ANCHOR CAPITAL

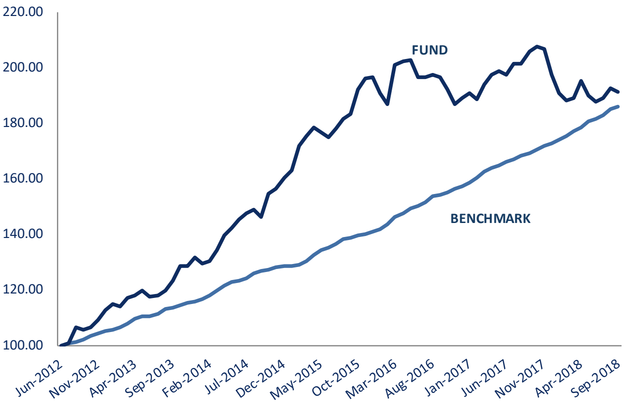
PROFILE AND OBJECTIVE

The portfolio seeks to offer investors an attractive mix of yield and growth. The objective of the fund is to deliver a yield in the region of 7%, growing at 7% p.a. Achieving this would enable the portfolio to reach its objective of CPI +5% on a compound basis over a 3-year rolling period. There will be volatility within the period. The asset mix includes property shares, high-dividend equities and preference shares.

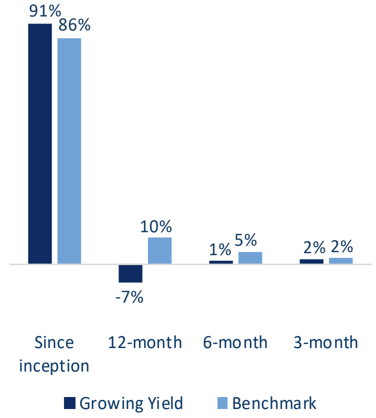
SUITABLE FOR

The portfolio is suitable for investors who wish to earn a higher return than cash, but do not wish to take full equity exposure. This is a long-term investment and volatility should be expected on the way to reaching the long-term goal. The high yield provides some protection against this volatility.

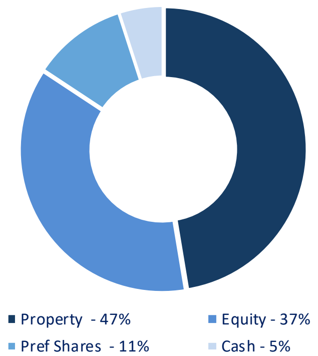
FUND PERFORMANCE VS. BENCHMARK SINCE INCEPTION



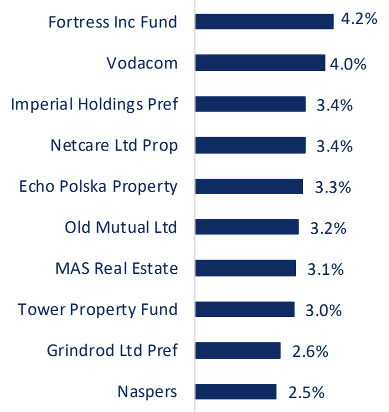
PERFORMANCE AT 30 SEP 2018



ASSET ALLOCATION AT 30 SEP 2018



TOP EQUITY HOLDINGS AT 30 SEP 2018



FUND MANAGER COMMENTARY AT 30 SEP 2018

After showing some signs of improvement in July and August, newsflow and negative sentiment weighed on equity markets again in September. Although the rand staged a 3.7% recovery against the US dollar after a tumultuous August, emerging markets (EMs) remained volatile and highly sensitive to macro economic newsflow, particularly around trade war issues, as well as local headwinds. The most impactful of these was *Stats SA* announcing on 4 September that the country's real gross domestic product (GDP) had decreased by 0.7% in 2Q18. Following the revised 1Q18 GDP growth rate of -2.6%, the two consecutive quarters of negative growth saw SA enter into a technical recession. Growth forecasts have been lowered as a result, with the SA Reserve Bank (SARB) forecasting 2018 GDP growth of 0.7%,

The woes of the property sector continued. The benchmark index was down 2.6% for the month, 1% for the quarter, and is down 22.2% YTD - on course for it's worse year so far this century.

The fact that consumers and property owners are under pressure is not being helped by a weaker currency and elevated inflation expectations.

Although the Monetary Policy Committee (MPC) did not raise interest rates on 27 September, this outcome was achieved by a wafer-thin margin of 4 votes to 3. It certainly seems that, unless there is some relief, the next move in interest rates will be up and not down.

On the positive side, President Cyril Ramaphosa announced a stimulus package during September. The measures detailed are focused on infrastructure spending and the creation of the SA Infrastructure Fund - the contribution of the fiscus toward the fund over the medium-term expenditure framework will be in excess of R400bn. There is also the promise of easier inbound travel with a review of the visa requirements by Home affairs. As positive as these developments are, the markets are adopting a "seeing-is-believing" approach currently and investors will have to remain patient. However, yields remain a very good underpin in selected counters and sectors.

The fund returned -0.75% as some preference shares and rand-hedge stocks helped to mitigate the downward moves in local property shares and SA Inc. dividend payers.

FUND MANAGERS

PETER ARMITAGE

Peter is a CA(SA) and has worked in the local investment industry for 20 years. He ran the investment teams at Merrill Lynch and Nedcor Securities and prior to Anchor Capital was CIO of Investec Wealth & Investment.

GLEN BAKER

Glen has a B Com Honours degree and has completed the JSE and Safex exams. He has 25 years' experience in financial markets. In that time, he has headed up equity derivatives divisions at major local and international institutions. He has both equity and fixed income experience. He was most recently at RMB before joining Anchor Capital in Feb 2013.

INCEPTION DATE
June 2012

BENCHMARK
CPI +5%

MINIMUM INVESTMENTS
R1,000,000

FEE
1.25% p.a. (excl. VAT)

PORTFOLIO VALUE
R70.42 million

The fund may use gearing from time to time.

This portfolio can be structured in a segregated portfolio or housed in a structured-equity note. The latter negates dividend withholding tax and a capital guarantee can be provided.