ROBERT COWEN INVESTMENTS

NOVEMBER 2026 NEWSLETTER

The Family Office

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ANCHOR GROUP

HIGHLIGHTS OF THIS NEWSLETTER ARE:

- **Keeping perspective in a changing market** – *by the RCI investment team*
- **The Anchor rand view** – *by Nolan Wapenaar*
- **Actively managed ETFs: A new vehicle for a familiar philosophy** – *by Keiran Witthuhn, Reko Nare & Henning Holtzhausen*
- **The luxury of being 25: Time and the new generation of investors** – *by Duncan Armitage*
- **Understanding attribution of trusts** – *by Di Haiden*



RCI closing dates in December and additional funds requests

Please note that we will be **closed for business from Thursday, the 24th of December 2026 at 13:00** and will reopen on **Monday, 4th of January 2027**. We would like to ask you to please ensure that you get hold of your portfolio manager prior to this period for any matters that need to be dealt with.

If any clients have **any payment requests** or needing additional funds over the festive season, we urge you to submit these before the close of business on **Friday, the 11th of December 2026**. Please let either Michelle Isherwood (michelle@rcinv.co.za) or your portfolio manager know as soon as possible.

A regulatory update from the RCI team

We recently hosted the Financial Sector Conduct Authority (FSCA) for an onsite audit of our business. The FSCA is South Africa's market conduct regulator, and onsite reviews are part of how it oversees financial services providers. We welcomed the opportunity to show the processes, controls and standards that guide how we look after our clients.

The audit is now complete, and we are waiting for the FSCA's feedback. Our team put considerable time and care into the process, and we are grateful for the hard work and cooperation across the business.

While the audit kept us busy over the past few months, our focus on your investments never changed. Our investment team has continued to monitor client portfolios closely, and day-to-day management, client service and administration have carried on as normal. As always, your wealth manager is available should you wish to discuss your portfolio or any other matter. We thank you for your continued trust and support.

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KEEPING PERSPECTIVE IN A CHANGING MARKET

BY THE RCI INVESTMENT TEAM



They say the only constant in life is change, and 2026 has had plenty of it. There has been war in the Middle East, higher inflation and interest rates, a Democratic sweep in the US midterms and, very recently, Jensen Huang's departure from Nvidia, which has added to jitters among AI infrastructure providers which were so central to the equity rally early in 2026. Through all of it, at an index level, the US market has held up well overall, and the S&P 500 is up about 7% for the year.

Some sectors have had a much rougher time though, and most of that has happened in the last six weeks. Until early October, most offshore portfolios were ahead of the US market for the year. After the recent pullback, many are now roughly in line with it. Headlines like these make it tempting to act. Below we explain what is happening, what we think about it and why we believe staying the course is the right decision.

A reset, not a breakdown

We see the recent weakness in US shares, especially AI-related companies, as a reset in sentiment and valuations. We don't think the outlook for earnings and growth has fundamentally worsened. Company profits have grown strongly through the sell-off, and the uncertainty around the midterm elections is now behind us.

The falls have been concentrated in a few areas:

- Global semiconductor shares fell almost 30% from their highs by mid-November.
- Technology and communication services fell 16.9% and 14.4% respectively. Even Google had its worst one-day drop since it listed.

Money has moved into more defensive areas such as healthcare, consumer staples, financials and property. The wider market has held up well despite the sharp fall in chip stocks, which we find encouraging. This is also not new for this year. The S&P 500 has had more than four pullbacks of 3% or more in 2026. That includes a similar sell-off in February and March after the conflict in the Middle East began, from which the market recovered subsequently. Investors who sold in the panic missed that recovery.

Company results have been strong

Earnings are what we can analyse most reliably, and they have been very good. According to FactSet, with 91% of S&P 500 companies reported:

- Earnings grew 31% year on year on average.
- 84% of companies beat profit expectations.
- 74% beat revenue expectations.

Earnings growth is also spreading beyond AI, but technology is still the biggest contributor to profits in the index. Share prices, however, have often moved sharply on small beats or misses. That points to nervous investors, not weak businesses. Over time, share prices tend to follow earnings, not headlines.

Why AI shares sold off, and why we think it went too far

Investors have worried about the huge amounts being spent on AI and whether that spending will pay off. After the midterms, they also became concerned that tighter regulation could delay new data centres. We think the reaction has been overdone for three reasons:

- **Demand is still strong**. Goldman Sachs expects the five largest AI spenders to invest about $1.6 trillion in 2027, compared with about $800 billion in 2026. The major cloud businesses are growing revenue at more than 50% a year, and demand still exceeds available capacity.
- **A slowdown is not the same as a decline**. Morgan Stanley expects some projects to move from 2028 into 2029 rather than be cancelled. A slower build-out that is extended further into the future could, in fact, be a far healthier profile for equity investors in the long run.
- **Selling can be a self-fulfilling prophecy**. A lot of money had crowded into AI shares, and some of it was borrowed. Once sentiment turned, investors sold quickly and without much distinction between companies. As a result, share prices have fallen well out of line with how the businesses are actually performing. Since the late 1990s the average holding period of a share an a company in the S&P 500 has fallen from around 9 years to just

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6 months. The relevance of this change is that markets today are driven in the short-term far more by traders seeking to profit from the sentiment swings driven by news headlines of the day with little regard for the long-term fundamentals of the companies themselves. As long-term investors who have the advantage of time, it's important to avoid jumping to the conclusion that this volatility (be it up or down) is sending a message that fundamentals have changed.

Midterms have historically been good for markets

Since 1950, US shares have risen in the 12 months after every midterm election, 19 times out of 19, with an average gain of about 12.4%, according to US Bank. J.P. Morgan estimates that a divided government has historically produced average one-year gains of about 15%. These figures are history, not a forecast, but they suggest this is not the time to turn overly defensive.

What we're watching

- **Nvidia news and succession**: Nvidia's latest quarterly results were better than expected and it raised guidance. While that has soothed investor anxiety to some extent, for the broader AI investment theme, we are watching to see what of the many allegations made turn into proven facts. The handling of succession at Nvidia will be critical too. While this entire saga is very sad indeed, in time, we may well find that the quote attributed to Charles de Gaulle, "*graveyards are full of indispensable men*" will apply here! We will adjust position sizes if needed.
- **The Anthropic IPO**: Early demand looks strong. We will focus on its revenue growth and profitability given how much it plans to spend.
- **The Middle East and inflation**: Oil supply has largely returned to pre-war levels, so we are now watching refining costs. Relief on inflation and interest rates may only come in the second quarter of 2027.

We are watching closely so that you don't have to react to every headline. Any changes we make will be considered and based on the facts, not on panic.

Why staying the course matters

When markets fall, doing nothing can feel like the wrong choice. News headlines are built to grab attention, and a few weeks of red numbers can make it feel as if something fundamental has changed. Reacting to short-term events, however, is rarely the best investment decision. Investors who sell during a sell-off usually lock in their losses and then miss the recovery. In the past, the strongest gains have often come soon after the most uncomfortable periods.

The market has moved from rewarding anything linked to AI to demanding real earnings and cash flow. That is healthy in the long run. We expect volatility to continue for now, but for high-quality technology and AI businesses with strong balance sheets, this sell-off looks more like an opportunity than a threat.

