Perspective
Investment Management

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August 2022

To our Fellow Fund Investors,

Introducing our 2022 Annual Letter

The core concept of this year's letter is **resilience**. Its essence is captured by a terrific turn of phrase attributed to a Mr. G. Michael Hopf "***Hard times create strong people, strong people create good times, good times create weak people, and weak people create hard times*** "

The *responsible* protection and growth of your long-term investment wealth is delivered by paying a **great price**, for **great businesses**, owned and led by **great people**, and by owning them for a **very long time**.

This core principle enables us all to partake in the powerful long-term compounding effect of knowledge and capital more fully meeting innovation and opportunity.

We acknowledge and respect the future is unknowable, which is why we waste no time and energy on making predictions. Instead, we choose to find and invest in businesses and people with the **proven** track records and capabilities to handle *whatever* happens - at government, corporate, environmental, societal, global, country, industry, and company-specific levels. We do not know of *any* truly successful business or person that have not had to handle and overcome some or other form of serious adversity in their existence. We also do not know of *anyone* that has overcome serious adversity entirely on their own.

This is why our annual letters are focused on the **businesses** we own and those we admire, and the **people** who own and lead them. We will show you exactly **what** you own, **why** you own it, and why **now** is a good time for you to be owning it for the long run.

In addition, we share a bit more about our own firm, some of our stakeholders, and the people who own and lead it. Perspective is turning six years old at the end of 2022, and we have realized these hard times have made us even stronger.

On behalf of all our team members and each of our many other stakeholders, we thank you for your support of our firm and the continued trust you place in us to safeguard and grow your long-term investment wealth. It is a tremendous responsibility that we respect and acknowledge with continued humility and gratitude.

We hope you will enjoy our 2022 annual letter, and we look forward to your feedback.

Our work continues...

The Perspective Team

Perspective Investment Management (Pty) Ltd is an authorised financial services provider, **FSP No. 47672** - Registration No. **2015/211710/07**
Directors: Daniel Malan, Mikael Liefferink, John Rainier (Independent Non-Executive Chairman)

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Perspective
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1. Market Data

	September 3rd, 2017*	August 24th, 2021**	*% Change September 2017 to August 2021*	End July 2022	*% Change August 2021 to July 2022*
Currency Prices					
SA Rand to US Dollar	12,8	15,0	*17,6%*	16,6	*10,9%*
SA Rand to UK Pound	16,6	20,6	*23,7%*	20,2	*-1,7%*
SA Rand to Euro	15,3	17,6	*14,9%*	17,0	*-3,7%*
SA Rand to Canadian Dollar	10,5	11,9	*13,3%*	13,0	*9,3%*
Government Bond Yields					
SA 10-year (in SA Rands)	8,43%	8,86%	*5,1%*	10,36%	*16,9%*
US 10-year (in US Dollars)	2,10%	1,29%	*-38,6%*	2,64%	*104,7%*
UK 10-year (in British Pounds)	1,01%	0,54%	*-46,5%*	1,86%	*244,4%*
Commodity Prices					
Gold (in US Dollars per ounce)	1 333	1 805	*35,4%*	1 765	*-2,2%*
Newgold ETF (in SA Rands)	163,5	250,3	*53,1%*	273	*9,0%*
Silver (in US Dollars per ounce)	17,8	23,9	*34,0%*	20,3	*-14,9%*
Platinum (in US Dollars per ounce)	1 006,0	1 012,6	*0,7%*	897,0	*-11,4%*
Palladium (in US Dollars per ounce)	940,0	2 452,6	*160,9%*	2 128,0	*-13,2%*
Iron Ore (in US Dollars per ton)	78,0	139,5	*78,8%*	107,2	*-23,2%*
Copper (in US Dollars per pound)	3,09	4,25	*37,5%*	3,58	*-15,8%*
Brent Oil (in US Dollars per barrel)	52,5	71,0	*35,4%*	110,0	*54,9%*
Property Indices - Market Cap Weighted Prices (*excluding* Dividends)					
SA JSE Property Index (in SA Rands)	653	327	*-50,0%*	314	*-3,9%*
MSCI World Property Index (in US Dollars)	208	256	*23,4%*	229	*-10,6%*
Equity Indices - Market Cap Weighted Prices (*excluding* Dividends)					
SA JSE All Share Index (in SA Rands)	56 312	67 452	*19,8%*	68 934	*2,2%*
SA JSE All Share Index (in US Dollars)	4 413	4 497	*1,9%*	4 145	*-7,8%*
Global MSCI World Index (in US Dollars)	1 954	3 113	*59,3%*	2 746	*-11,8%*
Selected Highly Speculative Assets (*excluding* Dividends, but they typically do not pay any)					
Shopify [North American Technology]	11,02	148,14	*1244,3%*	35,91	*-75,8%*
ARK Innovation ETF [Kathy Wood]	33,64	122,03	*262,8%*	45,69	*-62,6%*
Robinhood [Retail Trading Platform]	n/a	49,38		9,05	*-81,7%*
AMC Entertainment [Meme Stock]	12,55	40,31	*221,2%*	15,37	*-61,9%*
Bitcoin [Crypto Currency]	4 597,00	49 517,00	*977,2%*	23 121,00	*-53,3%*
Terra [Crypto Currency]	n/a	n/a		0,0004	*-100,0%*
Coinbase [Crypto Exchange]	n/a	256,77		62,96	*-75,5%*
Tencent [Chinese Tech]	40,24	56,69	*40,9%*	38,66	*-31,8%*
Sberbank [Russian Bank]	184,10	329,22	*78,8%*	Embargoed	*-100,0%*
Carvana [Vehicle Trading Platform]	17,85	351,74	*1870,5%*	30,17	*-91,4%*
Carnival Corporation [Cruiseliner]	68,11	22,83	*-66,5%*	9,06	*-60,3%*
Zoom Video Communications	n/a	337,74		106,22	*-68,5%*
Canopy Growth [Legal Cannabis]	9,00	21,83	*142,6%*	3,29	*-84,9%*

** September 3rd, 2017 is the inception date of our Balanced Fund.*
*** August 24th, 2021 is the publication date of our 2021 Annual Letter.*

Our key observations to accompany the market data are:

- Most **currencies** have *depreciated* against the US Dollar in the 2022 year to date.
- The **SA Rand** has, somewhat surprisingly, been reasonably *stable*.
- Government **bonds** experienced significant price *declines* over the past year.
- Apart from oil and gold bullion, most mining **commodity** prices *declined* over the past year in US Dollar terms, albeit not seriously so.
- The prices of highly **speculative assets** have been *decimated* over the past year.

2. Perspective Investment Approach Executive Summary

The origin of everything we do is rooted in being **truly long-term**.

By truly long-term we mean to say, 'into perpetuity', in the sense that something has real purpose and value in the world that is sustainable and repeatable, and that it endures through thick and thin while carrying over from generation to generation without any loss of knowledge nor capital.

Our investment approach is to think and act as responsible owners, of responsible businesses, that are owned and led by responsible entities and people.

Responsible owners think and do things very differently. Responsible ownership demands of us a truly long-term mindset and decision-making framework, the setting and maintaining of the highest standards of global best practice and excellence, an obsession with minimising costs, independent critical assessment, a confidential and respectful but unfailingly honest engagement with business leadership, support, loyalty, trust, admiration, gratitude, humility, the benefit of the doubt, and the right to independently act with conviction whenever the facts of a matter runs clear.

Responsible businesses deliver long-term value, goods, and services to all its stakeholders in a mutually beneficial, enduring manner.

Responsible entities and people are, well, responsible. We know it when we see it.

Our investment process consists of the following four core investment criteria that we apply consistently to any asset we research and own :

- **Understandability** [*of industry, business model, and why it is a bargain*]
- **Trustworthiness** [*of the entities and people who own and lead*]
- **Robustness** [*of financial and operational risks*]
- **Valuation** [*of absolute value and growth*]

Our investment team members maintain a **proprietary wish list** of assets that we can *clearly* evidence meet the first three of our core criteria, apart from valuation.

Our **research discipline** prioritizes our proprietary assessments of the *intangibles* of doing good business. We work to understand things like the historical origin stories of industries and businesses, the purpose, values and principles of the founders, the current business culture, the track records and intentions of the current owners, the track record, competence, integrity and vision of the current C-suite executives, the composition of the Board, and the prevailing attitude and mindset of its governance culture.

Our **buy discipline** is unashamedly **value**-biased, because as long-term investors we prefer to pay as bargain low a price as possible in relation to intrinsic business worth.

Our **sell discipline** is unashamedly **growth**-biased, because as long-term investors we prefer to own businesses with realistic long-term growth potential in their intrinsic business worth.

