

Beyond the Shelf: Why South African FMCG belongs in your portfolio.

As I write this article during Heritage Month, it got me thinking about a different type of heritage – the brands we know and love. We spend time celebrating our culture, but what about the local brands living in our kitchen cupboards? Beyond satisfying our daily cravings, the companies behind these everyday favourites quietly power South Africa's economy and offer a golden recipe for building investor wealth. Today, we're putting three FMCG heavyweights under the microscope: AVI, Premier Group, and Tiger Brands. Consider this your back-stage pass to our stock-selection process as we break down which companies not only deliver quality products that resonate with South Africans but also to determine which of the three inspires the greatest conviction and why we believe it is/could be a valuable addition to your investment portfolio.



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Mbuli**

Tiger Brands

Tiger Brands is a leading FMCG manufacturer best known for its popular Jungle product range. The company primarily produces branded food and beverage products, with key operations in milling, baking, and confectionery. Over the past decade, however, growth has been relatively subdued due to several challenges, including rising commodity costs, the impact

of load shedding, the listeriosis outbreak, and, most notably, an overly diversified product portfolio that made manufacturing and distribution complicated and expensive. This broad product range contributed to underperformance across both its domestic and international business segments.

To restore profitability, the company appointed a new CEO, Tjaart Kruger, who launched a comprehensive turnaround strategy. A key element of this plan was simplifying the business portfolio, beginning with the disposal of non-core assets such as Chococam in Cameroon, Carozzi in Chile, and the Baby Wellbeing (Phipps) business. Several smaller brands were closed or rationalised as well given that they were subscale and not generating sufficient returns. For example, sweet-toothed clients might notice changes to Beacon chocolate products. This division is being sold as it no longer fits the Group's strategy. The group also undertook a corporate rebranding initiative, including a logo redesign, to reduce packaging and printing costs.

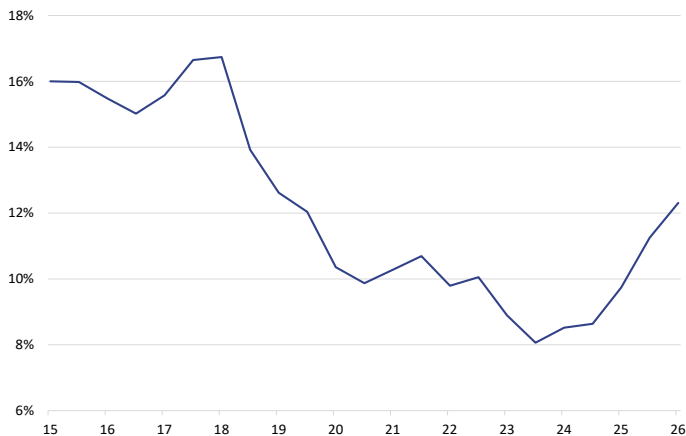
Allied to the above, the group is currently undergoing an

SPEED READ

- Fast-moving consumer goods (FMCG) play a crucial role in the growth of the retail and distribution sectors. Often, we tend to overlook the engine behind SA's biggest retailers.
- Tiger Brands, famously known for its Jungle range, (e.g. Jungle oats and snack bars), is a stalwart FMCG company that has struggled to adapt to South Africa's changing circumstances. To revive earnings growth, Tiger Brands has simplified its portfolio and embarked on a major capital investment programme, including mega distribution hubs. While the market monitors its legal liabilities around the Listeriosis outbreak, the share offers compelling value and steady dividends for portfolio growth.
- Tracing its heritage back to the 1820s, Premier Group has surged since listing on the JSE (more than tripling its share price), driven by a strong performance from its core Millbake division and major infrastructure expansions like the Aero-ton bakery. The company further cemented its market position through the R6.5 billion acquisition of RFG Holdings.
- Distinguished by its highly diversified portfolio across FMCG, footwear, and apparel, AVI has stood the test of time, delivering steady growth despite tough economic conditions. Furthermore, AVI's strong cash generation allows it to pay handsome dividends as well as frequent special dividends, reinforcing the company's appeal as a high-quality, dividend-paying staple.
- While Premier Group remains on our radar as a high-value market favourite, its current premium valuation relative to the sector and operational headwinds keep us patient for a better entry point. Instead, resilient stalwarts like AVI and Tiger Brands serve as superior immediate portfolio additions, offering the flexible pricing power, dependable cash flows, and steady dividend growth needed to survive economic downturns.

intense capital investment cycle, with the Super Bakery in Klerksdorp set for completion in H1 2027, the Paarl Culinary Mega Site in H2 2026, and the Gauteng Mega Distribution Centre also on track for completion before the end of this year. The fruits of this investment, along with years of rationalisation, are already visible in the steady improvement in margins, with much more expected to follow. That in turn has fuelled a recovery in earnings and allowed the company to improve its returns to shareholders, including several special dividends.

