ROBERT COWEN INVESTMENTS

NEWSLETTER – END MARCH 2022

11 April 2022

"In the short run, the market is a voting machine, but in the long run it is a weighing machine." – Benjamin Graham

HIGHLIGHTS OF THIS NEWSLETTER ARE:

- RCI – 'The Family Wealth Office' – What we offer
- RCI 40 YEARS OLD – An excerpt from Di's speech
- Naspers/Prosus: A true test of our long-term investment temperament – by Mike Gresty, CIO
- What have we been doing in the funds – by RCI Investment Team
- Charts/Memes of the Month
- Interesting Information
- RCI Unit Trusts

Note: It is a new calendar year, and so your annual R1mil offshore travel allowance has renewed. Please get in touch with us if you wish to send further funds offshore – the exchange rate is looking attractive.

Conversations on China and it's impact on global growth by Ray Dalio of Bridgewater Associates

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.

IS THE WORLD AT WAR AND WHAT DOES THAT MEAN FOR US? (WEBINAR)

We understand the concerns you have regarding markets and your investments at present – it has been a tough quarter! We would appreciate it if you would join us for a webinar on Friday 6th May @ 10-00am (zoom link to follow) to listen to how we are viewing the current developments with Russia's invasion of Ukraine, the US and interest rates, global inflation, possible recession… The list goes on and on!

Most importantly, we will discuss our strategy for the investments that we look after for you, and how we are navigating this very tricky investment environment.

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

RCI TURNS 40 YEARS OLD – A BRIEF HISTORY

BY DI HAIDEN

The Family Office

40 YEARS OLD – OUR PAST

So, we've been in business for 40 years now AND still going strong. I think Rob can be very proud of what he has achieved in starting a business all those years ago that has stood the test of time and coped with all the curve balls that history has thrown at us!

Reminisce for 5 minutes and look behind us before moving onto the NOW and the future.
What were those curve balls and how did the business grow over the decades?

1980s

AIDS was identified, the Iran-Iraq war became a global issue, Reagan and Pope John Paul II had assassination attempts on their lives, the Falklands War started and ended, the nuclear accident at Chernobyl happened, first global warming warning was issued, there was the Tiananmen Square massacre, the Berlin Wall fell, we had the start of the worldwide web server and browser, and the dissolution of the Soviet Union.

RCI – Rob started RCI with a few clients, who are still clients today and we are looking after the 4th generation of the original client families. Staff complement - 2

1990s

Persian Gulf War, eastern European regimes fell, Germany reunified, apartheid laws repealed, Nelson Mandela was freed, democratic elections were held and Nelson Mandela became President of the rainbow nation. Hubble telescope was launched, EU was formed and started its own currency, Dolly was the first cloned sheep, and Hong Kong was returned to China.

RCI – assets were R200million, and I joined Rob in 1991. Staff complement - 4

2000s

Bush became President, Putin became President, we had 9/11 when Al Qaeda attacked the World Trade Centre and the Pentagon, the Enron scandal, the sub-prime mortgage collapse and the Great Financial Crisis of 2008, Obama was elected, Madoff scandal, stem cell research, the invasion of Iraq, tsunami in Asia, Facebook started, then Twitter, the iPhone in 2007, Obama became president, and Bitcoin found its place in our lives.

RCI – assets @R600million, and Alan McConnochie joined. Staff complement - 9

2010s

Wikileaks, Bin Laden and Gaddafi died, the Arab spring movement, the Syrian civil war, Boston Marathon bombing, China abandons one-child policy, European refugee crisis starts, Trump becomes President, Brexit in the UK, Russian election meddling, AI becoming more and more important, driverless cars, Putin re-elected for a 6-year term (2018), China changed its constitution and Jinping can remain President for Life.

RCI – assets R2billion, Rob and Alan both retired and Mike Gresty joined. Staff complement - 17

2020s

Covid-19, work from home, Biden becomes President, storming of the Capitol in Washington, repression of political opposition in Russia, George Floyd incident, Black Lives Matter movement, and now the Russia-Ukraine war.

RCI – assets R5,5billion. Staff complement – 16, and all of you are our clients.

Last, but not least, thank you for being our clients. We love the journey we walk with you and no matter what the world may throw at us, we've got your backs and appreciate you allowing us to be involved in so much of what you do!

Naspers/Prosus: A true test of our long-term investment temperament

BY MIKE GRESTY, CIO

The Family Office

Well, so much for the theory that as we turned the page on 2021 – an annus horribilis for Chinese shares caught up in the crosshairs of a domestic regulatory crackdown and Sino/US power politics, compounded by the very poorly received attempt to unlock value via a Prosus shares for Naspers shares exchange – 2022 was set to be a year of recovery. By the end of 1Q22, Naspers and Prosus had declined by 33% and 39%, respectively, while Tencent (which accounts for c. 75% of the Naspers/Prosus NAV) had lost 16%. Note too that until early February, Prosus was still busy with its US$5bn share buyback, which makes its performance in the quarter all the more surprising.

Part of the disparity in performance between Naspers/Prosus and Tencent is explained by the exchange rate (the rand appreciated by c. 10% against the US dollar over 1Q22), but there was also a notable widening of the discount to net asset value (NAV) to historic extremes.

Figure 1: Naspers discount to NAV – currently c. 65%
Source: Anchor, Bloomberg

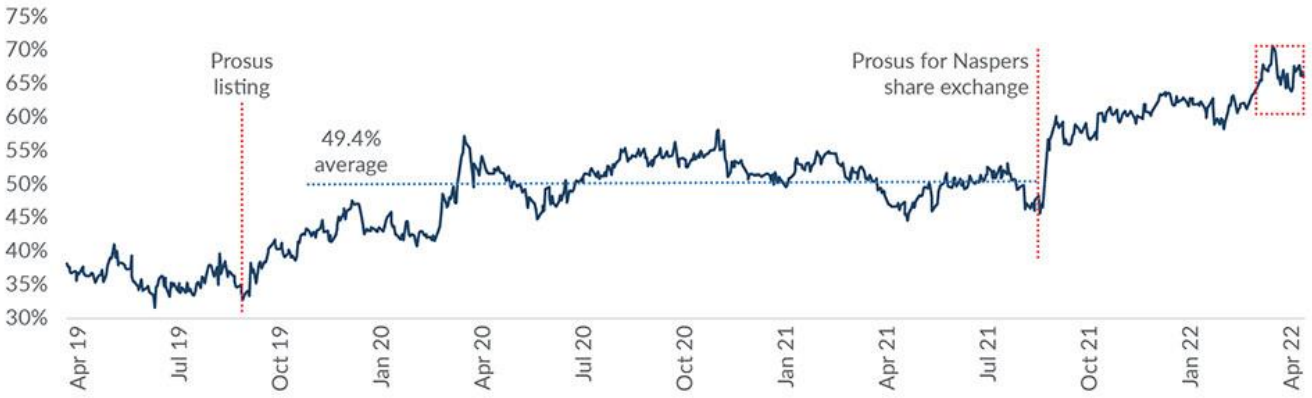
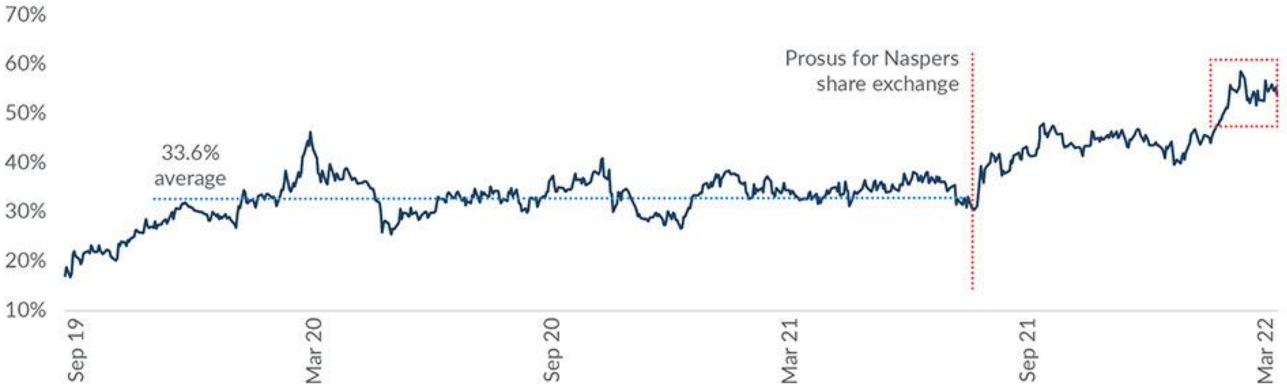


