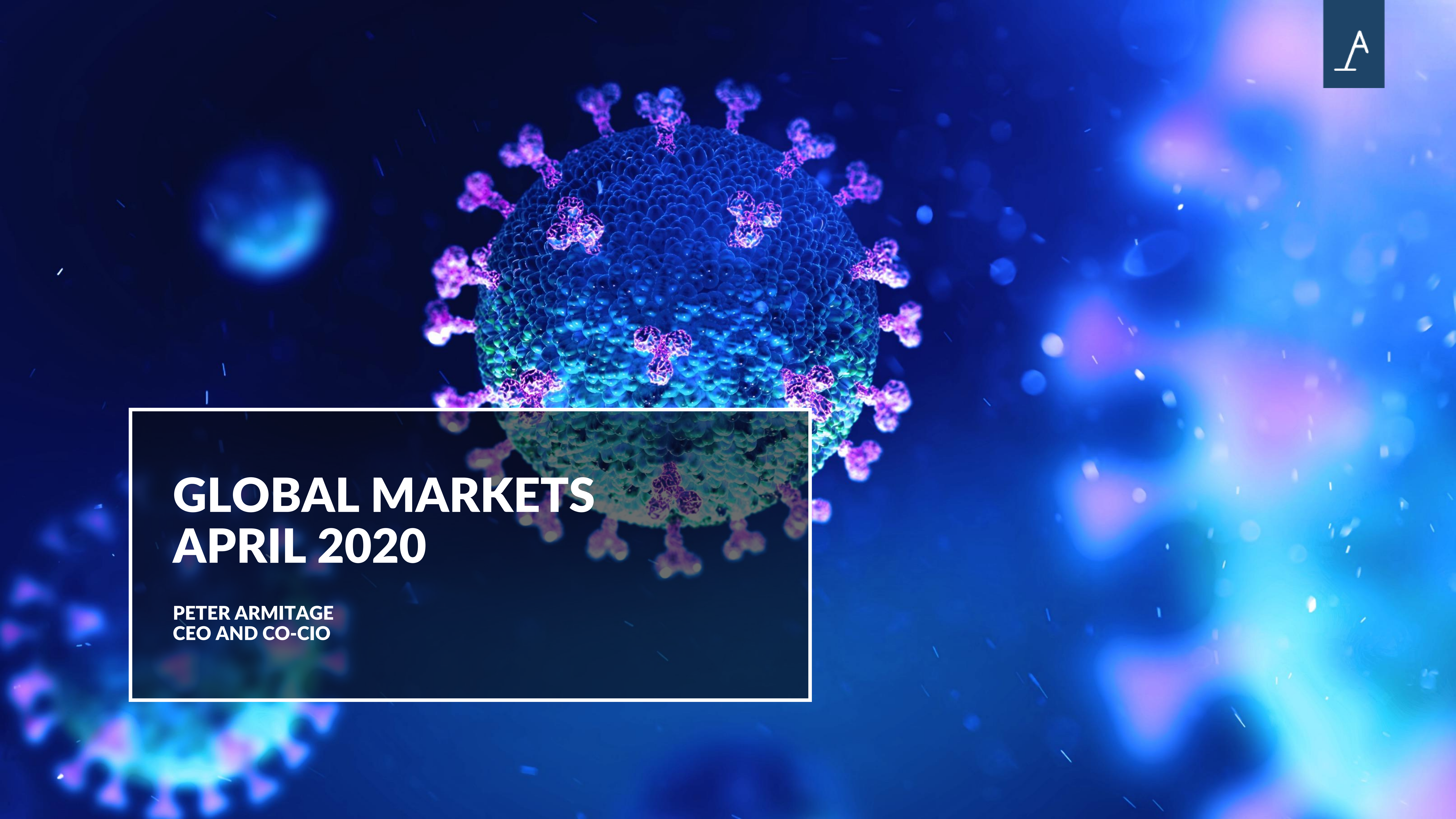
POSITIONING FOR A RECOVERY

15 APRIL 2020

ANCHOR | NAVIGATING CHANGE



GLOBAL MARKETS APRIL 2020

PETER ARMITAGE
CEO AND CO-CIO

WHAT WE ARE SAYING NOW…

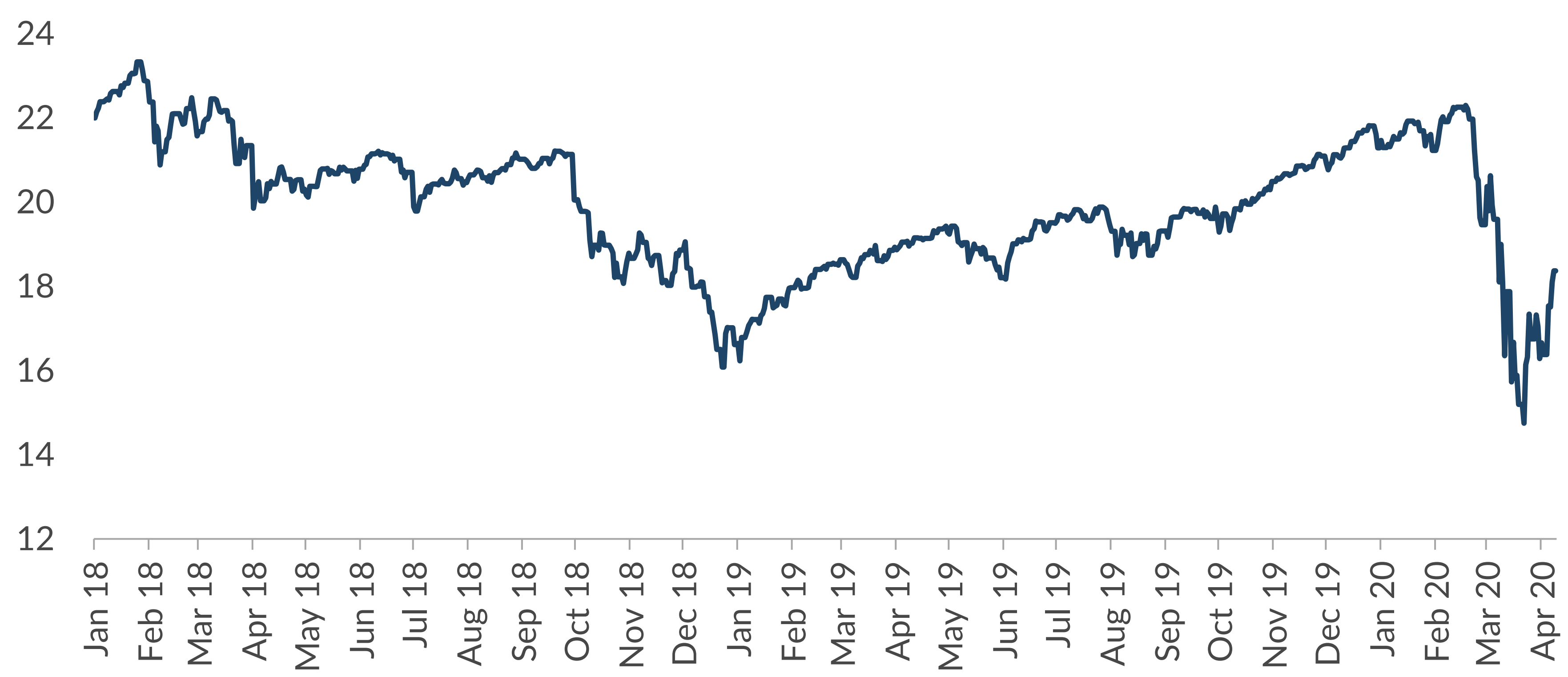
- Overriding perspective – ***Buy great businesses at good prices***
- Volatility prevails – FOMO now, but unchartered territory
- Offshore equity has bounced too much in the short term
- But still big upside opportunity in specific shares
- Little yield available offshore outside of emerging markets
- Rand extremely undervalued and risk to Rand-based investors when it strengthens
- Local equity market offering excellent opportunities
- Local bond market offering CPI+6%

