UP

Camissa Asset Management

Third Quarter

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Fertile ground for Dipula

Tsholofelo Maretela - Trainee Analyst

"Redefine, a JSE-listed Real Estate Investment Trust (REIT), joined forces with Dijalo Property Services in 2006 to establish the Dipula Income Fund - a small-cap REIT. The name holds symbolic meaning as Dijalo translates to 'seeds' and Dipula to 'rain' - embodying the vision of this venture. With a deep commitment to property investment in South Africa, Dipula has achieved notable growth for its shareholders. We explore their local portfolio, focusing on opportunities within convenience retail centres across urban, rural and township areas."

Fertile ground for Dipula

Within South Africa, Dipula has a diverse property portfolio valued at R9.8 billion. This currently comprises 166 properties (owned and managed) primarily in the retail sector, followed in order by office, industrial and residential (*charted below*). A significant portion of its holdings are in Gauteng, one of the country's most economically active regions. Dipula's in-depth understanding of the local property market enables them to identify and respond to market trends effectively, positioning them advantageously to capitalise on emerging opportunities.

Expansion to optimisation

Dipula's portfolio has evolved through acquisitions and disposals, with assets growing from R2 billion to R9 billion in value over the past decade (*left chart following page*). Non-core assets that no longer meet potential size and growth criteria are disposed of. This emphasises a strategic focus on improving the quality and average value of its property assets, which has increased from R13.6 million to R56 million over the same period. Additionally, gross rentals across the portfolio have grown at an annual rate of 8% during this time, highlighting Dipula's acumen for propelling income growth across the retail, office and industrial property sectors.

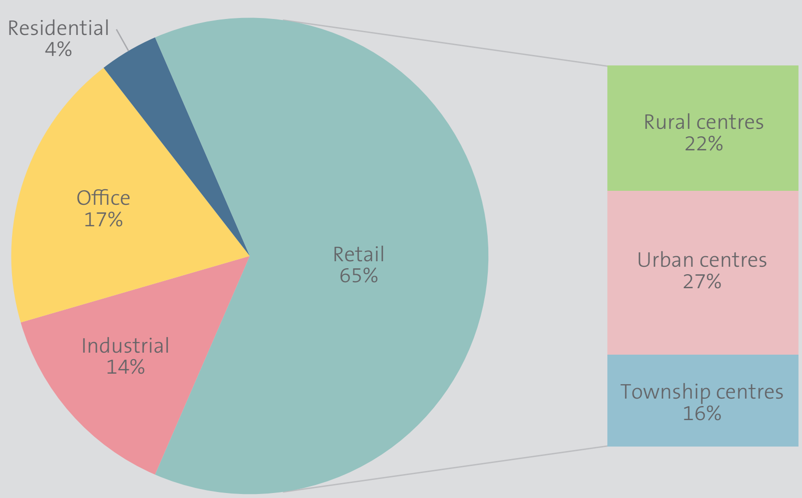
Focusing on the geographic proximity of properties in the portfolio provides the business with various benefits, including:

- agility in market response, enabling swift reaction and adaptation to market changes;
- optimising the tenant mix to suit regional needs; and
- tailoring property management strategies to effectively address local needs.

Gezina Galleries, a 17 000 m² community mall in Pretoria, is a prime example of the success of this approach. Dipula identified the younger government-employed demographic with disposable income for convenience shopping, then repositioned the mall's offerings to cater directly to this. By introducing popular apparel stores, beauty salons and fast-food outlets, the tenant mix was aligned with evolving consumer preferences to retain the mall's relevance amid changing consumer patterns. This has contributed to a significant increase in rentals and property valuations over the past decade and showcases Dipula's proactive management and foresight in adapting retail properties based on understanding market trends and tenant needs.

When Dipula listed on the JSE in 2011, their portfolio of retail property assets (*right chart following page*) contained a higher

Dipula portfolio split showing retail dominance (August 2024)



Source: Dipula, Camissa Asset Management percentage of smaller (less than 2 000 m²) single-tenant facilities facing various individual operational challenges - shown by high vacancy rates. Dipula has since shifted focus to:

- gradually rebalance its portfolio to reduce exposure to these types of properties; and
- invest in more sustainably higher-yielding assets like their community centres, which typically house between five and 25 tenants - fostering a more diversified tenant mix.

Leaning into retail

Much of the success of Dipula's portfolio optimisation strategy has hinged on the decision to focus on properties in under-serviced areas, for example Soweto and Hammanskraal, where residents rely on public transport to access essential goods. By concentrating on rural, urban and township community malls that serve the everyday needs of the surrounding communities, Dipula's portfolio of retail assets are integral parts of the local economy.

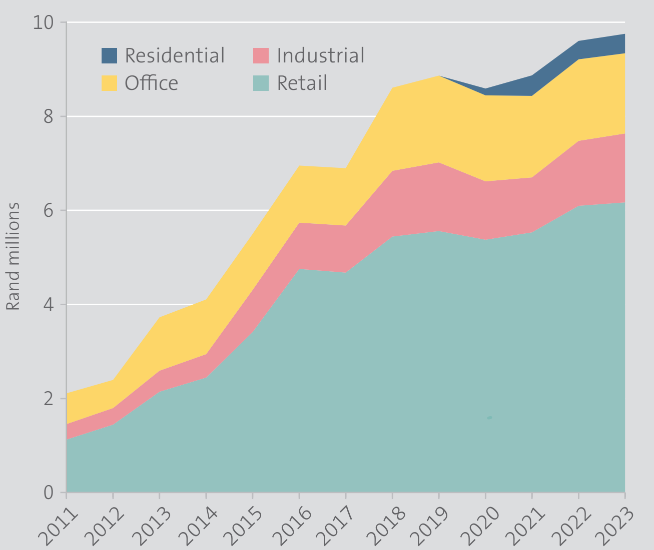
Community-focused shopping malls draw consumers and retailers alike because of their accessible locations in densely populated areas, acting as a hub for sustainable spending, with reduced transportation costs for consumers. Operating in areas where people receive state income subsidies ensures a resilient demand base for their tenants' shops.

The functional format of these community malls, prioritising convenience and access, calls for lower overall capital expenditure and maintenance costs for the properties compared with those of larger, more design-centric shopping malls.

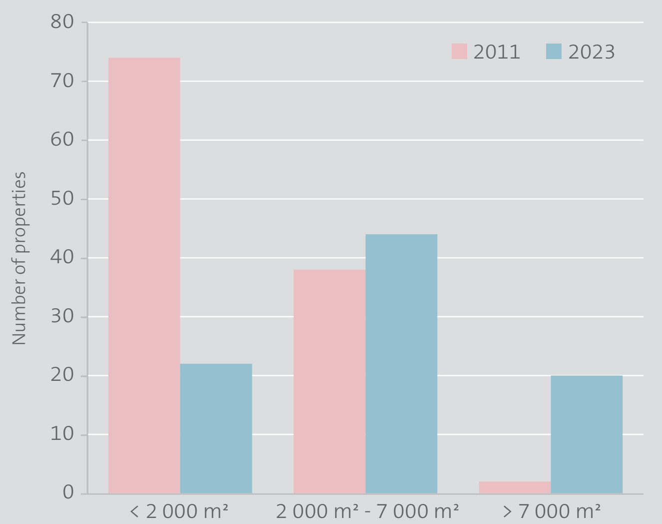
An anchor tenant (usually a grocer) draws consistent foot traffic, further supported by a well-considered tenant mix that typically includes ATMs, fast food outlets and essential services like clinics, beauty salons and internet cafés. This creates strong trading density, reflecting the mall's ability to generate revenue. Unlike larger malls that often feature underperforming department stores, Dipula's community malls have shown turnover growth rates that surpass those of regional malls, highlighting a sustainable business model that benefits tenants and the surrounding community.

