CENTAUR
ASSET MANAGEMENT

Fourth Quarter 2020 Fund Update and Investment Outlook

Roger Williams - 21 January 2021

Who We Are?

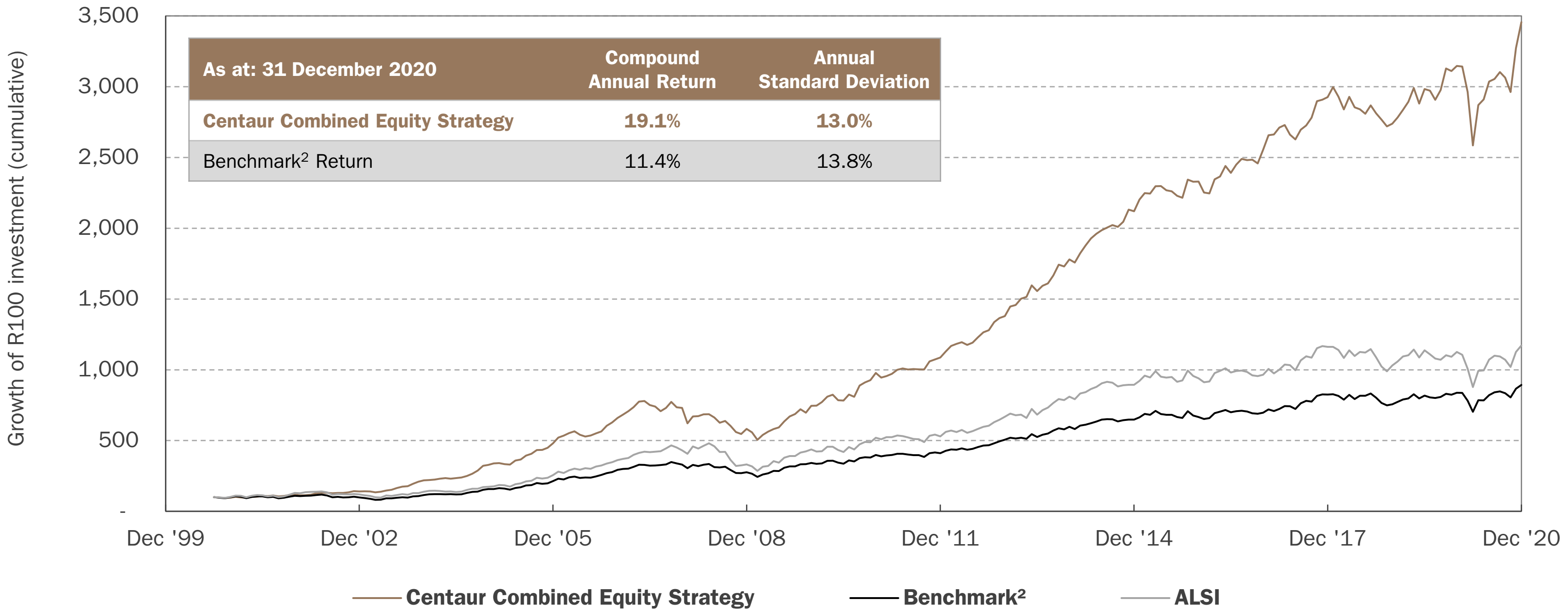
Founded in 2000 with a vision to be the best retail asset manager in South Africa.

3 Founding Principles:

1. To deliver Investment Excellence.
2. With Outstanding Service.
3. And the Utmost Integrity.

Centaur is a retail only asset manager with R4.7bn assets under management at end 2020.

