ROBERT COWEN INVESTMENTS

NEWSLETTER – END MAY 2023

19 June 2023

The Family Office

HIGHLIGHTS OF THIS NEWSLETTER ARE:

- Highlights from our client function at Country Club Johannesburg: An update on RCI
  - A brief history of RCI
  - Key messages on our investment philosophy
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- Update on what have we been doing in the offshore funds – *by Ross McConnochie*
- Update on what have we been doing in the local fund – *by Mike Gresty*
- Artificial Intelligence, Cybersecurity & Elon Musk – *by Keiran Witthuhn*
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  - UNDERSTANDING THE SARB: HOW MUCH HIGHER WILL INTEREST RATES GO?

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.

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28 February 2023 Tax Certificates

To date, we have not received all the 2023 tax certificates from the various financial institutions.

As they are received, we are performing spot checks on the tax certificates and collating the reports.

We anticipate being able to send out the tax certificates towards the middle of July 2023.

"The best time to plant a tree was 20 years ago. The second-best time is now."

"What gives you opportunities is other people doing dumb things ... In the 58 years we've been running Berkshire, I would say there's been a great increase in the number people doing dumb things" Warren Buffett

"All political leaders should be sent to space to gain perspective, even just for five minutes, some of them should be brought back safely" Physicist Brian Cox

HIGHLIGHTS FROM OUR CLIENT FUNCTION AT COUNTRY CLUB JOHANNESBURG

AN UPDATE ON ROBERT COWEN INVESTMENTS

RCI/Anchor hosted a client function and general business and market update on the 23rd of May 2023. Mike Gresty focused on the current investment market conditions after what was an incredibly tough investing year in 2022, Di Haiden gave a general RCI business update and future plans for the business, and Andrew Lawson touched on the increasingly complex and onerous compliance framework we operate in.

Click here for the link to the presentation for those that were not able to attend.

Key messages on our investment philosophy

A lot has been thrown at us over the past couple of years and we have certainly learnt some lessons. We have taken these lessons on board and diversified the portfolios and reduced our exposure to emerging markets. We call this new approach of ours, Quality Investing 2.0.

Markets often climb a wall of worry, and this has been most evident during the first half of this year. The widespread call for a global recession and for the downtrend in markets to continue has not materialized so far. We as humans are wired to focus on the more negative news and this may be evident when one compares the forecasts at the start of the year to how markets have performed recently.

Our mantra, "live in the sun, invest in the shade" remains central to our investment approach.

We are coming out of the recent bout of volatility with many new weapons in our arsenal. Our investment toolbox has expanded to include:

- Greater use of fixed income;
- Next Generation exchange traded note, which focuses on high growth futuristic technologies;
- Structured products that minimize volatility by guaranteeing a relatively fixed return;

RCI and you

RCI has grown and expanded our business over the past four decades. We started with a handful of clients and now serve over 200 families across many generations. For some of you we are looking after the fourth generation of individuals who originally started out with us in 1982! The size of the portfolios varies, ranging from R1 million to R500 million.

As our families have grown older and bigger, the business has had to adapt to new generations and offer comprehensive family services. More recently, we have had to respond to many of the younger generation emigrating and dealing with all the complexities that this brings with it. We acknowledge our own limitations in legal and tax matters and so we have introduced specialists to address these gaps. As such, we are proud that we are proud to be able to offer family office services to all our clients. This enables us to look after you holistically, instead of just your investments. It is worth highlighting that since joining with Anchor in 2015, RCI has access to significantly more resources than before, and the investment processes are very integrated between our two companies.

We often say that "we know enough to know when we don't know enough". We acknowledge that some of the gaps that we have on are on the legal side – none of us are attorneys. We are also not experts in exchange control and structures have become so complicated tht we often seek outside guidance for you. We have assembled a set of highly skilled specialists to help you with a range of services, namely;

- **Louis Venter** who is the founder of Wealth Succession and is a fiduciary and estate planning specialist, who assists (among other things) with trust related issues.
- **Seugnette Schwim** comes highly recommended and winds up many estates for us and will continue to do so.
- **Michael McKinon** is a registered tax practitioner that specializes in cross-border tax and exchange control and handles all of our emigrations. A reminder, if you have children that are gone or are thinking of emigrating, you need Michael McKinon.
- **Werkmans Attorneys** offers us legal opinions on some of our more complex structures.
- **Ransome Russouw** help us with tax issues and submitting clients' tax returns

HIGHLIGHTS FROM OUR CLIENT FUNCTION AT COUNTRY CLUB JOHANNESBURG

AN UPDATE ON ROBERT COWEN INVESTMENTS (CONT.)

Succession planning

Stanley Druckenmiller, founder of Duquesne Family Office and Chairman of Duquesne Capital once said this of the importance of youth in a company. "**Hire younger folks. I have had a lot of losses over the years. I have scars all over. I am not as good an investor as I once was in my 30s and 40s. I can predict better, but I don't pull the trigger the way I did when I was young. I only hire people in their 20s. Once you get these scars, it wears on you, so the humility is well owned. But yes, you have got to have humility**."

RCI has continued to employ quality staff over many years and works on the premise of "employing people that are smarter than you". Di has reached that age where people begin to ask when she is going to retire so we thought it important that you know that there is a succession plan in place for future leadership of the company. Di Haiden has no intention of retiring yet and will remain in her current role as CEO.

Mike Gresty is the current Chief Investment Officer (CIO) and will also remain in that role for years to come. He is highly respected at both RCI and Anchor and is key to the investment process in both companies.

The new big news is that we have appointed Andrew Lawson, who has been with RCI for 7 years, as our Managing Director. He has already assumed many duties pertinent to running the company and is Di's succession plan and will become the CEO when Di relinquishes this role.

The future of RCI

Two topics that are paramount to the future of RCI include our new joint venture, **Anchor Succession**, and the recent **grey listing** and what it means for our business and our clients going forward.

Anchor Succession

Anchor Succession is a joint venture between RCI and Wealth Succession. The partnership with Wealth Succession helps to bring the legal aspect to our service offering, particularly around estate planning and trust matters. Anchor Succession will be involved with matters relating to your trusts, wills and estates into the future.

Assets held inside trusts do not form part of your estate but specialist legal oversight is often required. Assets held in your own name form part of your estate and will be subject to a range of taxes down the line.

