ROBERT COWEN INVESTMENTS

AUGUST 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:

- **Important 2024 & 2025 tax season updates and our new staff members**
- **The Why and How of Offshore Structuring** – *by Di Haiden*
- **Looking to history to provide us a sense of the impact of early pension withdrawals on the SA economy and financial markets –** *by Ayan Ghosh & Will Ridge (Investec Securities)*
- **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*
- **Bank of Japan's surprise rate hike sparks global selloff: The unwind of Japanese carry trade**

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

"Far more money has been lost by investors in preparing for corrections, or anticipating corrections, than has been lost in the corrections themselves." – Peter Lynch

"The stock market is designed to transfer money from the Active to the Patient." - Warren Buffett

"The big money is not in the buying and selling, but in the waiting." - Charlie Munger

"Time is your friend; impulse is your enemy." - John C. Bogle

"The market can stay irrational longer than you can stay solvent." - John Maynard Keynes

2024 INCOME TAX RETURN, 2024 TAX CERTIFICATES, 2025 1ST PROVISIONAL TAX AND WELCOME TO OUR NEW STAFF MEMBERS

The Family Office

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

We have sent out the 2024 tax certificates via email. Please look out for these tax certificates which were sent by either Aarthi Bikram (aarthi@rcinv.co.za) or Kirsty Lucas (kirsty@rcinv.co.za).
If you have not received your 2024 tax certificates, please let us know.

PSG 2024 Tax Certificates – It has come to our attention that amounts linked to PSG may reflect as pre-populated information on your 2024 tax return. The amounts relate to recoveries received due to historic investments in Steinhoff. The capital gains tax implications will be reflected as well as any interest income. We have requested the 2024 tax certificates from PSG, but these certificates have not yet been received. We will send through the information once received but also ask that If you identify this on your personal tax return, please advise us to ensure that PSG provide all the required certificates.

2025 1ST Provisional Tax – due to SARS on or before 30 August 2024

A reminder to clients who are **provisional taxpayers** that the 2025 1st provisional tax is due **before 30 August 2024**. If you or your tax practitioner require a report for purposes of calculating your provisional tax, please contact your portfolio manager to request this information or send an email request to Aarthi Bikram (aarthi@rcinv.co.za) and we will arrange to provide you with the detail.

This information will not be sent out automatically but will be provided upon request.

We have recently had two new staff members join our team, Juane van Heerden and Reynette Reynierse. Juane will be providing administration assistance to the investment team and Reynette will be joining the accounting team. We know they will be great additions to our team and below is a bit about them.

Juane van Heerden

Juane obtained her LLB degree from the University of Pretoria, after which she completed her articles at a small law firm specializing in civil litigation. She was admitted as an attorney in 2021 and focused on trust compliance and the drafting of Wills within the financial services industry. With extensive experience in administrative roles, she will be assisting the investment team in enhancing our overall client offerings. Outside the office she enjoys spending time outdoors with her dogs, finding balance and inspiration in nature.

Reynette Reynierse

Reynette have been a trust accountant for the past 10 and a half years and had the role of Senior Trust Accountant at the previous company. Apart from capturing the financial data and completing annual financial statements, she was also involved with all aspects regarding SARS, which included registrations, submissions, objections, and other SARS related queries. Reynette worked closely with the Legal Division and assisted them with the preparation of trust resolutions and agreements. She has a great passion for animals and often spends her free time visiting animal shelters and helping where she can.

THE WHY AND HOW OF OFFSHORE ASSET STRUCTURING

The Family Office

BY DI HAIDEN

In its first Financial Stability Review (FSR) of 2024, the SARB refers to 'Domestic institutional investors' total offshore asset allocations being almost the size of SA's nominal GDP at the end of last year.' At market prices in 2023, this was R6.97trn!

SA investors have increasingly diversified offshore, with estimates suggesting that around 40% to 50% of their collective assets are held outside the country. Considering our article in the 2Q24 Navigator on situs and situs tax, entitled Understanding situs and situs tax, dated 17 April 2024, and this massive transfer of wealth outside of SA's borders, we think it is crucial for investors to understand the options available to them to protect that asset base and why they should consider doing so!

Investors should consider the following when investing offshore:

1. Exchange control

SA has exchange control regulations that govern the movement of money in and out of the country. These regulations are designed to manage and stabilise the national currency (the rand) and to protect the domestic economy from excessive capital flight. Failure to comply with these regulations can result in fines or legal consequences. Investors can navigate these regulations more effectively and efficiently by using established offshore structures such as trusts, companies, or investment funds. These structures can often facilitate legitimate transfers of funds and investments across borders while ensuring compliance with local laws.

2. Asset protection and estate planning

Offshore structures can offer significant advantages in asset protection and estate planning. They can help safeguard your wealth against political instability, economic fluctuations, or changes in local laws. For example, placing assets in a trust or offshore company can provide a legal layer of separation between personal assets and potential creditors or litigants, instilling confidence in your financial security.

3. Diversification of assets

Offshore structures can enhance investment opportunities by providing access to a broader range of international markets, products, and currencies. Diversifying your assets globally can reduce overall risk and potentially increase returns over the long term.

4. Business opportunities

Whether you engage in international business or invest globally, offshore structuring can facilitate access to foreign markets, investment products, and opportunities. These may offer higher returns or better diversification prospects than those available domestically.

5. Tax considerations

Consider the tax implications in SA and the offshore jurisdiction when structuring assets offshore. Seek advice from tax professionals to optimise tax efficiency and ensure compliance with local tax laws and reporting requirements.

6. Legal and regulatory compliance

Ensure that any offshore structure complies with SA exchange control regulations and other relevant laws. Consulting with legal advisors specialising in international law and offshore structuring is essential to establish a compliant and effective offshore investment strategy.

Ultimately, the decision to diversify your assets offshore becomes a sums game: Does the cost of setting up a structure warrant the potential savings you may make? Structuring assets means holding said assets in a 'structure' and NOT in your name. Different structures will be more beneficial than others, depending on the amount of assets considered and your specific financial circumstances.

Options Available

So, what are the various options available to investors?

Several options can effectively meet your financial goals while navigating the legal and regulatory frameworks applicable in SA, including:

1. Offshore trusts

Establishing an offshore trust can provide asset protection, estate planning benefits, and certain tax-planning scenarios to be considered. Offshore trusts are managed by trustees in a jurisdiction with favourable trust laws, separating assets from personal ownership and potentially providing beneficial estate and tax planning tools.

2. Offshore companies

Setting up an offshore company in jurisdictions like Mauritius, Seychelles, or the British Virgin Islands (BVI) can offer operational flexibility, tax efficiency, and asset protection. These companies can hold investments or intellectual property or serve as a vehicle for international trade and investment activities.

3. International investment funds

Investing in offshore mutual funds or hedge funds domiciled in reputable jurisdictions can provide diversification across global markets and access to specialised investment strategies unavailable locally.

