STRATEGY & ASSET ALLOCATION

1ST QUARTER 2018

EXECUTIVE SUMMARY

This report outlines our strategic views on global financial markets and our corresponding asset-allocation decisions. The global economy has entered the New Year with much positive momentum: GDP growth rates have continued to edge higher, buoyed by increasing degrees of positive sentiment amongst business, consumers and investors. In addition to the self-fulfilling virtuous spiral of growth, the world economy is benefitting from more favourable economic policies, implemented by the relatively pro-business administrations in both the US and Europe. On the domestic front, political developments have also recently shifted towards being a net-positive for financial markets.

This general positivity should further mop up slack capacity in global labour markets, and core inflation should finally start to perk up. Although we continue to think that the impending uptick will remain modest, its broader consequences for financial markets and real economies are likely to be significant. One such consequence is the “normalisation” of almost a decade of “abnormal monetary policy,” which is perhaps the most important and complex theme characterising the global economy at present. Although monetary policy is shifting, the global economy remains in a period of extremely high liquidity, which we expect to continue through the end of 2018 and well into 2019; this should provide support for asset prices.

South Africa’s (SA’s) economy is somewhat out of step with these developments. Domestic headline inflation continues to face downward pressure, while GDP continues to languish at tepid levels. On the other hand, the better outlook for SA following the ANC elective conference, and “stronger for longer” resource prices, given a buoyant global economy, suggest a higher exit multiple for SA equities. We expect a total return of 15% from SA equities, and maintain our neutral stance.

We expect domestic bonds to perform relatively well during the year, delivering a c. 10% return in rand terms. This reflects both a healthy starting yield, and a degree of capital appreciation consequent upon soft inflation prints. We remain neutral SA bonds.

Global corporates should deliver another year of solid double-digit EPS growth, although we do not expect this to drive share prices to the extent seen last year. Markets have already discounted a meaningful portion of this growth, and valuation multiples should feel some pressure from the shift taking place in global monetary policy. Nevertheless, the high single-digit returns which we think are yet on offer, present offshore equity as still relatively attractive. Offshore bonds are similarly expected to feel the effects of this monetary shift, which should indeed largely erase their already modest yields. We have, therefore, retained our pro-growth bias in offshore: that is, overweight equity and underweight bonds.

In addition to our broad strategic views, this report contains specific thematic pieces which address: important changes in US tax policy, our recent shift from Nestlé to British American Tobacco, active versus passive management, and topical developments in the bond market.

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01 ASSET ALLOCATION

The following table illustrates our house view on different asset classes. This view is based on our estimate of the risk and return properties of each asset class in question. As individual Anchor portfolios have specific strategies, and distinct risk profiles, they may differ from the more generic house view illustrated here.

ASSET CLASS	BENCHMARK WEIGHT	CURRENT STANCE			EXPECTED RETURNS (R)
		UW	N	OW	
LOCAL	**100%**				
Equity (ex. Prefs)	65%		■		15%
Bonds	20%		■		10%
Property	8%			■	14%
Preference shares	2%	■			10%
Cash	5%	■			7%
Alternatives	0%			■	9%
OFFSHORE	**100%**				
Equity	65%			■	7%
Government bonds	5%	■			1%
Corporate credit	15%		■		1%
Property	10%	■			2%
Cash	5%	■			1%
Alternatives	0%			■	4%

UW = Underweight; N = Neutral; OW = Overweight

02 STRATEGY AND ASSET ALLOCATION

Here we set out the thesis for our strategy and asset allocation ahead of the first quarter of 2018.

Local equity

Equity returns were robust in 4Q17, with the Capped SWIX Index delivering an 8.4% total return. Gains were quite broad-based across sectors, but this masks the impact of Naspers, whose 18% rise alone accounted for around ¼ of the above gains at an index level. Banks were especially strong, delivering a 28% return.

At an index level, the Capped SWIX re-rated by 5% during the quarter to 13.8x on a 12-month estimated forward P/E basis. We have upgraded our exit multiple assumptions for financials and resources to account for 1) a better outlook for SA following the ANC elective conference; and 2) stronger for longer resources prices given a buoyant global economy. We expect a total return of 15% from SA equities, and maintain our neutral stance. This expectation is discussed in more detail, and at a sector level, in a thematic piece below (*Domestic Equity: Politics and Corporate Governance driving outcomes in Further Detail*).

Local bonds

We expect domestic bonds to perform well during the year, reflecting both a healthy starting yield, and a degree of capital appreciation. By our estimates, SA inflation will average 5.1% for 2018, whilst US inflation is likely to average 2.1% resulting in a differential of 3.0%. The SA credit premium has narrowed to 1.5% at the time of writing, however, we model with 2.0% which we think is more in line with the long-term average. As stated below, we think that a fair yield on the US 10-year bond will be around 2.75% at year-end. Adding the inflation differential (3%), the credit premium (2%) and the US yield expectation (2.75%) we get to a fair yield on the SA benchmark bond of 7.75%. We are not convinced that the bond will fully move towards these levels against the backdrop of rising rates in the rest of the world. Therefore, we are comfortable with our projected yield of 8.25%. With bonds starting the year at a yield of 8.55%, we are expecting a total return for the year of about 10% on SA bonds. The risk factor with bonds is that our view is predicated on the assumption that SA might avoid a further credit downgrade from Moody's. However, it is not yet guaranteed that SA has indeed avoided such a downgrade and thus the high risk of a negative surprise remains.

Local property

The SA property market again produced a very good return in 2017. The performance by individual stocks shows very clearly the influence of the currency, and perceptions of its future strength or weakness, and this is becoming a more and more dominant factor. The index statistics show that the benchmark SA Listed Property Index (JSAPY) posted a 17.15% return for the year of which 9.9% was capital and 7.2% dividend. Large index stocks which are in major equity indices as well (particularly Growthpoint and Redefine) were beneficiaries of inflows post the ANC elective conference, but most of the heavy lifting for the

year was done by offshore-focused stocks. These included NepiRockcastle post their mid-year merger, Greenbay, MAS Real Estate, Sirius, Fortress and Resilient. 85% of the returns generated comes from the Resilient group of companies, even though yields are only 3.5% to 4% on the aggregated assets. The growth of the offshore component of the property sector has meant that the investment decision-making process continues to change for local fund managers. New capital has been allocated to the stocks which trade at a premium to NAV and can raise equity that enhances return, creating a virtuous cycle. The JSAPY Index is therefore now over 40% comprised of companies that have offshore assets. On a full market capitalisation basis (not free-float adjusted), this moves to over 50% - the first time this has been the case in the SA property market.

Local property companies have struggled in a difficult operating environment. Consumer and business confidence has been low amidst an uncertain political landscape and credit rating downgrades from Moody's and Fitch. Amongst the casualties this year:

Arrowhead, which is guiding to a 6.5% YoY decrease in distribution in 2018 after 5 uninterrupted years of 6%-plus YoY growth.

Accelerate Property Fund, until recently a bellwether growth story in SA property, is expecting two years of flat distributions

Texton Property Fund. Although 40% of its properties are in the UK, the Group's growth forecasts are being questioned by the market and the stock can be picked up at a near 17% yield.

In addition, local property stocks have not been able to tap equity capital markets based both on their higher yields and lack of appetite from investors to deploy into the sector locally. This effectively means a pause in growth unless loan-to-value ratios are very low – a position not many SA real estate investment trusts (REITs) are in.

However, due to a de-rating of the local sector over the last two years our two-factor return model is forecasting 14% return for the next year. In addition, confidence and sentiment should improve as a result of the outcome of the ANC elective conference. We therefore upgrade our position to overweight the sector.

SA preference shares

The 0.25% reduction in the prime interest rate in July 2017 resulted in a poor performance in the sector. The de-rating now means that yields look optically attractive. However, the sector suffers from a severe liquidity problem which means that there should be a legitimate discount on the asset class. Current yields are high (ranging from 11% to 13%) but our forecast is a return of 10%, based on two interest rate cuts (0.5%) to come in 2018, reducing the prime reference rate to 9.75%. Given the attractiveness of some of the other categories, Property in particular, and given the fact that it is difficult to forecast exactly how pref shares will react, we recommend an underweight position in SA preference shares.

Global equity

2017 was nothing short of remarkable for offshore equities. The two major equity indices, MSCI World and MSCI Emerging Markets were up 20% and 34% respectively (in US dollar terms), for the calendar year, before taking their respectable dividend yields into account.

It was perhaps even more remarkable for the consistency with which those returns were achieved. The S&P 500 Index has data back to 1928, and in the 90 years prior to 2017 the index had never experienced a year with every calendar month positive. On four prior occasions there had been only one negative month in a calendar year, but 2017 was the first year in history with no negative calendar months (on average, there have been 4 to 5 negative months a year).

In the current year, needless to say, we expect somewhat more modest returns, in the region of 7% in US dollar, and surely with a heightened degree of volatility.

Although global corporates should have another stellar year of earnings growth, somewhere in the region of 25% for CY18, this is already to a significant degree reflected in share prices. We estimate that underlying earnings growth (which strips out the effects of such commodity price swings) is still strong, in the region of 10% p.a. This will not, in our judgement, flow through into price gains as it did last year, but will be meaningfully dampened by PE compression. Hence, we have a more modest return expectation.

