



# ANCHOR MACRO

PETER ARMITAGE  
AUGUST 2021

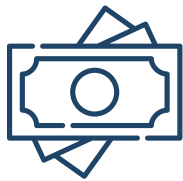


# ANCHOR CORE BUSINESSES

ANCHOR IS AN ENTREPRENEURIAL  
**WEALTH AND ASSET  
MANAGEMENT BUSINESS**  
with an absolute focus on the two most  
important parts of our business:



CLIENTS

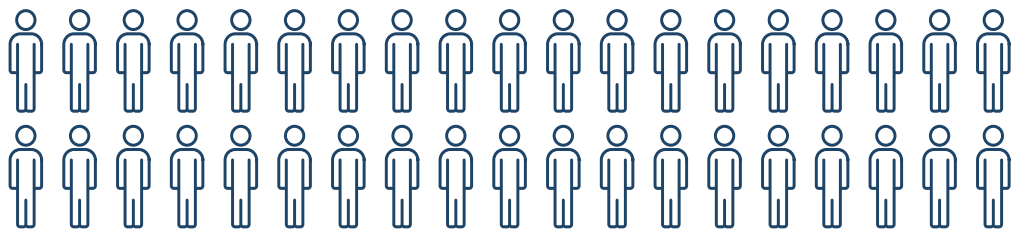


INVESTMENT  
PROCESS



We offer a broad range of  
**LOCAL AND  
GLOBAL**  
Investment solutions to  
individuals, financial  
advisors and institutions.

**300+**  
STAFF ACROSS GROUP



Company founded  
**2012**

**AN EXPERIENCED,  
HIGH QUALITY  
INVESTMENT TEAM:**



**30+**  
Investment  
professionals

**17**  
Chartered accountants

**23**  
CFA Charter-holders  
& Delegates



COMPLETE LOCAL AND GLOBAL PRODUCT AND  
SERVICE OFFERING:

UNIT  
TRUSTS

HEDGE  
FUNDS

SEGREGATED  
MANDATES

INTERNATIONAL FOOTPRINT:



SOUTH AFRICA



LONDON

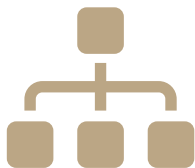


MAURITIUS



FLORIDA

**ANCHOR  
GROUP**



- ANCHOR ASSET MANAGEMENT
- ANCHOR PRIVATE CLIENTS
- STOCKBROKING

**\$5.4 billion**

ASSETS UNDER  
MANAGEMENT AND ADVICE

**\$1.1 billion**  
DIRECTLY INVESTED  
GLOBALLY

**\$900 million**  
INVESTED GLOBALLY FROM  
SOUTH AFRICA



# THE LONG-TERM PERSPECTIVE

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- Global equities = 8-10% pa US\$ returns, with predictability
  - Global GDP growth of 4% per annum
- Local equity return of 0-10% per annum in Rands, *with much higher risk*
  - SA GDP growth of circa 1%
- Rand/US\$ weakening of 3-5% per annum, *with tail risk*
- And 100x the opportunity set (if your asset manager is smart!)

# SA V US 10-YEAR BEST PERFORMERS

## Best Performing SA

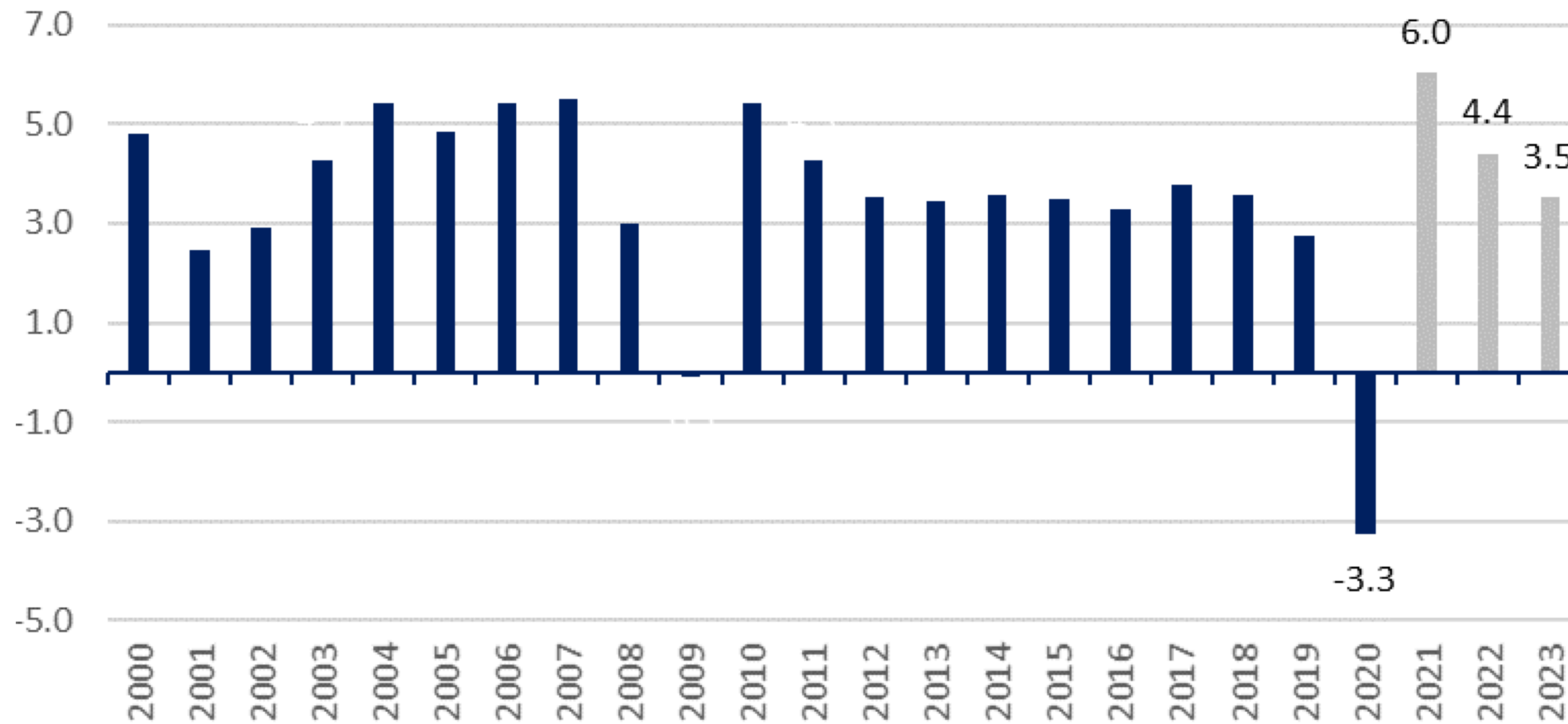
Afrimat Ltd	1,850.18%
Naspers Ltd-N SHS	1,042.31%
Capitec Bank Holdings Ltd	979.34%
Mondi Plc	739.02%
PSG Group Ltd	685.33%
Clicks Group Ltd	669.29%
DRDGold Ltd	532.17%
Northam Platinum Ltd	468.48%
Italtile Ltd	449.66%
Bidvest Group Ltd	409.44%

