ROBERT COWEN INVESTMENTS

MAY 2025 NEWSLETTER

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HIGHLIGHTS OF THIS NEWSLETTER ARE:

- **Update on what we have been doing in the offshore funds**
    - **RCI Worldwide Flexible Fund** – *by Keiran Witthuhn & Mike Gresty*
    - **RCI Worldwide Flexible Growth Fund** – *by Eric Lappeman*
- **Update on what we have been doing in the local fund** – *by Mike Gresty*
- **Back to investing in the slow lane (Our local investment strategy)** – *by Mike Gresty & Keiran Witthuhn*
- **Estates: Are you prepared for a 'What If' event and what happens thereafter?** – *by Di Haiden*

See the below interview of Keiran Witthuhn discussing RCI's views on the investment landscape after the turbulent month of April. The interview was on CNBC Africa on 2 May with Nastassia Arendse. He highlights that at the time of the interview, RCI and Anchor are still constructive on the US and believe it best to look past the short-term noise in the headlines. Looking back, you will be happy that you did not overreact to all the sensationalism around us. Check out the full interview on his views on the local and offshore investment environment **here**.

The Navigator is Anchor's quarterly review of the major themes affecting markets and gives an overview of our current strategy and asset allocation. Global markets have been roiled by the on-again, off-again, exempt today, back tomorrow, temporarily suspended tariffs from the US. Domestically, it has not been much better as National Treasury was woefully ineffective in managing spending pressures and found itself coming to take more from productive citizens. Find the full document **here**.
Anchor hosted its quarterly webinar '**Where The Money Will be Made**' on 6 May where the contents in The Navigator are discussed. **Click here** for the full recording & presentations.

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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WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

RCI BCI WORLDWIDE FLEXIBLE FUND

April was a story of two halves in global markets. At first glance, looking at markets at the start and end of April, one might assume it was a relatively calm month. In reality, it was one of the most volatile and chaotic periods in recent memory. The month began with a sharp sell-off in global risk assets following the surprise announcement of sweeping tariffs on 2 April. However, markets quickly rebounded in the second half after President Trump walked back some of his threats and announced a 90-day pause to allow for negotiations.

Figure 1: Performance of global markets and US sectors in 2024 and 2025: Sector price movement sorted by April performance

Name	2024	Year to Date	Apr 25
NASDAQ 100 IDX	24.9%	-6.9%	1.5%
S&P 500	23.3%	-5.3%	-0.8%
DOW JONES INDUST IDX	12.9%	-4.4%	-3.2%
S&P 500 INFO TECH IDX	35.7%	-11.4%	1.6%
S&P 500 CONS STAPLES IDX	12.0%	5.7%	1.1%
S&P 500 COMMUN SERVICES	38.9%	-5.8%	0.6%
S&P 500 INDUSTRIALS IDX	15.6%	-0.4%	0.2%
S&P 500 UTILITIES IDX	19.6%	4.2%	0.0%
S&P 500 CONS DISCRET IDX	29.1%	-14.3%	-0.3%
S&P 500 REAL ESTATE IDX	1.7%	1.3%	-1.3%
S&P 500 FINANCIALS IDX	28.4%	0.8%	-2.2%
S&P 500 MATERIALS IDX	-1.8%	0.0%	-2.2%
S&P 500 HEALTH CARE IDX	0.9%	2.0%	-3.8%
S&P 500 ENERGY IDX	2.3%	-5.7%	13.7%
DAX IDX	18.8%	13.0%	1.5%
NIKKEI IDX	19.2%	-9.6%	1.2%
MSCI EMERGING MARKETS IDX (USD)	5.1%	3.5%	1.0%
MSCI WORLD IDX	17.0%	-1.4%	0.7%
FTSE 100 IDX	5.7%	3.9%	-1.0%
HANG SENG IDX	17.7%	10.3%	-7.5%

Source: Bloomberg, Anchor Capital

Developed markets rose 0.3% with the US S&P 500 falling 0.8% and NASDAQ rising 1.5%. The German DAX was up 1.5% and the UK FTSE 100 was down 1.0%. Within the USA we saw a major fall in Energy after Brent Crude fell 15% for the month, whilst Healthcare and Financials also sold off. Technology stocks and Communication Services (Meta, Alphabet) had an improved month as US corporate earnings started to come through stronger than expected. Despite the Chinese market (Hang Seng) ending April deeply in the red due to China being excluded from the tariff pause, emerging markets had another decent month. This was in the context of a poor month for commodities as investors became concerned about the impact of tariffs on global growth.

Following Trump's tariff-induced chaos, much has been made of 'The End of American Exceptionalism' and 'The Death of the Dollar' in the financial media. This narrative coincided with large flows out of US financial assets. By halfway through April, the latest Bank of America survey showed that pessimism among investors was close to levels associated with the bottom of bear markets. Investors' outlook on the global economy was comparable to the depths of the Global Financial Crisis and negativity on the US dollar was pervasive. Allocations to technology stocks fell 2 standard deviations below the historical average and the US dollar had weakened by 12% against the Euro over a 6-week period.

Trump then appeared to respond to weakness in the bond market as foreign investors dumped US Treasuries. His initial tariff threats were watered down giving global markets some respite. We have since seen further relief on tariffs and more clarity from the White House. As of now, the worst-case scenario seems to be off the table as the US and China appear willing to negotiate a deal.

We do believe the 'End of American Exceptionalism' is vastly overstated and that despite the past few months, the US financial system is strong, and the US system does work. Trump has front-loaded his first 100 days in office with negatives and positives in the form of tax cuts and de-regulation are yet to come. Further, the weaker US dollar will be a positive for the reported earnings of US multinationals.

