CLUCASGRAY

ClucasGray Equity Prescient Fund

MINIMIM DISCLOSURE DOCUMENT & GENERAL INVESTOR REPORT

31 MARCH 2024

FUND OBJECTIVE & STRATEGY

The ClucasGray Equity Prescient Fund is a SA only, general equity fund. The Fund aims to provide long term capital growth ahead of its benchmark (SWIX) and the competing unit trust category by investing in any shares that are listed on the JSE. The Fund is a high conviction fund aiming to hold no more than 25 stocks at any one time. Fundamental analysis, a valuation discipline and a belief that inefficient markets create opportunities in mispriced assets underpin our process.

FUND INFORMATION

Portfolio Managers:	Andrew Vintcent & Grant Morris
Inception Date:	01 October 2011
Fund Size:	R1069.6 million
Unit Price:	239.93 cents
ASISA Category:	South African Equity General
Benchmark:	SWIX Total Return
Min Lump Sum:	R10 000
Min Monthly Investment:	R1 000
Issue Date:	15 April 2024
ISIN:	ZAE000160693

WHO SHOULD INVEST

The Fund is suitable for long-term investors seeking high levels of investment growth who can tolerate the associated levels of capital volatility.

RISK INDICATOR

Generally, these portfolios hold more equity exposure than any other risk profiled portfolio therefore tend to carry higher volatility. Expected potential long-term returns could be higher than other risk profiles, in turn potential losses of capital could be higher.

LOW	LOW - MED	MED	MED - HIGH	HIGH

NET PERFORMANCE (ANNUALISED) AT 31 MARCH 2024

	3-Months	6-Months	1-Year	3-Year
Fund*	-5.6%	-4.2%	-2.2%	10.4%
Class A1	-5.7%	-4.3%	-2.6%	10.0%
Class A2**	-5.8%	-4.5%	-3.0%	9.5%
SWIX TR	-2.2%	5.7%	2.7%	5.3%
Peer Group	-1.6%	4.5%	3.1%	7.0%

	5-Year	7-Year	10-Year	Since Inception
Fund*	7.4%	7.4%	7.4%	10.5%
Class A1	7.0%	7.1%	6.8%	9.7%
Class A2**	6.5%	6.6%	6.6%	9.8%
SWIX TR	7.0%	6.3%	6.6%	10.1%
Peer Group	7.5%	6.1%	5.6%	8.6%

CALENDAR YEAR PERFORMANCE

	Fund	Class A1	Class A2	SWIX Total Return	Peer Group
2011*	8.9%	8.6%	8.8%	8.3%	8.1%
2012	25.4%	23.4%	24.3%	29.1%	21.5%
2013	22.1%	20.3%	21.2%	20.7%	18.9%
2014	12.4%	10.8%	11.7%	15.4%	10.1%
2015	0.7%	-0.7%	0.0%	3.6%	1.6%
2016	9.3%	9.0%	8.6%	4.1%	3.3%
2017	17.6%	17.2%	16.7%	21.2%	11.6%
2018	-4.9%	-5.2%	-5.6%	-11.7%	-9.0%
2019	5.9%	5.5%	5.0%	9.3%	8.8%
2020	-8.8%	-9.1%	-9.5%	2.6%	2.1%
2021	42.4%	41.8%	41.2%	21.1%	26.0%
2022	11.0%	10.6%	10.1%	3.6%	3.1%
2023	4.7%	4.4%	3.9%	7.9%	7.3%
2024**	-5.6%	-5.7%	-5.8%	-2.2%	-1.6%

