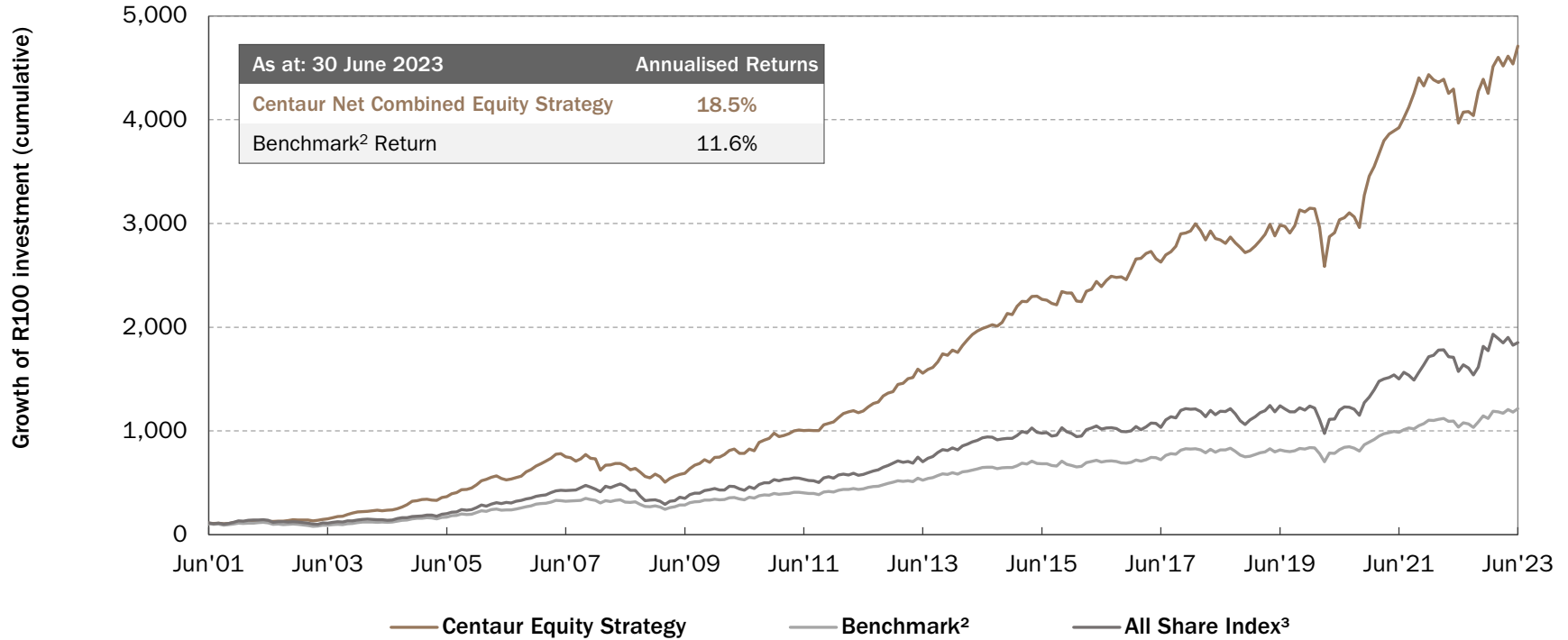
Business Update

- Centaur's 3 Founding Principles:
 - to deliver Investment Excellence;
 - with Outstanding Service;
 - and the Utmost Integrity.
- Process improvements in first half of 2022.
- **Retail only** Asset Manager with R7.1bn Assets under Management on 30 Jun'23.
- Tightly knit team with bonus pools and select members getting profit share.
- Launching a new SA equity fund later this year.



Centaur Long-Term Track Record

Long-Term Track Record Since Inception¹ on 1st October 2000



Centaur Organogram



Roger Williams
Chief Investment Officer, Director, K.I., Rep (23yrs)
B. Econ. Sc. (Hons)



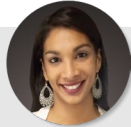
Kirsty Grobler
Head of Operations & Client Services,
Director, K.I., Rep (8yrs)
BA Psychology (Hons), Post Grad. Diploma in
Business Management



Megan Morris
Client Services
Rep (7yrs)
B.Soc.Sci (Org Psy)



Chris Acheson
Marketing (5yrs)
BA Creative Brand
Comms. (Digital Media)



Kelly-Sue Africa
Administration (2yrs)
Certified Bookkeeper
(ICB)



Nicholas De Vos
Assistant PM &
Senior Analyst (3yrs)
(under Supervision)
B. Com. Hons
(Fin. Analysis)



Laing Walker
Assistant PM &
Global Analyst (6yrs)
Hons (Financial Analysis),
MFin (Finance)

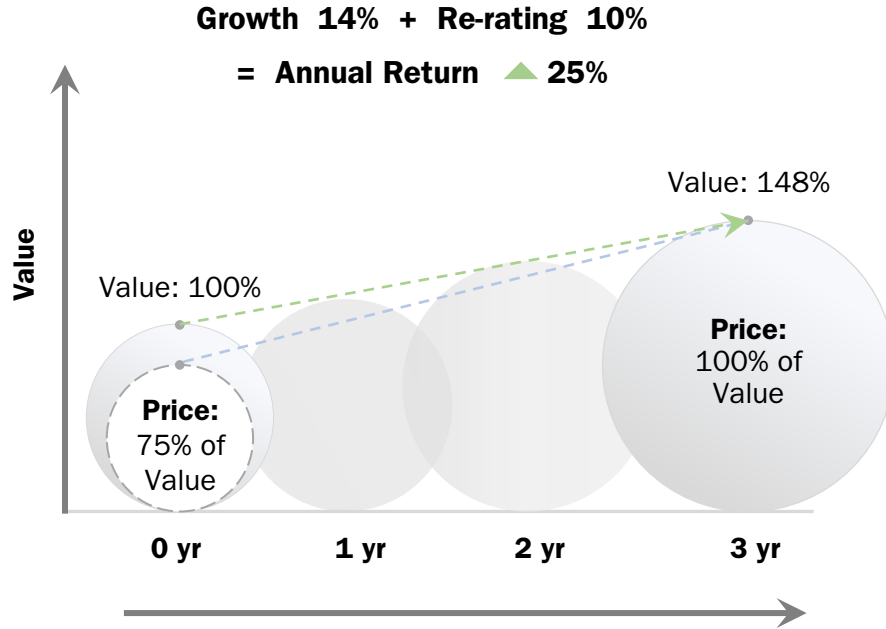


Mick Dohm
Trader &
Quant (12yrs)
B. Com. Inv. Man. Sc.
(Hons)