Centaur Long-Term Track Record since Inception on 1st October 2000



As at: 31 December 2020	Compound Annual Return	Annual Standard Deviation
Centaur Combined Equity Strategy	**19.1%**	**13.0%**
Benchmark[2] Return	11.4%	13.8%

[2]Benchmark:

1 Oct 2000 – 31 Dec 2004:	50% ALSI (J203), 50% FINDI (J213) – including dividends
1 Jan 2005 – 30 June 2007:	50% ALSI (J203), 50% FINDI (J213)
1 July 2007 – 31 January 2015:	15% RESI (J258), 65% FINDI (J250), 20% SA Repo
1 February 2015 – 30 September 2018:	15% RESI (J258T), 65% FINDI (J250T), 20% SA Repo
1 November 2018 – Current:	60% JSE Capped SWIX (J433T), 20% MSCI World (M1WO), 20% SteFI.

Source: Bloomberg, Maitland as at 31 Dec'21. [1]Inception Date: 1 Oct'00. Centaur equity strategy net of fees utilised in Centaur's products since inception on 1 October 2000. Performance is for illustrative purposes only. Past performance is not a reliable indicator of future returns.

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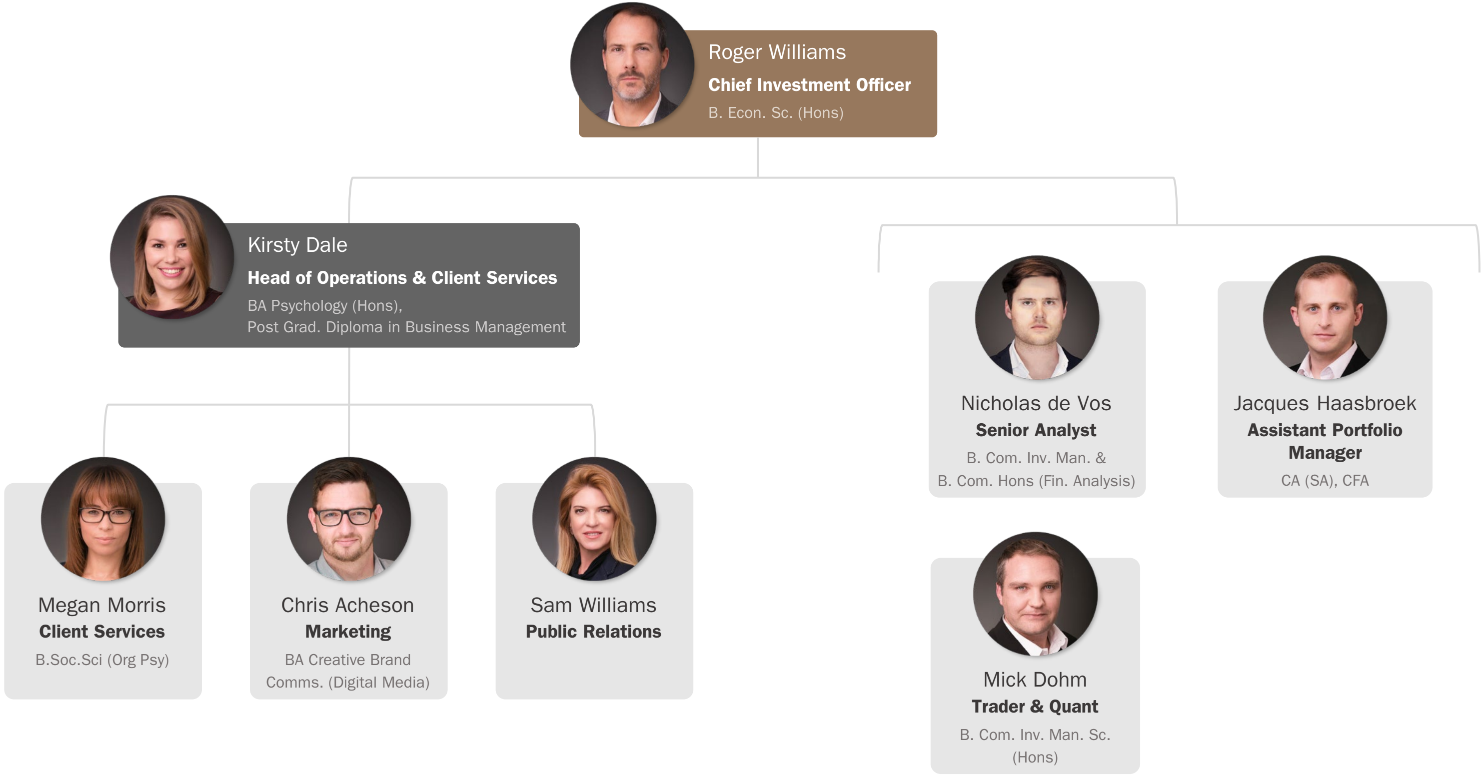
Our Combined Equity Strategy is up 34x since inception[1].

