

A photograph of a boat's hull on the water. The hull is dark blue with a white stripe. A white, semi-transparent mesh is overlaid on the right side of the image, covering the boat's hull and the water. The mesh has a complex, organic pattern. The background shows a clear blue sky and distant land.

**WHERE
WILL THE
MONEY
BE MADE?**

ANCHOR

ANCHOR ASSET MANAGEMENT

NEIL BROWN



ANCHOR



**WHERE WILL
THE MONEY
BE MADE?**

AGENDA



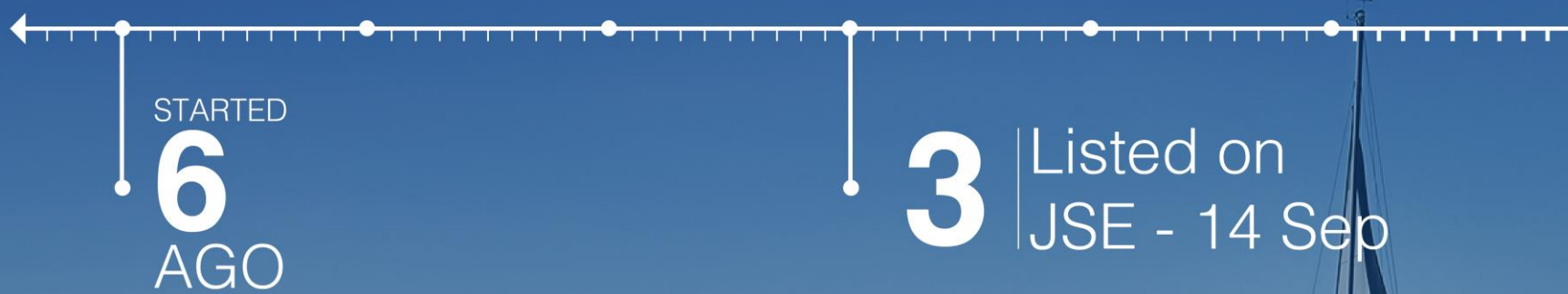
Q&A

FIXED INCOME

ANCHOR EQUITIES

GLOBAL OVERVIEW

ANCHOR



R50bn

under Management and Advice



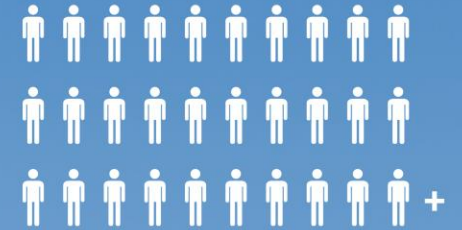
6 OFFICES



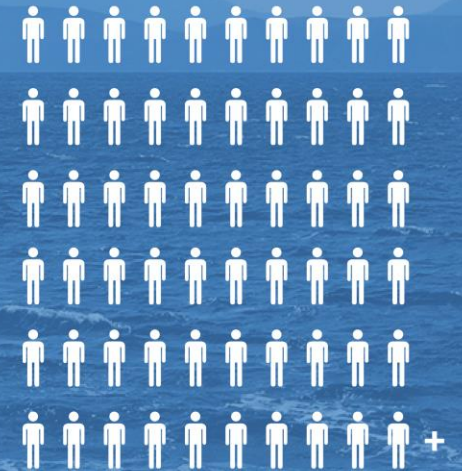
**+20 ANALYSTS
AND FUND
MANAGERS**



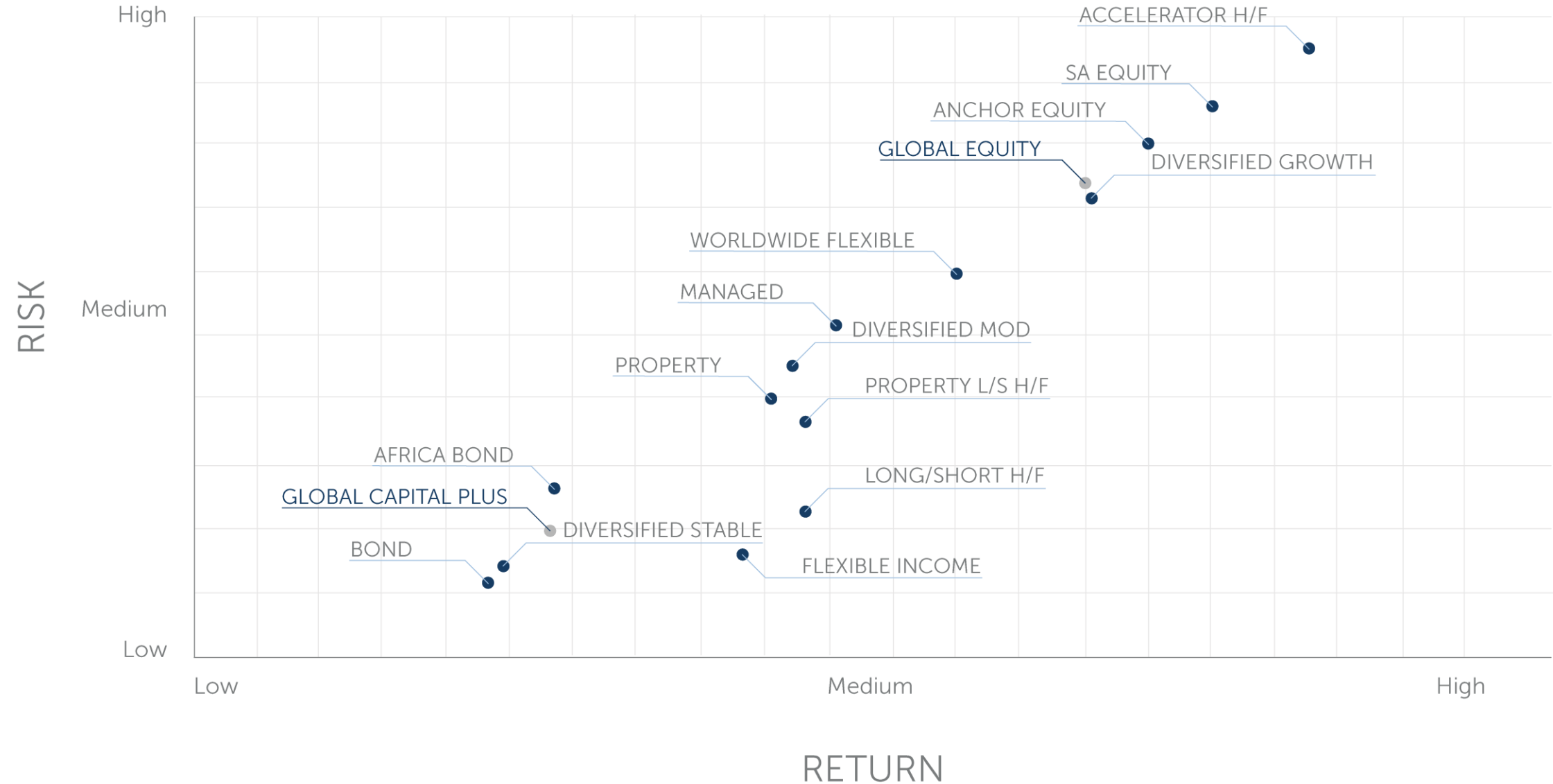
**+30 CAS
AND CFAS/CFA
CANDIDATES**



OUT OF **226** PEOPLE



CIS PORTFOLIOS



SEGREGATED MANDATES





**PETER
ARMITAGE**

ANCHOR

WHAT I TOLD MY SON

Compounding

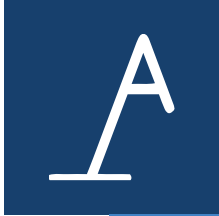
Avoid bullets

Buy great
businesses and
keep them

Buy property – gear
against certain
assets



ASSET ALLOCATION



ASSET CLASS	BENCHMARK WEIGHT	CURRENT STANCE			EXPECTED RETURNS
		UW	N	OW	
LOCAL	100%				
Equity (ex Prefs)	65%				12%
Bonds	20%				8%
Property	8%				11%
Preference Shares	2%				11%
Cash	5%				7%
Alternatives	0%				9%
OFFSHORE	100%				
Equity	65%				11%
Government bonds	5%				5%
Corporate credit	15%				6%
Property	10%				10%
Cash	5%				5%
Alternatives	0%				4%

MANAGED FUND – WHERE HAVE WE MADE THE MONEY



Outperformers

Key winners

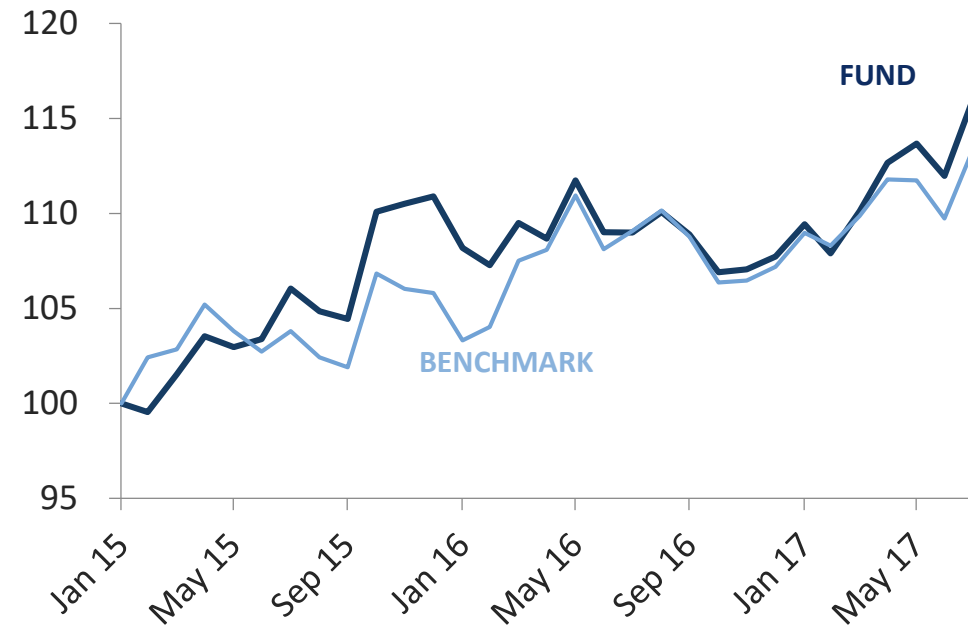
- Direct offshore +4.4%
- Greenbay +1.7%
- Diversified Miners +1.0%

Key detractors

- Underweight Naspers -7.1%
- British American -0.6%
- Richemont -0.5%

Top quartile performance

3,6 AND 12 MONTHS



HOW CURR-IOUS...



