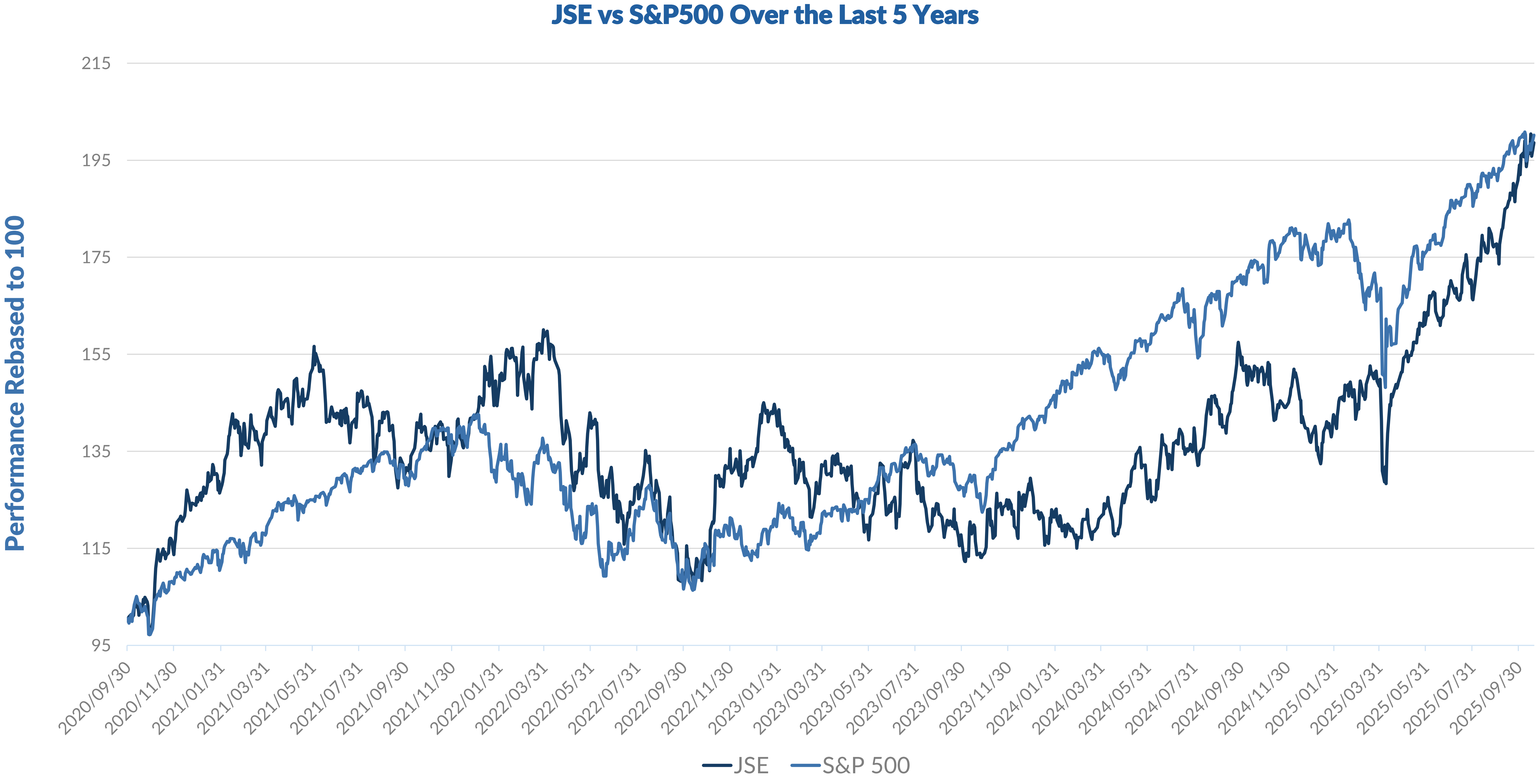
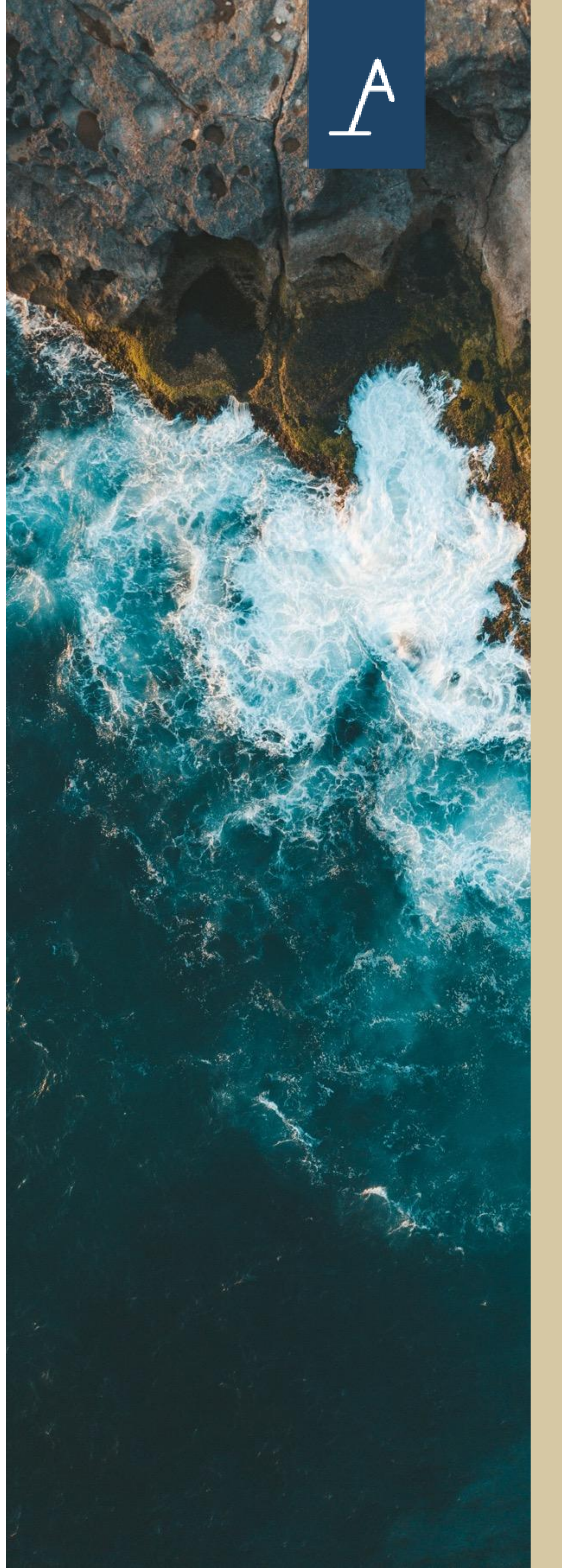
Where The Money Will Be Made 4Q25

Domestic Equities

Liam Hechter

South African Investors Have Been in a Stealth Bull Market for 5 Years

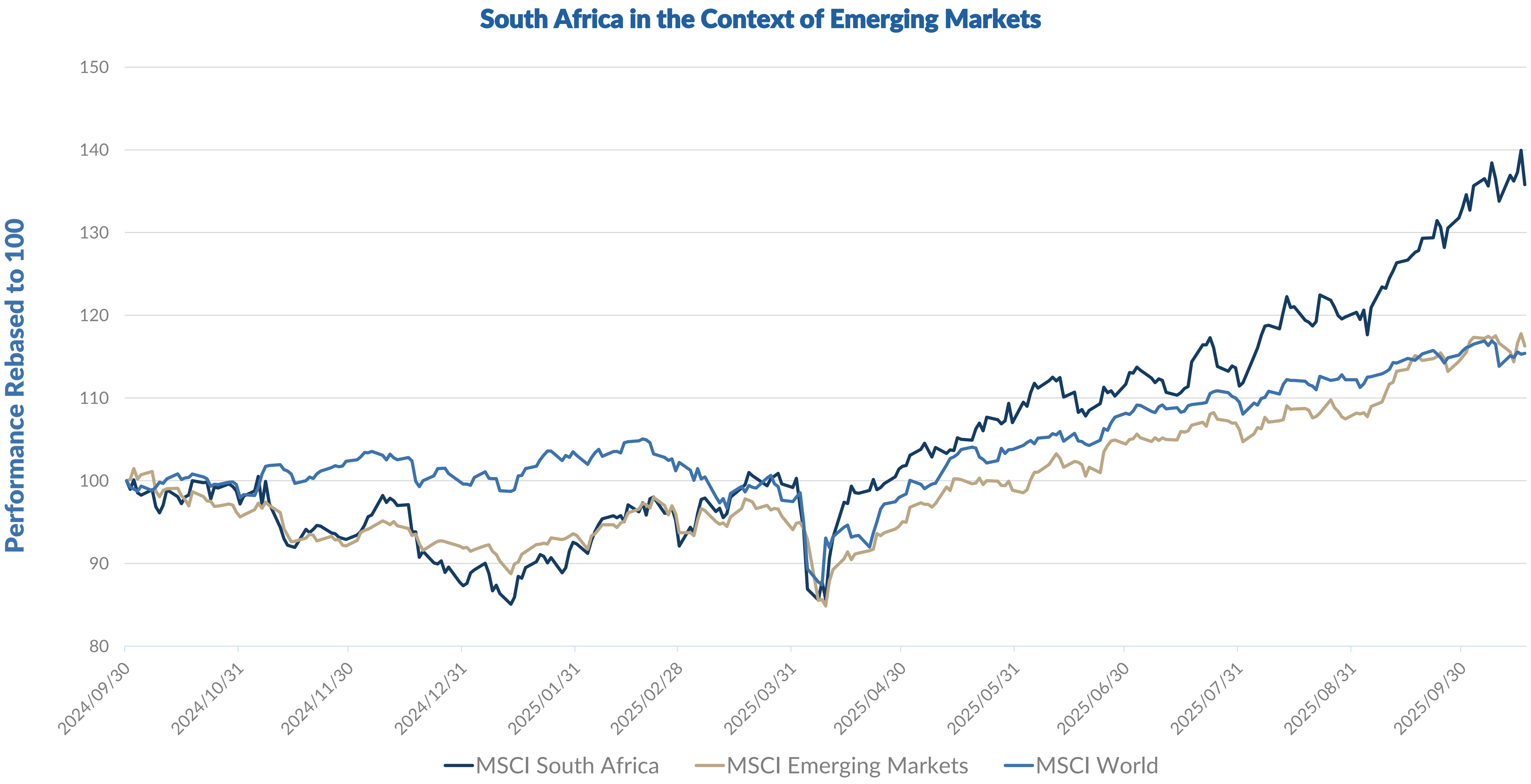




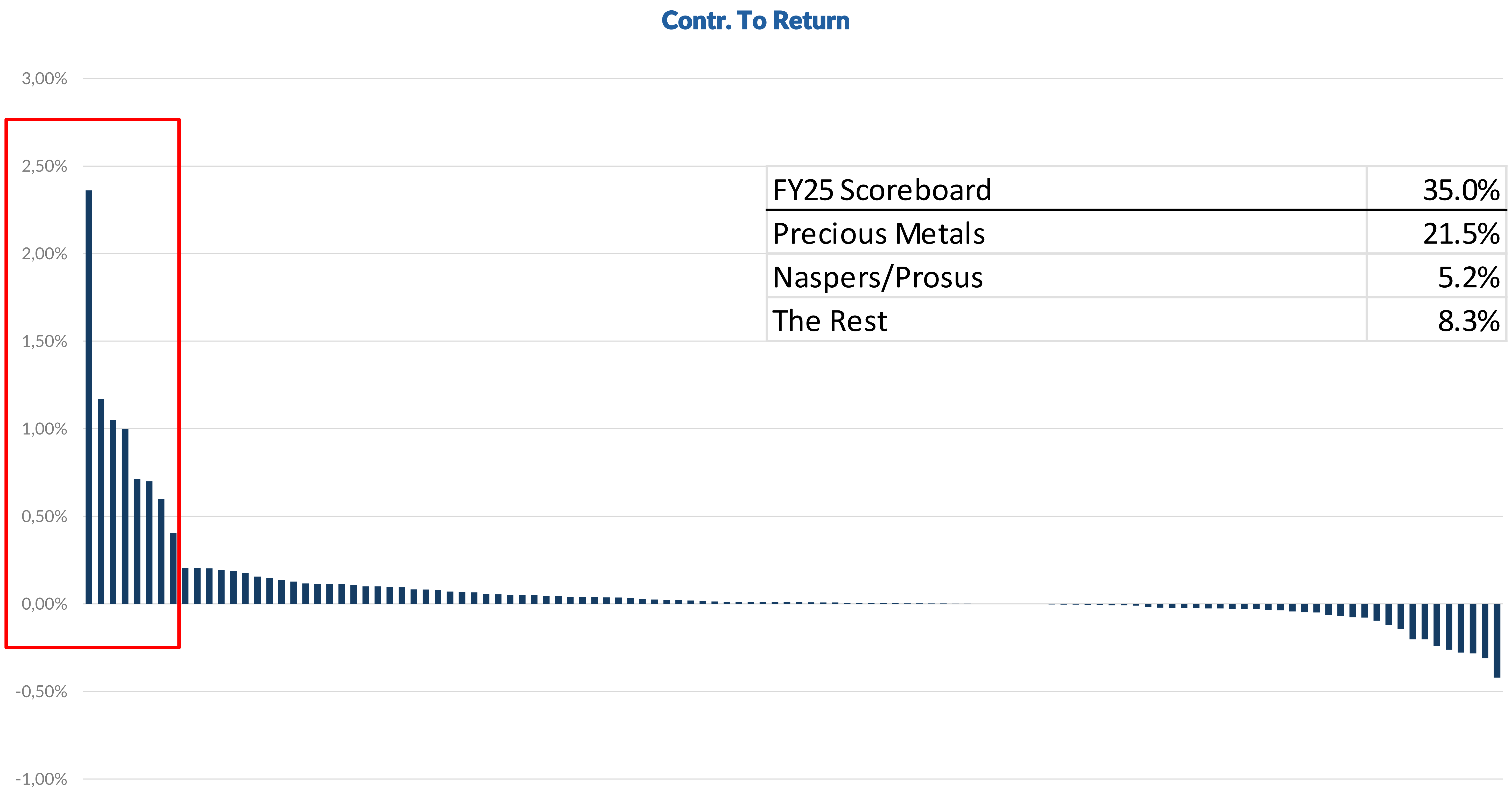
South Africa – Standout Performance Over 5 Years

- 2024 marked a seminal shift in domestic politics
- Enter 2025 optimistic on reforms driving growth
- Domestic reforms taking longer than expected:
  - Progress has been made (Eskom/Transnet)
- The macro environment is favourable for EMs and commodities
  - Exceptional returns for investors so far in 2025
- Remain constructive on the domestic thesis
- Gold will have a pronounced impact on the Index
  - The range of outcomes is wide
- Cautious on overall index returns – constructive on domestic leadership

JSE Is One of the Best Performing Markets This Year

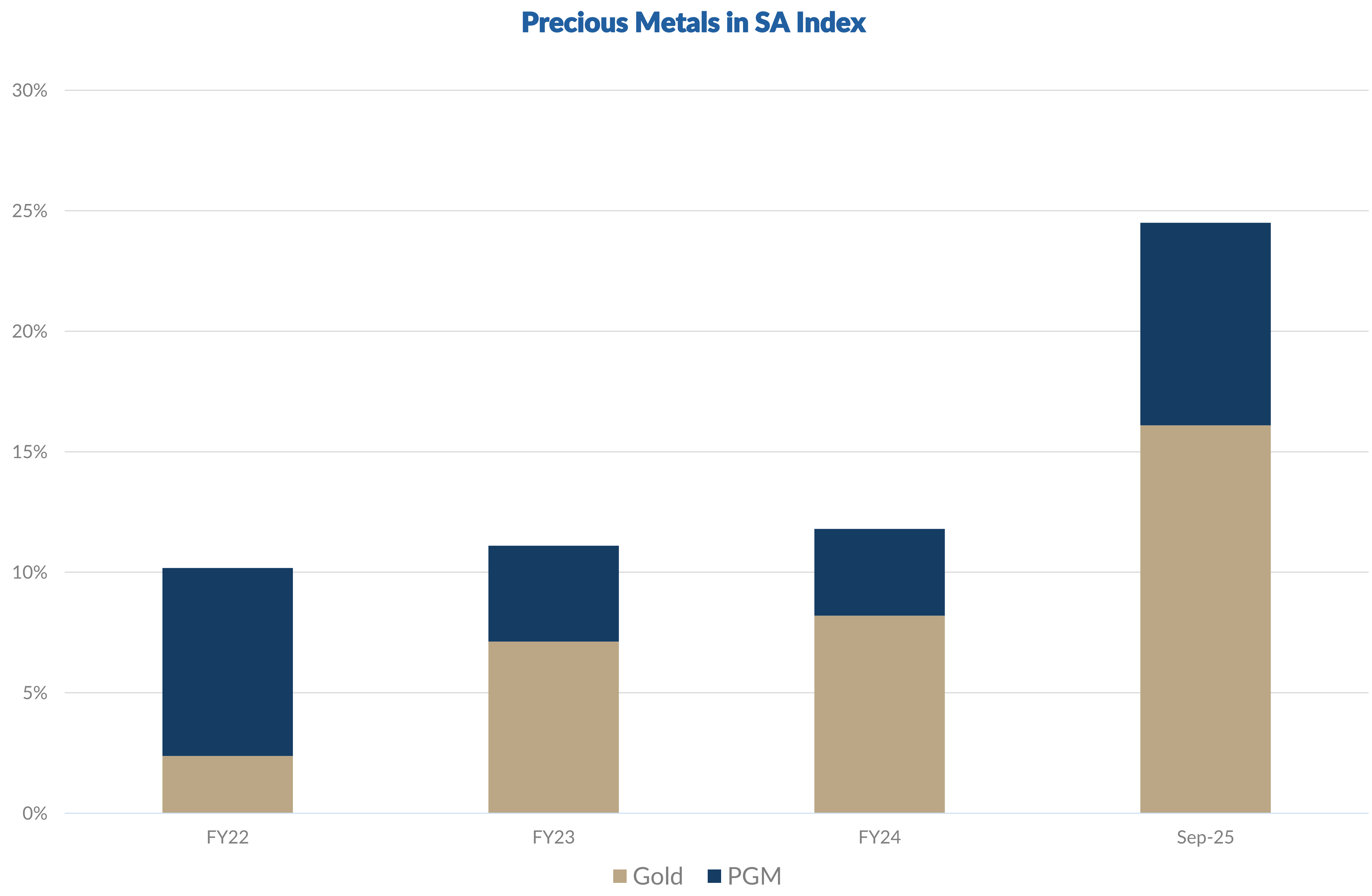


2025 Attribution on the JSE (+35% YTD)



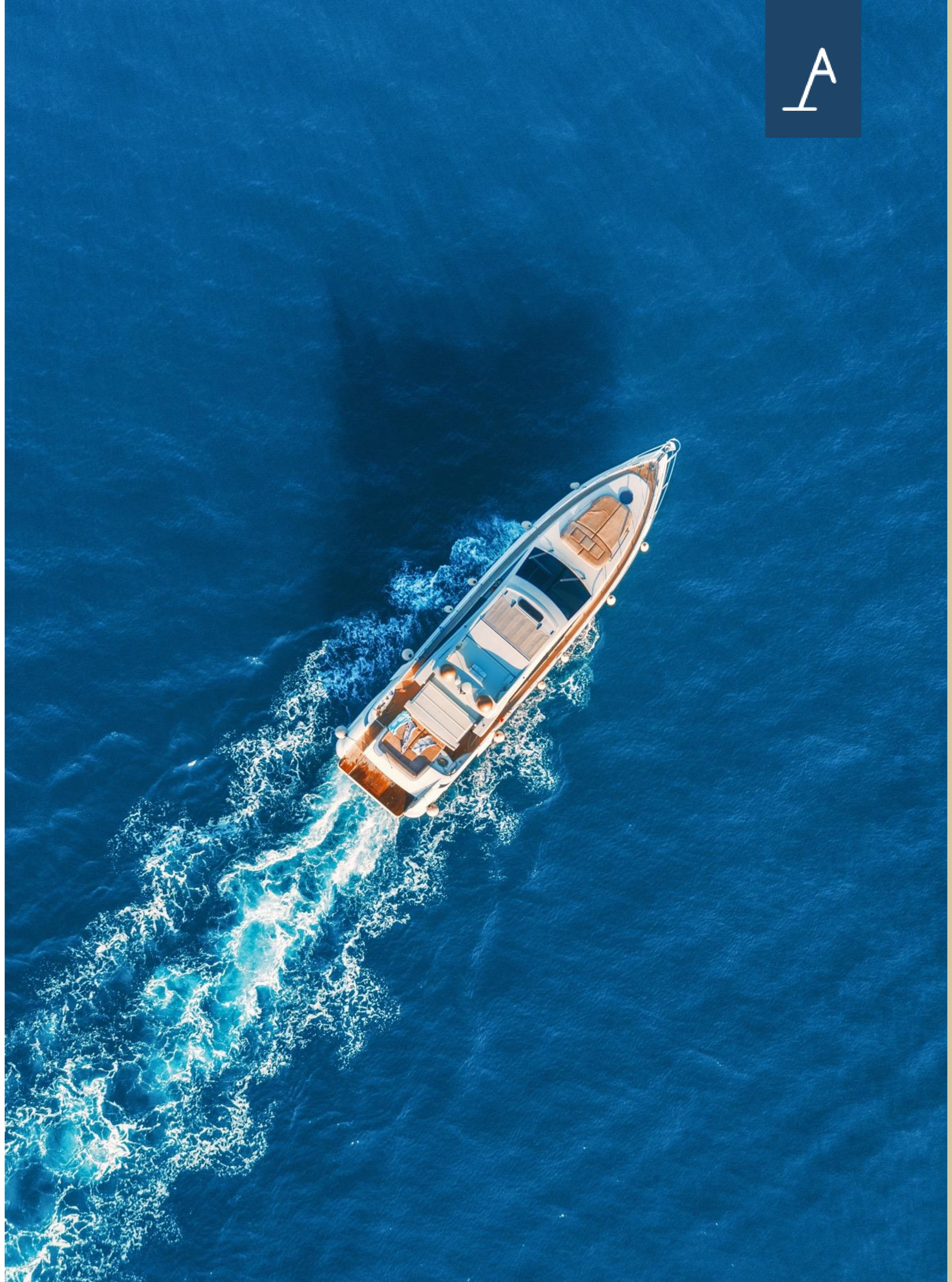
FY25 Scoreboard	35.0%
Precious Metals	21.5%
Naspers/Prosus	5.2%
The Rest	8.3%

Complicating Our Outlook for the JSE

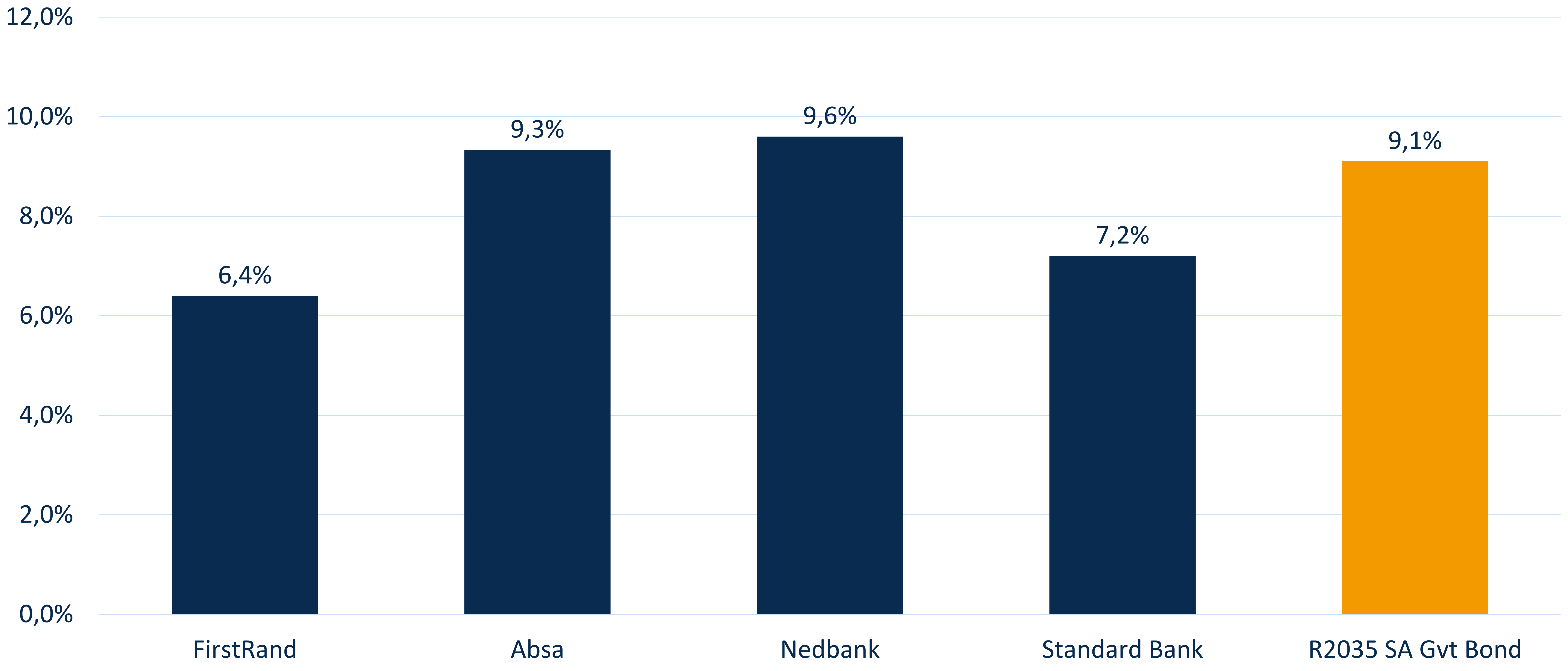


Remain Constructive on Domestic Fundamentals

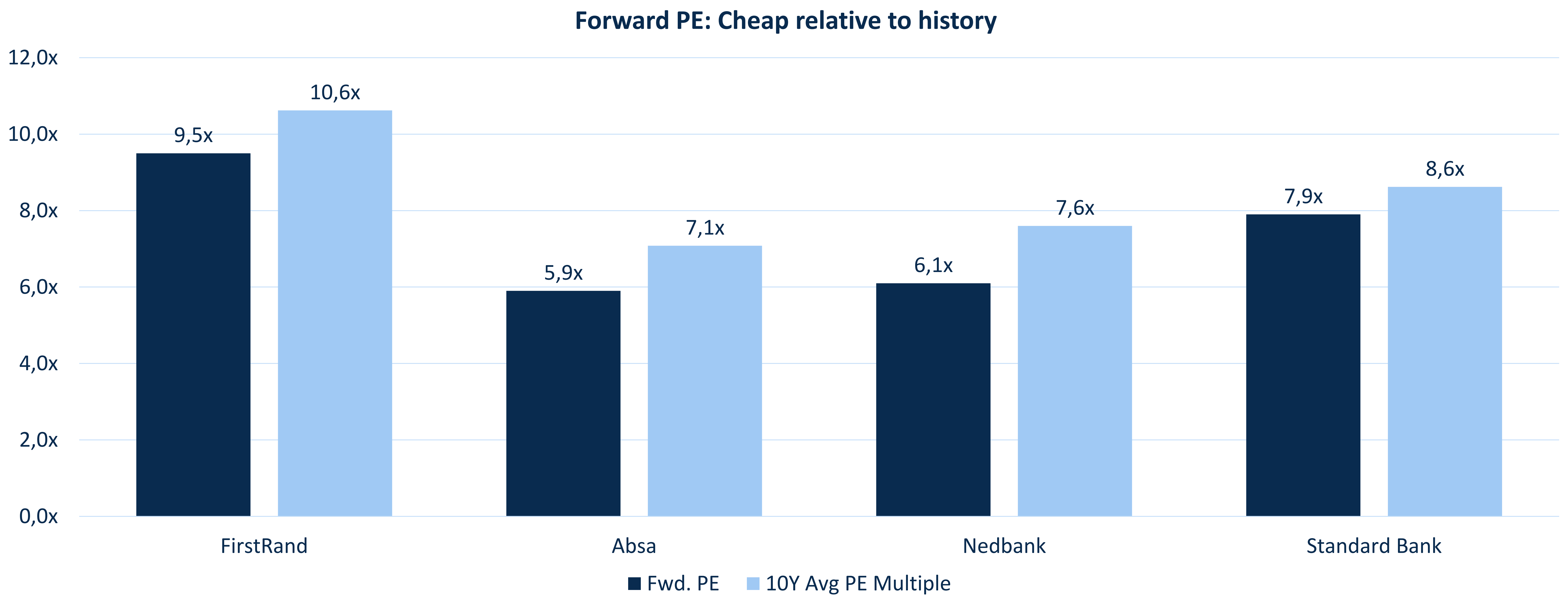
- Favourable macro backdrop – constructive on the outlook for domestics
  - Commodity exports to drive GDP over 2%
  - Extra R100bn in mining-related tax revenues
  - Fiscal pressures eased for now
  - Stronger ZAR and bonds below 9%
- High-quality companies are executing well – still cheap!!
- Reforms, while slow, are moving in the right direction
  - Transnet, Eskom, etc.
- Key is to not become complacent – ANC leadership race, geopolitics, local elections



Forward Yields vs SA 10 Year Govt Bond



SA Banks: Cheap Relative to History



A Few Ways We Are Playing The Theme

absa

OLDMUTUAL

CAPITEC

Discovery

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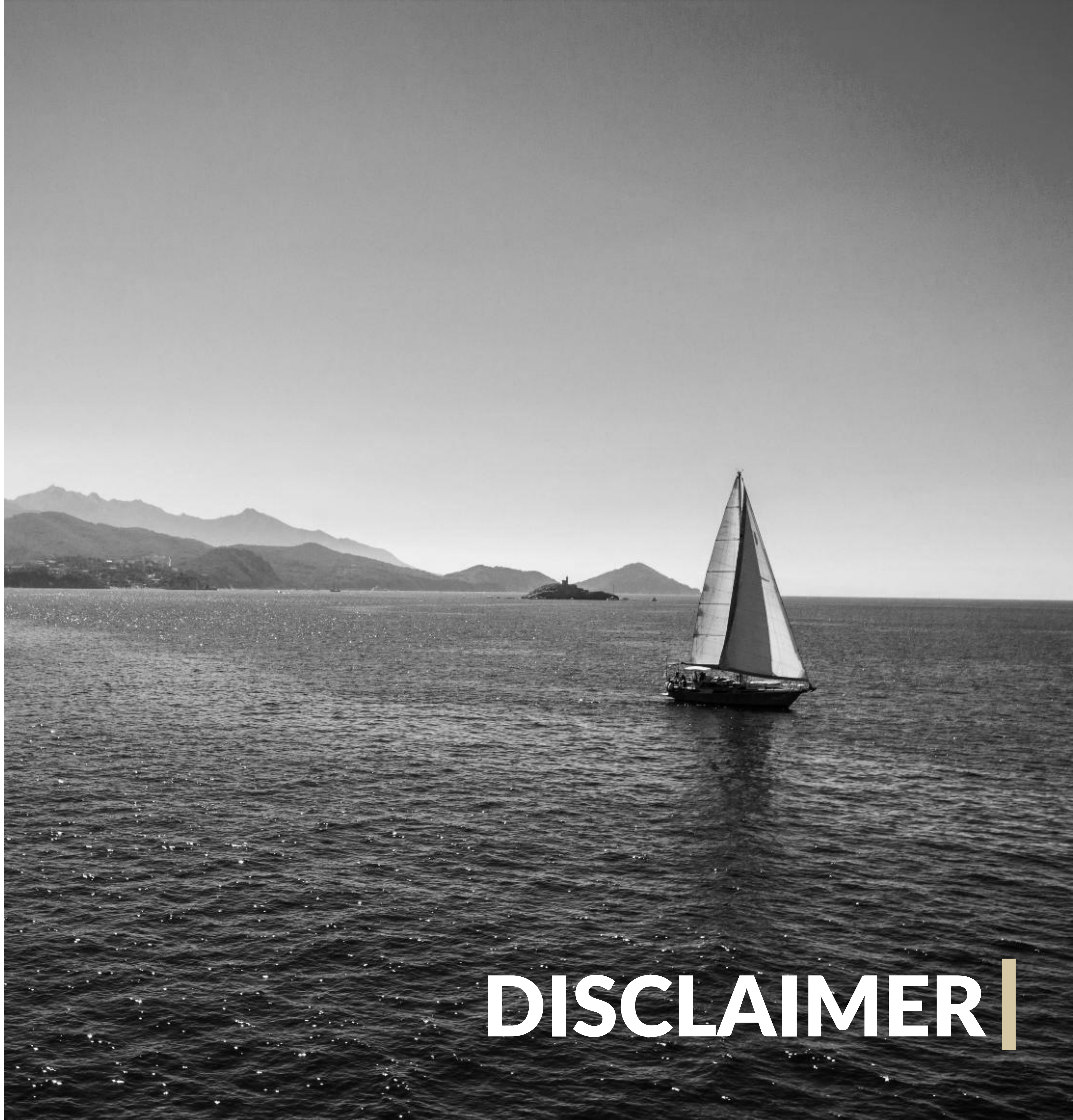


DISCLAIMER

ANCHOR | NAVIGATING CHANGE

Where The Money Will Be Made 4Q25

Peter Armitage, Co-Chief Investment Officer

The Anchor & Credo Business

ANCHOR | CREDO

ANCHOR & CREDO'S ENHANCED SERVICE

offering and market reach combine strengths in wealth and asset management.

