ROBERT COWEN INVESTMENTS

NEWSLETTER – END JUNE 2023

14 July 2023

The Family Office

HIGHLIGHTS OF THIS NEWSLETTER ARE:

- South Africa's load shedding crisis eases, but sustainability remains uncertain – *by Keiran Witthuhn*
- 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*
- The rise of metallic nationalism – *by Keiran Witthuhn*
- What global executives are saying about…
- Memes for the month
- Latest research from Anchor Capital
    - COFFEE TABLE ECONOMICS WITH ANCHOR
    - CHOOSING AN ADVISOR: THE 3 C's

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

We are in the final stages of collating the tax certificates for the year ended 28 February 2023 and will be sending these out early next week.

Below are the SARS dates for filing the 2023 income tax returns - these dates distinguish between non-provisional taxpayers and provisional taxpayers.

Income tax return filing dates

Here are the dates and criteria for the 2023 Filing Season:

- Individual taxpayers (non-provisional): **7 July 2023 @ 20:00 to 23 October 2023**
- Provisional taxpayers: **7 July 2023 @ 20:00 to 24 January 2024**

Artificial Intelligence (AI) has existed since the twentieth century, with Alan Turing's "imitation game" proposal. Recent advancements in computing power and data availability have made AI practical. It involves machines performing cognitive functions like humans, using techniques from various fields to solve practical problems. AI is gaining global traction and finding applications in numerous products and services. A webinar titled "The Story of AI – and two brilliant Englishmen" will be hosted by Deon Katz, Head of Private Capital at Anchor, and David Gibb, an Anchor Fund Manager, to explore the past, present, and future of AI.

Register for the webinar taking place at 10am on Friday, 21 July 2023, here.

SOUTH AFRICA'S LOAD SHEDDING CRISIS EASES BUT SUSTAINABILITY REMAINS UNCERTAIN

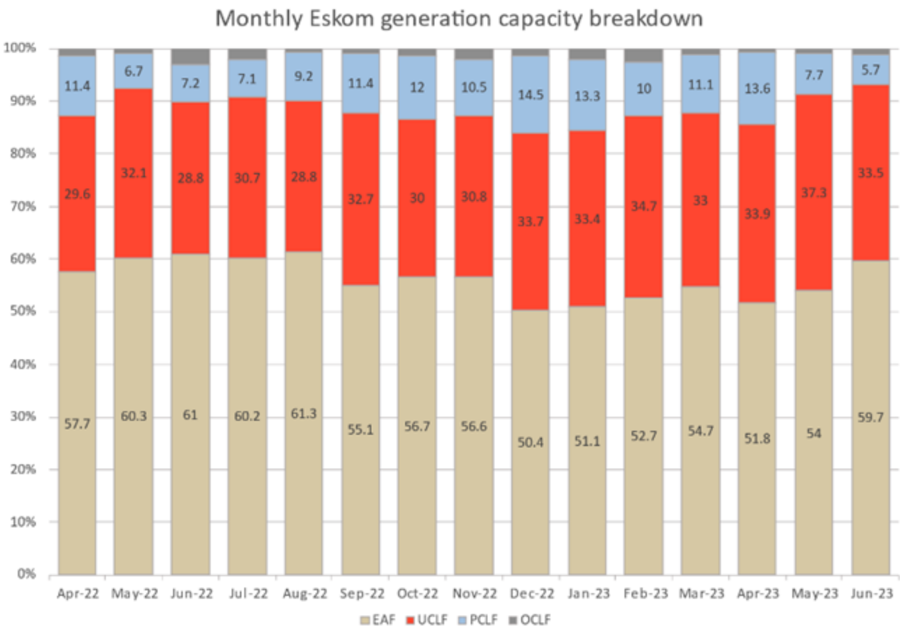
BY KEIRAN WITTHUHN

Exhibit 4: RMB MS base case* scenario for electricity supply vs demand in South Africa

	2021	2022	Mar-23	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Coal	38.52	39.46	39.35	39.35	39.87	40.04	39.16	38.20	36.87	35.87	34.64
Nuclear	1.86	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.85
Pump Storage	2.72	2.72	2.72	2.72	2.72	2.72	2.72	2.72	2.72	2.72	2.72
Hydro	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
OCGT	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.07	2.07	2.07	2.07
Wind	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Total Eskom Nominal Capacity	**46.22**	**47.15**	**47.04**	**47.04**	**47.55**	**47.72**	**46.85**	**45.54**	**44.21**	**43.21**	**41.98**
EAF (Energy Availability Factor, %)	*62%*	*58%*	*53%*	*53%*	*53%*	*53%*	*53%*	*53%*	*53%*	*53%*	*53%*
Effective Eskom supply	28.58	27.35	24.77	24.81	25.08	25.17	24.71	24.02	23.32	22.79	22.14
Other supply											
Imports (Cahora Bassa)	1.12	1.12	1.12	1.12	1.12	1.12	1.12	1.12	1.12	1.12	1.12
REIPPP/RMIPP	5.25	6.28	6.28	7.78	9.50	11.50	12.00	12.50	13.00	13.60	14.10
Industrial private supply + IPP on land leased from Eskom	4.20	4.50	5.00	6.50	9.00	10.00	11.00	12.00	13.00	14.00	15.00
Small scale (eg rooftop PV systems)	0.33	0.68	0.90	2.00	3.50	4.00	4.50	5.00	5.50	6.00	6.50
Total Other Supply	**10.90**	**12.58**	**13.30**	**17.40**	**23.12**	**26.62**	**28.62**	**30.62**	**32.62**	**34.72**	**36.72**
Total supply (with renewables at 30% load factor from 2025 onwards)	**31.17**	**30.42**	**28.02**	**29.51**	**31.70**	**33.94**	**34.08**	**33.99**	**33.89**	**33.99**	**33.94**
Peak demand	34.10	33.40	30.30	34.00	34.17	34.34	34.51	34.69	34.86	35.03	35.21
Supply less demand (@30% loads for renewables from 2025)	**-2.93**	**-2.98**	**-2.28**	**-4.49**	**-2.47**	**-0.40**	**-0.43**	**-0.70**	**-0.97**	**-1.04**	**-1.26**

Source: Eskom, RMB Morgan Stanley Research. * base case assumes the Eskom EAF stays at 53%, renewables load factor = 30% from the end of 2024 onwards and annual demand growth of 0.5%

South Africa has suffered devastating load shedding so far this year. The above table from Morgan Stanley shows the expected penetration of private energy generation in SA. It is very busy, with loads of numbers. We would however like to bring your focus to the 9th row, "Effective Eskom supply" as well as a further 6 rows down, "Total Other Supply". You will see that in 2025, the private supply of electricity is expected to surpass the supply generated from Eskom! In 2023, 'other supply' is expected to generate 41% of electricity in SA. This is expected to increase each year where **by 2030, private generation is expected to supply 62% of SA's electricity**. The bottom row shows SA's electricity shortfall, and it is clear (from the -4.49 deficit in dark red) that Eskom and Morgan Stanley expect the electricity deficit to peak in 2023.



