

ANCHOR

NAVIGATING  
CHANGE

# The Navigator

Strategy and Asset Allocation Report



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# Introduction



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The renowned financial historian, economist, and investor Peter Bernstein observed that “*The fundamental law of investing is the uncertainty of the future.*” This insight has been particularly relevant during US President Donald Trump’s second term, and especially so in the wake of the US/Israel strikes on Iran in 1Q26 – an event that lay outside most base case scenarios. In this environment, investment outcomes have been shaped less by forecasts and more by portfolio construction, discipline during periods of heightened volatility, and the ability to adapt to changing circumstances.

Our point is that it is neither practical nor effective to construct portfolios in anticipation of World War III or other highly improbable scenarios. Nor can you construct a portfolio that considers all possible outcomes. Instead, portfolios should be built around clearly defined risk tolerances, long-term objectives and robust diversification principles. Successful investing requires the patience to adhere to this framework, while making measured adjustments as risks and opportunities evolve.

In this context, many investors keep dry powder (cash available for unexpected opportunities) as part of their portfolio construction. During the recent volatility, we have selectively deployed some of that dry powder within Anchor Capital’s portfolios, nibbling at assets that have become unexpectedly cheap. These assets may lose further value in the short term, but for longer time horizons, we have bought good assets at prices that might not otherwise have been available.

Diversification across asset classes has also proven beneficial. We note that investors with exposure to alternatives (including hedge funds, protected equity structured products, physical property, etc.) as a small part of their portfolio construction will have fared better through the past quarter than many who did not. We have, for a while, been supporters of alternative assets with better defensive characteristics during volatile periods. This is a new asset class for most South Africans, even though it commands a significant share of the investment wallet for family offices abroad.

We expect most domestic investors will benefit by increasing their exposure to this asset class over time. As interest rates come down through the rate-cutting cycle, we believe that the attractiveness of alternatives will increase.



Anchor Capital is a proponent of balanced portfolios and diversified risks. We maintain that it is crucial for investors to have a long-term plan for what they seek to achieve with their investments, and we think that the year ahead will likely see them move towards their eventual desired outcome. In our view, this is an excellent time to take a pro-risk stance in your portfolio. We advocate that a healthy portion of your investment portfolio should be offshore to leverage diverse opportunities and return profiles while mitigating SA-specific risk.

Finally, we maintain that a meaningful allocation to offshore assets remains essential. The current rand/US dollar exchange rate presents a reasonable opportunity to externalise a portion of your portfolio. Although we expect the rand to hover around these levels over time, we also find that investment opportunities abroad are compelling, enabling access to a broader opportunity set while mitigating domestic-specific risks.

# Asset Allocation

The following table illustrates our house view on different asset classes. This view is based on our estimate of the risk and return properties of each asset class in question.

As individual Anchor portfolios have specific strategies and distinct risk profiles, they may differ from the more generic house view illustrated here.

Asset class	Current stance			Expected returns (own currency) (%)
	Negative	Neutral	Positive	
<b>DOMESTIC</b>				
Equity				12
Bonds				9
Listed property				10
Cash				7
Alternatives*				10 to 15
Rand vs US dollar (rand stronger)				6
<b>GLOBAL</b>				
Equity				8
Government bonds				4
Corporate credit				5
Listed property				6
Cash				3
Alternatives*				8 to 12

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

# Asset Allocation Summary

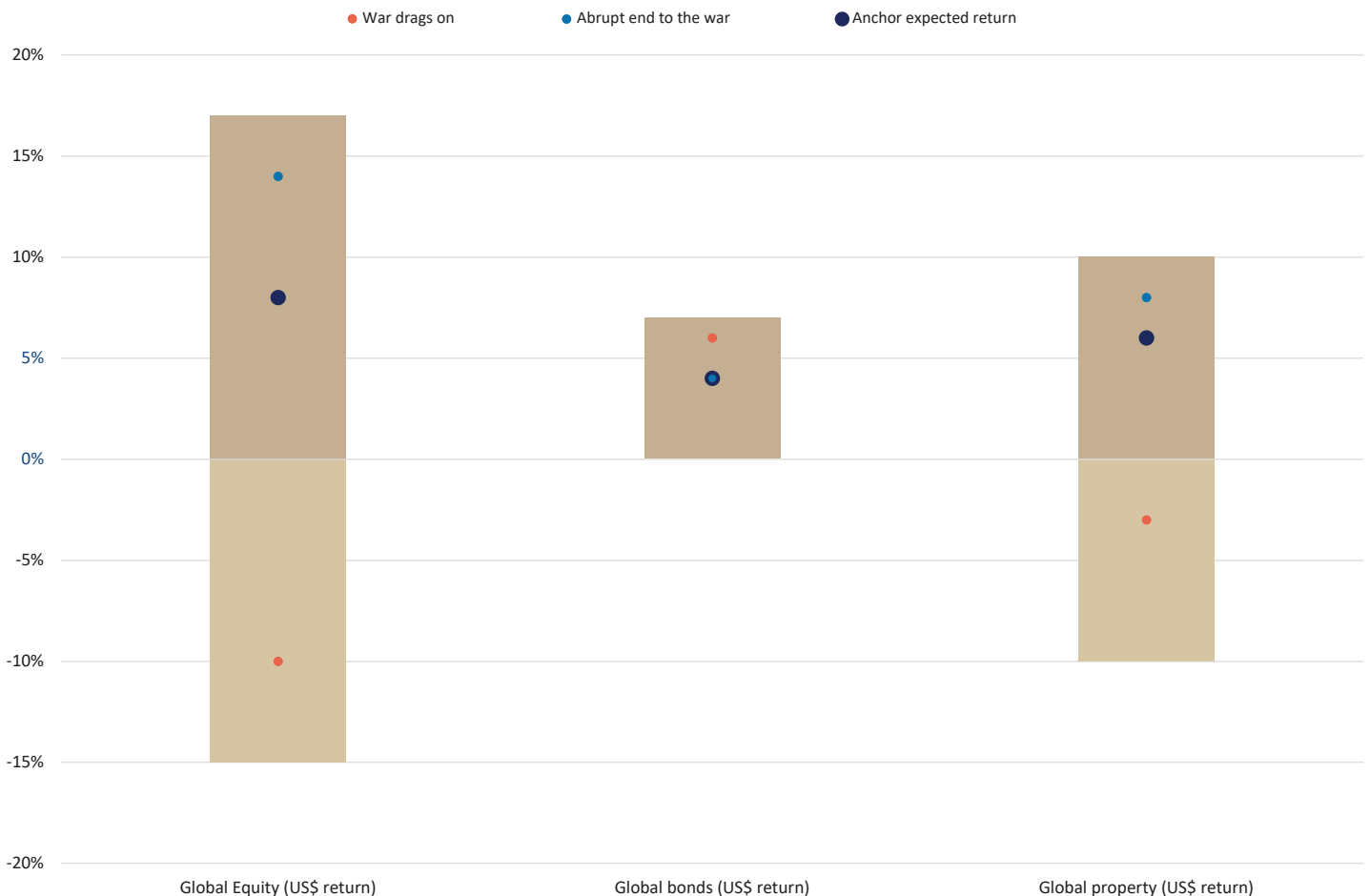
Financial markets were shaken by the US and Israeli military strikes on Iran and Iran's subsequent closure of the Strait of Hormuz, a critical global energy transit route. The resulting increase in oil prices, together with concerns around potential supply disruptions and the impact on global inflation, has weighed on asset prices. Despite this, market behaviour suggests that investors are pricing in a contained conflict with an eventual resolution. While sentiment has been impacted, there has been no broad-based capitulation in asset prices, indicating a degree of underlying resilience

and confidence among investors in a stabilisation of conditions and an eventual sensible outcome.

Figure 1 below highlights the US dollar return outlook for the various global asset classes. The bars in Figure 1 represent the reasonable range of possible outcomes, with the dots indicating our estimated outcomes under various scenarios. Except for alternatives (positive), we are neutral on the various asset classes, given the very high level of geopolitical uncertainty.

**Figure 1: 12M return scenarios for various asset classes in US dollar terms**

Source: Anchor



**Figure 2: Anchor expected returns by offshore asset class**

Source: Anchor

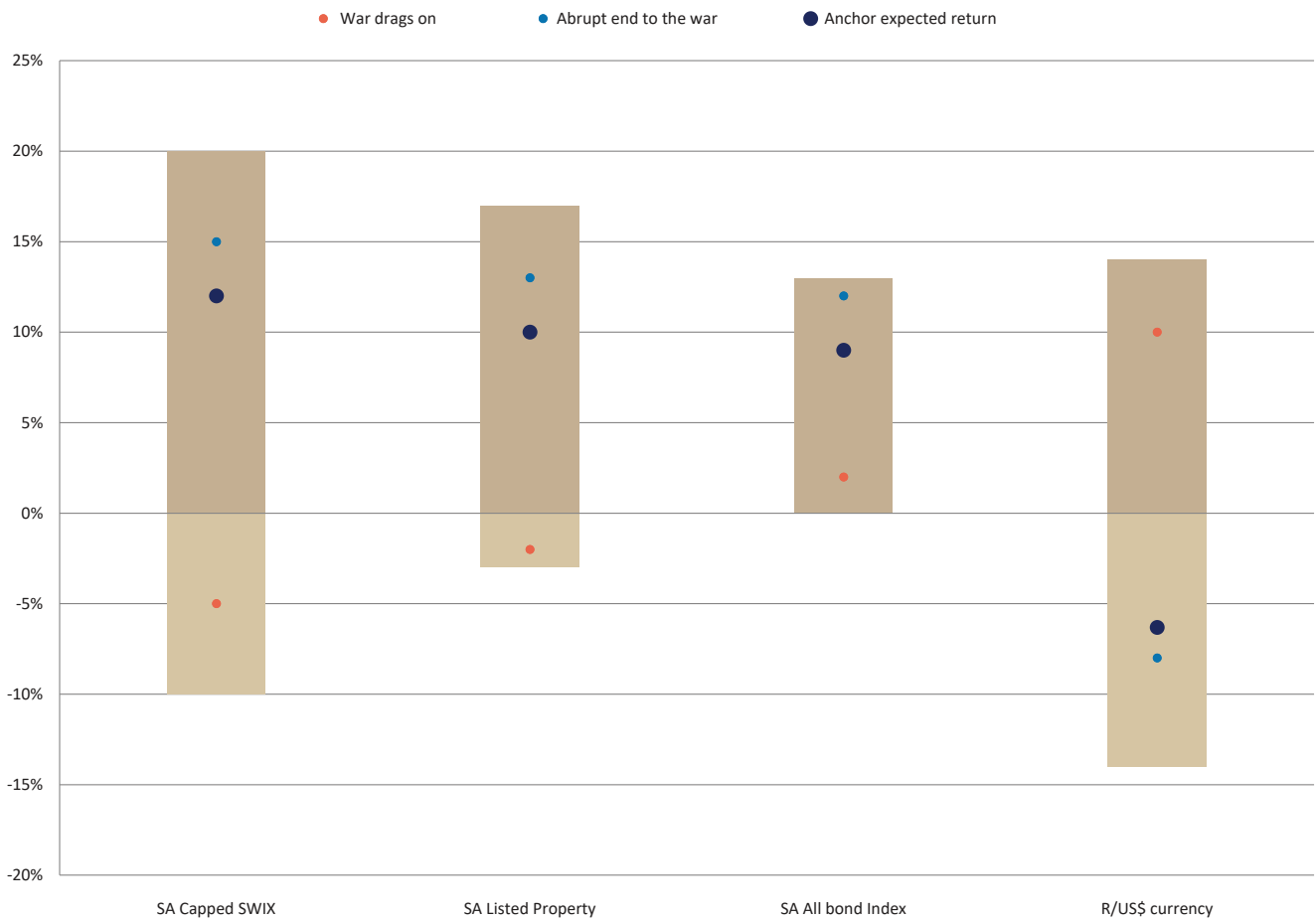
	Global equity	Global bonds	Global property
Anchor expected return (in US dollar)	8%	4%	6%

Figure 3 below outlines the rand return outlook for several domestic asset classes. The bar represents the reasonable range of possible outcomes, with the dots indicating our estimate of the outcome under various scenarios.

From a domestic perspective, apart from cash (negative) and alternatives (positive), we are neutral on all asset classes, given the high level of geopolitical uncertainty.

**Figure 3: 12M return scenarios for various asset classes in rand terms**

Source: Anchor



**Figure 4: Anchor expected return for domestic asset classes**

Source: Anchor

	Domestic equity	Domestic bonds	Domestic property	US\$/rand
Anchor expected return (in rand)	12%	9%	10%	6%

# Navigator Strategy and Asset Allocation, 2Q26

## Economics

The dominant theme for 1Q26 has been the US-led military campaign against Iran and its impact on global equity markets. The US/Israel alliance's 28 February strikes on Iran triggered what the *International Energy Agency (IEA)* has described as the largest supply disruption in the history of the global oil market. The conflict escalated rapidly with retaliatory attacks, and Iran declared the Strait of Hormuz, through which c. one-fifth of global oil supply passes daily, effectively closed. Elsewhere, Russian President Vladimir Putin's war on Ukraine is ongoing. Russian bombardment of military and civilian infrastructure has continued unabated for over 1,500 days. In both cases, the human cost has been severe.

From a geopolitical perspective, these developments highlight the complexity of achieving rapid strategic outcomes through limited military engagement. Even with the Russian army on the ground in Ukraine, Putin has failed to come anywhere close to achieving his objective of overturning Ukraine's pro-Western government and bringing the nation back into Moscow's sphere of influence.

Our point is that it was hubris to believe that the US and Israel could effect regime change with a week of bombing and no ground forces to support it. Iran's decentralised command structures, low-cost weaponry (it costs the US US\$2mn to shoot down every drone that Iran produces for US\$30,000) and the fact that its military assets have been hidden over decades have made it a strong adversary. So, in our view, Trump is looking for a face-saving offramp as the clock ticks down to the midterm elections in November. Conversely, Iran's regime had been crumbling under internal pressures and is looking to show a form of victory to bolster and reenergize a government that would otherwise likely have slid into eventual collapse.

While the objectives of the war are questionable and the outcome is likely a reinvigorated seedbed of terrorism, our focus is to consider the economic implications. Despite significant volatility, market behaviour suggests that investors are pricing in a contained conflict instead of a prolonged escalation, and key indicators point to resilience rather than capitulation. Brent crude oil prices have spiked to around US\$119/bbl, the rand has weakened towards



R17/US\$1, and US equities are now broadly flat YTD, indicating adjustment rather than systemic stress. Global markets also seem to be pricing in an end to the war, and while economic damage is clearly being done, this is expected to recover once the war is over.

Current market pricing also implies an expectation that inflationary pressures will moderate over time, with oil prices potentially normalising towards long-term averages. At the time of writing, a ceasefire is in place, and there appears to be limited appetite for a return to sustained large-scale military engagement. Admittedly, the risk of a miscalculation or error from either side is high, and it will not take much to reignite the war.

In the US, markets have adjusted expectations for monetary policy, with anticipated rate cuts largely priced out for 2026. The US Federal Reserve (Fed) is likely to remain cautious, particularly in the face of energy-driven inflation pressure, while continuing to monitor broader inflation dynamics. We see expectations that inflation will come down again, that oil will revert towards US\$70/bbl and that life will go on. There are very smart minds working on a solution, and Anchor Capital (along with financial markets) is hopeful that one will be found.

Expecting that this will end, we think Trump may find his power curtailed for the remainder of his second term. US inflation has quickened in response to higher energy prices, but the Fed is likely to look through these should the war continue to subside. AI-driven capital expenditure is expected to remain robust. This is a powerful tailwind for corporate earnings growth rates (well above historic averages), concentrated though it is across a narrow set of sectors. Policy uncertainty remains an ever-present backdrop, but the US economy will go on and is likely to hold up for the foreseeable future.

Domestically, South Africa (SA) entered this period on a relatively firm footing. Elevated commodity prices, especially gold trading around US\$4,700/oz (lower than its peak but well above its 2025 starting point of US\$2,600/oz), continue to support export revenues and fiscal dynamics. Inflation had been ticking lower, and while the two anticipated South African Reserve Bank (SARB) interest rate cuts are now likely off the table for 2026 due to geopolitics, we still believe the next move is a cut, albeit deferred.

We have been positively surprised by local political developments, including the stance our government has taken towards the US-led war and the approach towards keeping SA out of the US's crosshairs. Municipal elections lie ahead, and we note that the Government of National Unity (GNU) has held together better than we had expected. Events abroad have been dominant and negative, but SA has quietly continued with the gradual trajectory of recovery that has been establishing itself over the last few years.

In summary, while the geopolitical environment remains fragile and the humanitarian consequences profound, financial markets are signalling an expectation of eventual stabilisation. The noise has been loud, but the underlying economic direction, both globally and domestically, has been quietly encouraging

March saw a meaningful market correction, with the Capped ALSI declining sharply over the month. The MSCI South Africa Index fell by c. 19%, making it the worst-performing liquid emerging market (EM) globally over the period. It also marked one of the largest monthly drawdowns for SA equities in over two decades.

At its trough in March, the local market experienced an intra-month drop of approximately 17%, highlighting the sensitivity of domestic assets to global shocks – particularly those affecting energy markets, bond yields, and currency dynamics.

### What drove the quarter

The quarter was a tale of two halves, highlighting just how quickly market narratives can shift.

- Early 1Q26: The environment was supportive for risk assets, with falling inflation expectations, firmer bonds, and improving domestic sentiment driving performance in financials and domestically exposed sectors. This environment was also conducive for commodities, with the gold and platinum group metals (PGM) sectors adding meaningfully to the index's performance.
- Late 1Q26: The oil price spike changed the calculus entirely and introduced a new risk dynamic. As a net importer of oil, SA is particularly exposed to energy shocks, which feed through into inflation, interest rates, fiscal pressure, and consumer demand. Many of the trades that had performed strongly in January and February unwound quickly.

### Positioning and portfolio considerations

Heading into the quarter, the setup for local assets appeared increasingly constructive, particularly for sectors such as banks, retailers, and insurers, which offered attractive relative value compared to exporters.

While this view remains intact over the medium term, the quarter exposed a persistent structural challenge: the investable universe of high-quality, liquid domestic companies remains narrow.

- Banks continue to be the most attractive opportunity set. Operational performance is strong, management teams are executing well, and the sector is well-positioned to benefit from a gradually improving economic environment.
- Retailers remain the most challenging area. While consumer conditions had been improving prior to the oil shock, the sector remains largely ex-growth, with increasing concerns around capital allocation and execution.
  - There are pockets of strength – notably Shoprite and, to a lesser extent, Boxer – where companies are navigating a difficult environment well.
  - However, from a broader discretionary retail perspective, opportunities remain limited. Our exposure to broader discretionary retail has been kept minimal, with selective positioning in more defensive names such as Pepkor, which screens attractive on valuation but faces a more uncertain consumer backdrop.

## SA Equities

JSE-listed equities, as measured by the FTSE/JSE Capped All Share Index (ALSI), began 2026 with considerable momentum before experiencing a sharp reversal in the final weeks of 1Q26.

The index was up approximately 11% over January and February, supported by a favourable combination of robust commodity prices, easing inflation expectations, and growing confidence around interest rate cuts. This environment drove strength in domestic bonds, which in turn supported a strong rally in financials, particularly banks and insurers.

This positive backdrop changed abruptly on 28 February following a significant escalation in geopolitical tensions, as conflict in the Middle East triggered a sharp surge in oil prices. This resulted in a rapid reassessment of global inflation and interest rate expectations.





### Global exposure: Naspers, Prosus and Tencent

Naspers and Prosus have been notable underperformers YTD, with their share prices down approximately 22% and 24% (to 10 April 2026), respectively. This has brought renewed scrutiny to the holding company structures and the underlying operating assets, particularly against the backdrop of global technology and EM tech underperformance.

