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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

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Sir John Templeton sums it up well, "You make the most money when things go from truly awful to merely bad."

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

Highlights of this newsletter are:

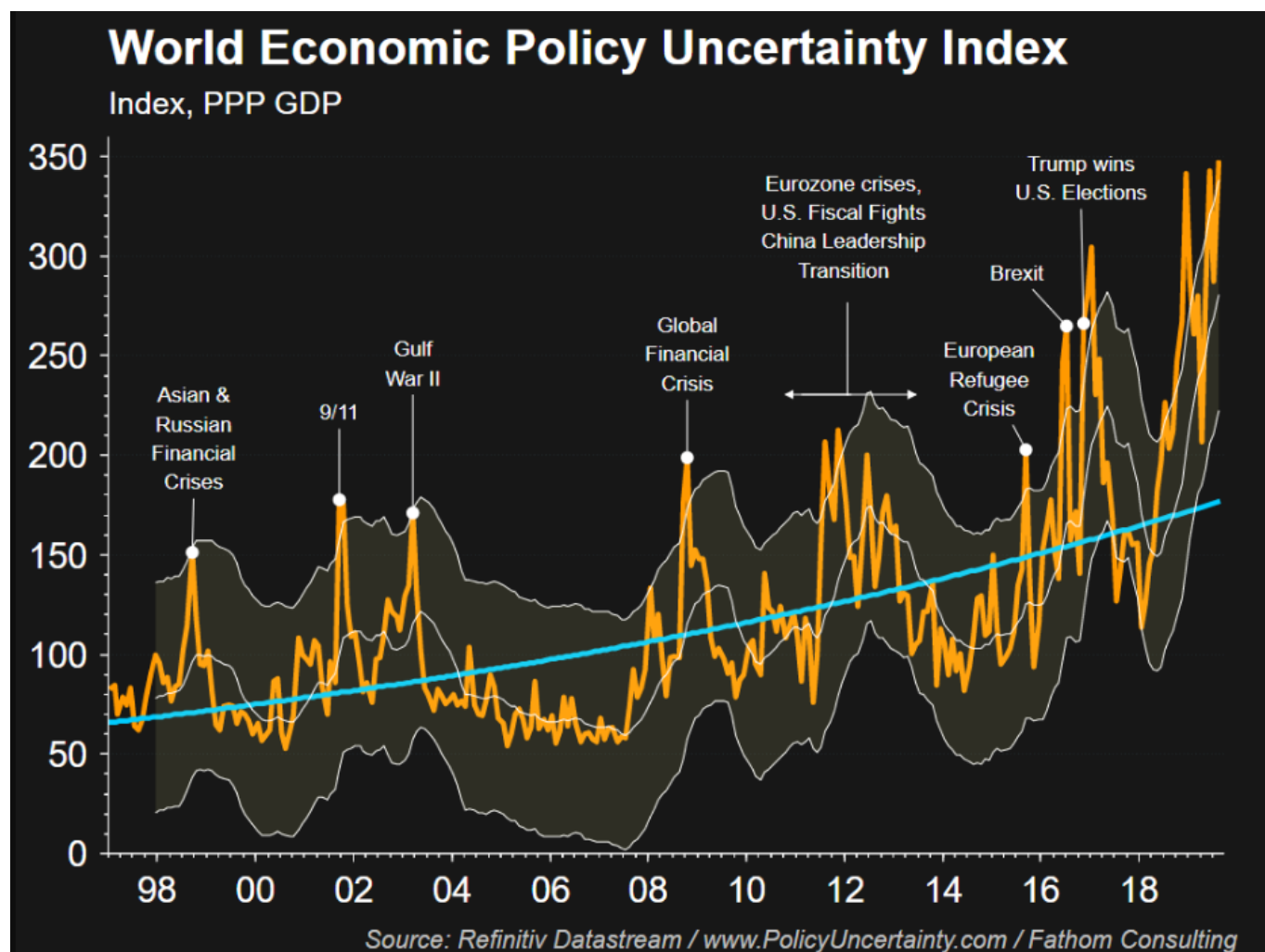
- Increasing World Economic Policy Uncertainty – does it present opportunities?
- 'Breaking Futures: The latest attack on Saudi Arabia is a game-changer' by Clem Sunter
- Global Market Asset Performance
- RCI receives 'Diamond' Status from Momentum!
- Charts of the month – September 2019
- Meet the RCI team - Monthly RCI staff profile – Di Haiden (CEO)
- 'Currency Corner' – September 2019
- RCI Unit Trusts

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Increasing World Economic Policy Uncertainty

Noise, noise, noise...

