ROBERT COWEN INVESTMENTS

JULY 2024 NEWSLETTER

The Family Office

Robert Cowen Invetsments (Pty) Ltd is a subsidiary of the Anchor Group Limited

ANCHOR GROUP

HIGHLIGHTS OF THIS NEWSLETTER ARE:

- **The Navigator – A New Dawn: Unity Government & Economic Reforms** – *by Nolan Wapenaar & Peter Armitage*
- **Ramaphoria 2.0: What Next?** – *by Mike Gresty*
- **Riding the technology earnings growth wave AND technology's growing importance** *(page 9 and 14)*
- **An explainer of the two-pot retirement system –** *by Anchor*
- **Update on what we have been doing in the offshore funds** – *by Ross McConnochie*
- **Update on what we have been doing in the local fund** – *by Mike Gresty*

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 and thank you for being our clients.

Di, Mike, Andrew & The RCI Team

SARS 2024 Income tax return filing dates

The dates for the 2024 Filing Season are:

- **Individual taxpayers (non-provisional)**: 15 July 2024 to 21 October 2024
    - Auto-assessment notices: 1 – 14 July 2024
- **Provisional taxpayers**: 15 July 2024 to 20 January 2025
- **Trusts**: 16 September 2024 to 20 January 2025

What to prepare before filing starts?

Make sure that you have received your IRP5/IT3(a) and other tax certificates like medical aid, retirement annuity funds, and any other third-party data relevant to determining your tax obligations.

29 February 2024 Tax Certificates

There has been a delay in sending out the 2024 tax certificates via bulk email relating to the offshore share portfolio reports.
We will receive these updated tax certificates shortly. Apologies for this delay.
We are manually sending out tax reports as we receive requests, and these client tax certificates circulated do not have offshore share portfolios.
We anticipate being able to provide you with your tax certificates by the end of next week, Friday 26th July 2024.
If you urgently require your tax certificates, please send a request to Aarthi Bikram (aarthi@rcinv.co.za) and Kirsty Lucas (kirsty@rcinv.co.za)

The Navigator is Anchor's quarterly review of the major themes affecting markets and gives an overview of our current strategy and asset allocation. It provides our clients with insight into Anchor/RCI's thoughts on various asset classes and our near-term market outlook. The below is an excerpt from the introduction. If you would like to read the full document, click here.

We are delighted to be able to write that South Africa's (SA) future is looking better than we had expected, with the formation of a Government of National Unity (GNU) ushering in a new era of coalition politics in the country. In Africa, risks often arise when an erstwhile liberation movement looks set to lose power in a particular country. There are many examples of election fraud, manipulation of constitutions, populism, civil wars and coup d'etats across the continent. However, we achieved a peaceful power-sharing agreement in SA in a month. The power-sharing arrangement moves the ruling political party toward the centre of the political spectrum rather than to the left. Many naysayers are discussing the risks of such a coalition arrangement, but that misses the point. Currently, SA is in a much better position than we had expected before the 2024 National and Provincial Elections (NPEs). Our nation's Constitution proved its mettle.

Much of the knee-jerk relief rally has already taken place. However, it takes time for the benefits from the extension of the long-term visa deadline to be felt, for the improved rail traffic to feed through the system, for improved governance at state-owned enterprises (SOEs) to take hold, etc. We expect that Cabinet meetings will be more transparent and that the discussions in these meetings will be more robust, with new ideas to ignite economic growth being brought to the table. We think that the seeds of a reform agenda have been planted, and we are hopeful that, with time, they will take root.

Investing is a long-term game – think of it as a marathon, not a sprint. There is certainly a tactical opportunity presenting itself in domestic assets, but we maintain our view that the bulk of your wealth should be invested offshore and that there are attractive opportunities in all offshore asset classes. Nevertheless, recent robust gains in US equities are making us more cautious; still, the momentum is strong, and the projected US earnings growth is high. We therefore continue to advocate for investing in offshore equities. Further, the positive election outcome still needs to result in policy changes that promote sustainable economic growth that will drive earnings growth of domestic-oriented corporates. It may take some time for this to play out and the likelihood that it will result in sustained share price returns is certainly not a given.

We are increasingly proponents of alternative assets (including hedge funds, protected equity structured products, physical property, etc.) with better defensive characteristics if we see a wobble abroad. This is a new asset class for most South Africans, even though it commands a significant share of the investment wallet for family offices abroad. We expect this asset class to benefit investors that have the capacity and risk appetite to increase exposure to it over time.

Anchor is a proponent of balanced portfolios and diversified risks. We believe it is crucial for investors to have a long-term plan for what they seek to achieve with their investments and that the year ahead will likely see them move towards their eventual desired outcome. In our view, this is an excellent time to take a pro-risk stance in your portfolio. We advocate that a healthy portion of your investment portfolio should be offshore to leverage diverse opportunities and return profiles while mitigating SA-specific risk. We expect the rand will continue to hover around current levels vs the US dollar. Therefore, this is an ideal time to externalise a portion of your portfolio if you have not already done so.

Overall, it is also a good time to upweight your investments. Anchor strives to help you achieve the best outcomes within your risk tolerances and investment objectives. We see opportunities in all asset classes, and this document highlights some of the best opportunities we believe to be available.

RAMAPHORIA 2.0: WHAT NEXT?

BY MIKE GRESTY

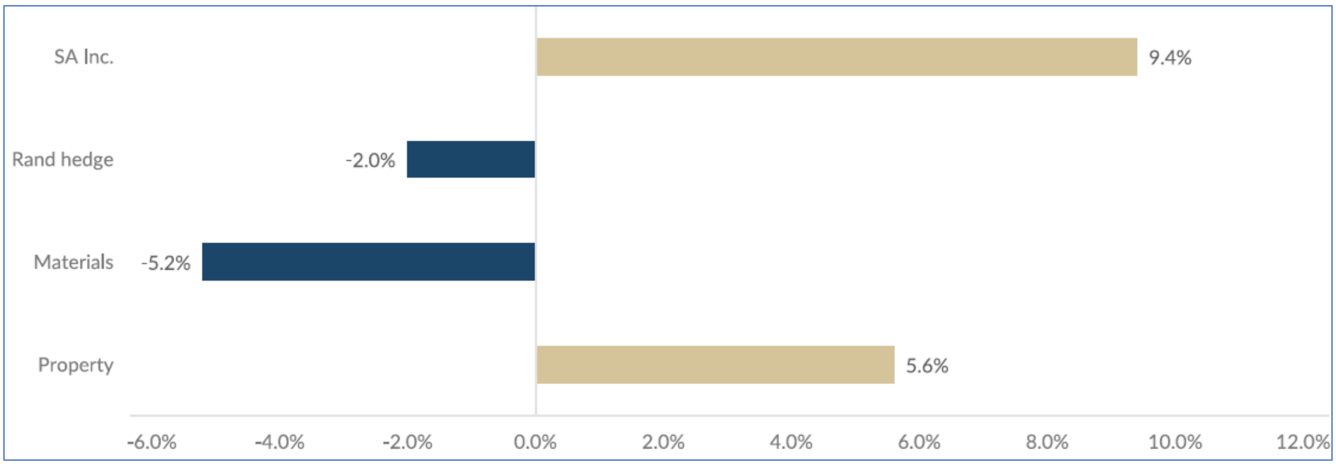
So far, SA seems to have threaded a needle that few investors would have wagered heavily on ahead of the 2024 National and Provincial Elections (NPEs). Investment markets have reacted predictably to developments since the election in what can be summed up as a "Ramaphoria 2.0" trade – those shares geared to the local economy have rallied strongly, while rand-hedge shares have underperformed. In this article, we set out to see what we can learn from the performance of JSE-listed financial and industrial shares in the years following Cyril Ramaphosa's appointment as president of the ANC and his subsequent inauguration as president of SA following the ANC's recall of ex-president Jacob Zuma. Was tactically positioning in those shares which were likely to be the biggest beneficiaries of Ramaphoria a successful long-term investment?