* Since inception 1 October 2011

** Year to date

ROLLING 12 MONTH RETURN

	Highest	Average	Lowest
Fund Class A2	55.3%	11.3%	-30.7%

* Fund performance is the net weighted average fee return for the fund

** Highest Fee Class

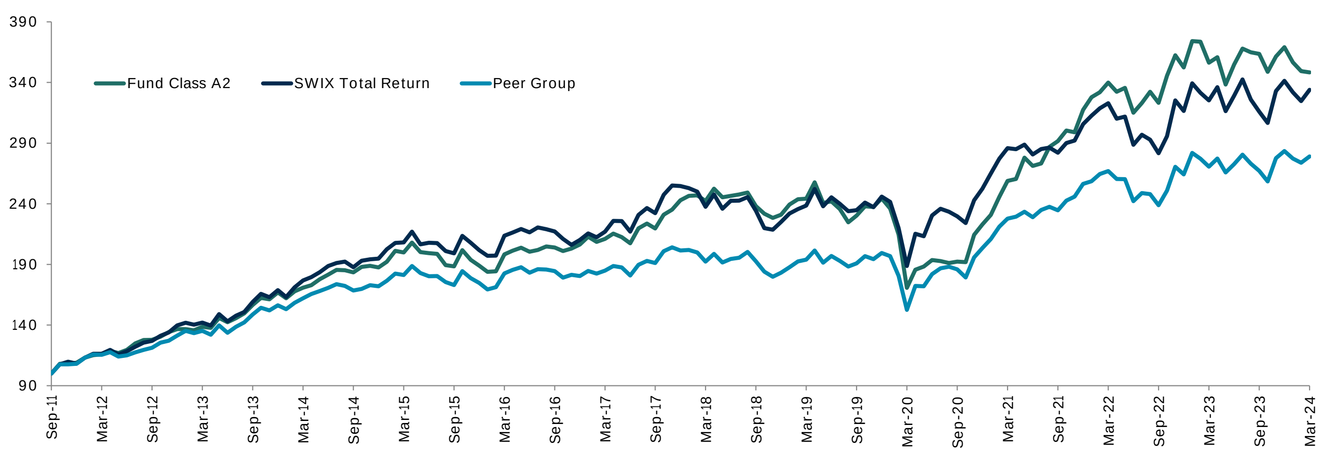
RISK & FUND STATS (ANNUALISED SINCE INCEPTION)

Max Drawdown*	-33.8%	Weighted PE Ratio	8.7
Max Gain**	11.7%	Weighted Div Yield	5.6%
% Positive Months	63.3%		

* The maximum peak to trough loss suffered by the Fund since inception.

** Largest increase in any single month.

CUMULATIVE VALUE OF R100 INVESTED AT INCEPTION VS BENCHMARK (ILLUSTRATIVE PERFORMANCE)



Source: Prescient Fund Services 31 Mar 2024

The illustrative investment performance is shown for illustrative purposes only and is calculated by taking the actual initial fees and all ongoing fees into account for the amount shown. Income is reinvested on the reinvestment date.

Prescient

ClucasGray Equity Prescient Fund

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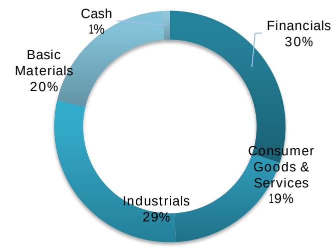
TOP 15 EQUITY HOLDINGS

ABSA	MTN
AECI	Naspers
African Rainbow Minerals	Old Mutual
Anglo American	Reunert
British American Tobacco	Sasol
FirstRand	Standard Bank
Kaap Agri	Foschini Group
Life Healthcare	

The Top 15 holdings make up 68% of the total fund.

FUND ASSET ALLOCATIONS

Asset Class	%
SA Equity	99.0%
Cash	1.0%



DISTRIBUTIONS

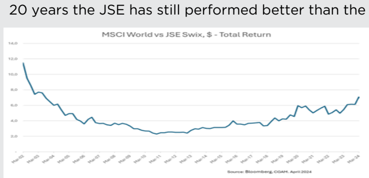
Distribution Frequency	Annually
Distribution Date	01 April
Last Distribution	9.29 cents per unit

FEE STRUCTURE

TER	Class A2	Class A1
Annual Management Fee (excl. VAT)	1.30%	0.90%
Other Cost	0.03%	0.03%
VAT	0.20%	0.14%
Total Expense Ratio (incl. VAT)	1.52%	1.06%
Transaction Costs (incl. VAT)	0.26%	0.26%
Total Investment Charge (incl. VAT)	1.78%	1.32%