Curro share price



GREENBAY – THE EPITOME OF PACKAGING



Greenbay Share Price vs Shares in Issue



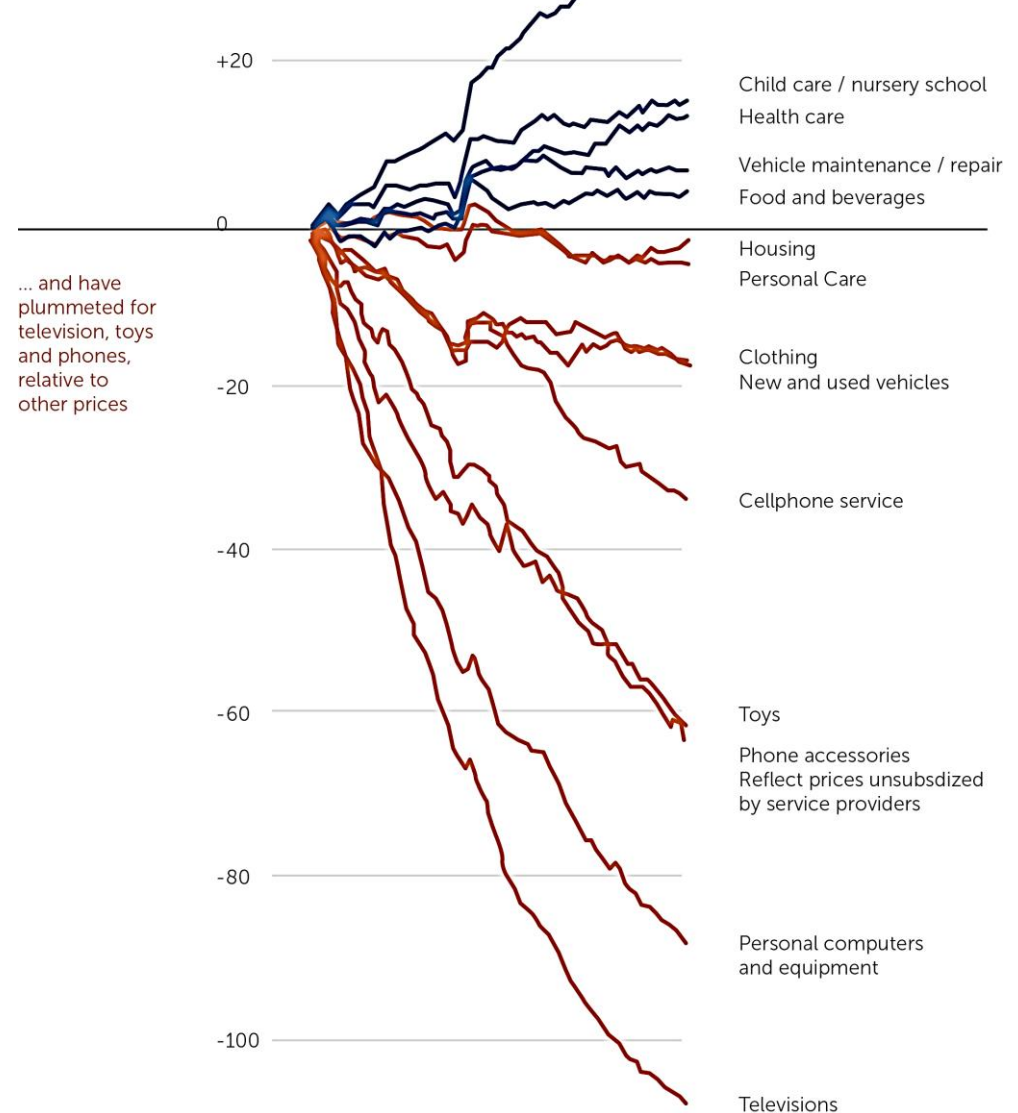
EVOLVING WORLD 1

- Inflation stubbornly low ...
- ... due to globalisation and technology
- Convenience and lifestyle cheaper and cheaper
- Education and healthcare much more expensive

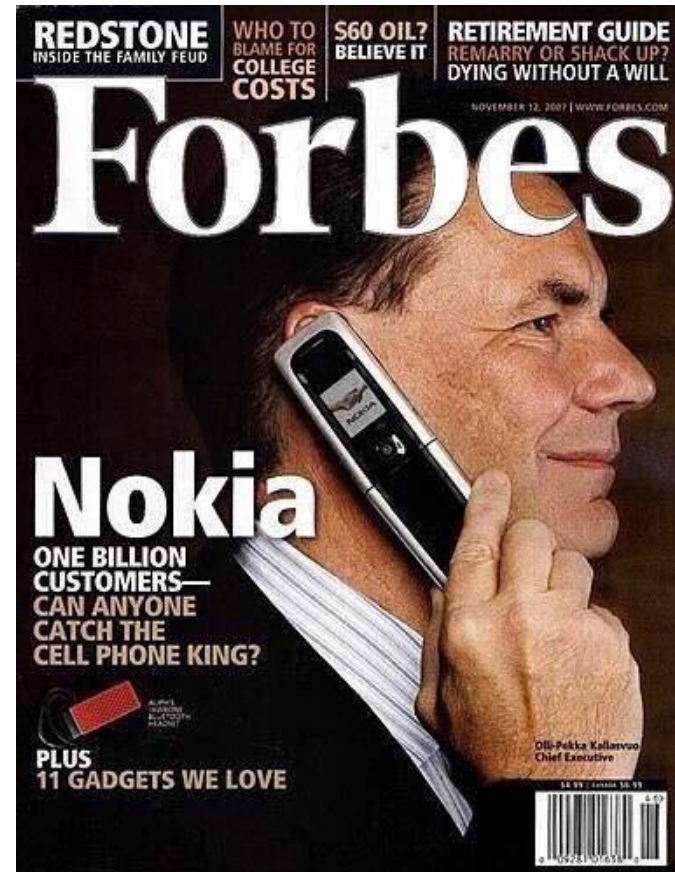
Costs for Americans

... have soared for education, child care and health care

+40 pct. pts.
Change in prices relative to a 23% increase in prices for all items, 2005 - 2014



EVOLVING WORLD 2 – JUST BECAUSE IT IS, DOESN'T MEAN IT WILL BE



EVOLVING WORLD 2 – ITS ABOUT THE ZETTABYTES

Figure 8.4: Number of US malls bu quality

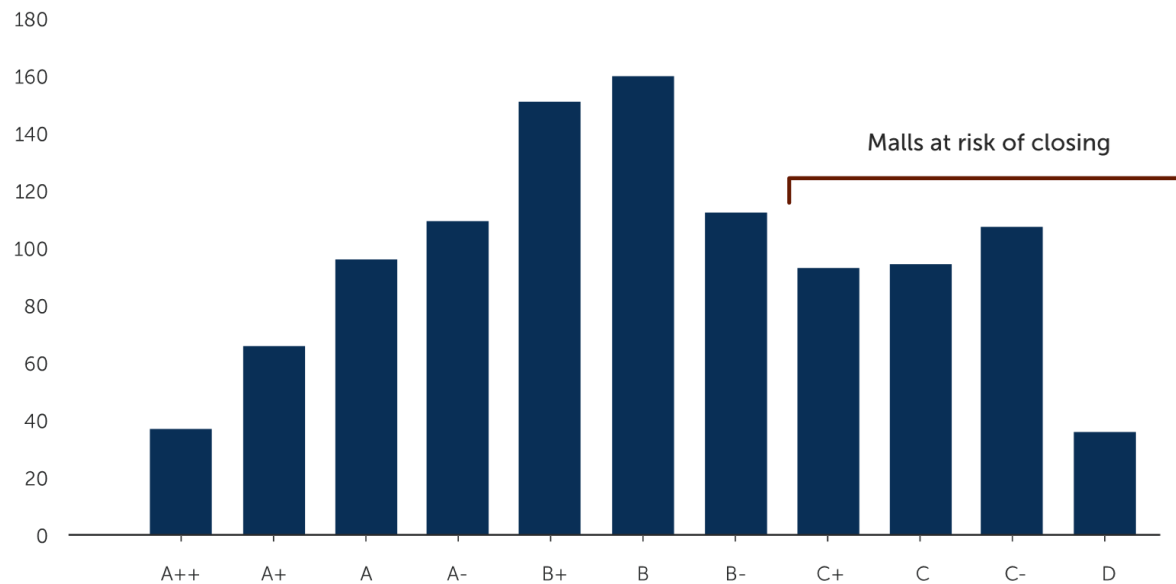
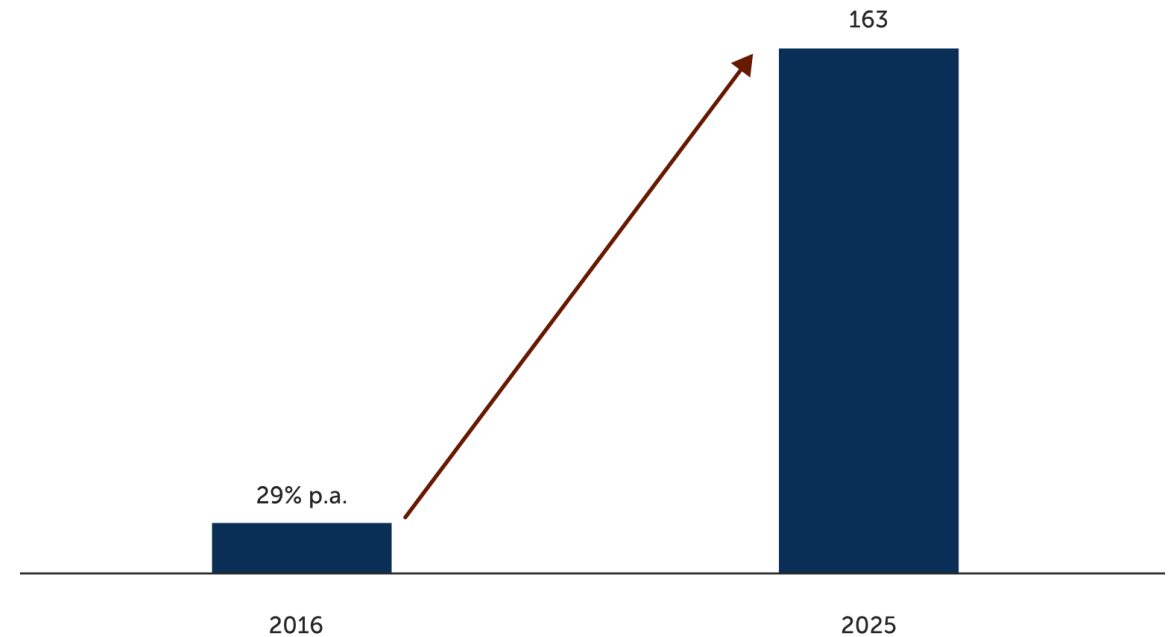