Our message is simple - hold tight and stay focused on your long-term goals. You are invested in quality businesses that have recovered from many corrections before. Your portfolio was built for your long-term goals, not for the next few weeks of news. We believe AI could prove as important as the internet, and a short-term change in sentiment doesn't change that.

We know that sitting tight can be hard when the headlines are loud. That is what we're here for. We are managing your investments closely and with conviction. If you have any questions or concerns, please contact your portfolio manager.

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ANCHOR RAND VIEW: GLOBAL INFLATION, US DOLLAR STRENGTH AND SA POLITICAL RISKS WEIGH ON THE RAND

BY NOLAN WAPENAAR



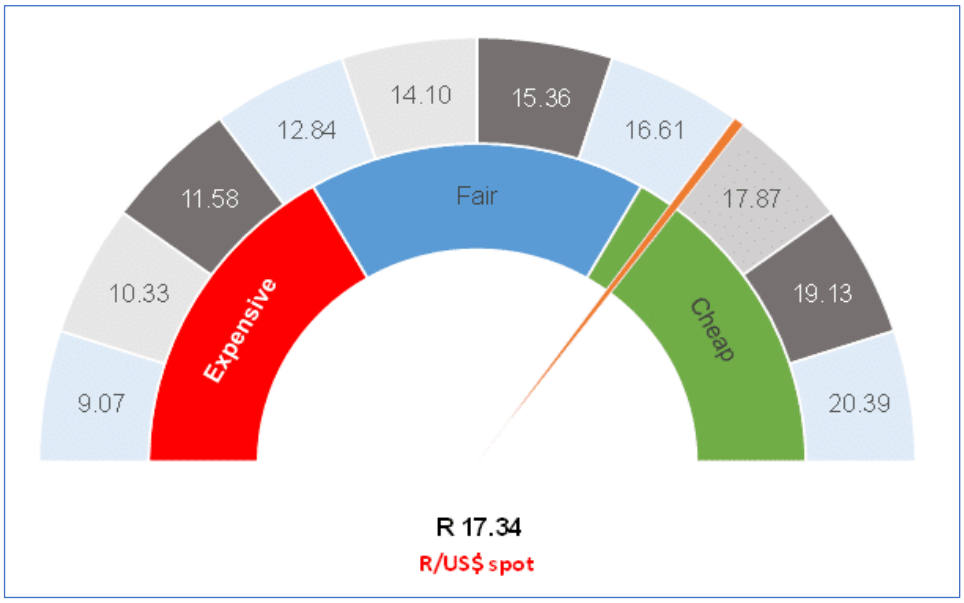
Our previous rand view was published in July 2026. Since then, the rand has largely traded within a range of R16.00 to R16.50. However, global policy developments and growing domestic political uncertainty have recently unsettled the currency. As I write this, on the morning of the South African Reserve Bank's (SARB) Monetary Policy Committee (MPC) meeting on 19 November, the rand has weakened to around R17.34.

To understand this depreciation, we need to look first at the US. For South African investors, US dollar strength is often reflected in rand weakness. US President Donald Trump's second term has been characterised by numerous shocks to the US economy, all of them inflationary in nature. The Trump administration's overzealous enforcement of immigration policy has reduced labour supply, particularly for lower-paying jobs, pushing businesses to offer higher wages and invest in automation – both inflationary. Tariffs and trade disputes have raised the cost of imported goods and created uncertainty around global supply chains.

Geopolitical developments have added another layer of uncertainty. The US-Israeli war on Iran has seen the oil price spike by about 49% YTD, feeding into transport, production and distribution costs. Meanwhile, the unregulated artificial intelligence (AI) gold rush keeps pushing up technology and chip prices. US fiscal policy adds a further concern. The One Big Beautiful Bill Act is expected to increase government borrowing and risks adding to inflation if demand outpaces the economy's productive capacity.

Fatigued by inflation persisting well above target, the US Federal Reserve delivered its first 0.25% rate hike on 16 September, and markets have priced in one or two more. The Federal Open Markets Committee (FOMC) member Christopher Waller has advocated a 0.50% hike in December, and minutes from the October meeting, released on 18 November, revealed that a 0.50% hike had been discussed. Having anticipated cuts at the start of 2026, markets now discuss a further 1.25% to 1.50% in hikes. This has supported the US dollar, up c. 7% against the euro YTD, while the rand, which started 2026 at R16.54, has weakened by around 5% against the greenback.

Figure 1: Rand vs the US dollar



Source: Anchor Capital

Domestically, the rand benefitted for much of 2026 from favourable sentiment and strong gold and platinum prices, which boosted export proceeds and the profitability of miners which helped increase tax revenue for the National Treasury. With a healthy tax take, there was enough money to go around within government, debt levels began to subside, key projects were easy to fund and investments in infrastructure made sense. However, gold has since declined by 14% YTD, making next year's fiscal equation more precarious. We are hopeful for a possible rating update from Standard and Poor's on the 27th of November (we think it is a 50/50 call), but thereafter the path for South Africa will be more challenging.

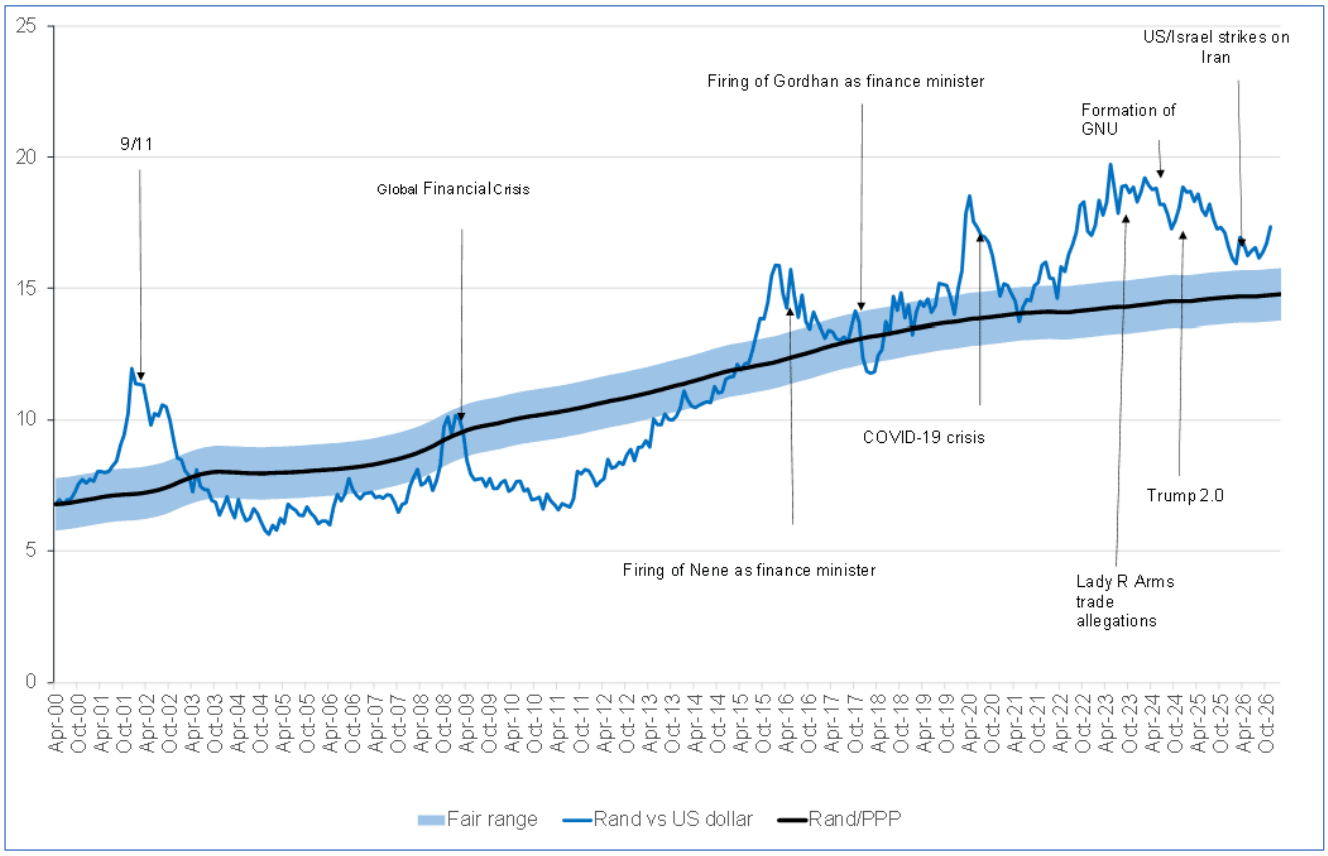
An experienced captain and strong leadership can help a country navigate rough seas. However, the outcome of the 2026 Local Government Elections (LGE) has introduced further uncertainty around the direction of SA's political landscape. The very real possibility of Action SA President and Founder Herman Mashaba entering political

