THE NAVIGATOR

STRATEGY AND ASSET ALLOCATION REPORT

3RD QUARTER 2025

ANCHOR | NAVIGATING CHANGE

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Introduction

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In 2Q25, investors had every reason to reduce risk as tariff and Government of National Unity (GNU) fears gripped markets. Over the three months, we also saw a major escalation in the Middle East conflict. Against this backdrop, it was patient investors who waited this out that have emerged as winners, with financial markets reaching new highs. Perhaps this sums up our view that asset allocation is an imperfect science and that the secret to investing is time, patience and a strategic plan. Risk assets have been rewarding, and we are optimistic that healthy investment returns are still to be made.

You will see in this document that although volatility is likely to remain higher than in the past, we anticipate earnings growth to remain robust. We also expect the US interest rate cutting cycle to begin, quite potentially adding further support to investors' risk appetite.

We are proponents of alternative assets (including hedge funds, protected equity structured products, physical property, etc.) with better defensive characteristics during volatile periods. This is a new asset class for most South Africans, even though it commands a significant share of the investment wallet for family offices abroad. We expect most domestic investors to benefit by increasing their exposure to this asset class over time.

Anchor is a proponent of balanced portfolios and diversified risks.

Anchor is a proponent of balanced portfolios and diversified risks. We believe it is crucial for investors to have a long-term plan for what they seek to achieve with their investments. This strategic approach will likely see them move towards their eventual desired outcome. In our view, this is an excellent time to take a pro-risk stance in your portfolio. We advocate that a healthy portion of your investment portfolio should be offshore to leverage diverse opportunities and return profiles while mitigating SA-specific risk. We think the current rand vs US dollar exchange rate is at a reasonable level to externalise a portion of your portfolio.

Asset Allocation

The following table illustrates our house view on different asset classes. This view is based on our estimate of the risk and return properties of each asset class in question. As individual Anchor portfolios have specific strategies and distinct risk profiles, they may differ from the more generic house view illustrated here.

Asset class	Current stance			Expected returns (own currency) (%)
	Negative	Neutral	Positive	
DOMESTIC				
Equity				12
Bonds				10
Listed property				11
Cash				7.5
Alternatives*				10 to 15
Rand vs US dollar (rand stronger)				2
GLOBAL				
Equity				10
Government bonds				5
Corporate credit				6
Listed property				7
Cash				4
Alternatives*				8 to 12

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

Asset Allocation Summary

Recent weeks have been dominated by a softening of the initial tariff stance taken by the US and calming of geopolitical tensions that had been quite severe over the past quarter. Volatility is lower than a quarter ago (2Q25), but an uncertain world persists, and surprises will happen. Overall, investors who can look through this will most likely find that this is a good time to hold risk assets. You will see that we favour equities both domestically and abroad.

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 narrower range of potential outcomes than previously. All asset classes have attractive expected returns, reflecting the more positive outlook.

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

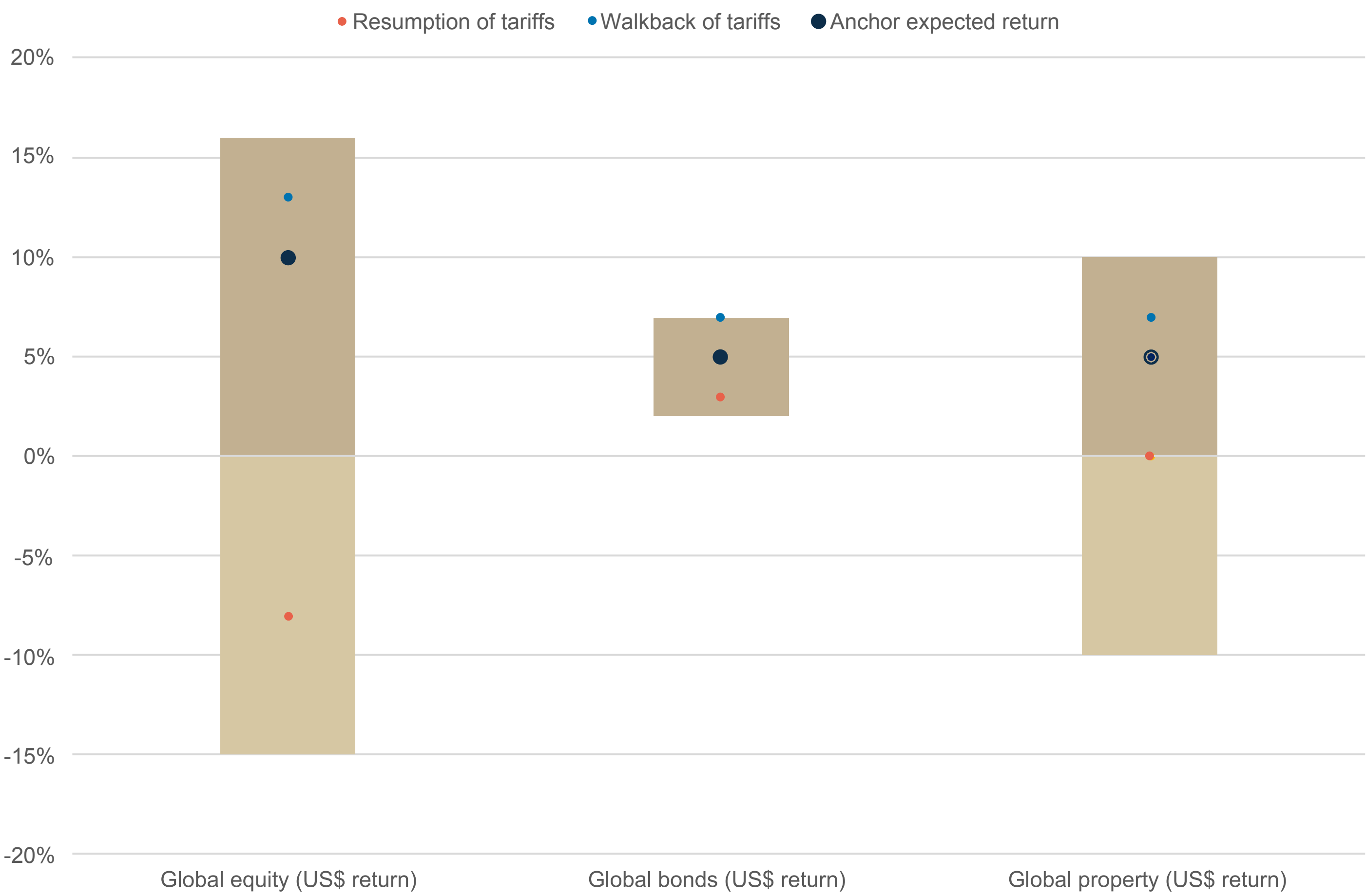


Figure 2: Anchor expected returns by offshore asset class
Source: Anchor

	Global equity	Global bonds	Global property
Anchor expected return (in US dollar)	10%	5%	7%

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 see some slight recovery in the rand from stressed levels as the US dollar weakens a little further. We are most positive on equities which show a decent prospect of continued gains.

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

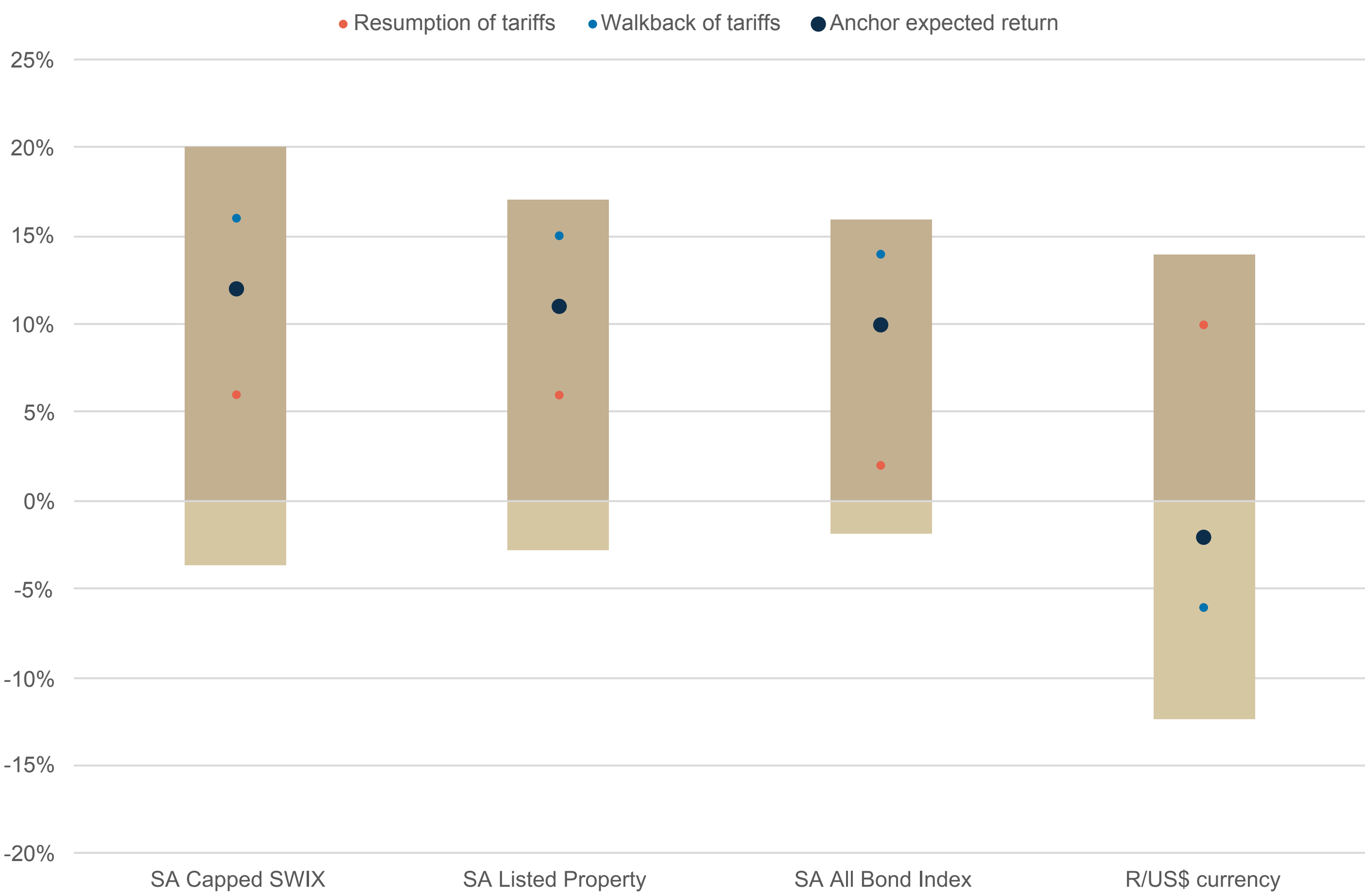


Figure 4: Anchor expected return for domestic asset classes
Source: Anchor

	Domestic equity	Domestic bonds	Domestic property	US$/rand
Anchor expected return (in rand)	12%	10%	11%	2.0%

Strategy and Asset Allocation, 3Q25

ECONOMICS

The return of US President Donald Trump to office has indeed brought about exactly what many had anticipated: a surge in policy uncertainty and renewed volatility across financial markets. This policy turbulence—especially surrounding aggressive tariff announcements—has already taken a visible toll on global sentiment. Business and consumer confidence indicators, particularly in the US and other advanced economies, have declined notably. The next test lies in whether this downturn in 'soft' data will be mirrored by 'hard' data like GDP, which could further confirm a broader economic slowdown.

Policy turbulence, especially around aggressive tariff announcements, has taken a visible toll on global sentiment ...

Global growth expectations have been revised downward accordingly. The world economy is now projected to expand at below 3% for 2025 and 2026. This is well below the 20-year average of 3.4%- a figure that already reflects the shocks of the 2008/2009 global financial crisis (GFC) and the 2020 COVID-19 pandemic. Inflation trends tell a more complex story. Globally, price pressures are expected to ease modestly due to cyclical factors. However, in the US, inflation is likely to spike in the short term as tariffs push firms to raise prices. The limited retaliation from major trade partners (mainly China and Canada) means inflation elsewhere may remain more subdued. Much now hinges on how trade, fiscal, and monetary policy evolve. The US's effective tariff rate has surged to around 18%, up from just over 2% before Trump first took office. Even if new trade agreements reduce this rate over time, it is unlikely to return to pre-2017 levels. A sustained tariff rate above 10% would still represent a significant drag on global growth, albeit not as severe as the "nightmare scenario" many feared when the latest tariffs were initially unveiled.

... in the US, inflation is likely to spike in the short term as tariffs push firms to raise prices ...

This challenging backdrop has left the US Federal Reserve (Fed) in an especially difficult position. Unlike most other central banks, the Fed faces the dual pressures of rising policy uncertainty and persistent concerns around inflation, all while being politically targeted by the Trump administration to cut rates. Other developed market (DM) central banks, in contrast, are operating with greater freedom. Outside the US (and aside from Japan), inflation outlooks have improved, allowing policymakers to cut rates without sparking sharp currency depreciation. As such, many emerging markets (EMs) have also benefitted from this dynamic, easing policy while their currencies remain relatively stable.

... the Fed faces dual pressures of rising policy uncertainty and persistent concerns around inflation ...

While attention remains on tariff policy, geopolitical risks have added another layer of complexity. A brief ceasefire in the Middle East has helped ease oil and gas prices, following a period of heightened tension involving Iran, Israel, and the US. Nonetheless, geopolitical flashpoints remain a wildcard for markets. Even so, investor sentiment has shown signs of recovery since the initial market selloff in April, dubbed "Liberation Day" after the Trump administration's aggressive tariff announcements. One explanation for this recovery is growing belief in what some have dubbed the 'TACO' (Trump Always Chickens Out) trade, referring to Trump's tendency to walk back extreme measures once market backlash intensifies. His partial reversal on 9 April reinforced that view, and markets are now pricing in the possibility that further tariff escalation may be limited by political self-interest. Meanwhile, the long-term fiscal outlook in the US is deteriorating. Trump's proposed tax bill is expected to add nearly US$2.5trn to US government debt over the next decade. However, as the bill shifts through the various levels of voting in both the Senate and House, at the time of writing, reports suggest growing resistance from both moderate and ultraconservative Republicans, casting uncertainty over its final passage. This only adds to the complex risk landscape for markets, reinforcing the need for caution and careful decision-making.

Internationally, geopolitical instability is reshaping fiscal priorities ....

On the international front, geopolitical instability is reshaping fiscal priorities. With the war in Ukraine ongoing, NATO has agreed to raise defence spending targets from 2% to 5% of GDP by 2035. This marks a stark reversal of the so-called 'peace dividend' era. The 'peace dividend' era was a period of reduced military spending and increased social spending following the end of the Cold War. The reversal of this era comes at a time when many countries already face rising debt-servicing costs, ageing populations, and expensive climate transition plans. The result will likely be persistently high government borrowing and upward pressure on bond yields across the developed world.

SA's economic outlook has weakened, reflecting deepening political uncertainty and mounting global pressures ...

Domestically, South Africa's (SA) economic outlook has weakened, reflecting a combination of deepening political uncertainty and mounting global pressures. The South African Reserve Bank (SARB) has downgraded its 2025 GDP growth forecast from 1.7% to 1.2%, primarily due to escalating global trade tensions and instability within the GNU. The International Monetary Fund (IMF) is even more cautious, projecting growth of just 1% for 2025. Investor confidence has been eroded by persistent policy uncertainty and delays in critical structural reforms. Tensions within the GNU have raised fresh concerns about the direction of economic policy. At the same time, longstanding issues in the logistics and energy sectors continue to weigh heavily on business sentiment and investment planning. The SARB has further trimmed its growth forecasts for 2026 and 2027 to 1.5% and 1.8%, respectively, citing weak reform momentum and ongoing external headwinds.momentum and ongoing external headwinds.

A key short-term risk is the looming expiry of the 90-day US tariff reprieve in early July. Without an extension, certain South African exports to the US (its second-largest trading partner) could face tariff hikes of up to 30%, compared to the current 10%, undermining export competitiveness and trade volumes. Despite these challenges, low inflation is offering some relief by supporting real disposable incomes and household spending. Additional support may come from reduced debt-servicing costs and further potential withdrawals via the two-pot pension system, which could temporarily boost consumer demand.

Despite challenges, low inflation is offering some relief to South Africans ...

While some of the intense uncertainty that characterised 1Q25, such as delays in the budget process, tariff volatility, and questions around GNU stability, have marginally subsided, the broader economic outlook remains fragile. Sustained structural reforms still have the potential to lift SA's longer-term growth trajectory. However, in the short term, political uncertainty, sluggish investment, and ongoing external shocks continue to constrain economic prospects. Positively, however, SA is now widely expected to exit the Financial Action Task Force (FATF) grey list later this year or in early 2026- a significant milestone that reflects substantial progress in addressing governance and financial oversight deficiencies.

SA EQUITIES

JSE-listed equities continued their upward trajectory in 2Q25 ...

Following on from a strong opening quarter (1Q25), JSE-listed equities continued their upward trajectory to end 2Q25 up another 9.7%. YTD, the FSE/JSE Capped Swix has risen by 16.1%, and the MSCI South Africa Index is up 30.3% (in US dollar terms). This puts the JSE as a standout performer in global equities YTD and over the past 12 months. At the time of writing, *The Navigator – Anchor's Strategy and Asset Allocation, 2Q25*, in April, we were still digesting the double threat of the GNU failing (internal) and the Trump administration imposing growth-crippling tariffs across the globe (external). These factors were primarily to blame for us turning more defensive on local equities 12 months out. While some of the risks have since de-escalated, both locally and abroad, we still find the set-up for JSE equities more balanced than at the beginning of 2025. Thus, we have maintained a neutral position on the asset class with a rand-denominated total return of 11% and a US dollar total return of 12.6% over the next 12 months.

We entered 2025 positive on domestic equities, expecting a continuation of the trend that kicked off in June 2024, following the formation of the GNU in SA. The investor-friendly outcome of the 2024 National and Provincial Elections (NPEs) resulted in raised hope of much-needed structural reform, potentially lifting SA out of the growth trap of sub-2% GDP growth, something the local economy has struggled to achieve over the past ten years. In the shorter term, a stronger rand, the absence of loadshedding and interest rates that were set to be lowered were expected to provide much-needed stimulus, particularly for the SA consumer. We therefore felt that the market would continue to be led by the domestic group of companies (so-called SA Inc. stocks), financials, retailers and midcaps.

The JSE has recorded a six-month return of 16% ...

However, the actual outcome so far in 2025 could not be more different. While at a headline level, a six-month return of 16% is commendable, the make-up of this return was not as expected. More than half of the return (8.4%) has come from the basic materials sector, and c. 5% has come from the rand-hedge component of the local index. What makes this even more surprising is the outperformance of these sectors, which are beneficiaries of a weaker rand, against the backdrop of a strengthening currency (and bonds), which would typically be beneficial to domestic companies. Even within the domestics, which added 2% to the total index performance, almost all of the return contribution has come from SA's local telecommunications companies, which themselves have businesses outside of the country. The typical beneficiaries of a stronger rand and lower bond yields have materially underperformed YTD.

More than 50% of the return has come from the basic materials sector, and c. 5% from rand-hedges ...

This begs the question: Why have SA Inc. stocks underperformed so dramatically against a backdrop that would typically see them outperform? In our view, this is simply a case of high expectations for an outcome that, so far, has been somewhat underwhelming. Investors and strategists entered the year with high hopes of GDP approaching a magical 3%, and six months later, the expectations have already dropped to c. 1.3%, with the direction of travel lower. The anticipated structural reforms appear to be moving in the right direction, albeit at a far slower pace than investors were looking for six months ago, resulting in a frustrating period of expectations being pared back. The shorter cycle catalysts appear to still be in place, interest rates are coming down, and the conditions for the consumer are easing somewhat. Importantly, barring one or two individual cases, corporate results have generally been within expectations, which has meant the domestics have been in a "muddle-along" phase for the past six months, as opposed to materially underperforming in absolute terms. This environment is more frustrating for investors than particularly painful.

SA discretionary retail has been under considerable pressure ...

One area of the domestic market that has been under considerable pressure is the discretionary retail space. Still relatively small in the local index (c. 3.4%) yet covering quite a few companies across the discretionary consumer spending spectrum, the discretionary retailers are, in aggregate, down over 15% YTD. Again, this is counterintuitive against the backdrop of a stronger currency, lower interest rates, additional liquidity because of changes to the local pension fund regulations and lower fuel prices. Once again, the weakness is most likely being driven by expectations coming into this year being overly optimistic, with operational results, for the most part, ahead of the expectations set a year ago, yet lower than those set six months ago. We view the recent weakness as an opportunity going into the back end of 2025.

Gold and PGMs have been standout performers this year ...

Gold and, more recently, the platinum group metals (PGM) complex have been the standout performers this year, with many of the commodity producers in that space having close to doubled YTD. There has been a confluence of events that have provided underlying support for the metals; however, arguably the most powerful has been the weakness in the

US dollar. A weaker US dollar, and by implication higher gold and PGM prices, coupled with sector weights too big to ignore, have resulted in local asset managers neutralising underweight positions, providing a strong underpin to a highly cyclical and volatile sector. We caution that SA gold producers' margins have rarely been this high, and we have begun to see a raft of deal flows across the space, usually a red flag for us in a sector prone to questionable capital allocation decisions.

The set-up for PGM producers seems to be more interesting based on where they sit in the cycle. At best, most of them entered 2025 in a marginal profit position, most likely burning free cash flow to keep the operations going on an annual basis. Outside of the weaker US dollar, recent developments, particularly in China's jewellery market, where onshore jewellers have encouraged switching from gold to platinum, as a cheaper alternative, have provided a much-needed demand boost in a sector under pressure from the switch from internal combustion engine (ICE) vehicles to electric vehicles (EV) globally. Margins remain highly depressed in this space, and the recent strength in the PGM basket price has resulted in sharp moves higher in these equities YTD. Similar to gold, we would likely never have a material overweight in the sector, but at times when the set-up looks appealing, we would likely neutralise large underweight positions.

... in China's jewellery market, onshore jewellers have encouraged switching from gold to platinum ...

Naspers and Prosus started 2025 on a shaky start when underlying investment Tencent was flagged on a US Department of Defence (DoD) list of companies with ties to China's military. Pleasingly, the market quickly turned its attention to the underlying operating momentum of Tencent, and more recently, the sharp turn to cash profitability of the investments outside of Tencent within the Prosus stable. We have been patiently waiting (for more than 10 years) for the billions of dollars of investments outside of Tencent to bear fruit, and as per the most recent Prosus Capital Markets Day, it would appear as though the Prosus (ex-Tencent) portfolio growth will comfortably outpace that of Tencent. We have long been advocates of this thesis playing out, and we continue to see Naspers and Prosus as core pillars within our portfolios.

... there are certainly reasons to be optimistic about the JSE's prospects over the next 12 months ...

Tying everything together, we note that there are certainly reasons to be optimistic about the JSE's prospects over the next 12 months. It seems to have become a consensus that local politics will remain volatile as the country comes to terms with coalition politics. That being said, we believe that politically, SA is in a better place today than it was pre-2024 election, and that, coupled with easing financial conditions, further boosted by favourable terms of trade, and domestic equities that have muddled along YTD, sets the local market up for continued upside. More importantly for our clients, the local market continues to provide us with sufficient high-quality investment cases that allow us to build portfolios that have been able to steadily compound in real terms over the long term.