Figure 2: Prosus discount to NAV – currently c. 53%
Source: Anchor, Bloomberg



Until shortly before the Russian invasion of Ukraine in late February, Tencent's share price was in positive territory for the year. However, this tentative recovery was snuffed out as Chinese regulators pushed for further reductions in fees charged by food delivery platforms, leading to speculation that China's regulatory crackdown on its technology giants has further twists in store. This sell-off gathered momentum as investors considered the broader implications following China's close friend Russia's invasion of Ukraine.

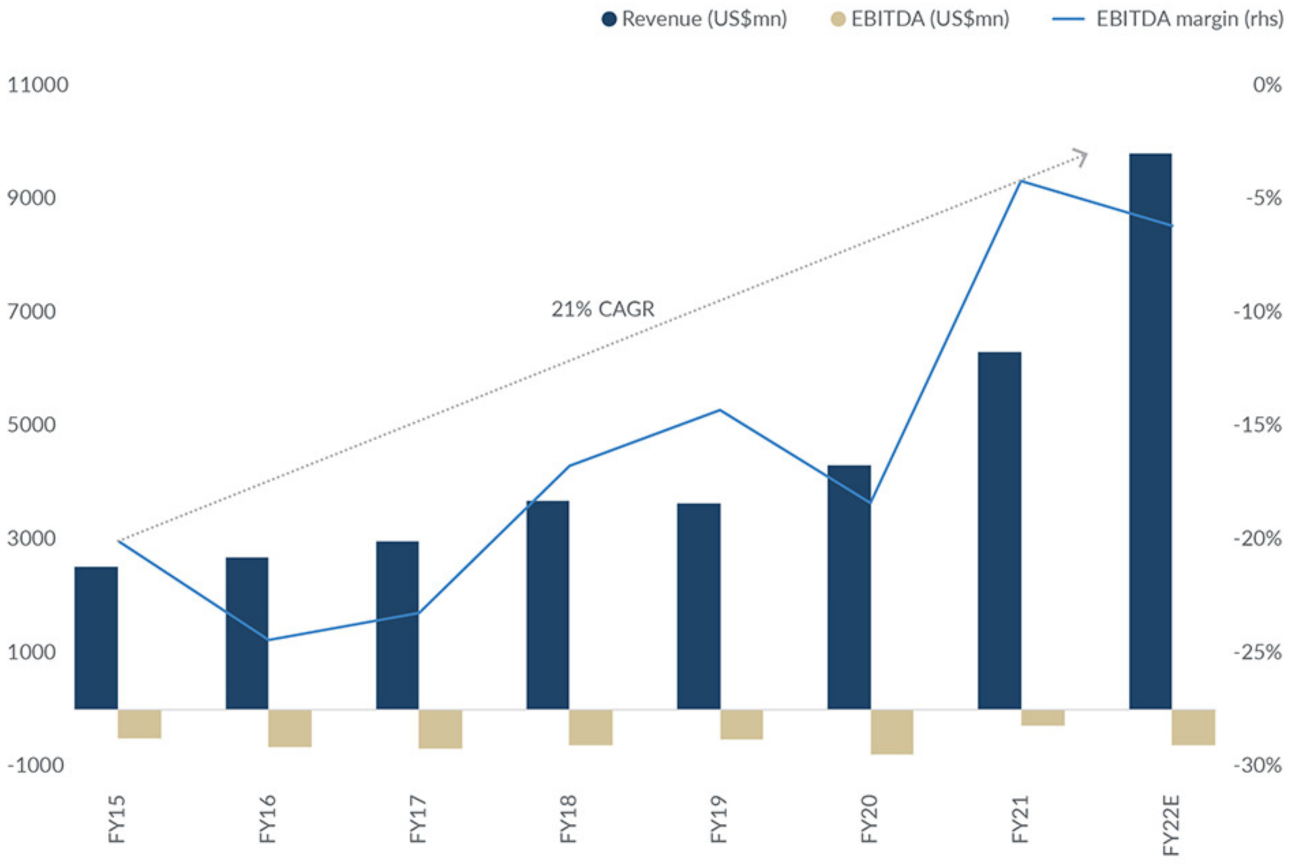
Naspers/Prosus: A true test of our long-term investment temperament (continued)

BY MIKE GRESTY, CIO

While reasons for the continued share price weakness in Naspers/Prosus's key investment, Tencent, are clear, one may well ask what lay behind Naspers/Prosus's significant investment underperformance against even this low bar. Although the extent of the underperformance suggests there may have been some non-fundamental factors in play (a large shareholder repositioning its portfolio perhaps?), focusing on the non-Tencent part of the portfolio (accounting for c. 25% of NAV), some possible explanations include:

- **Non-Tencent assets fall into the currently unloved "loss-making tech" category**. Prosus has been increasingly active in building its technology portfolio outside of Tencent. Part of the funding of these investments in recent years has come from two placements of c. 2% each of its Tencent stake. The performance of this portfolio is collectively reported as its Ecommerce segment, with underlying investments in several chosen focus areas – Online Classifieds (the most mature), Food Delivery, Payments & Fintech, Etail, and, most recently, Edtech. While its strategy of investing in earlier stage technology opportunities and selling more mature holdings where it believes full value is being recognised in the market, means the track record of performance in Figure 3 below is not an apples-with-apples comparison of the same underlying investments, the point to note is that, while revenue growth has been healthy (and, in fact, accelerating more recently), collectively this portfolio has continued to generate losses. As bond yields began to rise and investors started to worry about the implications of this for valuations that could be justified for equities going forward, loss-making technology companies have been most severely punished over the last year. As inflation fears intensified over the past quarter and, with them, investors' expectation of how high bond yields are likely to rise, it is probable that Prosus' Ecommerce segment's presence in this loss-making tech grouping will have caused any prospective new investors to conclude this share can be avoided until valuations on this currently unloved segment of the technology sector have sufficiently adjusted.

