

ANCHOR

NAVIGATING
CHANGE

THE NAVIGATOR

STRATEGY AND ASSET ALLOCATION REPORT
4TH QUARTER 2025



Table of Contents

Introduction	03
Asset Allocation	04
Asset Allocation Summary	05
Strategy & Asset Allocation, 4Q25	07
Anchor Insights	20
Implied valuations: What is being priced into global stocks?	21
Are you taking enough risk?	29
Tides of change; local strains: SA's growth conundrum in a multipolar world	32
Investing in emerging markets: Opportunities and considerations	37
What makes Anchor different?	39
SA's marital regimes and their impact on an individual's estate	42
Performance Summary (Anchor Fund Performance)	44

Introduction



WRITTEN BY:

Nolan Wapenaar,
Chief Investment Officer



Peter Armitage,
Chief Investment Officer

Fortune continues to favour the brave as the most unloved bull market in recent memory persists despite a steady stream of reasons for investors to turn cautious. Tariffs, US election uncertainty, ongoing geopolitical tensions, China's property bubbles, and stubborn inflation have all threatened to derail sentiment. Yet, markets have continued to climb. Strong earnings momentum, especially in the US, has been a key driver behind this resilience, propelling markets to all-time highs. The rise of artificial intelligence (AI) has further sparked efficiency gains, a trend that is likely to support markets for some time yet.

Those investors who have been able to look through the noise and remain invested have been rewarded with meaningful growth in their portfolios, underscoring the value of a long-term perspective in navigating uncertain markets.

You will see in this document that the momentum propelling markets is expected to continue. Although prices are high and volatility is likely to remain elevated, we believe that earnings growth will also remain robust. We expect the US interest rate-cutting cycle to continue, which will provide further impetus to investors' risk appetite. We are supporters 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. As interest rates come down through the rate-cutting cycle, we expect that the attractiveness of alternatives will increase.

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

We think the current rand levels vs the US dollar are reasonable to externalise a portion of your portfolio. Although we expect the rand to hover at around current levels over time, we find that the investment opportunities abroad are compelling.



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				10
Bonds				9
Listed property				11
Cash				7
Alternatives*				10 to 15
Rand vs US dollar (rand stronger)				1.6
GLOBAL				
Equity				8
Government bonds				4
Corporate credit				4
Listed property				6
Cash				4
Alternatives*				8 to 12

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

Asset Allocation Summary

We have seen an uptick in global economic activity relative to the low expectations that pervaded a quarter ago. We are also seeing a more stable environment as investors fret less over political actions. Risk assets have performed well over the last quarter, and our starting points for asset prices are higher than previously. Overall, we still favour risk assets, though our expected returns are reflective of the higher starting prices. You will see that we

continue to favour alternatives both domestically and abroad.

Figure 1 below highlights the US dollar return outlook for the various global asset classes. The bar in Figure 1 indicates the reasonable range of possible outcomes, with the dots representing our estimated outcomes in the various scenarios. All asset classes have attractive expected returns, though we find global alternatives (not shown) to be the most appealing.

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

Source: Anchor

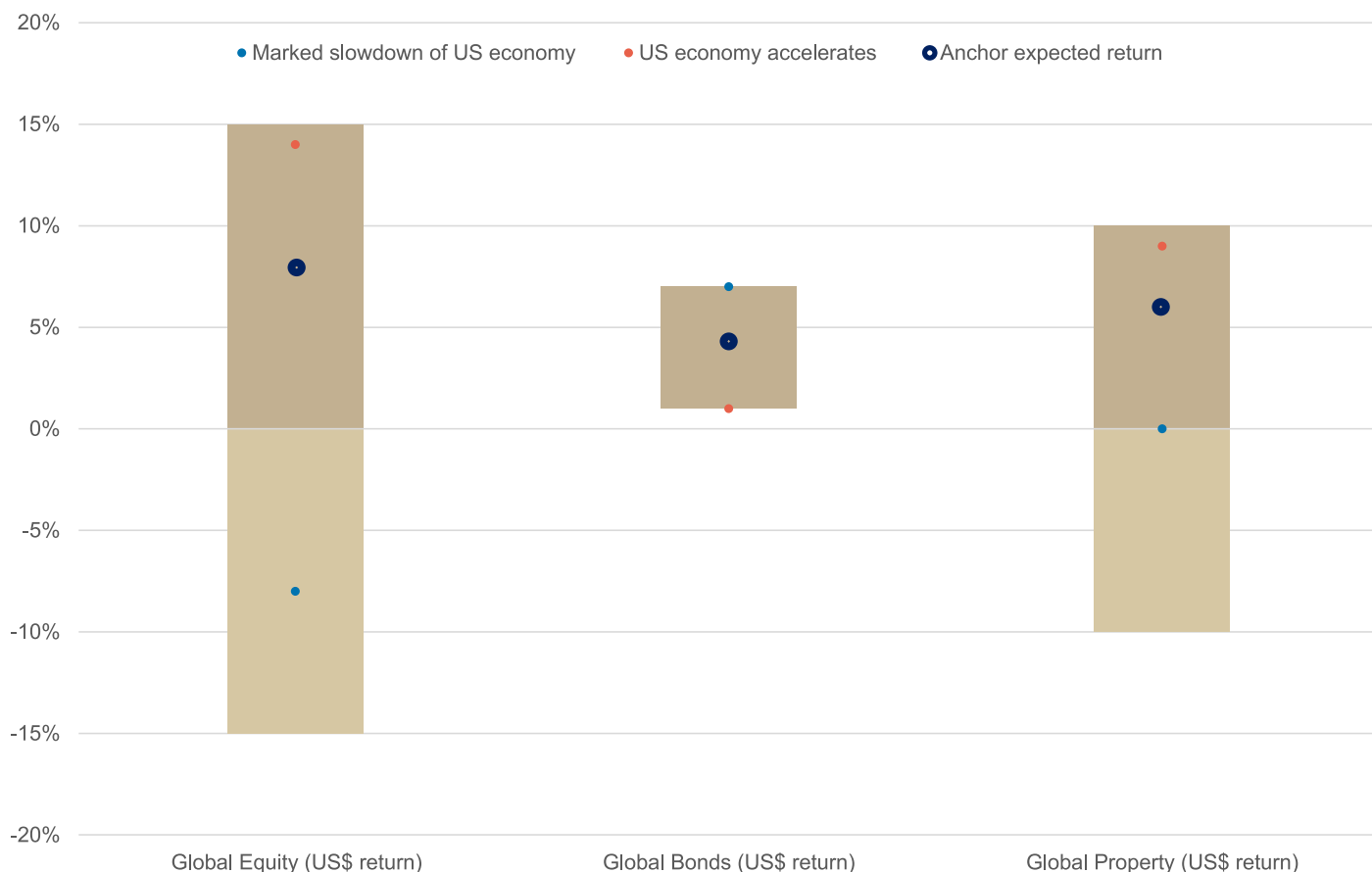


Figure 2: Anchor expected returns by offshore asset class

Source: Anchor

	Global equity	Global bonds	Global property
Anchor expected return (in US dollar)	8%	4%	6%

Figure 3 below outlines the rand return outlook for several domestic asset classes. The bar represents the reasonable range of possible outcomes, with the dots indicating our estimate of the outcome under various scenarios. From a domestic perspective, we anticipate a modest recovery

in the rand from stressed levels as the US dollar weakens a little further. We are most positive on alternatives (not shown), which allow investors to diversify beyond traditional assets and help reduce overall portfolio volatility, smoothing returns across market cycles.

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

Source: Anchor

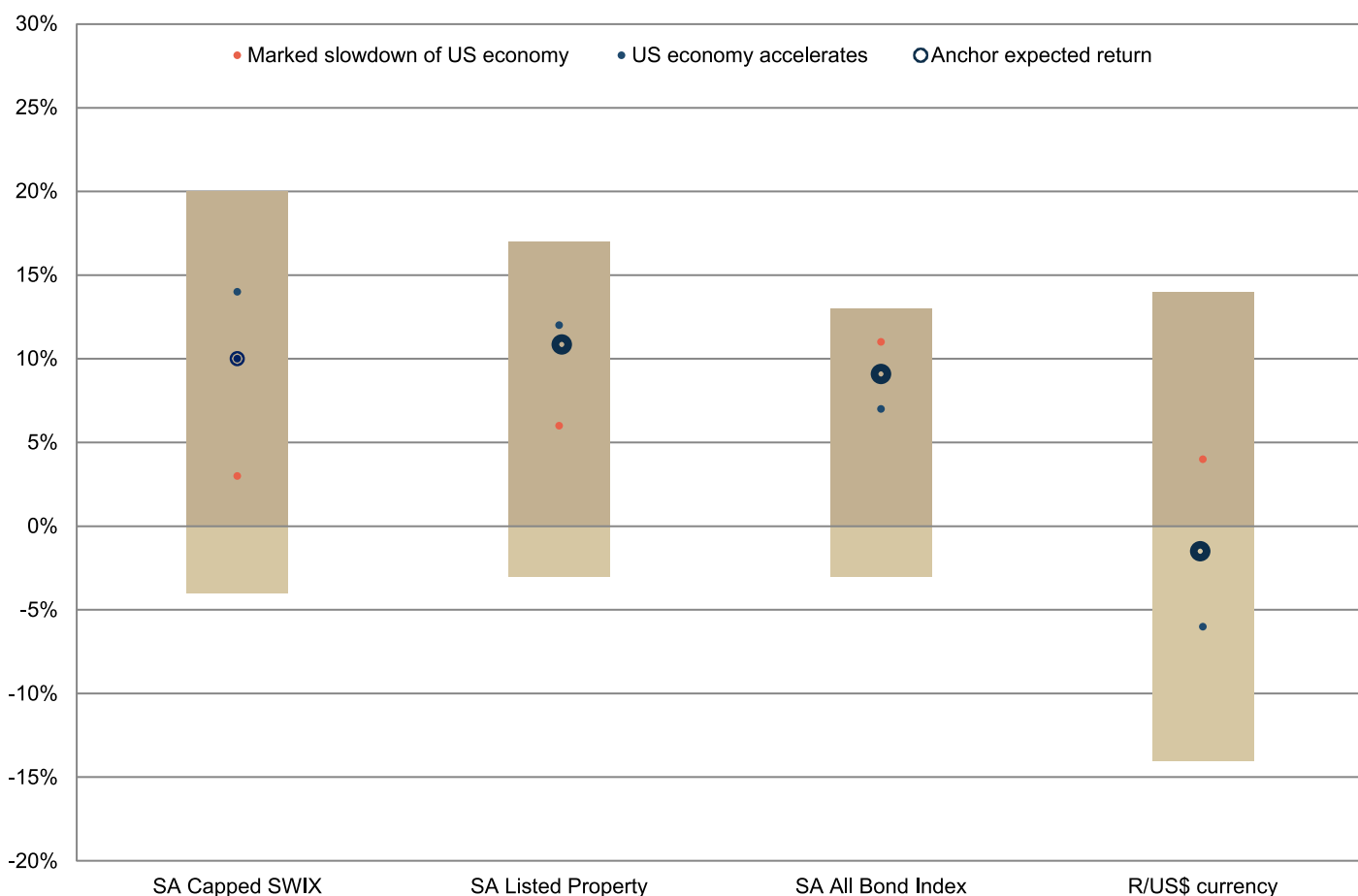


Figure 4: Anchor expected return for domestic asset classes

Source: Anchor

	Domestic equity	Domestic bonds	Domestic property	US\$/rand
Anchor expected return (in rand)	10%	9%	11%	1.6%

Strategy and Asset Allocation, 4Q25

ECONOMICS

As we shift into the last quarter of 2025, the global backdrop remains more uncertain than ever, amid escalating US tariffs, geopolitical tensions, and growing geoeconomic fragmentation. Nonetheless, growth has proven resilient: the IMF now expects the world economy to expand by 3.0% in 2025 and 3.1% in 2026, up from April's projections. This strength partly reflects the front-loading of global production and trade ahead of higher tariff rates, supported by easier financial conditions, a softer US dollar, buoyant equity markets, and fiscal expansion in major economies.

However, this momentum is likely to fade in the second half of 2025 as front-loaded activity unwinds, and policy uncertainty dampens investment. China's growth is expected to slow to 4.8% in 2025 and 4.3% in 2026 amid weaker exports, fading fiscal support, and property-sector imbalances. Japan faces moderating corporate profits and investment, while the UK contends with fiscal tightening, policy uncertainty and higher trade costs. Europe's recovery remains constrained by persistent industrial weakness and the lingering effects of its energy realignment. Nevertheless, eurozone growth should gradually strengthen next year, underpinned by easier credit conditions following European Central Bank (ECB) rate cuts, infrastructure spending in Germany, and higher defence expenditure.

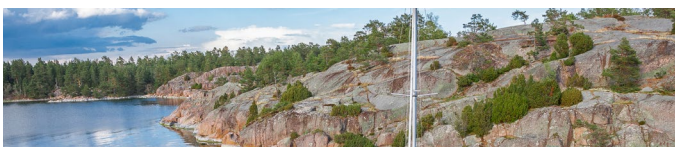
In the US, tariff effects are compounded by lower immigration and shrinking public employment, even as technology-driven investment and fiscal support from US President Donald Trump's One Big Beautiful Bill Act sustain activity. The US Federal Reserve (Fed) faces a delicate balancing act: moderating inflation vs a softening labour market. At its September meeting, the Fed lowered rates by 25 bps in a move which Fed Chair Jerome Powell framed as a "risk management" decision. Markets interpreted this as the start of a broader easing cycle, with expectations for a further 100 bps in cuts by the end of 2026. However, the Fed's latest projections reveal a growing divide within the Federal Open Market Committee (FOMC) over the appropriate policy path, reflecting the tension between a softening labour market, resilient GDP growth, and persistently high inflation. At the time of writing, the current US government shutdown holds the potential to further complicate near-term decisions by



disrupting access to key jobs and inflation data. Ultimately, the Fed's next steps will hinge on incoming economic indicators. Still, the risk of political interference (particularly under a possible Trump-influenced Fed) adds a layer of uncertainty to the future rate trajectory.

Trade policy remains a key global risk. The US and China aim to finalise a tariff agreement by 9 November. The outcome of negotiations will significantly influence global trade dynamics and economic growth, with failure to reach an agreement likely to trigger renewed tariff escalation. The US Supreme Court is also set to rule on the legality of reciprocal tariffs —a decision that could see SA's 30% tariff annulled. While no date has been set, a decision is expected to be handed down before year-end, although there is the possibility that it may not arrive until next year. Meanwhile, the African Growth and Opportunity Act (AGOA) expired on 30 September, with no clear timeline for renewal amid US legislative gridlock.

Domestically, South Africa (SA) is benefitting from favourable cyclical forces: Fed rate cuts, a weaker US dollar, and surging precious-metal prices are supporting a stronger rand, easing inflationary pressures, and paving the way for further South African Reserve Bank (SARB) rate cuts. We expect another 75 bps of gradual easing through 2026 to end 2027 as inflation moderates and the government endorses a lower inflation target. Still, structural constraints - primarily weak confidence, sluggish reform, and fiscal fragility- continue to cap the recovery. A key challenge lies in anchoring inflation expectations. Although at historic lows, they remain well above the SARB's new 3% preference, underscoring how entrenched price-setting behaviour takes time to recalibrate. National Treasury's Medium-Term Budget Policy Statement (MTBPS) on 12 November will focus on fiscal consolidation, debt stabilisation, and the formalisation of this lower target. On balance, SA's near-term outlook is improving, aided by firmer terms of trade, progress on energy and logistics reform, and the country's likely removal from the Financial Action Task Force (FATF) grey list. Yet, as 2025 draws to a close, risks tied to tariffs, global growth moderation, and domestic policy execution will remain in sharp focus.





SA EQUITIES

At a headline level, 2025 has been an exceptional year for the JSE. YTD (to end 3Q25), the FTSE/JSE Capped SWIX Index is up 31.0% and the MSCI SA Index, the globally recognised benchmark for South African equities, has risen by 43.1% in US dollar terms. This caps off a remarkable five-year period for the local market, which, to the end of September 2025, delivered a total return of 112.5%, only marginally behind the S&P 500's 114.1% return over the same timeframe. Our models suggest a continued, albeit modest upside of around 10% for JSE-listed equities over the next twelve months. As a result, we maintain our neutral recommendation for the asset class.

These results are particularly impressive given the challenges SA has faced over the past five years, including COVID-19 pandemic-induced shutdowns, the July 2021 social unrest, inconsistent foreign policy, Stage 6 loadshedding, sluggish economic growth, and persistent policy inertia and corruption. Despite these headwinds, investor sentiment has been buoyed by strong corporate balance sheets, improving capital allocation discipline among the major listed companies, and an encouraging shift toward shareholder returns through dividends and buybacks.

A key factor behind the JSE's resilience has been the ongoing reduction in reliance on domestic economic outcomes. The structure of the local market has evolved significantly. While many listed companies still have operations in SA, the most meaningful earnings growth has come from those with diversified

or offshore exposure. Consequently, the "domestic" portion of the local bourse (so-called JSE Inc. shares) now accounts for less than half of the total index weighting, reflecting a gradual but persistent decoupling from the local economic cycle.

Throughout 2025, the market's performance has been defined by a handful of dominant trends that took hold early in the year and have persisted since: the outperformance of precious metals (particularly gold and platinum group metals [PGMs]), strength in telecommunications companies, and continued momentum in the Naspers/Prosus complex. As at 30 September, a significant portion of the index's gains has come from these sectors. While some of these firms maintain domestic operations, the bulk of their revenues are derived from exports or offshore investments, underscoring the internationalisation of the South African equity market.

Another notable feature of 2025 has been the return of foreign capital inflows into EMs more broadly, supported by expectations of global interest rate cuts and a stabilisation of the US dollar. Domestic equities have benefitted from this shift, particularly those offering attractive valuations and solid free cash flow yields.

At the start of the year, we were optimistic that the political developments of 2024 would help rebase domestic growth toward 2%, providing a much-needed lift to confidence and investment. However, it has become evident that the pace of reform implementation remains slow, and the translation of policy intent into real economic activity will likely take longer than initially hoped. Consequently, domestically oriented sectors such as retail, banking, and industrials have continued to lag, while capital has flowed toward areas experiencing cyclical tailwinds, namely precious metals and telecommunications.

Looking forward, we believe relative value opportunities are emerging across much of the JSE. Many high-quality domestic companies are now trading at compelling valuations, reflecting excessive pessimism around the local economy. Accordingly, we have begun reallocating capital away from commodity producers, particularly those whose share prices have moved ahead of fundamentals and recycled this capital into select domestic counters that offer attractive risk-reward profiles.

While we are not calling the end of the current upcycle in precious metals, we do believe that a greater balance is warranted within portfolios. It would not surprise us to see a period where market leadership rotates toward local banks, retailers, and industrials, those segments that have been largely overlooked amid the remarkable rally in commodity producers.

In our view, the outlook for JSE-listed equities remains constructive but nuanced. The combination of low valuations, solid dividend yields, and improving policy direction provides a supportive backdrop for medium-term returns. However, the lack of near-term growth catalysts and persistent structural constraints warrants a measured and selective approach to local equity exposure.

SA LISTED PROPERTY

The SA-listed property sector has recovered materially over the past two years, even though the domestic-focussed counters are well off their all-time highs. Property companies are in a much better place now, and the rental reductions initiated by the COVID-19 pandemic are now largely out of the base. Conservative management has also seen balance sheets improve, and the valuations are now at levels where capital raising is again a possibility.

The earnings base of the sector is back to a sustainable level, and growth from here forward is likely to be closer to 5% than 10%. At forward dividend yields of around 8.5% for local counters, property companies look fairly valued relative to recently re-rated bond yields. So, it is a case of comparing an 8.5% property dividend yield growing at 5%, with a 10-year bond yield of 9.5% which is not increasing.

Our 12-month forward total return projection for the sector is 11%, which comprises a slight capital increase in addition to the 8.5% dividend yield. Net portfolio growth is starting to return, and the interest cost will begin to decline further as interest rate cuts continue. Offshore portfolios are performing better, and growth prospects look reasonable. A reasonable portfolio with a dividend yield of 7%-9% and growth of 3%-5% can be constructed.



DOMESTIC BONDS

The South African Government Bond (SAGB) yield curve bull-flattened in 3Q25, as longer-dated yields declined more sharply than those at the front end (Figure 1). The SA All-Bond Index (ALBI) delivered a strong return of 6.94% in 3Q25, with longer-dated bonds driving the bulk of the performance (Figure 1). The sharp decline in yields was primarily driven by a continued recalibration of both survey-based and market-implied inflation expectations to lower levels.