- EAF/Energy availability factor
  - Unavailable energy against maximum electricity capacity
- UCLF
  - % of unplanned outages against total net installed capacity
- PCLS
  - Unavailable energy as a result of Planned maintenance against net installed capacity of all units

During the month of June, we had surprisingly little load shedding despite the widespread fears that this winter was going to be both cold and dark. There are three main reasons for the reduced load shedding experienced in June.

1. **Increase in EAF**: EAF (shown in brown above) has improved due to the seasonal decline in planned maintenance (in blue above) and marginal improvement in unplanned maintenance (in orange above). However, the 5.7% of capacity lost to planned maintenance in June is lower than at any point in the past 14 months and is therefore not sustainable. **EAF averaged 59.7% in June** (54.19% in May 2023).

SOUTH AFRICA'S LOAD SHEDDING CRISIS EASES BUT SUSTAINABILITY REMAINS UNCERTAIN

The Family Office

BY KEIRAN WITTHUHN (CONT.)

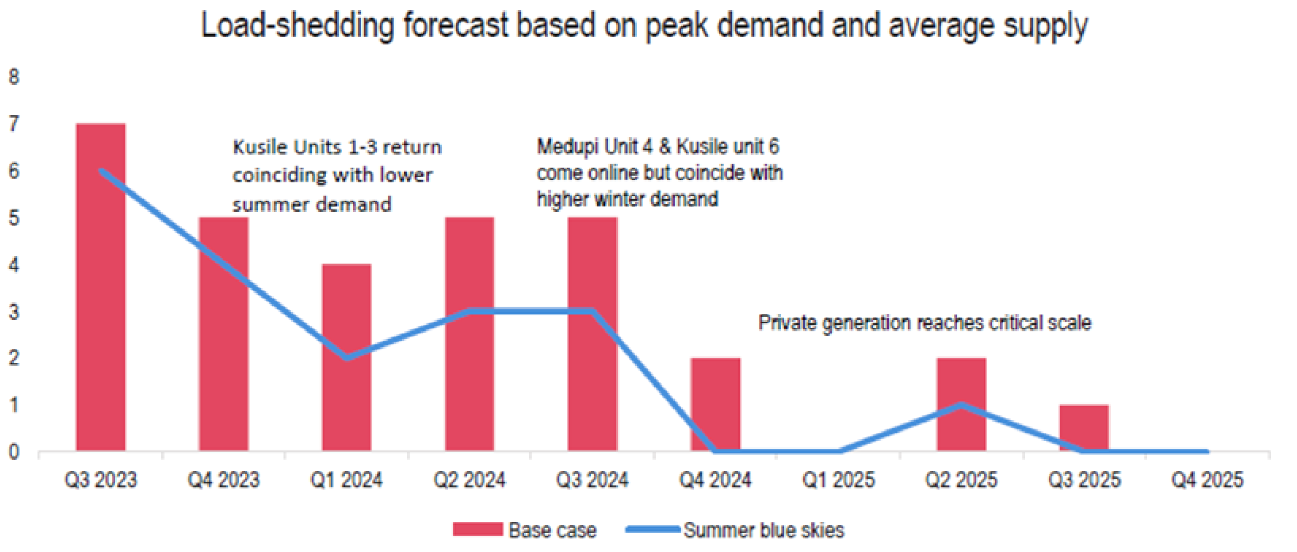
Unplanned maintenance decreased almost 4 percentage points but did remain elevated at above 30%.

2. **Declining peak demand**: Historically, peak demand averages 34-36 GW in winter. In the first three weeks of June, peak demand in 2023 was **32.6 GW** while 2022 peak demand was 34.7 GW (2021, 34.3 GW) over the same period. This decline in demand for Eskom's electricity is due to the increase of private energy supply entering the grid.

3. Cape gale-force **winds boost wind generation**. The extreme weather events (gale-force winds and heavy rainfall) in Cape Town resulted in higher wind load factors and consequently higher wind-generated power. In June 2021 and 2022, wind generation averaged 1.1 GW. According to Investec, there was a 55% increase in generation to **1.7 GW** in June 2023. South Africa has installed wind capacity of 3.4 GW.

Investec's load-shedding outlook is impacted as current data shows lower peak demand, higher wind generation and higher EAF, resulting in a decrease in demand by approximately 1 GW and an increase in supply by approximately 2 GW. This unexpected development indicates a significant improvement in the load shedding situation, equivalent to an estimated **3 stages of load shedding**. However, the sustainability of these improvements remains uncertain. We are aware that load shedding in SA can escalate very quickly so take the above with a pinch of salt! The highest snowfall in Johannesburg since 2012 has also spiked electricity demand in the short-term considerably.

Research from Investec Securities (shown in the chart below) highlights that we are likely at the point of maximum pain with regards to loadshedding. The estimated average stage of load shedding for each period is shown on the y-axis.



Source: Investec Securities estimates

Eskom recently said, "while less likely, given the current performance of the Eskom generation fleet, stage 8 load shedding is still a possibility this winter". "During the warmer periods, Stage 3 to 4 load shedding is to be expected, while colder periods may increase this. Should a cold spell coincide with multiple generator breakdowns, high stages of load shedding may be necessary for a short duration."

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WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

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RCI BCI WORLDWIDE FLEXIBLE FUND

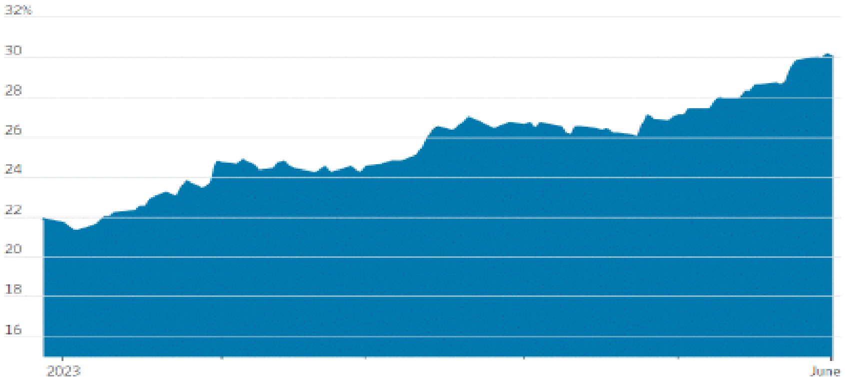
Closing the first half of the year we have seen market performance far better than analysts expected in December 2022. A US recession was expected to have materialised by now but has thus far been avoided. Many market participants believe it is still on the horizon and thus we should be cautious going into the second half of the year. The S&P 500 has crept up almost constantly this year to close 16% higher in USD at the end of June. However, when you dig deeper into the numbers there is a real tale of two markets. The performance at an index level has been driven by only a few sectors, whilst the others have been very poor.