4. International endowments

An insurance product that ‘wraps’ your investments and is taxed according to the four funds approach, whereby income is taxed at a flat rate of 30% and capital gains at 12%. This is less than the top personal SA income tax rates of 45% and 18%, respectively. No SA tax reporting is required, and proceeds are paid out tax-free. These products also provide an extra layer of protection from situs tax and reduce executors’ fees.

5. Banking services

A bank account in another jurisdiction in a foreign currency provides standard banking services outside of SA.

6. Offshore real estate

Purchasing property in stable offshore markets can diversify your asset base and provide potential rental income or capital appreciation. Offshore real estate investments can also offer residency or citizenship benefits in some jurisdictions.

6. Offshore investment accounts

Opening offshore brokerage or investment accounts lets you directly invest in international stocks, bonds, exchange-traded funds (ETFs), and other financial instruments. These accounts provide access to global markets and currencies, potentially offering higher returns and diversification benefits.

This is not an exhaustive list, but it covers investors’ primary options when investing offshore. Many of the above options can be used in conjunction with each other, but the correct combination will depend on your individual circumstances.

Conclusion

By carefully evaluating the abovementioned options and seeking guidance from experienced financial, legal, and tax advisors, investors can design an offshore asset structuring strategy that aligns with their financial objectives, risk tolerance, and long-term wealth preservation goals while adhering to regulatory requirements.

Our role is to assist you in finding the correct offshore investment structure for you. We strongly believe that it is worth considering all of the various options available to you and deciding which would be the right one, taking into account your unique personal circumstances. Understanding all your offshore investment options will empower you to make informed decisions about your financial future.

If you have any questions or need clarity on investing offshore and its possible financial implications, please contact Di Haiden for assistance.

LOOKING TO HISTORY TO PROVIDE A SENSE OF THE IMPACT OF EARLY PENSION WITHDRAWALS ON THE SA ECONOMY AND FINANCIAL MARKETS

BY AYAN GHOSH & WILL RIDGE (INVESTEC SECURITIES)

For an explanation of the new two-pot retirement system, please see the article in July's newsletter, titled 'An explainer of the two-pot retirement system'.

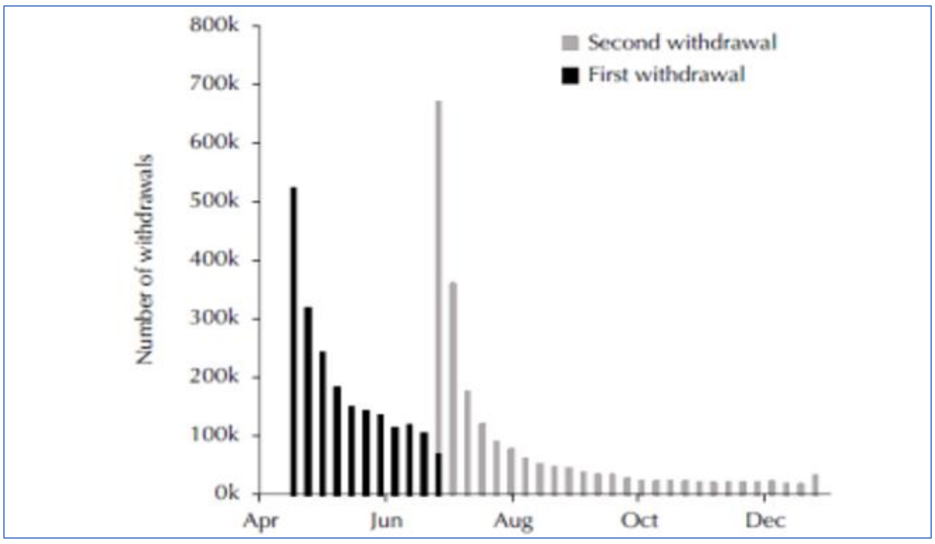
Now here we include an article from Investec on the likely impact of early pension withdrawals on the South African economy and financial markets. The two-pot system goes into effect from 1 September 2024. We draw lessons from Australia, Chile and Peru that allowed consumers early access to mandatory pension funds. We acknowledge that this happened during the pandemic and had their own idiosyncrasies, but the macroeconomic and market implications are interesting and worth appreciating in the context of what we're about to go through.

The Australian experience?

1% of private retirement savings accounts assets in Australia, or 2% of GDP was withdrawn in 2020. Nearly half of those who were eligible withdrew in the first 10 days. The spending response was very sharp, with 90% of the spend occurring within the first four weeks. The marginal propensity to spend was c. 0.43, with c. 60% of discernible spending on non-durables, as those with slightly lower wages withdrew more. Early pension withdrawals in Australia generated c. 0.8% of GDP in direct spending within four months.

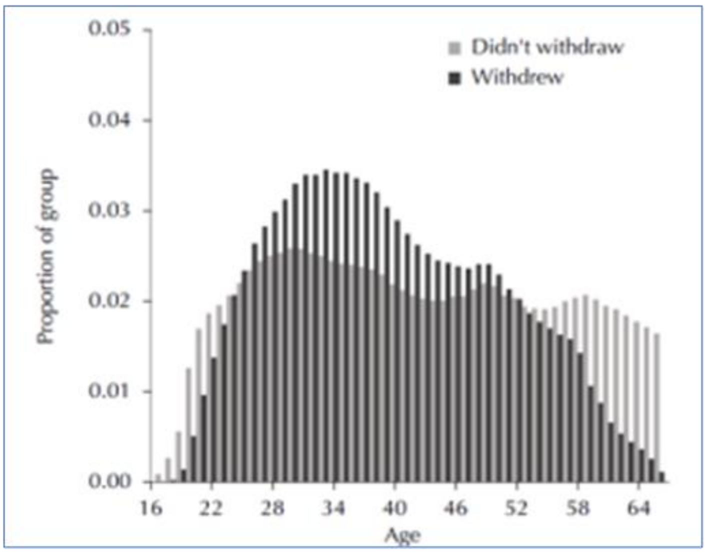
The charts below frame the withdrawal behaviour. It's immediate and youngsters were a lot more proactive in dipping into pots and it was largely blue-collar professionals that wanted the ammo.

Figure 1: Australian pension fund withdrawals in 2020: Nearly half those eligible withdrew in first 10 days (Number of withdrawals by week)



Source: Australian taxation office, Investec Securities estimates

Figure 2: Australia pension fund withdrawals: The relationship between withdrawal and age



Source: Australian taxation office, Investec Securities estimates

Figure 3: Australia pension fund withdrawals highest in blue-collar professions: Withdrawal rates by occupation and location

Occupation	Withdrew (%)	Location	Withdrew (%)
Machinery operators and drivers	32.3%	Very remote	24.2%
Laborers	30.5%	Remote	21.1%
Technicians and trades workers	24.4%	Outer regional	19.5%
Community and personal service workers	22.7%	Inner regional	18.1%
Sales workers	20.0%	Major cities	17.3%
Managers	16.8%		
Clerical and administrative workers	15.4%		
Professionals	9.4%		

Source: Australian taxation office, Investec Securities estimates

The below chart shows how linear the correlation is between the above withdrawals and retail sales.

