

ANCHOR

NAVIGATING
CHANGE

THE NAVIGATOR - ANCHOR'S STRATEGY AND ASSET ALLOCATION

WHERE THE MONEY WILL BE MADE 2Q24

PETER ARMITAGE

CEO/CO-CHIEF INVESTMENT OFFICER



WHERE THE MONEY WILL BE MADE

DOMESTIC EQUITY

- Tactically move overweight MSCI South Africa.
- Total return c. 18% using base case election scenario.
- Predominantly driven by re-rating of domestic assets once election overhang has been removed.
- Added optionality of a recovery in depressed Chinese linked securities.

GLOBAL EQUITY

- The US economy is strong, with close to full employment.
- The US earnings outlook is positive for the next 3 years, although higher interest rates could see downgrades. Europe more subdued.
- Geo-political risks are high, which is reason for some caution and diversification.
- Valuations are high, as they typically are when prospects are positive.
- Stay invested, with a 7% return projection.

DOMESTIC FIXED INCOME

- Interest rates are high, making yield accrual attractive.
- We expect about 1% interest rate cuts over the next 18 months.
- Expected returns on the portfolios are in the 9% to 10.5% range.
- The Anchor BCI Flexible Income Fund provides a good blend of interest income and measured exposure to bond risk.

GLOBAL FIXED INCOME

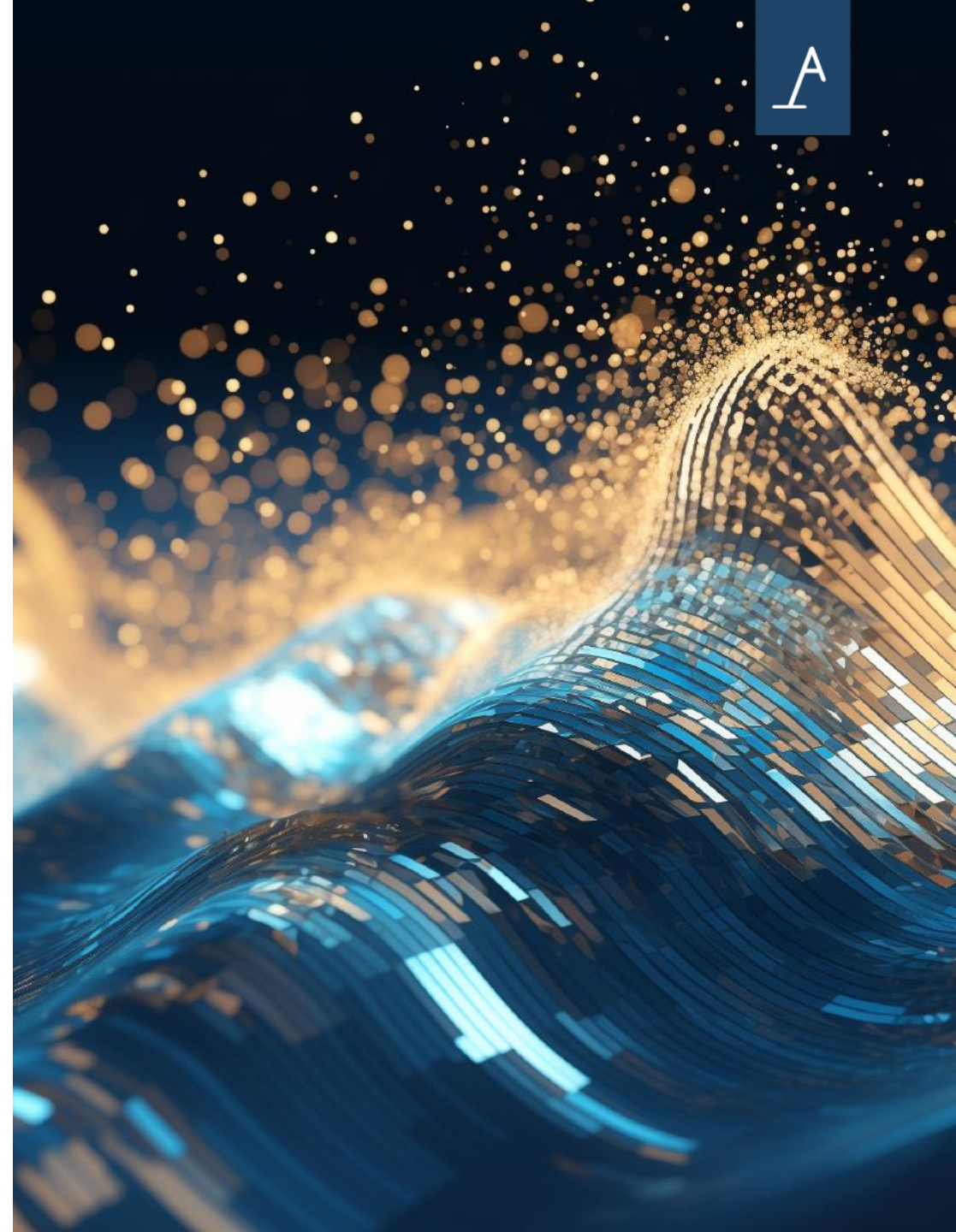
- Cash remains interesting at 4.5% to 5% yields.
- It is time to position for cuts, though they may be delayed.
- A term yield of 4 to 10 years is attractive to lock in the higher rates.
- The Anchor Global High Yield Fund is showing a yield of 5.5%, with bonds maturing in 2026.

ASSET ALLOCATION



Asset class	Current stance			Expected returns (own currency) (%)
	Negative	Neutral	Positive	
DOMESTIC				
Equity	●	➤	●	18
Bonds	●	●	●	14
Listed property	●	●	●	15
Cash	●	●	●	8
Alternatives*	●	●	●	10 to 15
Rand vs US dollar (rand stronger)				2
GLOBAL				
Equity	●	●	●	7
Government bonds	●	●	●	5
Corporate credit	●	●	●	6
Listed property	●	●	●	6
Cash	●	●	●	4
Alternatives*	●	●	●	8 to 12

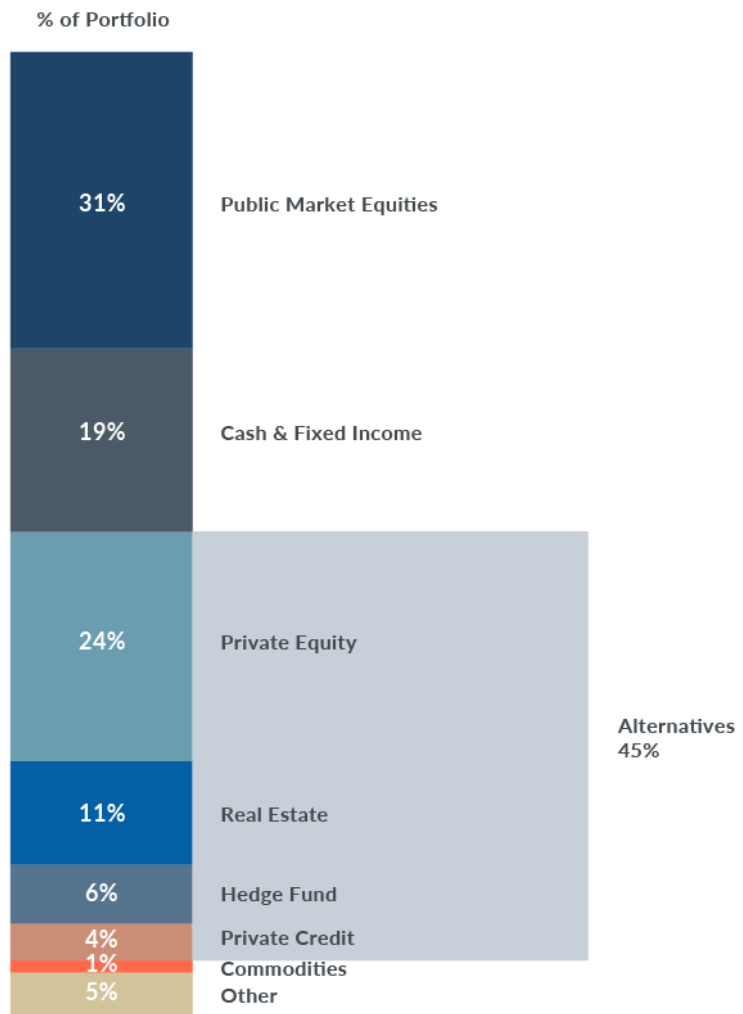
*Alternatives include hedge funds, protected equity structured products and physical property.





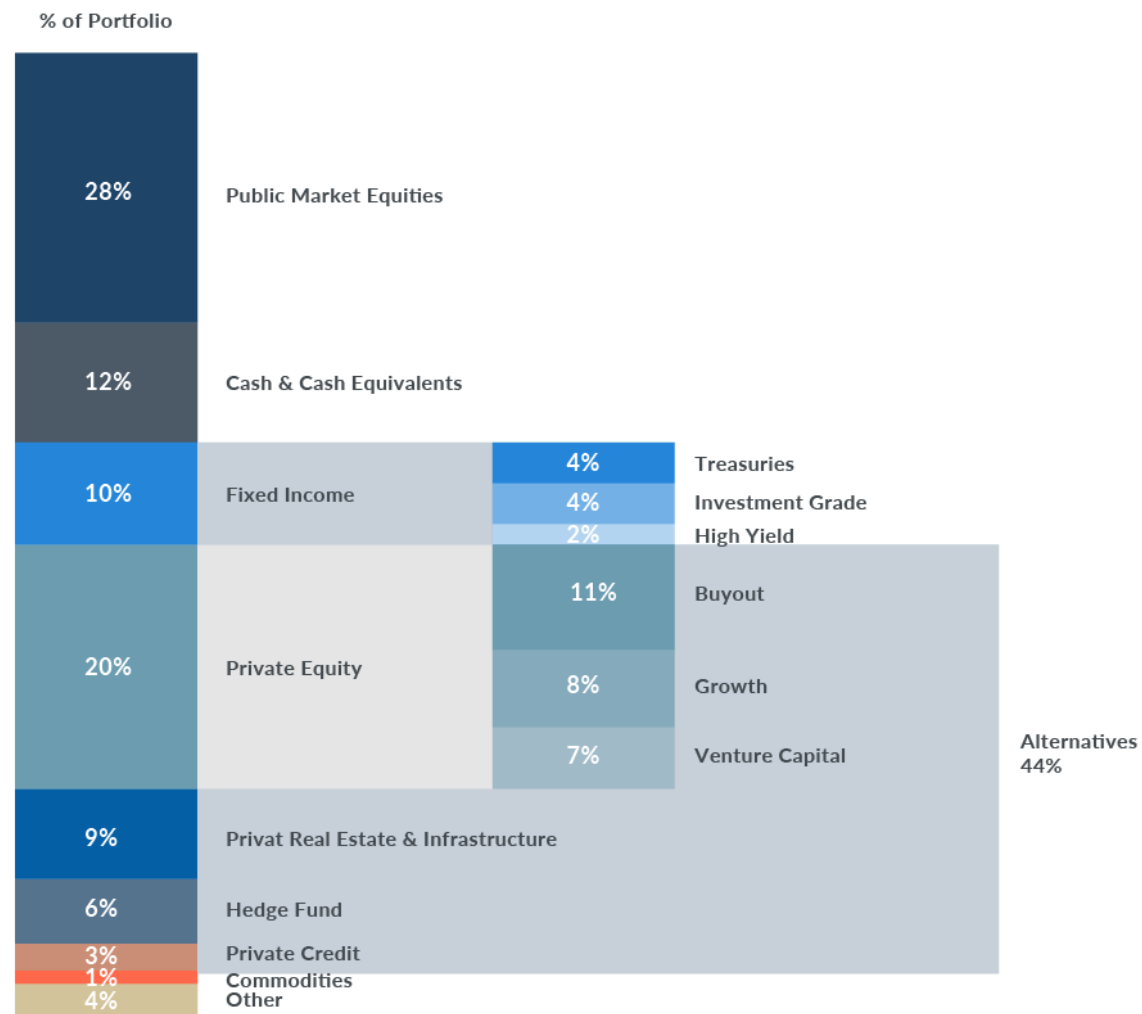
FAMILY OFFICES HAVE 40% IN LISTEDS – 44% IN ALTERNATIVES

