ROBERT COWEN INVESTMENTS

FEBRUARY 2025 NEWSLETTER

HIGHLIGHTS OF THIS NEWSLETTER ARE:

- **An overview of the significant changes to the taxation of non-UK domiciled individuals** – *by Di Haiden*
- **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*
- **Update on what we have been doing in the local fund** – *by Mike Gresty*
- **Excerpts from 'The Psychology of Money' by Morgan Housel**

We believe the following three quotes beautifully capture the essence of our investment philosophy when it comes to managing your wealth.

"**A genius is the man who can do the average thing when everyone else around him is losing his mind**" – Napoleon

"**The world is full of obvious things which nobody by any chance ever observes**" – Sherlock Holmes

"**History never repeats itself, man always does**"

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

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AN OVERVIEW OF SIGNIFICANT CHANGES TO THE TAXATION OF NON-UK DOMICILED INDIVIDUALS

BY DI HAIDEN

A BusinessTech article dated 28 August 2023 noted that "over half a million South Africans now call first-world countries home – which are the United Kingdom (UK), Australia, and Canada. ***The UK accounts for the lion's share of these South African emigrants, with 298,000 South African-born citizens living in the country.***

According to the UN Department of Economic and Social Affairs' 2020 International Migrant Stock report, 247,300 South African emigrants were living in the UK – ***meaning the number of South Africans that have moved to the UK has increased by a substantial 26% or 50,700 since 2020."***

Photos circulating during SA's May 2024 National and Provincial Elections (NPEs) highlighted the number of South Africans voting in the UK, underscoring how big the SA community is in that country!

As a rule, all these people would be classified as non-domiciled (non-doms) in the UK and subject to particular tax legislation, which is about to change significantly. Those affected will need to pay close attention to understand the tax effect and the timeframes involved. It is an opportune time to relook and focus on what would need to be done to assist non-doms in organising their affairs considering the pending changes.

What does domiciled and non-domiciled mean?

In the UK, domiciled status refers to individuals whose permanent home is in the UK, typically determined by origin or long-term intent to reside. They are subject to UK taxation on their worldwide income and gains.

Non-domiciled status applies to those individuals whose permanent home is outside the UK, even if they live there. Non-doms can opt to be taxed only on their UK income and gains, plus any foreign income brought into the UK (remittance basis), though this may incur additional charges after long-term UK residence.

The changes

The UK government has announced significant changes to the taxation of non-UK domiciled individuals (non-doms) from 6 April 2025. These reforms aim to replace the current domicile-based system with the focus on tax residency. Below, we explain the changes and their implications. It is important to take note of the transitional rules that apply.

Key changes to non-dom taxation

- **End of the non-dom regime**

The traditional non-dom tax regime will be abolished. Currently, non-doms can opt for the remittance basis of taxation, where foreign income and gains are only taxed if brought into the UK. From 2025, this option will be removed, and **residency will determine taxation**. Residents will generally be taxed on their worldwide income and gains, aligning the UK more closely with other countries that use residency as the primary tax criterion.

- **Introduction of a residency-based system**

The UK will adopt a system in which individuals' tax liabilities are based on their residency status as determined by the Statutory Residence Test. Non-doms who have lived in the UK for fewer than four years after a ten-year period of non-residence will benefit from transitional arrangements, including relief on foreign income and gains for up to four years upon becoming UK tax residents.

- **Foreign Income and Gains (FIG)**

'Individuals who meet the conditions will not pay tax on FIG arising in the first four tax years after becoming UK tax resident and will be able to remit these funds into the UK free from any additional charges. In addition, they will not pay tax on distributions from non-resident trusts. They will, as currently, pay tax on UK income and gains. …….. Individuals who make a claim for the new regime to apply will lose their entitlement to personal allowances and the capital gains tax annual exempt amount. This is the same as currently for remittance basis users. Individuals who have been tax resident for less than four years on 5 April 2025 (and who were non-resident for a period of ten years before that) can use the new regime while they are UK resident for the remainder of the four-year period.' (James Quarmby, partner at UK law firm Stephenson Harwood LLP - October 2024)

- **Inheritance tax adjustments**

Inheritance tax (IHT) rules will also shift toward a residency basis. Currently, IHT on non-UK assets applies only after a non-dom has been a UK resident for some time, i.e. they may not be considered 'long-term residents', and IHT will only apply on UK assets. However, moving forward, the UK government plans to simplify this by tying IHT more directly to residency.

'Long-term residents' will be subject to IHT on their personally owned non-UK assets. An individual will usually be a long-term resident where they have been resident in the UK for at least 10 out of the last 20 tax years immediately preceding the tax year in which the chargeable event (including death) arises. However, there will be transitional rules for nondomiciled or deemed domiciled individuals who are non-resident in 2025/2026. For those individuals, they will only be long-term resident if they satisfy the existing deemed domicile test, namely whether they have been resident for at least 15 out of the 20 tax years immediately preceding the year of charge and for at least one of the four tax years ending with the relevant tax year. If they return to the UK, the new rules will apply. This means that individuals who are non-UK resident from 6 April 2025 will not be impacted by the longer 'tail' provisions described below. This transitional provision will not apply to individuals who are UK-domiciled. …….. There is to be a 'tail' provision to keep long-term residents within the scope of IHT after leaving the UK. …… Where a person has been a UK resident for 20 years or more, they will remain in the UK IHT net for ten years after leaving. This is a significant extension of the current domicile-based regime where a person continues to be deemed domiciled for IHT purposes for the first three years of non-residence. As such, they are only subject to IHT on their worldwide estate until the start of their fourth year of non-UK residence. (James Quarmby, Stephenson Harwood LLP - October 2024)

