

GLOBAL EQUITY POSITIONING

5 MAY 2020

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CO-CIO



ANCHOR

NAVIGATING
CHANGE

WHAT WE ARE SAYING NOW...

- Overriding perspective – Buy great businesses at good prices
- The world will return to normal ... but we don't know when
- Volatility prevails – FOMO now, but uncharted 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

US Earnings season is underway!!!



WE ARE “ONLY” DOWN 12%

- MSCI World index down 14% in March, up 11% in April
- MSCI World index now down “only” 12% for the year
- But sectors have behaved very differently
- Surplus of oil, pigs and sugar
- Tech has been strong

MSCI WORLD EQUITY INDEX



THE REALITY



CHART OF THE WEEK

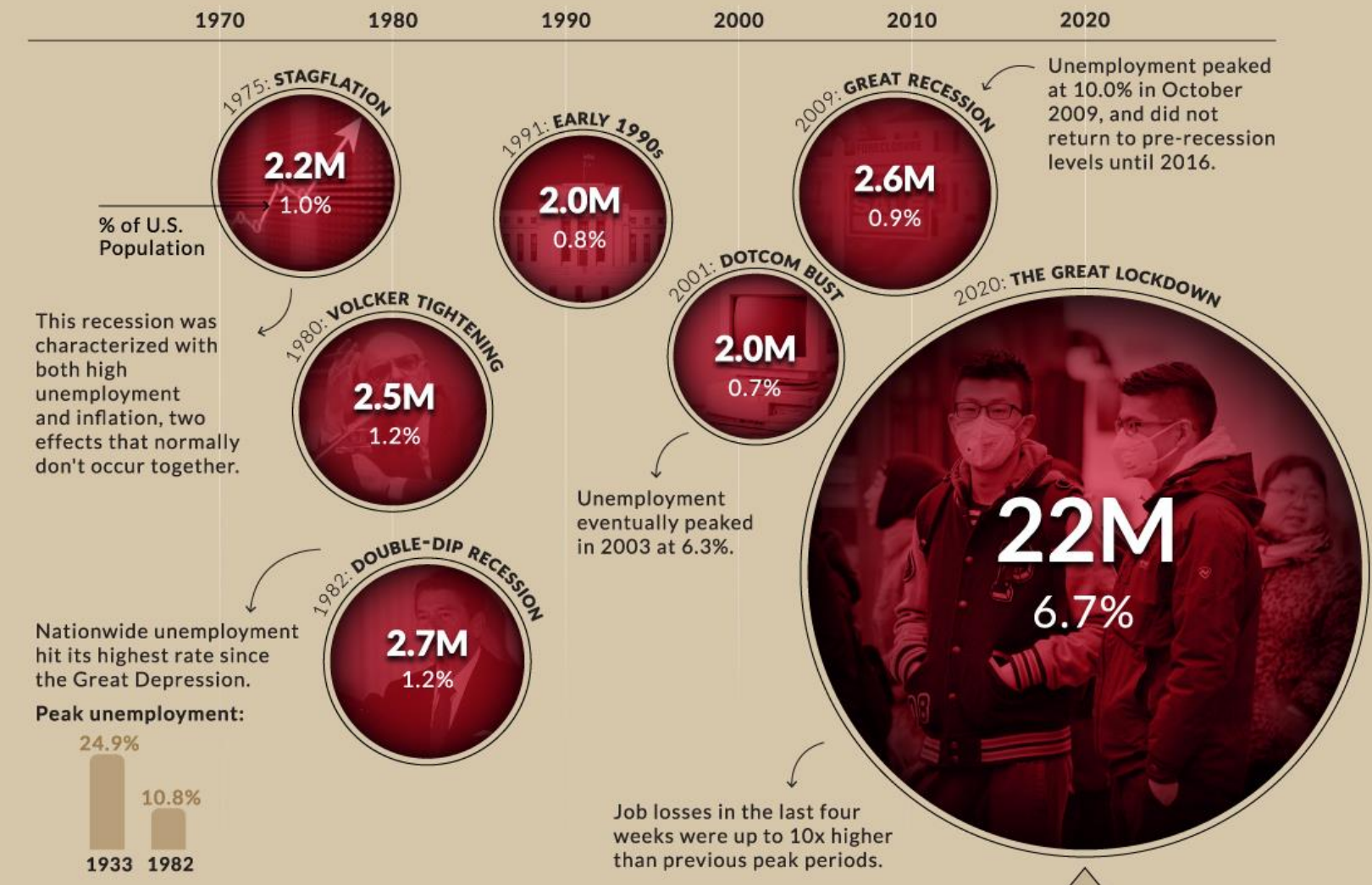
The Historic U.S. Job Losses, in Perspective

