



CLUCASGRAY



ClucasGray Future Titans Prescient Fund

August 2022



MEET THE CLUCASGRAY PORTFOLIO AND INVESTMENT TEAM



James Clucas

Paul Carter

Guy
MacRobert

Grant Morris

Brendon
Hubbard

Andrew
Vintcent

Kirsty Savin

Roshini Maharaj

Portfolio
Manager

Portfolio
Manager

Portfolio
Manager

Portfolio
Manager

Portfolio
Manager

CGAM Portfolio
Manager

Portfolio
Manager

Portfolio
Manager



Chris Sloan

Willem Pienaar

Danie Van
Zyl

JP Maritz

Siphiwe Ziqubu

George Slabbert

Lawrence Mosielo

Offshore Fund
Manager

Offshore
Analyst

Analyst

Analyst

Analyst

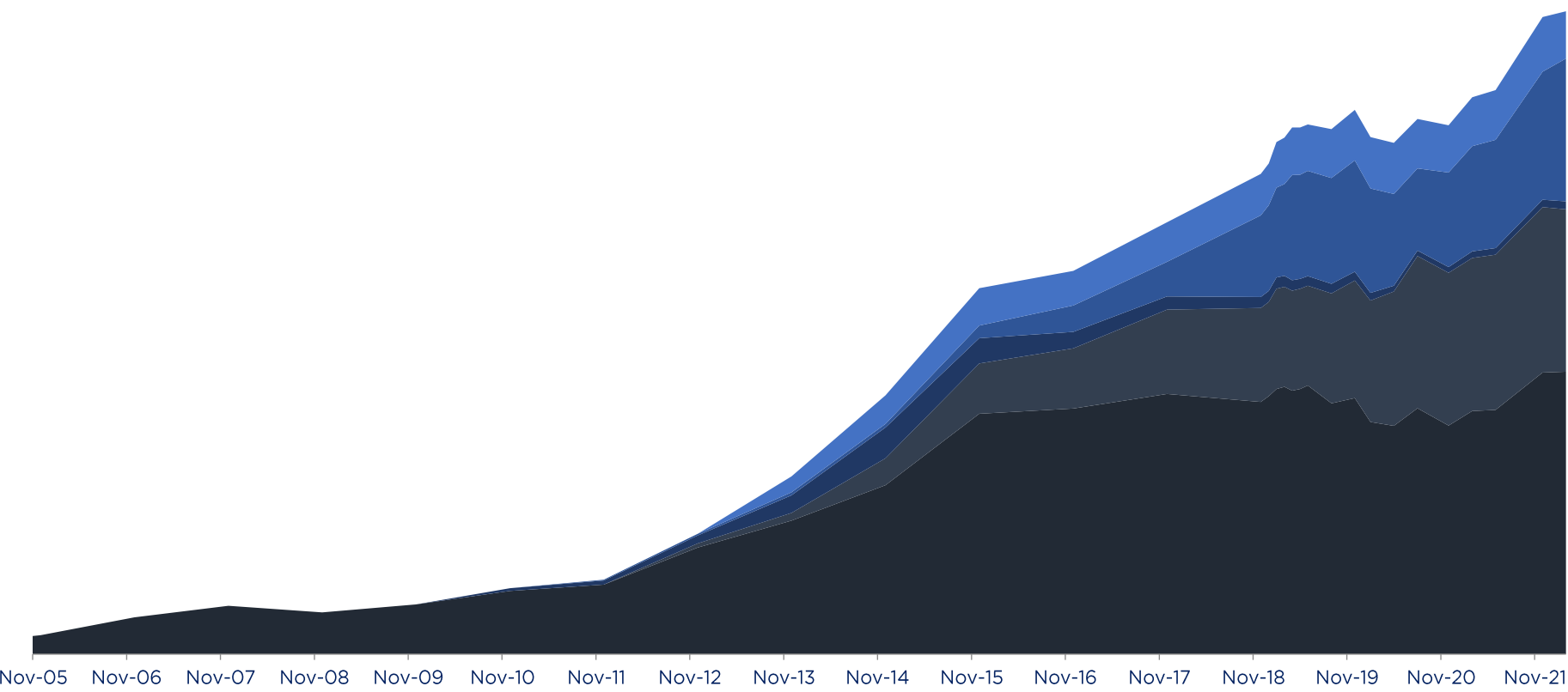
Analyst

Fixed Income
Analyst

Our investment team is well respected and consists of highly experienced investment professionals