- **Transitional measures and reliefs**
  - **Capital gains tax rebasing**

If, on or after 6 April 2025, individuals who have claimed the remittance basis and have never been UK-domiciled or UK-deemed domiciled before 5 April 2025 dispose of foreign assets that they personally held at 5 April 2017, they will be able to elect to rebase those assets to their value as at 5 April 2017.' (James Quarmby, Stephenson Harwood LLP – October 2024)

  - **Temporary Repatriation Facility (TRF)**

A new tax rate of 12% will apply to remittances of foreign income and gains made during the 2025–2026 and 2026–2027 tax years. This temporary rate is intended to incentivise individuals to bring funds into the UK during the transition.

'The TRF will also be available to settlors or individuals who receive a benefit from an offshore trust structure during these three years. However, there are some qualifications to this'. (James Quarmby, Stephenson Harwood LLP - October 2024)

- **Trusts**

From 6 April 2025, IHT will be charged on non-UK assets comprised in a settlement at times when the settlor is a long-term resident. This means that settled non-UK assets will come in and out of charge based on the long-term residence status of the settlor at the time of the charge rather than the status being fixed at the time the property became comprised in the settlement. So if the settlor is a long-term resident in a tax year in which the ten-year anniversary charge occurs, IHT will be charged on all trust assets. Importantly, an exit charge can also arise when there is a subsequent change in the settlor's residence status. From 6 April 2025, the effect of a settlor ceasing to satisfy the long-term residence test will mean that non-UK property becomes excluded property for IHT purposes, and the new rules provide that an exit charge will arise. This will be at a maximum rate of 6%.' (James Quarmby, Stephenson Harwood LLP – October 2024)

Impacts of the changes

- **For current non-doms**

The reforms will remove many of the tax benefits associated with the current system. Wealthy individuals who previously used the remittance basis to minimise UK tax exposure may face increased tax liabilities on their global income and gains. Planning opportunities such as using offshore trusts will become more restricted, although trusts established before 2025 will retain some protections.

- **For new residents**

The FIG relief will make the UK more attractive to certain international individuals moving to the country, providing tax-free treatment for foreign income and gains for up to four years. However, these benefits are limited compared to the current regime.

This overhaul represents one of the most significant reforms to the UK tax system in decades, with implications for individuals and the broader economy. There may be advantages and disadvantages for South Africans, and obtaining the correct UK tax advice is important.

WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

RCI BCI WORLDWIDE FLEXIBLE FUND

World markets closed 3.5% up for the month of January, with most of that performance coming from European stocks: UK's FTSE 100 up 6% and Germany's DAX up 9%. The S&P500 closed 2.7% up for the month, mostly driven by performance in sectors like Financials, Health Care, Industrials and Materials unlike the big tech drivers from 2024.

Figure 1: Performance of global markets and US sectors in 2024 and 2025

Name	2024	Jan-25
NASDAQ 100 IDX	24.9%	2.2%
S&P 500	23.3%	2.7%
DOW JONES INDUST IDX	12.9%	4.7%
S&P 500 COMMUN SERVICES	38.9%	9.0%
S&P 500 INFO TECH IDX	35.7%	-2.9%
S&P 500 CONS DISCRET IDX	29.1%	4.4%
S&P 500 FINANCIALS IDX	28.4%	6.4%
S&P 500 UTILITIES IDX	19.6%	2.9%
S&P 500 INDUSTRIALS IDX	15.6%	5.0%
S&P 500 CONS STAPLES IDX	12.0%	1.9%
S&P 500 ENERGY IDX	2.3%	2.0%
S&P 500 REAL ESTATE IDX	1.7%	1.7%
S&P 500 HEALTH CARE IDX	0.9%	6.6%
S&P 500 MATERIALS IDX	-1.8%	5.5%
HANG SENG IDX	17.7%	0.0%
MSCI WORLD IDX	17.0%	3.5%
DAX IDX	18.8%	9.2%
NIKKEI IDX	19.2%	-0.8%
MSCI EMERGING MARKETS IDX (USD)	5.1%	1.7%
FTSE 100 IDX	5.7%	6.1%

Source: Bloomberg, Anchor Capital

The announcement of a Chinese AI competitor called DeepSeek, that was supposedly trained at a fraction of the cost of American AI, caused shockwaves through the American market. Especially the mega cap AI stocks like Nvidia (down 11% for the month) leading to the sector falling 3%. However, companies like Meta (in the communications sector) who use open-sourced AI saw their share prices rocket on the expectation that they would benefit from the implementation of cheaper AI models.

January also saw the start of Donald Trump's second term presidency and with it several aggressive policy introductions that were seen as either favourable or detrimental to the US economy. These announcements continue to whipsaw the market. In particular, the push for tariffs and their expected inflationary impacts.

