



Ninety One Value Fund

John Biccard
30 April 2020





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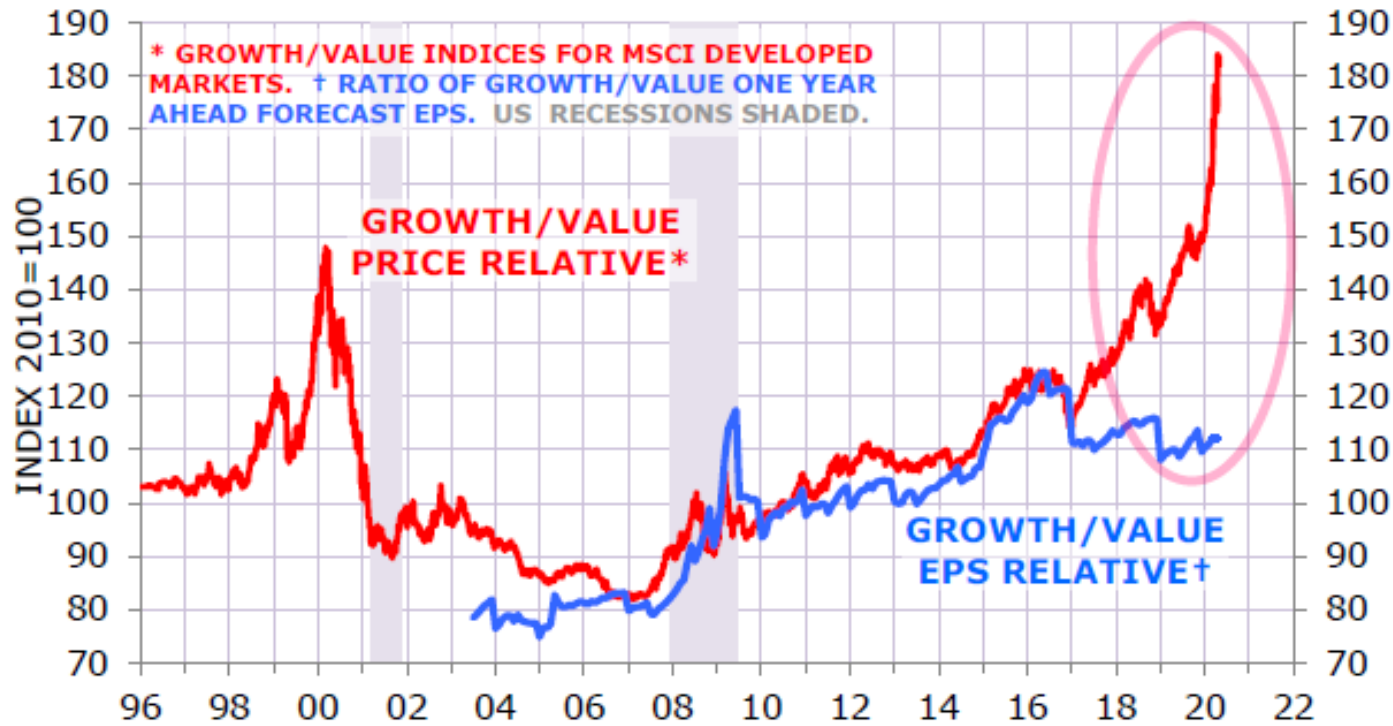
Five key points for today

- Value **continues** its 12 year underperformance vs growth. Valuation has been no defense in this sell-off
- Ninety One Value Fund has **fared better** than competitors due to our large platinum position that paid off in 2019
- We have sold out of **platinum** entirely and upweighted **gold** with the proceeds
- It is unusual for a value manager **not to be tempted** into “mainstream” ‘SA Inc’ stocks such as banks and retailers. We are **even more bearish** on SA and the Rand
- We are very **bearish** – world equities (esp the US) are **priced off the bond market** which is very vulnerable to an upside inflation surprise given **unprecedented** monetary and fiscal measures