Figure 1: SAGB 3Q25 yield change and return, %

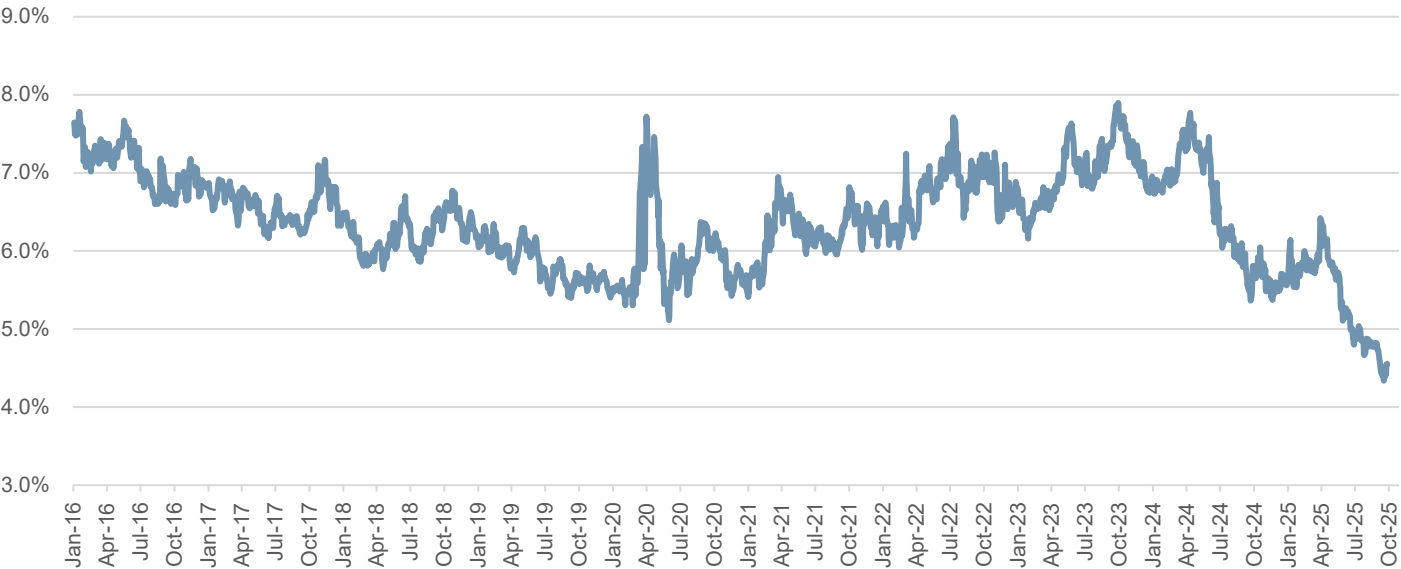
Source: Anchor, JSE

Bond code	YTM change in bps (3Q25)	Total return (3Q25)
R186	-27.5	2.24%
R2030	-55.5	4.11%
R213	-62.5	4.94%
R2032	-64	5.41%
R2033	-65.5	5.74%
R2035	-79	7.47%
R209	-81	8.33%
R2037	-78.5	8.18%
R2038	-77.5	7.95%
R2040	-75	8.56%
R214	-77.5	9.39%
R2044	-81	9.69%
R2048	-82.5	10.20%
R2053	-86	10.39%

The key driver of the decline in local bond yields this year has been the adjustment in inflation expectations. Market participants have recalibrated expectations lower following commentary from the National Treasury and the SARB, both of which reaffirmed their

commitment to a lower inflation target. The 10-year breakeven inflation rate (BEIR) - the average inflation rate investors expect over the next decade - ended 3Q25 at 4.5%, having compressed by roughly 100 bps since the SARB's May meeting (*Figure 2*).

Figure 2: 10-year breakeven inflation rate (BEIR)
Source: Anchor, JSE



Despite the bull flattening of the SAGB curve in 3Q25, the curve remains steep, particularly from the belly (around the 10-year point) onwards. As at 30 September 2025, the R2035–R2048 yield differential (the difference in the YTM of these two bonds)

was still more than two standard deviations above its long-term average. This reflects both broader trends in global bond markets and a jacked-up local term premium on longer-dated bonds, driven by ongoing fiscal and political concerns (*Figure 3*).

Figure 3: R2035 vs R2048 yield spread, bps
Source: Anchor, JSE





To capture declining inflation expectations, a steep yield curve, and stronger terms of trade from elevated commodity prices, our models have been flagging curve strategies like bull flatteners. We have implemented these across many of our domestic fixed-income portfolios by increasing exposure to longer-dated SAGBs.

The curve's steepness is not only visually pronounced (more than two standard deviations above its long-term mean) but also statistically steep, suggesting limited risk of further steepening. Although many bond pairs have lost their mean-reversion

characteristics, we believe flattener trades continue to offer a favourable asymmetrical risk-reward profile.

The elevated long-end yields also provide meaningful protection against upward parallel shifts in the curve. Even under a +25-bps parallel move higher in yields, longer-dated bonds are expected to outperform shorter maturities over the next 12 months (Figure 4). In some cases, the return advantage holds even under a +50-bps parallel curve shift. On this basis, we continue to see compelling value in the 15–30-year maturity segment, and we therefore maintain our constructive view on domestic bonds.

Figure 4: Expected 12M returns for YTM movements

Source: Anchor, JSE

Bond Code	YTM - 30 Sep 2025	-100 bps	-75 bps	-50 bps	-25 bps	0 bps	+25 bps	+50 bps	+75 bps	+100 bps
R186	7.46%	7.43%	7.37%	7.32%	7.27%	7.22%	7.17%	7.12%	7.07%	7.02%
R2030	7.90%	10.71%	9.98%	9.26%	8.54%	7.83%	7.12%	6.43%	5.73%	5.05%
R213	8.19%	11.99%	11.02%	10.07%	9.13%	8.20%	7.28%	6.36%	5.46%	4.57%
R2032	8.52%	13.01%	11.88%	10.76%	9.65%	8.56%	7.48%	6.42%	5.37%	4.34%
R2033	8.71%	13.61%	12.36%	11.14%	9.92%	8.73%	7.56%	6.40%	5.26%	4.14%
R2035	9.16%	15.13%	13.59%	12.08%	10.60%	9.14%	7.71%	6.31%	4.93%	3.58%
R209	9.39%	16.56%	14.73%	12.94%	11.19%	9.47%	7.79%	6.15%	4.54%	2.96%
R2037	9.67%	16.42%	14.65%	12.92%	11.23%	9.58%	7.97%	6.38%	4.84%	3.33%
R2038	9.73%	16.73%	14.93%	13.16%	11.44%	9.76%	8.12%	6.51%	4.95%	3.41%
R2040	10.12%	17.72%	15.72%	13.77%	11.87%	10.01%	8.21%	6.46%	4.74%	3.08%
R214	10.08%	18.86%	16.56%	14.34%	12.18%	10.08%	8.04%	6.06%	4.13%	2.27%
R2044	10.35%	18.91%	16.63%	14.43%	12.30%	10.24%	8.24%	6.30%	4.42%	2.60%
R2048	10.32%	19.70%	17.22%	14.82%	12.51%	10.29%	8.14%	6.07%	4.07%	2.13%
R2053	10.19%	19.92%	17.35%	14.88%	12.51%	10.23%	8.03%	5.92%	3.89%	1.93%

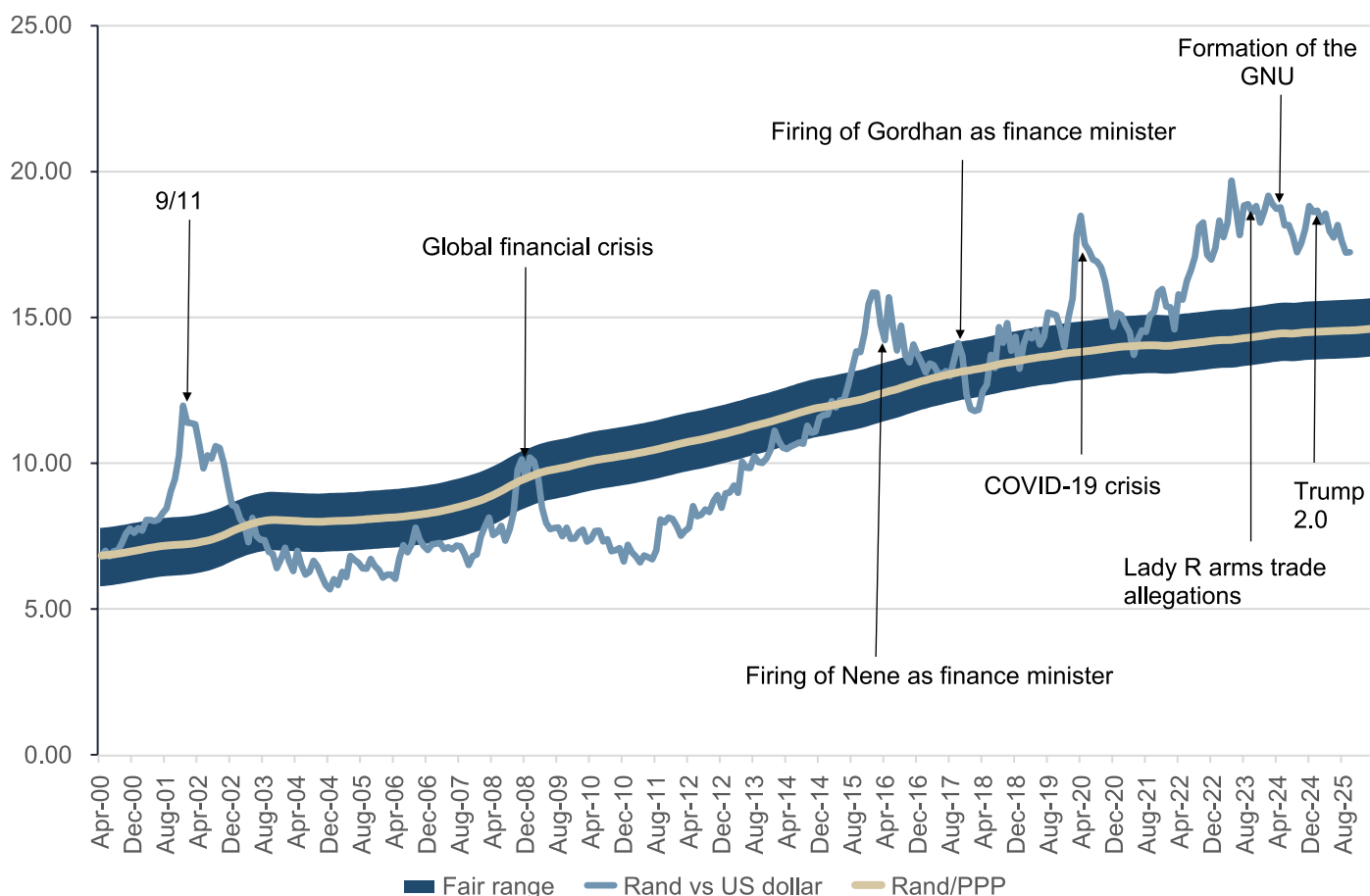
SAGBs continue to offer some of the highest yields in the emerging market (EM) universe, in both nominal and real terms. However, these elevated yields also reflect persistent concerns about SA's fiscal sustainability. With politics on a knife-edge and without credible, sustained commitments to expenditure reduction and broader fiscal consolidation, a meaningful decline in SAGB yields appears unlikely. We estimate domestic bonds could deliver returns of around 9.2% over the next 12 months, equating to a real return of roughly 6%.

THE RAND

Anchor subscribes to a purchasing power parity (PPP) model for the long-term value of the rand. Any such model clearly shows that the local unit is cheap, as is evident from Figure 5 below. Our modelled fair value of the rand is in the R13.67-R15.67/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 5: Actual rand/US dollar exchange rate vs rand PPP model

Source: Thomson Reuters, Anchor



The rand continues to benefit from the lower oil price, with our terms of trade (which measure the ratio of a country's exports relative to imports) being positive. 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 the US Fed is signalling a significant number of interest rate cuts over the next year.

We see continued support for the narrative that the US dollar will likely weaken further. Some analysts expect the euro to strengthen by another 3% to 5% against the dollar. Nevertheless, this remains a volatile time, and many risk factors could weaken the domestic currency. However, we believe that a gradual further recovery in the rand is the more likely outcome. Our base case assumes the rand will end the next twelve months closer to R17.00/US\$1 and we have modelled this exchange rate for the report to reflect our expectation of a continued modest recovery for the rand.

We also note that as the SARB moves toward a 3% inflation target and US inflation remains marginally elevated, the inflation differential between SA and the US is expected to narrow, implying a far more gradual depreciation of the rand in future.

We note that the rand has weakened by less than 1% p.a., on average, over the past five years. It is reasonable to expect that this long-term trend will continue.

GLOBAL EQUITIES

The global equity market remains in a three-year bull market, and conditions are intact for this to be sustained. We expect an 8% return from global equity markets in the next 12 months, following double-digit returns in 2025 YTD.

This return projection mirrors an average return from global equities. Economic conditions and the earnings outlook are well above average, but the market has progressively got more expensive over the last few years. As shown in the chart below, at a forward 23x P/E multiple, the US S&P 500 Index is close to the most expensive it has been in over 20 years.

So, while prospects are good, one could argue that this is priced into the market. Consequently, we expect some de-rating over the next 12 months as the 14% projected earnings growth materialises. We are cautious with new money, as the ride can get bumpier when the starting point is elevated. History tells us there will be corrections coming, but we would view these as entry points.

Figure 6: US S&P 500 Index forward P/E, x

Source: Anchor, Bloomberg



The two simplest graphs to illustrate what the market is seeing are *Figures 7 and 8*. The first chart is the expectation that global

GDP growth will accelerate into 2026 and beyond (at a 3%-plus rate) following a tariff-fuelled growth slowdown in early 2025.

Figure 7: Global GDP growth, YoY % change

Source: IMF, Anchor

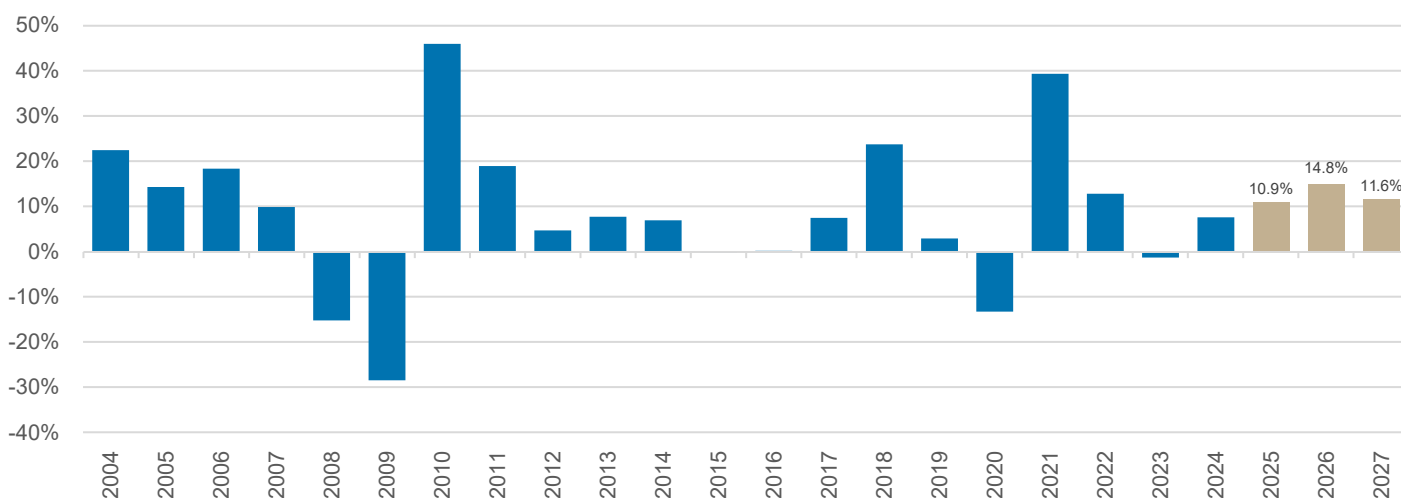


The second graph shows historic and projected annual earnings growth for the US S&P 500. Market consensus is for two

consecutive years of double-digit earnings growth from the US market, following 14% US earnings growth in 2025.

Figure 8: US S&P 500 EPS growth (annualised)

Source: Bloomberg, Anchor



The table below shows the earnings growth and forward P/E multiples of various global indices

Figure 9: Various major global indices' EPS growth and forward P/E forecasts

Source: Bloomberg, Anchor

Name	Earnings growth, %		FWD P/E, x	
	YR1	YR2	YR1	YR2
MSCI World Index	14.4%	9.5%	20.3	18.5
MSCI EM Index	16.2%	15.2%	14.3	12.4
MSCI All Country World Index (10% EM)	14.7%	10.3%	19.4	17.6
Nasdaq 100	22.5%	11.2%	27.2	24.5
S&P 500 Index	14.5%	10.2%	22.8	20.7



The key reasons we remain optimistic about the outlook are as follows:

- **Economic growth is strong.** Despite the recession predictions of 12 and 24 months ago, the global economy remains strong, and US employment is solid, albeit showing recent signs of weakening slightly.
- **AI spending:** A key reason for the strong economy is unprecedented capex spend on AI capacity and the related energy needs. The projected US\$400bn spend in 2024 (and 20%-plus growth in 2025) is close to 2% of GDP and is feeding through into many sectors of the economy.
- **Strong earnings growth:** This spending is driving strong earnings growth forecasts, as shown above.

- **Interest rates are high:** US interest rates remain high and will be reduced further, which will stimulate the economy. The heavily publicised anticipated inflation impact from tariffs is not materialising to any great extent, and this will be closely watched in the coming months.
- **The dollar is weak:** US dollar weakness (down over 10% YTD, but recently stabilised) is positive for US dollar earnings and will continue to have a positive impact for around another six months.

Non-US equity markets have offered a cheaper entry point into developed markets (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.





Figure 10: MSCI World forward P/E multiple, x

Source: Bloomberg, Anchor



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 very strong considering the tariff uncertainty, and these signs will be closely monitored.

We would increase our allocation to alternative investments,

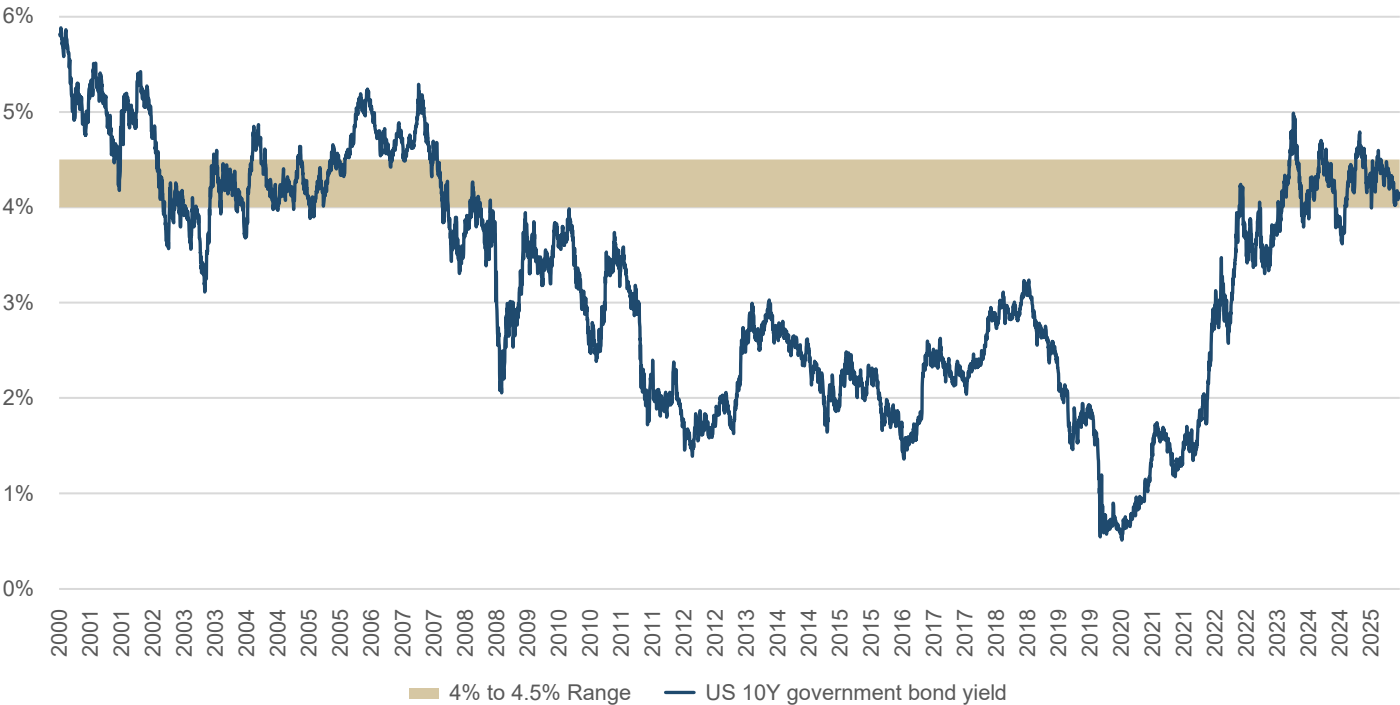
which include private equity, property, private debt, structured products and hedge funds. In times of uncertainty, these more stable asset classes become increasingly attractive, and declining interest rates make the returns even more relatively attractive. Anchor has a range of private capital alternative funds, which are ideal for times like these.

GLOBAL BONDS

The US government’s 10-year borrowing rate has spent most of the past three years trading in a relatively narrow range between 4% and 4.5% p.a., with the current yield of 4.1% sitting

comfortably within that band. After several years of sharp swings, this stability marks the return of a more predictable US rate environment – one that reflects the balance between moderate economic growth, contained inflation, and manageable fiscal dynamics.

