ROBERT COWEN INVESTMENTS

SEPTEMBER 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 privacy and security notification for all clients**
- **The philosophical musings of an active manager** – *by Chris Lemmon*
- **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

One of our staff members, Keiran Witthuhn was asked to step in for long-time host Simon Brown on the MoneywebNOW podcast on 3. The podcast is the number 2 business and finance podcast in South Africa. The link to the podcast episode can be found here (Spotify) or here (Moneyweb website).

The podcast had discussions on the following:

- Carmen Mpelwane, Independent Analyst, went through Bidvest's full year results.
- James Bennett, Global Equity Analyst at Anchor Capital, highlighted the investment case for the cybersecurity industry and explained why it's a secular theme that we at both Anchor and Robert Cowen Investments like.
- Lastly, Dr Adrian Saville, Professor of Finance, Strategy and Economics at the Gordon Institute of Business Science and Director of Strategy at the Tennant Group, seemed to share Keiran's optimism of what we see unfolding inside South Africa. He gave his opinion on investor sentiment in South Africa and an assessment of the Government of National Unity so far. Let the good news keep rolling in!

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IMPORTANT PRIVACY AND SECURITY NOTIFCATION FOR ALL CLIENTS

The below is a communication that was sent out to all Anchor clients. We feel it is worth repeating here as it is important that all our clients clearly understand what risks are out there. We have seen firsthand the consequences of not knowing what threats are out there. We urge all our clients to please read the below. Educating yourself on the cyber risks is essential in today's digital age. Always be careful what you click on and be mindful to not give hackers your information.

We are reaching out to inform you of some crucial security measures designed to protect your financial transactions, both with us and in your broader financial activities.

Phishing scams work by tricking you into clicking on a link or attachment that either infects your machine with malware or takes you to a page that looks real, but isn't, and is specifically designed to steal your confidential account information. Make sure the site's URL begins with "https". You should see a closed lock and "anchorcapital.co.za" in your browser bar if you are on our website or sub-domains. If you do not see this, do **NOT** divulge any information and leave the site immediately. Click on the below to see the lock next to the URL address.

Anchor Capital (Pty) Ltd | https://anchorcapital.co.za

Potential Email Interception Alert

We are wanting to remind you of the potential risk of emails being intercepted, which could result in you receiving or sending false banking details. To safeguard your financial information and ensure the security of all transactions, we have implemented the following measures:

- **Verification of Banking Details**: If any money is to be paid either by you to us, or from us to you, we will use an alternate channel of communication to verify the banking details. This may include phone calls or secure messaging platforms.
- **No Direct Links for Banking Information**: Please be aware that we will never send you a direct link asking for your bank details. Any such request should be considered suspicious and reported to us immediately.

Password Security

To further enhance your security, we recommend the following password best practices:

- **Use Strong Passwords:** Create passwords that are at least 12 characters long and include a mix of letters, numbers, and special characters.
- **Avoid Reusing Passwords:** Do not use the same password for multiple accounts.
- **Enable Two-Factor Authentication (2FA):** Whenever possible, enable 2FA for an added layer of security.
- **Regularly Update Passwords:** Change your passwords periodically to reduce the risk of unauthorised access.

Special Service for Our Clients

We're pleased to offer you a special tool designed to help you safeguard your personal information. By entering your email address, this tool will alert you to any potential breaches or exposures across the platforms and services where you've used your email. Our goal is to keep you informed and empower you to take the necessary steps to protect your online security.

Think before you click.

Hover over links that you are unsure of before clicking on them. Do they go to the website they are supposed to? When in doubt, always directly go to the anchorcapital.co.za website, rather than clicking a potentially dangerous link.

Click here to access the tool

We will not collect any of the email address information entered when using the link. The link is for personal use only – it is not a compulsory tool, it is merely a courtesy tool/service created for you to use, and any email address entered here is confidential.

Your Security is our Priority

We take the security of your financial information very seriously. If you receive any communication that appears suspicious or if you have any doubts about the authenticity of an email, please contact us immediately!

Thank you for your attention to this important matter. We appreciate your cooperation in helping us maintain the highest level of security for your transactions.

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BY CHRIS LEMMON

Active portfolio management entails frequently buying and selling equities to outperform a specific benchmark. This management style strives for superior returns but with greater risk. Conversely, passive management requires replicating an index or benchmark to match your investments' performance.

As an active manager, Anchor naturally believes in the power of a considered investment decision-making process to deliver positive investment outcomes for its clients over the medium term. However, as the debate around active vs passive investment strategies continues (with quite extreme views in some instances), one key question to the discussion is often left out. **Is the market efficient or not?** Without a firm view on this cornerstone of the debate, we believe it is difficult to create a solid foundation to confidently build one's case, either way.

As a result, the intention of this article is not to try to add to this emotive debate in the context of a binary one vs the other position but rather to look at the genesis of active management. Is there evidence to suggest that markets are, in fact, inefficient? If one can answer 'yes' to this question, the debate revolves around the difference between 'good' and 'bad' active managers - an entirely different discussion.

Unsurprisingly, this issue has been explored in detail by academics and market practitioners alike. While theoretical frameworks such as the efficient market hypothesis (EMH) have received considerable attention over the years, only some, if any, seem to effectively provide a framework that reasonably explains the real-world variance that investors experience over time. Equities' prices can swing wildly; mispricing can appear to exist for extended periods in multiple areas, all within the context of an efficient market. How?

Various attempts have been made to discredit the notion of the EMH, with strong contributions from areas such as behavioural finance theory, which essentially deals with why investors often make behavioural mistakes and act against their best interests (think fear and greed, lack of self-control, etc.). While this area of finance makes a strong case, my personal favourite is a paper written by George Soros for the *Journal of Economic Methodology* in January 2014. The paper is entitled *Fallibility, Reflexivity and the Human Uncertainty Principle*. For those unfamiliar with Soros, he is one of the US' most successful investors and philanthropists, probably most famous for making a $1 billion profit in a single day in 1992 when he 'broke the Bank of England'. His Quantum Fund achieved annual returns of 30% from 1970–2000, an undeniable alpha generator.

