ANCHOR | NAVIGATING CHANGE

THE NAVIGATOR

STRATEGY AND ASSET ALLOCATION REPORT

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Introduction

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It has been said that difficult roads often lead to beautiful destinations. The past two years have certainly provided a powerful reminder that markets rarely move in a straight line. Investors have navigated successive waves of uncertainty, from tariffs and concerns over an AI-driven market bubble to the conflict in Iran, the resulting disruption to global oil supplies, shifting monetary policy expectations, and the continued fragmentation of the post-World War II geopolitical order. We remain unconvinced that the world as a whole is better off; however, these events have reinforced investing's most enduring lessons: markets often deliver their strongest returns when uncertainty appears greatest, and patient investors are ultimately rewarded.

Despite an almost constant stream of negative headlines, major asset classes have delivered attractive returns. The S&P 500 continues to push all-time highs, the rand has recovered meaningfully, and South African government bonds have seen significant gains. Although investors have had no shortage of reasons for caution, those who remained disciplined and focused on their long-term objectives have generally been rewarded. There is seldom a time when every economic, political and market indicator aligns in favour of investing. Uncertainty is a permanent feature of financial markets, not an exception. There is always a possible storm cloud on the horizon. Yet that should not deter you from investing in markets. History consistently demonstrates that time in the market, rather than attempts to time the market, remains one of the strongest determinants of long-term investment success.

Diversification across asset classes has also proven beneficial. Investors with measured exposure to alternative assets, including hedge funds, protected equity structured products, physical property, etc., have generally experienced more resilient portfolio outcomes during periods of market volatility. We have long viewed alternatives as an important source of portfolio diversification, offering differentiated return drivers and defensive characteristics that can enhance risk-adjusted returns during volatile periods. While this is a new (and relatively underutilised) asset class for most South Africans, it commands a meaningful share of many international institutional and family office portfolios. As interest rates come down through the rate-cutting cycle, we believe the relative attractiveness of alternative investments is likely to increase further.

At Anchor Capital, we remain committed to building diversified portfolios that balance opportunity with resilience. Our investment philosophy continues to emphasise disciplined asset allocation, broad diversification and maintaining a long-term perspective through changing market conditions. Looking ahead, we believe the environment remains supportive of a measured pro-risk positioning, particularly as inflation moderates, interest rates gradually decline and global earnings growth remains constructive.

We also continue to advocate that a healthy portion of your investment portfolio should be offshore to leverage diverse opportunities and return profiles while mitigating SA-specific risk. The current rand/US dollar exchange rate presents a reasonable opportunity to externalise a portion of your portfolio. International markets continue to offer a broader universe of investment opportunities, greater sector diversification and access to structural growth themes that are less readily available locally. For South African investors, global diversification remains as much about improving portfolio quality and reducing concentration risk as it is about currency exposure.

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	○	>	●	14
Bonds	○	●	○	10
Listed property	○	●	○	12
Cash	●	○	○	7
Alternatives*	○	○	●	10 to 15
Rand vs US dollar (rand stronger)				2
GLOBAL				
Equity	○	>	●	10
Government bonds	○	●	○	5
Corporate credit	○	●	○	5
Listed property	○	●	○	6
Cash	○	●	○	3
Alternatives*	○	○	●	8 to 12

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

Asset Allocation Summary

Financial markets were shaken by the US/Israel alliance's 28 February military strikes on Iran and that country's subsequent closure of the Strait of Hormuz, a critical global energy transit route. It triggered what the *International Energy Agency (IEA)* described as the largest supply disruption in the history of the global oil market. The resulting increase in oil prices, together with concerns around potential supply disruptions and the impact on global inflation, has weighed on asset prices. The on-again, off-again ceasefire has developed into a signed 14-point agreement to end the conflict. The Islamabad Memorandum of Understanding is a framework agreement between the US and Iran aimed at ending the war. Brokered by Pakistan, the pact initiated a 60-day diplomatic window to negotiate a permanent peace settlement. While financial markets are pricing an eventual resolution to the conflict, the inflationary shock from higher oil prices is expected to linger for much of 2026.

Figure 1 below highlights the US dollar return outlook for the various global asset classes. The bars in *Figure 1* represent the reasonable range of possible outcomes, with the dots indicating our estimated outcomes under various scenarios. We have become more positive on equities, and we maintain our positive outlook on alternatives. We remain neutral on bonds, corporate credit, listed property and cash given the attractive returns available from equities.

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

Source: Anchor Capital

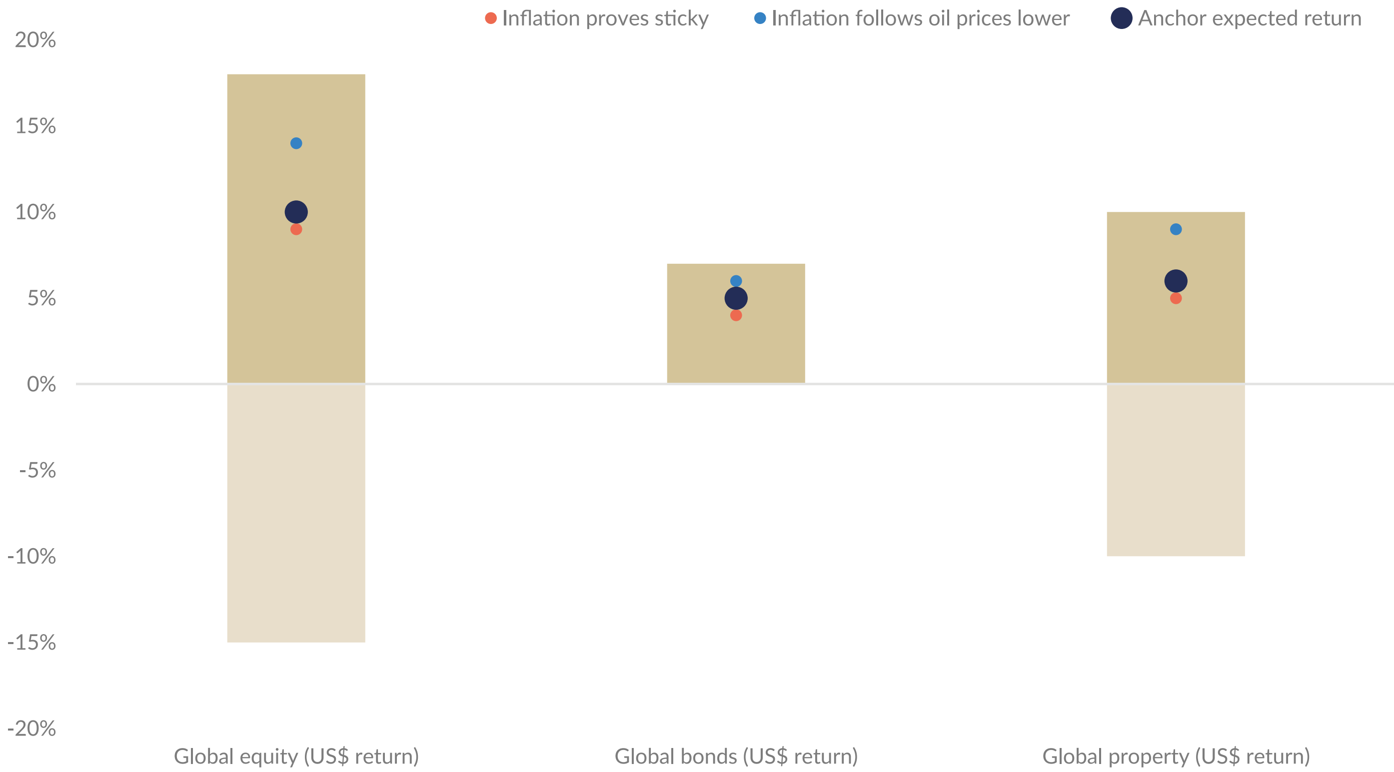


Figure 2: Anchor expected return by offshore asset class
Source: Anchor Capital

	Global equity	Global bonds	Global property
Anchor expected return (in US dollar)	10%	5%	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 have also remained positive on alternatives, whilst becoming positive on equities given the superior returns on offer. We are neutral on bonds and listed property, while maintaining a negative stance on cash.

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

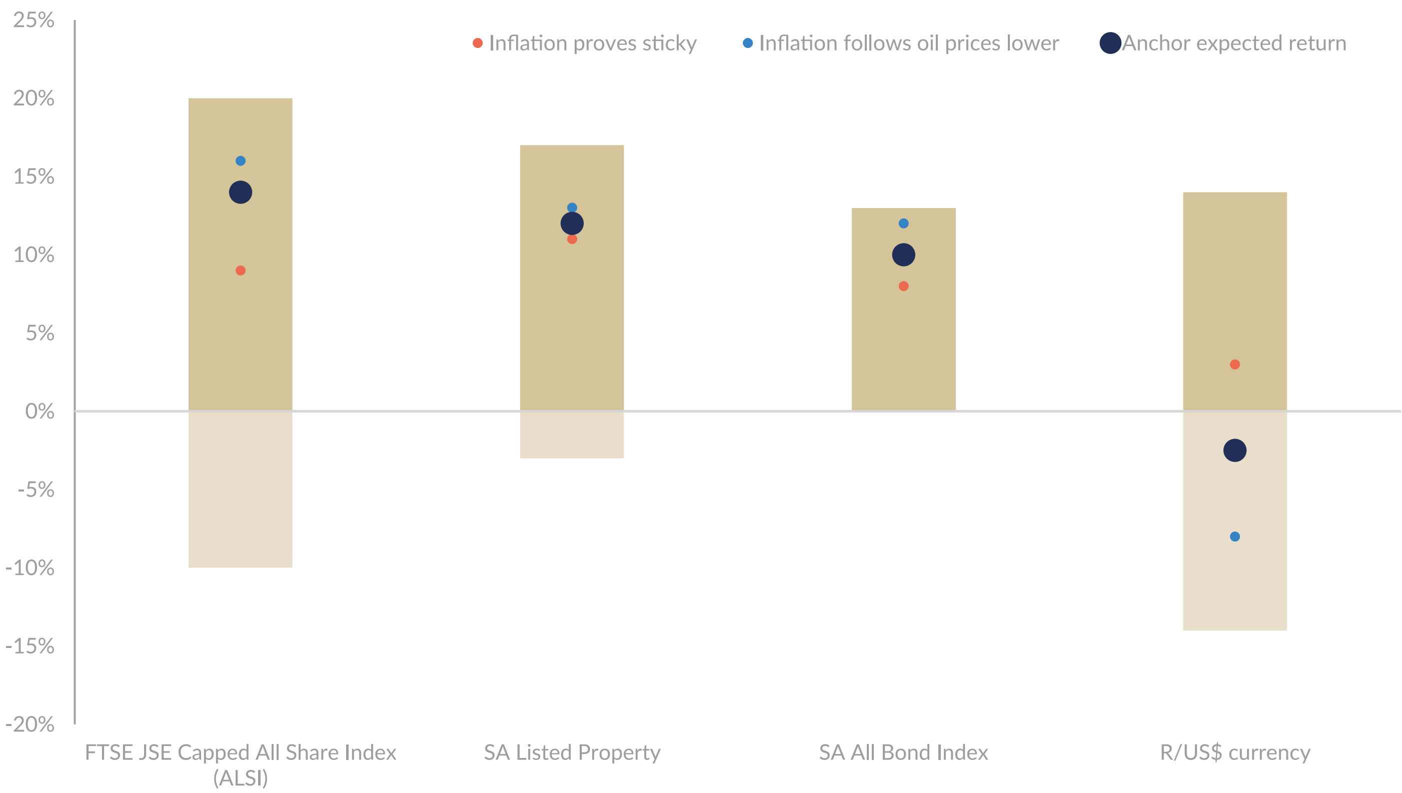


Figure 4: Anchor expected return for domestic asset classes
Source: Anchor Capital

	Domestic equity	Domestic bonds	Domestic property	US$/rand
Anchor expected return (in rand)	14%	10%	12%	2.0% (stronger)

Navigator Strategy and Asset Allocation, 3Q26

ECONOMICS

The defining macroeconomic development of 2Q26 was not simply the conflict in the Middle East but the rapid repricing of geopolitical risk as the quarter progressed. What initially appeared to be a significant global energy supply shock ultimately evolved into a sharp reversal in oil prices, materially improving the outlook for inflation, monetary policy and financial markets.

The escalation of tensions in the Middle East drove Brent crude oil prices above US$118/bbl during March, approximately 63% above pre-conflict levels, as markets priced in the possibility of supply disruptions through the Strait of Hormuz. Given that roughly one-fifth of global oil consumption and c. 30% of seaborne oil trade passes through this strategic waterway daily, the episode once again highlighted the vulnerability of global energy markets to geopolitical shocks and the significant influence that oil prices continue to exert over inflation expectations and monetary policy.

Market sentiment improved meaningfully towards quarter-end. A 60-day ceasefire framework announced between the US and Iran eased immediate concerns over global energy supply disruptions, while tanker traffic through the Strait recovered far more quickly than anticipated. As fears of prolonged supply shortages eased, geopolitical risk premiums unwound rapidly, and Brent crude oil prices declined to below US$73/bbl by the end of June, retracing much of its earlier rally and ending the quarter 38.4% lower.

Although geopolitical risks remain elevated, the moderation in oil prices has materially improved the macroeconomic outlook. Negotiations in the region remain fragile, and any renewed disruption to energy supply could once again reignite inflation concerns and increase market volatility.

In the US, monetary policy expectations continue to be shaped primarily by resilient economic activity, a robust labour market and sustained investment in artificial intelligence (AI). Although inflation remains above the US Federal Reserve's (Fed) 2% target, much of the recent acceleration reflects higher energy costs rather than a broad-based increase in underlying demand. Since taking office, new US Fed Chair Kevin Warsh has reaffirmed the central bank's commitment to returning inflation to its 2% target. This has reduced the perceived policy easing bias and strengthened expectations that interest rates could remain higher for longer if inflation proves sticky. These expectations have supported US Treasury yields and the dollar throughout much of the quarter, creating a more challenging backdrop for emerging market (EM) assets.

Europe faces a similar, albeit more challenging, policy environment. Elevated energy costs and lingering inflationary pressures prompted the European Central Bank (ECB) to raise its key policy rate by 25 bpts in June. At the same time, business activity softened amid heightened uncertainty and subdued external demand, while labour market conditions have shown early signs of deterioration. Although inflation remained above pre-conflict levels, the sharp decline in oil prices towards quarter-end has helped ease some immediate inflation risks. The combination of moderating inflation and weakening economic activity suggests that the ECB may face an increasingly delicate balancing act between containing secondary inflation and supporting economic growth.

In South Africa (SA), inflationary pressures have picked up in recent months, with headline inflation, as measured by the consumer price index (CPI), accelerating to 4.5% YoY in May, up from 3.1% YoY in March. The inflation impulse has been driven primarily by energy costs, with fuel inflation rising sharply to 28.7% YoY in May. While fuel remains the dominant driver, services inflation has remained elevated, although food inflation has continued to moderate. Looking ahead, risks to the inflation outlook remain skewed to the upside. Potential second-round effects from earlier fuel price increases, adverse weather conditions including El Niño, and renewed energy market disruptions could all place upward pressure on inflation.

The recent correction in global oil prices, which is lowering pressure on central banks to maintain restrictive monetary policy and supporting expectations for lower interest rates in the near term, will likely reinforce the appeal of gold as a safe-haven asset. The gold price has remained elevated at around US$4,000/oz, albeit down c. 25% from its January high. For SA, higher gold prices continue to provide an important source of export earnings and support for the country's terms of trade. Combined with easing energy costs, this should provide a favourable backdrop for the rand.

This past quarter also marked an important milestone for SA's sovereign credit profile. Fitch Ratings upgraded the country's long-term foreign and local currency credit rating to BB, while Moody's revised its outlook to Positive from Stable. These developments reflect improving fiscal metrics, ongoing fiscal consolidation efforts and continued progress on structural reforms. Provided the policy trajectory is maintained, we expect further sovereign credit rating upgrades to BB+ from all three major rating agencies in 2027.

In summary, 2Q26 demonstrated how quickly market sentiment can shift when geopolitical risks begin to recede. While the Middle East conflict initially raised fears of a prolonged energy shock and renewed inflation, the sharp correction in oil prices by quarter-end materially improved the outlook for both inflation and interest rates. Although geopolitical uncertainty remains elevated, the broader macroeconomic backdrop has become more constructive. Lower energy prices, resilient global growth, improving domestic fiscal fundamentals and supportive commodity prices provide a favourable environment for risk assets over the medium term.

SA EQUITIES

Our conviction in SA equities strengthened during 2Q26, prompting us to move overweight local equities in our strategic asset allocation. We forecast a total return of approximately 14% over the next 12 months, supported by improving domestic fundamentals, attractive valuations and the potential for a less restrictive US interest-rate environment than is currently reflected in market pricing.

While both the FTSE/JSE Capped All Share Index and the MSCI South Africa Index declined by 2.4% in 2Q26, significantly underperforming the MSCI Emerging Markets (+24%) and the MSCI World (+14%) indices, the headline index returns obscure a far more encouraging underlying picture. The weakness was concentrated in a relatively small number of globally exposed companies rather than reflecting a deterioration in SA's domestic investment outlook. By contrast, SA government bonds (and the rand) remained resilient, and a bellwether for domestic equities, the FTSE/JSE Banks Index, advanced by 9.8%, reflecting continued confidence in the local macroeconomic backdrop.