Figure 11: US 10-year Treasury yields have stabilised within a 4%-4.5% range since 2022, marking the return of a more “normal” rate environment. Source: Anchor, Bloomberg



Investor conversations remain dominated by familiar themes: the sustainability of US government borrowing, persistent fiscal deficits, and the risk that inflation could reaccelerate. While each deserves attention, none appear likely to push US yields materially higher from here.

Concerns over the US fiscal outlook are understandable given the ongoing need for substantial government financing. Yet fears that bond buyers might demand materially higher yields to absorb Treasury issuance are likely misplaced. The US remains the world’s primary reserve currency issuer, and Treasuries are still the most liquid and systemically important asset class globally. Domestic and foreign institutions alike continue to hold them as the cornerstone of collateral and risk-free benchmarks.



Similarly, US inflation has recently stabilised and continues to trend towards the Fed’s 2% p.a. target. The most persistent elements of inflation – services such as housing and insurance – are normalising gradually, and recent data suggest that the disinflation process is continuing. Importantly, the renewed tariff measures from the current administration should have a muted impact on the overall inflation path. Goods make up a much smaller portion of US consumption than services; many categories will likely be exempted or rerouted through jurisdictions with lower tariffs, and a meaningful portion of the costs will be absorbed along the supply chain by manufacturers, exporters, and importers rather than being fully passed on to consumers.



The Fed's policy stance remains a central focus for markets. After a prolonged tightening cycle, the Fed has delivered 1.25% of cuts in the past year. It is expected to deliver two further 0.25% rate cuts before year-end and three more 0.25% cuts over the course of next year, taking the fed funds rate to around 3% by the end of 2026. That trajectory implies a gradual return toward a neutral policy setting consistent with moderate growth and near-target inflation. Despite the current US administration's attempts to influence Fed monetary policy decisions, the checks and balances to maintain political independence at the Fed remain firmly in place and supported by the US legal system.

The Fed has seven governors, with three having been appointed by Trump. The three Trump appointees have acted prudently, focusing on their dual mandate of keeping inflation stable at around 2% p.a. and maintaining full employment. Given that the 10-year yield already reflects expectations of easing policy, we see limited scope for meaningful yield movement from here.

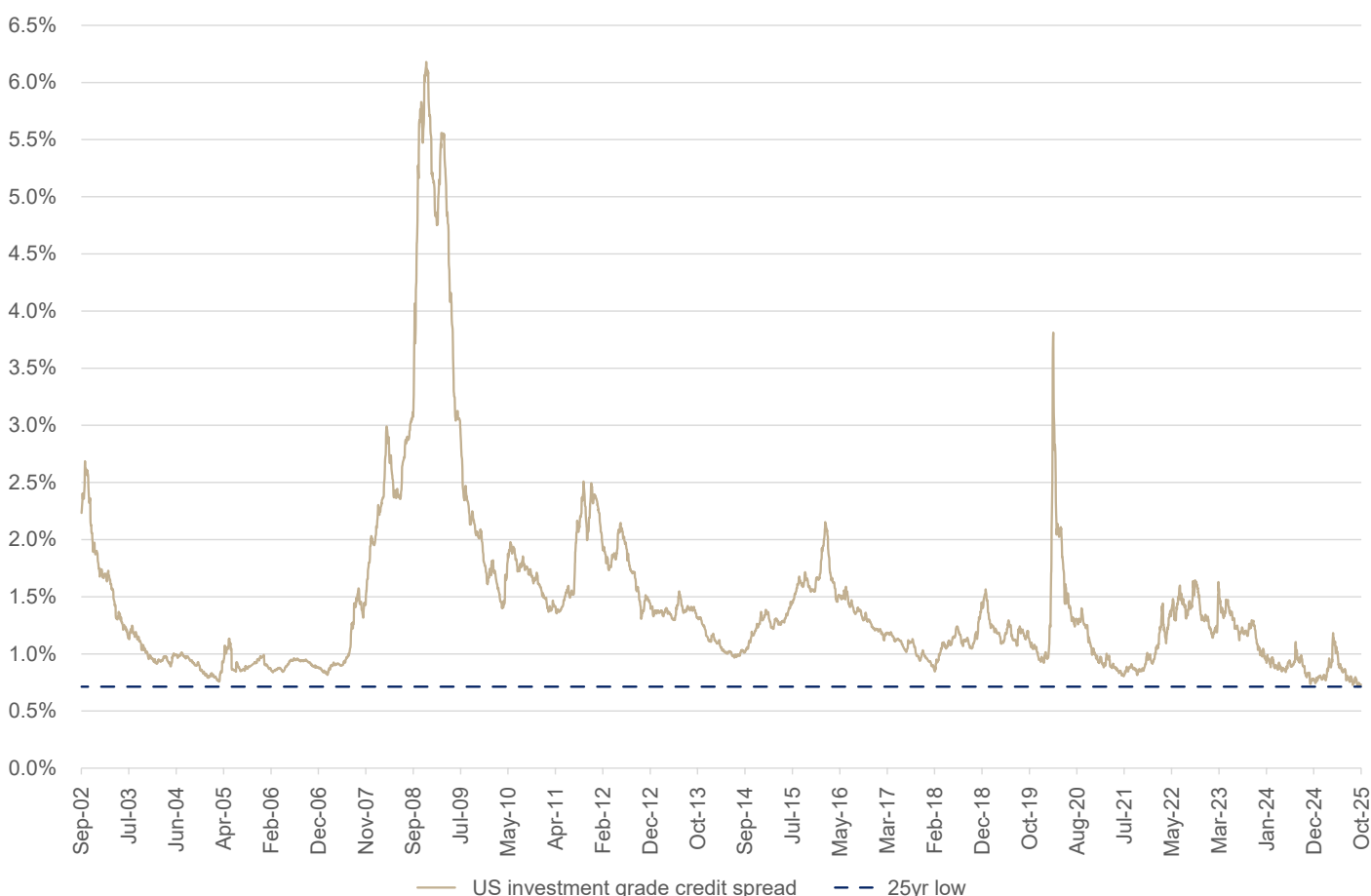
The equilibrium around 4% remains plausible: strong enough to compensate investors for duration risk, yet not so high as to signal macro stress.

In this environment, the 12-month total return outlook for US 10-year government bond investors is c. 4% in US dollar terms, entirely driven by coupon income. The range of likely outcomes is positively skewed — with limited downside unless inflation expectations rise sharply, and moderate upside if US economic growth stalls.

The story for US investment-grade corporate bonds is slightly less appealing. Yields around 4.8% p.a. remain attractive in absolute terms, but the credit spread over US Treasuries (0.73%) is near historic lows. Investors are therefore being compensated very little for taking corporate credit risk in an environment where funding costs remain high and refinancing volumes are starting to pick up.

Figure 12: US investment-grade credit spreads are near 25-year lows, offering limited cushion if funding conditions tighten

Source: Anchor, Bloomberg



Corporate balance sheets are generally solid, but the combination of slower revenue growth and elevated borrowing costs is gradually eroding some of the resilience built up during the past decade. We anticipate that investors will demand slightly higher compensation for risk over the next year, resulting in a modest widening of spreads to around 0.9%.

That widening should offset part of the coupon income, leaving a total return expectation of roughly 4% over the next twelve months. This reflects a valuation asymmetry rather than a concern about widespread defaults: corporate fundamentals remain sound, but with spreads this tight, the margin of safety is slim.

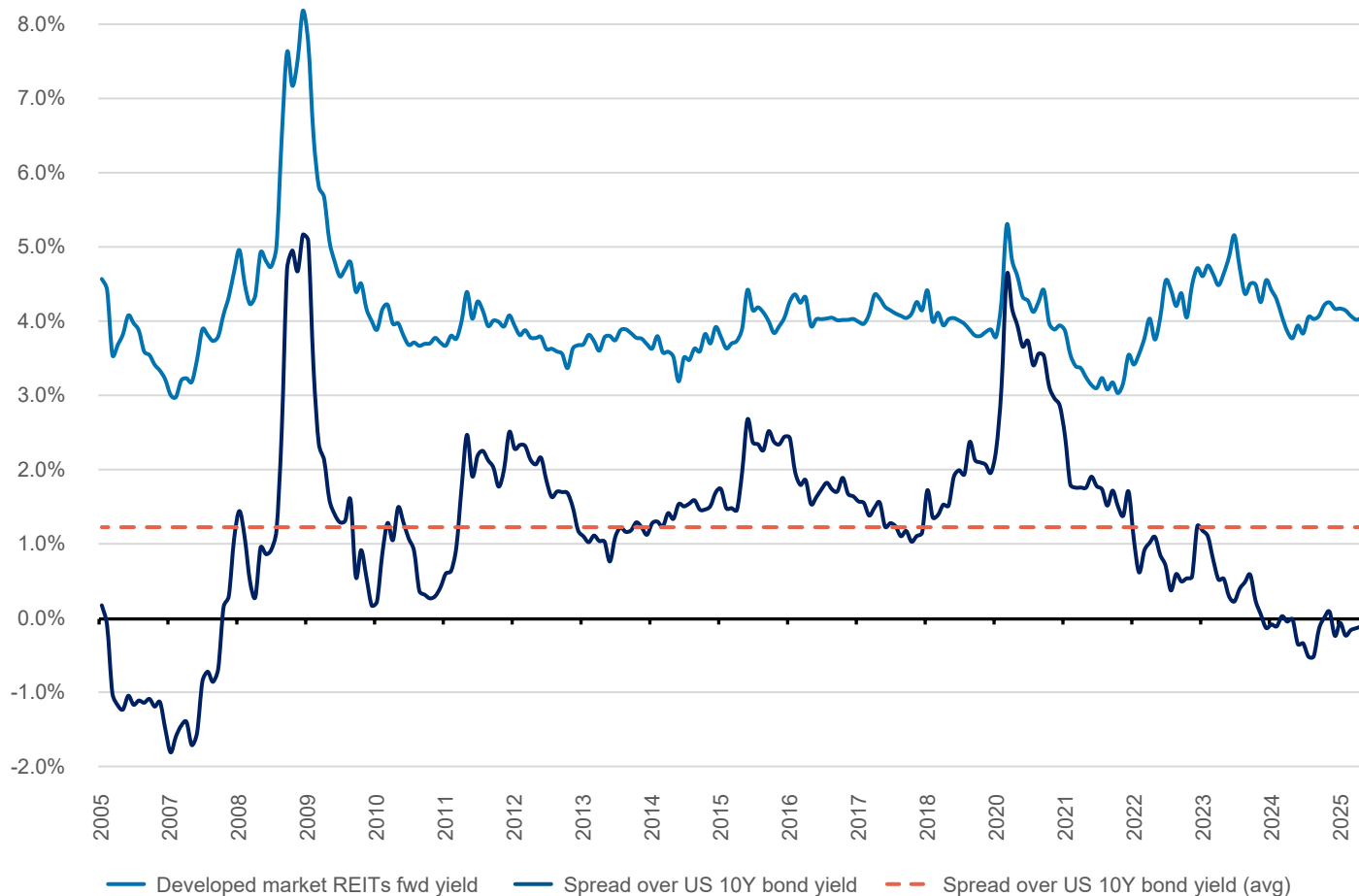
GLOBAL PROPERTY

US real estate investment trusts (REITs), which account for the bulk of the global DM listed property universe, have settled into a more stable pattern after several volatile years. The asset class continues to trade at valuation levels that reflect a higher-

for-longer rate environment, but without any apparent signs of distress. Forward dividend yields on global DM REITs are around 4.1%, which remains marginally below the 4.13% yield on the US 10-year government bond, leaving little room for a valuation re-rating in the near term.

Figure 13: Global REITs' forward dividend yields remain below the US 10-year government borrowing rate

Source: Anchor, Bloomberg



Over the past decade, the composition of the REIT market has changed significantly. Traditional sectors such as office, retail, and residential property have gradually lost market share to newer 'digital economy' segments such as logistics and data centres. This shift has altered the behaviour of the asset class — it now offers a lower yield and lower correlation with the broader business cycle, but also less sensitivity to short-term shifts in monetary policy.

The challenge for REIT investors has been that the income premium over government bonds — which historically compensated for their higher risk profile — has largely disappeared. That narrowing spread does not necessarily mean that REITs are unattractive. Still, it does mean that investors must now rely more heavily on dividend income and modest earnings growth rather than capital appreciation to generate total returns.

Beneath the surface, the valuation picture is far from uniform. The range of forward dividend yields across REIT sectors is historically wide, reflecting the diverging fortunes of the 'old economy' and 'new economy' segments:

- **Data centre REITs** (forward dividend yield 2.7%) remain at the expensive end of the spectrum, supported by continued demand for cloud storage, AI-related infrastructure, and hyperscale data capacity.
- **Retail REITs** (forward dividend yield 4.9%) are showing signs of stabilisation, with foot traffic and rental collections back at pre-pandemic levels, while balance sheets remain in generally good health.
- **Office REITs** (forward dividend yield 5.6%) remain the clear laggards, weighed down by persistently high vacancy rates and the need for capital-intensive refurbishments to attract tenants back into city centres.



The wide dispersion between sectors illustrates the continued structural change within the property universe. For office and retail, the path to normalisation will likely remain gradual. Rental reversions in both sectors have stabilised but remain well below long-term averages, and the cost of funding still constrains near-term growth. By contrast, the growth trajectory for data centres and logistics remains underpinned by secular demand from digitalisation and supply-chain reconfiguration. However, valuations in these areas already discount much of that optimism.

The attraction of listed property remains primarily its income component, which continues to account for the bulk of expected returns. With forward dividend yields around 4.1%, REITs provide a steady stream of income in an environment where nominal yields on government bonds remain elevated but stable. The near-term total return profile is therefore largely dependent on income growth, rather than valuation changes. We expect the sector's aggregate earnings and dividend growth to run at around 1.5%–2% over the next twelve months, reflecting moderate rental growth and slightly lower financing costs as US policy rates move down. Under our base case – where the Fed funds rate declines gradually to around 3% by the end of next year and the US 10-year yield remains anchored between 4% and 4.5% – we anticipate a total return of around 6% in US dollar terms, comprising:

- 4.1% from dividend income, and
- 1.9% from income growth,
- with valuations (price-to-FFO multiples) remaining broadly stable.

Dividend coverage across the sector remains healthy, and payout ratios are broadly sustainable given current cash flow levels. REIT balance sheets are in better shape than many feared at the onset of the rate-hiking cycle, with refinancing activity manageable and most listed entities having termed out a large portion of their debt at fixed rates. The gradual easing of policy rates should begin to relieve some pressure on funding costs through 2026.

Investor sentiment toward listed property remains cautious, with concerns centred around three ongoing themes:

- Structural vacancy in office space – persistent hybrid work trends and corporate downsizing continue to weigh on office demand, with vacancy rates in major US markets still near multi-decade highs.
- Retail adaptation – the better-quality retail REITs are stabilising, but the sector continues to evolve toward mixed-use and experiential formats, limiting near-term growth but improving long-term resilience.
- Technology-driven growth in data centres and logistics – these sectors are capturing a growing share of capital inflows. Still, high valuations and regulatory scrutiny over energy usage and zoning have introduced new uncertainties.

In aggregate, these structural dynamics are likely to keep the asset class's overall rating stable – neither cheap enough to invite a broad re-rating, nor expensive enough to trigger meaningful derating.

Global DM REITs, led by the US, now operate in an environment of normalised yields, steady income, and moderate growth. While the era of outsized valuation gains is over, the current mix of income stability and predictable fundamentals supports a measured return outlook.





Anchor Insights

In this section of the Navigator, contributors from across Anchor provide in-depth perspectives on key themes shaping investment strategy and client outcomes.

This quarter, James Bennett assesses the growth expectations currently embedded in global equity valuations through an inverted analysis framework. Nick Dennis evaluates the role of risk aversion in portfolio construction and challenges investors to consider whether they are assuming adequate levels of risk. Casey Sprake analyses SA's growth trajectory within the context of an evolving multipolar world. Ryan Kelly examines the dynamics, structural characteristics, and investment implications of emerging markets. Anil Thakersee outlines the differentiators of Anchor's approach, emphasising the integration of services and the firm's client-centric philosophy. Finally, Di Haiden reviews the impact of South Africa's marital regimes on estate planning considerations.

Implied valuations: What is being priced into global stocks?



WRITTEN BY:

James Bennet
Global Equity Analyst

James has a BCom Hons from the University of the Witwatersrand and started his career at UBS (and its predecessor firms) in Johannesburg in 1994. During his 20-year career at UBS as a sell-side analyst, he was rated among the top 2 in the SA diversified mining sector for 14 consecutive years (by the annual Financial Mail Ranking the Analysts survey) until his departure in 2014.

He was also rated the number one analyst in the SA steel sector for nine consecutive years. From 2015 to 2018, James covered the SA diversified mining sector at Citi. Since then, he has managed his own global stock portfolio, primarily investing in the US, China, and Europe. James started at Anchor in 2022, covering global listed companies.

Anchor clients who have read some of my previous articles will know that over time, I have tilted to focus more on business and management quality, with valuations a crucial but more secondary part of the overall stock evaluation process. I have become a lot more open-minded about “optic valuations”. Many global shares I have followed have appeared “optically” expensive at times (e.g., high 12-month forward P/E multiples). Yet, investors have been making excellent returns on some of these shares over many years.

So much of traditional valuation work is done bottom-up to reveal a set valuation number. Below that number, the share is a Buy, and above that, it is a Sell. A potential flaw with the bottom-up approach is that no one can really see the future. Inputs into a bottom-up model can end up being off by an order of magnitude.

Furthermore, a rigid number of what a stock might be worth leaves the investor in a quandary as to what to do when the stock price hits that pre-determined level. We know from history that a significant part of successful investing is holding world-class companies for many years rather than trying to time in and out of the shares. Holding a quality stock for extended periods will invariably mean hanging on through periods when the share appears optically expensive and one is tempted to sell. Imagine if Amazon founder Jeff Bezos had sold his Amazon shares every time a bottom-up model suggested it was a bit overvalued.

Despite the flaws I have highlighted, there is nothing inherently wrong with doing bottom-up valuation analysis on stocks as part of the overall process. I have always done so myself in the past and will continue to do so in the future. However, in this article, I propose an additional way of evaluating stocks by inverting the process. Rather than a bottom-up approach, one can attempt to back out what future is being implied by a company's market valuation.

Inverting the analysis involves the following:

- Finding businesses you really like, e.g. management, moats, business model, strong balance sheet, free cash flow (FCF), good capital management, secular tail winds, etc.
- Backing what future is being implied by the stock price and deciding whether that is a plausible outlook for the future.

Inverting the process provides a test for valuation reasonableness. It warns of valuations that will be very hard to grow into, no matter how good the quality of the business is. It also highlights company valuations that set a low hurdle to jump over.

What inverting does not do:

- Provide short-term trading signals.
- It is not a valuation black box generating rigid buy and sell signals.

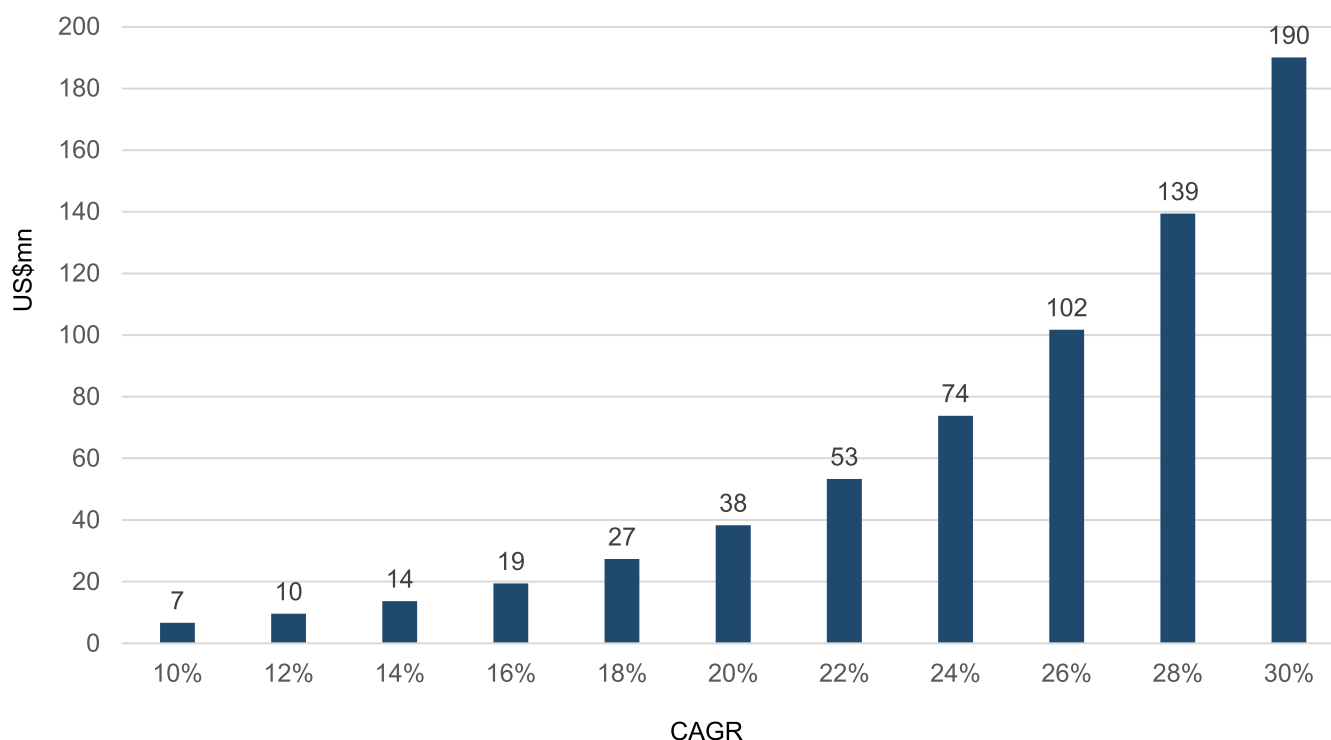
On a 20-year view, a company that can compound its stock price by over 30% p.a. is incredibly rare. Even above 20% p.a. is uncommon. The US market has averaged about 10% p.a. in US dollar terms in the very long run. Very simplistically, that remains the base hurdle for any US company over time.