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arrangements with populist parties raises questions about the composition and stability of future municipal administrations. We may see the ANC at the helm, sailing through these turbulent economic times aided by Jacob Zuma's MK Party on the one hand and Julius Malema's EFF on the other. Action SA appears to favour the continuity of the ANC and the support of populism to address the structural decay in our metros, roads and water infrastructure. Some analysts have warned that such political developments could place further pressure on living standards and municipal service delivery. There is also a real risk that this lurch toward populism could influence the broader Government of National Unity (GNU), potentially undermining some of the progress made over the past two years. This is a low road scenario that seems to be gaining traction. Only time will tell.

In summary, SA is facing a less favourable global environment, a less positive domestic economic environment and growing local political uncertainty. Against this backdrop, the rand's recent depreciation is perhaps even more so, not surprising.

Figure 2: Actual rand/US dollar vs rand PPP model



Source: Anchor Capital

Looking ahead, forming a firm view on the rand is particularly difficult. While near-term risks remain elevated, we believe some of the current pressures could moderate during 2027. In our view, market expectations of further US rate hikes are overstated. Gold and platinum prices should stabilise and perhaps rise again if the US stops hiking, and Trump's ability to shock markets should be curtailed as the Democrats assume a more powerful position in Washington.

For the rand, however, the key risk is political - the rand depreciated by 61% from 2009 to 2017 during the Zuma State Capture years. Although this depreciation occurred gradually, the cumulative impact was significant. For now, we are adopting a cautious wait-and-see approach; given the speed and extent of the rand's recent moves, reacting hastily is not necessarily appropriate. Should the domestic political outlook deteriorate materially, we expect to have opportunities to reassess and adjust our portfolio positioning.

Our portfolios remain diversified to help navigate periods of heightened uncertainty. We are allowing that diversification to perform its intended role while closely monitoring our exposure to SA risks and retaining the flexibility to respond as the landscape evolves.

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ACTIVELY MANAGED ETFS: A NEW VEHICLE FOR A FAMILIAR PHILOSOPHY

BY KEIRAN WITTHUHN, REKO NARE & HENNING HOLTZHAUSEN



Before joining RCI in 2021, Keiran held a government advisory role in the Middle East. He currently works in the portfolio management team servicing private clients and plays a key role in the Anchor Aspirant programme, a specialised wealth management and investing offering designed specifically for young, aspiring, and new investors. Keiran is also the co-fund manager for Anchor Capital's first two Actively Managed ETFs. He holds an MCom in Economics from Stellenbosch University, is a CFA® charterholder and holds the FMVA designation. Outside of work, he is an avid sports enthusiast and enjoys spending time outdoors.

Reko is an economics graduate from the University of Pretoria. He holds a postgraduate diploma in investment management and is currently pursuing a CFA designation. Reko is a member of the South African Institute of Financial Markets and joins the portfolio management team with a focus on servicing the investment needs of high-net-worth clients in South Africa.

Henning joined Anchor Capital in 2021 after completing his BCom Honours in Investment Management at the University of Pretoria. With a keen interest in the investment process, he is committed to delivering thoughtful, client-focused solutions and building lasting relationships through a deep understanding of each client's unique goals and needs.

Introduction

Investing continues to evolve. While exchange-traded funds (ETFs) have traditionally been associated with low-cost passive investing and index tracking, a new generation of ETFs is changing the way investors access professional investment management. On 25 May 2026, Anchor Capital listed its first actively managed exchange-traded funds (AMETFs) on the JSE: the **Anchor EasyETFs Aspirant Global Equity AMETF (AAGEET)** and the **Anchor EasyETFs Aspirant SA Equity AMETF (AASAET)**.

These funds provide investors with direct access to Anchor Capital's high-conviction local and global equity strategies through a transparent, cost-efficient listed structure. EasyETFs, a wholly-owned subsidiary of the Easy Group, itself majority-owned by Purple Group, serves as the management company (ManCo) for both funds. The launch forms part of a broader partnership between Anchor Capital and EasyEquities, combining Anchor Capital's investment management expertise with EasyEquities' retail distribution platform.

A brief history of ETFs

The first ETF was launched in Canada in March 1990. The US followed shortly with the State Street SPDR S&P 500 ETF Trust (SPY) in January 1993, and SA's first ETF, the Satrix Top 40, began trading on the JSE in November 2000. Since then, ETFs have transformed the investment landscape, growing substantially in both the number of products available and in total assets under management (AUM). There are now more than 4,500 ETFs listed in the US and more than 130 on the JSE (this includes both active and passive ETFs). Their appeal has always been built around simplicity: broad market exposure, transparency and cost efficiency.

For most of their history, ETFs have been associated almost entirely with passive investing: tracking an index, owning the market, and keeping costs low. That association is accurate but increasingly incomplete. AMETFs represent the next evolution. Like a unit trust, AMETFs are managed by investment professionals who make active decisions on which companies to own, which to avoid, and how to position portfolios. Like ETFs, they are listed on an exchange and can be bought or sold during the trading day through any stockbroking account.

Importantly, SA AMETFs are regulated collective investment schemes (CIS) under the Collective Investment Schemes Control Act, 45 of 2002, and subject to JSE Listings Requirements, providing investors with a familiar and well-governed regulatory framework.