- **This crisis will pass, like all others have**

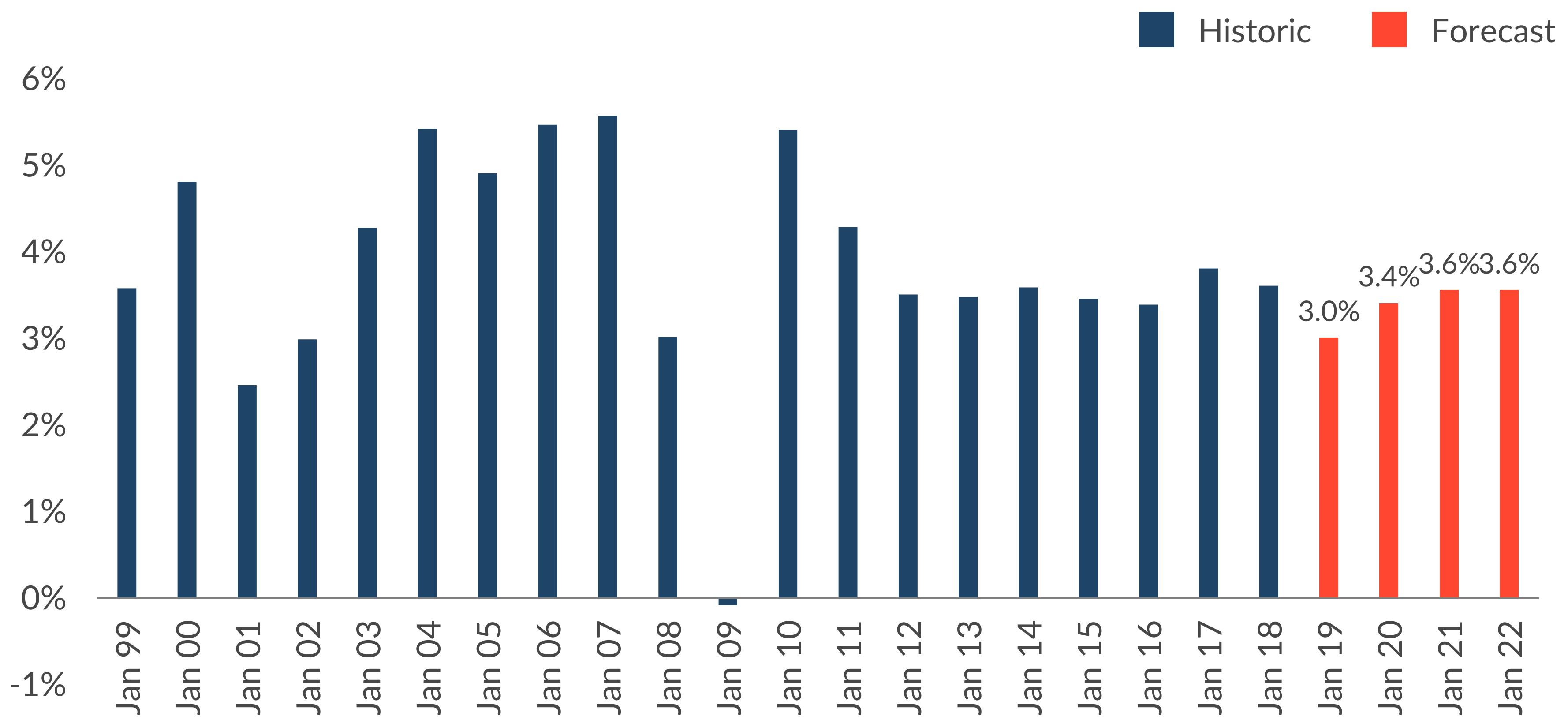
Earnings season is about to begin!!!

WHAT WE SAID AT THE BEGINNING OF 2020 – BEFORE THE BLACK SWANS

S&P 500 FWD P/E



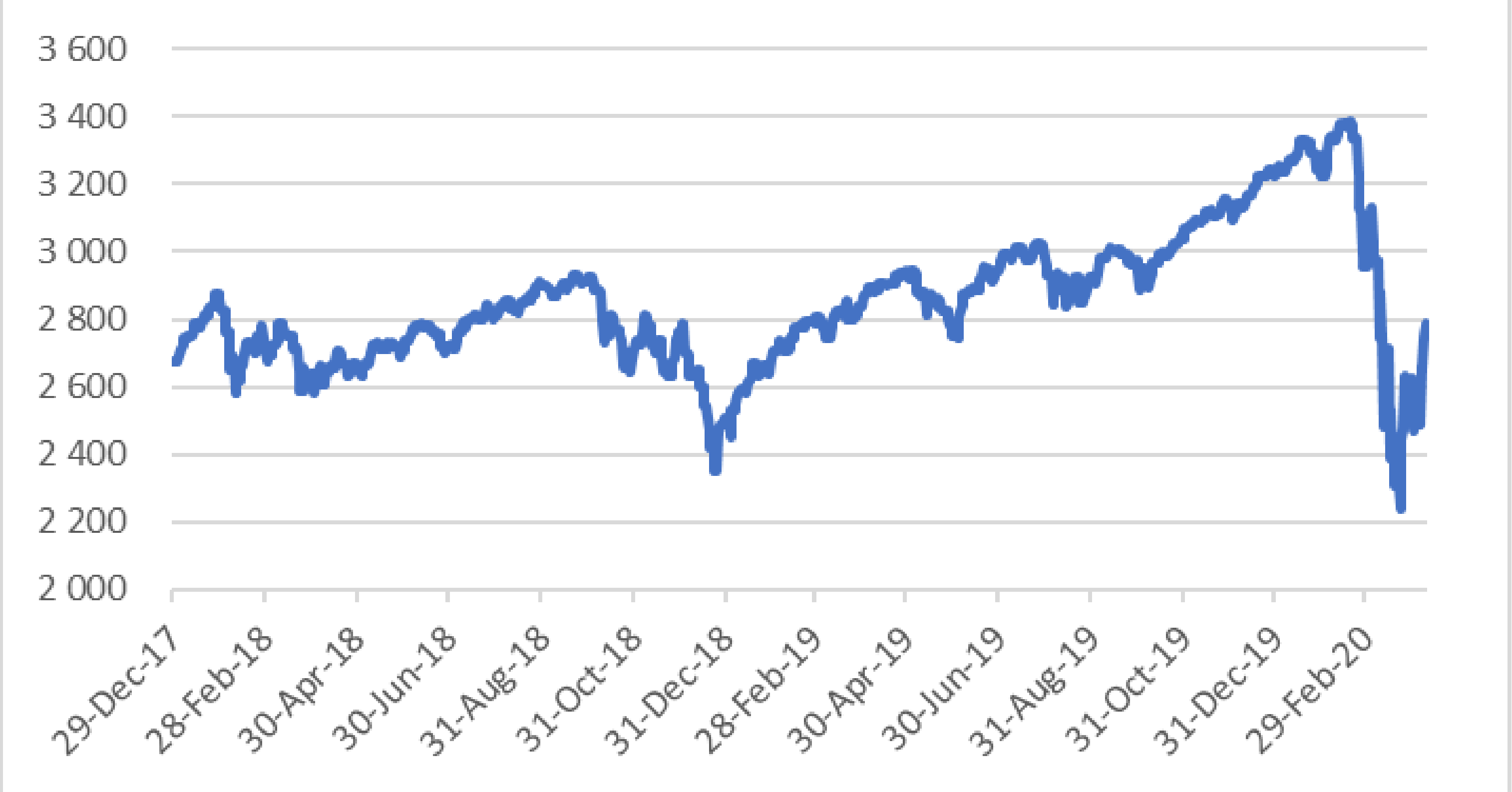
GLOBAL GDP GROWTH (IMF)



