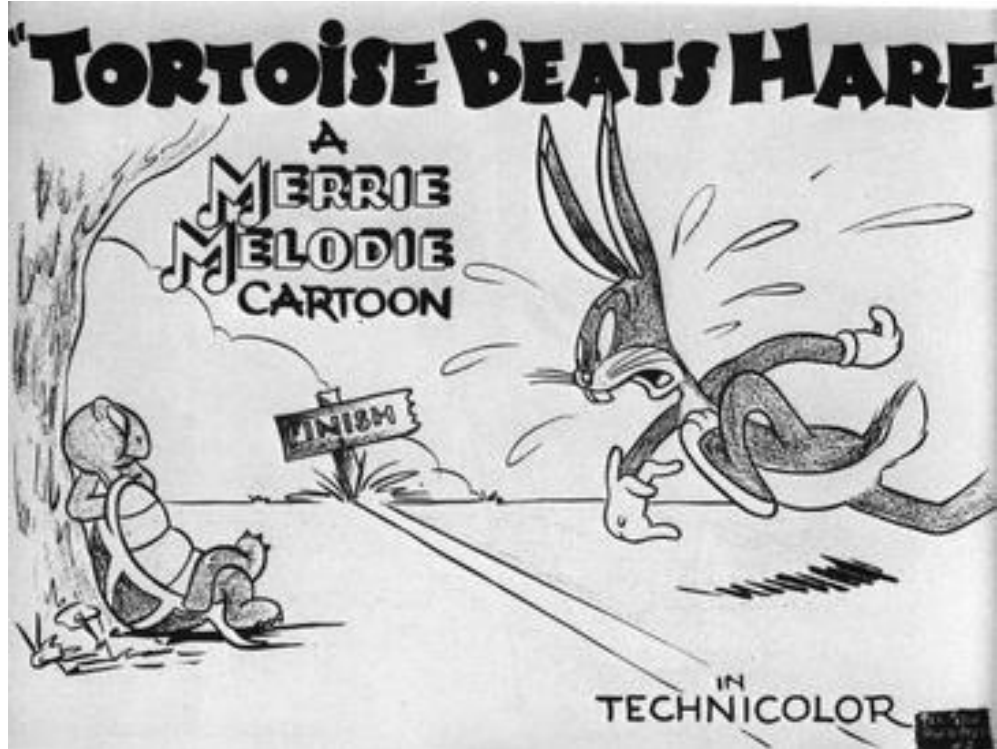


BCI Martello Global Equity Feeder Fund (A)



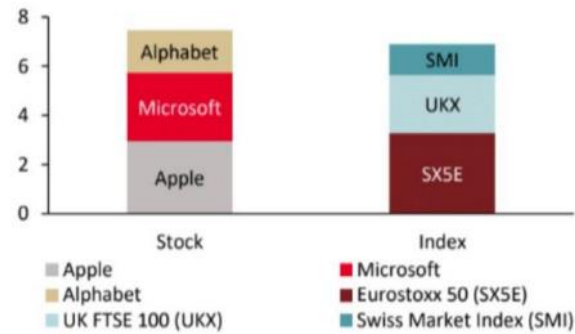
Is it time to back the tortoise(s)?

May 2024

(Feb 2024 Boutiques Weekly) - The lack of breadth in the US equity market is hitting extremes

- Three US Stocks are bigger than the Eurostoxx50, FTSE 100 and Swiss Market Index combined
- Mega Cap Tech Stocks are now outperforming small-cap stocks by the largest margin since the peak of the Dot Com bubble.

Combined market cap of just three US stocks is bigger than all the Eurostoxx 50, FTSE 100 and Swiss-market index



