ROBERT COWEN INVESTMENTS

NEWSLETTER – END NOVEMBER 2022

14 December 2022

The Family Office

HIGHLIGHTS OF THIS NEWSLETTER ARE:

- Update on RCI & Announcements
  - End of 2023 tax year approaching: Retirement fund contributions
- Family Office Learning Corner
  - Emigration – *by Di Haiden*
- The benefits of opening a tax-free savings account
- What have we been doing in the offshore funds – *by the RCI Investment Team*
- What have we been doing in the local fund – *by the Anchor SA Equity Investment Team*
- Charts, memes and interesting concepts for the month
  - The shrinking trillion dollar club
- Latest Research from Anchor Capital
  - PHALA PHALA SPILLS OVER INTO FINANCIAL MARKETS
  - ANCHOR RAND VIEW: US INFLATION TURNS THE CORNER, BUOYS THE RAND

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.*

Dear Clients,

We would like to wish all of you a Merry Christmas and a very happy New Year! Thank you for entrusting us with your funds during a year which has had some unprecedented challenges; it has not been easy for any of us.

We look forward to seeing you in 2023, in what will hopefully be a less eventful year and **thank you** for being our clients, we do appreciate you being on board.

Please note that we will be **closed for business** from Friday, the 23rd of December 2022 at 13:00 and will reopen again on the 3rd of January 2023, after the public holiday on the 2nd of January 2023. We would like to ask you to please ensure that you get hold of your portfolio manager prior to this period for any matters that need to be dealt with. However, In the case of any urgent matters that arise, please do feel free to reach out to us during this period.

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 keiran@rcinv.co.za or 011 591 0666

*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.

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.

UPDATE ON RCI & ANNOUNCEMENTS

Dear Clients,

We wish to inform you that Maggie is retiring and will be leaving Robert Cowen Investments at the end of November 2022.

Lizette Lotz, (lizette@rcinv.co.za, for your future reference) will be taking over Maggie's duties. Lizette has been part of the Robert Cowen Investments team for the past few years and has been Maggie's backup when she has been on leave, so she is well versed in the various functions involved. Please email her for any queries you may have which you have referred to Maggie previously.

We would like to thank Maggie for all her assistance in working with us over the past 9 years. She has been an asset to the team and will be missed by us all. We wish her all the very best in her retirement as she moves onto the next stage of her life.

For any further queries you may have, please feel free to contact Andrew Lawson (andrewl@rcinv.co.za) or Di Haiden (di@rcinv.co.za).

END OF 2023 TAX YEAR APPROACHING: RETIREMENT FUND CONTRIBUTIONS

Every year you are able to make a pre-tax contribution to your retirement funds of up to 27.5% of the higher of your taxable income or remuneration, capped at R350 000 per tax year. The benefit of this contribution, other than increasing your retirement savings for the tax year, is that it also maximises the tax benefits associated with retirement fund contributions, in that they are fully tax deductible, and future growth is free from any dividend withholding tax, tax on interest and capital gains.

If you have not maximised this benefit, and would like to make an additional contribution to your retirement annuity (RA) in the form of a lump sum contribution, please contact christine@rcinv.co.za and we will get in touch with you to work out the value of the lump sum you can invest to maximise your tax benefit.

These contributions have to be submitted and paid before the end of February 2023. To ensure that all investments made are allocated prior to the end of February 2023, we would request that all additional contribution requirements are sent to us by the 21st of February 2023.

FAMILY OFFICE LEARNING CORNER: EMIGRATION

BY DI HAIDEN

To leave or not to leave – that is the question! If you leave, do you have to emigrate? If you don't, what are the consequences? Obviously, it is a personal choice to leave but it does affect not only you, but family and businesses you may leave behind.

What is emigration? It is the formal process of terminating your residency in a particular country.

For clarification, immigration is the flip side of the coin and is the formal process that takes place in the country you go to. This article covers **emigration FROM South Africa**.

The process of emigrating involves, to a great extent, your tax affairs and it is important to establish where you are tax resident. In South Africa there are two ways in which you can be considered tax resident. You can be;

1. Ordinarily resident OR
2. Physically present.

Ordinarily resident is not defined in the income tax act but is 'defined' by case law and takes into account your particular circumstances – where your permanent home/place of abode is, where your family lives, where you return to after your international wanderings and where you work from. It is **not** based on the number of days you are in the country.

