



News from Paul's Desk

November markets are up in USD and GBP, but down in Rands, due to Rand strength. That has now changed radically as Eskom, strikes and our running president "Squirrel" Ramaphosa has also got his fingers in the cookie jar (which one of them is not crooked?) I am really happy this horrible year is finished, and I am sure next year is going to be better.

I am busy packing my baggies, slops, T-shirts and fishing gear for Mozambique, and the good news is that the lodge is almost fully booked (first time in 2 years) I think we are going to have a bumper year in both restaurant and lodge.

To all my clients, please drive safely, enjoy Christmas, enjoy the New Year, and have an awesome time with friends and family.



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WHAT A JOKE

Contact Us

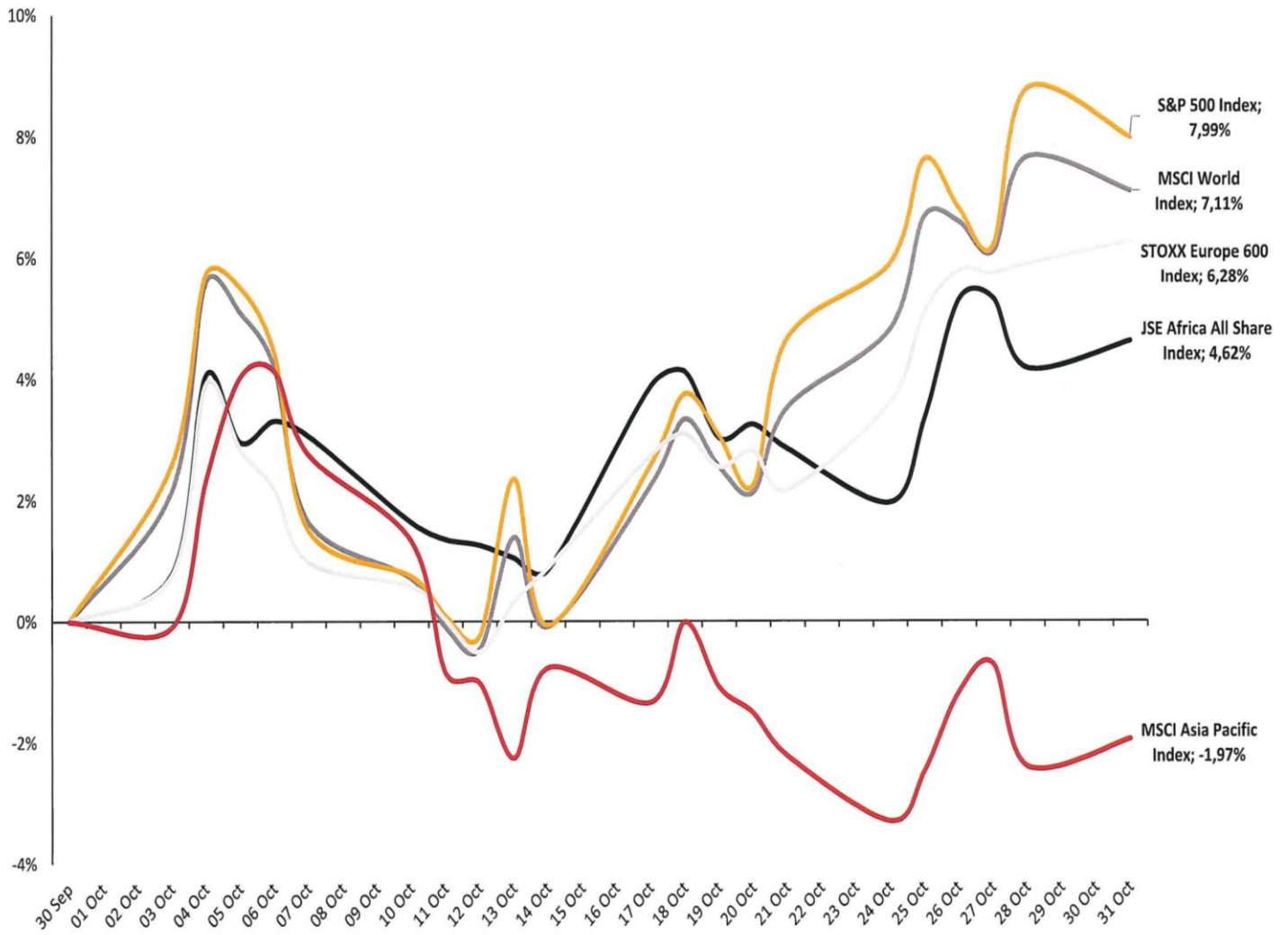
MONTHLY REVIEW | GLOBAL OVERVIEW

INTERNATIONAL INDICATORS							ASIA						
	CLOSE	OCT 2022	SEP 2022	YTD	12 MONTHS	2021		CLOSE	OCT 2022	SEP 2022	YTD	12 MONTHS	2021
MSCI World	2547.72	7.11%	-9.46%	-21.17%	-19.75%	20.14%	Nikkei 225	27587.46	6.36%	-7.67%	-4.18%	-4.52%	4.91%
MSCI Emerging Market	848.16	-3.15%	-11.90%	-31.16%	-32.94%	-4.62%	S&P/ASX 200	6863.46	6.01%	-7.34%	-7.81%	-6.28%	13.02%
JP Morgan EMBI	715.63	0.08%	-6.07%	-22.18%	-22.21%	-1.51%	Hang Seng	14687.02	-14.72%	-13.69%	-37.23%	-42.13%	-14.08%
Bloomberg Global Aggregate	423.58	-0.69%	-5.14%	-20.44%	-20.79%	-4.71%	CSI 300	3508.70	-7.78%	-6.72%	-28.98%	-28.52%	-5.20%
UNITED STATES							SOUTH AFRICA						
S&P 500	3871.98	7.99%	-9.34%	-18.76%	-15.92%	26.89%	All Share	66,671.65	4.62%	-5.25%	-9.55%	-1.18%	24.07%