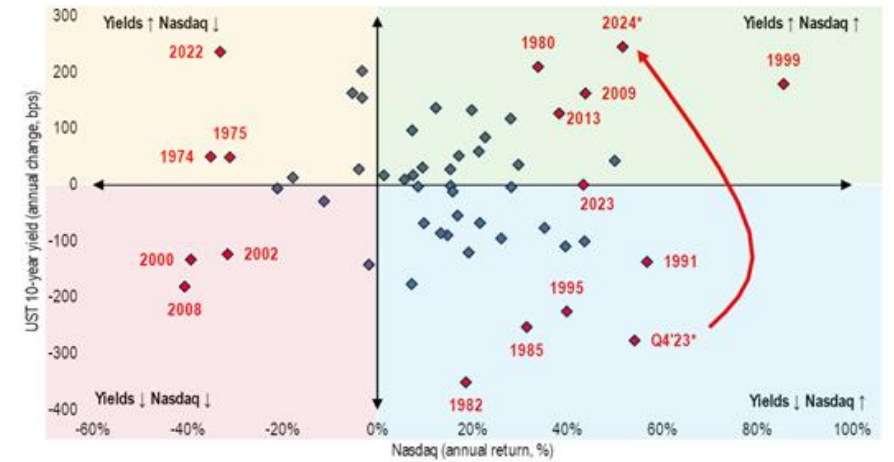
Source: Bloomberg, Refinitiv, SG Cross Asset Research/Equity Strategy



Source: SYZ Private Banking

Chart 2: Forever blowing bubbles

Nasdaq annual return (%) vs annual change in 10-year Treasury yield (%)



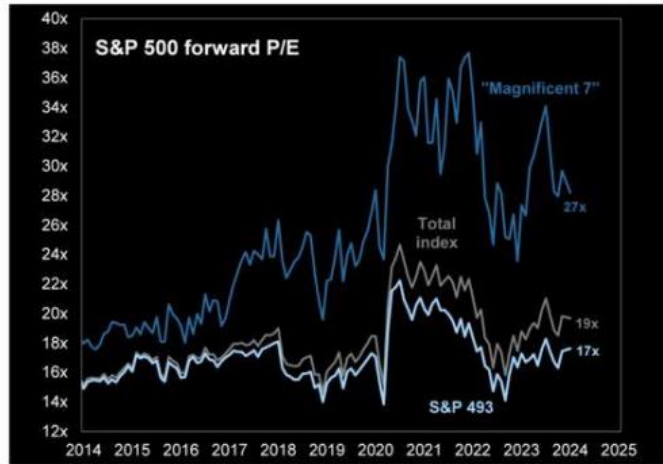
Source: BofA Global Investment Strategy, Bloomberg; *Note: Q4'23 annualized, 2024 YTD annualized through Jan 29th

Expensive for a reason but has too much optimism been baked in..?

Mag 7: Expensive for a reason

- The P/E multiple of 27x for “Magnificent 7” is way above the 17x multiple for remaining 493 stocks of the S&P 500.
- On the other hand, **the (expected) sales growth differential somewhat justifies the valuation premium.** Indeed, 2023-2025 CAGR sales growth is 11% for Magnificent 7 vs. 3% for rest of index.