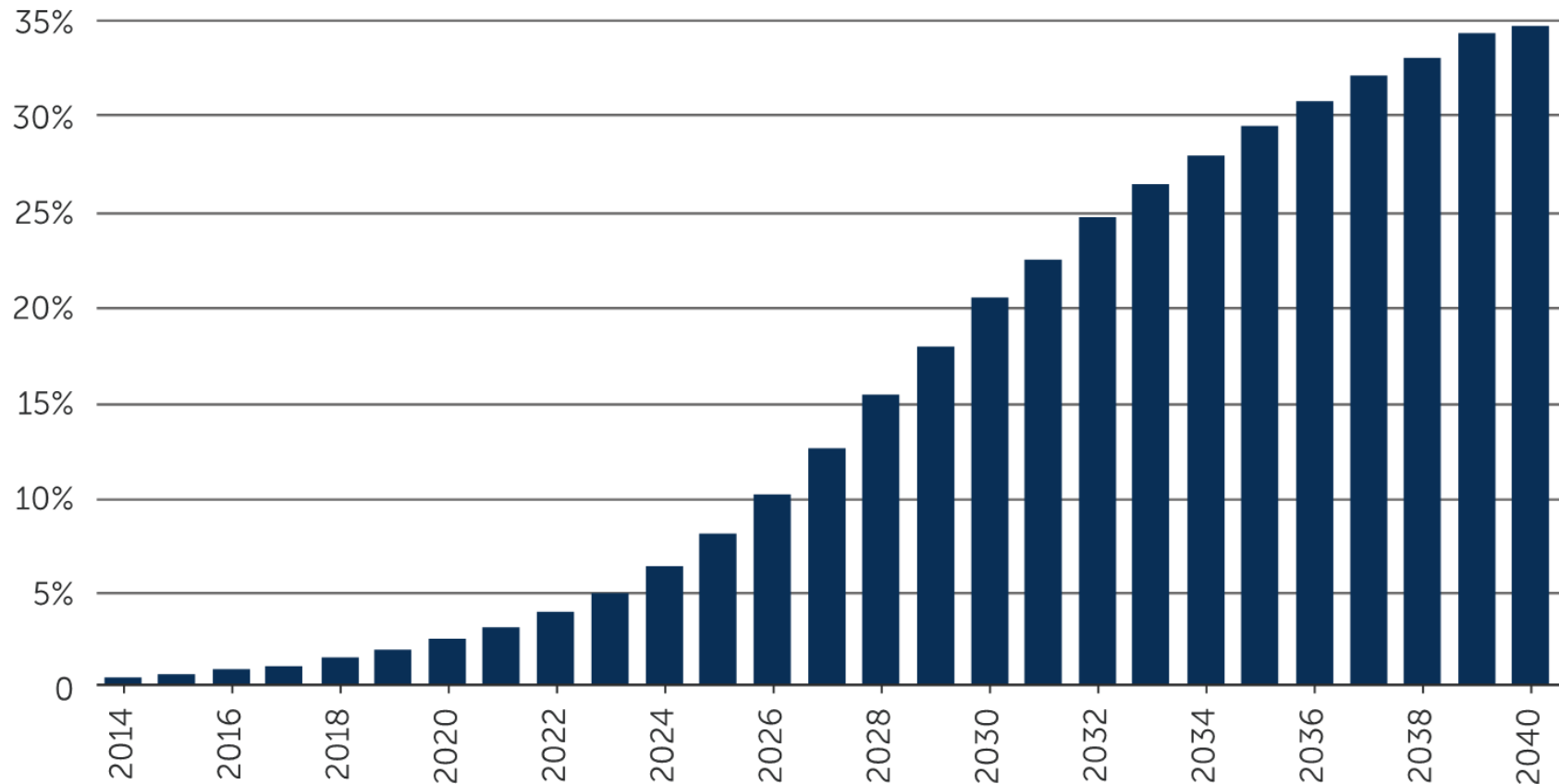
Figure 8.5: Size of global datasphere in zettabytes



EVOLVING WORLD 3 – TECHNOLOGICAL CHANGE



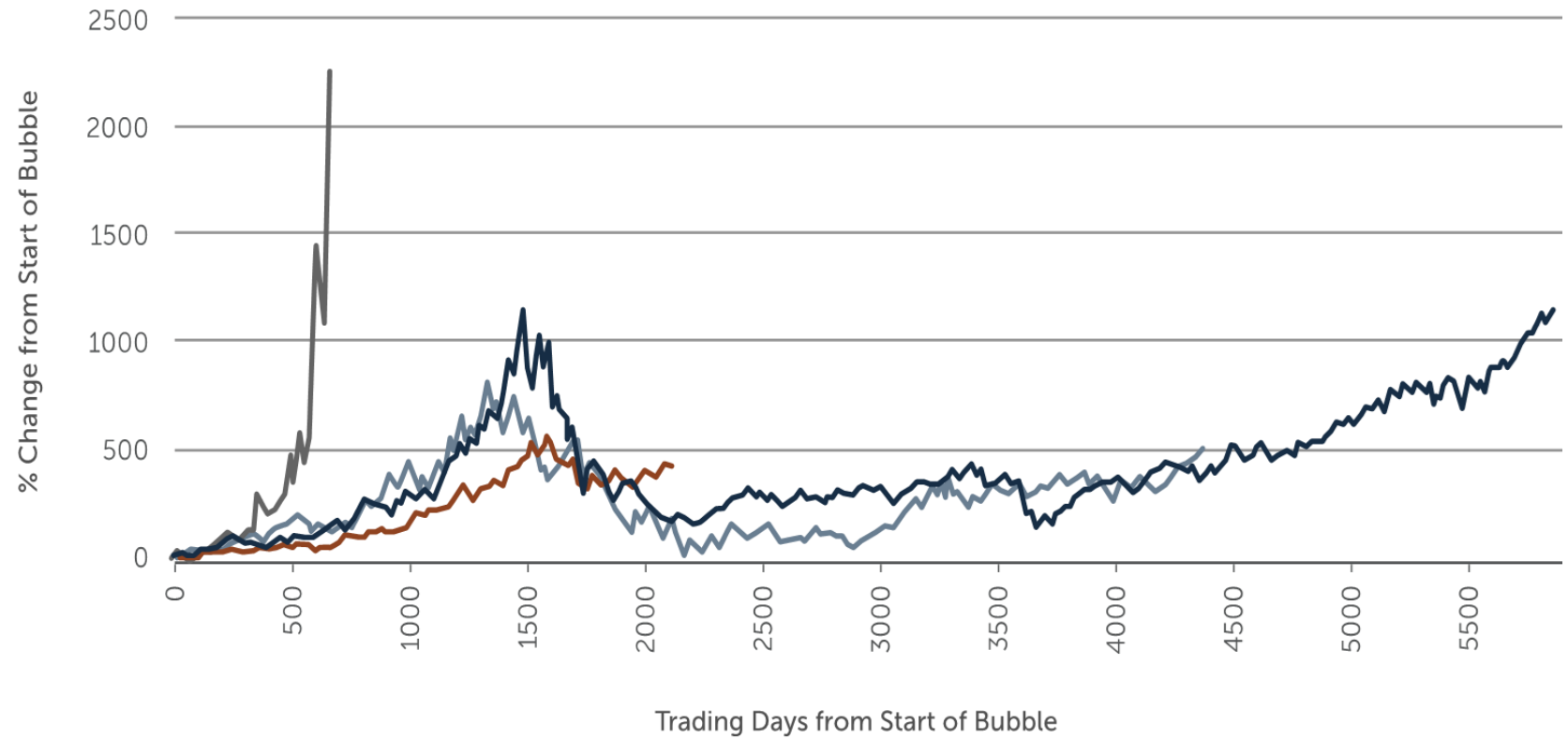
Electric Vehicles Are Grabbing market Share
They'll account for 35% of all new vehicles sales by 2040



EVOLVING WORLD 4

Bitcoin would be
the eighth
biggest
company on the
JSE

BUBBLES MORE ACCESSIBLE



- Technology (Since 1994)
- Homebuilders (Since 2000)
- Bitcoin (Since 2015)
- Biotech (Since 2009)

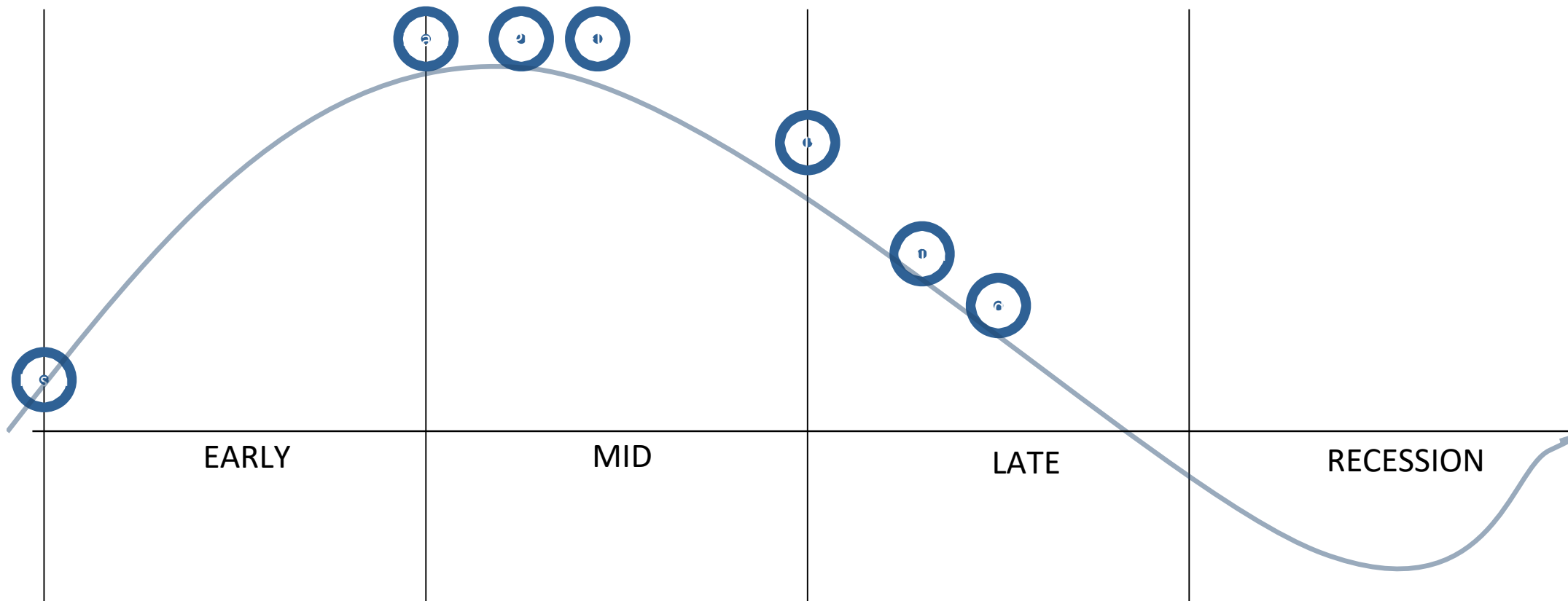
SYNCHRONISED WORLD GROWTH



	2016A	2017E	2018E
GDP Growth (on prior year)			
World	3.2	3.5	3.5
USA	1.5	2.3	2.3
China	6.7	6.8	6.4
Euro Area	1.8	2.2	1.9
SA	0.3	0.6	1.3
Inflation (year average)			
USA core PCE	1.8	1.6	1.8
EU CPI ("HICP")	0.2	1.5	1.4
SA headline CPI	6.3	5.1	5.3
Interest Rates (year end)			
Fed funds	0.75	1.50	1.75
Number of Fed hikes	1	3	1
Us 10 Yr Govt Bond	2.44	2.40	2.55
SA 10 Yr Govt Bond	8.92	8.60	8.75
Currency (year-end)			
USDZAR	13.74	13.75	14.30
EURUSD	1.05	1.18	1.18

