



DTB WEALTH | Q4 NEWSLETTER

“Not everything that is counted counts, and not everything that counts can be counted” - Albert Einstein.

A Beacon Of Hope And Resilience

What a year of
ups and downs...



Joining the DTB Family:

It's unbelievable to think
that my...



Difference Between Rich & Wealthy

If respect and admiration are
your goals...



Client Appreciation Lunch
With Stephen McGowan



Supporting The
TAG Foundation

FROM THE CHAIRMAN'S DESK



South Africa - A Beacon of Hope and Resilience

What a year of ups and downs this has been for us all! Just over a year ago, I became a grandfather, and what joy that has brought us. Then, a few months ago, our son informed us that they had decided to accept positions in Sydney, Australia, and that they will be emigrating on the first of January (grandson and all). What followed were discussions about South Africa, and immediately there was a focus on potholes, loadshedding, corruption, and maladministration.

One certainly accepts that for many youngsters, international opportunities arise and must be pursued. What about those who, for one reason or another, decide to stay behind? Certain recent events have implanted in my mind some very positive things about South Africa that we need to keep remembering. On October 28th, when the Springboks won the Rugby World Cup for the fourth time, one sensed the volume of joy and pride that arises when we unite in victory. Siya Kolisi's powerful speeches about sharing this unity among all who live here reinforced that great day in 1995, when the first World Cup was won at Ellis Park. After this 2023 game, as we left the venue where we had watched, hundreds of people from every background imaginable were draped in South African flags and Springbok attire. If one's heart was not made of stone, there was a bursting of pride to be South African.

The next event that had an impact on me was the Service of Remembrance on November 12th at King Edward School. What a tribute to the many who died in the World Wars! The cadets all marched with precision, the pipe bands were world-class, and the playing of the Last Post and the time of silence were a salute to those who had died. One felt honoured to be part of a community that remembers its past.

And finally, on Friday, November 24th, we embarked on a poignant journey through South Africa's history by visiting Constitution Hill in Johannesburg. Our guide, Sarah Barret of Joburg360, led us through a site that encapsulates the nation's turbulent past and its triumphant march towards democracy. Constitution Hill stands as a unique witness to history, imprisoning not only iconic figures like Nelson Mandela, Mahatma Gandhi and Winnie Madikizela-Mandela



Constitution Hill: Arch For Arch

but also countless ordinary people from diverse backgrounds. It's a living museum, home to South Africa's Constitutional Court, championing citizens' rights and reflecting the nation's transformation.

After serving as a prison, Constitution Hill faced issues like overcrowding and poor conditions, which worsened during apartheid. However, on January 31, 1983, the prison doors closed, marking the beginning of a transformation. The site was initially considered for demolition but was later chosen as the home of South Africa's Constitutional Court, fostering a period of redevelopment and public accessibility.



Constitution Hill: iMadiba

On Human Rights Day in 2004, the Constitutional Court was inaugurated with a poignant ceremony, marking the birth of a new era. The following day, Constitution Hill opened its doors to the public, offering a place to honour heritage, educate visitors, and promote tourism. Constitution Hill is a symbol of reconciliation, having witnessed incarceration, abuse, neglect, and rebirth. It stands as a testament to South Africa's resilience and commitment to democracy.

Our shared responsibility is to keep this place alive and relevant for current and future generations, ensuring that the lessons of the past continue to shape South Africa's journey towards a more just and inclusive society. A visit to Constitution Hill is an opportunity to touch the nation's textured history, to stand in the highest court of the land, and to understand the true meaning of constitutionalism in South Africa. It's a place that embodies the spirit of a nation's struggle for freedom and justice a living tribute to South Africa's remarkable journey to democracy.