The physical presence test takes into account the following;

You are present in SA for

- More than 91 days (in aggregate) during year of tax assessment AND
- More than 91 days (in aggregate) in each of the preceding 5 years AND
- More than 915 days (in aggregate) during those 5 preceding years of assessment

If you meet either of the above criteria SARS will assume you are a SA tax resident UNLESS you are considered exclusively resident of another country in terms of a double tax agreement between SA and the country you move to.
You could also be considered by SARS to be a **SA resident temporarily abroad** which can also subject you to SA tax. Often, South Africans leave SA (especially youngsters who go and work offshore after studying) and do nothing about formally leaving i.e. they do not emigrate. This can lead to confusion and murky grey areas which is important to avoid unless you actually are intending to be a SA resident temporarily abroad.

Please note that being a SA tax resident means you are taxed on your **worldwide income** – if you remain resident unintentionally you could be subject to SA tax on investments you start to accumulate offshore.

Therefore, if you have no intention of returning to SA it is important that you emigrate if necessary!

It would also be important to understand whether a **double tax agreement** (DTA) may apply to you. Why is this important? One of the functions of these agreements is to ensure that you are not subject to double tax. If you move to a place where there is no DTA you could be subject to double tax. If it is unclear where you are tax resident the DTA grants the relevant authorities permission to determine where you are resident. You may have heard the term 'tie breaker clause' – based on certain aspects such as your property ownership, your centre of vital interests, your place of abode, your citizenship etc. the contracting states of the DTA will determine where you are resident. We believe it would be better for you to determine that not them!

Once you do decide to emigrate there is a process which has to be followed. Up until last year the process was controlled by the SA Reserve Bank but this function has now been allocated to SARS (the Receiver of Revenue). It has taken them some time to refine the process and they are now becoming more and more efficient at it. Basically, you apply to SARS to become non-resident for tax purposes and once that is done you are considered to have emigrated.

This seems simple enough, but we would strongly recommend you use an expert to emigrate you. Dealing with SARS has its challenges and it is better to entrust the process to someone who has contacts at SARS and can deal with any curved balls that may come your way.

We have kept this article very high level, simple and very general but in practice it can become complicated. Where we are dealing with clients who have left SA but not emigrated it is causing more complications than necessary on distributions from trusts, family members transferring money to offshore family, clients who have one foot in SA and one in another country, family inheriting from SA deceased estates and their funds being blocked etc. In order to avoid these complications, if you have left SA permanently please emigrate if you have not done so already!

Please contact Di (di@rcinv.co.za) or Kate (kate@rcinv.co.za) to discuss if you wish to find out more about what applies to you – experience has taught us that it is very important to understand your specific circumstances; there is no one size fits all!

THE BENEFITS OF OPENING A TAX-FREE SAVINGS ACCOUNT

Every year, we encourage our clients to plan for their financial well being in a tax efficient manner. Apart from complicated structures, the two easiest tools at one's disposal, to reduce current and/or future taxes payable, are retirement savings products, such as Retirement Annuities, Preservation and Provident Funds, AND Tax-Free Savings Accounts (TFSA's). The latter is a very simple investment solution, that, if used properly each year, can save investors plenty in future taxes payable.

A Tax-Free Savings Account was first introduced in 2015, as part of one's non-retirement savings, as a way to promote household savings whilst also maximizing tax relief.

There are two primary features of a TFSA:

1. **All future proceeds, which include interest income, capital gains, and dividends, are tax-free for the remainder of your lifetime**
2. **Investors are subject to annual and lifetime contribution limits**

The annual contribution limits have been moved up to R36,000 per investor, and the lifetime contribution limit is capped at R500,000. Any excess amount contributed to the TFSA during any given tax year, is penalized at 40% of the excess amount contributed. In other words, if one invested R40,000, then they would be taxed R1,600 (40% x R4,000) on the over contribution.

Investors can open up to two TFSA's per tax year. The total amount contributed (across accounts) each calendar year is taken into account when monitoring the annual limits.

Investors can also access their TFSA's whenever they need. The funds are not locked up, as is the case in a Retirement Annuity, until you reach the age of 55. Investors should be cautious though when making withdrawals from their TFSA's because once withdrawn, those funds cannot be added back, without being subject to your annual and lifetime limits. In other words, if you have contributed R36,000 already this tax year, and then take out R5,000, you cannot now add back that R5,000 until next year, and even then, that R5,000 will then take up part of that years R36,000 limit.

