ROBERT COWEN INVESTMENTS

NEWSLETTER – END NOVEMBER 2020

7 December 2020

"May you never be too grown up to search the skies on Christmas Eve" - Unknown

Please note that our offices close on the 24th of December 2020 and will reopen on the 4th of January 2021. For those clients who wish to have any payments made, please ensure that you send your instructions through to Michelle Isherwood (Michelle@rcinv.co.za) before the COB on the 18th of December 2020.

HIGHLIGHTS OF THIS NEWSLETTER ARE:

- A Month in Markets – November 2020
- It's a Dog's Life… – by Eric Lappeman
- What's going on with the Steinhoff saga? – by Mike Gresty
- Charts/Memes of the month
- RCI Unit Trusts
- RCI – 'The Family Wealth Office' – What we offer

A few interesting articles to read when you are done with this newsletter:

- A link to our year end webinar presentation, in case you missed it. The password is ?ChL6Z.R

On that note, as 2020 draws to a close, all of us at RCI would like to wish you an enjoyable Festive Season, safe travels if you are going away and here's to a swift "back to normal" in 2021!

Note: If any of our clients wish to be added to the Anchor research and news mailing list, kindly let us know and we will gladly add you.

*If you know of anybody who would like their financial affairs looked at, please do not hesitate to send them our contact details and we will ensure we get back to them with a proposal plan. They can contact us at eric@rcinv.co.za or 082 561 3124.

A MONTH IN MARKETS

NOVEMBER 2020

By Eric Lappeman

The Family Office

Last month we mentioned that the market was entering, historically, one of the best months for stocks, and that certainly came true. Despite a rise in COVID-19 cases around the world, news of two possible vaccines pushed markets to one of their best months in over three decades. The outcome of US elections didn't hurt either.

US equities surged in November as several vaccine breakthroughs sparked investor optimism that a return to economic normality is in sight. The news eclipsed President-elect Joe Biden's eventual victory in the US presidential election and concerns over the smooth transition of power. The most economically-sensitive areas of the US stock market rose the most. Energy stocks were up markedly. Financials, industrials and materials also rose. The US dollar declined. The S&P500 rose 10.9% for the month, while the tech-heavy Nasdaq also rallied 11%. Locally, the JSE All Share jumped 10.5% in ZAR, in line with the global risk on trade. The Rand gained a further 5% against the US Dollar, to close at R15.48, as we continue to see the dollar weaken slightly on further stimulus hopes. The RCI Worldwide Flexible Fund and RCI Growth Fund closed up 0.4% and 5.6% for the month respectively and are now ranked 3rd and 1st in their respective categories over the last year. The RCI Growth Fund is now up 46.20% over the last 12 months and is ranked 2nd over the last 3 years.

It was a great month for commodities, as risk on took hold and markets rallied strongly. Platinum and Palladium had a strong month, up 14% and 8% respectively. Gold pulled back, as investors sought riskier assets on news of two highly effective vaccines. Oil broke a two-month rout, bouncing 27% in November. The commodity is, however, still down 28% for the year. Iron ore also experienced a strong month, up 14%, and now up 56% for the year. Among shares that made large moves, in what can be summed up as a strong month for SA equities, Sasol popped up 44% on the back of the strong move in oil. A strong set of results out of Mr Price and Pepkor saw Mr Price jump up 32% for the month! Many of the property shares finally caught a proper bid, albeit off a very low base. On the other hand, the list of "laggards" was primarily dominated by gold counters as investors looked to these as a funding source for some of their more cyclical trades.

With the US elections out of the way, and news of the first vaccines coming to market, we expect December to be a relatively quiet month. Most of our clients' portfolios are up handsomely for the year. Who would have thought? With that, we wish you all a happy festive season and a well-earned break.