PJ Prinsloo
Analyst (2yrs)
(under Supervision)
Hons (Financial
Analysis), CFA

Investment Philosophy – Dynamic Value Creation



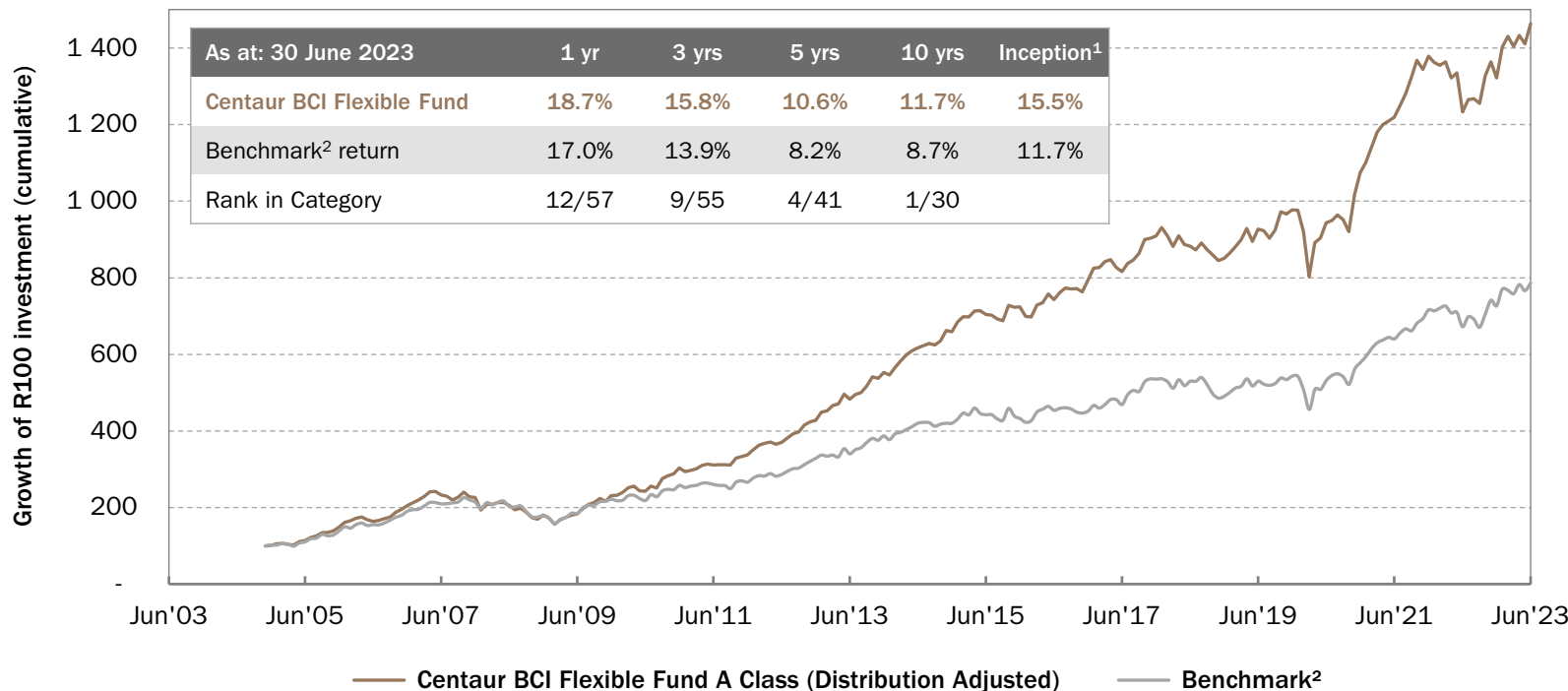
Opportunity identification via repeatable themes.

Process built into systematic models:

- Stock analysis templates.
- Top-seg stock picking model.
- Macro/risk models to guide asset allocation.

Evolutionary process

Centaur BCI Flexible Fund – Performance vs Benchmark Since Inception¹



Best South African Multi-Asset Flexible Fund (Straight Performance) 3 years ending Dec'21



