

# THE NAVIGATOR

STRATEGY AND ASSET ALLOCATION REPORT  
2<sup>ND</sup> QUARTER 2025



ANCHOR

NAVIGATING  
CHANGE

# Table of Contents

<b>Introduction</b>	<b>02</b>
Asset Allocation	03
Asset Allocation Summary	04
Strategy & Asset Allocation, 2Q25	06
Anchor Insights	26
A guide to first-time offshore stock picking	27
The mother's milk of stock picking: Timeless lessons for tariff-ied investors	33
Shifting tides: The splintering US-SA relationship	37
Behavioural finance: Unveiling the influence of psychology on investment decisions	43
Estates: Are you prepared for a 'What If' event and what happens thereafter?	46
Performance Summary (Anchor Fund Performance)	49

# Introduction



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*“Politicians promise stability, then legislate chaos”,* a phrase used to critique an economy’s mismanagement, seems particularly apt today. Global markets have been roiled by the on-again, off-again, exempt today, back tomorrow, temporarily suspended tariffs that the US president has admitted are based on his “instinct more than anything else”.

Domestically, it has not been much better as National Treasury was woefully ineffective in managing spending pressures and found itself coming to take more from productive citizens through tax. This was met with dismay from the economically active and strong resistance from other political parties. The combination of no real plan of action by the government to manage spending and a fracturing of the Government of National Unity (GNU) has been a roller-coaster ride for the local economy.

The outcome is that politicians behaving badly means we have halved our economic growth forecast for South Africa (SA) to just 1% in 2025. The national budget is not even fully approved yet, and its assumptions are clearly unrealistic for 2025.

The more immediate impact was that the values of investment portfolios were easily up or down by c. 6% on any given day. At this stage, most portfolios are still in reasonably good shape, and

our advice to “sit on your hands” rather than make knee-jerk wholesale changes has proven correct.


































It is important to remember that we have been here before; significant market declines occur roughly once every half-decade. However, over time, markets recover, risk assets pay off, and even extreme market declines bounce back. Investors who diversified their asset classes and geographies, heeding our advice, have found that while the recent days were unpleasant, they were very tolerable. If the market impacts were terrifying, it might be time to reconsider your asset allocation. But remember, history shows us that the market always bounces back, which should give you reason to be optimistic.

During market turbulence, it is crucial to maintain faith in your long-term investment plan and align your actions with your objectives. Your asset allocation, if well-planned, should serve as a reliable guide. At Anchor, we are now neutral on all asset classes, advocating against tactical shifts to your asset allocation in these volatile and uncertain times. Instead, we encourage you to trust your long-term strategy. We have seen time and time again that those investors with a long-term plan and strategic patience come out ahead.



# 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	
<b>DOMESTIC</b>				
Equity				11
Bonds				11
Listed property				11
Cash				7.5
Alternatives*				10 to 15
Rand vs US dollar (rand stronger)				1.6
<b>GLOBAL</b>				
Equity				6
Government bonds				6
Corporate credit				6
Listed property				5
Cash				4
Alternatives*				8 to 12

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

# Asset Allocation Summary

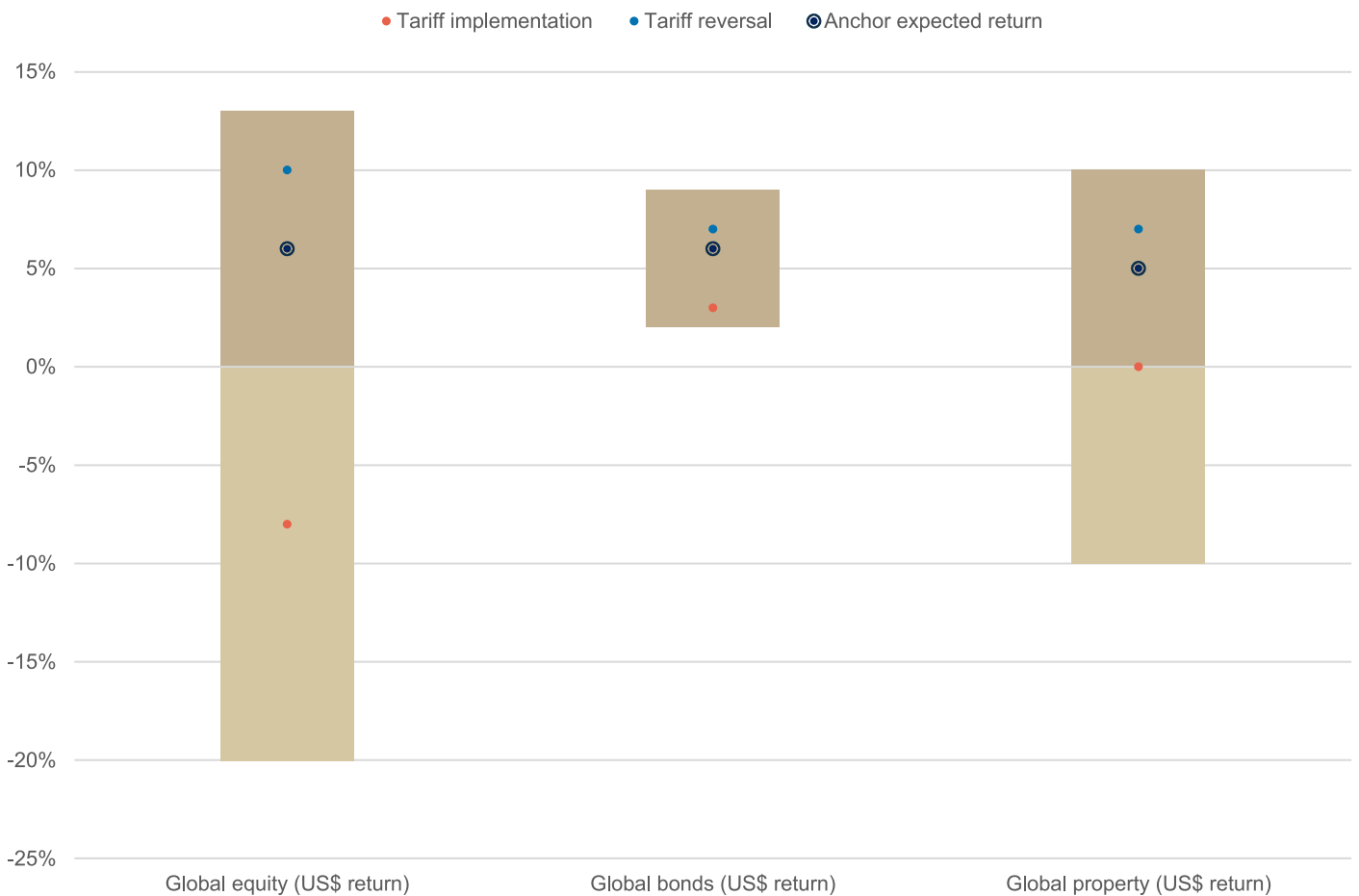
Recent weeks (early April 2025) have been dominated by the more aggressive-than-expected approach taken by Trump towards implementing tariffs and the fractures within SA's GNU following Treasury's bungled attempt at a VAT hike. This has resulted in a volatile backdrop for investments and severe daily price swings for financial assets. The outlook remains uncertain for all asset classes, and we do not believe we are at the end of the Trump-induced turmoil. Some thought and planning have gone into your long-term asset allocation, and investors should let that do its work. In the longer run, markets have always recovered, and risk assets have paid off. We are therefore taking a neutral stance on

asset allocation at this stage, essentially saying that one should stick with one's long-term plan.

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. All asset class returns show a wider range of potential outcomes than previously. All asset classes also have slightly lower expected returns, reflecting the impact of deglobalisation, reduced confidence levels and overall market uncertainty.

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

Source: Anchor



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

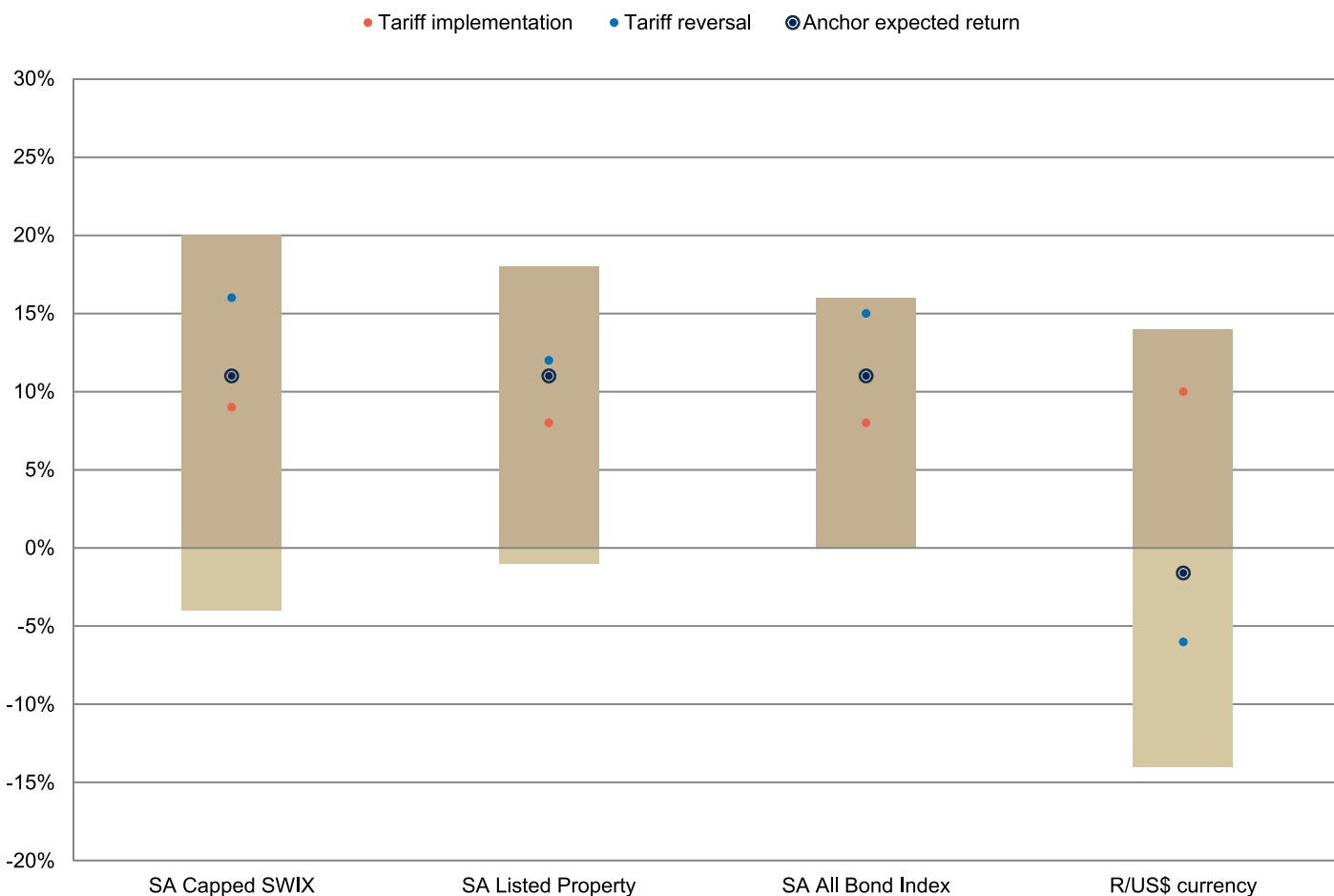
Source: Anchor

	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 have become less enthusiastic about our expectations for economic growth, now around the 1% level. This, coupled with continued domestic political strife and global tariff pressure, sees our expected outcomes for asset classes lowered again with increased ranges of possible outcomes. We see some slight recovery in the rand from stressed levels.

**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)	11%	11%	11%	+1.6%

# Strategy and Asset Allocation, 2Q25

## ECONOMICS

As we enter 2Q25, the global economy is at a critical juncture, reshaped by rapidly rising trade tensions, escalating inflation risks, and a growing shift toward de-globalisation. At the heart of the current disruption lies the US's imposition of sweeping global tariffs - an aggressive re-escalation of protectionist trade policy that threatens to unwind decades of global economic integration. These are not short-term measures. Trade wars do not blow over in a week or two; they are structural shocks with profound and lasting consequences. The immediate impact of the latest round(s) of US tariffs (and reciprocal tariff measures currently being levelled out by US trade partners) is a widespread jolt to global trade confidence.

*... the global economy is being reshaped by rapidly rising trade tensions, escalating inflation risks, and a shift toward de-globalisation.*

History has shown us the dangers of such policies—most infamously through the Smoot-Hawley Tariff Act of 1930, which deepened the Great Depression by triggering retaliatory measures and causing a collapse in international trade. While today's global context differs—most notably with US unemployment hovering at 4.2%—there remains a serious risk of repeating past mistakes. A shortage of skilled labour could undermine any effort to onshore production, pushing up wages and feeding back into inflationary pressures. This is a scenario that the US Federal Reserve (Fed) is unlikely to welcome, especially as it seeks to stabilise inflation while maintaining economic momentum.

Currently, global markets are reacting with heightened volatility. The broader concern is that this tit-for-tat could rapidly evolve into a full-scale trade war, with retaliatory actions by other nations leading to a global slowdown. *The International Monetary Fund (IMF)* has revised its global growth outlook lower, citing trade tensions as a key risk. The probability of a US (and thus,

by proxy, global) recession, whilst not our current base case, remains a consideration. In a best-case scenario, we are still facing a meaningful slowdown in economic activity worldwide. Beyond the near-term disruption, a deeper trend is taking hold: de-globalisation. Trade relationships, routes, and corporate supply chains are being rewired, not purely for efficiency but for strategic and political reasons. This realignment will take time and is unlikely to be growth-enhancing. While some nations may adapt more quickly, the result will be a more fragmented global economy in which we will all likely be worse off.

*This tit-for-tat could rapidly evolve into a full-scale trade war ...*

Inflation, which has been stubbornly high in recent years, is expected to persist for another 12 to 18 months before easing back to the US Fed's 2% target. However, the Fed will have limited room to manoeuvre. Without a recession, it is unlikely to cut rates significantly over the next year. In the meantime, high interest rates will continue to weigh on consumer spending, investment, and confidence. The global policy response will remain constrained as a result - monetary easing is possible but shallow, and fiscal space is tight in many economies.

*The stubbornly high inflation of recent years is expected to persist ...*

From a geopolitical standpoint, the US can weather the storm (at least in the short term) better than many of its trading partners. Its vast internal market and economic diversity provide a cushion that many other countries lack. Countries more dependent on trade, particularly those with export-heavy economies, are far more exposed to the immediate fallout. Over the longer term, however, the picture is murkier. Isolationism and protectionism may win votes but rarely deliver sustainable economic prosperity.



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*For SA, the economic fallout is already tangible.*

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For SA, the economic fallout is already tangible. At the time of writing, the US's recent imposition of a 30% import tariff (albeit postponed for 90 days) poses a significant obstacle to the country's trade balance and broader economic trajectory. While platinum group metals (PGMs) and gold have been exempted, many sectors remain at risk—particularly automotive manufacturing and agriculture, which now face being priced out of one of their largest export markets.

Recent IMF modelling estimates a direct hit of 0.35 ppts to SA's GDP growth in 2025 due to these new tariffs. Anchor's revised forecast has been lowered to just 1.3% growth for the year—before factoring in the growing political uncertainty within SA's GNU. Treasury's 1.9% growth forecast and the South African Reserve Bank's (SARB) 1.7% projection appear increasingly aspirational. Realistically, a sub-1% outcome is now firmly on the table, raising the likelihood of a renewed tax under-collection crisis by 2026. The indirect effects are equally significant. As China and Europe—SA's largest trading partners outside the US—grapple with the global fallout of US tariffs, demand for South African exports could weaken further. Meanwhile, investor sentiment towards emerging markets (EMs) will likely sour as geopolitical risk premiums rise and capital seeks safer havens.

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*Investor sentiment towards EMs will likely sour as geopolitical risk premiums rise ...*

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Compounding these external shocks is the current domestic political uncertainty. The GNU has entered a precarious second phase, with growing ideological rifts and no unified policy direction. The risk of political gridlock is high, and the looming 2026 Municipal Elections—where coalition members will compete against one another—could further destabilise governance. Policy continuity is the most likely path for now, but this is hardly reassuring. Structural reform remains sluggish. Eskom and Transnet have made marginal progress over the past 12 months, but neither is moving fast enough to drive growth or improve investor confidence. The positive consumer sentiment following a more dependable governance period is evaporating—and is unlikely to return in 2025.

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*Compounding these external shocks is the current domestic political uncertainty.*

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Consequently, the SARB's Monetary Policy Committee (MPC) is treading cautiously. The MPC continues to anticipate that interest rates will stabilise at a neutral level of approximately 7.25%. This implies the possibility of a further 25-bpt rate cut in 2025 (in addition to the 25-bpt cut in January), followed by

a prolonged period of stability through 2027. Consequently, the SARB's latest interest rate decision in March appears to be a temporary pause in the current shallow cutting cycle rather than a definitive end. However, the scope for substantial further easing remains limited. The SARB is positioning for stability, not stimulus, recognising that global volatility limits the scope for aggressive monetary intervention.

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*The SARB's MPC is treading cautiously ...*

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The world is entering a more volatile and fragmented economic era. The free flow of trade and capital that underpinned decades of prosperity is being rolled back. This means adjusting to a more volatile, uncertain, and potentially less prosperous world for SA and many other countries. Yet within this uncertainty lies opportunity—if policy reform can be accelerated, if governance can be stabilised, and if international relationships can be managed with strategic finesse. The path ahead is narrow but not closed. Whether SA emerges more resilient or more exposed will depend on global forces beyond its control and its decisions in the coming months.





## SA EQUITIES

At a headline level, SA equities experienced a strong 1Q25. The FTSE/JSE Capped Swix Index ended the quarter 5.9% higher. In contrast, the US dollar-based MSCI South Africa Index finished the quarter up 14.2%, comfortably outperforming global equities (as measured by the MSCI World Index), which ended the quarter down 1.7%. That takes the rolling twelve-month total return of the MSCI South Africa to an impressive 31.2%. Following a strong performance and the increased forecast risk, we have lowered our overweight call to neutral on SA equities, with an expected total return of 11%.

### *The Capped Swix closed 1Q25 up 5.9%. ...*

However, beneath the surface, the past three months have produced some unexpected outcomes, at least relative to our expectations. Since the formation of the GNU midway through last year, the key driver of the local market has been the domestically focused sectors (so-called SA Inc. stocks). This has resulted in a broad rally across the JSE as SA growth estimates were raised, management teams put out more confident guidance, and local conditions appeared to be improving significantly. In our outlook for 2025, we anticipate this trend to continue, building on the momentum created in the second half of last year, with a gradually improving consumer environment, spurred on by lower interest rates, fuel prices, and additional disposable income from two-pot retirement withdrawals.

### *The past three months have produced some unexpected outcomes relative to our expectations.*

These factors underpinned our constructive SA equities view in January, with a total return of 15% for our base case in the *Navigator – Anchor’s Strategy and Asset Allocation, 1Q25* dated 25 January 2025. The actual outcome in 1Q25, while at a headline level suggests we were correct in our constructive call on SA equities, saw most domestic-focused sectors act as a material drag on index performance, with the actual performance helped along by a very strong contribution from the gold sector (not in our forecasts).

### *Entering 2Q25, the outlook for JSE-listed equities is far less certain ...*

Entering 2Q25, the outlook for JSE-listed equities is far less certain, with the range of potential outcomes locally and abroad at levels we have not seen in many years. Internally, the inability of the GNU to pass a budget in mid-March cast a spotlight on the fragility of the GNU – with the outcome being a budget passed despite the second-biggest party (the DA) in the GNU opposing it in its current form. This brought into question whether the GNU

would survive. At the time of writing, we still do not fully know the outcome, although the GNU will likely survive. The tension between the ANC and DA has had a profound negative impact on domestic assets, which have struggled for traction all year.

With several global cross-currents impacting SA assets, it is almost impossible to tell how much of the recent underperformance of the domestic sectors is less a result of internal factors vs because of SA being caught in the cross-currents of the global economic uncertainty created by the Trump administration.

### *Several global cross-currents are impacting SA assets ...*

As we entered 2025, there were high expectations of GDP growth north of 2%, with some even suggesting 2.5% was possible. However, by the end of 1Q25, those expectations had dropped to 1.7%, before the impact of the burgeoning global trade war had been considered. The lower-than-expected growth is primarily due to the government’s lack of urgency in implementing the necessary reforms to unlock the economic growth needed to increase employment.

While the set-up for domestic equities might not be as attractive as it was a few months ago, assets (currency, bonds and domestic equities) have primarily reacted to the attractive outlook, with many of the P/E multiples having contracted to levels seen this time last year, just before the SA National and Provincial Elections (NPEs). There has been a sharp de-rating across the market, far more than the earnings outlook has changed.

All things being equal, we still expect SA banks to produce upper single-digit earnings growth this year (from 10% a quarter ago), and the P/E multiples have approached the trough they reached during the height of Stage 6 loadshedding in 2023. The outlook, while not as good as a few months ago, is vastly better than 18 months ago, before there was ever a consideration of a country governed by a coalition the DA was a part of. In a similar vein, while SA consumer confidence has been materially dented by the talk of a 0.5% VAT increase and the GNU potentially dissolving, the consumer is still better off today than 18 months ago, with fuel costs coming down, inflation relatively benign and interest rates on the way down with two more 25-bp cuts expected between now and the end of the year. There is also the added benefit of another round of two-pot retirement withdrawals that consumers can access. Given the sharp correction just seen, we continue to find the recent pullback in select banks and retailers an attractive entry point.

### *We still expect SA banks to produce upper single-digit earnings growth this year.*

Turning to the other half of the JSE, which has relatively little to do with SA’s economic outcomes, the outlook is mixed once again, and the forecast risk is high.

Gold continues to break new highs for now and make index returns look commendable. Gold is now close to 14% of the Capped Swix, a size too large for any index-based asset manager to ignore. A few years ago, we saw a similar outcome when the highly cyclical PGM sector went from virtually nothing in the index to maxing out close to 10% (today, it is c. 3.5%).

The JSE is unique in how much exposure in the index is linked to commodities. However, this does lower the quality of the overall index as commodities are notoriously cyclical. Over the years, the gold sector has been no different. While we have moderate exposure to gold, we find it incredibly difficult to isolate the drivers behind the commodity and thus make accurate forecasts on the movements of the gold price. As a house we are underweight the basic materials sector in aggregate, with what appears (at time of writing) a slowing global growth environment, and most industrial commodities linked to global growth, we find little reason to be overweight, outside of a few idiosyncratic investment cases (Anglo American Plc being one).

*The JSE is unique in how much exposure in the index is linked to commodities.*

We continue to find attractive value in Naspers and Prosus, with the discounts having materially widened since the announcement of the Just Eat-Takeaway acquisition, which at c. 5% of market cap, has seen the discount widen by considerably more than that, suggesting the market has already impaired the investment

down to zero. Given all the other factors causing equity market volatility, we concede this view is overly simplistic, but we nevertheless view the recent underperformance as interesting. We also do not foresee a direct material impact on Tencent's earnings due to the trade war between the US and China. There is potentially an indirect impact in the form of lower consumer sentiment in China. However, policymakers are forging ahead with their internal stimulus measures focused on boosting domestic consumption. We see Tencent as one of the best ways to play this theme in China, and even in our global EM portfolio, we have a material overweight on Tencent.

Two other global industrial businesses we have exposure to on the JSE are BidCorp and AB InBev. Neither will be immune to a slowdown globally, but neither are they overly reliant on the US for growth, with globally diverse portfolios.

*We have moved to increase diversification from our more concentrated position in January.*

The overall forecast risk remains high, and should local and global risks simmer down over the next few months, there are very attractive entry points on offer across our market, with many multiples having approached (or round-tripped to) levels last seen pre the formation of the GNU. Our move has been to increase diversification from a more concentrated position in January, placing additional emphasis on the quality of the underlying businesses we own.