I want to end by mentioning just a few thoughts that remind us of one of the reasons we are fortunate to live here:

- People here are friendly and have a great sense of humour.
 - We have a fantastic climate and lots of sunshine.
 - Space is evident generally. Homes can be large with huge gardens.
 - The wildlife is unbelievable, and national parks and game reserves give ample opportunity to enjoy it.
 - There are not too many petty rules, and we are not a nanny state yet.
 - History and politics are interesting. There is never a dull moment.
 - Overall, there are amazing outdoor lifestyle options.
- Sincere wishes for a great new year ahead.
Viva, South Africa!



Constitution Hill: Constitutional Court

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counted counts, and not
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DFB
WEALTH

FROM ERNA'S DESK



Operations Update

I cannot believe that it has been a year since we moved into our new offices in Sandhurst. It has been a year of personal challenges for the team, but we have rallied to make sure our clients are always looked after and that they benefit from the great support structure of our team.

We will be closing our offices for a well-deserved break in December and January. Our last day will be on December 14, 2023, and we will open again on January 8, 2024. If you need any urgent assistance during this time, please contact us on our WhatsApp line, 072 758 2914.

We are very excited about our new internal FICA system, which we will start to use early in 2024. Please be on the lookout for emails from myself, Ylene, or Leigh Ann requesting updated FICA documents and information from yourselves.

May you and your loved ones have a wonderful holiday and all the best for the new year.

Erna



BUSINESS UPDATE FROM ADAM



Business Update

2023 has been a momentous year for DTB Wealth. For the duration of 2022, Reg and I were looking at broadening the depth of our business and making sure that DTB has adequate succession planning in place so our clients were always looked after. To do this, we needed to bring on another senior advisor and couldn't be any happier with the result of this search. Towards the end of 2022, discussions with David Terbrugge got to an advanced stage. These discussions resulted in David coming into the business early in 2023 and, from the new financial year on, becoming a fully-fledged partner and director of DTB Wealth.

The best part about it is that David has a long history with both Reg and myself going back many years, and for those that didn't get to watch the story of this, please click on the link below. The story is one we are certainly very proud of.

Link to the video:



David brings a wealth of experience to our clients from many years of working in some of SA's top wealth corporations and private banks. We couldn't feel any happier with David coming on board. Having him so excited to join DTB Wealth also gave us a good confidence shot that we are in a great space and offer something different from some of the traditional wealth management corporations and banks. We have always felt this, but this was great validation.

With David joining, our roles have changed slightly, with David slotting in to assist me and the team with the daily client advisory functions and with Reg very much playing a strategic role as Chairman. We feel we have built a great team to take care of our clients.

As a team we are incredibly proud of what has been achieved in our business over the last few years and look forward to another year of great moments and, of course, challenging ones. DTB is committed to offering our clients the very best service and advice possible.

Joining the DTB Family:

A Personal and Professional Milestone



David Terbrugge Director CFP®, BCom, PDM

It's unbelievable to think that **my first year at DTB Wealth** is nearing completion. Time has flown by, and as I reflect on the progress and achievements over the past 12 months, I'm filled with an immense sense of pride. It's been a year of transition, not only for me but also for the business. It has been a privilege to be part of a business that has such deep, meaningful, and longstanding relationships with clients.

My journey in wealth management had humble beginnings as an apprentice working for Reg over 20 years ago. As a mentor to both Adam and myself, he has played a pivotal role in our professional development. Joining DTB Wealth as a partner and senior advisor has been a significant professional milestone for me personally and has, to an extent, marked the beginning of the next phase of my career. The insights and lessons learned from Reg continue to guide our approach and decision-making at DTB Wealth, and we look forward to him taking up a more strategic role within the business.

This past year at DTB Wealth has been one of significant evolution, marked not only by our internal transitions but also by the evolving needs and aspirations of our clients. As former sportsmen, Adam and I have learned the value of adaptability, precision, and teamwork. Our team, which has been the backbone of our operations, deserves special recognition in this regard. Their dedication to providing an exceptional client experience has not only supported our transition but has also ensured that our clients' experiences are smooth and fulfilling.

