ROBERT COWEN INVESTMENTS

NOVEMBER 2024 NEWSLETTER

The Family Office

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

HIGHLIGHTS OF THIS NEWSLETTER ARE:

- **Generations: When you were born and how it impacts your thinking** – *by Di Haiden*
- **A Capital Gains Tax Refresher** – *by Di Haiden & Aarthi Bikram*
- **Update on what we have been doing in the offshore funds**
  - **RCI Worldwide Flexible Fund** – *by Ross McConnochie*
  - **RCI Worldwide Flexible Growth Fund** – *by Eric Lappeman*
- **Lessons from market history (1600-2024)** – *by Dr Bryan Taylor & The Rational Reminder Podcast*
  - How have stocks performed relative to bonds throughout history
  - What are the main factors through history that limit returns and increase risk for investors?
- **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

We have recently had a new addition to the RCI team – **Penilope Mathobela**. She has joined us in an assistant administrator role, specifically to handle various diaries and compliance functions. We look forward to you meeting her, and wish her a long and happy career with the RCI family!

Please note that we will be **closed for business** from Tuesday, the 24th of December 2024 at 13:00 and will reopen again on the 2nd of January 2025, after the public holiday on the 1st of January 2025. We would like to ask you to please ensure that you get hold of your portfolio manager prior to this period for any matters that need to be dealt with.

If any clients have any payment requests or needing additional funds over the festive season, we urge you to submit these before the close of business on the **6th of December 2024.**

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GENERATIONS
WHEN YOU WERE BORN AND HOW IT IMPACTS YOUR THINKING

The Family Office

BY DI HAIDEN

At the Joburg year end function Di spoke about the number of generations we now look after wealth for and how the era in which people grew up affects their outlook on life. Below is a synopsis of the generations she spoke about and the events that shaped their outlook on life.

Silent Generation (1928-1945)

The Silent Generation, born between the Great Depression and the end of World War II, is defined by a sense of resilience, conformity, and loyalty. This generation grew up during times of significant economic hardship and political uncertainty, with major world events like the Great Depression, WWII, and the Cold War shaping their outlook. They are known for valuing stability, thrift, and hard work. Raised in a time when speaking out against authority was often discouraged, they became known as the "silent" generation.

Their impact on society includes a dedication to work ethic, responsibility, and respect for hierarchy. As members of the Silent Generation continue to age, their influence wanes in political and economic circles. However, they leave behind a legacy of perseverance, patience, and a commitment to community that many believe will be a reference point for generations seeking stability and resilience in turbulent times.

Baby Boomers (1946-1964)

The Baby Boomer generation emerged in a post-WWII economic boom, marked by optimism, consumerism, and a focus on individualism. With an emphasis on the American Dream, Baby Boomers were the first generation to have widespread access to higher education, homeownership, and economic mobility. Major events that shaped this generation include the civil rights movement, the Vietnam War, and the space race.

They grew up as consumers, driving trends in housing, automobiles, and lifestyle products. Politically, Boomers have held considerable influence and largely shaped the policies of the late 20th and early 21st centuries. While Baby Boomers have faced criticism from younger generations for their environmental impact and, at times, resistance to change, they have undeniably contributed to shape the modern world. Their legacy includes major advances in technology, healthcare, and civil rights.

Generation X (1965-1980)

Generation X, often referred to as the "latchkey generation," grew up during a period of significant social and economic changes. With rising divorce rates and both parents working outside the home, many Gen Xers were left to navigate life more independently. They witnessed events like the end of the Cold War, the AIDS crisis, and the emergence of personal computers. This generation is often characterized as adaptable, sceptical, self-reliant, and pragmatic.

Generation X's influence lies in their adaptability and resourcefulness. They came of age as technology began transforming daily life and were the first to experience the transition from analog to digital. They are credited with popularizing a more flexible, work-life balanced approach, setting the stage for the modern "gig economy." As they become the leaders in industries and institutions, their pragmatic approach to problem-solving and technology may be crucial in managing the transitions facing a rapidly evolving world.

Generation Y (1981-1996)

Millennials, also known as Generation Y, grew up during a time of unprecedented technological advancement and globalization. They witnessed the rise of the internet, social media, and mobile technology. Events like 9/11, the Great Recession, and the climate change crisis heavily influenced their worldviews. Millennials are often characterized by their tech-savviness, commitment to diversity, and value for experiences over materialism.

They also prioritize social justice and environmental issues, pressuring companies to adopt more ethical practices. Politically, Millennials are often more progressive and advocate for social change, pushing for policies that address income inequality, climate change, and healthcare reform. As Millennials continue to mature into leadership positions, their impact on the future may be profound.

GENERATIONS
WHEN YOU WERE BORN AND HOW IT IMPACTS YOUR THINKING

BY DI HAIDEN (CONT.)

Generation Z (1997-2012)

Generation Z, also known as Zoomers, is the first cohort to grow up with the internet, smartphones, and social media from a young age. This generation is marked by its high digital literacy, global awareness, and concern for social and environmental issues. Events like the rise of social media, the COVID-19 pandemic, and the fight against climate change have greatly impacted their perspectives.

Gen Z is often defined by their entrepreneurial spirit, with many turning to side hustles or digital platforms for income, sometimes even bypassing traditional career paths. This generation also values authenticity and transparency, seeking brands and employers that align with their values. As Gen Z begins to enter the workforce and influence markets, they bring with them a push for inclusivity, mental health awareness, and digital innovation. Their impact on the future will likely include a greater emphasis on digital transformation, flexible work environments, and a shift toward mental health and well-being as societal priorities.

Generation Alpha (2013-present)

Generation Alpha, the children of Millennials, is poised to be the most technologically integrated generation yet. Born into a world where smart technology, artificial intelligence, and constant connectivity are the norms, they are expected to be highly proficient in navigating digital landscapes from an early age. This generation will likely experience unprecedented changes in education and career paths, driven by advancements in technology and a globalized economy. With an upbringing deeply influenced by rapid technological progress and significant global challenges, Generation Alpha's values and perspectives will be shaped by their unique experiences. As they grow, their approach to problem-solving, innovation, and societal engagement will further evolve, potentially leading to even more significant strides in social justice, environmental sustainability, and digital transformation.

Potential Impact for the Future

In a world where change is constant, each generation's contributions will continue to ripple outward, shaping the societies of tomorrow. Add this to global trends and we have an interesting mix to contend with when we are investing for all of you. We have to take into account the trends which do shape economics and the markets we invest in, then we have to think of who we are investing for, what is their risk appetite, how old are they, how do we transfer wealth from one generation to another effectively. We are managing funds for the fourth generation of our original clients and as you can see by all of you in this room we have a comprehensive mix of generations, rather like our workplace.

