

HIGHLIGHTS OF THIS NEWSLETTER ARE:

- **South Africa Budget Highlights 2026/2027 – Favourable tax changes**
- **Current market update – by RCI Portfolio Managers**
- **The impact of Iran closing the Strait of Hormuz – by Pete Little**
- **Update on what we have been doing in the offshore funds**
 - **RCI Worldwide Flexible Fund – by Ross McConnochie**
- **Update on what we have been doing in the local fund – by Mike Gresty**



War in the Middle East is a wild card

“It goes without saying that the war in the Middle East is a wild card. It might end quickly, and the world is a better and safer place, or it might trigger higher gas prices, higher inflation, and higher interest rates, and we’ll just have to wait and see.” – **Lennar Executive Chairman & CEO Stuart Miller**

But higher oil prices renew the threat of inflation

“I think there’s some risk there is more inflation than people think, and that could be like a skunk in a party if that ever happens. Hopefully, it doesn’t happen. And no one actually knows. But this right now will increase gas prices a little bit. And, again, if it’s not prolonged, it’s not going to be a major inflationary hit. Again, if it went on for a long time, that would be different.” – **JPMorgan Chase Chairman & CEO Jamie Dimon**

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

SOUTH AFRICA BUDGET HIGHLIGHTS 2026/2027 – FAVOURABLE TAX CHANGES

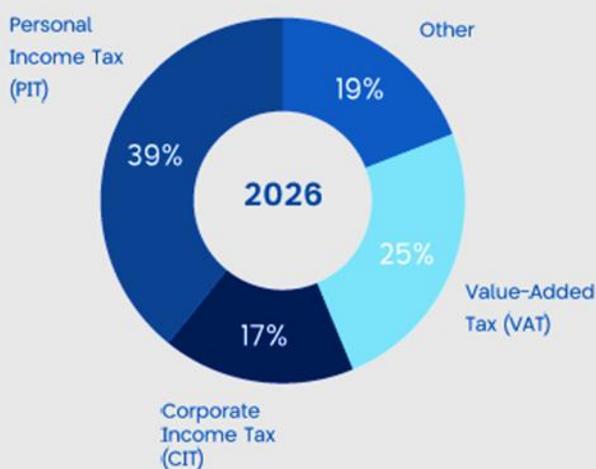


Economic Outlook

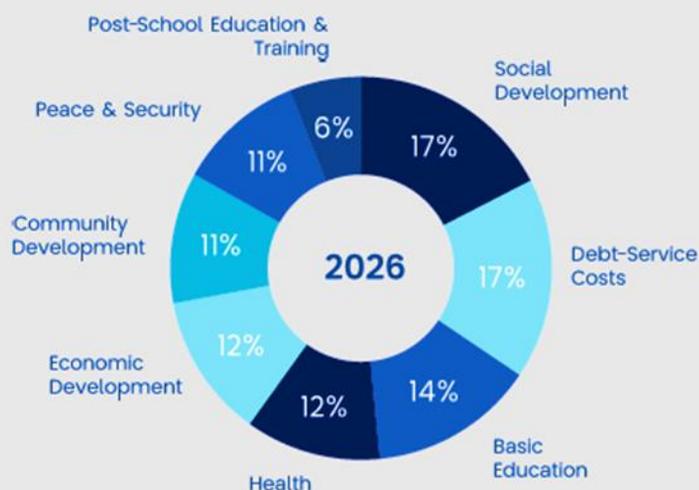
The tone of the 2026/2027 National Budget Speech was optimistic: for the first time in 17 years, South Africa's gross debt-to-GDP ratio has stabilised, and the Minister was able to withdraw the R20 billion in tax increases that had been provisionally included in the May 2025 budget.

GDP growth was 1.4% in 2025, expected to reach 1.6% in 2026 and average 1.8% over the medium term, reaching 2% by 2028. Revenue exceeded forecasts by R21.3 billion. The budget deficit narrowed to 4.5% of GDP and is projected to fall to 3.1% by 2027/28. Government debt has peaked at 78.9% of GDP and is on a clear downward path. National Treasury expects the debt-to-GDP to fall to 68% by 2033. Debt-service costs currently consume 21 cents of every rand of tax revenue well above SA's peer economies.

Sources of tax revenue 2026



Government spending in 2026/27



Source: PKF, South Africa

Key tax changes

- **Personal Income Tax:** Brackets adjusted for 3.4% inflation. Medical credits up to R376 (first two members) and R254 (additional members).
- **Capital Gains Tax:** Annual exclusion raised from R40,000 to R50,000. Primary residence exclusion increased from R2 million to R3 million. Natural persons in the year of death has increased from R300 000 to R440 000.
- **VAT:** While the VAT rate has remained unchanged, the compulsory VAT registration threshold for companies has increased from R1 million to R2.3 million.
- **Donations Tax:** The Donations Tax exemption threshold increased from R100,000 to R150, 000 per annum for donations made by individuals .
- **Tax-Free Investments:** The tax-free investment exemption threshold has increased from R36,000 to R46,000 per year.
- **Retirement Fund Contribution Deductions:** The retirement fund contribution limit has been increased from R350,000 to R430,000 per year. This includes for all retirement annuities.
- **Exchange Controls:** The single discretionary allowance for individuals has been increased from R1 million to R2 million per calendar year.