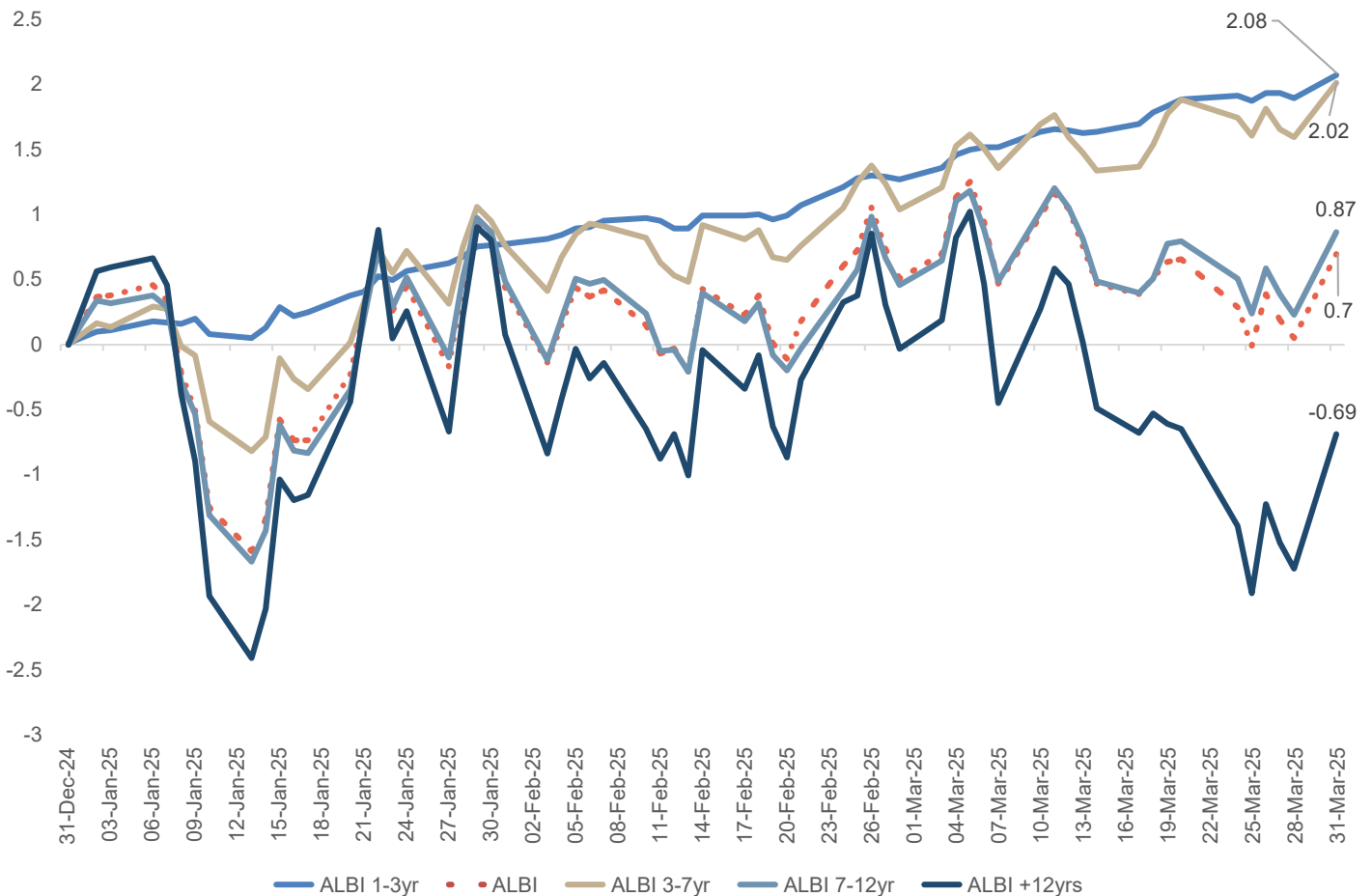
## DOMESTIC BONDS

SA faces increasing domestic and external pressure to reform longstanding policies that have constrained economic growth. On the domestic front, the tabling of the government's FY25/ FY26 budget was initially postponed, with the African National Congress (ANC) facing strong opposition to further tax increases to finance budget expenditures. The delay highlighted a growing recognition that the ANC's traditional strategies for addressing fiscal deficits—namely, raising taxes or increasing borrowing—have become politically and economically unsustainable. As a result, expenditure cuts now appear to be the most market-friendly and feasible path forward. Externally, SA has come under renewed scrutiny from the US on several issues. Compounding tensions, the Trump administration initially subjected SA exports to a 30% tariff when entering the US. However, this was later reduced to 10% following SA's inclusion on the list of countries benefitting from a 90-day pause from higher reciprocal tariffs. All of this has created substantial market volatility for domestic assets – particularly bonds and the local currency - with Anchor believing a more cautious stance is warranted going forward.

*SA faces increasing pressure to reform longstanding policies that have constrained economic growth.*

The SA Government Bond (SAGB) yield curve has steepened YTD (as at 9 April 2025), reflecting a notable increase in risk premium across the curve. Despite this, the All Bond Index (ALBI) delivered a modest return of 0.7% in 1Q25, with short-dated maturities contributing the most to performance (see Figure 1 for the index and term splits). Deteriorating fiscal dynamics primarily drive the elevated risk premium. Debt-servicing costs have become one of the fastest-growing components of the national budget, and with the debt-to-GDP ratio nearing 80%, the risk of a debt trap is no longer just theoretical. Credit rating agencies like Fitch Ratings remain cautiously sceptical of SA's fiscal trajectory. While it acknowledges the government's commitment to fiscal consolidation, Fitch highlights significant implementation risks and persistent structural challenges that could impede progress.

**Figure 1: The ALBI total returns in 1Q25, %**  
 Source: Thomson Reuters, Anchor

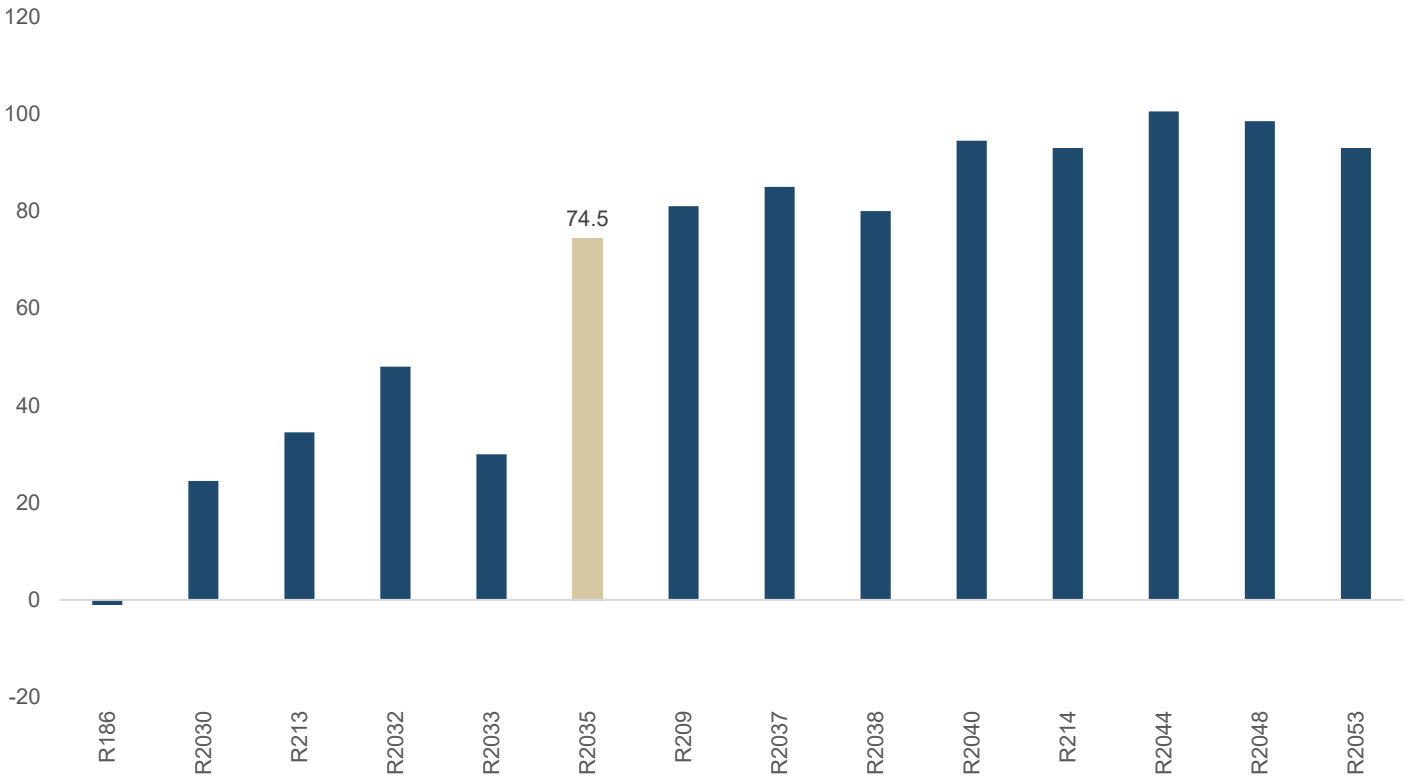


The SA 10-year government bond (R2035) yields rose sharply to 11.06% as of 9 April 2025, marking a YTD increase of 74 bps (see Figure 2). This upward movement in yield reflects heightened investor sensitivity to fiscal risk. An alternative measure of this

risk premium is observed through asset swap spreads (ASWs). ASWs have widened considerably across the yield curve in recent months, with current levels approaching those seen during last year's local election period (see Figure 3 – R2035 ASW).

**Figure 2: SAGB yield changes YTD, as at 9 April 2025, in bps**

Source: Thomson Reuters, Anchor



**Figure 3: R2035 Asset Swap Spread, as at 9 April 2025, in bps**

Source: Thomson Reuters, Anchor





At Anchor, we have recently strategically concentrated our local bond exposure in many of our domestic portfolios at the front end of the yield curve. This positioning reflects our view that the tariff turmoil will lead to lower inflation locally. The growth effect (from reduced aggregate demand stemming from the tariff turmoil and tax increases) will soon suppress SA inflation.

*In our view, the tariff turmoil will lead to lower inflation locally ...*

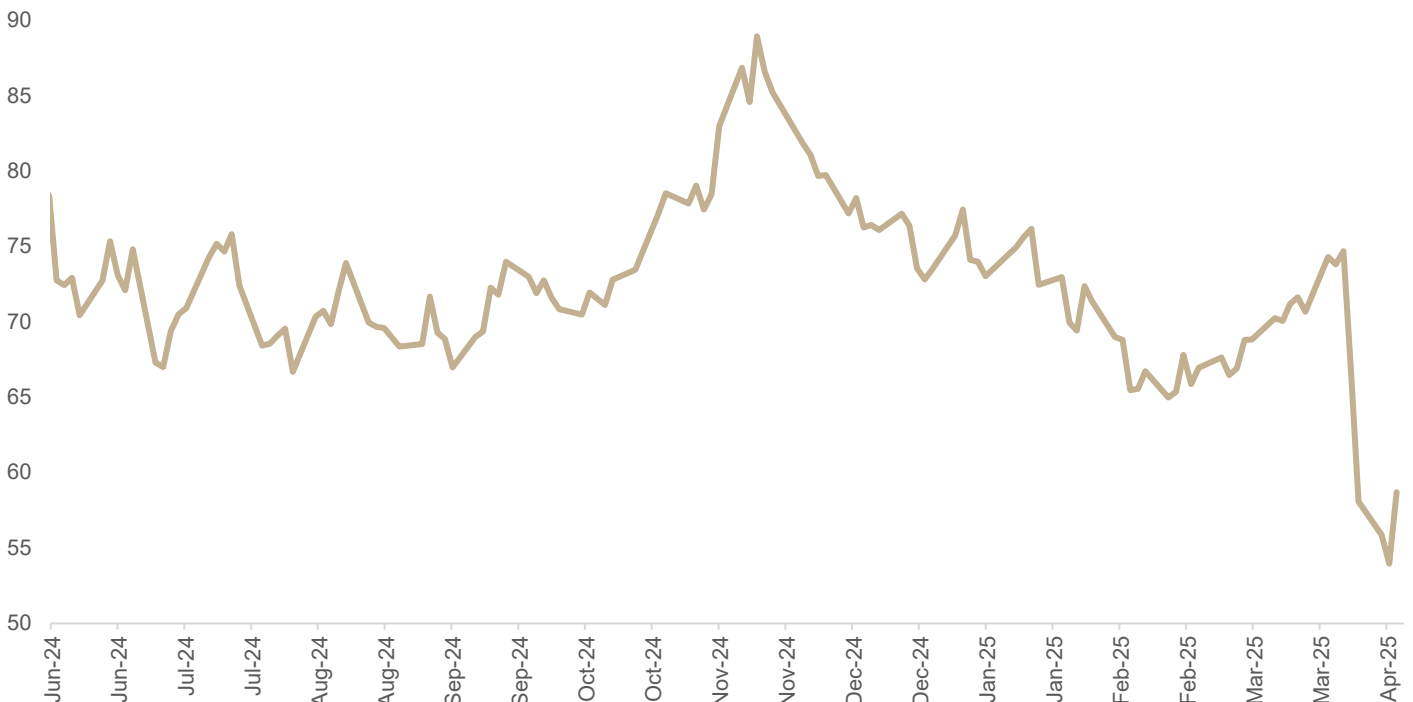
Another factor supporting our front-end positioning is the oil market dynamics. On 2 April 2025, the same day Trump announced reciprocal tariffs on several US trading partners (which he termed “Liberation Day”), OPEC unexpectedly announced an increase in oil production. With the uncertainty

and turbulence around tariffs widely expected to soften global growth (potentially tipping some economies into a recession), the oil market is simultaneously digesting an increase in supply and weakening demand. This has led to a sharp decline in oil prices over recent weeks (see Figure 4).

For SA, a net oil importer, lower global oil prices could further ease inflationary pressures—assuming relative currency stability. This would provide the SARB with additional room to lower the policy rate. Another consideration is the “Fed-put” argument, which is gaining traction as signs of US Treasury market dislocations slowly emerge. This, in turn, will give the SARB additional headroom to cut rates. Against this backdrop, we have strategically shifted more of our domestic bond portfolios toward the part of the yield curve most responsive to monetary policy—the front end.

**Figure 4: Crude oil spot price, US\$/bbl**

Source: Thomson Reuters, Anchor

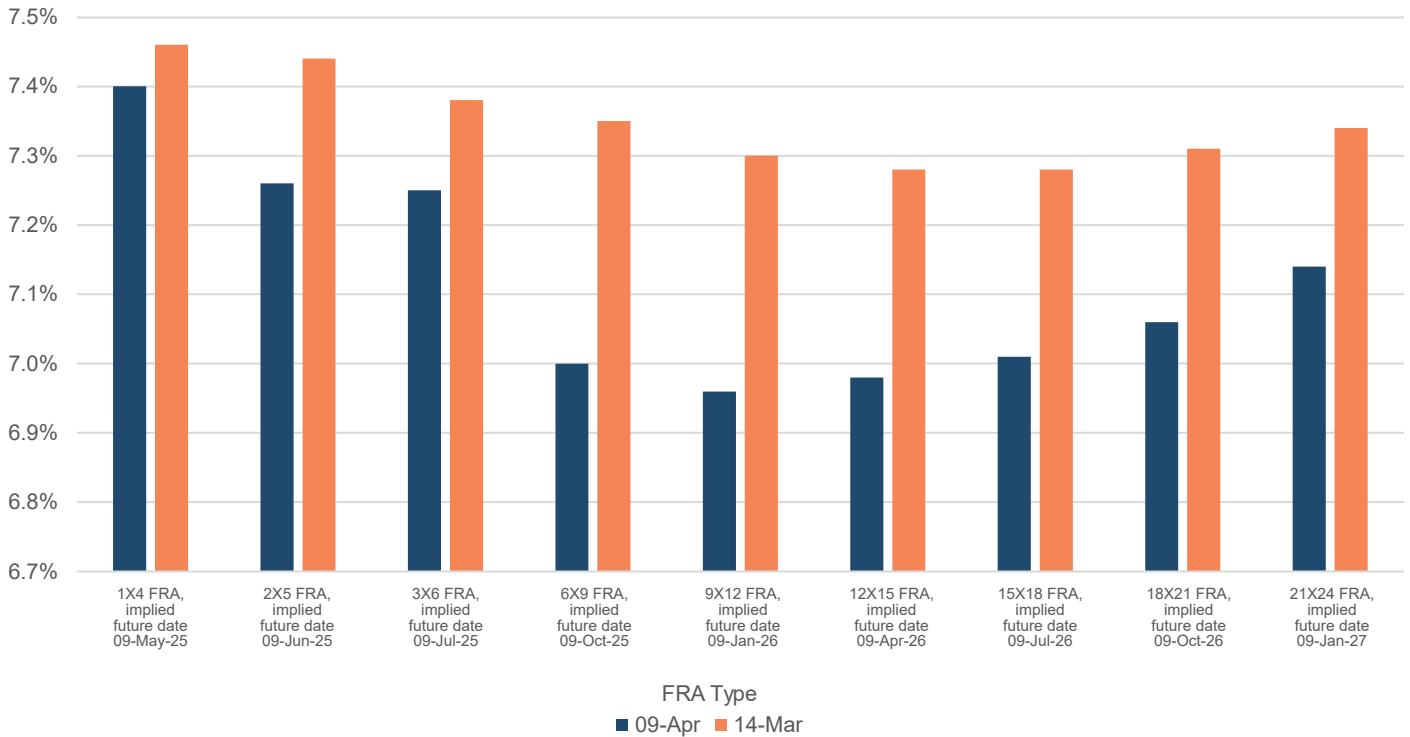


Comfortingly, the derivatives market has started to price in additional rate cuts in SA, as evidenced by the downward movement in Forward Rate Agreements (FRAs). The market now anticipates the policy rate to bottom at 7.00%, down from 7.25%

a month ago (see *Figure 5*). This shift reflects growing confidence in a more easing monetary policy path amid abating inflationary pressures.

**Figure 5: FRA strip comparison, par rate, %**

Source: Thomson Reuters, Anchor



*We expect the yield curve to maintain its steep bias ...*

SAGBs continue to offer some of the highest yields in the EM universe, both in nominal and real terms. However, these elevated yields also reflect growing concerns around the country’s fiscal

sustainability. With local politics on a knife edge and in the absence of credible, sustained commitments to expenditure reductions and broader fiscal consolidation, a meaningful decline in SAGB yields remains unlikely. Consequently, the yield curve is expected to maintain its steep bias. We estimate domestic bonds will return around 11% over the next 12 months, providing a real return of more than 6%.

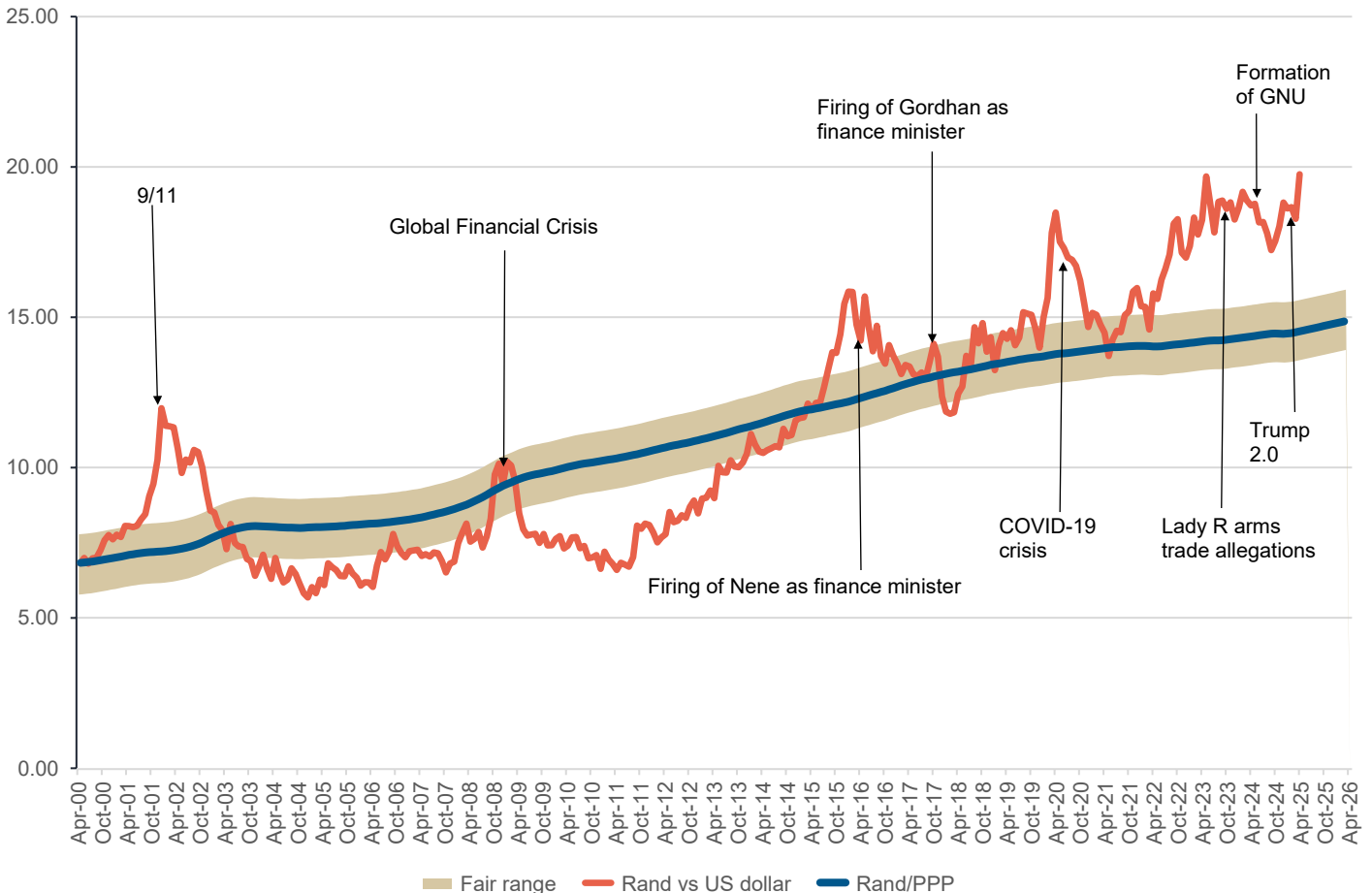


## THE RAND

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 6 below. Our

modelled fair value of the rand is in the R13.91-R15.91/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 6: Actual rand/US dollar exchange rate vs rand PPP model**  
 Source: Thomson Reuters, Anchor



The rand faced a double onslaught from the imposition of tariffs by the US and fractures in the GNU destabilising government. These factors have led to increased volatility and uncertainty in currency markets, which has put pressure on the rand. While it is too soon to predict how these events will play out, our base assumption is that sensibility will prevail abroad and domestically.

EUR1.25/US\$1. While we are not as extreme in our view, this overhang will likely stabilise and quite potentially support some recovery in the rand.

*The rand faced a double onslaught - imposition of tariffs by the US and fractures in the GNU ...*

*This is a volatile time, and many risk factors could weaken the rand, but we believe some recovery is likely ...*

We are seeing increasing support for the narrative that the US dollar will likely weaken due to the erratic events of late March and early April this year when the Trump administration implemented a slew of tariffs on countries around the globe. Some analysts expect the euro to strengthen to as much as

This is a volatile time, and many risk factors could weaken the domestic currency. However, we believe some recovery is likely, and we expect the rand to end the year closer to R18.75/US\$1 than R19.75/US\$1. For this report, we are modelling the exchange rate at R18.75/US\$1, which reflects our view of a modest recovery through a volatile period.



## GLOBAL EQUITIES

Writing an assessment and projection for global equity markets is particularly difficult when markets are swinging wildly from day to day. The actions of US President Donald Trump have unsettled markets. At the time of writing, the MSCI World Index is down around 5% YTD in US dollar terms, and the S&P 500 is down closer to 10%. This relatively benign aggregate masks the massive recent volatility and uncertainty created by recent events.