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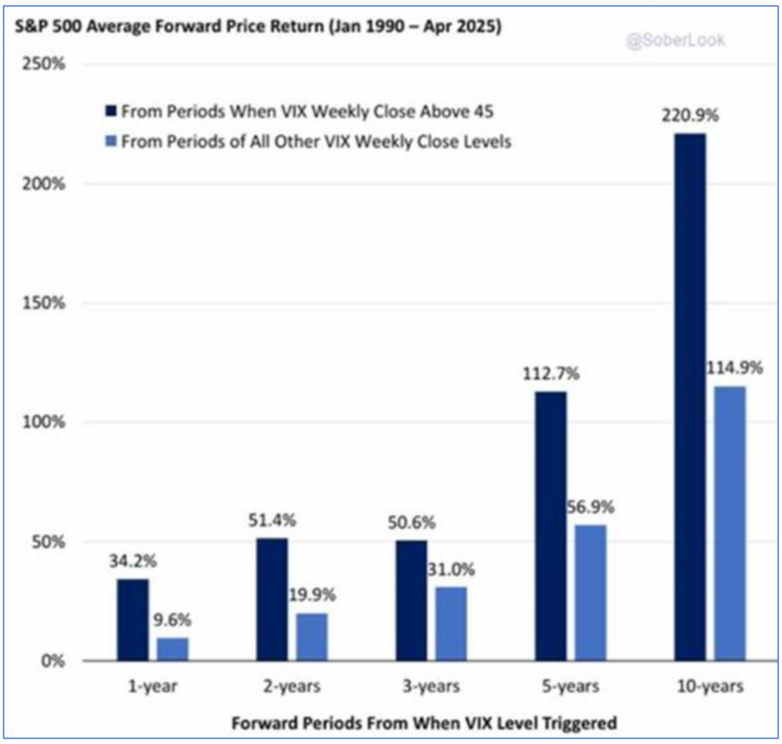
After a period of relative underperformance over the past year or so, the fund has had a very strong start to the year, outperforming most global indices. The fund's performance reflects underlying exposures that have remained resilient despite the broader market volatility. The recent underperformance of large-cap technology stocks has created a more favourable environment for active managers. The fund was the third best performing fund in its category in April and is in the first quartile over a 1-year period. Whilst we remain positive on prospects for the US economy beyond the short-term, a significant portion of the fund is now allocated to companies that are listed outside the US. Rheinmettal (Germany), Nu bank (Brazil), Tencent (China), Mercadolibre (Argentina) and Universal Music Group (Netherlands) have been top-performers this year, playing a key role in our strong performance. Other companies like TSMC (Taiwan), Ferrari (Italy), Scottish Mortgage Investment Trust (the UK) and Flutter Entertainment (the UK) have lagged this year. But not only are we excited about their prospects going forward, we also believe it offers our portfolio a degree of non-US exposure that should allow it to benefit if the US were to see a sustained period of underperformance.

60% of the fund is allocated to companies that are based in the US, but in reality, many of these are truly global in nature, with diversified revenue streams across multiple regions. Despite our belief that the negativity around the US is overstated, companies like Uber, Meta, Netflix and Microsoft are largely insulated from the material adverse effects that may arise from tariffs. These companies are not overly reliant on the strength of the US consumer, and if the US economy were to experience a period of relative weakness, they are likely to prove more resilient than many expect.

The future remains unknowable but as time passes there will be more clarity on global tariff policy. That said, the market does not wait and elevated levels of volatility (like what we saw in March and April) have historically led to higher prospective returns for the S&P 500 (dark blue bars in the chart below).

Figure 2: Volatility spikes have been opportunities – returns after spikes in volatility



Source: Bloomberg, Anchor Capital

Numerous other studies covering market technicals, political uncertainty and sentiment point to above-average returns over the medium to long term. It might be tempting to wait for the dust to settle, but the market typically bottoms when the news is still bad. In 2009 the unemployment rate kept rising for another 9 months after the market bottomed. The aptly titled chart below shows how the market bottomed before GDP and earnings in 2020. A weak outlook for GDP and earnings growth over the next few quarters has already been anticipated by the market - that's why it fell.

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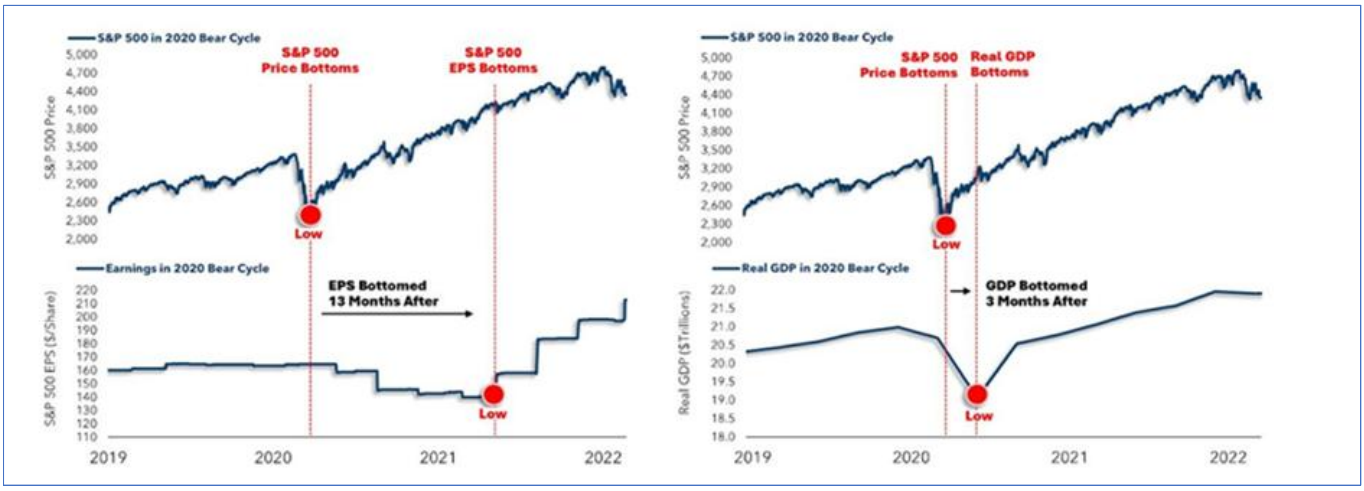
Figure 3: The market doesn't wait – S&P 500 Price vs Earnings vs Real GDP in 2020 downturn



Source: Ritholtz Wealth Management, data via Bloomberg Finance LP

Portfolio Strategy

Amid the recent volatility surrounding Trump's tariff announcements, our approach has been to stay calm and avoid making hasty portfolio changes. History has shown that reacting to short-term political developments often leads to poor investment decisions. Instead, we've used this period as an opportunity to assess high-quality businesses that were indiscriminately caught up in the sell-off—where we believe the long-term fundamentals remain intact. Short-term noise can create compelling opportunities to invest in quality companies at attractive valuations. We remain focused on identifying these entry points and believe it's more important than ever to keep our eyes on the long-term horizon.

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.