Best Flexible Allocation Fund



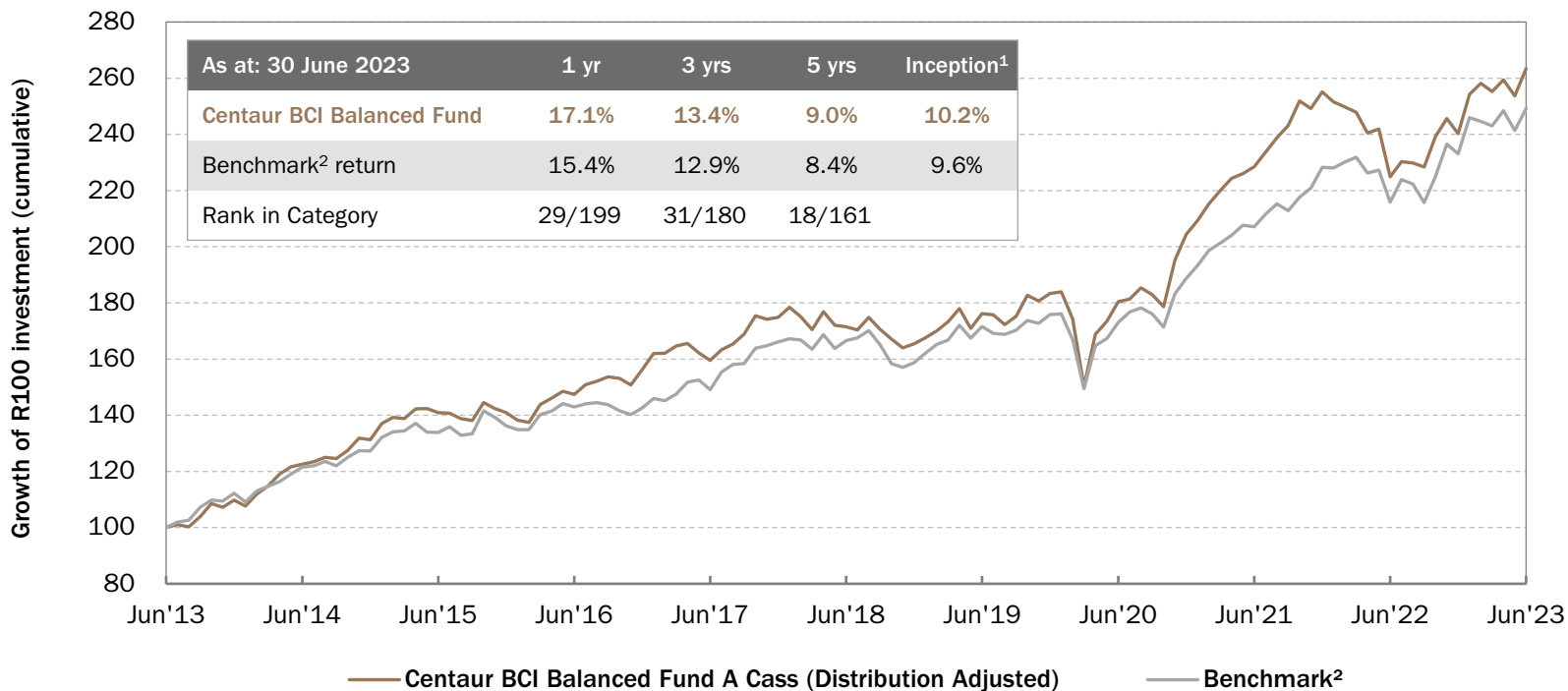
Best Flexible Allocation Fund



Best South African Multi-Asset Flexible Fund (Risk Adjusted) 5 years ending Dec'17

Source: Maitland. Centaur 30 Jun'23, since 1 Dec'04. A Class ¹Inception Date: 01 December 2004. ²Benchmark: 60% JSE Capped SWIX (J433T), 20% MSCI World (M1W0), 20% SteFl. Calculated over a 2-year rolling period. Boutique Collective Investments (RF) (Pty) Ltd ("BCI") is a registered Manager of the Boutique Collective Investments Scheme, approved in terms of the Collective Investments Schemes Control Act, No 45 of 2002. Collective Investment Schemes in securities are generally medium to long term investments. The value of participatory interests may go up or down and past performance is not necessarily an indication of future performance. The full details and basis of the awards are available from the Manager. A schedule of fees, charges, maximum commissions, and rankings is available on request. Investment performance is for illustrative purposes only and is calculated by taking actual initial fees and ongoing fees into account for amount shown with income reinvested on reinvestment dates. ³Weekly standard deviation is the measure of how much an investment's return varies from its average on an annualised basis. Annualised return is weighted average compound growth rate over the period measured. Highest and lowest calendar year performance since inception (31 May'23): High 46.7 Low -20.3.

Centaur BCI Balanced Fund – Performance vs Benchmark Since Inception¹



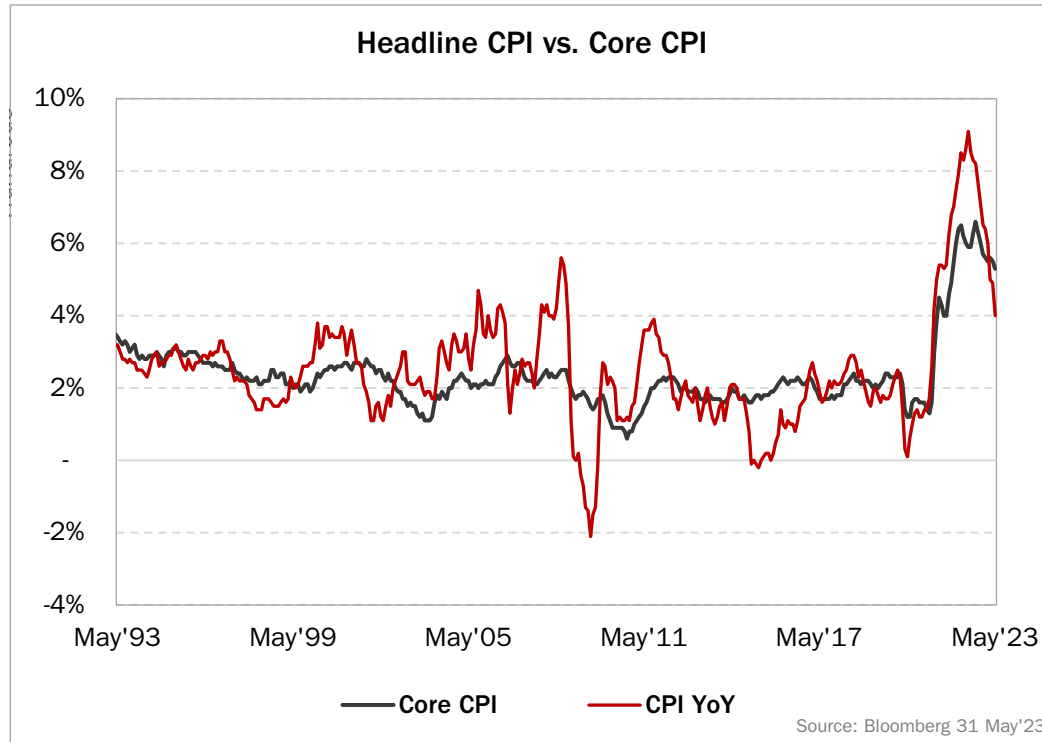
Centaur BCI Flexible Fund: Dec'22 – Jun'23 Top Contributors and Detractors

Contributors			
Rank	Name	Dec'22 - Jun'23 Return	Fund Return contribution estimate
1	Dell	51%	2.2%
2	Exor	35%	1.6%
3	Aspen	35%	1.6%
4	Flutter	62%	1.4%
5	Stellantis	49%	1.1%