Figure 3: Trend in Naspers/Prosus Ecommerce revenue and profitability
Source: Anchor, Bloomberg



- **Some exposure to Russia/Ukraine does not help the investment case**. Although small in the context of Prosus' total investment portfolio, it has exposure to Russia through Avito (online classifieds), a 27% stake in VK (previously called Mail.Ru), and a less than 2% revenue exposure for its PayU fintech operation. It also has a small online classifieds presence in Ukraine via OLX. In aggregate, these exposures equate to less than 3% of the market value of Prosus's assets. However, Avito is a solidly profitable online classifieds platform in Russia, which had been responsible for delivering c. 20% of dividend income for the Group. Management has assured investors that funding was ample to cover Prosus's investment plans over the next 3 years without Avito dividends, and the value impact is relatively immaterial, but this was likely a further reason to avoid Naspers/Prosus shares.

While the above provides context behind the very poor investment performance of Naspers/Prosus in recent times, the critical question is what investors, many of whom had used these shares as a reliable central pillar around which they had built their local equity portfolios, should do now? In periods of strong investment returns from Naspers/Prosus, it is easy to imagine adding further to the position should a significant pullback occur, the problem is that the risks responsible for such a pullback loom large. Market commentators, reflecting the sentiment of the day, stress further downside risks, which means emotionally the easiest course of action at this point is not to add further but rather to cut the risk of further losses (capitulate?) and switch into other investments that are in favour. Political developments in China and signs that the authorities there are beginning to interfere more in the commercial decisions of its private sector cement even more strongly in our minds the view that the high individual company weighting that many SA investors were comfortable holding in Naspers/Prosus needs to be re-evaluated for the future, but this is not the time. Right now, as long-term investors, we believe it calls for us to show the strong temperament to do what makes us feel uncomfortable – that is hold the line with this investment and be patient.

Yes of course there is the possibility that those looming risks that lie behind the sell-off to date intensify further, leading to additional downside for the shares. China using the current global focus on the Russia/Ukraine conflict as an opportunity to annex Taiwan, for example, would be an event, if it was to occur, that would undoubtedly lead to a further exodus from Chinese equities by international investors. However, there are some encouraging signs that the investment tide in China may be turning more positive too. These include:

- **A shift towards a decidedly more market-friendly policy backdrop in China**. There were times in the last year when the steady stream of negative regulatory news out of China led one to suspect the authorities there were deliberately trying to render the market "uninvertible" for foreign investors, and indeed, some now seem to see it in that light. However, we may well look back on several recent developments as being important signals of a decisive shift towards a more investor-friendly stance. In late March, Chinese authorities finally stepped in to restore market stability, committing, among other things, to complete their regulatory reset as soon as possible and in a more coordinated and transparent manner. Subsequently, apparent efforts by China to comply with US demands to provide access to sensitive audit information on US-listed Chinese companies and thus avert a threatened de-listing of these shares in the US, represents a significant shift towards resolution and de-escalation of tensions. Finally, there has been the introduction of a range of domestic economic policy stimulus measures, in contrast to its restrictive stance last year and policy tightening currently underway across most western DMs.

- **A healthier and more sustainable technology sector in China?** Tencent's 4Q21 results announced in late March set a very different tone about the outlook for Tencent and the broader technology industry in China. Characterising the past environment as one of aggressive zero-sum competition and focusing on short-term profitless revenue growth, Tencent envisages a shift to a new paradigm of enhanced focus on cost efficiency, innovation, and long-term sustainability. For Tencent's part, it stresses that this year will be about controlling costs and rationalising its non-core businesses. Coming on top of a set of results that fell short of already heavily reduced market expectations, we were concerned about how investors would interpret Tencent's repositioning of its outlook to one of "sustainable growth". The steady recovery in Tencent's share price since the results were released suggests investors may be warming to it.

Naspers/Prosus: A true test of our long-term investment temperament (continued)

BY MIKE GRESTY, CIO

- **A lot of bad news is already reflected in the price.** It is probably fair to expect that experience over the last year or so will mean that the risk premium attached to investing in China will remain considerably higher for the foreseeable future. This means it is unlikely we will see Tencent return to the sort of valuation it attained in the past any time soon. That said, with reference to Figure 4 below, the current 12-month forward P/E of 21x is in line with historic low points of investor sentiment. Something to keep in mind, too, is that since around 2015, Tencent began deploying its considerable organic cash generated into building its own portfolio of technology investments. These currently contribute a small loss to operating earnings and thus actually detract slightly from the "E" used to calculate the P/E multiple in the chart. If one rather excludes the market value of these investments from Tencent's market value, it implies the forward P/E multiple is closer to 13.5x.

Figure 4: Tencent: 12-month forward P/E vs subsequent earnings growth expectations
Source: Anchor, Bloomberg

- **The growing influence of Prosus's Ecommerce segment over time.** In recent results, Prosus management has repeated its target of growing the NAV of the Ecommerce segment to US$100bn by FY25, which would imply it would need to roughly double in value over the next 3 years. To give some sense of materiality, this would equate to c. 43% of Tencent's value as it stands today. We have highlighted the growing investor fatigue related to the perpetual losses reported by this segment historically, but with reference to the chart showing the segment's profitability, it is on a steadily improving trend. It will be interesting to see if the loss of investment appetite for loss-making tech is reflected in a greater urgency to deliver the long-anticipated "J"-curve in Ecommerce segment earnings. Although there is no guarantee that the FY25 target will be achieved, it creates the possibility that the investment case of Naspers/Prosus has the potential to begin decoupling to some extent from that of Tencent.

- **Options to unlock value back on the table for Naspers and Prosus?** The widening of the Naspers and Prosus discounts to NAV over the past quarter likely implies investors attribute a very low probability of any material corporate action occurring. Based on how things stood after the Prosus shares for Naspers shares exchange last August, we acknowledge this is probably a reasonable assumption. However, considering how much prices have fallen subsequently, it may be dangerous to assume the status quo remains for corporate action. If paying capital gains tax (CGT) eventually is an unavoidable step in eliminating the discount and positioning this group correctly for the future, then the current set-up may be presenting an ideal opportunity to address this once and for all.

Naspers/Prosus: A true test of our long-term investment temperament (continued)

BY MIKE GRESTY, CIO

To conclude, in better times, if one was to sum up what an ideal situation would be in which to build exposure to Naspers and Prosus shares it would likely be a combination of (1) a relatively strong rand exchange rate; (2) Tencent's valuation being attractive; and (3) the Naspers and Prosus discount to NAV being at an attractive level. The problem is, in these happier times, one seldom considers whether you will have the emotional fortitude to stare down the risks that have pushed the shares into what we might call "golden tri-factor" territory, when all three factors align at the same time, and invest. There remain issues that still hang over the investment case for Tencent and, by association, Naspers and Prosus. China's stubborn pursuit of a zero-COVID policy and its continued refusal to resume new online game approvals to name a few.

Sadly, it is the nature of markets that you are unlikely ever to get the comfort of both certainty on risks and the golden tri-factor of value factors you wish for. We see some encouraging signs that the tide may finally be turning and, judging by the sizeable share buybacks being made by Tencent since the release of its latest results, maybe its management does too. For many SA investors, holdings in Naspers and Prosus are already sizeable exposures in their local portfolios and our advice is to hold fast. For the rest, the golden tri-factor being in place is a rare occurrence indeed and presents a great opportunity for long-term investors to be accumulating exposure.