In his paper, Soros explains why pursuing dogmatic empirical frameworks (as found in physics) in the social sciences leads to oversimplified frameworks, which lack credibility and fail miserably in real-world applications, particularly in financial markets. He firmly believes that, while pursuing empirical testing of social science constructs remains important, they should not be held to the same level of scientific cause and effect proofing as something like the laws of gravity.

My take is that their role is not supposed to be purely mathematical but rather to facilitate deductive decision-making in the investment process.

What seems evident is that there is significant value to be added by understanding ideas that provide more nuanced outcomes when trying to map out the actions of thinking participants rather than looking to produce universal and timeless generalisations with symmetrical and reversible explanatory and predictive powers (Soros' words, not mine, but this would be the type of criticism that the pure sciences would direct at social science).

You may be asking, what are fallibility and reflexivity in the context of investment philosophy and the EMH? Quite simply, with these two principles, Soros takes dead aim at short-term market efficiency and shoots it right between the eyes - a headshot. EMH is as dead as disco.

These two principles work in tandem. Soros' definition of **fallibility** contends that where you are involved in trying to understand the actions of thinking participants in financial markets, the participants' views of the world will never correspond with the full extent of reality. Participants can gain knowledge of individual facts, but when they roll these into forming theories or views, they are bound to be biased, inconsistent, or both. That is fallibility in its most simple form.

Once they have formed their views, participants act based on these imperfect views. These actions can change the nature of the market they participate in (though not necessarily making it more efficient). To make this construct a little less nebulous, here are a few examples to chew on:

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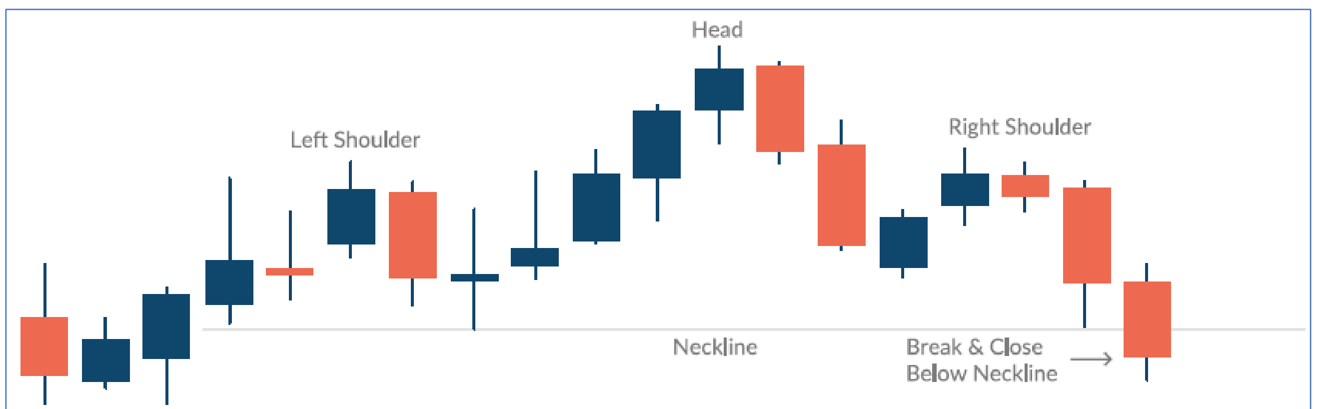
- **Rare-coloured wildlife**: Approximately seven years ago, black impalas sold for around R750k per animal. With high demand and limited supply, prices rocketed, causing more speculation. According to Huntershill Safaris, in 2022, these black impalas could be hunted for R1,500 each.
- **Bitcoin**: Who knows what Bitcoin's value should be? But when prices go up, people chase it higher even though they have no clue what the value of bitcoin should be. And when it gets some downward momentum, people run for the door. Greater fool theory … efficient?
- **Technical analysis**: What does a head and shoulders (HS) chart pattern have to do with a stock's underlying value? Zero. However, suppose enough people believe in technical analysis (which tens of millions of participants do – I am certainly not knocking technical analysis) and trade these patterns and their associated trading rules. In that case, the nature of their buying and selling in accordance with that pattern will shape the outcome.

Figure 1: HS chart pattern – euro vs British pound weekly



Source: Forexuseful.com

See above for an example. A HS pattern is a signal for a change in direction. If the neckline breaks, the expectation is that the trend change is confirmed, and the target price to the downside is the difference between the top of the head and the neckline, subtracted from the neckline. If everyone believes that outcome, they sell for profit, with more selling bringing lower prices. Once the target is reached, they begin to buy to lock in their profits. As buying comes in, falling prices abate, and the pattern is confirmed. For no other reason than participants shaped the outcome by the sheer weight of their expectations and the actions they took based on those expectations – **reflexivity**.

In a genuinely simplistic form (and I am nowhere near doing justice to the depth of thought that has gone into Soros' paper), from my perspective, more buyers than sellers mean prices go up. Higher prices reinforce the subjective view that a stock's price should be higher based on some explicit or implicit assumptions, bringing further conviction to these ideas. So, the higher prices, which have been caused by initial changes in expectations but not necessarily by a fundamental shift in the investment case, are being used to reinforce the view that prices should go higher. And so, the virtuous cycle begins, and a reflexive system takes hold.

When does it recalibrate? Remember, in the market, all investors' expectations are doing is shaping the price of a listed instrument. In the case of a company, the buying and selling of shares in the secondary market has zero impact on its ability to earn a profit. The system recalibrates when the disconnect between perception (this company is going to quadruple in three years, so that I will pay 100x earnings for it now) and reality (it reported compound EPS of 10% p.a. instead) stretches too far apart, expectations change, and prices adjust accordingly. **Invariably, given imperfect information and fallible participants, markets are very rarely in equilibrium where expectations match pricing**. Soros illustrates this in *Figure 2* on the following page nicely.