The crisis accelerates growth out-performance

MSCI developed markets growth vs Value

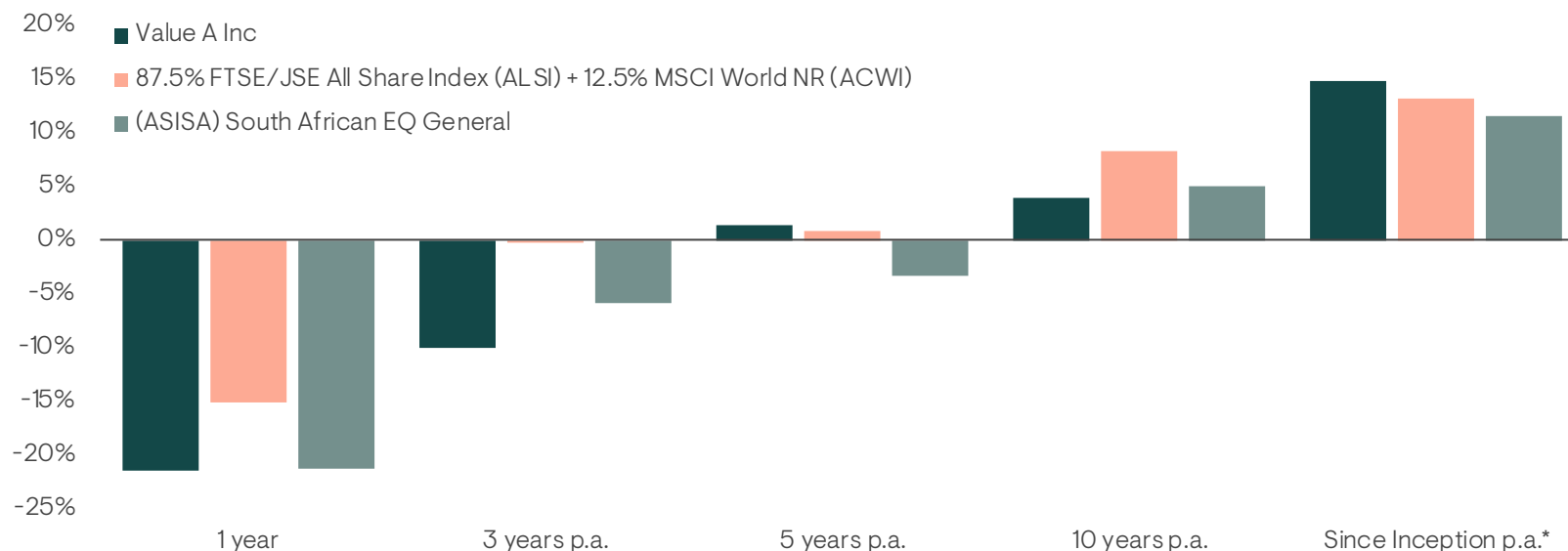




Ninety One Value Fund

Performance

Annualised performance in ZAR



Value A Inc	-21.6%	-10.1%	1.3%	4.0%	14.9%
87.5% FTSE/JSE All Share Index (ALSI) + 12.5% MSCI World NR (ACWI)	-15.2%	-0.3%	0.9%	8.2%	13.2%
Active return	-6.5%	-9.8%	0.4%	-4.2%	1.7%
(ASISA) South African EQ General	-21.4%	-5.9%	-3.3%	5.1%	11.6%
Active return (sector)	-0.3%	-4.2%	4.6%	-1.1%	3.3%

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

Source: Morningstar, dates to 31 March 2020, performance figures above are based on lump sum investment, NAV based, inclusive of all annual management fees but excluding any initial charges, gross income reinvested, fees are not applicable to market indices, where funds have an international allocation this is subject to dividend withholding tax, in South African Rand.

* Inception date 28 April 2000.

Annualised performance is the average return per year over the period. Individual investor's performance may vary depending on actual investment dates. Highest and Lowest returns are those achieved during any rolling 12 months over the period specified. Since inception*: Jul-16 87.4% and Feb-09 -28.2%

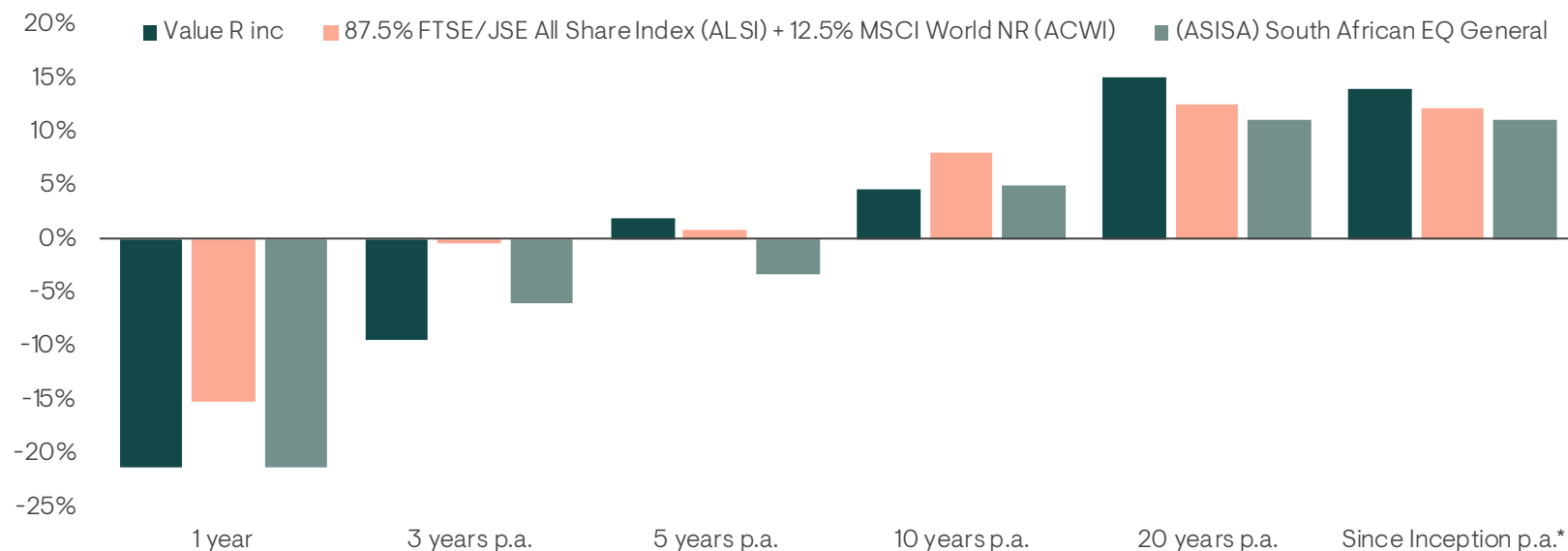
The Fund is actively managed. Any index is shown for illustrative purposes only.



Ninety One Value Fund

Performance

Annualised performance in ZAR



Value R inc	-21.3%	-9.5%	2.0%	4.6%	15.2%	14.0%
87.5% FTSE/JSE All Share Index (ALSI) + 12.5% MSCI World NR (ACWI)	-15.2%	-0.3%	0.9%	8.2%	12.7%	12.3%
Active return	-6.1%	-9.2%	1.1%	-3.7%	2.5%	1.7%
(ASISA) South African EQ General	-21.4%	-5.9%	-3.3%	5.1%	11.2%	11.1%
Active return (sector)	0.1%	-3.6%	5.3%	-0.5%	4.1%	2.9%

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

Source: Morningstar, dates to 31 March 2020, performance figures above are based on lump sum investment, NAV based, inclusive of all annual management fees but excluding any initial charges, gross income reinvested, fees are not applicable to market indices, where funds have an international allocation this is subject to dividend withholding tax, in South African Rand.

* Inception date 03 May 1997.