Much of the weakness in the local equity market was driven by global rather than local factors and was concentrated in a handful of large index constituents. Gold and platinum group metal (PGM) producers came under pressure as higher US real yields weighed on precious metal prices. At the same time, Tencent, Naspers/Prosus' single largest asset, declined by around 10% as global investors redirected capital towards the large Asian semiconductor beneficiaries of the AI investment cycle, including Taiwan Semiconductor Manufacturing Company (TSMC), Samsung and SK Hynix. Given the significant weighting of resources and the Prosus/Naspers complex on the JSE, these moves masked the relative strength seen across much of the domestic market.

The market's attention remained firmly focused on global risks throughout the quarter. Escalating tensions in the Middle East pushed oil prices above US$100/bbl, reigniting concerns around inflation and delaying expectations for global interest rate cuts. While these developments understandably affected investor sentiment, they had surprisingly little impact on SA's financial markets beyond the equity index itself. The resilience of the rand and the strength of the local bond market suggest investors continue to recognise the progress being made domestically.

SA fiscal outcomes have also consistently surprised to the upside, government debt appears to be stabilising sooner than previously anticipated, and the country's sovereign credit profile continues to improve. Electricity supply has become materially more reliable, private sector investment in energy infrastructure continues to accelerate, and reforms aimed at improving logistics and transport networks are gradually gaining traction. None of these developments is transformational for economic growth in isolation, but collectively they are steadily improving the operating environment for SA businesses. In our view, the market has been quick to discount global risks while giving relatively little credit to the structural improvements taking place within the domestic economy.

For investors, the more important question is therefore not whether JSE-listed equities appear cheap (they clearly do), but whether expectations have become overly pessimistic. Equity markets rarely rerate simply because valuations are low; they rerate when corporate earnings prove more resilient than investors anticipate. We believe that possibility appears increasingly likely.

Consensus expectations for domestic earnings remain relatively subdued despite a more supportive macro backdrop, improving business confidence and the prospect of gradually strengthening economic activity over the next year. Financial companies remain particularly well placed to benefit from this environment. Strong balance sheets, resilient credit performance and improving economic confidence provide a solid foundation for earnings growth, while declining sovereign risk should continue to support valuations. Beyond financials, a number of high-quality industrial businesses continue to demonstrate an impressive ability to grow earnings despite a challenging operating environment.

The divergence between the recent underperformance of the headline index and underlying corporate fundamentals therefore says more about its composition than about the health of corporate SA. With almost half of the index (by market cap) represented by globally exposed businesses, movements in commodity prices, US real yields and international capital flows can overwhelm domestic fundamentals over shorter periods. This often creates opportunities for long-term investors to buy quality domestic businesses at attractive valuations when sentiment has weakened rather than when business prospects have deteriorated.

Looking ahead, we believe the balance of risks has shifted increasingly in favour of SA equities. The domestic economy is improving from a low base, inflation remains contained, fiscal credibility has strengthened, and structural reforms continue to move in the right direction. Simultaneously, market expectations remain conservative, particularly for domestically focused cyclical businesses, creating scope for positive earnings surprises if current trends persist.

This is not to suggest that global risks have disappeared. The outlook for global interest rates, geopolitical tensions and commodity prices will continue to drive periods of market volatility. However, these risks are increasingly well understood and, in our view, appear largely reflected in current valuations. In contrast, we believe that the market continues to underestimate the cumulative impact of improving domestic fundamentals on corporate profitability over the medium term.

As long-term investors, our focus remains on identifying high-quality businesses with sustainable competitive advantages, disciplined management teams and the ability to compound earnings through the cycle. We believe the current environment offers an increasingly attractive entry point for those businesses. Accordingly, we are positioning portfolios to benefit from what we expect will be a stronger period of returns for SA equities over the next twelve months.

DOMESTIC BONDS

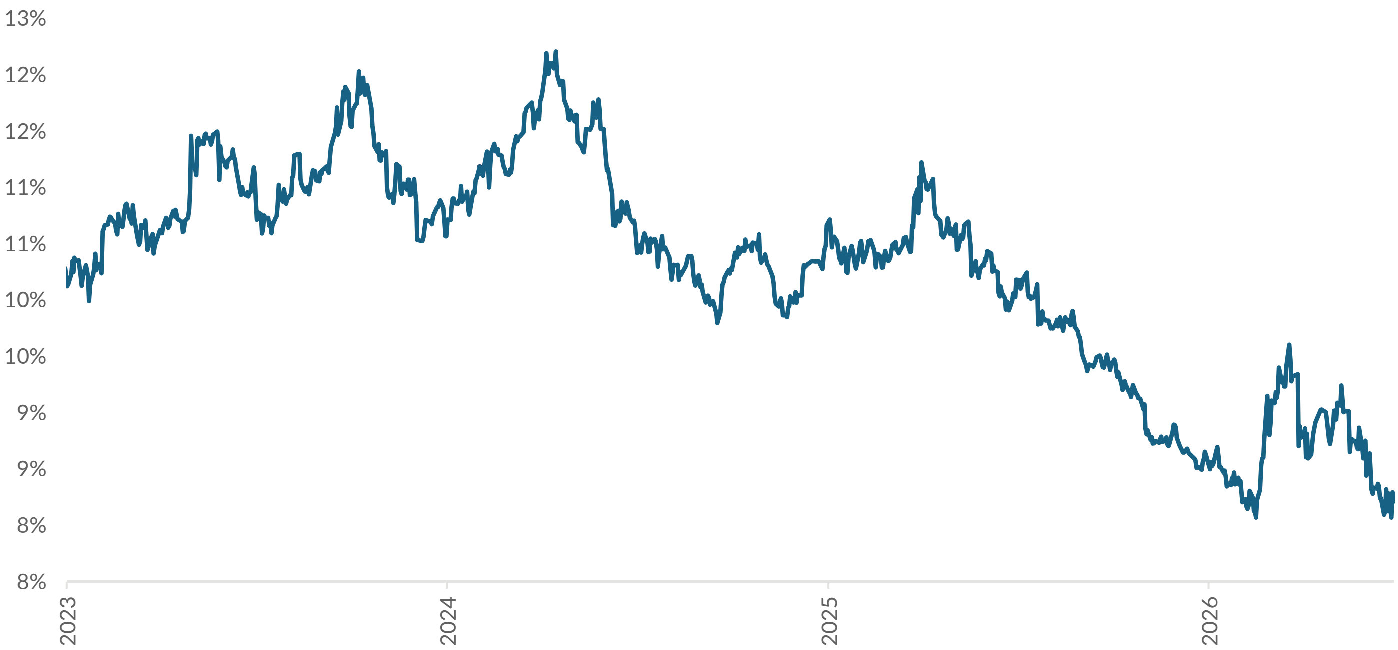
The easing in Middle East tensions during 2Q26 is unambiguously positive for financial markets and supportive of bonds. Oil prices have fallen back to around pre-conflict levels as geopolitical tensions eased, reducing global inflationary pressures. In response, SA government bond (SAGB) yields declined significantly over the quarter, with the FTSE/JSE All Bond Index (ALBI) returning 7.87% in 2Q26 (*Figure 1*). Despite the sell-off experienced in 1Q26, the ALBI has delivered a solid 4.25% return over the first half of 2026, primarily driven by long-dated government bonds - a segment of the curve we have consistently favoured for the past 12 months (*Figure 1*).

Figure 1: SAGBs 2Q26 and YTD yield change and total return, %
Source: Anchor Capital, JSE

	3 Months to 30 June 2026	YTD
R2030	3.78%	2.35%
R213	4.77%	2.21%
R2032	5.51%	2.61%
R2033	5.80%	2.80%
R2035	7.46%	3.40%
R209	8.44%	3.99%
R2037	8.54%	4.27%
R2038	8.17%	4.52%
R2040	9.56%	5.04%
R214	9.89%	5.11%
R2044	10.15%	6.35%
R2048	10.86%	6.11%
R2053	11.02%	5.63%
ALBI	**7.87%**	**4.25%**

We remain constructive on SAGBs, particularly long-dated bonds. Improving domestic macroeconomic fundamentals, easing inflation expectations, and attractive carry and rolldown continue to support this segment of the curve. While near-term inflation risks remain, we believe the medium-term outlook has become increasingly favourable.

Figure 2: The SA 5-year, 5-year forward interest rate swap
Source: Anchor Capital, JSE



The easing in geopolitical tensions has already been reflected in market pricing. SA's 10-year breakeven inflation rate (BEIR) has retraced to around 4.3%, close to pre-conflict levels. Similarly, the 5-year, 5-year forward interest rate swap, a useful proxy for long-run policy rates, has fallen back to c. 8% *(Figure 2)*, suggesting that the geopolitical risk premium embedded in long-term interest rates has largely unwound. Market expectations for monetary policy have also shifted, with the expected peak in the SA Reserve Bank (SARB) policy rate falling from around 7.75% before the peace agreement to approximately 7.25% currently.

There is an increasing risk that the post-war rebalancing will push the oil market into a supply glut over the coming quarters. Supply is recovering as energy flows through the Strait of Hormuz continue to normalise, and Gulf producers restore output. OPEC's core Gulf producers retain significant spare capacity and have an increasing incentive to raise production beyond pre-conflict levels. Output from non-Gulf OPEC+ producers, particularly Russia and Kazakhstan, has already begun rising, while non-OPEC+ production is expected to rise further in 2026, led by the US, Canada and Brazil. At the same time, both the *IEA and Energy Information Administration (EIA)* have revised down global oil demand forecasts as activity in China and India softens. The combination of higher supply and weaker demand is likely to exert downward pressure on oil prices, reinforcing the global disinflationary backdrop.

We believe the recent firmness in US inflation is primarily the result of temporary supply-side shocks rather than stronger underlying demand. Demand-driven inflation pressures continue to moderate, which should allow the Fed to look through the near-term inflation noise and keep policy rates on hold. As these temporary shocks fade, we expect disinflationary pressures to re-emerge faster than markets anticipate, causing the rate hike expectations currently priced into the US interest rate curve to diminish. Lower US Treasury yields, together with softer oil prices, would provide an additional tailwind for SAGBs.

Domestic fundamentals also continue to improve. SA has seen further credit rating upgrades during 2026, fiscal dynamics continue to strengthen, structural growth constraints have eased, and SA's external position remains supportive. While fiscal risks have not disappeared, these developments have contributed to a gradual reduction in the sovereign risk premium embedded in government bond yields.

Against this backdrop, we continue to favour the 15–25-year segment of the SAGB curve. This part of the curve offers the most attractive combination of carry and roll-down opportunities due to the pronounced hump in the zero-coupon curve. More broadly, SAGBs continue to offer some of the highest real and nominal yields across EMs. In contrast, the fiscal risk premium embedded in yields continues to narrow. Overall, we expect domestic bonds to deliver total returns of around 10% over the next 12 months.

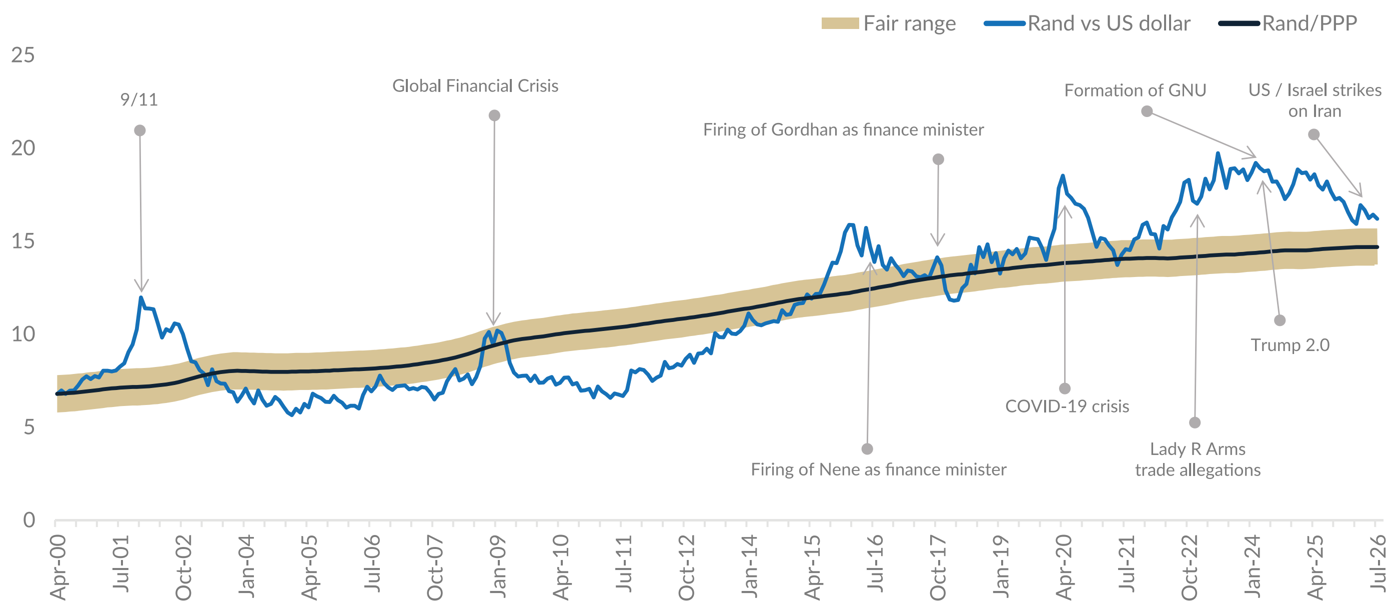
THE RAND

The second quarter of 2026 was marked by the extraordinary events around the US-Israel/Iran war and the closure of the Strait of Hormuz, through which c. 34% of the global crude oil trade passed in 2025. This resulted in an unprecedented spike in oil prices, as Brent crude futures jumped to US$76/bbl, peaking near US$126/bbl during the height of the conflict (by July the oil price had dropped to around US$73/bbl – 40% down from its late-March peak). Since the start of the conflict, US President Donald Trump has declared 39 times that the war was won and that there was a peace agreement, only to walk back those comments a few days later. As of 17 June, we have a signed 14-point memorandum of understanding which seems to have allowed oil to flow through the Strait once again. Despite these headwinds, the rand has demonstrated notable resilience. At the time of writing, the local unit was trading ZAc21 firmer against the US dollar relative to its level at the start of 2026.

At Anchor Capital, we subscribe to a purchasing power parity (PPP) model for the long-term value of the rand. Over the past three years, the rand has been on a gradual recovery path from significantly oversold levels. This has been supported by a combination of the US dollar gradually losing its value against other currencies, improved terms of trade with domestic exports being more valuable globally, and a steady improvement in SA's political and economic fundamentals. While this overall positive trend remains intact, it has been overshadowed in the near term by heightened global geopolitical uncertainty, as can be seen in *Figure 3*.

Figure 3: Actual rand/US dollar exchange rate vs rand PPP model

Source: Thomson Reuters, Anchor Capital



Forecasting the value of the rand in a year is a fool's errand, as the local unit usually trades within a R2.00 range against the US dollar over 12 months. The risk of negative surprises to one's view is particularly high at the moment, and the rand could quite easily be weaker than R18.00/US$1 this time next year.

That said, if we look at this rationally and consider a scenario where the war will probably end within the next year and some recovery is likely, we think that a level of around R16.00/US$1 appears reasonable. This reflects a combination of continued improving domestic fundamentals, a potential rally as inflation declines and the likely higher risk premium applied to EMs for a while after the cessation of hostilities in the Middle East.

GLOBAL EQUITIES

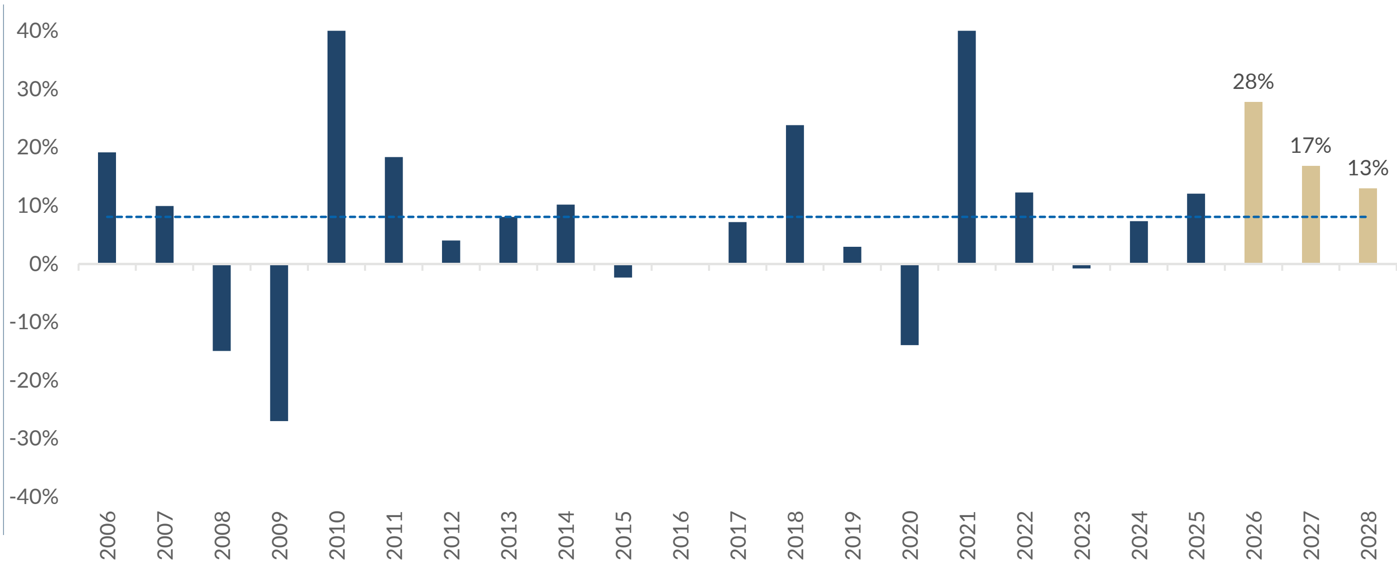
We remain positive on global equities over the next 12 months, supported by one of the strongest corporate earnings environments in more than a decade. The shape of the global economy is changing, driven by unprecedented investment in technological change (AI and digital infrastructure), which represents a structural rather than cyclical shift in global capital expenditure. This should see very strong earnings growth (particularly in the US), which should underpin continued strong performance from equities. Against this backdrop, we forecast a 10% return from global equities in the next 12 months, as the bull market which began in 2023 continues.