MONTHLY MARKET MATRIX

Indicator	Closing level	Monthly Move	Y-T-D	Indicator	Closing level	Monthly Move	Y-T-D
Equities				**Currency**			
MSCI World Index (USD)	**2583**	**12.8%**	**11.7%**	USD/ZAR	15.48	5.0%	-9.5%
S&P500 (USD)	3622	10.9%	14.0%	GBP/ZAR	20.62	1.9%	-9.9%
FTSE 100 (GBP)	6266	12.7%	-14.3%	EUR/ZAR	18.45	2.5%	-14.9%
Nikkei (JPY)	26434	15.0%	13.8%				
MSCI Emerging Markets Index (USD)	**1205**	**9.3%**	**10.5%**	**Commodities**			
JSE All Share Index (ZAR)	50483	10.5%	2.7%	Gold Spot (US$/oz)	1 777	-5.4%	17.1%
JSE All Share Index (USD)	50483	14.2%	-10.7%	Palladium PM-fix (US$/oz)	2 400	7.7%	26.0%
JSE Capped Swix All Share Index (ZAR)	19246	10.4%	-4.6%	Platinum Spot (US$/oz)	968	14.2%	0.1%
RCI BCI Worldwide Flexible Fund (ZAR)	162.09	0.4%	25.2%	Copper Cash LME (US$/ton)	7 569	12.8%	23.1%
RCI BCI Flexible Fund (ZAR)	359.42	9.3%	3.4%	Iron Ore (US$/ton)	126	14.3%	55.9%
RCI BCI Growth Fund (ZAR)	174.75	5.6%	46.2%	Brent Crude ($/Barrel)	48	27.0%	-27.9%
Bonds							
US 10 Year Treasury yield	0.84	0.3%	10.3%				
SA 10 Year Govt Bond yield	8.99	3.2%	-8.8%				

Robert Cowen Investments
Growing families' wealth since 1982

MAJOR MOVES IN SHARES

GAINERS		LAGGERS	
SASOL LTD	43.7%	GOLD FIELDS LTD	-23.8%
HYPROP INVESTMENTS LTD	40.2%	HARMONY GOLD MINING CO LTD	-20.7%
HAMMERSON PLC	39.5%	ANGLOGOLD ASHANTI LTD	-11.5%
MOTUS HOLDINGS LTD	39.5%	DRDGOLD LTD	-11.4%
GLENCORE PLC	37.0%	NETCARE LTD	-4.7%
NEPI ROCKCASTLE PLC	36.8%	AVI LTD	-3.0%
FORTRESS REIT LTD-B	34.1%	MAS REAL ESTATE INC	-2.9%
MR PRICE GROUP LTD	32.4%	MULTICHOICE GROUP LTD	-2.9%
SUPER GROUP LTD	32.1%	LIFE HEALTHCARE GROUP HOLDIN	-2.8%
ECHO POLSKA PROPERTIES NV	31.9%	TIGER BRANDS LTD	-2.2%

IT'S A DOG'S LIFE… AND A CAT, AND A HAMSTER…

BY ERIC LAPPEMAN

After a stellar 2019, pet care stands at a crossroads. Key growth drivers such as pet humanisation and premiumisation accelerated during 2019 and into 2020.

At the same time, the Coronavirus (COVID-19) pandemic ushered in a period of significant uncertainty, with social isolation, shifts in shopper behaviour, strained supply chains and an unprecedented recession on the immediate horizon.

As an uncertain economy looms large, one thing is certain: pet care is good business.
Despite the economic downturn certain sub-sectors of the retail industry have survived — and even thrived — thanks to stay-at-home orders. One of these is the pet care industry.

Here 4 reasons why we think the pet industry is expected to continue growing, and return handsome profits for shareholders over time:

1. PETS ARE RECESSION-PROOF

The pet industry is large, and forecasted to reach $281 billion by 2023, according to market research. Moreover, it has followed a steady trajectory of growth over the past 30 years. With pets increasingly viewed as members of the family (even often taking the place of children as millennials wait longer to get married and have kids), spending on pet-care has consistently grown. For example, annual household spending on pet food among pet owners rose 36 percent between 2007 and 2017, according to some research.

