

30 SEPTEMBER 2024

# THIRD QUARTER REPORT



**CENTAUR**  
ASSET MANAGEMENT

An Authorised Financial Services Provider (FSP 647)

Welcome to the third quarter report for 2024. This has been another excellent quarter for both global and local markets, and we are pleased to share our funds' performance and insights with you.

## Market Overview

The MSCI World Index saw a 6% gain this quarter as global markets continued their upward trend. The Hang Seng Index returned 19% as the Chinese government announced broad based stimulus which spilled over into our local market. Consequently, the JSE ALL Share Index gained 9% and continues to be supported by positive political and structural reform sentiment. This marks the third best quarterly performance for the JSE since 2013.

<b>Fund Performance at 30 September 2024</b>	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>10 years</b>	<b>Inception</b>
Centaur BCI Flexible Fund A	24.5%	12.6%	15.3%	11.7%	16.0% <sup>1</sup>
Fund Benchmark <sup>3</sup>	21.4%	12.1%	12.2%	8.5%	11.9%
Category Ranking	9 / 61	11 / 56	2 / 50	1 / 32	
Centaur BCI Balanced Fund A	26.7%	11.9%	14.2%	10.6%	11.5% <sup>2</sup>
Fund Benchmark <sup>4</sup>	23.4%	12.2%	12.1%	9.40%	10.3%
Category Ranking	4 / 225	24 / 204	4 / 184	4 / 95	

\*Source: MoneyMate. Centaur BCI Flexible Fund category: South African Multi-Asset Flexible. Centaur BCI Balanced Fund category: South African Multi-Asset High Equity. <sup>1</sup>1 December 2004. <sup>2</sup>1 July 2013. <sup>3</sup>Refer to page 3. <sup>4</sup>Refer to page 5.

## The Third Quarter

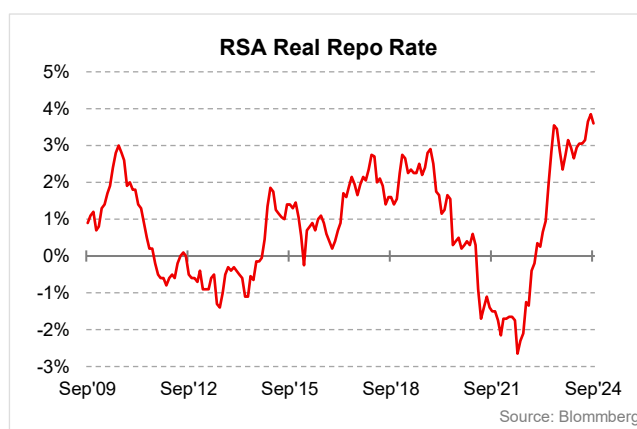
The third quarter was another strong performance for global equity markets. In particular, the Hang Seng Index which rose 19% off a low base. Locally we saw the first interest rate cut of the cycle and our market continues to benefit from positive sentiment around the Government of National Unity. We have yet to see the improved sentiment translate to economic growth but expect this to manifest over the coming months.

### The Start of The Interest Rate Cycle

One of the key drivers of the JSE All Share Index is the interest rate cycle. This quarter marked the first interest rate cut by the South African Reserve Bank (SARB) since 2020. The repo rate was unanimously cut by what we believe is an overly conservative 25 basis points (bps), bringing it to 8%.

SARB governor, Lesetja Kganyago's, term has been characterised by stubbornly high real rates, which along with structural issues have directly impacted the South African economy's ability to grow. To give context, excluding the COVID-19 pandemic, Lesetja has presided over a period where the real repo rate has averaged 1.7% compared to his predecessor, Gill Marcus, whose tenure from 2009 to 2014 saw real rates averaging just over 0%. Even after the most recent rate cut, our real rate at 3.6% remains high for an economy plagued by supply-side rather than demand-side inflation factors.