	PE in one years time	PEG Ratio (FWD PE/'25-26 Growth)	EPS Growth 2023-2024E Growth	EPS Growth 2024-2025E Growth	EPS Growth 2025-2026E Growth	Pullback from high
ALPHABET INC-CL C	15.1	2.1	37%	20%	7%	-26%
AMAZON.COM INC	26.5	1.6	83%	-1%	17%	-20%
BOSTON SCIENTIFIC	33.7	2.6	23%	18%	13%	-4%
CONSTELLATION SOFTWARE	40.2	2.7	34%	15%	15%	-3%
FORTINET	37.5	2.8	44%	10%	13%	-15%
MERCADOLIBRE INC	44.6	1.2	43%	45%	38%	-2%
MICROSOFT CORP	29.4	2.2	23%	13%	13%	-6%
NU HOLDINGS LTD/CAYMAN ISL-A	20.2	0.5	80%	29%	39%	-21%
RHEINMETALL AG	47.5	1.0	59%	39%	47%	-7%
TENCENT HOLDINGS LTD	17.5	1.5	38%	17%	12%	-5%
Top 10 - FWD PE Ratio* PEG ratio* and EPS Growth Rate^	**27.1**	**1.4**	**41%**	**18%**	**14%**	**-11%**
S&P500 - FWD PE and EPS Growth	**20.7**		**7%**	**14%**	**12%**	**-8%**

*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, 27x, versus the S&P500's 20x, 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.

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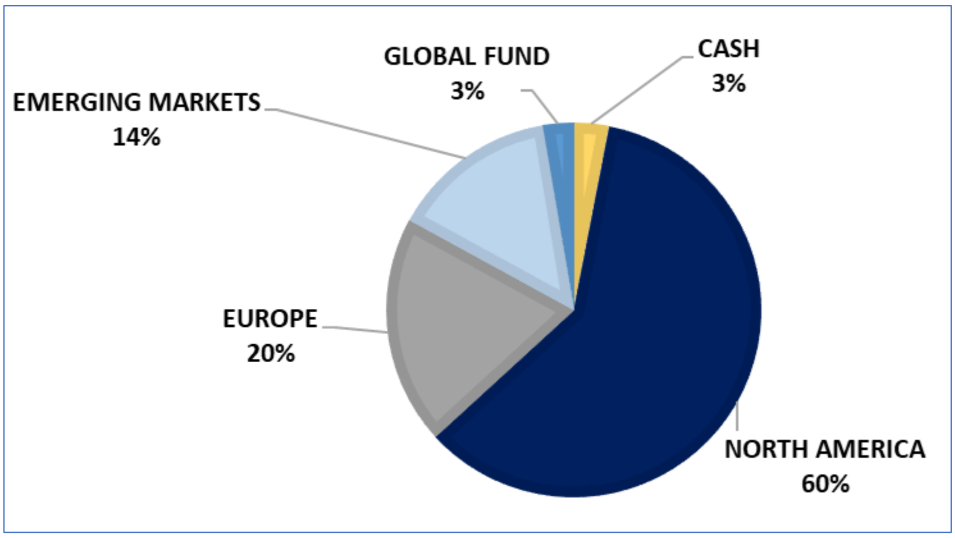
On average, our top 10 positions have corrected 11% from their recent high's whereas the US market has fallen 8% on average.

Changes made during the month

- We trimmed **Rheinmettal** after its strong performance this year had made it a larger position than we were comfortable with.
- Started a new position in **Ferrari**. We have waited a long time for an entry into a share that has always appeared attractive from a business model perspective but has simply been too expensive. Ferrari combines ultra-strong brand equity, pricing power and scarcity-driven demand with luxury level margins and consistent free cash flow generation. It certainly has not fallen as far as other shares in the recent sell-off but it is finally at a level where we feel it makes sense to start a position. If it falls further, we will look to potentially add further.
- We added to our positions in **Tencent** and **Meta**. We took advantage of the recent market sell-off to add to two companies where we see the potential for earnings growth significantly ahead of what their current valuations imply.

Geographic Drivers



Performance in Rand

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	-0.7%	7.1%	4.3%	4.0%	-2.9%	0.5%	2.6%	3.3%	-0.3%	2.5%	-0.3%	-1.1%	**20.3%**
2020	7.3%	-1.5%	5.6%	10.2%	-1.9%	1.7%	3.5%	6.0%	-4.7%	-2.8%	0.4%	-3.0%	**21.5%**
2021	5.4%	1.0%	-1.9%	2.7%	-4.5%	7.9%	1.8%	0.7%	-1.2%	4.2%	0.8%	-1.2%	**16.3%**
2022	-12.4%	-2.5%	-6.0%	-2.4%	-5.9%	-4.3%	8.2%	0.0%	-4.7%	6.4%	-5.8%	-1.4%	**-27.9%**
2023	13.0%	2.5%	0.6%	5.3%	6.9%	0.0%	-3.0%	4.7%	-5.8%	-4.5%	10.5%	2.9%	**36.1%**
2024	5.7%	4.6%	-0.4%	-3.5%	-0.3%	0.0%	-4.7%	1.6%	-1.3%	1.8%	5.4%	3.6%	**12.6%**
2025	4.9%	-0.5%	-6.8%	5.6%									**2.7%**

For the month, the fund was up 5.6% in ZAR terms (4.2% in USD) compared to the MSCI Developed Markets Index which was up 1.6% in ZAR (0.3% in USD) for the month. The Rand weakened 1.3% for the month, detracting from the performance in USD.
For the 2025 Calendar Year to date, the fund is up 2.7% in ZAR and 4.1% in USD. The MSCI World Index is down 3.2% in ZAR and down 1.93% in USD.

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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WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?

RCI BCI WORLDWIDE FLEXIBLE GROWTH FUND

Fund Performance and Attribution

The fund was up 7.4% for the month in ZAR. This was helped by a 1.6% weakening of the ZAR against the USD. This meant the fund was up 5.8% in USD for the month. This compares to the S&P500 which was down 0.7%% and the Nasdaq which was up 0.9%. Overall, April was a tumultuous month primarily due to escalating trade tensions and the announcement of new tariffs by the U.S. government. The latter part of the month witnessed a strong recovery on the back of a 90 day pause on tariffs as well as positive earnings reports from major tech companies.

The biggest winner for the month was Palantir, which has been a beneficiary of AI integration. Netflix has been a defensive play in the technology space as their service is insulated from the effects of tariffs and is seen as a staple in most households even if times got a bit tougher. Our largest detractor was Corsair Gaming, a small holding, which fell 20% on the back of tariffs with China. Lemonade and Meta were also underperformers after being caught in the dramatic sell off at the start of April.