The rivers of ink spilt by investment commentators on the implications of SA's NPEs held on 29 May left one in little doubt that they were likely to be the most pivotal since 1994. At the possible risk of oversimplification, the majority view of these commentators immediately ahead of the NPE was that the ANC was likely to lose its majority. Still, by securing c. 45% of the vote, it would likely manage to cobble together a coalition of small (inconsequential?) parties to maintain the status quo - a sort of "better the devil you know" scenario. The feared alternative, albeit less likely, was that a greater loss of support for the ANC could force it into a coalition with either the EFF or the M.K. party. It is interesting to ask yourself, had you correctly predicted an outcome in which the ANC secured just 40.2% of the vote and M.K. would significantly exceed expectations at 14.6%, how would you have positioned your investments? Most likely, your odds on an investor-unfriendly future ahead for SA would have risen considerably vs the consensus! Even with the NPEs result known, the course ahead was far from obvious.

So far, it is safe to say that those rivers of commentators' ink were all spent in vain. That SA's political parties would agree relatively quickly on establishing a market-friendly government of national unity (GNU) is a welcome outcome. Much remains to be seen as to how things turn out. **Coalitions globally do not have a great record in government, and SA's performance at a municipal level is hardly grounds for optimism either.** Despite securing a meaningful share of the vote, whether the radical parties will meekly accept what looks like political marginalisation remains to be seen. However, these are questions for another day, and this is not intended to be yet another article opining on SA politics!

Since the election, a better-than-feared outcome from an investor's perspective has driven a strong rally by shares most geared to the local economy. With the rand having appreciated 3.0% vs the US dollar in the same period (to 28 June 2024), rand-hedge shares have struggled. Mining shares' performance is linked chiefly to the changing fortunes of commodity prices, and while the rand has been a slight headwind, SA's politics are unlikely to have been much of an influence. So far, so predictable – we are seeing Ramaphoria 2.0 unfolding before our eyes!

Figure 1: SA equity market returns, 29 May 2024 to 27 June 2024



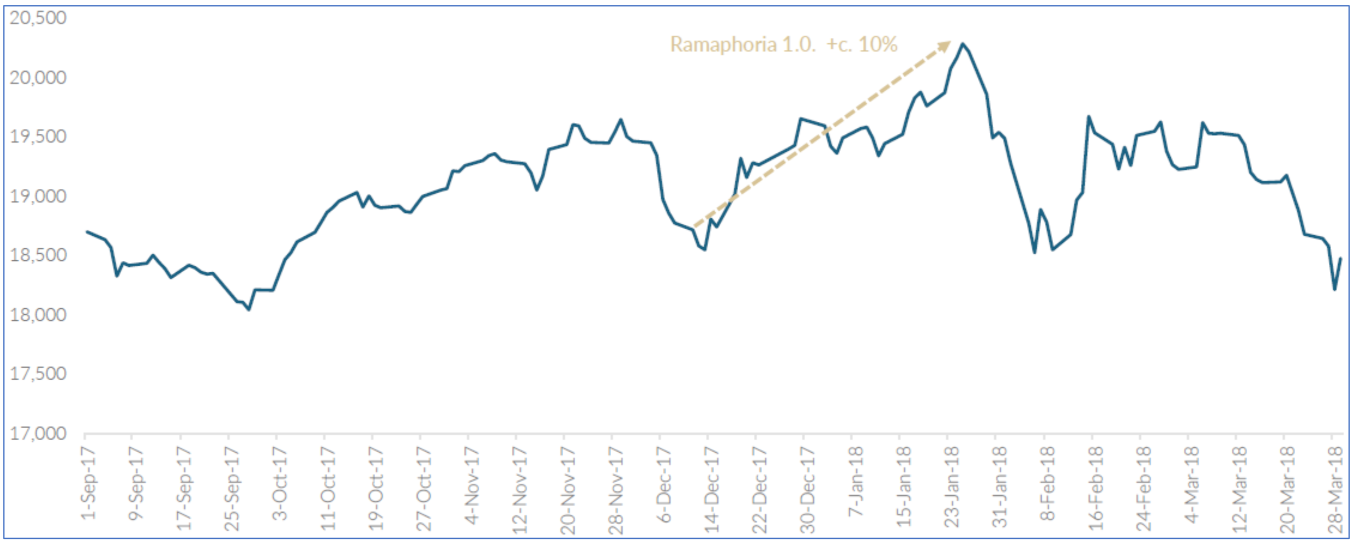
Source: Bloomberg, Anchor

Tactically, as long as the better-than-feared newsflow continues, there are many reasons to support the case for the pattern of relative performance to continue: (1) still depressed valuations of SA Inc. shares relative to their histories, (2) very underweight positioning in domestic shares relative to benchmarks by institutional investors, (3) reduced

incidence of loadshedding offering the prospect of a sharp rebound in earnings for a wide range of SA-orientated companies, to mention a few. A possible pitfall with tactical trading linked to themes like an election result is that it can lead investors to disregard individual companies' fundamentals as they seek out those businesses expected to be most sensitive to the particular theme of the moment.

In this case, it is better-than-expected news; thus, the tendency is to seek out the most out-of-favour/lowly rated sectors and shares. To those investors who successfully positioned themselves for Ramaphoria 2.0 in good time – well done! It is now important to see what lessons we can learn from how Ramaphoria 1.0 turned out over the longer term. Below, we look at the performance of SA equities from Ramaphosa's appointment as ANC president (December 2017) until the end of 2023 – a period of six years.

Figure 2: The performance of the FTSE JSE Capped SWIX, 1 September 2017 to 29 March 2018

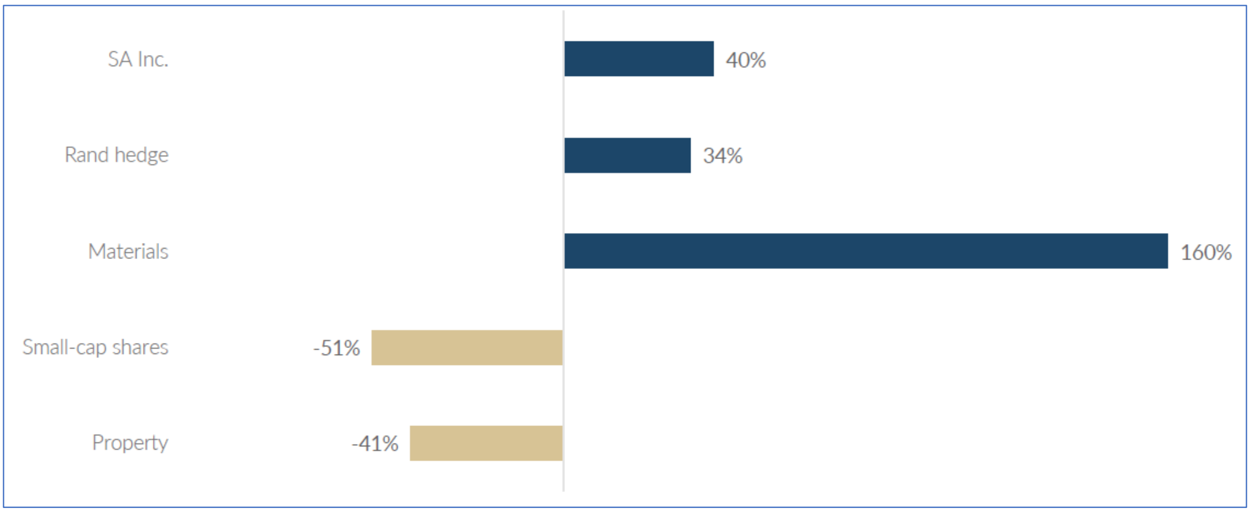


Source: Bloomberg, Anchor

The first point to note is that Ramaphoria 1.0 did not last very long. In fact, by the time Ramaphosa was inaugurated as SA president in mid-February 2018, it was all but over! The lesson here is that investors should dance close to the door – the time that SA equities can swim against the tide of global investment sentiment might be shorter than you think.

