

HIGHLIGHTS OF THIS NEWSLETTER ARE:

- **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*
- **Sell in May and go away** – The data does not support it



2025 Income Tax return filing dates

- Auto-assessments: 7 – 20 July 2025
- Filing season opens for non-provisional taxpayers who were not auto-assessed: 21 July – 20 October 2025
- Provisional taxpayers and trusts: 21 July – 19 January 2026

What to prepare before filing starts?

Make sure that you have received your IRP5/IT3(a) and other tax certificates like medical aid, retirement annuity funds, and any other third-party data relevant to determining your tax obligations.

28 February 2025 Tax Certificates

We are in the process of receiving, checking, and collating the tax certificates for the year ended 28 February 2025. These will be sent out via email as soon as possible but at this stage, we cannot confirm the date.

We will have provided you with these tax certificates by 20 July 2025, at the latest.

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

WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?



RCI BCI WORLDWIDE FLEXIBLE FUND

The market performance in May was very strong following the reversal of several threatened tariff increases by President Trump. The Nasdaq and S&P500 rose 9% and 6.2% respectively with the MSCI rising 5.7%. This was also the best performance for the month of May since 1990 and the third best performing month for the RCI Worldwide Flexible Fund in at least the last five years. The German DAX and Hang Seng also had a stellar month on the back of tariffs being rolled back.

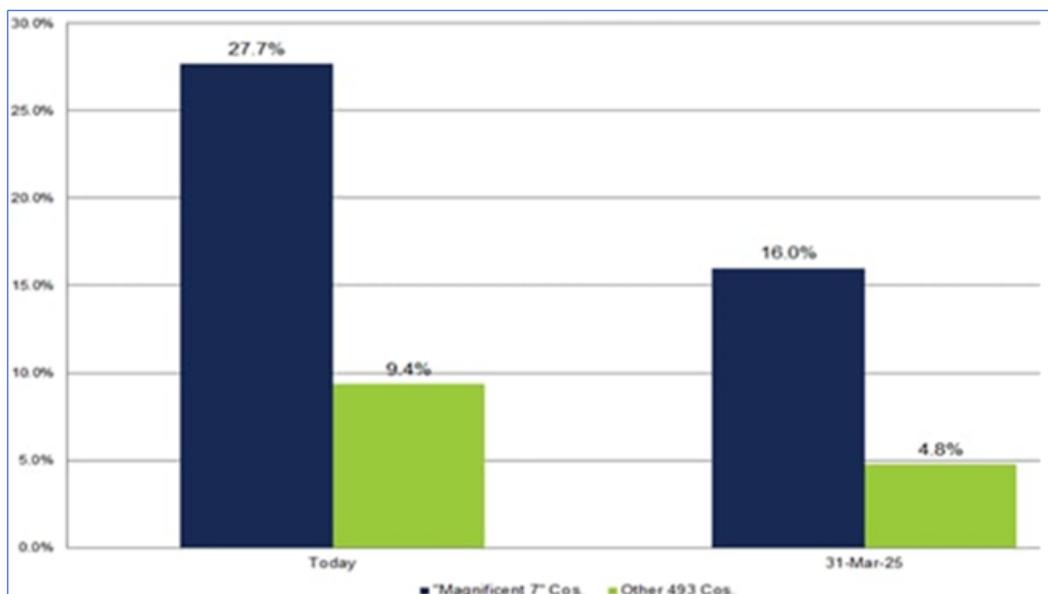
Figure 1: Performance of global markets and US sectors in 2024 and 2025: Sector price movement sorted by May performance

GEOGRAPHY	Name	2024	Year to Date	May-25
USA	NASDAQ 100 IDX	24.9%	1.6%	9.0%
USA	S&P 500	23.3%	0.5%	6.2%
USA	DOW JONES INDUST IDX	12.9%	-0.6%	3.9%
USA	S&P 500 INFO TECH IDX	35.7%	-1.8%	10.8%
USA	S&P 500 COMMUN SERVICES	38.9%	3.2%	9.6%
USA	S&P 500 CONS DISCRET IDX	29.1%	-6.2%	9.4%
USA	S&P 500 INDUSTRIALS IDX	15.6%	8.2%	8.6%
USA	S&P 500 FINANCIALS IDX	28.4%	5.2%	4.3%
USA	S&P 500 UTILITIES IDX	19.6%	7.7%	3.4%
USA	S&P 500 MATERIALS IDX	-1.8%	2.8%	2.8%
USA	S&P 500 CONS STAPLES IDX	12.0%	7.5%	1.7%
USA	S&P 500 REAL ESTATE IDX	1.7%	2.2%	0.8%
USA	S&P 500 ENERGY IDX	2.3%	-5.4%	0.3%
USA	S&P 500 HEALTH CARE IDX	0.9%	-3.8%	-5.7%
GERMANY	DAX IDX	18.8%	20.5%	6.7%
DEVELOPED WORLD	MSCI WORLD IDX	17.0%	4.2%	5.7%
HONG KONG	HANG SENG IDX	17.7%	16.1%	5.5%
JAPAN	NIKKEI IDX	19.2%	-4.8%	5.3%
EMERGING MARKETS	MSCI EMERGING MARKETS IDX (USD)	5.1%	7.6%	4.0%
UK	FTSE 100 IDX	5.7%	7.3%	3.3%