Perhaps the main challenge facing global equities at present stems from an environment of rising rates, associated with rising inflation. The latter could simultaneously pressure profit margins and valuation multiples. Rising rates do not affect all sectors equally, indeed some are typically positively correlated with interest rates (e.g. Banks, a sector which we are overweight), while others tend to bear a greater proportion of the burden of rising rates (e.g. Consumer Staples, which we are underweight). The latter sector is discussed further in a thematic note below. Our forecast returns for the major MSCI indices consequently assume a material compression in their respective PE multiples. In spite of this, the fundamentals still suggest a superior risk-adjusted return is on offer in the equity market during CY18. We have, therefore, retained our overweight allocation.

Offshore bonds

We expect minimal returns from offshore bonds as rising rates, albeit by a modest degree, erode bond yields. This reflects our expectation of robust US growth during 2018, which will likely give the impetus for US bond yields to rise further. We note that the US Federal Reserve (Fed) is anticipating 3 interest rate hikes of 0.25% each during the course of 2018. We concur that the economy will be resilient enough to withstand these hikes, even though inflation is not yet feeding through into the US economic system. Our regression model of the fair US 10-year bond yield is derived off the US three-month Libor rate, ISM manufacturing index, net purchases of treasuries and core inflation. We are estimating that a fair yield is 3.37% today, though we continue to hold that the effects of global stimulus will keep rates below this level. We are accordingly projecting a US 10-year rate of 2.75% at year-end.

We expect offshore investment grade corporate bonds to deliver a 1.5% return during the current year. US investment grade credit spreads averaged around 0.9% for the majority of the prior bull market and they seem to be headed back towards that level and potentially lower. This reflects the relative attractiveness of that spread in light of extremely low treasury yields. We retain our neutral allocation to corporate bonds.

Global property

As with global bonds, we expect a relatively modest starting yield to be eroded by rising rates, producing an expected total return of 2.5% in US dollar during 2018.

Distribution yields for European property stocks are at 4%, high enough that a moderate bond sell-off in Europe is unlikely to derail European REITs. The derating is more likely in the US where the indices are skewed towards retail REITs (currently struggling with oversupply) and technology REITS (which have run extremely hard and are most likely to contribute to the majority of the de-rating as incremental growth becomes more challenging).

03

EXPECTED RETURNS ON UNDERLYING ASSETS

The table below illustrates our return estimates for the broad underlying asset classes shown in the asset-allocation table above. The other aspects of asset allocation, principally risk and portfolio considerations, are covered in the asset-specific discussions.

ASSET CLASS	PE1	E2 G%	EXIT PE	DIV %	RETURN	ZAR	ZAR RETURN
EQUITY							
LOCAL EQUITY	14.9	10.0%	15.2	3.2%	15.0%	-	15.0%
Resources	12.8	3.0%	14.0	2.6%	16.0%	-	16.0%
Financials	11.9	10.0%	11.0	4.3%	11.0%	-	11.0%
Industrials	17.5	13.0%	17.5	3.1%	16.0%	-	16.0%
OFFSHORE EQUITY	16.4	8.5%	15.9	2.5%	7.7%	-0.2%	7.5%
Developed Markets	17.4	8.0%	16.8	2.4%	7.1%	-0.2%	7.0%
Emerging Markets	13.1	10.0%	12.7	2.8%	9.5%	-0.2%	9.3%

Note: Sector weightings are by market capitalisation; Offshore equity benchmark is MSCI World; "PE1" is 12-month forward PE; "E2 g%" is our estimate of earnings growth over the 12-month period, commencing in 12 months time; "exit PE" is our estimate of the PE multiple in 24 months time; "Div %" is our estimate of the dividend yield over the next 12 months; "Return" is our return estimate, over the next 12 months, implied in the tables assumptions about earnings growth, dividends and changes in PE multiples; offshore markets are estimated in US dollar, local markets in ZAR; "ZAR" is the currency effect of translating into ZAR; "ZAR Return" is our estimate of ZAR market returns over the next 12 months as implied in the other columns of this table.

BONDS, PROPERTY AND CASH	YIELD	CAPITAL	LC RETURN	ZAR	ZAR RETURN
BONDS					
Local government bonds	8.6%	1.4%	10.0%	-	10.0%
Offshore government bonds	2.5%	-1.7%	0.8%	-0.2%	0.6%
Offshore corporate credit	3.4%	-1.9%	1.5%	-0.2%	1.3%
PROPERTY AND PREFERENCE SHARES					
Local property	7.0%	7.0%	14.0%	-	14.0%
Local preference shares	12.0%	-2.0%	10.0%	-	10.0%
Offshore property	4.0%	1.5%	2.5%	-0.2%	2.3%
CASH					
Local	6.7%	0.0%	6.7%	-	6.7%
Offshore	1.4%	0.0%	1.4%	-0.2%	1.3%

Note: Benchmark SA bonds are the South African 1-year government bond; The Benchmark Offshore Bonds are the US 10-Year Government Bond, and the Bloomberg Bond Investment Grade Corporate Bond Index; The Local Property benchmark is the JSAPY Index; Offshore Property is the S&P Global REIT Index. Yield % for property is our estimated one year forward income yield; "Capital " is our estimate of the capital appreciation or depreciation of an instrument over the next 12 months; "LC Return " is our estimate of the total return, i.e. yield + capital, that the instrument will generate over the next 12 months in its local currency; "ZAR" is our estimate of the currency effect of translating non-ZAR yields into ZAR; "ZAR return" is our estimate of the "LC Return" in ZAR.

04

ANCHOR INSIGHTS

Staff from across the Anchor Group provide insights into our thinking, strategy and view of the world. In this quarter: Blake Allen briefly reviews our central macroeconomic views from a global perspective, and revisits the topical consumer staples sector; Sean Ashton takes a further look at the drivers of domestic equity returns; Lee Cairns discusses active versus passive management; Peter Little considers important recent developments in US tax policy; and Mpumelelo Kondlo addresses some pertinent developments in the bond market.

GLOBAL MACROECONOMICS – OUR CENTRAL VIEWS

Blake Allen
Business Analyst

This section touches briefly upon the economic views that underly our Asset Allocation and Strategy.

The global economic outlook for 2018 should, in our view, largely reflect the continuity of trends that gained traction during the prior year. In particular, global growth, and consumer and business sentiment, are expected to be even more buoyant: note that we have again raised our global growth forecasts for CY18. Thus, our basic approach is to evaluate the risks associated with a period of sustained above-trend growth, such as meaningful policy tightening, rather than the risks attached to the possibility of growth merely wilting.

As slack capacity in global labour markets is increasingly mopped up, core inflation should finally start to respond. This development is far more advanced in the US than it is in other regions. Europe, in particular, could continue to grow for a number of years before reaching similar capacity constraints. This development will be reinforced by the lack of deflationary drafts from the commodity price slump of 2015 and early 2016, and the strong US dollar seen in 2014. Indeed these variables are now exerting an inflationary effect. Nevertheless, we think the uptick will remain very modest, with US core PCE inflation only just reaching the Fed's 2% target, and probably only by late 2019.

Global monetary policy is broadly reflecting the above developments. Although inflation prints have remained well below central banks' targets, it must be noted that central banks set policy rates with reference to their expectations of future inflation. The Fed expects to hike rates three times during 2018, consistent with their expectation of rising core inflation. The European Central Bank (ECB) is however about three years behind the Fed's trajectory, consistent with the European economy's position vis-a-vis that of the US. As noted in previous reports, this "normalisation" of almost a decade of "abnormal monetary policy" is perhaps the most important and complex theme characterising the global economy at present.

There is a risk that interest-rate hikes over the next two years, due either to an inflation overshoot or to policy error, could hamper global growth and asset prices. The risk of policy error is partly connected to the now much more leveraged global economy, for which relatively small rate hikes have a far larger income statement effect. Although we monitor this risk, it is not our base-case scenario. Further, even if rate hikes do not hamper growth, there is a risk that they will weigh on both of the classical pillars of a diversified portfolio, these being equity and government bonds. Our asset price outlook, discussed in more detail below, has baked the latter scenario into our base-case forecasts, reflecting rising bond yields and compressing PE multiples.

The shift to pro-business administrations in both France and the US, seen during 2017, should continue to result in encouraging shifts in government policy over the coming years. Deregulation and the passing of the US tax bill are important recent developments. Going forward, a potential infrastructure spending plan could provide further fiscal thrust to US GDP. These developments in the US, likely to widen the deficit, and therefore the supply of government bonds, reinforce the effects of rising inflation on US interest rates.

The global economy remains in a period of extremely high liquidity. As much as other economic fundamentals, liquidity drives asset prices, and is indeed one of the reasons we have seen bull markets simultaneously in asset classes that are typically inversely correlated. The end of quantitative easing (QE) in the US, and gradually rising rates, do suggest an environment of less liquidity. Nevertheless, healthy credit extension to the private sector, and monetary policy that is still very loose in absolute terms, should see liquidity levels remain extremely high through the end of 2018 and well into 2019.

On the domestic front, we think SA headline inflation continues to face downward pressure from a combination of a stronger rand and the weak consumer environment. We expect that inflation will trough at 4.0% during the first half of the year before gradually increasing again, averaging CPI of 5.1% for 2018. We expect that improving fundamentals on the political front will take a while to work through the system, although an uptick in consumer sentiment might give a boost to the economic growth rates for 2018 towards 1.1% (2017: 0.7%).