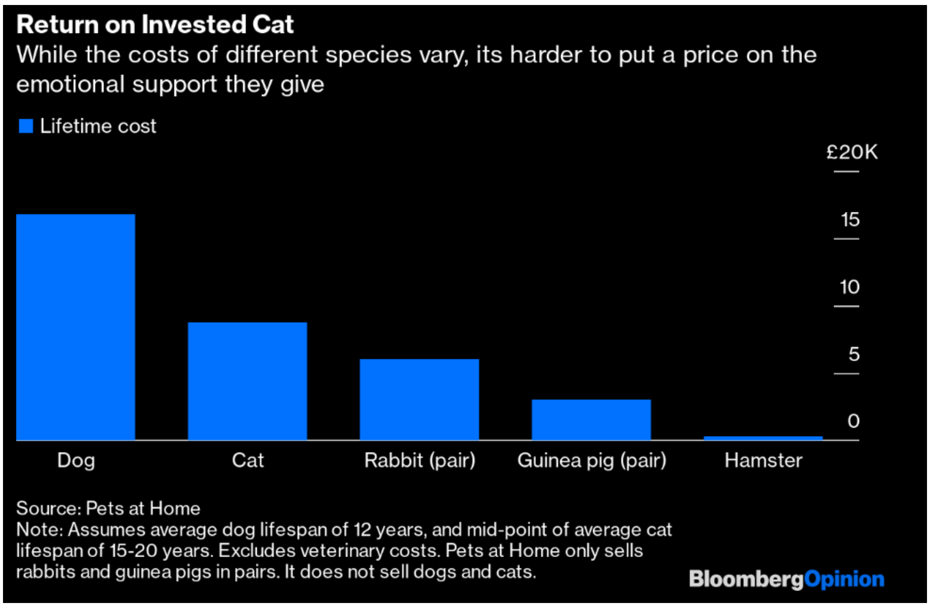
In the past two recessionary dips of 2001 and 2008, pet spending actually grew unabated each year by 7 percent and 5 percent respectively. But it's important to recognize that the current recession is a different animal (pun intended), due to the stay-at-home orders instituted across the country.

For the first time, half of the people employed pre-COVID-19 have been working from home, trading long commutes for quarantined conference calls, clearing social calendars, and yearning for emotional connection, which for many has been filled by their pets.

2. PETS OFFER COMFORT

As pet owners know, there's no better source of an emotional connection than cohabitating with a dog or cat. Not only do pets provide companionship, comfort, and support, but they also fulfil our human need for physical touch. According to scientific research, interacting with a dog or cat lowers your blood pressure and cortisol levels, while stimulating oxytocin, serotonin, and dopamine, chemicals that help our bodies relax.

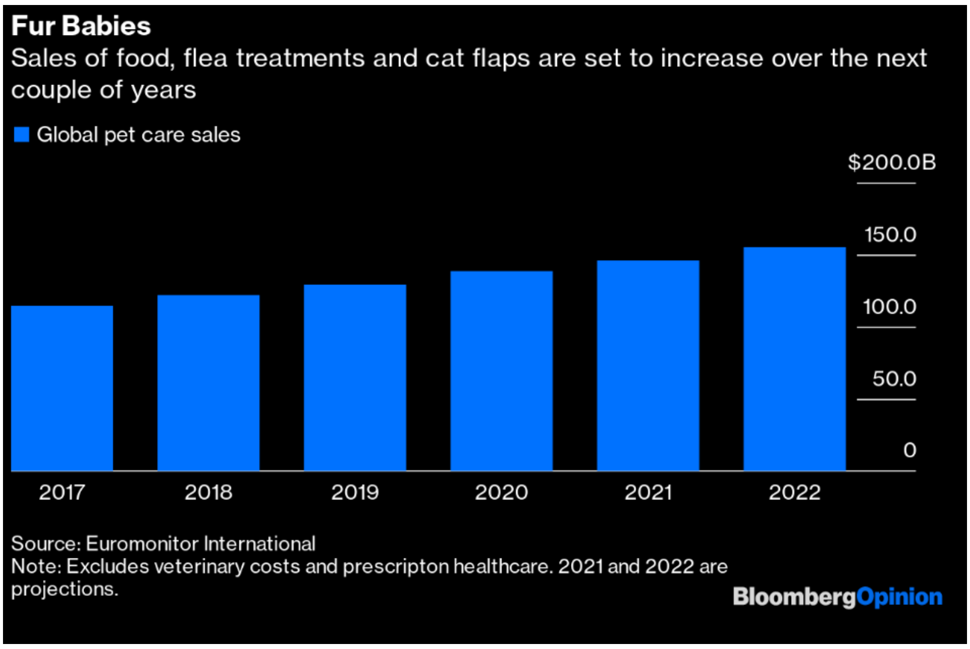
Stay-at-home orders created a perfect environment for pet ownership. Long hours spent in the office that once discouraged potential parents from adopting were replaced by the possibility of being present while working remotely. Consequently, animal adoption rates skyrocketed more than 110 percent and fostering grew 197 percent comparatively year-over-year, according to Pethealth Inc. Many New York City shelters and rescue organizations saw application rates increase by 1,000 percent.