EVOLUTION OF BUSINESS OVER 17 YEARS

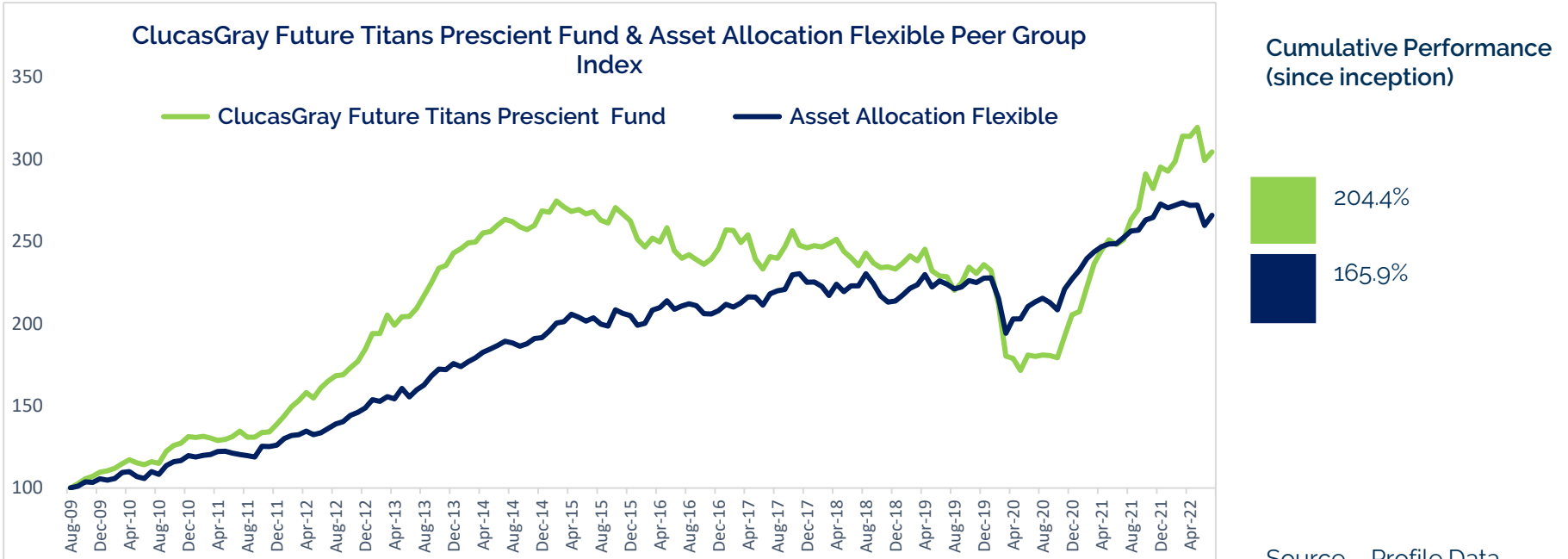
■ Domestic PSPs ■ Offshore PSP's ■ Future Titans ■ ClucasGray Asset Management ■ CG Global Fund



ClucasGray currently manages R 8.8 billion of discretionary assets for private clients, R3 billion of retail / institutional assets within ClucasGray Asset Management and R1 billion in our global mutual fund.

CLUCASGRAY FUTURE TITANS PRESCIENT FUND – PERFORMANCE

To 31 July 2022 (Annualised net of fees)	1 Year % CAGR	3 Year % CAGR	5 Year % CAGR	Inception % CAGR
ClucasGray Future Titans Prescient Fund	21.3%	10.0%	4.8%	9.0%
Peer Group Return	5.4%	5.9%	4.0%	7.9%



The ClucasGray Future Titans Prescient Fund performance relative to its peer group since inception.

CLUCASGRAY FUTURE TITANS PRESCIENT FUND – PERFORMANCE



A – ClucasGray Future Titans Prescient Fund 25.56% over 12 months

B – Small & Mid Cap index 10.99% over 12 months

Source – Profile Data

The ClucasGray Future Titans Prescient Fund performance relative to its small & mid cap peer group over one year.