Most of you have probably come across the recent headlines regarding SA's grey listing, which will lead to heightened compliance and regulatory obligations regarding your financial matters. From a trust point of view, you may have historically had family and friends as trustees. You may have at some stage appointed someone independent as a trustee – such as Di Haiden. As time has gone on it has now become very important for trustees to have a strong legal understanding. The legal implications of being a trustee have exposed trustees to significantly more risk. Di currently sits as a trustee on about 80 local trusts. This requires a tremendous amount of oversight, knowledge and relationships that have been developed over the years. In response to the increased risk of being a trustee, we will likely change trustees for many of our local trusts over the coming years. To respond to the increased risk of being a trustee our plan is that over time, all of these trust and trustee related functions will be moved into Anchor Succession. The professional legal trustee function will be met through the expertise of Wealth Succession, whilst the administration and accounting will be performed by RCI.

One specific example of the extra requirements around trusts is the harsh penalties that will now be imposed simply for non-identification of ultimate beneficial owners. From now on, not having the IDs of everyone involved in a trust on record could result in a R10 million fine and/or 5 years in jail for a trustee in their personal capacity. These penalties are not immaterial and there is a requirement to take this seriously.

These extra compliance requirements do unfortunately come with extra unavoidable costs. These stricter requirements do not mean that trusts are no longer relevant vehicles to use in the right circumstances. They still play a vital role in estate planning, asset protection and tax planning.

Grey listing and compliance – how it impacts you

Ignore the headlines of various government officials calling the grey listing “an opportunity”. SA has essentially been put in the naughty corner by the Financial Action Task Force (FATF) from a compliance point of view. It is most definitely not an opportunity but again highlights the failings of government! It is frustrating for everyone involved and it is easy to see why SA has been grey listed. There have been few repercussions for financial crimes in SA. The most prominent recent example that comes to mind is the Gupta’s. Getting taken off the grey list is not a quick process, and if not efficiently handled, could be a year's long process. If the government implements the recommendations effectively to address the deficiencies identified by the FATF, then it may be quicker. It should be noted that SA being grey listed may be the wake-up call that we need to accelerate much-needed reforms that aim to counter fraud, corruption, and terrorism financing. For example, Mauritius was able to get off the grey list last year, and their financial system is much more robust because of it.

SA being on the grey list means that the know-your-customer (KYC) / anti-money laundering (AML) requirements will be significantly increased, both locally and offshore in particular. In that sense, expect to be asked for FICA documents often from both us (RCI) and your other financial service providers. Do not be surprised if offshore investment accounts are not accessible because of outstanding documents. Of particular importance will be evidence/proof of the source of funds and source of wealth. These documents could include things such as pay slips from the past 5 or 10 years, employment contracts, company annual financial statements and inheritance details from decades years ago. It is worth keeping a file together of anything financial that you have done. It will make your experience of structuring your wealth how you wish much more seamless, without any unexpected delays.

We have Marieke and Christine who do much of the compliance work for RCI’s clients. They work closely with Anchor, who have an entire team dedicated to compliance. Together with Anchor’s compliance team, please expect constant requests for updated FICA. Please also appreciate that ourselves and all suppliers will all have their own requirements, and this will be an ongoing, never-ending process. At a minimum, a low-risk individual will be required to update FICA every 3 years. For many of our clients, it is more realistic to be asked for the relevant FICA documentation 2 to 3 times a year.

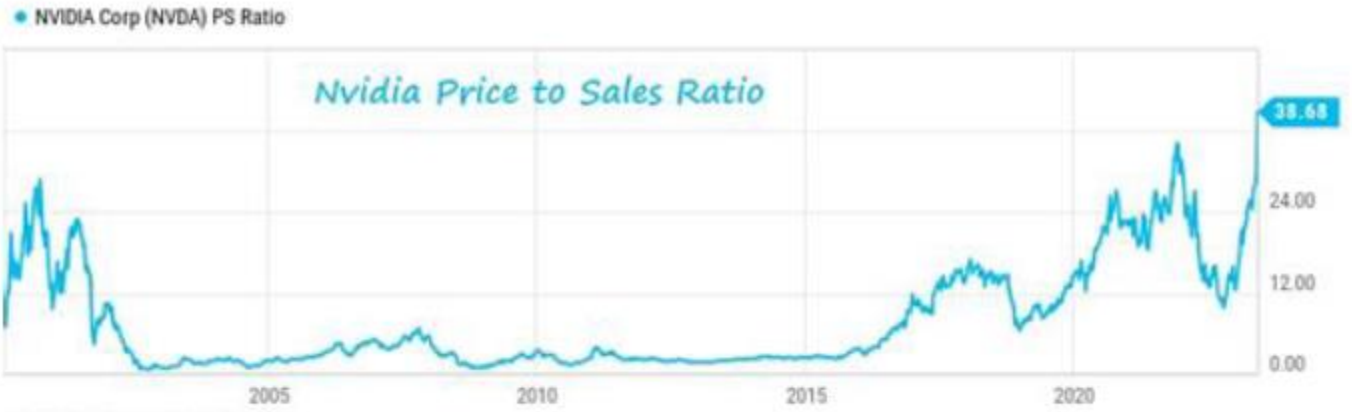
As already mentioned, all of this unfortunately means that there is additional time, cost and frustration involved in order to comply. Setting up an offshore trust can take up to a year. An offshore bank account for an offshore trust that has already been established can take up to 6 months to open. Anyone named in an offshore trust’s deed, (settlor, trustees and beneficiaries) will need to provide detailed documentation about their identity and where their money has come from (where relevant).

