THE NAVIGATOR

STRATEGY AND ASSET ALLOCATION REPORT

1ST QUARTER 2025

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Introduction

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For many of us, 2024 ended with a familiar countdown, the pop of a champagne cork and a jolly festive party. A fortnight later, as South Africans dust off our work computers and try to recall our office passwords, we take some time to reflect. The year was a lot better for investors than we had initially anticipated - 2024 was a year when there were many reasons to be fearful, yet everything worked out.

A year ago, we were concerned about high asset prices, and the global political landscape was uncertain with numerous elections on the horizon globally, including in South Africa (SA), where the ANC stood to lose its majority. We advised caution, patience, and, most importantly, diversification. Looking back, those investors who diversified their portfolios and patiently navigated the risks have fared better than we would have expected. There were moments of market volatility where portfolio values were down, but ultimately, diversification and patience (and investors) were rewarded.

Heading into the new year, it does feel like things are upside down. Domestic politics are relatively calm, while the US is poised for a period of policy uncertainty as President Donald Trump seeks to shift the country's direction. SA is the low inflation jurisdiction, while the US sees inflation that remains higher than desired. Emerging markets (EMs) seem to be low economic growth destinations, while US exceptionalism is expected to continue. Equity markets seem expensive, particularly in the US, while bonds are arguably appealing. Some things, however, are unchanged. We believe that patience with investments is called for and that patience when making new investments will be rewarded. We continue to advocate for diversification across asset classes and investment geographies.

Anchor is a proponent of balanced portfolios and diversified risks.

We continue to believe that the bulk of your wealth should be invested abroad and that there are opportunities in all offshore asset classes. Nevertheless, recent robust gains in US equities are making us cautious; still, the momentum is strong, and the projected US earnings growth is high.

Anchor is a proponent of balanced portfolios and diversified risks. We believe it is crucial for investors to have a long-term plan for what they seek to achieve with their investments and that the year ahead will likely see them move towards their eventual desired outcome. In our view, this is an excellent time to take a pro-risk stance in your portfolio. We advocate that a healthy portion of your investment portfolio should be offshore to leverage diverse opportunities and return profiles while mitigating SA-specific risk. We expect the rand to recover slightly vs the US dollar, however, do not delay externalising your savings for too long.

Overall, Anchor strives to help you achieve the best outcomes within your risk tolerances and investment objectives. We see opportunities in all asset classes, and in this report, we highlight some of the best opportunities we believe to be available.

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	Current stance			Expected returns (own currency) (%)
	Negative	Neutral	Positive	
DOMESTIC				
Equity			●	15
Bonds			●	11
Listed property		●		11
Cash	●			7.5
Alternatives*		>	●	10 to 15
Rand vs US dollar (rand stronger)				3.2
GLOBAL				
Equity		●		6
Government bonds		>	●	6
Corporate credit		●		5
Listed property		●		5
Cash	>	●		4
Alternatives*			●	8 to 12

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

Asset Allocation Summary

The most recent quarter (4Q24) was dominated by the response to the re-election of Donald Trump as US president and anticipation of his economic policies, which are seen as somewhat inflationary and supportive of a stronger US dollar. US exceptionalism is expected to continue as regulations are relaxed in the US. This has provided a solid boost for equity investments, but the rand and bond asset classes have weakened. Our return expectations for the various asset classes have shifted to reflect different asset starting prices and a continued positive outlook for SA and the global economy. The interest rate-cutting cycle is expected to be shallower than previously thought, and bond yields will remain high.

Figure 1 below highlights the US dollar return outlook for the various global asset classes. The bar in *Figure 1* represents the reasonable range of possible outcomes, with the dots representing our estimate of the outcome in the various scenarios. We think global equities (particularly US equities) are likely to perform best; however, downside risks are growing. Global bonds also remain compelling. On an absolute level, we think equity returns will be slightly lower going forward while the market absorbs the higher starting prices.

Figure 1: 12M return scenarios for various asset classes in US dollar terms
Source: Anchor

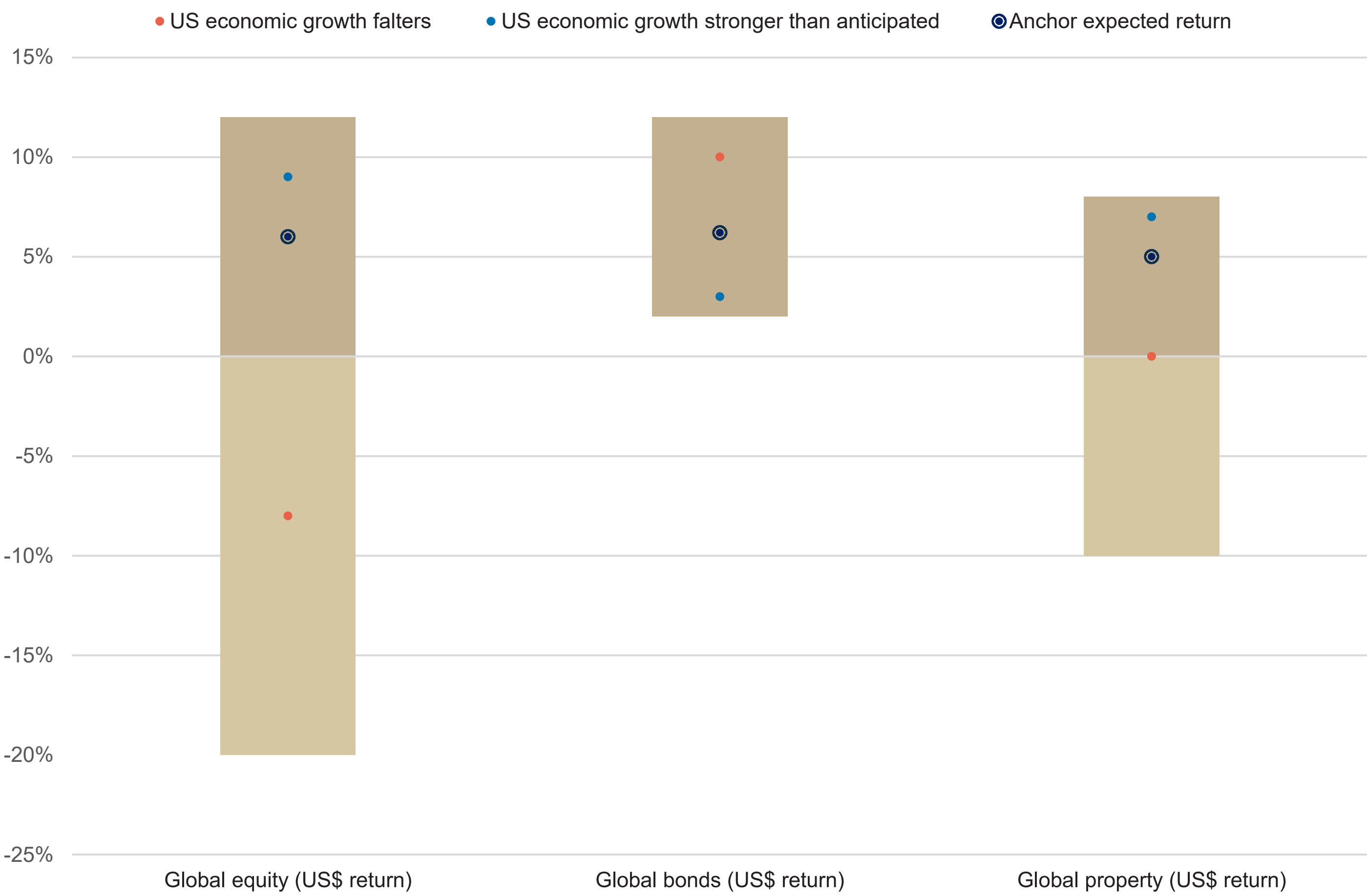


Figure 2: Anchor expected returns by offshore asset class
Source: Anchor

	Global equity	Global bonds	Global property
Anchor expected return (in US dollar)	6%	6%	5%

Figure 3 below highlights the rand return outlook for several domestic asset classes. The bar represents the reasonable range of possible outcomes, with the dots representing our estimate of the outcome under various scenarios. From a domestic perspective, we believe that there is more opportunity ahead. We anticipate declining interest rates, improving sentiment, improved governance, and slightly positive steps being taken by the government. We are optimistic that domestic factors will continue improving as we progress into 2025.

Figure 3: 12M return scenarios for various asset classes in rand terms
Source: Anchor

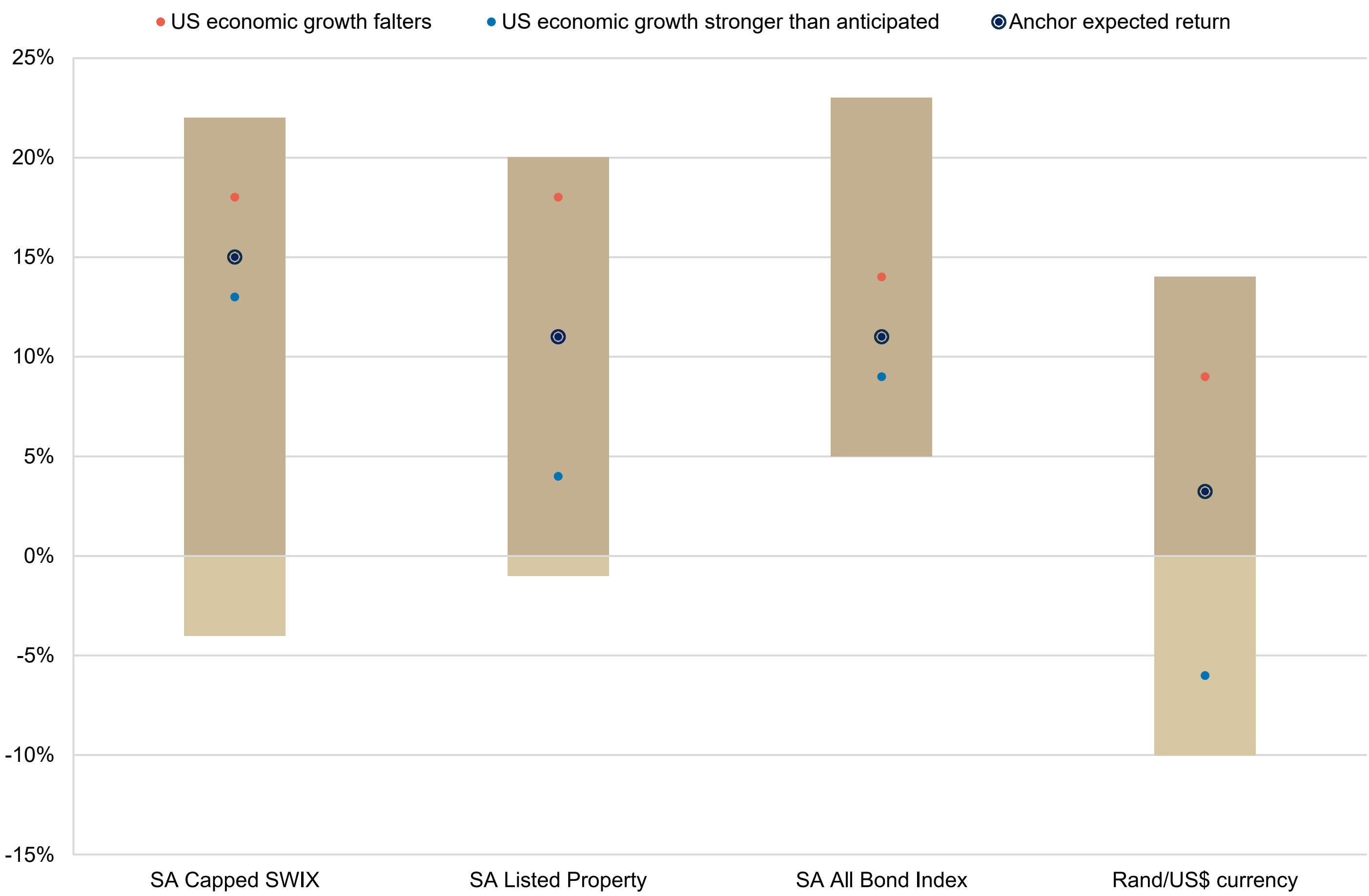


Figure 4: Anchor expected return for domestic asset classes
Source: Anchor

	Domestic equity	Domestic bonds	Domestic property	US$/rand
Anchor expected return (in rand)	15%	11%	11%	3%

Strategy and Asset Allocation, 1Q25

ECONOMICS

As 2025 begins, the global economic backdrop remains as convoluted as ever. The year has started with increased volatility in bond and equity markets, signalling a challenging environment that demands careful navigation of complex geopolitical dynamics, domestic politics, and economic uncertainties. Several critical factors—including risk sentiment, the US Federal Reserve's (Fed) policy decisions, the terminal interest rate, US risk-free rates, and growth disparities between the US and other regions—are poised to significantly influence SA's interest rates and the rand's value. These elements will shape foreign capital flows and trade dynamics, including the terms of trade. In addition, Trump's inauguration as the 47th president of the US has marked a pivotal shift in US policy direction. While many specifics remain uncertain, campaign promises and recent statements from Trump and his team point toward a clear economic philosophy emphasising deregulation, lower taxes, and trade protectionism. Nevertheless, while the shift in overall policy trajectory is unmistakable and likely to have substantial global repercussions, the pace and extent of its implementation remain unclear.

As 2025 begins, the global economic backdrop remains as convoluted as ever.

Meanwhile, questions persist regarding the restrictiveness of current US monetary policy, given relatively loose fiscal conditions. Narrow corporate credit spreads and a strong equity market are indicators of this environment. The Federal Open Market Committee's (FOMC) December decision to cut the policy rate by 25 bpts, coupled with an upward revision of its 2025 core personal consumption expenditure (PCE) inflation forecast from 2.2% to 2.5%, has added to the uncertainty surrounding the neutral interest rate. Diverging opinions within the FOMC further complicate the outlook, as evidenced by four dissenting votes against the December rate cut. The dot-plot median interest rate projection now anticipates two 25-bpt rate cuts in 2025, reflecting some FOMC members' consideration of the potential impact of future Trump administration policies. Market participants are debating a wide range of scenarios, albeit with most centred mainly around the basis of no rate cuts to two 25-bpt reductions in the federal funds rate. This evolving situation underscores the high uncertainty surrounding the Fed's terminal rate and the broader economic outlook.

Market participants are debating a wide range of scenarios ...

Conversely, China remains focused on safeguarding stable growth during its economic transition, though challenges persist. Investment continues to struggle, weighed down by a prolonged slowdown in the property sector. While private investment remains sluggish, public investment regained some momentum towards the end of 2024, following setbacks in 3Q24. Deflationary pressures are evident, driven by persistent demand weakness. In December, China's consumer prices rose by just 0.1% YoY, highlighting these pressures and contributing to record-low bond yields in the world's second-largest economy. This weak inflation reading comes despite months of efforts by policymakers to stimulate demand. In December, China's leaders announced the adoption of a "moderately loose" monetary policy for the first time in 14 years, alongside a commitment to "vigorously boost consumption." Monetary policy easing continues as a complement to fiscal support. The People's Bank of China (PBoC) introduced a decisive easing package in late September to restore market confidence. While these monetary measures provide some relief, robust fiscal efforts are essential for a comprehensive economic recovery. The combination of bold monetary actions and strong fiscal support will be critical for a sustained recovery through 4Q24 and beyond.

Domestically, several factors contribute to significant forecast uncertainty, including potential policy changes from the incoming US administration, the scale and composition of China's policy stimulus, and the impacts of ongoing global conflicts. We anticipate steady growth in SA's key export markets and relatively stable terms of trade. SA is expected to be among the few countries where economic growth accelerates in 2025, albeit from a low base, as infrastructure constraints ease, business confidence improves, and interest rates decline. However, policy reforms are likely to remain gradual, and firms may limit capacity expansion due to uncertainty about the long-term political landscape and ongoing structural challenges.

SA is expected to be among the few countries where economic growth accelerates in 2025, albeit from a low base

Regardless, SA growth in 2025 should be supported by more vigorous private sector fixed investment bolstered by an expected acceleration in infrastructure spending, which should provide medium-term support. Consumer spending is also likely to improve, benefitting from lower inflation, interest rate relief, and relatively steady nominal wage growth and employment levels. We expect inflation to gradually rise from its recent lows as base effects fade, food inflation normalises, and fuel prices recover following their late-2024 drop. The South African Reserve Bank (SARB) has indicated its intention to lower the repo rate to a "neutral" level, suggesting the possibility of an additional cumulative 25–50 bpts in 1H25 rate cuts. However, the recent rand weakness and the US Fed's more hawkish stance introduce notable risks to this forecast.

SA EQUITIES

This year, we continue to see reasonable upside (c. +15% YoY) for the JSE, primarily driven by a continued earnings recovery for the domestically focussed equities (SA Inc. counters). The bottom-up view of SA equities is broadly supportive of this scenario. Typically, where we find ourselves currently in SA would be associated with the early stages of an upcycle. Inflation (especially food inflation, which eased to 2.3% for October - its lowest rate in c. 14 years) is moderating, and interest rates peaked in 2024 and are expected to continue declining. The domestic economy is expected to recover this year to record around 2% GDP growth after years of sub-1% growth. SA banks are also well-capitalised, and their books are reasonably clean, meaning that if we get some demand on the lending side, there should be a nice multiplier effect on the economy. Some shorter-term, more cyclical dynamics that should support consumption and the retailers, in general, would be the additional cash injection from the two-pot retirement withdrawals. Additionally, loadshedding is seemingly a thing of the past, and some positive, albeit slow, developments at Transnet should add further fuel to the local "things are getting better at the margin" narrative.

In 2025, we continue to see reasonable upside for the JSE ...

Assuming that the global macro backdrop remains stable this year (a big assumption), we expect the improving SA backdrop to translate into continued double-digit to mid-teen total returns from the domestically focused corner of the market. Most banks (a significant component of the FTSE JSE All Share Index) will likely deliver 10% earnings growth this year (Capitec being the exception with 20% earnings growth expected) and trade on high single-digit dividend yields. Assuming no re-rating, one could expect to see dependable mid-teen total returns.

The discretionary retailers, a much smaller component of the local index, will likely experience a much sharper earnings recovery, pocketing a higher proportion of the two-pot retirement withdrawals (estimated at c. R35bn after tax) with higher operating leverage than the more defensive banking sector. Earnings growth from the discretionary clothing retailers is expected to be around 20% for FY25, coming off a relatively low base from the past few years. Most management teams we have recently interacted with, particularly on the consumer side, have been more optimistic than we have seen in the past. It also appears that the December trading period went well for consumer-focused businesses.

On the industrial side, the messaging has been far more muted. The larger industrial businesses seemingly have not seen much change in their operating conditions, which remain constrained locally. The pickup in domestic activity levels has been concentrated in a gradual consumer recovery.

Discretionary retailers will likely experience a much sharper earnings recovery …

Looking at the rand hedge shares, it is hard to put the drivers of returns in one bucket, but if there were one, China would most likely continue to have the most significant influence on their performance outcome. The pullback in both Tencent and Naspers/Prosus is a straight derating, and the recent decision by the US Department of Defence (DoD) to place Tencent on a list of companies with ties to the Chinese military is unlikely to have a material impact on the tech giant's operations. Trading at 14x forward earnings with defensive double-digit growth in operating earnings has been an attractive entry into Tencent (and, by implication, Naspers/Prosus) in the past. At these levels, we expect Naspers/Prosus to be a material driver of returns for the JSE in 2025, given its relative size in the FTSE JSE All Share Index.