Average Asset Allocation of Global Respondents in 2021



Total percentages may not add up to 100% due to rounding

Average Asset Allocation of Global Respondents in 2023



Source; Goldman Sachs 2023 Family Office global survey

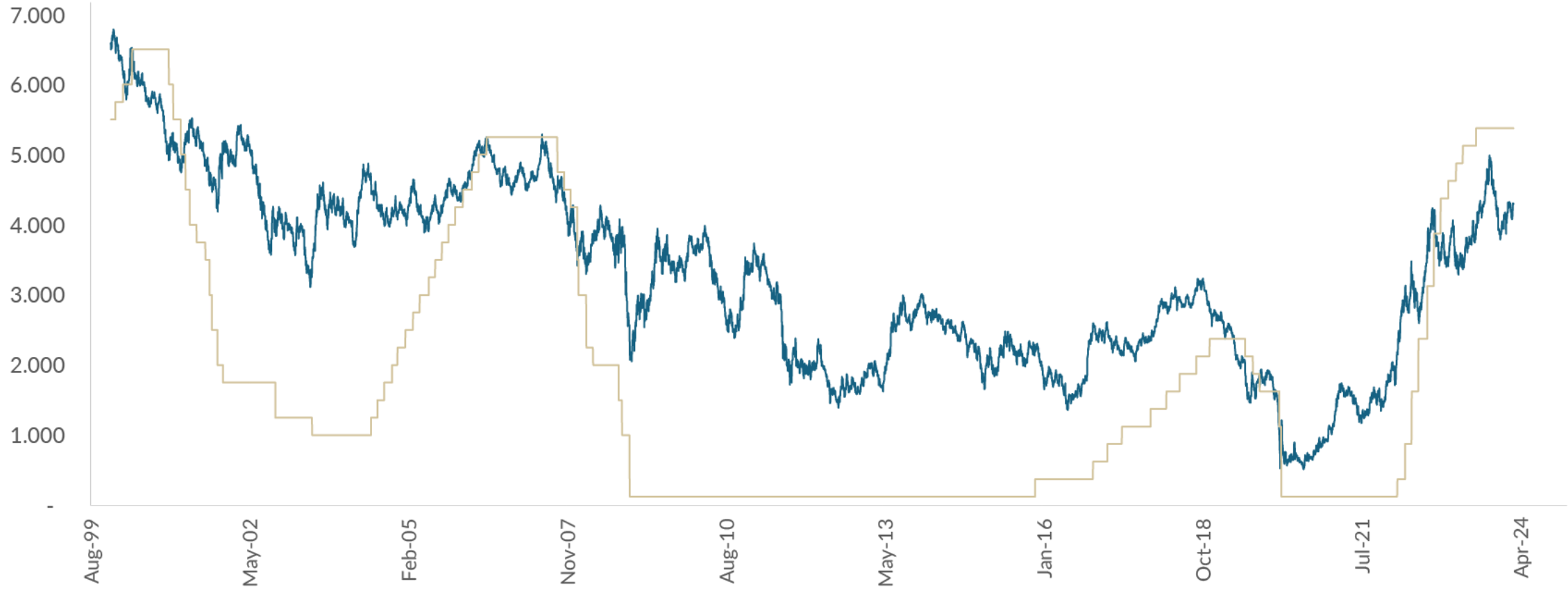


US RATES THE HIGHEST IN 20 YEARS

The federal funds target rate vs UST 10-year

Source: Thomson Reuters, Anchor

— UST 10yr — Federal funds rate

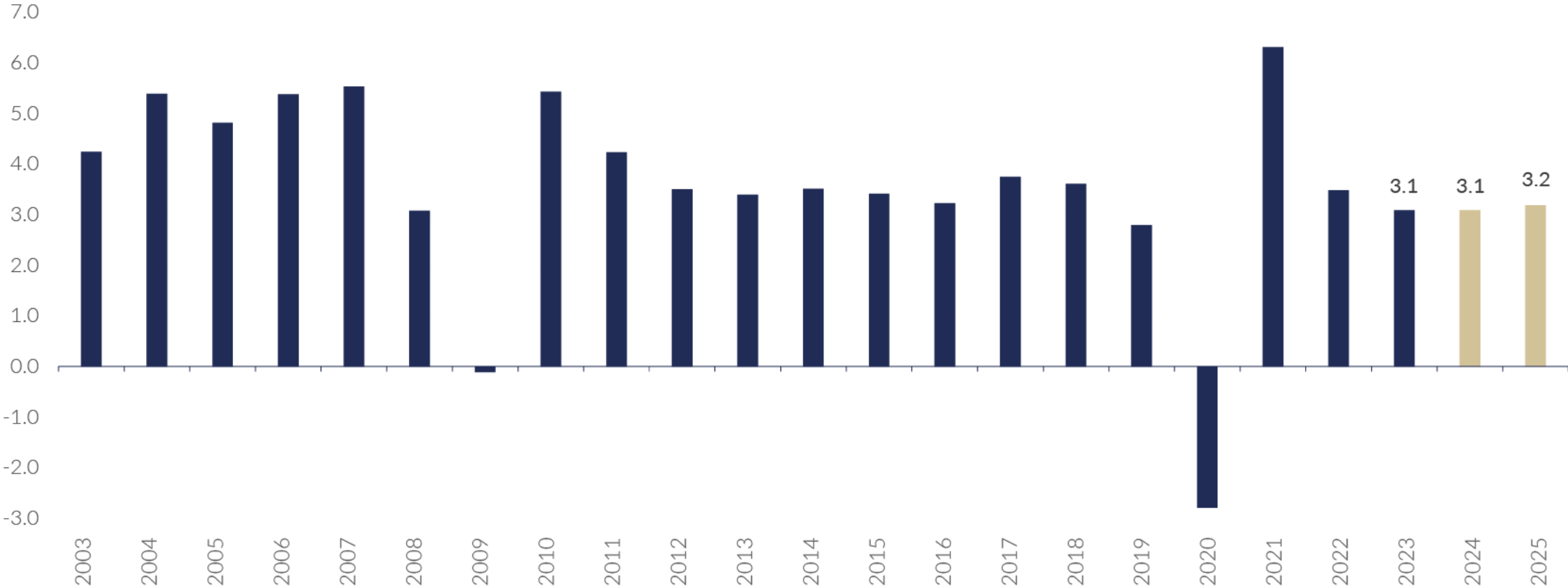




GLOBAL GDP GROWTH

Global GDP growth, YoY % change

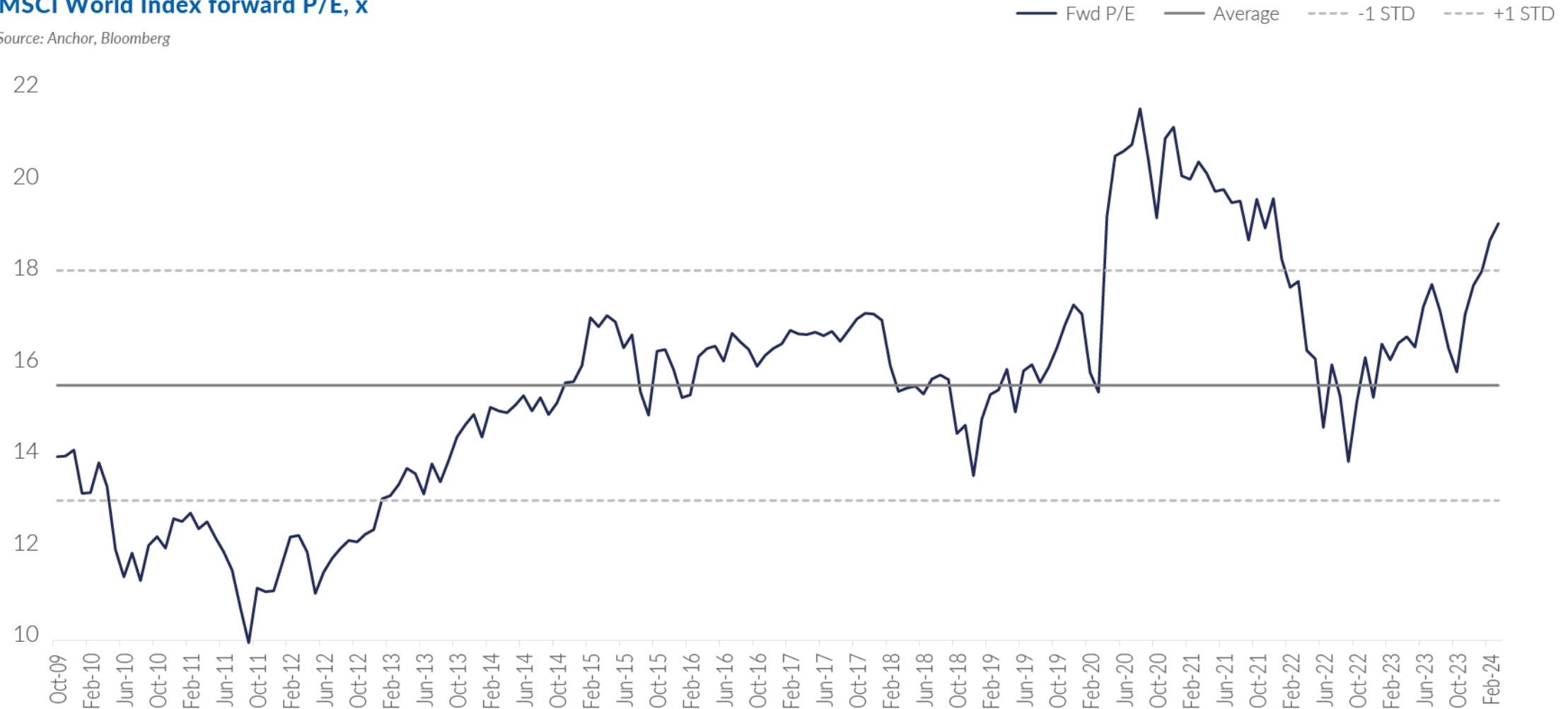
Source: Anchor, IMF



MSCI WORLD INDEX P/E MULTIPLE - HIGH

MSCI World Index forward P/E, x

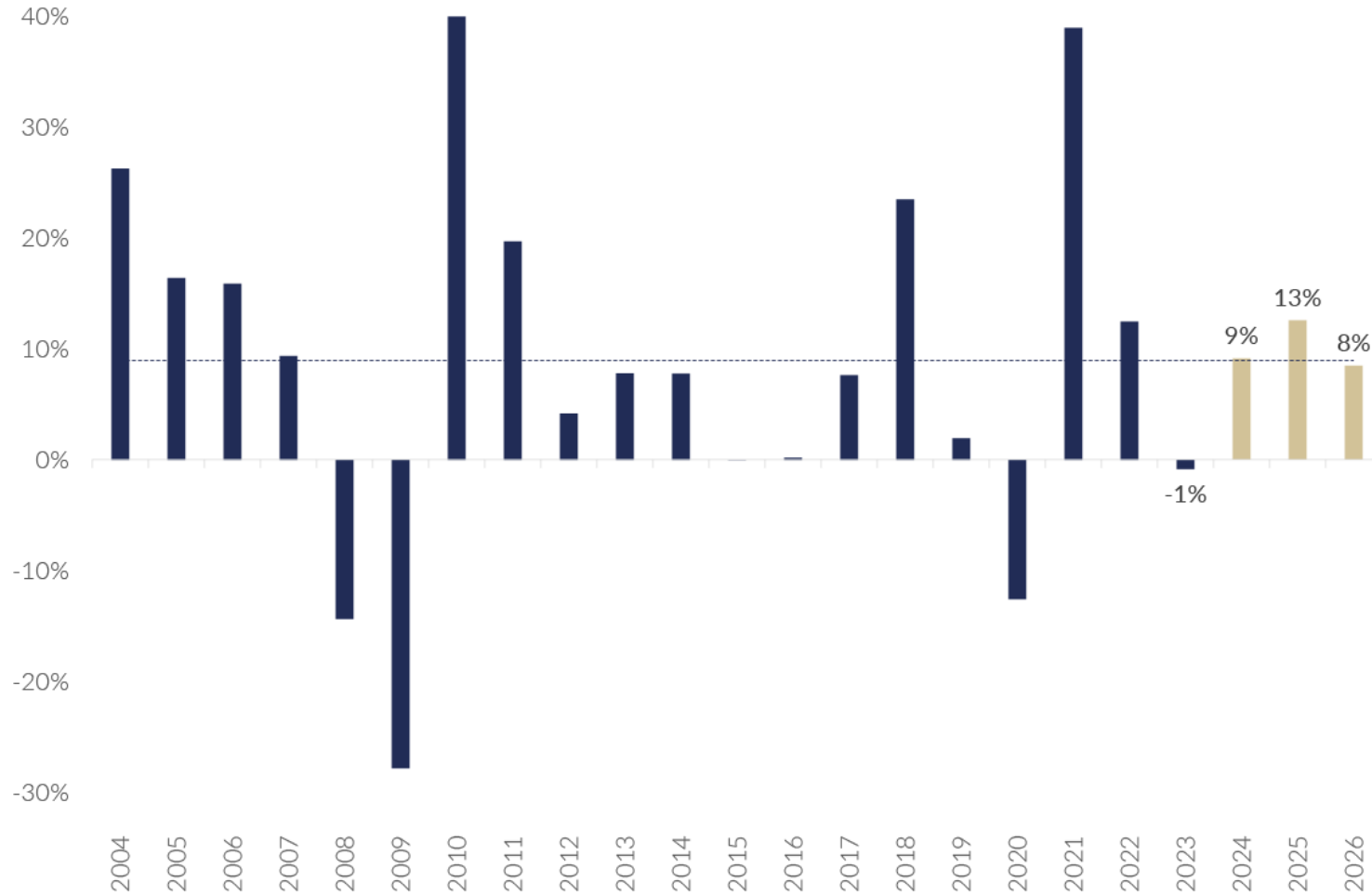
Source: Anchor, Bloomberg



US EARNINGS GROWTH – ABOVE AVERAGE

S&P 500 EPS growth (annualised)

Source: Anchor, Bloomberg



WHAT ARE ALTERNATIVE ASSETS

Alternative assets are financial assets that don't fit into the conventional equity, income or cash categories and include investments such as:



Private Equity: Investment in privately owned or public companies with the intent to take them private.



Private Debt: Debt provided by investors to private entities. Key private debt strategies include direct lending, mezzanine and venture debt.



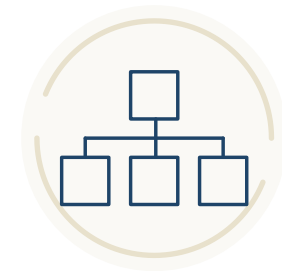
Real Estate: Investment in physical real estate, often residential or commercial, while various other classes do exist.



Hedge Funds: An investment fund with lower legal and regulatory constraints, flexible mandates, a large investable universe and the ability to use derivatives and leverage.



Infrastructure: Investing in new, greenfield, or existing brownfield infrastructure.



Structured Products: Products with cash flow and return profiles that depend on indices or embedded derivative or securities structures.