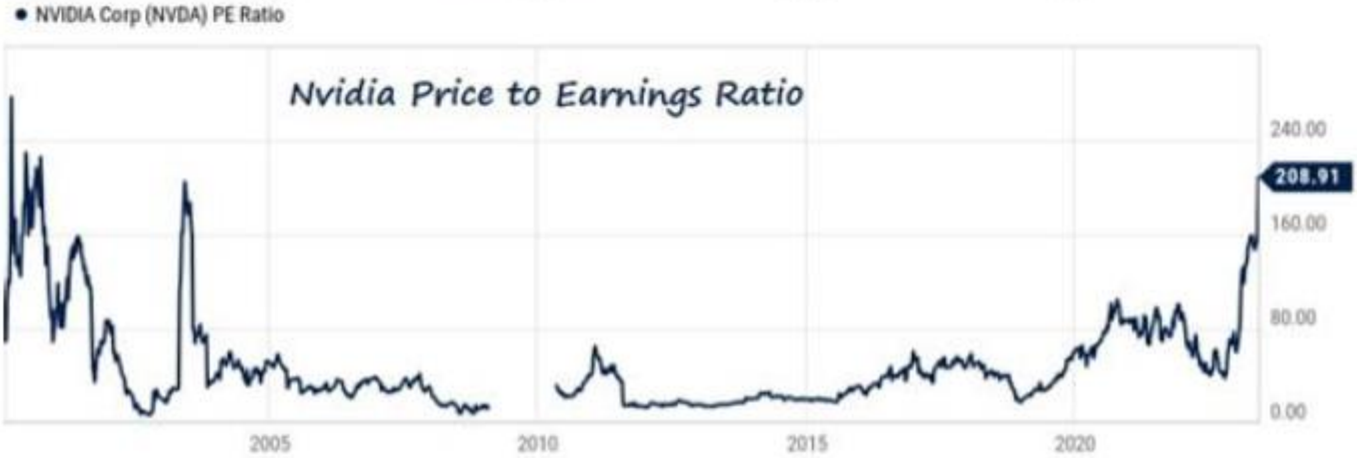
Our approach to this will be to streamline various platforms and providers, to limit the number of entities requiring updated FICA. Each financial institution (e.g. Allan Gray, Ninety One, Momentum) will have their own rules about their requirements for FICA from a compliance point of view. We have no choice but to comply and to provide them with the documentation that they require. This is where we will look to consolidate investments where we can. For example, where a portfolio has equities (local and offshore) and unit trusts, we will consolidate the providers used over time. It makes everyone’s lives easier if you have to provide the set of required documents to one provider instead of three or four providers.

WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

RCI BCI WORLDWIDE FLEXIBLE FUND

May saw global markets close flat because of the uncertainty surrounding the US debt ceiling. Year to date growth is about 8% but almost all the performance has come from the major tech giants on the back of AI euphoria. This month alone Amazon and Alphabet were up 14%. Meta climbed 10% and the real star of the show was Nvidia which rose 36% for the month on a large beat in earnings expectations for the coming quarter as data centers invest heavily in graphics chips that are used in AI processing. The valuation, however, has become eye watering relative to its peers and its own history:





[YCHARTS and Charlie Bilello]

The rand had a horrid month falling 7% against the dollar to close at R19.73. This was due to several factors but the latest being the accusations of South African supplying arms to Russia and the seeming hesitancy to comply with an ICC international arrest warrant for Putin should he attend the scheduled BRICS meeting. China also struggled this month with economic indicators falling short of expectations. It appears they are taking longer than expected to recover from their zero COVID policy and continue to have issues within their mortgage market.

Inflation is expected to show stronger signs of being under control this month, so the market will be watching the announcement of those figures carefully as they will determine whether the FED will need to continue to hike rates or not.

Portfolio Strategy

The focus of the portfolio continues to be direct investment in high quality offshore equities that are world leaders in their industries, with emphasis on businesses with high Return on Capital Employed combined with excellent free cash flow generation. We tend to ignore whether or not a company pays a dividend as we usually prefer those businesses that reinvest earnings in their internal operations. We also tend not to chase short-term investment narratives and themes that could be trending in the market, as we would not want to reduce the quality of the portfolio for the sake of following the flavour of the month.

WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

BY THE RCI INVESTMENT TEAM
(CONT.)

The Family Office

Our top 10 positions:

	PE in one years time	PEG Ratio (FWD PE/'23-25 Growth)	EPS Growth		
			2022-2023E Growth	2023-2024E Growth	2024-2025E Growth
ADOBE SYSTEMS INC	25.20	1.87	13%	13%	14%
ALPHABET INC-CL C	19.98	1.02	27%	18%	21%
AMADEUS IT GROUP SA	25.52	1.42	46%	24%	12%
AMAZON.COM INC	37.98	1.08	289%	32%	38%
BOSTON SCIENTIFIC	24.80	1.91	14%	13%	13%
DISNEY	18.24	0.62	11%	36%	23%
MERCADOLIBRE INC	63.47	1.46	82%	39%	48%
MICROSOFT CORP	30.66	2.15	5%	14%	15%
MONCLER SPA	25.64	2.02	6%	13%	13%
VISA	24.04	1.71	15%	14%	15%
Median PE	**25.36**				
PEG Ratio (Forward PE/'23-25 Growth in EPS)		**1.59**			
Annual EPS Growth Rate (Median)			**14%**	**16%**	**15%**
S&P500 - FWD PE and EPS Growth	**18.42**		**-2%**	**10%**	**9%**

Our top 10 positions are expected to grow earnings per share in the mid-teens for the next three years which is far higher than the S&P500, where analysts expect a slight decline for 2023. Our companies are trading at higher valuations, 25x, versus the S&P500'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.

Main changes during the month

There were no outright changes made during the month.

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%	-1.4%	**-27.9%**
2023	13.0%	2.5%	0.6%	5.3%	6.9%								**31.2%**

The fund was up 6.9% in ZAR terms (-0.67% in USD) for the month compared to the MSCI Developed Markets Index which was up 7.9% in ZAR (+0.3% in USD) for the month. The Rand weakened 7% for the month contributing to the performance in ZAR.

For the 2023 year thus far, the fund is up 31% in Rands or 12.7% in USD terms, with the rand having weakened 14% against the dollar. The MSCI Developed Markets Index is up 25% in Rands or 8.1% in USD for the period.

For the 2022 year, the fund was down 27.9% in Rands or 32% in USD terms, with the rand having weakened 6% against the dollar. The MSCI Developed Markets Index has fallen 13% in USD for the same period.