Dow Jones	32732.95	13.95%	-8.84%	-9.92%	-8.62%	18.73%	Africa Resource 20	62,594.58	3.93%	-0.14%	-11.81%	-0.63%	23.27%
Nasdaq	10988.15	3.90%	-10.50%	-29.77%	-29.10%	21.39%	Africa Industrial 25	78,640.32	1.60%	-7.26%	-17.62%	-10.11%	22.54%
Russell 2000	1846.86	10.94%	-9.73%	-17.75%	-19.60%	13.70%	Africa Finance 15	15,546.20	12.69%	-7.20%	5.05%	11.39%	22.71%
EUROPE							CURRENCIES						
Stoxx Euro 50	3,617.54	9.02%	-5.66%	-15.84%	-14.89%	20.99%	GBP/USD	1.15	2.68%	-3.89%	-14.45%	-15.39%	-1.02%
FTSE 100	7,094.53	2.91%	-5.36%	-3.93%	-1.98%	14.30%	EUR/USD	0.99	0.81%	-2.50%	-12.49%	-13.92%	-6.92%
DAX 30	13,253.74	9.41%	-5.61%	-16.56%	-15.52%	15.79%	AUD/USD	0.64	0.06%	-6.45%	-11.90%	-14.82%	-5.60%
CAC 40	6,266.77	8.75%	-5.92%	-12.39%	-8.25%	28.85%	USD/JPY	148.72	2.75%	4.16%	28.45%	29.73%	11.52%

MONTHLY REVIEW | GLOBAL OVERVIEW

10 YEAR BOND YIELDS				GLOBAL INTEREST RATES	
	YIELD %	1 MONTH CHANGE (%)	12 MONTH CHANGE (%)		RATE
United States	4.05	-0.05	2.27	United States Fed Funds Rate	3% - 3.25%
United Kingdom	3.52	-0.58	3.14	European Central Bank Rate	2.00%
Germany	2.14	-0.02	2.31	Bank of England Rate	2.25%
Japan	0.25	0.00	0.17	Bank of Japan rate	-0.10%
Australia	3.76	0.01	2.23	Reserve Bank of Australia Rate	2.60%
South Africa	11.35	-0.04	1.30	South Africa Prime Rate	9.75%

1 MONTH NORMALISED % PERFORMANCE (USD)



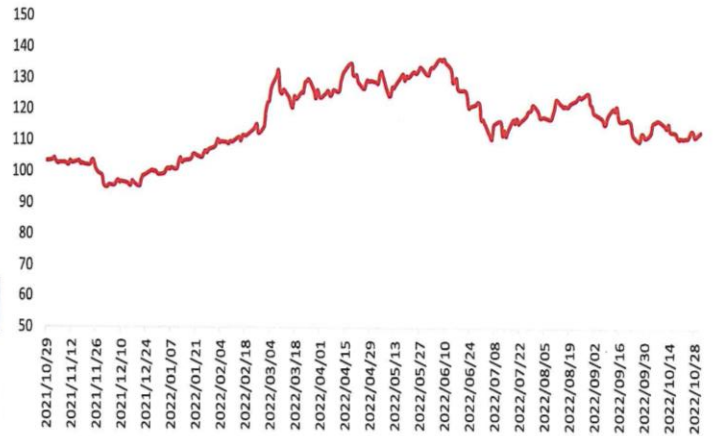
COMMODITIES

Commodities ended the month of October higher as a whole, with Oil and Platinum leading the gains. Despite the recent downturn, commodity prices continue to soar in 2022 as supply chain and inflationary pressure mount.

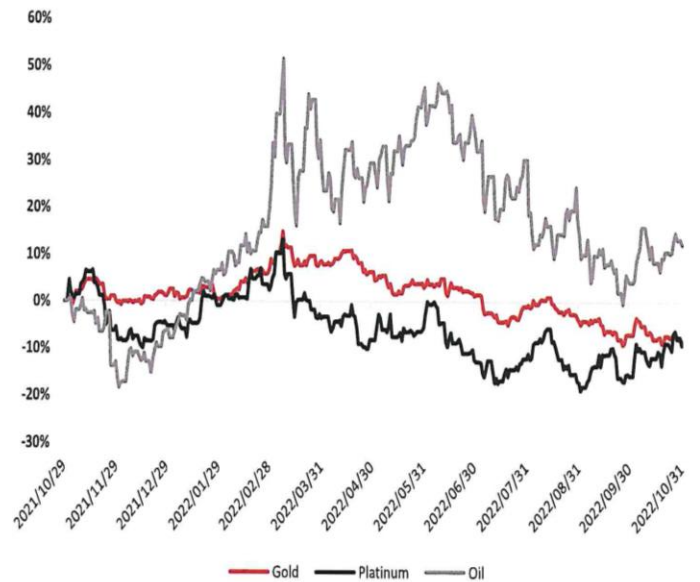
- The Bloomberg Commodity Index reached 113 at the end of October, the index tracks 23 commodities

