www.perspectiveim.co.za
Unit 22, Victoria Junction, Prestwich St., Cape Town 8001

October 2023

To our Fellow Fund Investors,

Introducing our 2023 Annual Letter

The thread running through this year's letter is "analog vs. digital". Taken to an extreme to help illustrate what we mean, we could have just instructed ChatGPT to write this annual letter. It would have been boring, preachy, full of investment jargon, and lacking soul.

In contrast, what sets Perspective apart is the courage and conviction to be authentic and original. We show up with a commitment to dial in at 100% of who we really are - as people and as investment industry professionals.

A wise mentor in our orbit taught us a great lesson, perfectly elegant in its simplicity. We can powerfully challenge our formative assumptions about the way things work by asking "Says Who?"

Who says Perspective must be like any other investment business? Who says Perspective must be like any other business in any other industry and country? Who says Perspective cannot be kind, caring, joyful, original, and unashamedly human while also delivering investment results that matter? Who says that measured accounting results are more important than business culture, strategy, and the integrity of executives? Who says a like-minded group of kind, respectful people cannot win? Who says that winning must mean that someone else was taken advantage of? Who says that Perspective cannot continue to grow significantly without losing our individual accessibility, humanity, humility, creativity, and empathy?

All the work our team did over the past 14 months has placed us in a position to write this letter, whereby we draw on our own work, observations, experiences, and thoughts. We hope you will find value and growth within. The really good news is that this year's letter contains 7,338 words in comparison to our 2022 letter at 11,433. That's progress!

Thank you for your continued trust in us. **Perspective exists because of you, and for you** .

We will *never* forget this.

Our work continues...

The Perspective Team

Perspective
Investment Management

Letter Segments

1. Market Data

	September 3rd, 2017*	End July 2022**	% Change September 2017 to July 2022	End September 2023	% Change July 2022 to September 2023
Currency Prices					
SA Rand to US Dollar	12,8	16,6	30,3%	18,9	13,7%
SA Rand to UK Pound	16,6	20,2	21,6%	23,1	13,9%
SA Rand to Euro	15,3	17,0	10,6%	20,0	17,7%
SA Rand to Canadian Dollar	10,5	13,0	23,9%	13,9	7,2%
Government Bond Yields					
SA 10 -year (in SA Rands)	8,4%	10,4%	22,9%	10,8%	4,3%
US 10 -year (in US Dollars)	2,1%	2,6%	25,7%	4,6%	73,1%
UK 10 -year (in British Pounds)	1,0%	1,9%	84,2%	4,4%	138,7%
Commodity Prices					
Gold Bullion (in US Dollars per ounce)	1 333	1 765	32,4%	1 848	4,7%
Newgold ETF (**in SA Rands**)	163,5	273	66,8%	326	19,5%
Silver Bullion (in US Dollars per ounce)	17,8	20,3	14,0%	22,2	9,1%
Platinum (in US Dollars per ounce)	1 006,0	897,0	-10,8%	904,0	0,8%
Palladium (in US Dollars per ounce)	940,0	2 128,0	126,4%	1 245,0	-41,5%
Iron Ore (in US Dollars per ton)	78,0	107,2	37,4%	120,8	12,7%
Copper (in US Dollars per pound)	3,09	3,58	15,9%	3,72	3,9%
Brent Oil (in US Dollars per barrel)	52,5	110,0	109,7%	95,3	-13,4%
Property Indices - Market Cap Weighted Prices (*excluding* Dividends)					
SA JSE Property Index (in SA Rands)	653	314	-51,9%	289	-8,0%
MSCI World Property Index (in US Dollars)	208	229	10,4%	180	-21,4%
Equity Indices - Market Cap Weighted Prices (*excluding* Dividends)					
SA JSE All Share Index (in SA Rands)	56 312	68 934	22,4%	72 382	5,0%
SA JSE All Share Index (**in US Dollars**)	4 413	4 145	-6,1%	3 828	-7,7%
Global MSCI World Index (in US Dollars)	1 954	2 746	40,5%	2 855	4,0%

** September 3rd, 2017 marks the inception date of the Perspective Balanced Prescient Fund.*
*** End July 2022 marks the publication date of our 2022 Annual Letter.*

Our key observations of the past 14 months' market data are:

- The Rand currency continued *declining* meaningfully.
- Leading global government bonds continued *declining* dramatically.
- Precious metals prices *increased* further.
- Basic commodity prices were a mixed bag, with oil and palladium *declining*.
- Property indices *declined* further.
- Equity indices marginally increased in local currency terms.

2. Perspective Investment Approach Executive Summary

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

A key question in fully active fund management - as opposed to passive investing in an index, or quasi-passive investing by taking a carefully controlled set of bets against an index - is how exactly any investment team filters down from the 60,000+ global listed businesses to the much smaller number they end up owning in their funds.

Here is how our new investment idea generation process works.

Let us begin by flatly stating what we do NOT do. *We do NOT consider*:

- Short-term expected market movements.
- Whether a stock is in an index, or what its weight in that index is.
- What stocks our competitors own.
- Recommendations of investment guru websites and newsletters.
- Investment recommendations on any social or traditional media.
- Recommendations of sell side stockbroking firms.
- Economic forecasting.

This frees up a lot of our time, that we spend on considering:

- Reading widely, including source documents such as annual reports and results presentations.
- Personal, confidential interactions with entrepreneurial people in our global executive network at listed and unlisted businesses.
- Personal, confidential interactions with like-minded professional investors in our global network.
- A set of quantitative and qualitative filters designed to match what we deem important.
- Selected industry peer reviews and attending conferences.
- Selected country or regional reviews and visits.
- Corporate actions, including spin-offs and IPO's.
- Capital cycle news flow - business formation and bankruptcies.
- Assets with listed prices and valuation multiples making new lows.
- Assets that get kicked out of indices.
- Assets considered uninvestable by some market participants.
- Looking for signs of the presence of forced sellers.
- And last, but certainly not least as it applies to *each* of the above - Thinking.

The work described above is always a work in progress. Some of the items on the list, such as the quantitative filters, only need an occasional update - yearly, while others, such as reading widely, occur daily, and others, such as personal interactions, are targeted depending on what our team are prioritising at the time.

In the first instance this work culminates in what we term our 'Global Wish List'. This represents a list of approximately 300 amazing businesses that we either own already or would like to own one day should they meet all our 4 core investment criteria.

In the second instance this work culminates in what we term our 'Global Rubbish List'. This represents everything we want to actively avoid at all costs, and one day in the future be able to make money on by selling it short.

Both lists are considered proprietary. We are constantly reviewing and updating them, and we guard them carefully.

Our next step is an investment team review of the Global Wish List. The purpose of this review is to identify our team's immediate research priorities and to clearly allocate specific research responsibilities to our individual investment team members.

From this point our team's research focuses more narrowly on our 4 core investment criteria - being understandability, trustworthiness, robustness, and valuation.

Research outputs are shared and reviewed by the team and should something meet all 4 core investment criteria it is added to our Buy-List.

From this point onwards our investment council members, who are our portfolio managers, are responsible for constructing each of our fund mandates by drawing what we need from our buy-list.

3. Investment Results, Investment Strategy, and Fund Positioning

3.1 Investment Results

	Fund Inception Date	Annualized Total Return: Inception to End September 2023 - 72 Months	Annualized Total Return: Inception to End September 2023 - 36 Months	Total Return: 1 Year to End September 2023
Perspective Balanced Prescient Fund - A1 Fee Class	2017 / Sep / 04	7,9%		15,3%
CPI (SA Rate of Inflation)		4,9%		
Perspective Executive Equity Prescient Fund - A1 Fee Class	2020 / Oct / 08		16,0%	8,8%
CPI (SA Rate of Inflation)			5,8%	4,8%
JSE AllShare Index		5,8%	11,6%	13,9%

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 fund **Total Returns** are expressed in SA Rands, Includes Dividends and Interest, and is Net of All Fund Costs and Portfolio Management Fees.
(3) The **Perspective Balanced Prescient Fund's highest and lowest annualized return** since its inception was **+41,1% and -16,5%.**
(4) The **Perspective Executive Equity Prescient Fund's highest and lowest annualized return** since its inception was **+56,5% and -8,8%.**

We are *pleased* with the delivered investment outcomes to date in our unit trust funds.