Despite this, we continue to see compelling value in these businesses.

Tencent is one of the highest-quality large-cap technology companies globally, with consistent operating delivery and strong positioning across multiple growth vectors. The recent derating represents, in our view, a multi-year entry point into a high-quality compounder. Naspers and Prosus remain core holdings in local portfolios, while Tencent continues to be the largest position in our EMs strategy.

### Increasing volatility on the JSE

As highlighted in previous commentaries, the JSE's composition has shifted materially, with precious metals and other commodity-linked sectors now commanding significant index weight. Gold comprises c. 18% of the ALSI (supported by central bank demand, geopolitical hedging, and investor flows); PGMs comprise a further 10%, although they are more exposed to industrial demand, especially in the automotive sector.

### This has important implications

This concentration has increased the volatility of the index, which means the market is increasingly being driven by

macro variables, including US dollar movements, geopolitical developments, and global liquidity, rather than domestic fundamentals.

Index-level forecasting has become harder, reinforcing the importance of bottom-up stock selection.

### Outlook

We maintain a neutral stance on SA equities, with a forward-looking return expectation of approximately 12%, albeit with a wide range of potential outcomes.

The outlook is highly dependent on developments in the Middle East:

- Our base case is that tensions ease, oil prices stabilise below US\$80/bbl, and the market environment reverts to one more supportive of domestic assets.
- However, this is clearly uncertain. A more prolonged conflict could result in higher inflation, weaker consumer conditions, fiscal deterioration, and pressure on global growth, all of which would weigh heavily on JSE-listed equities.

### Final thoughts

The events of the past quarter reinforce a familiar lesson: external shocks are becoming more frequent and more consequential for the SA market. For SA investors, this is particularly important given the market's sensitivity to global macro variables. While the domestic backdrop showed signs of improvement heading into 1Q26, external factors once again proved decisive.

In this environment, maintaining a disciplined, selective, and valuation-aware approach remains critical. Opportunities exist – particularly in high-quality financials and global growth exposures - but careful positioning and scrutiny of management capital allocation decisions in ex-growth sectors will be essential.



## Domestic Bonds

The escalation of conflict in the Middle East was the dominant macro development in 1Q26, driving volatility and broad-based losses across global bond and currency markets. In the near term, the environment points to higher inflation and moderately weaker growth.

The South African Government Bond (SAGB) curve bear-flattened in 1Q26, with shorter-dated yields rising more than those at the long end. The All-Bond Index (ALBI) fell by 3.36% over the quarter (*Figure 1*). Gains earlier in the year, supported by improving domestic fundamentals including stronger fiscal dynamics and external balances, were fully reversed in March. The sell-off reflected a typical risk-off move, with risk premia rising across the curve and yields shifting higher by c. 120 bpts over the month due to the conflict. Following this repricing, yields now offer a more attractive entry point, and we remain cautiously constructive on the asset class.

Figure 1: SAGB MoM and 1Q26 yield change and total return, %

Source: Anchor, JSE

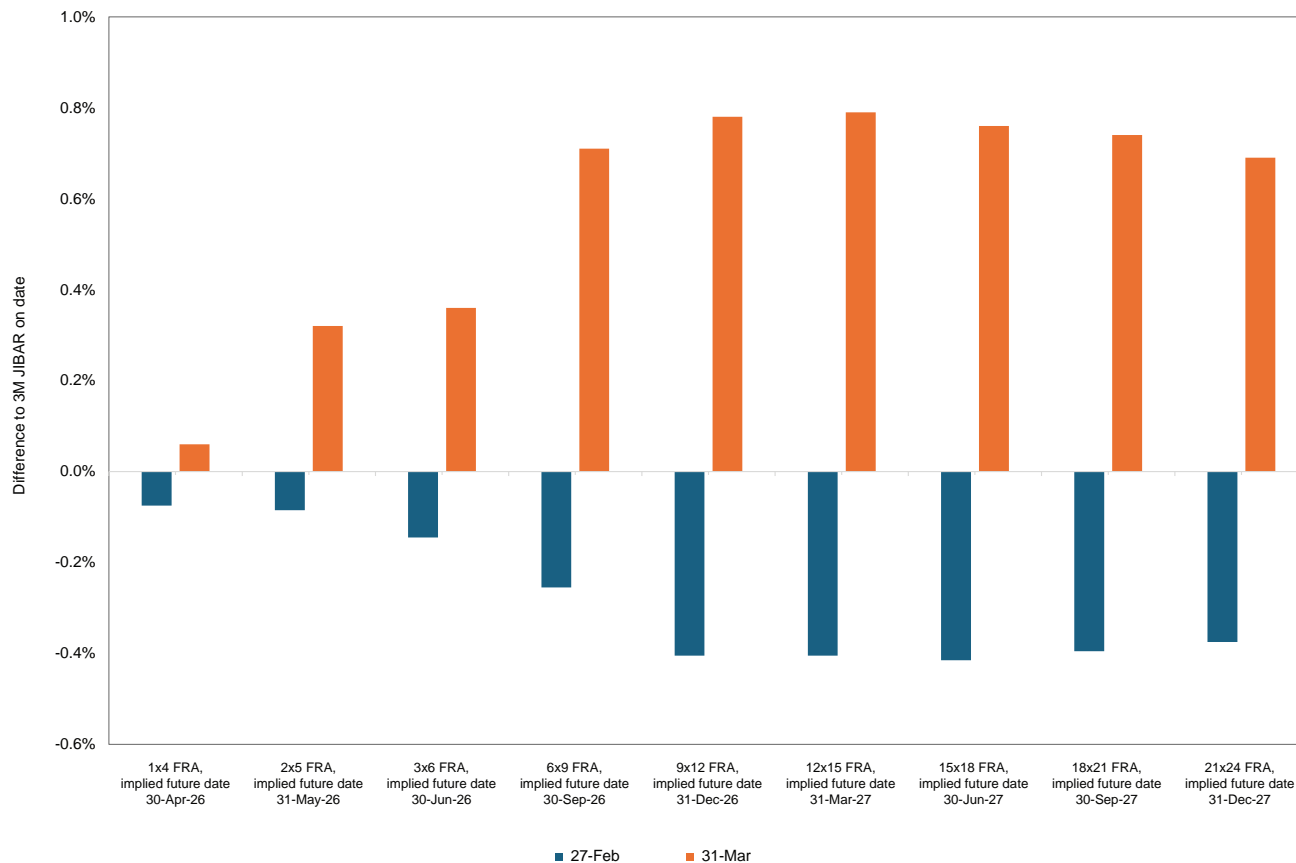
	1 Month to 31 March 2026	3 Months to 31 March 2026
R2030	-3.03%	-1.37%
R213	-4.09%	-2.44%
R2032	-4.51%	-2.75%
R2033	-4.84%	-2.84%
R2035	-6.18%	-3.78%
R209	-6.98%	-4.10%
R2037	-7.22%	-3.93%
R2038	-6.81%	-3.37%
R2040	-8.70%	-4.12%
R214	-9.60%	-4.35%
R2044	-9.02%	-3.45%
R2048	-9.78%	-4.28%
R2053	-10.02%	-4.86%
<b>ALBI</b>	<b>-6.83%</b>	<b>-3.36%</b>

The Middle East conflict represents a classic negative supply shock, exerting upward pressure on prices while weighing on growth. Monetary policy expectations have adjusted materially.

Prior to the conflict, markets had priced in two local rate cuts by year-end; this has since unwound, with pricing now reflecting roughly three local rate hikes (Figure 2).

Figure 2: FRA strip comparison

Source: Anchor, JSE



Despite this repricing, we think it is premature to adopt a bearish stance on SA bonds. The outlook will depend on how long the shock persists, particularly the extent of any sustained disruption to oil supply through the Strait of Hormuz. For now, current events suggest that the situation may not be prolonged. Trump’s actions suggest a clear preference to contain oil prices, with efforts to calm markets and support supply. Our base case is that the shock is temporary.

If that proves correct, the risk of second-round inflation effects is likely to remain contained. Central banks typically look through the initial price impact of supply shocks, as this cannot be addressed by conventional monetary policy, focusing instead on whether broader inflation pressures begin to build. We expect the SARB to adopt a similar approach while closely monitoring wage dynamics and inflation expectations.

Importantly, SA’s underlying macroeconomic position continues to improve, as reflected in the 2026 Budget. Fiscal dynamics are on a better footing, structural growth constraints are gradually easing, and the external position remains supportive. Recent volatility appears driven by global developments rather than a deterioration in domestic fundamentals.

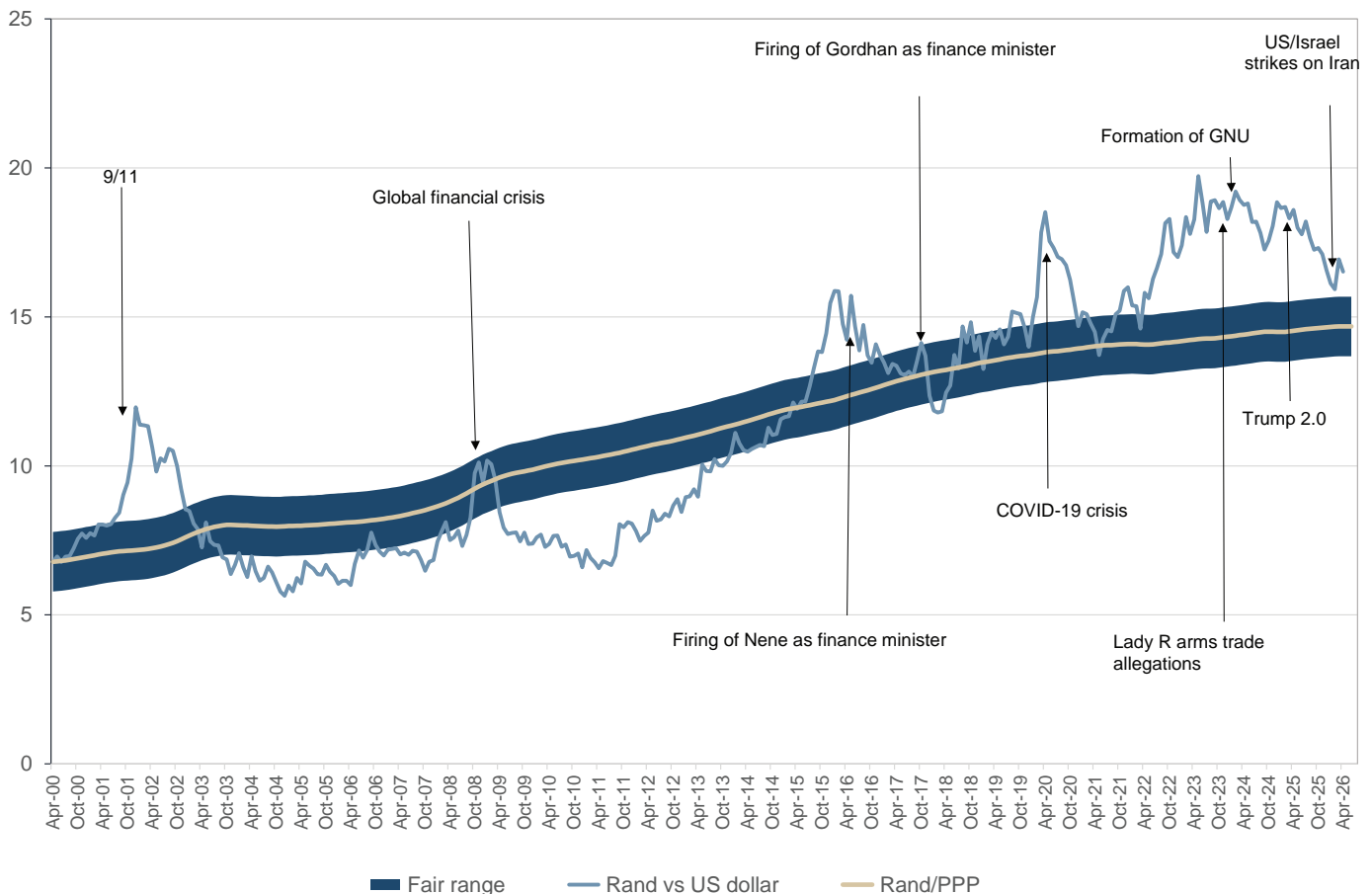
In this context, we maintain a cautious but positive view. The 15–20-year segment of the SAGB curve remains particularly attractive, offering compelling carry and rolldown given the shape of the zero curve. More broadly, SAGBs continue to offer some of the highest yields in the EM universe, albeit with a meaningful fiscal risk premium. Overall, we expect domestic bonds to deliver returns of around 9% over the next 12 months, implying a real return of roughly 6%.

**The Rand**

The first quarter of 2026 has been marked by an extraordinary confluence of global shocks, including a US-led military campaign in Iran, the blockade of the Strait of Hormuz with severe implications for global oil supply, substantial foreign outflows from SA assets (exceeding R50bn), and an inevitable pivot towards risk-off sentiment. Despite these headwinds, the rand has demonstrated notable resilience, and at the time of writing (a day after failed US-Iran peace talks in Islamabad), the rand is ZAc2 stronger against the US dollar relative to its level at the start of 2026.

**Figure 3: Actual rand/US dollar exchange rate vs rand PPP model**

Source: Thomson Reuters, Anchor



 Global Equities

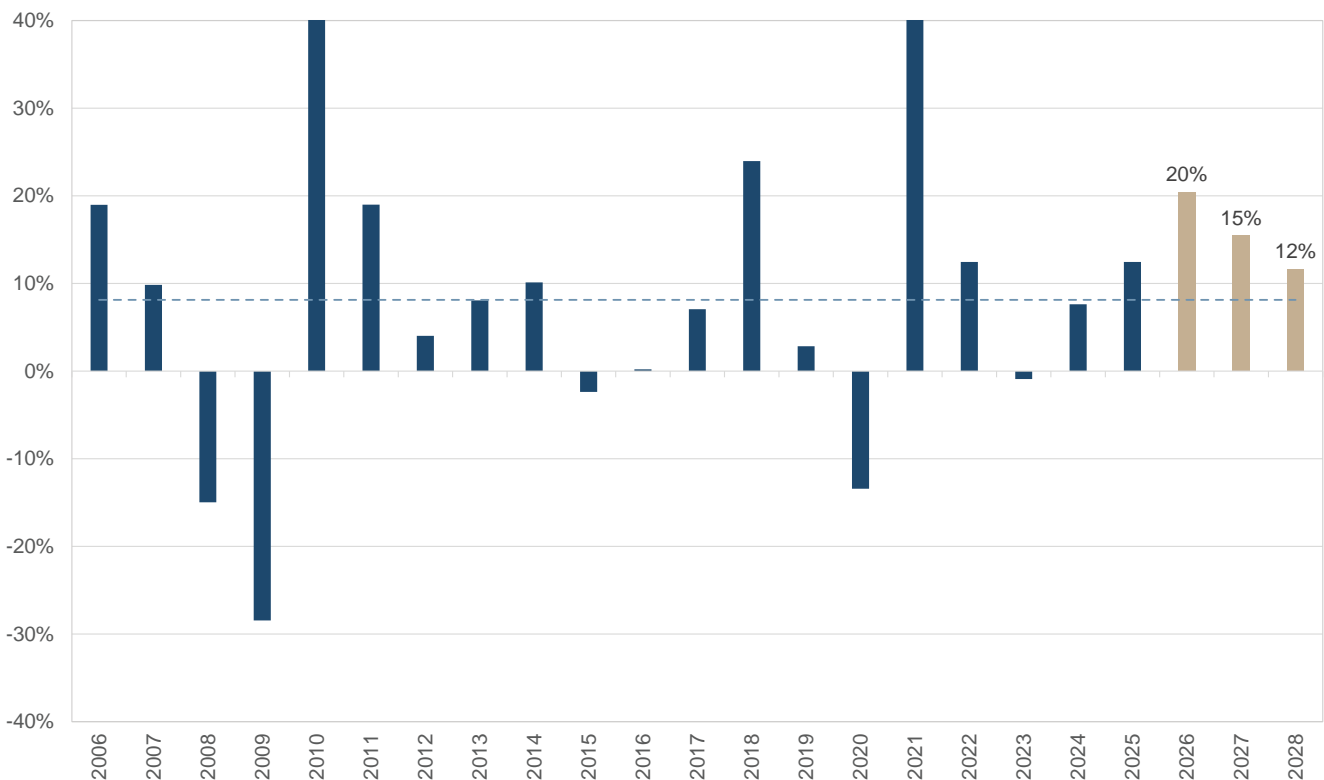
At Anchor Capital, we subscribe to a purchasing power parity (PPP) model for the long-term value of the rand. Over the past three years, the rand has been on a gradual recovery path from significantly oversold levels. This has been supported by a combination of the US dollar gradually losing its value against other currencies, improved terms of trade with domestic exports being more valuable globally, and a steady improvement in SA's political and economic fundamentals. While this overall positive trend remains intact, it has been overshadowed in the near term by heightened global geopolitical uncertainty, as can be seen in Figure 3.

Forecasting the value of the rand in a year is a fool's errand, as the local unit usually trades within a R2.00 range against the US dollar over 12 months. The risk of negative surprises to one's view is particularly high at the moment, and the rand could quite easily be weaker than R19.00/US\$1 this time next year.

That said, if we look at this rationally and consider a scenario where the war ends within the next year and that some recovery is likely, we think that a level of around R16.00/US\$1 appears reasonable. This reflects a combination of continued improving domestic fundamentals, a potential relief rally once the US-led war on Iran is over and the likely higher risk premium applied to EMs for a while after the cessation of hostilities.

**Figure 4: US S&P 500 EPS growth, annualised**

Source: Anchor, Bloomberg



We remain cautiously positive on global equities over the next 12 months, despite a significant increase in geopolitical risk. The escalation of the Iran conflict in March represented a genuine shock to markets; however, the most important takeaway is not the event itself, but how markets responded. Rather than capitulating, global equities stabilised and have partially recovered into April, leaving markets broadly flat YTD at the time of writing. We therefore retain our expectation for an 8% return from global equities in 2026. Geopolitical risk is clearly elevated and unresolved. The Iran conflict remains fluid, and further volatility should be expected. That said, markets are forward-looking and appear to be pricing a contained conflict rather than a major global escalation. Our base case aligns with this view.

We do not believe Trump wants to re-engage in a continued full-scale war.

There will be ongoing noise, and the risk of miscalculation is real, but the incentives remain strongly skewed towards de-escalation. As a result, while geopolitical events may continue to drive short-term volatility, they are unlikely to derail the broader economic and earnings cycle.

The key macro risk to this view lies in the oil price and the potential for supply disruption, particularly through the Strait of Hormuz. A sustained increase in oil prices has the potential to push inflation upwards, resulting in central banks increasing interest rates. Before the Iran war, the market expected 50 bpts of interest rate cuts in the US, and this has changed to an expectation of flat interest rates for the remainder of this year.

With the US benchmark rate at 3.75%, monetary conditions remain restrictive by historical standards, but this also provides the Fed with scope to ease policy in the event of a slowdown in economic activity.

Stepping back from the noise, earnings growth expectations remain firmly intact, and the graph below shows a projected 20% earnings growth from the S&P for the next 12 months. This is driven by strong economic growth, significant capital expenditure by the big tech companies and lower interest rates.

The US economy continues to demonstrate remarkable resilience. While GDP growth forecasts have been revised marginally lower following the Iran shock, these adjustments are not material. The bottom line is that the US economy is very strong. The US also remains largely self-sufficient in terms of oil, meaning the primary transmission mechanism of the shock is through prices rather than supply constraints.

The scale of the current AI-driven investment is extraordinary (US\$650bn in 2026) and continues to underpin both current economic activity and future productivity gains. While there is an ongoing debate about the ultimate returns on this capital, the near-term impact on growth and earnings is undeniable.