The best performing sector in the S&P 500 was the semiconductor sector, driven by the release of Chat GPT and other Large Language Models (LLMs) that showcased the power of Generative AI. The Mega cap tech shares were also big winners after a really tough 2022. The cruise line companies and airlines have also been top performers as COVID-19 fears subsided and Asian tourists return to the West.

Most of the market performance this year can be attributed to a handful of Mega Cap tech shares. The combined market cap of Alphabet, Amazon, Apple, Meta, Microsoft, Netflix, Nvidia and Tesla was 22% of the S&P 500 market weighted index at the beginning of the year. This group of 8 shares ended up making over 30% of the index at mid-year. Not only does this indicate these positions have done very well this year but also that the rest of the market has lagged.

Growing Influence

Market value of eight major stocks as a share of the S&P 500's total value



Note: Stocks are Alphabet, Amazon, Apple, Meta, Microsoft, Netflix, Nvidia and Tesla.
Source: FactSet, Dow Jones Market Data

	Name	Industry	Market Cap Bn	2022 Return	2023 Year to Date Return
1	NVIDIA CORP	Semiconductors	1048	-50%	189%
2	META PLATFORMS INC-CLASS A	Interactive Media & Services	733	-64%	138%
3	CARNIVAL CORP	Hotels, Resorts & Cruise Lines	24	-60%	134%
4	TESLA INC	Automobile Manufacturers	887	-65%	113%
5	ROYAL CARIBBEAN CRUISES LTD	Hotels, Resorts & Cruise Lines	26	-36%	110%
6	PALO ALTO NETWORKS INC	Systems Software	78	-25%	83%
7	NORWEGIAN CRUISE LINE HOLI	Hotels, Resorts & Cruise Lines	9	-41%	78%
8	ADVANCED MICRO DEVICES	Semiconductors	187	-55%	76%
9	PULTEGROUP INC	Homebuilding	17	-20%	71%
10	GENERAL ELECTRIC CO	Industrial Conglomerates	118	-11%	68%
11	ALIGN TECHNOLOGY INC	Health Care Supplies	26	-68%	68%
12	WEST PHARMACEUTICAL SERVI	Life Sciences Tools & Services	28	-50%	63%
13	SALESFORCE INC	Application Software	206	-48%	59%
14	BROADCOM INC	Semiconductors	362	-16%	55%
15	LAM RESEARCH CORP	Semiconductor Materials & Equip	87	-42%	53%
16	ON SEMICONDUCTOR	Semiconductors	42	-8%	52%
17	AMAZON.COM INC	Broadline Retail	1336	-50%	55%
18	MONOLITHIC POWER SYSTEMS	Semiconductors	26	-28%	53%
19	CHIPOTLE MEXICAN GRILL INC	Restaurants	59	-21%	54%
20	FORTINET INC	Systems Software	59	-32%	55%
21	APPLIED MATERIALS INC	Semiconductor Materials & Equip	122	-38%	48%
22	NETFLIX INC	Movies & Entertainment	196	-51%	49%
23	GENERAC HOLDINGS INC	Electrical Components & Equipm	9	-71%	48%
24	APPLE INC	Technology Hardware, Storage &	3027	-27%	49%
25	COPART INC	Diversified Support Services	43	-20%	50%
26	CADENCE DESIGN SYS INC	Application Software	64	-14%	46%
27	UNITED AIRLINES HOLDINGS IN	Passenger Airlines	18	-14%	46%
28	DELTA AIR LINES INC	Passenger Airlines	31	-16%	45%
29	SERVICENOW INC	Systems Software	115	-40%	45%
30	FEDEX CORP	Air Freight & Logistics	62	-33%	43%
	S&P500	INDEX		-19%	16%

WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

The Family Office

BY THE RCI INVESTMENT TEAM (CONT.)

The table above ranks the 30 best performing shares in the S&P 500 so far this year. Notice how the top performing shares this year were the extreme underperformers last year.

If we analyse the difference between the regular market cap weighted S&P 500 and the equally weighted S&P 500 we can see how poorly the rest of the market has done. If you were invested in a portfolio with none of the above shares you would have likely made no money this year.

In fact, the difference between these two indices is the greatest it's been in over 30 years. The real question now is what will happen from here? Will the rest of the market play catch up with these few winners? Or will these winners pull back once the AI euphoria settles and economic data worsens (possibly?). We believe this outperformance has become too extreme and have trimmed several of these mega cap positions in our portfolio, however, we are not cutting them entirely as they are still high-quality compounders that make the up the foundation of our high-quality portfolio.

RCI portfolio valuation

Updating the valuation premium of our portfolio relative to the MSCI World we are still looking relatively cheap. At present you would pay an 80% premium for our portfolio versus the market, but this is still lower than the average 100% we have seen in the past. Our portfolio trades at a premium because the average company quality metrics are higher than the market. The portfolio has higher ROCE, ROE and better margins than the market as well as strong balance sheet metrics. If you take a look at our top 10 positions below, we also show how strong the earnings per share growth is expected to be for the next two years.

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	28.66	2.29	15%	13%	12%
ALPHABET INC-CL C	18.90	1.02	27%	18%	19%
AMADEUS IT GROUP SA	25.13	1.39	46%	23%	13%
AMAZON.COM INC	42.18	1.00	-1068%	35%	49%
ASML	32.17	1.34	33%	20%	28%
BOSTON SCIENTIFIC	25.65	1.98	14%	13%	13%
INTUIT INC	28.39	2.05	20%	13%	15%
MICROSOFT CORP	30.61	2.08	4%	14%	15%
MONCLER SPA	25.42	2.04	6%	13%	12%
VISA	25.11	1.79	15%	14%	15%
Median PE	**27.02**				
PEG Ratio (Forward PE/'23-25 Growth in EPS)		**1.89**			
Annual EPS Growth Rate (Median)			**15%**	**14%**	**15%**
S&P500 - FWD PE and EPS Growth	**19.38**		**-2%**	**10%**	**9%**

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WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

BY THE RCI INVESTMENT TEAM (CONT.)