The Great Lockdown has come at a great cost to the economy.

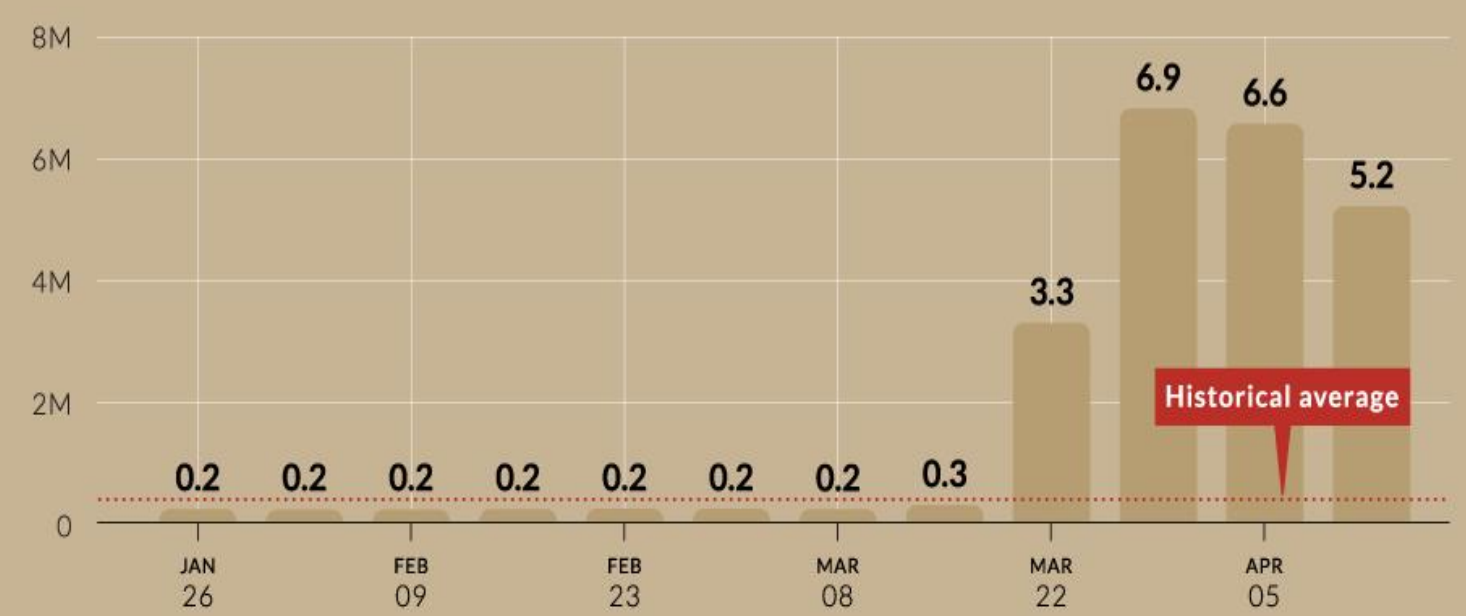


As initial jobless claims continue to mount in the United States, here is how the unprecedented numbers from the last four weeks compare to previous peak periods in history.

