Quarterly Report

Counterpoint SCI Value Fund

Quarter ending 31 March 2021

The Fund invests exclusively in South African equities with the aim of outperforming the local equity market over time by selecting shares based on a value philosophy. The recommended investment horizon is seven years or more.

Performance Table

Annualised Performance	Fund	Benchmark
3 Months	15.2%	13.1%
1 Year	52.2%	54.0%
3 Years	14.6%	9.7%
5 Years	9.5%	8.2%
Since Inception (January 2012)	11.2%	11.6%

Fund Details	
Benchmark	*FTSE/JSE ALSI*
ASISA Category	*SA Equity General*
Portfolio Managers	*Piet Viljoen*

The Fund

The CPAM Value fund is an unconstrained, diversified South African Equity fund, that aims to outperform the JSE All Share Index. To do so, it invests in South African listed assets, and utilizes a value-based philosophy.

On 9 October 2020, the RECM Equity Fund was successfully merged with the Counterpoint SCI Value Fund. This is the first full quarter since the two funds were merged.

Market Review

For the quarter, the JSE all Share index was up a strong 13.1%. This followed an equally strong final quarter of 2020, enabling the index to reach new all-time high levels. The index was up 54% for the past 12 months, driven mainly by resource shares which were up by an astounding 92.5%. In US dollars, the index returned 12.5% for the quarter under review, and a huge 86.2% over the past year. The JSE was one of the best performing markets in the world over the past year.

During the quarter, the small cap sector continued its recovery, returning 21.2%. Large caps also did well, returning 13.6%, slightly ahead of the index. The best performing sectors were Telecommunications, Technology and Basic Materials. Financials, Real Estate and Consumer Staples lagged, reversing last quarter's outcome.

Top performing shares on the JSE for the quarter continued to be the much maligned "SA Inc" domestic counters such as MTN, Shoprite and Foschini, all up by over 15%. The platinum counters also did very well. The worst performing shares were a mixed bag: Liberty down by 16%, Redefine property down by 10%, BHP down by 7% and Prosus down by 6%.

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Top 10 Holdings (%)	
Shoprite	5.1
MTN	5.0
Anheuser-Busch Inbev SA INV	4.1
Anglo American	4.0
British American Tobacco	3.9
Balwin Properties Ltd	3.5
Discovery	3.4
Sibanye Stillwater Ltd	3.3
Nedbank	3.3
Afrimat	3.2
Total	**38.8**

Asset Allocation (%)	
SA Equity	98.4
SA Cash	1.6
Total	**100.0**

Management Process

During the quarter, the Fund's fully invested position was maintained, apart from a small cash balance of less than 5% of the Fund which is always required for frictional purposes.

The listing of one of the Fund's top holdings - Steinhoff preference shares - was reinstated during the quarter after being suspended for over two years. When it was suspended in March 2018, its price was around R45 per share. It continued to pay dividends throughout the suspension, and on the resumption of trading in February 2021, it traded at R65 per share. At this price, the Fund sold its holding after a total return approaching 100% over the period.

The proceeds of the 5% Steinhoff holding was mainly reinvested into industrial shares. The Fund added to its MTN, Balwin and ABInbev positions, while a new position in Hudaco was added. The Fund also added to its resource exposure by adding to its Anglo American and Glencore positions, while specifically adding Amplats, RBPlats and Sasol for the first time.

The Fund remains underweight financial shares. Not because they are expensive, but simply because there are better opportunities elsewhere.

The portfolio manager continues to believe that resource shares are currently priced as if the commodity cycle is about to turn down. Given their exemplary capital discipline over the past 5 years, large scale underinvestment in replacing reserves, the demands on resources posed by the "greenification" of the global economy, as well as a potential global drive to invest in infrastructure, the portfolio manager believes an upswing in commodity prices will be in place for the long term, notwithstanding short term bouts of volatility.

The Fund's large exposure to undervalued "SA Inc" - local industrial companies - was maintained. This part of the market remains unloved, ignored and seriously cheap. However, some positions were sold for specific reasons. Mustek and the Distell Group reached fair value, while some profit was taken in Renergen after a very strong run. The portfolio manager continually tries to improve the quality of the average holding of the Fund, as well as the liquidity of the Fund.

Performance Outcome

For the quarter, the Fund returned 15.2%, compared to the average fund in the general equity fund sector of 12.3% and the ALSI's return of 13.1%. The Fund's good performance was driven by the value factor continuing to do well. Very few funds were able to do better than the index, as the value style has been very much out of favour for some time, and most funds have very little exposure to value stocks as a result. The Fund's strong domestic focus also continues to pay off.

For the 12-month period, the Fund returned a satisfying 52.2%, slightly behind the All Share index's return of 54%. The average fund returned 49.2% This period captures the full extent of the recovery post the Covid-induced sell-off, but excludes the sell-off itself, which has now fallen out of the one year number.

Over 3 years - which includes the Covid sell-off - the Fund produced a return of 14.6%, almost 5% better than the All Share index return of 9.7%, illustrating its resilience during the sell off. The average general equity fund was less resilient, producing a return of 6% over this period.

Over 5 years the Fund has returned 9.5% - in line with the All Share index return of 9.6% and 4.9% of the average equity fund.

The Counterpoint SCI Value Fund continues to generate returns in excess of the All Share Index as well as most other equity funds. In fact, it is in the top quartile of returns over all periods expect one year, where it is in the second quartile.

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In rand terms, the Fund has generated inflation-beating returns over all periods and maintained the purchasing power of investors' capital even when measured in hard currency (US dollar) terms. On 31 March 2016, the rand was R14.70 to the US dollar - and, perhaps surprisingly, closed at that level 5 years later on 31 March 2021. The rand-denominated return of 9.5% - or 1.8% p.a. - is in line with average US inflation over that time.

Importantly, the Fund has achieved these outcomes by consistently applying a valuation-based approach.

Piet Viljoen
Portfolio Manager

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