

FIXED INCOME

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ANCHOR

NAVIGATING
CHANGE



South Africa

SCENARIOS

High Road

Road to nowhere

Bailout and policy
correction

Failed state



WATCH POINTS

High Road

Economic Growth + National Finances under control.

- ✓ Government regains the trust
- ✓ Pro growth policies
- ✓ SOE reform

Bailout and policy correction

Government unable to control finances and accepts help from external sources.

- ✓ SOE and grants drain the fiscus.
- ✓ Corruption remains endemic
- ✓ Decision to seek a bailout.



Road to nowhere

National Finances under control.

- ✓ Developmental state ideals trump reality.
- ✓ Government spending under control allowing them to maintain the status quo.
- ✓ Slowed corruption

Failed state

Government unable to control finances and decides to go it alone.

- ✓ Populist solutions of printing money
- ✓ Taking from pension funds
- ✓ Default on the nation's debt.

ASSET ALLOCATION

High Road

- Buy SA Inc equities
- Buy Bond Funds
- Sell Multi-Asset Income
- Sell some offshore

Bailout and policy correction

- Buy SA Multi Asset Income and bonds
- Buy Offshore Equity
- Sell SA Inc equity



Road to nowhere

- Buy SA Multi Asset Income and bonds
- Buy Offshore Equity
- Sell SA Inc equity

Failed state

- Buy everything offshore
- Sell everything SA

CURRENT EVALUATION

High Road

- ✓ Tender for 12 000 MW of electricity production.
- ✓ Nedlac growth proposals.
- ✓ Government accepted that it does not have capacity for infrastructure roll out.

Bailout and policy correction

- ✓ Continuation of propping up SOEs (Denel) and SAA
- ✓ Government has outright rejected prescribed assets and changing the reserve bank mandate.
- ✓ Government has outright rejected nationalising the reserve bank.



Road to nowhere

- ✓ Prosecution of corruption starting
- ✓ SAA bailout continues . . . Though labour has accepted job cuts
- ✓ Expenditure cuts proposed and likely to succeed.
- ✓ Policy disconnect

Failed state

ASSET ALLOCATION

Asset Class	Benchmark Weight	Current Stance			Expected Returns 12m Fwd (ZAR)
		Negative	Neutral	Positive	
LOCAL	80%				
Equity	52%	●	●	●	11.3
Bonds	16%	●	●	●	9.3
Listed Property	6%	●	●	●	7.0
Cash	4%	●	●	●	3.3
GLOBAL	20%				
Equity	13%	●	●	●	5.0
Government Bonds	1%	●	●	●	-0.2
Corporate Credit	3%	●	●	●	2.0
Listed Property	2%	●	●	●	2.0
Cash	1%	●	●	●	0.0