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WHERE THE MONEY WILL BE MADE

2Q24 JSE

LIAM HECHTER
FUND MANAGER



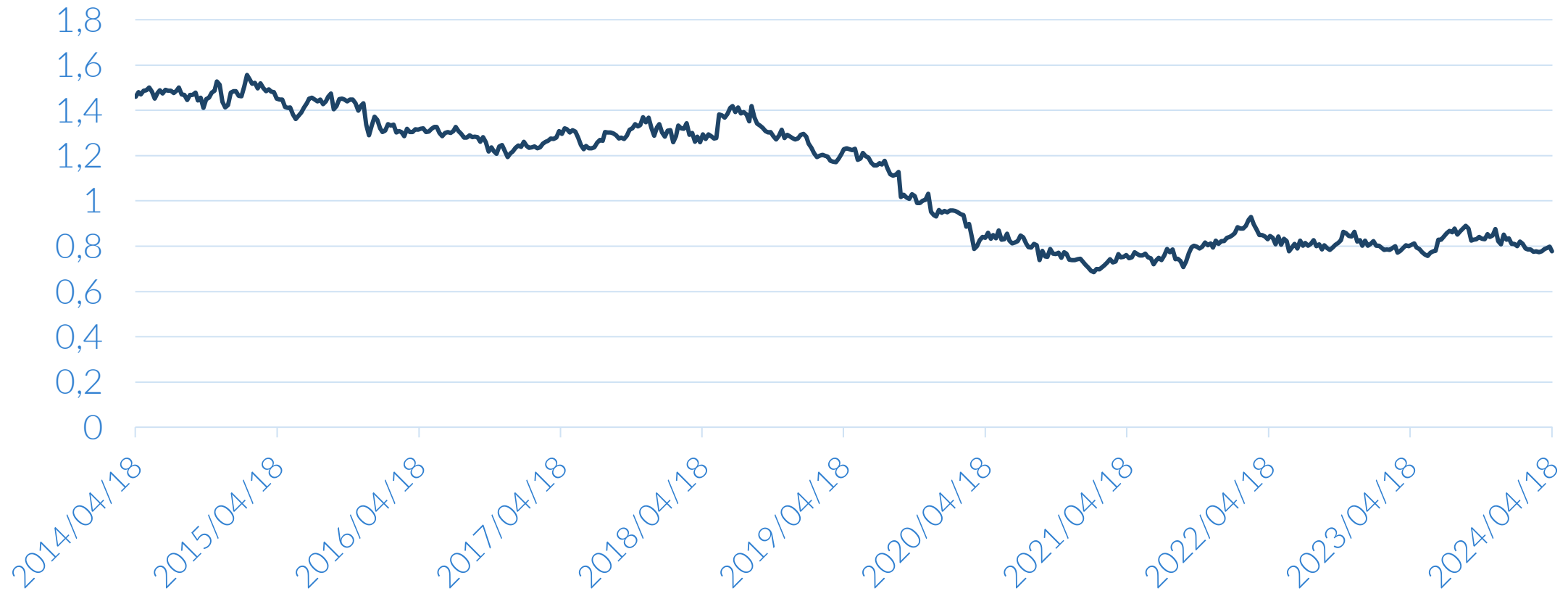


LOCAL EQUITIES... ENOUGH FOR NOW...



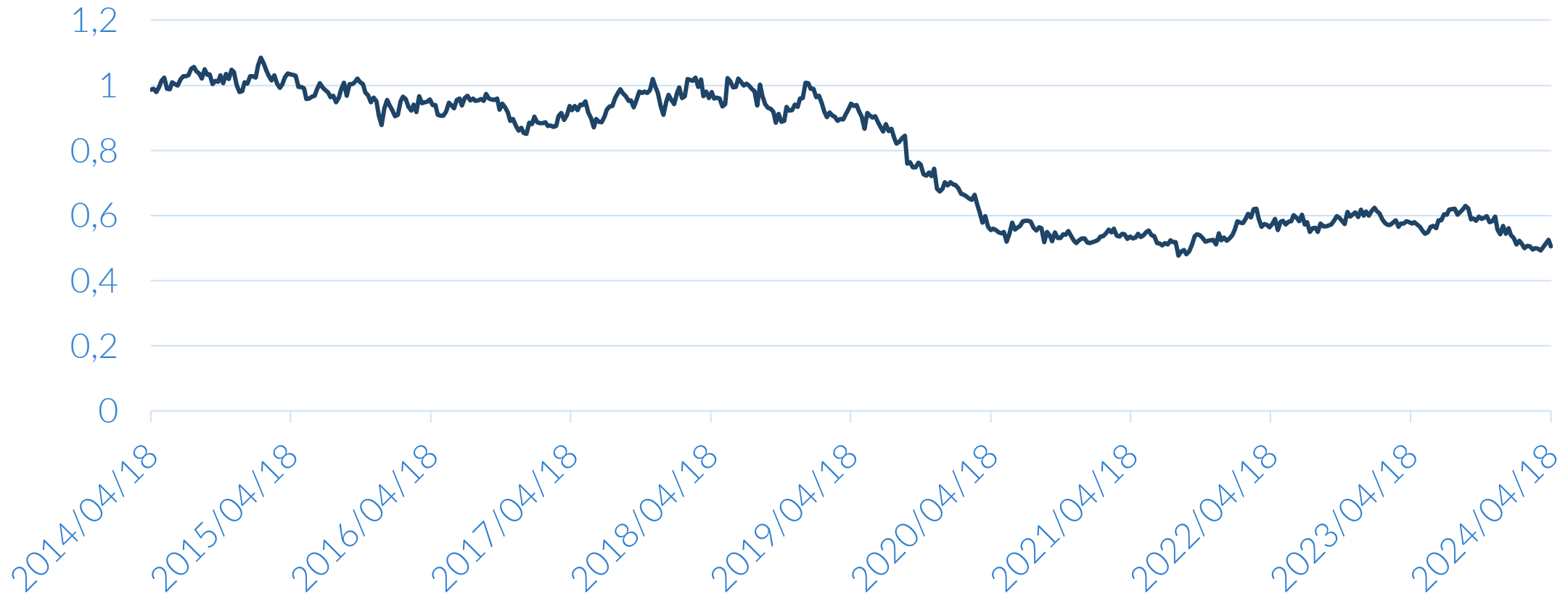
RELATIVE PERFORMANCE HAS REACHED EXTREME LEVELS

MSCI SA vs EM (valuation)



RELATIVE PERFORMANCE HAS REACHED EXTREME LEVELS

MSCI SA vs MSCI World



BASE CASE – POST ELECTION TACTICAL REBOUND

MSCI South Africa	Index
SA Domestic	49%
Banks	25%
Insurance	8%
Retail	8%
Industrial + Telco	8%
ZAR hedge	25%
Commodities	26%

- MSCI South Africa trading at a steep discount
 - Technical factors - offshore allocations, election inertia and pressure on the risk-free rate
 - Structural factors remain in place (low growth, low fiscal flexibility and high unemployment)
- Technical factors to recede over the coming months
- Calling for a tactical rebound on SA equities
 - Specifically relative to global equities over the next 12 months
- Added optionality in the form of EM and commodities.

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WHERE THE MONEY WILL BE MADE 2Q24

NOLAN WAPENAAR
CHIEF INVESTMENT OFFICER



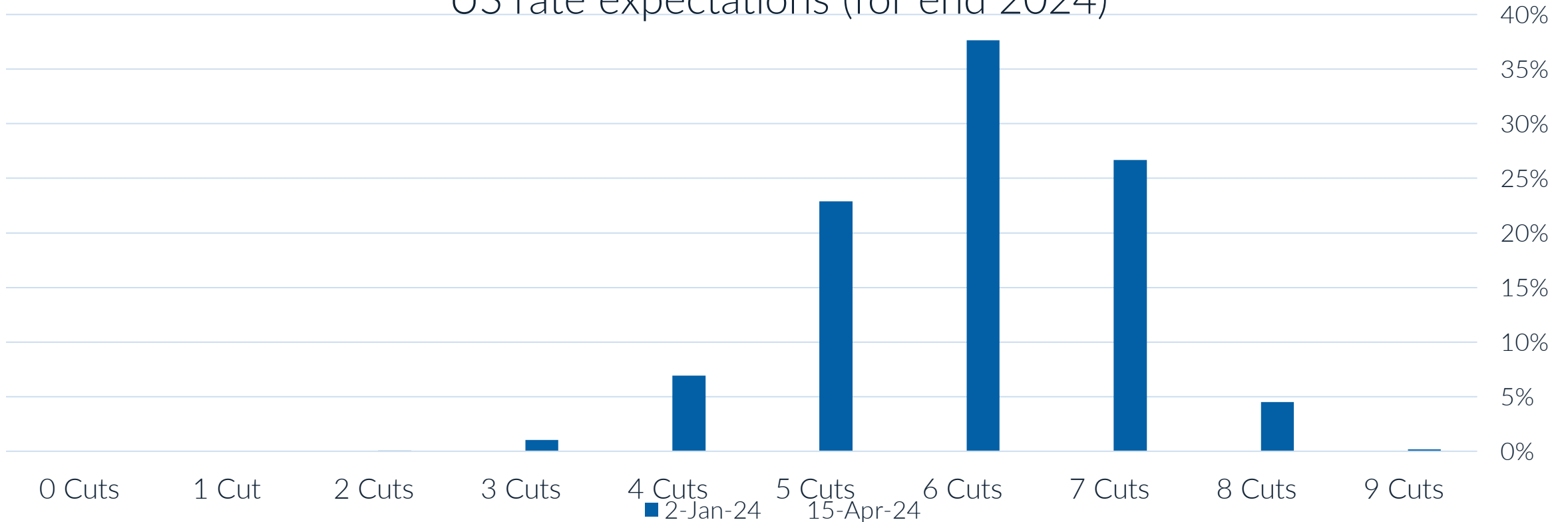


THE GLOBAL ENVIRONMENT

BACK IN JANUARY

Almost 92% of market participants were expecting five or more interest rate cuts in the US this year.

US rate expectations (for end 2024)

