ROBERT COWEN INVESTMENTS

DECEMBER 2023 NEWSLETTER

21 December 2023

The Family Office

HIGHLIGHTS OF THIS NEWSLETTER ARE:

- Anchor's local stock picks for 2024
- Anchor's global stock picks for 2024
- The year of the Magnificent Seven
- Update on what we have been doing in the offshore funds
- Update on what we have been doing in the local fund
- The % of US households owning stocks has increased from 32% in 1989 to 58% today

---

"People who think about the world in unique ways you like also think about the world in unique ways that you won't like"

Great quote from latest Morgan Housel book. It's part of the package deal we get with maverick type characters. The things we love about them, are also part of the things we dislike about them. There is almost no way around this.

Important notice for clients with Nedbank Corporate Saver bank account at RCI

Very important notice for all clients who hold a Nedbank Corporate Saver bank account at RCI. The branch code for all Nedbank Corporate Saver accounts will change with immediate effect **from 720026 to 198765** (universal code) for all deposits and debit orders. Should the universal branch code not be used going forward, these transactions will be unsuccessful.

Please note that we will be **closed for business** from Friday, the 22nd of December 2023 at 13:00 and will reopen again on the 2nd of January 2024, after the public holiday on the 1st of January 2024. We would like to wish all of you a very merry festive season with your loved ones and a happy new year. Thank you for entrusting us with your investments through both the good times and the bad! 2023 has been a much better year for us and whilst we cannot predict the returns on your investments in any given year, we will always have your best interests at heart and are just a phone call away.

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 info@rcinv.co.za or 011 591 0585.

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.

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

Thank you for being our clients.

Di, Mike, Andrew & The RCI Team

Robert Cowen Investments
Growing families' wealth since 1982

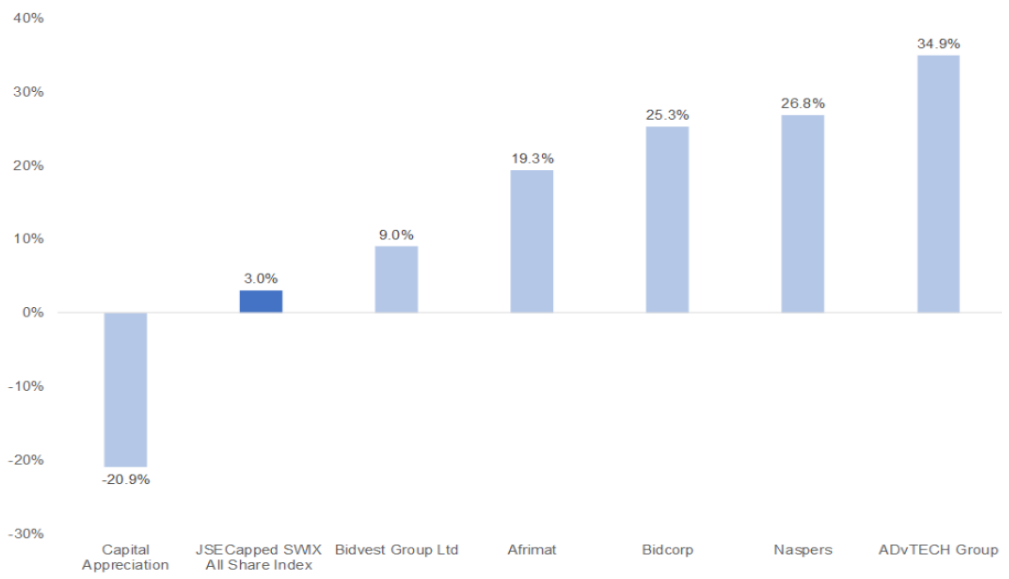
ANCHOR'S LOCAL STOCK PICKS FOR 2024

BY THE ANCHOR INVESTMENT TEAM

The below is a summary of the full article which can be found at this link.

Despite initially attractive valuations, 2023 has been challenging for South African equity investors. The AI-driven euphoria that helped to drive much of the offshore returns did not materialize in our local market. Factors like persistently high interest rates, commodity weakness, ongoing loadshedding, and a weak consumer kept investors on the defensive. Successful performance was more a case of avoiding the landmines – businesses that were exposed as particularly venerable included Transaction Capital, Pick n Pay, and Sibanye Stillwater. However, our recommended domestic equity picks for 2023 outperformed the broader market, delivering a credible inflation-beating return of 16%, with Capital Appreciation being the exception due to a lack of interest in smaller capitalization shares and operational struggles in SA's challenging macroeconomic environment. The performance of Anchor's 2023 stock picks is shown below.

Figure 1: Anchor's 2023 domestic stock picks – total return (rand)



Source: Anchor, Bloomberg

As we turn our attention towards 2024, there is undoubtedly a temptation to sift among the rubble of 2023 (some candidates mentioned above) on the basis that these shares are likely to be the most geared to a return to a more favourable backdrop (receding incidence of loadshedding, declining interest rates, private participation in areas of failing public infrastructure [most notably Transnet]). While we have sympathy for this view, we are concerned that many of the companies in this motley camp do not have the benefit of time on their side should, as so often has happened in the past, these favourable catalysts prove slower to materialise than hoped, not to mention the need to navigate SA's national election in the interim.

Thus, while we will remain vigilant for conditions turning more supportive as 2024 progresses, our stock selections (in alphabetical order) reflect continued caution and a bias towards our long-term preference for quality compounders with strong management teams and a company-specific growth thesis that is relatively insensitive to how SA's macroeconomic prospects unfold. While it may seem a bit unoriginal, as the high proportion of 2019 World Cup veterans that featured in SA's victorious 2023 campaign showed – if it isn't broken, don't try to fix it. Thus, we too, have a couple of 2023 veterans that we are happy to stick with in the year ahead.

Afrimat: Gratification delayed, not lost

In 2023, our investment in Afrimat, while satisfactory on a relative basis, fell short of expectation in absolute terms due to ongoing Transnet issues affecting iron ore exports and delays in bringing new production online at its Nkomati anthracite operations. The investment thesis remains unchanged, with Nkomati now meeting initial production targets. We are impressed by Afrimat's capital allocation discipline, well timed and priced acquisitions and management's ability to revitalize undercapitalized operations stands out as a competitive advantage. The recent acquisition of Lafarge aligns with this previously proven competence. Sensitivity to commodity prices and Transnet frailty poses risks, but the growth outlook and strong balance sheet provide confidence.

The consensus projections for earnings show Afrimat's robust growth trajectory, though its valuation in the South African mid-cap context is not cheap, it should unwind quickly through earnings growth that is far higher than industry peers, supported by a solid balance sheet ensuring a secure dividend underpin.