## Best Performing US

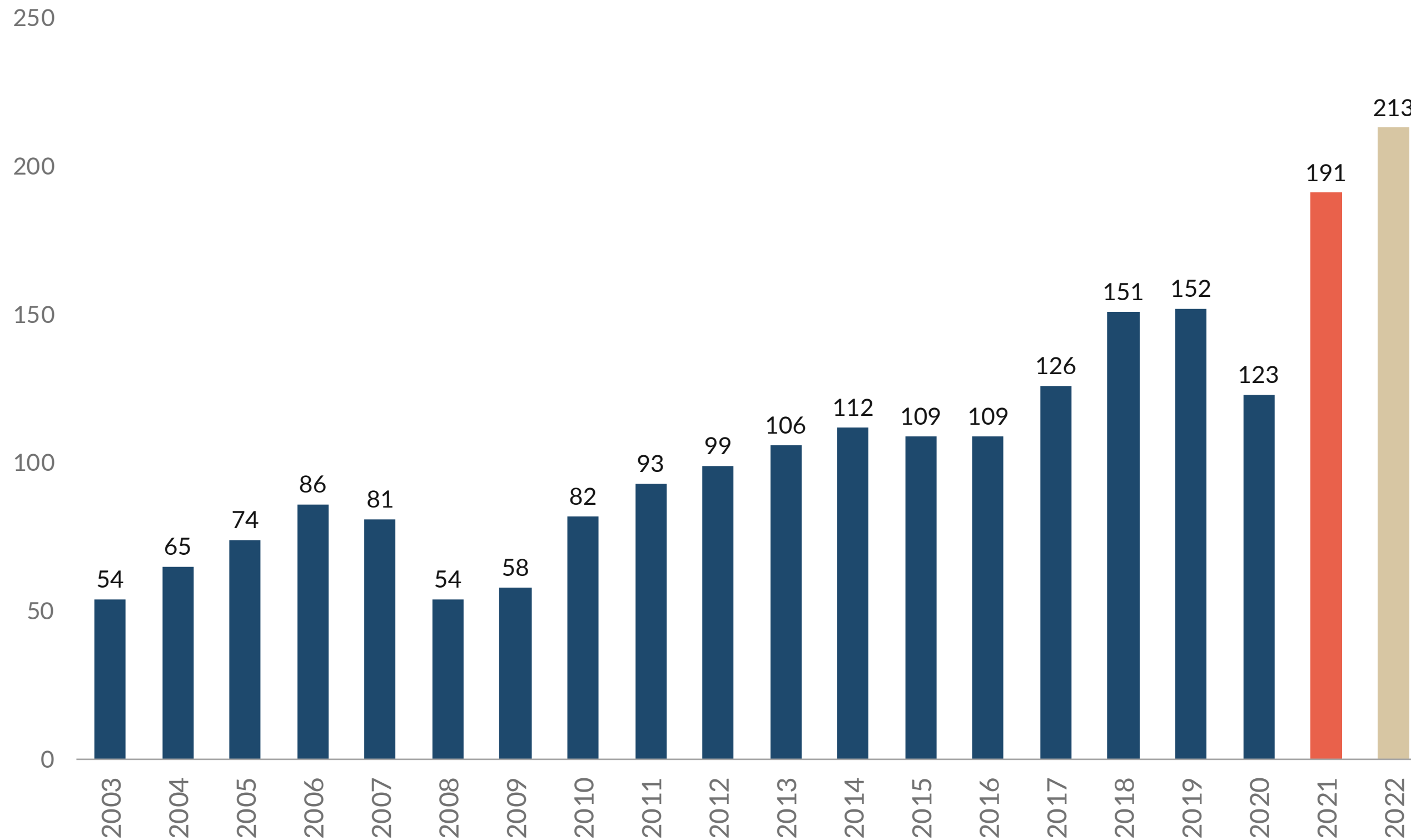
Tesla Inc	11,657.85%
Nvidia Corp	5,773.83%
Generac Holdings Inc	3,306.76%
Monolithic Power Systems Inc	3,172.65%
Dexcom Inc	3,005.75%
Align Technology Inc	2,637.44%
Domino's Pizza Inc	2,201.34%
Marketaxess Holdings Inc	2,019.60%
Adobe Inc	1,997.74%
Pool Corp	1,882.25%