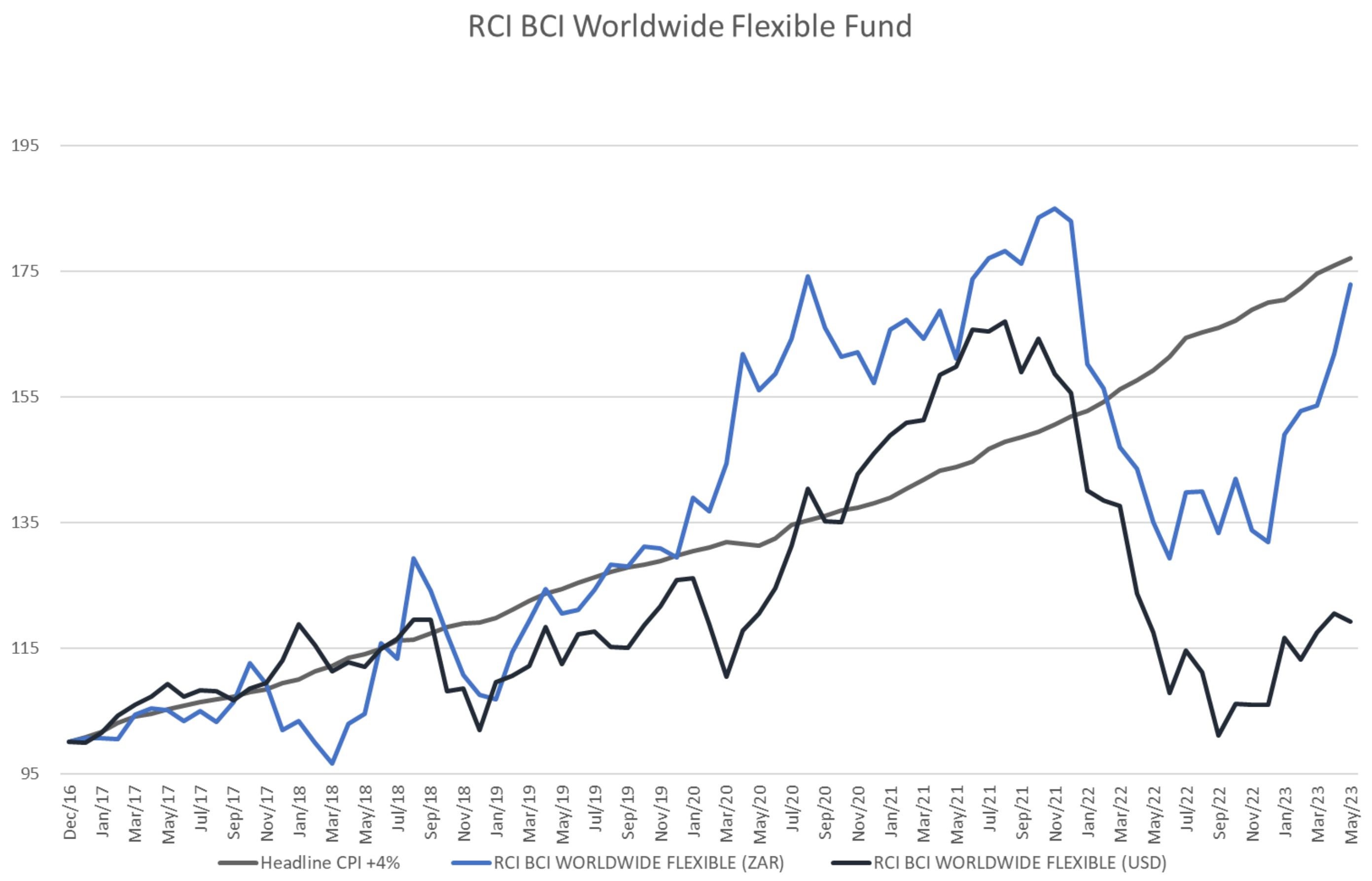
The RCI BCI Worldwide Flexible Fund investment team:

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

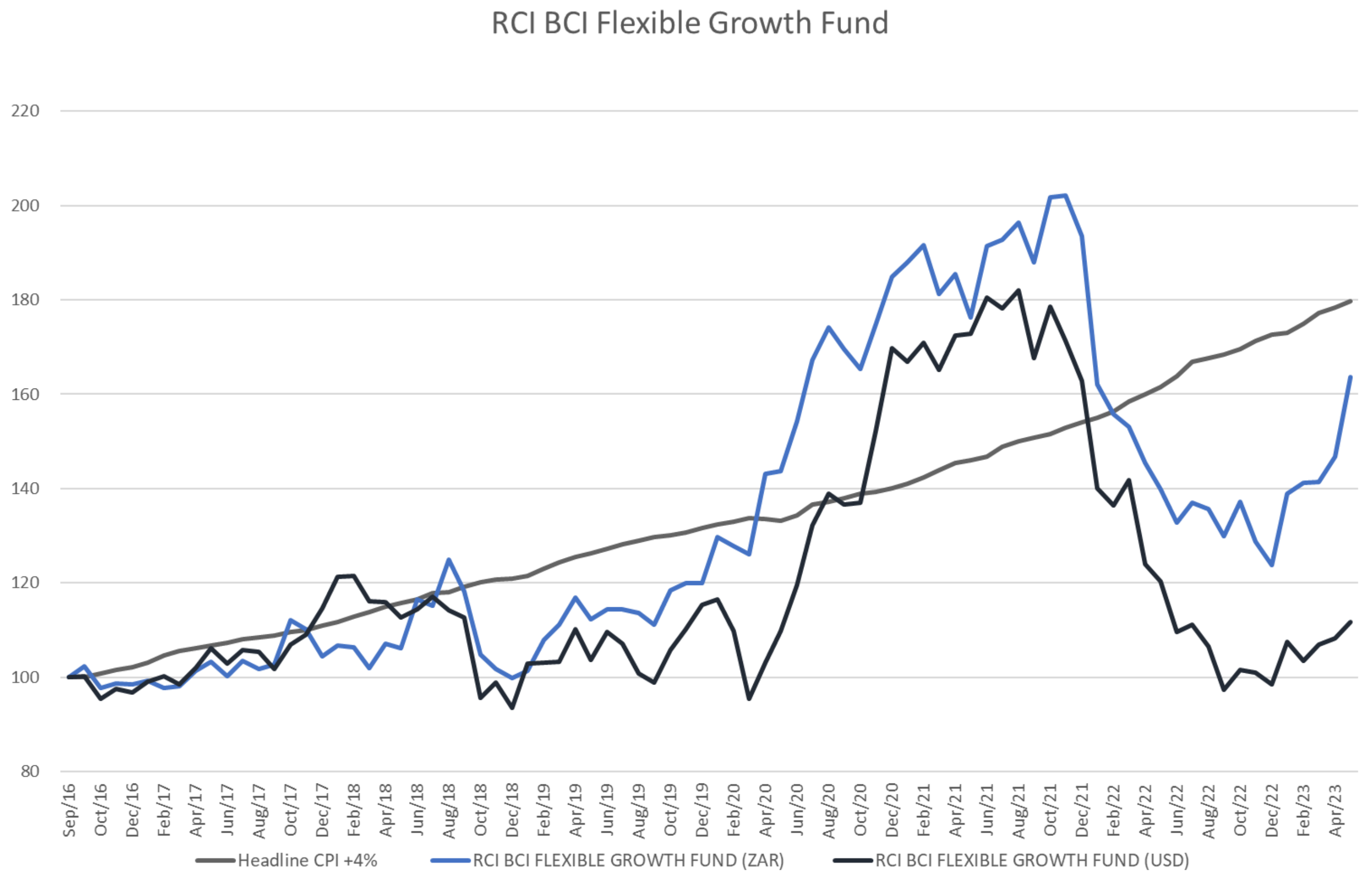
RCI OFFSHORE UNIT TRUSTS

"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 May at 172.89c, up 6.9%% for the month and up 28.1% for the last 12 months.



RCI BCI Flexible Growth Fund closed May at 163.64c, up 11.4% for the month and up 17.1% for the last 12 months.



WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

ANCHOR BCI SA EQUITY FUND

BY THE ANCHOR BCI SA EQUITY TEAM

Global equities snapped a two-month positive streak, falling in May (MSCI World Index -0.9% MoM) as the possibility of US government default loomed unless agreement was reached to raise the debt ceiling, signs of weakening economic activity in major developed markets (DMs), and disappointing economic data cast doubt on the durability of China's recovery from its COVID-lock-down, all weighed on investor sentiment. Against this rather downbeat backdrop, however, was one notable bright spot – US mega-cap tech shares (NYSE FANG Index +17% MoM, and +61% YTD). Nvidia was the standout among them (+36% MoM, +159% YTD), but this small grouping of mega-cap tech shares have all benefitted from the hype that has developed around Artificial Intelligence (AI) this year. As we have observed previously, this small group of perceived AI beneficiaries have accounted for almost all the performance of the US stock market so far this year – apparent from the fact that the official S&P Index total return at the end of May stood at 9.6% YTD, while the total return of the equivalent version of the index with each constituent member weighted equally is in negative territory, -0.7% YTD. Emerging Markets also had a difficult month (MSCI EM -1.7% MoM), and as was the case last month, it was the Chinese stocks that weighed most on performance (Shanghai Composite Index -6% MoM in USD terms), as almost all major Chinese economic data released in May fell short of expectations.

May was a dismal month for South African equities, with the index falling for the 4th time in 6 months (FTSE/JSE Capped SWIX -5.8% MoM), despite the performance being somewhat flattered by a weakening currency (the rand was the weakest major currency in May, depreciating 7.3% against the US Dollar). Shares orientated towards the domestic economy were particularly hard hit. Outside of gold miners, which were once again a relative bright spot, there were few places to hide. Ordinarily, one would have expected the rand hedge credentials of market heavyweight, Naspers/Prosus to come to the fore in a month of such rand weakness. However, with key investment, Tencent, falling victim to negative investor sentiment towards China, as discussed above, they failed to be a source of support, falling 8.7% and 5.4% respectively.

At the end of May, the top 15 holdings in the fund, making up 68% of the equity exposure, were as follows:

- Naspers
- Prosus
- Bidcorp
- Richemont
- British American Tobacco
- Investec
- Afrimat
- FirstRand
- Standard Bank
- Advtech
- Absa
- Coronation
- BHP
- Discovery
- Anglo American

Main changes in the month

During May, we remained cautious about exposure to equities exposed to the SA economy, despite recent underperformance and valuations that appear undemanding relative to history. We continued to reduce exposure to domestic shares (**Mr. Price** and **Shoprite**) and shift this into rand hedges (**Bidcorp** and **British American Tobacco**). We did, however, initiate a new position in **Curro**, seeing the evaluation as having reached highly attractive levels and believing that the education space, to which we also have exposure through Advtech and Stadio, will prove resilient in the face of SA's macro challenges ahead.

Performance

The Anchor BCI SA Equity Fund ended May down 4.6% MoM. Our orientation towards rand hedge and more defensive domestic sectors paid off in relative terms, if not in absolute returns in May. However, it was another month in which our avoidance of exposure to gold miners on quality grounds weighed on relative performance. There is no doubt a sense of FOMO at the moment, but our strategy, focusing on quality compounders for the long-term remains.