The South African Reserve Bank (SARB) is naturally reluctant to cut interest rates and will likely use the global tightening of monetary policies, the drought (and oil prices) and the possible downgrade by Moody's as reasons not to cut rates. We expect that, faced with inflation at 4% and a weak consumer they will, however, be pushed into reluctantly cutting interest rates twice by 0.25% each time during the first half of the year.

Figure 1: Global macroeconomic forecasts

	2016A	2017E	2018E	2019E
GDP growth (on prior year)				
- World	3.1	3.8	4.0	3.9
- USA	1.5	2.3	2.6	2.0
- China	6.7	6.8	6.5	6.2
- Euro Area	1.8	2.3	2.2	1.8
- SA	0.3	0.6	1.3	1.1
Inflation (year average)				
- USA core PCE	1.8	1.5	1.6	1.8
- EU CPI ("HICP")	0.2	1.5	1.2	1.3
- SA headline CPI	6.3	5.1	5.3	5.1
Currency (year-end)				
ZARUSD	13.74	13.75	12.40	13.02
EURUSD	1.05	1.18	1.20	1.21

Source: Anchor estimates; Bloomberg

DOMESTIC EQUITY: POLITICS AND CORPORATE GOVERNANCE DRIVING OUTCOMES

Sean Ashton
Chief Investment Officer

Equity returns were robust in 4Q17, with the Capped SWIX Index delivering an 8.4% total return. Gains were quite broad-based across sectors, but this masks the impact of Naspers, whose 18% rise alone accounted for around ¼ of the above gains at an index level. Banks were especially strong, delivering a 28% return.

At an index level, the Capped SWIX re-rated by 5% during the quarter to 13.8x on a 12-month estimated forward P/E basis. We have upgraded our exit multiple assumptions for financials and resources to account for 1) a better outlook for SA following the ANC elective conference; and 2) stronger for longer resources prices given a buoyant global economy. We expect a total return of 15% from SA equities, and maintain our neutral stance. It should be noted that our earnings forecasts for the Resources sector do not fully capture spot earnings, hence upgrades would be required the longer commodity prices are sustained at these levels. We attempt to capture this upside risk in a higher exit P/E.

The fourth quarter of 2017 saw some important events unfolding, impacting on the SA equity landscape. the two most important of which we highlight as the following:

- The collapse of the market value of Steinhoff International following revelations of accounting irregularities; and
- A victory for Cyril Ramaphosa in the ANC's 54th elective conference.

Steinhoff and corporate governance in SA

The reverberations of this well-documented corporate scandal have been felt far and wide. While causing substantial losses for individuals and institutional investors alike, it is perhaps worthwhile considering that the size and liquidity of the company itself meant that significant leverage was granted via contracts for difference (CFDs) and single stock futures by banks for investors to gain increased exposure to the counter. Therefore, the extent of the value decline, coupled with leverage on the stock, has meant that banks have had to recover substantial margin from investors. This has caused a liquidity drain from many mid-cap stocks, which don't experience natural buying, as investors have been forced sellers of assets to cover margin calls. This was indeed was substantial enough to impact on performance of many stocks in December 2017.

Further to this, the Steinhoff debacle has shone a bright light on corporate governance within SA business, and we note the almost simultaneous sell-off in EOH Holdings on corporate governance concerns within that business. At the time of writing, judging by some violent price action, equity investors in SA appear to have become increasingly skittish about companies with perceived corporate governance issues or questionable business / growth models, especially following rumours of a further "Viceroy report" on an as-yet unnamed SA company. We believe this could prove a persistent theme following the spectacular collapse of Steinhoff, and subsequent wealth-destruction.

Figure 1: Domestic equities - valuation metrics and total return expectations

	12-M FWD P/E	YR +2G	EXIT P/E	DIV %	12M EST. TOTAL RETURN
Resources	12.8	3%	14.0	2.6%	16%
Financials	11.9	10%	11.5	4.3%	11%
Industrials	17.5	13%	17.5	3.1%	16%
SA EQUITY	14.9	10%	15.2	3.2%	15%

Source: Anchor Capital

Cyril Ramaphosa as ANC President - a welcome confidence boost

Much of our market commentary in 2017 centred around the binary nature of outcomes following the ANC elective conference depending on whether the "right" or "wrong" candidate was elected. The end outcome is somewhat mixed, but with a definite positive slant: Cyril emerged victorious, but with a decidedly mixed Top-6 slate. This has raised concern as to whether Ramaphosa will be able to effectively root out corrupt elements within the party, but for now we believe the markets will give him the benefit of the doubt.

The positive "reform" narrative / sentiment has already reflected in many financial assets:

- The rand gained 10% against the US dollar in December.
- 10-year SA bond yields have rallied to 8.5% from ~9.4% post the Medium-Term Budget Policy Statement (MTBPS). We felt they had the potential to blow out to 10%+ in a scenario of a World Government Bond Index [WGBI] exit.
- The JSE Banks and General Retailer indices each gained 15% during December.

Much of this could become self-reinforcing, but we believe early action is required for long-term sustainability.

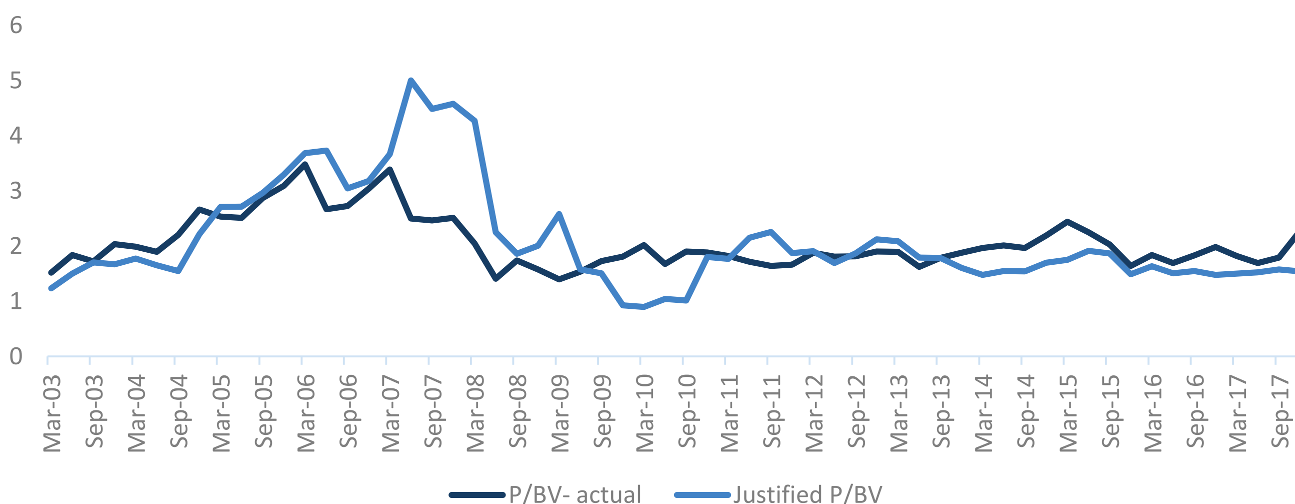
We are of the opinion that any modern economy's (which has a substantial credit component to final demand) performance depends to a large extent on the level of confidence of consumers and businesses. In the case of SA, this factor has been operating in reverse gear for the past few years and we believe this will now reverse. Higher confidence levels should lead to more corporate investment – provided sensible policy is implemented (the mining charter would be low-hanging fruit for Ramaphosa to begin with), job growth and ultimately more consumer spending power. In the shorter term, the strong rand will help put money in consumers' pockets via petrol price reductions, and an interest rate cut could be well on the cards. It is clear the SARB has been holding off on cutting rates due to political risk; we believe this constraint is no longer valid. The key debate we have on the latter is the extent to which the rate-cutting cycle has potential to run in SA, especially considering rising inflationary pressures and normalising rates in the developed world.

How much is now priced into "SA Inc."?

Following the rally in December 2017, it's clear that consumers don't have a free call option on the tide turning in SA: equity valuations are pricing in some meaningful measure of good news. For the Banks, a 15% rally has sent the index to a ~2.2x P/BV multiple currently. In assessing what this prices in, we have analysed the P/BV multiple for the Banks index relative to the cost of equity (with the 10-year SA government bond yield as a starting point), returns on equity being achieved and a static terminal growth rate assumption (basically nominal long-run GDP potential). In arriving at the cost of equity, we further assume a static 5% equity premium over risk free rates at the time. We do this to arrive at a "justified" P/BV multiple and assess this relative to actual levels to highlight potential under or overvaluation, or indeed what is being implied about future returns.

What is clear to us from the above analysis is that the market has begun to price in either a significant uplift in returns on equity for the banks, or that SA's cost of capital is likely to fall even further than the recent gains which have been made (i.e. lower long-dated bond yields). We think the latter is unlikely in any meaningful way, especially given firming inflation and yields in the US and Europe and tapering of QE. So, it is clear the market is discounting balance sheet expansion in SA – we think this may well come, but the point is that much of this news has been "front-end loaded" into valuations fairly swiftly. We would be cautious on chasing such a rally, and maintain a marginal underweight on Banks in an SA context.