# STRONG AND SUSTAINED GDP GROWTH FORECAST

Global GDP (IMF)  
(last 12 months)



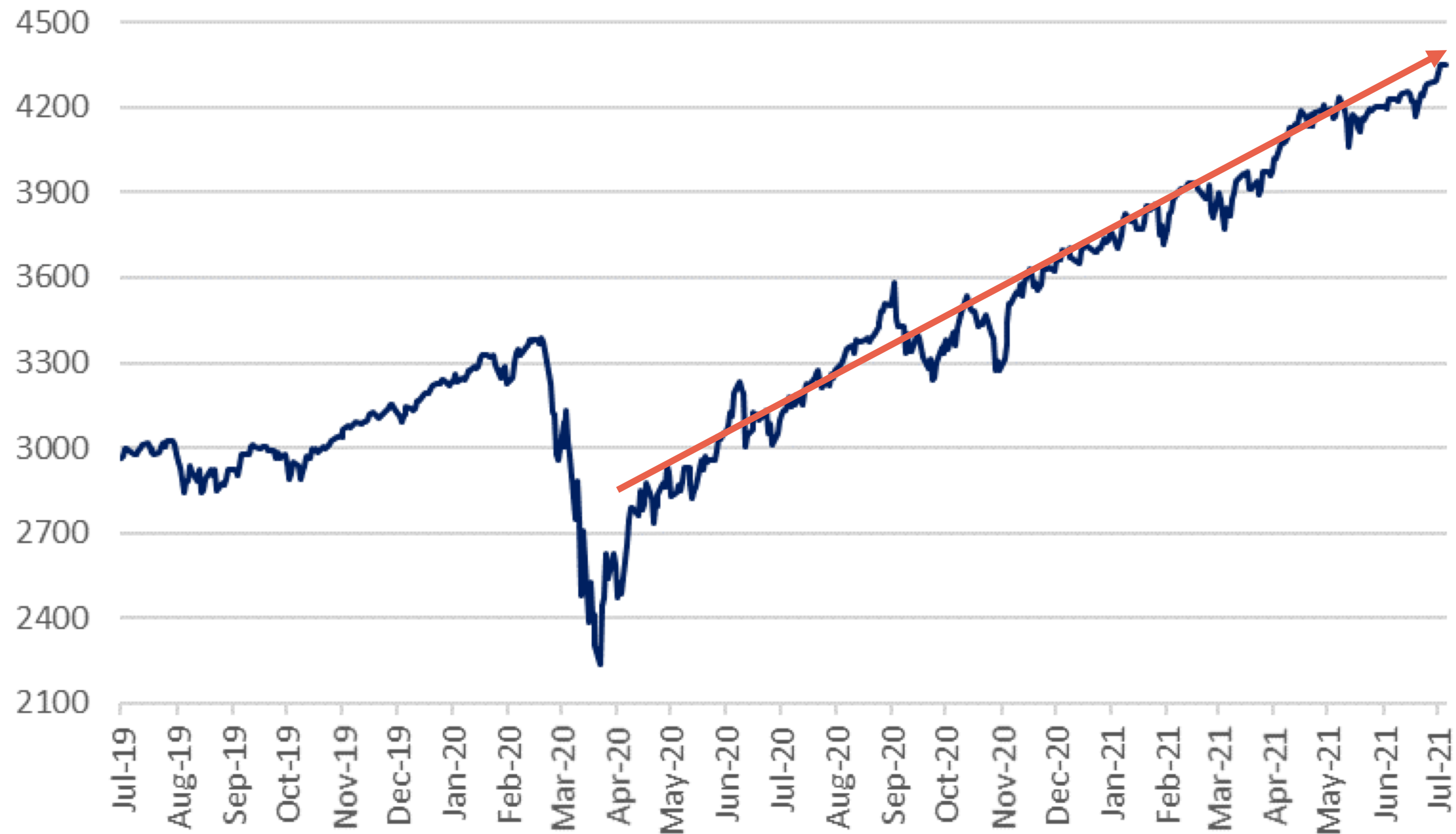
# S&P500 EPS FORECASTS BULLISH



- Earnings forecast to be 25% higher in 2021 than 2019
- Earnings forecasts have increased during 2021
- Risk that expectations become too high?
- Pent-up demand spending could recede



# S&P500 – ONE WAY FOR 15 MONTHS



- 15-months without more than a 5% correction
- 16% return in 2020
- 17% YTD in 2021

# RAND – 12 MONTH FORECAST OF R14.45

## Actual rand/US dollar exchange rate vs rand PPP model

Source: Thomson Reuters, Anchor



Volatility will continue ...  
with R1 range either side  
of our forecast



# THE BIG ISSUES OUT THERE

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- Has the market run too much?
- Does the pandemic have Act 2?
- Is China going to cause economic destruction?
- Has civil unrest impaired SA?

