ROBERT COWEN INVESTMENTS

NEWSLETTER – END JUNE 2021

8 July 2021

THE STOCK MARKET - "Where the patient people make money from the impatient." – Unknown

HIGHLIGHTS OF THIS NEWSLETTER ARE:

- RCI – 'The Family Wealth Office' – What we offer
- A Month in Markets – June 2021
- Want the truth? Most stocks suck – By Stephen McBride
- Cybersecurity could well be the next big megatrend – By Eric Lappeman
- Charts/Memes of the Month
- RCI Unit Trusts
- Our latest 3rd quarter Anchor Navigator

WE ARE LAUNCHING OUR FIRST EVER WEBINAR SERIES!

Please join us for our second webinar in our Generational Wealth Training Webinar Series. This webinar will be focusing on Wills and Estates.

We will explain what an estate is, what it means to die intestate, do you need a specific Will for the jurisdiction that you live in, whether or not your marital regime is important, the process that follows when a person dies and how the estate process works etc.

Please also let us know if there are any other topics that you would like us to cover in this series.

When: Tuesday July 13, 2021
Time: 11:30 AM, Johannesburg

Please click here to register for this webinar.

After registering, you will receive a confirmation email containing information about joining the webinar.

The aim of these webinars is to assist clients and their friends and families understand many of the principles we work with on a daily basis to manage your affairs. We will explain who RCI is, what services we offer, the types of structures we use and what we focus on – tax, emigration, estates, wills, pensions, marital contracts, investments, etc. We will also give a high-level overview on how we invest for clients and what vehicles we use.

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.

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

A MONTH IN MARKETS

JUNE 2021

By Eric Lappeman

The Family Office

Stocks moved largely higher during the month of June, to close out the second quarter. In general, investors continued to look past the accelerating inflation and the Fed's pivot on monetary policy – now indicating two rate hikes in 2023. In addition to the change in monetary policy, investors also took note of an agreement being reached regarding the $1 trillion infrastructure bill, proposed by President Biden.

US equities closed the month up strongly. The S&P500 rose 2.22% for the month, now up 15.3% for the year, while the tech-heavy Nasdaq bounced 5.49% (up 12.54% for the year), after investors flocked from cyclical growth, to secular growth, as the Delta variant continues to spread, and inflation appears transitory rather than sustainable. Locally, the JSE All Share pulled back 2.4% in ZAR, as we witnessed big pullbacks in our miners and heavyweight industrials. The JSE All Share is now up 13.2% for the year in ZAR, and 14% in USD, as the Rand slowly starts to weaken again. The Rand weakened 3.8% against the US Dollar, to close at R14.28, following a strong month in April and May. The RCI Worldwide Flexible Fund closed the month up 7.9%, while the RCI Growth Fund closed up 8.6% for the month, as both funds are heavily invested in dollar assets. These funds are now ranked 5th and 2nd respectively in their categories over the last two and three years. The RCI BCI Flexible Fund was down 1.8% for the month and is up 34.85% over the last year and ranked 5th in its category.

It was a tough month for precious metals, as the stronger dollar hurt spot prices slightly, despite strong data out of China, while Brent and Iron Ore fared much better. Platinum and Palladium were both down 9.6% and 3.9% respectively, for the month. Copper fell 8.8% but Iron Ore came to the party, up 10.9% - now up 48.6% for the year! Gold continued to pull back on mounting concerns over rising inflation – the metal fell 7.2% for the month and is now negative for the year. Brent advanced a further 8.4%, now up 45% for the year.

Among shares that made large moves, retail had a great month, with Foschini up 20% after their trading update. Most property counters also rallied, with Vukile, Sirius and Mas Real Estate, all up double digits. Obviously, iron ore plays such as Afrimat and Exxaro both benefitted from the continued rally in Iron Ore. Amongst the notable laggards were mainly rand hedge platinum and gold counters, as the PGM prices pulled back. Goldfields and Anglogold both fell more than 20%, with DRD Gold not far behind. Angloplats and Sibanye also bore the brunt of lower prices, down 9.3% and 8.4% respectively.

We continue to remain cautious as we enter Q2 reporting in the US. The Fed's position regarding inflation remains a concern, the market is trying to digest higher rates sooner rather than later. However, the FED has highlighted inflation being more transitory in nature. We continue to monitor the COVID vaccine rollout programmes and any further spikes in infection rates around the world. If further lockdowns persist, there could be a negative impact on global growth, as US 10-year bond yields now seem to be pricing. That said, we do still expect our chosen businesses to show strong growth in earnings this season.