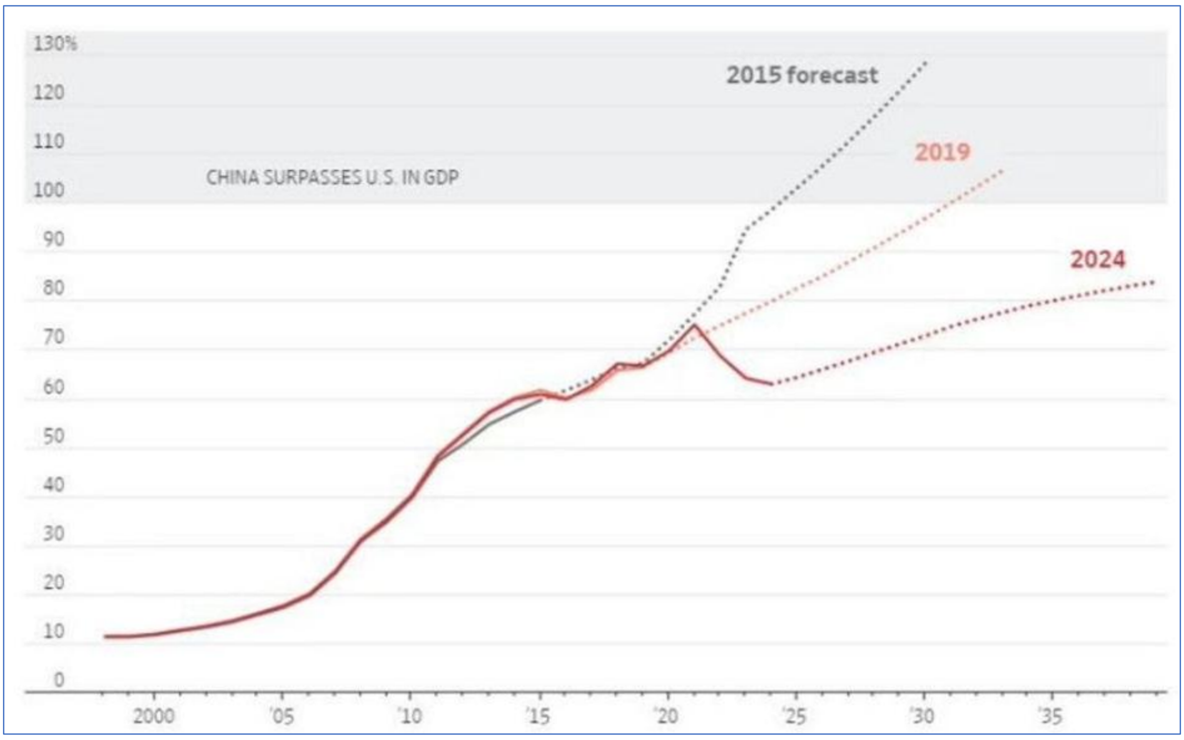
Figure 2 (following page) is an interesting graph showing how disappointing the Chinese economy has been versus the US economy over the last ten years. The solid red line is the actual GDP vs the USA and as at 2024 China's GDP was about 62% of The United States. What is really interesting is how the forecasts (dotted lines) have changed over the years. In 2015, when the Chinese GDP growth was far higher than the United States, economists expected the Chinese economy to surpass the US in about 2024. However, by 2019 economists pushed this date out to about 2030 but as at 2024 economists do not expect the Chinese GDP to surpass the United States for the foreseeable future.

This is quite an about turn and there are several reasons that could explain why the Chinese economy stalled over the last several years:

- The economic and social differences between Communism and Capitalism.
- The different responses to COVID19. Especially the massive stimulus undertaken by the USA.
- The dollar as a reserve currency.
- Superior US technology and exceptional businesses that are far more globally orientated.
- The demographic headwinds of China.
- The property market collapse in China and its impact on consumers.
- China is far more manufacturing driven and Investment heavy. Whereas the USA is serviced based and innovation driven.
- The greater reliance of China on the US than the other way around and the impacts of tariffs on this relationship.

In 2015 economists expected China's economy to surpass the USA within 10 years. This relationship has actually gone backwards and there is now no expected date when this could occur.

Figure 2: China's GDP as a percentage of US GDP



Source: World Economic League Table, Centre for Economic and Business Research

Another metric to measure the valuation of the market is to examine the dividend yield over time. At present the S&P 500's one year forward dividend yield is 1.3%. This is the lowest it has been in decades. This is particularly expensive compared to other investments like bonds or cash held in money market investments. The US market Dividend Yield is currently 1.3%. The last time it was this low was during the COVID stimulus period of 2021.