Consensus expectations are for the SARB to cut interest rates by another 100bps over the coming 12 months, but more is needed. Consequently, we think there may be a pause in domestic equity returns until we see tangible growth on the ground or indication of more pro-active interest rate cuts.



### Renewable Energy Theme

Over the quarter we have identified an exciting thematic opportunity. Polysilicon is the primary material in solar photovoltaic (PV) cells. Due to increased affordability and other factors, the solar market is expected to triple to 15% of global electricity generation by 2030, bringing with it strong growth in demand for polysilicon.

Due to the current supply glut brought on by overinvestment, polysilicon prices have fallen over 80%, leaving most polysilicon producers lossmaking. We expect the situation to rectify itself due to strong demand growth and high-cost production exiting the market. We are building a position in Daqo, a Chinese based but US listed company, which is the 2nd lowest cost producer of polysilicon globally, has 140% of its market cap in cash, and is trading at 3x normalized earnings. We believe the company has the potential to offer strong asymmetric returns.

### Benchmark Changes

After much consideration, we decided to change the benchmark of the Centaur BCI Flexible and Balanced Funds. We have upweighted the offshore equity content in the Flexible and Balanced funds benchmarks to 30% (from 20%) and 24% (from 16%), respectively as well as changing the data provider on the offshore indices. The reasons are:

1. The SA regulatory offshore allowance has increased to 45% which has played a role in up weighting the offshore exposure in the benchmark. Our benchmarks are our forward-looking view of the best risk adjusted strategic asset allocation. The increased offshore allocation should improve the expected return and lower the risk of the fund resulting in a better outcome for our clients.

2. MSCI is being removed and replaced with Morningstar as the offshore index provider due to MSCI aiming to implement excessive fees against the fund for using their index. Morningstar is a credible provider with the same indices that charges more economical rates.

We remain a South African centric investment house and do not expect any immediate changes to our asset allocation with benchmark changes coming into effect at the start of 2025.

#### **Appointment of Chief Operating Officer (COO)**

Kirsty Grobler had a baby daughter in February and resigned in July to focus on her family and we wish her all the best. We are delighted to announce the appointment of Doug Stott as our new COO effective 1 October. He is a Chartered Accountant with 25 years of experience in financial services. His leadership roles include CEO of Prime Financial Services and COO at asset management firms Capricorn Fund Managers and Sentio Capital Management. His core role will be to strengthen Centaur's operational management and foster new business growth. We warmly welcome him to the team.

Centaur's assets under management surpassed R10 billion over the quarter. We remain true to our founding principles of delivering exceptional returns, with great service and the utmost integrity. Our commitment to delivering long-term outperformance remains unwavering and value your continued trust.

Should you have any queries, please do not hesitate to contact myself or Nicholas de Vos. For additional details, you can reach our client services team at [admin@centaur.co.za](mailto:admin@centaur.co.za).



**Roger Williams**

# Centaur BCI Flexible Fund



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

The Centaur BCI Flexible Fund increased 6.7% over the quarter and is the best performing Fund in the SA Multi-Asset Flexible Category over all periods of six or more years.

**Fund NAV** R 7 398.9m (at 30 September 2024)

**Objective** The Fund targets real returns of at least 6% per annum with volatility no greater than 80% of the JSE All Share Index.

**Benchmark** Composite of 60% FTSE/JSE Capped Shareholder Weighted All Share Index (J433T), 20% MSCI World Index (M1WO) and 20% SteFI.