Our focus will continue to be on providing personalised, strategic financial planning, ensuring that each client feels heard, understood, and valued. The personal touch that we bring to our interactions is something we pride ourselves on, and we believe this is what sets DTB Wealth apart.

As the next chapter in the life of DTB Wealth takes shape, I would like to express my heartfelt gratitude to all of our clients, who continue to entrust us as partners on their financial journey. We are nothing without you.

David Terbrugge
Director and Senior Advisor, DTB Wealth

DIFFERENCE BETWEEN RICH & WEALTHY

Adam Bacher | Difference Between Rich & Wealthy

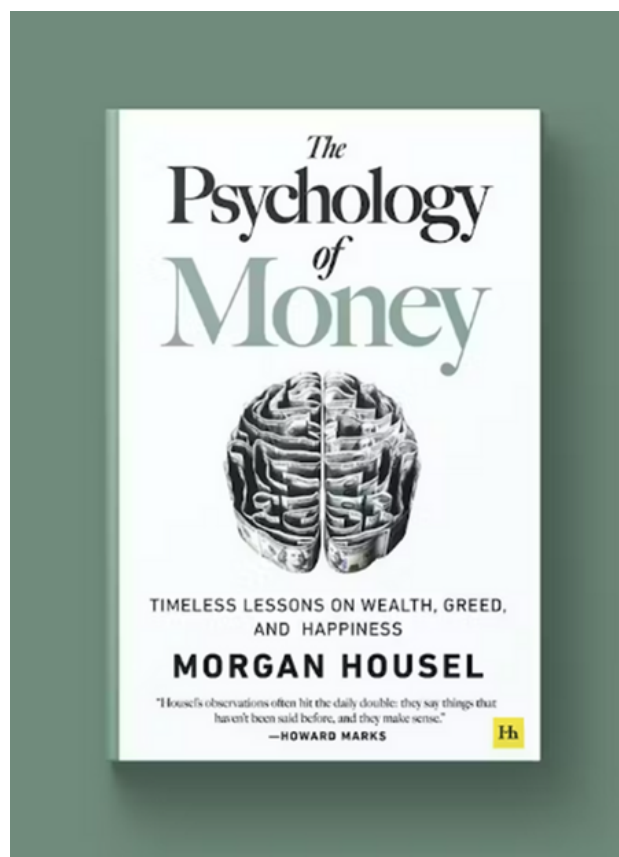
If respect and admiration are your goals, be careful how you seek them. Humility, kindness, and empathy will bring you more respect than horsepower ever will.

I recently presented to a group of highly educated and talented young professionals at Glencore. I was asked to present on the topic of investments, and after doing lots of thinking about it, I decided that presenting on the hard science of investing was not going to be of much value to the group I was presenting to, as I assumed they already knew the theory. What I rather decided to present on was the soft skills of being a successful investor and a happy human being. I based the talk on the book **The Psychology of Money by Morgan Housel**, which I think is the most wonderful book for investors, financial advisors, and really just anyone looking to lead a balanced life. The premise of the book is that how you behave with your money is actually far more important than how much you know. The themes of the presentation revolved around the following:

- Managing behaviour
- Warren Buffett's secret to investing
- Understanding the concept of enough
- Differentiating between being income-rich and being wealthy
- How to Get a Better Return on Life

It was an incredibly enjoyable experience where I learned just as much from these talented young professionals as they hopefully learned from me. One of the hot topics for discussion was trying to explain to them the difference between being rich and wealthy. The concept is so important, and not knowing the difference is where I feel so many people go wrong, especially at their current stage in life. If they could remember one thing from my presentation, I would hope it is knowing the difference between these two concepts. I thought it was worth putting down the summary in this newsletter.