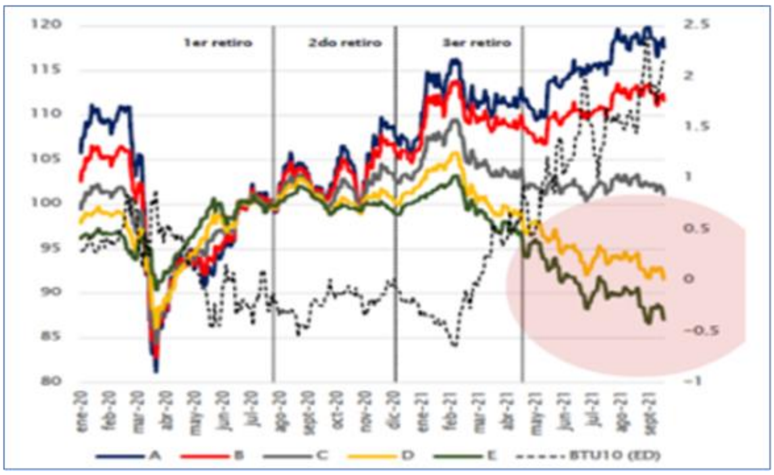
Figure 4: Australia retail sales in H2 2020 amidst retirement fund withdrawal: +6.2% YoY in H2 2020 vs +2.7% YoY in 2019

Source: Bloomberg, Investec Securities estimates

Chile

Chile has approved early pension withdrawal since 2020, which resulted in early withdrawals, equivalent to 23% of 2020 total assets or c. 20% of 2020 GDP. This is massive! The quantum of withdrawals had a proper impact on the Chilean capital markets per the first chart below. The pension fund withdrawals resulted in domestic bond market outflows and negatively impacted Chilean pension funds with greater exposure to local fixed income.

Figure 5: Negative return on Chilean pension funds with greater local exposure to local fixed income (funds D and E below)



Source: Central Bank of Chile

The good news is that Chilean households did use a chunk of the above to pay down loans and replenished bank deposits. Banks outperformed other sectors despite the forced domestic sell-off. Linked to the above, the IMF highlights that there was no clear evidence of negative performance of Chile banking stocks relative to the aggregate stock market index in Chile, in contrast to the experience of other domestic companies exposed to pension funds in Chile. While pension funds were liquidating bank stocks and bonds to accommodate the pension withdrawals, banks also saw increased funding via increased deposits.

Peru

Similar to Chile, Peru also saw significant early withdrawals from pension funds as a percentage of total assets of pension funds, during the Covid-19 pandemic. We believe this to be largely related to flaws in the withdrawal process. It was once again the younger cohort that took up the offer.

So what are we likely to experience in South Africa?

The first point I want to make, is that relative to the countries framed above, our savings industry has had a lot of time to prepare and position likely withdrawals. I think it's fair to say that SARS might have some catching up to do but this Moneyweb article suggests that the tax authorities could be able to turnaround applications within 48 hours. If this is the case, we're going to see a retail sales explosion in Q4!

In line with the Chilean experience, the Sanlam Benchmark survey shows that retirement fund members in South Africa who have withdrawn their benefits recently used the amount to reduce short-term debt (51%) and fund living expenses (33%). Yet, the Sanlam Benchmark survey also highlights that only half of the members surveyed indicated that they were aware of the level of tax they would pay, implying that initial withdrawals may surprise on the upside. I don't think proper analysis of the tax implications would matter much in the decision to withdraw. Those that have made up their minds that they need, or want to access liquidity will do so anyway. What does surprise me is that bank credit loss ratios are proper beneficiaries and this tests my "income = consumption" model for the SA consumer that has generally served me well.

We (Investec) model >R50 billion in early pension withdrawals that could uplift South African real GDP by >0.5% of GDP in 2025, and add R10 billion in extra tax revenue. Early pension fund withdrawals in South Africa may surprise to the upside, in our view, with banks (Capitec, Nedbank), food (Spar, Pick n' Pay) and apparel retail (Pepkor) among the key beneficiaries. There are a lot of known unknowns when it comes to this topic and each market has its idiosyncrasies. But it would be a combination of naïve and arrogant to ignore the experiences elsewhere. The SA snowball appears to be gathering a bit of positive momentum and the above looks set to buoy retail sales and GDP and reduce retail credit loss ratios. This at the expense of a potential savings and retirement catastrophe in the long term that very few appear to be focused on. The definition of "short term gain, long term pain".

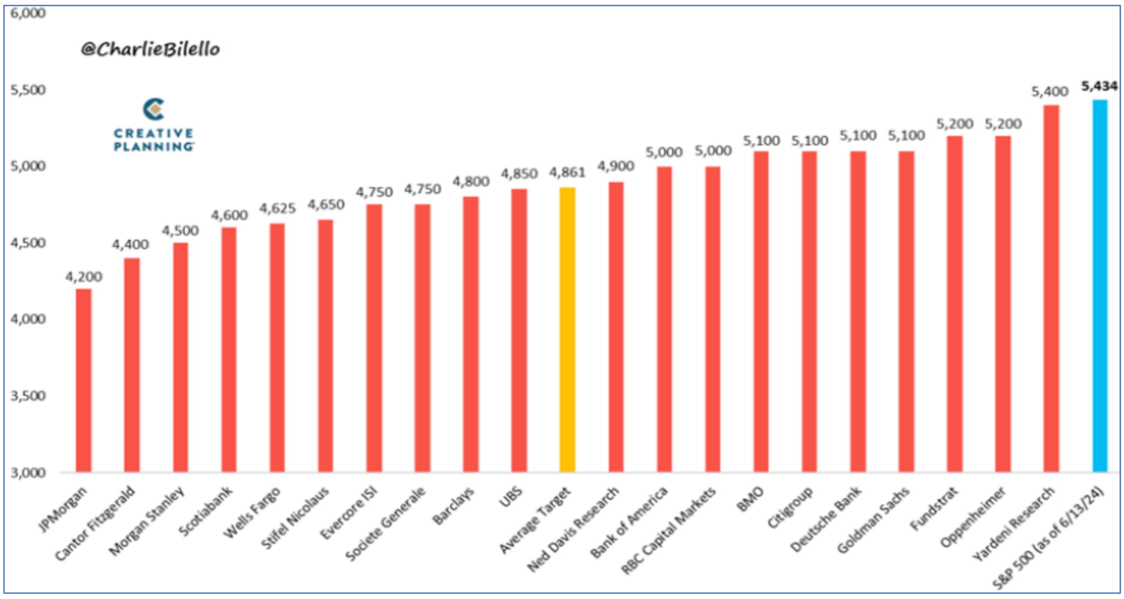
WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

RCI BCI WORLDWIDE FLEXIBLE FUND

Global markets finally showed an increase in volatility by correcting almost 5% during the month to close flat at month end. If we dig deeper into the sectors, there was a large rotation from those companies that have outperformed this year into sectors that have underperformed of late. There was even a record-breaking outperformance of the small and mid-cap sectors relative to the large cap S&P500 index this month. Many of the market darlings like ASML, Novo Nordisk, Visa, Microsoft and Alphabet fell double digits this month. The winning sectors were real estate, utilities, financials and industrials, all sectors that we typically avoid in our fund as they don't meet our quality requirements for long term investments. Quality growth as an investment strategy is currently at the lowest premium relative to the index in over 7 years, meaning our investment strategy is extremely attractive right now.