The underlying investments that can be held inside the TFSA are as follows:

- Fixed deposits
- Unit trusts (Collective Investment Schemes)
- Linked investment products
- Exchange Traded Funds (ETF's) that are classified as collective investment schemes

Note: Parents can invest on behalf of their minor child/children. The minor child will use his/her own annual or lifetime limits. It would make good sense for families to use this benefit to their advantage, and have the parents donate up to R36,000 per year to their children, and have those funds invested for the children. By doing so, you are 1. Moving more assets outside of your estate, and to those of your children, and 2. Allowing more of your funds to grow tax-free for the benefit of your children. Donations of up to R100,000 are exempt from donations tax.

TFSA's are most effective when started early in life, as the benefits accrue over time, rather than upfront. In other words, contributions are not tax deductible, but rather future profits are tax exempt.
So, the earlier one starts contributing, the more tax-free compounding takes place.

If you are interested in opening up a TFSA before the end of February 2023, then please feel free to contact either Eric Lappeman or Christine Ulyate on eric@rcinv.co.za and christine@rcinv.co.za

Note: There will be some documentation required to open the accounts, so we recommend starting the process at least 4 weeks before the end of the tax year.

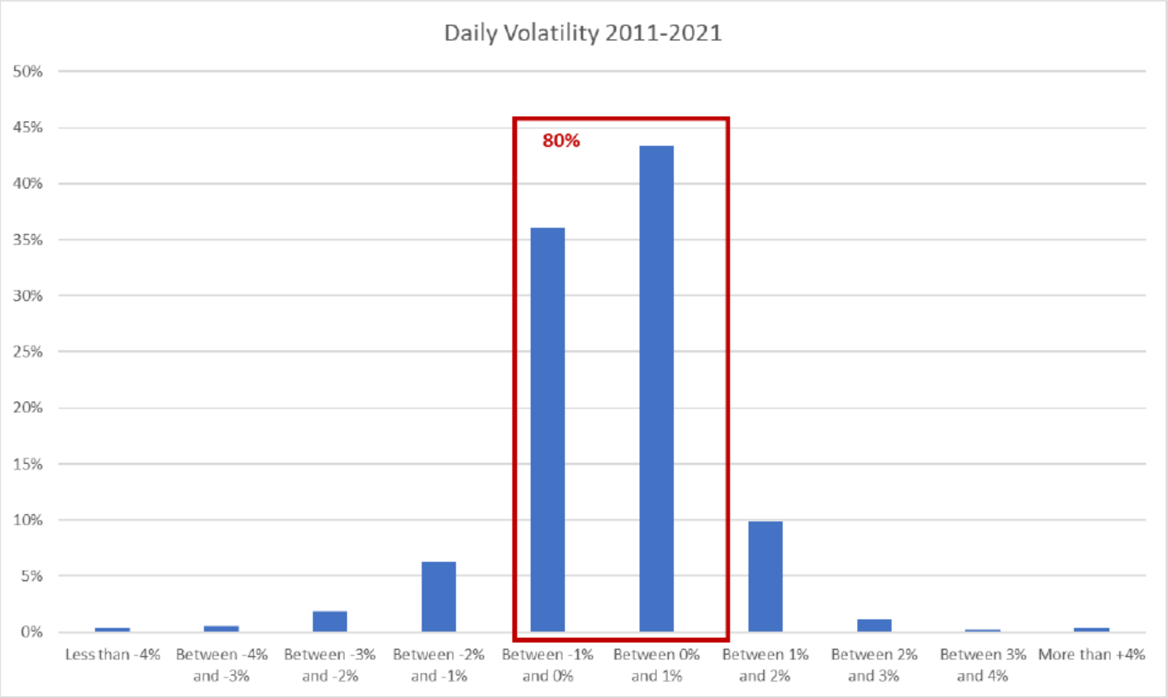
WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

RCI BCI WORLDWIDE FLEXIBLE FUND

November saw another rise in global markets after lower than expected inflation figures with signs that housing spending was slowing and used car prices are coming down. This caused market participants to buy up risk assets as they anticipate an easing of aggressive interest rate hikes in the US going forward.

If we put the global developed markets index on a graph, despite back-to-back positive months, we continue to see long-term downward pressure on prices. We had a bear market rally after the June low and we have now had a rally following the lower low in September. For us to be bullish we would need to see a convincing break above the red trend line below, or we would need to see the market go back down and test the September 2,400 level and make a double bottom and rise again from that level.