MONTHLY MARKET MATRIX

Indicator	Closing level	Monthly Move	Y-T-D
Equities			
MSCI World Index (USD)	**3017**	**1.5%**	**13.3%**
S&P500 (USD)	4298	2.3%	15.3%
FTSE 100 (GBP)	7037	0.4%	10.9%
Nikkei (JPY)	28792	-0.1%	5.7%
MSCI Emerging Markets Index (USD)	**1375**	**0.2%**	**7.6%**
JSE All Share Index (ZAR)	50483	-2.4%	13.2%
JSE All Share Index (USD)	50483	-6.7%	14.0%
JSE Capped Swix All Share Index (ZAR)	19246	-3.0%	13.3%
RCI BCI Worldwide Flexible Fund (ZAR)	1.74	7.9%	10.5%
RCI BCI Flexible Fund (ZAR)	4.25	-1.8%	14.6%
RCI BCI Growth Fund (ZAR)	1.91	8.6%	3.6%
Bonds			
US 10 Year Treasury yield	1.47	0.9%	-3.5%
SA 10 Year Govt Bond yield	9.26	1.1%	-8.8%

Indicator	Closing level	Monthly Move	Y-T-D
Currency			
USD/ZAR	14.28	-3.8%	2.9%
GBP/ZAR	19.76	-1.2%	1.6%
EUR/ZAR	16.92	-0.8%	6.1%
Commodities			
Gold Spot (US$/oz)	1 770	-7.2%	-6.8%
Palladium PM-fix (US$/oz)	2 707	-3.9%	15.6%
Platinum Spot (US$/oz)	1 075	-9.6%	0.3%
Copper Cash LME (US$/ton)	9 352	-8.8%	20.7%
Iron Ore (US$/ton)	203	10.9%	48.6%
Brent Crude ($/Barrel)	75	8.4%	45.0%

Robert Cowen Investments
Growing families' wealth since 1982

MAJOR MOVES IN SHARES

GAINERS		LAGGERS	
THE FOSCHINI GROUP LTD	20.0%	GOLD FIELDS LTD	-26.0%
AFRIMAT LTD	16.9%	ANGLOGOLD ASHANTI LTD	-22.0%
VUKILE PROPERTY FUND LTD	14.5%	MONTAUK RENEWABLES INC	-15.2%
SIRIUS REAL ESTATE LTD	12.7%	MULTICHOICE GROUP LTD	-14.9%
MAS REAL ESTATE INC	10.7%	DRDGOLD LTD	-13.6%
OMNIA HOLDINGS LTD	10.5%	FORTRESS REIT LTD-B	-13.1%
EXXARO RESOURCES LTD	9.5%	KAP INDUSTRIAL HOLDINGS LTD	-10.2%
TEXTAINER GROUP HOLDINGS LTD	8.2%	DISCOVERY LTD	-10.2%
STENPROP LTD	7.3%	ANGLO AMERICAN PLATINUM LTD	-9.3%
BID CORP LTD	6.6%	SIBANYE STILLWATER LTD	-8.4%

WANT THE TRUTH? MOST STOCK SUCKS

BY STEPHEN MCBRIDE

It's a "truth" about investing almost nobody understands.

This truth explains why most investors struggle to make any real money in the stock market… while a few achieve life-changing gains.

The truth is… most stocks suck.

There's simply no other word that so accurately sums up my thoughts on the vast majority of stocks:
They suck.

Let me show you what I mean... and how you can turn this truth into an edge that'll let you beat 99% of investors. This truth has been fooling investors for centuries.

About 150 years ago, whaling was one of America's most important industries.

Electricity hadn't been invented. To light up streets and homes at night, folks burned highly flammable whale oil. By 1850, whaling was America's fifth-largest sector, and it paid extremely well. Just a few thousand whalers earned the modern-day equivalent of $27 billion in one year.

But most voyages never made a dime.