*Our formula over time: We buy shares in companies we back (high returns, good growth) at reasonable prices that we are happy to own through market cycles. This worked again in 2020.*



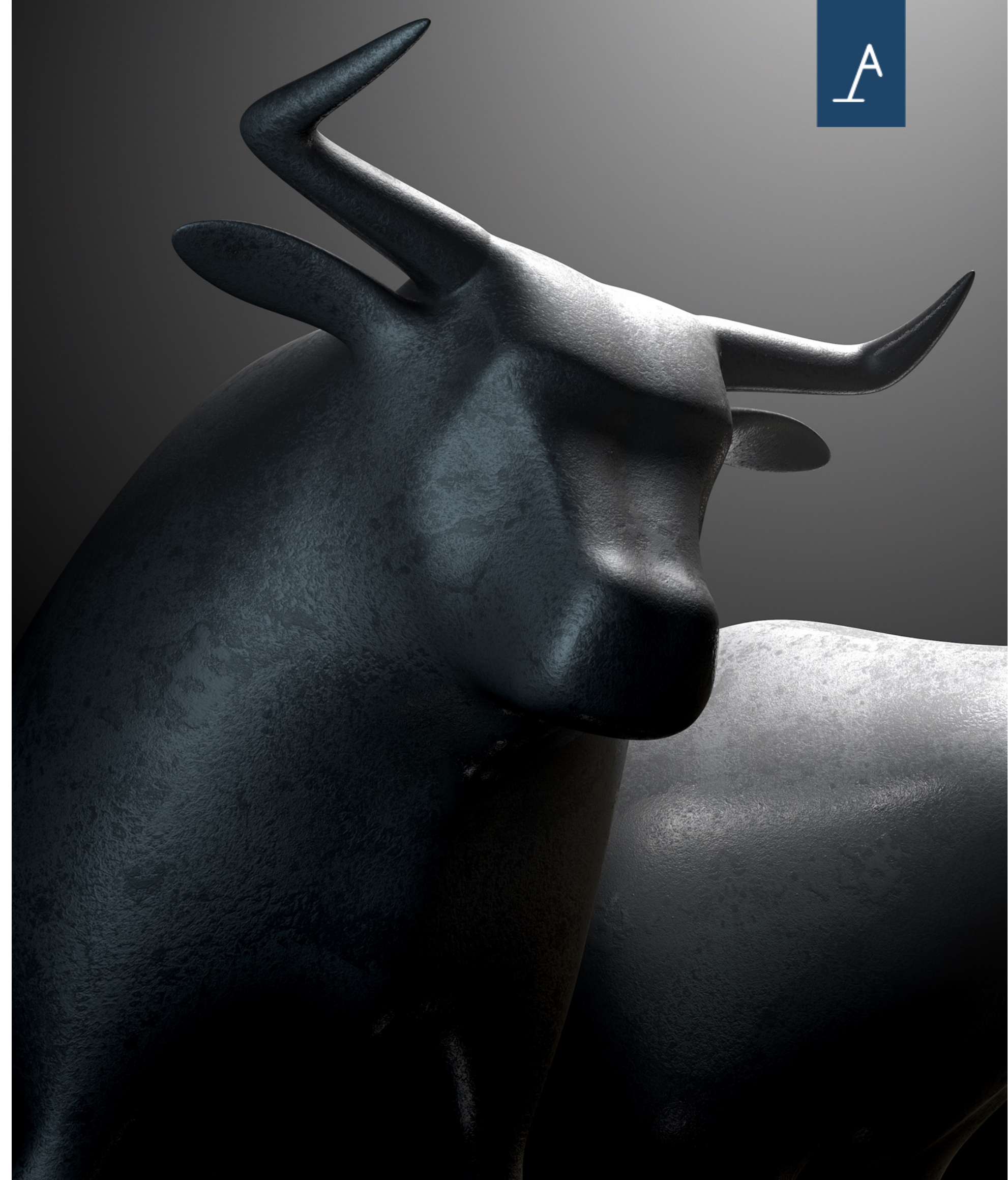


# IT IS STILL AN EQUITY WORLD

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- We remain in global economic surge and equity bull market
- The developed world is growing apace
- Rand strong for a while longer, but vulnerable to turn in commodity markets
- Global good news at risk of peaking
- So what do we do as South Africans?
  - Take advantage of SA opportunities
  - Avoid SA physical property – stay liquid
  - Protect from the Rand
  - Live in the sun, invest in the shade
  - Spread your bets

*Picking shares is key*





# SECOND HALF ASSET ALLOCATION

Asset class	Current Stance			Expected returns (local currency) (%)
	Negative	Neutral	Positive	
LOCAL				
Equity				14.0
Bonds				8.8
Listed property				11.0
Cash				4.2
Alternatives*				10 - 15
Rand/US\$ (rand marginally weaker)				2.2
GLOBAL				
Equity				6.0
Government bonds				-2.3
Corporate credit				-1.0
Listed property				5.0
Cash				0.1
Alternatives*				5 - 10

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

- Globally equities expensive and risks are increasing, but meagre returns elsewhere
- Locally, equities still offer reasonable prospects and strong real returns available on bonds