The past 6 years have been quite something to have lived and managed through in the world markets. Particularly so in SA, where its domestic economy had been structurally weakened due to decades of corruption - primarily in the public sector, but certainly not solely limited thereto.

Despite extreme levels of uncertainty and volatility, we stuck to our core investment discipline throughout. We put our faith and your fund capital behind the proven amazing people who own and lead the businesses owned by the funds. We are therefore not surprised to see these results.

We objectively judge our own results to be good under the circumstances, firstly because both funds have delivered absolute investment returns after all costs that are well above inflation, and better than the JSE Index.

Secondly, these results were achieved with a lower level of volatility as well as lower downside participation whenever market indices declined sharply - as happened on several occasions during the past 6 years.

Lastly, but no less important, the market cycle has not yet run its full course. The SA market investment universe has only gone from a high point in 2017 to a low point now [*in 2017 there were few bargains to be had, and now there are many*]. The global market investment universe has gone from overvalued in 2017 to crazily overvalued at end 2021, and it has stayed there stubbornly ever since. Along the way there have been fast-paced pockets of opportunity - for example during the Covid pandemic sell-off in 2020 and in the technology industry sell-off in 2022. As per usual, both were accompanied by significant uncertainty.

3.2 Investment Strategy

Asset Class	South Africa	Global *ex* South Africa
Currency	*SA Rand is meaningfully undervalued now, but vulnerable to a developing global risk-off stance.*	*US Dollar is King in a developing global risk-off stance.*
Commodities	*Generally high. Precious Metals offer attractive downside protection qualities.*	*Generally high. Precious Metals offer attractive downside protection qualities.*
Government Bonds	*The higher yields on offer in long-duration bonds look attractive, but remains vulnerable to further rising global benchmark yields and further deterioration in leadership.*	*Persistent inflation and rising interest rates implies downside risks remain in long-duration bonds, but there are now increasingly attractive returns available for cash in short-term treasuries.*
Corporate Bonds	*Yield spreads have widened, but not sufficient to compensate for the significant liquidity and pricing risks.*	*Rapidly rising benchmark yields combined with low yield 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.*	*Massive price declines may begin to offer up sensible opportunities, but at this early part of the cycle we remain extremely cautious.*
Equity	*Many attractive opportunities in a diversified range of discerningly selected, quality businesses across the market, mostly outside the Top 40 index. In contrast, the index remains overvalued and vulnerable.*	*Despite clear signs of economic distress, the key benchmark indices stubbornly remain high with above normal valuation multiples. We are seeing more constructive pockets of opportunities developing in specific industries as the economies weaken, but it is still early days.*

To set the scene for our investment strategy discussion, above we provide the updated 'heatmap' of how we see the global investment landscape's key asset classes at this time.

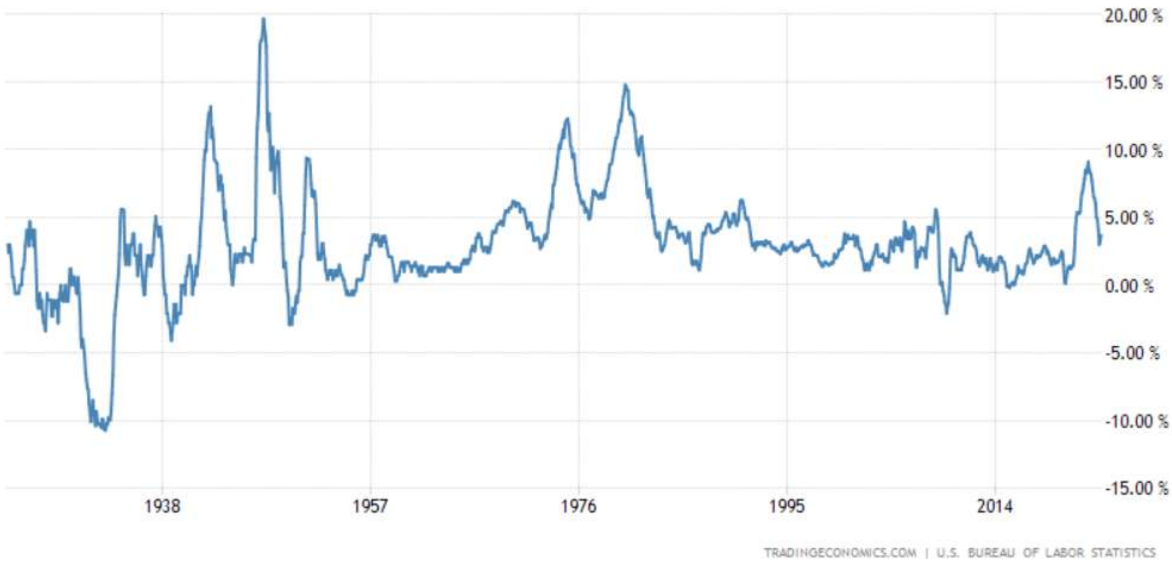
We do not yet see wide-spread sensible long-term investment opportunities in global currencies, commodities, government bonds, corporate bonds, or real estate. This finding should not be too much of a surprise - after all, the entire world has had a good run of it fueled by persistently declining global interest rates.

We are extremely cautious with global real estate at this time given its business model reliance on bank funding, and the impact of rapidly rising interest rates on property valuations, corporate profitability, and confidence.

Within the global equity markets, emerging markets are interesting. To date we have preferred being indirectly exposed to emerging markets by owning several truly global businesses listed in jurisdictions with higher governance standards and better minority protection. **Netflix**, **Alphabet**, **Exxon Mobil**, **Meta**, **Rubis**, **Disney**, **3M** and **Henkel** are all examples of global businesses we own with meaningful assets, revenues, and profits in emerging markets.

To help set historical context for where markets are today, we provide several charts covering a range of investment metrics. It mostly covers the US economy and markets because their datasets tend to go back further, and the US economy and stock markets dominate and lead everywhere else.

Chart 1: US inflation rate 1920 - 2023



US inflation averaged 2% since the 1970's, with a recent strong breakout. Many people expect inflation to continue falling, but we ascribe to the view that it stays higher for longer than people are expecting. Our reasoning is that first rounds of goods price inflation is typically followed by secondary rounds of wage inflation - particularly when the unemployment rate is low. There is unmistakable evidence of increased unionisation, labour strikes, and significant wage increase demands across US industry. This makes sense to us because we know that most people's wages have not kept up with the increases in the costs of living.

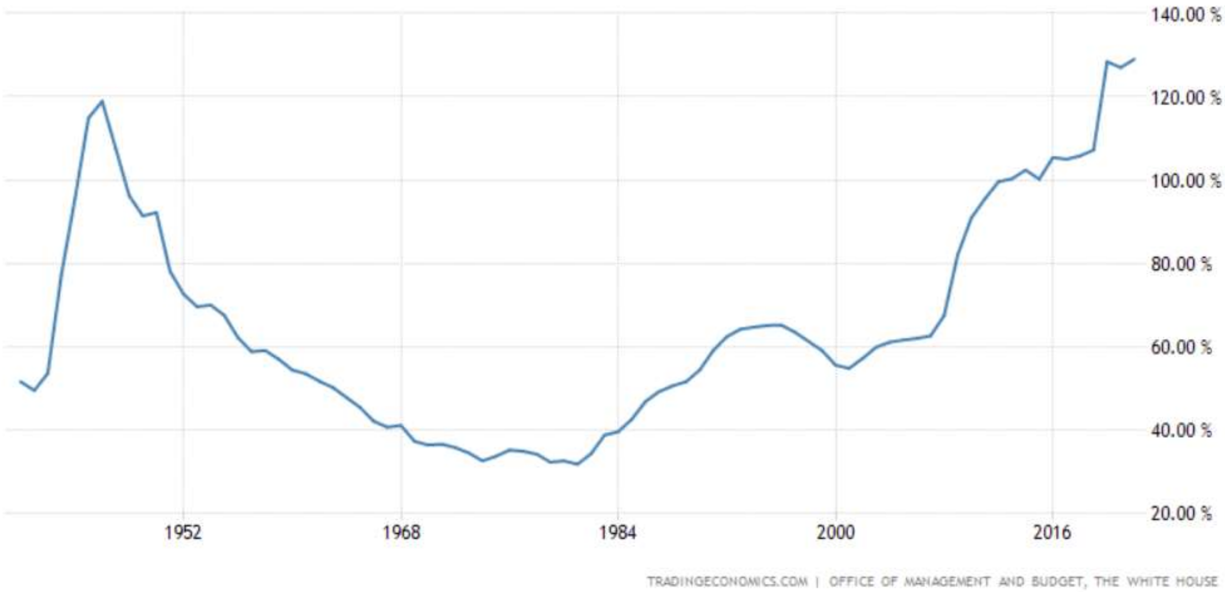
Chart 2: US Interest Rates 1970 - 2023

Almost *everyone* we meet with and talk to about interest rates in North America do not know that interest rates were as high as 20% in 1980. When we show them, they simply claim some or other version of 'the government won't let that happen again'. This belief has taken hold over the past 43 years because each successive rising interest rate cycle unwound soon after, with a new low base being reached each time - until it could not go any lower than zero.