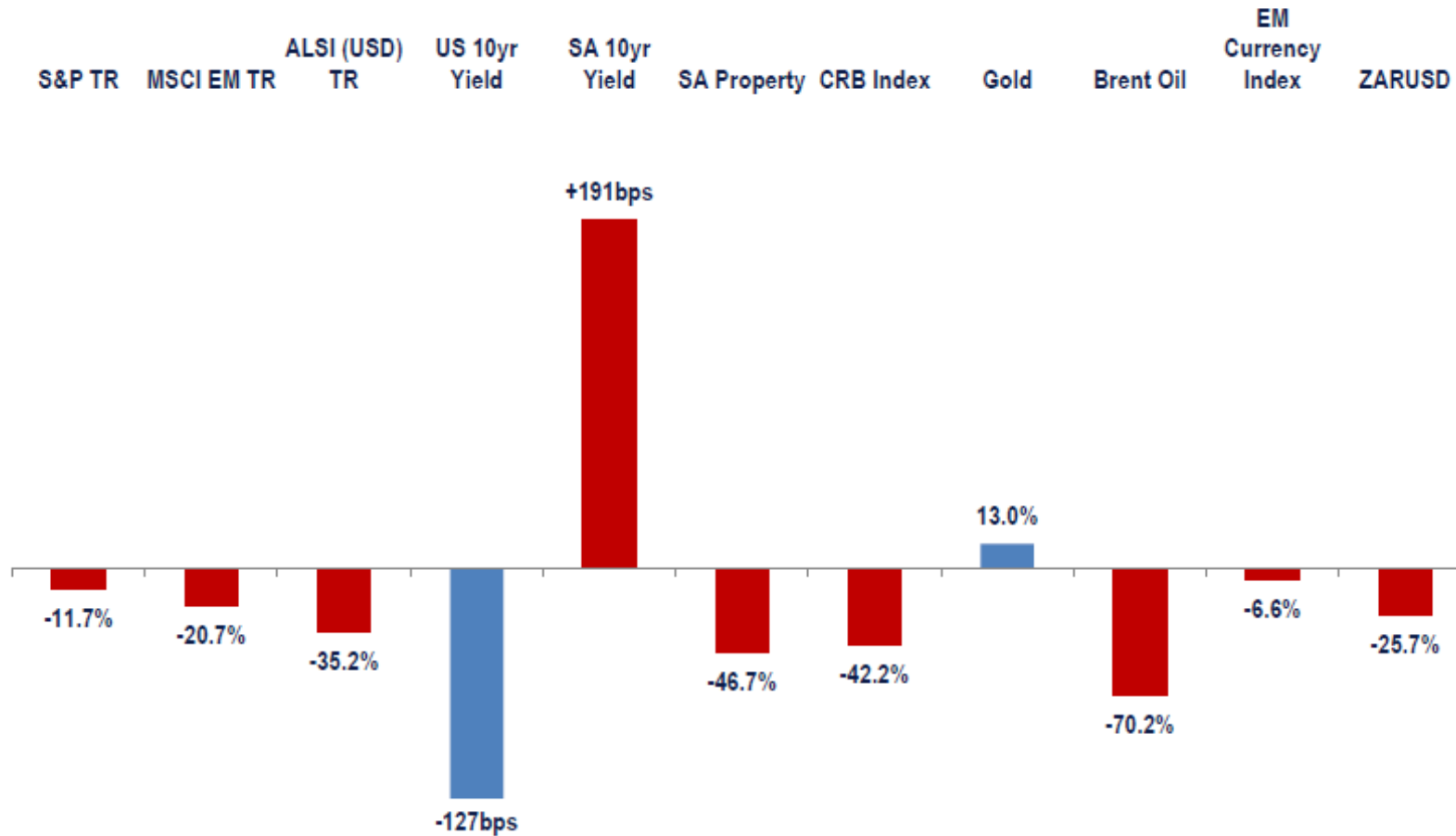
Annualised performance is the average return per year over the period. Individual investor's performance may vary depending on actual investment dates. Highest and Lowest returns are those achieved during any rolling 12 months over the period specified. Since inception*: Jul-16 87.9% and Sep-98 -35.7%

The Fund is actively managed. Any index is shown for illustrative purposes only.



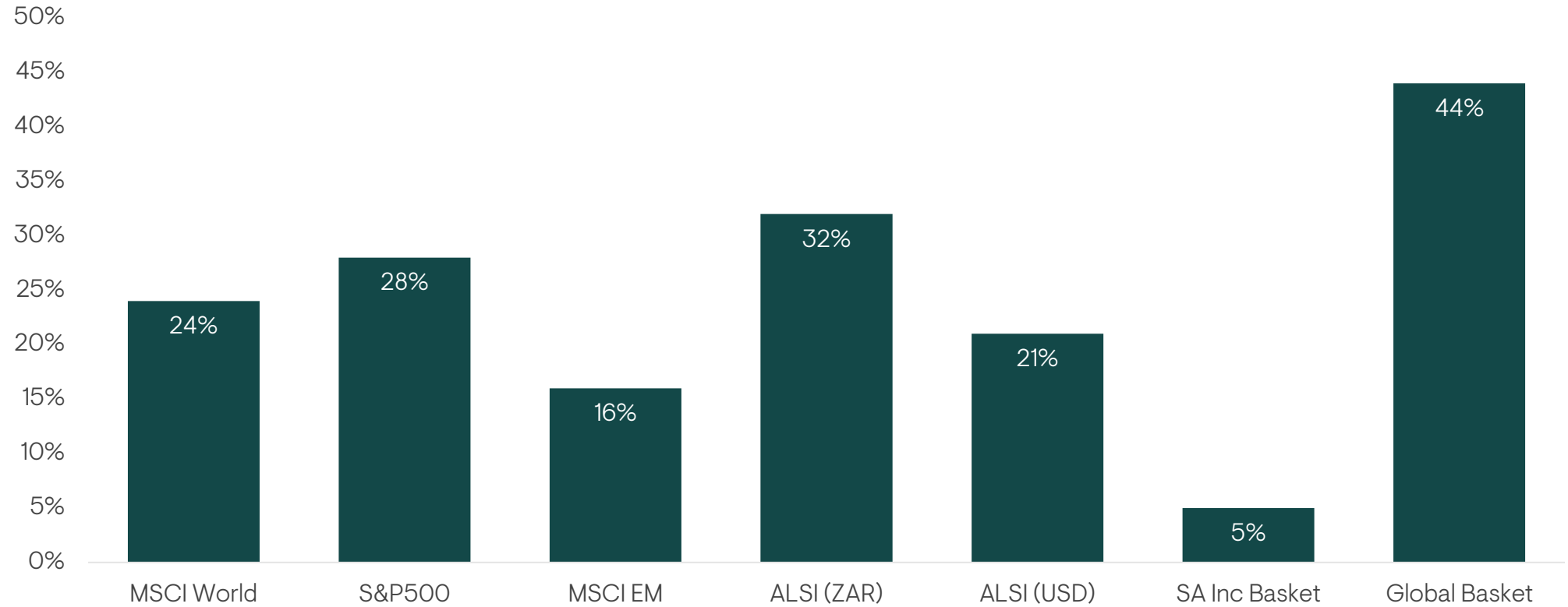
YTD performance

Crisis triggered risk aversion still dominant





Not all recoveries off trough lows are born equal





Broad positioning

Allocation	%	Stocks
Gold (19% + 11% effective offshore holding)	30%	AngloGold and DRD (offshore Centamin, Novagold, Fresnillo and SSR)
Large mid-caps	11%	Sappi
Small-caps	25%	Wide range including Brait, Oceana, Reunert, Caxton, Cashbuild, Lewis and Gemfields
Offshore	38%	Global Value Fund