As fully active, unconstrained investors, in combination with a fully aligned fund investor client base and all our other stakeholders, we have the incredible advantage that we can genuinely challenge conventional thinking and invest in **anything, anywhere**. Our funds are **concentrated** in our very best investment ideas that we can draw from across **the widest possible investment universe** - including all geographies, industries, business models, and sizes of market capitalization.

Our portfolio managers are also our risk managers, because reward and risk are two sides of the same coin. We pay careful attention to maintain minimum levels of on-market transactional **liquidity** as well as sufficient **diversification** by industry and sector. We stay within our own clearly defined risk parameters.

Our **ownership discipline** is to behave as one would reasonably expect from a **responsible** long-term owner. Whenever deemed necessary our investment team members actively engage in a non-public, confidential, and respectful manner with the executives of the businesses we own in our funds, as well as the executives of many other businesses we do not own at the time. We do our own work independently, we make up our own minds independently, and we cast our proxy votes independently at all important business meetings in your best interest. We pay careful attention to *all* aspects of best practice governance, which is deeply engrained into the DNA of our firm's design and at least two of our four core investment criteria [*being Trustworthiness and Robustness*].

Achieving truly long-term investing success is a war of attrition. We can outlast our competitors by never knowingly gambling, and by limiting the number and impact of our mistakes and setbacks. We can improve the long-term compounding rate of your investment savings by keeping and driving fund costs as low as possible, by not partaking fully in business and market depreciation, and by then also having the evidence, knowledge, conviction, and courage to back our own work to partake in business and market appreciation more fully.

We deliberately provide you with this updated executive summary description of our investment approach, because we believe it should serve as good context for your making more sense of the rest of this year's letter.

3. Investment Results, Investment Strategy, and Fund Positioning

3.1 Investment Results

	Fund Inception Date	Annualized Total Return Since Inception to End July 2022 - 59 Months	Annualized Total Return Since Inception to End July 2022 - 22 Months	1 Year to End July 2022 Total Return	Year To End July 2022 Total Return (*Not Annualized*) - 7 Months
Perspective Balanced Prescient Fund - A1 Fee Class	2017 / Sep / 04	7,2%		10,5%	0,8%
CPI (South African Official Rate of Inflation)		4,7%		7,4%	4,2%
Perspective Executive Equity Prescient Fund - A1 Fee Class	2020 / Oct / 08		24,7%	9,3%	-1,2%
CPI (South African Official Rate of Inflation)			5,9%	7,4%	4,2%
JSE AllShare Index		5,9%	15,7%	0,8%	-5,6%

Notes:

*(1) The **A1 Fee Class** is each fund's fee class charging an annual portfolio management fee of 1%+VAT. Industry regulations dictate the publication of only the highest fund fee class.*

*(2) The calculation of **Total Returns** are expressed in South African Rands, Includes Dividends and Interest, and is Net of All Fund Costs and Portfolio Management Fees.*

*(3) We would ordinarily not include **periods less than 1 year**, but we are making an exception given the declines and volatitlity in the asset markets in the 2022 year to date.*

*(4) Performance disclosure regulations require that we must disclose the **Balanced Fund's highest and lowest annualized return** since its inception was 41,1% and -16,5%.*

*(5) Performance disclosure regulations require that we must disclose the **Executive Equity Fund's highest and lowest annualized return** since its inception was 56,4% and 5,4%.*

We are satisfied with and proud of our delivered investment results to date.

We state this confidently, because **firstly**, both of our unit trust funds have delivered positive *real* investment returns [*i.e., after all costs and inflation*], with a low level of volatility, against a backdrop of significant South African and global shocks, risks, and elevated levels of geopolitical uncertainty that remains the status quo.

Secondly, both of our funds' ongoing operational costs and total cost ratios to all their fund investors have slowly but surely declined meaningfully, as we had expected.

Lastly, our funds are fully invested and well positioned in cheap, quality, long-term growth assets that we know meet *all* our four core investment criteria.

In the short span of the past 5 years we have experienced multiple bear market events in South Africa and global markets, the covid pandemic (globally and in our team, client and stakeholder base), repeated egregious economic lock downs and travel bans, the many serious impacts of the ongoing mismanagement of the South African economy and its inevitable downgrade by global ratings agencies to junk status, increasingly severe rolling electricity blackouts, a serious drought and water-crisis in the Western Cape, devastating floods in KZN, riots and widespread looting in KZN and Gauteng, the Russian invasion of Ukraine, and a sincere internal attack on American democracy. [*What an incredible list! Something we know for sure is that the next 5 years will also present challenges - we just do not know yet what they will be. We want to be ready for* ***whatever*** *comes our way*]

Our firm, team members and stakeholders have taken *all* of this in our stride, while simultaneously building our business, brick by brick. It has not been easy but looking back at it now we can see and realize that Perspective has been forged in the fires of these hard times, and all these experiences have helped us to create an even stronger and more resilient firm.

We launched with a **Balanced Fund** in September 2017. Our preparatory research showed market indices at that point in time were generally priced somewhere between fair to expensive, with limited investment opportunities meeting the **valuation** component of our four core investment criteria. The wide flexibility of a Balanced Fund mandate was selected because it enabled us to preserve fund investor capital and to remain patient about waiting for the right buying opportunities to present themselves - no matter how long it would take.

The deterioration of the South African economy and related deep bear market decline in JSE listed South African businesses developed in earnest in 2019. Clear evidence of many market participants capitulating and throwing in the towel emerged in 2020.

In direct response, during 2020 our Balanced Fund had become fully invested, while we simultaneously launched our fully invested **Executive Equity Fund** in October 2020.

[*Launching any new unit trust fund is always costly and time consuming, and convincing people to invest with a relatively young investment firm in a new fund with no track record focused on investing in downtrodden unpopular assets in South Africa was not easy or simple.* ***Our point is that launching a new fund was not a strategic business decision we took lightly***]

2021 set all-time world records as a year of *extraordinary* speculative activity in all asset classes, across the world, and in both listed and unlisted, regulated, and unregulated assets. In recognition thereof, early in the year our portfolio managers set in motion a critical and comprehensive internal risk review of each of our individual fund holdings, as well as our funds overall. Following that review, in the second half of 2021 our portfolio managers implemented several individual small changes to the composition of our funds. **The collective impact of these changes was to further improve fund resilience**.

The **2022 year to date** has been a different kettle of fish altogether, with the most speculative assets [*Long-dated Government Bonds, Non-US$ Currencies, Crypto-Currencies, Non-Fungible Tokens, Bored Ape Yacht Club Collections, Meme Stocks, Special Purpose Acquisition Vehicles, Technology, Biotech, Buy-Now-Pay-Later, IPO's of businesses with no profits and in many cases not even revenues, and the many financial instruments created with some or all of them as the underlying collateral, such as specialist Exchange Traded Funds*] getting decimated, with little hope of near-term or even long-term recovery in most cases.

Most of these speculative assets have little to no fundamental real-world value underpin. They have lost the only semblance of credibility they once had - a rapidly rising share price. Their only hope is for a repeat of the crazy level of speculation we saw in 2021 - of course always theoretically possible, but we consider it *extremely* unlikely and unsupported by any evidenced historical precedent we know of.

We were deliberate about avoiding *all* these highly speculative assets. We also steered clear of investing in cheap-looking **Russian** and **Chinese** listed assets, because we are concerned about the lack of governance and sufficient minority protections in these two countries. To quote our co-founder shareholder, Jean-Marie Eveillard, '***...you'll think you own an asset, and then Mr. Putin decides you don't***" It is a matter of public record that Jean-Marie had believed and said that more than 10 *years* ago already.

The leading global market indices that we track, such as the MSCI World and S&P500, have not been spared, led by their largest and most overvalued technology constituents.

Doing whatever is in our power to protect our funds and you as a fund investor from your fully partaking in serious bear market price declines is vital to our investment approach and our firm's long-term purpose and ambition.

We pursue this outcome in two equally important ways.

Firstly, our achieved and independently audited **investment results** in our funds needs to clearly showcase their resilience in serious down markets.

Secondly, our **communication** with you during these periods of time needs to be personal, regular, on point, timely, and serve to further cement your confidence in our investment approach, our people, and our firm.

We take our communication responsibility with you very seriously.

The best possible outcome, and the one we strive to create in partnership with you, is for you to be so well informed and confident in our investment approach, people, and business that it enables you to *stay* invested and even *add* to your existing investments in our funds at or near the bottom of market cycles - to the extent you are able to.