WITH AN ABSOLUTE FOCUS ON THE TWO MOST IMPORTANT PARTS OF OUR BUSINESS

CLIENTS & THE INVESTMENT PROCESS

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

550+
STAFF ACROSS GROUP

Anchor founded in **2012**

Credo founded in **1998**

AN EXPERIENCED, HIGH QUALITY INVESTMENT TEAM:

30+ Investment professionals

24 Chartered accountants

23 CISI Chartered Insurance Institute

29 CFA Charter-holders & Delegates

COMPLETE LOCAL AND GLOBAL PRODUCT AND SERVICE OFFERING:

UNIT TRUSTS	HEDGE FUNDS	SEGREGATED MANDATES

INTERNATIONAL FOOTPRINT

SOUTH AFRICA

LONDON

MAURITIUS

THE ANCHOR AND CREDO GROUP

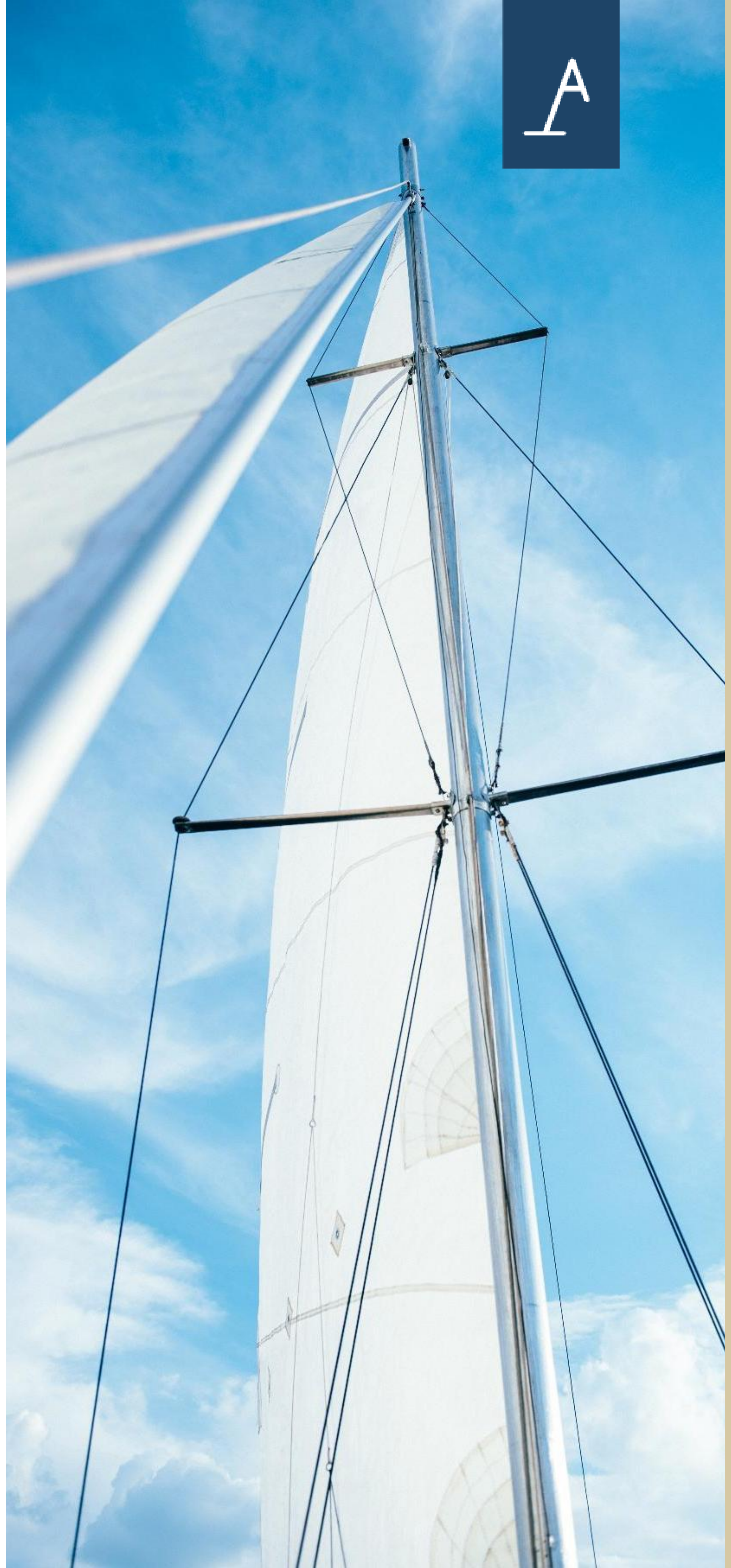
- ASSET MANAGEMENT
- PRIVATE CLIENTS
- STOCKBROKING

R300 billion ASSETS UNDER MANAGEMENT AND ADVICE

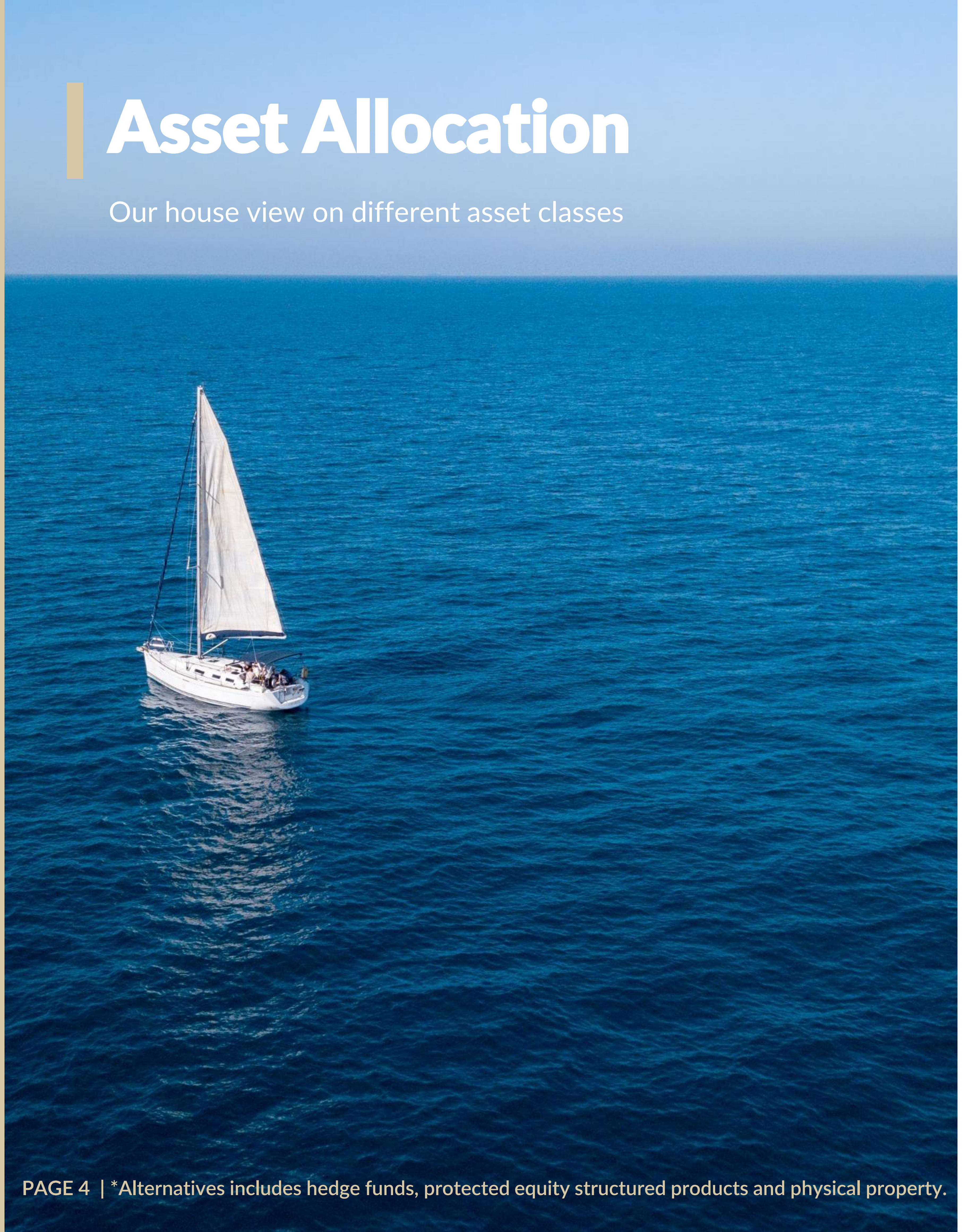
R157 billion INVESTED DIRECTLY OFFSHORE

R34 billion INVESTED OFFSHORE FROM SOUTH AFRICA

Where The Money Will Be Made 4Q25



Domestic Equity	Domestic Fixed Income
• It has a been a gold and platinum story so far this year … • …. But the macro backdrop is constructive for domestics. • High quality companies are executing well and are still cheap. • We expect double-digit returns, but never become complacent – local politics etc.	• SARB expected to cut to 6.50% by end 2026 (prime rate of 10%. • Prospect for more cuts. • Government debt and economic growth dynamics are supportive of long dated bonds. • Bonds are fair but yields attractive and the upside momentum remains well supported . . . Anchor BCI Flexible Income Fund with a 12m return of 9.5%.
Global Equity	**Global Fixed Income**
• Earnings outlook remains very positive. • Contributing factors are AI spend, decreasing interest rates and a weaker dollar. • But priced for perfection … good times don't come cheap. • Caution because of high valuations, but we still expect 8% returns over 12 months. Returns lower than earnings growth.	• Fed expected to cut to 3% by end 2026. • Cash attractive for now but switch to Anchor Global High Yield for some cushioning against cuts. • Government debt and economic growth dynamics are not supportive of long dated bonds. • Bonds are fair, but certainly not attractive at a 4% US$ yield.



Asset Allocation

Our house view on different asset classes

Asset class	Current stance: Negative	Current stance: Neutral	Current stance: Positive	Expected returns (own currency) (%)
DOMESTIC				
Equity		●		10
Bonds		●		9
Listed property		●		11
Cash		●		7
Alternatives*			●	10 to 15
Rand vs US dollar (rand stronger)				1.6
GLOBAL				
Equity		●	←	8
Government bonds	●	←		4
Corporate credit	●	←		4
Listed property		●		6
Cash	→	●		4
Alternatives*			●	8 to 12

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

ANCHOR NAVIGATING CHANGE

Where The Money Will Be Made 4Q25

Global Equities

Peter **Armitage**

Where The Money Will Be Made

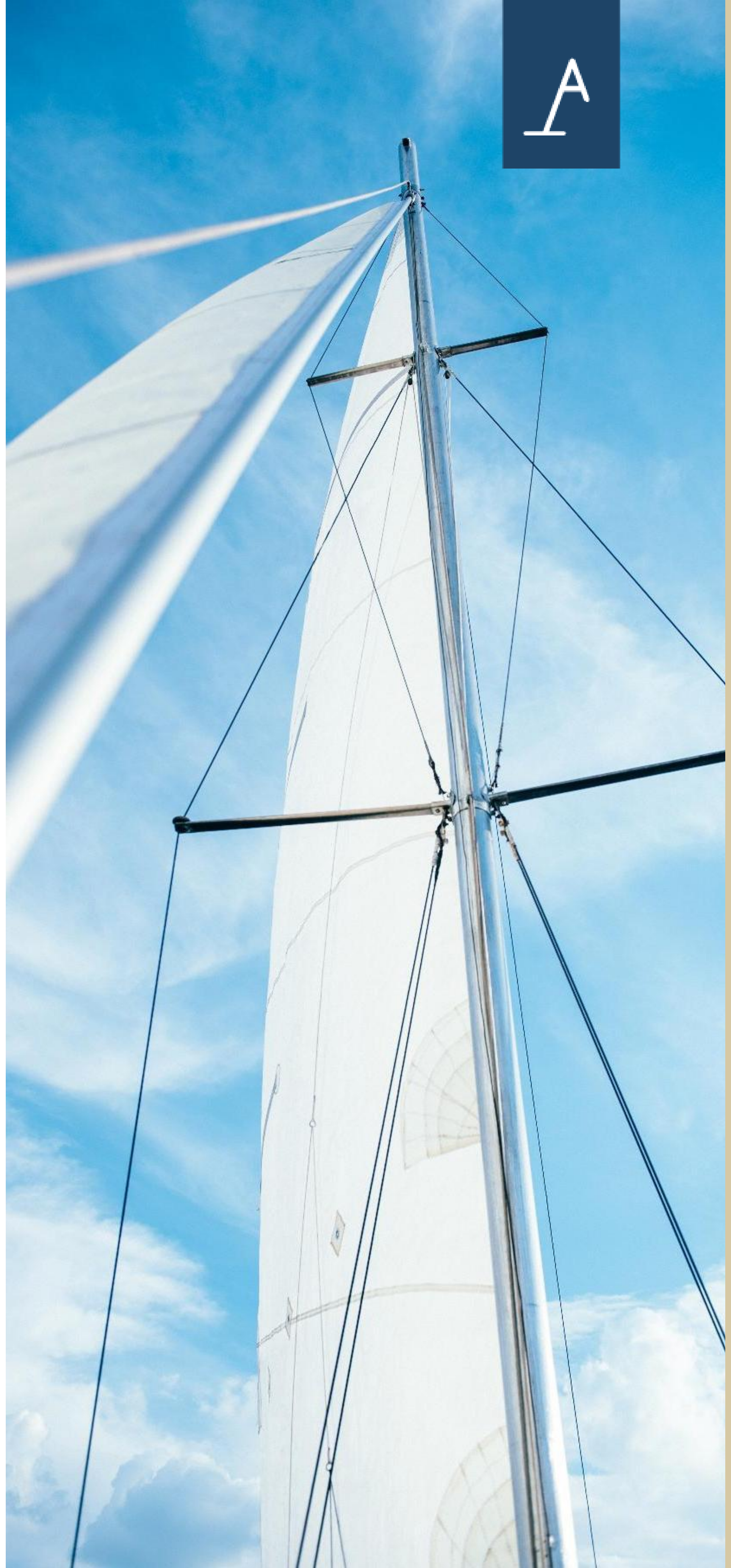
Domestic Equity

Domestic Fixed Income

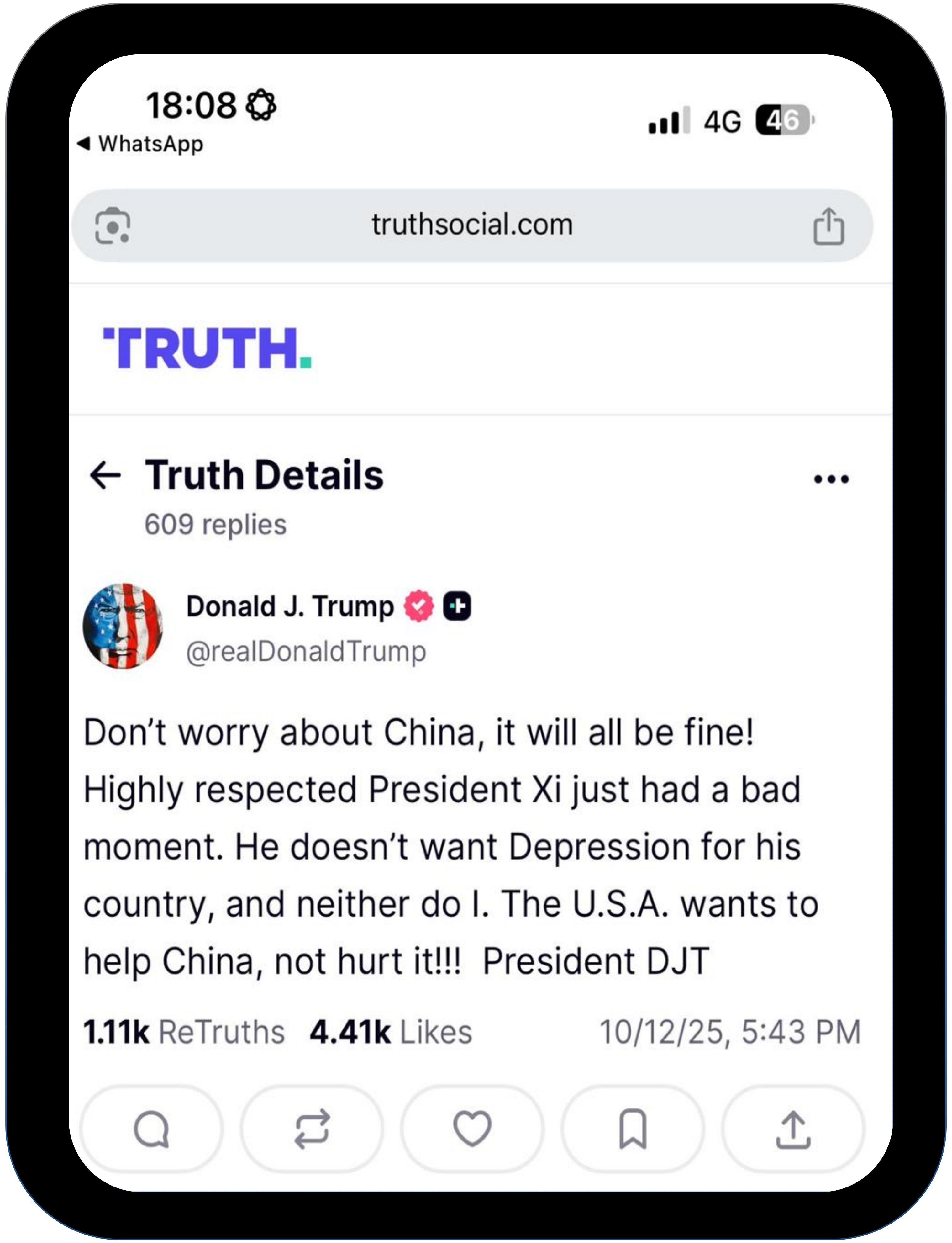
Global Equity

- Earnings outlook remains very positive.
- Contributing factors are AI spend, decreasing interest rates and a weaker dollar.
- But priced for perfection … good times don't come cheap!
- Caution because of high valuations, but we still expect 8% returns over 12 months. Returns lower than earnings growth.

Global Fixed Income

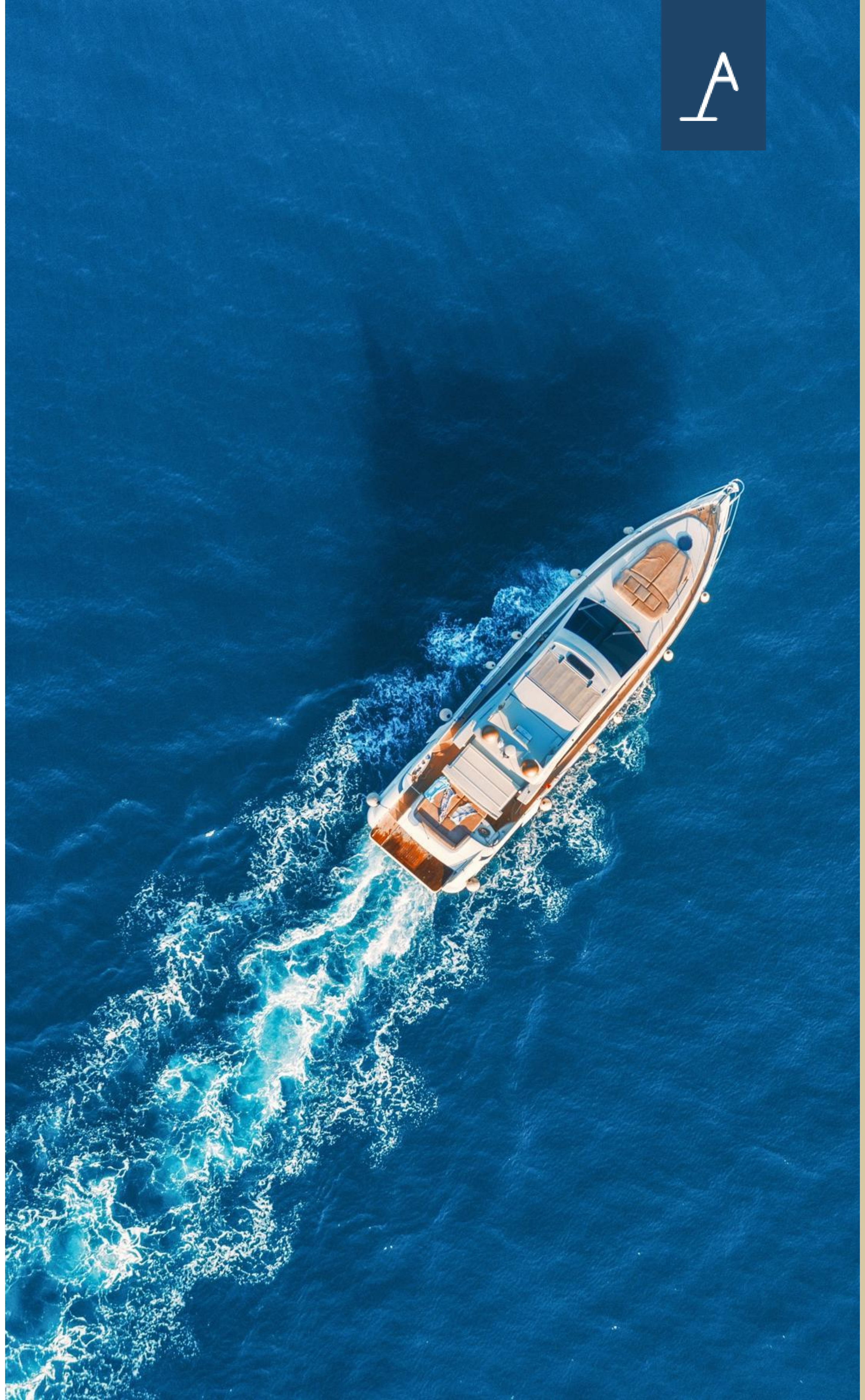


Just Another Sunday 'Tweet'

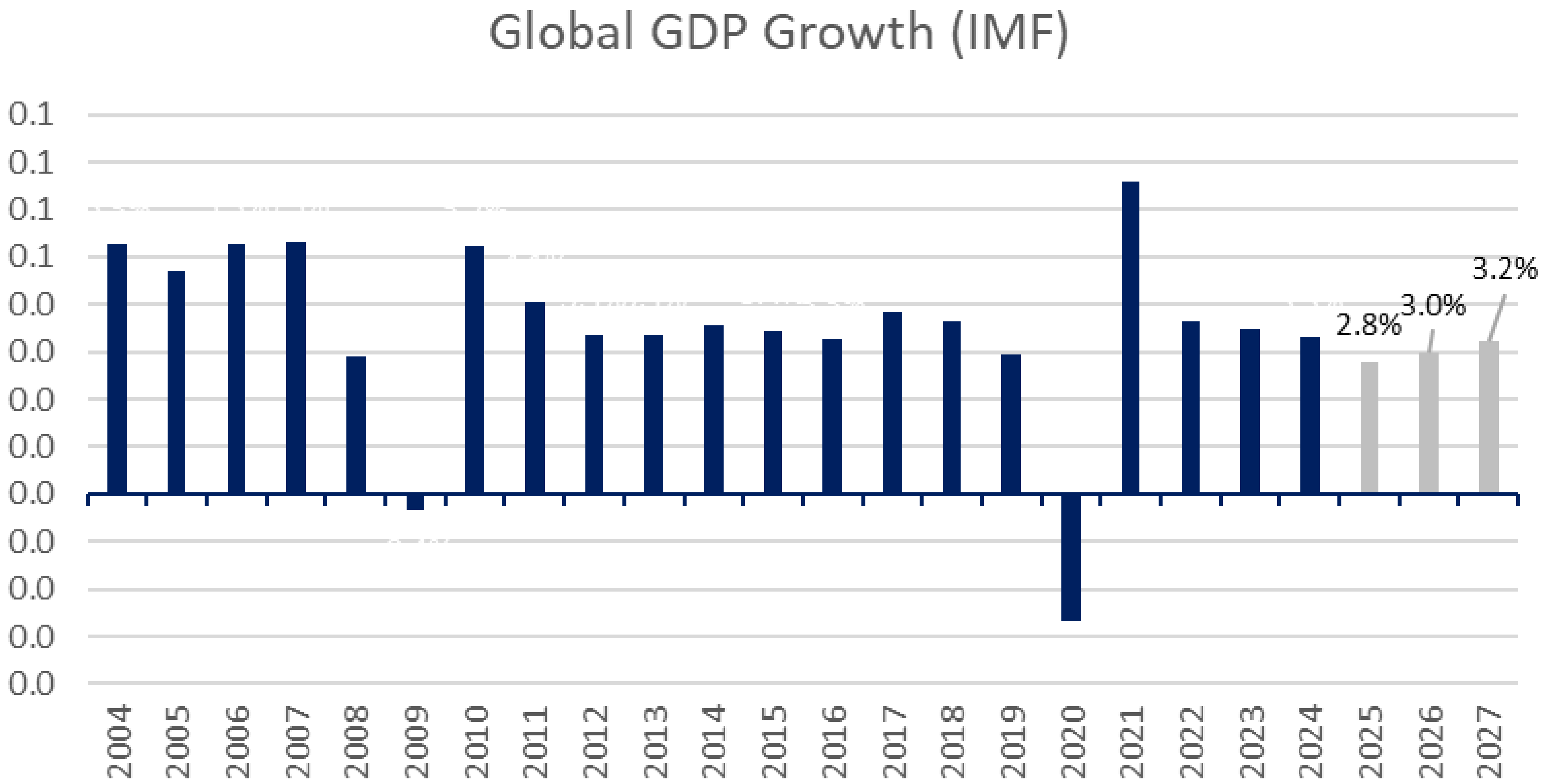


We Remain In A Global Equity Bull Market

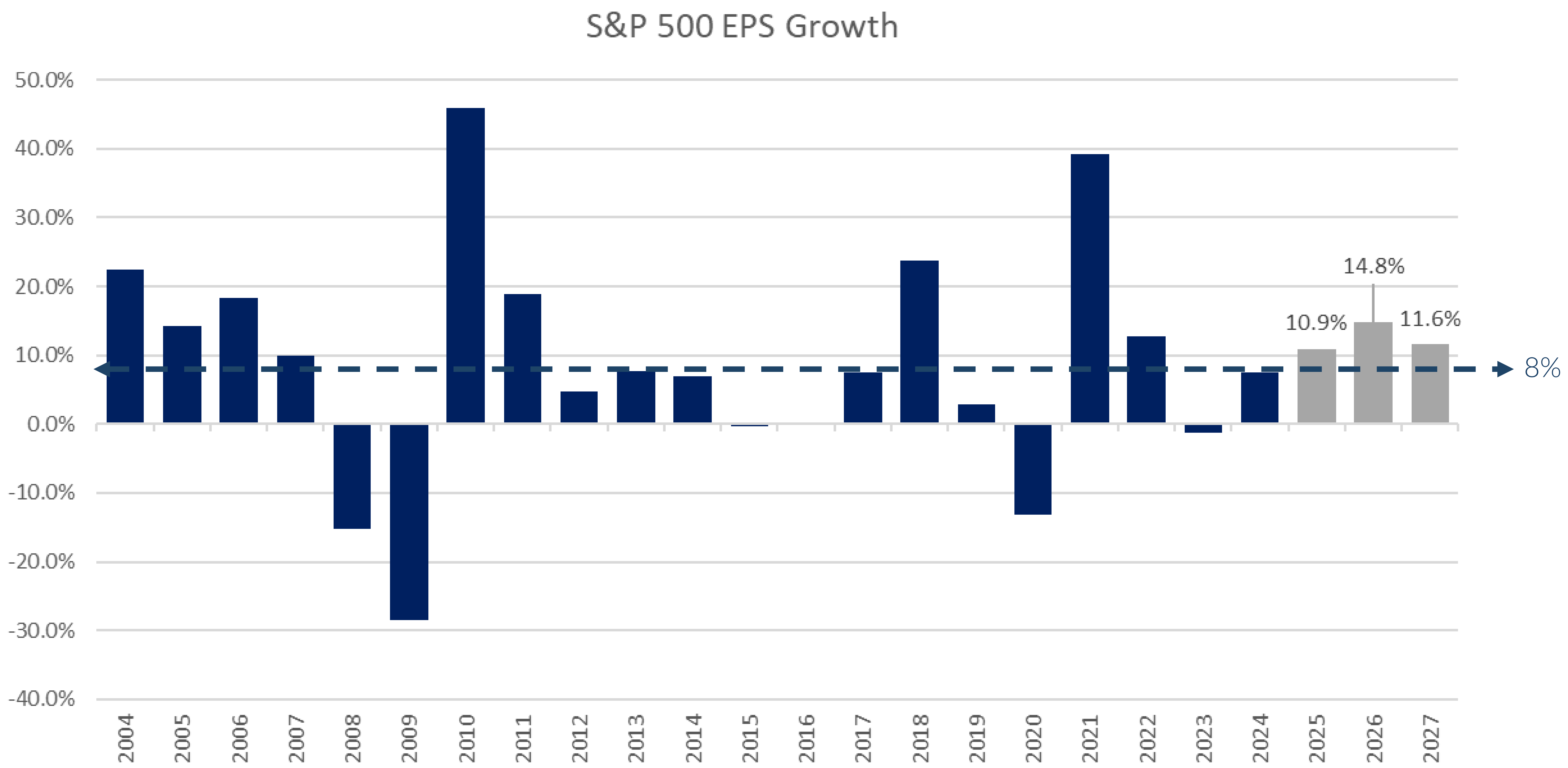
- A bull market despite … war, tariffs, geopolitics etc
- We are not calling for an end to the bull market, but we expect returns lower than earnings growth
- US earnings growth driven by:
  - Declining interest rates
  - Weaker dollar
  - Strong underlying economy, driven by once-in-a-lifetime capex cycle
  - Stimulus element of Trump plans
- Europe driven by technology and defence
- **So what happens now for inflation / tariffs and currencies?**
- Market is close to the most expensive in 25 years
- Caution seems reasonable, but some secular trends still seem investable
- We are using alternative funds for non-equity returns