E-commerce penetration in rural and township areas is low and unlikely to expand materially in future due to the practical difficulties of serving these markets, therefore posing a low threat to retail trading in Dipula's retail assets. Furthermore, retailers seeking to expand and open new stores are increasingly drawn to these underserved markets. Dipula should stand to capitalise on this growing demand by increasing rental rates from their low base (relative to sales of their tenants).

Evolution of Dipula's property portfolio



Average Dipula retail property size



Source: Dipula, Camissa Asset Management

Fertile ground for Dipula

Security in sustainability

Dipula's retail portfolio sustainability has been effectively managed through:

- ensuring a steady stream of income from established national retailers who occupy 85% of their retail properties; and
- prioritising support for the communities they serve. This is achieved by strategically allocating space to small, medium and micro enterprises - diversifying the tenant base and bolstering local economies. It is exemplified by their provision of rent-free, fully-serviced hawker stalls in some community malls, aimed at nurturing local entrepreneurship.

The synergy between fostering community growth and ensuring economic viability is evident in Dipula's consistent net property income yield of 9%, which remains robust despite the escalating utility and municipal costs that challenge profitability in the sector. Achieving this balance shows proficiency in managing operational costs and sustaining healthy operating margins.

Evolution in the rest of the portfolio

Dipula's office portfolio, which constitutes 20% of total assets, is primarily occupied by government tenants. A significant number of these leases were recently adjusted downwards to reflect current market rates, with extended longer duration terms. While longer duration contracts ensure greater income stability, this has resulted in lower rental income compared to the preceding short-term, month-to-month leases. The expectation is, however, that future rental income will grow steadily from this base, given the extended lease terms. Notably, government tenants represent a stable occupancy profile with low turnover rates because of the long-term nature of their employment commitments.

Dipula carefully evaluates whether non-core assets should be sold or repurposed to unlock value. In 2018, the company converted two office buildings into residential units in Johannesburg and Midrand, capitalising on their proximity to public transport and retail amenities. The project was successful and marked a strategic shift for the business that continued in 2019, with the development of an apartment complex and the acquisition of additional units in Johannesburg - further strengthening Dipula's residential portfolio. By offering affordable one-bedroom apartments at an average rent of R5 000 per month, Dipula effectively caters to the growing demand for rental housing amid affordability challenges in homeownership.

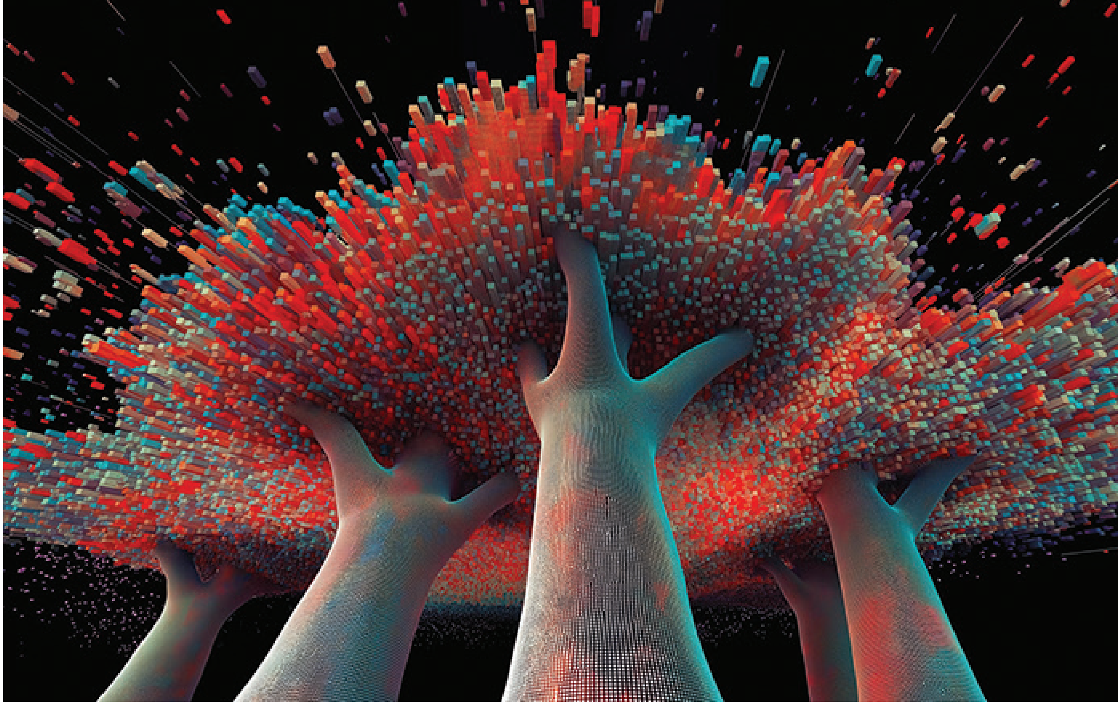
In the industrial sector, the combination of strong demand for space and limited supply has reinforced market growth. Dipula's industrial properties make up 14% of the portfolio, with notable performance in their mid-sized properties - evidenced by low vacancy rates (around 4%) and steady rental growth.

Long-term growth

Over the past decade, Dipula's property investments have consistently delivered an average return on invested capital surpassing most industry peers. Furthermore, with a loan-to-value ratio of 35% - well below industry norms - Dipula's conservative use of debt means financial resilience, strengthening its platform for growth. As interest rates are reduced by the SARB, property companies stand to benefit from a less restrictive interest rate environment. Dipula's recent debt syndication and prudent financial strategy demonstrates proactive debt management capabilities, allowing the company to capitalise on improved cash flows in this more favourable climate.

Additionally, its R200 million portfolio revamps, including R50 million investment in solar projects and non-core asset disposal efforts, highlight a commitment to operational efficiency and sustainable growth.

With these initiatives and financial strategies in place, Dipula is poised to optimise its portfolio and navigate market changes. Proven ability to adapt to industry-specific challenges and efficiently manage capital, signals a strong outlook for continued, resilient long-term returns - reinforcing confidence in sustained value creation for Dipula shareholders. UP



MTN offers opportunity despite disruption

Aslam Dalvi - Portfolio Manager

"MTN's share price has been very weak over the last year. While many of its markets face economic challenges, the main driver of market pessimism has been the adverse effects of a significantly weaker naira exchange rate on the group's earnings. Despite these near-term challenges, MTN's long-term fundamentals and growth outlook remains strong."

MTN offers opportunity despite disruption

We examine the key obstacles MTN faces in Nigeria, highlight the group's competitive advantages and evaluate its growth prospects in data services and mobile money. We also outline positive technological developments and additional areas where shareholder value could be generated.

Fading Nigerian headwinds

Nigeria's currency, the naira, has sharply devalued over the past year in response to drastic steps taken by the Nigerian government to normalise monetary policy and follow a more orthodox macroeconomic framework. While these interventions should be positive for the long-term prospects for Nigeria's economic growth, they are currently distressing for economic participants as they face very high inflation and interest rates. Nigeria is MTN's second largest market, with a large US dollar cost base that increases in naira terms as the currency weakens. The combination of higher costs and the upward revaluation of dollar liabilities will result in MTN Nigeria reporting material near-term naira losses.

