

# A quality approach can deliver enduring resilience

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Abrie Pretorius and William Nott





# Target audience

## Audience

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Nothing herein should be construed as an offer to enter into any contract, investment advice, a recommendation of any kind, a solicitation of clients, or an offer to invest in any particular fund, product, investment vehicle or derivative.

## General risks

The value of investments, and any income generated from them, can fall as well as rise. Costs and charges will reduce the current and future value of investments.

Past performance does not predict future returns. Investment objectives may not necessarily be achieved; losses may be made.

Target returns are hypothetical returns and do not represent actual performance. Actual returns may differ significantly.

Environmental, social or governance related risk events or factors, if they occur, could cause a negative impact on the value of investments.

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Abrie Pretorius





# Market backdrop

## Global index and sector returns (USD)

MSCI ACWI sector	End weight	Q3 2024	Q2 2024	Q1 2024	YTD 2024
Real Estate	2.2%	16.8%	-2.9%	-0.9%	13.1%
Utilities	2.7%	16.6%	3.6%	1.5%	23.3%
Financials	16.2%	10.7%	0.1%	9.3%	21.7%
Industrials	10.6%	10.2%	-1.8%	9.1%	18.5%
Materials	4.1%	9.6%	-3.2%	1.9%	8.4%
Consumer Staples	6.4%	9.4%	-0.2%	2.6%	12.6%
Consumer Discretionary	10.6%	9.4%	-1.5%	5.9%	14.4%
MSCI ACWI		6.6%	2.9%	8.2%	19.1%
Health Care	10.9%	6.2%	0.3%	7.1%	14.5%
Communication Services	7.8%	4.3%	8.1%	11.4%	25.9%
Information Technology	24.5%	1.1%	11.4%	12.1%	26.4%
Energy	4.0%	-2.2%	-0.8%	9.4%	6.7%

Q3 has seen rate sensitive sectors rally, but the AI theme has driven IT and Communication Services sectors higher YTD

Past performance does not predict future returns; losses may be made.

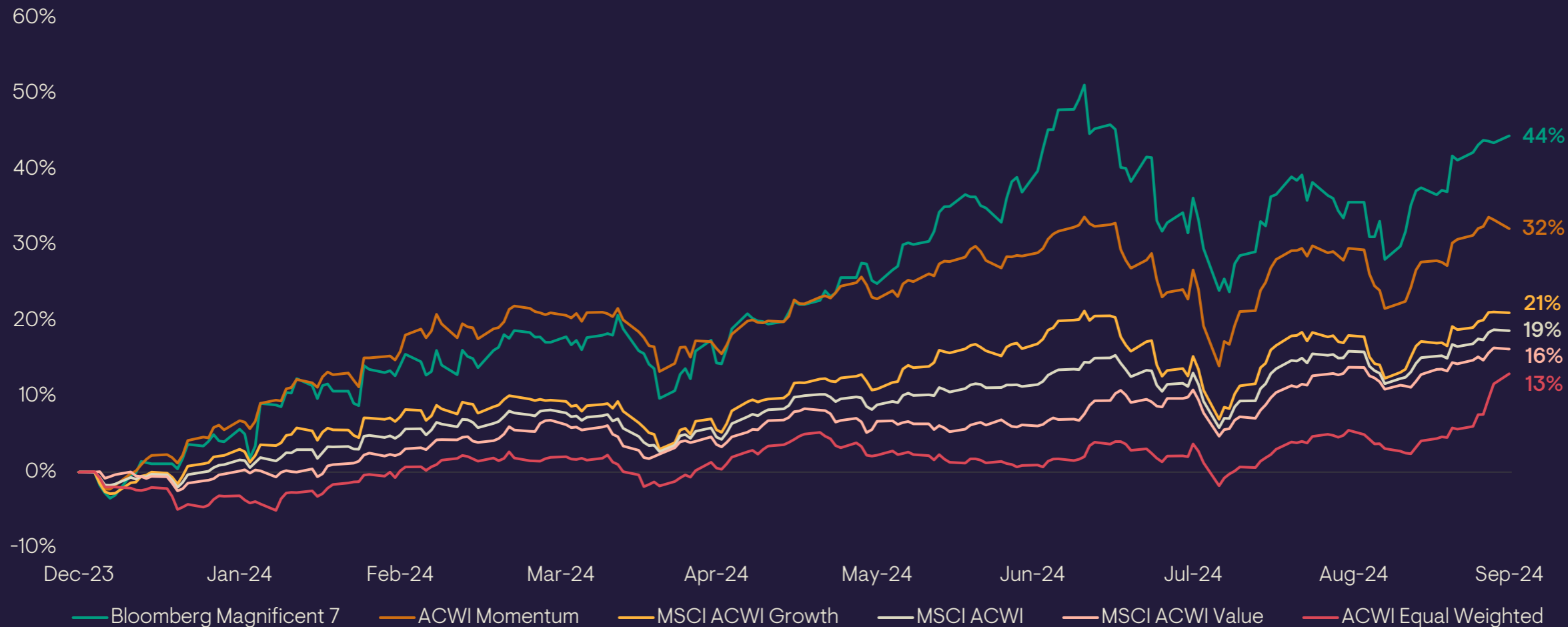
Source: Ninety One, FactSet, 30 September 2024.

For further information on indices, please see the Important information section.



# Style performance dispersion

YTD total returns (USD) – style comparison



Past performance does not predict future returns; losses may be made.

Source: Ninety One, Bloomberg, 30 September 2024.

Returns are in USD, shown net of all trading expenses. Income is reinvested. Global Franchise performance is gross of fees.

For further information on indices, please see the Important information section



# Our definition of Franchise companies

5 key attributes

1

Hard-to-replicate enduring competitive advantages

2

Dominant market positions in stable growing industries

3

Low sensitivity to the economic and market cycle

4

Healthy balance sheets and low capital intensity

5

Sustainable cash generation and effective capital allocation

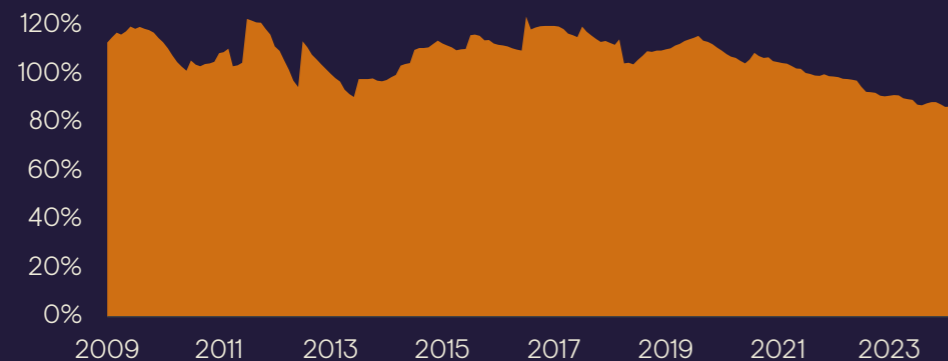
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Best-of-breed quality companies that sustain high returns and compound shareholder wealth over the long term