Figure 2: JSE Banks: pricing in a meaningful ROE improvement

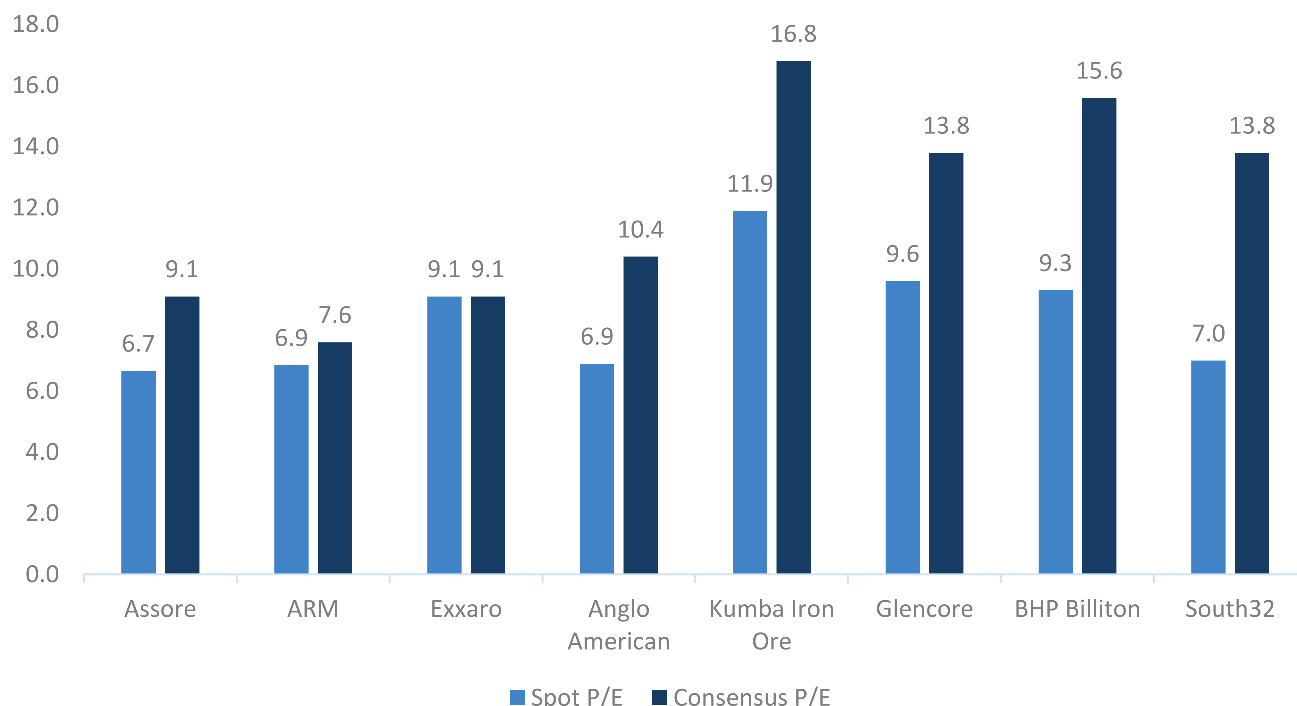


Source: Bloomberg, Anchor Capital

Diversified Miners remain a clear value situation

The Basic Materials sector, in aggregate, was one of the few major sectors of the JSE to experience a meaningful contraction in valuation multiples during 2017. The sector as a whole delivered capital gains of 15% in 2017, despite 47% earnings growth, resulting in a 30%+ de-rating of the earnings multiple. When drilling into the detail, we believe the largest component – Diversified Miners – have scope for significant earnings upgrades relative to consensus expectations:

Figure 3: Diversified Miners spot vs consensus P/E multiples



Source: Bloomberg, Anchor Capital

We believe the key issue why consensus lags spot is that analysts simply do not believe in the sustainability of current commodity price levels, and hence are consistently inputting much lower prices into valuation models. We believe that commodity prices globally are being supported by a synchronised (i.e. not just China) global growth environment on the one hand (demand side), and on the other hand capital discipline on the part of large global diversified miners in not expanding production aggressively (supply side). The longer spot prices persist at these levels, we should expect to see material EPS upgrades across the board and valuation levels remain cheap. We are overweight Diversified Miners in our discretionary equity portfolios.

ACTIVE VS PASSIVE INVESTMENTS

Lee Cairns
Wealth Management

Having returned from the annual coastal crusade many South Africans embark on for the month of December, it was no surprise to be involved in many Active vs Passive braai conversations. December, marking the end of a calendar year, has become synonymous with braai time reflections on whose investments did and did not enjoy a celebratory year.

2017 will certainly have been no exception, what with the JSE Top-40 ETFs outperforming 90% of active managers. So, it would appear that the conclusion must be obvious, everyone should be switching to the cheaper, better-performing, passive market trackers.

The JSE has become one of the world's most skewed markets, with Naspers now accounting for 25% of the JSE Top-40 Index. The Naspers share price rose 75% in 2017. So, by making the decision in January 2018, that you should be shifting your SA equity investments into a JSE Top-40 ETF, you are in fact directing 25% of your equity exposure into one share – one share which has risen by 75% in the previous year and which relies entirely on the stability of Chinese business legislation.

There is no doubt that passive investing globally is here to stay. The argument for passive offshore investing is far stronger than the argument for the same within SA. The reasons for this are twofold: a) the cost of investing in ETFs offshore is less than one-third of the cost of ETFs in SA, and less than 1/10th of the cost of offshore active managers; and b) the depth of the market abroad, most notably in Developed Markets (DMs), is so broad, with little to no arbitrage of information available, that the skill of active management offshore is under continuous and significant pressure. That is not to say that active offshore management cannot deliver significant outperformance. Excellent managers, those with the discipline to stick to their tried and tested styles, continue to deliver. 2017 was a strong example of this.

In order to outperform, active management not only relies on robust sector allocation through cycles, but also on the ability to unearth gems in the smaller- to mid-cap space. These companies tend to be less covered by analysts, and therein often lies the opportunity to discover the gem the man on the street does not have the resources to find. It is also these companies which do not have a place in the various JSE Top-40 Index trackers, and have, when analysing the top active fund managers in SA over the last 10 years, tended to be the companies which have delivered much of the significant market outperformance.

With SA's political woes, small- and mid-cap companies, which rely on reasonable GDP growth and government stability, have been the ones to avoid. But with political change afoot, is it now the time to take the active decision to avoid these forever?

I am not a betting man, but if I was to wager a small bet, I am fairly confident that we will look back at January 2018 and realise, with the benefit of hindsight, that January 2018 was not the time to make a wholesale investment strategy switch into passive investments.

US TAX POLICY: RECENT CHANGES AND MARKET IMPLICATIONS

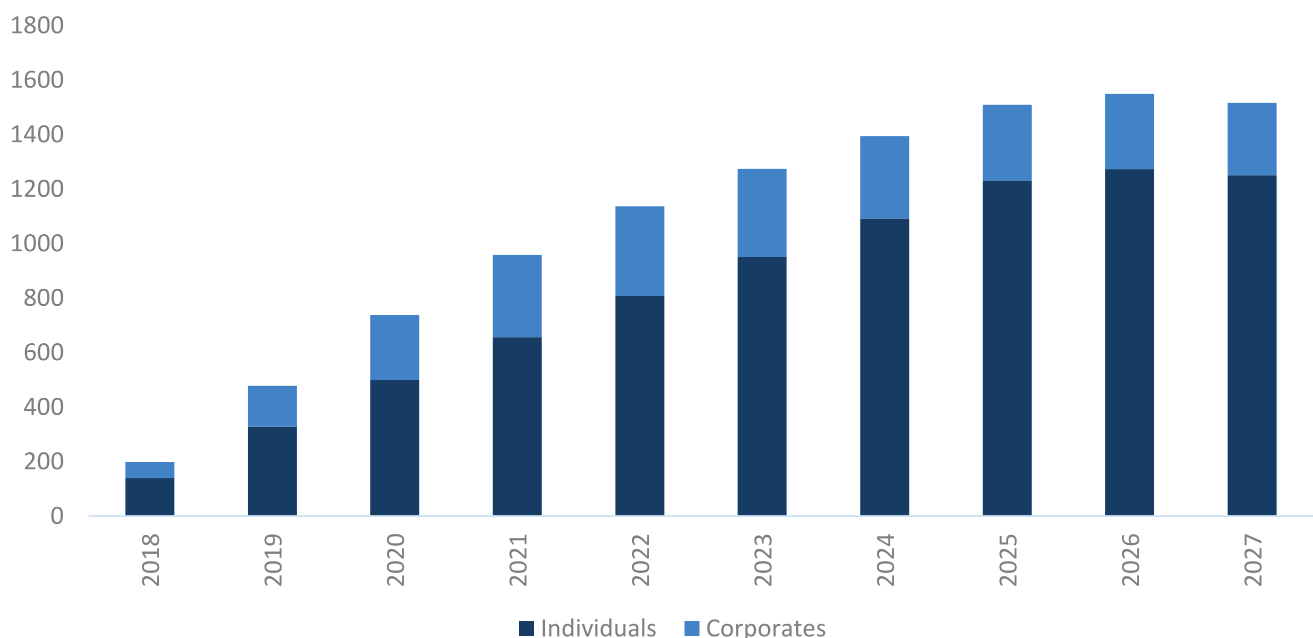
Peter Little
Fund Management

TCJA is the remarkably unhip acronym for the new US tax legislation signed into law on 22 December 2017 by President Donald Trump - the Tax Cuts and Jobs Act. It came into effect on 1 January 2018 and should create around $1.5trn of net tax savings for US corporates and individuals over the next 10 years.