Business Update

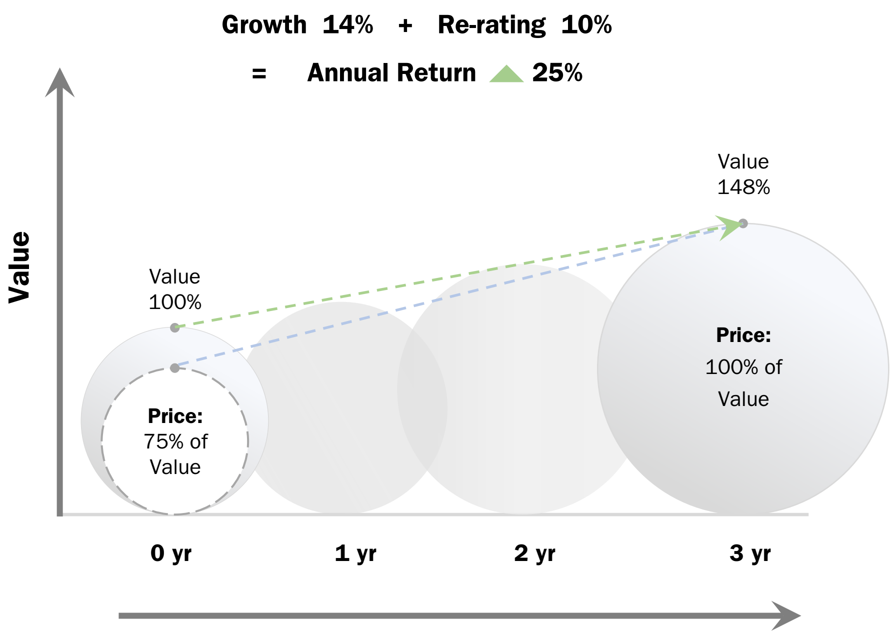
- Centaur Team 100% operational throughout lockdown, robust systems allowed us to capitalise on opportunities.
- Post lockdown hybrid office/remote working planned.
- Top quartile performance for Flexible and Balanced Funds over 1, 3 and 5 years.
- Succession and business continuity is critical, and a medium-term plan is in place:
  - Kirsten Dale being appointed as a Key Individual.
  - Jacques Haasbroek manages discretionary portfolios and has experience to manage unit trusts.
  - Nicholas de Vos was recruited as senior analyst in July'20 with 6 years experience.
  - Proportionate profit share pools to align owner, employee and client interests.
  - Actively recruiting senior PM and analysts.

Centaur Organogram



Experienced, multi-talented energetic team

Investment Philosophy – Dynamic Value Creation



Opportunity identification via 25 repeatable themes with key theses:

- Market or management driving value creation.
- Asymmetric payoffs.

Process built into systematic models:

- Stock analysis templates.
- Top-seg stock picking model.
- Macro / risk models to guide asset allocation.
- Holistic process which gives us control.

Evolutionary approach which accounts for changing real world conditions.

Philosophy & Process has been proven over 20 years

Economic Outlook

- Positive albeit tentative policy progress has been made over the last year: public sector wages; renewable energy; corruption; increasing focus on infrastructure. Statutory regulation remains a hindrance to business.
- Increasing confidence amongst big business CEO’s. Improved government relationships.
- Stimulus in the form of:
  - 3% Lower interest rates boosting personal disposable income. But still too high.
  - Very favourable terms of trade particularly PGM’s (MS estimates R150bn incremental cashflow in 2021 at current prices) and 9% annualised trade surplus on GDP in Q3 2020.
  - Global economic boom expected due to exceptional stimulus provided.
- Covid-19 will remain with SA for much of 2021 – numerous businesses are in hibernation.
- Off low base we expect virtuous circle of economic growth to unfold. Economic expectations are too low.