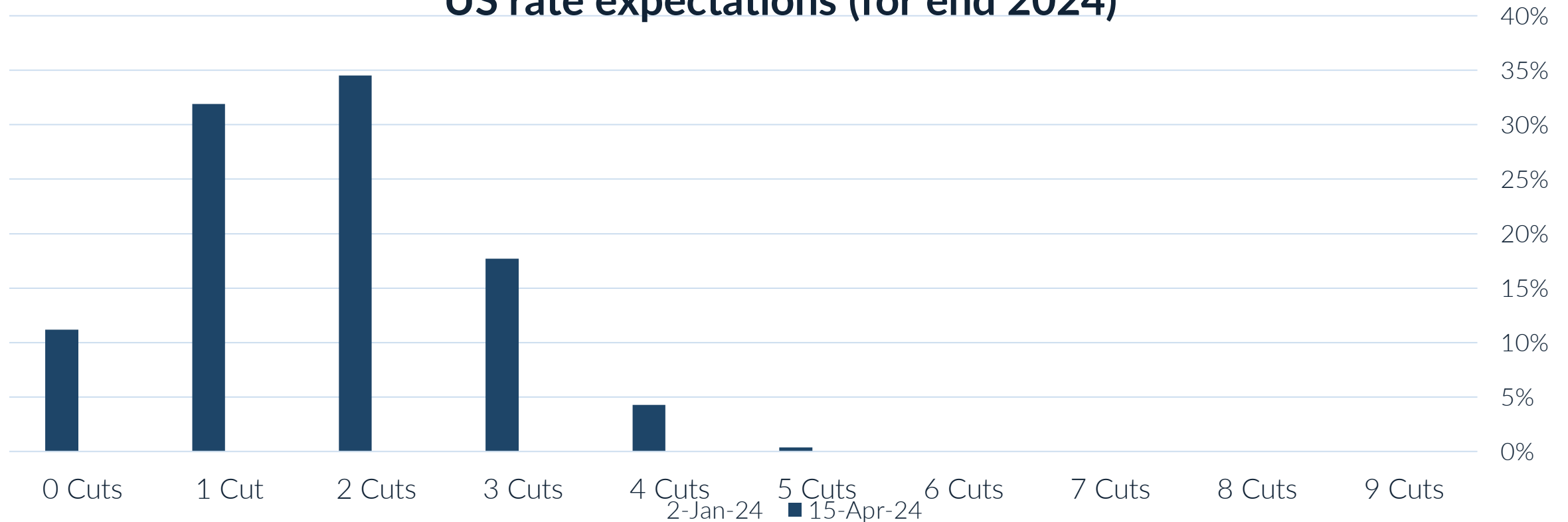


MID-APRIL

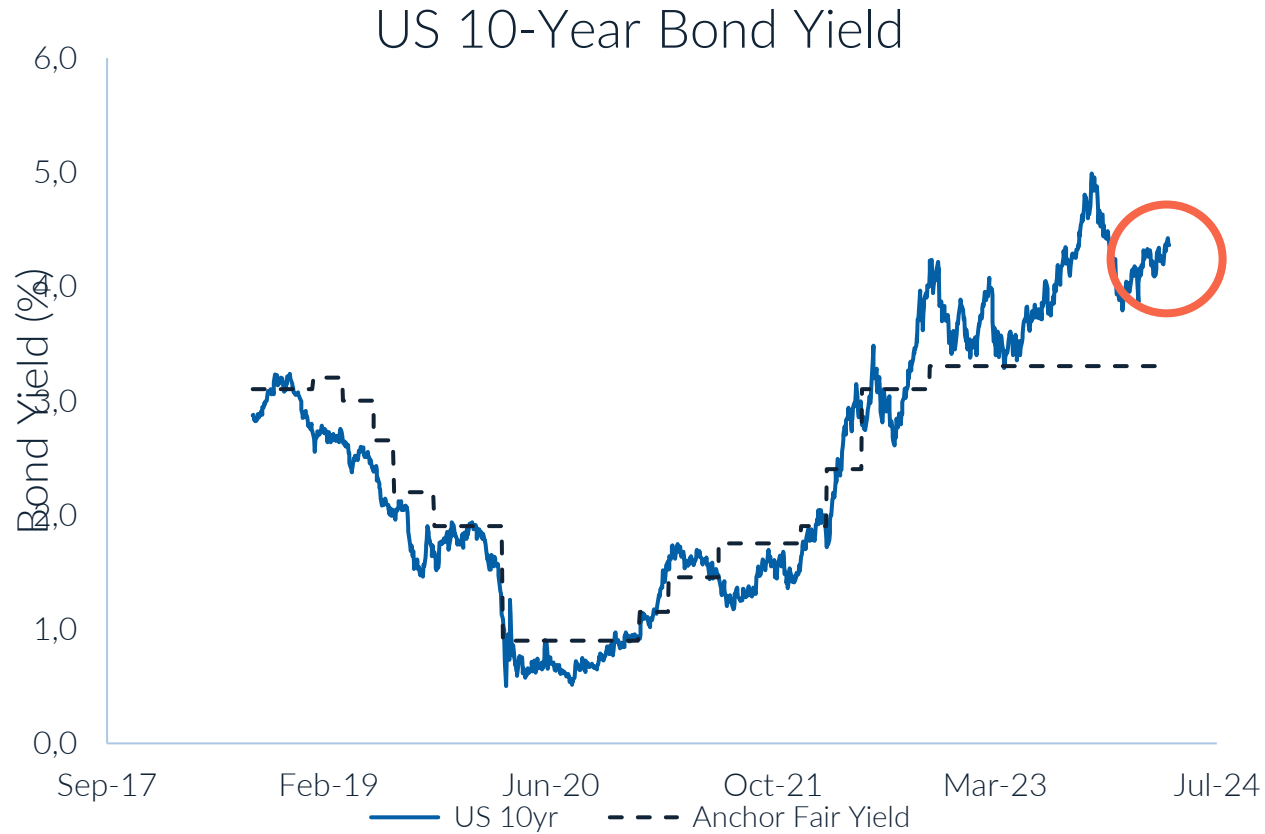
Less than 1% of market participants were expecting five or more interest rate cuts in the US this year.

95% of market participants expect three or fewer interest rate cuts, and 11% of the participants expect no interest rate cuts in 2024.

US rate expectations (for end 2024)



WHAT DOES THIS MEAN?



Source: Thomson Reuters / Anchor 5 April 2024

THERE ARE THREE KEY TAKEAWAYS:



1. US NEUTRAL RATES ARE HIGHER THAN WE THOUGHT.



2. THE US ECONOMY IS STRONGER THAN WE THOUGHT.



3. RATE CUTS WILL ARRIVE - JUST LATER.

WHERE THE MONEY WILL BE MADE

DOMESTIC EQUITY

DOMESTIC FIXED INCOME

GLOBAL EQUITY

GLOBAL FIXED INCOME

- Cash remains interesting at 4.5% to 5% yields.
- Great time to lock in higher rates before interest rate cuts.
- Term yields of 4 to 10 years are attractive to lock in higher rates.
- The Anchor Global High Yield Fund is earning a yield of 5.8% with low-duration bonds.



THE DOMESTIC ENVIRONMENT

SOUTH AFRICA – HURRY UP AND WAIT



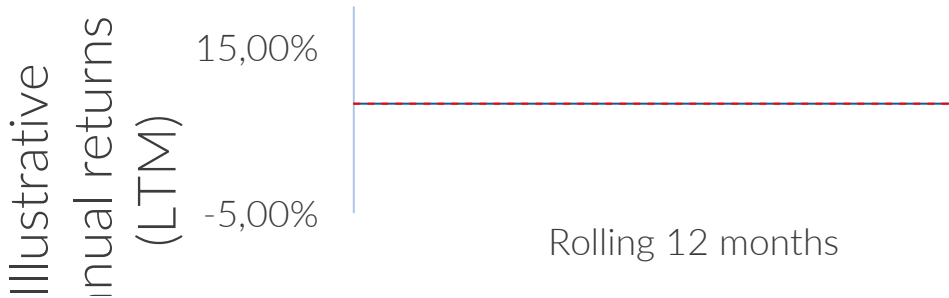
SOUTH AFRICA BOND OUTLOOK

Our base case is for decent returns in line with 2023. We expect 9.0% to 10.5% returns for the various domestic income products.

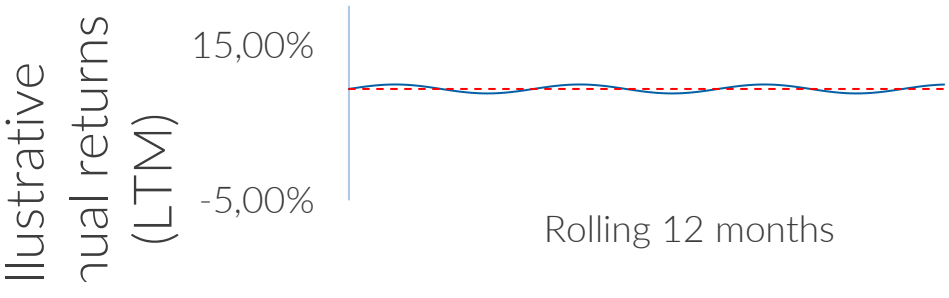


FIXED INCOME STYLES

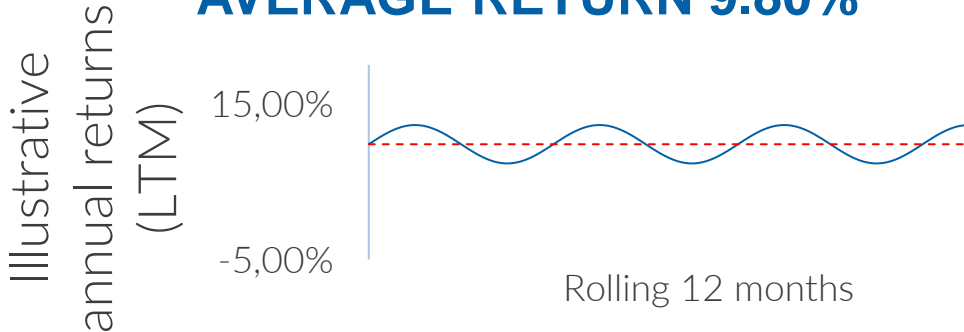
MONEY MARKET FUND - AVERAGE RETURN 8.30%



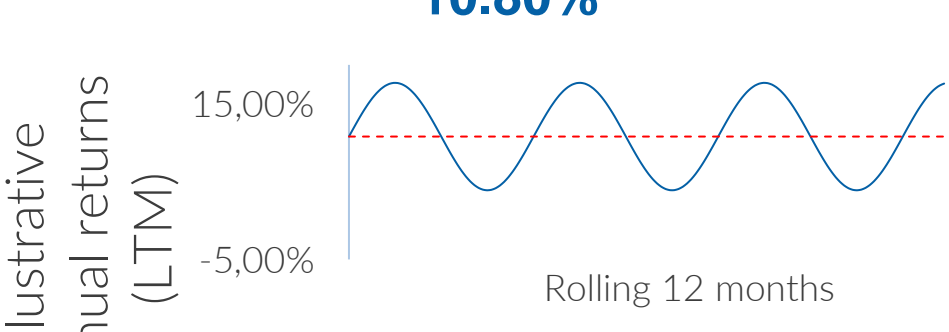
CORE INCOME FUND - AVERAGE RETURN 9.30%



FLEXIBLE INCOME FUND - AVERAGE RETURN 9.80%



BOND FUND - AVERAGE RETURN 10.80%



WHERE THE MONEY WILL BE MADE

DOMESTIC EQUITY

GLOBAL EQUITY

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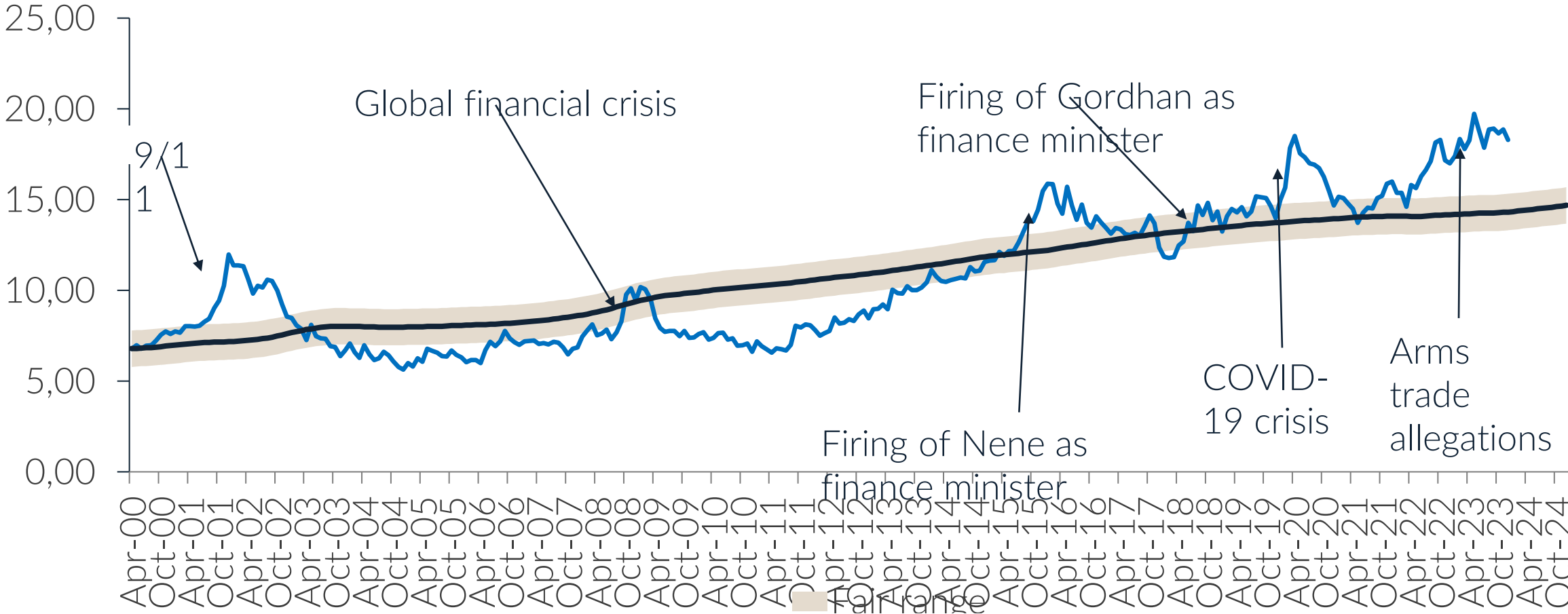


THE SOUTH AFRICAN RAND



THE RAND

ACTUAL RAND/US\$ VS RAND PURCHASING POWER PARITY (PPP) MODEL



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FERRARI:

A LUXURY BUSINESS OF RARE
AND ENDURING QUALITY



JAMES BENNETT
GLOBAL EQUITY ANALYST

FERRARI – A BUSINESS OF RARE AND ENDURING QUALITY



Source: Ferrari

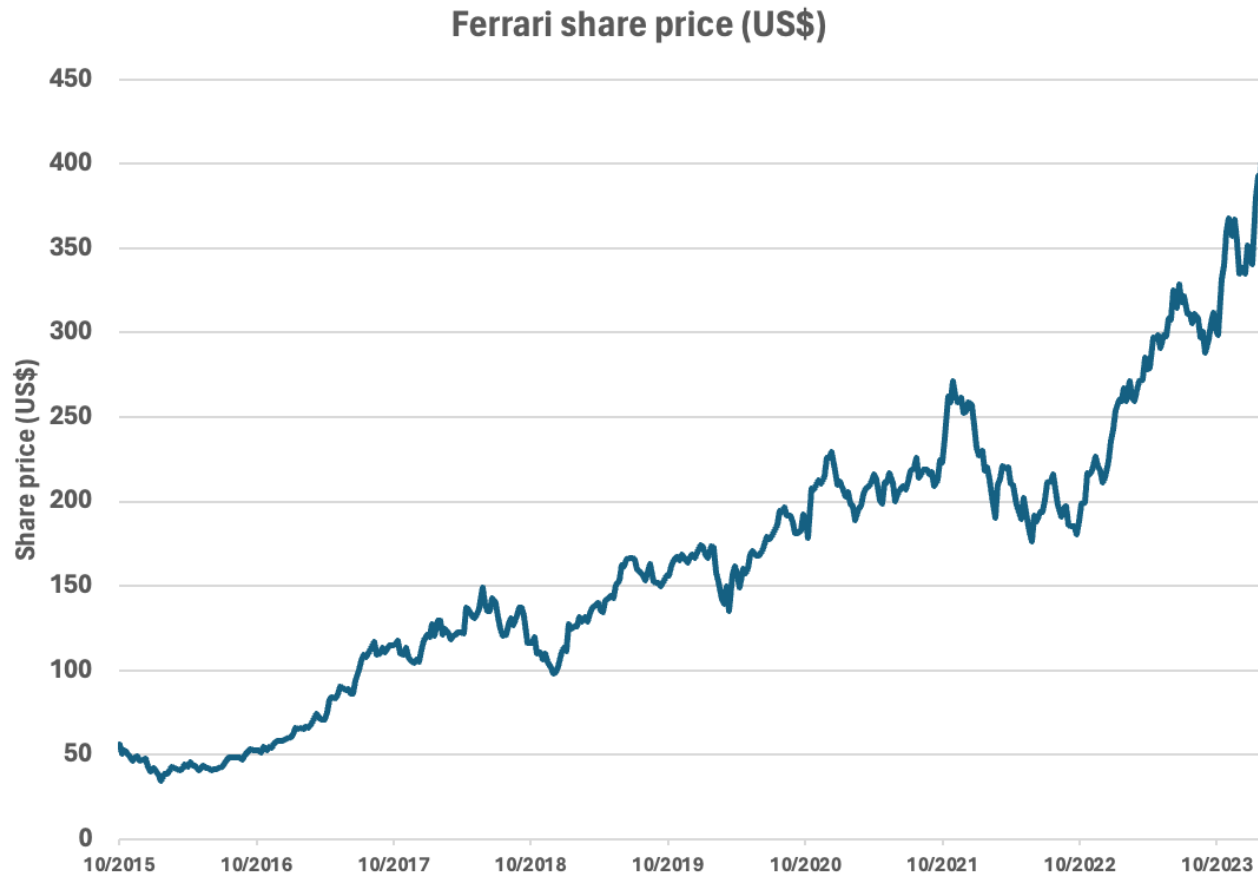
“You don’t choose Ferrari, Ferrari chooses you”

“Ferrari are very good at saying No to people who are not used to taking No for an answer”

“We don't sell a car, we sell a dream. We are Italy's national team. There are many great soccer teams in our country, but there is only one Ferrari.”