# THANK YOU

DARRYL HANNINGTON  
UP NEXT

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CHANGE



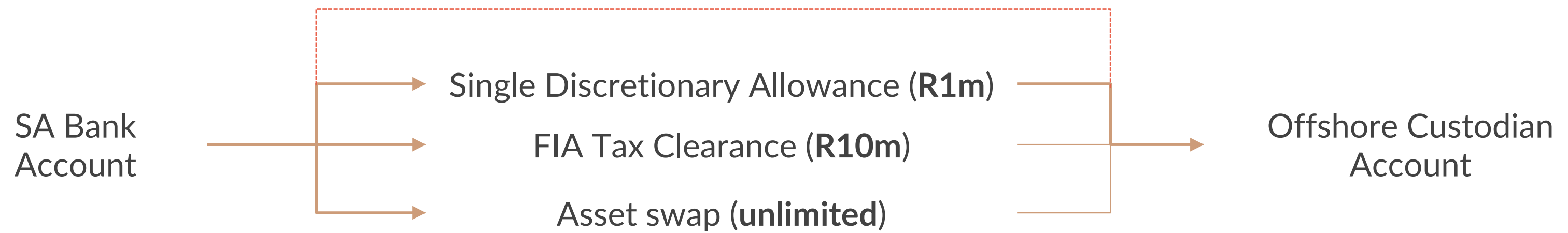
# THE MECHANICS OF GETTING MONEY OFFSHORE

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AUGUST 2021

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# OFFSHORE INVESTING: CONSIDERATIONS



1

Offshore Bank

Offshore Custodian Account  
(Capital International Group in Isle of Man or  
Peresec in Guernsey)

Ultimate custodians  
(Pershing for CIG and  
Bank of NY Mellon for Peresec)

2

Offshore Bank

Offshore Custodian Account  
(Capital International Group in Isle of Man or  
Peresec in Guernsey)

Ultimate custodians  
(Pershing for CIG and  
Bank of NY Mellon for Peresec)



# SINGLE DISCRETIONARY ALLOWANCE

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## R1 000 000 Limit

Available without any application each year to adult individuals in SA but covers all annual offshore expenses so need to be aware of this when traveling or even shopping online.





## FOREIGN INVESTMENT ALLOWANCE (FIA)

- Provided tax affairs are in order and you are able to prove liquidity to make the offshore investment one approved, application to SARS for a R10m tax clearance certificate which once issued is valid for 12 months.
- Time to receive tax clearance is entirely dependent on SARS at the time but usually takes between 6-8 weeks.
- Partnering with the right tax consultant in making the online application can drastically reduce the time to get approval.
- There are various ways to lock in/hedge the currency risk while you wait for approval – speak to your advisor.



# ASSET SWAP

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SDA and FIA aren't available to SA trusts and almost all SA corporates but asset swap is and is also available for individuals to use.

Client transfers ZAR onto the approved (by SARB) asset swap providers balance sheet and they swap the ZAR for hard currency for further deployment offshore. The asset swap provider is required to report a breakdown of all asset swap assets by asset class to the SARB on a quarterly basis.

The annual cost of asset swap ranges between 0.2% and 0.5%. The major differentiator between AS and SDA/FIA is that despite the fact that an AS investment is made into offshore assets, it remains a South African asset in the eyes of the SARB and SARS. Another major differentiator is the way that capital gains are treated by SARS







## WHO CAN INVEST AND HOW?

### **SOUTH AFRICAN (ADULT) INDIVIDUALS**

SDA/FIA and asset swap.

### **SOUTH AFRICAN ENTITIES/TRUSTS**

Asset swap



# FOREIGN EXCHANGE CONVERSION

Forex is a commoditised product  
which means that best price wins.





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# CONSIDERATIONS AND OPTIONS

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AUGUST 2021

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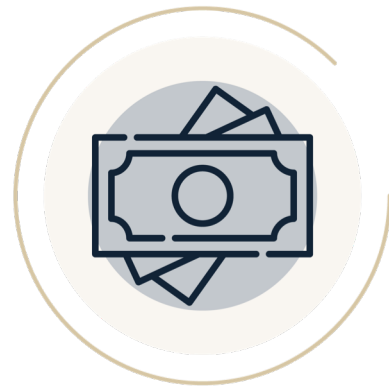
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# OFFSHORE INVESTING: CONSIDERATIONS

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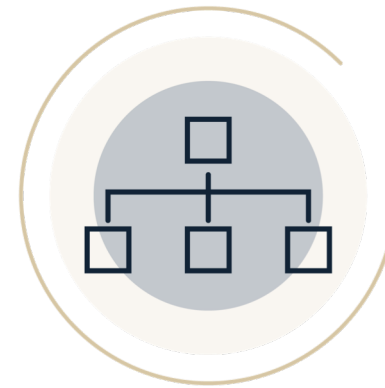
Quantum  
of funds



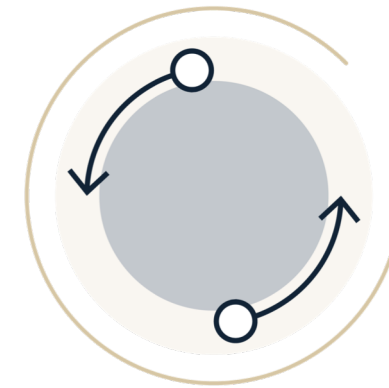
The  
Investment



The  
Jurisdiction



The  
Structure



Looping  
Structures



The  
Estate



# QUANTUM OF FUNDS







# THE INVESTMENTS

What products your clients could be investing in:

- Unit Trusts
- Hedge Funds
- Share portfolios
- Property
- Fixed income products
- Listed notes
- ETFs





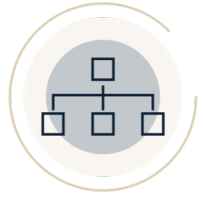


# THE DESTINATION

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# THE STRUCTURE

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- Own name
- Wrapper
- Trust
- Pension Plan
- Company
- The Family Foundation