Our top 10 positions

	PE in one years time	PEG Ratio (FWD PE/'25-26 Growth)	EPS Growth 2023-2024E Growth	2024-2025E Growth	2025-2026E Growth	Pullback from high
ALPHABET INC-CL C	21.6	1.5	36%	12%	15%	-2%
AMAZON.COM INC	32.6	1.7	76%	7%	19%	-2%
BOSTON SCIENTIFIC	36.1	2.6	23%	14%	14%	-1%
CONSTELLATION SOFTWARE	39.4	2.6	15%	15%	15%	-1%
FORTINET	40.7	3.2	44%	9%	13%	-2%
LVMH MOET HENNESSY LOUIS VUI	24.1	2.2	-13%	4%	11%	-22%
MERCADOLIBRE INC	41.4	1.0	44%	33%	41%	-12%
MICROSOFT CORP	28.6	1.9	23%	12%	15%	-12%
RHEINMETALL AG	24.8	0.6	59%	42%	38%	-1%
TAIWAN SEMICONDUCTOR-SP ADR	21.8	1.3	41%	33%	17%	-12%
Top 10 - FWD PE Ratio* PEG ratio* and EPS Growth Rate^	**29.3**	**1.5**	**39%**	**13%**	**15%**	**-7%**
S&P500 - FWD PE and EPS Growth	**21.9**		**9%**	**14%**	**9%**	**-2%**

*Calculated using Harmonic Mean

^Calculated using Median

We expect strong performance out of our top 10 positions for the 2025 and 2026 years. Our portfolio is expected to grow earnings per share in the mid-teens which is greater than the S&P500, where analysts expect 12% average growth over 2025 and 2026. Our companies are trading at higher valuations, 29x, versus the S&P500's 22x, 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 7% from their recent high's whereas the US market has fallen 2% on average.

WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

RCI BCI WORLDWIDE FLEXIBLE FUND (CONT.)

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%	5.4%	3.6%	**12.6%**
2025	4.9%												**4.9%**

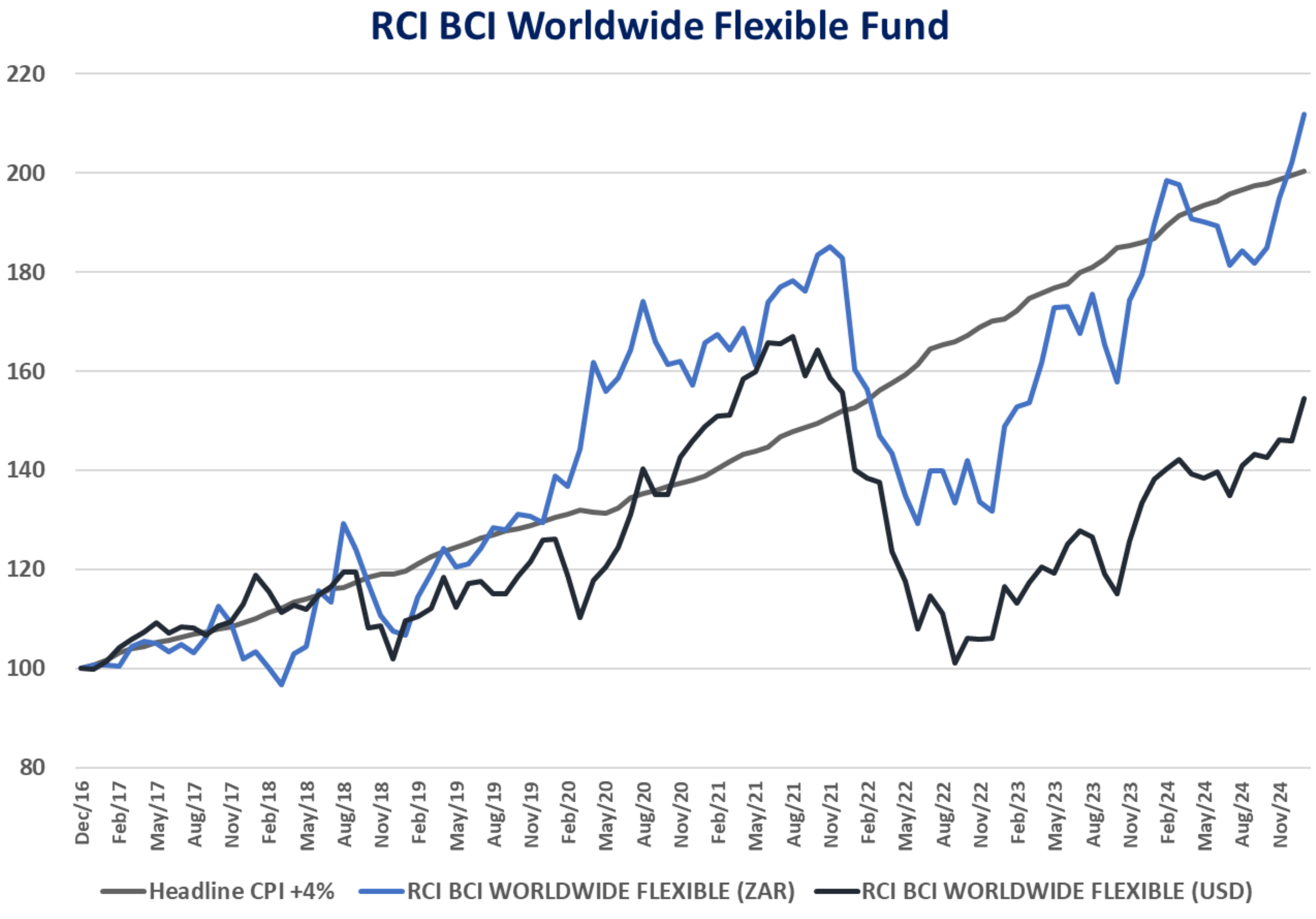
For the month, the fund was up 4.9% in ZAR terms (6% in USD) compared to the MSCI Developed Markets Index which was up 2.4% in ZAR (3.6% in USD) for the month. The Rand strengthened 1.1% for the month, detracting from the performance in ZAR.