Those familiar with SA equities will likely be all too aware of the paltry returns the JSE has delivered over the last few years. Over the past six-year period of our study, the FTSE JSE Capped SWIX delivered a price return of just 14.5% - rather disappointing considering that 10% of that came in the first month of Ramaphoria 1.0! Admittedly, with dividends reinvested, the total return over this period improved to 46%, better, but equating to a pre-tax compound annual growth rate (CAGR) of just 7%, hardly likely to have set your hair on fire. Disaggregating the performance of the local equity market below, it is evident that infatuation with Ramaphoria 1.0 would likely have caused investors to miss the one thing that did work relatively well – the favourable commodity cycle driving miners. Interestingly, despite the rand depreciating by 40% against the US dollar over this period, rand hedge shares in aggregate did not provide a particularly good place for investors to hide, albeit more for company-specific reasons (a big de-rating in British American Tobacco and China's crackdown on its technology sector severely impacting Naspers's key investment, Tencent, for example).

Figure 3: SA equity market returns, December 2017 to December 2023



Source: Bloomberg, Anchor

In the table (*Figure 4*) below, we have drilled down to a stock-level view to see how things might have turned out for investors who leaned heavily into the Ramaphoria 1.0 trade and held on. Admittedly, at a stock level, it becomes apparent that the SA stock market is full of idiosyncratic investment cases, which tends to muddy the picture that emerges. At the risk of being accused of torturing the numbers until they confess to what we want, we decided to exclude stocks linked to the commodity cycle (a performance driven by factors largely unrelated to our study) and SA-listed property shares (a speculative bubble of sorts popped as past financial engineering was revealed – again not relevant to our study).

Figure 4: SA financials and industrials – top and bottom-25 stocks December 2017 to December 2023

The leaders	Investment return	The laggards	Investment return
Textainer	643%	Nampak	-96%
City Lodge	247%	EOH	-95%
Investec	204%	Brait	-93%
Richemont	181%	Murray & Roberts	-92%
Altron	159%	PPC	-90%
Cartrack	158%	Tongaat	-87%
Capitec	143%	Invicta	-86%
Outsurance	145%	Stadio	-85%
Datatec	138%	Blue Label Telecom	-71%
Bytes Technology	123%	RCL Foods	-71%
PSG Financial Services	122%	Curro	-68%
Clicks	111%	KAP Ltd	-60%
Alexander Forbes	97%	Mpact	-57%
Advtech	91%	RFG Holdings	-55%
AECI	84%	Pick 'n Pay	-55%
FirstRand	83%	Libstar	-48%
Reinet	79%	Massmart	-46%
Raubex	73%	Spur	-45%
PSG Group	73%	Transaction Capital	-45%
Standard Bank	72%	Cashbuild	-45%
Hudaco	70%	Novus Holdings	-37%
RMBH	69%	Trencor	-35%
NinetyOne	64%	Tiger Brands	-34%
BidCorp	64%	Famous Brands	-31%
HCI	63%	Telkom	-28%

Source: Bloomberg, Anchor

RAMAPHORIA 2.0: WHAT NEXT?

BY MIKE GRESTY (CONT.)

For us, the picture that emerges from the above scorecard is that quality wins over the longer term. It would have been unlikely that highly rated shares (BidCorp, Clicks, Capitec, and Richemont, for example) were among investors' choices for those stocks expected to benefit most from a recovery in the SA market. However, their capital allocation acumen and ability to compound growth steadily over time won out. Among the laggards, several company-specific corporate disasters (EOH, Tongaat, and Transaction Capital) come to mind. However, looking beyond that, many of the laggards were in troubled sectors or were the competitive underdogs (think Tiger Brands vs AVI; Pick n Pay vs Shoprite). These are interesting options for investing in an expected positive shift in sentiment towards SA equities, but ultimately, they let investors down.

In conclusion, if those reforms that the brief Ramaphoria 1.0 rally had anticipated materialised, things may have turned out very differently for SA Inc. shares. Once again, there is reason for optimism, and a welcome rally in SA Inc. shares has already begun to reflect that. We hope this time will be different, with expectations matched by delivery. However, the key lesson we draw from Ramaphoria 1.0 is that, while fundamentals can be suspended for a short while, quality is worth paying up for because it ultimately rises to the top. Date the lowly rated out-of-favour corners of the SA market with Ramaphoria 2.0 in mind, but do not marry it!

AN EXPLAINER OF THE TWO-POT RETIREMENT SYSTEM

By Anchor

The 2024/2025 Budget, tabled in Parliament on 21 February 2024, announced that the two-pot retirement system would be implemented on **1 September 2024** (it was initially expected to take effect on 1 March 2024). It will apply to all retirement funds (public and private sector) except for legacy retirement annuity policies or funds with no active participating members (funds in liquidation, beneficiary funds, closed funds, or dormant funds). Additionally, pensioners/members of provident funds who were 55 years and older on 1 March 2021 will not automatically be included in the system. Still, they may elect to participate by applying to their provident fund.

The two-pot system assists fund members in dealing with financial difficulties by allowing them access to the savings component before retirement. Although members should use the savings component sparingly, the two-pot system protects a portion of your savings for only retirement.

The two-pot system introduces three key components:

- **SAVINGS -** one-third of total contributions going into the savings component
- **RETIREMENT -** two-thirds of total contributions going into the retirement component
- **VESTED -** the vested component will hold retirement benefits accumulated by the member before the implementation date [1 September 2024]), with investment growth still credited to this component

Only the **savings** and **retirement** components can receive retirement contributions from the implementation date onwards.

From 1 September 2024, your retirement fund will divide your contributions into savings and retirement components, with **one-third of total contributions going into the savings component and two-thirds of contributions going into the retirement component**.

The savings component is accessible anytime, but withdrawals are limited to a minimum of R2,000 (no maximum limit) and can only be made once in a tax year. The amount withdrawn is taxed at the individual's marginal tax rate.