USD	CLOSE	OCT 2022	SEP 2022	YTD	12 MONTHS	2021
Gold	1640.70	-1.31%	-3.17%	-10.28%	-8.03%	-3.51%
Platinum	930.10	6.91%	5.20%	-3.56%	-8.88%	-10.32%
Silver	1831.70	-16.06%	5.59%	-4.20%	-7.50%	-22.08%
Palladium	337.50	-1.10%	-3.01%	-24.39%	-22.73%	26.84%
Copper	19.12	0.42%	7.19%	-18.13%	-20.17%	-11.59%
Aluminium	2220.00	2.58%	-8.48%	-20.80%	-18.15%	41.64%
Oil Spot	94.83	7.81%	-8.84%	21.92%	12.38%	50.15%
Coal	356.30	-17.85%	2.05%	110.08%	59.45%	110.68%
Natural Gas	6.36	-6.07%	-25.87%	70.38%	17.12%	46.91%
Sugar	17.97	-2.44%	2.96%	-4.82%	-6.75%	21.89%
Coffee	177.70	-19.79%	-7.34%	-21.41%	-12.87%	76.30%
Wheat	882.25	-4.26%	10.82%	14.58%	13.22%	23.69%
Corn	691.50	2.07%	1.04%	26.65%	25.73%	35.40%

1 Year | Bloomberg Commodities Index

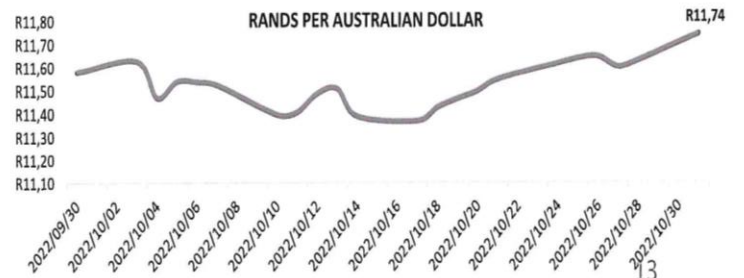
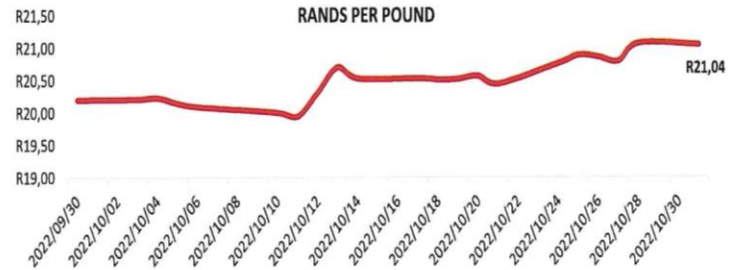
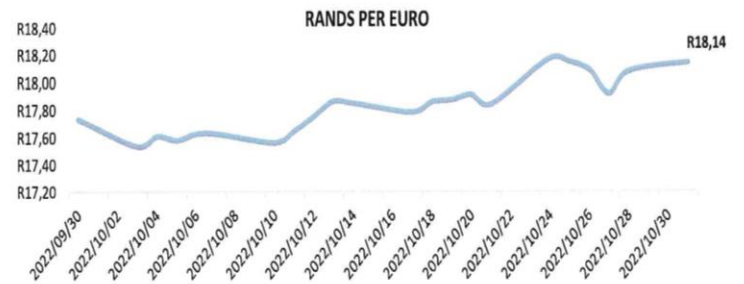
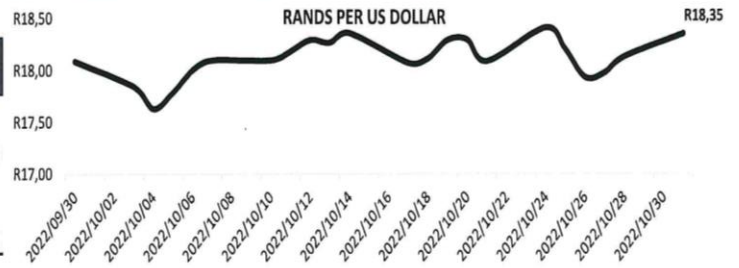