While this projection means the current bull market will extend into a fifth year, which is long, we believe a fundamental structural shift in the global economy is driving the expansion. Global AI-related capex spending is expected to exceed US$1trn in 2027, following an estimated US$700bn in 2026. By the end of 2026, it is expected that three new listings (SpaceX [already listed], Anthropic and OpenAI) will be among the top ten biggest companies (by market capitalisation) in the world.

The strength of this earnings cycle is evident in consensus forecasts for the S&P 500 (*see Figure 4 below*). US earnings are forecast to grow by around 28%, 17% and 13% in each of the next three years, which is significantly higher than the average of 8% for the past 25 years. Although the 28% growth in the next 12 months is somewhat inflated by revaluations on AI-related investment gains among the big tech companies, earnings growth remains comfortably above 15% even if this is excluded.

Figure 4: US S&P 500 EPS growth, annualised

Source: Anchor Capital, Bloomberg

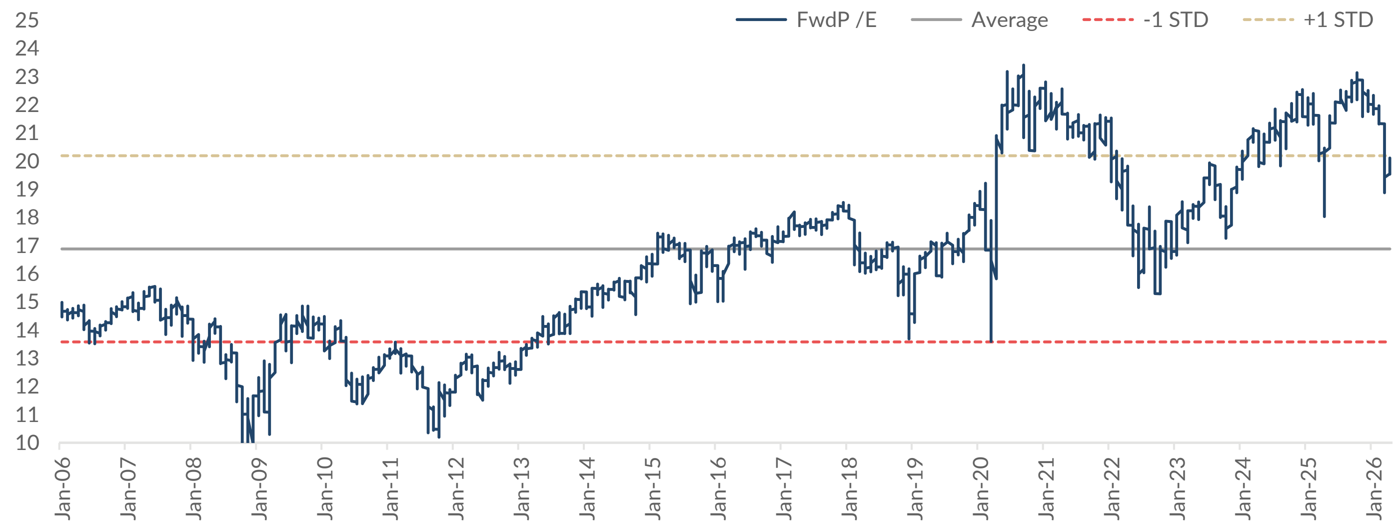


The earnings backdrop above is the key driving force behind markets, but the nature and speed of change will mean elevated market volatility. Segments of the market have already raced ahead in expectation, and the path forward will not be smooth. When a trend is moving so quickly, the risk of over-investment is high for certain companies, and share selection will become increasingly important. The volatility might scare more cautious investors, but we firmly believe you have to stay on board and remain invested during this phase of AI.

Importantly, although markets have been strong for a few years, the forward valuation of the S&P 500 (20x) is reasonable, because the market rally has been backed up by earnings growth. Continued earnings growth over the next year would take it back to its mean P/E of the past 20 years.

Figure 5: US S&P 500 Index forward P/E, x

Source: Anchor Capital, Bloomberg



Outside the US, earnings expectations remain constructive, and the table below shows the high level of projected earnings growth across the world for the next two years. EMs are clearly where the value sits, but these markets have flattered to deceive for the past two decades. Therefore, rather than pursuing broad EM exposure, we continue to favour carefully selected individual companies with compelling structural growth opportunities and strong competitive positions, of which there are many we have identified.

Figure 6: Various major global indices' EPS growth and forward P/E forecasts

Source: Anchor Capital, Bloomberg

Name	Earnings growth		FWD P/E	
	YR1	YR2	YR1	YR2
MSCI World Index	21.1%	12.8%	19.0	16.8
MSCI EM Index	57.9%	14.8%	10.9	9.5
MSCI All Country World Index (10% EM)	26.5%	13.2%	17.5	15.4
Nasdaq 100	47.7%	18.6%	22.4	18.9
S&P 500 Index	26.3%	14.9%	20.2	17.6

It is unusual to have reached this stage of a macro investment overview without mentioning the Iran war, Trump and interest rates. They remain very important to markets, but the market has largely looked through their impact over the past six months, in the belief that it is transitory.

The world is collectively disappointed that the Iran war continues and geopolitical risk remains high. The oil price at the beginning of March was around US$60/bbl, and this subsequently rose to a peak of US$125/bbl, before recently declining to around US$75/bbl. This has seen inflation rise in recent months but more recently at a more muted pace. This will continue for some months to come, before sharply declining into 2Q27. Market consensus is for at least one 0.25% interest rate hike in the US, followed by declines into 2027. Interest rates are at high and restrictive levels, which are being absorbed by the strong underlying economic growth. As rates decrease next year, they will provide further stimulus for sustained growth.

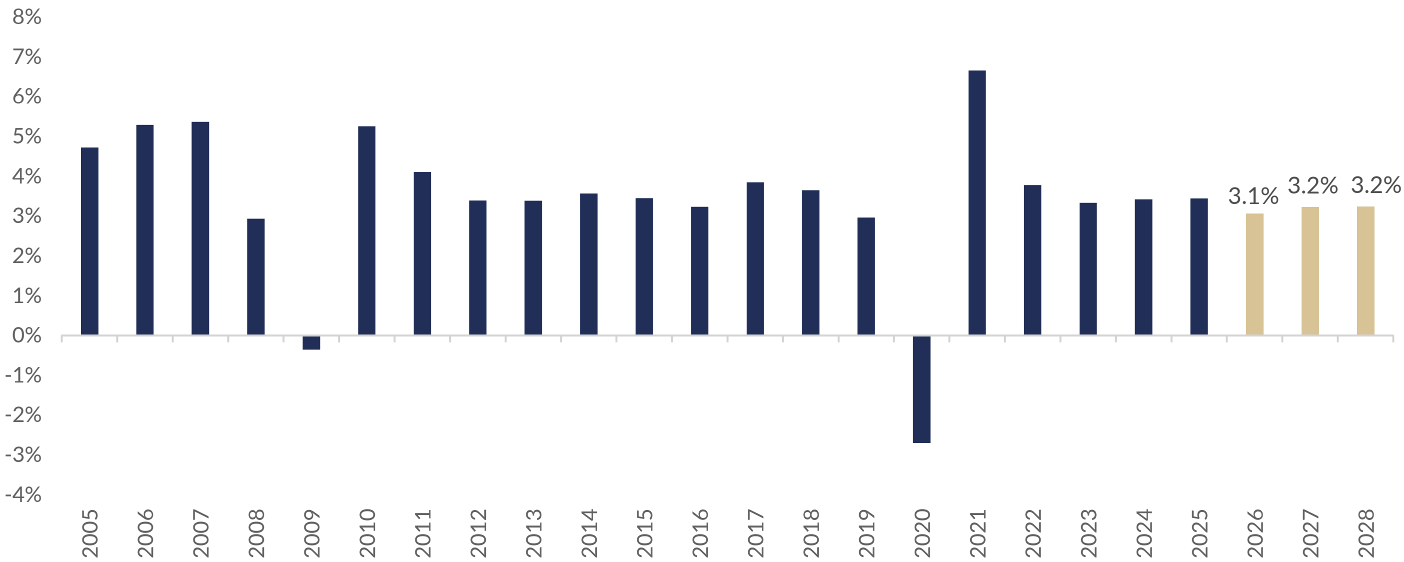
It would be naïve to suggest that risks are not elevated, but we take the view that the war and oil scenario will play itself out and oil prices will return to pre-war levels over the coming months. There is certainly a possibility that high oil prices (and inflation) will be sustained for longer than is comfortable, and hence the equity journey could be a volatile one. However, we must remember that there is more than enough oil in the world, and that this situation is one of logistics rather than an underlying supply/demand balance.

When we look out over a 12-to-24-month horizon, the combination of strong earnings growth, resilient economic activity, and improving valuation support provides a solid foundation for higher equity markets.

The graph below shows the steady pace of world economic growth, which is the stage on which equity markets perform.

Figure 7: Global GDP growth, YoY % change

Source: Anchor Capital, IMF



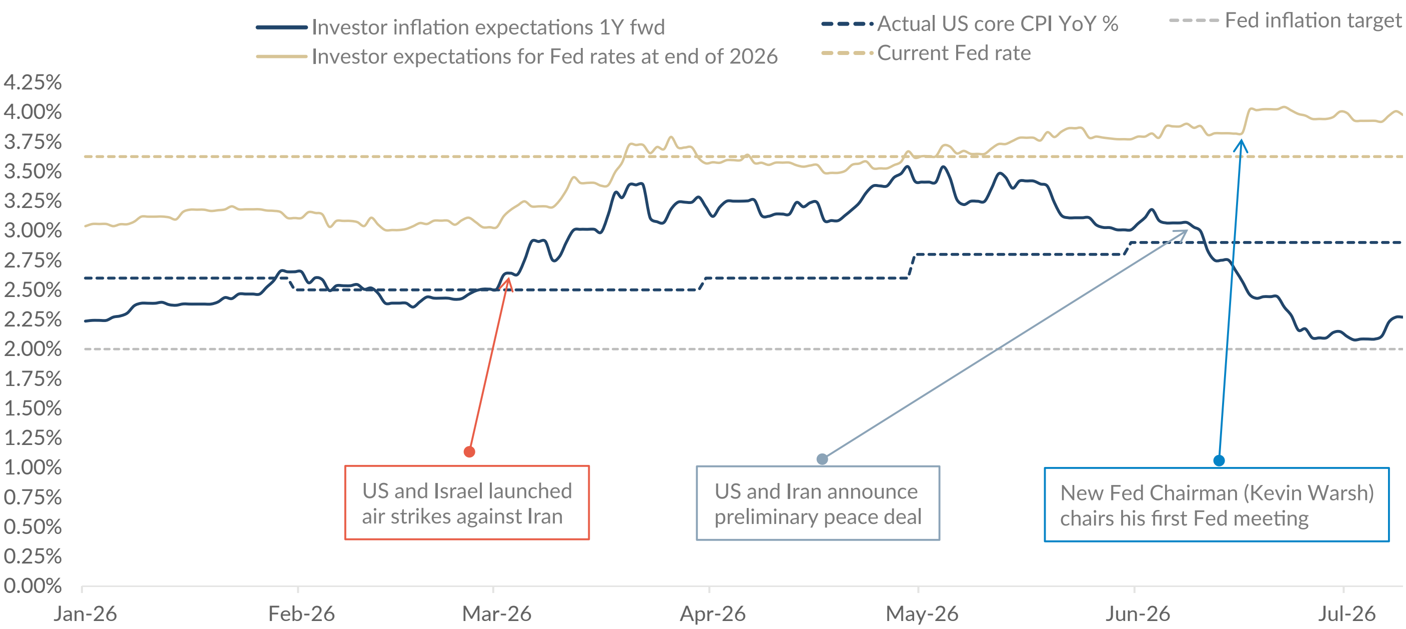
Economic growth outside the US is likely to remain more uneven. Europe continues to face structural challenges and remains particularly vulnerable given its reliance on imported energy, while EMs were gaining favour in the pre-war, risk-on global mood; they are likely to attract a higher risk premium following the recent increase in geopolitical uncertainty. Even so, the global growth outlook remains sufficiently resilient to support continued earnings expansion, which we believe will remain the primary driver of equity market returns. We therefore remain constructive on global equities over the next 12 months, while recognising that disciplined stock selection and a focus on high-quality businesses will become increasingly important as the current market cycle matures.

GLOBAL BONDS

US 10-year government bond yields hovered around the top end of their recent 4% to 4.5% p.a. range for most of 2Q26, despite inflation expectations moderating materially in the wake of the announcement that the US and Iran had signed a 14-point interim peace deal (the Islamabad Memorandum) in mid-June.

Figure 8: Investor expectations for the path of US Fed rates for the remainder of 2026 failed to track investor expectations for moderating inflation in the wake of the interim peace deal announcement

Source: Anchor Capital, Bloomberg



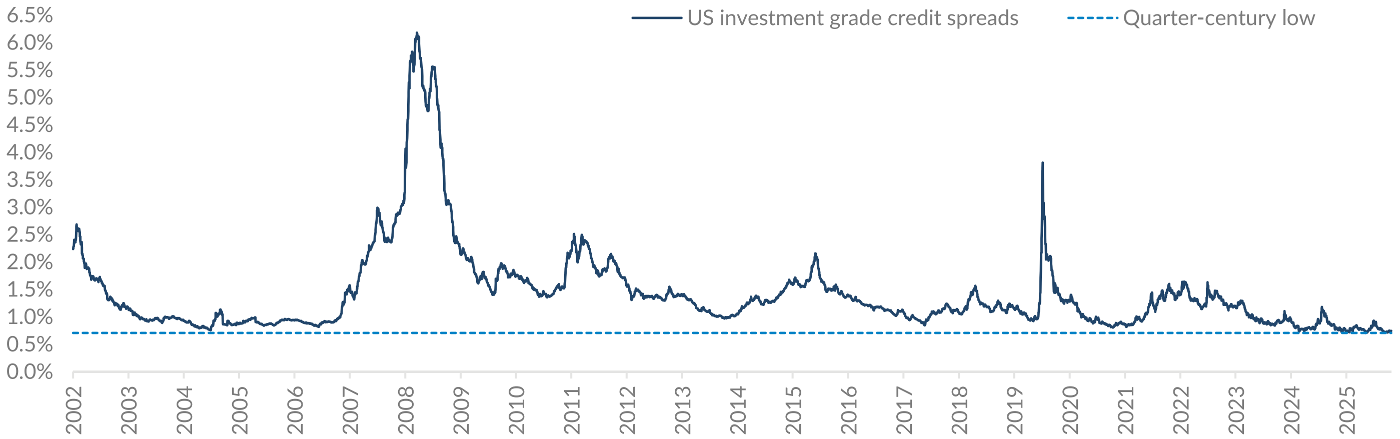
The mid-June interim peace deal announcement pushed the price of Brent crude oil back towards the US$70/bbl level it was trading at before the US and Israeli strikes on Iran shut down the Strait of Hormuz, the world's most important oil chokepoint. The falling oil price also pushed investors' one-year forward inflation expectation back towards the US Fed's 2% target level. Despite the improving outlook for inflation, investors were reluctant to price in the possibility of lower US central bank rates. In fact, in the days following the announcement of the interim peace deal, Trump's newly appointed Fed chair, Kevin Warsh, chaired his first Fed meeting. The tone set by Warsh at his first press conference as Fed chair was decidedly hawkish. Instead of ushering in hopes for lower US interest rates that Trump has been calling for, investors started to position for an extra rate hike in 2026, pushing the anticipated Fed funds rate at the end of 2026 to 4% p.a.

We believe that the transit of energy supplies through the Strait will remain mostly uninterrupted for the foreseeable future, allowing the world's energy reserves to be restocked and inflation expectations to remain subdued. This should in turn lead to investors positioning for the 3% p.a. Fed rates that they were anticipating in February before the airstrikes were launched against Iran. As that happens, we expect the US government's 10-year funding rate to retreat from the top of the 4% to 4.5% p.a. band, which will deliver US 10-year government bond investors some capital gains in addition to income earned for a total return of c. 5% in US dollar terms over the next twelve months.

For US investment-grade corporate bond investors, the premium they are being paid to take on default risk for corporate lending remains at historic lows. While credit spreads can remain depressed for extended periods, we think it is prudent to anticipate some widening of credit spreads. This is likely to offset any benefits from slightly lower rates, leaving investors in these high-grade bonds with returns predominantly from interest income of c. 5% in US dollar terms over the next year.