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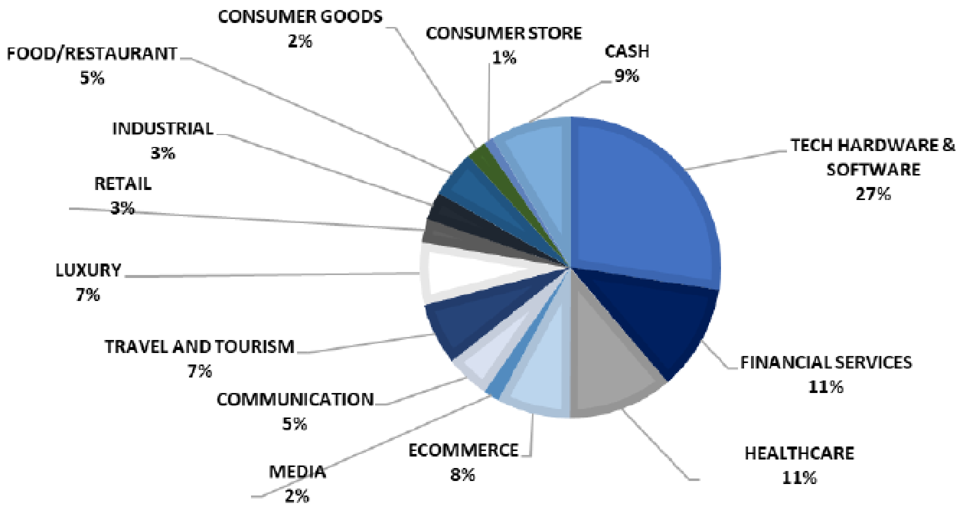
Our top 10 positions are expected to grow earnings per share in the mid-teens for the next three years which is far higher than the S&P 500, where analysts expect a slight decline for 2023. Our companies are trading at higher valuations, 27x PE multiples, versus the S&P 500's 18x, but they deserve to 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.

Main changes this month

- Purchased **Ulta Beauty** – A US cosmetics store with online and physical retail presence. They have been struggling with looting and theft of late that has caused them to invest in better instore security measures. The market reacted negatively to these expenses but we took it as an opportunity to start a long-term position in a high ROCE business that fits our investment philosophy that should return to normal once these expenses are in the past.
- Purchased **Estee Lauder** – Estee Lauder is also in the cosmetics industry but on the product side of the market. They rely on China for about 25% of their revenue which has been slow to improve following the relaxing of COVID-19 lockdowns. The share is also a high ROCE compounder with well established brands that are attractive to a growing global middle class.

Sector weightings



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%	0.0%							31.2%

The fund was flat in ZAR terms (+4.6% in USD) for the month compared to the MSCI Developed Markets Index which was down 0.7% in ZAR (+3.8% in USD) for the month. The Rand strengthened 4.5% for the month detracting from the performance in ZAR.

For the 2023 year thus far, the fund is up 31% in Rands or 17.9% in USD terms, with the rand having weakened 10% against the dollar. The MSCI Developed Markets Index is up 25% in Rands or 12.3% in USD for the period.

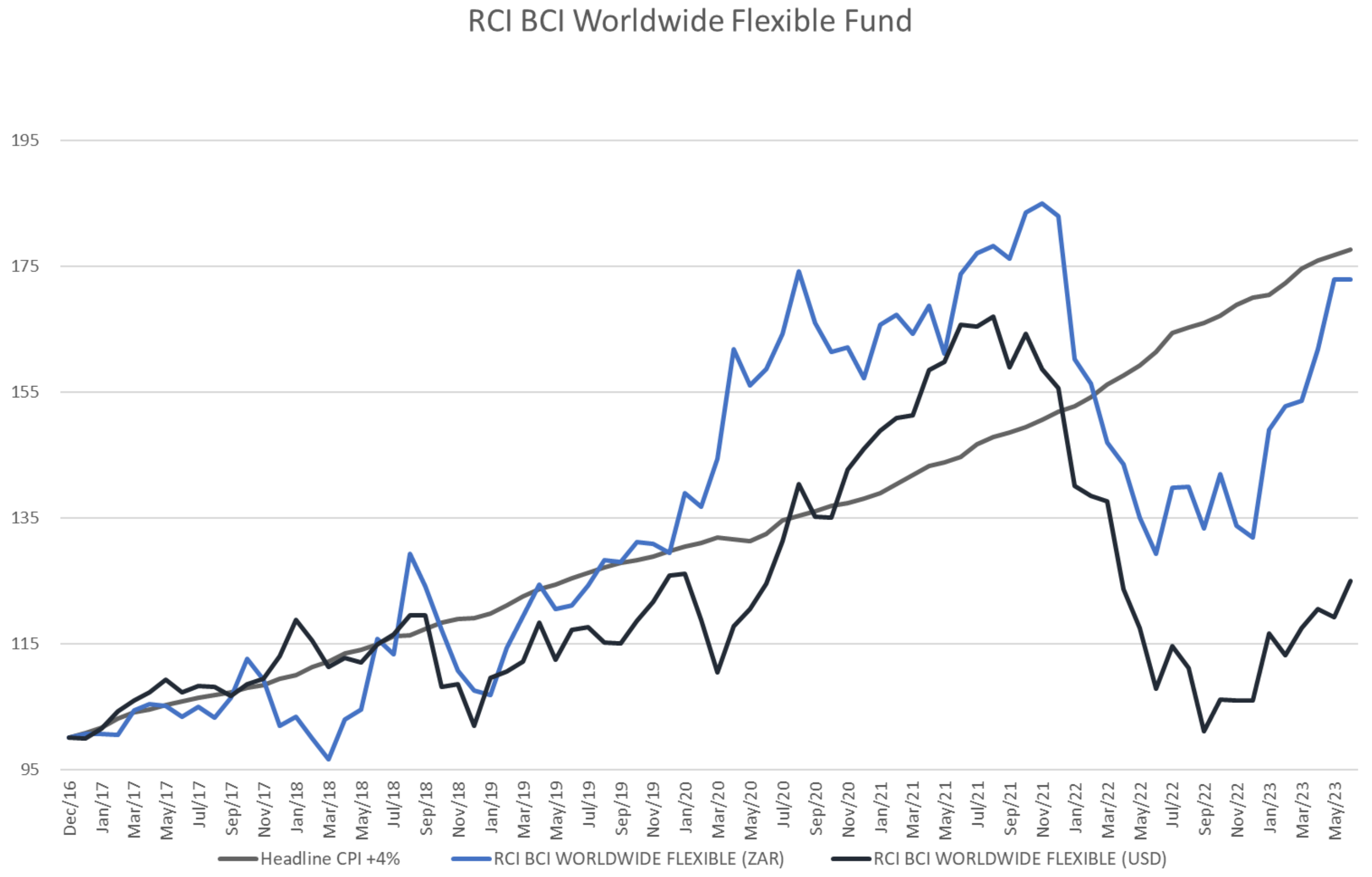
The RCI BCI Worldwide Flexible Fund investment team:

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

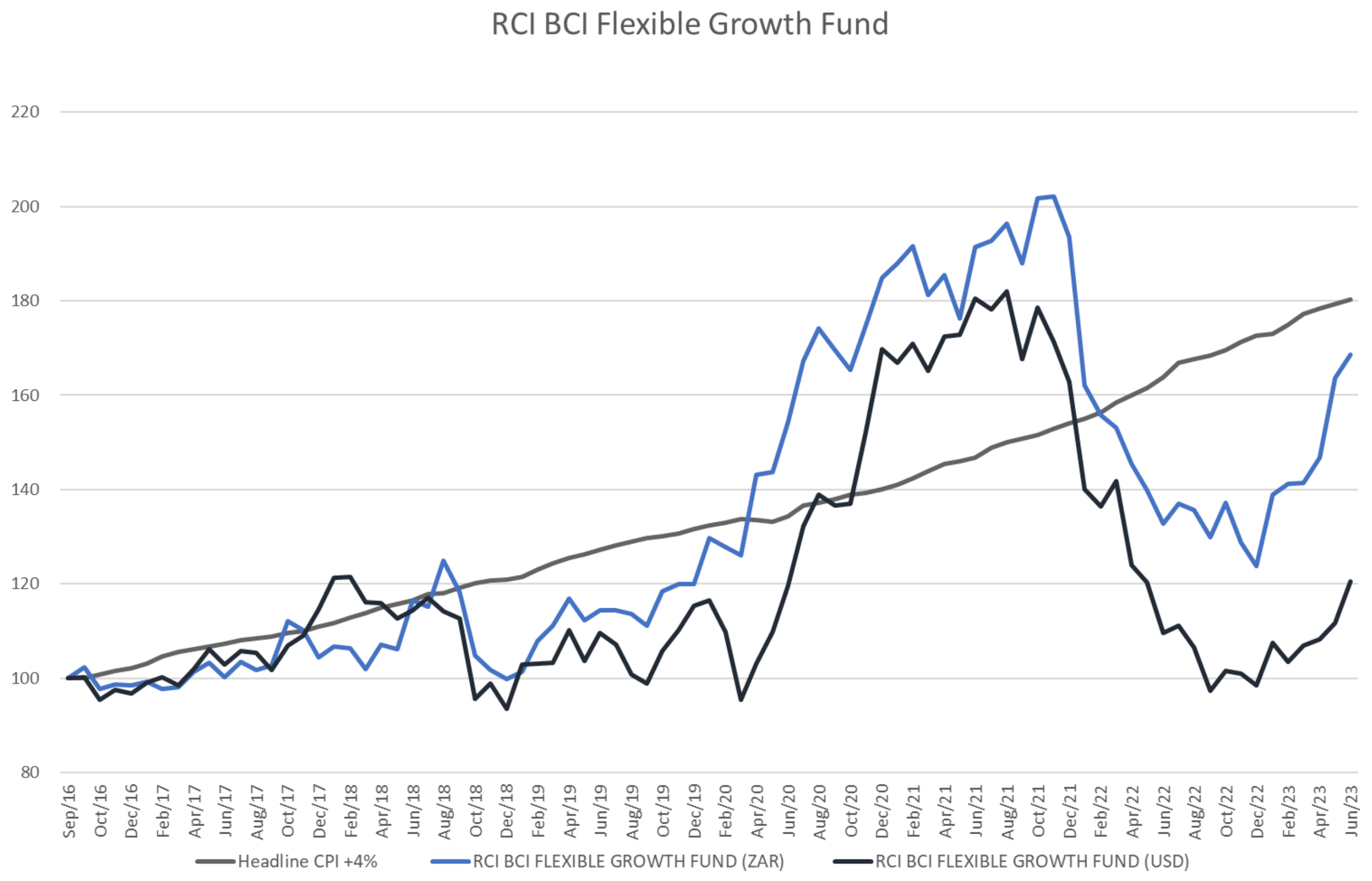
RCI OFFSHORE UNIT TRUSTS

"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 June at 172.97c, up 0.05%% for the month and up 33.84% for the last 12 months.



RCI BCI Flexible Growth Fund closed June at 168.59c, up 3.02% for the month and up 26.97% for the last 12 months.



WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

ANCHOR BCI SA EQUITY FUND

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BY THE ANCHOR BCI SA EQUITY TEAM

Global equities rallied strongly into mid-year (MSCI World +6.1% MoM/+15.4% YTD), with the threat of a US government debt default safely avoided and the US Federal Reserve finally pausing rate hikes (as expected) after ten consecutive rate increases. Once again, mega-cap US-listed tech stocks were a key driver of equity market performance, as they continue to benefit from the hype surrounding artificial intelligence (AI). The NYSE FANG Index, +8% MoM, ended 1H23 74% higher, giving a sense of how much of the strong 1H23 index-level performance was driven by this narrow group of shares. Looking to prospects for the 2nd half of the year, questioning the sustainability of the AI-driven rally and a still hawkish tone from the Fed as inflation remains more persistent than equity bulls had hoped, suggest a more volatile period may lie ahead. Emerging Markets managed a positive return in June (MSCI EM +3.8% MoM). However, it was another month of relative underperformance vs. Developed Markets, with China's disappointing economic recovery since ending its COVID lockdowns a major drag behind the rather underwhelming +5.2% 1H23 performance from EMs. Among the major EMs, Brazil was the stand-out over the first half of 2023 (+18.7% in USD), while currency weakness was a major cause of SA's position among the EM laggards (-6.1% in USD).

After 4 months of losses for South African equities, a rally in June (FTSE/JSE Capped SWIX +3.8% MoM) was enough to drag performance into the green for the 1st half (+3.6% YTD). Shares geared to the domestic economy staged a strong rebound after several months of pressure, possibly as loadshedding proving (so far!) to have been less severe than feared, giving investors confidence to begin calling a bottom in these stocks – banks (+13% MoM), general retailers (+13% MoM), insurers (+11% MoM) and discretionary retailers (+17% MoM) all delivered double digit returns in June, while the rand, rallying 4.7% vs. the US Dollar, recovered some of its losses from preceding months. Despite currency strength and a lacklustre month for Chinese equities, Naspers (+14% MoM) and Prosus (+6% MoM) reacted positively to the announcement of plans to remove the crossholding (a situation where each holds a shareholding in the other) – a level of complexity of which investors have been highly critical. Miners were the other side of the coin (-9% MoM), with precious metal miners particularly under pressure – PGM miners (-21% MoM), gold miners (-15% MoM).