The cuts are reasonably front-loaded with around half of the benefit accruing in the first three years. The impact is skewed towards individuals (around 80% of the savings), although the cuts for individuals are temporary and will start fading in the second half of the 10-year window, leaving individuals with net increases after the 10-year period. The cuts are permanent for corporates.

The biggest impact for individuals is through the lowering of the top marginal tax rate from 39.6% to 37%, the increasing of the bands for the lower rates and the doubling of the standard deductions. For corporations, the top rate is reduced from 35% to 21%, although this is offset by limiting the deductibility of interest payments, losses in prior years and other previously allowable expenses. The Tax Foundation, an independent, non-profit organisation, estimates that the impact of these changes in ability of corporates to deduct various previously allowed expenses will eliminate more than half the benefit of the tax cuts. In addition, the US is changing the way it taxes companies with operations outside of the US. Currently US multinationals pay tax in the US on foreign earnings at the difference between the US tax rate and the foreign tax rates (when those earnings are repatriated to the US), going forward only US domestic corporate earnings will be taxed by the US. Approximately $2trn of non-repatriated foreign earnings by US corporates will be deemed repatriated in 2018 and taxed at a reduced rate of 15.5% (for corporates holding those earnings in cash) and 8% (for corporates who have invested the earnings) – corporates can choose to pay this over up to eight years.

Figure 1: Net tax savings under TCJA



Source: US Congressional Budget Office, Anchor Capital

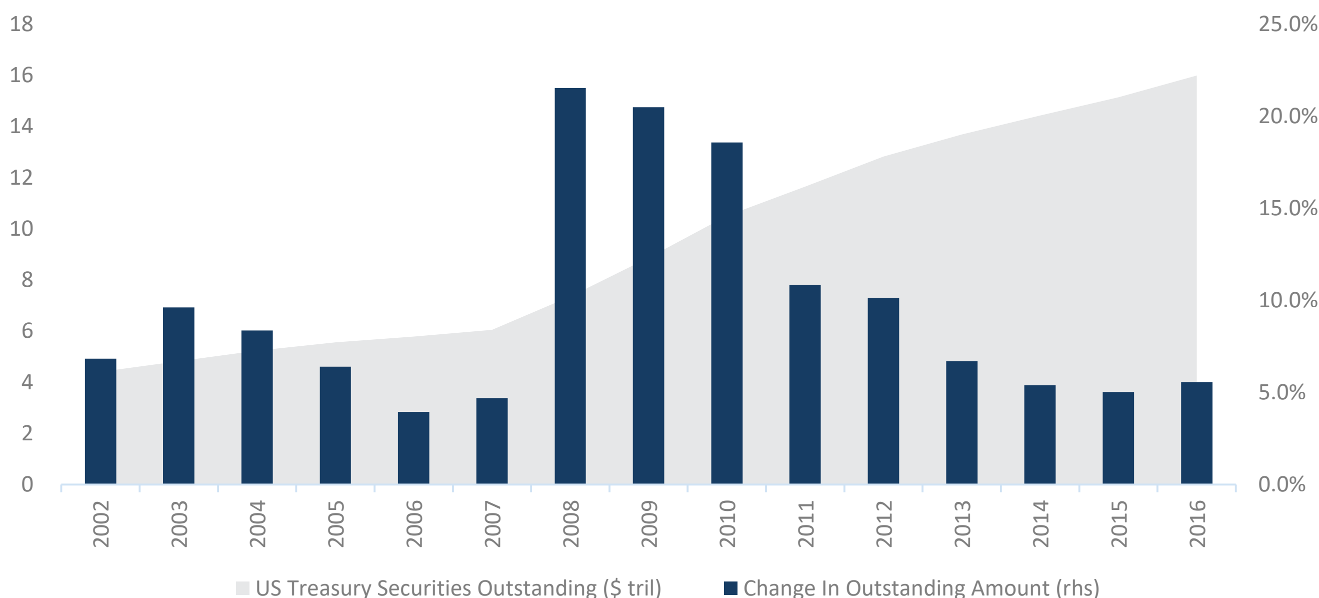
As far as the macroeconomic impact is concerned, empirical evidence suggests that individuals will spend c. 60% of the tax savings (if they have confidence that the savings are sustainable, which will become more of a problem after the first couple of years). This should add about 0.2%-0.3% to US GDP over the next few years (some of that consumption will be imported which could offset part of the boost to US GDP). As far as corporates go, the biggest impact to the US economy is likely to come from increased capital spending. Here TCJA has an additional incentive which allows corporates to deduct 100% of spending on equipment and machinery from taxable income in the year of purchase – this is effective for the next 5 years before the incentive starts fading. At first glance this seems a huge incentive for capital spending, though the benefit may not be as attractive as it seems given that the lower tax rates decrease the value of the tax deduction and the low interest rates make the present value of deducting the spending over multiple years (as was the previous treatment) not significantly different than the value of a full deduction in year one. Estimates of the impact from increased capital spending by corporates imply a 0.1%-0.2% increase in US GDP over the next couple of years.

TCJA also had a sting in the tail for those opponents of Trump's desire to repeal former president Barack Obama's Affordable Care Act, as it includes a removal of tax penalties for individuals with no healthcare, which is likely to leave around 13mn more Americans without healthcare. These are likely to be young healthy adults whose insurance premium typically subsidise the cost of healthcare for others – without those members, remaining members will likely incur higher health insurance premium. In addition, TCJA included some minimum corporate tax levels to limit the opportunities for companies attempting to shift earnings to low tax jurisdictions.

In terms of asset valuations, the increased issuance of US treasuries to fund the tax cuts will likely place upward pressure on US bond yields. There are currently around $16trn of US Treasury securities outstanding, and the TCJA would increase that supply by 1%-2% p.a. for the next 5 years before tailing off. To put that increased supply into context, the supply has been growing around 10% p.a. on average for the last 15 years and over 5% p.a. for the 4 years ending 2016 (which is the latest available annual data). This means the additional supply is unlikely to meaningfully affect yields - inflation is likely to be the biggest driver of yields in the foreseeable future.

For equities the biggest impact will obviously come from higher after-tax earnings attributable to shareholders. All else being equal, a company with 100% US domestic earnings with an effective tax rate of 35%, which drops to 28%-21%, will have a 22% increase in after-tax earnings. Given that many large US corporates have significant foreign earnings and lower effective tax rates and that many of the previously deductible expenses are no longer available, the impact will be lower for many of them, with estimates placing the increased earnings for S&P 500 companies at around 5%-10% in aggregate. It is difficult to know how much of this is factored into already above-average ratings for US equity markets, it will hopefully become clearer as management teams are likely quizzed about the impact to their future effective tax rates when presenting their earnings results over the next few weeks and share prices respond.

Figure 2: Supply of US Treasury Securities



Source: US Federal Reserve, Bloomberg, Anchor Capital

RISING RATES AND "BOND PROXIES": REVISITING CONSUMER STAPLES

Blake Allen
Business Analyst

The Consumer Staples sector is particularly topical at present. It is rightly seen by many as comprising "bond proxies" because of the sector's relatively stable earnings streams, and relatively high sensitivity to interest rates. But rising interest rates, which we think will be an important feature of 2018, could put pressure on the sector. We have responded to this risk in two ways: first, we are underweight Consumer Staples; second, we have continued to shift this allocation to the more attractively valued component of the sector. One such shift, executed during the prior quarter, was a replacement of Nestlé with British American Tobacco. In what follows we briefly discuss the logic of this move.

Nestlé has recently appointed a new CEO, Mark Schneider, who is pursuing ***an interesting and attractive turnaround story.*** The company's earnings profile has languished over the last decade, reflecting a combination of margin pressure, sagging organic growth, and unfavourable currency trends. For some years, Nestlé counteracted disappointing earnings by raising its dividend payout ratio. But, with that ratio having now reached a 40-year high, at roughly 70% of earnings, this game is also apparently over. Nestlé must again deliver earnings growth, and that is Schneider's objective.

Traditionally, the company aimed to deliver 5-6% p.a. organic sales growth, but weak emerging market (EM) volumes and soft developed market (DM) pricing have kept this number closer to 3% p.a. Schneider aims to get back to "mid-single digits" by 2020. Further, he aims to expand the company's EBIT margin from its current 16%, to a goal of 17.5%-18.5% by 2020; this is to be effected largely through cost efficiencies, with some help from a better pricing environment. Successfully delivered, these targets could see Nestlé's 2020 EPS about 37% higher than the 2016 base (an 8% p.a. CAGR). Furthermore, we note that Nestlé has untapped value in its relatively unlevered balance sheet (0.9x Net Debt / EBITDA ratio, versus a European peer-group at c. 1.5x). A relatively conservative debt-funded buyback could, by our estimates, rebase EPS by +8%.

What is Nestlé's likelihood of successfully delivering this value-enhancing strategy? On their organic growth targets, we think their odds look favourable: much of the weakness in DMs has been due to a deflationary price environment which is likely to start reversing. Provided EM growth remains respectable, the partial normalisation of DM pricing should put them very close to their organic growth ambitions. The company will still, however, need to invest in its products (e.g. through advertising) in order to reach these levels.