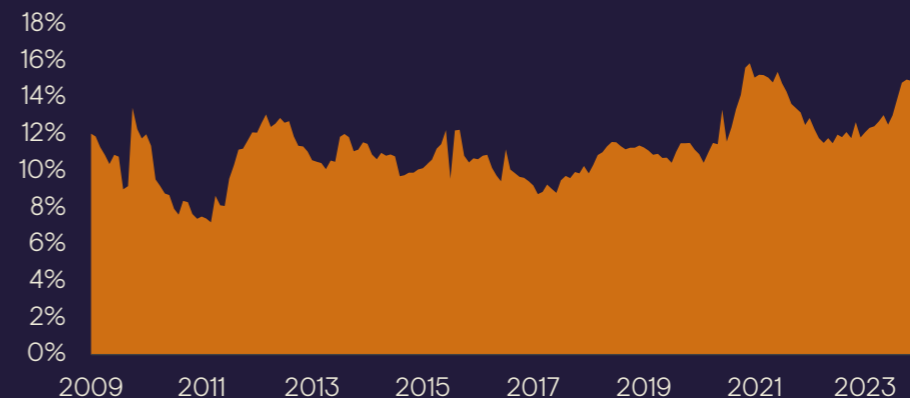


# Earnings growth and profitability have risen

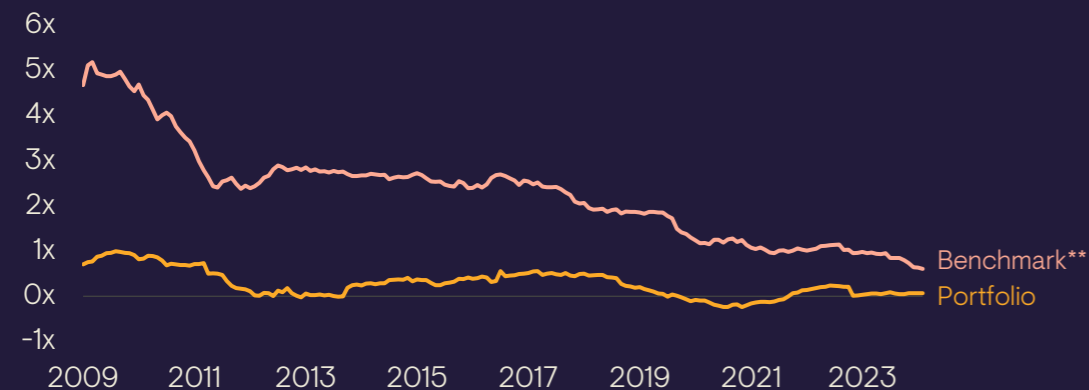
### High quality profits (FCF conversion)



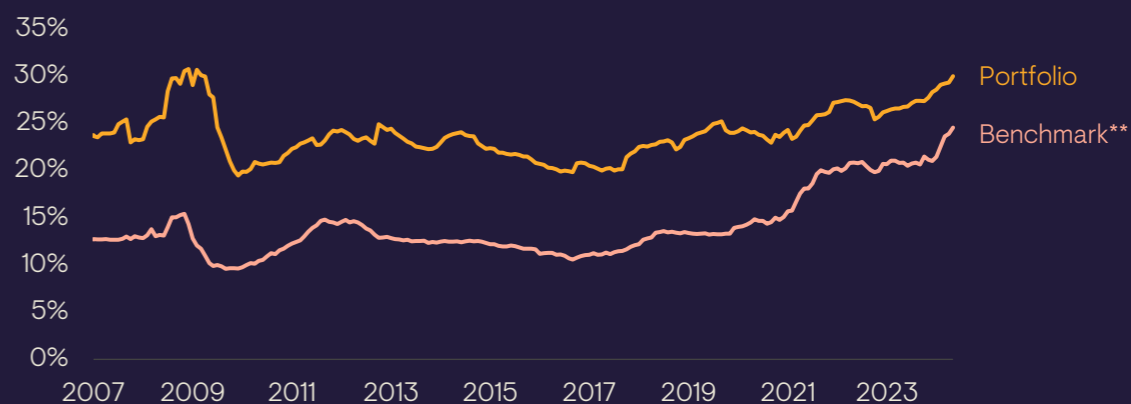
### Attractive growth rates (7-year FCF CAGR\*)



### Low leverage (Net Debt to EBITDA)



### Superior profitability (ROIC)



Sources: Ninety One and FactSet, 31 August 2024. Re-weighted excluding cash and equivalents showing metrics of the constituent companies, since inception. Based on a related portfolio with substantially similar objectives as those of the services being offered. \*FCF CAGR means compound annual growth rate of free cashflow. \*\* MSCI All Country World excludes banks from free cashflow yield calculation, classified in the Banks Industry Group according to GICS. For further information on indices, please see the Important Information section.

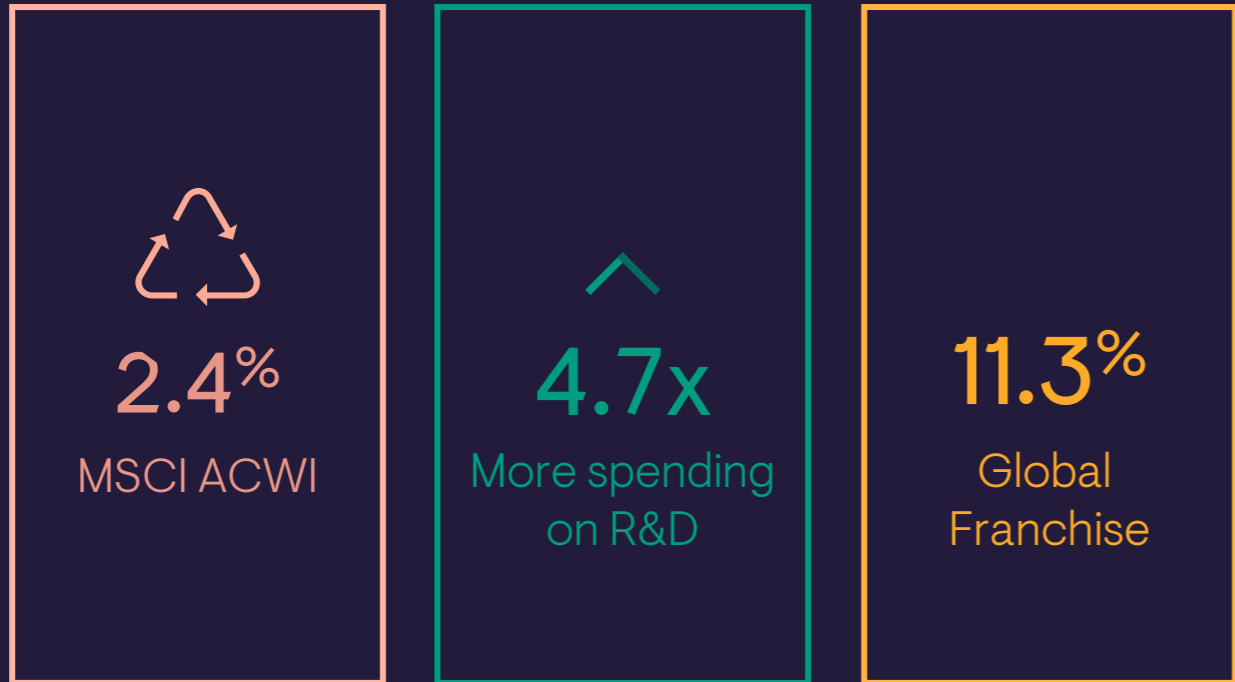


# Well positioned for the future

## Innovation & sustainability

### Sustainability through innovation

R&D as a % of sales



### Exposure to key long-term themes

Cloud computing		
Artificial Intelligence & data		
Payments & Fintech		
Health & Beauty		

No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided.

Source: Ninety One, FactSet, based on constituents of MSCI ACWI, as at 31 March 2024. This is not a buy, sell or hold recommendation for any particular security.

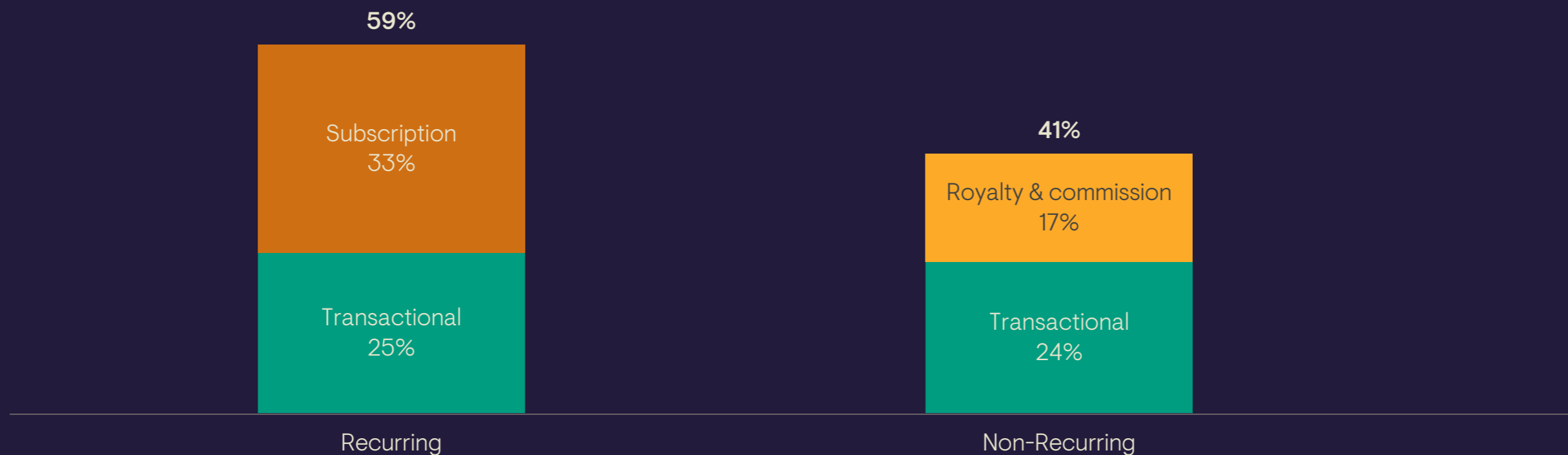
The portfolio may change significantly over a short space of time. For more information on indices, investment process and specific portfolio names, please see the Important Information section.