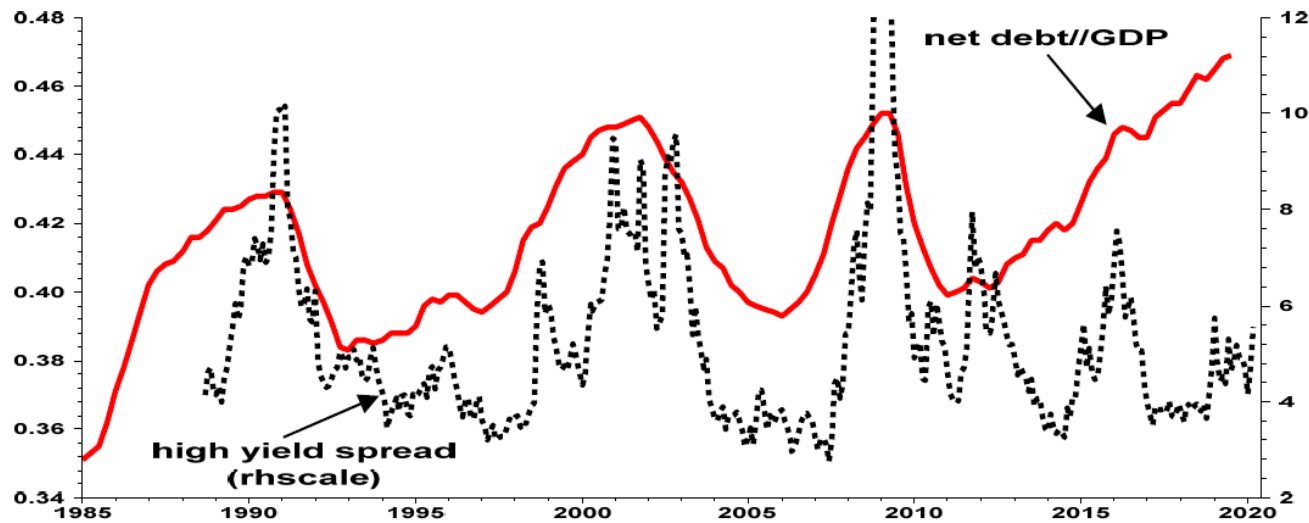
The case for gold





We go into the 'dead stop' moment with unprecedented levels of debt

US corporate net debt/GDP and high yield bond spreads





The global monetary policy rate is now well below post-GFC lows

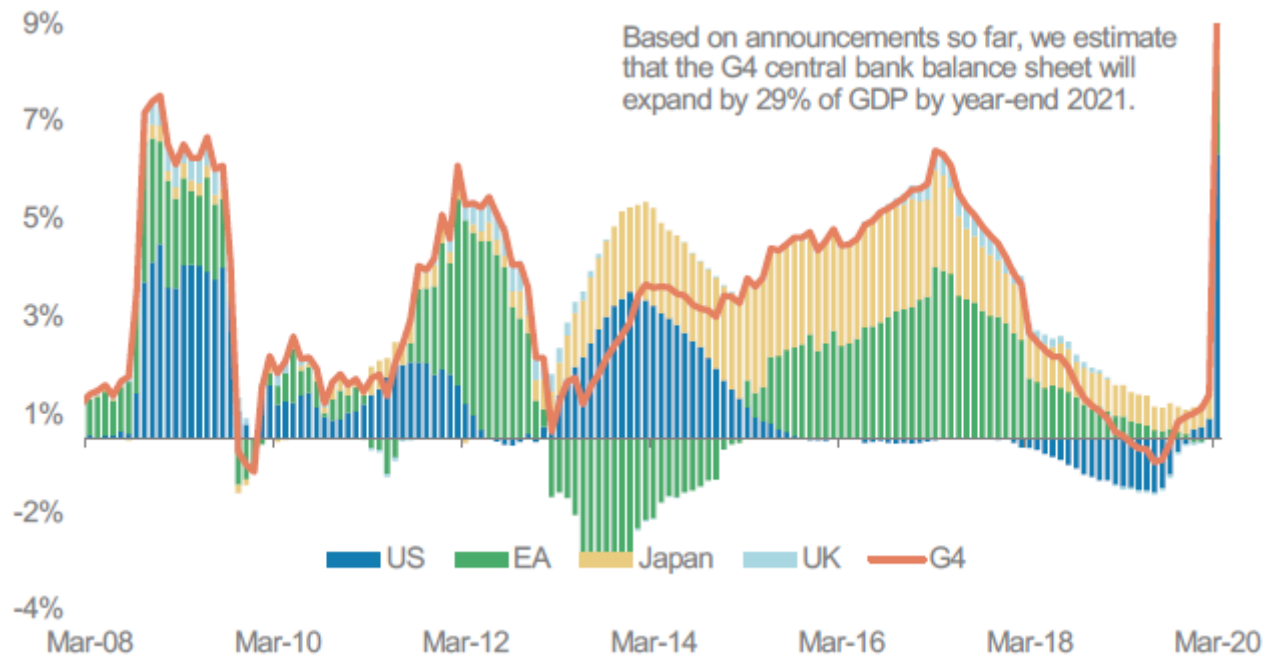
Global monetary policy rate (%)





Current state of G4 central bank balance sheets

Change in Central Banks Balance Sheets (% G4 GDP, 12M change)