Figure 9: US high-grade credit spreads remain about as tight as they have been for the past 25 years

Source: Anchor Capital, Bloomberg

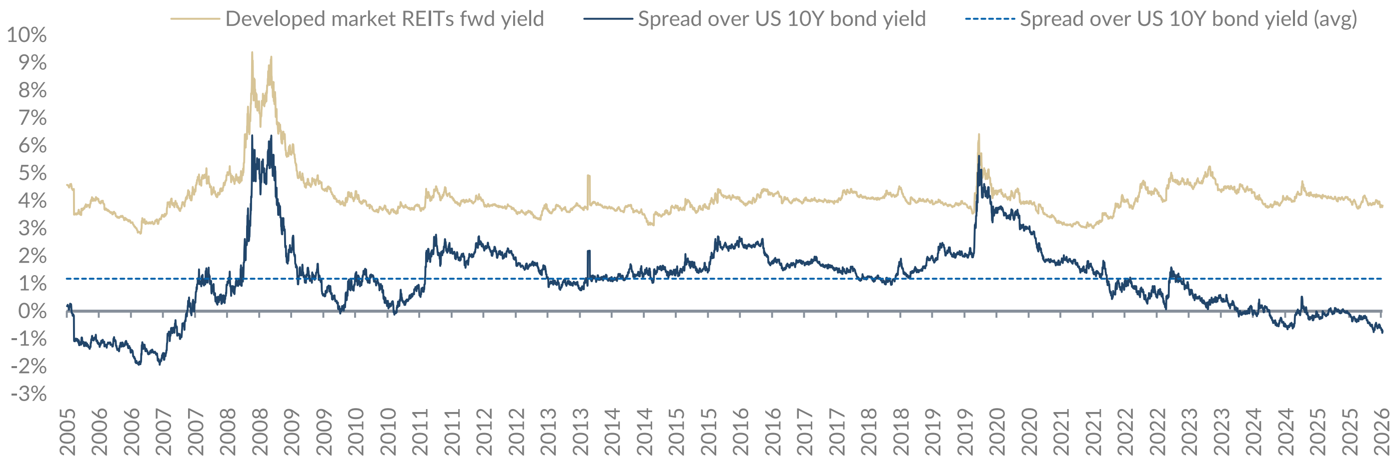


GLOBAL PROPERTY

Developed market (DM) real estate investment trusts (REITs) anticipated dividend yields remain as unattractive as they have been relative to bond yields in around two decades (i.e. since before the global financial crisis [GFC]).

Figure 10: Forecast dividend yields for DM REITs remain as uncompelling on a relative basis as they have been in two decades

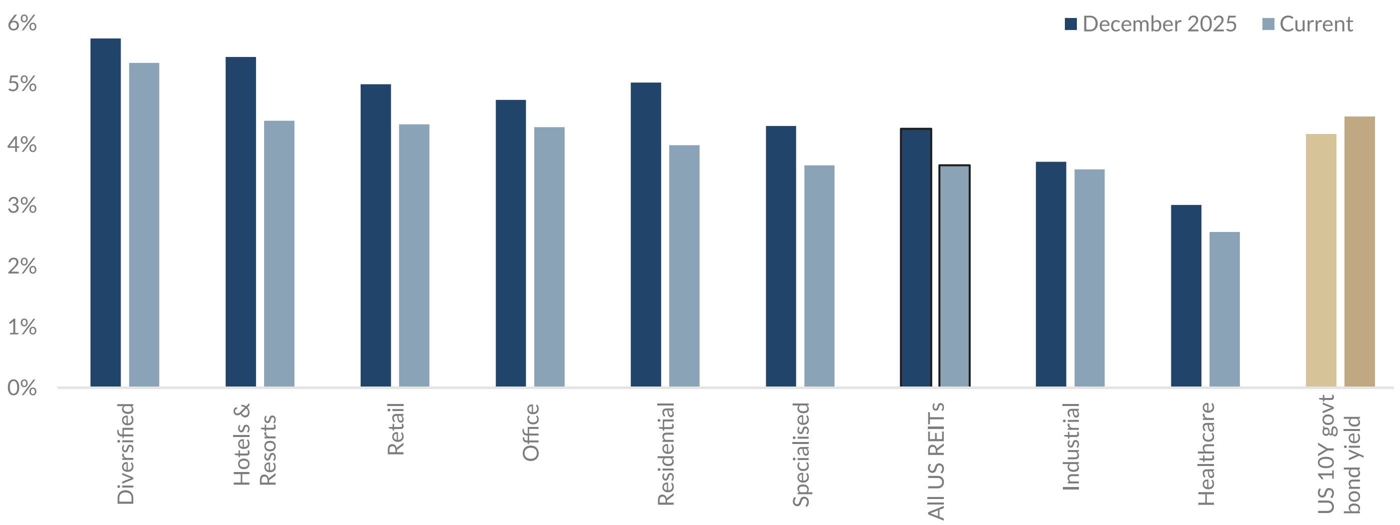
Source: Anchor Capital, Bloomberg



The deterioration in relative yield has happened as US rates have drifted marginally higher YTD (+0.3%) while REIT forward dividend yields have compressed (-0.6%).

Figure 11: While US rates have drifted higher in 2026, US REIT forward dividend yields have compressed as investors become more optimistic about rental growth prospects

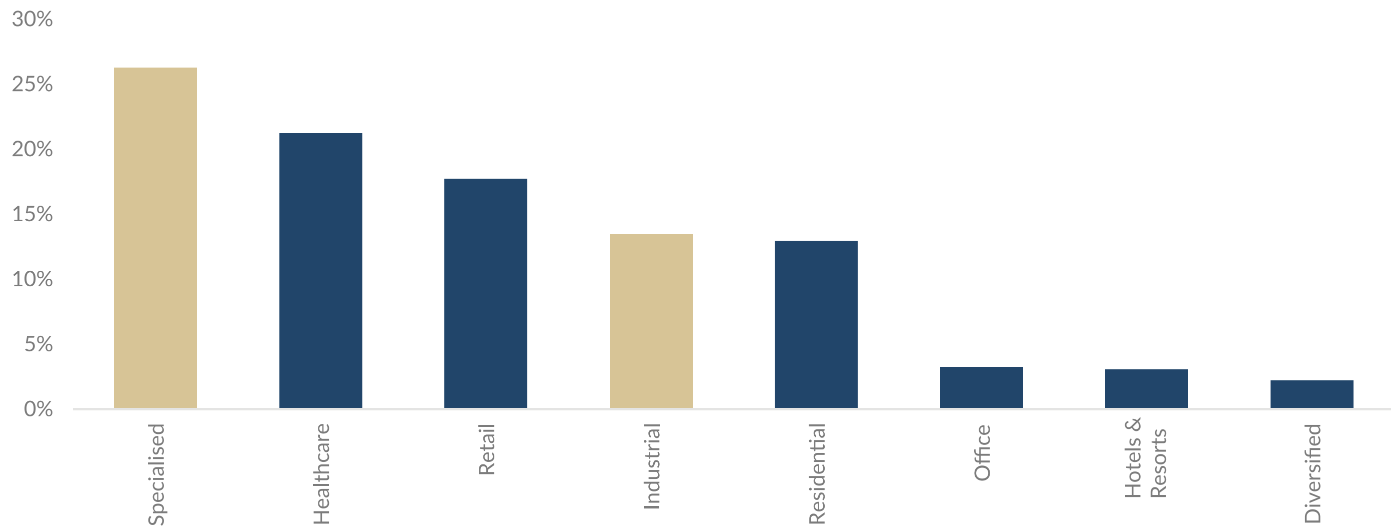
Source: Anchor Capital, Bloomberg



The former is at least partially a function of increased inflationary concerns, the latter largely a function of increasing optimism around commercial property rental growth, particularly as REIT indices are increasingly exposed to the faster-growing online economy sectors (data centres and warehousing).

Figure 12: US REIT Indices are increasingly exposed to the faster-growing online economy sectors (including data centres and warehouses)

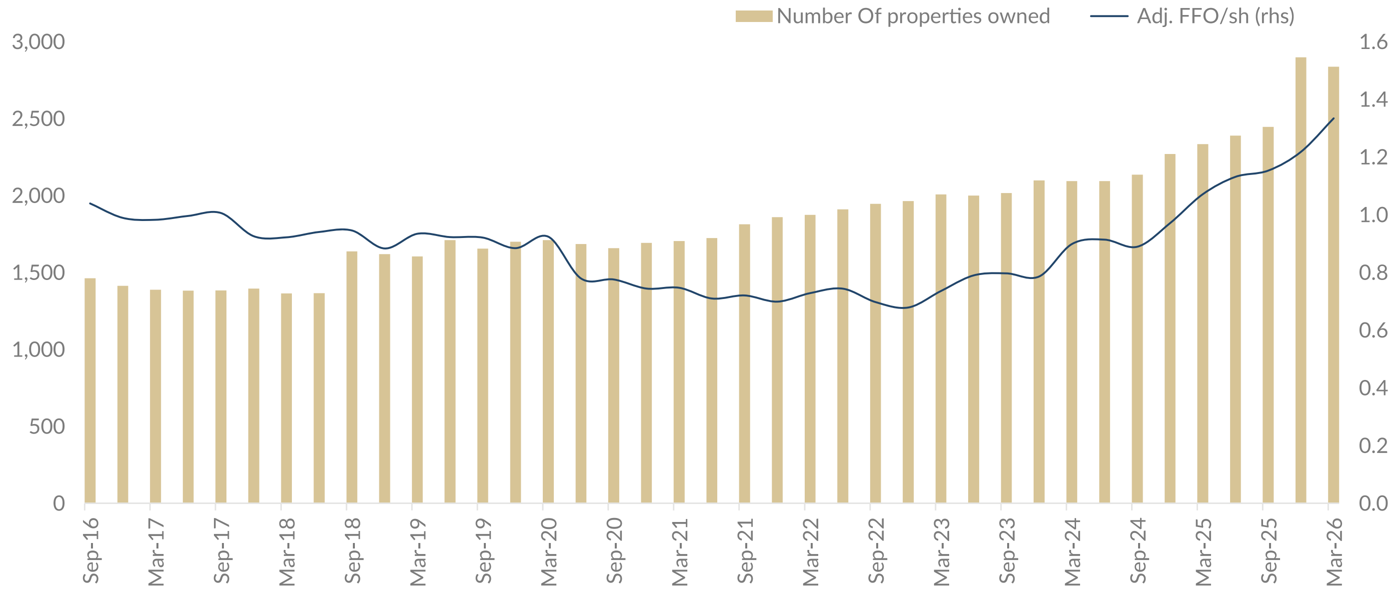
Source: Anchor Capital, Bloomberg



The sector that stands out is healthcare REITs with a forward dividend yield of 2.6%. This is largely an idiosyncratic story, with sector heavyweight Welltower (the world's largest REIT by market cap at US$165bn), now trading on a forward dividend yield of just 1.3%. The fundamental catalyst was CEO Shankh Mitra's contrarian bet during the pandemic. Welltower deployed over US$40bn in senior housing acquisitions between 2020 and 2026 (while peers retreated), doubling the number of senior-living properties owned. As occupancy rates recovered and senior housing fundamentals strengthened — driven by ageing demographics and limited new supply — the market re-rated the company from a distressed REIT to a high-growth operating platform, compressing the yield accordingly.

Figure 13: Healthcare REIT, Welltower (the world's largest REIT) started aggressively expanding amidst the COVID-19 pandemic when peers were retreating, positioning them to capture a disproportionate share of the growth in the senior housing sector

Source: Anchor Capital, Bloomberg



The asset class looks fully priced at a 3.7% forward dividend yield, particularly relative to bond yields on offer, and we think the relative yield needs to compress. Some of that compression will come from falling bond yields, but we expect a 2% to 3% derating to push forward dividend yields on the REIT index to around 3.8%. We also expect c. 5% of income growth, and that combination will leave investors with a total return in US dollars over the next year of c. 6%.

Anchor Insights

In this section of the Navigator, contributors from across Anchor Capital share their perspectives on the key investment themes shaping markets, portfolios and client outcomes. This quarter, we explore the forces driving change, from AI and evolving portfolio construction to the importance of patience, innovation and sound financial planning.

- **Nick Dennis** examines the debate around whether AI has pushed markets into bubble territory. While acknowledging the risks, he highlights the strength of corporate earnings, productivity gains and the long-term growth potential created by the AI investment cycle.
- **Keagan Higgins** looks beyond the AI headlines, exploring the infrastructure required to power the next phase of the technology revolution. From semiconductors and data centres to energy and networking, he explains why the investment opportunity lies in identifying where scarcity creates lasting competitive advantages.
- **Deon Katz and Michael Ncube** revisit the role of the traditional 60/40 portfolio in today's more complex market environment. They explore why increased concentration, volatility and changing relationships between asset classes are driving greater interest in alternative investments as a way to build more resilient portfolios.
- **Keiran Witthuhn, Reko Nare and Henning Holtzhausen** explore Anchor Capital's launch of its first actively managed exchange-traded funds (AMETFs) on the JSE, which provides investors with access to high-conviction local and global equity strategies through a transparent, cost-efficient structure that combines active management expertise with the flexibility and accessibility of an ETF.
- **Duncan Armitage** reflects on why time remains one of the greatest advantages available to young investors, exploring how starting early, embracing compounding and maintaining a long-term mindset can transform patience into a powerful wealth-building tool.
- **Di Haiden** provides an overview of connected-person tax rules and their implications for family trusts, companies and broader wealth structures. She highlights the importance of understanding these rules when transferring assets, funding trusts or implementing estate-planning strategies.

THE BULL CASE FOR EQUITIES:

Popping the bearish bubble bias

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.

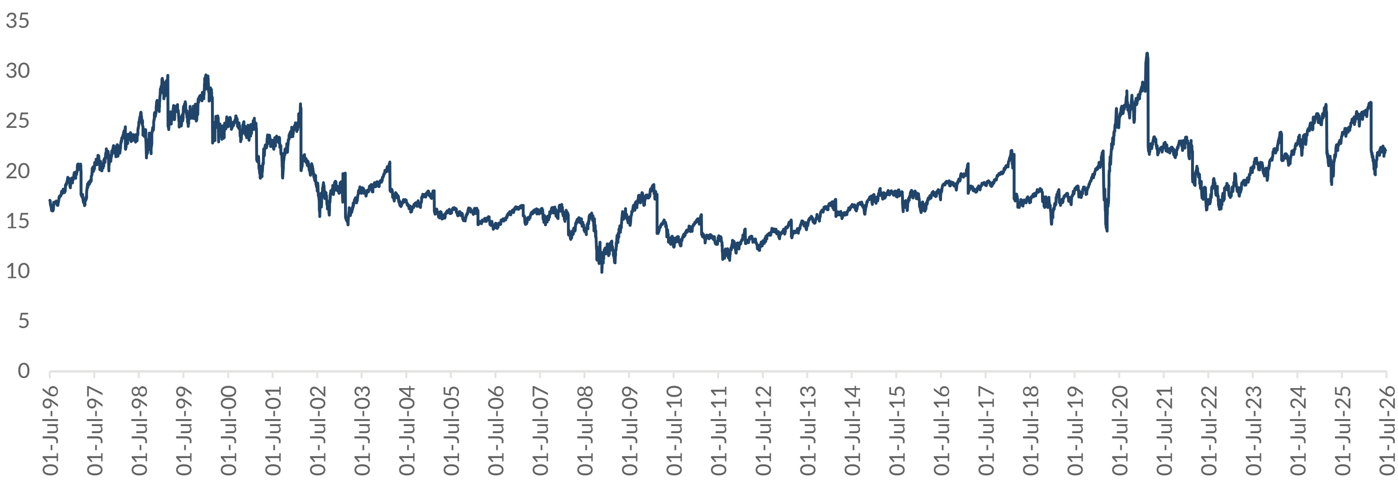
Every day, I come across another article proclaiming that the stock market is a bubble and a crash is imminent. This has been true for most of my career, but lately it seems as though the doomer drumbeat is louder than ever. Most investors are in a heightened state of anxiety, given the dizzying pace of change due to AI. Frequent comparisons to the Technology Bubble of the late 1990s add to the feeling of paranoia. Attempts to argue against the analogue are met with legendary investor John Templeton's quote, "The four most dangerous words in investing are 'This time it's different'". The saying has become an excuse for cynicism and a refusal to think from first principles. The nuances and differences between episodes matter as much, if not more, than the similarities. Historians would all be billionaires if it were as simple as knowing history!

THE FIRST BUBBLE ARGUMENT: VALUATIONS

The two main bubble arguments are made with respect to valuation and earnings. The bears are attempting to have their cake and eat it; if valuations do not indicate a bubble, then earnings do. Nevertheless, starting with valuation, we can see that the S&P 500 trades on a forward multiple of roughly 21x. This is slightly rich vs its 30-year average of 18.8x, but well below the peak of the Tech Bubble.

Figure 1: S&P 500 forward P/E ratio, x

Source: Anchor Capital, Bloomberg



There are several reasons why the S&P 500 should trade at a premium vs the past. The improvement in the quality of the index has helped to drive a re-rating. The market has become increasingly skewed towards companies with stronger balance sheets, higher margins and returns on invested capital (ROIC), as well as lower cyclicality. One can also reason from a flow perspective: with a constant bid from price-insensitive passive buyers (through employer-sponsored retirement accounts and other vehicles), an upward drift in multiples is almost inevitable.

Finally, there is no golden rule regarding the 'correct' P/E multiple. Most theories, like Warren Buffett's total market capitalisation-to-gross domestic product ratio, CAPE (cyclically adjusted price-to-earnings) Shiller, and the Fed model, all fail to produce reliable timing signals. And why should they – nothing in markets is ever that easy!

THE SECOND BUBBLE ARGUMENT: EARNINGS

The capital expenditures (capex) of the four large hyperscalers (Amazon, Google, Meta and Microsoft) have consistently exceeded investors' expectations. Hyperscaler capex forms the revenue of the companies building out AI infrastructure (semiconductors, data centres, power, etc.). As such, earnings per share (EPS) have surprised positively this year, with S&P 500 EPS growing by 16% YoY in 1Q26. At the start of the year, analysts expected the S&P 500 to earn US$310/share in 2026. By mid-June, the estimate had already climbed 10% to US$342/share. Much of the upside surprise is a function of the boom in AI spend.