RCI BCI Worldwide Flexible Fund

March was an extremely volatile month with the American S&P500 index falling 5% the first week after already having had a big fall in February following the Russian invasion of Ukraine. It then rose 10% to close up 3.4% for the month. The major events and concerns that caused these swings were inflation data and energy and resource price spikes related to the Ukraine invasion, but we also saw the first 0.25% increase in the Federal Funds Rate since pre-COVID. Market participants welcome the FED's intervention to bring inflation under control but at the same time there is concern that should they hike too quickly, they could stall global growth and cause a recession. It remains to be seen how well they can walk this tight rope over the next several quarters.

The following table shows how the FED has adjusted their economic estimates since their last policy meeting in December 2021. It is a little alarming that they have reduced their GDP growth expectations for 2022 from 3.6%-4.5% in December 2021 to 2.5%-3% now in March 2022. This is an average reduction of about 1.3% within the space of 3 months and shows how much of an impact supply chains issues, inflation and European conflict can have on growth. However, their growth expectations for 2023 have been kept at 2-2.5% growth for the year.

	2022			2023		
	Min	Max	Range	Min	Max	Range
GDP Growth						
15-Dec-21	3.6%	4.5%	0.9%	2.0%	2.5%	0.5%
16-Mar-22	2.5%	3.0%	0.5%	2.1%	2.5%	0.4%
Change	-1.1%	-1.5%	-0.4%	0.1%	0.0%	-0.1%
Core PCE						
15-Dec-21	2.2%	3.0%	0.8%	2.0%	2.5%	0.5%
16-Mar-22	4.1%	4.7%	0.6%	2.2%	3.5%	1.3%
Change	1.9%	1.7%	-0.2%	0.2%	1.0%	0.8%
Fed Funds Rate						
15-Dec-21	0.6%	0.9%	0.3%	1.1%	2.1%	1.0%
16-Mar-22	1.6%	2.4%	0.8%	2.1%	3.6%	1.5%
Change	1.0%	1.5%	0.5%	1.0%	1.5%	0.5%

(Table showing the change in the FED's estimates of GDP, Inflation and the FED Funds rate since previous meeting December 2021)

They have also increased their inflation expectations for the 2022 year to between 4.1%-4.7% and expect the FED funds rate to increase between 1%-1.5% for the year. This paints a slightly tougher environment for stocks over the next two years, especially growth stocks as they typically earn their revenue further into the future and hence the time value of money discounts them to a smaller present value when interest rates are higher (called opportunity cost). This causes investors to switch into businesses that are producing strong revenue in the present like value investments e.g. Tobacco, Food and Drinks, Energy etc. but this could lead to poor investment decisions for the long-term.

US S&P500 Index Analysis – please see the table on the following page

The S&P500 is not far off its all-time high but so many companies have fallen significantly over the last several months. This is because the market has been propped up by several cyclical sectors that have done well in the short term:

The best performing sectors over the last year have been Oil and Gas – up 65%; Metals and Mining – up 57% and Energy equipment – up 64%. But if we examine how well these sectors have done over the past 5 years it paints a different picture.

Compared with the S&P500, which was up 93% over the past 5 years, Oil and Gas was up only 22%, Energy equipment and services down 48%, and Tobacco down 20%. The exception being Metals and Mining, rising 190% due to the commodity spikes resulting from the Russian invasion of Ukraine.

WHAT HAVE WE BEEN DOING IN THE FUNDS

BY THE RCI INVESTMENT TEAM (CONTINUED)

The highlighted blue sectors are typically those sectors where RCI seeks to invest. These are your high compounding, high return on capital businesses. You will notice they have had a very tough year, appearing at the bottom of the table over a 1-year view. But over 5 years (the right-hand column), they have mostly outperformed the S&P500. <u>These are the types of businesses you want to own for the long run.</u>

The continued and consistent focus of our portfolio is to invest in high Return on Capital (ROCE) businesses that compound their earnings over the long run. We are confident that many of our businesses are growing earnings above inflationary levels and should outperform cyclicals over the next five years.

	Pullback from high	What have they done over the last year?	What have they done over 5 years?
SPX	**-5.7**	**13.1**	**93.2**
NASDAQ	**-11.4**	**11.5**	**174.3**
Oil, Gas & Consumable F	(4.2)	65.4	35.5
Energy Equipment & Serv	(6.8)	64.0	(36.3)
Metals & Mining	(2.5)	57.3	190.1
Communications Equipme	(10.4)	31.5	130.6
Insurance	(3.1)	26.8	84.9
Equity Real Estate Investr	(7.1)	25.1	57.4
Automobiles	(28.2)	25.0	604.2
Construction & Engineerin	(10.7)	24.5	135.9
Food & Staples Retailing	(8.4)	23.8	93.1
Health Care Providers & S	(7.8)	22.5	90.1
Multi-Utilities	(1.6)	19.7	57.4
Professional Services	(10.1)	18.6	89.9
Commercial Services & Su	(11.4)	18.1	182.1
Multiline Retail	(9.7)	18.1	212.1
Aerospace & Defense	(8.6)	17.7	70.4
Chemicals	(14.9)	17.5	73.3
Trading Companies & Dist	(8.1)	16.9	148.8
Pharmaceuticals	(12.8)	16.3	102.5
Electric Utilities	(3.1)	16.2	49.9
Life Sciences Tools & Ser	(21.8)	16.0	222.1
Real Estate	(17.4)	14.6	182.4
Biotechnology	(19.9)	14.2	42.9
Consumer Finance	(17.5)	12.9	76.1
Distributors	(21.4)	11.4	119.6
Food Products	(7.9)	10.4	32.0
Health Care Equipment &	(14.1)	9.4	159.1
Road & Rail	(13.7)	9.4	179.4
Technology Hardware, Sto	(17.0)	8.3	109.4
Capital Markets	(18.5)	8.0	104.9
Tobacco	(8.1)	6.6	(20.6)
Beverages	(9.3)	6.5	35.6
Software	(25.3)	6.5	265.0
Containers & Packaging	(14.1)	5.6	54.4
Electrical Equipment	(18.5)	4.6	233.5
IT Services	(17.5)	3.3	102.1
Banks	(19.6)	2.8	42.6
Semiconductors & Semico	(22.8)	2.8	1,055.8
Wireless Telecommunicati	(12.9)	2.4	106.3
Specialty Retail	(25.1)	0.3	90.3
Air Freight & Logistics	(19.5)	(0.8)	54.7
Household Products	(15.5)	(3.2)	55.9
Machinery	(19.8)	(5.3)	65.3
Electronic Equipment, Inst	(23.3)	(5.6)	171.9
Media	(21.3)	(5.7)	22.0
Building Products	(25.2)	(5.7)	52.7
Industrial Conglomerates	(17.9)	(7.2)	28.7
Hotels, Restaurants & Lei	(24.3)	(7.2)	72.2
Entertainment	(23.8)	(11.5)	119.1
Interactive Media & Servic	(33.9)	(13.8)	114.8
Internet & Direct Marketin	(33.6)	(14.7)	476.7
Diversified Telecommunica	(22.5)	(14.7)	(29.5)
Auto Components	(31.6)	(15.2)	46.2
Textiles, Apparel & Luxury	(31.9)	(16.8)	17.3
Household Durables	(33.6)	(20.0)	44.4
Airlines	(26.1)	(21.1)	(30.6)

The table has been sorted by the performance of each S&P500 sector over the last year – middle column. At RCI we tend to focus on investing in companies that fall into the blue highlighted sectors. One can see these sectors have struggled over the last year whilst energy, resources and materials have had a strong year.