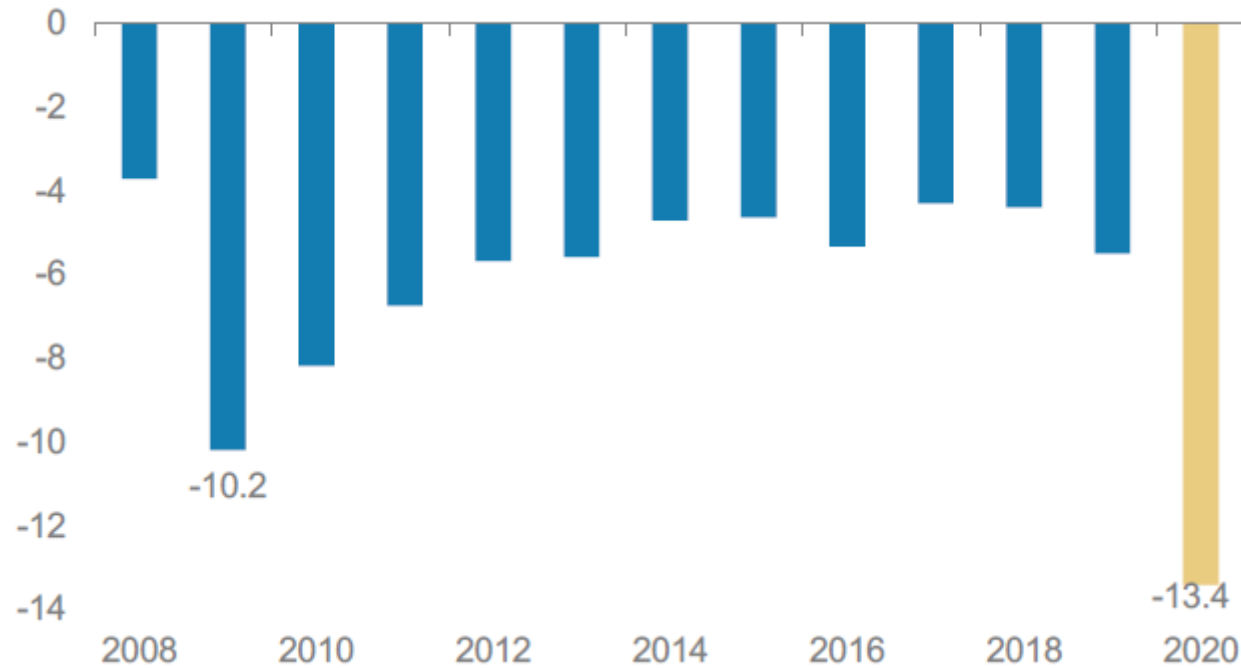


Source: Haver Analytics, Morgan Stanley Research estimate. Note that the Fed's balance sheet is as of April 22, 2020, ECB balance sheet is as of April 24, 2020, BoJ balance sheet size is as of April 17, 2020, and BoE's balance sheet as of end of March 2020 per our estimate.



G4+China headline general government fiscal balance

G4+China general government headline fiscal balance (% of GDP)



Source: Haver Analytics, CEIC, IMF, national sources, Morgan Stanley Research forecasts; Note: G4+China aggregate is the PPP-based GDP weighted average. Note that China's general government balance is the augmented balance including both on- and off-budget balances., 29 April 2020

Is this deflation or depression?

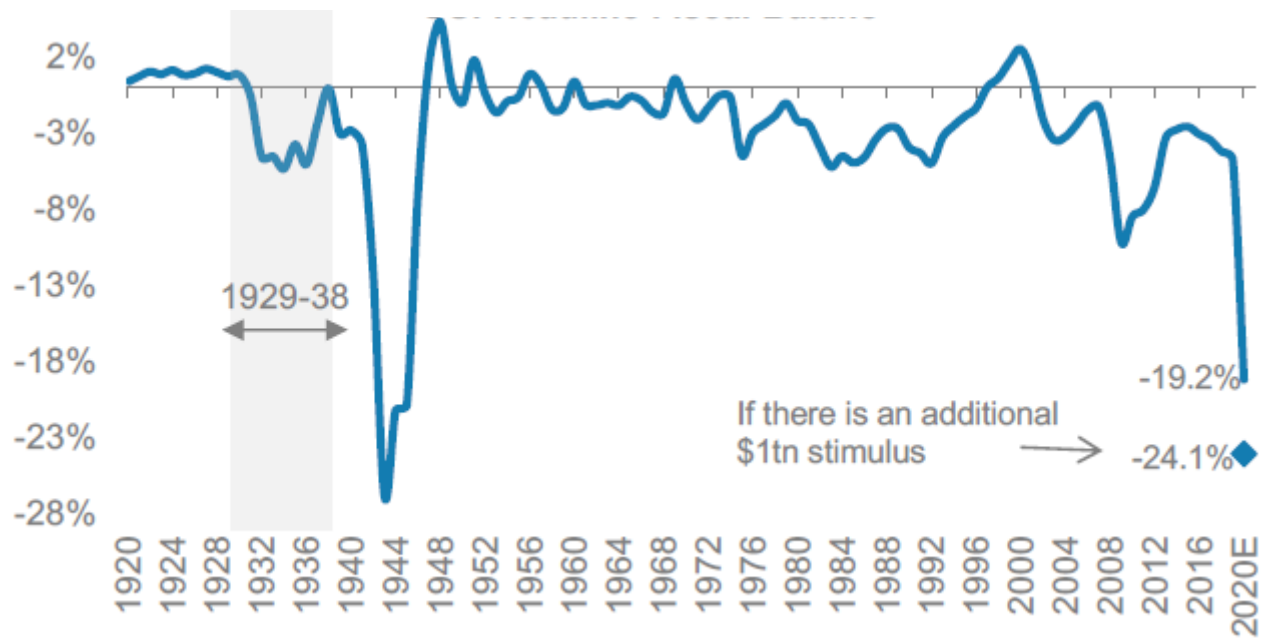
Fiscal support has been the largest & fastest in peacetime





US headline fiscal balance

US: Headline fiscal balance (% of GDP)



Source: BEA, Federal Reserve, Historical Statistics of the United States, Morgan Stanley Research estimates. 29 April 2020
Note that 24.1% of fiscal balance assumes additional \$1tn stimulus currently under consideration.