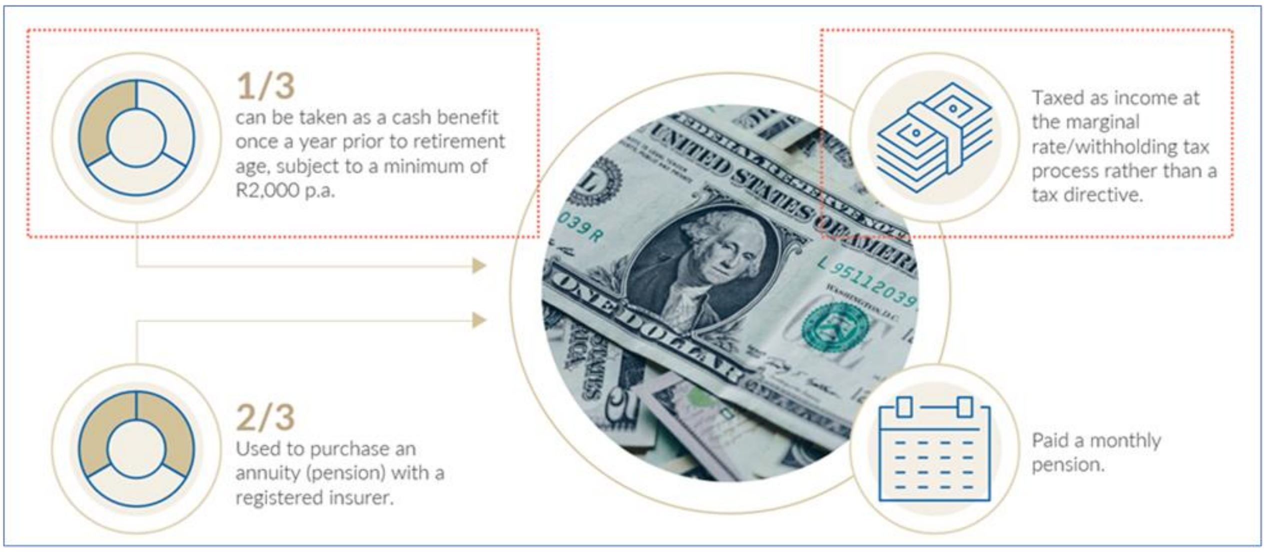
Example:

If your retirement contribution in September 2024 is R900/month, R300 will go to the savings component and R600 to the retirement component. You will be allowed to withdraw any amount from the savings component. Amounts in the account will remain available for withdrawal in future years but will benefit from tax-free growth within the retirement fund until a withdrawal is made.

The retirement component may only be accessed at retirement (NOT resignation). If you are retrenched, it will be dealt with in another phase of the current reform process. The retirement value accumulated as of 31 August 2024 is the vested component. It will not take further contributions but will remain invested by the retirement fund.

If you resign from your current employer in the future, your vested right to access this component or have it transferred to a preservation fund remains.

Figure 1: Two-pot retirement savings system – retirement benefit



Source: Anchor

Scenarios

Savings withdrawal from the savings pot while still employed

1. A member can take one withdrawal (a minimum of R2,000) from their savings pot every year of tax assessment for any reason.
2. This is taxed as part of the member's income at marginal rates.

Withdrawal/exit from the fund when employment terminates

1. Everything in the vested pot (what you built in the fund before 1 September 2024, plus investment return) may be paid in cash and taxed as a lump sum withdrawal.
2. Everything in the savings pot may be paid in cash, or if the member has already taken their one annual savings withdrawal, the member can only take the savings pot in cash if it is less than R2,000. They are taxed at the marginal rate.
3. Nothing from the retirement pot may be paid in cash.
4. Pots may not be split (e.g. a member cannot leave the savings pot in the fund and transfer the retirement pot from the fund).

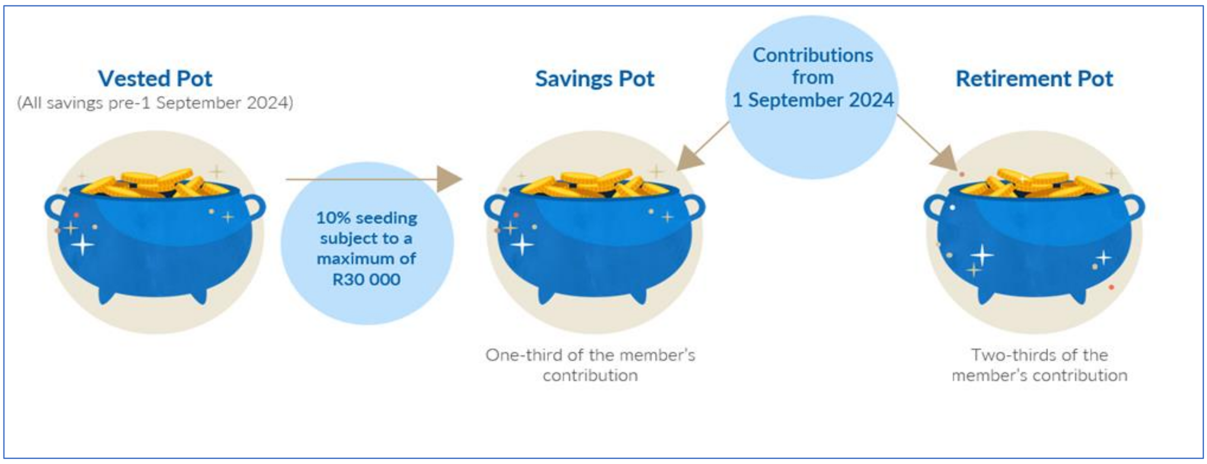
Death

1. Everything in all pots is paid to the deceased's beneficiaries.
2. It is likely that death benefits will continue to be paid out and taxed at current rates.

Retirement

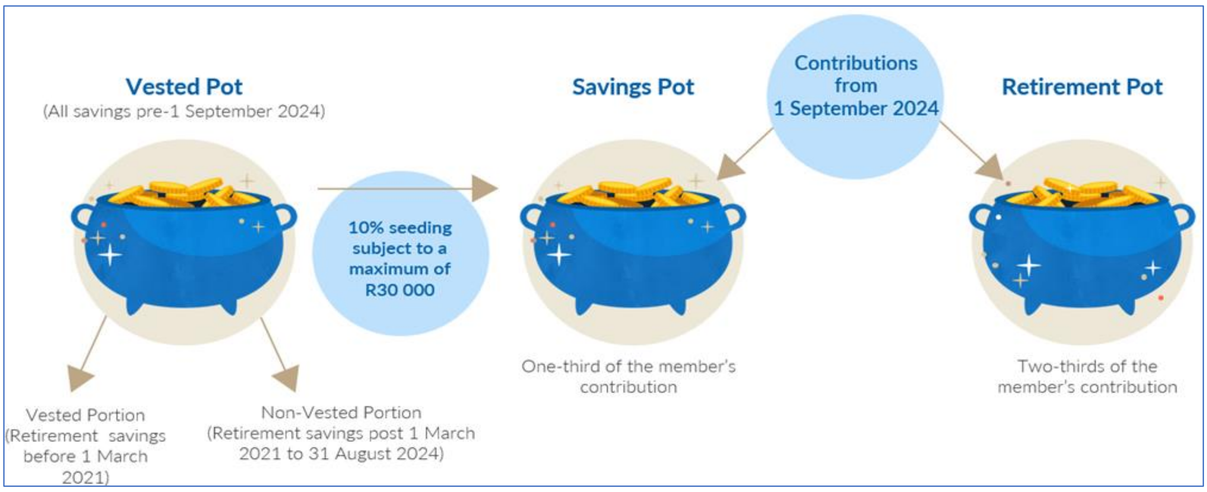
1. Everything in the savings pot may be paid in cash. The member can transfer his savings pot to his retirement pot at retirement if the member does not want to take the cash.
2. Everything in the retirement pot is paid as an annuity(ies)/pension.
3. The vested pot is paid as part annuity(ies) and part cash (depending on compulsory annuitisation rules).
4. Small retirement benefits can still be taken in cash if they are below a statutory minimum – currently R165,000 (de minimis).
5. Taxed as normal as per lump sum retirement tax tables.