The key to any reflexive system is the participation of thinking and interacting participants, which is exactly what a financial market represents. Millions of participants bring their ideas, thoughts, and imperfect views of the world to bear on the price of financial instruments. Therein lies the opportunity. In fact, I would go one step further and say that as investor participation broadens (a much larger retail presence than ever before), investment time horizons shorten, investor patience wears thin, and the degree of analysis taking place has more to do with price moves and

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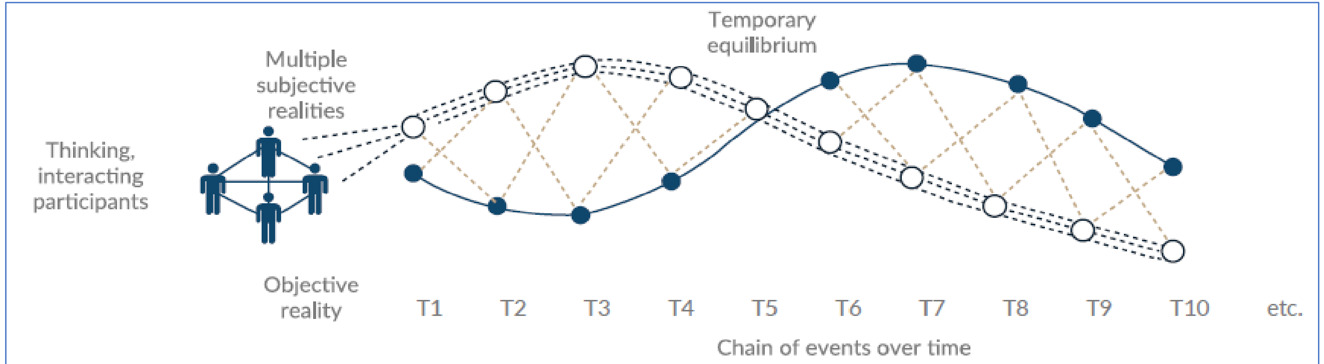
news headlines than fundamental analysis, the bigger the opportunity becomes to take advantage of the gap between expectations and reality.

Figure 2: Social phenomena

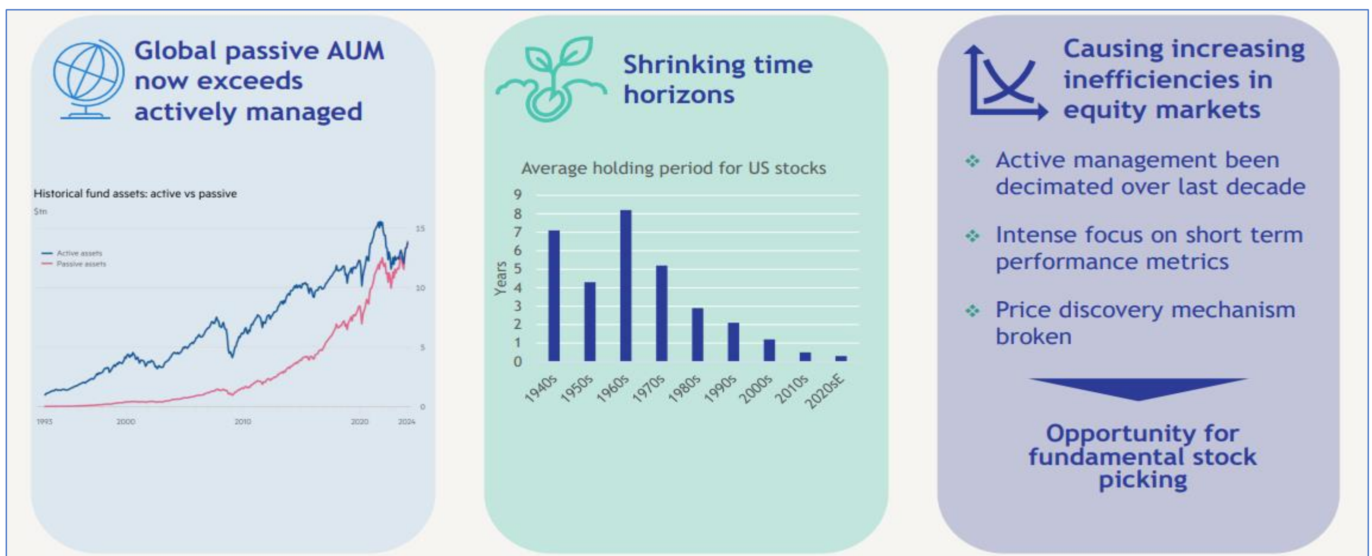


Source: George Soros (13 January 2014), 'Fallibility, Reflexivity, and the Human Uncertainty Principle', Journal of Economic Methodology

I mentioned earlier the need to loosen the hurdle rate for empirical proof of social science constructs. However, if all we have is theory, what value does it add to actually managing money? Without a practical use case, all we have is philosophical musings, which may be intellectually stimulating but do not pay the school fees.

While thousands of financial theories abound, the idea that investor expectations can shape a pricing outcome for a period until they are eventually weighed by the reality of earnings resonates with me. It resonates intellectually with my experience of managing money for the past twenty years on exchanges around the world. **Disconnects can routinely occur idiosyncratically and structurally across sectors, regions, and at stock levels, which are all part of the investment journey. But, if you can get a handle on when the disconnects are at actionable levels, therein lies the opportunity.**

INCREASED MARKET INEFFICIENCY CREATING OUTSIZED OPPORTUNITY



Source: Financial Times, NYSE, LPL Financial, Coronation

The above from a Coronation presentation shows a concern we have been speaking more about recently as assets under management in passive investment vehicles continues to grow larger. The increased volume of capital flowing into passive indices will increasingly break down the price discovery of individual companies over time. As Chris Lemmon argues - this will decrease equity market efficiency over time and increase the opportunity for stock picking.