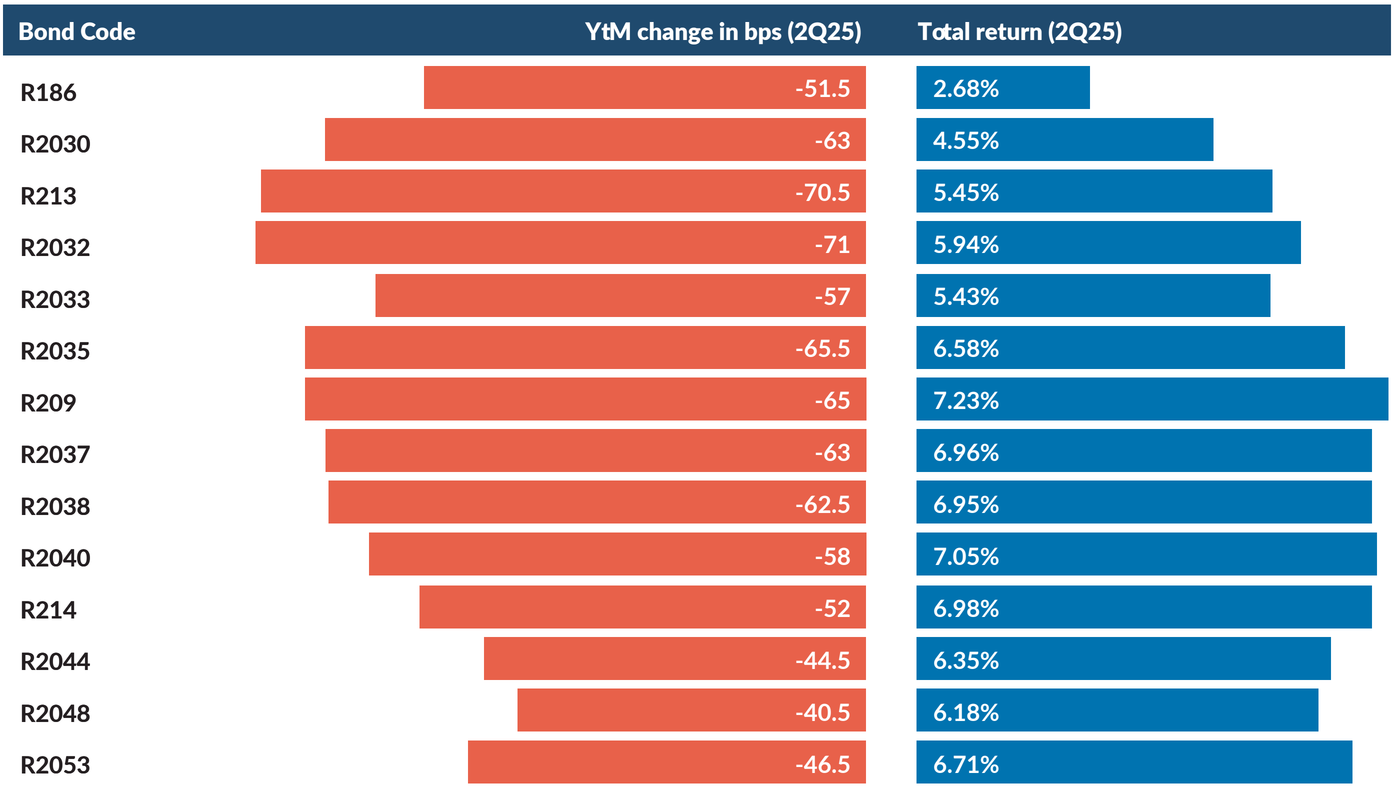
... the local market continues to provide us with sufficient high-quality investment cases ...

DOMESTIC BONDS

... recent SARB comments about potentially lowering the inflation target led market participants to recalibrate inflation expectations downward ...

During 2Q25, the government tabled the third iteration of its FY25/FY26 budget, following two failed attempts due to a VAT implementation dispute in the GNU. The latest iteration faced the challenging task of achieving fiscal balance in the absence of the proposed VAT hike set against a deteriorating economic backdrop due to sweeping US tariffs on several of its trading partners. On the monetary policy front, recent comments from the SARB about potentially lowering the inflation target led market participants to recalibrate inflation expectations downward. On the global front, newswires have been filled with headlines about several major US trade deals in the pipeline ahead of the 9 July reciprocal tariffs deadline. Collectively, these developments have slightly improved the economic backdrop compared to 1Q25, boosting risk appetite, despite a brief setback in June when the latest Middle East conflict between Israel and Iran escalated as the Trump administration launched strikes on Iranian nuclear sites. As such, we maintain a modestly positive view on domestic bonds.

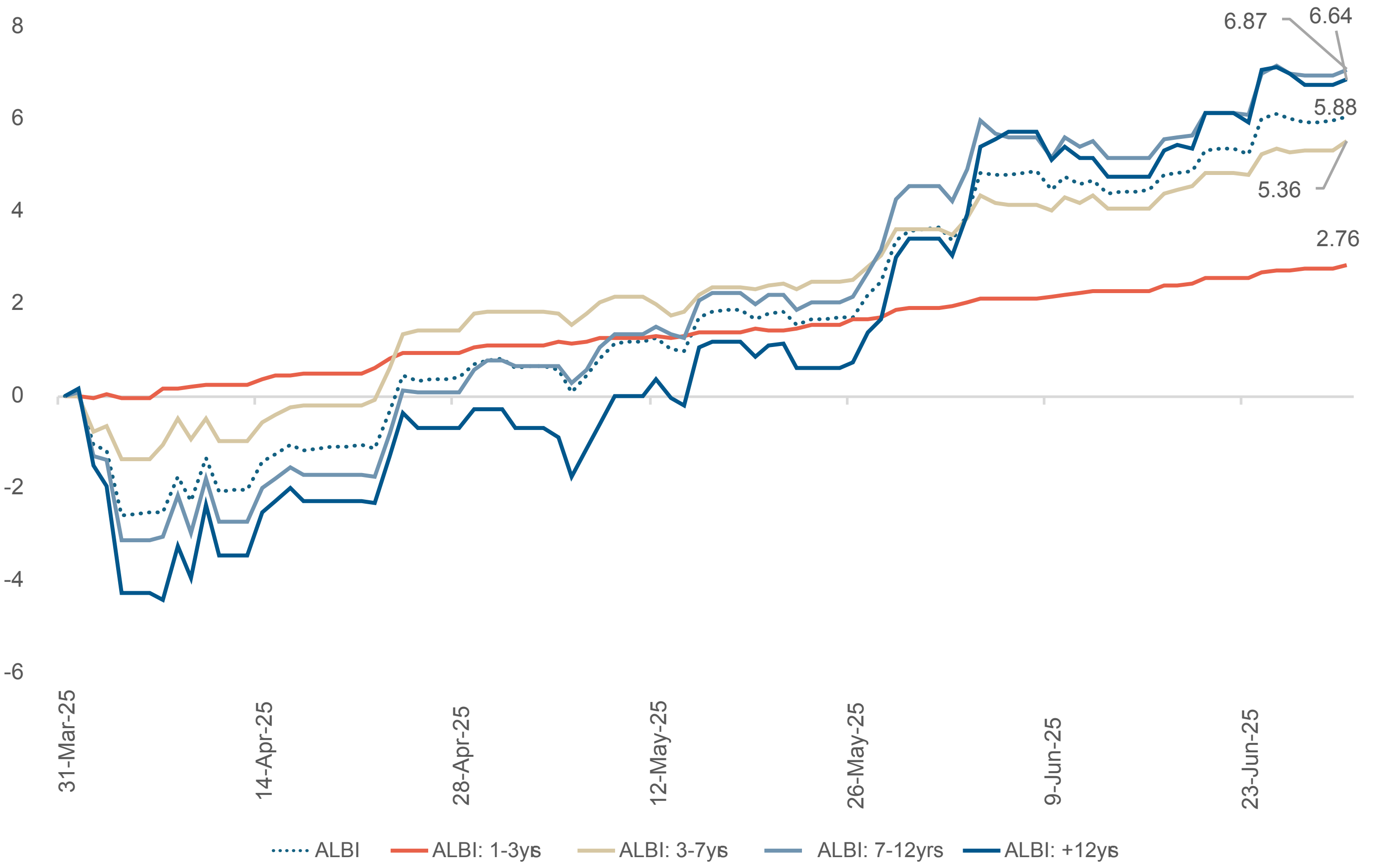
Figure 1: SAGB 2Q25 yield change and return
Source: Anchor. JSE



The SA Government Bond (SAGB) yield curve bull steepened in 2Q25, as shorter-dated bond yields rallied more strongly than longer-dated ones (*Figure 1*). The All Bond Index (ALBI) delivered a solid return of c. 5.9% over the quarter, with longer-dated maturities contributing most to this performance (see *Figure 2* for the index and term splits).

The ALBI delivered a solid return of c. 5.9% over 2Q25 ...

Figure 2: ALBI and ALBI term split total return in 2Q25, %
Source: Anchor, Thomson Reuters



The SAGB curve has steepened significantly this year (*Figure 3*). The R2035 vs R2048 yield spread is now more than two standard deviations above the mean, reflecting a jacked-up term premium on longer-dated bonds due to fiscal concerns and local political instability (*Figure 4*).

Figure 3: SAGB YTD yield change as at 30 June 2025, bps
Source: Anchor, JSE

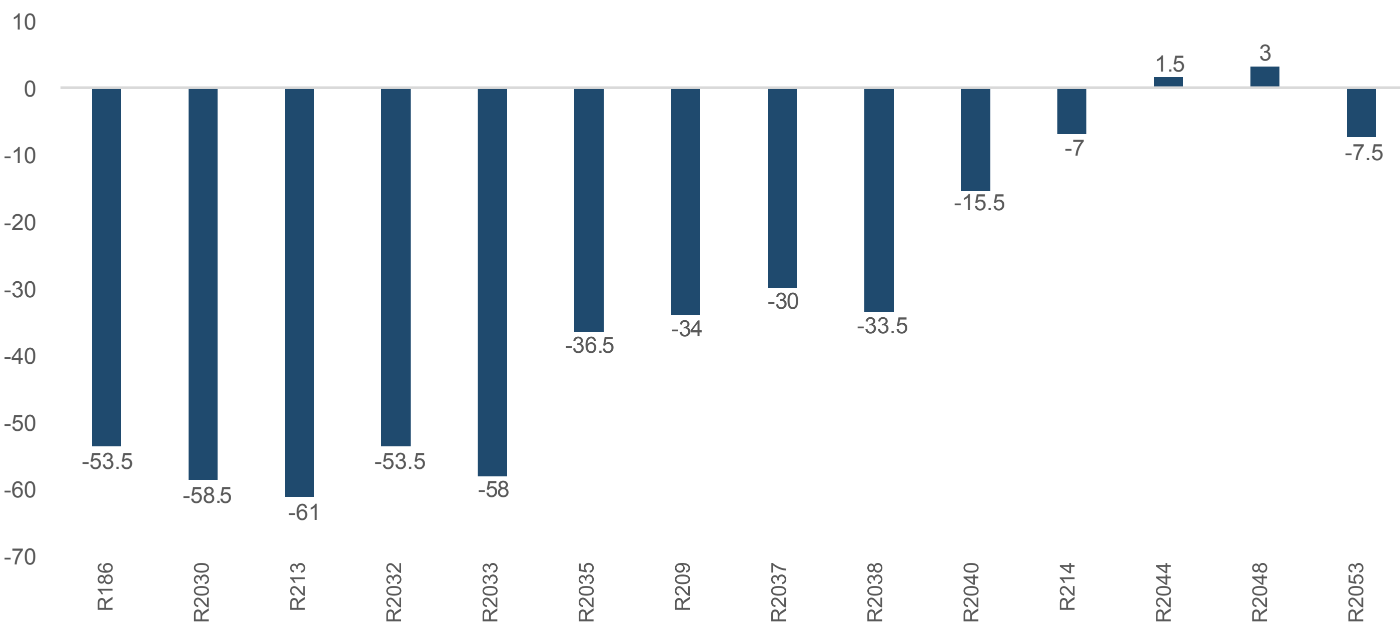
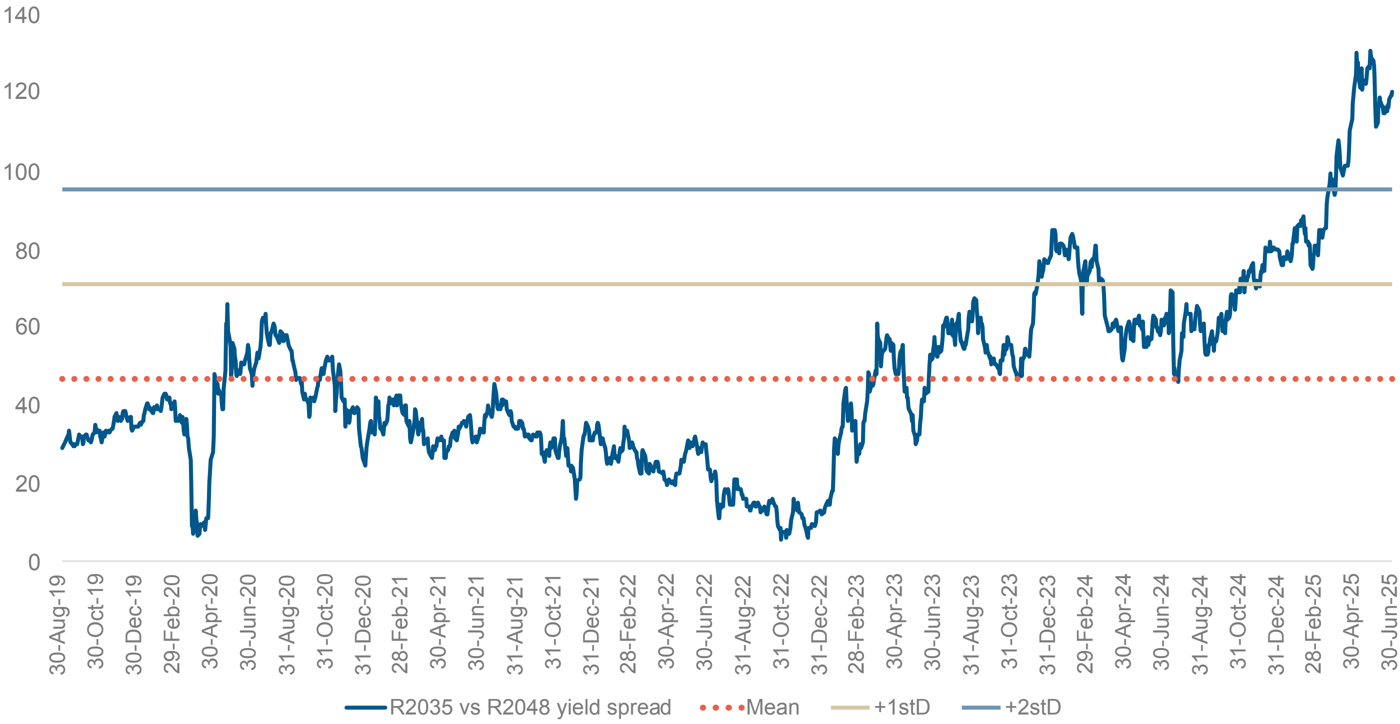


Figure 4: R2035 vs R2048 yield spread, bps

Source: Anchor, JSE



A significant driver of the 2Q25 rally in local bonds has been shifting inflation expectations. At its May meeting, the SARB discussed a scenario involving a 3% inflation target, which corresponds to the low end of its current target range of 3%-6%. The SARB indicated that a 3% target may be more desirable, as it considers the current range too wide and elevated.

Shifting inflation expectations have been a significant driver of the rally in local bonds ...

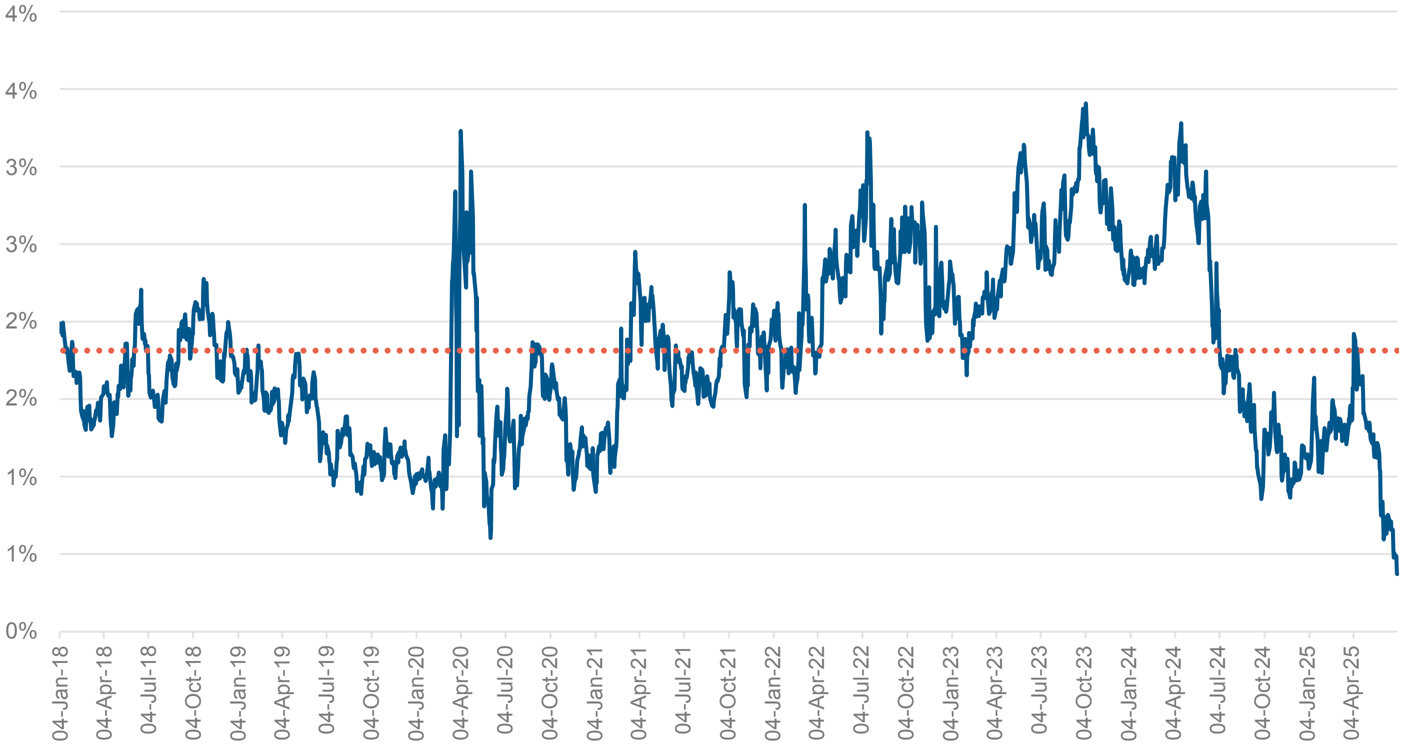
Figure 5: SA breakeven inflation rates (BEIR)

Source: Anchor, JSE

We see scope for further rallies in longer-dated nominal bonds ...

Following these comments from the SARB, the SA breakeven curve compressed significantly as market participants recalibrated inflation expectations downward (*Figure 5*). The 10-year breakeven inflation rate (BEIR) - the average rate of inflation that investors expect - ended the quarter at 5%, having compressed by over 50 bps since the SARB's May meeting. Suppose 3% becomes the new inflation target. In that case, we expect both inflation expectations and the inflation risk premium to continue to compress, particularly for longer-dated bonds, given the steepness of the breakeven curve. We therefore see scope for further rallies in longer-dated nominal bonds.

Figure 6: SA 10-year inflation risk premia
Source: Anchor, JSE



Conservatively, if the 10-year inflation risk premium remains at its long-term average of the mid-to-high 1% range (which theoretically it should not if the inflation target is lowered), we expect the 10-year BEIR to decline by a further 50 bps from current levels. If the inflation risk premium compresses further, the 10-year BEIR should rally more strongly (*Figure 6*).

We see particular value in the 10–15-year maturity space.

In recent months, we have gradually increased duration across many of our domestic fixed income portfolios through bond selection and taking advantage of lower inflation expectations and curve steepness. We see particular value in the 10–15-year maturity space. In terms of the interest rate outlook, the derivatives market anticipates the policy rate will bottom at 6.75%, down from 7.25% at the end of 1Q25 (*Figure 7*). This shift reflects growing confidence in a more accommodative monetary policy path amid a benign inflation environment.