“Ferrari has sold less cars in its entire existence than Porsche sells in a year”

FERRARI STOCK: IPO IN 2015 WAS EXCELLENT OPPORTUNITY



Source: Bloomberg

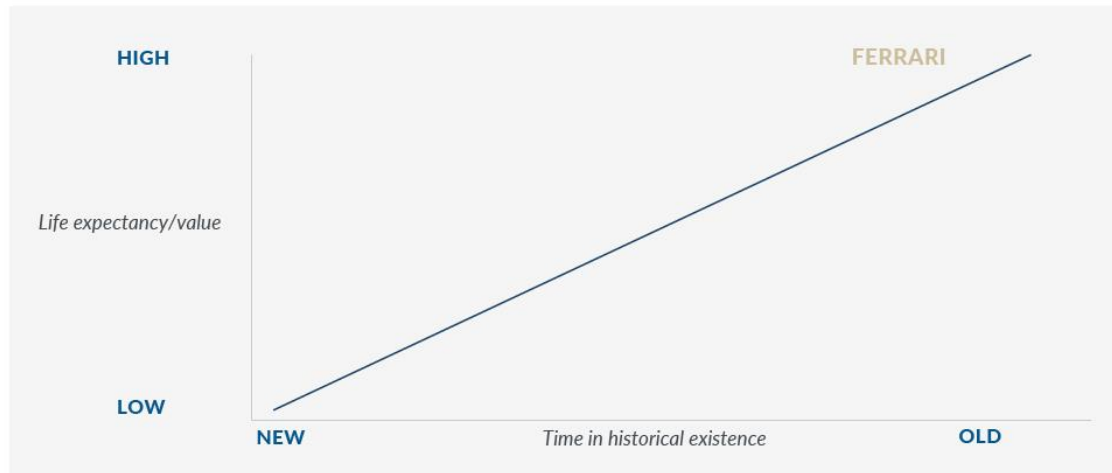
Ferrari stock has never given investors much of a second chance.

Ferrari has all the markings of an ultra-high-quality luxury goods company rather than an auto manufacturer.

A great definition of a true luxury goods business is one that never discounts its prices (think Ferrari and Hermès).

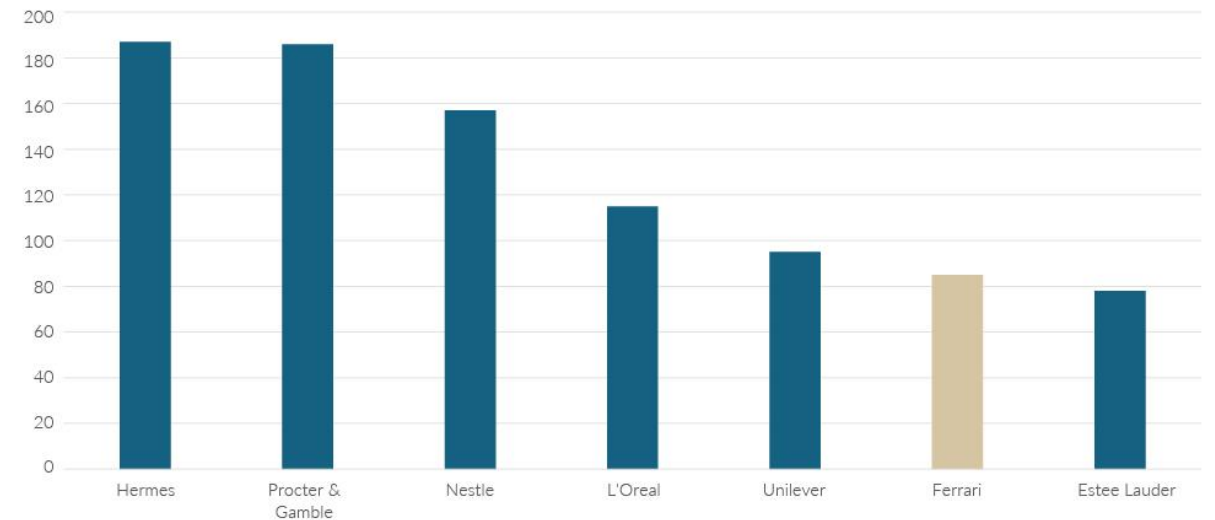
Ferrari's market cap is US\$76bn today. It pays an annual dividend (and buys back shares), but the yield is low at 0.6% due to its high valuation multiple.

THE LINDY EFFECT



Source: Anchor

Company Years in Existence

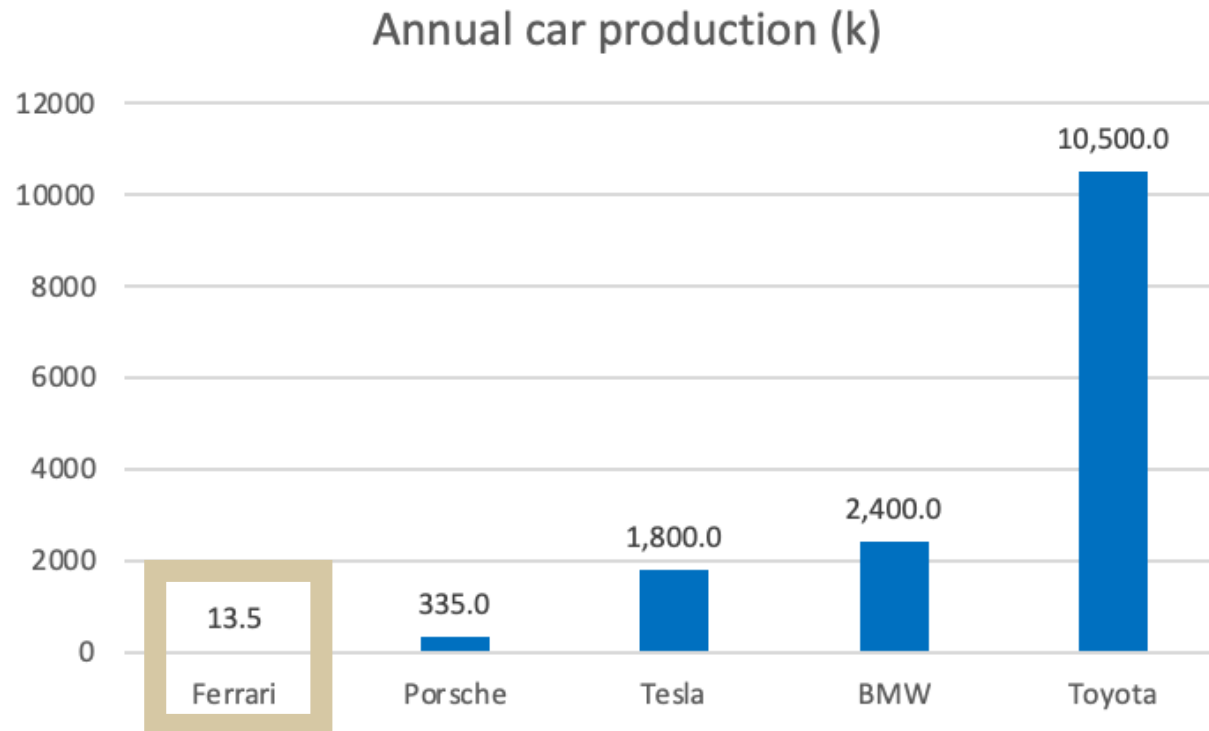


Source: Anchor, Company reports

The heritage of some of the European luxury brands cannot be replicated

“Heritage” associated with “inheritance” which implies multi-generational

FERRARI ANNUAL PRODUCTION TINY AT C. 13,500

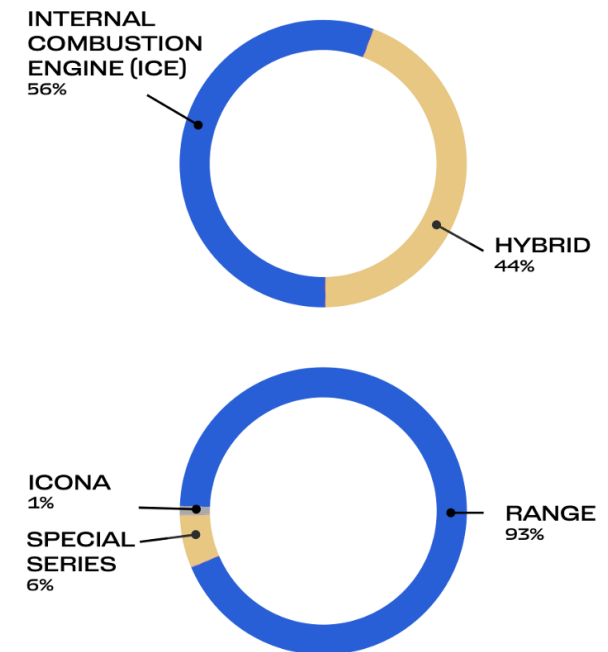


Source: Anchor, Ferrari, Company reports

Some estimate that about 5 mn people in the world are theoretically in a position to buy a new Ferrari. Ferrari production is mostly sold out for the next two years.

SHIPMENTS BREAKDOWN

(FY 2023)



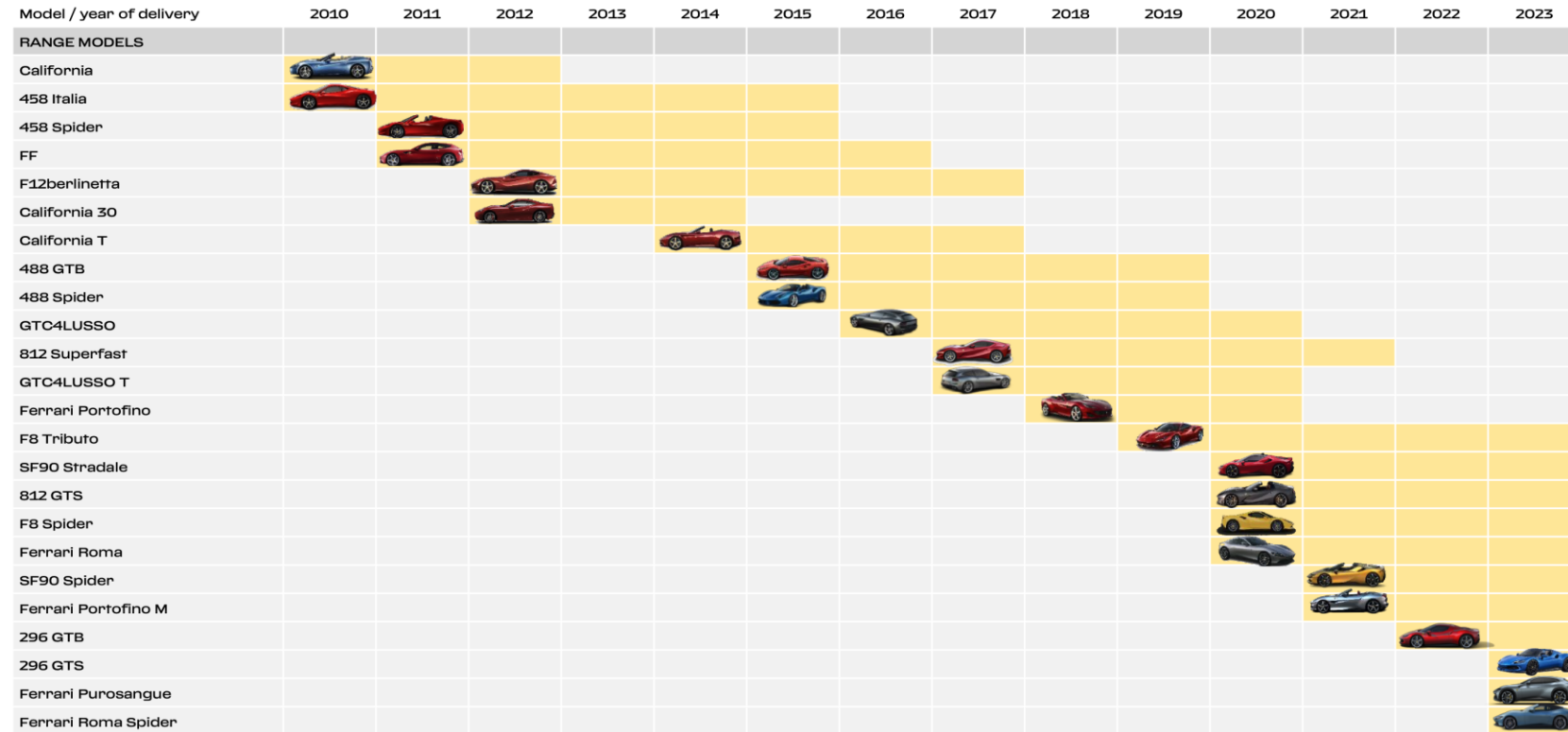
Source: Ferrari

"I would say Ferrari is in a special place, but they only sell 11,000 or 12,000 cars a year" Warren Buffett Berkshire, AGM 2023

A RICH HERITAGE OF MODEL RELEASES

STRONG TRACK-RECORD IN NEW MODELS INTRODUCTION

RANGE MODELS INTRODUCED



February 1, 2024

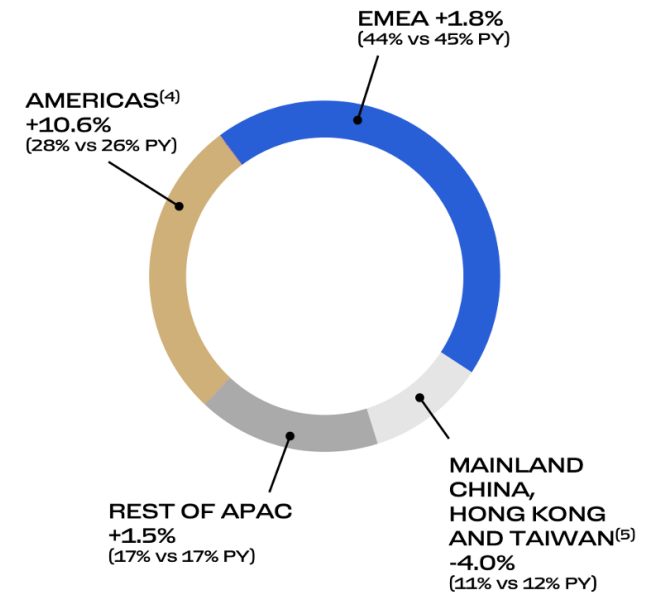


Source: Ferrari

A typical Ferrari price starts at about US\$250k before personalisation options.