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WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

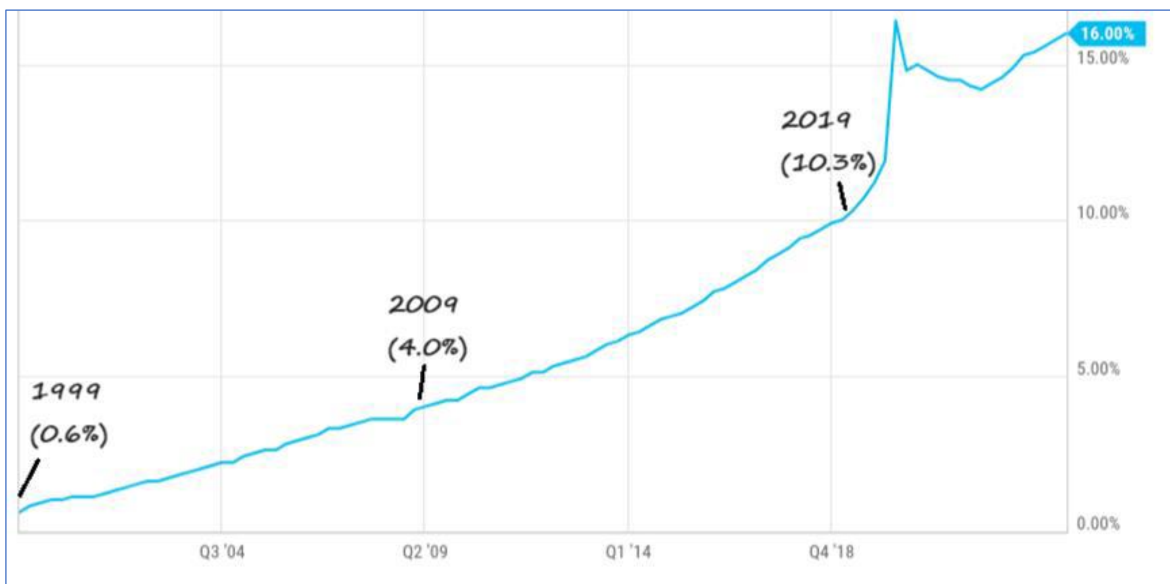
RCI BCI WORLDWIDE FLEXIBLE FUND

August was an incredibly volatile month with the market falling 6% in the first three trading days. This was mostly triggered by weaker than expected US unemployment numbers; unexpected Japanese interest rate hikes that caused a selloff in linked assets; and Berkshire Hathaway's halving of their Apple position.

The market quickly recovered throughout the rest of the month as participants now expect, with almost certainty, that the Federal Reserve will cut rates in September. There is also the expectation of a total of 1% interest rate cuts by the end of the year. This is expected to give Americans some relief after experiencing the highest interest rates in 15 years. We have discussed this in greater detail in previous letters.

Although the consumer has been struggling the last few quarters we continue to see long term structural changes towards online shopping. eCommerce was less than 1% of total US retail sales in 1999. It has risen year on year, including recessions and is now over 16% of the total. The only exception was Covid-19, when people were forced to stay at home, there was a huge pull forward and online retailers had to scramble to keep up with demand. This spike has returned to the long-term trend, but we expect to see these numbers continue to increase over time. This is one of the key reasons why we own strategic positions in several global eCommerce giants. Our investments include Amazon, Shopify, Mercado Libre and PDD Holdings, covering various components and geographies around the globe in the ecommerce space.

Graph showing US eCommerce Sales as a percentage of Total Retail Sales. Although COVID-19 caused a significant pull forward of online sales above trendline, this has now reverted back to the long-term trend, which continues to rise.



Source: Charlie Bilello

Every month we display the PEG ratio of our top 10 companies. This a Price Earnings ratio (PE) that has been adjusted for future growth expectations. In general, the lower the number the better as you are effectively paying a lower price relative to the future growth expectation. This metric was made famous by Peter Lynch in his book: One Up on Wallstreet. In it, Lynch argued that investors shouldn't pay more than 2x the growth of a stock. E.g. If a stock is expected to grow 10%, investors shouldn't pay more than a 20x PE ratio.

Alpine Macro have done an analysis of the Magnificent 6 (Mag 7 ex Tesla) and have estimated that collectively they currently have a PEG ratio of about 1.5x, whereas the rest of the market collectively has a PEG ratio over 2x. This means that even though these shares have already had a brilliant run the last 18 months, they are still exhibiting better value relative to their growth expectations than the rest of the market. As the saying goes, "trees don't grow to the sky", but it increasingly appears that many of these businesses are still far from the sky, despite their significant growth after the past number of years, as they continue gaining more market share often at the expense of smaller companies who seem unable to compete with this type of scale. The below graph shows that strong growth in earnings for the Magnificent 6 has led to a growth adjusted PE ratio, known as a PEG ratio, to be better than the long-term average as well as comfortably below 2x, considered to be soft upper limit for investments. The

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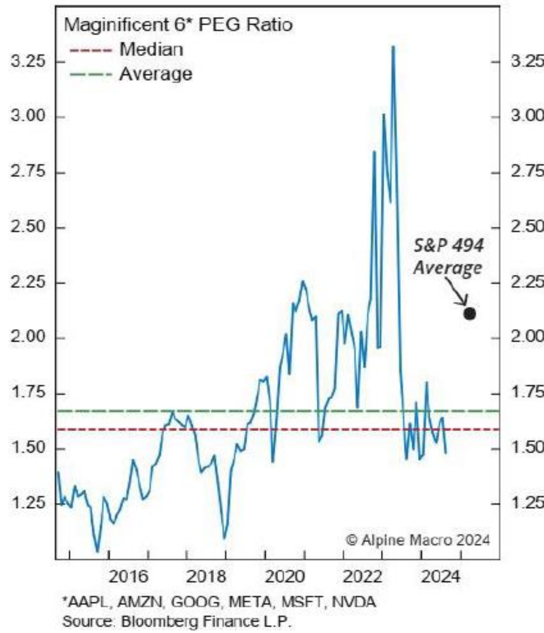
rest of the market, although trading at lower PE multiples (on average), have weaker growth metrics raising their PEG ratios over 2.1x.