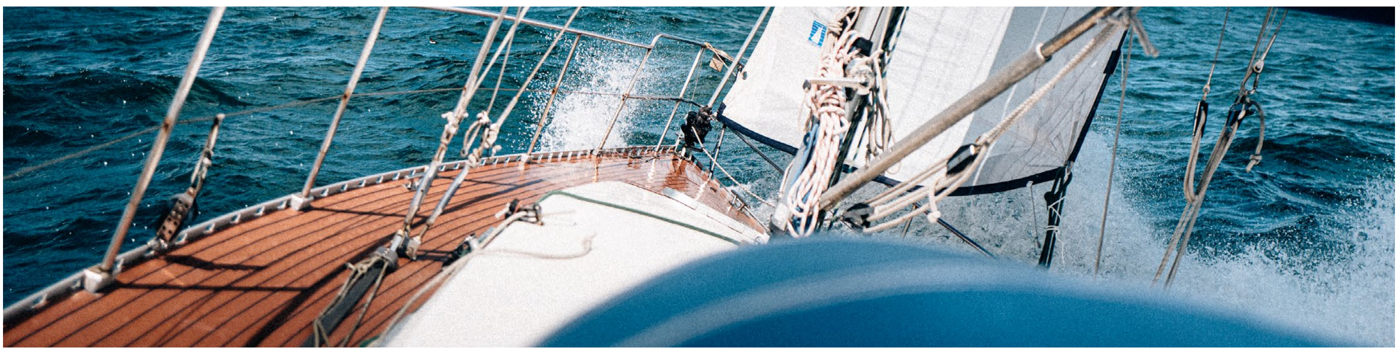
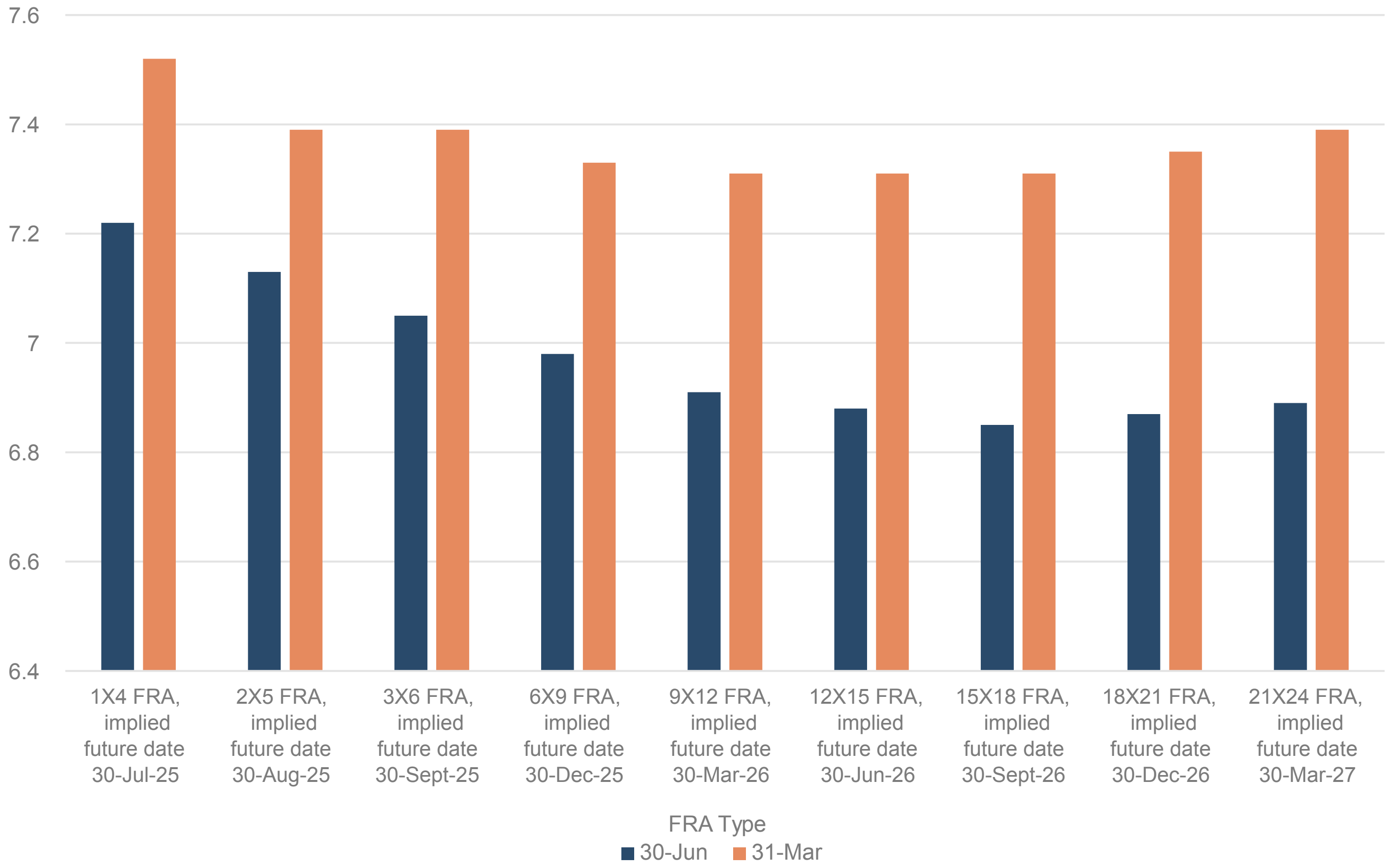


Figure 7: FRA strip comparison, par rate, %
Source: Anchor, Thomson Reuters



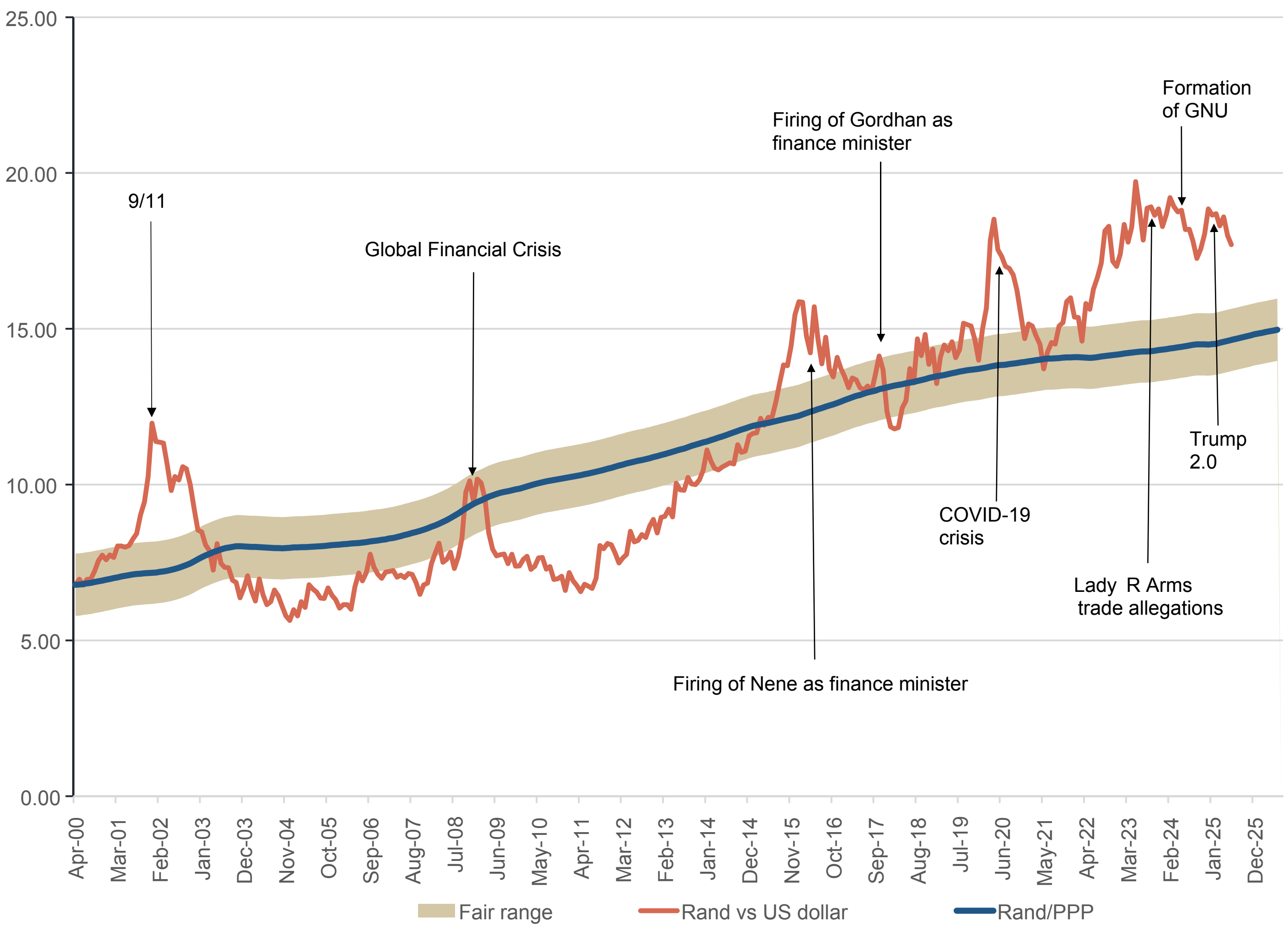
SAGBs continue to offer some of the highest yields in the EM universe, both in nominal and real terms. However, these elevated yields also reflect ongoing concerns about SA's fiscal sustainability. With local politics on a knife-edge and in the absence of credible, sustained commitments to expenditure reduction and broader fiscal consolidation, a meaningful decline in SAGB yields remains unlikely. Consequently, the yield curve is expected to retain its steep bias. We estimate that domestic bonds could return around 12% over the next 12 months, providing a real return of c. 8%.

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 8*) below.

Our modelled fair value of the rand is in the R13.96-R15.96/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 8: Actual rand/US dollar exchange rate vs rand PPP model
Source: Thomson Reuters, Anchor



The rand is benefitting from a lower oil price and SA's terms of trade ...

The rand is benefitting from the lower oil price, with our terms of trade (which measure the ratio of a country's exports relative to imports) being the most positive that it has been in the past 25 years. It is reasonable to expect a strong trade surplus and some support for the rand. Simultaneously, the US dollar has been weakening as the US heads into its interest rate-cutting cycle, and US growth momentum is slowing down.

We are seeing increasing support for the narrative that the US dollar will likely weaken further. Some analysts expect the euro to strengthen by a further 3% to 5% against the dollar.

This is a volatile time, and many risk factors could weaken the domestic currency. However, we believe a further recovery is likely and we expect the rand to end the year closer to R17.40/US$1. We have modelled this exchange rate for the report, reflecting our view of a continued modest recovery for the South African rand.

GLOBAL EQUITIES

2025 has been a reminder of what really matters for equity markets, and that is expectations for future economic and earnings growth. Global geopolitics, the 12-day war between Israel and Iran, and the US bombing of Iran hardly saw the market flinch. It has remained firmly focussed on positive earnings growth and bounced back from the close-to-double-digit drop on the now-infamous Trump "Liberation Day" tariff announcement in April. We expect a 10% return from global equity markets in the next 12 months, following the 9.8% return in the first six months of 2025.

2025 has shown what really matters for equity markets - expectations for future economic and earnings growth ...

The two simplest graphs to illustrate what the market is seeing are the following. The first is the expectation that global GDP growth will accelerate into 2026 and beyond (at a 3%-plus rate) following a tariff-fuelled slowdown in growth in early 2025.

Figure 9: Global GDP growth, YoY % change
Source: Anchor, IMF

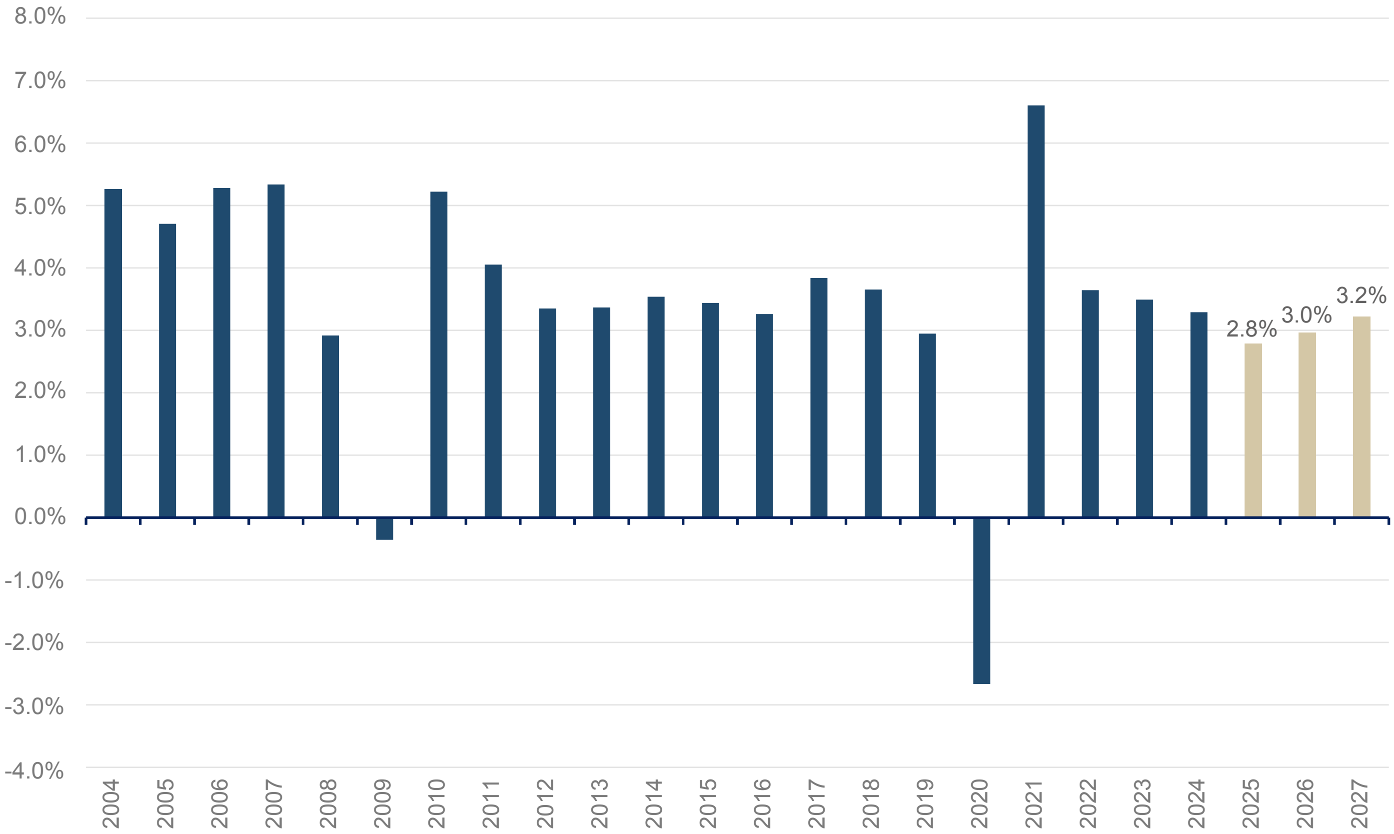
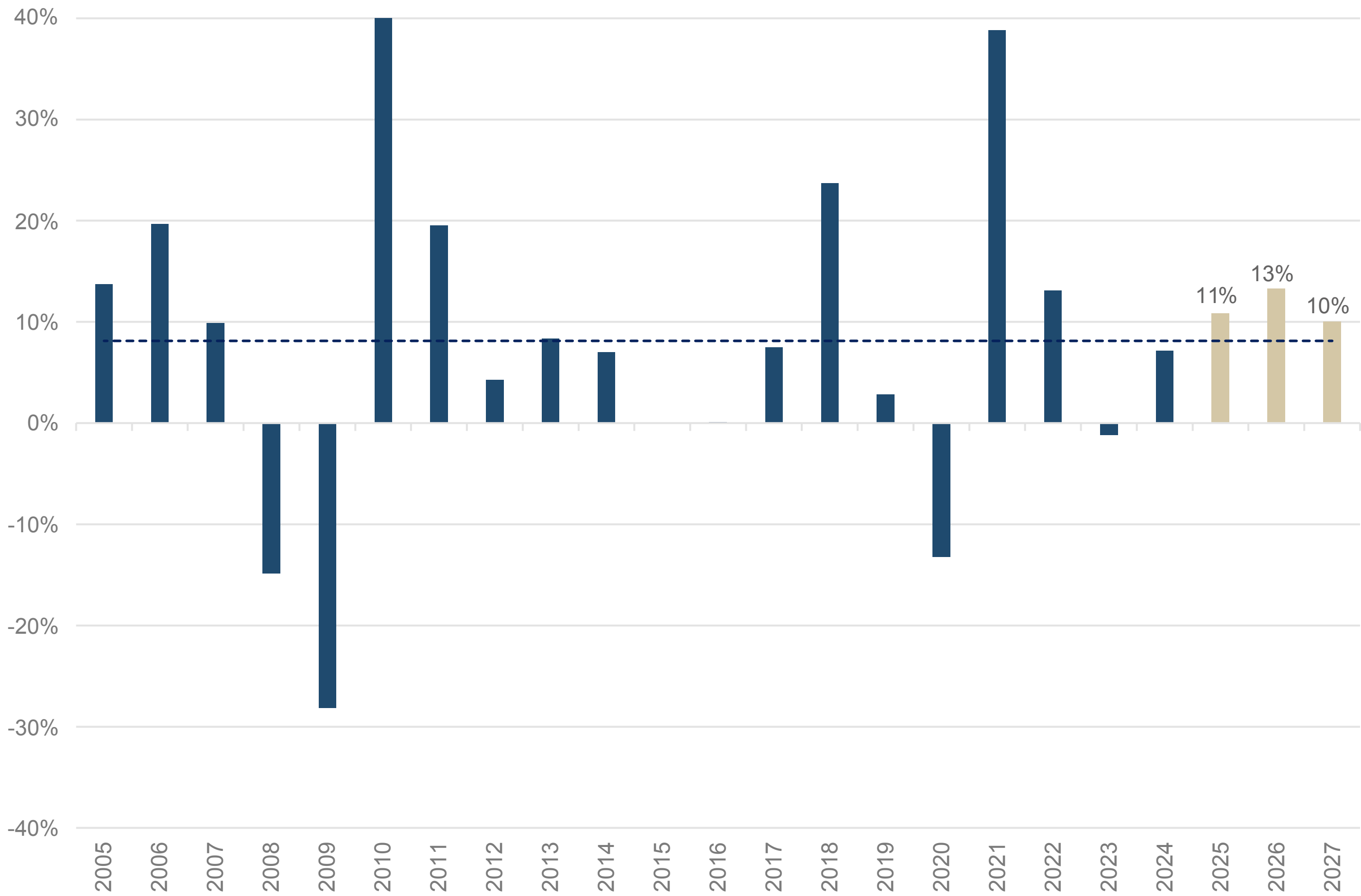


Figure 10 below shows historic and projected annual earnings growth for the US S&P 500. Market consensus is for two consecutive years of double-digit earnings growth from the US market following 11% in 2025.

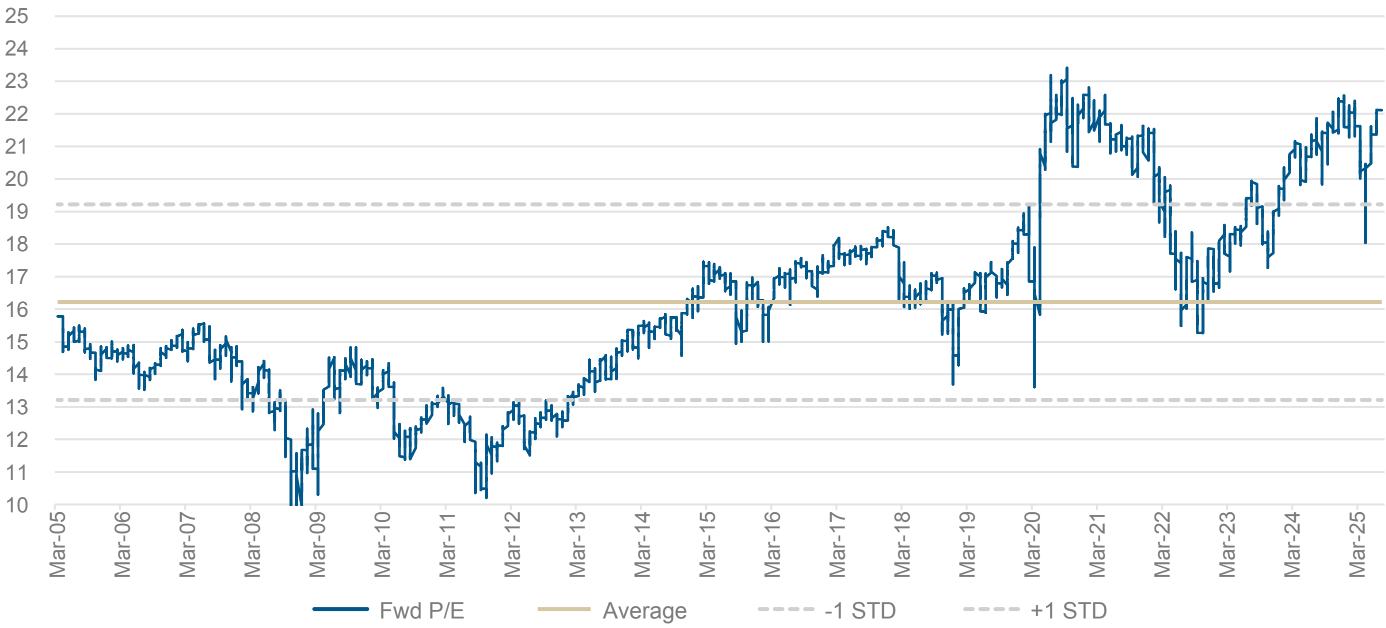
The market tends to do well when future growth expectations are positive ...

Figure 10: US S&P 500 earnings growth (annualised)
Source: Anchor, Bloomberg



The market tends to do well when future growth expectations are positive, and this is what is driving the market higher. But this is where a positive view on the market gets challenged – the market strength of the past two years has resulted in, on average, much higher valuation ranges. The current forward 22x P/E on the S&P 500 is very high by historic standards and represents an equity risk premium of around zero.

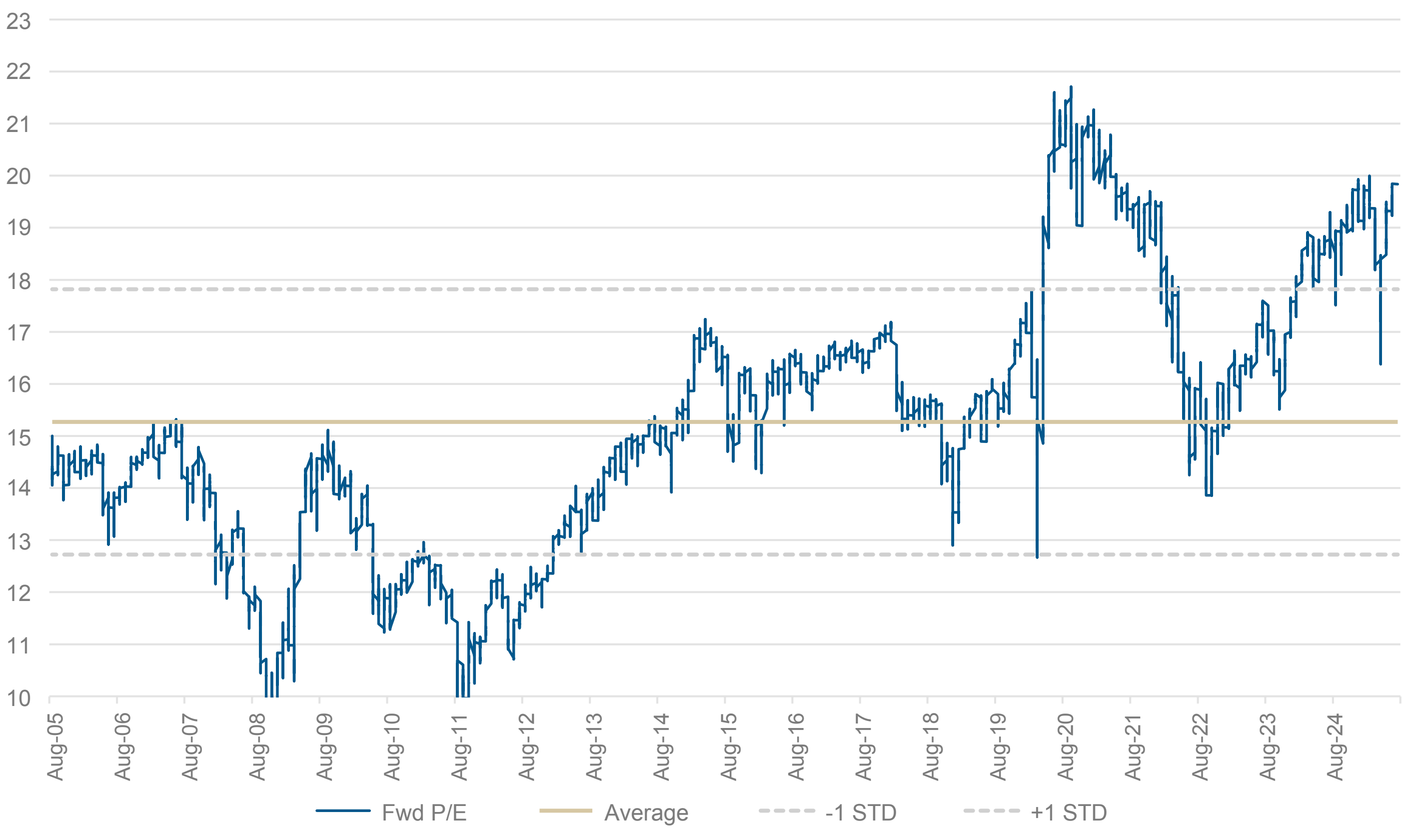
Figure 11: US S&P 500 forward P/E, x
Source: Anchor, Bloomberg



Non-US markets have offered a cheaper entry point into DMs for the last few years, but the outperformance of the non-US shares has also seen the MSCI World reach expensive territory, at a forward 20x P/E.

Non-US markets have offered a cheaper entry point into DMs for the last few years ...