What remains the same

Corporate Income Tax (27%), Dividend Tax (20%), Transfer Duty, Estate Duty, and Employment Tax Incentives all remain unchanged.

What This Means for You

Several changes in this budget present meaningful planning opportunities - particularly the higher tax-free investment limit, the increased retirement fund deduction, and the expanded exchange control allowance. We encourage you to speak with your portfolio manager about how these changes may affect your financial plan.

CURRENT MARKET UPDATE

BY RCI PORTFOLIO MANAGERS



In light of the current state of global affairs, we thought it important to elaborate on our investment strategy and our intention to remain steadfast in spite of the turmoil.

Our RCI offshore strategy has always been focused on quality growth investing, with particular emphasis on US companies. These high margin, low-leverage, large cap growth names had a particularly strong last 3 years (when measured in USD) but we are now experiencing a notable rotation away from US quality stocks since late last year. Several forces converged to drive this shift.

- A reassessment of the "American exceptionalism" trade gathered momentum, as investors began questioning whether the premium attached to US assets relative to the rest of the world is still justified amid signs of slowing US domestic growth and persistent fiscal concerns.
- The re-emergence of trade policy uncertainty, particularly around tariffs, weighed disproportionately on large multinationals with complex global supply chains, which are heavily represented in the quality basket.
- Growing concerns over increased AI disruption. The market has flipped 180 degrees over the last year in its view on this. This time last year, many participants avoided AI because it was a bubble, today most participants are shunning tech companies because AI is very real and may disrupt many durable moats.
- A broader mean-reversion dynamic pulled capital toward cheaper, previously unloved markets: European equities, emerging markets, and more cyclical or value-oriented domestic sectors all attracted inflows at the expense of US large-cap growth.

The net result was a meaningful underperformance of the stocks that had led markets for years and we believe this has created a significant opportunity in many fantastic businesses that are already own. Companies like Microsoft are trading at the low end of their valuation ranges, whilst their growth continues to outperform the index. However, companies like Coca Cola which have underperformed the market over the long-term are trading at all-time highs. We have no intention of changing our strategy in this environment as we believe our portfolio of businesses is better positioned for the long term.

The rand, which strengthened roughly 12% through calendar year 2025 and continued into 2026, has also amplified the above issues (when offshore portfolios are viewed in ZAR). However, we believe this is an opportunity to externalise any available rands and invest in these world class businesses and we don't envision a similar strengthening of the rand in 2026.

To top off a tough few months for US investors, geopolitical events have once again moved to the forefront of global markets following the escalation of conflict between the United States, Israel and Iran. Over the past week, coordinated strikes have targeted Iranian military and nuclear infrastructure, while Iran has responded with missile and drone attacks across the region. More recently President Trump has hardened his stance, stating that the United States will accept nothing less than Iran's "unconditional surrender", signalling that the objective may now extend beyond military deterrence to regime change.

Oil prices have moved higher on concerns around Middle East supply and equity markets have experienced volatility but not panic. Perhaps investors are taking a page from when Russia invaded the Ukraine in 2022 and assuming things will ultimately resolve themselves. The rand has also weakened.

History shows that while geopolitical shocks can create short-term market volatility, they rarely alter the long-term earnings power of high-quality global businesses. We continue to monitor portfolios and investments to implement any potential changes, however, we do not believe that a knee-jerk reaction to sell high-quality equities will prove to be a good decision. With that said, we are closely monitoring the events in the Middle East and in the event that we believe a clients' long-term investment plan needs to be reassessed due to a broad and sustainable impact on global financial markets, we will be in touch with you.