However, on a five year view our preferred sectors outperformed the overall stock market whilst oil, gas, energy and other cyclicals underperformed – highlighted red on right hand side. We don't expect this to change over the next five years!

WHAT HAVE WE BEEN DOING IN THE FUNDS

BY THE RCI INVESTMENT TEAM (CONTINUED)

	PEG Ratio [FWD PE/(21-23 G)]	PE in one years time	Earnings Per Share (USD/Share) FY2020	FY2021	FY2022	FY2023	Growth: 2021-2023
AMAZON.COM INC	1.72	44.83	48.29	57.49	66.48	91.45	26%
VISA	1.36	28.34	5.01	5.82	7.16	8.49	21%
MICROSOFT CORP	1.69	29.59	5.67	7.78	9.46	10.73	17%
DISNEY	0.56	27.76	1.51	2.49	4.31	5.57	50%
SABRE CORP	NA	NA	-2.83	-2.12	-0.89	0.24	NA
NETFLIX	2.11	30.69	6.72	11.09	11.42	14.55	15%
ALPHABET INC-CL C	1.58	21.31	57.28	114.60	124.84	147.60	13%
ADOBE SYSTEMS INC	2.31	31.43	9.94	12.47	13.69	16.10	14%
FACEBOOK INC-A	4.63	15.49	10.41	14.98	13.80	15.99	3%
PAY PAL	1.98	23.47	3.80	4.61	4.65	5.76	12%
PEG Ratio (Forward PE/'21-23 Growth in EPS)	**1.99**						
Simple Average PE		**28.10**					
Annual EPS Growth Rate (Simple Average)				**44%**	**16%**	**22%**	**19%**

Our top 10 positions are expected to grow earnings per share by about 20% per year for the next two years. This is somewhat normalized growth post all COVID19 disruptions. Companies are trading on relatively high valuations (compared to the S&P500 at 19.4x), but their growth rates and quality should support these higher valuations. Especially when compared to expected returns on investments in bonds or cash.

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

Main changes during the month

During the month of March, we sold Constellation Software, which had held up very well in the current market turmoil. We still like the company and will continue to monitor it for inclusion in the future at a more reasonable valuation. We also sold out of our positions in Fiverr and Block (formerly Square). Both businesses have long dated earnings, and due to the current environment of higher discount rates, we feel it more appropriate to exit these positions.

We have also identified several new high ROCE companies in the United States of which we have made a small introductory investment in each. We will go into further detail on those businesses that become a more meaningful part of the portfolio over time.

Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017	-	-	-	-	5.1%	-1.6%	1.5%	-1.8%	3.2%	5.8%	-2.9%	-6.8%	**1.9%**
2018	1.4%	-3.2%	-3.6%	6.8%	1.4%	10.8%	-2.1%	14.1%	-4.1%	-7.3%	-3.8%	-2.8%	**5.6%**
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%										**-19.6%**

The fund returned -6.0% in ZAR terms (-1% in USD) for the month. The ZAR strengthened 5.2% against the USD for the month, which detracted from the fund's performance.

For the 2022 year thus far, the fund is down 19.6% in Rands, or 12.3% in USD terms, with the rand having strengthened 9.0% against the dollar. The MSCI Developed Markets Index has fallen 4.4% in USD for the same period.

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. Alternatively, please feel free to contact us.

The RCI BCI Worldwide Flexible Fund investment team:

Mike Gresty, Ross McConnochie, Eric Lappeman, Andrew Lawson
Di Haiden, Gontse Dikeledi, Keiran Witthuhn

Robert Cowen Investments
Growing families' wealth since 1982

WHAT HAVE WE BEEN DOING IN THE FUNDS

BY THE RCI INVESTMENT TEAM (CONTINUED)

RCI BCI Flexible Fund

The ongoing conflict in Ukraine remained the key driver of news headlines in March but, perhaps showing tentative signs of proving Nathan Rothschild right when he said "buy when the cannons are firing and sell when the trumpets are blowing" developed market (DM) equities ended the month higher (MSCI World +2.8% MoM). Europe, given its proximity to the conflict and facing a difficult period as it tries to wean itself off energy dependence on Russia, was understandably an underperformer among developed markets in March. Emerging Markets (EM) endured anther poor month (MSCI EM -2.3% MoM) but, as in February, what was most notable what the divergence in performance across markets. The MSCI Russia index (comprised of foreign listed Russian stocks) was marked to zero and trading in these shares suspended. Chinese listed stocks endured another torrid month (Hang Seng China Enterprises Index -9.7% MoM), buffeted by China's apparent alignment with Russia, sabre-rattling by US authorities on potential de-listing of US-listed Chinese stocks that fail to meet audit disclosure rules and mounting COVID lockdowns. In contrast, Brazil (+6.1%) and SA (+1.5%) were both in positive territory for March.

South Africa continued to emerge as a key beneficiary of the conflict, not only as an alternative supplier of sanctioned Russian commodities in an already tight market, but also seeing increased foreign interest from EM investors seeking a safer haven. The South African equity market delivered a positive return for the sixth consecutive month and closed out 1Q22 firmly in positive territory (FTSE/JSE Capped SWIX +1.5% MoM, +6.7% 1Q22/YTD). Diversified miners and SA financials led from the front, while market heavyweights, Naspers/Prosus (-14% and -15% respectively, had another terrible month, courtesy of the China issues discussed above and Rand appreciation (+5.2% MoM vs. the US dollar), which was a headwind for rand hedges generally. PGM miners (-16% MoM) also had a poor March, partly as metal prices retreated slightly as initial expectations of Russian supply being sanctioned began to fade, and operational updates disappointed.

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 March, the top 15 holdings in the fund, making up 61% of the equity exposure, were as follows:

Investec	Prosus	Afrimat
BidCorp	Naspers	South32
Advtech	Glencore	Quilter
Standard Bank	Thungela	MAS Real Estate
Com Finance Richmont	Santam	Redefine