Detractors			
Rank	Name	Dec'22 - Jun'23 Return	Fund Return contribution estimate
1	African Rainbow Minerals	-27%	-1.1%
2	ABSA	-10%	-0.5%
3	Anglo American	-17%	-0.3%
4	Sasol	-11%	-0.2%
5	British American Tobacco	-5%	-0.2%

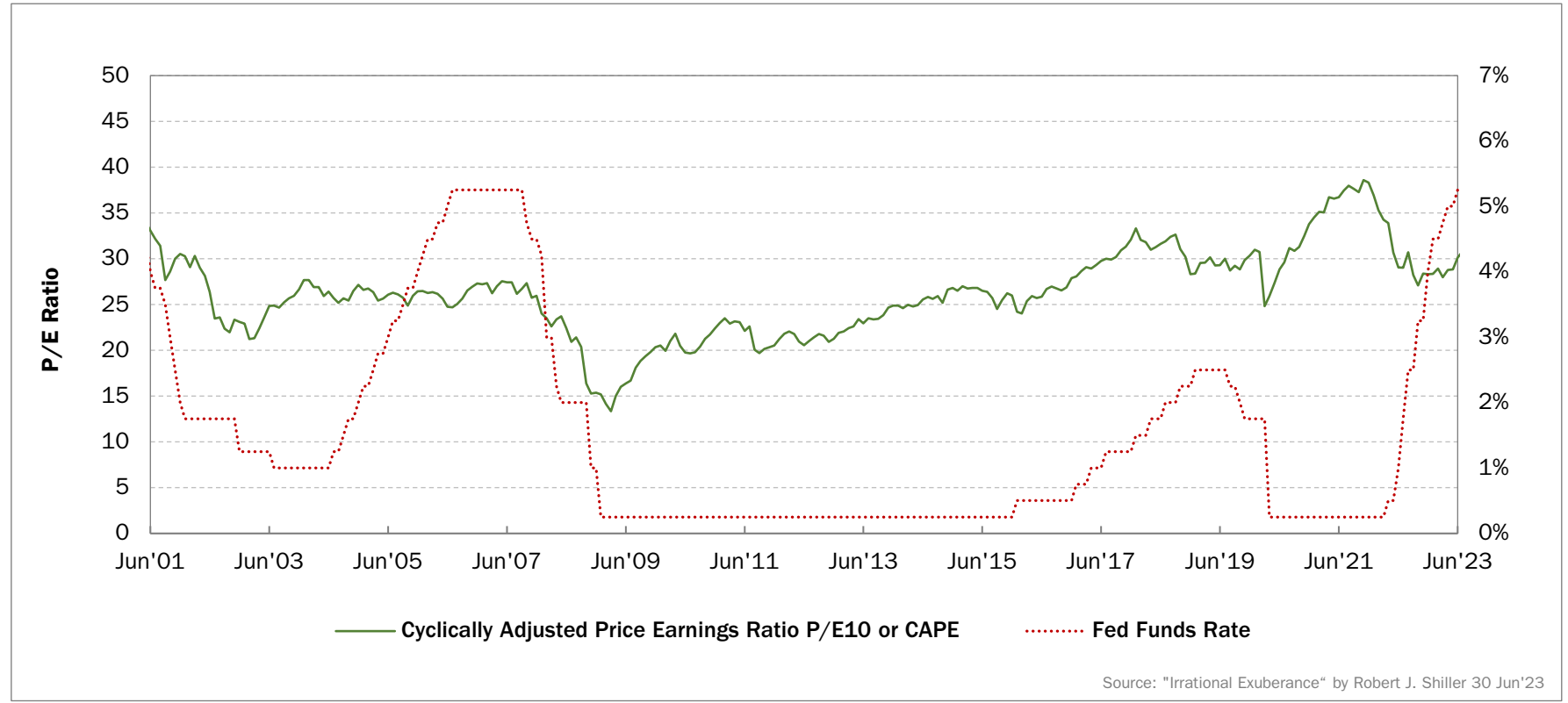
Source: Centaur 30 Jun'23

We Doubt US Inflation has been Knocked Out



- Commodity prices have fallen.
- Yet core inflation remains 5%.
- Market expects 10-yr inflation of 2.2%.
- US labour markets are tight with unemployment near a record low at 3.6%.