1 Year | Gold, Platinum, Oil



SOUTH AFRICAN RAND

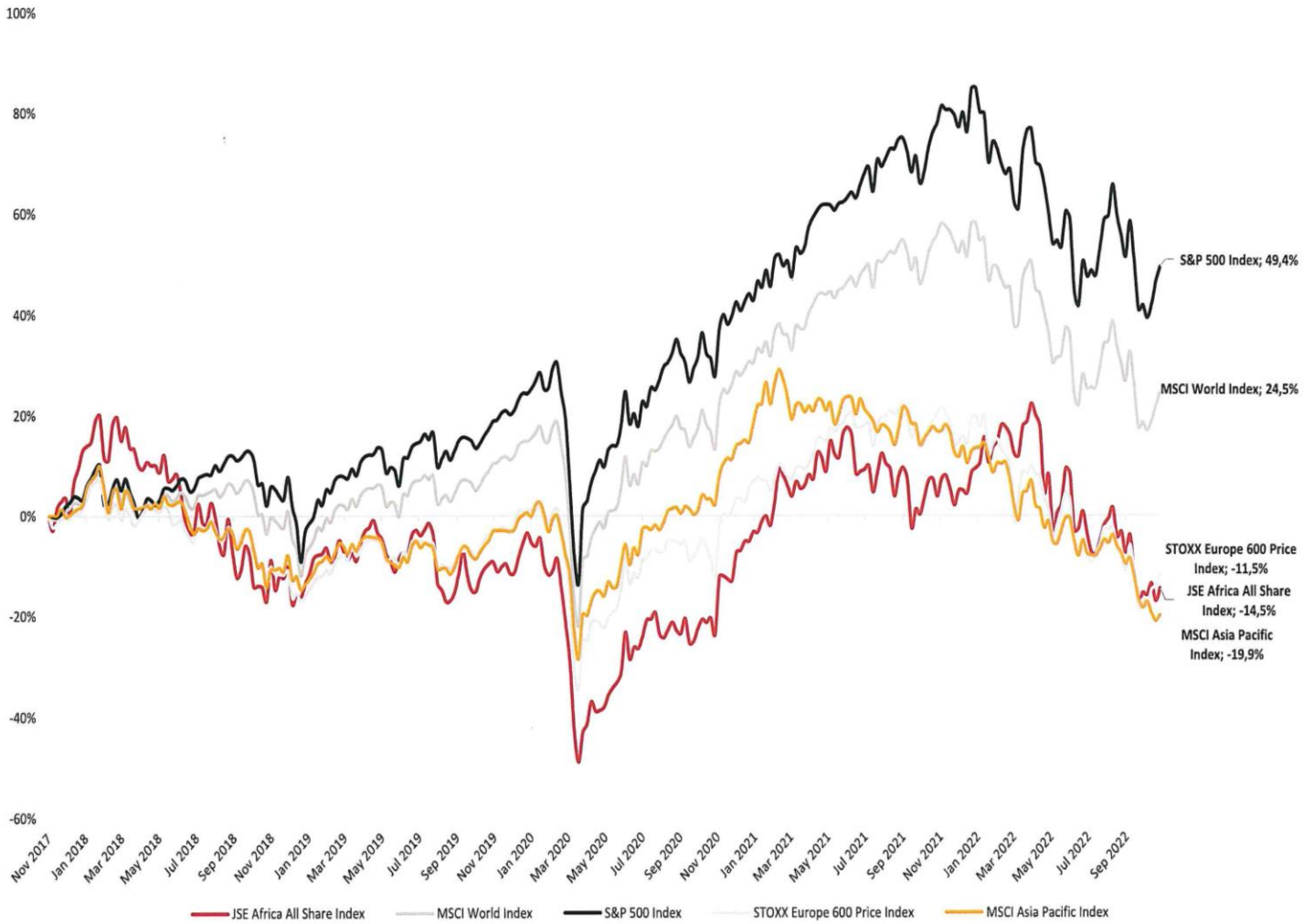
	CLOSING PRICE	OCT 2022	SEP 2022	YTD	2021
US Dollar / ZAR	18.35	-1.49%	-5.65%	-15.16%	-4.86%
Euro/ ZAR	18.14	-2.30%	-3.01%	0.00%	-14.21%
Pound / ZAR	21.04	-4.16%	-1.52%	2.48%	-8.29%
AU Dollar	11.74	-1.41%	1.16%	-1.41%	-15.02%



5-YEAR JSE PERFORMANCE (ZAR)



5-YEAR JSE vs LEADING GLOBAL INDICATORS (USD)



THE TAXMAN COMETH: NOWHERE TO HIDE FOR HIGH-NET-WORTH INDIVIDUALS

The South African Revenue Service's ("**SARS**") revised June 2020 estimate for tax collections for the 2020-2021 financial year was ZAR234-billion (or 17%) less than the previous financial year.

SARS Commissioner, Edward Kieswetter, said that, "Improved tax collection and administration continues to be an important element in achieving fiscal consolidation, as SARS continues to rebuild its capacity. As an organisation, our near-term objectives include...finalising the tax gap study in December 2020 to quantify the difference between how much tax should be collected and how much is collected."

When the SARS Large Business Centre was re-established in 2018, one of its objectives was to focus on high net worth individuals as a "target segment". To SARS, these are individuals whose gross income exceeds ZAR7-million a year and/or whose gross wealth exceeds ZAR75-million.

One of the historic difficulties for SARS has been to identify high net worth individuals and to ascertain all the relevant details of their assets and structures. However, in recent years the tax disclosure landscape has been radically altered.