CLUCASGRAY FUTURE TITANS PRESCIENT FUND – PERFORMANCE



A – ClucasGray Future Titans Prescient Fund 77.5% over 24 months

B – Small & Mid Cap index 53.09% over 24 months

Source – Profile Data

The ClucasGray Future Titans Prescient Fund performance relative to its small & mid cap peer group over 2 years

INVESTMENT APPROACH & PHILOSOPHY

- High conviction opportunities Fund
- Value bias with growth at a reasonable price
- Fundamental, in-depth company analysis. We buy companies, not shares
- Focus on small & mid-cap opportunities which provide faster growth
- Private equity type approach – the importance of cash flow and time for strategy

We look for opportunities to deliver **Real Growth** by investing in **Mispriced** assets

GRINDROD – STILL ATTRACTIVE <7x PE

- Still possible to achieve 100% upside after delivering 120% growth in the past year.
- Monopoly type assets with a failing SOE as its competitor.
- Surging demand for battery materials (copper, manganese, nickel, cobalt, graphite) and coal
- Fruit exports to increase 51% by 2030 based on fruit trees planted (AgriSA data)
- Maputo becoming a port of preference for Gauteng imports & exports
- Maputo doing 32 swings an hour compared to 15 swings at Durban Port
- Grindrod have bid with Hamburg Port for the Durban Pier 2 container terminal
- Ocean Africa Container lines have played a key role in decongesting South African ports by relocating containers – hence the Maersk JV



GRINDROD – CHEAP ON A <7x PE

- Next big growth engine will be rail reform, a R50bn revenue opportunity at c.20% EBITDA margins
- Our rail infrastructure is the size of Germany's and in better condition than the rest of Africa where Grindrod operate.
- Grindrod rail operations in Sierra Leone, DRC, Tanzania, Mozambique, Zimbabwe & Zambia
- Privately owned RBCT has capacity for 90mt, Transnet's best year was at 76mt, this year likely to be 54mt
- Natcor DBN/JHB line has 58 slots available, Transnet only using 15 whilst the N3 is overloaded with trucks
- Saldanha line speeds of 30km/h, but designed to do 90km/h – toll fees will bring much needed maintenance
- At 8c/ton/kilometer would deliver R1.1bn in toll fees to Transnet on the coal line for example
- Once Grindrod Bank deal is concluded we believe corporate action is highly likely.