Between details emerging over President Donald Trump's interaction with Ukraine's leader (adding more grist to impeachment proceedings), and the recent drone strike on Saudi Arabia's oil facilities, the world is fast becoming an uncertain place in which to predict most things. Throw into the mix the ongoing furore regarding the UK exiting the EU by Oct 31st, and you can quickly understand why the 'World Economic Policy Uncertainty Index' should be near an all-time high...



The above chart is a somewhat crude measure of news articles about economic and policy angst. Interesting to note that despite being at its highest level in 20 years, and some 50% above levels touched during the 2008 financial crisis, US markets sit about 4% away from all-time highs.

A slower global economic growth trajectory is likely to continue placing pressure on emerging market growth, especially in the likes of SA. However, as investors flee for safety, markets can overshoot on the downside and thereby create an opportunity for those investors who are able to look through the noise and focus on the longer-term opportunities of an individual company. In our view, the best way to take advantage of attractive valuations that may materialise in this environment - and at the same time mitigate the risk faced by uncertain growth trajectories - is to invest in 'quality' companies. That is what we focus on at RCI.

“Breaking Futures: The latest attack on Saudi Arabia is a game-changer”

by Clem Sunter

In an article I posted on this website in May this year, I said the following: “With America on the one hand, walking out of the nuclear agreement with Iran and applying really tough sanctions to bring the country to its knees, and Iran on the other hand, saying it might go back to enriching uranium, a war appears very much on the cards. If that happens, Israel will join America on the side of Saudi Arabia and Russia could take the side of Iran. The consequences will be devastating for the Middle East.”

The latest attack on Saudi Arabia, in which half of its oil production has been temporarily taken out of action by either drones or missiles, is a game-changer. It brings to mind 9/11, when a terrorist attack on an American city was not even considered a remote possibility beforehand by US intelligence agencies because they completely underestimated the resources of the enemy.

Chantell Ilbury and I warned President Bush in a letter published in *The Mind of a Fox* in June 2001 that a major attack on a Western city was his number one strategic risk because of advances in military technology and tactics. If he should have read the book, he did not heed the warning.

Such is the case today of not recognising the red flag for what it is. The international media is taken aback by the sophistication of the attack on the Saudi oil refineries and is surprised at how vulnerable the latter are, even though they are probably protected by the latest anti-missile defence system available. The presumption continues to be that the enemy only has primitive arms at its disposal and can therefore be ignored as a critical threat.

Until now! Donald Trump has said he is “locked and loaded” without specifying if, when and where he is going to mount a military response. Iran has firmly denied having anything to do with the strike which has been claimed by a Houthi group in Yemen. Meanwhile, the US is trying to establish who is responsible before doing anything.

As I said in the same May article, with Trump as commander-in-chief of US forces, anything is now possible. However, even he will be unlikely to consider the option of using nuclear weapons given that such an action could trigger a nuclear response from Russia, which would be devastating for the world as a whole. The MAD principle of “mutually assured destruction” is still very much in play.

