Portfolio Manager Quarterly Comment

The Glacier Global Stock Feeder Fund had a total return of -3.5% (1.9% in ZAR) for the third quarter of 2021, compared to -0.01% (5.4% in ZAR) for the MSCI World Index. For the nine months ending 30 September 2021, the Fund had a total return of 16.34% (18.4% in ZAR), compared to 13.04% (15.8% in ZAR) for the MSCI World.

Investment Commentary – in USD

After appreciating for three consecutive quarters, global equity markets were essentially flat in the third quarter of 2021, and the MSCI World Value Index slightly pulled back relative to the MSCI World Growth Index, amid the spread of the COVID-19 Delta variant. Overall, not much has changed, and we continue to observe that parts of the market provide compelling opportunities for active, value-oriented investment managers like Dodge & Cox. As we have noted before, the valuation gap between value and growth stocks remains remarkably wide. In fact, it has almost returned to its peak from this January. The MSCI World Value trades at 13.7 times forward earnings compared to 28.3 times for the MSCI World Growth. The financials, energy, and materials sectors are demonstrably cheaper than the rest of the market and remain large overweight areas of the MSCI World Value.

Similarly, and somewhat related, stocks that benefit from higher rates trade at historically wide discounts to stocks that benefit from lower rates. If interest rates rise in coming years, this will be a headwind to many growth stocks that have benefited from lower discount rates, and should benefit parts of the value universe, such as financials. Markets outside the United States also continue to be priced at a meaningful discount to US markets. The S&P 500 Index trades at 20.8 times forward earnings compared to 15.3 times for the MSCI EAFE Index and 12.6 times for the MSCI Emerging Markets Index. Emerging market valuations were impacted by China, which has tumbled 17% year-to-date amid concerns about the Chinese government's increased regulations across multiple industries.

The government's attempts to pursue common prosperity have disproportionately affected education and internet companies so far. China internet stocks, as defined by the CSI Overseas China Internet Index, have dropped 54% from their peak in February 2021 through 30 September, significantly lagging both the MSCI ACWI ex USA Index (down 1%) and the NASDAQ 100 Index (up 8%). At Dodge & Cox, we look past headlines to assess whether valuations appropriately reflect risk and opportunity or are either too pessimistic or optimistic. We conduct thorough, in-depth due diligence and update our thinking to incorporate short-term and long-term financial impacts as facts change.

In addition, we incorporate the experience and judgment of a seasoned investment team to develop the insights that enable us to build conviction. We have found what we believe are highly attractive opportunities across the market, often in areas that receive the most debate. Built on a bottom-up basis, the Fund remains overweight financials and energy based on low valuations that reflect overly pessimistic expectations for future earnings and return of capital to shareholders.

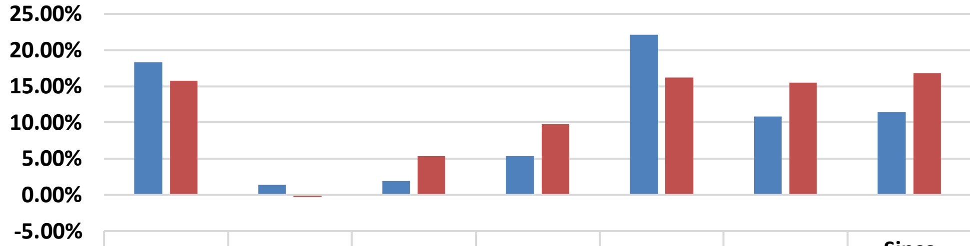
The Fund is also overweight companies with research and development-driven earnings growth, such as in health care (17.6% of the Fund) and China internet (5.7% of the Fund). In health care, we have added selectively to the Fund's pharmaceutical holdings given their compelling valuations and strong innovation pipelines, which should drive attractive earnings growth over the coming years. We also started a position in Fresenius Medical Care (the world's largest vertically integrated provider of dialysis products and services) at an attractive valuation relative to its franchise strength and market leading position. We added to the Fund's China Internet holdings in Alibaba, Baidu, and JD.com after analysing regulatory changes, revisiting the risk-reward outlook, and taking into account the significant pullback in the group.

We recognise that we do not have a crystal ball when it comes to predicting future changes in regulations. However, the following factors weighed in favour of increasing the Fund's exposure to these holdings. First, several of the government's actions are quite similar to data privacy and anti-monopoly policies that can already be observed in other markets around the world. Second, government officials and publications have reached out to investors to clarify the government's agenda and stressed the government's support of private enterprise. Third, these companies' valuations now embed much more conservative assumptions for growth and profitability.

Going forward, we remain optimistic about the long-term outlook for the Fund's portfolio. At 11.5 times forward earnings, the Fund trades at a significant discount to the overall market and remains overweight low-priced stocks that should benefit from accelerating economic growth. Despite concerns about the COVID-19 Delta variant, the economic recovery remains on track, and successful vaccination efforts have advanced the timeframe for easing the impact of the COVID-19 pandemic. Longer term, variants will likely be more manageable due to vaccine efficacy, novel therapies, and high levels of immunity. As always, we remain focused on the long term, and we encourage our shareholders to do the same.

Figure 1: Glacier Global Stock Feeder Fund performance (in ZAR) as at September 2021

Glacier Global Stock Feeder Fund performance as at September 2021



	Year-to-date	1 month	3 months	6 months	1 year (Ann)	3 years (Ann)	Since launch (Ann)
Glacier Global Stock FF	18.36%	1.42%	1.91%	5.33%	22.17%	10.80%	11.45%
MSCI World	15.78%	-0.31%	5.36%	9.77%	16.19%	15.47%	16.86%

Glacier Global Stock FF   MSCI World

Source: Morningstar Direct & Glacier Research

Table 1: MSCI World style indices performances (in ZAR) as at September 2021

	Year-to-date	1 month	3 months	6 months	1 year
MSCI World Growth	14.75%	-1.40%	6.22%	13.88%	13.73%
MSCI World Quality	16.74%	-2.66%	5.43%	12.89%	13.52%
MSCI World Value	16.52%	0.87%	4.48%	5.79%	18.75%
MSCI World Momentum	11.02%	0.15%	6.41%	9.97%	8.07%

Source: Morningstar Direct & Glacier Research

Second Quarter Performance Review – in USD

The USD accumulating class underperformed the MSCI World by 3.5 percentage points during the quarter.

Key contributors to relative performance

- In the communications services sector, the Fund's stock selection (up 14% compared to up 9% for the MSCI World sector) contributed to results. Grupo Televisa and Charter Communications were strong performers.

- The Fund's holdings in the energy sector (up 21% compared to up 9% for the MSCI World sector) had a positive impact, notably Ovintiv and Occidental Petroleum.
- Additional contributors included Capital One Financial, Wells Fargo, and Itau Unibanco.

Key detractors from relative performance

- The Fund's average underweight position was in the information technology sector (11% versus 21%) and underperformance (up 4% compared to up 12% for the MSCI World sector) hindered results.
- In the consumer discretionary sector, the Fund's holdings (down 3% compared to up 6% for the MSCI World sector) also detracted. Naspers, Alibaba, and Prosus lagged.
- Additional detractors included Barclays, Mitsubishi Electric, Credicorp, and Prudential UK.