Unprecedented monetary and fiscal response



Devaluation of fiat currency



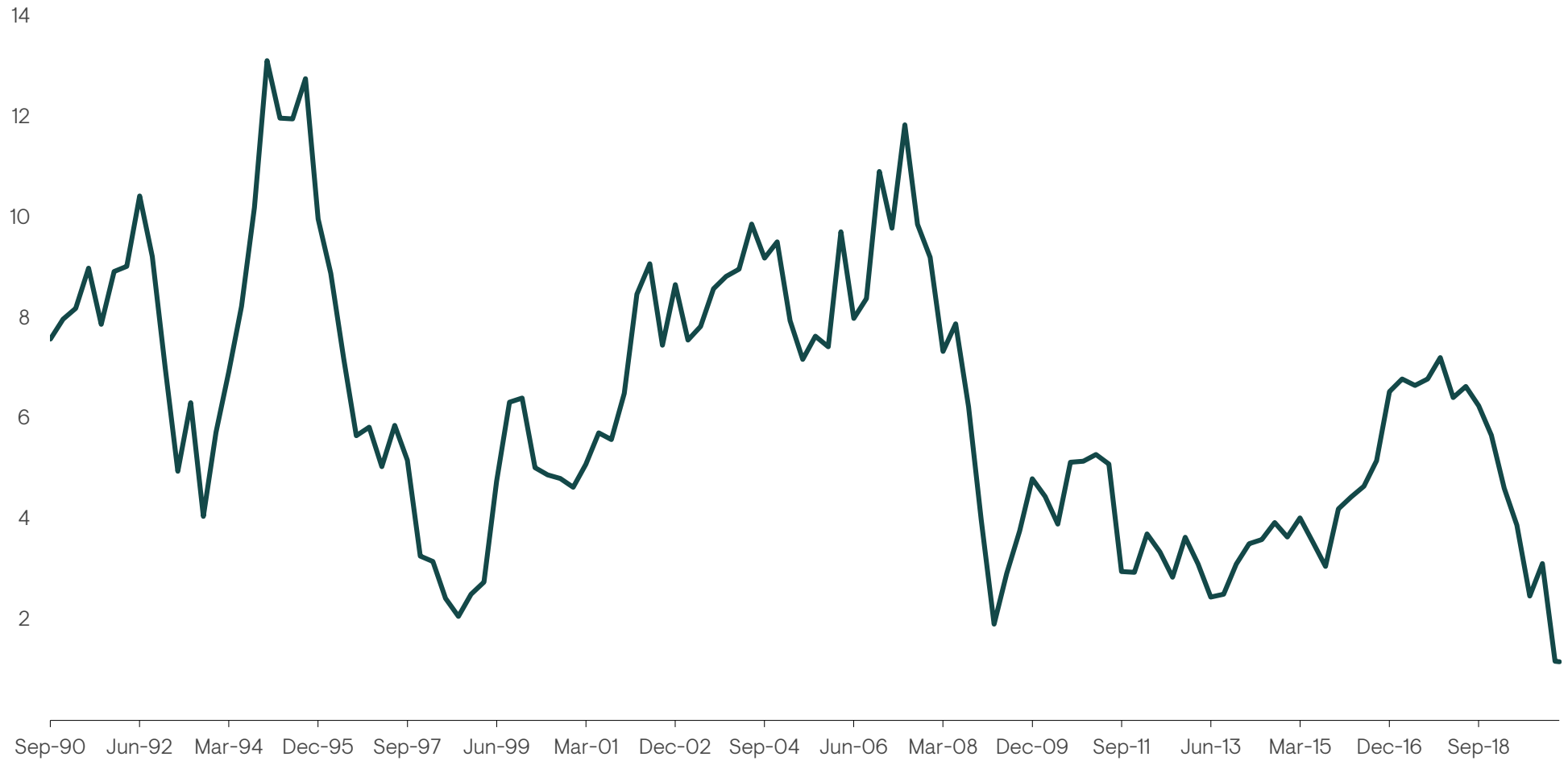
Gold appreciates in all currencies



Gold shares trade on an attractive 8 times c/f at spot gold price



Sappi - lowest ever \$ price – half previous cyclical lows



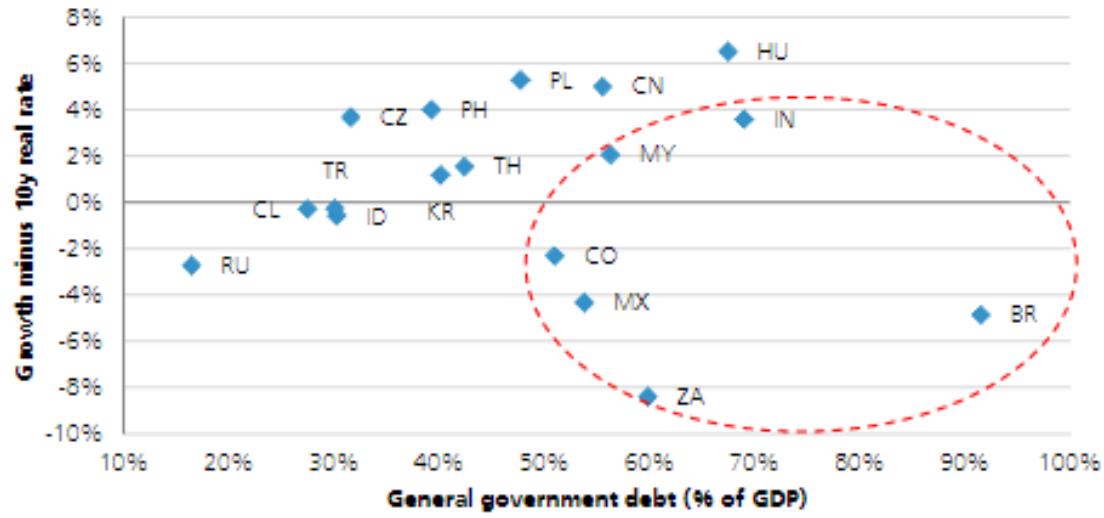
SA Inc stocks – we remain cautious





SA is bust

General government debt as a % of GDP vs Growth minus 10 year real rate





We remain **negative** on the **Rand** and expect only a moderate recovery once there is a return to a risk on phase



Our preferred domestic stocks are those that are export orientated or have **offshore** operations

Ninety One's value's export/offshore orientation is as follows

Ninety One Global Value	38%	
Gold shares	24%	
Sappi	10%	
Offshore earners in small caps	8%	(Ocfish, Metair, Grindrod, Grindrod Shipping, Gemfields and Hulamin)
	<hr/>	
	80%	