Another significant challenge at present is the difficult telecommunication regulatory environment in Nigeria. Despite the industry as a whole being lossmaking, the regulator has not approved any tariff increases. This greatly reduces the industry's ability to offset material cost inflation. MTN Nigeria has somewhat mitigated this through lowering discounts to customers and bundle optimisation[1]. Ultimately, tariff increases will be needed for smaller players to be viable. MTN Nigeria's subscriber market share has already risen from 39% to 51% in the last few months as competitors struggle.

While group earnings from Nigeria will be down substantially this year, we do anticipate an improving performance beyond 2024. This is mostly owing to planned cost reductions, effective tariff increases through bundle optimisation and the recently announced renegotiation of onerous lease contracts in Nigeria. As headwinds fade and earnings recover, investor focus should shift back to MTN's robust fundamentals and many structural growth opportunities.

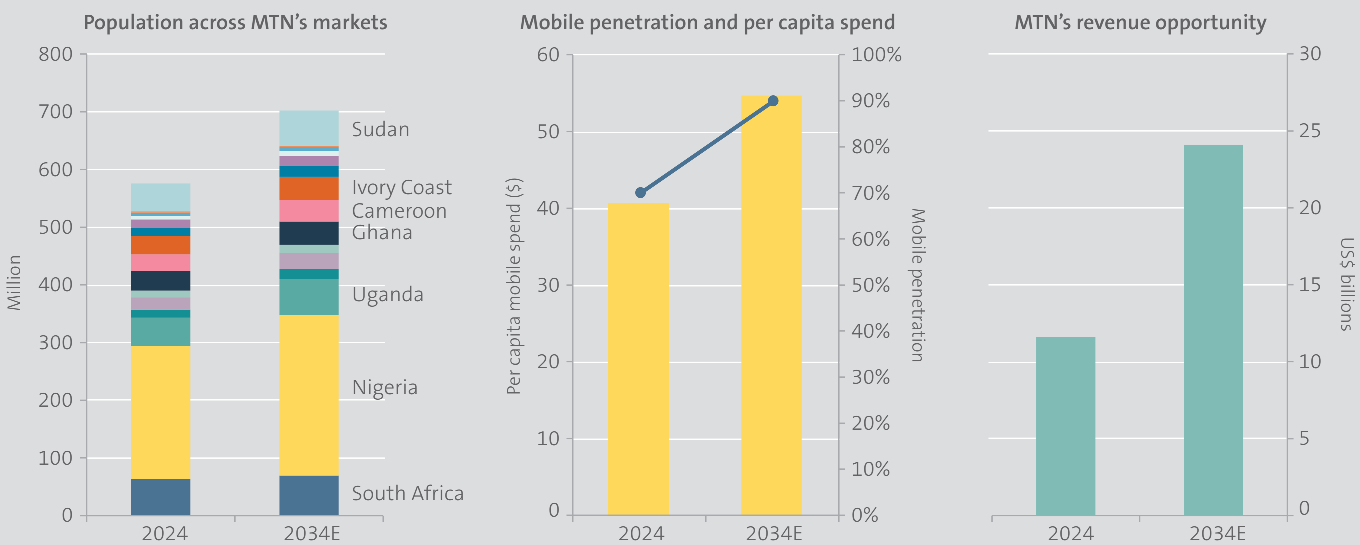
One of the world's largest customer platforms

MTN is uniquely positioned as Africa's largest mobile telecommunications provider, with around 300 million subscribers across 17 countries. It has a strong presence in its key markets and enjoys significant economies of scale.

Excluding South Africa, which is a mature market, MTN is exposed to very favourable long-term demographics. We estimate that the population across MTN's markets exceeds half a billion people, with mobile subscriber penetration at

[1] The packaging of voice and data products to encourage consumers to trade to higher cost and value packages.

Favourable demographics for MTN



Note: Mobile penetration is the proportion of the population within MTN's markets with a mobile device. Per capita spend is the annual dollar amount spent per MTN user on mobile services across all its markets.
Source: MTN, GSMA, PWC, World Bank data, Camissa Asset Management estimates

70%. High population growth, rising mobile penetration and rapidly growing per capita incomes support a potential doubling of MTN's revenue over the next decade (in US dollar terms) - *charted on previous page*.

Data is a multi-year growth opportunity

Unlike developed markets, Africa lacks widespread fixed-line networks for high-volume data use. MTN recognised the data opportunity early and invested ahead of demand to secure its lead in this fast-growing market.

MTN's data revenue has grown at 21% per annum since 2015 (*left chart below*) and now accounts for over 40% of the group's total revenue. The outlook for data growth remains robust, supported by shifts in consumer preferences toward data-intensive services such as gaming, music and video streaming, and the rapid evolution of online offerings in general.

There remains substantial growth potential in data usage across MTN's markets, with only half of its customers currently using data services at less than 5GB of data per month on average - far below the 25GB average seen in developed markets.

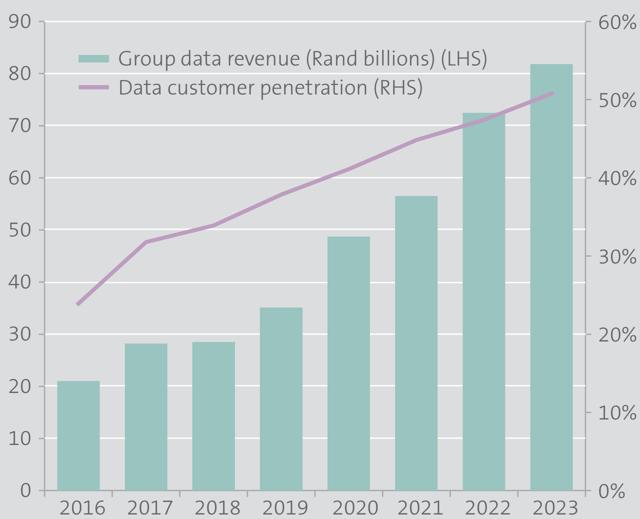
A key enabler of this growth is the rapid expansion of high speed 3G and 4G services across the African continent. Today, around a quarter of MTN's subscribers still use legacy 2G services and devices with limited internet capability. As affordable smartphones become more widespread, data consumption is expected to surge, with 4G users typically consuming three to five times more data than 2G users.

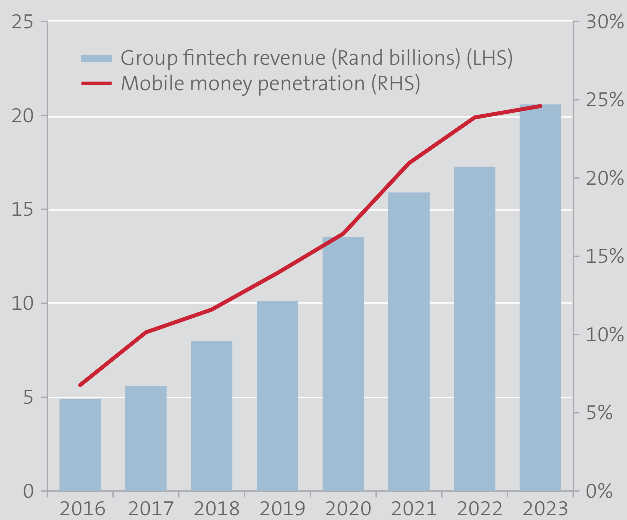
Significant mobile money potential

Mobile money refers to banking services delivered over mobile phones. Its adoption has grown meaningfully over the last decade, particularly within developing economies, where financial inclusion is low. Supported by rising mobile penetration, the demand for mobile money services continues to grow as access to financial services benefits consumers through lower friction and transactional costs. Mobile money has also supported the development of small businesses that can now transact without handling cash, along with accessing general credit and working capital financing more easily.