We also continue to like the food distribution business Bidcorp, following a year in which its earnings outlook has not deteriorated, and the stock has de-rated from 18x forward earnings to the current 15x. At 15x, that is the cheapest Bidcorp has ever been (outside of the COVID-19 pandemic), which we find interesting.

We continue to like the food distribution business Bidcorp …

In terms of the basic materials sector, the drivers of share price performances over the short term seem to be primarily macro-driven, with the fundamental outlook for most businesses not having changed much over the past few months. From a fundamental perspective, it remains to be seen whether the stimulus measures implemented by China's policymakers will have a material impact on commodity demand. While, in aggregate, the basic materials sector is generally not a sector we like to be overly invested in, there are certain markers that we look out for when deciding on how much exposure to take in our more benchmark cognisant portfolios. The rate of change of free cash flow (FCF) would feature highly on our list of attributes we would like to see, and at present, the gold sector would screen most favourably.

In the basic materials sector, the drivers of share price performances over the short term seem to be primarily macro-driven …

At the same time, the larger, more diversified global mining houses look to have found a plateau after a few years of consistent downgrades following the euphoria (or actually fear) in commodity markets after Russia's invasion of Ukraine and the subsequent underperformance of China's economy from mid-2022. Diversified miners trade on mid to high single-digit FCF yields, which seem reasonable given their moderately flat FCF growth profile. We prefer Anglo American and Glencore within the diversified mining space - the former for the potential value unlock from a restructure and Glencore for its attractive mix of copper and coal.

We prefer Anglo American and Glencore within the diversified mining space …

From a fundamental perspective, the platinum group metals (PGM) sector still screens as the least attractive for us. However, we concede that they are also the most levered to a change in their underlying basket prices (they are close to cashflow breakeven at spot). However, the long-term outlook for PGMs remains the most uncertain in our coverage universe.

We need the GNU to deliver on the much-anticipated structural reform to keep investor confidence moving in the right direction …

We have little doubt that 2025 will be another year filled with surprises. We have new leadership in the US, which will set the global geopolitical tone. We now need a GNU that delivers on the much-anticipated structural reform to keep investor confidence in SA moving in the right direction. One only needs to look at recent developments in Argentina to see what the global investment community can do when confidence grows in a reform thesis – and SA is brimming with potential.

SA LISTED PROPERTY

After dramatic falls post-COVID-19, the SA-listed property sector has recovered materially over the past two years, even though the domestic-focused counters are well off their highs. This is primarily due to a material devaluation of office space as workers spread their time between the office and the home dining room or study. The earnings base of the sector is back to a reasonably full level, and growth from here forward is likely to be closer to 5% than 10%. At forward dividend yields of around 9% for local counters, property companies look fairly valued relative to recently increased bond yields. So, it is a case of comparing a 9% yield growing at 5% with a 10-year bond yield of 10.5%, which is not increasing.

SA-listed property has recovered materially over the past two years, even though the domestic-focused counters are well off their highs ...

Our 12-month forward, total return projection for the sector is 11%, which comprises a slight capital increase in addition to the 9% dividend yield. Property fundamentals appear to have bottomed a few months ago, and vacancy levels are shrinking. The office sector has long-term oversupply issues, but negative lease reversions have declined sharply as a full rent cycle has almost worked its way through post-COVID-19. So, net portfolio growth is returning, and the interest cost will decline towards 2H24 (unless, like Growthpoint, hedging has delayed this positive impact). Offshore portfolios are performing better, and growth prospects look reasonable. This sets the stage for constructing a reasonable portfolio with a 7%-9% dividend yield and 3%-5% growth.

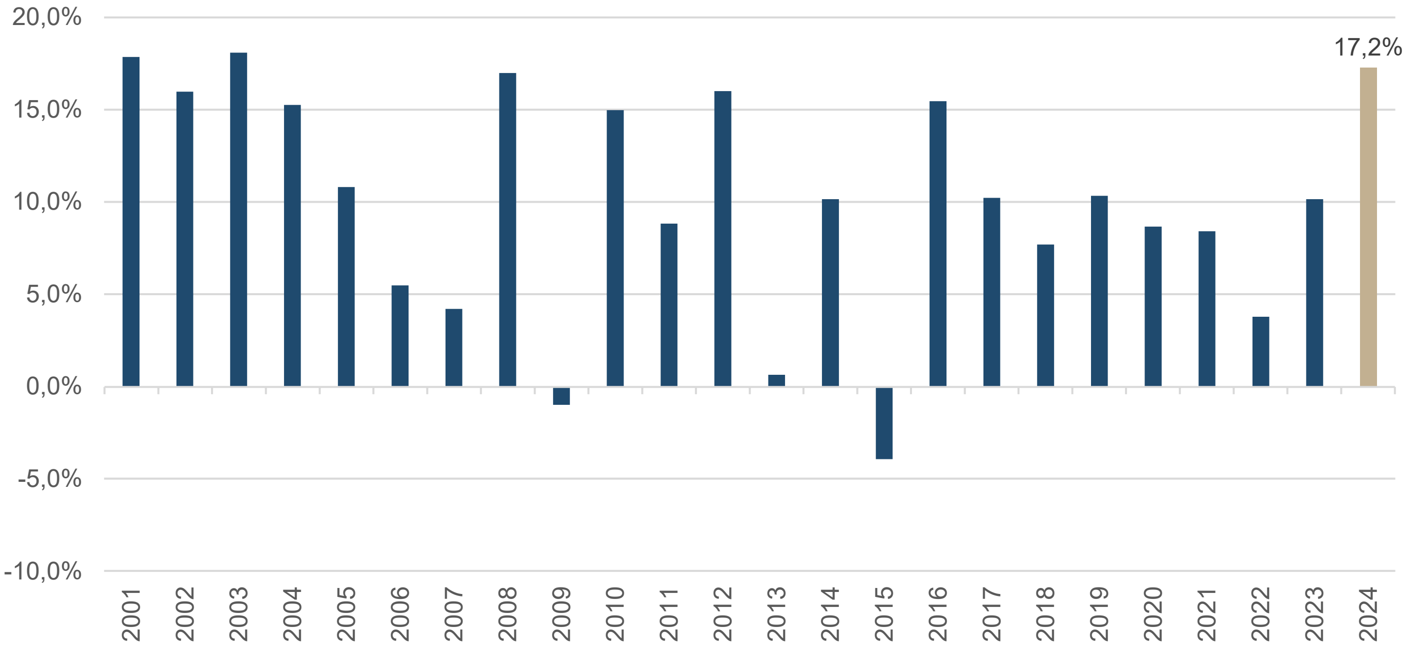
DOMESTIC BONDS

SA Government Bonds (SAGBs) ended last year with a weaker December but still recorded a 17.3% YoY return for 2024 at the SA All Bond Index (ALBI) level. This was the ALBI's best annual return since 2003. Our outlook for domestic bonds for 2025 is thus more neutral; we believe yields on offer are attractive, especially relative to the still low inflation SA is experiencing (particularly in contrast to inflation rates in comparable developed markets [DMs]), but our bond yields are materially higher.

SAGBs recorded a 17.3% YoY return for 2024 at the ALBI level ...

Figure 1: ALBI returns over the past 24 years, YoY % change

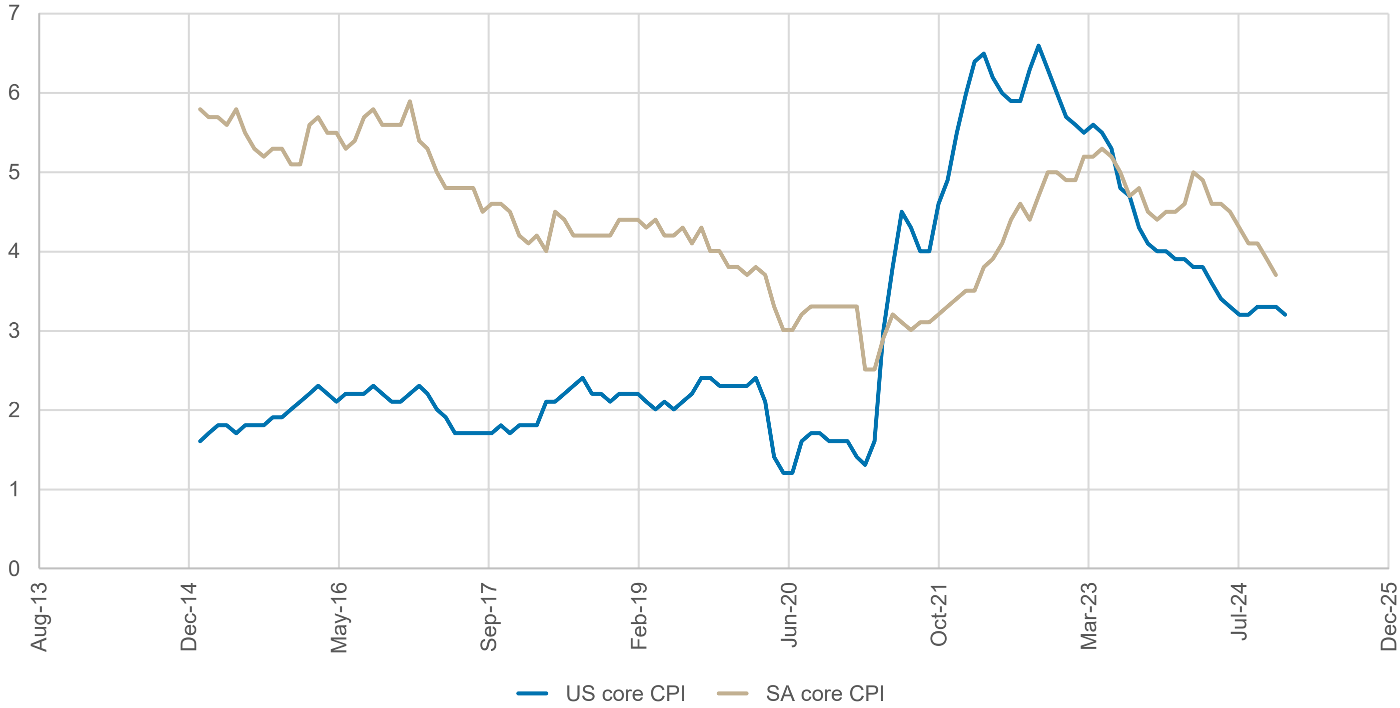
Source: Anchor, Reuters.



On a real basis, as we enter 2025, domestic nominal bonds are at attractive levels. We note how comparative CPI levels have moved (comparing core vs core). In the mid-2000s, this spread was consistent at approximately 4%. This narrowed during the COVID-19 pandemic and has not yet returned to those mid-2000 levels. We currently see the US vs SA CPI spread closer to 1%.

At the same time, SAGBs offer yields of c. 10.5% in the belly of the curve, and US 10-year treasuries yield 4.7%.

Figure 2: US vs SA core CPI, YoY % change
Source: Anchor, Reuters.



The last quarter of 2024 (4Q24) saw one major news event dominate headlines – the return of Donald Trump to the US presidency. Before the November US Presidential Election, Trump faced several challenges (both on the campaign front and legally) but won the popular vote and the Electoral College by 312 to 226. The fallout for the Democratic Party has only begun, but the market outlook for Trump is focussed primarily on his major electoral promise – to institute tariffs, some as high as 60%.

Trump's return to the US presidency dominated headlines in 4Q24 …

There is some consensus that these policies will be inflationary. Added to that, there is market scepticism about the ability of the new "Department of Government Efficiency" (DOGE, to be run by Elon Musk and Vivek Ramaswamy) to effectively cut costs while promised tax cuts are also instituted, thus resulting in increasing deficits. The market response to this over 4Q24 was to elevate global bond yields and push back the rate-cutting narrative and cycle.

When writing *The Navigator – Anchor's Strategy and Asset Allocation, 4Q24*, dated 14 October 2024, the US rate-cutting cycle was expected (by futures markets) to bottom with a fed funds rate of 2.75%-3.00%. However, currently, the market-implied expectation is for rates to bottom at either 3.75%-4.00% or 4.00%-4.25%. As these expectations of more rate cuts have evaporated, the upward pressure on yields has been palpable, particularly in the US, where 10-year treasuries have reached levels not seen for a considerable period. This has also strengthened the US dollar against most currencies, including the rand. The spillover effect has been a pronounced weakness in SAGBs, leaving them (despite a strong 2024) opening 2025 at valuations that we see as broadly fair.

Trump's first 100 days in office will be instructive regarding future global positioning …

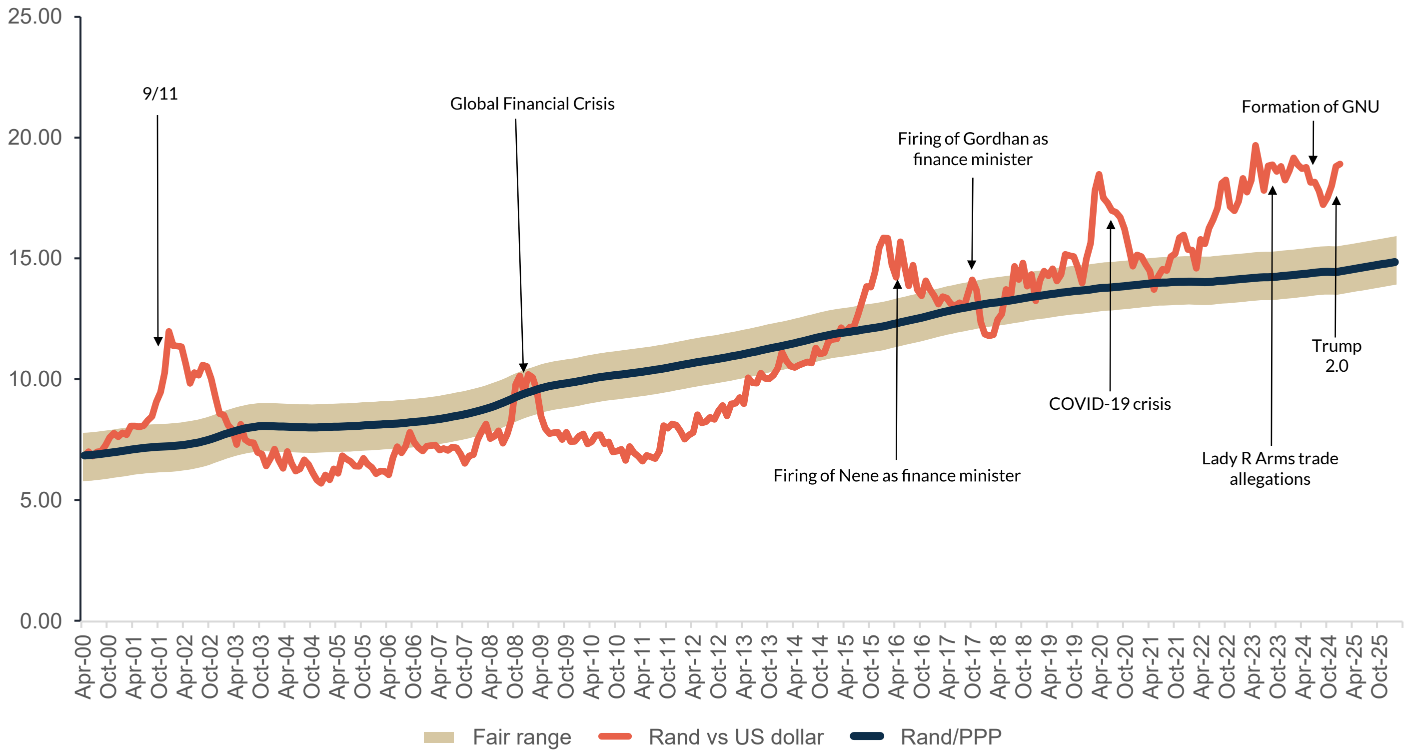
The outcome of the Trump team's first 100 days in office will be instructive regarding global positioning in the future. Suppose they successfully implement tariffs with limited spillover to US CPI. In that case, we will likely see a strong US economy continue, and the US dollar will remain on the front foot with little need for rate cuts to stimulate the US economy. However, suppose the market slows meaningfully and growth stalls off the back of implementing tariffs. If this happens, we are likely to see expectations of a return to a deeper rate-cutting cycle.

Given the above combination of risk factors entering 2025, our position in the Anchor BCI Bond Fund is neutral relative to the ALBI. We foresee some of these uncertainties becoming clearer over the first few weeks of February (the Trump team took office on 20 January 2025), and thereafter, opportunities in the duration space will become more apparent.

THE RAND

Anchor subscribes to a purchasing power parity (PPP) model for the long-term value of the rand. Any such model clearly shows that the local unit is cheap, as is evident from Figure 3 below. Our modelled fair value of the rand is in the R13.85-R15.85/US$1 range. The currency usually trades away from its "fair value", and it is reasonable to expect it to remain cheap for the foreseeable future.

Figure 3: Actual rand/US dollar exchange rate vs rand PPP model
Source: Thomson Reuters, Anchor



Since the US election, the rand/US dollar exchange rate has been dominated by spillover from the US rather than domestic factors ...

Since November, the rand/US dollar exchange rate has been dominated by spillover from the US rather than domestic factors. US President-Elect Donald Trump is a strong proponent of introducing tariffs on goods imported to the US. A consequence of these proposed tariffs is that the US dollar has strengthened dramatically against most currencies. We have accordingly seen the rand, the euro, the British pound, and other major currencies weaken dramatically against the dollar over the past few months. The Trump policy mix is also expected to be mildly inflationary for the US, making for higher US interest rates. Consequently, the market has been paring back its expectations of interest rate cuts. A couple of months ago, the markets expected 3 or 4 US interest rate cuts of 0.25% each. However, now financial markets are questioning whether we will see just one US interest rate cut in 2025. Higher US interest rate expectations make for a stronger dollar and a weaker rand. This has exacerbated the rand weakness we have seen of late.

Anchor remains of the view that SA's domestic fundamentals are gradually improving. Whether we look at the Government of National Unity (GNU) that is defying expectations and holding together, Eskom, which has kept the lights on for much of the past year, or improving business sentiment, it would seem that circumstances on the ground are better than they were a year or two ago.

Higher US interest rate expectations make for a stronger dollar and a weaker rand ...

Despite current market sentiment, we believe the strong reaction to expected tariffs and inflationary policy is overdone. We think the market is very pessimistic about its interpretation of the outcome of these policies and their implications for the broader global economy. As a result, we believe that we are toward peak negativity for US interest rates and dollar strength. We note that some research houses are discussing a further 5% strengthening of the greenback from current levels. That said, we think that over the next year, some of this negativity will reverse, and the rand will recover some lost ground. For this report, we are modelling the exchange rate at R18.25/US$1.

GLOBAL EQUITIES

Global equities continued a second consecutive year of around 20% returns in 2024 (vs 24% in 2023). The bull market is intact due to strong underlying economic momentum (particularly in the US) and double-digit earnings growth forecasts. We have been positive on equities for most of this period, but we have recently moved into more neutral territory as valuations have reached extremes. Early in my career, I learned not to fight a bull market, but there is certainly reason to be aware of potential risks and become more cautious.