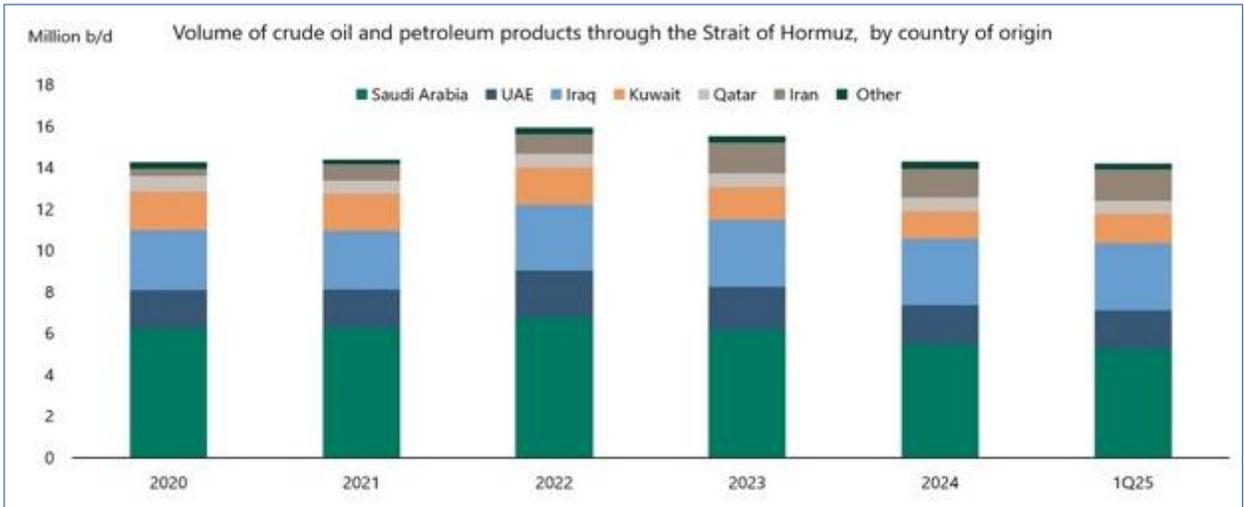
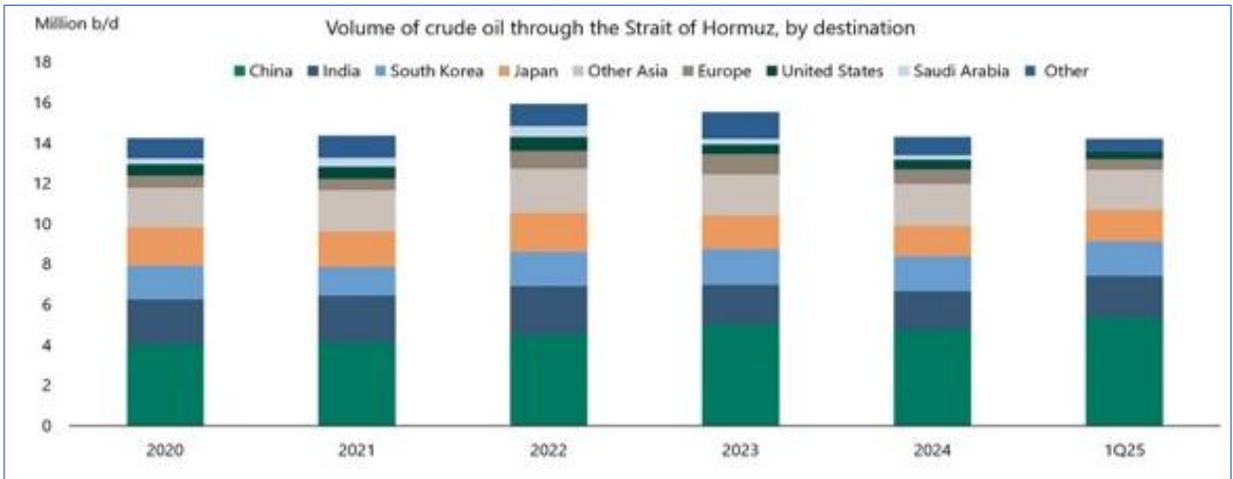
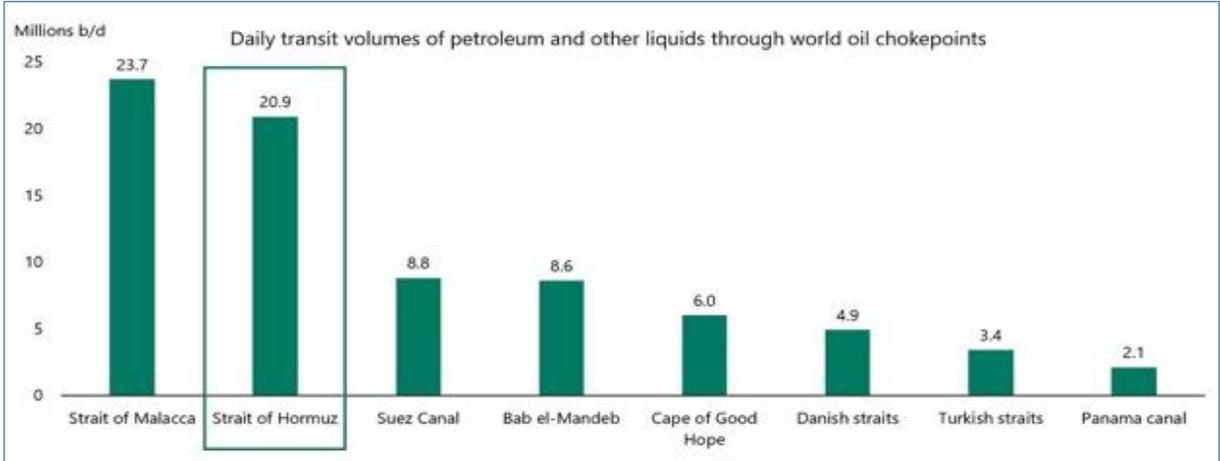
Should you have any questions or concerns, please contact us.

THE IMPACT OF IRAN CLOSING THE STRAIT OF HORMUZ

BY PETE LITTLE

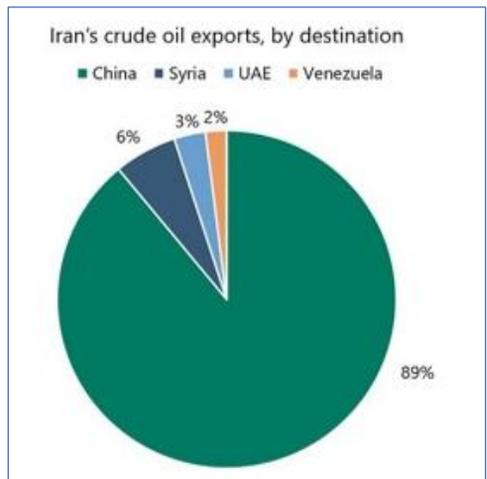


The below was a slide I presented in July last year when Iran & Israel were exchanging missiles and there was talk of the Strait of Hormuz closing. The numbers have not changed materially since then.