SHIPMENTS BY REGION⁽³⁾

(FY 2023 VS FY 2022)



← First SUV

SPECIAL EDITIONS ARE WHERE THE SMART MONEY IS MADE

STRONG TRACK-RECORD IN NEW MODELS INTRODUCTION

SPECIAL SERIES AND LIMITED EDITION MODELS INTRODUCED

Model / year of delivery	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
SPECIAL SERIES															
599 GTO															
SA APERTA															
458 Speciale															
458 Speciale A															
F12tdf															
488 Pista															
488 Pista Spider															
812 Competizione															
812 Competizione A															
SF90 XX Stradale															
SF90 XX Spider															
ICONA															
Ferrari Monza SP1 & SP2															
Ferrari Daytona SP3															
SUPERCAR															
LaFerrari															
LaFerrari Aperta															
TRACK CAR⁽¹⁴⁾															
FXX-K															
FXX-K EVO															
488 GT Modificata															
296 Challenge															
499P Modificata															
FUORISERIE⁽¹⁴⁾															
F60 America															
J50															

These special editions and track cars are bought by invitation only.

These cars are so exclusive that whatever the upfront price tag, they almost immediately command a premium in the second-hand market. However, Ferrari frowns on “flipping” these cars.

If owning a physical Ferrari turns out to be a great investment, it will likely be from one of these cars.



Note: (14) Refer to notes to the presentation in the Appendix

February 1, 2024 17

EV THREAT TO FERRARI? SINGLE MOST HOTLY DEBATED ISSUE

Ferraris are:

- 1) Sold in tiny quantities.
- 2) Driven very little (low utility value). It is unusual for a Ferrari to be driven more than 8,000 km per year.
- 3) 50% of new Ferraris sold are hybrids (mild hybrids and plug-in hybrids PHEV).
- 4) Ferraris are more a collectable art form than an automobile.

The first Ferrari Battery Electric Vehicle (BEV) will be produced in 4Q25. Ferrari plans for 40% of its vehicles to be fully electric by 2030 (5% initially). No images or details are publicly available yet.

The Ferrari CEO (Benedetto Vigna) test-drove the Ferrari EV for the first time in late 2023 and declared, “I liked it a lot!”

EU is planning to ban the sale of all petrol and diesel cars by 2035. Many believe this will not happen and will get pushed out. However, an all-electric Ferrari brand may have a different appeal than if it was still allowed to produce some ICE vehicles. Ferrari and other small supercar brands have been lobbying to be allowed to adopt electric power more slowly than the mass brands.

Ferrari and Porsche are investing in synthetic fuels, which could extend the life of ICE vehicles indefinitely, especially on a small scale.

Bottom line: The global shift to EVs could enhance the value of the Ferrari brand, similar to Apple and other sports watches, enhancing the value of ultra high-end mechanical watches. In an ever-increasing electrified world, the small number of ICE vehicles produced by Ferrari might be considered objects of incredibly rare beauty (with minimal negative environmental impact).

FERRARI THE MAINSTAY OF FORMULA ONE



Source: Ferrari

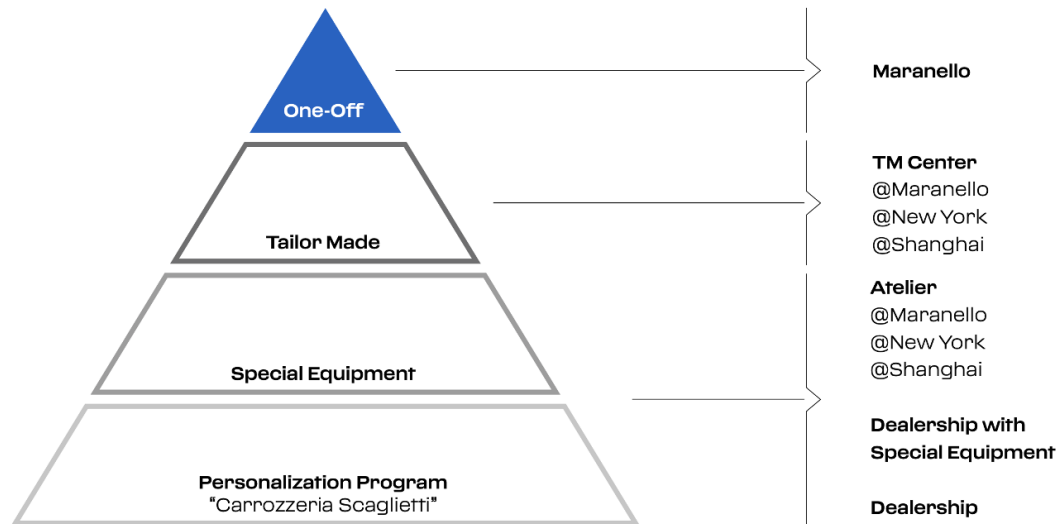
“Ferrari is the oldest surviving and most successful Formula One team, having competed in every world championship since 1950.” – Wikipedia.

Ferrari does not advertise; instead, it uses Formula 1 and other racing events to promote the brand.

The Formula 1 team earns revenue from sponsorships.

FERRARI CUSTOMISATIONS – A MARGIN ENHANCER

Personalization Offer



Source: Ferrari



The 'Tailor Made Center' for Ferrari is a design lab where clients can customize their rides.

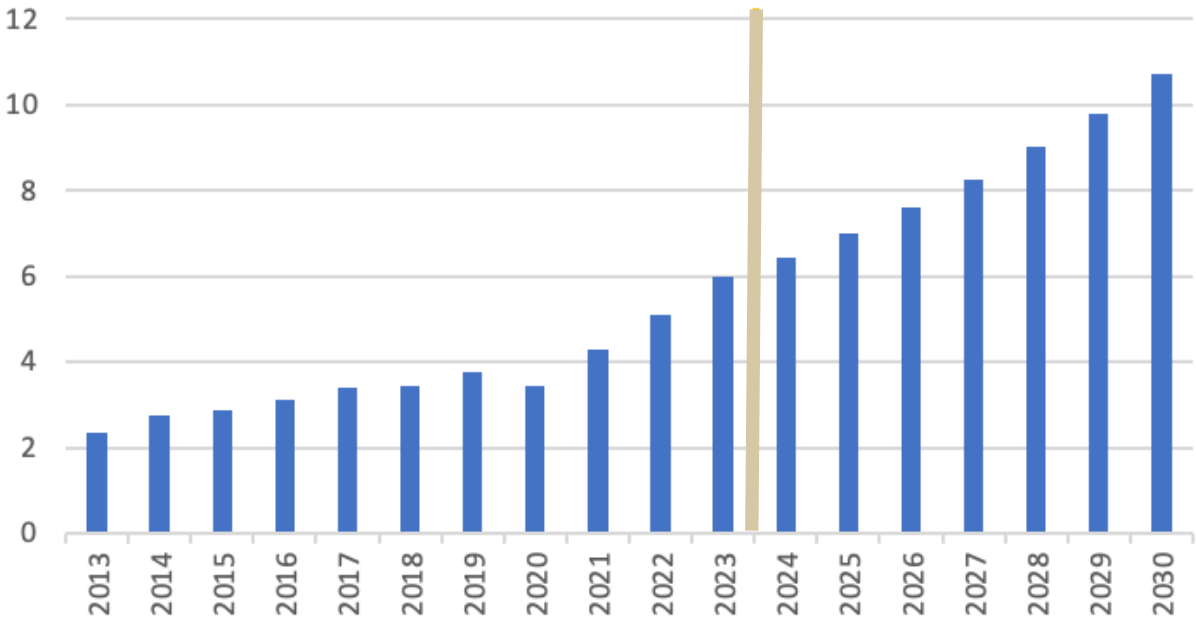
Source: CNBC

Customisations can add hundreds of thousands of US dollars to the price of a Ferrari.

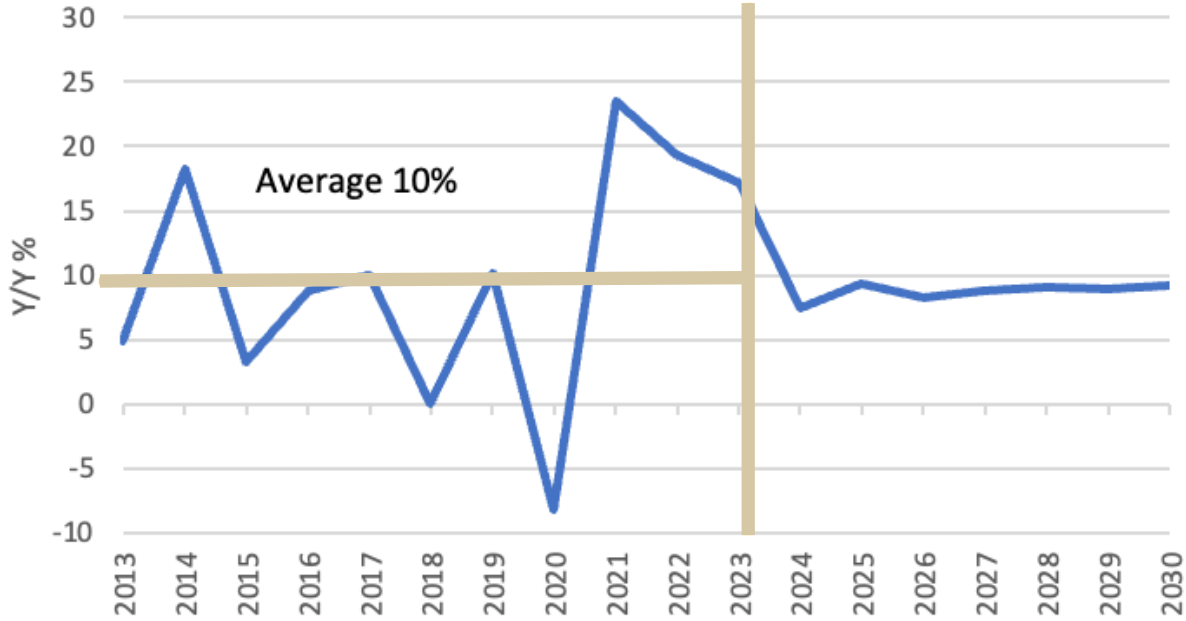


FERRARI – REVENUE

Ferrari Revenue (€bn)



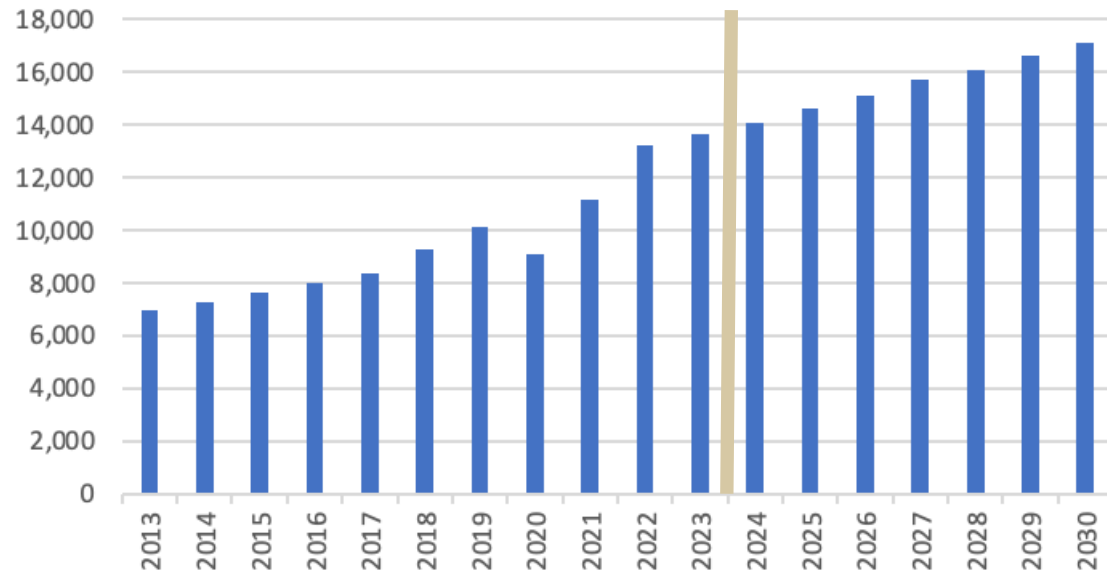
Ferrari Revenue Growth (Y/Y % change)