Case-Shiller Cyclically Adjusted PE Ratio on S&P 500 & the Fed Funds Rate

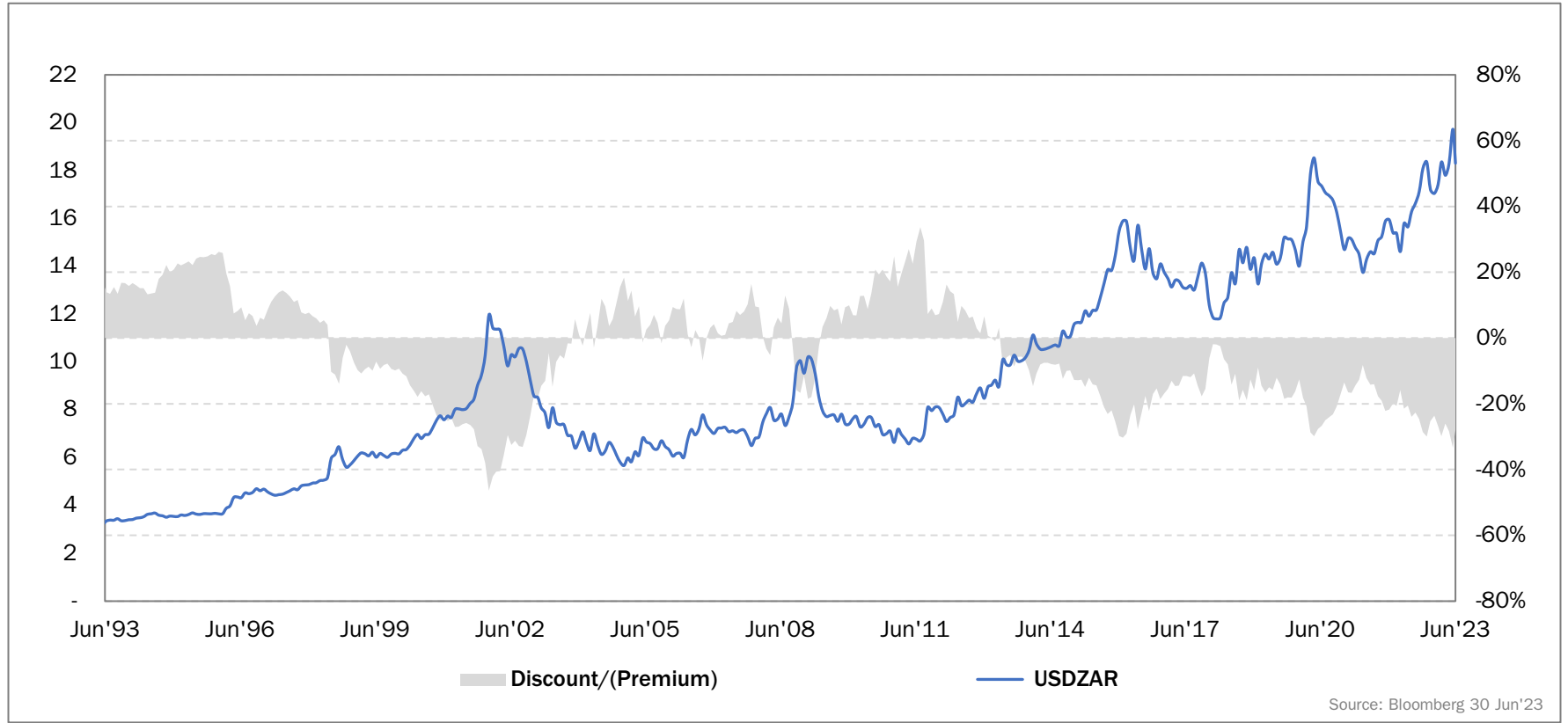


What do we make of the ZAR?