MTN's large customer base, vast distribution network and extensive billing relationships give it a strong competitive advantage over smaller telco players and traditional banks. This has enabled MTN to grow their mobile money operations by around 25% per annum since 2015 (*right chart below*). Despite this rapid growth, only 25% of MTN's existing customers use the service, presenting another area of strong growth potential.

Low penetration supports a robust data and mobile money growth outlook for MTN





Source: Company financials, Camissa Asset Management

MTN offers opportunity despite disruption

Looking ahead, we estimate the future addressable market for mobile money services across MTN's territories may be as large as $15 billion per annum, substantially bigger than its current mobile money revenue of around $1 billion per annum. The mobile money business model has strong economics, with high returns on capital, low capital intensity and strong free cash flow generation. These capital light businesses typically attract high financial market valuations (ie valuations as a multiple of earnings). Recent transactions, where MTN and Airtel sold minority stakes in their mobile money operations provide very relevant evidence of this (valuation multiples were four times the group valuation multiples).

Technology shifts to boost returns

Building a telecommunication network requires huge capital investment and MTN has spent over R40 billion per annum on network expansion in recent years. Managing a mobile network is also costly, with around one third of total expenses related to network maintenance. Historically, there has been little competition between vendors of telecommunication equipment that supply the mobile operators, such as MTN. These operators are often locked into the ecosystem of a specific supplier. The shift to Open Radio Access Network (O-RAN) and Virtual Radio Access Network (V-RAN) technologies is expected to radically transform the industry.

For example, O-RAN allows interoperability between vendors, enabling mobile operators to use cheaper third-party, or in-house designed, equipment for specific parts of their network. An important benefit of V-RAN, which separates the software (management) layer of the network from the hardware, is that it improves utilisation by allowing operators to scale network resources to address changing demand patterns. It also allows for automated fault finding and network recovery, which reduces the number of engineers needed to maintain the network.

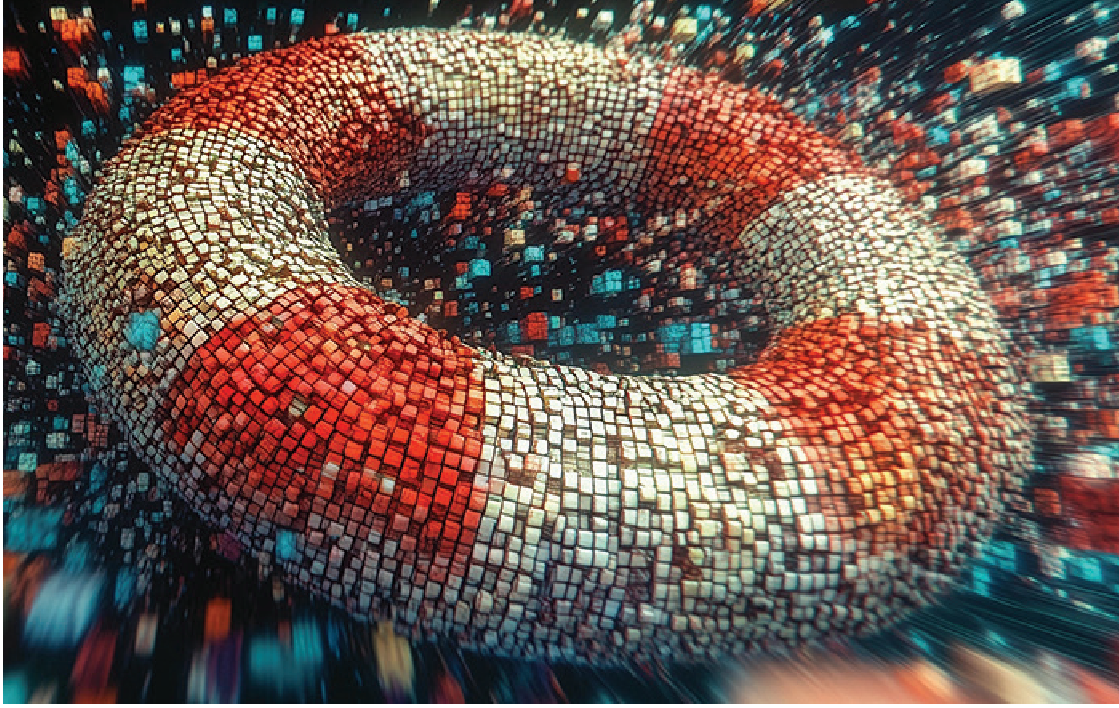
With greater competition and flexibility, it is widely expected that these technological developments will reduce equipment and maintenance costs by 25% to 40%. Considering how much mobile operators spend annually, these savings will support a material step up in overall industry free cash flow and returns on capital.

MTN is leading the way in Africa, having partnered with Rakuten Symphony, a global leader in the implementation of O-RAN technology. Rakuten is among the first companies to implement the technology at scale, with substantial savings realised to date. The two companies have recently completed a proof-of-concept trial, with a plan to roll out the technology across MTN's key markets over the next three years.

Uncertainty creates a compelling investment opportunity

Despite the near-term challenges, MTN's long-term fundamentals and growth outlook remain very positive. As Africa's largest mobile telecommunications company, MTN is well diversified, operating in over 17 African countries that will be growing their per capita incomes rapidly in the years ahead. The business is exposed to several secular growth drivers such as rising data consumption and the rapid expansion of mobile money services to a large unbanked population. Furthermore, technology advancements have the potential to positively alter the long-term economics and returns for the group.

In addition to the secular growth opportunities discussed, management is separately focused on improving financial returns through more effective capital spend, scaling its digital solutions businesses and corporate restructuring - all of which have the potential to add more value over time. While there is some near-term uncertainty around the outlook for Nigeria, the current MTN price already discounts no value for their Nigerian business and therefore presents the opportunity for outsized future shareholder returns. UP



Sanlam targets new horizons

Edward Mtsweni - Investment Analyst

More than a century ago, Santam established the South African National Life Assurance company (Sanlam) in response to the growing demand for life insurance among its customers. By 1954, Sanlam had grown substantially, and they acquired a controlling stake in Santam. Since demutualising and listing on the JSE Securities Exchange in 1998, Sanlam has developed into a diversified financial services company and one of the largest insurance companies in Africa. We explore their operations and their recent corporate actions that are expected to further strengthen their market position.

Sanlam targets new horizons

Diversification and growth

Sanlam offers a broad range of services to individual and corporate clients, including life and general insurance, investment management and credit solutions. Their products cater for diverse needs and life stages, with operations organised into several key segments as *charted below*.

Sanlam's market-leading **life insurance** division offers comprehensive coverage (ie life and funeral cover and annuities) and savings products to protect and support individuals and families across different income levels. The **general insurance** division provides short-term and risk management solutions through its large shareholding in Santam, insuring an extensive array of personal and corporate assets. **Sanlam Investment Management** offers asset management and financial planning services aimed at growing and preserving wealth. The **emerging markets** segment is expanding its footprint across Africa and India, capitalising on the regions' growing demand for financial products.