The Anchor BCI SA Equity team

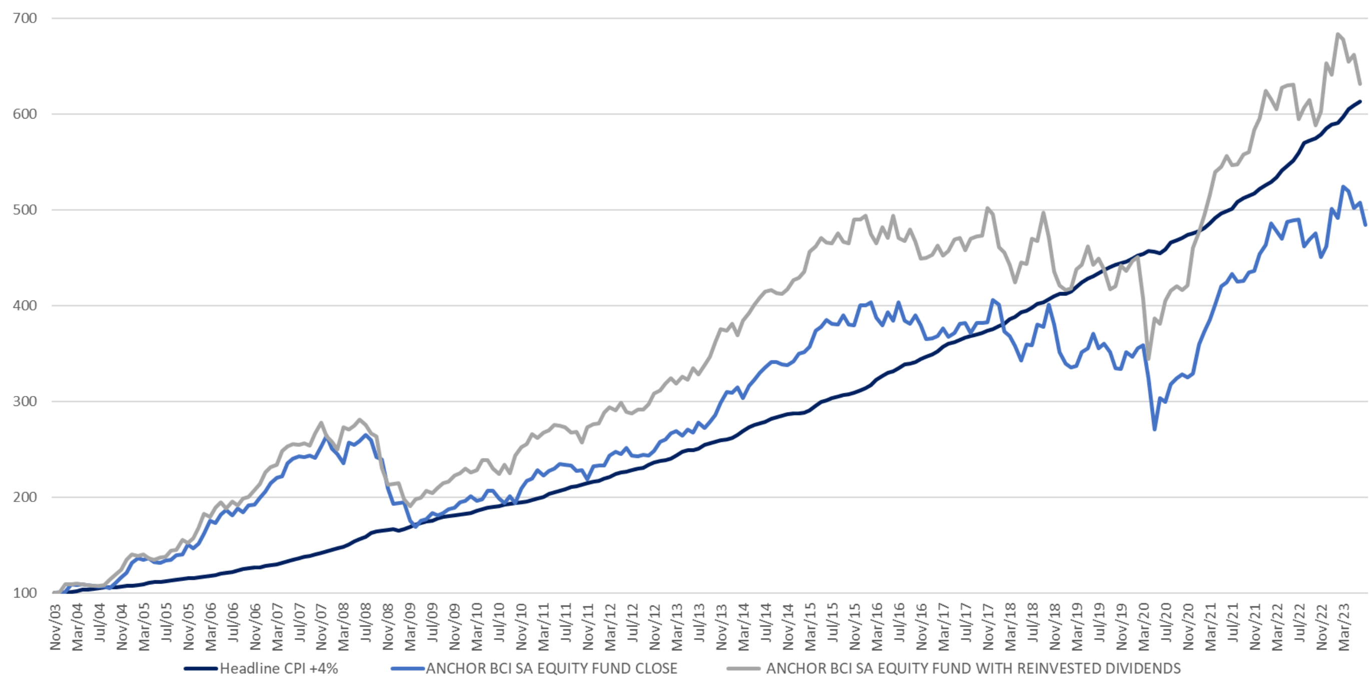
Mike Gresty, Liam Hechter, Steph Erasmus, Seleho Tsatsi, Peter Little, Zinhle Mayekiso

WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

BY THE ANCHOR BCI SA EQUITY INVESTMENT TEAM (CONT.)

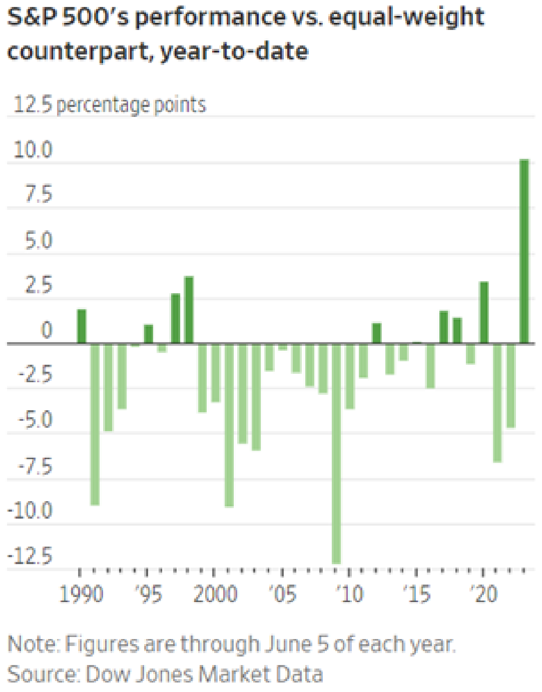
The Anchor BCI SA Equity Fund closed May at 108.52c, down 4.6% for the month and down 1.1% for the last 12 months.

Anchor BCI SA Equity Fund



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.

Stocks are going up, with the S&P 500 gaining nearly 24% from its October low, the biggest rally we've seen since the market peaked in January 2022. It's counterintuitive, but investors get more excited as prices rise, the opposite of how shoppers behave. People rush to stores on Black Friday to take advantage of discounts, but when stocks are on sale many investors run for the exits.



The S&P 500 is a market cap weighted index, meaning that the company with the largest market cap (Apple), holds the largest weighting in the index. A few large cap technology companies have driven most of the performance year-to-date in the S&P 500. The graph (left) shows that the cap-weighted S&P 500 has outperformed the equal-weighted S&P 500 by over 10%, the largest spread on record at this point in the year with data going back to 1990. This shows that if you had been invested in the aggregate S&P 500 company, you would have significantly underperformed those who have been invested in high performing growth names like NVIDIA, Meta, Tesla, Amazon or Alphabet.

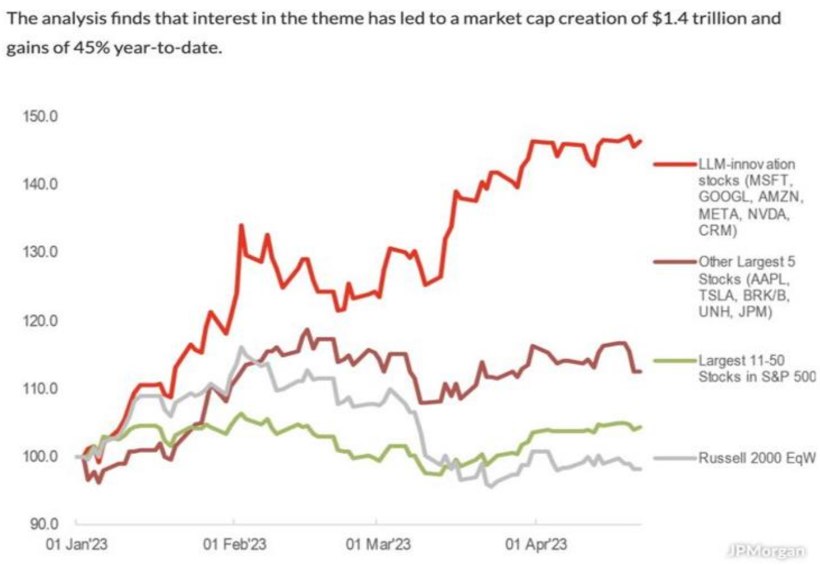
Robert Cowen Investments
Growing families' wealth since 1982

ARTIFICAL INTELLIGENCE & CYBER SECURITY

BY KEIRAN WITTHUHN

Artificial intelligence (AI) stocks have experienced a remarkable surge this year, fuelled by the ever-growing demand for AI technology across various industries. Companies are eagerly seeking AI solutions from a diverse array of vendors to enhance productivity. This enhanced productivity should generate higher earnings and cash flows, which the market is currently pricing in today (or perhaps getting ahead of itself). Despite the gloomy economic outlook, AI optimism has given a handful of shares the strength to rebound sharply from last year's lows.