Curro: On the right side of operating leverage

Curro, once a premium-rated growth prospect persistently fell short of expectation in the past. Reasons include an overly aggressive expansion strategy, exacerbated by SA's economic headwinds and the pandemic. This rompted a shareholder exodus. A new management team has since stabilized the company, learning from past errors and aligning investment with demand for quality private high schools. Robust growth is anticipated, highlighted by a significant increase in Grade 8 enrolments. A shift from past aggressive expansion to focus on optimizing existing capacity and digital improvements is a welcome shift. Recent results show the long-awaited earnings momentum is starting to take place, and with a more measured approach, Curro aims for strong free cash flow generation and a steady compounder status, projecting 25% annual earnings growth over the next two years. Despite its recent rerating, its 12-month forward P/E (current share price divided by next year's earnings – the most common measure to value a company) stands at 14x, reflecting restored confidence in its ability to execute.

Dis-Chem Pharmacies Ltd: Revising The Growth Story

Despite a stagnant share price performance in the past five years, Dis-Chem generates robust returns on invested capital in the mid-30% range. Dis-Chem, though smaller than its main competitor Clicks, has significant growth potential, targeting strong double-digit annual store expansion. While current operating margins at 5% lag behind Clicks, Dis-Chem aims to achieve positive operating leverage by driving revenue growth ahead of payroll expenses. The focus on reducing average store headcount while maintaining high customer service is a strategy to enhance profitability. Targeting a 10% improvement in inventory days, Dis-Chem seeks to narrow the gap with Clicks, enhancing its competitiveness. With potential for strong double-digit earnings growth and a forward P/E of 22x, Dis-Chem is viewed favourably in terms of risk-reward ratio.

MAS Real Estate: A 100% upside at peer rating, but its growth is peerless

MAS Real Estate (MSP) operates as a retail mall owner in Central and Eastern Europe (CEE) and has several positive factors contributing to its potential growth. Key aspects include the advantageous regional focus, with 90% of rent derived from Romania and Bulgaria, which have low mall penetration, attractive GDP growth, and resilient retail sales growth. MSP's malls, averaging just five years in age, are much younger than competitors' malls. This is a strength due to lower maintenance costs, tax levels, and reduced risks associated with aging properties in the CEE region. The relatively smaller size and low-cost nature of MSP's malls are positive attributes compared to larger malls, which have struggled with rental growth amid the rise of online shopping, flexible working trends, urban decay (which accelerated after covid), and the increasing costs of maintaining large destination malls.

In comparison to its competitor NEPI Rockcastle (NRP), which also has significant exposure to the CEE region, MSP stands out with a track record of faster rental growth, a stronger balance sheet indicated by a lower loan-to-value ratio, and higher exposure to Romania and Bulgaria. Despite the cessation of dividends in FY23, reflecting a strategic move to retain capital for investment-grade status and further investment into its Romanian development, MSP is viewed as undervalued, trading at just 59% of book value. The market's pricing implies a franchise value yield of 12.3% into MSP's operating assets, which is far higher than the weighted 10-year government bond yield. The operating yield on real estate investment trusts can be thought of as a sort of proxy for the 10-year government bond yield and MSP's much higher yield suggests significant potential undervaluation. The strategic decision to repurchase EUR60 million of bond debt, secure mortgage financing, and the recommendation for a dividend reinvestment plan contribute to the positive outlook for MSP's balance sheet and liquidity.

The Family Office

Naspers/Prosus: Time for Tencent to enhance an already unfolding self-help story

Naspers and Prosus again form part of our local stock picks for 2024. With around 80% of the Group's NAV tied to Tencent, the recent underperformance of Tencent creates an attractive entry point. Tencent is down -39% in US dollars since end of 2020. Contributing factors include Tencent's high valuation at end-2020, a subsequent slowdown in growth, China's regulatory challenges, and a business model that is more domestically dependent than US peers such as Alphabet, Electronic Arts, Meta and Microsoft.

Despite recent challenges, Tencent retains a high return on invested capital of 22%, competitive advantages in social networks and video games, and a sizable investment portfolio worth over $110 billion. While growth expectations may not return to previous highs, the current valuation of a 16x forward P/E multiple appears attractive, even after considering Tencent's mature status and geopolitical risks. The investment portfolio adds another layer of value not fully recognized by the market.

Prosus, despite a lackluster investment record outside Tencent, has several factors in its favour that are likely to drive its share price performance. Ongoing share buybacks, funded by Tencent share sales, enhance NAV per share, leading to a narrowing discount to the sum of the investment holdings. The accelerated target for non-Tencent investments to achieve profitability by the second half of FY24 strengthens the investment thesis for Prosus beyond its Tencent discount. We expect 2024 to be a year in which investors continue to gain confidence in the non-Tencent part of the thesis being delivered. As for Tencent, as we point out, the risk-reward ratio tilts steadily more positively.

ANCHOR'S GLOBAL STOCK PICKS FOR 2024

The below is a summary of the full article which can be found at this link.

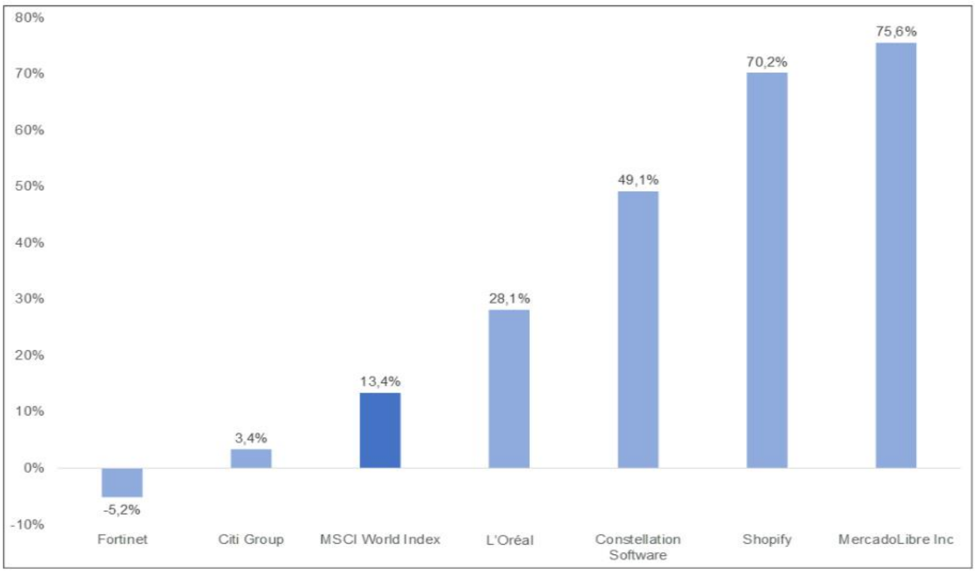
As 2023 draws to a close, the Anchor Investment Team once again shares a selection of individual global share ideas that we are particularly excited about. However, it is important to start by reflecting briefly on the year that was and how Anchor's global stock picks for 2023 turned out. At an overall market level 2023 has turned out a lot more favourably for investors than the cautious outlook most investment strategists predicted. A widely anticipated recession failed to materialise as the US consumer proved far more resilient than expected, thus supporting economic activity. The emergence of artificial intelligence (AI) was also an unanticipated theme that turned out to be a major driver of investment performance for a select group of large US technology companies, which have become widely referred to as the Magnificent Seven (Apple, Amazon, Alphabet, Nvidia, Meta, Microsoft and Tesla). The significant outperformance of this select group of market heavyweights has done much to paper over what was a far tougher year for returns from the balance of the market than may be appreciated. With this context in mind, despite unfortunately not having included any of the Magnificent Seven among our stock picks for 2023, an equal investment into each of them over the period would have returned 37% at the time of writing – a very pleasing outcome.