# Looking beyond the top line

Resilience via higher quality revenue streams

Global Franchise portfolio revenue breakdown

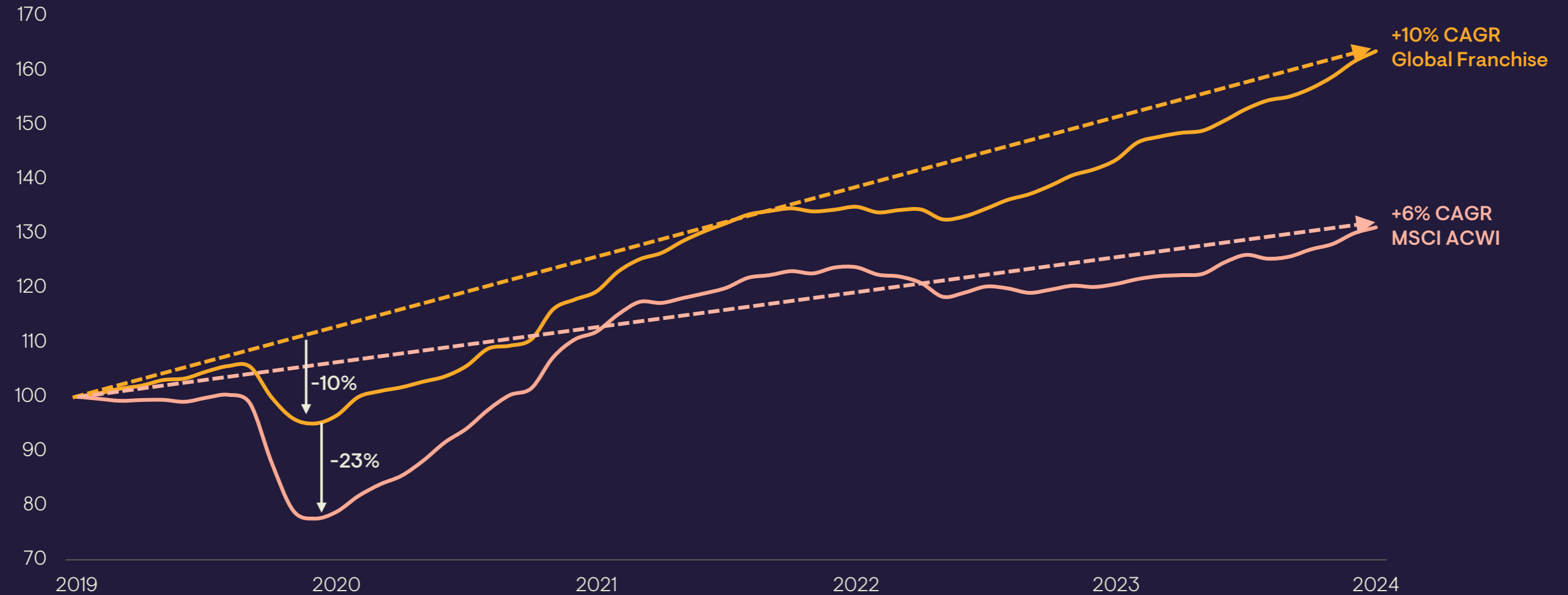




# Compounding of Earnings

Last 5 years earnings growth – Global Franchise

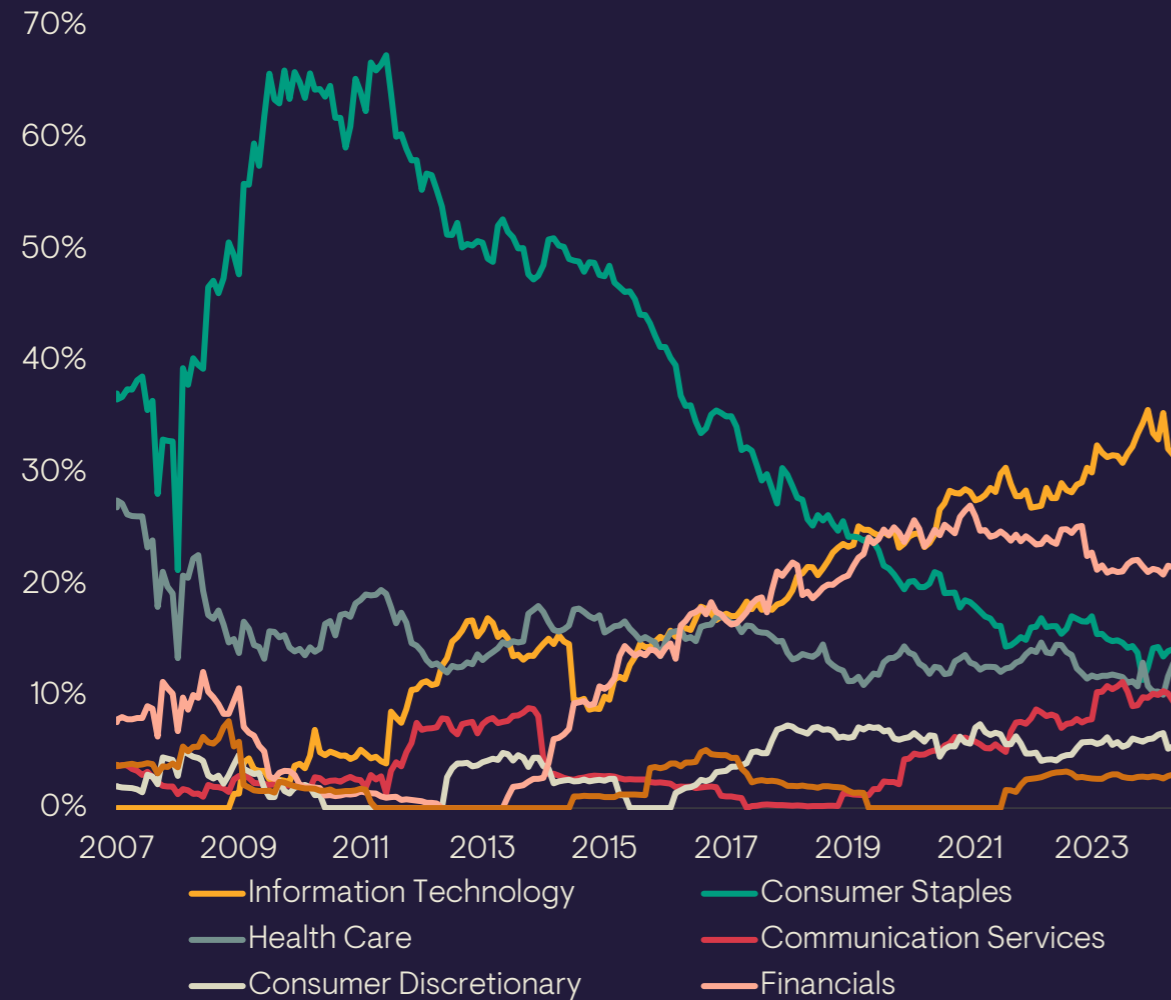
## Forward Earnings Growth





# The evolution of quality

### Sector breakdown since inception



### ROIC Information Technology vs Consumer Staples



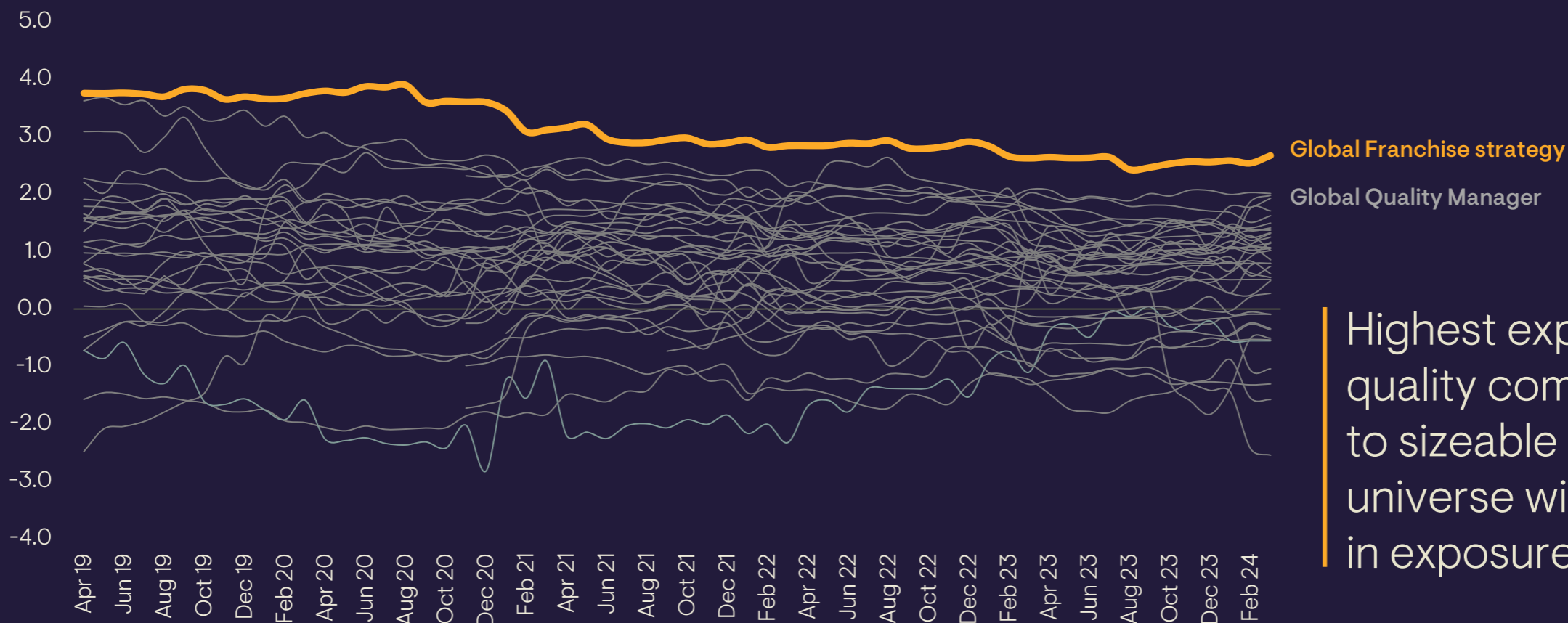
The portfolio may change significantly over a short period of time.  
Source: Ninety One, FactSet, 30 June 2024.



# Significance and consistency of exposure standout to other quality managers

## Global Franchise strategy vs. quality competitor universe

Average quality tilt vs. MSCI ACWI