The growth of AMETFs locally and globally

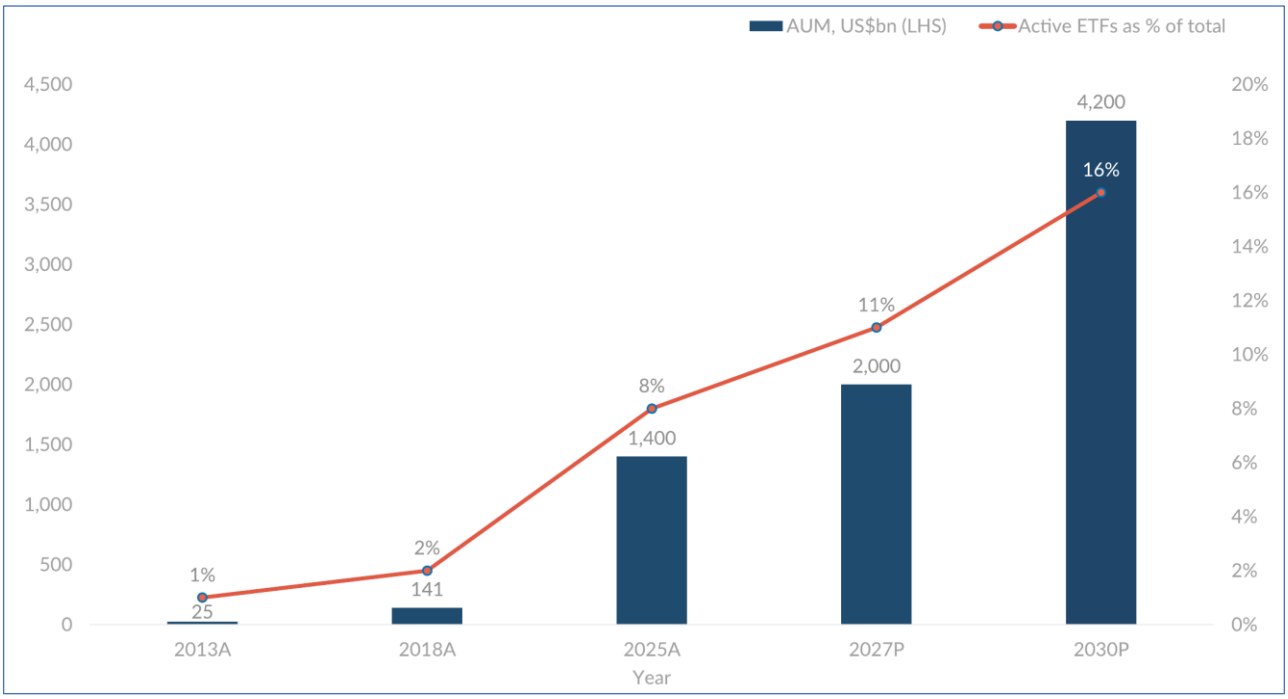
The first AMETF was launched in the US in 2008. Global growth has been significant since, with BlackRock projecting total global AMETF AUM to reach US$4.2trn by 2030, representing approximately 16% of the total ETF market. AMETFs are newer to the SA market. Regulatory changes in 2022 enabled the first AMETF listing on the JSE in May 2023, and by June 2026, the number had grown to 48 products. AUM growth in the local AMETF segment has outpaced that of other ETF categories, with total AUM reaching R18.9bn by end-2025. Based on current industry trends, total industry AUM is expected to increase significantly over the coming years. The next generation of investors is more fee-sensitive than the older generation. That shift, combined with a preference for transparency and operational simplicity, has accelerated demand for ETFs as a mechanism for active management.

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This growth is part of a broader product innovation story in SA's financial services industry that has led to new listings on the JSE. The JSE's company listings have declined sharply in recent decades - from around 850 listed companies in the 1990s to below 300 by 2024. This is a trend that reflects weak economic growth and a burdensome regulatory environment. AMETFs do not address those structural headwinds. But they do reflect the industry's capacity to evolve in response to investor demand, and ultimately it is investors who stand to benefit from lower-cost, more transparent, easier-to-access products.

Figure 1: BlackRock's projected growth of AMETFs globally



Source: BlackRock, Anchor Capital

What do AMETFs offer investors?

For investors, the benefits of AMETFs include:

- Professional active fund management in the convenience of an ETF structure.
- The ability to buy and sell through any brokerage account, during market hours.
- They can be held alongside other listed instruments and monitored with greater transparency than most traditional fund structures.
- They disclose full portfolio holdings daily, rather than publishing only the top-ten positions monthly.
- Competitive fees compared with many traditional active strategies.

AMETFs are not a replacement for every unit trust, nor are they automatically superior to passive ETFs. They are another portfolio construction tool, one that gives investors more choice in how they access professional investment management. They are particularly suited for those investors who believe active management can add value through research, valuation discipline and selectivity, while still wanting the lower costs and greater transparency of an ETF.

Anchor Capital's two funds: strategy and rationale

Anchor EasyETFs Aspirant Global Equity AMETF (AAGEET): The global fund follows Anchor Capital/RCI's growth-at-a-reasonable-price (GARP) philosophy - a pragmatic framework that avoids both overpaying for growth and mistaking cheapness for value. It targets market-leading businesses with high earnings growth potential, strong cash generation, quality earnings and attractive valuations. Current holdings include Alphabet, Ferrari, Fortinet, TSMC and Uber, reflecting a concentrated, high-conviction approach. The fund is rand-denominated, so SA investors need no foreign currency account or offshore platform; a US dollar version is under consideration should investor appetite warrant it.

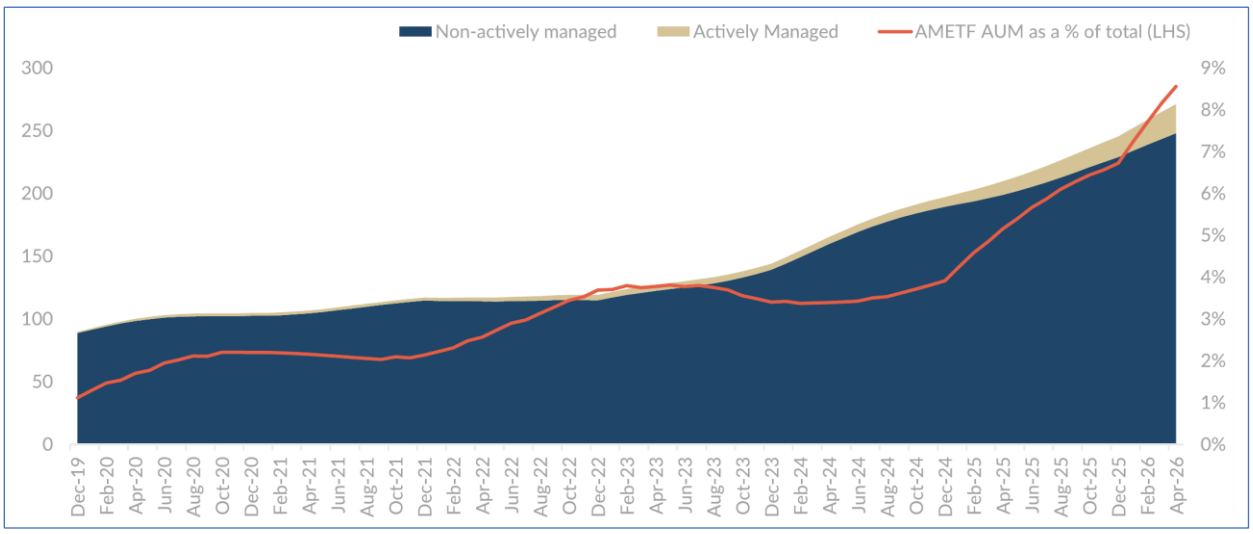
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Anchor EasyETFs Aspirant SA Equity AMETF (AASAET): The local fund mirrors Anchor Capital's established local equity house strategy. It is a notable first for the local AMETF market - a fully discretionary JSE-listed equity AMETF that does not employ factor strategies - and applies the same quality and valuation discipline as the global fund, adapted to SA. With quality opportunities scarcer on the JSE and the index increasingly dominated by resources, the fund combines high-quality compounders (businesses with pricing power and strong earnings growth) with select small and mid-cap companies where the stock-picking opportunity is compelling, while carefully managing resources exposure. It is managed with greater benchmark awareness than its global counterpart, as macro factors drive local markets and a large active position in concentrated sectors like gold can define performance in either direction.