Small-caps: 25% of portfolio

	% of fund	Current price (cents)	Purchase price (cents)	PE	DY
Brait	5.1%	400	1200	n/a	0.0%
Ocfish	3.0%	6000	6100	11.0	6.0%
Caxton	1.8%	520	820	5.5	11.5%
Reunert	1.6%	4100	6150	7.2	12.4%
Cashbuild	1.6%	14200	21300	8.4	6.0%
Gemfields	1.3%	155	280	10.7	0.0%
City Lodge	1.3%	2700	1920	7.3	10.7%
Lewis	1.2%	1470	2980	3.6	16.6%
Grindrod	1.2%	318	500	4.1	8.9%
Metair	1.1%	1475	2360	4.4	8.1%
Intu	1.1%	120	1100	n/a	0.0%
Mpact	1.0%	750	1530	4.0	8.0%
Novus	0.8%	160	700	3.8	
ArcelorMittal	0.8%	70	1150	n/a	0.0%
Tongaat	0.8%	537	4800	n/a	0.0%
Grindrod Shipping	0.6%	465	13200	n/a	0.0%
Hulamin	0.5%	115	800	4.0	0.0%
Comair	0.4%	133	260	2.7	0.0%
	25.2%				



Tech and quality stocks are priced off bond yields

- US 10 year yield: 0.6%

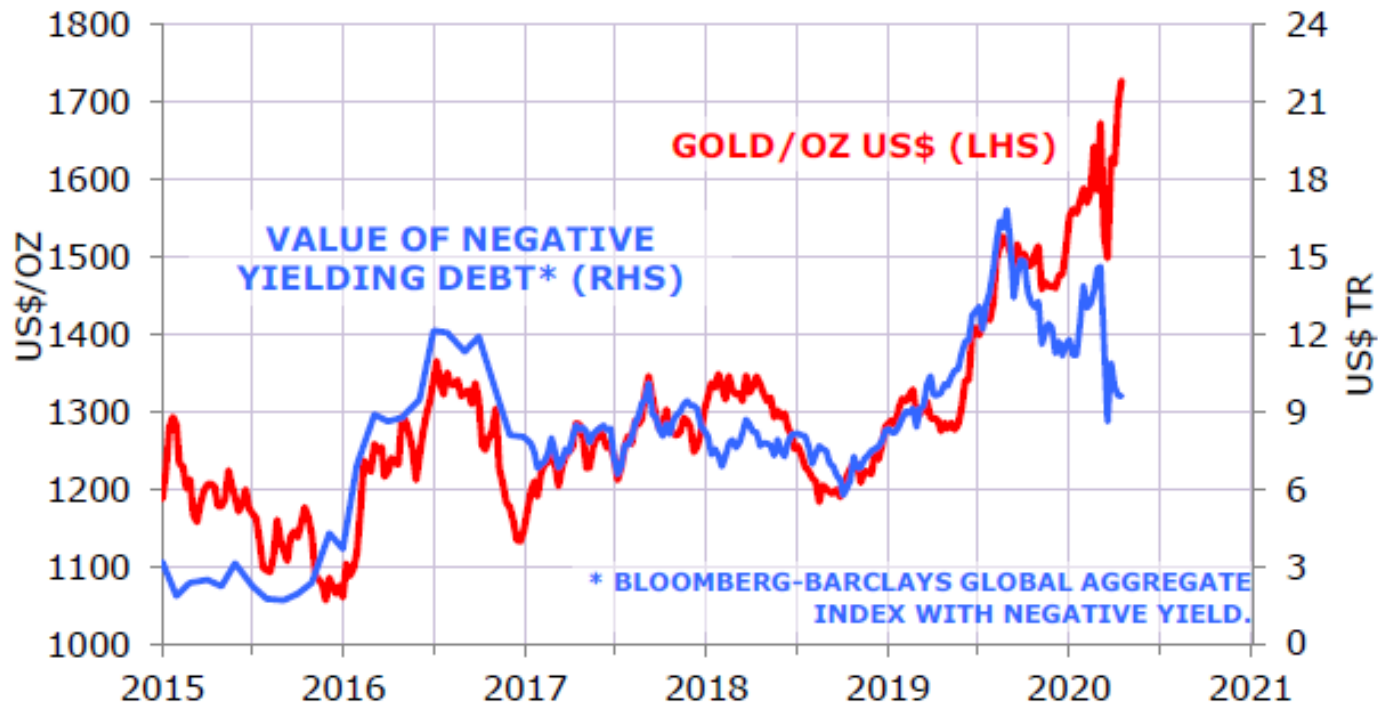
Market cap (\$bn)		PE	DY
1.2	Apple	23	1.1%
1.3	Microsoft	31	1.2%
0.8	Google	31	0.0%
0.5	Facebook	23	0.0%
1.2	Amazon	90	0.0%
<hr/>			
5.0			

- US is \pm 60% of MSCI World Index

What happens if yields rise?

