

EQUITIES MAY 2021

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ANCHOR

NAVIGATING
CHANGE

WHERE WILL THE MONEY BE MADE

Domestic Equity

- Global risk-on investor mood flowing through to emerging markets and SA is a beneficiary
- Chinese economic strength will benefit resource counters and Naspers (combined 50% of the market)
- Domestic SA-Inc shares still fairly cheap and have the potential to re-rate

Domestic Fixed Income

- Bonds are cheap
- Slight overweight risk to capture possible capital gains and higher yields
- Domestic bonds are still attractive

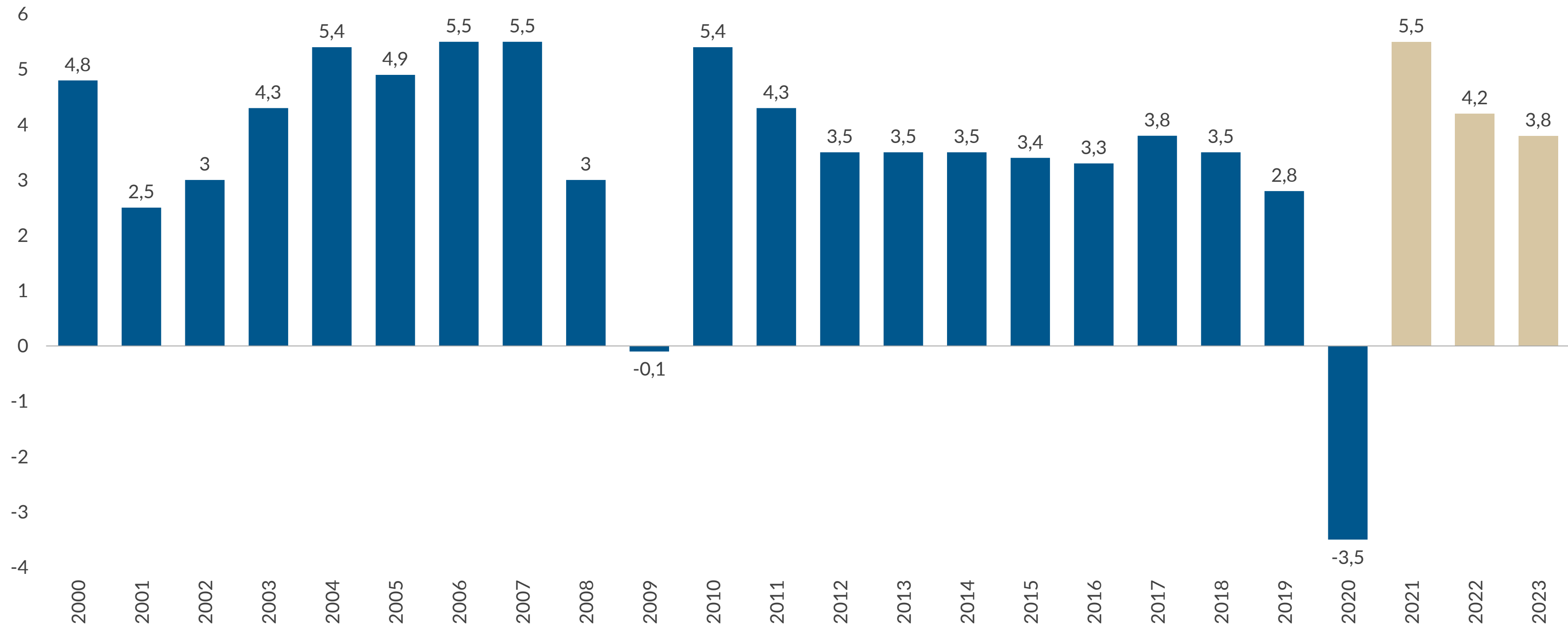
Global Equity

- Increasingly about share selection as indexes hit all-time highs:
- Still value in some “re-opening” shares
- Great value in big tech, which are experiencing phenomenal growth rates
- Banks and pharma companies relatively cheap with improving prospects

Global Fixed Income

- Bonds have moved dramatically and yields are becoming interesting again.
- Risk of an inflation overshoot in the near term.
- Longer terms corporate tax hikes and a normalisation of growth are positive for bonds.
- Shorter duration bonds are useful as a repository for cash if you don't want maximum equity exposure.

IMF GLOBAL GDP GROWTH FORECASTS







































Source: IMF, Bloomberg, Anchor

EQUITY PHILOSOPHY AND PRINCIPLES

- First and foremost we want to **make money** and identify shares that have significant upside.
- Our core investment philosophy is to invest in shares which are **compounding their growth** (10% + per annum in US\$ is the benchmark), that we can buy at **reasonable prices**. Together with a dividend yield of +/-2% this should achieve a 12% compound return. These companies must be of high quality, have excellent track records and a been continually able to invest new capital at high returns.
- The world is changing rapidly and it is essential to adapt portfolios to take advantage of changing global dynamics. Shares which have these attributes are seldom cheap, because of their growth rate. So the following general principles will be applied:
 - **A core of solid growth developed market compounding companies**
 - **10-20% exposure to emerging markets** – this segment of the world is growing at 3-6%, versus 0-2% for developing markets. Many new business with very high growth rates are developing, with great share performance
 - **25-50% exposure to technology shares**, or companies whose futures have been accelerated by technology (this is currently 40% of global markets). High quality tech shares are growing the fastest and this is where the real money will be made and where shares can rise in value by 100%.