Source: Bloomberg, Anchor Capital

The Magnificent 7 continues to significantly outperform the rest of the market in terms of reported earnings, although the share price returns have cooled in the current year compared to the rest of the market. In the recently reported Q1 earnings season the combined earnings growth of the Mag 7 was 27.7% which was nearly 3 times that of the other 493 stocks from the S&P 500 which grew in aggregate 9.4%.

Figure 2: S&P Q1 Earnings Growth (YoY): Magnificent 7 vs Other 493



Source: Bloomberg, Anchor Capital

Healthcare continues to be a major underperformer this year and is currently underperforming the market by 30%

WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?



RCI BCI WORLDWIDE FLEXIBLE FUND (CONT.)

over the last 8 years. There are a couple of reason for this:

- 1) Healthcare is deemed a defensive stock category and tends to outperform during periods of recession and although March saw large drawdowns in the market, we have not seen poor economic data that would ordinarily scare investors out of riskier growth type stocks.
- 2) Since Trump's election, the Healthcare sector has also suffered from Robert F Kennedy's threats as well as Trump's rhetoric around drug pricing and hence is very out of favour with investors.

Comparing the healthcare sector against the S&P500 over the long term with all the drawdown periods in red. At present the relative underperformance of the healthcare sector is 30% less than the S&P500 since the peak outperformance eight years ago.

Figure 3: Healthcare stocks are in a historic drawdown relative to the market

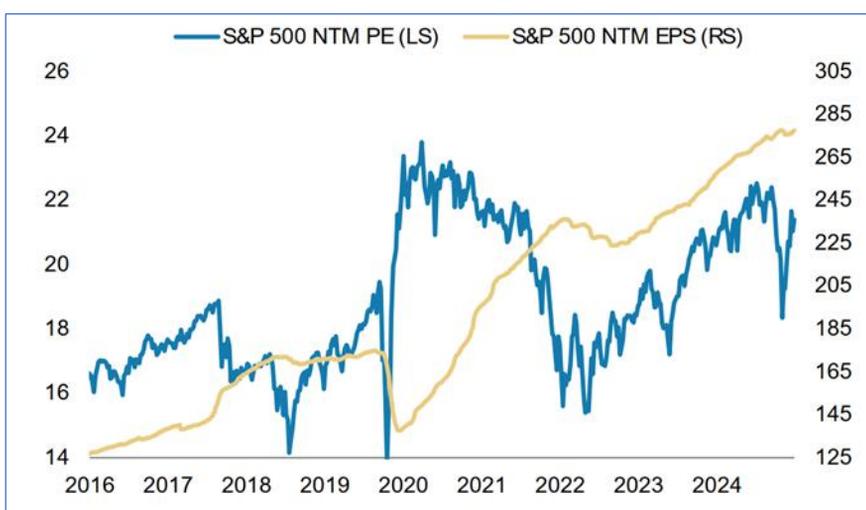


Source: S&P, CRSP

Health tends to be a great investment late into the cycle as economic data rolls over. The difficulty here is deciding when the cycle is over, especially when you consider the influence Trump's administration is having on the US economy and stock market perception.

After such strong share price performance over the past two months, valuation has again become a key point of concern for the market:

Figure 4: S&P 500 P/E (valuation) vs Earnings Per Share



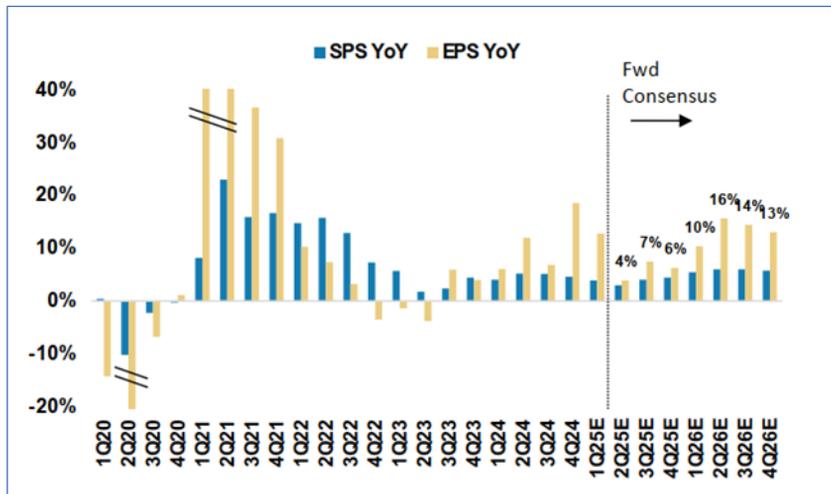
WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?



RCI BCI WORLDWIDE FLEXIBLE FUND (CONT.)

The forward Price to Earnings ratio (blue line) using the next twelve months of earnings has bounced off the April lows to elevated levels. The yellow line represents analyst expectations of the S&P 500 earnings over the next twelve months. In the below chart we examine the earnings expectations on a quarterly basis. For the rest of the 2025-year analysts expect low single digit growth in earnings followed by teen growth in 2026. This is mostly on the expectation that the increased use of AI will lead companies to grow revenue and expand margins from cost reductions and efficiencies.

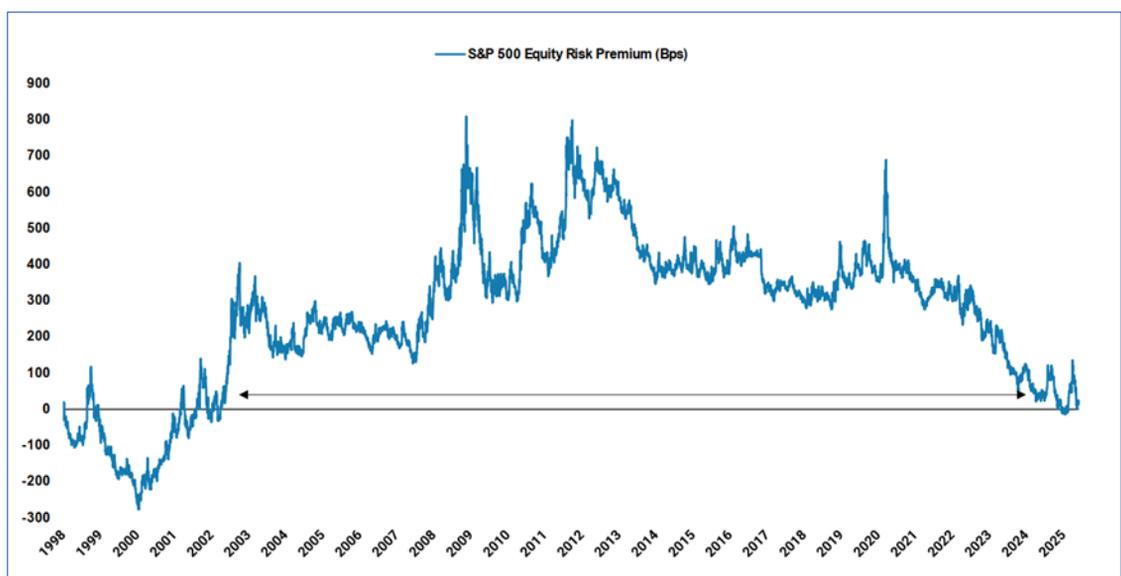
Figure 5: S&P 500 Earnings Per Share Forecasts



Source: S&P, CRSP

Another valuation metric that market participants watch is the Equity Risk Premium. It effectively compares the earnings yield of the market vs long term bond yields over time. In principle the stock market should give an investor a higher rate of return than government bonds which are considered risk free assets. This is because investors take on equity risk when they buy shares as they are taking a chance on the future performance of companies in the stock market. The following chart simply subtracts the risk-free rate of return on bonds from the earnings yield of the market over the next twelve months. You will notice over the long run that the difference is almost always positive, implying that stock returns were accounting for the higher risk. However, the current equity returns are the same as bond yields and thus the chart is at zero. This means that investors are not currently being correctly compensated for the risk in stocks and thus valuations are considered to be at heightened levels.

Figure 6: S&P 500 Next Twelve Month Equity Risk Premium



Source: Morgan Stanley Research

WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?



RCI BCI WORLDWIDE FLEXIBLE FUND (CONT.)

Perhaps after such an outlier performance this month it might be a good time to relook at the “sell in May and go away” strategy but there have been numerous studies done to show that it is not a viable strategy for the long run as on average markets go up over time and thus the period is up more times than its not.