From a valuation perspective, the picture has improved meaningfully.



Equity markets are now approximately 10%-15% cheaper than six months ago, not because prices have fallen significantly, but because earnings expectations have continued to rise while markets have moved sideways. This is an important dynamic. It means that some of the valuation excess that concerned us at the start of the year has been absorbed through earnings growth rather than price declines.

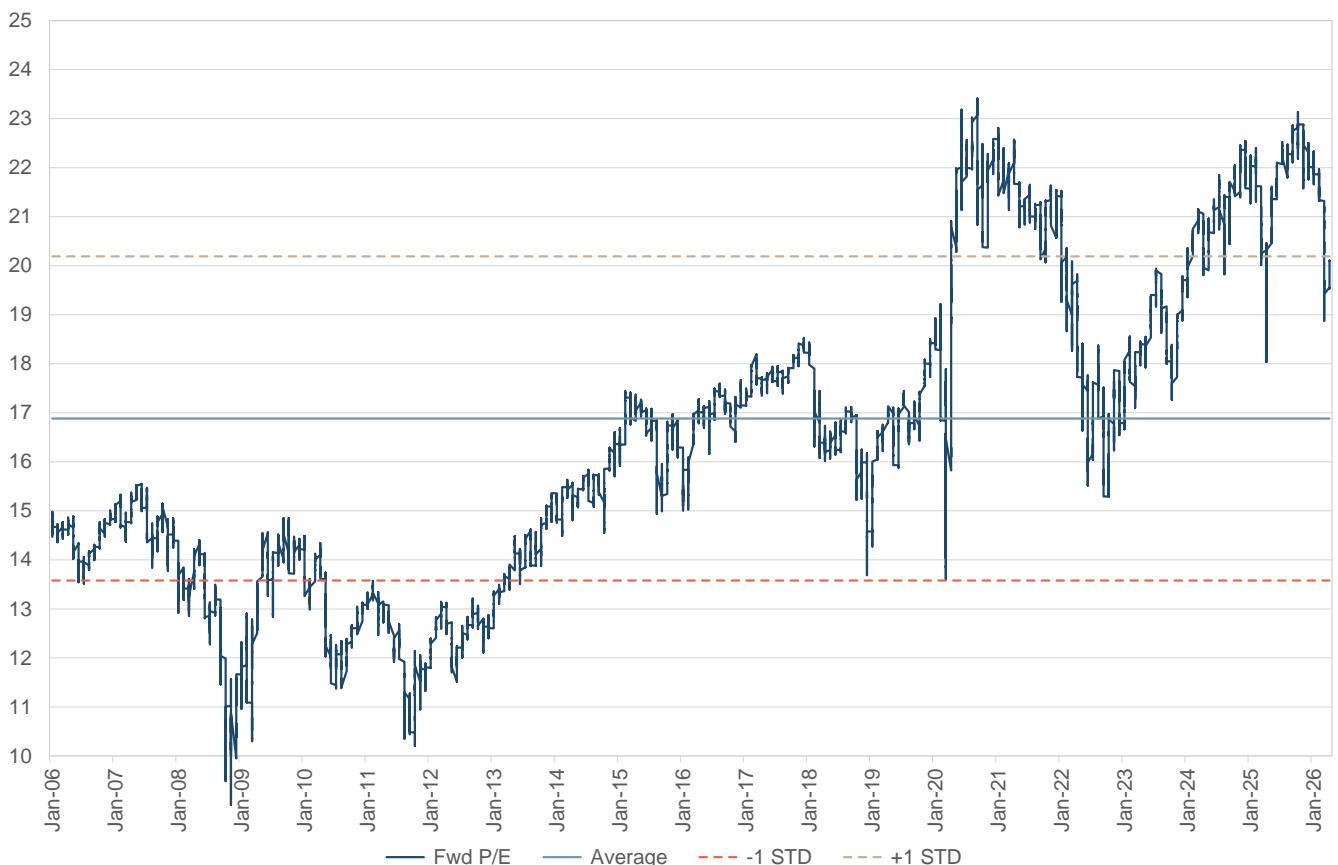
We are therefore in a more balanced position:

- Valuations remain elevated in absolute terms;
- But they are more reasonable relative to growth prospects

The chart below shows the forward P/E multiple of the US market:

Figure 5: US S&P 500 Index forward P/E, x

Source: Anchor, Bloomberg



The current valuations support our view that equities can continue to deliver positive returns, albeit with volatility along the way.

It is important to emphasise that this will not be a smooth journey. Markets are pricing a relatively benign macro outcome, and any disappointment, whether from geopolitics, inflation, or earnings, can still result in sharp corrections.

When we look out over a 12 to 24-month horizon, the combination of strong earnings growth, resilient economic activity, and improving valuation support provides a solid foundation for higher equity markets.

The table below shows the earnings growth and P/E multiples of the different world indices.

Growth outside of the US is more challenging, and the Euro region looks vulnerable, as an importer of a large proportion of its energy needs. EMs, which had been gaining favour in the pre-war, risk-on global environment, may face a higher risk premium in the near term as global uncertainty persists.

 Global Bonds

One of the most significant bond bear markets in the past 60 years occurred in 2022, driven by a sharp rise in inflation following post-COVID-19 supply chain bottlenecks, alongside surging commodity prices in the wake of Russia's invasion of Ukraine.

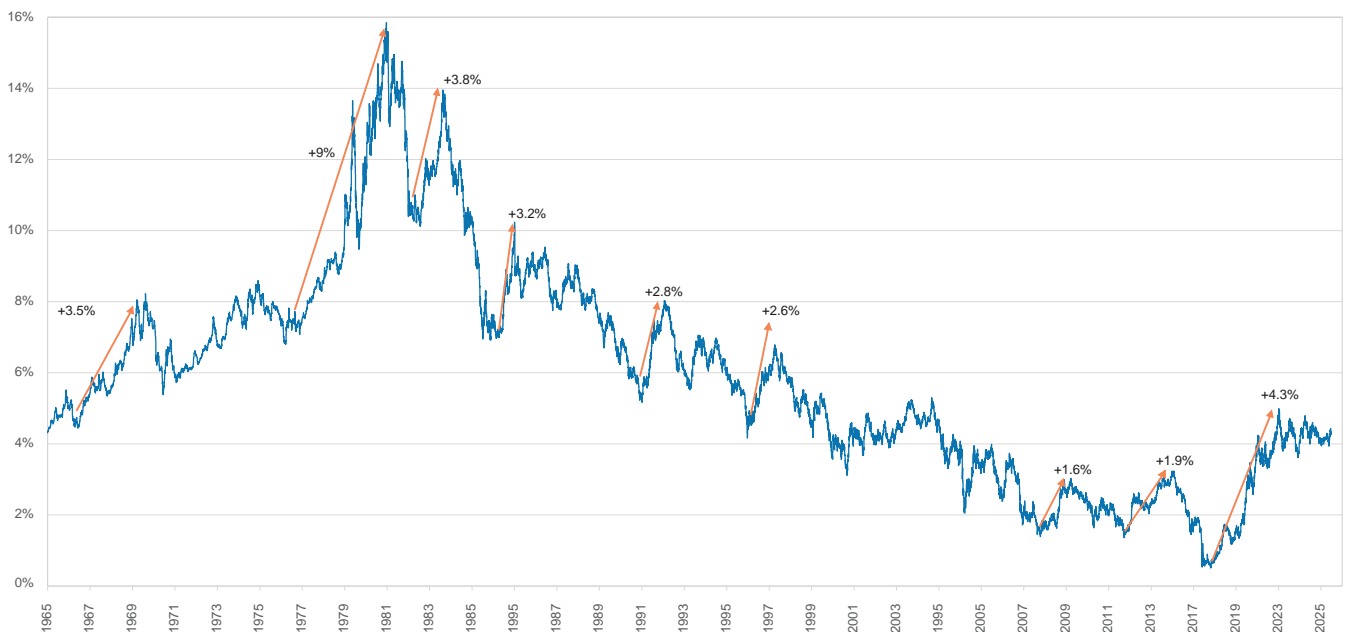
**Figure 6: Various major global indices' EPS growth and forward P/E forecasts**

Source: Anchor, Bloomberg

Name	Earnings growth, %		FWD P/E, x	
	YR1	YR2	YR1	YR2
MSCI World Index	19.7%	12.2%	18.5	16.5
MSCI EM Index	42.2%	17.5%	12.2	10.4
MSCI All Country World Index (10% EM)	23.1%	13.1%	17.5	15.4
Nasdaq 100	41.8%	16.5%	21.5	18.5
S&P 500 Index	22.2%	14.2%	19.8	17.4

**Figure 7: The 2022 inflation shock related to the post-COVID-19 supply chain bottlenecks and commodity price spikes from the Ukraine/Russia war catalysed one of the biggest US bond yield spikes in the past 60 years**

Source: Anchor, Bloomberg

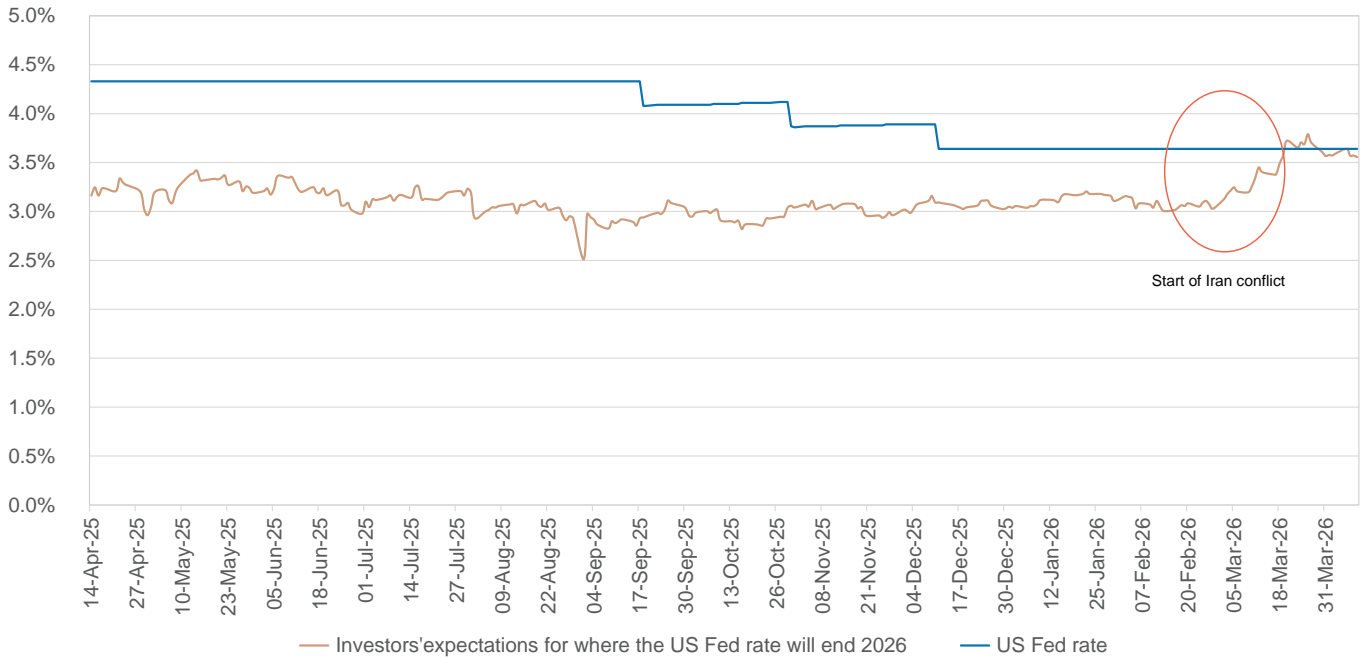


Since then, the bellwether for global yields (the US government’s 10-year borrowing rate) has traded in a fairly tight range between 4% p.a. and 4.5% p.a. The recent US and Israeli military strikes on Iran, and its retaliation, have caused a spike in the oil price, raising some concerns about near-term inflationary impacts and leading investors to abandon their hopes for Fed rate cuts in 2026.

Despite the increasing pessimism about the prospect of US rate cuts, the US 10-year government yield has remained in its 4% to 4.5% p.a. range, with the rate also being sensitive to the prospects of economic growth, which have remained fairly resilient, despite the Middle East conflict.

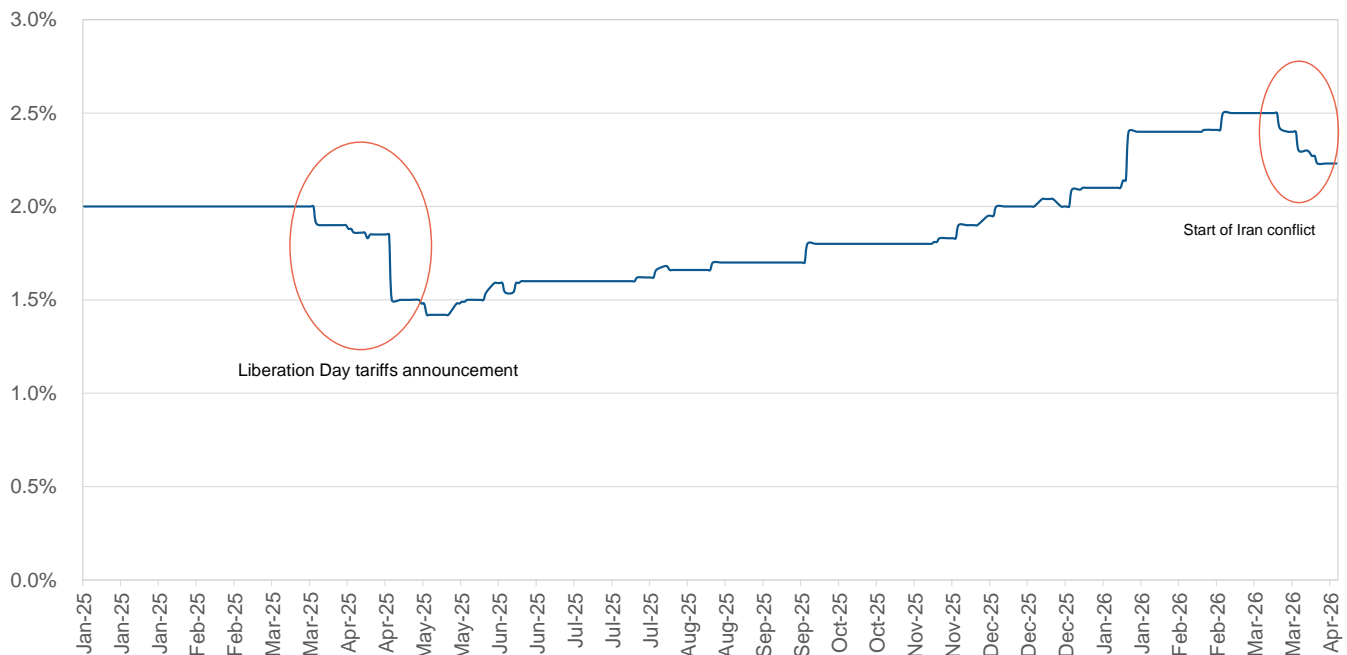
**Figure 8: The recent conflict in Iran has led investors to abandon their hopes for further Fed rate cuts in 2026**

Source: Anchor, Bloomberg



**Figure 9: Economists have recently become more optimistic about US economic growth (with twin AI tailwinds of fixed asset investment and productivity gains), only marginally tempering their expectations to account for the consequences of the Iran conflict**

Source: Anchor, Bloomberg



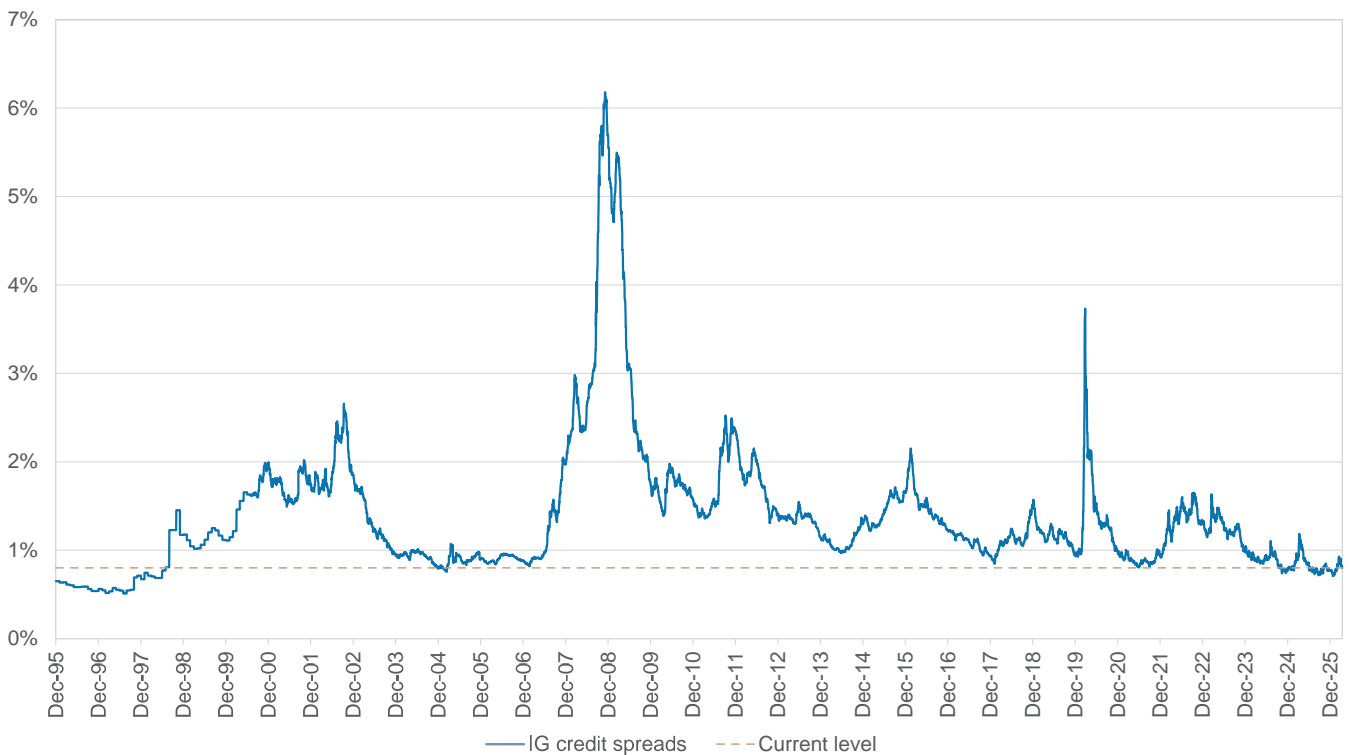
We think the US government's 10-year borrowing rate will remain range-bound around the current levels, resulting in investors in these bonds generating returns over the next 12 months, predominantly driven by income of 4% to 4.5%.

Investors in high-grade corporate bonds currently earn a yield of c. 5% p.a., with their additional compensation for taking on the risk of lending to non-government borrowers (0.8% p.a.) still about as low as it has been in the past 30 years. This leaves lenders in this high-grade market with limited protection against any default shocks. While this makes sense in the context of optimism around US economic growth, the recent wobbles in private credit markets have shown that AI disruption can also cause vulnerability in even the higher-quality borrowers. With almost no scope for further tightening in credit spreads, investors in US corporate bonds are likely left to rely on income (5% p.a.) as the sole source of their returns over the next year, while the prospect of capital losses from widening credit spreads lingers as a tail risk, albeit an unlikely one for the foreseeable future.



