Growing families' wealth since 1982

January 2024

Anchor BCI SA Equity Fund

Developed Market (DM) equities bounced back from December's wobble with a strong start to the year (MSCI World Index +3.6% MoM). What was particularly notable was how different the drivers were. US mega-cap tech shares lagged, partly owing to slightly underwhelming quarterly results and partly as the release of the impressive Chinese AI model, DeepSeek, purportedly produced at a fraction of the cost of leading western models, leading investors to begin questioning the sustainability of the AI super cycle that was such a dominant driver of stock performance last year (Nvidia -11% MoM, for example). European stocks (EuroStoxx 50 +8% MoM) outperformed US equities meaningfully, likely a combination of their depressed ratings and low technology sector exposure, from which US trading patterns suggest there was a rotation. Emerging Market (EM) equities had a decent start to the year (MSCI EM 1.8% MoM), although the inclusion of index heavyweight, Tencent, by the US Department of Defence on a list of companies believed to have links to the Chinese military, lead to an immediate 10% share price fall. This was a reminder of policy uncertainty, keeping investors on edge, ahead of Donald Trump's inauguration in late January.

South African equities bounced back from a three-month losing streak in January (FTSE/JSE Capped SWIX Index +2.6% MoM). Miners, which had been chiefly responsible for the pressure on SA equities throughout 4Q24, were responsible for the vast majority of January's gains (+16% MoM). Precious metals miners, in particular, had a strong month (gold miners +33% MoM and platinum miners +20% MoM). Richemont (+31% MoM), on a considerably stronger than expected trading update, and MTN (+25% MoM) on Nigerian regulatory approval of a tariff hike, were other notable winners. Broadly, shares geared to the SA economy struggled, likely because of trading updates from retailers that fell somewhat short of lofty expectations for a consumer recovery over the Festive Season. Naspers/Tencent (-5% MoM) were also a disappointing performer following key investment, Tencent's, news mentioned above.

The focus of the portfolio is on investing in domestically listed companies that have an investment case that insulates them from SA's difficult economic situation (strong multinational franchise, rand hedge, dominant local platform, or clear local expansion strategy for example); high confidence in improving Return on Capital Employed and excellent cash flow generation. Of those companies that pay a dividend we prefer businesses with a dependable and solid payment history.

At the end of January, the top 15 holdings in the fund, making up 63% of the equity exposure, were as follows:

- Naspers
- Prosus
- Standard Bank
- Capitec
- BidCorp
- AngloGold Ashanti
- FirstRand
- Anglo American
- MAS Real Estate Inc
- Absa
- AdvTech
- Investec
- Discovery
- Shoprite
- WeBuyCars
- Shoprite

Main changes in the month

Regarding changes in the portfolio in January, we increased our stake in **Bidcorp**. We initiated a position in **Grindrod**, capitalising on its pullback during social unrest in Mozambique and anticipating benefits from potential partnerships with Transnet. We increased exposure to gold via **Harmony** and added a position in **MTN**. Conversely, we exited **The Foschini Group** on concern about its acquisition strategy and following its underwhelming trading update.

Performance

The Anchor BCI SA Equity Fund had a challenging start to the year, declining 1.6% MoM. January's sharp reversal of trends than had been dominating relative performance last year, and particularly the strength in cyclical miners to which the fund's quality orientation means it is typically underweight, meant it was a tough month. This will happen from time to time. While we did alter positioning slightly (adding to the fund's gold exposure and a position in MTN), we remain confident that the quality style will prevail in the long-term.

The Anchor BCI SA Equity team

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