Magnificent valuation



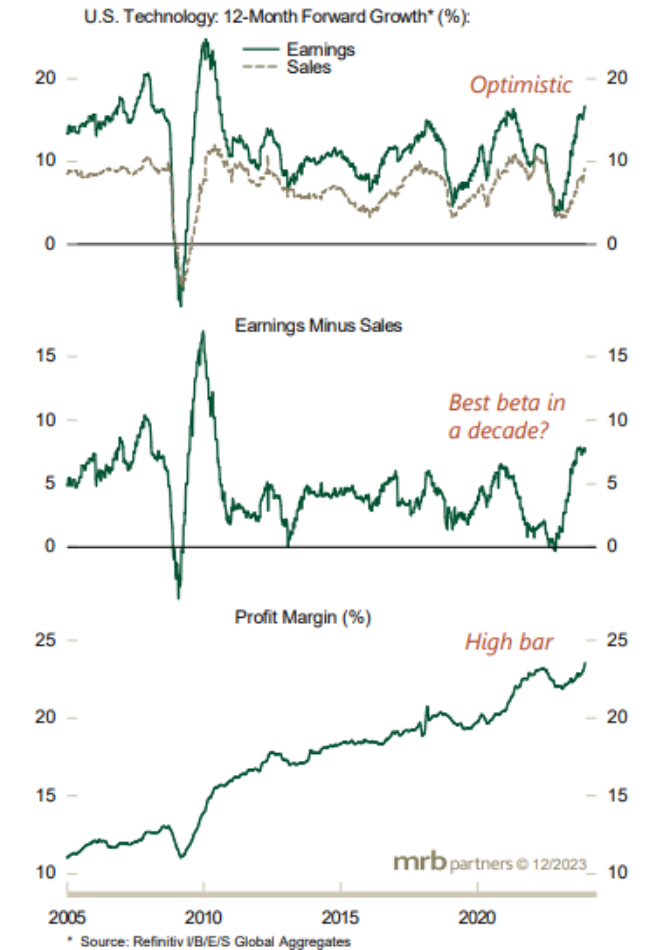
Source: Goldman

Magnificent sales growth



Source: Goldman

Chart 11 Tough Earnings Hurdle For U.S. Tech In 2024



Source: SYZ Private Banking

Effectively, the US is now a tale of two markets + high comps to non-US

Not all indices and sectors are trading at all-time highs

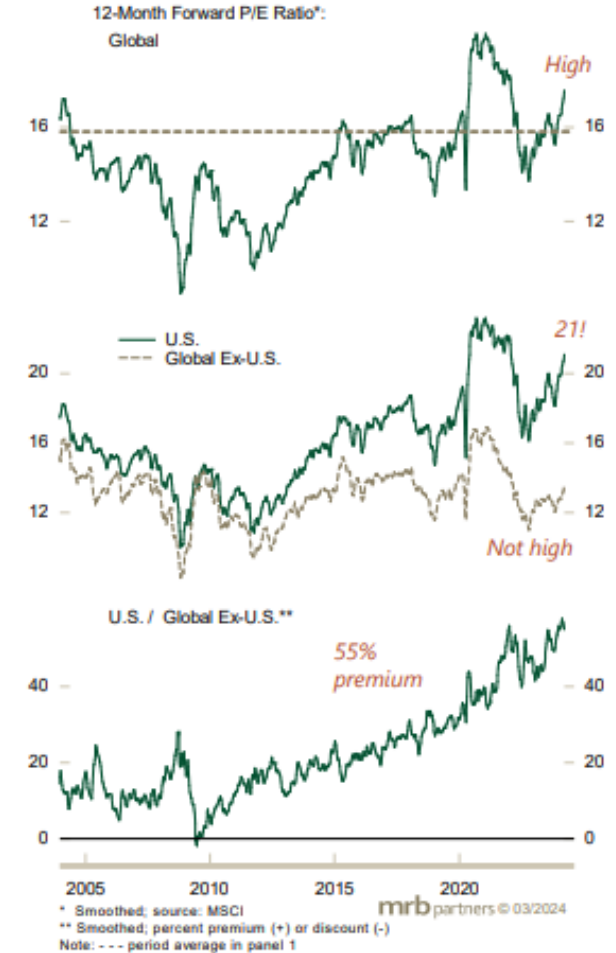
- All main indices (S&P 500, Dow and Nasdaq 100) are now at record highs but this is NOT the case for most markets and sectors
- We note a slight deterioration in S&P 500 market breadth: less than 67% of S&P 500 stocks are now trading above their 200D moving average.



Source: SYZ Private Banking

Materials \$XLB not at all-time highs.
 Energy \$XLE not at all-time highs.
 Financials \$XLF not at all-time highs.
 Industrials \$XLI not at all-time highs.
 Real Estate \$XLRE not at all-time highs.
 Discretionary \$XLY not at all-time highs.
 Staples \$XLP not at all-time highs.
 Healthcare \$XLV not at all-time highs.
 Communications \$XLC not at all-time highs.
 Utilities \$XLU not at all-time highs.
 Small-Caps \$IWM not at all-time highs.
 Emerging Markets \$EEM not at all-time highs.
 Europe \$VVK not at all-time highs.

Chart 11 Huge Gap Between U.S. & Ex-U.S. Valuations



Whilst European equities trade at all-time relative low:

Euro Stoxx 50 at a new 20-year high but at a 33% discount to US

- This bull market is not just about Tech. The Euro Stoxx 50 index is now trading at a new 20-year high
- Note that European stocks are currently trading at their lowest valuation relative to U.S. Stocks in history