QUARTERLY COMMENTARY | MARCH 2024

It has been a tough start to 2024 for South African focussed investors. In stark contrast to global equity markets, where the MSCI World Index gained nearly 9% in US Dollars (US$) in the quarter, the JSE Swix declined by over 2% in Rands, and nearly 6% in US$. As all readers are no doubt aware, it has now been a sustained period of outperformance by the MSCI World over the JSE Swix, in US$. The chart below shows that for over 13 years the MSCI World has materially outperformed the JSE. As an aside, and somewhat against the narrative of the day, over the last 20 years the JSE has still performed better than the MSCI World in US$ - cold comfort today, but we believe a fact worth reflecting on.



The ClucasGray Equity Prescient Fund declined by over 5% in the quarter, underperforming both the peer group and the JSE Swix, which each declined by around 2%. A number of core holdings have performed poorly, due to a combination of the tough South African macros environment alluded to above, and, in a few isolated cases, company specific issues. Good performances by Reunert, Multichoice, British American Tobacco and Grindrod contributed to fund performance. However, offsetting these, AECI, Sasol, African Rainbow Minerals, Exxaro and select Financials performed poorly. In addition, the runaway performance of gold shares, not owned by the fund, had a negative impact on relative performance, given their ever growing weight in the indices. As illustrated on the fact sheets, the fund performance over the last 3 years, at over 10% per annum, is in excess of peers and indices. Indeed it has outperformed over most periods since inception 12 ‰ year ago. Since its launch in October 2011 the fund's 10.5% compound annual returns are ahead of the Swix, peers, and, importantly, materially ahead of South African inflation.

Our Alpha Thesis, the corner stone of the ClucasGray Asset Management investment process, assesses the interplay between earnings and valuation multiples for all companies and sectors that we analyse. A recent note by GMO alluded to very similar issues, namely that to outperform, companies need :
- Grow faster
- Generate higher FCF yield
- See valuation multiples rise faster than the market.

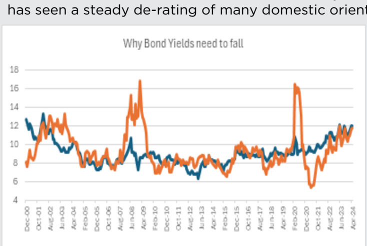
Over the last number of years its been well documented that South African companies have experienced challenging operating conditions, most notably infrastructure (electricity) and logistical (rail & ports) constraints, a weak currency, and elevated interest rates. The net effect has been sluggish earnings growth, coupled with a de-rating of valuation multiples – in short, the complete antithesis of what is required to outperform.

The relative underperformance of South African equities over the last decade in general, and the last year in particular, is a statement of historical fact. What happens from here is naturally of relevance and importance. We wrote extensively in 2023 about the anomalies that had befallen companies operating in the South African economy, and their potential once off nature. The 450bp increase in interest rates that begun in 2022 were starting to bite in 2023, hurting consumers and businesses alike. The sudden and sustained increase in Loadshedding to previously unfathomable levels similarly had an adverse impact on activity levels across the economy. So why would 2024 and 2025 be any different?

The direction of interest rates is notoriously difficult to call. We do hold the view that inflation continues to moderate resulting in the interest rate environment becoming more accommodative. Any reductions in interest rates will alleviate consumer stress – we believe we are through the point of maximum consumer pain.

Whilst it is hard to lend much credence to comments from Eskom that power generation is going to increase as more generating units come on line, these have been verified by independent industry experts. In addition, the significant increase in alternative sources of energy has meant that households and businesses are more resilient during loadshedding. The additional costs required to stay open for business in 2023 are not likely to recur to the same extent in 2024 & 2025. Similarly even modest interest rate declines will result in a more constructive environment within which to operate. Notwithstanding all the negativity that abounds, we believe the earnings bases of many South African facing companies are suppressed, and are expecting growth off the 2023 levels.