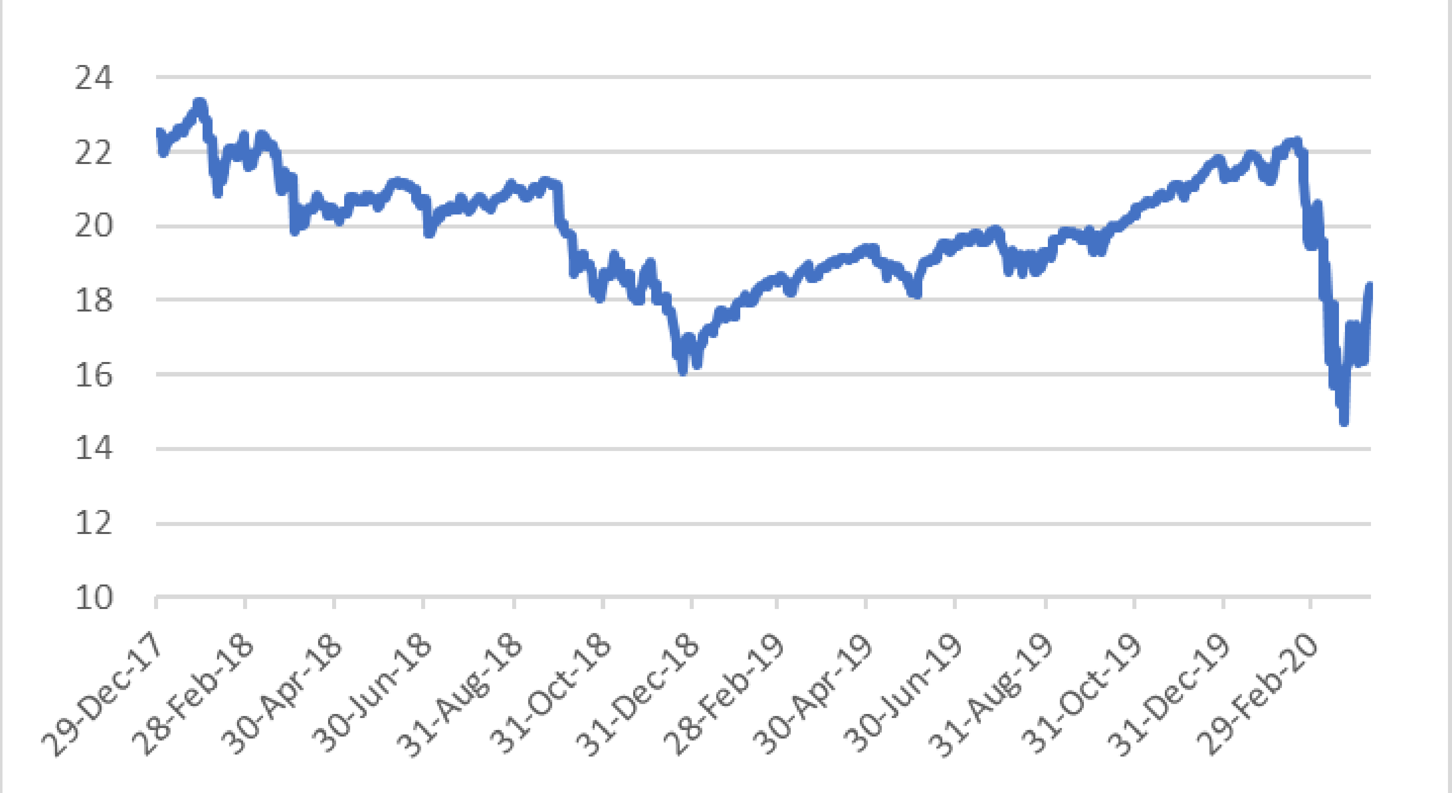
- The market looked moderately overvalued,
- But growth prospects looked promising,
- So we were somewhat cautious, but still expected a low $ return from global equities for the year
- Fair value at beginning of year was 3000-3200