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			Pullback from high
			2023-2024E Growth	2024-2025E Growth	2025-2026E Growth	
ALPHABET INC-CL C	17.1	2.3	37%	19%	7%	-16%
AMAZON.COM INC	29.0	1.7	79%	1%	17%	-12%
ASML	26.8	1.8	-2%	23%	15%	-35%
BOSTON SCIENTIFIC	33.1	2.5	23%	18%	13%	-5%
CONSTELLATION SOFTWARE	42.5	2.8	34%	15%	15%	-8%
FORTINET	39.9	2.9	44%	11%	14%	-9%
MERCADOLIBRE INC	42.4	1.1	43%	51%	38%	-6%
META PLATFORMS INC-CLASS A	25.1	1.9	60%	11%	13%	-6%
MICROSOFT CORP	31.2	2.4	23%	13%	13%	-1%
RHEINMETALL AG	50.4	1.0	59%	39%	48%	-8%
Top 10 - FWD PE Ratio* PEG ratio* and EPS Growth Rate^	30.8	1.8	40%	17%	14%	-10%

S&P500 - FWD PE and EPS Growth	21.9		7%	14%	12%	-2%
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*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, 30x, 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 10% from their recent high’s whereas the US market has fallen 2% on average.

Changes made during the month

- We sold our position in the restaurant chain Chipotle Mexican Grill. Although we are big fans of this business the growth has gone slightly stale versus the valuation and we believe we can get better performance out of other newly established positions in the portfolio.
- We sold our small position in the cyber security company Sentinel 1. We determined it was not performing well enough in a highly competitive market. Although the value was extremely attractive we would prefer to step aside until they perform better against larger incumbents.

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%	-0.5%	-6.8%	5.6%	4.0%								6.9%

For the month, the fund was up 4% in ZAR terms (8% in USD – the third highest monthly USD performance in 5 years) compared to the MSCI Developed Markets Index which was up 2% in ZAR (5.9% in USD) for the month. The Rand strengthened 3.7% for the month, detracting from the performance in USD.

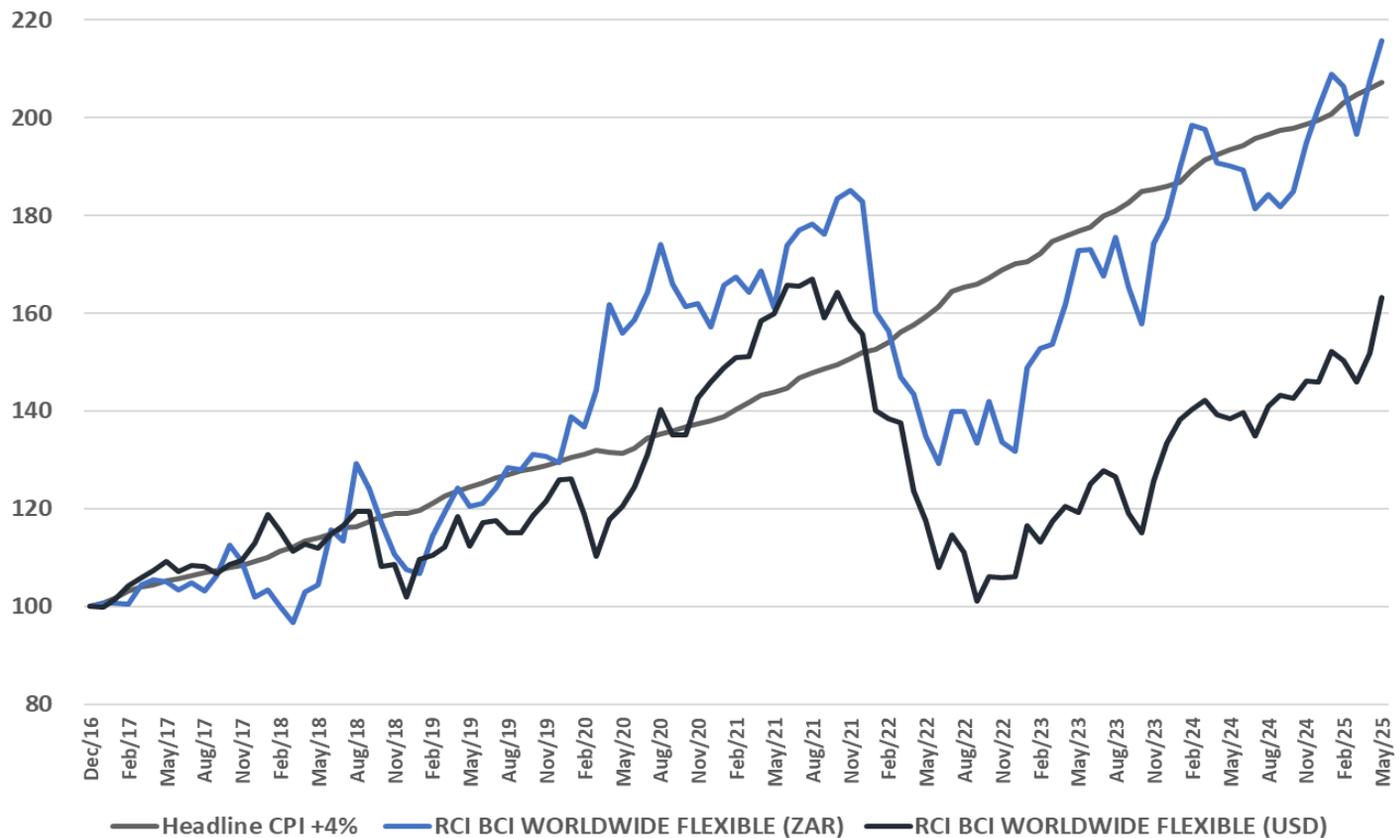
For the 2025 Calendar Year to date, the fund is up 6.9% in ZAR and 12.4% in USD. The MSCI World Index is down 1.22% in ZAR and up 3.9% in USD.

