

A photograph of two construction workers from behind, looking towards a building under construction. The worker on the left is wearing a yellow hard hat and an orange high-visibility vest. The worker on the right is wearing a yellow hard hat and a bright green high-visibility vest over a red shirt. The background shows a building with scaffolding and a cloudy sky.

LIVE WEBINAR

South Africa's Political Shift

Opportunities for Investors in 2025

Event Logistics



You will receive a **link to the recording** of the webinar after the event on Monday morning.



CPD points will be allocated to those that registered with their ID No.



Submit questions anytime using the questions tab and we will answer through the session or on the question board.

Speakers



Rob Spanjaard

Chief Investment Officer



Simon Sylvester

CEO, Portfolio Manager

February Webinar : Agenda

01. Is the GNU imploding?
02. Impact of Trump Local and Global
03. The SA Inc Story
04. How is it playing out!
05. How are the green shoots doing?
06. Real companies - Real opportunities
07. Offshore vs local: the next three years
08. How Rezco is positioning portfolios for growth
09. Q&A

Is the GNU Imploding?



The GNU is Robust: Works for All Parties



Home News Sport Business Innovation Culture Arts Travel Earth Video Live

Trump threatens to cut funding for South Africa over land policy

17 hours ago

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Basillioh Rukanga in Nairobi & Khanyisile Ngcobo in Johannesburg
BBC News

EXCLUSIVE 3h ago

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NHI breakthrough: ANC agrees with DA not to 'collapse' medical aids



POLITICS

'It's not true': Steenhuisen clarifies Trump's 'misconception' about Expropriation Act after threats

Julius Desperately Wants in

The DA know this



**More MKP money woes:
Shivambu orders
Mpumalanga to halt staff
appointments**

🕒 05 Feb



Mostly Noise on The Expropriation Act

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AfriForum, Solidarity reject Trump’s refugee offer - 'We want to build South Africa'

Sthembiso Lebuso

City Press

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Reuters

World Business Markets Sustainability Legal Breakingviews Technology Investigations

'No thanks': White South Africans turn down Trump's immigration offer

By Olivia Kumwenda-Mtambo and Catherine Schenck

February 9, 2025 3:45 PM GMT+2 · Updated an hour ago

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Trump and ANC Leftists

“Talking Left but Walking Right” is dangerous



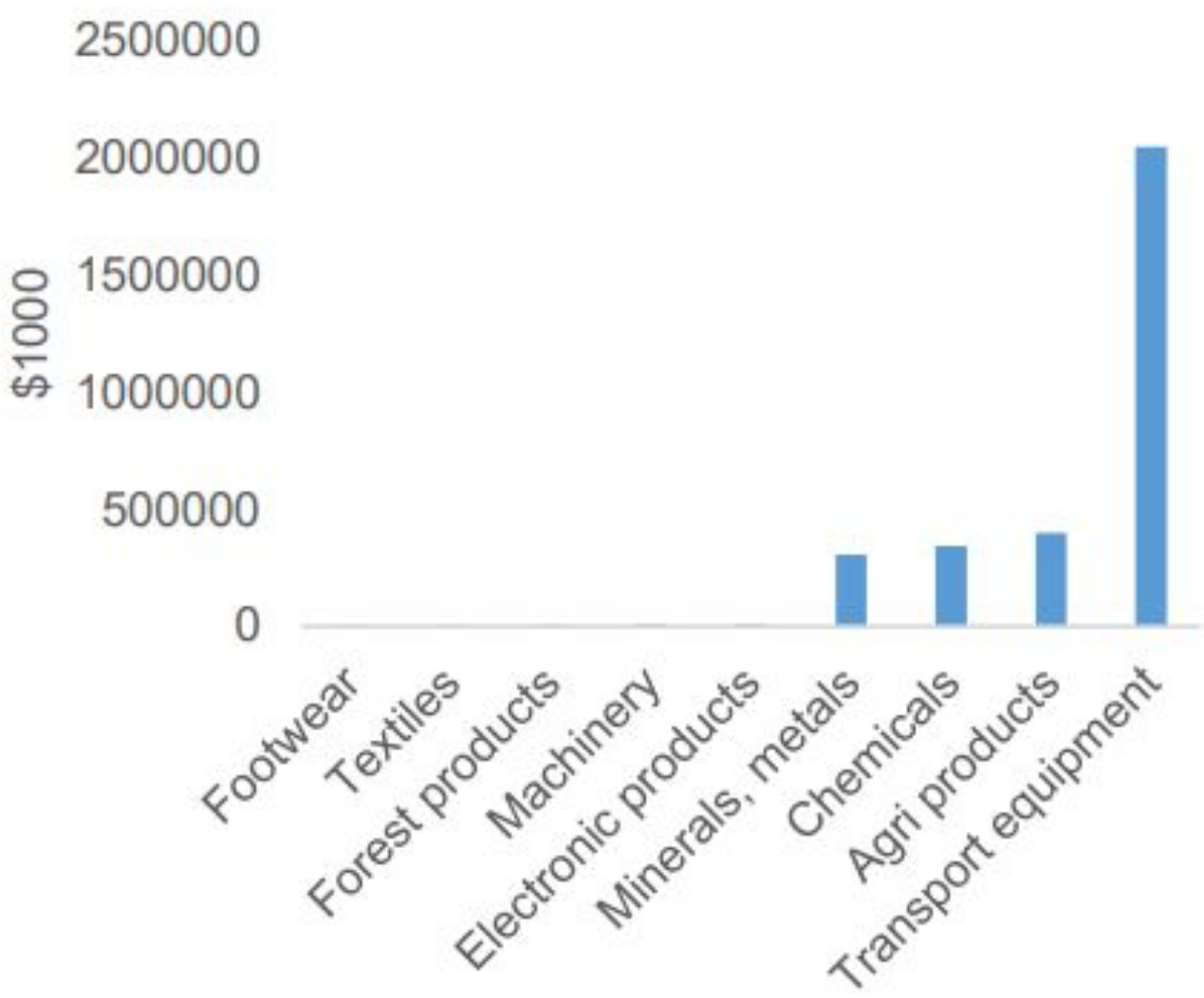
BUT RISK IS MANAGEABLE

- RSA isn't Mexico
- Non-mineral exports are small (vehicles)
- AGOA probably expires anyway

AGOA: Impact on RSA to USA Exports

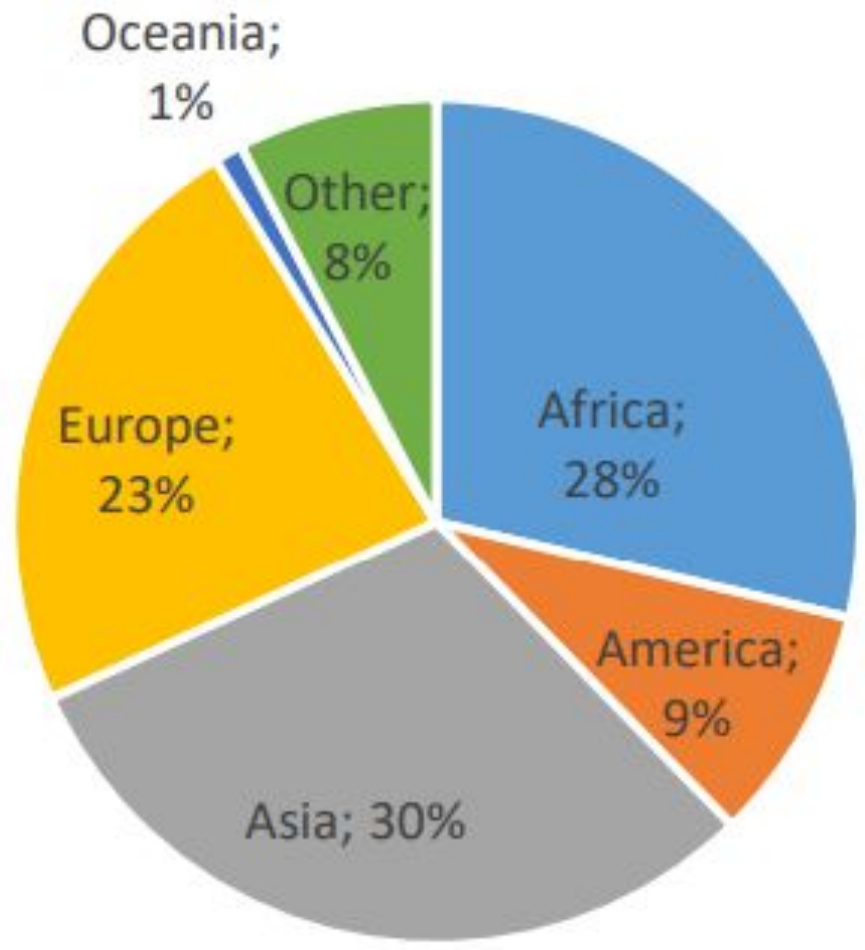
Vehicles are 0.5% of our total exports
Duty goes from 0% to 2.5%

Figure 4: SA exports to the US benefitting from AGOA



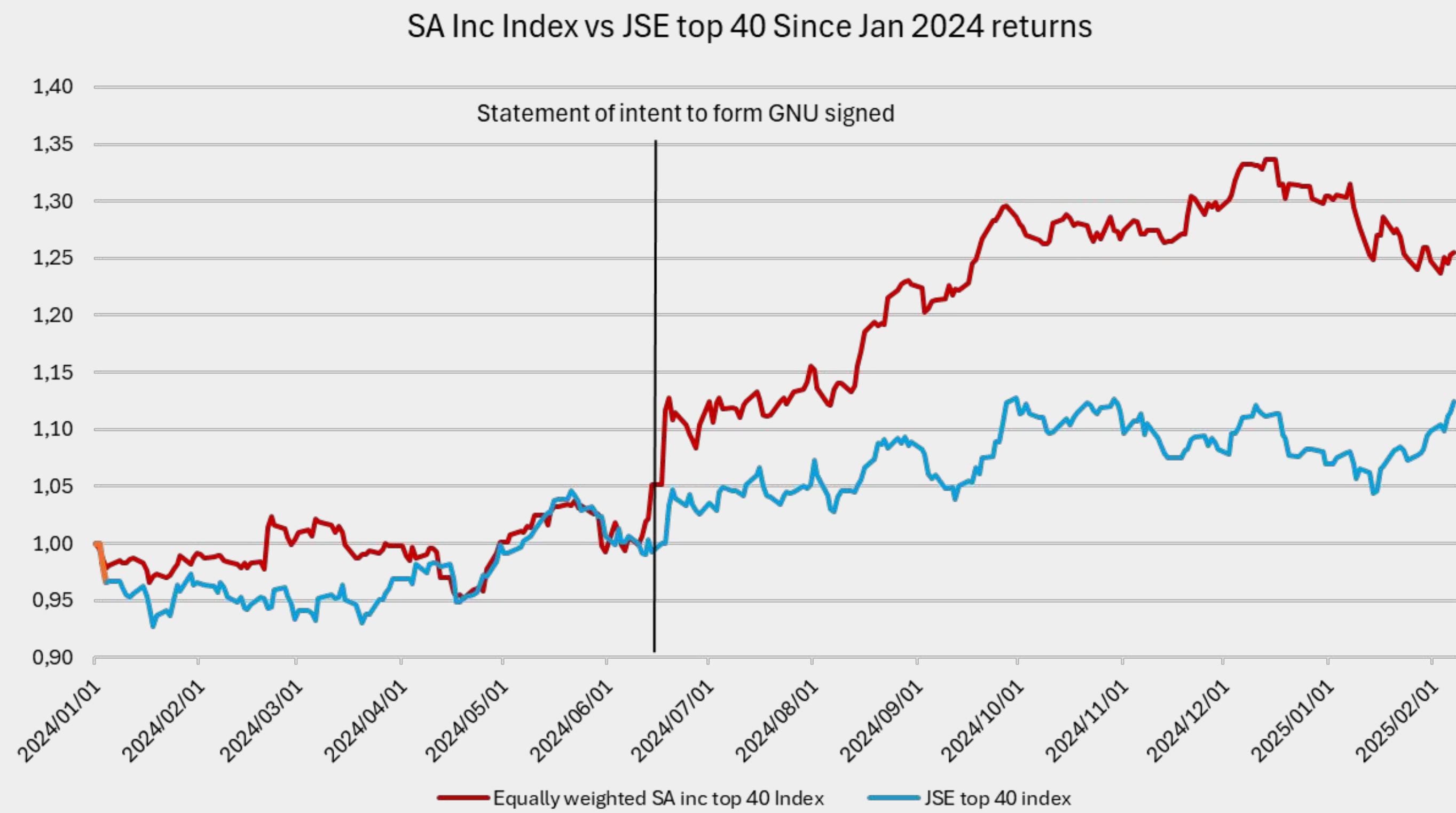
Source: AGOA, Standard Bank Research

Figure 5: SA export destinations

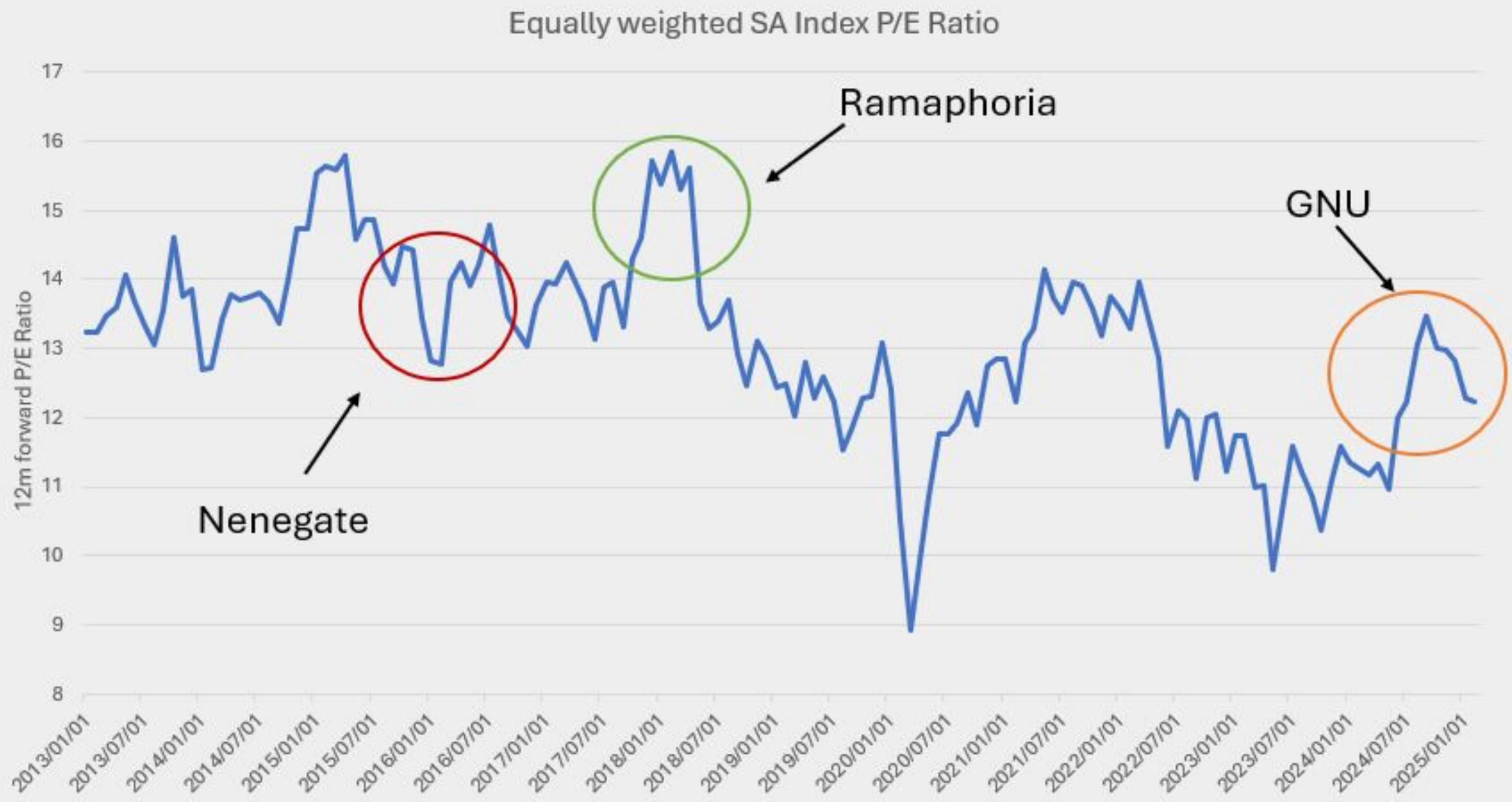


Source: SARS, Standard Bank Research

Market Noise? Significant Pull Back in SA Inc!



But is it Worse Than Nenegate and the Following Years of High Risk?



It is Not About The GNU

It is about the ANC swinging to (back to) pragmatism from Zuma Era

Longer Term: Strong centre forming around the ANC/DA/IFP

PRAGMATISM

Identify the most important problems and find the best solution.

IDEOLOGY DRIVEN

See everything through the lens of your ideology.