Money has many ironies. Here's an important one: Wealth is what you don't see. So how can we define both of these concepts? According to Morgan Housel, if you're rich, you have enough money to pay your monthly bills and live the lifestyle you want to live. You can make your bond and your car repayments. You have the cash to cover your spending.



RICH

- 1) Current Income
- 2) Rich is wanting to reward yourself (like a treat meal after a workout)
- 3) People can look rich

WEALTHY

- 1) Wealth is hidden, it's the option not yet taken
- 2) Wealth is turning down the 'treat meal'
- 3) Wealthy people can look modest



Rich is a current income.

Someone driving a R1,500,000 car is almost certainly rich, because even if they purchased the car with debt, you need a certain level of income to afford the monthly payment. Same with those who live in big homes. It's not hard to spot rich people. They often go out of their way to make themselves known. But wealth is hidden. It's income not spent.

Wealth is an option not yet taken to buy something later.

Its value lies in offering you options, flexibility, and growth to one day purchase more stuff than you could right now.

Someone driving a R1,500,000 car might be wealthy. But the only data point you have about their wealth is that they have R1,500,000 less than they did before they bought the car (or R1 500 000 more in debt). That's all you know about them. We tend to judge wealth by what we see, because that's the information we have in front of us. We can't see people's bank accounts or investment statements. So we rely on outward appearances to gauge financial success. Cars. Homes. Instagram photos. Modern capitalism makes helping people fake it until they make it a cherished industry. But the truth is that wealth is what you don't see. Wealth is the nice cars not purchased. The diamonds not bought. The watches not worn, the clothes forgone, and the first-class upgrade declined. Wealth is financial assets that haven't yet been converted into the stuff you see.

Exercise is like being rich. You think, "I did the work, and I now deserve to treat myself to a big meal." Wealth is turning down that treat meal and actually burning net calories. It's hard, and requires self-control. But it creates a gap between what you could do and what you choose to do that accrues to you over time.

The world is filled with people who look modest but are actually wealthy and people who look rich but live at the razor's edge of insolvency. I really stressed to the group to keep this in mind when quickly judging others' success and setting their own goals.

There are so many flaws and skews we get blinded by, especially young men who get blinded by the view of richness when deep down they aspire to be wealthy because what wealth does is give you independence and autonomy. This autonomy is the highest dividend money can pay you.

Client Appreciation Lunch With Stephen McGowan.



Having A Field Day | Wanderers

Over several years, we have been fortunate enough to host breakfast events for our Johannesburg clients featuring some key speakers. COVID, of course, put a dampener on that for quite a while, but a few weeks ago, the spell was lifted and a lunch was celebrated in the Long Room at the Wanderers.

In joint collaboration with some of our key business partners and Painted Wolf Wines, we were privileged to hear the story of Stephen McGowan.

Firstly, just a word about Painted Wolf wines. This is the story of a couple who decided to create a wine company with two main aims: to raise money to build a more hopeful future for endangered African wild dogs and to develop the art of winemaking in a conservationist manner. Please feel free to support this endeavour as it strikes at the heart of preserving our wildlife heritage.

As for the speaker, Stephan McGowan, it was a time to be uplifted into believing in the potential greatness of the human spirit. Against the backdrop of us feeling negative in the swirl of the Russia-Ukraine war and the Israel-Hamas conflict, he gave an inspirational insight into the greatness of human strength even when all the odds are stacked against you.

Stephan, while riding his motorbike through Mali on his way home from London to Johannesburg, was taken captive in Timbuktu by Al Qaeda. For six years, his life changed, and he became reluctantly engaged in what he refers to as "the greatest chess game of my life." As the months turned into years, he would have to go to extraordinary lengths to survive both the reality of being captive and dealing with the captors. He taught himself French and Arabic and converted to Islam, even changing his name to Lot. To this day, he holds the unenviable record of being Al Qaeda's longest-held prisoner, and while the captive-captor was always there, he learned to understand his captors better.