Figure 2: Pension fund members who belonged to a fund before 1 September 2024



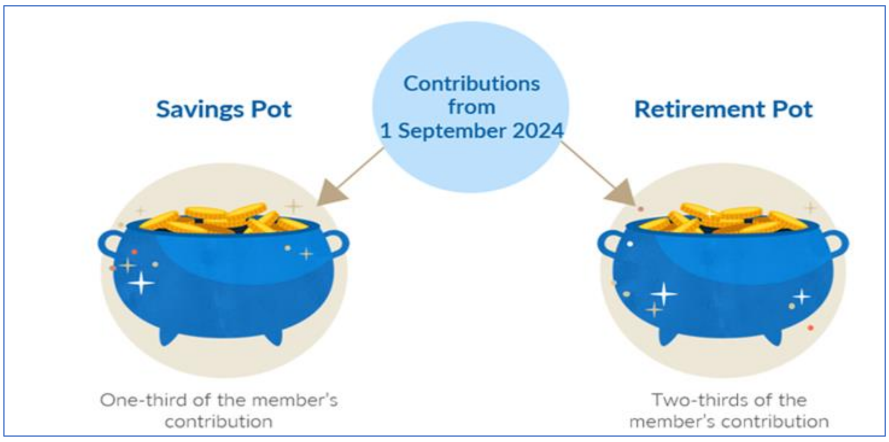
Source: Anchor

Figure 3: Provident fund members who belonged to a fund before 1 March 2021



Source: Anchor

Figure 4: Members who join a fund post 1 September 2024



Source: Anchor

In summary

The two-pot retirement system allows retirement fund members to withdraw partially from their retirement funds **BEFORE** retirement while preserving a portion that can only be accessed **AT** retirement to help improve retirement savings. This means retirement fund members no longer need to resign to access part of their retirement benefits if they are in financial distress.

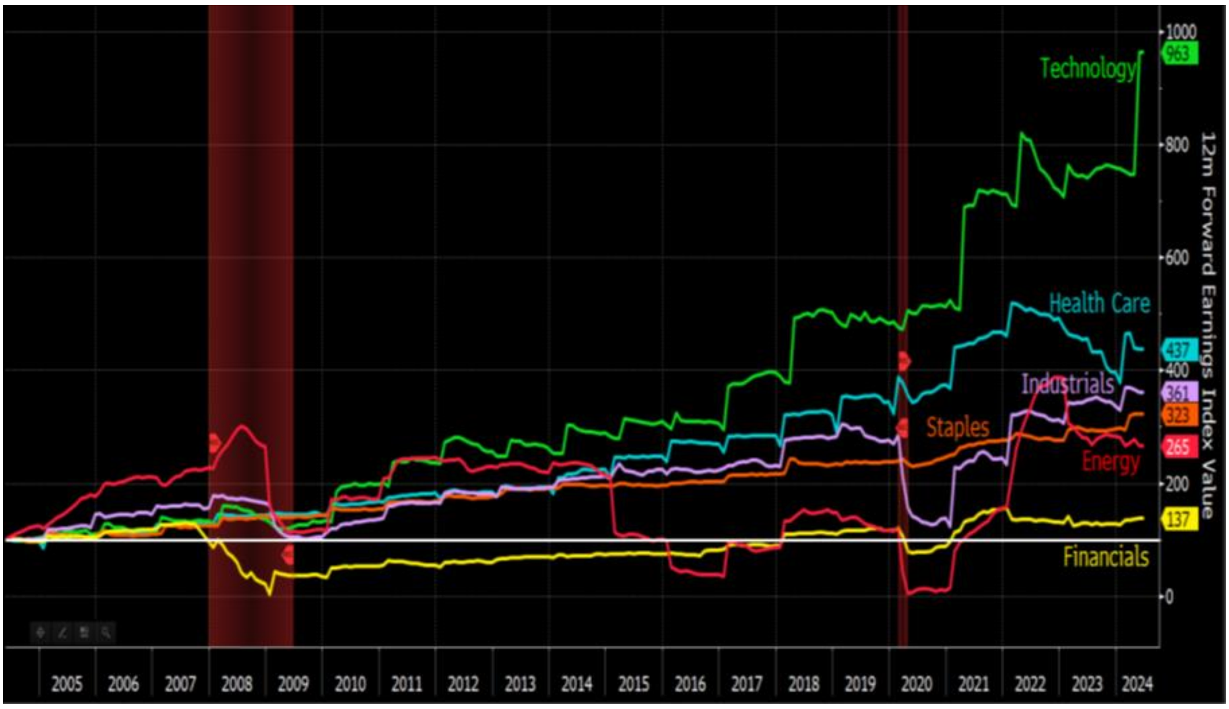
From 1 September 2024, all new contributions to retirement savings will be split into two "pots", namely:

- Two-thirds of new retirement savings will automatically go into a retirement pot/component and be used to purchase an annuity (pension) with a registered insurer.
- One-third of new retirement savings will automatically go into a savings pot.

RIDING THE TECHNOLOGY EARNINGS GROWTH WAVE

Logically share prices follow earnings over time. The below chart shows the growth in earnings of the main S&P 500 sectors:

Figure 1: Main S&P 500 Sector Earnings, Indexed to 100, Twenty Years Ago



Source: Stonehage Fleming

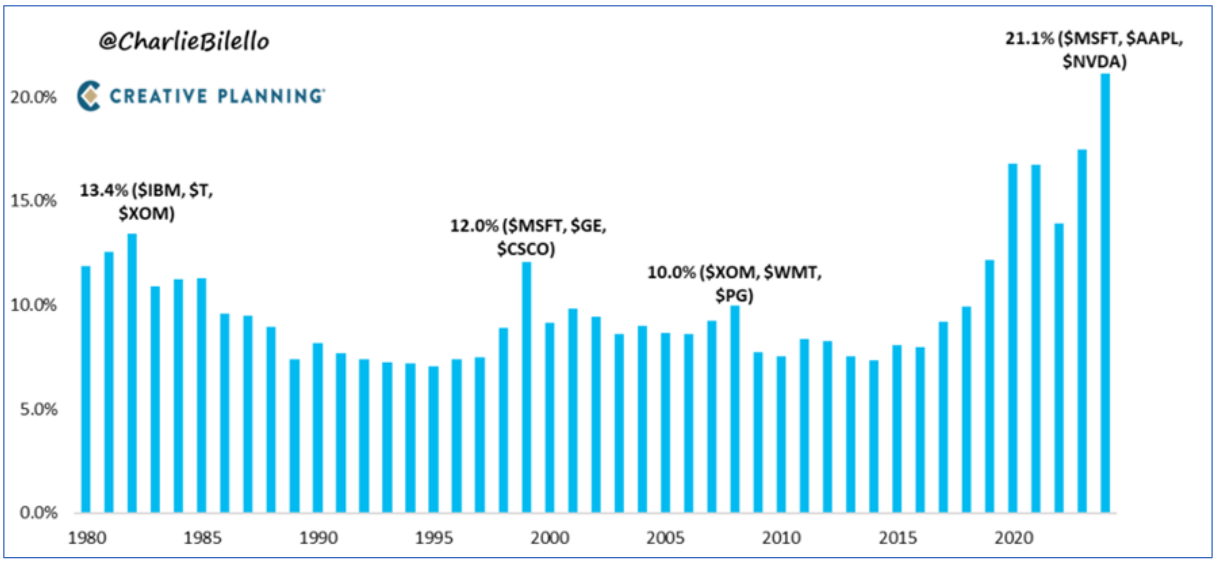
The sequence of earnings growth has been Technology, Health Care, Industrials, Staples, Energy and Financials. Technology delivered almost a tenfold increase, more than double the growth that Health Care did. It is also striking that Industrial earnings growth exceeds those of Staples and Energy. Financials delivered a dismal result, barely exceeding its earnings immediately before the Financial Crisis.