Both funds carry a **management fee of 0.7% (excluding VAT)**, with the total expense ratio (TER) targeted to start below 1% and fall to around 0.8% as they scale - a cost-efficient entry point into Anchor's equity strategies for both retail investors and professional money managers.

Figure 2: SA ETFs AUM, Rbn



Source: Datastream, Anchor Capital

Anchor Aspirant

The listing of these two AMETFs forms part of the broader Anchor Aspirant initiative - a programme designed to help young, new, or ambitious investors start their wealth-building journey with greater clarity and confidence. Aspirant guides investors through practical first steps: drafting a will, building an emergency fund, opening a tax-free savings account (TFSA) or retirement annuity (RA), saving toward specific goals, and starting an investment portfolio. The aim is to combine digital tools, investment education and professionally managed portfolios to lower the barriers that typically prevent newer investors from getting started.

The partnership with EasyEquities is central to this. Of the R100bn on the EasyEquities platform, approximately R35bn is currently held in ETFs. Anchor Capital contributes institutional-quality investment management and research, while EasyEquities provides a scalable, technology-driven platform with strong retail reach - reflecting a shared conviction that professionally managed, high-conviction strategies need not be the exclusive preserve of high-net-worth investors.

Investors can now access portfolios built on Anchor Capital's established philosophy and research process, bought and sold on the JSE in seconds - with full transparency, at a cost competitive with the passive alternatives many retail investors have defaulted to. That is what Aspirant is about. **Both AMETFs (tickers AAGEET and AASAET) can be purchased like a share in any brokerage account, including on the EasyEquities platform or in an Anchor Stockbrokers account.** For more information, visit anchorcapital.co.za/anchor-aspirant. Or contact any of the following:

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THE LUXURY OF BEING 25: TIME, AND THE NEW GENERATION OF INVESTORS

BY DUNCAN ARMITAGE



The most valuable asset a young investor owns is one that never appears on a monthly statement. It is not capital, and it is certainly not skill. It is time, and being twenty-five has given me a clear view of how little those who hold the most of it value it.

Most of what I do as a wealth manager comes down to that one variable: how many years a portfolio has, and how that shapes everything from risk to currency to patience. Time is a strange kind of wealth. It cannot be bought, borrowed or recovered once it has passed, and that is the luxury of being young. It is also why the generation now entering the market invests so differently from the one that built most of the capital we manage. The differences are easy to overstate. The more useful question is which are real advantages, which are confidence that has not been tested yet, and what each generation can learn from the other.

The power of compounding

Compounding is often called the eighth wonder of the world, but its impact is difficult to appreciate because the benefits are almost impossible to feel while they happen. Investment returns do not grow in a straight line. Early contributions may feel insignificant, but over long periods, the growth generated on previous growth becomes the dominant driver of wealth creation. This is why the first decade of investing is often the most important and the easiest to delay. The amounts are smallest, the progress is least visible, and the temptation to put it off is strongest. Yet those early years provide the foundation on which future wealth is built. This is also why time, rather than capital, is the asset that defines a young investor. The young do not need an edge; they need only to hand the problem to time and then stay out of its way.

The cruelty is that this is also the advantage which the young are most likely to waste, because the cost of delay is invisible. Nobody sends you an invoice for the years you spent, meaning to start investing. The portfolio you might have had simply never appears. For a young investor, starting early is not a discipline or a virtue to admire. It is, mathematically, most of the game. Consider a simple example. An investor contributing R1,000/month from age 25 to age 65 and achieves a hypothetical annual return of 12% would contribute R480,000 over their lifetime, but could accumulate approximately R11.8mn. Starting the same process at age 45 would result in a significantly smaller outcome, reaching only about R1mn, despite contributing for half as long.
The difference is not the amount invested. It is the time available for compounding to work.

Two generations, two sets of experiences

Different generations often approach investing differently because different market environments have shaped them. The generation that built wealth in SA learned its lessons the hard way. They invested through periods of high inflation, exchange controls, currency volatility, and moments when it was unclear whether domestic capital was safe at all. These experiences naturally created an investment mindset focused on capital preservation, keeping a cushion of cash, trusting tangible assets and established institutions, and being wary of anything fashionable.

The generation now arriving grew up in a more connected world. They are global by default, treating offshore exposure as a starting point rather than a hedge. They are often more comfortable with business models that an older investor might dismiss as stories rather than companies. They are used to information instantly, and to acting on it just as fast. What most have never had is a prolonged bear market as an adult with real money at stake, the kind that grinds on for years rather than weeks, and that absence matters more than they tend to believe. Neither approach is inherently better. The investor who keeps too much in cash loses purchasing power to inflation over a lifetime, surrendering the growth a long life should have captured. The investor who treats every market fall as a buying opportunity has not yet met a market that stays down long enough to make him doubt himself. Each side is overconfident about exactly the risk the other has learned to respect. The best investors learn from both experiences.

A long-term mindset changes the way risk is viewed

A long investment horizon does not simply permit more risk; it changes which risks are worth taking, and, understood properly, it makes a young investor more disciplined, not less.

First, market volatility gets reclassified. Over 40 years, market falls are not catastrophes to insure against at any price; they are the routine cost of the returns which equities produce, and holding through them is where most of

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the return is earned. The greatest threat to a compounding plan is not a bad year but being forced, by circumstances or nerves, to sell into one. **Second**, the future is not a forecast you must pay full price for in advance. A long time horizon removes the need to be right about the next twelve months, and that is where valuation discipline becomes an edge: buy good businesses you can understand, at prices that leave room for disappointment, and let time (rather than timing) do the work. For someone with decades ahead, patience and a sensible entry price are not the timid option, but the ambitious one. **Third**, diversification is structural, not tactical. A serious offshore allocation is not a clever call on the rand; it is a refusal to tie a multi-decade plan to the fortunes of a single economy.

The importance of patience

Amazon provides a useful example of the power of patience. Adjusted for its later share splits, the stock traded at about $5 at the peak of the dot-com boom in 1999; today it is worth more than 45 times that, near $245/share. However, the journey was anything but smooth. The shares fell about 95% when the bubble burst, have dropped by more than half on several occasions since, and looked obviously overvalued for years at a time.

A short-term investor would have had every reason to sell, and most would have, repeatedly. A patient long-term investor would have held the shares and would have been richly rewarded by allowing the underlying business to continue compounding. The lesson is not that every investment will become an Amazon. The lesson is that exceptional businesses often require time to realise their potential.