Magnificent 6 PEG ratio vs S&P 494 average



Source: Alpine Macro

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.

Portfolio Strategy

The focus of the portfolio continues to be direct investment in high quality offshore equities that are world leaders in their industries, with emphasis on businesses with high Return on Capital Employed combined with excellent free cash flow generation. We tend to ignore whether or not a company pays a dividend as we usually prefer those businesses that reinvest earnings in their internal operations. We also tend not to chase short-term investment narratives and themes that could be trending in the market, as we would not want to reduce the quality of the portfolio for the sake of following the flavour of the month. Over half of the companies, we own have a Return on Capital Employed (ROCE) over 20%. About 27% of the portfolio has defensive characteristics and if you add the cash of 4% this would rise to a combined defensive weighting of about 31%.

Our top 10 positions

	PE in one years time	PEG Ratio (FWD PE/'24-25 Growth)	EPS Growth			Pullback from high
			2022-2023A Growth	2023-2024E Growth	2024-2025E Growth	
ALPHABET INC-CL C	19.2	1.6	33%	31%	12%	-15%
AMAZON.COM INC	27.9	1.7	431%	51%	16%	-11%
ASML	31.0	0.5	37%	-5%	63%	-21%
BOSTON SCIENTIFIC	31.2	2.4	17%	20%	13%	0%
CONSTELLATION SOFTWARE	42.2	2.8	57%	15%	15%	-3%
FORTINET	35.1	3.7	31%	32%	9%	-1%
MERCADOLIBRE INC	46.1	1.4	143%	59%	32%	0%
MICROSOFT CORP	30.7	2.6	5%	23%	12%	-11%
RENTOKIL INITIAL PLC	19.2	1.6	6%	3%	12%	-22%
VISA	25.3	2.2	16%	14%	11%	-5%
Top 10 - FWD PE Ratio* PEG ratio* and EPS Growth Rate^	**28.5**	**1.6**	**32%**	**21%**	**13%**	**-9%**
S&P500 - FWD PE and EPS Growth	**21.4**		**0%**	**9%**	**14%**	**0%**

*Calculated using Harmonic Mean

^Calculated using Median

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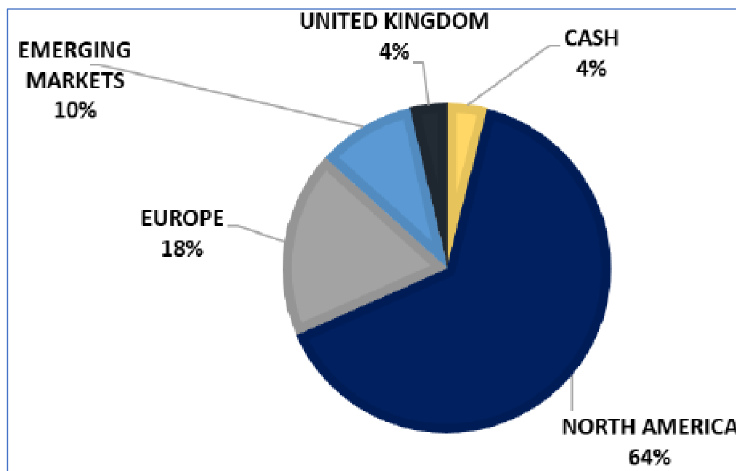
We expect strong performance out of our top 10 positions for the 2024 and 2025 years. Our portfolio is expected to grow earnings per share in the mid-teens which is far higher than the S&P500, where analysts expect 10% average growth over 2024 and 2025. Our companies are trading at higher valuations, 28x, versus the S&P500's 21x, but we believe this is justified by the higher quality of our investments 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 9% from their recent high's whereas the market as a whole is at its all-time high.

Changes made during the month

- We sold our Starbucks position following the replacement of the CEO. We started small positions in Universal Music Group and Taiwan Semiconductor.

Geographic Drivers



We have exposure to Europe via global companies: ASML, Amadeus, LVMH, Novo Nordisk, Universal Music Group and Moncler. We have Emerging Markets exposure via Mercado Libre, PDD, Taiwan Semiconductor and Nu Holdings. We have UK exposure through the global pest control and hygiene company Rentokil Initial and listed funds Smithson and Scottish Mortgage Trust.

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%	1.6%					2.7%

For the month, the fund was up 1.6% in ZAR terms (+4.8% in USD) compared to the MSCI Developed Markets Index which was flat in ZAR (3.3% in USD) for the month. The Rand strengthened 3% for the month detracting from the performance in ZAR.

For 2024 year to date the fund is up 2.7% in ZAR (+7.2% USD) whilst the MSCI Developed Markets Index is up 9% in ZAR (+14% USD).

