

WHERE THE MONEY WILL BE MADE 4Q24

PETER ARMITAGE
CHIEF EXECUTIVE OFFICER

ANCHOR CORE BUSINESSES

ANCHOR IS AN ENTREPRENEURIAL WEALTH AND ASSET MANAGEMENT BUSINESS

with an absolute focus on the two most important parts of our business:



CLIENTS

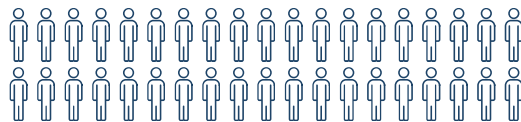


INVESTMENT PROCESS



We offer a broad range of **LOCAL AND GLOBAL** investment solutions to individuals, financial advisors and institutions.

500+
STAFF ACROSS GROUP



Company founded **2012**

AN EXPERIENCED, HIGH QUALITY INVESTMENT TEAM:



30+
Investment professionals

17
Chartered accountants

23
CFA Charter-holders & Delegates

CREDO



COMPLETE LOCAL AND GLOBAL PRODUCT AND SERVICE OFFERING:

UNIT TRUSTS

HEDGE FUNDS

SEGREGATED MANDATES

INTERNATIONAL FOOTPRINT:



SOUTH AFRICA



LONDON



MAURITIUS

ANCHOR GROUP



- ANCHOR ASSET MANAGEMENT
- ANCHOR PRIVATE CLIENTS
- STOCKBROKING

R250 billion

ASSETS UNDER MANAGEMENT AND ADVICE

R145 billion

INVESTED DIRECTLY OFFSHORE

R25 billion

INVESTED OFFSHORE FROM SOUTH AFRICA

From niche HNWI wealth services to client-focused discretionary management

- Global wealth and asset management business headquartered in London
- Range of UCITS funds and managed portfolios
- £4.9bn under administration
£1.4bn under management
- Over ZAR 40bn invested by South Africans with Credo
- 7,500+ client accounts
100+ financial advisory partners

CREDO





WHERE THE MONEY WILL BE MADE

DOMESTIC EQUITY

- South African equities have performed well, and expectations are building
- Staying the course on SA Equity overweight call
- Attention now turns to earnings delivery
- Added optionality from China stimulus which has begun

DOMESTIC FIXED INCOME

- The SA political risk premium can come down further
- We think that interest rates will settle at lower levels than the market is pricing
- We think that South Africa sees four more interest rate cuts this cycle. Prime settles at 10.5% for a long time
- It is time to think about locking in interest rates – we like the flexible income fund

GLOBAL EQUITY

- Valuations on the demanding side vs. history
- Stay invested – opportunities still outweigh risks on a 12-month horizon
- High levels of market concentration hides attractive stock-level opportunities

GLOBAL FIXED INCOME

- Cash is rapidly losing its appeal
- A term yield of 4 to 10 years is attractive to lock in the higher rates
- The Anchor Global High Yield Fund is showing a yield of 4.5% - 5.0%, with bonds maturing in 2026 to 2029

ASSET ALLOCATION



Asset Class	Current Stance:			Expected returns (Own Currency)
	Neg.	N	Pos.	
Domestic				
Equity				15%
Bonds		→		12%
Listed Property	→			10%
Cash		←		7%
Alternatives*			←	10% to 15%
Rand / USD (Rand stronger)				6%
Global				
Equity				6%
Government Bonds				4%
Corporate Credit				6%
Listed Property				5%
Cash		←		3%
Alternatives*				8% to 12%

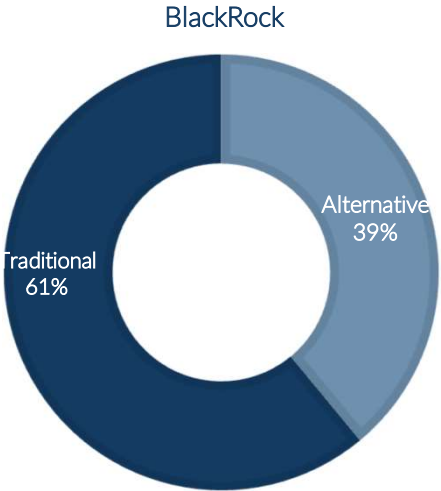
Neg. = Negative; N = Neutral; Pos. = Positive