Bears contend that it is incorrect to treat 'one-off' spend as recurring, which is fair if the cycle is short-lived. If the AI buildout lasts a decade (or more) and includes both recurring spend (like an iPhone upgrade) and maintenance spend (just as roads need to be re-tarred, potholes filled, etc.), then the bears' logic holds less water.

The bears also claim that the buildout is unsustainable as these investments allegedly generate poor ROIC. To date, however, the evidence does not support this thesis. The ROIC for the hyperscalers has not diminished materially in the past three to four years, despite explosive growth in capex.

SCALING LAWS: THE 'WHY' BEHIND THE CAPEX

The core principle underpinning the entire cycle is that scaling laws will hold, i.e. greater spend on compute (i.e. more powerful chips, etc.) directly translates into AI model improvements. The more powerful and useful the model, the more consumers and corporates will be willing to pay. NVIDIA CEO Jensen Huang put it succinctly: "Compute equals revenues." Those revenues provide the firepower to finance more capex, reinforcing the cycle. Both the frontier labs, such as Anthropic and OpenAI, and the hyperscalers are incentivised to keep spending as scaling laws remain in full force.

The bears believe that the AI buildout cannot last once the hyperscalers have burnt through their cash reserves. The hyperscalers still have ample room to gear up their balance sheets and have started to raise equity capital to fund incremental spend. Google's parent company, Alphabet, recently raised US$85bn in equity, including a cornerstone stake of US$10bn from Berkshire Hathaway. Private and institutional investors, including sovereign wealth funds, have sufficient capital to support the bulk of the buildout.

The US is locked in a race with China to achieve Artificial General Intelligence and Artificial Super Intelligence, with long-lasting implications for economic prosperity, national security and global influence. The US government is likely to become a key stakeholder and funding source as victory is deemed non-negotiable. As such, capital is highly unlikely to be a constraint.

THE BULL CASE FOR US EQUITIES

If the private and public capital investment cycle is likely to continue for the next decade, S&P 500 EPS could continue to grow in the double digits (perhaps as high as 15% p.a.) for the foreseeable future. As companies deploy AI to improve productivity, margins and ROIC, there is every reason to believe the quality of US corporates will continue to improve. The S&P 500 could maintain the current P/E ratio, or even see it expand significantly. The market could surprise positively with respect to both earnings and valuations for years to come.

Investors continue to underestimate the magnitude of change in society and markets, and who can blame them. Humans think in linear terms, and exponential change is almost impossible for us to fathom. We are in the midst of a generational investment-led boom and secular bull market. That said, painful short-lived corrections and cyclical bear markets are to be expected along the way. It is not supposed to be easy! The victories of the bears are usually short-lived and pyrrhic. Bulls are rewarded for courage, for believing in the triumph of human ingenuity and for staying the course. I remain bullish.

THE AI SUPPLY CHAIN:

Where scarcity creates opportunity

WRITTEN BY:
Keagan Higgins, CA(SA)
Investment Analyst

Keagan Higgins is a CA (SA) and an investment analyst at Odyssey Capital, where he has been a member of the team since 2018. He holds a BCom in Financial Sciences, an ACMA (Associate Chartered Management Accountant), and a CGMA (Chartered Global Management Accountant) designation. His research covers both local and international equities with a primary focus on financials and technology, including AI-exposed industries. Following Anchor Capital's acquisition of a majority stake in Odyssey in 2025, Keagan's coverage for Anchor has focused on domestic equities, particularly financial companies, alongside select offshore opportunities in the AI space.

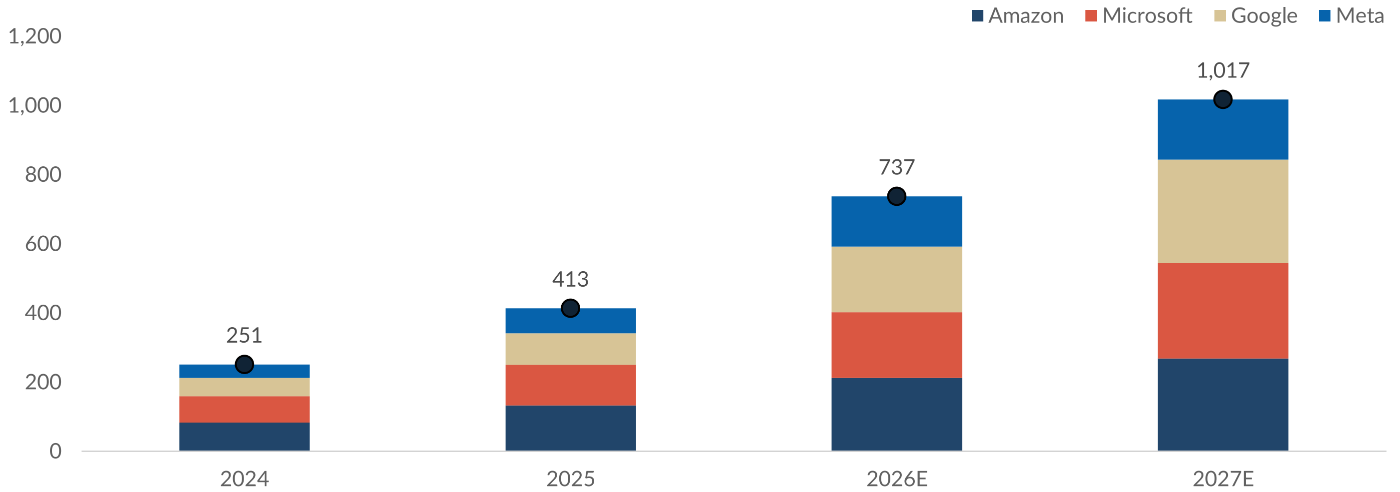
Artificial intelligence (AI) has evolved far beyond the chatbots (like ChatGPT) that first captured the headlines a few years ago. The next phase of the AI revolution is increasingly defined by the infrastructure required to make it possible: advanced chips, memory, data centres, networking equipment, and power generation.

The scale of investment is significant. The hyperscalers, including giant cloud platforms like Amazon, Microsoft, Alphabet, and Meta, spent approximately US$250bn on capital expenditure in 2024, and forecasts suggest this could climb to above US$700bn in 2026 and over US$1trn in 2027. That scale and cadence point to conviction behind the AI theme, an opportunity set that is more than just software, and a world where compute supply is meaningfully lagging the growing demand.

For investors, however, the opportunity is not simply identifying companies associated with AI. The more important question is where the constraints are in the supply chain, and which businesses are best positioned to benefit from those bottlenecks.

Figure 1: Hyperscaler capex is accelerating (US$bn)

Source: Anchor Capital, Company Data, Morgan Stanley Research



The largest technology companies have become some of the biggest infrastructure investors in the world. Their AI ambitions require enormous amounts of computing power, with demand expanding across both training large models and running AI applications in real time. In the past year, however, they have become capex-intensive businesses – using almost all operating cash flows and tapping both debt and equity markets to fund their AI endeavours. Even Alphabet recently announced an US$80bn equity raise, which shows how quickly the funding requirements are outgrowing free cash flow (FCF). Demand is running comfortably ahead of supply.

A PIPELINE WITH PRESSURE POINTS

To understand where this capital flows, the AI ecosystem/supply chain can be viewed as a pipeline with several gates. Capital enters the pipeline and must pass through several critical stages: compute and memory, packaging and optics, data centres and cooling, and finally the broader power infrastructure.

When one gate narrows, supply backs up behind it, and pricing power accrues to whoever owns that gate.

DEMAND IS COMPOUNDING

At the top of the pipe, demand is accelerating. AI now powers everyday tools rather than one-off experiments. *Deloitte* estimates that inference (answering live queries) will account for two-thirds of all AI compute by the end of 2026. This is a complete reversal from 2023, when training accounted for two-thirds of compute.

In addition, a new class of digital 'agents' is emerging. These agents read documents, plan steps, and carry out tasks with little human intervention. Industry leaders believe such agents could require roughly ten times as much compute per user as today's chatbots. This explains why supply cannot keep pace as demand for computing compounds.

COMPUTE AND MEMORY: THE FIRST CONSTRAINT

The semiconductor industry has already experienced shortages in key components. While the graphics processing unit (GPU) shortages of 2023 have eased, we are now experiencing a high-bandwidth memory (HBM) shortage. Modern AI chips are designed to be fed by stacks of HBM placed right next to the compute core. Analysts estimate that AI data centres alone will consume roughly 70% of all premium dynamic RAM (DRAM) manufactured in 2026, and suppliers say they have already sold out their output for the year. This creates a favourable environment for companies with leading positions in advanced memory manufacturing.

PACKAGING AND OPTICS: CONNECTING THE SYSTEM

Once chips and memory have been secured, they need to be assembled and connected at speed. Advanced packaging houses build multi-chip modules and stack HBM onto GPUs; this capacity is booked through 2026.

At the same time, data must move between thousands of processors without slowing down. That has triggered a shift from electrical to optical networking, with clusters being upgraded from 400 Gbit/s to 800 Gbit/s and soon to 1.6 Tbit/s.

As AI workloads become larger and more complex, speed and latency become increasingly important. Even if someone offered to pay you to use slow internet, you would probably refuse. Hyperscalers face the same reality: if AI tools are slow, users disengage, which is why billions are being spent to shave milliseconds off the system.

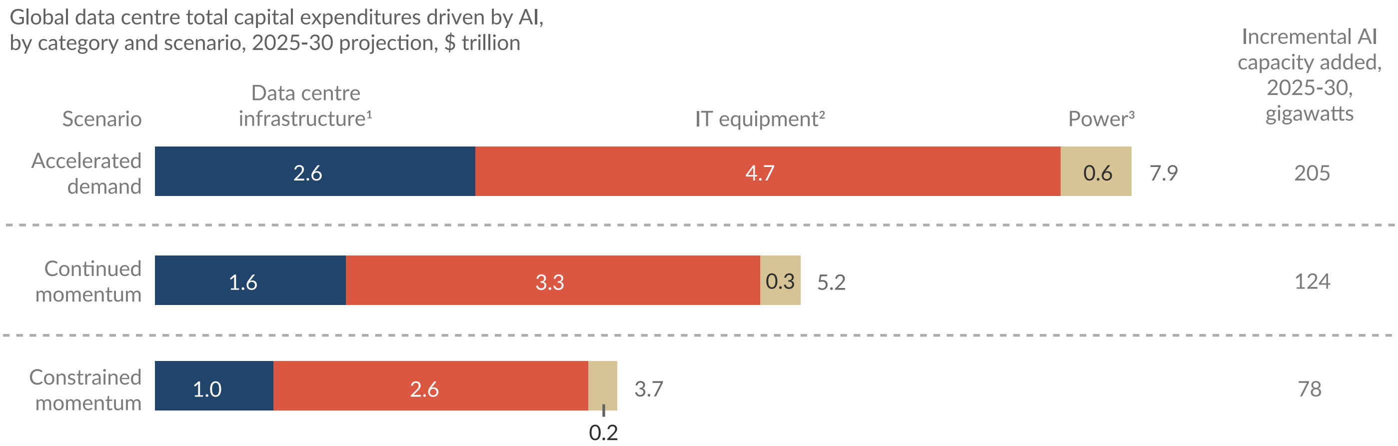
BUILDING THE PHYSICAL LAYER

The AI build-out requires significant physical infrastructure. *McKinsey* estimates that global AI data-centre expansion will add around 124 GW of incremental AI data-centre capacity between 2025 and 2030, requiring roughly US$5.2trn of cumulative investment. Importantly, most of this spend is not on the building itself. Around US$3.3trn is expected to go into IT equipment such as servers, storage and networking, with a further US$1.6trn required for data-centre infrastructure.

The cost per gigawatt is substantial. From *McKinsey's* numbers, this implies c. US$40bn/GW of incremental AI capacity. Each gigawatt requires years of planning and billions of dollars of equipment, before it becomes usable compute.

Figure 2: AI data centre capex is concentrated in IT equipment and infrastructure

Source: McKinsey & Company



1. *Excludes IT services and software (e.g., operating system, data centre infrastructure management), since they require relatively low capex compared with other components.*
2. *Includes server, storage, and network infrastructure. IT capex also accounts for replacing AI accelerators every 4 years.*
3. *Assumes US$2.2bn-US$3.2bn/gigawatt (including power generation and transmission cost) to account for a range of power generation scenarios (e.g., fully powered by gas, a combination of gas power and storage, and solar) and regional cost differences. Distribution cost is neglected, as most AI centres are expected to be >50-megawatt scale and connected to a transmission grid.*

POWER AND GRIDS REMAIN A LIMITING FACTOR

In terms of power, the primary issue is not the cost of power infrastructure but its availability. Data centre electricity demand is rising quickly, and grids in some regions are already strained. This is why hyperscalers are pursuing off-grid generation and renewable projects. We see the grid as one of the main constraints, highlighting the need for energy efficiency and innovation across the data centre value chain.

WHY SUPPLY IS STRUGGLING TO CATCH UP

Building out a physical pipeline takes time – between one and three years for physical construction and up to six years once considering site planning and grid connection. Each stage of the value chain requires specialised equipment, skills, and incremental capacity that cannot be added overnight. Data centre shells require land, permits, and teams that can manage 100-plus MW projects, and there is a finite number of those teams.

History shows that supply eventually overshoots demand, which is why a measure of scepticism is warranted. However, companies that control these scarce capabilities today are likely to enjoy a period of elevated returns.

WHAT THIS MEANS FOR INVESTORS

The investing edge in AI is not simply about owning companies with an AI narrative. It is about identifying and understanding where scarcity, competitive advantages and execution create durable value and where it may move next. In 2023, the bottleneck was GPUs. Today, that shortage is in HBM and packaging. Rather than simply following momentum, we look for high-quality businesses with durable growth prospects across the value chain.

That means favouring companies with a competitive advantage and not chasing those that rely on hype. Capex numbers by themselves are not a guaranteed signal of future returns. We have lived through and researched enough cycles to know that when supply catches up, pricing power falls away.

This is both an infrastructure build-out and a software revolution. Hyperscalers, sovereign nations, and a growing number of enterprises are spending significant sums of capital on what resembles a new arms race.

In our view, the opportunity is not to chase every company with an AI label, but to understand where the bottlenecks are moving and invest in those companies where scarcity, execution, and discipline can translate into durable returns.

THE CASE FOR ALTERNATIVES:

Improving Portfolio Resilience in a Post-60/40 World

WRITTEN BY:
Deon Katz / Michael Ncube
Head of Private Capital / Private Capital Associate

Deon has worked in the financial services industry since 1999, including in wealth management, structured finance, and banking leadership roles. He spent 11 years of his career at Investec Bank, starting in the private client growth and acquisition finance team before leading the Johannesburg and SA banking business and subsequently heading private banking. Deon has significant experience in deal-making and leading teams in large, private client-driven businesses. Deon holds an MBA, an H Dip in Financial Planning Law, and is an alumnus of Harvard Business School. He joined Anchor in 2023.

Michael joined Anchor Capital in March 2022. He holds a BCom in Finance and a BCom Honours in Investment Management from the University of Johannesburg, as well as a Master of Management in Finance and Investment from the Wits Business School. He is currently pursuing the Chartered Financial Analyst (CFA) designation. Michael brings a strong passion for financial markets and specialises in private capital, contributing to the investment team's research and investment capabilities across the alternatives landscape.

For a prolonged period following the global financial crisis (GFC), portfolios were built in a very different environment than today. Interest rates were low, liquidity was abundant, and asset prices benefitted from a long period of monetary support. The traditional 60% (equities)/40% (bonds) portfolio framework remained the foundation of portfolio construction for most investors, but its underlying components did not always behave as expected.

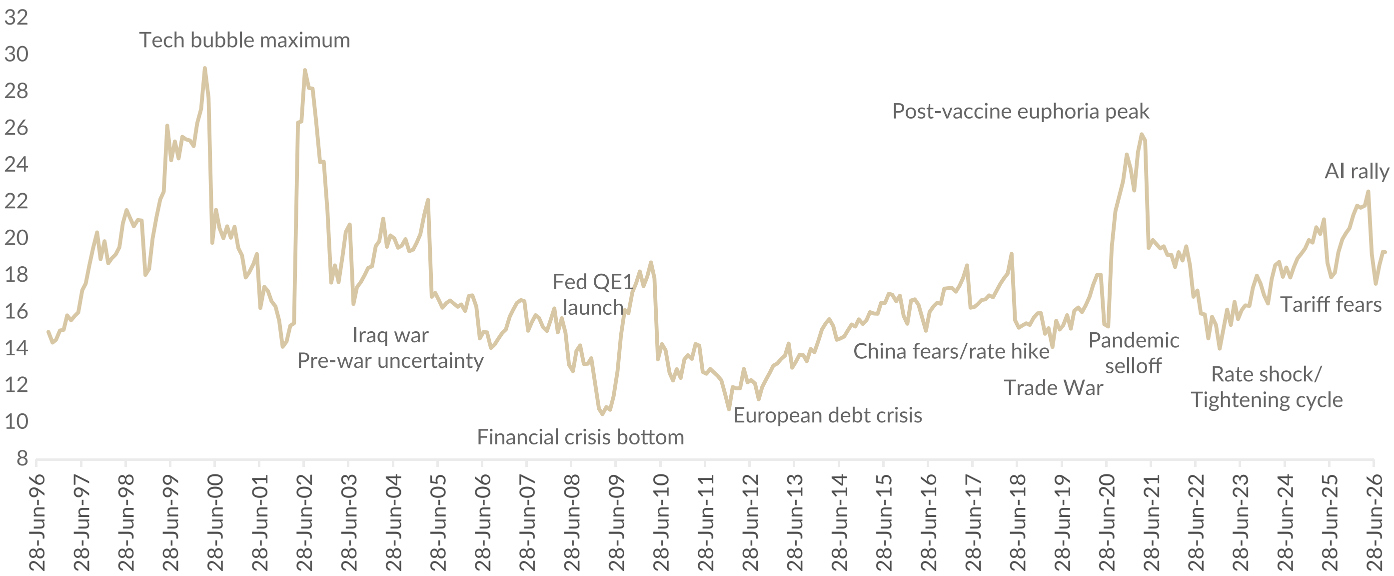
Today, that foundation looks stronger. Interest rates are higher, bond yields are more attractive, and the starting point for the traditional 60/40 framework arguably has a better chance of delivering long term outcomes than it has had in some time. Yet, investing has become more challenging. Markets are more volatile, increasingly influenced by shifting inflation dynamics, changing monetary policy, geopolitical uncertainty and rapid changes in investor sentiment. As Howard Marks, co-founder and co-chairman of Oaktree Capital Management, puts it, *"You can't predict, but you can prepare."*

The implication is not that traditional 60/40 portfolios no longer work. Rather, it is that investment outcomes have become less predictable and, at times, more difficult for investors to navigate.