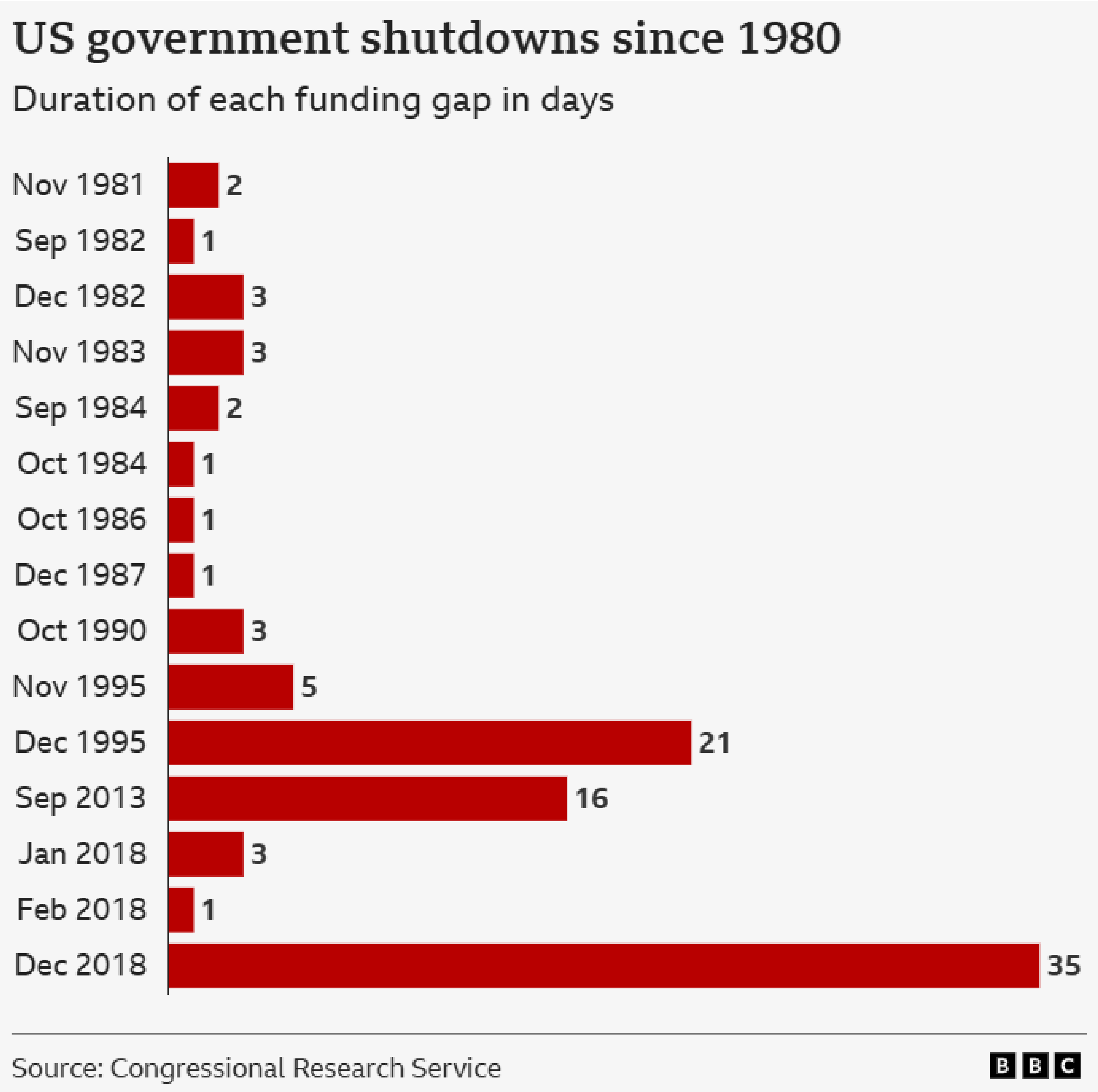
Global GDP Growth

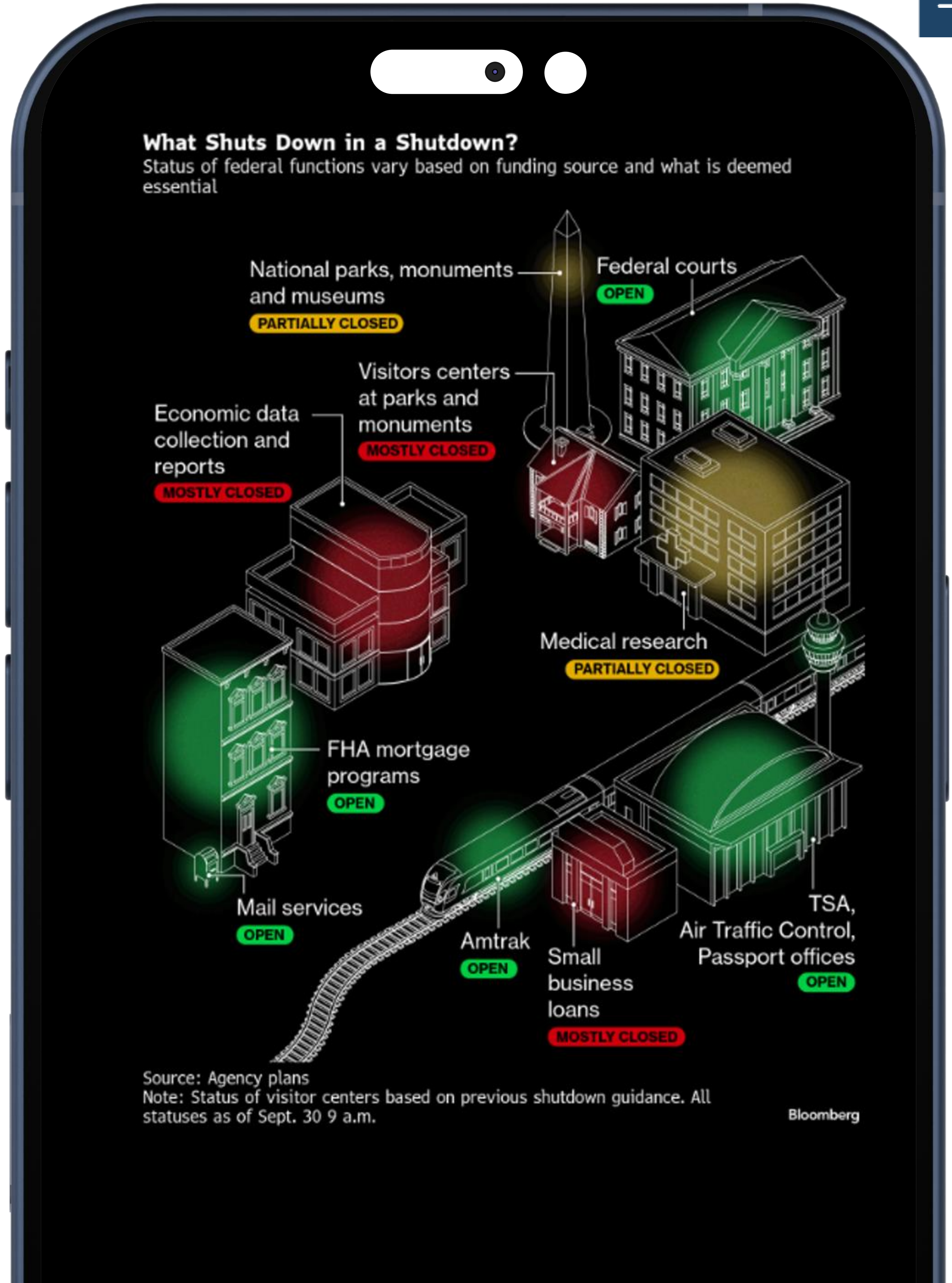


Strong Forecast Earnings Growth



US Government Shutdowns





Jobs Impact

- Government employees deemed **non-essential are temporarily put on unpaid leave**. In the past, these workers have then been paid retrospectively.
- **Around 750,000 federal workers - roughly 40% - will be taking unpaid leave each day**, according to an estimate from the Congressional Budget Office (CBO). [increase unemployment by 0.45%]
- Not all of government will shut down - those deemed **essential workers continue as normal, although without pay** for the time being including:
  - Border protection,
  - Law enforcement,
  - Immigration and Customs Enforcement (ICE) agents,
  - In-hospital medical care
  - Air-traffic control workers

Equity Markets very strong 3Q25 with "Mag 7" in the lead in DM and Chinese equities bouncing back

DM Equities	3Q25 (USD)	2Q25 (USD)	1Q25(USD)	YTD (USD)	1Y(USD)	3Y (USD)
ARK Innovation ETF	22.8%	47.7%	-16.2%	52.0%	92.5%	106.1%
BBG Magnificent 7	17.6%	21.0%	-16.0%	19.5%	47.5%	219.7%
Spain	11.4%	17.9%	19.1%	56.3%	50.7%	160.5%
Japan	9.1%	18.3%	-5.5%	21.9%	18.0%	60.5%
US Tech	9.0%	17.9%	-8.1%	18.1%	27.1%	106.2%
US	8.1%	10.9%	-4.3%	14.8%	20.1%	76.9%
Large Cap Tech	7.9%	30.1%	-12.1%	23.4%	46.1%	209.9%
Italy	7.8%	17.1%	16.3%	46.8%	39.3%	169.0%
Developed Markets	7.4%	11.6%	-1.7%	17.9%	20.0%	74.4%
UK	5.5%	9.6%	9.4%	26.5%	18.6%	65.6%
EU	4.5%	12.2%	12.5%	31.9%	22.6%	103.2%
France	3.2%	9.8%	10.5%	25.3%	13.8%	65.7%
UK Midcap	0.8%	19.5%	-2.1%	17.9%	11.0%	48.2%
Germany	-0.2%	17.4%	15.8%	35.7%	34.4%	117.6%

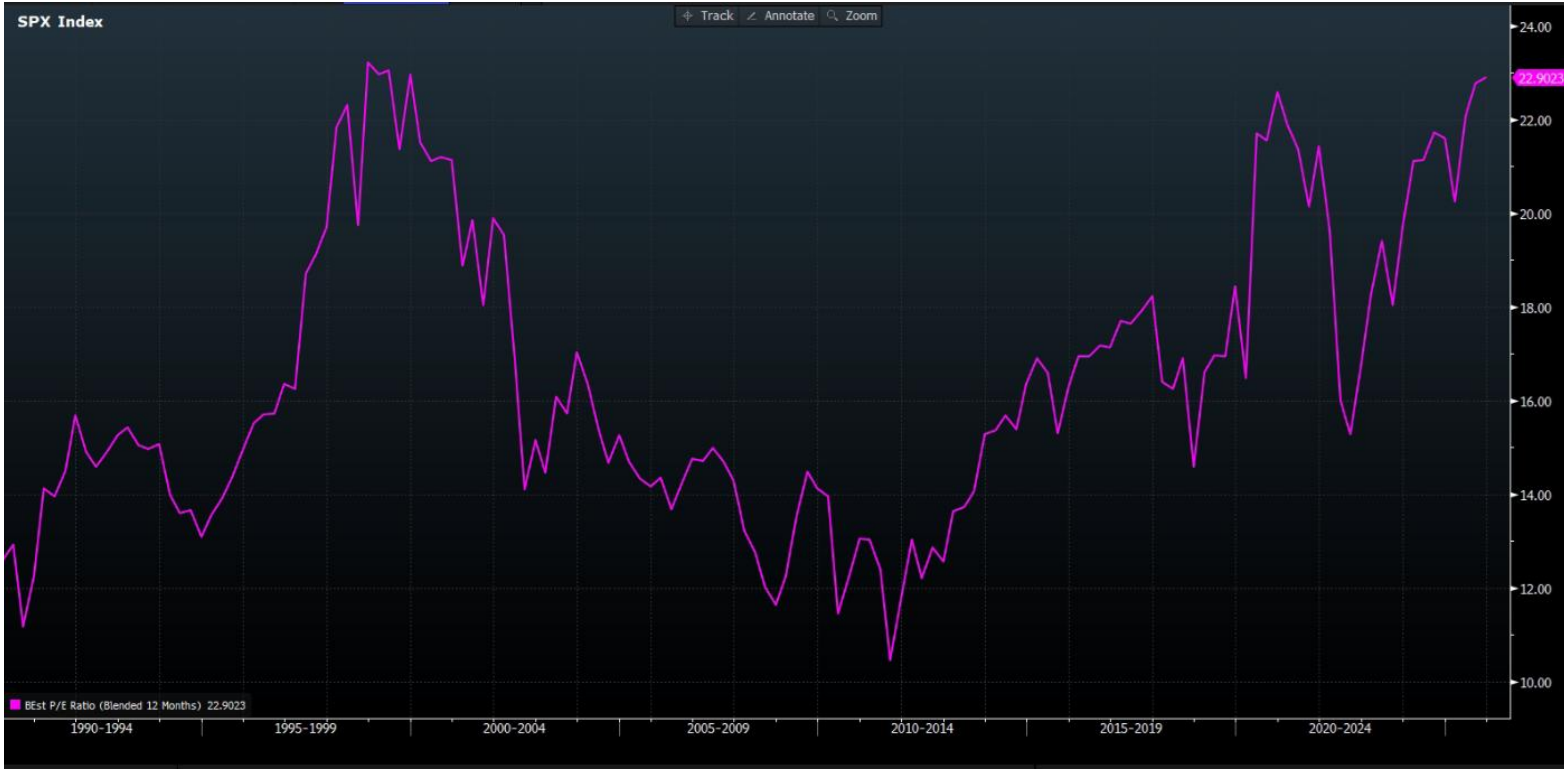
EM Equities	3Q25 (USD)	2Q25 (USD)	1Q25(USD)	YTD (USD)	1Y(USD)	3Y (USD)
China (US Listed)	18.1%	-3.1%	13.5%	29.9%	57.4%	21.0%
South Africa	15.8%	13.7%	8.9%	43.3%	37.6%	71.4%
China (Mainland)	14.6%	5.6%	0.4%	21.5%	39.9%	27.6%
Hong Kong	13.5%	4.9%	15.9%	37.9%	55.8%	53.2%
China (HK Listed)	12.0%	2.6%	17.4%	34.9%	57.2%	57.3%
Emerging Markets	10.9%	12.2%	3.0%	28.2%	26.1%	48.0%
Brazil	7.7%	12.2%	16.9%	41.3%	14.3%	30.3%
Russia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
India	-6.6%	8.9%	-0.2%	1.4%	-6.6%	29.6%

The US Dollar Has Been Under Pressure in 2025

Currencies	Aug (USD)	2Q25 (USD)	1Q25(USD)	YTD (USD)	1Y(USD)	3Y (USD)
Dollar Index	-2.2%	-7.0%	-3.9%	-9.9%	-3.9%	-10.1%
Japanese Yen	2.5%	4.1%	4.8%	6.9%	-0.6%	-5.5%
Euro	2.4%	9.0%	4.5%	12.9%	5.8%	16.2%
British Pound Spot	2.2%	6.3%	3.2%	7.9%	2.9%	16.2%
Swiss Franc	1.5%	11.5%	2.6%	13.3%	6.1%	22.1%
Canadian Dollar	0.8%	5.7%	0.0%	4.7%	-1.8%	-4.5%

Currencies	Aug (USD)	2Q25 (USD)	1Q25(USD)	YTD (USD)	1Y(USD)	3Y (USD)
EM Currencies	1.1%	3.6%	3.8%	6.9%	-0.1%	-8.7%
Colombian Peso	4.1%	2.3%	5.3%	9.6%	3.9%	10.1%
South African Rand	3.2%	3.5%	2.8%	6.7%	0.9%	-3.1%
Brazilian Real	3.1%	5.0%	8.2%	13.7%	3.3%	-4.5%
Polish Zloty	2.7%	7.5%	6.7%	13.2%	6.2%	28.7%
Philippine Peso	2.1%	1.6%	1.3%	1.5%	-1.7%	-1.7%
Argentine Peso	1.9%	-10.8%	-3.9%	-23.3%	-29.2%	-89.7%
Thai Bhat	1.3%	4.6%	1.2%	6.2%	5.3%	13.1%
Mexican Peso	1.2%	9.2%	1.7%	11.6%	5.7%	7.9%
Malaysian Ringgit	1.1%	5.4%	0.8%	5.9%	2.2%	6.0%
Chinese Yuan	1.0%	1.3%	0.6%	2.4%	-0.6%	-3.4%
Chilean Peso	0.6%	2.0%	4.8%	3.1%	-5.8%	-7.3%
Korean Won	0.3%	8.9%	0.3%	6.4%	-3.7%	-3.7%
Indonesian Rupiah	-0.3%	2.1%	-2.7%	-2.2%	-6.3%	-10.0%
Russian Ruble	-0.6%	6.2%	36.1%	39.6%	11.7%	-25.5%
Indian Rupee	-0.7%	-0.3%	0.2%	-2.9%	-4.9%	-9.9%
Turkish Lira	-1.3%	-4.7%	-6.8%	-14.1%	-17.2%	-55.8%
Taiwan Dollar	-2.3%	13.6%	-1.2%	7.3%	4.5%	-0.6%

S&P 500 Forward P/E at 1999 and 2021 levels



- Earlier this month, prominent figures like Amazon founder, Jeff Bezos, Goldman Sachs (NYSE:GS) CEO David Solomon, and OpenAI CEO Sam Altman also raised concerns about the AI bubble
... the Tech leaders like Bezos and Altman admit big losses are likely, despite optimism about AI's long-term potential ... warning that today's AI surge may be more speculative than earlier tech booms—and markets are more exposed
... **while past bubbles have driven progress (railroads, internet), they also left deep scars when the crash came.**

- **IMF boss Kristalina Georgieva** ... warned about risk to the world economy from potentially large corrections in lofty stock markets

- **Bank of England's** red flag about the risk of a sharp reversal if investor moods soured on doubts about AI or Fed independence

- **JPMorgan chief Jamie Dimon** ... warned of a **potential major pullback in U.S. equities** within the next one to two years

- **Federal Reserve Chair Jerome Powell** ... warned that U.S. equity valuations are "fairly highly valued," **echoing concerns about complacency and signaling potential volatility ahead**

- **BofA's Michael Hartnett** ... Renewed warnings about **bubble risks**, citing loosening monetary policy and regulatory changes that could fuel "bigger retail, bigger liquidity, bigger volatility, bigger bubble"

- **Lisa Shalett, the CIO at Morgan Stanley's wealth management business** ... said the over reliance on generative AI capital expenditures was a potential risk to the market's stability ... **She warned that if this narrative falters**, it could lead to a "not pretty" situation, similar to the dotcom bubble burst in 2000

Global Equity Themes

- Artificial Intelligence
- Autonomous Vehicles
- Travel
- Obesity Drugs
- Defence
- US Banks

Are You Prepared To Make A Spectacle Of Yourself?

Meta Launches $799 Glasses With Screen and AI Integration

The Meta Ray-Ban Display glasses. *Photographer David Paul Morris/Bloomberg*

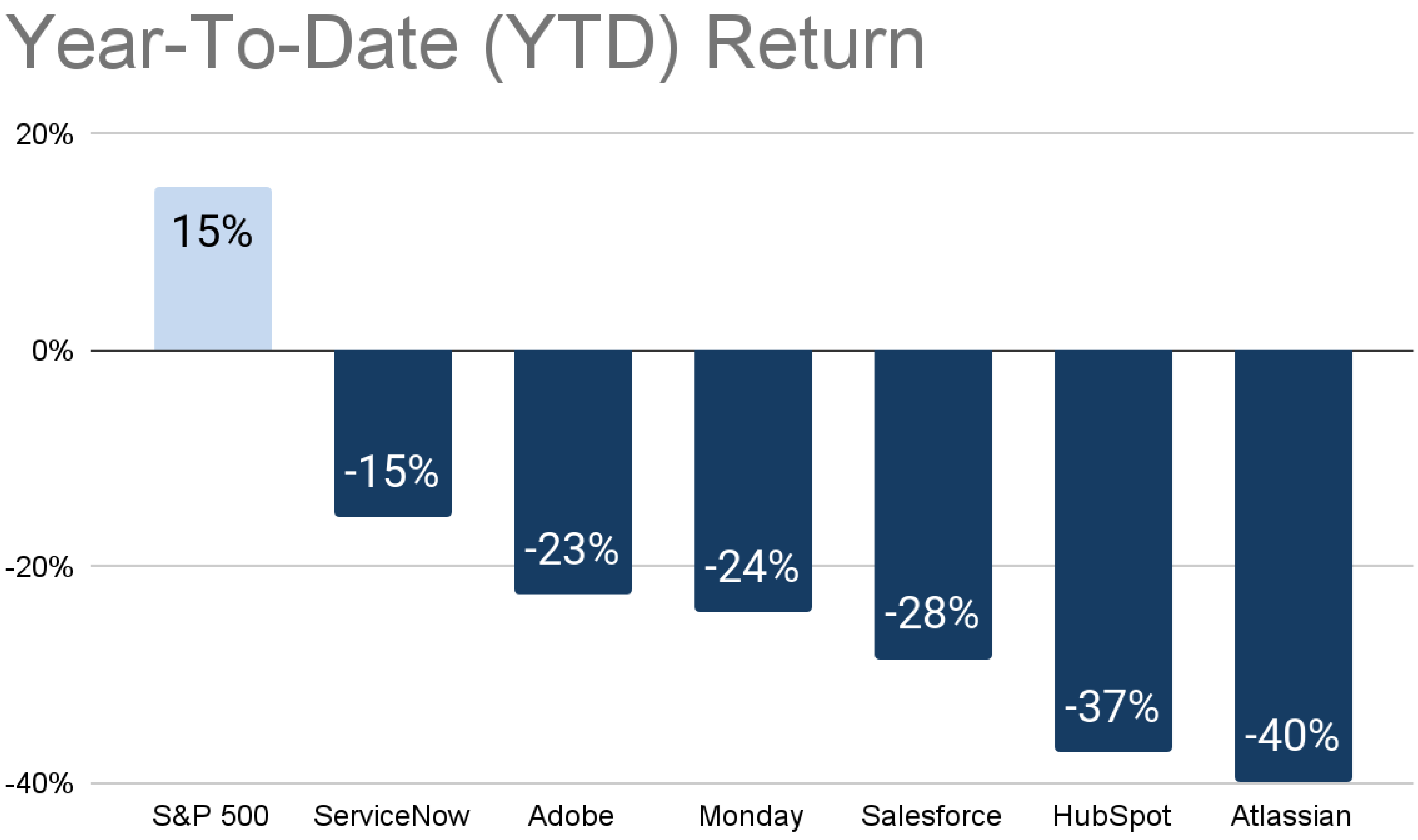
By Mark Gurman **+ Get Alerts**

Updated on September 18, 2025 3:08 AM

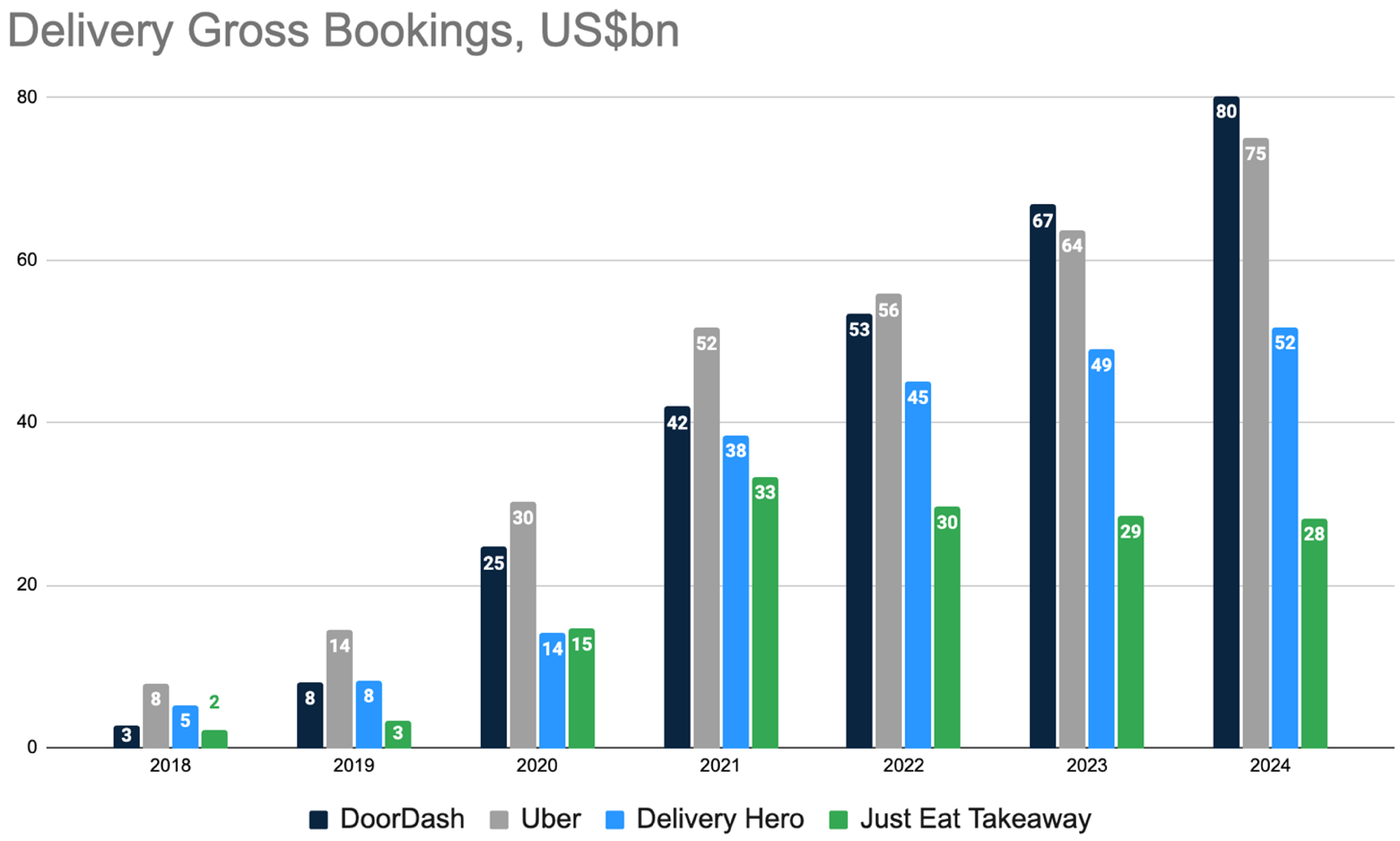
Meta Platforms Inc., seeking to turn its smart glasses lineup into a must-have product, on Wednesday unveiled its first version with a built-in screen.

Areas of AI Uncertainty - Software

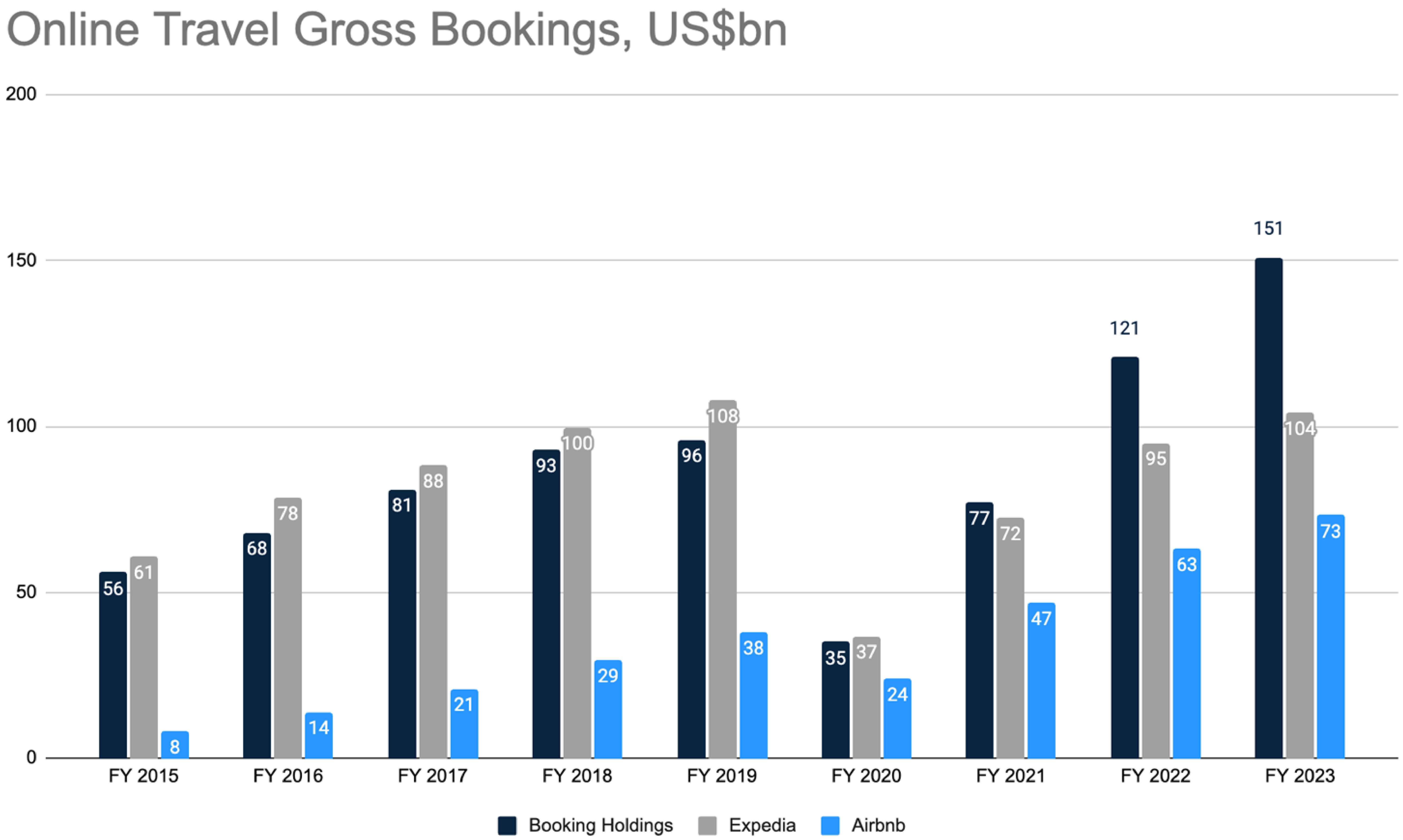
“Why pay you when AI can write the code for me?”



