Robert Cowen Investments

Growing families' wealth since 1982

April 2025

Anchor BCI SA Equity Fund

Developed Market (DM) ended April with a modest rise (MSCI World Index +0.9% MoM) but it was a wild ride. Markets sold off meaningfully in reaction to the raft of "reciprocal tariffs" announced by President Trump on 2 April, dubbed "Liberation Day". Not only was the tariff level meaningfully higher than expected for the most part, but it transpired methodology for calculating them had little to do with the level of tariffs faced by the US but was, in fact, based on the size of the trade deficit in goods that the US runs with each country. Markets then staged a recovery as President Trump reversed course, announcing a 90-day pause on tariffs to allow for negotiations. Away from tariff news 1Q25 corporate reporting was generally positive for risk sentiment – with c. 70% of S&P500 companies reporting in the month, earnings were up 15% YoY in aggregate, which was about 9% above expectations. Emerging Market (EM) equities also delivered a positive return in April (MSCI EM +1.3% MoM). This was despite weakness among Chinses stocks, likely due to China's exclusion from the 90-day tariff pause and tit-for-tat tariff escalation which left tariffs at a level of 145% for Chinese goods imported into the US and 125% for US imports into China (which a few product exceptions) – a level which most see as likely leading to a trade moratorium between the two. While seen as unsustainable, there was little evidence of either side climbing down by month-end.

South African equities, initially fell c. 14% in the days following the announcement of US "reciprocal" tariffs of 30% on SA exports to the US, on top of the baseline tariffs 10% on all US imports. Local shares subsequently rallied strongly to end the month comfortably in positive territory (FTSE/JSE Capped SWIX Index +4.2% MoM). SA risk sentiment was helped with the appointment of former deputy finance minister, Mcebisi Jonas, as special envoy to the US, tasked with easing tensions. In addition, resolution of the impasse between the ANC and DA over the planned 0.5% VAT hike and survival of the government of national unity (GNU) soothed investor nerves. Gold shares (+8% MoM), rallying in sympathy with a further 5.5% rise MoM in the gold price, were once again a major contributor to performance. However, the rally was more broad-based than what we saw during 1Q25. At a stock level, Clicks (+17% MoM) and Capitec +(11% MoM) delivered solid results. On the other side of the coin, Aspen (-25% MoM) incurred investors' wrath when it announced a contractual dispute involving its French production facility which it expects to halve its earnings.

The focus of the portfolio is on investing in domestically listed companies that have an investment case that insulates them from SA's difficult economic situation (strong multinational franchise, rand hedge, dominant local platform, or clear local expansion strategy for example); high confidence in improving Return on Capital Employed and excellent cash flow generation. Of those companies that pay a dividend we prefer businesses with a dependable and solid payment history.

At the end of April, the top 15 holdings in the fund, making up 63% of the equity exposure, were as follows:

- Prosus
- Naspers
- AngloGold Ashanti
- Capitec
- BidCorp
- FirstRand
- Absa
- Standard Bank
- Anglo American
- WeBuyCars
- Discovery
- Mr Price
- Harmony
- Investec
- AdvTech

Main changes in the month

We increased our position in **WeBuyCars**, which produced a reassuring trading update confirming its continued execution of its expansion strategy is on track. We switched the fund's position in **Coronation** to **Quilter**, where the latter's strong inflows in recent quarters suggest its investment in its platform is being recognised by IFAs. We also added to **Absa** and **FirstRand**, taking advantage of relative weakness in SA banking stocks, despite resilient results. We initiated a position in **Remgro** at a 45% discount to net asset value, expecting improved results as portfolio companies stabilise and fundamentals recover. We exited the fund's small position in **Aspen**, believing its latest stumble – revealing a customer contract dispute – may cause investors to lose patience with a share that has persistently failed to deliver on its promises. We also exited the remaining **Richemont** position, concerned about what rapidly deteriorating consumer sentiment and global growth expectations portend for luxury demand.

Performance

The Anchor BCI SA Equity Fund rose 2.7% MoM in April. Continued strength in gold mining shares, as discussed above, where the fund remains underweight, detracted from relative performance. It was also notable that, collectively, the less liquid mid-cap positions in the fund had a rather lacklustre month, lagging the recovery among larger capitalisation shares as tariff concerns and domestic political risk eased.

The Anchor BCI SA Equity team

Mike Gresty, Liam Hechter, Steph Erasmus, Seleho Tsatsi, Peter Little

Robert Cowen Investments (Pty.) Ltd.
25 Culross Road,
Cnr. Main Road,
Bryanston, Johannesburg 2191, South Africa.
P.O. Box 784, Saxonwold, 2132.
T: +27 11 591 0585
F: 086 689 6562
www.rcinv.co.za