Peak Initial Jobless Claims (Four week period)

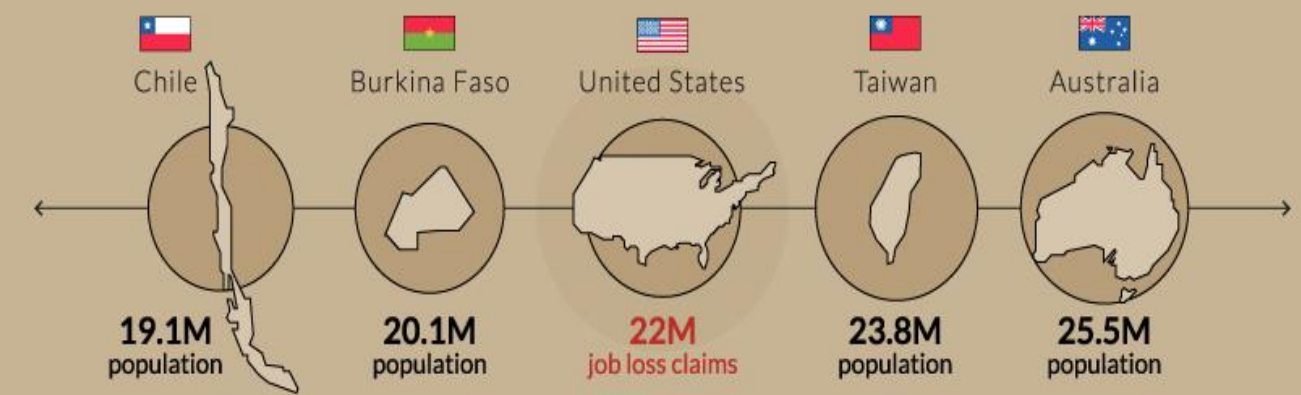


Weekly Initial Jobless Claims in 2020 (Millions)



Job Losses in Perspective

More U.S. jobs were lost in the last month than the equivalent populations of entire countries:



Sources: FT, Trading Economics



























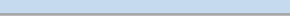
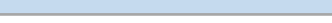






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ANCHOR HIGH STREET EQUITY PORTFOLIO



- The Walt Disney Company
- Yum! Brands Inc.
- Nike Inc. -CL B
- Prudential PLC
- Unilever PLC
- Admiral Group PLC
- ICICI Bank Ltd – Spon ADR
- Glaxosmithkline PLC-Spon
- Amazon.com Inc
- Ping An Insurance – ADR
- Johnson & Johnson
- Paypal Holdings Inc
- Royal Dutch Shell Plc-B S
- Alphabet Inc- CL A

RECOVERY 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.	SYU 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	BEEN US Equity	-57 	23	36	55	 75	2.5
Total Portfolio E(R)		56.1					