This powerful concept creates one of the ultimate compounding wonders of our industry - when the moons align in such a way that (1) the businesses we own in our funds are taking advantage of low share prices at or near the bottom of market cycles by buying back their own shares or their competitors, while simultaneously (2) our portfolio managers are buying more of the businesses we already own at deeply undervalued price levels, and (3) you are adding to your existing investments in our funds - to the extent you are able to.

The bottom-line result is that you can end up achieving a *better* long-term investment return for yourself as a fund investor than our underlying fund's investment return that you are invested in.

At first this may sound too good to be true, but we can prove that both the math and the logic adds up. The financial services industry even invented a fancy bit of math and jargon for measuring this - it is called the 'money-weighted investment return'. Our objective is for our funds' measured money-weighted investment returns to be at least equal to and preferably higher than our funds' investment returns over full market cycles.

Case Study 1: September 3rd, 2017, to March 31st, 2020

From when we launched our Balanced Fund in September 2017 to when the JSE Allshare Index bottomed end March 2020, the *average* JSE listed stock's total return *before* any costs was *minus* 60%. **In comparison, our Balanced Fund's total return over that exact same period after all costs was *minus* 13,7%.** [*We hasten to add that being marked down in price by almost 14% over any period is not exactly our definition or expectation of having a great time or of being satisfied as your fellow investors in the fund on behalf of ourselves and our families & friends- as the saying goes, no-one can EAT relative returns!*]

Case Study 2: January 1st, 2022, to July 31st, 2022

In the 2022 year to date, our Balanced Fund total return after costs was *positive* 0,8%, and our Executive Equity Fund total return after costs was *minus* 1,2%. This was another resilient outcome in comparison to the meaningful declines of the leading indices across asset classes, and the far more serious declines experienced by overvalued and speculative assets and asset classes in large parts of the markets.

Insofar as our **communication** went during these two periods of time, in both case studies outlined we *know* for sure that we had kept up and stepped up our direct written and personal engagements with you. The further evidence is that you had not only stayed the course, but that many of you had also added to your existing investments in our funds or had invested with us for the first time.

We will *never* let our guard down, but we feel it is relevant to pause for just a moment in time to highlight these positive outcomes. They provide independently evidenced markers of an important aspect of the long-term value to you of the Perspective investment and business approach.

Okay then - out of the clouds, and back to the work...

3.2 Investment Strategy

We cannot begin any conversation about our investment strategy without first explaining how and why it *must* perfectly fit into our business strategy.

Our investment strategy is entwined with our business strategy in a complementary and mutually beneficial relationship. Put simply - they empower and complete each other.

The dedicated pursuit of a truly long-term investment approach can only work sustainably and repeatedly if it is done on a rock-solid structural business platform of like-minded fund investors and stakeholders .

When it comes to our core investment values and principles there can be no dissent or misunderstanding. We have every reason to believe that you, and every other fund investor and stakeholder of our firm, bought fully into what we are doing here as truly long-term investors. We *know* this to be true, because we designed and built our own firm from scratch and from first principles with this exact alignment of interest as one of our key objectives, and we care about getting to know you by engaging directly and in person.

Our founder shareholders are commercially aware businesspeople who have invested significantly in establishing Perspective. We are fiercely committed to only continue growing our fund investor client base by attracting more like-minded long-term investors. We know from deep personal experiences and case studies that growing an investment firm with the *wrong* investors and stakeholders is a terrible idea that *will* fail for sure. Not only will it fail, but it will also inevitably cost you and us and every other like-minded long-term fund investor dearly in the end. As your fellow investors in our funds this is not an outcome we are going to allow.

By far the most asked question in our industry is "*What is our assets under management?*"

A key question, that incredibly we have *not once* been asked in our careers, should be "*What percentage of our assets under management are we confident is fully aligned to our investment approach?*"

We know exactly what we stand for and where we are heading, and we are crystal clear about this to our stakeholders and *anyone* else who wants to know. Perspective is deliberately not meant to be a fit for everyone out there, but it is a *perfect* fit for discerning people who made a fully informed and conscious decision to be an important part of it.

Asset Class Opportunity Heatmap

Asset Class	South Africa	Global ex South Africa
Currency	*Neutral. SA Rand is somewhat undervalued.*	*US Dollar is overvalued, conversely other developed market currencies present as opportunities.*
Commodities	*Generally high. Precious Metals offer attractive downside protection qualities.*	*Generally high. Precious Metals offer attractive downside protection qualities.*
Government Bonds	*Following a sell-off the higher yields are looking attractive, but remains vulnerable to further rising global benchmark yields.*	*Despite the sell-off still record low to negative yields, with persistent inflation, implies significant downside risks remain.*
Corporate Bonds	*High yield appears attractive, but not sufficient to compensate for the liquidity risk.*	*Record low base yields combined with low yield and risk spreads, persistent inflation, and vulnerability to recession, all implies significant downside risks remain.*
Real Estate	*A few attractive opportunities in discerningly selected, quality, scale & diversified listed businesses.*	*Rapidly rising mortgage rates with records in unaffordability in a number of important developed country residential real estate markets spells big trouble.*
Equity	*Many attractive opportunities in a wide range of discerningly selected, quality businesses across the market.*	*Despite the sell-off, leading market indices remain high with above normal valuation multiples that spells trouble, but there are finally more discerningly selected opportunities - particularly outside the US in Europe and Australasia.*

On to our investment strategy: Despite recent declines this year across the markets, we *remain* of the informed view this is a time to be appropriately cautious and conservative.

That said, we acknowledge that both of our funds are fully invested, which begs the relevant question: ***If we are as 'cautious and conservative' as we say, why then is our Balanced Fund still fully invested given its claimed 'wide flexible' mandate ?***

Our answer to this question is threefold.

Firstly, in this case, looks are deceiving. Both of our funds contain significant exposures to what we think of as 'shock absorbers' to geopolitical risks and extreme economic and market events. Our shock absorbers are gold bullion, gold mining businesses, put options on a major market index [*the S&P500*], and several businesses with inherently defensive characteristics - in industries such as healthcare, food production and distribution, real estate, tobacco products, chemicals, energy, and large-scale infrastructure spending.

An additional shock absorber is that the selection of businesses in our funds are priced at extremely attractive absolute valuation multiples, giving them a strong fundamental underpin. It is a fact that by far the majority of our 'exits' by fund weighting in the past two years were the result of businesses we owned being acquired by control owners at large premiums to our average effective cost levels, and not because we had *actively* elected to sell out of them [*being Afrox, Distell, Long4Life, and Mediclinic*]. If we had been given the choice we would have far rather held onto all these fantastic businesses for decades. That said - it is confidence-building to see such smart corporate insiders spending billions and paying up to acquire our businesses.

Secondly, we are 'fortunate' in the sense that South Africa, courtesy of the longstanding mismanagement of our economy, served up a beautiful generational long-term investment opportunity - which remains to this day. Our portfolio managers were therefore able to acquire a diversified range of high-quality South African businesses owned and led by incredible people, and to do so at deep bargain price levels.

Thirdly, while we are clearly *not* yet optimistic about the levels of the leading global and South African market **indices** across most asset classes, the share prices of many individual listed businesses have already declined by *significantly* more than the indices. Our investment team has slowly but surely been finding and acquiring many new holdings in our funds that finally met all our four core investment criteria.

Without further ado, let us pop the hood and show you some of the key details inside our funds.

3.3 Fund Positioning

We kick off in Table 1 on the next page by showing you a full disclosure of the two sets of individual businesses in our two unit trust funds, ranked by their current weighting as a percentage of each fund.

*We offer a friendly word of caution before you look at the individual businesses held in our funds - the key to the true power of our portfolios are the blend of opportunities and risks that lies in the operative word '**portfolio**'. Picking a few stocks for oneself and constructing a portfolio of stocks on behalf of other people are two completely different things that require uniquely different decision making and risk management frameworks and disciplines.*

*These lists of our fund holdings present but a single brief snapshot, frozen in time. While our intention is to own all these businesses for a very long time to come, we are in no way obligated or pressured to be doing so. The world, industries, and all businesses - and of course a portfolio of businesses diversified across multiple geographies, industries, and business models, are dynamic and constantly in flux, and it has always been so. Expected and unexpected things happen to them on an ongoing basis. Whenever we uncover new evidence that causes us to change our minds, we will add to, keep, reduce, or exit **any** of our fund holdings immediately, and we will deliberately be doing so without telling anyone in advance.*

Furthermore, our individual weightings and rankings do not necessarily reflect (a) what price levels we paid or will pay for buying more of each business, (b) how absolutely cheap we estimate it may be at that point in time, (c) why we own it and how it fits into the overall fund in respect of opportunity and risk, (d) how long we intend owning it for, (e) what we deem important to look out for about that business in particular, (f) our current level of confidence therein, and (g) at what future price levels we may be selling.