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 May at 215.87, up 4.04% for the month and up 13.49% for the last 12 months.

RCI BCI Worldwide Flexible Fund



WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?



RCI BCI WORLDWIDE FLEXIBLE GROWTH FUND

Fund Performance and Attribution

The fund was up 6.3% for the month in ZAR. This was hindered by a 3.2% strength of the ZAR against the USD. This meant the fund was up 9.5% in USD for the month. This compares to the S&P500 which was up 6.2% and the Nasdaq which was up 9.6%. May saw a continued rally in markets on the back of optimism around tariff delays and a strong finish to the second half of Q1 earnings season. The S&P500 experienced its largest monthly return since mid-2023.

The biggest winner for the month was Robinhood Markets Inc, due to good Q1 results and a buoyant equity market rally. Hims & Hers Inc, the personal healthcare platform also rallied 39% on the back of results as well as a platform agreement with some of the larger GLP1 weight loss drug providers. Our largest detractor was Sentinel One Inc. on little news.

TOP CONTRIBUTORS & DETRACTORS	SECTOR	%
ROBINHOOD MARKETS INC	FINANCIAL SERVICES	39.9
HIMS & HERS HEALTH INC	PERSONAL HEALTHCARE	39.1
THE TRADE DESK, INC.	SOFTWARE	38.2
BROADCOM INC	SEMICONDUCTORS	22.1
COINBASE GLOBAL INC	FINANCIAL SERVICES	20.4
GRAB HOLDINGS LTD	SOFTWARE	-0.8
ARISTA NETWORKS INC	HARDWARE	-1.4
FORTINET INC	CYBER SECURITY	-3.5
SALESFORCE INCE	SOFTWARE	-4.9
SENTINEL ONE INC	CYBER SECURITY	-8.7

Historical performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2025	2.1	-8.6	-11.1	7.4	6.3								-5.2
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
SOFTI TECHNOLOGIES INC	FINANCIAL SERVICES	6.1	0.0	-72.6	82.1	0.0	38.1	0.5
MERCADOLIBRE INC	E-COMMERCE	6.0	1.0	28.8	52.2	12.9	41.3	1.6
META PLATFORMS INC	COMMUNICATION SERVICES	5.6	2.0	30.7	81.8	42.2	12.5	0.3
NVIDIA CORPORATION	SEMICONDUCTORS	5.4	3.0	48.5	70.1	58.0	71.3	0.1
ROBINHOOD MARKETS INC	FINANCIAL SERVICES	4.8	4.0	33.6	91.0	0.0	27.0	1.2
AMAZON.COM	E-COMMERCE	4.8	5.0	3.2	49.2	11.0	10.8	0.5
NETFLIX INC	ENTERTAINMENT	4.6	6.0	18.5	46.9	27.7	9.7	0.7
FORTINET INC	CYBER SECURITY	4.6	7.0	33.7	81.3	31.4	19.6	0.5
BROADCOM INC	SEMICONDUCTORS	4.1	8.0	38.0	76.3	35.1	24.1	1.0
CYBERARK SOFTWARE LTD	CYBER SECURITY	4.0	9.0	22.8	77.9	-6.0	28.4	1.2
TOTAL EQUITY CONTENT OF FUND		99.9						

WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?