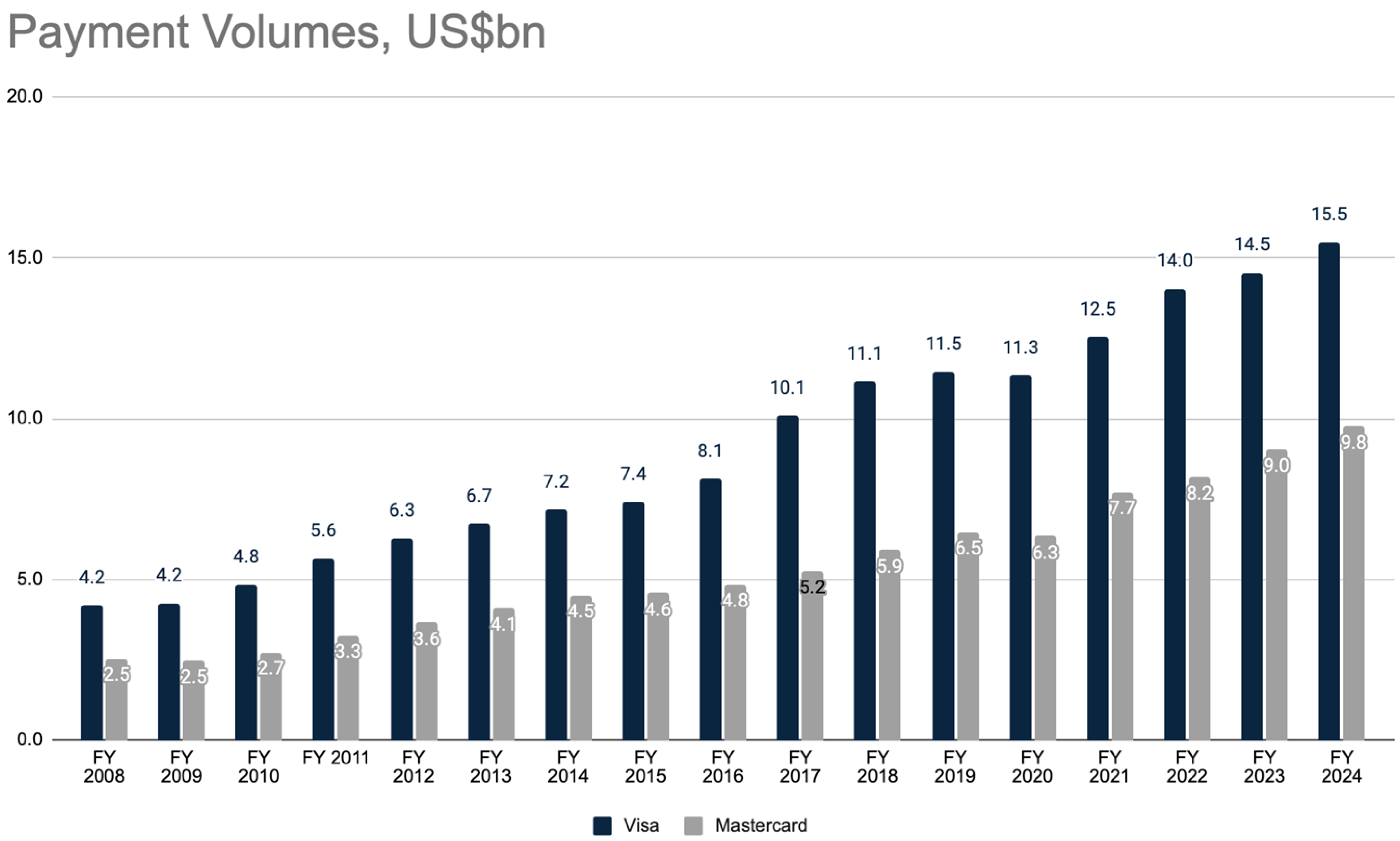
Food Delivery



Online Travel

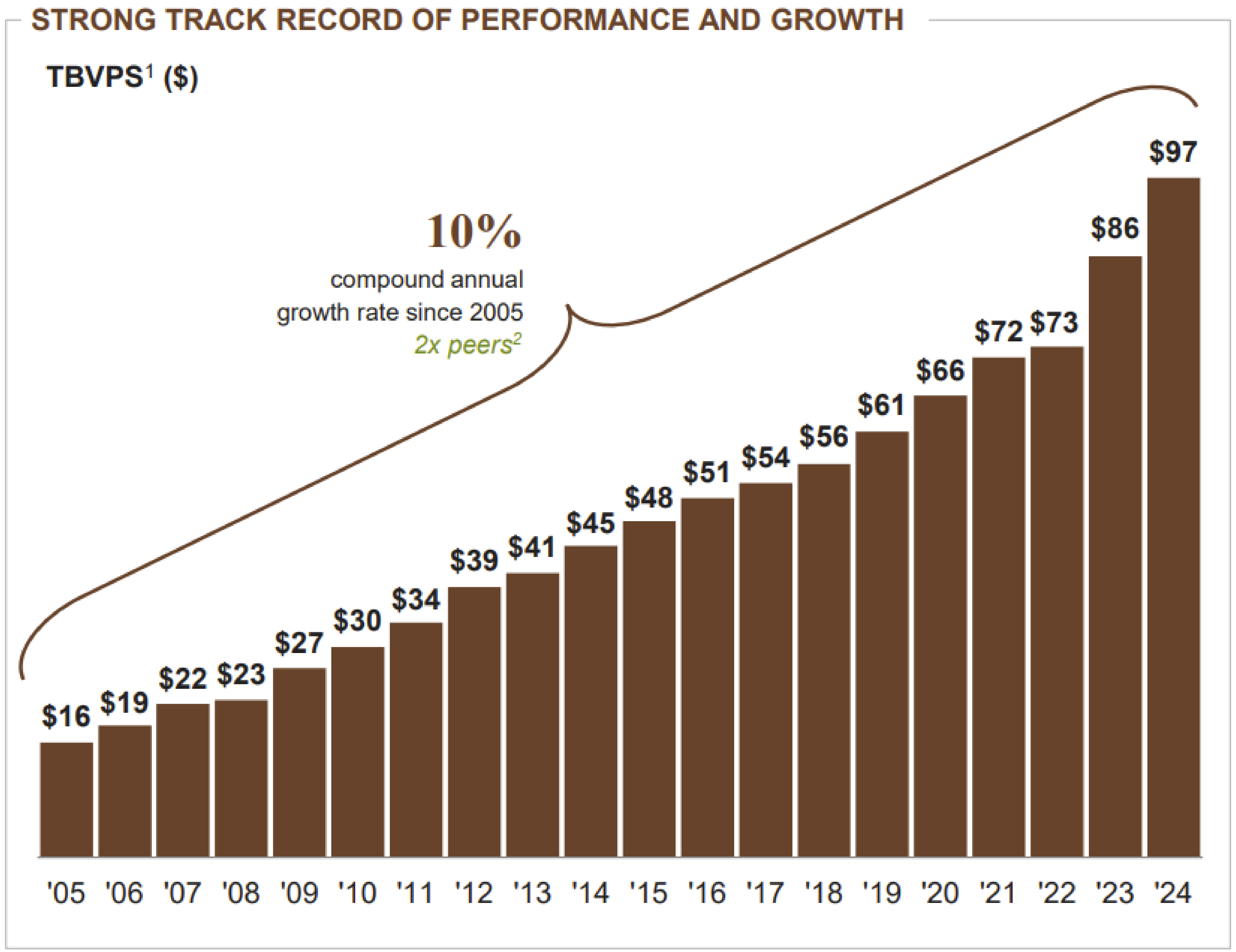


Payments

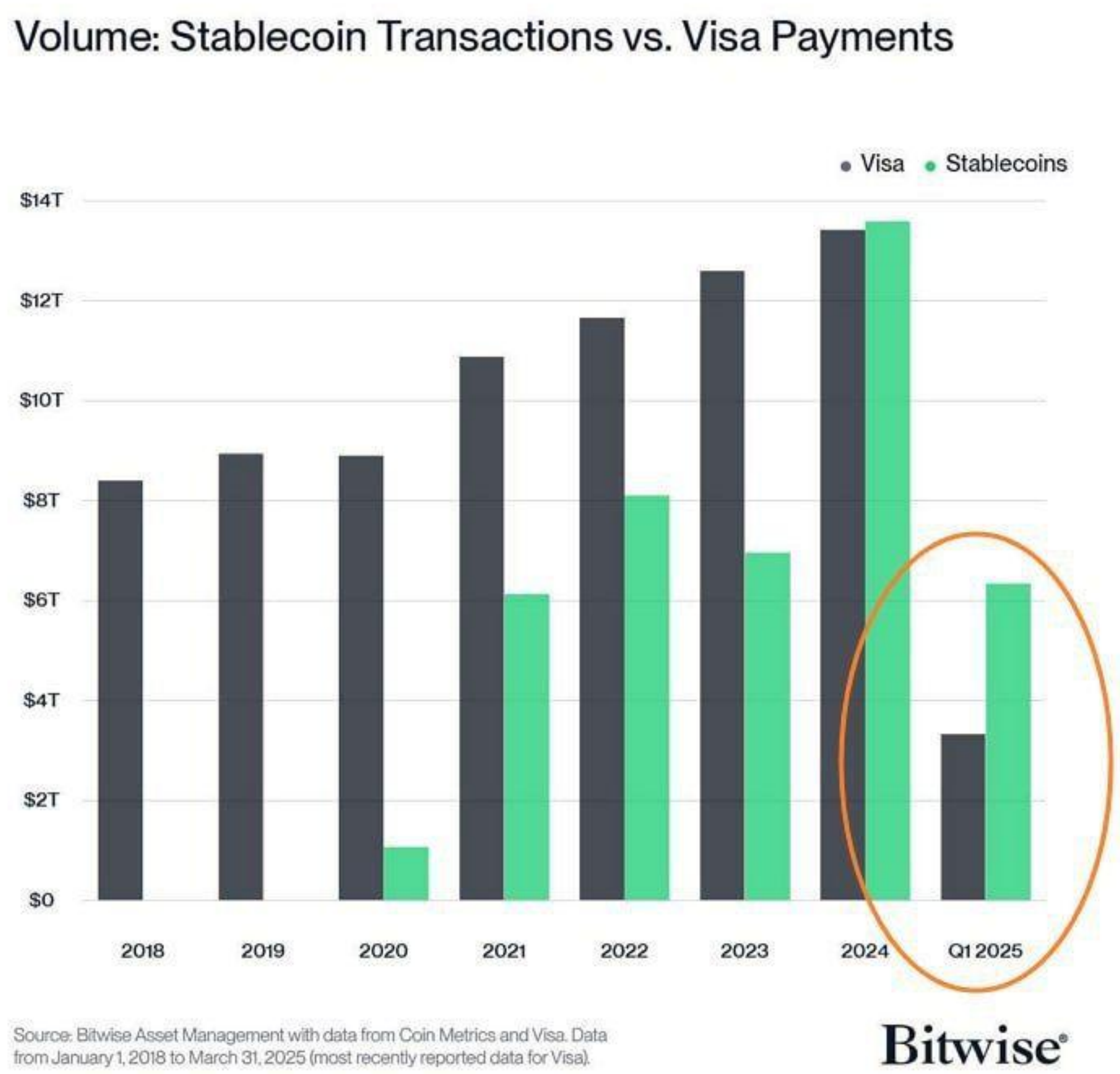


Payment Volumes, US$bn
20.0
15.0
10.0
5.0
0.0
4.2
2.5
4.2
2.5
4.8
2.7
5.6
3.3
6.3
3.6
6.7
4.1
7.2
4.5
7.4
4.6
8.1
4.8
10.1
5.2
11.1
5.9
11.5
6.5
11.3
6.3
12.5
7.7
14.0
8.2
14.5
9.0
15.5
9.8
FY 2008
FY 2009
FY 2010
FY 2011
FY 2012
FY 2013
FY 2014
FY 2015
FY 2016
FY 2017
FY 2018
FY 2019
FY 2020
FY 2021
FY 2022
FY 2023
FY 2024
Visa
Mastercard

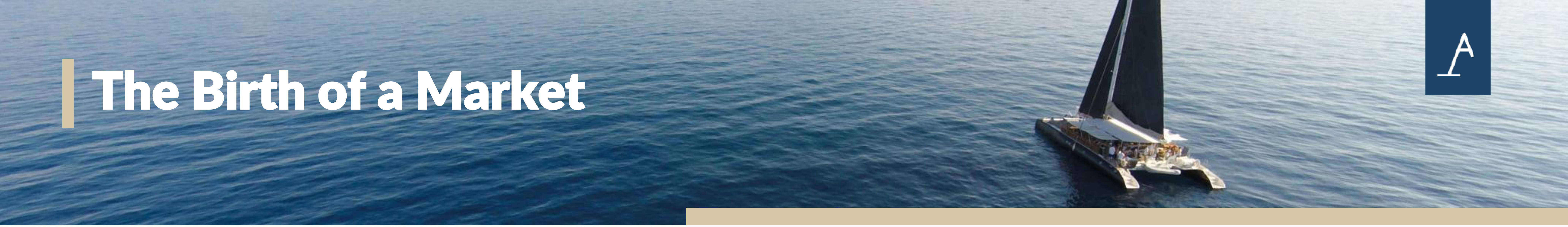
JP Morgan Book Value Per Share

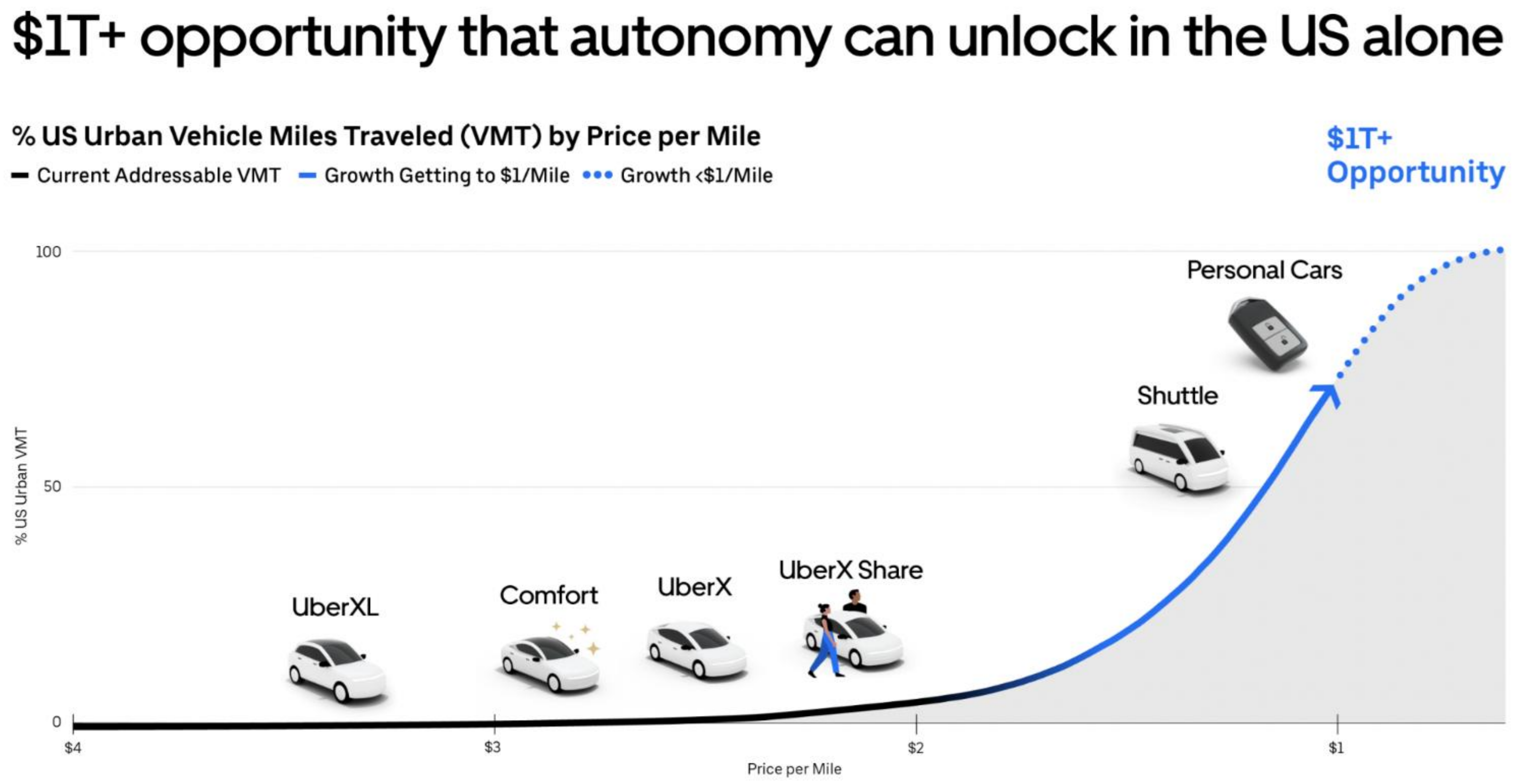


Stable Coins



The Birth of a Market

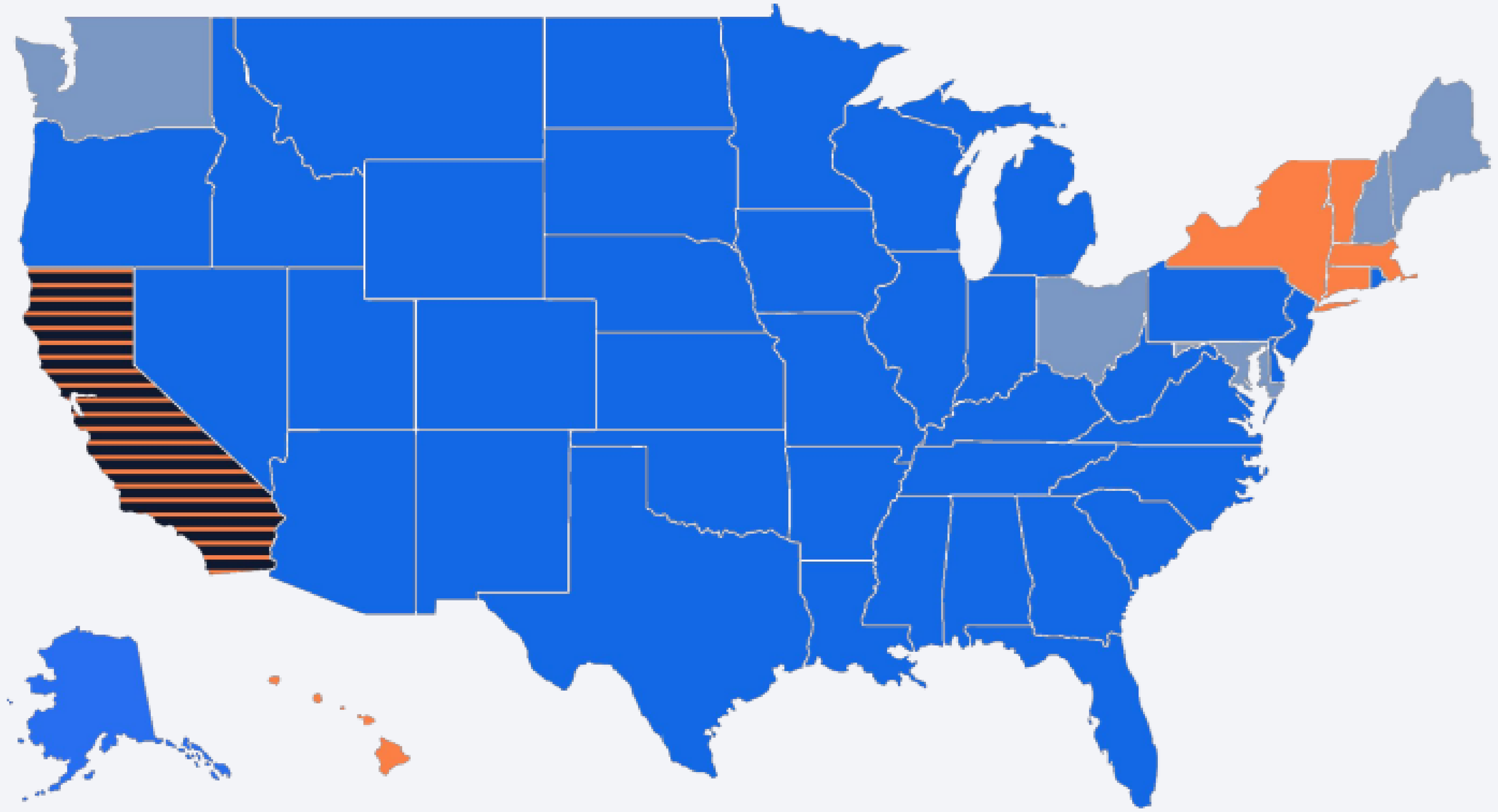




Autonomous Vehicles

Autonomous Vehicles

Under existing law and regulation, autonomous trucks can be deployed in the vast majority of U.S. states today, including our Texas launch market



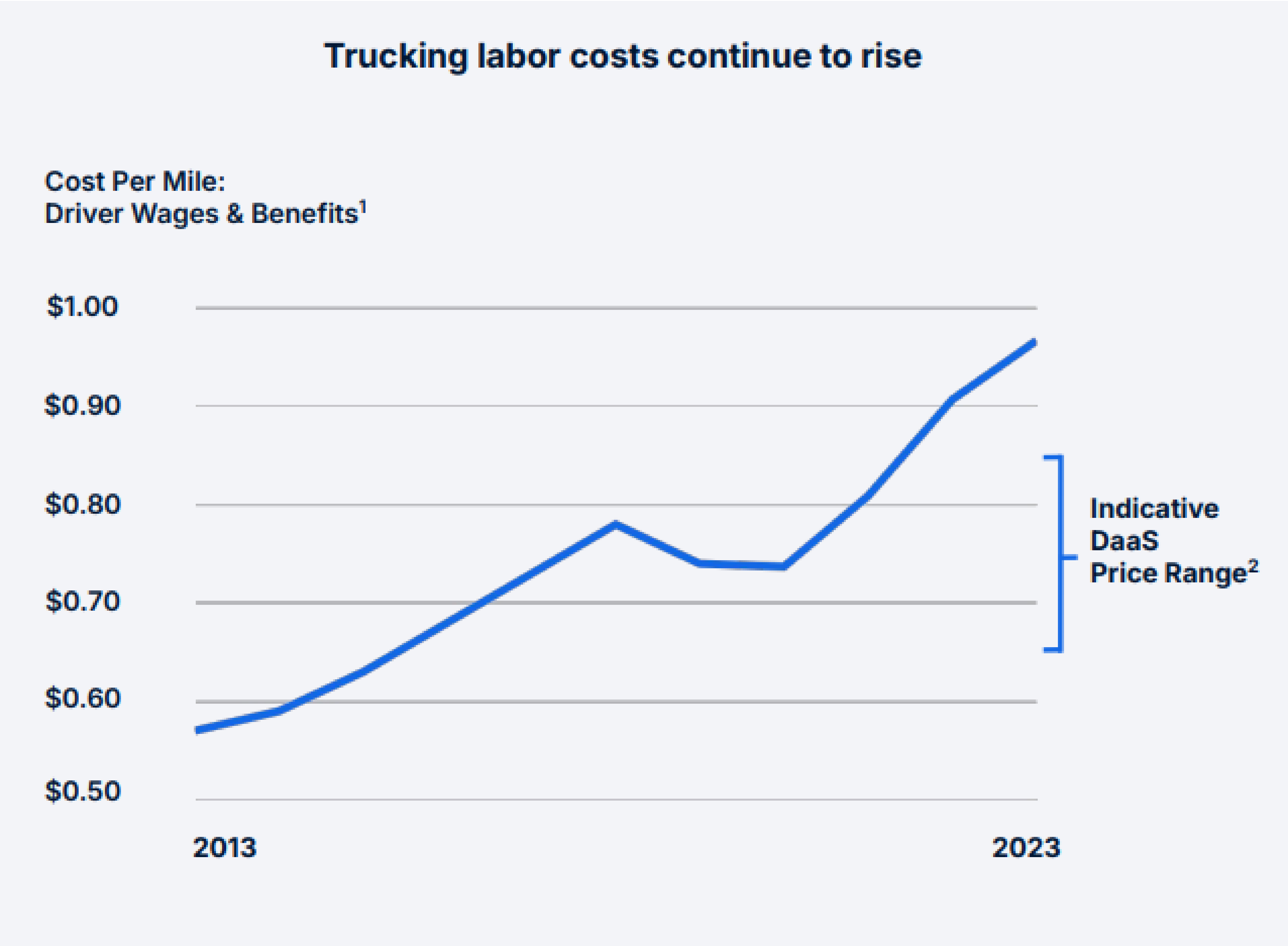
Deployment permitted | Testing permitted | Driverless operation prohibited | Autonomous trucking currently prohibited

Notes:

* 24 states expressly allow and 15 states implicitly allow the driverless deployment of autonomous trucks
* CA prohibits autonomous truck testing and deployment, but allows the testing and deployment of autonomous light vehicles. On August 30, 2024, CA requested informal public input on draft regulatory language for the testing and deployment of autonomous trucks
* LA allows autonomous truck deployment, but has no existing regulations regarding autonomous light vehicle deployment
* KY allows autonomous light vehicle deployment and autonomous truck testing; the driverless deployment of autonomous trucks is allowed starting August 2026

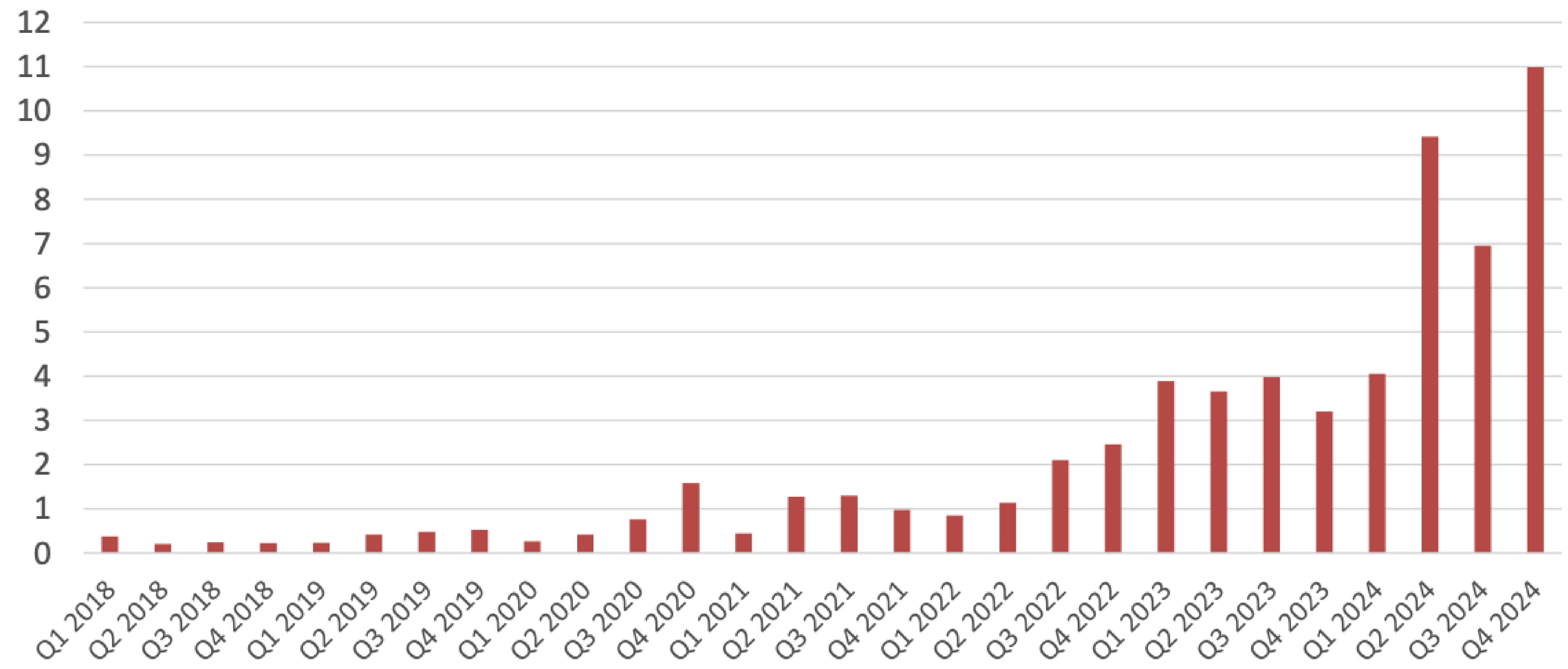
SOURCES: Venable; Aurora Analysis LAST UPDATED: 10/21/2024

Autonomous Vehicles



Tesla

Example Of Optionality In Many US Stocks

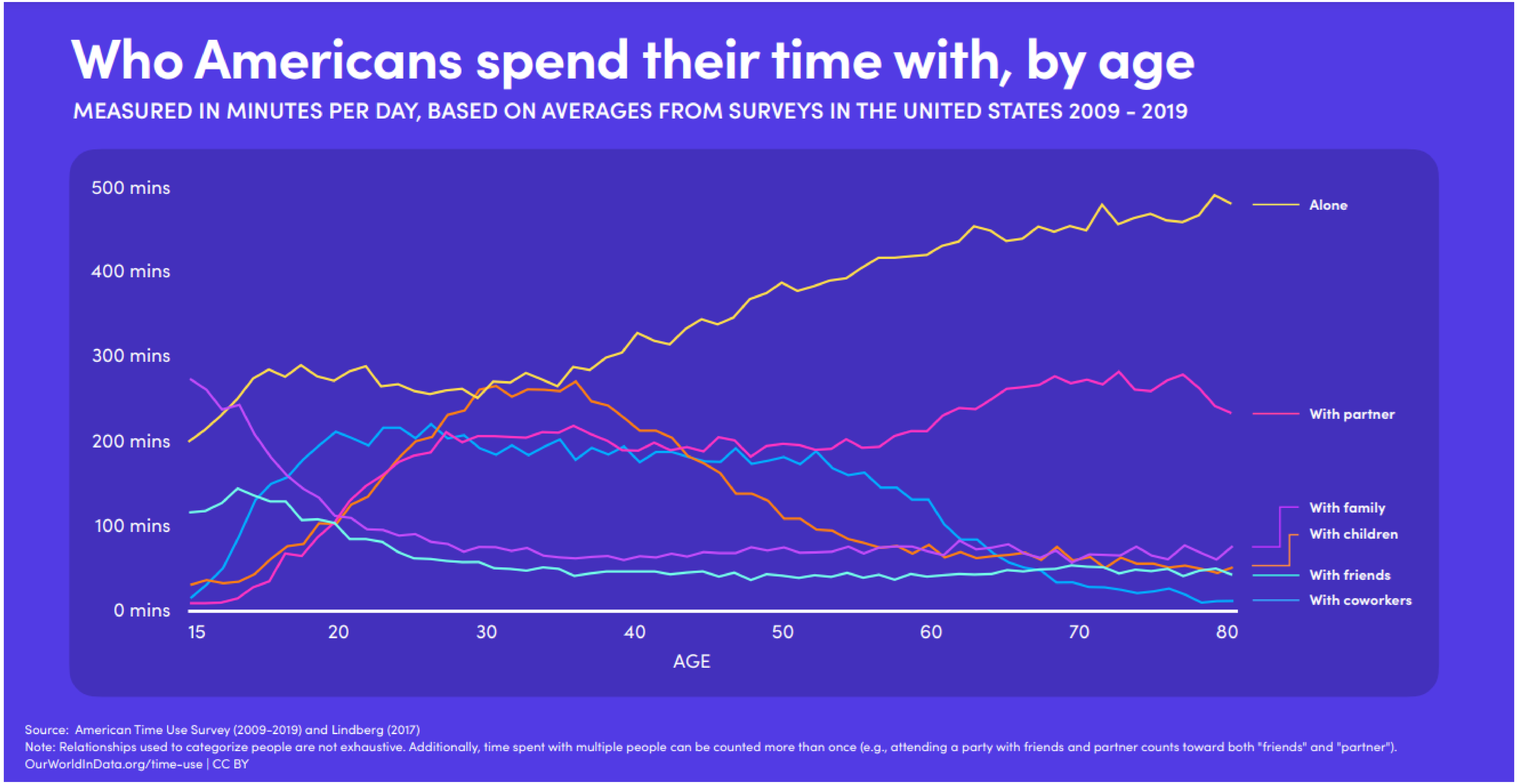


Energy Storage deployments (GWh)

Tesla's Energy Storage Deployments up 244% YoY in 4Q24.

This business has grown 10-fold in about 2 ½ years.

Online Dating



Some Interesting Ideas

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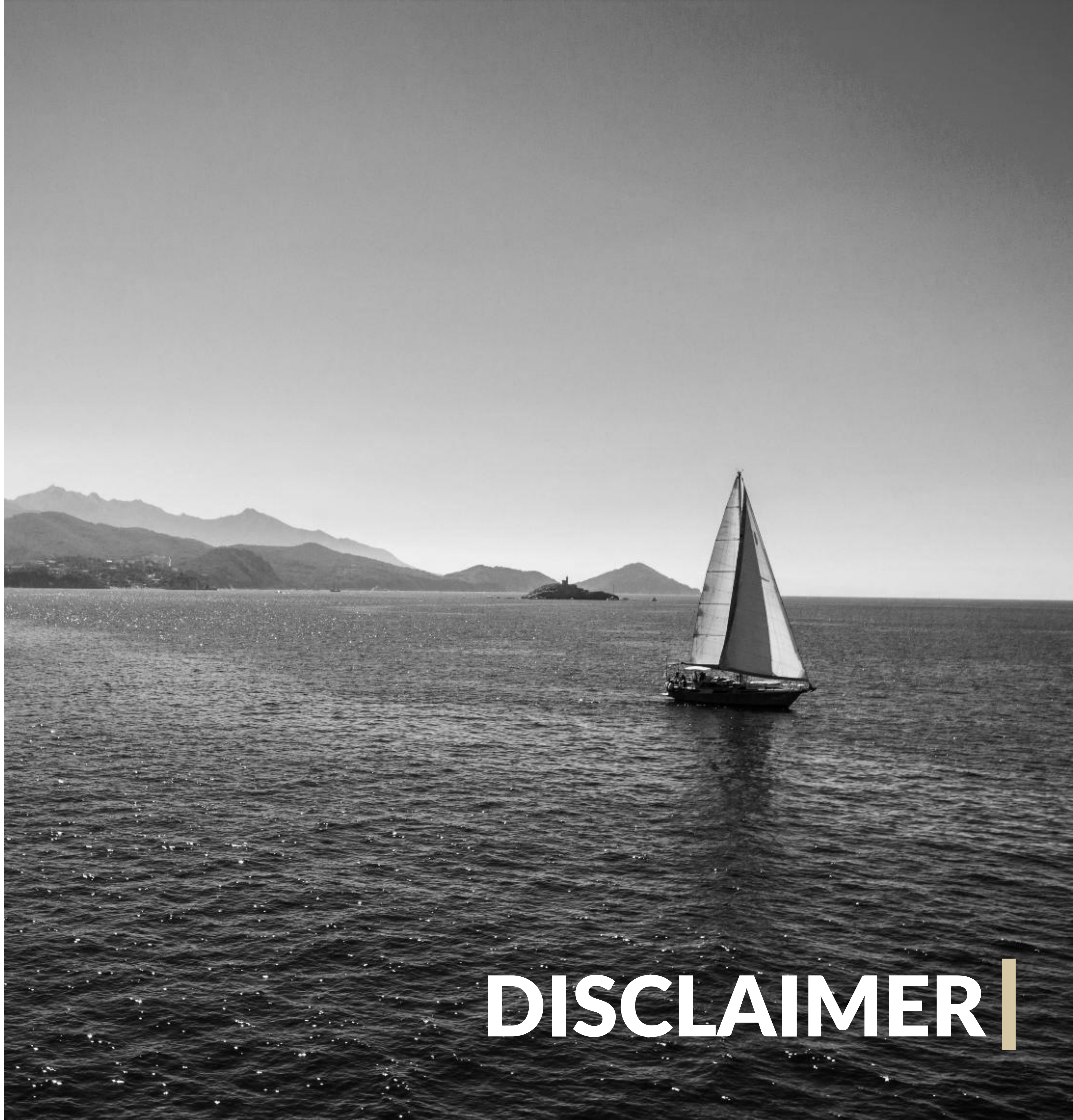