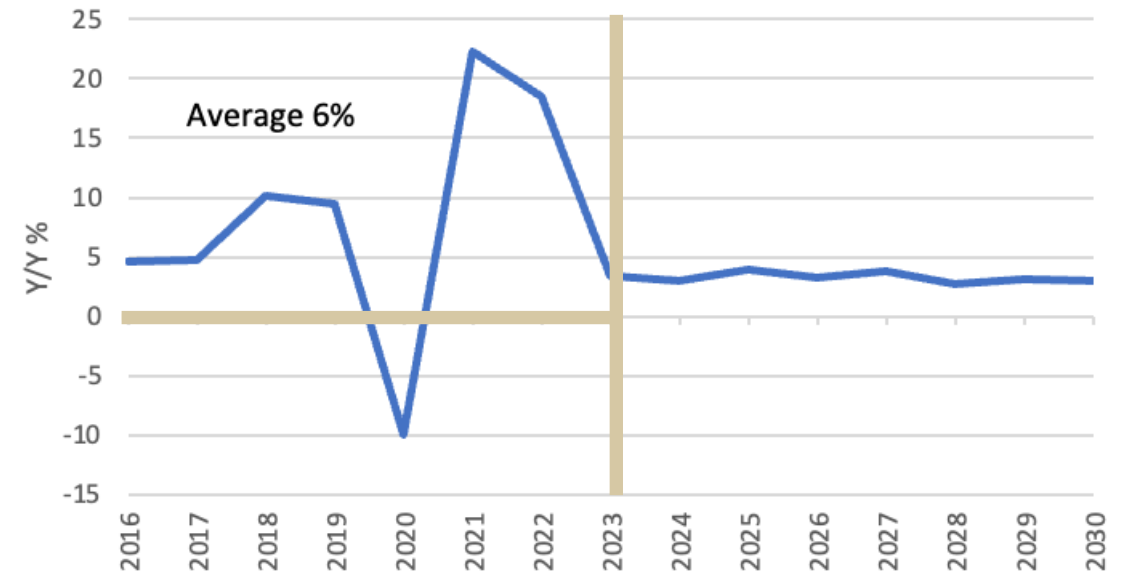
Source: Anchor, Company reports, Morgan Stanley

FERRARI – PRODUCTION VOLUMES

Ferrari Vehicle Production



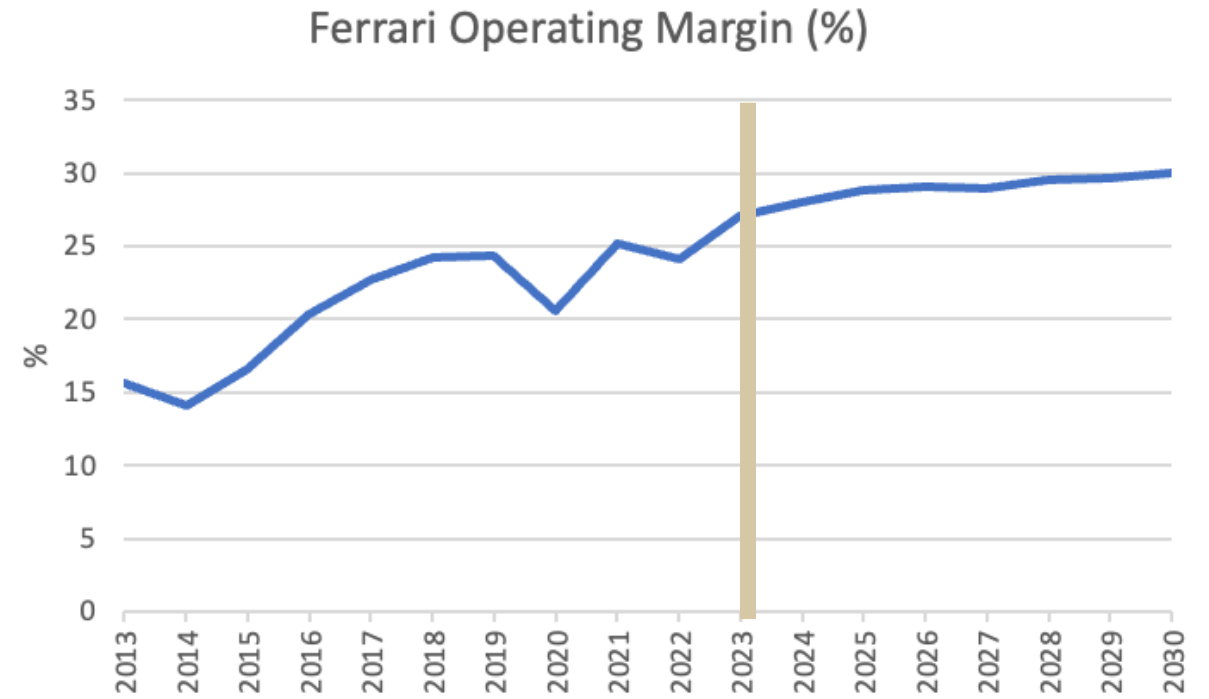
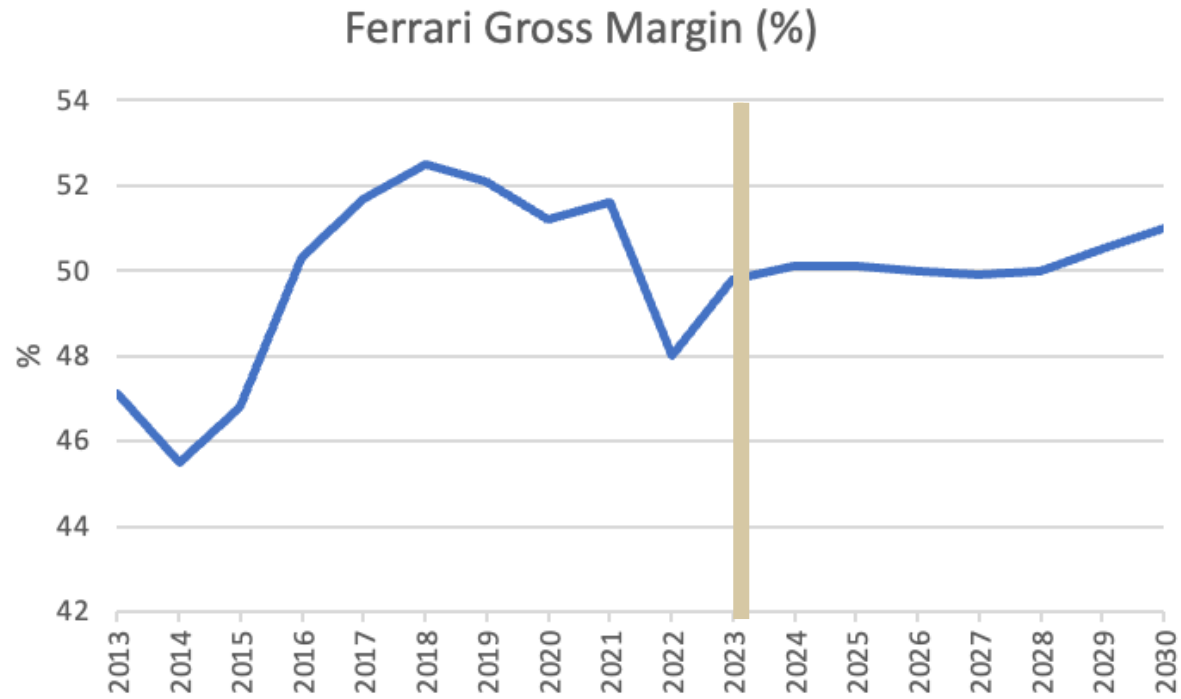
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Source: Anchor, Company reports, Morgan Stanley

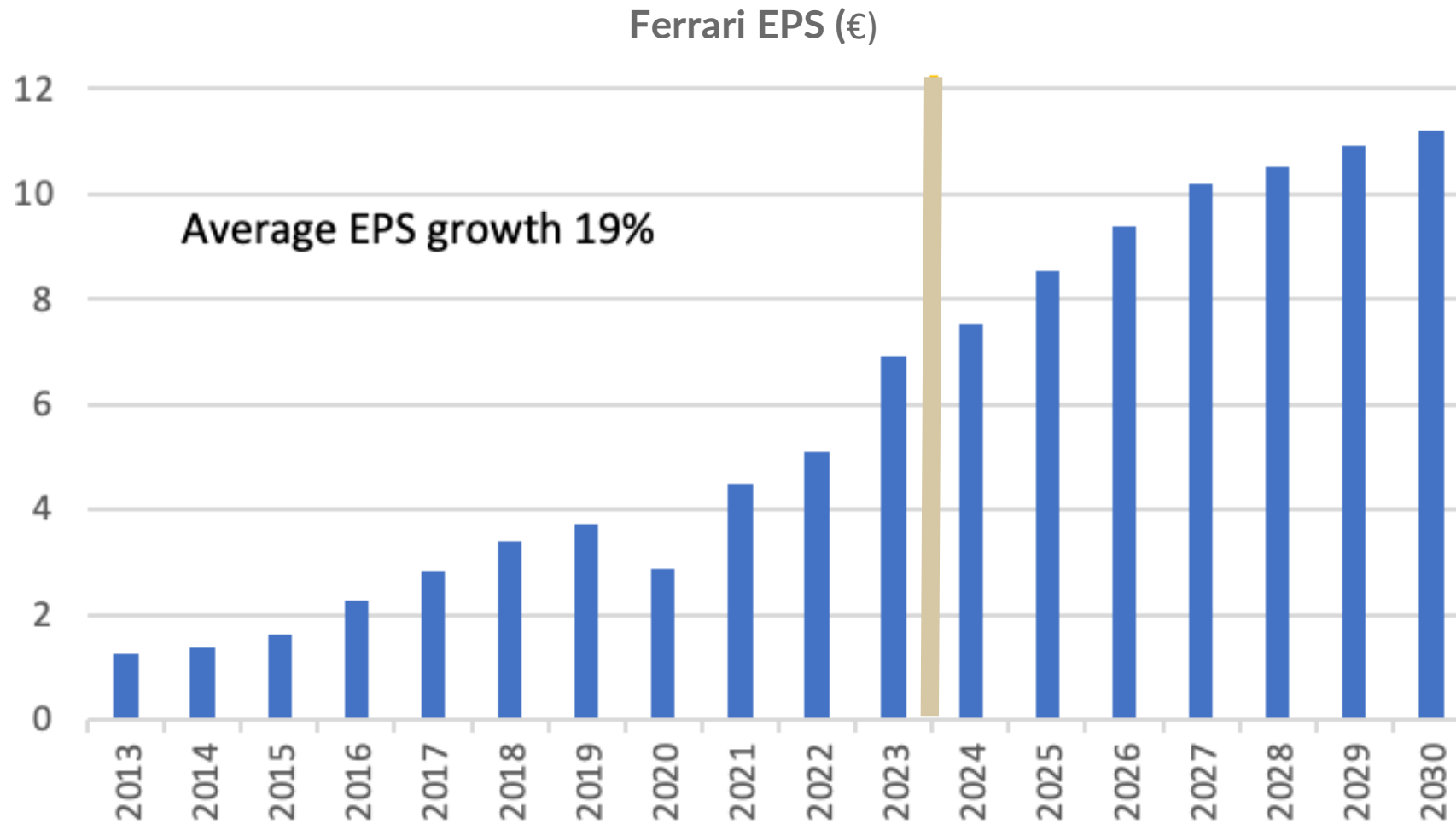
“On the other hand, our current growth strategy contemplates a measured but significant increase in car sales above current levels as we target a larger customer base and modes of use, we increase our focus on reaching a younger customer base and creating new Ferrari collectors, and our product portfolio evolves with a broader product range. We sold 13,221 cars in 2022 compared to 7,255 cars in 2014, the year before our initial public offering, and sales are expected to continue to increase gradually.”