ASSET ALLOCATION

Asset class	Current stance			Expected returns (local currency) (%)
	Negative	Neutral	Positive	
LOCAL				
Equity				12.6
Bonds				9.8
Flexible income				6.3
Listed property				8.5
Core income				5.0
Alternatives*				10 – 15
Rand/US\$ (rand marginally stronger)				-2.5
GLOBAL				
Equity				5.0
Government bonds				0.4
Corporate credit				1.0
Listed property				3.0
Cash				0.1
Alternatives*				5 – 10

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

GLOBAL PERFORMANCES

Key Global Indices	YTD Change (%)
JSE All Share **	13.7
JSE Africa Resource 10 **	21.5
JSE Africa Financial 15 **	1.2
JSE Africa Industrial 25 **	11.5
FTSE 100	7.5
German DAX 30	11.2
France CAC 40	13.0
S&P 500	11.5
Dow Jones Industrials	11.0
Nasdaq Composite	9.3
Nikkei 225 *	5.6
Shanghai Composite *	-0.9
Hang Seng Index *	6.3

*Time SAST 6:00:00 ** Values as on 26 April 2021

Source: Bloomberg

QUOTES FROM US COMPANY RESULTS

"I would say the U.S. was **very, very strong**." - [ManpowerGroup](#) (MAN) CFO Jack McGinnis

"And you heard us before talking about consumer demand, to be honest, in all the years I've been doing the earnings call, this is probably the year that **I'm most bullish about mid-and long-term consumer demand** trends in North America." - [Whirlpool](#) (WHR) CEO Marc Bitzer

"I think as you see the vaccine spread, **this economic dam is really starting to burst** and it's going to be widespread in terms of an increase in activity and revenues across most businesses." - [The Blackstone Group](#) (BX) COO Jon Gray

"Q1 was an absolutely spectacular quarter. I have never seen anything like this in over 50 years on Wall Street... While we have had some other very active quarters in the past, there were two unique features about this one. First, that it seemingly happened in parallel and in tandem across all geographies around the globe; and second, that the feverish activity appeared to be led much more by individual investors than by institutions." - [Interactive Brokers Group](#) (IBKR) Director, Investor Relations Nancy Stuebe

1Q 2021 – US EARNINGS SEASON

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Surprise	Growth				
Sector (GICS)	Reported	Sales Growth	Earnings Growth		
11) All Securities	284 / 500	11.86%	53.91%		
12) > Energy	9 / 23	-5.33%	62.86%		
13) > Materials	12 / 28	16.02%	108.18%		
14) > Industrials	52 / 74	-2.19%	-12.63%		
15) > Consumer Discretionary	29 / 62	21.47%	130.10%		
16) > Consumer Staples	18 / 32	7.07%	8.34%		
17) > Health Care	35 / 62	12.42%	25.82%		
18) > Financials	53 / 65	11.59%	169.21%		
19) > Information Technology	37 / 75	23.67%	42.73%		
20) > Communication Services	11 / 22	15.52%	60.25%		
21) > Utilities	9 / 28	8.25%	-35.03%		
22) > Real Estate	19 / 29	3.34%	6.98%		

Surprise	Growth				
Sector (GICS)	Reported	Sales Surprise	Earnings Surprise		
11) All Securities	284 / 500	4.00%	24.45%		
12) > Energy	9 / 23	11.02%	129.99%		
13) > Materials	12 / 28	2.28%	9.31%		
14) > Industrials	52 / 74	3.62%	24.01%		
15) > Consumer Discretionary	29 / 62	3.33%	62.04%		
16) > Consumer Staples	18 / 32	3.75%	9.63%		
17) > Health Care	35 / 62	0.66%	6.09%		
18) > Financials	53 / 65	5.81%	37.66%		
19) > Information Technology	37 / 75	6.74%	19.28%		
20) > Communication Services	11 / 22	4.26%	35.57%		
21) > Utilities	9 / 28	0.98%	8.21%		
22) > Real Estate	19 / 29	1.26%	1.09%		

LVMH – HIGH SPIRITS

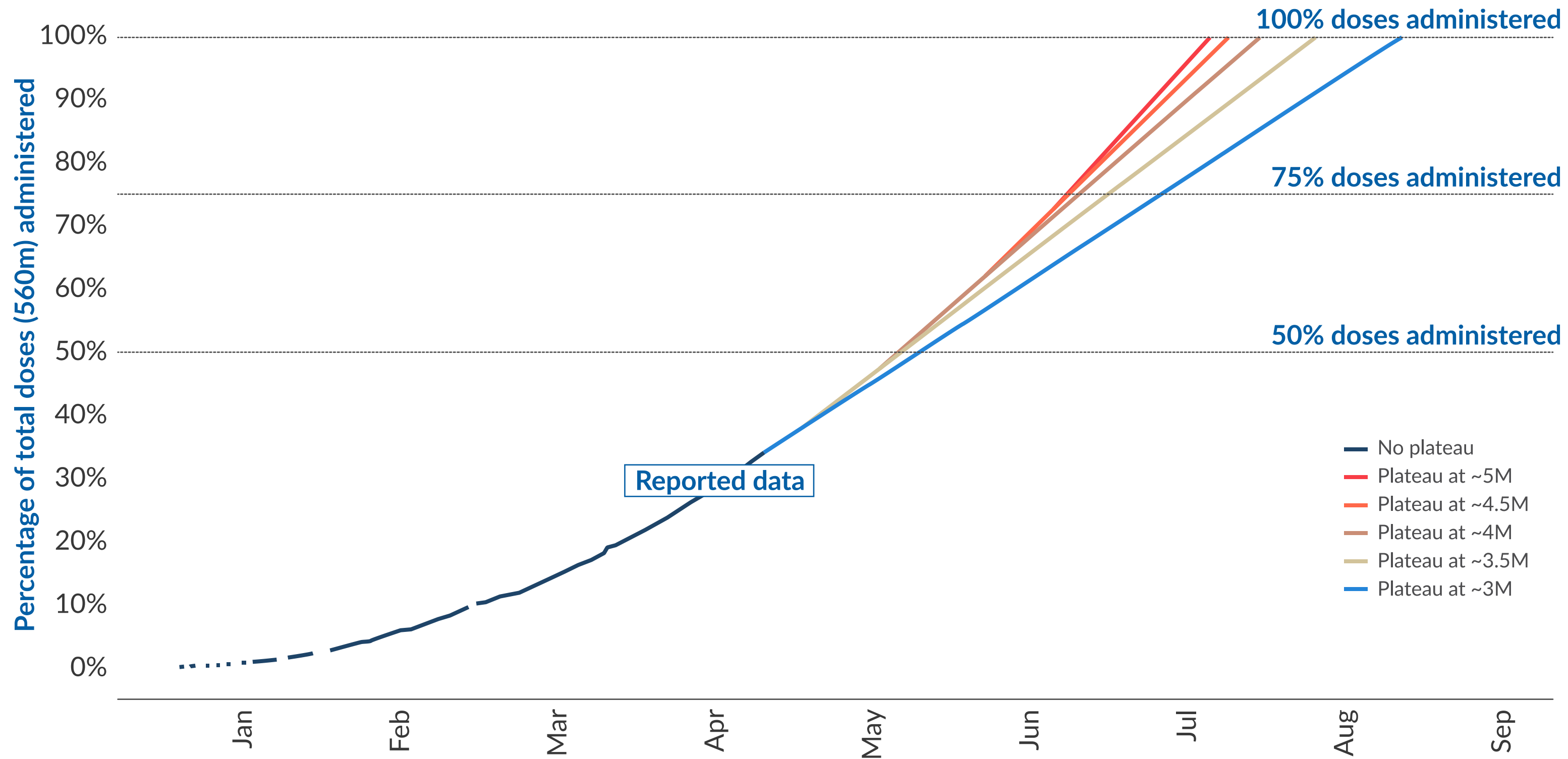
Revenue by business group:

Euros millions	Q1 2021	Q1 2020	% Change Q1 2021 / Q1 2020		% Change Q1 2021 / Q1 2019
			Reported	Organic*	Organic
Wines & Spirits	1 510	1 175	+ 29 %	+ 36 %	+ 17 %
Fashion & Leather Goods	6 738	4 643	+ 45 %	+ 52 %	+ 37 %
Perfumes & Cosmetics	1 550	1 382	+ 12 %	+ 18 %	– 4 %
Watches & Jewelry	1 883	792	+ 138 %	+ 35 %	+ 1 %
Selective Retailing	2 337	2 626	– 11 %	– 5 %	– 30 %
Other activities and eliminations	(59)	(22)	–	–	–
Total LVMH	13 959	10 596	+ 32 %	+ 30 %	+ 8 %

* With comparable structure and constant exchange rates. The structural impact for the Group was + 8%, linked entirely to the consolidation of Tiffany & Co for the first time. The currency effect was -6%.



US VACCINES DONE BY JULY?



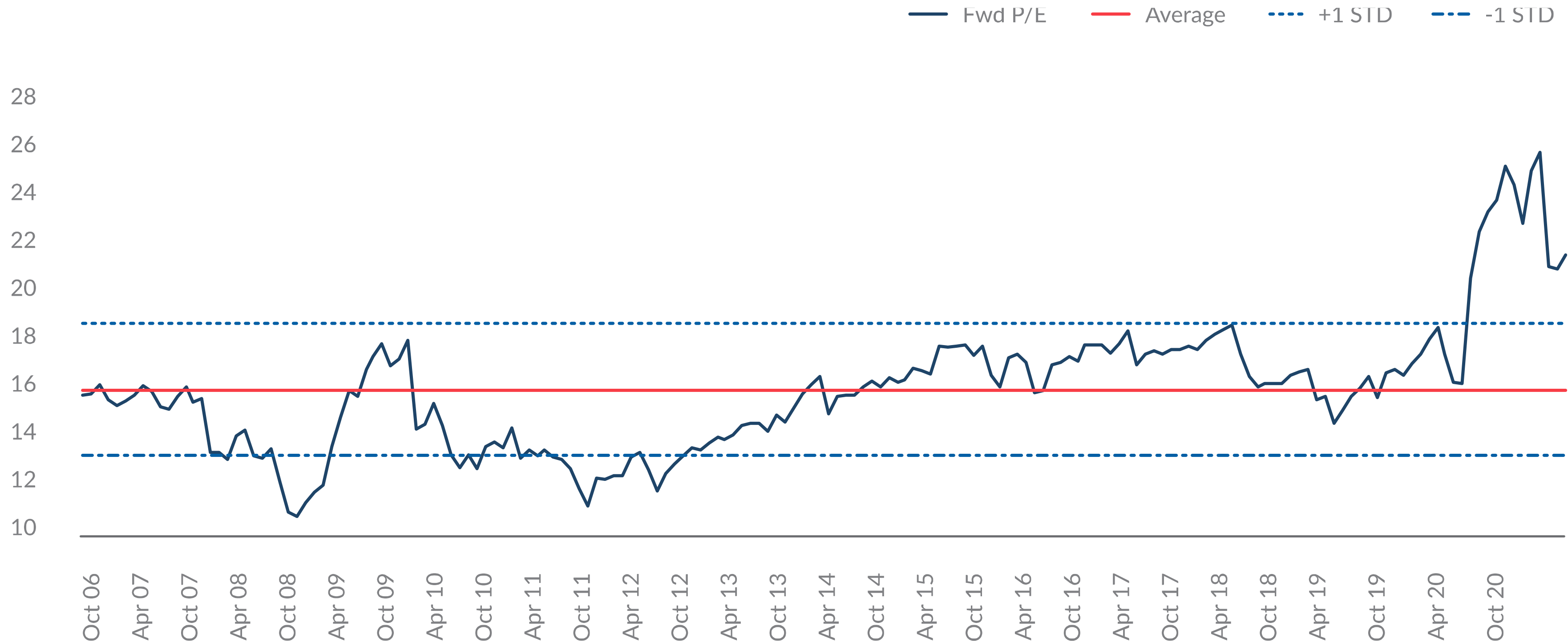


PROJECTED EARNINGS GROWTH AND FWD P/E FOR SELECTED MAJOR GLOBAL INDICES

Name	Earnings growth		Fwd P/E, x	
	Year 1	Year 2	Year 1	Year 2
MSCI World Index	48.0%	11.9%	19.2	17.2
MSCI EM Index	11.7%	20.9%	16.1	13.3
MSCI All Country World Index (10% EMs)	41.1%	12.2%	18.1	16.7
S&P 500 Index	33.2%	15.9%	21.9	18.9




