Robert Cowen Investments

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Newsletter

end April 2019

8 May 2019

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The Family Office

You are welcome to pass this newsletter on to friends who may wish to learn more about investment.
To be added to our email, contact alan@rcinv.co.za

"We never trust any "fact" we find on the internet … unless we make it up ourselves."

~ *Bill Bonner*

Visit our website: www.rcinv.co.za for back copies of the newsletter, background information, etc.

Our overseas portfolios are flying in both rand and dollar terms. Our unit trust which specialises in offshore shares, RCI BCI Worldwide Flexible Fund is up 4.32% for the month, 10.92% for the year and 23.8% over 12 months when measured in Rands.

Considering that the election is this week it is unsurprising that the Rand is somewhat weak. When will people realise that elections make little difference? The ANC should retain it's majority with close to 60% of the vote.

Therefore, we expect the Rand to strengthen in the short term before resuming its weakening.

We bring you Anchor's views of local and overseas markets.

Then a comment from Oakmark followed by Goldman Sachs on buy- backs

Perspectives for the clean energy transition – From Fuller Treacy Money

How long is 'long-term' when investing for retirement – from James Downie of MitonOptimal

RCI BCI Flexible Fund closed April at 369.56c, up 4.41.% for the month and 11.05% (including a distribution of 2.034c) for the year to date.

RCI BCI Worldwide Flex closed April at 124.33c, up 4.19% for the month and 15.57% for the year to date. It was the 5th best for April and 7th year-to -date (out of 75) so we are easily in the top quartile. It has risen 20.74% over the past 12 months and is ranked 2nd over this period.

Conclusion

Local market commentary by Anchor - April 2019

Eskom kept the lights on in April and helped ease the mood of South African investors, who drove the FTSE/JSE Capped SWIX Index up 5% for the month – its best performance in almost 2 years. Naspers was again a key contributor (+9.7% in April) dragged along by Tencent, which is now up 23.6% YTD. Banks and domestically focussed companies bounced back from a mediocre start to the year and a dismal March and were responsible for the bulk of the non-Naspers performance, with those companies gaining c. 8%, in aggregate, for April. Materials companies, which have done much of the heavy lifting YTD alongside Naspers, took a breather in April and were slightly down for the month, in aggregate. Amongst those Sasol was up 5.4% on the back of higher oil prices, however, the gold miners had a tough month as labour issues continued to put pressure on production.

To read the full article: https://anchorcapital.co.za/article/?local-market-commentary-april-2019

Global market commentary by Anchor - April 2019

In March, it was cautious central bankers that helped push US stocks to their best quarter (1Q19) in almost a decade, while company results took the baton in April, nudging the S&P 500 Index 4% higher. It headed towards a 20% YTD gain (+18%). Just over half of S&P 500 companies reported 1Q19 earnings in April, with aggregate earnings growth of 2.5% YoY. That was a far cry from the 23% YoY earnings growth from S&P 500 companies in 1Q18, but the bulk of that growth was driven by the US tax cuts which are now firmly in the base. The moderate 1Q19 positive earnings growth actually beat expectations, with analysts going into the announcements expecting earnings to decline slightly on a YoY basis. JP Morgan was the first mega-cap to deliver results, which surprised positively, with trading a key source of its outperformance. That was a catalyst to kickstart a rally in European banks as investors looked for corners of the market that hadn't already run hard. Another neglected corner of the market was German automakers but as data out of China, a key trading partner for Germany, showed credit growing at the fastest level in over a year, investors were enticed back to the sector, which helped drive the DAX Index 7.1% higher for April.

To read the full article: https://anchorcapital.co.za/article/?global-market-commentary-april-2019

Commentary from Oakmark

Spring is a great time to be in Chicago. Trees turn green, baseball returns to Wrigley Field and unlike Bill Murray in "Groundhog Day," we realize the long grey winter isn't going to last forever. At Oakmark, we don't have an opinion about how equities will perform this year, if a recession will start or if the political parties will produce pro-growth candidates for 2020. As long-term investors, we don't think it matters. P/E ratios look to be in a normal range and GDP doesn't look extended relative to its trend line. That makes it hard to argue that equities are crazily priced, and gives us confidence that returns in the future should rhyme with the past. We fully expect that investors who buy equities in 2019 and hold them for 25 years will look back and be pleased with their decision.

Goldman Sachs on buybacks

Buybacks have been the single largest source of US equity demand each year since 2010, averaging $421 billion annually. In comparison, during this period, average annual equity demand from households, mutual funds, pension funds, and foreign investors was less than $10 billion each.