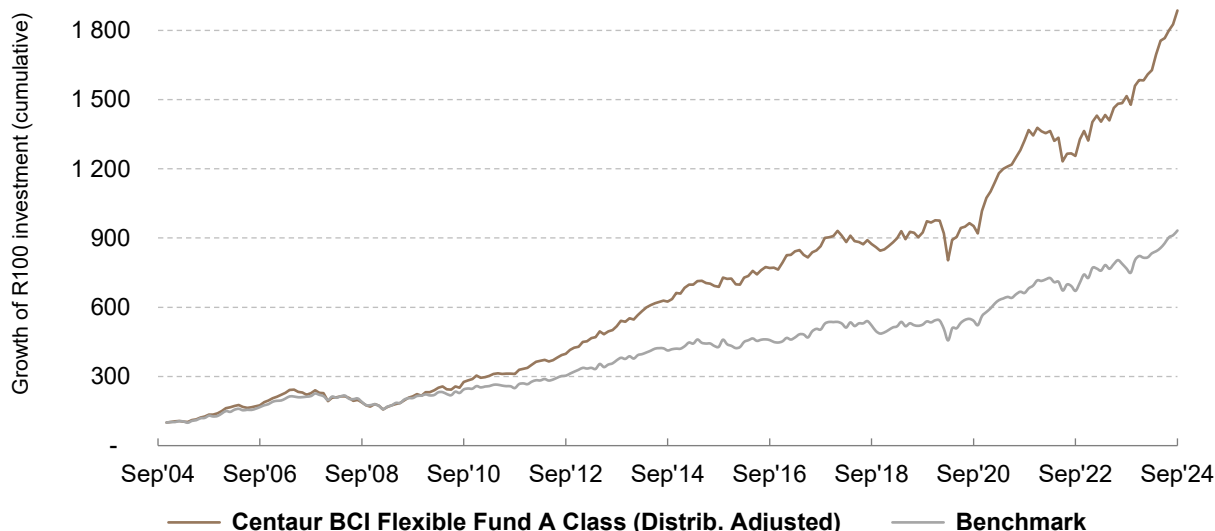
## Fees on Class A:

**Annual Fee** 1.25% p.a. (excl. VAT) on the value of the Fund.

**Performance Fee** 20% above benchmark over rolling 2-year period, capped at 2% p.a.

**Inception Date** 1 December 2004

Relative to Benchmark on a Monthly Basis (100 = 1 Dec 2004)



Performance at 30 September 2024	1 year	3 years	5 years	10 years	Inception
Centaur BCI Flexible Fund A	24.5%	12.6%	15.3%	11.7%	16.0%
Benchmark	21.4%	12.1%	12.2%	8.5%	11.9%
SA Multi-Asset Flexible Category Return	20.1%	11.0%	11.0%	7.9%	
Ranking in Category	9 / 61	11 / 56	2 / 50	1 / 32	
Std. Deviation <sup>1</sup> – Centaur BCI Flexible Fund A	9.2%	10.5%	13.8%	11.5%	12.1%
Std. Deviation – Benchmark	9.2%	10.4%	13.7%	12.5%	13.6%

**Source:** Apex, Moneymate and Centaur at 30 September 2024. Past performance is not a reliable indicator of future returns. Investment performance is for illustrative purposes only and calculated by taking actual initial fees and ongoing fees into account for amount shown with income reinvested on reinvestment dates. Annualised return is weighted average compound growth rate over the period measured. Full details and basis of the awards are available from the manager. The manager has the right to close the portfolio to new investors in order to manage it more efficiently. <sup>1</sup>Weekly standard deviation is the measure of how much an investment's return varies from its average on an annualised basis. Highest and lowest calendar year performance since inception (at 31 August 2024): High 46.7% Low -20.3%.

Asset Allocation	30 Jun'24	%Δ over Quarter	30 Sep'24	Benchmark
<b>Fixed Income</b>	<b>28%</b>	<b>-4%</b>	<b>24%</b>	<b>20%</b>
SA Cash & Equivalents	6%	+2%	8%	
SA Bonds	8%	0%	8%	
SA Prefs & Income Funds	4%	0%	4%	
Offshore Cash	10%	-6%	4%	
<b>SA Equities</b>	<b>50%</b>	<b>+3%</b>	<b>53%</b>	<b>60%</b>
<b>Offshore Equities</b>	<b>22%</b>	<b>+1%</b>	<b>23%</b>	<b>20%</b>
<b>Total</b>	<b>100%</b>		<b>100%</b>	<b>100%</b>