Key takeaways:

1. About a quarter of the worlds seaborne petroleum products go through the Strait.
2. The source of most of that is Saudi, Iraq, UAE & Kuwait (so closing the Strait will seriously annoy/impact Iran's neighbours).
3. The destination of most of that petroleum product is Asia with the biggest consumer being China, who also buys about 90% of Iran's oil, so closing the Strait for a meaningful period will also annoy/impact China and strain their relationship with China.



WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?



RCI BCI WORLDWIDE FLEXIBLE FUND

It has been a terribly turbulent time for the US market of late with major sector rotation occurring with investors selling Technology shares and buying into what are viewed as more defensive shares in the Consumers Staples, Utilities and Energy sectors. Only two of the Magnificent 7 shares, Nvidia and Alphabet have beaten the S&P500 index since the beginning of 2025 as concerns surrounding AI Capex spending weighs heavily on the sector.

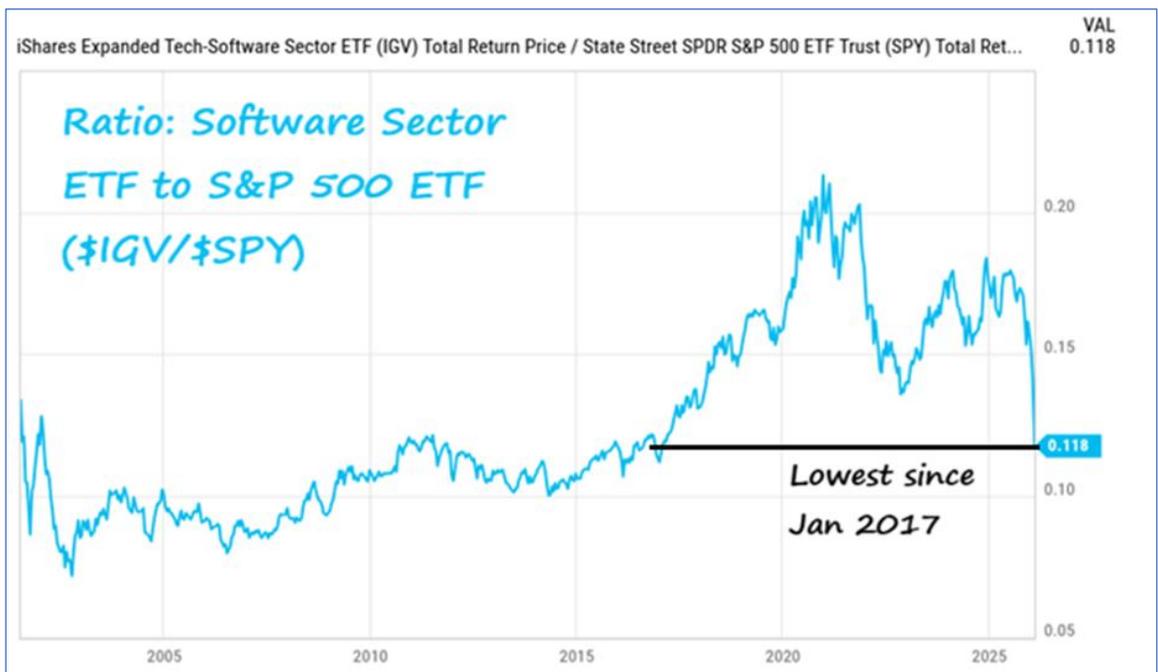
Figure 3: The Magnificent Two



Source: Charlie Bilello

The threat of generative AI disruption continued to spread to new sectors as Anthropic released new AI tools for its Claude Cowork software to automate work in fields including human resources, investment banking and design. A viral blog post by a small US research firm, Citrini Research, titled The Global Intelligence Crisis, highlighting a hypothetical economic doomsday scenario triggered by rapid AI adoption, further soured investor sentiment. Software suffered the worst of the selloff:

Figure 2: Software sector ETF relative to S&P 500 ETF



Source: Charlie Bilello

WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?



RCI BCI WORLDWIDE FLEXIBLE FUND

The US underperformed global markets with the S&P 500 closing the month 1% down, whilst the MSCI World Developed Markets closed 0.6% up on the back of strong Japanese equities. Emerging markets were again the standout performers, with the index rising 5.4% for the month and are now up 14.7% for the year to date. Within the US market, Energy, Utilities and Materials were the star performers growing at least 8% for the month. Another stand out sector was the rotation into Consumer Staples, rising 8% for the month.