There is an obvious link between higher bond yields and the valuations at which companies trade. The chart below shows the South African 10 year Government Bond and the Earnings Yield of the South African Banks index over the last 24 years - higher bond yields generally equate to higher earnings yields (lower PE's). The steady and unfortunate rise in the 10 year yield to over 12% has seen a steady de-rating of many domestic oriented companies. We are not of the view that these yields are structurally higher.

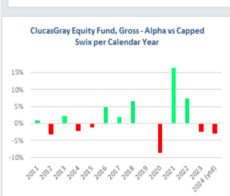


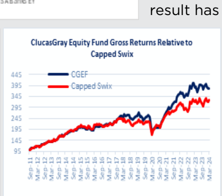
For what it is worth, our macro view remains that South African inflation will subside, bond yields will fall from current elevated levels, and valuation multiples should rise. The valuation argument becomes even more compelling at an individual company level.

The ClucasGray Equity Prescient Fund, has an objective of delivering Alpha (returns in excess of the JSE Indices) over long periods of time. We do believe that our relative size and hence ability to invest in a wider spectrum of opportunities is a competitive advantage, over time. The asymmetrical nature of potential returns has, in our view, favored medium and smaller companies that have fallen off the radar of larger institutional investors. As GMO stated in the most recent quarterly, this phenomenon is not unique to South Africa. They wrote:

"For most of history, biasing portfolios against the very largest stocks has been lucrative. Yet over the last decade, and particularly the last year, it has been a disaster."

When we look back on the last 12 year history of the fund, as depicted on the chart on the right below and on the Factsheet, the fund has delivered Alpha over most periods. As the bar graph on the left shows, the Alpha profile has not been smooth – the fund has a differentiated and active approach, and hence looks different to the benchmark. In all prior periods of underperformance, we have stuck to our investment process and beliefs, and opted to take advantage of opportunities, not to run from them. The end result has been a generation of Alpha over time, just not necessarily all the time.





Conclusion

We have been disappointed at the relative performance of the ClucasGray Equity Prescient Fund against peers and indices over the last few quarters. It is a South African only equity fund, so it hasn't had the benefit of strong global returns that many other peer funds have enjoyed. Yet when we assess the overall portfolio that we have been able to construct, and the prospective returns available to investors using modest exit multiples, we cannot help but be excited. As renowned investor Guy Spier of the Aquamarine Fund recently stated, "Over the last 25 years I have learnt again and again, that extreme patience is the name of the game". We have no real sense of what the catalyst will be to unlock value – it could well be an election outcome not as bad as feared, it could be a recovery in global commodity prices and the Rand, or lower interest rates. We continue to believe, as Guy Spier alluded to, that patience is going to be handsomely rewarded.

The Fund has adhered to its policy objective.

The current asset allocation versus the previous quarter is as follows:

Fund Sector Allocation	Q1 2024	Q4 2023
Basic Materials	20%	22%
Industrials	30%	26%
Consumer Goods	19%	18%
Financials	30%	32%
Cash	1%	2%

The number of participatory units as at 31 March 2024 was 387 890 421.

DISCLAIMER

Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CIS's are traded at the ruling price and can engage in scrip lending and borrowing. The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. A schedule of fees, charges and maximum commissions is available on request from the Manager. There is no guarantee in respect of capital or returns in a portfolio. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio divided by the number of participatory interests (units) in issue. Forward pricing is used.

The Fund's Total Expense Ratio (TER) reflects the percentage of the average Net Asset Value (NAV) of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's. During the phase in period TER's do not include information gathered over a full year.

Transaction Costs(TC) is the percentage of the value of the Fund incurred as costs relating to the buying and selling of the Fund's underlying assets. Transaction costs are a necessary cost in administering the Fund and impacts Fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Fund, investment decisions of the investment manager and the TER.

Where a current yield has been included for Funds that derive its income primarily from interest bearing income, the yield is a weighted average yield of all underlying interest bearing instruments as at the last day of the month. This yield is subject to change as market rates and underlying investments change.