ZUMA ERA

Put compliant incompetents in place.

The state is very weak and for looting.

The Anti-Cyril Part of The ANC is Getting Reconfigured



SONA 2.0

Credible plan to get economic growth



SA sets bold growth target, strips NHI from draft planning document

Ministers race to sign off development plan ahead of the budget and the state of the nation address

■ NATIONAL

4 hours ago  BL PREMIUM

Volatile USA policy - Trump



Impact of Trump



A Lot of Volatility and Headlines

Monday



World ▾ Business ▾ Markets ▾ Sustainability ▾ Legal ▾ Breakingviews ▾ Technology ▾ Investigations

Trump launches trade war with tariffs on Mexico, Canada and China

By Andrea Shalal, Jarrett Renshaw and David Lawder

February 2, 2025 4:45 AM GMT+1 · Updated 2 days ago



Tuesday

U.S. tariffs on Mexico paused for a month after border deal, Trump says

By Daphne Psaledakis, David Lawder and Bart H. Meijer

February 3, 2025 5:26 PM GMT+1 · Updated 4 min ago



Wednesday

Trump says US ‘will take over’ Gaza

Friday

TRUMP'S FIRST 100 DAYS

Trump freezes aid to South Africa, promotes resettlement of refugees facing race discrimination

Executive order comes after signing of controversial South African land seizure bill

The Impact of Trump 2.0

Expect the unexpected

RSA: *Not really much impact*

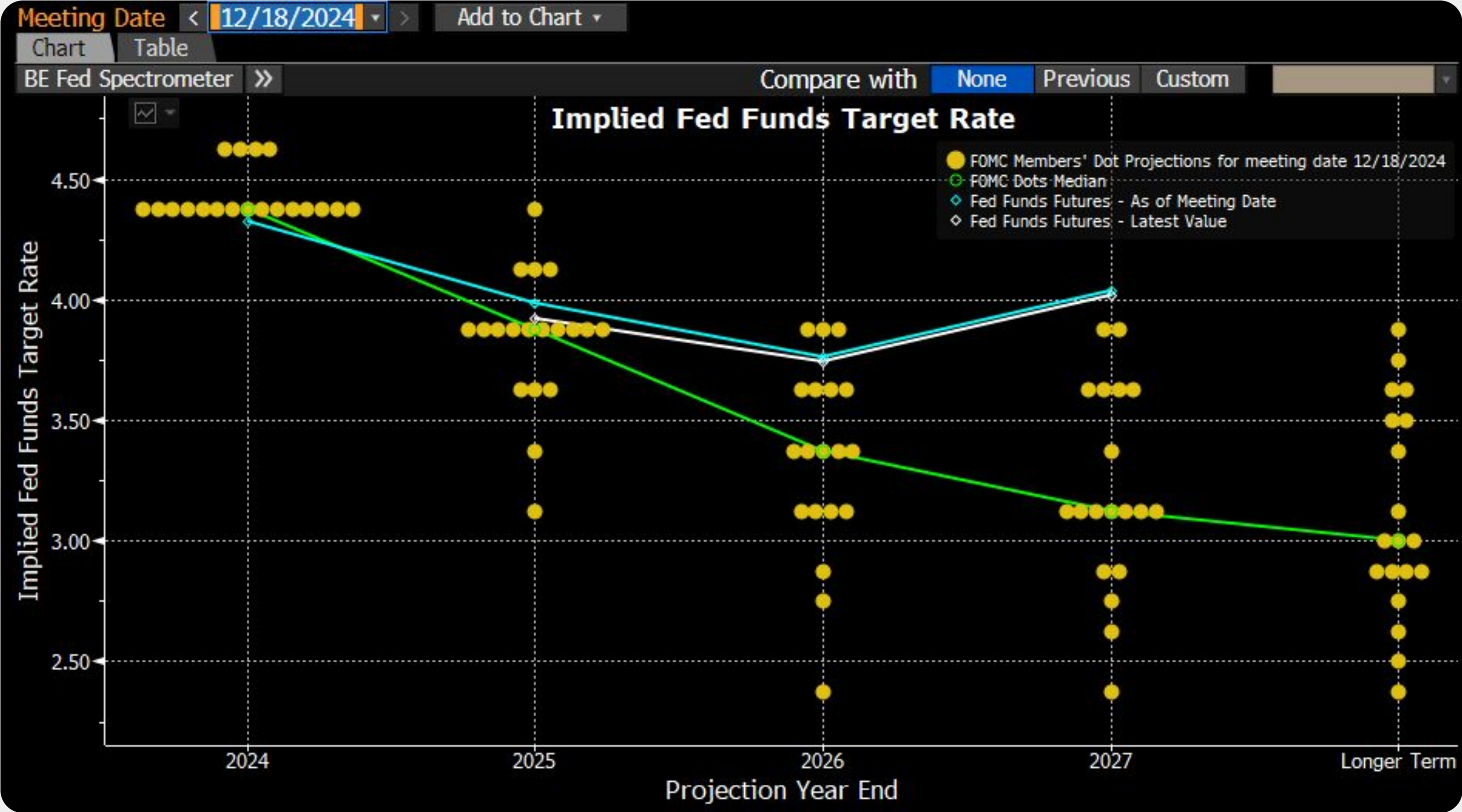
THE REAL STUFF - USA and Global Economy

- Lower taxes and fiscal stimulus are good for profits: **can't have both**
- Realise have an unsustainable fiscal stimulus -
 - Smaller is a drag on the economy
 - Bigger is inflationary
- ***Inflation is not dead yet***
- Therefore interest rates don't drop as much
- ***Tariffs are inflationary / Trade Wars are bad***

Bond interest rates could go a lot higher if irresponsible policy
Eventually interest rates impact equity markets

The FED & Interest Rates

Is the next move up?



Definite Inflationary Pressures

US 2yr Breakeven Inflation Rate

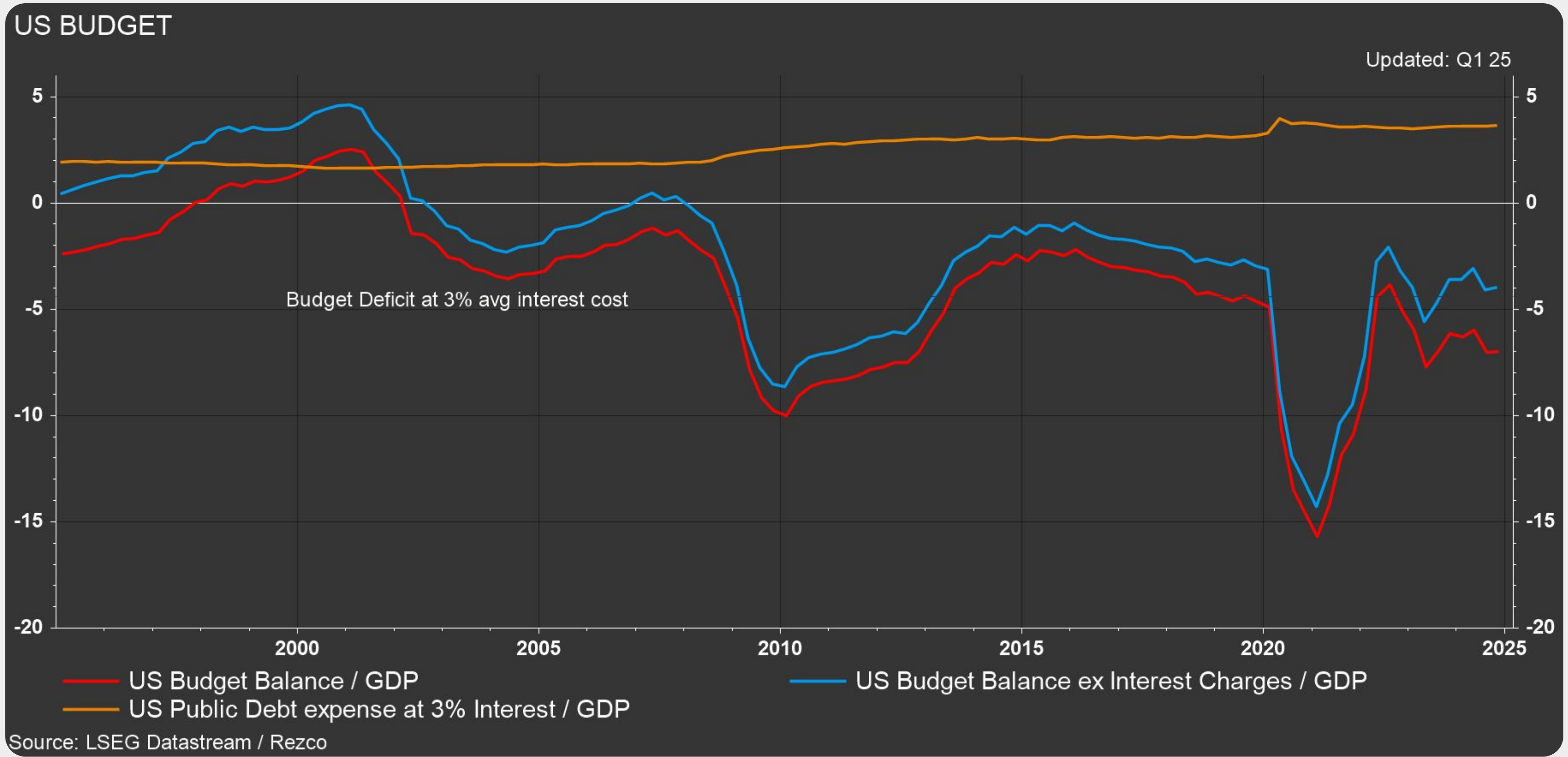


— US Breakeven Inflation Rate

Source: LSEG Datastream / Rezco

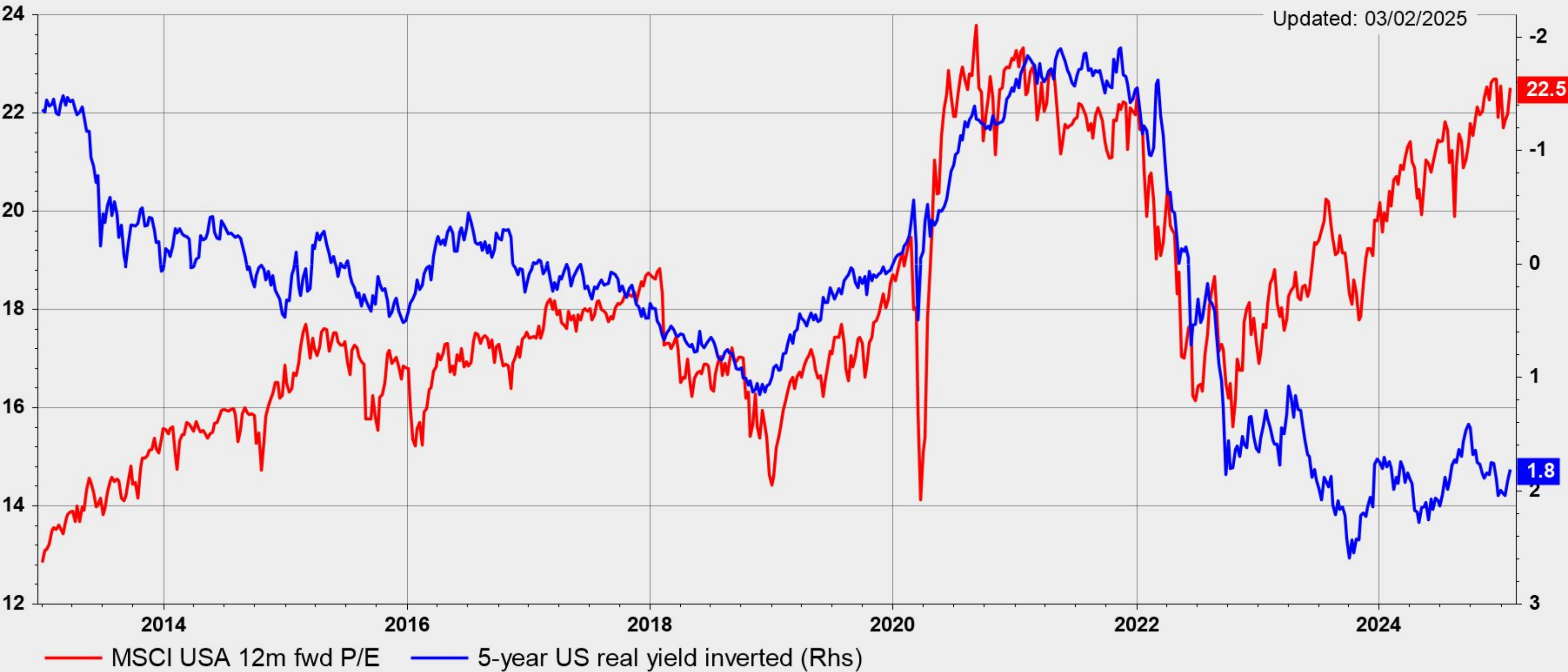
USA Budget Deficit: USA Knows Their Need to Fix This

Cutting it will be a headwind for the economy



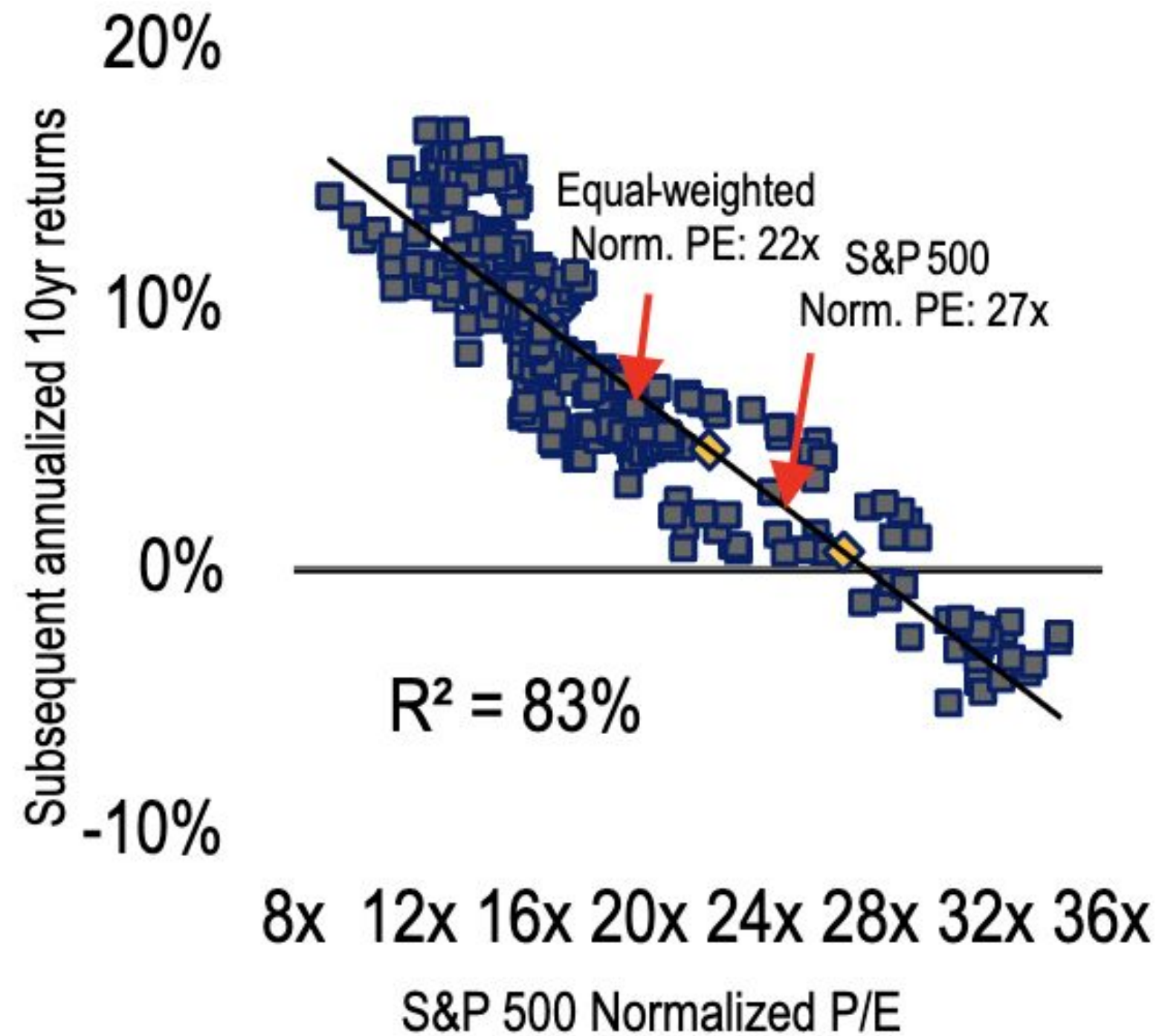
Equity Markets are Expensive Relative to Interest Rates