Highest exposure to quality companies relative to sizeable competitor universe with no drift in exposure

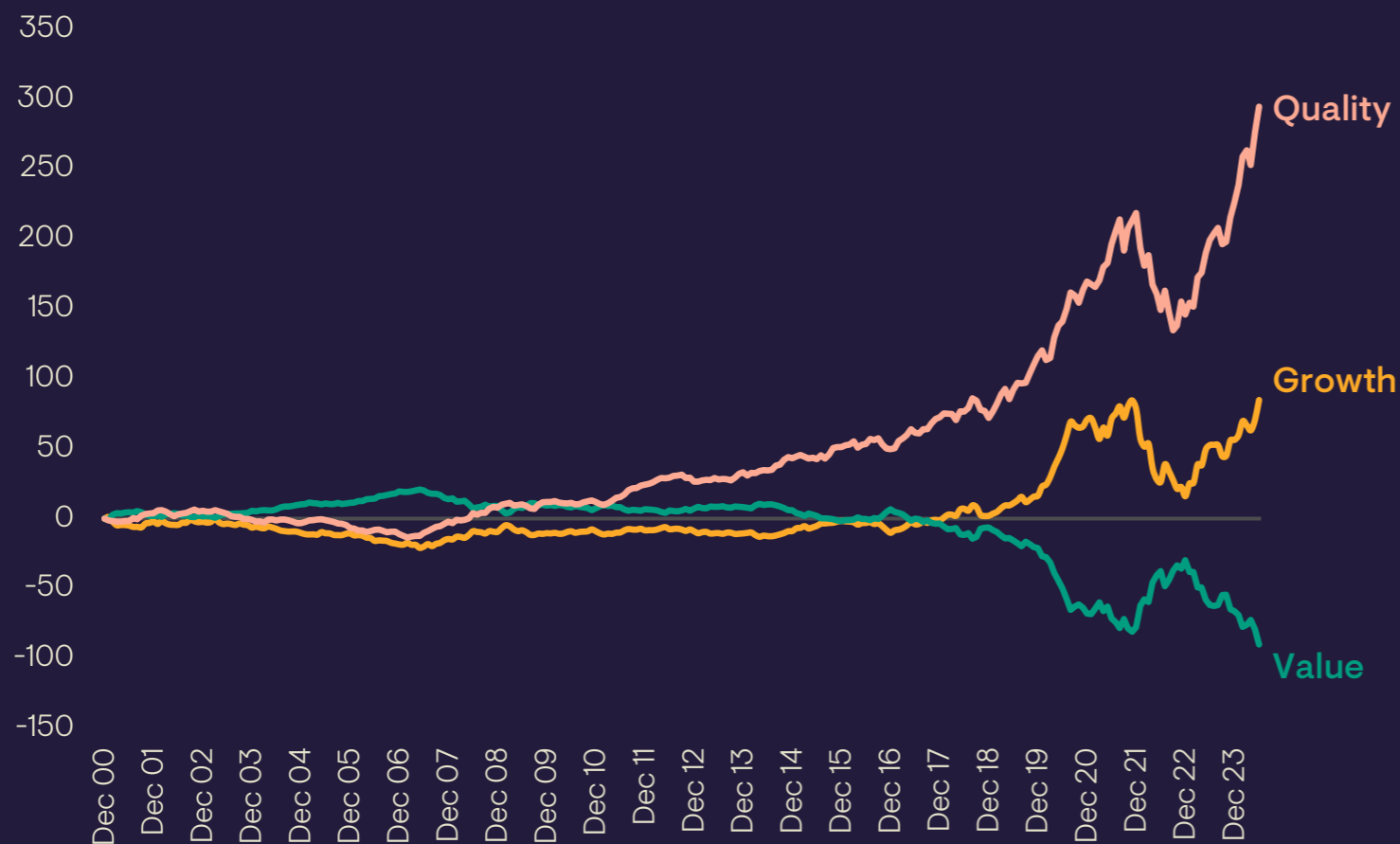
Source: Style Analytics, Ninety One, as at March 2024. Quality tilt shown month on month as the average of managers tilt score to ROIC, ROA, Net Profit Margin, Gross Profit Margin, and Returns Stability  
“Global Quality Manager” representative of strategies in either the eVestment Global Large Cap Equity or eVestment Global All Cap Equity universe, who have quality in their strategy name or have stated quality as their equity style emphasis in their eVestment strategy profile, where holdings are available in style analytics or can be sourced from other sources for analysis  
The portfolio may change significantly over a short space of time.