**Figure 10: US high-grade credit spreads remain about as tight as they have been for the past 30 years**

Source: Anchor, Bloomberg

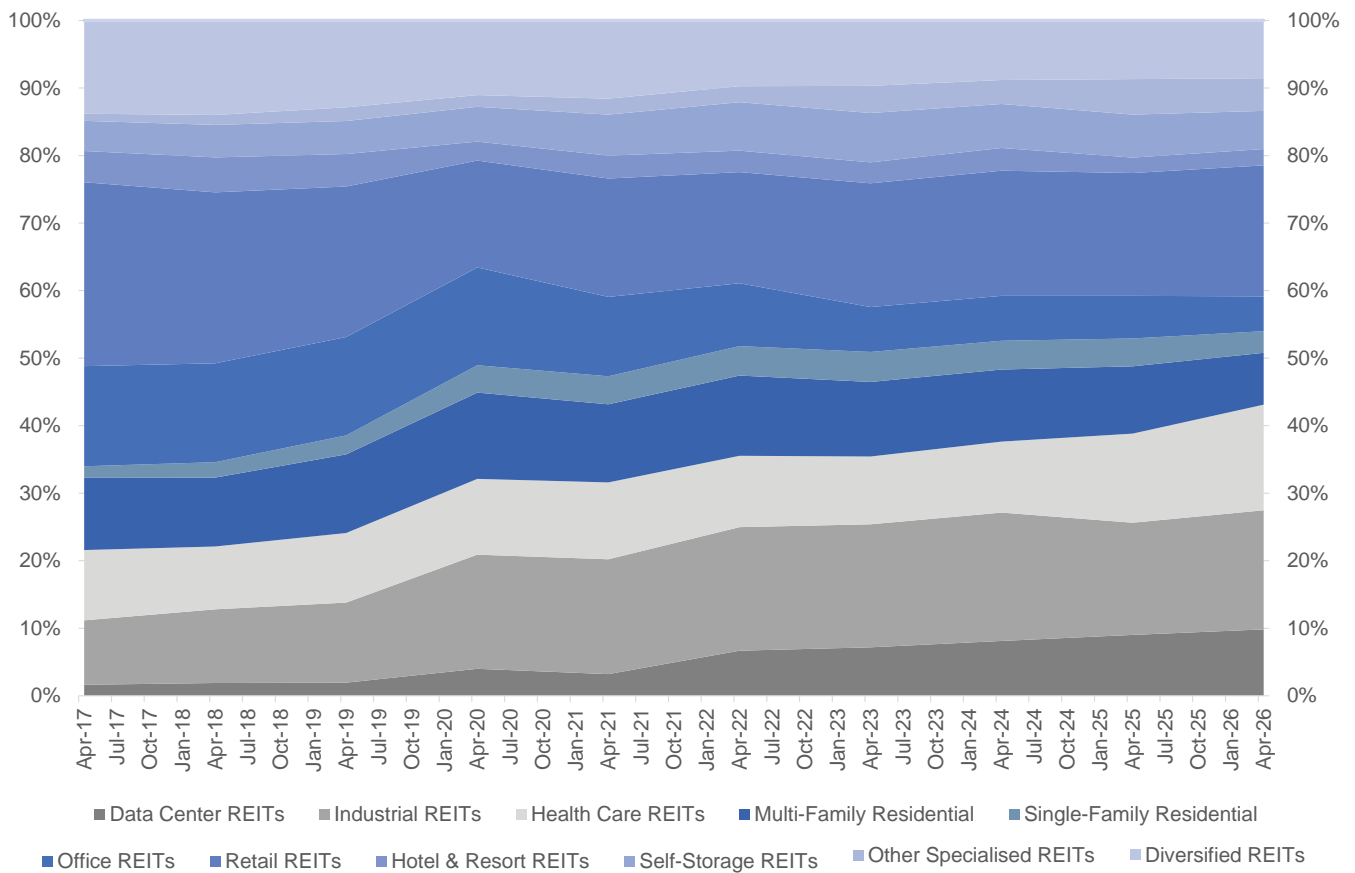


Global Property

The Global real estate investment trust (REIT) landscape has seen a large shift in its make-up over the past decade, as the major global REIT indices have shifted increasingly towards the structural growth sectors.

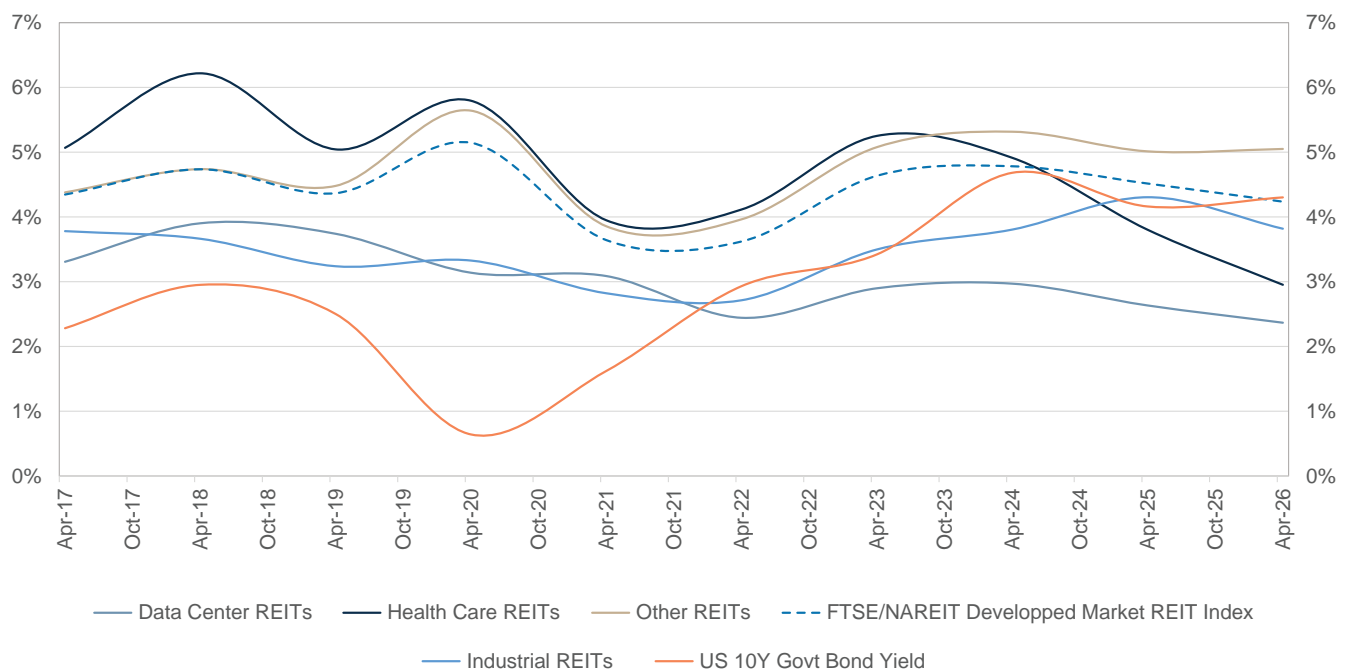
**Figure 11: The FTSE/NAREIT Global REIT Index composition has shifted increasingly towards structural growth sectors over the past decade**

Source: Anchor, Bloomberg



**Figure 12: The forward dividend yield on the FTSE/NAREIT Global REIT Index has become relatively un compelling as the index has become increasingly exposed to REITs with lower dividend yields and higher income growth expectations**

Source: Anchor, Bloomberg



This has made the index yield appear reasonably un compelling on a relative basis, as the index's forward dividend yield has stayed relatively stable (c. 4.3% p.a.) while bond yields have climbed c. 2% over the past decade. Much of the reason can be explained by the shift towards faster-growing REIT sectors, where investors are willing to rely more on dividend growth than dividend yield for their total return.

Healthcare REITs, which now represent c. 15% of the global REIT landscape, a sector which is dominated by heavyweights Welltower (US\$146bn market cap) and Ventas (US\$40bn market cap), trade on a forward dividend yield of c. 3% (substantially below the US 10-year government bond yield of 4.3% p.a.). The sector has structural growth tailwinds from ageing populations, but has also recently experienced some cyclical tailwinds, particularly post-COVID-19, when financing costs increased, and construction has slowed, constraining supply. The sector is also operationally complex and regulated, constraining supply even further.

Data centres, which have also become a meaningful REIT index component (c. 10% of the FTSE/NAREIT Global REIT Index), are another structural growth segment which has grown rapidly over the past decade and trades on a forward dividend yield of 2.4% as investors anticipate spectacular growth from the sector to meet the rising data demands from the AI revolution.

As the REIT industry shifts increasingly towards faster-growing, moderate-income-producing REITs, it becomes increasingly important to understand what to expect from your REIT investments. Selecting stocks that represent your investment objective is becoming more important than ever in the REIT industry. At the industry level, the increasing reliance on growth exposes the industry to greater volatility. As such, at a broad index level, we anticipate a return of around 6% p.a., with about two-thirds of that coming from income.



# Anchor Insights

In this section of the *Navigator*, contributors from across Anchor Capital provide in-depth perspectives on the key themes shaping investment strategy and client outcomes.

This quarter, **Stephan Erasmus** examines recent trading updates from SA retailers, noting how the local consumer recovery has remained unexpectedly muted due to a growing structural drain on discretionary spending, impacted by the rapid rise of online gambling. **Lelethu Poswa** discusses the Iran conflict's impact on EM volatility, while maintaining a constructive long-term view on EM bonds. **Sean Culverwell** unpacks the structural drivers of high US drug prices. **Brendan Gace** and **Marieke de Kock** highlight AI as a growing driver of business competitiveness. **Nichole Maroun** explores the rising influence of women in global wealth and Anchor's response through its Women's Wealth Within initiative. Finally, **Di Haiden** assesses the implications of recent Budget developments and outlines areas of heightened regulatory scrutiny for local trusts.

# The missing consumer rand: How online gambling is draining SA retail

Written by:  
**Stephan Erasmus, CA(SA), CFA, CGMA**  
Investment Analyst



For the past eighteen months, the investment case for South African (SA) focused equities has rested on a simple thesis. The end of loadshedding, the formation of the Government of National Unity (GNU), withdrawals under the two-pot retirement system, and a declining interest rate cycle would combine to reignite consumer spending.

Those tailwinds have largely arrived.

Unfortunately, as evidenced by the SA retail sector’s recent trading updates, the local consumer recovery has been surprisingly muted. Retail sales growth limped along at roughly 2%-3% in real terms through 2025, while many JSE-listed retailers underperformed several other sectors. The usual explanations largely continue to apply: still-elevated household debt, anaemic employment growth, and the lagged pass-through of SA interest rate cuts. But there is an increasingly obvious structural drain on

discretionary spending in the form of gambling, specifically the rapid rise of online and sports gambling.

SA’s gambling industry has undergone a remarkable transformation. According to the *National Gambling Board (NGB)*, total gross gambling revenue (GGR), the amount gambling operators realise after paying out winnings, reached R75bn in the year ending March 2025, up 26% YoY.

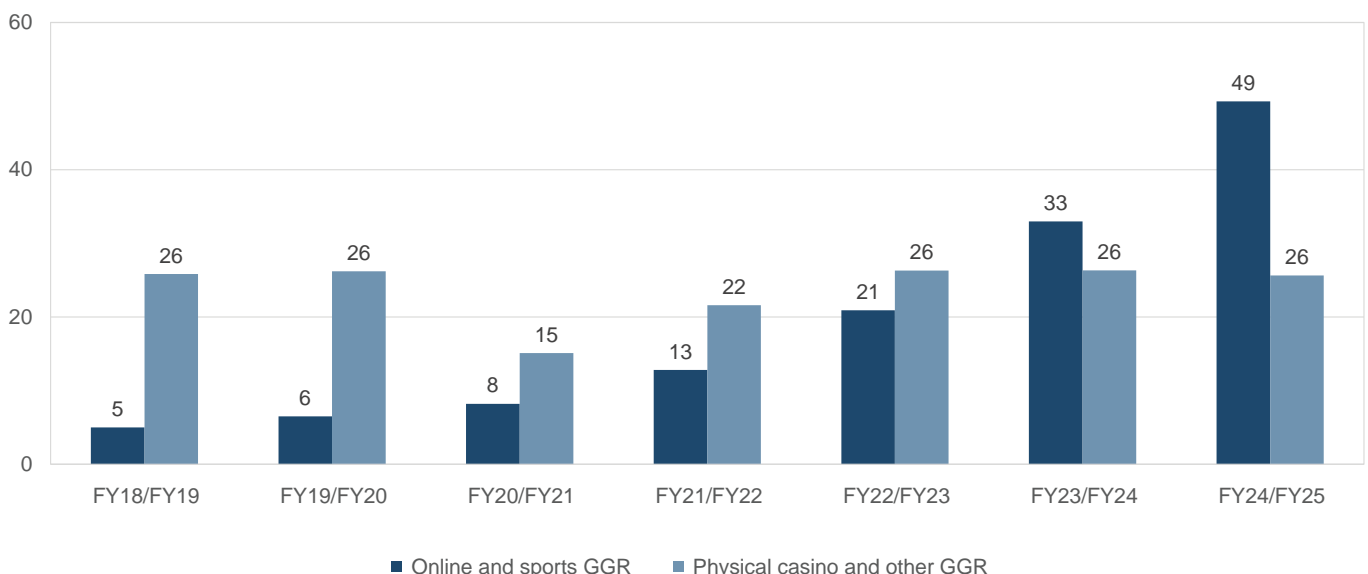
The expansion has been almost overwhelmingly driven by the explosion in online and sports betting.

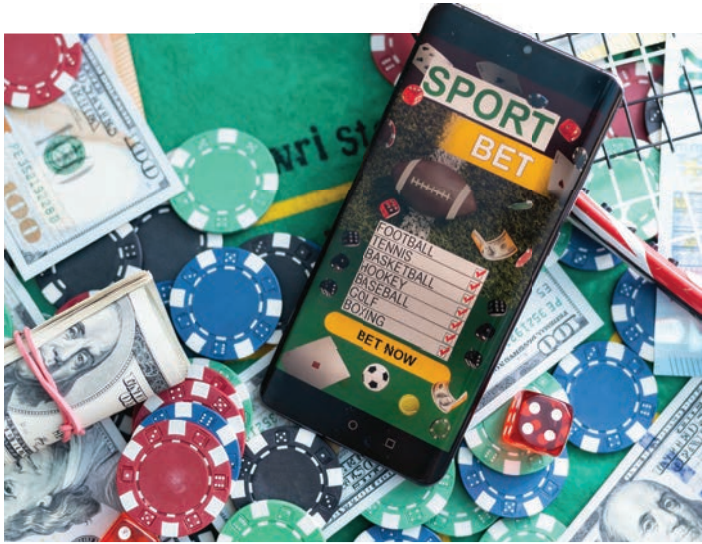
We estimate that online and sports betting revenue increased from around R8bn in FY20/FY21 to c. R49bn in FY24/FY25, which is close to a sixfold increase in just four years. As a result, online and sports betting now accounts for c. 66% of total gambling industry revenue, up from c. 35% in FY20/FY21.

**Figure 1: SA gambling’s structural shift to online and sports GGR\*, Rbn**

Source: Anchor Capital, National Gambling Board

\* GGR = gross gambling revenue: total amounts wagered less winnings paid back to players.





Several forces converged to drive this structural shift in the gambling industry. The COVID-19 lockdowns accelerated and normalised the adoption of digital payments and pushed many first-time users onto mobile gambling platforms. Smartphone penetration reached over 70% of SA households, driving the proportion of online bets placed on mobile devices to 81%.

Aggressive marketing also played a role. Betting operators spent c. R2.6bn on advertising in the year ended March 2025, with three major brands, Hollywoodbets, Betway and World Sports Betting, accounting for nearly half of that spend. Walk through any airport, Gautrain station, or watch a sports broadcast in SA, and the scale of that advertising presence is hard to miss.

For equity investors, the key question is simple: How much consumer spending is being redirected from traditional retail channels into online gambling?

The data suggest that the shift is significant. According to the *Bureau for Economic Research (BER)*, gambling revenue as a share of total recreation and culture spending increased from 12.3% before COVID-19 to 26.7% by March 2025. In more tangible terms, this means 25% of every rand South Africans spend on entertainment now flows into gambling.

This is not simply abstract macroeconomic analysis. Management teams across the JSE-listed consumer retail sector are flagging the damage in real time. The Foschini Group has publicly described online gambling as “almost entirely extractive”, suggesting it represents a greater threat to retail sales than competition from fast-growing international platforms such as Shein and Temu. Other consumer-facing businesses, including Pick n Pay, Famous Brands, and several others, have echoed similar concerns. Even transaction data hints at the shift. On Shoprite Holdings’ e-wallet platform, Hollywoodbets is the third item on the buying list, behind airtime and prepaid electricity.

The rise in online gambling creates several complications for analysts covering SA retailers. Traditional consumer spending forecasting models rely solely on macroeconomic variables such as interest rate changes, inflation, rand currency movements, and employment data.

Ignoring this structural shift risks systematically overestimating the discretionary spending pool available to retailers.

SA regulators, however, are starting to stir. In November 2025, the National Treasury (NT) published a discussion paper proposing a 20% national tax on the GGR of all online gambling operators, payable to SARS on top of existing provincial gambling taxes of 6% to 9%.

The gambling industry pushed back strongly, arguing that the combined burden of provincial taxes, VAT, and the proposed national tax would push effective rates to nearly 40%, driving more activity toward illegal offshore platforms.

Separately, the Democratic Alliance (DA) has introduced a private members’ bill (PMB) - the Remote Gambling Bill - aimed at creating a national framework covering licensing, consumer protection and enforcement. The bill is in its infancy, and optimistic timelines suggest in the order of two years to enactment. Meanwhile, illegal operators remain significant. Research by *Yield Sec* estimates that illegal online gambling operators generated c. R72bn in revenue during 2024, roughly double that of the legal online industry. Until a credible regulatory framework is in place, it falls to investors to account for a structural drain that most forecasting models are not yet capturing.

For investors wanting to allocate capital to JSE-listed retailers, the implications are clear: the consumer recovery trade may require more nuance than macro headline data suggests. Companies exposed primarily to essential spending - such as groceries, healthcare and education - are more insulated than those dependent on pure discretionary spend, such as casual dining, apparel and entertainment. Within discretionary retail, stock selection will become increasingly important. Companies with strong loyalty programmes, digital engagement platforms and differentiated brand positioning should prove more resilient than those reliant solely on a cyclical recovery in customer footfall.

The regulatory outlook may eventually alter the trajectory of online gambling, but the timing and impact offer little near-term comfort. Both the NT’s tax and the Remote Gambling Bill represent potential catalysts, but their directionality is unclear. A higher tax burden on operators could slow advertising spend and customer acquisition, easing pressure on retailers over time. Equally, it could simply push more activity into unregulated spaces where such constraints do not apply. NT’s own track record of abandoned gambling tax proposals (2011 and 2012) does not inspire much confidence that relief is coming soon. With advertising spend accelerating and regulation late to the game, the headwinds from online gambling are likely here to stay.

The drag from both legal and illegal online gambling is not trivial. At c. R49bn, after growing by roughly 50% in 2025, legal online and sports betting is no rounding error in the consumer equation. Understanding where the consumer rand actually goes, rather than where macro indicators say it should, may well be the difference between a well-positioned retail portfolio and an underperforming one.



# War shock vs structural opportunity: Why the case for EM bonds still holds

Written by:  
**Lelethu Poswa**  
Fund Management

The war between the US/Israel, and Iran has sent shockwaves through global financial markets, interrupting the recent broad rally in emerging market (EM) assets. In classic risk-off fashion, EM assets (bonds, equities, and foreign exchange [FX]) have declined in tandem as investors reassess geopolitical risk.