Figure 12: MSCI World forward P/E, x
Source: Anchor, Bloomberg



The biggest factors behind the market's resilience this year are:

- **Interest rates are high.** Interest rates are at historically high levels, and the Fed can materially reduce interest rates if there are any signs of an economic slowdown.
- **The dollar is weak**. It appears that the weakening of the US dollar was Trump's intention. The material 11% weakening of the US Dollar Index this year means that exports are more profitable, and the 30% of global earnings for US companies are converted into higher dollar profits.
- **Artificial intelligence (AI) is real**. The market volatility has somewhat 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. This is a time to be invested in the technology space, which is now more than 40% of the market.
- **Trump is pro-market**. Taxes will remain low in the US, and the government is on a mission to reduce regulations. For example, smaller banks will probably be given more latitude to lend 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.

The economy has been robust considering the tariff uncertainty ...

The market backdrop is positive, but faith has to be sustained at these valuation levels. As always, market corrections are a possibility if economic conditions decline. The economy has been robust considering the tariff uncertainty, and these signs will be watched closely. In the coming weeks, self-imposed tariff deadlines will be reached. Still, for now, the market's reaction to tariff declarations is more muted, and the general expectation is for an eventual reasonable outcome.

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 relatively attractive. Anchor has a range of private capital alternative funds which are ideal for times like these.

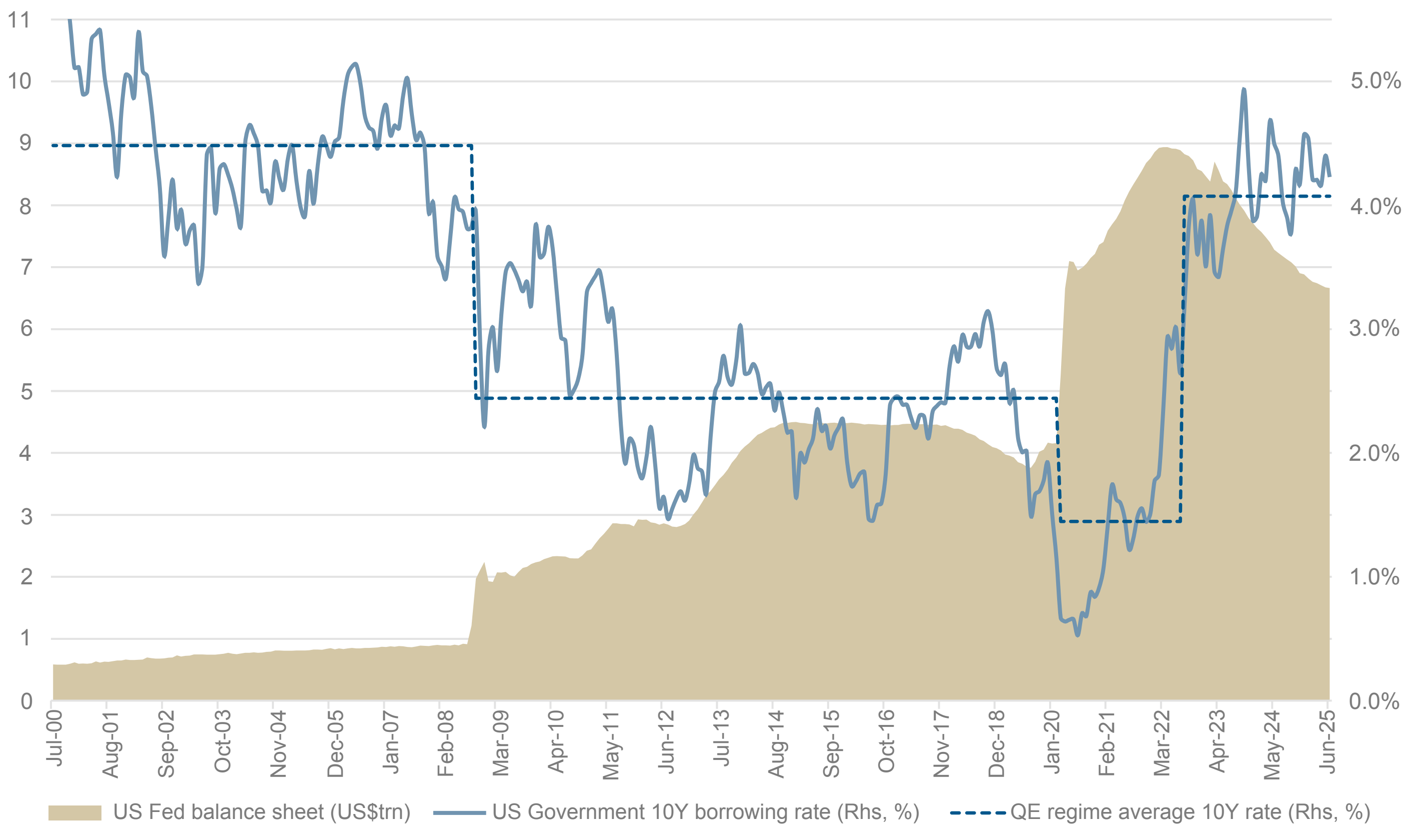
We would increase our allocation to alternative investments ...

GLOBAL BONDS

For the past two to three years, the US government's 10-year borrowing rate has spent most of the time above 4% p.a., occasionally edging towards 5% p.a., but generally staying closer to 4% p.a. We believe this new equilibrium is a sustainable level now that the US Fed's balance sheet is no longer aggressively impacting the rate. In the wake of the GFC, the Fed first started to use quantitative easing (QE) as a meaningful part of its monetary policy toolkit, injecting liquidity into a frozen funding model by increasing the size of its balance sheet five-fold (from US$0.9trn to US$4.5trn) in the years following the GFC. The Fed had just started unwinding the unprecedented balance sheet expansion when COVID-19 hit, and its response was to more than double the balance sheet again, taking it to its peak (US$8.9trn) in less than two years. The Fed is now more than 3 years into its most successful balance sheet unwind ever, having shrunk its balance sheet holdings by 25% over that period (to US$6.7trn). During the two periods of elevated Fed balance sheet holdings, US government borrowing rates remained extremely depressed. We see the recent increase in US government funding rates as a return to a more normal and sustainable level.

... the US government's 10-year borrowing rate has spent most of the time above 4% p.a

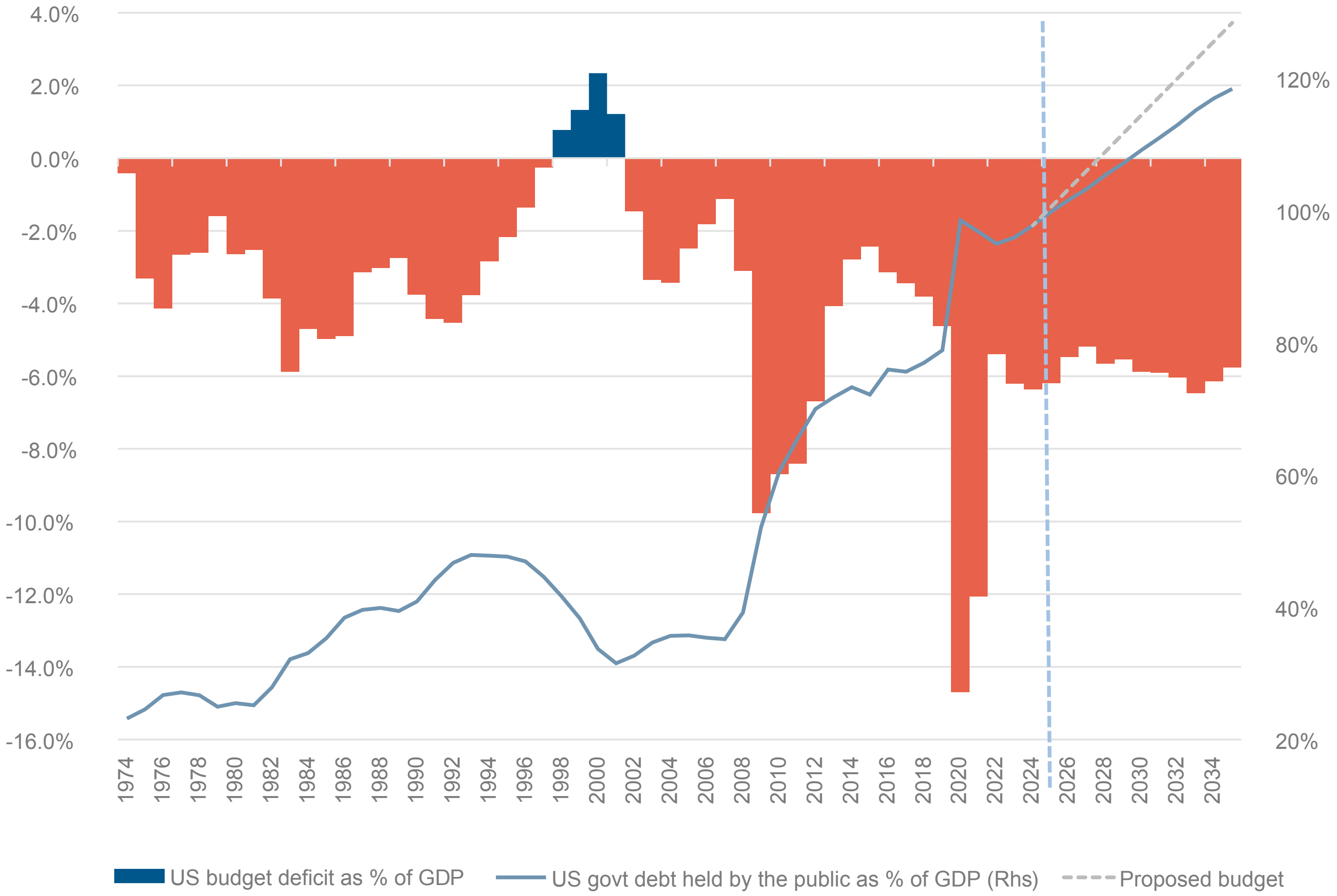
Figure 13: The Fed's extended period of balance sheet run-off has reintroduced a more normalised US government funding rate level
Source: Anchor, Bloomberg



The actions of the current US administration's policies and rhetoric have raised questions about the ongoing willingness of investors, particularly foreign investors, to fund the US's increasing borrowing needs. These concerns include questions around the sanctity of US Fed's independence in the wake of Trump's calls for Fed chair, Jerome Powell, to resign; concerns around the impact that the abrasive nature of Trump's tariff policies will have and concerns around the apparent lack of fiscal responsibility associated with the US president's most recent budget proposal, (which could increase the US government's debt pile by US$3.2trn over the next decade).

The Trump administration's actions have raised questions about the ongoing willingness of investors to fund the US's increasing borrowing needs.

Figure 14: The bipartisan US Congressional Budget Office expects the US government's borrowing needs to grow 20% faster than the economy over the next decade (30% faster if the current budget proposals pass without meaningful adjustments)
Source: Anchor, Bloomberg, CBO



Ultimately, we are not convinced that any of these factors, individually or in concert, will materially impact the US government's funding rate over the next twelve months. This leaves us to conclude that the current US 10-year government bond yield will remain anchored between 4.0% and 4.5% p.a., providing investors with a c. 5% total return in US dollar terms.

... we expect the current US 10-year government bond yield to remain anchored between 4.0% and 4.5% p.a.

The spread that investors demand for the risk of lending to the most creditworthy (investment-grade) corporate borrowers, is back to an all-time low of 0.8% p.a. While we are not anticipating an accelerating wave of defaults, we worry that the more normalised interest rate regime, combined with some potential trade disruptions could increase default levels from their current lows. As such, we think there is scope for a slight widening in credit spreads from historical lows. This should leave investors in high-grade US dollar corporate bonds with a 12-month total return of c. 5%.

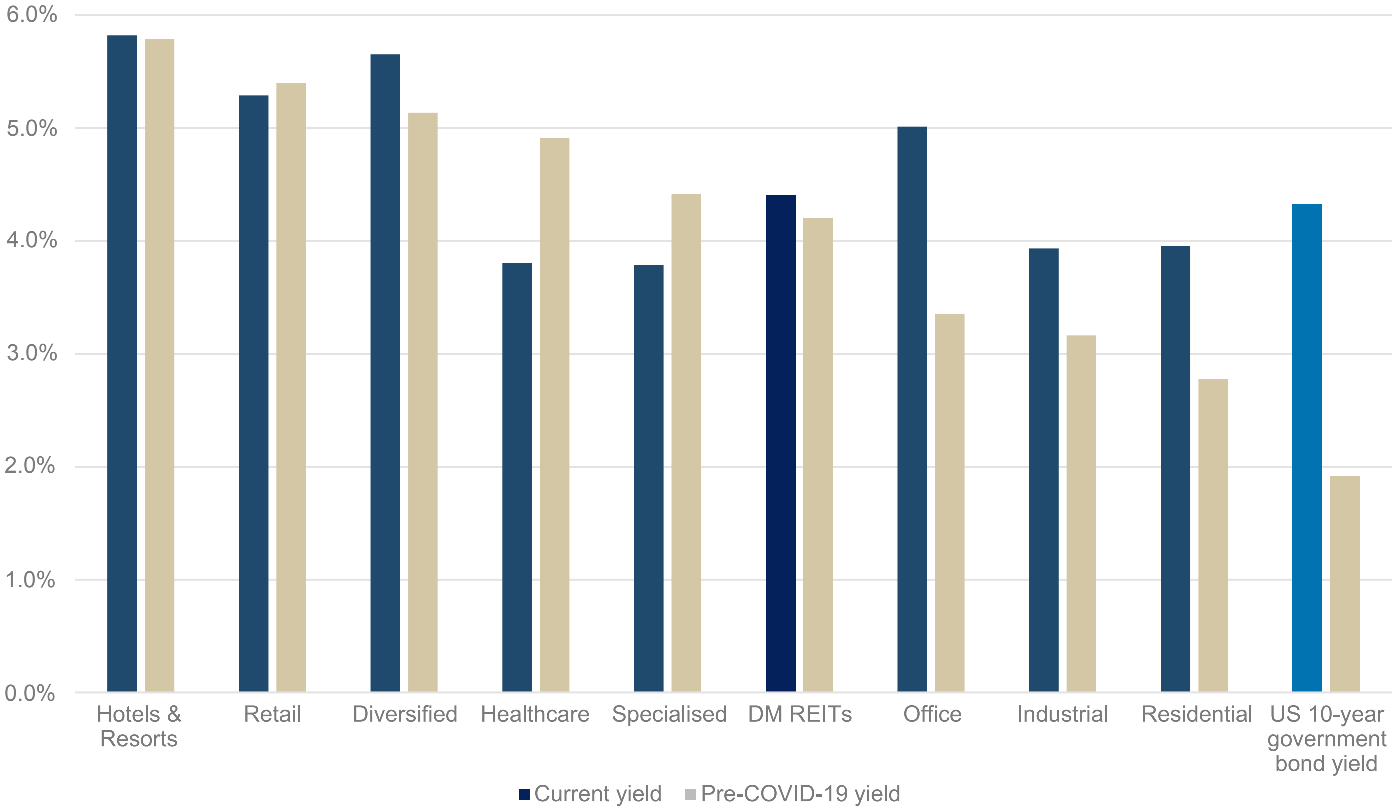
GLOBAL PROPERTY

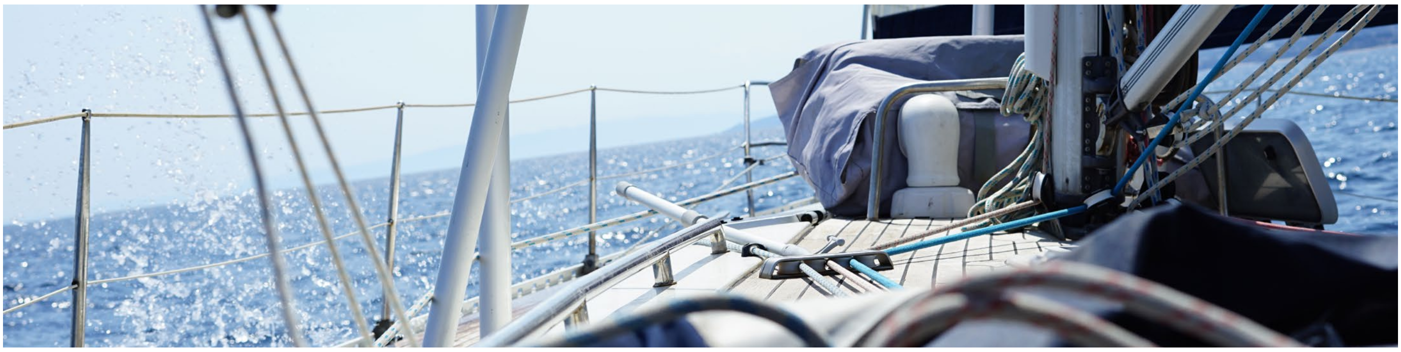
Global DM listed property has underperformed equities by some margin …

Global DM listed property had a decent start to the year (FTSE/ EPRA NAREIT Global Property Index +6.9% YTD). However, as has been the case for the past three years, it has underperformed equities by some margin, with the total return in US dollar terms for the DM Real Estate Investment Trust (REIT) Index over the past 3 years (+4.5% p.a.) well below the 18.8% p.a. that the MSCI World Index has delivered over the same period. While this period of relatively lacklustre returns might lead us to believe that there are strong prospects for future growth, that does not yet seem to be the case. The listed property sector should deliver most of its total return to investors in the form of dividends, and analysts expect the asset class in aggregate to deliver similar dividends to investors over the next year as it was anticipating before the COVID-19 pandemic seriously disrupted how we live, work and shop. This is despite the fact that we are in a significantly higher interest rate environment now than we were pre-COVID-19.

… listed property should deliver most of its total return to investors in the form of dividends …

Figure 15: Despite interest rates being significantly higher than pre-COVID-19, DM REITs are expected to deliver similar income levels to investors as analysts were anticipating pre-COVID-19
Source: Anchor, Bloomberg





... the possibility of income growth is being challenged by many structural headwinds in the traditional REIT sectors ...

So, with investors able to achieve decent income in the fixed income markets relative to the low-rate environment pre-COVID-19, the prospect of eking out the same yield from REITs seems less appealing. This is also at a time when the possibility of income growth is challenged by many structural headwinds in the traditional REIT sectors, with remote working and online shopping impacting the demand for office space, retail space and even residential space located in cities. This has left us underwhelmed by the sector over the past few years. However, we anticipate that a normalising rate environment, along with a reset in the supply-demand imbalances created by these structural shifts, will ultimately produce a better environment for listed property investors, who at this stage need to focus on specific companies operating in niches that are not as impacted by the macro picture. In the meantime, we anticipate investors in the asset class will achieve an aggregate total return of 6% to 7% in US dollar terms over the next twelve months.

Anchor Insights

In this section of the Navigator, staff across Anchor provide insights into our thinking, strategy, and worldview. This quarter, Deon Katz and Mike Ncube provide a practical guide to the growing importance of alternative assets; Lelethu Poswa discusses the US dollar's role as the world's dominant reserve currency; Neil Brown highlights how being nimble is one of Anchor's defining characteristics despite having experienced significant growth in size and reach; Mike Sithole revisits 'diversification'; and finally, Di Haiden looks at the important points to consider when drawing up a will.

Beyond stocks and bonds: Embracing alternative investments

WRITTEN BY:

Deon Katz
Head of Private Capital

Michael Ncube
Private Capital Associate

Deon Katz has worked in the financial services industry since 2004. During this time, he has held various leadership roles in wealth management, structured finance, and banking. His extensive experience includes 11 years at Investec Bank, where he led the private client growth and acquisition finance team, the Johannesburg and SA banking business, and the private banking division. Deon holds an MBA H Dip Financial Planning Law and is an alumnus of Harvard Business School. He joined Anchor in 2023.

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

Introduction

In today's fast-changing investment world, shaped by volatility, inflationary pressures, and shifting global dynamics, traditional portfolios built solely on stocks and bonds are being put to the test. Both institutional and individual investors are now seeking alternative ways to diversify risk, enhance returns, and tap into opportunities beyond public markets. This shift has brought alternative investments into sharper focus.

This article is a practical guide to the growing relevance of alternative assets, from private equity, private debt, and private real estate to hedge funds and structured products. We delve into why these investments are gaining traction, how they can strengthen a portfolio, and what risks investors should consider when allocating alternative investments. Supported by data and insights from leading financial institutions, we aim to provide readers with a clear and practical introduction to the world beyond stocks and bonds, empowering them to make informed investment decisions.

Alternatives are investments that fall outside the traditional categories of stocks, bonds, and cash

What are alternative investments?

Alternative investments are generally defined as investments that fall outside the traditional categories of stocks, bonds, and cash. This broad category includes a wide range of assets, each with its own strategy, risk profile, and return potential. One common feature is that many alternative investments are generally illiquid, meaning they can be difficult to sell quickly or be converted to cash because they may involve long-term commitments and more complex structures.

Common types of alternative investments are:

Private equity (including venture capital, growth equity, and buyouts) facilitates investing in privately held companies, providing the capital for existing owners to scale their companies and pursue growth opportunities. Private equity investments typically offer high potential returns but usually require capital to be invested for lengthy periods (often 5–10 years).

Private debt (or direct lending) is an investment strategy where non-bank lenders (such as institutional investors, debt funds, insurance companies and private investors) provide loans to support the financing requirements of businesses. Private debt can provide investors with higher yields, portfolio diversification, and lower portfolio volatility than traditional fixed income instruments.

Private real estate involves investing directly in physical properties or funds that own physical real estate. Investor returns are generated through rental income and appreciation in the value of the property (the latter is often a function of refurbishment and development).

Hedge funds typically make investments into traditional asset classes (stocks and bonds) whilst using sophisticated investment techniques (e.g., short-selling and leverage) and derivatives (e.g., options and futures) to create opportunities that will deliver positive returns regardless of the market environment. Various hedge funds and investment managers operate across a wide variety of investment strategies with a broad range of risk/return profiles.

Structured products are contractual obligations issued by banks and brokerages with defined maturity dates (usually 1 to 5 years). They reference investments (such as bonds, stocks or indices) but add bespoke features to create a more defined range of investment outcomes. These customisable features can include a capital guarantee, setting return ranges, gaining leveraged exposure, and receiving periodic, pre-defined coupons.

The rise of alternative investments

Over the past two decades, alternative investments have moved from the sidelines to the spotlight. Once reserved for institutions and ultra-high-net-worth individuals (UHNWIs), they have become more accessible and popular, especially after the 2008 GFC, when investors began seeking assets that did not move in lockstep with the stock market.

In 2003, global alternative assets under management (AUM) stood at around US$2.5trn. By 2022, that number had grown to US$15trn, and it is expected to reach at least US$24trn by 2028. Some experts even predict that private markets could grow to US$150trn globally over the next 50 years.