# Investors with a growth/value portfolio construct may be missing out

Quality equities have outperformed both growth and value

Cumulative excess returns vs. MSCI ACWI



Investors reliant on timing growth or value allocations would have missed the tailwind in quality stocks

Past performance does not predict future returns; losses may be made.

Source: Morningstar Direct, June 2024, Growth, Value, Quality represented by MSCI ACWI style defined indices, performance shown since common inception in USD.

For further information on indices, please see the Important information section.

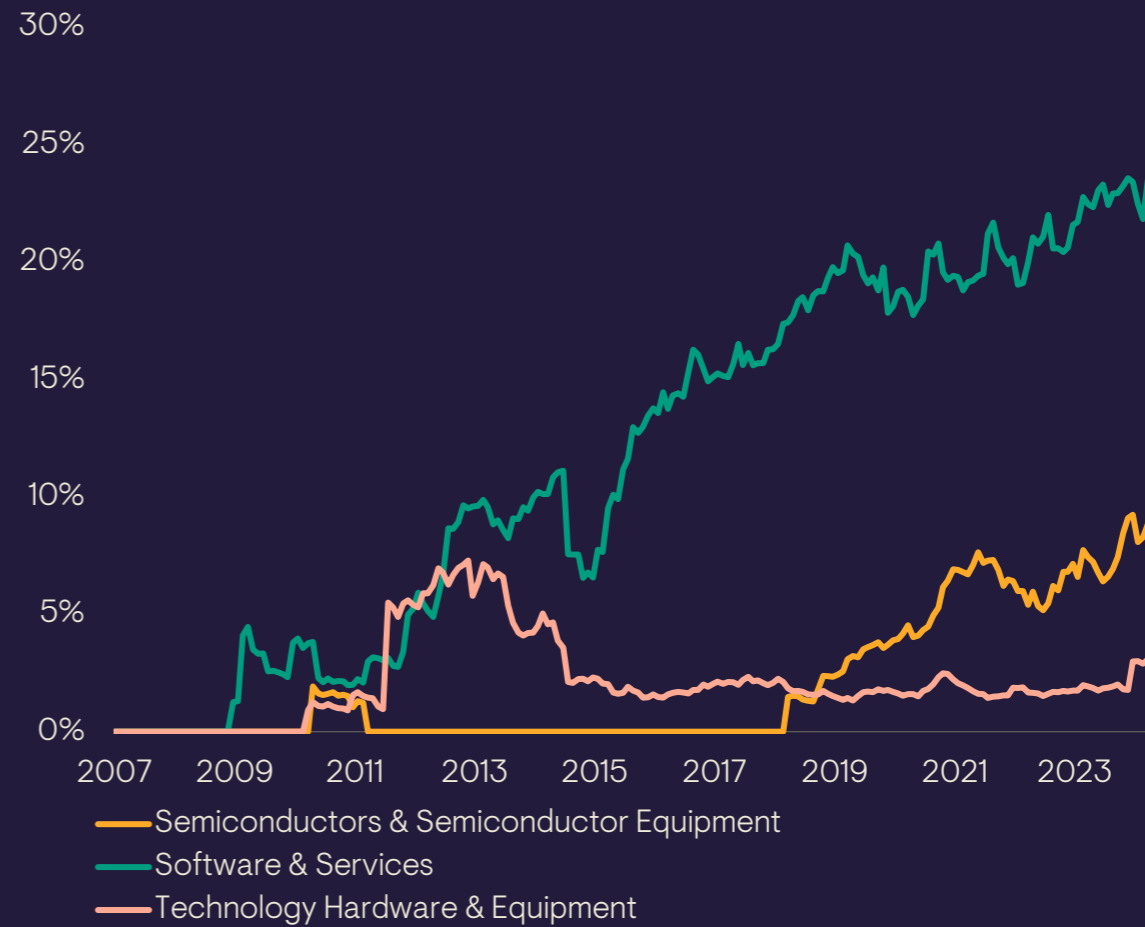
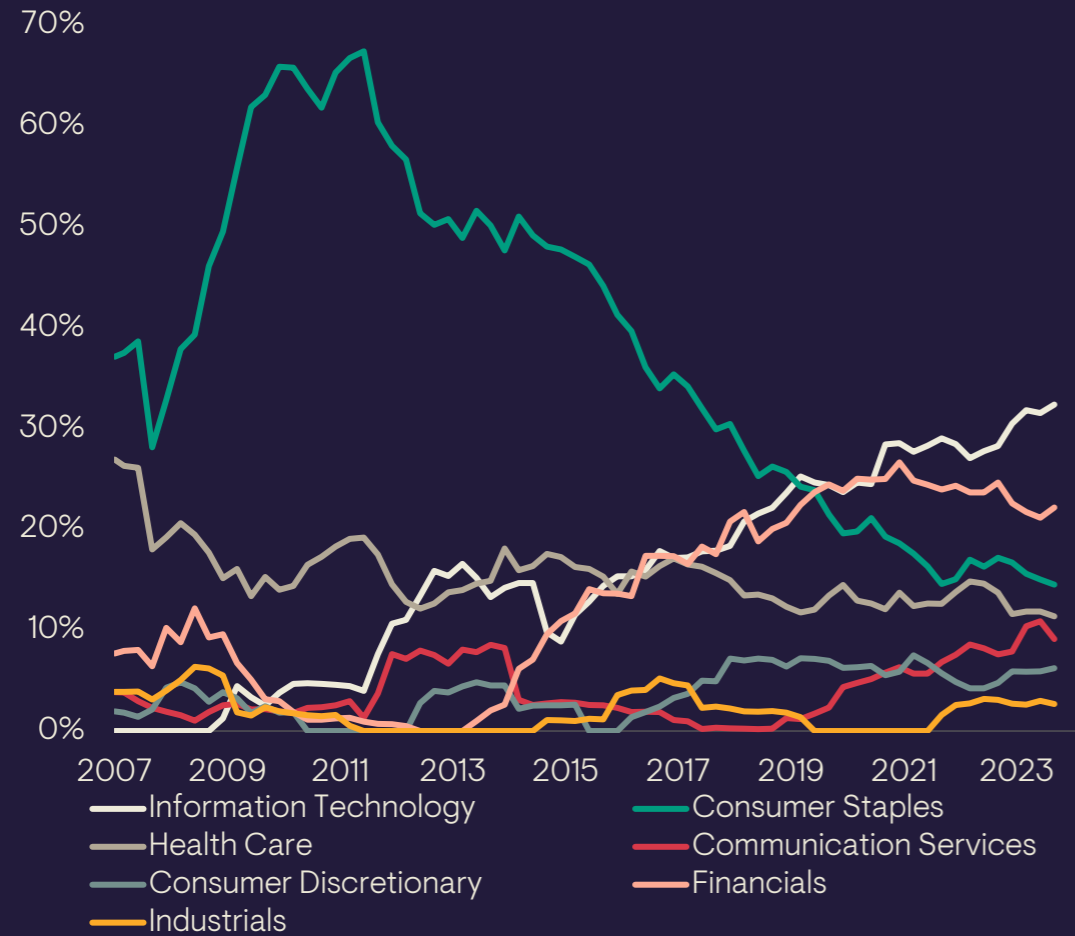
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William Nott