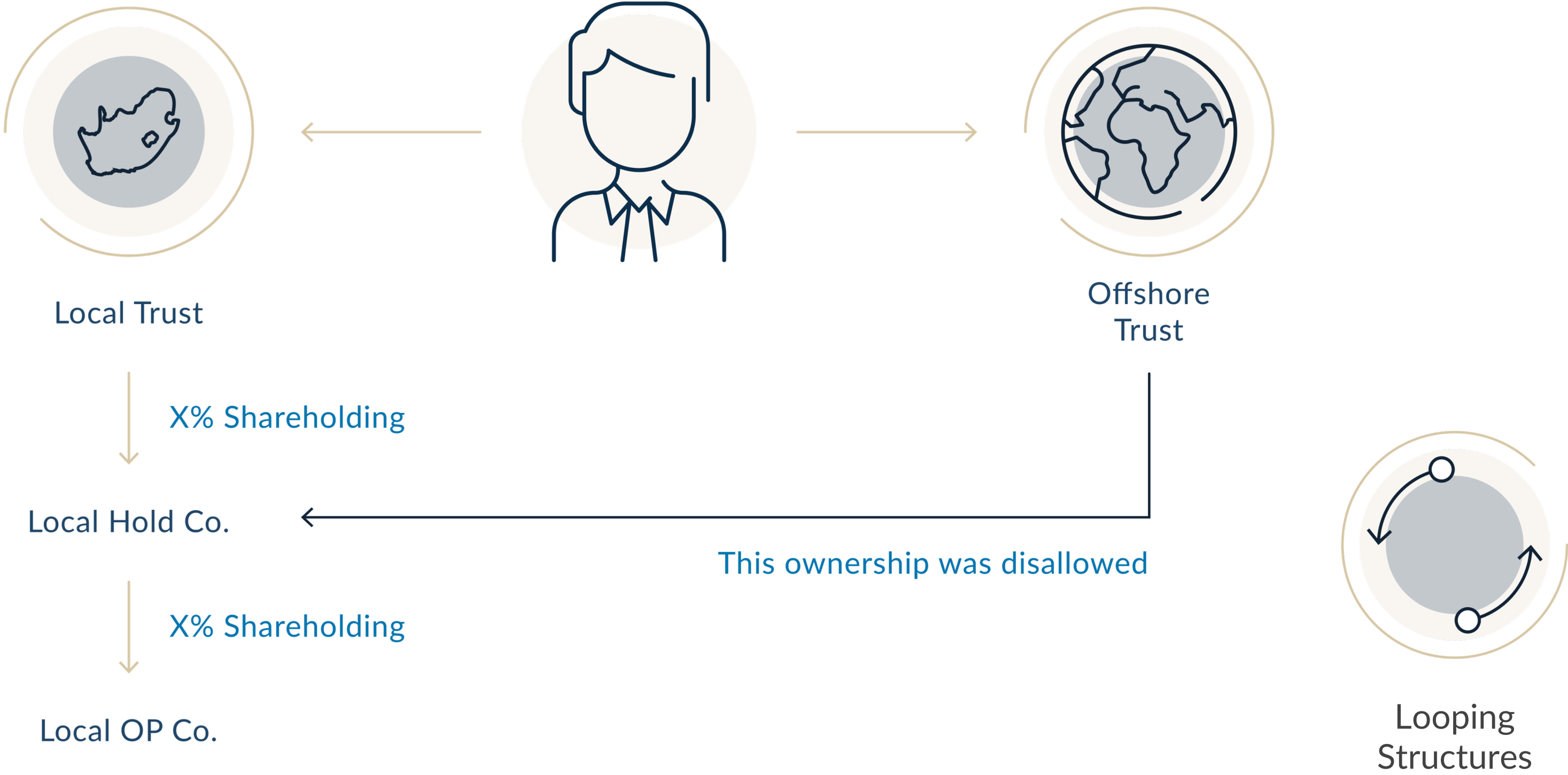


# JURISDICTION

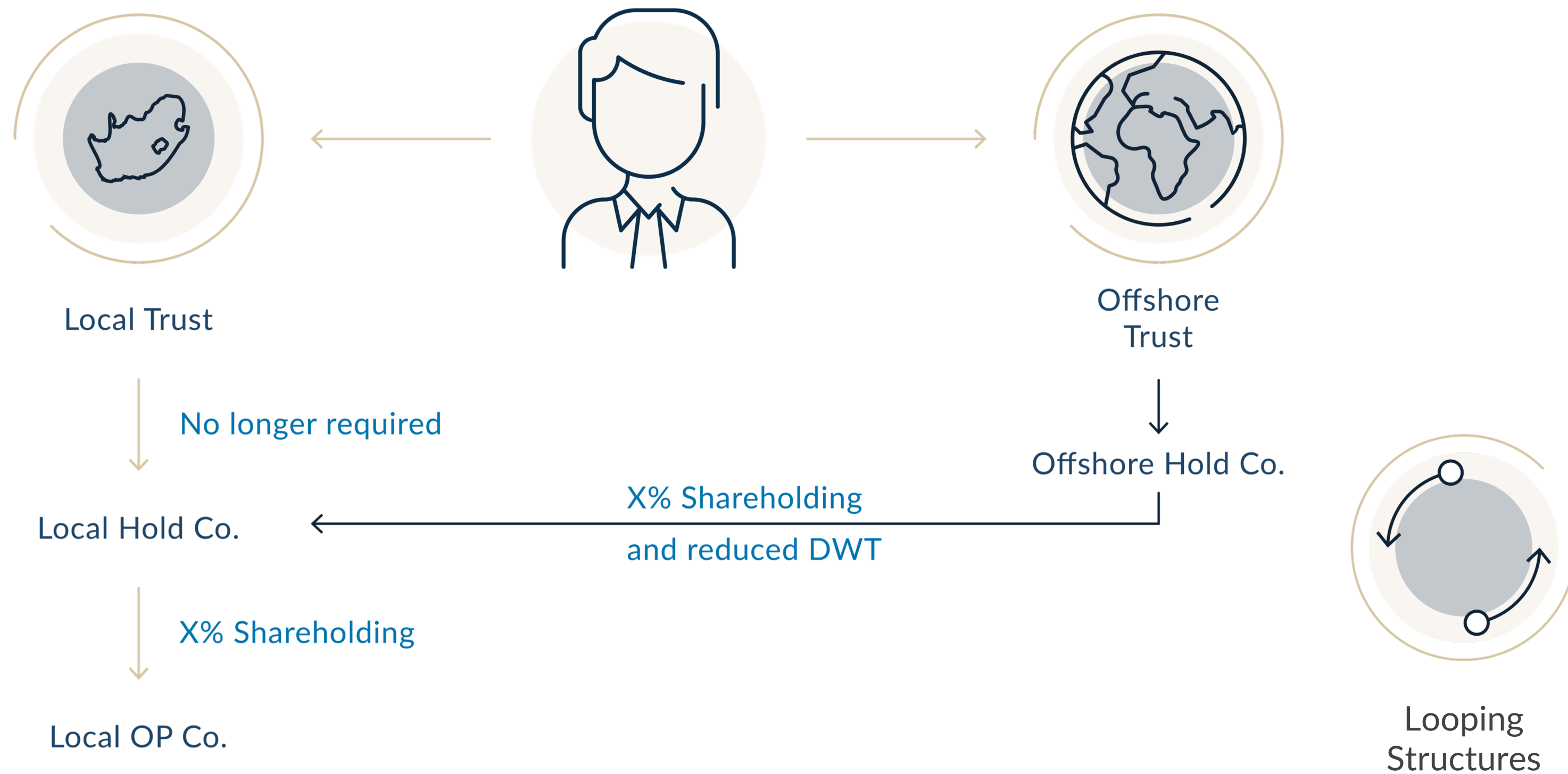
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# HISTORIC STRUCTURE



# CURRENTLY ALLOWED STRUCTURE