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

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

Main changes in the month

During June, following **FirstRand's** relative outperformance, we switched a portion of the fund's stake to **Absa**, where we see better potential upside. Following a sharp rally in **MTN**, on news that Nigeria's new leadership was progressing more rapidly with reforms (removal of the costly fuel subsidy and allowing the currency to float more freely), we opted to switch the stake to **Vodacom**. While these reforms are undoubtedly positive in the long-term, we are concerned that the impact of currency weakness and pressure on the consumer resulting from these reforms may be under-appreciated in the short-term. We also increased exposure to **British American Tobacco**, after recent weakness presented a very attractive opportunity in our opinion.

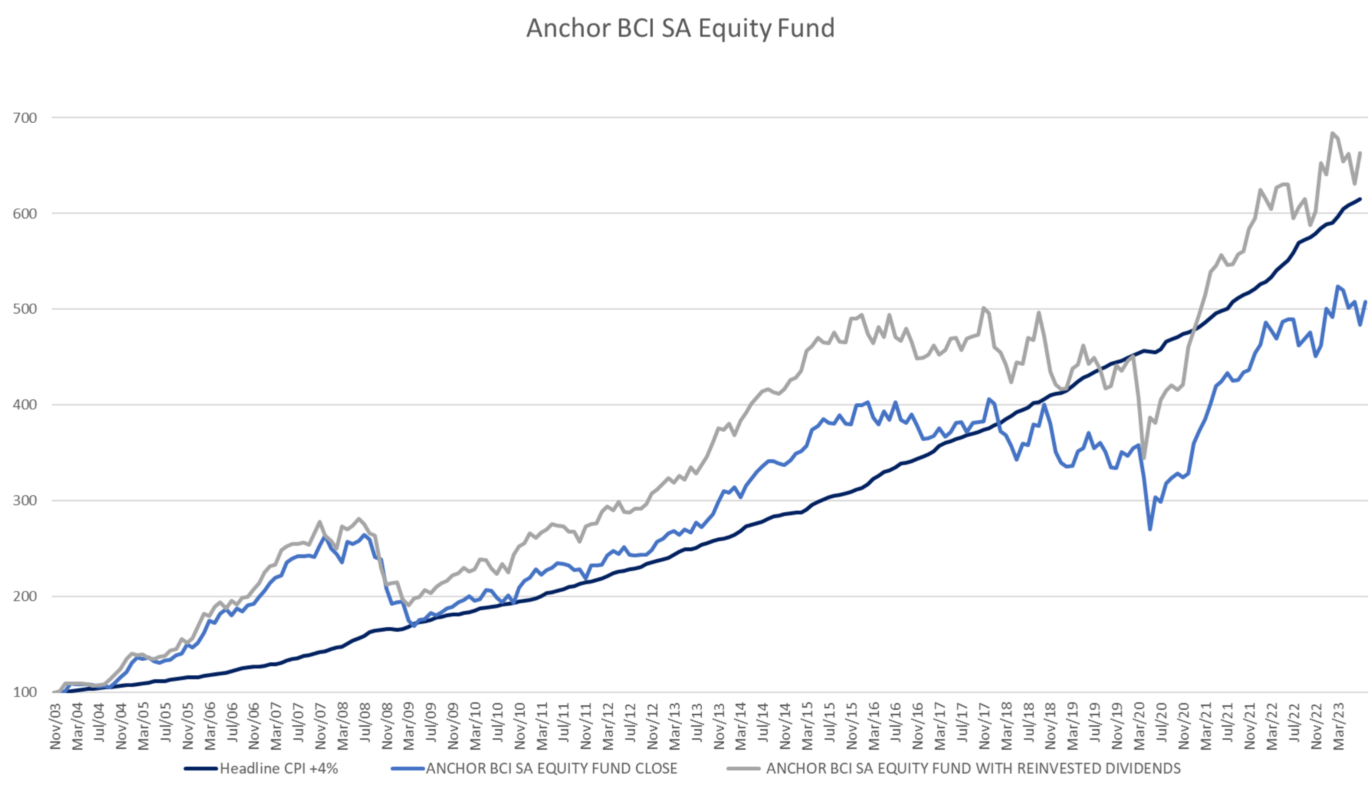
Performance

The Anchor BCI SA Equity Fund delivered a pleasing performance in June, increasing 5.1% MoM, ahead of the SA market for the month. Having lagged the benchmark in the preceding two months, mainly due to the fund's underweight position in gold as we noted in previous commentaries. The outperformance this month was sufficient to leave the fund's +3.9% return at the mid-point of 2023 slightly ahead of the FTSE/JSE Capped SWIX's +3.6%. It was pleasing to see the fund's performance supported by the fund's smaller shares (Afrimat and Curro in particular), reminding us that identifying strong company-specific opportunities will eventually be rewarded, despite patience being required.

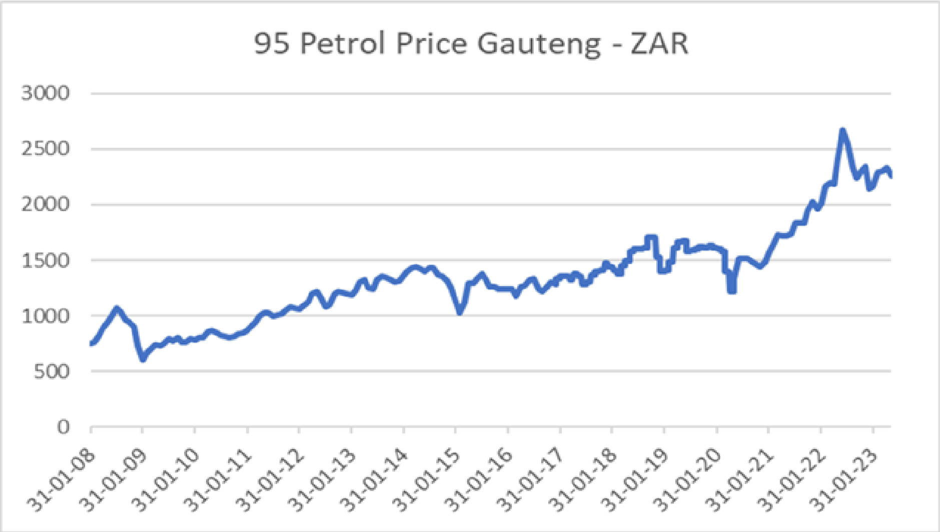
WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

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

The Anchor BCI SA Equity Fund closed June at 113.96c, up 5.01% for the month and up 9.9% 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.