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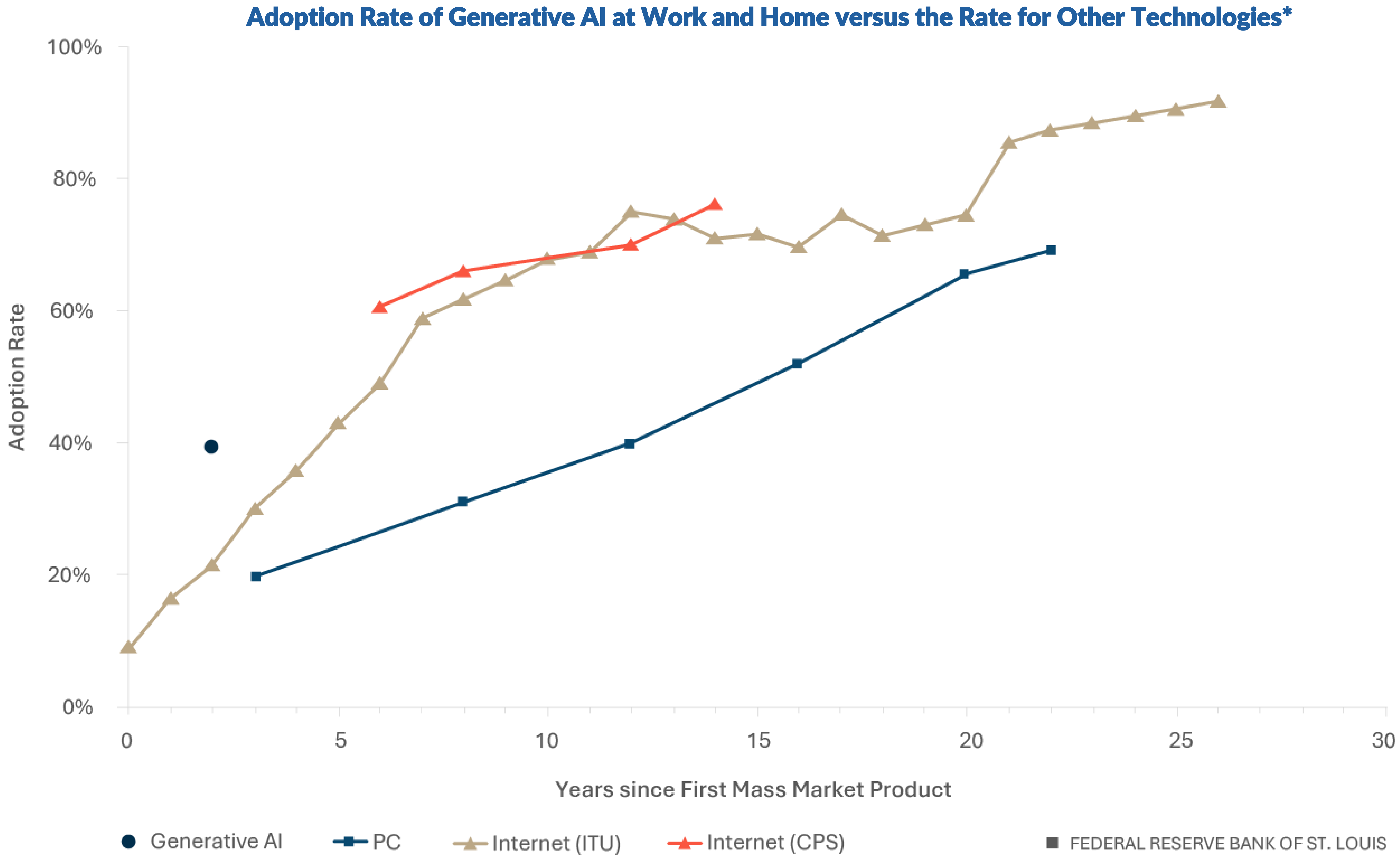
David Gibb

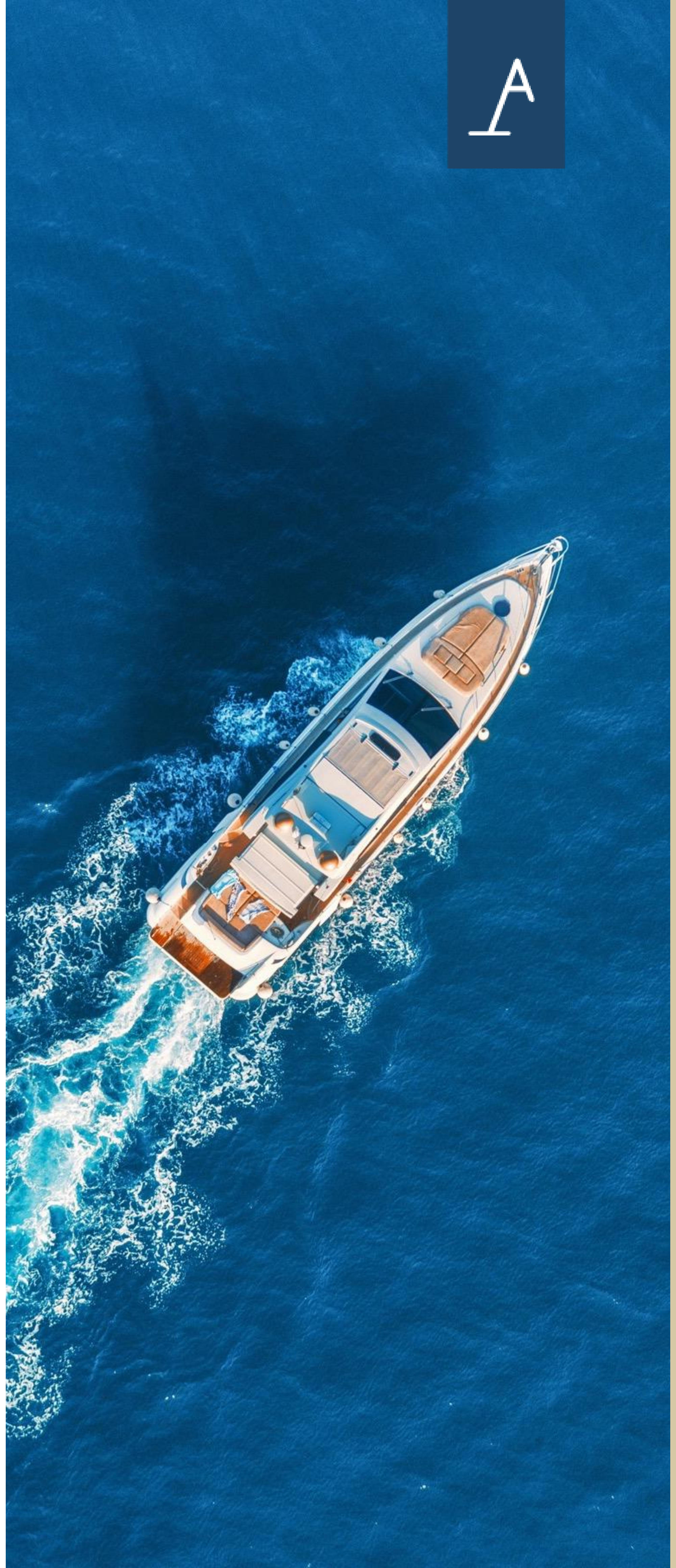
AI Capex

Where The Money Will Be Made 4Q25

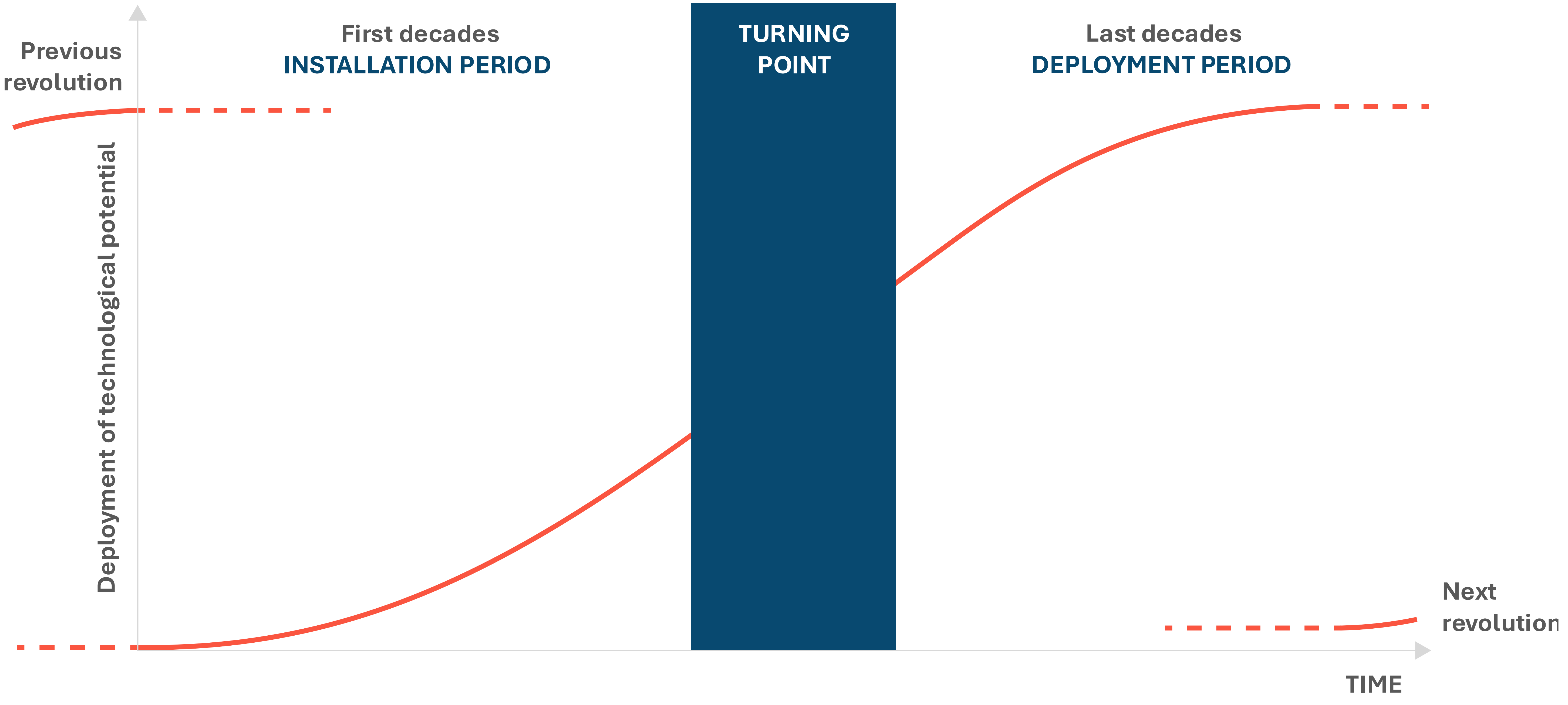
OCTOBER 2025

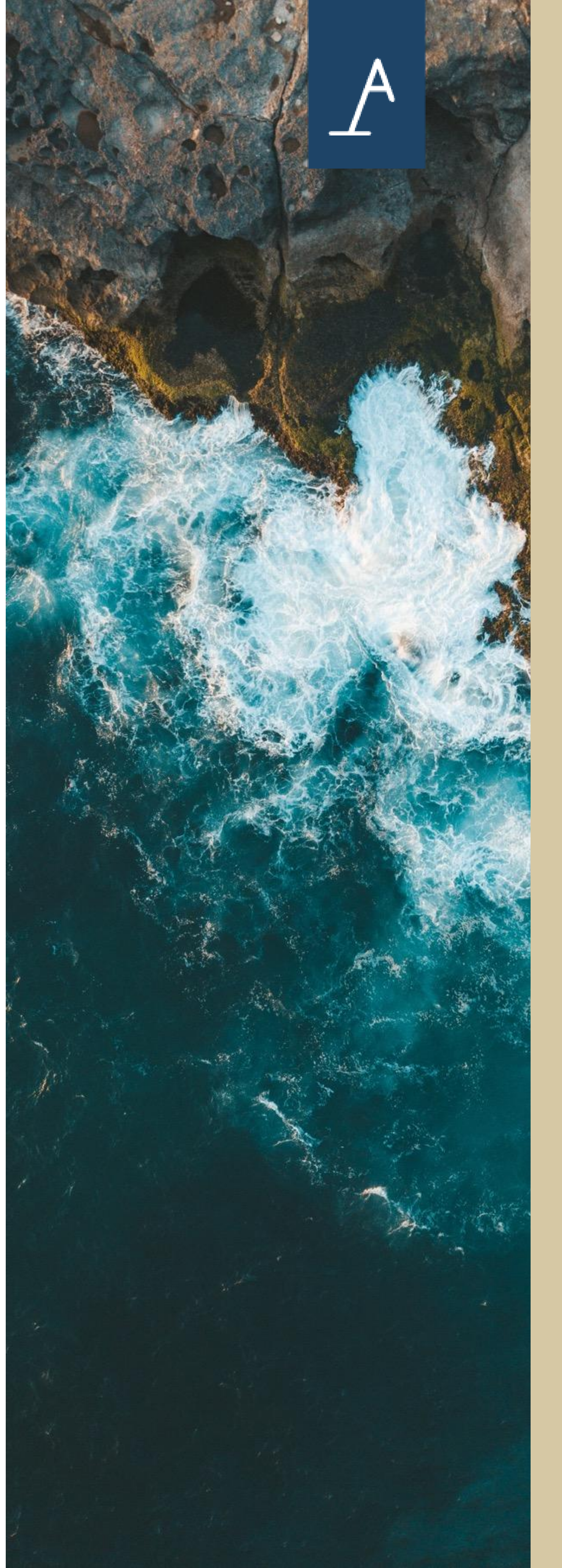
Adoption Rate for AI



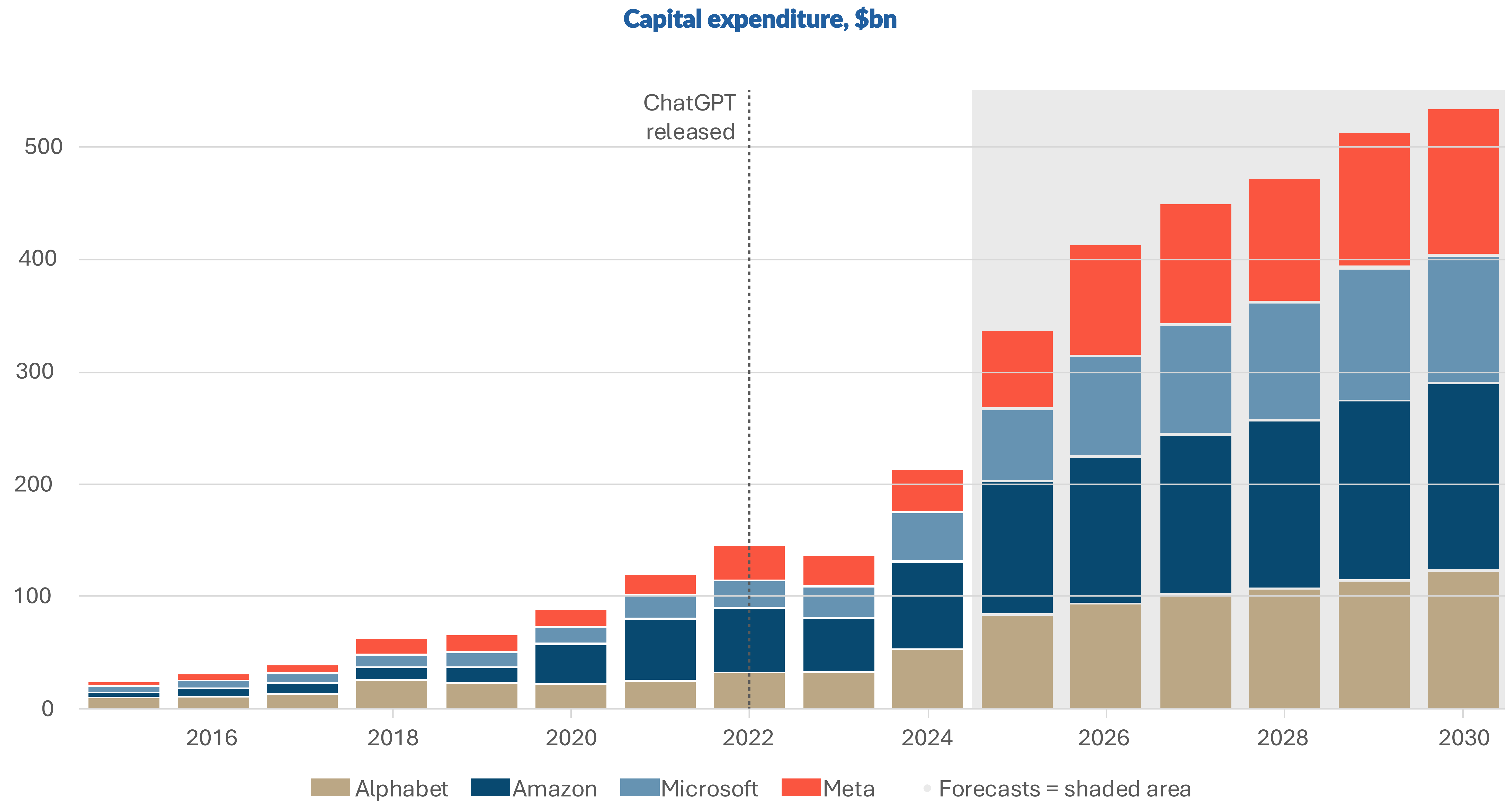


The Trajectory of Technological Revolutions is an S-Curve with Two Very Different Periods



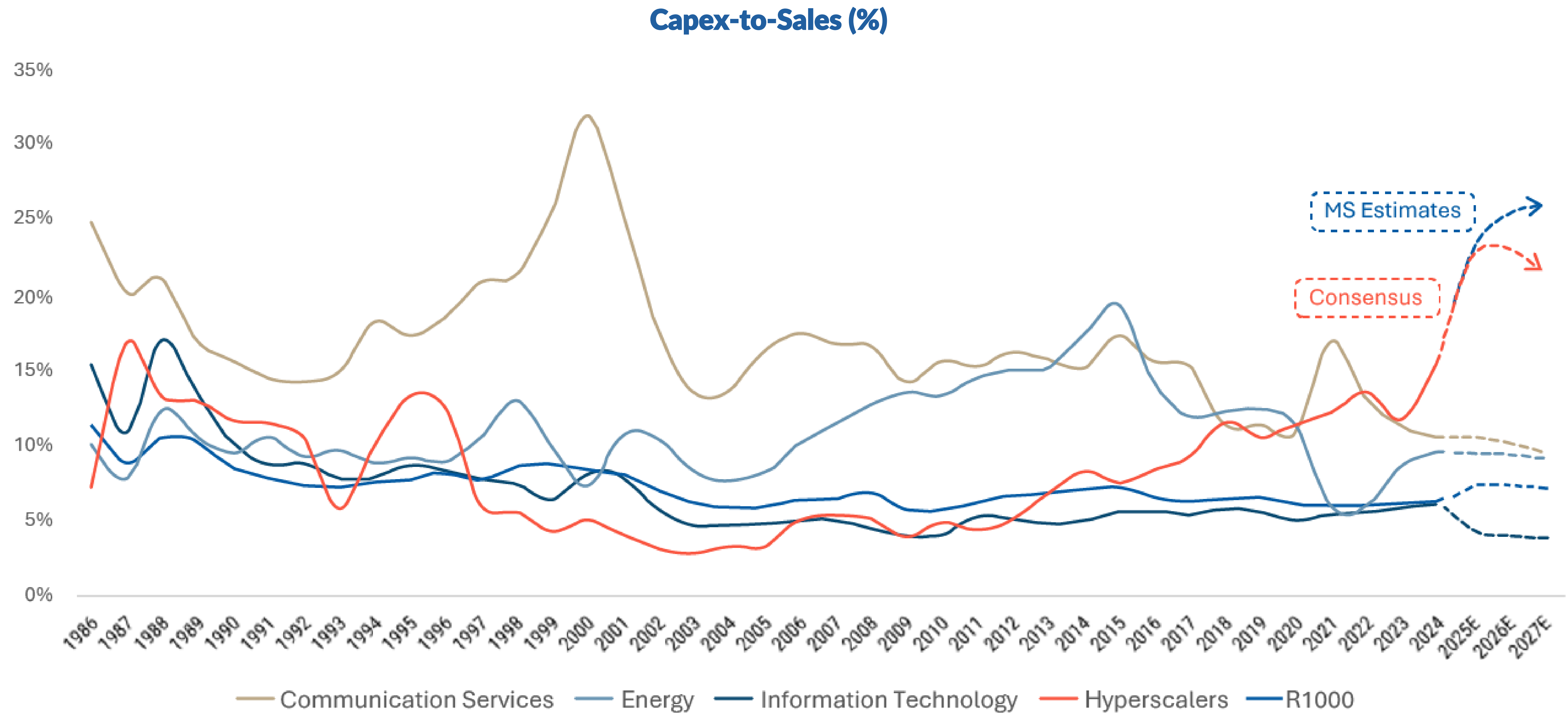


Big Tech's Spending Boom



 | Source: 10-K filings, S&P Global Market Intelligence

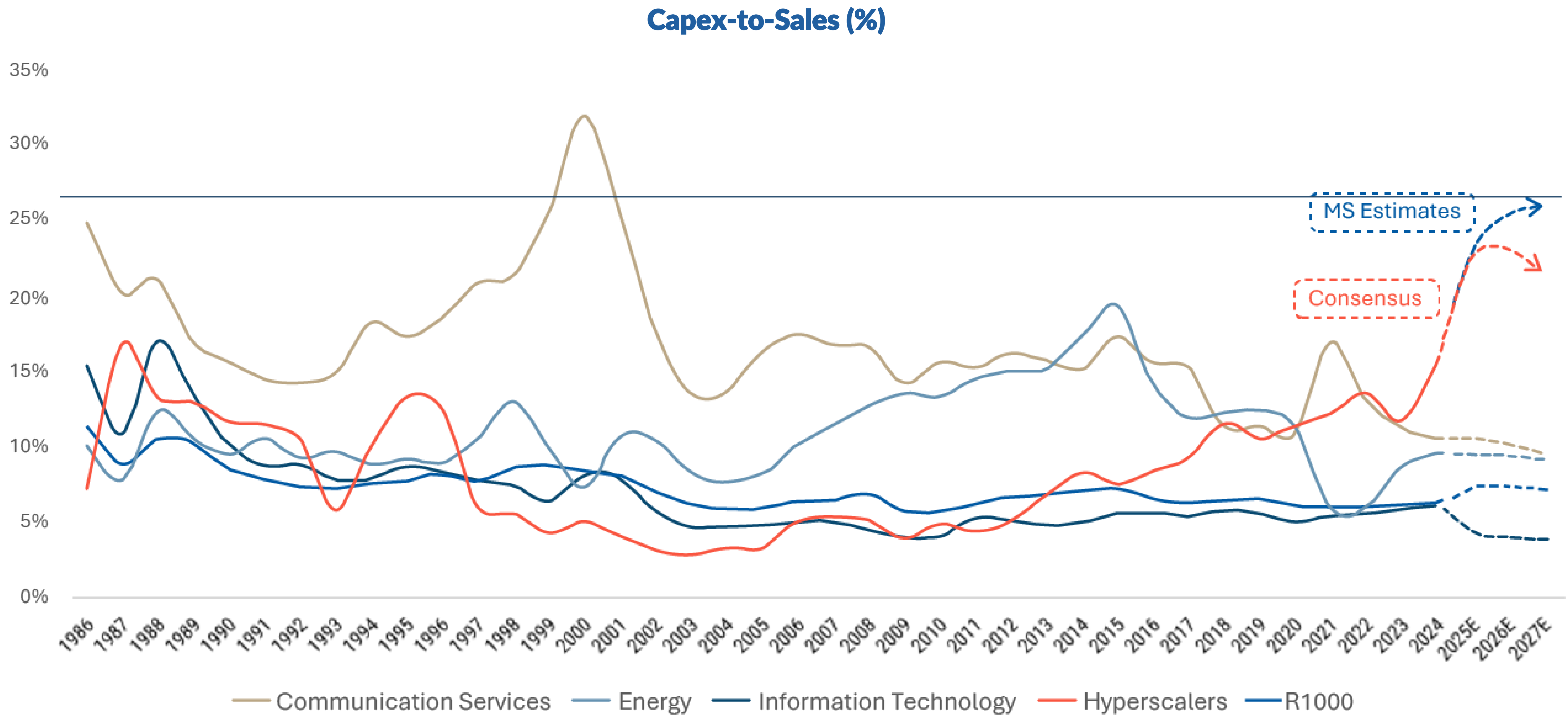
Hyperscalers’ Capex Investment Trending Towards Previous Dot-com Peak



Note: The hyperscalers group includes AMZN, GOOGL, MET A, MSFT, & ORCL and are excluded from the other sector groups. RI 000 excludes Real Estate and Financials. ORCL forecast and latest reported figures are not updated post latest earnings.

 Source: Morgan Stanley Estimates and FactSet.

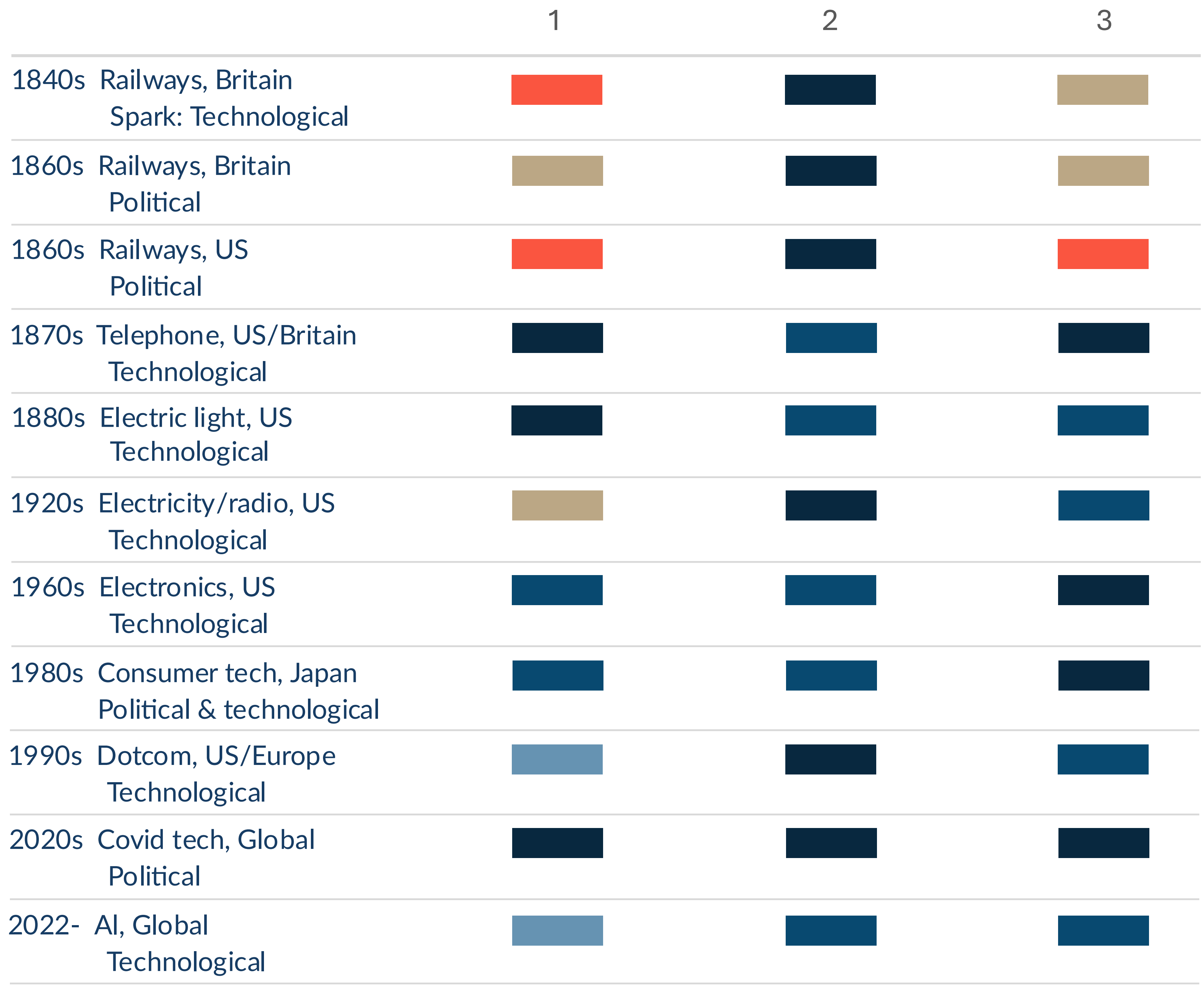
Hyperscalers' Capex Investment Trending Towards Previous Dot-com Peak



Note: The hyperscalers group includes AMZN, GOOGL, MET A, MSFT, & ORCL and are excluded from the other sector groups. RI 000 excludes Real Estate and Financials. ORCL forecast and latest reported figures are not updated post latest earnings.

A history of the next big thing

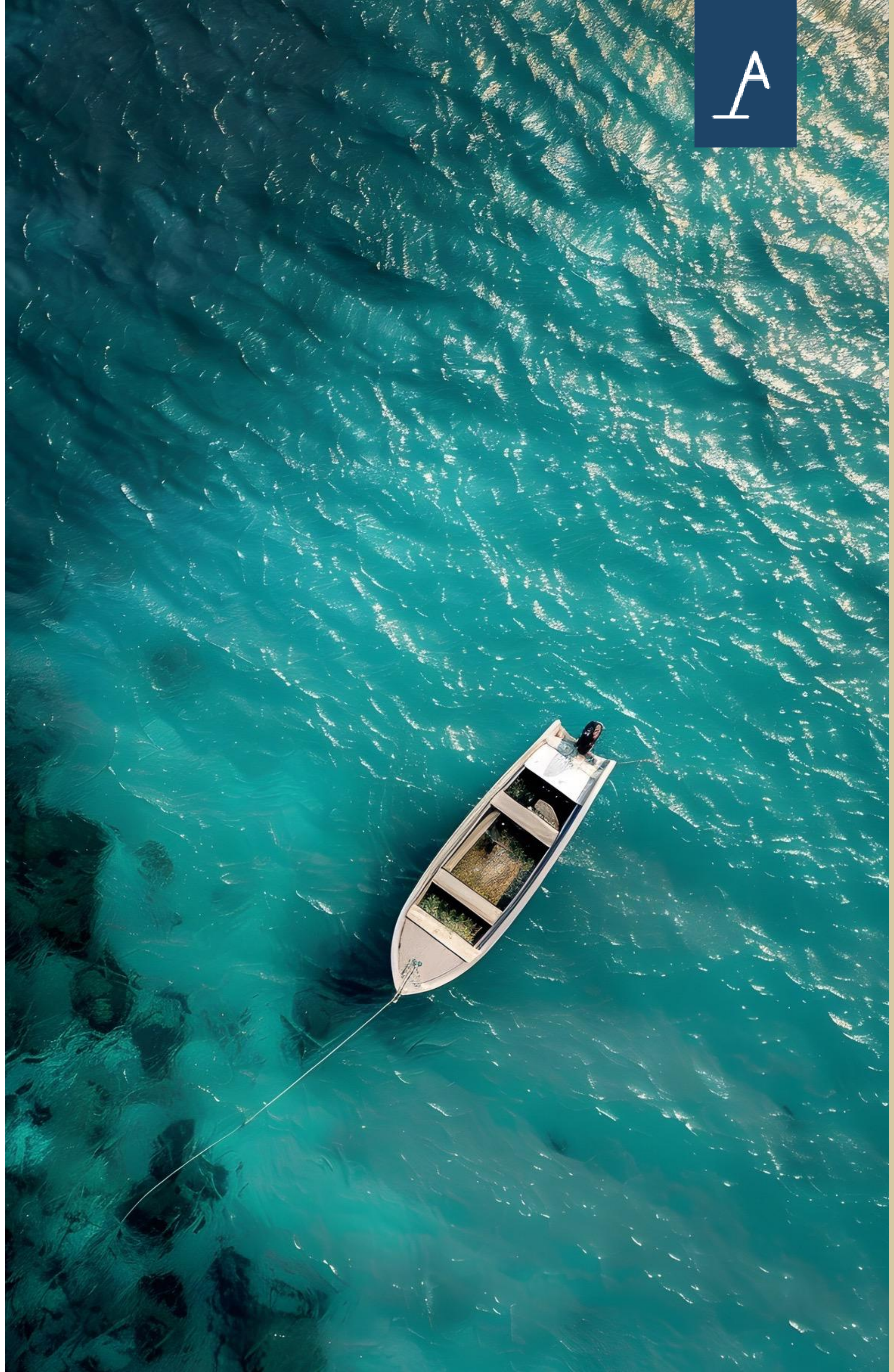
Selected tech bubbles, estimated impact



Low High

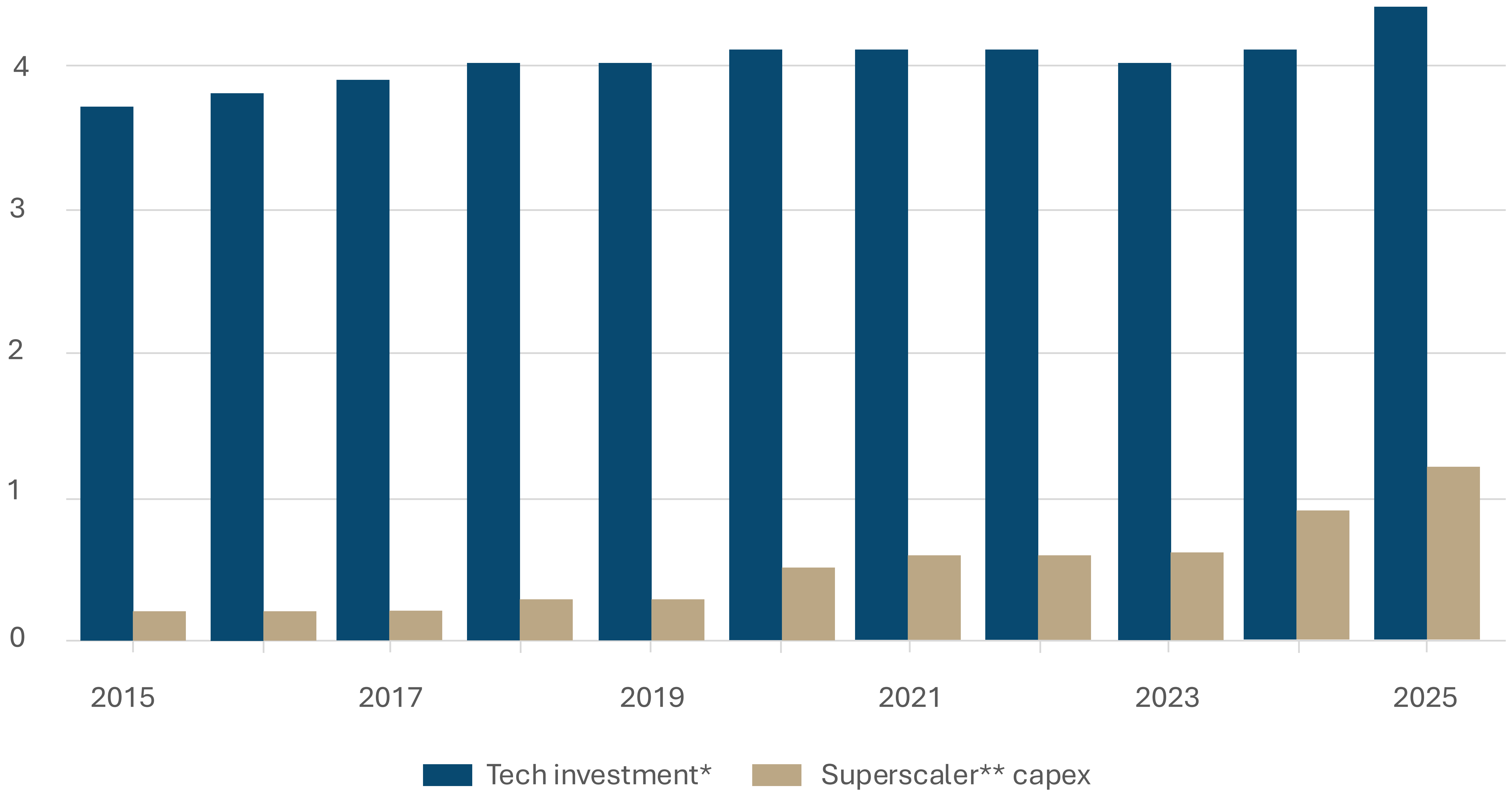
1. Capital expenditure as% of GDP *
2. Asset durability Depreciation rate of investments
3. Systemic risk Links to rest of economy