What has really hurt investors during 2022 is the level of volatility seen in markets. There have been incredible upward and downward daily swings. If we look at the daily volatility of the S&P 500 between 2011 and 2021 it has a distribution picture as follows:



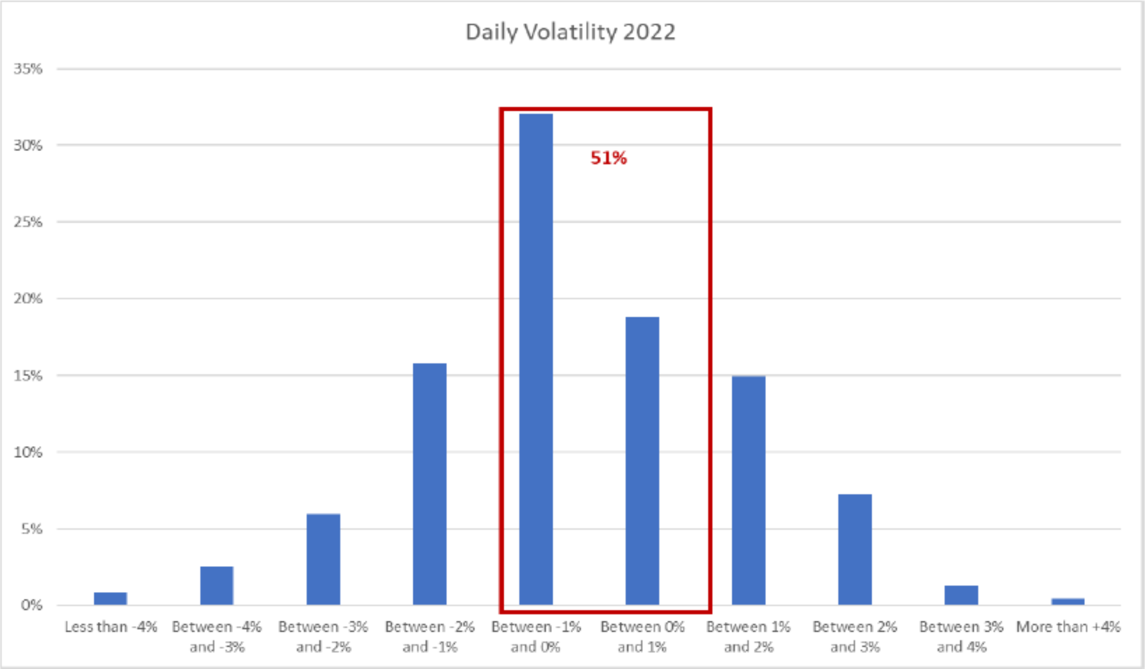
WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

The Family Office

BY THE RCI INVESTMENT TEAM (CONTINUED)

- 80% of the time, the market rose or fell between 0 and 1% per day - a very benign outcome.
- 5%-10% of the days the market moved between 1 and 2% upwards or downwards.
- Very few times did it rise or fall more than 2%.

However, if we look at 2022, we see an entirely different picture:



Only 50% of the time has the market behaved in a benign manner. There have been far more occurrences of large daily moves upwards or downwards this year. Days like these caused many moments of despair or euphoria whipsawing investors. We don't expect this behaviour to end any time soon as there is still far too much influence from economic news whilst inflation and interest rates dominate headlines.

We encourage our clients to be vigilant during these tumultuous times as this too will pass. We are long term investors in high-quality equities that will come into favour again once sentiment improves.

Our top 10 positions

	PE in one years time	PEG Ratio ('22 PE/'22-24 Growth)	EPS Growth		
			2021-2022E Growth	2022-2023E Growth	2023-2024E Growth
ADOBE SYSTEMS INC	22.40	1.62	36%	13%	15%
ALPHABET INC-CL C	17.65	1.12	1%	14%	17%
AMAZON.COM INC	37.95	0.45	-65%	132%	47%
BOSTON SCIENTIFIC	23.50	1.82	6%	12%	14%
DISNEY	22.58	1.08	60%	13%	30%
KWEB CHINA INTERNET ETF					
MICROSOFT CORP	24.86	2.92	19%	1%	17%
MONCLER SPA	22.30	2.55	39%	5%	12%
SYNCHRONY FINA	7.25	-1.71	-18%	-15%	8%
VISA	25.48	1.84	26%	12%	16%
Median PE	**22.58**				
PEG Ratio (Forward PE/'22-24 Growth in EPS)		**1.62**			
Annual EPS Growth Rate (Median)			**19%**	**12%**	**16%**

Our top 10 positions are expected to grow earnings per share by about 13-14% per year for the next two years. Our companies are trading at higher valuations, 22x, versus the S&P 500's 18x, but they deserve to do so as they are higher quality businesses growing earnings at a higher rate than the market. This is especially so when compared to expected returns on investments in bonds or cash.