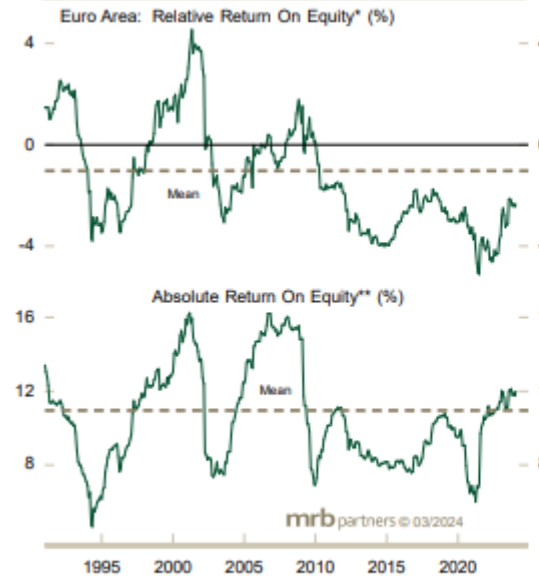


EXHIBIT 1: Europe is trading at an all-time-wide discount on 12m fwd P/E (33%).



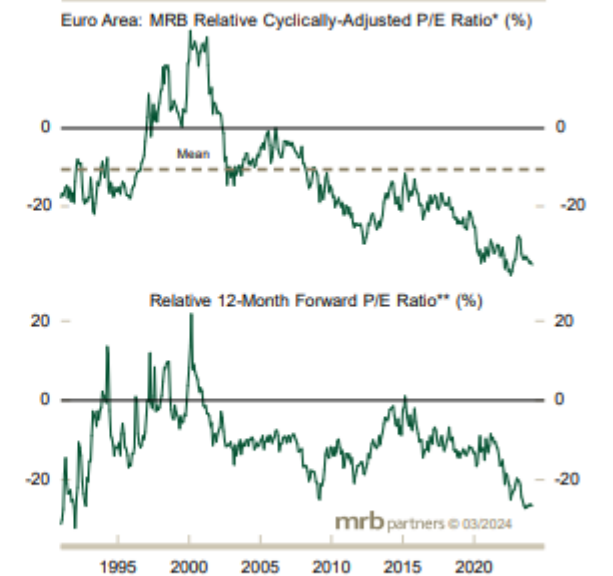
Source: IBES, Bernstein analysis

Euro Area: Return On Equity



* relative to the global equity benchmark; source: MSCI
** Source: MSCI
Note: Mean since 1975

Euro Area: Valuation

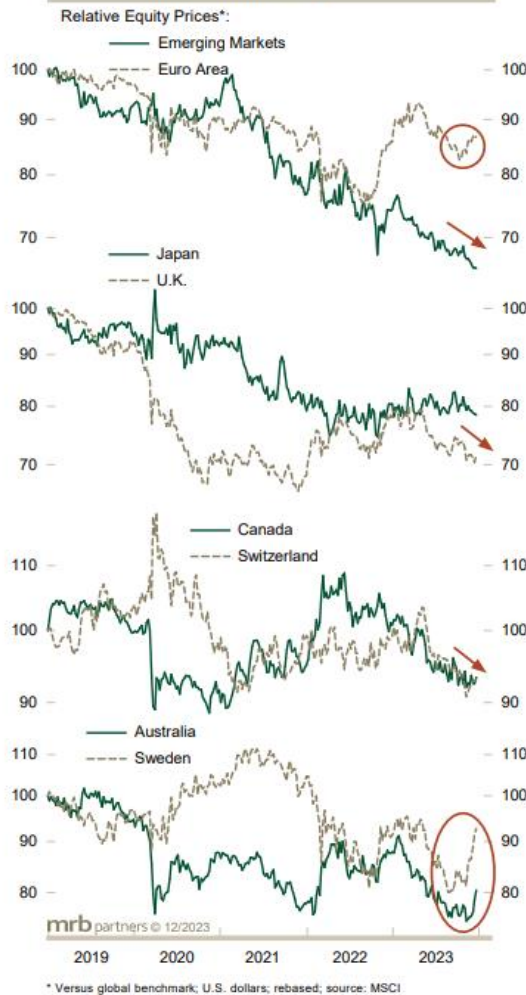


* % Premium (+), discount (-) to global equity benchmark; mean since 1995; calculation based on normalized ROE
** % Premium (+), discount (-) to global equity benchmark; source: MSCI

Source: SYZ Private Banking

The theme of 2024 – buy the laggards and increase non-US exposure?