*Over a five-year adjusted period

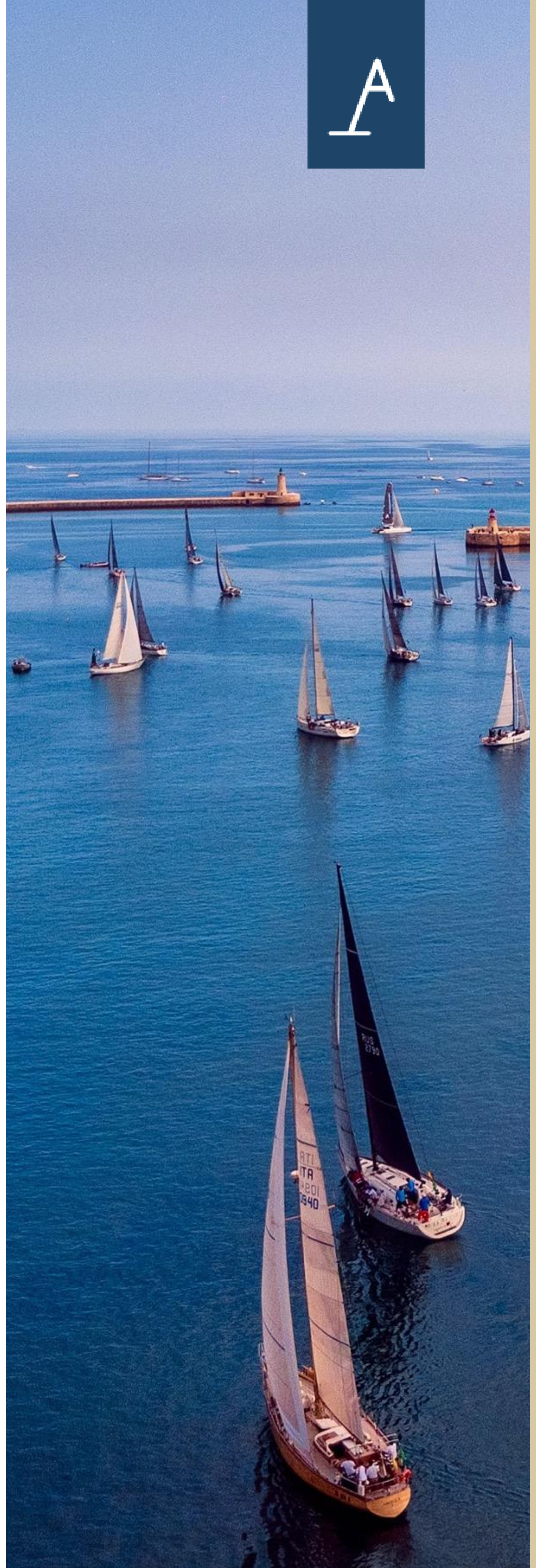


 Census Bureau;" Engines That Move Markets", by A. Nairn, 2018; NBER; Odlyzko, 2024; OECD; "Boom and Bust", by J.D. Turner and W. Quinn, 2020; UBS; World Bank; The Economist

Silicon Mountain
% of Nominal GDP



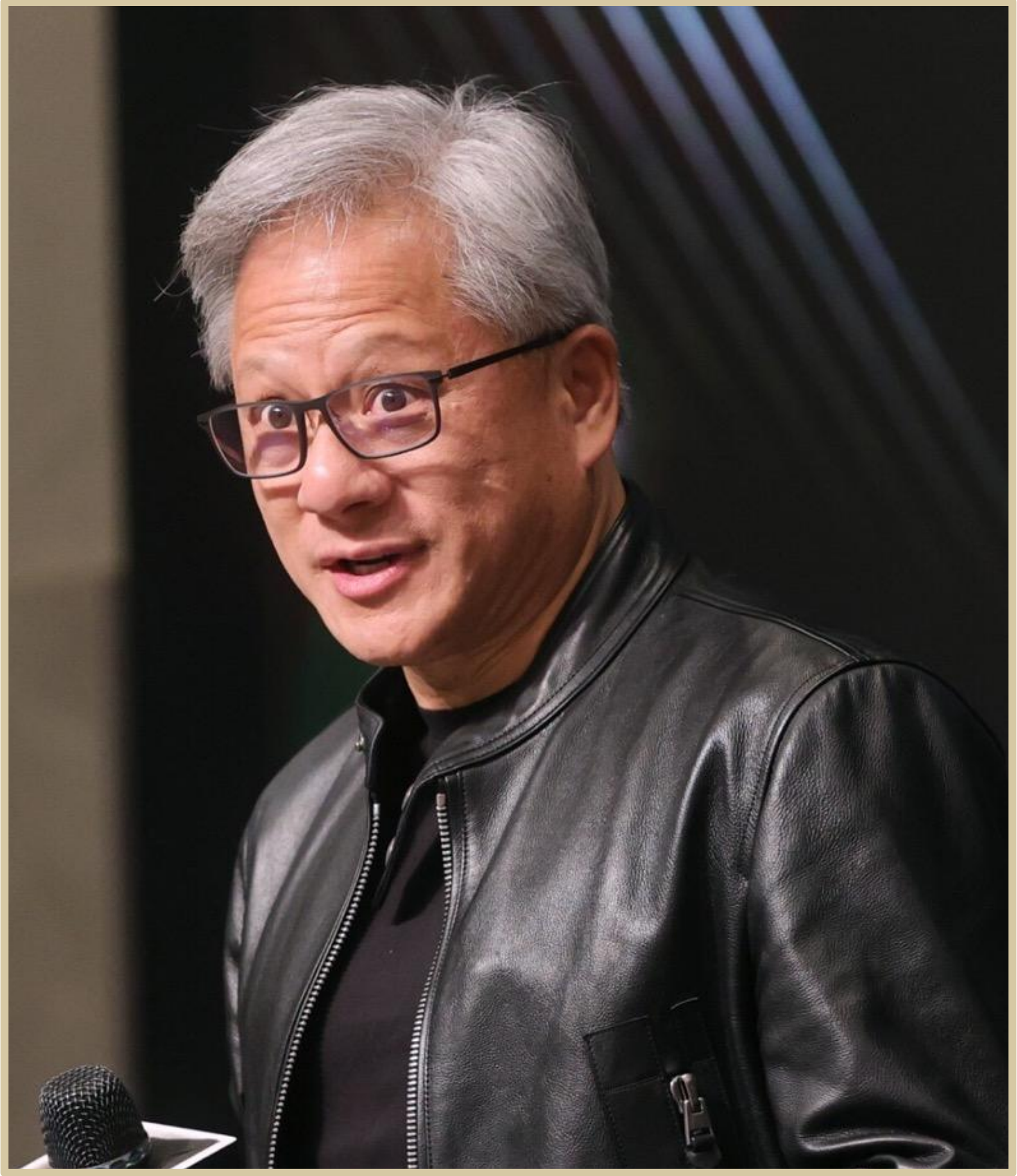
2025 data is for the first half. Fixed investment in information processing equipment and software.
* Alphabet, Amazon, Meta, Microsoft Oracle and Tesla.



The Managers

Sundar Pichai, Andy Jassy, Satya Nadella

The Conductor



Jensen Huang,

The Mavericks

Elon Musk, Sam Altman, Larry Ellison, Clay Magouyrk

OpenAI Becomes World's Most Valuable Private Company

Company	Valuation	Country
OpenAI	**$500B**	**US**
SpaceX	400	US
ByteDance	220	China
Anthropic	183	US
Ant Group	150	China
Reliance Retail	100	India
Databricks	100	US
Shein	66	China
Stripe	65	US
Reliance Jio	58	India

Source: Crunchbase, Bloomberg reporting

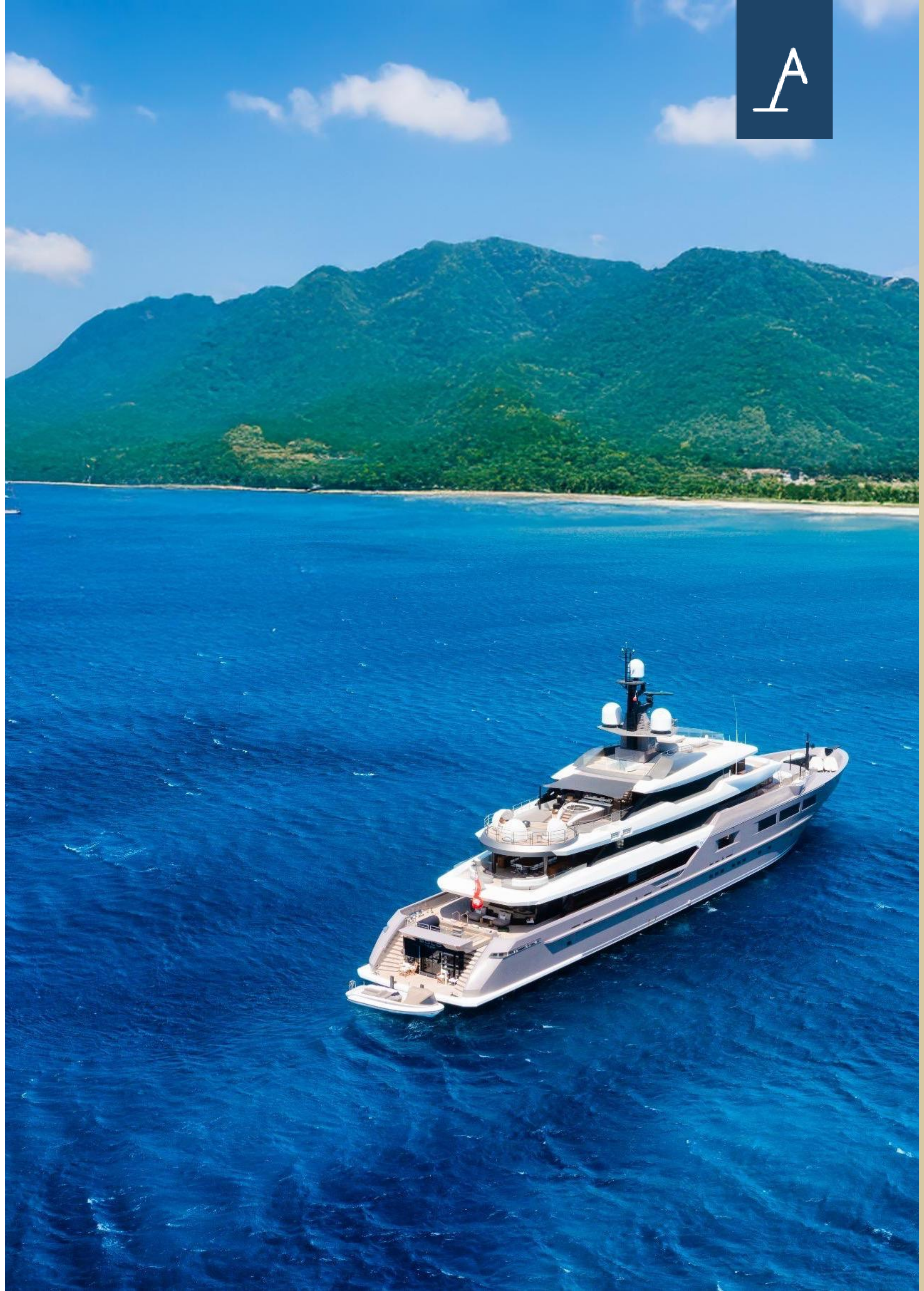
OpenAI – Large User Base
With Revenues Still To Come

2025

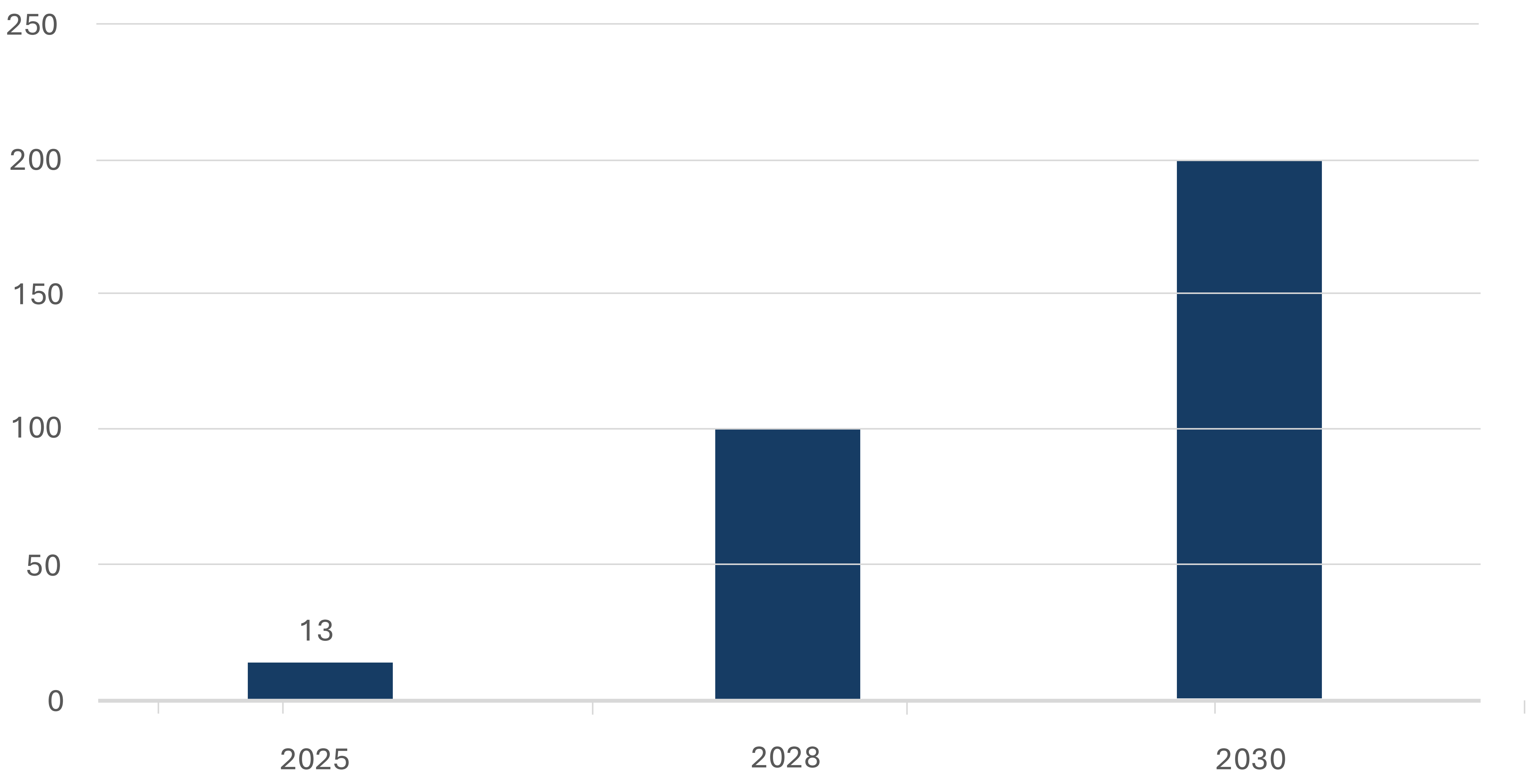
4M
DEVELOPERS

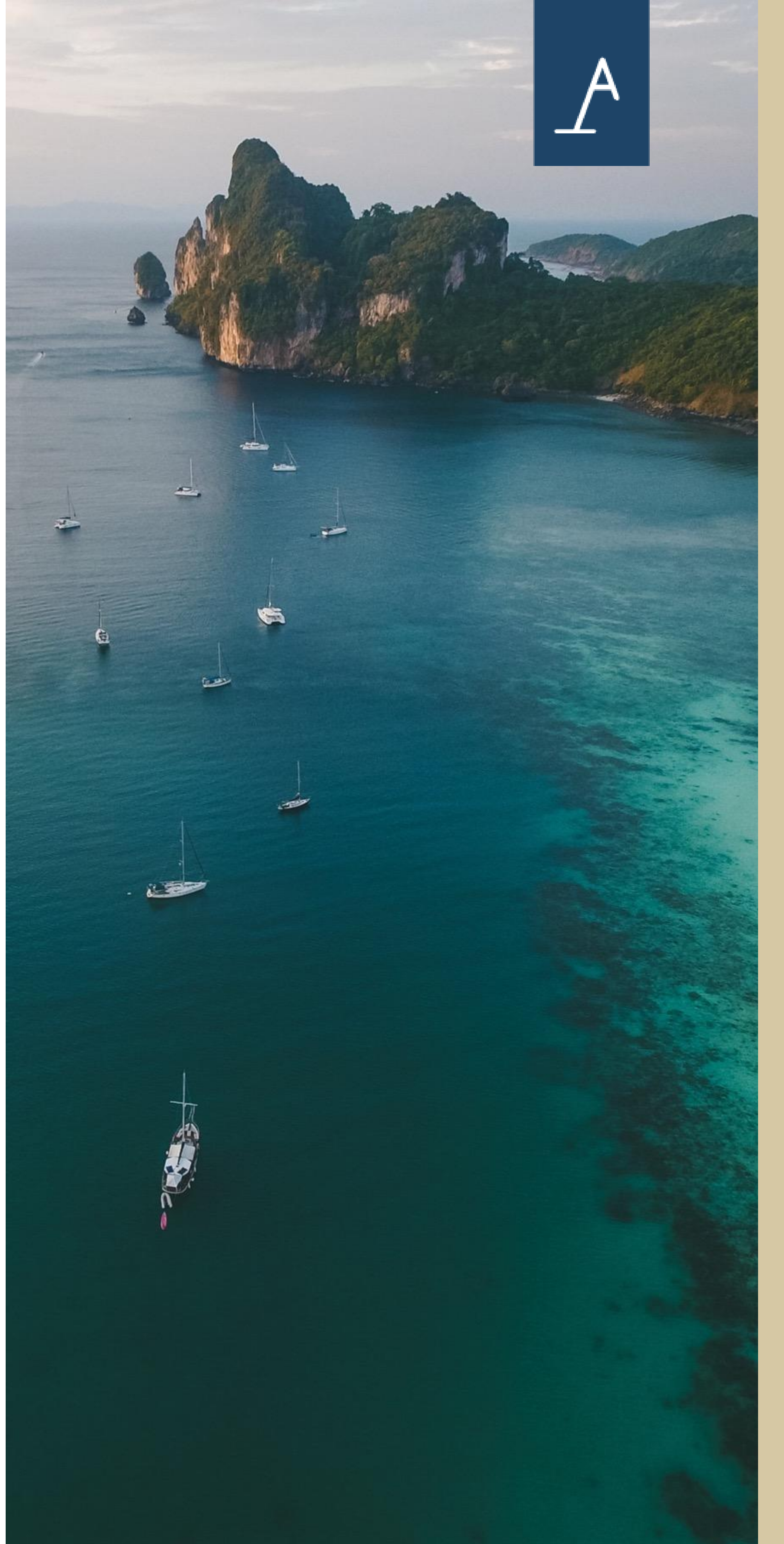
800M+
WEEKLY CHATGPT USERS

6B
TOKENS PER MINUTE ON OUR API



OpenAI sales projections (bn)

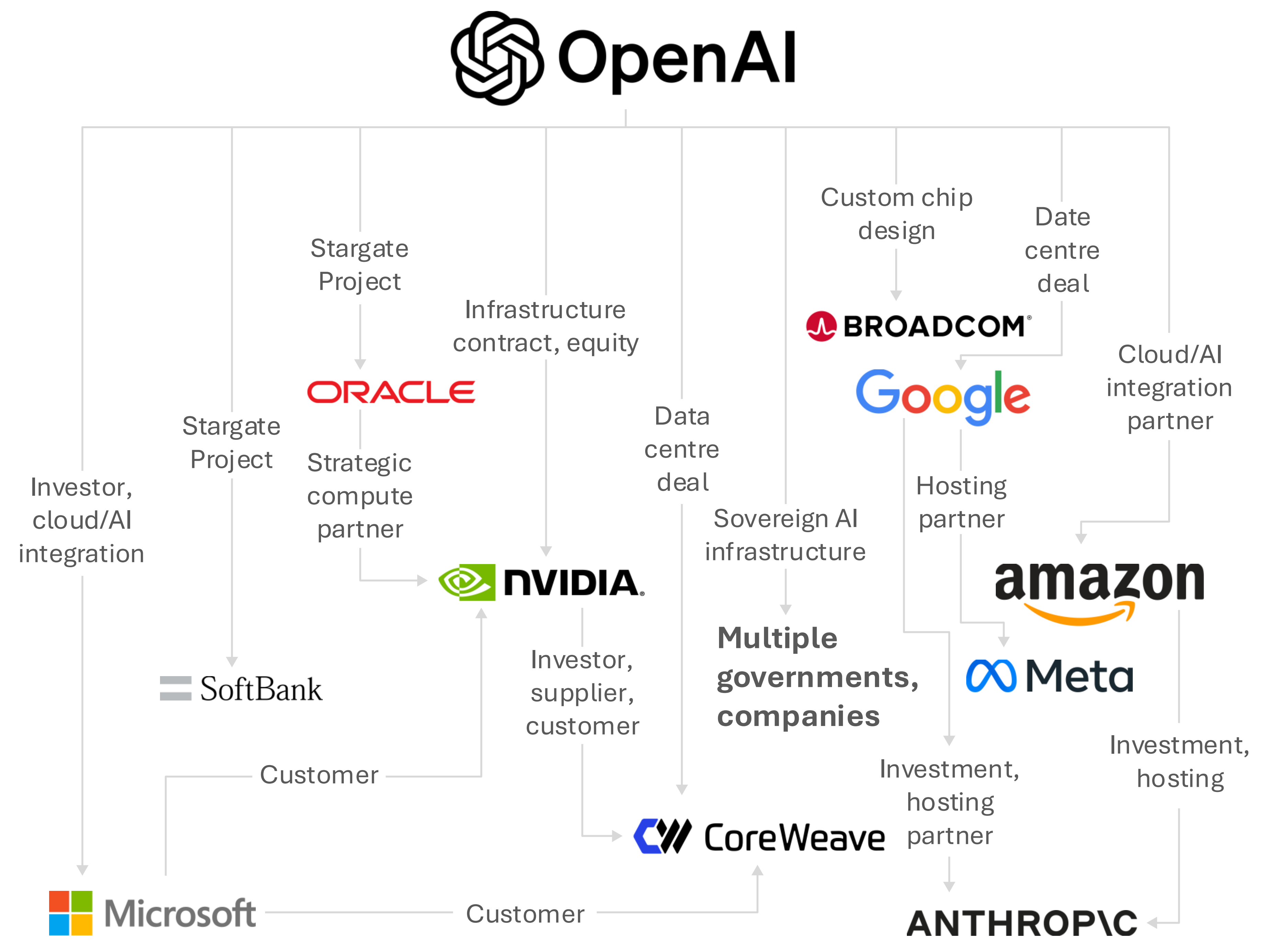


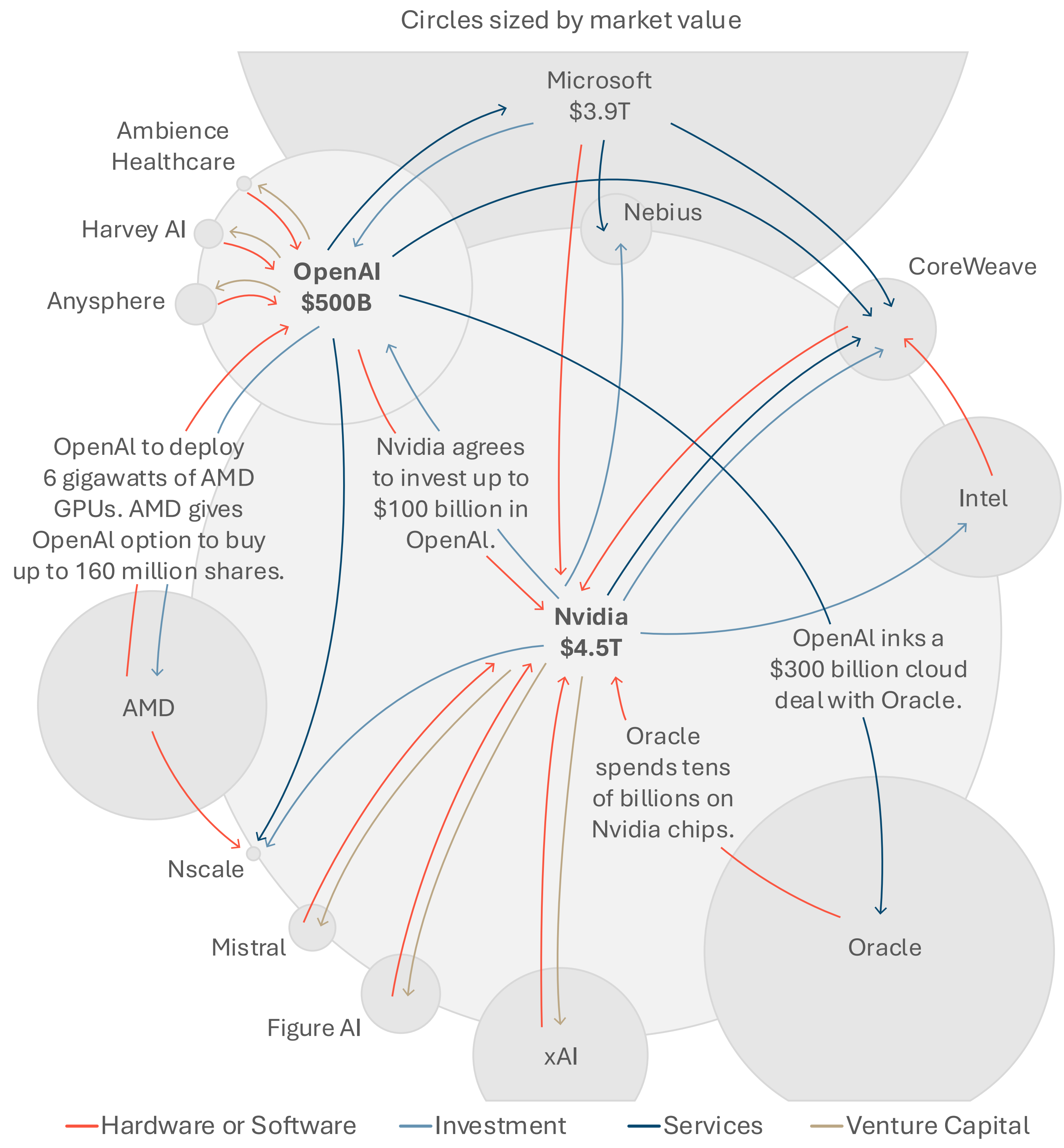


OpenAI Major Related Capex

Date	Counterparty	Description	Power capacity	Value	Implied DC Capex
Oct-25	AMD	OpenAI buying MI450 chips from AMD over multi years, with potential for 10% stake	6GW	Not disclosed	$300bn
Sep-25	Nvidia	Nvidia investing $100bn in OpenAI over next decade, co's to deploy 10GW	7GW	$100bn	$350bn
Sep-25	Oracle	OpenAI buying $300bn compute capacity from Oracle over 5 yrs	10GW	$300bn	$500bn
Jan-25	Oracle/Softbank	Stargate project – overarching AI platform with Oracle, Softbank in Abilene etc.	10GW	$500bn	
		Total	~20GW		~$1tn

It All Looks Very Circular – and what if OpenAI fails?