Figure 1: The size of the alternative investments industry, 2018-2028, US$trn
Source: Anchor, Preqin

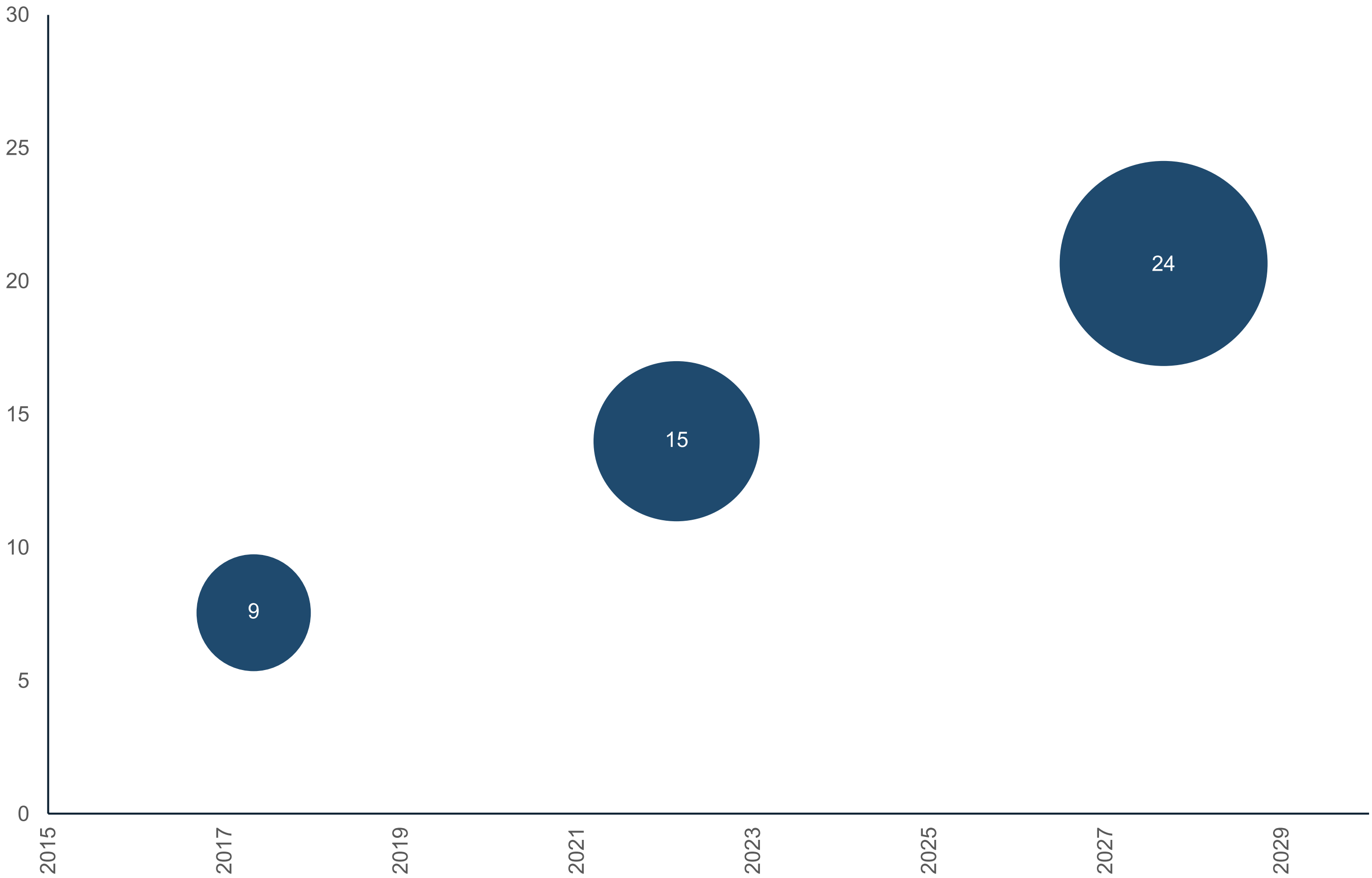
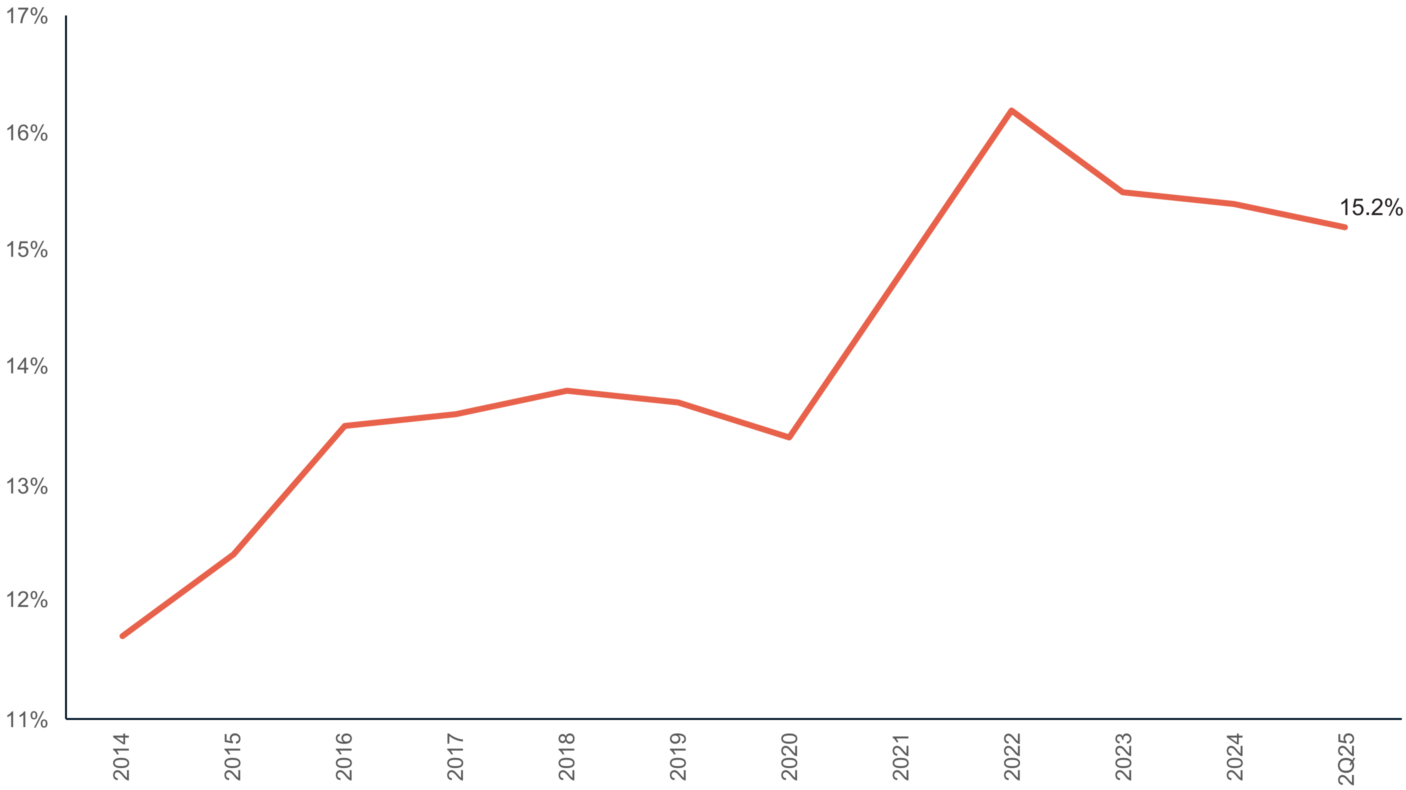


Figure 2: Share of alternative investments as a percentage of total assets
Source: Anchor, JP Morgan

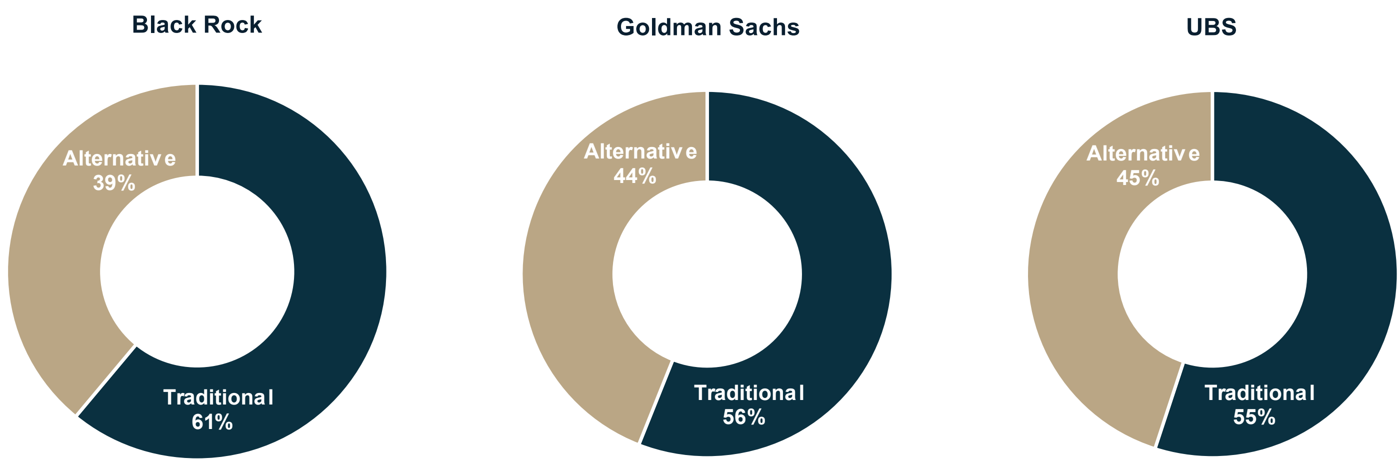


Although alternatives currently account for only c. 15% of clients' total investable assets, more investors are incorporating them to diversify risk and enhance returns.

... more investors are incorporating alternatives to diversify risk and enhance returns ...

Alternative assets are becoming increasingly important in building a well-diversified portfolio. Research from institutions like BlackRock, Goldman Sachs, and UBS shows that family offices (i.e., those private wealth management advisory firms that cater to the needs of UHNWIs and families) allocate an average of 39%–45% of their portfolios to alternatives.

Figure 3: Global trends in allocating to alternative investments
Source: Blackrock Global Family Office Report 2022-2023, Goldman Sachs Family Office Report, 2023, UBS Family Office Report, 2023



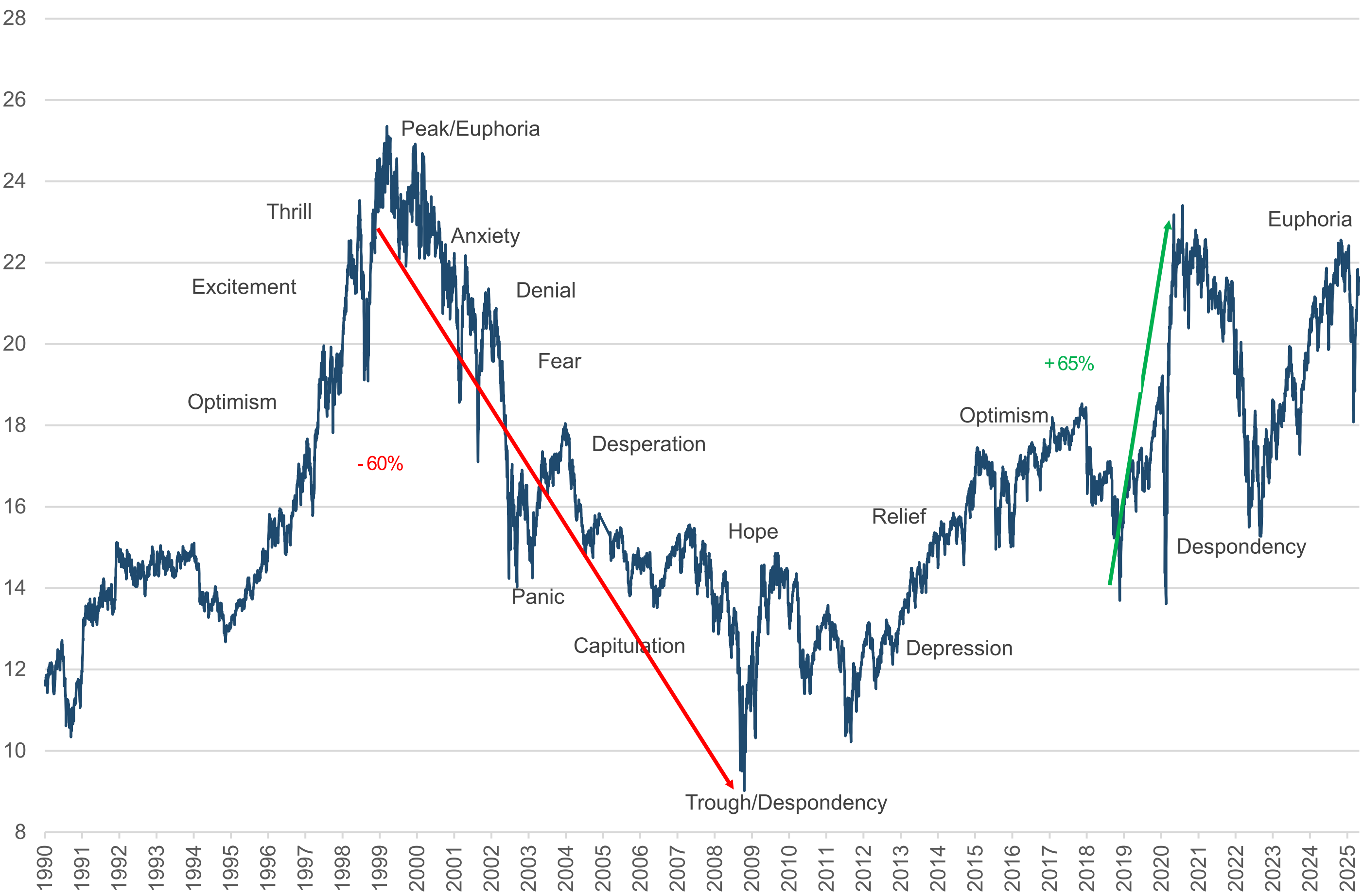
Family offices are drawn to alternatives for their lower correlation with traditional assets and relatively lower return volatility.

How alternatives can strengthen your portfolio.

1. **Strength in variety**: Diversifying beyond the norm. Alternative investments offer exposure to assets that do not always move in sync with stocks and bonds. This can help smooth out returns during periods of market volatility and reduce the overall portfolio risk.
2. **The potential for higher returns.** Private equity and venture capital, for example, aim to outperform public markets. While they often come with higher risk and longer time horizons, they offer access to early-stage growth, turnaround, or niche strategies not available on stock exchanges.
3. **A natural hedge against inflation.** Assets like real estate, infrastructure, and commodities often rise in value during inflationary periods. These investments can help protect purchasing power and preserve wealth over time.
4. **Tapping into innovation and global growth.** Alternatives provide access to sectors and regions underrepresented in traditional portfolios, such as tech startups, renewable energy, or infrastructure in emerging markets (EMs), offering strong growth potential and alignment with future economic trends.

Investing in public markets can be an emotional rollercoaster

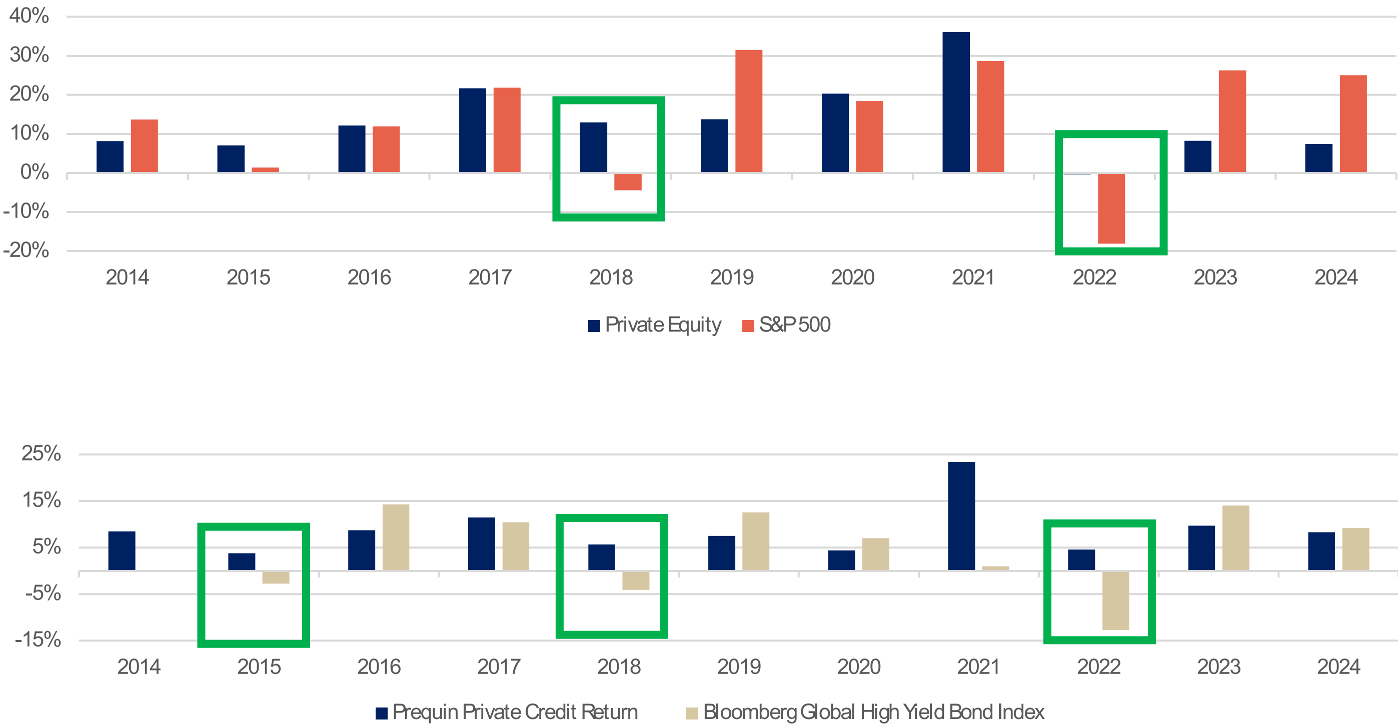
Figure 4: The S&P 500 forward valuation – the change in investor willingness to pay up for expected future earnings
Source: Anchor, Bloomberg

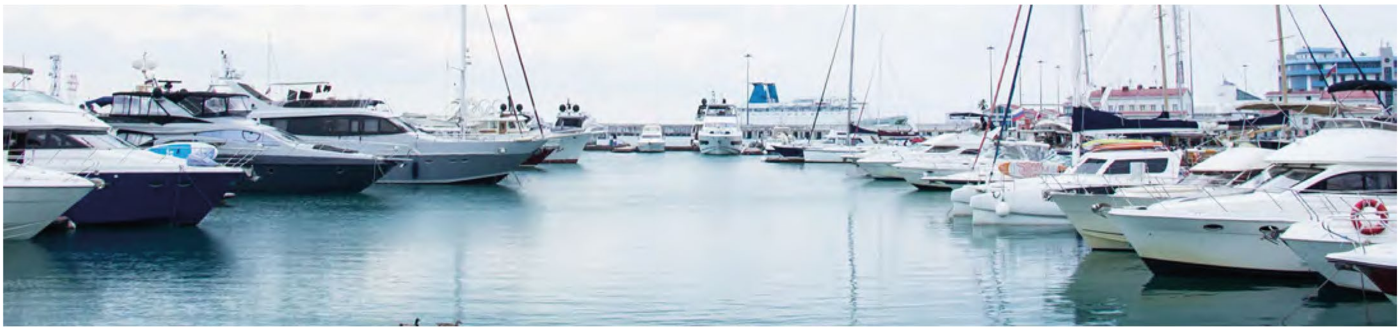


"If you're not willing to react with equanimity to a market price decline of 50% two or three times a century, you're not fit to be a common shareholder, and you deserve the mediocre result you are going to get." — Charlie Munger.

Alternative investments can help reduce the emotional strain of long-term investing.

Figure 5: Public vs private market returns
Source: Bloomberg, Anchor, Preqin





Alternatives offer exciting opportunities, but also come with unique challenges ...

Know the trade-offs: Risks to consider with alternative investments

While alternatives offer exciting opportunities, they also come with unique challenges. Understanding these risks is key to making informed investment decisions.

1. **Less transparency:** Many alternatives operate outside public markets and are not subject to the same regulations. This can make it more difficult to assess their value or risk.
2. **Illiquidity:** Unlike stocks or bonds, many alternative assets require long-term commitments and cannot be easily sold. Lock-up periods can last several years, making them less suitable for investors needing quick access to cash.
3. **High entry points:** Alternatives have traditionally been geared toward institutions or high-net-worth individuals, with high minimum investments. While this is changing, many options remain out of reach for everyday investors.
4. **Greater risk exposure:** Alternatives often involve niche sectors, early-stage ventures, or complex strategies. They may be more volatile or more complicated to value, requiring deeper market knowledge and professional guidance.

Despite these risks, with proper due diligence and expert support, alternative assets can play a valuable role in a diversified portfolio.

How Anchor is redefining alternative investments

Working as planned

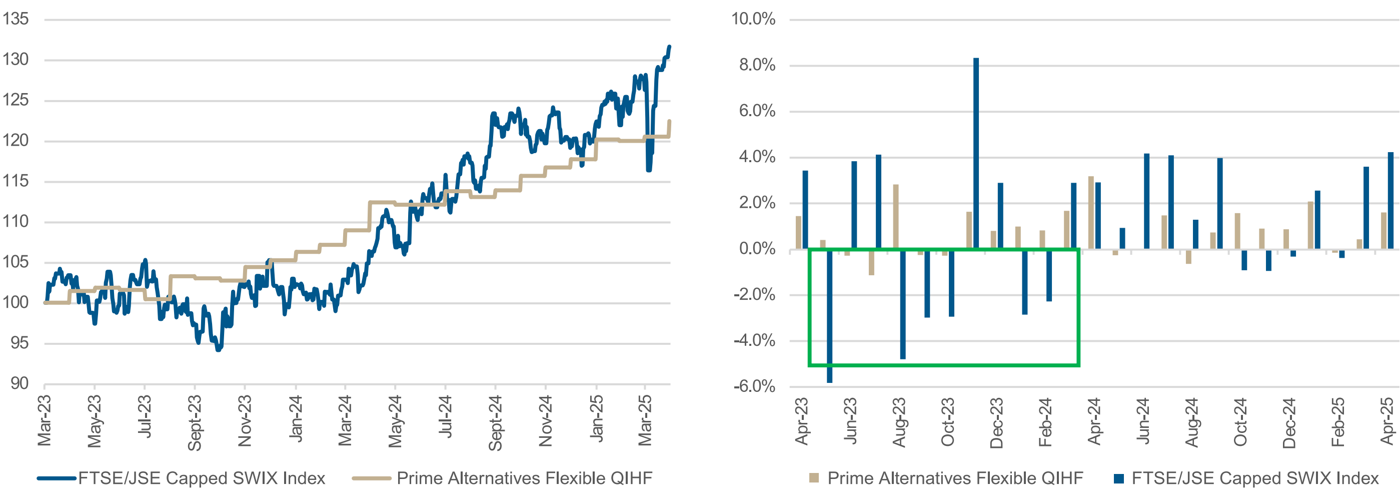
Although alternative investments are often seen as complex, at Anchor, we are actively working on changing that view. By offering accessible, well-managed fund strategies, we are helping clients diversify beyond traditional stocks and bonds.

Although alternatives are often seen as complex, Anchor is actively working on changing that view ...

For illustration, the charts below highlight how one of our Anchor-managed alternative funds, the Prime Alternatives Flexible Qualified Investor Hedge Fund's (QIHF) performance compares to the FTSE/JSE Capped SWIX Index. Over the past two years, the QIHF has delivered steadier growth, while the SWIX has shown greater volatility. This ability to smooth out returns and protect capital makes the QIHF a strong choice for investors seeking consistent performance, especially in uncertain markets.

Figure 6: The performance of the Prime Alternatives Flexible Qualified Investor Hedge Fund (QIHF) vs the Capped SWIX

Source: Anchor, Bloomberg



Note: Past performance is not necessarily an indication of future performance. Returns provided are provisional and may be subject to change. Consult the Minimum Disclosure Document for full disclosure on fees, performance, etc. This is available at www.anchorcapital.co.za

Is the US dollar losing its dominance?