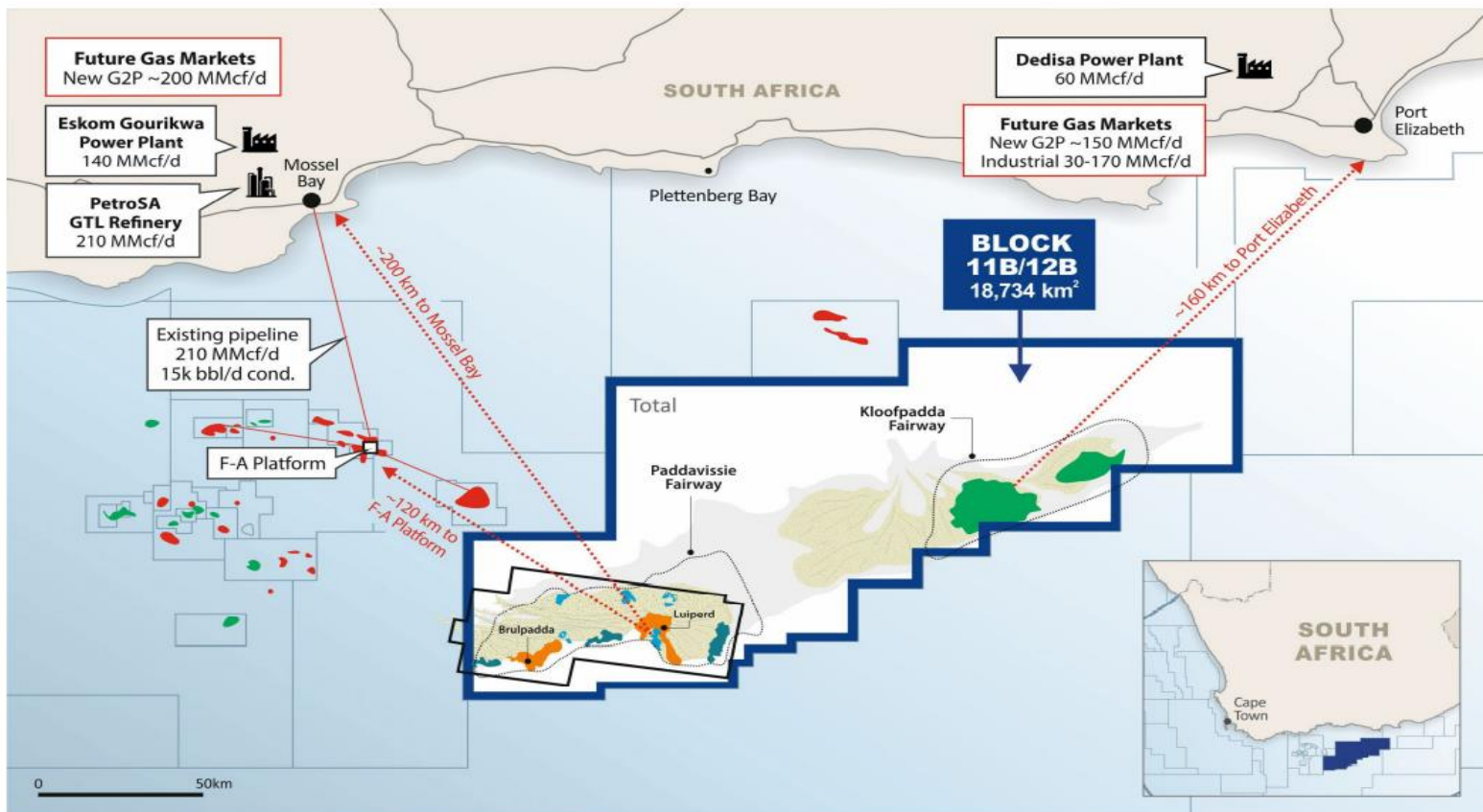
HOSKEN CONSOLIDATED INVESTMENTS

- For a variety of reasons, the world finds itself in an energy crisis.
- With South Africa's energy resources we could benefit enormously, our sunny skies and coal resources are well known.
- Less well known is the estimated 15bn barrels of oil valued at c.R24 trillion in ultra deep waters 150km to 200km offshore
- Shell were the first to find a c.700m barrel deposit in the Orange River basin inside Namibia called Graff
- Total led consortium found the Venus deposit with an estimated 4bn to 13bn barrel resource. The exact number will be known when further drilling is completed in March. These "fairways" continue over the border into South Africa.
- Future Titans has invested in a number of positions which benefit from the global energy crisis.
- The most exciting of the energy plays is HCI. The company owns a small coal operation, a concentrated solar plant, landfill gas and a significant number of minority positions in oil & gas blocks off Southern Africa's coast.
- The most exciting of these blocks is a 10% holding in Venus and gas deposits off Mossel Bay.