3. PETS NEED CARE

As the popularity of pet ownership has increased, so has demand for pet care products such as extra toys, treats, health care, and other assorted pet accessories. Add to this the growing availability of pet supplies online (the sector saw 11.3% percent growth for online sales in 2019 alone) plus the opportunity to connect with veterinarians and other professionals remotely via telehealth and other online options (we have already written about Teladoc Health in the past); the industry was well-positioned to take advantage of the COVID-19-induced circumstances.

All of this has meant a breakout start to 2020 for the pet industry. At Small Door Veterinary (a US based store), from February to May, "we've seen a 78% increase in membership, alongside a 174% uptick in telemedicine usage and a 1,053% increase in web traffic to our online Learning Centre", as isolated pet owners look for trusted resources and remote care.



4. PETS ARE A GOOD INVESTMENT

For those looking to enter the pet industry, there are many factors to consider. With pet ownership and consumer spending on a rapid ascent, investment in this sector will continue to keep pace. Venture investors are actively seeking counter-cyclical categories in the age of coronavirus.

Over the past decade, pet food, toys, accessories, health offerings, and training tools have also greatly advanced to meet consumer demand for products that not only offer added health or psychological benefits to pets but also come with an aspirational lens fit for Instagram ;)

> ***Fun Fact:*** *China made international headlines in March 2011 thanks to Big Splash, the red Tibetan Mastiff whose unnamed coal baron owner paid a record-breaking $1.5 million for him.*

We continue to believe that this industry will experience strong growth over the medium to long term. In particular, we believe that shareholders in certain pet related companies should see solid CAGR returns on their investments over time.

Some of the pet related businesses that we have on our watchlist include Chewy, and Petco (a possible new listing).

What's going on with the Steinhoff saga?

BY MIKE GRESTY

Many investors would perhaps like to have anything to do with Steinhoff permanently erased from their memories! Can you believe this December marks exactly 3 years since its spectacular collapse. To say the wheels of justice, turn slowly in this country, would be an understatement. We continue to monitor the situation, however, and met recently with Steinhoff to get an update.

In the aftermath of Steinhoff's collapse, we had various discussions with representatives from the legal consortiums that were seeking investor support to initiate class action cases against Steinhoff and a list of other potential defendants (auditors, banks, directors and so on). We took the view that any eventual settlement would be made in favour of all qualifying investors and it would be unwise to assign the right to make decisions on our behalf to any of these legal consortiums, partly due to our belief that their decisions would likely be motivated by maximizing their own billable hours rather than what might be in the best interests of shareholders.

Another conclusion we reached from our discussions with the legal representatives was that it was likely the defendants would try to avoid this matter being dragged through the courts by making a settlement offer beforehand. Although it took a lot longer than expected, the global settlement proposal announced by Steinhoff in July seems to be exactly this. What is clear from our recent discussions, however, is that there is still a lot of water to flow under the bridge on this. From Steinhoff's perspective, it needs to ensure that this is all encompassing and final, otherwise it will not go through with it. Put another way, there is no point in doing this settlement if subsequently it runs the risk that it may still face a legal case for damages anyway. In Steinhoff management's view (almost nobody involved with Steinhoff up to the point of its collapse remains), this is all Steinhoff can afford.

The first step is that creditors must agree that the global settlement can be made to shareholders. Although creditors rank ahead of shareholders, the rationale for accepting this settlement being made to shareholders is that it brings certainty for Steinhoff and the business can move forward. If creditors block the global settlement, they may end up worse off if the company folds. It seems that different sets of creditors have slightly different thresholds for consent. Currently, certain categories require 100% consent but currently some of these creditors are opposing the settlement proposal. Steinhoff is busy pursuing a legal process to try to resolve this.

Assuming Steinhoff is able to get creditor approval to proceed, the global settlement proposal would go into a court process in SA and the Netherlands. If the courts rule that the settlement is valid, then it becomes final and legally binding on everyone. There would then be an independent entity set up and administered by Computershare that would manage the actual distribution of the settlement to qualifying claimants.