### Fund Strategy and Adjustments

Equity content increased 4% due to incremental buying of local and offshore holdings, however this was lower than targeted due to extremely strong net inflows into the fund. The improved outlook in SA post GNU presented an opportunity to buy both new and add to existing local holdings. After trimming offshore equities post a strong performance in the first half of the year, the Fund became net buyers again in Q3 by adding two new ideas. The Fund repatriated offshore cash to South Africa at excellent levels on the Rand, which combined with new purchases and net inflows, reduced the offshore cash weighting by 6%.

### New Additions and Exits

We added new SA positions in Old Mutual and BHP Group and accumulated shares in Prosus, Bidcorp, Netcare and Truworths. Positions in British American Tobacco, Anglo American, and Wilson Bayly were reduced. The offshore equity component added three new holdings, TCOM, an Asian traveling platform, Daqo Energy, a renewable energy company, and a Platinum ETF. Existing positions in Dell, Exor and Philips were topped up.

### Top Performers

The fund's relative outperformance was driven by overweight positions in Wilson Bayly Holmes, Momentum, and Truworths, whilst offshore returns were bolstered by Phillips and Flutter.

### *Top 10 Equity Holdings*

Holding	Sector	% of Fund NAV
Prosus Nv	Media & IT	6.1%
Truworths International Ltd	Retail	5.0%
Exor Nv	Offshore – Investment Services	4.8%
Absa Group Ltd	Banking	4.2%
Aspen Pharmacare Holdings Ltd	Pharmaceuticals	3.9%
African Rainbow Minerals Ltd	Mining & Resources	3.3%
Koninklijke Philips Nv	Offshore – Healthcare	3.3%
Momentum Group Ltd	Financials	3.2%
Flutter Entertainment Plc	Offshore – Gaming	3.2%
Netcare Ltd	Healthcare	3.1%

Source: Apex, Centaur at 30 September 2024

# Centaur BCI Balanced Fund



The Centaur BCI Balanced Fund increased 8.1% over the quarter, is the fourth-best performing Fund in the SA Multi-Asset High Equity Category over both 5 and 10 years, and a top quartile performer over all periods of one or more years.

**Fund NAV** R 2 591.7m (at 30 September 2024)

**Objective** The Fund targets real returns of at least 4% per annum with volatility no greater than 60% of the JSE All Share Index.