Figure 3: Global markets and US sectors: Sector price movement sorted by February performance

Name	GEOGRAPHY	2024	2025	2026 YTD	Feb-26
DOW JONES INDUST IDX	USA	12.9%	13.0%	1.9%	0.2%
S&P 500	USA	23.3%	16.4%	0.5%	-0.9%
NASDAQ 100 IDX	USA	24.9%	20.2%	-1.1%	-2.3%
S&P 500 UTILITIES IDX	USA	19.6%	12.7%	11.3%	9.9%
S&P 500 ENERGY IDX	USA	2.3%	5.0%	24.4%	8.8%
S&P 500 MATERIALS IDX	USA	-1.8%	8.4%	17.6%	8.3%
S&P 500 CONS STAPLES IDX	USA	12.0%	1.3%	16.0%	7.9%
S&P 500 INDUSTRIALS IDX	USA	15.6%	17.7%	14.0%	7.0%
S&P 500 REAL ESTATE IDX	USA	1.7%	-0.3%	9.1%	6.2%
S&P 500 HEALTH CARE IDX	USA	0.9%	12.5%	3.2%	3.4%
S&P 500 FINANCIALS IDX	USA	28.4%	13.3%	-6.3%	-3.8%
S&P 500 INFO TECH IDX	USA	35.7%	23.3%	-5.6%	-4.0%
S&P 500 COMMUN SERVICES	USA	38.9%	32.4%	0.3%	-5.1%
S&P 500 CONS DISCRET IDX	USA	29.1%	5.3%	-3.8%	-5.4%
NIKKEI IDX	JAPAN	19.2%	26.2%	16.9%	10.4%
FTSE 100 IDX	UK	5.7%	21.5%	9.9%	6.7%
MSCI EMERGING MARKETS IDX (USD)	EMERGING MAR	5.1%	30.6%	14.7%	5.4%
DAX IDX	GERMANY	18.8%	23.0%	3.2%	3.0%
MSCI WORLD IDX	DEVELOPED WC	17.0%	19.5%	2.9%	0.6%
HANG SENG IDX	HONG KONG	17.7%	27.8%	3.9%	-2.8%

Source: Bloomberg, Anchor Capital

The rotation out of tech and into defensives is reflected as a small blip in the following graphs. These sectors have been significant underperformers over the last decade as their earnings generation hasn't kept up with the rest of the market which was driven by mega cap tech. Although the defensive type shares have had an incredible start to 2026, they have significantly underperformed the market over the long term (down trend = under performance).

Figure 4: Performance of defensive sectors relative to the market (Source: Topdown Charts, LSEG)



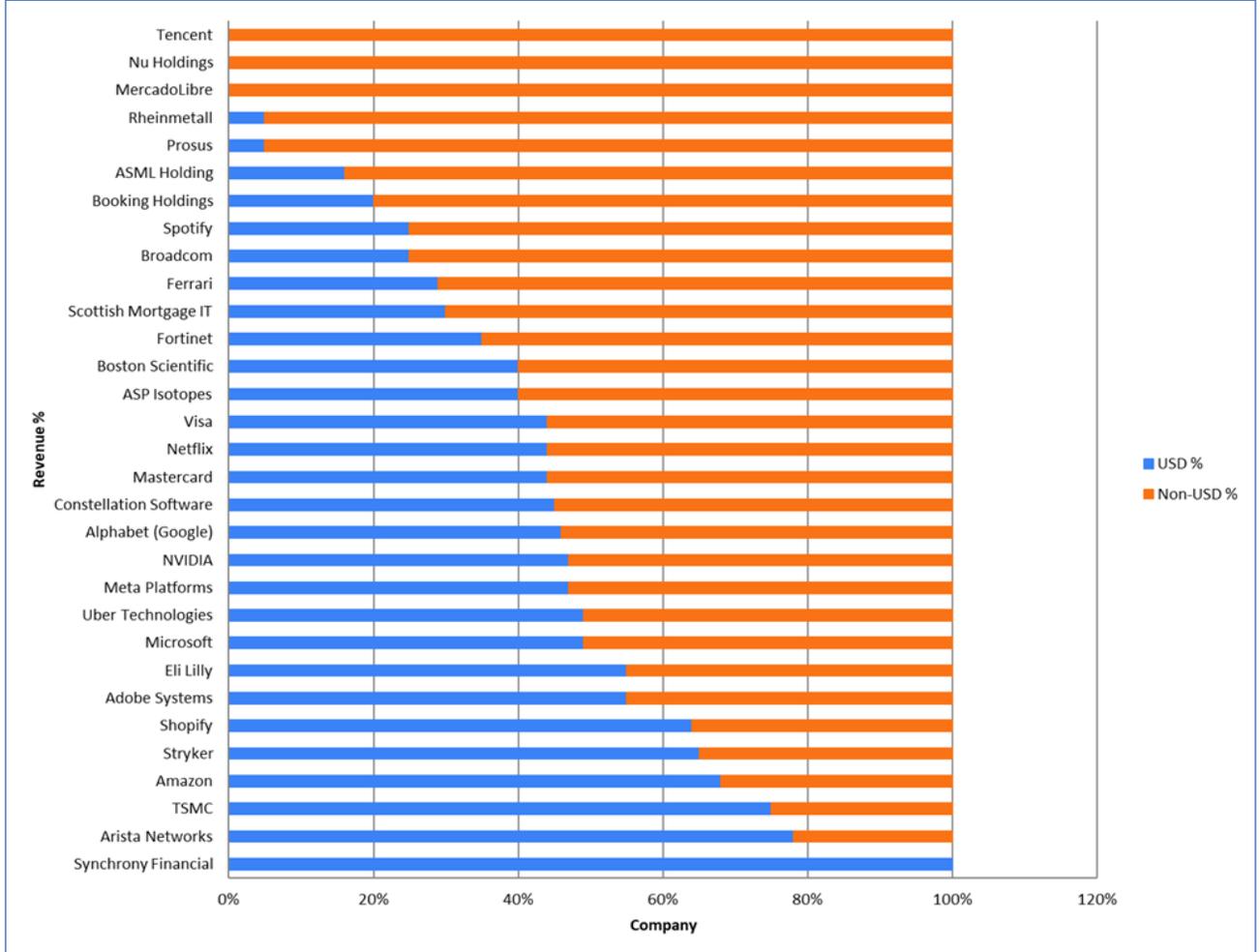
WHAT HAVE WE BEEN DOING IN THE OFFSHORE FUNDS?