It seems that these legal processes are not completely at the discretion of a judge. Those who read the global settlement offer will have seen that the proposal envisages different settlements "market participant" claimants vs. "contractual" claimants. The former are all those who bought Steinhoff shares in the public market, while the latter are the likes of Christo Weise and the Tekkie Town management that sold businesses to Steinhoff in return for shares. Although these contractual claimants undoubtedly suffered enormous losses as a result the collapse in Steinhoff's share price, one could rightly ask how it is that, when Christo Weise went on to chair the board of Steinhoff, under who's nose this fiasco unfolded, he should stand to receive a superior settlement than those who relied on public information and bought shares in the market! If that was not bad enough, it appears that the market participant claimants have very little say in the process, but the contractual claimants could object to the proposal. At this stage, very little is known about where these contractual claimants stand on this matter.

As for what has become of the various class action cases that were in the pipeline, we understand they have all agreed to suspend their legal proceedings and are supporting the process that Steinhoff is proposing. Deloitte has apparently agreed to make an offer in support of Steinhoff's global settlement offer.

To sum up then; before the Steinhoff global settlement proposal becomes legally binding, it needs to make it past creditors and contractual claimants – neither of which is assured. In the event that it does, investors could possibly expect to recover a few cents in the rand of losses suffered. We would not count on it though. As for whether ex-CEO, Marcus Jooste, ever stands before the courts to answer for his part in all of this, we would not hold our breath for that either. We will continue to keep abreast with developments and let you know if any action needs to be taken.