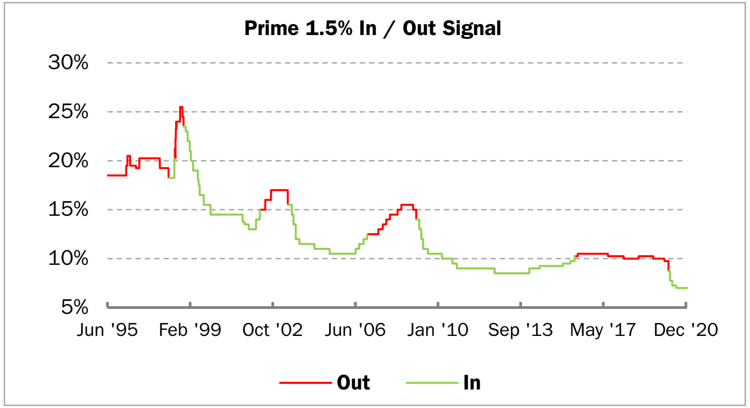
SA Equity Returns During Declining Interest Rates

Loose phase: Buy when Prime rate drops at least 1.5% from peak.

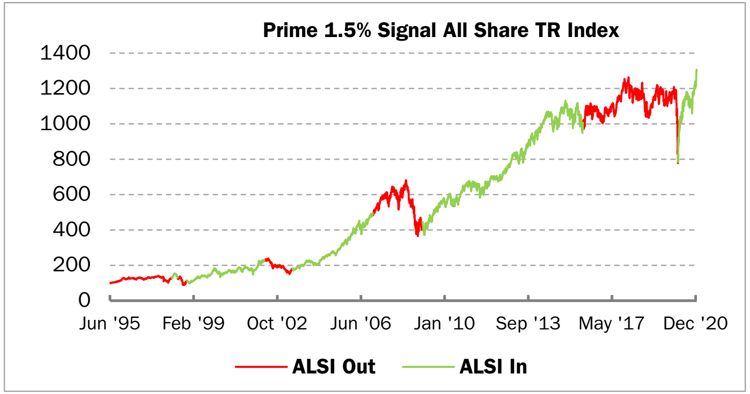
Tight phase: Sell when prime rate rises at least 1.5% from trough.

Tight Phase					
Date	**Signal**	**Days**	**Ref rate**	**Prime**	**ALSI-TR**
30 Jun 95	09 Mar 98	983	20.50%	18.25%	35.7%
11 Jun 98	04 Nov 98	146	25.50%	23.50%	-10.7%
18 Mar 02	13 Jun 03	452	17.00%	15.50%	-15.1%
07 Dec 06	06 Feb 09	792	15.50%	14.00%	-4.3%
29 Jan 16	20 Mar 20	1,512	10.50%	8.75%	-6.4%
Total		**3,885**			**-7.9%**
Annualised Return					**-0.8%**

Loose Phase					
09 Mar 98	11 Jun 98	94	18.25%	20.25%	2.1%
04 Nov 98	18 Mar 02	1,230	13.00%	15.00%	124.1%
13 Jun 03	07 Dec 06	1,273	10.50%	12.00%	204.1%
06 Feb 09	29 Jan 16	2,548	8.50%	10.25%	182.2%
20 Mar 20	13 Jan 21	299	7.00%		61.1%
Total		**5,444**			**3064%**
Annualised Return					**26.1%**