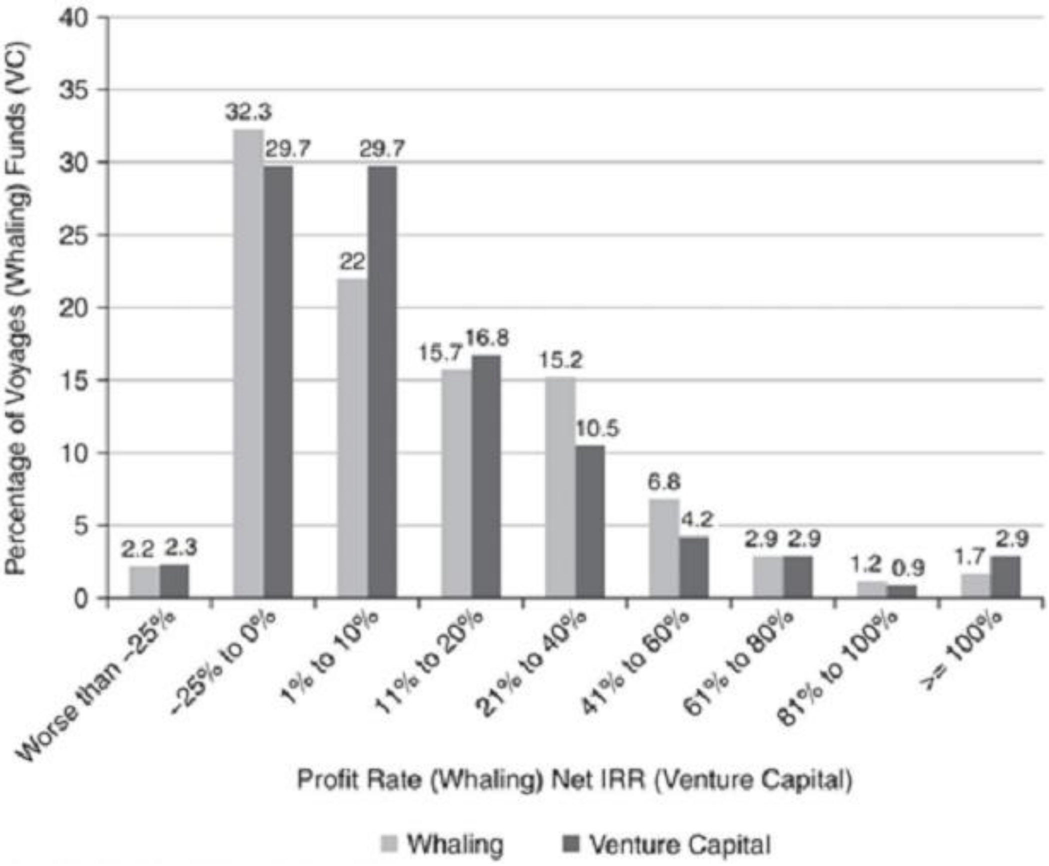
A few years ago, Chicago University researchers wrote a book about the US whaling boom: In Pursuit of Leviathan. They analyzed 4,000+ voyages and found one-third of whalers actually lost money. And get this… the top 1.7% of whalers generated almost all the returns.

What if I told you the same is true in modern-day investing?

Look at the venture capital (VC) industry, for example. Most venture-backed startups fail. A small portion do okay. But only a handful turn into multibillion-dollar winners.

In the book VC: An American History, Tom Nicholas compared VC returns over the past few decades to whalers 150 years ago. And they look eerily similar.

Roughly one-third of funds lost money, and only a tiny fraction hit it out of the park—as you can see here:



Source: VC: An American History

The Family Office

Tons of losers… a few big winners.

The US stock market follows the same pattern.

JP Morgan Asset Management recently published a great paper called Agony & Ecstasy.

It's a deep dive into the performance of the US stock market over the past 40 years. And it confirmed an important investing truth: most stocks suck.

JPMorgan found almost half of stocks suffered a "catastrophic loss" from 1980 to 2020. Meaning they plunged 70%+ and never recovered. Another 26% of stocks handed out returns lower than the overall market. In other words, roughly eight in 10 stocks were total duds that cost investors' money. But you surely know the US stock market is a lot higher than it was forty years ago. How is that possible when eight in 10 stocks are losers?

Turns out, all of the market's returns came from just 10% of stocks, which JPMorgan called "megawinners." In short, this elite group of stocks performed so well, they pulled the entire market up with them. Whether you're measuring 19th-century whaling… early-stage startups… or large stocks, you can't escape this investing truth.

Lots of losers… a few big winners.

In short, the odds are stacked against investors from the start. It's no wonder most stock market investors struggle to even keep up with inflation. This is why picking individual stocks isn't for everyone. In fact, many folks are better off owning a broad basket of US stocks or buying indexes.

By simply owning the S&P 500 ETF (SPY), you would have doubled your money over the past five years. That's a good, stress-free option. But investors who really want to get rich have to hunt for "megawinners."

So how do we find these "megawinners"?

Here are the top performing large US stocks over the past ten years:

	Symbol	Name	10Y %Chg
+	TSLA	Tesla Inc	+10,187.68%
+	RGEN	Repligen Cp	+5,109.89%
+	NVDA	Nvidia Corp	+4,363.86%
+	TPL	Texas Pacific Land Trust	+3,305.22%
+	AXON	Axon Enterprise Inc	+3,295.38%
+	NEO	Neogenomics Inc	+3,253.08%
+	TREX	Trex Company	+3,148.04%
+	APPS	Digital Turbine	+2,941.30%
+	DXCM	Dexcom	+2,695.72%
+	STAA	Staar Surgical Company	+2,683.21%
+	ALGN	Align Technology	+2,531.80%
+	MPWR	Monolithic Power Sys	+2,140.01%
+	BLDR	Builders Firstsource	+1,916.74%
+	ASML	Asml Hld NY Reg	+1,798.76%

These megawinners aren't all household names, but most of them share one key trait: They are disruptors. Disruptors are companies that change the world and invent the future. Take a quick look at the top three megawinners.