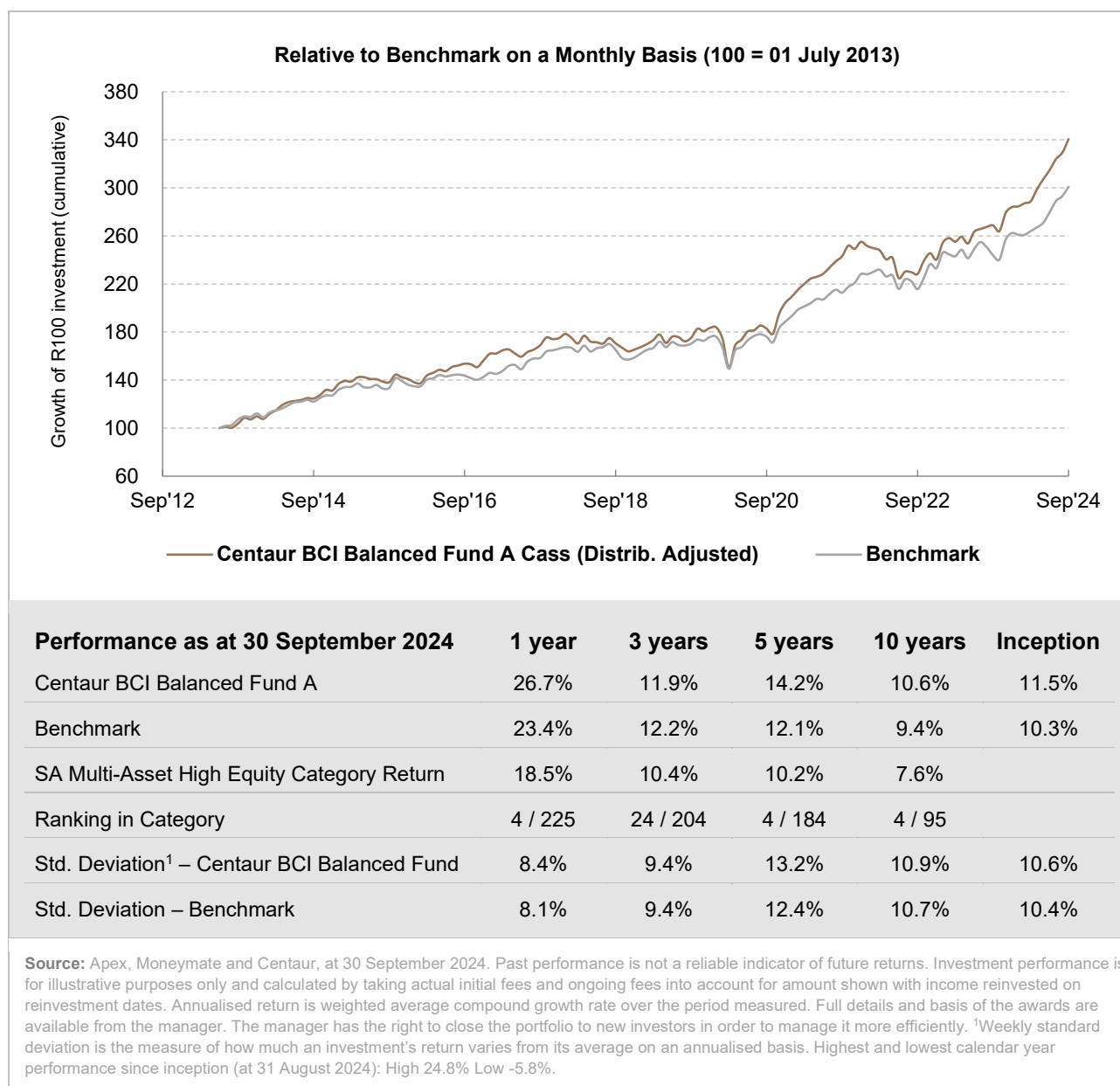
**Benchmark** 25% FTSE/JSE All Bond Index (ALBTR), 48% FTSE/JSE Capped Shareholder Weighted All Share Index (J433T), 16% MSCI World Index (M1WO) and 11% SteFI.

**Fees on Class A:**

**Annual Fee** 1.35% p.a. (excl. VAT) on the value of the Fund.

**Performance Fee** 12.5% above benchmark over rolling 2-yr period, capped at 1% p.a.

**Inception Date** 1 July 2013



Asset Allocation	30 Jun'24	%Δ over Quarter	30 Sep'24	Benchmark
<b>Fixed Income</b>	<b>35%</b>	<b>+1%</b>	<b>36%</b>	<b>36%</b>
SA Cash & Equivalents	3%	+4%	7%	11%
SA Bonds	26%	0%	26%	25%
SA Prefs & Income Funds	1%	0%	1%	
Offshore Cash	5%	-3%	2%	
<b>SA Equities</b>	<b>45%</b>	<b>+1%</b>	<b>46%</b>	<b>48%</b>
<b>Offshore Equities</b>	<b>20%</b>	<b>-2%</b>	<b>18%</b>	<b>16%</b>
<b>Total</b>	<b>100%</b>		<b>100%</b>	<b>100%</b>

### Fund Strategy and Adjustments

The Fund's local asset allocation increased by 5% as offshore exposure was pared back. The outlook for South Africa improved post GNU. Offshore equity exposure reduced mainly due to a stronger Rand performance of local assets whilst the purchasing of two new holdings offshore was offset by exiting another.