TIGER BRANDS OPERATING MARGIN



Having suffered years of margin erosion, rationalisation and new investment are laying the foundation for a steady recovery.

While headlines might still refer to the ongoing Listeriosis litigation, we are comfortable that the company has already made provision in its financial statements for settlements arising therefrom, as well as additional insurance cover. This saga may drag on for a while yet, but the financial impact on the company should be negligible.

Having rallied hard as evidence of its turnaround gained traction, the share price has retreated due to the generally poor sentiment facing all SA domestic stocks at present. This presents an attractive entry point to the company that still has much value to unlock.

Premier Group Ltd

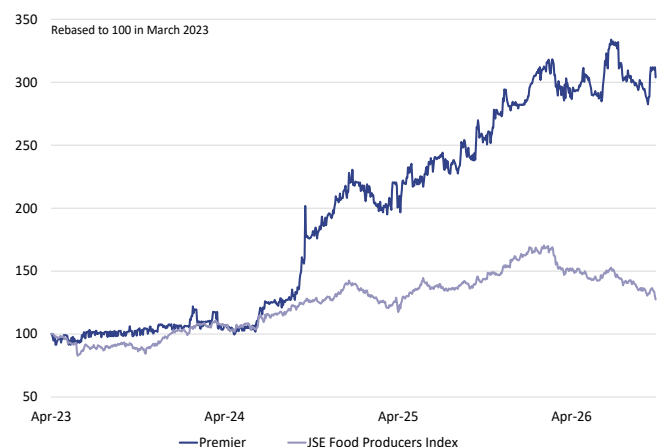
Premier Group Limited is a consumer-packaged goods company with operations in South Africa and selected SADC regions. Its revenue is currently generated through two key divisions: Millbake (bakeries and maize milling which generates 81% of the group's revenue, contributing to robust topline growth, with revenue increasing by 6.6% YoY) and Groceries. Although Premier was only listed on the JSE in 2023, the company has a rich heritage dating back to the 1820s when it began as a bakery producing BB Bread (Baumann's Bread and Biscuits). Over time, it established several iconic brands, including Snowflake Cake Flour and various Blue Ribbon products.

The completion of the R6.5 billion acquisition of Rhodes Food Group (RFG) in March 2026 marked one of the most significant developments in Premier's two-century history. RFG is a well-known producer of affordable household staples. The acquisition is expected to create significant value through procurement efficiencies and lower input costs, while also strengthening Premier's private-label product offering. RFG produces numerous products for Woolworths, so this is a strategic entry point for premier into that ecosystem. The group further strengthened its growth ambitions through the commissioning of its new Aeroton bakery late last year, increasing capacity by 8,000 loaves per hour. Higher volumes will drive unit costs lower and give Premier a strong base from which to compete against Tiger Brands' Albany franchise which is about to open its own Gauteng Super Bakery which has a capacity of 12,000 loaves per hour.

Despite the good news, premier isn't immune to controversy. Recently it has announced plans to close the Fruit Processing Western Cape (FPWC) site – an operation acquired as part of the RFG merger. This decision has been taken despite assurances to the Competition authorities that no plant closures or job losses would occur for at least 3 years. This has sparked outrage across social media, and highlights a key risk for consumer-facing companies – seemingly sensible financial decisions can alienate core customers quickly through far-reaching reputational damage.

Since its listing, Premier has grown its earnings by 170% as it has reaped the benefits of its expansion and modernisation program. Its market share in bread bakeries and wheat milling has risen from 27% and 37% respectively to 31% and 41% respectively – significant growth in the context of a tough consumer environment. In the absence of broad growth in the South African economy, such growth from Premier has fuelled a sharp rally in the share price and its

PREMIER: RELATIVE SHARE PRICE PERFORMANCE



Since listing, Premier has significantly outperformed the rest of the Food Producer sector on the JSE thanks to its organic growth and market share gains across bread and maize milling.

market capitalisation as investors warmed to the growth story. That in turn has pushed the valuation above a 15x PE ratio, relative to 11x at the time of listing. In our opinion, much of the good news has been priced in. We would prefer to wait for a better entry point into this quality business.