For the 2023 year, the fund closed 36% up in Rands or 25% up in USD terms, with the rand having weakened 8% against the dollar. The MSCI Developed Markets Index closed 32% up in Rands or 22% 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

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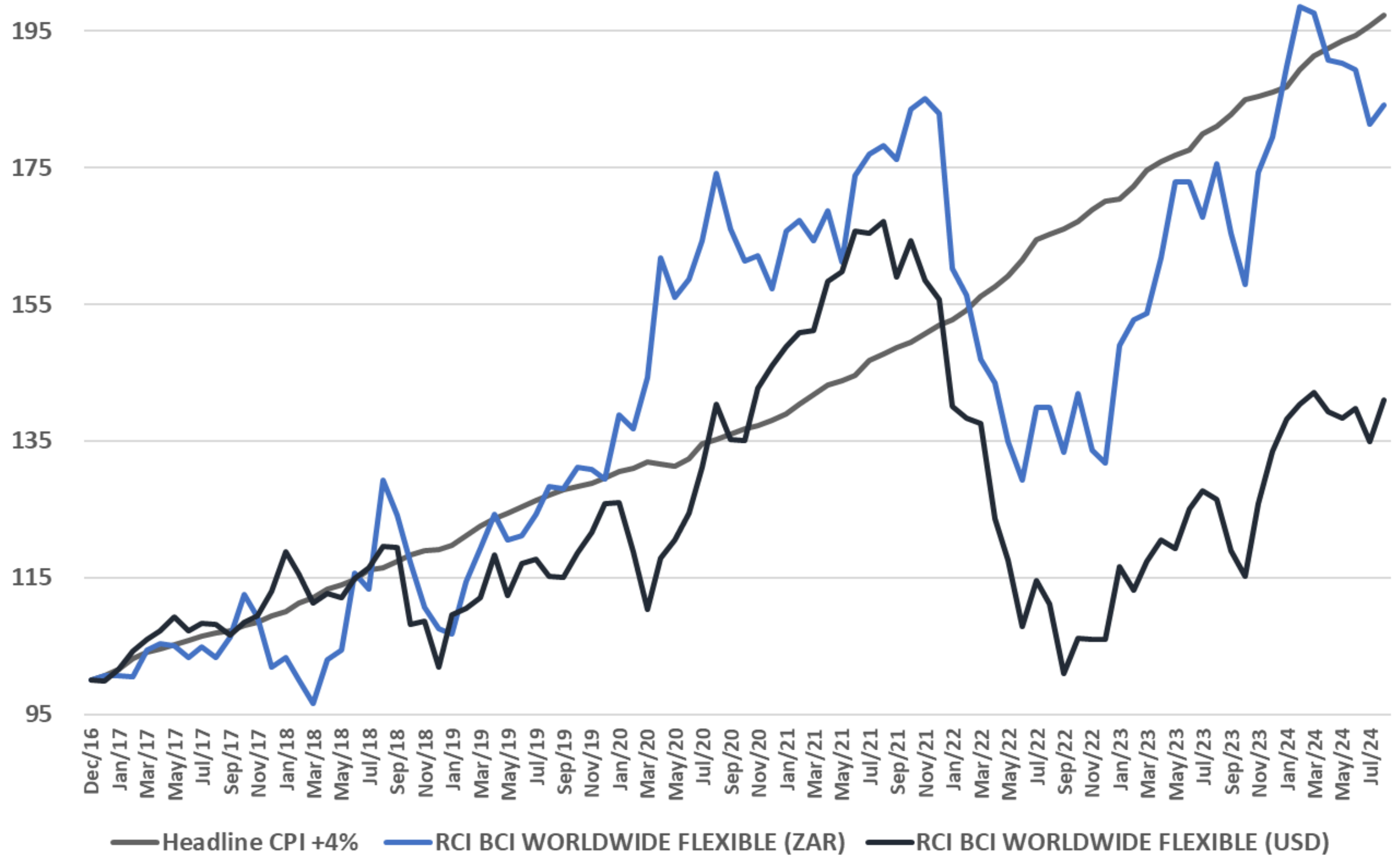
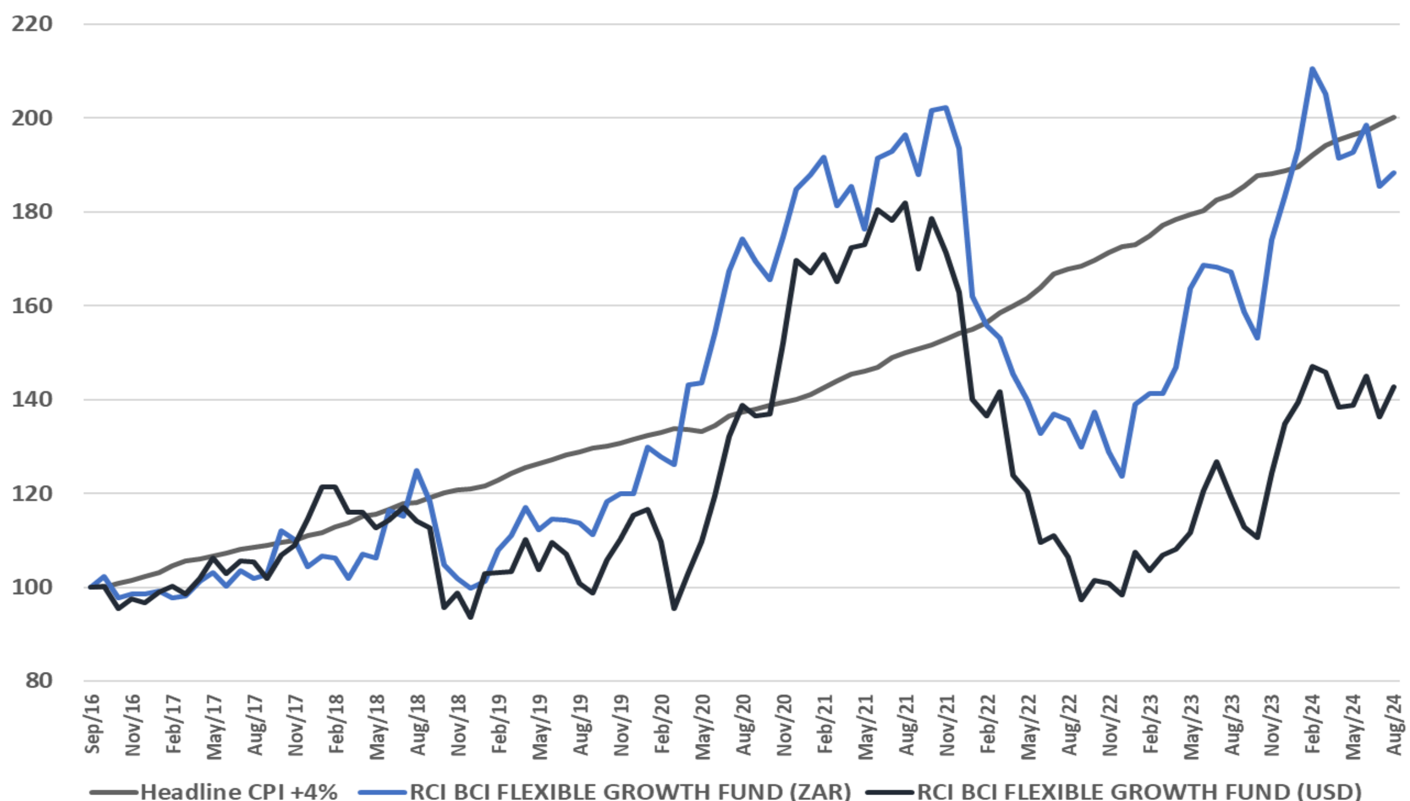
RCI OFFSHORE UNIT TRUSTS PERFORMANCE