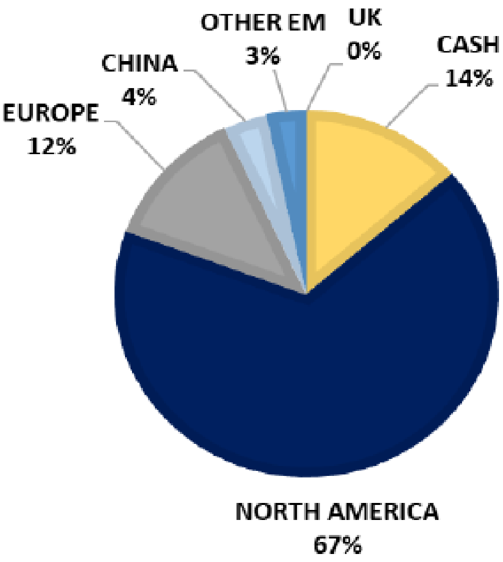
WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

BY THE RCI INVESTMENT TEAM
(CONTINUED)

Main changes during the month

- **Sold Glencore –** We took the decision to raise cash slightly by selling Glencore in the portfolio.

Geographic drivers



- Cash is almost entirely USD with a few percent in Rands due to subscriptions. Therefore, total North American + USD exposure is closer to 79%.
- Chinese equities include: KWEB China Internet ETF.
- We have a small exposure to Europe via the global companies: ASML, Amadeus, LVMH and Moncler.
- We have non-Chinese Emerging Markets exposure via Mercado Libre
- We have no UK exposure at this 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%	-2.4%	-5.9%	-4.3%	8.2%	0.0%	-4.7%	6.4%	-5.8%		**-26.9%**

The fund was down 5.8% in ZAR terms (+0.7% in USD) for the month. The ZAR strengthened 6.7% against the USD for the month which reduced the performance in ZAR.

For the 2022 year thus far, the fund is down 26% in Rands or 31% in USD terms, with the rand having weakened 7.3% against the dollar. The MSCI Developed Markets Index has fallen 18% in USD for the same period.

For the 2021 year, the fund closed up 16.3% in Rands or 7% in USD terms, with the rand having weakened 8.1% against the dollar. The MSCI Developed Markets Index has risen 20% in USD for the year.

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, otherwise please feel free to contact us.

The RCI BCI Worldwide Flexible Fund investment team:

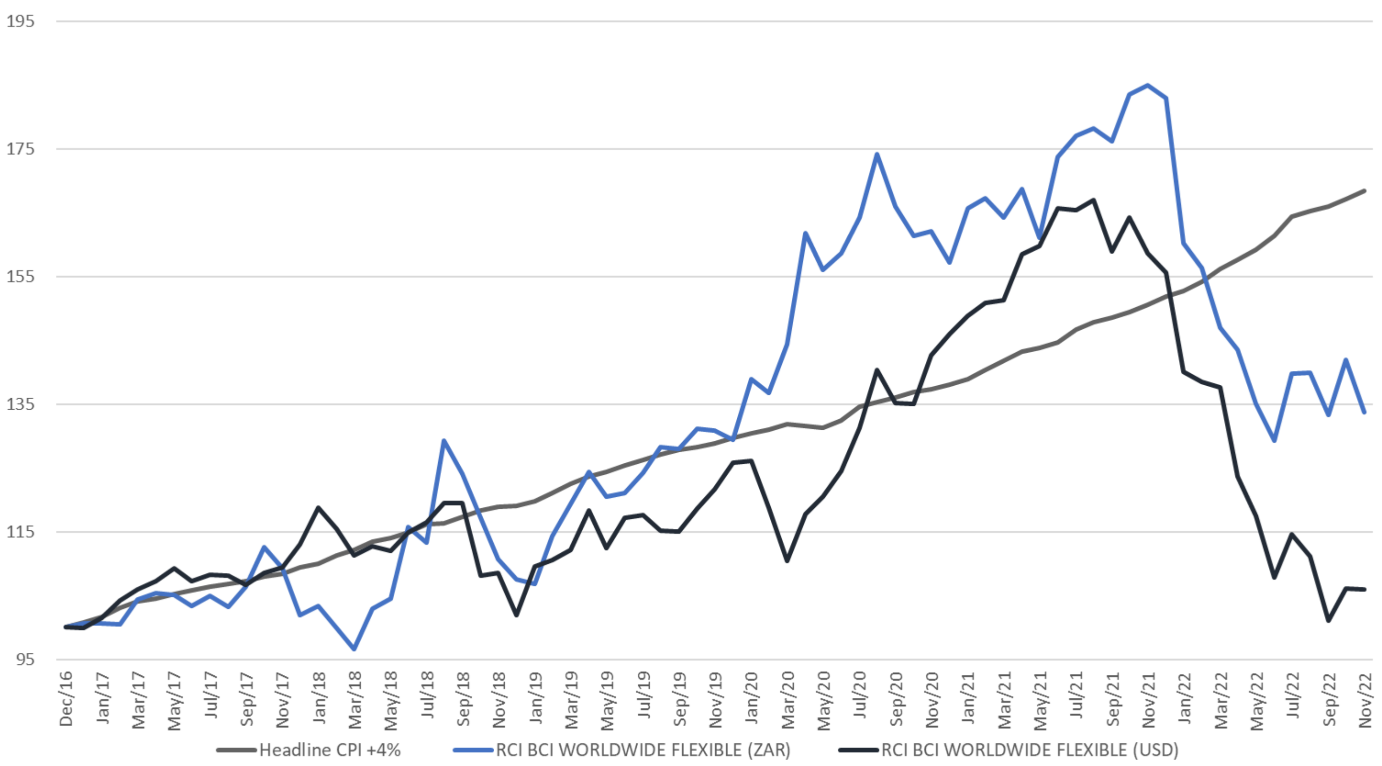
Mike Gresty, Di Haiden, Ross McConnochie, Eric Lappeman, Andrew Lawson, Gontse Dikeledi and Keiran Witthuhn

RCI OFFSHORE UNIT TRUSTS

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

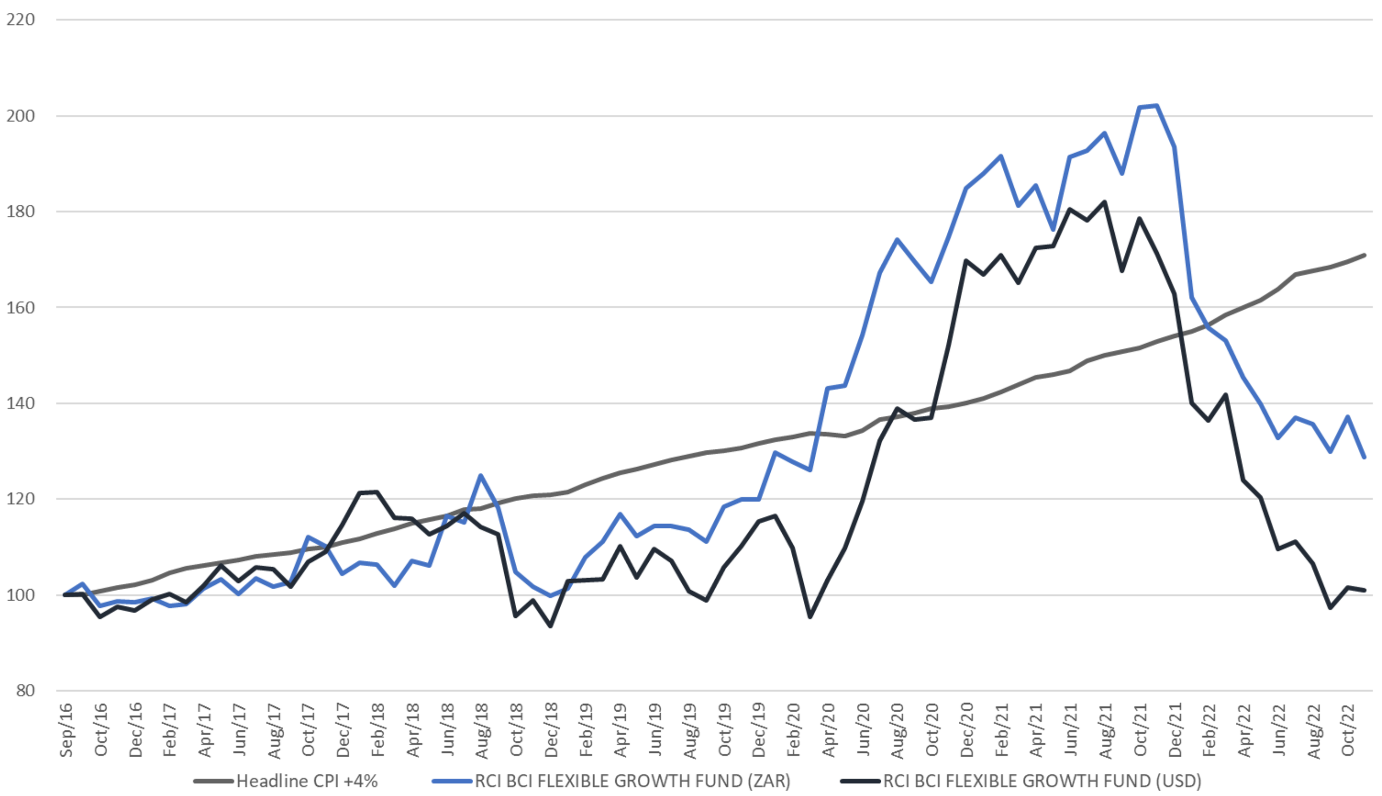
RCI BCI Worldwide Flexible Fund closed November at 133.74c, down 5.7%% for the month and down 27.7% for the last 12 months.