Table 1: Individual Fund Holdings

Perspective Balanced Prescient Fund

Business	Market	Fund Weight
Growthpoint Properties Ltd	South Africa	6,3%
Astral Foods Ltd	South Africa	5,1%
Remgro Ltd	South Africa	4,6%
Ninety One Ltd	South Africa	3,1%
Combined Motor Holdings Ltd	South Africa	2,9%
Emira Property Fund Limited	South Africa	2,8%
Adcock Ingram Holdings Ltd	South Africa	2,8%
Philip Morris International	USA	2,7%
The Foschini Group Limited	South Africa	2,6%
Tiger Brands Ltd	South Africa	2,2%
Inditex	Spain	2,2%
Wilson Bayly Holmes - Ovcon Ltd	South Africa	2,2%
AECI Ltd	South Africa	2,2%
Afrimat Ltd	South Africa	2,0%
Barrick Gold Corp	USA	2,0%
Exxon Mobil Corp	USA	2,0%
The Spar Group Ltd	South Africa	1,9%
Spur Corporation Ltd	South Africa	1,9%
Bell Equipment Ltd	South Africa	1,8%
Hochtief	Germany	1,8%
Netflix	USA	1,7%
BASF	Germany	1,7%
JSE Ltd	South Africa	1,6%
Henkel AG	Germany	1,5%
MTN Group Ltd	South Africa	1,5%
Santova Ltd	South Africa	1,4%
Cashbuild Ltd	South Africa	1,4%
Miquel y Costas	Spain	1,2%
Kumba Iron Ore Ltd	South Africa	1,2%
Italtile Ltd	South Africa	1,2%
Walt Disney Co	USA	1,2%
Franklin Resources Inc	USA	1,2%
American Eagle Outfitters Inc	USA	1,2%
Reinet Investments S.C.A	South Africa	1,1%
Johnson Matthey PLC	UK	1,0%
Meta Platforms Inc	USA	0,9%
Nokian Renkaat OYJ	Finland	0,9%
Anglogold Ashanti Ltd	South Africa	0,8%
GlaxoSmithKline PLC	UK	0,8%
RCL Foods Limited	South Africa	0,8%
Rubis SCA	France	0,7%
AVI Ltd	South Africa	0,5%
Aveng Ltd	South Africa	0,5%
M Dias Branco	Brazil	0,5%
Magellan Financial Group Ltd	Australia	0,5%
Kao Corp	Japan	0,5%
Colruyt SA	Belgium	0,4%
Haleon PLC	UK	0,2%

Perspective Executive Equity Prescient Fund

Business	Market	Fund Weight
Astral Foods Ltd	South Africa	7,3%
Remgro Ltd	South Africa	7,2%
Growthpoint Properties Ltd	South Africa	6,6%
Ninety One Ltd	South Africa	5,2%
Adcock Ingram Holdings Ltd	South Africa	5,0%
The Foschini Group Limited	South Africa	4,9%
Anglogold Ashanti Ltd	South Africa	4,9%
The Spar Group Ltd	South Africa	4,9%
Wilson Bayly Holmes - Ovcon Ltd	South Africa	4,8%
Tiger Brands Ltd	South Africa	4,6%
AECI Ltd	South Africa	4,5%
MTN Group Ltd	South Africa	4,0%
Combined Motor Holdings Ltd	South Africa	3,8%
Afrimat Ltd	South Africa	3,8%
JSE Ltd	South Africa	3,3%
Spur Corporation Ltd	South Africa	3,0%
Cashbuild Ltd	South Africa	3,0%
Reinet Investments S.C.A	South Africa	2,9%
Italtile Ltd	South Africa	2,9%
Bell Equipment Ltd	South Africa	2,8%
Kumba Iron Ore Ltd	South Africa	2,5%
Emira Property Fund Limited	South Africa	2,0%
Aveng Ltd	South Africa	1,9%
RCL Foods Limited	South Africa	1,9%
AVI Ltd	South Africa	1,4%

One of the first things you will notice from Table 1 is the *significant* difference in the *number* of individual holdings in each fund. The reason for this is that these funds are managed according to two unique and distinctly different investment mandates. They also cater to different regulatory requirements, fund investor risk tolerances, and investment return expectations. [*The Balanced Fund mandate is fully flexible, and it can shift in and out of different asset classes over time, while the Equity Fund will remain fully invested in equities at all times*]. **They are therefore *not* strictly comparable when it comes to their number of individual holdings at any point in time.**

You will also notice that there is a consistency in the ownership of *almost* the exact same businesses listed on the South African market in both funds, with currently only one exception. [*See if you can spot it - the answer and the reason why can be found at the bottom of the last page of this annual letter.*]

Table 2: Exposure by Industry Group

Perspective Balanced Prescient Fund		Perspective Executive Equity Prescient Fund	
Food Products & Retailers	13,4%	Food Products & Retailers	23,1%
Investment Services	11,0%	Investment Services	15,7%
Real Estate	9,2%	Natural Resources Extraction & Conversion	11,2%
Gold Bullion	8,0%	Heavy Infrastructure	9,5%
Energy & Chemical Products	8,0%	Real Estate	8,6%
Natural Resources Extraction & Conversion	7,1%	Home Improvement Products & Retailers	5,9%
Heavy Infrastructure	6,2%	Healthcare Products	5,0%
Fast Fashion Retailers	6,0%	Fast Fashion Retailers	4,9%
Entertainment & Communication	5,4%	Energy & Chemical Products	4,5%
Tobacco Products	5,0%	Entertainment & Communication	4,0%
Healthcare Products	4,2%	Automotive Products & Retailers	3,8%
Automotive Products & Retailers	3,8%	Tobacco Products	2,9%
Home Improvement Products & Retailers	2,6%		
Logistics	1,4%		
Cash - US Dollars	3,3%		
Cash - Euro's	0,4%		
Cash - SA Rands	4,7%	Cash - SA Rands	0,5%
S&P500 Put Option	0,4%	S&P500 Put Option	0,5%

[*Please note that in Table 2 we applied our own internal industry group classifications, so that we can show you our funds in a more holistic way that we use internally because it makes sense to us*]

Our funds are constructed 'bottom up' using individual businesses that meet our four core investment criteria, but from time to time there are a few more clearly discernible 'themes' that may emerge.

One of the themes we identified is that our funds currently have **large** exposures to business models and industries of a more **defensive** nature, producing goods and services considered necessities - and that is procured by corporates and governments.

Another theme is our funds currently have **zero** exposures to business models and industries producing goods and services that would be considered **high end nice-to-have's** - for example luxury goods, cruise liners, and residential property realtors, developers, builders, and managers. As well, their products and services are procured directly by individuals currently facing high inflation, rapidly rising interest rates, declining residential housing markets, and reducing confidence.

Table 3: Perspective Balanced Prescient Fund - Asset Class Timeline

	Total Equity	SA Equity	Direct Offshore Equity	SA Listed Real Estate	Total Direct Offshore	SA Government Bonds	Gold Bullion
Sep 2017	33,1%	33,1%	0,0%	2,0%	0,0%	0,0%	0,0%
Dec 2017	36,8%	36,8%	0,0%	2,2%	4,6%	4,9%	0,0%
Mar 2018	39,9%	39,9%	0,0%	2,0%	5,0%	1,9%	0,0%
Jun 2018	45,3%	45,3%	0,0%	2,0%	4,6%	5,3%	0,0%
Sep 2018	43,9%	43,9%	0,0%	1,7%	6,8%	5,3%	0,0%
Dec 2018	46,0%	39,9%	6,1%	1,7%	10,8%	4,5%	0,0%
Mar 2019	41,9%	33,9%	8,0%	2,0%	10,4%	5,2%	0,0%
Jun 2019	45,0%	37,4%	7,6%	2,0%	10,0%	5,2%	0,0%
Sep 2019	54,5%	43,8%	10,7%	5,2%	16,3%	3,2%	1,9%
Dec 2019	56,4%	44,4%	12,0%	5,2%	17,3%	3,0%	0,0%
Mar 2020	61,5%	44,8%	16,7%	3,5%	19,5%	0,0%	6,3%
Jun 2020	67,6%	49,6%	18,0%	7,0%	22,3%	0,0%	6,1%
Sep 2020	71,0%	54,5%	17,1%	6,1%	22,8%	0,0%	6,4%
Oct 2020	Perspective Executive Equity Prescient Fund Launch						
Dec 2020	74,7%	61,1%	13,6%	7,8%	17,3%	0,0%	4,8%
Mar 2021	75,5%	58,7%	16,8%	8,5%	20,1%	0,0%	4,6%
Jun 2021	75,0%	60,5%	14,5%	10,6%	18,8%	0,0%	4,2%
Sep 2021	75,6%	62,0%	13,6%	9,6%	17,5%	0,0%	4,9%
Dec 2021	74,4%	57,9%	16,9%	8,9%	24,0%	0,0%	8,5%
Mar 2022	72,1%	55,9%	16,2%	8,7%	22,4%	0,0%	7,3%
Jun 2022	74,7%	51,0%	22,3%	8,6%	29,7%	0,0%	8,5%
Jul 2022	**74,4%**	**47,4%**	**26,6%**	**9,2%**	**30,8%**	**0,0%**	**8,0%**

In Table 3 we show you the quarterly timeline progression of the historical asset class composition of our Balanced Fund since its inception in September 2017.