Most global investment banks are hesitant to call an end to the current bull run…

Most global investment banks are hesitant to call an end to the current bull run, and 2025 year-end forecasts for the S&P 500 (currently at the 6,000 level) are primarily in the range of 6,200-6,600. This implies a 3%-10% return. We expect a 6% return for the calendar year (CY) 2025, but with an unusually large range of potential outcomes (-20% to +12%), which we will explain in this article.

The investment world has changed somewhat over recent months, as Trump's bluster, outbursts, and sometimes seemingly absurd intentions have been broadcast. Tariffs, tax cuts, and anticipated higher spending have increased inflation expectations, and bond yields have risen to reflect these changes in expectations. US 10-year government bond yields shot towards 5%, the highest in the past two decades. One certainty is that Trump will continue to spring surprises, and the market has become jumpy, not knowing what to expect next. As Larry Fink, the CEO of BlackRock, indicated in a recent interview, he can construct an argument for bond yields to be 3.75% or 5.25% one year out. These two different trajectories can result in very different equity market outcomes.

The more bullish view is premised on the fact that most Trump policies are pro-growth and based on clearing the barriers for company and economic growth. In addition, artificial intelligence (AI) has changed the trajectories of many companies, and animal spirits abound. A new phase of capital investment in infrastructure to support this trend has begun. This can fundamentally change the aggregate prospects of US companies. Companies perceived as AI beneficiaries trade at lofty valuations, materially pulling up the average. Bulls argue these valuations are justified given the growth prospects, and the median valuation is not materially higher than historical means.

So, growth prospects look good, but one must assess what is priced in as the market is aware of all the above. A misstep or seed of doubt in the growth mantra can quickly be punished by a 10%-15% decline in market levels. Capital investment in AI has exploded, and markets will begin to assess whether the profits to justify this investment will follow. Recent company results, like those released by Adobe, have indicated they are battling to differentiate in the new AI world, even though their material investment produces sexy products and outcomes. However, these new technologies are also spawning new competitors, and they might well be losing market share. AI might be more commoditised than expected.

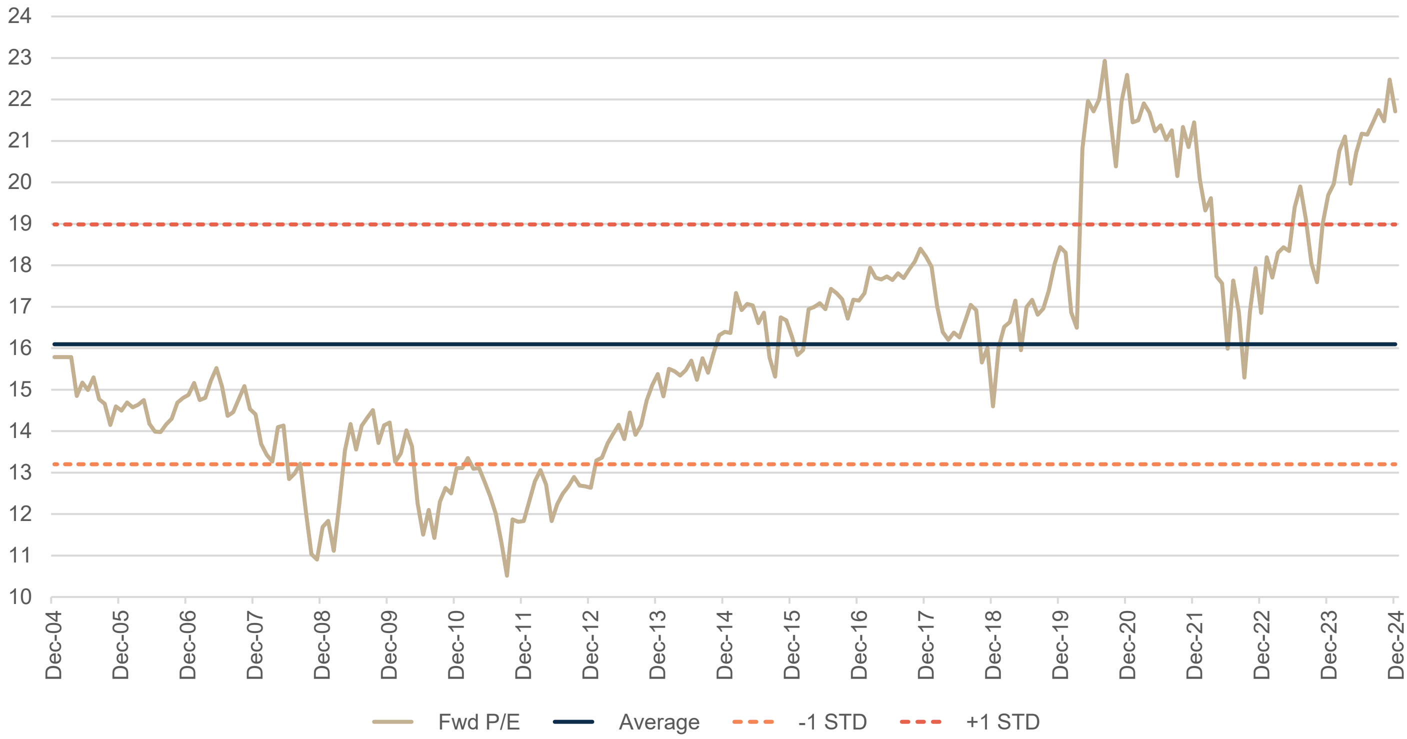
… growth prospects look good, but one must assess what is priced in …

Then comes the other economic outcomes of Trump's charge for growth. The US dollar has strengthened by c. 10% against most major currencies in 4Q24. This means offshore profits convert to less US dollars for global US-based companies. In addition, higher interest rates mean the anticipated decline in interest costs will take longer to materialise. Both could take the shine off company earnings growth in the coming quarters and year.

Higher US government bond yields are historically not good or bad for equities. Equities have gone up when bond yields increase if they are due to stronger economic growth. The opposite has also been the case, as higher rates increase the cost of capital, which theoretically lowers the current value of future cash flows.

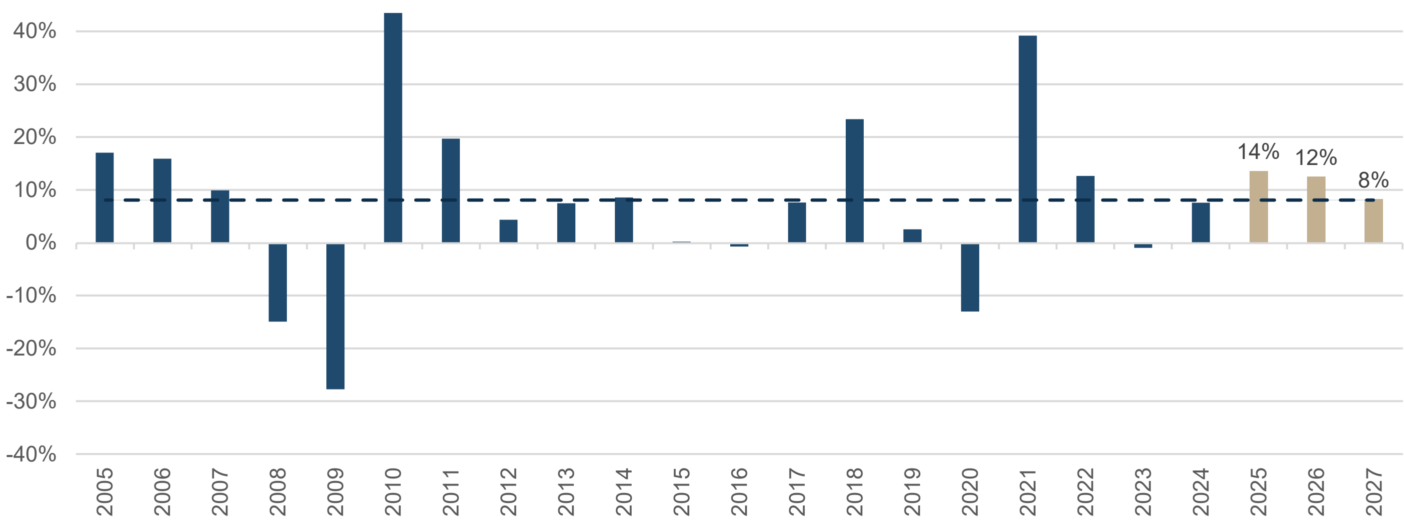
Figure 4 shows that the forward 22x P/E multiple in the S&P 500 is approaching the most expensive levels in two decades. This alone is a good reason for caution.

Figure 4: US S&P 500 Index forward P/E, x
Source: Anchor, Bloomberg



The biggest driver behind equity markets is earnings growth, and market expectations are for strong growth in the US into 2025 (+14%) and 2026 (+12%) as inflation slows, oil prices subside, and interest bills decrease.

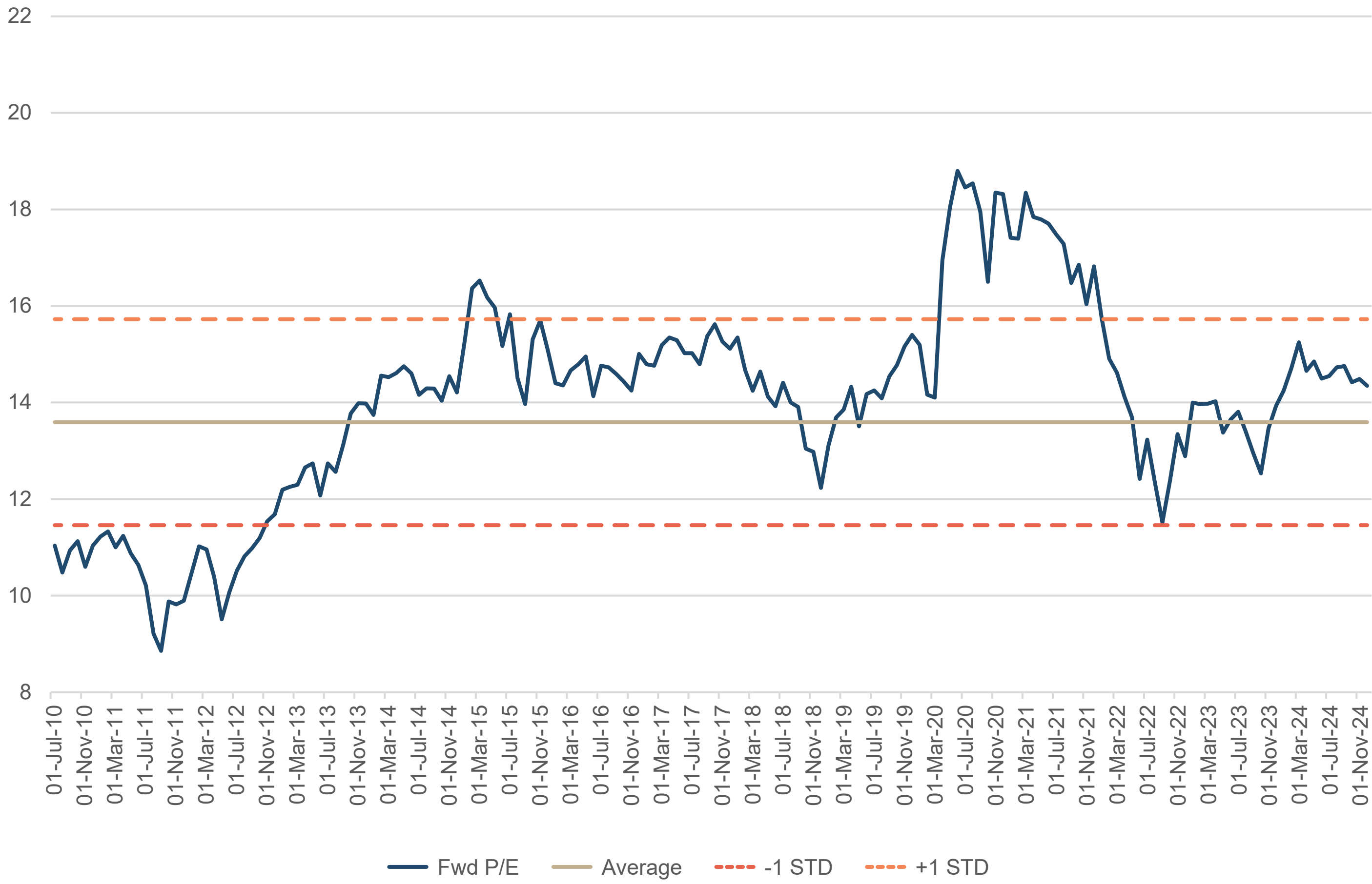
Figure 5: US S&P 500 earnings growth (annualised)
Source: Anchor, Bloomberg



There is no doubt that AI-driven optimism has buoyed markets, but high valuations have now extended far beyond the Magnificent Seven stocks (Apple, Microsoft, Alphabet, Nvidia, Meta Platforms, and Tesla), which led the market in 1H24.

The market conditions explained above are mainly attributable to the US, which comprises over 70% of global market capitalisation. While most DMs globally have performed reasonably well in 2024, the European market rating is only marginally above its longer-term average.

Figure 6: MSCI Europe (ex-UK) forward P/E multiple, x
Source: Anchor, Bloomberg



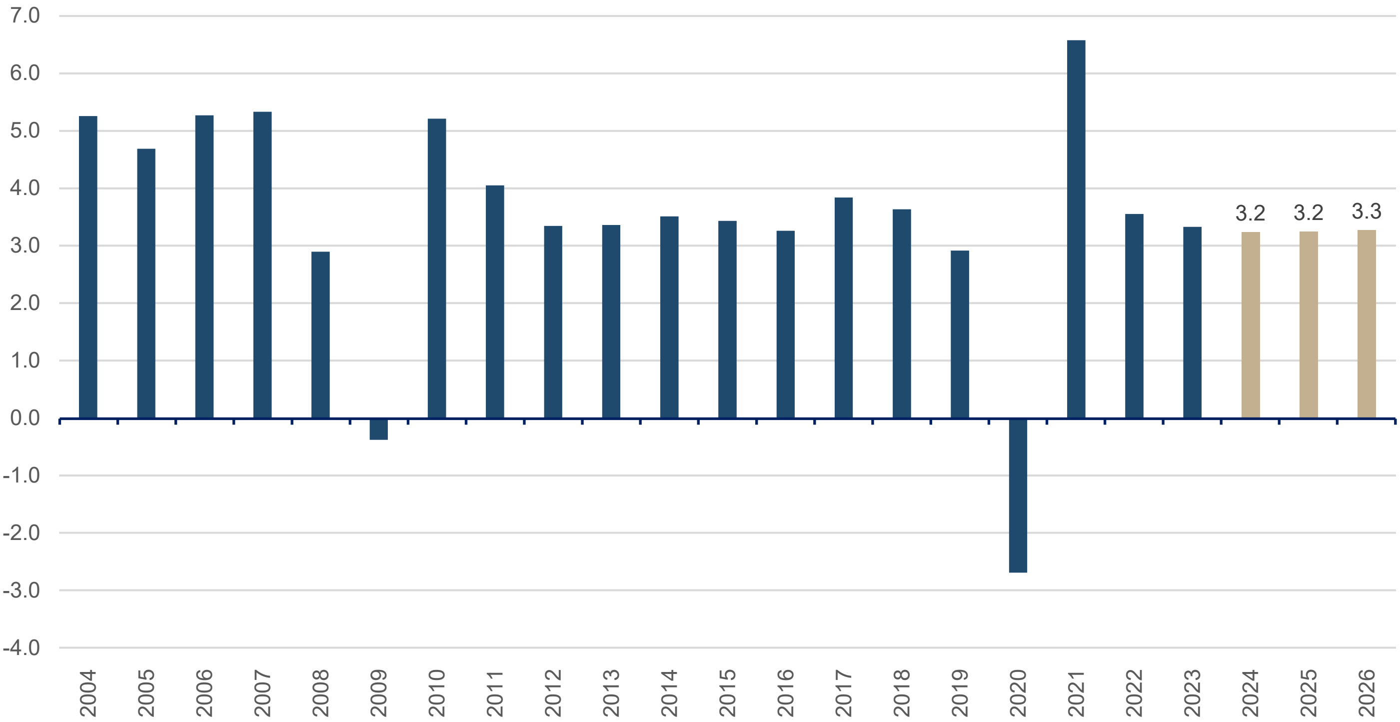
The table below shows the earnings growth and ratings of the various market indices.

Figure 7: Various major global indices' EPS growth and forward P/E forecasts
Source: Anchor, Bloomberg

	Earnings growth %		FWD P/E x	
Name	YR1	YR2	YR1	YR2
MSCI World Index	7.0	11.3	19.5	17.5
MSCI EM Index	13.0	13.1	11.7	10.4
MSCI All Country World Index (10% EM)	7.8	11.6	18.3	16.4
S&P 500 Index (ex-Energy)	14.0	12.3	22.3	19.9
S&P 500 Index	13.6	12.5	22.0	19.5

The economic reality shown in the chart below indicates reasonable and accelerating global GDP growth. US GDP growth looks to register around 3.2% for 2024; many were forecasting a recession last year, but strong US national and local government spending has provided a big boost.

Figure 8: Global GDP growth, YoY % change
Source: Anchor, IMF

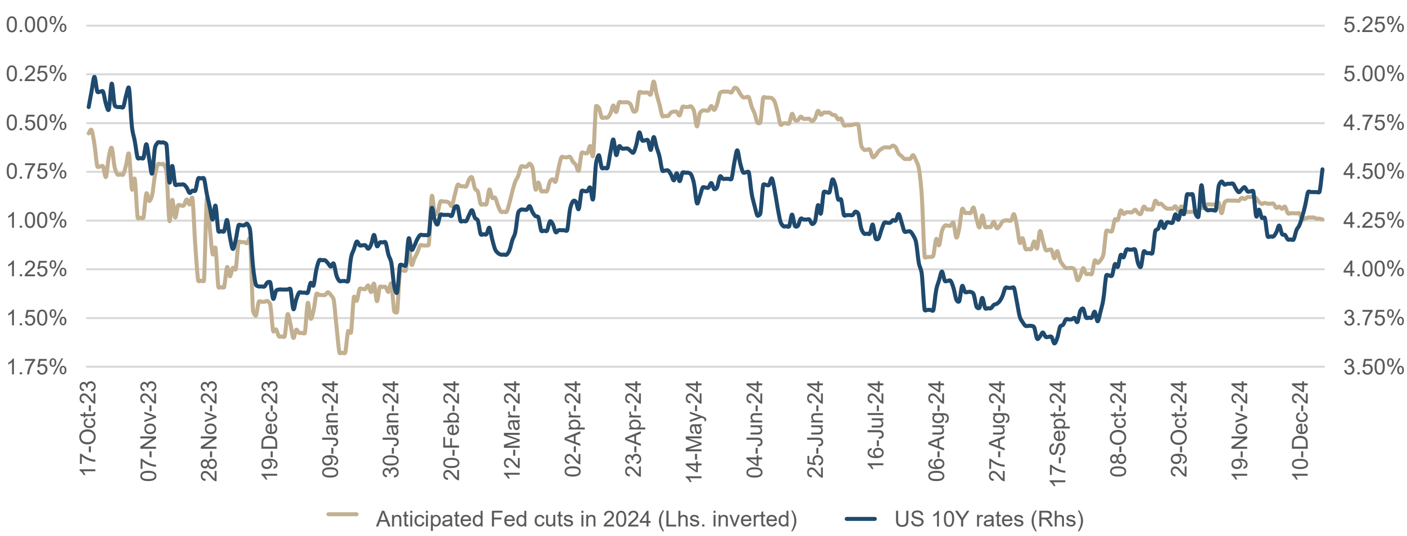


GLOBAL BONDS

In 2024, the US Fed cut rates for the first time since the COVID-19 pandemic, delivering three interest rate cuts that cumulatively shaved 1% off the official central bank rate. Before the Fed rate cuts, the fed funds rate was as high as it had been in almost two decades (5.33% p.a.). US interest rates typically act as a proxy for the "cost of money", and as such, most assets are valued relative to this rate. With US interest rates relatively elevated, investors were extremely focused on the Fed's actions, which resulted in some fairly large swings in expectations as investors fixated on the trajectory of inflation and employment data and how that might influence the Fed's actions. Towards the end of the year, the US elections also significantly impacted investor expectations for Fed policy as they rushed to try and extrapolate the economic and inflationary impact of policies the new administration might implement.