Gauteng Petrol Price in ZAR: On the local front we thought this was a very interesting graph showing the Gauteng petrol price over the last 15 years in rands. The price has risen on average 7.5% each year over the period, mostly because of the weakening rand over time. It did, however, hover around R15 a litre for several years before rapidly rising 50% to around R21 a litre.

SA's leading automotive group, Motus, illustrated in their recent results release that the total cost of vehicle ownership (including fuel) has increased 48% over the past 5 years. The cost per month has gone from R7,851 in 2019, to R11,627 in May 2023, an increase of R3,776 per month.

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THE RISE OF METALLIC NATIONALISM

BY KEIRAN WITTHUHN

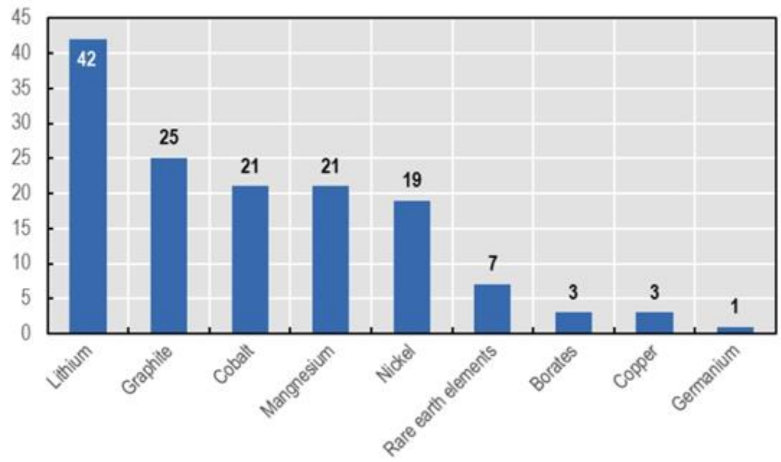
The Family Office

In the latest pattern of tit-for-tat measures between China and the United States, China has imposed export restrictions on gallium and germanium, minerals vital for the production of semiconductors, missile systems, and solar cells, ahead of economic talks with the US. The move is seen as an assertion of power and follows a pattern of export controls between the two countries aimed at slowing each other's high-technology industries. Gallium and germanium, both critical minerals according to the US Geological Survey, are primarily produced in China and play significant roles in semiconductor production. The restrictions are expected to have an immediate impact on the semiconductor industry, particularly high-performance chips. This move underscores China's ability to target specific industries and companies for geopolitical reasons and may provide Beijing with leverage in upcoming discussions with the US.

In relation to the above, I recently came across a trade policy paper published by the OECD titled, "Raw materials critical for the green transition". Please find the full paper here. The paper shed light on crucial facets of the ongoing green transition while emphasizing the concerning rise of metallic nationalism. As nations increasingly rely on critical minerals derived from concentrated supply chains, they may wield these resources as geopolitical leverage, heightening tensions in the global arena. The paper emphasizes the increasing demand for materials like cobalt, natural graphite, and lithium in the clean energy sector, projected to grow by 20 to 40 times in the next twenty years. Overall mineral demand is expected to grow by 4-6 times by 2030.

Figure 1.1. Projected global demand growth for certain raw materials by 2040

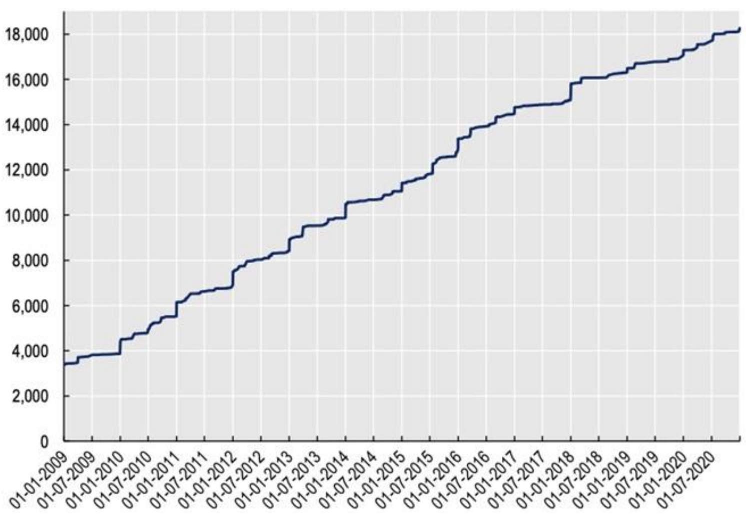
Projected increase factor (1= current demand)



A concerning trend is the rise in export restrictions on critical metals, which creates a negative feedback loop. As countries recognize the importance of these minerals for the future, they become less willing to sell them to other countries. The number of export restrictions has increased from 4,000 in 2009 to 18,000 today, representing this "metallic nationalism." Notably, China accounted for 20% of the export restrictions introduced between 2009 and 2020, followed by India (15%), Russia (7%), and Saudi Arabia (3%).