CHARTS/MEMES OF THE MONTH

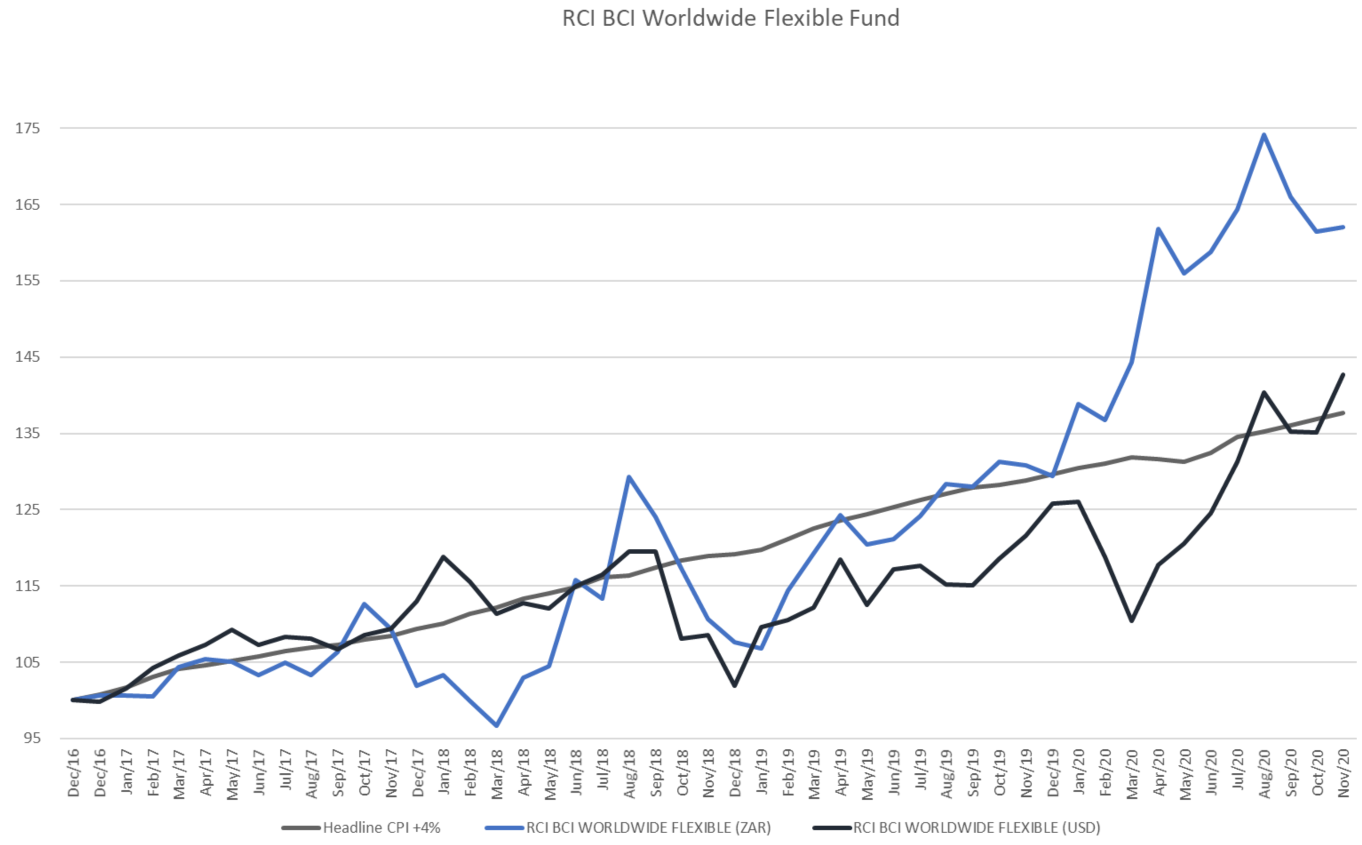
NOVEMBER 2020

The Family Office

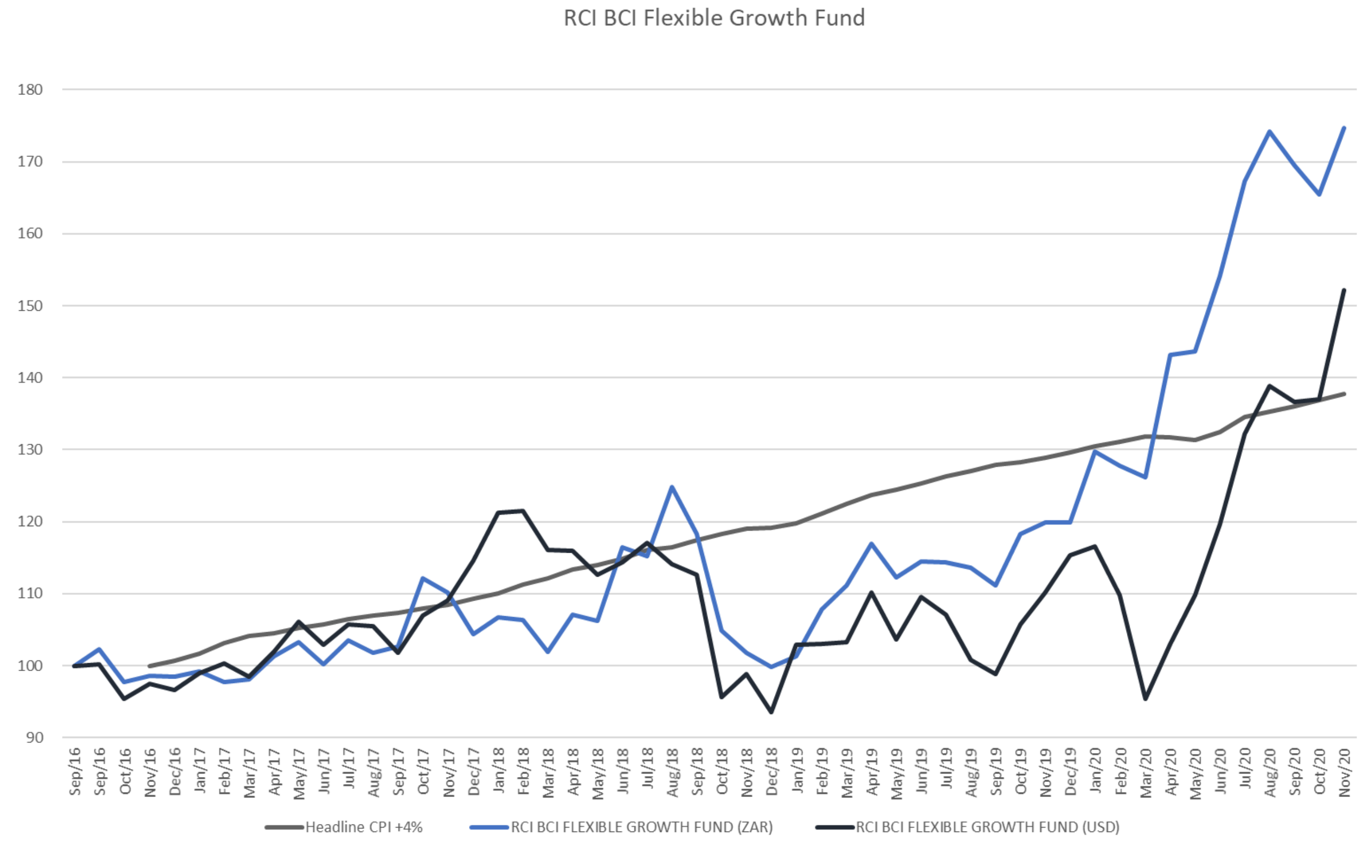
THE HISTORY OF CHRISTMAS TRADITIONS

'HAPPY TO TAKE SMALL AMOUNTS'

RCI BCI Worldwide Flex closed November at 162.09c, up 0.42% for the month and up 23.90% for the last 12 months. It is ranked 3rd out of 79 funds in category for the last year, and 3rd over a rolling three-year period.