RCI BCI Worldwide Flexible Fund



RCI BCI Flexible Growth Fund closed November at 128.75c, down 6.1% for the month and down 36.3% for the last 12 months.

RCI BCI Flexible Growth Fund



WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

ANCHOR BCI SA EQUITY FUND

The Family Office

BY THE ANCHOR BCI SA EQUITY TEAM

After a strong October performance, the positive momentum for Developed Market equities continued through November, with the MSCI World Index rising by 6.8% MoM – the first back-to-back positive months for over a year. The main piece of macroeconomic data behind this continued recovery was the mid-month release of US inflation data. Having remained stubbornly above expectation in previous months, US inflation finally surprised marginally to the downside in November (7.9% YoY vs. expectations of 8.1%). Although the majority of commentators seem to be cautioning that investors may be getting ahead of themselves in how they have interpreted this as providing the breathing space for the Fed to ease the pace of interest rate rises and judging recent comments from Fed officials as turning less hawkish, the fact that the Nasdaq 100 Index (dominated by shares that have been worst-impacted by central bank tightening to date) rallied 7.5% on the day the inflation data were released, signals how dominant inflation is currently in driving investor sentiment. EM equities had an explosive month (MSCI EM +14.2% MoM) – their best month in thirteen years. Foreign-listed Chinese corporates led from the front (Hang Seng China Enterprises +29.1%, Nasdaq Golden Dragon China Index +42.1% MoM), as these shares recovered from the hammering they endured in the immediate aftermath of the Communist Party Congress, but also buoyed by more conciliatory talks between President Xi Jinping and President Biden at the G20 summit and strong signs that China is beginning to ease its draconian COVID-19 restrictions.

In November, South African equities had their best month in over 2 years (FTSE/JSE Capped SWIX +9.6% MoM), dragging it solidly into positive territory for the year (+7.4% YTD). Unsurprisingly, Naspers/Prosus were significant contributors to this performance (both up 39% MoM), as they reacted positively to the China performance. Optimism on China's COVID restrictions drove bulk commodities higher (iron ore +22% MoM), which fed through to mining shares (+13% MoM). A notable exception was the performance of oil (Brent crude -17% MoM in rand terms), which fed through to a lacklustre performance from Sasol (-3% MoM). Thanks to USD weakness after US inflation news, the rand strengthened 6.7% against the greenback in November.

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 November, the top 15 holdings in the fund, making up 64% of the equity exposure, were as follows:

- Naspers
- Prosus
- Anglo American
- Bidcorp
- Investec
- Afrimat
- Absa
- MTN
- BHP
- Bidvest
- Sasol
- Transaction Capital
- Capitec
- Coronation
- Shoprite

Main changes in the month

During November, we increased the fund's holding in **Naspers**, taking advantage of what we saw as an overreaction by investors to the Communist Party Congress. We took profits on shares exposed to thermal coal (**Thungela** and **Glencore**), while, with an eye on China's potential re-opening, increasing exposure to iron ore via **Anglo American**, **BHP** and **Afrimat**. On the subject of taking profits, we also took advantage of a strong rally in **Richemont** after the release of a positive trading update to sell down, concerned that the very high base off which luxury companies such as this are now coming may be vulnerable should affluent shoppers turn more cautious in 2023 as economic conditions weaken.