- Tesla rocketed to the top of the list by pioneering affordable electric cars.
- Repligen invented machines pharma companies use to make life-saving drugs.
- And America's largest chipmaker, Nvidia, is the "brains" behind the most important artificial intelligence (AI) projects in the world today.

We invest in companies pioneering whole new industries and transforming old ones.

The above list shows businesses that achieve these feats routinely turn out to be megawinners… and can hand you 1,000%+ gains, or sometimes a lot more, over the course of a decade. Remember, disruptive megawinners routinely pioneer whole new industries. This allows them to grow uninterrupted year after year.

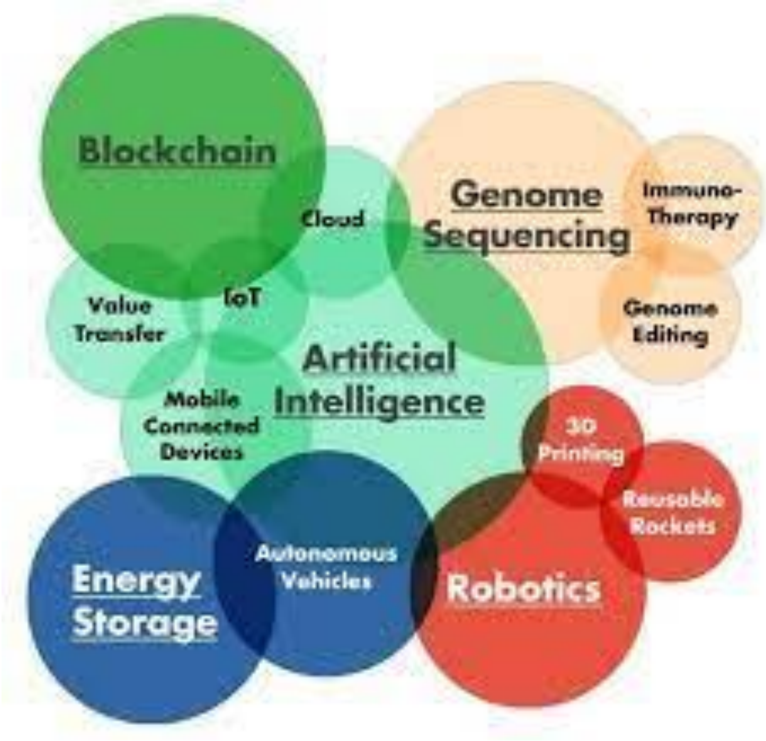
Nvidia's stock has handed out 14x gains over the past five years.

So next time you think about buying a stock, remember the truth:

Most stocks suck.

If you want to get rich investing, you must own the "megawinners."

- Stephen McBride



WHY CYBERSECURITY EXPOSURE SHOULD BE IN YOUR PORTFOLIO

BY ERIC LAPPEMAN

Cybersecurity has long been one of the premier and most durable disruptive growth themes, and it's not stopping anytime soon.

A recent flurry of cyberattacks has both the private sector and the U.S. government on edge, and for good reason. Many of these attacks involve ransomware, a type of malicious software designed to encrypt a victim's important files, effectively holding their systems hostage. In this scenario, hackers typically demand payment in exchange for the decryption key, threatening to leak sensitive data if the victims don't fork over the cash. But here's the most unsettling part: many targeted enterprises are actually paying the ransom.

In the age of digital communications, an increasing number of professionals are growing concerned about digital threats, bolstering demand for cybersecurity. The pandemic caused enterprises to become more reliant on their digital infrastructure as a building block critical to business operations.

Increased digital working exposure has made many companies (and their remote employees) more susceptible to cyberattacks. As more businesses look to make the internet of things the core of their revenue generation models, systems remain prone to hackers without the right cybersecurity measures in place.

These events underscore the importance of effective cybersecurity.

Specifically, enterprises like **CrowdStrike Holdings.** One of our long-time favourites.

CrowdStrike has become the gold standard in cybersecurity. Its platform is designed to protect application workloads and endpoint devices (like desktop computers and servers), both on-premise and in the cloud, helping clients avoid costly data breaches.

To stay ahead of hackers, CrowdStrike leans on big data and artificial intelligence, allowing its platform to detect even the most sophisticated attacks (including ransomware). Currently, the company collects 6 trillion data points per week, and it continuously feeds that data through its predictive engine, making its platform more intelligent over time.

So why do we like it so much?

1. The demand for cybersecurity is only growing

As the global economy goes increasingly digital, businesses are not keeping up with their cybersecurity needs. Crowdstrike estimates that in 2020, global cloud IT spending surpassed $100 billion, yet just 1.1% of that went toward cloud-based security to protect those workloads. Crowdstrike believes that cloud security spending could eventually expand to 5% to 10% of a company's IT budget.

Cybersecurity breaches can wreak havoc on businesses. In May, hackers shut down the Colonial pipeline, the largest petroleum pipeline in the United States, costing the pipeline's parent company tens of millions of dollars in shutdown expenses on top of the ransom it paid.

