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April 2025

RCI BCI Worldwide Flexible Fund

April was a story of two halves in global markets. At first glance, looking at markets at the start and end of April, one might assume it was a relatively calm month. In reality, it was one of the most volatile and chaotic periods in recent memory. The month began with a sharp sell-off in global risk assets following the surprise announcement of sweeping tariffs on 2 April. However, markets quickly rebounded in the second half after President Trump walked back some of his threats and announced a 90-day pause to allow for negotiations.

Name	2024	Year to Date	Apr 25
NASDAQ 100 IDX	24.9%	-6.9%	1.5%
S&P 500	23.3%	-5.3%	-0.8%
DOW JONES INDUST IDX	12.9%	-4.4%	-3.2%
S&P 500 INFO TECH IDX	35.7%	-11.4%	1.6%
S&P 500 CONS STAPLES IDX	12.0%	5.7%	1.1%
S&P 500 COMMUN SERVICES	38.9%	-5.8%	0.6%
S&P 500 INDUSTRIALS IDX	15.6%	-0.4%	0.2%
S&P 500 UTILITIES IDX	19.6%	4.2%	0.0%
S&P 500 CONS DISCRET IDX	29.1%	-14.3%	-0.3%
S&P 500 REAL ESTATE IDX	1.7%	1.3%	-1.3%
S&P 500 FINANCIALS IDX	28.4%	0.8%	-2.2%
S&P 500 MATERIALS IDX	-1.8%	0.0%	-2.2%
S&P 500 HEALTH CARE IDX	0.9%	2.0%	-3.8%
S&P 500 ENERGY IDX	2.3%	-5.7%	-13.7%
DAX IDX	18.8%	13.0%	1.5%
NIKKEI IDX	19.2%	-9.6%	1.2%
MSCI EMERGING MARKETS IDX (USD)	5.1%	3.5%	1.0%
MSCI WORLD IDX	17.0%	-1.4%	0.7%
FTSE 100 IDX	5.7%	3.9%	-1.0%
HANG SENG IDX	17.7%	10.3%	-7.5%

Sector price movements sorted by April movements (Source: Bloomberg, Anchor Capital)

Developed markets rose 0.3% with the US S&P 500 falling 0.8% and NASDAQ rising 1.5%. The German DAX was up 1.5% and the UK FTSE 100 was down 1.0%. Within the USA we saw a major fall in Energy after Brent Crude fell 15% for the month, whilst Healthcare and Financials also sold off. Technology stocks and Communication Services (Meta, Alphabet) had an improved month as US corporate earnings started to come through stronger than expected. Despite the Chinese market (Hang Seng) ending April deeply in the red due to China being excluded from the tariff pause, emerging markets had another decent month. This was in the context of a poor month for commodities as investors became concerned about the impact of tariffs on global growth.

Following Trump's tariff-induced chaos, much has been made of 'The End of American Exceptionalism' and 'The Death of the Dollar' in the financial media. This narrative coincided with large flows out of US financial assets. By halfway through April, the latest Bank of America survey showed that pessimism among investors was close to levels associated with the bottom of bear markets. Investors' outlook on the global economy was comparable to the depths of the Global Financial Crisis and negativity on the US dollar was pervasive. Allocations to technology stocks fell 2 standard deviations below the historical average and the US dollar had weakened by 12% against the Euro over a 6-week period.

Trump then appeared to respond to weakness in the bond market as foreign investors dumped US Treasuries. His initial tariff threats were watered down giving global markets some respite. We have since seen further relief on tariffs and more clarity from the White House. As of now, the worst-case scenario seems to be off the table as the US and China appear willing to negotiate a deal.

We do believe the 'End of American Exceptionalism' is vastly overstated and that despite the past few months, the US financial system is strong, and the US system does work. Trump has front-loaded his first 100 days in office with negatives and positives in the form of tax cuts and de-regulation are yet to come. Further, the weaker US dollar will be a positive for the reported earnings of US multinationals.

