Quarterly Report

Counterpoint SCI Global Managed Growth Fund

Quarter ending 31 December 2021

This Fund is suitable for an investor seeking to achieve a return of US Inflation (CPI) + 3% or more over rolling three year periods at moderate aggressive risk levels.

Performance Table

Annualised Performance (ZAR)	Fund	Benchmark
3 Months	14.3%	8.9%
1 Year	27.3%	19.5%
3 Years	15.7%	10.3%
5 Years	10.9%	9.3%
Since Inception (August 2015)	9.5%	9.2%

Fund Details	
Benchmark	*US CPI + 3% measured over rolling three-year periods - measured in rands*
ASISA Category	*Global Multi Asset Flexible*
Portfolio Managers	*Ian Anderson Richard Henwood*

Market Overview

The fourth quarter of 2021 saw heightened levels of volatility in global financial markets as investors weighed the policy response of central banks to rapidly rising inflation against a steadily improving growth outlook as more countries removed COVID-related restrictions. The emergence of Omicron muddied the waters for investors and policymakers alike, with several countries imposing travel bans on Southern Africa, where the variant was first identified. China's property market remains in turmoil following tighter regulations, including limits on how much developers can borrow, after China Evergrande Group and Kaisa missed payment deadlines on their offshore bonds. China's property market has been a major growth driver for the country and with further weakness expected in the first half of 2022, analysts expect China's GDP growth to slow to 5% in 2022 from around 8% in 2021. Despite the uncertainty posed by Omicron and China's property market, global equity markets continued to push higher during the quarter, with the S&P 500 Index gaining 11.0% and the FTSE 100 Index gaining 4.2%.

Global bond yields drifted sideways throughout the fourth quarter despite a sharp spike in global inflation. US consumer inflation hit a 40-year high in November as prices in the US surged 6.8% year-on-year. Supply chain disruptions and labour shortages have been the main drivers of higher prices and their impact now appears to be less transitory than originally forecast. This has prompted the Fed to adopt a more hawkish stance and official interest rates are now expected to start rising in the US from as early as March, with three hikes of 25 basis points each forecast for 2022 and a further two hikes forecast for 2023. Rising food prices are also expected to cause inflation to rise in 2022, but this will be offset by more stable energy prices.

Global real estate markets have continued to benefit from the "reopening" trade. Employees are slowly returning to their offices, although activity levels remain well below pre-pandemic levels, while retailers are reporting increased levels of activity in their bricks and mortar stores, now that most countries have removed lockdown restrictions and vaccination rates have accelerated. Supply chain bottlenecks and accelerating growth in online retailing are providing significant tailwinds for logistics property landlords, where current demand far outstrips supply and market rentals continue to rise above inflation. The same is true of data centre landlords that are benefiting from the increased adoption of cloud-based technologies and the huge amounts of physical storage space demand from cloud service providers like Amazon, Microsoft and Google.

COUNTERPOINT
ASSET MANAGEMENT

Counterpoint SCI Global Managed Growth Fund

Quarter ending 31 December 2021

Top 10 Holdings (%)	
Prologis Inc	3.1
AbbVie Inc	2.8
Invititation Homes Inc	2.8
Colgate-Palmolive	2.8
Diageo	2.8
Coca Cola Co	2.8
Digital Realty Trust	2.8
McDonald's Corp	2.7
TotalEnergies SE	2.6
Glaxosmithkline	2.6
Total	**27.9**

Asset Allocation (%)	
Global Equity	67.8
Global Property	24.6
Global Fixed Income	5.9
Local Cash	1.5
Global Cash	0.3
Total	**100.0**

Portfolio & Performance

During the quarter, the Fund returned 14.3%, significantly outperforming its benchmark (US CPI + 3% in ZAR terms) and the peer group average. The strong absolute and relative performance resulted from the Fund's high allocation to growth assets (equities and listed property) and within those growth assets a high allocation to good quality US businesses. Gains were broad-based with most securities returning more than 20% in ZAR during the quarter and only AT&T (-1.6%) not registering a positive return. Prologis (+42.8%) was the standout performer as investors continued to forecast strong market rental growth for the logistics landlords.

There were no significant changes to the portfolio during the fourth quarter, with no securities added to or removed from the portfolio.

Currrent positoning and Outlook

The Fund's current allocation to growth assets (equities and listed property) has remained high at 92.4%, which is slightly above the Fund's longer-term strategic allocation of 90% (65% equity and 25% listed property). The higher allocation to growth assets reflects the view that future returns from cash and bonds will be low (and in the case of bonds, probably negative in US dollars). The Fund's current allocation to equities emphasises quality over any other factor and with global growth slowing and inflation rising, quality is likely to outperform other styles, at least in the short to medium term.

Based on a combination of Bloomberg, FactSet, IRESS and Counterpoint forecasts, the current one-year forward income yield on the Fund is 3.2%, which compares very favourably with the yield on global money market and income funds, despite having an 92% allocation to growth assets. Based on those same forecasts, the income produced by the portfolio is expected to grow at approximately 4.1% per annum over the next three years, comfortably outstripping current global inflation expectations over that same period.

The Fund is ideally suited for investors with sufficient excess capital and who are looking to build a hard currency linked income for their retirement and then to manage that hard currency income in retirement such that the major risks facing retirees, namely longevity (how long am I going to live), sequence of returns risk (getting the returns when you need them) and inflation (the hurdle rate and one that grows rather than shrinks in retirement), are mitigated and in some instances completely eradicated. Investors can live off the income provided by the portfolio and not draw excessively against the capital. In this way, the investor's capital is preserved and is only utilised in emergencies during their retirement, irrespective of how long that retirement lasts.

Ian Anderson
Portfolio Manager

Counterpoint SCI Global Managed Growth Fund

Quarter ending 31 December 2021

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