That shift in mindset is important. The objective is not to move away from equities and bonds, but to better understand how they behave in a changing environment and why investors may consider additional return drivers, such as alternative investments (hedge funds, protected equity structured products, physical property, etc.), to help smooth portfolio outcomes over time. As the chart below shows, equity valuations have never followed a straight line. They move through cycles, often shaped by volatile events that only become clear with hindsight.

Figure 1: MSCI ACWI forward P/E (1996–2026) with key market events

Source: Anchor Capital, Bloomberg



PUBLIC MARKETS: CONCENTRATION BENEATH THE SURFACE

Equity markets remain one of the most powerful long-term wealth creation tools, but a meaningful shift has taken place, with a significant increase in outsized single counters.

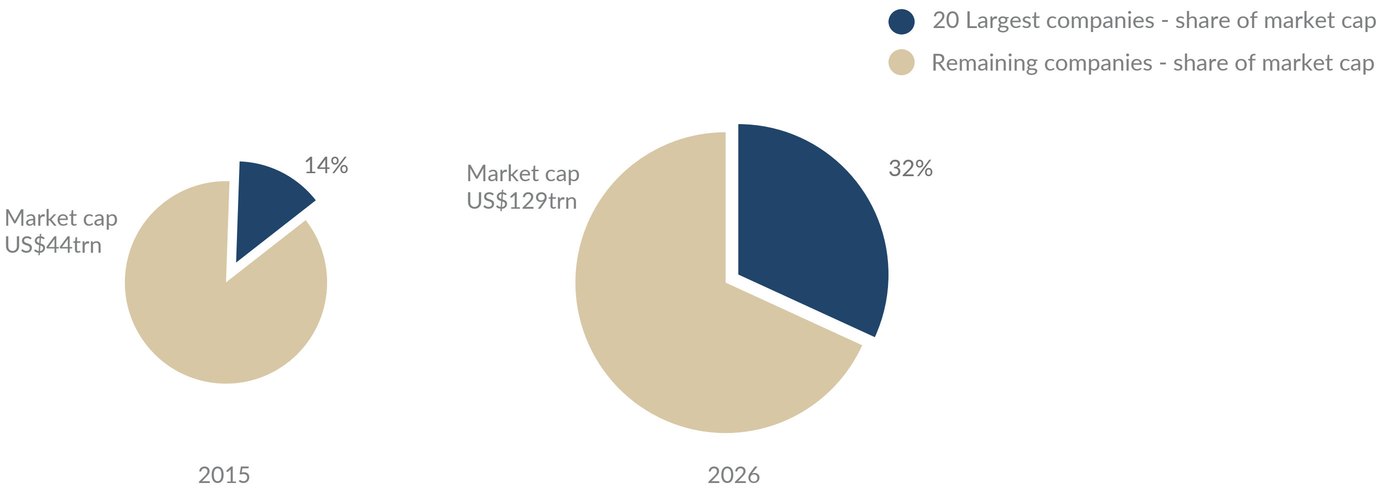
While broad global indices still appear diversified at first glance, an increasing proportion of market returns is now being driven by a relatively small number of companies. Within the MSCI All Country World Index ([ACWI], which captures large and mid-cap representation across DMs and EMs, covering c. 85% of the global investable equity opportunity set), the largest 20 companies now represent more than 30% of the total global market capitalisation, compared to less than 15% a decade ago.

This is not necessarily a flaw, but it does change how diversification behaves. Portfolios become more sensitive to a handful of dominant businesses, meaning diversification can appear broad at a headline level while being far more concentrated in practice.

At the same time, private capital markets are evolving and creating more value. Companies are remaining private for longer, creating a broader opportunity set beyond traditional listed markets.

Figure 2: Public stocks have become increasingly concentrated

Source: Anchor Capital, Bloomberg



WHEN 60/40 BEHAVES DIFFERENTLY

The shift in public markets is now evident in portfolios.

The traditional 60/40 framework still captures the core drivers of long-term wealth creation and, with higher yields now on offer, arguably has a firmer foundation than it did in the years of near-zero interest rates. But more recently, equities and bonds have shown bouts of higher correlation, removing some of the diversification benefits inherent in traditional multi-asset class portfolios.

That does not necessarily mean traditional portfolios no longer work. It does highlight that outcomes are more sensitive to inflation, interest rates, market concentration and shifts in sentiment. In practice, this increases the likelihood of more uneven outcomes, particularly when both equities and bonds come under pressure at the same time.

RETHINKING PORTFOLIO CONSTRUCTION

If traditional drivers are less reliable in practice, portfolio construction needs to evolve with them.

Traditional portfolio frameworks are built on directional exposure, capturing returns from broad market movements. When those drivers become more concentrated and more sensitive to sentiment, outcomes can become less consistent.

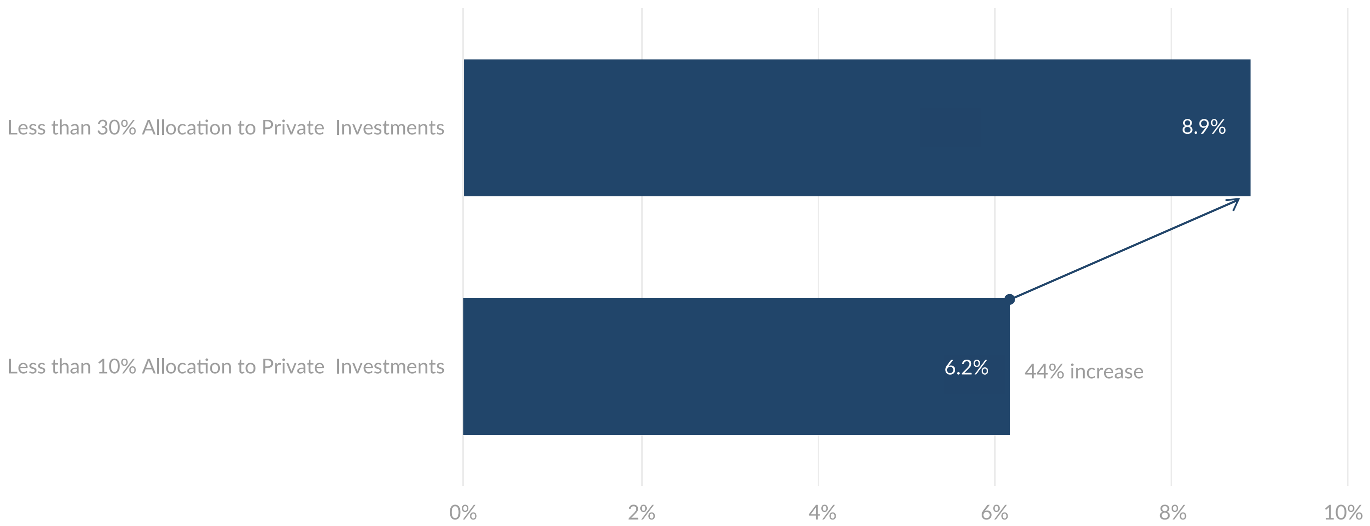
A more effective starting point is to look beyond directionality and focus on dispersion, i.e. the widening gap between winners and losers within markets. Periods of higher uncertainty tend to create more of these opportunities.

Alternatives are designed to capture these differences. Rather than relying on markets simply rising, they aim to generate returns from a broader set of opportunities by identifying where value exists within and across markets. This introduces a return stream that is less dependent on market direction and more driven by underlying opportunities and execution.

This approach has long been used by institutional investors and in portfolios, particularly pension funds, endowments and foundations, which have consistently incorporated alternatives as a core allocation, benefitting from the broader and more diversified return base.

Figure 3: 10-year US Foundation and Endowment median annual compound return

Source: Anchor Capital, Bloomberg



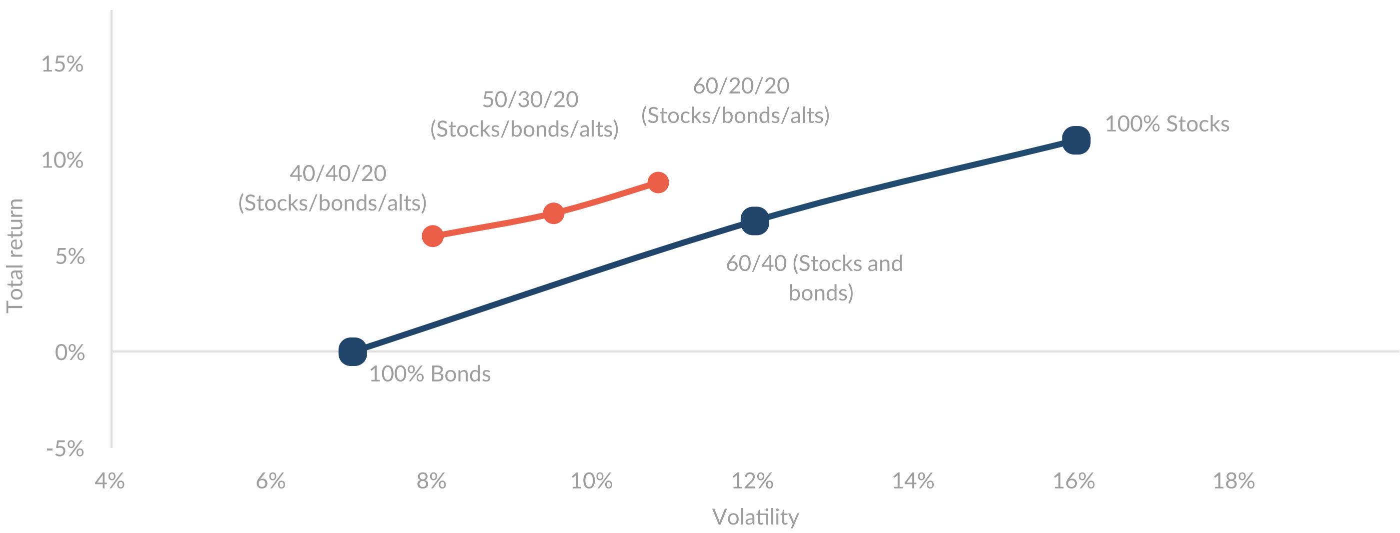
IMPROVING PORTFOLIO OUTCOMES

The objective of incorporating alternatives is not complexity for its own sake. It is about improving how portfolios behave across different market conditions. Traditional stock bond portfolios sit along a single trade-off between risk and return.

As shown below, even modest allocations to alternatives can enhance portfolio efficiency and resilience by introducing return drivers that are less dependent on equity market direction. A 60/20/20 portfolio, for example, can deliver higher returns than a traditional 60/40 portfolio at a similar level of risk, while more conservative allocations can achieve comparable returns with lower volatility.

Figure 4: Improving portfolio efficiency with alternatives

Source: Anchor Capital, Bloomberg

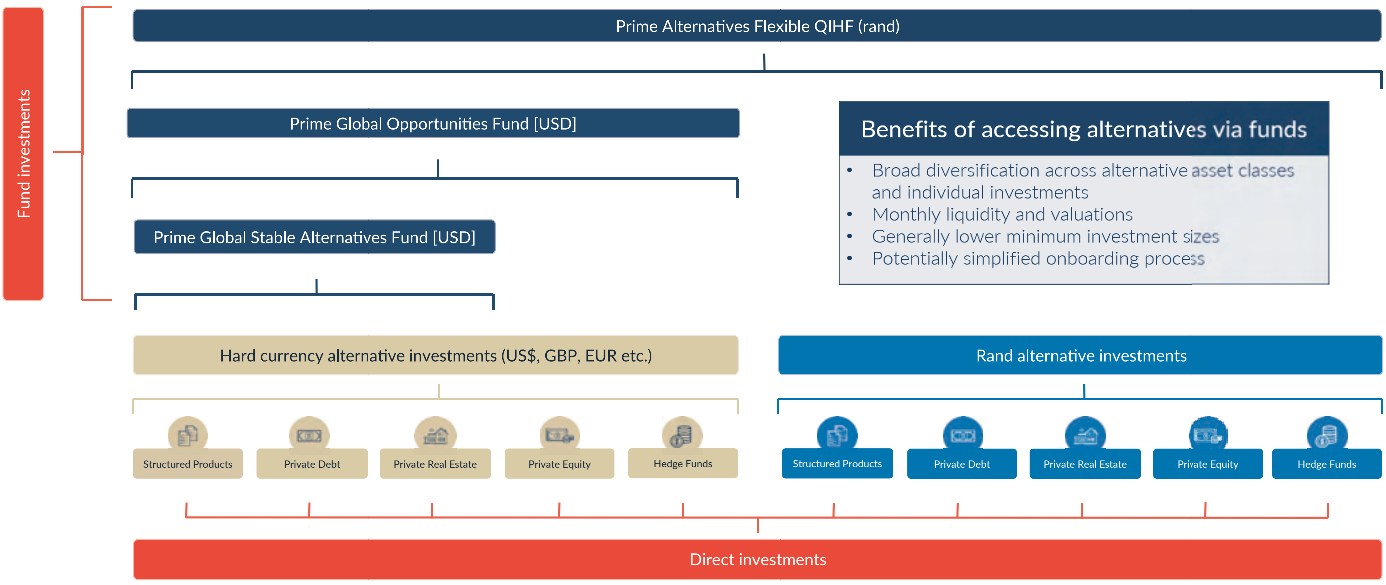


BUILDING MORE RESILIENT PORTFOLIOS – THE ANCHOR-CREDO APPROACH

At Anchor-Credo, we believe that the future of investing is not about moving away from traditional equities and bonds, but building on them, augmenting portfolio construction to include a broader set of return drivers through a dedicated alternatives offering. Our objective is not complexity for its own sake, but to improve how portfolios behave across different environments.

Figure 5: Access points through funds

Source: Anchor Capital



Clients can access this opportunity set through a range of clearly defined strategies, each designed to fulfil a specific role within a broader portfolio:

- **The Prime Alternatives Flexible QIHF**, our local offering, serves as a core allocation, providing diversified exposure across private debt, hedge funds, structured products, private equity and real estate. With a balanced mix of liquid and less liquid assets, it targets double digit rand returns of 10%–14%, whilst maintaining a relatively smooth and stable return profile.
- **The Prime Global Opportunities Fund** provides offshore exposure to a broader opportunity set across private equity, private debt, private real estate and liquid alternatives, targeting approximately 8%–10% US dollar returns with a focus on risk adjusted growth.
- **The Prime Global Stable Alternatives Fund**, for investors seeking a more conservative allocation, focuses on income generation and capital preservation, targeting 6%–8% US dollar returns through a diversified portfolio of private debt, structured products and private real estate assets.

Together, these strategies aim to broaden the sources of return available to investors, reduce reliance on increasingly concentrated public markets and build more resilient portfolios over time. In our view, this is not a purely tactical decision, but an increasingly important part of modern portfolio construction. The question facing investors, therefore, is no longer whether alternatives have a role to play but rather how they can be incorporated thoughtfully to help navigate a more complex investment environment.

ACTIVELY MANAGED ETFS:

A new vehicle for a familiar philosophy

WRITTEN BY:

Keiran Witthuhn, Reko Nare, Henning Holtzhausen

Portfolio Management

Before joining the Anchor Capital Family Office in 2021, Keiran held a government advisory role in the Middle East. He currently works in the portfolio management team. He plays a key role in the Anchor Aspirant programme, a specialised wealth management and investing offering designed specifically for young, aspiring, and new investors. Keiran is also the co-fund manager for Anchor Capital's first two Actively Managed ETFs. He holds a MCom in Economics from Stellenbosch University and is a CFA® charterholder. Outside of work, he is an avid sports enthusiast and enjoys spending time outdoors.

Reko is an economics graduate from the University of Pretoria. He holds a postgraduate diploma in investment management and is currently pursuing a CFA designation. Reko is a member of the South African Institute of Financial Markets and joins the portfolio management team with a focus on servicing the investment needs of high-net-worth clients in South Africa.

Henning joined Anchor Capital in 2021 after completing his BCom Honours in Investment Management at the University of Pretoria. With a keen interest in the investment process, he is committed to delivering thoughtful, client-focused solutions and building lasting relationships through a deep understanding of each client's unique goals and needs.

INTRODUCTION

Investing continues to evolve. While exchange-traded funds (ETFs) have traditionally been associated with low-cost passive investing and index tracking, a new generation of ETFs is changing the way investors access professional investment management. On 25 May 2026, Anchor Capital listed its first actively managed exchange-traded funds (AMETFs) on the JSE: The Anchor EasyETFs Aspirant Global Equity AMETF (AAGEET) and the Anchor EasyETFs Aspirant SA Equity AMETF (AASAET).