Source: SARB



Source: SARB

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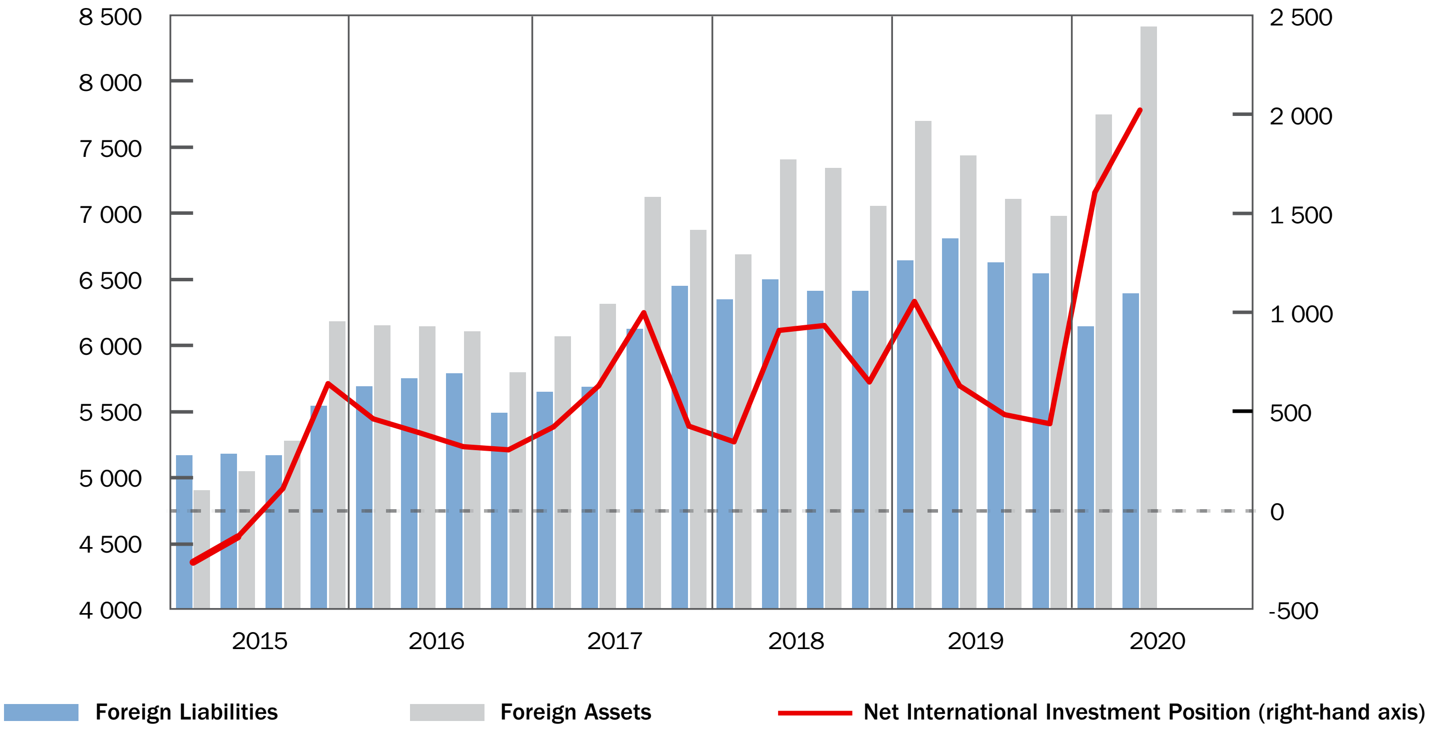
South Africa's International Investment Position – R Billions