Perspectives for the Clean Energy Transition

From Fuller Treacy Money 30th April 2019

In contrast to current trends, the Faster Transition Scenario sets out a vision for an extremely ambitious transformation of the energy sector. Energy-related emissions peak around 2020 and drop 75% to around 10 gigatonnes of CO_2 ($GtCO_2$) per year by 2050. The carbon intensity of the power sector falls by more than 90% and the end-use sectors see a 65% drop, thanks to energy efficiency, uptake of renewable energy technologies and shifts to low-carbon electricity.

Electrification plays a major role in the transition, combined with clean power generation. Electricity's share in final energy reaches about 35% by 2050, compared to less than 20% today. That growth is mainly due to adoption of heat pumps in buildings and industry, as well as a swift evolution in transport. Efficiency improvements keep electricity demand for other end uses, such as lighting and cooling, relatively stable, while access to electricity improves worldwide.

While climate-change activists make a lot of fuss about the US, where emission of greenhouse gases has been in decline, they aren't demonstrating loudly about China -- which attacks developed countries for not doing enough, while itself doing most to worsen it,

The New York Times reports that China, the world's leading emitter of greenhouse gases from coal, now admits it's burning up to 17 per cent more coal than its government previously claimed when it signed up for the Paris accord.

And it's making things worse. Across China the government is building a fleet of new coal-fired stations with 259 gigawatts of capacity, while outside the country it's financing even more new coal plants, providing $36 billion for 399 gigawatts.

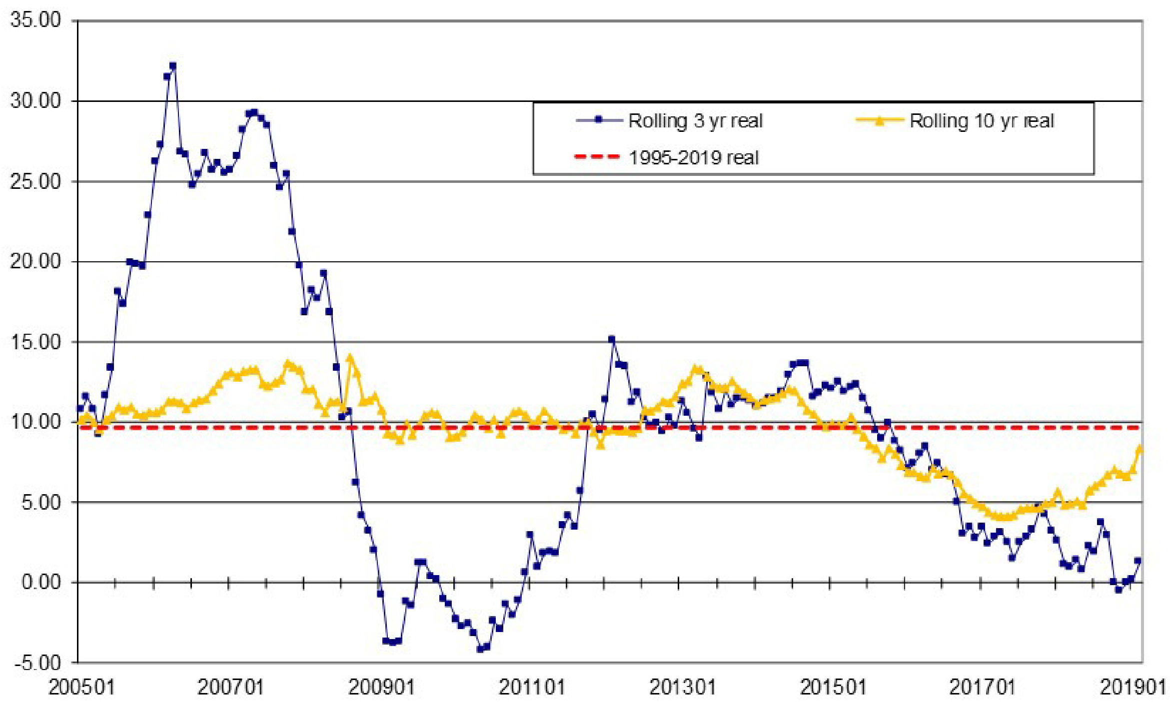
"Chinese bankers and project planners like coal-backed projects because they are cheap," says the energy consultancy IEEFA. "While they are restricted by Chinese pollution and emissions targets at home, they are free to fund coal-backed projects abroad."