RCI BCI WORLDWIDE FLEXIBLE GROWTH FUND (CONT.)

Changes during the month

There were no major changes made during the month.

Robinhood Markets Inc reporting 50% revenue growth year over year (YoY) in their Q1 results for 2025. Net income grew ahead of expectations at 114% YoY and earnings grew 106% over the same period. The board also authorized an increased share repurchase programme to 3% of current market capitalization.

What was particularly pleasing was the extent of subscription revenue growth the business is seeing in their 'Robinhood Gold Subscribers', as well as the growth in net deposits customers are making on the platform. We continue to believe that Robinhood Markets Inc will take share from the older, larger, incumbents in the trading and asset management space.

[Robinhood Markets Inc 1Q Results](#)

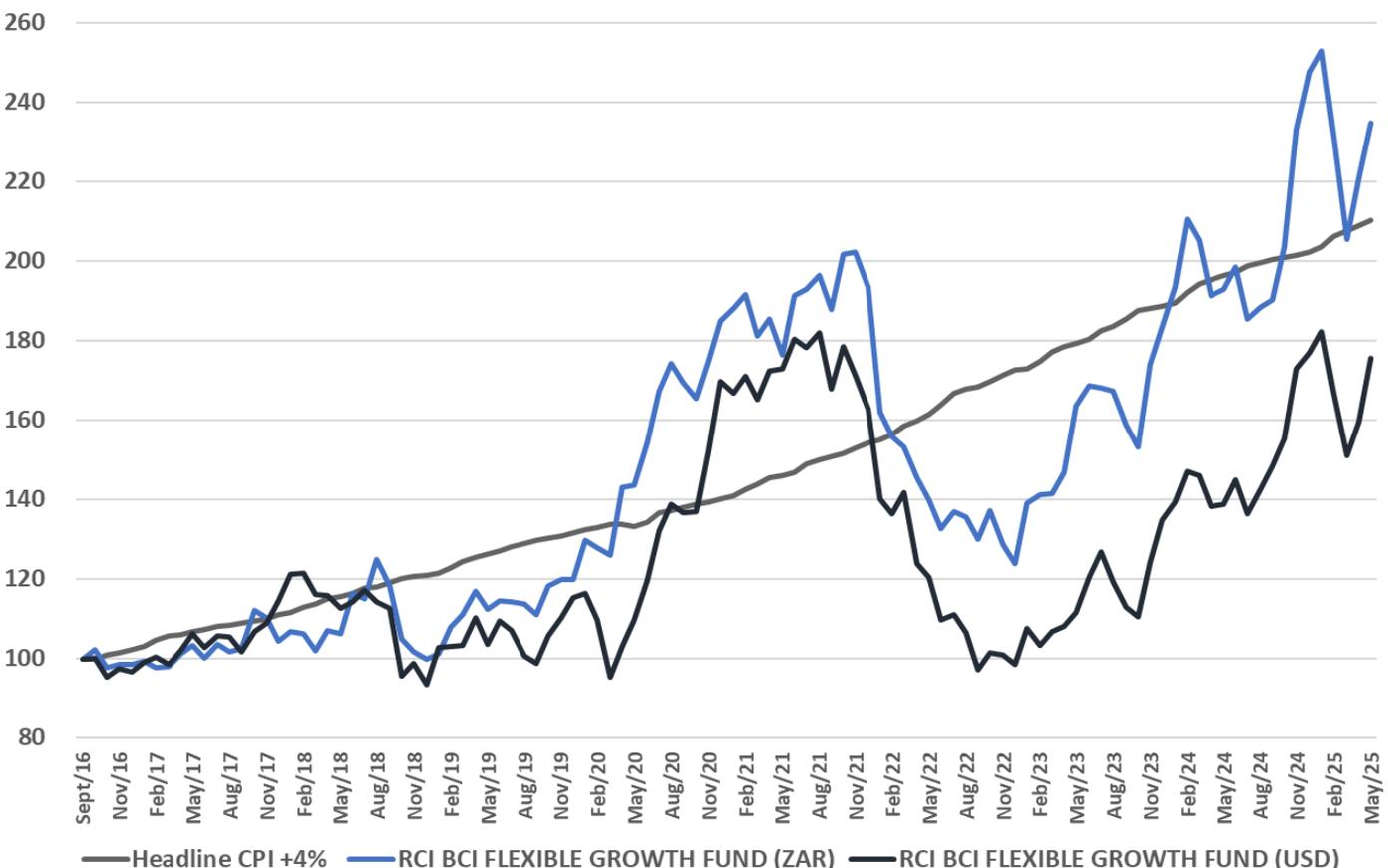
Palantir Technologies Inc reported 55% growth in revenue YoY in Q1 2025. It did this while increasing their "rule of 40 score" to 83%! The best in class. The business increased its free cashflow margin to 42%. They did this while also growing customer count 39% YoY. The business also managed to raise its full revenue guidance, and particularly the US commercial revenue guidance, beating expectations.