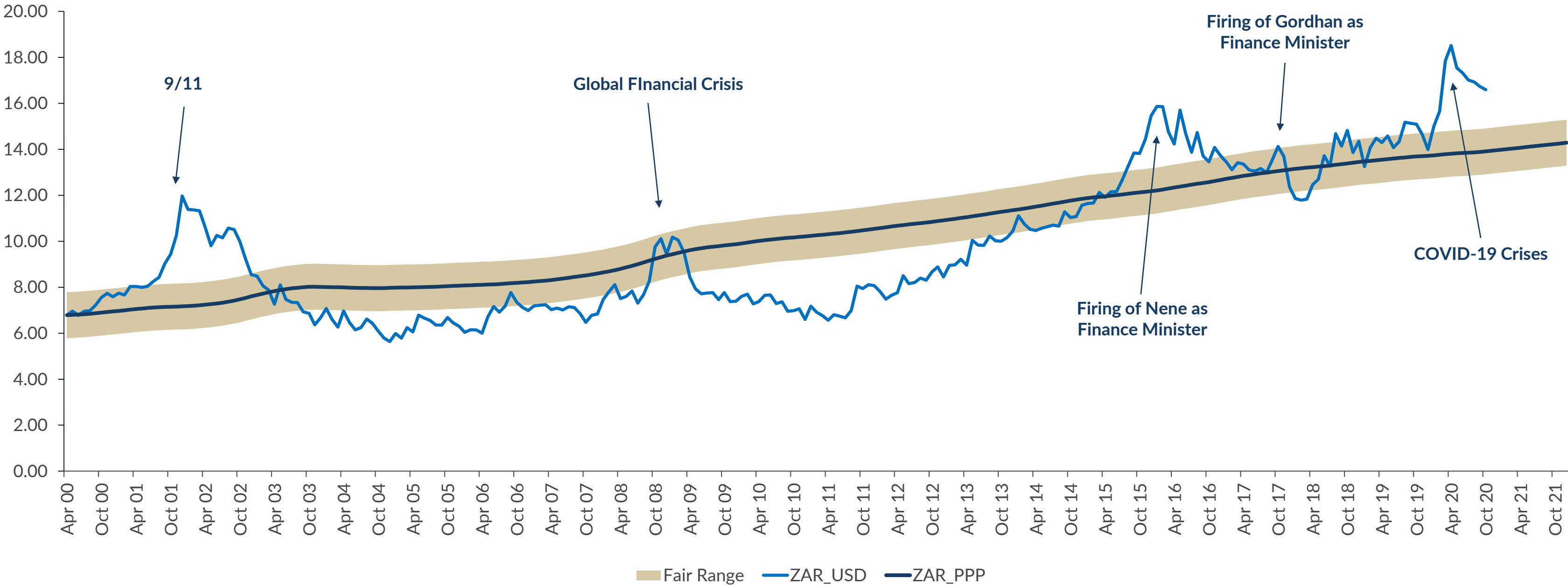
COVID VIEWS



RAND VIEWS



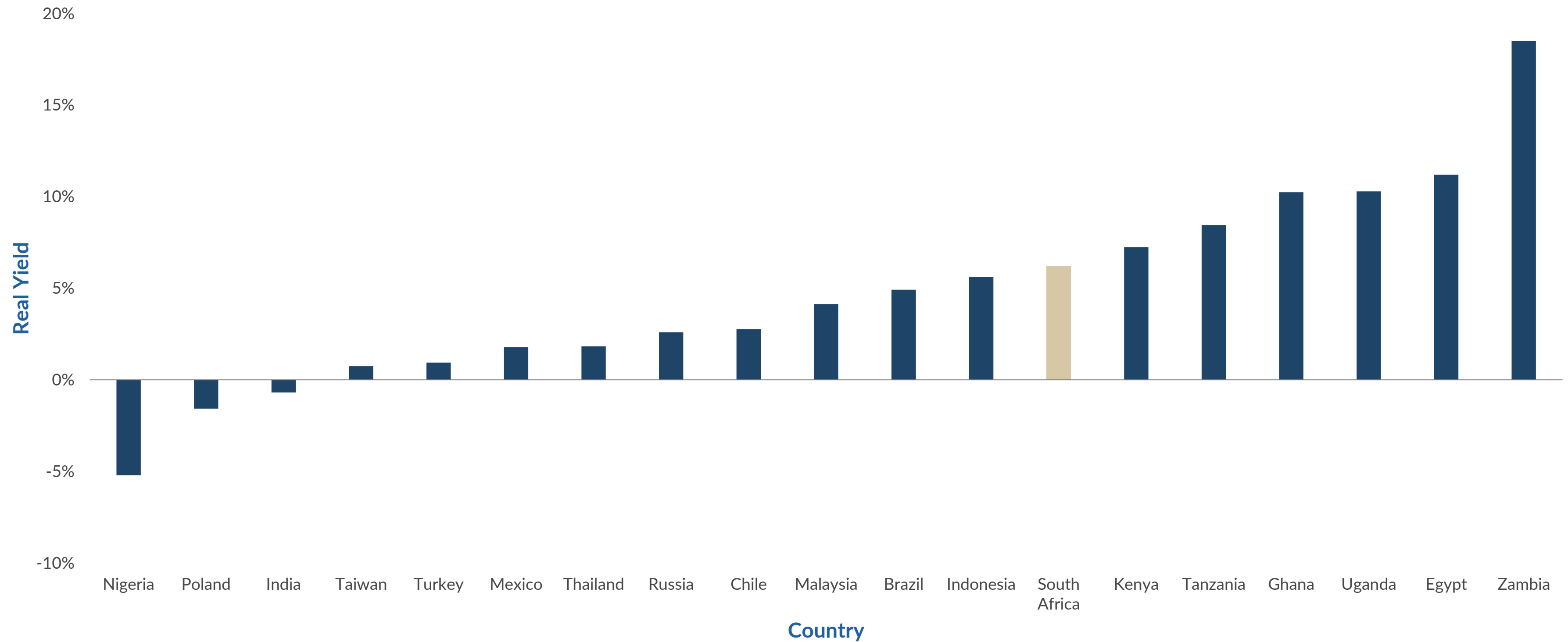
Actual ZAR/USD vs ZAR PPP Model



Source: Thompson Reuters / Anchor



REAL YIELDS IN SA VERSUS THE WORLD



Source: Thompson Reuters / Anchor

SA BONDS



Volatile



Attractive yield



Should work well in most scenarios



Foreign participation is low, but likely to improve as we come out of COVID-19



GLOBAL YIELDS – LOWER FOR LONGER



Source: Thompson Reuters / Anchor

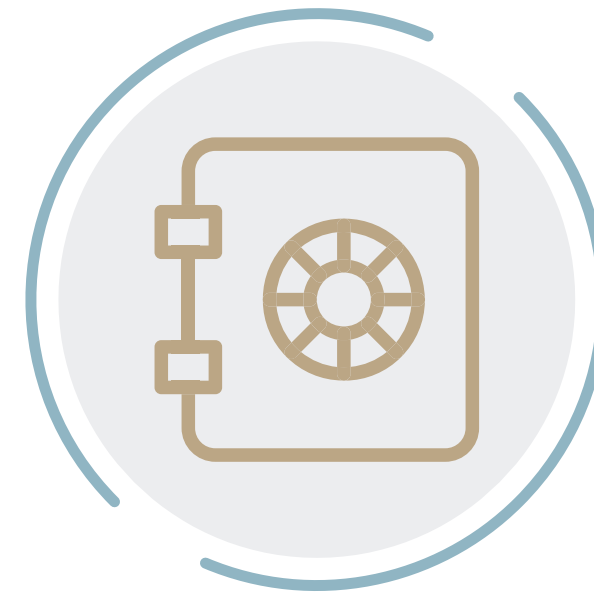
GLOBAL YIELDS



Volatile



Very low



Safe place for cash
that you don't want in
equities



Anchor BCI Global
Income Fund

SUMMARY OF WHERE THE MONEY WILL BE MADE

Domestic Equities



Domestic Fixed Income

Yield of 8.75% to 10% means buy bonds and be patient.

Global Equities



Global Fixed Income

Avoid duration, hold a corporate bonds for 2% to 3% yields.



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