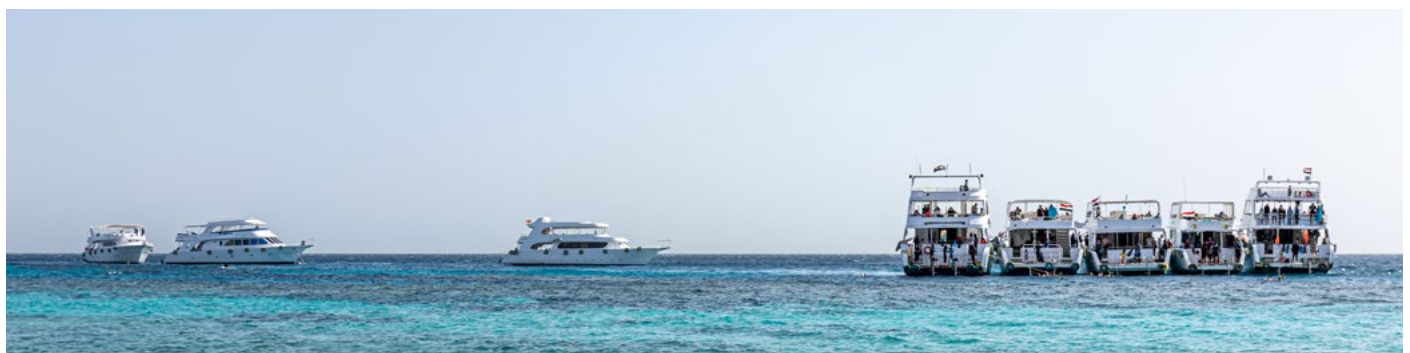
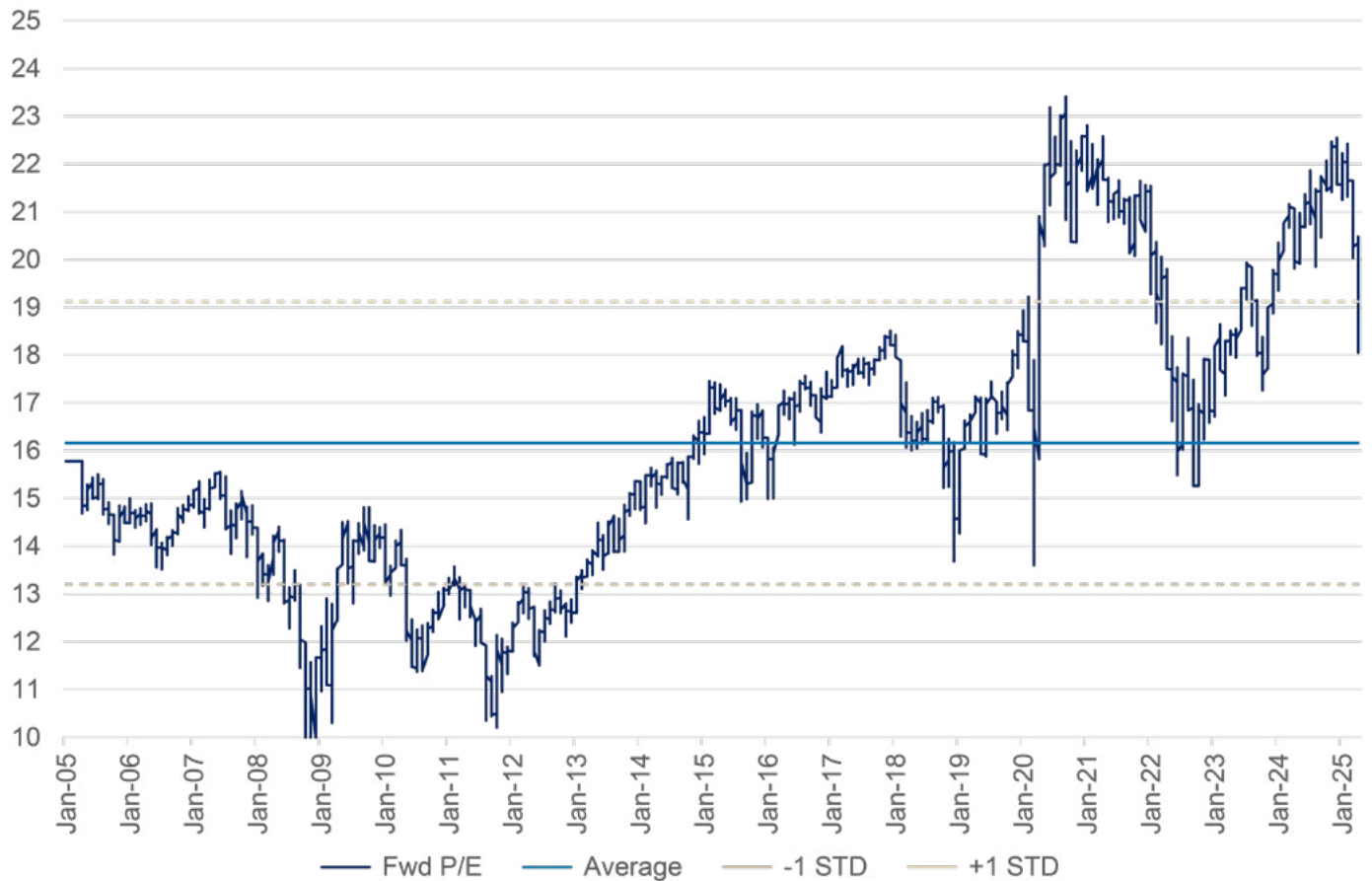
*The actions of the US president have unsettled markets ...*

The biggest indicators of the level of uncertainty are the YTD moves in gold (+22%) and the 8% weakening of the US dollar (a massive move in currency terms). The former reflects investors looking for a safe haven, and the latter is a statement by the market that the US might not be that safe haven it has always been perceived to be.

The correction in world stock markets has not taken shares into cheap territory. Equities (particularly in the US) started the year in expensive territory and have now traded down to around the 10-year average. The S&P 500 is trading at a forward 18x P/E (see below), with every prospect that earnings forecasts will be downgraded.

Figure 7: US S&P 500 Index forward P/E, x

Source: Anchor, Bloomberg





The one certainty about the economic future of the US is that GDP will slow over the next six months as spenders and capital allocators hold back, given the uncertainty created by tariffs. The counterargument to this is that there is plenty of ammunition for regulators and the government to respond and stimulate. The Fed can materially reduce interest rates from historically high levels, and the US government will no doubt cut taxes and reduce regulations. For example, smaller banks will probably be given more latitude in lending money to US consumers. Trump and his financial advisors will argue that they are only partway through their plan, and the good stuff is still to come.

So, what should investors do with an equity hat on?

- For investors with an existing reasonable equity allocation, we would sit tight and not crystallise any losses. We would assess our holdings for companies whose futures have materially changed, but most high-quality companies will survive the current shenanigans and continue to thrive.
- For investors who are underweight equities, we would use this opportunity to increase equity weightings in downlegs of the current market. While the market does not look cheap in aggregate, certain shares are now very attractive. We would follow a phased approach, in the knowledge that the market could fall further before bottoming.
- We would avoid gearing in the current market as further sharp swings are likely due to unpredictable government

actions.

- We would add to our holdings of the big tech companies. They have fallen the most in the world as a category. Ironically, they are not materially impacted by tariffs (except for Apple, and even for Apple, there is little day-to-day certainty as to the eventual outcome). The market correction has muffled all the excitement about AI and new technologies. We should not forget that the new AI wave is hugely significant for investments, and you want exposure as an investor. The weaker US dollar will also increase the dollar value of the profits generated elsewhere in the world.
- We would avoid investing in Europe, which has done relatively well this year, partly due to money leaving the US. The European economy is very subdued, and Europe will likely be the loser from the tariff war. Exports into the US will suffer, and cheap Chinese production will flood the rest of the world, including Europe. The strong euro will also put further pressure on profits.
- We would increase our allocation to alternative investments, which include private equity, property, private debt, structured products and hedge funds. In times of uncertainty, these more stable asset classes become increasingly attractive, and declining interest rates make the returns even more attractive. Anchor has a range of alternative private capital funds ideal for times like these.



## GLOBAL BONDS

The US Fed has a dual mandate. It must maintain inflation around 2% p.a. and full employment, with the latter assumed to happen when economic growth is optimal. Essentially, the Fed needs to ensure that inflation and economic growth are maintained at optimal levels, and if they are not, the Fed’s main tool to correct this is changing interest rates. Interest rate changes impact bond values, so bond investors tend to focus on changing expectations for future inflation and economic growth.

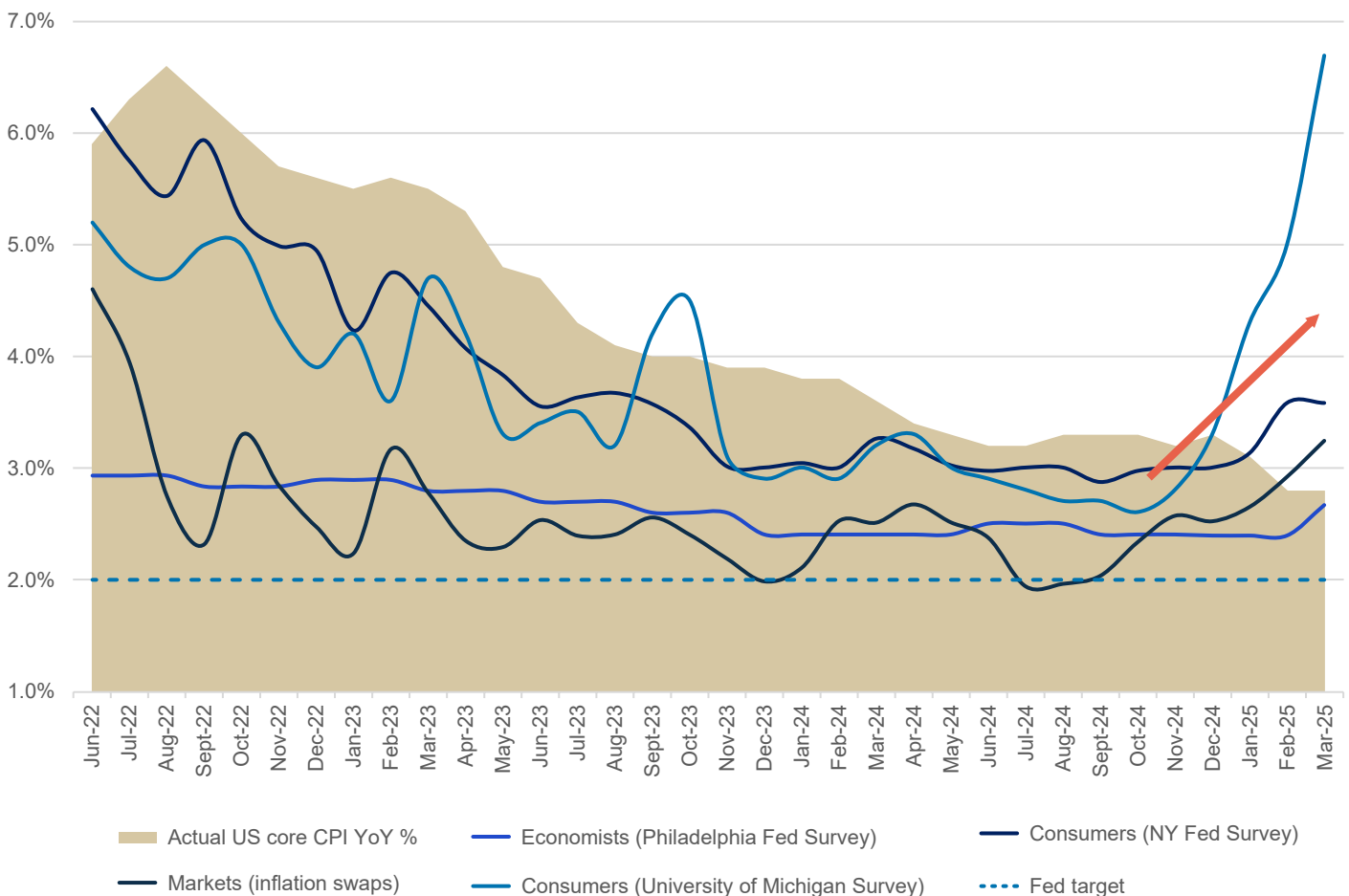
As the prospect of a Republican-controlled US Congress led by President Donald Trump became increasingly likely towards

the end of 2024, economists, consumers and investors changed their expectations for future inflation. Most began anticipating inflation to drift higher, mainly due to tariffs increasing the prices of goods imported into the US. This expectation for higher future inflation happened despite observed US inflation trending back from elevated post-pandemic levels.

*Most began anticipating inflation to drift higher due to tariffs increasing the prices of goods imported into the US ...*

**Figure 8: One-year forward US inflation expectations started drifting higher as consumers, investors, and economists began to anticipate the impact of tariffs**

Source: Anchor, Bloomberg



The prospect of higher inflation coincided with expectations for improving economic growth, with economists anticipating that the new US administration would deliver an environment supporting economic growth and asset values.

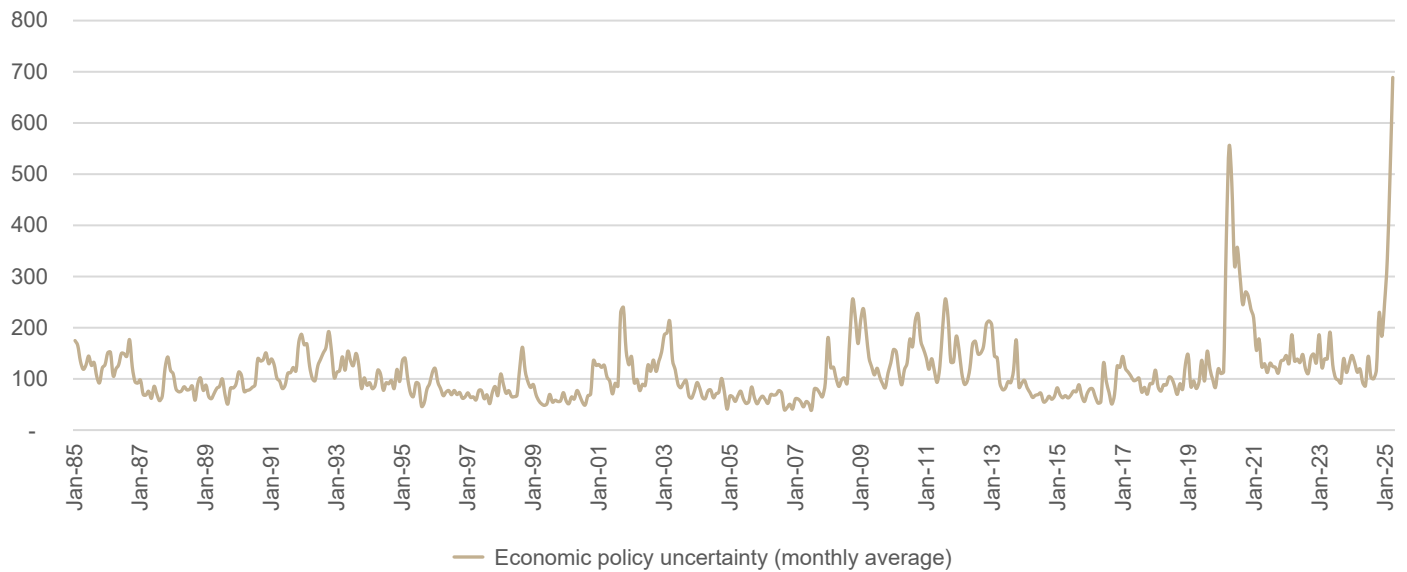
This combination of expectations (higher inflation and stronger growth) led investors to believe that the Fed could maintain interest rates at elevated levels for longer, weighing on bond prices. Within a few weeks of Trump taking office on 20 January

this year, the reality set in that the transition to a more supportive economic environment would be achieved with significant change and uncertainty.

*A combination of expectations (higher inflation and stronger growth) led investors to believe that the Fed could maintain rates at elevated levels for longer, weighing on bond prices ...*

**Figure 9: US economic policy uncertainty is currently more elevated than it has been at any time over the past 40 years**

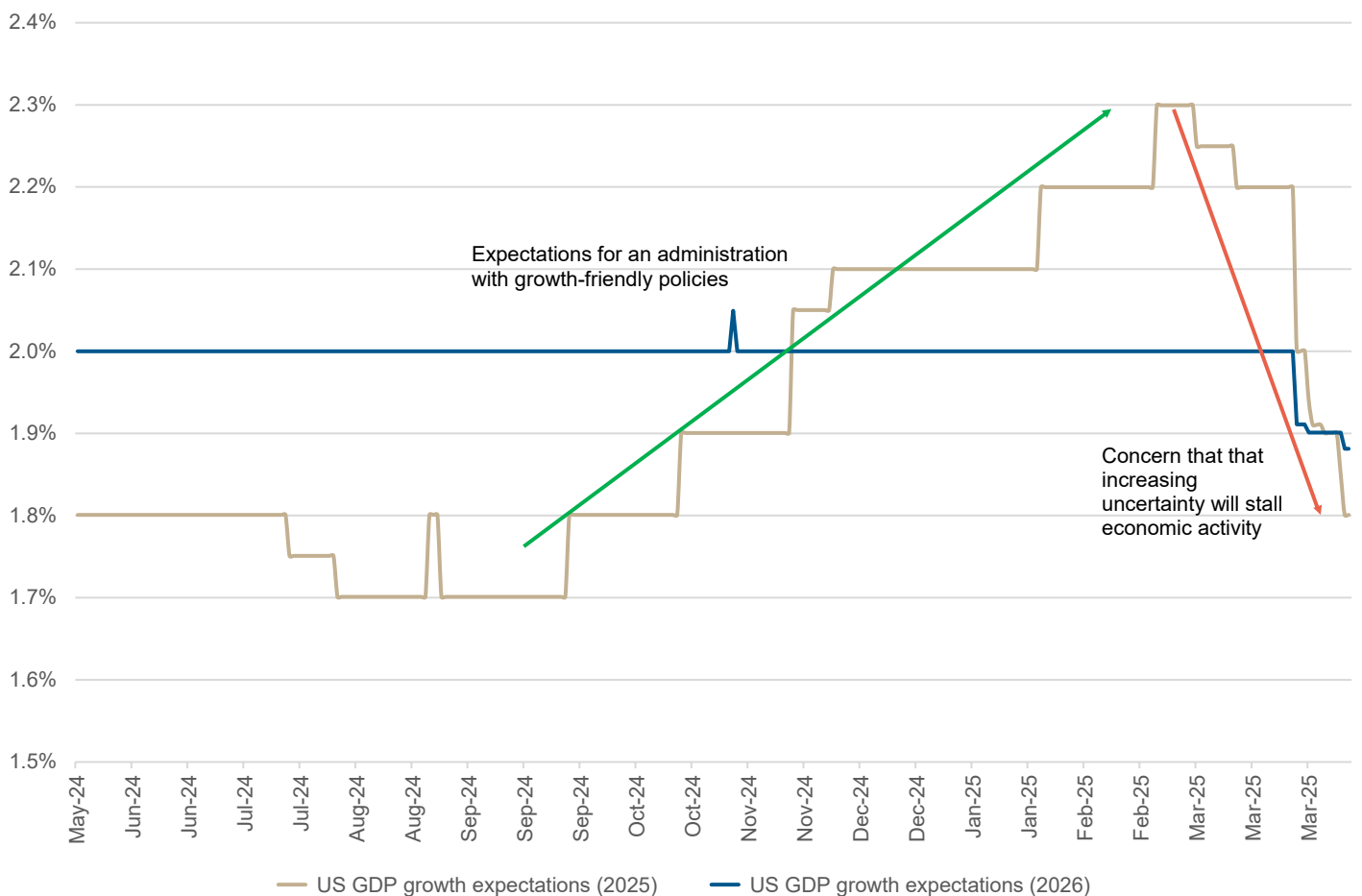
Source: Baker, Bloom & Davis, Anchor



Economists are now starting to revise their expectations for future US economic growth lower on the basis that the uncertainty will freeze decision-making and lead to lower investment and consumption.

**Figure 10: Increasing optimism about US economic growth under the new US administration has faded as the quantum of change from the new administration has led to elevated uncertainty**

Source: Anchor, Bloomberg



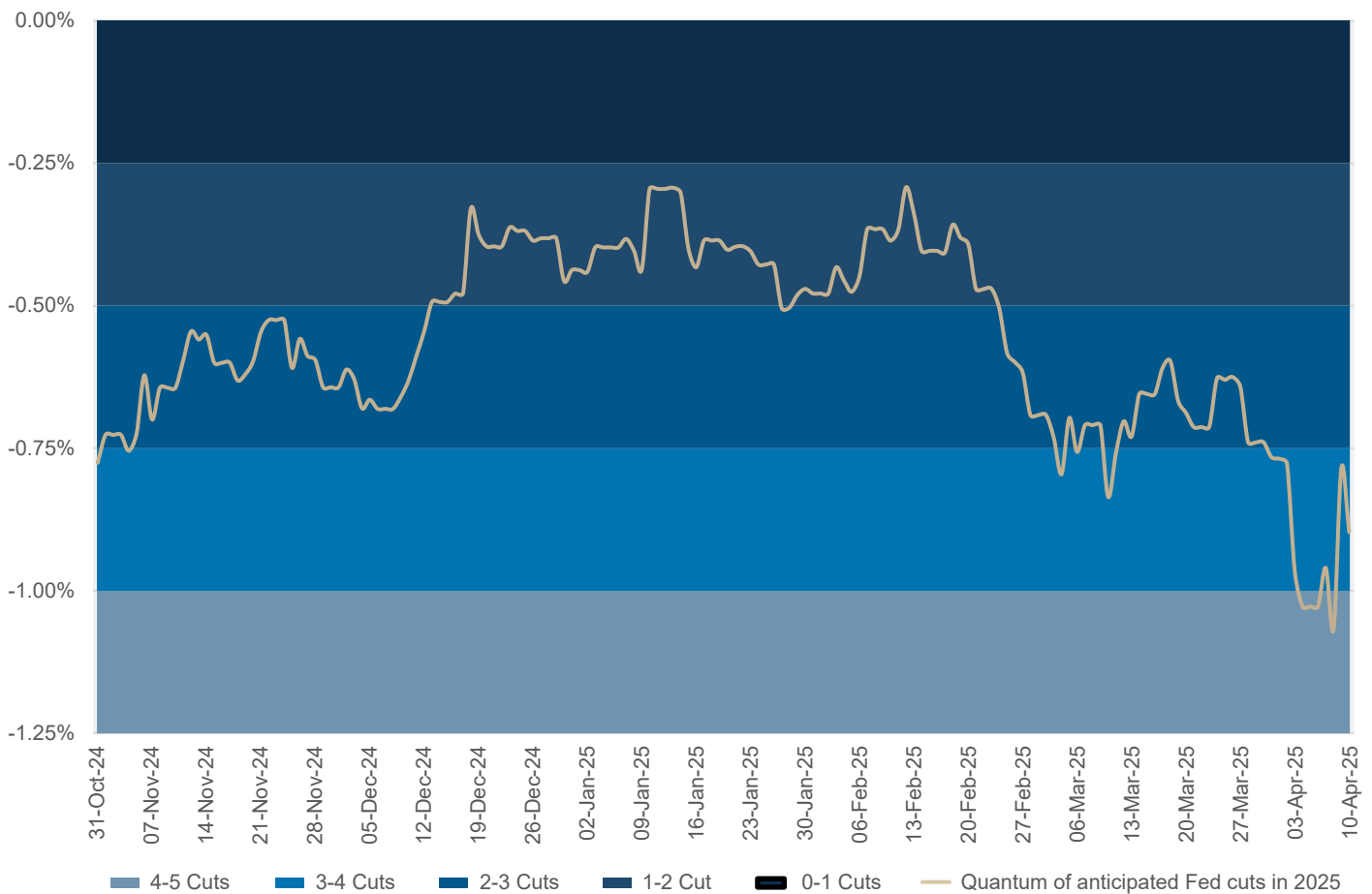
This has led to a conundrum for the Fed, which must potentially deal with higher inflation while economic growth (and employment) deteriorates. For now, the lowered expectations for economic growth are insufficient to cause the Fed to need to think about supporting economic growth with reduced rates, so our expectation remains for only moderate interest rate cuts over the next year. We believe current bond yields already reflect this reality, and we do not anticipate meaningfully lower US 10-

year government bond yields in response to Fed cuts of around 0.75%-1.0% over the next twelve months.

*The Fed's conundrum is that it has to potentially deal with higher US inflation while economic growth (and employment) deteriorates.*

**Figure 11: Investors are currently anticipating 0.75% cuts from the Fed in 2025**

Source: Anchor, Bloomberg



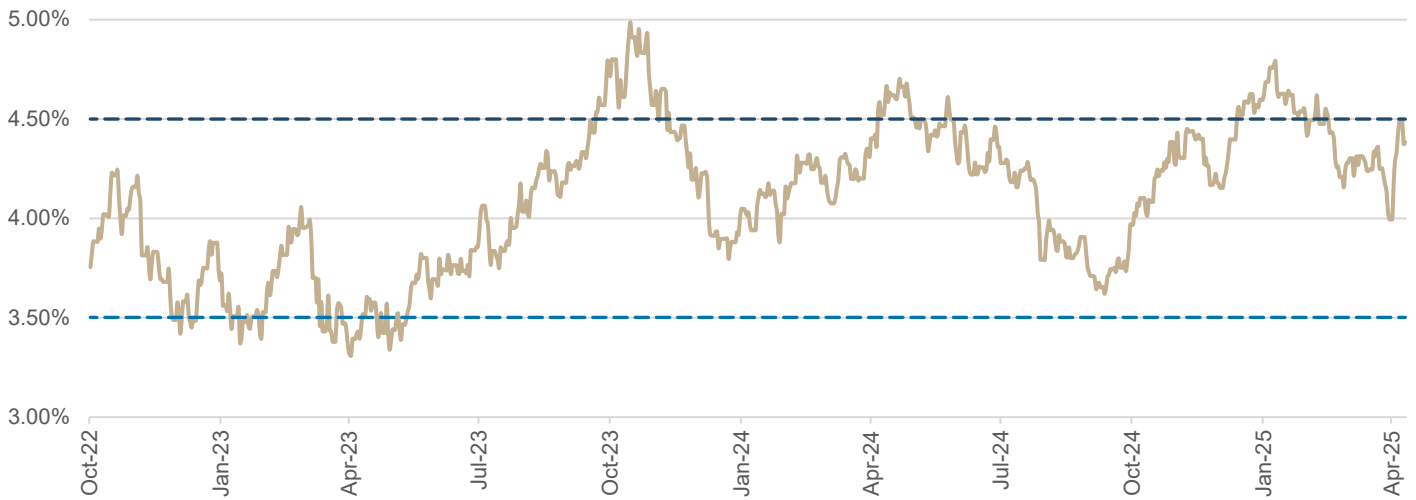
As such, we expect US 10-year government bond yields to remain within the 3.5% to 4.5% p.a. range they have stayed in for

most of the past two and a half years, likely remaining marginally above 4% p.a.