We continue to strive to provide you with the best of all worlds; investments, service, communication, competitive fees AND year end functions!! We wish you a restful festive season and happy holidays and look forward to seeing you all in the new year.

Robert Cowen Investments
Growing families' wealth since 1982

A CAPITAL GAINS TAX REFRESHER

BY DI HAIDEN & AARTHI BIKRAM

Capital gains tax (CGT), introduced on 1 October 2001 as part of the Eighth Schedule to the Income Tax Act, is a cornerstone of the SA tax system.

CGT applies to individuals, companies, and trusts and is levied on the profit from the sale of certain capital assets. It is NOT a separate tax; it is integrated with income tax, meaning that the capital gains made during a tax year are added to the taxpayer's income. In this summary, we outline the key aspects of CGT in SA, including its applicability, the calculation of capital gains, methods to determine the base cost of assets, exemptions, and rollover relief.

The basics of CGT

What assets are subject to CGT?

Assets subject to CGT can be broadly categorised into tangible and intangible assets. Tangible assets include property, shares, and business assets, while intangible assets include intellectual property rights or licenses.

Who is liable for CGT?

South African residents are taxed on capital gains made on their worldwide assets. In contrast, non-residents are taxed only on profits from the disposal of immovable property in SA or any rights in such property.

What constitutes capital disposal?

Capital disposal occurs when there is a sale, transfer, donation, or any event where the ownership of an asset changes. The most common disposals include selling or transferring an asset, donating an asset and even deemed disposals, such as becoming a South African resident or when a company ceases to be a controlled foreign company (CFC). Even if no actual transaction occurs, specific actions, such as expropriation or the destruction of an asset, can also be treated as disposals. These events trigger a CGT liability to be included in the taxpayer's annual tax return.

Capital gain or loss calculation

The calculation of a capital gain or loss involves three key components:

- Proceeds: The amount received or accrued from the sale or transfer of an asset.
- Base cost: The cost of acquiring, improving, or disposing of an asset, including associated costs such as legal fees and transfer taxes.
- Capital gain or loss: The difference between the proceeds and the base cost.

A capital gain occurs when the proceeds exceed the base cost, while a capital loss occurs when the proceeds are less than the base cost. Capital gains are taxable, while capital losses can be used to offset future gains.

Determining the base cost

The base cost is subject to different calculation methods depending on whether it was purchased before 1 October 2001 or after this date. For assets acquired before 1 October 2001, the following special calculation methods are used:

- **20% of proceeds**: This method is used if no records or valuation are available for the asset's value as of 1 October
- 2001.
- **Market value on 1 October 2001**: This can be used if the asset was valued before 30 September 2004.
- **Time apportionment base cost (TAB):** This method calculates the base cost by apportioning the asset's value over the period of ownership before and after 1 October 2001. This method is suitable for long-held assets where accurate records of the purchase price exist.

If purchased after 1 October 2001, the base cost is the purchase price plus improvements, which may include certain other costs and fees.

Inclusion rates and effective tax rates

There is often a misconception that CGT for individuals is 18% of the gain, BUT this is incorrect. **CGT is integrated with income tax, meaning a portion of the capital gain is added to the taxpayer's taxable income**. The portion of the gain included is determined by the inclusion rate, which differs by taxpayer type:

- Individuals and special trusts: 40% of the capital gain is included in taxable income.

- Companies and other trusts: 80% of the capital gain is included in taxable income.

The effective tax rates based on the inclusion rate are as follows:

- Individuals: **Up to 18%** (calculated as 40% of the capital gain taxed at a maximum marginal rate of 45%. If the individual is NOT subject to the top marginal tax rate of 45%, the tax paid is lower than 18% of the gain).
- Companies: **21.6%** (80% inclusion rate taxed at 27%).
- Trusts: **36%** (80% inclusion rate taxed at 45%).

Annual exclusions and primary residence exemption

Certain exemptions and exclusions help to reduce the CGT liability. These include:

Annual exclusion: Individuals and special trusts are entitled to an annual exclusion of R40,000 from capital gains. In the year of death, this exclusion increases to R300,000.

- **Primary residence exemption**: For individuals, the first R2mn of the capital gain made from the sale of a primary residence is exempt from CGT. This applies only if the residence has been used for personal purposes and not for trade or rental. If the residence is jointly owned, each owner can claim up to R1mn of the exemption.

Rollover relief and clogged losses

In certain circumstances, CGT liability can be deferred through rollover relief:

- Involuntary disposals: When an asset is destroyed or expropriated, and the proceeds are reinvested in a replacement asset, the capital gain can be deferred.
- Transfers between spouses: No CGT is payable when an asset is transferred between spouses. The acquiring spouse takes on the original base cost, and gains or losses are deferred until the recipient spouse disposes of the asset.
- The clogged loss rule disallows capital losses in transactions between connected persons, such as family members or associated companies. However, these losses can be used to offset future gains on transactions with the same person or entity.

Rollover relief and clogged losses

Special provisions apply to small businesses. Based on specific provisions, if a person aged 55 or older disposes of an active business asset, they may disregard up to R1.8mn of the capital gain.

Record keeping and compliance

Taxpayers must maintain detailed records of all capital transactions, including:

- The original purchase price.
- Transaction and improvement costs.
- Any valuations done for CGT purposes.

Accurate record-keeping is essential to ensure capital gains tax is calculated correctly. A lack of records may mean the SA Revenue Service (SARS) charges CGT on the total sales proceeds!

Conclusion

CGT in SA is a critical aspect of the tax system, affecting a wide range of taxpayers. Being familiar with the basic principles, such as calculating gains, determining base costs, and available exemptions, is essential for effective planning.

If you have any questions or need further explanation and understanding of CGT and its possible financial implications, please contact Di Haiden or Aarthi Bikram for assistance.

WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

RCI BCI WORLDWIDE FLEXIBLE FUND

Developed markets fell 2% for the month with weakness across all sectors of the market. We are currently about halfway through earnings season and so far companies have reported aggregate earnings growth of about 8% which is far greater than the 2% predicted by analysts. Despite this positive earnings surprise, the market was hesitant to move up because of increased geopolitical risk, the US Election, inflation, anticipated Fed rates cuts.