TOP CONTRIBUTORS & DETRACTORS	SECTOR	%
PALANTIR TECHNOLOGIES INC.	SOFTWARE	40.3
NETFLIX INC	ENTERTAINMENT	21.4
SERVICENOW	SOFTWARE	20.0
MERCADOLIBRE	E-COMMERCE	19.5
ROBINHOOD MARKETS	FINANCIAL SERVICES	18.0
THE TRADE DESK, INC.	SOFTWARE	-2.0
AMAZON	E-COMMERCE	-3.1
META	COMMUNICATION SERVICES	-4.8
LEMONADE	SOFTWARE	-7.0
CORSAIR GAMING INC	HARDWARE	-20.1

Historical performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2025	2.1	-8.6	-11.1	7.4									**-10.9**
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**

The fund experienced one of its worst first quarters since the 2022 Covid fallout. Essentially, we have seen the post-election rally unwind. The fund has started to recover in April. The longer-term track record is good, with the fund annualizing at 15% over the last 3 years, this is ahead of the benchmark (CPI+5%) and the peer group average (11.9%).

Top 10 holdings

TOP TEN HOLDINGS	SECTOR	ABSOLUTE WEIGHT (%)	ROCE	FCF MARGIN	GP MARGIN	OP MARGIN	REVENUE 3Y CAGR	DEBT/EQUITY
SOFI TECHNOLOGIES INC	FINANCIAL SERVICES	6.9	0.0	-72.6	82.1	0.0	36.1	0.5
FORTINET INC	CYBER SECURITY	6.0	38.9	33.7	81.3	31.4	19.6	0.5
META PLATFORMS INC	COMMUNICATION SERVICES	5.4	31.0	30.7	81.8	42.2	12.5	0.3
MERCADOLIBRE INC	E-COMMERCE	5.4	35.2	29.4	52.2	12.8	41.3	1.6
NETFLIX INC	ENTERTAINMENT	4.9	25.2	18.5	46.9	27.7	9.7	0.7
AMAZON.COM	E-COMMERCE	4.9	17.0	3.2	49.2	11.0	10.8	0.5
NVIDIA CORPORATION	SEMICONDUCTORS	4.0	114.0	46.6	75.0	62.4	69.3	0.1
PALO ALTO NETWORKS INC	CYBER SECURITY	3.9	9.0	34.2	73.9	13.1	20.8	0.2
ROBINHOOD MARKETS INC	FINANCIAL SERVICES	3.8	0.0	33.6	91.0	0.0	27.0	1.2
SERVICENOW INC	SOFTWARE	3.8	12.7	32.1	78.9	13.2	22.4	0.2
TOTAL EQUITY CONTENT OF FUND		**98.7**						

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Fund Performance and Attribution

During the month of April, the fund exited our **Tesla** position following very weak results for the first quarter of 2025. The business is experiencing a substantial slowdown in new vehicle sales as well as pressure on gross margins. Sales in Europe and China are falling significantly as consumer boycott Tesla due to tariffs imposed by the Trump administration. Until we see material traction in the autonomous story we are happy to sit on the sidelines. The fund started two new holdings in **Sea Limited**, the Southeast Asia online shopping and video game giant, and **The Trade Desk Inc** which has seen its share price collapse c. 64% from highs earlier this year, despite still having the lions shares of the digital advertising market when it comes to buying ad space online. The business exhibits very strong free cashflow margins due to the platform nature of the business while also harnessing artificial intelligence data to help advertisers get the best results when placing advertisements and various platforms.

It is important that we demonstrate behaviour that does not negatively affect long-term investment returns during periods of heightened market uncertainty. Our own behaviour is one of the most important factors in investing. No one knows what is going to happen in the short-run but in the long-run, you can describe the stock market in 9 simple words – “**the advance is permanent, and all declines are temporary**”.

Referring to the market during March and April, another relevant quote is from Credo Chief Investment Officer Deon Gouws. “Bad investors sell in markets like this. Good investors get nervous but hold. Great investors are completely unfazed. The best investors get excited about potential opportunities.”

The below graph that ‘**The Psychology of Money**’ author **Morgan Housel** tweeted of the S&P 500’s return is a log scale. If the scale were linear scale, the green line would basically be pointing straight up. He tweeted the below in 2017 and it is still extremely relevant today.

Warren Buffett, outgoing CEO of Berkshire Hathaway said the following about being invested in the stock market. “You can’t predict what stocks will do in the short-term, but you can predict that businesses will do well over time. Just take the 20th century, the Dow Jones went from 66 points to 11,497 points and you had two World Wars, a Great Depression, flu epidemics etc. American businesses will do fine over time. The only person that can cause you to get a bad result in stocks is yourself”