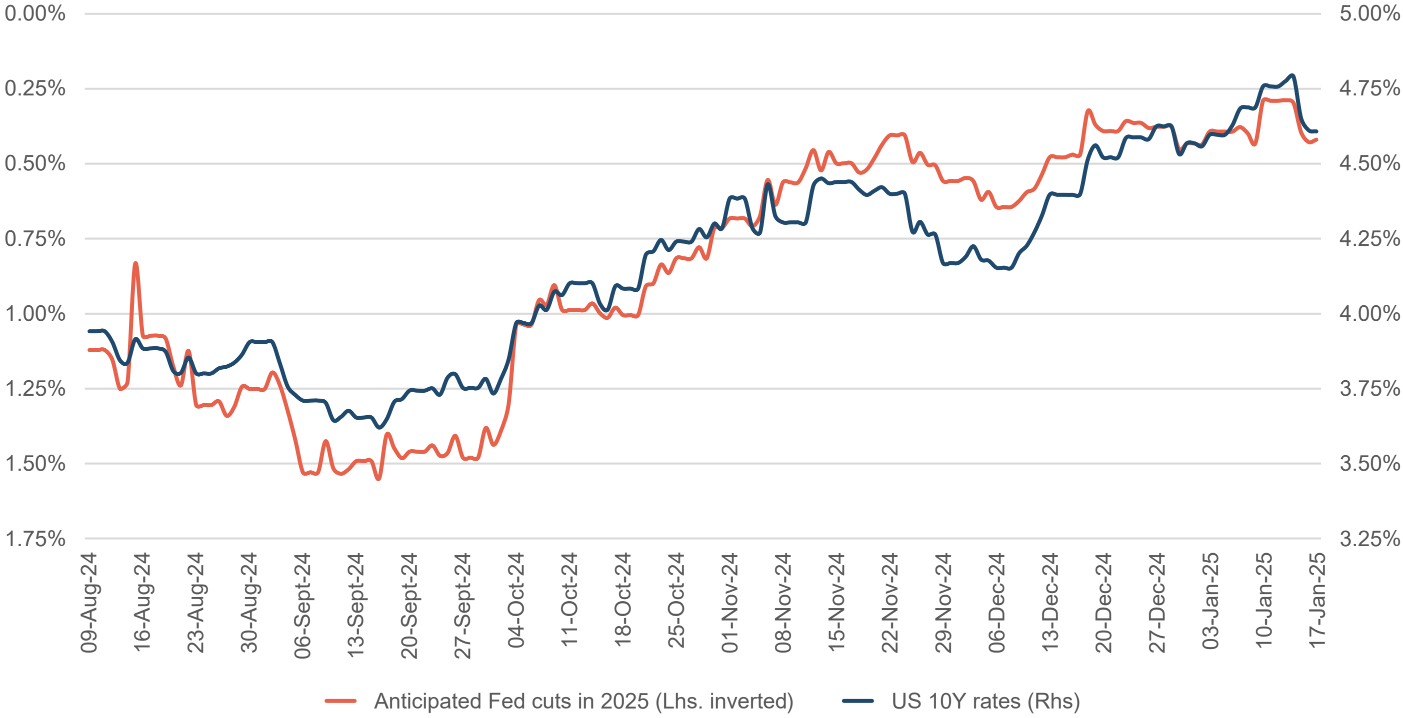
... 2025 will be another year with a heightened focus on the Fed ... we expect US rates to move in a reasonably broad range again ...

Figure 9: US interest rates were volatile in 2024 as investor expectations for US rate cuts shifted dramatically throughout the year
Source: Anchor, Bloomberg



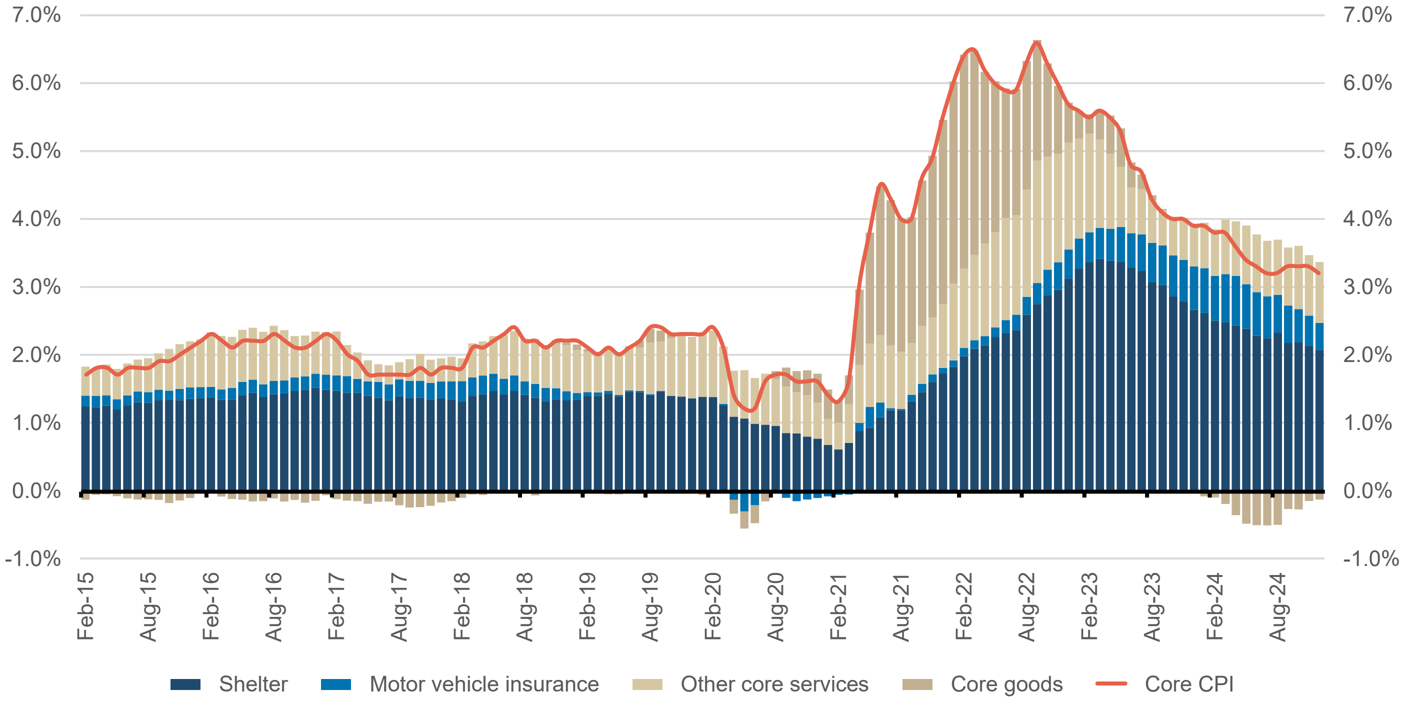
We anticipate that 2025 will be another year with a heightened focus on the Fed. As such, we expect US rates to move in a reasonably broad range again. As the new US administration takes office in January, investors will begin to discover if new policies and their impact on inflation and government spending align with current expectations.

Figure 10: 2025 is set to be another year of volatile US rates, with investors currently anticipating that the incoming US administration will introduce policies limiting the Fed's ability to deliver significant rate cuts
Source: Anchor, Bloomberg



We expect US inflation to continue its "normalisation" trajectory in 2025, allowing the Fed to cut rates by at least 0.5% for the year.

Figure 11: US core inflation (YoY %) remains on a steady trajectory towards the Fed's 2% target rate
Source: Anchor, Bloomberg



Housing and motor vehicle insurance are major inflation components that remain elevated relative to their pre-pandemic level. Recent monthly US inflation data suggest that those components have moderated towards a level that will keep US core inflation on its current normalising trajectory.

Figure 12: Housing and vehicle inflation are keeping US core inflation elevated, and these components are both trending in the right direction
Source: Thomson Reuters, Anchor

		Contribution to core CPI (YoY%)		
Category	Current Wgt	2015 - 2019 Avg	Current	Diffs
Core services	76%	2.1%	3.4%	1.2%
Shelter	45%	1.4%	2.1%	0.7%
Motor vehicle insurance	4%	0.2%	0.4%	0.2%
Other core services	27%	0.6%	0.9%	0.3%
Core Goods	24%	-0.1%	-0.1%	0.0%
Core CPI	100%	2.0%	3.2%	1.2%

While we anticipate some inflationary policy from the Trump administration, we expect it to be predominantly transitory and not as material as investors are currently pricing. As such, the Fed will be able to cut rates more than is presently baked into expectations.

Given that US rates are already elevated, we think this bakes in a good margin of safety for US government bond investors, with the range of one-year outcomes for investors skewed towards a positive return.

Figure 13: The range of one-year total return outcomes for investors purchasing US 10-year government bonds at the current level (4.6% p.a.) are fairly positively skewed
Source: Anchor, Bloomberg

Range of total return outcomes for investors purchasing a US 10Y government bond at the current yield (4.6%) and holding it until end of 2025								
US 10Y government bond yield at end of 2025	3.75%	4.00%	4.25%	4.50%	4.75%	5.00%	5.25%	5.50%
Total return for investors owning US 10Y government bond until the end of 2025	11.6%	9.6%	7.5%	5.5%	3.5%	1.5%	-0.6%	-2.6%

Our 2025 base case is for a 5.5% total return in US dollar terms for investors buying US 10-year government bonds at the current 4.6% p.a. yield.

US investment-grade corporate bond spreads are as low as they have been in at least 25 years, which we think will act as a headwind to that segment of the global fixed-income market as the current elevated cost of borrowing weighs on borrowers, increasing the possibility of defaults. We anticipate that a slight increase in credit spreads will leave US investment-grade credit investors with a marginally worse one-year total return (5% in US dollar terms) than US 10-year government bond investors.

GLOBAL PROPERTY

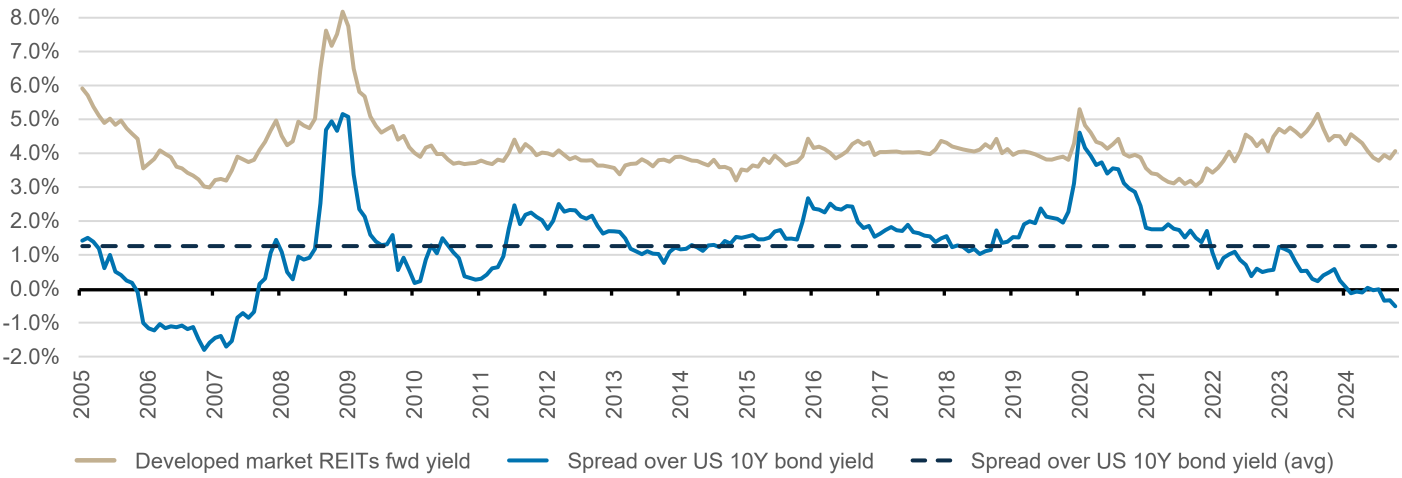
The global property sector had a disappointing 2024 (FTSE/EPRA NAREIT Global Property Index +1.6% YoY) in a generally tough year for interest rate-sensitive investments, with US rates spiking into year-end.

We have recently seen signs of growth in dividend yields ...

This happened in anticipation of the incoming Trump administration introducing policies that could have an inflationary impact, making it challenging for the US Fed to cut rates meaningfully.US real estate investment trusts (REITs) fared better than their global peers (MSCI US REIT Index +9% YoY), with strong performance from the segment of the REIT industry most directly geared towards the AI boom, data centre REITs (Digital Realty Trust +25% YoY), and some of the "old economy" segments which rallied from depressed levels, including Office (Boston Properties +12% YoY) and Retail REITs (Simon Property Group +27% YoY). The re-rating in some parts of the REIT market, alongside a rise in interest rates, has pushed the spread between the anticipated dividend yield on global REITs and the US government's 10-year borrowing rate meaningfully into negative territory for the first time since the lead-up to the global financial crisis (GFC).

Figure 14: The forward dividend yields on global REITs dropped meaningfully below the yield on US 10-year government bonds for the first time since the lead-up to the GFC

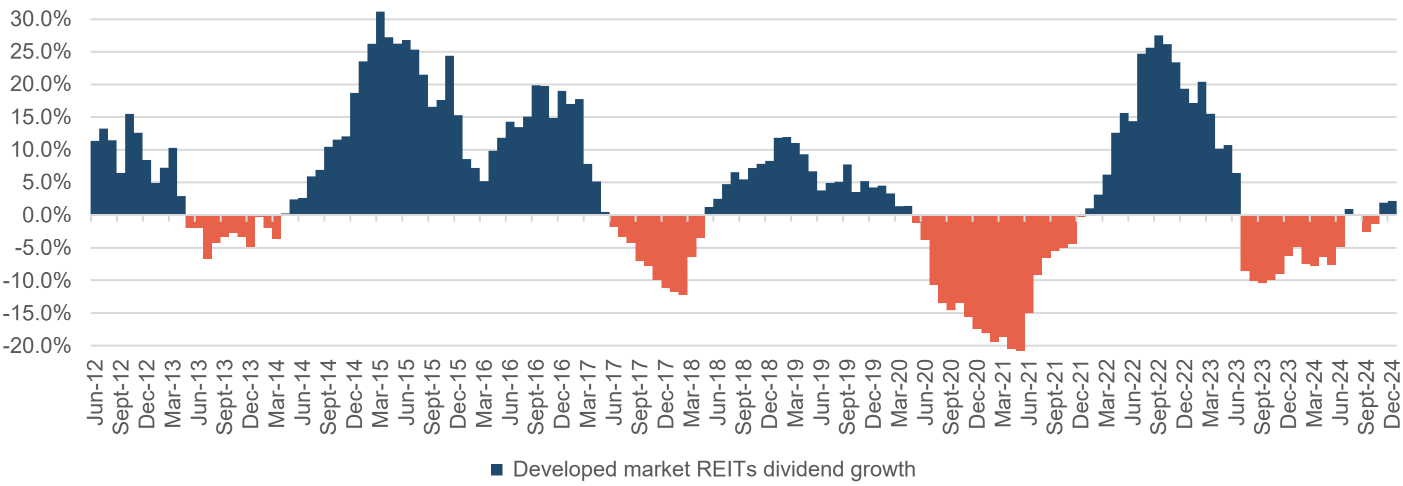
Source: Anchor, Bloomberg



The relatively unattractive REIT yield is somewhat mitigated by the fact that we have recently seen signs of growth in dividend yields. This is a positive development, considering such growth has been largely absent for the past couple of years as incomes have rebased in the wake of the COVID-19 pandemic disruptions.

Figure 15: We are starting to see global REITs grow dividends off re-based, post-COVID-19 pandemic earnings levels.

Source: Anchor, Bloomberg



We anticipate slightly lower US interest rates to unwind some relative overvaluations in global REITs, though not nearly enough to warrant any re-rating. This will likely leave global REIT investors relying on current yields (c. 4% p.a.) with a small earnings growth (from an incrementally more challenging base) to deliver a total return of c. 5% in US dollar terms.

ANCHOR INSIGHTS

In this section of the Navigator, staff across Anchor provide insights into our thinking, strategy, and worldview. This quarter, Seleho Tsatsi discusses the first casualties of generative AI; Michael Ncube takes a deep dive into the age-old debate between quality and quantity in investing and how a well-curated stock portfolio can outperform the benchmark in the long run; David Bethell examines what to expect when expecting a child from a financial investment and needs perspectives; Lynne Trivella presents some practical steps in safeguarding your assets, wealth and personal information from the growing threat of cyberfraud; and, finally, Di Haiden advises non-domiciled (non-dom) South Africans in the UK on how to organise their affairs ahead of pending changes to the taxation of non-doms.

The first casualties at the dawn of generative AI

WRITTEN BY:
Seleho Tsatsi
Investment Analyst

In 2013, Seleho completed his BCom in Economics and Finance at Wits University, where he received the SASFIN Securities Prize. The following year, he was awarded the Postgraduate Merit Award upon enrolment for Honours. He joined Cannon Asset Managers in January 2015 and moved to Anchor in November 2015. Seleho previously covered the basic materials sector locally but, in 2024, shifted his focus to select offshore equities. He co-manages the Anchor BCI Global Technology fund and is a CFA charterholder.

Generative artificial intelligence (GenAI), a subset of AI, can create original content, such as chat responses, images, text, music or even videos, similar to what a human might produce. Predicting which companies will be the losers due to this new technology is much easier than predicting the long-term winners. In 2005, it was much easier to expect that Google Maps would hurt physical maps than to predict that a company like Uber would emerge because of Google Maps. Similarly, it is easier for us to say today who the immediate losers of GenAI are than it is for us to predict long-range future use cases of the technology. This article examines how some major technology incumbents have fared so far.