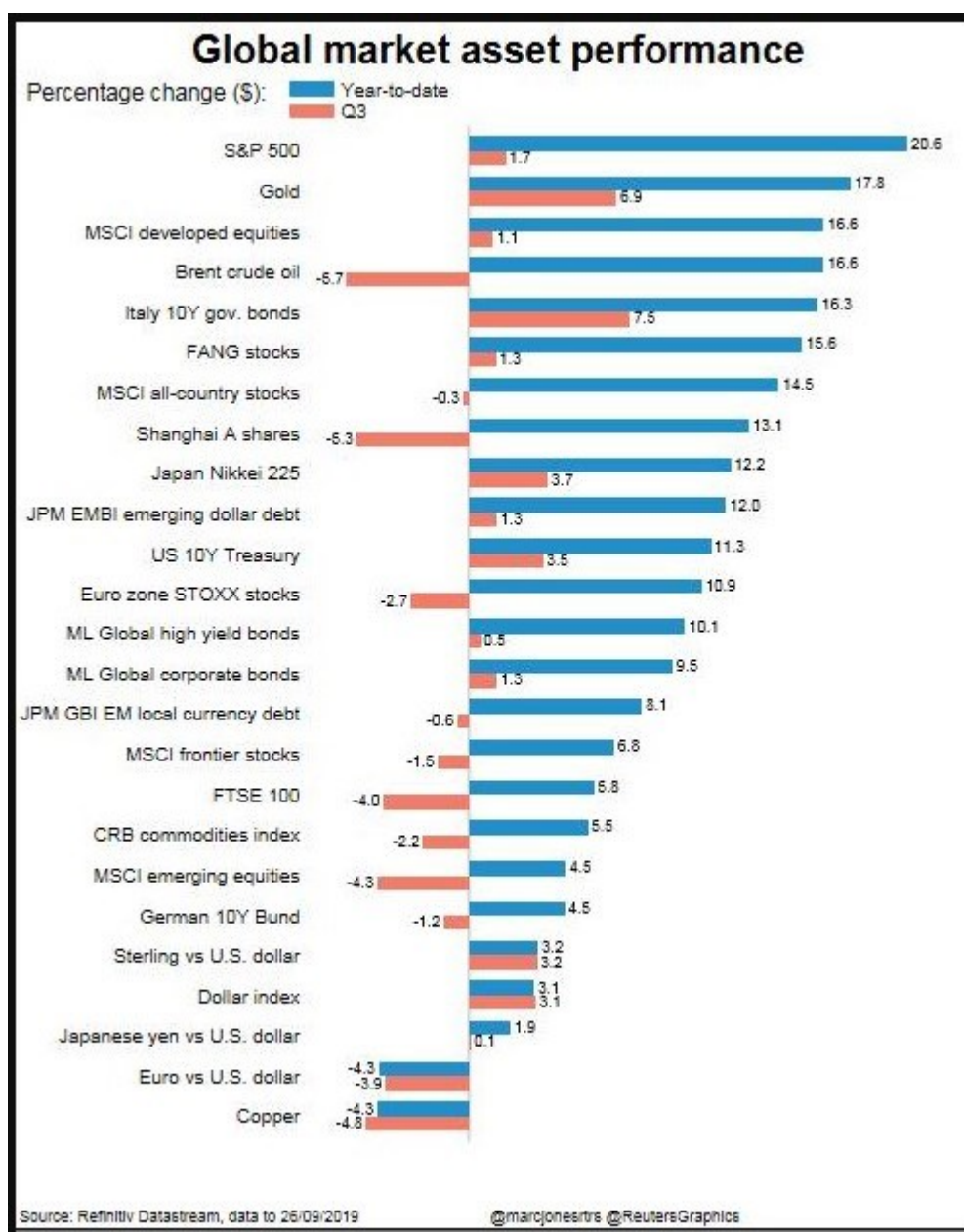
So, the plausible scenarios are conventional military action on a much bigger scale by the US in the Middle East or renewed treaty talks between America and Iran. The biggest argument against the first scenario is that Trump comes up for re-election as president next year and he knows that a war would not favour his chances of success. He has pledged to reduce rather than increase American military presence in the region. A treaty with Iran would be less disruptive to his campaign.

However, he may be forced to take action to show he is not a weak leader. In that event, the law of unintended consequences kicks in: a war between America and Iran could escalate beyond the borders of Iran and Saudi Arabia very quickly and have an enormous impact on the oil market.

So, this is a tipping point where things cannot go on as they are. One must carefully watch the flags associated with the Bloodbath scenario outlined in the May article and assess its probability on a daily basis. More to the point, you should examine whether such a scenario can affect your personal life in any way and whether, like a fox, you should take action to ameliorate the impact before you feel it.

To be specific, I gave a 30 percent chance to the Bloodbath scenario until this weekend, but I have raised the odds now to 40 percent. That is still less than fifty/fifty, but highly significant given the potential devastation.

Global Market Asset Performance



Despite an increasingly uncertain global economic environment, and in line with one of our 'interesting charts' in a later section, markets continue to perform reasonably well (albeit off a low base at the end of Dec 2018) this year. What is clear to us still is the degree to which Emerging Markets (equities in particular) continue to underperform Developed Markets, as the world grapples with the knock-on effects of a trade war between the US and China and the ramifications this may have for exporting nations. This uncertainty, in turn, has helped give gold bullion a nice little rally in the 3rd quarter!

Another interesting point to note is the degree to which bond markets across the globe continue to rally, despite record low interest rates. Perhaps signalling further stimulus by means of lower interest rates...

Who said boring cannot make one money...?

RCI Receives 'Diamond' Status with Momentum

In retiring times, "Shine bright like a diamond".

Robert Cowen Investments has been an independent financial advisor with Momentum since 2008.