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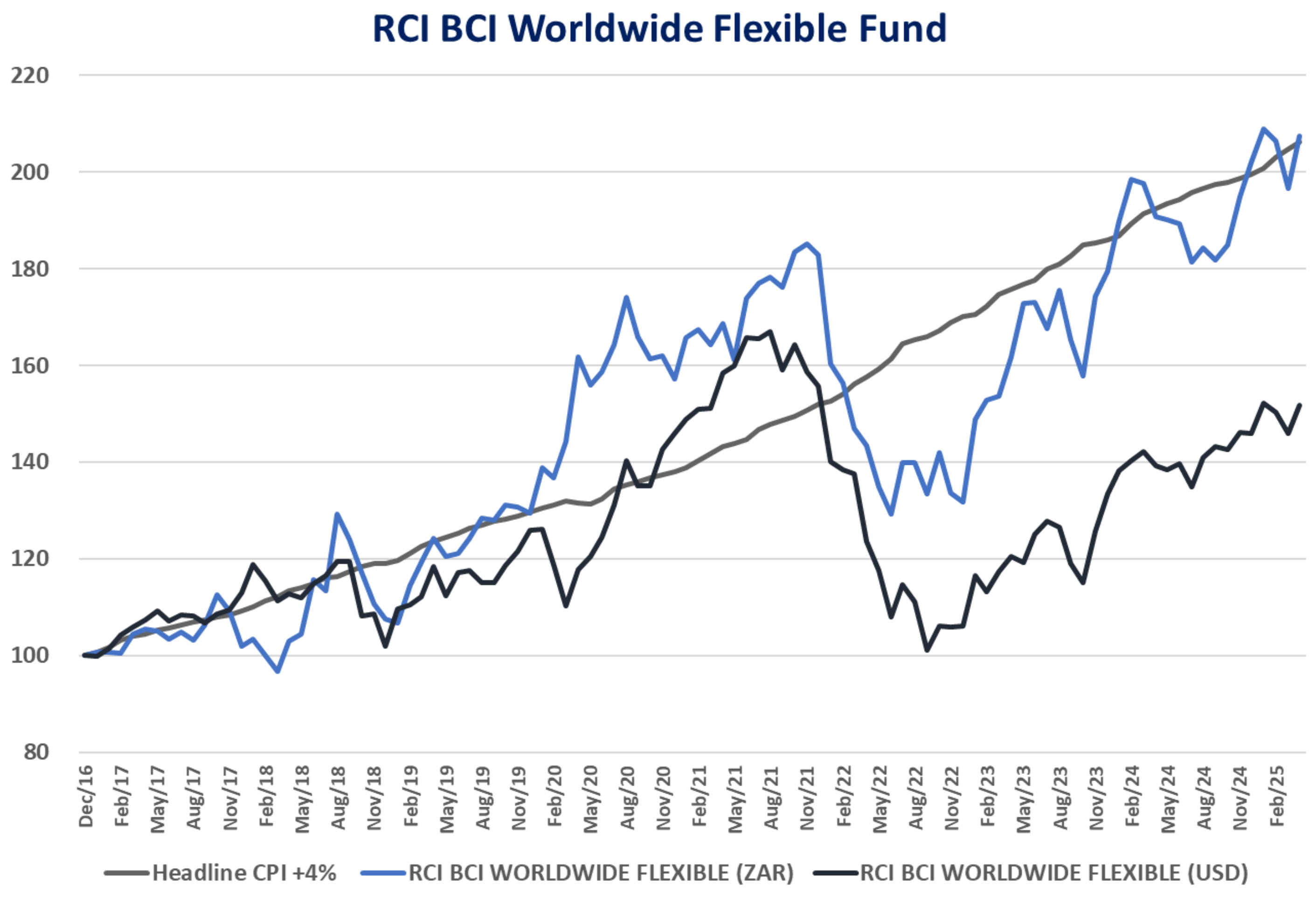
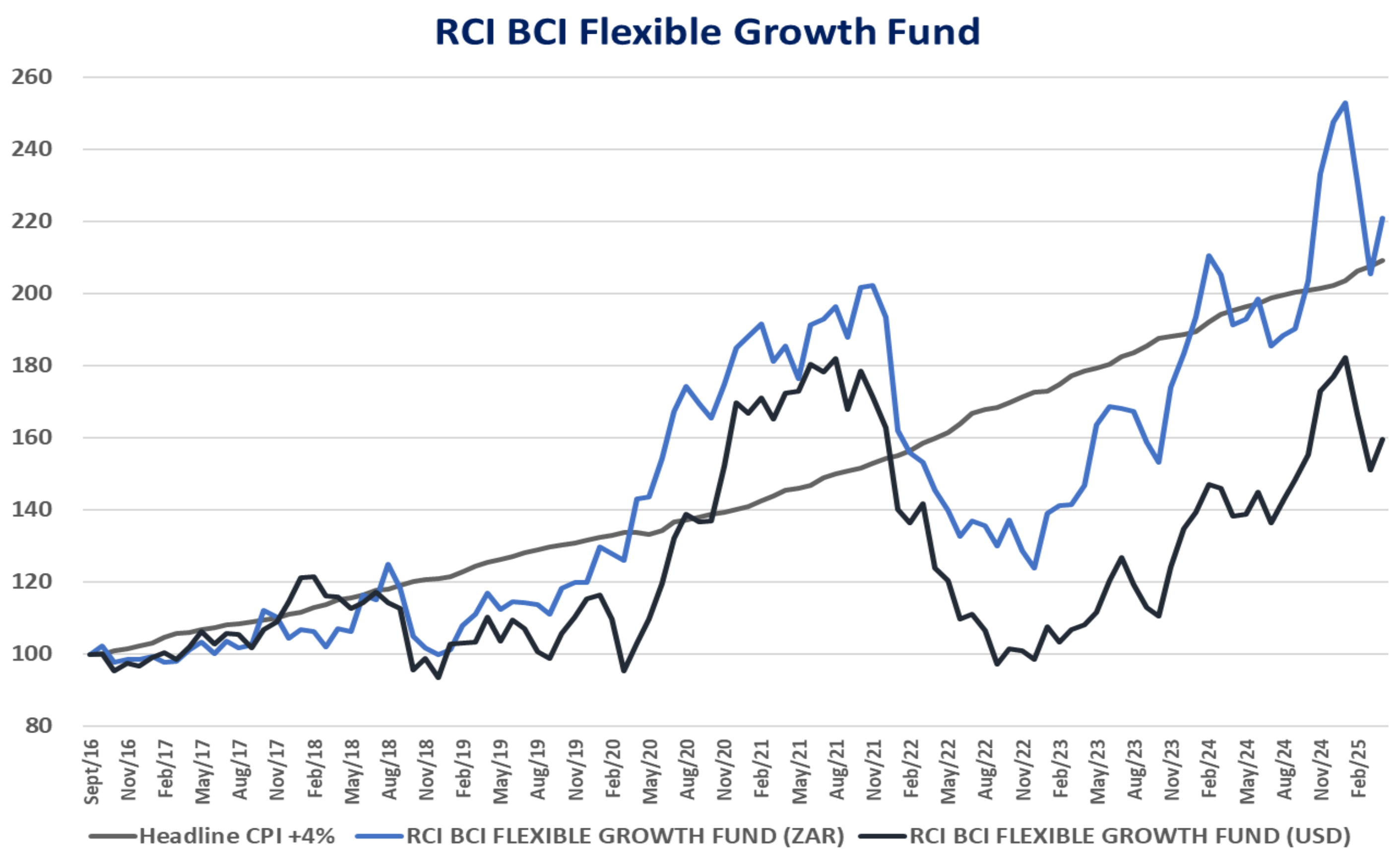
"In the short run, the market is a voting machine, but in the long run it is a weighing machine." – Benjamin Graham

The Family Office

The **RCI BCI Worldwide Flexible Fund** closed April at 207.49, up 7.42% for the month and up 15.36% for the last 12 months.



The **RCI BCI Flexible Growth Fund** closed April at 220.80, up 2.97% for the month and up 17.76% for the last 12 months.