"I've always said the easier thing to do is figure out who loses. And what you really should have done in 1905 or so, when you saw what was going to happen with the auto, is you should have gone short horses. There were 20 million horses in 1900 and there's about 4 million horses now. So it's easy to figure out the losers, you know the loser is the horse."
- Warren Buffett

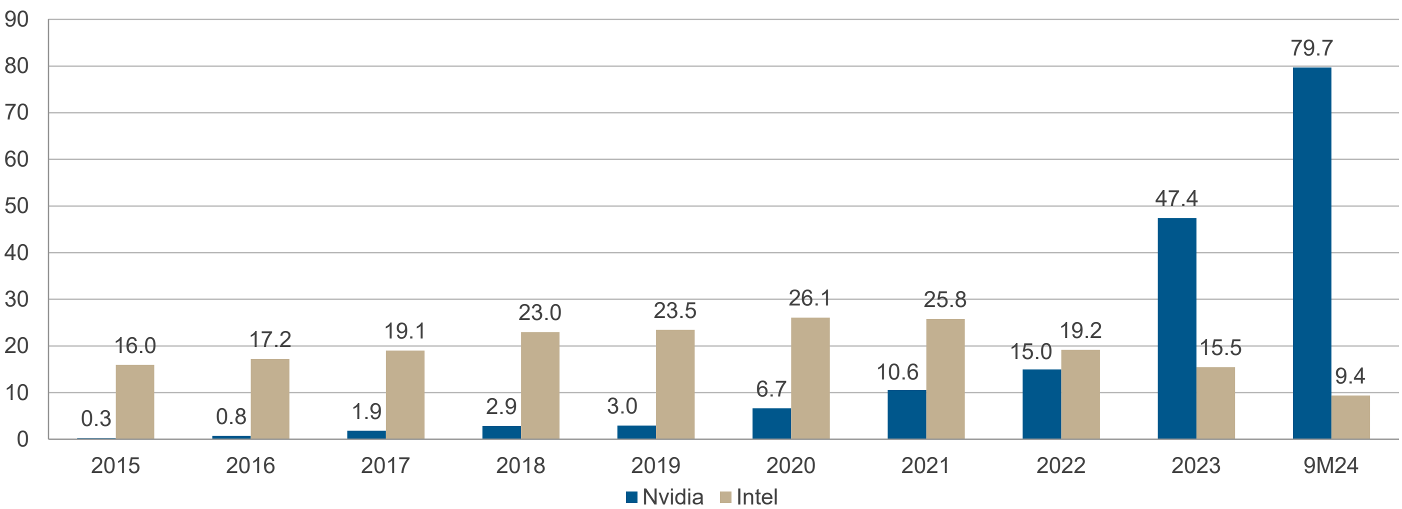
Thus far, Intel has been a prominent loser of the initial GenAI era. To be clear, Intel's decline started well before the introduction of GenAI. When Apple was preparing its first iPhone, Intel turned down Steve Jobs' approach to manufacture chips for the iPhone. ARM Holdings would eventually dominate the mobile market with a 99% market share. Delays in Intel's 10 nanometre (nm) and 7nm process technologies also gave competitors using Taiwan Semiconductor Company (TSMC) a competitive advantage.

Thus far, Intel has been a prominent loser of the initial GenAI era ...

Still, the rise of GenAI put massive pressure on Intel's data centre business, one of its cash cows. This happened simultaneously as Intel made a very capital-intensive push to be a foundry. Foundries like TSMC manufacture chips based on their customers' (Nvidia, Qualcomm, Broadcom, etc.) designs.

Still, the decline in the scale and speed of Intel's data centre business is staggering. In 2020, Intel's data centre business was four times the size of Nvidia's. Today, Nvidia's is eight times the size of Intel's. Intel had a US$20bn revenue lead over Nvidia in 2020. In 2024, Nvidia generated US$70bn more data centre revenue than Intel.

Figure 1: Data centre revenue Nvidia vs Intel, US$bn
Source: SEC EDGAR, Anchor



... the explosion in GenAI has driven data centre capex away from CPUs ...

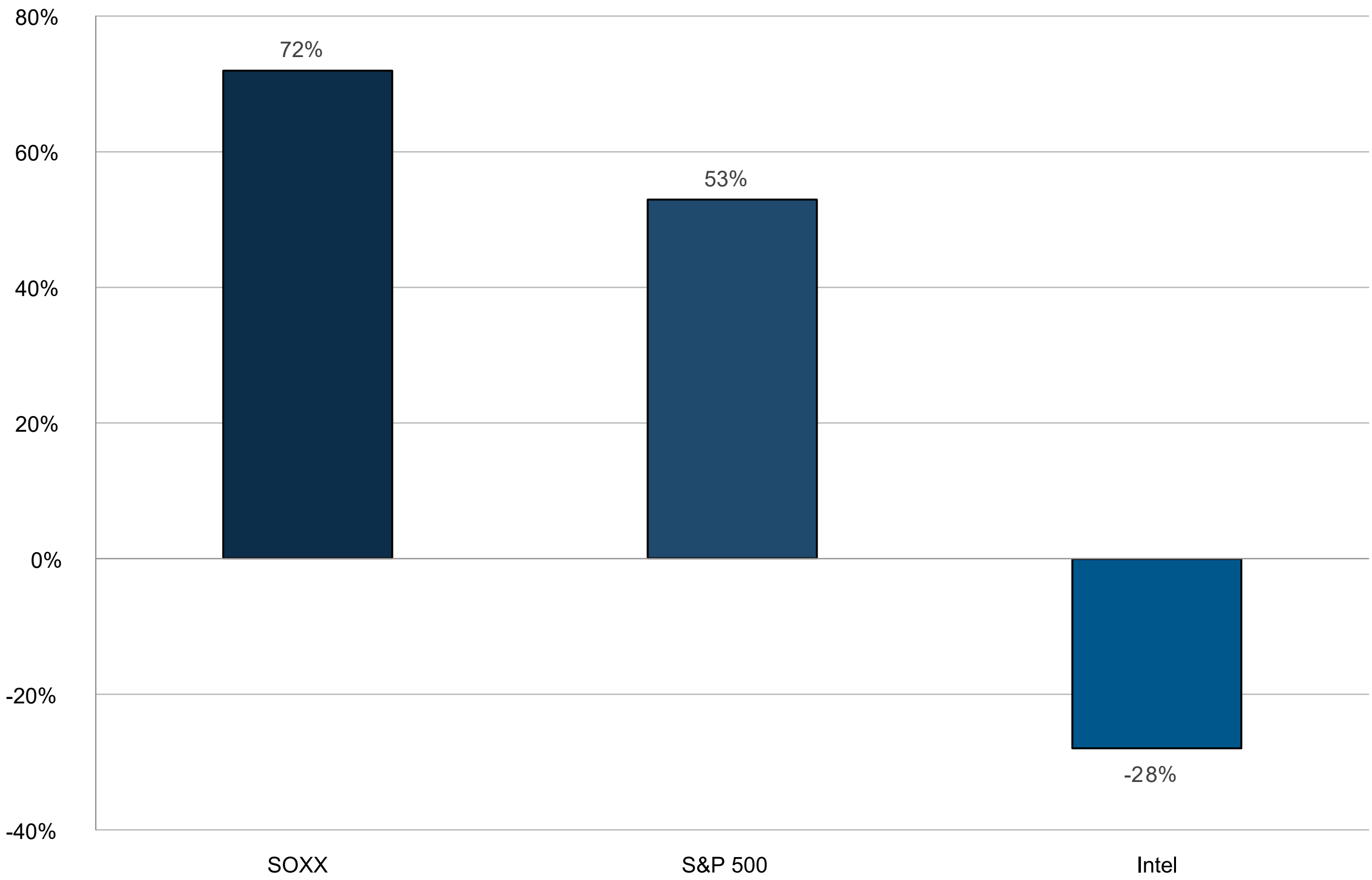
As Nvidia CEO Jensen Huang explains below, the explosion in GenAI has driven data centre capex away from central processing units (CPUs), which Intel has dominated, towards graphics processing units (GPUs), which Nvidia dominates.

"The world is moving from general purpose computing to accelerated computing. And the world builds about $1 trillion dollars' worth of data centers -- $1 trillion dollars' worth of data centers in a few years will be all accelerated computing. In the past, no GPUs [were] in data centers, just CPUs. In the future, every single data center will have GPUs. And the reason for that is very clear. It's because we need to accelerate workloads so that we can continue to be sustainable, continue to drive down the cost of computing so that when we do more computing -- we don't experience computing inflation.

Second, we need GPUs for a new computing model called generative AI that we can all acknowledge is going to be quite transformative to the future of computing. And so I think working backwards, the way to think about that is the next trillion dollars of the world's infrastructure will clearly be different than the last trillion, and it will be vastly accelerated."
- Jensen Huang (Nvidia CEO)

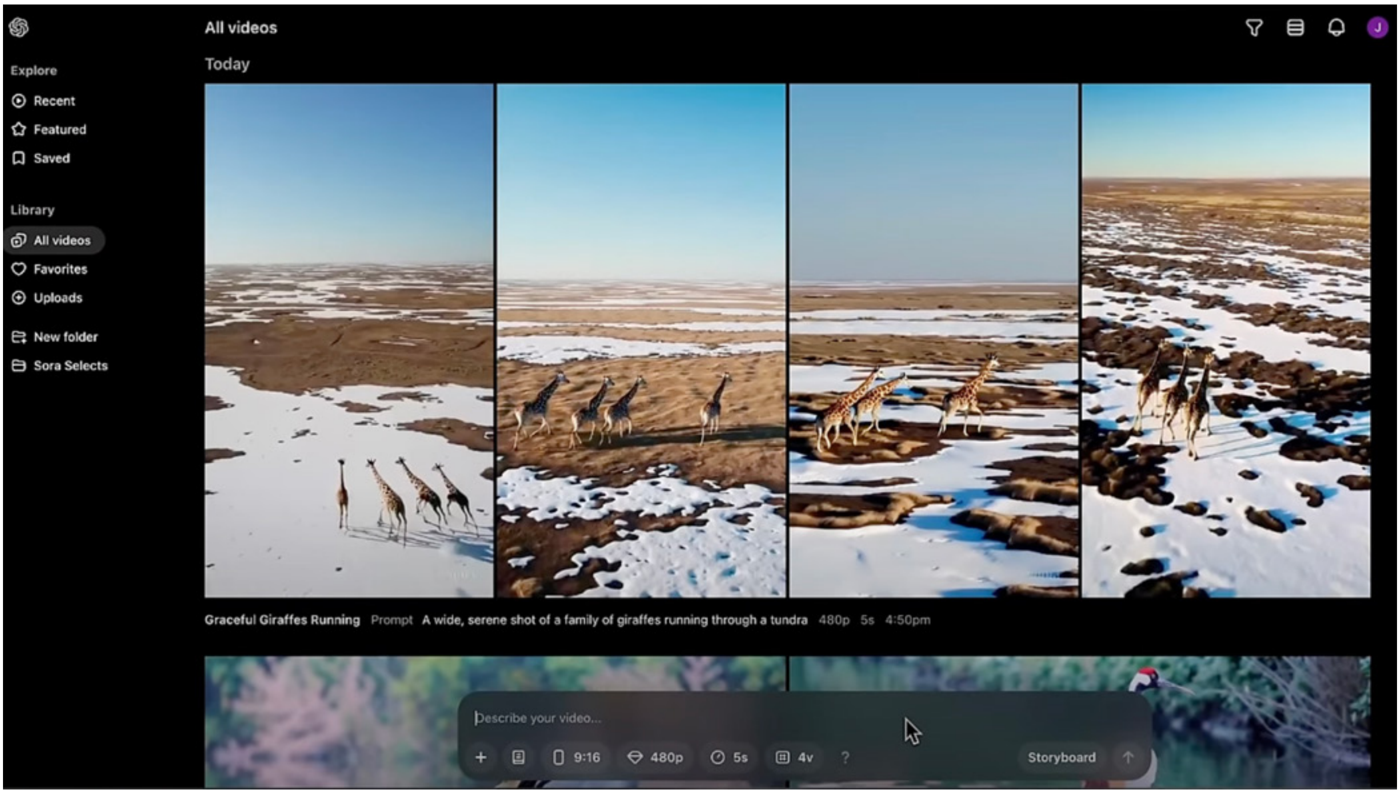
Intel's stock has declined 28% on a total return basis since 30 November 2022 (when ChatGPT was first released). Its peers, as measured by the SOXX Index (the iShares Semiconductor ETF, which tracks the investment results of an index composed of US-listed equities in the semiconductor sector), are up 70% over the same period.

Figure 2: Total returns since ChatGPT's release
Source: Bloomberg, Anchor



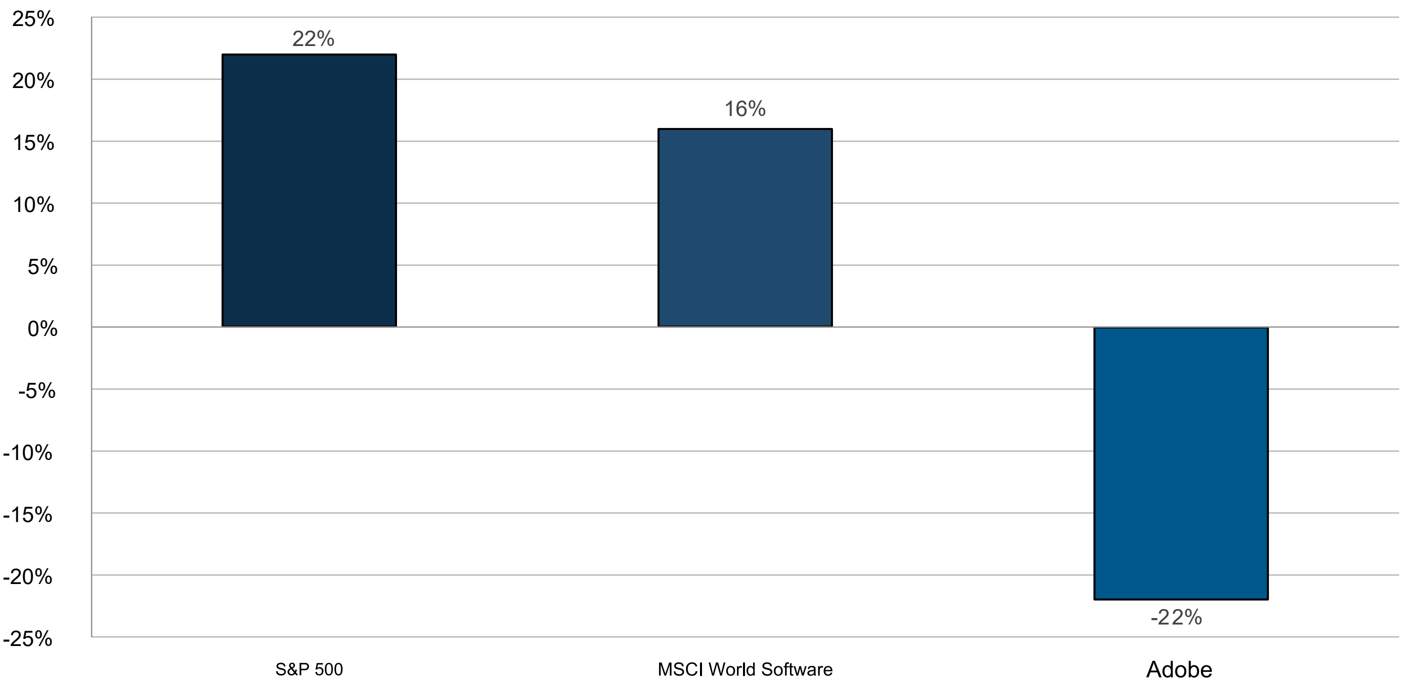
Adobe's stock price has been under pressure since OpenAI announced its text-to-video model, Sora, on 15 February 2024. The model allows users to generate high-quality video by merely typing in text prompts describing the video. Adobe's Creative Cloud product is the gold standard for creative professionals. It includes products like Photoshop, After Effects and Premiere Pro. These products are indispensable to graphic designers, video editors, animators and other creative professionals. OpenAI's Sora model, and different models like it, do not have anything close to the comprehensiveness of Creative Cloud's features. At times, the videos produced by the models do not follow the laws of physics. Other apparent errors occur. Still, these Gen AI models are the first real challengers that Adobe has come across—part of the reason is that these models represent a new workflow for creative professionals.

Figure 3: OpenAI's text-to-video model, Sora
Source: OpenAI



Adobe released its FY24 results on 11 December 2024, and the company's share price declined by 14% following the release of the results. While the actual FY24 results were satisfactory, Adobe's guidance of 8.9% YoY revenue growth in FY25 raised questions about the impact of competition.

Figure 4: Total returns since Sora's announcement
Source: Bloomberg, Anchor



Adobe argues that text-to-video models will increase demand for its video editing applications.

"Big picture, though, video I think will be even more of an accelerant for editing applications. I think this notion that the next Oppenheimer will be done using a text-to-video prompt is just -- it's not going to happen for decades. And so I think actually more so in video, there's going to be an accelerant for people saying how do I get an on-ramp as it relates to using text to video and then edit that using our applications. And so I think I'm really particularly excited about what we can do with premiere as well as with After Effects as it relates to video."
- Shantanu Narayen (Adobe CEO)

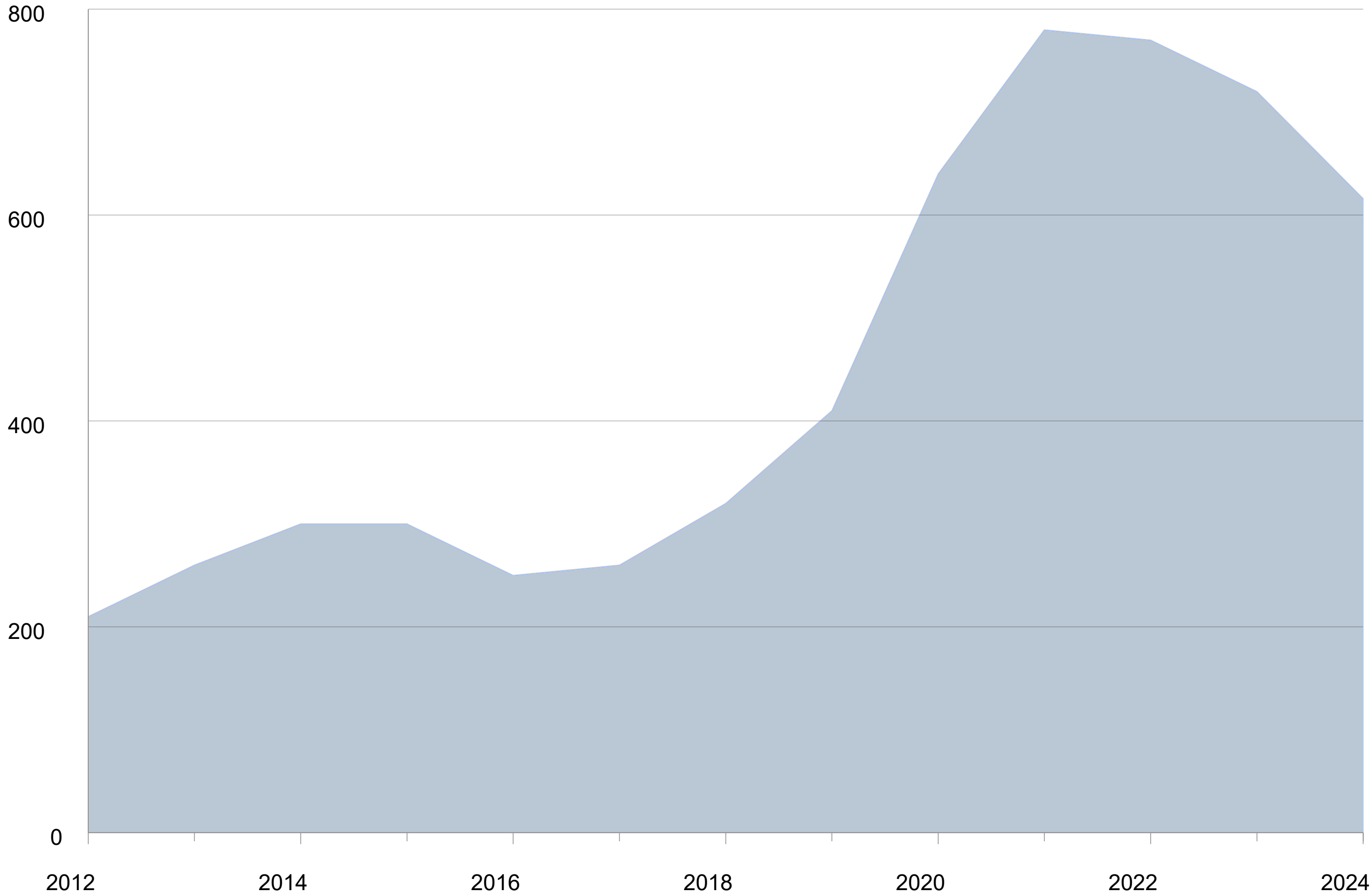
The company has a vast installed base, and switching costs to competitive traditional products remain high. That said, Gen AI models represent the first real challengers to Adobe's dominance.