ANCHOR TENANT






THE SA MARKET

SA CAPPED SWIX

J433.JSE@JSE: 14267,6814



Down
16% YTD

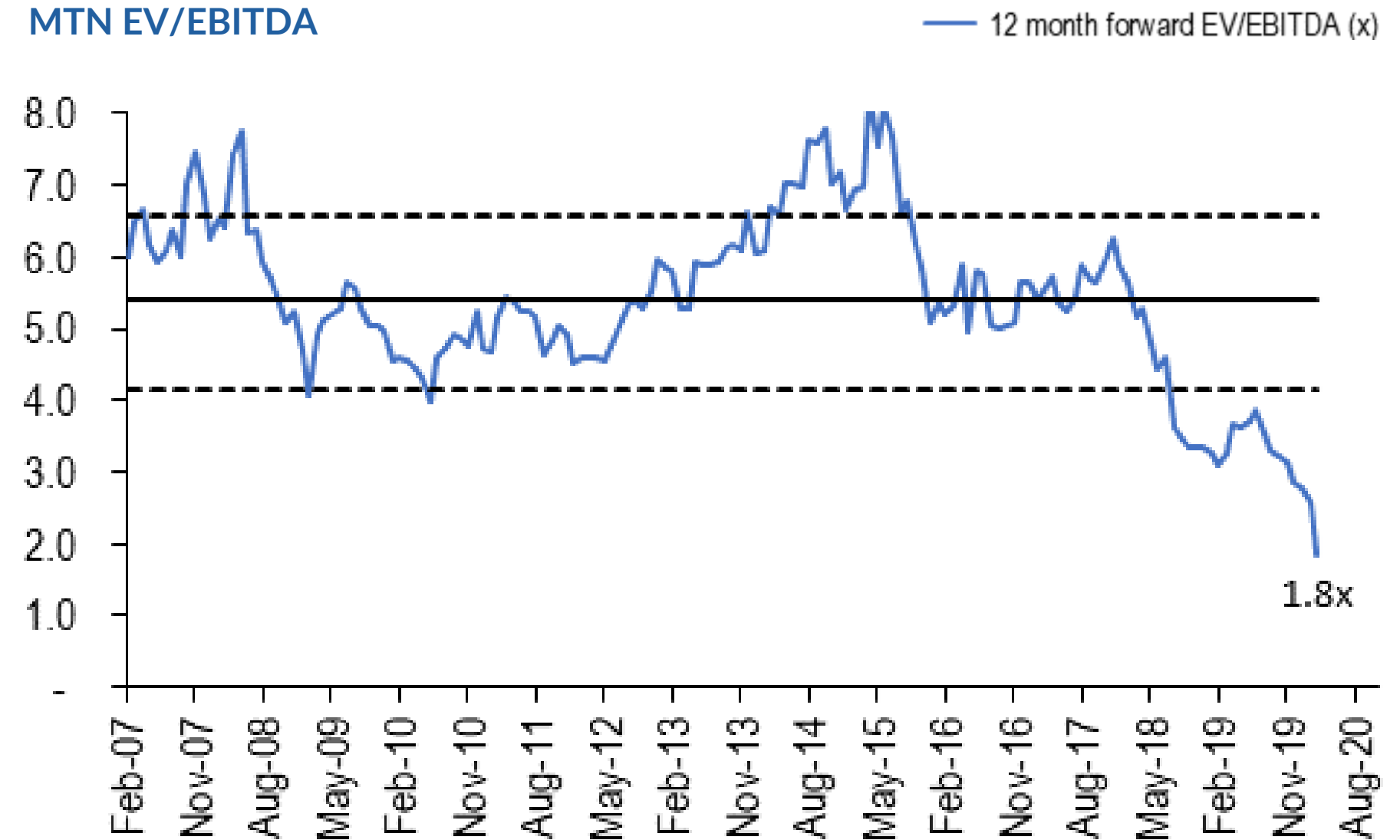
SA ECONOMY ONLY A PART OF SA MARKET

	BCI Equity	Index (%)	O/U (%)
Large Cap "New Dawn"	26.0	41.0	-15
ZAR Hedge	25.0	31.0	-6
Small/Midcaps	7.0	3.0	4
Small Cap Prop Co.	0.0	2.0	-2
Basic Materials	16.0	22.0	-5
Non-Dom Equity	18.0	0.0	18
Top 40 Future	1.0	0.0	1
Cash	6.0	0.0	6
	100.0	98.8	

MTN AS AN EXAMPLE

- A rock solid business – telecoms a safe sector in these conditions.
- Price has halved.
- Cheapest ever – 1.8x EV/EBITDA.
- Fwd 6.5x PE, fwd 13.5% DY.
- Acting like an oil proxy because of Nigeria (27% of business).
 - Profits from Nigeria down (Naira down and some US\$ costs) and dividend might not be possible.
- Over-reaction; > 50% upside.
- Earnings and dividend might disappoint, but it is not worth R45.