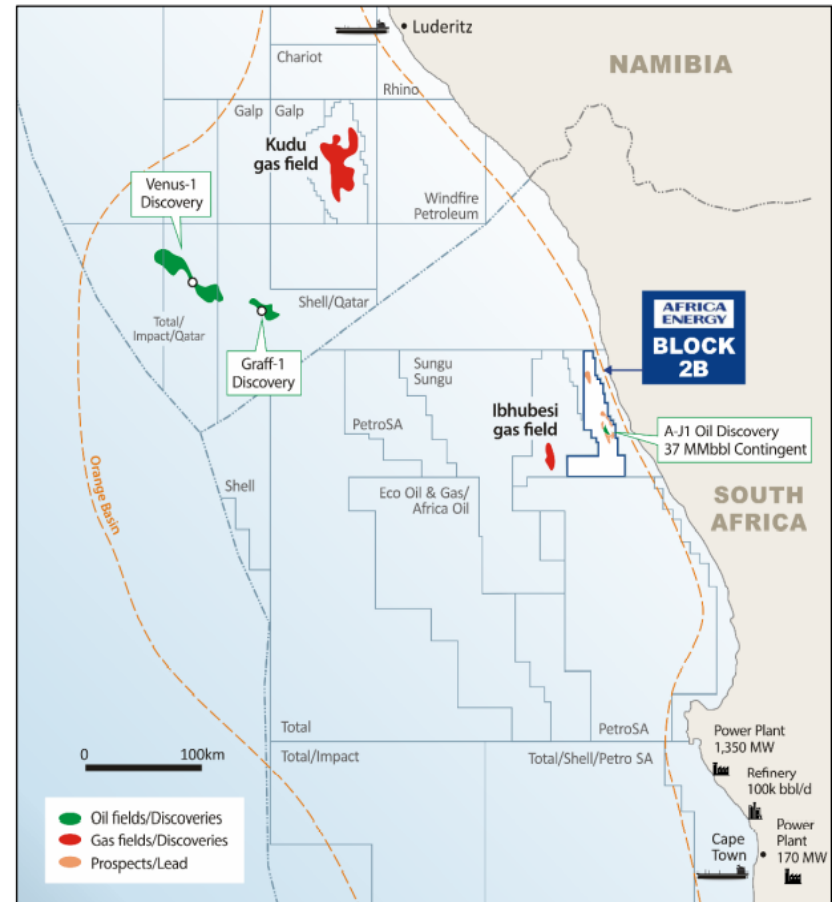
HOSKEN CONSOLIDATED INVESTMENTS

- Production license to be issued in September
- Eskom and PetroSA offtake linked to oil price with floor at \$6btu and cap at \$9btu
- Significant cost savings for Eskom and allows restart of PetroSA Diesel production.
- Phase 2 will see a 160km pipeline to Port Elizabeth
- Current reserves of 5TCF or 1bn barrels equivalent
- Fairway estimated at 15TCF of gas
- Big win for the environment as diesel is replaced with 30% cleaner natural gas.