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WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

ANCHOR BCI SA EQUITY FUND

The Family Office

Developed Market (DM) ended April with a modest rise (MSCI World Index +0.9% MoM) but it was a wild ride. Markets sold off meaningfully in reaction to the raft of “reciprocal tariffs” announced by President Trump on 2 April, dubbed “Liberation Day”. Not only was the tariff level meaningfully higher than expected for the most part, but it transpired methodology for calculating them had little to do with the level of tariffs faced by the US but was, in fact, based on the size of the trade deficit in goods that the US runs with each country. Markets then staged a recovery as President Trump reversed course, announcing a 90-day pause on tariffs to allow for negotiations. Away from tariff news 1Q25 corporate reporting was generally positive for risk sentiment – with c. 70% of S&P500 companies reporting in the month, earnings were up 15% YoY in aggregate, which was about 9% above expectations. Emerging Market (EM) equities also delivered a positive return in April (MSCI EM +1.3% MoM). This was despite weakness among Chinses stocks, likely due to China’s exclusion from the 90-day tariff pause and tit-for-tat tariff escalation which left tariffs at a level of 145% for Chinese goods imported into the US and 125% for US imports into China (which a few product exceptions) – a level which most see as likely leading to a trade moratorium between the two. While seen as unsustainable, there was little evidence of either side climbing down by month-end.

South African equities, initially fell c. 14% in the days following the announcement of US “reciprocal” tariffs of 30% on SA exports to the US, on top of the baseline tariffs 10% on all US imports. Local shares subsequently rallied strongly to end the month comfortably in positive territory (FTSE/JSE Capped SWIX Index +4.2% MoM). SA risk sentiment was helped with the appointment of former deputy finance minister, Mcebisi Jonas, as special envoy to the US, tasked with easing tensions. In addition, resolution of the impasse between the ANC and DA over the planned 0.5% VAT hike and survival of the government of national unity (GNU) soothed investor nerves. Gold shares (+8% MoM), rallying in sympathy with a further 5.5% rise MoM in the gold price, were once again a major contributor to performance. However, the rally was more broad-based than what we saw during 1Q25. At a stock level, Clicks (+17% MoM) and Capitec +(11% MoM) delivered solid results. On the other side of the coin, Aspen (-25% MoM) incurred investors’ wrath when it announced a contractual dispute involving its French production facility which it expects to halve its earnings.

At the end of April, the top 10 positions in the fund, were as follows:

- Prosus
- Naspers
- AngloGold Ashanti
- BidCorp
- FirstRand
- Absa
- Capitec
- Standard Bank
- Anglo American
- WeBuyCars

Main changes in the month

We increased our position in **WeBuyCars**, which produced a reassuring trading update confirming its continued execution of its expansion strategy is on track. We switched the fund’s position in **Coronation** to **Quilter**, where the latter’s strong inflows in recent quarters suggest its investment in its platform is being recognised by IFAs. We also added to **Absa** and **FirstRand**, taking advantage of relative weakness in SA banking stocks, despite resilient results. We initiated a position in **Remgro** at a 45% discount to net asset value, expecting improved results as portfolio companies stabilise and fundamentals recover. We exited the fund’s small position in **Aspen**, believing its latest stumble – revealing a customer contract dispute – may cause investors to lose patience with a share that has persistently failed to deliver on its promises. We also exited the remaining **Richemont** position, concerned about what rapidly deteriorating consumer sentiment and global growth expectations portend for luxury demand.

Performance

The Anchor BCI SA Equity Fund rose 2.7% MoM in April. Continued strength in gold mining shares, as discussed above, where the fund remains underweight, detracted from relative performance. It was also notable that, collectively, the less liquid mid-cap positions in the fund had a rather lacklustre month, lagging the recovery among larger capitalisation shares as tariff concerns and domestic political risk eased.

The Anchor BCI SA Equity Team

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

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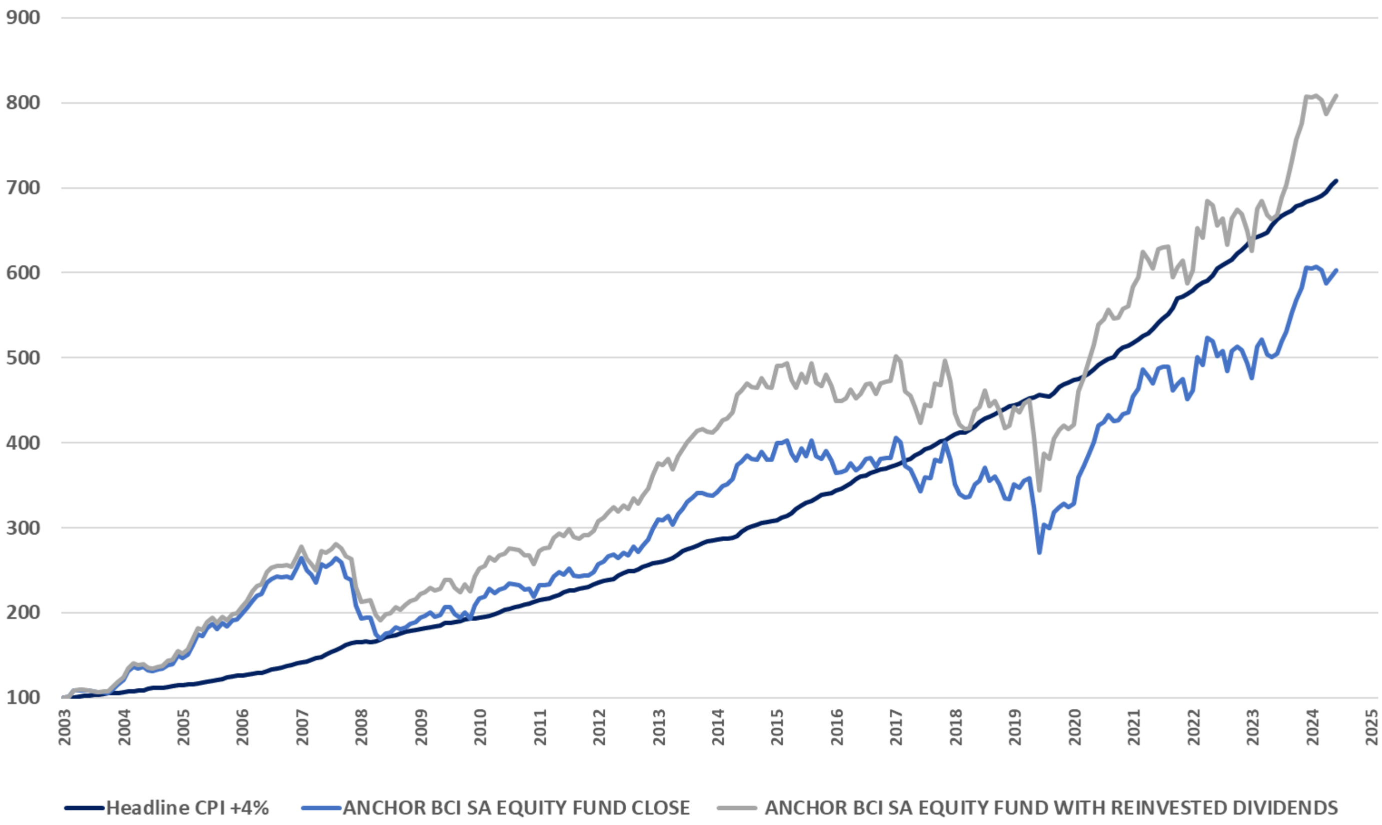
WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