Turning our attention to 2024, while most forecasters predict the era of rising interest rates (and hence their depressive effect on asset valuations) is behind us, particularly after the strong rally in equity markets through November, predictions for market returns in 2024 are once again relatively uninspiring. Reasonably demanding valuations at a market level and the expectation that economic activity will slow in 2024 because of the lagging impact of past rate hikes (opinion remains divided on whether this slowdown will be severe enough to push major economies into recession) sums up much of the basis for this cautious view. With the majority having got 2023 wrong from an outlook perspective, it is a fresh reminder of the healthy dose of humility with which one must approach future predictions. As things stand though, it appears again that 2024 will be a year in which selecting the right stocks will be critical rather than hoping for a rising tide of the broader market.

BY THE ANCHOR INVESTMENT TEAM

With this in mind, what follows is a summary of the investment thesis for five shares (in alphabetical order) that we see as being particularly attractive at the moment. It is important to note that, while for this exercise, we will see how things turn out this time next year, these are shares we would expect to hold for many years. Thus, while Fortinet, for example, was disappointing in 2023, our excitement about it as a quality exposure to the secular growth potential that still exists in cybersecurity remains undiminished.

Figure 1: Anchor's 2023 global stock picks – US$ total return



Citigroup Inc.: The upside is worth waiting for

Citigroup (Citi) is a compelling "self-help" story with significant potential upside despite currently trading at a substantial discount to other market players. CEO Jane Fraser's strategic plan, outlined in March 2022, aims to simplify the business, focusing on five key areas. Despite disruptions since then, Citi appears on track for its restructuring goals by late 2024. The bank is divesting from global markets, streamlining its structure, and reducing workforce layers which will reduce its cost base. Strong Q3 2023 performance includes notable results in Services, Markets, Investment Banking, Personal Banking, and Wealth Management. Trading at a significant discount, Citi's tangible book value per share is around $86.90, with a current share price of $47. Despite concerns, the bank's ROTCE is expected to increase from 7% to 11-12% in the next two years, due to the optimization of operations. Citi's optimistic outlook is based on exceeding expectations, executing its plan, and maintaining guidance consistency, with a price target of $140 and a 196% upside.

Estee Lauder: Long-term quality to win over short-term challenges

Estée Lauder, a historically successful cosmetics business that has been in business for 77 years, has faced challenges recently, with its share price down 60% from its 2021 highs. Specializing in the prestige segment of the global beauty market, Estée Lauder achieved a solid 27% ROCE in the 11 years leading to 2022. However, a significant decline in earnings, largely due to China's continued weak travel retail market, has led to a 6-quarter slump in earnings and earnings guidance. The travel retail segment, constituting 27% of Estée Lauder's sales, suffered as the Chinese economy continues to stall after reopening from COVID-19 lockdowns. A significant destocking cycle, triggered by high inventories and domestic reseller practices, has resulted in earnings almost halving from its peak in 2021. Estée Lauder appears optically expensive due to its current depressed earnings, but a steady recovery could bring the forward P/E below 20x within three years. The recovery is anticipated with the eventual end of destocking cycle in China, offering a turnaround opportunity based on Estée Lauder's historical long-term resilience and the expected growth in China's beauty market.

Rentokil Initial: Market Leader in a fragmented industry

Rentokil Initial is a global leader in pest control and hygiene services and addresses the persistent societal challenge of pest management which is driven by accelerated urbanization. It holds a dominant position in the pest control sector globally and leads in hygiene across two-thirds of its markets.

The pest control industry, known for its resilience to economic downturns, is essential for commercial clients adhering to regulations and residential customers intolerant of pests. Rentokil's resilience to inflation is evident as it has successfully passed on increased fuel and wage costs to customers. Despite market dominance, the industry remains fragmented, which offers strategic acquisition opportunities. The acquisition of Terminix in 2022, a significant US pest control operator, increased Rentokil's exposure to North America to over 60%.

Rentokil's business model is characterized by low capital expenditure demands, yields high return on capital employed (ROCE) and robust free cash flow. The company's global diversification, strong cash generation, and recurring revenue through contracts position it as an attractive investment. With a forward P/E ratio of 17x (below 10-year average of 20-25x) and an expected 13% earnings per share growth over the next two years, Rentokil Initial presents an appealing investment opportunity, despite recent economic concerns for 2024. The company's defensive nature, improving synergies, and a 1.9% dividend yield contribute to a potentially excellent total return in the coming years.

Scottish Mortgage Investment Trust: An unloved play on future innovation

Scottish Mortgage Investment Trust (SMT) is the largest closed-end investment trust in the UK, managed by Baillie Gifford in Edinburgh. Originally established in 1909, SMT is not related to mortgages and is distinctively a growth investor. It enjoyed substantial success with a 16x return from 2010 to 2021 but faced challenges in 2022 as rising interest rates and bursting of a growth equity bubble led to a significant decline in its portfolio value. Company-specific issues, including the departure of star fund manager, James Anderson, and a board-level dispute on investment strategy, contributed to SMT's fall from a premium to a large discount to its net asset value (NAV).

SMT emphasizes the continued importance of innovation. The trust's investment philosophy focuses on identifying companies with the potential for outsized returns and holding them long-term. SMT's unique structure allows it to use debt, conduct share buybacks, and invest in private markets, providing exposure to exciting growth assets. While SMT's share price has recovered, its discount to NAV suggests it remains out of favour. The potential for an exciting portfolio and valuation response to declining interest rates in 2024 makes SMT a compelling opportunity for patient investors, possibly offering multi-bagger returns in the years ahead. The discount to NAV over time is shown below.

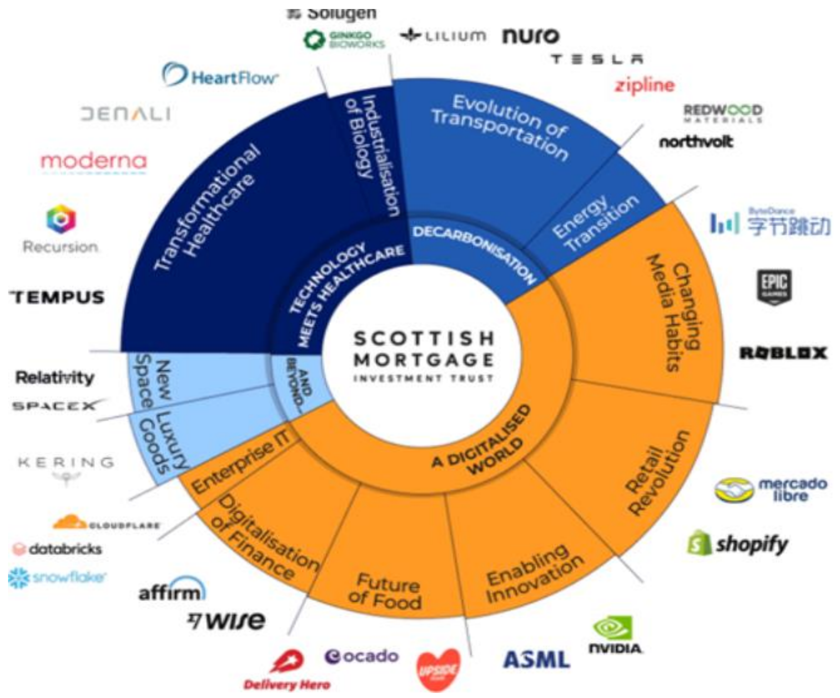
Figure 7: SMT discount/premium to NAV vs history