The power of compounding is immense. The difference between two companies growing at 12% and 16% in any given year may not seem significant. However, that relatively small gap compounded over 20 years can lead to significantly different valuation outcomes.

As we demonstrate in the chart below, a 30% p.a. compounder is worth 27x more than a 10% compounder after 20 years. A 20% compounder is worth 5x more than a 10% compounder after 20 years. An 18% compounder is worth double a 14% compounder after 20 years. This partly explains why a world-class business might trade on what seems like an optically high trailing P/E ratio of 40x, while a somewhat inferior company in the same industry trades on a 20x multiple.

Figure 1: The immense power of compounding over time, value of US\$1mn after 20 years at different compounding rates

Source: Anchor



In *Figure 2*, we have worked out what compound annual growth rate (CAGR) is required from years 1 to 10, to get the future discounted FCF of each company to equal its current market capitalisation. We adjust for net cash/debt, and from years 11 to 30, we assume each company achieves a terminal CAGR of 4% p.a. The only exceptions are Ferrari and Hermes at 10% p.a. and L'Oreal at 6% p.a. This is to subjectively adjust for the very long history of delivering excellent returns that these companies have. The point with this exercise is not to rely on our own forecasts, but rather to create a picture of the 10-year FCF CAGRs that the market is assuming for each company. There are many thousands of listed companies in the world. Therefore, our sample size here is a somewhat random list of interesting companies that should be recognisable by most global investors.

So, what stands out to us in this sample of companies (*Figure 2* below)? The first must be Palantir on the extreme left of the chart. It has been an amazing performer of late, with its stock price up by c. 400% over the past 12 months. The company has been at the forefront of the AI software market. It is very profitable and has been executed flawlessly. While generally topline momentum has slowed in the past couple of years for US software companies, Palantir has bucked this trend and accelerated its topline growth. All of this has seen the company enter the S&P 500 Index for the first time.

Notwithstanding all the above, it seems that Palantir has to compound its FCF at a rate of c. 47% p.a. for the next ten years to justify its current stock price. As we mentioned earlier, very few companies have compounded at over 30% p.a. in the long run (ignoring situations where the starting point was at a very

depressed level). We cannot conclusively say that Palantir is a sell. However, our analysis suggests that its current market valuation is setting an extremely high bar that the company must deliver against over the next 10 years.

When a company has to deliver 40% to 50% p.a. FCF growth over the next 10 years (assuming a normalised starting base), that starts to feel like a valuation bubble. Companies discounting a FCF CAGR of 20%-30% p.a. look like "market darlings". These are typically well-loved companies that are richly valued but not necessarily in a valuation bubble. This cohort includes stocks like CrowdStrike, Shopify, Datadog and Ferrari.

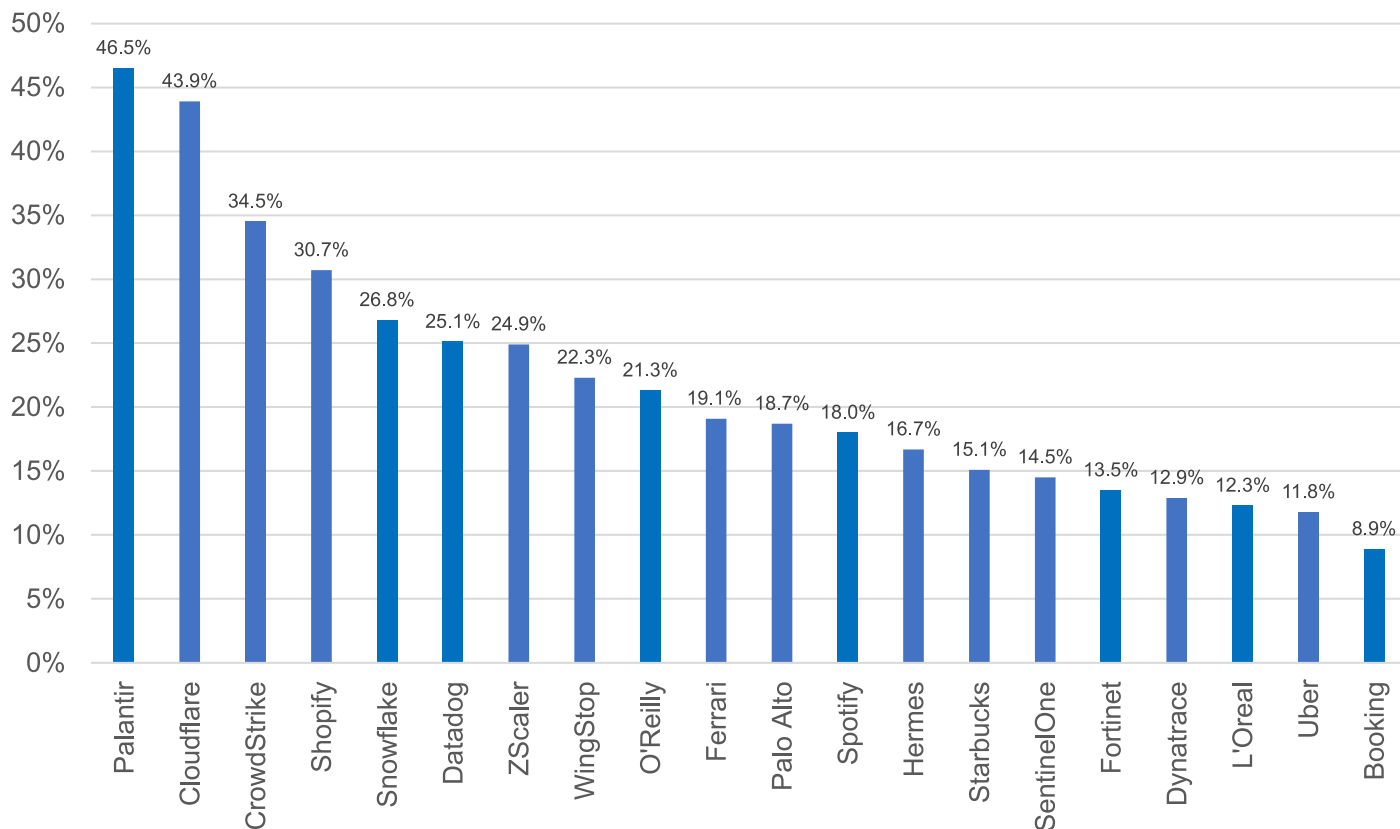
Companies discounting a 10%-20% FCF CAGR over the next 10 years is a range I feel very comfortable with. Many of these are good companies that have been set an achievable valuation bar by the market. I am typically happy to buy a company in this range if I really like its qualitative factors. These would be companies like Spotify, Palo Alto, Hermes and Fortinet on this chart. I am not suggesting they are all buys right now! My approach is to do a lot of work on the quality of these companies and get my valuation comfort if the market is pricing them in this 10%-20% p.a. I prefer this to trying to nail the valuation down to a rigid, hard-and-fast number. The reality is that valuations are more art than science.

On the right-hand side of the chart are three companies that stand out as relatively cheap. These being Booking, Uber and L'Oreal. They are all discounting FCF CAGRs in the 9% to 12% p.a. range. Given the quality of these three companies, this looks like a very achievable bar. As always, all other qualitative factors must be weighed against these relatively cheap valuations.

Figure 2: FCF CAGR implied by market cap - various global companies

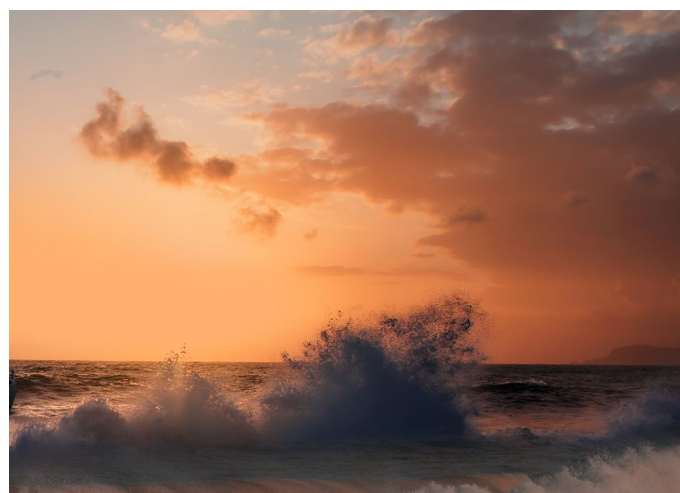
Source: Anchor.

All FCF CAGRs assumed at 4% p.a. from year 11-30, except for Ferrari and Hermes, both at 10%, and L'Oreal at 6% p.a.



It is always good to read the implied FCF CAGRs against the actual FCF margins that the companies are currently achieving. If a company has a very low current FCF margin, it is potentially easier to grow that at a faster rate off that low base. However, quality companies would typically have higher FCF margins.

Palantir is interesting in that it already has a very high FCF margin of c. 40%. While that is a margin typically associated with a high-quality business, having to compound its FCF from that already



high base level at c. 47% p.a. for the next decade is a very high bar set by its stock market valuation. So, the issue with Palantir is not the quality of its business, but rather the very high valuation bar set by the market.

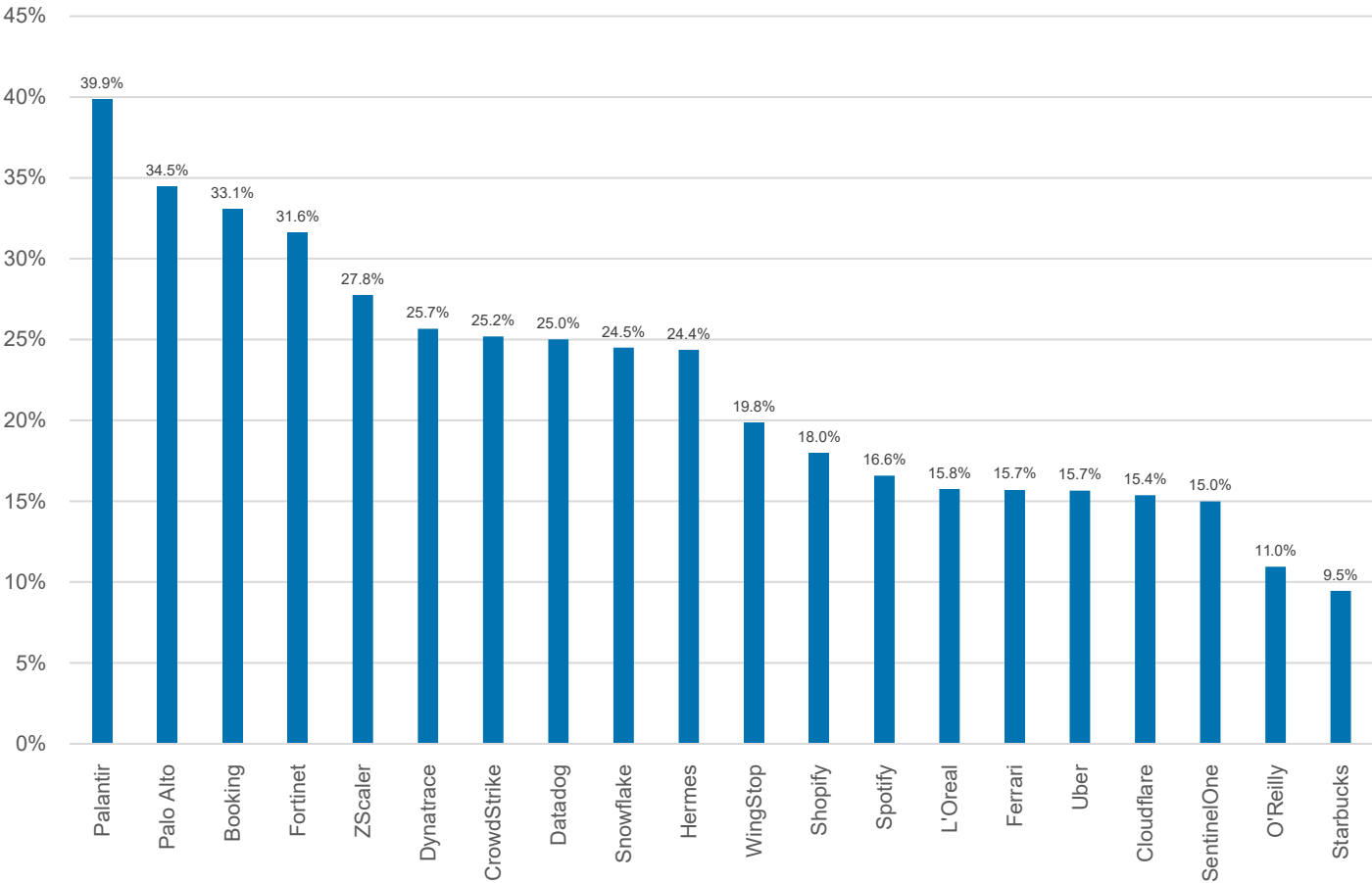
Companies like Palo Alto, Booking and Fortinet stand out in this chart as being very high-quality companies based on their FCF margins of over 30%. The only material negative for Palo Alto vs the other two companies is its relatively high stock-based compensation that results in some equity dilution over time.



Figure 3: FCF margins - various global companies

Source: Anchor.

Cloudflare, WingStop and SentinelOne 12-month forward FCF margin adjusted upwards to more normalised levels to ensure a proper starting base for the implied FCF CAGR analysis.



In the implied FCF CAGR chart earlier in this report, we showed that Fortinet (one of the world's leading cybersecurity companies) is currently discounting a CAGR of 13.5% p.a. over the next decade. In the next chart, we track this implied FCF CAGR over time. At the peak of market optimism around Fortinet earlier this year, the share was discounting a FCF CAGR of c. 20%. At that point, it was nearly starting to enter the "market darling" camp. It has since fallen back on concerns about the durability of the current cybersecurity hardware restock cycle. At the recent

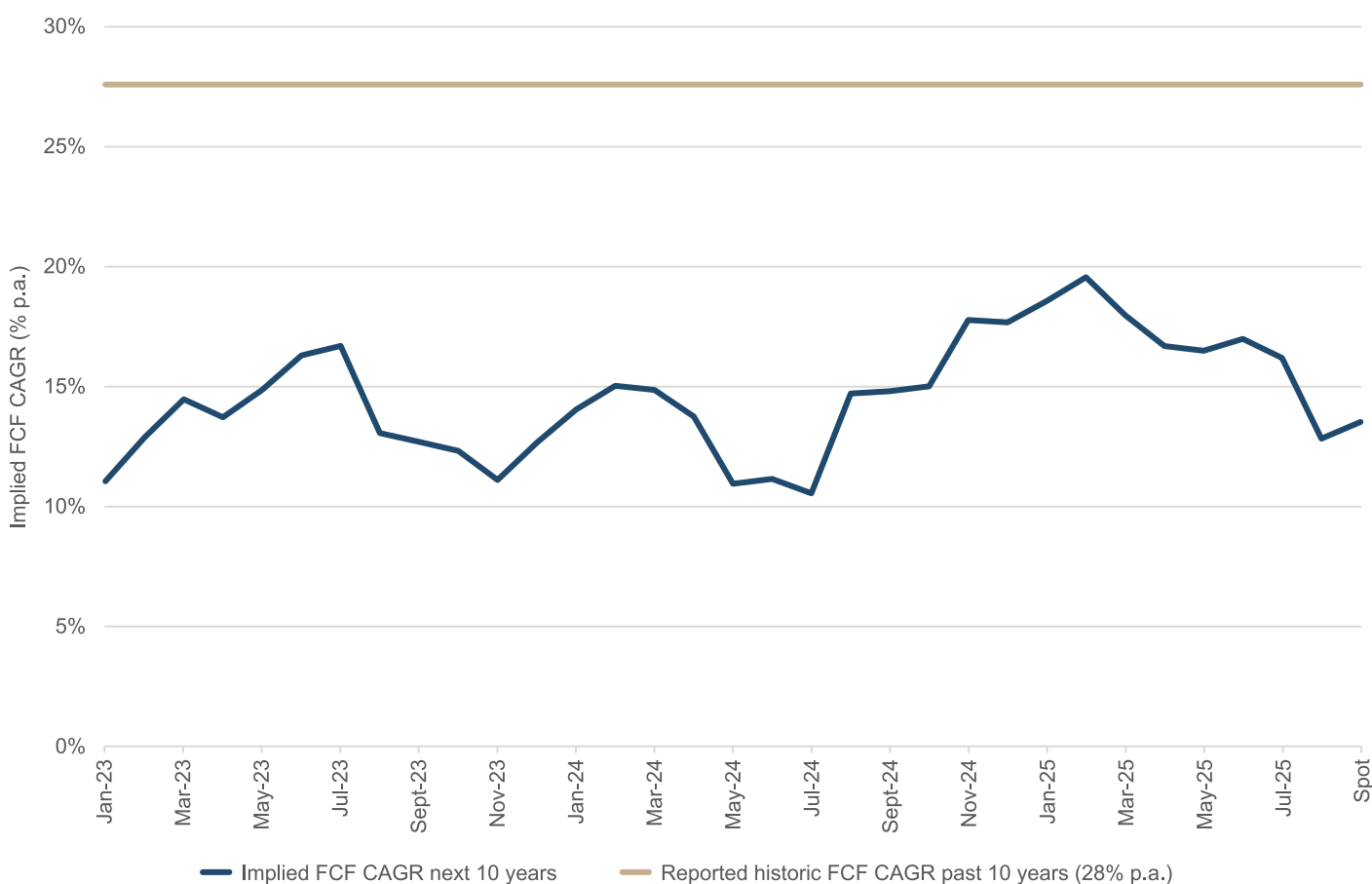
trough, when the share sold off post its 2Q25 results, the implied FCF CAGR fell to 12.8%. The current implied FCF CAGR of 13.5% looks like a decent value, in our view.

It is worth noting that over the past 10 years, Fortinet grew its reported FCF at an actual CAGR of 28% p.a. Thus, the market is pricing in a material slowdown for the next 10 years. That is probably fair to some extent, given that Fortinet is a more mature company now.

Figure 4: Fortinet case study- implied FCF CAGR over time

Source: Anchor.

FCF CAGRs assumed at 4% p.a from year 11-30.



We have also done this implied value exercise for the US-listed Big Tech companies. We have included Oracle in this cohort, given its recent resurgence as a hyperscaler and AI play. Apple has been struggling to gain a credible AI thesis and has become the cheapest Big Tech stock by far, based on this methodology. A few months ago, Alphabet was also pricing in a very muted future as the market worried about the threat that OpenAI was posing to its core search business. However, as the market has become more comfortable that Alphabet has a credible AI pedigree, it has started to re-rate closer to the other Big Tech companies. Its implied FCF CAGR of 17.3% is still far from expensive.