The market is looking fully priced with the current price now higher than all the brokers' target expectations for the end of 2024:

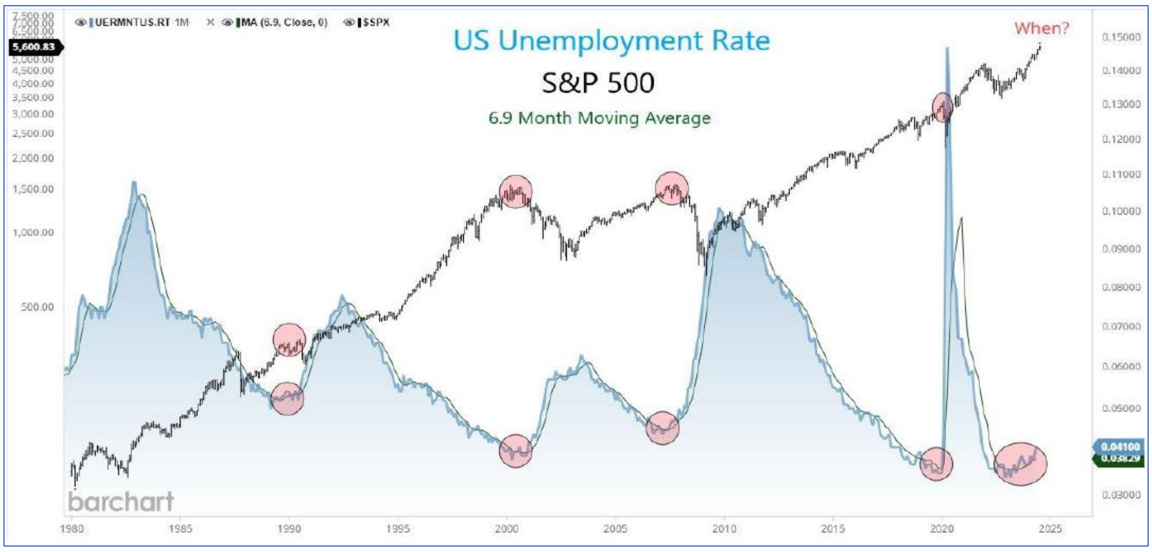
S&P 500: Wall Street's 2024 year-end price targets vs. current level (as of 13/06/2024)



Source: Charlie Bilello, Bloomberg

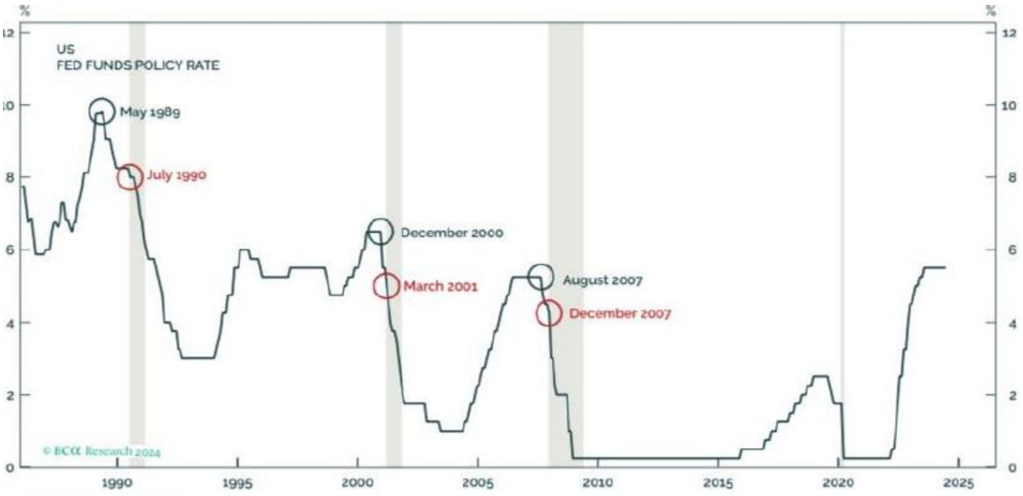
At the beginning of 2024, the large research houses had an average expected closing price on the S&P 500 of 4,861, which is considerably lower than the market levels in July 2024. The market is currently higher than even the most optimistic analysts' expectations.

Unemployment has turned upwards after hovering below the 4% level for many years (excluding COVID). Some market participants believe this is a leading indicator (red bubbles) for recessions and thus a possible high-water mark for the S&P 500 Index, a forward-looking mechanism itself.



Weaker PMI and consumer spending has led the market to expect interest rate cuts to begin in September. The real question is whether the Fed has left it too late? The following graph shows the Federal Funds Rate over time, with reference to the beginning of interest rate cut cycles in blue and the subsequent recession in red. The main reason for this occurrence is that even though interest rates are often cut during the first signs of economic distress, the effects of the cut take so long to impact the economy that the recession would often still occur before their impact is felt. Interest rate cuts at the start of economic stress are often too slow to prevent the economy from going into recession. We have yet to receive an interest rate cut but the market is expecting one imminently.