### New Additions and Exits

The Fund added no new local positions during the quarter, but upped existing holdings in Prosus, Aspen and Netcare. The Fund exited Anglo America and partially switched its British American holding into Bidcorp. The offshore equity component added three new holdings, Trip.com, an Asian traveling platform, Daqo Energy, a renewable energy company and a Platinum ETF. The offshore Tencent holding was switched into Prosus.

### Top Performers

Relative outperformance locally was positively driven by its overweight position in local bonds, as well as holdings in WBHO, Altron and PPC. Offshore returns were bolstered by strong performance of Philips and Flutter which was partially offset by Dell and Jupiter Mines.

### *Top 10 Equity Holdings*

Holding	Sector	% of Fund NAV
Prosus NV	Media & IT	5.7%
Aspen Pharmacare Holdings Ltd	Pharmaceuticals	4.2%
Truworths International Ltd	Retail	3.8%
Absa Group Ltd	Banking	3.7%
Exor Nv	Offshore – Investment Services	3.4%
African Rainbow Minerals Ltd	Mining & Resources	3.0%
Momentum Group Ltd	Financials	2.7%
Flutter Entertainment Plc	Offshore - Gaming	2.7%
Altron Ltd	Technology Services	2.5%
Koninklijke Philips Nv	Offshore – Healthcare	2.5%

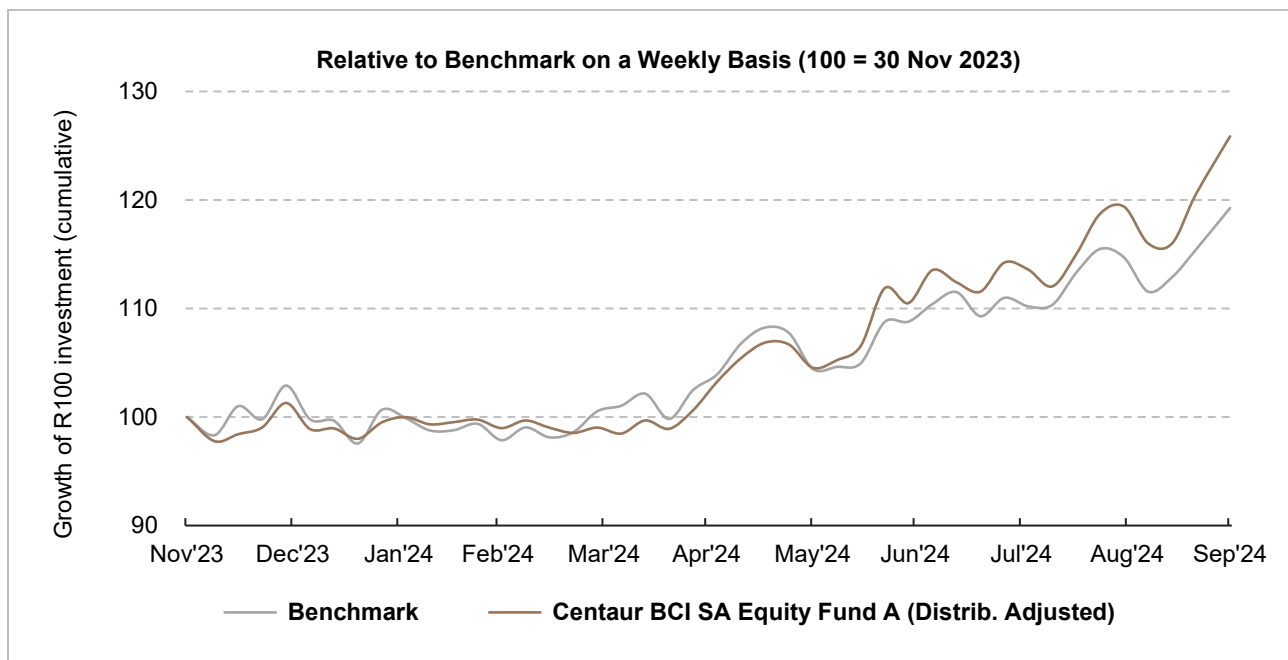
Source: Apex, Centaur at 30 September 2024



## Centaur BCI SA Equity Fund

Since inception, the Centaur BCI SA Equity Fund A returned 25.9%, compared to the benchmark performance of 19.3%, outperforming it by 6.6%.