In analysis conducted by J.P. Morgan (shown below) they explain that as of the end of April, interest in AI sparked by ChatGPT had generated 53% of the S&P 500 performance, 54% of the Nasdaq 100 performance and 68% of growth factor gains. The basket groups together Microsoft, Google, Amazon, Meta, NVIDIA and Salesforce in what it calls “Large-Language Model innovation” stocks.



Source: JP Morgan

The profound impact of AI on our world is poised to exceed even our boldest expectations. Its transformative influence will reach far beyond what many of us currently envision. One such impact will be on the world of cybersecurity, a sector that has garnered our increased attention in recent times. Below are some thoughts from Anchor analyst, James Bennett, on AI and the impact it may have on cybersecurity companies.

1. AI in the hands of bad actors increases the cybersecurity threat to corporates. This is ultimately an opportunity for all 5 cybersecurity companies we (Anchor/RCI) follow. The cyber threats are still, ever increasing.

2. Fighting AI with AI. Ranking their AI ability: 1) SentinelOne, 2) CrowdStrike, 3) Palo Alto, 4) Fortinet, 5) Zscaler. SentinelOne already has the best-in-class AI engine. Makes them a clear buyout target given their low valuation. Fortinet already uses AI in their ecosystem although one would not highlight them as the clear leader in AI.

3. Microsoft is already big in cybersecurity but mostly via free products that are included in their broad packages. You get what you pay for and most medium/large corporates serious about cybersecurity would not really use Microsoft’s current suite of security products. AI will possibly improve Microsoft’s competitiveness positioning over time. In that regard, they are a competitive threat to all 5 of the top cybersecurity companies.

4. SentinelOne AI easily disarmed ChatGPT based malware in recent weeks. SentinelOne said that actual modus operandi used by this malware was old fashioned. However, they did say it is an “arms race “going into the future years.

ARTIFICIAL INTELLIGENCE & ELON MUSK

“The adoption of Large Language Models will ease cyberattacks for malicious actors, with generative AI facilitating nation-state-level campaigns. This will boost demand for cybersecurity technologies like Falcon. Generative AI democratizes protection, empowering novices to become adept analysts.” – Crowdstrike CEO, George Kurtz

"Artificial intelligence represents the biggest potential long-term support for profit margins," says Goldman's Ben Snider.

“Mitigating the risk of extinction from AI should be a global priority alongside other societal-scale risks such as pandemics and nuclear war” – Center for AI Safety

South Africa’s own Elon Musk is undoubtedly one of the most controversial, but impressive people in the world. For those who are unfamiliar what exactly it is that he does, here it goes. He is the CEO of Tesla, the CEO of SpaceX, CEO and Chairman of Twitter, co-founder of PayPal, founder of the Boring Company and co-founder of Neuralink and OpenAI. OpenAI is the company behind ChatGPT, the AI technology that many believe could be the start of a trend that may change the world more than the internet itself. Anyone who knows what the companies above are involved in will wonder how on earth he finds the time to fit it all in.

On his recent trip to China to address the expansion and intensified competition in the key Tesla market, he was showered with praise by the Chinese public. He was called “a pioneer”, “Brother Ma”, and was even touted by many business leaders and government ministers as the future US president.

The richest man in the world recently had this to say on his quest to change the global car market, “Tesla is in a uniquely strong strategic position because we are the only ones making cars that technically we could sell for zero profit now and then yield tremendous economics in the future through autonomy, no one else can do that”.

Essentially, Musk suggests that by expanding Tesla's hardware presence (by selling electric vehicles and taking a chunk of the automobile market), he can leverage it to offer high-margin software upsells. This perspective implies that Tesla's identity leans more towards being a technology company rather than a traditional automaker. Interestingly, this mirrors Apple's successful approach of upselling services to its user base. Both companies recognize the value of maximizing revenue streams through software and services tied to their hardware offerings.

On AI, he has called for a pause in AI development, but acknowledges this is futile. He highlights Tesla's advanced real-world AI capabilities, particularly in autonomous driving, surpassing competitors like Google’s Waymo. During a recent CNBC interview, Musk made a particularly provocative statement, asserting his belief that Tesla is on the brink of a groundbreaking "ChatGPT moment." This revelation carries the implication that Tesla's upcoming potential achievement will generate a level of excitement comparable to the revolutionary impact of ChatGPT.

Click here for the link to his astonishing interview with CNBC.

“Don’t confuse schooling with education ... I didn’t go to Harvard ... but ... the people that work for me did “
Elon Musk

DOMESTIC FIXED INCOME UPDATE

Pricing Spread: Bid-Bid • Price Range: from 30 Apr 2023 to 31 May 2023 • Currency: South African Rand

Customise Columns	Custom Period Performance
STANLIB Bond R TR in ZA	-4.85
Anchor BCI Bond A TR in ZA	-4.96
Old Mutual Bond R TR in ZA	-5.23
Ninety One Gilt A TR in ZA	-5.26
Coronation Bond R TR in ZA	-5.27
Ashburton Bond A TR in ZA	-5.31
Discovery Discovery Strategic Bond Fund A TR in ZA	-5.42
Momentum Bond A TR in ZA	-5.62
Prescient Flexible Bond A2 TR in ZA	-5.93

Pricing Spread: Bid-Bid • Price Range: from 30 Apr 2023 to 31 May 2023 • Currency: South African Rand

Customise Columns	Custom Period Performance
Ninety One Diversified Income A TR in ZA	-0.59
Anchor BCI Flexible Income A TR in ZA	-0.61
PSG Diversified Income A TR in ZA	-0.73
BCI Laurium BCI Strategic Income A TR in ZA	-0.84
Prescient SA Income Provider A2 TR in ZA	-0.89
Momentum Momentum Flexible Income A TR in ZA	-0.92
Coronation Strategic Income A TR in ZA	-1.10
Discovery Diversified Income A TR in ZA	-1.41
BCI Sasfin BCI Flexible Income A TR in ZA	-1.90

We have recently been engaged in some difficult conversations about fixed income and assume that many of you are feeling some sort of discomfort regarding the asset class. We took a more defensive approach in our fixed income investments. However, the consolation of losing less money than competitors (see above), does little to comfort you who have suffered losses due to recent events. It is important to note that Anchor, who manage our fixed income investments, did not make a mistake, but rather that the asset class was severely impacted by political events.