Figure 1.3. Count of export restrictions on industrial raw materials

Count of export restrictions in place by month



Robert Cowen Investments
Growing families' wealth since 1982

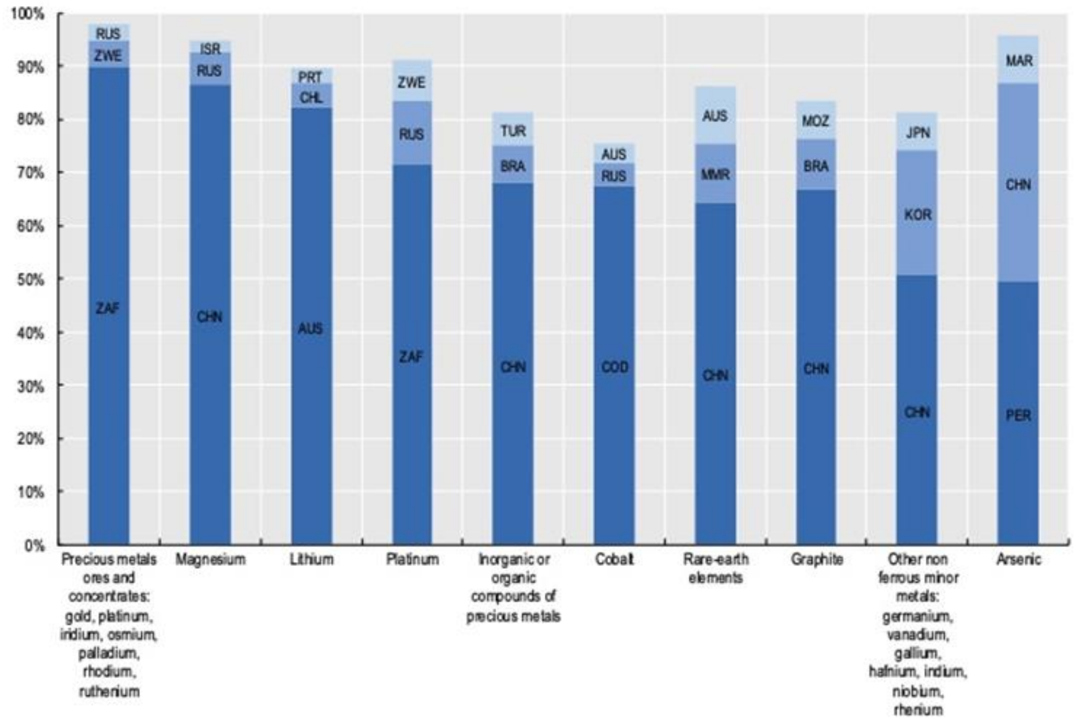
BY KEIRAN WITTHUHN (CONT.)

Three metals, namely aluminium, copper, and iron ore, are central to various green technologies such as lithium-ion batteries, fuel cells, wind energy, electric vehicles, and solar panels. Consequently, the demand for these metals will significantly increase during the green transition.

The concentration of critical raw material production in a few countries poses a potential supply problem and makes these metals susceptible to becoming geopolitical pawns. Platinum, magnesium, and lithium have the least diversified origination countries, while gold, silver, nickel, and copper come from a wider range of countries. Concentrated supply creates system fragility, as exemplified by the increasingly concentrated production of tin across countries.

Figure 3.5. Top 3 producers of the top 10 most production-concentrated critical raw materials

Shares in global production (%)



Four metals, namely iron and steel, gold, copper, and aluminium, account for 84% of the global value traded in critical raw materials. The OECD highlights the economic impact of export restrictions, increased production concentration, and growing global demand for these materials. The graph above shows that China is among the top 3 producers of six out of ten most production-concentrated critical raw materials. While green technology metals show slower production growth compared to projected demand, production of lead, graphite, zinc, and tin has actually declined in the past decade. OECD countries heavily rely on non-OECD countries, particularly China, Russia, Brazil, South Africa, and India, for importing critical raw materials, especially in the iron and steel, copper, and aluminium sectors. This heavy reliance increases the risk of state intervention, economic coercion, and geopolitical rivalries, making the international trade of critical raw materials susceptible to instability caused by export restrictions.

WHAT GLOBAL EXECUTIVES ARE SAYING ABOUT…

ARTIFICIAL INTELLIGENCE

Amazon Web Services (AWS) CEO, Adam Selipsky on the AI journey – "You ask yourself the question—where are the different runners three steps into a 10K race? Does it really matter? The point is, you're three steps in, and it's a 10K race."

A new term has emerged called "AI washing". "AI washing is a marketing effort wherein vendors claim their offerings involve artificial intelligence technology when they really don't or the connection to AI is minimal".

GLOBAL VEHICLE MARKET

Ford President, CEO and Director James Farley on China becoming a key player in the EV industry – "In the first quarter of this year, no one noticed, but we noticed that something monumental happened in our industry where China became the number 1 exporter of vehicles globally. It had always been the Germans and the Japanese. They exported more than 1 million units out from China. Increasingly to Europe, 50%, 60% of the Chinese market is going to be EV digital products. They have a different digital ecosystem, as you know, so that will require some transition for them. But companies like SAIC, Geely, BYD, these are going to be global players now."

CHATGPT

SoftBank Finance Director on how companies should embrace changes in technology – "In the year 2000, when I joined SoftBank Group from my previous job in a big bank, e-mail addresses were not displayed on business cards. It was very surprising to me that the banks prohibited employees from having their own e-mail addresses… And now that we see a variety of generative AI services, including Chat GPT, my thinking is that we should try to use that technology [rather than fight the trend]. Why don't we use ChatGPT so that we will be able to tell what's good and what's bad about it? And that's something that we should share amongst our employees, amongst our people, so that we want to be the first mover to use such technology."

SOUTH AFRICA

Treve Hendry, CEO of steel products group, Argent Industrial gave a scathing attack on the ANC in Argent's 2023 official results release saying, "Domestically, the consequences of the perfect fun show put on by the current elected party has made an absolute mess of the SA markets and is the inspiration to place one's operations and production elsewhere in the world".

P.S. think about what the fun in "fun show" actually means.

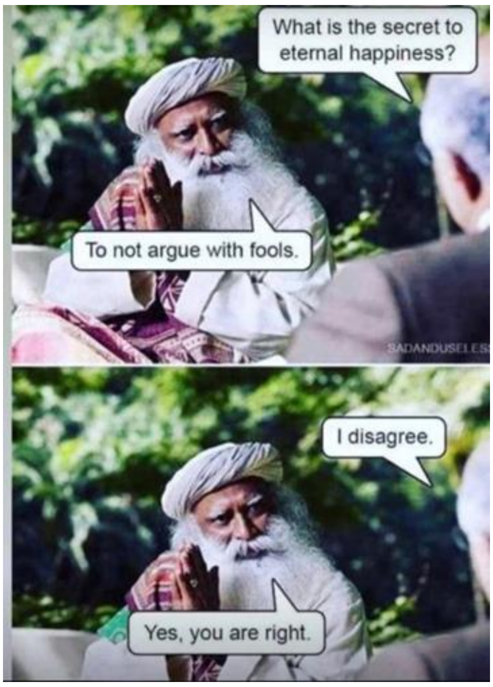
MEMES FOR THE MONTH

Nvidia has been the top performing share on the S&P 500 in 2023. The hype around AI has led to its share price increasing 196% year to date.

MEMES FOR THE MONTH

Netflix has recently cracked down on password sharing in the US and more than 100 other countries. In SA this will likely soon become a reality as well and you will not be able to share an account with another user on the cheapest packages. For those who remember Blockbuster from the days of renting videos from a video store, they had this to say on Twitter.

The new Apple Vision Pro mixed reality headset immerses the user in a virtual environment at a cool price tag of $3,500. The South African experience may be quite unique.



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Di, Mike & The RCI Team

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