MSCI USA 12m fwd P/E vs. 5-year US real yield inverted



Source: LSEG Datastream / Rezco

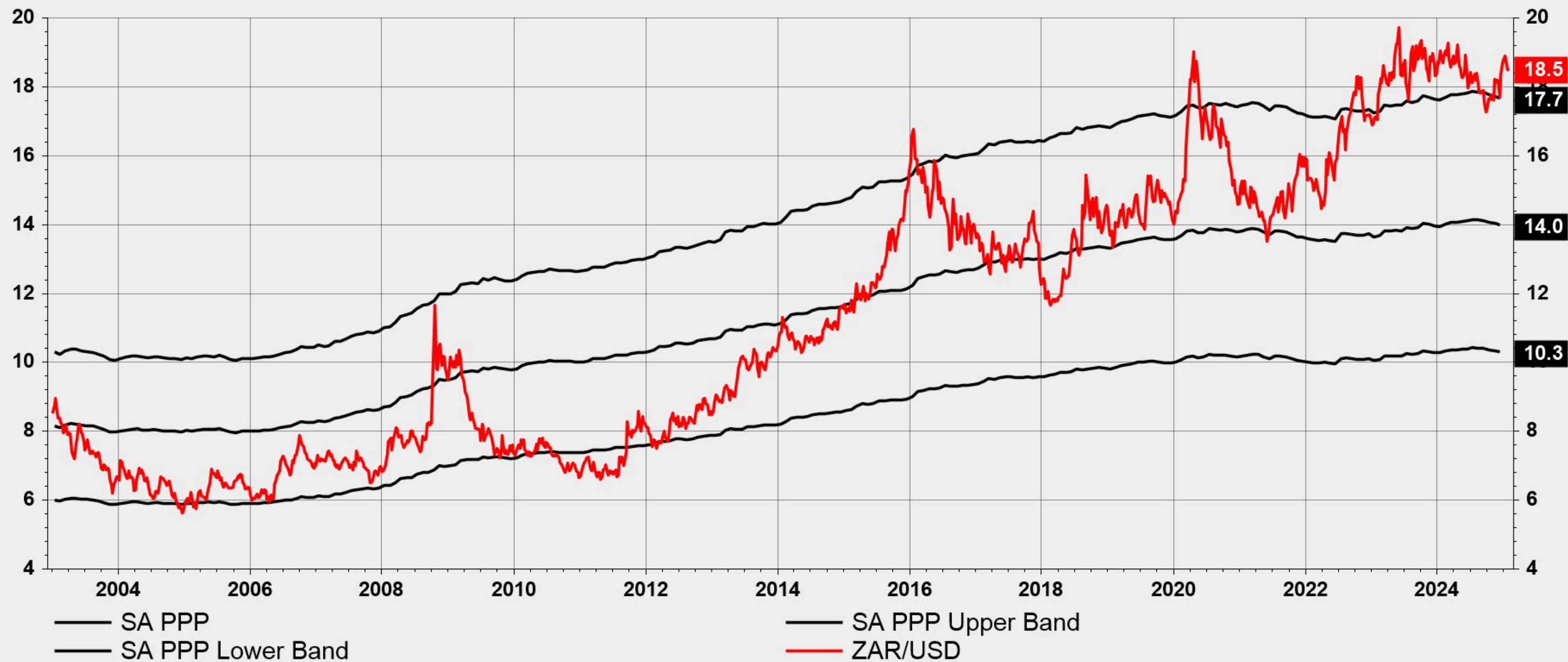
S&P Expected 10 Year Return: 1-2%



Source: BofA US Equity & Quant Strategy, FactSet

The ZAR Can Strengthen a Lot

ZAR/USD PPP using CPI (updated 4 Feb)



Source: LSEG Datastream / Rezco

EM vs DM

These are multi-year cycles



Source: LSEG Datastream / Rezco

The SA Inc Story



The SA Inc Story

- SA Inc equities could deliver 20% p/a for the next 3 years
- The base is very low
- RSA shares and currency **were** pricing in “no hope”
 - and zero economic growth
- The ANC has swung pragmatist & there is a lot of low hanging fruit
- There are early signs of improvement
- The Rand could strengthen 15% over the next year
- Mid caps have been neglected

Current Fund Positioning

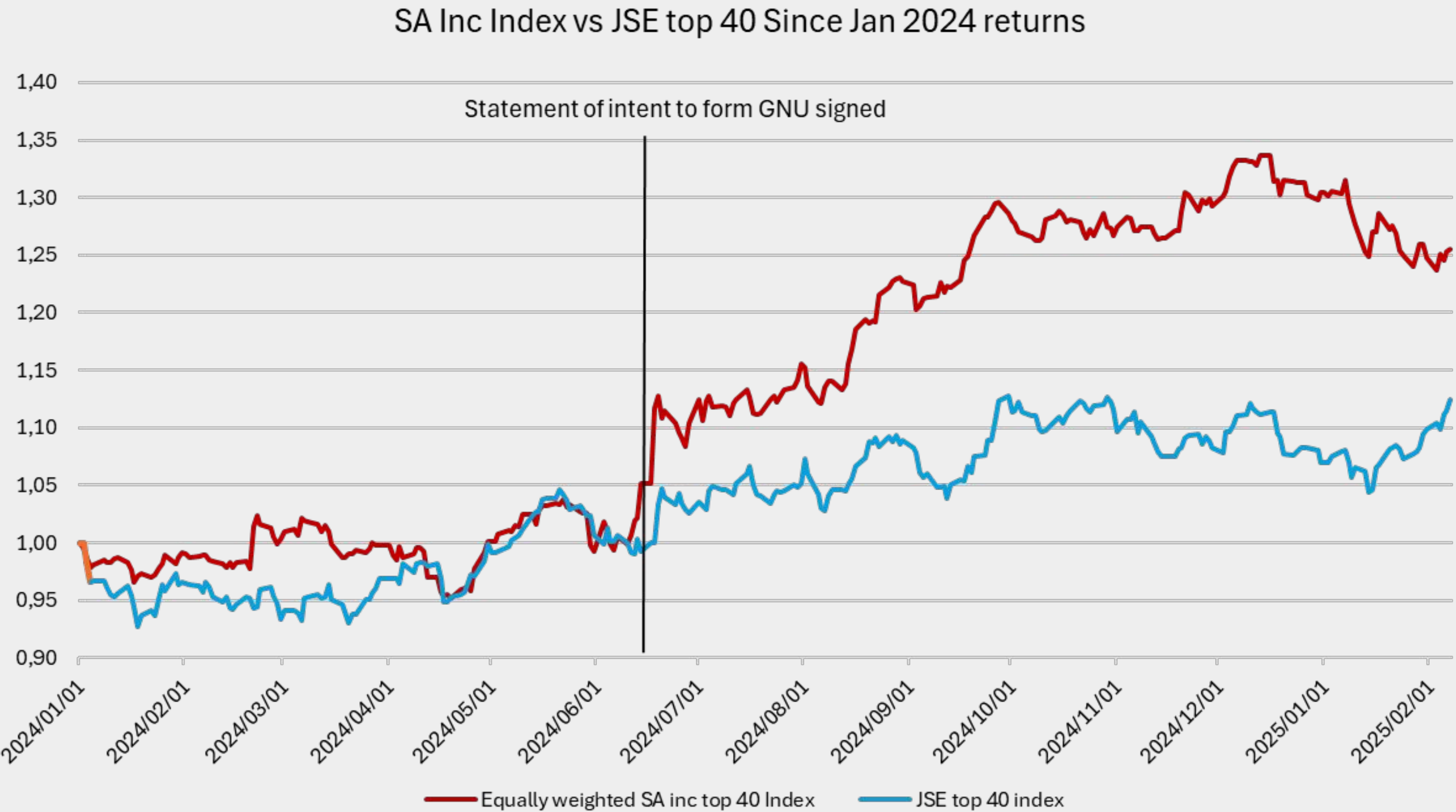
	Managed Plus	Value Trend	Stable	Equity
SA Equity	68%	57%	30%	98%
SA Inc - Insurance and Other Financials	7%	5%	3%	9%
SA Inc - Industrials	7%	6%	4%	12%
SA Inc - Education	6%	5%	3%	8%
SA Inc - Consumer	29%	26%	12%	37%
SA Inc - Banks	15%	11%	7%	20%
Mining and Resources	5%	4%	3%	10%
Gold	1%	1%	1%	3%
Global Equity	6%	5%	4%	
Total Equity	74%	62%	34%	
SA Fixed Income	12%	22%	54%	
Global Fixed Income	15%	16%	12%	
Direct Offshore	20%	21%	15%	

The SA Inc Story

- The next three years heavily favours holding RSA Inc Equity over global equity.
- This is the big opportunity for our clients
- Rezco Multi Asset Funds equity portion look similar to the RSA Equity Fund.
- So some focus on RSA Equity fund

How Has it Been Playing Out?

Note: This is a three year story for stage 1



Source: Refinitiv Datastream. Construction of the SA Inc index returns: Equally weighting the returns of the largest 40 largest JSE stocks, excluding miners, oil & paper producers or where a majority of the stocks earnings are derived from outside South Africa.

Phases of the Economic Recovery

Short Term: Cyclical Recovery off Low Base

Period: Years 1-3 | SA Inc Earnings: 15% pa | GDP Growth ~2%

- No Load Shedding
- Stronger Currency
- Lower Interest Rates
- Two Pot
- Lower Inflation
- Lower Fuel costs
- Improved Confidence
- Low Base of Economic Activity (eg Rail and Ports)
- Better Tourism & Visas
- More Sensible Foreign Policy

Pragmatism + Low Hanging Fruit = many problems fixable

Long Term: Increased Confidence & Investment

Period: Years 2-5 | SA Inc Earnings: 20% pa | GDP Growth ~3-4%

- Structural reform emerges
- Confidence leads to real investment
- Country risk decreases and asset values re-rate (eg Grey List exit)