Edtech players have also been negatively impacted by the introduction of GenAI …

Educational technology (Edtech) players have also been negatively impacted by the introduction of GenAI. Education is a natural use-case for large language models (LLMs) like ChatGPT. Users can go as deep down a rabbit hole on a topic as they want to. GenAI offers the user a teacher with infinite time, patience and endless ways to explain a concept to the user. Yes, it could be better. There are still hallucinations (instances where the LLM presents factually incorrect information as if it is true). However, it is a model that looks very competitive compared to some incumbent EdTech players. Chegg and its peers offer users features like learner support, textbook solutions, writing tools (plagiarism, grammar checks, etc.) and step-by-step math assistance. A Chegg subscription starts at US$14.95/month. In contrast, students can use LLMs for free or pay and get access to a model that does a lot more than educate.

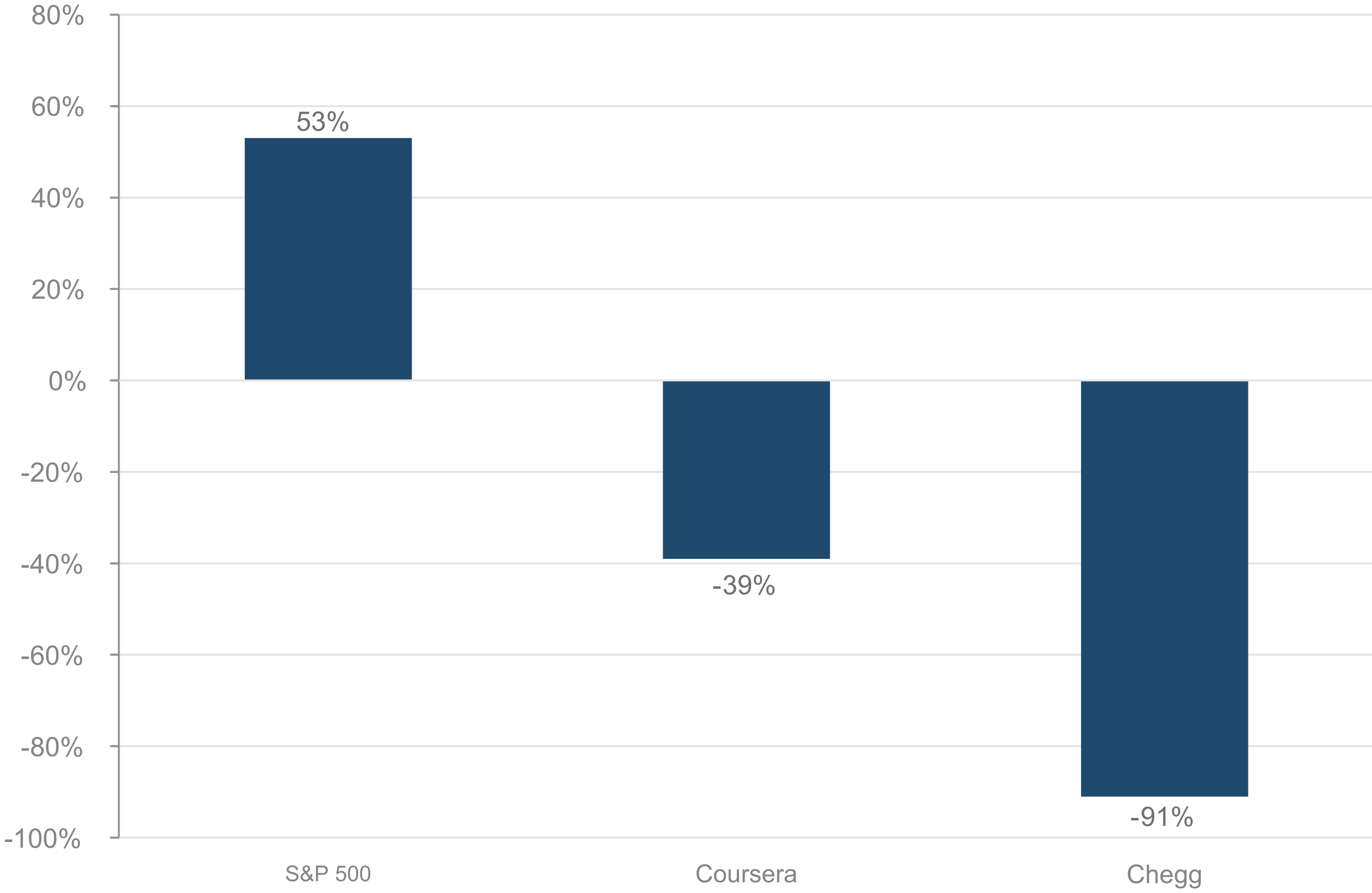
"Recent advancements in the AI search experience and the adoption of free and paid generative AI services by students have resulted in challenges for Chegg."
- Nathan Schultz, Chegg CEO

Figure 5: Chegg revenue, US$mn
Source: SEC EDGAR, Anchor



Investors have also taken note. Since ChatGPT was first released on 30 November 2022, Chegg's share price is down 91%. Coursera, an online course provider, is down 39%. These companies have drastically underperformed the S&P 500, up 53% over the same period.

Figure 6: Total return by company since ChatGPT's release
Source: Bloomberg, Anchor



Alphabet CEO Sundar Pichai has described AI as potentially more profound than fire and electricity. Bill Gates has said, "Generative AI has the potential to change the world in ways that we can't even imagine." Despite the attention the technology has received, it has only been two years since the general public first interacted with an LLM. Intel, Adobe, and EdTech players are only three examples of businesses negatively impacted by GenAI. It seems likely that there will be many more in the years ahead.

Quality over quantity: How well-curated stock portfolios outperform benchmarks in the long run

WRITTEN BY:

Michael Ncube
Portfolio Analyst

Michael joined Anchor in March 2022 as a member of the portfolio management team. He completed a BCom in Finance and a BCom Honours in Investment Management at the University of Johannesburg. Subsequently, he completed a postgraduate qualification (Master of Management in Finance and Investment) through the Wits Business School. He is currently pursuing a CFA designation. Michael brings his passion for financial markets to the investment team, particularly regarding local equities.

In investing, the age-old debate between quality and quantity continues to shape strategies and outcomes. Imagine an art collector who carefully selects each piece for its uniqueness and value rather than filling their gallery with numerous average works. Similarly, a well-curated stock portfolio, built on the principles of quality investing, can flourish and outperform market benchmarks over the long run.

This article aims to answer several key questions: What defines a quality company in equity investing? How can investors identify and avoid companies that appear to be high-quality but ultimately fail? By exploring these questions, we hope to understand better the risks associated with backwards-looking quality measures and offer insights into building a more resilient investment portfolio.

When discussing 'quantity' in equity investing, we refer to the strategy of buying broad market indices or exchange-traded funds (ETFs) that focus on quality factor stocks. This approach contrasts with selecting individual stocks based on specific quality criteria. Quality in equity investing is often defined by strong financial health, consistent earnings growth, and robust competitive advantages. However, not all companies that meet these criteria succeed long-term. For example, while companies like Nike have historically been considered high-quality, they have faced significant challenges impacting their performance.

Quality in stocks can be measured in different ways ...

What is Quality Investing?

Quality in stocks can be measured in different ways. Yet, the characteristics of resilient companies have something in common—they tend to underpin consistent, long-term equity return potential. The MSCI World defines quality investing as an investment strategy that aims to capture the performance of quality growth stocks by identifying stocks with high-quality scores based on three main fundamental variables: high return on equity (ROE), stable YoY earnings growth and low financial leverage. This approach emphasises the importance of investing in businesses that demonstrate consistent performance and resilience across market cycles.

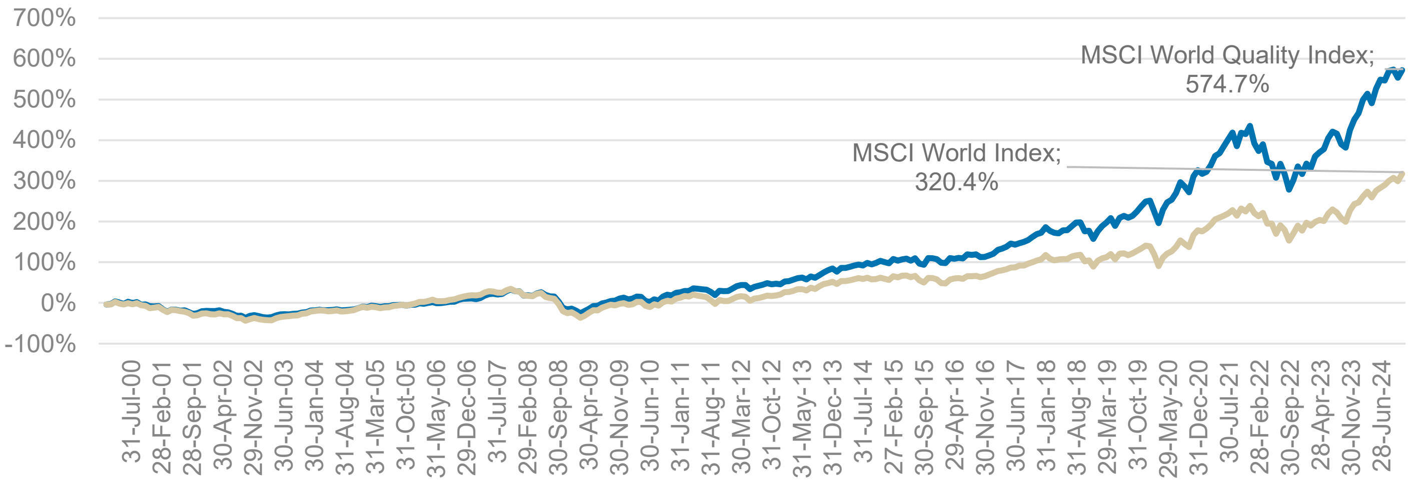
Reliable Outperformance with the Quality Factor

Among investment professionals, the practice of selecting stocks based on quality attributes has a well-established track record. Warren Buffett is not alone in his emphasis on high-quality stocks; his mentor, Benjamin Graham, one of the pioneers of value investing, acknowledged the importance of high-quality companies as early as 1934 *(Graham and Dodd, 1934)*. In recent years, academics have also highlighted the long-term outperformance of quality stocks. In 2014, *Fama and French* expanded their three-factor model (market, size, and value) to a five-factor model that incorporates two additional quality factors.

Among investment professionals, the practice of selecting stocks based on quality attributes has a well-established track record ...

Figure 1: Total gross returns, including dividends for the MSCI World Quality Index and the MSCI World Index, December 2000 to November 2024

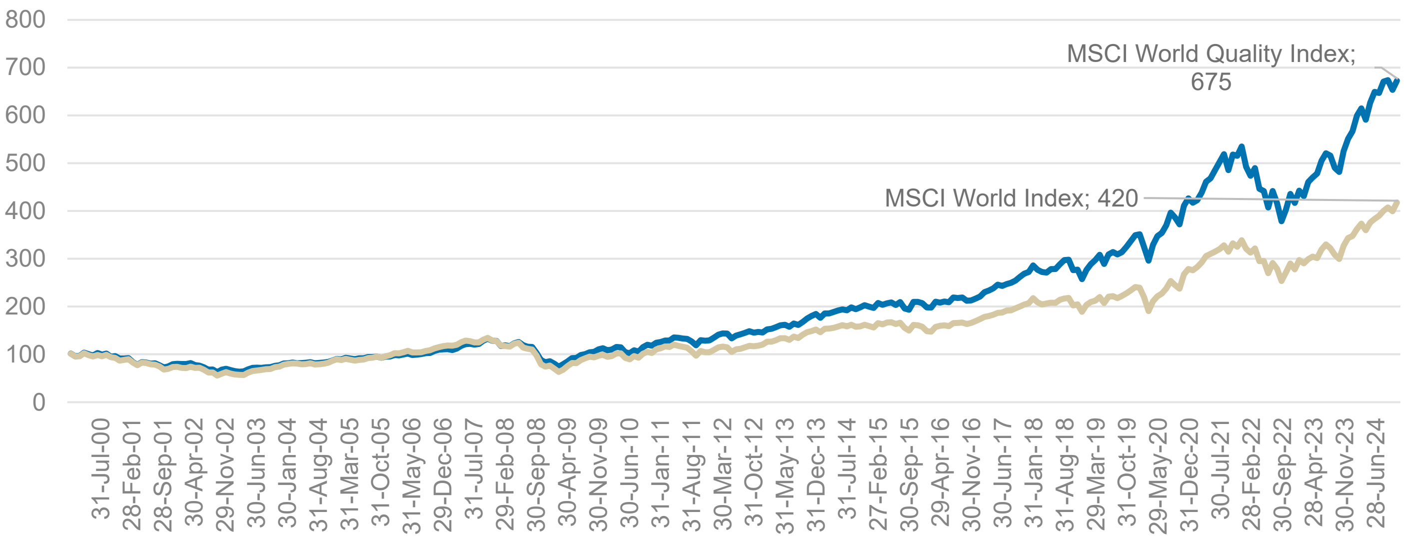
Source: Bloomberg, Anchor



The MSCI World Quality Index, a widely recognised benchmark for quality investing, has consistently outperformed the broader MSCI World Index from January 2000 to November 2024.

Figure 2: Cumulative growth of US$100 for the MSCI World Quality Index and the MSCI World Index, January 2000 to November 2024

Source: Bloomberg, Anchor



A US$100 investment in the MSCI World Quality Index would have grown to c. six times its original value, compared to c. three times for the MSCI World Index over the same period.

Historically, quality stocks have exhibited higher long-term returns, creating a very attractive risk-return profile for core holdings in investors' portfolios

Quality Stocks Provide Benefits in Good and Bad Times

For one to position appropriately in a crisis, quality control is crucial. When we consider three major historical incidents over the past two decades or so (the tech sector crash [dot-com bubble], the global financial crisis [GFC], and the COVID-19 pandemic), we find that the MSCI World Quality Index outperformed the MSCI World by significant margins. This highlights that investors who focus on quality in their daily stock picking tend to be better equipped to identify durable companies with what it takes to get them through uncertain times.

For one to position appropriately in a crisis, quality control is crucial ...

Figure 3: Annualised return for the MSCI World Quality Index relative to the MSCI World Index, 2000-2024
Source: Bloomberg, Anchor

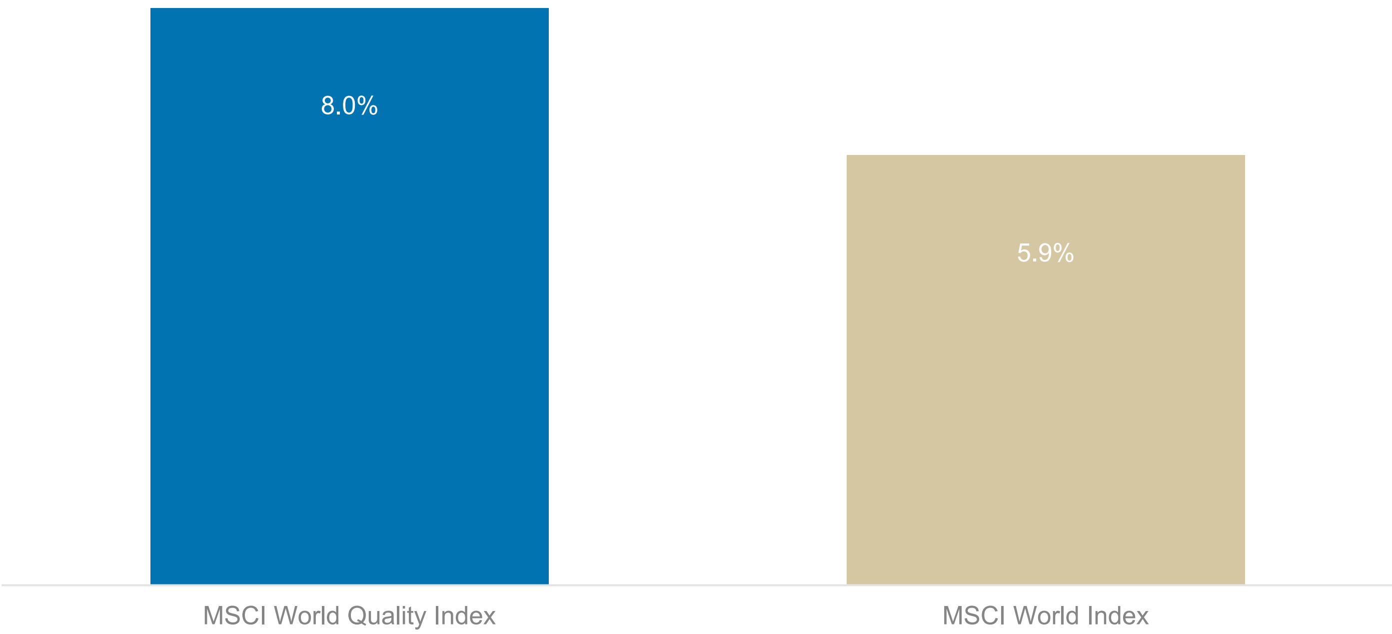


Figure 4: Annualised returns for three major historical crises
Source: Bloomberg, Anchor

Crisis	Period	MSCI World Quality	MSCI World	Difference
Tech-sector crash	2000-2002	-13.2%	-16.4%	3.1%
Global financial crisis	2007-2009	0.7%	-5.6%	6.3%
COVID-19 Pandemic	2020	21.2%	15.3%	5.9%

Dissecting Quality

When assessing whether a quality investment portfolio is better equipped to handle short-term market volatility, capitalise on opportunities arising from crises, and secure a leading position during recovery phases, it is important to ask the hard questions. The questions highlighted below are some examples of how to assess whether a company is a quality business or not:

- **Can the Company Control Its Own Destiny?**
  In today's volatile global market environment, it often seems like companies are at the mercy of external forces. Historical events like the tech bubble in 2000, the 2008 GFC and COVID-19 have shown how external shocks can impact businesses. However, not all companies are equally vulnerable. At Anchor, we believe that companies with fundamentally sound businesses, strong leadership, superior products, excellent operational execution, and responsible financial practices can exert greater control over their destinies.