MTN EV/EBITDA



VODACOM SHARE PRICE



MTN SHARE PRICE



APRIL'S WINNERS

- Naspers / Prosus
- Platinum Group metals
- Gold
- British American Tobacco



BUYS AND SELLS IN APRIL

WE SOLD:

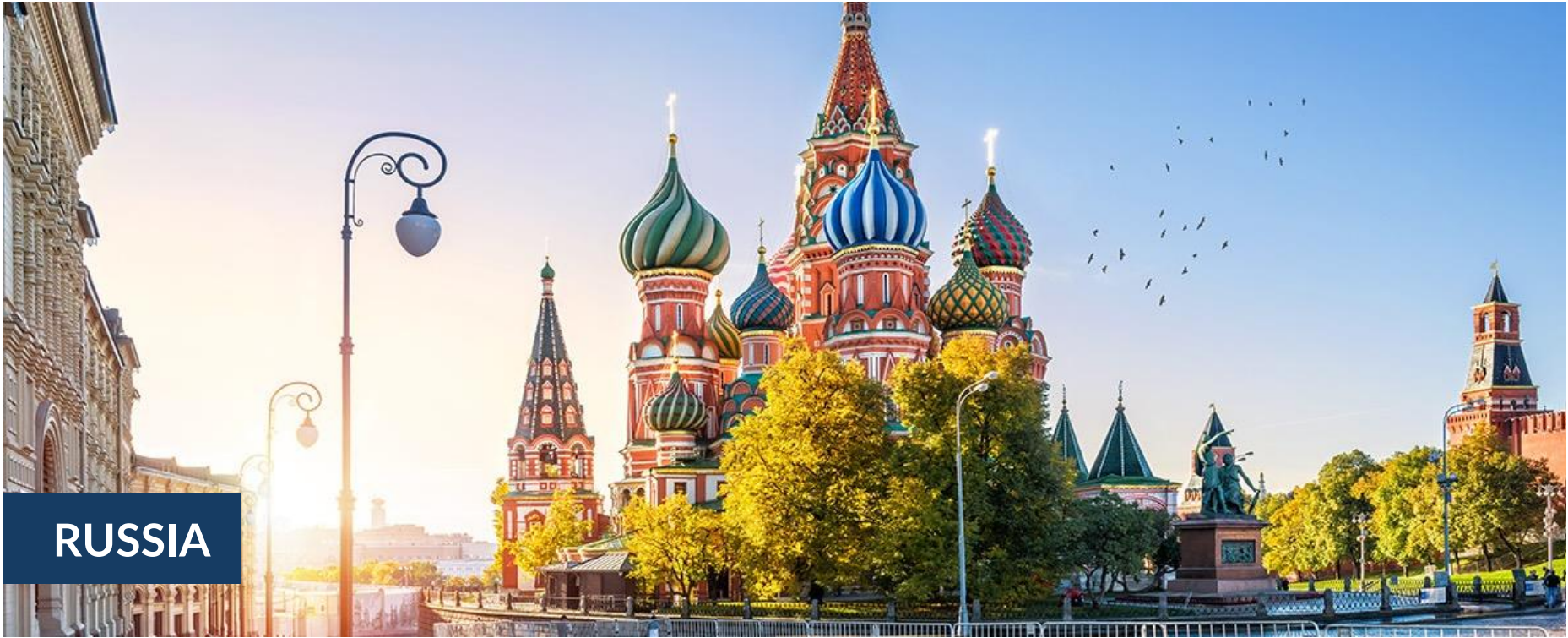
- TFG
- Nedbank
- Bidvest
- Home Depot
- Discovery

WE BOUGHT:

- Growthpoint
- Firstrand
- Old Mutual
- Quilter Plc
- Sibanye Stillwater

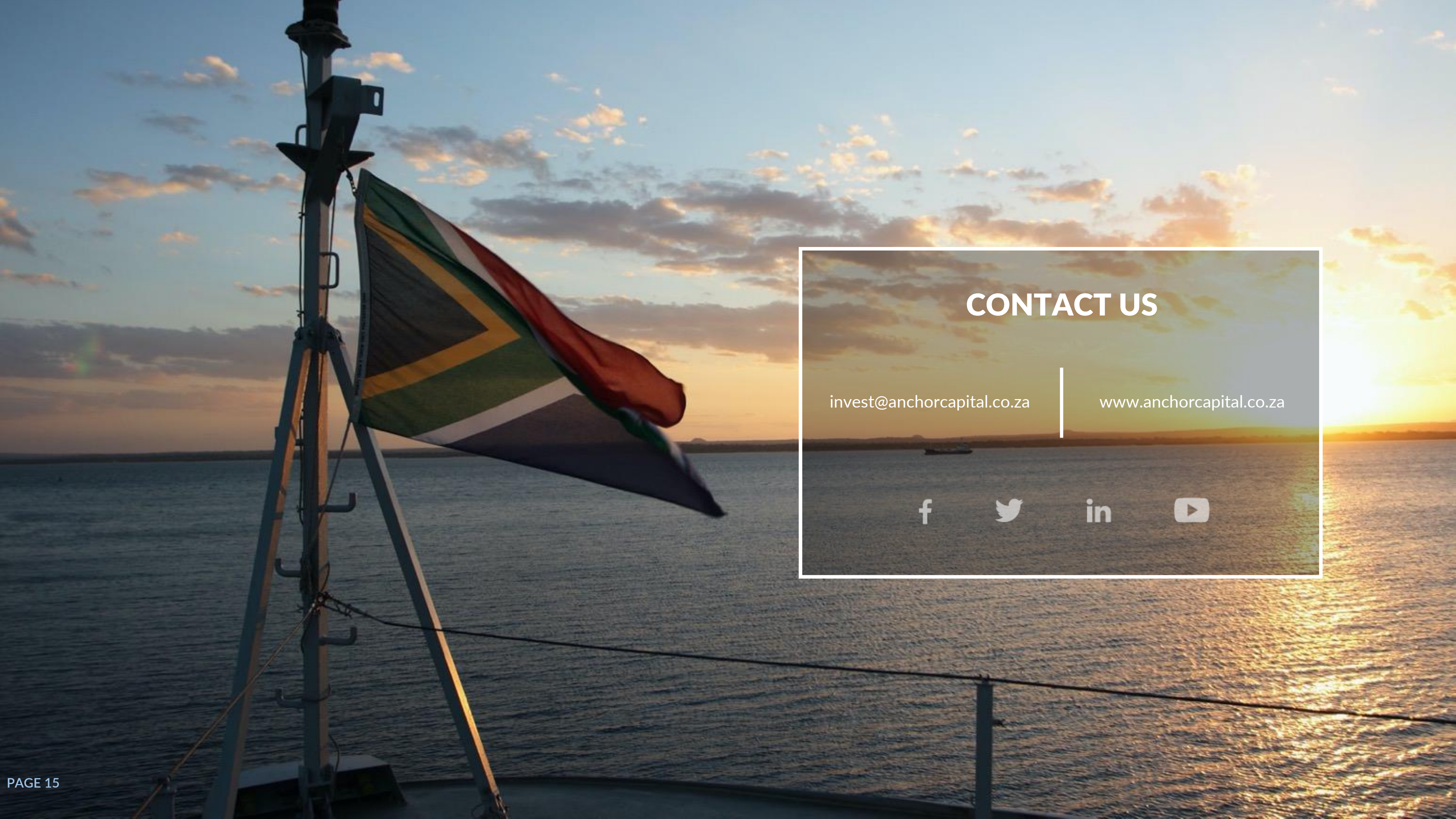


EMERGING MARKETS



IT'S A GAME OF PATIENCE

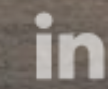




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