Quarterly Report

Counterpoint Global Value 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 (USD)	Fund	Benchmark
3 Months	1.8%	6.7%
1 Year	18.2%	18.6%
3 Years	7.1%	20.4%
5 Years	5.6%	14.4%
10 Years	3.9%	11.9%
Since Inception (Dec 2010)	4.0%	10.6%

Fund Details	
Benchmark	*MSCI All Countries World Index (USD)*
ASISA Category	*Global Multi Asset Flexible*
Portfolio Managers	*Piet Viljoen*

The Fund

The Counterpoint Global Value Fund is an unconstrained, diversified global equity fund that aims to outperform the global equity market. To do so, it invests predominantly in equities from across the world. It can invest in other asset classes, but only if equity-like returns are on offer.

Market Review (all returns in USD)

Global equity markets were strong over the past three months. The MSCI World gained 6,7%, and 18,6% for the calendar year. Emerging markets once again underperformed developed markets for the quarter, declining by just over 1%. Globally, the best sectors were an interesting combination of energy, financials and IT, while the worst sectors were the defensives, namely utilities and staples.

Over the longer term (five years) the US market remains the leader, with high teen returns. The UK market remains one of the weaker markets over the same time frame. Emerging markets have also underperformed, especially Latin American markets. In fact, emerging markets have underperformed developed markets (driven mainly by the US market) consistently over the past 11 years – a reversal from the 2000 - 2010 period. Within emerging markets, South Africa has been a relatively poor performer despite strong commodity prices.

Performance Outcome

The Counterpoint Global Value Fund underperformed the MSCI World Index during the quarter, returning 1,8% vs 6,7% for its benchmark. However, the Fund's return was in line with the average global equity fund. Over 12 months the fund is up by 18,2%, which is in line with its benchmark and slightly ahead of the average global equity fund. This similarity of returns hides the fact that growth outperformed value strongly in the second half of the year.

Longer-term returns still lag somewhat, but the underperformance gap is narrowing. Over five and 10 years, the Fund is now ahead of its peer group, albeit still behind the benchmark. The building blocks for future outperformance are in place. The Fund is more diversified,

Counterpoint Global Value Fund

Quarter ending 31 December 2021

Top 10 Holdings (%)	
Fairfax Financials	2.5
Altria Group	2.4
MTN Holdings	2.3
Berkshire Hathaway	2.2
Bollore	2.1
Aflac Incorporated	2.1
British American Tobacco	1.9
Wheaton Precious Metals	1.9
FRMO Corporation	1.9
Markel Corporation	1.9
Total	**21.2**

Asset Allocation (%)	
Global Equity	103
Global Real Estate	-3.0
Total	**100.0**

has exposure to important, undervalued sectors such as infrastructure, resource extraction, mobility, and telecommunications. As the world recovers from the pandemic, these sectors will do well. Importantly, we do not expect a straight-line recovery, so from time to time we will need to be patient.

Management Process

In terms of sectors, the Fund remains most overweight the cyclical (and value) sectors of Energy, Materialsand Financials.

Exposure to the energy sector was reduced (mainly by selling CVR Energy) after another very strong run but the Fund remains maximum overweight this sector with an exposure of 11% versus index exposure of 3%. This is probably the sector that has suffered from underinvestment the most over the past 10 years, and where the capital cycle is poised to play out quite favourably in the next 10. To think that the entire global energy sector has about the same weight as Apple in the broad index!

The Fund remains overweight the materials sector, having made no change to its exposure over the quarter. Overall, it has a 10,5% exposure to the materials sector versus an index weight of 4,5%.

In terms of Financials, the Fund has increased its overweight position, having added some special situations in Special Purpose Acquisition Companies (SPAC's). SPAC's have become somewhat of a swear word, but the exposure can be handed back to the sponsor if one doesn't like the deal. Plus, they come with some warrants attached that seem to be quite underpriced. Well managed, founder-led investment companies present some of the best value in the market today and are dramatically underrepresented in most indices.

The Fund increased its exposure to the industrial sector via exposure in ABB, Lockheed Martin and Hitachi – all potential beneficiaries of increased infrastructure spend. The Fund continues to hold significant positions in cement, shipping and airlines – all sectors in which there has been underinvestment over the past 10 years, and where returns are starting to pick up.

The Fund is reducing its exposure to the communication services sector. This is one sector where supply is ramping up dramatically, and capex is soaring. Every media business now wants to emulate Netflix and is spending a lot to do so. We think the eventual winners will be money printing machines, but before that happens there will be some accidents. The Fund will, as always, wait to pick up the pieces after the accident, instead of trying to predict who will come out on top after what could be a protracted battle to the end.

The defensive sectors of healthcare, utilities, and real estate, along with the very long duration IT sector, is where the Fund is most underweight. As inflation picks up there is a real risk of at least moderately higher long bond yields worldwide, which will affect these sectors most negatively.

In terms of geographical exposure, the Fund is very overweight emerging markets, specifically the stocks of resource producing countries. These countries find themselves in the interesting position of having fairly responsible monetary and fiscal policies, and ultra-responsible by comparison to their peers in the developed world. The slow poison of the pull of ESG, indexation and growth stock investing into large cap US-domiciled businesses has drained the rest of the world of access to capital, particularly so in commodity producing emerging markets. Scarcity is eventually rewarded with high returns, just as a tsunami of capital eventually destroys returns. We think the shift towards value in general, and emerging markets specifically, has only just started and has a number of years to run.

Overall, the Fund is well positioned to take advantage of the economic recovery and offers some protection if inflation were to continue to surprise to the upside. Longer term, there seems to be a good case to be made for value to continue its outperformance of growth, short-term setbacks notwithstanding. If so, the Fund will once again perform satisfactorily into the future.

Piet Viljoen

Portfolio Manager

Counterpoint Global Value Fund

Quarter ending 31 December 2021

Disclaimer

Counterpoint Boutique (Pty) Ltd accepts no liability of any sort resulting from reliance being placed upon information contained in this document by any person. Whilst every effort is made to represent accurate financial and technical information on an ongoing basis, inadvertent errors and typographical inaccuracies may occur. Information, laws, rules and regulations may also change from time to time. Information contained is therefore made available without any express or implied representation or warranty whatsoever, and Counterpoint Boutique (Pty) Ltd disclaims liability for any expenses incurred, or any damage, claims or costs sustained by users arising from the reliance being placed on the use of services or any information or representations contained in this document. The materials contained on these pages are provided for general information purposes only. We accept no responsibility for any loss or damage which may arise from reliance on information contained in these pages.

The document should not be seen as an offer to purchase any specific product and is not to be construed as advice or guidance in any form whatsoever. Investors are encouraged to obtain independent professional investment advice before investing. Investors should be aware that investing in a financial product entails a level of risk which depends on the nature of the investment. The merits of any investment should be considered together with the investor's specific risk profile and investment objectives. Collective Investment Schemes are generally long term investments. Counterpoint Boutique (Pty) Ltd does not provide any guarantee, either with respect to the capital or the return of a portfolio. Past performance is not necessarily a guide to future performance. Fluctuations in exchange rates and underlying investments may cause the value of international investments or underlying investments, if included in the mandate, to go up or down. Illustrations are not guaranteed but are for illustrative purposes only. Counterpoint Boutique Pty (Ltd) is an Authorised Financial Service Provider (FSP44508).