These funds provide investors with direct access to Anchor Capital's high-conviction local and global equity strategies through a transparent, cost-efficient listed structure. EasyETFs, a wholly-owned subsidiary of the Easy Group, itself majority-owned by Purple Group, serves as the management company (ManCo) for both funds. The launch forms part of a broader partnership between Anchor Capital and EasyEquities, combining Anchor Capital's investment management expertise with EasyEquities' retail distribution platform.

A BRIEF HISTORY OF ETFS

The first ETF was launched in Canada in March 1990. The US followed shortly with the State Street SPDR S&P 500 ETF Trust (SPY) in January 1993, and SA's first ETF, the Satrix Top 40, began trading on the JSE in November 2000. Since then, ETFs have transformed the investment landscape, growing substantially in both the number of products available and in total assets under management (AUM). There are now more than 4,500 ETFs listed in the US and more than 130 on the JSE (this includes both active and passive ETFs). Their appeal has always been built around simplicity: broad market exposure, transparency and cost efficiency.

For most of their history, ETFs have been associated almost entirely with passive investing: tracking an index, owning the market, and keeping costs low. That association is accurate but increasingly incomplete. AMETFs represent the next evolution. Like a unit trust, AMETFS are managed by investment professionals who make active decisions on which companies to own, which to avoid, and how to position portfolios. Like ETFs, they are listed on an exchange and can be bought or sold during the trading day through any stockbroking account.

Importantly, SA AMETFs are regulated collective investment schemes (CIS) under the Collective Investment Schemes Control Act, 45 of 2002 (CISCA), and subject to JSE Listings Requirements, providing investors with a familiar and well-governed regulatory framework.

THE GROWTH OF AMETFS LOCALLY AND GLOBALLY

The first AMETF was launched in the US in 2008. Global growth has been significant since, with BlackRock projecting total global AMETF AUM to reach US$4.2trn by 2030, representing approximately 16% of the total ETF market.

AMETFs are newer to the SA market. Regulatory changes in 2022 enabled the first AMETF listing on the JSE in May 2023, and by June 2026, the number had grown to 48 products. AUM growth in the local AMETF segment has outpaced that of other ETF categories, with total AUM reaching R18.9bn by end-2025. Based on current industry trends, total industry AUM is expected to increase significantly over the coming years. The next generation of investors is more fee-sensitive than the older generation. That shift, combined with a preference for transparency and operational simplicity, has accelerated demand for ETFs as a mechanism for active management.

This growth is part of a broader product innovation story in SA's financial services industry that has led to new listings on the JSE. The JSE's company listings have declined sharply in recent decades - from around 850 listed companies in the 1990s to below 300 by 2024. This is a trend that reflects weak economic growth and a burdensome regulatory environment. AMETFs do not address those structural headwinds. But they do reflect the industry's capacity to evolve in response to investor demand, and ultimately it is investors who stand to benefit from lower-cost, more transparent, easier-to-access products.

Figure 1: BlackRock's projected growth of AMETFs globally
Source: BlackRock, Anchor Capital

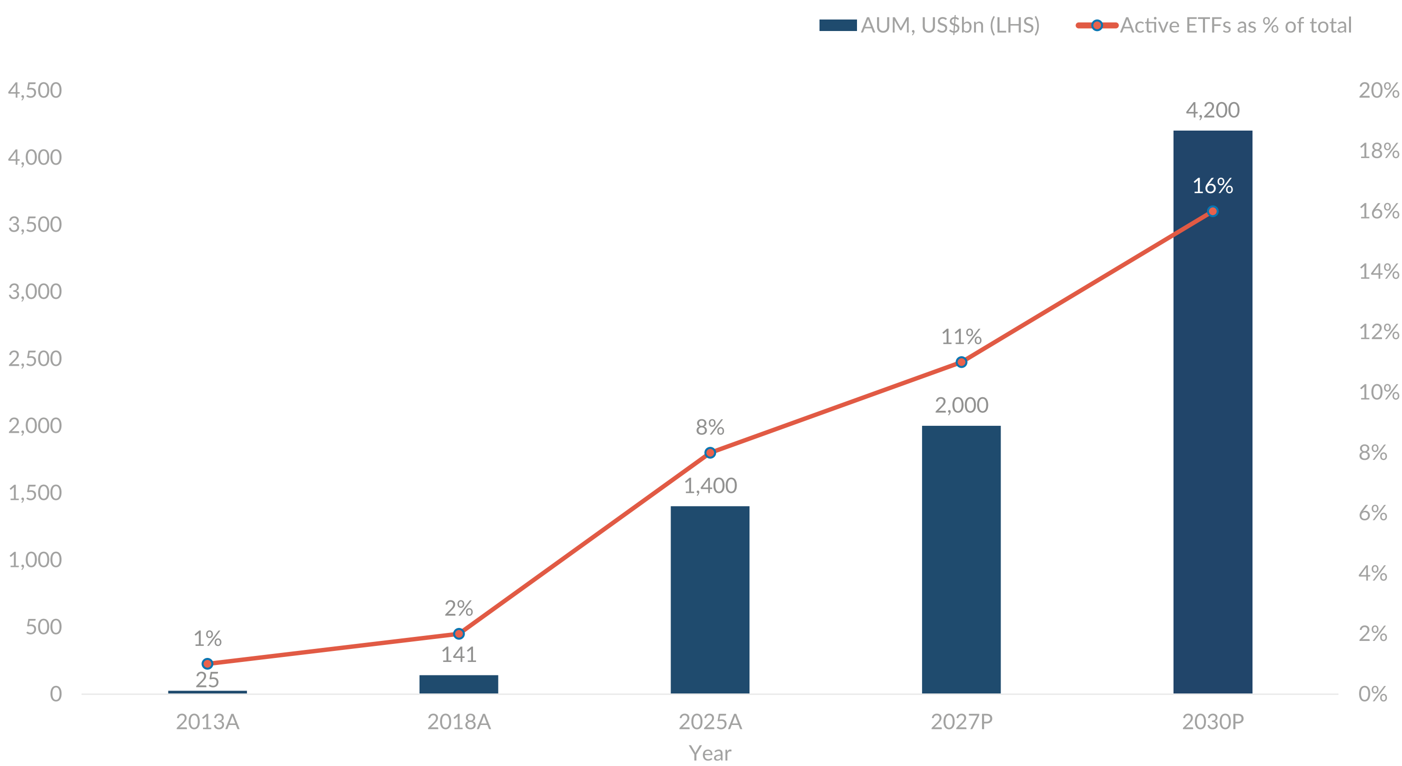
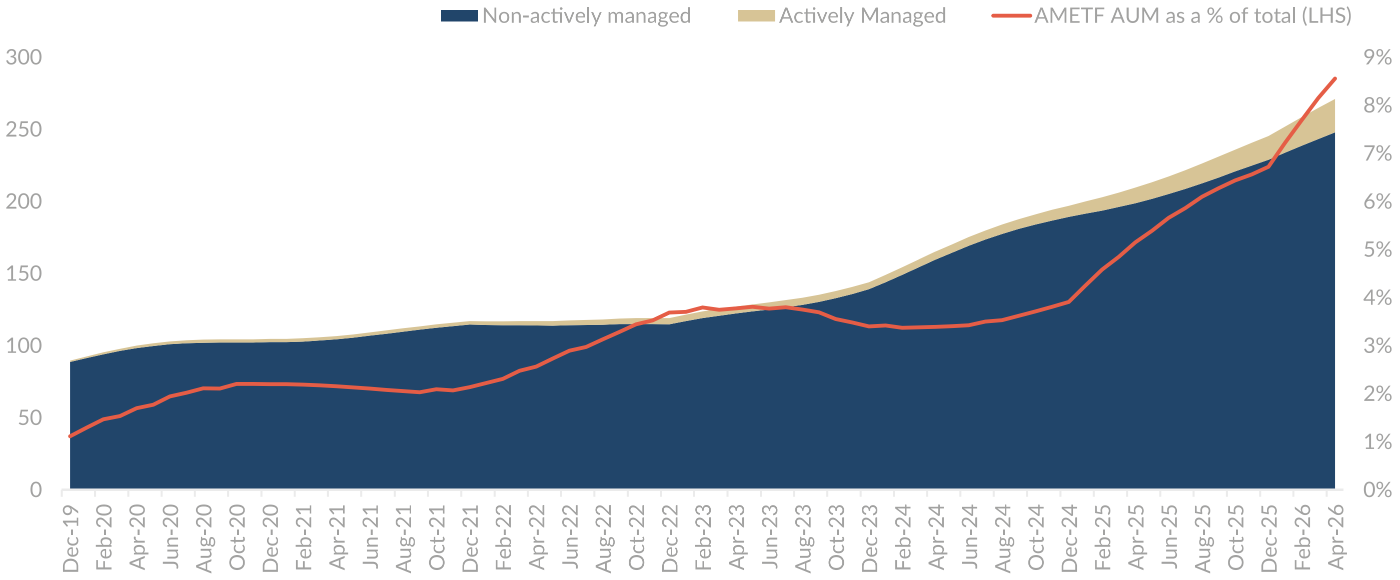


Figure 2: SA ETFs AUM, Rbn
Source: Datastream, Anchor Capital



WHAT DO AMETFS OFFER INVESTORS?

For investors, the benefits of AMETFs include:

- Professional active fund management in the convenience of an ETF structure.
- The ability to buy and sell through any brokerage account, during market hours.
- They can be held alongside other listed instruments and monitored with greater transparency than most traditional fund structures.
- They disclose full portfolio holdings daily, rather than publishing only the top-ten positions monthly.
- Competitive fees compared with many traditional active strategies.

AMETFs are not a replacement for every unit trust, nor are they automatically superior to passive ETFs. They are another portfolio construction tool, one that gives investors more choice in how they access professional investment management. They are particularly suited for those investors who believe active management can add value through research, valuation discipline and selectivity, while still wanting the lower costs and greater transparency of an ETF.

ANCHOR CAPITAL'S TWO FUNDS: STRATEGY AND RATIONALE

ANCHOR EASYETFS ASPIRANT GLOBAL EQUITY AMETF (AAGEET)

The global fund is built around Anchor Capital's growth-at-a-reasonable-price (GARP) investment philosophy - a pragmatic framework that avoids both overpaying for growth and mistaking cheapness for value. The portfolio targets market-leading businesses with high earnings growth potential, strong cash generation, quality earnings profiles, and attractive valuations. Current holdings include Alphabet, Ferrari, Fortinet, Taiwan Semiconductor Manufacturing Company (TSMC), and Uber, reflecting a concentrated, high-conviction approach to global equity selection.

The fund is rand-denominated, making it accessible to SA investors without the need for foreign currency accounts or offshore platforms. A US dollar-denominated version is under consideration should investor appetite warrant it.

ANCHOR EASYETFS ASPIRANT SA EQUITY AMETF (AASAET)

The local fund mirrors Anchor Capital's established local equity house strategy. It represents a notable first for the local AMETF market - a fully discretionary local equity JSE-listed AMETF that does not employ factor strategies.

The investment process applies the same quality and valuation discipline as the global fund, adapted to suit the SA market. Opportunities on the JSE that meet these criteria are less common than offshore, and the index has become increasingly dominated by resource names. The fund therefore combines exposure to high-quality compounders (businesses with pricing power and strong earnings growth), together with select small and mid-cap companies where the stock-picking opportunity is compelling, and carefully manages exposure to the resources sector. Given how significantly macro factors drive local equity markets, the fund is managed with greater benchmark awareness than its global counterpart. The concentration risk present in sectors like gold, where a large active position can define performance in either direction, means that one has to be cognisant of sector benchmark weights.

Both funds carry a management fee of 0.7% (excluding VAT), offering a cost-efficient entry point relative to comparable active strategies. The objective is for the total expense ratio (TER) to start below 1% and to fall to around 0.8% as both funds scale, making them an attractive entry point into Anchor's equity strategies for both retail investors and professional money managers.

ANCHOR ASPIRANT

The listing of these two AMETFs forms part of the broader Anchor Aspirant initiative - a programme designed to help young, new, or ambitious investors start their wealth-building journey with greater clarity and confidence. Aspirant guides investors through practical first steps: drafting a will, building an emergency fund, opening a tax-free savings account (TFSA) or retirement annuity (RA), saving toward specific goals, and starting an investment portfolio. The aim is to combine digital tools, investment education, and professionally managed portfolios into an offering that meaningfully lowers the barriers that typically prevent newer investors from getting started.

The partnership with EasyEquities is central to this. Of the R100bn on the EasyEquities platform, approximately R35bn is currently held in ETFs. Anchor Capital contributes institutional-quality investment management and research; EasyEquities provides a scalable, technology-driven platform with strong retail reach. The combination reflects a shared conviction: that professionally managed, high-conviction investment strategies need not be the exclusive preserve of high-net-worth investors.

Investors can now access the same portfolios based on Anchor Capital's established investment philosophy and research process in a structure they can buy and sell on the JSE in seconds - at full transparency, and at a cost that is competitive with the passive alternatives many retail investors have defaulted to. That is what Aspirant is about.

The Anchor EasyETFs Aspirant Global Equity AMETF trades under the ticker AAGEET, and the Anchor EasyETFs Aspirant SA Equity AMETF under AASAET. These can be purchased like a share in any brokerage account.

For more information, visit anchorcapital.co.za/anchor-aspirant or contact any of the following:

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THE LUXURY OF BEING 25:

Time, and the new generation of investors

WRITTEN BY:
Duncan Armitage
Wealth Management

Duncan holds a Bachelor of Business Science in Finance from the University of Cape Town. Since joining Anchor Capital as a wealth manager in January 2025, he has focused on building enduring relationships and delivering bespoke wealth solutions tailored to his clients' long-term objectives. Duncan is currently pursuing the Chartered Financial Analyst (CFA®) designation to further his expertise in investment management.

The most valuable asset a young investor owns is one that never appears on a monthly statement.

It is not capital, and it is certainly not skill. It is time, and being twenty-five has given me a clear view of how little those who hold the most of it value it.

Most of what I do as a wealth manager comes down to that one variable: how many years a portfolio has, and how that shapes everything from risk to currency to patience. Time is a strange kind of wealth. It cannot be bought, borrowed or recovered once it has passed, and that is the luxury of being young. It is also why the generation now entering the market invests so differently from the one that built most of the capital we manage. The differences are easy to overstate. The more useful question is which are real advantages, which are confidence that has not been tested yet, and what each generation can learn from the other.

THE POWER OF COMPOUNDING

Compounding is often called the eighth wonder of the world, but its impact is difficult to appreciate because the benefits are almost impossible to feel while they happen. Investment returns do not grow in a straight line. Early contributions may feel insignificant, but over long periods, the growth generated on previous growth becomes the dominant driver of wealth creation.

This is why the first decade of investing is often the most important and the easiest to delay. The amounts are smallest, the progress is least visible, and the temptation to put it off is strongest. Yet those early years provide the foundation on which future wealth is built. This is also why time, rather than capital, is the asset that defines a young investor. The young do not need an edge; they need only to hand the problem to time and then stay out of its way.

The cruelty is that this is also the advantage which the young are most likely to waste, because the cost of delay is invisible. Nobody sends you an invoice for the years you spent, meaning to start investing. The portfolio you might have had simply never appears. For a young investor, starting early is not a discipline or a virtue to admire. It is, mathematically, most of the game.

Consider a simple example. An investor contributing R1,000/month from age 25 to age 65 and achieves a hypothetical annual return of 12% would contribute R480,000 over their lifetime, but could accumulate approximately R11.8mn. Starting the same process at age 45 would result in a significantly smaller outcome, reaching only about R1mn, despite contributing for half as long.

The difference is not the amount invested. It is the time available for compounding to work.

TWO GENERATIONS, TWO SETS OF EXPERIENCES

Different generations often approach investing differently because different market environments have shaped them.

The generation that built wealth in SA learned its lessons the hard way. They invested through periods of high inflation, exchange controls, currency volatility, and moments when it was unclear whether domestic capital was safe at all. These experiences naturally created an investment mindset focused on capital preservation, keeping a cushion of cash, trusting tangible assets and established institutions, and being wary of anything fashionable.

The generation now arriving grew up in a more connected world. They are global by default, treating offshore exposure as a starting point rather than a hedge. They are often more comfortable with business models that an older investor might dismiss as stories rather than companies. They are used to information instantly, and to acting on it just as fast. What most have never had is a prolonged bear market as an adult with real money at stake, the kind that grinds on for years rather than weeks, and that absence matters more than they tend to believe.

Neither approach is inherently better.

The investor who keeps too much in cash loses purchasing power to inflation over a lifetime, surrendering the growth a long life should have captured. The investor who treats every market fall as a buying opportunity has not yet met a market that stays down long enough to make him doubt himself.

Each side is overconfident about exactly the risk the other has learned to respect. The best investors learn from both experiences.

A LONG-TERM MINDSET CHANGES THE WAY RISK IS VIEWED

A long investment horizon does not simply permit more risk; it changes which risks are worth taking, and, understood properly, it makes a young investor more disciplined, not less.

First, market volatility gets reclassified. Over 40 years, market falls are not catastrophes to insure against at any price; they are the routine cost of the returns which equities produce, and holding through them is where most of the return is earned. The greatest threat to a compounding plan is not a bad year but being forced, by circumstances or nerves, to sell into one.