Palantir Technologies Inc is very well positioned to benefit from the AI era due to a unique combination of deep enterprise penetration, real world AI deployment and a robust, integrated software stack tailored for business-critical applications.

[Palantir Technologies Inc Q1 2025 Results](#)

The **RCI BCI Flexible Growth Fund** closed May at 234.80, up 6.34% for the month and up 21.78% for the last 12 months.

RCI BCI Flexible Growth Fund



WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

ANCHOR BCI SA EQUITY FUND



Developed Market (DM) equities had their strongest month in eighteen months in May (MSCI World Index +6% MoM). US mega-cap tech stocks, after a weak start to 2025, were back at the forefront of the rally in May, as investors were reassured by their 1Q25 results, which were not only resilient but also showed that their optimism around AI and associated investment remained largely unchanged. More broadly, 1Q25 earnings announcements for S&P500 companies wrapped up with aggregate earnings 9% ahead of analyst expectations – the biggest earnings beat in three years. Emerging Market (EM) equities also had a strong month, albeit lagging their DM counterparts (MSCI EM +4% MoM). Chinese stocks were the strongest EM performers (Hang Seng China Enterprises Index +4.7%), as the trade war with the US was de-escalated to some extent for the time being. US Dollar weakness in May (now 8% weaker against a basket of global currencies so far this year) was also a likely contributor to EM equity strength.

South African equities followed equity markets higher in May (FTSE/JSE Capped SWIX Index +3% MoM). Gold stocks, which have been a large driver of the local index's YTD performance, were a small detractor in May, as Trump-driven geopolitical uncertainty moderated somewhat, leading to the gold price pulling back from its recent high. Interestingly, Platinum shares (+19% MoM), meaningfully decoupled from gold equities in May, as investors reacted to some tentative green shoots for the underlying commodities. Elsewhere, Naspers/Prosus, (+6% MoM) benefitted from the de-escalation in US/China trade tensions, while Tiger Brands (+20% MoM) was another stand-out performer, as its recent results announcement revealed that the self-help turnaround under new management remains on track. The rand (+3.3% MoM vs. the USD) was one of the best performing major currencies in May, which was a slight headwind for the rand-hedge theme. Currency strength likely stemmed from the successful adoption of the budget on the third attempt, as well as signs the SA/US tensions may be easing following an SA delegation visit to the White House in the month.

At the end of May, the top 15 positions in the fund, were as follows:

- Prosus
- Naspers
- AngloGold Ashanti
- Capitec
- BidCorp
- FirstRand
- Standard Bank
- WeBuyCars
- Anglo American
- Absa
- Afrimat
- Discovery
- Mr Price
- Investec
- Southern Sun

Main changes in the month

In May, we took advantage of a few cases where investors were underwhelmed by results released by companies we like for the longer-term. We added to the portfolio's **Boxer** (-5% MoM) allocation following its maiden set of results, which offered an attractive opportunity to increase our weighting, in what we consider a quality compounder. We also added to our **Afrimat** (-2% MoM) position, backing management's ability to derive economic returns from previously distressed assets. We started a position in **Vodacom**, where we think the stars are finally aligning for better earnings growth over the next few years after over a decade of relatively stagnant performance. To fund these additions, we exited our positions in **Sasol** and **Grindrod**, believing our additions present clearer medium-term growth potential.

Performance

The Anchor BCI SA Equity Fund rose 5.1% MoM in May, a much better relative performance versus the SA equity market than we have seen in recent months. The underperformance of gold equities, to which the fund remains underweight, was partially responsible for this. However, there were several stock-specific positions worthy of mention in addition to Naspers/Prosus and Tiger Brands discussed above. MAS Plc (+7% MoM) benefitted from the emergence of a second bidder, making the potential M&A opportunity more competitive. Renegen (+65% MoM), which has been a rather volatile performer for the fund, finally rewarded our patience following the announcement of a takeover offer from Nasdaq-listed ASP Isotopes.