In recent years, it has introduced exposure to private markets (limited to 30% of the fund). It points out that what it sees as the reduced capital intensity of growth today means that companies are staying private for longer. This means that less of the upside from growth accrues to investors in the listed space. SMT holds c. 90 investments at any given time, although the top 30 comprise 75%-80% of total exposure. A flavour of the sort of investments that rank among its largest holdings is shown in the diagram below. Among them are the unlisted holdings in SpaceX, Northvolt and Bytedance, which investors would unlikely be able to gain exposure to themselves. Some of SMT's main holdings are shown below.

ANCHOR'S GLOBAL STOCK PICKS FOR 2024

BY THE ANCHOR INVESTMENT TEAM

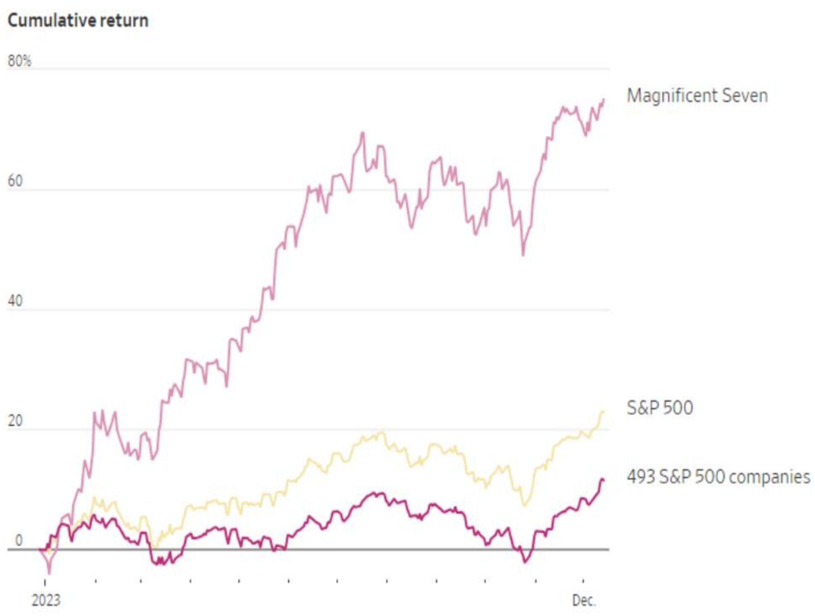
Investments held by SMT



Starbucks: A latte opportunity brewing

Starbucks has sold-off recently, driven by rising yields on the US 10-year government bond and concerns about new weight-loss drugs impacting the Food, Beverage, and Restaurant sectors. This led to Starbucks trading at a P/E ratio more than one standard deviation cheaper than its five-year history. Early evidence suggests that these weight-loss drugs will have minimal impact on coffee consumption, and the company's algorithm of double-digit revenue growth, 15% to 20% annual growth in earnings per share, high returns on invested capital, returning cash to shareholders through buybacks and dividends remains intact. Starbucks' CEO, Laxman Narasimhan, has made a strong start, and Starbucks' positioning as the 'third place' after home and the office provides a sense of familiarity and comfort, which reinforce its defensive characteristics even amid concerns of a potential US recession. Starbucks has room for expansion, especially in emerging markets, with a high return on invested capital and a balanced approach to reinvestment and shareholder returns and we are optimistic about its outlook in any economic environment.

This has been the year of the "Magnificent Seven." Apple, Microsoft, Google, Amazon, Nvidia, Tesla, and Meta have gained 75% in 2023 versus a gain of 12% for the remaining 493 companies in the S&P 500. Their combined weighting in the S&P 500 of nearly 30% is the largest share for any 7 companies on record with data going back to 1980. The Magnificent Seven now have a higher weighting in the MSCI World Index than all of the stocks in the UK, China, France and Japan combined. The Magnificent Seven stocks are trading at a forward P/E ratio of 33x versus 21x for the remaining 493 companies in the S&P 500. The bottom 3 sectors in 2022 (Communications, Consumer Discretionary, Tech) are the top 3 in 2023. The top 3 sectors in 2022 (Energy, Consumer Staples, Utilities) are the bottom 3 in 2023.