Source: Bloomberg consensus

MSCI WORLD FWD P/E



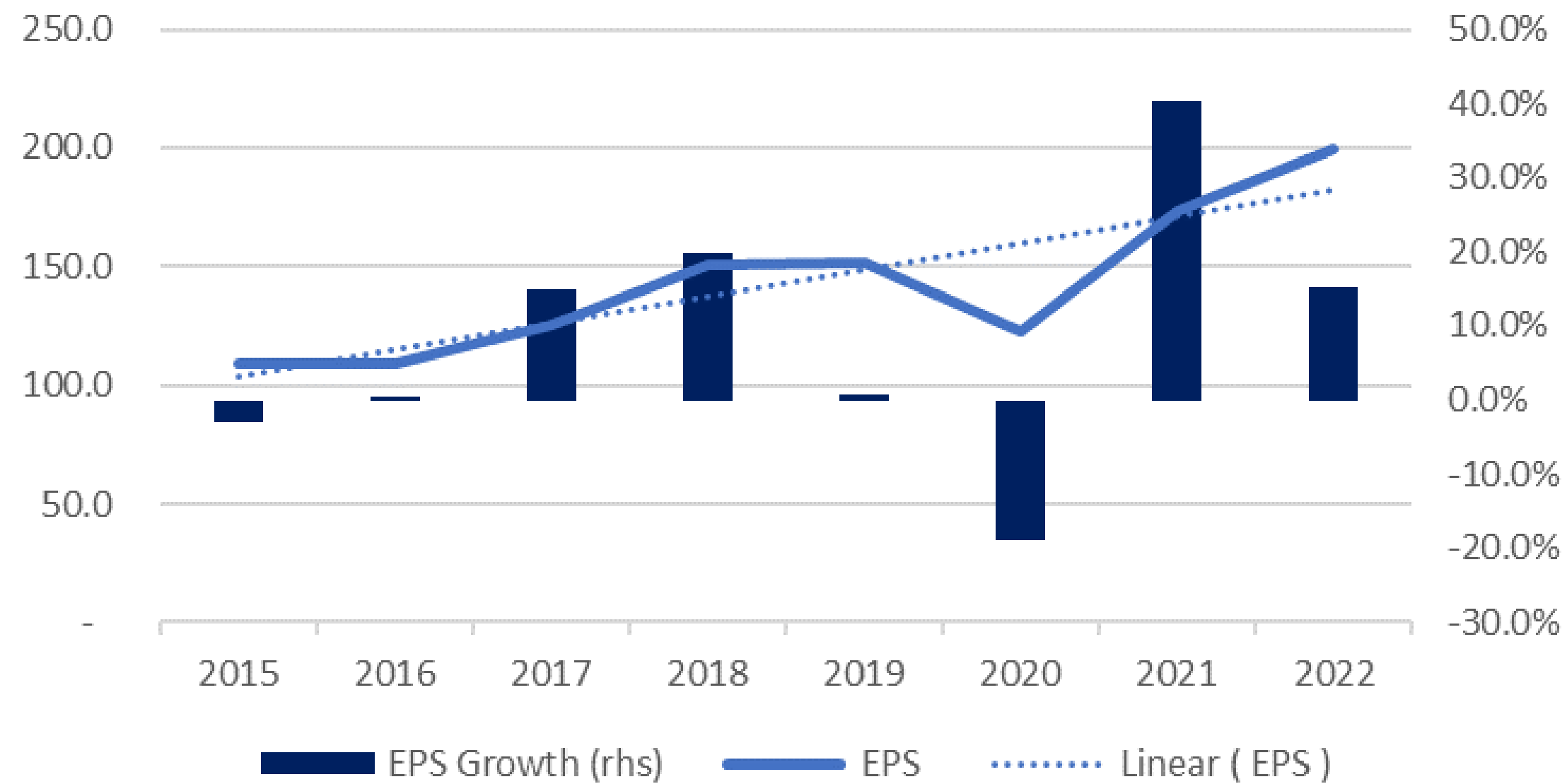
Source: Bloomberg, Anchor

MAJOR OPPORTUNITIES IN VALUATIONS

			
(US\$'bn)	Facebook	Tesla	Bitcoin
Revenue	25	10	n/a
Income	11	1	n/a
Operating margin	45%	6%	
Net Income	10	1.3	n/a
Market cap (US\$'bn)	921	683	1 100
PE	22.6	128.1	n/a
Cash	64	17	n/a
Research and development	5.2	0.7	