# Technology through a Quality lens

Sector breakdown since inception



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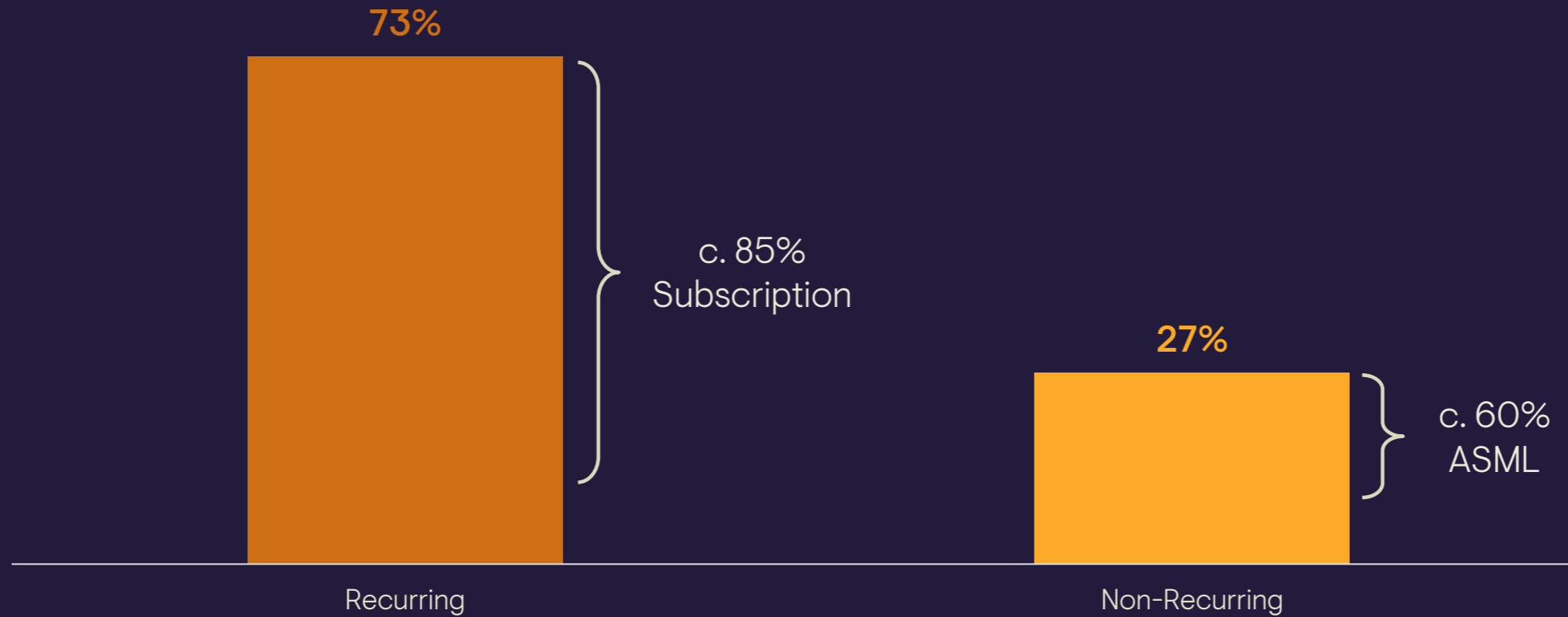
Source: Ninety One at 31 July 2024

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# Looking beyond the top line

Resilience via higher quality revenue streams

Global Franchise Information Technology revenue breakdown

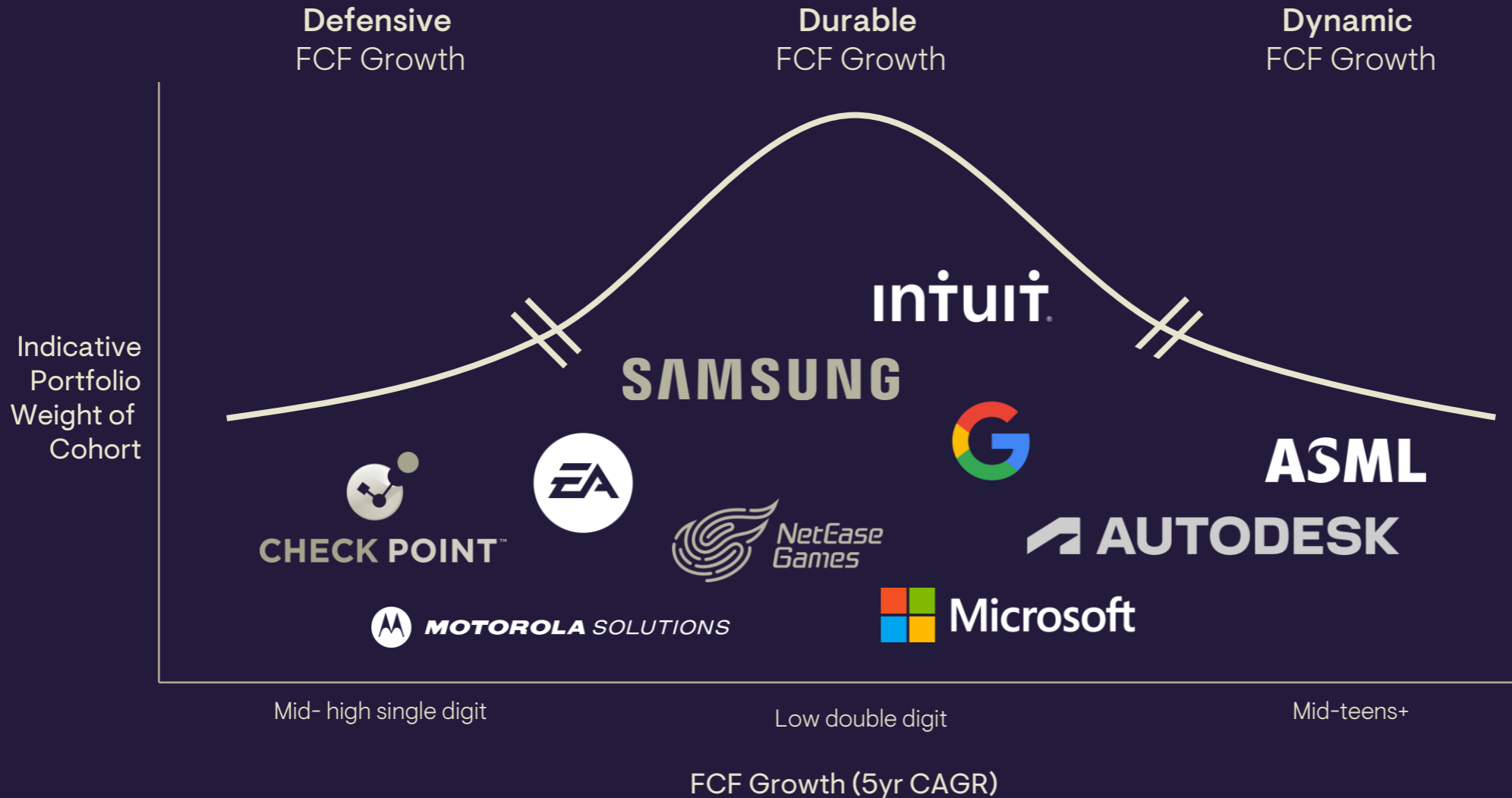






# Global Franchise: illustrative portfolio shape

Attractive FCF compounding with diversified growth drivers



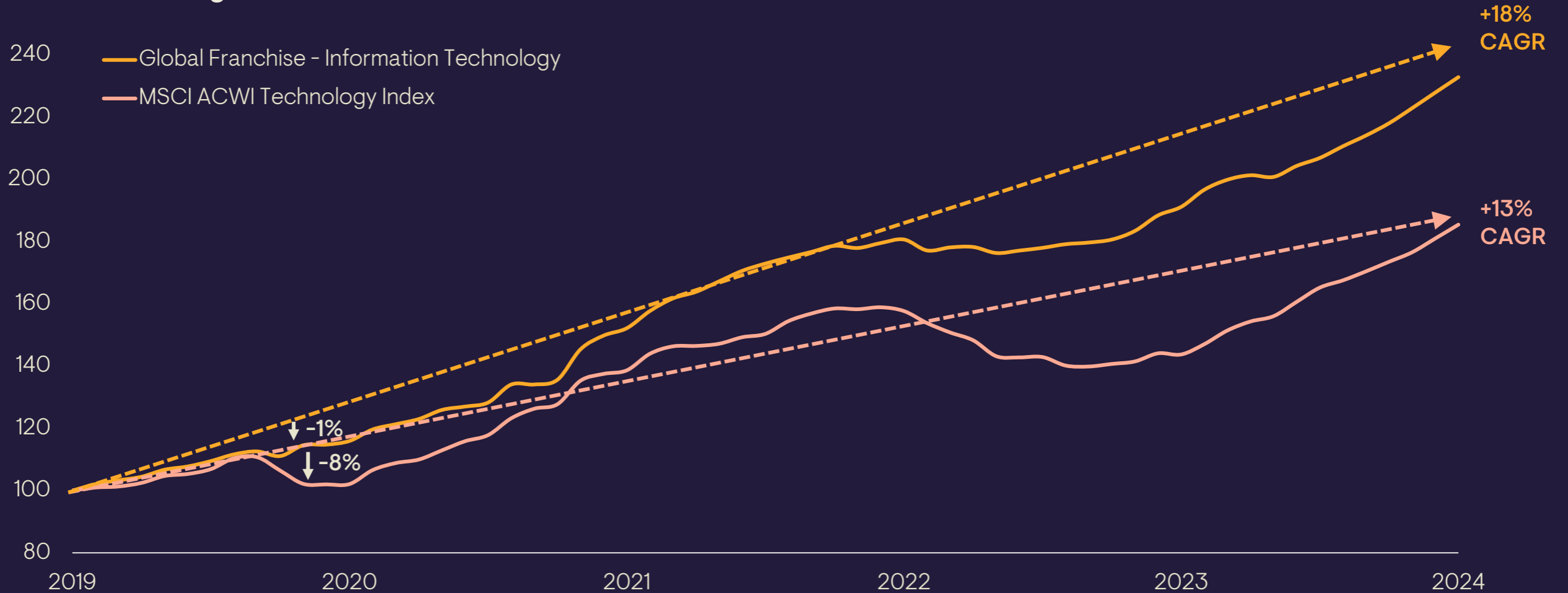
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# Compounding of Earnings