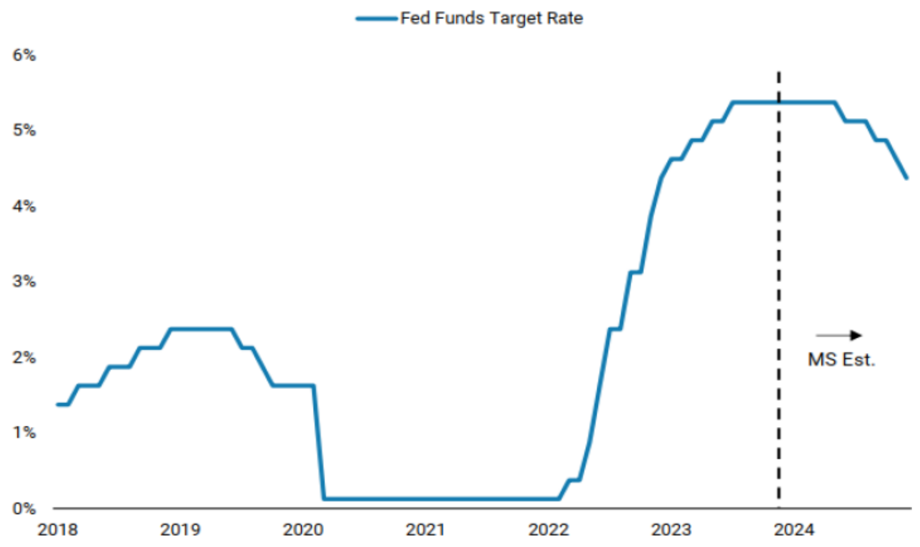
Source: Dow Jones Market Data; FactSet

WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

RCI BCI WORLDWIDE FLEXIBLE FUND

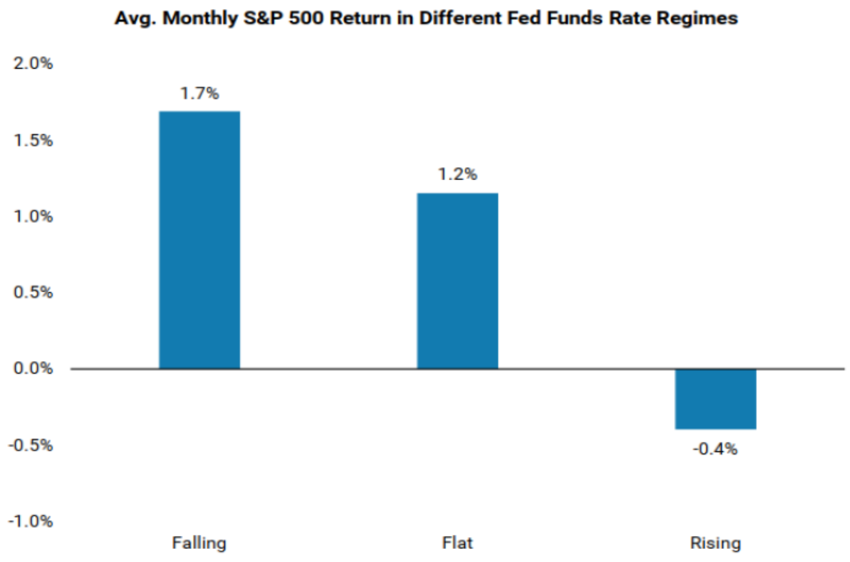
November saw one of the largest rises in global markets in many years following three consecutive down months. The MSCI Developed markets Index rose over 9% for the month and is up 15% for the year to date. The main driver for this was the expectation that interest rates have likely peaked as US inflation now looks to be under control.

Economists have now started to forecast when rate cuts could start and what the possible outcomes could be for equities. Morgan Stanley expects the Fed to deliver its first interest rate hike in the middle of 2024 but there are some economists that believe it could come earlier:



Source: Bloomberg, Morgan Stanley Research

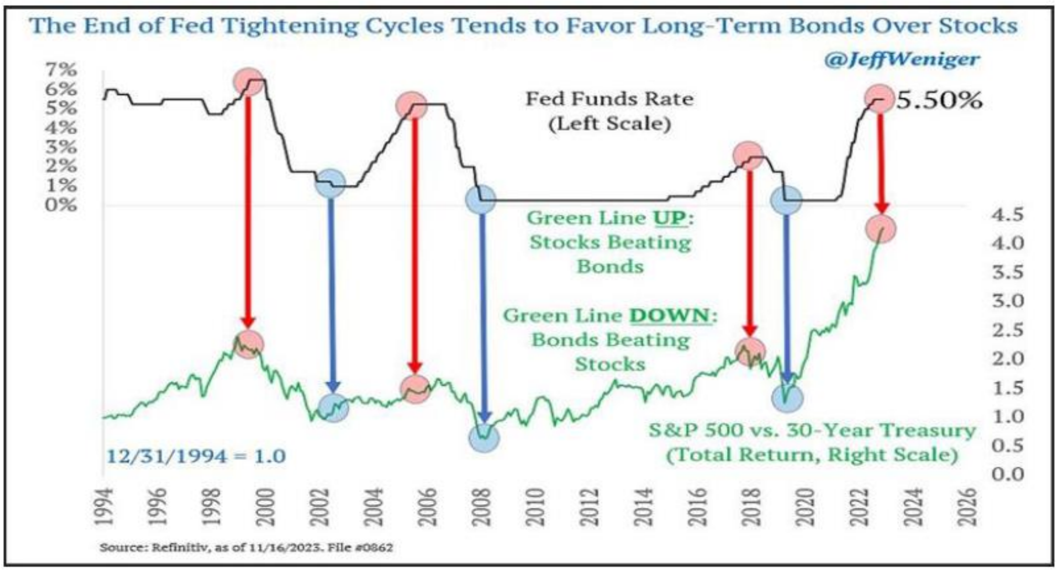
Morgan Stanley believe that equity returns have historically been strong during periods of falling Fed Funds Rate regimes. The logic here is likely because falling discount rates cause the present value of equities to rise and hence prices rise with them. We saw an extreme version of this during COVID-19 where interest rates were dramatically cut to help bolster the economy and consequently equity valuations rose dramatically.



Source: Bloomberg, Morgan Stanley Research

Morgan Stanley have calculated that the S&P 500 grows on average 1.7% per month when the Fed is in a falling rate cycle. This is contrary to a negative -0.4% during a rising rate cycle

On the flip side of this argument and what makes markets, is the belief that falling interest rates are a poor environment for stocks. The thinking here is that interest rates are typically cut to stimulate the economy and hence a falling interest rate cycle implies a poor economic environment and hence companies will struggle in that environment:



In the above graph, the black line is the fed funds rate over time. The green line is the relative performance of the S&P 500 vs 30-year Treasuries. When this green line is rising, equities are beating bonds and conversely when it is falling, bonds are outperforming equities. The above green line shows historically that when rates have peaked, bonds have outperformed stocks and when have bottomed, stocks outperform bonds.

It is important to note, this graph simply indicates it is usually better to own bonds rather than equities in a falling interest rate environment. It doesn't imply equities will be negative on an absolute basis and bonds will be positive on an absolute basis.

The current economic metrics coming out of the US implies the economy has begun to slow as a result of elevated real rates. However, decent consumer spending and employment data implies that conditions are still relatively strong, and it won't be necessary to aggressively cut rates to stimulate the economy. We may find that both bonds and equities perform well next year in this cooled off environment.

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
ALPHABET INC-CL C	18.88	0.98	30%	20%	18%
AMAZON.COM INC	33.10	1.29	397%	26%	26%
ASML	32.53	1.77	38%	0%	39%
BOSTON SCIENTIFIC	25.15	2.08	17%	12%	13%
CONSTELLATION SOFTWARE	33.60	1.77	58%	23%	15%
FORTINET	31.31	2.62	31%	8%	16%
INTUIT INC	33.09	2.13	20%	15%	16%
MERCADOLIBRE INC	49.28	1.17	140%	48%	37%
MICROSOFT CORP	31.57	1.97	5%	17%	15%
VISA	25.39	1.89	16%	14%	13%
Harmonic Mean PE	**29.68**				
PEG Ratio (Forward PE/'23-25 Growth in EPS)		**1.63**			
Annual EPS Growth Rate (Harmonic Mean)			**30%**	**16%**	**16%**
S&P500 - FWD PE and EPS Growth	**19.00**		**1%**	**9%**	**11%**

We expect strong performance out of our top 10 positions the next two years. Our portfolio is expected to grow earnings per share in the mid-teens for the next two years which is far higher than the S&P 500, where analysts expect no growth for 2023, but upper mid-single digits for 2024. Our companies are trading at higher valuations, at 29x, versus the S&P 500's 19x, but we believe this is justified by the higher quality of our 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.