STILL TIME IN THE BUSINESS CYCLE

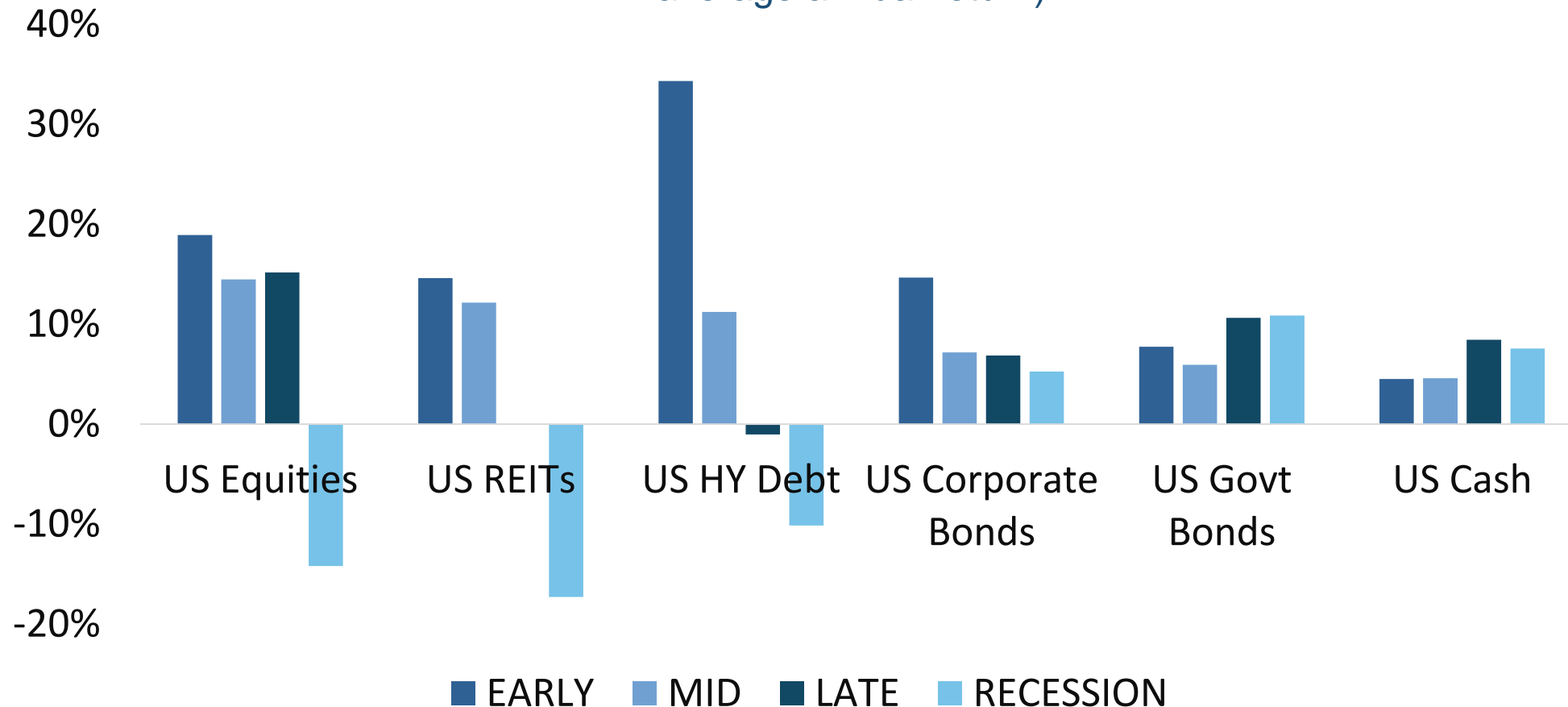
Major economies at different stages of their respective business cycles



WE DON'T THINK US EQUITIES ARE OVER-VALUED



US asset class performance across business cycle phases (1974 – 2016;
average annual return)

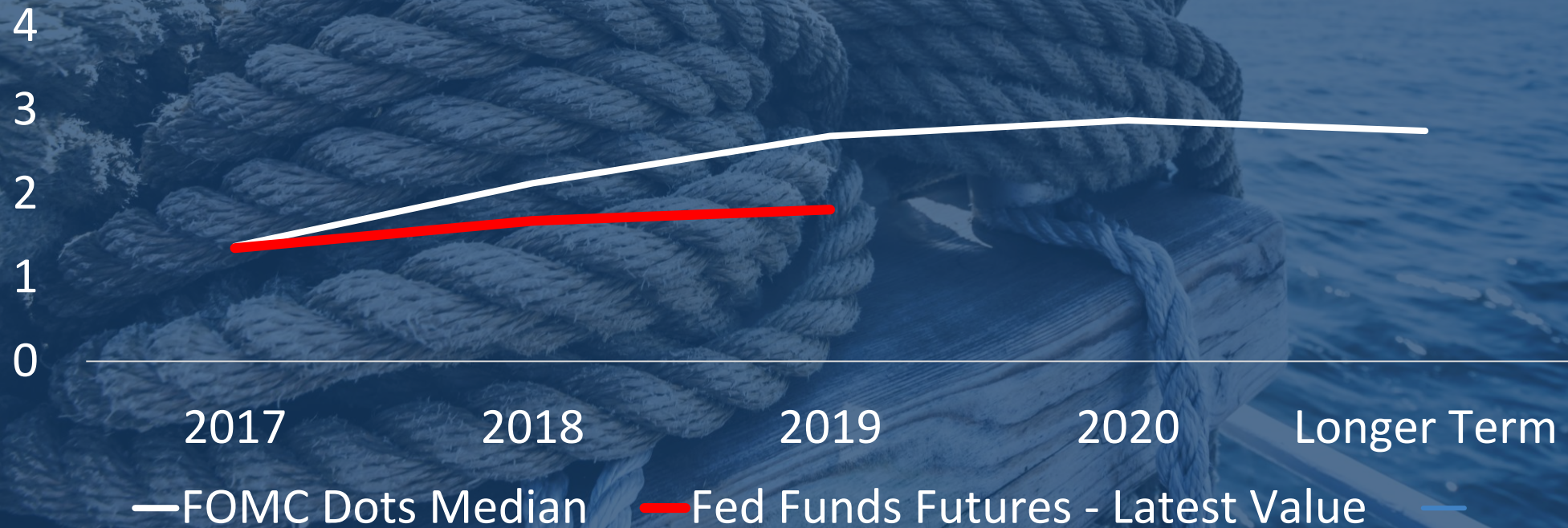


GLOBAL MACRO RISKS

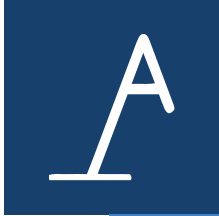



US FED HIKING CYCLE

US Fed Dot Plot vs Market Expectations



ROCKET MAN



A fleet of several white sailboats with large white sails is sailing on a blue ocean under a clear blue sky. The image has a semi-transparent blue overlay. Centered over the image is the text "SA FACING OPPOSING RISKS" in a bold, white, sans-serif font.

SA FACING OPPOSING RISKS



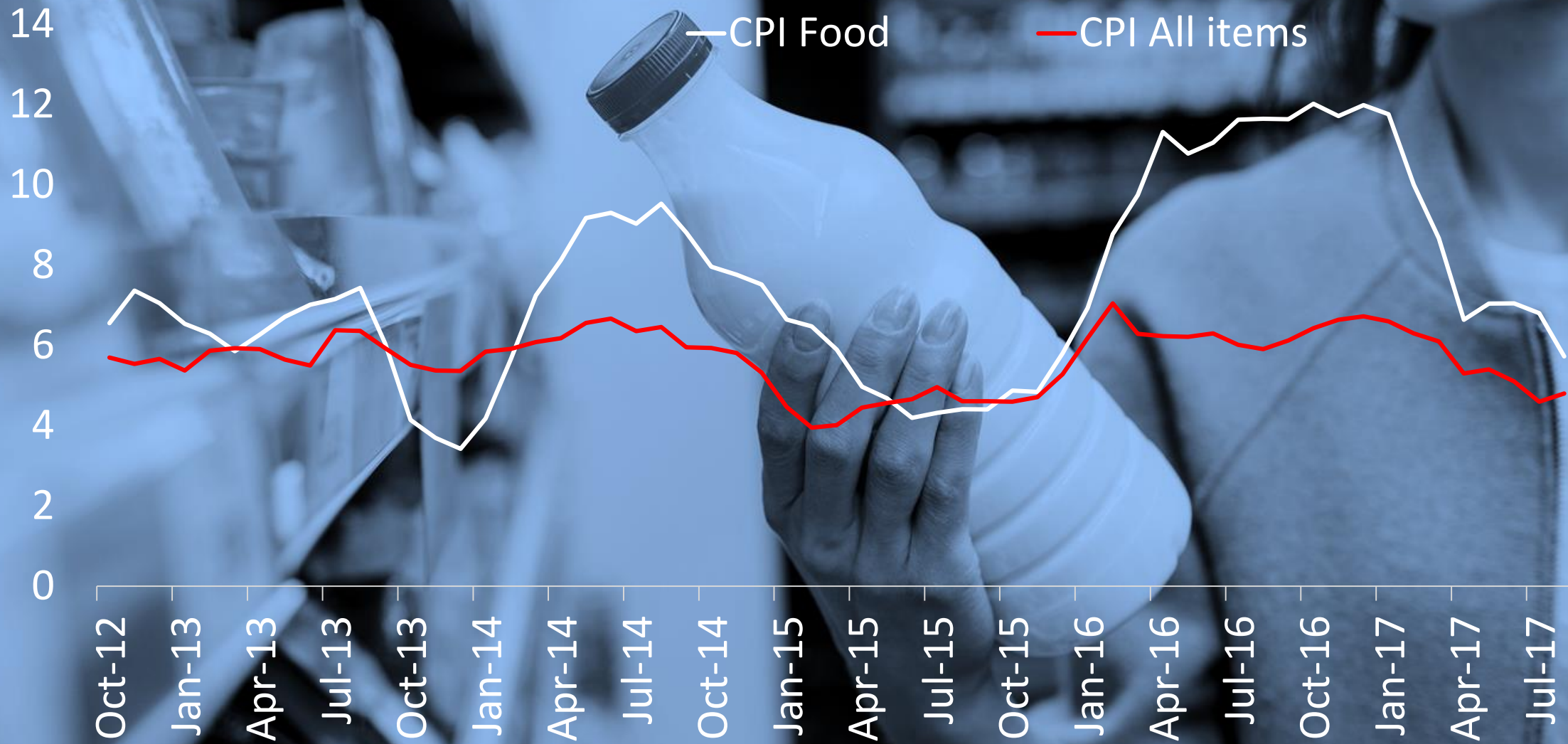
SA politics



Reaction to cabinet shuffle



Reaction to cabinet shuffle



Inflation bottoming out



EXPECTED
BUDGET DEFICIT
R78bn

1% INCREASE IN
VAT RAISES
R22bn

TOP MARGINAL
RATE TO 50%
RAISES
R5bn

CORRUPTION
ESTIMATED AT
R80bn – R100bn

Perilous fiscal position



Currency risk

EQUITIES

SEAN ASHTON



ANCHOR



Because of these risks we're neutral on SA equities –
don't want to take a big bet on the outcome of the risks