Last 5 years earnings growth – Global Franchise

## Forward Earnings Growth



Past performance is not a reliable indicator of future results, losses may be made.

Source: Ninety One, Bloomberg, 30 June 2024, based to 100 at March 2019. Weighting based on GSF vehicle. Earnings based on Blended 12mth forward.

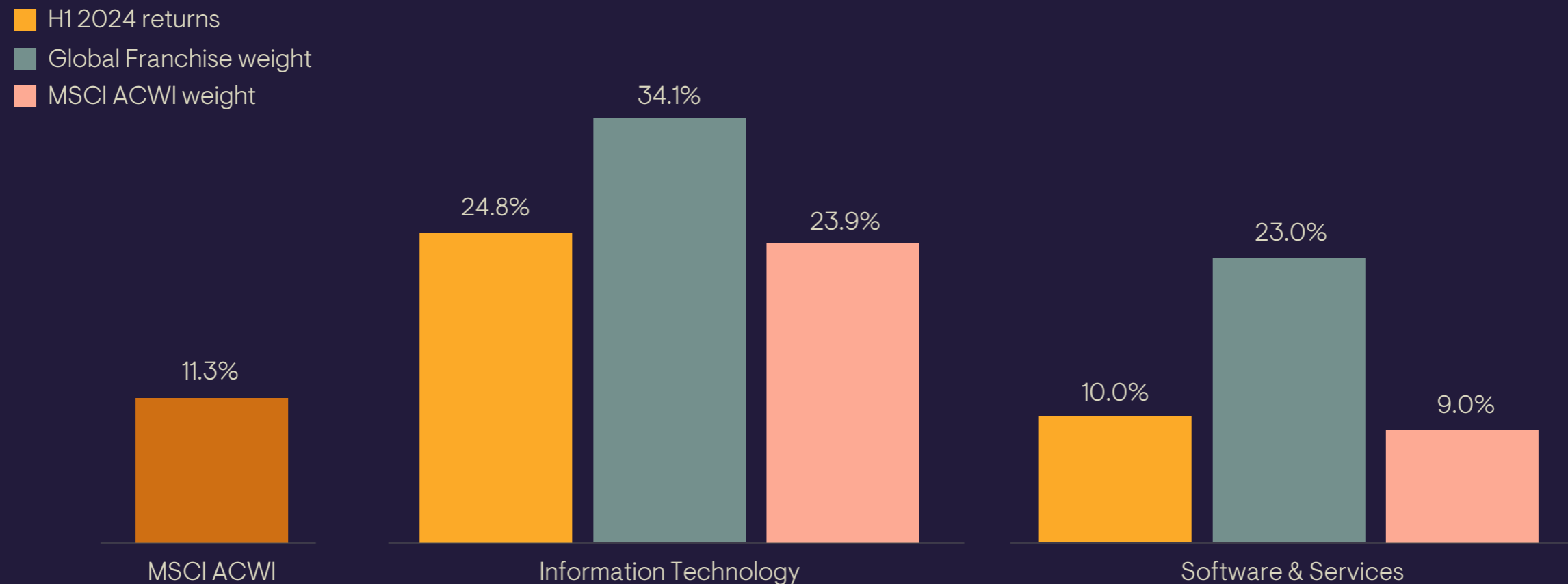
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# Is AI Growth Sustainable?

Recent strength driven by semiconductors whilst software lags

## Technology sector exposure by Industry Group (H1 2024)



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Source: Ninety One, FactSet, 30 June 2024. This is not a buy, sell or hold recommendation for any particular security. The portfolio may change significantly over a short period of time.

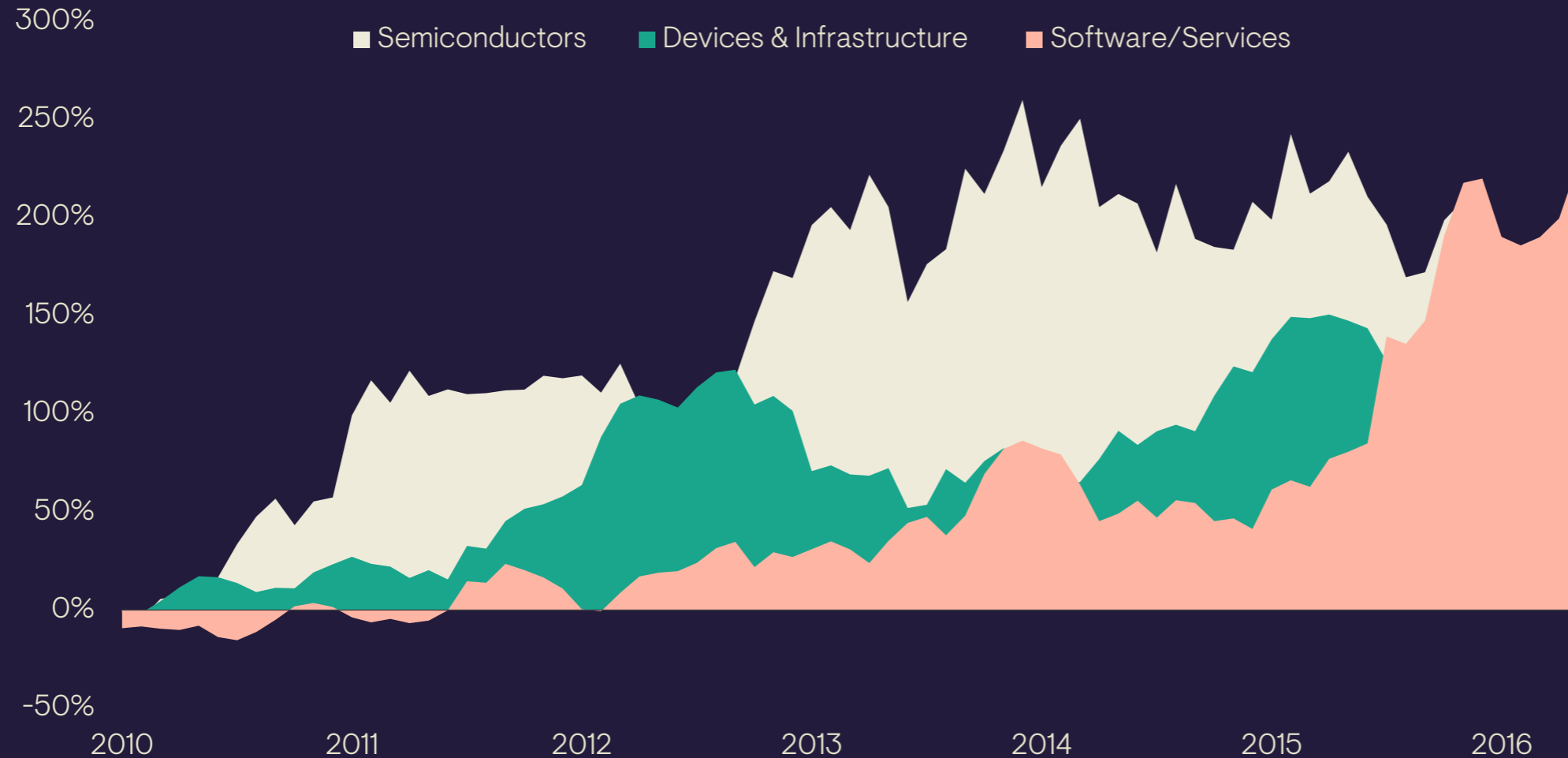
For further information on investment process and specific portfolio names, please see the Important Information section.