Chart 6 Most Non-U.S. Markets Underperformed In 2023



- Growing consensus amongst forecasters and fund managers that leadership will develop in these sectors/markets in 2024.
- Based on:
 - Improving global economic growth
 - Supportive monetary easing
 - Upturn in commodity prices
 - Softer US dollar
- Leading to more favorable, cyclical conditions for ex-US earnings in 2024.
- Supported by market sector composition, a weaker comparative starting point and some low expectations...
- Earnings beta to global trade has historically favored global ex-U.S. markets when cyclical economic momentum is improving

Chart 7 Exports Upturn Should Boost Non-U.S. Earnings

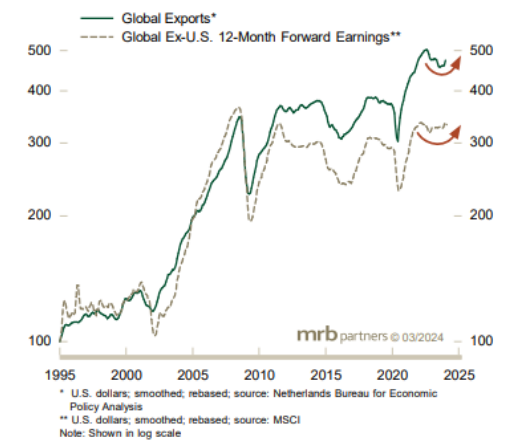
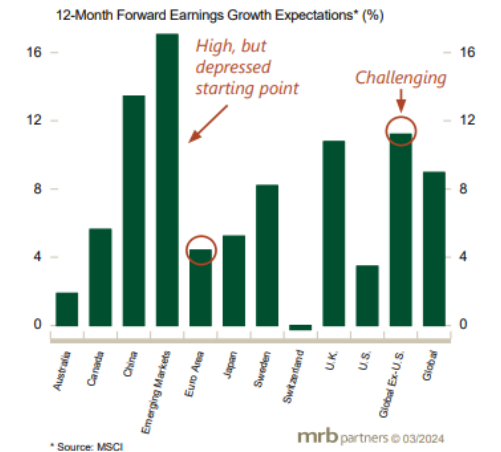
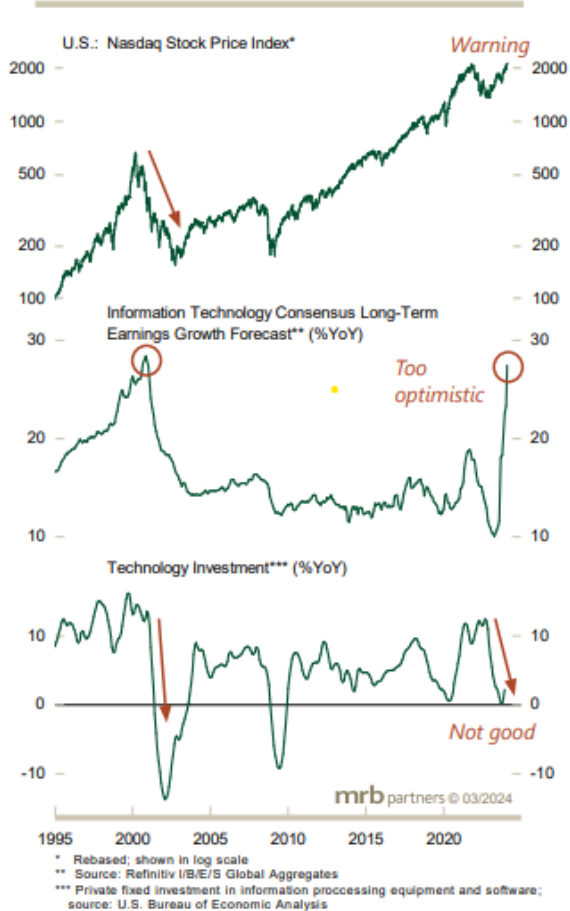


Chart 8 Sharply Diverging Earnings Growth Expectations



Time for the tortoises to play catch up..? Some thoughts.