**Figure 12: US 10-year government bond yields have stayed in a tight range over the past two and a half years**

Source: Anchor, Bloomberg



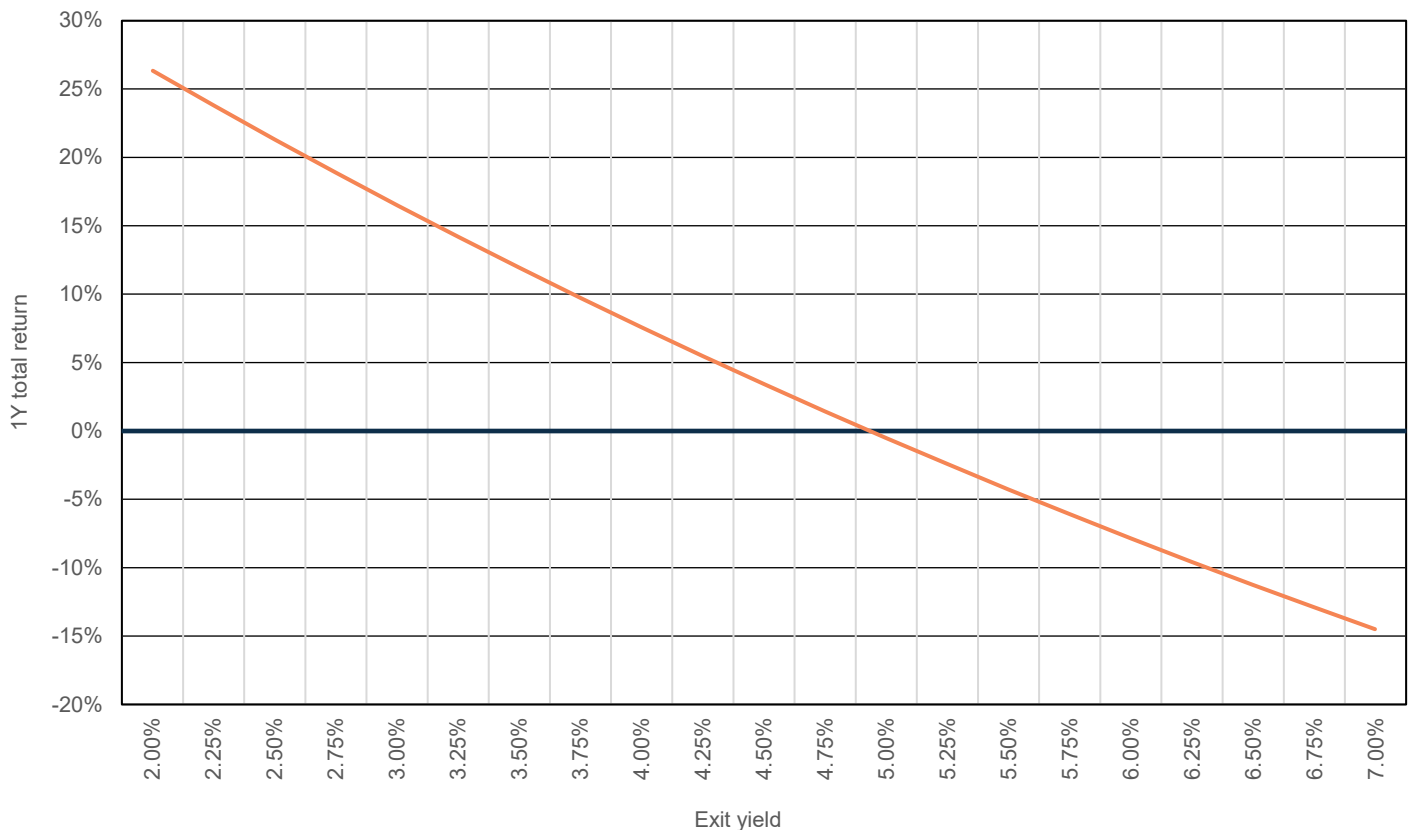
*Our base case is that US 10-year government bond investors will achieve a total return of c. 5.5% in US dollar terms twelve months hence ...*

for a holding period over the next twelve months, with a relatively low probability of a negative total return from current levels. Our base case is that US 10-year government bond investors will achieve a total return of c. 5.5% in US dollar terms over the next twelve months.

This leaves investors with a positively skewed range of outcomes

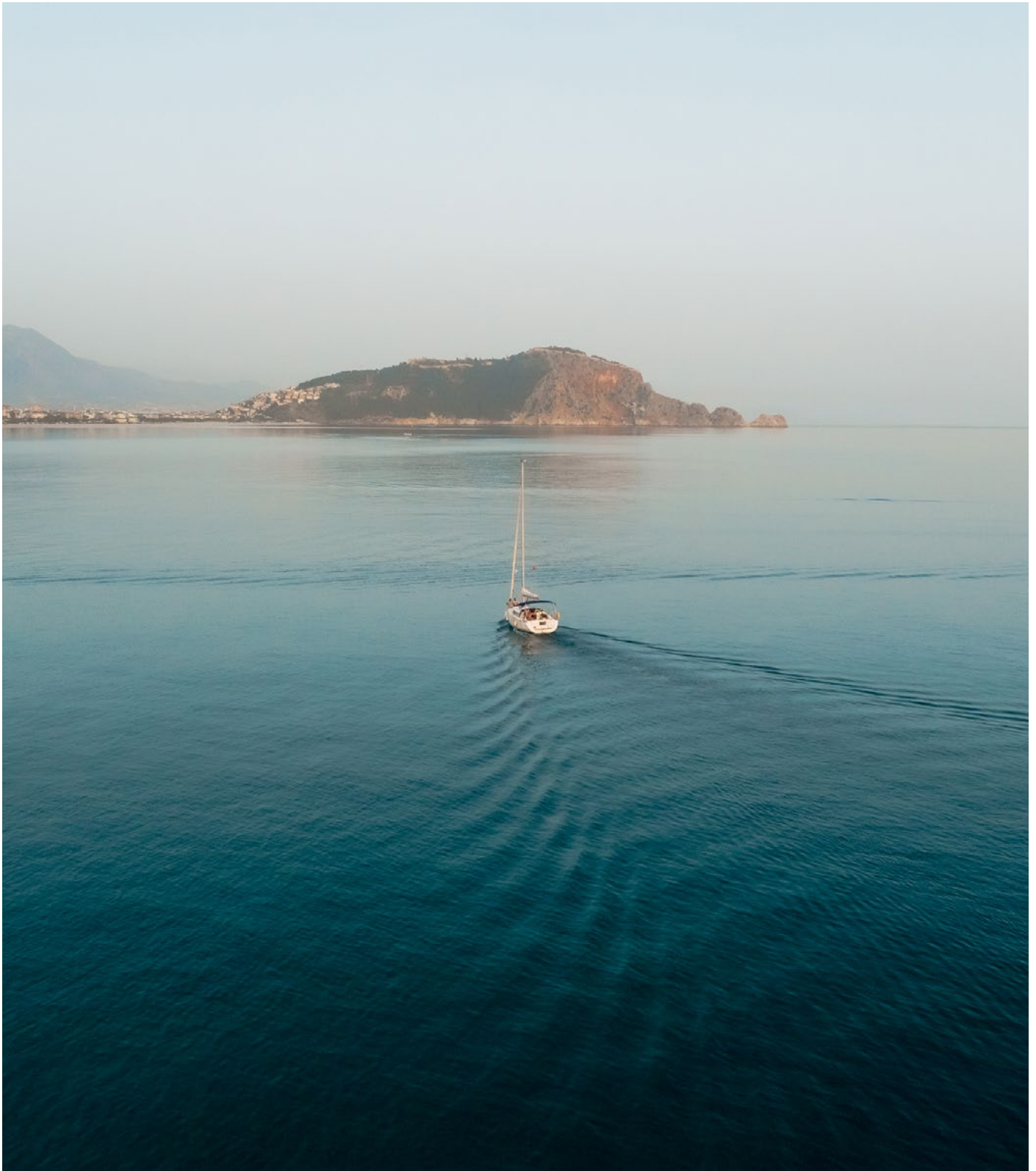
**Figure 13: The range of twelve-month total return outcomes for US 10-year government bond investors from these yield levels is skewed to a positive outcome**

Source: Anchor



US investment-grade corporate bonds have seen this credit spread bounce off historic lows as uncertainty about the future has increased the possibility of defaults. Investors now earn a higher yield premium for taking on the default risk associated with high-grade lenders than they have earned since 2023. This removes some of the potential for future capital losses and leaves

us more sanguine about the prospects of these bonds. We do not anticipate much tightening of credit spreads over the next twelve months and only a marginal softening of rates. As such, our base case is that investors in this asset class will achieve a total return of c. 6.0% over the next twelve months, predominantly in the form of income.



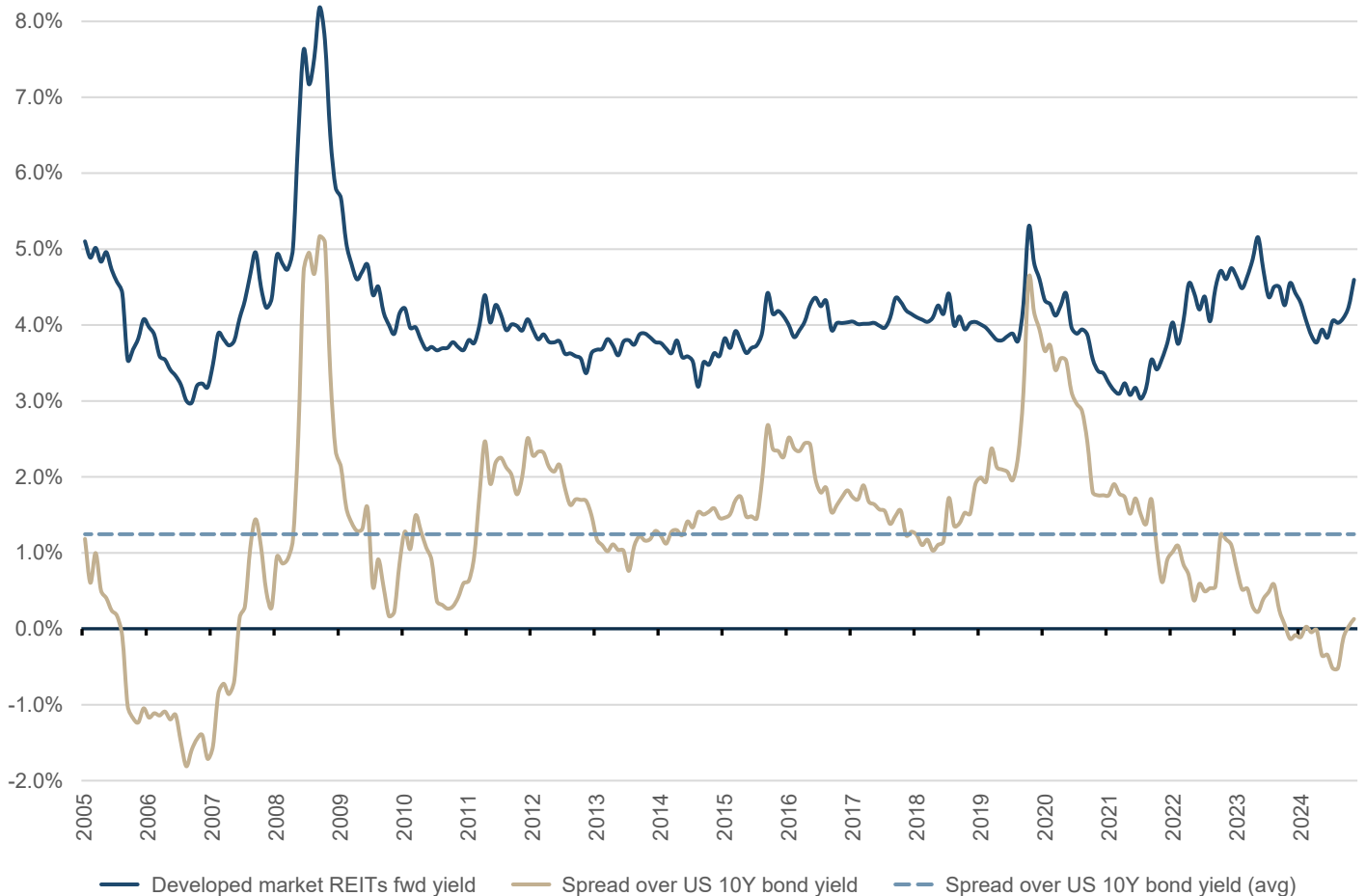
### GLOBAL PROPERTY

Globally developed market (DM) listed property had a decent start to the year, with the FTSE/EPRA NAREIT Global Property Index rising by 1.5% in 1Q25. However, recent market turmoil,

particularly the spike in US yields, has weighed on this asset class. At the headline level, DM real estate investment trusts (REITs) still appear expensive relative to other yielding assets.

Figure 14: At the headline level, DM REITs still appear expensive relative to other yielding assets

Source: Anchor, Bloomberg



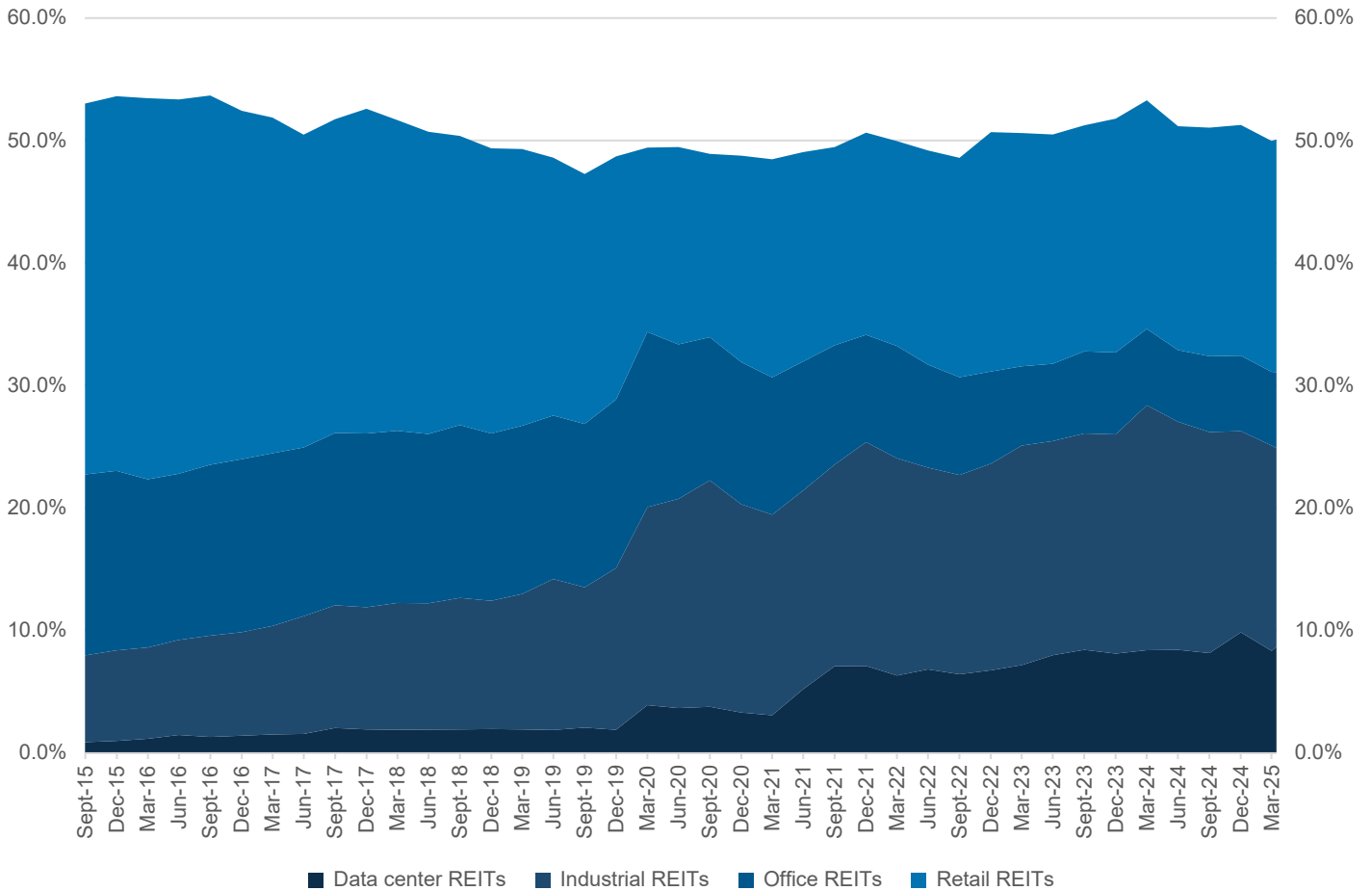
The headline view belies significant shifts under the surface, where the composition of the DM REIT indices has experienced

a dramatic transformation over the past decade, reflecting a similar change in economic activity from offline to online.



**Figure 15: The composition of DM REIT indices has shifted significantly towards the online economy over the past decade**

Source: Anchor, Bloomberg

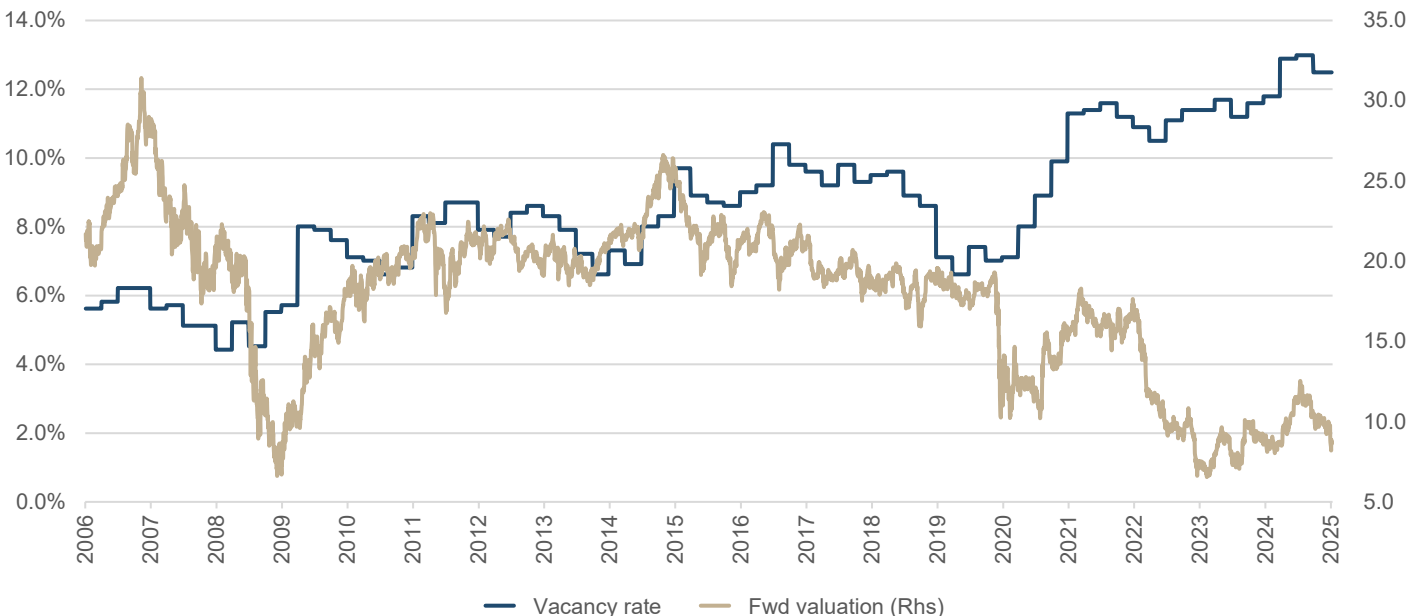


Much like with equities, this has created some potentially interesting opportunities at a company level. The state of commercial office property in the US has seldom looked worse. Boston Properties, the world's largest listed office REIT, has

vacancies at the highest level in two decades (a period which included the global financial crisis [GFC]) and a forward valuation almost as cheap as it was during the GFC trough.

**Figure 16: The world's largest listed office REIT, Boston Properties, has elevated vacancies and a valuation almost as low as its GFC trough levels**

Source: Anchor, Bloomberg



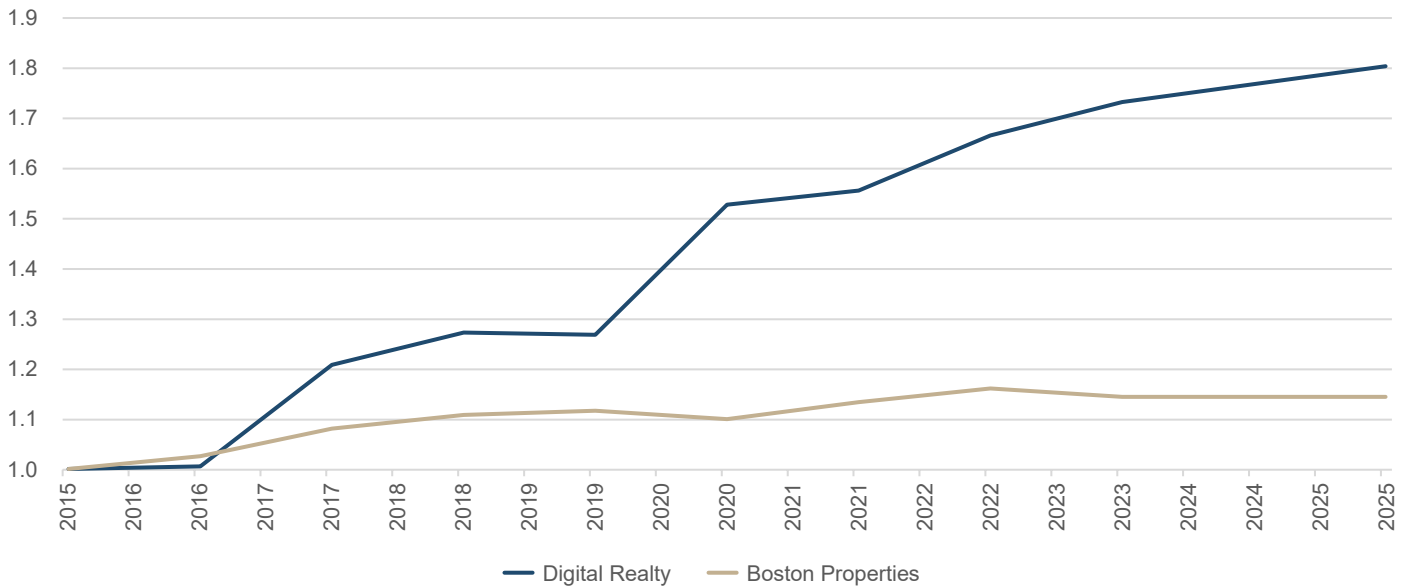


This valuation suggests that the reset in the office REIT space has room to run. At the other end of the spectrum, data centre REITs have experienced an incredible period of growth. The divergence in fortunes of the new and old-economy REITs can

be best observed by comparing the increase in lettable space for Boston Properties relative to one of the largest data centre REITs (Digital Realty).

**Figure 17: The demand for data centre space has far outstripped that of office space over the past decade (gross lettable space [GLA] rebased to 1 in 2015)**

Source: Anchor, Bloomberg



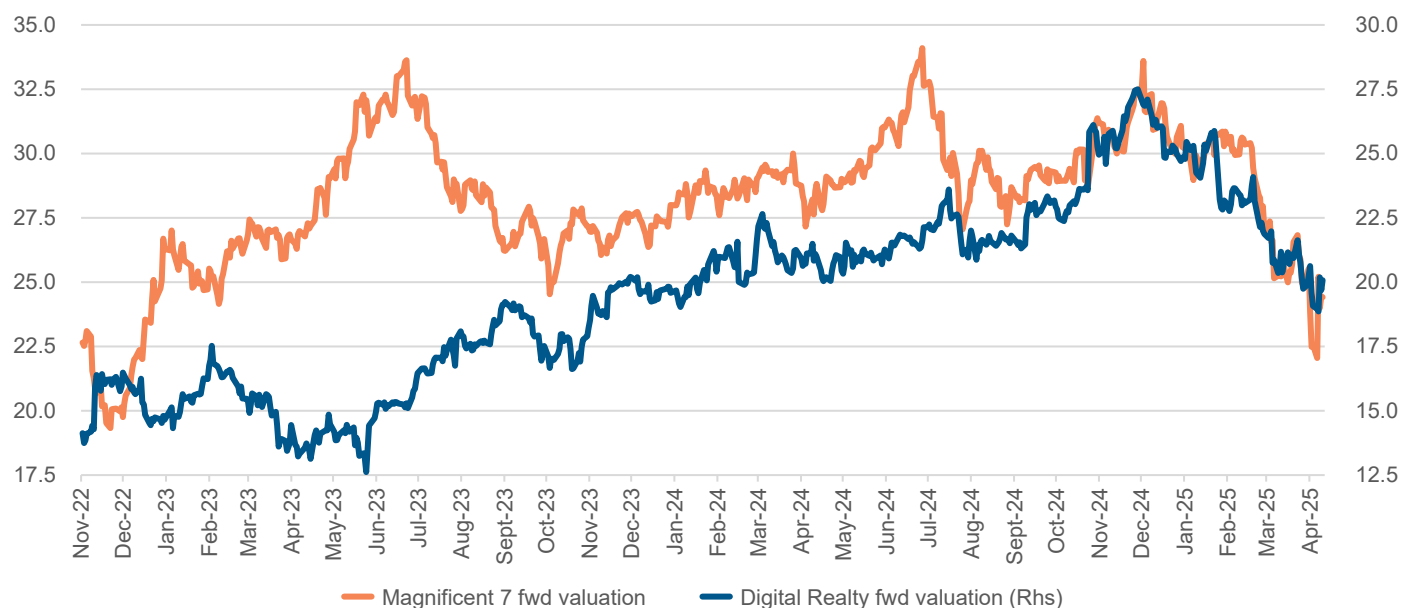
Digital Realty has almost doubled its supply of data centres over the past decade, while Boston Properties has barely added to its supply of office space over that period.

and storage requirements for the AI revolution. This has made investors question their future earnings growth assumptions for hyper scalers, chip manufacturers and data centre REITs. To the extent that this rebasing of expectations is overdone, it could present an interesting entry point for investors, but there remains significant uncertainty.