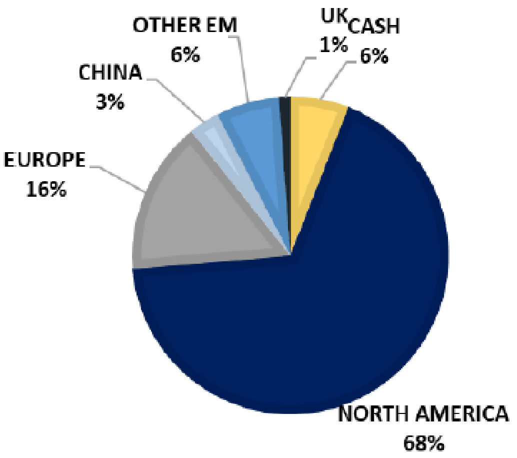
WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

BY THE RCI INVESTMENT TEAM
(CONT.)

Main changes during the month

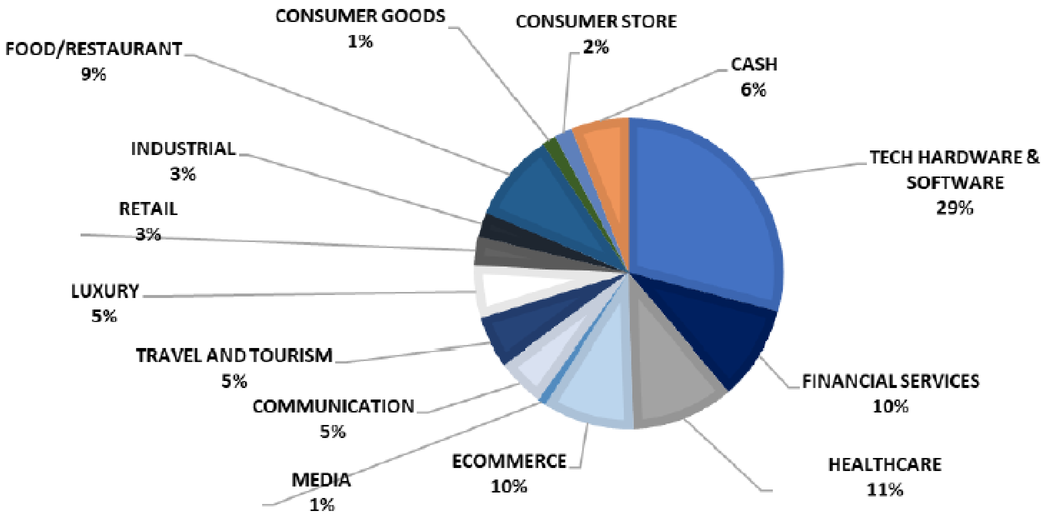
- None

Geographic drivers



- Chinese equities: KWEB China Internet ETF.
- We have exposure to Europe via global companies: ASML, Amadeus, LVMH, Novo Nordisk and Moncler.
- We have non-Chinese Emerging Markets exposure via Mercado Libre and Nu Holdings.
- We have UK exposure through the global pest control and hygiene company Rentokil Initial.

Sector Weightings



Performance in rand

	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%	-3.0%	4.7%	-5.8%	-4.5%	10.5%		32.3%

For the month, the fund was up 10.5% in ZAR terms (+10% in USD) compared to the MSCI Developed Markets Index which was up 9.7% in ZAR (9.3% in USD) for the month. The Rand weakened 0.4% for the month contributing to the performance in ZAR.

For the 2023 year thus far, the fund is up 32.3% in Rands or 19.19% in USD terms, with the rand having weakened 11% against the dollar. The MSCI Developed Markets Index is up 28% in Rands or 15% 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