Sanlam has a reputation for prudent capital management and high returns on capital. In addition to its extensive distribution network, a deep understanding of local markets combined with strategic partnerships and acquisitions, bolsters its competitive advantage. Sanlam's wide presence in Africa positions the business at the forefront of the continent's rapidly evolving financial landscape.

Partnering well in South Africa

Over the past few years, the life insurance industry in South Africa has faced numerous challenges such as increased mortality rates and weak consumers given the tough economic climate. Despite these headwinds, Sanlam has maintained and grown its market share in this highly competitive industry, proactively diversifying their product offering through strategic acquisitions and partnerships aimed at offering valuable services across the income spectrum.

The Retail Mass segment, which offers funeral insurance, focuses on low- to middle-income consumers, many of whom are first-time participants in formal financial services. This has been a key growth area for Sanlam, largely fuelled by a successful joint venture with Capitec since 2018. This partnership combined Sanlam's insurance expertise and Capitec's banking infrastructure and client reach to offer affordable funeral cover to Capitec's customers.

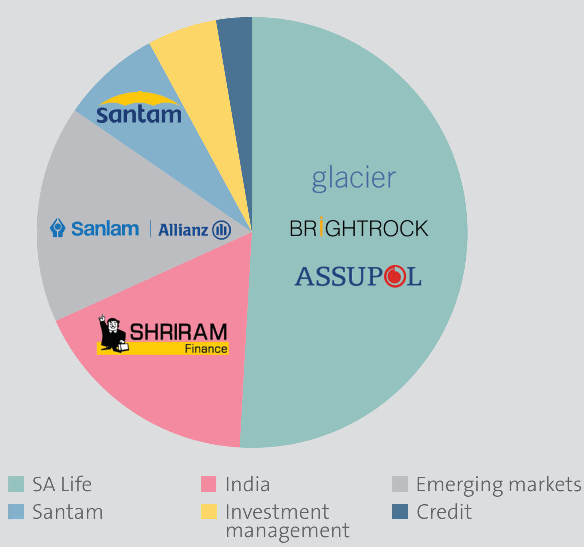
Following the sale of their part of the joint venture to Capitec in October 2024[1], Sanlam has turned to the acquisition of Assupol to maintain its presence in the mass market. Assupol's strong reputation in funeral and life insurance, particularly among civil servants, aligns well with Sanlam's strategy to extend its reach within this target market. By targeting Assupol's established customer base and utilising its branch network, Sanlam can now pursue cross-selling opportunities in the areas of savings plans, health insurance and short-term insurance.

The Retail Affluent segment targets higher-income individuals, with more complex and comprehensive financial products, which usually require high levels of advice. This division has also been strategically bolstered through partnerships and acquisitions. For example, the collaboration with Capital Legacy (leader in wills and estate planning) has sought to enable Sanlam to offer more complete estate planning solutions to its affluent clients.

Sanlam's partnership with Absa Investments enables both companies to focus on their core strengths: Sanlam has strength

[1] Capitec now has its own licensed insurer, Capitec Life, which can sell policies directly to its customers.

Sanlam's operating profit split (2023)



Source: Sanlam presentation, Camissa Asset Management research and scale in managing investments and Absa has distribution scale through its vast banking network. By integrating Absa's investment business, Sanlam can offer a wider array of investment products and reach a larger client base.

Sanlam recently announced its intention to merge its investment management division with Ninety One, to create South Africa's largest investment manager. Further scale should be supportive of economic value creation and the global capabilities of Ninety One should offer huge value to Sanlam clients. However, merging people businesses poses substantial risks and there may be client leakage.

These strategic initiatives enable Sanlam to offer a full suite of financial services at scale. This not only enhances cross-selling opportunities but also improves market visibility, supporting future growth in a competitive landscape.

African champion

The recently formed Sanlam-Allianz joint venture merges Sanlam's extensive experience in general insurance with Allianz's extensive life insurance operation. The collaboration harnesses complementary strengths and geographical positions with the aim of unlocking new growth avenues across the continent. As *illustrated below*, this joint venture is highly diversified geographically, positioned in the top three in 16 of the 27 countries in which it operates, with the largest exposures to Morocco and Egypt.

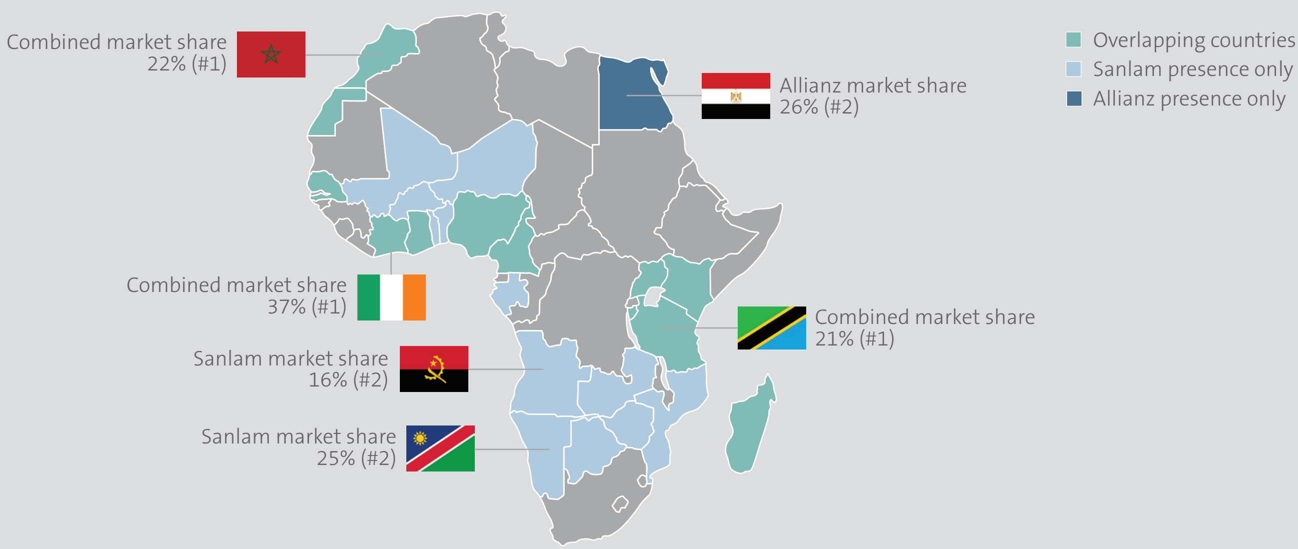
Sanlam's general insurance division is within the top five in Morocco. The joint venture aims to harness Allianz's bancassurance[2] strengths to grow market share. Despite the dominance of banks in life insurance distribution, the joint venture is focused on expanding its agency force and other distribution channels to reach a broader client base. It will foster financial inclusion by distributing more accessible products, potentially reaching underserved segments through mobile phone channels.

Allianz has dominated in Egypt, which has been a cornerstone of its African operations, particularly in the life insurance sector. Characterised by high savings rates and a preference for life insurance products, the Egyptian market offers substantial growth opportunities in other products. Demand for insurance products in the region is expected to grow due to a rising middle class and an expanding economy.

Looking ahead, Sanlam's extensive agency force across Africa, combined with Allianz's established bancassurance channels, enables a broader audience reach in a region where insurance penetration is lower than the global average.

[2] The selling of life assurance and other insurance products and services by banking institutions.

Sanlam-Allianz JV: meaningful value uplift with strong market presence



Source: Sanlam presentation, Camissa Asset Management research

Sanlam targets new horizons

Community focus in India

Established in 2005, Sanlam's partnership with the Shriram Group, a formidable player in India's financial sector, operates through distinct yet synergistic divisions, namely Shriram Life Insurance, Shriram General Insurance and Shriram Finance.