Nimble and can move quickly in response to the outcome of the risk factors – watching closely

PORTFOLIO POSITIONING FOR EACH OUTCOME



POSITIVE OUTCOME FOR SA

Retailers

Banks

SA inc

NEGATIVE OUTCOME FOR SA

Rand hedges

Direct offshore

ANCHOR BCI EQUITY FUND – WHERE HAVE WE MADE THE MONEY



Outperformers

Key winners

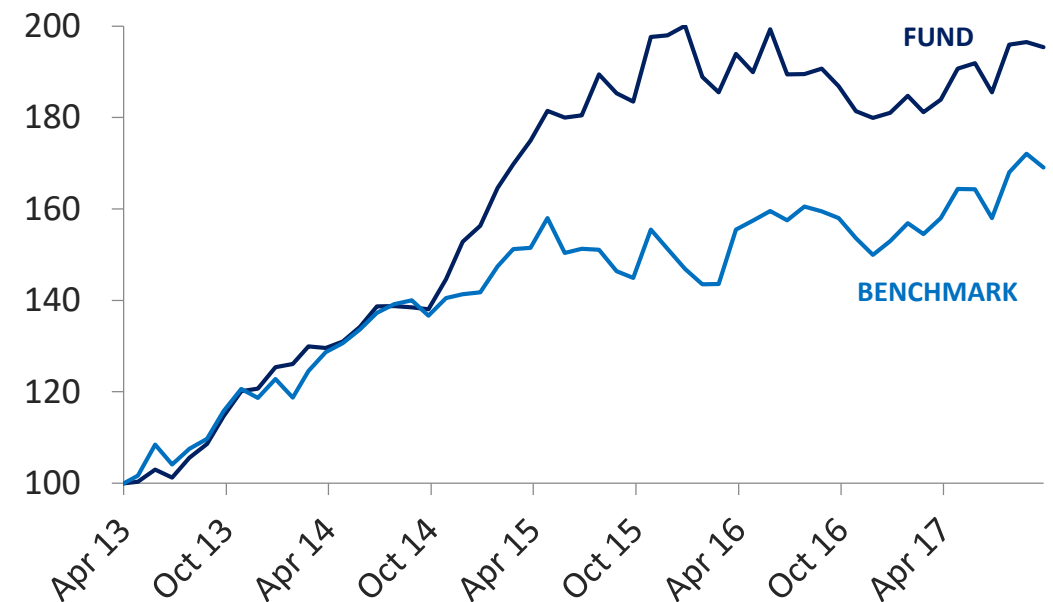
- Diversified miners +1.3%
- Direct offshore +3.8%
- Reinet > BTI +1.4%

Key detractors

- Underweight Naspers -3.1%
- Rhodes Food Group -0.8%
- Sun International -0.4%

Top quartile performance

3,6 AND 12 MONTHS



SO WHERE WILL THE MONEY BE MADE?



EQUITIES

LOCAL

- Less about sectors, more about stocks
- High conviction ideas – Exxaro;
RMI/OML
- We still like Naspers

OFFSHORE

NASPERS: TRADING AT A BIG DISCOUNT

SUM OF THE
PARTS
R4 895

CURRENT
SHARE PRICE
R3 196

DISCOUNT 35%

TENCENT
12-MONTH
RETURN

NASPERS DISCOUNT TO TOTAL
SUM OF PARTS

	20%	25%	30%	35%	40%
0%	22%	15%	7%	0%	-8%
10%	34%	25%	17%	9%	-0%
20%	45%	36%	27%	18%	9%
30%	56%	46%	37%	27%	17%
40%	68%	57%	47%	36%	26%