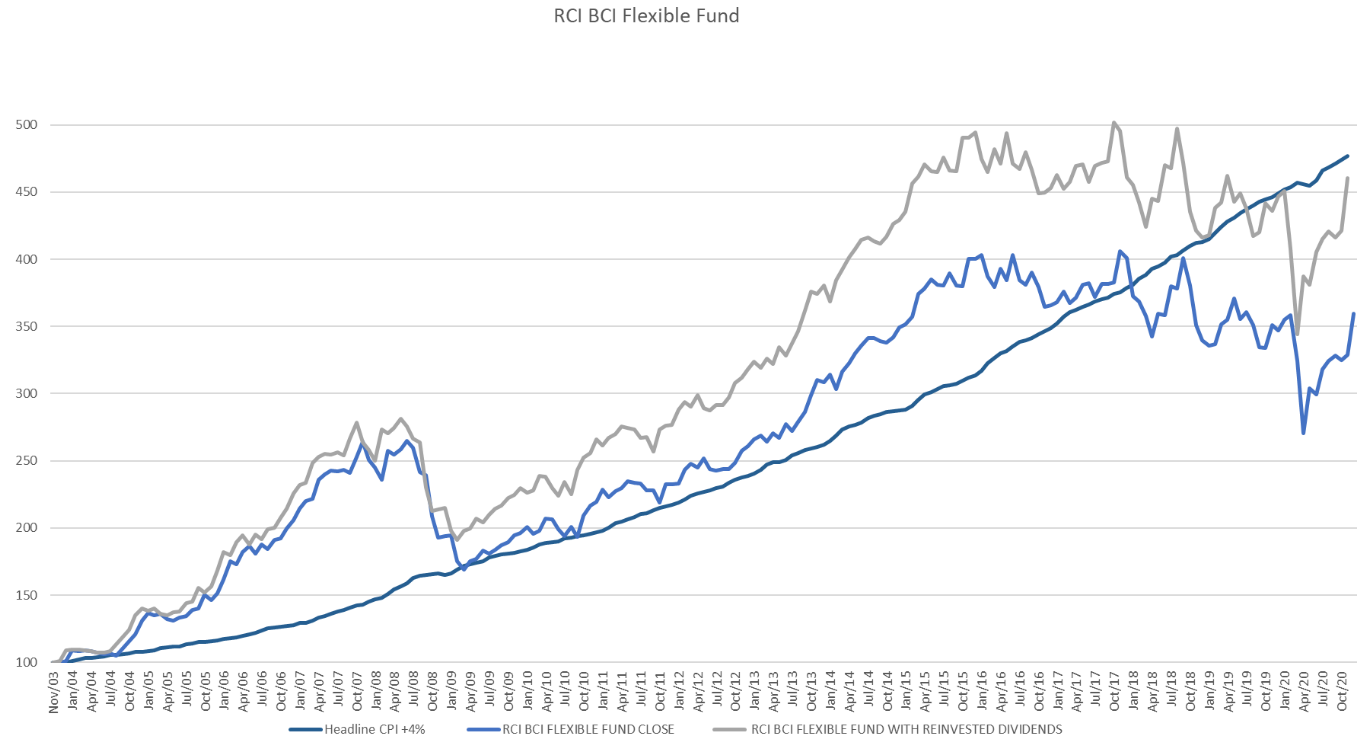
RCI BCI Growth Fund closed November at 174.75c, up 5.62% for the month and up 46.79% for the last 12 months. The fund is ranked 1st in category over year to date, 12 months, and 2 years. It is ranked 2nd in category over 3 years and 3rd over 4 years.



RCI UNIT TRUSTS

'HAPPY TO TAKE SMALL AMOUNTS'

RCI BCI Flexible Fund closed November at 359.42c, up 9.27% for the month and up 5.85% for the last 12 months.