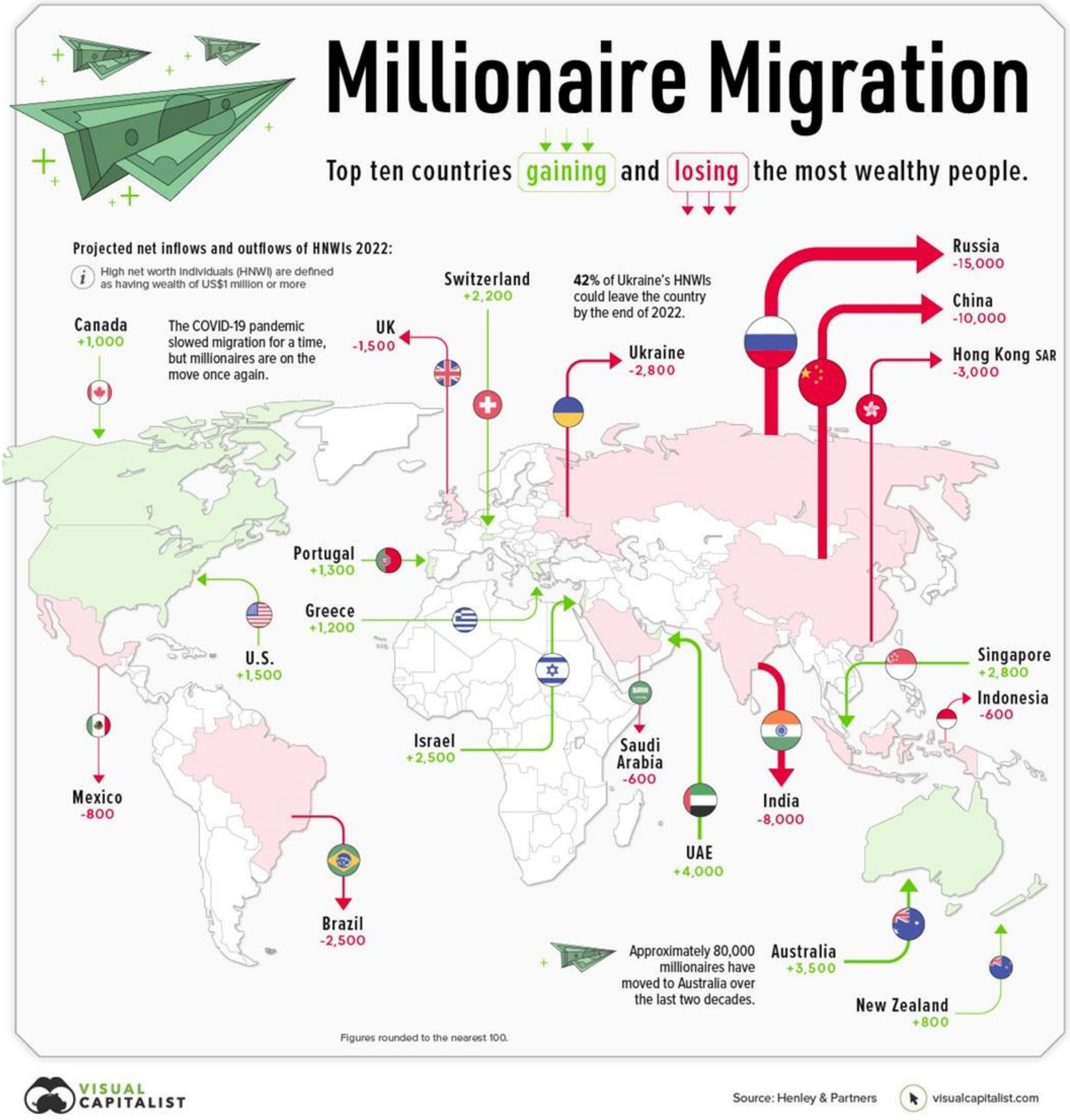
SA is no doubt in a negative economic situation, which is attributed to misguided policies and an outdated embrace of command economies. This has coincided with rising global yield curves, creating a devastating environment for the South African rand and bonds.

Despite these challenges, there are some positive developments. One of these is the private sector's involvement in addressing the electricity problem through independent production and the potential reduction of load shedding by as early as next year. There have similarly been increasing discussions about private investment in our rail network, currently managed by Transnet. Economists forecast that SA's economy can still achieve positive growth and job creation in 2023, despite the shackles holding it back.

Regarding international events, the strength of the US economy has made imminent interest rate cuts less likely. Rising US yields have added to the challenges faced by South African portfolios. We believe that the current pricing of US bonds is fair but expect yields to gradually decrease as 2023 progresses. A reminder that falling yields results in positive capital gains for fixed income investors, above the yield which one already receives.

Different institutions hold varying views on the market outlook for bonds and the rand. Some, like Goldman Sachs and UBS, avoid them due to the absence of a recovery catalyst, while others, such as Deutsche Bank, Nedbank, and Momentum, have a more positive outlook. Despite stretched pricing, the Anchor fixed income team continues to see bonds as an appealing asset class, as they yield 12.2% and have potential for improvement in the future, providing an attractive return for investors once the situation stabilizes. Overall, while acknowledging the current challenges, the outlook for the future of fixed income investments is generally positive.

THE MIGRATION OF MILLIONAIRES



Source: Visual Capitalist

In 2022, an estimated 88,000 millionaires migrated to new countries, according to the Henley Global Citizens Report. The graphic above highlights the movement of high-net-worth individuals (HNWIs), revealing destinations and origins. After a drop in millionaire migration due to the pandemic in 2020, restrictions easing, and borders reopening have reignited the trend. Russia saw 15,000 millionaires leaving, while Ukraine faces the highest percentage loss of HNWIs at 42%. China lost 10,000 millionaires, impacting its wealth growth. The United Arab Emirates attracted 4,000 HNWIs, with Australia coming in second, attracting 3,500 HNWIs. Australia remains appealing with 80,000 millionaires settling there over the past two decades, drawn by low healthcare costs, no inheritance tax, and a prosperous economy.

We aim to be the best family office in South Africa.

Thank you for being our clients.

Di, Mike & The RCI Team