President Biden has called for significant investments into cybersecurity, because the potential for a government-level breach is a national security concern. In 2020, one research group valued the global cybersecurity market at $167 billion and estimated it will grow at a 10.9% rate through 2028.

The Family Office

2. Crowdstrike's "live" network brings network effects

Security companies call software installed on your own computer -- such as traditional antivirus software -- "on-premise." But on-premise security isn't always effective, because it can only learn about new threats when the antivirus company issues an update.

Crowdstrike's Falcon Platform provides real-time protection by operating on the cloud instead of on-premise. The devices connected to Crowdstrike form a "live" network that can recognize, block, and learn from threats.

Crowdstrike's artificial intelligence could detect an attack in Colorado, learn from it, and instantly improve itself to protect a computer in Florida from a similar threat, even if that attack had nothing to do with the original one. More customers mean more connections on the network, experiencing more threats, making the Crowdstrike platform better. And since it records nearly six trillion events per week, Crowdstrike's platform is always learning, and faster than its competitors.

3. Stellar financials to support growth

Crowdstrike runs a subscription-based business model, so it's important to look at its recurring revenue. That figure's growth signals that Crowdstrike is successfully winning customers' business -- and Crowdstrike has grown its annual recurring revenue at a rate of 74% since 2018.

In its fiscal 2021, Crowdstrike grew recurring revenues 84% year over year to $804.7 million while generating free cash flows of $292.9 million. Its 2021 non-GAAP net income of $62.6 million marked the company's first profitable year.

Metric	2019	2020	2021	Q1 2022 (TTM)	CAGR
Revenue	$249.8 million	$481.4 million	$874.4 million	$999.2 million	85%
Free cash flow	($65.6 million)	$12.5 million	$292.7 million	$323.0 million	N/A

Management is guiding revenue to grow 48.5% this year, to $1.3 billion. Crowdstrike currently has cash on hand of $1.6 billion. With a profitable business and deep pockets, Crowdstrike has the financial tools to keep funding the innovation that helps it grow.

4. Innovation that drives growth

Crowdstrike sells different types of protection as what it calls "modules," consistently adding more over time -- from 10 modules at its May 2019 IPO to 19 just two years later. This product expansion helps encourage customers to increase spending on the platform; existing customers have spent at least 120% more year over year in every quarter going back to Q4 2018. Approximately 64% of subscription customers use at least four modules.

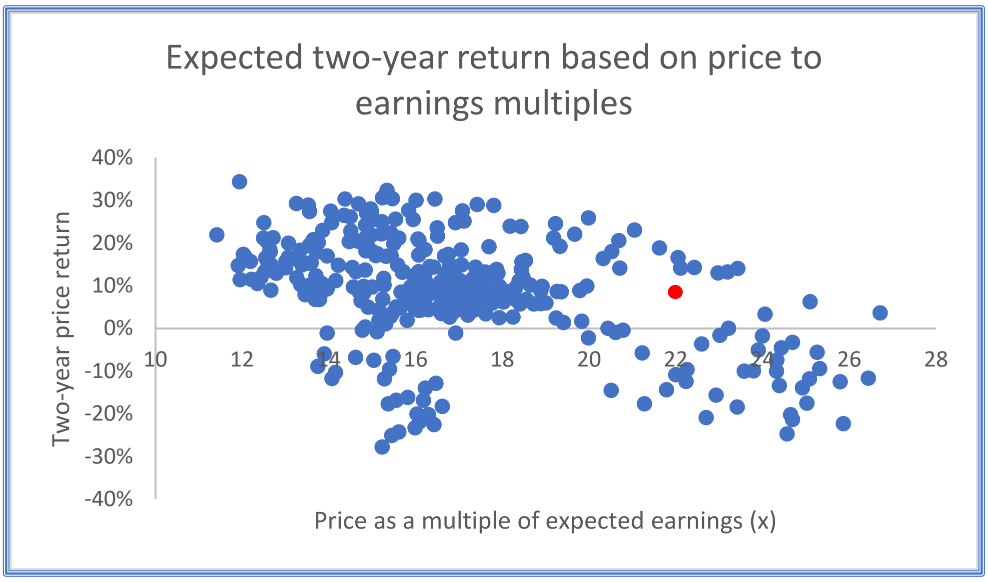
Adding new modules also expands Crowdstrike's addressable market. Management estimates that its addressable market has grown from $25 billion in 2019 to $36 billion in 2021 and will grow to $44 billion by 2023.

Looking ahead, management puts CrowdStrike's market opportunity at $106 billion by 2025. That gives this cybersecurity leader plenty of room to run, with serious operational leverage and significant cashflow generation.