The Family Office

ANCHOR BCI SA EQUITY FUND

The **Anchor BCI SA Equity Fund** closed April at 603.56, up 2.62% for the month and up 19.12% for the last 12 months.

Anchor BCI SA Equity Fund



LOCAL INVESTMENT STRATEGY – BACK TO INVESTING IN THE SLOW LANE

At RCI, we do believe that better investment outcomes are likely to come from investing in offshore equities as opposed to local. However, this is not always possible for various reasons. But it is still possible to achieve decent returns from local equities as we have done so in the past few years. Here we highlight the philosophy behind our local investment process for our clients that do have exposure to this asset class.

If one looks at the high-level performance of South African equities this year, we appear to be one of the relative outperformers (as at the end of April). But we can thank the gold sector entirely for that. Outside the gold sector which accounts for about 15% of our market (this has doubled so far this year), almost every other sector was down. The key message here is the degree to which the euphoric view post the formation of the GNU has unwound.

Against this backdrop, it appears that we are back to frustrating and familiar low economic growth environment. Over the past few months, growth forecasts for 2025 have been downgraded from 2% to 1.3%. Despite this, our local market is the combination of many idiosyncratic investment cases and whatever we may say about SA, there have been some fabulous success stories.

Over the past 10 years, the SA equity market has grinded and underperformed global peers. Companies like Vodacom, Coronation and Sasol which are widely held, have produced muted earnings growth and their share prices have subsequently underperformed. But companies like Clicks, Afrimat and AdvTech have been success stories and have managed to grow their earnings. Our local investment strategy is largely based on looking for earnings growth irrespective of the macroeconomic picture. The important message to takeaway is that even if you get your timing slightly wrong with these shares (due to a higher valuation), time is on your side and that the compounding of earnings growth ensures that the share grows into its valuation.

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BACK TO INVESTING IN THE SLOW LANE

BY MIKE GRESTY & KEIRAN WITTHUHN

So begs the question, where do opportunities for growth lie in the local market? Some of the characteristics of the types of companies (with examples of companies) that we typically look to invest in are as follows:

- Clear domestic expansion potential whereby companies are able to uniquely expand into “white-space”, even in a slow-growth economy.
    - **Boxer** – spun out of struggling Pick n Pay with a geographic footprint highly concentrated in KZN and with significant potential to expand.
    - **WeBuyCars** - gaining share in the second-hand vehicle market and with lots of room for growth.
- Business that are successful acquirers.
    - **CA Sales** – Logistics and merchandiser for global brands that aims to increase its revenue from R12 billion last year to R20 billion by 2026.
    - **Hudaco** – Long and impressive acquisition track record of consumer and industrial businesses that recycles capital into further acquisitions.
- Companies that have the potential to capitalize on public sector weakness.
    - **Stadio** – the number of applicants for SA universities exceeds the number of places available by a factor of 10. Demand far exceeds supply.
    - **AdvTech** – more diversified than Stadio in the education space but able to capitalize on public sector weakness in both secondary and tertiary education.
- Self-help situations – although this strategy requires a high bar as it can lead to widely ranging outcomes.
    - **Tiger Brands** – Change in management and an aggressive turnaround stretgy that aims to simply the business looks set to reverse years of underperformance. Non-core assets are being sold and significant investment has gone into core assets.
- Past investment set to drive strong growth over the coming years.
    - **Discovery** – Have spent large amounts on initiatives such as Discovery Bank and Vitality over the years that now looks set to bear fruit.
    - **Afrimat** – Has invested significantly into growing the business of their acquisitions and has a growth runway ahead that we are optimistic about.
- Successful global businesses that happen to be listed here.
    - **Bidcorp** – After extensive investment into capacity, its businesses in the UK, Europe and Australasia have been growing strongly.
    - **Prosus** – After a difficult period for Tencent in the early 2020s, the Chinese government appears to be more supportive of its domestic corporate champions. Further, we are excited by Prosus’ investment portfolio as well as a corporate strategy to prioritize profitbaility.
- Best-in-class industry players run by strong management teams that are gaining market share.
    - **Shoprite** – Has been dominating the food and retail industry and has been gaining market share at the expense of Woolworths, Spar and Pick n Pay. Reinvests more into its business than the entire market cap of Pick n Pay.
    - **Capitec** – Similarly, has taken large market share in retail banking and now looks to do the same in business banking.

Our recent experience has also taught us that there are companies we should look to avoid. When times are tough, the bar for taking risk should rise substantially. Below are some characteristics of shares that we attempt to avoid:

- Investment cases built purely on the prospect of corporate action.
    - There have been a number of situations where we have been very confident on corporate action taking place, yet it never materialising.
- Companies with weak balance sheets with refinancing risk ahead and in particular looking out for business rescue risk.
    - **Murray & Roberts** and **Tongaat** are examples here.
- Business models highly exposed to corporate sector contracts.
    - **EOH**
- Betting on mean reversion of perennial sector underdogs or companies with weak management.
    - **Sasol**
- Business turnarounds without macro winds at your back are hard.

We hope that the above gives some insight into our local investment process. The JSE is a stockpickers market and with work it is possible to identify the idiosyncratic opportunities that are likely to produce positive investment outcomes. The range of potential outcomes is higher than we would prefer and this supports our neutral view on SA equities over the next 12 months.