The revelation of China's DeepSeek AI technology in January has introduced some uncertainty around future data processing

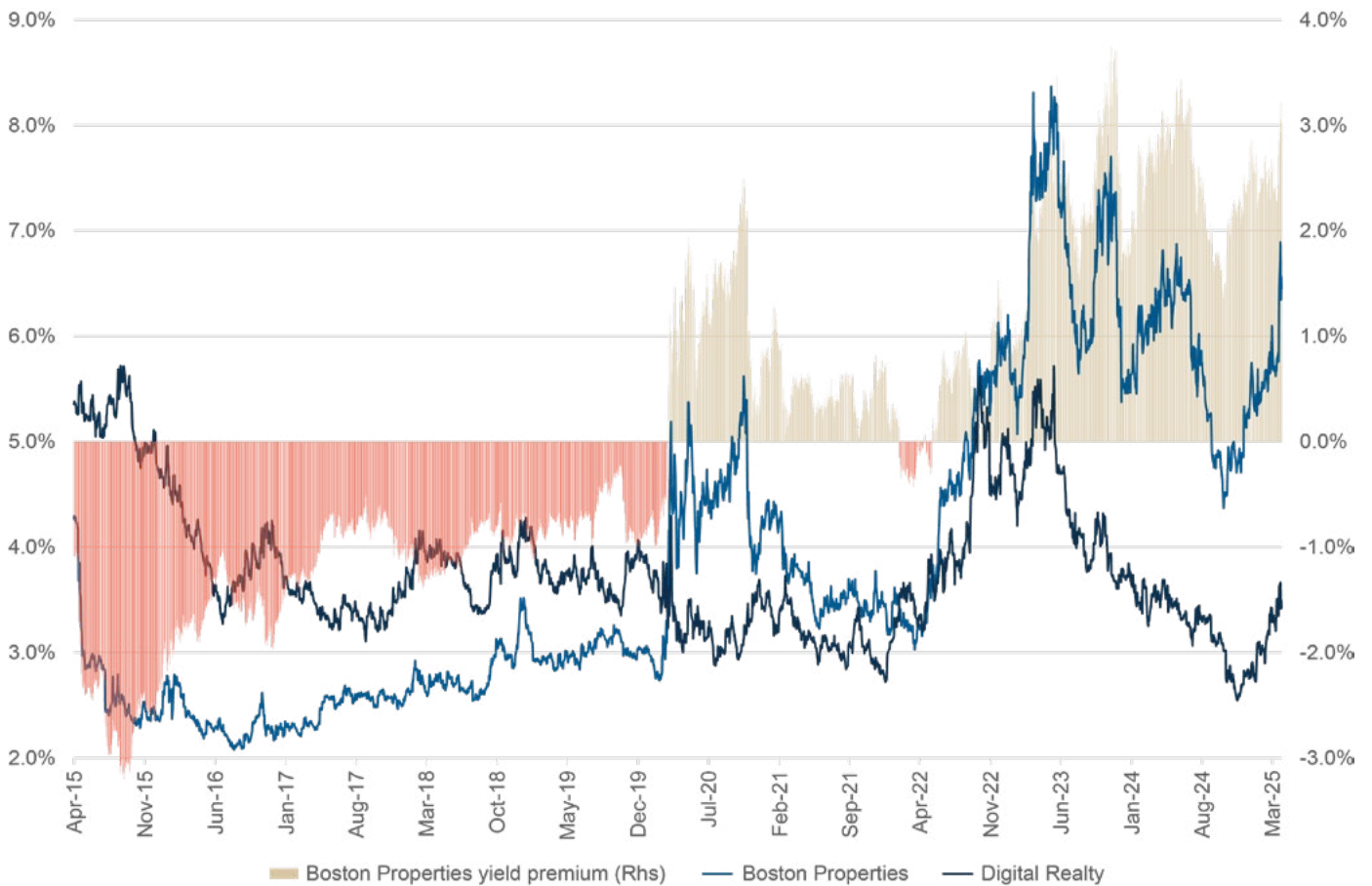
**Figure 18: The release of China's DeepSeek AI technology has brought into question the future growth prospects of hyper scalers, chip makers and data centres**

Source: Anchor, Bloomberg



The recent yield premium for Boston Properties has been warranted given Digital Realty's superior growth prospects, but the quantum of that premium is less clear going forward.

**Figure 19: Digital Realty has recently commanded a yield premium relative to Boston Properties because of its superior growth prospects**  
 Source: Anchor, Bloomberg



There is still plenty of uncertainty surrounding the end state of the office property market and, ultimately, how much data storage will be needed to support the AI revolution. What is clear, though, is that while at the headline level, listed property as an asset class appears relatively unappealing, uncertainty

and disruption are creating interesting opportunities for patient investors with a long-term mindset. At the asset class level, we anticipate that most returns will be delivered in dividends over the next twelve months, leaving investors in global REITs with a 5% total return in US dollar terms over the next twelve months.



An aerial photograph of a white sailboat with a tall mast and white sails, sailing on a deep blue sea. The boat is moving towards the bottom right, leaving a white wake. In the background, there are lush green hills and mountains under a clear blue sky. The overall scene is serene and scenic.

# ANCHOR INSIGHTS

In this section of the Navigator, staff across Anchor provide insights into our thinking, strategy, and worldview. This quarter, James Bennett outlines the broad principles of stock picking for SA-based investors who have never invested directly in offshore stocks; Nick Dennis discusses timeless lessons in investing amid economic and political uncertainty as the Trump administration launches the initial phase of its policy agenda with an emphasis on tariffs, as the diplomatic strain between SA and the US grows, Casey Sprake asks whether the recent expulsion of the SA ambassador from the US will cause a lasting rupture or serve as a catalyst for recalibrating the two countries' strategic engagement; Leigh Crossman highlights how behavioural finance, the intersection of psychology and finance, is crucial in offering a deeper understanding of the intricate relationship between human behaviour and financial markets; and, finally, Di Haiden looks at estate planning and emphasises the need to be prepared by asking whether you are ready for a 'What If' event.

# A guide to first-time offshore stock picking



WRITTEN BY:

**James Bennett**  
Global Equity Analyst

*James has a BCom Hons from the University of the Witwatersrand and started his career at UBS (and its predecessor firms) in Johannesburg in 1994. During his 20-year career at UBS as a sell-side analyst, he was rated among the top 2 in the SA diversified mining sector for 14 consecutive years (by the annual Financial Mail Ranking the Analysts survey) until his departure in 2014. He was also rated the number one analyst in the SA steel sector for nine consecutive years. From 2015 to 2018, James covered the SA diversified mining sector at Citi. Since then, he has managed his own global stock portfolio, primarily investing in the US, China, and Europe. James started at Anchor in 2022, covering global listed companies.*

This discussion is intended for SA-based investors who have never invested directly in offshore stocks or have only recently started this journey. The broad principles of stock picking are the same anywhere in the world. For example, overpaying for an asset typically leads to bad outcomes everywhere. However, for individuals who have focused their investing primarily in the domestic equity market, starting to buy individual stocks in global markets can be quite daunting and requires a material mind shift, in my experience.

Somewhat tongue-in-cheek, years ago, it felt to me that in SA, we bought shares on a 10x P/E, started to get worried when these shares hit a 15x P/E and sold without asking questions when they hit a 20x P/E. For global investing, especially in the US, it feels like company valuations start at a 20x P/E and work their way up.

*The reality is that there are low P/E stocks everywhere in the world, including in the US.*

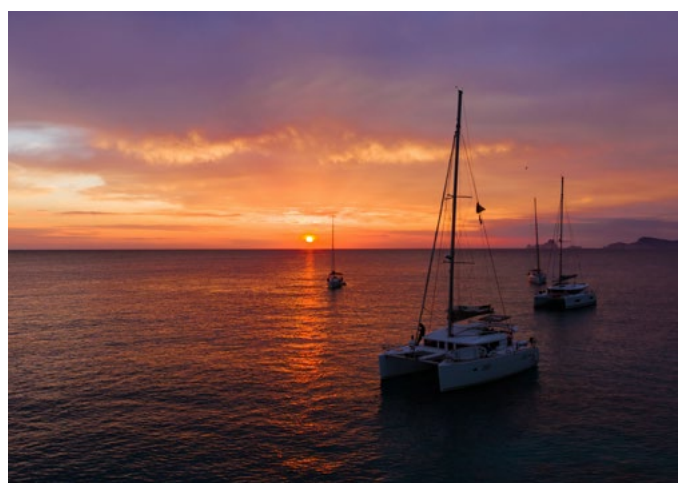
The reality is that there are low P/E stocks everywhere in the world, including in the US. There are value managers who can construct global portfolios on low and even single-digit P/Es in aggregate. However, that is quite a unique skill set and requires a very deep analysis of the underlying companies to ensure one is not standing on any proverbial landmines.

Investing in the better-known, mainstream global stocks usually requires paying a P/E multiple that first-time global investors may not feel comfortable with. When I started investing globally years ago, overcoming this “sticker shock” took me a while. After a while, I realised that limiting myself to finding shares trading under a 20x P/E excluded me from many worthwhile investing opportunities.

As a result, I became a lot more open-minded about “optic valuations”. In other words, many global shares I looked at appeared “optically” expensive (e.g., high 12-month forward P/E multiples). Yet, investors had been making excellent returns on some of these shares over many years.

*Most SA companies operate in a very small market by global standards ...*

There are multiple reasons why this might be. Most SA companies operate in a very small market by global standards, with limited opportunities to scale internationally. US companies, by comparison, operate in a vast domestic market with material opportunities to scale internationally. By its nature, tech scales quickly across state lines in the US. It also scales quickly across international borders. Unsurprisingly, many of the listed US winners of the past 20 years have come from the tech space, companies like Apple, Amazon, Alphabet, etc., which are global powerhouses today. These same winners have often appeared very expensive but have delivered superior share price performance, high optic valuations notwithstanding. Global investing allows one access to the best management teams in the world, who, in turn, have almost unlimited access to capital.



There are also other factors to consider. The Lindy Effect states that the longer something (non-perishable) has existed, the longer it is likely to exist. A company like luxury goods manufacturer Hermès has existed for over 180 years. That means it has survived two world wars, the Cold War, the Great Depression, the global financial crisis (2008-2009) and the COVID-19 pandemic (2020).

No company has a guaranteed future, e.g. personal care product manufacturers such as Revlon and Estée Lauder. However, a company that has survived all the above is unlikely to go bankrupt

in the next five years. The issue is that these types of companies do not typically trade on 5x P/E multiples. We simply do not have these kinds of generational companies listed in SA.

Figure 1: The Lindy effect

Source: Anchor

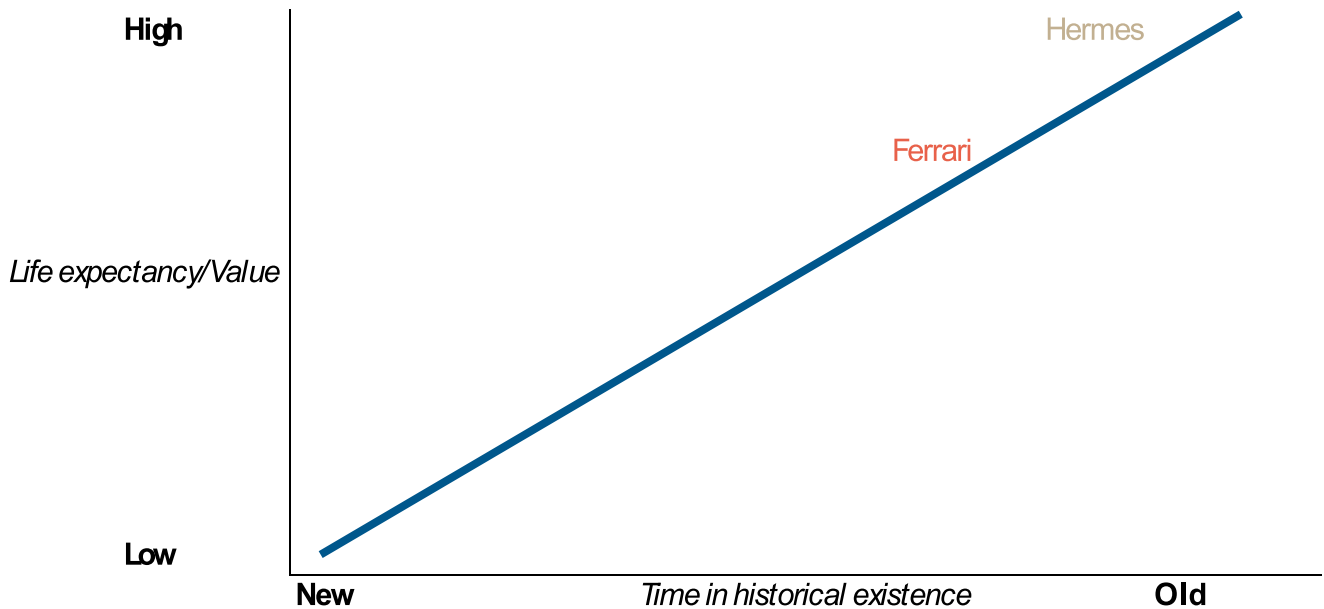
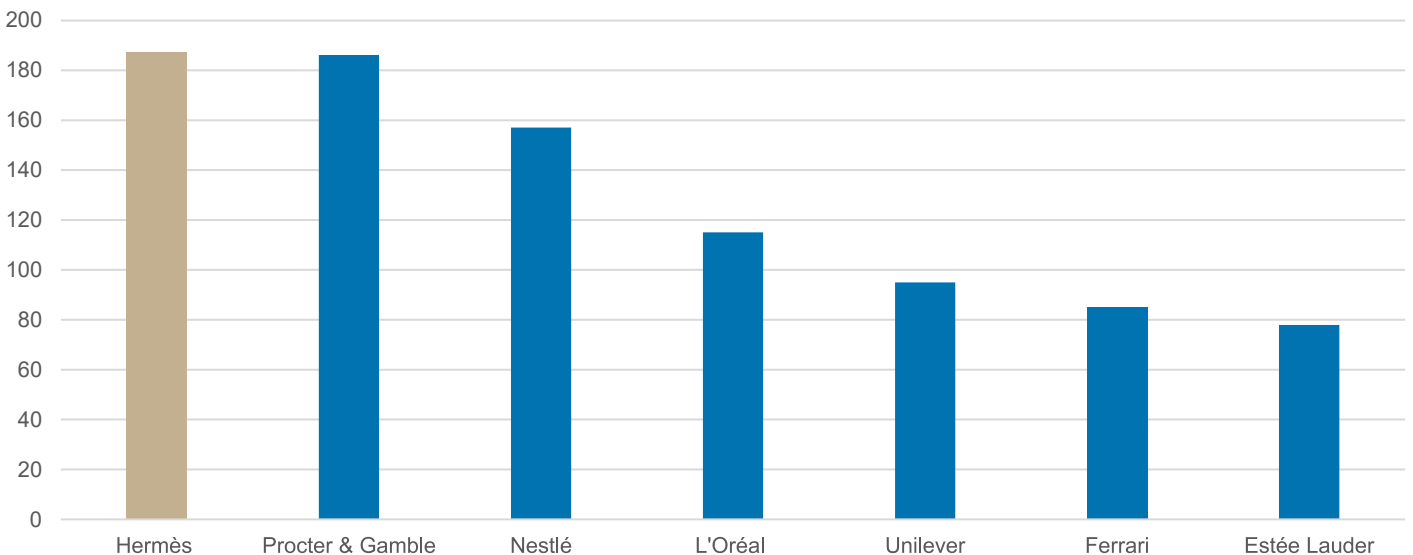


Figure 2: Global access to generational assets, companies' years in existence

Source: Anchor, Company reports



*I have found far more success in focusing on the individual quality of the businesses I am assessing ...*

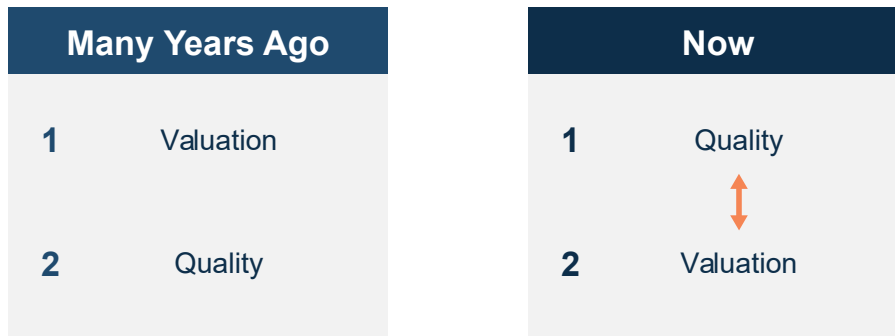
Covering SA diversified mining shares on the sell-side for almost 25 years, my analysis was very valuation-driven. My assumption was that most things in cyclical companies revert to the mean over the longer term. However, with global investing, I have

found many more secular growth opportunities without apparent means to revert.

I have found far more success in focusing on the individual quality of the businesses I am assessing vs making optic valuations my primary objective. I still view valuation as crucially important. However, I have made evaluating business quality my primary objective, with valuation as a secondary overlay. This approach helps to filter out good businesses that are also overvalued.

Figure 3: A change in investing priorities

Source: Anchor



In my opinion, a person with a simply brilliant investing mind is Aswath Damodaran, the finance professor at New York University, Stern School of Business. He is otherwise known as the “Dean of Valuation”. He has written several books and delivered countless public talks and lectures on the finer arts of valuing companies. There are arguably few people in the world who know more than he does on how to craft a valuation spreadsheet. Yet, he frequently states how important the narrative is to the investment case of a business. This is especially true for the global powerhouses that have emerged from the US over the past 20 years.

To be clear, I love a good spreadsheet. My whole sell-side career was built on many thousands of lines of spreadsheet data. However, for global investing, I have materially reduced my reliance on spreadsheets as the answer to buying good quality companies. I like the saying that “If all the answers to investing could be found on a spreadsheet, all the world’s Excel junkies would be the richest people on earth.” I am unsure who to credit this saying with, as many seem to have used it in some way.

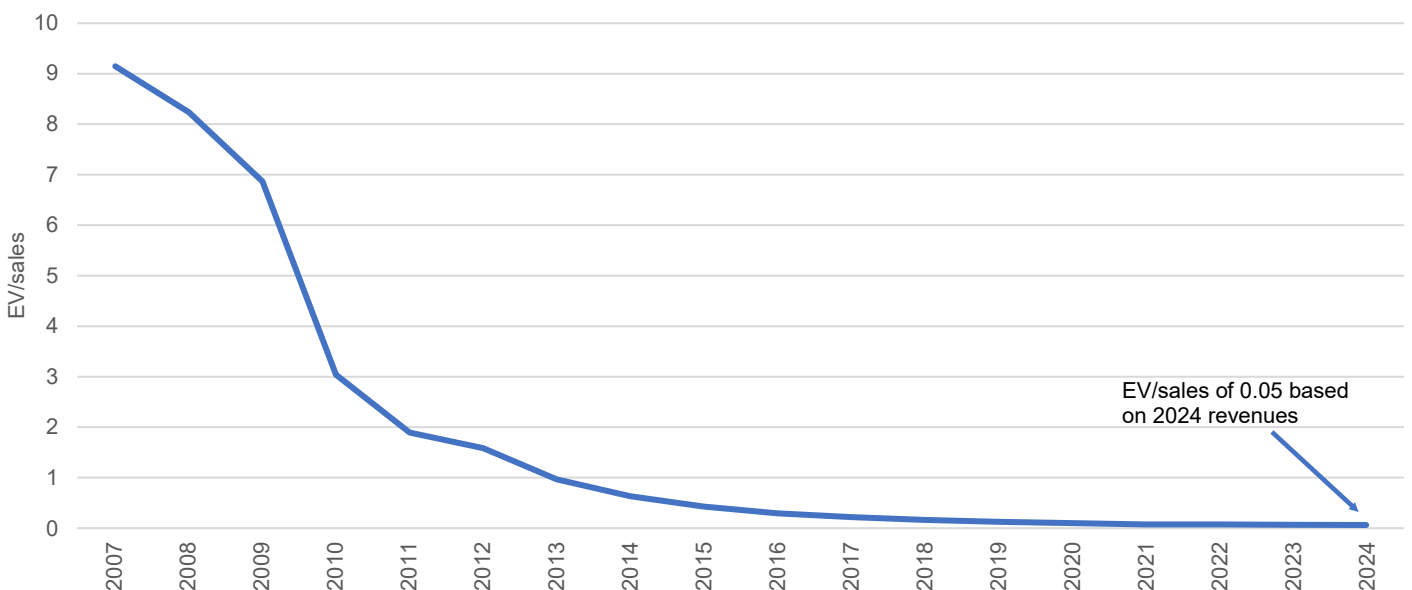
Alphabet bought YouTube for US\$1.65bn in 2006, all funded by stock. This is an excellent example of a global asset that appeared optically expensive but was incredibly cheap with the benefit of hindsight. The purchase price looked like a bubble valuation at the time on an EV/sales multiple of 9.2x, and YouTube was loss-making.

*...the fact that Alphabet has made over 250 acquisitions over the years...*

However, in 2024, the EV/sales multiple was 0.05x based on the original 2006 purchase price. Alphabet was heavily criticised for buying a “loss-making start-up”. One press article questioned whether Google “swallowed a poison pill they will soon regret”. We should balance this with the fact that Alphabet has made over 250 acquisitions over the years, many of which have failed either partially or entirely. So, it does not always end as well as the YouTube acquisition.

Figure 4: Alphabet’s purchase of YouTube - Alphabet EV/sales multiple paid for YouTube in 2006 (US\$1.65bn in stock)

Source: Anchor, Company reports



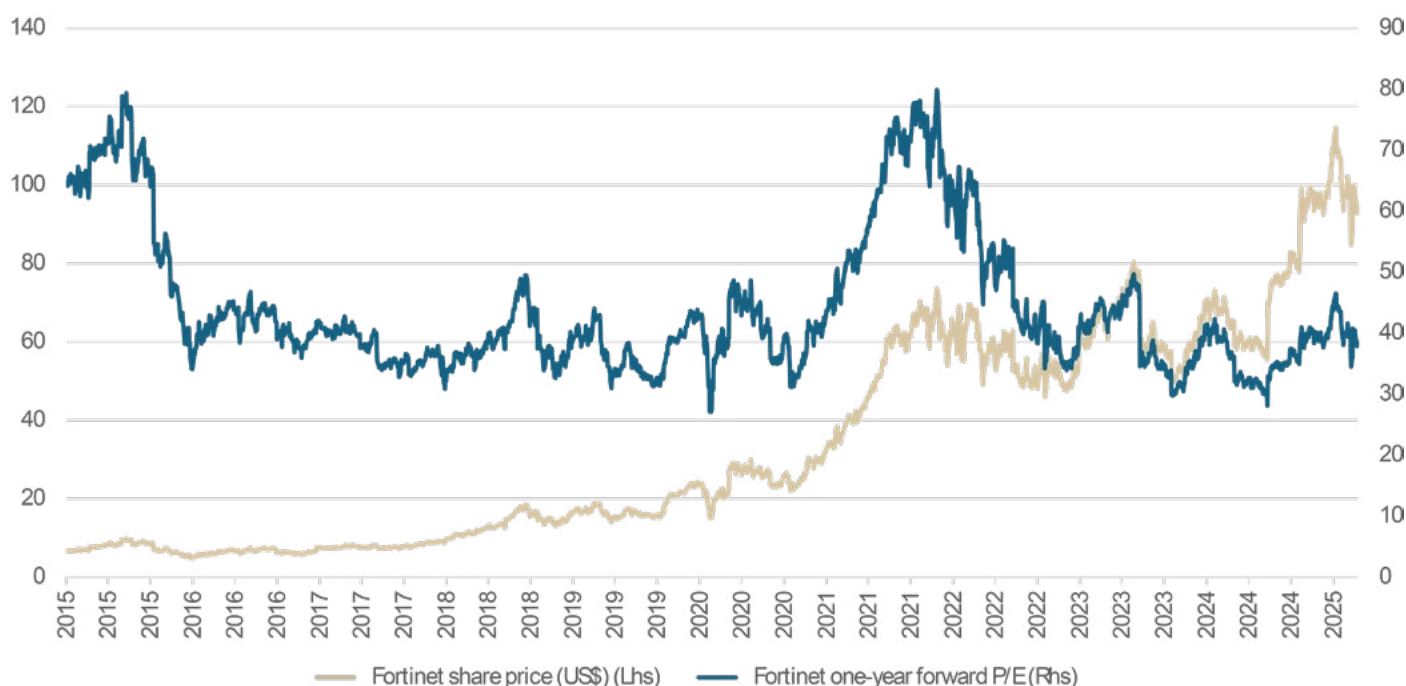
There are so many examples I could give in the US of companies that appeared optically expensive (high, one-year forward P/E multiples) for years but still ended up delivering market-beating returns. One such example is Fortinet. I have followed this stock for years. It is one of the world's leading cybersecurity companies. It is still run by the founders from about 20 years ago. No single cybersecurity company is the best at everything, and it is a very fragmented industry. However, Fortinet has had a material focus on shareholder returns with high free cash flow (FCF)

margins, internal innovation, low stock-based compensation and judiciously timed share buybacks.