In Table 3 you can see how:

- We were conservatively positioned in our Balanced Fund from its inception until March 2020.
- We waited until our Balanced Fund was fully invested before launching our Executive Equity Fund in October 2020.
- Our Balanced Fund has remained fully invested ever since [*its strict regulatory mandated maximum exposure to equity is 75%*].
- From its peak of 62% in SA equity in September 2021, our Balanced Fund has steadily been *reducing* its exposure to South African listed businesses and simultaneously *increasing* its exposure to direct offshore listed businesses.

Table 4: Geographic Business Exposure per Fund

	Mostly to Fully SA	SA with meaningful Global	Mostly to fully Global
Perspective Balanced Prescient Fund	24,7%	19,9%	38,5%
Perspective Executive Equity Prescient Fund	45,5%	29,6%	24,0%

In Table 4 we show you that despite our funds being domiciled in South Africa, both are well diversified in respect of where in the world the businesses they own are generating their revenues and profits from, or from where they are directly most influenced by.

[*Please note that we classify businesses such as **Afrimat** and **Kumba Iron Ore** as mostly to fully global, because while they do produce their products in South Africa, most to all their sales and profits are directly determined outside South Africa by truly global industry dynamics and customers*]

4. Portfolio Management Actions

It may *look* like we have been quite active, but please note this segment reports on our portfolio management actions in our funds in the 11-month period since the publication of our 2021 annual letter [*being August 24th, 2021*] through the end of July 2022.

4.1 Annual Fund Turnover

Annual fund turnover is calculated by adding up all our **active** sales of assets, expressed as a percentage of a fund, over a whole year.

If the resulting number is low (or high), it signifies a low (or high) level of transactional activity in a fund by the portfolio managers. So, for example, if annual fund turnover is 20%, it means in that year a total of 20% of the fund was sold, and by implication transacted in. Mathematically inverting the 20% number results in a 5, which implies the fund manager can be expected to own fund assets for 5 *years* on average, which is what a true long-term investor *ought* to be doing.

Persistently low levels of fund turnover over time significantly benefit all fund investors by keeping direct (trading commissions and taxes) and indirect (market impact and opportunity costs) transaction costs low.

Our average *annual* fund turnover in our Balanced Fund over the past 59 months was 17,9%, and our average *annual* fund turnover in our Executive Equity Fund over the past 22 months was 15,7%.

[*Please note that we do not include our* ***forced*** *sales because of takeovers of businesses we own in our funds in our calculations of fund turnover, because we do* ***not*** *consider those to be* ***active*** *investment decisions by our portfolio managers. To be clear - if we were not forced by the control owners or the collective decisions of the bulk of the minority shareholders to have done so, we would* ***not*** *have exited* ***Afrox***, ***Distell***, ***Long4Life*** *or* ***Mediclinic*** *over the course of the past two years*]

In the case of our fund holding in Bell Equipment, minority shareholders, including ourselves, have fortunately been successful at rejecting an opportunistic low-ball bid by the founding family control owners.

4.2 *Additions* to existing fund holdings

We consider increasing our existing individual holdings when one or more of the following occurs:

- We implement our predetermined buying plan.
- Our conviction levels increase further following ongoing work into learning more about our portfolio businesses and their industries.
- We evidence positive fundamental progress in our investment thesis.
- All else being equal, either the share price *reduces* significantly, or our estimate of its fundamental valuation *increases* significantly.
- We have spare cash available in the portfolio, or we can raise cash by selling or by being forced to sell something.

We increased our existing exposures to Gold Bullion, Adcock Ingram, Hochtief, Spur, American Eagle, Cashbuild, Spar, Remgro, Afrimat, Wilson Bayly Holmes-Ovcon, Astral Foods, Growthpoint, Ninety1, AECI, JSE, Anglogold, Italtile, Reinet, and Foschini.

We also increased our existing exposure to Franklin Resources *after* its share price had significantly declined following the meaningful *reduction* of our exposure very early on in the period under review. [*A broken clock is indeed correct twice a day, but rest assured we are not about to start acting and re-branding ourselves as short-term traders!*]

4.3 *New* fund holdings acquired

We established new holdings in Mediclinic, S&P500 Put Options, Glaxosmithkline / Haleon, Rubis, Kumba Iron Ore, Tiger Brands, Johnson Matthey, Inditex, BASF, Henkel, Nokian Renkaat (round II), Netflix, AVI, RCL Foods, Walt Disney, Meta, Magellan Financial Group, Aveng, M Dias Branco, Kao Corp, and Colruyt.

We think it is relevant to point out that of our 21 new fund holdings, 6 are listed in South Africa and 15 on global markets. This is quite a big departure from the trend to date.

JSE & UK listed Mediclinic is a leading hospital group in South Africa, Switzerland, and the Middle East. As with so many other excellent businesses, it originated out of the Remgro stable, and played a key role in the consolidation of the fragmented hospital industry in South Africa in the 1980's, competing with JSE listed Netcare and Life Healthcare. By their own admission, Mediclinic and its control owner, Remgro, had made a series of key mistakes during their international expansions into Switzerland and the Middle East. It did not totally sink the Mediclinic boat, but it cost them dearly, and the share price de-rated significantly - delivering our buying opportunity.

It became clear to us [*not because we are clairvoyant, but because they repeatedly and publicly said and wrote so over several years*], that Remgro is actively pursuing a business strategy to go back to its founding roots as an owner of mainly unlisted long-term high growth businesses. Therefore, we were *not* surprised to see Remgro's recent offer to buy out the Mediclinic minorities. What is interesting and relevant to us is that they are doing so in partnership with **MSC** [*Mediterranean Shipping Company*]. Remgro has already entered an owner-partnership with another excellent global business, **Heineken**, to take **Distell** private.

In the course of 2021 we performed a considered assessment of valuation and risk levels in the global markets, as well as the expected downside participation of our portfolio holdings individually and collectively to an extreme market decline, which scenario we considered a more than zero probability.

Following that, in Q4 2021 we decided to add an additional shock absorber in the form of a small position in 1-year 10% out of the money **S&P 500 Put Options**. Please do not be intimidated by that last highly technical sentence - that is just a formal way of saying we invested a portion of our fund's expected annual **dividend** income [*i.e., not fund capital*] on buying affordable insurance.

This investment provided our funds with an element of meaningfully reduced capital downside protection in the possible event of a more serious stock market decline, in line with historical norms. If we are proven dead wrong about this, the absolute maximum that we can lose is the insurance premium we paid, and not a cent more. [*If you are interested in learning more about our experience with, reasoning and the more detailed mathematics and mechanics of this investment, you are most welcome to engage with our portfolio managers directly.*]

UK listed **GlaxoSmithKline** was a stodgy old dinosaur of a business for most of the past two decades. It was sorely in need of a proper kick up the backside, which finally came in the form of two highly respected (and feared by management) activist professional investors, who bought meaningful stakes and started loudly advocating for change.

Management will vociferously claim otherwise, but it has led to the recent separation and unbundling of its consumer healthcare business division, **Haleon**, which as of July 18th is separately listed in the UK. We agree that was a sensible first move, and it is a positive marker in our investment thesis. [*You may better recognize Haleon as the owners of* ***Aquafresh***, ***Sensodyne***, ***Voltaren***, ***Advil***, *and* ***Eno***]

French listed **Rubis** is the dominant integrated basic energy products refiner and distributor in its key territories, typically being remote islands in the Caribbean and East Africa. Rubis has a significant and strategic first-mover advantage, as the markets are too remote, too small, and the fixed capital costs too high to justify a number 2 operator / competitor. It has a strong balance sheet, a single digit PE multiple, a 5+% dividend yield in Euro's, it is buying back its own undervalued shares, and there is evidence of executive insider buying. The share price has been under pressure since the Haitian hurricane event.