The key question for investors is whether the oil shock triggered by the conflict could lead to a broader global downturn that materially weakens EM assets. Much will depend on the scale and duration of the energy disruption, particularly if the Strait of Hormuz (through which roughly one-fifth of global oil supply flows) faces prolonged disruption. For now, however, it is premature to turn outright bearish on EM assets. The Iranian leadership has shown little appetite for negotiations, but the US also faces significant domestic constraints. The war is unpopular with voters, the midterm elections are approaching, and a prolonged disruption to energy markets would further squeeze already

stretched US consumers. These factors create strong incentives for a relatively swift resolution.

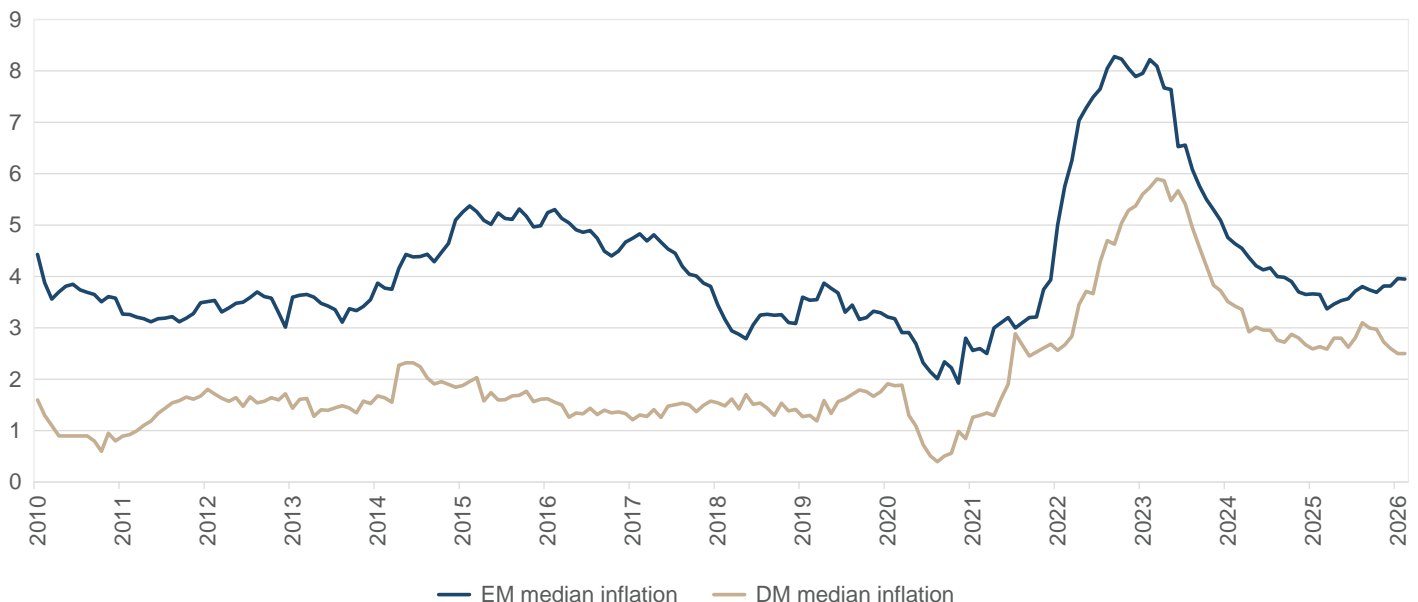
While the conflict may keep EM asset volatility elevated in the near term, it does not fundamentally alter the longer-term structural bull case for EM bonds. Three key supporting factors remain intact: improving macroeconomic fundamentals across many EM economies, supportive commodity price dynamics, and EM bonds that remain undervalued and under-owned by global investors should reassert themselves once war-driven uncertainty fades.

## Improved macroeconomic fundamentals

Historically, EM economies have experienced higher and more volatile inflation than developed markets (DMs). In recent years, however, EM inflation has largely converged toward DM levels (Figure 1). Several EM economies - including SA, Brazil, and Chile- have also lowered their inflation targets.

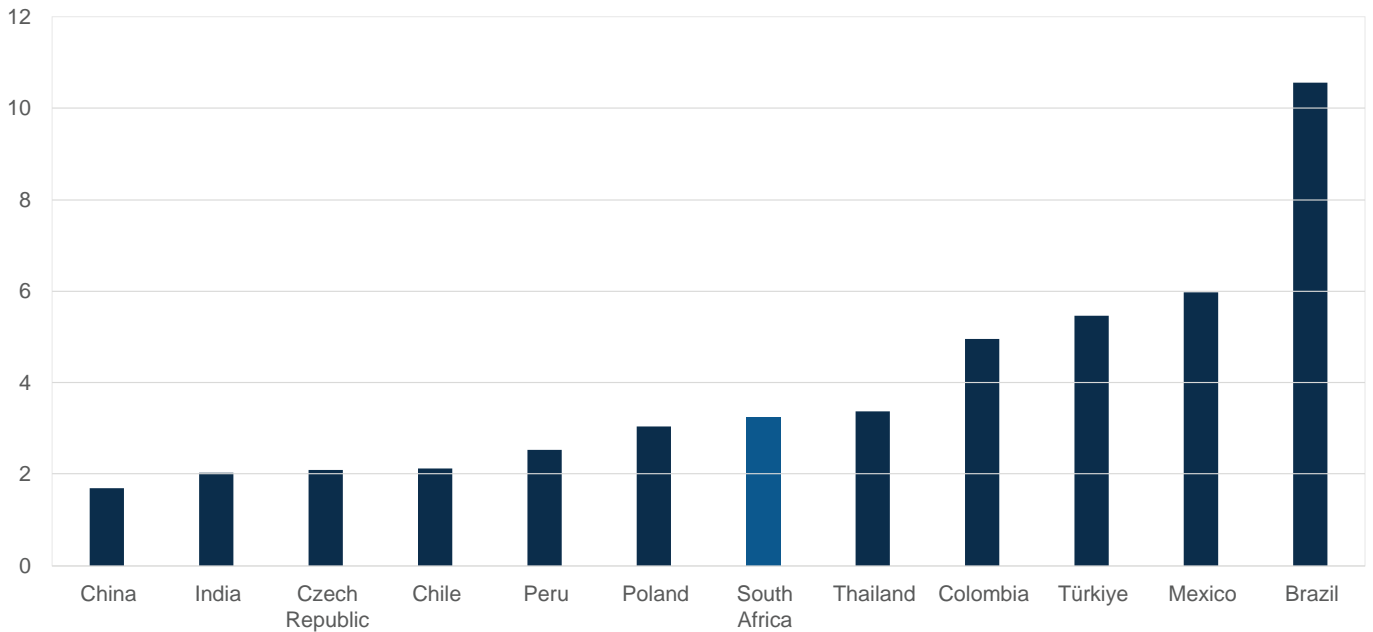
**Figure 1: Core inflation rates - EMs vs DMs, %**

Source: Anchor Capital, Thomson Reuters



**Figure 2: Real policy rates in EMs, %**

Source: Anchor Capital, Thomson Reuters



Importantly, many EM central banks responded to the post-COVID-19 inflation surge earlier and more aggressively than their DM counterparts. As a result, real policy rates across many EM economies remain elevated and in restrictive territory, providing a cushion against future inflation shocks (Figure 2).

Fiscal discipline has also improved across much of the EM universe. The large fiscal expansions seen during the pandemic have largely been reversed, with fiscal deficits in many economies returning to pre-pandemic levels - especially where fiscal sustainability is a concern.

Together with tighter monetary policy, this helps anchor inflation expectations and support price stability, creating a favourable backdrop for EM bond performance.

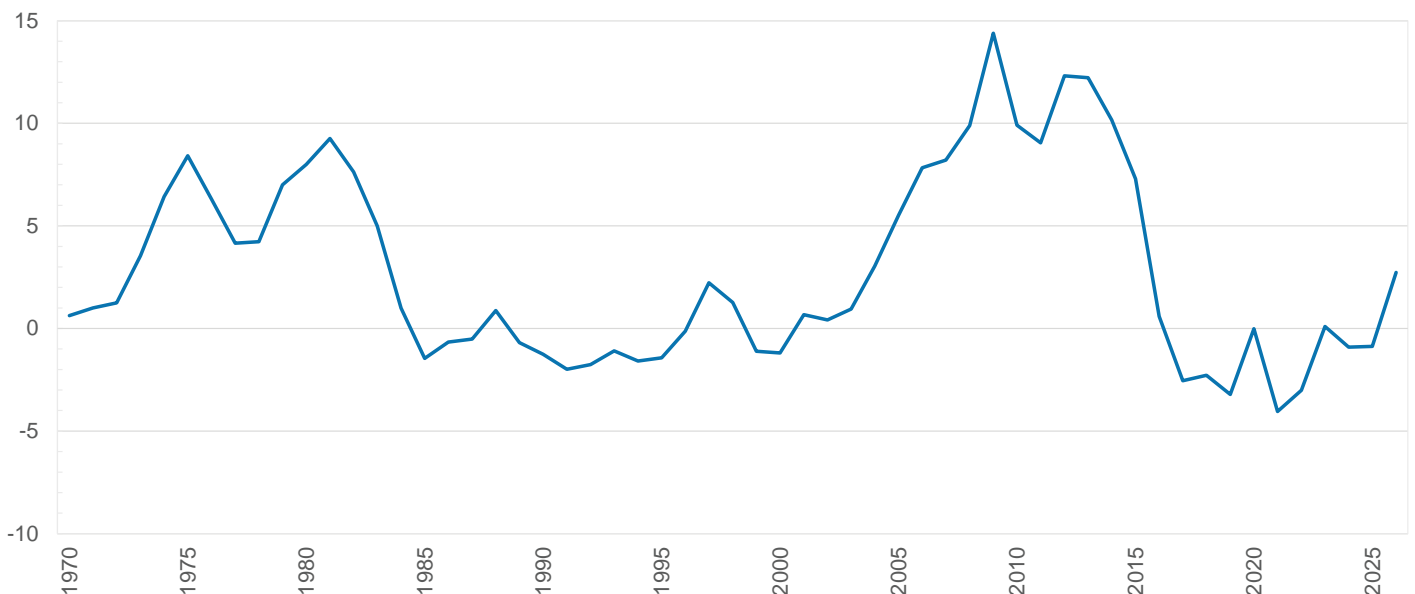
**Commodity tailwinds**

The second factor is commodity tailwinds. Commodity prices tend to move in long-term cycles - trough-to-trough fluctuations of roughly 15 years are associated with high business investment and infrastructure spending. Figure 3 shows that we are entering a period of firmer commodity prices, and we are constructive on commodities such as gold, silver and copper.

**Figure 3: The S&P GSCI Price Index\* 10-year annual rate of change, %**

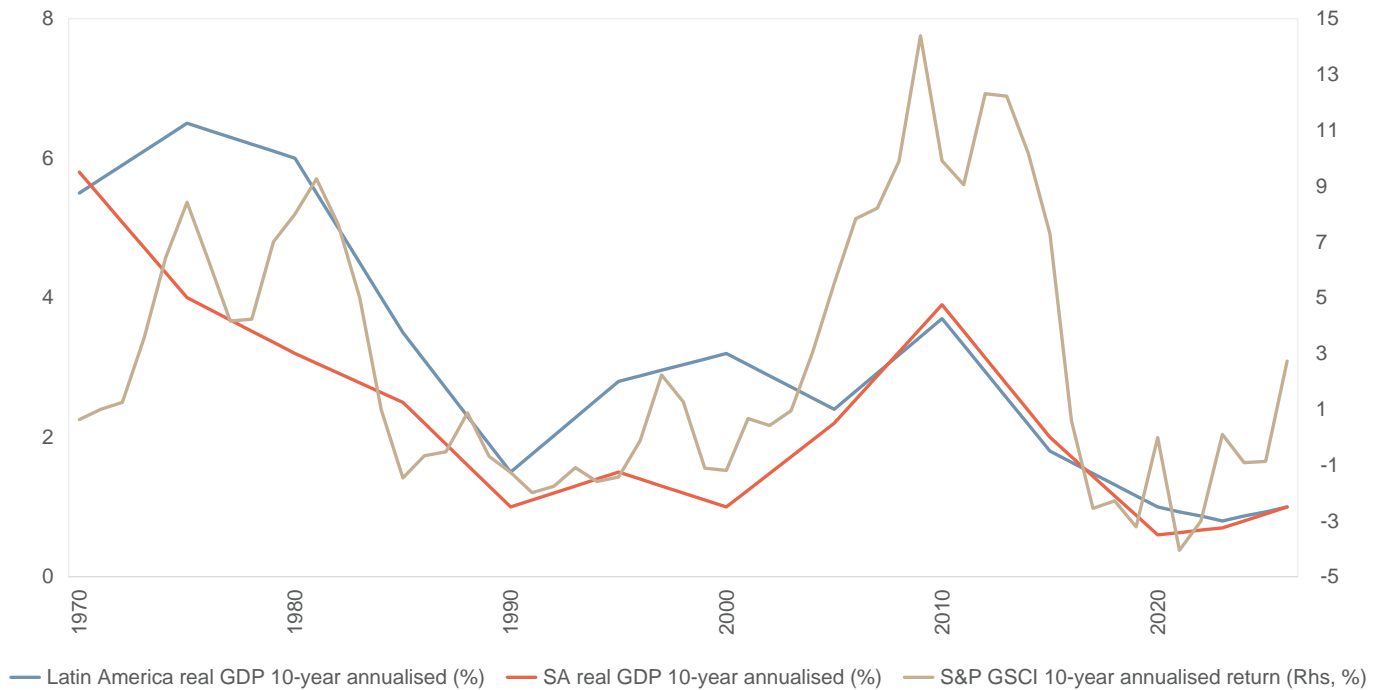
Source: Anchor Capital, Thomson Reuters

\*The S&P GSCI Price Index is a composite index of commodity sector returns representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.



**Figure 4: The commodity cycle and resource-heavy economies**

Source: Anchor Capital, Thomson Reuters



This emerging commodity cycle should support the growth outlook and asset prices of resource-heavy EM economies. The long-term growth paths of Latin American economies and SA have historically tracked the commodity cycle closely (Figure 4). Higher commodity prices improve terms of trade, strengthen fiscal positions, and support current account balances, all of which tend to support local bond markets.

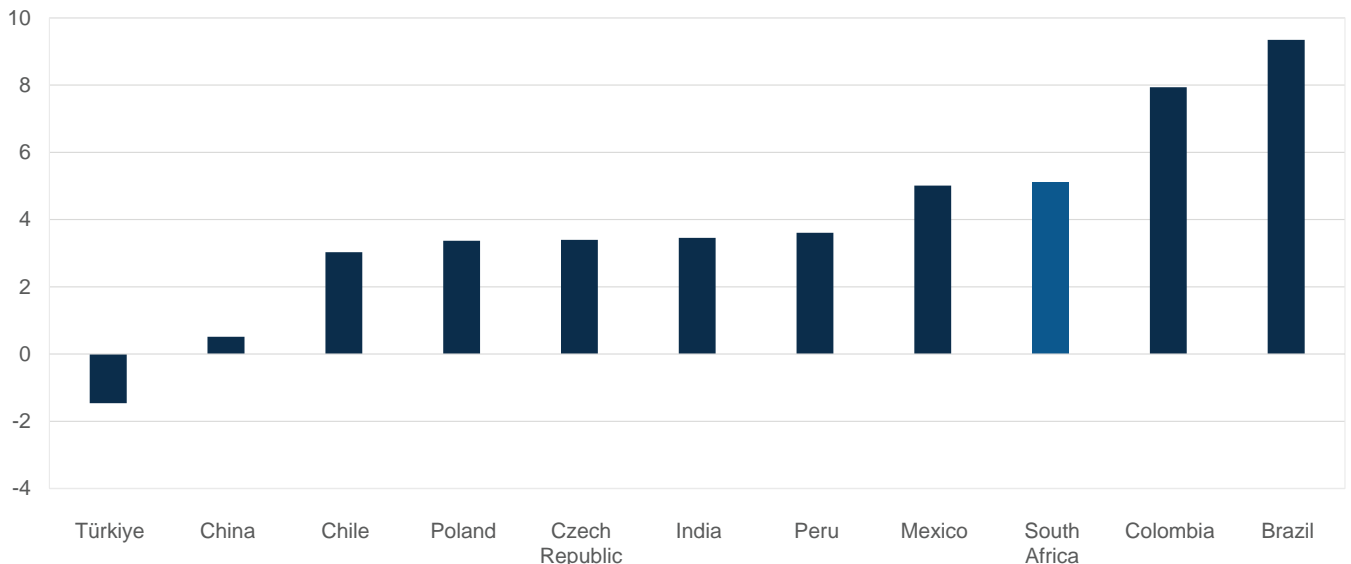
**Valuation and positioning**

The third bullish factor supporting the EM bond outlook is valuation and positioning. Even after recent rallies, many EM

local-currency bonds continue to provide attractive real yields compared with DM alternatives. In several countries, many 10-year local sovereign bonds still offer real yields above 4% (Figure 5). At the same time, foreign investor participation in EM local-currency bond markets has declined sharply in recent years, particularly in countries with high real yields and undervalued currencies (Figure 6). This means that many markets remain both undervalued and under-owned by global investors. When positioning is this depressed, even modest improvements in sentiment can lead to meaningful capital inflows.

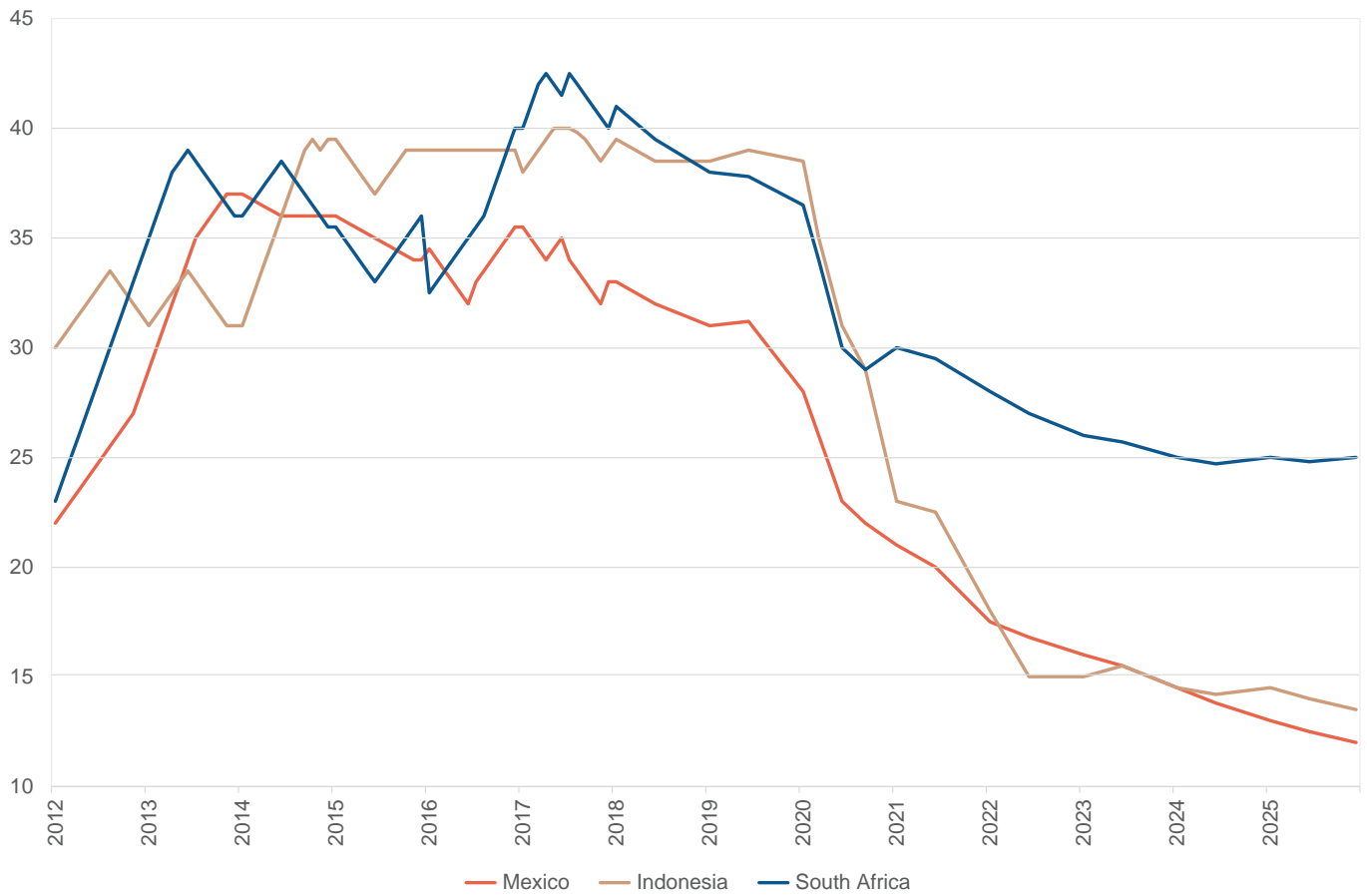
**Figure 5: The 10-year local currency bond yield adjusted for CPI, %**

Source: Anchor Capital, Thomson Reuters



**Figure 6: Foreign ownership of bonds, %**

Source: Anchor Capital, Thomson Reuters



Currencies also remain supportive. While some EM currencies have appreciated against the US dollar, many continue to trade below their long-term fair value, offering an additional potential source of return.