An important mathematical truth about interest rates is that whenever an interest rate increases from a much lower absolute point the cash Dollars & Cents impact thereof is much more significant. It is best to show the calculation, so here goes. The monthly interest payment on a US$1mn loan paying 5% interest when rates increase by 1% goes from US$4,166 to US$5,000, or 20% more.

In comparison, the monthly interest payment on a US$1mn loan paying 0,5% interest when rates increase by 1% goes from US$416 to US$1,250, or 200% more. Our point being that the steep recent increase in interest rates from 0,25% to 5,25% is extremely impactful on something that *everyone* understands - cash Dollars & Cents.

Chart 3: US Government Debt to GDP 1940 - 2023



No rocket science needed here - it is perfectly clear that the balance sheet of the US government is currently heavily indebted, even more so than following WWII, when it had particularly good reason to have done so.

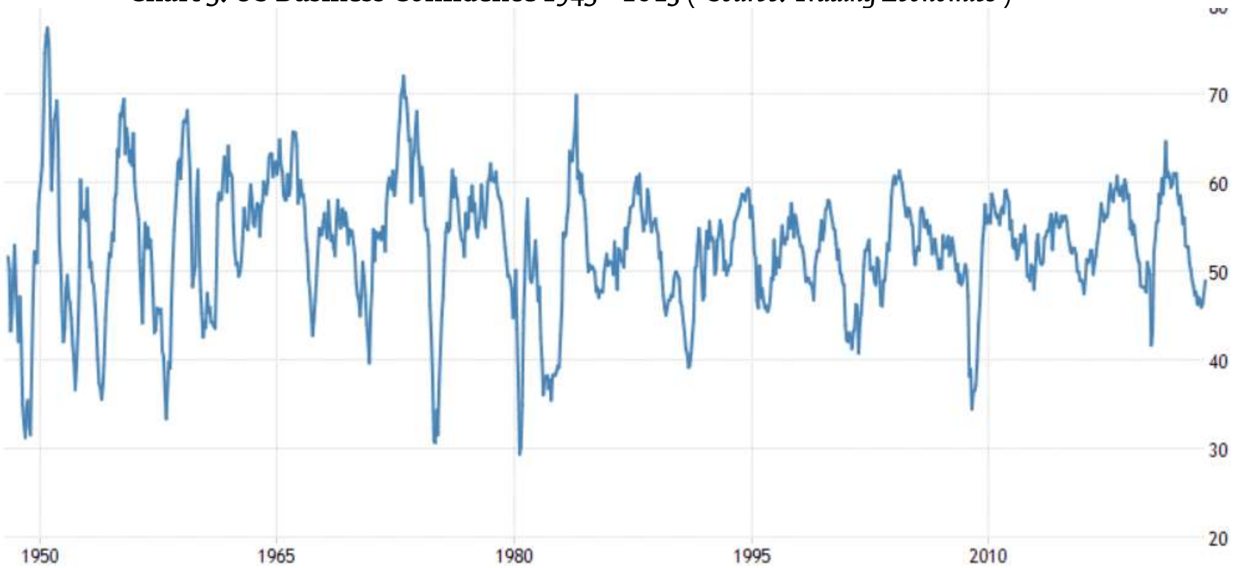
Chart 4: US 10-Year Bond Yields 1920 - 2023 (*source: Trading Economics*)

Bond yields reflect the level of interest rates required by large global professional lenders to governments. It is set in a freely traded market, based on supply and demand. The impact of rapidly and significantly rising interest rates on an already highly leveraged US government balance sheet is a sincere concern.

The second impact is one which affects all owners invested in long dated government bonds, because rising bond yields mean lower bond prices. So, global bond markets are in a serious bear market phase.

So, at the US government level it is *not* a pretty picture. Next, we look at the business sector.

Chart 5: US Business Confidence 1945 - 2023 (*Source: Trading Economics*)



A reading below 50 in the ISM Purchasing Managers Index means a contraction in factory activity.

Chart 6: US Unemployment Rate 1945 - 2023

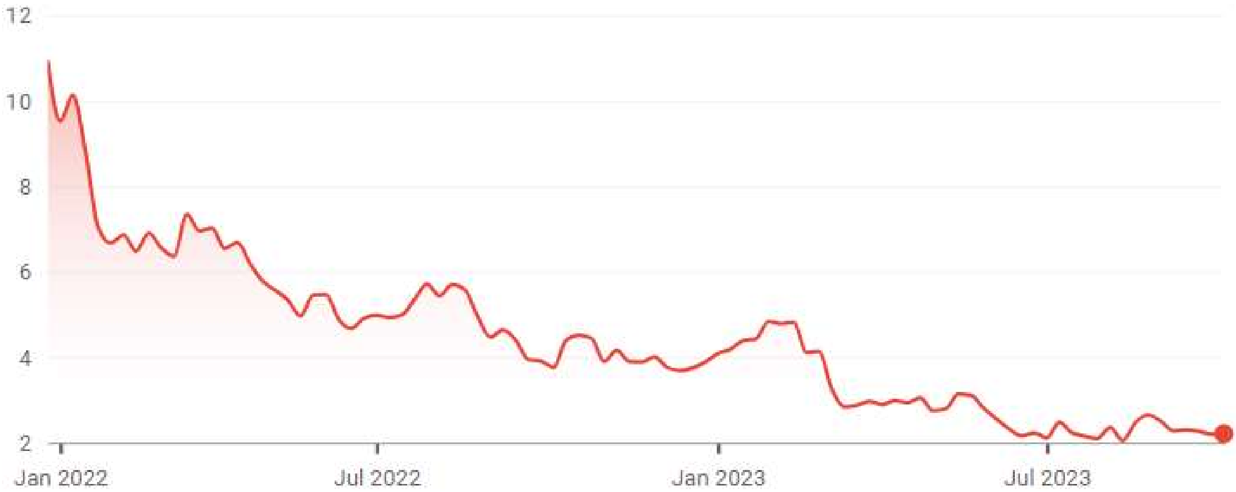
American corporates respond aggressively to reduce costs by slashing payrolls and jobs when times get tough. That said, they are also quick to re-hire when things pick up again. US unemployment is currently near all-time low points since 1945, which implies that, should the US economy go into recession, we should anticipate significant job losses and its related impacts on specifically discretionary consumer spending.

Chart 7: Global Copper Price 1990 - 2023 (Source: Trading Economics)

As a freely market traded industrial metal the copper price has been a good indicator of global economic activity. It is currently still at elevated levels but has come off the boil of late.

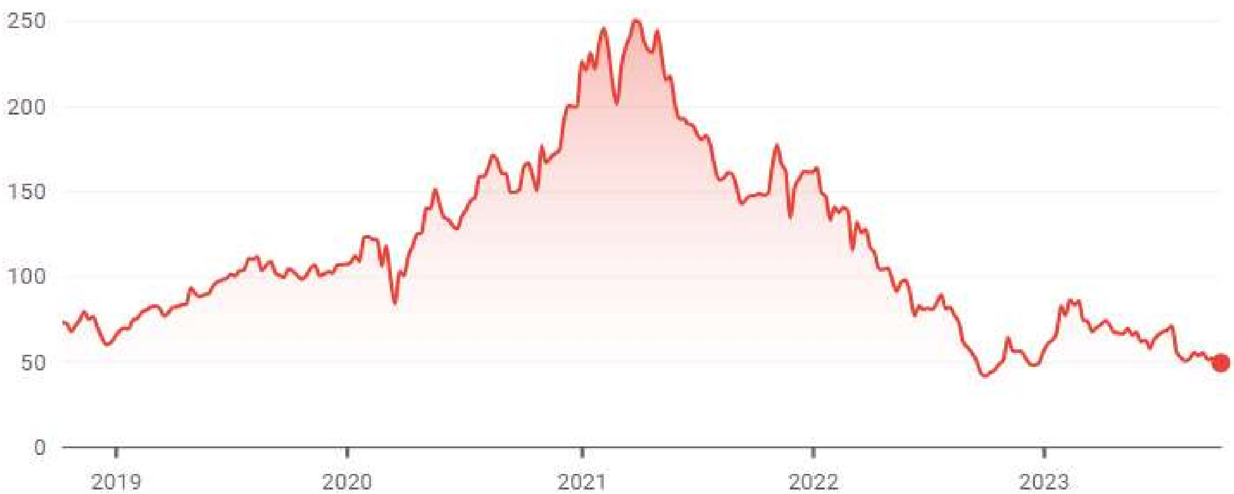
Next, we look at US consumers.