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

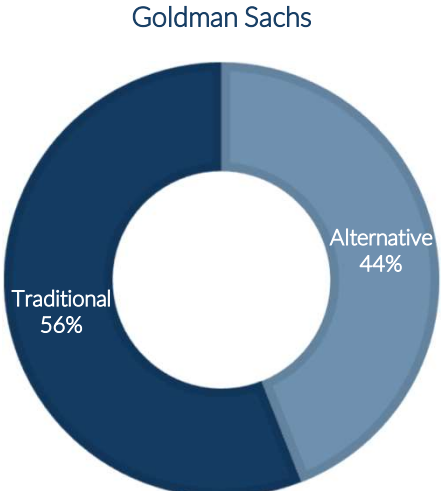


GLOBAL TRENDS IN ALLOCATING TO ALTERNATIVE INVESTMENTS

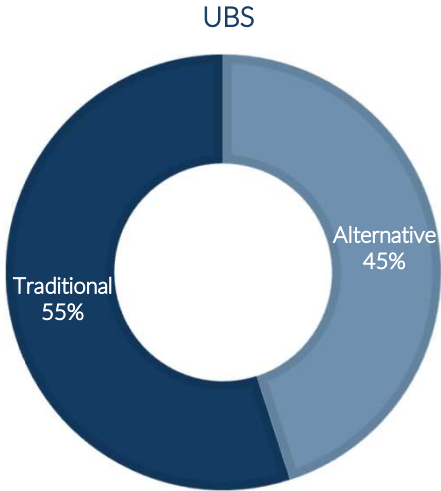
Alternative assets are becoming increasingly important in developing a robust investment portfolio. The latest research from **major financial institutions such as BlackRock, Goldman Sachs and UBS** suggests that family offices allocate an average of 39%-45% of their portfolios to alternative assets.



Source: Blackrock Global Family Office Report 2022-2023



Source: Blackrock Global Family Office Report 2022-2023



Source: UBS Family Office Report - 2023

Some of the key reasons family offices invest into alternative assets include **the lower correlations these investments have with traditional asset classes as well as their relatively lower return volatility.**

ALTERNATIVE INVESTMENTS

PRIVATE EQUITY

- Involves investing in privately held companies, providing the capital for existing owners to scale their companies and pursue growth opportunities.
- Private equity investors often seek to enhance the value of their investment by assisting with improvements in the company's operational performance and financial efficiency.
- Private equity investments typically offer high potential returns but usually require capital to be invested for lengthy periods (often 5 – 10 years).

PRIVATE REAL ESTATE

- Involves investing directly in physical properties or funds that own physical properties.
- Investor returns are generated through rental income and appreciation in the value of the property (the latter is often a function of refurbishment and development).
- This alternative investment category offers portfolio diversification and inflation protection, but these investments are illiquid and may take time to exit.

HEDGE FUNDS

- Typically make investments into traditional asset classes (stocks and bonds).
- Use sophisticated investment techniques (e.g., short-selling and leverage) and derivatives (e.g., options and futures) to create opportunities to deliver positive returns regardless of the market environment.
- The various hedge funds and investment managers operate across a wide variety of investment strategies with a broad range of risk/return profiles.

PRIVATE DEBT

- Private debt or direct lending, is an investment strategy where non-bank lenders (institutional investors, debt funds, insurance companies and private investors) provide loans to support the financing requirements of businesses.
- Since the 2008 global financial crisis (GFC), regulatory reforms have increased costs and restricted credit appetites from banks, causing them to retreat from certain areas of the debt market (e.g. loans to private companies in the small- and mid-market segment), creating an opportunity for direct lenders.
- Private debt can provide investors with higher yields, portfolio diversification, and lower portfolio volatility than traditional fixed income.
- Direct lending usually requires investors to commit to lengthy investment periods (usually 1- 5 years).