# THE ESTATE

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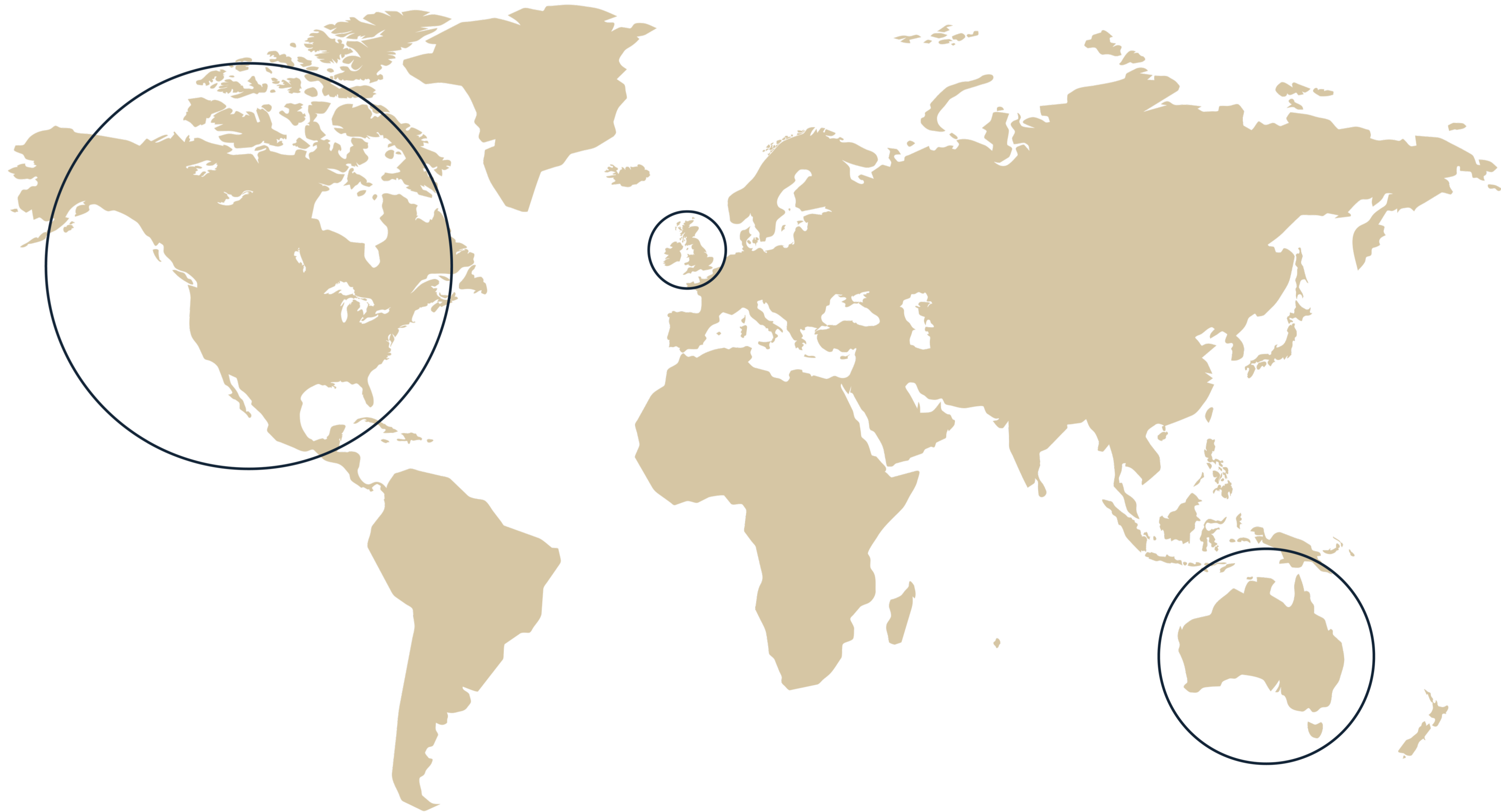
- Worldwide assets
- Tax
- Situs issues
- Probate
- Local and/or Offshore Will?
- Family
- Emigration