<b>Fund NAV</b>	R 749.9m (at 30 September 2024)	<b>Fees on Class A:</b>	
<b>Objective</b>	The Fund targets real returns of at least 7% per annum.	<b>Annual Fee</b>	1.25% p.a. (excl. VAT) on the value of the Fund.
<b>Benchmark</b>	100% FTSE/JSE Capped Shareholder Weighted All Share Index (J433T).	<b>Performance Fee</b>	20% above benchmark over rolling 1-yr period, capped at 2% p.a.
<b>Inception Date</b>	30 November 2023		



**Source:** Apex, Moneymate and Centaur, at 30 September 2024. Past performance is not a reliable indicator of future returns. Investment performance is for illustrative purposes only and calculated by taking actual initial fees and ongoing fees into account for amount shown with income reinvested on reinvestment dates. Annualised return is weighted average compound growth rate over the period measured. The manager has the right to close the portfolio to new investors in order to manage it more efficiently.

### Fund Strategy and Adjustments

Centaur's BCI SA Equity Fund was well positioned for a favourable election outcome as it is relatively overweight SA Inc. shares and underweight Rand hedges.

### New Additions and Exits

During the quarter, the Fund added two new holdings, namely We Buy Cars and JSE Ltd and continued to upweight positions in Prosus, Absa, Aspen and African Rainbow Minerals. Positions in AECI, Anglo American and Merafe Resources were exited during the quarter.