Shriram Finance is one of the largest non-banking financial companies in India. With a credit book exceeding R1 trillion, it is a leader in the financing of pre-owned commercial vehicles and two-wheelers. It also finances passenger vehicles and construction equipment and offers personal loans (*shown below*). It has built a reputation for community-based financial services. Employees (often embedded in the communities they serve) possess deep insights into their clientele and foster trust that results in high debt collection rates. Given the niche segment in which they operate, prudence has been shown in growing the company's lending book, which has helped maintain low levels of bad debt experience.

Shriram Life Insurance has rapidly expanded its footprint in India. Initially distributed solely through Shriram Finance's branch network, its offering has increased to include broker and digital distribution methods. A sprawling distribution framework enables this division to penetrate deep into the market, offering products from traditional term insurance to endowment plans and savings policies. Sanlam owns 42% of the life insurance business and brought essential intellectual property in insurance to the partnership. Despite its early stage, the life insurance division has an impressive reach, servicing over eight million clients to date, with a significant runway for growth.

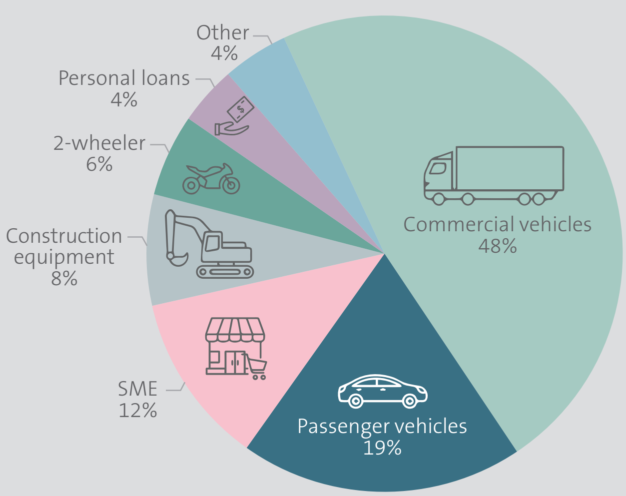
Similarly, **Shriram General Insurance** operations benefit from cross-selling opportunities within the lending ecosystem, especially through Shriram's vehicle finance business. This synergy boosts business volumes and ensures a steady inflow of premiums from a customer base that is well understood, reducing the risk of defaults. The division is also capitalising on digital channels and agents, which are emerging as key areas of growth.

Sanlam's partnership with Shriram Group has resulted in substantial growth across credit insurance, life insurance and general insurance via a strong distribution network and a community-based approach. These businesses are well-positioned for sustained expansion and deeper market penetration in India's fast-growing financial services sector.

Strategically aligned for future expansion

A path of carefully considered acquisitions and partnerships across Africa and India have positioned Sanlam well for long-term growth, particularly in under-penetrated markets. Together, these moves assist Sanlam in creating strategic synergies that work toward increasing profitability and cementing its status as a frontrunner in the highly competitive global insurance industry. UP

Shriram's loan book split by customer segment



Source: Shriram finance report, Camissa Asset Management research

JD Sports grows confidently

Dirk van Vlaanderen - Portfolio Manager

"Named after its founders, John Wardle and David Makin, John David Sports opened its first store near Manchester in 1981. Now trading as JD Sports, it has grown from humble beginnings into one of the world's largest sportswear retailers. We unpack its history and set out how it is positioned to benefit from strong global demand for sportswear products into the future, providing high economic returns for its shareholders."

JD Sports grows confidently

Catering to the wellness trend

In 2024, the global sportswear industry generated revenues of around $400 billion, after 8% per annum growth over the last decade. This stems from healthy demand in developed markets, particularly North America (over 45% of the global market), and robust growth from emerging markets, predominantly China. The trend towards athleisure fashion and increased physical activity have been the key drivers. An increased focus on health and wellness, post the COVID pandemic, strongly supports the outlook for the sportswear market into the future.

From small scale to global leader

JD Sports spent its first 20 years consolidating the UK sportswear market, acquiring sportswear stores and opening its own. In 2009, it embarked on its journey beyond the UK by acquiring the French retailer Chausport. It has since continued to grow organically and by acquiring businesses in other European markets - entering the USA in 2018.

Today, JD Sports is a global business operating out of 4 500 stores, generating around 40% of revenue from North America, 27% from Europe and 28% from its home UK market (*shown here*). The footwear category dominates its sales, generating close to 60% of revenue for the group, with apparel as the next largest category at 30%.

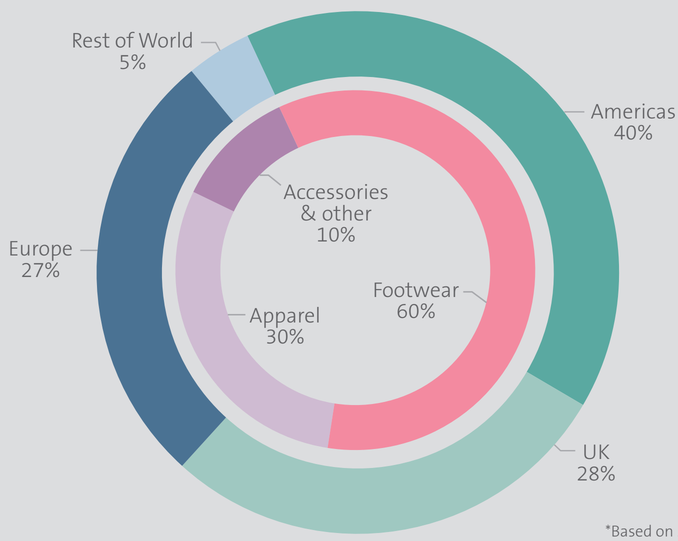
JD Sports branded stores form the core of the business - accounting for 70% of revenue - and it retains other local brands within the portfolio including DTLR, Shoe Palace and Hibbett in the USA. The business strategy is to continue to open new, more profitable, JD Sports branded stores and to migrate local branded stores to the JD Sports banner.

A winning strategy

JD Sports' well-invested, modern store base resonates with its core consumers, typically 16 to 24-year-olds. The business has very strong merchandising credentials, with dynamic product-buying teams that ensure the latest and most sought-after products are available in-store. This merchandising prowess ensures that JD Sports sells more of its inventory at full price, avoiding the large seasonal discounting often seen at its competitors. This is good for profitability and preferred by the large brand owners as it helps to maintain their premium brand status.

The scale of JD Sports makes it a key partner for the large global sportswear brands, particularly Nike and Adidas.

Revenue breakdown by region and product*



*Based on 2024 revenues, including Hibbett on a pro-forma basis.
Source: JD Sports, Camissa Asset Management estimates

By our estimates, Nike products account for over 50% of all products sold by the group. These partnerships enable JD Sports to provide valuable input into innovation and new product development based on its intelligence in market trends. The business therefore receives a significant allocation of exclusive products (estimated at 40% of their merchandise at any given time) and sizable allocations to popular product ranges. This access results in increased foot traffic and revenue for its stores.

The access to high demand products and the benefits from their material scale have been the key contributors to the success of JD Sports over the years. As evidenced in the *chart below*, the business has generated strong operating profit growth at improving profit margins, resulting in very favourable returns on capital. Their ability to successfully open or buy stores at attractive returns should continue to produce growing shareholder earnings into the future.