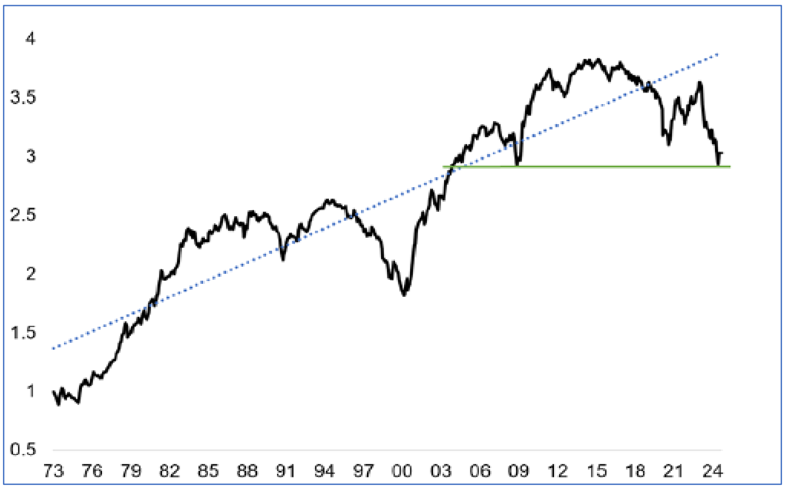
Over the past several months we have started to see the equally weighted US market begin to catch up to the Market Cap weighted S&P500. This implies a healthier broadening of the bull market following the extreme concentration in performance seen by the Magnificent 7.

Figure 1: The Equal Weighted S&P 500 in Red has begun to catch up with the heavily concentrated Market Cap Weighted S&500 in black who's largest 7 companies represent 30% of the index.

Source: Chartstorm and MarketCharts.com

Usually, the equal weighted index outperforms the market cap weighted index and thus the last few years has been an anomaly. The reasoning behind this is that usually the largest companies in the world tend to become slower growers as they increase in size and thus incremental growth is harder to achieve. The expression "trees don't grow to the sky" describes this phenomenon. Over the last several decades, the largest companies usually were oil companies, health and Tech Hardware businesses, but the last few years we have seen Global Software, eCommerce and Internet stocks driving the market growth. These mega cap tech stocks have defied gravity and continue to meaningfully grow earnings despite their size. However, it now seems that the rest of the market is beginning to close this gap. The Equal Weighted S&P 500 in Red has begun to catch up with the heavily concentrated Market Cap Weighted S&P 500 in black who's largest 7 companies represent 30% of the index.

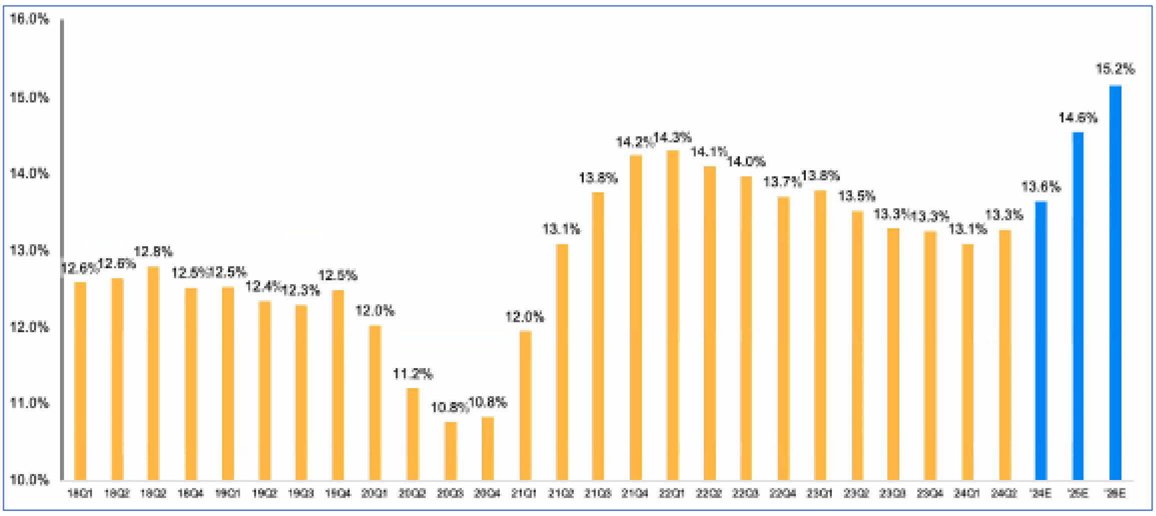
Figure 2: S&P 500 Equal-Weight/Market Cap-Weight



Source: Topdown Charts

In previous commentaries we have discussed how expensive World Developed Markets are at present. The main driver behind this performance is the anticipated positive impact on company economic metrics over the next few years - EBIT margins for example (excluding the magnificent 7) are expected to rise from 13.6% this year to over 15% in 2026.

Figure 3: Global EBIT Margin ex-Mag 7 - EBIT margins are expected to close the year at 13.6% and rise over the next two years to over 15%

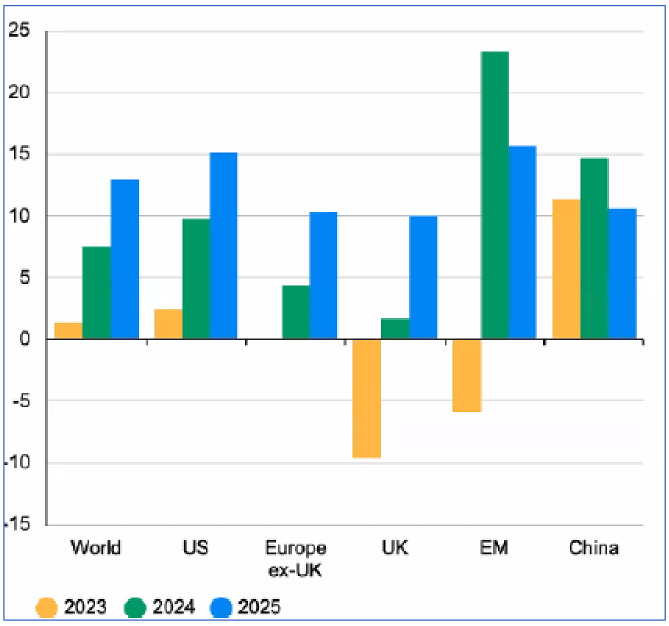


Source: JP Morgan Research

The main driver behind this expected improvement in margins is the adoption of Artificial Intelligence in more aspects of corporate America. The market is so optimistic that it expects margins to rise to all-time highs, previously made during COVID-19 at 14.3% when cost efficiencies were achieved from workers staying at home. If this were to occur, it would represent a new paradigm for corporate America.