As an additional service to wealth management and financial advice, we utilise Momentum as one of the platforms for our clients' retirement assets. Momentum allows us to tailor bespoke portfolios for client's needs.

In August this year we achieved Momentum Elite status and were awarded Diamond Status!!



Diamond status is only awarded to the top 5% of Momentum's independent financial advisors. We are very proud of our status achievement and share this award with all our Momentum clients – we could not have done this without our clients' trust in our ability to look after their retirement assets!

The award was presented at a gala brunch in September 2019 in Johannesburg and was attended by Christine Ulyate of our offices – next year Platinum (which was a newly introduced level at this year's awards).



If you need any further information about our retirement services, please contact Christine Ulyate at christine@rcinv.co.za

Charts of the month – September 2019

Given our new 'refresh' and 'revamp' to the newsletter, we thought it invigorating and newsworthy to include a monthly section on any fun, interesting or downright shocking charts for our readers' pleasure. Going forward, we will try to include a few charts or tables on what we think you might enjoy.

This month's charts are in line with our theme on global uncertainty.

'Markets climb a wall of worry' – the more at risk the world becomes, the more likely we see supportive monetary policy and other measures from central banks and other institutions across the globe.



S&P500 index over 119 years! – major crashes are but a minor blip on the long-term chart.



Monthly RCI Staff Profile – Di Haiden (CEO)



Joined Robert Cowen Investments in 1990 (29 years) and worked with Rob since 1987.

32 Years' investment and family office experience.

Prior to RCI: Computer Programming, pension fund and investment administration, and accounting and development of specialized accounting systems.

Apart from managing all aspects of RCI (as the CEO) including 'rallying the troops' and ensuring all our clients are carefully looked after by staff, Di is also intricately involved in assisting clients with properly structuring their estates and assets.

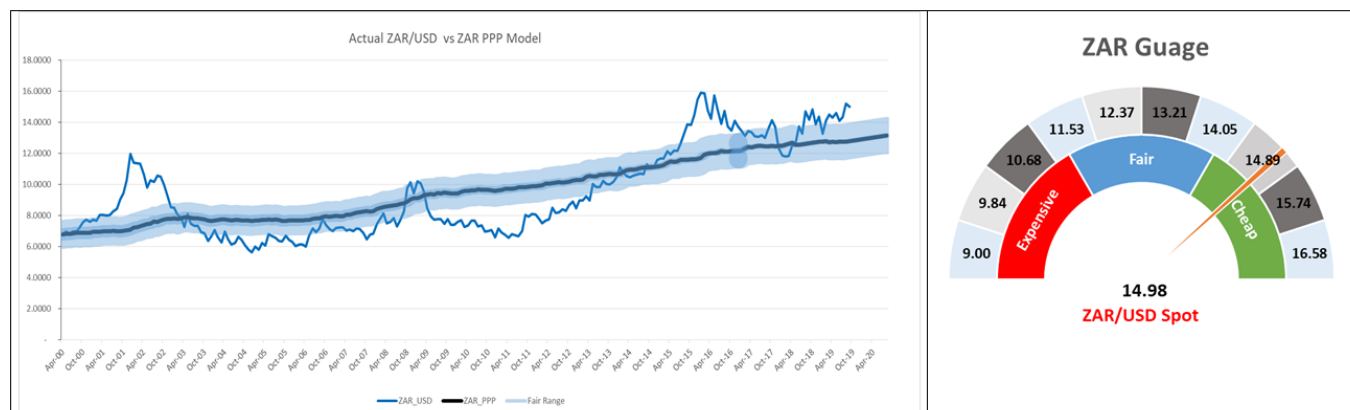
Di is lucky enough to have all her children (and families) living in Jo'burg. She has 5 grandchildren who keep her very busy, but not quite as busy as her 6th 'grandchild' – RCI!

Di's other interests, other than RCI, include music. Di was brought up in a musical family and has been singing for as long as she can remember. She has written and produced pantomimes, and also organises and sings in an annual concert with her family – the family band's name is the Von Krapps!! She is also involved in an Anchor band, the Fun-da-Mentals, who perform every now and then. Basically, any opportunity to be involved in music is a huge win for her...

Di has always said that she 'will be forever grateful to Rob for the opportunity he gave her to become part of and grow with a business such as RCI'!

'Currency Corner' – September 2019

By Nolan Wapenaar



The month of September saw a 0.2% appreciation of our currency against the dollar, to end at R15.14.