In our view, the current turbulence reflects merely a pause driven by geopolitical shock rather than a deterioration in underlying economic fundamentals, and we do not believe that it marks the end of the EM bull case. In the short term, war-related uncertainty warrants caution, and it will likely

keep volatility elevated, particularly if energy markets remain disrupted. Nevertheless, the structural drivers supporting EM assets (improving macroeconomic policy, favourable commodity dynamics and attractive valuations) remain firmly in place. If geopolitical tensions ease, EM assets could recover quickly as investors refocus on these fundamentals. For long-term investors, the current volatility may ultimately prove to be a pause in the EM recovery rather than the end of it.





# The hidden economics of US drug prices

Written by:  
**Sean Culverwell, CFA**  
Investment Analyst

By almost any measure, the US has the most complex and most expensive healthcare system in the developed world. Americans pay, on average, roughly three times more for branded medicines than patients in other developed nations.

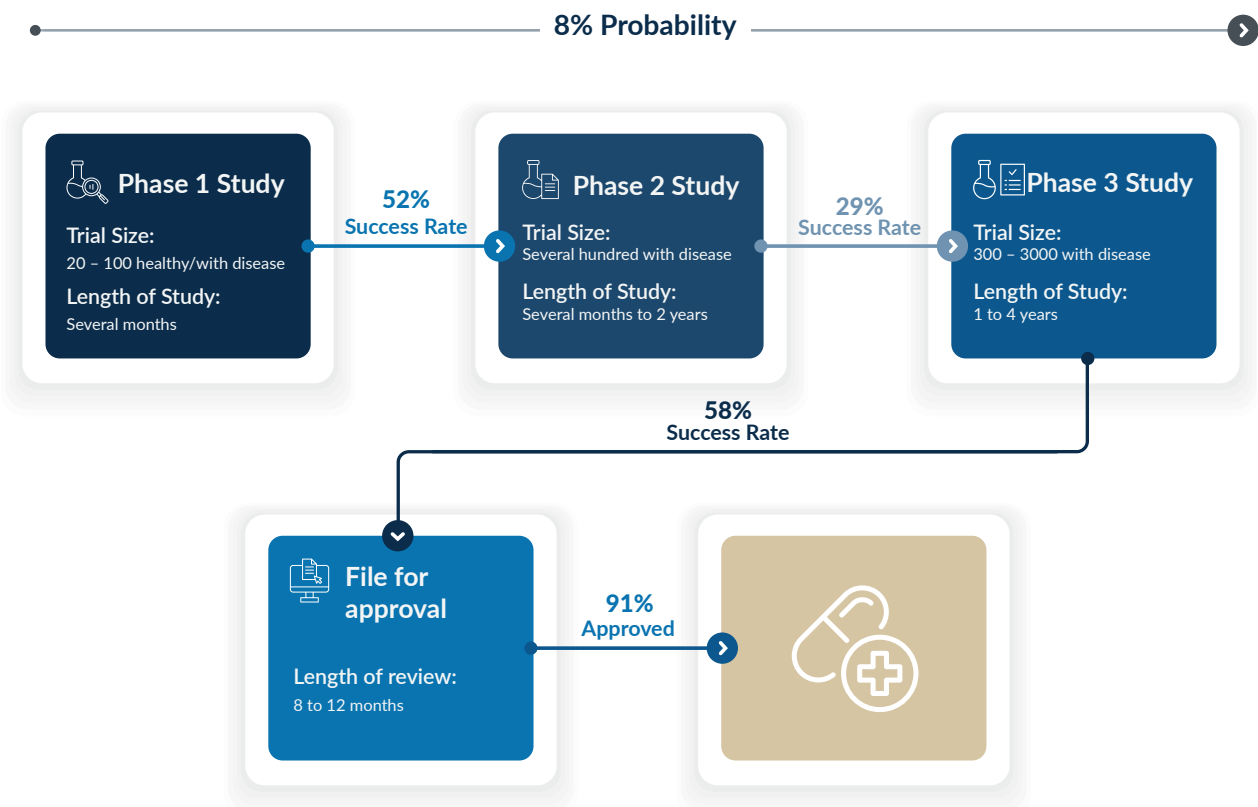
The reasons are often attributed to pharmaceutical companies themselves. Certain political and consumer groups frequently accuse Big Pharma of exploiting patients

through exorbitant pricing. While there is some merit to this criticism, it tells only a part of the story.

To understand why drug prices are so high in the US, one must look beyond the pharmaceutical industry itself and into the complex network of intermediaries, incentives, and structural quirks that define the US healthcare system.

**Figure 1: The drug development process**

Source: Morningstar



## The economics of pharmaceuticals

Drug development is a lengthy, risky and expensive endeavour. Pharmaceutical and biotechnology companies begin by identifying a disease-relevant biological target - typically a protein or strand of ribonucleic acid (RNA). Scientists then screen molecules to find one capable of influencing that target. Promising candidates enter preclinical testing in animals before entering the long clinical development process in humans. From discovery to approval, the journey typically takes ten to fifteen years.

Even then, success is far from guaranteed.

For every Pfizer or Eli Lilly, there exists a long tail of failed drug programmes and biotech startups. Additionally, the make-up of the healthcare system is equally, if not more, responsible for the current state of play.

Between 2021 and 2024, the probability that a drug entering Phase 1 clinical trials would ultimately receive approval from the US Food and Drug Administration (FDA) ranged between 7% to 12%. Put plainly, drug development requires a more-than-decade-long commitment with around a one-in-ten chance of success. In any industry, that is a deeply unfavourable wager.

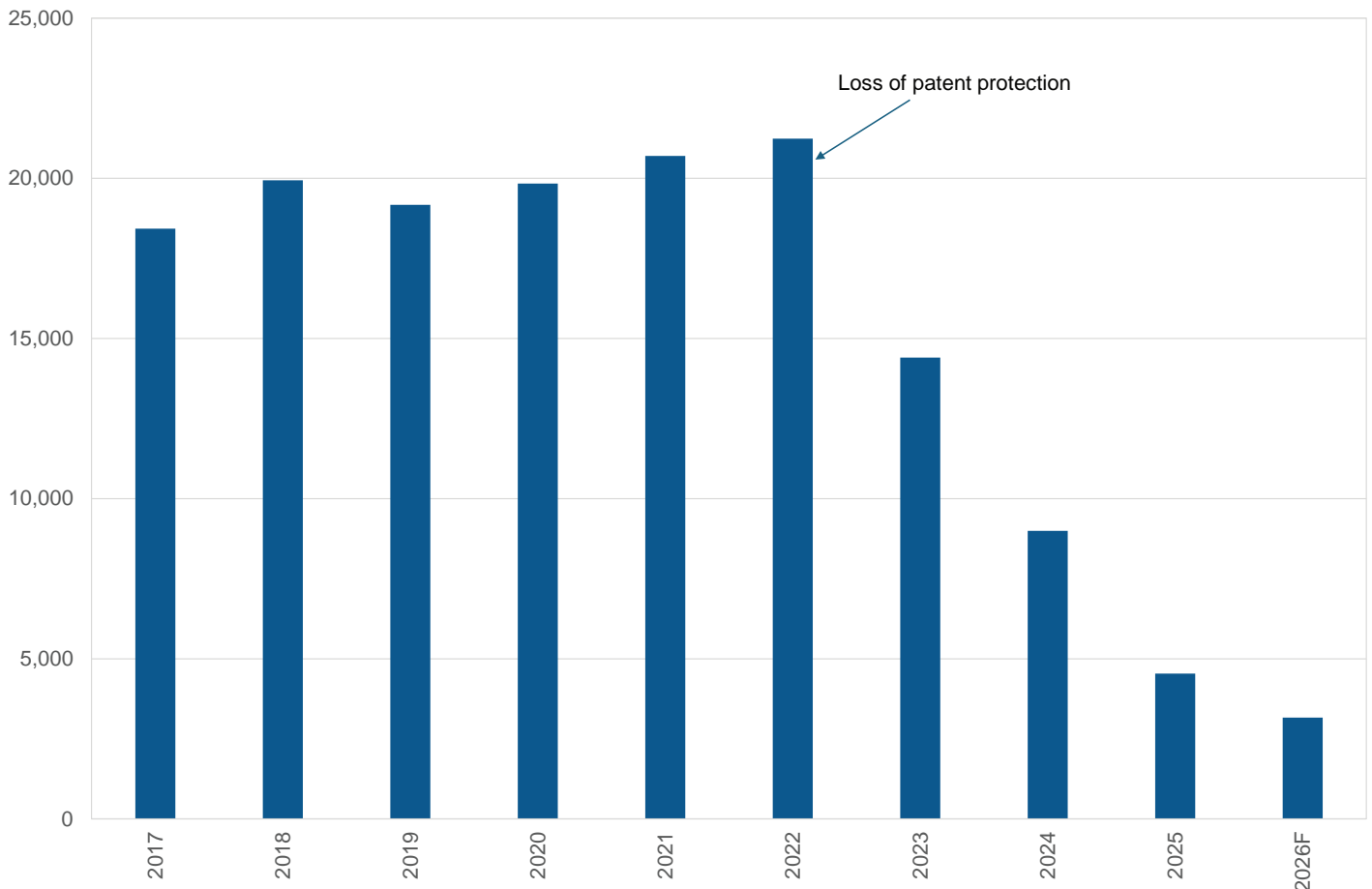


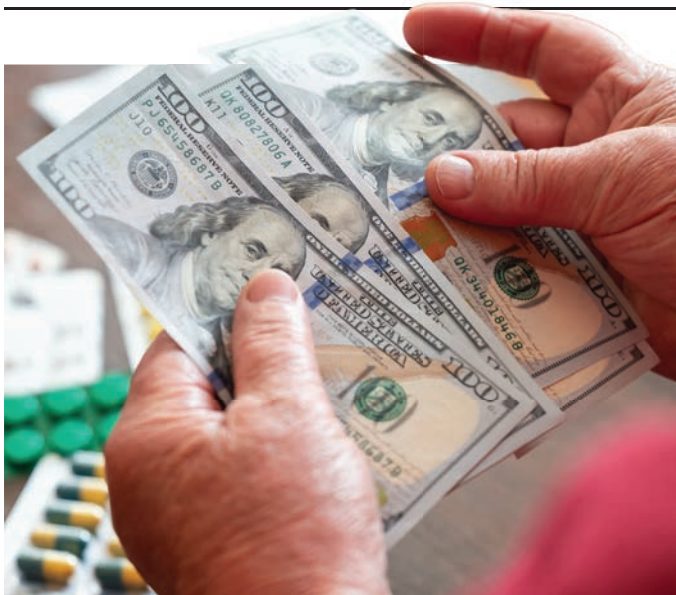
Patent law compounds the challenge. Pharmaceutical companies usually file for protection (patents) at the pre-clinical stage, starting a twenty-year protection clock. Given that development alone consumes roughly half of that period, the window of commercial exclusivity is often less than a decade. Once a patent expires, generic or biosimilar competition enters the market quickly, and the drug's revenue typically collapses.

The experience of AbbVie's blockbuster immunology drug Humira illustrates the point (see Figure 2). At its peak in 2022, Humira was the world's best-selling drug, generating US\$21bn in annual revenue. When its patent expired in January 2023, biosimilar alternatives flooded the market, and sales have fallen by c. 86% since then.

**Figure 2: Humira revenue, US\$mn**

Source: Anchor Capital, Company data





### The anatomy of a drug's price tag

Branded drugs are expensive because they are costly to make, but this does not fully explain the pricing mismatch between the US and other developed countries. The key difference lies in how prices are negotiated. The US is the rare developed nation without a central authority to negotiate or set drug prices for its population.

Elsewhere, developed nation governments wield significant buying power. In the UK, for example, the National Institute for Health and Care Excellence (NICE) assesses whether a medicine justifies its asking price, after which the National Health Service (NHS) negotiates the final reimbursement level. Similar national frameworks exist in countries such as Australia and France. In Australia, prices are negotiated nationally and tied to a central formulary, while in France, they are set through a process grounded in therapeutic value.

Given this dynamic, pharma companies are naturally incentivised to extract maximum economic value from an approved drug while exclusivity lasts. If the economic return is not realised, the capital required to fund new life-saving treatments evaporates.

So, while individuals can criticise the high gross margins earned by pharma companies, they often forget the sunk costs that preceded those margins.

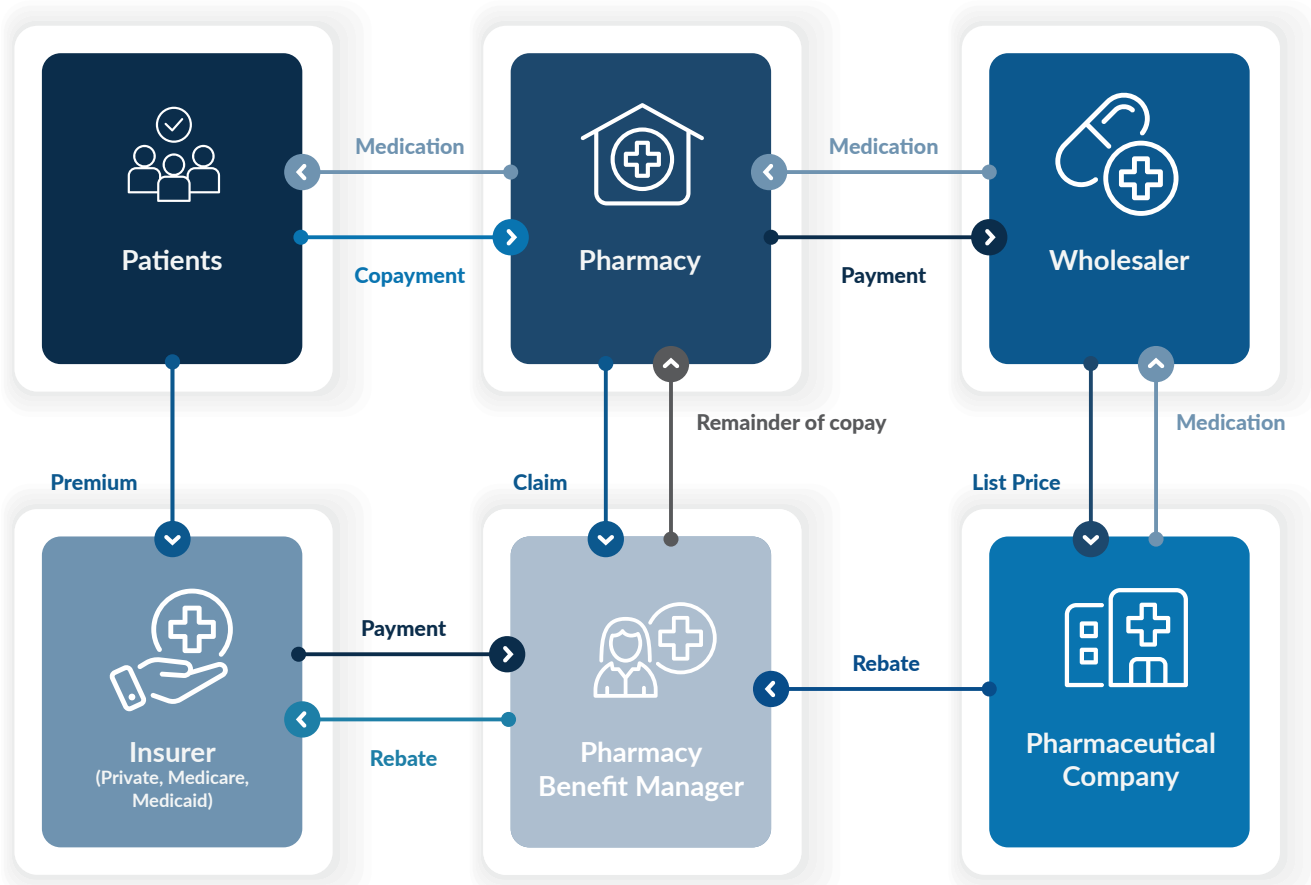
In each of these markets, there is ultimately one negotiated price. The US operates very differently.

Pharmaceutical companies do set a uniform list price, but that figure is rarely what anyone actually pays. Instead, the list price serves as a starting point from which a drug passes through a chain of wholesalers, pharmacy benefit managers (PBMs), Medicare, Medicaid, private insurers, and pharmacies. Each participant in that chain negotiates its own discounts, rebates, and fees.

Figure 3: The chain through which a drug passes in the US until a final price is reached

Source: Anchor Capital

The final price paid by patients and insurers is therefore the product of multiple confidential transactions, with each layer of the system along the way taking its cut.



Because these downstream costs are pegged to the list price, pharma companies are incentivised to set the list price as high as possible. The high list price/high rebate system inflates what vulnerable patients pay while keeping the underlying additive transactions hidden from view.

### The intermediaries who ate the system

The fragmented nature of the US healthcare system has given rise to a type of intermediary that exists nowhere else in the developed world - PBMs.

PBMs originally emerged as administrative intermediaries - processing claims and designing formularies to help employers and insurers navigate a fragmented market. Over time, however, PBMs have grown into an industry of their own, becoming powerful gatekeepers in the pharmaceutical supply chain. Today, the three largest PBMs process c. 80% of the c. 6.6bn prescriptions dispensed annually in the US.

Their core function is negotiating rebates from drug manufacturers in exchange for favourable placement on formularies - the list of medicines insurers cover. In theory, this competition should lower drug prices. In practice, it has done the opposite.

To maximise rebate revenue, PBMs have been found to favour a higher-priced drug offering a larger rebate over a cheaper alternative. In this structure, every participant benefits: insurers receive their rebate payments, PBMs collect their fee, and the pharmaceutical manufacturers retain their premium price. Everyone in the chain wins - except the patient.

### The state of the nation

In recent years, administrations from both political parties have begun addressing both the manufacturer-pricing side of the equation and the role of the intermediaries. Notably, however, neither has moved to replace the system with a single national buyer of the kind seen in the UK or Australia.

The most significant reform came under the Biden administration through the Inflation Reduction Act (IRA). The legislation overturned the long-standing “non-interference clause,” which had explicitly prohibited Medicare from negotiating drug prices directly with manufacturers. The reforms introduced several important changes:

- Medicare can now negotiate prices on certain high-cost medicines.
- Annual out-of-pocket prescription costs for beneficiaries are capped at US\$2,000.
- Pharmaceutical companies are now required to pay rebates to Medicare if drug prices rise faster than inflation.