Technology Comes in Clusters

Optical cluster

in the 1600's (telescopes, microscopes etc)

Chemical cluster

150 years later

Electrical

by the 1840's

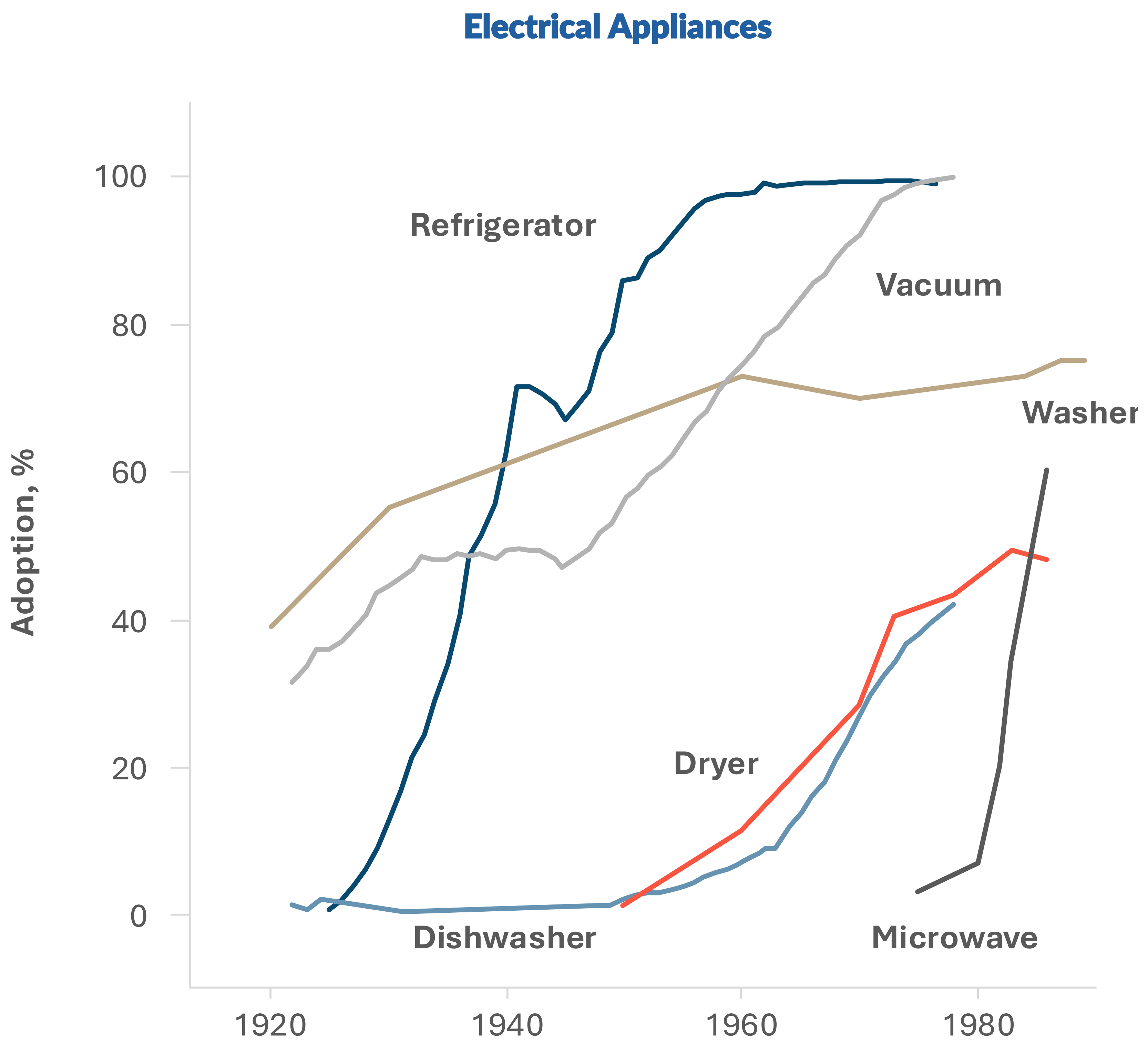
Electronics

1905 to 1960's

Digital (incl. AI)

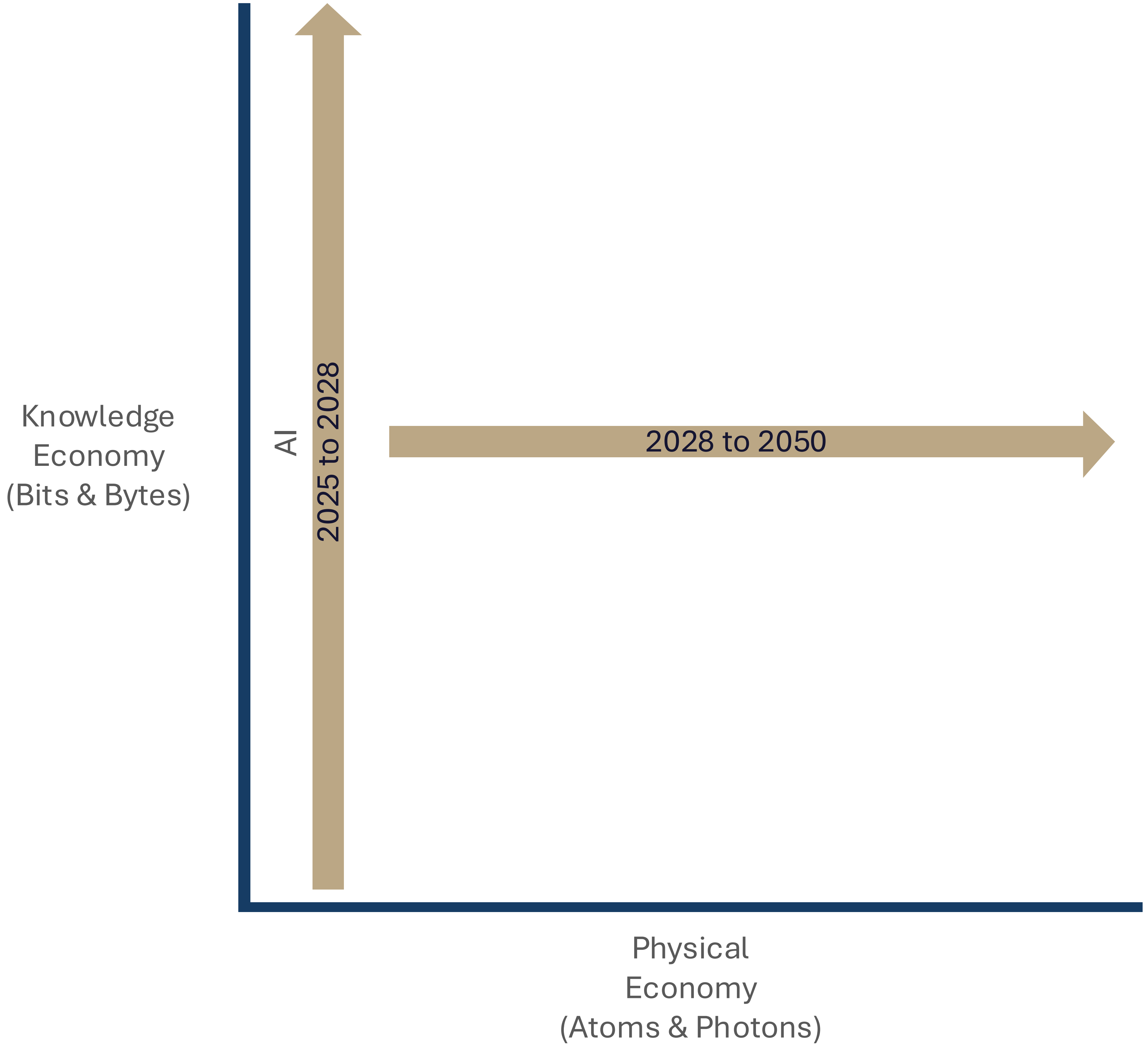
now

Electronics Cluster At Work

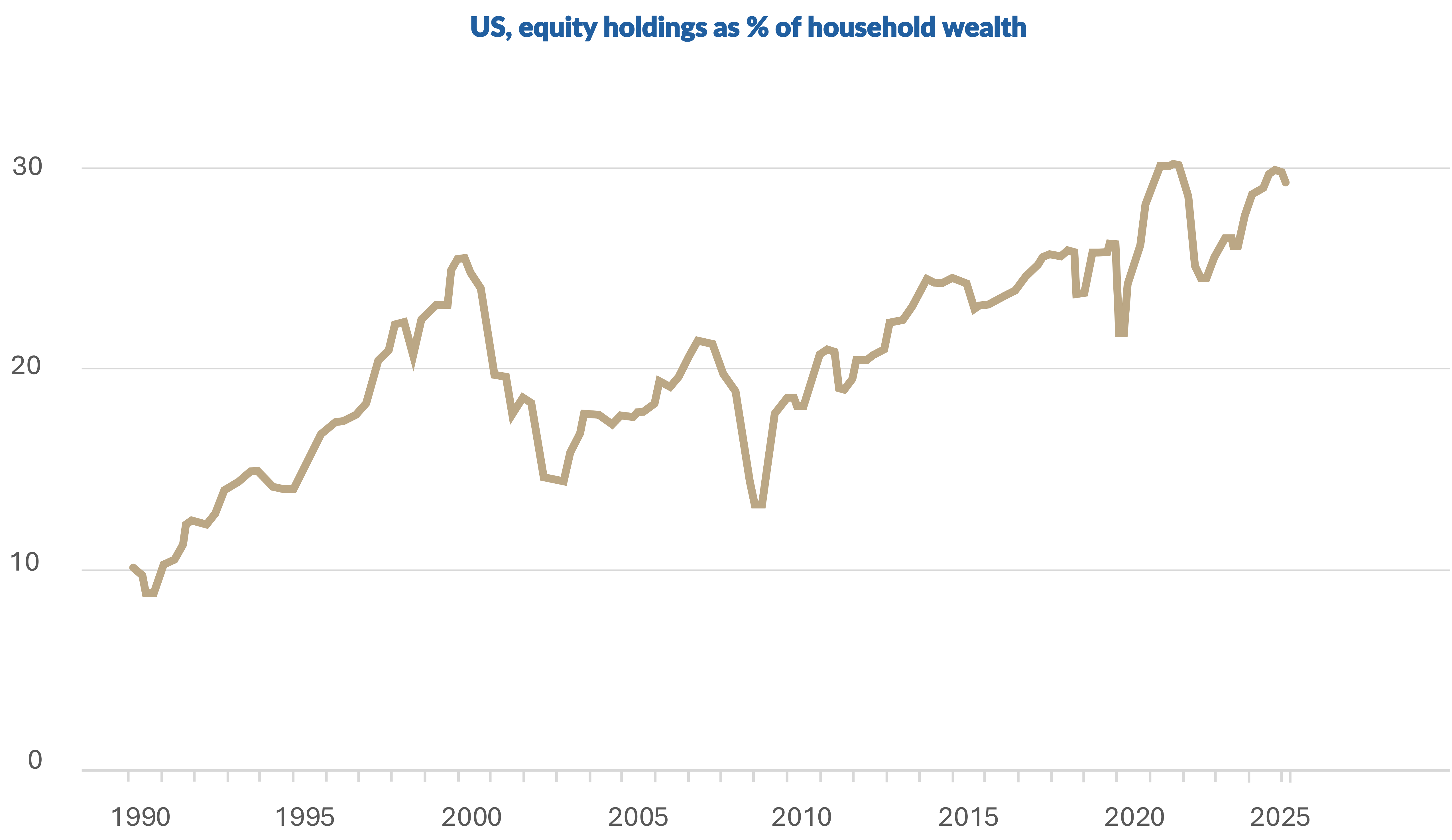


The diffusion of electrical appliances through the U.S. economy

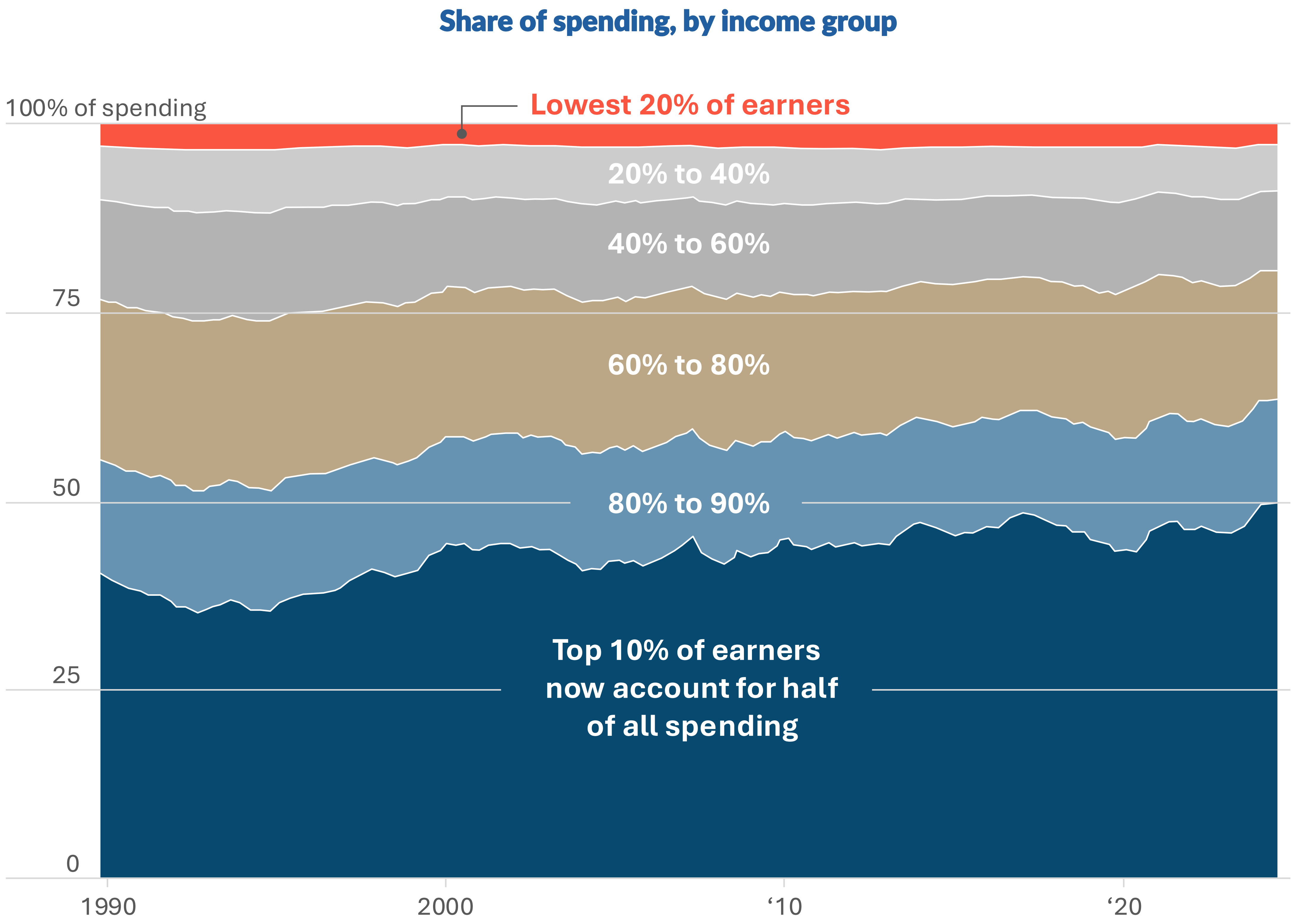
AI Cluster At Work



Betting the house



US Economy – The Rich Are Driving Spending More Than Ever



Conclusions

AI Capex is rising fast

AI Revenue is still relatively low

This is consistent with prior tech revolutions

We are in the installation phase - disruptive

Vendor financing is growing – not surprising – but it is higher risk

What do the incumbents do? Reluctant to follow the mavericks

Mavericks feel they need to break in – and take on a lot more risk

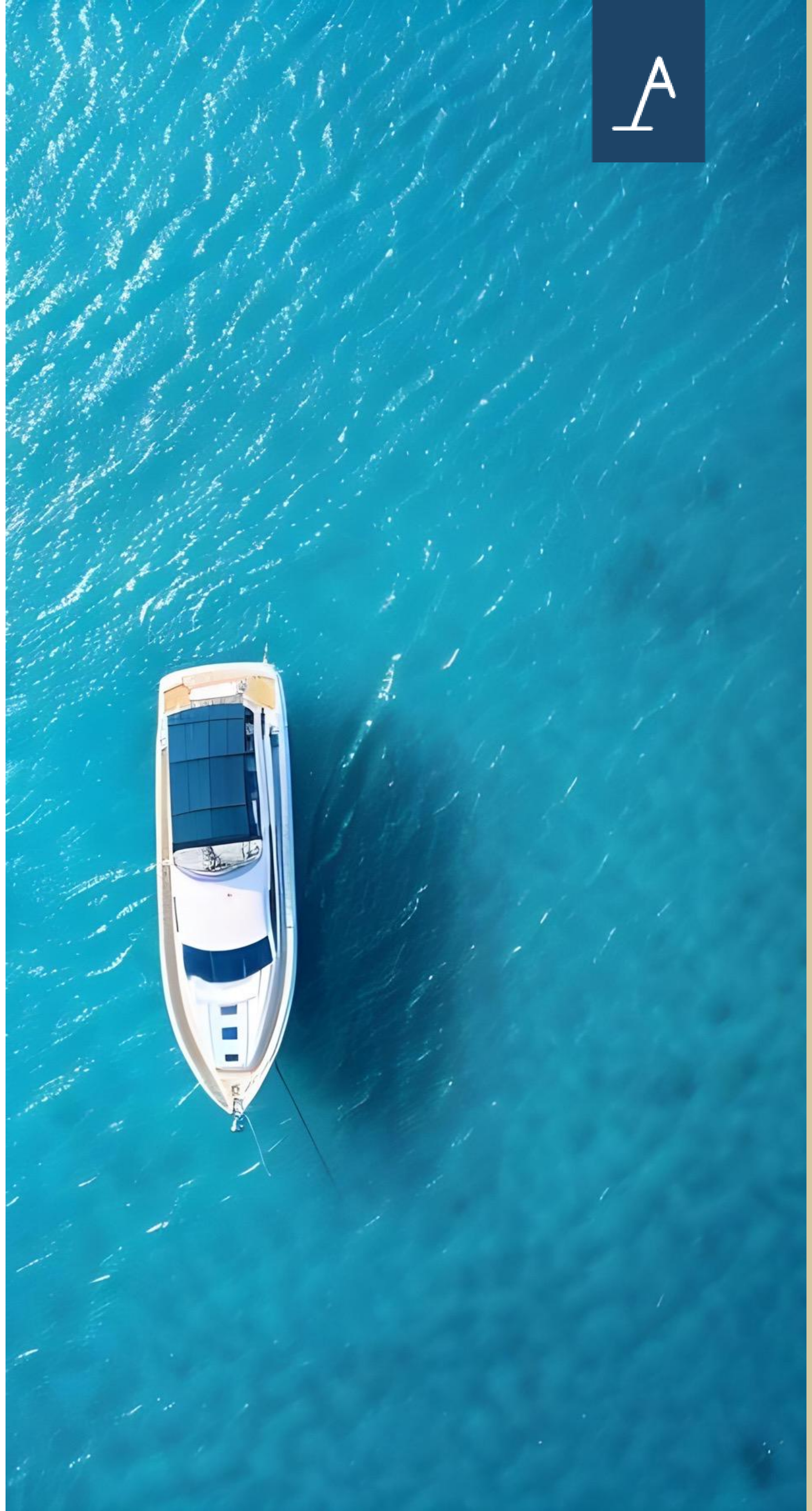
Too much rests on OpenAI and Sam Altman

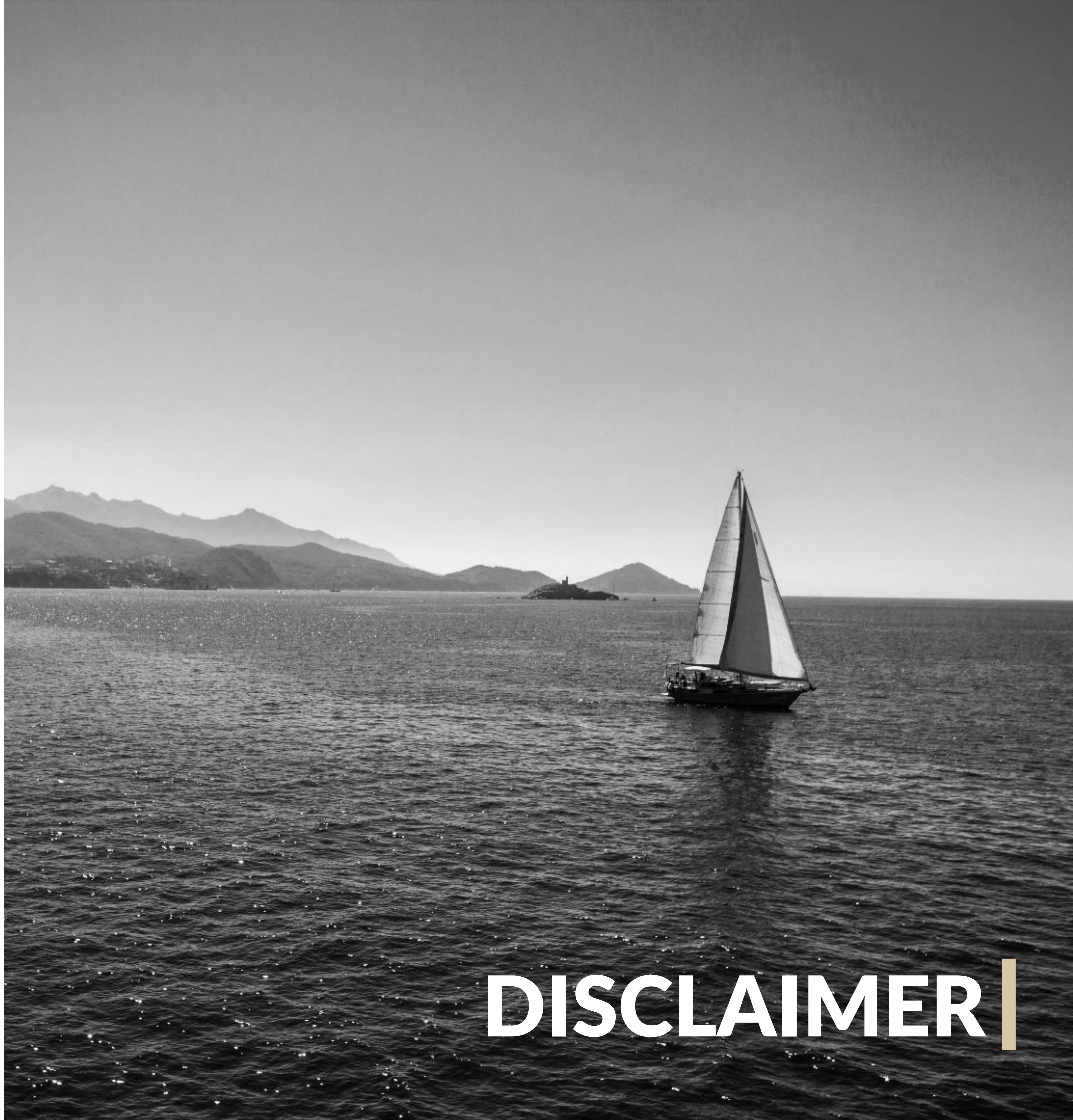
US stock market is very concentrated – top 5 almost 30% of S&P 500

Hype and speculation is building – expect the occasional correction

People have a lot of exposure to the market – this could impact spending

Try not to take on too much risk





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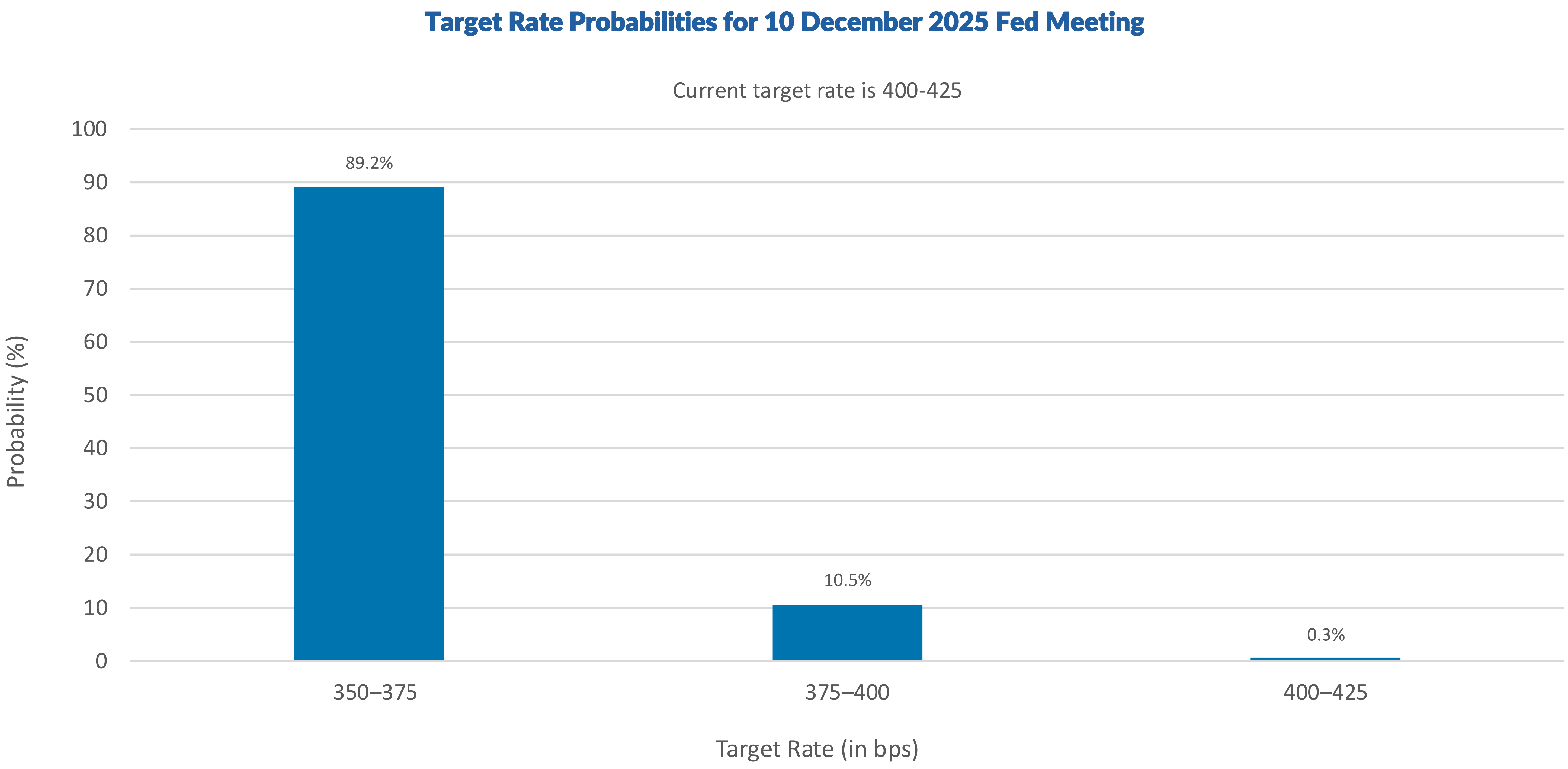
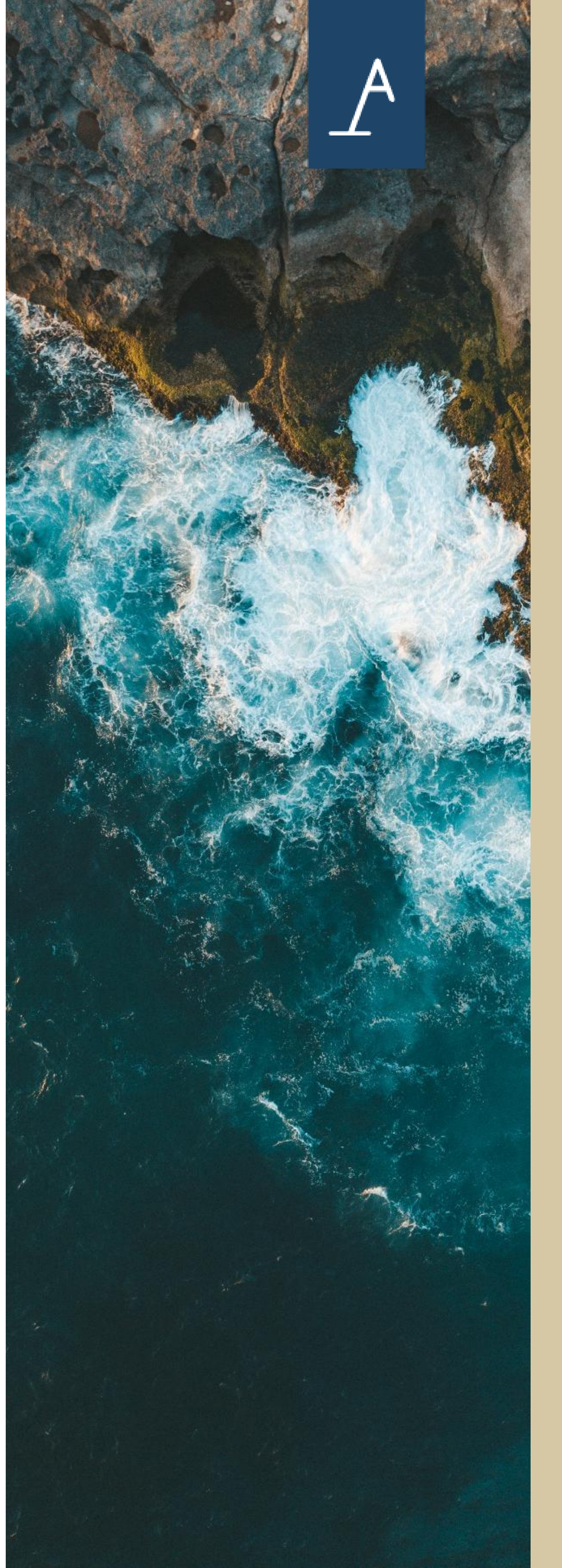
Where The Money Will Be Made 4Q25