After a period of relative underperformance over the past year or so, the fund has had a very strong start to the year, outperforming most global indices. The fund's performance reflects underlying exposures that have remained resilient despite the broader market volatility. The recent underperformance of large-cap technology stocks has created a more favourable environment for active managers. The fund was the third best performing fund in its category in April and is in the first quartile over a 1-year period. Whilst we remain positive on prospects for the US economy beyond the short-term, a significant portion of the fund is now allocated to companies that are listed outside the US. Rheinmettal (Germany), Nu bank (Brazil), Tencent

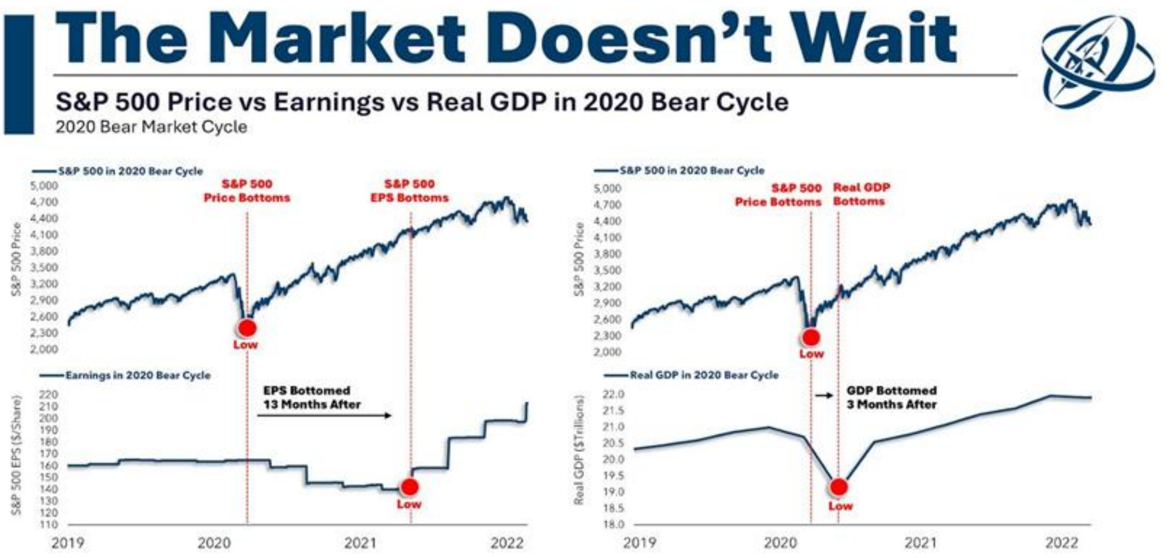
(China), Mercadolibre (Argentina) and Universal Music Group (Netherlands) have been top-performers this year, playing a key role in our strong performance. Other companies like TSMC (Taiwan), Ferrari (Italy), Scottish Mortgage Investment Trust (the UK) and Flutter Entertainment (the UK) have lagged this year. But not only are we excited about their prospects going forward, we also believe it offers our portfolio a degree of non-US exposure that should allow it to benefit if the US were to see a sustained period of underperformance.

60% of the fund is allocated to companies that are based in the US, but in reality, many of these are truly global in nature, with diversified revenue streams across multiple regions. Despite our belief that the negativity around the US is overstated, companies like Uber, Meta, Netflix and Microsoft are largely insulated from the material adverse effects that may arise from tariffs. These companies are not overly reliant on the strength of the US consumer, and if the US economy were to experience a period of relative weakness, they are likely to prove more resilient than many expect.

The future remains unknowable but as time passes there will be more clarity on global tariff policy. That said, the market does not wait and elevated levels of volatility (like what we saw in March and April) have historically led to higher prospective returns for the S&P 500 (dark blue bars in the chart below).

[Source: @TheDailyShot, X]

Numerous other studies covering market technicals, political uncertainty and sentiment point to above-average returns over the medium to long term. It might be tempting to wait for the dust to settle, but the market typically bottoms when the news is still bad. In 2009 the unemployment rate kept rising for another 9 months after the market bottomed. The aptly titled chart below shows how the market bottomed before GDP and earnings in 2020. A weak outlook for GDP and earnings growth over the next few quarters has already been anticipated by the market - that's why it fell.



[Source: Ritholtz Wealth Management, data via Bloomberg Finance LP]

Portfolio Strategy

Amid the recent volatility surrounding Trump's tariff announcements, our approach has been to stay calm and avoid making hasty portfolio changes. History has shown that reacting to short-term political developments often leads to poor investment decisions. Instead, we've used this period as an opportunity to assess high-quality businesses that were indiscriminately caught up in the sell-off—where we believe the long-term fundamentals remain intact. Short-term noise can create compelling opportunities to invest in quality companies at attractive valuations. We remain focused on identifying these entry points and believe it's more important than ever to keep our eyes on the long-term horizon.

The focus of the portfolio continues to be direct investment in high quality offshore equities that are world leaders in their industries, with emphasis on businesses with high Return on Capital Employed combined with excellent free cash flow generation. We tend to ignore whether or not a company pays a dividend as we usually prefer those businesses that reinvest earnings in their internal operations. We also tend not to chase short-term investment narratives and themes that could be trending in the market, as we would not want to reduce the quality of the portfolio for the sake of following the flavour of the month.