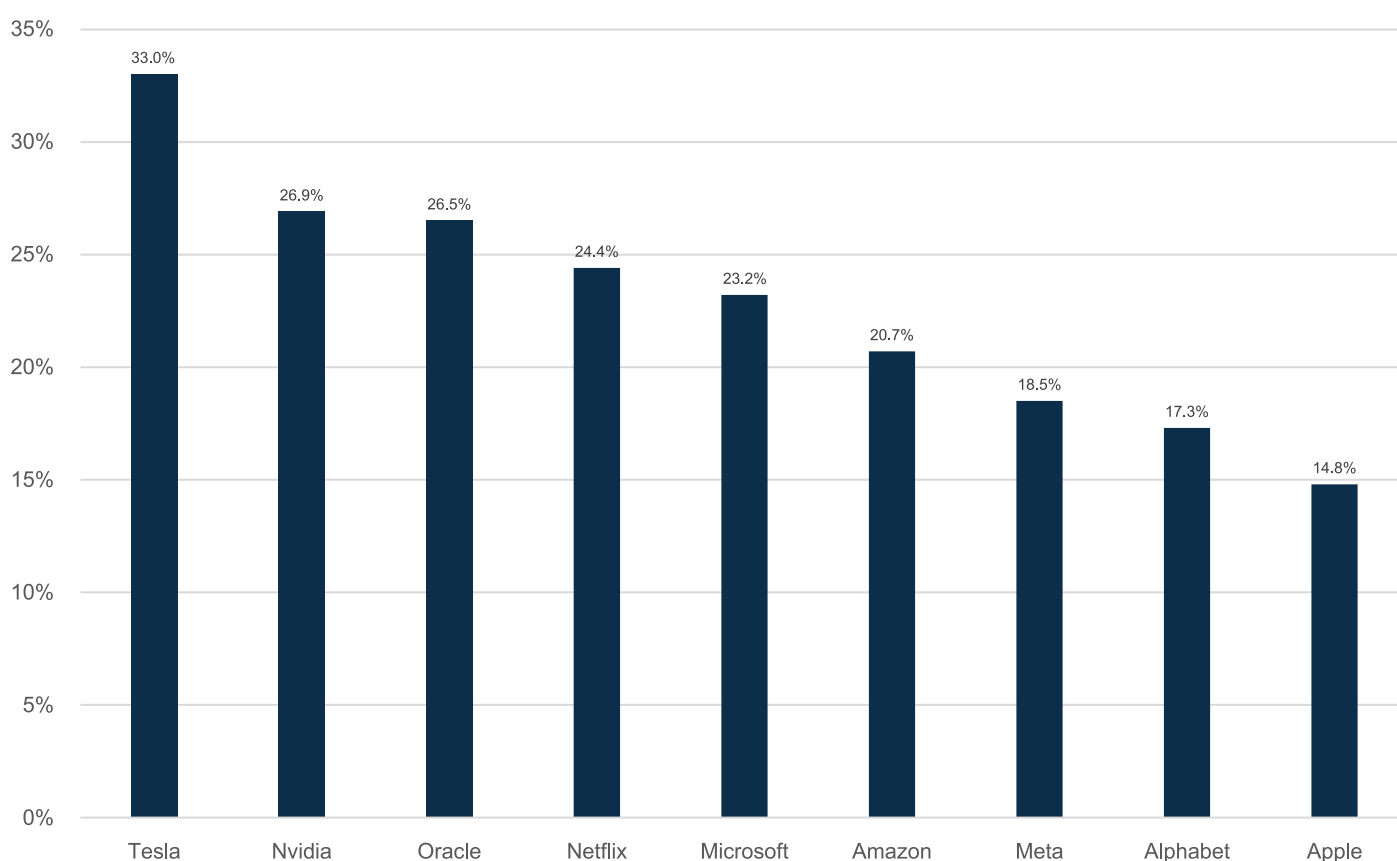
The other Big Tech stocks fit more into the "market darling" camp with implied FCF CAGRs of 20% to 30%. A looming issue is the massive capex that many of these companies are going to be spending on AI over the next few years. At least temporarily, their FCF margins could come under a lot of pressure and even turn negative for a couple of years (as in the case of Oracle). That might make our analysis more difficult to do accurately for a while. Tesla appears very expensive, although it does offer a lot more optionality to new revenue streams than the other companies.



Figure 5: FCF CAGR implied by market cap - Big Tech

Source: Anchor, Bloomberg

All FCF CAGRs assumed at 4% p.a. from year 11-30, except for Tesla at 6% p.a.



The current FCF margins of the Big Tech companies show they are mostly very profitable. However, as mentioned previously, this profitability is likely to come under pressure even if it is only temporarily.

Amazon's profitability always appears low due to it including the gross merchandising value (GMV) of all the goods sold through its website in its own reported revenue. Most will agree that this

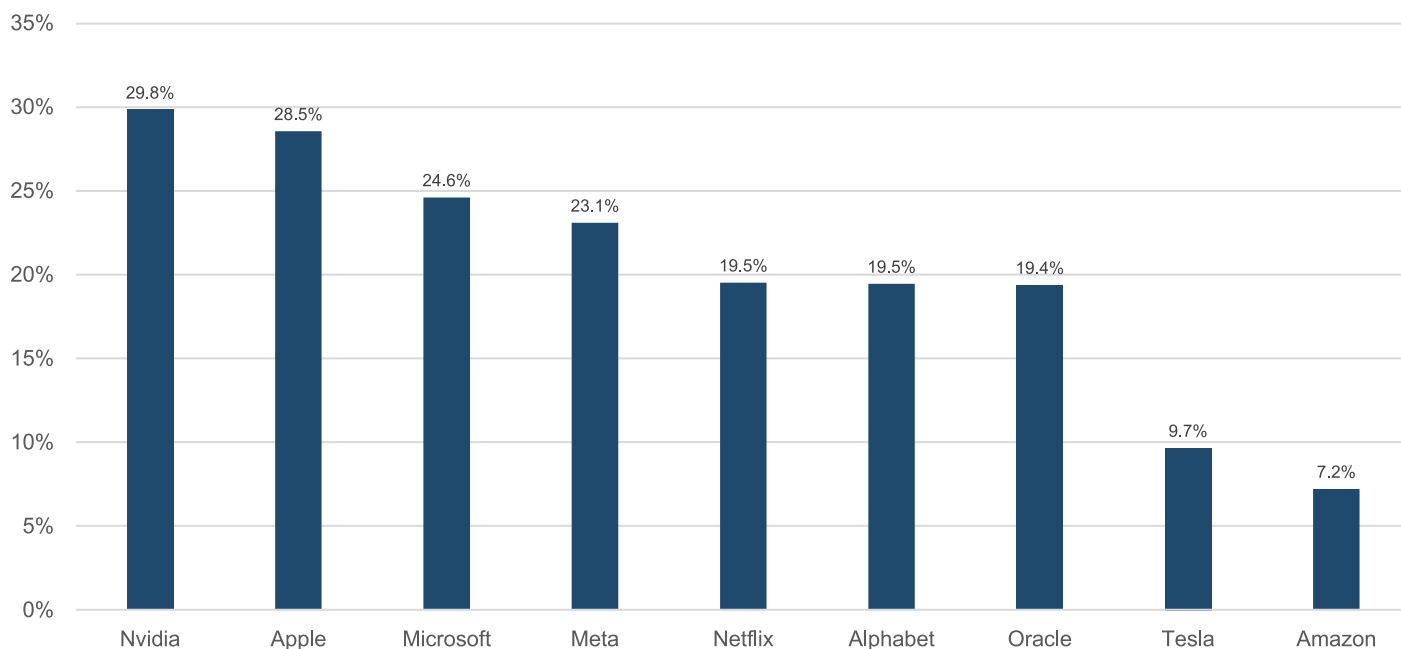
is misleading as to the true profitability of the e-commerce part of its business.

Although Tesla's share price is discounting a relatively high FCF CAGR of c. 33% p.a., the current FCF margin is low, so the base is easy to grow from. The Tesla investment thesis is complicated and sits in a "category of one", in our view. We follow Tesla closely at Anchor, but our views are a discussion for another day.

Figure 6: FCF margins - Big Tech

Source: Anchor, Company reports.

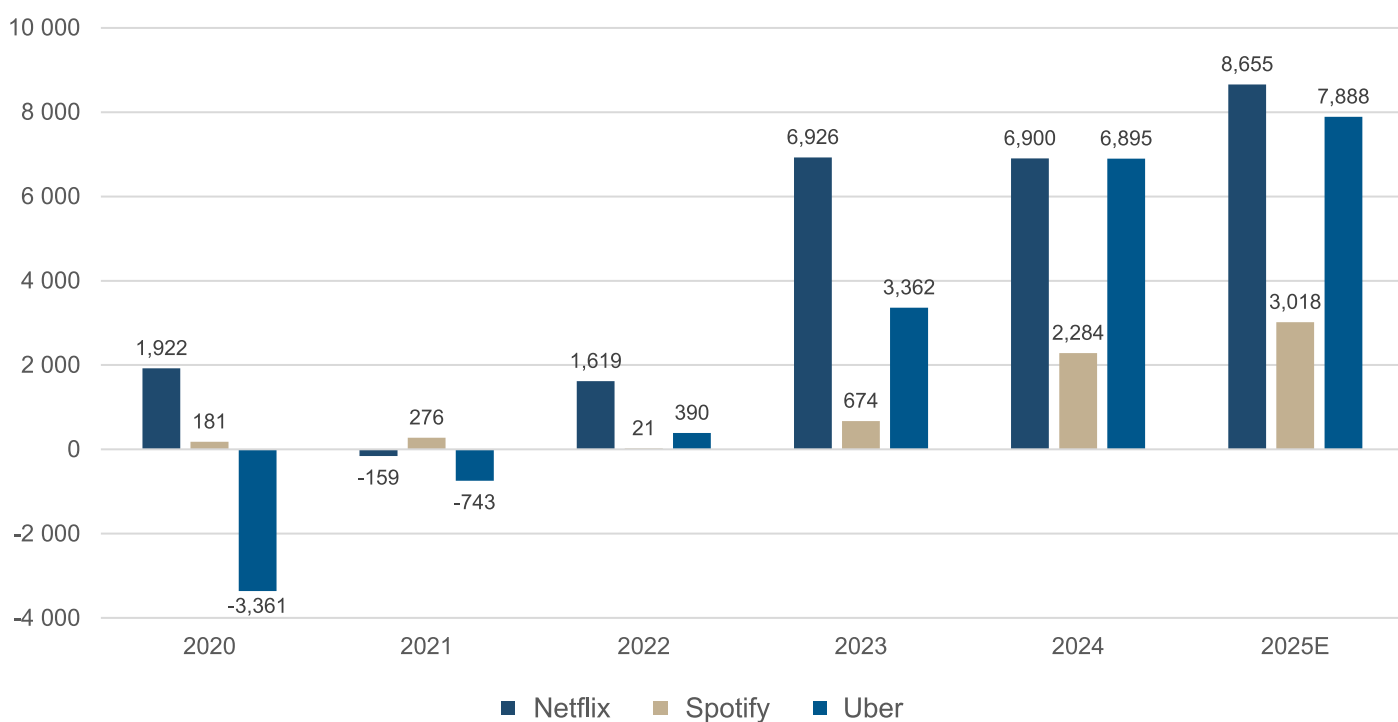
Tesla's 12-month forward FCF margin adjusted upwards to try to normalise its currently depressed margins.



The inflexion to FCF profitability can be a material catalyst for a company's share price. Netflix, Spotify and Uber have been excellent examples of this in recent years. Many growth companies purposefully plough their cash flow back into the business while they are in a hyper-growth phase on the revenue line. This can sometimes last for years. Eventually, they start to open the taps on FCF, at which point it grows exponentially.

Figure 7: Inflexion to FCF profitability – material valuation catalyst US\$m

Source: Anchor, Company reports.

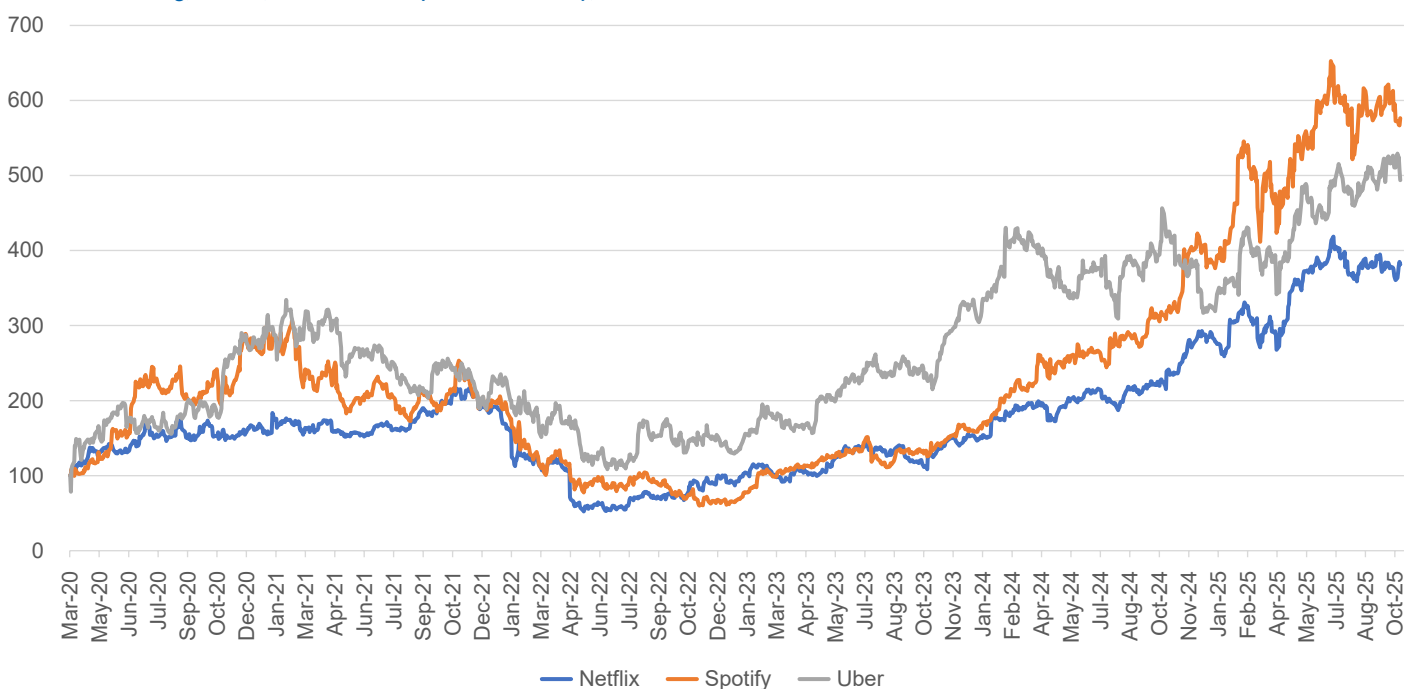


Investing in these three companies around the time of their inflexion to FCF profitability resulted in multi-bagger opportunities from about 2022.



Figure 8: Multi-baggers since Inflexion to FCF profitability (Netflix, Spotify, Uber shares prices indexed to 100)

Source: Bloomberg, Anchor, Note data are up to cob on Friday, 10 October 2025.



Valuing listed companies is not a perfect science. Rather than pinning it down to an exact bottom-up value, inverting the analysis shows what the market is pricing in for the long term. It is a good test for valuation reasonableness. My thinking on stock valuations is that it does not have to be perfect - it just has to be good enough!

If you hold a good stock successfully for 10 years, it is highly unlikely you will look back and say, "wow, did I nail this one with my spreadsheet 10 years ago?" What you would have likely got right is your initial assessment of management and business quality. And then a small dose of good fortune never hurts either.

Are you taking enough risk?



WRITTEN BY:

Nick Dennis
Fund Management

Before joining Anchor, Nick was a senior investment manager in the Emerging Market Equities team at Pictet Asset Management in London. Nick is a CA (SA) and CFA Charterholder. Nick has managed the Anchor Global Equity Fund since March 2015. The Fund won Raging Bull awards for the best (FSCA-approved) offshore global equity general fund (best straight performance over 3 years) in 2020 and in 2022. He also manages the BCI Global Equity Feeder Fund, which won a Raging Bull award in 2020 for the best (SA-domiciled) global equity general fund on a risk-adjusted basis over 5 years.

Be afraid! Be very afraid!

That seems to be the message from the financial media and many investment houses. After living through three bear markets in six years, investors are understandably on edge, even though major equity indices trade at or near all-time highs.

This article explores four key ideas:

- I believe that most investors are too risk-averse.
- From an asset allocation perspective, the job of the equity bucket is to take risk.
- The equity market offers attractive potential rewards for risk takers.
- AI remains a generational opportunity for risk takers.

Most investors are too risk-averse

'Risk' is a loaded word. For some, it means volatility; for others, it means the permanent loss of capital. For fiduciaries, risk also includes career risk - poor performance relative to benchmarks and peers, and the fear of being wrong.

But risk is not only negative. Stocks carry an asymmetrically positive payoff: while an individual share can fall to zero, winners can generate returns measured in multiples (think Apple, Nvidia and Tencent).



Why, then, are so many investors conditioned to avoid risk? Fund managers now in their 40s to 60s were deeply scarred by the global financial crisis. More recent bear markets have reinforced the fear that there is always another shoe to drop. Surveys show caution among Baby Boomers, while many Millennial and Gen Z investors are also surprisingly risk-averse. More recently, institutional investors have been underallocated to equities as markets surged higher.

Retail investors, less constrained by institutional mandates, have participated in the rebound more aggressively - and been rewarded for assuming the risk that institutional investors were not prepared to take. Playing on the law of conservation of energy, I propose the Dennis Law of Conservation of Risk: risk cannot be created or destroyed, only transformed.

When a financial advisor or fund manager reduces equity exposure to avoid the reputational risk of being wrong ("How can you hold equities when tariffs are going to destroy the US economy?!"), they increase the client's risk of not meeting their long-term financial goals.

As an investor, you do not have to take risk, but there are consequences for not doing so. In investing - as in life - the biggest risk is not taking any risk at all.

The job of the equity bucket is to take risk

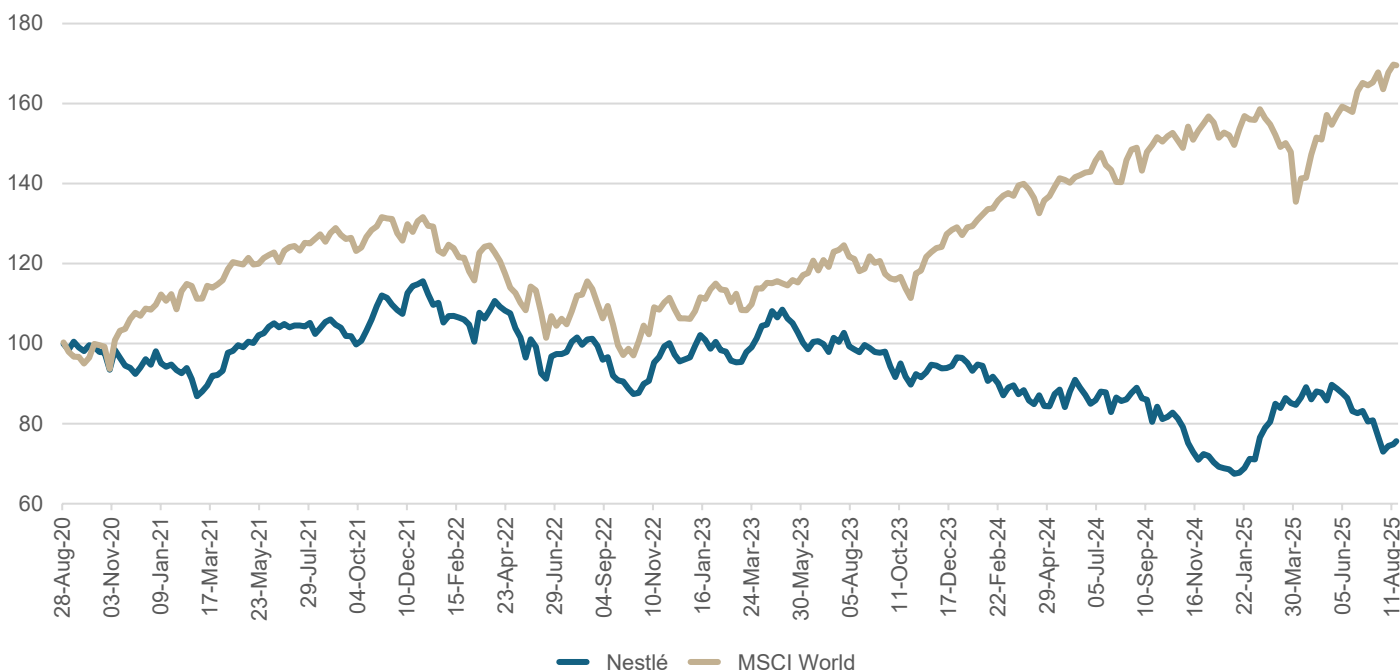
Risk minimisation appears to have been pushed down to every sleeve of many portfolios. Numerous equity funds are effectively structured as “all-weather” portfolios, treating the equity sleeve as if it represents 100% of a client’s assets. That misunderstands the role of equities: to earn the expected premium for taking

equity risk and to capture the market’s asymmetric upside over time.

Equities are poor hedges against themselves. A defensive, stable company like Nestlé can still fall meaningfully in a bear market and then lag the market in the subsequent recovery.