S&P 500 EARNINGS TRAJECTORY

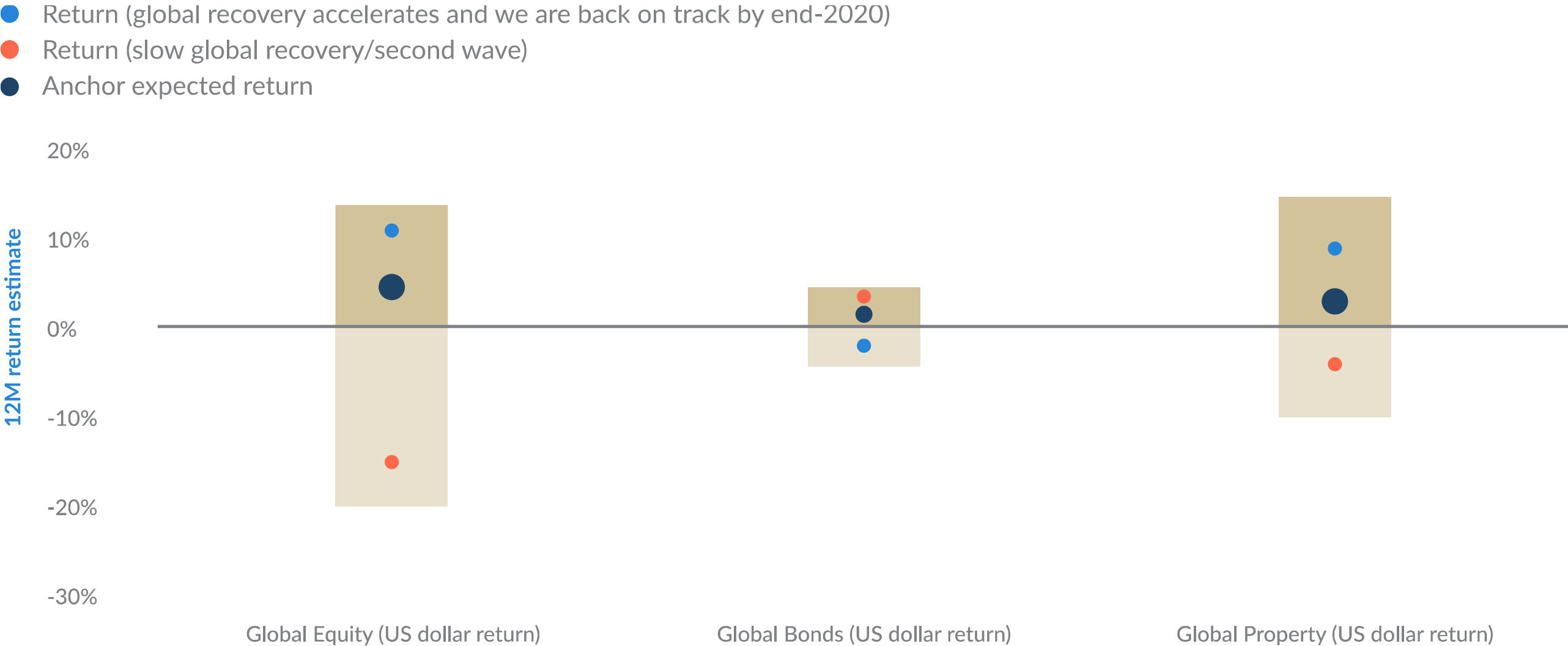
S&P 500



2021 – 7% CAGR vs 2019

2022 – 10% CAGR vs 2019

12M return scenarios for various asset classes in US dollar terms



Anchor expected return by offshore asset class

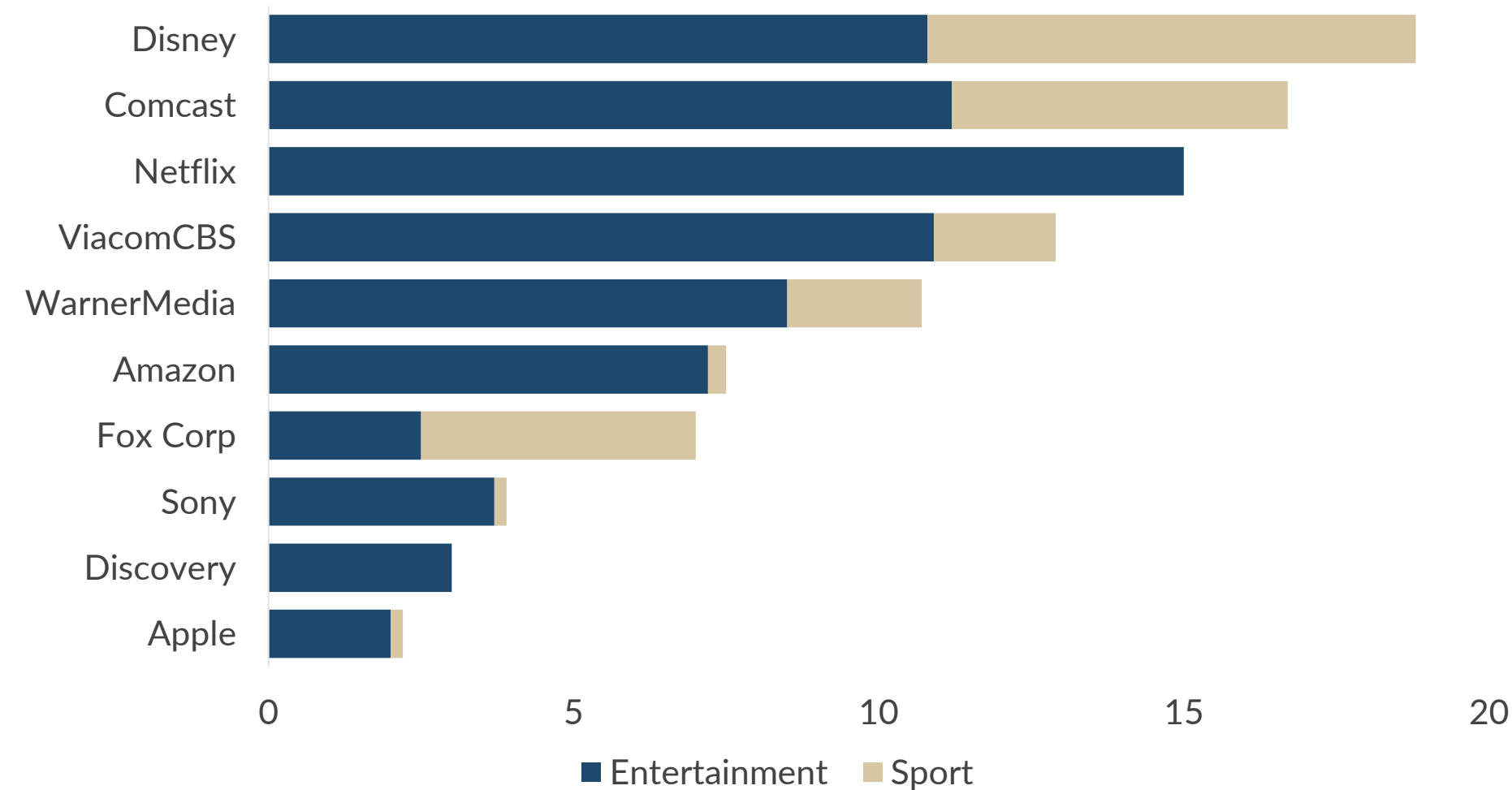
	Global equity	Global bonds	Global property
Anchor expected return (in US dollar)	5.0%	0.7%	3.0%

NETFLIX IS ALL ABOUT SCALE



How much companies spend on content

By company* (\$bn)