FERRARI – MARGINS



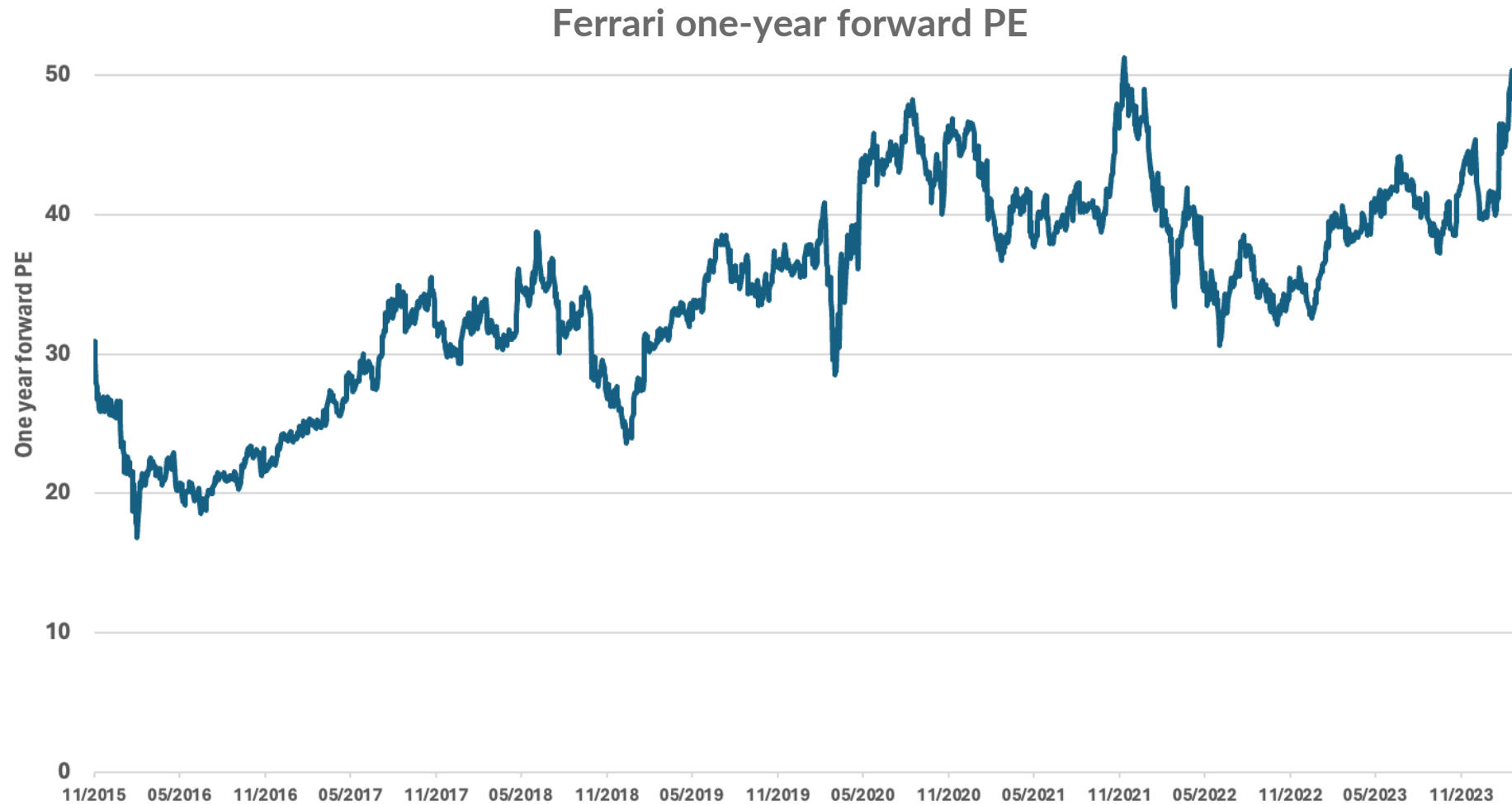
Source: Anchor, Company reports, Morgan Stanley

FERRARI – EARNINGS



Source: Anchor, Company reports, Morgan Stanley

FERRARI: ONE-YEAR FORWARD P/E MULTIPLES



Source: Bloomberg

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TESLA UPDATES APRIL 2024



WHERE THE MONEY WILL BE MADE 2Q24

WEBINAR

TESLA HAVING AN ALL-FALL-DOWN YEAR IN 2024



Tesla's share price is down 37% YTD in 2024 after rising 102% in 2023. The worst performer of the Magnificent 7.

A Tesla is pure utility value. The exact opposite of a Ferrari, which has virtually no utility value.

Tesla is laying off 10% of its staff – good or bad news?

Tesla's new US\$25,000 entry-level car for early 2026 - suspended or not?

Although Tesla is taking strain, its competitive positioning in EVs has improved materially outside China.



TESLA KEY VALUATION METRICS - TOO BIG TO IGNORE

Market cap: US\$500bn.

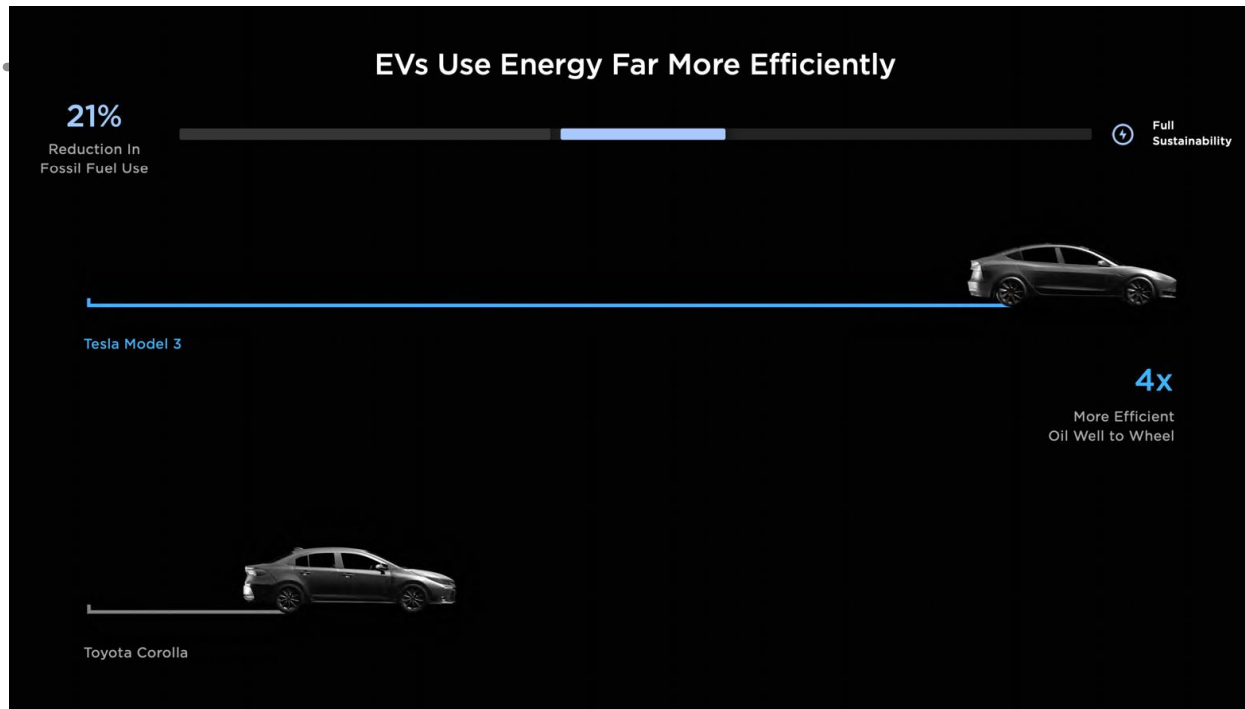
Position in S&P 500 Index; 12th.

P/E to December 2022; 58x (but risks for earnings are to the downside).

Tesla's thesis is not about near-term earnings for the next few quarters.



TESLA CLAIMS EV 4X MORE ENERGY EFFICIENT THAN ICE



Source: Tesla

Eighty percent of ICE vehicle energy is wasted on heat and parasitic auxiliary components that draw away energy.

Only c. 20% of contained energy is wasted for an EV (possibly even less with regenerative braking).

ELON MUSK'S VISION FOR TESLA – NOVEMBER 2022



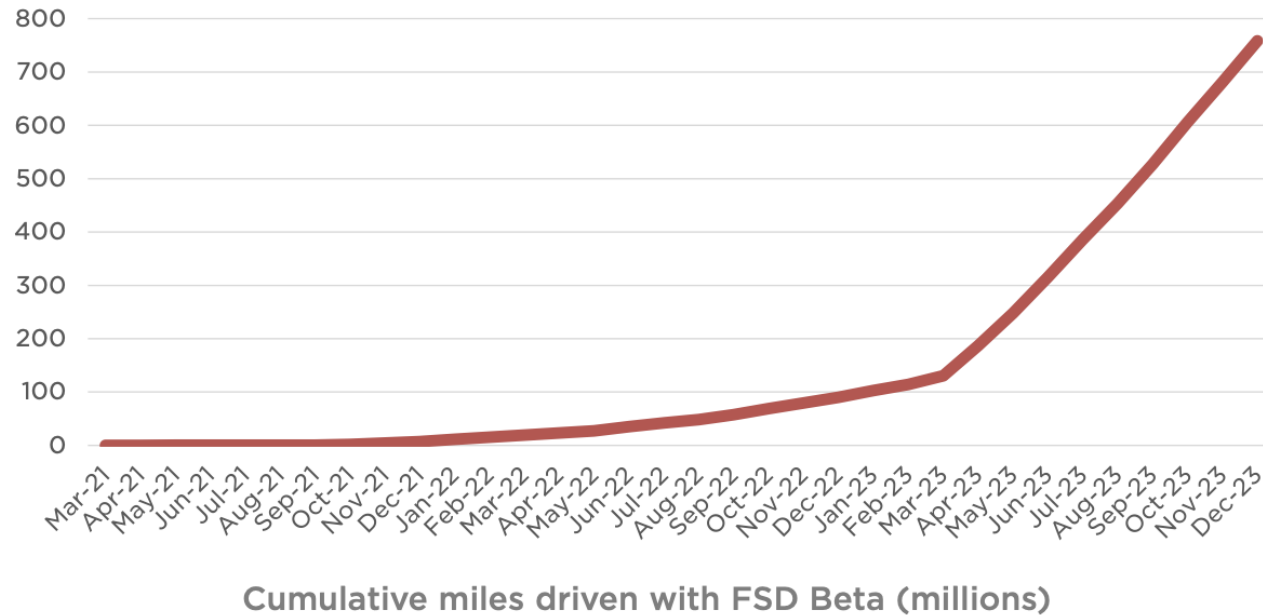
“But I think at a very high level, I'd say that autonomy is an insanely fundamental breakthrough, and no one is even close to Tesla for solving generalized autonomy or generalized self-driving vehicles. No one's even close.”

“Cars get driven for 10 to 12 hours per week. With autonomous cars, you could drive for 50 to 60 hours per week. You would see a 5-fold increase in the utility of the car. That would be a really gigantic thing.”

“Can you imagine if a company was doing 25% - 30% gross margins, but suddenly that same thing was 5 times more valuable? What would that do to the value of Tesla and the value of that car? It boggles the mind actually. So if you think of the net present value of future cash flows, if you actually do the math on that, it's insane.”

Source: Ron Baron

TESLA'S FULL SELF-DRIVING PASSED 1BN MILE MARK IN 2024



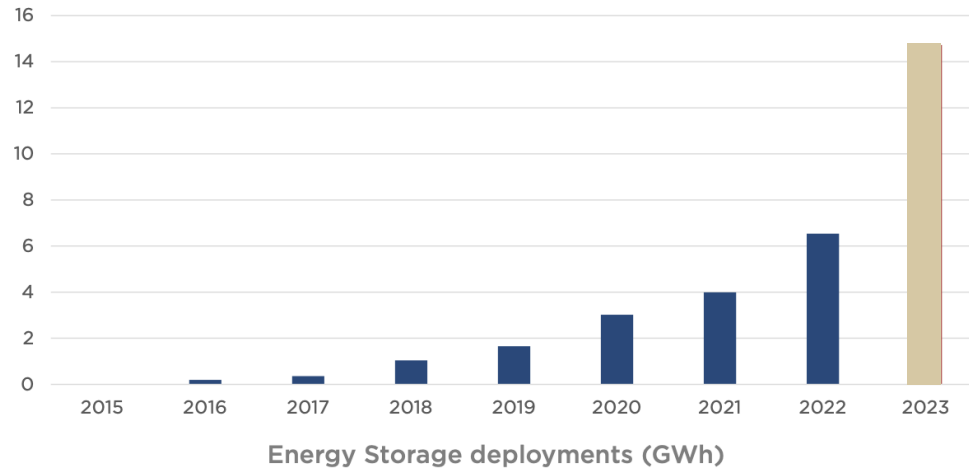
Tesla aggressively pushing adoption of FSD by making demos on new car sales mandatory. It has reduced its FSD monthly subscription fee by 50% to US\$99 from US\$199.

Tesla says it will unveil its long-awaited Robotaxi (no steering wheel) on 8 August 24. However, this may be a “soft” unveiling with actual commercialisation a long way off due to legal, regulatory, moral, and ethical challenges.

Autonomous driving will be a “winner-takes-all” with very high software margins for the winning companies.

Source: Tesla

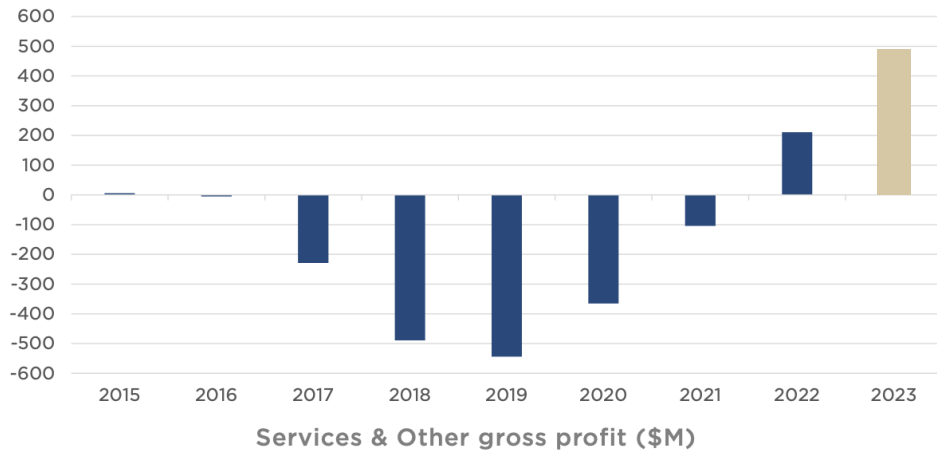
TESLA NON-AUTOMOTIVE



MEGAFACORY LATHROP, CA — MEGAPACK FINAL ASSEMBLY



GIGAFACORY NEVADA — EXPANSION PLANS



Source: Tesla

TESLA IS A “KOOL-AID” STOCK

Do not forget Tesla’s robotics and humanoid business, which could become significant in the coming years.

The bulls believe Tesla will become the biggest market cap company in the world in the coming years.

The bears believe Tesla is an overvalued auto manufacturer masquerading as a tech stock.



Tesla is an “every person for themselves” type of stock

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