Nestlé's margin targets, on the other hand, look more challenged. First, while there is indeed scope for cost-efficiencies, Nestlé has been cutting costs for some years already, so these may prove hard to come by. Second, the goal of growing volumes while simultaneously cutting costs may be challenging to deliver. Even if Nestlé is able to deliver its cost efficiencies, there is a significant risk that these won't flow through into margin expansion, for much of the industry now has similar margin-expansion targets (including, but not limited to, some major players: Kraft Heinz, Mondelez, and Unilever). The risk, then, is that in margin terms they may have to take "two steps forward" in order merely to stand still. Indeed, Schneider has referred to the pervasive margin targets as an "arms race" which they watch with "some apprehension". A successful outcome, then, is by no means in the bag, and may indeed prove out of reach.

How does this compare to the current share price? At a trailing PE of 24x, we think Nestlé's share price is already discounting a fairly successful outcome. To deliver market-beating returns from here, Nestlé would probably need to outperform the already sanguine growth and margin targets we have outlined above. Therefore, although we still think it is an extremely high-quality business, and will continue to follow the unfolding of its turnaround story, we no longer believe it offers sufficiently compelling value.

The value case for British American Tobacco (BAT) is, we believe, somewhat more attractive. It is grounded on an undemanding PE multiple, in both absolute and relative terms, a respectable long-term EPS growth outlook, and an attractive and growing dividend yield.

On the basis of management's guidance, and BAT's strategy for next generation products, we expect the company to deliver c. 4% p.a. organic revenue growth, and c. 10% p.a. constant currency EPS growth, over the medium term. This compares favourably with Nestlé's "turnaround" story - c. 8% CAGR over the medium term. Further, one pays only a 16.5x fwd PE for BAT (Dec 2018), versus 21x for Nestlé. Similarly, BAT has a somewhat superior dividend yield: 4% in CY18, versus Nestlé's anticipated 3.1%.

The main critique of the investment case for BAT is that the global tobacco industry is gradually shrinking (at a rate of about 1% p.a.). Thus, it could be argued, what appears to be a value gap may be merely a value trap. We think this conclusion is mistaken. Although industry volumes are indeed shrinking, for BAT these are more than offset by: (1) the effects of extremely high growth rates in next-generation products (NGPs); (2) unit price increases which are typically inflation-beating, reflecting the industry's extremely strong pricing power; and (3) actual and potential M&A activity.

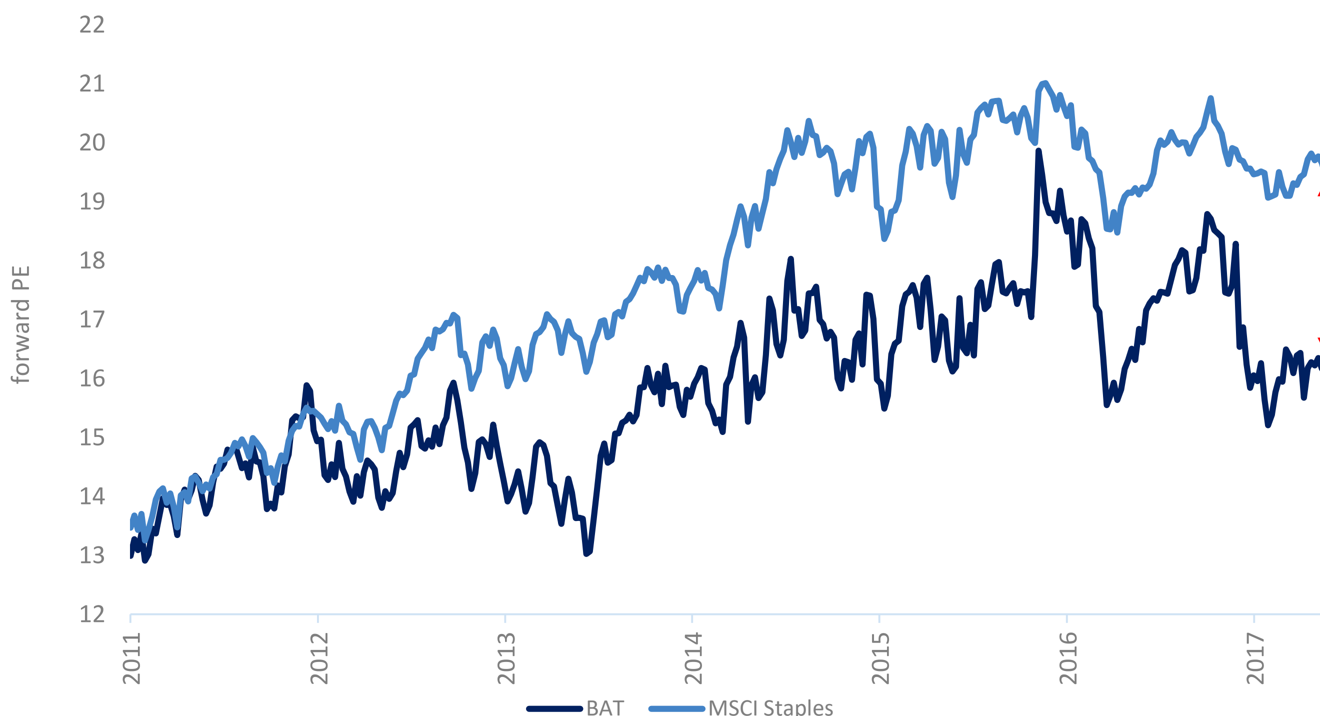
At present NGPs only account for a tiny slice of BAT's revenue, roughly 3.5% of 2018E revenues. Yet, at over GBP1bn this year, BAT's NGPs should more than double their sales levels seen in FY17. Due to this rapid growth, NGP's actually add a c. 2.5% growth tailwind to Group revenues.

From a longer-term perspective, these products could be as much as 40% of BAT's revenue by the early 2030s. While it is true that that is over a decade away, the number illustrates the radical transformation which is afoot in some of the large Tobacco players. BAT's strategy with NGPs is to pursue a "multi-product platform" including e-vapour, hybrid, and heating products. We find this strategy very attractive (compared to, say, Philip Morris's focus on heat-not-burn products) as it gives BAT exposure and experience to a far broader base, which can be ramped-up in focus areas as the NGP industry matures.

Regarding M&A potential, BAT is large enough to be an industry consolidator, but still small enough that there is material scope for acquisitive growth. Excluding China – effectively a closed market – BAT has a c. 23% share of global cigarette volumes. On this metric, BAT is again well placed.

Taken together, the potential for M&A and the extremely high-growth potential of NGP's mean that BAT should deliver good EPS growth for some years to come, and we think management's guidance of 10% p.a. EPS growth looks achievable. In our view, the current share price inordinately reflects the theme and associated negative sentiment of a shrinking tobacco industry, but insufficiently reflects the company-specific countervailing forces of NGPs and M&A potential. In light of these metrics, we decided to reallocate capital from Nestlé to BAT.

Figure 1: BAT versus Staples, an attractive value gap



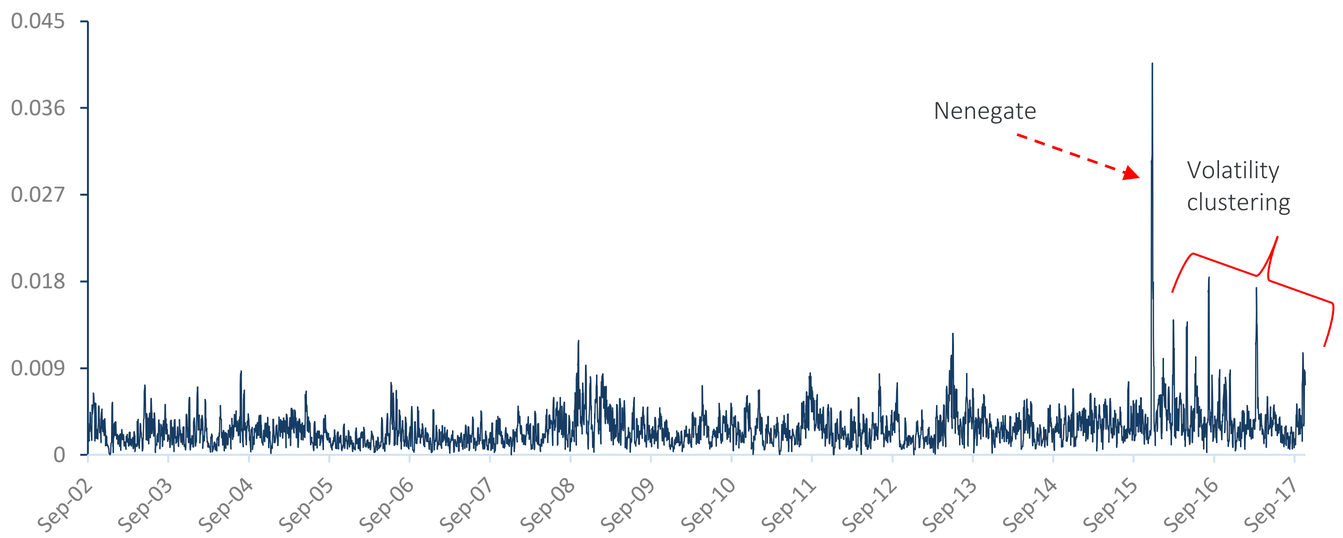
Source: Anchor estimates; Bloomberg

SA BOND MARKET REVIEW

Mpumelelo Kondlo
Fund Management

As we open the new chapter of 2018, we reflect on some of the events that shaped SA's fixed-income environment last year, keeping market participants on their toes. 2017 was characterised by a number of risk factors from the outset which, in one way or another, transpired as the year progressed. The most notable of these included the technical recession which occurred in 1Q17, the cabinet reshuffle that led to the sacking of then-finance minister Pravin Gordhan and his deputy, an attempted vote of no confidence against the president and the move by credit rating agencies that left the country's sovereign debt rating at speculative grade (junk status). These factors led to increased volatility in the market (see Figure 1 below), particularly within the fixed-income space.