# THINK BEFORE YOU LEAVE

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# THANK YOU

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# KEY DECISIONS – GET GOING

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AUGUST 2021

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## PAYING TAX – CLOUDS JUDGMENT



### Tax deferral principle

When a taxpayer can delay paying taxes to some future period. Taxes can sometimes be deferred indefinitely, or may be taxed at a lower rate in the future.



# DECISION

Do you trigger CGT on local assets to reinvest offshore?

## Factors

- Future returns in SA vs. future Returns offshore and Currency depreciation?
- Actually paying tax over to SARS
- Diversification



# CAPITAL GAINS – DO YOU PAY SARS NOW?

10,85% vs. 10% p.a. return to catch up over 5 years.

CURRENT STRUCTURE	
Base Cost	R5 000 000
Current Value	R10 000 000
Capital Gain	R5 000 000
CGT Rate	18%
CGT	R900 000
Nett Value	R9 100 000

CURRENT STRUCTURE	
Base Cost	R5 000 000
Current Value	R10 000 000
Annualised Return	10%
Year #5 Value	R14 641 000
Capital Gain	R9 641 000
CGT Rate	18%
CGT	R1 735 380
Nett Value	R12 905 620

NEW INVESTMENT	
Base Cost	R9 100 000
Current Value	R9 100 000
Annualised Return	10,85%
Year #5	R13 741 000
Capital Gain	R4 641 000
CGT Rate	18%
CGT	R835 380
Nett Value	R12 905 620

# WRAPPER – AVOIDING SITUS TAX

CURRENT STRUCTURE	
Base Cost	R5 000 000
Current Value	R10 000 000
Year #10 Value	R23 579 477
Capital Gain	R18 579 477
CGT Rate	18%
CGT	R3 344 306
Gross Value	R20 235 171
Return	10%
SA Estate Duty	R4 047 034
Situs Tax	R4 047 034
Executor's Fees (4.02%)	R813 454
Nett Value	R11 327 649

WRAPPER	
Base Cost	R9 100 000
Current Value	R9 100 000
Year #10	R21 457 324
Capital Gain	R12 357 324
CGT Rate	12%
CGT	R1 482 879
Gross Value	R19 974 445
Return	10%
SA Estate Duty	R3 994 889
Situs Tax	R0
Executor's Fees (4.02%)	R0
Nett Value	R15 979 556

Return Enhancement  
of R4,65m

Or 41%

Wrapper Costs are  
± 0,35% p.a.

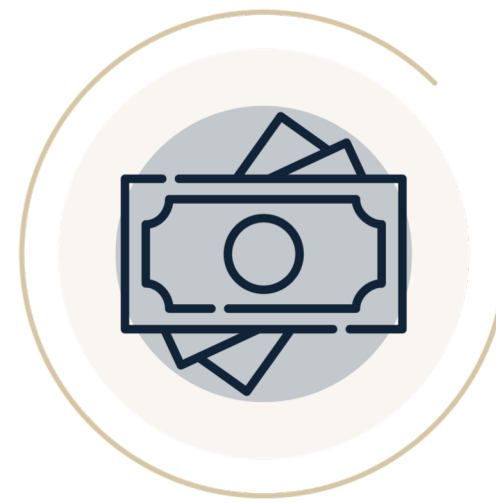
**CHOICE**  
On-going Wrapper  
Costs vs. CGT now

# STRUCTURES CAN BE HELPFUL IN THE RIGHT CIRCUMSTANCES

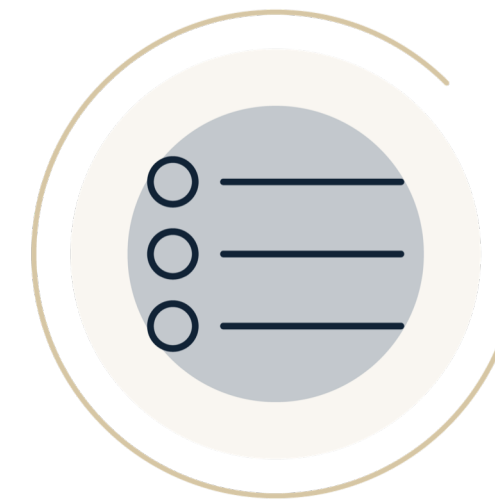
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Offshore Trusts /  
Companies / Wrappers



Reduction in many taxes –  
inter generational wealth  
transfer



## **Key considerations**

On-going costs versus taxes  
payable

Will the investor need to  
access the money?





## CONCLUSION

- Be open minded around the need to restructure and possibly pay some tax now.
- Do your homework and understand the potential implications
- Understand the costs involved.





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