WRITTEN BY:
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Fund Management

Lelethu holds a BBusSc triple-major degree from UCT, specialising in finance, economics, and statistics. He has worked in fixed income for companies such as Old Mutual Investment Group and Investec Asset Management. He joined Anchor in 2020 as a fixed-income analyst focusing on the credit space. Lelethu currently co-manages the Anchor BCI Core Income Fund.

Market participants are once again concerned about the US dollar's role as the world's dominant reserve currency. For decades, the dollar has stood as the premier reserve currency and backbone of the global payments system. It is worth noting that concerns over the dollar's dominance are not new.

These concerns date back to the 1960s, when French Finance Minister Valéry Giscard d'Estaing used the term "exorbitant privilege" to criticise the advantages the US enjoyed from the dollar's status as a reserve currency. More recently, doubts about the dollar's supremacy intensified after the freezing of Russia's foreign exchange (FX) reserves following its 2022 invasion of Ukraine.

For decades, the US dollar has been the premier reserve currency and backbone of the global payments system

What is unsettling markets currently, however, is the simultaneous sell-off of both the US dollar and US government bonds *(Figure 1)*. This runs counter to their traditional safe-haven roles during times of high market volatility and de-risking. Even when the US was at the centre of a crisis, as it was during the GFC, investors still flocked to the safety of the US dollar and US government bonds.

The sudden change in the positive correlation between bond yields and the dollar is indeed unusual. As the global economic order undergoes a structural shift with trade imbalances getting re-worked, we are bearish on the US dollar, not because it is on the verge of losing its reserve currency status, but because cyclical forces are turning negative.

Figure 1: Weaker US dollar and higher yields - a sudden change in the positive correlation
Source: Anchor, Thomson Reuters

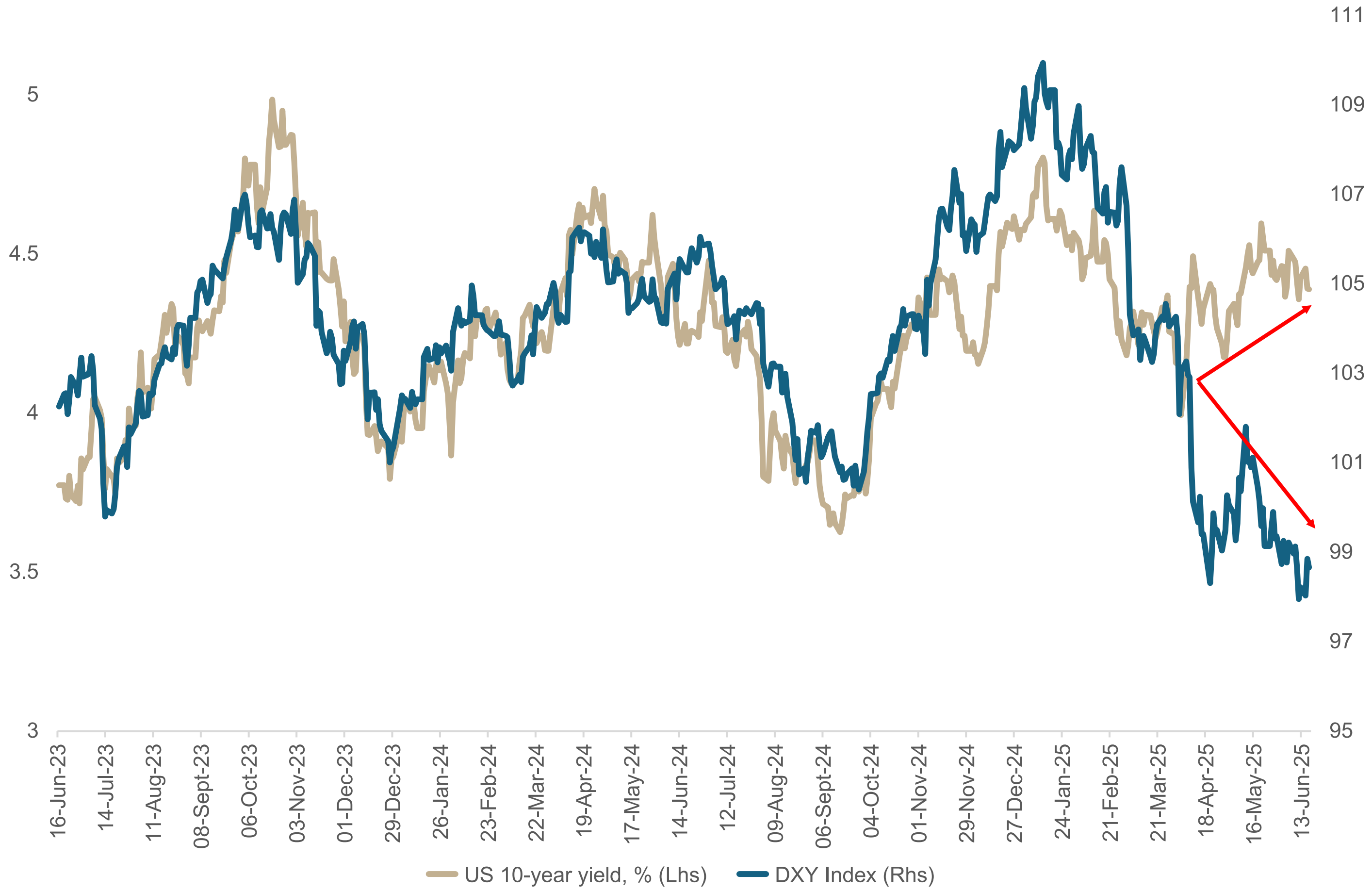
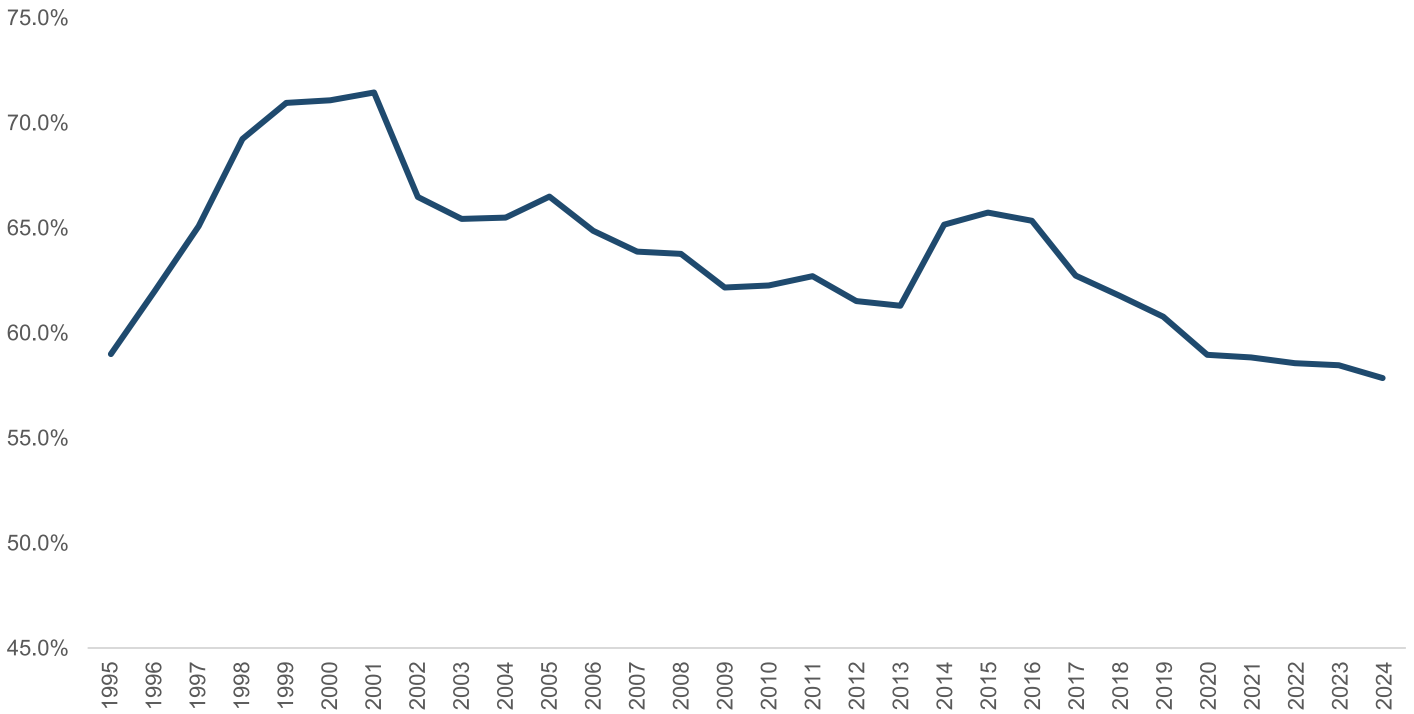


Figure 2: Global US dollar reserves as a percentage of global allocated reserves
Source: Anchor, IMF



The shrinking share of the US dollar in global reserves

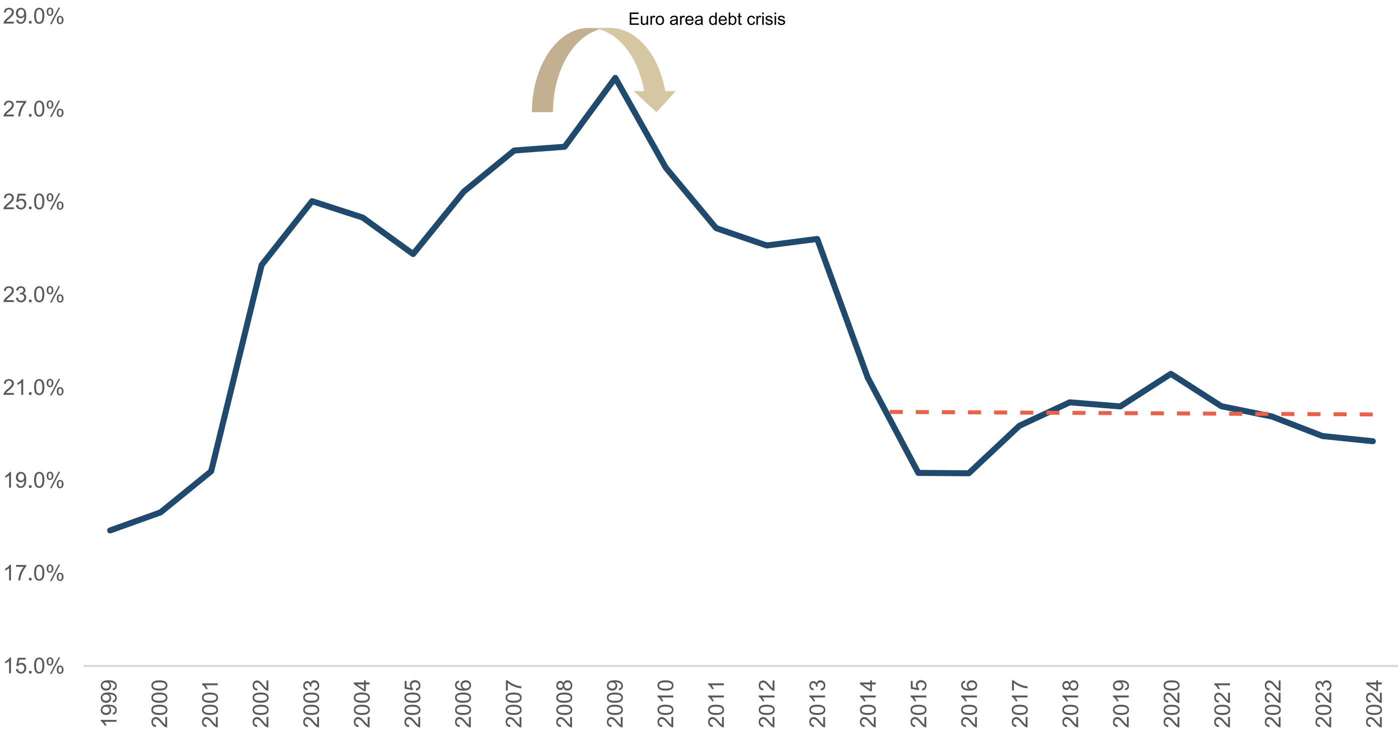
Since displacing the British pound in the 1920s, the dollar has dominated global FX reserves and become the premier reserve currency. At the turn of the millennium, it accounted for roughly 72% of total reserves. Due to geopolitical and geostrategic shifts, the dollar's share of global FX reserves has steadily declined over the past 25 years, now sitting at around 57% — aside from a temporary rebound during the European sovereign debt crisis *(Figure 2)*.

Does the US dollar have a viable challenger?

For the first decade after the euro's launch in 1999, the euro was seen as the dollar's most credible rival. Backed by a large economic bloc and developed financial markets, it reached a peak reserve share of 28% in 2010 (Figure 3). However, the European sovereign debt crisis, a period of financial instability in the eurozone from around 2009, exposed structural weaknesses in the EU. Since 2015, the euro's reserve share has stabilised at around 20%, close to where it was at the start of the millennium.

... the euro was seen as the dollar's most credible rival after its launch, but Europe's sovereign debt crisis exposed structural weaknesses in the unit ...

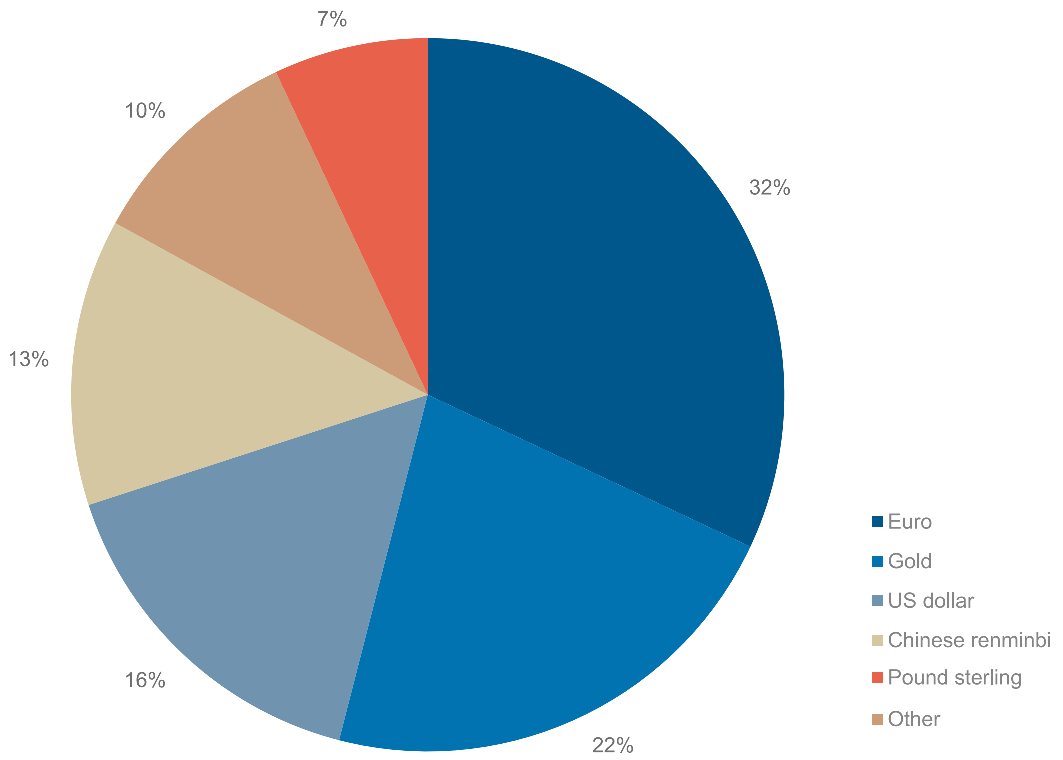
Figure 3: Global euro reserves as a percentage of global allocated reserves
Source: Anchor, IMF



Another limiting factor for the euro was Russia's invasion of Ukraine in 2022. Russia spent years shifting its reserves out of the dollar and into the euro *(Figure 4)*. All of Russia's G10 FX reserves have subsequently been frozen. Nearly 50% of Russia's frozen reserves were in the euro compared to about 25% in the dollar.

The ease with which the US and other developed nations were able to implement asset freezes and sanctions on Russia caught the attention of some countries worried they might someday get locked out of the global payments system. This geopolitical shock underscores the vulnerability of holding major currency reserves.

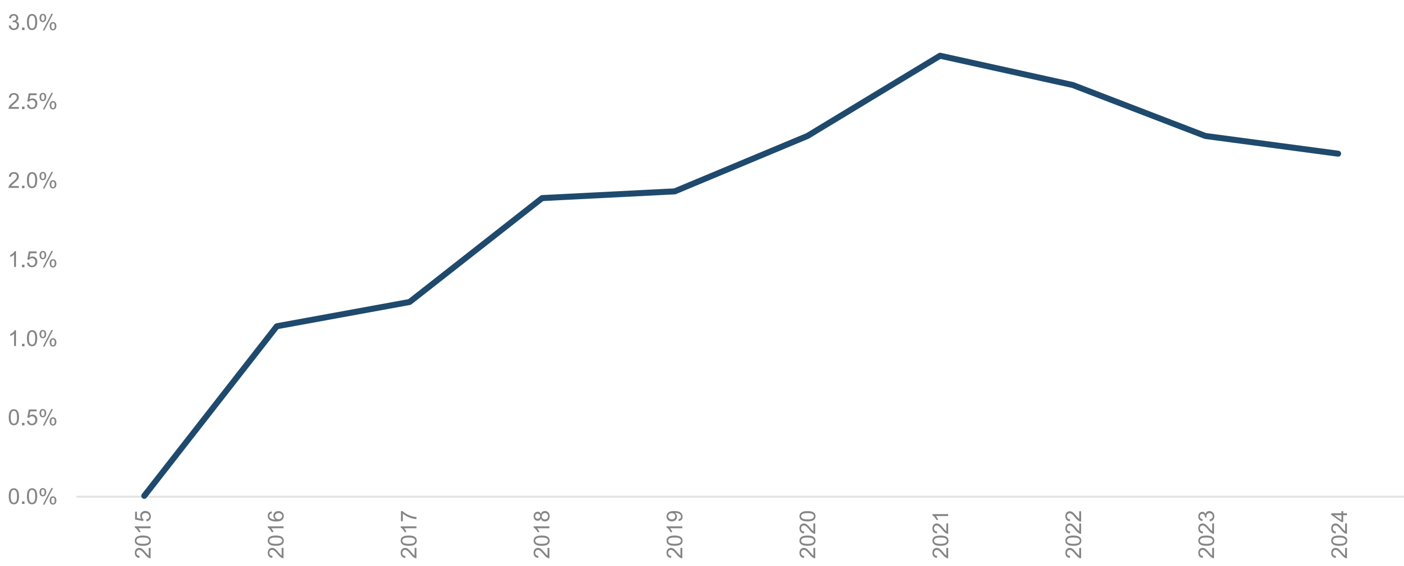
Figure 4: Russia's frozen foreign exchange reserves before the invasion of Ukraine
Source: Anchor, European Central Bank



After the European sovereign debt crisis, the euro's shine faded dramatically. At the same time, there was optimism about the Chinese renminbi. China led the global economy out of the GFC as there was still significant enthusiasm over the country's long-term growth, fuelled by a credit binge which began in the early 2000s. The IMF started reporting Chinese renminbi reserves in 2016, and there was a moderate uptake until 2021 (*Figure 5*).

Since then, reserve holdings in Chinese renminbi have declined, coinciding with Russia's invasion of Ukraine. This is because reserve managers are worried about the geopolitical rivalry between the US and China. The potential for US sanctions has raised concerns about whether China is "investable". Further limiting the Chinese renminbi is that it is not freely convertible for capital account transactions.

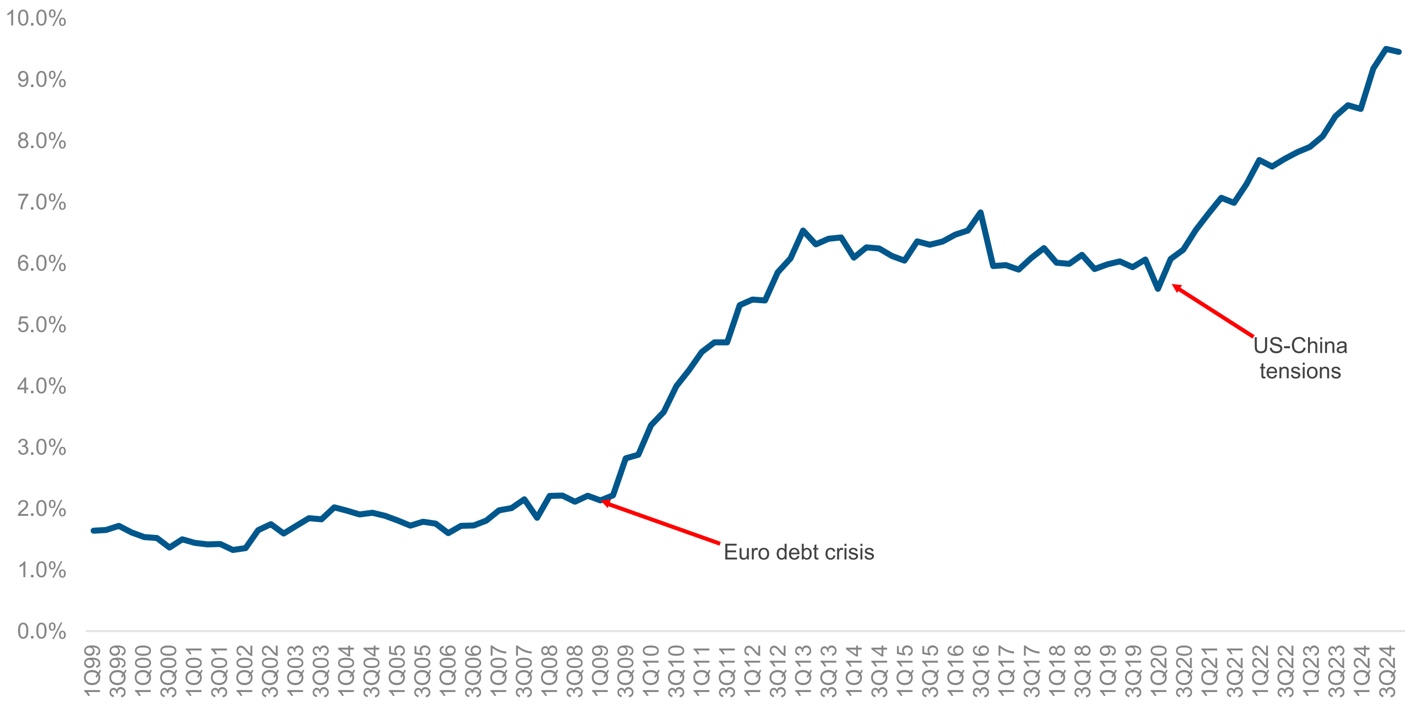
Figure 5: Chinese renminbi as a percentage of global allocated reserves
Source: Anchor, IMF



Where are reserve flows going instead?

As discussed above, the decline in the dollar's dominance has not translated into stronger demand for the euro or Chinese renminbi. Instead, central banks have diversified into so-called "non-traditional" currencies - including the Canadian dollar and Australian dollar. Allocations to these currencies have climbed from under 2% in 2000 to nearly 10% today *(Figure 6)*. The growth has occurred in two phases, first, around the European sovereign debt crisis. The second coincided with the rising geopolitical tensions between the US and China. But given that these currencies have relatively low liquidity, it may not be possible for reserve managers to increase their allocation significantly more.