James Downie, MitonOptimal - How long is long-term when investing for retirement?

In South Africa, recent pedestrian investment returns have made life extremely difficult for advisors advocating long -term strategies to their clients when planning for retirement. For the last year or more, 3-year and 5-year returns in traditional multi-asset retirement fund portfolios have barely matched inflation, much less achieved a real margin. In a country where Money Market funds have achieved 2%-3% real returns over the last 3-5 years, the client refrain is "I could have done better in cash!".

However, canny investors who ride out the long term at the behest of their well-informed advisors have achieved extraordinary returns as the chart below shows:

Rolling real returns for South African retirement funds



Source: Alexander Forbes, Assetbase, StatsSA

The average real rate of return of the typical retirement fund in South Africa over the last 25 years has been nearly 10% per annum. Even allowing for fees of under 1% p.a. that is a heady reward for patience!

As can be seen from the chart, even the 10-year returns have been tough to bear in the recent past but are recovering quickly as the shocks of the Global Financial Crisis are cast off the back end of the 10-year period and replaced by a surprisingly good start to 2019. The 10-year real return has never been below 4% and is currently nearly 8.5%. To reiterate, that is 8.5% per annum better than inflation for the last 10 years!

But, if the "long-term" retirement investor shortens the time horizon to even 3 years, the volatility of returns around the 9.7% long-term average can keep one awake at night and have cause to question the wisdom of the chosen long-term strategy. As recently as the end of 2018, the real 3-year return dipped below 0% and had threatened to breach the flat line for a while before that. The trend since 2015 is evident and has caused some robust debates between clients and advisors and until the end of November, the client would have been winning the argument.

Since December 2018, however, according the Alexander Forbes Large Manager Watch (a survey of the majority of South African retirement fund assets), the average South African retirement fund saver has achieved a return of over 7% for the 4 months (i.e. not annualised), causing both 3-year and 10-year lines above to tick upwards.

Suddenly, the cash prophets would be looking enviously at the returns foregone because, as all investors know, the principal thing missing in the markets is the bell that should be ringing to warn us of the tops and bottoms in the market.

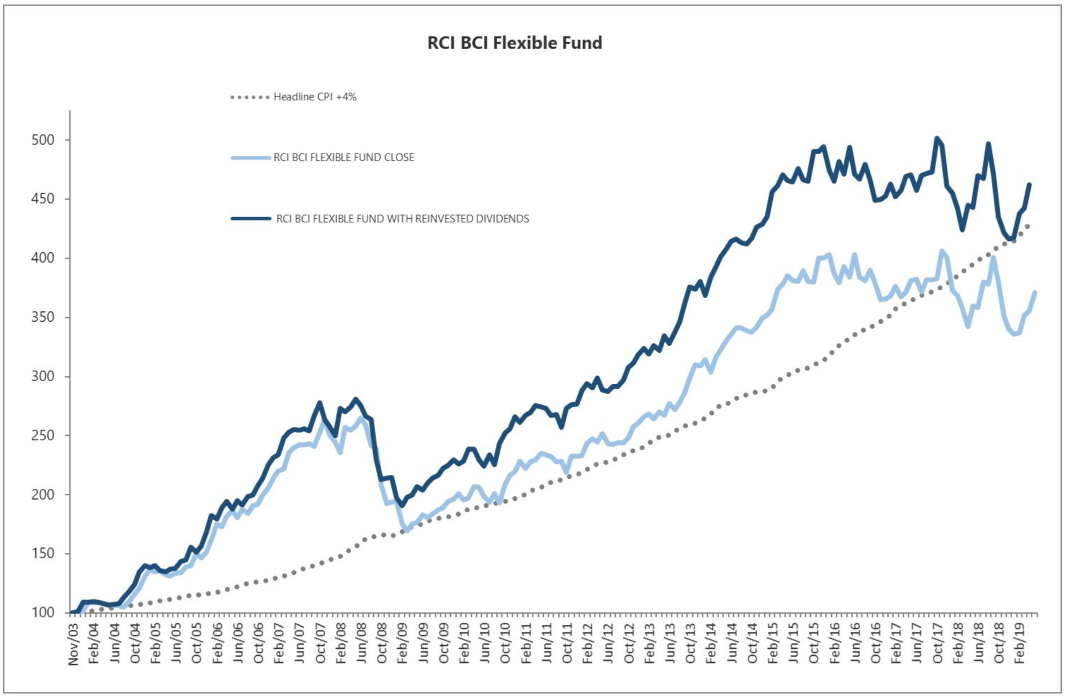
The "swallow" of a sunny four-month period does not make a "summer" of sustained good returns but it should remind us that time in the markets has always rewarded investors and timing the markets is a fool's errand and bound to end in tears (and penury).