For the 2024 calendar year, the fund was up 12.6% in ZAR (+10% USD) whilst the MSCI Developed Markets Index closed up 19% in ZAR (+17% USD).

The RCI BCI Worldwide Flexible Fund investment team:

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

The **RCI BCI Worldwide Flexible Fund** closed January at 211.93, up 4.92% for the month and up 11.68% for the last 12 months.



WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

RCI BCI WORLDWIDE FLEXIBLE GROWTH FUND

Fund Performance and Attribution

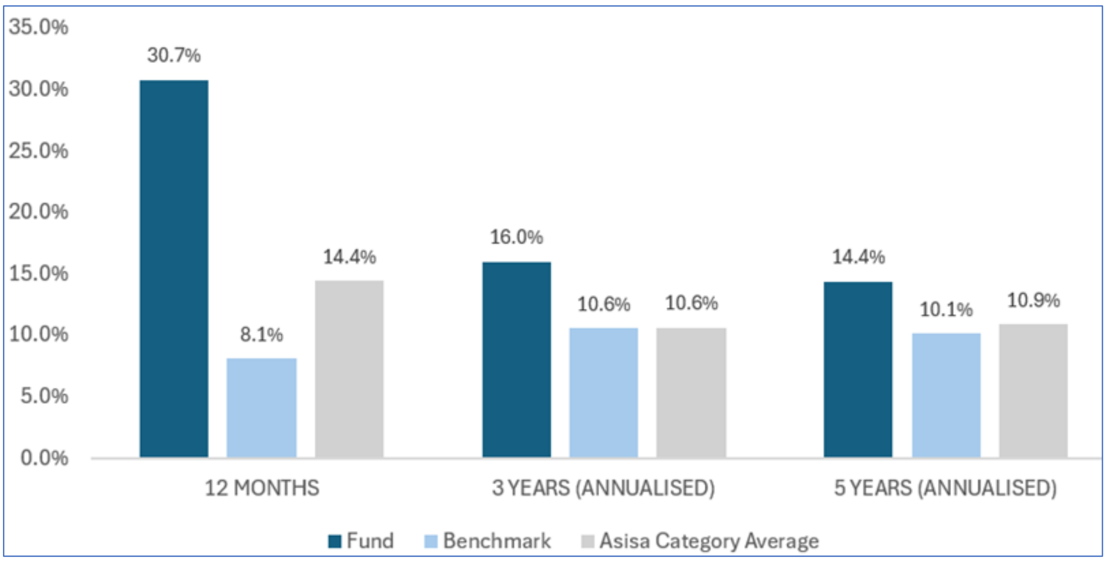
The fund was up 2.1% for the month in ZAR. This hindered by a 1.8% strengthening of the ZAR against the USD. This meant the fund was up 3.9% in USD for the month. This compares favorably with the S&P500 which was up 2.7%. The fund ended 2024 up 35.12% in ZAR, ahead of benchmark and ranked 2nd in the Worldwide Multi Asset Flexible category out of 109 funds.

Our biggest winner for January was Hims & Hers Inc (up 40%) although we only added this midway through the month, followed by Meta Platforms Inc (up 14%), and Netlfix Inc (up 11%). Our laggards were Elf Beauty Inc which suffered a 20% pullback on no specific news, followed by Nvidia Corp (down 17%) on the reveal of DeepSeek's free AI-powered chatbox which was allegedly built for as little as $6million (a fraction of the cost of training other LLM's), and Deckers Outdoor Corp (down 14%) on what seemed to be a strong set of results.

TOP CONTRIBUTORS & DETRACTORS	SECTOR	%
HIMS & HERS HEALTH INC	PERSONAL HEALTHCARE	40.0
META PLATFORMS INC	COMMUNICATION SERVICES	14.0
NETFLIX INC	ENTERTAINMENT	10.9
LAM RESEARCH CORP	SEMICONDUCTORS	7.9
DUOLINGO INC	SOFTWARE	7.0
BROADCOM INC	SEMICONDUCTORS	-4.9
SERVICE NOW INC	SOFTWARE	-5.2
DECKERS OUTDOOR CORP	FOOTWEAR	-14.4
NVIDIA CORP	SEMICONDUCTORS	-16.9
E.L.F. BEAUTY INC	COSMETICS	-20.3

Historical performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2025	2.1												**2.1**
2024	5.5	8.8	-2.5	-6.7	0.7	3.6	-7.1	1.6	1.0	6.9	14.6	6.2	**35.1**
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**



Source: MoneyMate

Most of the returns in 2024 were generated in the 4th quarter, on the back of a more dovish Fed, a new Trump administration and a more resilient economy than expected. The fund finished up 35.1% (ZAR) for 2024, or 32.5% (USD). This compares favorably to the S&P500 which was up 23.3% for the year.

The longer-term track record is good, with the fund annualizing at 14.4% over the last 5 years, this is ahead of the benchmark (CPI+5%) and the peer group average (10.9%).