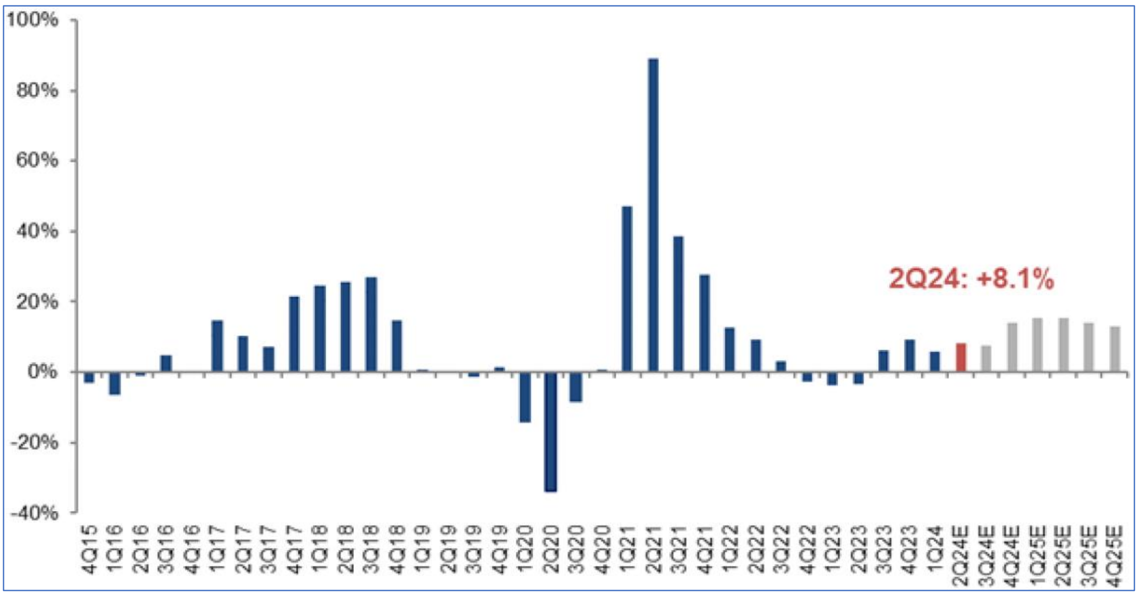
Recessions often start not long after the Fed begins cutting rates (shaded areas denote NBER-designated recessions)



Source: BCA Research, Federal Reserve

We are currently over halfway through second quarter US earnings season and overall Earnings Per Share (EPS) is expected to increase about 8% year-on-year. The market is also forecasting an acceleration in earnings growth at the end of the year that is mostly fuelled by the outperformance of non-magnificent 7 companies that have been poor performers the last 2 years.

S&P 500 Quarterly EPS Year-on-Year Growth



Source: Refinitiv, S&P, Morgan Stanley Research, MS Thematic Investment Strategies

US earnings per share is expected to increase 8% in the second quarter and increase low double digits in the fourth quarter of 2024. There appears to be a disconnect between earnings expectations and economic data. However, the market is hoping that the upcoming interest rate cutting cycle comes to the rescue and keeps the party going for corporates for longer. We continue to support a well-diversified portfolio of quality companies that should produce superior earnings growth relative to the market.

RCI BCI WORLDWIDE FLEXIBLE FUND (CONT.)

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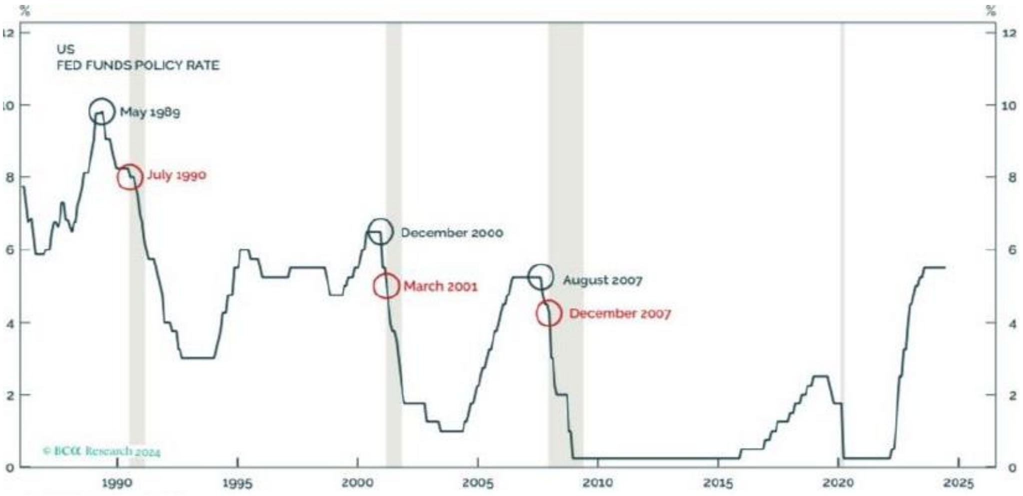

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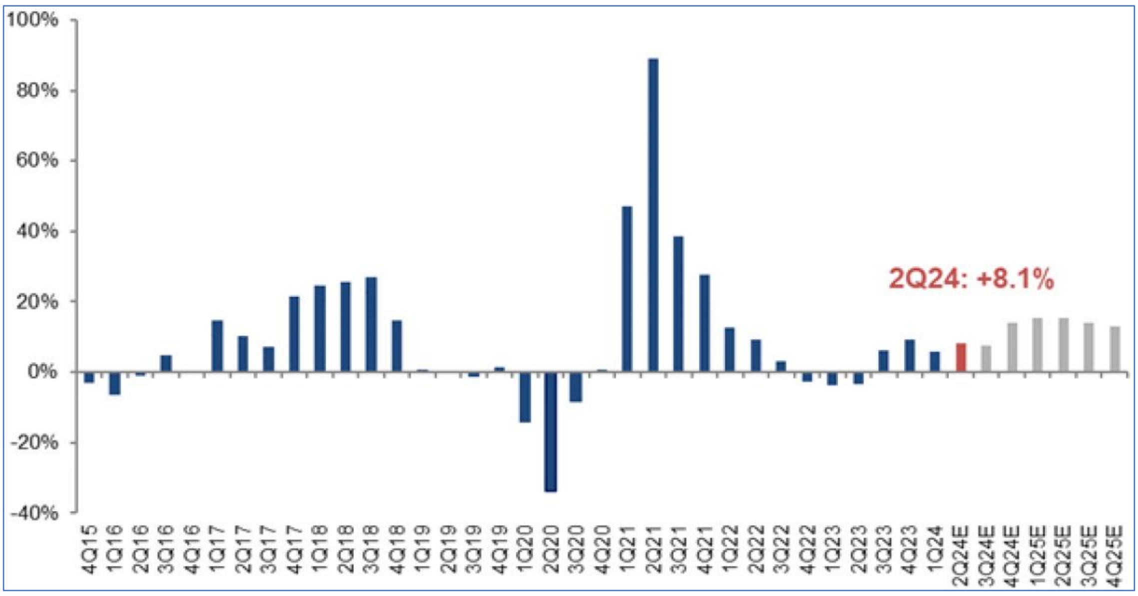