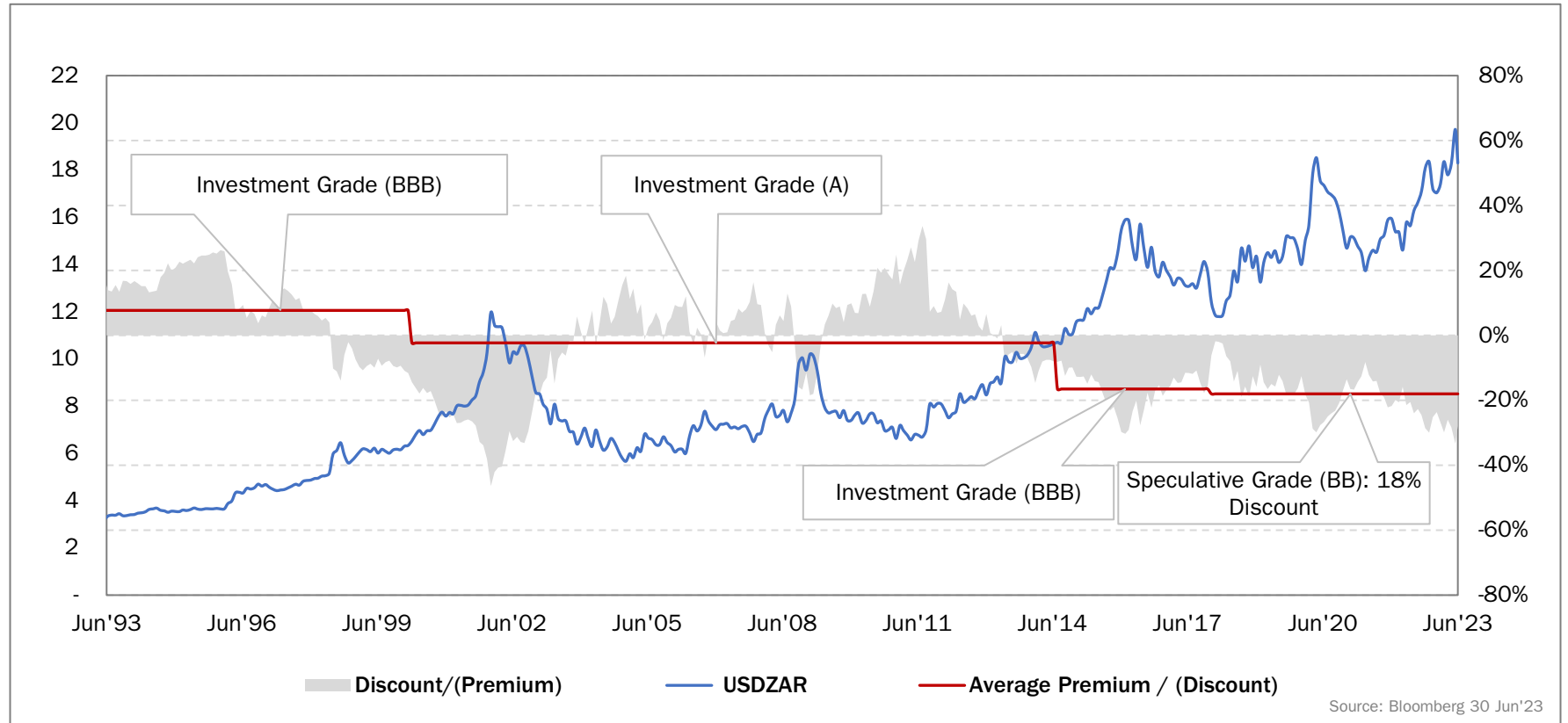


We use Purchasing Power Parity (PPP) base over 20-yr period to end 2014 as base

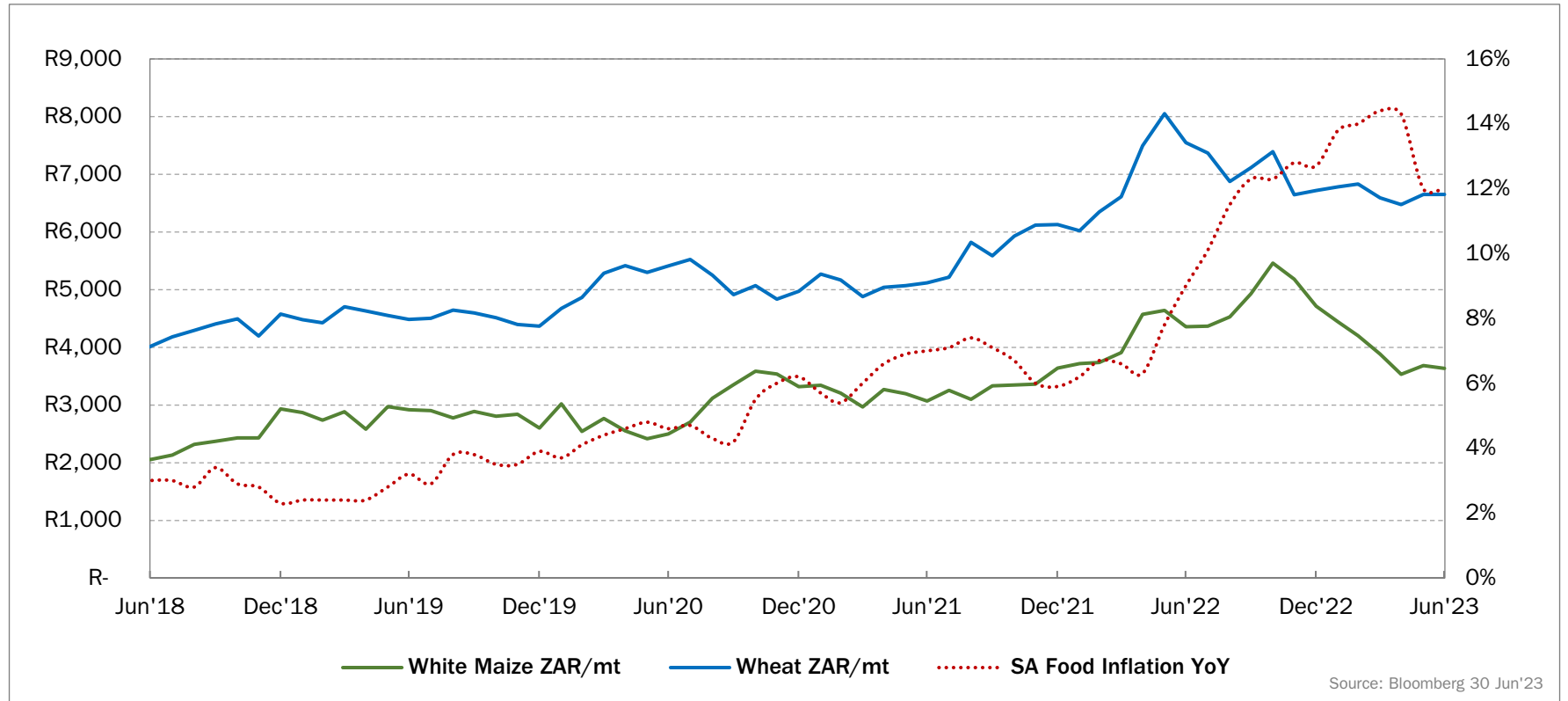
Purchasing Power Parity was good guide to Fair Value



S&P Long Term Currency Ratings for SA Rand

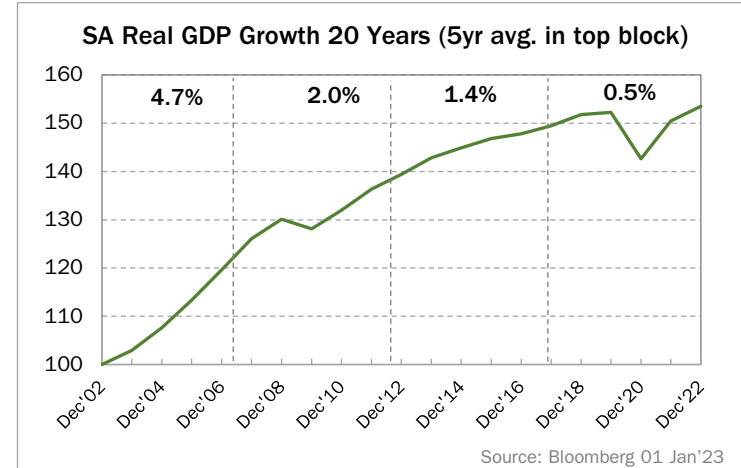


South Africa Maize Prices – 5 Years Monthly



SA Outlook

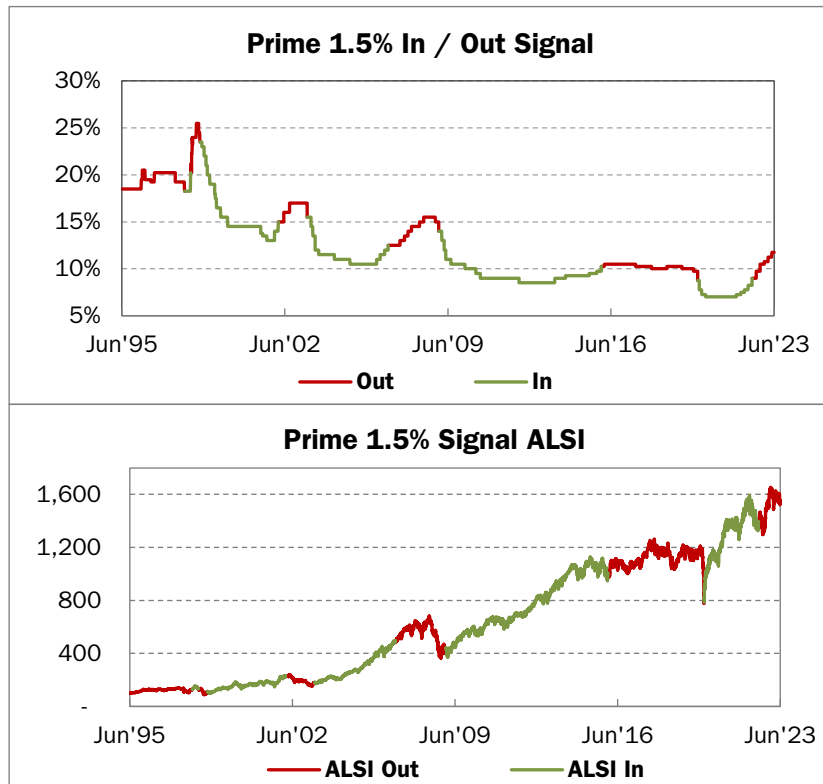
- Unfashionable to be positive on SA.
 - Yet positive signs are emerging.
 - Fixed investment is picking up with roads, water & renewable projects. Wilson Bayly Holmes has a record SA order book:
- | Jun'20 | Jun'21 | Jun'22 | Dec'22 | Jun'23 est. |
|--------|--------|--------|--------|-------------|
| 8,486 | 11,852 | 15,786 | 17,617 | 24,067 |
- Future economic growth should be better than the past 5 years.
 - Select SA companies with excellent payoff profiles: Truworths, Altron, Reunert, Curro.