One of the game changers has been the Common Reporting Standards. This is an OECD initiative which introduced a standardised model for the automatic exchange of information in order to allow participating jurisdictions to exchange information about their tax residents. South Africa agreed to exchange information in terms of this initiative in 2017. The US equivalent of the Common Reporting Standards is the Foreign Account Tax Compliance Act ("**FATCA**").

In addition, in terms of the Tax Administration Act, 2011, SARS may request or provide information to foreign governments under double tax agreements or other multilateral or bilateral information exchange agreements.

The Automatic Exchange Of Information ("**AEOI**") forms part of this information exchange. AEOI involves the systematic and periodic transmission of taxpayer information between countries for various categories of income. Information concerning the acquisition of significant assets may be used to evaluate the net worth of an individual. As a result, the tax authority of a taxpayer's country of residence can check its tax records to verify that taxpayers have accurately reported their foreign sourced income or assets. SARS receives information from 87 jurisdictions in terms of the AEOI regarding South African taxpayers.

As if this wasn't enough, the individual tax return also requires information from taxpayers regarding their foreign investments and structures, such as offshore trusts. For example, the tax return requires a taxpayer to provide information regarding capital contributions or loans used to fund offshore trusts as well as information regarding distributions from such trusts to South African resident taxpayers.

SARS has recently started issuing letters to high net worth individuals, typically based on information collected under the AEOI from various offshore jurisdictions. These letters typically cover a number of tax years.

Aspects which are of interest to SARS may include information from the taxpayer regarding confirmation of their offshore holdings, where the relevant funds are held, details of who facilitated the investments for the taxpayer, the source of funds used to acquire these assets and income derived from the assets. In addition SARS may be interested in information regarding compliance with the relevant tax obligations of the taxpayer in relation to such investments or structures.

While prescription means that SARS cannot issue additional assessments more than three years after the original assessment, this does not apply if there has been any fraud, misrepresentation or non-disclosure of material facts by the taxpayer. In those circumstances, SARS can go back beyond the three year period.

One of the most popular vehicles used by high net worth individuals are offshore trusts. Trusts have long formed part of South African law and are internationally recognised as legitimate vehicles for holding assets. However, tax authorities around the world have been irked by non-disclosure of offshore trusts. Previously if, for example, an offshore trust was funded by a third party, no South African trustees were appointed and no distributions were made to South African tax residents, SARS may not have been aware of the existence of the offshore trust. However, in the new world of tax disclosure outlined above, offshore trusts are very much on the radar of SARS.

Provided there has been compliance with all the relevant and complex tax rules regarding offshore trusts, no adverse tax consequences should arise. However, if there has been any level of non-compliance then the relevant taxpayer should expect a questionnaire from SARS followed by an audit process and ultimately resulting in an additional assessment which could include interest and potentially significant penalties.

The days of high net worth taxpayers' tax compliance status not being fully tested by SARS are well and truly over.

IS 2022 THE START OF A NEW ERA FOR FINANCIAL MARKETS?

The financial world is changing as we know it due to inflationary pressures, geopolitical events, and other macroeconomic factors.



Image: AdobeStock

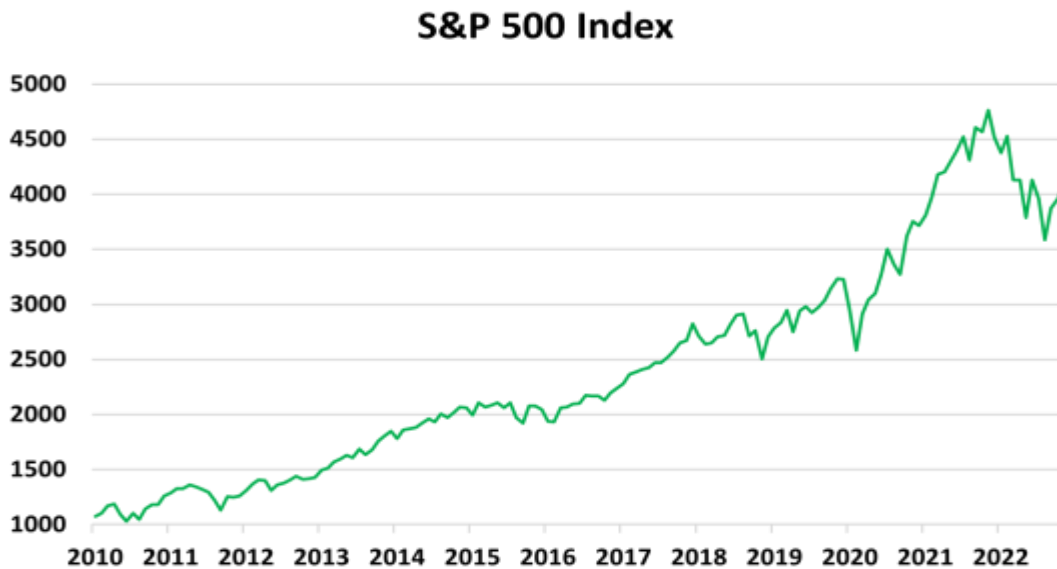
2022 can be described as a year characterised by many macroeconomic and geopolitical events that will undeniably change the way managers and retail investors look at markets going forward.