Our unit trusts have the flexibility to buy and sell shares and to change weightings more frequently than in an individual portfolio. We are happy to take small amounts into the unit trust (from R1 000 per month, to lump sums of up to R25 000). As you will not pay commission to any agents, there is no cost to get in and out of our fund. When selling, the amount you receive back will depend on our performance.

Collective Investment Schemes in Securities (Unit trusts) are generally medium to long term investments. The value of participatory interests (units) may go down as well as up, and past performance is not necessarily a guide to the future. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from the company/scheme. Commission and incentives may be paid and, if so, would be included in the overall costs. The portfolio is registered under the license of Boutique Collective Investments, a member of the Association for Savings & Investment SA. Forward pricing is used. More details are contained in a fact sheet that is available upon request.

TO CONCLUDE…

NOVEMBER 2020

November was a great month for markets. We witnessed one of the strongest monthly returns out of the US in over three decades, on a decisive Biden victory which was then eclipsed by news of two highly effective vaccine trials out of Moderna and Pfizer. Markets are still on tenter hooks about a possible stimulus package. With a massive second wave of infections sweeping the world, we will undoubtedly see a second round of lockdowns. December should be a relatively quiet month for stocks as the world winds down for the festive season. With one of the best months on record, we could well see some profit-taking into Christmas.

In this newsletter, we include a brief spotlight on the pet industry and why we believe it shows potential to yield investors solid long-term returns. We find the space particularly attractive because pets are seen as a “recession proof” industry. Many of us care for our pets as though they are family members, and with that, we are seeing a strong rise in pet goods (toys, food and other trinkets). In particular, we are seeing a strong rise in the pet insurance industry, as the cost of medical procedures is just too high to pay out of pocket. In addition to this, the COVID-19 pandemic has seen a massive surge in new pet sales as people work from home more. Two of the companies we are keeping a close eye on are Chewy and PetCo.

Most of our client portfolios are very well positioned and have performed well ahead of benchmarks. Although portfolios are up, we continue to exercise caution when investing clients’ hard-earned savings. This year has been fantastic for investors, despite the COVID-19 pandemic. We do not expect to change our strategy, as it is working.

We are excited about what the future holds and continue to keep a close look out for companies on our watchlist that should be able to generate our clients’ solid returns from current levels, over the medium to long term.

Please note that our offices close on the 24th of December 2020 and reopen on the 4th of January 2021. Should you require any payments before then, please ensure that you send your instruction to Michelle Isherwood before the COB on the 18th of December – michelle@rcinv.co.za

We hope to continue assisting you, our clients, by being the best Family Office we can be.

We wish you all a super and safe festive season. May you enjoy the break and come back to 2021 well rested and ready for a “better year”.

Di, Mike & Eric

PS: Please feel free to pass this newsletter on to friends and family who may wish to learn more about investing. To be added to our mailing list, contact eric@rcinv.co.za

RCI – "THE FAMILY WEALTH OFFICE"

WHAT WE OFFER:

FINANCIAL NEEDS ANALYSIS OF YOUR FAMILY'S ENTIRE ASSET BASE

- Evaluate existing asset base and asset allocation
- Evaluation of current investment structures (retirement, endowment, company, trust etc.)
- Establishment of future goals/objectives/risk appetite

RECOMMENDATION OF CHANGES TO EXISTING ASSET BASE AND ASSET ALLOCATION

- Suggested restructuring (per proposal)
    - Local/Offshore split
    - Trusts; local and offshore
    - Companies
    - Insurance
- Estate Planning
    - Calculating existing estate duty and capital gains tax
    - Assisting in reducing estate duty and capital gains tax
    - Reviewing trust deeds
    - Reviewing existing wills

INVESTING CLIENT FUNDS

- Bespoke local/offshore share portfolios
- Retirement funds
- Unit trusts (local/offshore)

ONGOING FULL CASH MANAGEMENT SYSTEM

- Fully managed transactional banking accounts for clients
- Third party payment functionality – debit orders and ad-hoc payments
- Transferring of funds offshore

FIDUCIARY SERVICES

- Trustees on more than 80 trusts
- Trust administration
- Trust accounting
- Tax compliance
- Assisting in applying for foreign tax clearance
- Legal compliance; drafting of resolutions, contracts and assisting with legal opinions

Robert Cowen Investments
Growing families' wealth since 1982