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Investing for a
world of change

Ninety One Value Fund: 25 years on – what we have learnt



John Biccard
Portfolio Manager

John Biccard assumed portfolio management of what was then the Investec Value Fund in 2000. Over the past 25 years, he has delivered exceptional returns for unit holders.

The Ninety One Value Fund has returned 16.2% p.a. over the period, outperforming both the JSE All-Share Index (14.2 % p.a.) and the average general equity fund (12.6 % p.a).¹ Throw in the powerful effect of compounding, and the difference is staggering: an initial investment of R100 000 invested 25 years ago in the average general equity fund would have grown to approximately R1.94 million today, whereas the same amount invested in the Ninety One Value Fund would be worth around R4.29 million today.²

We asked John to reflect on the last quarter century at the helm of the Ninety One Value Fund, and the secret to his performance track record.

The performance is not due to a smarter or harder-working fund manager, nor is it thanks to any ability to foresee the future. Rather, it is my firmly held belief that over the long term, value investing trumps all other investment styles. We have consistently applied these six value principles (with no exceptions) since I took over the Ninety One Value Fund 25 years ago.

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1. Source: Morningstar, dates to 30 April 2025. NAV based, net of fees with gross income reinvested, in rand. Past performance is not an indicator of future performance; losses may be made. Ninety One Value Fund A Inc ZAR class unit inception date: 02.04.00. The highest and lowest 12-month rolling performance since inception is 87.4% and -28.2% respectively. Please visit the Ninety One Value Fund web page for more details on the fund, including the factsheet (MDD).
2. Source: Morningstar, dates to 30 April 2025. Performance figures above are based on a lump sum investment (R100 000), NAV based, net of fees with gross income reinvested, in rand.

1 We don't come up with stock ideas, the market does.

Our ideas come solely from our exclusive focus on the worst-performing stocks, not stocks that have pulled back 10 or 20 percent from all-time highs, but rather stocks that have fallen massively (usually 80 percent or more) and preferably stocks that have been falling for years and are now ridiculed by market commentators.

To quote Bank of America's Michael Hartnett, our mantra is to "sell hubris, buy humiliation". We don't rely on 'good ideas' based on what we think is going to happen in the future. This is important, as our experience is that nobody is very good at predicting the future.

2 We don't make forecasts.

In our experience, forecasts are generally wrong. We also don't believe that upsizing the analytical team improves the success rate, which seems to us to remain stubbornly around 50%. Rather than making forecasts, we view the future as entirely uncertain, preferring to 'play the odds' by buying stocks that have been humiliated and trade on extremely low valuations.

This category of stocks helps protect us against an uncertain future – if the news is bad, the share is protected by the combination of a low valuation and low expectations of its shareholders ("I told you the share is a dog!"). If the news is good, it is a surprise to the market, which has sold the share down, expecting nothing good in the future.

3 We only buy low-valuation stocks.

There are no exceptions to this rule. This is because, in our view, valuation is *the* most important variable in selecting a stock. As discussed above, it is a protection in a 50/50 world. In addition, of all the factors that drive stock returns (which include future earnings, future growth of the industry in which the company operates and future value creation, i.e. return on equity above the cost of capital), historical valuation is the *only* variable we know with 100% certainty. We therefore upweight this variable to be the dominant driver of our decision whether to invest or not.

4 We will average down relentlessly.

There is no reason a share should rise simply because we've bought it. In fact, this hardly ever happens. When we purchase a stock, we fully expect it to fall further. Before buying, we ask ourselves: How would we feel if the stock fell a further 50% after our purchase? Would we be inclined to buy more or panic out? An example of this is our large platinum group metals (PGM) position during the mid-2010s. We started buying Impala in 2014 at around R90 a share and were still buying it 4 years later at R30.

5 We are not worried about catalysts for stocks and don't believe in the existence of "value traps".

If we were to wait for the appearance of a catalyst to unlock a stock's value, we would be too late: if we can see the catalyst, then the entire market can see it, and the share would already have risen. A stock that is labelled a "value trap" is really just a stock on which the market has totally given up – one that the market is 100% sure will never see a catalyst to unlock the value. As a result, we are especially interested in "value traps".

6 We define risk differently to the market.

The market focuses on two types of risk: volatility of the share price (i.e., how much the share moves up and down every day) and tracking error of the portfolio (i.e., how your portfolio differs relative to the index). Neither of these is of any consideration to us. Why should we care if the stock moves around a lot in the short term?

Tracking error risk is really just 'career risk'; it's what happens if we are wrong over the short term and get fired while we are waiting for the value to be unlocked. Jokes aside, the only risk that concerns us is the risk of a permanent loss of capital as a consequence of the liquidation of the company or industry in which we are invested. The work we do to limit this risk is to analyse the industry and focus on the company's balance sheet and liquidity. This approach helped us to avoid Kodak, which was a victim of the industry's collapse, and African Bank, where there was liquidity and balance sheet risk.

A key component to achieving long-term returns is to judge when to go big, i.e., when to upsize the positions in the fund. A sign that it is time to do this is when the market's aversion to a stock or a group of stocks becomes a narrative. This concept is often expressed by a catchphrase which either dismisses the idea or justifies holding it. Some good recent examples you've likely heard over the last 12 months are "American exceptionalism" and "China is uninvestable". These catchphrases have been used to backfill the reason why US stocks have massively outperformed Chinese stocks over the last 10 years.

Sticking to this approach, the Ninety One Value Fund's long-term track record has therefore been built around five large positions over the last 25 years, in each case going against the narrative of the time. In 2001, we invested solely in 'SA Inc.' stocks during the rand crisis and low valuations; in 2024, we did this again during the Eskom crisis and election uncertainties; and from 2014 to 2018, we invested in gold and PGMs, after avoiding all commodities in 2008.

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The fund is currently positioned in mid- and small-cap 'SA Inc.' stocks trading at absurdly low valuations due to lingering concerns with respect to South Africa. We also have exposure to select SA-listed commodity stocks (Exxaro, African Rainbow Minerals and Sasol), which are affected by low valuations and low prices for oil, manganese, coal and, to a lesser extent, iron ore. Offshore, the fund is invested in China, emerging markets and global beer and spirits stocks. We have almost no exposure to the US.

The simple process we have described has driven the performance we have achieved. However, it's important to emphasise that although the process is simple, it is not easy. While technical skills are obviously required, the real differentiators are tenacity, and an ability to ignore the crowd and tolerate long periods of underperformance. The longest period of underperformance began in September 2011 and lasted 4 years. Over that time, the fund underperformed the benchmark by 40%, which saw two-thirds of our clients leave us. We have no doubt that those dark days will return, but after 25 years – and having witnessed the rise and fall of many cycles – we know that if the work has been done and one is prepared to see it through, the rewards may well be significant.

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Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Where the fund invests in the units of foreign collective investment schemes, these may levy additional charges which are included in the relevant Total Expense Ratio (TER). A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The ratio does not include transaction costs. The current TER cannot be regarded as an indication of the future TERs. Additional information on the funds may be obtained, free of charge, at www.ninetyone.com. The Manager, PO Box 1655, Cape Town, 8000, Tel: 0860 500 100. The scheme trustee is FirstRand Bank Limited, RMB, 3 Merchant Place, Ground Floor, Cnr. Fredman and Gwen Streets, Sandton, 2196, tel. (011) 301 6335. Ninety One SA (Pty) Ltd is a member of the Association for Savings and Investment SA (ASISA).

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