Figure 1: Volatility of the ALBI returns



Source: Thomson Reuters and Anchor Capital

The first major spike in the bond market (see Figure 2) during 1Q17 occurred after the cabinet reshuffle that led to the sacking of Gordhan. This caused a sell-off in bonds with the SA 10-year benchmark yields moving from 8.32% to 8.80%. Following news of the cabinet reshuffle, rating agencies Standard & Poor's and Fitch downgraded the country's sovereign debt to sub-investment grade with both agencies citing political instability and the poor growth trajectory as reasons.

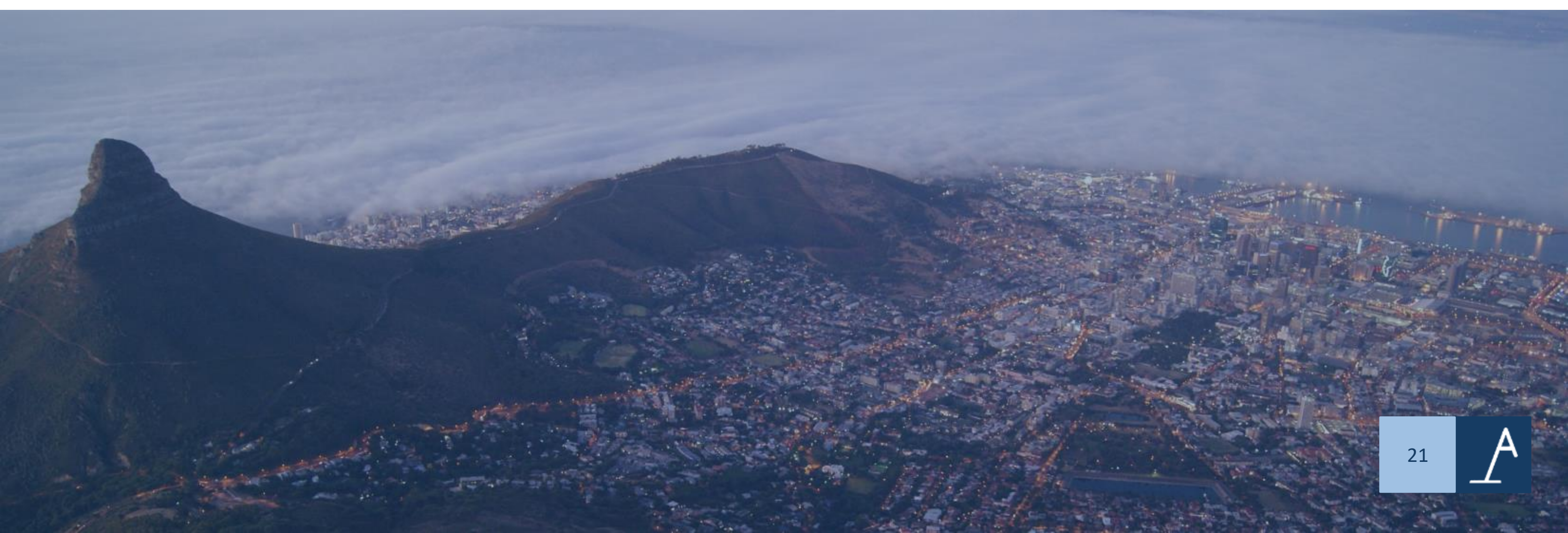
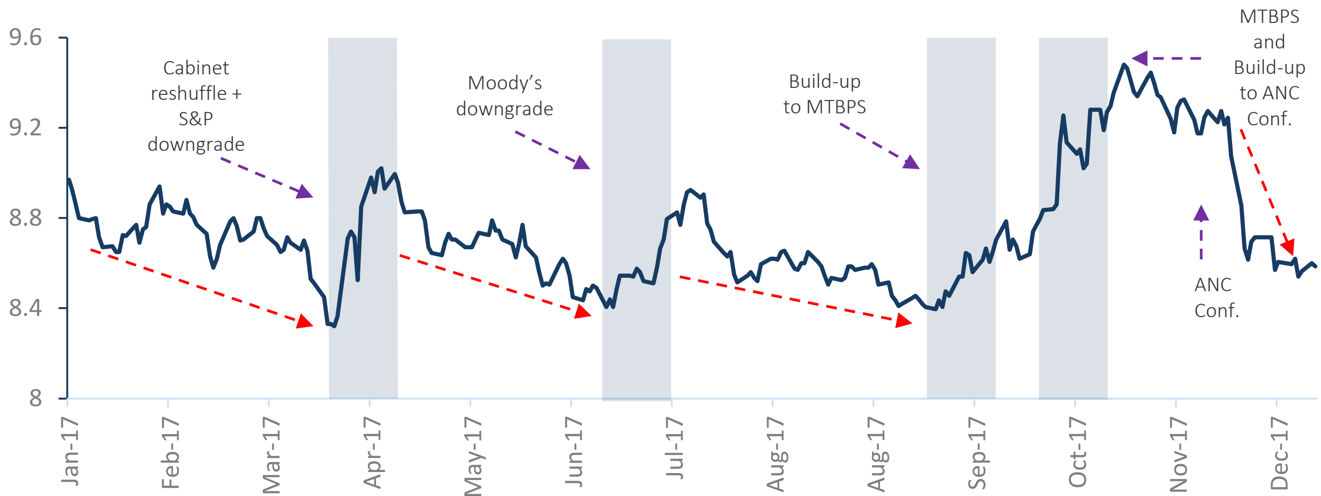


Figure 2: SA 10 Year Benchmark Bond



Source: Thomson Reuters and Anchor Capital

The second spike in our bond market came as a result of the Moody's downgrade towards the end of June 2017. Prior to the Moody's downgrade, we saw bonds rallying back to levels seen before the cabinet reshuffle. This rally was largely in response to positive global sentiment towards EMs as the US dollar – in particular – came under immense pressure during this period. Following the Moody's downgrade, we saw yet another sell-off which was short lived, as the rally continued and bonds recovered again.

It is worth highlighting that during the first three quarters of 2017, there was at most one risk event that took place in each quarter. More importantly, following each spike in bond yields, bonds recovered all their losses back towards where they had started (as shown by the red arrows in Figure 2 above).

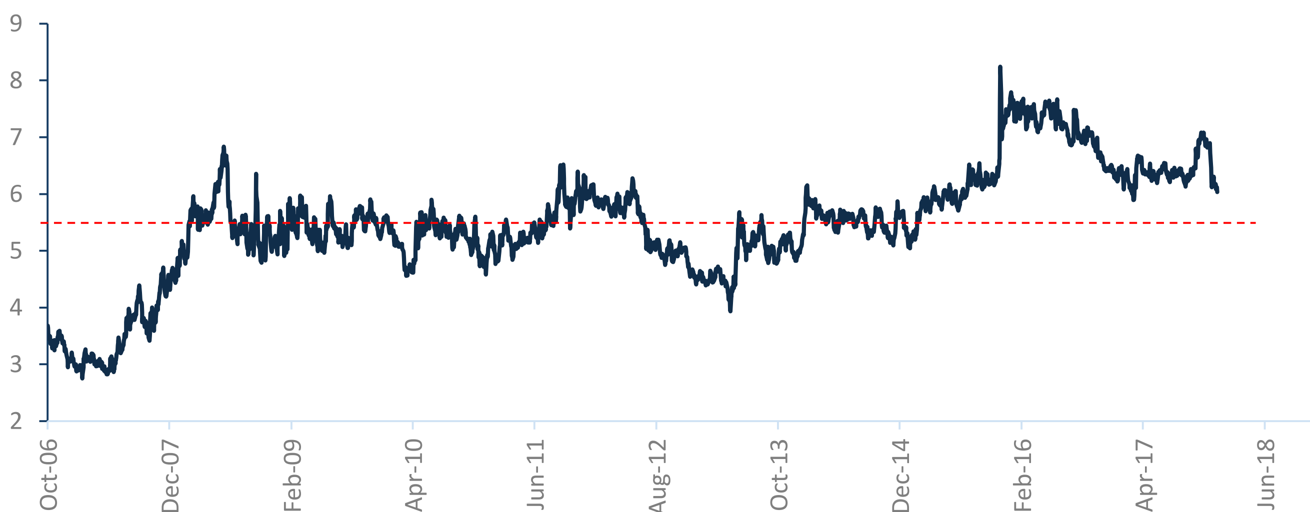
However, in 4Q17, the number of expected risk events increased relative to the previous three quarters and were stacked closer to each other. This explains the persistent sell-off trend observed in 4Q17 leading up to the ANC elective conference. As seen post the ANC elective conference, bonds yet again rallied to end the year stronger than where they started.