Chart 8: US Dead Canary 1: Douglas Elliman (*Source: Google Finance*)



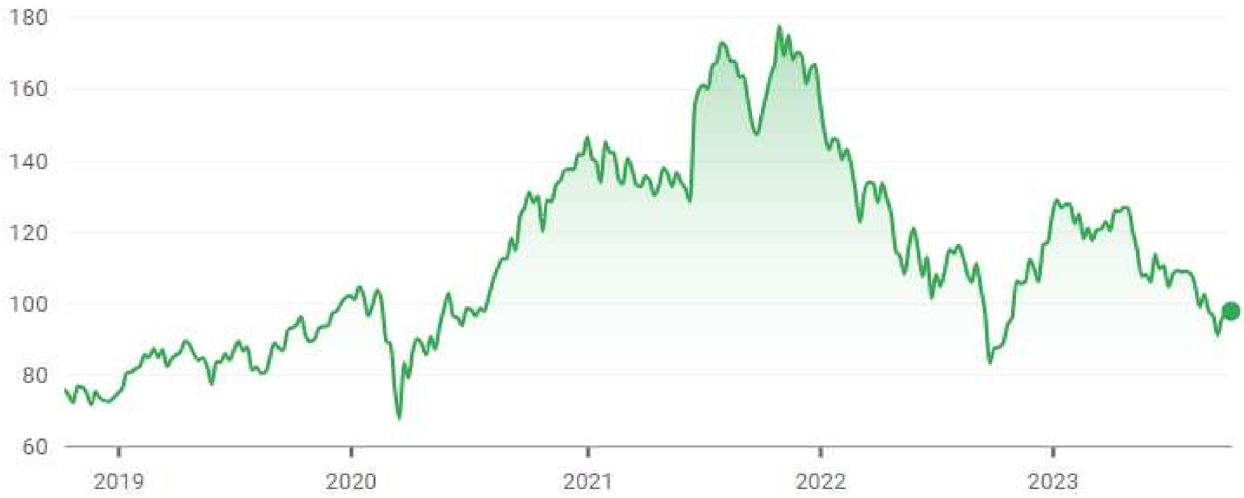
The 'Dead Canaries' is our term for a proprietary list of global listed businesses that we monitor closely for leading signs of deterioration in the economy. **Douglas Elliman** is a US focused residential realtor that IPO'd (i.e., sold itself to the public) right at the very peak of the residential housing cycle near end 2021. Ouch!

Chart 9: US Dead Canary 2: Scotts Miracle-Gro (*Source: Google Finance*)



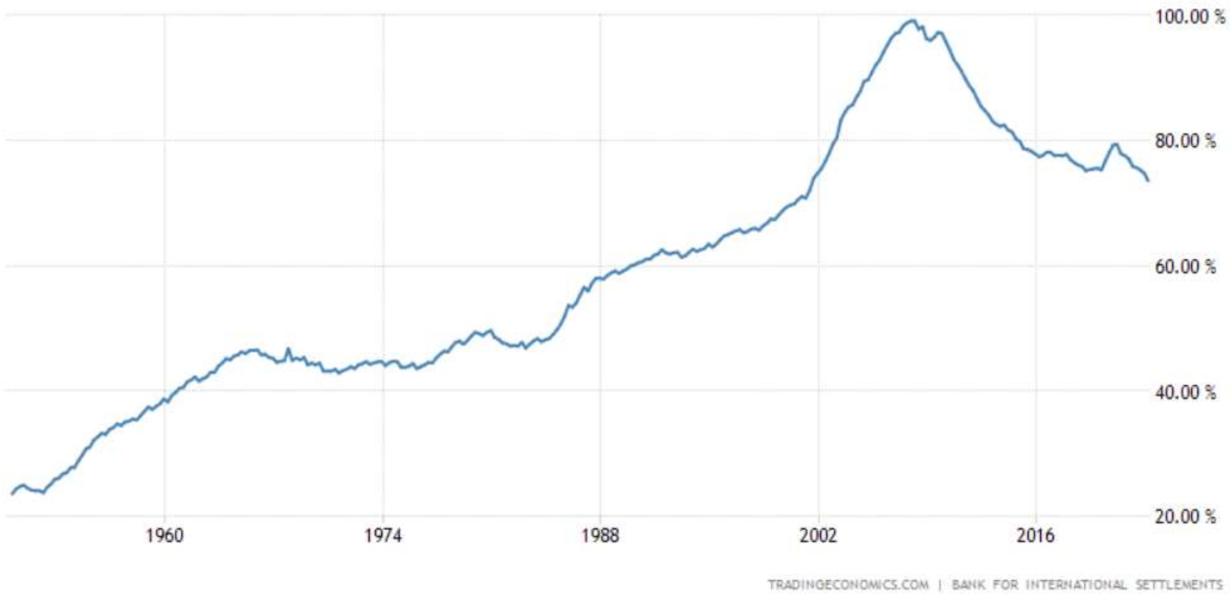
Scotts Miracle-Gro is a leading US manufacturer and distributor of branded lawn and garden products, including fertilizer, seeds, and pesticides. Another ouch! Clearly when the economy gets tight people start cutting corners on their nice-to-haves.

Chart 10: US Dead Canary 3: Nike (*Source: Google Finance*)



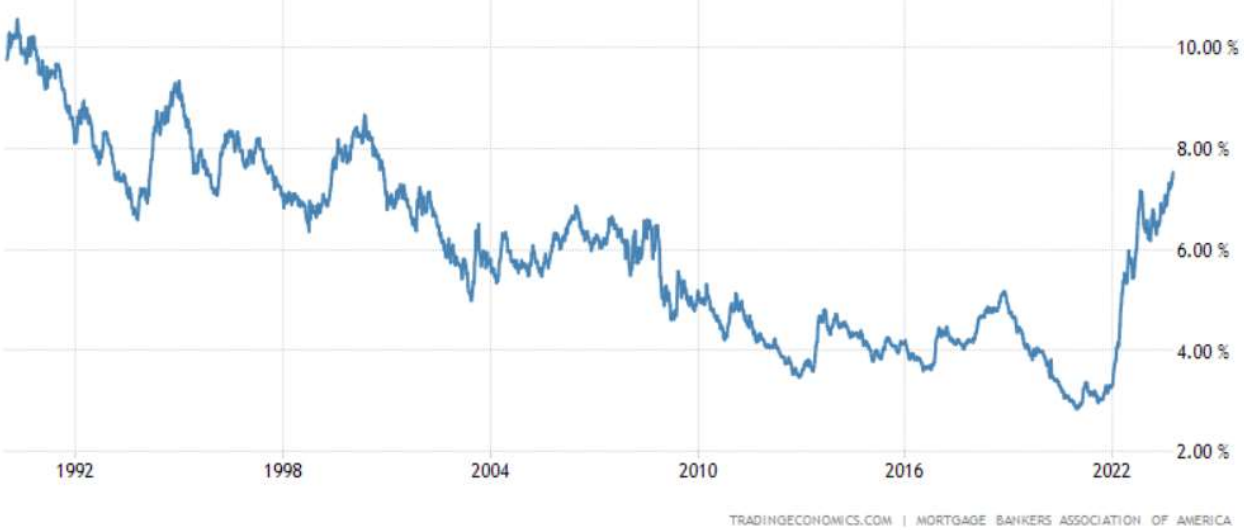
Nike is the world's leading sport shoe manufacturer. Despite its share price already nearly halving since end 2021 it still trades on over 30 times trailing earnings per share. Perhaps there is a point at which people can make do with the many pairs of shoes they have in their closet for a while?