The luxury and the responsibility

An investor's true time horizon is often longer than it intuitively feels. In many cases, wealth is ultimately being built not only for today but for future generations, and the right response is to take a longer-term view. Which brings me back to where I started. The people with the most time tend to have the least scar tissue, and those with the most scar tissue have the least time. Good advice, when it works, is mostly the quiet act of lending each side a little of what the other has. So, I try not to mistake my own share of time for skill; the years ahead of me will also rely on good fortune and incremental experience. What my generation owes the time it has been handed is to take it seriously: to start early, to stay invested when that is uncomfortable, to buy quality at sensible prices, and to resist the urge to be clever when patience would have done the job.

Time is the one investment advantage that cannot be purchased later and cannot be won back. The luxury of being twenty-five is not that the future is certain. It is that they have much more of it left to compound. When this is combined with discipline, quality investments and patience, time remains one of the most powerful forces in building lasting wealth.



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UNDERSTANDING ATTRIBUTION

BY DI HAIDEN



There is parlance often bandied about regarding trusts and tax rules, which, although understood by specialists, is confusing and difficult to follow. Attribution is one such term that is often used and little understood. In simple terms, attribution refers to giving credit or assigning responsibility for something to a particular person, source, or cause.

So, how does that apply to the world of trusts?

Trust income and capital gains are not always taxed in the trust itself. Depending on the circumstances, the tax liability may arise in the hands of the trust, a beneficiary, or the person who contributed the assets or value to the trust (the donor or settlor). The rules governing this outcome are called the **attribution rules**. They are particularly important when trusts involve South African (SA) and non-resident donors, beneficiaries or assets.

The principal provisions are contained in sections **7 and 25B of the Income Tax Act 58 of 1962**, while the attribution of capital gains is dealt with principally in **paragraphs 68 to 72 and paragraph 80 of the Eighth Schedule**. In March 2026, changes were made which are especially important when a beneficiary lives outside SA.

It is also important to distinguish between loans to trusts and donations to trusts (this is not covered in this article, which relates primarily to the attribution rules and their impact on trusts).

1. THE BASIC PRINCIPLE: SECTION 25B

Section 25B provides the starting framework for determining the taxation of income received by or accrued to a trust.

As a starting rule, if the trustees give a beneficiary an unconditional right to income during the same tax year, that income may, subject to section 7, be taxed in that beneficiary's hands. If no beneficiary receives that right, the trust will usually pay the tax.

This is called the **conduit or flow-through principle**, under which the income "flows through" the trust to a beneficiary for tax purposes.

However, section 25B must be read together with section 7. The vesting of income in a beneficiary does not, by itself, determine who is liable for the tax. Where the requirements of **section 7** are met, the relevant income may instead be attributed to the person who funded the trust (the donor).

In short, the tax may be paid by the donor, a beneficiary, or the trust. If an ordinary trust is taxed directly, it is currently taxed at a flat rate of 45%.

2. ATTRIBUTION BACK TO THE DONOR: SECTION 7

Section 7 is an anti-avoidance rule. It is designed, among other things, to prevent a taxpayer from transferring assets or income-producing capacity to another person while retaining the financial benefit or otherwise using the transaction to shift the associated tax liability.

It may apply when income arises because someone made **a donation, settlement or other transfer of value**, for example a loan to a trust. If a person transfers an investment to a trust and it generates income, that person may still have to pay tax on the income even if the trustees subsequently vest it in a beneficiary.

Sections 7(2) to 7(8) cover several situations, including transfers that benefit a spouse or minor child, transfers that can be reversed or are subject to conditions, and transfers involving **people or trusts outside SA**. The term "donation, settlement or other disposition" is broad and can include an arrangement that moves value or income-producing capacity without the trust paying a proper market price.

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3. OFFSHORE TRUSTS: SECTION 7(8)

Section 7(8) is particularly relevant where a SA resident donor makes a donation, settlement or other disposition to a non-resident (offshore) trust. If that transfer produces income for the offshore trust, some or all of the income may be treated as received by or accrued to the SA resident donor. The rule is intended to stop SA residents from moving income-producing assets into foreign trusts simply to keep the income outside the SA tax system.

For example, assume a SA resident contributes R10mn to a discretionary trust in Guernsey. If the trust earns R1mn in interest and section 7(8) applies, the relevant part of that interest may be taxed in the SA donor's hands even though the donor did not receive it.

4. THE INTERACTION BETWEEN SECTIONS 7(8) AND 25B

The position becomes more complex when an offshore trust earns income because of a SA resident's contribution and then allocates that income to a SA beneficiary.

SARS Interpretation Note 114 addresses the interaction between section 25B(1) and section 7(8). It concludes that, where the provisions conflict, section 7(8) takes priority over section 25B(1) in the situations covered by the note. The result may be that the donor pays the tax instead of the beneficiary.

The residence of the donor, trust and beneficiary must consequently be considered separately.

5. THE MAJOR RECENT CHANGE: NON-RESIDENT BENEFICIARIES

A particularly significant change occurred from **1 March 2025**. Section 25B was amended to limit the flow-through principle only to **SA resident beneficiaries**. As a result, income and capital gains vested in non-resident beneficiaries are generally taxed in the trust rather than flowing through to those beneficiaries.

This has important consequences for SA trusts with beneficiaries who live outside SA. Before the amendment, income could sometimes flow through a SA trust to a non-resident beneficiary for tax purposes. That option is now much more limited. Where a SA trust earns income and allocates it to a non-resident beneficiary, the trust may remain liable for the SA tax on that income, subject to the legislation. This is particularly relevant to family structures involving beneficiaries who have emigrated from SA.

6. FURTHER CLARIFICATION FROM 1 MARCH 2026

The **2026 amendments go further**. From **1 March 2026**, the law makes the order of the rules clearer: income allocated to a SA resident beneficiary may be taxed in that beneficiary's hands; income allocated to a non-resident beneficiary is taxed in the trust; and, where section 7 applies, the relevant income may instead be taxed in the donor's hands.

An important related amendment concerns **section 7(5)**. From 1 March 2026, section 7(5) recognises a donor's change of tax residence as an event that may stop income from continuing to be treated as the donor's income. If a donor ceases to be a SA tax resident, income will no longer be deemed to have accrued to that donor under the relevant section 7(5) mechanism, even if the underlying condition or event has not otherwise occurred.

This is potentially significant in emigration and offshore restructuring situations, although the precise tax consequences will depend on the facts and the provisions applicable to the trust and its assets.

7. CAPITAL GAINS HAVE A SEPARATE ATTRIBUTION REGIME

The attribution rules for ordinary income and capital gains are dealt with under separate provisions. A capital gain usually arises when an asset is sold or otherwise disposed of for more than its base cost.

Paragraphs **68 to 72 of the Eighth Schedule** can attribute a capital gain back to a SA resident donor in certain cases. Paragraph 72 is especially important where a gain arising in a trust is connected to a donation, settlement or other disposition by a SA resident and the gain accrues to a non-resident. SARS's trust guidance identifies paragraph 72 as the rule dealing with capital gains vesting in non-residents.

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7. CAPITAL GAINS HAVE A SEPARATE ATTRIBUTION REGIME (CONT.)

Paragraph 80 generally deals with SA resident beneficiaries. If a trust sells an asset and gives a resident beneficiary a fixed right to an amount from the gain, the gain may be taxed in that beneficiary's hands. SA capital gains tax consequences may therefore apply even where the underlying asset is situated outside SA, particularly where the attribution provisions apply.