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

The **RCI BCI Worldwide Flexible Fund** closed August at 184.23, up 1.61% for the month and up 4.93% for the last 12 months.



The **RCI BCI Flexible Growth Fund** closed August at 188.43, up 1.61% for the month and up 12.67% for the last 12 months.



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WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

ANCHOR BCI SA EQUITY FUND

Global equities experienced a volatile August, initially falling 6% over the first 3 days. This selloff proved to be brief, however, and the subsequent recovery saw global equities end in positive territory for the month (MSCI World Index +2.7% MoM). Weak US jobs data, and a Japanese interest rate increase, was responsible for the brief bout of risk aversion, as investors interpreted the rate of US employment deterioration as indicative of a possible recession, and investors digested the impact of the first positive interest rate environment in Japan since 2016. Investors soon overcame these concerns, as the latest US inflation release (2.9% YoY) reinforced the trend of moderating price growth, which in turn heightened expectations for interest rate cuts ahead. An interesting observation about August's performance was the degree to which it was driven by a much broader range of stocks and those most geared to lower interest rates in particular (consumer staples and real estate investment trusts (REITS)). This was in stark contrast to the highly concentrated rally among mega cap tech shares that has been such a prominent source of market performance so far this year. Emerging Market (EM) equities were positive in August, albeit underperforming their DM counterparts (MSCI EM +1.6% MoM). Taiwan Semiconductor Manufacturing Company (TSMC) is now the largest company in the index (at 9.3%) and has been responsible for c. 40% of the index's year-to-date performance. At a country level, Brazil was the star performer in August (+6.5% MoM), having been the EM laggard in 1H24.

South African equities continued their strong post-election run in August (FTSE/JSE Capped SWIX Index +1.3% MoM) despite the local bourse being weighed down by miners (-10% MoM). Stocks geared to the domestic economy continued to lead the way (+6% MoM). Some previous laggards in this cohort caught investors' attention in August – Absa (+10% MoM), MTN (+12% MoM) and Telkom (+20% MoM) were notable in this regard. Precious metal miners had a particularly challenging month, gold miners (-11% MoM) fell despite a higher gold price as the market punished Gold Fields for another poor operational update, and PGM miners (-18% MoM). The Rand enjoyed a strong month, rallying 2.2% against the greenback, which was a headwind for rand hedge equities in the August.

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

- Naspers
- Prosus
- Investec
- FirstRand
- Standard Bank
- Bidcorp
- Absa
- WeBuyCars
- AngloGold Ashanti
- Pepkor
- Mas Real Estate
- Shoprite
- Bidvest
- Capitec
- Vodacom

Main changes in the month

As mentioned last month, we have been working hard on identifying well run companies that could deliver meaningful upside should the operating environment in SA improve modestly. In August, we added three new positions: **Hudaco**, **Southern Sun** and **Lewis**. Each, in its own way, has emerged from the challenging years of the COVID pandemic and weak domestic growth as leaner and cleaner businesses. Hudaco has established a distribution network across South Africa, strengthening its market presence in the industrial and automotive aftermarket sectors. Southern Sun's occupancy should benefit from rising tourism and accelerating activity in the hospitality sector. Lewis operates in the South African consumer market, offering consumer finance, household furniture, and electrical appliances. By expanding digital sales channels and enhancing credit services, Lewis has adapted to evolving consumer preferences. We remain optimistic as we head into the year's final quarter, anticipating further opportunities to improve the portfolio's performance.

Performance

The Anchor BCI SA Equity Fund rose by 2.5% in August, a pleasing performance relative to the JSE/FTSE Capped SWIX Index. A major contributor to the fund's outperformance in August was the underweight exposure to miners, which had a tough August in the face of slowing DM growth momentum and continued weakness in Chinese data. It was also pleasing to see the fund benefiting from strong performances from several mid-cap positions - Renergen and We Buy Cars gained 29% and 16%, respectively, while Curro and Famous Brands (both +9% MoM) performed well as investors seek potential beneficiaries of improving domestic economic prospects.