WHAT HAS HAPPENED IN 2020

S&P INDEX



S&P PE MULTIPLE



- S&P plunged to 2400 (-30%), but has retraced to 2800 (+17%)
- S&P now only down 12.5% for the year
- Our estimate of fair value has decreased to 2800 – 3000 (as earnings decline for 12-18 months)
- But sectors have behaved very differently
- Opportunities lie in picking the right shares – massive bargains still exist
- Not a time for ETF's

AMAZON
WHAT CRISIS?

S&P 500

SINCE 17 JANUARY 2020

TICKER	AVERAGE WEIGHT (%)	CONTRIBUTION TO RETURN (%)	TOTAL RETURN (%)
S&P500 Portfolio	**100**	**-22**	**-22**
Energy	3	-2	-50
Financial	17	-6	-30
Industrial	9	-3	-29
Consumer, Cyclical	8	-3	-28
Basic Materials	2	-1	-27
Communications	15	-3	-17
Utilities	3	-1	-16
Consumer, Non-cyclical	22	-4	-16
Technology	20	-3	-15

- It is important to break the market down into sectors – **IT IS A BARBELL**
- Technology stocks (c. 30% of SP500) has been particularly resilient
- The energy, industrial and consumer cyclical sectors have been hit the hardest
- We have identified numerous opportunities in these sectors, **particularly in the hospitality / travel space**

PLAYING THE RECOVERY

- Don’t change long term, high quality growth portfolios
- But opportunity to invest in “recovery” shares to supplement long term portfolio
- Notably, recovery portfolio has little tech (our favoured long term sector)
- Recovery portfolio does not have typical portfolio construction characteristics
- For most of the shares proposed in this portfolio quality and high historic returns have been the biggest criteria.
- After a market crash, the opportunity to buy durable, high quality businesses at bargain prices is very appealing.
- At this stage, any investor must be able to stomach volatility

GLOBAL HIGH STREET EQUITY PORTFOLIO

PROFILE AND OBJECTIVE

- Long-term capital growth.
- Active stock selection in global developed equity markets.
- A focus on quality companies with long-term growth potential.
- Can be managed as a segregated portfolio in or out of an offshore endowment.

WHO SHOULD INVEST

Investors wanting global equity market exposure with maximum long-term capital appreciation.

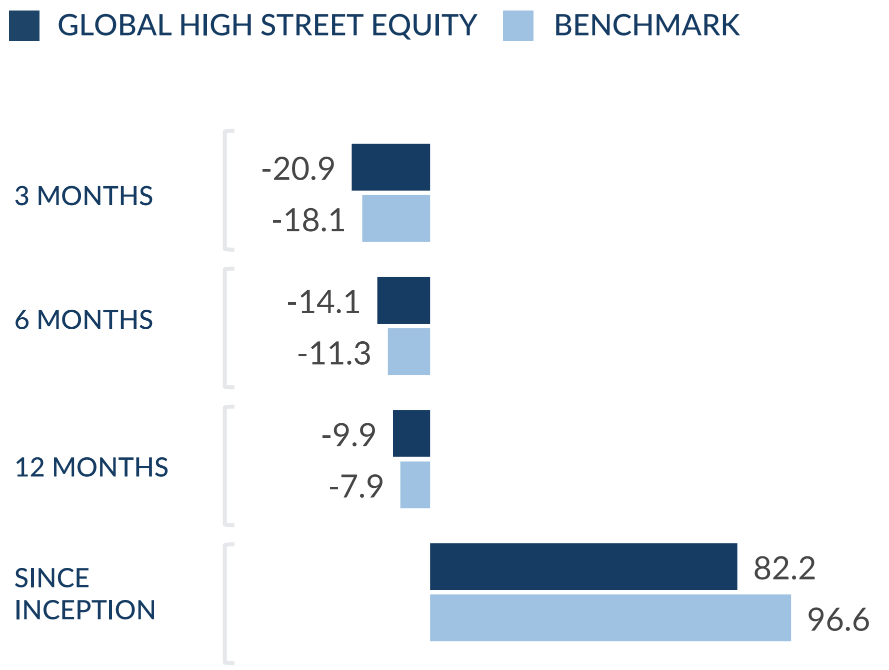
FUND INFORMATION

Risk profile: LOW | LOW-MOD | MOD | MOD-HIGH | HIGH

Inception Date	July 2012
Benchmark	MSCI World
Minimum Investments	$150,000
Fees:	
Annual Management Fee	1,25% p.a. (ex. VAT)