The Manager retains full legal responsibility for any third-party-named portfolio. The investor acknowledges the inherent risk associated with the selected investments and that there are no guarantees. A list of fund specific risks is provided below. Please note that all documents, notifications of deposit, investment, redemption and switch applications must be received by Prescient by or before 13:00 (SA), to be transacted at the net asset value price for that day. Where all required documentation is not received before the stated cut off time Prescient shall not be obliged to transact at the net asset value price as agreed to. Funds are priced at either 3pm or 5pm depending on the nature of the Fund. Prices are published daily and are available on the Prescient website.

Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request.

Max Gain: Largest increase in any single month.

Max Drawdown: The maximum peak to trough loss suffered by the Fund since inception.

% Positive Months: The percentage of months since inception where the Fund has delivered positive returns.

PE Ratio: The weighted average price earnings ratio of all the underlying equity in the Fund. The price earnings ratio of each company is the price divided by the earnings per share.

Dividend Yield: The weighted average dividend yield of all of the underlying equity in the Fund. The dividend yield of each company is the dividends per share divided by the price.

Equity investment risk: Value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. bankruptcy), the owners of their equity rank last in terms of any financial payment from that company.

Property risk: Investments in real estate securities can carry the same risks as investing directly in real estate itself. Real estate prices move in response to a variety of factors, including local, regional and national economic and political conditions, interest rates and tax considerations.

Currency exchange risk: Changes in the relative values of individual currencies may adversely affect the value of investments and any related income.

Geographic / Sector risk: For investments primarily concentrated in specific countries, geographical regions and/or industry sectors, their resulting value may decrease whilst portfolios more broadly invested might grow.

Foreign Investment risk: Foreign securities investments may be subject to risks pertaining to overseas jurisdictions and markets, including (but not limited to) local liquidity, macroeconomic, political, tax, settlement risks and currency fluctuations.

Developing Market (excluding SA) risk: Some of the countries invested in may have less developed legal, political, economic and/or other systems. These markets carry a higher risk of financial loss than those in countries generally regarded as being more developed.

For any additional information such as fund prices, brochures and application forms please go to www.cgam.co.za

GLOSSARY SUMMARY

Annualised Performance:

Annualised performance show longer term performance rescaled to a 1 year period. Annualised performance is the average return per year over the period. Actual annual figures are available to the investor on request.

Highest & Lowest Returns:

The highest and lowest returns for any 1 year over the period since inception have been shown.

NAV:

The net asset value represents the assets of a Fund less its liabilities.

% Positive Months:

The percentage of months since inception where the Fund has delivered positive return.

Net Performance

Unit trust performance is net (after) management fees have been deducted.

CONTACT DETAILS

Management Company:

Prescient Management Company (RF) (Pty) Ltd, Registration number: 2002/022560/07 Physical address: Prescient House, Westlake Business Park, Otto Close, Westlake, 7945 Postal address: PO Box 31142, Tokai, 7966. Telephone number: 0800 111 899. E-mail address: info@prescient.co.za Website: www.prescient.co.za

Trustee:

Nedbank Investor Services Physical address: 2nd Floor, 16 Constantia Boulevard, Constantia Kloof, Roodepoort, 1709 Telephone number: +27 11 534 6557 Website: www.nedbank.co.za

The Management Company and Trustee are registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). Prescient is a member of the Association for Savings and Investments SA.

Investment Manager:

ClucasGray (Pty) Ltd, Registration number: 2005/012445/07 is an authorised Financial Services Provider FSP21117 under the Financial Advisory and Intermediary Services Act (No.37 of 2002), to act in the capacity as investment manager. This information is not advice, as defined in the Financial Advisory and Intermediary Services Act (N0.37 of 2002). Please be advised that there may be representatives acting under supervision. Physical address: Dunkeld Place, 12 North Road, Dunkeld West, 2196 Postal address: PO Box 413037, Craighall, 2024 Telephone number: +27 11 771 1960 Website: www.cgam.co.za

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Performance Fee:

Performance Fee: The Fund has a performance fee class. Performance fees are payable on outperformance of the benchmark using a participation rate of 10%. A permanent high watermark is applied, which ensure that performance fees will only be charged on new performance. There is a cap up to a maximum of 2.5%.

This portfolio operates as a white label fund under the Prescient Unit Trust Scheme, which is governed by the Collective Investment Schemes Control Act.