Higher expected margins combined with higher revenue would translate to increased earnings generation. The US is expected to grow earnings in 2025 by 15% which is far greater than UK, Europe and China. Although the S&P 500 is expensive, it is still expected to be the growth engine for the world over the next two years. Figure 4 shows below that the USA is expected to be the leading source of growth in the world in 2025. Emerging Markets, supported by China are also expected to have great earnings growth over the next two years.

Figure 4: Consensus estimates for global earnings per share growth - % change year on year



Source: JP Morgan Research

Our top 10 positions

	PE in one years time	PEG Ratio (FWD PE/'24-25 Growth)	EPS Growth 2022-2023A Growth	EPS Growth 2023-2024E Growth	EPS Growth 2024-2025E Growth	Pullback from high
ALPHABET INC-CL C	19.2	1.3	32%	14%	14%	-11%
AMAZON.COM INC	27.7	1.6	72%	3%	17%	-7%
ASML	26.9	1.0	-1%	25%	26%	-39%
BOSTON SCIENTIFIC	30.7	2.2	22%	13%	14%	-5%
CONSTELLATION SOFTWARE	37.5	2.5	15%	15%	15%	-8%
FORTINET	35.3	2.5	32%	10%	14%	-6%
MERCADOLIBRE INC	42.5	1.2	60%	34%	35%	-6%
MICROSOFT CORP	29.4	1.9	23%	11%	16%	-13%
LVMH MOET HENNESSY LOUIS VUI	21.3	2.2	-12%	5%	9%	-31%
VISA	25.7	1.9	14%	13%	13%	-2%
Top 10 - FWD PE Ratio* PEG ratio* and EPS Growth Rate^	**28.0**	**1.7**	**23%**	**13%**	**15%**	**-13%**
S&P500 - FWD PE and EPS Growth	**21.4**		**0%**	**9%**	**14%**	**-3%**

*Calculated using Harmonic Mean

^Calculated using Median

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&P 500, where analysts expect 10% average growth over 2024 and 2025. Our companies are trading at higher valuations, 28x, versus the S&P 500'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 10% from their recent high's whereas the market as a whole is at its all-time high.

Changes made during the month

- We switched our Chinese PDD Holdings into Tencent.
- Sold our Dominos Pizza and Smithson Investment Trust
- Bought Universal Music Group
- Bought Rheinmetall

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%	-1.3%	1.8%			**3.1%**

For the month, the fund was up 1.8% in ZAR terms (-1.5% in USD) compared to the MSCI Developed Markets Index which was up 2.7% in ZAR (-0.5% in USD) for the month. The Rand weakened 3% for the month detracting from the performance in ZAR.

For 2024 year to date the fund is up 3% in ZAR (+7.6% USD) whilst the MSCI Developed Markets Index is up 11% in ZAR (+16% 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

WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

The Family Office

RCI BCI WORLDWIDE FLEXIBLE GROWTH FUND

The RCI BCI Worldwide Flexible Growth Fund *is a solution for those looking to achieve higher long-term returns, albeit with the possibility of short volatility. The fund was specifically created to give clients who wish to focus on long-term capital growth by giving them access to some of the world's most exciting, high growth businesses that we currently have on our radar. The fund focusses on US listed equities and aims to give exposure to businesses that do and should continue to exhibit high levels of growth over the long term. There is a focus on high growth tech and digital platform businesses, that provide services consumers are using daily as a growing part of their lives. Many of the businesses, included in the fund, have, or are currently, sowing their way into the social fabric of our lives. Some of the sectors/themes focused on are:* ***Artificial Intelligence, Cloud Software, eCommerce, Fintech Payments, Big Data, Cyber Security, Online Streaming & Gaming, Digital Healthcare****, and more.*

Monthly Performance Attribution

Below were the top 5 contributors and detractors of performance for the month:

TOP CONTRIBUTORS & DETRACTORS	SECTOR	%
SOFI TECHNOLOGIES INC	FINANCIALS	42.1
PALANTIR TECHNOLOGIES INC.	SOFTWARE	11.7
THE TRADE DESK, INC.	ONLINE ADVERTISING	9.6
NVIDIA CORPORATION	SEMICONDUCTORS	9.3
CROWDSTRIKE HOLDINGS, INC.	CYBER SECURITY	7.9
CELSIUS HOLDINGS, INC.	BEVERAGES	-3.6
TESLA, INC.	AUTOMOTIVE	-4.5
MICROSOFT CORPORATION	SOFTWARE	-5.6
ADVANCED MICRO DEVICES, INC.	SEMICONDUCTORS	-9.8
OPENDOOR TECHNOLOGIES INC.	ONLINE REAL ESTATE	-12.5

Overall, the fund was up 6.94% for the month in ZAR. This was helped by a 2.3% weakening of the ZAR against the USD. This meant the fund was up 4.6% in USD for the month. This compares favourably with the S&P 500 which was down 0.99%.

There were some large contributors and detractors for the month despite very little company specific news or results. SoFi Technologies reported very strong results, with strong growth in the financial services side of the business. The company also raised guidance again for the full year and is seeing strong expansion in margins, in part due to lower customer acquisition costs and a more balanced mix of revenue between financial services and lending.

Performance in Rand

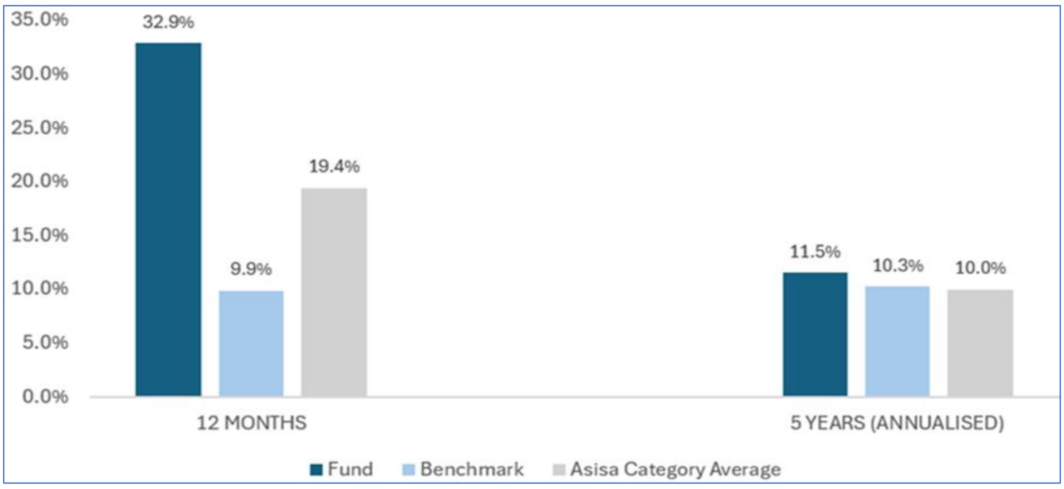
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2024	5.5	8.8	-2.5	-6.7	0.7	3.6	-7.1	1.6	1.0	6.9			11.0
2023	12.3	1.7	0.1	3.9	11.4	3.0	-0.2	-0.6	-5.0	-3.5	13.6	5.3	48.1
2022	-16.3	-3.8	-1.8	-5.0	-3.8	-5.0	3.2	-1.0	-4.3	5.7	-6.2	-3.9	-36.0
2021	1.7	2.0	-5.4	2.3	-5.0	8.6	0.7	1.8	-4.3	7.3	0.2	-4.3	4.7
2020	8.2	-1.6	-0.9	14.4	-0.5	8.0	7.9	4.1	-2.7	-2.4	5.6	5.8	54.7
2019	1.5	6.4	3.6	5.6	-4.3	1.9	-0.2	-0.6	-1.9	6.4	0.9	0.4	21.1