His talk was an incredible insight into the mental strength and resilience of the human spirit. We all left feeling so uplifted at the greatness of how one can rise through the most difficult times and still move forward to enjoy the beauty of life.



Why The Best Stories Often Don't Make Good Investments.

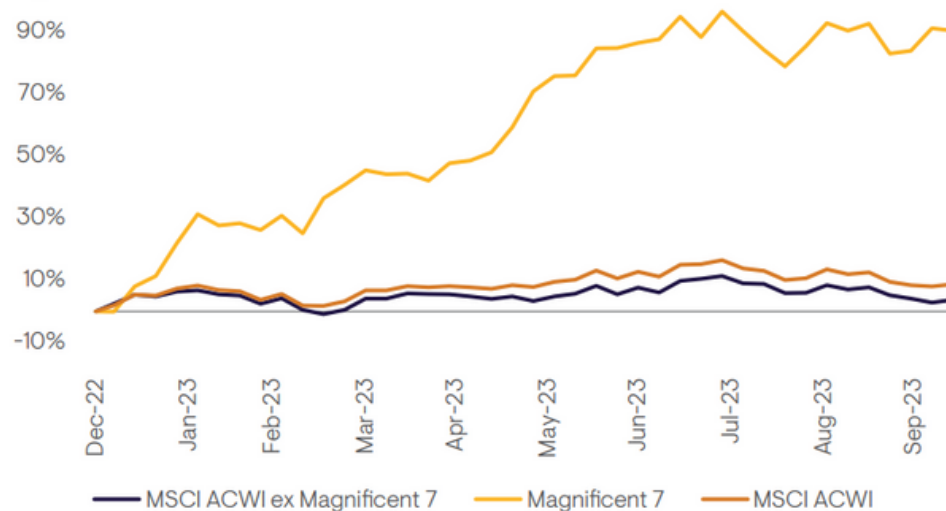
Clyde Rossouw | Ninety One

- Global equity markets have been challenging, as investors have grappled with a tension between increases in the cost of capital and returns driven by a narrow subset of stocks.
- However, investors need to be increasingly discerning about the companies they own, as markets question the growth outlook, valuation, and quality of these businesses.
- This narrowness has created both risks and opportunities – the opportunity set is wider than the handful of shares that have benefited this year.
- Despite these risks, high-quality businesses with strong fundamentals and reasonable valuations are well placed to navigate this complexity.

Markets have been hostile this year. There has been a material increase in the cost of capital on the back of the rapid rise in interest rates globally. We have also seen an extreme narrowness of the market. Investors have grown accustomed to the fact that technology has become a dominant driver.

A handful of companies have provided outsized returns this year, largely generated by the Magnificent 7 – Apple, Microsoft, Alphabet (Google) Tesla, Amazon, Nvidia and Meta (Facebook). A lot has been written about these goliaths and their link to the hype surrounding artificial intelligence and the way in which it will change everything.

Figure 1: A narrow market for investors



Source: Ninety One, Bloomberg, 30 September 2023.