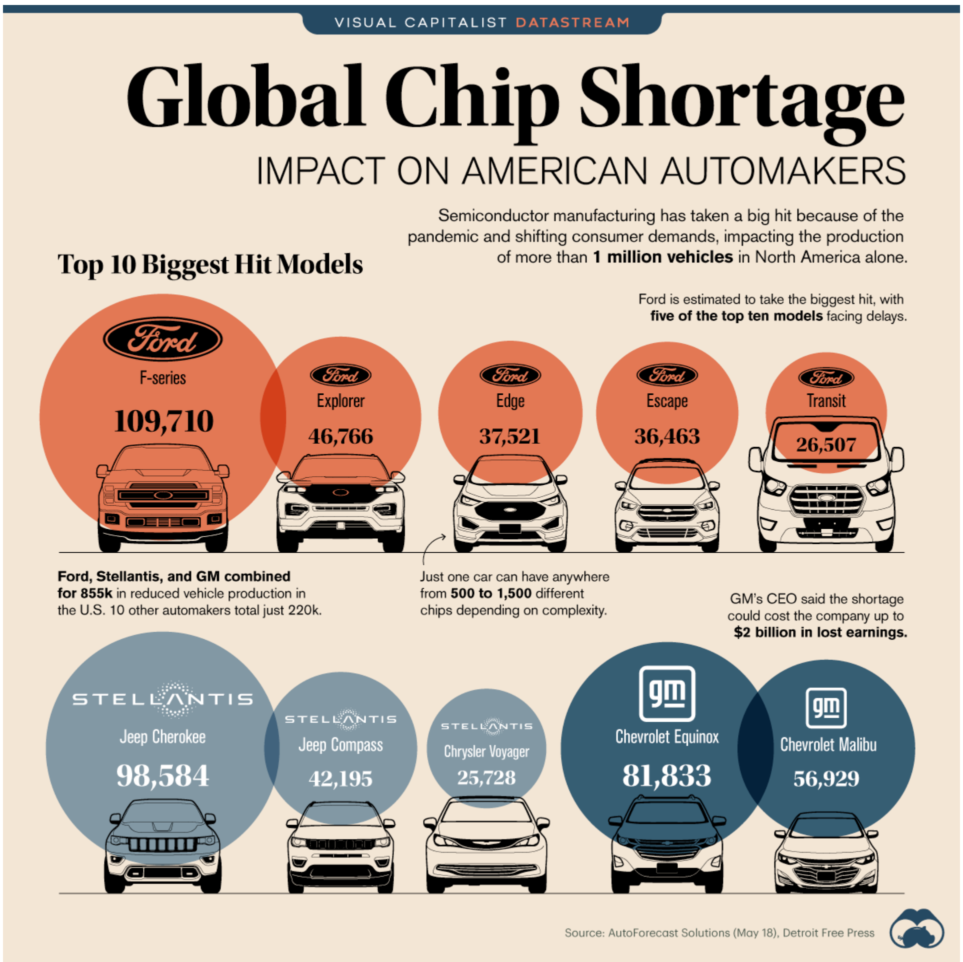
Performance

During March, we reinitiated a position in **MTN** following its strong results and outlook, which caused us to conclude there is further upside than we previously envisaged. We also took advantage of weakness in **Richemont** and **Quilter** to increase the fund's holdings. Keep in mind that Quilter is due to pay a 401cps special dividend in May. Among disposals, we took profits in **Thungela** (controlling the size of this exposure in the fund), as well as sold down exposure to **Northam** after its disappointing operational results due to concern that the recent rally in PGM group metals may be vulnerable if Russian exports are not sanctioned or demand for the metals is negatively impacted by other supply chain challenges.

After a difficult start to the year, the fund had a better March, increasing 3.7% MoM, which pushes it into positive territory year-to-date (+0.53%). Although Naspers and Prosus holdings continued to weigh on performance, it benefitted from strong performances from bank shares (Investec, Standard Bank and Absa) as well as Thungela, which had a stellar rally in March.

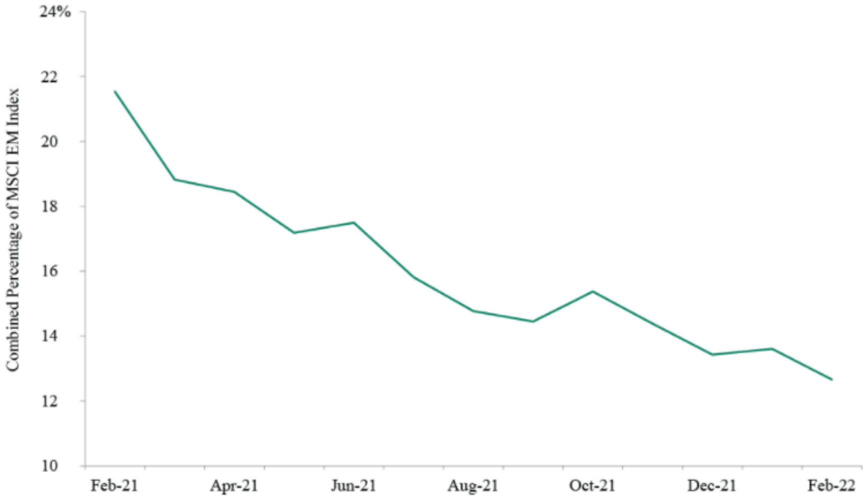
The Family Office

Global Chip Shortage – Ford Negatively Effected



Source: Visual Capitalist

Index Weighting of Top Ten EM Internet/Tech Companies Has Declined Dramatically



Source: MSCI Emerging Markets Index

Has the world's openness to international trade passed its peak?

Global trade openness index: sum of imports and exports as a share of GDP (%)

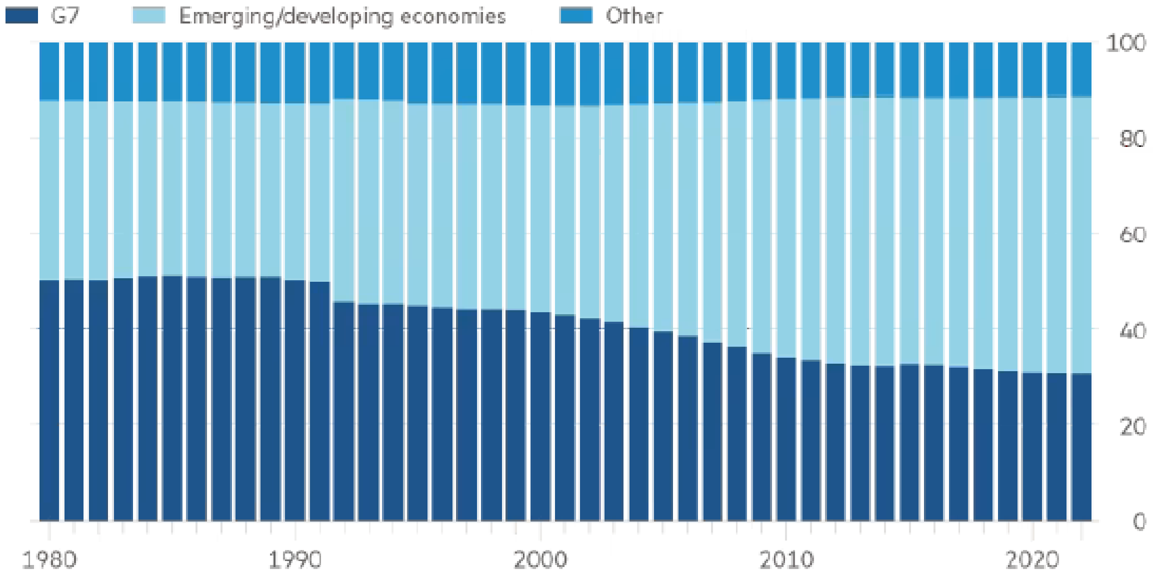
Series labels indicate the data source used for each period

Graphic based on a chart by Our World in Data

Sources in order of appearance: Klasing and Milionis (2014), Penn World Tables 9.1, World Bank
© FT

