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December 2024

Anchor BCI SA Equity Fund

Developed Market (DM) equities had a disappointing final month (MSCI World Index -2.6% MoM), detracting slightly from what was nonetheless a very good year of equity investors (MSCI World Index +19.2% YoY in 2024). December's decline occurred despite several mega-cap tech companies having a strong month - Tesla +17% MoM, Alphabet +12% MoM, Apple and Amazon both up 6% MoM. The broader market pullback was likely a reaction the far more hawkish tone from the US Federal Reserve (Fed), while delivering the much-anticipated 3rd consecutive interest rate cut in December. With Fed members' latest expectations for the future profile of interest rates more hawkish than expected, the result was a rise in US bond yields. This proved a headwind for equities given the demanding valuation that US equities had reached in the post-election rally. Emerging Market (EM) equities fared better than their DM peers in December (MSCI EM -0.1% MoM) but significantly underperformed for the full year (MSCI EM +8% YoY). Chinese equities were chiefly responsible for EM's December outperformance as the Chinese government continued to announce measures aimed at boosting lacklustre economic growth.

South African equities suffered their 3rd consecutive monthly decline (FTSE/JSE Capped SWIX Index -0.3% MoM), which took some of the shine off what was otherwise a solid year for the local bourse (FTSE/JSE Capped SWIX Index +13.5% YoY). Miners (-5% MoM) were the biggest culprit behind December's negative market performance, capping off a poor year for this group (-11% YoY). Stocks with earnings geared predominantly to the local economy had a marginally positive December (+0.25% MoM), while rand-hedge shares fared a little better (+1% MoM), no doubt helped by the tailwind of a weaker rand (-4.2% MoM). Naspers/Prosus also had a solid month (+3% MoM), supported by the performance of their main investment, Tencent.

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

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

Main changes in the month

Regarding changes in the portfolio in December, we continued to take profits in **WeBuyCars**. We added further to **Southern Sun** and took advantage of post-results weakness in **Capital Appreciation** to add to the position. We initiated a position in **Woolworths**, which, after a recent decline following disappointing near-term guidance, stands out as an opportunity in the basis that the earnings base is relatively low and the share has not enjoyed any of the rerating that the rest of the SA retail sector has enjoyed in anticipation of as better operating backdrop ahead.

Performance

The Anchor BCI SA Equity Fund declined 0.58% in December, slightly underperforming the SA equity market in the month, but ending the year up 19.0%, comfortably ahead of the benchmark.

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Notable contributors to the fund's performance in December were Tiger Brands (+14% MoM) as the market warmed to progress on the operational reset under new CEO, Tjaart Kruger, MAS Real Estate (+12% MoM) following a cautionary announcement. Among the detractors, although both relatively small positions, Capital Appreciation (-15% MoM) on underwhelming results and Renergen (-15% MoM) on market jitters around its progress on helium production and securing funding for the completion of its phase 1 plant, stood out.

The Anchor BCI SA Equity team

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