Throughout its listed history, Fortinet has virtually never traded below a one-year forward P/E multiple less than 30x. It has twice touched an 80x forward P/E. Yet the share price has grown about twenty-fold, with 2015 as the starting point in *Figure 5* below. A rigid view that any share trading over a 20x P/E is expensive would have kept one out of this fantastic share entirely.

**Figure 5: Fortinet - cheap or expensive?**

Source: Anchor, Bloomberg

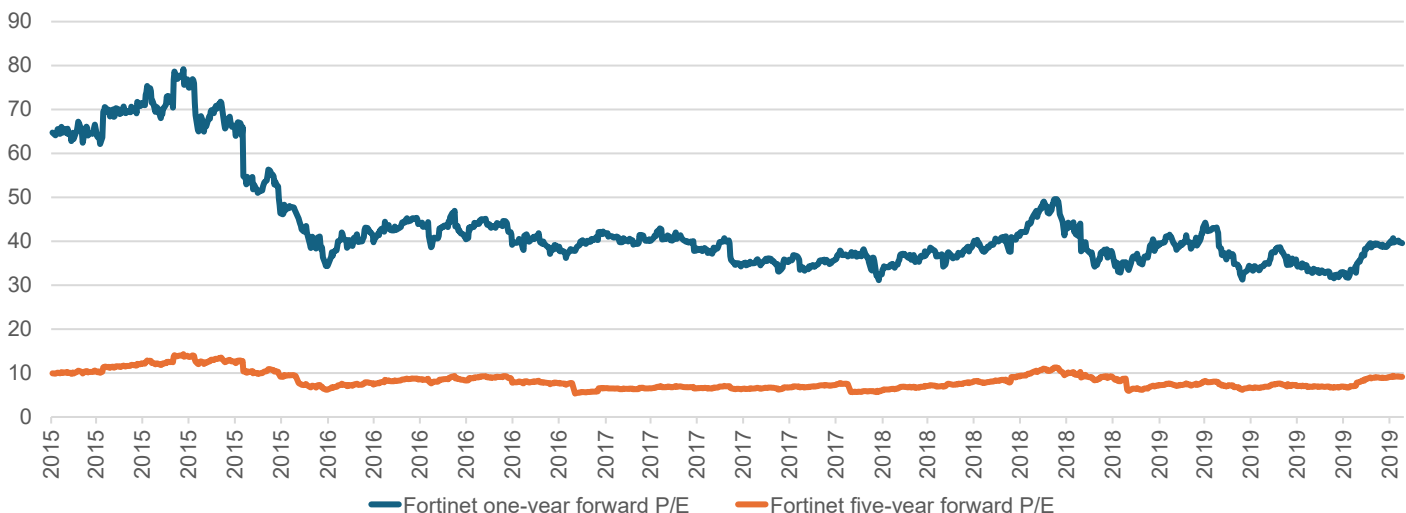


I have tracked Fortinet's share price in *Figure 6* over its five-year forward earnings. This type of exercise can only be done with the benefit of hindsight. This demonstrates that Fortinet has mostly traded on a single-digit forward P/E based on five-year forward

earnings. This is not easy to do looking forward. However, it indicates that US fund managers have a good feeling for valuing these longer-dated, high-growth businesses. I believe it pays to keep an open mind when valuing these types of companies.

**Figure 6: Fortinet - five-year forward P/E multiple**

Source: Anchor, Bloomberg



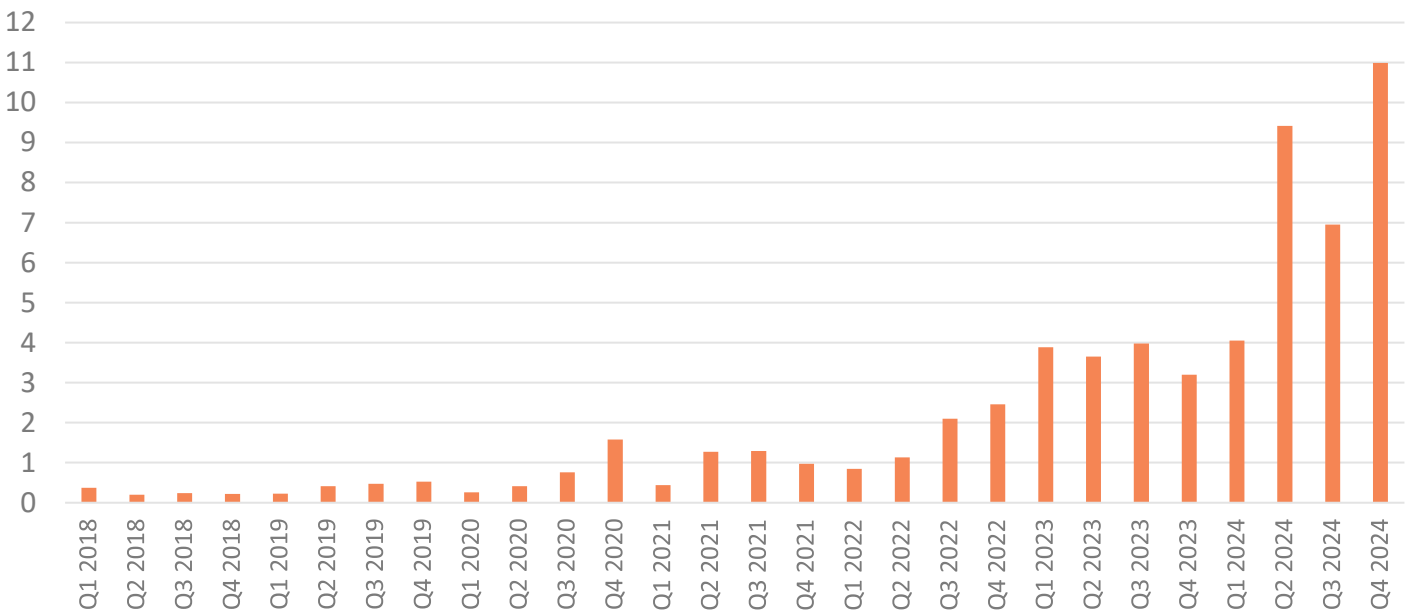
Another factor that sometimes results in higher valuations, especially for US stocks, is the optionality they offer investors. Optionality does not refer to a restaurant chain being able to open more stores over time. Instead, it refers to the ability of a business to add completely new revenue lines as a function of its current business and installed customer base. This is hard to value as it carries a higher level of uncertainty. However, it can be

a robust revenue and earnings driver over time.

An example of this is Tesla’s energy storage business. This division is too small to be the make or the break of the Tesla investment case. However, in two-and-a-half years, this business has grown tenfold. During this time, the market focused far more on its mainstream electric vehicle (EV) business.

Figure 7: Tesla energy storage deployments (GWh)

Source: Tesla



One of the other lessons I have learnt in global markets is that you bet against the top dog in an industry at your peril. It is tempting to find the number 6 market share player on a low P/E and think it looks attractive. The highest market share player on a high P/E multiple is often the better investment over time. Remember, the biggest player also has the biggest marketing budget, research and development (R&D) team, deepest government relations, etc. The one time this view might not be valid is when a disrupter enters the market.

globally. Even an investment team of several members cannot be on top of all market sectors. For now, many seasoned global fund managers are putting the red-hot AI theme into the “too-hard” camp. Besides the obvious winner of chipmaker Nvidia and the data centres (Amazon, Microsoft and Alphabet), it is difficult to say with certainty who the winners will be. In many respects, it is easier to predict the losers.

Another thing I have learned, especially with US tech, is never to underestimate the impact of a powerful marketing team. I used to think that the best tech sold itself and that marketing only needed to be acceptable. However, a powerful marketing team can outsell a competitor’s better-quality tech if that competitor is not at the top of its marketing game.

The fear of missing out (FOMO) can be overwhelming in global markets relative to the SA market. In SA, it feels like everyone owns the same shares. Even if you miss out on one, chances are it was always staring at you in plain view. Globally, it often feels like you are missing out on all the hot ideas. Resist the temptation to start throwing darts at every hot idea your friends all seem to own.

*... never to underestimate the impact of a powerful marketing team ...*

Global markets, especially the US, are more susceptible to bubbles than we are used to in SA. Bubbles in individual stocks. Bubbles in sub-sectors and bubbles in overall sectors. You want to avoid those at all costs. It feels like the last time we had a clear bubble in the domestic equity market was around the time of the global tech bubble in 1999-2000.

With global investing, having a large “too-hard” camp is crucially important. There are potentially as many as 50,000 shares listed





If many/most US-based investors lack an information edge despite living in the US, what edge could we have living outside that region? The expression “you don’t know what you don’t know” is especially true for investors venturing outside their home market for the first time. The one critical edge you can have, no matter where you live, is investing temperament. Taking a patient and long-term view of the quality stocks in your global portfolio can more than offset any short-term information edge you might lack.

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*Global markets, especially the US, are more susceptible to bubbles than we are used to in SA.*

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In my view, no one can reliably predict market crashes. The whole reason a market crashes suddenly is that something

happens that absolutely no one expected. However, there is no doubt that US markets and many high-quality global companies, in general, are expensive by their historical standards. We can say with reasonable conviction that the returns for US stocks over the next 15 years will likely lag the outstanding returns we have enjoyed over the past 15 years. Finally, global investing is not necessarily about achieving higher returns. It is more about geographic diversification and access to an enormous pool of investment opportunities across diverse industries. Along the way, it can also be a lot of fun!



# The mother's milk of stock picking: Timeless lessons for tariff-ied investors



WRITTEN BY:  
**Nick Dennis**  
Fund Management

Nick has managed the Anchor Global Equity Fund since March 2015. Before joining Anchor, Nick was a senior investment manager in the Emerging Market Equities team at Pictet Asset Management in London. Nick is a CA (SA) and CFA Charterholder.

Investors are anxious. In fact, they are as bearish today as they were at the depths of previous bear markets. Economic and political uncertainty have soared as the Trump administration launched the initial phase of its policy agenda, with a particular emphasis on tariffs. As market participants shift into survival mode, their time horizons shrink, and they tend to lose sight of what counts over the long term. But let us zoom out. What really matters for equity returns? Is it politics? Trade policy? Or

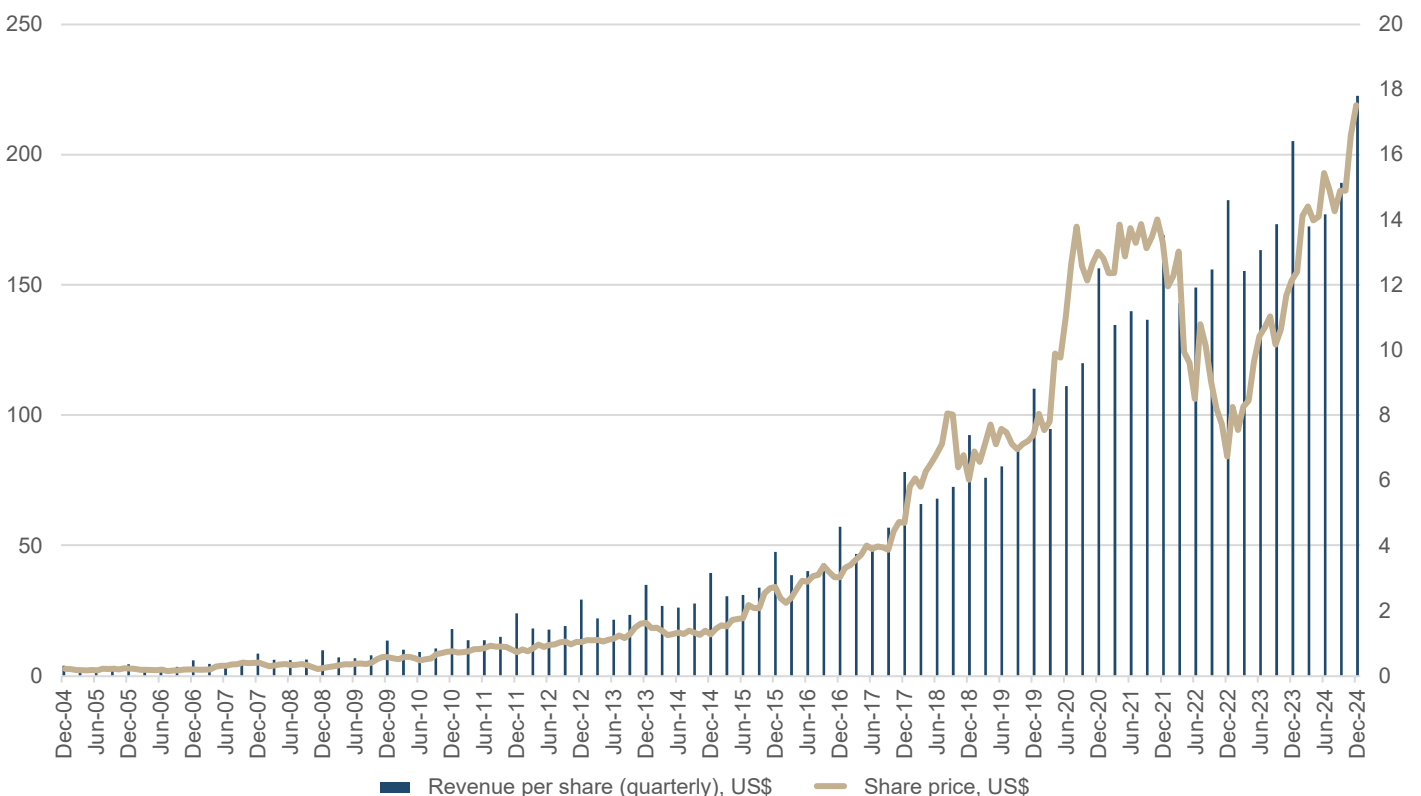
something deeper and more fundamental?

## The Magic of Growth

The 20-year charts of three long-term winners – Amazon, MercadoLibre, and Tencent – provide us with a clue. Note how the gold line (share price) tends to follow the growth of the underlying business, as measured by revenue per share (dark blue bars), over the long term.

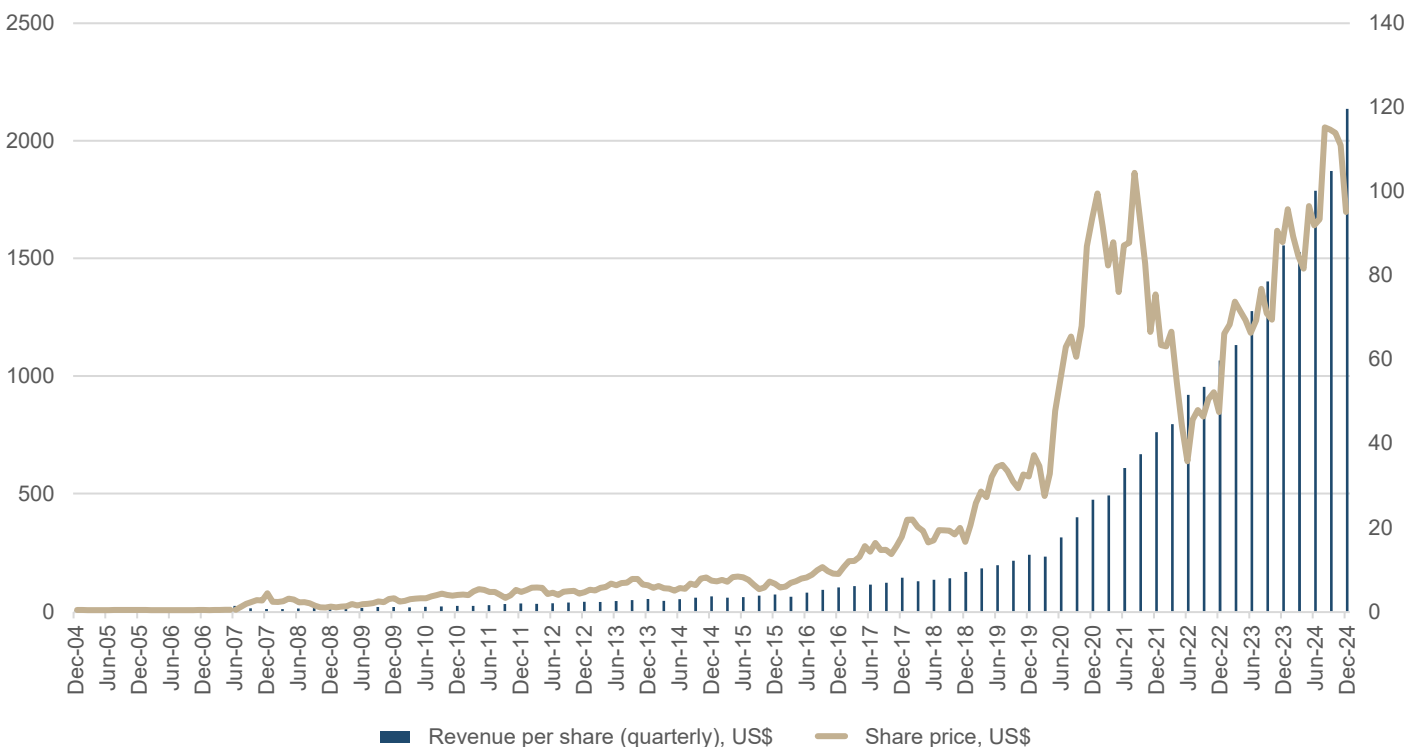
Figure 1: Amazon share price (LHS) and quarterly revenue per share (RHS)

Source: Anchor, Bloomberg



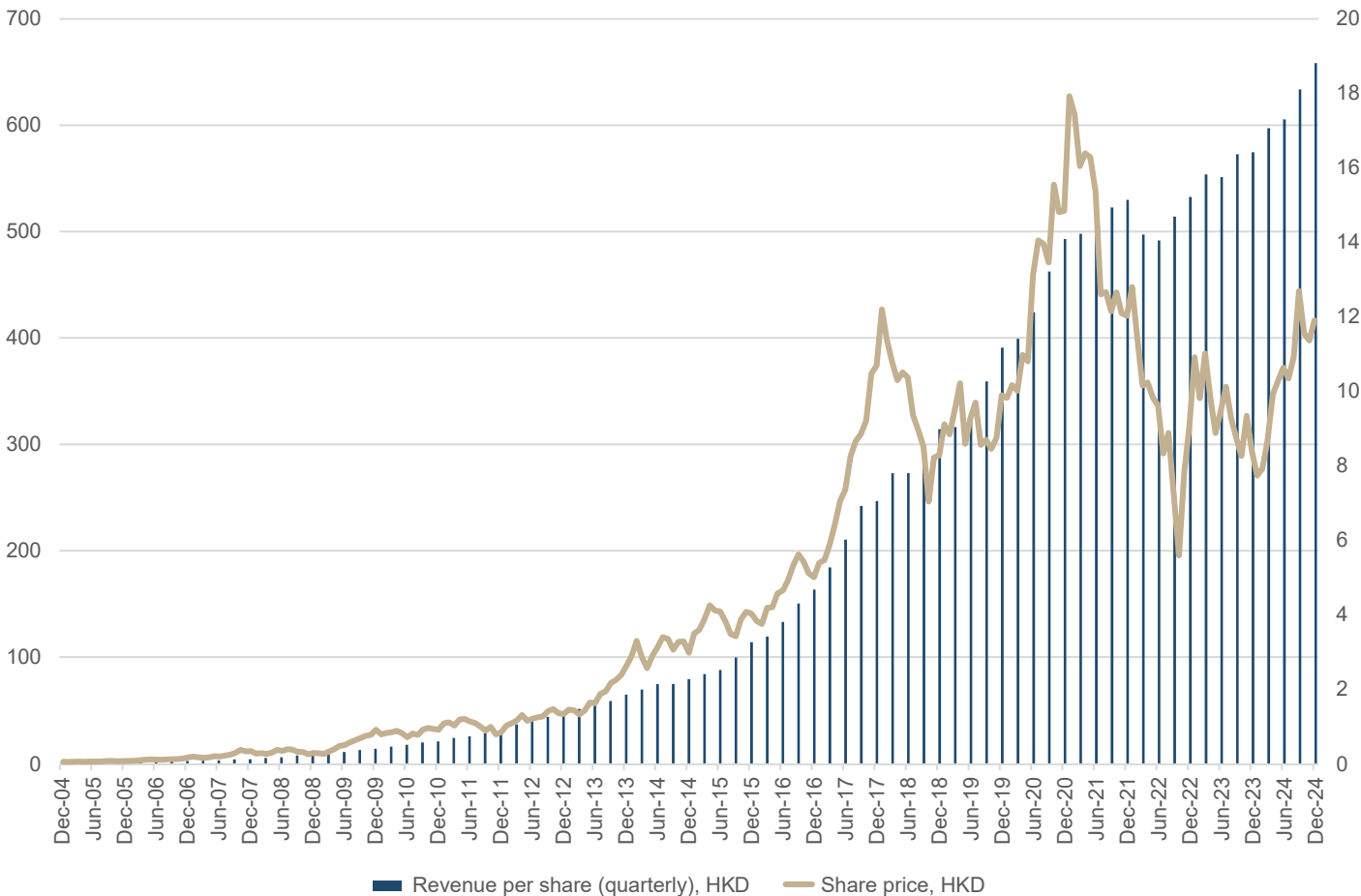
**Figure 2: MercadoLibre share price (LHS) and quarterly revenue per share (RHS)**

Source: Anchor, Bloomberg



**Figure 3: Tencent share price (LHS) and quarterly revenue per share (RHS)**

Source: Anchor, Bloomberg



*Ultimately, growth in company fundamentals matters over the long term ...*

Retired hedge fund manager and television host Jim Cramer captured it best in his book *Jim Cramer’s Real Money: Sane Investing in an Insane World*:

*“Growth is the focus, the be-all, the end-all of investing, the mother’s milk. Nothing trumps growth.”*

Ultimately, growth in company fundamentals – revenue, earnings and free cash flow (on a per-share basis, we might add) – matters over the long term.

**Four timeless lessons from market champions**

- **Stock prices and fundamentals can disconnect – use it to your advantage**  
Share prices and underlying fundamentals can deviate for extended periods. Occasionally, to an extreme degree. The longer one’s investment horizon, the better served one is to anchor on company fundamentals rather than share prices. Better yet, investors can use these dislocations to increase their holdings in great growth companies.
- **Winning companies can thrive despite a tough macro backdrop**  
MercadoLibre, described as the Amazon.com of Latin America, has operated in a challenging macroeconomic environment for most of its life as a listed company. While the broader economy influences company fundamentals, it is not the only factor, or even the dominant factor, for companies in the earlier stages of their growth curve.
- **Policy shocks hurt, but great companies prevail**  
None of this is to say that adverse policies cannot hurt great companies. China’s clamp-down on its gaming industry was undoubtedly disruptive to Tencent in 2021 and 2022. Even so, the impact was modest, as Tencent subsequently recovered and continues to grow at a healthy

pace.

- **Growth is a winding road, but time is the ultimate ally**  
Growth shares inevitably take two steps forward and one step back. Or sometimes three steps back. The process is never linear. Like an acorn growing into an oak tree, it is only over the slow, painstaking passage of time that compounding makes a meaningful difference in a portfolio.

**2024: The power of growth in action**

In 2024, we saw the primacy of growth play out within the Anchor Global Equity Fund, which rose by over 27% for the year. Nvidia was a key performance contributor with its remarkable 171% share price surge in 2024, primarily driven by its AI-related Data Centre revenues, which grew 142% YoY. Elsewhere in the fund, Southeast Asian e-commerce, fintech and gaming powerhouse Sea Limited was a strong contributor, as its share price rose 162% for the year. Sea’s revenues grew a robust 28% YoY, while net profit grew an astonishing 175% YoY.

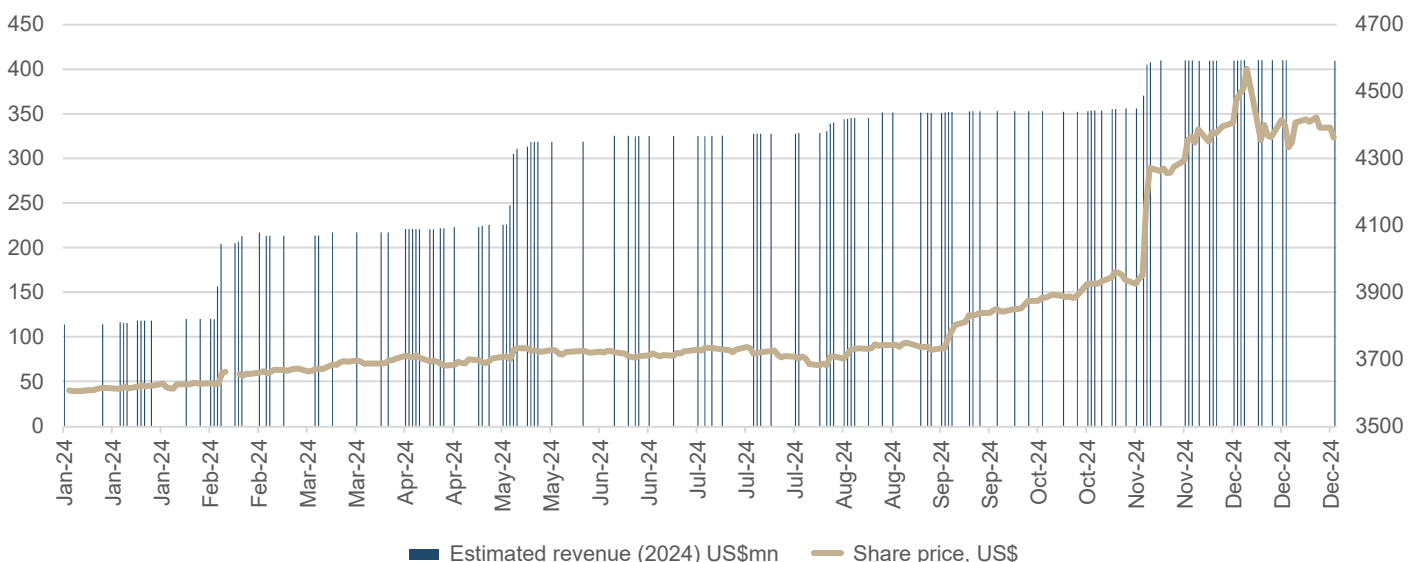
While high absolute growth rates are typically a tailwind for stocks, what is even more important is growth that exceeds investors’ expectations. Jim Cramer describes this concept:

*“If you understand that seeking growth, or more important, seeking changes in the growth rate that may be unexpected by others, is the most important factor to focus on as an investor, you will catch all the major spurts in stocks that can be had. That is because stocks move in relation to changes in growth of earnings at the underlying company.”*

The little-known advertising company AppLovin best illustrated this dynamic in the Anchor Global Equity Fund in 2024. AppLovin rose over 436% between our first purchase in February and year-end. At the start of 2024, sell-side analysts expected AppLovin to generate US\$3.8bn in revenue in 2024; by the end of the year, that estimate had climbed to almost US\$4.6bn, a rise of 21%. As margins improved, earnings per share (EPS) estimates increased almost 160% over the year. AppLovin enjoyed a further tailwind as the stock’s P/E multiple more than doubled from 25.4x to 56x.