OLD MUTUAL PLC: AWAITING THE UNLOCK

VALUE OF OML
R44.73

CURRENT SHARE
PRICE
R35.78

POTENTIAL
UPSIDE
25%

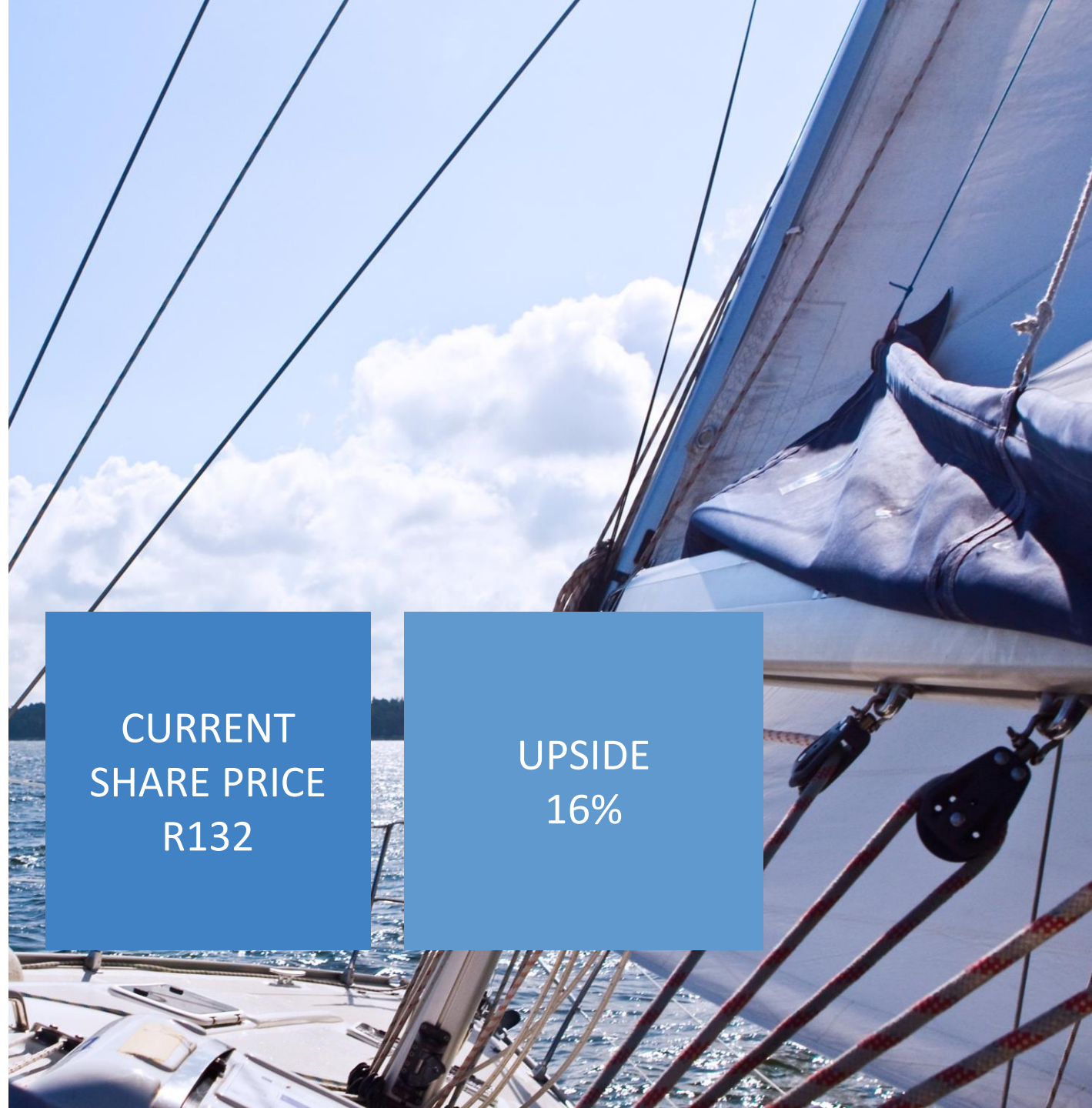
EXXARO: SISHEN COMES FREE

TOTAL SUM OF
THE PARTS VALUE
R152

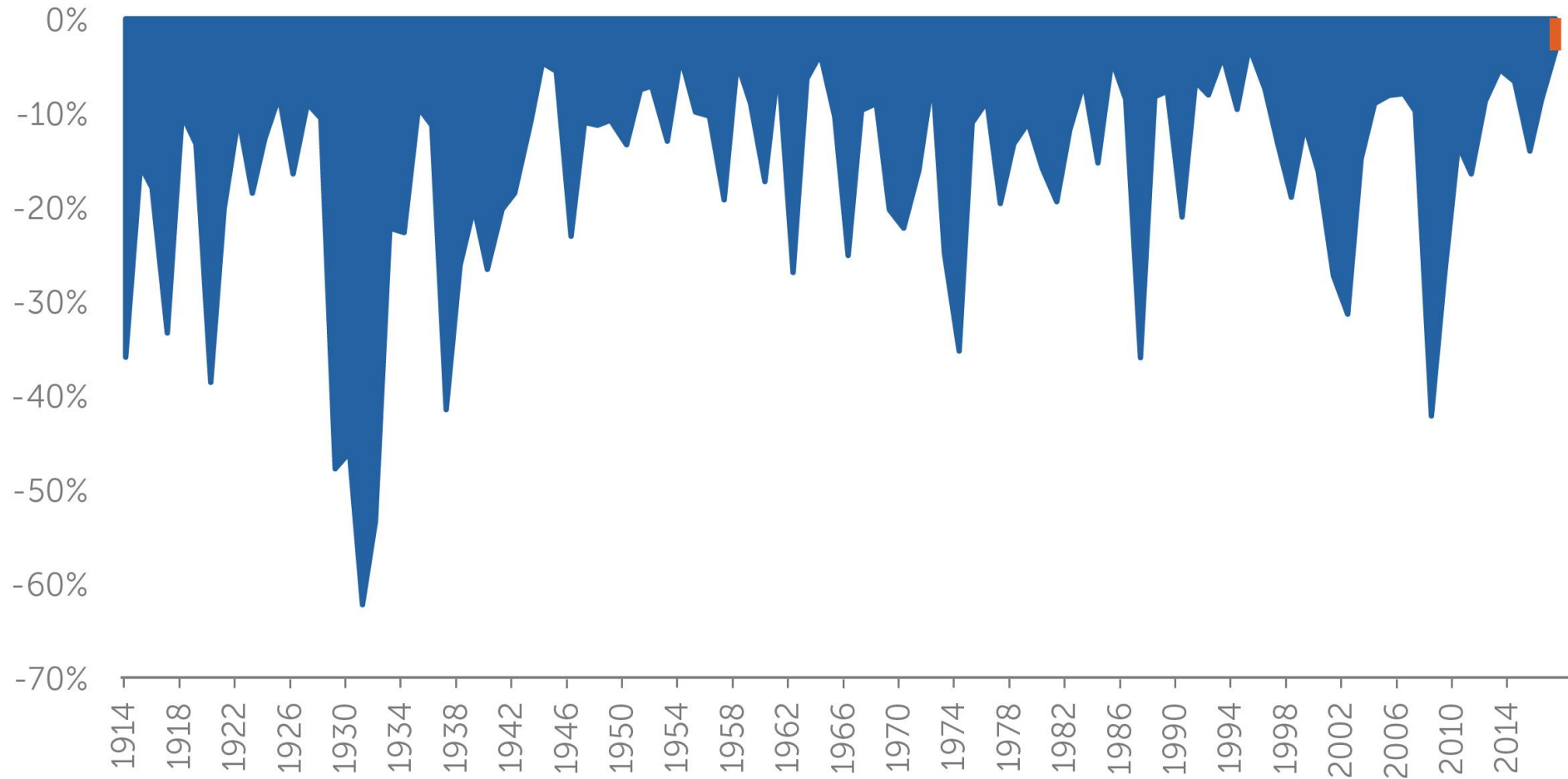
VALUE WITHOUT
SISHEN
R97

CURRENT
SHARE PRICE
R132

UPSIDE
16%



VOLATILITY HAS BEEN LOW

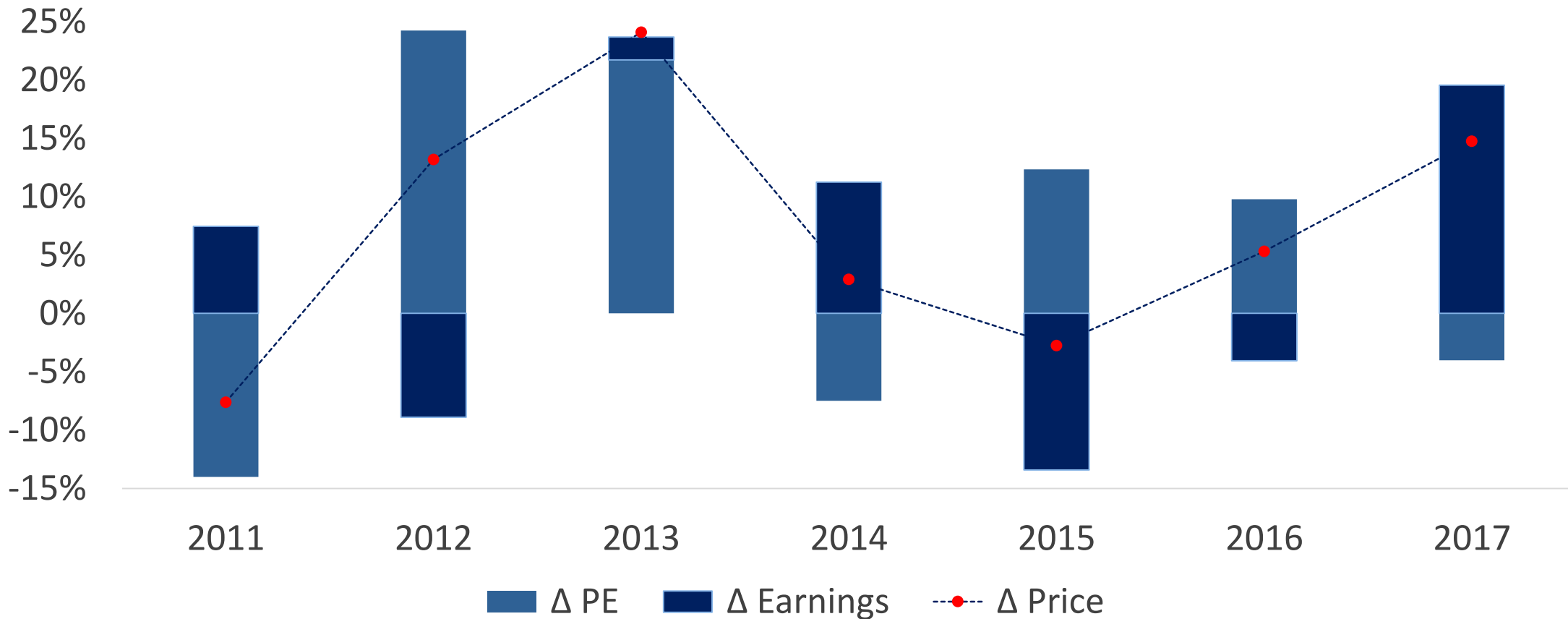


GLOBAL EQUITIES LOOK REASONABLE

VALUE



MSCI World – Earnings and PE components of price changes, by calendar year



EUROPEAN BANKS STILL A GOOD WAY TO PLAY EUROPEAN RECOVERY



Credit Agricole Share Price



EM RUNNING HOT

MSCI EM relative to MSCI World



SO WHERE WILL THE MONEY BE MADE?



EQUITIES

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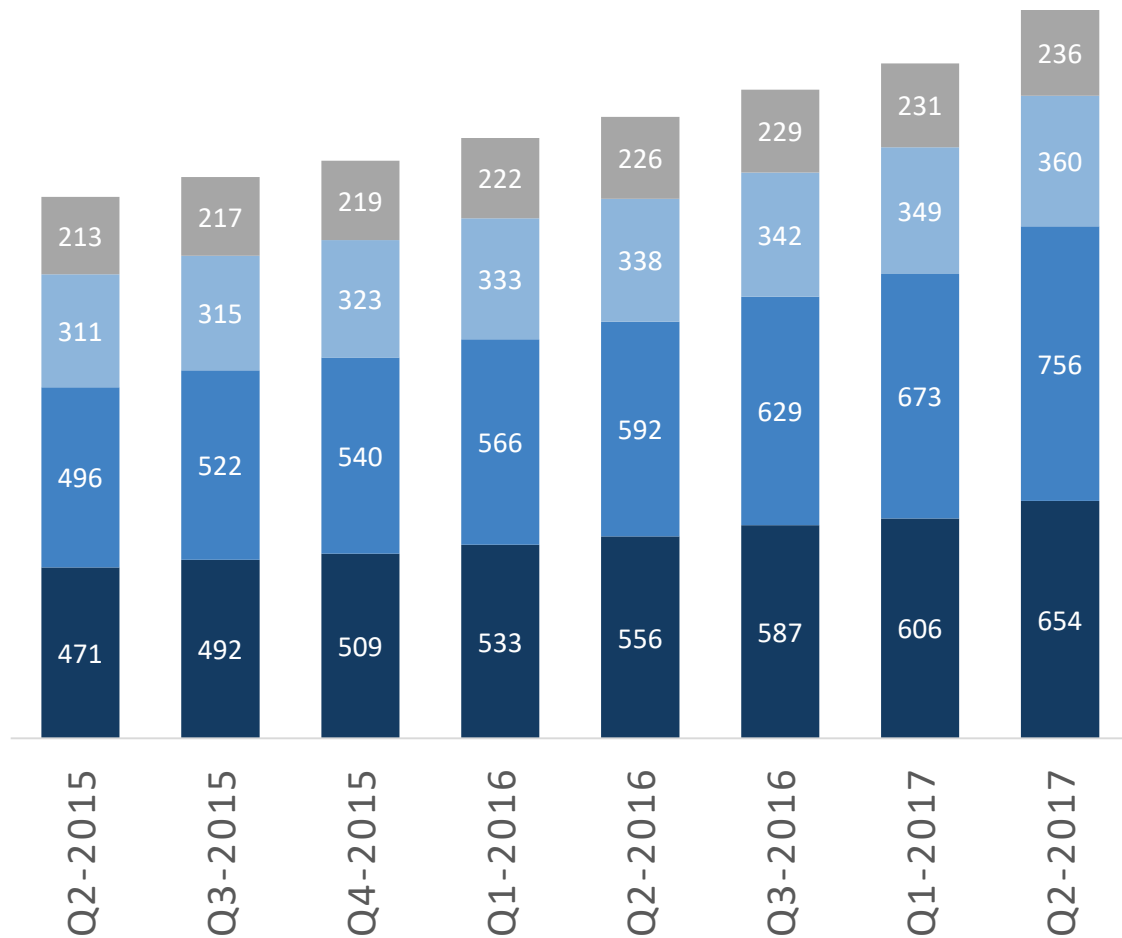
OFFSHORE

- Prefer equities over bonds
- US tech – Priceline and Facebook
- Euro banks – Credit Agricole
- Bottom up – Hastings; Beacon; Yoox-Net-A-Porter