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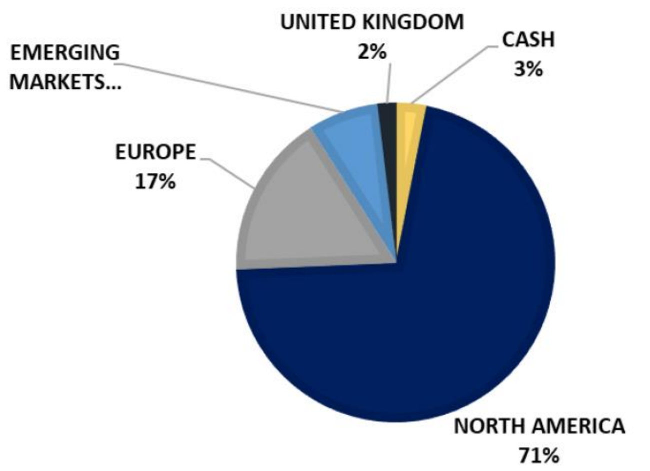
Our top 10 positions

	PE in one years time	PEG Ratio (FWD PE/'23-25 Growth)	EPS Growth 2022-2023A Growth	EPS Growth 2023-2024E Growth	EPS Growth 2024-2025E Growth	Pullback from high
ALPHABET INC-CL C	20.15	1.79	33%	32%	11%	-11%
AMAZON.COM INC	29.61	1.39	431%	47%	21%	-7%
ASML	32.98	0.53	37%	-2%	62%	-17%
BOSTON SCIENTIFIC	28.53	2.15	17%	20%	13%	-7%
CONSTELLATION SOFTWARE	40.82	2.72	57%	19%	15%	-4%
FORTINET	30.76	2.89	31%	14%	11%	-26%
MERCADOLIBRE INC	40.68	1.15	143%	46%	36%	-9%
MICROSOFT CORP	31.11	2.56	5%	23%	12%	-11%
MONCLER SPA	21.54	1.91	0%	9%	11%	-22%
VISA	24.44	2.12	16%	14%	12%	-9%
Forward PE Ratio*	**28.58**					**-12%**
PEG Ratio (Forward PE/'23-25 Growth in EPS) *		**1.52**				
Annual EPS Growth Rate^			**32%**	**19%**	**13%**	
S&P500 - FWD PE and EPS Growth	**21.12**		**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, 28x, 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 corrected about 6% from their recent high's. There were no significant changes made during the month.

Geographic Drivers



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%	-4.7%						**1.0%**

For the month, the fund was down 4.6% in ZAR terms (-4.7% in USD) compared to the MSCI Developed Markets Index which was flat in ZAR (-0.2% in USD) for the month. The Rand weakened 0.1% for the month adding to the performance 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

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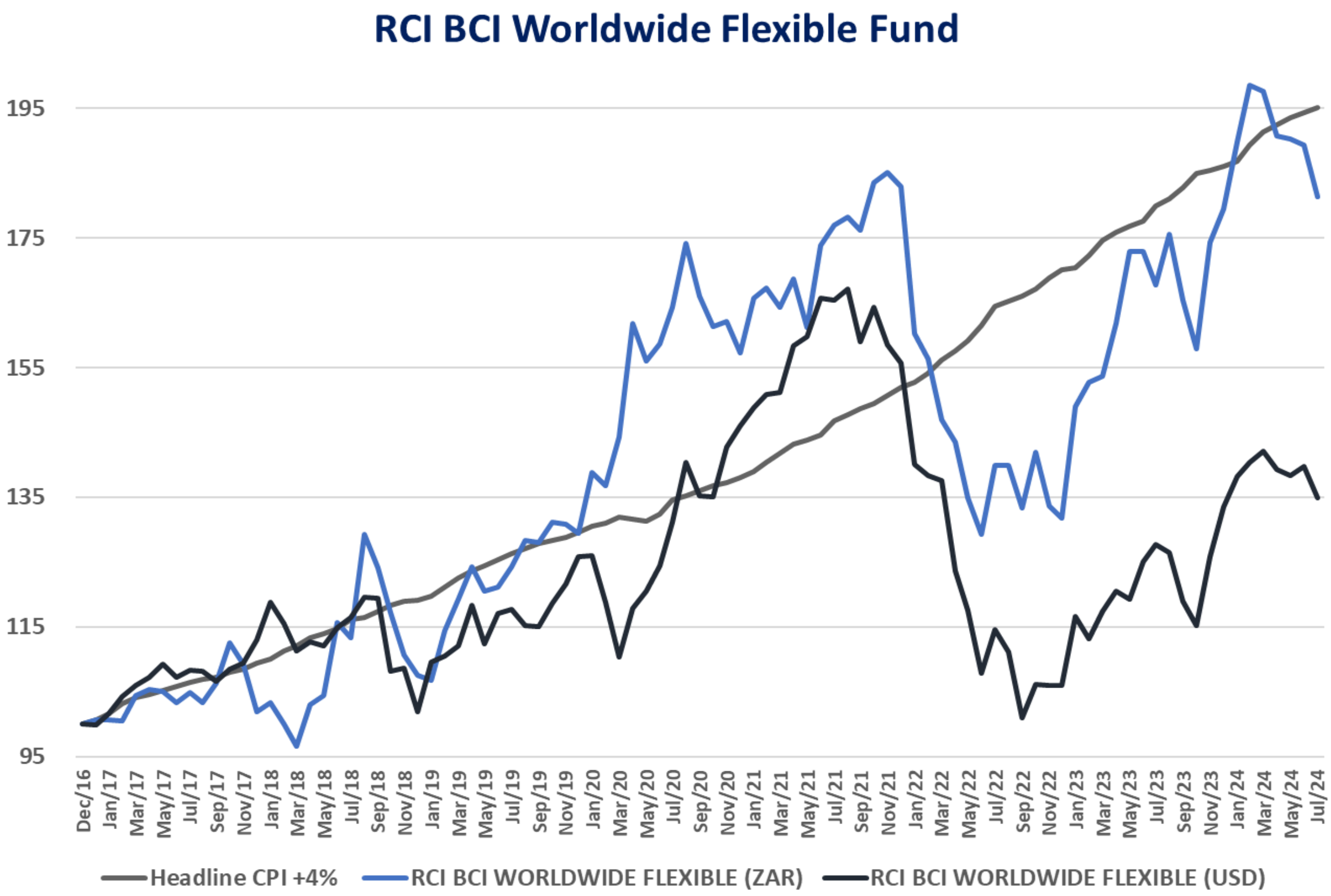
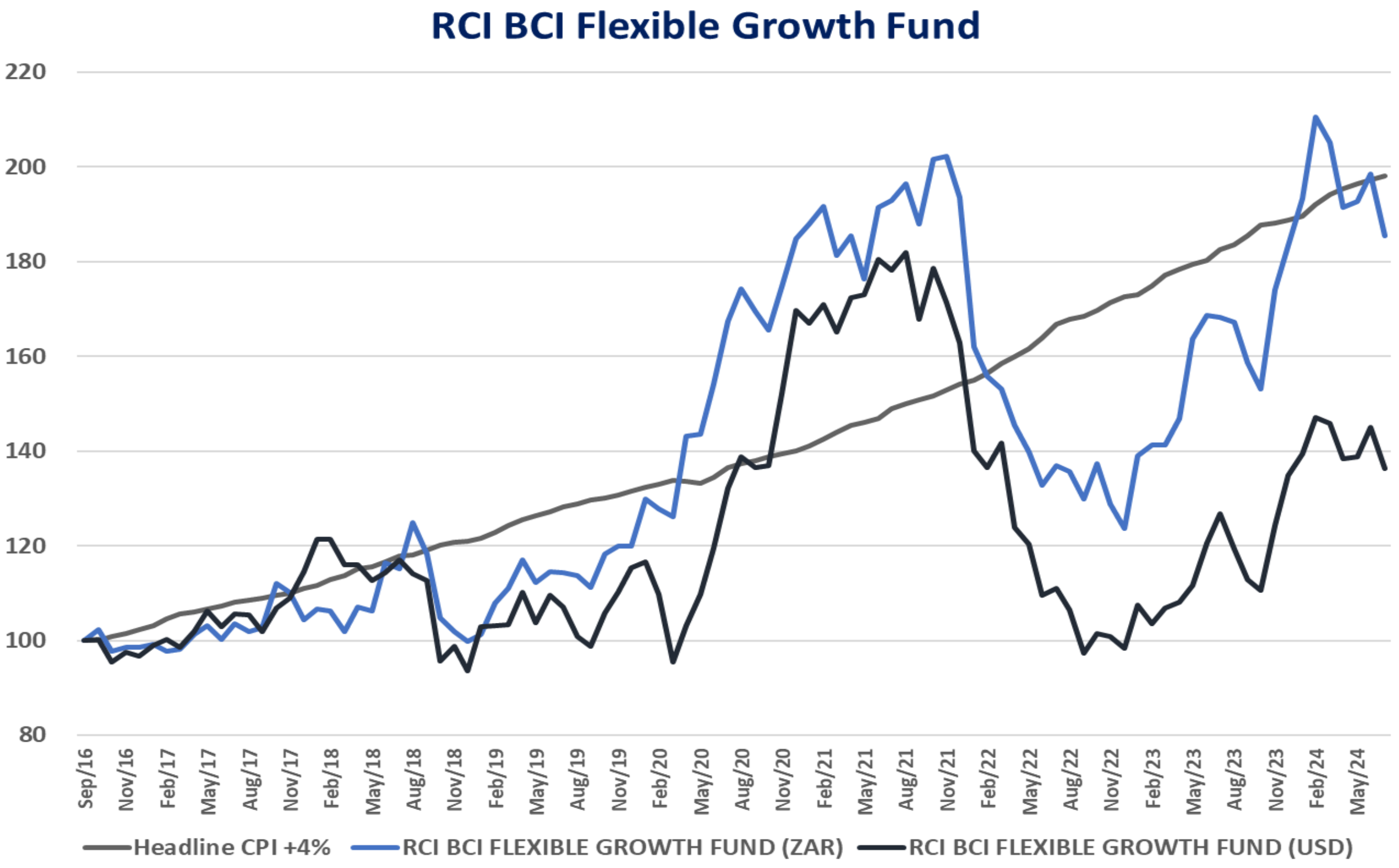
The **RCI BCI Worldwide Flexible Fund** closed July at 189.31, down 4.22% for the month and up 8.12% for the last 12 months.



