Quarterly Report

Counterpoint SCI Global Equity Feeder Fund

Quarter ending 31 December 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	13.4%	14.3%
1 Year	35.7%	32.9%
3 Years	13.3%	26.6%
5 Years	9.2%	19.3%
Since Inception (December 2015)	5.3%	16.0%

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

Performance Review

The Fund rose 13.4% (US$) over the quarter, marginally underperforming its benchmark, the MSCI World Index, which gained 14.3% over the period. The MSCI Emerging Markets Index gained 4.3% over the quarter.

For the calendar year 2021, the Fund was up a healthy 35.7%, with the MSCI World Index (developed markets) gaining 32.9%. The Fund's performance was driven by its exposure to Financials, more specifically its exposure to investment companies, as well as its holding in Staples. The MSCI World's return was driven by US markets and technology stocks.

The MSCI Emerging Markets Index gained 3.7% in 2021.

The Fund's absolute and relative performance during the quarter was largely driven by its holdings in Financials (+9.7%) and Staples (+8.7%). The Fund's underweight exposure to the Technology sector was the most significant drag on relative performance.

Major specific stock contributors to performance included Brookfield Asset Management, which rose 13.1%, Nestle, up 16.8% and Freeport-McMoRan, rising 25.8%. There were no material detractors from overall performance for the period.

Management Actions

During the quarter we sold out of Greenlight Capital, Grupo Aeroportuario del Centro Norte and materially reduced our holding in Otis Worldwide. We redeployed the proceeds into various existing positions with the objective of further increasing the underlying quality and growth characteristics of the portfolio.

Portfolio Strategy

Global developed markets had a strong finish to the year despite the spread of the Omicron

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Top 10 Holdings (%)	
Berkshire Hathaway	6.4
Meta Platforms Inc	6.3
Nestle SA-SponsAdr	5.6
Brookfield Asset Management	5.6
Alphabet Inc Cl A	4.4
Philip Morris Int	3.4
Freeport-Mcmoran Inc	3.1
Unilever Plc	2.9
Masco Corp	2.5
Novo Nordisk A/S	2.4
Total	**42.5**

Asset Allocation (%)	
Global Equity	93.7
Global Real Estate	5.6
Global Cash	0.7
Total	**100.0**

coronavirus variant and the prospect of major central banks tightening monetary policy. Emerging markets struggled, largely due to weakness in Chinese markets, fuelled by growth concerns, property market weakness and worries around government regulation of various sectors, especially Technology and Education.

Inflation continues to be a concern across the globe as supply disruptions caused by prior restrictions on economic activity are causing shortages in the supply of a wide array of goods and services. Combined with rapidly increasing and recovering demand, the situation is manifesting in significant step changes in input and in consumer price levels. Additionally, the oil price was up significantly over 2021, albeit off a low level, further fueling inflation. Labour markets, especially in developed countries, are also tight, causing upward pressures on wages.

The risk that the current elevated inflation is not transitory but works itself into inflation expectations, causing it to be longer lasting, presents the most significant risk to markets as central banks globally look to raise rates at a faster pace, while restricting bond buying activities.

Despite these concerns developed markets appear to have digested the risks and seem more focused on the positive return to a more normal environment. This positivity stems from the apparent waning severity of coronavirus strains and the potential release of significant pent-up demand. Additionally, consumer balance sheets in developed markets are strong thanks to the very generous fiscal stimulus distributed by governments and borrowing rates that are still low in absolute terms. There is also a sense that supply chain constraints and other inflation drivers appear to be easing.

Our view is that despite potential short-term disruptions, the global re-opening will continue rapidly, with positive effects on the world economy and significant benefits accruing to various sectors such as travel and retail. The prospect of rate rises also provides a strong impetus for businesses and consumers to borrow (and spend!) with some urgency, to lock-in lower rates before they rise. This portends well for future growth.

However, significant increases in input prices do pose a risk to equities. Few companies can fully pass on significant input price inflation and would require a commensurate increase in real growth to offset margin squeeze. Cognisant of these risks we seek to invest in quality companies, possessing both pricing power and attractive real growth prospects.

While developed markets do seem to be pricing in a strong return-to-normal scenario and many sectors appear to be trading at elevated levels, our approach is to focus on specific opportunities to invest in attractively valued, quality businesses.

Our strategy is to take advantage of attractively priced quality growth opportunities, 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.

Despite strong headline market numbers there has been significant weakness in a number of underlying stocks, sub-sectors and countries. For instance, weakness in Chinese equities could provide an opportunity to increase our exposure (off a low level). We are cognisant of the risks in this market and as such one needs to be specific, while requiring a significant margin for risk in valuation. Furthermore, a number of midcap growth companies globally have suffered precipitous declines recently. While most would not fit our strict criteria, we are confident there are sufficient opportunities for us to generate attractive and sustainable returns by taking advantage of short-term overreaction. Emerging markets in general are another area of potential opportunity as many have been unfairly neglected despite attractive long-term fundamentals.

As always, our focus is on owning 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. Ours is a risk-controlled, stock-picking approach as opposed to taking binary 'bets' on macroeconomic scenarios. Balancing upside and downside risks, we look to effectively diversify the portfolio, limiting exposure to any one sector or industry driver.

Raymond Shapiro
Portfolio Manager

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