Subsequent reforms under the Trump administration have pursued a complementary approach. To close the gap between US and global prices, it has moved towards international price benchmarking — linking the maximum fair price (MFP) of certain Medicare drugs to the average prices paid by other G7 nations. In doing so, the US is effectively borrowing the collective negotiating leverage of the global market.

At the same time, policymakers are targeting the intermediaries themselves. New federal transparency mandates require PBMs to disclose payments received from manufacturers. Legislative proposals are also underway to separate PBM compensation from drug list prices, removing the incentive for intermediaries to prefer branded medications (more expensive) over cheaper generics.

### Where the system is heading

These reforms suggest that the “Wild West” era of US drug pricing may be coming to an end. The US is gradually moving toward a value-based pricing model, where the cost of medicines is more closely tied to their clinical benefit rather than what the market will tolerate.

Significant challenges remain. Expanding reforms beyond Medicare to all private insurance markets would represent a major structural shift. Still, the pharmaceutical industry has continued to warn that aggressive pricing controls risk creating an “innovation wasteland,” and legal challenges are likely to persist. Nevertheless, it would seem that political momentum has shifted, and the public’s appetite for the status quo has evaporated. More progress on drug pricing reform has been made over the past two years than in the preceding two decades.

For investors and policymakers, the key takeaway is that the future of US pharmaceutical pricing will likely be shaped less by the drug manufacturers themselves and more by the complex system of intermediaries that grew around them.



# Navigating AI adoption at Anchor

Written by:

**Brendan Gace**

Head of Anchor Private Clients

**Marieke de Kock**

Compliance/Private Clients Operations

Artificial intelligence (AI) has rapidly become a core driver of business competitiveness. For investors, the question is no longer whether AI will matter, but how quickly it can translate into operating leverage, earnings power and sustained client value.

Our stance is deliberately balanced: optimistic about the opportunity yet disciplined in execution. We view AI as a once-in-a-generation enabler of productivity and client service, while recognising the practical challenges of embedding it safely, consistently, and at scale.

The observations below draw on our direct experience of hands-on AI adoption within our organisation. While framed for an investment audience, they have been generalised to protect proprietary insights. We have also used AI to assist in drafting this article, with human review throughout.

AI is out there, but the investment question is how to capture the productivity dividend safely and repeatably.

## Why AI matters for investors

Across industries, early AI adoption is appearing most visible through *time saved*, *cycle-time compression* and *quality consistency*. These are the building blocks to operating leverage: fewer hours per unit of output, faster conversion of activities into revenue, and limiting rework loops.

As adoption matures, these efficiencies compound into margin resilience, improved client retention and broader capacity without proportional headcount growth.

- **Operating efficiency:** automation of low-value repetitive tasks frees skilled professionals to focus on higher-value work activities.
- **Revenue enablement:** improved responsiveness, quicker proposals, tailored communications, and better lead qualification improve conversion.
- **Risk management:** standardised outputs and human-in-the-loop review processes reduce variability and error rates.

## Adoption realities: The work behind the gains

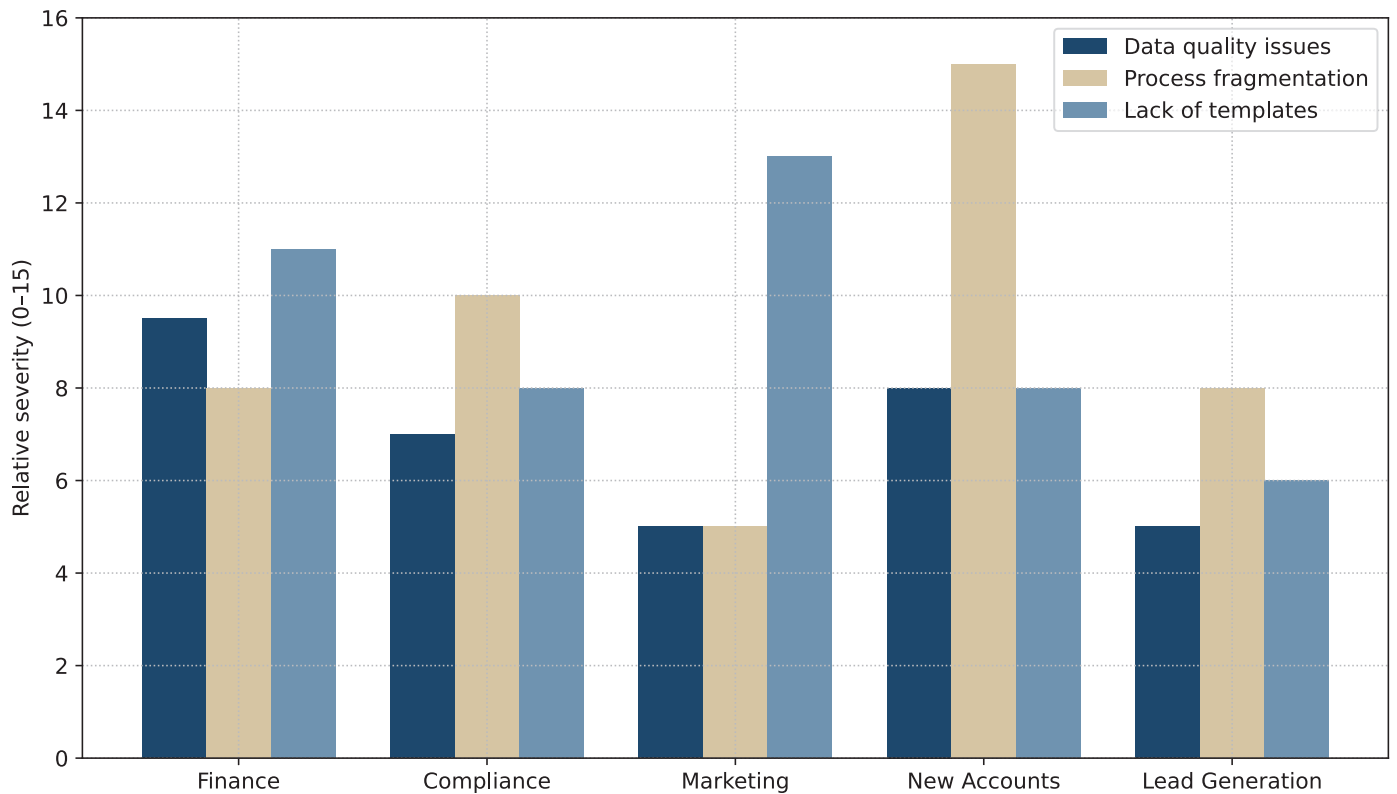
While the benefits are compelling, real-world implementation introduces two consistent challenges: structural and behavioural. These are normal – and solvable – but they require sequencing and patience.

### Structural challenges (systems, data, workflow)

AI is most effective when supported by accessible data and clearly defined processes. In practice, most organisations start with fragmented data and non-standard templates. AI quickly exposes these gaps early, acting as both an invaluable diagnostic and an initial constraint on value realisation.

**Figure 1: Structural AI adoption barriers across divisions (relative severity)**

Source: Anchor Capital



**Behavioural challenges (skills, trust, change management)**

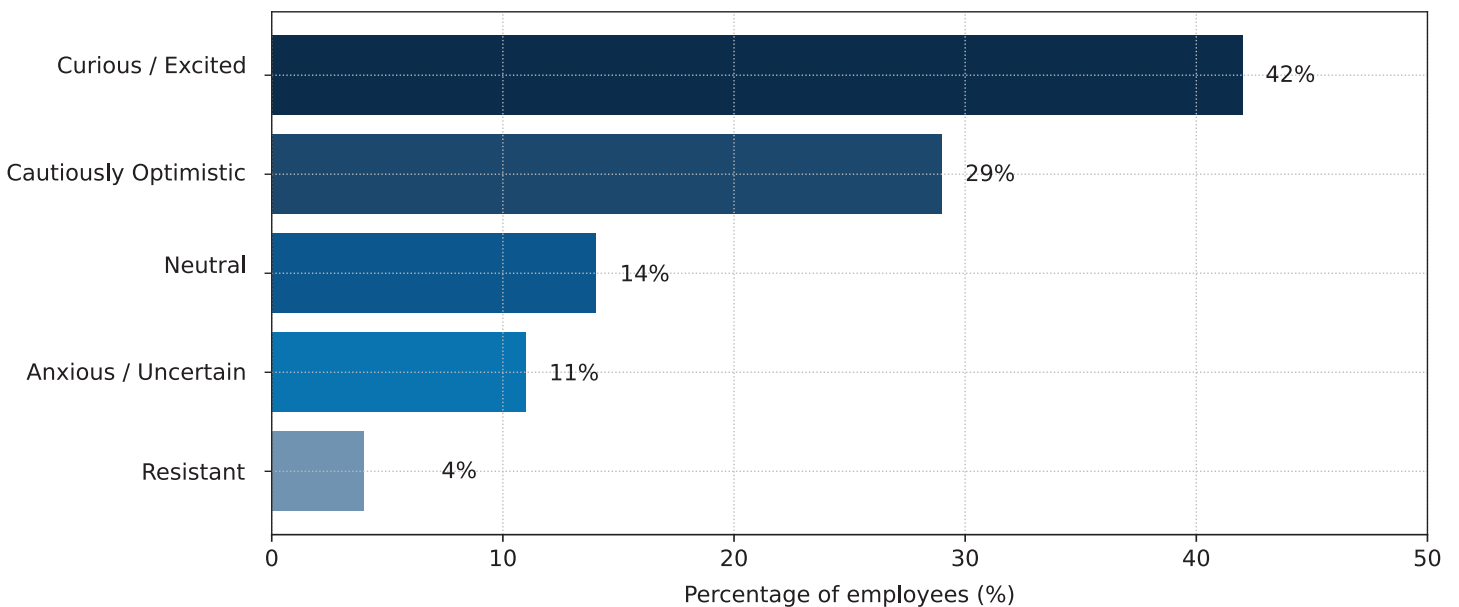
AI adoption is a human transition as much as a technological one. Typical reactions range from curiosity to hesitation, often driven by a fear of mistakes, unfamiliar tools (preferences outside approved stacks), and a natural reluctance to learn new workflows. The antidote is practical training, visible leadership support, and space for experimentation.

It is difficult to change a leopard’s spots – unless you show it why the new pattern is better.

Our internal workshops indicate a cautiously positive sentiment overall, with understandable anxiety in pockets of the business (Figure 2).

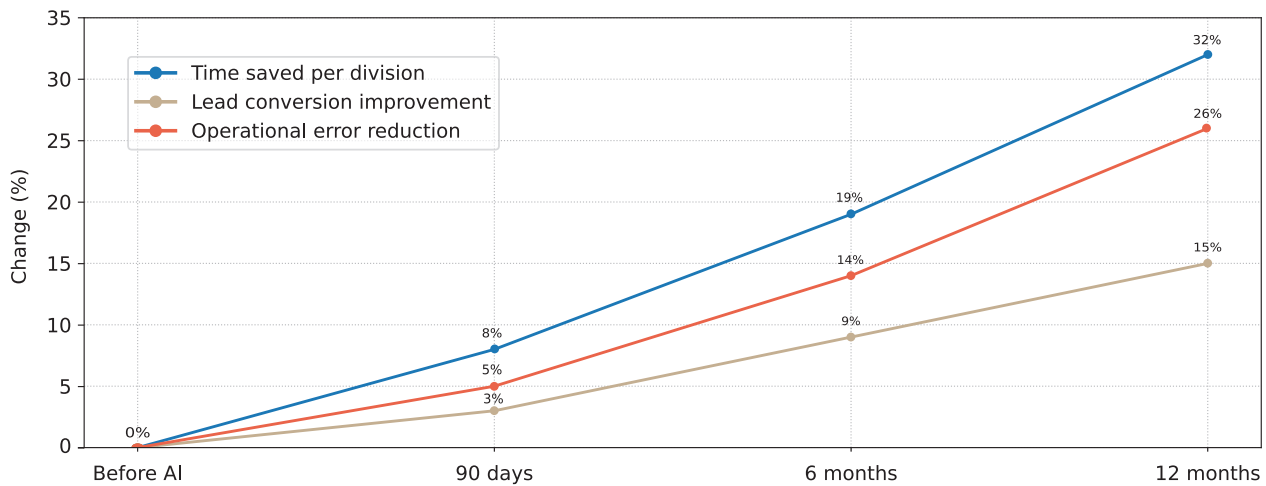
**Figure 2: Employee sentiment towards AI adoption (internal readiness sessions, 2026)**

Source: Anchor Capital



**Figure 3: Demonstrated and projected efficiency gains from AI (time saved, conversion and error reduction)**

Source: Anchor Capital



The solution here is cultural engagement, not coercion – training, reassurance, visible sponsorship and space to experiment safely.

**Where value emerges first (leading indicators)**

The initial, most durable returns tend to be concentrated in a handful of repeatable themes:

- **Productivity accelerators:** meeting and document summarisation, first-draft generation, structured comparisons and checklists.
- **Client experience:** faster turnaround times, improved consistency or formatting, and more tailored client communication.
- **Decision support:** identification of anomalies and patterns that help humans focus on what matters.

AI’s role is not to replace expertise but to remove friction, elevate expertise and amplify the effectiveness of human capital.

**Responsible implementation and use: safe, considered, human-led**

In regulated environments, governance is a prerequisite for sustainable value creation. Our approach is simple: approved tools, human review, auditability and privacy by design. A structured approach ensures AI augments professional judgement without introducing unnecessary operational or conduct risk.

Key principles include the following:

- *Maintaining human oversight for all client-facing outputs.*
- *Using approved tooling only with privacy safeguards enabled and logs retained.*
- *No automated decisions with material client impact without human approval.*

**A sequenced roadmap for investors and operating leaders**

A phased approach to AI implementation is suitable for most organisations and allows companies to balance velocity with control:

- **Phase 1: Orientation and early wins (0–90 days)**  
Deploy approved AI tools; run short, practical enablement, target low-risk use cases (summaries, drafting), measure hours saved and quality improvements, communicate wins.
- **Phase 2: Adoption and process alignment (3–6 months)**  
Embed AI into a few core workflows, standardise templates, establish prompt libraries, nurture internal champions, and track cycle-time, error rates and user confidence.
- **Phase 3: Strategic integration (6–12 months)**  
Link AI deployment and usage to strategic priorities, integrate structured data, explore agents in sandboxed pilots, strengthen auditability, and define outcome-based key performance indicators ([KPIs] productivity, conversion, retention).

The objective is not full automation, but effective augmentation, thus enhancing human decision-making with measurable business outcomes.

**Concluding perspective for investors**

AI represents a durable shift in how organisations operate and compete, not merely a passing theme. Done well, AI can enhance operating leverage, improve client outcomes, and strengthen resilience without compromising governance.

Our experience to date supports an optimistic but disciplined view: AI is already delivering tangible benefits (we are using AI today, including in creating this article), but scaling its impact requires careful execution, with continued human oversight at the centre.

The opportunity is significant, but realising it consistently will distinguish the leaders from the followers.

# Women's Wealth Within: The rise of women investors

Written by:

**Nichole Maroun, CFA**  
Portfolio Management

## Background

A quiet but powerful shift is taking place in global wealth, and women are increasingly shaping it.

For generations, wealth management has been built on the assumption that men are the primary financial decision-makers. Today, across the world, a powerful shift is underway in the creation, management, and intergenerational transfer of wealth, with women playing an increasingly influential role as stewards of capital.

Recognising this evolution as a fundamental transformation in how wealth is created and managed, Anchor Capital launched the **Women's Wealth Within** initiative in 2025, creating a platform for women to engage more confidently in financial planning and investment decisions.

## The global perspective

Across developed markets (DMs), women already control around one-third of all financial assets, and this influence is expected to rise substantially over the next decade. According to a 2025 report by McKinsey & Company titled *The New Face of Wealth*, women controlled an estimated US\$60trn in assets globally by 2023. Between 2018 and 2023, wealth controlled by women grew faster than overall global financial wealth.

McKinsey identifies four key drivers behind this rise.

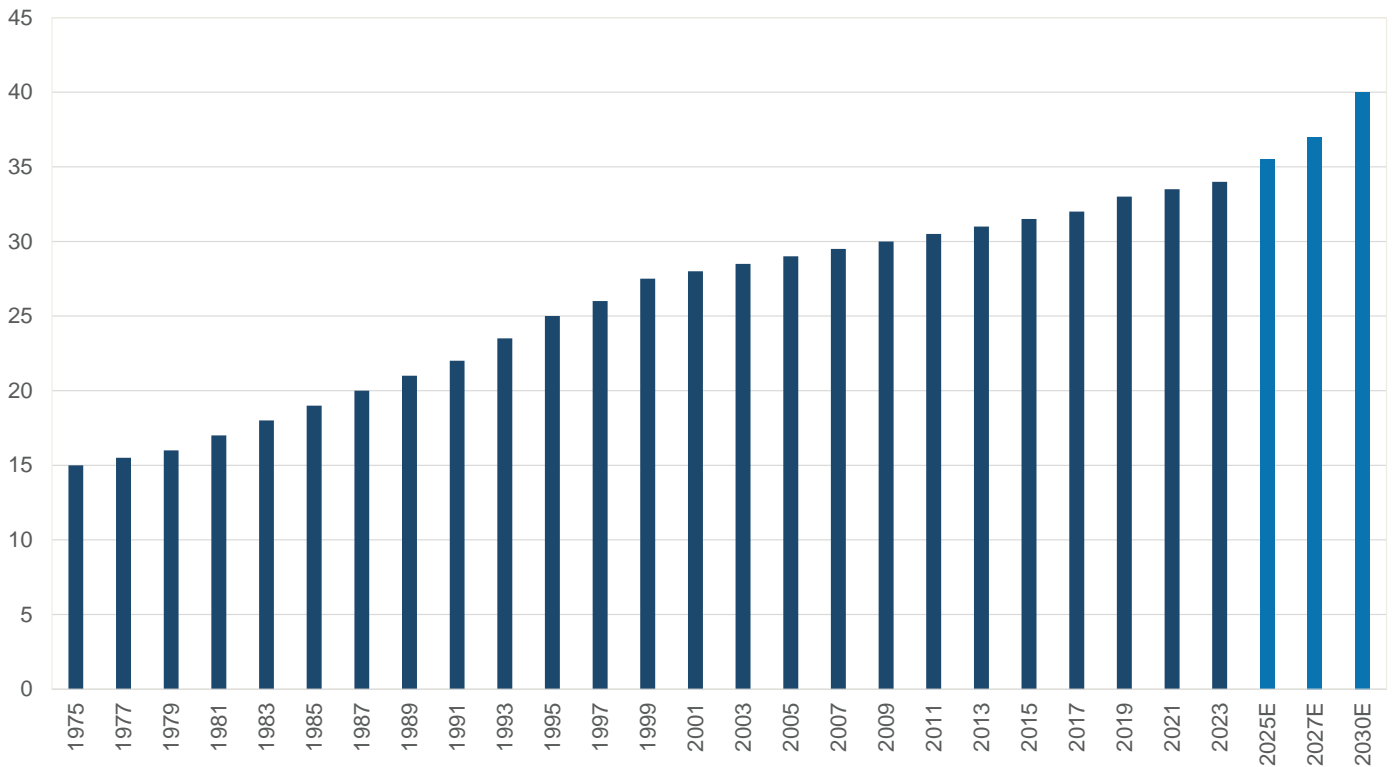
- **Social change:** Women are marrying later, divorcing more frequently and increasingly choosing to remain single, contributing to greater financial independence.
- **Education and careers:** Women are achieving higher levels of education and entering better-paying professions, enabling them to build substantial wealth in their own names.
- **Longevity:** Women tend to live longer than men, often resulting in family wealth transferring into their hands later in life. This makes it essential for women to be involved in family financial discussions and decision-making from the very beginning.
- **Cultural change:** Women are becoming increasingly confident in managing their finances and participating in financial markets. This is one of the most important shifts as women play a more active role in building, managing and directing capital, the investment landscape itself is evolving.