Chart 11: US Household Debt to GDP 1950 - 2023



Compared to 1980 when US interest rates were peaking, and the housing bubble peak of 2007, US household debt to GDP are still at dangerously elevated levels.

Chart 12: US 30-Year Fixed Residential Mortgage Rates 1990 - 2023



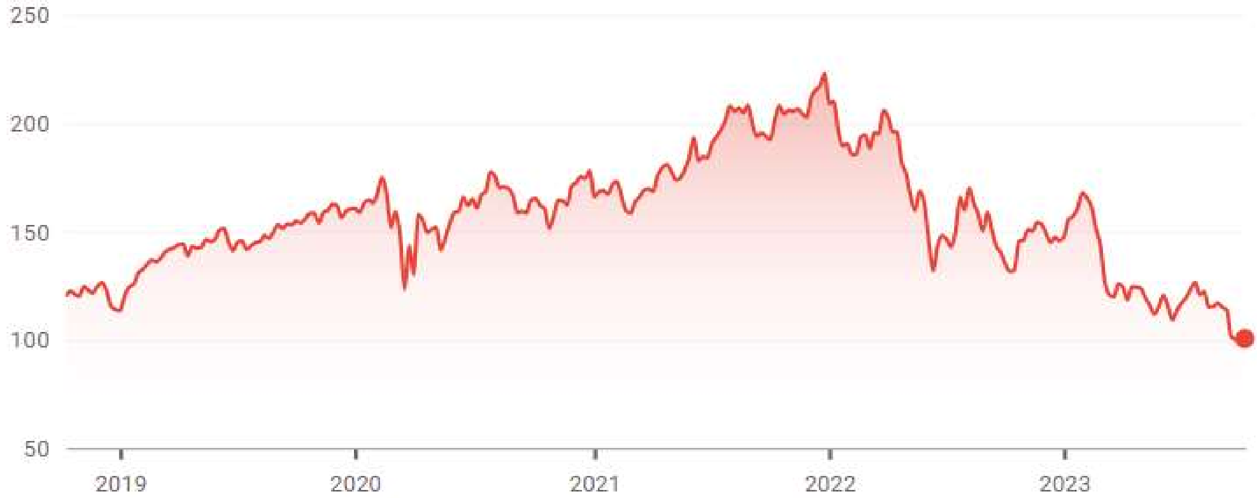
What we find most interesting about this chart is the rapid rise in mortgage rates recently compared to the GFC event from 2007 - 2009, when US residential real estate prices had declined by over 60%. This is sure to put a damper on house prices.

Chart 13: US Case Shiller Home Price Index 2000 - 2023

Compared to the housing collapse of 2007 - 2009, we have to date only seen US home price growth rates drop to slightly below zero, while in its northern neighbour Canada home prices are already down by more than 15% .

Finally, we look at a leading US office real estate business.

Chart 14: Alexandria Real Estate 2019 - 2023



Despite the much lower share price, at a market cap of US$17,4bn and founded in 1994 Alexandria is neither a small business nor a young, inexperienced one. This is but one proxy, but a strong bear market has already developed in the global real estate markets - and not just in the office building sector .

Drawing all the above together, we remain convinced that the leading global market indices do not yet reflect *any* of the weakness and vulnerabilities of the global economy that underpins it.

Considering this, our current investment strategy is to maintain our discipline in sticking to our process, with a focus on controlling the risks that are within our control. We are emphasizing the following aspects of our portfolios and assessments of potential new investment ideas:

- Scale businesses that are leaders in their industries, and that are providing products and services considered necessary and used regularly by their end customers.
- Businesses with credible owners and leaders, robust balance sheets and free cash flows, and paying attractive dividends.
- Above normal levels of fund-level diversity by business, industry, and geography.
- Cheap valuations.

3.3 Fund Positioning

Table 1: Clustered Fund Holdings - Perspective Balanced Prescient Fund

Clusters	% of Fund
Property Management	**7,8**
Growthpoint Properties	*4,4*
Emira Property Fund	*3,4*
Bulk Commodity Mining	**2,6**
Afrimat	*1,7*
Kumba Iron Ore	*0,9*
Home Improvement Retail	**3,2**
Cashbuild	*1,6*
Italtile	*1,5*
Clothing Retail	**5,4**
Foschini	*2,9*
Pepkor	*2,5*
Active Fund Management	**3,4**
Ninety One	*2,5*
Franklin Resources	*0,9*
Insurance	**1,4**
Old Mutual	*1,4*
Stock Exchange	**0,9**
JSE	*0,9*
Heavy Vehicle OEM	**1,8**
Bell Equipment	*1,8*
Entertainment	**2,2**
Walt Disney	*1,1*
Netflix	*1,0*
Technology	**2,9**
Meta	*1,5*
Alphabet	*1,4*
Food Products	**5,5**
Astral Foods	*2,7*
Tiger Brands	*2,1*
RCL Foods	*0,7*

Clusters	% of Fund
Energy Products	**4,0**
Exxon Mobil	*2,9*
Rubis	*1,1*
Chemical Products	**6,6**
AECI	*3,1*
BASF	*1,8*
Henkel	*1,8*
Tobacco Products	**8,4**
Philip Morris International	*4,0*
British American Tobacco	*3,0*
Miquel y Costas	*1,4*
Construction & Infrastructure	**7,8**
Hochtief	*3,7*
PPC	*2,3*
Wilson Bayly Holmes - Ovcon	*1,3*
Aveng	*0,4*
Investment Holdco	**4,9**
Remgro	*4,9*
Industrial Products	**0,9**
3M	*0,9*
Mobile Telecomms & Fintech	**1,9**
MTN	*1,9*
Healthcare Products	**2,9**
Adcock Ingram	*2,9*
Automotive Products	**3,5**
Combined Motor Holdings	*2,3*
Nokian Renkaat	*1,3*
Grocery Retail	**3,7**
Spar	*1,4*
Pick 'n Pay Stores	*1,4*
Carrefour	*0,9*

The Balanced Fund is *highly* diversified - not only in respect of the number of individual businesses we own [41], but also in the number of investment clusters [*our word for business models, industries, or themes if you like. There are 24.*], and geographically in terms of where the businesses we own have their assets and generate their sales & profits.

Inside almost every cluster there is also significant diversity . For example, **Foschini** and **Pepkor** have totally different business models, leadership styles, cultures, growth strategies, product ranges, and customer target markets. They also operate in different sets of countries at their meaningful operations outside SA. If you look closely, you will find the same diversity applies at pretty much every other cluster. In case you are wondering, we are entirely deliberate about maintaining true diversity within our funds. In fact, true diversity within each fund mandate is a key aspect of how we think about investment risk management.

Table 2: Clustered Fund Holdings - Perspective Executive Equity Prescient Fund

Clusters	% of Fund
Bulk Commodity Mining	**7,0**
Afrimat	*4,6*
Kumba Iron Ore	*2,4*
Home Improvement Retail	**5,1**
Italtile	*2,8*
Cashbuild	*2,3*
Clothing Retail	**9,0**
Foschini	*5,1*
Pepkor	*4,0*
Active Fund Management	**7,6**
Ninety One	*4,8*
Coronation	*2,8*
Insurance	**3,3**
Old Mutual	*3,3*
Stock Exchange	**2,9**
JSE	*2,9*
Heavy Vehicle OEM	**3,9**
Bell Equipment	*3,9*
Food Products	**10,6**
Astral Foods	*5,1*
Tiger Brands	*3,7*
RCL Foods	*1,8*

Clusters	% of Fund
Energy Products	**2,8**
Sasol	*2,8*
Chemical Products	**5,4**
AECI	*5,4*
Tobacco Products	**4,9**
British American Tobacco	*4,9*
Construction & Infrastructure	**10,7**
Wilson Bayly Holmes - Ovcon	*5,1*
PPC	*3,6*
Aveng	*2,0*
Investment Holdco	**8,0**
Remgro	*8,0*
Mobile Telecomms & Fintech	**3,7**
MTN	*3,7*
Healthcare Products	**5,7**
Adcock Ingram	*5,7*
Automotive Products	**3,1**
Combined Motor Holdings	*3,1*
Grocery Retail	**5,0**
Pick 'n Pay	*2,7*
Spar	*2,2*

The Executive Equity Fund is *highly* diversified - by number of individual businesses we own [*26*], as well as the number of investment clusters [*18*], and geographically.