JSE listed **Kumba Iron Ore** is one of the listed businesses in South Africa with the most impressive long-term economics. If you didn't know the name and description of this business and just considered its achieved long-term financial and shareholder returns, it would be easy to mistake this for something of super high quality, like say **Microsoft, LVMH,** or **Estee Lauder**. Kumba is a large-scale lowest cost producer of export top quality iron ore, which is highly sought after globally. Its iron ore sells at a significant premium to the world price of iron ore.

Kumba operates so low on the cost curve that it still delivers decent profits, returns on shareholder capital and dividends even at the *bottom* of its business cycle. This is *extremely* rare for a capital-intensive commodity mining business. Its control owner, **Anglo American,** has been restored to its former glory under the capable leadership of Mr. Mark Cutifani as CEO (who is now retiring). From what we've heard and observed to date, we are also impressed with the new CEO of Kumba, Ms. Mpumi Zikalala.

JSE listed **Tiger Brands** is a former do-no-wrong market darling that has fallen from grace, and fallen hard to rock bottom, reputationally speaking. As is *always* the case, the pursuit of an aggressive expansion strategy via acquisitions outside of its core geography and proven competencies eventually resulted in total disaster. Following many years of de-rating, we have now been able to acquire a cheap, quality long-term business. Tiger Brands has a strong manufacturing asset base, incredible brands, quality operational people, and the return of the former CFO Mr. Noel Doyle into the hot seat as CEO - seemingly driven by a deep personal pride and desire to restore it to its former glory, and to re-earn the respect and trust it used to have with all its stakeholders.

Several respected active investment firms slowly and meaningfully rotated onto the Tiger Brands shareholders register in the past 3 years. We *suspect* they are working behind the scenes to put pressure on, guide and support the board and executives to drive positive change. The defensiveness of its commanding market shares in a wide range of quality branded products, a net cash balance sheet, together with an attractive starting dividend yield and meaningful share buybacks all adds to its investment appeal. [*You may better recognize this business as the owners of* ***Black Cat Peanut Butter***, ***Jungle Oats***, ***Beacon***, ***Jelly Tots***, ***Crosse & Blackwell***, ***Oros***, ***Purity***, ***Albany Bread***, ***Koo***, ***Mrs HS Ball's Chutney***, ***All Gold***, ***Spray and Cook***, ***Doom***, ***Airoma***, ***Jeyes***, ***Ingram's***, ***Dolly Varden***, ***Tastic***, *and* ***Fatti's & Moni's***]

UK listed **Johnson Matthey** is the leading global recycler of platinum group metals. Following a period of strategic business diversification, which ultimately did not work, they have more recently returned to their roots and core business, sold off its non-core assets, and are using the proceeds to buy back their own shares at deeply discounted levels. The new CEO Mr. Liam Condon joined in March 2022 is driving these necessary changes.

Our investment team members paid careful attention when respected global competitors of Spanish listed Inditex told us they admire and study it as a global fast fashion retailer, industry leader, and exemplar. In addition, Inditex is family owned, and led and governed by sensible people including members of the founding Ortega family.

Fears of a global recession and that it is listed in Europe provided us with an attractive entry point into this excellent long-term business. [*You may better recognize this business as the owners of* ***Zara***, ***Massimo Dutti***, ***Pull&Bear***, ***Bershka***, ***Stradivarius***, *and* ***Oysho***]

A recent history of rapidly rising and high oil price levels and weakening consumer and corporate confidence results in a margin squeeze for chemical manufacturing businesses. We assessed the global industry peer groups, and BASF and Henkel clearly stood out as the best of the best. Throw on top the fact these two businesses are listed in Germany and that the Russians are playing games with flows of natural gas feedstock into Europe, and we could better understand why these stocks' share prices are so weak at this time.

As truly long-term investors we prefer investing in businesses with proven internal growth capabilities and success momentum. BASF and Henkel spend billions and employ thousands of highly skilled people in their R&D departments, and their excellent track records evidence that they know how to get a commercial return on that spend.

With its roots dating to 1865, BASF is the largest and most diversified independent integrated chemical products business in the world, with annual sales of over EUR78bn, over 111,000 employees, businesses in 90 countries, and 240 manufacturing sites. It spends over EUR2bn p.a. on R&D and filed 1,770 new patents in the past 2 years. Its global R&D teams alone consists of 10,000 people.

Henkel, established in 1877, is also one of the best businesses in the global chemical products industry, albeit much smaller than BASF at 'only' EUR20bn in annual sales and 52,000 employees. It has a commanding global position in adhesives (48% of sales), and 41% of its sales are in emerging economies. Additional positives are a recently announced substantial EUR1bn share buyback, founding Henkel family control ownership, an entrepreneurial culture, and an attractively low entry point in the share price. [*You may better recognize this business as the owners of* ***Pritt***]

This is our second time buying into Finnish listed Nokian Renkaat, the world's leading specialist winter tire producer. We previously bought in 2020 and then sold in late 2021 following its *rapid* price appreciation to our valuation estimate. Unexpectedly, quite shortly after we had sold out, its share price dropped precipitously since the start of 2022, driven by the Russia-Ukraine conflict and sanctions enforced on all European businesses with operations and sales in Russia.

The market has completely discounted their Russian manufacturing plant and sales. Nokian however has already invested heavily in diversifying its manufacturing capacity in Finland and in the USA over several years, and they are now further increasing capacity in both these regions to continue to meet customer orders.

They have a strong balance sheet and customer share of mind [*because vehicle safety in wet and icy winter conditions is where the rubber hits the road*], and our expectation is that they will be able to manage this setback, adapt as needed, and emerge even stronger.

We have been working on **Netflix** on and off for several years now, waiting patiently for an opportunity to acquire it at a sensible price level. It is a terrific business, with a unique and incredible culture, and a highly respected founder-CEO, Mr. Reed Hastings, with well over US$3bn worth of his personal net worth invested in the business. Their 222mn paying subscriber base with an estimated 100mn+ to 400mn+ additional non-paying viewership audience is an extremely valuable media industry intangible asset, with annuity cash flows and a strategic long-term commercial value that is not recognised in its financial accounts.

At these price levels it presented as our definition of investment nirvana - a superb long-term innovative growth business at a value investors' bargain entry price. Substantial and high-profile investor outflows from former market darlings in the technology sector has delivered a sharply declining share price, and it finally reached our initial buy levels. This is a business with the potential to become one of our top long-term fund holdings, in due course.

At the low monthly price point that it provides its wide range of family entertainment services on, we expect that Netflix will prove to be resilient to a potential global recession. We also really like the recent disclosure that they are re-evaluating all aspects of their business strategy. They have already partnered with **Microsoft** to provide a new lower-cost product to consumers that includes ads. We are not so-called 'catalyst' investors [*whereby one invests in businesses considered likely to be taken over*], but in this case we feel there is also a sensible case to be made for Netflix to be bought by or merged with another established industry player such as **Disney** (which we also now own).

A combination of these two already excellent businesses with their complementary products and skills makes a lot of sense, and it would result in a formidable global entertainment industry leader.

JSE listed AVI has been the standout best managed business in FMCG in South Africa for the past decade under the leadership of its highly respected and no-nonsense CEO, Mr. Simon Crutchley. A combination of rising input costs with weakened consumer confidence & spending puts pressure on AVI's profitability near-term, and in anticipation the share price has declined to our initial buy levels. We have been patiently waiting for this business to reach a sufficiently attractive entry price level for many years now.

A relatively strong balance sheet and a track record of sensible capital allocation discipline adds to our investment thesis. The food & beverage products and FMCG sectors in South Africa offers the potential for further corporate action, and we have already seen the likes of **Pepsico** acquiring **Pioneer Foods**, **Heineken** acquiring **Distell**, and **Barloworld** acquiring Tongaat's **Starch** business. It is also widely known that **Mondelez** is busy sniffing around the market for opportunities.

There is also the interesting potential of an AVI merger with **Tiger Brands**, as they have complementary assets, products, and skills that in combination would become a formidable industry leader. [*You may better recognize this business as the owners of* ***Five Roses***, ***Freshpak***, ***Frisco***, ***Ciro***, ***Lavazza***, ***House of Coffees***, ***Provita***, ***Willards***, ***Bakers***, ***Baker Street***, ***I&J***, ***Spitz***, ***Kurt Geiger***, ***Lentheric***, ***Green Cross***, *and* ***Gant***]

JSE listed RCL Foods is a business with many disparate components - some performing and others not performing - that is *not so quietly* being significantly restructured; in plain sight, but out of mind, judging by the share price of late.