Post the Medium-Term Budget Policy Statement (MTBPS) speech, bonds sold-off quite significantly with the 10-year benchmark breaking the 8.40%–8.80% range and moving as high as 9.50%. This came on the back of fears and concerns that SA would have been downgraded by Moody's and Standard & Poor's yet again leading to a removal from the World Government Bond Index (WGBI). However, as it turned out, only Standard & Poor's downgraded SA's local currency to junk status (BB+), while Moody's kept SA's local currency one notch above sub-investment grade (junk status).

In the midst of all these headwinds, SA bonds have produced positive returns for 2017, with the All Bond Index returning 10.19%.

Perhaps the greatest of outcomes in 2017 for the bond market came from the positive news during the December ANC elective conference. After the Ramaphosa victory announcement, bonds strengthened by over 65bps and the strengthening trend continued thereafter. This recovered the losses incurred during the period following the MTBPS.

Figure 3: Spread of SA 10yr over US 10yr bond



Source: Thomson Reuters

It was clear in the first three quarters of 2017 that global events and sentiment towards EMs prevailed over SA-specific events. Thus, on a long-term basis, the evolution of the global environment will play a key role for SA fixed income. We believe that the global investment environment has entered (and continues within) a transitionary state that is different to what has been seen in the past decade.

In principle, any change that will set a new sustainable course does not happen abruptly, but occurs in a very slow manner. What we have seen in the past two years points to this form of transition. Most notably, the occurrence of Brexit in 2016, the push for tax reform in the US, convergence in interest rate policies by major central banks, attempts to normalise balance sheets by central banks, the increased geopolitical tensions that have shifted regions more toward protectionism etc.

Given the above, the appetite for SA bonds will continue as long as the carry and risk premium for holding SA bonds remains attractive. This is clearly seen by the strong rally in SA bonds since Nenegate, which led to the spread between SA bonds and US bonds significantly deviating from its long run average (Figure 3). This further illustrates why SA bonds have had such a strong resilience on the back of every negative local event. That is, on a global scale, SA bonds have been relatively cheap and have been on a correcting trend since the Nenegate saga.

Furthermore, the spreads between SA interest rates and US interest rates have moved significantly away from their long-run average (see Figure 4). We further expect that mean reversion will occur through global yields moving higher, with SA yields decreasing slightly.

Figure 4: US yield curve level

Source: Thomson Reuters

In Figure 4 above, we see the dilemma that the US Fed is heading towards. That is, given where long rates are, the Fed appears to be overly hawkish in its hiking cycle. We are currently penciling three more rate hikes before volatility and risk premia start repricing higher, potentially derailing support for SA bonds.

However, we also note that the Fed has typically stopped hiking each time the 2-year bond yield has been in-line with that of the 10-year bond. Again, we are three hikes away from that point. This forms the basis of our view of higher global rates in the current year, with SA bonds remaining attractive for investors.

Thus, in summary, whilst global interest rates are likely to continue to drift a little higher during 2018, we think that SA bonds are fundamentally cheap and will see some capital gains over the year.

05 PERFORMANCE SUMMARY

	FUND PERFORMANCE							BENCHMARK PERFORMANCE					Performance vs Benchmark
	Start date	Annualised p.a.	Since inception	12 Month	6 Month	3 Month	Dec 2017	Since inception	12 Month	6 Month	3 Month	Dec 2017	
UNIT TRUSTS (Rands)													
Anchor BCI Equity	Apr-13	15.3%	96.6%	8.59%	6.0%	0.6%	-5.0%	72.7%	16.5%	14.9%	8.4%	0.9%	23.9%
Anchor BCI SA Equity	Jan-15	4.1%	12.5%	6.3%	7.2%	2.1%	-3.5%	25.9%	16.5%	14.9%	8.4%	0.9%	-13.4%
Anchor BCI Flexible Income	Jun-15	7.7%	21.3%	7.5%	3.4%	0.6%	0.1%	22.8%	8.5%	4.1%	2.0%	0.6%	-1.5%
Anchor BCI Managed	Jan-15	5.5%	16.9%	9.0%	5.1%	-0.3%	-3.7%	34.0%	9.6%	3.9%	2.1%	0.5%	-17.1%
Anchor BCI Worldwide Flexible	May-13	11.8%	67.6%	2.85%	0.9%	-3.2%	-7.2%	50.5%	8.6%	3.4%	1.8%	0.4%	17.1%
Anchor BCI Property Fund	Nov-15	3.8%	8.4%	12.6%	9.1%	4.0%	1.5%	20.6%	17.2%	14.5%	8.3%	4.2%	-12.2%
Anchor BCI Global Capital Feeder	Nov-15	-5.2%	-11.0%	-7.52%	-5.5%	-7.9%	-8.6%	-4.7%	-7.1%	-3.8%	-7.9%	-8.7%	-6.3%
Anchor BCI Global Equity Feeder	Nov-15	3.7%	8.1%	10.5%	-1.1%	-5.0%	-7.6%	16.7%	11.8%	5.5%	-3.2%	-8.1%	-8.6%
Anchor BCI Bond Fund	Feb-16	11.8%	23.5%	11.6%	6.4%	2.5%	4.7%	21.6%	10.2%	6.0%	2.2%	5.7%	1.9%
Anchor BCI Diversified Stable Fund	Feb-16	7.3%	14.5%	8.3%	4.6%	1.1%	-1.0%	13.2%	8.4%	5.3%	1.5%	-0.5%	1.3%
Anchor BCI Diversified Moderate Fund	Feb-16	6.7%	13.3%	9.3%	5.9%	1.6%	-2.0%	13.0%	9.3%	6.4%	1.8%	-1.5%	0.3%
Anchor BCI Diversified Growth Fund	Feb-16	6.1%	12.0%	10.5%	7.5%	2.2%	-2.5%	14.1%	10.0%	7.4%	2.2%	-1.8%	-2.1%
Anchor BCI Africa Flexible Income	Mar-16	3.7%	6.8%	3.5%	2.9%	-1.8%	-3.3%	18.2%	9.5%	4.6%	2.3%	0.7%	-11.4%
EQUITY NOTES & SEGREGATED MANDATES													
Anchor Equity	Jul-13	12.1%	67.4%	3.0%	5.2%	1.5%	-4.5%	71.4%	16.5%	14.9%	8.4%	0.9%	-4.0%
Growing Yield	Jun-12	13.2%	97.7%	4.6%	0.2%	-4.0%	-4.4%	72.6%	9.6%	3.9%	2.1%	0.5%	25.0%
HEDGE FUNDS (Rands)													
Long Short Equity	Mar-13	9.0%	50.8%	3.8%	1.1%	-1.3%	-3.3%	43.7%	9.1%	4.4%	2.1%	0.7%	7.1%
Property Long Short	Jan-14	13.2%	64.3%	11.5%	6.9%	1.2%	-0.5%	41.0%	9.7%	4.6%	2.3%	0.8%	23.4%
OFFSHORE													
High Street Equity – Dollars	Jun-12	14.2%	107.4%	27.9%	8.8%	6.4%	1.9%	95.5%	23.1%	10.9%	5.6%	1.4%	11.9%
High Street Equity – Rands	Jun-12	23.0%	212.4%	15.6%	2.6%	-2.4%	-7.4%	195.8%	11.0%	5.2%	-3.3%	-8.3%	16.6%
Offshore Balanced – Dollars	Jun-12	11.8%	84.8%	21.5%	6.4%	4.4%	1.3%	58.5%	16.2%	7.6%	3.9%	1.0%	26.2%
Offshore Balanced – Rands	Jun-12	20.5%	179.0%	9.8%	0.4%	-4.2%	-7.9%	140.3%	4.9%	2.1%	-4.9%	-8.6%	38.6%
Global Dividend- Dollars	Jan-14	10.7%	49.1%	25.7%	9.5%	5.5%	2.5%	45.3%	23.1%	10.9%	5.6%	1.4%	3.8%
Global Dividend – Rands	Jan-14	13.8%	65.8%	13.6%	3.3%	-3.2%	-6.9%	61.9%	11.0%	5.2%	-3.3%	-8.3%	4.0%
Anchor Sanlam Global Capital Plus – Dollars	Mar-15	-0.3%	-0.7%	4.5%	1.1%	0.5%	0.5%	7.4%	3.0%	1.5%	0.8%	0.3%	-8.1%
Anchor Sanlam Global Capital Plus – Rands	Mar-15	0.5%	1.2%	-5.8%	-4.1%	-8.0%	-9.1%	9.6%	-7.2%	-3.9%	-8.0%	-9.4%	-8.4%
Anchor Sanlam Global Equity – Dollars	May-15	8.9%	24.9%	24.6%	5.9%	3.2%	1.0%	23.4%	24.0%	11.2%	5.7%	1.6%	1.6%
Anchor Sanlam Global Equity - Rands	May-15	9.8%	27.4%	12.4%	0.5%	-5.5%	-8.6%	25.8%	11.8%	5.5%	-3.2%	-8.1%	1.6%

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