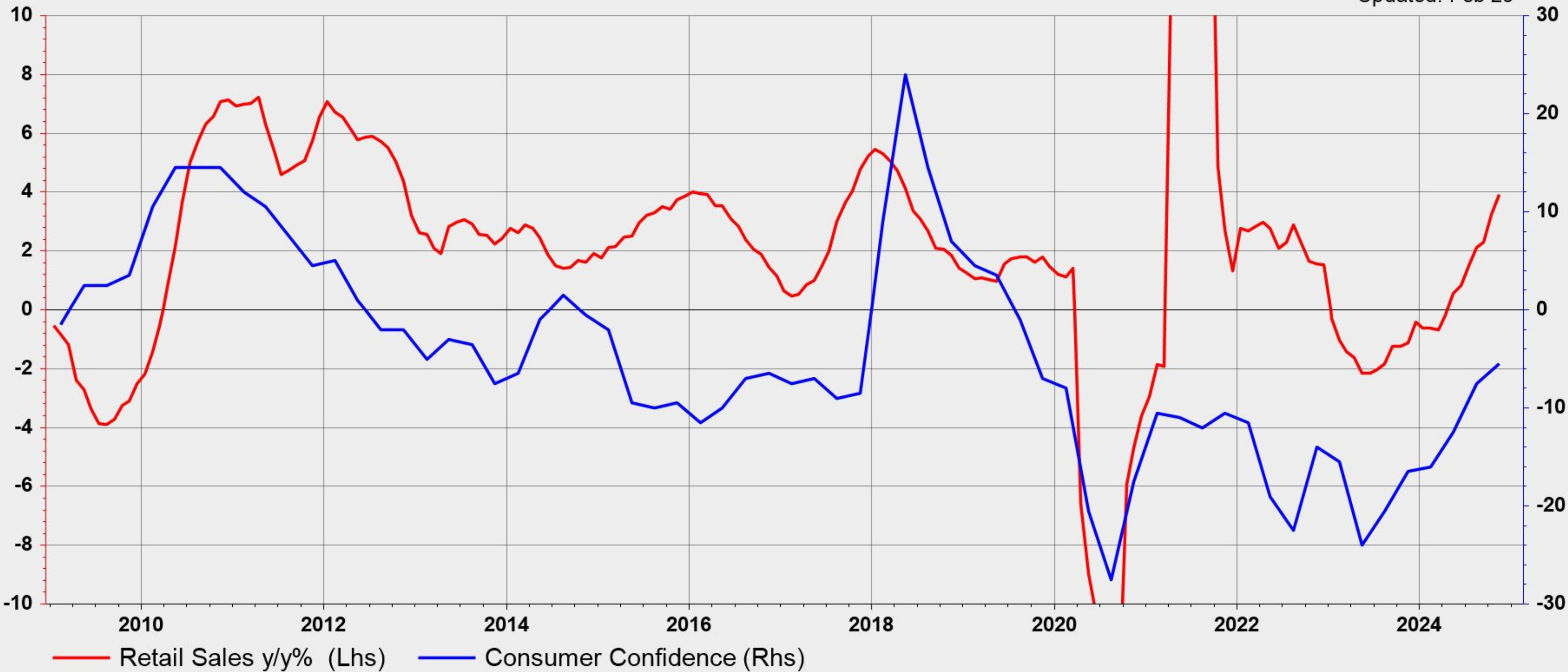
The Green Shoots for Phase 1



Retail Sales

SA RETAIL SALES & Consumer Confidence real

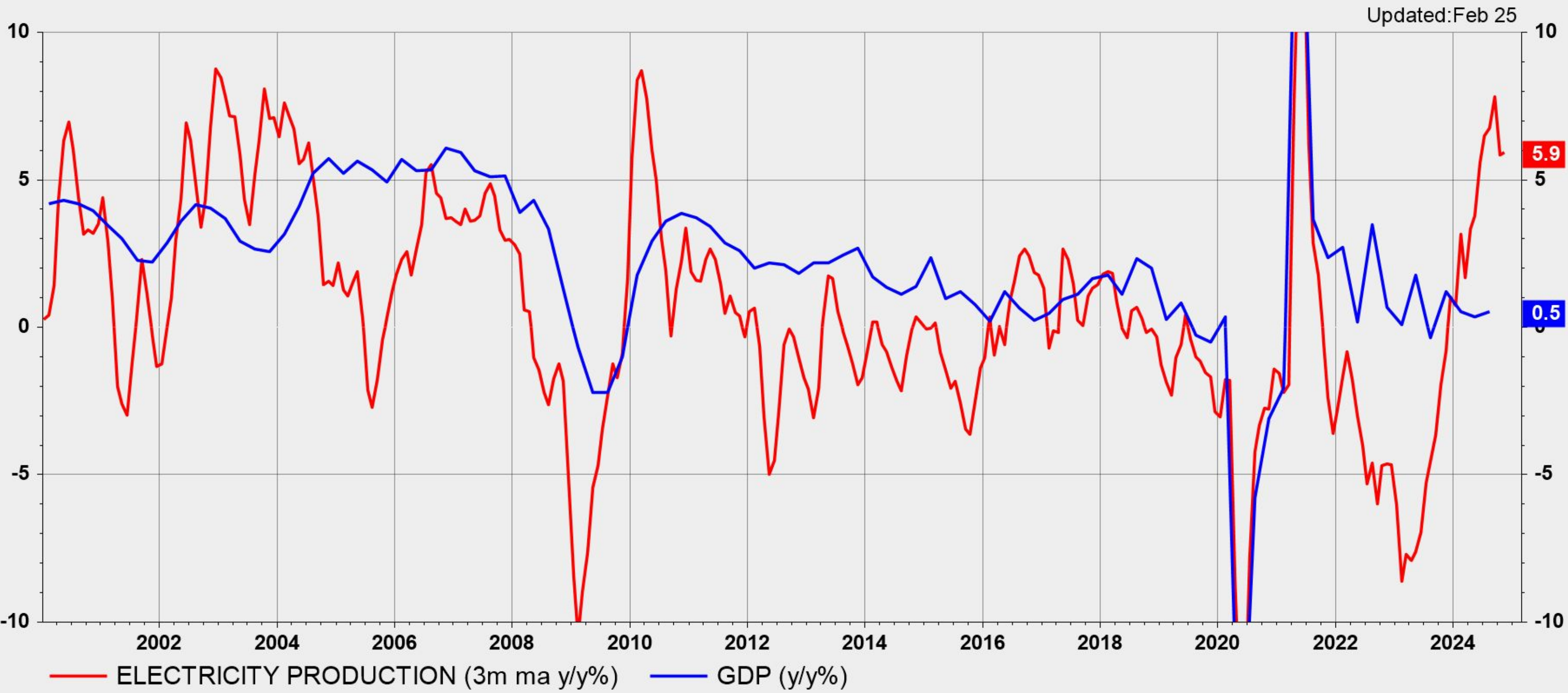
Updated: Feb 25



Source: LSEG Datastream / Rezco

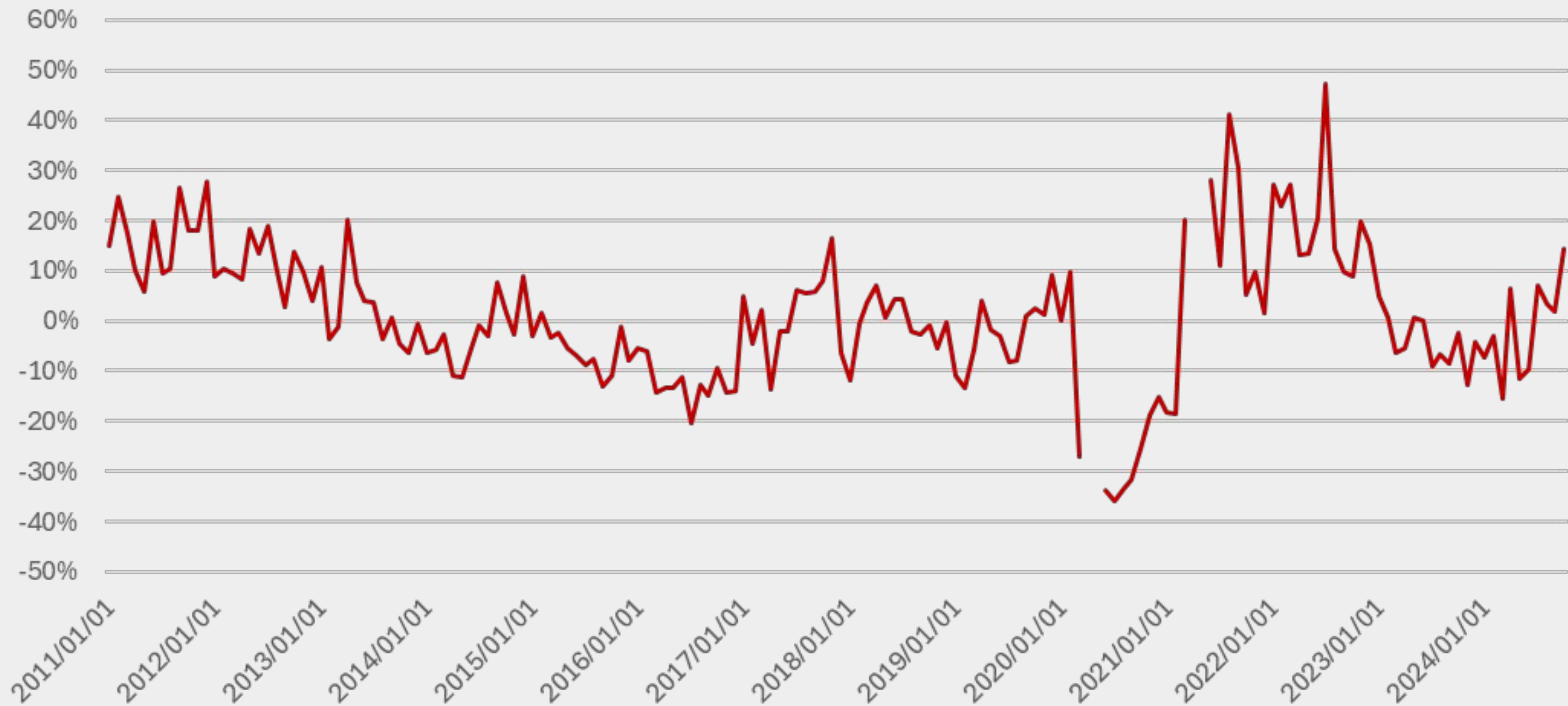
Eskom & Power Generation

SOUTH AFRICA GDP AND ELECTRICITY

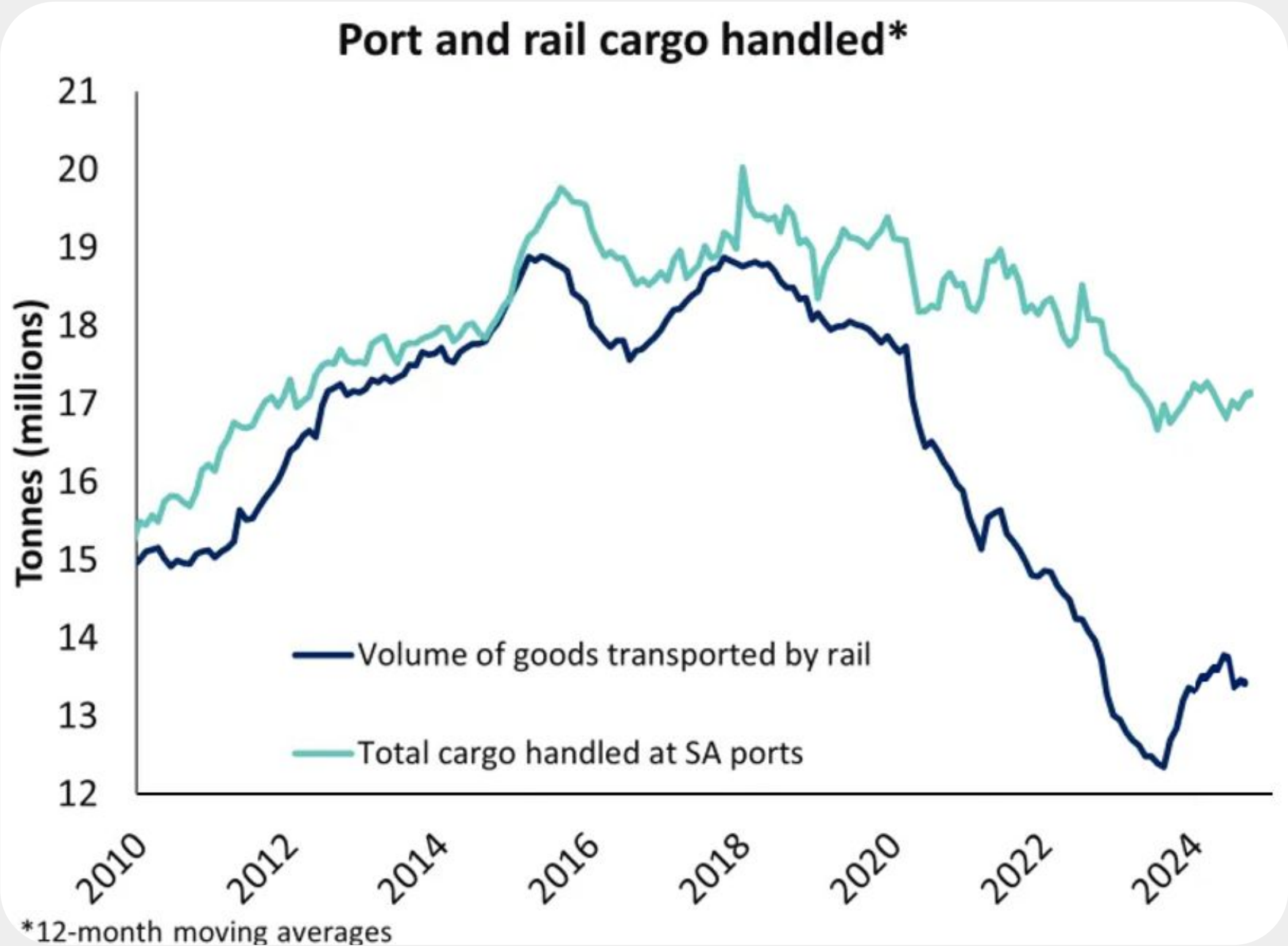


Source: LSEG Datastream / Rezco

SA Passenger Vehicle Sales y/y Growth



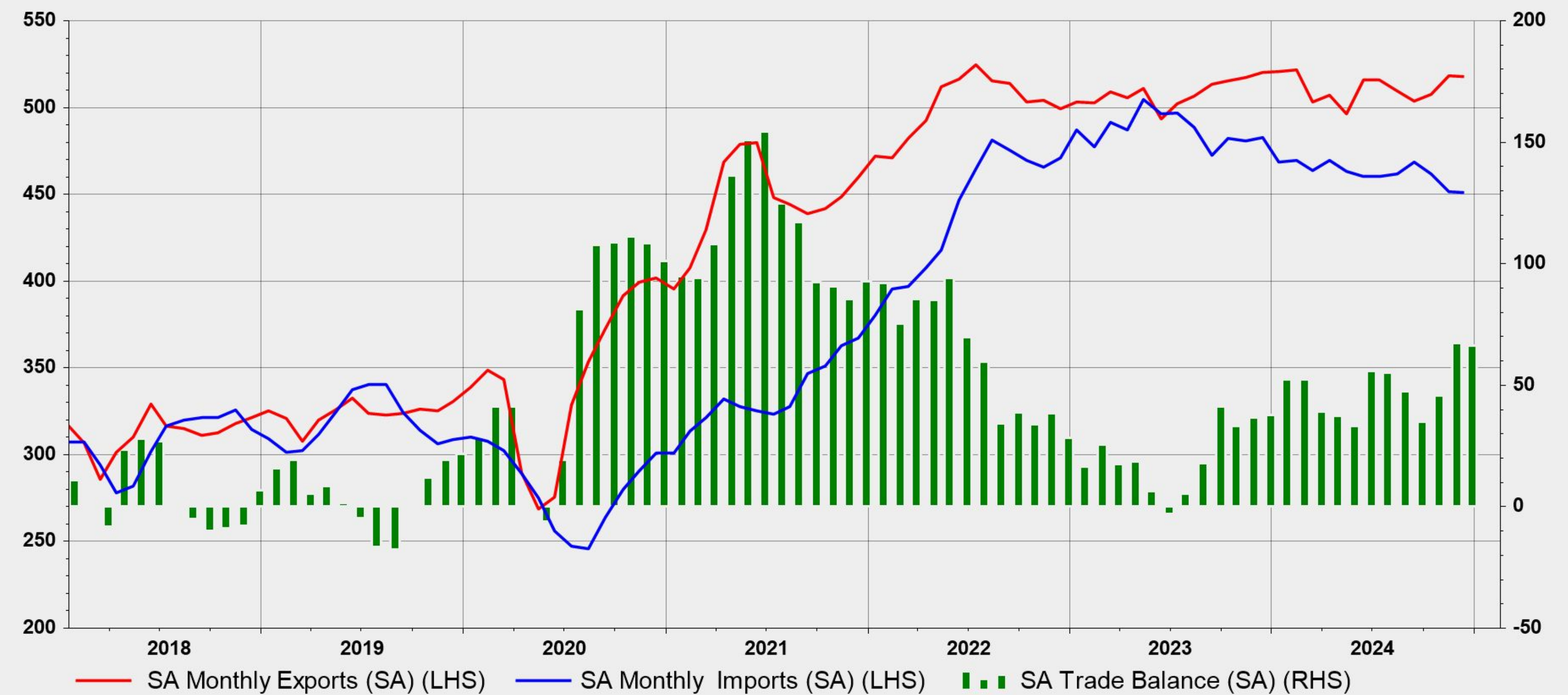
Stabilising and Recovering Off Low Base



Source: StatsSA, and Transnet National Port Authority

Trade Surplus

SA trade balance trends

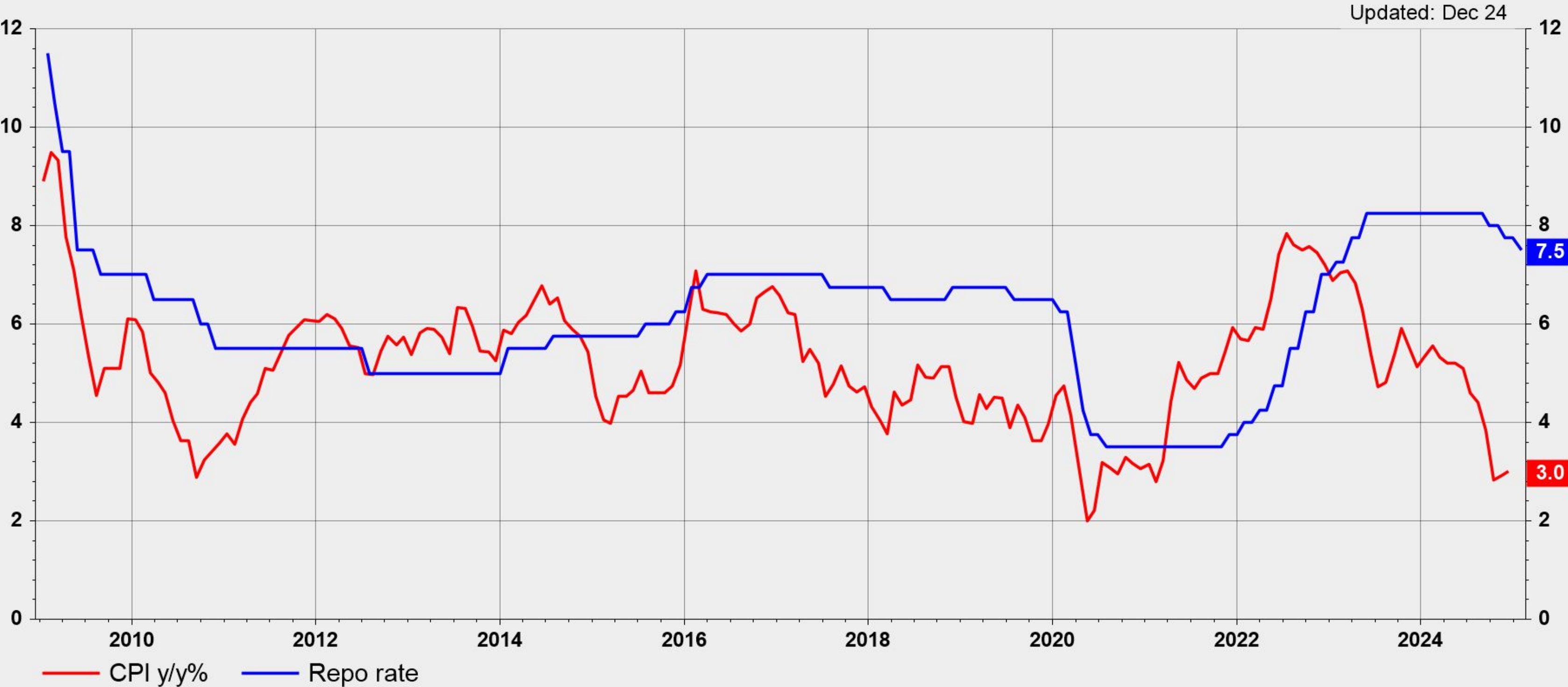


Source: LSEG Datastream / Rezco

Inflation Allows for Lower Interest Rates

Responsible politics means SARB can be less hawkish

SOUTH AFRICA CPI & repo rate



Source: LSEG Datastream / Rezco

What We Love: Real Companies & Real Opportunities



We Are Looking For:

A good combination of valuation, growth & quality

Stable or improving macro environment:

- country, industry & company specific factors

Company specific quality factors:

- Good management (quality & integrity), Ability to innovate
- Durable competitive advantages
- Net tailwinds vs headwinds
- Capital lite, Cash generation
- Balance sheet structure & quality
- Understandable business model
- Return on equity,
- Liquidity of share
- Ability to handle tough times

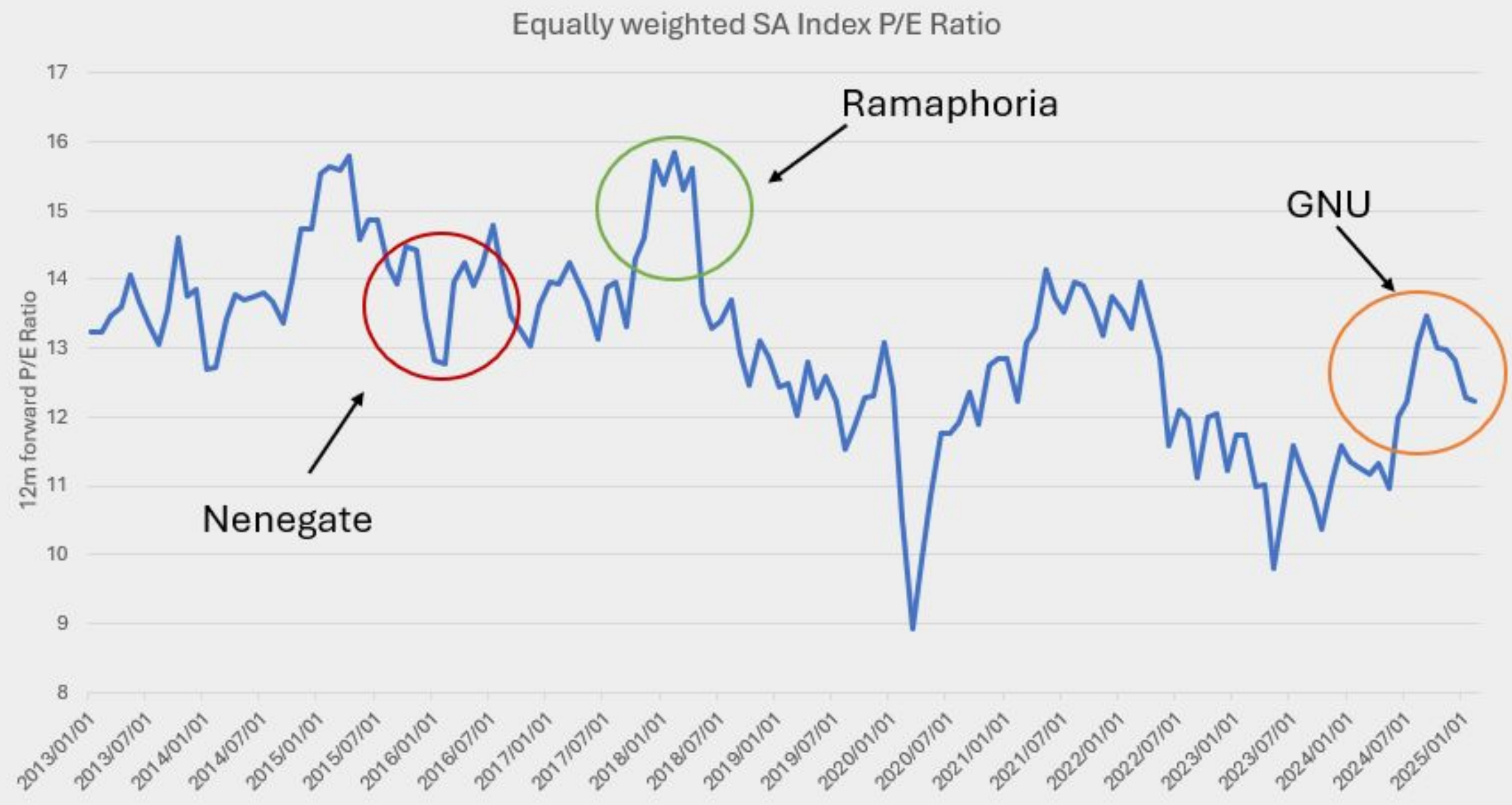
Not:

- Index weight

RSA Inc: The 3x20% Story Doesn't Need a Rerating



Nenegate Lows for a Better Than Ramaphoria Opportunity

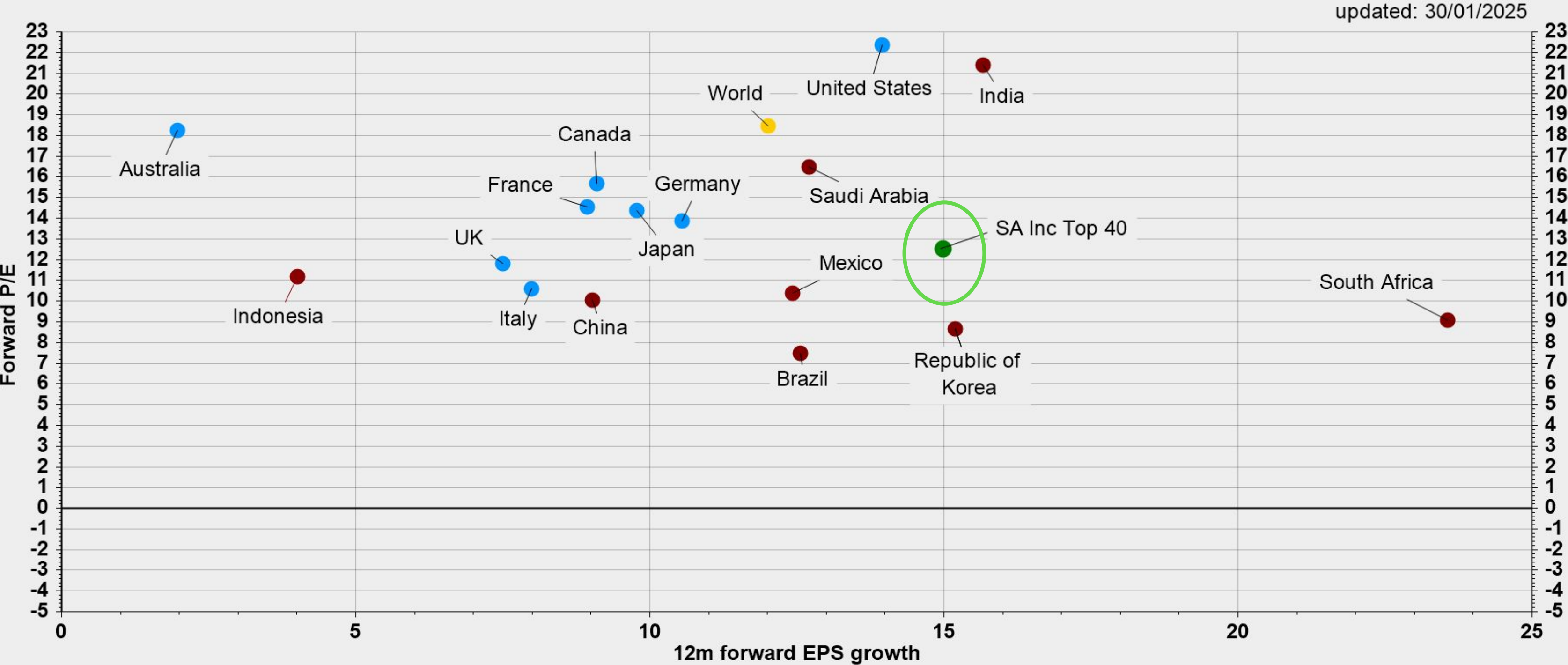


Source: Refinitiv Datastream. Construction: Equally weighted consensus forward P/Es of the largest 40 largest JSE stocks each month, excluding miners, oil & paper producers or where a majority of the stocks earnings are derived from outside South Africa.

