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The Rozendal Global fund explains its major contrarian calls

Compared to its benchmark, the fund has significant exposure to emerging markets, Europe and the UK but limited exposure to mega-cap US tech stocks.

BY **RUAN JOOSTE**

[Rozendal Partners Global fund](#), which is a fully flexible, long-only portfolio, has far greater exposure to emerging markets, Europe, and the UK than its benchmark.

The fund, which is available in South Africa as the [Rozendal Global Prescient feeder fund](#), also has limited exposure to mega-cap US tech stocks.

By the end of December 2023, the Rozendal Partners Global fund's B class in US dollars delivered an annualised return of 8.3% since its inception in January 2020, compared to 8.2% for its benchmark, the FTSE Global All Cap Total Return index. That index is similar to the MSCI All Country World index, with the former including small caps, whereas the latter does not.

Over the 2023 calendar year, the fund in US dollars gained 21.6% compared to 22.2% for its benchmark.

By the end of December 2023, the Rozendal Global Prescient feeder fund's B class in rands delivered an annualised return of 15.2% since its inception in November 2019, compared to 15% for its benchmark. Over the 2023 calendar year, the fund in rands gained 33.8% compared to 31.3% for its benchmark.

Rozendal founders and portfolio managers [Wilhelm Hertzog](#) and [Paul Whitburn](#) co-manage the fund. They are both Citywire AA-rated. Rozendal is a long-term value investor.

'The Global fund has delivered returns which were a smidge short of its benchmark [in 2023],' said Hertzog (pictured below).

'Obviously, we are not preparing to be 60 basis points behind the benchmark over the long term,' he added.



Over the five years, 10 years and in 2023, growth and quality stocks were spectacular performers, Hertzog said, referring to Meta Platforms, in which the Global fund has exposure.

'These stocks are big, of high quality, have high-profit margins, low gearing, fairly stable profitability, and are not priced cheaply. Quality and growth delivered the bulk of the returns in global markets last year.

'Cheap does not mean low multiples for us, but cheap relative to fair value as seen in other countries like Greece during the economic crisis and more recently in Turkey,' Hertzog told Citywire South Africa during an interview.

Rozendal's investments in Turkish stocks did particularly well for the Global fund despite the turmoil in the country.

'Some great businesses were sold down during geopolitical tensions without paying much attention to the underlying economics.

'Turkish stocks were cheap at the time we invested, and investments in the Coca-Cola bottling company, Coca-Cola Icecek AS, delivered great returns for foreign investors in our fund over this holding period, despite the macroeconomic environment, including a period of hyperinflation,' Hertzog said.

Appealing and rewarding

Because bank stocks increase in value during periods of inflation, Rozendal found the diversified holding company Sabancı Holdings appealing and rewarding. Sabancı owns a significant stake in Akbank, one of Turkey's largest private banks.

Another winner for the fund was its investment in the Canadian uranium miner Cameco.

Uranium prices have reached levels last seen in the commodity super cycle of 2007 and 2008, and the share price of stocks related to uranium increased accordingly, Hertzog said.

He added that policymakers have become more positive about nuclear after holding off on expansion plans after the Fukushima disaster.

Another key contributor to the Global fund's returns was Burford Capital – the world's largest litigation funding business.

Hertzog said one of the key assets in the Burford portfolio is its strong balance sheet, which it uses to finance large-scale claims and lawsuits.

One of its successes has been two recent favourable judgments against the Argentine government, including a lawsuit initially filed by shareholders of oil company YPF.

'Argentina failed to honour compensation it was obliged to pay, and there have been ongoing court battles ever since,' Hertzog added.

'Basically, these [recent] judgments confirmed that Burford had valid claims against Argentina, and this narrative drove the share price up by 30%.'

Detractors

But not all calls paid off for the Global fund.

Bayer Global is one of the shares that have detracted from performance. The pharmaceuticals, agricultural and consumer health conglomerate is facing its own legal troubles.

'Bayer AG's popular Roundup weedkiller has caused much controversy,' Hertzog said.

He said the company's defenders say Bayer helped feed the world by transforming farm yields. On the other hand, opponents contend that the product's key ingredient, glyphosate, poses unacceptable environmental and health risks.

'There have been ongoing court battles and a few negative outcomes,' he added.

The food business Metro, which trades across Europe and is headquartered in Germany, has also disappointed.

'The business is in a period of transformation, moving away from hypermarket and wholesale orientation to increasingly focusing on food service delivery,' said Hertzog.

He said investors had been disappointed by the time Metro took to transform its business, placing its share price under severe pressure.

Superdry

UK-listed high street retailer Superdry, which is renowned for its puffer jackets, also hurt the Global fund's returns.

'The business is exposed to the UK fashion industry, and the retail industry there has been going through a tough time,' said Hertzog.

He added that Brexit severely knocked the company's sales and share price.

Rozendal has sold out of most of the fund's detracting stocks but still holds a minority stake in Metro.