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ESTATES: ARE YOU PREPARED FOR A 'WHAT IF' EVENT AND WHAT HAPPENS THEREAFTER?

BY DI HAIDEN

We recently had the privilege of listening to a powerful presentation by human potential expert, speaker and author Nikki Bush on 'Dancing with Disruption' in which she talks about winding up her husband's estate after he was murdered in an armed home invasion and the impact that this shocking event had on her life. She refers to this type of circumstance as a 'What If' event that transposes you into a space which is entirely foreign and, as she says, 'disruptive'.

During her talk, it became very apparent how overwhelming the experience of a loved one dying is and how important it is to have the right support in place to cope with the process that unfolds after the death of a person one is so intricately involved with. At that moment and for many months, the focus of the bereaved is on the loss, the emotion and the grief – it is destabilising and distracting. Whether it is expected or a sudden tragic event as with Nikki, one's resources are taken up in coping with all that that entails. There is little space left for paying attention to the complicated process that unfolds with winding up the estate of the deceased.

After the first couple of weeks with the burial ritual for the deceased over, life carries on, and no matter the emotions, the lengthy estate winding up process starts, and as Nikki rightly points out - SO IT BEGINS.

Before 'What if'

Before moving on to what happens after death, it is important to note that being prepared and organised BEFORE this 'What If' event makes the administration less onerous. To have a 'Life File' which includes all your important documents such as your will, insurance policies, property deeds, bank account information, and any other relevant financial or legal documents is really a prerequisite. It makes the task of winding up the deceased's affairs much more manageable and not as stressful for the bereaved. Having dealt with many deceased estates, we cannot stress enough how much this does assist with the process.

After 'What if'

What does winding up an estate mean? The estate winding-up process refers to the legal procedure followed to settle the affairs of a deceased person. This process ensures that all debts are paid, assets are distributed to rightful heirs, and compliance with relevant legal requirements is maintained. The process is governed primarily by the Administration of Estates Act, No. 66 of 1965, and is overseen by the Master of the High Court. Here are a few guidelines to work with to assist in coping with these types of events and better understand the estate process after death as it unfolds.

NOTHING can happen without the death certificate and the original will of the deceased (if there is no original will, that is a topic for another day!).

Reporting the estate

The estate must be reported to the Master of the High Court within 14 days of the date of death. This is done by the executor/administrator or a close relative of the deceased.

Appointment of the executor

If a valid will exists, it usually names an executor. If no will is present, the Master appoints an executor in accordance with the law. The executor is responsible for managing the estate's affairs. The Master of the High Court issues a Letter of Executorship for estates exceeding R250,000 in value or a Letter of Authority for smaller estates. Once the letter of executorship is issued, the estate is no longer frozen, and the process begins.

Appointment of administrator

Estates are cumbersome to administer and require expertise on the legalities of the process. Therefore, the executor (often a family member) appoints an administrator who is an expert and grants them power of attorney to do the winding up. When mentioning executor below, this would be substituted with administrator if one has been appointed.

Notification to creditors

The executor must publish a notice in the Government Gazette and a local newspaper, calling on creditors to submit claims against the estate within 30 days. This helps in identifying outstanding liabilities that must be settled before distributing assets.

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ESTATES: ARE YOU PREPARED FOR A 'WHAT IF' EVENT AND WHAT HAPPENS THEREAFTER?

BY DI HAIDEN (CONT.)

Gathering and valuation of assets

The executor must identify, collect, and secure all assets of the deceased. This can include bank accounts, property and real estate, vehicles, investments and shares, personal belongings and business interests. During this period, a vast amount of administration takes place on transferring debit orders, organising change of ownership of vehicles, opening an estate bank account, considering short term insurance requirements, property transfers or sales, i.e. anything and everything the deceased was involved in has to be dealt with.

Settling debts and taxes

Before any distributions to beneficiaries, the executor must ensure that all debts and taxes are settled. This includes settling funeral expenses, paying off outstanding liabilities such as personal loans and mortgages, ensuring all income tax and estate duty obligations are fulfilled, submitting a final tax return to the South African Revenue Service (SARS) and paying capital gains tax, if applicable. Estate duty is payable on estates valued over R3.5mn at a rate of 20% on the excess up to R30mn and 25% for any amount exceeding R30mn.

Drafting the Liquidation and Distribution Account

The executor must prepare a Liquidation and Distribution (L&D) Account, which outlines the following:

- A breakdown of all assets and their values.
- All debts settled.
- The balance available for distribution to heirs.
- How the assets will be allocated.

This account is submitted to the Master of the High Court for approval. If accepted, a notice is published, allowing for a 21-day period where interested parties can inspect and raise objections.

Distribution of the estate Once the L&D Account is approved and no objections are raised, the executor proceeds with the distribution of the estate according to the will. If no will exists, assets are distributed according to intestate succession laws.

Final closure of the estate

Once all assets have been distributed, the executor submits proof to the Master's office that the estate is fully wound up. The Master then issues a discharge certificate, formally closing the estate.

TIMELINE

This varies from estate to estate, but in SA, it can take anything from 2-5 years (OR less in some cases and MORE in others) but rather be prepared for the long haul!

The estate administration process can be delayed due to missing or incomplete documents, disputes among heirs or creditors, difficulty locating assets or beneficiaries, SARS clearance delays and delays at the Master's office.

CHALLENGES FOR THOSE LEFT BEHIND

The biggest concern, in many cases, is access to cash and having liquidity that can fund living expenses while the estate is being wound up. There are ways to mitigate this effect, such as life policies OR transferring cash to heirs before death. Add to that the fact that there are expenses in estates to be paid, and very often, one lands up in a situation where there is not enough liquidity, i.e. cash to fund these. There are many assets which can be liquidated if necessary, and these would then be used to pay said expenses. If there is a liquidity shortfall, the heirs may be called upon to fund the shortfall.

Conclusion

The above is merely a synopsis, and there is so much more detail we can provide. It is a complicated and lengthy process, but one that has to be completed! Listening to Nikki and her experience, the more organised you are before death in organising your affairs, the easier it is for those left behind, and having professional guidance in winding up an estate is of great value. It is difficult to be the person recovering from the death of someone close to you and having to pay attention to all the administration involved in this process. Having support is vital, and if we can be of benefit in this regard, please contact us – we have over 30 years of experience being involved in the winding up of estates and are well aware of the many pitfalls which may arise.

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