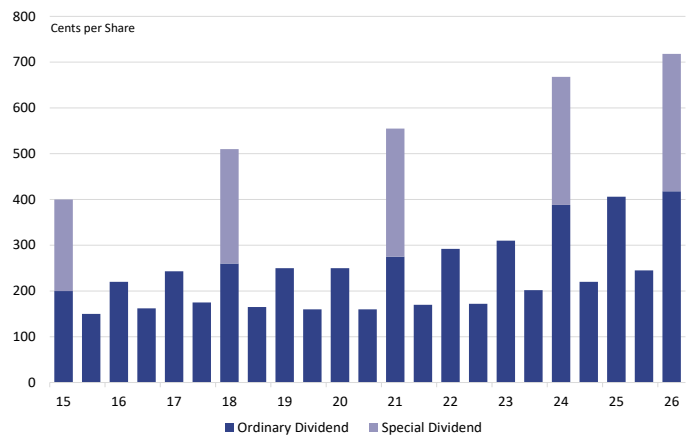
AVI Ltd

AVI stands out from its competitors due to its highly diversified portfolio of well-loved brands. In addition to manufacturing and distributing everyday essentials like Five Roses tea, rooibos, coffee, Baker's biscuits, Willards chips and I&J seafood, the company also owns and distributes brands spanning cosmetics, apparel, and footwear.

Although trading conditions became increasingly difficult in the second half, AVI once again demonstrated its resilience. Q3 was characterised by subdued consumer spending and higher fuel prices, while Q4 was impacted by wholesalers, who fearing a repeat of the July 2021 riots, delayed orders ahead of the 30 June anti-immigration protest action, resulting in lower sales volumes for AVI's 2026 financial year which ended in June 2026. These delays should reverse in the current year. Nevertheless, the group managed to grow revenue by 1.4%, with I&J Fishing emerging as a notable bright spot. Since commissioning its new freezer vessel in 2025, the division has delivered a remarkable turnaround, helping to underpin growth during an otherwise challenging period.

AVI has a strong track record of preserving margins, aided by disciplined cost management and well-structured foreign exchange hedges that help cushion the impact of rising input costs. As an example, raw coffee prices have surged from \$1/lb in 2020 to the current price of almost \$3/lb – due to drought and global crop failures. To maintain, and even grow, volumes against such price pressures is remarkable. The group's investment appeal is underpinned by its consistent economic value added – the returns it generates

AVI: 6M DIVIDEND TRACK RECORD



AVI consistently delivers returns to shareholders despite the tough economy and consumer pressures.

are significantly higher than its cost of capital – and stable to rising margins. Both are testament to the quality of the management team. Furthermore, its robust balance sheet and strong cash generation make AVI a consistent dividend payer, with ordinary dividends regularly topped up with special dividends as excess cash is returned to shareholders. These qualities continue to justify its position as a core holding in our portfolios.

Conclusion

Like Bamboo, resilient consumer staples possess this exact “bend-but-don’t-break” quality. When raw material costs rise, companies like AVI, Tiger Brands and Premier can bend their pricing models, optimize their supply chains, or absorb temporary margin hits without their entire business collapsing, which is why they belong in your portfolio. Consumer staples provide the predictable but steady energy that keeps an investment portfolio powered through market uncertainty.

AVI
GROWING
GREAT
BRANDS

Premier
Growing Together



The next time you're strolling down the aisle of your local retailer, take a peek at who makes the food you love.



Our next seminar series will be held in November, when we traditionally review the past year and cast our eyes forward to the new year. We will do some with some trepidation, as we try to unpack whether 2027 will bring clam or chaos.



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Topic:

Outlook for 2027 – a more normal year?

Natal Midlands

Date: 3rd of December, 2026

Venue: Christ Church Howick, 23 Mare Street, Howick

Morning Time: 10am for 10.30am

Evening Time: 5.30pm for 6pm

Johannesburg

Date: 24th of November, 2026

Venue: Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham

Time: 7am for 7.30am

Cape Town

Date: 26th of November, 2026

Venue: J&J Belmont Square, Belmont Road, Rondebosch

Time: 7.30am

Venue: Helderberg Village Lifestyle Estate, 63 Bakkerskloof Rd, Helderberg Village, Cape Town

Time: 5.30pm for 6pm



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Performance figures quoted for the portfolios are from Morningstar, as at the date of this document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax. Performance fees do not apply to any funds managed by Harvard House. The manager does not provide any guarantee either with respect to the capital or return of the portfolio. A schedule of fees, charges, and maximum commissions are available on request from the manager