CHARTS/MEMES OF THE MONTH

JUNE 2021

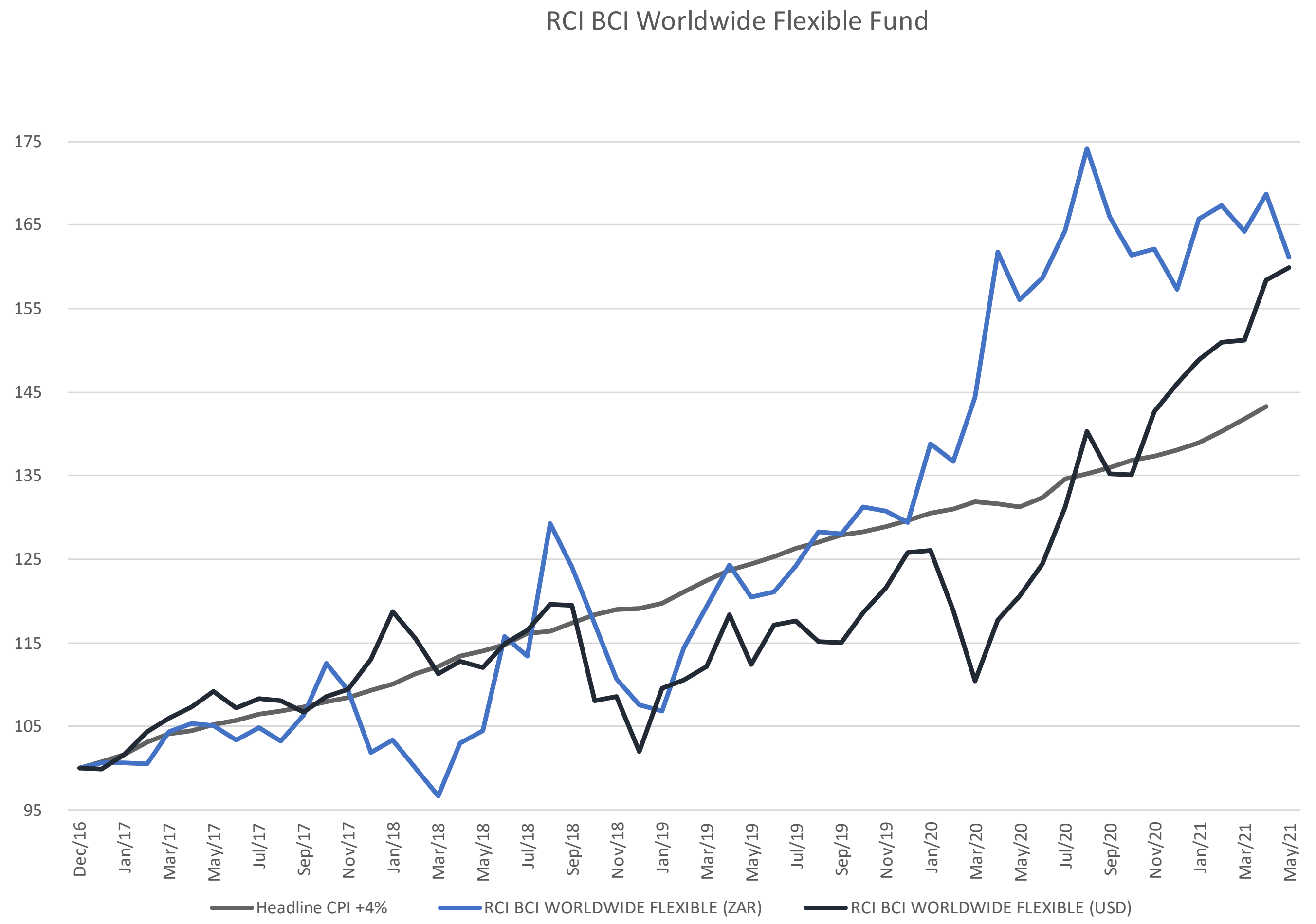
HISTORY SUGGESTS BETTER RETURNS ARE ACHIEVED, FOLLOWING THE NEXT 2 YEARS, IF INVESTORS PAY A LOWER MULTIPLE FOR THE OVERALL S&P500 INDEX.