Inside many clusters there is also significant diversity .

Table 3: Exposure by Cluster - Both Funds

Perspective Balanced Prescient Fund	
Clusters	% of Fund
Cash - US Dollars	6,7
Cash - SA Rands	4,3
Gold Bullion	7,4
Property Management	7,8
Tobacco Products	8,4
Construction & Infrastructure	7,8
Chemical Products	6,6
Food Products	5,5
Clothing Retail	5,4
Investment Holdco	4,9
Energy Products	4,0
Grocery Retail	3,7
Automotive Products	3,5
Active Fund Management	3,4
Home Improvement Retail	3,2
Technology	2,9
Healthcare Products	2,9
Bulk Commodity Mining	2,6
Entertainment	2,2
Mobile Telecomms & Fintech	1,9
Heavy Vehicle OEM	1,8
Insurance	1,4
Stock Exchange	0,9
Industrial Products	0,9

Perspective Executive Equity Prescient Fund	
Clusters	% of Fund
Cash - SA Rands	1,4
Construction & Infrastructure	10,7
Food Products	10,6
Clothing Retail	9,0
Investment Holdco	8,0
Active Fund Management	7,6
Bulk Commodity Mining	7,0
Healthcare Products	5,7
Chemical Products	5,4
Home Improvement Retail	5,1
Grocery Retail	5,0
Tobacco Products	4,9
Heavy Vehicle OEM	3,9
Mobile Telecomms & Fintech	3,7
Insurance	3,3
Automotive Products	3,1
Stock Exchange	2,9
Energy Products	2,8

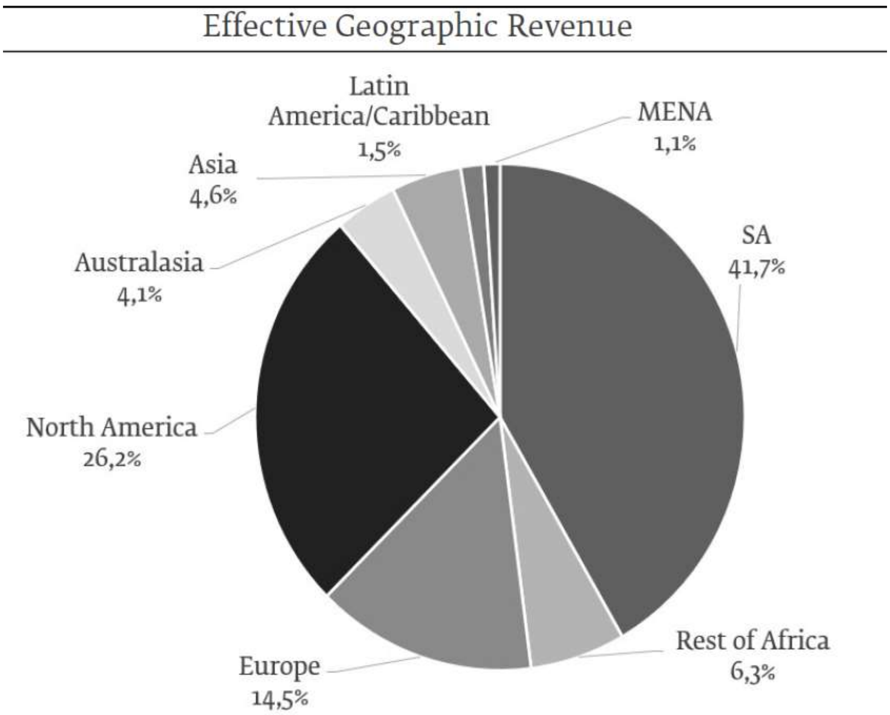
Zooming back out from showing you the names of the individual businesses presents a more focused perspective on the elevated levels of diversity by investment cluster in these two funds.

An important consideration is that these funds have low exposures to businesses that rely on *discretionary* global consumer spending. Furthermore, our exposures to discretionary consumer spending are mostly concentrated in SA, where (1) the country does not have a massive residential real estate and related bank credit bubbles that could collapse, (2) many people tend to completely ignore or underestimate the huge size and relevance of the informal and unmeasured economy, (3) lower to middle-income citizens have been facing hardship for decades as a result of the persistent economic mismanagement of the country, (4) high-income citizens are not as interest rate sensitive, and (5) the cheap currency results in a significant increase in high-income foreign visitors who spend significant sums in-country on all manners of consumption.

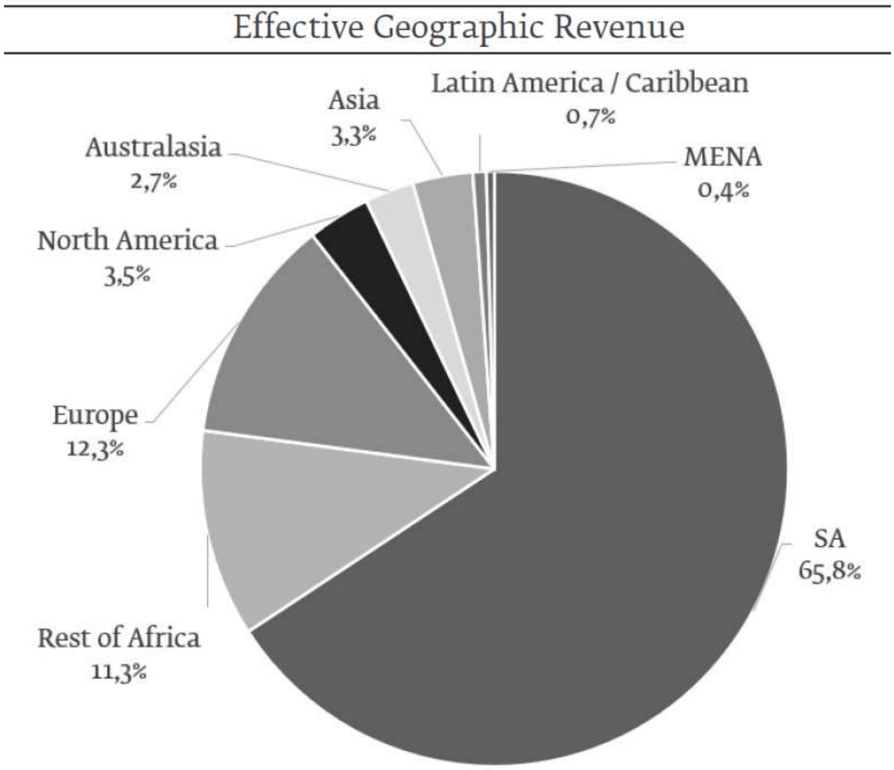
Another important consideration [*not visible in the tables*] is that every single one of the businesses we own in our funds were established many decades ago . As a result, they have deep experience and knowledge of business cycles and in dealing with adversity - no matter what comes their way. This fact serves to boost our confidence levels on their resilience - individually, but also taken together as a group.

Pie chart 1: Geographic Business Revenue Exposure - Balanced Fund

To build these two pie charts our team dug up the exposure per geographic region for each one of the businesses we own, and then multiplied that out with our effective weightings in each fund. So, in considering the Balanced Fund it becomes apparent that less than 42% of the total *revenues* generated by all the businesses in the fund is in SA. We can also more clearly show you this additional layer of diversity by geographic revenue in the fund.



Pie chart 2: Geographic Business Revenue Exposure - Executive Equity Fund



It is noteworthy that despite the Executive Equity Fund currently only owning JSE listed businesses they generate over 34% of their revenues *outside* SA.

4. Portfolio Management Actions

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 full year.

If the resulting number is low, it signifies a low level of transactional activity in a fund by its portfolio managers. So, for example, when annual fund turnover is 20%, it means in that year a total of 20% of the value of the fund was sold by the fund manager, 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 the Balanced Fund over the 6 years since its inception was 17,8%, and our average *annual* fund turnover in the Executive Equity Fund over the 3 years since its inception was 21,2%.