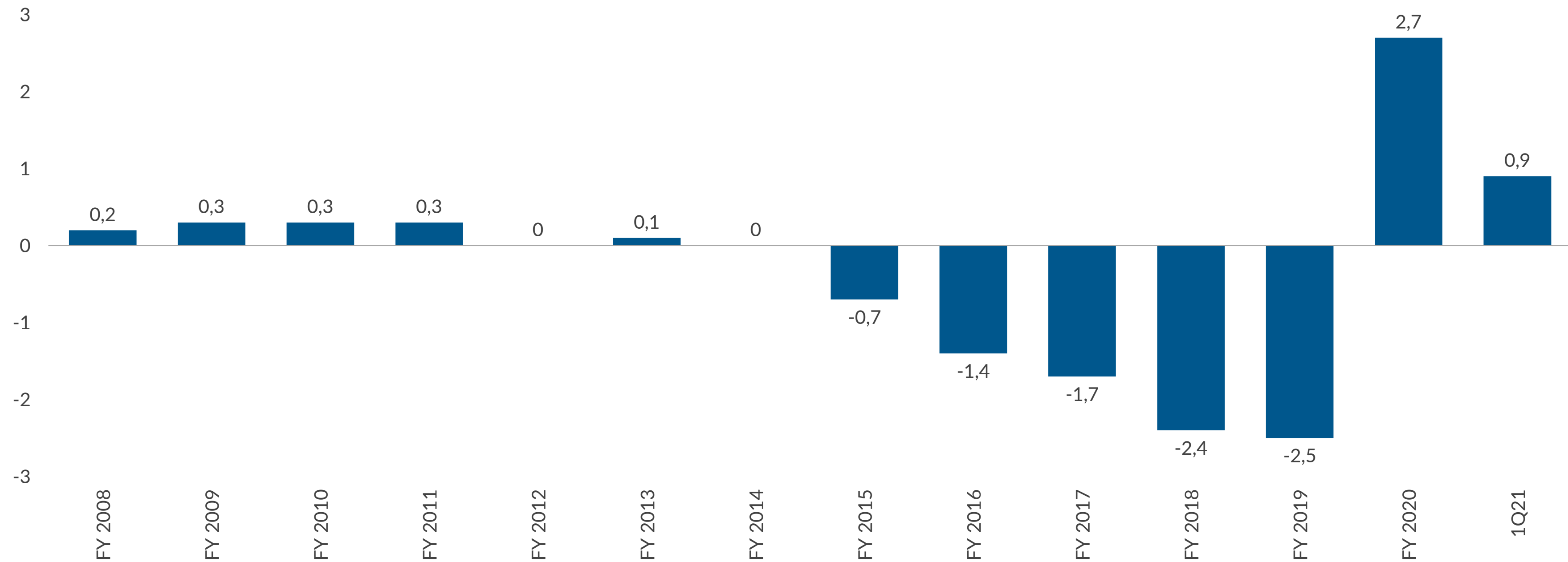
Includes sports and entertainment spending
Source: UBS estimates; company data

800m - 1 bn payTV households ex-China

Name	Subscriptions
Netflix	208m
Disney+	95m
Amazon Prime Video	undisclosed
HBO and HBO Max	64m
Peacock	33m
ViacomCBS	30m

NETFLIX STARTING TO GENERATE CASH

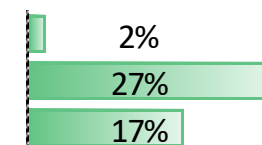
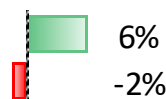
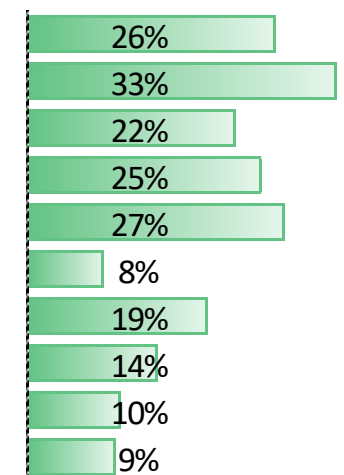
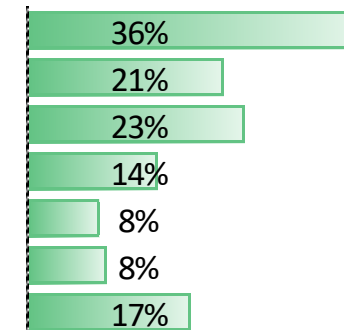
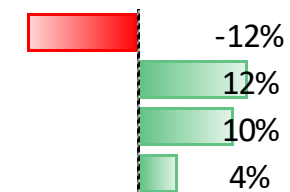
Free cash flow (USD bn)



TACTICAL PORTFOLIO BREAKDOWN

Basket	Weight	Potential upside	Risk	Potential Contribution (%)
Big Tech				
	30.0%			10.1%
Alibaba	10.0%	64%	Medium	6.4%
Facebook	10.0%	29%	Medium	2.9%
Alphabet	5.0%	9%	Low	0.4%
Amazon	5.0%	9%	Low	0.5%
US Financials				
	27.0%			6.2%
Wells Fargo	3.0%	73%	High	2.2%
Bank of America	4.0%	20%	Medium	0.8%
US Bancorp	4.0%	18%	Medium	0.7%
Goldman Sachs	4.0%	22%	Medium	0.9%
Synchrony Financial	4.0%	24%	Medium	1.0%
JP Morgan Chase	4.0%	14%	Low	0.6%
American Express	4.0%	2%	Low	0.1%
BEACH Stocks				
	25.0%			8.6%
Norwegian Cruise Line Holdings Ltd.	2.5%	87%	High	2.2%
Carnival Corporation	2.5%	63%	High	1.6%
United Airlines Holdings Inc.	2.5%	66%	High	1.7%
American Airlines Group Inc.	2.5%	40%	High	1.0%
Royal Caribbean Cruises Ltd.	2.5%	27%	High	0.7%
Delta Air Lines Inc.	2.5%	32%	High	0.8%
PARK HOTELS & RESORTS INC	2.5%	3%	High	0.1%
Cedar Fair L.P	2.5%	8%	High	0.2%
Ryman Hospitality Grou	2.5%	10%	High	0.3%
Las Vegas Sands Corp.	2.5%	9%	High	0.2%
Bottom-up Ideas				
	11.0%			7.5%
GlaxoSmithKline	5.0%	84%	High	4.2%
Intel	6.0%	55%	Low	3.3%
Commodity Producers				
	6.7%			3.4%
Sibanye-Stillwater	3.3%	78%	High	2.6%
Northam Platinum	3.3%	23%	Low	0.8%
Anglo American	3.3%	33%		1.1%
Overall portfolio				36%

Performance since 10th Feb



Individual trading opportunities

HOW WE CURRENTLY FEEL...