In terms of capital growth, the sequence of delivery has stayed the same, with all sectors delivering better on this front than their earnings – implying re-ratings for all. Technology has done particularly well, with capital growth delivering +13.5% p.a. over the period. On this basis, we have the correct large exposures in Technology and Health Care, and we can clearly consider increasing our Industrials exposure.

RCI BCI WORLDWIDE FLEXIBLE FUND

Global equities had another strong month in June rising almost 3%, pushing the Year-to-Date performance to over 11%. We continue to see significant influence from the mega cap tech shares on the performance of the S&P500 and MSCI World Developed Markets. At present the three largest companies: Microsoft, Apple and Nvidia represent 21% of the index, the largest concentration ever seen. Tracking the weighting of the three largest companies in the index over time. In 1999, the largest three companies were Microsoft, General Electric and Cisco and together their weighting was 12% of the index.

S&P 500: Weighting of Top 3 Holdings (Annual, 1980-2024 – as of 06/14/2024)



Source: Charlie Bilello, S&P, Dow Jones

Inflation has calmed to the lowest levels in years, but interest rates are still relatively high and this is starting to hinder economic growth. Market participants expect the first rate cut to happen in September, but it is likely that we won't see a significant quantum of rate cuts as the Fed will want to avoid any resurgence in inflation whilst the economy remains healthy.

If we examine US retails sales over time it is evident that high interest rates have had a negative impact over the last few quarters. On average US retail sales grow about 4.6% each year but the most recent data shows growth of only 2%. However, if we remove inflation from these figures, we see that real retail sales have actually been negative the last several quarters. If anything, we are currently experiencing a consumer recession that should hopefully find some relief when interest rates are lowered towards the end of the year. The blue line below shows US Retail Sales growth in nominal terms and the red line shows US Retail Sales growth in real terms (after removing inflation).

Source: Charlie Bilello

Global markets have been incredibly calm this year, having moved up in a steady, and in a relatively straight line. The volatility index is at extremely low levels and the level of bets against the market, called short interest, is at

7-year lows. This paints a picture of extreme market complacency, and this is often the situation before high levels of volatility, either upwards or downwards - the calm before the storm so to speak. Considering how well the market has done the last 18 months, one could conclude that we are due for a correction, but if we split the market into the Magnificent 7 and the rest, we see that the rest of the market has performed quite poorly the last two years and hence may be due for a bounce. Thus, the upcoming interest rate cuts could spark a rotation into the unloved 493 shares of the market that would lead to another upward push for the S&P 500.

Our top 10 positions

	PE in one years time	PEG Ratio (FWD PE/'23-25 Growth)	EPS Growth			Pullback from high
			2022-2023A Growth	2023-2024E Growth	2024-2025E Growth	
ALPHABET INC-CL C	22.54	1.69	33%	26%	13%	-2%
AMAZON.COM INC	33.53	1.49	431%	39%	23%	-1%
ASML	38.75	0.65	37%	-2%	59%	-4%
BOSTON SCIENTIFIC	30.72	2.26	17%	16%	14%	-2%
CONSTELLATION SOFTWARE	35.30	2.35	57%	27%	15%	-1%
FORTINET	31.92	2.94	31%	14%	11%	-26%
MERCADOLIBRE INC	39.69	1.10	143%	47%	36%	-12%
MICROSOFT CORP	34.25	2.68	5%	23%	13%	0%
NOVO NORDISK A/S-B	38.32	1.68	51%	28%	23%	-3%
VISA	24.23	1.99	16%	15%	12%	-10%
Harmonic Mean PE	**31.85**					**-6%**
PEG Ratio (Forward PE/'23-25 Growth in EPS)		**1.57**				
Annual EPS Growth Rate (Median)			**35%**	**24%**	**14%**	
S&P500 - FWD PE and EPS Growth	**21.19**		**0%**	**9%**	**12%**	

We expect strong performance out of our top 10 positions for the 2024 and 2025 years. Our portfolio is expected to grow earnings per share in the mid-teens which is far higher than the S&P500, where analysts expect 10% average growth over 2024 and 2025. Our companies are trading at higher valuations, 32x, versus the S&P500's 21x, 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. On average, our top 10 positions have pulled back about 6% from their recent highs.

Performance in Rand

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
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%	2.9%	36.1%
2024	5.7%	4.6%	-0.4%	-3.5%	-0.3%	0.0%							6.0%

For the month, the fund was flat in ZAR terms (+2.8% in USD) compared to the MSCI Developed Markets Index which was also flat in ZAR (+2.9% in USD) for the month. The Rand strengthened 2.7% for the month detracting from the performance in ZAR. For 2024 year to date the fund is up 6% in ZAR whilst the MSCI Developed Markets Index is up 9% in ZAR.

The RCI BCI Worldwide Flexible Fund investment team:

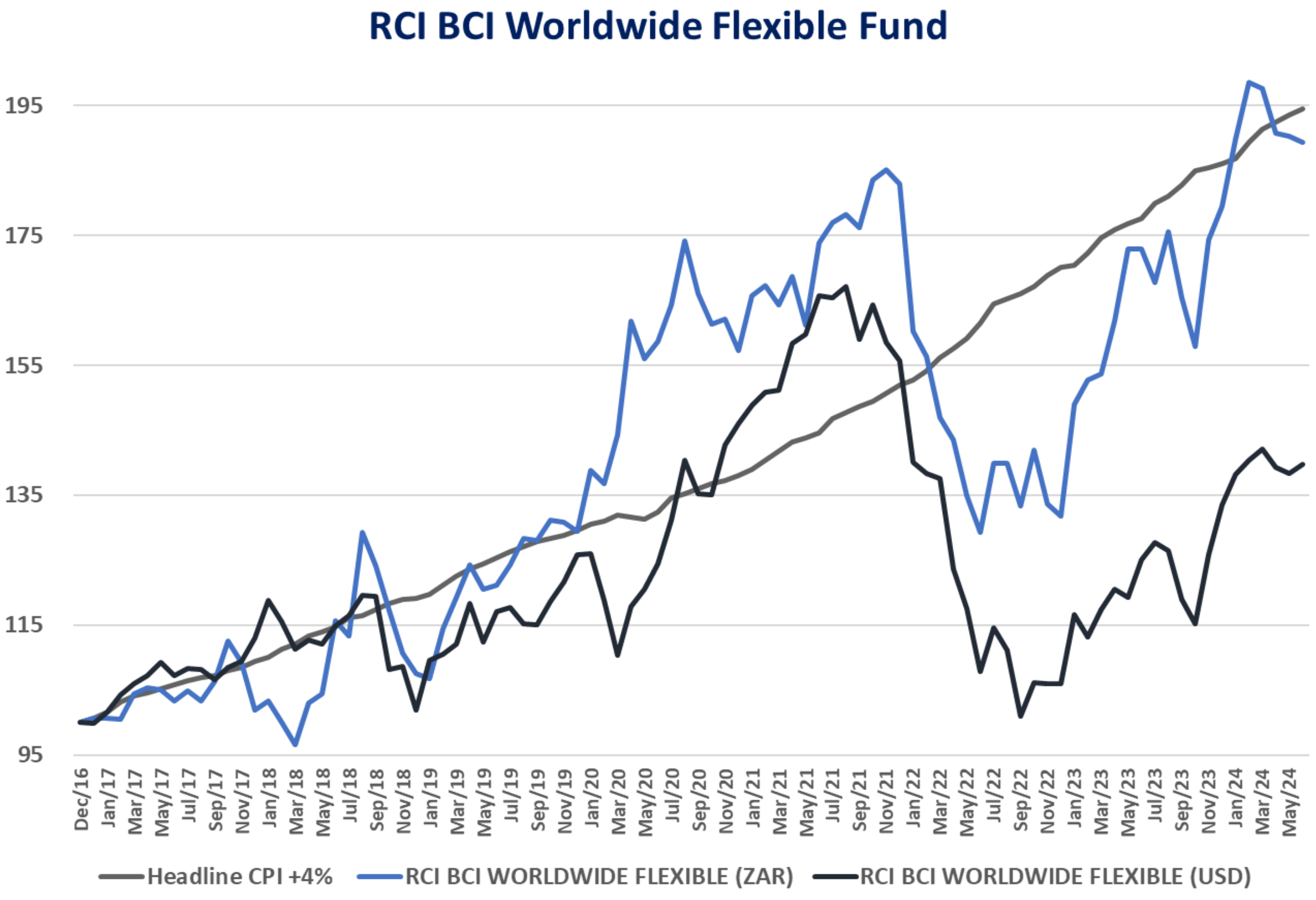
- **Mike Gresty**
- **Di Haiden**
- **Ross McConnochie**
- **Eric Lappeman**
- **Andrew Lawson**
- **Gontse Dikeledi**
- **Keiran Witthuhn**