*[Please note that we do not include our **forced** sales because of takeovers of businesses we own in the 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 three years]*

4.2 *Additions* to existing fund holdings (past 14 months)

In both funds we increased existing exposures to **Afrimat**, **Aveng**, and **Tiger Brands.**

In the Balanced Fund we also increased existing exposures to **Meta**, **Nokian Renkaat**, **Walt Disney**, **Rubis**, **Henkel**, **Philip Morris**, **Gold Bullion**, and **Emira**.

In each case, a combination of our further work resulting in higher conviction levels and lower share price levels led to us increasing our exposures.

Early in the period under review, Meta's share price had declined sharply and provided an opportunity to increase our exposure. Close to the end of the period under review Meta's share price had rebounded so strongly that we decided to reduce our exposure. It is unusual for a share price to gain over 200% within a year, let alone that of such a large market cap.

4.3 *New* fund holdings acquired (past 14 months)

In both funds we established new holdings in **PPC**, **Old Mutual**, **Pick 'n Pay**, **Zeda**, **British American Tobacco**, and **Pepkor.**

In the Balanced Fund we also established new holdings in **3M**, and **Carrefour**.

In the Executive Equity Fund, we also established new holdings in **Sasol** and **Coronation**. It is noteworthy that we have owned Old Mutual, Pick 'n Pay, British American Tobacco, Carrefour, Sasol, and Coronation in prior ownership cycles. This means the only new investments for us as first-time owners were PPC, Zeda, Pepkor, and 3M.

A brief review of our new fund holdings

PPC

The first cement factory in SA called 'De Eerste Cement Fabrieken Beperkt' was founded in 1892. It changed its name to Pretoria Portland Cement Company Limited in 1908 and listed on the JSE in 1910 - making it one of the oldest listed businesses on the exchange. Its share price peaked at R34 in 2007 during a wild construction sector boom in SA when anything to do with construction went crazy. Speaking of crazy, two specific issues developed.

Firstly, the high valuation multiples in the market led to new supply additions to cement manufacturing capacity in SA. When the construction industry boom times ended, demand fell away, and the cement industry has been in structural oversupply ever since.

Secondly, PPC's management at that time saw it fit to aggressively expand into Africa, which was a poor strategy that predictably ended in disaster. Fast-forward to 2019, when VCP acquired a meaningful ownership stake and was instrumental in bringing in a new CEO - Dutch national Roland van Wijnen. Roland already had 17 years of cement industry experience at the respected global business Lafarge Holcim. Under his leadership, PPC has been refocused on its core capabilities and markets, balance sheet gearing has been reduced, profitability restored, and they have been buying back shares at value-accretive levels. A new CEO, Matias Cardarelli, has just been appointed from within the group.

An important aspect of our thesis involves what we term 'a capital-free growth option', because PPC is currently operating at below 70% of its production capacity. We were also greatly encouraged to see Afrimat acquire the Lafarge Holcim cement businesses in SA recently. We highly rate Afrimat leadership's evidenced ability to do sensible acquisitions. It is also an important net positive that another one of the significant cement industry participants in SA now belongs to a control shareholder who will be more disciplined in terms of industry pricing and generating acceptable returns on capital.

Old Mutual

Founded by Scotsman John Fairbairn in 1845 as 'The Mutual Life Assurance Society of the Cape of Good Hope', Old Mutual demutualised and listed on the JSE in 1999. It is a leading financial services industry participant in life insurance, short-term insurance, investment management, and wealth management. This business is large and complex, and as a result the many initiatives to improve bottom-line performance have taken longer than expected. A significant foreign expansion drive in the 2000's ended poorly, and a high-profile leadership fall-out between Peter Moyo and the Board led by Trevor Manuel did not help Old Mutual's popularity with market participants.

We are impressed with the leadership of CEO Iain Williamson, who since his appointment as CEO in 2020 has pursued a renewed inward focus on Old Mutual's existing core strengths and markets. Iain has worked inside various divisions of Old Mutual his whole career, and he knows the business and industry inside out. We are also impressed with growth initiatives - specifically share buybacks at value-accretive levels and the establishment of a new banking business.

Pick 'n Pay

A sharp decline in its share price in 2023 provided us with a sensible entry point back into grocery retailer & franchisor Pick 'n Pay. The business has been under pressure for some time, exacerbated by the significant amounts of money currently being spent on burning diesel to generate electricity.

The recent death of founder Raymond Ackerman, who started the business in 1967, may have heralded change - Dutch CEO Pieter Boone was unceremoniously let go and is being replaced by Sean Summers. Sean worked at Pick 'n Pay from 1974 to 2007, of which the last 11 years was as CEO. Under his leadership the business had delivered strong results.

We liked the strategic direction that Pieter was taking the business to, and it remains to be seen what Sean has on his mind in this regard.

It is not currently at the peak of its powers, but Pick 'n Pay remains a significant industry participant that holds the potential to be an attractive acquisition target for any multi-national with an ambition to grow in Africa.

Zeda

Zeda is a bit of an anomaly because we have already sold out of it, which bears explaining.

We initially acquired a small initial position in Zeda as it unbundled from Barloworld, looking for and hoping to uncover positive markers so that we could build it into a more meaningful holding. We know that corporate actions, such as an unbundling, and particularly if the new company is a small market cap in comparison to the one it is being unbundled from, can often lead to excellent new investment opportunities - but not always.

Zeda consists of a car rental business and a vehicle leasing business. Just before it unbundled, control owner Barloworld geared up the Zeda balance sheet by taking out a large special dividend.

Zeda used to be listed on the JSE from 1996 to 2005. At the time it was known as Avis. Unfortunately, the more we worked on it lately, the more our team's confidence levels evaporated. We have many more excellent investment ideas on the JSE than we have space for in our funds, and we do not see the point in owning any business that we cannot get excited about as truly long-term co-owners. For us, being cheap in and of itself is not sufficient reason to qualify as a truly long-term fund holding.

British American Tobacco

BAT was founded in 1902 and listed on the London Stock Exchange in 1912. In 1999 the Rupert family of SA merged Rothmans with BAT.

We have in the past owned BAT indirectly via our holding in JSE listed Reinet. Following a significant de-rating, BAT is currently available at an attractive valuation multiple, and it offers the fund exposure to a business with a defensive product set combined with globally diversified revenues and profits, and that is a strong free cash flow generator paying a high dividend yield in hard currency.

It is clear to us that both BAT and Philip Morris are the global leaders in developing innovative technologies that significantly reduce health risks for consumers of tobacco products, or what Philip Morris calls 'smoke-free'. It is not the tobacco or the nicotine that causes lung cancer, but the inhalation of smoke during the consumption process. This is directly comparable to caffeine products - in the sense that it is not the caffeine that causes diabetes, but the excessive ingestion of sugar that typically accompanies it.

Pepkor

Pepkor was founded in 1965 and today operates 5,830 stores in 10 African countries and Brazil, with 49,700 employees and annual revenues of R81,4bn. Its track record as a listed business is quite interesting because (1) it includes a lengthy period of time between 2003 - 2018 as a privately owned business, (2) it eventually re-listed on the JSE indirectly via Brait, and (3) the recently renamed investment holding company that inherited the remainder of Steinhoff is still its largest shareholder.

CEO Pieter Erasmus in 2022 returned to the same business he had so successfully led as CEO from 2001 to 2017. He is an impressive leader, leading an impressive business.

We like the rationale behind the acquisition made in 2022 of Grupo Avenida in Brazil. Pepkor has a long and successful history of developing businesses successfully outside SA that goes back to 1998 - in Australia, Poland, New Zealand, and the UK. Grupo Avenida is an established business founded in 1978 by the Caseli family with 130 stores in 11 of the 26 states across Brazil, and 2,475 employees.

In SA, the business trades under the brands Pep Stores, Pep Africa, Pepkor Specialty, Ackermans, JD Group, Buco, Flash, and Capfin.

3M

The iconic 3M (of post-it notes fame) is a remarkable long-term global growth business, with a longstanding culture of innovation - and an evidenced history to back that claim up with. Currently the business consists of 4 product divisions - Safety & Industrial, Transportation & Electronics, Healthcare, and Consumer, with a combined annual revenue of US$34bn, healthy 20% operating margins, and investing US$1,9bn in research & development - annually.

We already owned 3M in our global bespoke mandates, our conviction continued increasing following further work, and we finally received clarity on the extent of their legal liabilities. There was much speculation on the extent of these liabilities, treated as open-ended and judged overly negative by the market - as the declining share price showed. We anticipate the unbundling of their healthcare division in the coming year [because it is public knowledge], which should serve to significantly strengthen the rump balance sheet.