The JSE (remains) well placed for a pro-cyclical lead EM recovery:

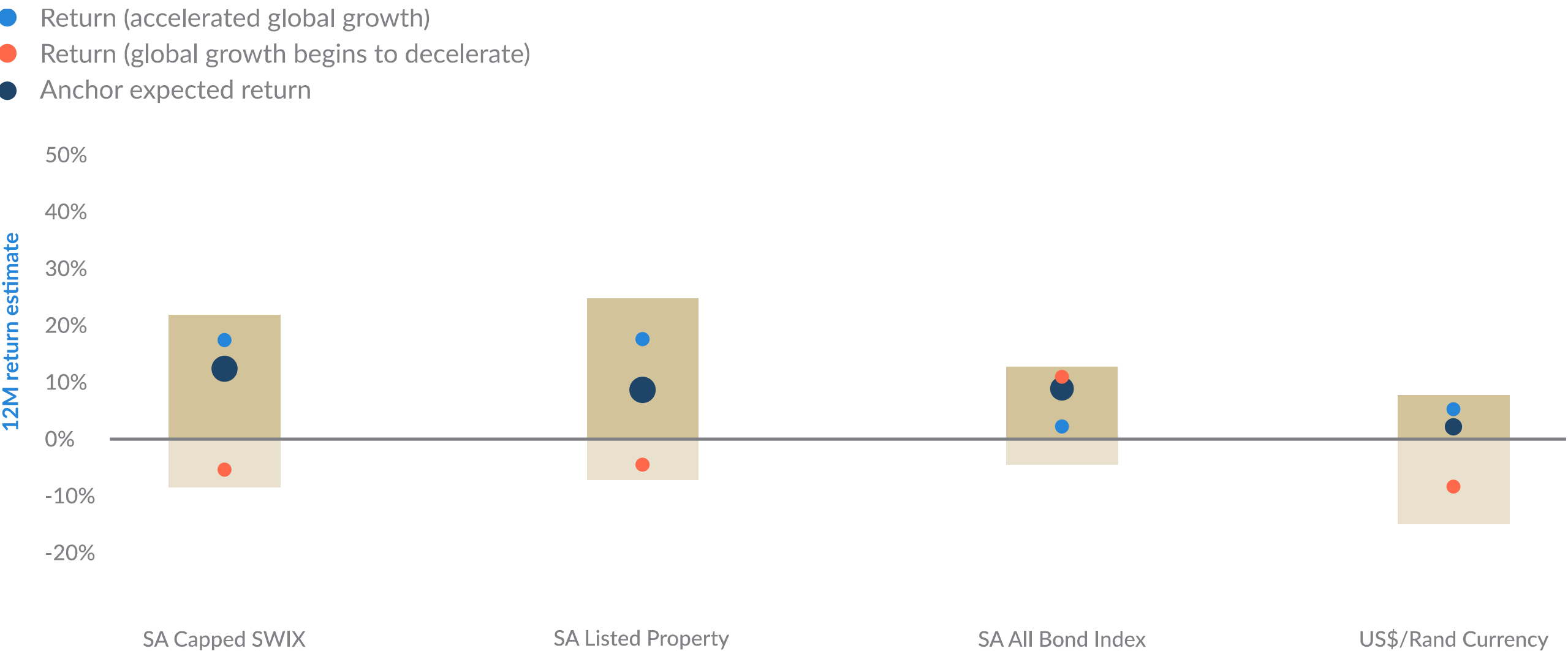
Some of the key macro themes we could see playing out over the course of 2021:

- Gradually improving global growth outlook
- High yield EM currency strength (ZAR)
- Firmer commodity prices
- EM equity outperformance (vs DM) lead by higher beta EM's that have underperformed (SA, Turkey, Brazil) over the more self reliant EM's (China/Taiwan) which outperformed in 2020

Some of the key themes playing out on the JSE:

- Cyclical recovery from domestics (Banks/retail/property/insurance)
- Naspers/Prosus balances the index with defensive growth (50% discount)
- Basic material sector screening as cheap if commodity prices hold
- Overall rating of the index is low relative to EM

12M return scenarios for various asset classes in rand terms



Anchor expected return by domestic asset class

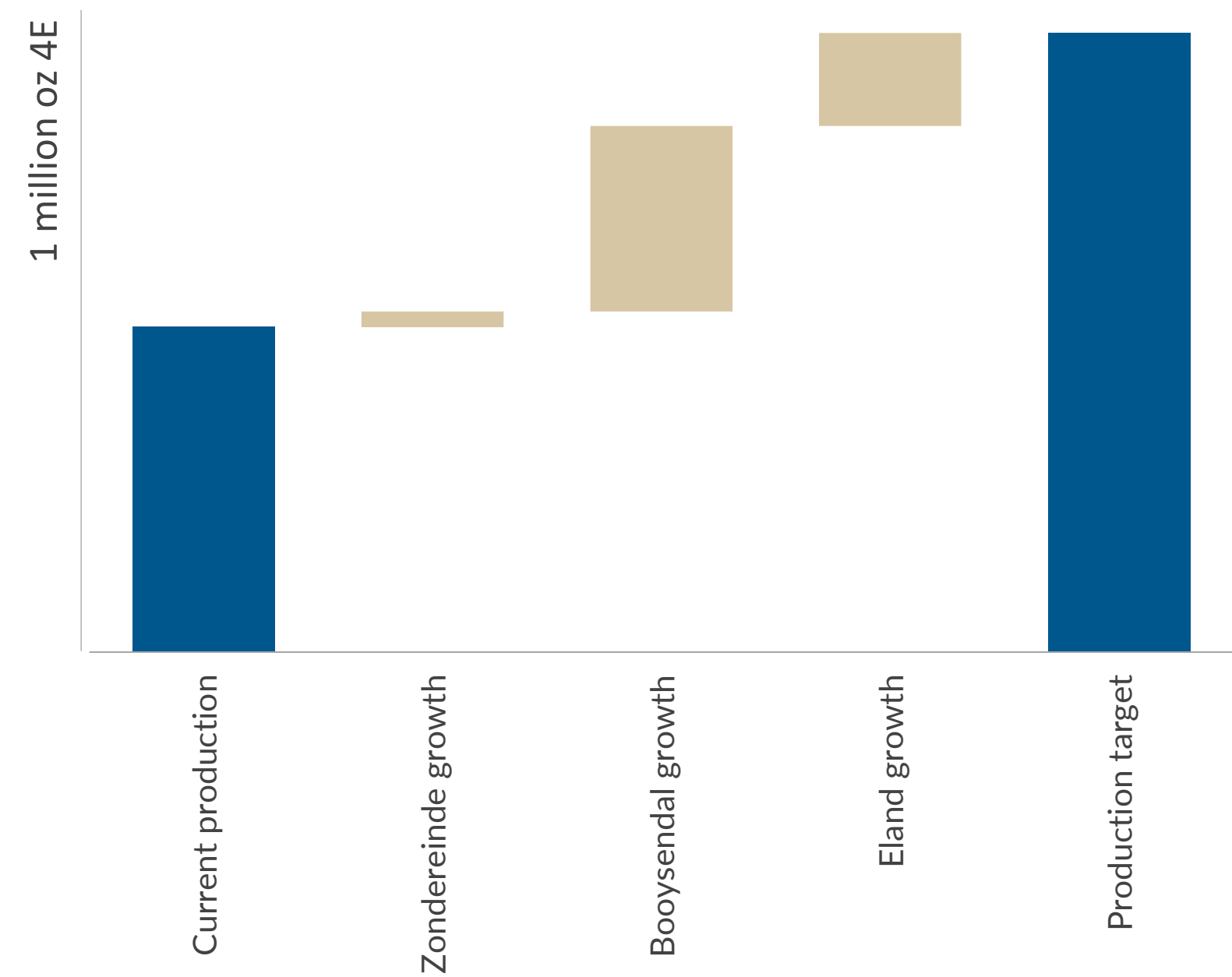
	Domestic equity	Domestic bonds	Domestic property	US\$/rand
Anchor expected return (in US dollar)	12.6%	9.8%	8.5%	2.5%