Together, these forces point to a profound demographic shift in financial power. Over the coming decades, trillions of US dollars are expected to transfer from husbands to widows and from parents to daughters, placing women at the centre of generational wealth stewardship.

**Figure 1: Women's share of global wealth, %**

Source: McKinsey, BCG, and World Inequality Lab, Anchor Capital

Note that pre-1990 data are sparse, and these are approximations. Projected values from McKinsey, BCG, World Inequality Lab and academic literature.



### The South African perspective

While much of the data comes from DMs, the same trend is evident locally. In a 2025 women-focused investment article, Satrix highlighted that nearly 43% of South African households are headed by women, while female participation on retail investment platforms has increased meaningfully in recent years. Younger women are also entering the investment market earlier, with the average female investor on their platform now in her early thirties.

Despite this progress, a gap remains. Women are still less likely than men to work with wealth managers, and a meaningful portion of female-controlled assets remains unmanaged. This suggests that the industry has not fully adapted to the needs of women investors.

### The industry gap

Part of the disconnect lies in how wealth management has traditionally been positioned. Historically, we see focus placed on technical products, short-term performance and market volatility. While there is, of course, a place for this in everyone's portfolio, male or female, in general, a woman approaches investing differently.

### A different financial journey

Women's financial journeys often differ in meaningful ways from those of men. On average, women live longer, are more likely to take career breaks linked to caregiving responsibilities and still tend to earn less over a lifetime.

The result is often longer retirement periods, supported by smaller accumulated savings pools, making careful planning particularly important.

Investment behaviour also tends to differ. Many women anchor their investment decisions around long-term life goals such as financial independence, family security, education funding and generational wealth continuity. This often leads to a more disciplined and consistent approach to investing, with a focus on long-term outcomes rather than short-term market movements.

These behaviours can be powerful drivers of long-term compounded returns.

### Confidence and engagement

Confidence has historically been a barrier to greater participation in investing. Many women have felt less confident engaging with financial markets even when they possess the knowledge and ability to do so successfully. Encouragingly, that dynamic is changing. Greater access to financial information, improved financial literacy, and stronger representation in financial leadership are helping more women take an active role in managing their wealth.

### The generational wealth conversation

Anchor's *Women's Wealth Within* initiative brings together investors, financial professionals and thought leaders to discuss the opportunities and challenges women face in building and preserving wealth.

At our first *Women's Wealth Within* event, financial journalist Maya Fisher-French spoke about what she calls the "Cinderella Complex", the quiet belief many women carry that someone else, whether a husband, father or advisor, will take responsibility for managing financial matters. The reality is that, at some point, most women will manage their finances.



She reminded us that women often play the role of holding families together, caring for children and parents and managing the emotional fabric of households while sometimes remaining one step removed from the financial 'balance sheet'.

Her message was not one of vulnerability, but of ownership. A powerful reminder that most women will manage their own finances at some point in their lifetime. Wealth often transfers to women first, and the family's financial future eventually becomes theirs to navigate.

Women are not only inheriting wealth, but they are also increasingly building it. Through careers, entrepreneurship, disciplined saving and long-term investing, women are becoming central architects of family prosperity. With that responsibility comes important questions:

**What am I building to support myself?**

**What will this mean for my children?**

**How do I ensure this wealth supports the next generation?**

Generational wealth does not happen by accident. It requires careful planning, thoughtful investment strategies and ongoing collaboration between families and trusted financial advisors who understand and support women's unique journeys.

## Anchor Capital's approach

At Anchor Capital, the growing influence of women in wealth management has reshaped our perspective. We start with a simple premise: investment strategies should reflect real lives, not just markets. This means understanding each client's circumstances, priorities and long-term goals, and designing portfolios that balance long-term growth with flexibility backed by disciplined investment processes, ongoing insights, and close client relationships.

Women's investment needs often reflect unique life paths, including considering longer time horizons, evolving liquidity needs and responsibilities such as supporting children, aging parents or extended family structures.

Traditionally, women are thought to be inherently more risk-averse than men. Research suggests, however, that many pursue moderate to growth-oriented investment strategies. The distinction lies in approach: women tend to invest with discipline, adhere to long-term plans, and avoid unnecessary portfolio turnover. These behaviours can become powerful drivers of compounded returns over time. We support this long-term perspective through tailored portfolio construction, ongoing market insights and open client dialogue, ensuring strategies stay aligned with both financial goals and life priorities.

Knowledge creation is central to building confidence. Through initiatives like Anchor's *Women's Wealth Within*, we provide education, meaningful insights and a platform for conversation, helping women engage actively with their investments and make informed decisions for their financial futures.

### Our approach is built on partnership:

**You create wealth through your work, businesses, discipline and vision.**

**We protect it with thoughtful structuring, tax-aware planning and investment strategies tailored to your circumstances.**

**We grow it through disciplined investing and strategic asset allocation aligned with your individual goals.**

When capital changes hands, influence follows. The way people choose to invest shapes where money flows, where money flows shapes industries, and industries shape economies. As prosperity increasingly shifts toward women, the investment landscape will inevitably change with it.

### Looking to the future

The rise of women investors is not simply a demographic trend but one of the most important structural shifts taking place in global wealth management. As wealth increasingly moves into women's hands, the way capital is invested, protected and transferred across generations will continue to evolve.

At Anchor Capital, we are committed to partnering with women on that journey, providing the insight, structure and investment expertise needed to help turn financial ambition into lasting, generational wealth.

# Budget 2026 and trusts: Same rules, sharper scrutiny

Written by:

**Di Haiden**

Robert Cowen Investments/Head of Anchor Succession

SA's 2026/2027 Budget, tabled in Parliament on 25 February, naturally brings tax considerations into focus!

Against this backdrop, it seems opportune to revisit developments in the trust space, particularly given the increasing regulatory scrutiny from the South African Revenue Service (SARS). While the Budget introduced very few direct changes relating specifically to trust taxation, SARS has expanded reporting requirements and is performing audits on many.

In this note, we recap the current tax framework that applies to local trusts, look at whether the indirect changes announced in the Budget have implications for SA trusts, and outline the areas of heightened regulatory focus being implemented by both the Master of the High Court and SARS.

## Budget 2026: Key implications for trusts

### Trust income tax rate (unchanged)

Ordinary trusts continue to be taxed at a flat rate of 45%. Special trusts (e.g., certain disability trusts or testamentary trusts for minors) are taxed at individual tax rates.

### Capital gains tax (CGT) treatment (unchanged for trusts)

The budget commentary confirms that CGT inclusion rates are unchanged (see table in *Figure 1* below):

**Figure 1: CGT inclusion rates**

Source: Anchor Capital, National Treasury

Entity	Inclusion rate	Max effective rate
Individuals	40%	18%
Companies	80%	21.6%
Trusts	80%	36%

Therefore, trusts still face a maximum effective CGT rate of about 36%.

### CGT annual exclusion increase (affects special trusts)

One small change affecting trusts indirectly is that the annual CGT exclusion has increased from R40,000 to R50,000. This applies to individuals and special trusts.

*Note: ordinary discretionary trusts do not qualify for this exclusion.*

### No new anti-trust or attribution rules announced

Importantly, for estate and fiduciary planning, the 2026 Budget did not introduce any new anti-avoidance rules targeting trusts. There were **no changes** to attribution rules (sections 7–25 of the Income Tax Act), the conduit principle, section 7C loan trust rules, or donations tax provisions.

### Other budget changes that may indirectly affect trusts

Some broader changes may have practical implications for trusts:

- The annual donations tax exemption has increased to R150,000 (from R100,000).
- The primary residence CGT exclusion has increased to R3mn (relevant if a trust holds residential property and qualifies through special arrangements).

In summary, the 2026 SA Budget did not contain major changes to the core trust taxation framework, which remains in place:

- 45% income tax rate for trusts;
- 80% CGT inclusion rate; and
- no new structural or anti-avoidance reforms.

However, National Treasury and SARS have repeatedly indicated that trust taxation remains under policy review. Trust audits by SARS have become more stringent, and we elaborate on this topic below.

### Trust audits

SARS has significantly intensified its scrutiny and auditing of family trusts, which it views as a potential area of tax leakage risk. This is driven, in part, by historically low levels of compliance, including a large number of dormant trusts, incomplete reporting, and the incorrect treatment of distributions.

Audits often focus on verifying whether:

- the trust is genuinely actively administered;
- income and capital gains are correctly declared; and
- beneficiary distributions are correctly taxed.

Key areas of focus include:

#### Enforcement of section 7C loan rules

A major driver of audits is compliance with section 7C of the Income Tax Act. Where individuals advance loans to trusts at low or no interest rates, SARS must verify whether:

- the official interest rate has been applied; and
- any deemed donation has been declared.

Many taxpayers either:

- misunderstand the rule; or
- fail to declare the deemed donation each year.

Consequently, loan accounts are closely scrutinised to ensure there is no tax leakage. This would mean that properly executed loan agreements need to be in place, signed by all parties, and with clear terms and conditions.

#### Beneficial ownership transparency requirements

Recent regulatory reforms require trusts to disclose beneficial ownership information, including details of founders, trustees, beneficiaries, and any individuals exercising effective control.

These requirements, enforced by institutions such as the Master of the High Court (South Africa) and the Financial Intelligence Centre (FIC), are designed to combat tax evasion, asset concealment, and money laundering.

The new reporting systems have resulted in enhanced transparency, which has improved SARS's ability to identify inconsistencies across trust structures.

#### Data analytics and improved technology

SARS continues to invest heavily in data analytics and AI-driven risk profiling. Information is now cross-referenced across multiple sources, including financial institutions, company records, property registries, and international reporting systems.

This enables SARS to identify situations where:

- A trust holds significant assets with minimal reported income;
- beneficiaries receive distributions not reflected in tax returns; and
- continued founder control over trust assets.

These discrepancies often trigger audits or verification requests.

#### Increased focus on high-net-worth taxpayers

Specialised SARS units now focus on high-net-worth individuals (HNWI) and their associated structures. Trusts are commonly used within these structures, so audits often review the individual taxpayer, the trust itself, and related companies and beneficiaries as part of a holistic assessment of wealth structure.



This integrated approach means family trusts are often audited as part of broader wealth reviews.

#### Common issues in trust audits

Some of the most common problems identified during audits include:

- inadequate record keeping by trustees;
- undocumented or poorly structured loan accounts;
- failure to declare section 7C deemed donations;
- attribution rules not applied correctly;
- rental income, non-disclosure, and repairs/maintenance expenses;
- incorrect application of the conduit principle;
- failure to record beneficiary distribution resolutions before year-end; and
- trustees treating trust assets as personal assets by founders or trustees.

#### Summary

Although the 2026 Budget did not introduce material changes to the taxation of trusts, the regulatory environment continues to tighten. SARS has increased audits of family trusts on the assumption that they are widely used for wealth planning and historically created opportunities for tax leakage. With improved reporting rules and data analytics, SARS can now identify high-risk trust structures more easily and enforce compliance more aggressively. In the current regulatory environment, one needs to be aware of the focus of the authorities and the fact that it is not possible to avoid scrutiny with the increasing reporting that trusts are subjected to and the integrated data available.

*If you are uncertain whether your trust structures meet current requirements, we would be pleased to assist in reviewing your arrangements and ensuring compliance with the more stringent approach that is being adopted.*

*Please get in touch with us by emailing Di Haiden (di@rcinv.co.za).*

# Performance Summary

Start date	FUND PERFORMANCE									BENCHMARK PERFORMANCE							
	Annualised p.a.	Since inception	5 Year	3 Year	12-month	6-month	3-month	Mar-26	Annualised p.a.	Since inception	5 Year	3 Year	12-month	6-month	3-month	Mar-26	

## UNIT TRUSTS

Anchor BCI Equity Fund	Apr-13	10.6%	269.4%	11.1%	15.8%	17.9%	-3.0%	-6.2%	-9.5%	10.9%	284.4%	14.9%	18.3%	31.1%	6.6%	-1.4%	-11.3%
Anchor BCI SA Equity	Aug-21	14.3%	82.6%	N/A	15.4%	21.7%	-0.4%	-5.3%	-10.5%	15.8%	94.4%	N/A	18.3%	31.1%	6.6%	-1.4%	-11.3%
Anchor BCI Flexible Income Fund	Jun-15	7.7%	124.4%	8.2%	9.8%	10.4%	3.9%	0.1%	-2.0%	7.3%	113.7%	7.4%	8.7%	8.0%	3.8%	1.8%	0.6%
Anchor BCI Managed Fund	Jan-15	7.2%	116.4%	9.8%	12.5%	10.6%	-0.6%	-4.0%	-5.8%	7.9%	134.2%	10.7%	12.6%	16.2%	3.1%	-1.5%	-5.8%
Anchor BCI Worldwide Flexible Fund	May-13	11.4%	302.6%	11.4%	18.4%	3.1%	-6.7%	-3.9%	-1.2%	8.8%	195.8%	8.9%	7.9%	7.0%	2.9%	1.7%	0.7%
Anchor BCI Property Fund	Nov-15	1.5%	16.2%	11.2%	14.1%	19.6%	6.6%	-5.9%	-10.4%	3.7%	46.0%	17.9%	22.9%	28.6%	10.5%	-4.9%	-11.4%
Anchor BCI Global Equity Feeder	Nov-15	11.4%	207.2%	4.8%	10.0%	-0.6%	-16.8%	-8.9%	-0.7%	12.6%	244.9%	12.2%	14.2%	9.5%	-2.1%	-1.0%	-1.1%
Anchor BCI Bond Fund	Feb-16	10.6%	176.8%	12.3%	14.7%	20.7%	5.8%	-3.4%	-7.8%	10.4%	173.9%	12.2%	14.3%	19.2%	5.3%	-3.4%	-6.8%
Anchor BCI Diversified Stable Fund	Feb-16	8.9%	138.4%	11.2%	12.6%	15.7%	3.9%	-0.8%	-4.7%	7.8%	114.6%	9.6%	11.2%	13.2%	3.3%	-1.0%	-4.1%
Anchor BCI Diversified Moderate Fund	Feb-16	8.8%	135.2%	11.8%	12.8%	17.0%	3.5%	-0.9%	-5.3%	8.1%	119.8%	10.2%	11.9%	15.4%	3.3%	-1.2%	-5.1%
Anchor BCI Diversified Growth Fund	Feb-16	8.8%	135.6%	12.7%	13.9%	18.6%	3.5%	-1.0%	-6.0%	8.4%	126.7%	10.7%	12.6%	16.2%	3.1%	-1.5%	-5.8%
Anchor BCI Africa Flexible Income	Mar-16	6.5%	87.7%	5.8%	8.3%	3.5%	-1.7%	-0.5%	1.9%	8.8%	133.8%	8.8%	10.0%	9.3%	4.4%	2.1%	0.7%
Anchor BCI Global Technology Fund	Jun-19	8.0%	68.9%	0.3%	9.4%	-6.2%	-20.5%	-12.4%	-2.9%	22.7%	304.3%	17.5%	21.5%	15.6%	-6.2%	-4.7%	1.9%
Anchor BCI Core Income Fund	Sep-20	7.9%	52.8%	8.2%	9.5%	9.0%	4.1%	1.9%	0.5%	6.5%	41.8%	6.8%	8.0%	7.3%	3.4%	1.7%	0.6%
Anchor BCI Global Flexible Income Fund	Sep-20	2.9%	17.0%	5.2%	3.6%	-2.9%	-0.1%	2.4%	5.1%	4.0%	24.2%	7.0%	4.1%	-2.6%	1.3%	4.3%	7.9%
Anchor BCI Worldwide Opportunities Fund	Feb-21	5.1%	29.2%	5.1%	8.7%	2.7%	-7.5%	-8.5%	-5.8%	5.0%	28.1%	4.9%	3.9%	3.0%	1.0%	0.8%	0.4%

## EQUITY NOTES AND SEGREGATED MANDATES

Anchor Equity	Jul-13	9.7%	224.5%	12.5%	12.2%	8.0%	-2.2%	-6.0%	-7.3%	10.9%	276.4%	<b>15.3%</b>	19.1%	33.6%	8.0%	-1.4%	-11.3%
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## HEDGE FUNDS

Anchor Stable SNN RIHF	Jul-03	12.2%	1285.7%	12.2%	11.1%	12.2%	4.0%	-0.2%	-3.4%	7.0%	369.1%	6.1%	6.9%	4.0%	1.0%	0.8%	0.4%
Anchor Accelerator	Feb-16	7.1%	101.0%	1.7%	7.2%	11.0%	1.8%	0.4%	-4.3%	8.2%	122.0%	6.8%	8.0%	7.3%	3.4%	1.7%	0.6%

## OFFSHORE

High Street Equity - US dollar	Jun-12	10.2%	278.8%	4.3%	13.0%	10.3%	-7.9%	-7.7%	-5.2%	11.9%	370.2%	10.8%	17.3%	19.4%	-0.4%	-3.5%	-6.3%
High Street Equity - rand	Jun-12	16.3%	697.0%	7.6%	11.9%	2.6%	-8.7%	-4.7%	2.0%	18.0%	876.6%	14.0%	15.7%	10.5%	-1.9%	-0.9%	0.2%
Offshore Balanced - US dollar	Jun-12	7.9%	184.4%	3.5%	10.4%	8.0%	-5.6%	-5.5%	-4.3%	7.1%	157.8%	5.6%	11.0%	12.9%	-0.7%	-2.6%	-5.1%
Offshore Balanced - rand	Jun-12	13.9%	501.6%	6.9%	9.3%	0.5%	-6.4%	-2.4%	2.9%	12.9%	433.1%	8.5%	9.7%	3.7%	-2.2%	0.0%	1.4%
Global Dividend - US dollar	Jan-14	8.6%	173.4%	8.8%	13.4%	15.2%	1.8%	0.5%	-4.7%	10.8%	249.6%	10.8%	17.3%	19.4%	-0.4%	-3.5%	-6.3%
Global Dividend - rand	Jan-14	12.5%	321.0%	12.1%	12.2%	7.3%	0.9%	3.8%	2.5%	14.8%	434.4%	14.0%	15.7%	10.5%	-1.9%	-0.9%	0.2%
Anchor Global Stable Fund - US dollar	May-15	2.5%	30.8%	2.7%	7.0%	5.1%	1.0%	-0.6%	-2.4%	3.6%	46.1%	4.6%	4.7%	3.9%	1.9%	1.0%	0.3%
Anchor Global Stable Fund - rand	May-15	5.7%	82.9%	5.7%	5.5%	-2.7%	-0.5%	2.0%	4.4%	6.8%	103.8%	7.5%	3.0%	-3.9%	0.0%	3.3%	6.6%
Anchor Global Equity - US dollar	May-15	11.1%	214.3%	3.0%	12.8%	11.1%	-14.8	-9.3%	-4.8%	9.6%	170.6%	9.5%	16.6%	20.0%	0.0%	-3.2%	-7.2%
Anchor Global Equity - rand	May-15	14.6%	339.8%	5.9%	11.2%	2.9%	<b>-16.1%</b>	-6.9%	1.8%	13.1%	278.6%	12.6%	15.0%	11.1%	-1.5%	-0.6%	-0.7%

## RCI UNIT TRUSTS

RCI BCI Flexible Growth Fund	Sep-16	8.4%	115.0%	3.0%	14.2%	2.5%	-27.4%	-20.9%	-10.2%	9.6%	138.3%	9.9%	8.9%	8.0%	3.4%	2.0%	0.8%
RCI BCI Worldwide Flexible Fund	Dec-16	6.7%	83.8%	2.4%	6.4%	-5.9%	-18.8%	-13.2%	-4.2%	8.5%	114.9%	8.9%	7.9%	7.0%	2.9%	1.7%	0.7%

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