The **RCI BCI Flexible Growth Fund** closed July at 185.45, down 6.59% for the month and up 10.27% for the last 12 months.



WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

The Family Office

ANCHOR BCI SA EQUITY FUND

Global equities continued higher in July (MSCI World Index +1.8% MoM). However, where the rally throughout 1H24 was remarkable from the point of view of having been driven by a concentrated group of mega-cap technology shares - the Magnificent 7 (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla), this pattern changed in July. The mega-cap tech cohort declined 2% MoM in July, while the balance of the 1,423 stocks in the index collectively rose 3% MoM. After strong outperformance, which has pushed valuations to extended levels, the bar of expectation for the large tech companies was very high heading into this quarterly results season, while investors have also begun to fret about the potential returns on the enormous sums these companies are currently investing in AI. On the other side of the coin, the latest US inflation data released, revealing further moderation in inflation, drove increased optimism about prospects for interest rate cuts ahead. This triggered a broadening of the equity rally, particularly among smaller capitalisation shares, which are seen as more sensitive to variable interest rates (Russell 2000 Index +10% MoM). Emerging Market (EM) equities eked out a small positive return in July (MSCI EM +0.4% MoM). This was driven by India and South Africa, which offset another disappointing month for Chinese shares. Chinese shares remained on the back foot as a succession of economic releases revealed that the Chinese economy continues to perform worse than expected, while investors appeared underwhelmed by the policy proposals emerging from the important Third Plenum of the Communist Party of China intended to tackle this.

In July, South African equities were in the unusual position of experiencing a 2nd consecutive month as one of the top-performing major equity markets (FTSE/JSE Capped SWIX Index +4.1% MoM), as the positive post-election momentum continued. Stocks geared to the domestic economy were, unsurprisingly, the major drivers of performance – banks and general retailers (both +6% MoM), for example. Sector heavyweights Naspers/Prosus had a mediocre month (-2% MoM), as negativity around China weighed on their key investment, Tencent. There was divergence in performance among the miners, with gold and platinum (+14% and +8% respectively) rallying in sympathy with their underlying commodities, while subdued bulk and industrial commodity price performance weighed on the diversified miners during July.

At the end of July, the top 15 holdings in the fund, making up 59% of the equity exposure, were as follows:

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

Main changes in the month

Although company management teams with whom we have recently met remain cautious about genuine evidence of improvement in the local operating environment they are experiencing, we continue to investigate a range of ideas. With this in mind, we initiated a position in **Famous Brands**, the owner of Steers and Wimpy. On the mining front, we added **Gold Fields**, acknowledging that, for the time being, gold prices are likely to be well supported. However, we have reduced our positions in **BHP Group** and **Exxaro**. Finally, we used recent weakness to add further to the fund's **Naspers** holding. Accelerating growth momentum in Tencent's critical gaming division is expected to be evident in its next quarterly results (due to be announced in mid-August), while Naspers' recent results revealed solid progress with driving profitably in its E-Commerce division. With share buybacks ongoing, we remain optimistic.

Performance

The Anchor BCI SA Equity Fund rose by a pleasing 4.0% in July (+8.0% YTD), in line with the Capped SWIX index. The fund's bank and retail exposure featuring prominently among July's positive contributors. Notably, some smaller-cap exposures, **Murray & Roberts** (+43% MoM) and **Capital Appreciation** (+16% MoM), also performed well. Disappointment with policy proposals from the Third Plenum of the Communist Party of China (CPC) was likely a common thread among the detractors of the portfolio's performance last month, which included the diversified miners and Naspers/Prosus.