The Anchor BCI SA Equity Team

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

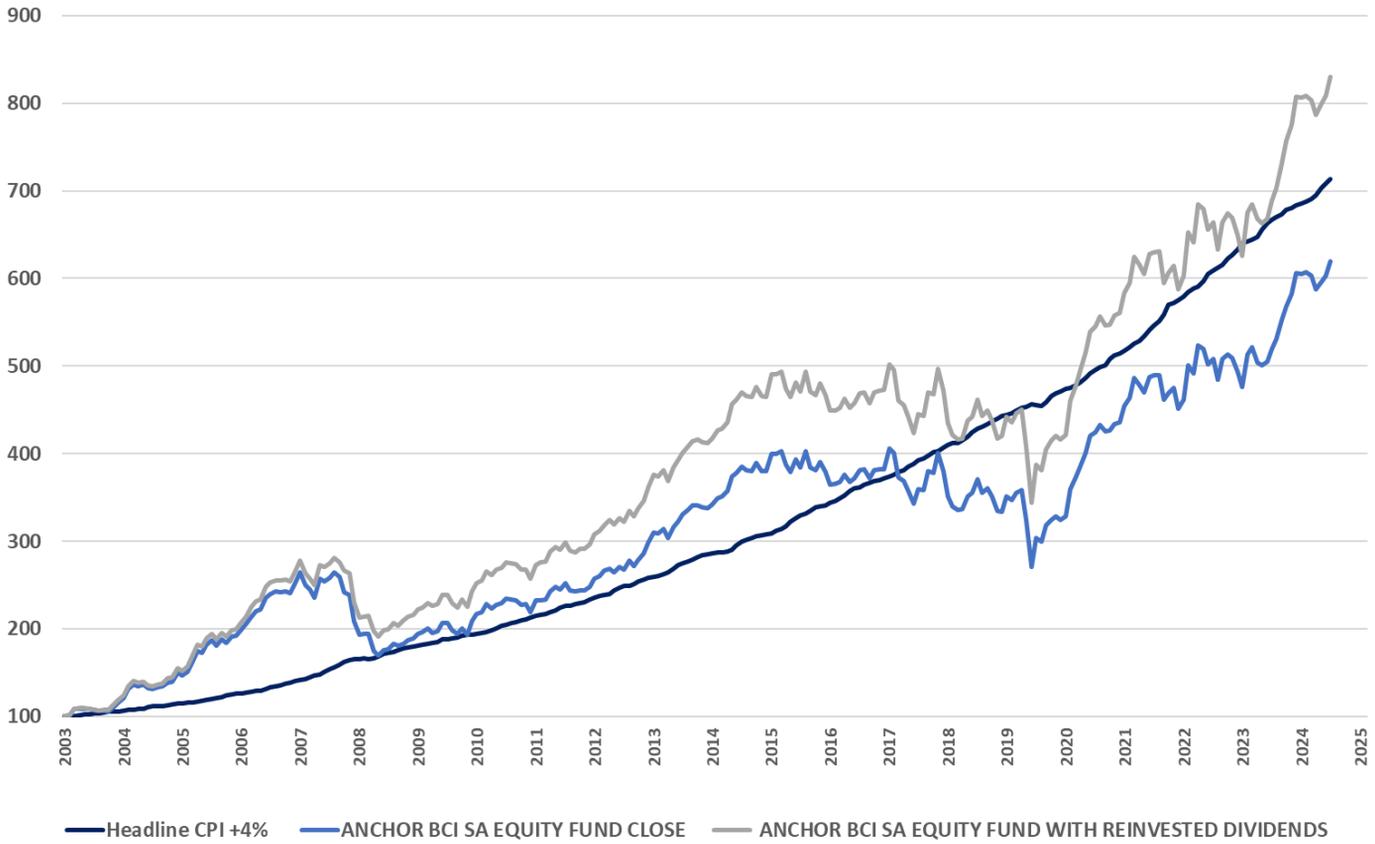
WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

ANCHOR BCI SA EQUITY FUND



The **Anchor BCI SA Equity Fund** closed May at 650.29, up 5.00% for the month and up 22.52% for the last 12 months.

Anchor BCI SA Equity Fund



Sell in May and Go Away – The data does not support it

“**Sell in May and Go Away**” - This catchy saying resurfaces as clickbait every single year, with the media stoking fear in the minds of investors. But has this actually been a good rule of thumb to follow?

Not at all.

While lower than the November-April 6-month period, the S&P 500’s total returns from May-October are still positive on average (+6.6% annualized) with stocks higher 72% of the time.

Not exactly something you would want to “go away” from. Those who followed the adage this year would have missed a 6.3% gain for the S&P 500 last month. That was the best May return for the index since 1990. Which is why you should always ignore headlines telling you to sell based on the calendar. If you’re a long-term investor, every month is a good month to start investing