USA is a key growth market

JD Sports first entered the US market through the acquisition of Finish Line in 2018. The US business was further buoyed by the acquisition of Shoe Palace in 2021, DTLR in 2022 and, most recently, Hibbett Sports in 2024 (*charted on following page*). These acquisitions have resulted in nationwide coverage, positioning JD Sports as the largest US specialist sportswear retailer.

The group's strategy prioritises the rolling out of JD Sports stores at appropriate locations across the US, together with the conversion of Finish Line stores to the JD Sports brand over time. With acquired stores, the group strongly grows sales density (revenue per m² of store space) and therefore overall profits by:

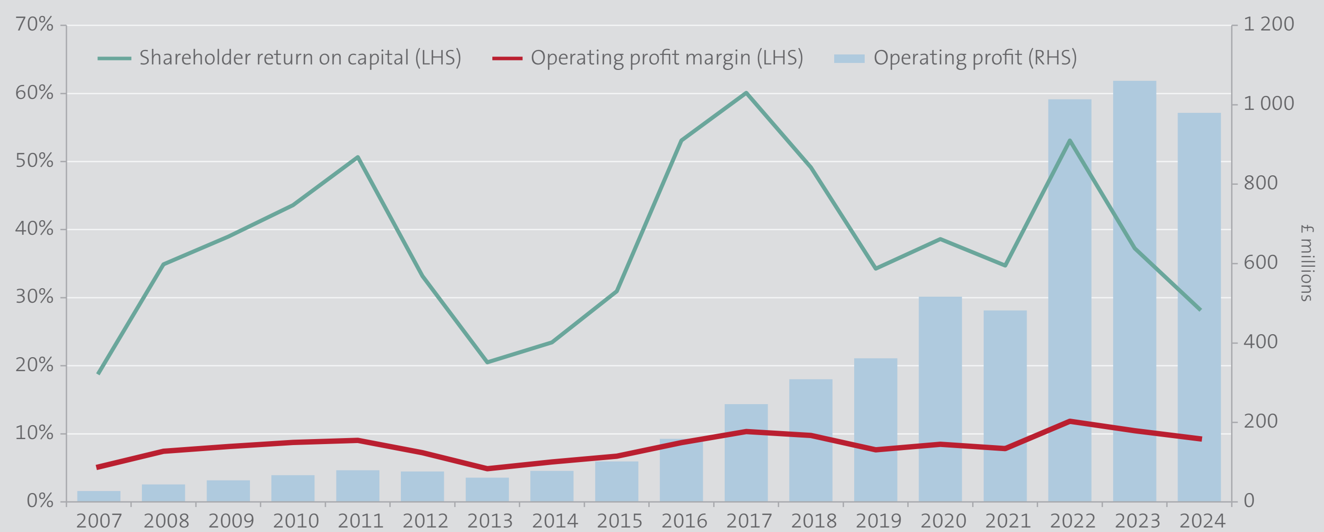
- offering a more diversified brand assortment - shifting away from an over-reliance on Nike.
- increasing the apparel component of merchandise within stores, which is at a higher margin than footwear.
- introducing operational excellence that improves overall product assortment, merchandising and in-store experience.

Since taking over DTLR and Shoe Palace three years ago, the group's strategy has resulted in cash operating profit increasing by 40% and 125% at the two businesses respectively. The recent acquisition of Hibbett expands the store base by 1 000 stores in the US and the group aims to replicate their winning strategy here, further growing profit in the region.

Recent investment to yield further returns

JD Sports' rapid global expansion has put pressure on its supply chain to keep up. In response, the company is investing heavily in its supply chain infrastructure, focusing on increasing the capacity of its distribution centres (DCs). This initiative has

Strong profit growth at favourable returns for JD Sports



Source: JD Sports, Camissa Asset Management estimates

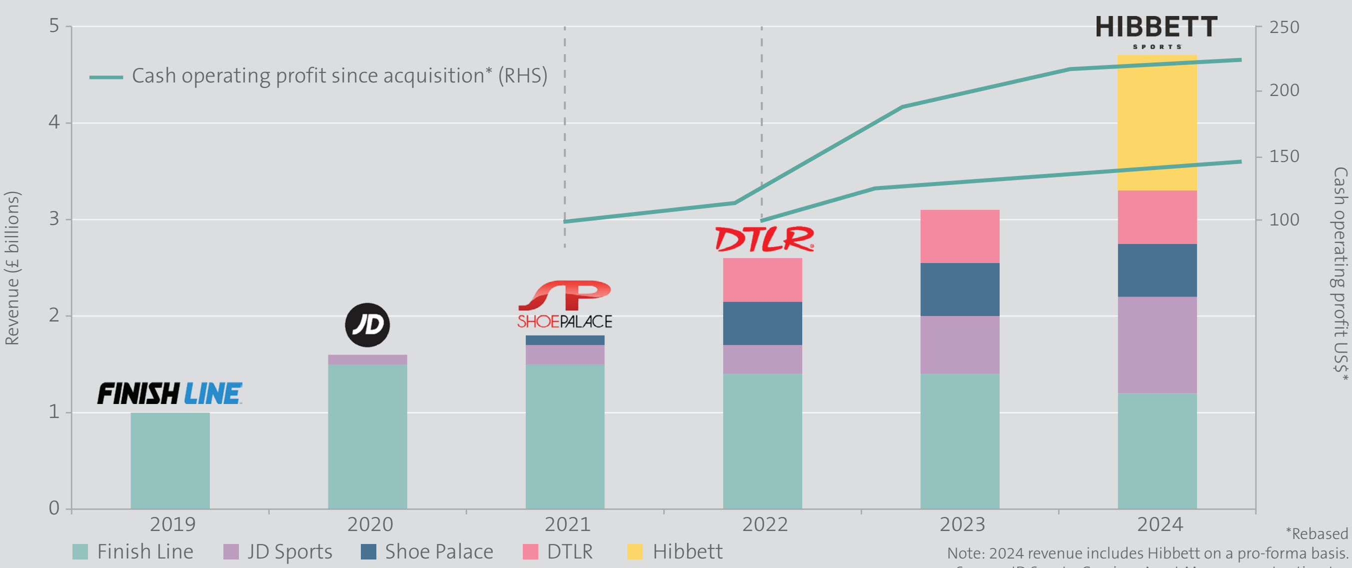
resulted in the construction of a new, fully automated DC in the Netherlands and enhancements to capacity on the West Coast of the US and in Australia. Designed to support the group's growth ambitions, these investments should lower the group's cost to serve and increase its speed to market. We expect a significant improvement in group profitability (particularly in Europe) following full implementation of these logistics expansions.

Furthermore, JD Sports has been investing in its digital capabilities. With approximately 20% of revenue currently generated from online sales, improvements and upgrades to its digital infrastructure will further buoy this channel. Investment in its customer loyalty programme aims at better understanding customer needs, supporting a more seamless omnichannel shopping experience.

Well positioned to grow profitably

As a global leader in sportswear retail, with a winning track record for organic and acquisitive growth, JD Sports is poised to capture some of the robust growth prospects of the global sportswear market. Moreover, the group's cash generative, high-yield business model should continue to provide strong future shareholder returns.