Developed markets continue to grapple with ongoing trade tensions between the US and China. In a speech at the UN general assembly in New York, US President Donald Trump criticized China's trade practices and said he would not accept a bad deal for the US. This, coupled with the British Prime Minister finding himself continuously hamstrung by parliament, has led to a flee to safety assets such as Gold and the US dollar.

Domestically, the news is also disappointing. "According to the SARB's Quarterly Bulletin released yesterday, the SA economy remains stuck in its longest downward cycle since 1945. The economy entered the 70th month of a weakening cycle in September. The banking strike that is planned for Friday, followed by a possible security employee strike, will do the economy no favours. It appears that VAT and company tax collection has declined, notwithstanding the 1% VAT hike in 2018. The government is increasingly strapped for cash and was forced to borrow R75 billion in the international markets in order to maintain itself".

"The finance minister has delayed his mini budget to the end of October. We don't know what he is going to say, but we know it isn't going to be pretty. Our government is cash hungry and while recent policies have focused on spending more cash by means of the NHI and other social programs, little has been said about growing the economy. Tax rates are high and rate increases are unlikely to result in higher tax collection (just look at VAT collections that are lower even with the 1% hike)".

The rand is now at R15.32 against the dollar (as at the 2nd of October 2019). This is oversold, in the short term, and we do think that some recovery is to be expected over the next few weeks. We caution that markets remain very skittish and events could move our currency either way. We still advocate using short term rebounds in the currency as an opportunity to externalise funds and build a long-term offshore portfolio. Remember, you can always bring the funds back...

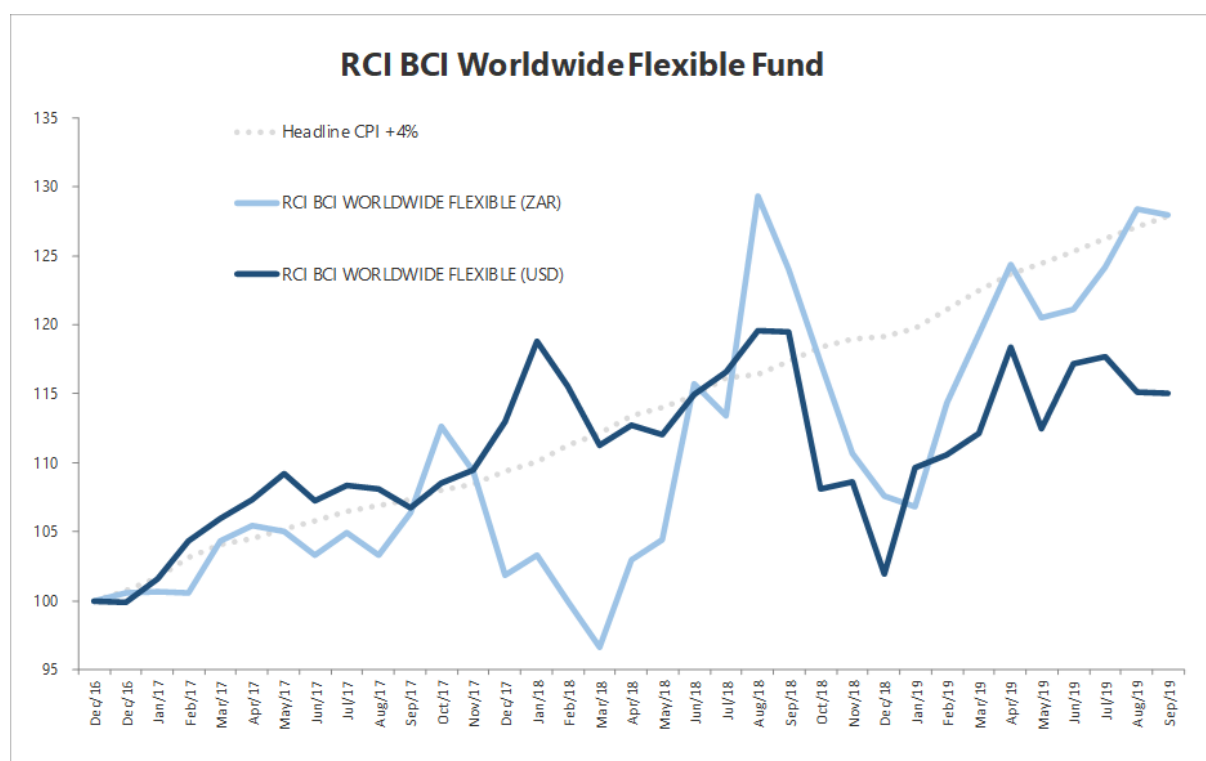
This day in history – 30 September

- James Dean, the movie star, dies at age 24 in a car crash in California in 1955
- British Liner the Queen Mary claimed a new world record for the Atlantic crossing in 3 days, 15 hours and 48 minutes in 1946
- Martina Hingis (the professional tennis player) is born in 1980