### Top Performers

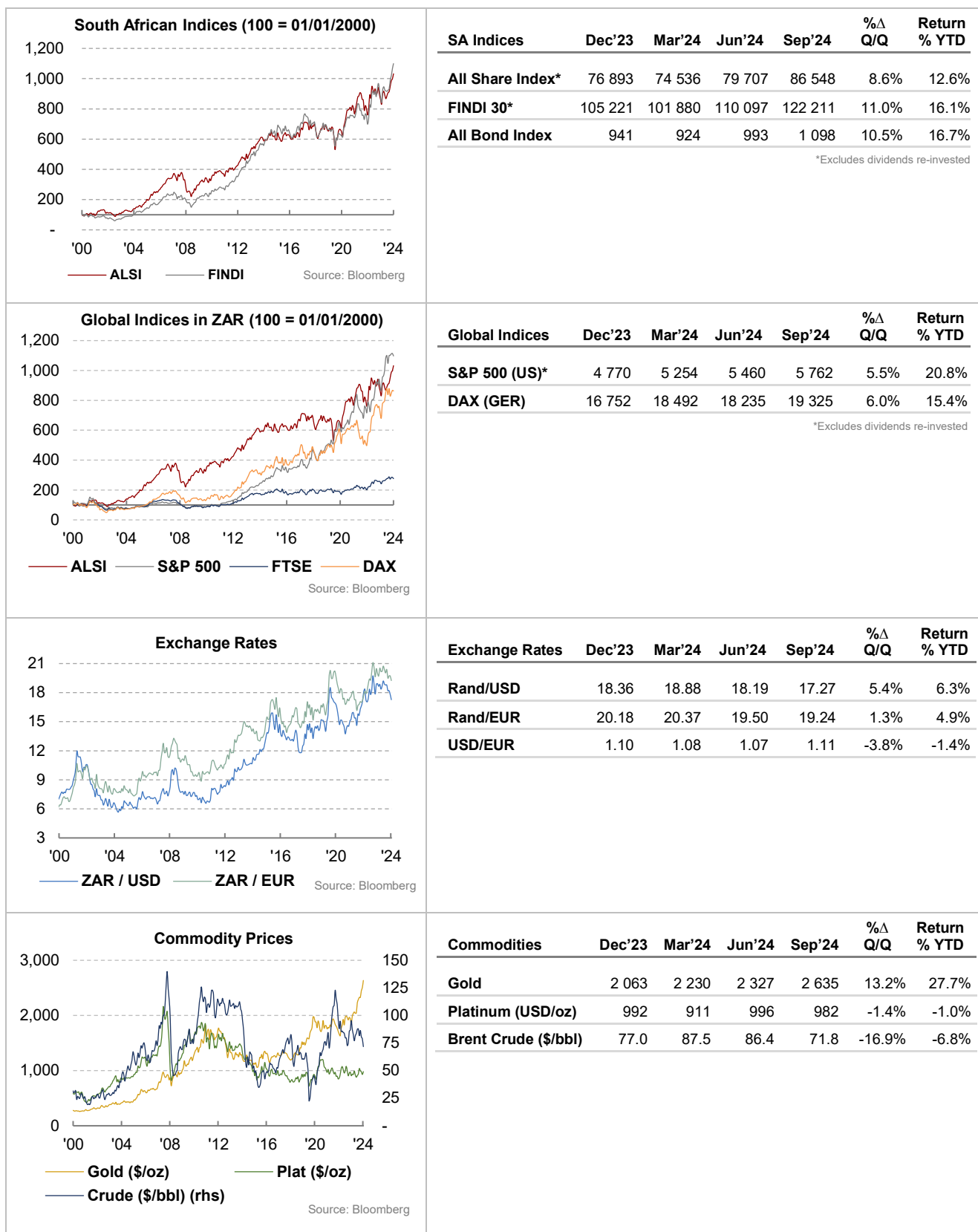
The Fund's relative outperformance was driven by overweight positions in Southern Sun, Prosus and Momentum Group.

## *Top 10 Equity Holdings*

<b>Holding</b>	<b>Sector</b>	<b>% of Fund NAV</b>
Prosus Nv	Media & IT	10.4%
Absa Group Ltd	Banking	7.1%
Aspen Pharmacare Holdings Ltd	Pharmaceuticals	5.6%
Truworths International Ltd	Retail	5.3%
African Rainbow Minerals Ltd	Mining & Resources	5.2%
Southern Sun Ltd	Consumer Discretionary	4.9%
Momentum Group Ltd	Financials	4.6%
Bid Corporation Ltd	Consumer Staples	4.1%
Netcare Ltd	Healthcare	3.9%
Naspers Ltd	Media & IT	3.9%

Source: Apex, Centaur at 30 September 2024

## Major Indicators





## CENTAUR

ASSET MANAGEMENT

Centaur Asset Management (Pty) Ltd is an authorised Financial Service Provider FSP 647.

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**Physical address:** Great Westerford Building, 240 Main Road, Rondebosch, Cape Town, 7700.

- ❖ Annualised performance is the return that would have been achieved if invested for the full 12month period.
- ❖ Additional information, including application forms, annual or quarterly reports can be obtained from BCI, free of charge or can be accessed on our website [www.centaur.co.za](http://www.centaur.co.za).
- ❖ Valuation takes place daily and prices can be viewed on BCI's website ([www.bcis.co.za](http://www.bcis.co.za)) or in the daily newspaper.
- ❖ Actual annual performance figures are available to existing investors on request.
- ❖ Upon request the Manager will provide the investor with portfolio quarterly investment holdings reports.

### Management Company Information

Boutique Collective Investments (RF) (Pty) Limited

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### Custodian / Trustee Information

The Standard Bank of South African Limited

**Tel:** 021 441 4100

#### Disclaimer

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