FUND INFORMATION AT 31 MARCH 2020

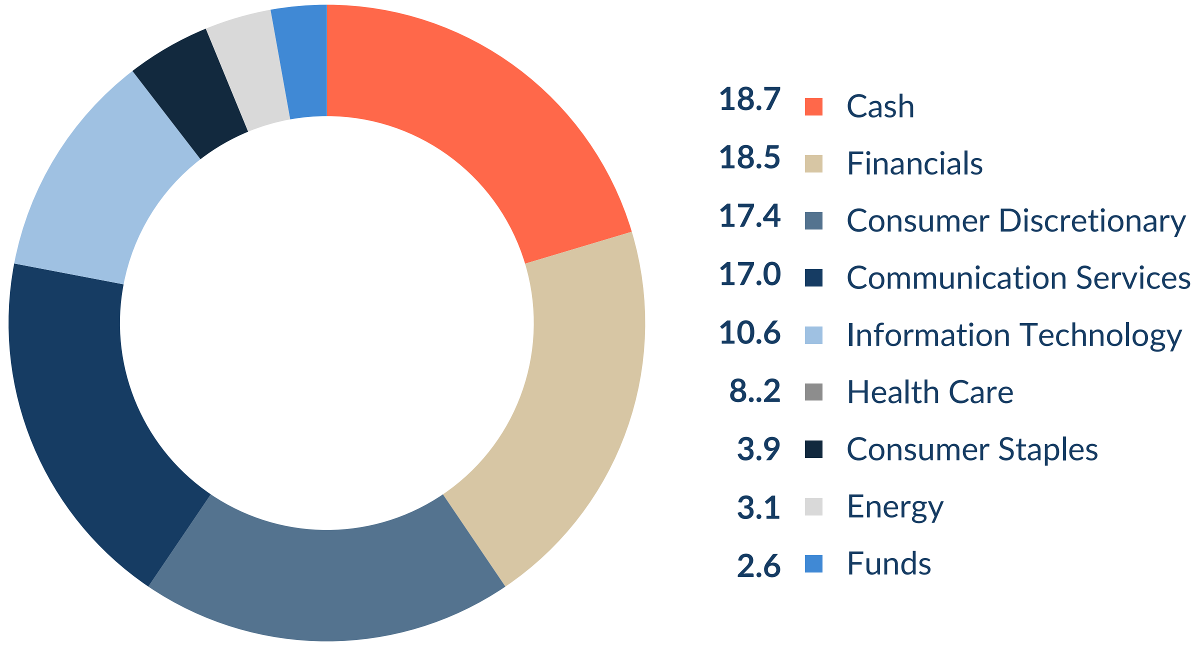
FUND PERFORMANCE (%)



TOP TEN HOLDINGS (%)

Alphabet Inc A	5.6
Amazon	5.1
Walt Disney	4.7
Facebook	4.5
Microsoft	4.1
Unilever Plc	3.9
Nike	3.8
Johnson & Johnson	3.7
Admiral Group	3.5
Prudential Plc	3.4

SECTOR ALLOCATION (%)



Note: Past performance is not necessarily an indication of future performance. Consult the Minimum Disclosure Document for full disclosure on fees, performance, etc. This is available at www.anchorcapital.co.za