The fund had a good start to 2024, after pulling back in Q2 on the Iran/Israel conflict as well as a cooling off in the semi space after what was an incredible few months for investors. The fund is up 11% in Rand for 2024, or 16.5% in US dollars.

The longer-term track record is still good, with fund annualizing at 11.5% over the last 5 years, this is ahead of the benchmark (CPI+5%) and the peer group average (10.0%), shown on the following page.

WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

RCI BCI WORLDWIDE FLEXIBLE GROWTH FUND (CONT.)



Unit Trust Rankings

27/109	5/109	6/106	92/95	12/80	16/69
ytd	1 year	2 years	3 years	5 years	7 years

Source: MoneyMate

Our Top 10 Positions

TOP TEN HOLDINGS	SECTOR	ABSOLUTE WEIGHT (%)
SOFI TECHNOLOGIES INC	FINANCIALS	6.1
META PLATFORMS INC	ONLINE ADVERTISING	5.8
PALANTIR TECHNOLOGIES INC	SOFTWARE	5.7
AMAZON.COM INC	E-COMMERCE	5.5
FORTINET INC	CYBER SECURITY	5.0
NVIDIA CORPORATION	SEMICONDUCTORS	4.4
MICROSOFT CORPORATION	SOFTWARE	4.3
ALPHABET INC	ONLINE ADVERTISING	4.3
ARISTA NETWORKS INC	COMPUTER HARDWARE	4.2
SERVICE NOW INC	SOFTWARE	4.1
TOTAL EQUITY CONTENT OF FUND		**99.5**

The top 10 holdings can be seen above, and account for 49.4% of the fund. The total equity content of the fund sat at 99.5%, with 0.5% held in cash. Changes in the top 10 for the month were brought about by market movements, although we did add slightly to SoFi Technologies, Fortinet, Nvidia, Sentinel One and Block Inc.

Key Operating Metrics (Top 10 Holdings)

TOP TEN HOLDINGS	SECTOR	ABSOLUTE WEIGHT (%)	ROCE	FCF MARGIN	GP MARGIN	OP MARGIN	REVENUE 3Y CAGR	DEBT/EQUITY
SOFI TECHNOLOGIES INC	FINANCIALS	6.1	0.0	-120.0	82.4	0.0	43.1	0.5
META PLATFORMS INC	ONLINE ADVERTISING	5.8	31.9	33.1	81.5	41.2	12.7	0.2
PALANTIR TECHNOLOGIES INC	SOFTWARE	5.7	5.5	28.1	81.4	11.8	23.1	0.1
AMAZON.COM INC	E-COMMERCE	5.5	13.6	8.0	48.0	9.0	10.9	0.7
FORTINET INC	CYBER SECURITY	5.0	34.6	28.4	78.1	26.1	23.9	3.7
NVIDIA CORPORATION	SEMICONDUCTORS	4.4	96.4	48.6	76.0	61.9	63.8	0.2
MICROSOFT CORPORATION	SOFTWARE	4.3	32.3	30.2	69.8	44.6	13.4	0.4
ALPHABET INC	ONLINE ADVERTISING	4.3	30.8	18.5	57.6	31.0	14.2	0.1
ARISTA NETWORKS INC	COMPUTER HARDWARE	4.2	33.0	42.8	64.0	41.2	33.9	0.0
SERVICE NOW INC	SOFTWARE	4.1	10.6	32.3	79.2	12.0	23.7	0.2

WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

The Family Office

RCI BCI WORLDWIDE FLEXIBLE GROWTH FUND (CONT.)

The top 10 holdings exhibit strong or improving returns on capital. Many of the businesses are software or cloud platform businesses and as such they also exhibit strong margins. The fund tries to focus on scalable businesses with strong margins, and healthy balance sheets. The free cashflow margins of our top 10 holdings are very healthy.

Changes made during the month

The only outright change for the month was the outright switch out of ASML Holdings (ASML), following their poor results and lower than expected outlook, into Lam Research Corporation (LAM).

Lam Research Corporation designs, manufactures, markets, refurbishes, and services semiconductor processing equipment used in the fabrication of integrated circuits

We believe that Lam Research exhibits better operational momentum at this stage, as well as less reliance on fewer customers, including less exposure to China.

LESSONS FROM MARKET HISTORY (1600-2024)

The below is a synopsis of some key points made in season 2, episode 324 of The Rational Reminder Podcast. Dr Bryan Taylor, President and Chief Economist at Global Financial Data where he unpacked the world's financial history.

How have stocks performed relative to bonds through the full history that you have data for?

We have looked at several centuries of data for the relative performance of stocks and bonds. We are the first to have gone back as far as the 1600s and 1700s. What is shown is that on average, stocks outperform bonds. There are periods when bonds outperform stocks, but it is the exception rather than the rule. I would say that stocks outperform bonds about 80% of the time. We have looked at not only the United States, but also other countries as well to see how they perform.

Now if you look at other countries, the bonds were not always risk-free. There are a lot of periods when countries defaulted on their bonds, and you have to take that into consideration. But if you look at the long-term returns in the US for example, bonds have returned approximately 4% over time, and stocks have returned about 7% over time. If you're looking at the long-term, there's about a 3% difference in the returns.

We have done decade by decade analysis to find out exactly under what circumstances stocks outperform bonds and under what circumstances bond outperform stocks or when the returns are similar.