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

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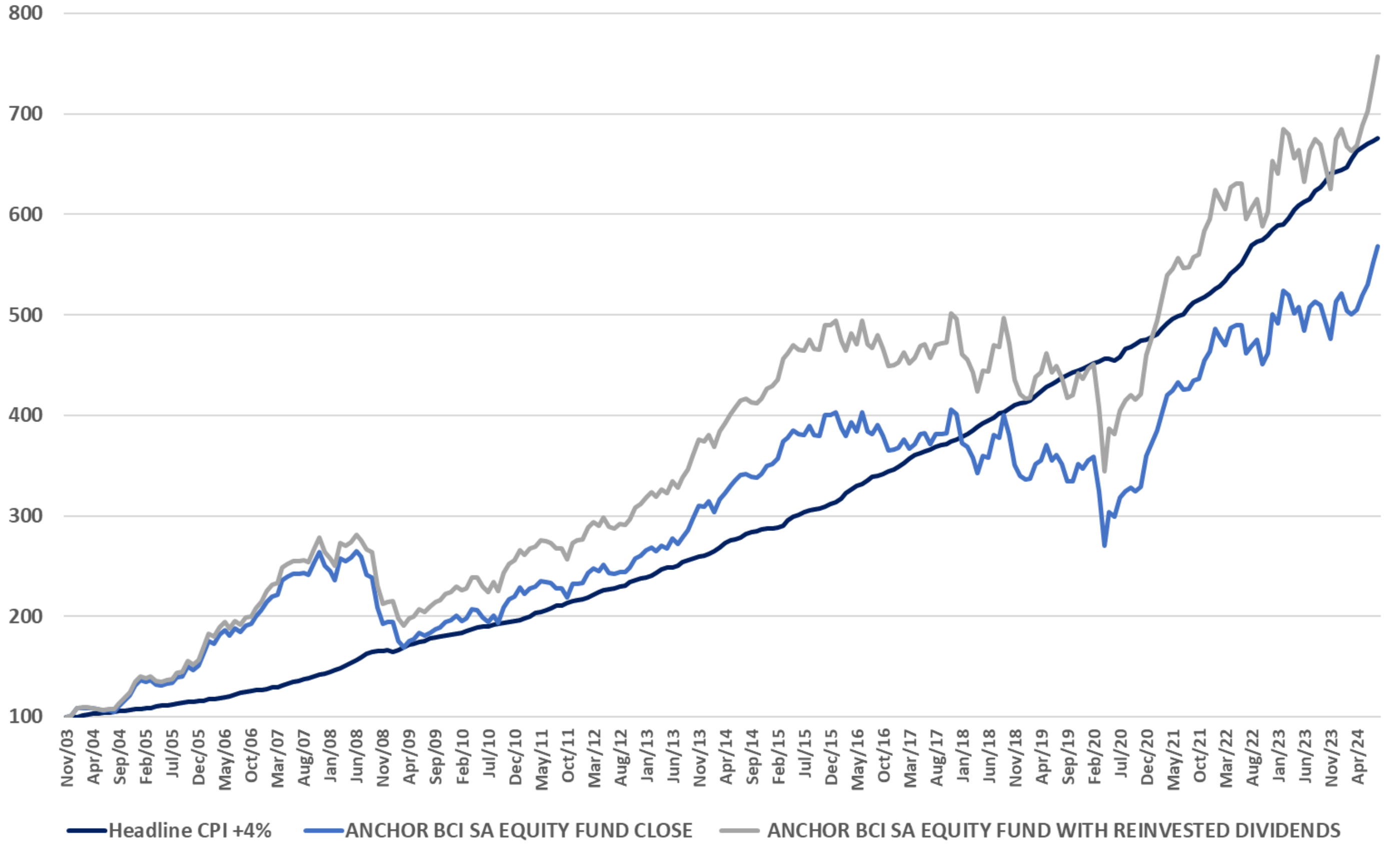
WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

ANCHOR BCI SA EQUITY FUND

The **Anchor BCI SA Equity Fund** closed August at 582.28, up 2.43% for the month and up 14.30% for the last 12 months.

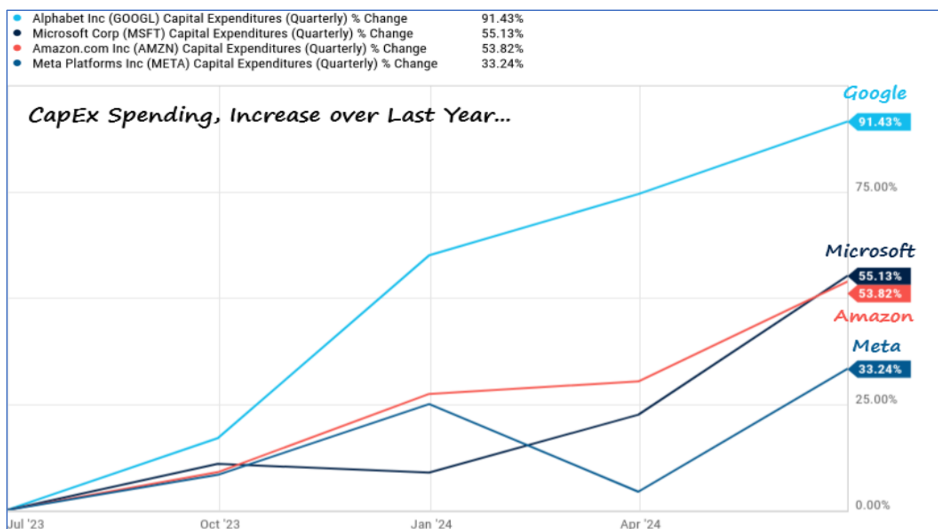


Note: The performance history above uses that of the RCI BCI Flexible Fund until 30 September 2022, the date of its amalgamation with the Anchor BCI SA Equity Fund.

WILL THE AI ARMS RACE PAY OFF?

Nvidia's historic advance over the past few years has been a direct result of the AI arms race, where the biggest tech companies are making some enormous bets on the future. Within this ecosystem, one companies' capital expenditure is another company's revenue. The below graph shows just how much the world's biggest technology companies have been spending to build up their AI infrastructure.

Google CEO Sundar Pichai "the risk of underinvesting in AI is dramatically greater than the risk of overinvesting". Meta CEO Mark Zuckerberg "At this point I'd rather risk building capacity before it is needed rather than too late".



Source: Charlie Bilello

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