In this article, we will be looking at the market dynamics that have prevailed in 2022 and what it means for investors. Specifically, we will look into:

- Why central banks have not come to the market's rescue.
- Asset class performance in 2022.
- What this all means for investors going forward.

What pivot?

For the past decade, investors have been able to rely on what has become known as the central bank “pivot” to bail markets out of any severe downturn. Any time that was characterized by a drawdown in stock markets was met with easy monetary policy, via lower interest rates and quantitative easing, which subsequently pumped liquidity into the financial system and sent prices back up to new highs.



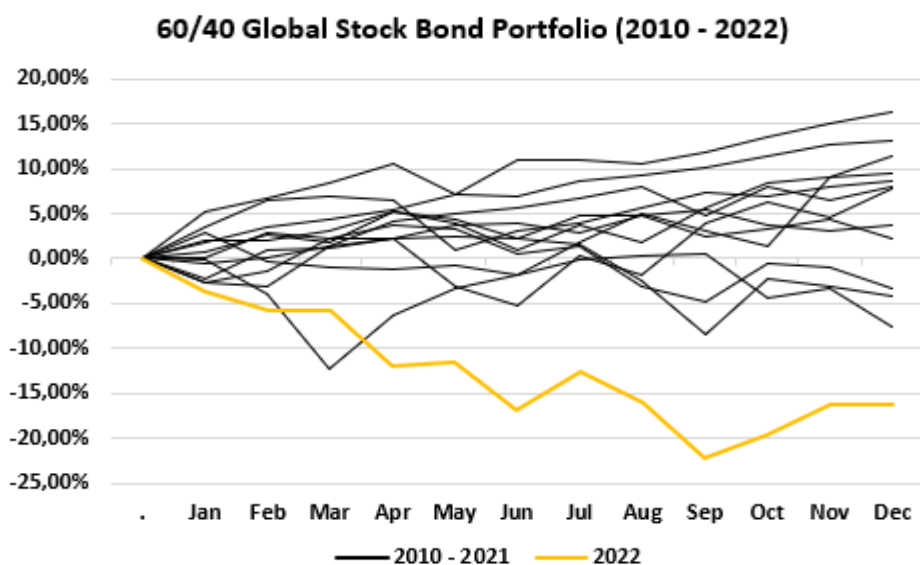
The above figure shows the S&P 500 index price chart from 2010 to date; we used this index as it is a proxy for the US market, which is the largest and most tracked in the world. Until the end of 2021, an investor would have enjoyed relatively stress-free positive returns by passively investing in a fund tracking the S&P 500 index. Specifically, from 2010 to 2021, the index earned a cumulative return of 258.3% or 11.2% annually. Since topping out in November last year, the S&P 500 has drawn down by as much as 27.5%, causing many passive index-tracking portfolios to lose value. In the past, the Fed, or any major central bank for that matter, would have stepped in to bail their respective market out. However, this time around, no such support has been given.

The overriding reason for this is because of the ongoing battle against inflation. Over the past decade, US inflation has remained within a comfortable band around the Fed's target of 2%, which has allowed them to accommodate markets when times get tough. However, with inflation rates at multi-decade highs, they have had no choice but to tighten (instead of ease) monetary policy to drain liquidity and excess demand. This has clearly had negative effects on the performance of most assets and is a trend that looks set to continue for the time being.

(For a look into the latest inflation report and the Fed's policy response see our previous article [here](#)).

Is there anywhere to hide?

The traditional 60/40 stock/bond portfolio, which has grown in popularity over the last 20 years, has had its worst year-to-date performance since 2010. This is evident when looking at the below chart, which shows the 60/40 portfolio performance for the years 2010 to 2021 (black lines) and 2022 (yellow line). With the financial world changing as we know it — due to inflationary pressures, geopolitical events, and other macroeconomic factors — it appears as though we could be on the cusp of a new era for financial markets.



**MSCI All Country Index used as proxy for global stock performance. Vanguard Total Bond Index Fund used as proxy for global bond performance.*

***2022 performance up to end of November*

From a sectoral perspective, there have not been many places to hide. All sectors have produced negative performance year-to-date, with energy being the one exception. This is due to the sharp rise in energy commodity prices because of the Russia/Ukraine war and a structural supply shortage stemming from years of underinvestment. We will not dive into the reasons for the energy sector's outperformance, but what should be noted is that actively overweighting (underweighting) outperforming (underperforming) sectors would have generated positive alpha as compared to passively tracking an index. While this makes intuitive sense, we believe it will become much more important going forward.

Sector	2022 YTD Return
Energy	50.6%
Consumer Staples	-1.5%
Utilities	-2.1%
Health Care	-5.9%
Industrials	-8.9%
Financials	-11.1%
Materials	-11.5%
Information Technology	-27.1%
Consumer Discretionary	-30.8%
Communication Services	-39.4%

*The Fidelity MSCI Sector ETFs returns are used as a proxy for sector returns

What does this mean for investors?