Source: Anchor

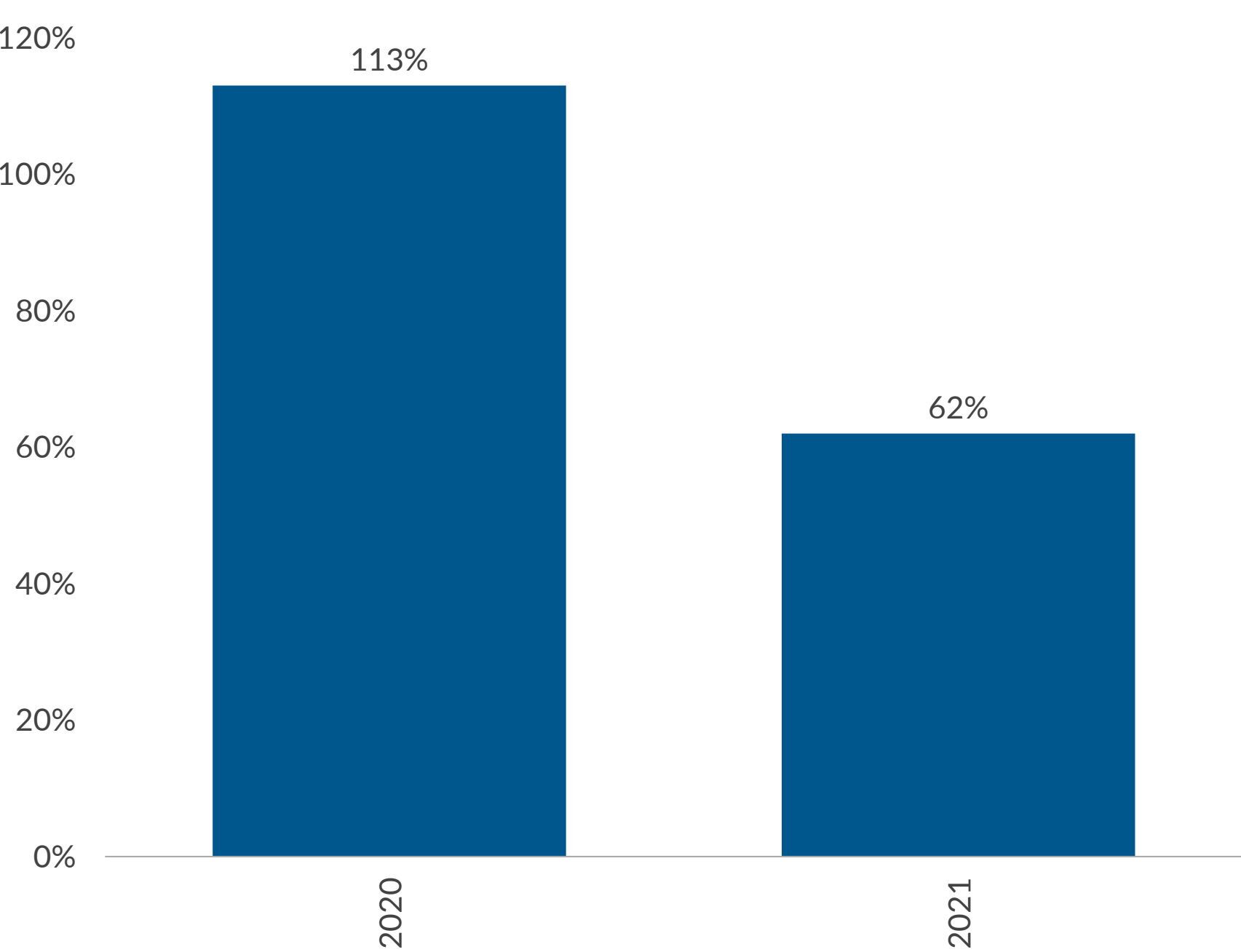
NORTHAM-PLATINUM



Annual production



PGM basket (R/oz.)



Source: Northam Platinum



Diversified portfolio with exposure to

- Supply-tight commodities like iron ore, PGMs
- “Green” metals like copper and nickel

Growing copper volume c. 19% from 2022

- Quellaveco first production starts 2022

Trading at 5x earnings with consensus 2021 earnings growth of 254%

2021 commodity price strength

Commodity	Price strength
Copper	10 year high
Iron ore	10 year high
Palladium	All-time high

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