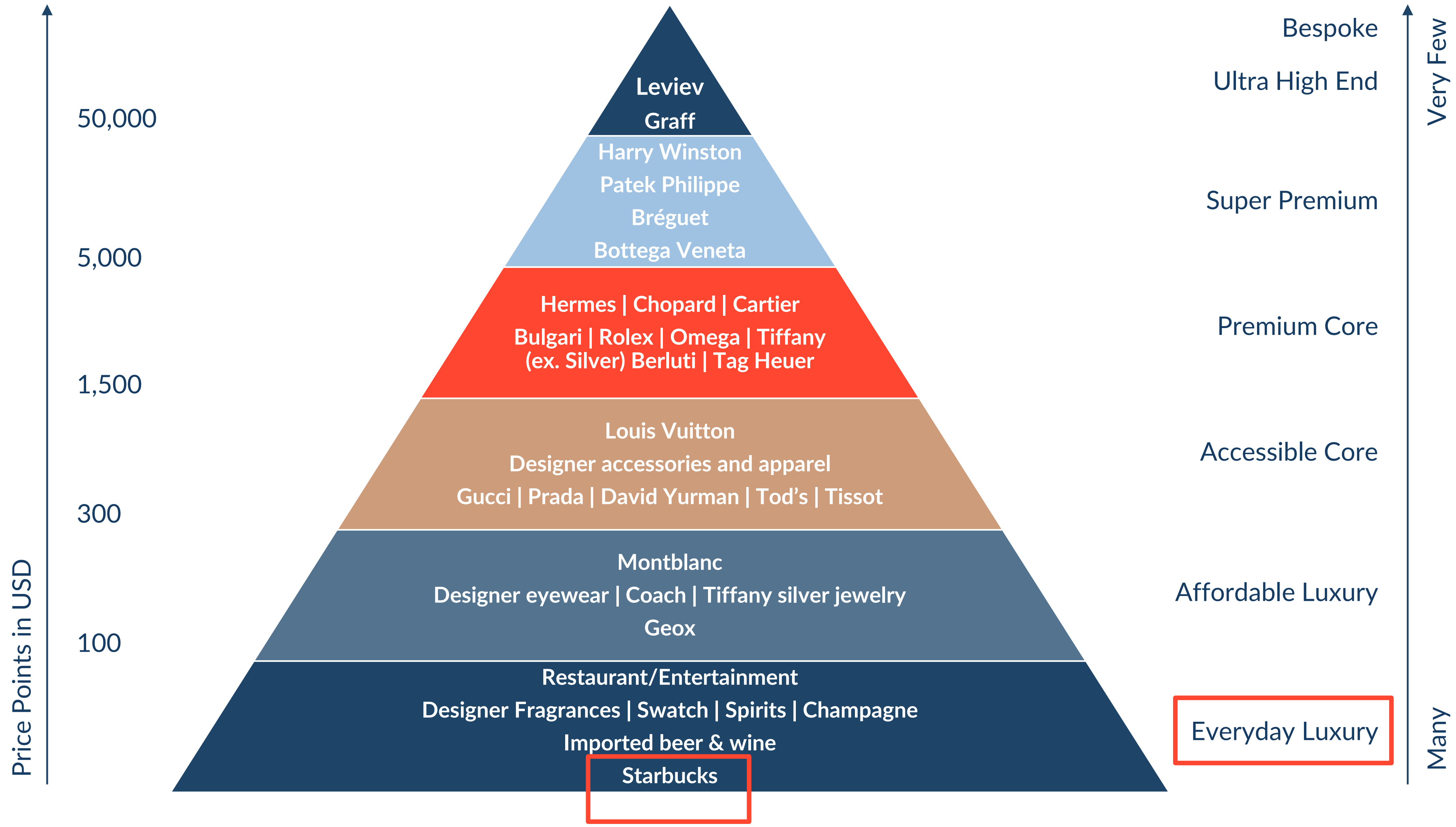
PROPOSED PORTFOLIO

COMPANY	TICKER	RETURN SINCE 17 JAN (%)	5-YR AVE P/E	P/E	DERATING (%)	PROSPECTIVE RETURN (%)	PROPOSED WEIGHT (%)
Low Risk – not especially cheap, but big correction							**20**
JPMorgan Chase & Co.	JPM US Equity	-39	13	8	-39	63	3.3
Hasbro Inc.	HAS US Equity	-36	20	16	-18	56	3.3
Starbucks	SBUX US Equity	-28	28	22	-23	38	3.3
McDonald's Corp	MCD US Equity	-24	24	21	-14	31	3.3
Paychex Inc.	PAYX US Equity	-32	27	19	-28	47	3.3
Stryker Corp.	SYK US Equity	-30	25	20	-17	43	3.3
Medium Risk – Very Cheap							**70**
Synchrony Financial	SYF US Equity	-63	10	2	-77	101	12
Sysco Corp.	SYY US Equity	-52	22	11	-52	56	12
Leggett & Platt	LEG US Equity	-51	19	9	-53	53	12
Borgwarner Inc.	BWA US Equity	-48	11	5	-55	46	12
Snap-On Inc.	SNA US Equity	-43	17	8	-53	33	12
Ulta Beauty	ULTA US Equity	-43	30	13	-58	31	12
Higher Risk – Probably Very Cheap							**10**
Ryman Hospitality Group	RHP US Equity	-65	20	11	-46	112	2.5
Delta Airlines	SAL US Equity	-64	10	3	-67	106	2.5
Boeing Co, The	BA US Equity	-61	N/A	N/A	N/A	94	2.5
Beacon Roofing	BECN US Equity	-57	23	36	55	75	2.5
Total Portfolio E(R)		**56.1**					