With global economies and markets undergoing what we believe to be long-term structural changes, it is reasonable to wonder whether the passive-style investments that many people have implemented over the last decade will continue to serve their purpose. We are of the opinion that investors will need to adopt a more active management style going forward. Where understanding the market cycle swings and strategically rotating in and out of sectors will be of utmost importance when it comes to constructing and positioning portfolios.

MARKET INDICATORS

AS AT 30 September 2022

	DY %	P/E Ratio	1 Month %*	12 Months %*
FTSE/JSE All Share Index	4.4	10.4	-4.1	3.5
FTSE/JSE Resource Index	6.8	6.4	1.7	13.7
FTSE/JSE Industrial Index	4.0	8.9	-6.4	-3.4
FTSE/JSE Financial Index	5.1	9.2	-6.0	-2.0
FTSE/JSE SA Quoted Property Index	10.6	9.5	-6.3	-8.7
ALBI BEASSA Bond Index			-2.1	1.5
STeFI Money Market Index			0.5	4.6
MSCI World Emerging Markets (R)			-6.9	-14.1
MSCI World Emerging Markets (\$)			-11.7	-28.1
MSCI World Index (R)			-4.3	-3.5
MSCI World Index (US\$)			-9.3	-19.2

*Total return index percentage change

Economic Indicators		Latest Data	Previous Year
Exchange Rates			
Rand/US\$	September-22	18.1	15.1
Rand/UK Pound	September-22	20.2	20.3
Rand/Euro	September-22	17.7	17.4
Rand/Aus\$	September-22	11.6	10.9
Commodity Prices			
Gold Price (US\$)	September- 22	1 660.9	1 726.5
Gold Price (R)	September- 22	30 150.5	26 349.2
Oil Price (US\$)	September- 22	85.1	78.3
Interest Rates			
Prime Overdraft	September- 22	9.8%	7.0%
3-Month NCD Rate	September -22	6.0%	3.7%
R186 Long-bond Yield	September- 22	9.4%	7.6%
Inflation			
CPI (y-o-y)	September- 22	7.5%	5.0%
Real Economy			
GDP Growth (y-o-y)	June-22	0.5%	19.4%
HCE Growth (y-o-y) (Household Consumption Expenditure)	June-22	1.9%	24.0%
Household Consumption Expenditure (HCE) Growth (y-oy)			
Gross Fixed Capital Formation (GFCF) Growth (Y-O-Y)	June – 22	4.3%	16.0%
Manufacturing Production (y-o-y) (seasonally adjusted)	August – 22	0.7%	1.3%
Balance of Payment			
Trade Balance (cumulative 12-month)	August– 22	\$7.2	\$42.3
Current Account (% of GDP)	June– 22	-1.3%	4.7%
Forex Reserves (incl. gold)	September- 22	\$1 058.8	\$865.1

Sources: JSE, Iris, I-Net

Fund	Year To Date Performances 1st Jan to 31st December 2022	30 October 2022
Allan Gray Balanced	5.13%	5.18%
Allan Gray Stable	5.27%	3.00%
Coronation Balanced Plus	-4.59%	4.50%
Investec Managed	0.09%	3.00%
Prudential Balanced	-0.81%	4.66%
Prudential Inflation Plus	-0.42%	3.05%

Skybound Capital Funds

South Africa

Fund	Year To Date Performances 1st Jan to 31st December 2022	Current Performances as at 30 September 2022
The Apello Fund	7.55%	0.89%
The Azacus Fund	7.35%	0.88%

Skybound Capital Funds

INTERNATIONAL - GBP

	Year To Date Performances 1st Jan to 31st Dec 2022	Current Performances as at 31 October 2022
Prism Income	0.43%	4.8%
Prism Income Australian	3.8%	0.26%
The Willow Tree	0.18%	2.1%

WHAT A JOKE

Thank you Lions, see you in 2033...

Morne 2033



In praise of women over 40

As I grow in age, I value women who are over forty most of all. Here are just a few reasons why:

A woman over forty will never wake you in the middle of the night to ask, "What are you thinking?" She doesn't care what you think.

If a woman over forty doesn't want to watch the game, she doesn't sit around whining about it. She does something she wants to do. And, it's usually something more interesting.

A woman over forty knows herself well enough to be assured in who she is, what she is, what she wants and from whom. Few women past the age of forty give a hoot what you might think about her or what she's doing.

Women over forty are dignified. They seldom have a screaming match with you at the opera or in the middle of an expensive restaurant. Of course, if you deserve it, they won't hesitate to shoot you, if they think they can get away with it.

Older women are generous with praise, often undeserved. They know what it's like to be unappreciated.