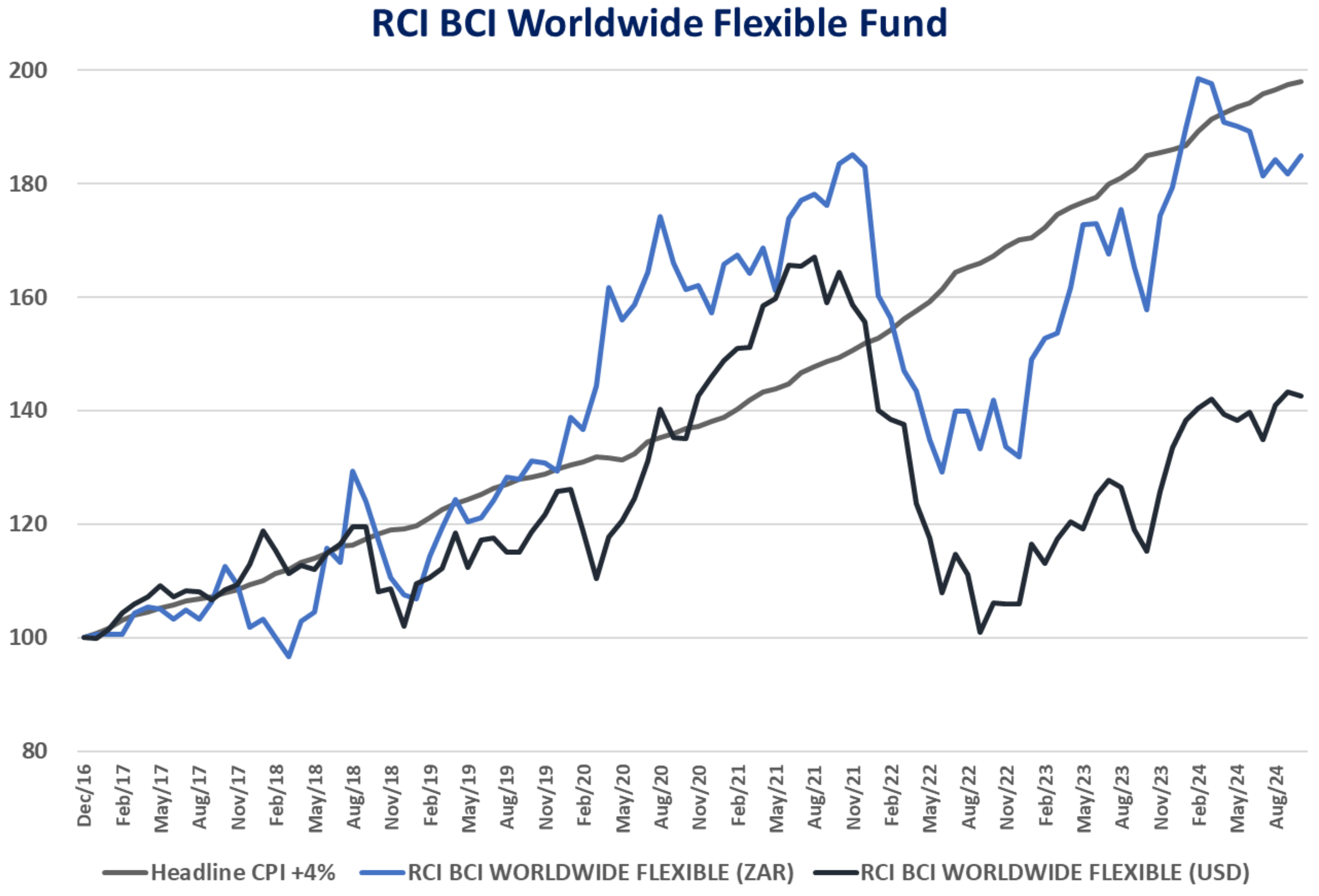
What are the main factors through history that limit returns and increase risk for investors?

Before embarking on the research, I asked myself, "what are the Four Horseman of financial markets?". The four factors that reduce returns dramatically are **war, inflation, socialism and autarky**. Whenever you have any of those four factors, returns in both stocks and bonds decline. The opposite of each of these is what causes financial markets to do well. So when there's no war, stocks do better. When there is no inflation, both stocks and bonds do better. The inflation affects bonds more than stocks because high inflation and hyperinflation has just wiped-out bond investors in numerous cases. If the government's intervening in the markets and taking over markets, they eliminate returns. Look at the Soviet Union and Eastern Europe after WW2. They just closed down the stock markets and people lost everything. Then finally when you autarky, which is the desire to produce things themselves, rather than relying on international trade. Periods of autarky have led to lower returns.