Source: SARB Quarterly Bulletin Dec'20

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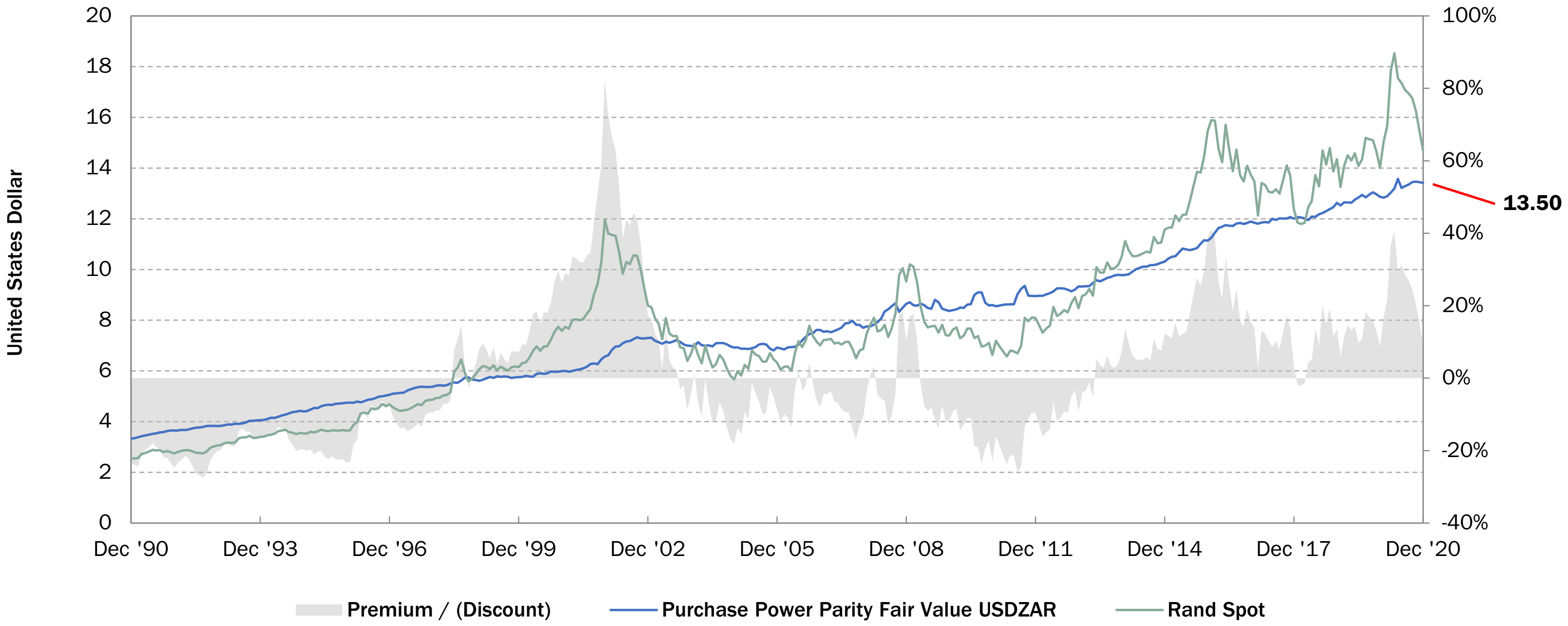
SA Net International Assets R2Trillion

Purchasing Power Parity of Rand to USD



Source: Blomberg at 31 Dec'20

Annualised Trade surplus at 9% of GDP in Q3'20

Developed Market Interest Rates

Government Effective Bond Rates	US	Europe	Japan	SA
Repo rate	0.3%	0.0%	-0.1%	3.5%
10 yr Bond	1.1%	-0.5%	0.1%	9.0%
30 yr Bond	1.8%	-0.1%	0.7%	11.4%
10 year inflation linked Bonds	-1.0%	-1.6%	0.0%	3.9%
Implied Inflation	2.1%	1.1%		5.0%

Japan as a Historical Example:	5yrs ago	10yrs ago	20yrs ago
Japan 10 yr Bond rate	0.3%	1.1%	1.7%
Subsequent bond and equity returns:			
Japan actual Bond index return (CAGR)	0.8%	1.2%	1.4%
Nikkei return (compound annual growth)	9.7%	12.5%	5.1%
Equity outperformance p.a.	9.0%	11.3%	3.8%

Source: Bloomberg

- Low developed bond yield indicates poor returns ahead for bond investors.
- SA offers high real rates as fears government will not be able to fund itself.
- Global phenomenon of excessive fiscal debt and high fiscal deficits: US, Great Britain, Japan, Italy, etc.
- Developed market equities are the only investment offering attractive real yields.