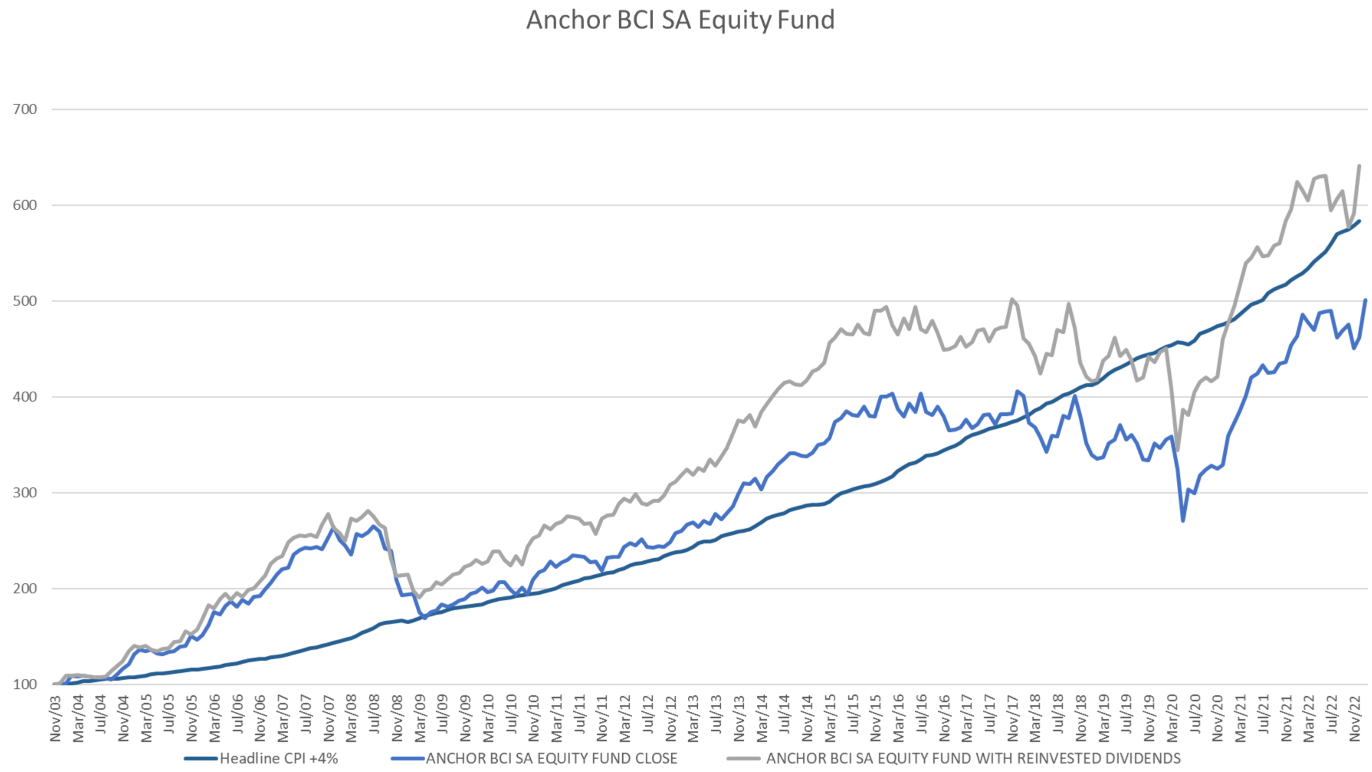
Performance

The Anchor BCI SA Equity Fund ended November with a gain of 8.4% for the month. The fund's overweight position in Naspers/Prosus was finally rewarded. While a pleasing month in absolute terms for the fund, its quality style means that it is likely to lag the market to some extent in periods of strong relative performance from the mining sector, as was the case in November.

The Anchor BCI SA Equity team

Mike Gresty, Liam Hechter, Steph Erasmus, Seleho Tsatsi, Peter Little, Zinhle Mayekiso

The Anchor BCI SA Equity Fund closed November at 112.32c, up 8.3% for the month and up 8.1% for the last 12 months.



Note: The performance history above uses that of the RCI BCI Flexible Fund until 30 September 2022, the date of its amalgamation with the Anchor BCI SA Equity Fund.

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.

CHARTS, MEMES AND INTERESTING CONCEPTS FOR THE MONTH