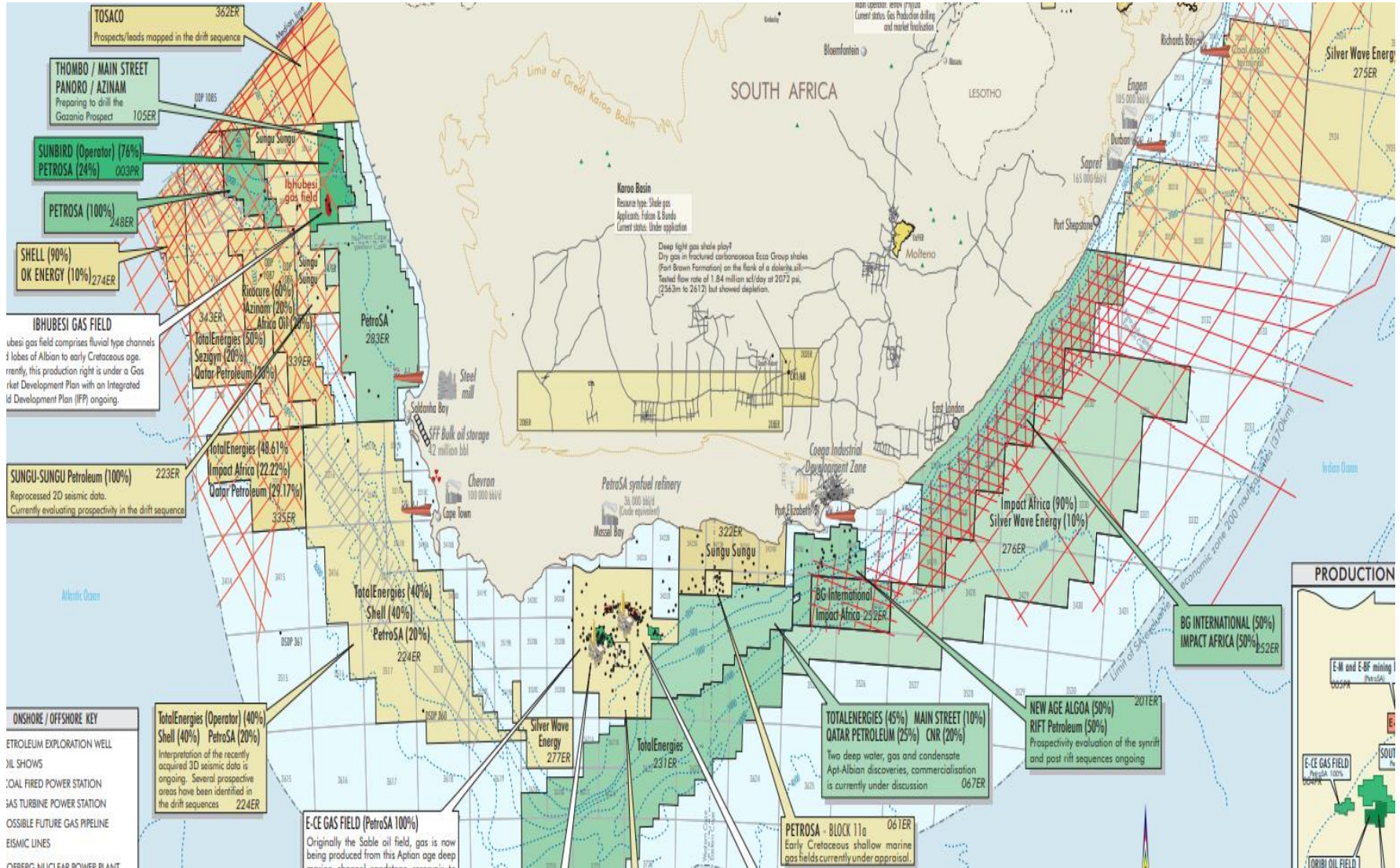


HOSKEN CONSOLIDATED INVESTMENTS

- Venus well currently estimated at 4bn to 13bn barrels
 - Jefferies Investment Bank have been appointed to sell the 20% Impact / HCI position
 - Oil reservoirs typically sell at \$1 to \$3 dollars a barrel
 - HCI holding valued at between R9bn to R20bn less taxes.
 - Oil rig arrives in September with results known by March 2023
-
- Current market cap is R14.8bn made up of...
 - Tsogo Gaming and Hotels
 - E Media
 - Deneb
 - Frontier Transport
 - Platinum Group Metals
 - Africa Energy
 - Montauk Renewables
 - And a significant number of unlisted companies



ESTIMATED 15bn BARRELS IN THE THREE BASINS



METAIR – BATTERY & AUTOMATIVE

- Battery business manufactures 9m batteries in 4 countries supplying 40 countries
- For example selling 1m batteries into the US and 500k into the UK
- New Lithium Ion line ready to start production in next few weeks – capacity sold to mobile operators
- Ideally positioned to start supplying the insatiable renewable battery demand
- **Automotive Components**
- Toyota Prospecton flooding was a set back for 2022 – but the plant is busy ramping up production
- Ford launching the Ranger in October moving production from 70k to 200k per annum.
- This Ford Ranger contract is worth R3.5bn per annum to Metair at c.10% EBITDA margins
- Once the Ranger is up to full production we anticipate R5 in earnings from Metair
- 10 year average PE at 10.2x would imply a share price closer to R50
- Metair have announced a strategy to unlock value by selling – we expect an update in the results.



MASTER DRILLING

- Global leader in raise bore drilling – a process of drilling a new shaft from the bottom up to the surface
- Recently completed a world record 1.4km new shaft for Northam Platinum
- Only c.20% of earnings from South Africa
- Beneficiary of the increased mining capex after 7 years of under investment. Global mining capex very focused on battery materials with only c.4% of vehicles sold being electric.
- Think about that for a minute... 90% of the mines needed to supply electric vehicles are not yet built.
- But the share price (valued at 5x PE) doesn't reflect the disruptive technology they have developed in mobile horizontal boring machines and blind vertical shaft sinkers.
- This technology removes people from dangerous areas, reduces headcount, reduces explosive and safety equipment consumption whilst increasing development from 3 meters a day to c.9 meters per day.
- This is a huge step change in global mining which allows access to difficult ore bodies and increases IRR's
- 10 year average PE is 11.4x implying a potential 100% upside from current price.



REUNERT – RENEWABLES

- 134 year old industrial conglomerate
- Reunert manufacture many of the components needed for renewables. These are solar wires and heavy cables for wind turbines, circuit breakers and new electronic circuit breakers allowing software to control power usage, lithium ion battery solutions and solar installation teams.
- Largest project in SA so far is 5.4Mw Cornubia Mall and currently building a 50Mw plant for Lafarge Cement in Egypt.
- Solar systems supply power cheaper than Eskom. This is best seen in the listed property companies who make a 19% yield on their power sales to tenants, and this is before the next big Eskom price increase.
- Eskom and Nedbank believe the spend on renewables in the next 8 years will be R1.2 trillion
- ICT (office Information and technology) division started +oneX
- Reunert debt free with defense and finance book potentially for sale at c.R5.5bn on a market cap of R8.7bn
- Our target price is R76 and the company has a dividend yield of c.8%