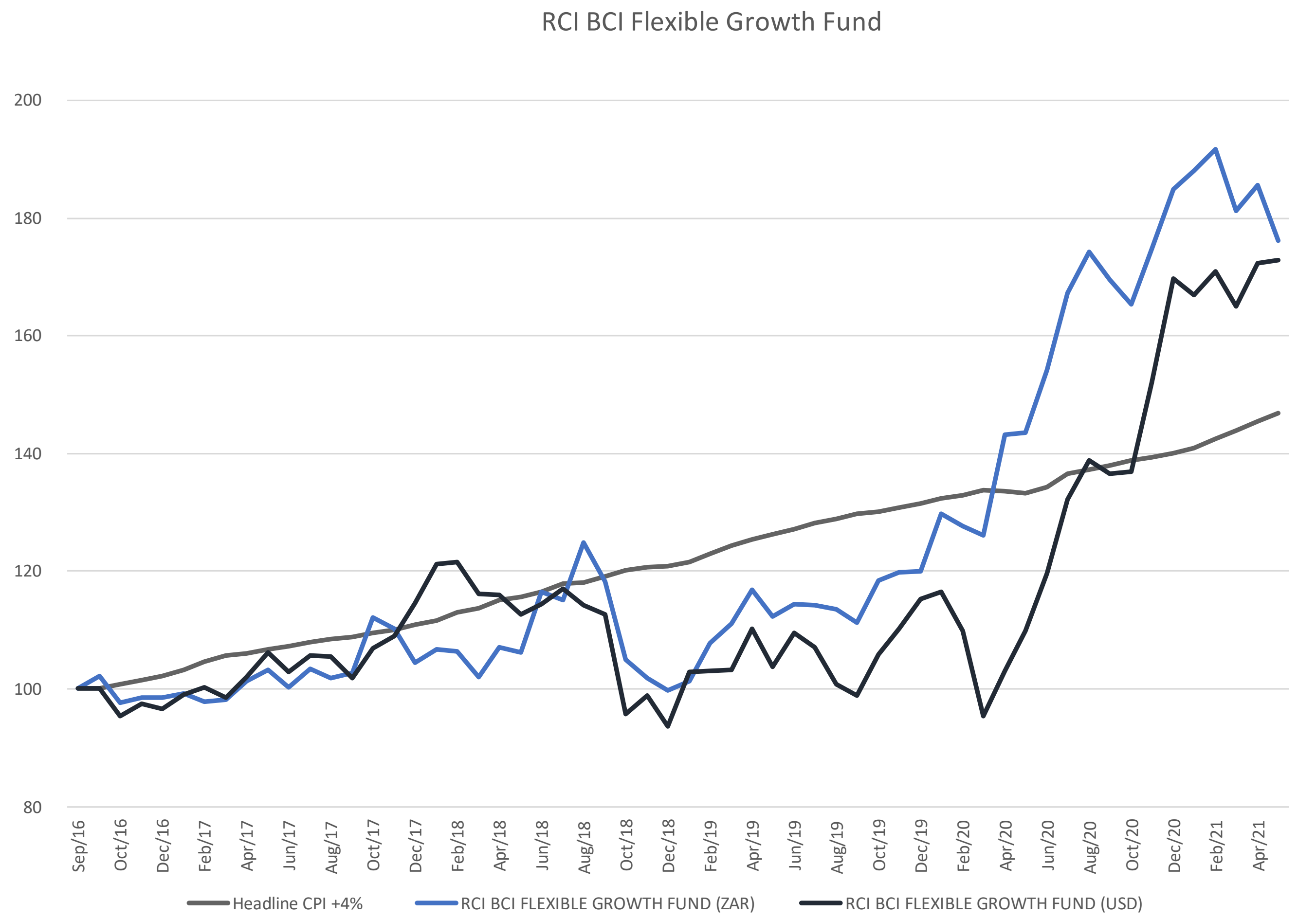
Source: VC: An American History

Source: Visual Capitalist

RCI BCI Worldwide Flex closed June at 173.82c, up 7.88% for the month and up 9.51% for the last 12 months. It is ranked 5th over a rolling three-year period.



RCI BCI Growth Fund closed June at 191.44c, up 8.61% for the month and up 23.47% for the last 12 months. The fund is ranked 2nd in category over 2 years, 3 years and 4 years.