8. WHY THE DISTINCTION BETWEEN LOCAL AND OFFSHORE TRUSTS MATTERS

The residence of the trust is an important component of the analysis, but it is not determinative on its own. A SA resident trust is generally subject to SA tax on its worldwide income and capital gains. An offshore trust is usually treated as a non-resident for SA tax, although this can change depending on where the trust is actually managed and whether a double-tax agreement applies.

The non-resident status of the trust does not necessarily prevent SA taxation. Even if the trust is offshore, SA tax can still arise in three main ways:

1. The offshore trust itself may be subject to SA tax on SA-source income or SA assets.

2. The SA donor may be taxed under section 7, including section 7(8).

3. A resident beneficiary may be taxed under section 25B or paragraph 80, subject to the specific attribution provisions.

The residence of the trust is therefore only one component of the overall tax analysis.

9. PRACTICAL IMPLICATIONS OF ATTRIBUTION

For SA families with offshore trusts, each contribution, investment return, sale and distribution should be reviewed separately. Simply establishing that a trust is "offshore" does not determine who will ultimately bear the SA tax liability. The 2025 amendments, together with the further 2026 amendments, make this transaction-by-transaction analysis particularly important.

CONCLUSION

The attribution rules are designed to stop people from using trusts, especially offshore trusts, to separate ownership of an asset from the tax on the income or profit that the asset produces.

The key principle is that **the person who legally owns the asset is not always the person who must pay the tax**. The tax outcome depends on where the trust, donor and beneficiaries are tax resident, how the trust was funded, and who receives the income or gain.

The **1 March 2026 changes are important** because they clarify which rule applies first and what happens when a donor stops being a SA tax resident. SARS's 2026 guidance reflects these changes in the trust tax return process.

The practical question when analysing a trust structure is therefore: **Who does SA tax law treat as having earned the income or capital gain—the trust, the donor or the beneficiary?**

Attribution can have a significant impact and does need to be taken into account. Answering that question correctly is essential when considering trust structures, estate planning, offshore investments and the investment of assets held within a trust.

If you wish to discuss this further, please contact Di Haiden – di@rcinv.co.za

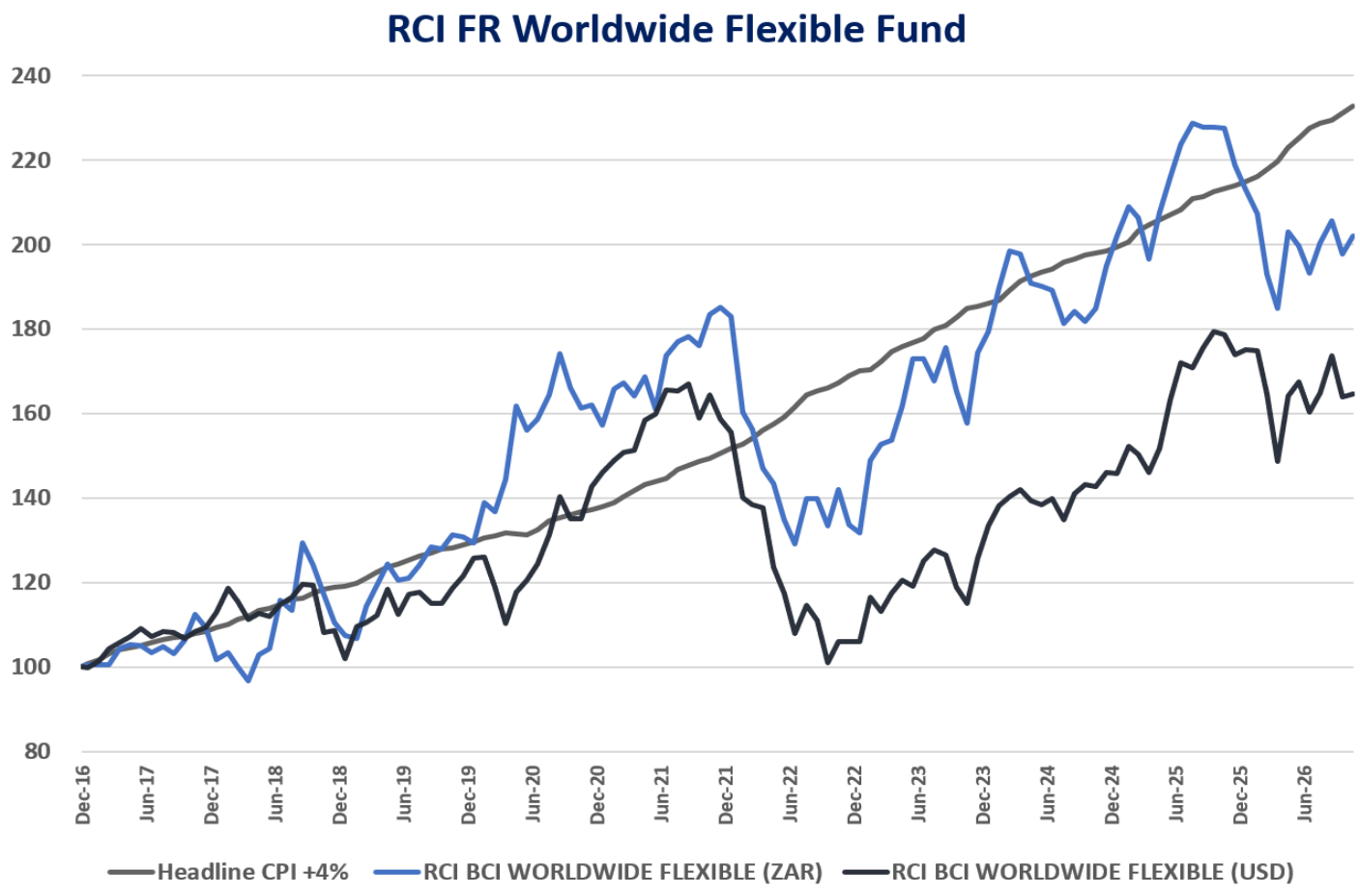
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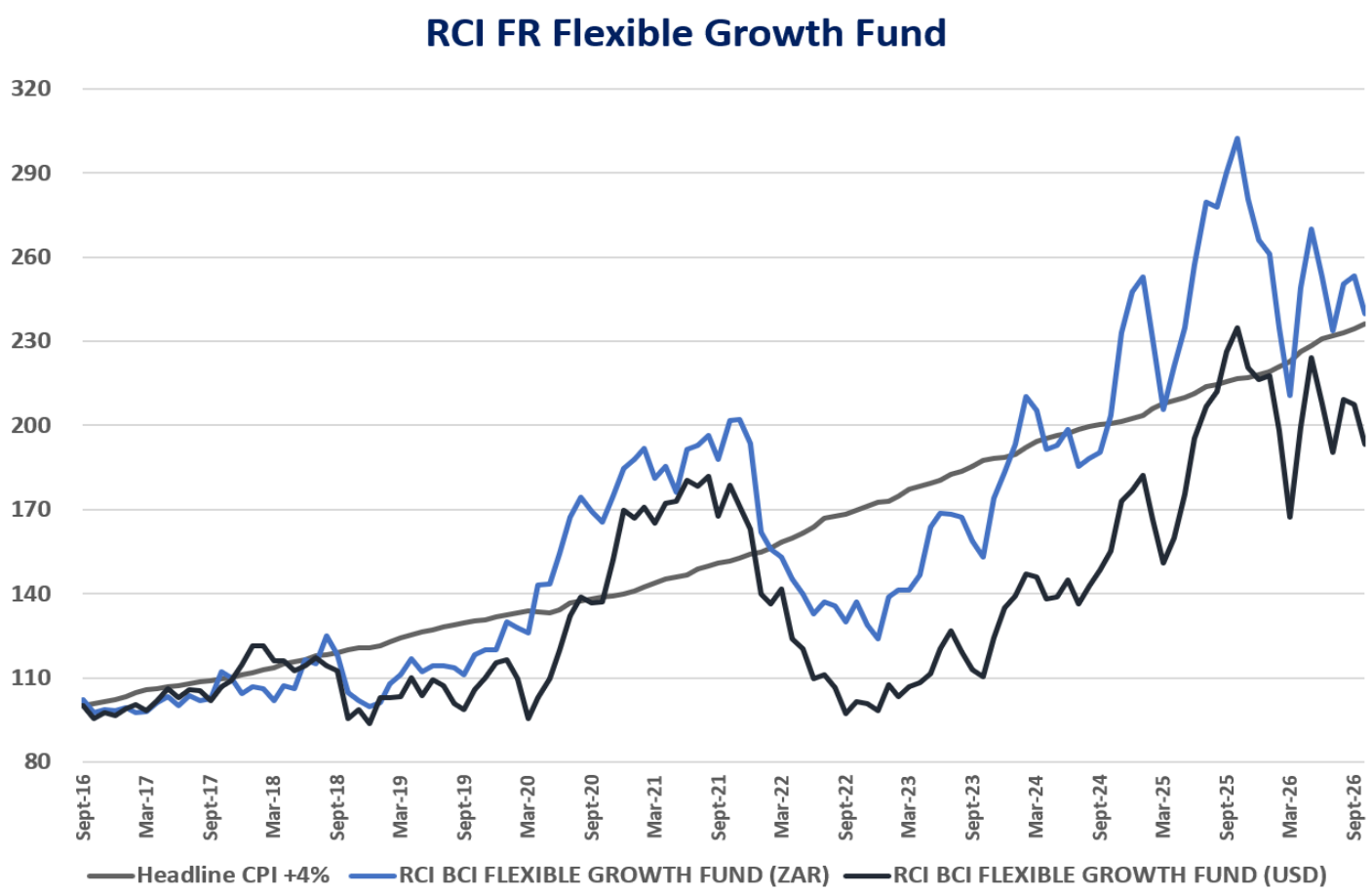
RCI OFFSHORE UNIT TRUSTS PERFORMANCE