Nationwide growth of JD Sports in North America



*Rebased
Note: 2024 revenue includes Hibbett on a pro-forma basis.
Source: JD Sports, Camissa Asset Management estimates

Camissa Asset Management Funds

Performance to 30 September 2024	1 year	3 years[1]	5 years[1]	10 years[1]	15 years[1]	Since launch[1]	Launch	TER[2] 1-year	TER[2] 3-years	TC[3] 1-year	TC[3] 3-years
Unit trust funds[4]											
Equity Alpha Fund	21.1%	9.3%	12.1%	8.7%	11.2%	15.0%	Apr-04	1.47%	1.63%	0.28%	0.30%
SA Equity General funds mean	21.8%	11.5%	11.5%	6.8%	9.6%	11.9%					
Outperformance	-0.7%	-2.2%	0.6%	1.9%	1.6%	3.1%					
SA Equity Fund#	21.9%	-	-	-	-	8.3%	Sep-22	1.49%	-	0.39%	-
SA Equity General funds mean	21.8%					13.9%					
Outperformance	0.1%					-5.6%					
Global Equity Feeder Fund	12.8%	6.6%	-	-	-	7.8%	Nov-19	1.88%	1.90%	0.18%	0.18%
FTSE World Index (ZAR)	20.7%	14.1%				15.6%					
Outperformance	-7.9%	-7.5%				-7.8%					
Balanced Fund	21.4%	10.1%	10.7%	8.5%	-	9.6%	May-11	1.51%	1.51%	0.20%	0.23%
SA Multi Asset High Equity funds mean	18.5%	10.2%	10.1%	7.4%		8.8%					
Outperformance	2.9%	0.1%	0.6%	1.1%		0.8%					
Protector Fund	23.0%	10.2%	10.4%	8.5%	8.3%	9.9%	Dec-02	1.51%	1.54%	0.15%	0.19%
CPI + 4%	7.8%	9.5%	8.9%	9.3%	9.6%	10.1%					
Outperformance	15.2%	0.7%	1.5%	-0.8%	-1.3%	-0.2%					
Stable Fund	25.8%	12.1%	10.4%	8.9%	-	9.1%	May-11	1.47%	1.47%	0.20%	0.22%
CPI + 2%	5.8%	7.6%	6.9%	6.6%		6.2%					
Outperformance	20.0%	4.5%	3.5%	2.3%		2.9%					
Institutional funds[5]											
Managed Equity Fund	23.9%	10.7%	12.5%	8.5%	11.3%	11.5%	Sep-06				
FTSE/JSE Capped SWIX Index	25.4%	12.4%	11.9%	8.1%	11.6%	11.1%					
Outperformance	-1.5%	-1.7%	0.6%	0.4%	-0.3%	0.4%					
Domestic Balanced Fund	26.6%	11.8%	12.4%	9.1%	10.3%	9.6%	May-07				
Peer median[6]	23.5%	12.1%	11.3%	8.1%	10.5%	9.4%					
Outperformance	3.1%	-0.3%	1.1%	1.0%	-0.2%	0.2%					
Global Balanced Fund	23.3%	11.6%	12.2%	9.9%	-	10.7%	Jul-13				
Peer median[7]	20.1%	11.4%	11.3%	8.8%		9.9%					
Outperformance	3.2%	0.2%	0.9%	1.1%		0.8%					
Bond Fund	31.2%	12.5%	10.9%	9.9%	9.6%	9.2%	May-07				
BESA All Bond Index	26.1%	11.1%	9.8%	9.1%	9.1%	8.7%					
Outperformance	5.1%	1.4%	1.1%	0.8%	0.5%	0.5%					
Money Market Fund	10.3%	8.7%	7.8%	8.0%	7.4%	7.9%	Jan-04				
Alexander Forbes STeFI Composite Index	8.5%	6.9%	6.1%	6.6%	6.4%	7.1%					
Outperformance	1.8%	1.8%	1.7%	1.4%	1.0%	0.8%					
Shariah unit trust funds[4]											
Islamic Equity Fund	12.9%	5.4%	10.2%	7.6%	9.8%	10.5%	Jul-09	1.51%	1.50%	0.11%	0.17%
SA Equity General funds mean	21.8%	11.5%	11.5%	6.8%	9.6%	10.4%					
Outperformance	-8.9%	-6.1%	-1.3%	0.8%	0.2%	0.1%					
Islamic Global Equity Feeder Fund	6.0%	5.8%	7.6%	-	-	8.7%	Jan-19	1.85%	1.84%	0.11%	0.11%
Global Equity General funds mean	18.3%	9.6%	12.3%			14.5%					
Outperformance	-12.3%	-3.8%	-4.7%			-5.8%					
Islamic Balanced Fund	9.7%	6.0%	9.6%	7.0%	-	7.7%	May-11	1.51%	1.50%	0.08%	0.11%
SA Multi Asset High Equity funds mean	18.5%	10.2%	10.1%	7.4%		8.8%					
Outperformance	-8.8%	-4.2%	-0.5%	-0.4%		-1.1%					
Islamic High Yield Fund	12.1%	7.9%	8.1%	-	-	7.8%	Mar-19	0.58%	0.58%	0.02%	0.04%
Short-term Fixed Interest Index (STeFI)	8.5%	6.9%	6.1%			6.3%					
Outperformance	3.6%	1.0%	2.0%			1.5%					

Highest and lowest monthly fund performance	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Equity Alpha Fund	10.1%	-5.4%	11.7%	-5.4%	12.6%	-21.6%	12.6%	-21.6%	12.6%	-21.6%	12.6%	-21.6%
SA Equity Fund	9.9%	-4.7%	-	-	-	-	-	-	-	-	11.5%	-5.9%
Global Equity Feeder Fund	12.7%	-7.5%	14.5%	-7.5%	-	-	-	-	-	-	18.1%	-15.6%
Balanced Fund	9.5%	-3.8%	9.5%	-4.5%	9.5%	-15.7%	9.5%	-15.7%	-	-	9.5%	-15.7%
Protector Fund	7.6%	-3.0%	7.6%	-3.7%	7.6%	-13.9%	7.6%	-13.9%	7.6%	-13.9%	9.5%	-13.9%
Stable Fund	7.1%	-2.8%	7.1%	-4.4%	7.1%	-11.4%	7.1%	-11.4%	-	-	7.1%	-11.4%
Islamic Equity Fund	7.4%	-5.7%	7.4%	-8.9%	9.6%	-14.3%	9.6%	-14.3%	9.6%	-14.3%	9.6%	-14.3%
Islamic Global Equity Feeder Fund	8.8%	-7.8%	10.6%	-7.8%	-	-7.8%	-	-	-	-	14.6%	-8.4%
Islamic Balanced Fund	5.3%	-4.1%	5.3%	-6.2%	8.0%	-9.3%	8.0%	-9.3%	-	-	8.2%	-9.3%
Islamic High Yield Fund	1.9%	-0.4%	1.9%	-1.2%	2.7%	-2.4%	-	-	-	-	2.7%	-2.4%

Footnotes and disclaimer follow overleaf.

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Footnote: [1]Annualised (ie the average annual return over the given time period); [2]TER (total expense ratio) = % of average NAV of portfolio incurred as charges, levies and fees in the management of the portfolio for rolling one and three-year periods to 30 September 2024. [3]Transaction costs (TC) are unavoidable costs incurred in administering the financial products offered by Camissa Collective Investments and impact financial product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of financial product, the investment decisions of the investment manager and the TER. This is also calculated on rolling one and three-year periods to 30 September 2024. [4]Source: Morningstar; net of all costs incurred within the fund and measured using NAV prices with income distributions reinvested; [5]Source: Camissa Asset Management; gross of management fees; [6]Median return of Alexander Forbes SA Manager Watch: BIV Survey; [7]Median return of Alexander Forbes Global Large Manager Watch.