Second, the future is not a forecast you must pay full price for in advance. A long time horizon removes the need to be right about the next twelve months, and that is where valuation discipline becomes an edge: buy good businesses you can understand, at prices that leave room for disappointment, and let time (rather than timing) do the work. For someone with decades ahead, patience and a sensible entry price are not the timid option, but the ambitious one.

Third, diversification is structural, not tactical. A serious offshore allocation is not a clever call on the rand; it is a refusal to tie a multi-decade plan to the fortunes of a single economy.

THE IMPORTANCE OF PATIENCE

Amazon provides a useful example of the power of patience. Adjusted for its later share splits, the stock traded at about US$5 at the peak of the dot-com boom in 1999; today it is worth more than 45 times that, near US$245/share. However, the journey was anything but smooth. The shares fell about 95% when the bubble burst, have dropped by more than half on several occasions since, and looked obviously overvalued for years at a time.

A short-term investor would have had every reason to sell, and most would have, repeatedly. A patient long-term investor would have held the shares and would have been richly rewarded by allowing the underlying business to continue compounding.
The lesson is not that every investment will become an Amazon. The lesson is that exceptional businesses often require time to realise their potential.

THE LUXURY AND THE RESPONSIBILITY

An investor's true time horizon is often longer than it intuitively feels. In many cases, wealth is ultimately being built not only for today but for future generations, and the right response is to take a longer-term view.

Which brings me back to where I started. The people with the most time tend to have the least scar tissue, and those with the most scar tissue have the least time. Good advice, when it works, is mostly the quiet act of lending each side a little of what the other has. So, I try not to mistake my own share of time for skill; the years ahead of me will also rely on good fortune and incremental experience. What my generation owes the time it has been handed is to take it seriously: to start early, to stay invested when that is uncomfortable, to buy quality at sensible prices, and to resist the urge to be clever when patience would have done the job.

Time is the one investment advantage that cannot be purchased later and cannot be won back.

The luxury of being twenty-five is not that the future is certain. It is that they have much more of it left to compound. When this is combined with discipline, quality investments and patience, time remains one of the most powerful forces in building lasting wealth.

CONNECTED PERSONS RULES:

Why Family Wealth Structures Require Careful Planning

WRITTEN BY:
Di Haiden
CEO: Robert Cowen Investments/Head of Anchor Succession

Di has worked in the financial services industry since 1978, beginning her career as a personal assistant to a financial advisor before moving into the fiduciary and retirement fund space. She joined Fairheads Trust in 1980, where she progressed to lead the pension fund administration division. In 1990, she joined portfolio management firm RCI, which at the time managed R200mn in assets. She played a pivotal role in growing the business into an R7bn operation, primarily serving high-net-worth individuals, and ultimately became its CEO and one of its majority shareholders. In 2015, RCI was acquired by Anchor Capital. Di continues to serve as CEO of RCI and heads Anchor Succession, which provides a fully integrated and holistic approach to managing and preserving wealth across generations. Di's expertise extends beyond portfolio management to include family office administration, estate planning, local and international tax, trust administration, and asset structuring.

Many South Africans use trusts, companies and other family structures as part of their wealth and estate planning. However, transactions between related parties are subject to **connected persons** tax rules, which are some of the most important anti-avoidance provisions in the Income Tax Act. These provisions are designed to prevent taxpayers from shifting wealth, income, losses, or assets between related parties on non-commercial terms to obtain a tax advantage. Understanding these rules is essential before transferring assets, providing loans, restructuring investments or implementing family wealth strategies.

WHAT IS A "CONNECTED PERSON"?

Section 1 of the Income Tax Act defines connected persons broadly and covers various relationships between individuals, trusts, companies and partnerships. Examples include:

Individuals

- A natural person and their relatives, including spouses, parents, children, siblings and extended family members.
- Any trust in which that person or a relative is a beneficiary.

Trusts

- A trust and its beneficiaries.
- A trust and any person connected to that beneficiary.

Partnerships

- A partner is connected to every other partner.
- Persons connected to those partners.

Companies

- A company and individuals or entities that directly or indirectly hold a significant equity interest or voting rights.
- Other companies within the same group.
- Persons who, together with connected persons, hold at least 20% of the equity shares or voting rights.

In practice, most family-owned companies, family trusts and related investment structures are connected to the same persons.

WHY DOES THIS MATTER?

The SA Revenue Service (SARS) assumes that connected persons may **not** always transact at arm's length. An **arm's-length** transaction is one in which the parties involved are acting **independently and in their own best interests**, as if they are unrelated and have no relationship that could influence the terms of the transaction.

Unlike unrelated parties who negotiate purely on commercial terms, connected persons may:

- Sell assets below market value.
- Charge little or no interest on loans.
- Shift profits to lower-taxed entities.
- Transfer wealth to family members.
- Create artificial losses.

Consequently, sections of the Income Tax Act contain special rules whenever connected persons are involved, and SARS may adjust the tax outcome to reflect what would have occurred between unrelated parties.

KEY TAX CONSEQUENCES

1. Market value substitution for capital gains tax

One of the most important consequences is that SARS may ignore the actual price at which any transaction is done, disregard the actual transaction price and apply the market value instead. The capital gains tax (CGT) is then calculated at the market value of the asset, not the price it is sold for.

For example, A parent sells shares worth R10mn to their child for R1mn. SARS may treat the transaction as having occurred at R10mn, meaning CGT could apply based on the market value rather than the amount received.

2. Losses may be ring-fenced

Where an asset is sold at a loss to a connected person, the capital loss is generally deferred until the connected person disposes of the asset to an unconnected party.

3. Interest-free and low-interest loans

Loans between connected persons, especially interest-free or low-interest loans to trusts, can trigger several provisions and require careful consideration.

Potential consequences include:

- Donations tax implications.
- Deemed donation rules.
- Trust attribution rules.
- Section 7C trust rules.

This is one of the most significant connected-person rules affecting estate planning. Consequently, for estate planning purposes, trust funding arrangements should be structured carefully and reviewed regularly.

On interest-bearing loans, SARS would consider whether the interest rate is 'market-related'.

How is this defined? SARS does **not prescribe a single fixed "market-related" interest rate** that applies in all circumstances. Instead, SARS generally considers a market-related rate to be: **The rate that independent parties dealing at arm's length would have agreed upon, having regard to the borrower's creditworthiness, security provided, currency, term of the loan, and the interest rate that would normally apply to similar transactions.**

Practical SARS benchmarks

In practice, SARS often uses certain benchmark rates as indicators:

1. **Official rate of interest**
   - Generally linked to the SA repo rate plus a prescribed margin.
   - This is not necessarily a market rate for all transactions.

2. **Section 7C loans**
    - For interest-free or low-interest loans to trusts (and companies connected to the trust), SARS primarily uses the repo rate plus 1% to calculate any deemed donation.

4. Offshore structures and transfer pricing

Where connected persons transact across borders, transfer pricing rules may apply if:

- A SA company deals with a foreign connected person, and
- the transaction is not at arm's length.

SARS may adjust taxable income to what it would have been had independent parties transacted. Examples include:

- Excessive management fees.
- Interest-free offshore loans.
- Artificially low pricing of goods or services.

Additional penalties and interest can apply if transfer-pricing adjustments are made.

5. Donations tax

Transactions between connected persons often attract scrutiny under the donations tax provisions. Examples include:

- An asset transferred below market value.
- Debt waived without adequate consideration.
- Interest-free funding arrangements.

SARS may treat the value given away as a donation.

6. Estate planning structures

Connected-person rules are particularly relevant where:

- Family trusts hold investments.
- Family companies own assets.
- Parents fund trusts.
- Offshore trusts are used.

Many traditional estate-planning techniques are affected by:

- Section 7 attribution rules.
- Section 7C.
- CGT market value rules.
- Donations tax provisions.
- Transfer pricing rules

As a result, structures must be carefully designed and documented.

PRACTICAL EXAMPLES

Example 1: The sale of property to a family trust

A property worth R15mn is sold to a trust for R8mn.

The potential consequences are:

- CGT may be calculated based on the R15mn market value.
- Possible donations tax on the R7mn difference.
- SARS scrutiny of the valuation.

Example 2: An interest-free loan to a trust

A R30mn loan is provided to a family trust.

The potential consequence:

- SARS may apply section 7C deemed donation rules annually.

Example 3: Selling shares to a family company

Shares are sold to a company owned by family members.

The potential consequences are:

- Market value substitution.
- Possible CGT exposure even where little cash changes hands.
- Possible increased anti-avoidance SARS scrutiny.

WHY IS IT PARTICULARLY IMPORTANT FOR OFFSHORE STRUCTURES

For South Africans using:

- Offshore trusts,
- Offshore foundations,
- Offshore holding companies,

the connected-person rules interact with:

- Section 31 transfer pricing rules
- Controlled foreign company (CFC) rules,
- Section 7 attribution rules,
- Section 25B trust rules,
- Section 7C loan rules.

A structure that appears commercially sensible can produce unexpected SA tax consequences if connected-person relationships are overlooked.

CONCLUSION

The connected-person rules do not prohibit transactions between related parties. However, these transactions must be carefully structured and supported by the appropriate documentation, as they often cause SARS to disregard the actual terms of the transaction and substitute arm's-length or market-value outcomes. The main consequences are:

1. Market-value substitution for CGT.
2. Deferred or denied capital losses.
3. Donations tax exposure.
4. Section 7C deemed donations on trust loans.
5. Transfer-pricing adjustments for offshore transactions.
6. Increased SARS scrutiny and documentation requirements.

For someone implementing a SA/offshore trust structure, connected-person analysis should be performed before any share transfer, loan funding, trust funding, debt waiver or restructuring transaction is undertaken. This ensures that those structures continue to work effectively as tax rules, family circumstances and investment objectives evolve.

If you wish to discuss this further, please contact
Di Haiden – di@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	Jun-26	Annualised p.a.	Since inception	5 Year	3 Year	12-month	6-month	3-month	Jun-26
UNIT TRUSTS																	
Anchor FR Equity Fund	Apr-13	10.5%	274.6%	11.3%	14.8%	8.6%	-4.9%	1.4%	-3.2%	10.7%	284.0%	14.7%	17.8%	19.4%	-2.8%	-2.4%	-3.7%
Anchor FR SA Equity	Aug-21	13.4%	82.4%	N/A	14.8%	9.4%	-5.5%	-0.1%	-4.4%	14.9%	94.2%	N/A	17.8%	19.4%	-2.8%	-2.4%	-3.7%
Anchor FR Flexible Income Fund	Jun-15	7.9%	132.7%	8.6%	10.7%	11.4%	3.8%	3.7%	1.1%	7.3%	117.7%	7.6%	8.6%	7.9%	3.7%	1.9%	0.6%
Anchor FR Managed Fund	Jan-15	7.3%	123.3%	10.1%	12.1%	7.3%	-0.9%	3.2%	-0.6%	8.0%	140.9%	11.0%	12.6%	12.3%	1.3%	2.8%	-1.1%
Anchor FR Worldwide Flexible Fund	May-13	11.0%	296.0%	11.0%	13.2%	-6.4%	-5.5%	-1.6%	-0.2%	8.9%	205.7%	9.1%	8.2%	8.5%	5.1%	3.3%	1.0%
Anchor FR Property Fund	Nov-15	2.3%	26.8%	11.3%	17.0%	20.0%	2.7%	9.1%	2.9%	4.5%	60.7%	17.5%	26.6%	29.7%	4.6%	10.0%	3.7%
Anchor FR Global Equity Feeder	Nov-15	11.6%	222.7%	3.1%	8.7%	-9.1%	-4.3%	5.0%	-1.2%	13.3%	280.2%	13.5%	13.5%	12.8%	9.2%	10.2%	0.1%
Anchor FR Bond Fund	Feb-16	11.2%	200.8%	12.6%	18.6%	23.4%	5.0%	8.7%	1.9%	11.0%	195.4%	12.4%	17.8%	21.5%	4.2%	7.9%	1.5%
Anchor FR Diversified Stable Fund	Feb-16	9.1%	147.6%	11.6%	13.5%	13.8%	3.0%	3.8%	0.3%	8.0%	122.2%	9.9%	11.7%	12.0%	2.5%	3.5%	0.1%
Anchor FR Diversified Moderate Fund	Feb-16	8.9%	143.2%	12.1%	13.4%	13.7%	2.4%	3.4%	-0.3%	8.2%	126.6%	10.5%	12.2%	12.5%	1.8%	3.1%	-0.7%
Anchor FR Diversified Growth Fund	Feb-16	8.9%	142.2%	12.9%	14.1%	13.8%	1.8%	2.8%	-1.0%	8.5%	133.2%	11.0%	12.6%	12.3%	1.3%	2.8%	-1.1%
Anchor FR Africa Flexible Income	Mar-16	6.6%	92.6%	6.0%	7.1%	4.8%	2.0%	2.6%	1.5%	8.8%	138.8%	8.9%	9.9%	9.1%	4.3%	2.1%	0.7%
Anchor FR Global Technology Fund	Jun-19	9.1%	85.0%	1.2%	8.2%	-8.8%	-4.1%	9.5%	-1.0%	24.6%	373.3%	19.7%	20.2%	19.1%	11.6%	17.1%	-1.7%
Anchor FR Core Income Fund	Sep-20	7.9%	56.0%	8.3%	9.4%	8.7%	4.0%	2.1%	0.8%	6.5%	44.1%	6.9%	7.9%	7.1%	3.4%	1.7%	0.6%
Anchor FR Global Flexible Income Fund	Sep-20	2.3%	14.3%	5.1%	0.6%	-3.5%	0.0%	-2.3%	1.4%	3.2%	20.1%	7.0%	0.4%	-3.7%	0.9%	-3.3%	1.5%
Anchor FR Worldwide Opportunities Fund	Feb-21	5.2%	31.2%	4.9%	6.9%	-5.1%	-7.1%	1.5%	-3.2%	5.2%	31.2%	5.1%	4.2%	4.5%	3.2%	2.4%	0.7%
EQUITY NOTES & SEGREGATED MANDATES																	
Anchor Equity	Jul-13	9.7%	235.1%	12.4%	12.7%	3.3%	-3.0%	3.3%	0.0%	10.4%	264.0%	14.4%	17.3%	17.8%	-4.6%	-3.3%	-3.8%
HEDGE FUNDS																	
Anchor Stable SNN RIHF	Jul-03	12.2%	1312.7%	12.8%	11.0%	10.6%	1.7%	1.9%	-0.2%	7.1%	380.3%	6.4%	7.0%	4.5%	3.2%	2.4%	0.7%
Anchor Accelerator	Feb-16	7.2%	105.7%	2.0%	8.6%	6.0%	2.7%	2.3%	-2.2%	8.2%	125.7%	6.9%	7.9%	7.1%	3.4%	1.7%	0.6%
OFFSHORE																	
High Street Equity - Dollars	Jun-12	11.0%	329.8%	5.6%	15.7%	8.5%	4.7%	13.5%	0.4%	12.7%	435.6%	12.0%	19.8%	21.8%	9.9%	13.9%	-0.7%
High Street Equity - Rands	Jun-12	16.7%	766.0%	8.7%	10.5%	0.0%	3.5%	8.7%	1.6%	18.5%	972.6%	15.1%	14.4%	12.7%	8.8%	9.8%	0.5%
Offshore Balanced - Dollars	Jun-12	8.3%	206.1%	4.0%	11.7%	4.8%	1.8%	7.6%	-0.1%	7.6%	179.7%	6.2%	12.8%	12.7%	5.7%	8.5%	-0.7%
Offshore Balanced - Rands	Jun-12	13.9%	520.1%	7.1%	6.7%	-3.4%	0.6%	3.1%	1.0%	13.1%	458.6%	9.1%	8.1%	4.5%	4.7%	4.8%	0.4%
Global Dividend - Dollars	Jan-14	9.0%	190.6%	9.0%	15.0%	14.6%	6.8%	6.3%	0.8%	11.8%	298.2%	12.0%	19.8%	21.8%	9.9%	13.9%	-0.7%
Global Dividend - Rands	Jan-14	12.4%	328.4%	12.1%	9.8%	5.6%	5.6%	1.8%	2.0%	15.3%	487.0%	15.1%	14.4%	12.7%	8.8%	9.8%	0.5%
Anchor Global Stable Fund - Dollars	May-15	2.6%	33.3%	2.6%	7.1%	4.6%	1.3%	2.0%	0.5%	3.6%	47.5%	4.7%	4.5%	3.9%	1.9%	1.0%	0.3%
Anchor Global Stable Fund - Rands	May-15	5.4%	79.9%	5.4%	2.4%	-3.2%	0.3%	-1.7%	1.7%	6.4%	99.0%	7.6%	-0.3%	-3.9%	0.9%	-2.3%	1.3%
Anchor Global Equity - Dollars	May-15	11.9%	249.8%	2.4%	16.4%	1.4%	0.9%	11.3%	0.1%	10.8%	211.0%	11.0%	19.7%	23.7%	11.2%	14.9%	-0.8%
Anchor Global Equity - Rands	May-15	15.0%	372.0%	5.2%	11.2%	-6.2%	-0.1%	7.3%	1.2%	13.8%	319.6%	14.0%	14.4%	14.4%	10.1%	10.8%	0.3%
RCI UNIT TRUSTS																	
RCI FR Flexible Growth Fund	Sep-16	10.2%	158.3%	5.7%	14.5%	-1.6%	-4.9%	20.1%	-6.3%	9.7%	146.8%	10.1%	9.2%	9.5%	5.6%	3.5%	1.0%
RCI FR Worldwide Flexible Fund	Dec-16	7.0%	92.0%	2.1%	3.7%	-13.7%	-9.4%	4.4%	-3.3%	8.7%	122.1%	9.1%	8.2%	8.5%	5.1%	3.3%	1.0%

DISCLAIMER

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