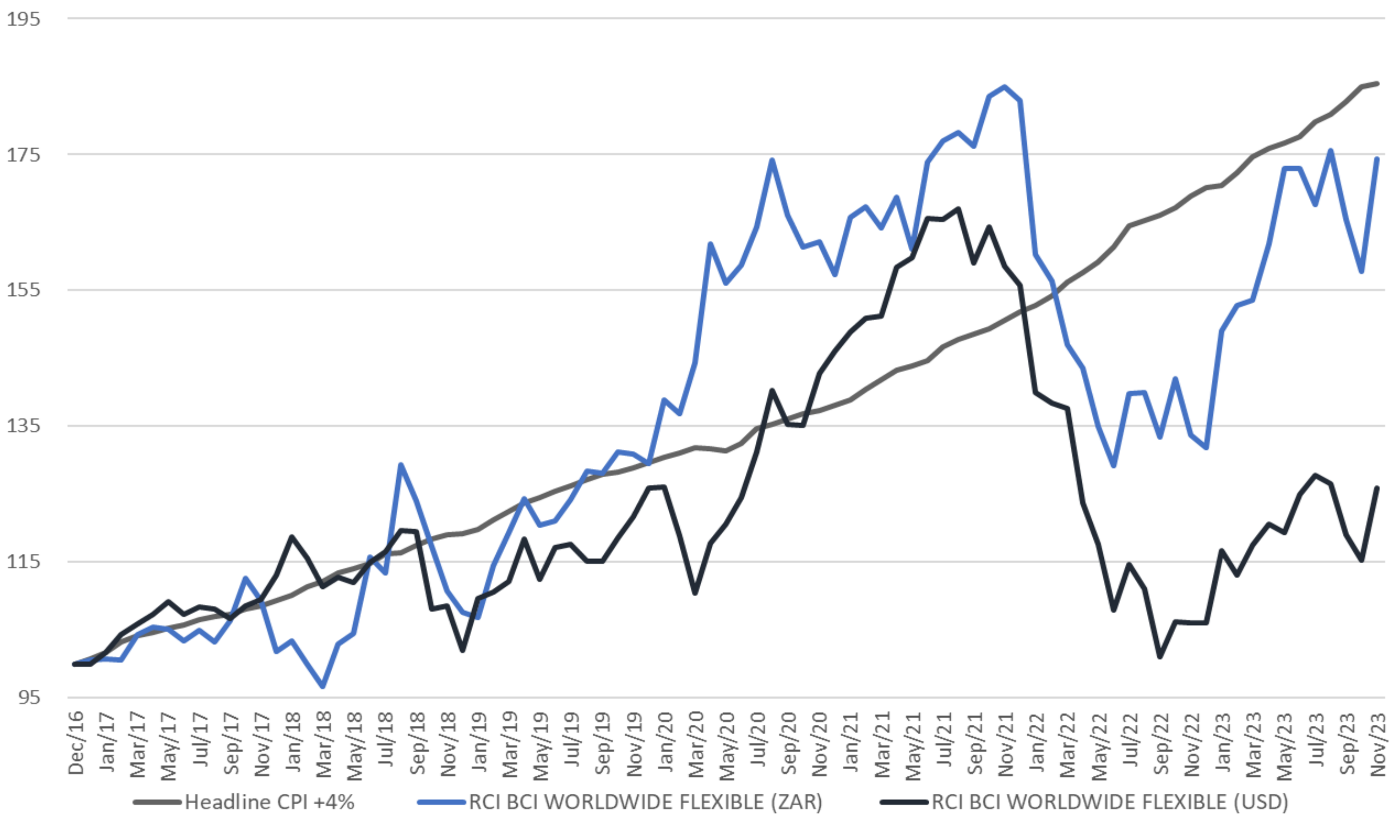
RCI OFFSHORE UNIT TRUSTS

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

The Family Office

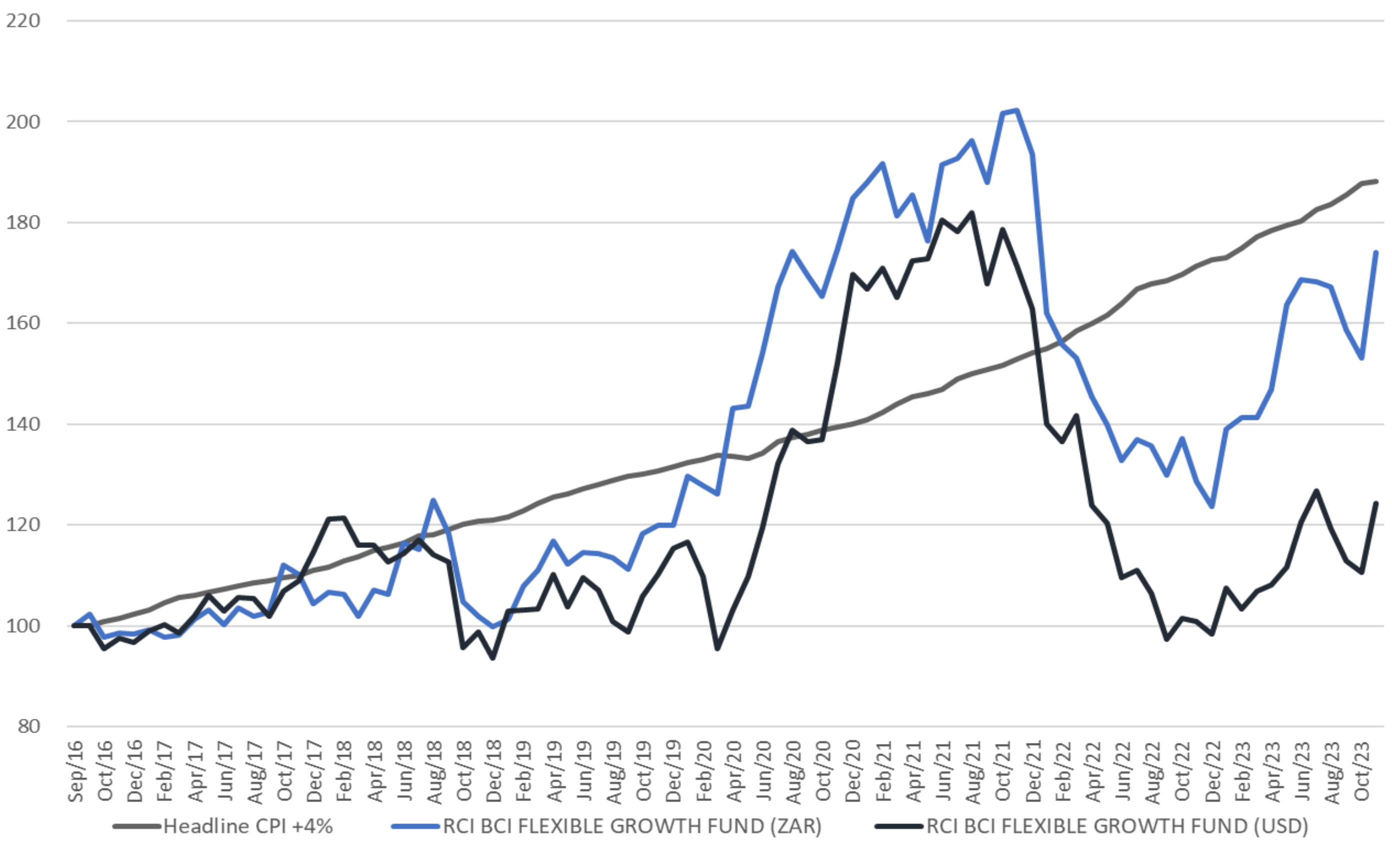
RCI BCI Worldwide Flexible Fund closed November at 174.36c, up 10.45% for the month and up 30.37% for the last 12 months.

RCI BCI Worldwide Flexible Fund



RCI BCI Flexible Growth Fund closed November at 174.03c, up 13.60% for the month and up 35.17% for the last 12 months.

RCI BCI Flexible Growth Fund



WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

ANCHOR BCI SA EQUITY FUND

BY THE ANCHOR BCI SA EQUITY TEAM

Global equites had a stellar November (MSCI World +9.4% MoM), reversing the prior 3 months of losses. With persistent inflation concerns and the “higher-for-longer” interest rate message from central banks having been a major headwind for investors, a range of macro data in November (softer inflation and US jobs data, for example) led to a significant recalibration of this outlook. Softer messaging from the Fed too led investors to conclude they had become too pessimistic about the longevity of restrictive monetary policy. Longer duration growth equities whose valuations have been most constrained by the restrictive policy outlook, were unsurprisingly, among the most positively impacted by this change in expectations. Pleasingly, there were also signs of a broadening out of performance, in contrast with the highly concentrated rally in the “Magnificent 7” large US technology companies, which has been such a dominant feature of markets for much of 2023. Unfortunately, another feature of 2023 that did not change in November was the fact that China was once again the winner of the wooden spoon among Emerging Markets, barely participating in the rally at all. China enters December as the only major geographic region with both its domestic and foreign-listed benchmarks in negative territory for the year. Rather than the Covid lock-down boom that many had predicted, China’s persistent real-estate sector challenges, which have weighed on consumer sentiment has proved to be the dominant force for market performance.

South African equities benefitted from the shift in investor sentiment discussed above, also rallying strongly in November (FTSE/JSE Capped SWIX Index +8.3% MoM). Naspers and Prosus (+19% MoM) were among the big winners as Tencent (+14% MoM in rand terms) bucked the generally sombre Chinese mood. All reported results that were well received by investors. Gold shares also had a good month in sympathy with a rallying gold price. Failing to join the party were energy counters (Sasol -11% MoM, Thungela -13% MoM) as energy prices weakened on global macro concerns. A subdued update from Bidvest (-11% MoM) was also a warning of the hostile conditions domestic companies have faced in the 2nd half of 2023, even as the incidence of loadshedding has appeared at times to have moderated.

At the end of October, the top 15 holdings in the fund, making up 70% of the equity exposure, were as follows:

- Naspers
- Prosus
- Standard Bank
- Absa
- Investec
- British American Tobacco
- Bidcorp
- Afrimat
- ADvTECH
- Anglo American
- Transaction Capital
- Richemont
- Shoprite
- BHP Group
- Growthpoint Properties

Main changes in the month

As for changes to the fund in November, we took advantage of what we saw as an over-reaction to **Bidvest’s** rather subdued trading update to add to the position. We also continued to build exposure to **Clicks**, while starting a position in **Dischem** – areas of consumer exposure where we have confidence in the growth algorithm over the next few years. Conversely, we've decided to part ways with **MultiChoice** and **Discovery**. In the case of MultiChoice, this reflected our decision to increase further the fund’s exposure to shares with superior returns on capital and a clearer growth outlook. In the case of Discovery, we have opted to move to the sidelines as it transitions to the new accounting standard, IFRS17, as well as while we monitor developments around the controversial NHI legislation ahead of elections.