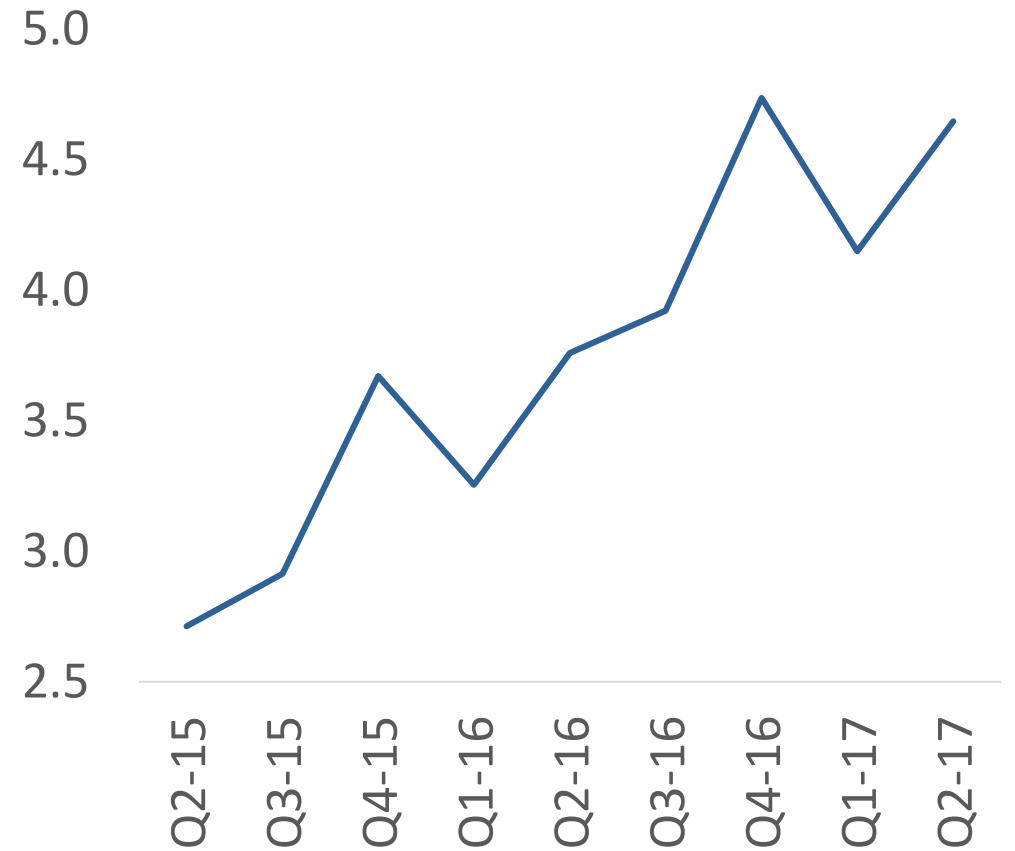
FACEBOOK



■ Rest of World ■ Asia Pacific ■ Europe ■ US & Canada



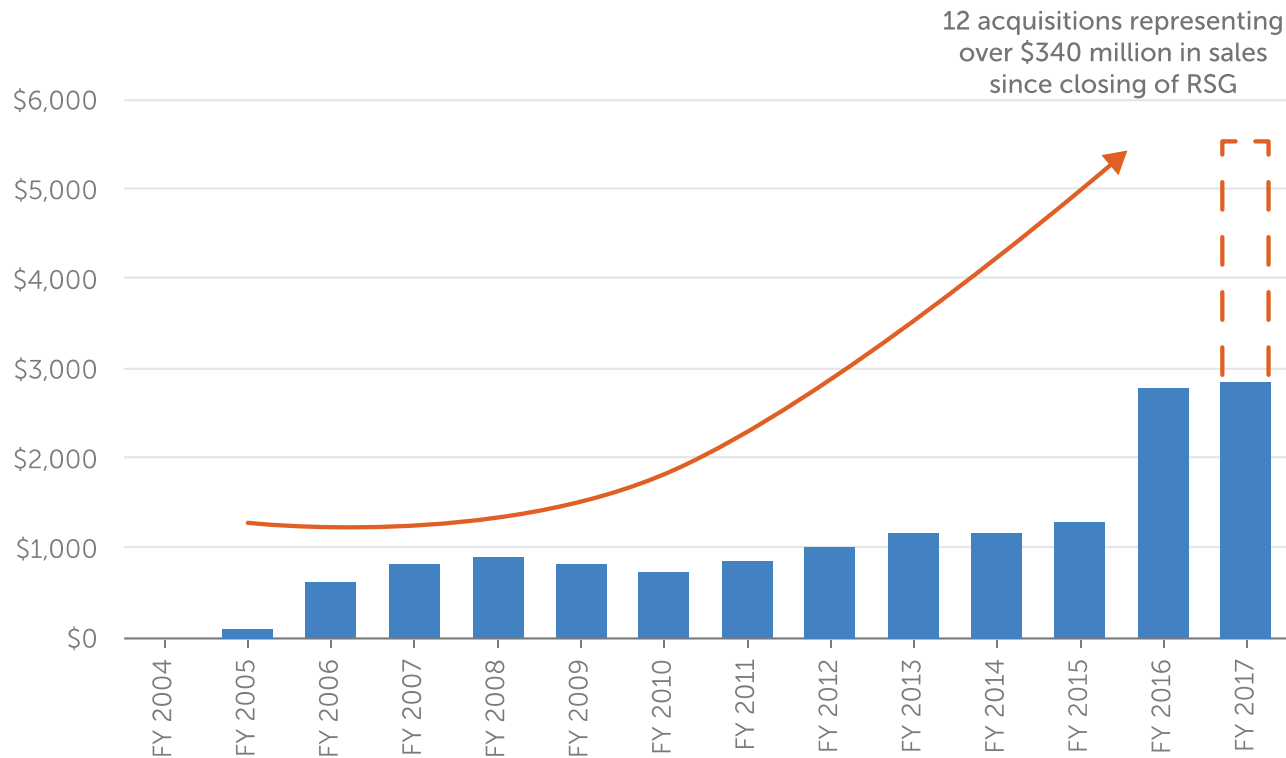
ARPU (\$)



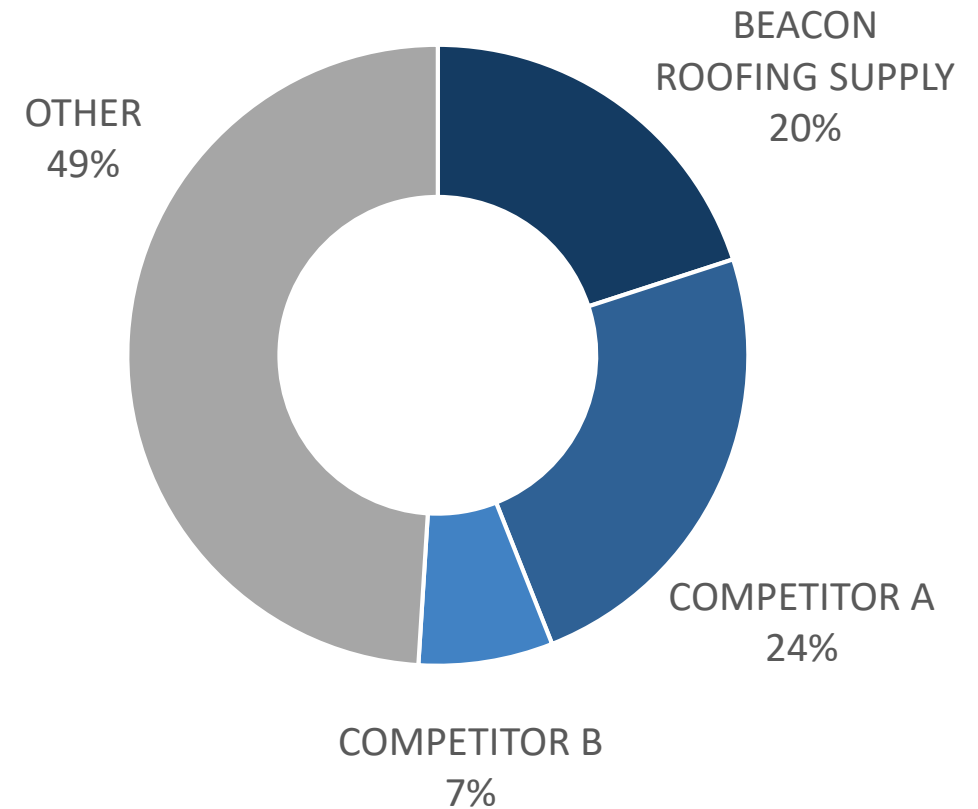
MARKET CONSOLIDATORS: BEACON ROOFING SUPPLY



REVENUE CONTRIBUTIONS OF ACQUISITIONS OVER TIME



ROOFING MARKET REMAINS FRAGMENTED



FIXED INCOME

NOLAN
WAPENAAR



ANCHOR

A scenic view of a coastline with mountains and a rocky shore. The image shows a wide expanse of blue water in the foreground, with white foam from waves crashing against a rocky shore on the right. In the background, there are dark, silhouetted mountains under a blue sky with scattered white clouds. The overall tone is cool and serene.