RCI OFFSHORE UNIT TRUSTS PERFORMANCE

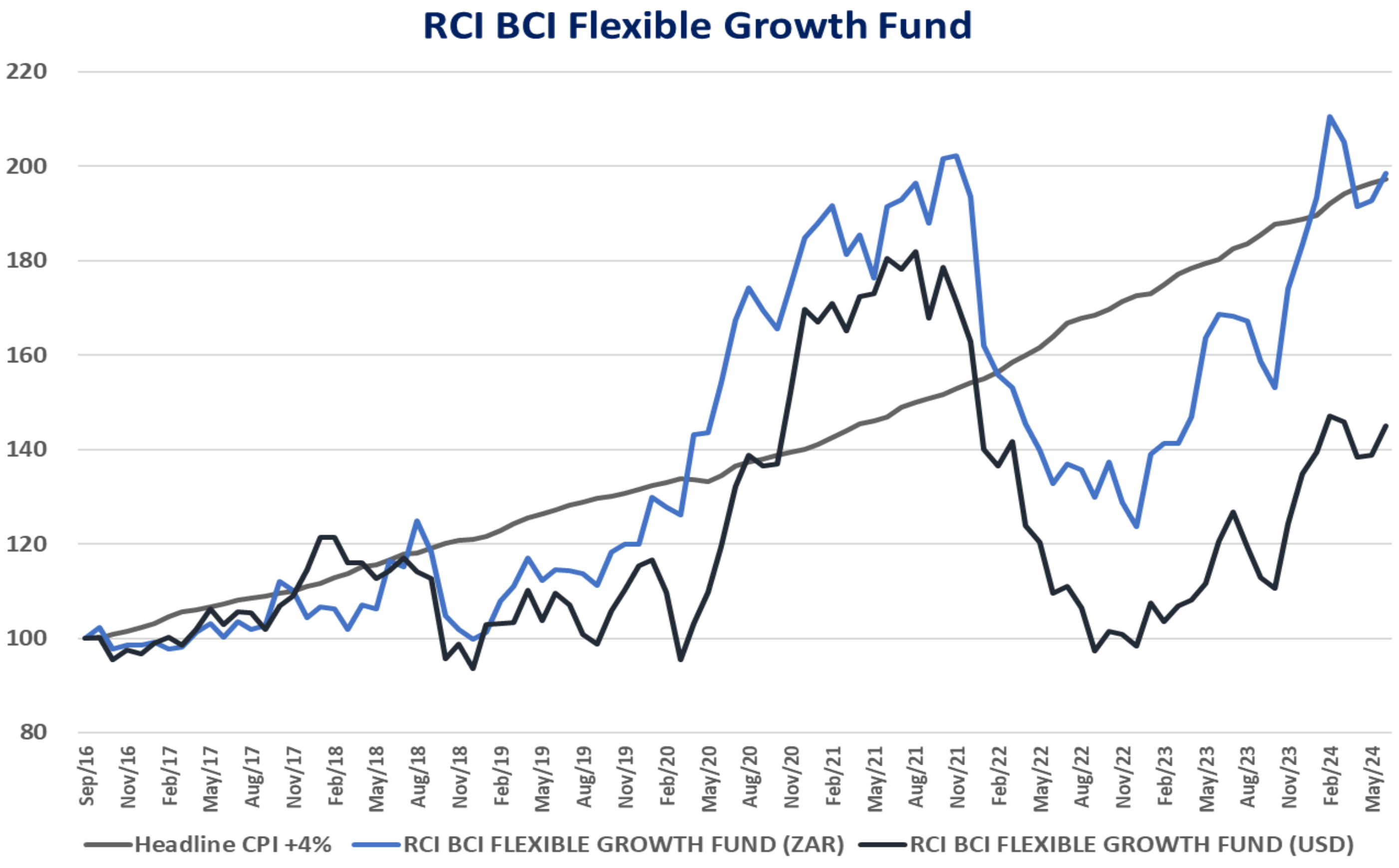
"In the short run, the market is a voting machine, but in the long run it is a weighing machine." – Benjamin Graham

The Family Office

The **RCI BCI Worldwide Flexible Fund** closed June at 189.31, down 0.47% for the month and up 9.44% for the last 12 months.



The **RCI BCI Flexible Growth Fund** closed June at 198.54, up 2.97% for the month and up 17.76% for the last 12 months.



WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

ANCHOR BCI SA EQUITY FUND

The Family Office

Global equities continued to march higher in June (MSCI World Index +2.1% MoM and +12% for the first half of 2024). It was yet another month characterised by the highly concentrated nature of the rally – the Magnificent 7 (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla) accounted for a remarkable 90% of June's MSCI World performance and 50% of performance YTD. From a macro perspective, data was somewhat mixed for equities. Early in the month US payroll data was stronger than expected, weakening the case for interest rate cuts and thus a headwind for equities. Subsequently, however, US inflation data showed inflation slowing marginally more than expected – a positive data point for rate cut expectations. Outside of mega cap tech shares it was generally not a great month for DM equities, with France a notable underperformer (-6.6% MoM), as European markets reacted negatively to the surprise decision by President Macron to call a snap election. Emerging Market (EM) equities had another decent month (MSCI EM +4% MoM). Again, it was the AI theme dominating, with Taiwanese chipmaker TSMC (+18% MoM) accounting for 40% of June's EM performance by itself. Indian equities (+7%) also performed well as PM, Narendra Modi, won the necessary backing of coalition allies to enable him to form a government and extend his decade in power.

Politics was very much the driving force behind South Africa's equity performance in June too. SA equities were among the best performing in EM (FTSE/JSE Capped SWIX Index +4.2% MoM) as the market reacted to the unexpected prospect of a centrist coalition government led by the country's two most popular parties – the ANC and the Democratic Alliance. Unsurprisingly, stocks geared to the domestic economy were the key beneficiaries of this development. Banks and Insurers (both +16% MoM) rallied alongside General and Discretionary Retailers (+14% and +18% respectively MoM). The rand was one of the best performing global currencies in June (+3.3% vs. a strong US dollar), which was a headwind for stocks with predominantly foreign earnings. Mining shares also had a subdued month as weak commodity prices dragged the sector down – those exposed to iron ore were among the worst performers as iron ore fell 6% in June (down 23% YTD).