Carrefour

Carrefour was founded in France in 1959 by Marcel Fournier and listed in 1970. It started expanding globally in 1993. With annual revenues of EUR90,8bn trading out of 14,348 stores it is a major global food retailer, with strong market share in its three key markets of France, Spain, and Brazil.

We have been deepening our work on global food retailers in the course of 2022 & 2023, and in July we established an initiating fund exposure to Carrefour. We were already familiar with this family-owned business, as we had owned it on a prior occasion, 11 years ago. Nonetheless, we deliberately scrubbed in with a full review, starting from a blank page. We like what we have uncovered so far - the Diniz & Moulin families are saying and doing the right things here, and the recent demise of a key competitor (Casino Guichard) bodes well for their market share and competitive position inside France.

Sasol

Sasol is a fully integrated energy & chemicals producer, with its primary operations in SA and the USA. It was founded in 1950 as an SA state-owned company and listed on the JSE in 1979. One of its key strengths is the proprietary and successful commercialisation at scale of converting coal and gas feedstock to liquid energy and downstream chemical products. It is also a classic so-called 'Rand-hedge' because of having a meaningful portion of Rand-denominated costs with almost fully US Dollar denominated revenues.

In the Executive Equity Fund, we have again bought an initial weighted exposure in Sasol, having owned it in this fund until February 2021. Since then it has sold assets as part of its asset realisation program and used the proceeds to meaningfully bolster its balance sheet, reinstated its dividend after a 3 year hiatus, maintained stability of its leadership, its large chemicals project in the US is at name plate production, and management have indicated they are looking to return excess cash to shareholders. In short, under the leadership of CEO Fleetwood Grobler they have done as they said they would - which counts for a lot in our book.

Coronation

Coronation was founded in 1993 and has grown into a leading fund management firm in SA, with assets under management of over R623bn and annual revenues of R3,7bn. It is an owner-managed investment-led business, with a clearly defined and consistent business culture, following an active and globally oriented investment approach.

A high-profile tax dispute and unfavourable court rulings to date has resulted in a hefty charge being taken in the first half of the 2023 fiscal year. Despite the once-off nature of the tax matter, the share price collapsed alongside the short-term earnings decline, which we judge has resulted in a sensible investment opportunity.

4.4 Existing fund holdings *reduced*

We reduced exposures to **Combined Motor Holdings** , **AECI**, **Wilson Bayly Holmes-Ovcon** , **Meta**, **Netflix**, and **Spar**.

Except for Spar, these share prices had all increased substantially in the past couple of years - to the point where we judged it prudent to bank some profits and recycle the capital into existing and new holdings offering better prospective returns.

Spar is a special situation, as we have grown concerned with its increasingly highly geared balance sheet position. As noted in the segment on investment strategy, we are extremely cautious about our exposures to businesses with excessively geared balance sheets at this time. We do assess Spar to have a solid core business and leadership, with a strong institutional shareholder base that is likely to recapitalise the business, if needed.

4.5 Holdings *exited* completely

We exited **Santova Logistics** , **Barrick Gold**, **Anglogold, Inditex** , **Spur, AVI, and Reinet** , because we assessed them to be priced close to their fair business valuations. We really like these businesses, and we would not hesitate to reinvest in them in the future at the right price.

We exited a small exposure in **Grindrod** after it unbundled from Remgro.

We exited **Zeda**, **Glaxosmithkline** , **Haleon**, **Johnson Matthey** , **Kao Corp**, **Colruyt**, **Magellan** , and **M Dias Branco** because as we continued deepening our work on each of them, we uncovered new information that reduced our confidence levels.

We exited **American Eagle** and **Thule** as part of our conscious efforts to further reduce exposure to discretionary global consumer spending. We really like these businesses, and we would not hesitate to reinvest in them in the future at the right price.

In the Executive Equity Fund, we also sold out of property management businesses **Emira** and **Growthpoint**, because we were able to reinvest the capital proceeds into existing and new holdings offering better prospective returns and higher business quality. We kept our exposures to these businesses in our Balanced Fund because they offer a far superior prospective return in comparison to owning cash or government bonds.

5. Perspective Business Update

Nearly 9 years ago now, in January 2015, we began the exciting but complex, exhaustive process of designing a new investment firm from first principles. We drew on our own experiences, case studies of global best practice, and a seriously large network of family, friends, mentors, peers and basically anyone around the world that we felt could assist us.

We fortunately knew enough to assume upfront that the future would be unknowable and unpredictable. Perspective's so-called 'business plan' therefore consists of a core set of our values and principles that act as wayfinders to avoid getting lost . "In the Arctic regions of North America, the inuksuk is a type of stone landmark built by the Inuit, Inupiat, Kalaallit, and Yupik peoples. This region is dominated by the tundra biome and has areas with few natural landmarks" [*Source: Wikipedia*]

Little did we know at the time to what extent we would have to rely on our wayfinders given everything that has unfolded in South Africa and the rest of the world since.

Without any shade of a doubt, we could not have built Perspective without the contributions of a large and remarkable group of like-minded stakeholders. When we first opened our doors at the end of 2016, the Perspective stakeholder group was a *lot* smaller than it is today. We knew exactly where we were going, but we could not know for sure if any others would want to head in the same direction. Time would tell, it has, and we could not be prouder of what we have achieved so far.

A wise person told us at the outset that our deeper understanding of our own firm would take shape slowly over a period of years, and that our communication would adapt as we grow in this understanding. This is exactly what happened, and we wish to close off this year's letter by sharing two key concepts that has evolved in our understanding.

The first is the concept of seen vs. unseen value .

We deliberately made our assessments of the **people** that own and run businesses a core building block in our investment and business processes. As we built our own business from scratch, our understanding solidified of how it is about so much more than the numbers in our firm's measurable financial statements. Ask any true business builder to estimate the true worth of their long-term trust relationships with their customers, supplier business partners, co-founder shareholders, and colleagues - they probably will not have an exact number, but it will be significant and much more important to them than the numbers in their financial statements.

There is an old saying that not everything that counts can be measured and not everything that can be measured counts. We strongly agree with this line of thinking.

At an easily visible 'seen' level, our contract with you is a simple one - we work hard to deliver measurable investment returns to you, and in return you pay us a measurable management fee for doing so. At many businesses, that might be all there is to it. However, at Perspective we aim to provide an additional layer of value that cuts both ways but is not as easily visible, or 'unseen'. This additional layer of value includes things like the ways in which we professionally engage with you in person, our investment communication formats, inviting and being receptive to your critical feedback, and being open and honest about our mistakes and lucky outcomes or when we do not (yet) have the answers to any of your questions. We like to think that you also provide an additional layer of value to us in return, by providing support, advice, and insights, by staying the course when the markets get a bit rough, and by being aligned as like-minded truly long-term investors and critically important key stakeholders of Perspective.

The second is the concept of analog vs. digital .

In today's world of digitisation and scale at all costs, it struck us that we made a choice to be 'analog' in many important respects that we believe matters to you. *Please do not misunderstand us - we are not technophobes, and we partner with and leverage technology whenever it is sensible to be doing so.*

Examples of 'digitisation' in the investment industry are call-centres, using industry jargon and legal terminology, complex fee structures, hidden fees, launching popular new products, short-term trading, market forecasting, publicly available marketing materials, and media interviews.

In contrast, at Perspective we chose 'analog' when it came to establishing trusted and long-term sustainable human relationships with kind, credible people that we respect and admire, and whose company we enjoy and appreciate. We also chose 'analog' in respect of our team's personal accessibility, communicating in a straightforward manner, having transparent and simple fee structures, not having any hidden fees or other nasty surprises, by walking our talk as truly long-term investors, by only having a limited set of investment funds, by accepting we do not know what the future holds, and by avoiding the public limelight.

Congratulations. You have reached the end of our 2023 annual letter!

We trust 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 liked, and what you did not like .** 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.

Beryl Truter	beryl@perspectiveim.co.za
Clement Vautrin	clement@perspectiveim.co.za
Daniel Malan	daniel@perspectiveim.co.za
John Rainier	jrainier@mweb.co.za [*Independent Non-Executive Chair*]
Khangelani Ncalu	khangelani@perspectiveim.co.za
Mikael Liefferink	mikael@perspectiveim.co.za

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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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