FANG +2 Stock Valuations

Name	Market Cap	Rolling Forward PE's - year ahead.					Historic ROE	5yr Hist. EPS growth
		0yr	1yr	2yr	3yr			
Apple	2,139	39.1	31.1	28.9	27.8	*Full*	73.7%	10.3%
Microsoft	1,608	34.1	29.9	26.4	22.9	*Full*	41.4%	24.2%
Amazon	1,558	90.9	51.8	38.5	32.4	*Full*	25.0%	278.6%
Alphabet	1,172	36.3	25.1	21.2	19.8	*Fair*	17.5%	26.9%
Facebook	716	28.6	22.4	18.8	15.7	*Fair*	23.9%	64.2%
Netflix	220	66.5	50.8	38.3	30.2	*Fair*	32.6%	102.2%
Weighted Average PE		**48.3**	**34.0**	**28.5**	**25.3**		**41.5%**	

Source: Bloomberg

- High PE's have to be taken in context of extremely low developed market interest rates.
- US shares look pricey in the short-term but with strong growth not radically overvalued (~7% nominal returns).
- Equities are the only game in town.

Nonetheless certain areas are in bubble territory:

- Electric vehicles – Tesla too hyped for now.
- Cryptocurrencies.
- The innovation theme.

Investments Outlook

- 9 yr+ SA bonds are attractive relative to cash on real yields over 5% and marginally overweight.
- SA equities attractive relative to cash yields of 4.5% providing a tailwind to SA equities. Overweight equities.
- Invest in higher quality conviction SA stocks at good valuations:
  - **Purchases:** Aspen, Life Healthcare, Mr Price, Discovery.
  - **Sales:** MTN, MMI.
- International Equites - taking some profit as great opportunities are becoming harder to find.
- Remit US Dollars back to SA on Rand weakness as we expect resilience.

Centaur BCI Flexible Fund - Asset Allocation

Assets	31 Dec'19	%Δ	30 Jun'20	%Δ	31 Dec'20	Comments
Fixed Income	**31%**	**+0%**	**31%**	**-12%**	**19%**	**Portfolio duration in-line with benchmark**
Cash & Equivalents	3%	+6%	9%	-6%	3%	
SA Bonds	7%	+0%	7%	+2%	9%	*Average term 9 years*
SA Prefs & Income Funds	16%	-7%	9%	-6%	3%	*Lightened Income funds to reduce credit risk*
Offshore Cash	5%	+0%	5%	-1%	4%	*Remitted some cash back to SA.*
Equities	**69%**	**+0%**	**69%**	**+12%**	**81%**	
JSE Equity	48%	+3%	45%	+8%	53%	*Selective purchases*
World Equities	21%	-3%	24%	+4%	28%	*Purchases and outperformance*
Total	**100%**		**100%**		**100%**	

Source: Maitland, Centaur, at 31 Dec'20

Targeting 80% or More Equity Content

Centaur BCI Balanced Fund - Asset Allocation

Assets	31 Dec'19	%Δ	30 Jun'20	%Δ	31 Dec'20	Comments
Fixed Income	**37%**	**+1%**	**38%**	**+0%**	**35%**	**Portfolio duration in-line with benchmark**
Cash & Equivalents	2%	+0%	2%	+0%	2%	*9% underweight cash*
SA Government Bonds	25%	+1%	26%	-2%	27%	*Portfolio duration 8% above benchmark.*
SA Prefs & Income Funds	7%	-3%	4%	+0%	3%	*Exited Income Funds in favour of SA Bonds.*
SA Property	1%	+0%	1%	+0%	0%	
Offshore Cash	2%	+3%	5%	-2%	3%	*Remitted ZAR back to SA at good levels.*
Equities	**63%**	**-1%**	**62%**	**+0%**	**65%**	
JSE Equity	43%	-8%	35%	+0%	37%	*Active buyer in H2 and increased portfolio focus.*
World Equities	20%	+7%	27%	+0%	28%	*Selective trimming in H2 but outperforming.*
Total	**100%**		**100%**		**100%**	