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

The **RCI BCI Worldwide Flexible Fund** closed October at 202.16, up 2.20% for the month and down 11.20% for the last 12 months.



The **RCI BCI Flexible Growth Fund** closed October at 239.68, down 5.32% for the month and down 20.72% for the last 12 months.



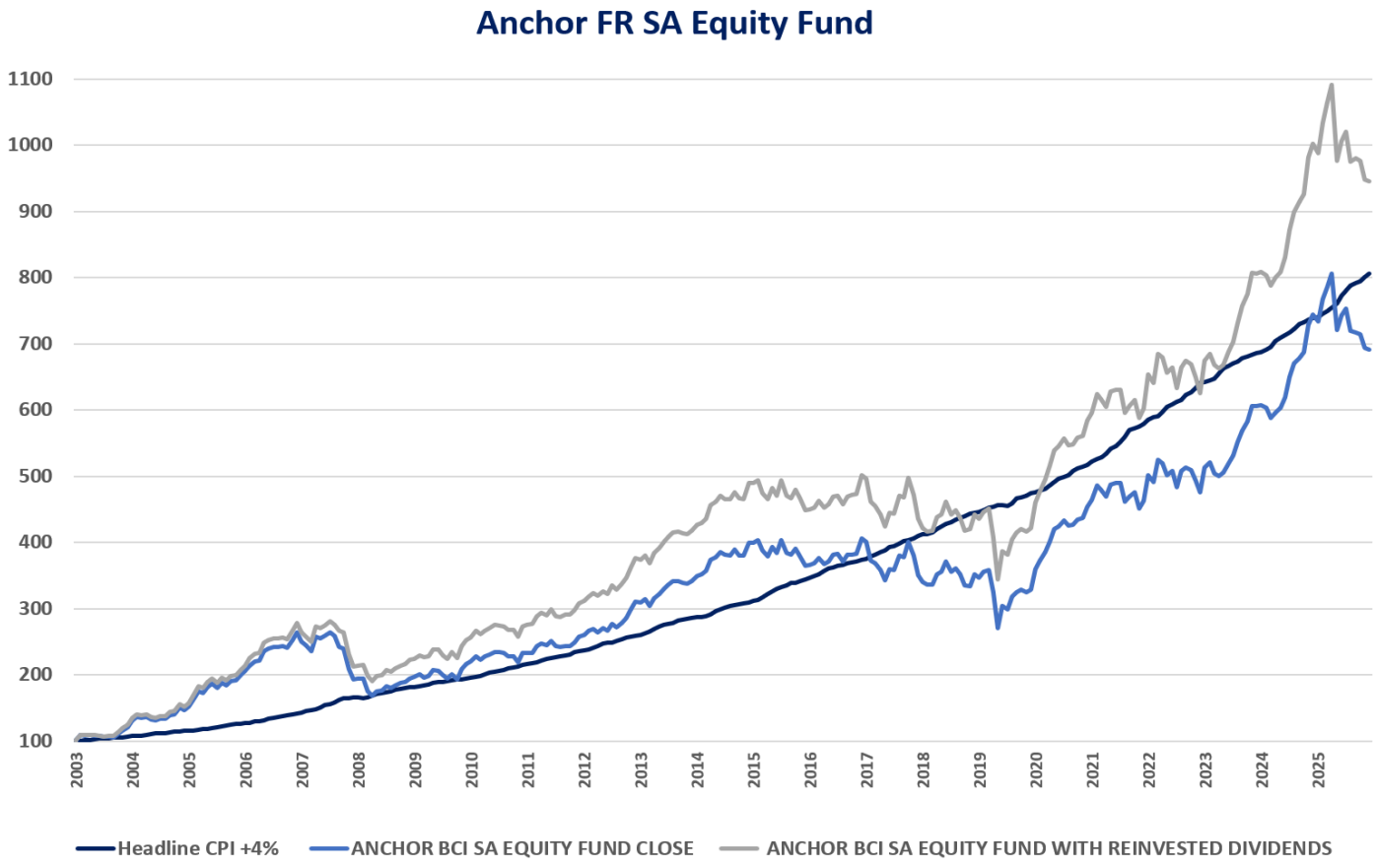
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WHAT HAVE WE BEEN DOING IN THE LOCAL FUND?

ANCHOR BCI SA EQUITY FUND



The **Anchor BCI SA Equity Fund** closed October at 691.33, down 0.28% for the month and down 7.06% for the last 12 months.



- **To read the October monthly commentary for our flagship fund, the RCI FR Worldwide Flexible Fund, please click here.**

- **To read the October monthly commentary for our local equity fund, the RCI FR Worldwide Flexible Fund, please click here.**

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To be added to our mailing list, contact keiran@rcinv.co.za or 011 591 0666.

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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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