Some Positive News Emerging

- **New24 - Manganese rail expansion completed** 30 days ahead of schedule, unlocking extra railing capacity for manganese exports.
- **Business Day: SA tackling work permits** to resolve what the presidency believes is the biggest impediment to growth after persistent blackouts: an acute shortage of skills.
- **Morgan Stanley: South Africa's structural story is more positive than markets give credit for**, with tangible evidence of a recovery in fixed investment facilitated by exponential growth in private energy supply. ... However, cyclical headwinds remain, particularly as they relate to the unwind in commodity prices.
- **Rudi Dicks - president's office - Kusile online by end of Dec 2023 ... 2 stages less of load shedding** ... Unit 1 in October, Unit 2 in November and Unit 3 in December. This is all on time as of today.

SA Equity Returns During Different Interest Rate Regimes



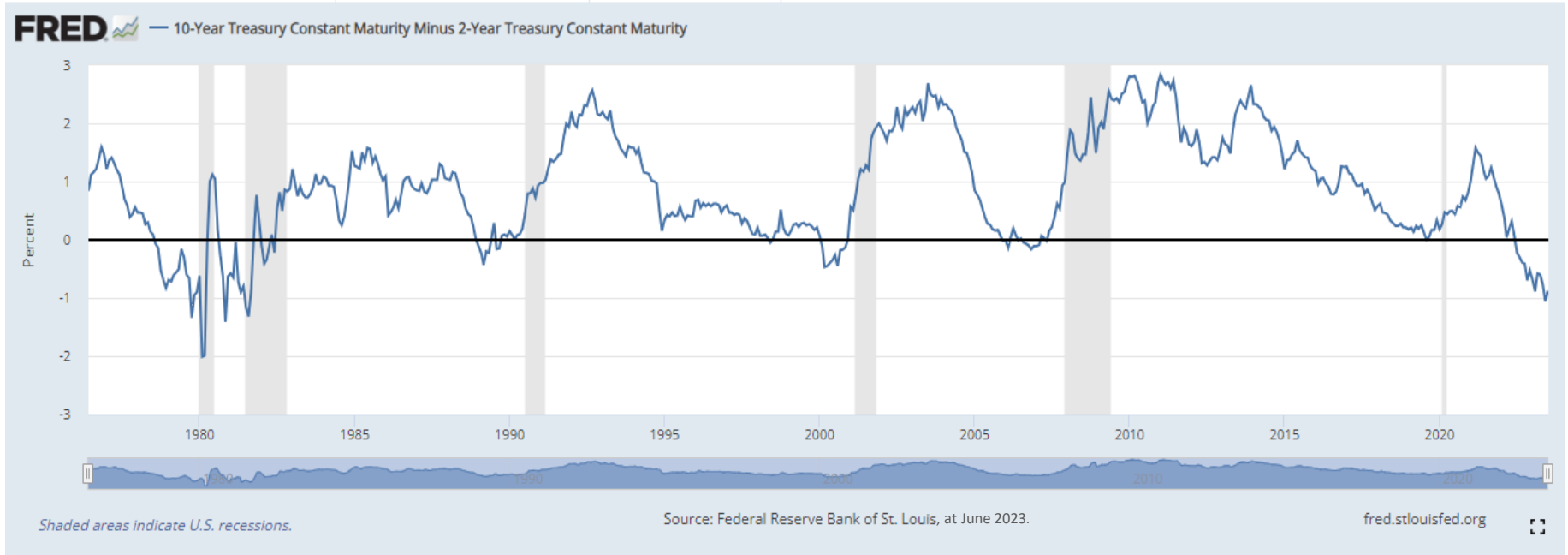
Tight Phase: 6 periods over
11 years 7 months delivered:
CAGR 0.6%
UNDERWEIGHT