SA Inc: Not Expensive Yet

PE's & growth rates

Forward P/E ratio & growth ratios

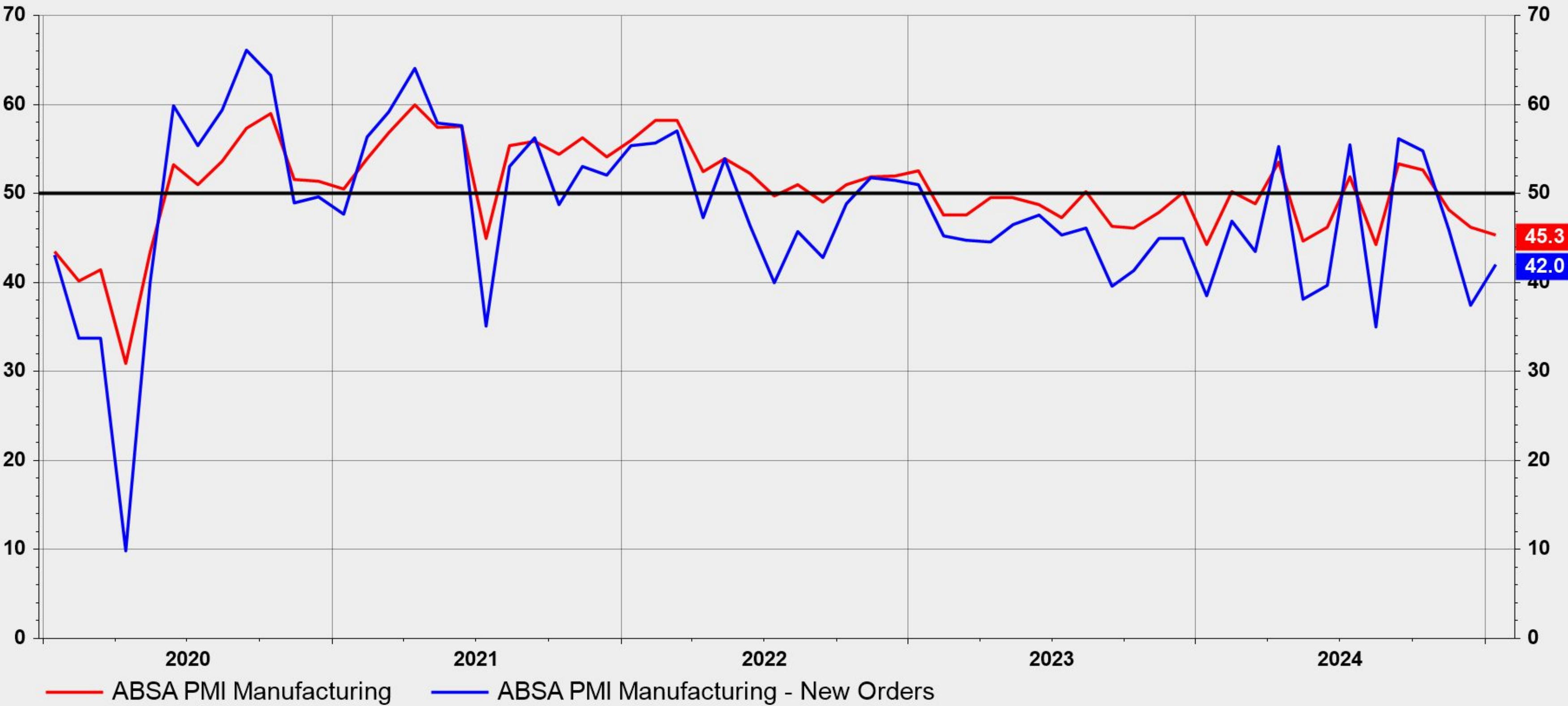


Source: LSEG Datastream / Rezco

RSA Inc Phase 2: The 2-5 Year View



PMI's: Manufacturing Not in The Numbers Yet

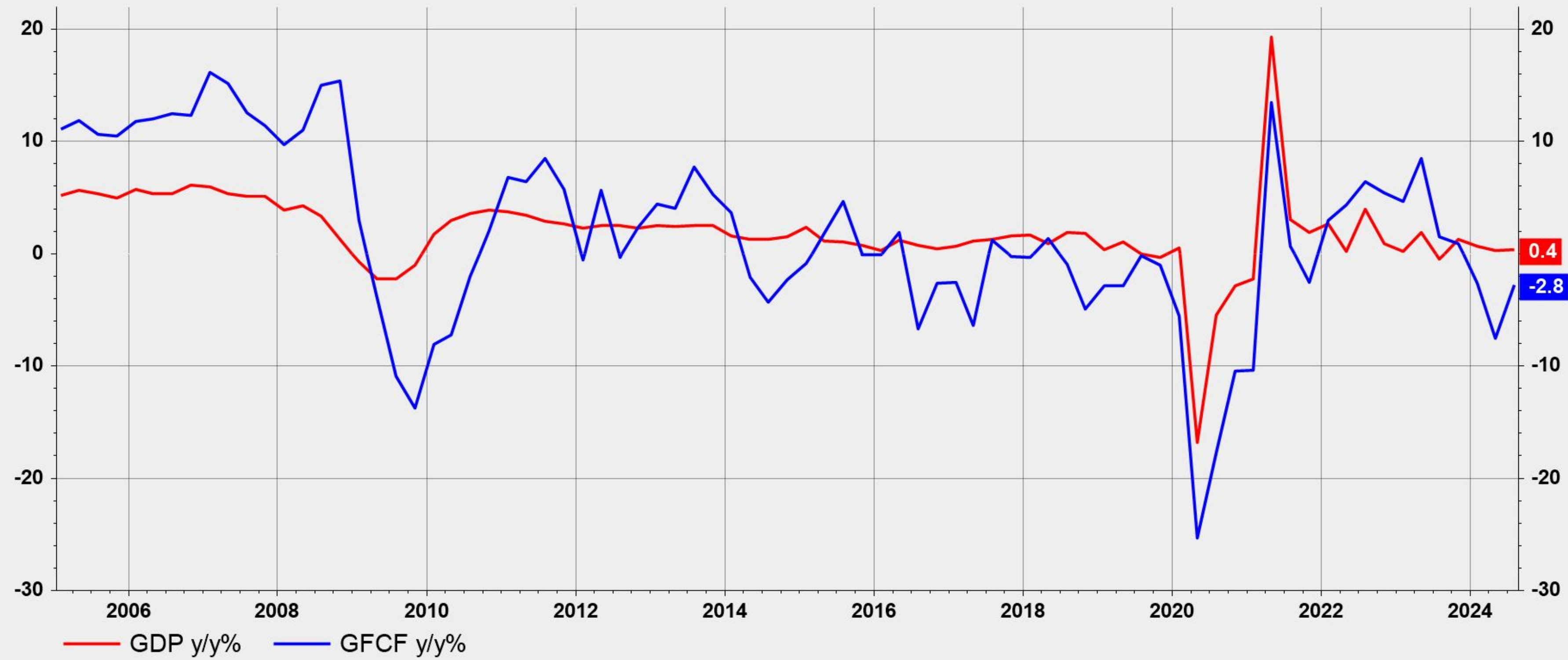


Source: LSEG Datastream / Rezco

Historical: Investment & Growth

SOUTH AFRICAN ECONOMY

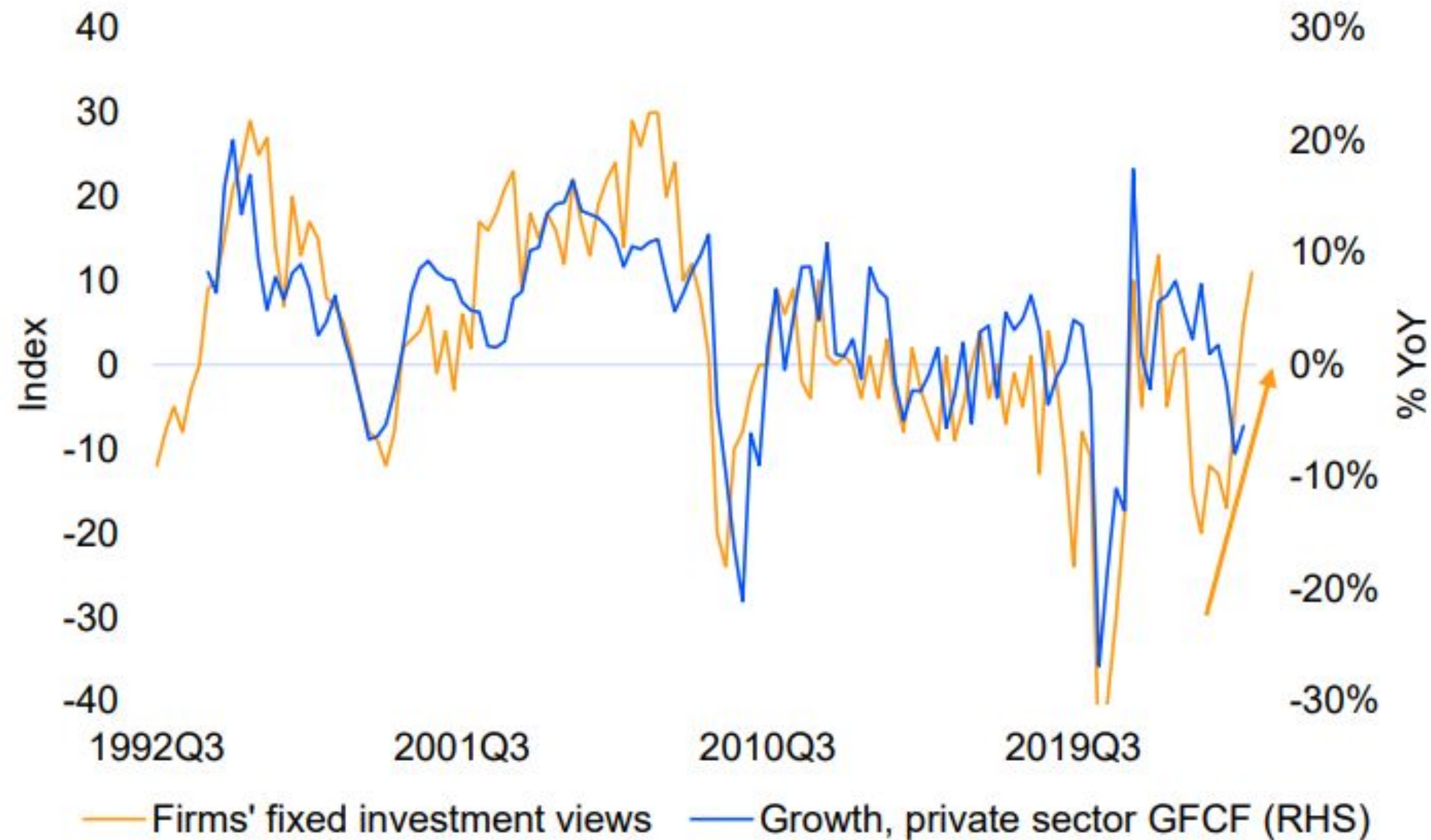
Updated: Q3 24



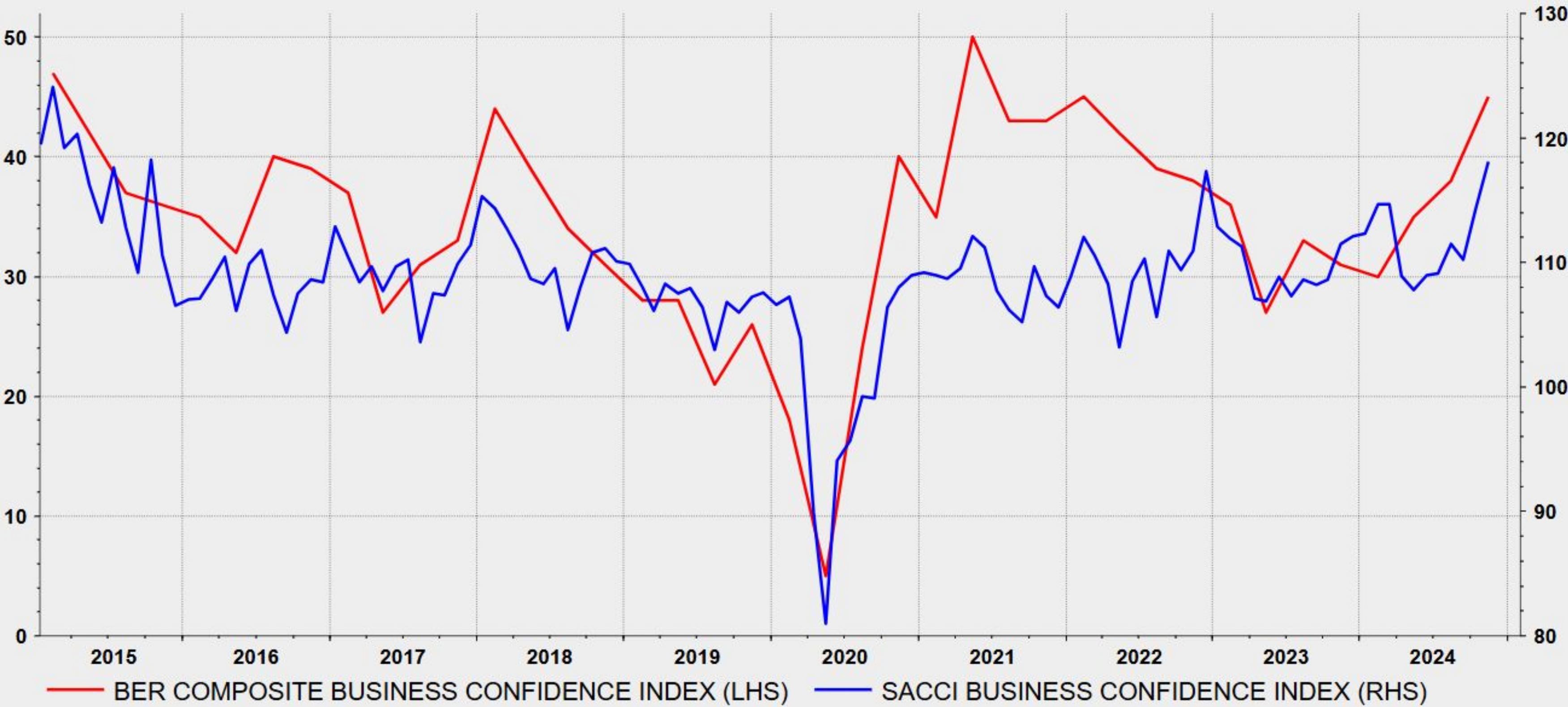
Source: LSEG Datastream / Rezco

The Investment Cycle is Coming

Firms expect better fixed investment



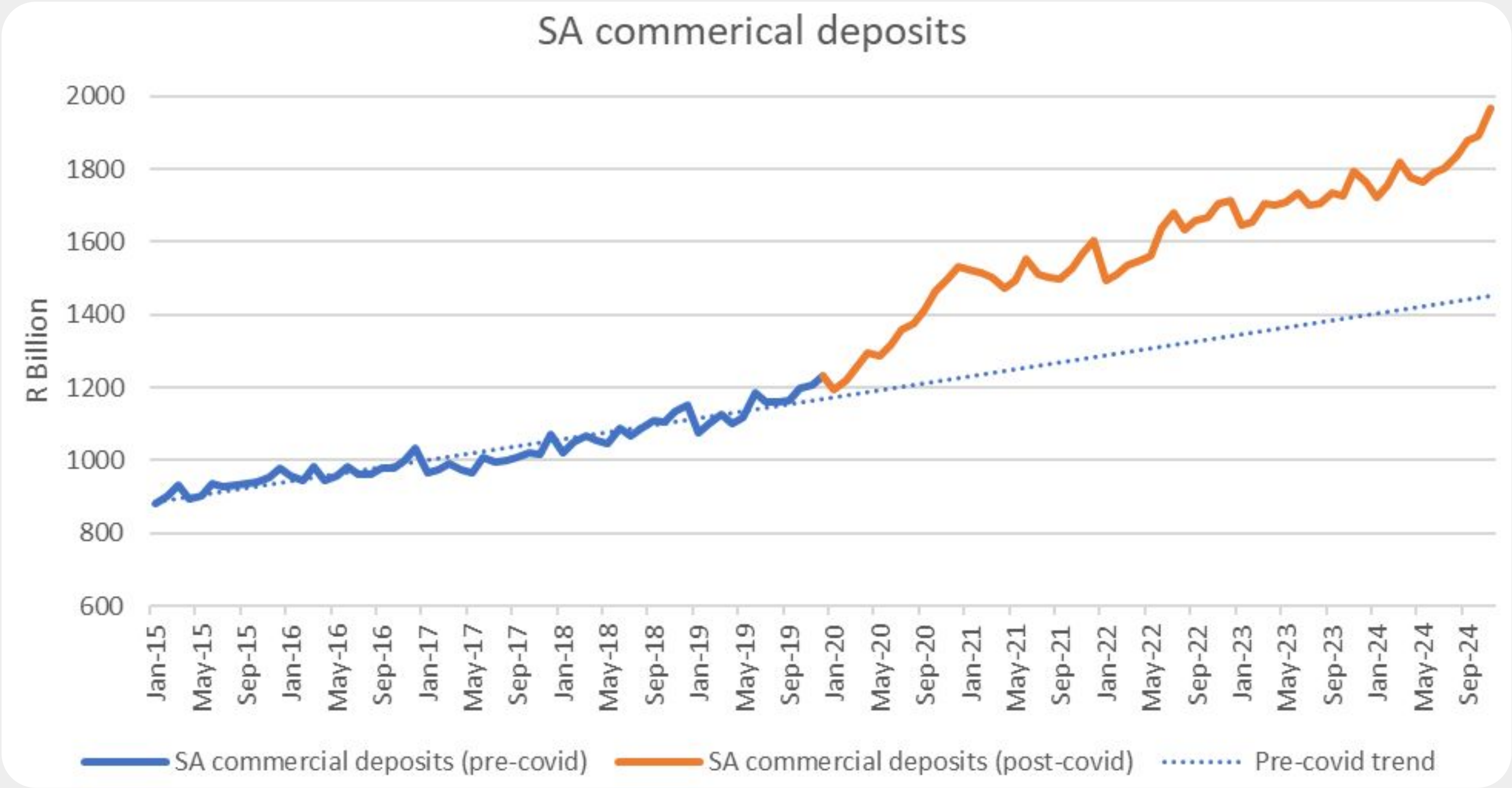
Business Confidence is Improving



Source: LSEG Datastream / Rezco

Cash is Plentiful: Need Investment Opportunities

Corporates, excess cash & banks, excess capital



Positioning Portfolios



Current Fund Positioning

	Managed Plus	Value Trend	Stable	Equity
SA Equity	68%	57%	30%	98%
SA Inc - Insurance and Other Financials	7%	5%	3%	9%
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Global Fixed Income	15%	16%	12%	
Direct Offshore	20%	21%	15%	

The Opportunity Set:

Both groups have similar capped SWIX ALSI weights



Now is a Good Time for Benchmark Agnostic

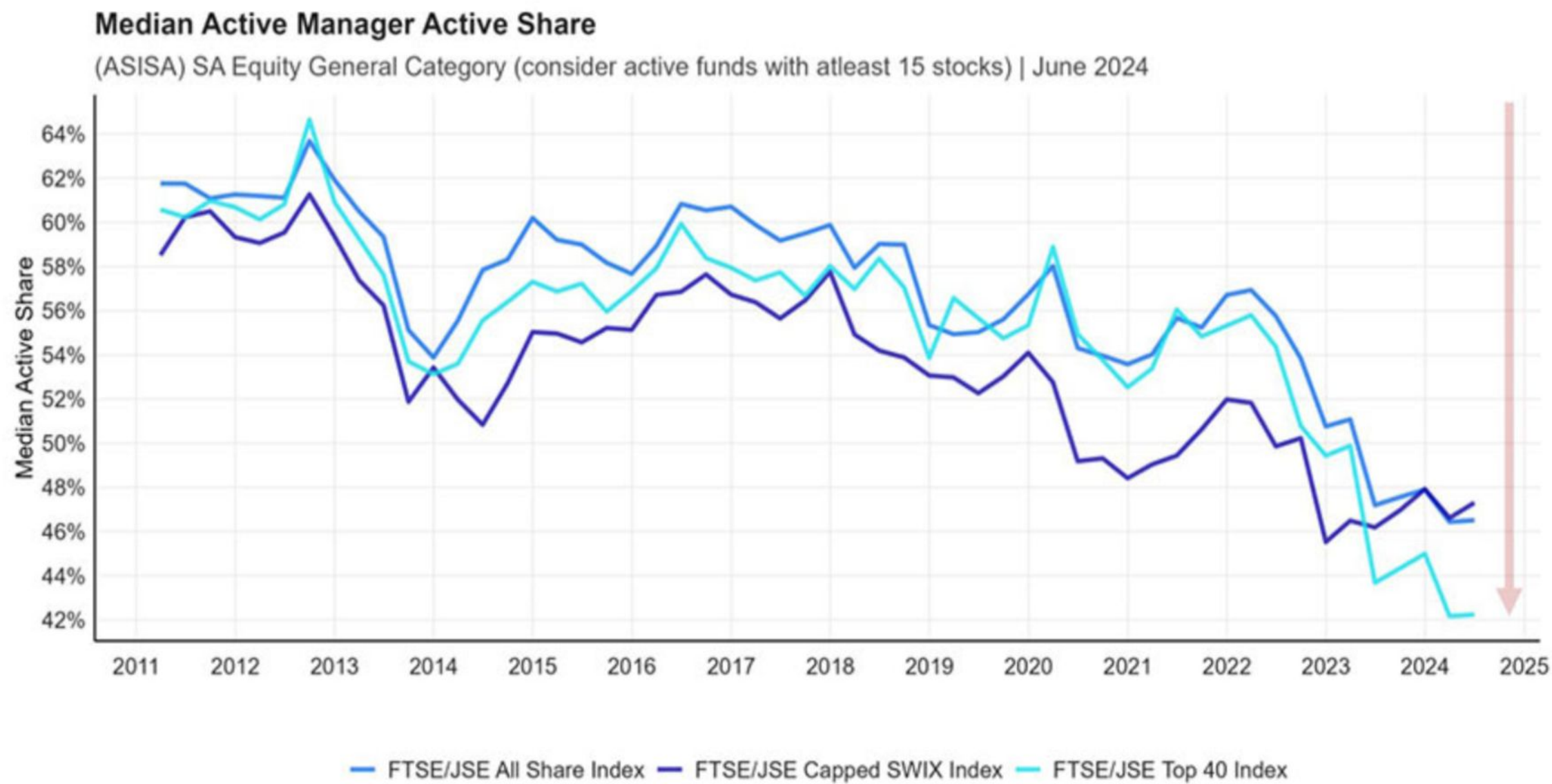
But the trend is the other way

Have Active Managers Taken Advantage?

Strong decline in active manager active share

*Active Share:

$$\frac{1}{2} \times \sum |w_{fund,i} - w_{BM,i}|, \forall \text{ stocks } i$$



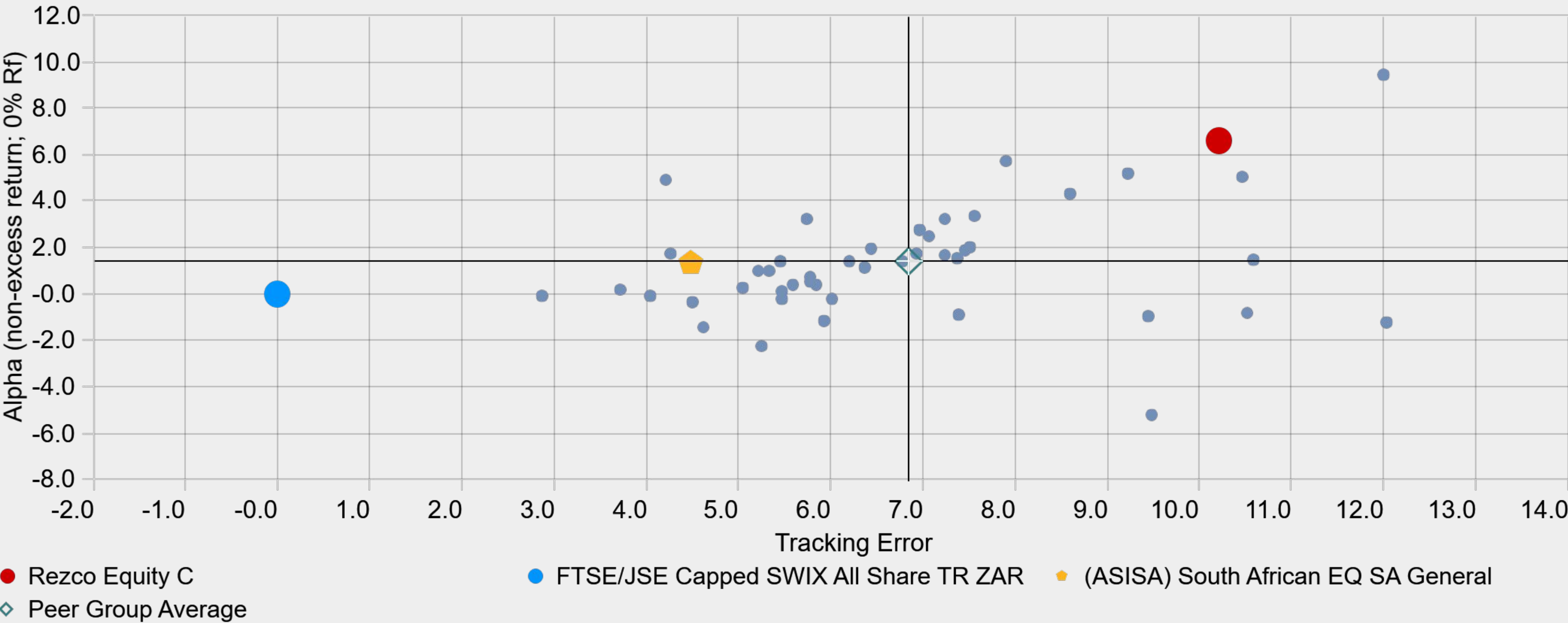
Source: Satrix. Data: Morningstar, FTSE/JSE 1/8/24

JSE: Opportunity to Be Active

ALPHA VS TRACKING ERROR

Time Period: 2018/01/07 to 2024/12/28

Peer Group (1-100%): Fund Comp - (ASISA) South African EQ SA General Currency: Rand Source Data: Total, Weekly Return Calculation Benchmark: FTSE/JSE Capped SWIX All Share TR ZAR



Source: Morningstar Direct

SA Macro Changed, Market Hasn't:

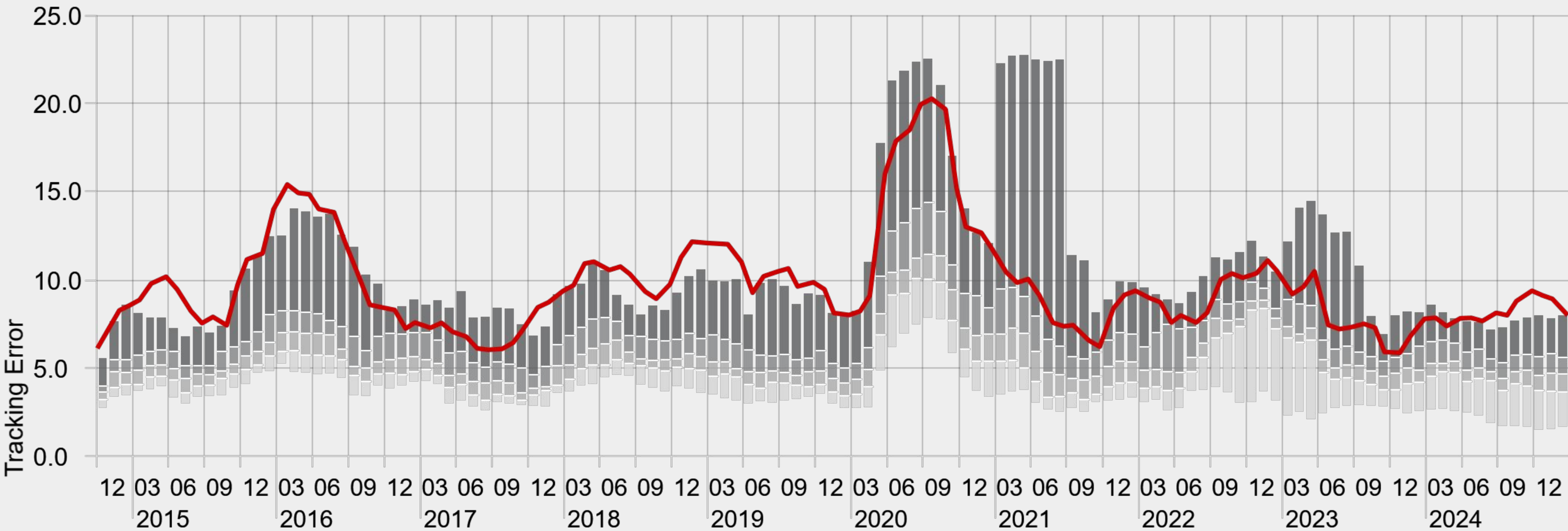
It is a good time to be active

ROLLING 6 MONTH TRACKING ERROR

Time Period: Since Common Inception (2014/04/06) to 2024/12/28

Peer Group (5-95%): Fund Comp - (ASISA) South African EQ SA General Currency: Rand Rolling Window: 6 Months 1 Month shift Source Data: Total, Weekly Return Calculation Benchmark: FTSE/JSE Capped SWIX All Share TR ZAR