Nolan Wapenaar, Co-Chief Investment Officer

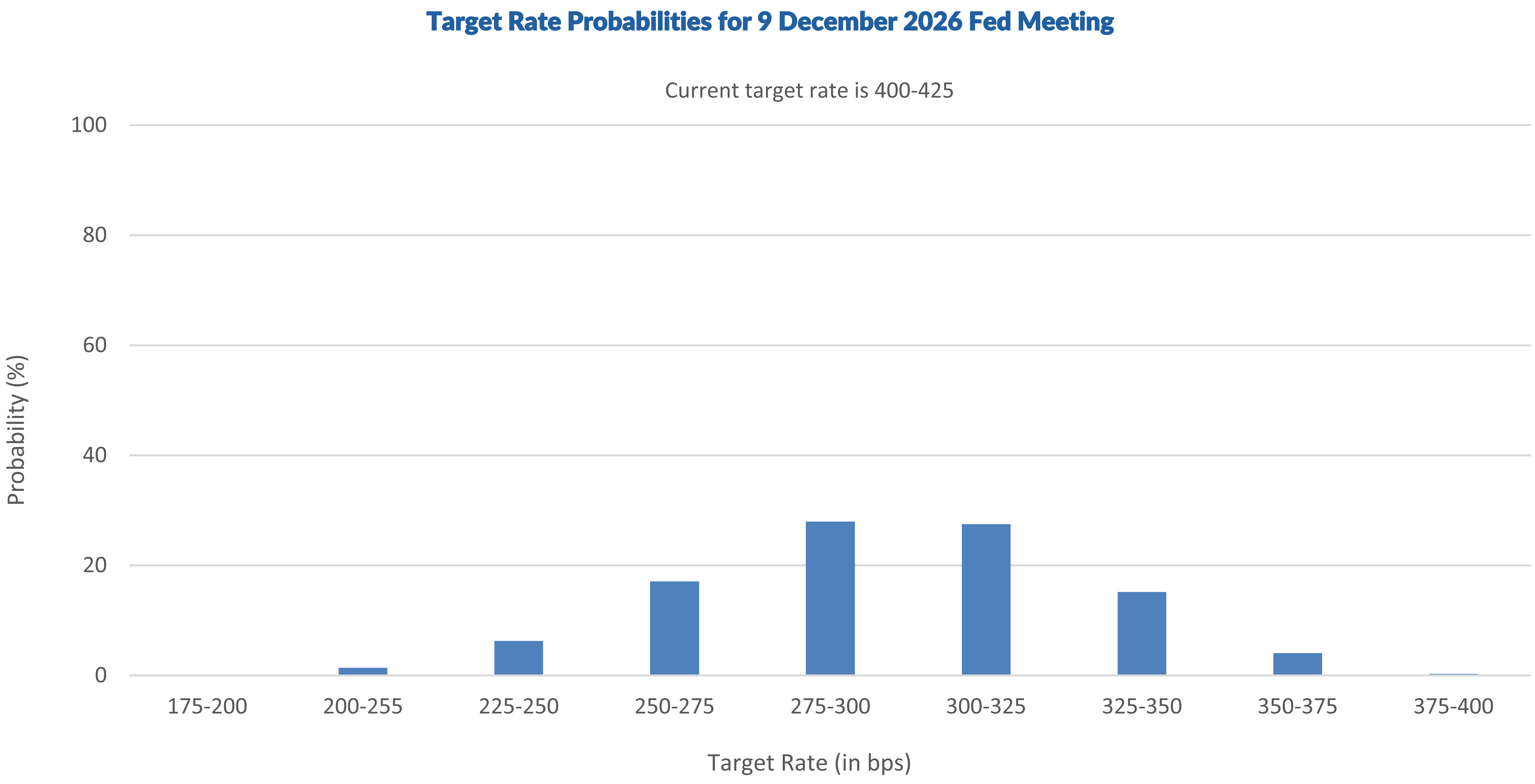
The Global Environment

Market Pricing in 2 More Cuts for 2025

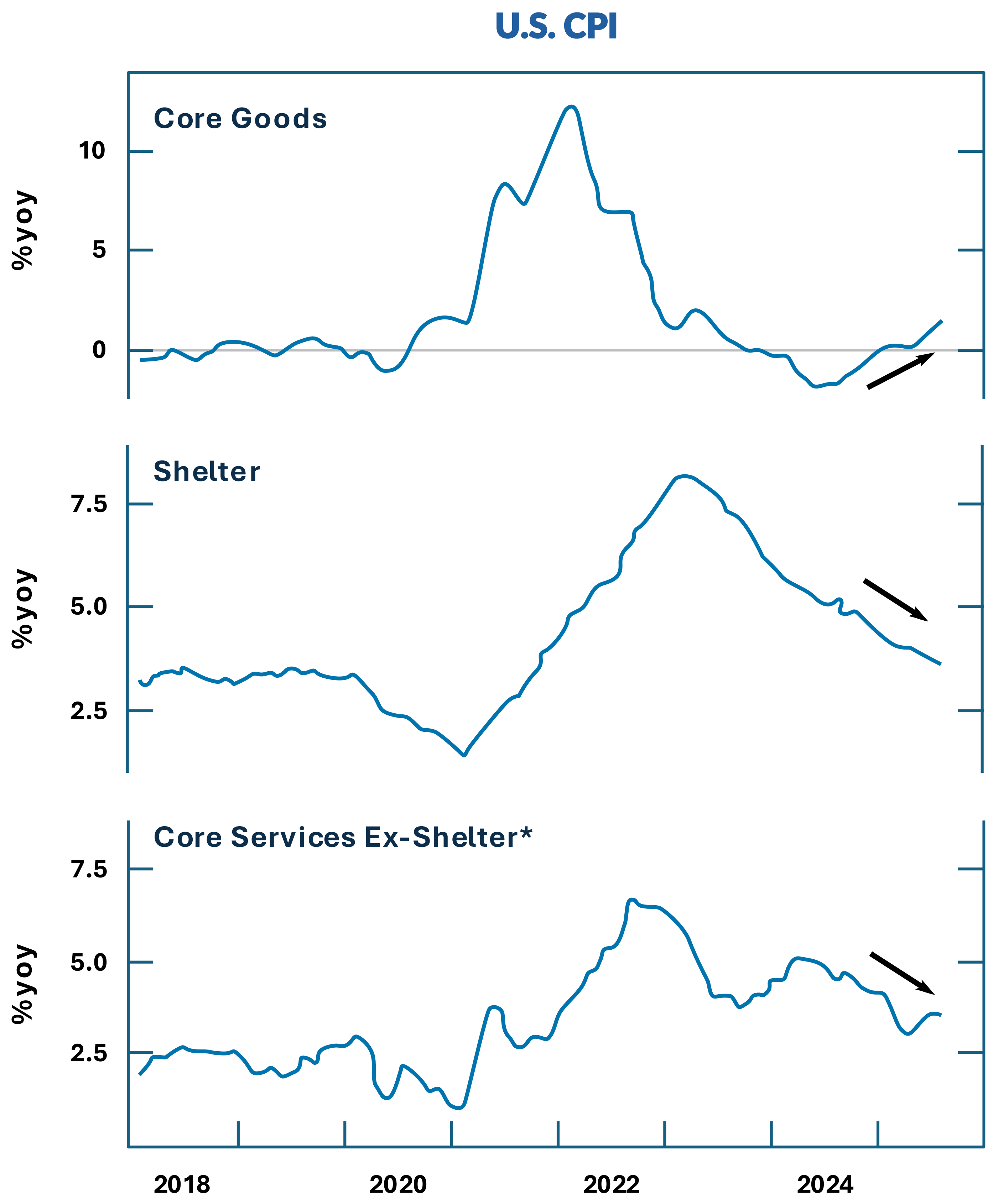




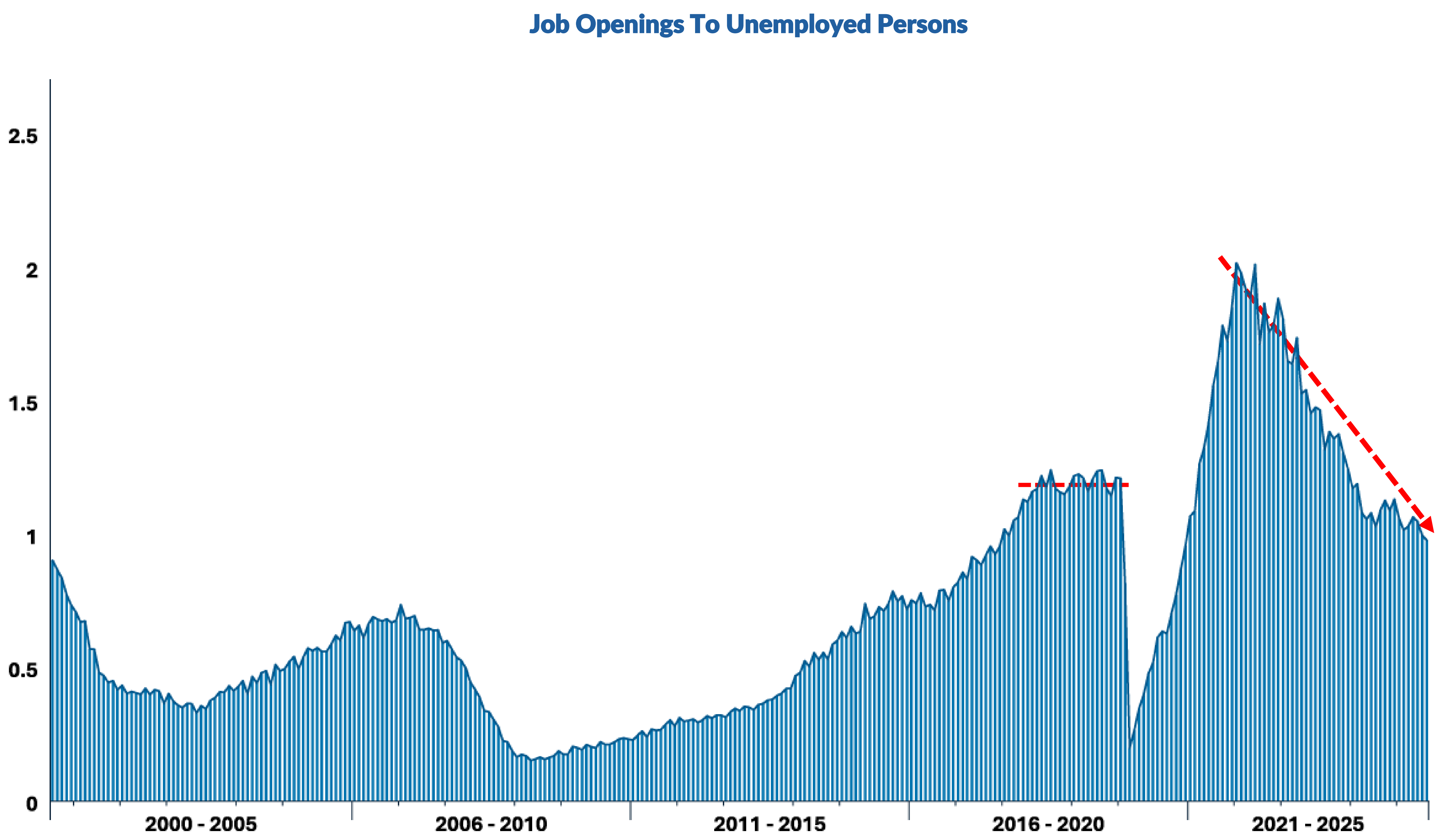
A Total of 125bps Cuts To End 2026



An Offset to Tariff Inflation . . .



Finding a Job Has Become Increasingly Difficult



Where the Money Will Be Made

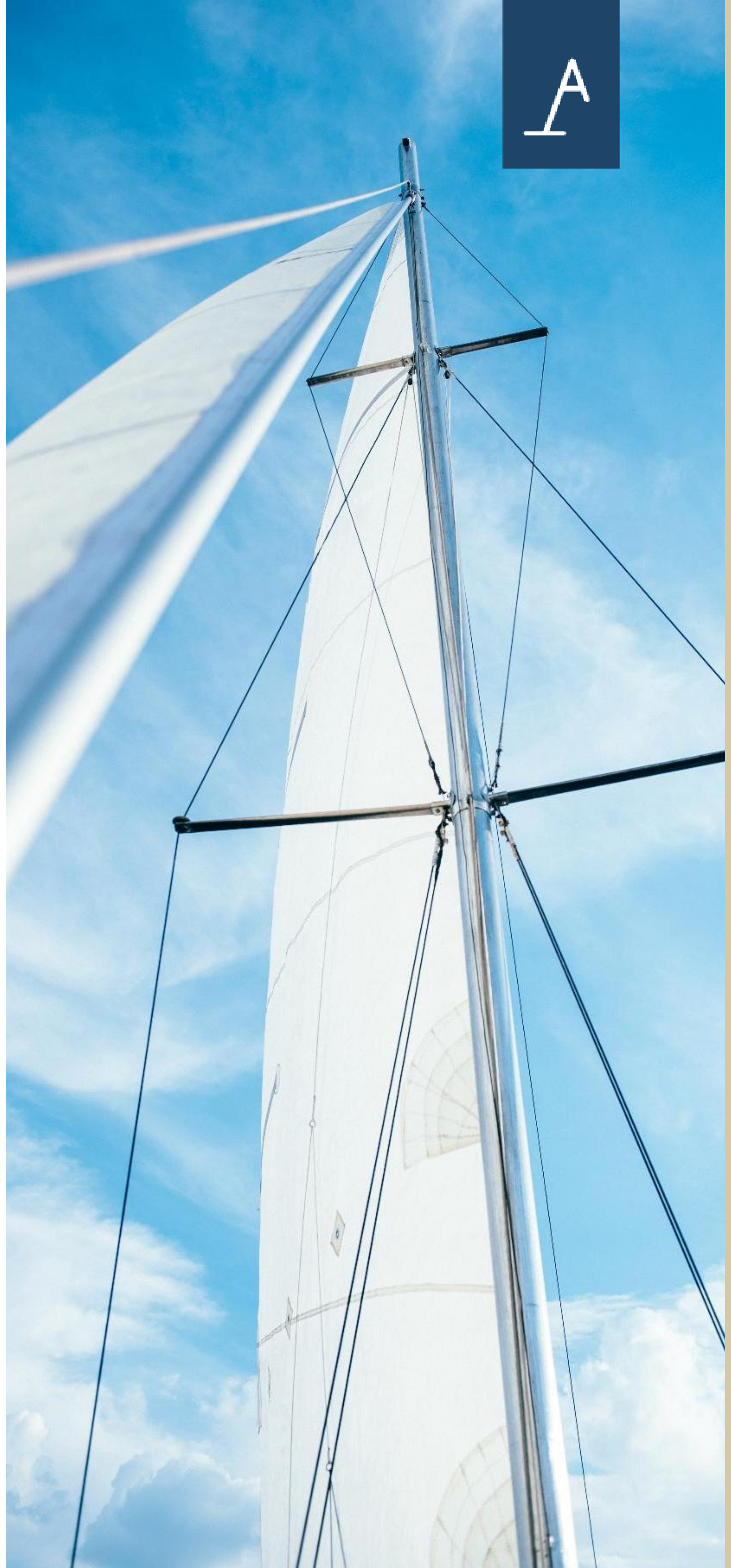
Domestic Equity

Domestic Fixed Income

Global Equity

Global Fixed Income

- Fed expected to cut to 3.00% by end 2026.
- Cash attractive for now but switch to Anchor Global High Yield for some cushioning against cuts.
- Government debt and economic growth dynamics are not supportive of long-dated bonds.
- Bonds are fair, but certainly not attractive at a 4% US$ yield.



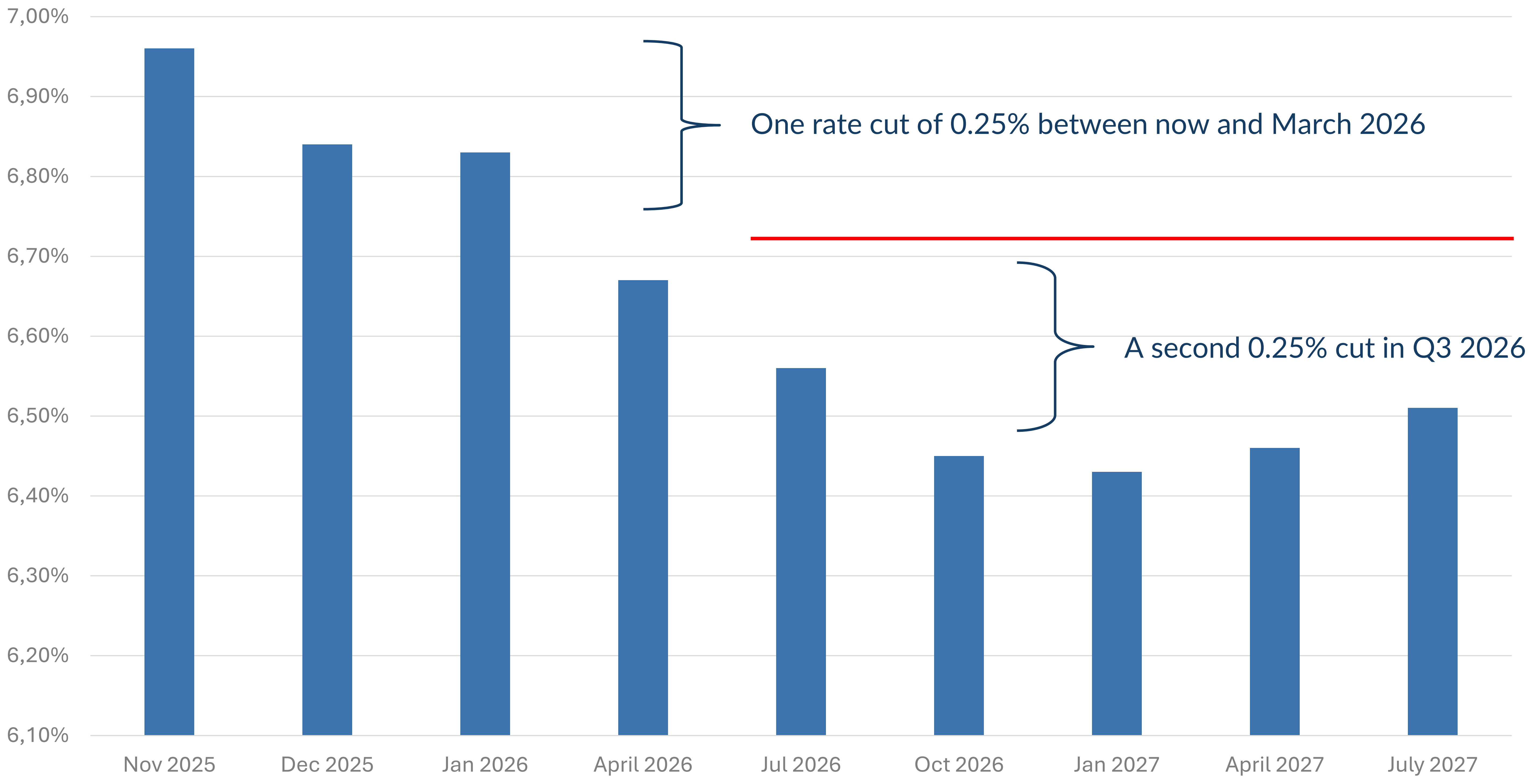
The Domestic Environment

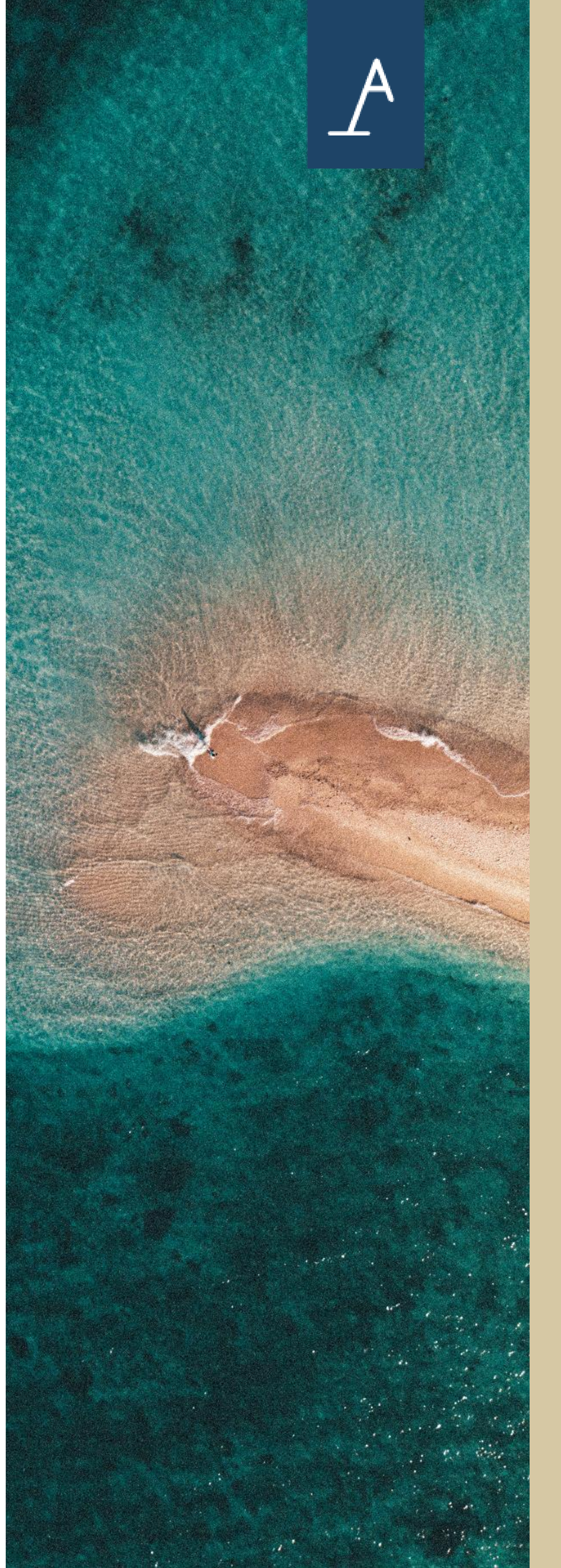
The Reserve Bank

National Treasury

A Few More Cuts To Come

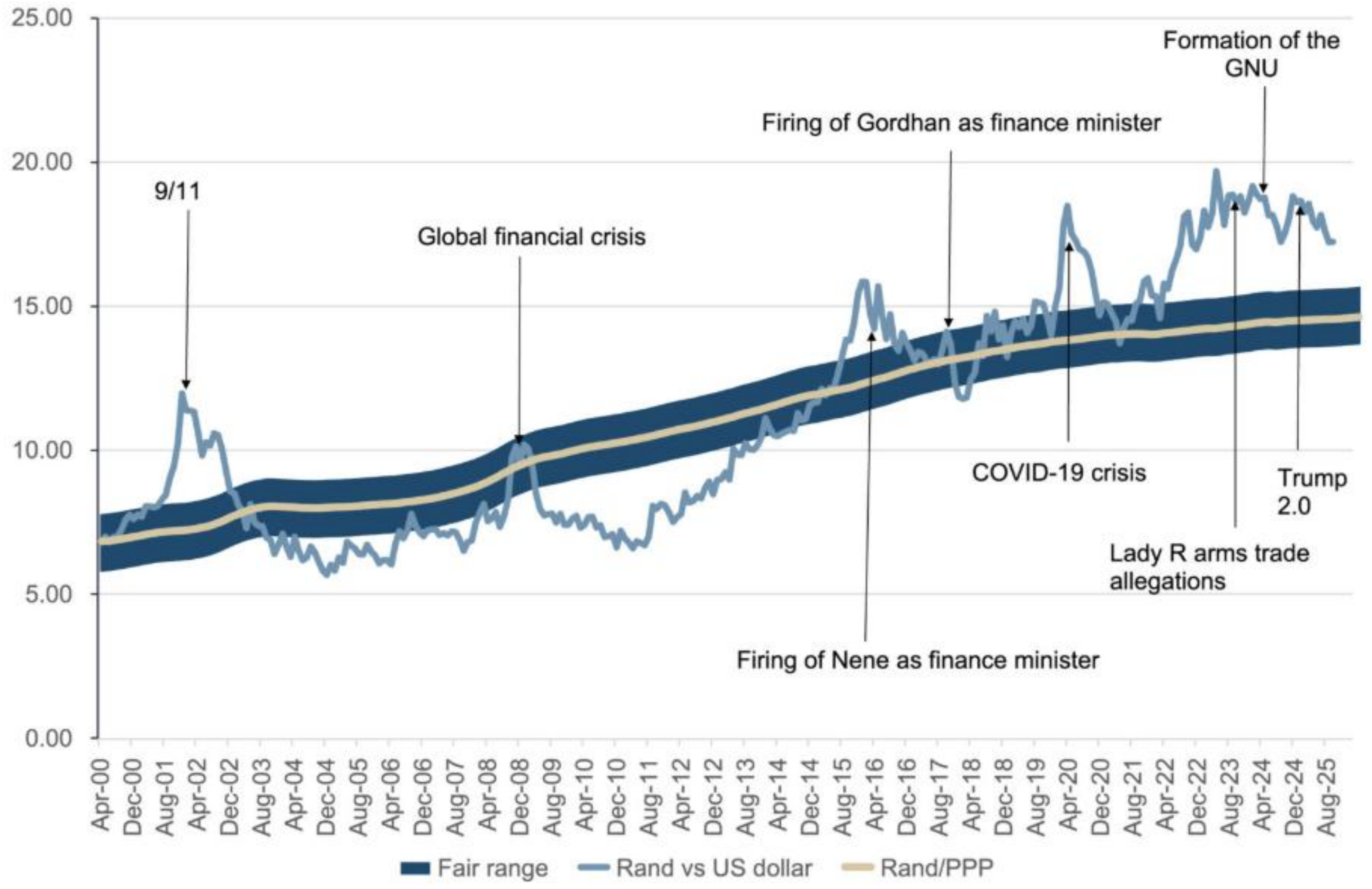
SA Repo rate - (3.5% below prime lending rate)





The Rand

The Rand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9/11
Global financial crisis
Firing of Gordhan as finance minister
Formation of the GNU
COVID-19 crisis
Trump 2.0
Lady R arms trade allegations
Firing of Nene as finance minister
Apr-00
Dec-00
Aug-01
Apr-02
Dec-02
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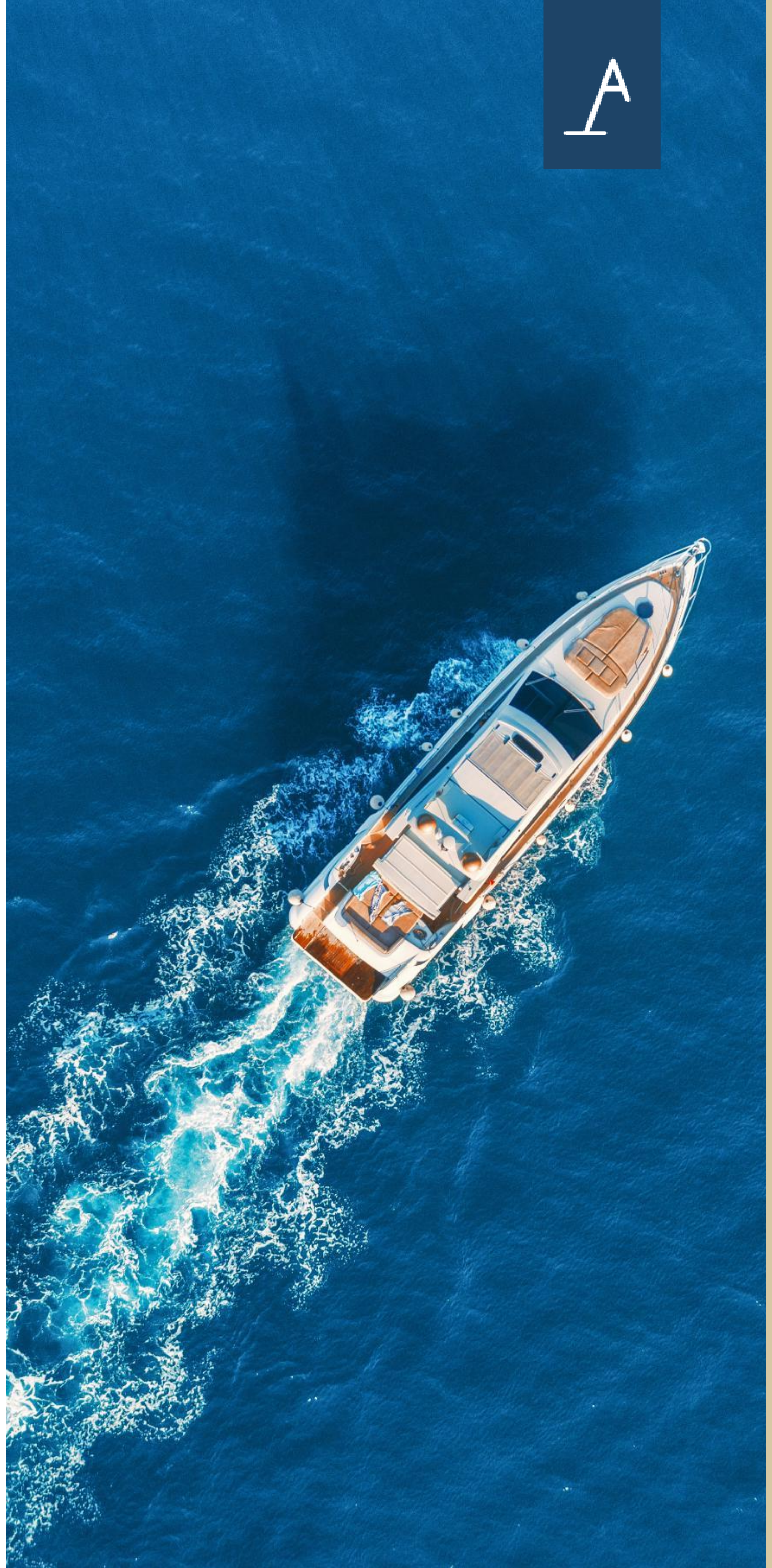
Aug-25
Fair range
Rand vs US dollar
Rand/PPP



Where the Money Will Be Made

Domestic Equity

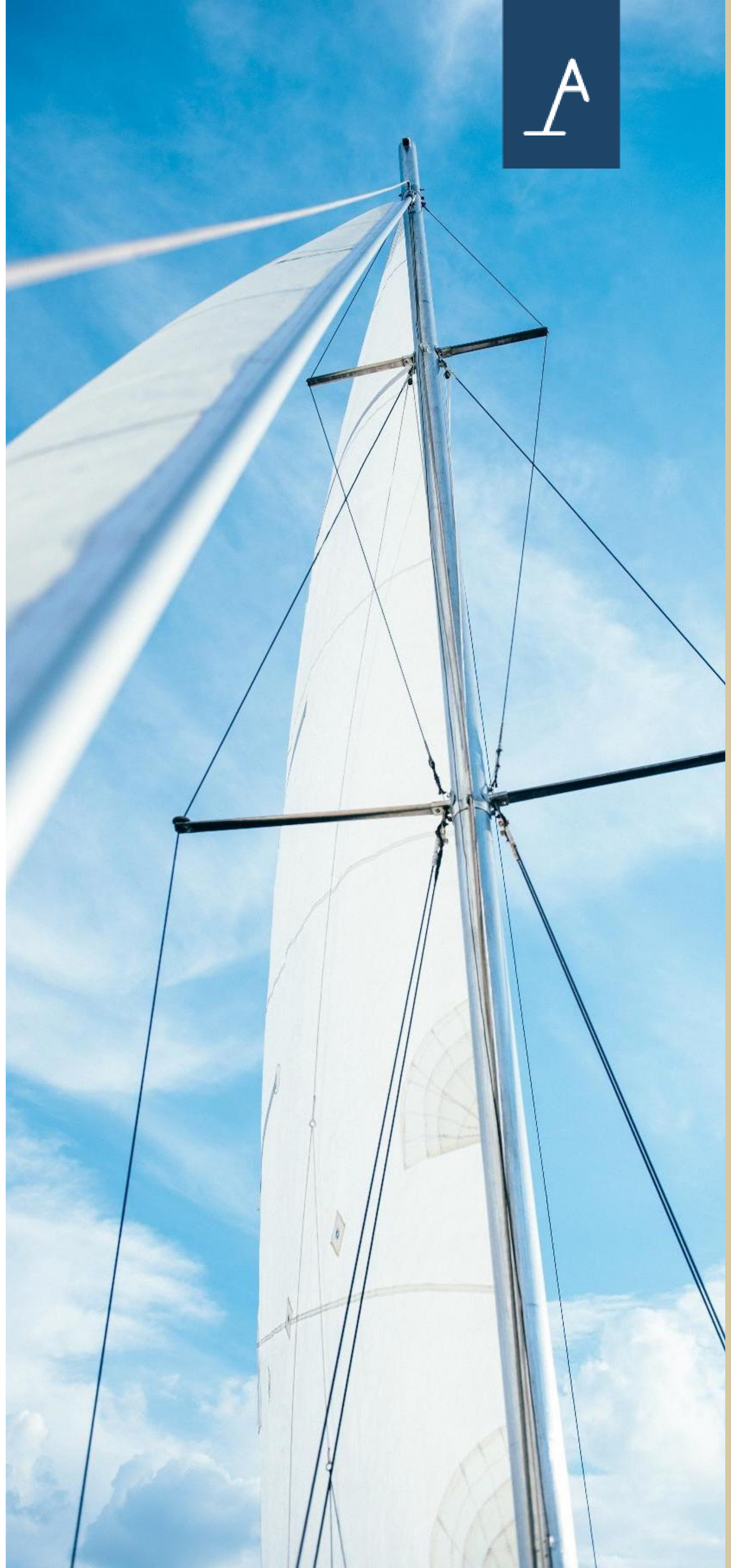
Domestic Fixed Income

- SARB expected to cut to 6.50% by end 2026.
- Prospect for more cuts.
- Government debt and economic growth dynamics are supportive of long dated bonds.
- Bonds are fair, but yields are attractive and the upside momentum remains well supported . . . Anchor BCI Flexible Income Fund with a 12-month return of 9.5%.

Global Equity

Global Fixed Income

- Fed expected to cut to 3.00% by end 2026.
- Cash attractive for now but switch to Anchor Global High Yield for some cushioning against cuts.
- Government debt and economic growth dynamics are not supportive of long dated bonds.
- Bonds are fair, but certainly not attractive at a 4% US$ yield.



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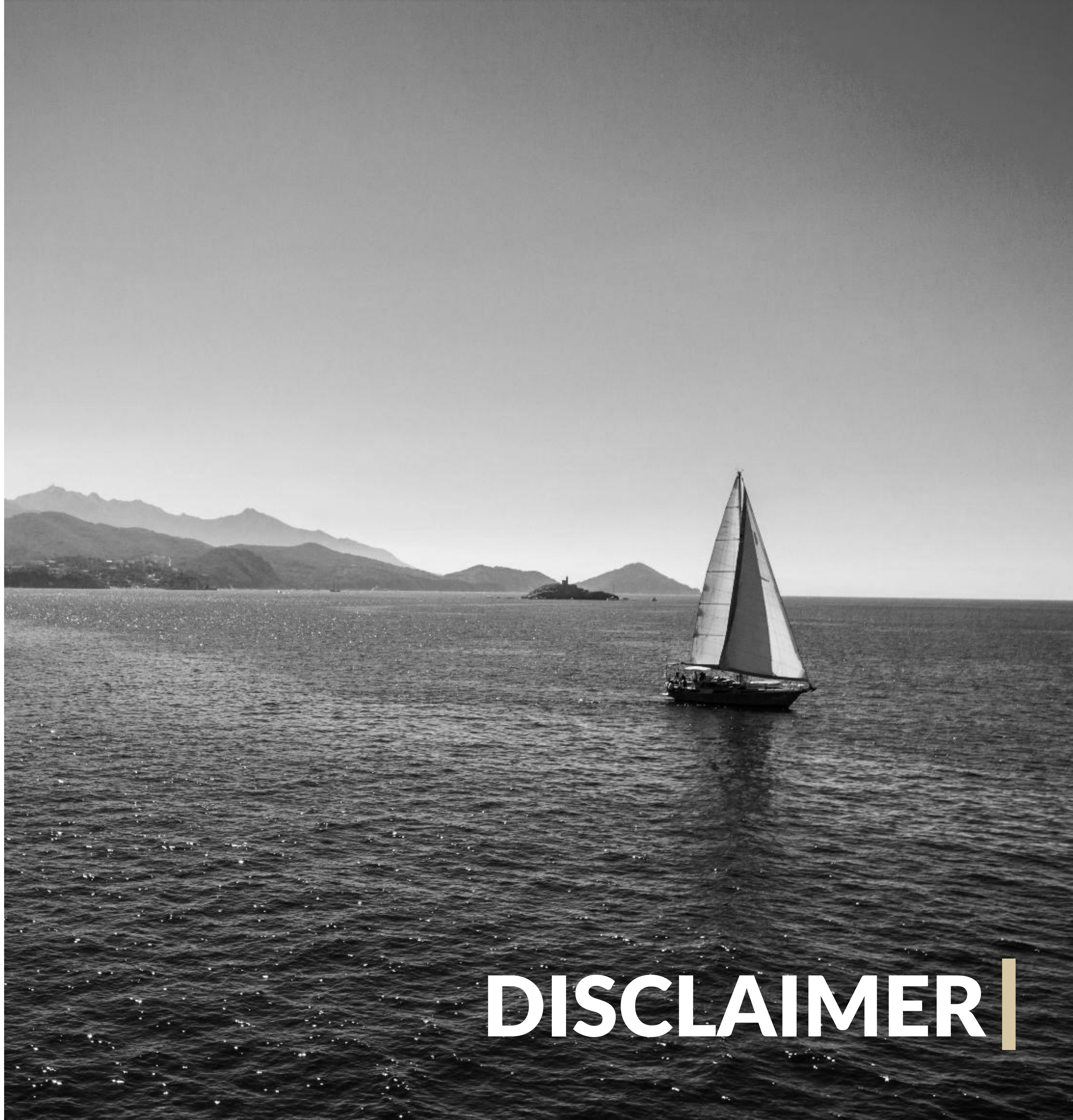

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