Control owner **Remgro** made an open tender offer to RCL Foods minorities just a few years ago at R8 per share, in a sense providing a valuation underpin. To date we have been impressed with its new CEO, Mr. Paul Cruickshank. As we already know and saw with **Distell**, business restructurings are incredibly complex matters, and can take many years to unfold, and even longer for them to be more fully recognised by the market.

RCL Foods as a listed stock is more than liquid and investable enough for our purposes, but with its medium-sized market capitalization and relatively low free float it would not surprise us to see some sort of corporate action that would result in it being delisted.

We acquired it at a PE multiple of 6,4x and a starting dividend yield of nearly 5%, with a strong balance sheet, and invested alongside a clearly evidenced trustworthy control owner. [*You may better recognize this business as the owners of* ***Rainbow Chicken***, ***Farmer Brown***, ***Epol***, ***Ouma Rusks***, ***Safari***, *and* ***Pieman's***]

US listed Walt Disney is hands down one of the best collections of long-term intellectual property assets, know-how, and quality people in the global entertainment industry, combined with a long history of innovation at vast scale. The share price pulled back to the low point it had reached at the height of the covid pandemic in 2020, providing us with an opportunity to start building our stake in this business for the long-term. With the impact of the covid pandemic in the base, current profit margins, return on equity, earnings and dividends are severely depressed - as is the share price. Normalised earnings power of $8 per share implies a normalised PE multiple of 11.8x.

On the risk side, we take into account that balance sheet net debt levels are high - but it is already declining, they have already cut the dividend to zero, and it is a vast scale business with many extremely valuable components and levers to pull. We are monitoring this carefully. A global recession would hit Disney's businesses hard, but at this price level we judge that much of it is already baked in. [*You may better recognize this business as the owners of* ***Pixar***, ***ESPN***, ***Disney Plus***, ***Disney on Ice***, ***Marvel Studios***, ***Lucasfilm***, ***20th Century Studios***, ***Disneyland Resort Theme Parks***, *and* ***Searchlight Pictures***]

There is currently a lot of noise and negativity about US listed Meta [*formerly called Facebook*], but the facts are that founder Mr. Mark Zuckerberg and his executive team have created and grown a suite of spectacular long-term growth businesses that are also incredibly profitable - at vast scale numbering in the *billions* of people in its networks. We think most other businesses globally would consider this unfathomable. A strong net cash balance sheet combined with a low PE multiple makes this a long-term value investors' nirvana – a high return, high growth business that is available at a traditional value investor's price.

We do have some open questions [*a.k.a. potential concerns*] about the governance of the business. With Mr. Zuckerberg as founder and largest shareholder being both the CEO and Chairman currently there is no-one that can really challenge him – which may or may not prove to be a good thing. We do not know for sure yet, but it is something important that we are monitoring carefully and working on. [*You may better recognize this business as the owners of* ***Facebook***, ***Instagram***, *and* ***WhatsApp***]

We identified Australian listed Magellan Financial Group following an extensive screen of the entire Australian stock market [*inspired by a question from one of our fund investors*].

Magellan is an active investment management firm. A strong balance sheet, robust cash flows and high dividend yield, in combination with material share buybacks, a strong and ambitious new CEO, and a low share price, led us to establish our initial ownership position.

Magellan also fits in alongside the group of active fund management firms in our fund that we already own – Franklin Resources and Ninety1.

Having burnt our fingers on a few occasions over the years from investing in *turnarounds*, where the apparent 'value' erodes to the price we paid instead of the price appreciating to the apparent value, we are naturally *highly* circumspect whenever we come across a 'turnaround' new investment idea thesis. **Most turnarounds don't turn around**.

JSE listed **Aveng** was laden with debt and several unprofitable business segments. This construction and mining services company very nearly did not make it. By all accounts it should really have gone under. To survive, the board needed to be reconstituted, new executives appointed who then had to convince shareholders to support *multiple* rounds of recapitalization rights issues, pay back debt, convert debt to equity, renegotiate interest rates, dispose of non-core businesses, settle contractual claims, cut costs, and return core operations to profitability.

Despite these overwhelming odds, the business has already achieved all of this, with it now being profitable, focused, and in a net-cash balance sheet position, with a large and growing order book both in South Africa and Australia. The market seems to have totally lost interest in it, but we are deeply impressed, particularly with its tough as nails CEO Mr. Sean Flanagan and CFO Mr. Adrian Macartney.

Just over a year ago, we identified **M Dias Branco** listed in Brazil as an impressive 65-year-old family owned and led branded food products manufacturer. Like our other fund holdings in **AVI**, **Tiger Brands**, **Astral Foods** and **RCL Foods**, they have experienced cyclically high input costs with a resultant margin squeeze. This, together with a significantly weak Brazilian currency, has led to an attractive entry point to establish our initial ownership position.

Kao Corp is listed in Japan, and this is the start of our second ownership cycle thereof in the past 13 years. The combination of a significantly weak Yen together with margin pressures due to high input cost inflation has led to a commensurate drop in the share price and presented us with an attractive entry point in this leading Japanese cosmetics, beauty & consumer health company.

They have significant global exposure (exports out of Japan are 40% of sales), maintain a robust balance sheet and evidenced countercyclical share buy-backs, the most recent being in July. Technically, our own purchases are competing with that of the business, which we really like seeing provided a business does not excessively gear its balance sheet.

In the past year we completed an extensive and, to us, an important project to further expand on our already existing wish list of the world's listed **family** owned or controlled businesses. To be perfectly clear – **being family owned or controlled is *not* necessarily a good thing or always in the best interest of minority shareholders**. Unscrupulous control owners and insiders have access to way too many nefarious ways of squeezing value out of a business they have full control over, so we are cautious and discerning when it comes to family owned and controlled listed businesses. Our experience is that they tend to fall into only two categories - either truly excellent, or truly horrible.

Belgian listed Colruyt is a high-quality family owned and controlled food retailer, with a proven track record of adaptability, having fought back from the brink of bankruptcy when the German no-frills hard discounters **Aldi** and **Lidl** aggressively entered the Belgian food retail industry in the 1980's. We really like when we can see unmistakable evidence of a business facing an existential crisis that proved itself to be willing and able to see, accept and adapt to survive.

Provided it is not forgotten or ignored by future generations, we think this builds incredible organizational resilience to external or internal shocks. Strong fundamentals, counter-cyclical share buy-backs, and a low share price led us to purchase an initiating position.

4.4 Existing fund holdings *reduced*

We reduced exposures to MTN, Franklin Resources, CMH, and Exxon Mobil. We really like each of these businesses, and we still own significant exposures to them all. The reason we took some money off the table is that in each case their share prices had *increased* considerably, to the point where our future expected returns had meaningfully *decreased*.

All these capital proceeds were immediately redeployed to fund our acquisitions of both existing and new fund holdings offering far better expected future investment return profiles.

4.5 Holdings *exited* completely

We sold out of reasonably small fund holdings in Sasfin and Hudaco due to **thesis completion** [*meaning everything we were expecting in our investment case had occurred*]. We have nothing against either of them as businesses. Following strong share price gains, to us they looked at or close to fairly valued, our funds were fully invested, and we happened to have many other far cheaper investment ideas competing for fund capital.

We also sold out of much more substantial fund holdings in Distell, Long4Life, and Mediclinic, due to each of them being **acquired by control owners** in large-scale negotiated transactions at, in our view, reasonably fair price levels in comparison to their realistic business values, and at a large premium to our average cost.

These are three *fantastic* businesses with great owners and leadership, and while it is always gratifying at some level to see value realized and to make money for you, we are always upset to see listed businesses of such high calibre going private. However, in this case fortunately we are still able to indirectly partake meaningfully in the future long-term growth of both **Distell** and **Mediclinic** via our large fund exposure to **Remgro**, in whose portfolio these two businesses are two of its largest core holdings.

We sold, fortunately at a combined *profit*, out of a collection of reasonably small fund holdings in **Murray & Roberts**, **Hengan**, **Rhodes Food Group**, and **Pick 'n Pay**, due to **thesis deterioration** [*meaning that unexpectedly negative developments had occurred, thereby challenging our investment case*]. In each of them our investment team members had uncovered sufficient new evidence since our initial purchase that caused us to change our minds about their continued ability to meet all four of our core investment criteria. We know to act immediately whenever this occurs.

We work incredibly hard, but we will *not* always get it right; From time to time we can also make mistakes [*in hindsight*] of commission or omission, and serious negative events can and do occur at and to the businesses we own that they might or might not have control over, and that we as outside passive minority owners cannot ever predict or know in advance. This reality is an important aspect of the nature of being an outside passive minority investor in publicly listed businesses. We are not afraid of admitting this to you or anyone else. **What really matters is how we handle our mistakes and setbacks**.