LOCAL FIXED INCOME

STRONG SA BOND MARKET DESPITE OURSELVES



ALL BOND INDEX



SA FACING POSTIVE AND NEGATIVE FACTORS



POSTIVE FOR SA FUTURE

Rate cuts

Political outcome

Higher economic growth expected

Rating pressure abating

Prescribed assets politically untenable

NEGATIVE FOR SA FUTURE

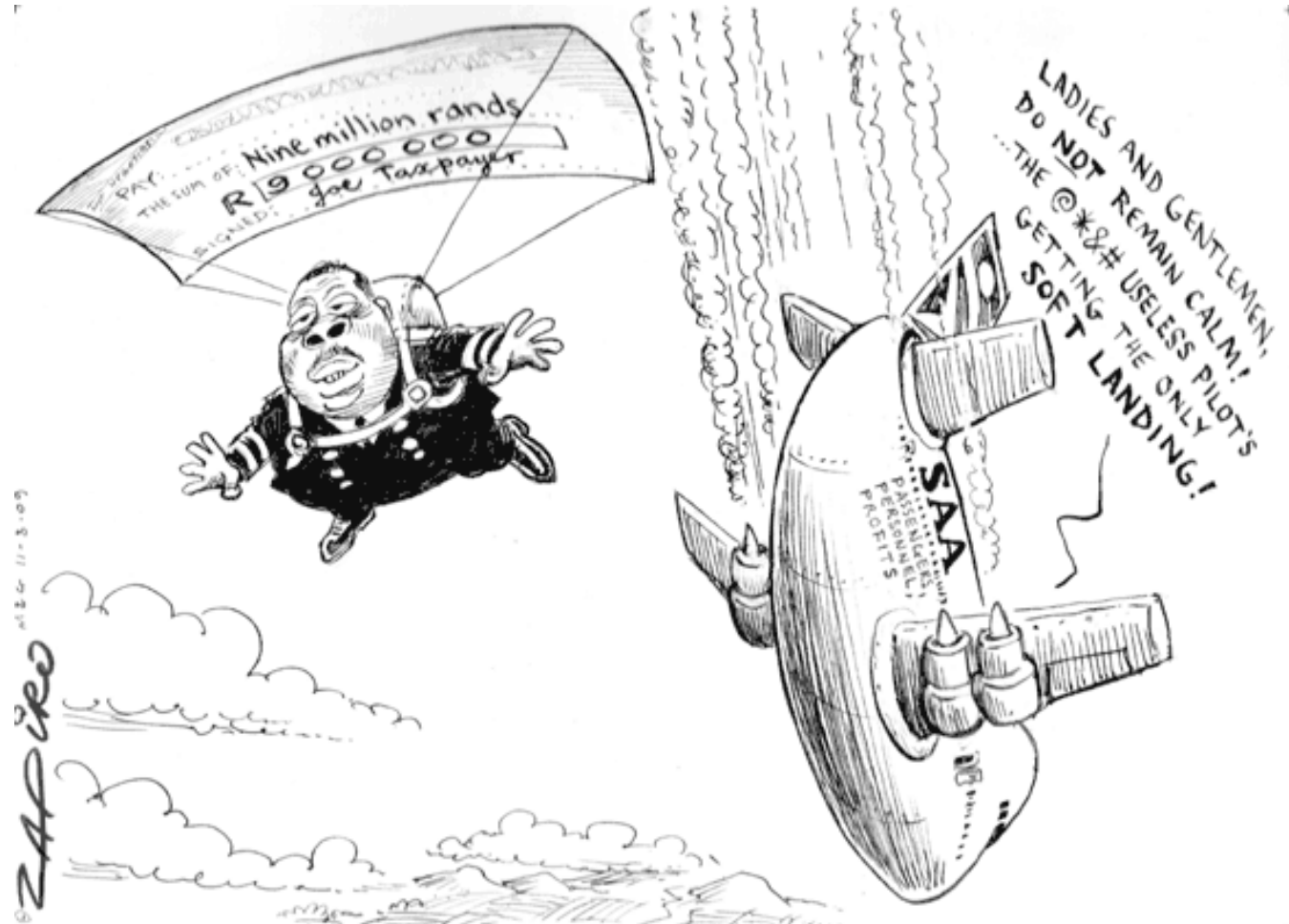
Fiscal position

SOE bailouts

On balance: positive bias but it'll be a bumpy ride

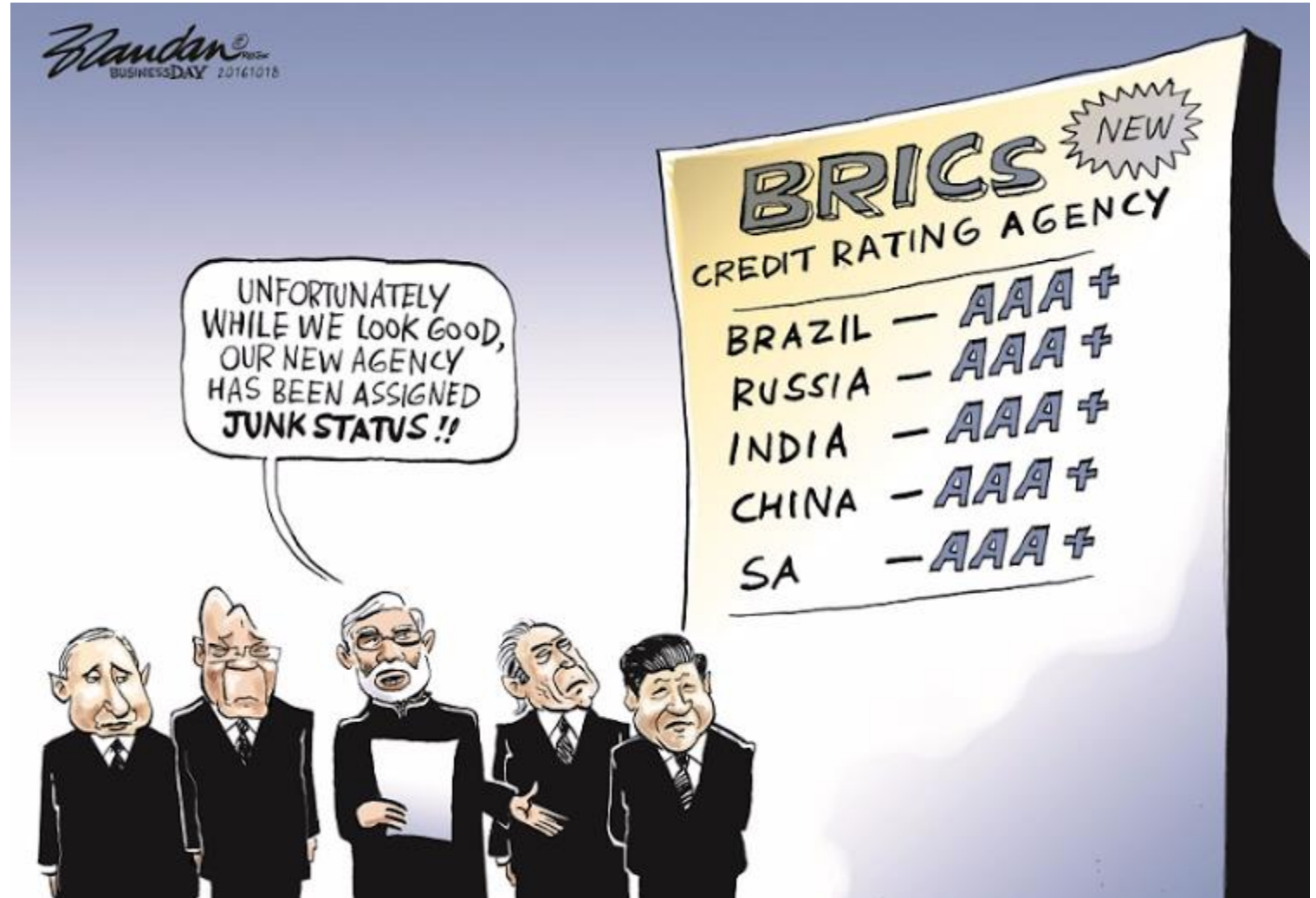
HOW WE'RE DEALING WITH THE NEGATIVES

Lending money to quality organisations



FRAGILE RATINGS

Catastrophe not imminent, position defensively, there's opportunity in every market scenario



SO WHERE WILL THE MONEY BE MADE?

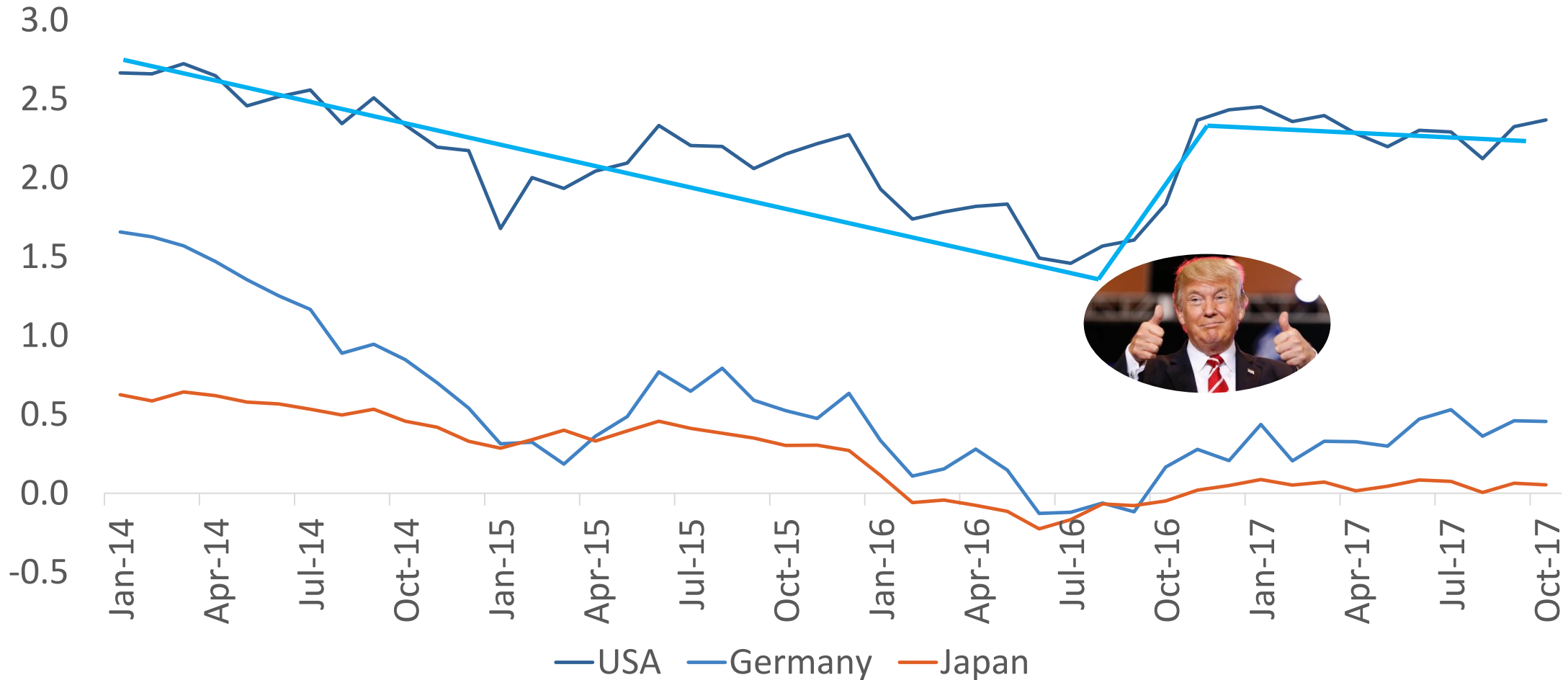


	EQUITIES	FIXED INCOME
LOCAL	<ul style="list-style-type: none">• Less about sectors, more about stocks• High conviction ideas – Exxaro; RMI/OML• We still like Naspers	<ul style="list-style-type: none">• Buying for yield not capital growth• Lower duration• Higher quality credit risk
OFFSHORE	<ul style="list-style-type: none">• Prefer equities over bonds• US tech – Priceline and Facebook• Euro banks – Credit Agricole• Bottom up – Hastings; Beacon; Yoox-Net-A-Porter	

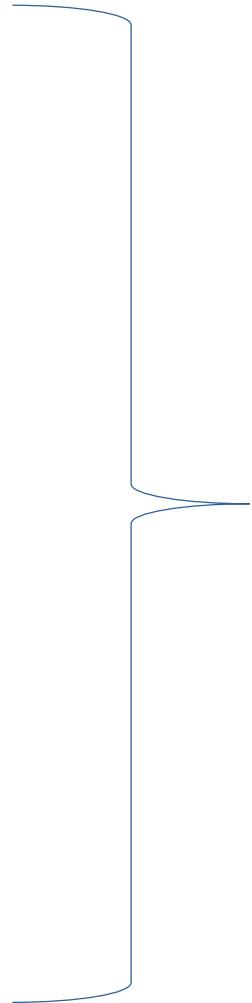
OFFSHORE FIXED INCOME

A white sailboat with its sails up, sailing on a blue sea under a cloudy sky. The text 'OFFSHORE FIXED INCOME' is overlaid in white.

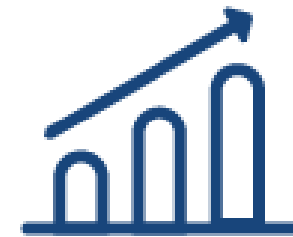
GLOBAL BONDS WERE STRONG...THEN CAME DONALD



STIMULUS DOWN – RATES UP



=



BOND DISASTER IS HIGHLY UNLIKELY



SA Bond Worst Case

NDZ17 and split in ANC

Rating downgrades and exclusion from WGBI Index

Likely Bond Yields = 10.25%

US Bond Worst Case

Complete withdrawal of stimulus

US Fed accelerates rate hikes

Likely Bond Yields = 3.5%

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ANCHOR ASSET MANAGEMENT

NEIL BROWN



ANCHOR

ASSET CLASS	INVESTMENT FUND	AGE (YRS)	CURRENCY	FROM INCEPTION RETURN (ANNUALIZED)	PEER GROUP QUARTILE
INCOME	Anchor BCI Flexible Income C	2	ZAR	9,1%	1
	<i>Peer Group Average</i>			7,8%	
	Anchor BCI Bond A	1,6	ZAR	12,1%	2
	<i>Peer Group Average</i>			9,3%	
LOCAL EQUITY	Anchor BCI Equity A	4,5	ZAR	16,1%	1
	<i>Peer Group Average</i>			8,8%	
	Anchor High Conviction Equity Seg	4,3	ZAR	12,5%	
	<i>Benchmark</i>			12,1%	
OFFSHORE EQUITY	Sanlam Anchor Global Equity A USD Acc	2,6	USD	7,7%	1
	<i>Peer Group Average</i>			3,4%	
	Global High Street Equity Seg	5,3	USD	13,6%	
	<i>Benchmark</i>			12,4%	
BALANCED / MANAGED	Anchor BCI Worldwide Flexible A	4,4	ZAR	13,3%	1
	<i>Peer Group Average</i>			11,7%	
	Anchor BCI Managed A	2,7	ZAR	6,2%	2
	<i>Peer Group Average</i>			5,5%	
BALANCED / MANAGED	Anchor Offshore Balanced Seg	5,3	USD	11,5%	
	<i>Benchmark</i>			8,4%	

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	<i>Benchmark</i>			8,4%	

THINGS WE DO FOR YOU



Segregated mandates

Hollard.

Zero tax rated
endowment

 bizank

White-labelled



Fund Comparisons



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Q & A

ANCHOR

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