28 September 2023

For Your Perusal

Highlighting Interesting Investment Research

A Stock For All Seasons

By Roelof Feenstra

Investing in the stock market can be a daunting experience as investors need to consider global macroeconomics, industry dynamics, and, ultimately, which stock represents their best investment view. Some investors obsess over financial statements, while others are happy only to look at a stock price chart. There are many ways to invest successfully, and an investor's investment methodology is generally linked to their personality type and financial goals. For instance, young investors are not risk averse and generally favour vogue high-growth stocks. Retirees prefer conservative stocks that can pay a steady dividend.

Our portfolio managers have selected a cross-section of stocks, and these five stocks represent an opportunity across the investment methodology spectrum. Aritzia is a growth at the right price selection, Apple is a steady compounder, Fortress is a net asset value play, ASML is a pure growth stock, and Sibanye is a speculative recovery story. Here are our stocks for all seasons:

Aritzia:

The growing demand for Aritzia's 'everyday luxury' fashion through its boutiques and online platform has set a market trend amongst young women. The company has experienced revenue and income growth of 26% and 24% p.a., respectively, since 2019. This demonstrates the robust demand for their beautifully designed, high-quality products. Additionally, the increasing shift towards online shopping and the success of their e-commerce platform contributes favourably to their growth prospects. Aritzia is focused on doubling its store presence in the USA by 2027. Their brand awareness is bolstered by using influencers and celebrities who market their brands on social media and have achieved more than 2 billion views. Given the quality of the management team, the strong growth drivers, and Aritzia's sound financial position, we believe the share price retracement offers long-term investors an excellent entry point into this aspirational consumer stock.

Apple:

According to the Boston Consulting Group, Apple consistently ranks as the most innovative company in the world. This highlights why Apple can persistently deliver ground-breaking products and stay ahead of competitors. Just think of the Apple Watch, which is the bestselling watch globally. New projects such as Apple's high-yield savings account launched in April (banking), its VR/AR headset coming next year, and its technology being developed to monitor glucose levels (health) illustrate how Apple continuously spends on research and development to expand into new markets. Every new product and service fortifies users inside the Apple ecosystem, making it problematic for them to substitute Apple's products. Apple's annual research and development spending of $25 billion creates high barriers to entry as there are very few competitors with pockets that deep. Apple's valuation is likely to be supported by its strong balance sheet, increasing services revenue stream and the incremental march into new product categories.

Fortress B:

Fortress owns a real estate portfolio comprised of retail and logistical assets in South Africa and 23.9% of JSE-listed NEPI Rockcastle. These three core assets are the heart of this thriving company. NEPI Rockcastle provides exposure to high-growth eastern European property markets and pays a significant dividend, which Fortress applies to develop new assets. The logistical assets capitalise on the increasing demand for logistical space due to the rise of e-commerce. Fortress's retail assets offer differentiated exposure to SA's retail sector, as their properties are situated outside the major cities and are typically the only significant shopping centres. Fortress is successfully recycling capital from non-core investment properties into high-quality logistics assets, providing a platform to grow earnings in a sector with robust fundamentals relative to other real estate subsectors. Fortress B shares trade at an eye-watering 60% discount to NAV, and this gap will not persist indefinitely.

ASML:

Over an investing career, one will encounter a few companies with a monopoly, and ASML is one such company. ASML is a Dutch company leading in developing and manufacturing photolithography equipment used in semiconductor manufacturing. No other company can provide this specific equipment to make the most advanced semiconductors. ASML's management team often comments in earnings calls that they cannot meet customer demand. AMSL's dominance is reflected in its financial metrics, with an operating margin of over 25% and a return on equity well above 30%. Growth in semiconductor end markets, especially from artificial intelligence, is increasing lithography intensity and is driving significant demand for ASML products and services.

Sibanye Stillwater:

This is undoubtedly the most speculative of our stock selections and is not for the faint-hearted. Sibanye operates in a highly cyclical industry that is experiencing falling revenue and rising costs, a stomach-churning combination. Catching this falling knife will be tricky, but global commodity prices will rebound over the medium term, and Sibanye's production will improve. Over the long term, the green economy will provide a structural tailwind for Sibanye, particularly as hydrogen is adopted increasingly as a clean energy alternative. The company offers leveraged operational upside compared to its peers.

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