RCI Unit Trusts

Please contact Maggie on 011 591 0578 for any help on your unit trusts.

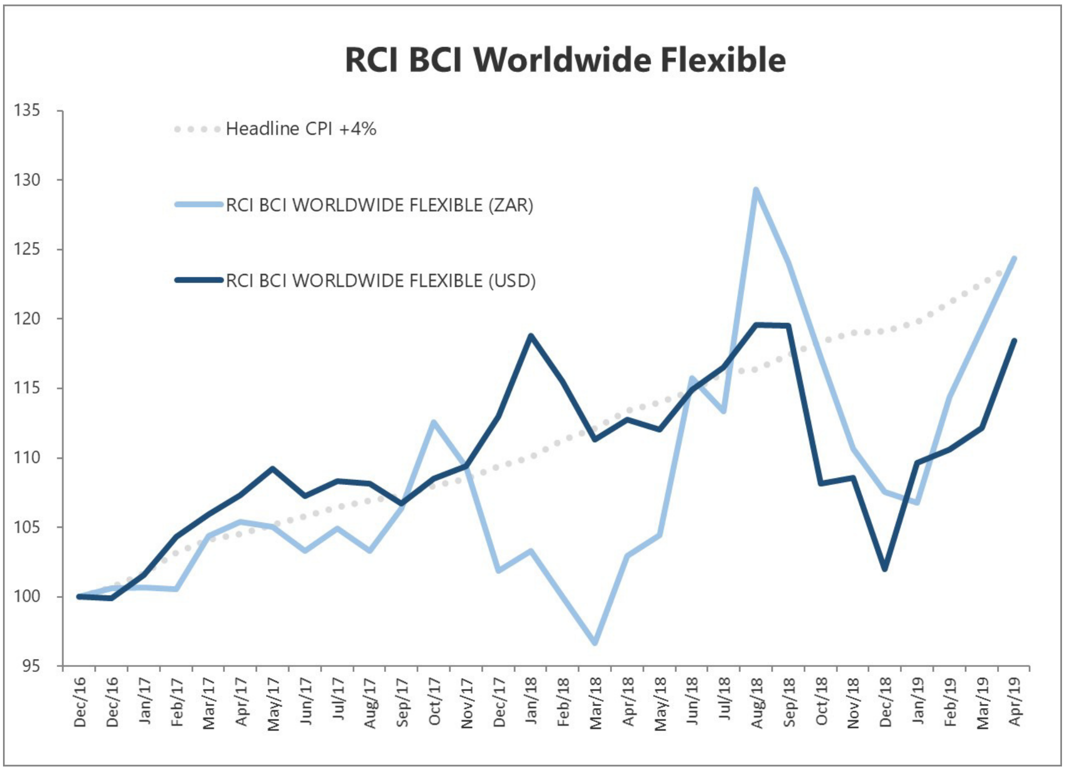
RCI BCI Flexible Fund closed April at 369.56c, up 4.41% for the month and 11.05% for the year to date (including a distribution of 2.034c).

It was 7th in April in its category (out of 76) so is comfortably in the top quartile which is what we strive for. We don't worry about being number 1 over 6 months - we just want to make our clients a lot of money over 5 years.



RCI BCI Worldwide Flex closed April at 124.33c, up 4.19% for the month and 15.57% for the year to date.

It was the 5th best performing unit trust in its category for April and 7th year-to-date (out of 75) so we are easily in the top quartile and it has risen 20.74% over the past 12 months.



Unit trust has flexibility – happy to take small amounts

The unit trust has 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 or lump sums of R25 000). As you will not pay commission to any agents there is no cost to get in and out of our fund. On selling, the amount you receive back will depend on our performance.

To conclude

The election is almost upon us and by the time you read this, results will be in but we do not expect any real surprises. The newspapers try to hype it into ‘the most important election since 1994” but economic facts are economic facts and it will take time for a good president to turn things around.

“Winter is coming” (from Game of Thrones) is much more useful advice. Economies, particularly those of resource producing countries, go through cycles. It is our aim to even out those cycles, to enable your portfolio to ride it through.

We hope to be the best family office in the country!

Best regards

Di, Alan and Mike