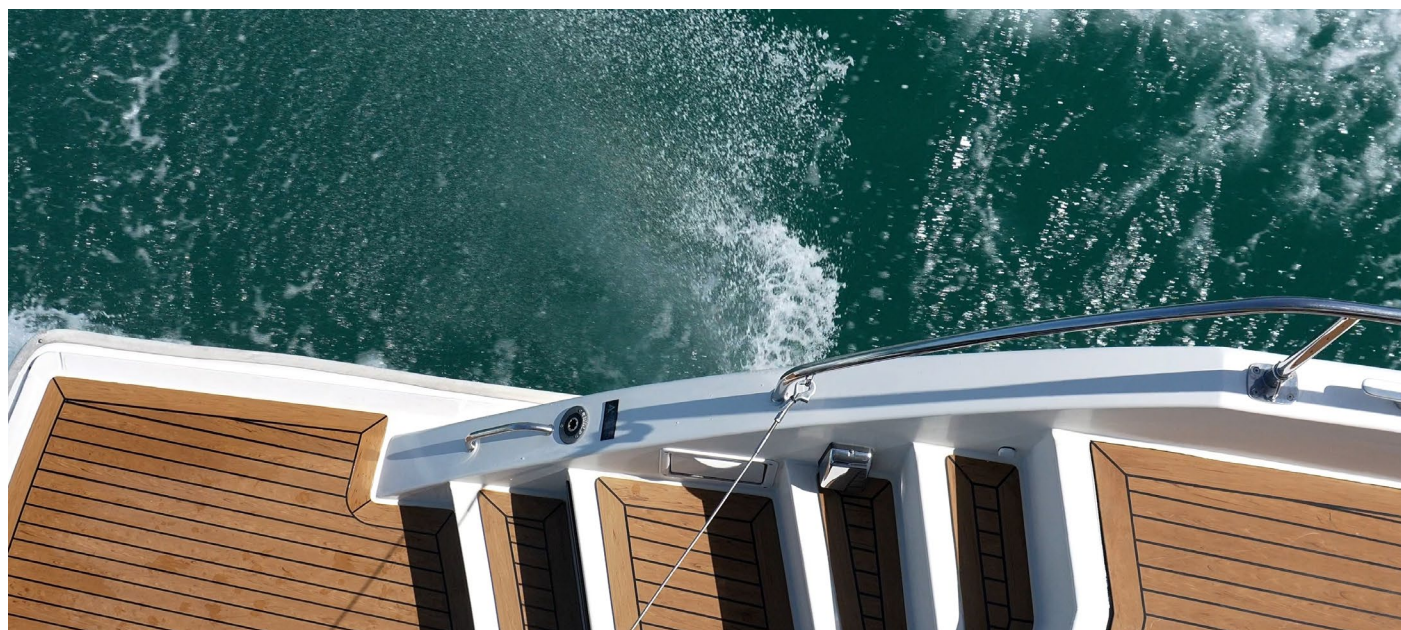
Figure 1: Nestlé – falls in bull markets, still gets hit in bear markets, rebased to 100

Source: Bloomberg, Anchor



True hedges should be uncorrelated assets - bonds, gold, certain commodity strategies, or volatility overlays. Put differently: The more effective your hedges, the more risk you can responsibly take within the equity sleeve. In racing terms, the better the

brakes, the faster you can drive! In portfolio management terms, better hedging can allow for a more aggressive equity allocation without an unacceptable increase in overall portfolio drawdown risk.



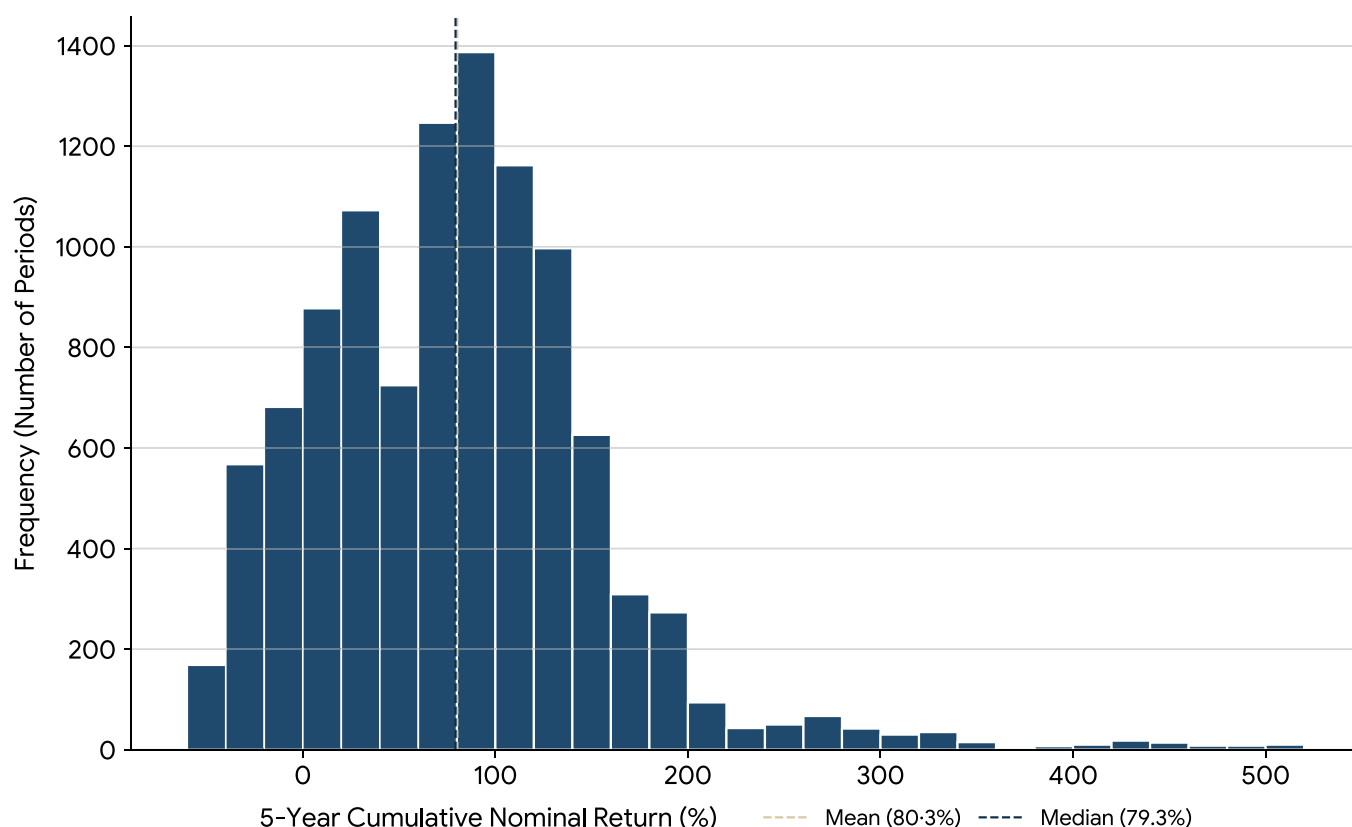
Equity markets offer attractive potential rewards for risk takers

The chart below shows the distribution of rolling 5-year returns of the Nasdaq (an index that is widely believed to be high risk)

based on its history. It shows that while negative outcomes over five years do occur, they are a relatively small share of possible outcomes, whereas extreme positive outcomes are possible. Over longer horizons, the skew is strongly positive.

Figure 2: Empirical distribution of 5-year Nasdaq returns (nominal, monthly rolling)

Source: Nasdaq, Federal Reserve of St Louis



Investors often obsess over the left tail of the distribution, without considering the upside on the right. The AI revolution means there is a greater probability of right-tail outcomes than is widely anticipated.

AI remains a generational opportunity for risk takers

Global equities are currently in a bull market, and AI has already produced massive stock market winners. The opportunity set can be divided into four groups:

- **AI Infrastructure:** Companies that supply the building blocks for AI (e.g. Nvidia, Taiwan Semiconductor Manufacturing Company [TSMC], and firms that build and service data-centre infrastructure).
- **Native AI businesses:** Firms whose core product is driven by AI (e.g. advertising platforms like Meta and Google [Alphabet]).
- **AI-enhanced leaders.** Companies with strong competitive positions are using AI to make their businesses even stronger. These companies are using AI to generate revenue and reduce costs - this combination will result in rising margins and returns on capital. This is the broadest and most fertile cohort.

- **Scarcity and humanity plays.** Companies that facilitate human connection will become even more valuable as AI agents and bots increasingly overrun the internet (e.g. Meta and Reddit).

AI poses an existential threat to many incumbents. Separating the winners from the losers will require active selection and judgement. It is not enough to simply take risk – you must take the right risks.

Conclusion

Given the generational AI opportunity and widespread risk aversion, we believe that taking equity risk – with thoughtful hedges and rigorous selection – is justified. The real question for each investor is not whether to avoid risk entirely, but whether their current allocation positions them to meet their long-term goals.

Are you taking enough risk?

Tides of change; local strains: SA's growth conundrum in a multipolar world



WRITTEN BY:

Casey Sprake
Economist

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

Global markets in 2025 continue to defy easy classification. Rather than a simple bull or bear cycle, investors are navigating something more erratic- a “kangaroo market,” marked by sudden leaps forward and equally abrupt retreats. This underscores the increasingly complex landscape through which global investors must chart their course.

The international backdrop is one of profound transition. The US remains an outlier in terms of resilience, but beneath its headline growth, the US Fed finds itself under intensifying political pressure. Calls for earlier and deeper policy easing stand in tension with lingering inflationary risks, while the electoral cycle adds another layer of complexity to an already delicate policy path. Europe's recovery is constrained by persistent industrial weakness and the lingering effects of its energy realignment. China's growth trajectory is increasingly shaped by policy interventions that oscillate between stimulus and restraint, underscoring the reality of a multipolar order in which no single economy provides a dominant anchor.



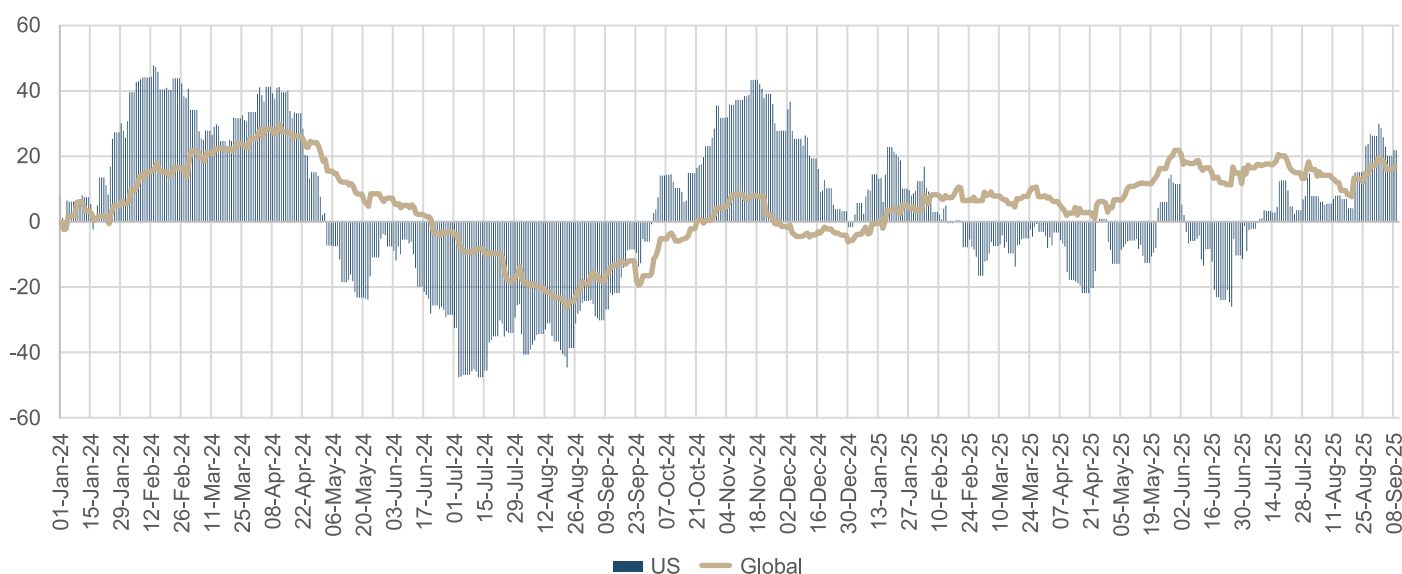
Overlaying this are heightened geopolitical tensions: tariffs, sanctions, and trade weaponisation are reshaping the flow of goods and capital. At the same time, ongoing conflicts in Eastern Europe and the Middle East contribute to commodity price volatility and rising investor uncertainty.

Against this background, markets are acutely sensitive to marginal shifts in incoming data. The Citi Economic Surprise Index (CESI), which measures the gap between economic forecasts and actual outcomes, highlights this volatility. As the chart below illustrates, while global surprises have remained broadly positive through much of 2024 and into 2025, signalling resilience in the face of widespread caution, US data have been far more volatile, oscillating sharply between optimism and disappointment. The result is a world economy advancing in uneven fits and starts, fragile to even marginal shifts in momentum.



Figure 1: Citi Economic Surprise Index

Source: Reuters, Anchor



In this unsettled global economy, SA's challenges stand out starkly. As a small open economy, it is acutely vulnerable to external shocks—but its real difficulties are homegrown. Over the past two decades, growth has collapsed from above 4% in the mid-2000s to near stagnation. Productivity fell sharply as state-owned enterprises (SOEs) absorbed vast resources while delivering little economic return. This was the hallmark of the 'state-capture decade' after 2010, when governance failures and resource misallocation crowded out private investment.

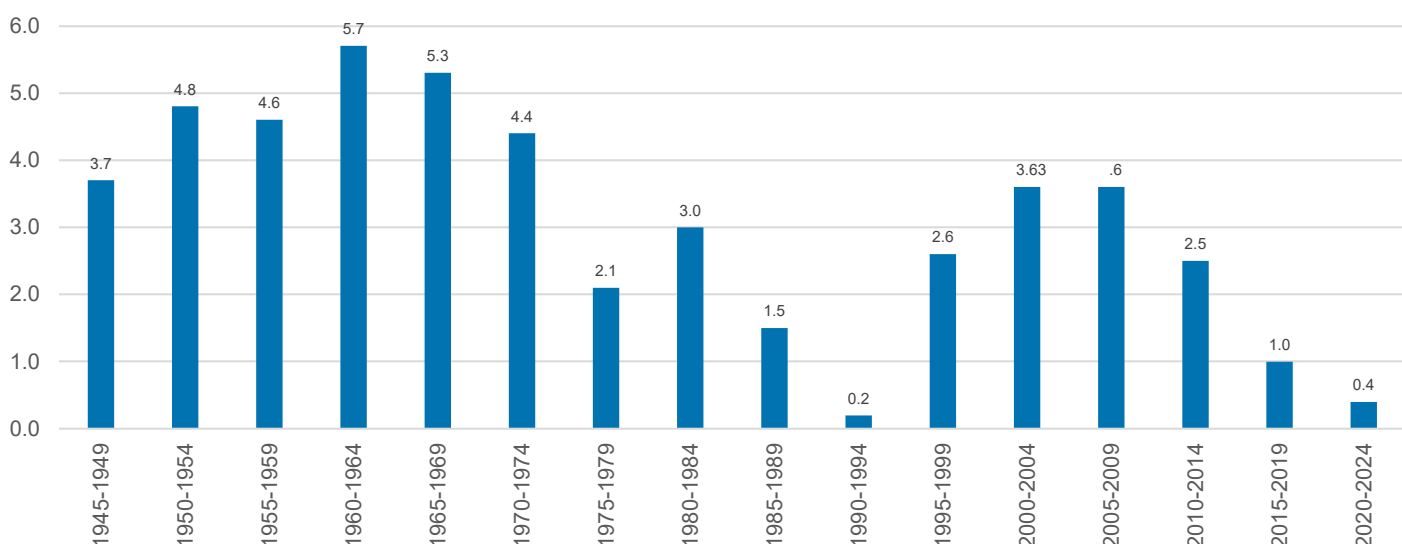
State-owned electricity utility Eskom epitomises this: despite massive investment in projects like the Medupi and Kusile power stations, output stagnated and even contracted, as these mega-projects failed to deliver functioning capacity. This collapse in capital productivity represented not only the direct cost of

corruption and mismanagement but also a broader misallocation of resources - diverting savings away from potentially productive private sector investment and into unproductive state projects. The knock-on effects were felt beyond energy.

Investment has since stagnated at c. R500bn p.a. in real terms—far too little to expand the productive capital stock. Fiscal policy, meanwhile, became skewed toward unproductive spending, while higher taxes and inflation-driven real interest rates further constrained growth. The result was one of the weakest periods of economic performance in SA's modern history, with GDP growth averaging just 1% between 2015 and 2019, surpassed in weakness only by the transitional years of 1990–1994 and the post-COVID-19 downturn. Per capita GDP peaked in 2013 and has been declining ever since; the country has endured more than a decade of stagnation.

Figure 2: SA average GDP growth per period

Source: Reuters, BER, Anchor



SA's export performance tells a similar story of structural decline. Export complexity, an indicator of how diverse, knowledge-intensive, and sophisticated an economy's export basket is, has weakened markedly. According to the *Observatory of Economic Complexity*, in 2000, SA ranked 34th in the world for economic complexity; today it is at 59th. This decline in export complexity reflects a narrowing export base, with increasing reliance on raw materials and basic commodities at the expense of higher-value, more sophisticated products. The loss of complexity in SA's exports points to a deeper erosion of competitiveness and productive capacity.

Private sector investment growth has also stalled. Over the past decade, firms have faced a hostile operating environment: persistent loadshedding, political risk, policy uncertainty, excessive red tape, and high costs of doing business. These pressures have been exacerbated by a rising tax burden and elevated borrowing costs, further undermining business confidence. The economic toll of the energy crisis alone has been severe. National Treasury estimated that loadshedding shaved 1.5 to 2 ppts off GDP growth in 2022, while the *Council for Scientific and Industrial Research (CSIR)* calculated the cost of

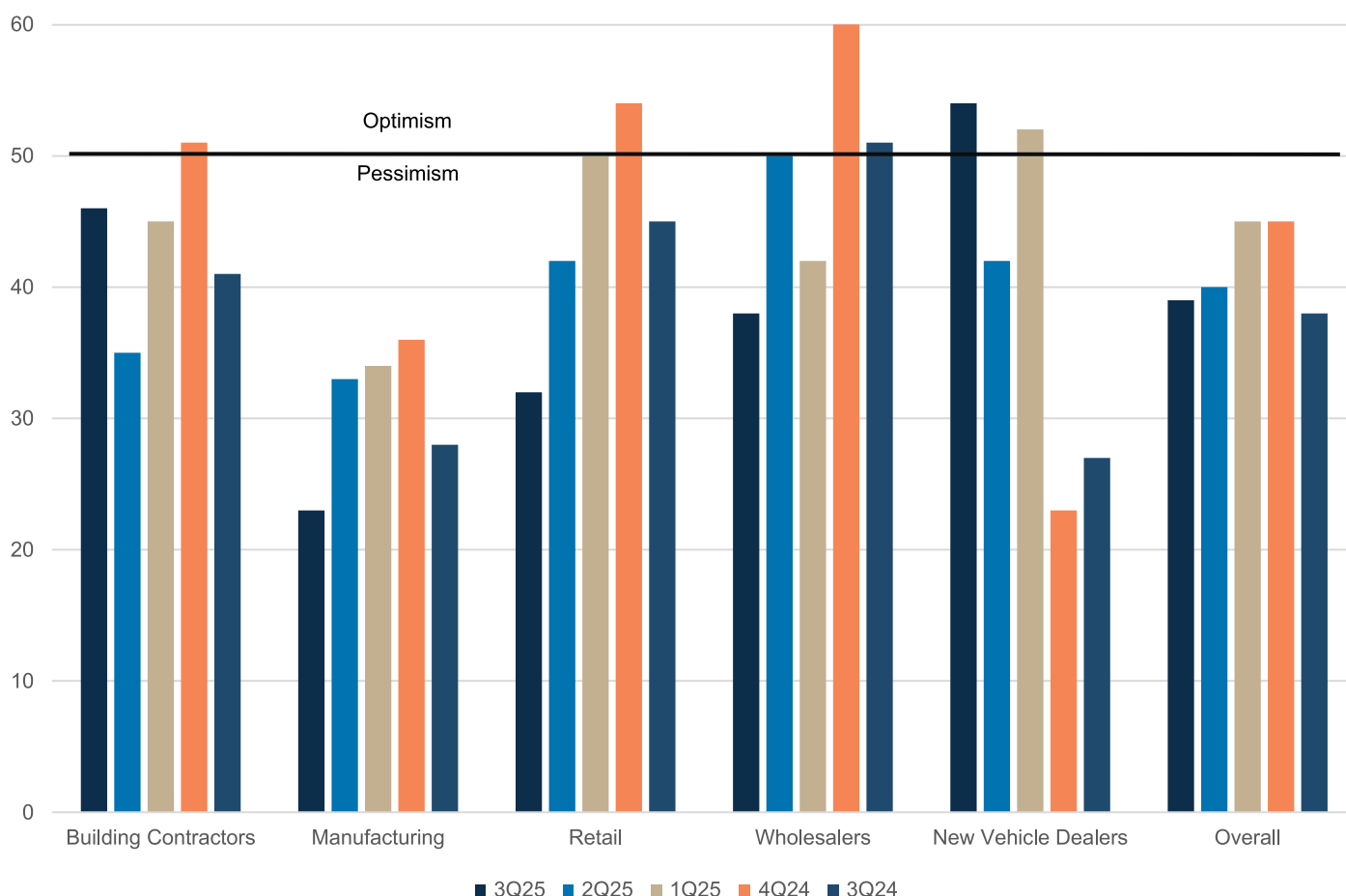
blackouts that year at R560bn—equivalent to 8%–10% of GDP. Regardless of the exact figure, for businesses, the inability to plan, price, or expand in such an environment has created a deep reluctance to commit capital to long-term projects. The deterioration of logistics infrastructure has compounded this erosion of confidence.