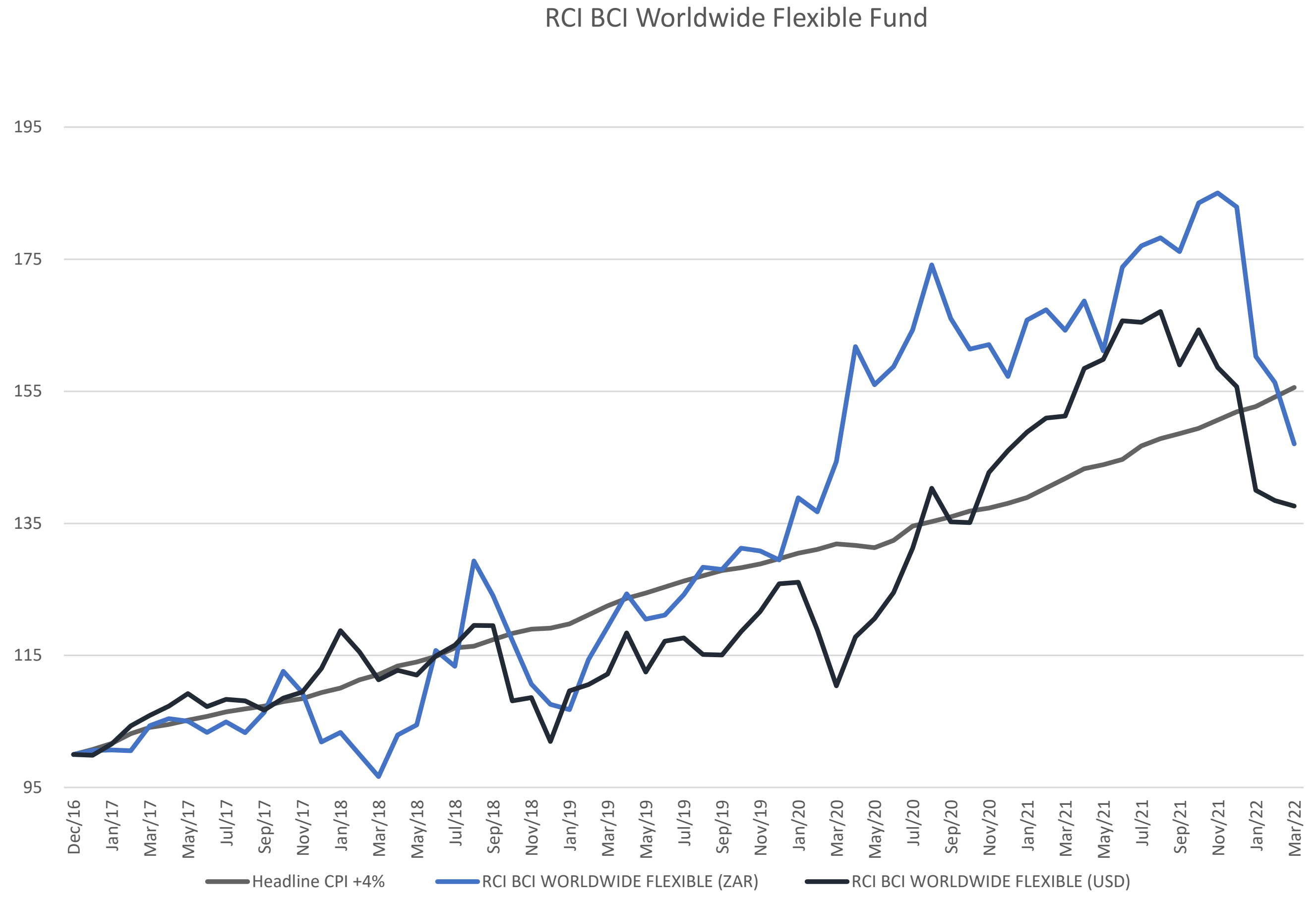
Globalisation has driven growth in emerging markets

Share of global GDP* (%)

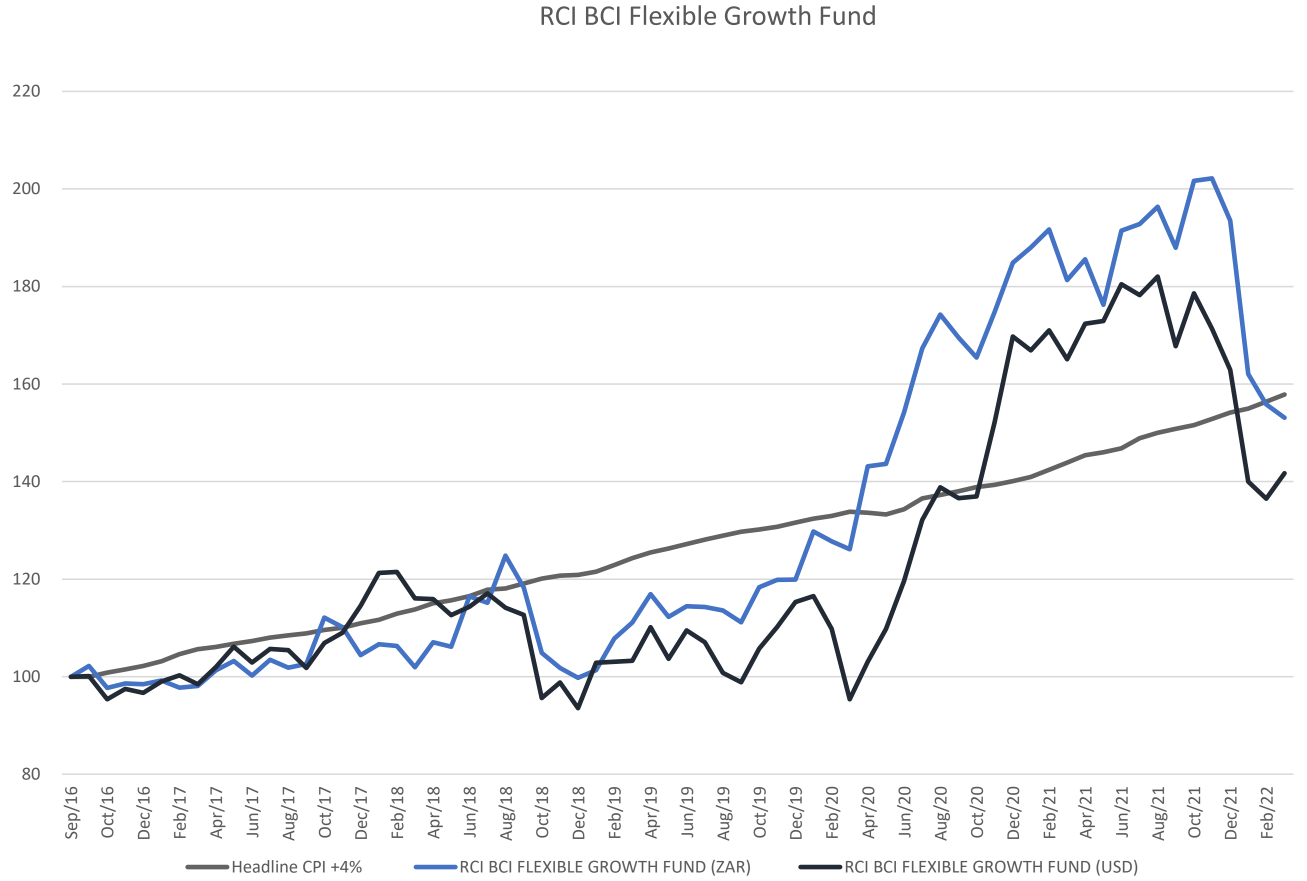


*Based on purchasing power parity
Source: IMF
© FT

RCI BCI Worldwide Flexible Fund closed March at 145.03c, down 5.96% for the month and down 10.48% for the last 12 months.