RCI BCI WORLDWIDE FLEXIBLE FUND (CONT.)

There has also been a lot of concern about a continued weakening of the US dollar. We have thus put together the following currency analysis of our portfolio:

Figure 5: RCI portfolio USD vs Non-USD revenue exposure



At present we estimate the portfolio is about 40-45% directly exposed to USD revenue with the rest being foreign currency denominated. Thus, any further weakening of the dollar would be beneficial to our portfolio. For example, Microsoft generates approximately half of its revenue from outside of the United States and thus a weakening USD environment would increase revenue recorded in USD. We are thus confident that our portfolio is sufficiently globally diversified.

Top 10 holdings

	PE in one years time	PEG Ratio (FWD PE/'26-27 Growth)	EPS Growth			Pullback from high
			2024-2025E Growth	2025-2026E Growth	2026-2027E Growth	
ALPHABET INC-CL C	25.0	1.6	11%	17%	15%	-11%
AMAZON.COM INC	22.2	1.1	4%	20%	19%	-19%
BOSTON SCIENTIFIC	21.7	1.7	14%	13%	13%	-30%
META PLATFORMS INC-CLASS A	19.7	0.8	5%	16%	25%	-19%
MICROSOFT CORP	21.4	1.2	26%	12%	18%	-29%
NU HOLDINGS LTD/CAYMAN ISL-A	16.3	0.6	44%	31%	27%	-21%
NVIDIA CORP	21.1	0.7	61%	74%	32%	-16%
RHEINMETALL AG	39.1	1.2	53%	50%	33%	-16%
SCOTTISH MORTGAGE INV TR PLC						-7%
TAIWAN SEMICONDUCTOR-SP ADR	25.0	0.9	32%	35%	29%	-4%
Top 10 - FWD PE Ratio* PEG ratio* and EPS Growth Rate^	22.4	1.0	26%	20%	25%	-17%

S&P500 - FWD PE and EPS Growth	21.3	13%	16%	15%	-2%
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*Calculated using Harmonic Mean