STARBUCKS

RESILIENT AFFORDABLE LUXURY

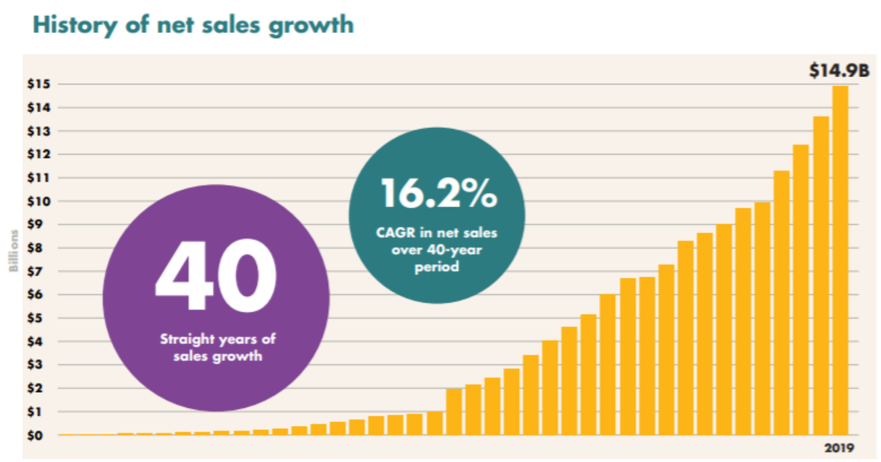
Qualitatively, Starbucks is one of the world's best businesses and most valuable brands. Delivering a return on capital of > 40%, and consistent earnings growth since 2008 has meant the share has been a star performer - delivering a compound annual return of 22% since the end of the GFC. Although store closures have been necessary in many parts of the world, US stores continue to trade via drive-thru locations and through delivery services. Affordable luxuries tend to be quite resilient even in times of economic duress, and we believe sales will normalise rapidly. The balance sheet is essentially ungeared once adjusting for operating leases, and we believe the 30% sell-off likely presents an attractive opportunity for investors.



COMPANY	TICKER	RETURN SINCE 17 JAN (%)	MARKET CAP	5-YR AVE P/E	P/E	DERATING (%)	NET DEBT: EBITDA	ROIC (%)	PROSPECTIVE RETURN (%)
Starbucks	SBUX US Equity	-28	$ 74,001,785,000	28	22	-23	2.4	40	38

STRYKER

STRONG MEDICAL PLAY CAUGHT IN THE CROSSFIRE



Stryker, one the world's pre-eminent joint implant & replacement manufacturers, generates a highly defensive profit stream through a network of committed customers (surgeons). Once a surgeon has trained on a specific brand of joint replacement (e.g. Stryker), they generally stay with the brand for the length of their career due to the high switching cost (i.e. training on a new system). The company has grown its sales for 40 consecutive years. A sell-off of 30% is an opportunity to buy a business that will largely be unaffected, at a meaningful discount.

COMPANY	TICKER	RETURN SINCE 17 JAN (%)	MARKET CAP	5-YR AVE P/E	P/E	DERATING (%)	NET DEBT: EBITDA	ROIC (%)	PROSPECTIVE RETURN (%)
Stryker Corp.	SYK US Equity	-30	$ 55,500,811,722	25	20	-17	1.9	13	43

SYSCO

BIGGEST US FOOD DISTRIBUTOR AT A 50% DISCOUNT

- This is an extremely high quality business with predictable, sustainable growth in normal conditions
- Sentiment toward restaurant & hospitality sector now at extreme negative levels
- Restaurants likely to normalize rapidly as epidemic clears
- Typically highly-rated defensive business now at an historic 11x PE
- Low interest rates could push P/E to historically high levels

COMPANY	TICKER	RETURN SINCE 17 JAN (%)	MARKET CAP	5-YR AVE P/E	P/E	DERATING (%)	NET DEBT: EBITDA	ROIC (%)	PROSPECTIVE RETURN (%)
Sysco Corp.	SYY US Equity	-52	$ 20,086,088,950	22	11	-52	2.7	21	56

UNCOMFORTABLE TO BUY:

HIGHER RISK, COULD BE VERY CHEAP

BOEING

COULD FLY AFTER THE VIRUS SUBSIDES

Boeing could well be in trouble in the short term, but this is a massive and strategic business for the US and employs 160,000 people. At the time of the safety-related grounding of the 737-Max aircraft, we thought the business was worth around US$300 per share. Boeing faces a tough few years, but does so with relatively little debt (0.5x debt to normalised EBITDA). It is one of two major aircraft manufacturers in the world. Once commercial air traffic normalises, we believe cancelled / deferred orders will be reinstated / brought forward again. This is a fairly speculative small position, but should the pandemic clear in the next 6 months we believe this is a share that can double from here.

COMPANY	TICKER	RETURN SINCE 17 JAN (%)	MARKET CAP	5-YR AVE P/E	P/E	DERATING (%)	NET DEBT: EBITDA	ROIC (%)	PROSPECTIVE RETURN (%)
Boeing Co, The	BA US Equity	-61	$ 70,257,403,216	N/A	N/A	N/A	N/A	-11	94

GREAT VALUE EMERGING

- In SA-inc shares, we have experienced a crash after a crash
- Avoid high-risk places for now
- Trading opportunities for the first time in years; *volatility will continue*
- **Some opportunities:**
  - MTN
  - Bidcorp
  - Shoprite
  - Bidvest
  - Alviva

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THANK YOU

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