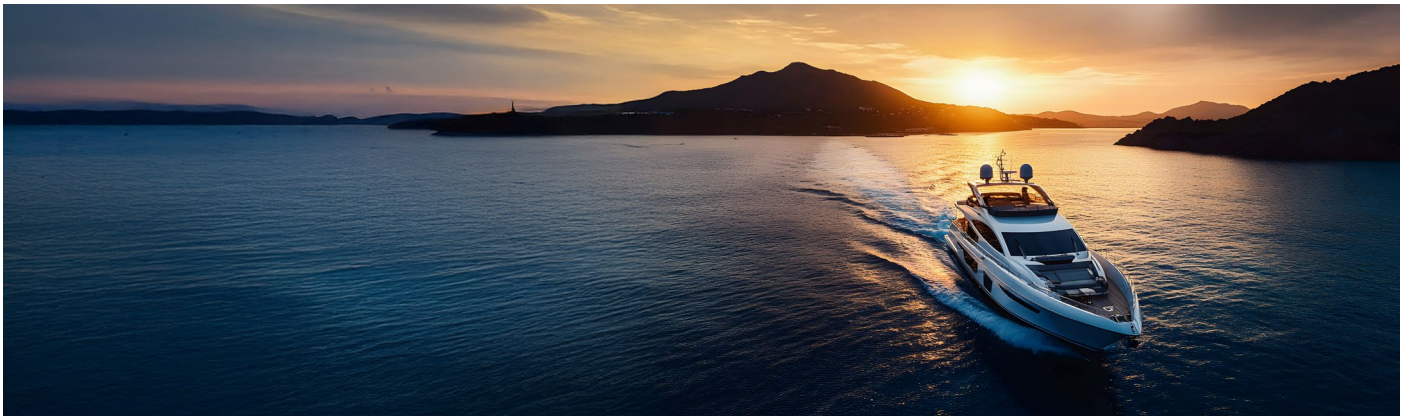
SA's ports and rail networks, once key competitive strengths, have suffered years of underinvestment and mismanagement, raising costs for exporters and reducing efficiency. Although there has been some progress by mid-2025, with port capacity improving under the government's reform programme, the gains remain fragile and uneven.

The combined effect has been a damaging feedback loop. Structurally, energy shortages and infrastructure bottlenecks have placed binding constraints on the economy. Cyclically, rising borrowing costs have raised the hurdle for new investment. Politically, governance failures and the legacy of state capture have undermined confidence further. Weak investment has driven down productivity growth, which in turn slowed overall GDP growth, further discouraging investment.

Figure 3: RMB/BER Business Confidence Index

Source: BER, Anchor





While fiscal and monetary policy remain important levers for stabilising the economy, their capacity to offset SA's deep-rooted structural challenges has proven limited. The post-global financial crisis period illustrates this clearly. SA entered 2008 from a position of relative strength- low inflation, a fiscal surplus, and well-capitalised banks meant that countercyclical measures could be deployed without immediate strain. Yet, the subsequent fiscal trajectory proved problematic.

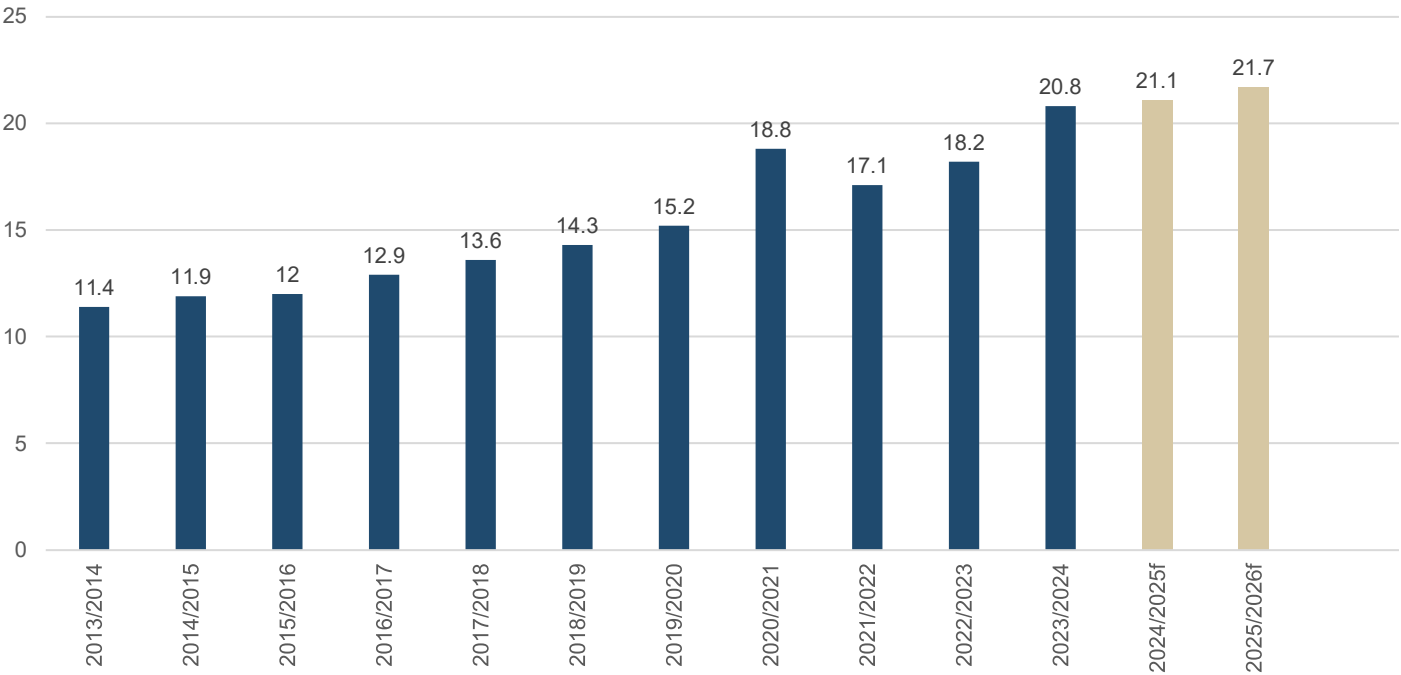
Rather than crowding in investment through infrastructure spending or productivity-enhancing reforms, much of the fiscal expansion was absorbed by a rapidly growing public-sector wage bill. SA currently carries the third-largest public sector wage bill in the world relative to the size of its economy, with compensation costs amounting to c. 10.5% of GDP - well above levels seen in advanced economies such as the US, UK, Australia, and Japan.

This has resulted in an economy that is saddled with permanently higher expenditure levels, rising sovereign risk premiums, and elevated real borrowing costs across the economy.

More recently, the National Treasury has faced escalating fiscal pressures. Gross loan debt is projected to peak at 76.2% of GDP in 2025/2026, with debt-service costs approaching R390bn this year—meaning that almost a quarter of every rand collected in revenue is allocated to interest payments.

This rising debt burden is feeding directly into higher long-term bond yields, raising borrowing costs for both the government and the private sector. Moreover, the Treasury's reliance on 'stealth taxes' such as bracket creep, rather than expenditure cuts or structural reforms, signals weakening fiscal discipline and a reduced capacity to contain spending growth.

Figure 4: Debt-service costs as a percentage of main budget revenue, %
Source: National Treasury, Anchor





Monetary policy, too, has been constrained. Rising inflation and debt-servicing needs have limited the space for accommodative action, leaving the South African Reserve Bank (SARB) with little scope to provide meaningful growth support. The ongoing debate over lowering the inflation target to 3% further complicates the policy landscape and risks imposing additional costs on an economy where supply-side constraints (rather than demand pressures) are the dominant driver of inflation. Without tackling the underlying productivity constraints- such as energy insecurity, inefficient SOEs, weak infrastructure, and policy uncertainty- the country will remain locked in a cycle where macroeconomic policy serves only to manage the symptoms, rather than resolve the causes of stagnation.

The central question, then, is how SA can restore growth. The stark deterioration during the state-capture decade after 2010 is undeniable, but it need not dictate the future. The period of rapid expansion in the mid-2000s demonstrates that the economy is capable of stronger performance, provided the right conditions are put in place. Our base case remains for subdued growth, below 2% p.a. over the next two to three years, as reforms progress slowly and confidence remains muted.

The current pace of change has left businesses disillusioned, with the economy largely muddling through. Yet upside risks cannot be dismissed. A stronger, more credible reform push, combined

with greater political and policy certainty and improved coordination between fiscal and monetary policy, could set in motion a virtuous cycle of investment, productivity gains, and higher growth. History shows that SA has, in moments of crisis, delivered reform against even greater odds. There is no structural reason why it cannot do so again. That said, downside risks remain significant. Reform momentum has been halting, with isolated milestones reached but little evidence of a durable acceleration in growth. The erosion of per capita incomes and persistently high unemployment present deep long-term challenges, and without decisive action, the risk is that stagnation becomes entrenched.

In this regard, the priorities are clear:

- Raise investment by cutting red tape and lowering the cost of doing business.
- Restructure SOEs, especially in energy, logistics, and transport, to restore productivity.
- Rebuild competitiveness by diversifying exports and improving infrastructure.
- Anchor macroeconomic policy with credible, well-coordinated fiscal and monetary frameworks.

SA does not lack potential; it lacks *momentum*. The choice ahead is between persisting with incremental progress that leaves the economy adrift, or embracing bold reforms that can restore confidence, attract investment, and put growth back on a sustainable trajectory.



Investing in emerging markets: Opportunities and considerations



WRITTEN BY:

Ryan Kelly
Wealth Management

Ryan is an accomplished and result-driven financial expert with experience in financial operations, banking, and business planning within the banking sector. He started his career in the financial services industry in 2006 at Investec Bank, ABSA Bank and RMB and has experience in relationship management, structured lending, cash investments, foreign exchange, fiduciary, financial planning and wealth management. Ryan is a qualified Certified Financial Planner with an Advanced Certificate in Financial Planning (ACFP) through the University of the Free State. He joined Anchor in November 2021.

When discussing investment solutions with clients, the question of opportunities and considerations when investing in emerging markets (EMs) often arises. In this article, we delve into the unique dynamics of these markets, their structural characteristics, and investment implications.

The characteristics of EMs

EMs are usually developing nations that are characterised by rapid growth and industrialisation. These countries are transitioning from a less-developed to a more modern economy. While EMs often involve greater investment risks, they can be an area of interest for those seeking growth opportunities beyond developed economies. EMs typically include countries in Asia, Africa, Latin America, and parts of Eastern Europe, with some prominent examples being the BRICS nations (Brazil, Russia, India, China, and South Africa), and countries like Mexico, Indonesia, Türkiye, etc.

While these markets offer the potential for higher returns, they also come with greater volatility and risks, such as political instability, currency volatility, and less developed financial systems vs developed economies. Nevertheless, their allure lies in the possibility of significant growth and attractive returns for investors. Understanding their unique dynamics, structural characteristics, and investment implications is essential for navigating these markets successfully and capturing their long-term growth potential.

The case for EMs

EMs can deliver higher economic growth rates compared to developed markets (DMs). With expanding populations, a growing middle class, and rapid industrialisation, these countries can provide access to new consumer bases and innovative business models. For investors, exposure to these markets not only offers the potential for higher returns but also diversification benefits, as their economic cycles do not always move in line with those of DMs, providing a cushion against market volatility.

For example, economies such as China, India and Vietnam have demonstrated robust GDP growth, driven by manufacturing, technology, and services. Similarly, countries in Africa have untapped resource potential and growing consumer demand that could yield long-term investment opportunities.

Global EM trends

1. **Slowing global growth and divergence:** The International Monetary Fund (IMF) projects slower global GDP growth compared to the previous decade. At the same time, DMs such as the US and Europe face structural headwinds—ageing populations, high debt burdens—EMs continue to drive global growth. However, the growth story is no longer uniform: economies like India and Vietnam are thriving, while others like South Africa and Brazil grapple with structural inefficiencies.
2. **The shift to Asia:** Asia remains the powerhouse of EMs, led by China and India. Even as China's growth slows from double digits, its transition toward consumption-led growth presents opportunities in technology, healthcare, and green energy. India, meanwhile, is experiencing a demographic dividend with a young workforce and rapid digital adoption. For global investors, this Asia-centric growth trajectory is reshaping portfolio allocations toward the region.
3. **Currency volatility and US dollar strength:** One of the most significant challenges for EM investors is currency risk. A strong US dollar often pressures EM currencies, increasing the cost of servicing US dollar-denominated debt. South African investors, in particular, are sensitive to these shifts, as the rand is among the most volatile major currencies. Diversification across multiple EM currencies, alongside active foreign exchange management, has become a vital strategy.
4. **Commodities and the green transition:** EMs are central to the global commodities story. Resource-rich countries like Brazil, SA, and Indonesia benefit from rising demand for metals such as lithium, copper, and cobalt—critical for renewable energy and electric vehicles (EVs). However,

the volatility of commodity cycles requires investors to balance short-term risks with long-term green transition opportunities.

5. **Rising geopolitical tensions:** Geopolitics play an increasingly important role in shaping investment outcomes. Russia's war on Ukraine has altered energy flows and food security, directly impacting EMs. Similarly, US-China trade tensions create uncertainty around supply chains. Investors are responding by diversifying exposure across regions to avoid concentration risks.
6. **The rise of domestic consumption:** A key driver of growth in EMs is the rise of domestic consumption. Expanding middle classes are boosting demand for consumer goods, e-commerce, financial services, and healthcare. This shift reduces reliance on exports and creates opportunities for investors targeting structural, long-term themes.
7. **Technology and digital adoption:** EMs are advancing traditional development stages by adopting digital infrastructure rapidly. From fintech in Nigeria to e-commerce in India and digital banking in Brazil, the growth of digital ecosystems offers new frontiers for investment. However, regulatory uncertainties remain a challenge.

Risks to consider

Despite their promise, EMs are not without their challenges. Some of the key risks investors face include:

- **Political and regulatory instability:** Governments may implement sudden policy changes, nationalisation, or restrictions on foreign investment.
- **Currency volatility:** Exchange rate fluctuations can significantly affect returns, particularly when repatriating profits in hard currencies such as the US dollar, euro, British pound, etc.
- **Liquidity concerns:** Financial markets in these regions are often less developed, leading to challenges in entering or exiting positions.
- **Infrastructure:** Poor infrastructure can lead to operational challenges for companies and slower economic growth.
- **Geopolitical risks:** Conflicts, sanctions, or strained trade relationships may disrupt market performance.
- **Corporate governance:** Transparency and investor protections due to weak regulatory frameworks may lag those in DMs.



Investment approaches

Investors can gain exposure to EMs through several investment strategies, each with a varying degree of risk:

- **Direct equity investment:** Purchasing shares of companies based in these emerging economies and listed on their local stock exchange.
- **Exchange-traded funds (ETFs) and unit trust funds:** These offer diversified exposure to baskets of EM securities.
- **Fixed income:** Sovereign or corporate bonds from EM issuers often offer higher yields.
- **Private equity and venture capital:** Investing in high-growth businesses not yet listed on public markets.

A balanced allocation that combines equities, fixed income and alternatives is a key strategy that can help manage volatility in these markets while still capturing their growth potential.

Long-term outlook

While short-term risks remain elevated, the long-term structural growth story of EMs is compelling. Urbanisation, industrialisation, rapid technological adoption, and demographic advantages may continue to fuel above-average growth in these countries.

However, disciplined portfolio construction, rigorous due diligence, and an understanding of local dynamics are crucial for success.

Conclusion

EMs present a paradox: high risk alongside high reward. For investors willing to embrace volatility and conduct thorough research, they offer opportunities that may not be available in more mature economies.

A measured approach—balancing client objectives and returns through diversification, comprehensive research, and a suitable investment time horizon—can make EMs a valuable component of any investor's globally diversified investment portfolio.



What makes Anchor different?



WRITTEN BY:

Anil Thakersee
Portfolio Management

Anil joined Anchor Private Clients in 2025 and has worked in the financial services industry since 1995. Before joining Anchor, Anil was a senior portfolio manager at Standard Bank's stockbroking division, managing private client share portfolios. Prior to this, Anil spent 17 years at Old Mutual in various senior investment roles, including as a senior portfolio manager managing pension funds (including the Old Mutual Balanced Fund between 2008 and 2014). His last role at Old Mutual was as chief investment officer of Old Mutual Equities, where he established and was responsible for the investment management function. Anil has a BCom, majoring in Economics. He is a CFA charterholder and a chartered market technician (CMT). In addition, Anil is a certified coach and NLP practitioner.

Anchor's unique approach to wealth and portfolio management, our seamless integration of services, and our focus on client service make us the standout choice for high-net-worth individuals (HNWI) and experienced investors.

At Anchor Private Clients, our culture revolves around client service. Our clients are not just a priority; they are our number one priority. This client-centric approach is embedded in the design and structure of our business, our internal processes, and our use of technology. Our wealth and portfolio managers embody this commitment, taking pride in delivering exceptional service and building trusted, long-lasting relationships with our valued clients. We view client relationships as long-term partnerships, a testament to the value we place on every client.

The seamless and efficient integration of wealth and portfolio management is another standout feature of Anchor Private Clients. We operate in a highly regulated industry with multiple regulators and regulations that individually govern the various components of wealth and investment management processes, and this can often fragment or create a silo approach.

Anchor Private Clients stands out in the industry with its comprehensive service offerings. While successful asset allocation and top-performing investment performance are crucial, they are only part of the equation for successful client outcomes. Investing in the appropriate tailored structures and

tax-efficient solutions can often have just as significant an impact on client outcomes. The Anchor approach delivers value to our clients by bringing diverse capabilities and offerings to them from within the broader Anchor Group, such as AG Capital, Credo, Wild Dog Capital and Robert Cowen Investments, amongst others. Anchor's merger with UK wealth and asset manager Credo provides our clients with a powerful UK investment platform. We also have "open source" partnerships with key local and global players, such as Allan Grey, Momentum Wealth, Glacier by Sanlam and Old Mutual International. The breadth and depth of this available 'toolbox' result in a best-of-breed approach, ensuring that we can meet all your financial needs.

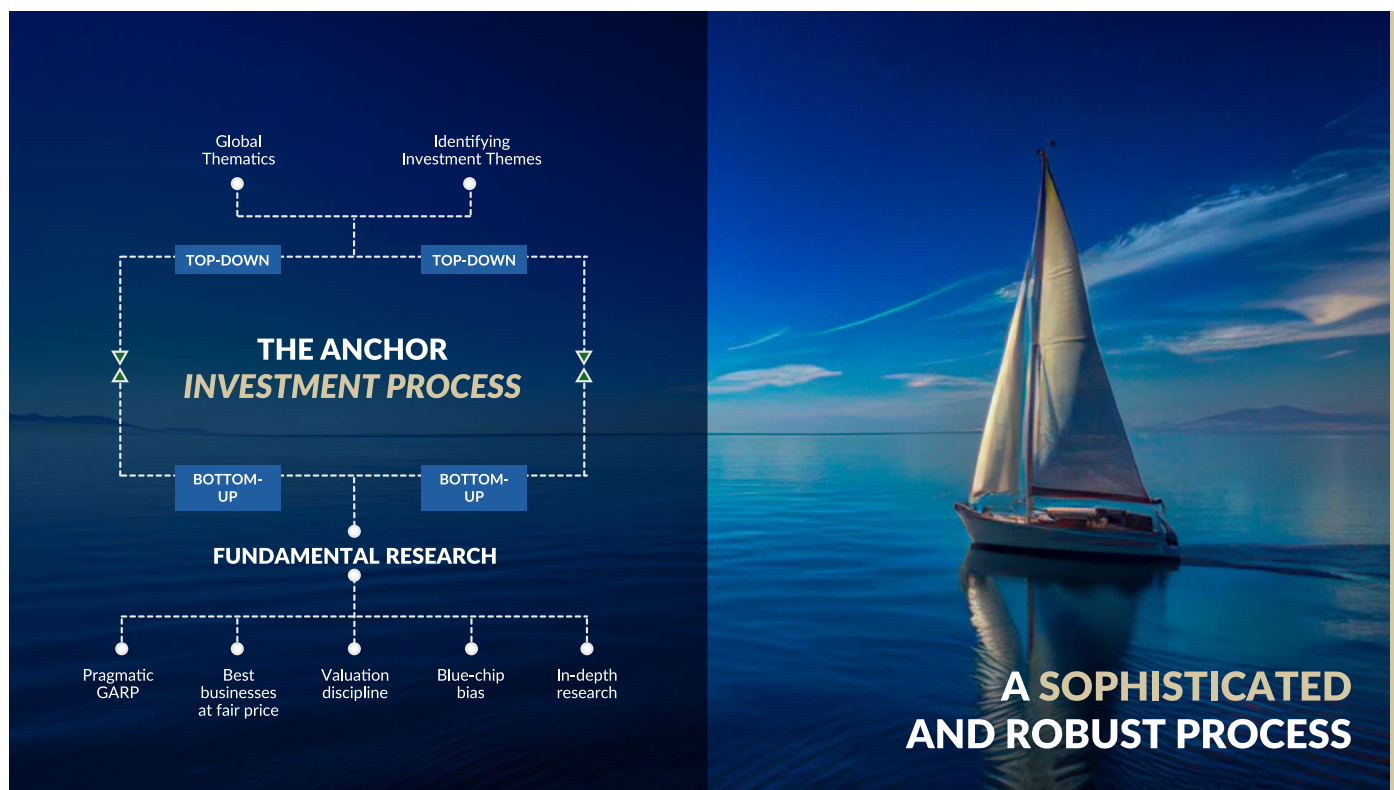
At Anchor Private Clients, our investment engine is powered by a highly experienced and talented team of over 30 investment professionals. With a strong and credible track record, including multiple Raging Bull awards in recent years, the team covers both domestic and global investment processes across a broad spectrum of asset classes. In 2024, the team secured two of South Africa's top 10 performing funds out of 1,856 funds, a testament to their expertise.