^Calculated using Median

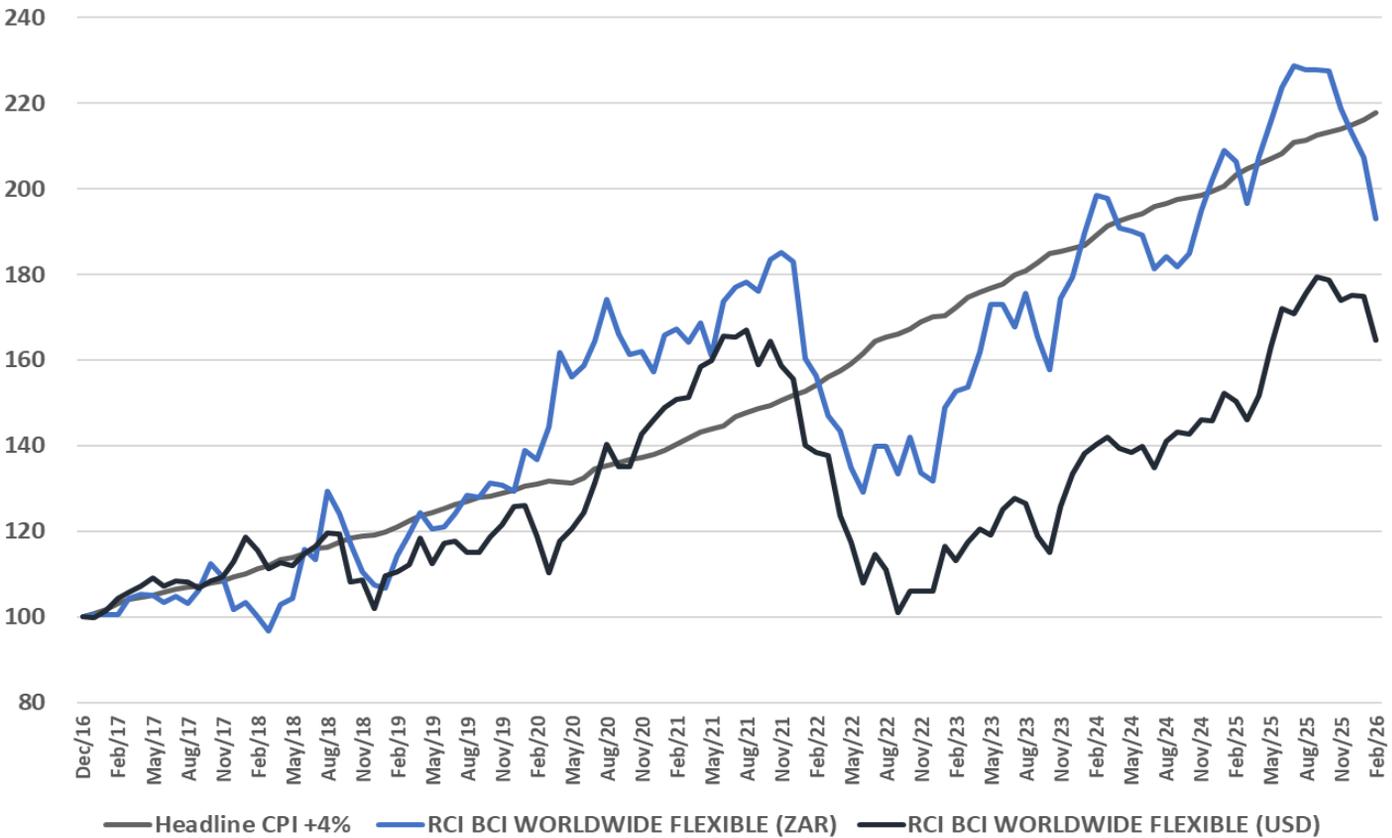
RCI OFFSHORE UNIT TRUSTS PERFORMANCE



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

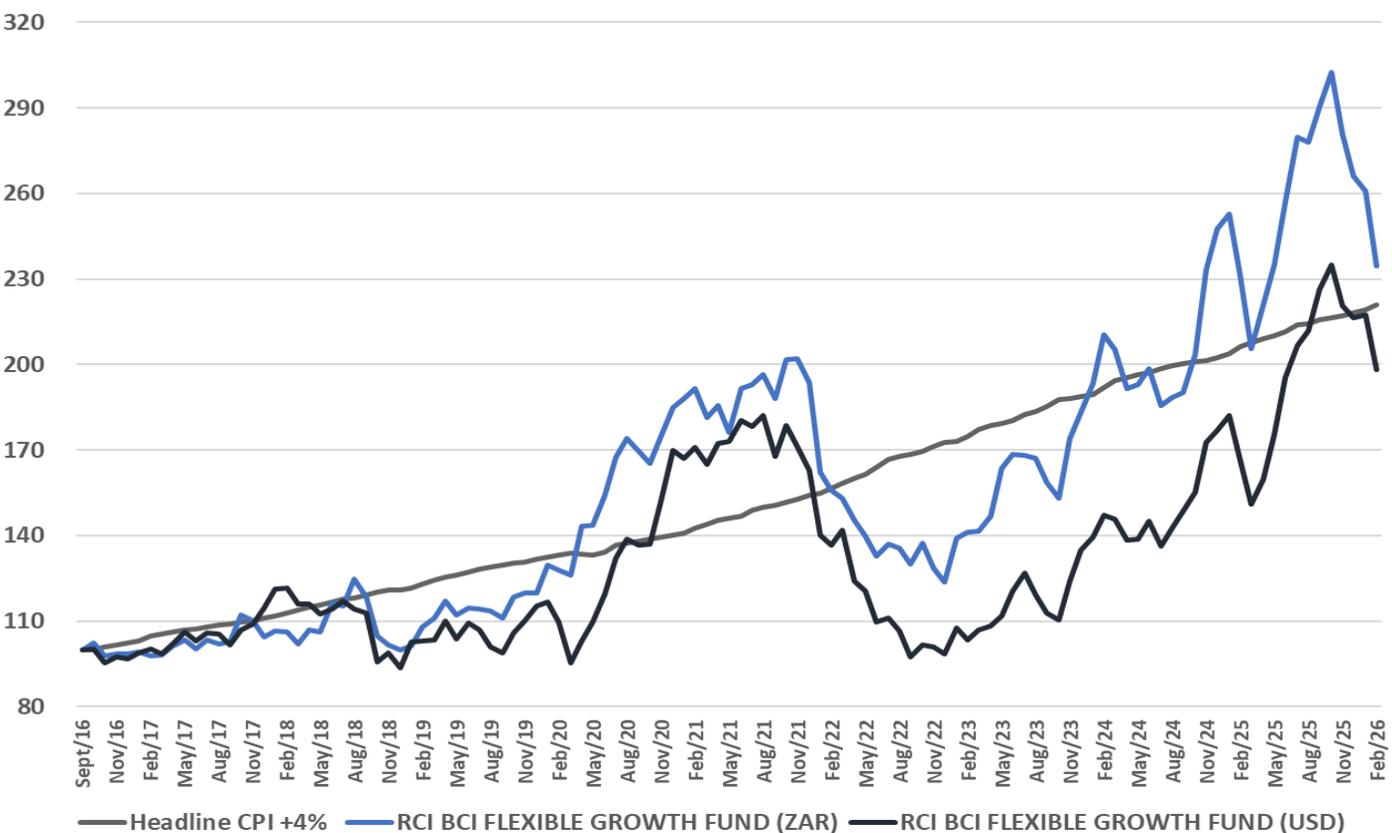
The **RCI BCI Worldwide Flexible Fund** closed February at 192.96, down 6.95% for the month and down 6.54% for the last 12 months.