Figure 6: Other currencies (excluding US$, CHF, EUR, JPY and CHY) as a percentage of global allocated reserves
Source: Anchor, IMF



What about gold?

Aside from currencies, Central banks have also turned to gold, particularly since 2022. The freezing of Russia's reserves highlighted the appeal of physical assets held domestically, beyond the reach of sanctions. That said, like the "non-traditional currencies", gold's role as a major reserve asset remains constrained by market size. We estimate that the liquid, tradeable gold stock amounts to c. US$3.5trn - far below the nearly US$13trn in total FX reserves held globally.

Figure 7: EU current account balance, US$bn
Source: Anchor, Thomson Reuters

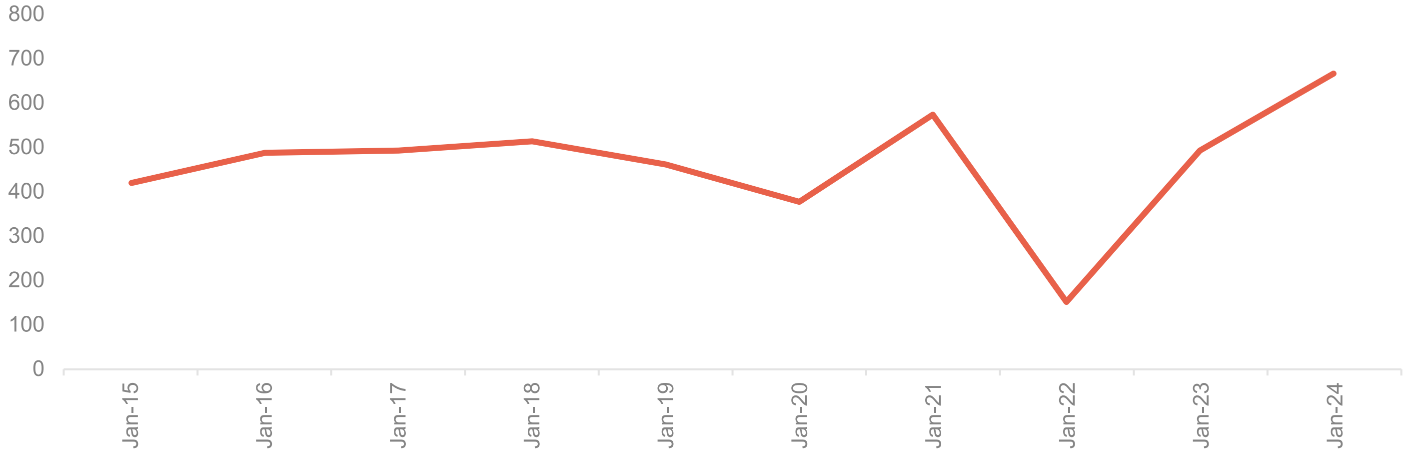


Figure 8: China's current account balance, US$bn
Source: Anchor, Thomson Reuters

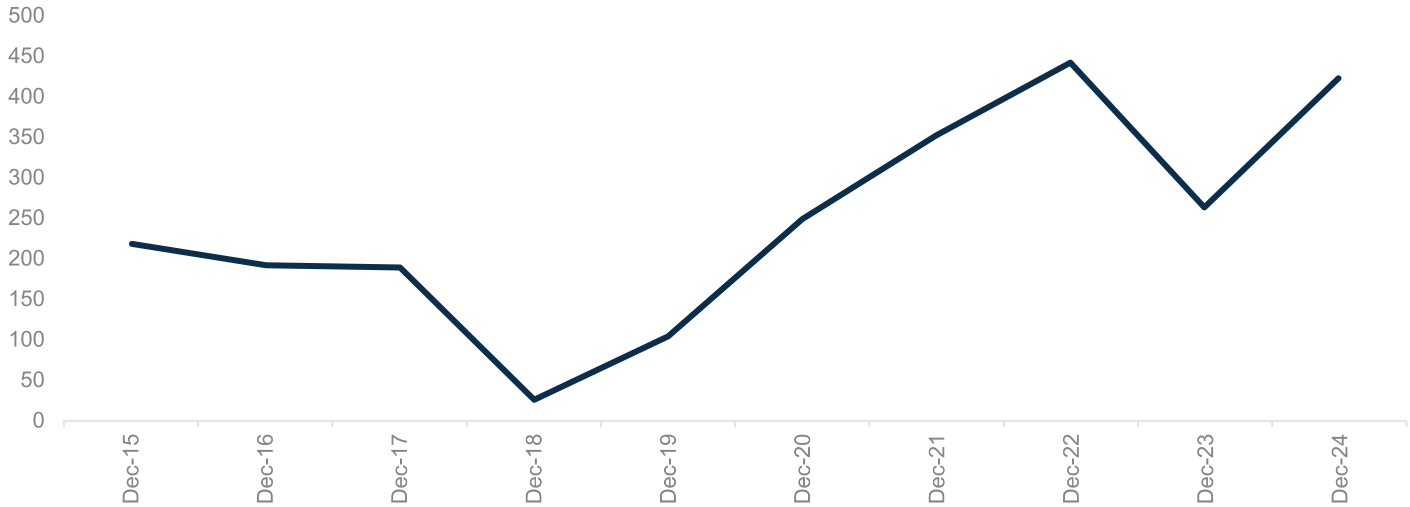
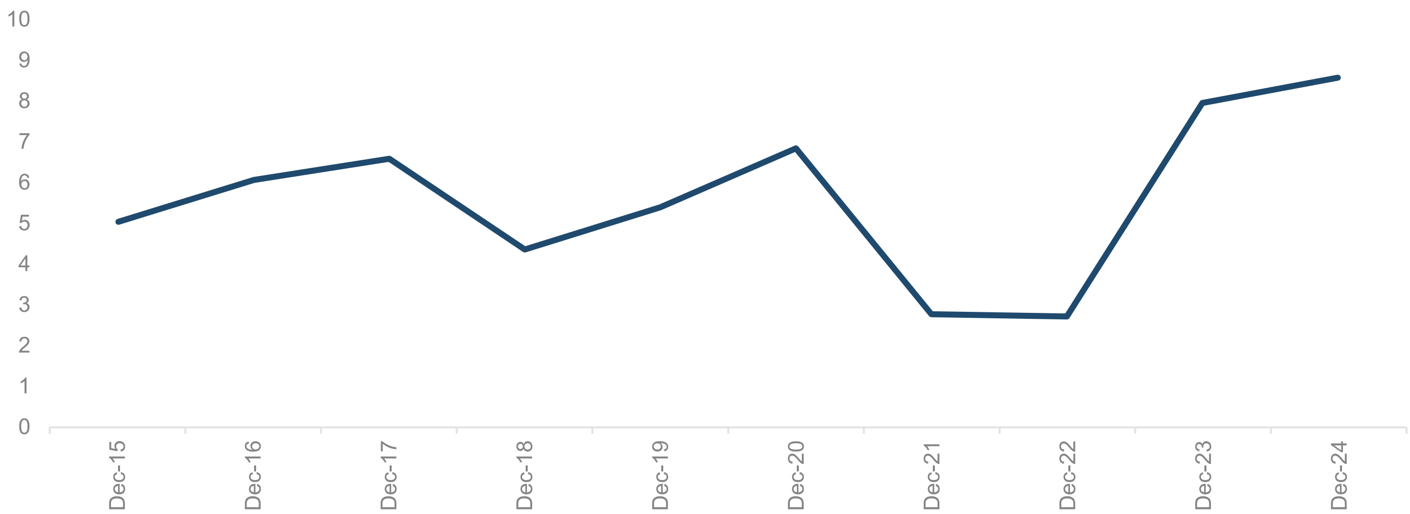


Figure 9: Japan's current account balance, JPYtrn
Source: Anchor, Thomson Reuters



A move away from the US dollar – current account balances

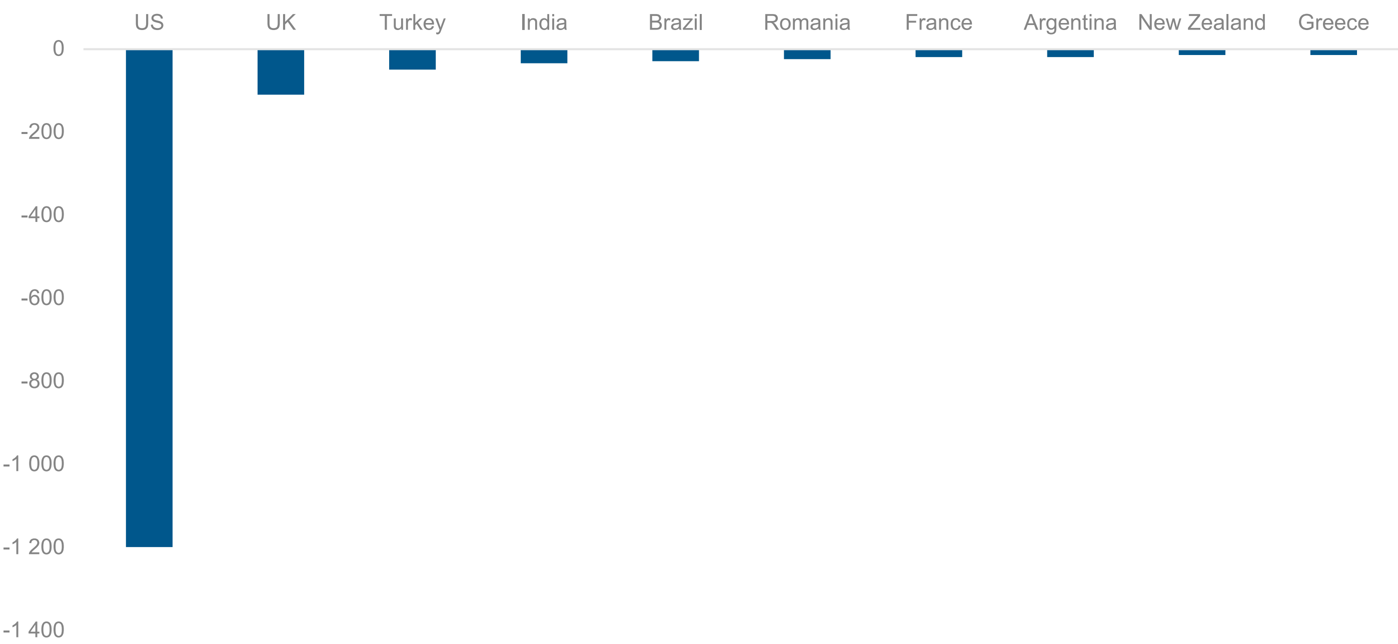
While there is no viable alternative to the dollar from a reserves point of view, there is one other way for the rest of the world to wean itself off the US dollar. This could also explain the sudden change in correlation between US bond yields and the US dollar, as markets are forward-looking.

The rest of the world is currently flooded with excess savings (*see Figures 7, 8, and 9*). By definition, a current account can be expressed as the difference between national (both public and private) savings and investment. China, the EU and Japan are running massive current account surpluses. At current exchange rates, these three economic blocs have an aggregate current account surplus above US$1.1trn on an annualised basis. For the rest of the world to wean itself off the US dollar, it must stop generating so much excess savings.

... China, the EU and Japan are running massive current account surpluses ...

According to macroeconomic principles, excess savings must flow to countries running current account deficits. The US currently runs a current account deficit of about US$1.2trn and offers the deepest and most liquid financial markets capable of absorbing this substantial pool of excess savings. In comparison, other deficit economies are simply too small to accommodate the vast volume of excess savings generated globally (*Figure 10*).

Figure 10: The 10 largest countries running current account deficits (in US$bn)
Source: Anchor, World Bank



For the US, a decline in excess savings in the rest of the world can lead to one of two outcomes - higher bond yields or a weaker dollar ...

With Germany and China looking to ease fiscal policy, these are early signs that the rest of the world's pool of excess savings may begin to shrink. If a larger share of EU and Chinese savings is redirected inward, less savings will flow abroad. For the US economy, a reduction in excess savings in the rest of the world can lead to one of two outcomes: higher bond yields or a weaker dollar. Since the Fed targets interest rates (ultimately the neutral rate) rather than the dollar, US bond yields will broadly reflect the Fed's stance, a pro-cyclical fiscal position and a jacked-up term premium on long-term bonds. This will then leave the dollar to absorb the impact of less excess savings from abroad flowing into the US.

In summary, while there are currently no credible challengers to the US dollar's status as the world's premier reserve currency, the dollar remains vulnerable. If the rest of the world begins to generate fewer excess savings, there will be less savings available to fund US deficits. Our bearish outlook on the dollar is not driven by fears of an imminent loss of reserve currency status, but rather by negative cyclical factors. Lower global savings, a relative slowdown in US growth momentum compared to the rest of the world, and a narrowing of the dollar's yield advantage are likely to weigh on the dollar's performance.

Anchored, but not Anchored down.

WRITTEN BY:
Neil Brown
Head of Anchor Asset Management (AAM)

Neil has worked in the financial services industry since 1993, beginning his career in actuarial work before moving into system and product development. He was part of the founding team of Glacier as the executive responsible for product and advisory solutions. He then joined Citadel, where, as MD of Citadel Administration Services and later Citadel Life, he led the establishment and growth of Citadel's local and offshore products and product businesses for 9 years. Neil then served as Citadel Group CEO for 5 years. After a period in private equity at Buffet Investment Services, Neil joined Anchor in November 2014 and currently heads Anchor Asset Management. He holds a BSC, BComm Honours (in Actuarial Science), and Diploma in Actuarial Techniques from the Faculty of Actuaries.

Business bodies

I was never going to be an Olympic gymnast. In fact, I was never going to be a gymnast at all. You see, my body does not bend well. It was not built that way. My genetic makeup does not include shallow or open joint sockets, more elastin vs collagen in my tendons and ligaments, longer muscle fibres, or any of the other natural genetic factors that result in increased flexibility.

Of course, it is not just about nature; it is also about nurture. You can maintain and improve your flexibility over time by stretching, mobility training, and avoiding injuries. Sounds great, but I find stretching and the like incredibly painful, difficult and embarrassing to do. And do not get me started on yoga — every pose I have ever attempted looks like a plank! Back of the class for me.

Genetics sets the ceiling, and conditioning determines how close you get to that ceiling.

Flexibility is good for the body, especially as we age. That is because over time, the natural processes rein everything in - connective tissues tighten, joint fluid decreases, and muscles shorten (especially with sedentary habits), making us more vulnerable to injury.

Businesses are similar.

Startups are inherently challenging and risky

Startups are inherently challenging and risky. According to the *US Bureau of Labor Statistics* and various global studies, out of 100 new businesses started, only 50 survive 5 years, and 30 survive 10 years. Fewer than 1 in 3 startups make it to 10 years, and those that do often look very different from how they began.

Most businesses start life flexible, fast, and founder-driven. They are entrepreneurial, hungry, and adaptive - pivoting to survive. There is little red tape, and decisions are made quickly by people close to the action. To make it, they must be nimble.

But as success compounds and scale is achieved, structure replaces instinct, process replaces hustle. Preservation becomes as important as progress, founders may step back or exit entirely, replaced by layers of professional managers, governance and risk management mature - but so does inertia. The flexibility fades. The organisational arteries harden.

But as success compounds and scale is achieved, the flexibility fades.

In the beginning, businesses - like bodies - are lithe and reactive. They twist, stretch, and pivot with ease. But as they grow, structure sets in. Processes calcify. Movement becomes more deliberate, sometimes slower. Agility is not lost all at once—it is given away in small increments of caution, compliance, and comfort. That is not necessarily a flaw; it is the natural arc of maturity. However, just as individuals can retain flexibility through discipline and conditioning, organisations can stay nimble by design.

At Anchor, being nimble is one of our defining characteristics.

Anchor

At Anchor, we do not just embrace being nimble; it is one of the defining characteristics of our business. While the Anchor Group has experienced significant growth in size and reach, it has done so in a way that maintains its nimbleness.

Being nimble is not just about being quick. It is also about adapting without drama, thinking independently, acting with purpose and staying light enough to move but grounded enough to hold your position—all great traits required to be successful in the highly competitive asset management industry.

Within AAM, we have deliberately maintained a lean structure.

Within Anchor Asset Management (AAM), we have deliberately maintained a lean structure. We are only just over ten years old, and many of our investment team members have been with us from the beginning, or close to it. We have not forgotten nor abandoned the traits that got us here, and we have maintained and developed structures and systems that preserve this flexibility, even as our business grows and matures.

The "size premium" in asset management

In his landmark paper "*The Relationship Between Return and Market Value of Common Stocks*", Rolf Banz (1981) found that smaller firms (by market capitalisation) earned higher average returns than larger firms over long periods. Marc Reinganum (1981–1983) expanded on Banz's work and linked the size effect to market inefficiencies. So, the size premium refers to the observed tendency for smaller companies to outperform larger companies on a risk-adjusted basis over the long term.

In asset management, the "size premium" refers to smaller asset managers outperforming larger ones, particularly in active strategies. This includes potentially stronger alpha generation, greater adaptability, and higher client alignment.

Key reasons why smaller managers outperform ...

Why might smaller managers outperform?

Here are the key reasons:

1. More nimble decision-making

- Smaller firms can move in and out of positions faster without moving the market.
- Layers of committees or bureaucracy do not bog them down
- Position sizing is less constrained by assets under management (AUM) — they can act on smaller, less liquid, high-conviction ideas.

2. Access to less-crowded opportunities

- Smaller managers can invest in niche, under-researched or capacity-constrained ideas, such as microcaps, thinly traded credit, or local anomalies.
- Large managers often cannot justify small positions due to scale, even if returns are compelling.

3. Higher alignment and accountability

- Founders and key portfolio managers (PMs) often have skin in the game.
- Client outcomes matter more — performance and relationships, not just scale, drive revenue.

4. Lower organisational inertia

- It is easier to shift strategy, integrate new research, or change views.
- No legacy systems, siloed teams, or "too-big-to-change" thinking.

5. Less index-hugging / benchmark constraint

- Larger managers tend to drift toward closet indexing to manage risk and maintain scale.
- Smaller managers often feel freer to take genuine active risks.

What does this mean for investors?

Small managers may offer higher alpha potential, a more personalised service, and better fee alignment.

A boutique of boutiques

We are often asked: Are you still a boutique? In total AUM terms, with R47bn being managed by AAM, no, we have grown well beyond that. Nevertheless, we are firmly of the view that we are a "boutique of boutiques".

At Anchor, we see ourselves as a "boutique of boutiques".

When considering the sizes of the assets managed in each of the asset management capabilities and funds, they fit firmly into the boutique classification (typically less than R5bn–R10bn in AUM per capability, though this varies by strategy and asset class). This 'boutique of boutiques' approach allows us to maintain the nimbleness and adaptability of a smaller firm while benefitting from the resources and expertise of a larger organisation.

Each of our investment teams operates independently, with deep specialisation, ownership, accountability and with the agility and attention you would expect from a boutique.

Local and global equities, fixed income, hedge funds, multi-asset, alternatives — every team is sized appropriately. Not too big to get stuck. Not too small to punch below their weight. Like the "three bears" of asset management, we aim to be "just right."

However, what makes our approach powerful is that we do not operate in silos. Ideas flow across teams. Fixed income informs macro views. Multi-asset collaborates with equities, fixed income, etc. The investment teams collaborate, sharing information, ideas and debating matters.

We have a connected boutique ecosystem. Boutique thinking. Collective wisdom.

Central to enabling this is shared infrastructure — operations, marketing, compliance, finance, IT, etc. All handled centrally to let the investment teams focus on what they do best - generating results. Within our operations and product areas, we have also set things up to be agile. We outsource administration with a range of suppliers, rather than establish our own Linked Investment Service Provider (LISP, financial jargon for an investment platform), collective investment scheme (CIS) management company (ManCo) or other product structures. We partner and use a range of local and global suppliers. This enables us to move quickly and not be constrained by our internal product and administration development capabilities. We outsource what slows others down, giving us the flexibility to plug in or unplug structures as needed.

So what? Why does it matter?

Nimbleness matters because markets shift.

Nimbleness matters because markets shift. Clients evolve. And rigid institutions fall behind. By staying lean, collaborative, and entrepreneurial, we are well-positioned to deliver good outcomes for clients without the drag of bureaucracy.

Our connected boutique ecosystem provides us with the "size premium" advantage, while also relieving the operational, marketing and compliance burdens that weigh down smaller firms. This enhances our ability to stay focused on what really matters: client outcomes.

Asset management has one primary job — to deliver returns above or in line with expectations ...

At its core, asset management has one primary job — to deliver returns above or in line with expectations, at the level of risk it promises. That is simple to say, harder to do. In some mandates, it may be straightforward, but in many, it is a journey, and not always a straight line. Clients do not disappear for five years and check back in at the end. They experience the journey with us. And that is why nimbleness matters: to adjust, to respond, to realign — before it is too late.

Being nimble makes a difference:

- For our clients: Faster responses mean more personalised solutions and real alignment.
- For our teams: Ownership, autonomy, accountability.
- For the business: Structural agility in a world in constant flux.

Nimble is not just a word we like. It is a mindset. Our structure allows us to pivot, adapt, and perform. Nimbleness is no longer optional. It is essential.

The pace of change is not slowing. But we are built, and building, for it. Agile by design, resilient by nature.

"A ship *anchored (my insertion)* in harbor is safe, but that is not what ships are built for." – *John A. Shedd*, from his 1928 book *Salt from My Attic.*

Anchors are solid and sturdy, not known for their flexibility. They exist to provide stability and reassurance when it is needed most. But their role is not to keep a ship moored forever. The anchor travels with the ship. It lifts when it is time to set sail — to explore, to race, to weather storms — and is there when you need to steady.

That is how we see Anchor, not as something that holds us back, but as the very thing that gives us the confidence to move forward, with purpose and stability.

We remain ANCHORed. Just not ANCHORed down.

Why diversification still matters—even in the age of equity market superstars.

WRITTEN BY:
Mike Sithole
Portfolio Management

Mike has worked in the financial services industry since 2004. He started as a relationship manager at Investec Asset Management, then transitioned to a role as a stockbroker at Investec until 2009. In the same year, Mike joined Stanlib as its head of fund research and analysis. Thereafter, he took the position of senior portfolio manager at Ashburton Investments and then moved to Old Mutual Wealth, where he worked with high-net-worth clients. He joined Anchor in 2024. Mike holds a BCom degree from the University of South Africa and is a CFA charterholder.

Shortly after US President Donald Trump's initial tariff announcement on 2 April 2025, a financial advisor called me in a panic. One of his clients, rattled by a 6% drop in their portfolio, wanted to liquidate everything. I spoke to the client and convinced him to stay invested, but the episode revealed an apparent misalignment between his risk appetite and portfolio structure.

Diversification is about aligning risk with client comfort and expectations.

The term 'diversification' is often misunderstood. It is more than just spreading investments around—it is about aligning risk with client comfort and expectations. This article revisits diversification by asking:

- What is diversification?
- How should a portfolio be diversified?
- Does it still make sense in the age of stock market superstars?

What is diversification?

The classic definition—"don't put all your eggs in one basket"—holds. Spreading investments across different asset classes or regions reduces the risk of one poor performer derailing your entire portfolio. It also balances capturing upside during bull markets with protecting downside during bear phases.