UPSIDE TO LONG TERM PE

Valuation of Top Holdings

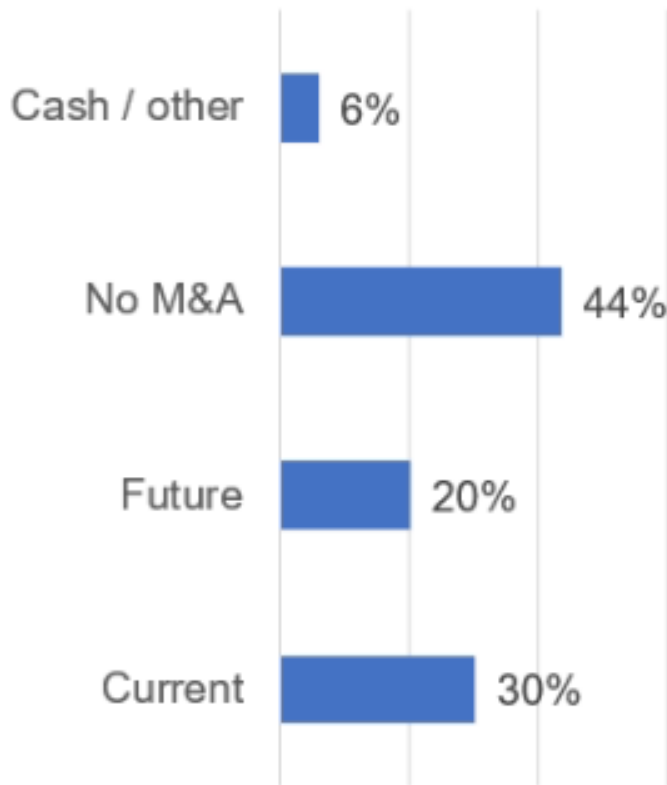
	Forward PE	10YR Median	10YR Average
Grindrod	6.6x	12.2x	13.4x
Metair	5.5x	9.7x	10.2x
Master Drilling	5.3x	8.1x	11.4x
Reunert	7.6x	11.3x	12,5x
Advtech	12.1x	19.9x	20.0x
Capital Appreciation	10.0x	10.2x	11.8x
AECI	7.0x	10.3x	11.3x
Nampak	3.8x	14.4x	13.2x

EXPECTED RETURNS

	COMPANY	SECTOR	CUR.	MARKET PRICE	WEIGHT	TARGET PRICE	CAPITAL RETURN	COMMENTS
1	Grindrod Ltd	Industrials	ZAR	10,32	12,2%	17,27	67%	Brendon
2	Master Drilling Group Ltd	Materials	ZAR	14,00	7,0%	27,00	93%	Brendon
3	Metair Investments Ltd	Consumer Discretionary	ZAR	26,27	6,1%	36,00	37%	Brendon
4	Reunert Ltd	Industrials	ZAR	47,14	5,7%	76,00	61%	Brendon
5	MAS P.L.C.	Real Estate	ZAR	20,65	5,6%	25,50	23%	Brendon
6	Capital Appreciation Ltd	Information Technology	ZAR	1,70	5,2%	2,52	48%	10 EV/EBITDA
7	Hosken Consolidated Investment	Industrials	ZAR	173,20	5,1%	319,82	85%	Brendon
8	AECI Ltd	Materials	ZAR	92,23	4,7%	133,00	44%	Investec
9	Nampak Ltd	Materials	ZAR	2,77	3,9%	5,20	88%	Chronux
10	Reinet Investments SCA	Financials	ZAR	294,15	3,9%	392,00	33%	Standard Bank
11	iShares Global Energy ETF	Energy	USD	36,63	3,2%	42,74	17%	Avg oil majors
12	Life Healthcare Group Holdings	Health Care	ZAR	21,46	2,8%	27,30	27%	Grant
13	Sappi Ltd	Materials	ZAR	52,39	2,7%	66,00	26%	RMB
14	Advtech Ltd	Consumer Discretionary	ZAR	16,87	2,6%	22,65	34%	Sven Thordsen
15	Libstar Holdings Ltd	Consumer Staples	ZAR	5,70	2,5%	9,00	58%	Danie
16	Industrials REIT Ltd	Real Estate	ZAR	34,75	2,3%	40,44	16%	Peel Hunt
17	KAP Industrial Holdings Ltd	Industrials	ZAR	4,45	2,3%	5,72	29%	Chronux
18	Glencore PLC	Materials	ZAR	92,94	2,1%	142,00	53%	RMB
19	Adcock Ingram Holdings Ltd	Health Care	ZAR	51,25	1,7%	62,00	21%	Grant
20	Famous Brands Ltd	Consumer Discretionary	ZAR	63,30	1,4%	76,30	21%	James
21	Regeneren Ltd	Energy	ZAR	37,32	1,4%	63,37	70%	Blue Gem Research
22	Metrofile Holdings Ltd	Information Technology	ZAR	3,05	1,3%	4,00	31%	Paul
23	Shoprite Holdings Ltd	Consumer Staples	ZMW	64,00	1,3%	280,00	338%	RMB
24	Alviva Holdings Ltd	Information Technology	ZAR	24,00	1,2%	25,00	4%	Bid to minorities
25	Hulamin Ltd	Materials	ZAR	2,79	1,1%	5,80	108%	20% discount to bid
26	Satrix FINI	Financials	ZAR	16,10	1,1%	18,31	14%	Avg Banks / property
27	Capital & Regional PLC	Real Estate	GBP	0,62	1,0%	0,72	15%	Peel Hunt
28	Italtile Ltd	Consumer Discretionary	ZAR	15,02	1,0%	18,35	22%	Kirsty
29	Pepkor Holdings Ltd	Consumer Discretionary	ZAR	21,17	0,9%	29,50	39%	Kirsty
30	AVI Ltd	Consumer Staples	ZAR	70,29	0,9%	87,00	24%	Danie
EQUITIES					94,0%		49%	
CASH					6,0%			
DIVIDENDS RECEIVABLE					0,0%			
TOTAL PORTFOLIO					100,0%			