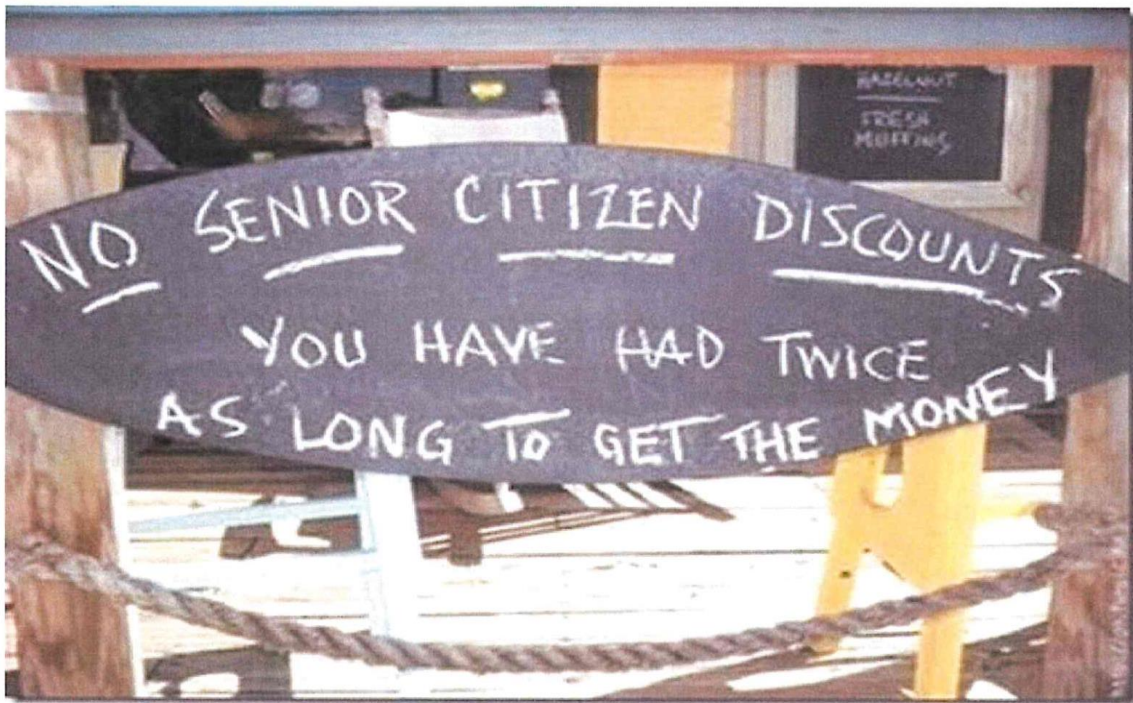
A woman over forty has the self-assurance to introduce you to her women friends. A younger woman with a man will often ignore even her best friend because she doesn't trust the guy with other women. Women over forty couldn't care less if you're attracted to her friends because she knows her friends won't betray her.

Women get psychic as they age. You never have to confess your sins to a woman over forty. They always know.

A woman over forty looks good wearing bright red lipstick. This is not true of younger women. Once you get past a wrinkle or two, a woman over forty is far sexier than her younger counterpart.

Older women are forthright and honest. They'll tell you right off if you are a jerk, if you are acting like one! You don't ever have to wonder where you stand with her.

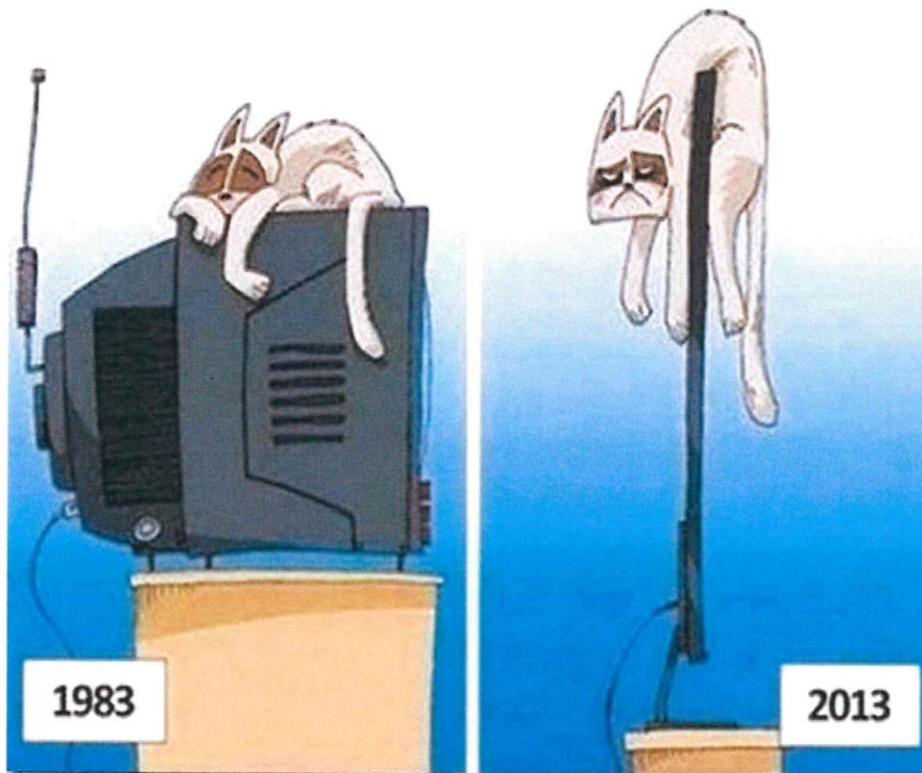
Yes, we praise women over forty for a multitude of reasons. Unfortunately, it's not reciprocal. For every stunning, smart, well-coiffed hot woman of forty-plus, there is a bald, paunchy relic in yellow pants making a fool of himself with some twenty-two-year-old waitress.











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