**Figure 4: AppLovin share price (LHS) and 2024 consensus revenue estimate (RHS)**

Source: Anchor, Bloomberg



## Calm in the storm: From acorns to oak trees

Investors are fixated on Trump's trade and fiscal policies and their implications for GDP growth and corporate earnings. Growth shares have fallen sharply as investors' time horizons have shrunk in the face of unbearable uncertainty.

In this context, we advocate the following approach and mindset:

- **Think long-term and exploit deviations**  
When the market is laser-focused on the present, it pays to think longer term. When share prices and fundamentals disconnect, we look for opportunities to buy companies with the potential to deliver sustainably sturdy growth in revenue and EPS.
- **Stay rational – leave your politics at home!**  
Politics and investing do not mix well. Investors who are easily triggered by politicians or parties – either positively or negatively – are at a significant disadvantage vs those who can remain dispassionate. In the age of social media,

fear and loathing transmit faster and with more intensity than ever. With an explosive cocktail of options and triple-leveraged exchange-traded funds (ETFs), investment views can be expressed instantaneously and aggressively. This potent combination of factors leads to violent but exploitable opportunities in markets.

Nvidia, AppLovin, Amazon, MercadoLibre, Tencent—these companies embody the power of long-term, compounding growth. Some are overnight sensations, while others take years to mature, but all reward patient investors handsomely.

*Nvidia, AppLovin, Amazon, MercadoLibre, Tencent embody the power of long-term, compounding growth*

Forget the fear. Tune out the noise. Let your acorns grow into oak trees.



# Shifting tides: The splintering US-SA relationship



WRITTEN BY:  
**Casey Sprake**  
Economist

*Casey holds an MCom in Economics and joined Anchor in 2019. She brings her passion for economics to the fixed-income space, particularly global and African country analysis.*

The mid-March expulsion of SA's ambassador to the US, Ebrahim Rasool, marks a new flashpoint in the already complicated and often contentious relationship between Washington and Pretoria. Rasool's recent public remarks criticising the Trump administration ignited this diplomatic fallout, highlighting the fragility of the already strained US-SA ties. Historically, the relationship between the two nations has been shaped by fundamental policy disagreements, often rooted in more profound ideological and geopolitical divergences. While cooperation has persisted (particularly in trade, investment, and development assistance), these tensions have repeatedly placed the two countries on opposite sides of key global issues.

*Historically, the relationship between the two nations has been shaped by fundamental policy disagreements ...*

With the growing diplomatic strain and potential economic repercussions, the critical question is whether this episode will cause a lasting rupture or serve as a catalyst for recalibrating their strategic engagement. At the core of this relationship are three key channels linking SA to the US: trade, foreign direct investment (FDI) and portfolio flows, and US foreign aid. Understanding these economic ties is essential to assessing the broader implications of the current standoff.

*Trade is a critical pillar of SA's relationship with the US ...*

## Channel 1: Trade at a crossroads – assessing SA's economic exposure

Trade is a critical pillar of SA's relationship with the US, and while the US is a key export destination, SA's exposure is broadly in line with other BRICS economies. SA exports to the US account for 9% of total exports, a meaningful figure that mirrors Brazil and China's trade dynamics. India, in contrast, faces a higher degree of risk from potential tariff threats, while Russia, due to sanctions, has minimal trade engagement with the US. However,

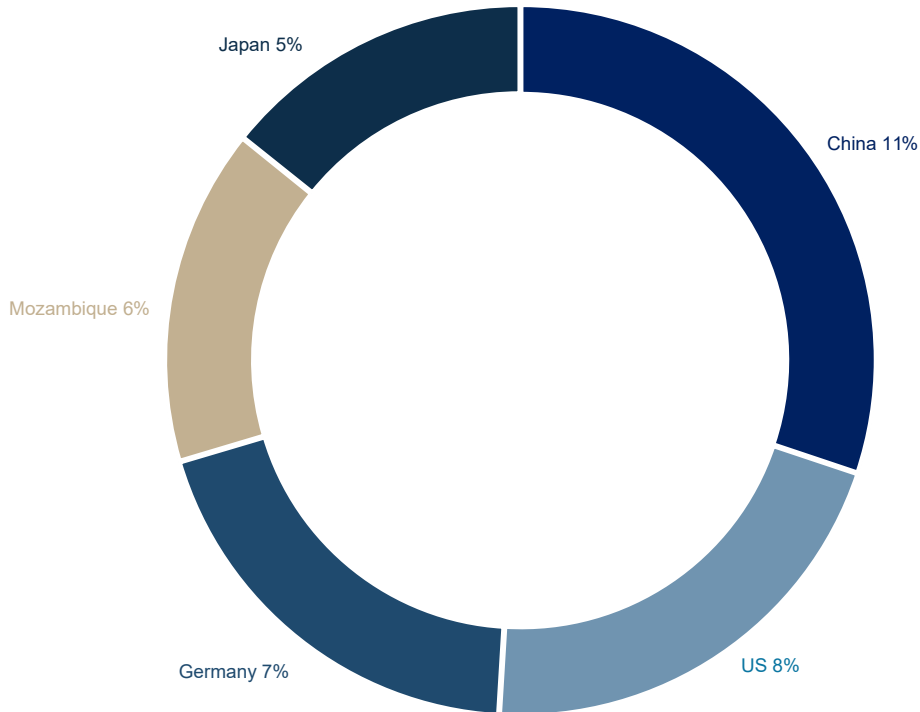
beyond the share of exports, the true measure of economic vulnerability lies in how dependent a country's overall economy is on trade with the US.

In this context, the percentage of a nation's GDP tied to US exports is crucial in assessing potential economic shocks. For example, Mexico's exports to the US represent a staggering 26% of its GDP, making it highly exposed to any trade disruptions. In contrast, SA's exports to the US account for just 3.7% of its GDP, a level comparable to the EU. While this suggests that SA is more vulnerable than other BRICS members, its exposure remains moderate. Ultimately, unless trade with the US were to collapse entirely—a highly unlikely scenario—the economic impact on SA would be significant but not catastrophic.



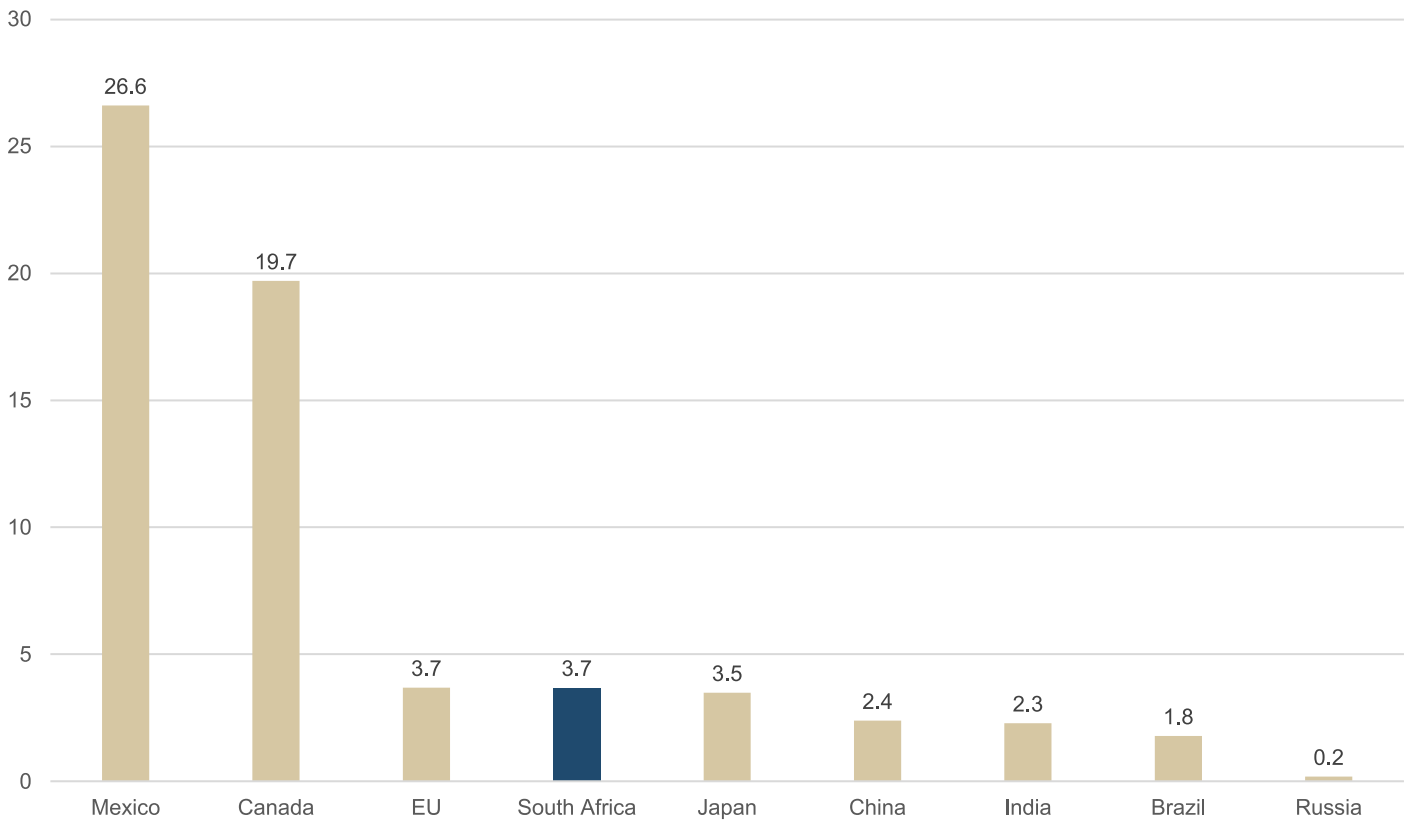
**Figure 1: 2023 % share in SA exports- top % trade partners**

Source: ITC Trade Map, Anchor



**Figure 2: Exports to the US by country as a % of the country's GDP**

Source: Nedbank, Anchor



A key factor in SA's trade relationship with the US is the African Growth and Opportunity Act (AGOA), a landmark piece of US legislation enacted in 2000 to enhance economic ties with Sub-Saharan Africa (SSA). AGOA grants eligible African nations preferential, duty-free access to the US market, supporting economic growth, job creation, and poverty reduction. While AGOA is a cornerstone of African trade policy, its overall significance to the US economy is relatively small.

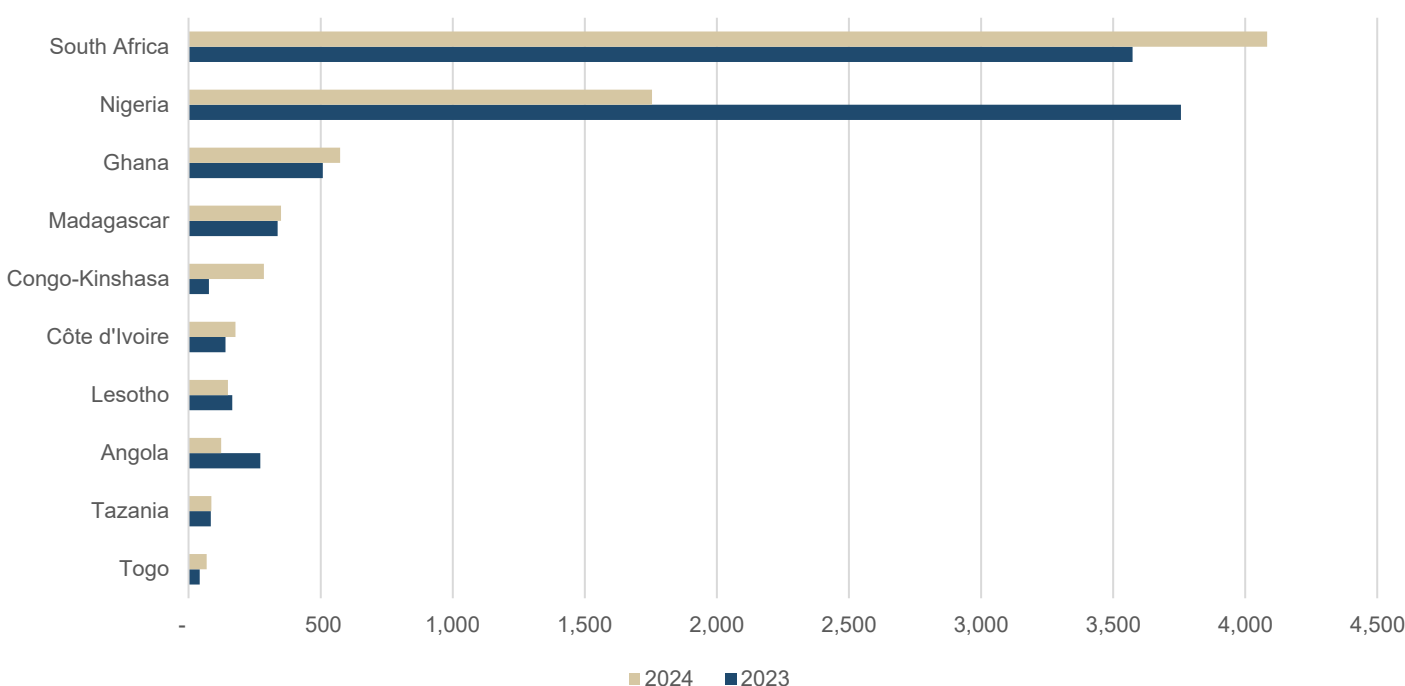
As of 2023, imports under AGOA accounted for just 0.3% of total US imports. Even if the US were to impose a 25% tariff on all

AGOA imports, the estimated revenue gain of US\$2.5bn would represent a mere 0.2% of total US government revenue.

For African nations, however, AGOA plays a much more critical role. On average, one-third of all exports from AGOA countries to the US are conducted under the agreement, and for SA, this share stands at 25%. In 2023, SA was the second-largest AGOA exporter behind Nigeria and the leading exporter of non-crude oil products. Its AGOA-eligible exports, valued at US\$3.6bn, span a diverse range of goods, including vehicles, yachts, precious jewellery, chemicals, and citrus fruit.

Figure 3: Leading exporters to the US under AGOA, 2023 vs 2024, US\$mn

Source: Tralac, Anchor



However, AGOA's true impact extends beyond GDP metrics; a significant contribution lies in employment. Studies by SA's Department of Public Works estimate that AGOA has created approximately 350,000 direct and 1.3mn indirect jobs across SSA. SA accounts for 62,395 of these jobs—equivalent to 0.4% of the country's employed population.

Trade tensions have escalated further beyond just SA's borders, following US President Donald Trump's announcement of sweeping new worldwide tariffs on goods imported into the US. As of 5 April, a universal 10% tariff was implemented, with a second, more severe round of reciprocal tariffs scheduled for 9 April. However, less than 24 hours later, these were paused for 90 days to allow for further negotiations. Simultaneously, the administration raised tariffs on Chinese goods to 125% in response to China's earlier move to impose 84% tariffs on US imports. While Trump maintained a broad 10% tariff on all US imports, the decision to pause the reciprocal tariffs reflected a degree of caution, likely aimed at avoiding a sharp blow to market sentiment. Although this reprieve may offer some

support to markets, the escalating tit-for-tat trade war—marked by the US increasing tariffs on Chinese goods to 125% and China retaliating with 84% tariffs—continues to pose a risk, keeping global markets on edge. Regardless of the schematics of when these tariffs will formally be enforced (and at what eventual level), some important points are worth considering.

Once implemented, some goods will be exempt, with these exclusions particularly relevant to SA as they include platinum group metals (PGMs) and gold. Autos, auto parts, aluminium, and steel will also be exempt from the reciprocal tariffs, though these remain under significant strain due to existing Section 232 duties of 25%. The White House has published an extensive exemption list, including semiconductors, pharmaceuticals, copper, lumber, and energy products. However, several of these items are subject to separate investigations, leaving room for future trade action. Notably, the new tariffs apply solely to goods and not services. These measures will be stacked on top of the US's most-favoured-nation (MFN) tariffs, which have already seen a 25% rise in duties on cars, steel, and aluminium.



*Some exclusions particularly relevant to SA include PGMs and gold ...*

Economically, tariffs tend to distort trade flows by pushing production away from the most efficient sources. In the current context, the immediate concerns centre on volatility, policy uncertainty, inflationary pressures and potential drag on GDP growth. While exporters, wholesalers, and retailers may absorb some of the increased costs—and export rerouting could soften inflationary effects—a notable rise in inflation is still expected. Higher prices will reduce real incomes and suppress consumer spending, potentially slowing the US economy. In the medium term, this could feed into wage inflation as workers seek to maintain their purchasing power.

*... the new trade regime poses significant challenges for SA ...*

For SA, the new trade regime poses significant challenges. Although the country exports a diverse range of products to the US, these are highly concentrated in a few sectors. According to US Census Bureau data, precious metals and stones accounted for 57% of SA's exports to the US in 2024. These have primarily entered duty-free under AGOA, and most will remain exempt—except diamonds and jewellery.

Exports of vehicles, aluminium, and steel will continue to be subject to 25% tariffs under Section 232. At the same time, pharmaceuticals and various other goods on the exemption list comprise a relatively small share of total exports. Nevertheless, assuming no change in trade patterns would likely overstate the effective tariff burden, as many SA exporters could find themselves priced out of the US market under the new rules.

The 30% US import tariff presents a significant obstacle to SA's trade balance and broader economic trajectory, with profound implications for key industries, the national budget, and fiscal planning.

**Channel 2: Investment and influence – the role of FDI**

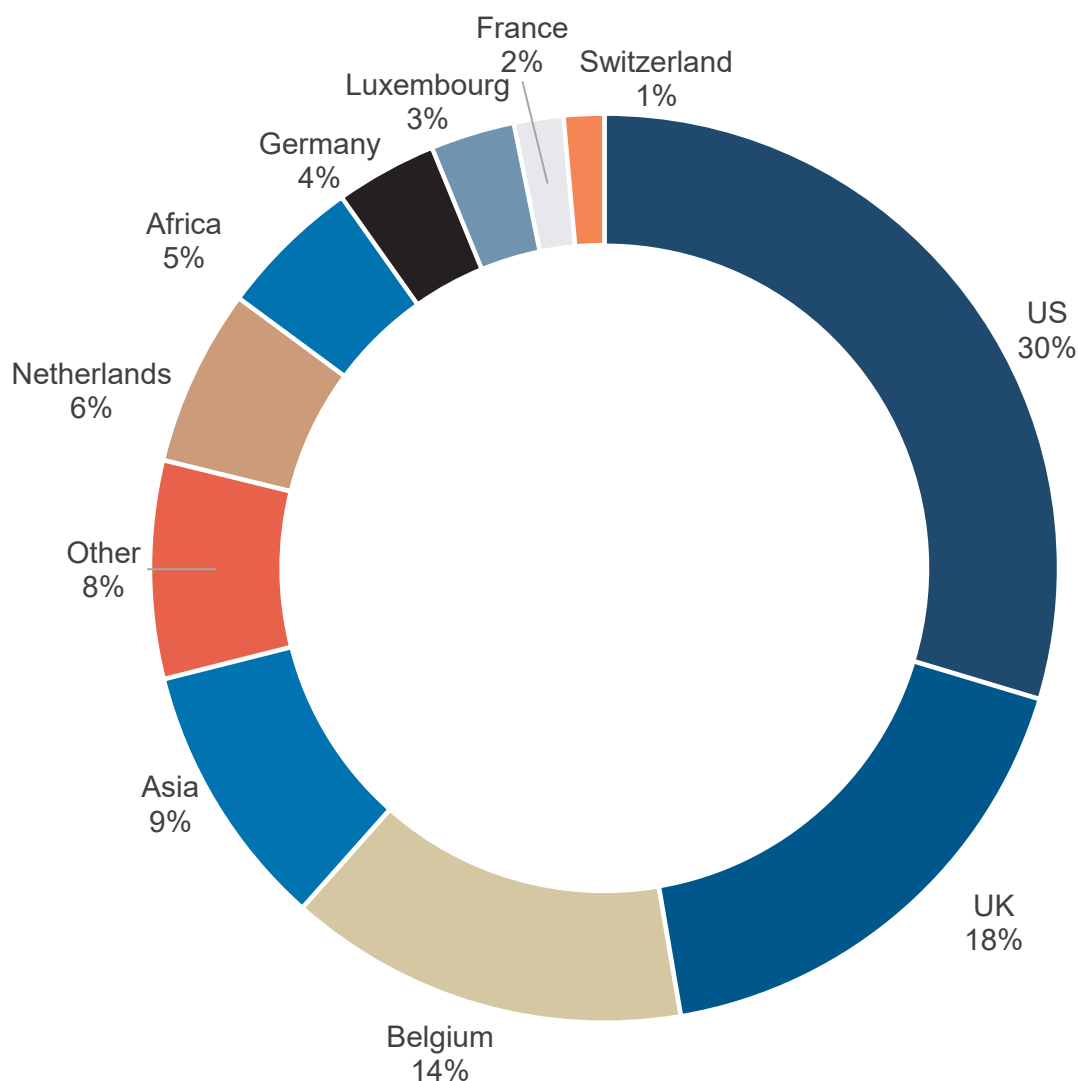
While trade tariffs currently appear to be the more favoured tool of the Trump administration to exert pressure on trading partners, the US role as a major investor in SA presents an even greater potential point of leverage. Beyond trade, US financial flows into SA are critical in shaping the country's economic stability, capital markets, and investor sentiment. An analysis of foreign investment patterns reveals that while SA's largest stock of FDI comes from the UK, the Netherlands, and Belgium (collectively surpassing R1.1trn in 2023), these figures are overshadowed by the scale of US portfolio investments. Total US portfolio holdings in domestic stocks, bonds, and funds reached R1.7trn, making the US the single largest investor in the country.

*The US role as a major investor in SA presents an even greater potential point of leverage ...*

When factoring in derivatives and other financial instruments, US investment in SA stood at nearly R2trn in 2023, equivalent to 29% of SA's GDP. This places the US ahead of all other countries, with the UK following in second place with R1.17trn in total investment. US direct investment in SA is concentrated in key sectors, including manufacturing, finance and insurance, and mining. Meanwhile, portfolio investments reflect US institutional and retail holdings in SA-listed equities and fixed-income instruments. This deep financial entanglement means that any deterioration in diplomatic relations—especially if accompanied by punitive trade measures—could have significant spillover effects on SA financial markets.



**Figure 4: SA total foreign investment stock by source**  
 Source: SARB. Anchor



**Channel 3: Aid and uncertainty**

According to data from the *Organization for Economic Co-operation and Development (OECD)*, SA received just over US\$1bn in total foreign aid and assistance in 2022, with nearly half of this funding coming from the US. The bulk of US aid was directed toward HIV/AIDS treatment through the President’s Emergency Plan for AIDS Relief (PEPFAR). Other major donors included France (US\$343mn), the Global Fund (US\$152mn), and the UK (US\$28mn). On his first day in office, Trump imposed a 90-day freeze on foreign development aid, which was later extended to include a complete suspension of US assistance to SA—including the US\$6.5bn p.a. allocated to PEPFAR. The abrupt halt in funding has already had a significant impact on SA’s healthcare system, particularly in the treatment of HIV/AIDS.

PEPFAR previously accounted for 17% of SA’s US\$400mn annual HIV budget and played a crucial role in providing life-saving antiretroviral (ARV) treatment to 5.5mn people. The sudden withdrawal of this support has severely strained health services, leaving many patients without access to essential medication.

Experts warn that the disruption in HIV treatment could have catastrophic long-term consequences, with some estimates suggesting that the aid freeze could result in over 500,000 deaths in SA over the next decade. Beyond the immediate health crisis, suspending US assistance could weaken SA’s broader public health infrastructure, increase pressure on domestic health budgets, and exacerbate socio-economic challenges. The loss of funding threatens not only individual lives but also the country’s progress in combatting the HIV/AIDS epidemic, potentially reversing years of gains in prevention and treatment efforts.