Gold sniffs the changing risk

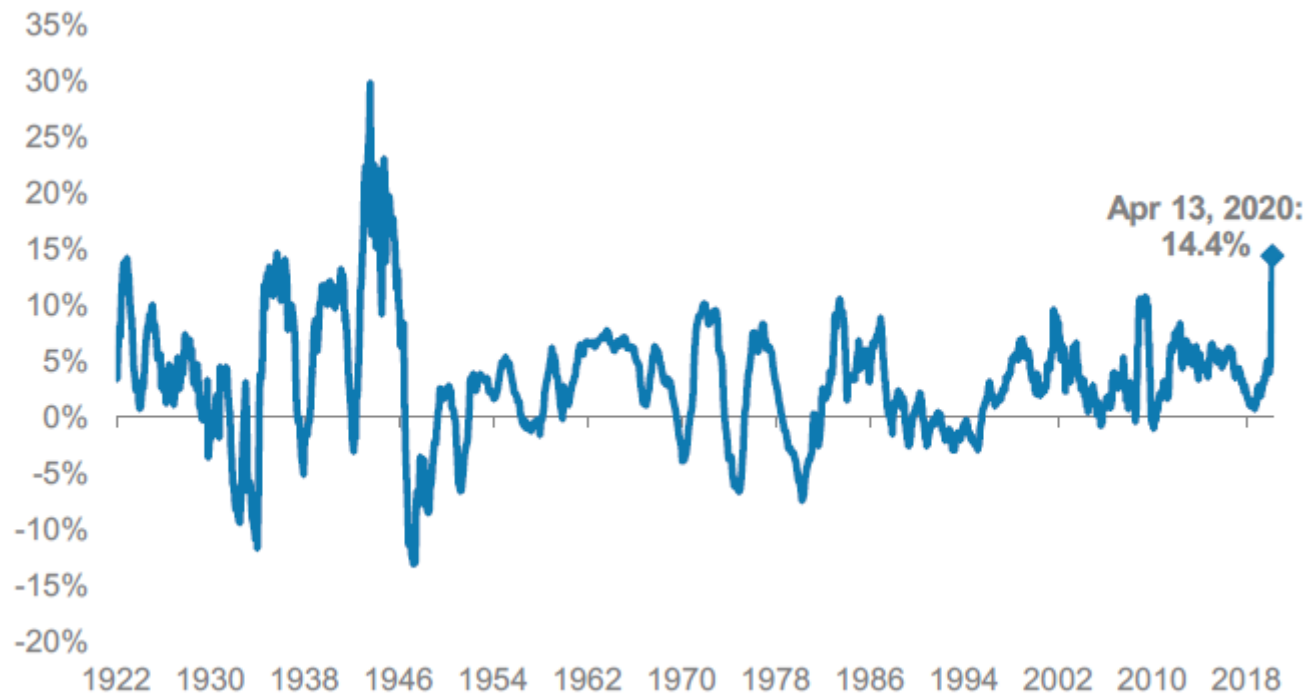
Gold and negative yielding debt





US real M2 growth trend

US Real M2 Growth (%Y, adjusted by headline CPI)

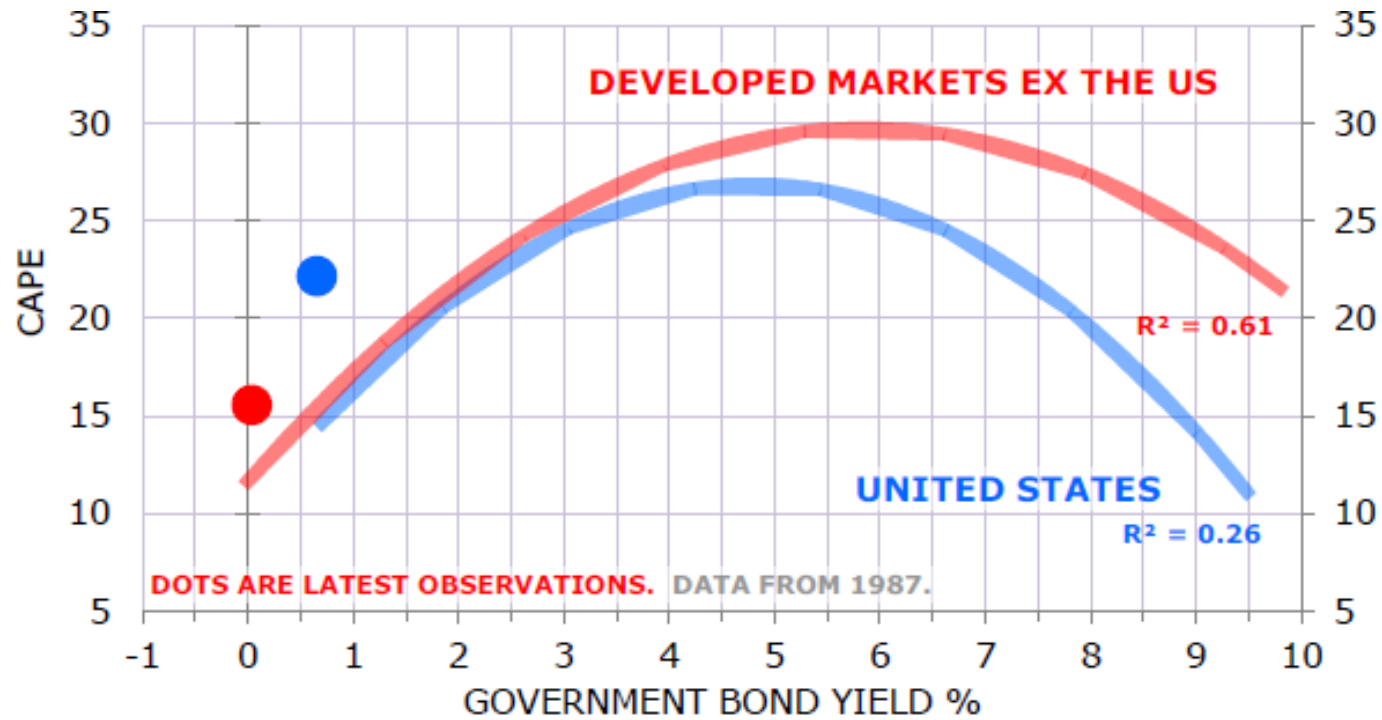


Source: NBER, BLS, Federal Reserve Board, Haver Analytics, Morgan Stanley Research, 29 April 2020
Note that the Apr 13 data point is adjusted using March 2020 headline CPI.



Very low rates are not good for equities overall

CAPE vs bond yield best fit lines





Ninety One Value Fund

Top ten holdings as at 31 March 2020

Top ten holdings (Local)	% of fund	Top ten holdings (Global Value)	% of offshore
Sappi	10.8	Centamin	14.1
AngloGold Ashanti	9.5	Platinum ETF	9.9
Brait	5.8	Greenlight Capital	7.4
DRD Gold	5.8	Telecom Egypt	5.2
Oceana	3.4	Novagold	5.2
Caxton and CTP Publishers	2.5	Fresnillo	4.4
Reunert	2.0	Royal Mail	4.4
Cashbuild	1.8	Pandora	3.2
Lewis	1.7	Marks & Spencer	2.9
Gemfields	1.6	Dignity	2.7
Total	44.9%	Total	59.4%
Offshore	37.6%	Short NASDAQ 100	12.7%
	82.5%		



Outlook

- Covid-19 means that the world economy has hit a ‘dead stop’ while laden with the highest level of debt to GDP in economic history
- The resultant deflationary collapse will be met with QE to ‘infinity’ and maximum fiscal stimulus
- This will result in the debasement of all fiat money and the concurrent rise in the only viable alternate to fiat money as a store of value ie gold. We expect the gold bull market to accelerate. Gold shares on just 7 times free cashflow should benefit and are now the largest position in the fund
- We remain cautious wrt the rest of the market as the collapse in cash flows means that some leveraged stocks equity will be wiped out. We therefore are not buyers of banks and property stocks as they are the most leveraged and are ensuring that your fund is only exposed to stocks with balance sheets that will get them through the recession
- An improved performance from gold shares, a re-rating of our depressed deep value international stocks and some unlock of the deep value in the rest of the portfolio will drive future performance



Thank you





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