For SA investors, global diversification is especially vital. Our domestic market is small, and adding foreign equities can reduce country-specific risks. For US and UK investors, whose domestic shares already provide broad international exposure, additional global diversification offers diminishing benefits.

Understanding client risk appetite

Diversification should align with the client's risk profile. If risk tolerance is not adequately assessed, clients may panic during market downturns, like the one described above.

Diversification should align with the client's risk profile.

Advisors should consider both quantitative (age, income, assets) and qualitative (attitudes, experience) factors. Questionnaires are helpful, though imperfect, tools to gauge risk tolerance. Crucially, client risk perceptions evolve, especially after crises like the 2008 financial collapse. A client once comfortable with risk may turn conservative. Portfolios must adapt accordingly.

How should advisors diversify a client's portfolio?

Start with asset classes:

- Equities for growth.
- Bonds for income and stability.
- Property or commodities (like gold) as inflation hedges.

Then diversify across:

- Geographies: This reduces country-specific risks.
- Sectors: To mitigate the risk of downturns in specific industries.
- Investment styles: Balances different performance cycles (e.g., growth vs value).

Studies show diversification benefits peak at around 15–20 shares across multiple industries. Simply increasing the number of holdings can dilute returns without reducing risk.

With unit trusts, mixing managers does not always equal diversification. SA's limited market often leads to overlapping holdings, undermining true diversification.

The power of correlation in diversification

Effective diversification relies on low correlation between assets—how similarly they move. For example, as the table below shows, local equities and bonds have a low correlation (0.23), meaning one may rise when the other falls. Similarly, offshore and local equities (0.46) and gold (with its low correlation to different asset classes) can stabilise portfolios due to their distinct movements relative to local assets. Understanding and utilising these correlations can help in building more resilient portfolios.

Figure 1: Correlation between various asset classes
Source: Anchor

2005 - 2025	Cash	Bonds	Equity	Property	Foreign Cash (R)	Foreign Bond (R)	Foreign Equity (R)	Gold (R)
Cash								
Bonds	0.03							
Equity	-0.14	0.23						
Property	-0.03	0.56	0.45					
Foreign Cash (R)	0.04	-0.54	-0.31	-0.40				
Foreign Bonds (R)	0.06	-0.34	-0.18	-0.27	0.88			
Foreign Equity (R)	-0.19	-0.18	0.46	0.11	0.43	0.47		
Gold (R)	0.11	-0.25	-0.06	-0.28	0.54	0.61	0.17	

A common mistake is combining multiple unit trust funds with similar holdings, especially within the same market. Without underlying asset diversity, you risk synchronised losses during downturns.

Diversification during bull vs bear markets

Diversification's true value shows during bear markets. While bull runs tempt investors to concentrate on winners like Nvidia or Netflix, that strategy carries huge downside risks.

A R1mn investment in Nvidia 10 years ago would be worth R374mn today. Netflix? R20mn. These results are impressive, but only visible in hindsight. Nobody can predict which companies will become runaway winners.

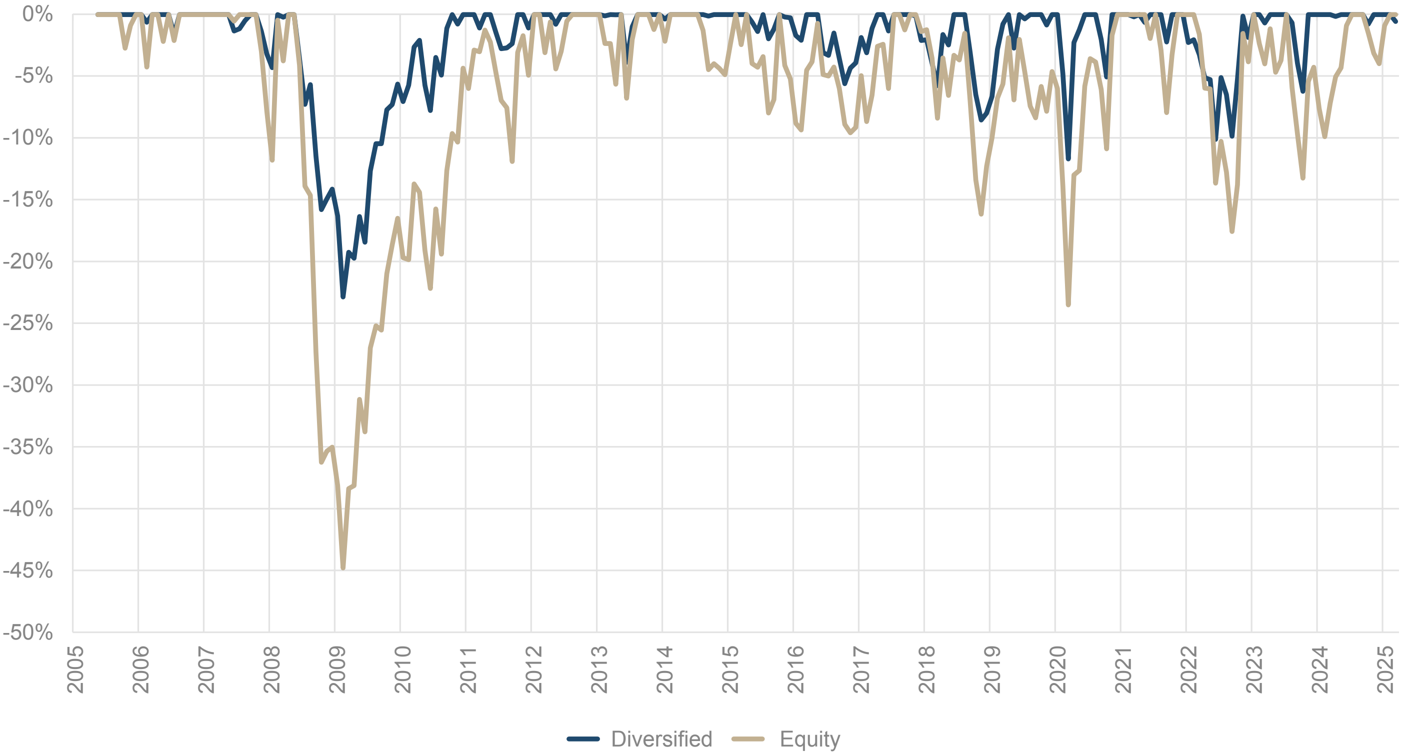
Diversification widens the net, boosting your chances of capturing some winners while protecting against severe losses. It may limit some upside but shields against rash decisions in downturns, preserving long-term wealth and peace of mind.

Diversification boosts your chances of capturing some winners while protecting against severe losses.

Smart portfolio managers size positions so that failures do not hurt much, but winners make a significant impact.

For example, during the 2008 GFC and the COVID-19 crash in 2020, a diversified portfolio (35% local equities, 20% bonds, 30% global equities, 5% property, 5% foreign cash, 5% local cash) experienced significantly smaller losses than an equity-only portfolio, as *Figure 2* shows. Over time, it also showed lower volatility, resulting in a smoother investment journey.

Figure 2: Diversified portfolio vs an equity-only portfolio during market drawdowns
Source: Anchor



As markets grow more interconnected, correlations have increased. But with geopolitical shifts and rising nationalism, future decoupling is possible, which would make diversification even more valuable.

Key takeaways:

- Diversification reduces risk and volatility.
- Spread your investments across asset classes, sectors, geographies, and styles.
- Use correlation insights to build more resilient portfolios.
- Avoid excessive concentration—even in high-performing shares.

Final thoughts: Why diversification still makes sense

Diversification remains essential, even when superstar shares dominate the headlines. It provides a safety net in uncertain markets and aligns portfolios with client risk profiles.

Ultimately, investing is not about hitting home runs—it is about building sustainable, long-term wealth that can weather market uncertainties and provide a secure financial future.

Essential considerations when drafting a will

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.

In our 2Q25 Navigator article entitled *Estates: Are you prepared for a 'What If' event and what happens thereafter?*, dated 24 April 2025, we looked at what is involved in winding up an estate and the complexities thereof. Your will is the single most important document in that process, and on death, it is your will that determines how your estate will be distributed to your heirs. However, before we look at what to consider in your will, what happens if there is no valid will?

Intestate

If no valid will exists, the estate is intestate

If there is no valid will, the estate is then **intestate**. The estate is distributed according to the rules set out in the **Intestate Succession Act 81 of 1987**, which prioritises close family members such as spouses, children, parents, and siblings – the wishes of the deceased are not taken into account. The estate devolves as per the act. This can lead to a distribution of your estate that may not align with your wishes, causing unnecessary stress and disputes among your heirs. This is a situation easily avoided by having a will.

Definition of a will

It is the **Wills Act 7 of 1953** that governs the drafting, execution, and validity of wills – hence, your **will** is a **legal** document that ensures your assets are distributed according to **your wishes** after your death. It is a fundamental part of estate planning and provides clarity and direction to those left behind. Drawing up a will is a responsible and often essential step, particularly as life circumstances change.

Drawing up a will is a responsible and often essential step …

Considerations

There are several important considerations to keep in mind when drafting a will to ensure that it is **legally valid, determines who gets what and helps to minimise disputes among heirs.**

There are important considerations to keep in mind when drafting a will …

1. Legal and Testamentary Capacity

Before drafting a will, it is crucial to ensure that you meet the legal requirements for making one. In SA, the testator (the person making the will) must be:

- At least **16 years old**; and
- Of **sound mind**, meaning they understand the nature and consequences of their will.

2. Appointing an Executor

The **executor** is the linchpin of your estate planning, the person or institution responsible for administering your estate. This includes collecting assets, paying debts, and distributing inheritances. Choosing the right executor is crucial, as they will be entrusted with carrying out your wishes and ensuring a smooth transition of your estate to your heirs.

Consider the following when deciding on an executor:

- Choose someone trustworthy, competent, and familiar with your affairs.
- Appoint a professional (e.g., attorney, accountant, or trust company) if your estate is complex.
- Name an alternate executor in case the first is unable or unwilling to act.
- Inform the person you have nominated so they are prepared.

3. Identifying Beneficiaries

Clearly specify who is to inherit from your estate. Beneficiaries may include:

- Your spouse or life partner
- Children or stepchildren
- Extended family
- Friends
- Charities or religious institutions

Include the **full names, ID numbers**, and **relationship** to you to avoid any ambiguity. Consider what should happen if a beneficiary predeceases you. You may wish to:

- Name substitute beneficiaries
- Indicate that their share should go to their descendants
- If the descendants are minors, a clause setting up a testamentary trust may be appropriate

Consider what should happen if a beneficiary predeceases you …

4. Assets

It is not necessary to list assets in a will, but it does help to consider what assets are in your estate, such as:

- Property
- Investments
- Bank accounts
- Vehicles
- Personal possessions
- Digital assets

Be specific about shared assets (e.g., if married in community of property) and consider practical issues such as liquidity—can your estate meet the cash needs for tax and administrative costs?

Be specific about shared assets and consider practical issues such as liquidity …

5. Distribution of Assets

Detail how your assets should be distributed. This includes:

- **Bequests:** Amounts or assets to be left specifically to a particular beneficiary, e.g., "R10,000 to my godchild, namely ……."
- **Residue clause:** The remainder of the estate after debts and bequests. e.g., "All the residue of my estate to my spouse."

6. Guardians for Minor Children

If you have children under 18, appoint a **guardian** in your will. This person will assume parental responsibilities and rights in the event of your death. Without a will, the decision may be left to the courts.

Consider:

- Appointing someone who shares your values and lifestyle
- Financial provision for the guardian
- Including a backup guardian

7. Creating a Testamentary Trust

If you leave assets to minors or vulnerable dependents, consider a testamentary trust …

If you leave assets to **minor children** or vulnerable dependents, consider establishing a testamentary trust in your will. A **testamentary trust** is a legal arrangement that allows a trustee to manage and distribute your assets according to your instructions after your death. This ensures trustees manage their inheritance until they reach a specified age or milestone.

Trusts can:

- Protect assets from mismanagement
- Prevent forced sale of assets
- Provide regular income to beneficiaries
- Enable conditional or staggered payments

8. Tax Implications and Estate Duty

In SA, your estate may be subject to:

- **Estate duty** (20%–25% above R3.5mn estate value)
- **Capital gains tax (CGT)** on deemed disposal at death
- **Executor's fees**
- **Administration and legal costs**

Planning through your will (e.g., bequests to a spouse which are estate-duty exempt, or charitable bequests) can reduce the tax burden. Consider liquidity needs to ensure that assets need not be sold to pay taxes.

9. Marital Regime

Your marital property regime affects your estate. In SA, these include:

- In community of property: All assets and debts are shared equally.
- Out of community of property with accrual: Only the growth in assets during the marriage is shared.
- Out of community of property without accrual: Each spouse keeps a separate estate.

These regimes affect which assets form part of your estate and the rights of your spouse. Your will must be consistent with your marital contract. This becomes particularly important with second marriages.

10. Funeral and Burial Wishes

You may include non-binding **funeral instructions** in your will. Although not legally enforceable, expressing your wishes (e.g., cremation vs burial, organ donation, religious rites) can reduce family conflict and guide your loved ones.

11. Revocation of Previous Wills

Your new will should state clearly that it **revokes all previous wills and codicils**, to avoid confusion and potential disputes. If you have multiple wills for assets in different jurisdictions, ensure they do not unintentionally cancel each other.

12. Signing and Witnessing Requirements

To be valid in SA under the **Wills Act**, a will must be:

- In writing
- Signed by the testator on each page
- Signed by **two competent witnesses** who are **not beneficiaries in the presence of the testator at the same time as they are signing.**

13. Storage and Accessibility

Store your will in a **safe but accessible place**, such as:

- A lawyer's office
- A bank or trust company
- A fireproof home safe

Ensure your executor or family knows where to find it. A lost or destroyed will can cause severe complications, with your estate potentially devolving under **intestate succession** laws.

Ensure your executor or family knows where to find your will ...

14. Updating Your Will

Your will should reflect your **current wishes and life circumstances**. Review and update your will:

- After marriage or divorce
- On the birth or adoption of children
- After acquiring or disposing of significant assets
- If a beneficiary or executor dies
- Every 3–5 years

15. Avoiding Disputes

To reduce the risk of family conflict or will challenges:

- Communicate your intentions openly if appropriate
- Be unambiguous in your wording
- Use professional assistance to draft your will

16. Wills in Multiple Jurisdictions

Owning assets in more than one country means you should consider wills for each jurisdiction ...

If you own assets in more than one country (particularly immovable property), consider **separate wills for each jurisdiction**. Each will should apply only to assets in that country and be coordinated to avoid revoking the others. This helps ensure faster administration and compliance with foreign legal systems.

Conclusion

The importance of your will being drafted to your specifications cannot be underestimated, as can be seen from what has to be considered. Every individual's circumstances are different, and these do change over time, and a will can be redrafted at any point.

If you need assistance, please contact Kate Trollip at kate@rcinv.co.za

Performance Summary

	FUND PERFORMANCE									BENCHMARK PERFORMANCE								
	Start date	Annualised p.a.	Since inception	5 Year	3 Year	12-month	6-month	3-month	June-25	Annualised p.a.	Since inception	5 Year	3 Year	12-month	6-month	3-month	Mar-25	Performance vs Benchmark
UNIT TRUSTS																		
Anchor BCI Equity Fund	Apr-13	10,6%	244,9%	14,3%	17,0%	25,3%	13,2%	10,1%	3,0%	9,7%	211,1%	16,2%	15,9%	24,6%	16,1%	9,7%	2,2%	33,8%
Anchor BCI SA Equity	Aug-21	14,5%	66,8%	N/A	N/A	23,9%	12,4%	11,2%	3,2%	13,1%	62,1%	N/A	N/A	24,6%	16,1%	9,7%	2,2%	4,7%
Anchor BCI Flexible Income Fund	Jun-15	7,6%	108,9%	7,6%	9,4%	10,8%	4,6%	2,8%	1,0%	7,2%	101,8%	6,9%	8,5%	8,8%	4,1%	2,0%	0,7%	7,1%
Anchor BCI Managed Fund	Jan-15	7,3%	108,1%	11,8%	14,3%	17,2%	6,3%	6,3%	1,8%	7,6%	114,4%	11,9%	13,4%	15,2%	7,1%	6,4%	1,9%	-6,4%
Anchor BCI Worldwide Flexible Fund	May-13	12,6%	323,0%	14,8%	25,6%	25,7%	10,6%	8,3%	2,7%	8,9%	181,7%	9,2%	8,8%	6,8%	4,1%	1,8%	0,5%	141,3%
Anchor BCI Property Fund	Nov-15	0,6%	5,7%	11,4%	11,5%	17,1%	3,1%	8,8%	0,9%	2,2%	23,9%	16,6%	19,8%	23,9%	5,3%	9,1%	-0,9%	-18,1%
Anchor BCI Global Equity Feeder	Nov-15	14,0%	255,1%	10,7%	17,9%	28,5%	6,0%	14,9%	4,1%	13,4%	237,0%	13,9%	20,4%	11,8%	2,5%	7,1%	2,7%	18,1%
Anchor BCI Bond Fund	Feb-16	9,9%	143,9%	10,5%	13,6%	18,9%	6,9%	6,3%	2,5%	9,9%	143,2%	10,9%	13,4%	18,4%	6,6%	5,9%	2,3%	0,7%
Anchor BCI Diversified Stable Fund	Feb-16	8,6%	117,6%	11,0%	12,7%	16,4%	7,4%	5,6%	2,0%	7,6%	98,5%	9,7%	11,6%	13,3%	5,7%	4,7%	1,5%	19,1%
Anchor BCI Diversified Moderate Fund	Feb-16	8,4%	113,9%	12,2%	13,5%	17,2%	8,3%	6,4%	2,2%	7,7%	101,3%	10,7%	12,4%	14,2%	6,5%	5,7%	1,8%	12,5%
Anchor BCI Diversified Growth Fund	Feb-16	8,3%	112,7%	13,6%	14,8%	18,6%	9,1%	7,1%	2,2%	8,1%	107,6%	11,9%	13,4%	15,2%	7,1%	6,4%	1,9%	5,2%
Anchor BCI Africa Flexible Income	Mar-16	6,7%	83,8%	5,9%	12,7%	7,8%	-1,0%	1,3%	2,1%	8,8%	118,9%	8,3%	9,8%	10,1%	4,7%	2,3%	0,8%	-35,2%
Anchor BCI Global Technology Fund	Jun-19	12,4%	102,9%	6,3%	21,8%	18,3%	8,5%	12,7%	5,9%	25,5%	297,6%	19,8%	31,2%	9,6%	-1,1%	13,6%	4,9%	-194,7%
Anchor BCI Flexible Fund	Oct-24	N/A	9,4%	N/A	N/A	N/A	9,0%	8,8%	2,5%	N/A	5,9%	N/A	N/A	N/A	4,6%	2,1%	0,6%	3,5%
Anchor BCI Core Income Fund	Sept-20	7,8%	43,4%	N/A	9,1%	9,7%	0,0%	2,3%	0,8%	6,3%	34,6%	N/A	7,8%	8,1%	3,8%	1,9%	0,6%	8,8%
Anchor BCI Global Flexible Income Fund	Sept-20	3,6%	18,4%	N/A	7,2%	3,3%	-2,8%	-1,7%	0,3%	4,7%	24,7%	N/A	8,1%	2,5%	-3,5%	-2,2%	-1,2%	-6,3%
Anchor BCI Worldwide Opportunities Fund	Feb-21	7,7%	38,2%	N/A	14,3%	18,0%	7,3%	9,8%	2,5%	5,3%	25,5%	N/A	4,8%	2,8%	2,2%	0,9%	0,2%	12,7%
EQUITY NOTES & SEGREGATED MANDATES																		
Anchor Equity	Jul-13	10,2%	221,7%	17,6%	15,6%	18,0%	5,6%	7,1%	0,0%	9,8%	208,9%	16,1%	15,9%	24,6%	16,1%	9,7%	2,2%	12,8%
HEDGE FUNDS																		
Anchor Stable SNN RIHF	Jul-03	12,3%	1177,3%	13,2%	12,9%	12,3%	4,5%	3,4%	1,6%	7,2%	359,5%	6,3%	7,8%	8,1%	3,8%	1.9%	0.6%	817,8%
Anchor Accelerator	Feb-16	7,3%	94,3%	4,0%	7,5%	13,5%	1,3%	7,1%	2,0%	8,3%	110,8%	6,3%	7,8%	8,1%	3,8%	1.9%	0.6%	-16,5%
OFFSHORE																		
High Street Equity - Dollars	Jun-12	11,2%	296,0%	10,9%	19,8%	28,1%	19,3%	15,3%	4,4%	12,1%	339,7%	15,1%	18,9%	16,8%	9,8%	11,6%	4,3%	-43,7%
High Street Equity - Rands	Jun-12	18,0%	765,7%	11,6%	23,4%	25,4%	12,4%	11,5%	2,8%	18,9%	851,7%	15,5%	22,3%	13,5%	2,9%	7,7%	2,7%	-86,0%
Offshore Balanced - Dollars	Jun-12	8,6%	192,0%	8,0%	14,0%	21,1%	14,5%	10,9%	3,3%	7,2%	148,1%	8,2%	12,0%	13,4%	8,7%	8,7%	3,3%	43,9%
Offshore Balanced - Rands	Jun-12	15,4%	541,8%	8,8%	18,2%	18,6%	7,8%	7,2%	1,8%	13,8%	434,8%	8,5%	15,0%	11,2%	3,5%	4,0%	1,7%	107,0%
Global Dividend - Dollars	Jan-14	8,5%	153,6%	12,0%	12,5%	16,7%	11,1%	6,9%	2,6%	10,9%	226,9%	15,1%	18,9%	16,8%	9,8%	11,6%	4,3%	-73,3%
Global Dividend - Rands	Jan-14	13,0%	305,6%	12,5%	15,8%	14,3%	4,7%	3,3%	1,0%	15,5%	420,8%	15,5%	22,3%	13,5%	2,9%	7,7%	2,7%	-115,2%
Anchor Global Stable Fund - Dollars	May-15	2,4%	27,4%	3,8%	6,7%	9,1%	5,0%	2,4%	1,4%	3,5%	42,0%	4,4%	5,2%	4,0%	2,0%	1,0%	0,3%	-14,5%
Anchor Global Stable Fund - Rands	May-15	6,3%	85,8%	4,2%	9,8%	6,1%	-1,5%	-1,1%	-0,2%	7,5%	107,0%	4,8%	8,2%	1,3%	-4,1%	-2,4%	-1,3%	-21,2%
Anchor Global Equity - Dollars	May-15	13,1%	245,1%	12,8%	17,5%	36,3%	15,7%	22,0%	6,1%	9,6%	151,5%	13,7%	17,3%	16,2%	10,0%	11,5%	4,5%	93,7%
Anchor Global Equity - Rands	May-15	17,4%	403,3%	13,3%	20,9%	32,4%	8,5%	17,7%	4,4%	13,7%	266,7%	14,1%	20,7%	12,9%	3,2%	7,6%	2,8%	136,6%
RCI UNIT TRUSTS																		
RCI BCI Flexible Growth Fund	Sept-16	11,6%	162,5%	10,6%	24,7%	28,8%	3,8%	25,1%	9,5%	9,7%	125,3%	10,2%	9,8%	7,8%	4,6%	2,1%	0,6%	37,2%
RCI BCI Worldwide Flexible Fund	Dec-16	9,8%	122,4%	7,1%	20,1%	17,6%	10,8%	13,9%	3,7%	8,7%	104,6%	9,2%	8,8%	6,8%	4,1%	1,8%	0,5%	17,8%

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