RCI BCI Worldwide Flexible Fund



The **RCI BCI Flexible Growth Fund** closed February at 266.16, down 10.07% for the month and up 1.55% 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 delivered their eleventh consecutive positive month in February (MSCI World Index +0.8% MoM). The rotation from US growth stocks into global value continued (MSCI Global Value +2.9% MoM vs. Russell 1000 Growth Index -3.4% MoM). The underperformance of US growth stocks was particularly apparent in the Magnificent Seven grouping of US mega-cap tech stocks, which was down 7.3% in February. Investor fear about AI disruption of software companies intensified, leading to relatively indiscriminate selling across the sector. On the flip side, energy shares were driven up by the threat of a US military strike on Iran, which increased the oil price (Brent Crude +2.5% MoM). Consumer staple share prices also performed favourably (S&P 500 Consumer Staples +8%). Emerging Market (EM) equities significantly outperformed their DM counterparts in February, extending January's outperformance (MSCI EM Index +5.5% MoM/ +15% YTD). This EM outperformance was largely driven by commodity-producing countries (Brazil +4.1% MoM/ South Africa +7.2% MoM). This came in spite of a stumbling Chinese tech cohort, which saw the stock prices of Tencent, Alibaba, Meituan and Baidu drop by 15%, 16%, 17% and 18% MoM, respectively.

South African equities once again performed strongly in February (FTSE/JSE Capped All Share +7.2% MoM). YTD gains of 11% for the JSE places it among the leaders globally - only Japan and Brazil have outperformed. The JSE's performance was, once again, dominated by precious metal shares, which were responsible for 60% of the JSE index returns for February. Gold miners (+16% MoM) and platinum miners (+12% MoM) continued to benefit from further appreciation in precious metal prices (gold and platinum both +8% MoM). Elsewhere, insurers (+7% MoM) and banks (+8% MoM) performed favourably, with Discovery (+11% MoM) and Nedbank (+19% MoM) being the standout performers within these sectors. Naspers (-11% MoM) and Prosus (-12% MoM) continued their run of poor performance into February, declining along with key investment - Tencent (-15% MoM). Food retailers were also notable laggards, with Pick n Pay (-19% MoM) and Spar (-21% MoM) both releasing disappointing trading updates, highlighting the lack of food inflation - a headwind for the sector.

The focus of the portfolio is on investing in domestically listed companies that have an investment case that insulates them from SA's difficult economic situation (strong multinational franchise, rand hedge, dominant local platform, or clear local expansion strategy for example); high confidence in improving Return on Capital Employed and excellent cash flow generation. We are not particularly focused on dividend-paying companies, preferring companies that are able to reinvest at high potential rates of return on their capital, thus driving a superior total return for investors.

At the end of February, the top 15 positions in the fund, making up 64% of the equity exposure, were as follows:

- Naspers
- Standard Bank
- Prosus
- FirstRand
- Absa
- Valterra Platinum
- Harmony
- Impala Platinum
- Capitec
- AngloGold Ashanti
- Discovery
- Northam Platinum
- MTN
- Pepkor
- Goldfields

Main changes in the month

During February, we added to our **Blu Label** holding, where we see attractive growth potential. We exited **Old Mutual** after a short, profitable holding period, reallocating the proceeds into higher-conviction ideas. We trimmed **Boxer** in favour of **Premier**, where we see better growth potential, and we took profit in **Tiger Brands** following its strong share price run. We added to **OUTsurance**, which we believe is attractively valued with strong growth prospects, and initiated a position in **Richemont** as a rand hedge.

WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

ANCHOR BCI SA EQUITY FUND



Performance

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2026	3.2	2.6											5.8
2025	-1.6	1.5	1.2	2.6	5.0	3.2	2.4	1.2	6.1	2.1	-1.4	4.6	30.0
2024	-1.5	-0.8	0.9	3.0	2.1	4.2	3.9	2.4	4.2	-0.2	0.3	-0.6	19.0
2023	7.1	-0.8	-3.5	1.2	-4.7	5.0	2.0	-0.8	-3.0	-3.7	7.9	1.5	7.5
2022	-0.4	-0.9	3.1	0.0	0.7	-6.2	3.0	0.6	-5.6	4.0	8.4	-1.9	3.7
2021									2.1	2.7	1.9	4.7	11.8

The Anchor BCI SA Equity Fund delivered a 2.6% return in February, behind the FTSE/JSE Capped All Share Index. The fund’s underweight exposure to gold equities on account of our quality investment philosophy remained a key source of relative underperformance. Naspers/Prosus, where the fund maintains a sizeable position was also a detractor in February. On the positive side, the fund’s financials exposure was an area of pleasing performance, as the sector continued to rerate on the back of declining long bond yields and in anticipation of solid results.

The Anchor BCI SA Equity team

Mike Gresty, Liam Hechter

The **Anchor BCI SA Equity Fund** closed February at 805.56, up 2.56% for the month and up 35.01% for the last 12 months.

Anchor BCI SA Equity Fund