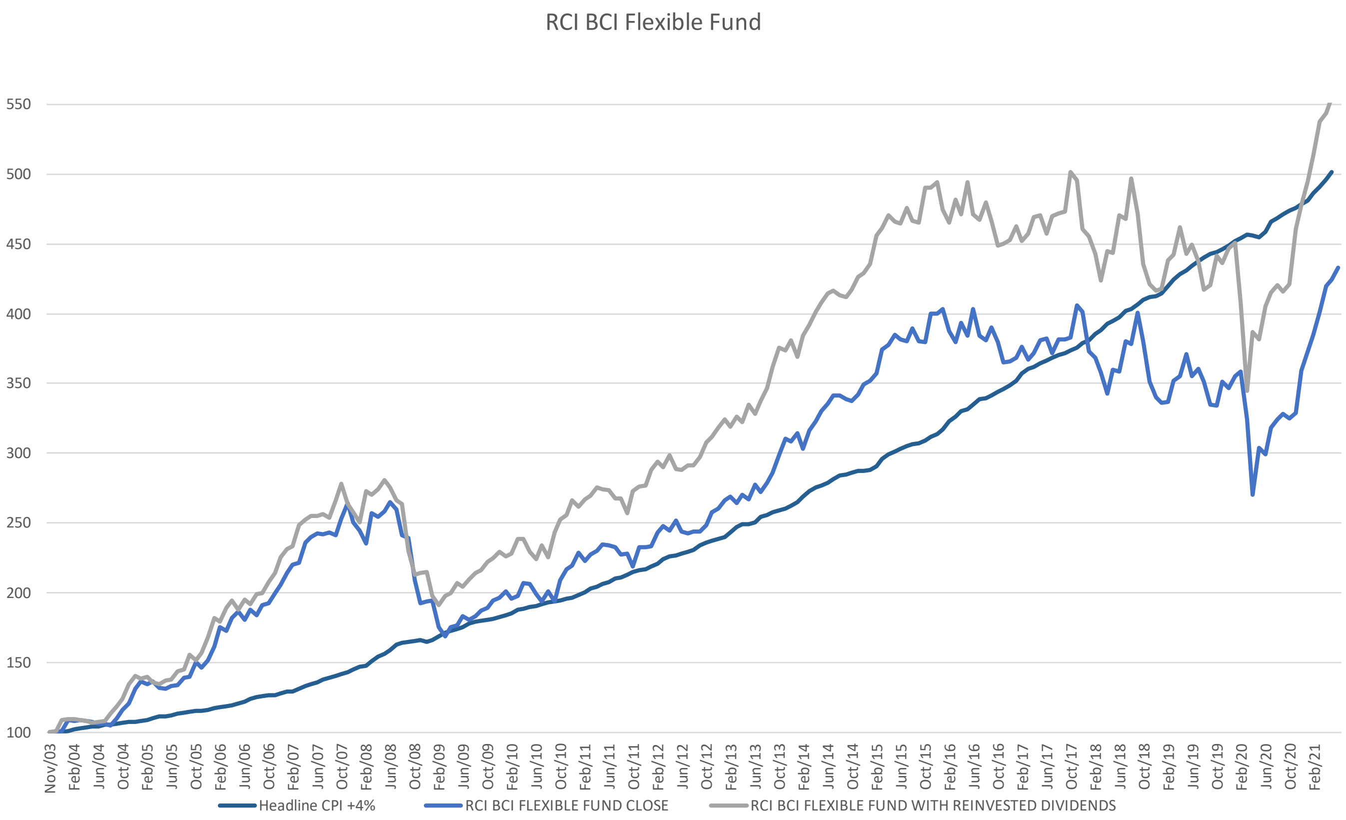


Robert Cowen Investments
Growing families' wealth since 1982

RCI UNIT TRUSTS

‘HAPPY TO TAKE SMALL AMOUNTS’

RCI BCI Flexible Fund closed June at 425.40c, down 1.79% for the month and up 34.85% for the last 12 months. The fund is now ranked 6th in its category over the last year, out of 62 funds.



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…

JUNE 2021

June saw most developed markets close stronger, to end off the second quarter. The global economic recovery appears to be well on track, with a lot of positive economic data coming out. Vaccine rates are increasing nicely, although new variants of the disease keep popping up. The market is starting to grapple with the possibility of inflation and higher interest rates. This is having an impact on the valuation of growth stocks in particular. Most of the businesses we are invested in for clients showed continued earnings growth during the quarter, so we continue to hold them regardless of short-term pullbacks. At present, inflation appears to be transitory in nature, and this should be good for shares as we enter 2nd quarter earnings season.

In this newsletter, we include a link to our latest Anchor strategy document, detailing our views on the 3rd quarter of 2021. Articles range from commodities, and whether we are in for another super cycle, to US inflation and where we think it is headed.

Stephen McBride, a lorded disruptive investor, shows us that most stocks suck. To get rich, investors need to focus on the megawinners, in particular those stocks exposed to fast growing trends. These disruptive megawinners routinely pioneer whole new industries and this allows them to grow uninterrupted year after year. Shares like Nvidia.

Lastly, we include a short overview of one of our favorite cybersecurity stocks, Crowdstrike, and why we think it is poised to benefit from a fast-growing megatrend (c.11% CAGR through 2028). More recently, we have seen a very big increase in cyber threats, and businesses are still investing far too little on this type of IT.

In our charts and meme section, we highlight some research that shows PE multiples matter. At present, the US market trades on 22 times next year's earnings. Based on history, this suggests a return of 10% over the next two years. Obviously, history is not necessarily a perfect barometer, but it does suggest lower multiples equate to higher returns over the following two years. Is this time different?

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.

In 2021, we hope to continue assisting you, our clients, by being the best Family Office we can be.

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

28 February 2021 Tax Certificates

We have not yet received all the tax certificates from 3rd parties and need to collate these once received.

We are in the final stages of collating the 2021 tax certificates from 3rd parties and anticipate being able to circulate these certificates at the end of this week.

Whilst care has been taken to check, on a sample basis, the contents of the reports, we do recommend that you check the detail that will be provided.