Top Quartile 2nd Quartile 3rd Quartile Bottom Quartile



Rezco Equity C

Source: Morningstar Direct

The Opportunity Set

SA INC - INDUSTRIALS

	Portfolio Weight	Share Count	PE (F12M)	EPS Growth (F12M-F24M)
REZCO	11.6%	5	8.1	18.2%
CAPPED SWIX	9.9%	21	11.0	10.8%

SA INC - CONSUMER

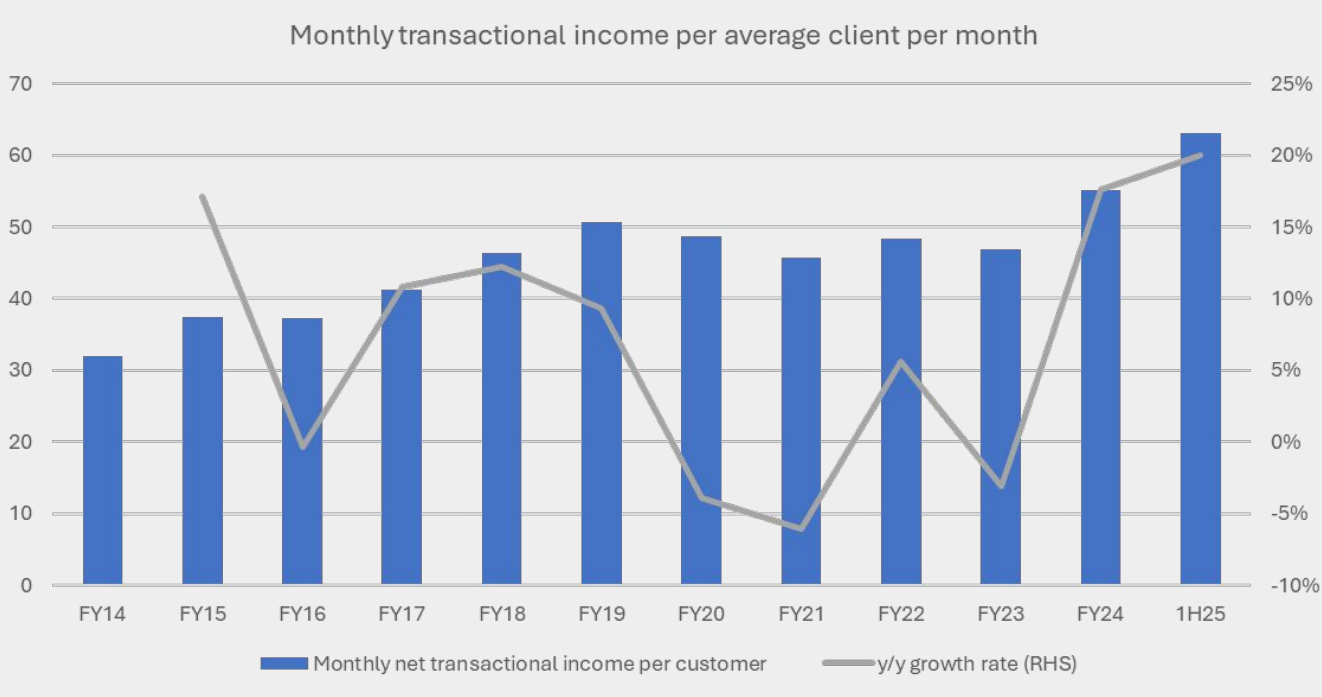
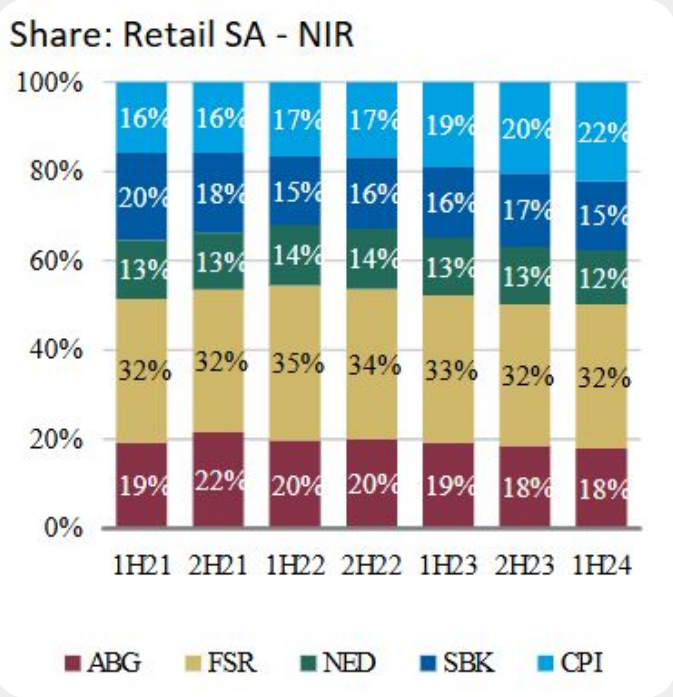
	Portfolio Weight	Share Count	PE (F12M)	EPS Growth (F12M-F24M)
REZCO	37.0%	11	14.0	15.9%
CAPPED SWIX	10.6%	23	16.1	13.7%

SA INC - BANKS

	Portfolio Weight	Share Count	PE (F12M)	EPS Growth (F12M-F24M)
REZCO	20.0%	3	13.8	15.3%
CAPPED SWIX	20.5%	6	10.9	14.4%