- **Will a Dominant Position Persist?**
  Dominant market positions are crucial for sustainable growth. Companies with wide competitive moats and high barriers to entry often maintain their leadership. However, it is essential to ensure these positions are not eroded by new technologies or changing consumer behaviour. As economies recover from recessions, strong companies typically emerge even stronger, while the weaker ones may falter. This Darwinian dynamic, observed during the COVID-19 pandemic, suggests that financially flexible companies can capitalise on consolidation opportunities. Investors should focus on identifying resilient companies poised to thrive in a post-crisis world.

- **Where's the Innovative Edge?**
  Innovation drives growth in various ways beyond just the internet or social networks. Companies leveraging new technologies and data systems to understand customer behaviour can gain a competitive edge. Automation and machinery upgrades can boost productivity, while the shift towards electronic payments and increased internet traffic highlight ongoing digital transformation. Thematic growth trends, such as combatting climate change and improving healthcare, will likely accelerate. Innovations in robotics and new disease treatments are reshaping the healthcare industry. Across sectors, companies with pricing power driven by innovation are better positioned for long-term profitable growth, especially in an inflationary environment.

- **Is Management Up to the Job?**
  Quality leadership is a hallmark of successful companies. Experienced management teams, aligned with long-term value creation, can navigate challenging environments more effectively. Balancing capital expenditures with workforce needs, reconstructing supply chains for continuity, and maintaining transparent communication with investors are key factors. Strong leadership can distinguish companies that lead from those that lag during a recovery.

Is Owning a Quality Index Enough? Lessons from the MSCI World Quality Index

While the MSCI World Quality Index aims to capture high-quality growth stocks, history shows that not all included companies have lived up to these lofty ideals. Here are four companies that were part of the index but ultimately failed the quality test, highlighting the importance of an active management approach:

- **Nokia**
  Nokia was once a dominant player in the mobile phone industry. The company had strong financials and market share, which initially screamed quality. However, its failure to innovate and adapt to the smartphone revolution led to its decline. Nokia's inability to compete with Apple and Android devices resulted in significant market share loss and financial struggles.

- **General Electric (GE)**
  GE was a staple in the MSCI World Quality Index for many years, boasting impressive revenues and a diversified business portfolio, marking it a quality company. However, a series of poor management decisions, overexpansion, and financial missteps led to its downfall. GE's excessive debt and declining profitability forced it to sell off key assets and restructure its business.

- **Intel**
  Intel has long been a leader in the semiconductor industry, known for its innovation and strong market position. Despite this, Intel has struggled in recent years to keep up with competitors like Advanced Micro Devices (AMD) and Taiwan Semiconductor Manufacturing Company (TSMC). Delays in product launches, manufacturing issues, and strategic missteps have led to a loss of market share and investor confidence.

- **Nike**
  Despite its strong brand and market position, Nike has faced significant challenges that have impacted its performance, including quality control issues, particularly with its popular sneaker lines. Changing consumer preferences, supply chain disruptions, and intense competition have led to periods of underperformance.

These examples underscore the importance of active management in identifying and responding to changing market dynamics.

Success Stories: Quality Companies in the MSCI World Quality Index

Conversely, the index has also included companies that have thrived and delivered exceptional returns:

- **Apple**
  Apple's consistent innovation, strong brand loyalty, and robust financial performance have stood out in the MSCI World Quality Index. Its ability to launch groundbreaking products and maintain high margins has driven sustained growth.

- **Microsoft**
  Microsoft's successful transition to cloud computing and its focus on recurring revenue streams solidified its quality company position. Its strategic acquisitions and strong leadership have contributed to its long-term success.

- **Visa**
  Visa's dominance in the electronic payments industry and its ability to capitalise on the shift towards digital transactions have made it a valuable addition to the index. Its strong financial metrics and growth prospects highlight its quality.

- **Fortinet**
  Fortinet is a quality company due to its strong financial fundamentals, including high ROE, consistent earnings growth, and low financial leverage. Additionally, Fortinet's innovative cybersecurity solutions, extensive patent portfolio, and commitment to integrating advanced technologies like AI and machine learning further enhance its reputation as a high-quality growth stock

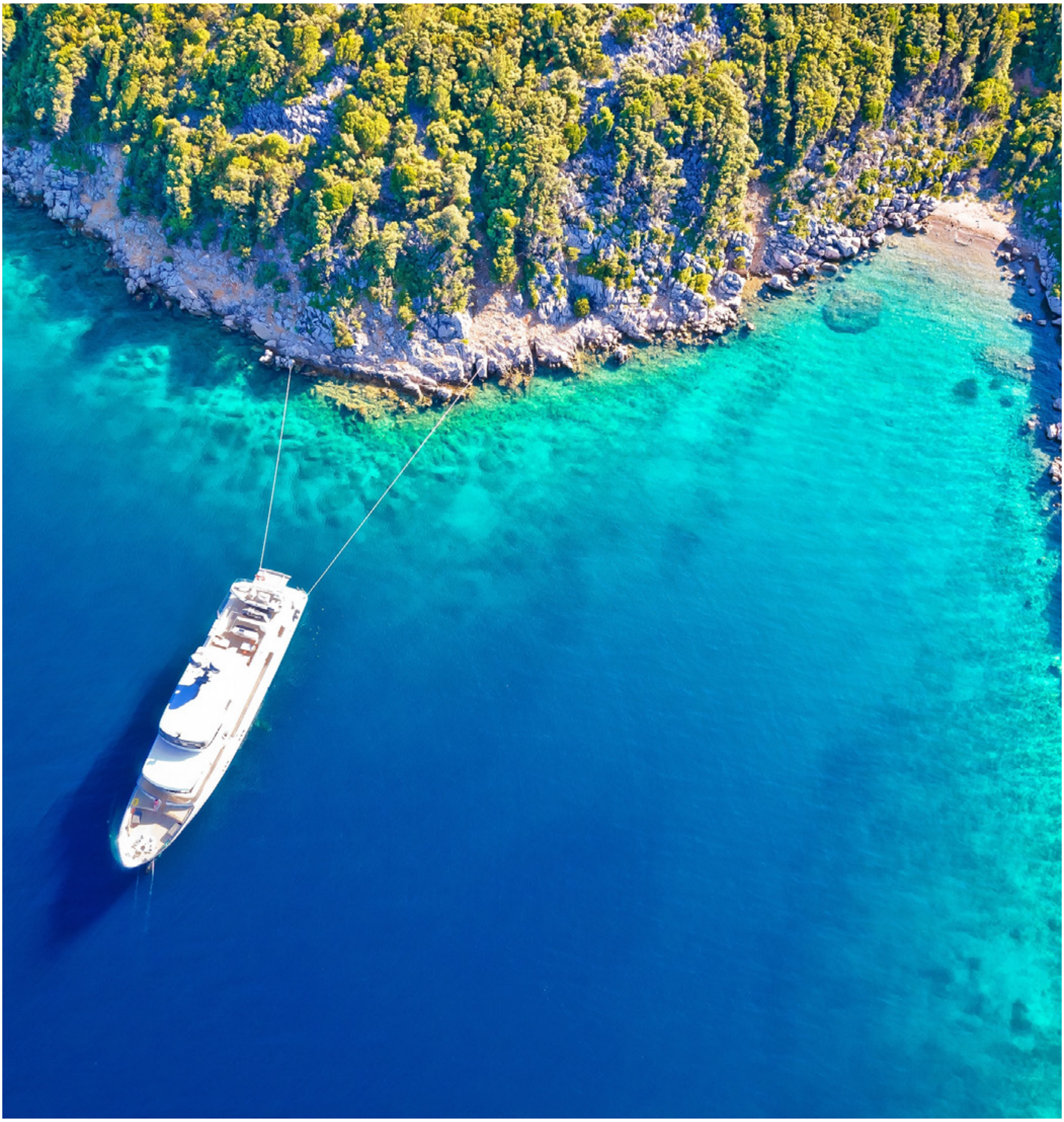
These success stories demonstrate the potential of high-quality companies to deliver superior returns. However, identifying and investing in such companies requires active management and a keen understanding of market trends.

By identifying emerging risks early, investors can better curate their portfolios to avoid potential pitfalls ....

Conclusion

Our analysis reveals that backwards-looking quality measures often fail to capture emerging risks that can undermine a company's long-term success. Factors such as shifting market dynamics, technological disruptions, and management decisions are crucial in determining a company's future performance. By identifying these risks early, investors can better curate their portfolios to avoid potential pitfalls and enhance their chances of achieving sustainable returns.

At Anchor, we are committed to a hands-on approach, leveraging our expertise to identify and invest in high-quality companies that can thrive in any market environment. By focusing on quality over quantity, we aim to build portfolios that outperform benchmarks and provide our clients with sustainable, long-term growth.



What to Expect When Expecting: A Financial Investment Perspective on Parenthood

WRITTEN BY:
David Bethell
Wealth Management

David comes from an auditing background, and he articled at PKF Johannesburg, where he worked as a consultant before joining Anchor as a wealth manager in 2018. He specialises in wealth and asset management.

The moment you discover you are expecting a child, everything in your life takes on a new meaning. Believe me, I know, we have two boys now, aged 14 and 12, and they most certainly changed our lives. While the emotional and physical changes are often front and centre, there are significant financial considerations that should be addressed early on. Parenthood is a journey that brings unparalleled joy, but it also introduces new financial responsibilities, uncertainties, and opportunities. In this article, we will examine what to expect when expecting from a financial investment and needs perspective while also touching on the unexpected—both in terms of life's unpredictable nature and investment growth.

Becoming a parent is an emotional and physical transition as well as a financial one ...

Financial Planning: The Essentials of Preparing for Parenthood

Becoming a parent is not only an emotional and physical transition but a financial transformation. A child brings a range of expenses that can stretch across many areas of your life, from medical care to daily living costs. Below is a breakdown of what to expect financially when expecting:

- **Prenatal and Birth Costs:**
  When you discover you are pregnant, costs begin to add up. In the early months, you may incur expenses related to prenatal care, doctor's visits, scans, and possibly fertility treatments, depending on your situation. As your pregnancy progresses, you will also need to factor in hospital or birthing centre fees, medical supplies, and potential complications that could arise during childbirth. The average cost of a pregnancy and childbirth can vary significantly depending on where you live, insurance coverage, and any complications that may occur. Still, preparing for substantial out-of-pocket expenses not covered by your medical aid is important.

- **Baby Essentials:**
  Before the baby arrives, you will need to invest in baby gear such as a cot, pram, car seat, nappies, clothing, and other essential items. While some parents can receive hand-me-downs or borrow items, many things must be purchased new, which adds to the additional costs of having a baby. The early stages of a child's life can require spending on baby formula, baby food, vaccinations, and paediatrician visits. A typical new parent can expect to spend anywhere from R10,000 to tens of thousands of rand depending on lifestyle and choices.

- **Creche, Nannies and Education:**
  As your child grows, creche and after-school costs may become a significant part of your financial planning. The average cost of a creche can be a substantial monthly expense, often equivalent to or higher than a vehicle payment. Tuition costs must be considered if you plan to send your child to a private school. Even government schools, while less expensive, may require funding for uniforms, extracurricular activities, and additional school supplies. The long-term financial commitment to your child's education can be enormous, and it is essential to start planning early, often years before the need arises.

- **Long-Term Financial Planning:**
  As your child grows, you will need to think about their future. Setting up a savings plan, such as a tax-free savings account (TFSA) or a dedicated education savings account you put money into every month. You may also need to consider life insurance, estate planning, and possibly adjusting your retirement savings to accommodate the new responsibilities. The early years of parenthood often coincide with the peak of many families' earning years, making saving for both short- and long-term financial goals easier.

Life has a way of throwing curveballs, and sometimes, what we expect financially may not come to pass ...

The Unexpected: Financial Planning with a Twist

While many financial experts recommend creating a budget, saving, and investing, there is always an element of uncertainty. As Jack Dorsey, co-founder of Twitter and Square, once said: *"Expect the unexpected. And whenever possible, be the unexpected."* This mindset applies to the unpredictable nature of life and, particularly, to financial markets.

Life has a way of throwing curveballs, and sometimes, what we expect financially may not come to pass. Whether it is a sudden medical emergency, a job loss, a global recession, or unexpected costs for your child's health, sport or education, the unexpected will always be a part of the journey. That said, it is crucial to prepare for the unexpected by maintaining an emergency fund, reviewing your insurance coverage, and being open to adjustments in your financial goals.

Life insurance is one of the most significant and often overlooked aspects of financialplanning when expecting ...

The Role of Life Insurance in the Unexpected:

Life insurance is one of the most significant and often overlooked aspects of financial planning when expecting a child. No one likes to think about worst-case scenarios, but if something happens to you, ensuring that your child's needs are met is paramount. Life insurance provides peace of mind that, in the event of an untimely death, your family will have financial support.

For parents, life insurance can be a crucial tool to ensure that your absence does not disrupt your child's education, living expenses, and even future weddings, first motor vehicle or home-buying needs. A life insurance policy could cover the costs of raising a child until they reach financial independence. Depending on your financial situation, the policy could also be structured to pay off debt (such as a home loan) and provide income replacement for your spouse or partner. This allows them to continue caring for your child without facing the burden of financial hardship.

In addition, life insurance ensures that you can create an estate plan that designates guardianship for your child and helps cover potential future costs, such as a university education. As you think about your financial future, including your child's future, life insurance provides a safety net that shields your family from some of life's greatest uncertainties.

The Financial Impact of Parenting: A Comparison of Investment Growth

Now, let us look at how financial decisions made in the past can impact your current situation. If you were to think about a hypothetical financial scenario involving investments, one typical example is an investment in the S&P 500 Index. The S&P 500 is a benchmark of the top 500 publicly traded US companies; over time, it has delivered impressive returns on investment.

Impact of Investing R3,000/month (increasing by 5% p.a.) for 18 Years (2007–2025)

If you had invested **R3,000/month**, with an annual increase of 5% to account for inflation, and compounded annually over the past 18 years, the growth of your investment would be substantial. This approach considers both the effect of inflation and the power of compounding, leading to a significant increase in your total value by 2025.

Key Assumptions:

- **Monthly Investment:** R3,000, increasing by 5% p.a. (to keep pace with inflation).
- **Investment Period:** 18 years (from 2007 to 2025).
- **Annual Return:** 7% p.a. (compounded annually).

Breakdown of the Investment:

- **Initial Monthly Contribution:** R3,000 for the first year.
- **Annual Increase:** Every year, the monthly contribution increases by 5% to maintain its real value against inflation.
  - Year 1: R3,000/month.
  - Year 2: R3,150/month.
  - Year 3: R3,307.50/month, and so on.
- **Compounding:** The investment earns a 7% annual return, compounded at the end of each year.

Calculating the Growth:

- **Total Contributions:** Over the 18 years, the total contributions will rise due to the annual 5% increase. By the end of year 18, the monthly contribution would have grown significantly from the original R3,000.
- **Growth of Investment:** Compounded annually at a 7% return, the total value of your investment by 2025 would be considerably higher than the sum of your contributions. Given the monthly increase and the compounding effect, the final value of the investment could be around **R950,000 to R1,000,000**, depending on the exact timing of the contributions and returns.

Key Takeaways:

- **Total Contributions:** After 18 years, you would have contributed around R648,000 (R3,000 x 12 months x 18 years, with the 5% p.a. increase factored in).
- **Final Value:** By 2025, the investment could grow to an estimated R950,000 to R1,000,000 due to the 7% annual return and the effect of the 5% p.a. increase in contributions.
- **Inflation Hedge:** The 5% p.a. increase in contributions helps offset the eroding impact of inflation on your purchasing power, ensuring your investment remains robust over the long term.

… applying the "expect the unexpected" mindset allows you to be flexible and proactive when financial surprises arise …

Conclusion: Navigating Parenthood and Financial Growth

What to expect when expecting, from a financial perspective, is more than just a series of planned expenses; it is a process of adaptability, foresight, and sometimes even luck. As you prepare for the joys and challenges of raising a child, understanding the financial landscape can help alleviate some of the burdens. Equally, applying the "expect the unexpected" mindset allows you to be flexible and proactive when financial surprises arise. Investing in your child's future is a long-term commitment, and just like any investment, it requires patience, flexibility, and a willingness to embrace the unpredictable. By planning for the known and adapting to the unexpected, you can confidently navigate parenthood while taking advantage of long-term growth opportunities, whether in the stock market or your personal financial strategy.

In the end, financial planning for parenthood is about preparing for the future while acknowledging that life will throw unexpected challenges—and opportunities—your way. Just as an investment in the S&P 500 has weathered market fluctuations and currency devaluation, your family's financial journey can thrive through careful planning, adaptability, and an eye on long-term growth. Most importantly, you should ensure that your financial strategy evolves alongside your family's changing needs so you can embrace both the expected and unexpected with confidence and resilience.

Cyberfraud and protecting your assets

WRITTEN BY:
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Chief Technology Officer

Lynne, a Computer Science and Mathematics graduate from the University of Natal, has been a committed professional in the information technology space for many years. In 2023, she joined Anchor as Chief Technology Officer, bringing her extensive experience to enhance and elevate IT solutions with a strong emphasis on cybersecurity. Her role is vital in safeguarding Anchor's digital infrastructure.

The battle between cybercriminals and forensic companies is intense and high stakes. Cybercriminals are individuals or teams who use technology to commit malicious activities on digital systems or networks. They intend to steal sensitive company information or personal data to generate profit. These criminals keep developing new, clever ways to exploit technology and deceive individuals. Forensic companies jump in when defences fail, working hard to create strong solutions to fight these threats and educate the public. Both sides are in a competitive game, each trying to outsmart the other.

...cyber fraud is a growing threat that requires more than basic precautions...

In today's interconnected world, cyber fraud is a growing threat that requires more than basic precautions. As a financial house managing clients' valuable investments, adopting innovative strategies to protect assets is crucial. Here we present some unique and practical steps to safeguard your wealth from cybercriminals.

Understanding your enemy

What is Cyberfraud? Cyberfraud involves various illegal online activities to deceive individuals or organisations for financial gain. There are three main types of perpetrators:

- **Unskilled/script kiddies:** Opportunistic criminals using phishing or trojan attacks to scam or steal credentials, which they sell to more serious hackers. Basic online hygiene and antivirus software can generally thwart them.
- **Skilled hackers:** Often part of large organisations, these hackers scan globally for vulnerabilities. They may target personal data or work accounts to hold companies ransom and are more likely to breach simple security measures.
- **State-sponsored/syndicates:** The most advanced hackers targeting specific companies or individuals of interest. Only proactive security measures can compete with them. Wealthy individuals or those with wealthy clients are potential targets. They prefer easier targets, so robust security can deter them.

The biggest threat to your and your family's cybersecurity is various forms of phishing ...

