Quarterly Report

Counterpoint SCI Global Equity Feeder Fund

Quarter ending 31 March 2021

This Fund is suitable for investors seeking long-term capital growth from a diversified portfolio of global equities. It seeks to outperform world equity markets without greater risk of loss. The recommended investment horizon is seven years or more.

Performance Table

Annualised Performance (ZAR)	Fund	Benchmark
3 Months	11.5%	5.6%
1 Year	13.4%	28.0%
3 Years	8.9%	22.1%
Since Inception (December 2015)	2.2%	13.4%

Fund Details	
Benchmark	*MSCI World Index*
ASISA Category	*Global Equity – General*
Portfolio Managers	*Raymond Shapiro* *Andrew Dowse*

Performance Review

The Fund posted 11.5% return for the quarter, measured in South African rands, driven by a continued return to global normalcy thanks to the ongoing distribution of COVID-19 vaccines. The Fund's benchmark, the MSCI World Index, returned 5.6% for the period measured in rands.

The Fund's outperformance of its benchmark was driven by its holdings in tobacco stocks, (up 10.7%), Asset Managers (up 19%), Energy (up 22%), and select non-tobacco consumer staples counters. The Fund's overweight in Gold securities detracted from relative performance as did its underweight in Banks, Healthcare and various technology related sub-sectors.

Major specific stock contributors to performance included Altria Group, which rose 27%; Freeport-McMoRan, up 26.6% and Hess Corp., which gained 34.5% over the period. Detractors included Barrick Gold, down 12.7% and Wheaton Precious Metals, which lost 8.9% over the quarter.

Management Actions

During the quarter we increased our allocation to the Staples (excl. Tobacco), Technology, Financials, and Health Care sectors.

New positions added included Nestle, Unilever, Facebook, SAP, Booking Holdings, GlaxoSmithKline and J&J, amongst others.

The Fund's positioning in tobacco stocks was reduced into strength over the quarter. We still find tobacco stocks attractive but scaled down our exposure to 10.4% of the Fund, as the sector rose in price. We also reduced our weight in Real Estate into strength over the period.

We sold out of Gazprom, Japan Tobacco, First Quantum Minerals, Aptiv plc and the SPDR Gold Trust during the quarter.

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Top 10 Holdings (%)	
Berkshire Hathway	6.2
Brookfield Asset Management	6.1
Unilever Plc	5.0
Nestle SA-Spons Adr	4.9
Loews Corp	3.5
Philip Morris Int	3.0
Facebook Inc	3.0
Altria Group Inc	2.6
Otis Worldwide Corp	2.6
British American	2.6
Total	**39.5**

Asset Allocation (%)	
Global Equity	76.1
Global Property	7.6
Global Cash	16.3
Total	**100.0**

Portfolio Strategy

The ongoing worldwide distribution of Covid-19 vaccines continued to fuel a recovery in global markets over the quarter, especially in cyclical sectors as well as Real Estate. Technology-related equities lagged as did Staples (excl. Tobacco) and Health Care. The more rapid rollout of vaccines in the US vs. the rest of the world fuelled outperformance by US markets. Markets globally continue to benefit from accommodative monetary policy and stimulus, with no US rate hikes expected before 2023. A commitment by governments globally to provide sizeable fiscal stimulus is further driving markets and commodity prices -most notably, US President Joe Biden's ambitious $1.9 trillion infrastructure programme, announced in March. Some experts estimate this plan could add 2 percentage points to US GDP in 2021.

Although the yield on US 10-year Treasury bonds has risen by 82 basis points since the beginning of the year, global developed market bond yields are still low in absolute terms. However, should policies result in rising inflation, asset prices could come under pressure. Few companies can fully pass on significant input price increases and would require a commensurate increase in real growth to offset margin squeeze. Cognizant of these risks we seek to invest in quality companies, possessing both pricing power and attractive real growth prospects.

With the global ramp-up in distribution of Covid-19 vaccines, a return to a more normal environment seems only a matter of time. While a number of global stocks are pricing in such a scenario, we believe there is still recovery potential in certain stocks, sectors and countries. We believe our actions taken during the quarter optimally balance the Fund to take advantage of attractively priced quality growth opportunities and provide an exposure to well-run cyclicals and recovery beneficiaries, with our holdings in resilient and stable defensive counters completing our diversified stock-picking approach.

We maintain confidence in our philosophy of investing in attractively valued quality companies. Our focus is on investing in the best companies at the best prices possible, in whichever sector they may reside. We seek to hold such businesses for appreciable periods to capture the full benefit of compounding. Balancing upside and downside risks, we look to effectively diversify the portfolio, limiting exposure to any one sector or industry driver. We are cognisant of broader risks of inflation, the threat of mutant virus strains, as well as elevated debt levels globally.

Encouragingly, the Covid-19 crisis has focused companies to become more considered in their allocation of capital. We believe this will lead to a new era in improved capital allocation, cash generation and increasing return to shareholders.

Raymond Shapiro
Portfolio Manager

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