M&A OPTIONALITY

M&A optionality



Current
Grindrod
Metair
Reunert
HCI
Alviva

Future
Master Drilling
Libstar
Adcock
Renergen
Metrofile
Shoprite
Hulamin

CLUCASGRAY FUTURE TITANS PRESCIENT FUND – PERFORMANCE



A – ClucasGray Future Titans Prescient Fund 77.5% over 24 months

B – Flexible index 26.06% over 24 months

Source – Profile Data

The ClucasGray Future Titans Prescient Fund performance relative to its flexible peer group over 2 years – issue of diversified portfolios.

WHY INVEST IN THE FUTURE TITANS FUND

- Uncorrelated to big indexes over time due to limited foreign holding of these smaller SA Inc. opportunities and no derivative structures on smaller cap companies.
- High conviction, quasi private equity
- Unloved and undervalued opportunities
- Successful track record of activism and unlocked value
- Limited debt burden with share buybacks,

“Probably the biggest intellectual problem an investor has to wrestle with is the constant barrage of noise and babble. Noise is extraneous, short term information that is random and basically irrelevant to investment decision making. Babble is the chatter and opinions of the well meaning, attractive talking heads who abound.”

Barton Biggs

Bull markets are born on pessimism, grow on scepticism, mature on optimism and die on euphoria!

WHY CLUCASGRAY?

WHO	HOW	WHAT	WHY
<p>Independent and owner managed</p>	<p>A truly bespoke offering with a personalised service</p>	<p>Domestic and international investment offering</p>	<p>A boutique firm which is nimble enough to provide innovative research ideas</p>
<p>Outstanding reputation for trust and integrity</p>	<p>15 Investment professionals with 160 years' experience</p>	<p>Regulation 28 portfolios</p>	<p>Superior investment performance</p>
<p>Clients have direct access to portfolio managers with consistent relationships</p>	<p>Diverse sources of investment research</p>	<p>Unit Trust portfolios</p>	<p>Co-invested alongside our clients</p>

We are an owner-managed investment boutique, known for our tailored private client-centric approach and growing institutional asset management business.

DISCLAIMER

Information contained herein is for information purposes only and is merely illustrative. It is not deemed as advice as defined in the Financial Advisory and Intermediary Services Act (FAIS Act). ClucasGray and its employees shall not be held responsible for any losses sustained by any person acting based on the information. Past performance of any of our portfolios is not indicative of their future performance.

Persons are advised to contact ClucasGray directly should they wish for us to conduct an analysis with a view to facilitating investing in our investment portfolios.

ClucasGray (Pty) Ltd is an independent investment management company registered in South Africa, company registration number 2005/12445/07 and an authorised financial services provider under the FSCA (FSP 21117).

The main business of ClucasGray is the provision of investment management services to private and institutional clients.