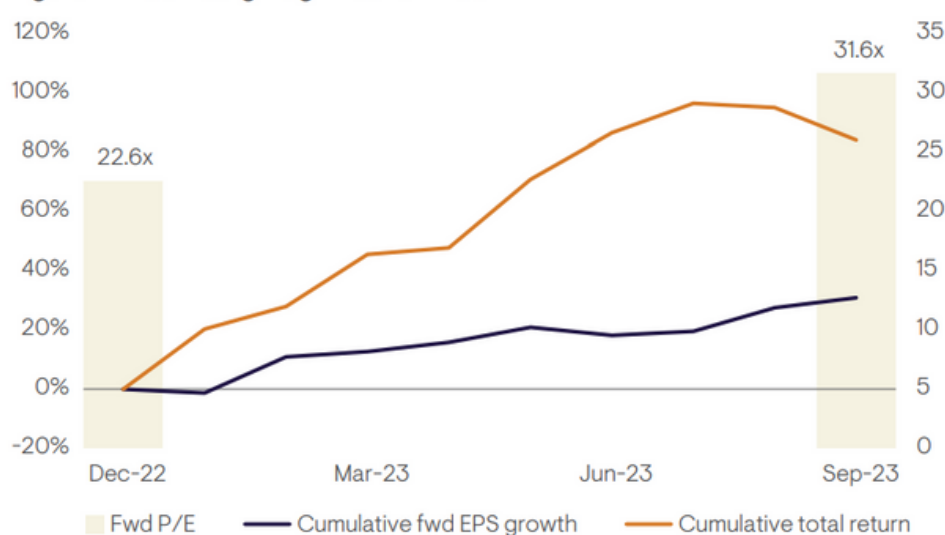
While the market is up 10% this year, nearly two-thirds of that total return is directly attributable to these seven stocks, up on average by 84%. Owning anything outside of these names, therefore, has been a challenge for many portfolios.

Why The Best Stories Often Don't Make Good Investments.

Artificial intelligence or artificial valuation?

Most of the top performers' returns have come from a rerating, with the result that investors are paying more for the prospective expectations of returns rather than the actual earnings growth they have delivered, even though the earnings for those stocks are up an impressive 31% on average. These shares have, therefore, become more expensive in the context of the broader market. Simply measured on a forward price/earnings basis, they are 40% more expensive than they were at the start of the year. If that is the case, you must be confident that the growth is going to come through. However, it is hard to see how trillion dollar-plus market cap companies will be able to compound at the same rates of return they have done historically. How much revenue are they going to have to continue to generate when the starting point is more than \$100 billion dollars a year?

Figure 2: Bloomberg Magnificent 7 Index YTD



Source: Ninety One, Bloomberg, 30 September 2023.

Some of these companies seemingly display the quality attributes we seek, such as enduring competitive advantages and dominant market positions. But sometimes the best businesses don't make the best investment cases. Valuation is a critical determinant of outcome and essential in our consideration. As such, we only own two of these shares within the Ninety One Global Franchise Fund, namely Microsoft and Alphabet (Google), where we can get behind the longevity of the business model and their valuation.

Beating the fade

How do we avoid these companies at risk? Long-term market outperformance is generated by owning stocks in growing companies that generate high and/or rising returns on invested capital (ROIC), at fair valuations. Very simply, return on invested capital demonstrates how effectively successive management teams have historically deployed cash into the business. The companies that we invest in typically have – and maintain – consistently high ROIC, as management teams pursue strategies that generate returns above the cost of capital, increasing shareholder value as the business expands. These companies invest in products and services that enable future growth, while also creating barriers to entry to new competitors. Consequently, they can return more cash to shareholders, in the form of dividends and share repurchases, without negative knock-on effects to future growth. The businesses we own within the portfolio have, on average, generated ROIC at consistently higher levels than the average company. This is a critical underpin to quality businesses

Why The Best Stories Often Don't Make Good Investments.

Figure 3: Return on invested capital



Source: Ninety One, FactSet Bloomberg, 30 September 2023.

*Comparative index changed from MSCI World from 1 October 2011.

In our view, markets often undervalue these types of companies because they assume that their returns will fade over time when, in fact, their returns compound for far longer than many investors anticipate. This opportunity doesn't just exist in technology businesses, despite the acute focus that investors have placed on this theme. We have a wide cross-section of opportunities within the portfolio that span sectors and themes.

What gets us excited

Our job is to find differentiated assets that have exceptional fundamentals at reasonable valuations – ones that you cannot simply access through an index. We believe we can find companies that can sustain these high returns longer than markets expect. The stocks we own are up mid-single digits on average this year and yet the free cash flow (FCF) performance is comfortably up by double digits in US dollars. That gets us excited, as our shares have effectively become relatively cheaper in the broader market context. For us, FCF yield is the anchor point of valuation because it is a tangible measure of economic productivity. Importantly, through this measure, the portfolio trades in line with its own valuation history and below the market as a whole. That said, the broader market is distorted by several factors and so you need to be mindful of extrapolating answers from an index valuation.