Fund Composition

TOP TEN HOLDINGS	SECTOR	ABSOLUTE WEIGHT (%)
SOFI TECHNOLOGIES INC	FINANCIAL SERVICES	6.6
META PLATFORMS INC	SOFTWARE	5.8
AMAZON.COM INC	AUTO MANUFACTURERS	5.7
FORTINET INC	E-COMMERCE	5.3
TESLA INC	CYBER SECURITY	5.0
PALANTIR TECHNOLOGIES INC	ONLINE ADVERTISING	4.9
SALESFORCE INC	SEMICONDUCTORS	4.3
NVIDIA CORPORATION	SEMICONDUCTORS	4.3
NETFLIX INC	COMPUTER HARDWARE	3.7
BROADCOM LTD	ENTERTAINMENT	3.7
TOTAL EQUITY CONTENT OF FUND		96.3

TOP TEN HOLDINGS	SECTOR	ABSOLUTE WEIGHT (%)	ROCE	FCF MARGIN	GP MARGIN	OP MARGIN	REVENUE 3Y CAGR	DEBT/EQUITY
SOFI TECHNOLOGIES INC	FINANCIAL SERVICES	6.6	0.0	-42.4	82.5	0.0	39.3	0.5
META PLATFORMS INC	SOFTWARE	5.8	31.8	32.9	81.7	42.4	11.7	0.3
AMAZON.COM INC	AUTO MANUFACTURERS	5.7	15.0	6.9	48.4	9.8	10.6	0.6
FORTINET INC	E-COMMERCE	5.3	34.7	29.1	79.7	28.2	22.2	1.2
TESLA INC	CYBER SECURITY	5.0	10.4	3.7	17.9	7.2	22.0	0.2
PALANTIR TECHNOLOGIES INC	ONLINE ADVERTISING	4.9	7.6	37.0	81.1	13.8	22.7	0.1
SALESFORCE INC	SEMICONDUCTORS	4.3	9.7	31.9	76.9	19.7	14.2	0.2
NVIDIA CORPORATION	SEMICONDUCTORS	4.3	107.9	49.9	75.9	62.7	67.1	0.2
NETFLIX INC	COMPUTER HARDWARE	3.7	23.3	17.7	46.1	26.7	9.5	0.7
BROADCOM LTD	ENTERTAINMENT	3.7	13.9	37.6	75.2	30.1	23.4	1.0
TOTAL EQUITY CONTENT OF FUND		96.3						

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 during the month

During the month of January, the fund:

- Opened new positions in **Grab Holdings Limited**, **CyberArk Software Ltd** and **Hims & Hers Health Inc**.
- To fund these positions, we trimmed positions in **Palantir Technologies Inc**, **Apple Inc** and **Tesla Inc.**

RCI GROWTH FUND PERFORMANCE

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

The Family Office

Select company results

Tesla Inc reported Q4 results for 2024 that were substantially below estimates, missing on almost every metric. Total revenue grew 2% YoY, but auto revenues fell 8% YoY. Gross margins contracted from 17.6% to 16.3% on the back of a reduction in average annual selling prices. EPS on a GAAP basis contracted sharply YoY. The silver lining was the strong growth in the Energy Generation and Storage business which saw revenue grow 113%. This division now accounts for almost 40% of Tesla's gross profits.

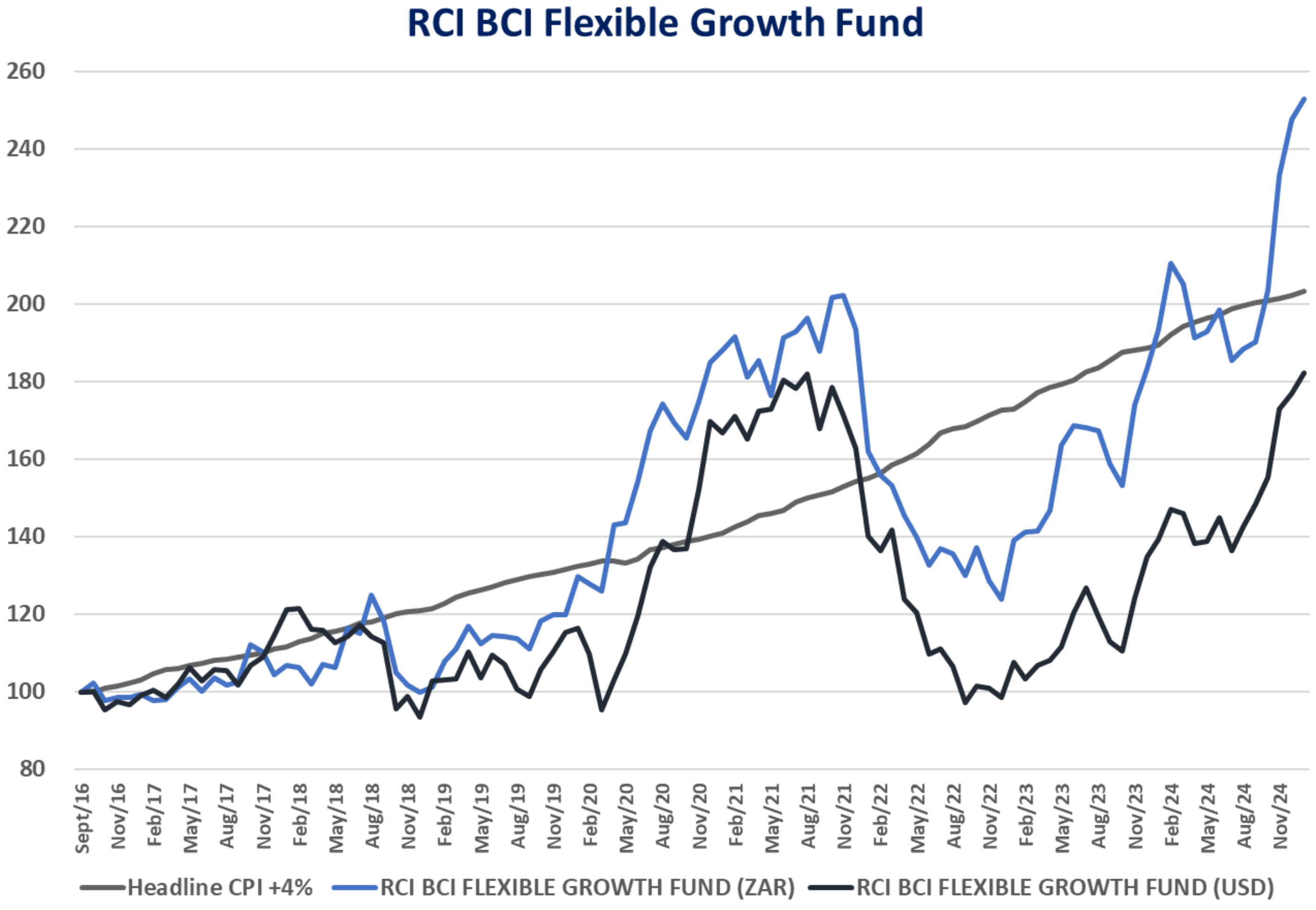
We still believe in the potential for Tesla to solve the greater autonomy puzzle. Elon Musk cited significant advancements in full self-driving technology predicting that 'Tesla could become the most valuable company in the world largely due to autonomous vehicles and robots'