We have learnt over decades of doing this using a reiterative process of constant reflection, learning, and improvement, that our best defence against mistakes and the risk of deep permanent capital loss is firstly the speed at which we can identify and acknowledge them, secondly the speed at which we can process the new information, and thirdly the conviction and speed with which we take decisive action. A mistake is one thing, but we know that an *ignored* mistake is what spells *real* trouble and can result in deep permanent capital loss.

All our completed ownership cycles of assets, good and not so good, are case studied by our investment team members carefully and with an attitude of critical, objective honesty to identify any areas for potential improvement to our investment process. We take a great deal of care to curate and preserve this extremely valuable proprietary knowledge for our firm's current and future use, and for your long-term benefit as a fund investor and key stakeholder.

We think it is relevant to point out that of our 9 complete exits of fund holdings, 8 are (or were) listed in South Africa, while only 1 is listed on the global markets. This is quite a big departure from the trend we have seen to date.

5. Perspective Business Update

We deliberately shift here by putting on our different hats as *fund investors* with our own and our family's investment savings in Perspective's funds right alongside you. Now we are going to take a good hard look at Perspective through the lens of our own four-part core investment criteria.

Understandability

- Our firm was founded in 2016 and remains 100% owned by its founder shareholders: Daniel Malan, Mikael Liefferink, and Jean-Marie Eveillard. Each of us are fully committed to a lifelong professional practice of the proven principles of truly long-term value investing.
- Our firm can *never* be sold, and this principle is legally enshrined in our Memorandum of Incorporation and Shareholders Agreement.
- We are governed and led by our Board of Directors. John Rainier serves as the independent non-executive Chairman. Daniel Malan and Mikael Liefferink serves as the executive directors and portfolio managers, responsible for leading our firm and managing all our funds.
- Our truly long-term business and investment approach and process is clearly defined and differentiated. It is also consistently applied.
- Perspective's sole business activity and focus is to provide a professional investment management service, with no distractions or conflicts of interest.
- We deliberately focus on providing a very limited range of fund mandates that are clearly differentiated.
- We regularly provide our fund investors with an extensive range of non-public confidential communication, that was specifically designed to assure full transparency as to our ongoing investment thoughts and actions, and our adherence to our committed long-term investment approach and process.
- Our unit trust funds' daily full asset register reconciliation and pricing is performed independently. Our investment performance track records are also independently determined, verifiable as a matter of public record.
- We are a 'bargain' purchase because our ambition is excellence, not size, which means we have and make the time to invest in meaningful long-term fund investor and stakeholder relationships, and we also truly enjoy doing so.

Trustworthiness

- Perspective is a Pty Ltd, formally registered in South Africa in full compliance with the Companies Act.
- We have held regular quarterly board meetings since the inception of our firm, that have been fully attended on every occasion. This includes, by standing

invitation, the audit partner and compliance officer representing PKF and Compliserve respectively.

- Perspective is a formally registered and licensed financial services business with the Financial Services Conduct Authority of South Africa and is in good standing. We are regularly independently assessed by our regulator to ensure our full compliance with our license conditions and all industry regulations.
- Our firm is audited annually by a reputable independent external audit firm, PKF. Our audited annual financials are submitted to our industry regulator for their annual review as part of our licensing conditions.
- Daniel Malan is a qualified Chartered Financial Analyst and a member of the CFA Institute in good standing, thereby binding our firm into full alignment with the CFA Institute Code of Ethics and Standards of Professional Conduct.
- Trade Execution, Market Data, IT, Banking, Compliance and Legal Services are all provided by reputable and scale independent external service providers.
- Our Fund Administration is performed by Prescient Fund Services, a reputable and scale independent external service provider.
- There has been no change since the inception of our firm to *any* of its independent external service providers.
- All our critical data, systems, and processes are securely stored digitally and physically, with multiple levels of backup and recovery, on two continents.
- We have maintained a physical office presence in Cape Town since the inception of our firm that most of our team members work from daily, and that any of our fund investors can visit during regular work hours at short notice.
- All our team members are directly accessible to all our fund investors at any time.
- None of our directors or team members have ever been involved in or accused, prosecuted, or convicted in any country of any crime - financial or otherwise.
- At no level have we ever nor will we ever operate with any conflicts of interest with our fund investors. None of our external service providers have ever or will ever own any equity in Perspective, pay us or receive any kickbacks from us. Our firm only offers a fully discretionary portfolio management service, and we are not in any way competing with, affiliated, influenced or in conflict with any other financial services industry role-players, such as banks, insurers, research & brokerage firms, ratings agencies, or consulting and advisory firms.

Robustness

- Both of our unit trust funds are fully independent legal entities of their own. They are in turn independently administered, reconciled, and priced daily, and independently audited at least annually.
- Your investment capital can only ever be transferred directly into our unit trust funds' inflow bank accounts, and it can only be returned to your personal bank account where it came from. It cannot ever be paid out to any other parties.

- The disciplined application of our truly long-term value investing approach provides fund investors with an element of investment robustness that mitigates against deep permanent loss.
- Perspective has no debt, is sufficiently capitalized with strong shareholders, and is profitable. Our team members and our funds have delivered solid measurable bottom-line results to our fund investors. We are growing consistently and organically in terms of existing and new fund investors and funds under management - at a pace that we are sufficiently experienced and resourced to handle.
- We have a demonstrably clear understanding of and respect for the risks and complexities of *rapid* growth in an investment firm. We have a clear plan of action in place with which to handle it, should it occur. We are constantly networking with and have the ability to attract a range of top-quality experienced people to join our firm in pre-defined specialist functions as it continues growing.
- Coping successfully with the hard times of the past 6 years has contributed to the strengthened foundation and robustness of our firm, its people, and our internal controls and processes.
- Our physical offices are in a precinct of Cape Town that happens to include a hospital, which means that we are fortunate not to experience regular electricity blackouts during our work hours.
- An aligned, fully independent, high quality, and no-nonsense fund investor client base means that *all* aspects of our firm is constantly being probed for *any* signs of weakness. If *anything* were to ever be found wanting, our executive directors' guaranteed accessibility means that you can communicate directly with us and be confident that it will always be addressed with the necessary sense of urgency.

Valuation [Fund Costs and Investment Returns]

- In our unit trust funds as well as our bespoke portfolio mandates, our total annual fund costs to all our fund investors are fair and very competitive in comparison to our industry averages. They can realistically be expected to continue declining even further as our firm continues to grow, because we can all share in the benefits of scale over a larger fund investor client base.
- We can prove that our average annual fund turnover is sufficiently low enough to provide clear evidence of our actions matching our promises as truly long-term investors, which directly contributes to keeping your costs low.
- Our professional fund management fees are fully disclosed and straightforward. We do not charge any initial, exit, or complex performance fees. There will *never* be any nasty surprises for you, our fund investor.
- Our research, portfolio management decisions, and the fully invested positioning of our unit trust funds, reflects our evidenced view that there are sufficient

attractive investment opportunities in the South African and global markets that meet all four of our core investment criteria.

Congratulations. You have reached the end of our 2022 annual letter!

We hope that it was worth your time and effort, and that you found something of interest and value to you. Please take a moment and let us know what you thought of it, what you really liked, what you perhaps *didn't* like, etc. There is *always* room for improvement for us.

If you have *any* questions or suggestions, we would *love* to hear from you directly - in whatever manner and with whomever of us you may know best or feel most comfortable with.

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General Disclaimers

Perspective Investment Management (Pty) Ltd is an authorised financial services provider (FSP 47672). Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance.

CIS's are traded at the ruling price and can engage in scrip lending and borrowing. A schedule of fees, charges and maximum commissions is available on request from the Manager. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. There is no guarantee in respect of capital or returns in a portfolio. Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax.

Full performance calculations are available from the manager on request. Annualised performance shows longer term performance rescaled to a 1-year period. Annualised performance is the average return per year over the period. Actual annual figures are available to the investor on request. Highest and lowest investment returns for any 1 year over the period since inception have been shown. NAV is the net asset value that represents the assets of a Fund less its liabilities. Prescient Management Company (RF) (Pty) Ltd is registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). For any additional information such as fund prices, fees, brochures, minimum disclosure documents and application forms please go to www.prescient.co.za.

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All market data drawn from Refinitiv.

All calculations performed by Perspective team members.

Any errors are entirely our own.

** The JSE listed business held in our Balanced Fund but **not** in our Equity Fund is **Santova Logistics** . We acquired it for our Balanced Fund at extremely favorable price levels well before the Executive Equity Fund launched.*