*The expulsion of Rasool marks a significant escalation in the increasingly strained US-SA relationship ...*

The expulsion of Rasool marks a significant escalation in the increasingly strained US-SA relationship, highlighting the tangible economic and institutional risks at stake. While dramatic rhetoric and confrontational policies have become hallmarks of the Trump administration, the decision to expel a diplomat remains serious, underscoring the depth of the current diplomatic rift.

This latest action must be seen in the broader context of sustained US pressure on SA since Trump's return to office—including allegations around land confiscation and support for Iran's nuclear programme, the withdrawal of US\$1bn in Just Energy Transition Plan (JETP) funding, and persistent social media attacks from senior US officials and influential voices such as Elon Musk.

The US's recent imposition of sweeping global tariffs has delivered a direct economic blow to SA. Recent IMF modelling suggests a 0.35 ppt hit to the country's GDP growth this year due to the new tariffs. As a result, Anchor's projected growth has been revised lower to just 1.3%—before accounting for any possible fallout from SA's increasingly fractious politics within the GNU. The 30% US import tariff now represents a major obstacle to SA's trade balance and economic trajectory, with exporters facing the risk of being priced out of the US market.

These developments underscore that Washington's threats are not merely symbolic but are already translating into significant economic consequences for SA. The immediate risks include rising inflation, reduced real incomes, and a potential slowdown in GDP growth, compounded by a highly concentrated export profile and an already strained fiscal environment.

With the increasingly fraught global trade environment and the possibility of targeted sanctions on SA entities or individuals looming, the stakes are higher than ever. The US remains a key trading partner, investor, and aid contributor. Any further deterioration in this relationship could reverberate through SA's financial markets, stifle economic growth, and disrupt critical public health programmes. As tensions deepen, SA must carefully navigate this challenging diplomatic landscape—balancing its strategic interests while working to mitigate the growing economic fallout.



# Behavioural finance: Unveiling the influence of psychology on investment decisions



WRITTEN BY:

**Leigh Crossman**  
Wealth Management

*Leigh completed a B.Com Honours degree in Finance through Wits and is a CFA charterholder. Since joining Anchor in 2015, Leigh has served the investment needs of high-net-worth clients as a wealth manager. She has a passion for exceptional client service.*

The past five years have been exceptionally volatile for global equity markets, with rationality and sensibility often tested. During times like these, behavioural finance, the intersection of psychology and finance, is crucial in offering a deeper understanding of the intricate relationship between human behaviour and financial markets. Fear and greed are two of the most powerful drivers of market performance in the investment world. Warren Buffett once said, “Be fearful when others are greedy and greedy when others are fearful”. While this makes perfect logical sense, it goes against the very essence of human behaviour, especially when faced with uncertainty and adversity, both of which can lead to volatile and often adverse market conditions. As investment professionals, understanding human behaviour in the context of stock markets is crucial to guiding our clients through their investment journey.

*The past five years have been exceptionally volatile for global equity markets, with rationality and sensibility often tested.*

In early 2020, the world was rocked by a black swan event – a rare, extremely negative occurrence that is impossible to predict. At the time, humanity was facing an existential crisis due to the unknown impact of COVID-19 and its uncertain duration. Unsurprisingly, global equity markets plummeted. By 20 March 2020, the S&P 500 Index had declined 28.5% for the year and 46.7% since 14 February 2020. It may sound rudimentary, but market direction is a result of the interaction between buyers and sellers. To put it bluntly, in early 2020, there were many more sellers than buyers.

*Behavioural finance, the intersection of psychology and finance, is crucial in offering a deeper understanding of the intricate relationship between human behaviour and financial markets ...*

Herd mentality is when investors follow the crowd rather than make independent decisions. In times of adversity, moving with the herd is much easier psychologically. It is human to want to sell to curb further losses in your investment portfolios. This is because it is impossible to determine where the bottom of any market correction might be amid the noise and volatility. With the benefit of hindsight bias, this action would have had dire consequences because what followed was one of the sharpest market recoveries in history. By the end of 2020, the S&P 500 had gained 16.5%, primarily due to the significant quantitative easing (QE) that the US Fed, along with other central banks, had injected to stimulate the US economy.

Even though COVID-19 remained a constant factor over the next few years, consumer confidence and spending were high, and economic and corporate growth was robust, resulting in strong performances from US equity markets. Unfortunately, another result of the increased stimulus and spending was that inflation rose throughout 2021. Towards 2H21, global economists and commentators were at pains to convince themselves (and us) that inflation would prove transitory and interest rates would remain at their lowest levels since the aftermath of the 2008 global financial crisis. This highlights confirmation bias—the tendency to seek information that supports one’s beliefs while ignoring contradictory evidence

In 2022, it became clear that inflation was not transitory and had reached persistently high levels, forcing central banks globally to raise interest rates at the fastest pace in history. For the second time in three years, market panic set in, but this time, it persisted for the rest of the year, and the contagion spread from equities to property, bonds, and even gold. By the end of 2022, history would show that it was the worst year on record for investors who followed a traditional balanced investment strategy (60% equities/40% bonds). After this, many investors would have avoided making any decisions that might have led to further losses, displaying what is known as regret aversion – where an individual decides to avoid the potential pain of regretting a choice, even if it means making a suboptimal decision.

Figure 1: S&P 500 returns - investors that exited the market vs those that remained invested during the COVID-19 pandemic

Source: Anchor, Bloomberg

	S&P 500 12M return (%)	Avg. return for those that exited the market (%)	Avg. return for those that remained invested (%)
4Q19	+28.9	-3.2	+28.9
March 2020	-19.6	-34.1	+15.8
2Q20	+36.3	-8.9	+36.3
2Q21	+56.8	+2.1	+55.8

Coming into 2023, investor sentiment was understandably very low, and consensus expectations amongst the biggest investment banks for equity market returns in the year ahead were equally bleak. As economies, corporates and individuals were forced to ingest the much higher interest rates, a global recession seemed like a fait accompli. Once again, the herd was positioned to reflect the very bearish outlook for the year ahead. Of course, and again with the benefit of hindsight, at the time of writing, the US economy has somewhat miraculously avoided a recession, thanks almost entirely to the average US consumers' willingness to spend their way through any economic slowdown (consumer spending accounts for c. 70% of the US economy). Market participants warmed to the idea that inflation and interest rates had peaked and would start to come down rapidly, once again boosting economic and corporate earnings growth. This, combined with the excitement around artificial intelligence (AI), led to back-to-back years where US equity markets produced returns exceeding 20%. Animal spirits were high, and this time around, there were more buyers than sellers in the market. Once again, this is an example of confirmation bias.

Overconfidence bias was evident in 2024 despite persistent US economic uncertainties, including elevated interest rates,

prolonged inflation, political tensions, and overvalued equity prices. By year-end, the US Consumer Confidence Index had peaked at a three-year high, reflecting investor overoptimism. As wealth managers, this reinforced the need for self-awareness and a disciplined approach to asset allocation, enabling our clients to maintain a long-term perspective and avoid irrational decision-making.

One of the most underestimated behavioural finance traits is loss aversion, which occurs when investors feel the pain of a loss more strongly than the pleasure of an equivalent gain. This has led many investors to conclude that the most effective way to avoid this feeling is by taking minimal risk when making investment decisions. The obvious pitfall of this strategy is that it will almost always lead to a suboptimal return outcome; taking an appropriate level of non-speculative risk will result in a higher return over the long term. Another aspect of loss aversion is our hesitance to sell an investment when it is in a loss position, even when the circumstances and fundamental reasons for holding the asset might have changed. Similarly, many investors suffer from anchoring bias, which fixates on past reference points rather than market fundamentals.





As investment professionals, we often face many of the same emotional biases discussed in this article when evaluating our investments. The benefit at Anchor is the collective calm of an investment team with a few hundred years of combined market experience. Nothing gives us greater joy than celebrating a strong year of market returns with our clients, but investment management and advice fees are earned in times of adversity. During these times, we draw even closer to our clients to guard against the potential emotional and psychological vagaries that take hold of us all and, if left unchecked, will lead to potentially detrimental investment decisions being made. It is of utmost importance for us to be reminded of the following:

1. Investors will face several meaningful market corrections during their lifetimes. Since our investments are comprised of quality, non-speculative assets, a recovery will follow each correction. In other words, regardless of the direction the herd moves in the short or medium term, any correction will present a good buying opportunity over the long term.
2. Harry Markowitz was quoted saying, "Diversification is the only free lunch in investing" Constructing a well-balanced portfolio of investments across different asset classes will reduce the volatility of returns in the long run. We are responsible for strategically allocating investments across various asset classes—equities, fixed income, real estate, cash, and alternative investments—to optimise returns while

managing risk.

3. *"The investor's chief problem—even his worst enemy—is likely to be himself."* Benjamin Graham. Asset allocation remains one of the most critical factors in long-term investment success. Emotional and cognitive biases significantly impact asset allocation, often leading investors to make suboptimal decisions. By understanding these biases, we help investors navigate market complexities and remain focused on their long-term financial success.

By recognising the impact of cognitive and emotional biases, investors can make more rational decisions, avoid common pitfalls, and stay committed to their long-term financial goals. As investment professionals, our role extends beyond managing assets; we act as behavioural coaches, helping clients navigate uncertainty, resist emotional reactions, and maintain disciplined investment strategies. Integrating these insights into portfolio management can enhance decision-making, optimise asset allocation, and ultimately drive better investment outcomes.

At Anchor, our company slogan is *'Navigating Change'*. Change can be exhilarating and terrifying, but it is unavoidable. Being on the wrong side of change could be disastrous for anyone's investment objectives. As the custodians of our clients' financial futures, we endeavour to embrace change with you and all the behavioural finance impacts that this change may bring.

# Estates: Are you prepared for a 'What If' event and what happens thereafter?



WRITTEN BY:

**Di Haiden**

CEO: Robert Cowen Investments

*Di has worked in the financial services industry since 1982. She has extensive knowledge and experience in estate planning, emigration and taxation and a deep understanding of the ever-changing SA regulatory landscape. Di joined Robert Cowen Investments (RCI) in 1990 and is currently the CEO of RCI, a subsidiary of Anchor.*

We recently had the privilege of listening to a powerful presentation by human potential expert, speaker and author Nikki Bush on 'Dancing with Disruption' in which she talks about winding up her husband's estate after he was murdered in an armed home invasion and the impact that this shocking event had on her life. She refers to this type of circumstance as a 'What If' event that transposes you into a space which is entirely foreign and, as she says, 'disruptive'.

*A 'What If' event that transposes you into a space which is entirely foreign and 'disruptive' ...*

During her talk, it became very apparent how overwhelming the experience of a loved one dying is and how important it is to have the right support in place to cope with the process that unfolds after the death of a person one is so intricately involved with. At that moment and for many months, the focus of the bereaved is on the loss, the emotion and the grief – it is destabilising and distracting. Whether it is expected or a sudden tragic event as with Nikki, one's resources are taken up in coping with all that that entails. There is little space left for paying attention to the complicated process that unfolds with winding up the estate of the deceased.

After the first couple of weeks with the burial ritual for the deceased over, life carries on, and no matter the emotions, the lengthy estate winding up process starts, and as Nikki rightly points out - **SO IT BEGINS** .....

## BEFORE 'WHAT IF'

Before moving on to what happens after death, it is important to note that being prepared and organised BEFORE this 'What If' event makes the administration less onerous. To have a 'Life File' which includes all your important documents such as your will, insurance policies, property deeds, bank account information, and any other relevant financial or legal documents is really a prerequisite. It makes the task of winding up the deceased's affairs much more manageable and not as stressful for the bereaved. Having dealt with many deceased estates, we cannot stress enough how much this does assist with the process.

*... it is important to note that being prepared and organised BEFORE this 'What If' event makes the administration less onerous ...*

## AFTER 'WHAT IF'

### What does winding up an estate mean?

The estate winding-up process refers to the legal procedure followed to settle the affairs of a deceased person. This process ensures that all debts are paid, assets are distributed to rightful heirs, and compliance with relevant legal requirements is maintained. The process is governed primarily by the Administration of Estates Act, No. 66 of 1965, and is overseen by the Master of the High Court.

Here are a few guidelines to work with to assist in coping with these types of events and better understand the estate process after death as it unfolds.





**NOTHING** can happen without the death certificate and the original will of the deceased (if there is no original will, that is a topic for another day!).

#### Reporting the estate

The estate must be reported to the Master of the High Court within 14 days of the date of death. This is done by the executor/administrator or a close relative of the deceased.

#### Appointment of the executor

If a valid will exists, it usually names an executor. If no will is present, the Master appoints an executor in accordance with the law. The executor is responsible for managing the estate's affairs.

The Master of the High Court issues a **Letter of Executorship** for estates exceeding R250,000 in value or a **Letter of Authority** for smaller estates. Once the letter of executorship is issued, the estate is no longer frozen, and the process begins.

#### Appointment of administrator

Estates are cumbersome to administer and require expertise on the legalities of the process. Therefore, the executor (often a family member) appoints an administrator who is an expert and grants them power of attorney to do the winding up. When mentioning executor below, this would be substituted with administrator if one has been appointed.

#### Notification to creditors

The executor must publish a notice in the Government Gazette and a local newspaper, calling on creditors to submit claims against the estate within 30 days. This helps in identifying outstanding liabilities that must be settled before distributing assets.

*The executor must identify, collect, and secure all assets of the deceased ...*

#### Gathering and valuation of assets

The executor must identify, collect, and secure all assets of the deceased. This can include bank accounts, property and real estate, vehicles, investments and shares, personal belongings and business interests.

During this period, a vast amount of administration takes place on transferring debit orders, organising change of ownership of vehicles, opening an estate bank account, considering short term insurance requirements, property transfers or sales, i.e. anything and everything the deceased was involved in has to be dealt with.

#### Settling debts and taxes

Before any distributions to beneficiaries, the executor must

ensure that all debts and taxes are settled.

This includes settling funeral expenses, paying off outstanding liabilities such as personal loans and mortgages, ensuring all income tax and estate duty obligations are fulfilled, submitting a final tax return to the South African Revenue Service (SARS) and paying capital gains tax, if applicable.

Estate duty is payable on estates valued over R3.5mn at a rate of 20% on the excess up to R30mn and 25% for any amount exceeding R30mn.

#### Drafting the Liquidation and Distribution Account

The executor must prepare a Liquidation and Distribution (L&D) Account, which outlines the following:

- A breakdown of all assets and their values.
- All debts settled.
- The balance available for distribution to heirs.
- How the assets will be allocated.

This account is submitted to the Master of the High Court for approval. If accepted, a notice is published, allowing for a 21-day period where interested parties can inspect and raise objections.

#### Distribution of the estate

Once the L&D Account is approved and no objections are raised, the executor proceeds with the distribution of the estate according to the will. If no will exists, assets are distributed according to intestate succession laws.

#### Final closure of the estate

Once all assets have been distributed, the executor submits proof to the Master's office that the estate is fully wound up. The Master then issues a discharge certificate, formally closing the estate.

#### TIMELINE

This varies from estate to estate, but in SA, it can take anything from 2-5 years (OR less in some cases and MORE in others) but rather be prepared for the long haul!

*The estate administration process can be delayed due to missing or incomplete document ...*

The estate administration process can be delayed due to missing or incomplete documents, disputes among heirs or creditors, difficulty locating assets or beneficiaries, SARS clearance delays and delays at the Master's office.



## CHALLENGES FOR THOSE LEFT BEHIND

The biggest concern, in many cases, is access to cash and having liquidity that can fund living expenses while the estate is being wound up. There are ways to mitigate this effect, such as life policies OR transferring cash to heirs before death.

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*The biggest concern, in many cases, is access to cash and having liquidity that can fund living expenses while the estate is being wound up ...*

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Add to that the fact that there are expenses in estates to be paid, and very often, one lands up in a situation where there is not enough liquidity, i.e. cash to fund these. There are many assets which can be liquidated if necessary, and these would then be

used to pay said expenses. If there is a liquidity shortfall, the heirs may be called upon to fund the shortfall.

## Conclusion

The above is merely a synopsis, and there is so much more detail we can provide. It is a complicated and lengthy process, but one that has to be completed! Listening to Nikki and her experience, the more organised you are before death in organising your affairs, the easier it is for those left behind, and having professional guidance in winding up an estate is of great value. It is difficult to be the person recovering from the death of someone close to you and having to pay attention to all the administration involved in this process. Having support is vital, and if we can be of benefit in this regard, please contact us – we have over 30 years of experience being involved in the winding up of estates and are well aware of the many pitfalls which may arise.



# Performance Summary

	FUND PERFORMANCE									BENCHMARK PERFORMANCE								Performance vs Benchmark
	Start date	Annualised p.a.	Since inception	5 Year	3 Year	12-month	6-month	3-month	Mar-25	Annualised p.a.	Since inception	5 Year	3 Year	12-month	6-month	3-month	Mar-25	

**UNIT TRUSTS**

Anchor BCI Equity Fund	Apr-13	10.0%	213.4%	16.8%	10.4%	20.3%	5.8%	2.8%	0.3%	9.1%	183.6%	18.7%	8.2%	22.9%	3.6%	5.8%	3.6%	29.7%
Anchor BCI SA Equity	Aug-21	12.2%	50.0%	N/A	N/A	22.1%	0.6%	1.1%	1.2%	11.3%	47.8%	N/A	N/A	22.9%	3.6%	5.8%	3.6%	2.2%
Anchor BCI Flexible Income Fund	Jun-15	7.5%	103.2%	7.9%	8.5%	10.9%	3.6%	1.7%	0.5%	7.2%	97.8%	6.8%	8.2%	9.0%	4.3%	2.1%	0.7%	5.4%
Anchor BCI Managed Fund	Jan-15	6.8%	95.7%	14.3%	10.4%	14.1%	3.8%	-0.1%	-1.1%	7.1%	101.6%	13.4%	8.9%	12.4%	2.1%	0.7%	-0.2%	-5.9%
Anchor BCI Worldwide Flexible Fund	May-13	12.1%	290.5%	15.9%	21.1%	17.2%	11.8%	2.1%	-1.6%	8.9%	176.6%	8.8%	9.2%	7.2%	3.2%	2.2%	1.2%	113.9%
Anchor BCI Property Fund	Nov-15	-0.3%	-2.8%	13.1%	4.9%	11.0%	-4.1%	-5.2%	-3.9%	1.4%	13.5%	19.0%	11.7%	19.8%	-4.3%	-3.5%	-0.9%	-16.3%
Anchor BCI Global Equity Feeder	Nov-15	12.7%	209.1%	15.3%	10.7%	10.2%	10.5%	-7.8%	-7.2%	13.0%	216.2%	15.9%	15.3%	4.2%	4.2%	-4.1%	-5.5%	-7.2%
Anchor BCI Bond Fund	Feb-16	9.5%	129.4%	11.5%	9.7%	20.9%	0.7%	0.6%	0.2%	9.5%	129.7%	11.7%	9.8%	20.2%	1.1%	0.7%	0.2%	-0.3%
Anchor BCI Diversified Stable Fund	Feb-16	8.2%	106.1%	11.8%	10.3%	15.2%	2.5%	1.7%	0.4%	7.2%	89.6%	10.4%	8.8%	11.8%	2.7%	1.0%	0.0%	16.5%
Anchor BCI Diversified Moderate Fund	Feb-16	7.9%	101.1%	13.5%	10.5%	14.9%	2.4%	1.9%	0.4%	7.3%	90.5%	11.9%	8.7%	11.9%	2.4%	0.8%	-0.2%	10.5%
Anchor BCI Diversified Growth Fund	Feb-16	7.8%	98.6%	15.3%	11.1%	15.9%	2.4%	1.9%	0.4%	7.6%	95.1%	13.4%	8.9%	12.4%	2.1%	0.7%	-0.2%	3.5%
Anchor BCI Africa Flexible Income	Mar-16	6.8%	81.4%	8.5%	9.8%	1.3%	5.4%	-2.3%	-1.5%	8.7%	114.0%	8.2%	9.5%	10.4%	4.9%	2.4%	0.8%	-32.6%
Anchor BCI Global Technology Fund	Jun-19	10.6%	80.1%	8.9%	12.2%	6.8%	7.9%	-3.7%	-4.0%	23.4%	240.5%	21.8%	19.3%	0.8%	-1.7%	-13.9%	-9.8%	-160.4%
Anchor BCI Flexible Fund	Oct-24	N/A	0.5%	N/A	N/A	N/A	0.5%	0.2%	-2.2%	N/A	3.7%	N/A	N/A	N/A	3.7%	2.5%	1.3%	-3.2%
Anchor BCI Core Income Fund	Sept-20	7.7%	40.2%	N/A	8.8%	9.7%	0.0%	2.2%	0.7%	6.3%	32.2%	N/A	7.5%	8.4%	3.9%	1.9%	0.6%	8.0%
Anchor BCI Global Flexible Income Fund	Sept-20	4.2%	20.5%	N/A	11.1%	2.1%	7.2%	-1.1%	-0.1%	5.5%	27.5%	N/A	13.2%	2.5%	9.4%	-1.4%	-0.6%	-7.1%
Anchor BCI Worldwide Opportunities Fund	Feb-21	5.7%	25.9%	N/A	8.8%	7.3%	3.4%	-2.3%	-3.4%	5.4%	24.4%	N/A	5.2%	3.2%	1.3%	1.3%	0.9%	1.4%

**EQUITY NOTES & SEGREGATED MANDATES**

Anchor Equity	Jul-13	9.8%	200.4%	19.9%	10.3%	19.5%	0.3%	-1.4%	-1.0%	9.2%	181.6%	5.8%	8.2%	22.9%	3.6%	5.8%	3.6%	18.8%
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**HEDGE FUNDS**

Anchor Stable SNN RIHF	Jul-03	12.2%	1135.6%	14.9%	11.7%	14.0%	2.7%	1.1%	0.6%	7.2%	351.1%	6.2%	7.5%	8.4%	3.9%	1.9%	0.6%	784.4%
Anchor Accelerator	Feb-16	6.7%	81.4%	6.3%	1.4%	11.2%	-2.6%	-5.4%	-1.4%	8.3%	106.9%	6.2%	7.5%	8.4%	3.9%	1.9%	0.6%	-25.6%

**OFFSHORE**

High Street Equity - Dollars	Jun-12	10.2%	243.4%	11.8%	6.8%	9.7%	6.2%	3.5%	-4.5%	11.3%	293.9%	16.7%	8.1%	7.5%	-1.8%	-1.7%	-4.4%	-50.4%
High Street Equity - Rands	Jun-12	17.4%	676.4%	12.6%	15.5%	7.1%	13.9%	0.8%	-5.5%	18.6%	783.5%	17.4%	16.6%	4.6%	4.8%	-4.5%	-5.9%	-107.1%
Offshore Balanced - Dollars	Jun-12	7.9%	163.3%	8.0%	4.9%	8.6%	3.8%	3.2%	-3.6%	6.7%	128.3%	9.0%	4.0%	5.5%	-2.1%	0.0%	-2.4%	35.1%
Offshore Balanced - Rands	Jun-12	15.1%	498.6%	9.0%	14.2%	6.0%	11.3%	0.6%	-4.5%	13.7%	414.2%	9.8%	12.3%	4.3%	6.0%	-0.5%	-4.1%	84.4%
Global Dividend - Dollars	Jan-14	8.0%	137.3%	12.3%	6.0%	8.1%	1.1%	4.0%	-1.8%	10.1%	192.8%	16.7%	8.1%	7.5%	-1.8%	-1.7%	-4.4%	-55.6%
Global Dividend - Rands	Jan-14	13.0%	292.5%	13.0%	14.6%	5.5%	8.5%	1.3%	-2.7%	15.2%	383.5%	17.4%	16.6%	4.6%	4.8%	-4.5%	-5.9%	-91.0%
Anchor Global Stable Fund - Dollars	May-15	2.2%	24.4%	4.3%	4.2%	7.0%	1.1%	2.5%	-0.2%	3.5%	40.6%	4.3%	5.3%	4.2%	2.0%	1.0%	0.3%	-16.2%
Anchor Global Stable Fund - Rands	May-15	6.6%	88.0%	4.9%	12.4%	3.8%	7.8%	-0.4%	-1.8%	7.9%	112.1%	4.9%	13.5%	0.8%	8.2%	-1.8%	-1.6%	-24.2%
Anchor Global Equity - Dollars	May-15	11.1%	182.9%	17.5%	4.1%	13.7%	3.1%	-5.2%	-8.2%	8.6%	125.5%	15.2%	6.9%	7.2%	-2.3%	-1.3%	-4.0%	57.4%
Anchor Global Equity - Rands	May-15	15.9%	327.5%	18.3%	12.3%	10.3%	10.0%	-7.8%	-9.7%	13.3%	240.7%	15.9%	15.3%	4.2%	4.2%	-4.1%	-5.5%	86.7%

**RCI UNIT TRUSTS**

RCI BCI Flexible Growth Fund	Sept-16	9.1%	109.8%	10.3%	10.3%	0.2%	8.0%	-17.0%	-11.1%	9.7%	120.7%	9.8%	10.2%	8.2%	3.7%	2.5%	1.3%	-10.9%
RCI BCI Worldwide Flexible Fund	Dec-16	8.4%	95.3%	6.4%	10.2%	-0.6%	8.1%	-2.7%	-4.8%	8.7%	100.9%	8.8%	9.2%	7.2%	3.2%	2.2%	1.2%	-5.6%



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