Loose Phase: 5 periods over
16 years 5 months delivered:
CAGR 24.4%
OVERWEIGHT

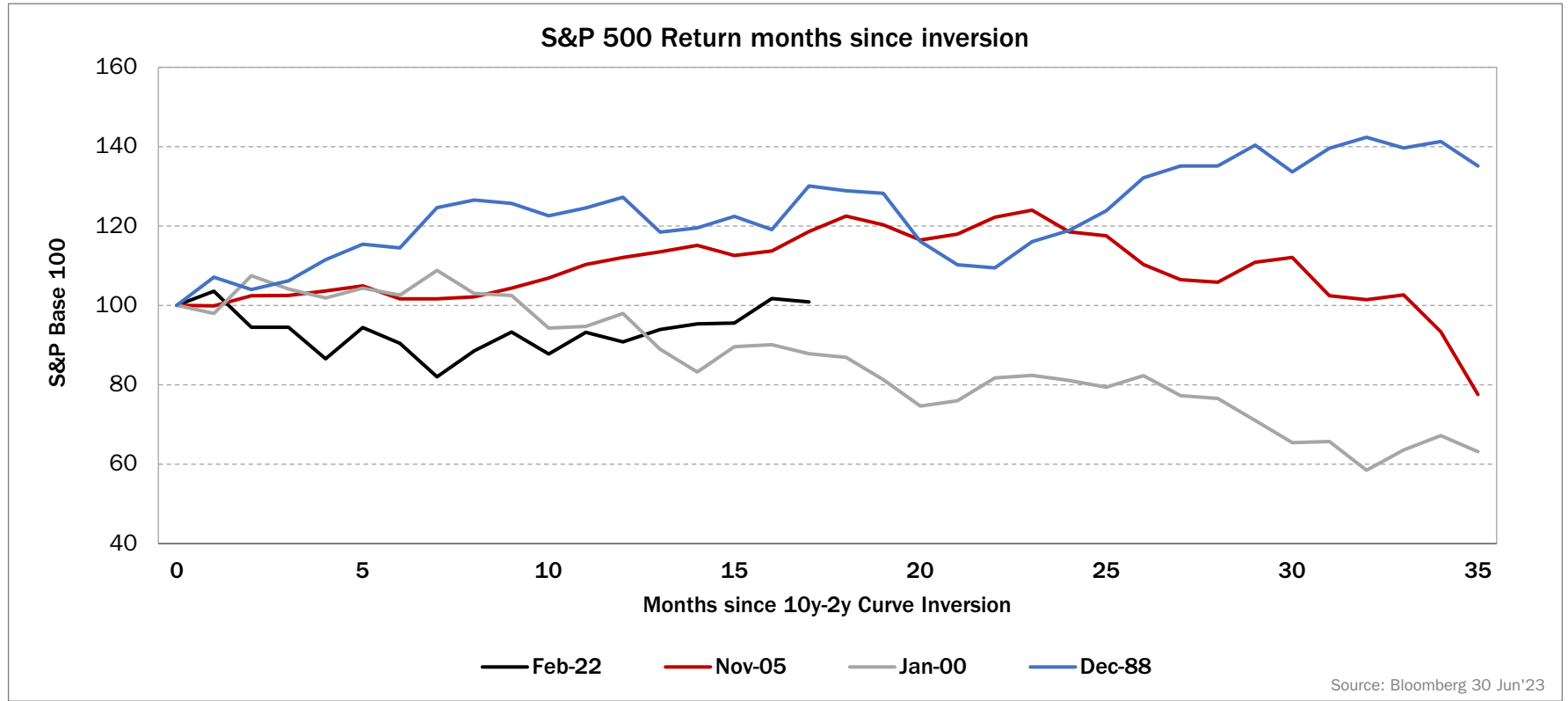
Indicator says remain underweight SA equities.

Source: SARB, Bloomberg 30 Jun'23

10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity



USA 10yr-2yr Curve Inversion



Investment Strategy

1. Equity content defensively positioned around 10% below benchmark:
 - Rising interest rates negative for equity returns.
 - Spread between equity returns and fixed interest is low - capital preservation + liquidity.
2. Focus on optimising fixed interest returns.
3. Maintain offshore cash yielding 5% in USD: good hedge, liquidity for purchases.
4. Use Rand weakness to return cash back to SA.
5. Upweight quality South African stocks on weakness.

Centaur BCI Flexible Fund – Asset Allocation and Changes in 2023

Assets	31 Dec'22	%Δ	30 Jun'23	Comments
Fixed Income	31%	-1%	30%	Weighted average yield of 8.8%
Cash & Equivalents	18%	-1%	17%	3% in offshore cash
SA Government Bonds	7%		7%	Shorter dated bonds
SA Prefs & Income Funds	6%		6%	Primarily Income Funds
Equities	69%	+1%	70%	10% underweight relative to benchmark
JSE Equity	47%	-3%	44%	
World Equities	22%	+4%	26%	Due to outperformance
Total	100%		100%	

Source: Maitland, Centaur 30 Jun'23

Centaur BCI Balanced Fund – Asset Allocation and Changes in 2023

Assets	31 Dec'22	%Δ	30 Jun'23	Comments
Fixed Income	46%	-5%	41%	Weighted average yield of 9.7%
Cash & Equivalents	17%	-3%	14%	5% in international cash
SA Government Bonds	27%	-1%	26%	Select purchases, good value
SA Prefs & Property	2%	-1%	1%	
Equities	54%	+5%	59%	5% underweight
JSE Equity	35%	+2%	37%	Selective purchases
World Equities	19%	+3%	22%	
Total	100%		100%	

Source: Maitland, Centaur 30 Jun'23

Centaur BCI Flexible Fund – Select Large Equity Holdings

Local Holdings

Assets	% of Fund NAV	3yr Expected ZAR Returns	Comments
Aspen	6%	20%	<i>Global pharma company led by super-entrepreneur Steven Saad. Positioned into higher growth markets with low debt. Multiple growth vectors: Africa vaccines, bolt-on acquisitions, insourcing, China.</i>
ABSA	4%	20%	<i>Better long-term ROE driven by efficiencies validates a higher rating. Purchased below book value with a strong capital position.</i>
TRU	4%	25%	<i>Well managed clothing retailer with high returns on invested capital. UK footwear business growing strongly. Gaining market share yet trades on a PE of 7x and 10% dividend yield.</i>
ARI	3%	20%	<i>Empowered cash-flush miner with exposure to Iron Ore, Manganese & PGMs. Growing production profile.</i>

Source: Centaur 30 Jun'23

Centaur BCI Flexible Fund – Select Large Equity Holdings

Offshore Holdings

Assets	% of Fund NAV	3yr Annual Growth	Comments
Dell	6%	15% (USD)	<i>Global leader in IT hardware led by super-entrepreneur, Michael Dell. Gaining market share due to breadth, quality and availability of products. Undemanding PE and strong competitive advantages.</i>
Exor NV	6%	15% (EUR)	<i>Proven value creator under leadership of John Elkann. 10-year Euro CAGR of 17% p.a. outperforming MSCI index by 6% p.a. Trading at 45% discount to sum of parts.</i>
Flutter	4%	15% (GBP)	<i>Global leader in online sports betting . #1 position in rapidly growing US sports betting market via FanDuel brand. Strong competitive advantages via: scale, brand, technology.</i>
Stellantis	3%	20% (USD)	<i>Well managed cash flush auto-company trading on normalised PE of 3.5x. Superior profitability, cashflow to peers with strong EV transition strategy. Well placed to be a winner in EV transition.</i>

Source: Centaur 30 Jun'23

Conclusion

- A strong start to the year and outperformance of benchmarks over 3 years.
- Our process is proving itself.
- US rising interest rate cycle increases risks; portfolios are underweight equities.
- Yet we see good opportunities and will buy at the right time.
- Some positive long-term signs emerging in SA.
- Excited about medium term outlook for returns.

Contact Details

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