	PE in one years time	PEG Ratio (FWD PE/'25-26 Growth)	EPS Growth 2023-2024E Growth	EPS Growth 2024-2025E Growth	EPS Growth 2025-2026E Growth	Pullback from high
ALPHABET INC-CL C	15.1	2.1	37%	20%	7%	-26%
AMAZON.COM INC	26.5	1.6	83%	-1%	17%	-20%
BOSTON SCIENTIFIC	33.7	2.6	23%	18%	13%	-4%
CONSTELLATION SOFTWARE	40.2	2.7	34%	15%	15%	-3%
FORTINET	37.5	2.8	44%	10%	13%	-15%
MERCADOLIBRE INC	44.6	1.2	43%	45%	38%	-2%
MICROSOFT CORP	29.4	2.2	23%	13%	13%	-6%
NU HOLDINGS LTD/CAYMAN ISL-A	20.2	0.5	80%	29%	39%	-21%
RHEINMETALL AG	47.5	1.0	59%	39%	47%	-7%
TENCENT HOLDINGS LTD	17.5	1.5	38%	17%	12%	-5%
Top 10 - FWD PE Ratio* PEG ratio* and EPS Growth Rate^	**27.1**	**1.4**	**41%**	**18%**	**14%**	**-11%**
S&P500 - FWD PE and EPS Growth	**20.7**		**7%**	**14%**	**12%**	**-8%**

*Calculated using Harmonic Mean

^Calculated using Median

We expect strong performance out of our top 10 positions for the 2025 and 2026 years. Our portfolio is expected to grow earnings per share in the mid-teens which is greater than the S&P500, where analysts expect 12% average growth over 2025 and 2026. Our companies are trading at higher valuations, 27x, versus the S&P500's 20x, but we believe this is justified by the higher quality of our investments, growing earnings at a higher rate than the market. This is especially so when compared to expected returns on investments in bonds or cash.

On average, our top 10 positions have corrected 11% from their recent high's whereas the US market has fallen 8% on average.

At present there are no investments in South Africa, other than rand flows due to new subscriptions.

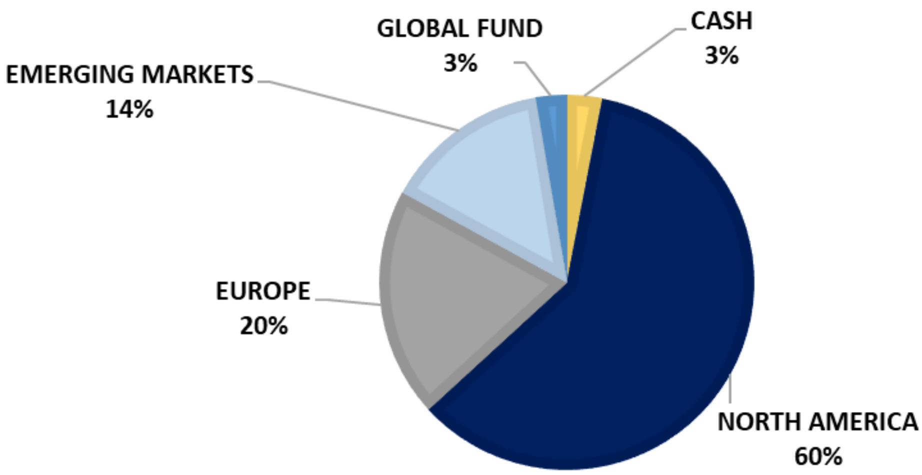
Changes made during the month

- We trimmed **Rheinmettal** after its strong performance this year had made it a larger position than we were comfortable with.
- Started a new position in **Ferrari**. We have waited a long time for an entry into a share that has always appeared attractive from a business model perspective but has simply been too expensive. Ferrari combines ultra-strong brand equity, pricing power and

scarcity-driven demand with luxury level margins and consistent free cash flow generation. It certainly has not fallen as far as other shares in the recent sell-off but it is finally at a level where we feel it makes sense to start a position. If it falls further, we will look to potentially add further.