Tesla Inc 4Q Results

Netflix Inc reported their Q4 results for 2024, and they beat on every metric. Netflix added a record 18.91mil new net subscribers for the quarter. Revenue growth also reaccelerated to 16% YoY, with operating margins expanding to 22.2% from 16.9% the same time last year. The business raised guidance for the it Q1 2025 with revenue growth expected to accelerate to 28.2% YoY, and operating margins expanding to a record 28.2%.

Netflix Inc Q4 Results

The **RCI BCI Flexible Growth Fund** closed January at 252.86, up 2.10% for the month and up 30.74% for the last 12 months.



WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

The Family Office

ANCHOR BCI SA EQUITY FUND

Developed Market (DM) equities bounced back from December's wobble with a strong start to the year (MSCI World Index +3.6% MoM). What was particularly notable was how different the drivers were. US mega-cap tech shares lagged, partly owing to slightly underwhelming quarterly results and partly as the release of the impressive Chinese AI model, DeepSeek, purportedly produced at a fraction of the cost of leading western models, leading investors to begin questioning the sustainability of the AI super cycle that was such a dominant driver of stock performance last year (Nvidia -11% MoM, for example). European stocks (EuroStoxx 50 +8% MoM) outperformed US equities meaningfully, likely a combination of their depressed ratings and low technology sector exposure, from which US trading patterns suggest there was a rotation. Emerging Market (EM) equities had a decent start to the year (MSCI EM 1.8% MoM), although the inclusion of index heavyweight, Tencent, by the US Department of Defence on a list of companies believed to have links to the Chinese military, lead to an immediate 10% share price fall. This was a reminder of policy uncertainty, keeping investors on edge, ahead of Donald Trump's inauguration in late January.

South African equities bounced back from a three-month losing streak in January (FTSE/JSE Capped SWIX Index +2.6% MoM). Miners, which had been chiefly responsible for the pressure on SA equities throughout 4Q24, were responsible for the vast majority of January's gains (+16% MoM). Precious metals miners, in particular, had a strong month (gold miners +33% MoM and platinum miners +20% MoM). Richemont (+31% MoM), on a considerably stronger than expected trading update, and MTN (+25% MoM) on Nigerian regulatory approval of a tariff hike, were other notable winners. Broadly, shares geared to the SA economy struggled, likely because of trading updates from retailers that fell somewhat short of lofty expectations for a consumer recovery over the Festive Season. Naspers/Tencent (-5% MoM) were also a disappointing performer following key investment, Tencent's, news mentioned above.

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

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

Main changes in the month

Regarding changes in the portfolio in January, we increased our stake in **Bidcorp**. We initiated a position in **Grindrod**, capitalising on its pullback during social unrest in Mozambique and anticipating benefits from potential partnerships with Transnet. We increased exposure to gold via **Harmony** and added a position in **MTN**. Conversely, we exited **The Foschini Group** on concern about its acquisition strategy and following its underwhelming trading update.

Performance

The Anchor BCI SA Equity Fund had a challenging start to the year, declining 2.6% MoM. January's sharp reversal of trends than had been dominating relative performance last year, and particularly the strength in cyclical miners to which the fund's quality orientation means it is typically underweight, meant it was a tough month. This will happen from time to time. While we did alter positioning slightly (adding to the fund's gold exposure and a position in MTN), we remain confident that the quality style will prevail in the long-term.