Source: Maitland, Centaur, at 31 Dec'20

Bond and Equity Allocation Above Benchmark

Centaur BCI Flexible Fund – Select Large Equity Holdings

Assets	% of Fund NAV	3yr-Annual Growth	Comments
Exor NV	5.9%	12% (EUR)	*Proven value creator under leadership of John Elkann.* *Trading in excess 35% discount to sum of parts.*
Entain (previously GVC)	5.0%	20%+ (GBP)	*Leading online sports betting company with leading technology.* *Well placed to be a major player in emerging US sports betting industry.* *Capital light technology led company purchased on sub-10 PE.*
RMI Holdings Ltd (RMI)	4.3%	20% (ZAR)	*Leading direct insurer in SA with strong business in Australia and the UK.* *Disruptive grower with exceptional business economics.* *Trading on a forward PE <10x*
Aspen Pharmacare Holdings Limited	4.3%	20%+ (ZAR)	*Global pharma company led by super-entrepreneur Steven Saad.* *Restructured into higher growth markets and lower debt.* *Purchased on a forward PE <10x.*
Spotify Technology SA	3.6%	10% (USD)	*Leader in streaming music.* *Capital light platform businesses with increasing scale economies.*
HP Inc.	3.6%	20% (USD)	*Exceptional brand and market position.* *Free option on 3D printing and undertaking aggressive buybacks* *Capital light business purchased on PE under 8x.*

Source: Maitland, Centaur, at 31 Dec'20

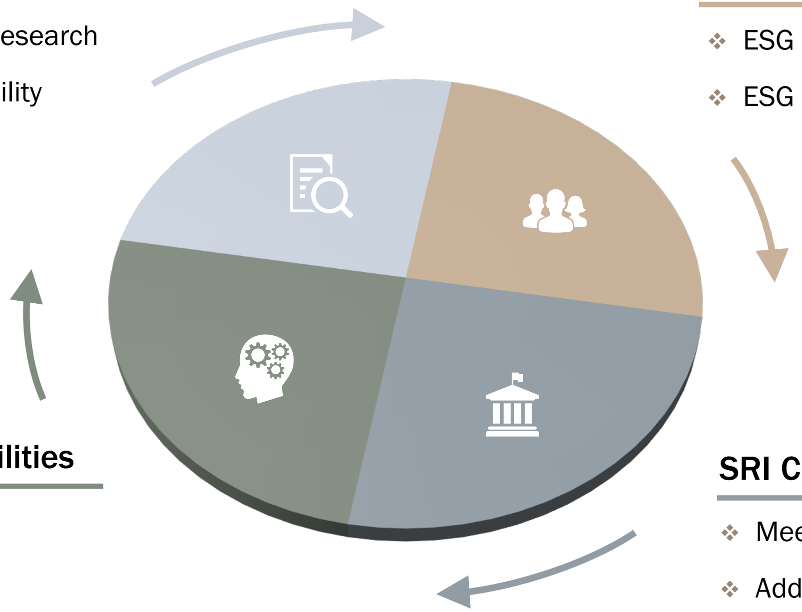
Integrating ESG into our Investment Process

Analyst Research

- ESG incorporated into research
- Emphasis on sustainability and governance
- Proxy voting

Investment Meetings & Reports

- ESG issues raised in investment meetings
- ESG issues flagged in research reports



CIO with oversight responsibilities

- CIO veto responsibility
- Ultimate oversight role

SRI Committee

- Meetings once per quarter
- Additional oversight level

Conclusion

- Centaur is operating smoothly and business continuity processes are working well.
- Focused portfolios which is invested in excellent equity opportunities which should deliver strong real returns.
- Youthful yet experienced team with proven ability of outperformance.

- **Centaur is on top of its game and focused on delivering superior performance.**

Contact Details

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