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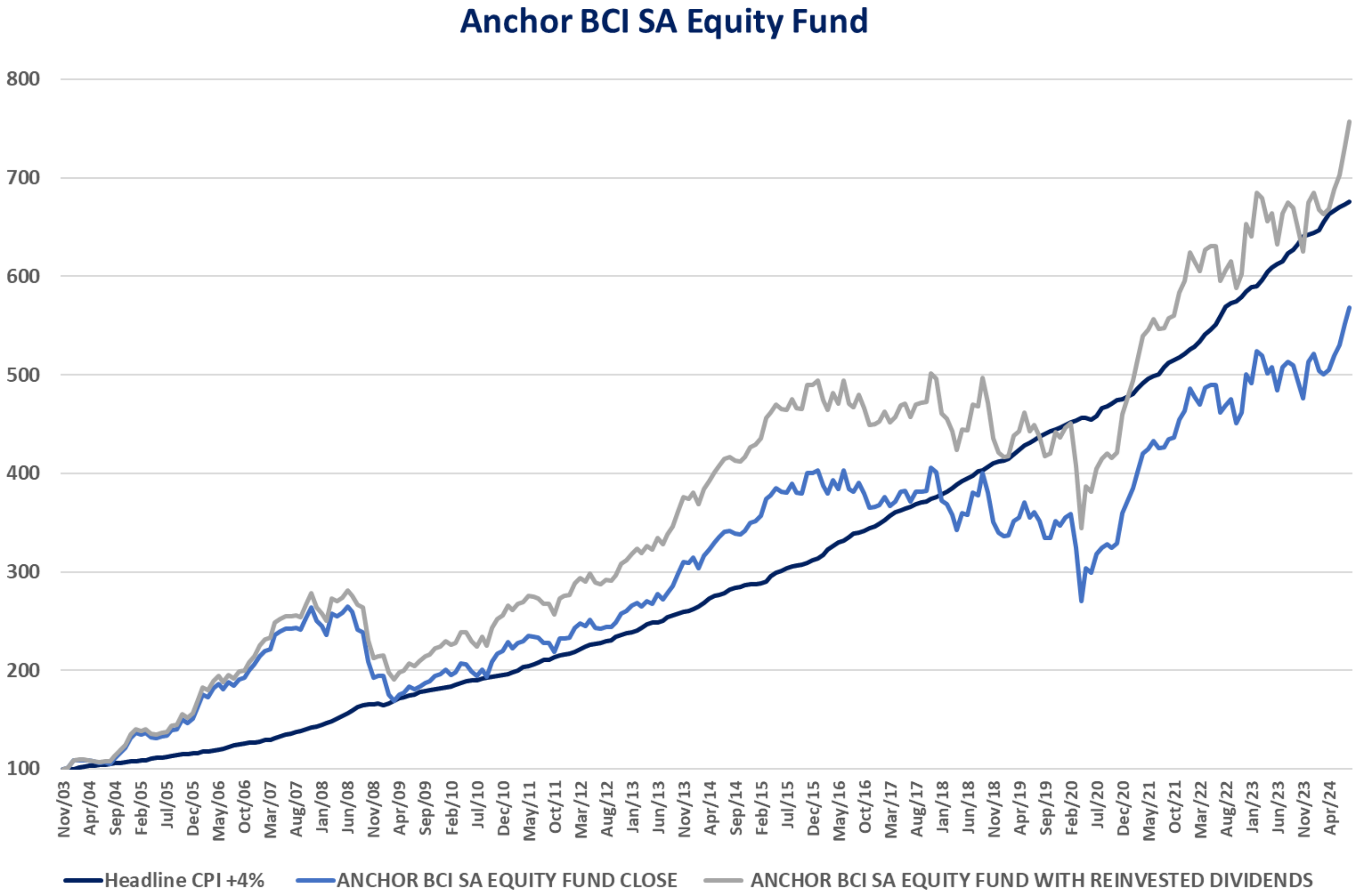
WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

ANCHOR BCI SA EQUITY FUND

The **Anchor BCI SA Equity Fund** closed July at 530.74, up 4.0% for the month and up 12.19% 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.

BOJ'S SURPRISE RATE HIKE SPARKS GLOBAL SELLOFF: THE UNWIND OF JAPANESE CARRY TRADE

	Rtn Aug 1st - 5th	Policy Rate	
DM CURRENCIES			
Dollar Index	-1.4%	5.50%	
British Pound Spot	-0.6%	5.00%	
Canadian Dollar	-0.1%	4.50%	
Euro	1.2%	4.25%	
Swiss Franc	3.0%	1.25%	Popular Funding Currencies for Carry Trade
Japanese Yen	4.0%	0.25%	
EM CURRENCIES			
Taiwan Dollar	0.6%	2.00%	
Thai Bhat	0.2%	2.50%	
Malaysian Ringgit	3.7%	3.00%	
Korean Won	0.1%	3.50%	
Chinese Yuan	1.2%	4.35%	
Polish Zloty	0.9%	5.75%	
Chilean Peso	-1.2%	5.75%	
Indonesian Rupiah	0.4%	6.25%	
Indian Rupee	-0.1%	6.50%	
Philippine Peso	0.9%	6.50%	
South African Rand	-1.7%	8.25%	Popular Yielding Currencies for Carry Trade
Brazilian Real	-1.3%	10.50%	
Colombian Peso	-2.2%	10.75%	
Mexican Peso	-3.8%	11.00%	
Russian Ruble	1.3%	18.00%	
Argentine Peso	-0.4%	40.00%	
Turkish Lira	-0.7%	50.00%	

Unwinding leverage caused the most pain for the most crowded trades

Index	DM Equities	Aug 1st - 5th	YTD (31 JUL)
NYSE FANG	Large Cap Tech	-9.2%	28.3%
NIKKEI 225	Japan	-19.5%	17.9%
S&P 500	US	-6.1%	16.7%
FTSE MIB	Italy	-7.3%	15.9%
NASDAQ 100	US Tech	-7.6%	15.6%
MSCI World	Developed Markets	-6.4%	14.0%
IBEX 35	Spain	-5.8%	13.1%
FTSE 250	UK Midcap	-6.3%	11.8%
Euro Stoxx 50	EU	-6.1%	10.8%
FTSE 100	UK	-4.2%	10.6%
DAX	Germany	-6.3%	10.5%
CAC 40	France	-5.1%	2.7%

The Bank of Japan's unexpected rate hike on July 31st triggered a major unwinding of the Japanese carry trade, causing a selloff in high-yield currencies and sharp declines in global equity indices. The carry trade is used by investors who borrow in low-interest currencies, like the Japanese Yen and Swiss Franc and invest in high-yielding ones like the South African Rand, Brazilian Real and Mexican Peso as shown above. The Nikkei fell 19.5%, exacerbated by fears the BoJ might reduce its stock market holdings. The shift to a more hawkish stance created a challenging environment for Japanese equities and global markets.