Performance

The fund ended November 8.0% higher. While a very solid performance in absolute terms, it slightly lagging the performance of the SA equity market. This was largely down to the strong performance of gold shares noted above, as well as a bounce in several previously beaten down SA-sensitive shares, all of which we have avoided on quality grounds. While these shares tend to provide a sugar rush in the very short-term when market conditions temporarily turn in their favour, it is their longer-term disappointment we seek to avoid!

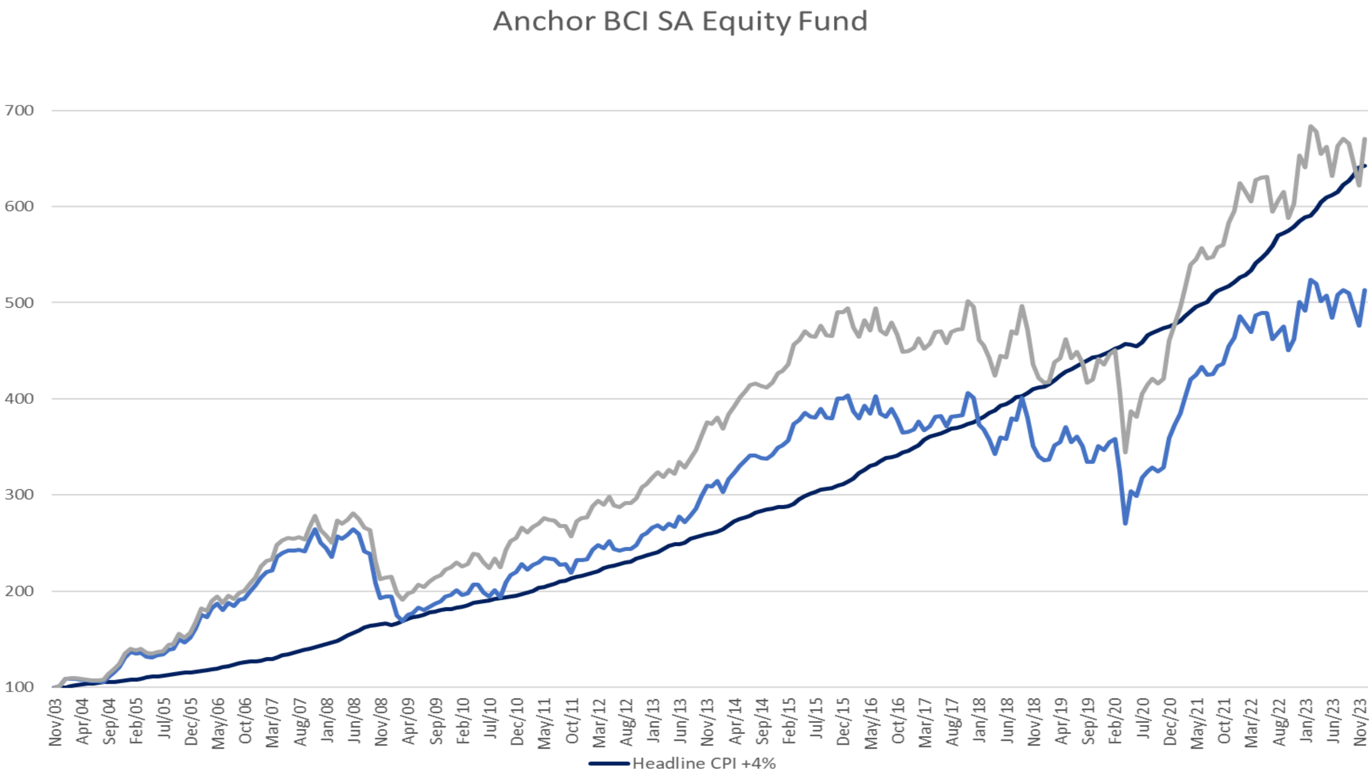
The Anchor BCI SA Equity team

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

WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

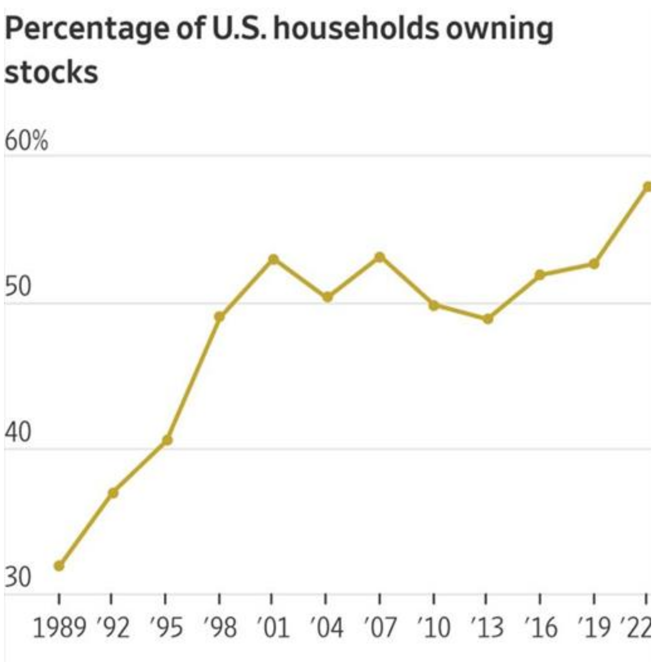
BY THE ANCHOR BCI SA EQUITY INVESTMENT TEAM (CONT.)

The Anchor BCI SA Equity Fund closed November at 475.93c, up 7.88% for the month and up 2.51% 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.

From **The Wall Street Journal**,
"The share of Americans who own stocks has never been so high. About 58% of U.S. households owned stocks in 2022, according to a triennial Federal Reserve survey, the highest household stock-ownership rate on record. The data provide the most comprehensive snapshot yet of how the Covid-era explosion in investing has reshaped Americans' personal finances."



<u>There are two possible explanations for this:</u>
First - Since the passage of the Pension Protection Act in 2006, automatic enrolment in 401k plans has tripled. Meaning, you have to actively "opt out" rather than "opt in." As a result, 2022 saw 83% participation in company 401k plans. It is fair to assume that the majority of these 401k plans have exposure to stocks. The government significantly penalizes individuals for removing that money prior to the age of 65, so that money is "stuck".

This flow of capital into 401k plans is likely to have been a factor in the astonishing performance of US equities over the past few years. A similar phenomenon has occurred in the Chinese real estate market whereby 70% of Chinese household assets are tied up in real estate.

Second - Stock ownership has increased as employers have scrapped defined-benefit pensions. US companies prefer to eliminate employee retirement costs, so they opt to "shift the risks" entirely to the employees who have subsequently been investing higher up the risk curve in an environment of low interest rates.