Chart 8 U.S. Technology Stocks: Poised For Earnings Disappointments

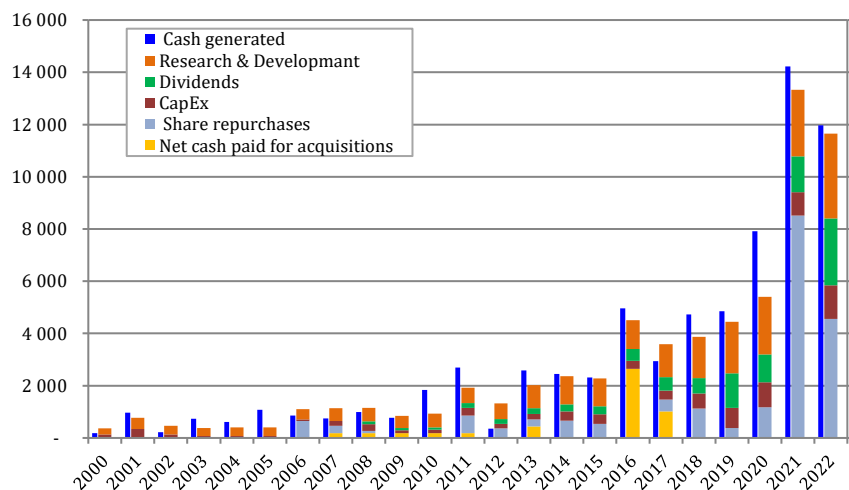


- Over the full investment cycle (including the bull market and subsequent bear market), if the leaders during the bull portion become too inflated, then they will underperform in overall terms once the next bear market has run its course, even if the economic premise behind these leaders is sound.
- There comes a point when the leaders just get too far head of the (positive) fundamentals, leading to disappointment and a de-rating
- Good themes do not always make good investments, once prices become too stretched.
- Increased diversification to other parts of the global equity market is prudent.
- Sector performance over the past month suggests that a rotation may be under way.

Martello Current Holdings

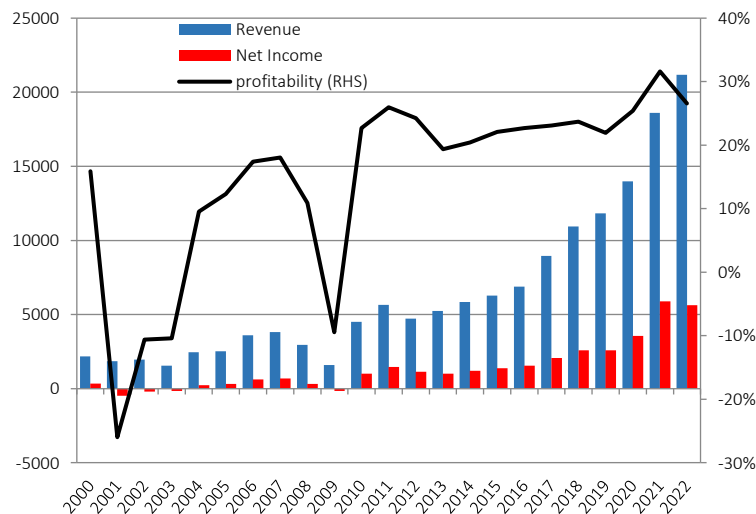


- ASML specializes in semiconductor manufacturing equipment.
- The company is the market leader, globally, in developing the most advanced hardware to mass produce semiconductors
- Revenue has doubled in the last 3 years to \$28bn driven by strong demand for their most advanced EUV (Extreme Ultraviolet) machines.



Excellent growth in FCF. ASML is spending with future growth in mind.

Source: Bloomberg



Revenue and net income have grown exponentially over the last decade with margins increasing alongside.

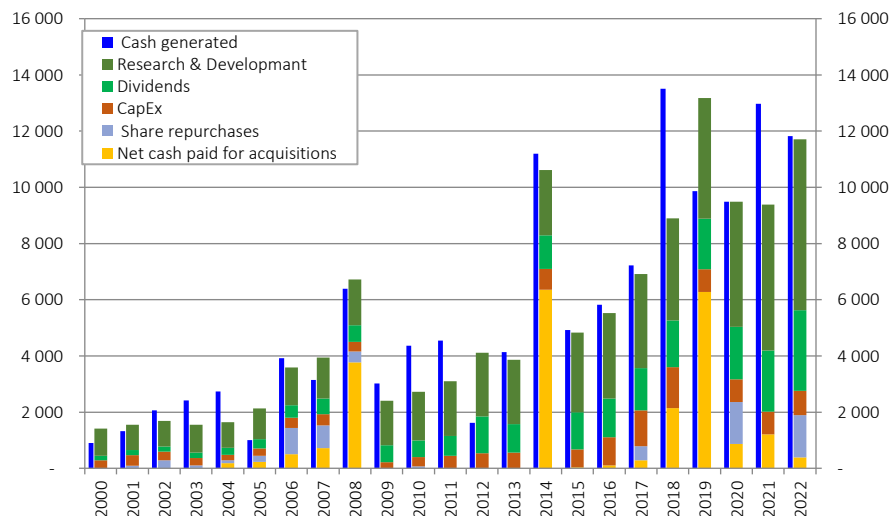
Investment thesis:

1. Company performing very well relative to the wider global market
2. ASML has a first to market and market leading advantage.
3. The company is performing well relative to the sector and the sector is performing well relative to the wider market
4. Margin accretion and FCF generation are excellent.

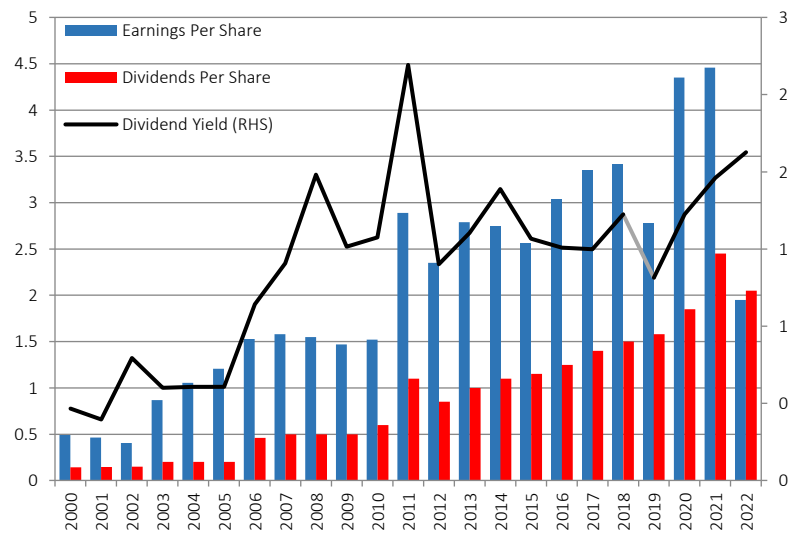
Martello Current Holdings



- SAP is a technology company specializing in enterprise management. The company is heavily investing and pivoting towards cloud services and applications.
- SAP is one of the most dominant companies within its respective subsector. The software solutions used are also very scalable meaning they can service all sized companies.
- The company is nimble enough to adapt to changing market trends and environments. In their most recent earnings release, they noted that they will be reorganizing 8,000 workers to build out their AI offering.



FCF growing well with lots being spent on R&D



EPS and dividends growing sustainably

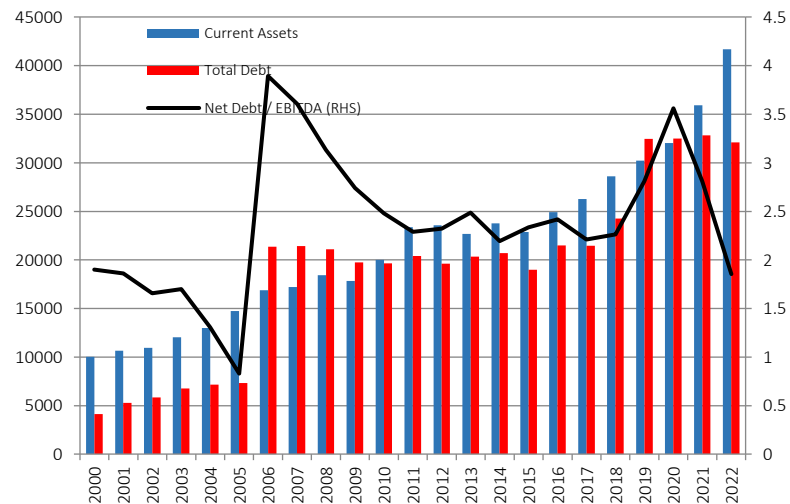
Investment thesis:

1. Company performing well relative to sector
2. The valuation at the time of purchase was very attractive versus other technology peers
3. Strong fundamentals versus peers
4. Company is committed to allocating sufficient cash to R&D purposes, consistently over time.