Empower yourself: The first line of defence is your personal cybersecurity

The biggest threat to your and your family's cybersecurity is various forms of phishing. It is essential to understand these different types and how they operate. Despite using other communication channels, they all share the same goal - to appear as reputable sources and trick recipients into revealing personal information or clicking on malicious links.

- **Phishing:** The most common type where fraudulent emails are sent.
- **Smishing:** This type of phishing uses SMS (text messages).
- **Vishing:** Also known as voice phishing, it involves phone calls pretending to be from trusted organisations, such as banks, cellphone companies, or government agencies.
- **Quishing:** Cyber criminals send emails or messages containing QR codes that redirect the recipient to a malicious website designed to steal personal information. This is a relatively new method that can bypass traditional email filters.

Figure 1: Key identifiers for a phishing mail
Source: Anchor

Boost your family's cybersecurity habits

- **Password management:** Use a password manager to create and store strong, unique passwords for each family member. Encourage everyone to change their passwords regularly and avoid using the same password across multiple sites.
- **Phishing awareness:** Teach your family how to recognise phishing attempts. Create a game where family members can spot fake emails or messages, turning learning into a fun activity.
- **Device security:** Ensure all devices have up-to-date antivirus software and firewalls. Make it a habit to run regular security scans and updates.

Encourage critical thinking and scepticism

- **Identify fake news:** Help your children develop critical thinking skills to identify fake news and misinformation. Share tips on verifying sources and cross-checking information before believing or sharing it.
- **Online scams awareness:** Educate your children about common online scams, such as phishing emails and fraudulent websites. Please encourage them to be sceptical of unsolicited messages and to report suspicious activity.

Encourage responsible social media use

- **Privacy settings:** Teach your older children and your parents how to adjust privacy settings on their social media accounts to protect their personal information. Have a family discussion about the importance of keeping profiles private and being cautious about what they share online. Older people are often easy targets because it is simple to find personal information about them, like maiden names, addresses, and past employers. This information is then used to gain their trust.
- **Digital footprint awareness:** Explain the concept of a digital footprint and how their online actions can have long-term consequences. Please encourage them to think before posting and be mindful of their online reputation.

What you can do for your company

- **Foster a culture of diversity and inclusion**
  Create a cybersecurity team made up of diverse personalities and skill sets. This diversity can lead to more innovative and effective solutions, bringing unique viewpoints and problem-solving approaches that can only enhance your overall security strategy. Have a team of superheroes who each bring their unique powers to the table.

- **Promote cyber hygiene**
  Encourage good cyber hygiene practices in your team and among your clients. This is akin to maintaining personal hygiene; it is about taking regular, preventive measures to protect oneself from harm. Use strong, unique passwords for different accounts, be wary of phishing attempts with suspicious links and emails and use antivirus programmes on all devices. Promoting these habits can minimise the risk of malware infections, data breaches and other cyber threats.

- **Leverage artificial intelligence (AI)**
  AI can revolutionise fraud detection by analysing vast data and identifying patterns often invisible to human analysts. Implementing AI-driven security systems can help predict and prevent fraudulent activities before they occur. Additionally, installing robust monitoring software can detect computer and software usage deviations from an individual's normal behaviour. For example, a login from a foreign country might be a sign of suspicious activity—or it could just mean someone is enjoying an international holiday!

In conclusion, safeguarding your assets against cyber fraud is an ongoing battle that requires vigilance and proactive measures. By understanding the threats and implementing robust security practices, you can protect your valuable investments and ensure a secure digital environment. Stay informed, stay prepared, and stay safe.

An overview of significant changes to the taxation of non-UK domiciled individuals

WRITTEN BY:
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CEO: Robert Cowen Investments

Di is the CEO of Robert Cowen Investments (RCI), a subsidiary of Anchor, and has been at RCI since 1990.

A *BusinessTech* article dated 28 August 2023 noted that *"over half a million South Africans now call first-world countries home – which are the United Kingdom (UK), Australia, and Canada.* ***The UK accounts for the lion's share of these South African emigrants, with 298,000 South African-born citizens*** *living in the country.*

According to the UN Department of Economic and Social Affairs' 2020 International Migrant Stock ***report****, 247,300 South African emigrants were living in the UK –* ***meaning the number of South Africans that have moved to the UK has increased by a substantial 26% or 50,700 since 2020."***

The UK accounts for the lion's share of SA emigrants, with 298,000 South African-born citizens ...

Photos circulating during SA's May 2024 National and Provincial Elections (NPEs) highlighted the number of South Africans voting in the UK, underscoring how big the SA community is in that country!

As a rule, all of these people would be classified as non-domiciled (non-doms) in the UK and subject to particular tax legislation, which is about to change significantly. Those affected will need to pay close attention to understand the tax effect and the timeframes involved. It is an opportune time to relook and focus on what would need to be done to assist non-doms in organising their affairs considering the pending changes.

What does domiciled and non-domiciled mean?

In the UK, **domiciled** status refers to individuals whose permanent home is in the UK, typically determined by origin or long-term intent to reside. They are subject to UK taxation on their worldwide income and gains.

Non-domiciled status applies to those individuals whose permanent home is outside the UK, even if they live there. Non-doms can opt to be taxed only on their UK income and gains, plus any foreign income brought into the UK (remittance basis), though this may incur additional charges after long-term UK residence.

The UK has announced significant changes to the taxation of non-UK domiciled individuals ...

The changes

The UK government has announced significant changes to the taxation of non-UK domiciled individuals (non-doms) from 6 April 2025. These reforms aim to replace the current domicile-based system with the focus on tax residency.

Below, we explain the changes and their implications. It is important to take note of the transitional rules that apply.

Key changes to non-dom taxation

- **End of the non-dom regime**
  The traditional non-dom tax regime will be abolished. Currently, non-doms can opt for the remittance basis of taxation, where foreign income and gains are only taxed if brought into the UK. From 2025, this option will be removed, and residency will determine taxation. Residents will generally be taxed on their worldwide income and gains, aligning the UK more closely with other countries that use residency as the primary tax criterion.

- **Introduction of a residency-based system**
  The UK will adopt a system in which individuals' tax liabilities are based on their residency status as determined by the Statutory Residence Test. Non-doms who have lived in the UK for fewer than four years after a ten-year period of non-residence will benefit from transitional arrangements, including relief on foreign income and gains for up to four years upon becoming UK tax residents.

- **Foreign Income and Gains (FIG)**
  'Individuals who meet the conditions will not pay tax on FIG arising in the first four tax years after becoming UK tax resident and will be able to remit these funds into the UK free from any additional charges. In addition, they will not pay tax on distributions from non-resident trusts. They will, as currently, pay tax on UK income and gains. .... Individuals who make a claim for the new regime to apply will lose their entitlement to personal allowances and the capital gains tax annual exempt amount. This is the same as currently for remittance basis users. Individuals who have been tax resident for less than four years on 5 April 2025 (and who were non-resident for a period of ten years before that) can use the new regime while they are UK resident for the remainder of the four-year period.' (James Quarmby, partner at UK law firm Stephenson Harwood LLP - October 2024)

- **Inheritance tax adjustments**
  Inheritance tax (IHT) rules will also shift toward a residency basis. Currently, IHT on non-UK assets applies only after a non-dom has been a UK resident for some time, i.e. they may not be considered 'long-term residents', and IHT will only apply on UK assets. However, moving forward, the UK government plans to simplify this by tying IHT more directly to residency.

  'Long-term residents' will be subject to IHT on their personally owned non-UK assets. An individual will usually be a long-term resident where they have been resident in the UK for at least 10 out of the last 20 tax years immediately preceding the tax year in which the chargeable event (including death) arises. However, there will be transitional rules for nondomiciled or deemed domiciled individuals who are non-resident in 2025/2026. For those individuals, they will only be long-term resident if they satisfy the existing deemed domicile test, namely whether they have been resident for at least 15 out of the 20 tax years immediately preceding the year of charge and for at least one of the four tax years ending with the relevant tax year. If they return to the UK, the new rules will apply. This means that individuals who are non-UK resident from 6 April 2025 will not be impacted by the longer 'tail' provisions described below. This transitional provision will not apply to individuals who are UK-domiciled. .... There is to be a 'tail' provision to keep long-term residents within the scope of IHT after leaving the UK. ...... Where a person has been a UK resident for 20 years or more, they will remain in the UK IHT net for ten years after leaving. This is a significant extension of the current domicile-based regime where a person continues to be deemed domiciled for IHT purposes for the first three years of non-residence. As such, they are only subject to IHT on their worldwide estate until the start of their fourth year of non-UK residence. (James Quarmby, Stephenson Harwood LLP - October 2024)

- **Transitional measures and reliefs**
  - **Capital gains tax rebasing**
    If, on or after 6 April 2025, individuals who have claimed the remittance basis and have never been UK-domiciled or UK-deemed domiciled before 5 April 2025 dispose of foreign assets that they personally held at 5 April 2017, they will be able to elect to rebase those assets to their value as at 5 April 2017.' (James Quarmby, Stephenson Harwood LLP – October 2024)
  - **Temporary Repatriation Facility (TRF)**
    A new tax rate of 12% will apply to remittances of foreign income and gains made during the 2025–2026 and 2026–2027 tax years. This temporary rate is intended to incentivise individuals to bring funds into the UK during the transition.

    'The TRF will also be available to settlors or individuals who receive a benefit from an offshore trust structure during these three years. However, there are some qualifications to this'. (James Quarmby, Stephenson Harwood LLP - -October 2024)

- **'Trusts**
  From 6 April 2025, IHT will be charged on non-UK assets comprised in a settlement at times when the settlor is a long-term resident. This means that settled non-UK assets will come in and out of charge based on the long-term residence status of the settlor at the time of the charge rather than the status being fixed at the time the property became comprised in the settlement. So if the settlor is a long-term resident in a tax year in which the ten-year anniversary charge occurs, IHT will be charged on all trust assets. Importantly, an exit charge can also arise when there is a subsequent change in the settlor's residence status. From 6 April 2025, the effect of a settlor ceasing to satisfy the long-term residence test will mean that non-UK property becomes excluded property for IHT purposes, and the new rules provide that an exit charge will arise. This will be at a maximum rate of 6%.' (James Quarmby, Stephenson Harwood LLP - – October 2024)

Impacts of the changes

- **For current non-doms**
  The reforms will remove many of the tax benefits associated with the current system. Wealthy individuals who previously used the remittance basis to minimise UK tax exposure may face increased tax liabilities on their global income and gains. Planning opportunities such as using offshore trusts will become more restricted, although trusts established before 2025 will retain some protections.

- **For new residents**
  The FIG relief will make the UK more attractive to certain international individuals moving to the country, providing tax-free treatment for foreign income and gains for up to four years. However, these benefits are limited compared to the current regime.

This overhaul represents one of the most significant reforms to the UK tax system in decades, with implications for individuals and the broader economy. There may be advantages and disadvantages for South Africans, and obtaining the correct UK tax advice is important.

*Please contact **Di Haiden** if you wish to discuss this further.*

Performance Summary

		FUND PERFORMANCE								BENCHMARK PERFORMANCE							
	Start date	Annualised p.a.	Since inception	5 Year	3 Year	12-month	6-month	3-month	Dec-24	Since inception	5 Year	3 Year	12-month	6-month	3-month	Dec-24	Performance vs Benchmark
UNIT TRUSTS																	
Anchor BCI Equity Fund	Apr-13	10,0%	204,8%	9,3%	8,5%	19,6%	10,7%	2,9%	0,9%	168,0%	10,3%	8,5%	13,4%	7,3%	-2,1%	-0,3%	36,9%
Anchor BCI SA Equity	Aug-21	12,8%	48,4%	N/A	N/A	19,0%	10,2%	-0,5%	-0,6%	39,6%	N/A	N/A	13,4%	7,3%	-2,1%	-0,3%	8,8%
Anchor BCI Flexible Income Fund	Jun-15	7,5%	99,8%	7,1%	8,0%	10,3%	5,9%	1,8%	0,8%	93,8%	6,7%	7,9%	9,1%	4,5%	2,2%	0,7%	5,9%
Anchor BCI Managed Fund	Jan-15	7,0%	95,8%	10,2%	9,1%	17,5%	10,3%	3,9%	1,2%	100,2%	10,0%	8,3%	13,4%	7,5%	1,4%	0,5%	-4,4%
Anchor BCI Worldwide Flexible Fund	May-13	12,2%	282,5%	13,4%	15,2%	32,4%	13,6%	9,5%	3,3%	170,5%	8,9%	9,3%	6,9%	2,6%	1,0%	0,3%	111,9%
Anchor BCI Property Fund	Nov-15	0,3%	2,5%	2,7%	6,1%	18,8%	13,6%	1,2%	0,7%	17,6%	5,1%	12,6%	29,0%	17,7%	-0,8%	0,4%	-15,1%
Anchor BCI Global Equity Feeder	Nov-15	14,1%	235,1%	19,6%	7,4%	31,3%	21,3%	19,8%	3,1%	229,7%	16,9%	11,6%	21,6%	9,4%	8,7%	2,4%	5,4%
Anchor BCI Bond Fund	Feb-16	9,7%	128,0%	9,2%	10,0%	17,6%	11,2%	0,1%	-0,4%	128,1%	9,6%	10,3%	17,2%	11,0%	0,4%	-0,3%	0,0%
Anchor BCI Diversified Stable Fund	Feb-16	8,2%	102,6%	9,5%	9,5%	13,3%	8,4%	0,7%	0,2%	87,7%	8,6%	8,1%	12,2%	7,2%	1,6%	0,5%	14,9%
Anchor BCI Diversified Moderate Fund	Feb-16	7,9%	97,4%	9,9%	9,5%	13,1%	8,2%	0,5%	0,0%	89,0%	9,2%	8,0%	12,7%	7,1%	1,6%	0,4%	8,5%
Anchor BCI Diversified Growth Fund	Feb-16	7,8%	94,9%	10,6%	9,9%	14,2%	8,7%	0,5%	0,0%	93,8%	10,0%	8,3%	13,4%	7,5%	1,4%	0,5%	1,2%
Anchor BCI Africa Flexible Income	Mar-16	7,3%	85,6%	7,2%	7,8%	8,2%	8,9%	7,9%	3,5%	109,0%	8,2%	9,2%	10,5%	5,1%	2,5%	0,8%	-23,4%
Anchor BCI Global Technology Fund	Jun-19	11,9%	86,9%	11,9%	2,2%	23,9%	9,0%	12,0%	3,6%	295,3%	27,9%	17,4%	35,8%	9,0%	14,2%	5,5%	-208,4%
Anchor BCI Flexible Fund	Jul-13	8,9%	168,1%	9,6%	0,3%	-11,8%	0,0%	0,0%	1,1%	9,5%	8,7%	8,3%	2,3%	0,0%	0,0%	0,0%	158,6%
Anchor BCI Core Income Fund	Sept-20	7,6%	37,2%	N/A	8,6%	9,8%	0,0%	2,3%	0,8%	29,7%	N/A	7,2%	8,5%	4,2%	2,0%	0,7%	7,5%
Anchor BCI Global Flexible Income Fund	Sept-20	4,7%	21,8%	N/A	7,0%	6,8%	6,3%	8,4%	4,1%	29,3%	N/A	10,5%	9,2%	6,2%	10,9%	4,9%	-7,5%
Anchor BCI Worldwide Opportunities Fund	Feb-21	6,8%	28,9%	N/A	6,5%	15,6%	10,0%	5,9%	3,3%	22,8%	N/A	5,3%	2,9%	0,6%	0,0%	0,0%	6,0%
EQUITY NOTES & SEGREGATED MANDATES																	
Anchor Equity	Jul-13	10,2%	204,7%	13.8%	13.2%	21.2%	11.7%	1.7%	1.0%	166.1%	13.4%	8.5%	13.4%	7.3%	-2.1%	-0.3%	38.6%
HEDGE FUNDS																	
Anchor Stable SNN RIHF	Jul-03	12,3%	1123,1%	11,1%	13,6%	14,4%	7,4%	1,7%	0.0%	342.8%	6.2%	7.2%	8.5%	4.2%	2.0%	0.7%	780.3%
Anchor Accelerator	Feb-16	7,6%	91,8%	5,5%	2,0%	20,0%	12,0%	3,0%	-0.9%	103.1%	6.2%	7.2%	8.5%	4.2%	2.0%	0.7%	-11.3%
OFFSHORE																	
High Street Equity - Dollars	Jun-12	10,1%	231,9%	6,7%	0,9%	14,7%	7,4%	2,6%	-0,8%	300,6%	11,7%	6,9%	19,2%	6,4%	-0,1%	-2,6%	-68,7%
High Street Equity - Rands	Jun-12	17,7%	670,2%	13,4%	6,9%	19,0%	11,6%	13,0%	3,7%	824,7%	18,6%	13,1%	23,3%	10,3%	9,7%	2,2%	-154,5%
Offshore Balanced - Dollars	Jun-12	7,8%	155,1%	4,0%	0,4%	11,8%	5,8%	0,5%	-1,4%	128,3%	6,0%	2,0%	10,2%	4,3%	-2,1%	-2,4%	26,8%
Offshore Balanced - Rands	Jun-12	15,3%	495,1%	10,7%	6,6%	15,9%	10,0%	10,7%	3,1%	416,7%	12,1%	7,3%	13,0%	7,5%	6,5%	1,5%	78,4%
Global Dividend - Dollars	Jan-14	7,8%	128,2%	6,7%	3,8%	11,1%	5,0%	-2,8%	-4,5%	197,9%	11,7%	6,9%	19,2%	6,4%	-0,1%	-2,6%	-69,7%
Global Dividend - Rands	Jan-14	13,2%	287,4%	13,3%	9,9%	15,3%	9,1%	7,1%	-0,2%	406,0%	18,6%	13,1%	23,3%	10,3%	9,7%	2,2%	-118,6%
Anchor Global Stable Fund - Dollars	May-15	2,0%	21,4%	2,5%	0,7%	6,1%	3,9%	-1,4%	-1,5%	39,2%	4,2%	5,3%	4,4%	2,0%	1,0%	0,3%	-17,9%
Anchor Global Stable Fund - Rands	May-15	6,8%	88,7%	8,9%	6,6%	9,8%	7,7%	8,3%	3,3%	116,0%	10,6%	11,3%	7,2%	5,7%	10,2%	4,7%	-27,3%
Anchor Global Equity - Dollars	May-15	12,1%	198,3%	15,5%	2,7%	28,6%	17,8%	8,7%	-2,9%	128,5%	10,1%	5,4%	17,5%	5,6%	-1,0%	-2,4%	69,8%
Anchor Global Equity - Rands	May-15	17,3%	363,8%	22,7%	8,8%	33,1%	22,0%	19,4%	1,9%	255,3%	16,9%	11,6%	21,6%	9,4%	8,7%	2,4%	108,5%
RCI UNIT TRUSTS																	
RCI BCI Flexible Growth Fund	Sept-16	11.9%	152.8%	15.7%	8.6%	35.1%	24.0%	30.1%	6.2%	115.4%	9.9%	10.3%	7.9%	3.1%	1.2%	0.4%	37.4%
RCI BCI Worldwide Flexible Fund	Dec-16	9.0%	100.8%	9.3%	3.4%	12.6%	6.2%	11.1%	3.6%	96.5%	8.9%	9.3%	6.9%	2.6%	1.0%	0.3%	4.2%

DISCLAIMER

Anchor Capital (Pty) Ltd (Reg no: 2009/002925/07).
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