# Is AI Growth Sustainable?

Software has been a long-term beneficiary in previous cycles

Mobile Cycle Relative Returns (%)



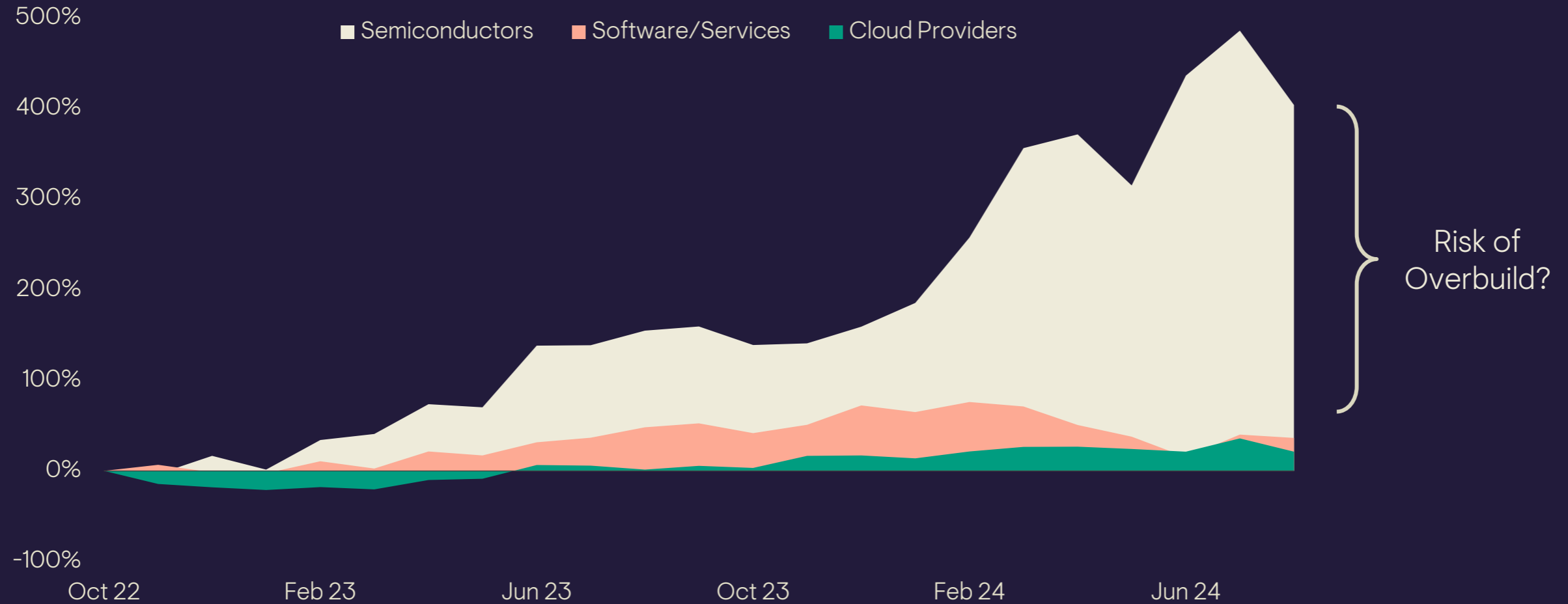
Source: Ninety One, Bloomberg, Based on analysis by Morgan Stanley. Semiconductors – based on equally weighted performance of ARM/QUALCOMM, Devices & Infrastructure based on equally weight performance of Apple/Samsung, Software & Services based on equally weighted performance of Alphabet/Amazon all in USD relative to MSCI ACWI , Feb 2010 – Jun 2016



# Is AI Growth Sustainable?

Demand for AI infrastructure is running ahead of monetisation

AI Cycle Relative Returns (%)



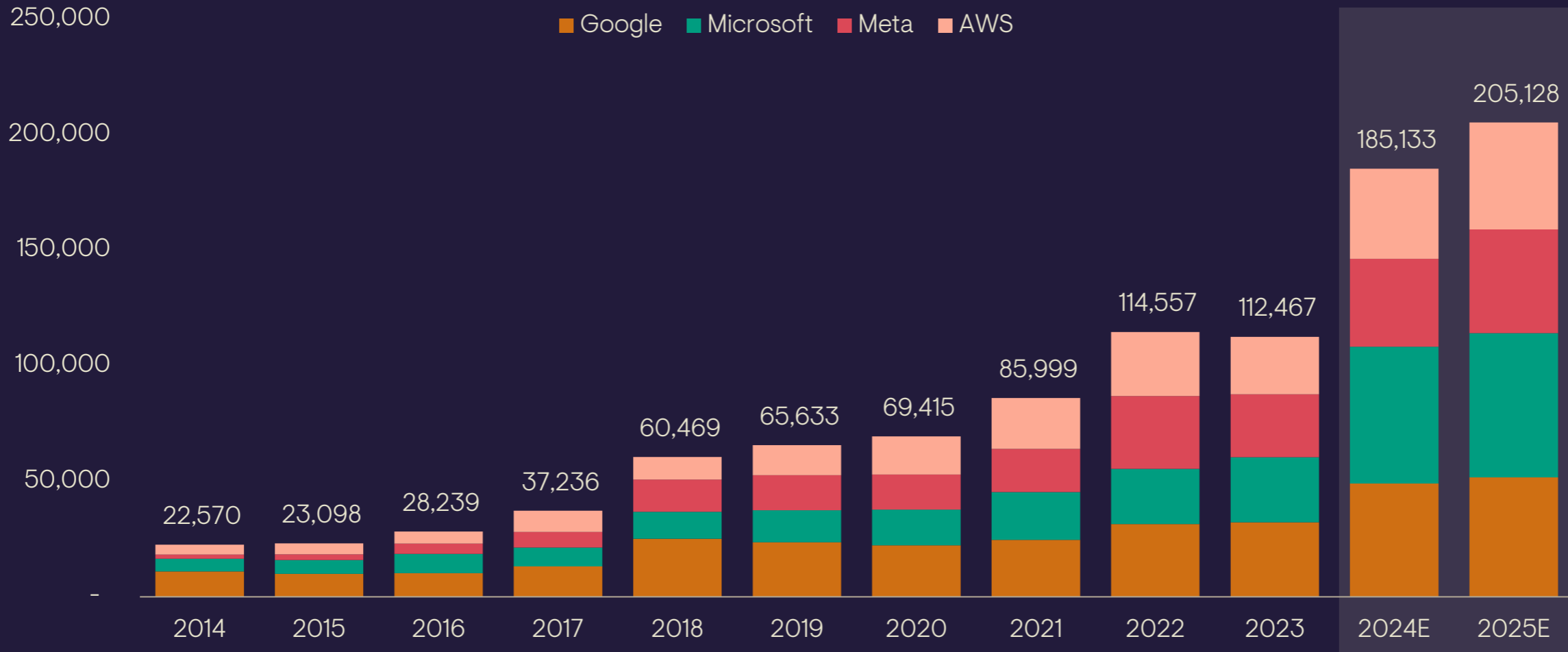
Source: Ninety One, Bloomberg. Semiconductors – based on equally weighted performance of Nvidia/AMD, Cloud Providers based on equally weight performance of Microsoft/Amazon, Software & Services based on equally weighted performance of Adobe/Salesforce all in USD relative to MSCI ACWI , Oct 2022 – Jun 2024



# Is AI Growth Sustainable?

Demand for AI infrastructure is running ahead of monetisation

## Hyperscaler Capex (\$m)



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Source: Ninety One, Bloomberg. For further information on specific portfolio names, please see the Important information section.



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