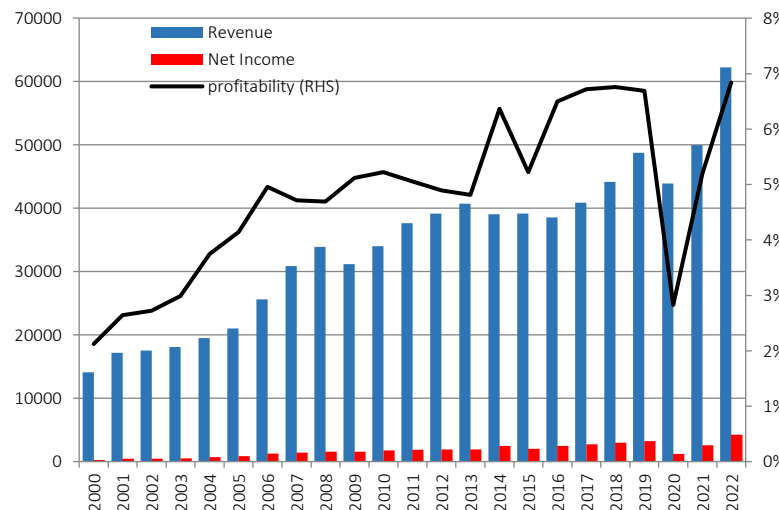
Martello Current Holdings



- Vinci is an industrial company that designs, finances and builds large infrastructure projects for the transportation, energy and construction industries.
- Vinci has a strong order book for several large projects with new projects being procured regularly.
- Company earnings and margins have remained resilient throughout various economic cycles.



Debt are managed effectively with overall net debt level declining.



Revenue and profit has grown exceptionally well over the past decade.

Investment thesis:

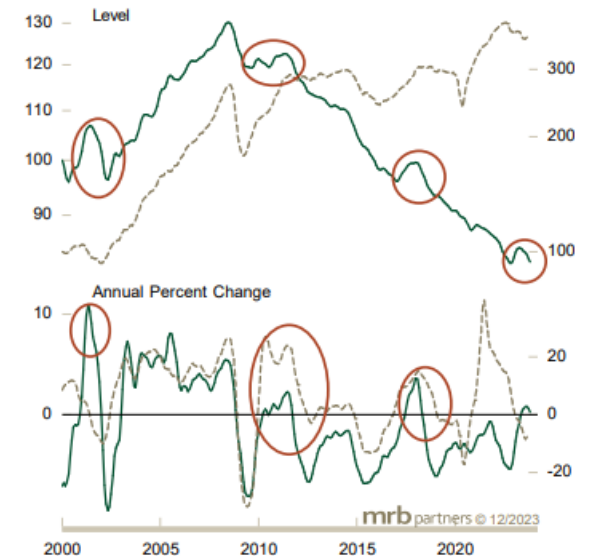
1. Vinci has a well known and well-respected brand which can help when bidding for contracts.
2. Strong order pipeline that is continually growing YoY.
3. Although Vinci predominantly operates within Europe, the company has a healthy and growing international presence.
4. It is growing strongly in the renewable energy infrastructure space globally.

Summary

- Global equity returns in 2023 were defined by the extraordinary rise in the US ‘magnificent seven’ stocks, and the largely trading range performance of the rest of the global equity universe.
- Does the argument that these companies are ‘too big to fail’ hold water against a backdrop of gradually easing monetary conditions (*currently on hold!*) and steady or improving global economic growth?
- The divergence in performance amongst the M7 in recent months suggest the market is becoming more discerning about which can continue to perform strongly from here.
- The post-October rally was sparked by optimism that a Goldilocks climate of moderating inflation, continuing global economic growth, and central bank rate cuts will prevail in 2024. This thesis is being challenged.
- European earnings beta should be supported by the anticipated upturn in global manufacturing and trade, after a disappointing 2023.
- The low hurdle for European earnings expectations, coupled with low regional ownership, presents an opportunity at the stock level for generating alpha.

Chart 9 Trade Upturn Will Help Global Ex-U.S. Markets

— Global Ex-U.S. Relative 12-Month Forward Earnings* (LS)
- - - Exports** (RS)
(all panels)



* U.S. dollars; smoothed; source: MSCI
** U.S. dollars; smoothed; source: Netherlands Bureau for Economic Policy Analysis
Note: Both panels are shown in log scale; panel 1 is rebased

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