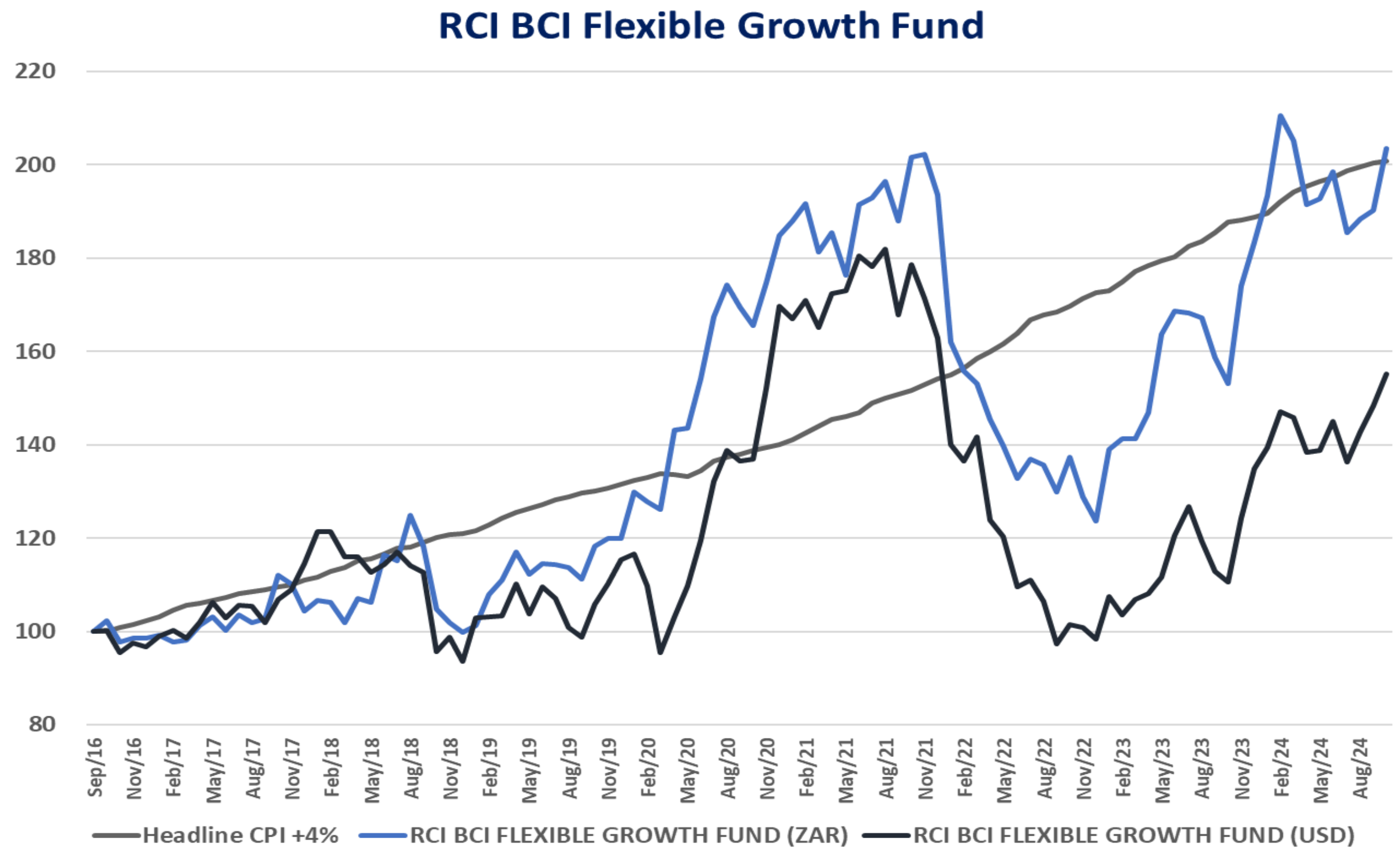
RCI OFFSHORE UNIT TRUSTS PERFORMANCE

"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 October at 184.97, up 1.77% for the month and up 17.18% for the last 12 months.



The **RCI BCI Flexible Growth Fund** closed October at 188.43, up 6.94% for the month and up 32.86% for the last 12 months.



Robert Cowen Investments
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WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

ANCHOR BCI SA EQUITY FUND

The Family Office

Developed Market (DM) equities experienced only their second negative monthly performance of the year in October (MSCI World Index -2.0% MoM), with weakness relatively widespread both sectorially and regionally. US corporate earnings for 3Q24 got underway and, with roughly half of companies reporting in October, aggregate earnings growth of about 8% YoY was comfortably ahead of subdued analyst expectations of 2% growth. However, investors seem more concerned by the cautious outlooks from companies and higher rates, which saw many companies' share prices fall, despite delivering better than expected quarterly earnings. Another headwind for equities in October was the US bond yield, which moved appreciably higher (US 10-yr government bond yield +0.5% to 4.3%). This was interpreted by some as a sign that odds shifting in favour of a Trump victory was leading to his more inflationary policy proposals being priced into bonds. Emerging Market (EM) equities struggled in October (MSCI EM -4.3% MoM). September's excitement around Chinese stocks proved fleeting, as the lack of additional stimulus measures announced and continued vagueness on detail surrounding the initial stimulus proposals, led investors to abandon shares into which they had initially piled when the proposals were first announced.

After seven consecutive months of gains, the South African equity market finally wobbled slightly in October (FTSE/JSE Capped SWIX Index -0.9% MoM). There were few places to hide, with precious metals being one area that ended in the green for the month. Gold shares (+8% MoM) tracked the gold price higher, while PGM miners were the star performers (+16% MoM), boosted by news that the US had asked its G7 partners to consider sanctions on Russian PGM exports. Despite the rand weakening in October, rand hedge shares failed to benefit, although this was mainly for company-specific reasons – Richemont (-7% MoM) luxury shares heavily out of favour at the moment; AB InBev (-8% MoM) disappointing results by way of example. After several months of strong performance, shares geared to the local economy generally had a rather subdued month, likely reflecting that valuations are now not as depressed as they were, while recent comments from management teams have been decidedly mixed regarding whether the recovery in operational activity investors are anticipating is materialising.

At the end of October, the top 15 positions in the fund, making up 63%, were as follows:

- Naspers
- Prosus
- Standard Bank
- Investec
- FirstRand
- Capitec
- Anglo American
- WeBuyCars
- Discovery
- Pepkor
- Mas Real Estate
- Absa
- AngloGold Ashanti
- BidCorp
- Advtech

Main changes in the month

Regarding changes in the portfolio during October, we added **Coronation Fund Managers** at the expense of **British American Tobacco**, seeing the former as a source of similarly attractive dividends but with the potential to benefit from a more robust domestic investment market performance. We also added a position in **Foschini**, further increasing the fund's discretionary consumer exposure as we continue to position for an improvement off a low base in the months ahead. Capitec reported solid results, prompting us to switch some **FirstRand** and **Absa** holdings into **Capitec**. Finally, we exited a small holding in **Mondi** following underwhelming quarterly results and signs that the anticipated rise in packaging prices was falling short of expectations.

Performance

The Anchor BCI SA Equity Fund declined by 0.1% in October, outperforming the benchmark FTSE JSE Capped SWIX Index (-0.9% MoM). This was a pleasing outcome in a month where gold and platinum group metal (PGM) miners, which do not feature prominently in the fund on quality grounds, were notable outperformers. We Buy Cars had a solid month (+22% MoM) as investors continue to warm to this Transaction Capital spin-off. Southern Sun (+8% MoM) was also a commendable driver of performance, perhaps as sensible proposals to ease visa rules lead investors to seek potential beneficiaries of improved tourist arrivals ahead. Sadly, not all the fund's smaller capitalisation holdings fared as well. Murray & Roberts (-22% MoM) reversed some of its prior gains as delays in planned debt refinancing caused investor jitters.