Conviction Calls

Capitec



Capitec 12m forward P/E



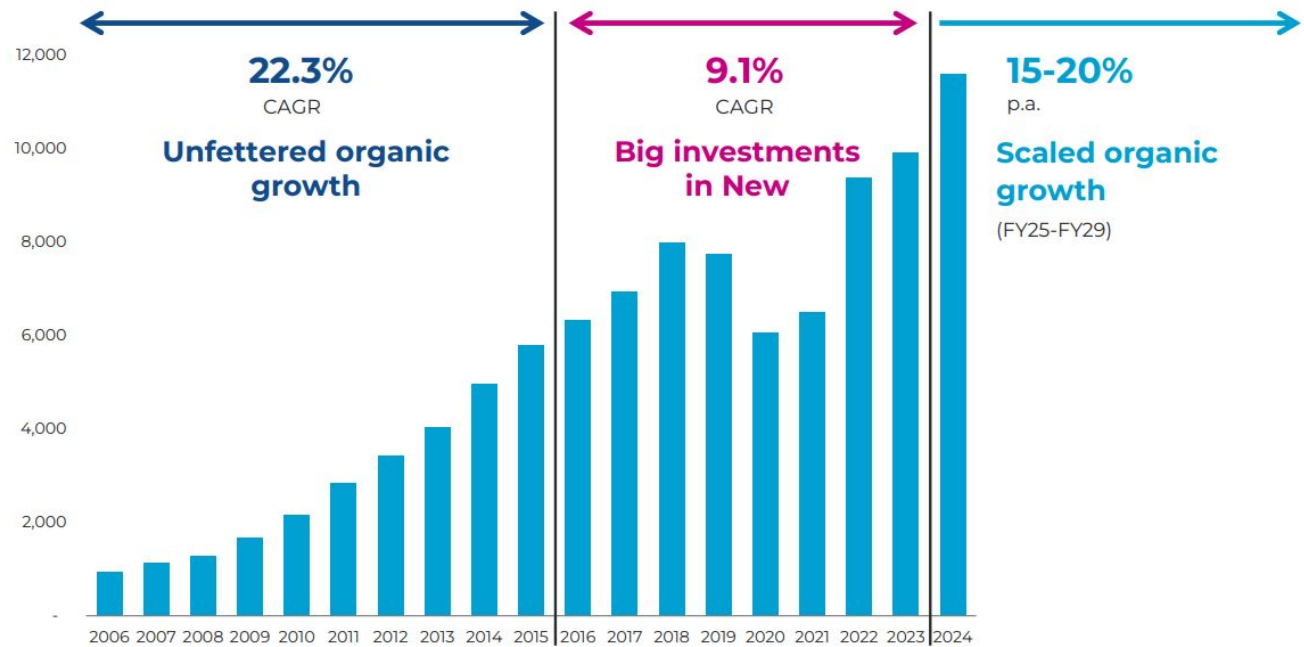
Source: LSEG Datastream / Rezco

Conviction Calls

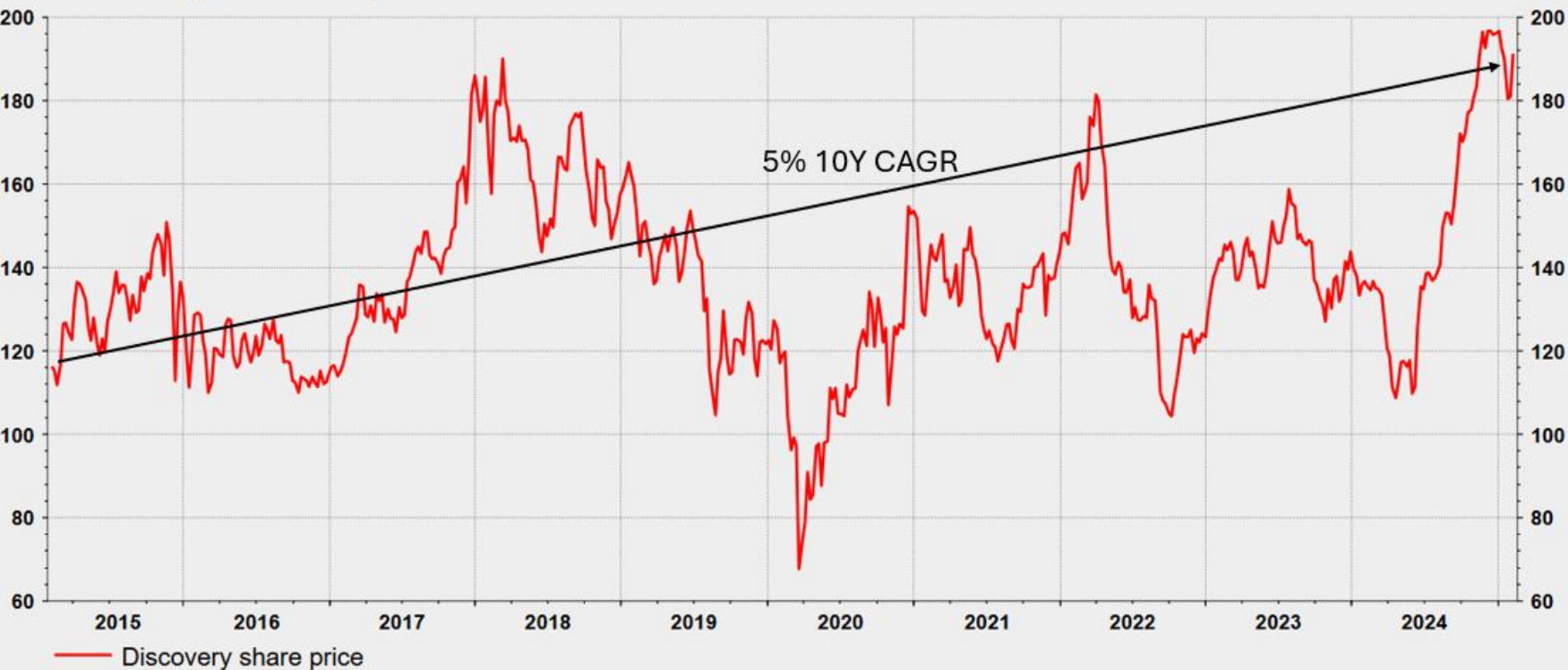
Discovery

Three distinct phases

Operating profit by phase of growth, Rm



Discovery share price



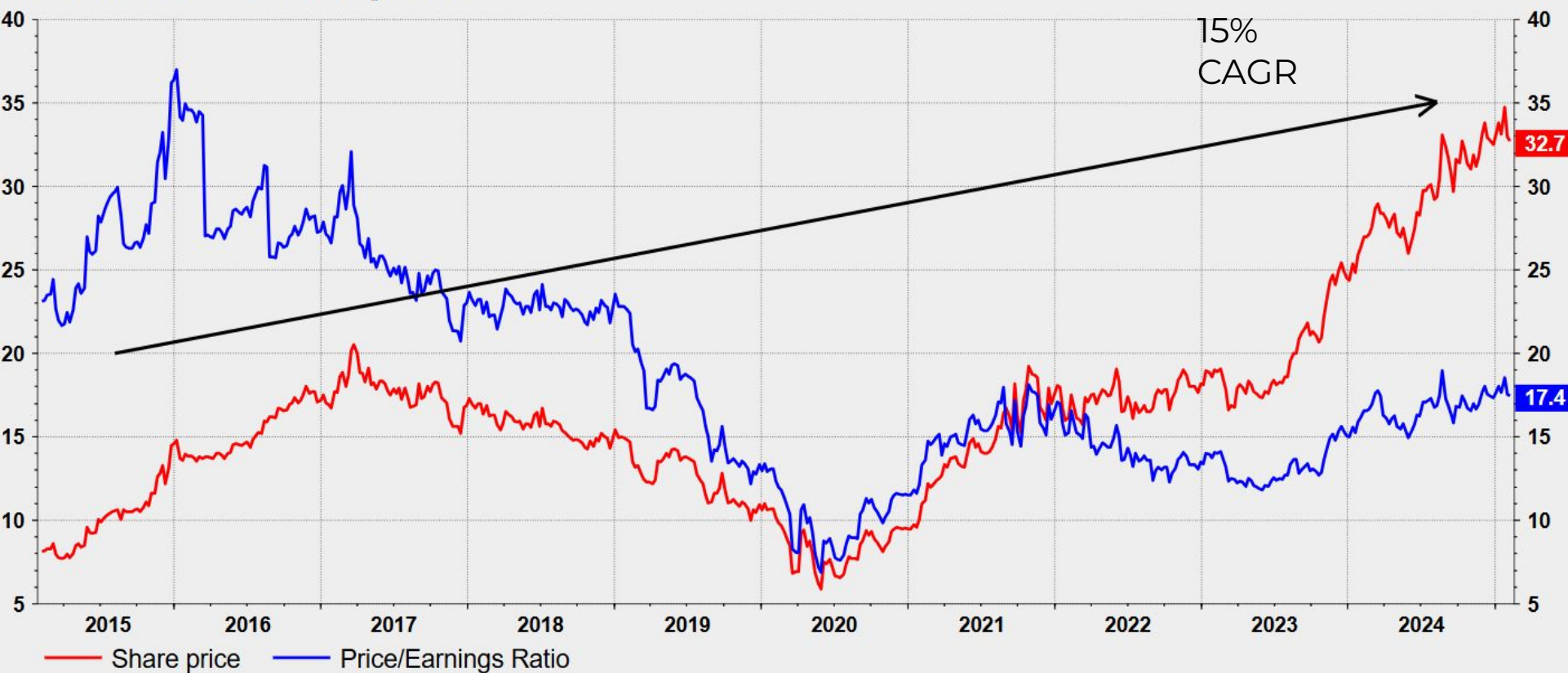
Source: LSEG Datastream / Rezco



Conviction Calls

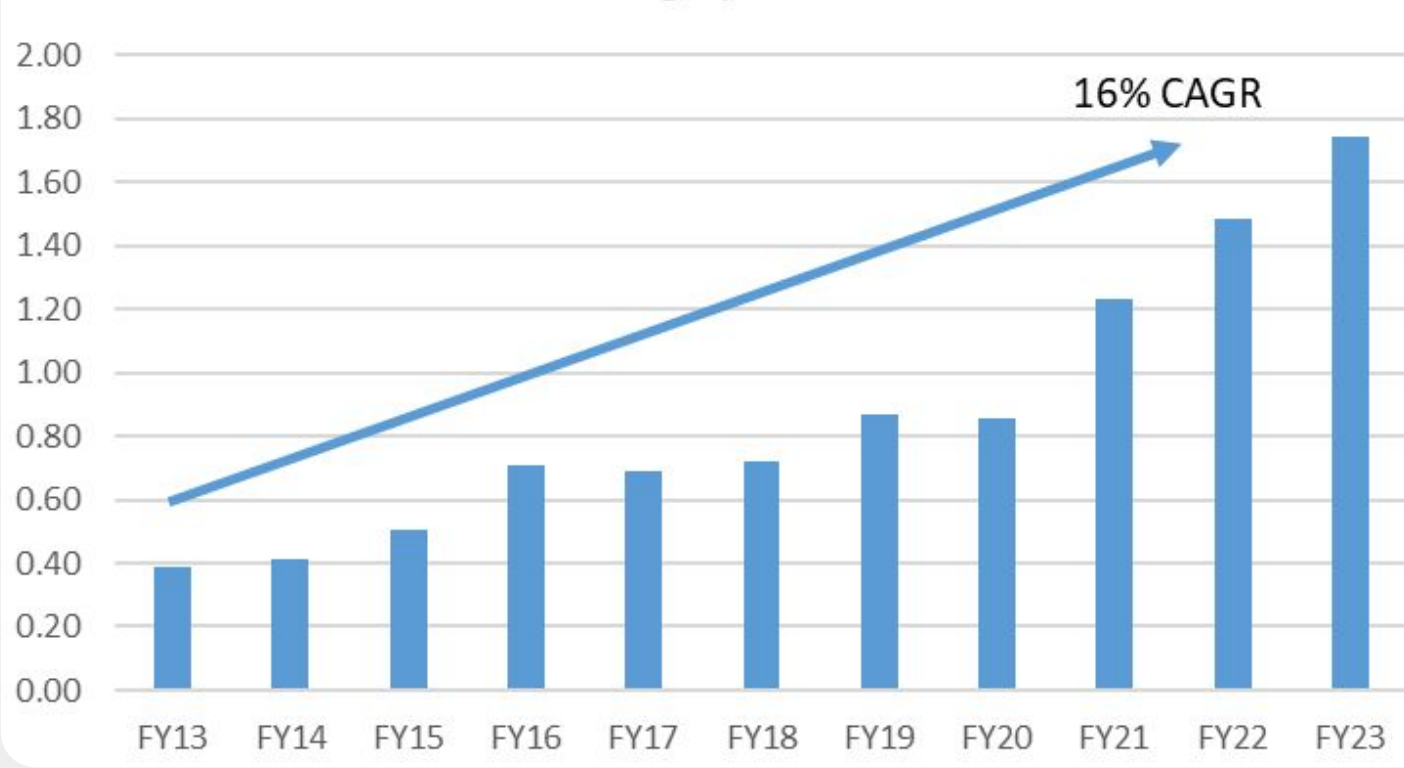
ADvTECH

ADvTECH share price



Source: LSEG Datastream / Rezco

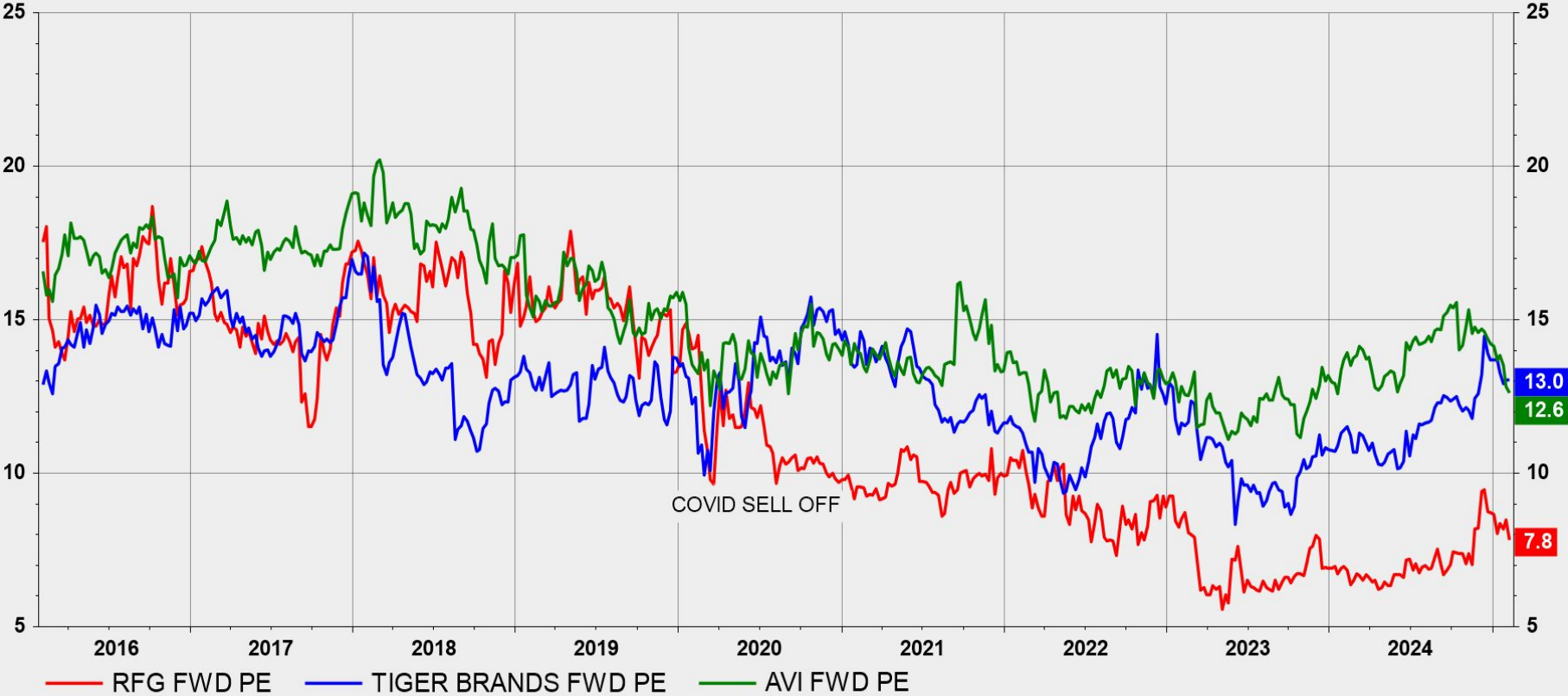
Earnings per share



Conviction Calls

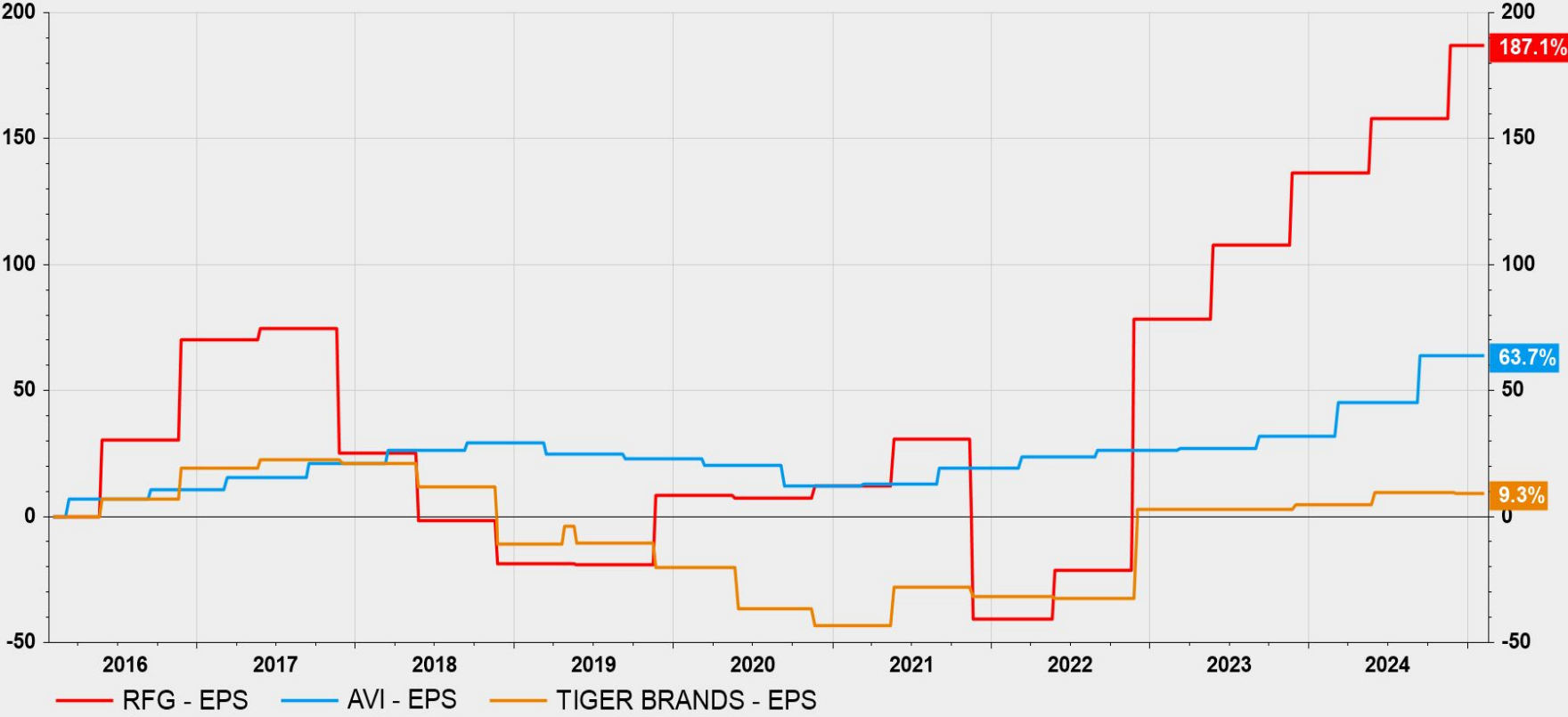
Rhodes Food Group

Cheap Relative To History And Peers



Source: LSEG Datastream / Rezco

Earnings Relative To 2016



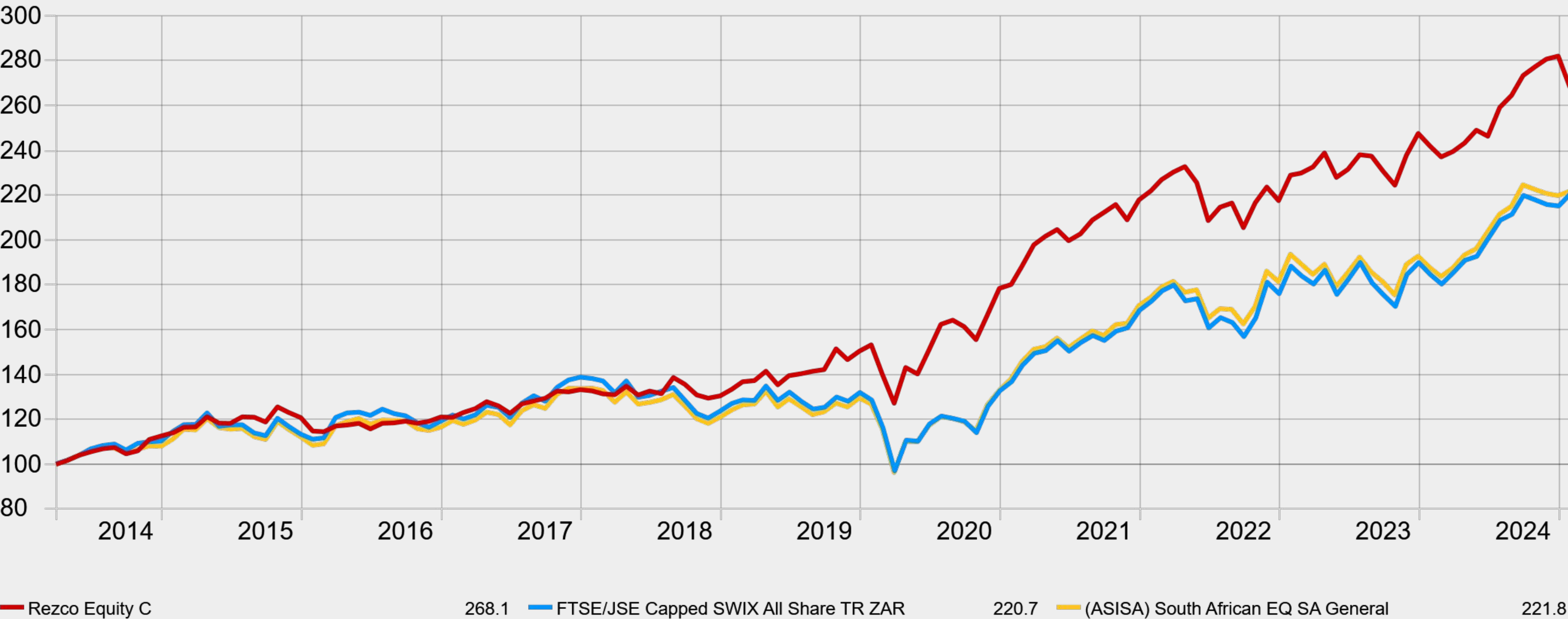
Source: LSEG Datastream / Rezco

Rezco Equity Fund: Since Inception

CUMULATIVE RETURNS - Since Inception

Time Period: Since Common Inception (2014/04/01) to 2025/01/31

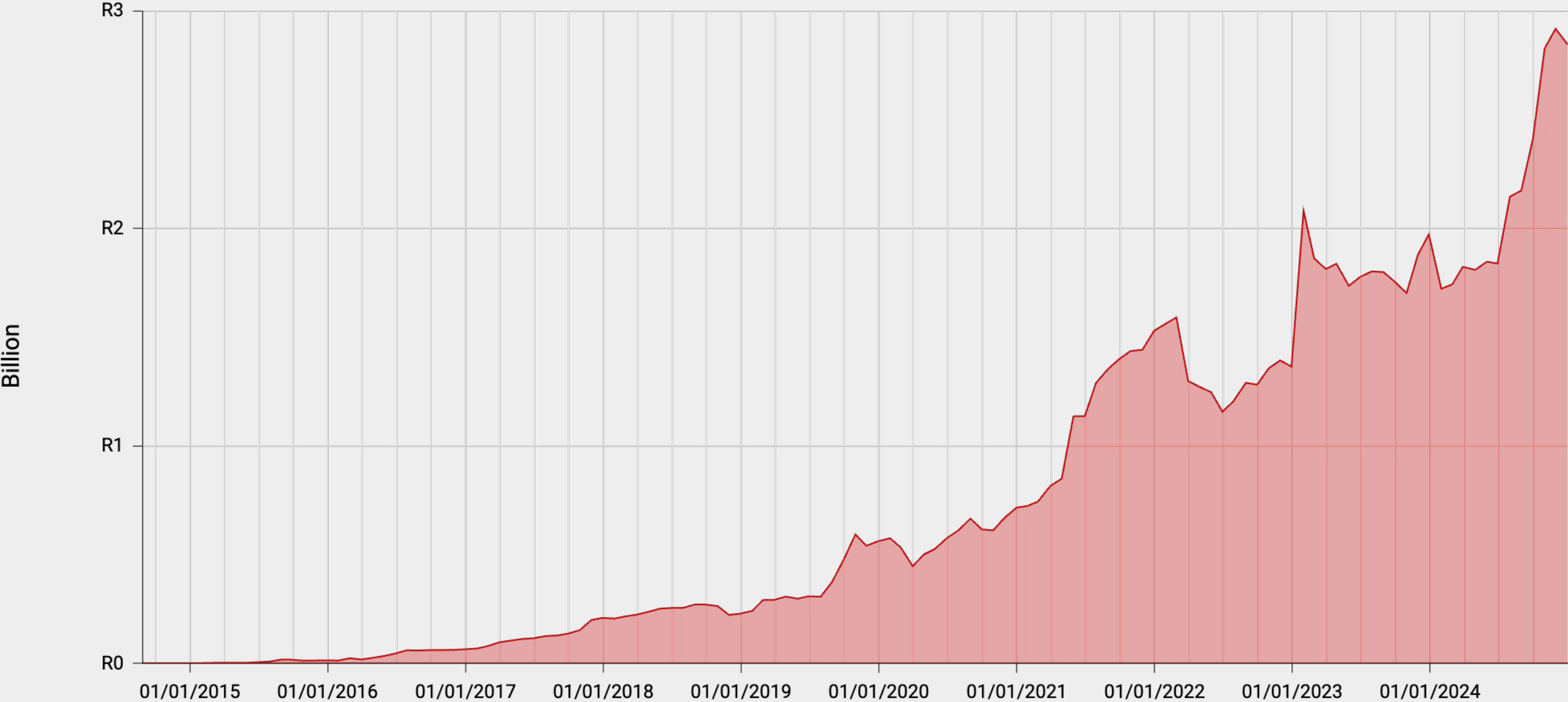
Currency: Rand Source Data: Total Return



Source: Morningstar Direct

SA Equity Mandate

AUM since inception of REEF



Local vs Global (3 Year View)

Forecast returns if plays out as expected

Rand : Probably Strengthens

Global Equity : 1-5% per annum

RSA Inc Equity : 10-20% per annum

In Closing

The plane is on the runway

But liquidity means that the good seats (SA Inc) are going to run out

- SA Inc offering attractive risk/return with a multi-year tailwind
- Global Equity is overvalued and at risk of a stronger Rand
- Multi-Asset to benefit from both SA Inc and SA duration
 - But careful of anchoring to the high offshore allocations the funds have enjoyed in the past

Live Q&A

Submit your questions by using the Questions tab

- **You'll receive a link to the recording** of the webinar after the event.
- **Please complete a short survey** after the webinar to help us improve future webinars for you.

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Preserving Capital* & Creating Wealth.

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Thank You