RCI BCI Growth Fund closed March at 151.38c, down 1.76% for the month and down 15.55% for the last 12 months.

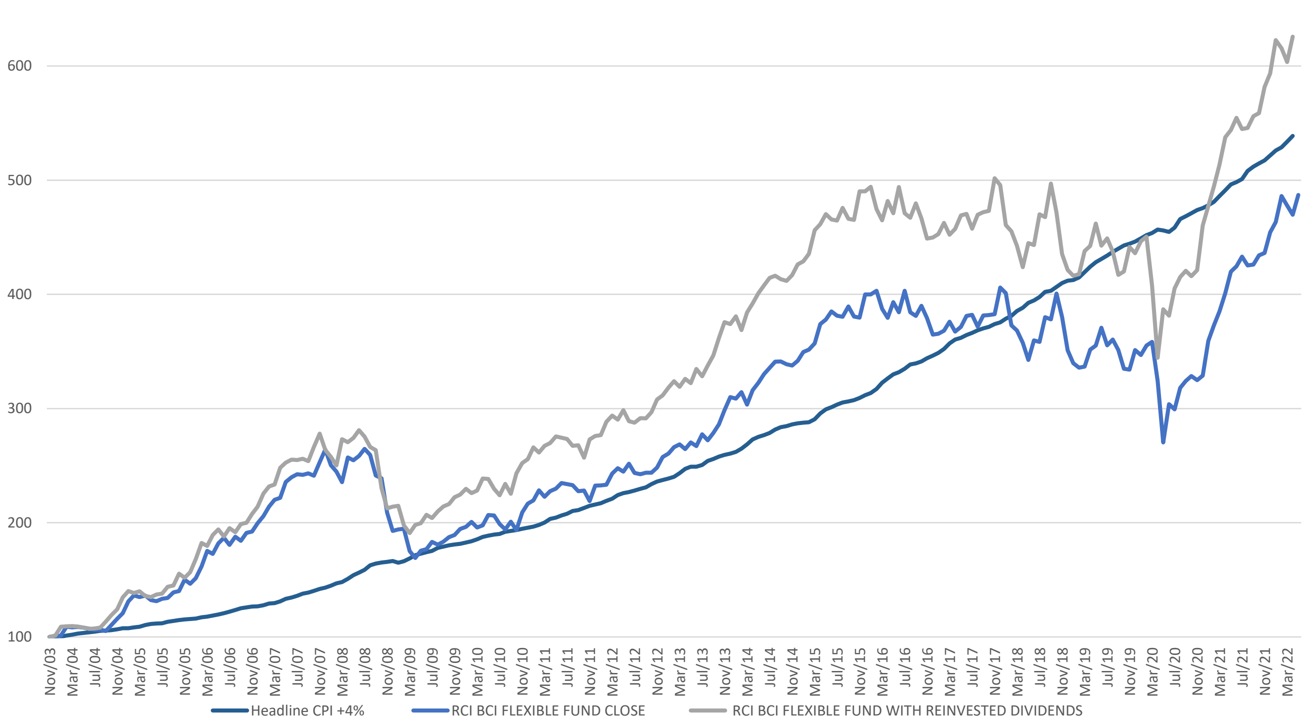


RCI UNIT TRUSTS

'HAPPY TO TAKE SMALL AMOUNTS'

The Family Office

RCI BCI Flexible Fund closed March at 494.24c, up 3.70% for the month and up 16.40% for the last 12 months. The fund is now ranked 7th in its category over the last two years, out of 58 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.

Robert Cowen Investments
Growing families' wealth since 1982

TO CONCLUDE…

MARCH 2022

The Family Office

March was another month of volatility as financial markets continued to grapple with the ongoing ramifications of higher bond yields and supply chain issues. Rising inflation and energy costs, the geopolitical situation in Ukraine and Russia, the increased likelihood of larger than expected interest rate hikes, the US yield curve inversion that has typically been a leading indicator for recession, continued regulatory concerns around Chinese companies, and a renewed Covid-19 resurgence and subsequent lockdowns in Shanghai all troubled markets in March. Given these factors, and increased uncertainty, we have increased the cash positions inside our client accounts to provide sufficient liquidity to meet drawings over the next 12 months so that we are not forced sellers in a downturn. For investors concerned about equity exposure in the current environment, we suggest some context by considering the following aspects/questions:

- *Are you likely to want to withdraw money from your offshore portfolio in the next 3 years? Do you need the money? If you don't, it is almost always the right thing to stay invested.*
- *What are equities as a proportion of your net asset value? Don't generally consider down-weighting equities if it is less than 50%.*
- *Is a compound 8-10% US$ return for the risk portion of your portfolio a target you are comfortable with, and are you prepared to have up and down years in the pursuit of this long-term objective?*

In this newsletter, we provide a recap of the biggest global events since RCI's inception in 1982, 40 years ago. The world has changed significantly throughout RCI's existence. However, the principles that we were founded on have remained the same; To add value to our clients in all aspects of their personal finances. From the end of the Cold War, through the 2008 financial crisis to the Covid-19 pandemic, and now to the current geopolitical crisis unfolding in Europe, RCI has grown from just 2 staff members to a total of 16. Likewise, our assets under management have grown from zero in 1982 to R200million in 1991, and to R5.5billion today. Over the same time, markets have gone through multiple peaks and troughs, and yet, are higher today than they were back then. Equities remain a great place to be invested over time!

We also provide a review of how the RCI funds performed in March. The RCI Worldwide Flexible Fund closed down 6.0%, largely due to the Rand strengthening 5.2% during the month. The RCI BCI Worldwide Flexible Growth Fund closed down 1.7%, and our local RCI BCI Flexible Fund closed up 3.7% as the conflict in Ukraine continued to place our local markets in a rare sweet spot while commodity prices remain at elevated levels. The two offshore funds are down for the 2022 year, in sympathy with the global equity sell-off, whilst the Flexible Fund has been less exposed to global markets.

In our charts and meme section, we highlight the importance of semiconductors in the auto industry. The current shortage is set to negatively impact the earnings of particularly Ford, Stellantis, and GM. We then show how the weighting of the top 10 emerging market technology companies has declined from 22% in February 2021 to 13%, which shows the extent of the sell-off in Chinese equities. The graph showing the sum of imports and exports as a % of GDP could perhaps be telling a story of how globalization may be reversing. Recent geopolitical pressures and supply chain fragilities are expected to generate a further shift towards deglobalization, with companies and governments looking to onshore or nearshore more of their operations. Governments are likely to promote national security interests at the expense of comparative advantage. With this in mind, it is natural to ask who will be deglobalization's winners and losers. Lastly, emerging economies have generated 60% of global growth in recent years, compared with 40% in the early 1980s.

If you have any questions about your portfolios, please feel free to reach out to one of our team members. We are always happy to help.

In 2022, we hope to continue assisting you, our clients, by being the best Family Office we can be.

Di, Mike & The RCI Team

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