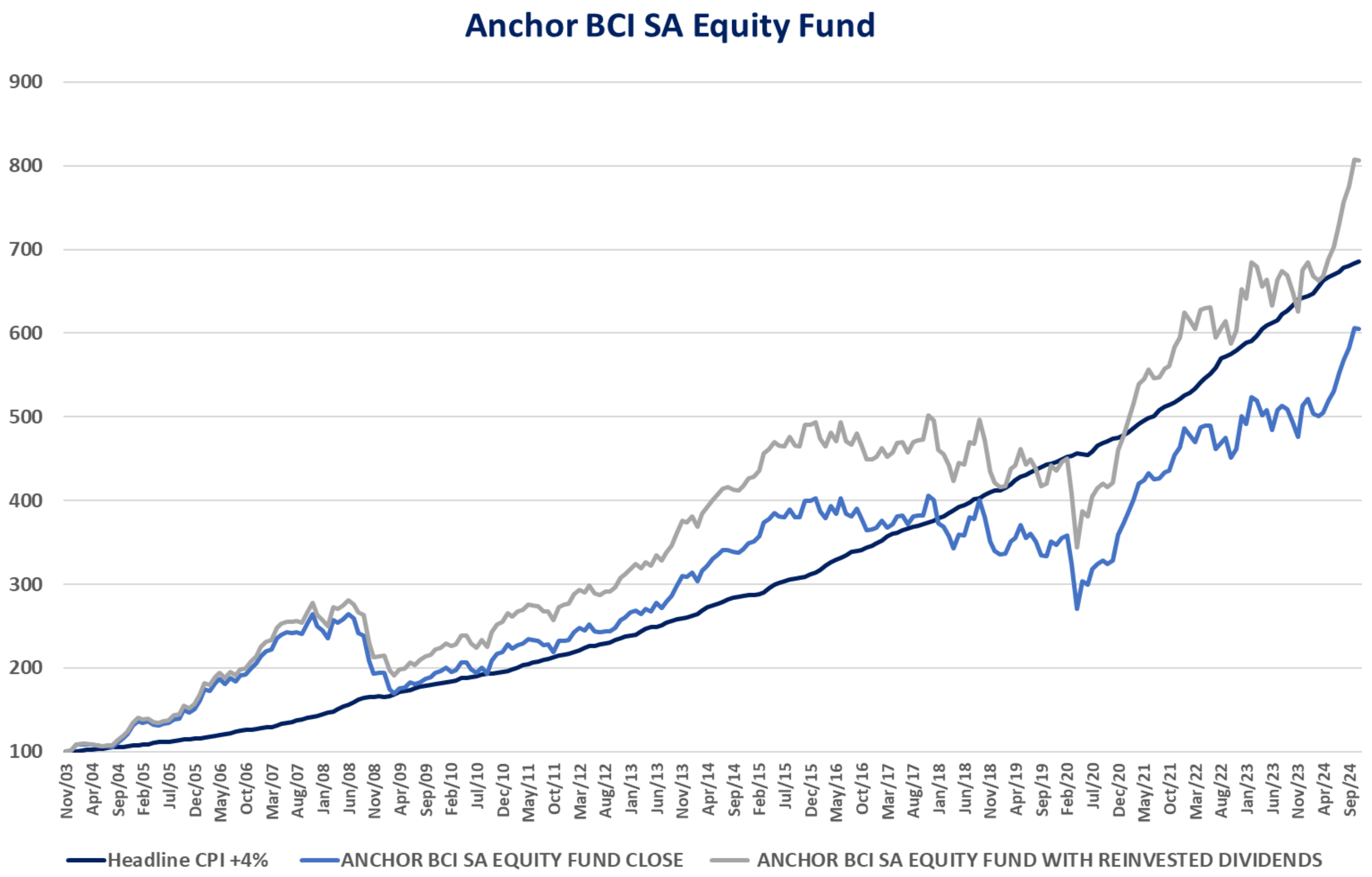
The Anchor BCI SA Equity Team: Mike Gresty, Liam Hechter, Steph Erasmus, Seleho Tsatsi, Peter Little

WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

ANCHOR BCI SA EQUITY FUND

The Family Office

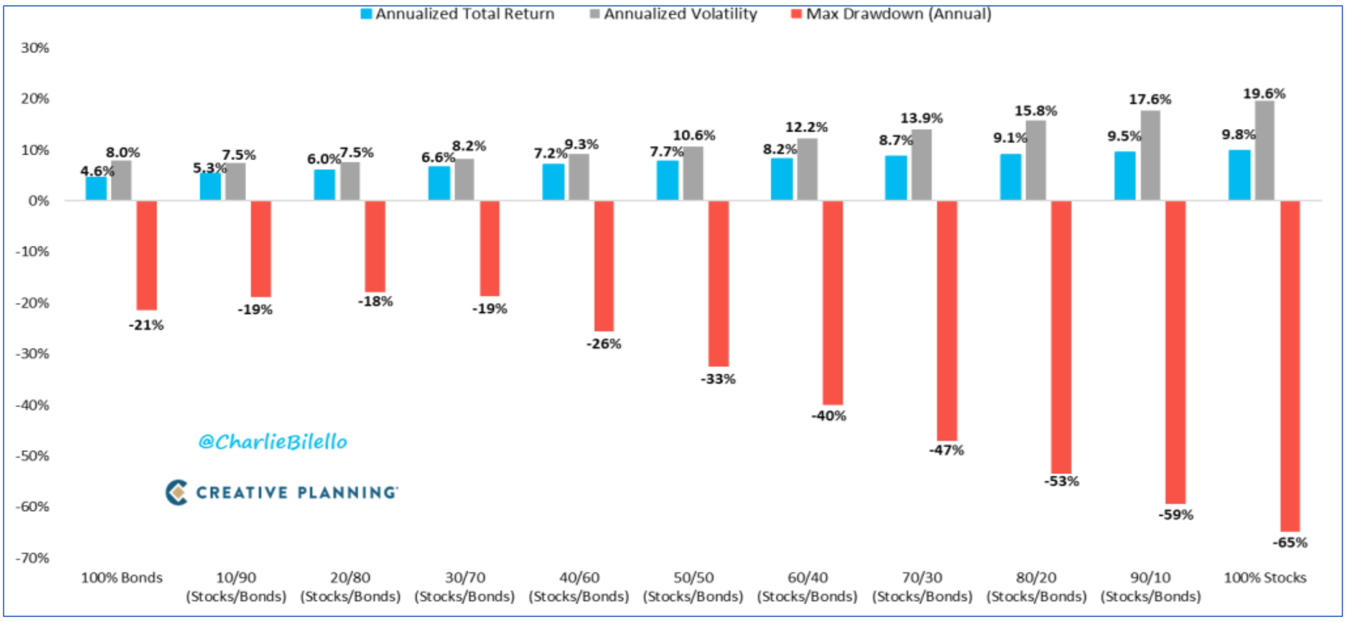
The **Anchor BCI SA Equity Fund** closed October at 605.34, down -0.1% for the month and up 27.19% for the last 12 months.



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.

The below echoes what Dr Bryan Taylor was saying – stocks produce the best long-term returns. You just have to be able to stomach the short-term volatility that comes with investing in stocks to enjoy the superior long-term returns.

Figure 1: Asset Allocation and Historical Returns/Volatility/Drawdowns
Annualized Total Returns, 1928-2023, Stocks = S&P 500, Bonds = 10-Year Treasury Bond



Source: Charlie Bilello