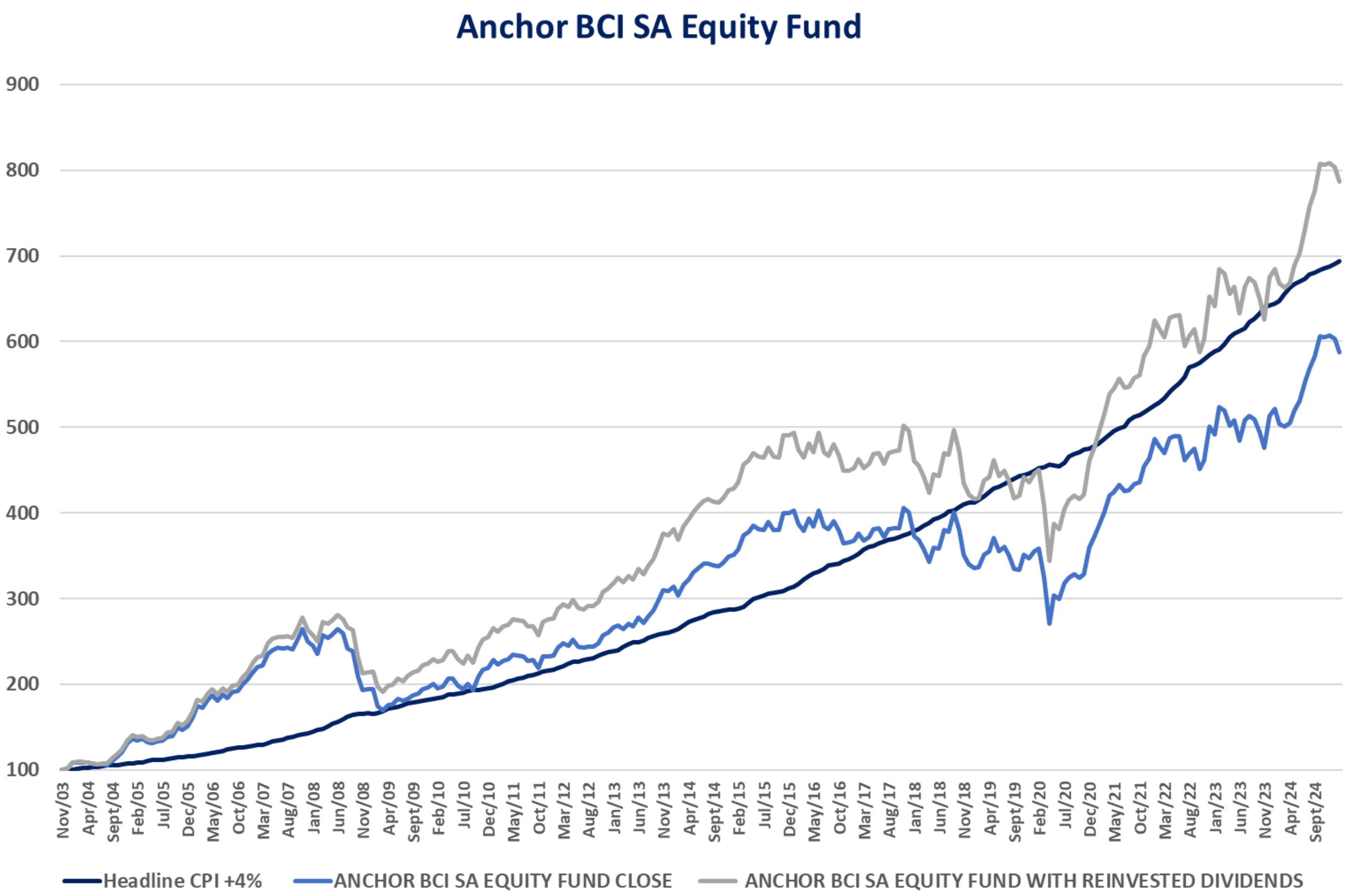
The Anchor BCI SA Equity Team

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 **Anchor BCI SA Equity Fund** closed January at 606.99, down 2.63% for the month and up 16.49% 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 PSYCHOLOGY OF MONEY BY MORGAN HOUSEL

Each month, I'll share some thought-provoking insights from this essential book on finance (and life). Enjoy!

"Spreadsheets can model the historic frequency of big stock market declines. But they can't model the feeling of coming home, looking at your kids, and wondering if you've made a mistake that will impact their lives. Studying history makes you feel like you understand something. **But until you've lived through it and personally felt its consequences, you may not understand it enough to change your behaviour**. We all think we know how the world works. But we'll only understand a tiny sliver of it. Some lessons have to be experienced before they can be understood. We are all victims, in different ways, to that truth."

"The idea that "**what you're doing seems crazy but I kind of understand why you're doing it**", uncovers the root of many of our financial decisions. Few people make financial decisions purely with a spreadsheet. They make them at the dinner table, or in a company meeting. Places where personal history, your own unique view of the world, ego, pride, marketing, and odd incentives are scrambled together into a narrative that works for you."

"Be careful who you praise and admire. Be careful who you look down upon and wish to avoid becoming. Realize that **not all success is due to hard work, and not all poverty is due to laziness**. Focus less on specific individuals and case studies and more on broad patterns."