At the end of June, the top 15 holdings in the fund, making up 63% of the equity exposure, were as follows:

- Naspers
- Prosus
- Investec
- FirstRand
- Standard Bank
- Bidcorp
- Absa
- Capitec
- Bidvest
- WeBuyCars
- AngloGold Ashanti
- Shoprite
- Anglo American
- MAS Property
- Pepkor

Main changes in the month

Last month, we took advantage of the long-anticipated placement of part of Steinhoff's stake in **Pepkor** to add to the fund's position. Aside from its exposure to lower LSM consumers likely to benefit from lower interest rates ahead and access to part of their retirement savings as a result of the move to the two-pot system, we like the optionality that Pepkor has in the medium-term through its Brazilian acquisition, Avenida. We also added to the fund's position in **AECI**, following strong results for the mining division of its competitor, Omnia. We also expect news on progress with the self-help strategy articulated by AECI's new CEO when the company reports next.

Performance

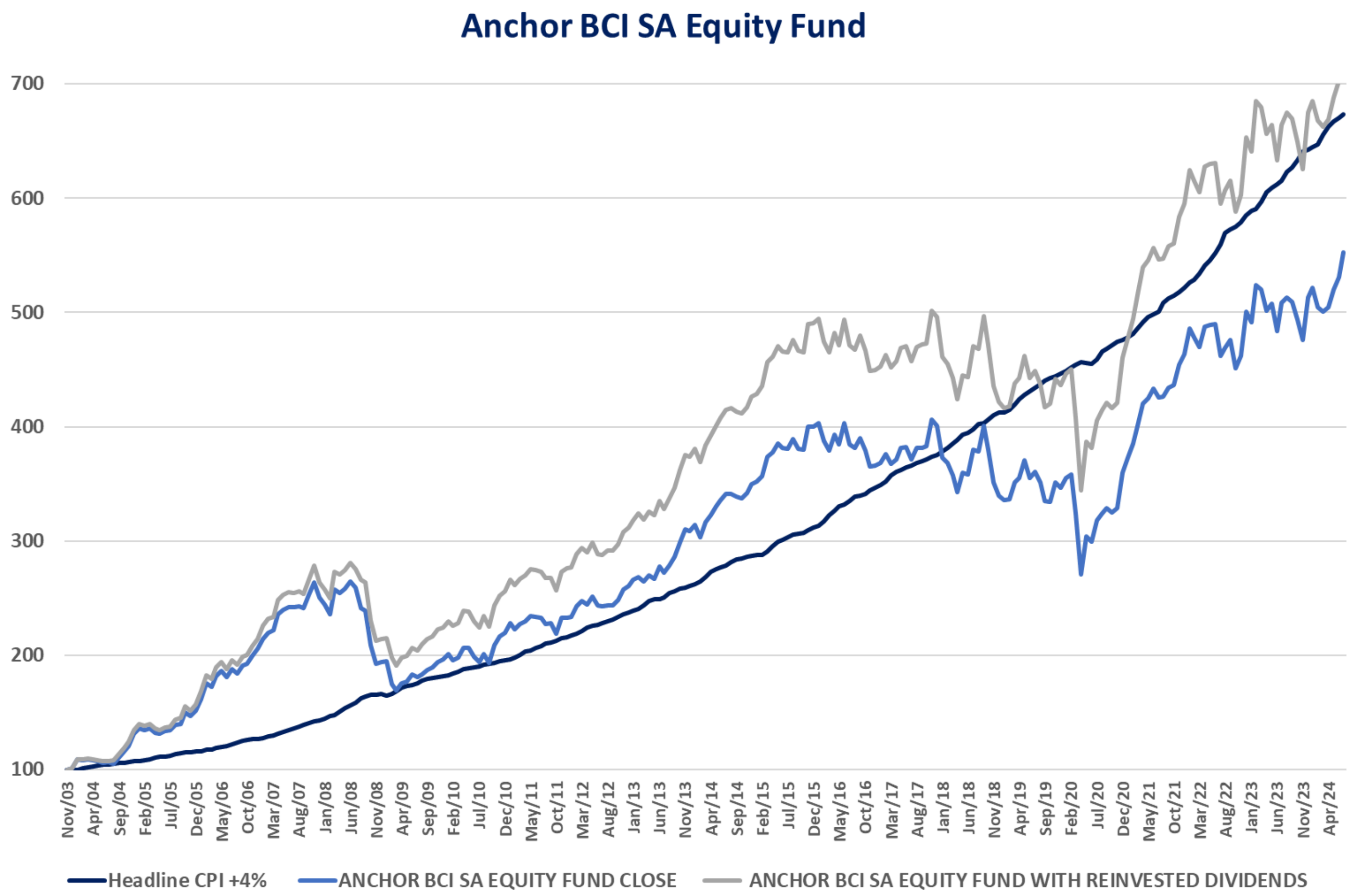
The Anchor BCI SA Equity Fund rose by 4.2% in June (+8.0% YTD), in line with the Capped SWIX index. Although the underweight exposure to mining shares worked to the fund's advantage, the natural orientation to rand hedge shares offset this in a month that heavily favoured SA orientated companies as explained above.

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

WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

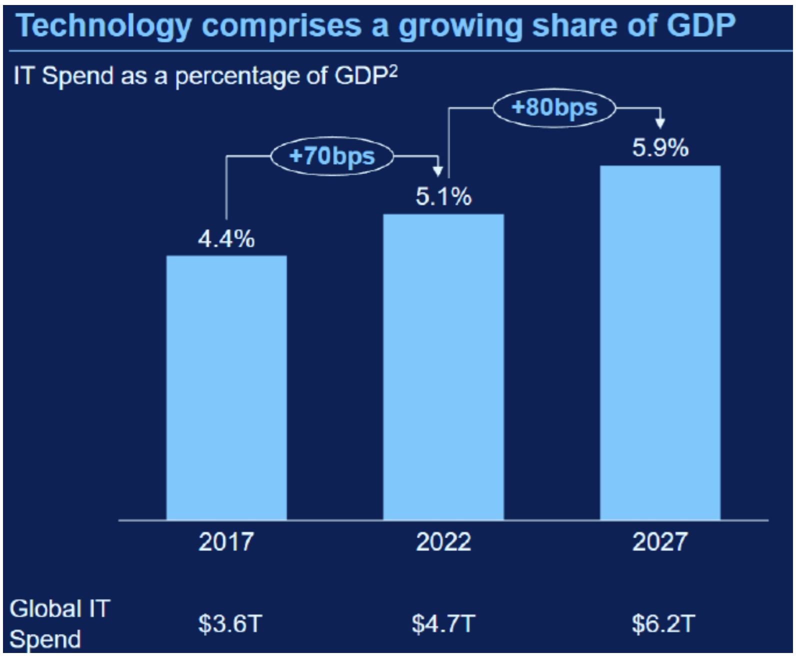
ANCHOR BCI SA EQUITY FUND

The **Anchor BCI SA Equity Fund** closed June at 530.74, up 4.04% for the month and up 8.66% 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.

IT AND TECHNOLOGY SPEND CONTINUES TO GROW



Technology and tech-related companies make up roughly 42% of the S&P 500 index but continue to grow in importance. In 2022, tech spending accounted for approximately 5.1% of Global GDP, and it estimated to increase by another +80bps by 2027.