Anchor is a pragmatic growth at a reasonable price (GARP) equity manager, reflecting our preference for quality growth companies without overpaying and a practical consideration of value. The blending of both top-down and bottom-up approaches enables consistency and reliability of investment performance.



Figure 1: The Anchor investment process

Source: Anchor



Alternative investments are a key focus area at Anchor Private Clients, with a strong competitive advantage in both its capability and offering. Alternative investments are generally defined as investments that fall outside the traditional categories of equities, bonds, and cash. This broad category includes a wide range of assets, each with its own strategy, risk profile, and return potential.

The growth of alternative investments is significant for investing in 2025 and beyond. Alternative investments are becoming an increasingly important component of their wealth for experienced investors and HNWIs, particularly in sectors such as private equity, hedge funds, private debt, real estate and structured products. According to PwC, global assets under management (AuM) are expected to top US\$145.4trn in 2025, nearly

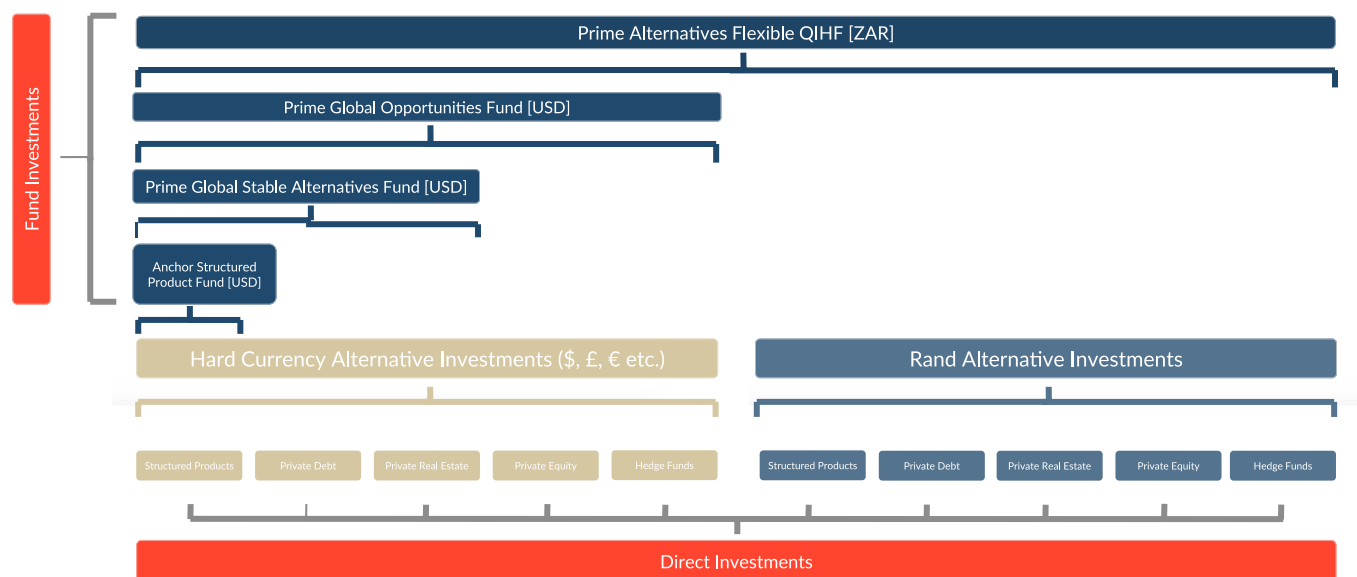
double the US\$84.9trn in 2016. The same research forecasts that alternative investments will reach US\$21.1trn by 2025, representing 15% of all AuM. The value proposition is simply access to markets that have, until relatively recently, not been available to most investors. These alternative investments offer enhanced risk-reward metrics while diversifying the correlation and hence behaviour of the portfolio relative to traditional major equity indices such as the S&P 500.

Anchor Private Clients offers a comprehensive range of alternative investments, including private equity, hedge funds, private debt, real estate, and structured products. It is important to note that each investor's needs are unique, and our wealth managers are here to provide individual advice on which of these solutions are appropriate for your investment portfolio.



Figure 2: Alternative investments – democratising access

Source: Anchor



"Financial planning matters at every stage of life and level of wealth. Our research confirms that a professionally created plan offers a roadmap to achieve financial goals—but perhaps the most compelling insight for us in this data is the positive impact it can also have on one's life and sense of wellbeing." - Anthea Tjuanakis Cox, Head of Financial Planning at Morgan Stanley

Effective financial planning not only safeguards and grows wealth but also fosters peace of mind, confidence, and an enhanced sense of well-being. A recent study by *Morgan Stanley Wealth*

Management found that having a financial plan in place results in greater confidence and satisfaction amongst HNWI's, who describe their financial outlook as 'prepared' and 'hopeful'.

Notably, 74% of respondents believe that working with a professional advisor is essential, underscoring the strong recognition of the value that expert guidance brings to the financial planning process. With Anchor's client-centric approach and expertise, we set ourselves apart in delivering exceptional outcomes for our clients.



SA's marital regimes and their impact on an individual's estate

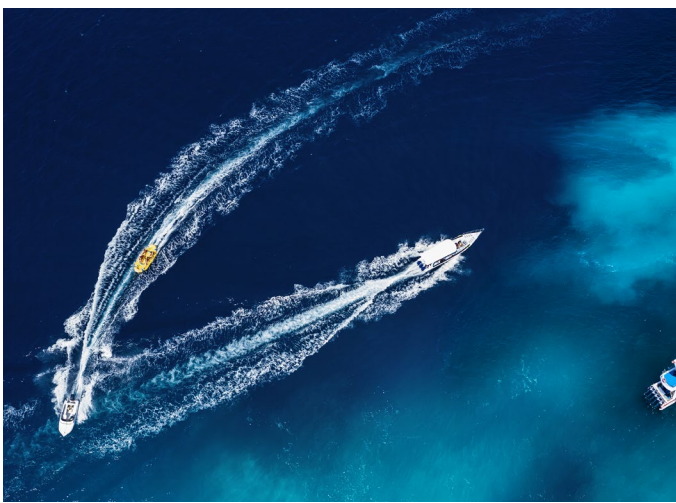


WRITTEN BY:

Di Haiden

CEO: Robert Cowen Investments

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



The Matrimonial Property Act 88 of 1984 is the cornerstone of South African family law and governs the property rights of spouses married under civil law. It plays a crucial role in ensuring fairness and legal certainty in the distribution of assets, both during marriage and upon its dissolution.

It has a significant impact on the property rights during the marriage and on how the estates are dealt with upon dissolution of the marriage, i.e. death or divorce. Understanding these regimes is beneficial for effective estate planning, particularly when drafting a will, calculating estate duty, and considering the financial security of a surviving spouse.

There are three marital property regimes in SA:

- Marriage in community of property
- Marriage out of community of property with accrual
- Marriage out of community of property without accrual

Each regime affects the ownership of assets, liability for debts, and distribution of the estate differently. We discuss them below, and in particular, their effect on deceased estates.

Marriage in Community of Property

Overview: This is the default marital regime if the couple does not sign an antenuptial contract (ANC) before the marriage. Under this system, all assets and liabilities of the spouses are combined into a joint estate.

Key features:

- Each spouse owns an undivided half share of the joint estate.
- Assets acquired before and during the marriage form part of the joint estate (except for specific exclusions like inheritances or donations with conditions).
- Each spouse is jointly and severally liable for the debts of the other, regardless of who incurred them.

Effect on the deceased estate:

- When one spouse dies, only 50% of the joint estate belongs to the deceased and falls into the deceased's estate.
- The surviving spouse retains the other 50% as their share.
- This 50% division simplifies ownership but can also be problematic if the deceased had wished to bequeath more than half the total assets to the surviving spouse.

Estate planning considerations:

- The testator can only bequeath their half of the joint estate.
- If the will bequeaths more than 50% of joint assets, those provisions cannot be fulfilled.
- Executor's fees, capital gains tax (CGT), and estate duty are calculated based on the deceased's half.
- It is important to define which assets are excluded (e.g., inheritances) to avoid disputes.



Marriage out of community of property WITH accrual

Overview: This regime, which is the most common for modern marriages with antenuptial contracts in SA, strikes a balance between financial independence and equitable sharing of growth during the marriage. This balance ensures that both spouses' financial rights are protected.

Key features:

- Each spouse retains a separate estate during the marriage.
- On death or divorce, the **net increase (accrual)** in each spouse's estate is calculated.
- The spouse with the smaller accrual is entitled to half the difference between their accrual and that of the other spouse.
- Assets excluded in the ANC (e.g., inheritances or trusts) are not taken into account.

Effect on the estate:

- On death, the accrual claim is calculated as it would be if the marriage ended due to divorce.
- The surviving spouse can **claim their accrual share from the deceased estate before any inheritance is distributed**.
- Alternatively, the deceased estate can have a claim against the surviving spouse's estate if the deceased had the smaller accrual.

Example:

If the deceased's estate grew by R6mn during the marriage and the surviving spouse's estate grew by R2mn:

- The difference in accrual is R4mn.
- The surviving spouse can claim R2mn from the deceased's estate.

Estate planning considerations:

- The accrual claim must be settled before any heirs inherit.
- The claim can affect liquidity in the estate, especially if the estate comprises mostly fixed assets (e.g., property).
- The executor must calculate and settle accrual claims as a debt of the estate.
- The will must be drafted with accrual implications in mind, especially if the estate is intended to be distributed not only to the surviving spouse but to other heirs, e.g. children.

Marriage out of community of property WITHOUT accrual

Overview: In this regime, the spouses sign an antenuptial contract that excludes community of property and the accrual system. Each spouse maintains a **completely separate estate**, both during the marriage and at death.

Key features:

- No sharing of assets or liabilities.
- Each spouse remains the sole owner of their property.
- Debts incurred by one spouse do not affect the other.
- Each estate is managed independently.

Effect on the estate:

- Upon death, only the assets in the deceased's personal estate are included in the estate.
- The surviving spouse has **no automatic right to claim from the deceased estate unless provided for in the will**.

Estate planning considerations:

- This regime provides **maximum independence**, but it may lead to unfairness if one spouse has accumulated significantly more wealth.
- The testator can freely bequeath all their assets.
- No claim can be made by the surviving spouse based on marital property principles unless supported by a **maintenance claim** under the Maintenance of Surviving Spouses Act 27 of 1990.
- It is useful where spouses have complex or risky financial affairs, or where one party wishes to protect assets.

Practical tips for estate planning

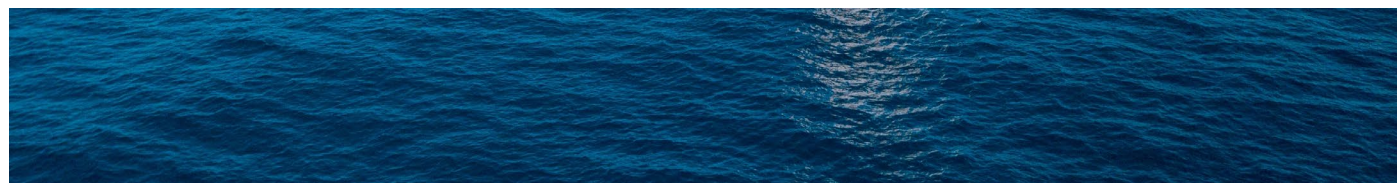
- **Review your ANC:** Understand the contents and implications of your antenuptial contract. Make sure your will is consistent with your marital regime.
- **Clarify asset ownership:** Especially important for in-community marriages or those with business assets, property, or offshore assets.
- **Consider liquidity:** In accrual marriages, ensure there is enough liquidity in the estate to settle claims and taxes.
- **Protect the surviving spouse:** If the marriage is out of community without accrual, the surviving spouse may need protection via life insurance or a bequest in the will.

Conclusion

SA's marital property regimes—in community of property, out of community with accrual, and out of community without accrual—each have distinct legal and financial implications, particularly on death.

The choice of regime affects asset ownership, debt liability, and the ability of spouses to benefit from each other's estates. Careful consideration and proper estate planning are vital to ensure your intentions are honoured and that your spouse or heirs are adequately provided for.

If you wish to discuss with us, please contact Kate (kate@rcinv.co.za) or Juane (juane@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	Sep-25	Annualised p.a.	Since inception	5 Year	3 Year	12-month	6-month	3-month	Sep-25	Performance vs Benchmark
UNIT TRUSTS																		
Anchor BCI Equity Fund	Apr-13	11.3%	280.9%	16.4%	21.7%	28.6%	21.6%	10.4%	6.3%	10.6%	250.9%	18.8%	21.6%	28.1%	23.7%	12.8%	6.5%	30.1%
Anchor BCI SA Equity	Aug-21	16.3%	83.3%	N/A	N/A	22.9%	22.2%	9.9%	6.1%	15.6%	82.8%	N/A	N/A	28.1%	23.7%	12.8%	6.5%	0.5%
Anchor BCI Flexible Income Fund	Jun-15	7.7%	115.9%	8.0%	10.3%	10.0%	6.2%	3.3%	1.5%	7.2%	105.8%	7.1%	8.6%	8.5%	4.1%	2.0%	0.6%	10.0%
Anchor BCI Managed Fund	Jan-15	7.6%	117.6%	12.5%	16.3%	15.5%	11.2%	4.6%	2.1%	8.0%	127.0%	12.9%	15.6%	15.0%	12.6%	5.9%	2.4%	-9.4%
Anchor BCI Worldwide Flexible Fund	May-13	12.5%	331.4%	13.9%	27.6%	23.5%	10.5%	2.0%	-1.5%	8.9%	187.4%	9.0%	8.2%	7.3%	3.9%	2.0%	0.2%	144.0%
Anchor BCI Property Fund	Nov-15	0.9%	9.0%	15.3%	14.2%	7.6%	12.2%	3.1%	-1.5%	2.8%	32.1%	21.8%	23.9%	11.4%	16.4%	6.6%	-1.0%	-23.1%
Anchor BCI Global Equity Feeder	Nov-15	14.1%	269.5%	9.0%	17.7%	32.1%	19.5%	4.0%	2.9%	13.5%	252.2%	14.0%	20.7%	16.1%	11.9%	4.5%	1.2%	17.3%
Anchor BCI Bond Fund	Feb-16	10.5%	161.6%	12.0%	16.0%	14.8%	14.1%	7.3%	3.9%	10.4%	160.0%	12.1%	15.7%	14.5%	13.2%	6.9%	3.3%	1.6%
Anchor BCI Diversified Stable Fund	Feb-16	9.0%	129.5%	12.0%	14.7%	14.1%	11.4%	5.5%	2.3%	7.9%	107.8%	10.5%	13.1%	12.5%	9.6%	4.7%	1.8%	21.7%
Anchor BCI Diversified Moderate Fund	Feb-16	8.9%	127.2%	13.3%	15.9%	15.7%	13.0%	6.2%	2.6%	8.1%	112.8%	11.7%	14.4%	14.4%	11.7%	5.7%	2.3%	14.4%
Anchor BCI Diversified Growth Fund	Feb-16	8.9%	127.8%	14.9%	17.6%	17.4%	14.7%	7.1%	2.9%	8.5%	119.7%	12.9%	15.6%	15.0%	12.6%	5.9%	2.4%	8.0%
Anchor BCI Africa Flexible Income	Mar-16	7.0%	90.9%	6.6%	13.1%	10.9%	5.2%	3.9%	0.7%	8.8%	124.0%	8.4%	10.0%	9.8%	4.7%	2.3%	0.8%	-33.0%
Anchor BCI Global Technology Fund	Jun-19	12.7%	112.4%	6.1%	22.7%	27.3%	18.0%	4.7%	1.8%	26.0%	330.8%	19.9%	34.0%	24.4%	23.1%	8.4%	3.4%	-218.4%
Anchor BCI Flexible Fund	Oct-24	N/A	11.8%	N/A	N/A	N/A	11.2%	2.2%	1.1%	N/A	8.3%	N/A	N/A	N/A	4.4%	2.3%	0.3%	3.5%
Anchor BCI Core Income Fund	Sept-20	7.8%	46.7%	N/A	9.5%	9.4%	0.0%	2.3%	0.8%	6.4%	37.1%	N/A	8.0%	7.8%	3.7%	1.8%	0.6%	9.7%
Anchor BCI Global Flexible Income Fund	Sept-20	3.2%	17.2%	N/A	4.3%	4.2%	-2.7%	-1.1%	-1.6%	4.1%	22.5%	N/A	4.0%	5.1%	-3.9%	-1.8%	-2.1%	-5.4%
Anchor BCI Worldwide Opportunities Fund	Feb-21	7.5%	39.7%	N/A	15.8%	14.8%	11.0%	1.1%	-0.1%	5.3%	26.9%	N/A	4.2%	3.3%	2.0%	1.1%	-0.1%	12.9%
EQUITY NOTES & SEGREGATED MANDATES																		
Anchor Equity	Jul-13	10.3%	232.0%	17.9%	17.7%	10.8%	10.5%	-1.4%	0.4%	10.7%	248.4%	30.9%	21.6%	28.1%	23.7%	12.8%	6.5%	-16.4%
HEDGE FUNDS																		
Anchor Stable SNN RIHF	Jul-03	12.3%	1232.7%	13.2%	10.8%	7.9%	4.36%	2.0%	7.1%	364.6%	6.3%	7.7%	7.0%	3.0%	1.1%	1.9%	-0.1%	868.1%
Anchor Accelerator	Feb-16	7.2%	95.5%	8.7%	5.0%	7.8%	0.6%	4.0%	8.3%	114.6%	6.4%	8.0%	7.8%	3.7%	1.8%	1.9%	0.6%	-19.1%
OFFSHORE																		
High Street Equity - Dollars	Jun-12	11.3%	311.4%	9.9%	24.1%	27.2%	19.8%	3.9%	2.6%	12.4%	372.1%	14.9%	24.3%	17.7%	19.8%	7.4%	3.3%	-60.7%
High Street Equity - Rands	Jun-12	17.7%	772.8%	10.7%	22.7%	28.1%	12.4%	0.8%	0.0%	18.9%	895.3%	15.7%	22.4%	18.1%	12.7%	4.6%	1.0%	-122.5%
Offshore Balanced - Dollars	Jun-12	8.7%	201.3%	7.4%	17.3%	18.7%	14.4%	3.2%	1.5%	7.5%	159.5%	7.9%	16.2%	11.2%	13.7%	4.6%	2.2%	41.8%
Offshore Balanced - Rands	Jun-12	15.1%	542.7%	8.4%	16.7%	19.6%	7.4%	0.1%	-1.0%	13.6%	445.2%	8.6%	14.2%	12.4%	6.0%	1.9%	0.0%	97.5%
Global Dividend - Dollars	Jan-14	8.8%	168.7%	12.5%	17.7%	14.5%	13.2%	6.0%	1.5%	11.4%	251.0%	14.9%	24.3%	17.7%	19.8%	7.4%	3.3%	-82.3%
Global Dividend - Rands	Jan-14	13.0%	317.1%	13.3%	16.3%	15.3%	6.3%	2.8%	-1.0%	15.6%	444.7%	15.7%	22.4%	18.1%	12.7%	4.6%	1.0%	-127.6%
Anchor Global Stable Fund - Dollars	May-15	2.5%	29.5%	3.6%	8.5%	5.2%	4.1%	1.6%	0.3%	3.5%	43.3%	4.4%	5.1%	4.0%	1.9%	1.0%	0.3%	-13.8%
Anchor Global Stable Fund - Rands	May-15	6.1%	83.9%	4.3%	6.9%	5.5%	-2.1%	-1.0%	-1.9%	7.1%	103.8%	5.1%	3.5%	4.0%	-3.9%	-1.6%	-1.9%	-19.9%
Anchor Global Equity - Dollars	May-15	13.4%	268.8%	10.3%	21.8%	34.4%	30.4%	6.8%	7.1%	10.1%	170.6%	13.5%	23.1%	17.3%	20.0%	7.6%	3.6%	98.1%
Anchor Global Equity - Rands	May-15	17.4%	423.8%	11.1%	20.0%	34.8%	22.5%	4.1%	4.8%	13.9%	284.4%	14.3%	21.3%	17.6%	12.8%	4.8%	1.4%	139.4%
RCI UNIT TRUSTS																		
RCI BCI Flexible Growth Fund	Sept-16	12.8%	196.3%	11.3%	30.7%	52.5%	41.2%	12.9%	4.4%	9.7%	130.4%	10.0%	9.2%	8.3%	4.4%	2.3%	0.3%	65.8%
RCI BCI Worldwide Flexible Fund	Dec-16	9.7%	126.4%	6.5%	19.5%	25.3%	15.9%	1.8%	-0.1%	8.7%	108.8%	9.0%	8.2%	7.3%	3.9%	2.0%	2.0%	17.6%

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anchorcapital.co.za | invest@anchorcapital.co.za