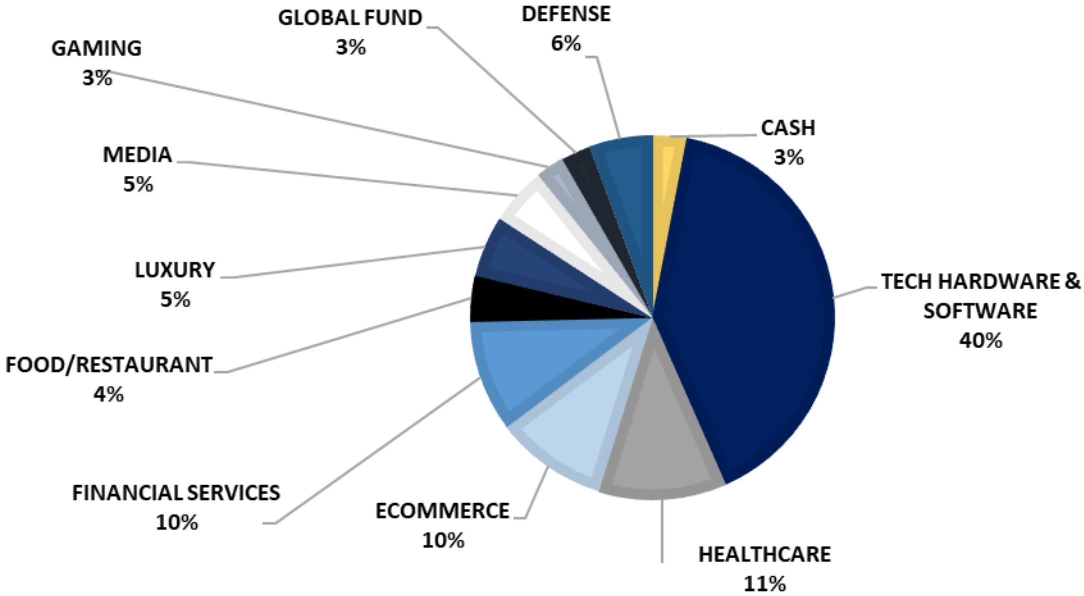
- We added to our positions in **Tencent** and **Meta**. We took advantage of the recent market sell-off to add to two companies where we see the potential for earnings growth significantly ahead of what their current valuations imply.

Geographic Drivers



- Cash is usually held as USD with a few percent in Rands due to subscriptions. Therefore, total North American + USD exposure is closer to 63%.
- We have exposure to Europe via global companies: Rheinmetall, ASML, Flutter, LVMH, Novo Nordisk, Ferrari, Universal Music Group.
- We have Emerging Markets exposure via Mercado Libre, Tencent, Taiwan Semiconductor and Nu Holdings.
- We have Global exposure through the listed fund Scottish Mortgage Trust.

Sector Weightings



Communication sector shares such as Alphabet have been placed in the tech sector. Amazon has been classified as eCommerce, although a large portion of their business is in cloud computing. Over half of the companies we own have a Return on Capital Employed (ROCE) over 20%. About 27% of the portfolio has defensive characteristics and if you add the cash of 3% this would rise to a combined defensive weighting of 30%.

Performance in Rand

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	-0.7%	7.1%	4.3%	4.0%	-2.9%	0.5%	2.6%	3.3%	-0.3%	2.5%	-0.3%	-1.1%	**20.3%**
2020	7.3%	-1.5%	5.6%	10.2%	-1.9%	1.7%	3.5%	6.0%	-4.7%	-2.8%	0.4%	-3.0%	**21.5%**
2021	5.4%	1.0%	-1.9%	2.7%	-4.5%	7.9%	1.8%	0.7%	-1.2%	4.2%	0.8%	-1.2%	**16.3%**
2022	-12.4%	-2.5%	-6.0%	-2.4%	-5.9%	-4.3%	8.2%	0.0%	-4.7%	6.4%	-5.8%	-1.4%	**-27.9%**
2023	13.0%	2.5%	0.6%	5.3%	6.9%	0.0%	-3.0%	4.7%	-5.8%	-4.5%	10.5%	2.9%	**36.1%**
2024	5.7%	4.6%	-0.4%	-3.5%	-0.3%	0.0%	-4.7%	1.6%	-1.3%	1.8%	5.4%	3.6%	**12.6%**
2025	4.9%	-0.5%	-6.8%	5.6%									**2.7%**

For the month, the fund was up 5.6% in ZAR terms (4.2% in USD) compared to the MSCI Developed Markets Index which was up 1.6% in ZAR (0.3% in USD) for the month. The Rand weakened 1.3% for the month, detracting from the performance in USD.

For the 2025 Calendar Year to date, the fund is up 2.7% in ZAR and 4.1% in USD. The MSCI World Index is down 3.2% in ZAR and down 1.93% in USD.

For the 2024 calendar year, the fund was up 12.6% in ZAR (+10% USD) whilst the MSCI Developed Markets Index closed up 19% in ZAR (+17% USD).

We hope you find these insights useful. If you require any further detail regarding the fund, please see our official BCI Fund Factsheet available on the BCI website, otherwise please feel free to contact us.

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