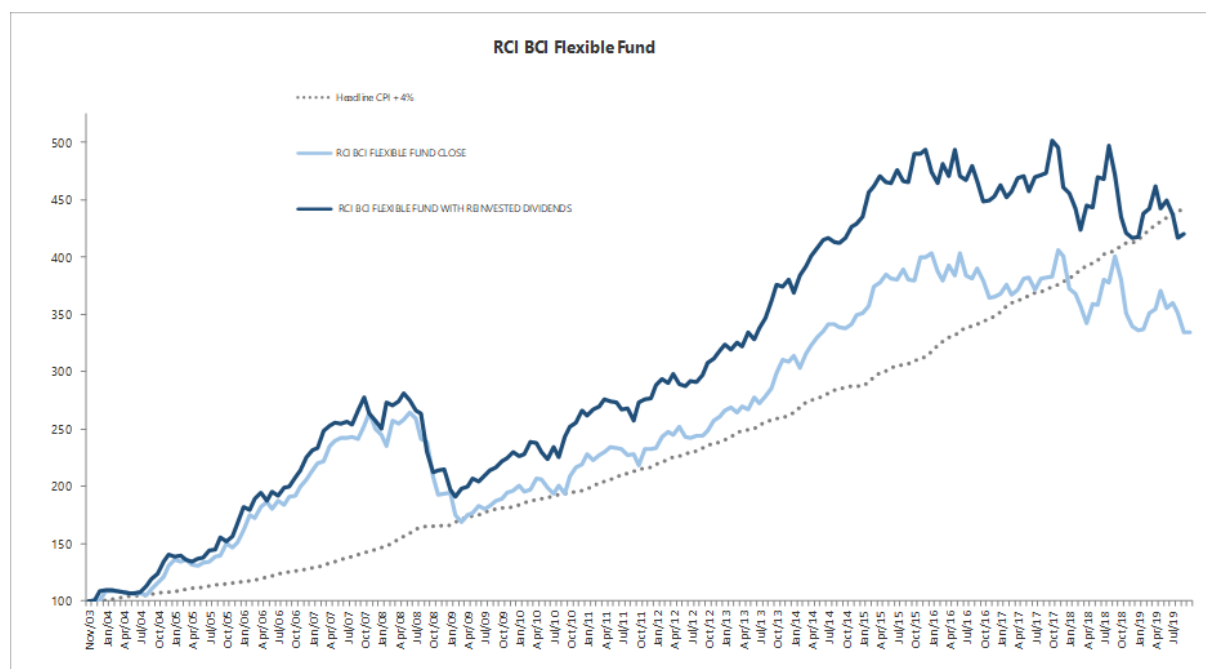
RCI Unit Trusts

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

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RCI BCI Flexible Fund closed August at 334.21, up 1% for the month and up 1.28% for the year to date.



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.

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 on request.

To conclude

Despite increasing global economic uncertainty, US markets are holding near all-time highs. The saying 'markets climb a wall of worry' continues to hold true, as we see central banks and other institutions around the world support asset prices by cutting interest rates further. We wait, with bated breath, for more news on the US/China trade front, while the UK's exit from the EU remains unclear.

RCI achieved its first ever award from Momentum last month, and we continue to pride ourselves in the work we do for our retirement clients. Next year we aim to do even better.

Clem has raised the flag on the latest attack on Saudi Arabia, with an increased probability on a bloodbath scenario between the US and Iran. The recent drone strikes continue to raise concerns over a brewing battle in the Middle East. We are hard at work, making sure your investments are safe!

The increasing complexity of the world in which we invest continues to keep us very busy. We are hard at work assisting clients in restructuring their financial affairs, including estate and tax planning. Investing for solid long-term returns, in excess of inflation, goes hand in hand with this. Our RCI Worldwide Flexible Fund (invested similarly to our bespoke offshore share portfolios) continues to produce great returns in USD and ZAR terms – **now ranked 6th over a rolling two-year period in its category (up 18.98% so far this calendar year, compared to the 4.00% JSE All Share return).**

Lastly, thank you again for being our clients. May you have another great month. 😊

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

Best regards

Di and Mike