While the businesses we own have done reasonably well, they have materially lagged a narrow subset of stocks. These are great businesses, where the share prices aren't yet reflecting their potential and, importantly, you're not overpaying for the opportunity. In short, they are great businesses at reasonable valuation.

Take a company like Beiersdorf, which owns a collection of beauty and personal care brands across the full spectrum of price points: mass (NIVEA), derma (Eucerin), super-premium (La Prairie) and healthcare (Elastoplast). The company's different brands hold strong positions in their niches, helping it to generate attractive organic growth over the long term. Within the business, there is a margin opportunity, which is a significant differentiator versus the wider large cap staples peer group. We believe this isn't priced into the share. The business also has a considerable cash balance of almost €5 billion, which creates optionality if attractive assets come up for sale.

Why The Best Stories Often Don't Make Good Investments.

That makes us optimistic about what we own, and importantly, confident on what we don't own, given some of the valuations and risks building in certain parts of the market. If we are correct on the cash flow evolution, we should see double-digit annualised returns in US dollars on a medium- to long-term basis, without allowing for any rerating. In other words, we are not looking for those shares to become more expensive. We recognise that the environment is not one where the market is going to pay for higher ratings, so there is conservatism built into that outlook.

Squaring the circle

The market loves a theme and a narrative; however, no matter how good management's story is, ultimately the FCF and the earnings evolution must match that story. Where that is the case, we are happy to invest, because we are positive on those prospects. But where shares run ahead of those expectations, that is obviously where you must be more cautious and start asking questions about how you are going to make returns from here.

As a result, the market is becoming far more discerning about the types of companies in which investors should invest. The cost of doing business is higher, so too the cost of growth, and demand is waning as economies come under pressure. The market is starting to differentiate between companies that can sustain a high ROIC and those that can't, which tends to favour quality businesses. Quality businesses are those that can compound cash earnings per share through a market cycle. They have deep moats, dominant competitive positions, healthy balance sheets and FCF generation that can fund their own growth, so they don't have to rely on external capital providers. As such, they are more resilient in these challenging market conditions.

These views are not only expressed through our Ninety One Global Franchise Fund but are also reflected in the global equity allocation within the Ninety One Cautious Managed and Opportunity funds. Within these multi-asset portfolios, global equities remain our preferred asset class and still provide the best opportunity for growth. It is also a significant benefit that our holdings provide diversification from opportunities we have in the South African market, which are both limited and specific.

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DTB Wealth Partners with TAG Foundation to Nurture Future Leaders in South Africa

The TAG Foundation is a registered non-profit organisation and was founded in 2009 by Jonathan and Traci Gerber. In order for South Africa to excel on a global stage, we need high-functioning schools providing quality education to our youth. The purpose of the foundation is to provide quality education, coupled with social, financial, and emotional support, to talented learners from financially challenged backgrounds. The foundation has grown from its humble beginnings and is now, together with its generous donors and supporters, currently sponsoring 50 young men at King Edward VII School and 12 young ladies at Parktown High School for Girls.

On average, it costs R150 000 per annum to educate and board a young man at King Edward VII School and R60 000 per annum to educate a young lady at Parktown High School for Girls. The TAG Foundation relies on the generosity of individuals and organisations to raise the amount required to fund the 62 children they educate.

We are incredibly proud that DTB Wealth will be supporting this initiative that will help develop great future leaders for our country.

www.tagfoundation.co.za

EDUCATION

"is the most powerful weapon which you can use to change the world."

NELSON MANDELA

"Nurturing Change Makers, World Shakers and The Future Through Education."





In the end...

It's important to balance return on investments with **return on life**



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