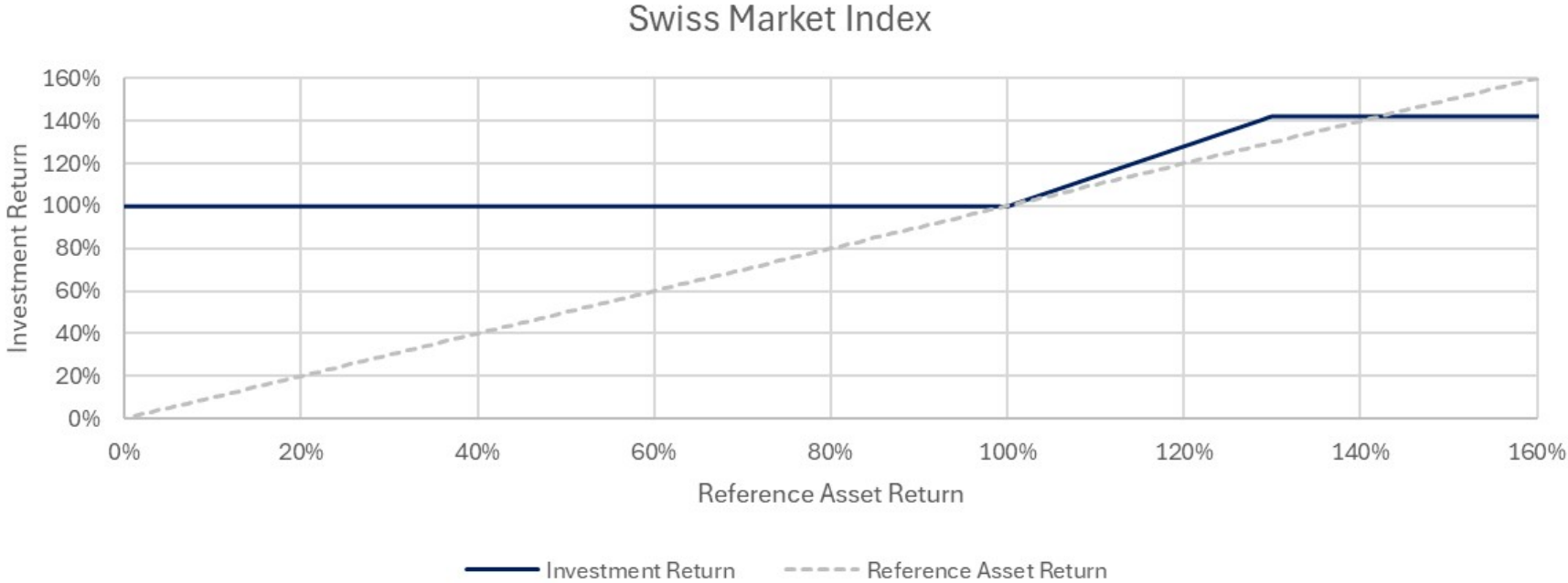
STRUCTURED PRODUCTS

- Contractual obligations issued by banks and brokerages with defined maturity dates (usually 1 to 5 years).
- Reference investments (such as bonds, stocks or indices) but adds bespoke features to create a more defined range of investment outcomes.
- Customisable features can include:
 - adding some level of capital guarantee
 - setting minimum and maximum potential return ranges
 - achieving leveraged exposure to the reference asset
 - receiving returns in the form of periodic, pre-defined coupons



PRODUCT OFFERINGS – GROWTH NOTE 1 (USD) – PAYOFF PROFILE (AT MATURITY)

140% of the growth in the Index price up to a cap of 42%, (max return 30% x 1.4 = 42%) in US dollars. Capital fully protected.



ANCHOR'S ALTERNATIVE INVESTMENT FUNDS



Alternative investments form an important part of a balanced portfolio, offering strong prospective returns with a **stable return objective**; **10-15% in Rands, 8-12% in US\$**.



Convenient access point to a diverse portfolio of alternative investments that might be difficult to access directly.



Funds are approved by South African regulators and provide **monthly liquidity and valuations**.



Funds will include investments into **special opportunities** with compelling pay-off profiles.

DOMESTIC EQUITIES: THE HONEYMOON PERIOD IS OVER

LIAM HECHTER
FUND MANAGER

STAYING THE COURSE ON SOUTH AFRICA → FOR NOW



12-month total return of 14%.



SA ratings have begun to move higher.



Election outcome better than expected.



South Africa has quickly become one of the more interesting investment cases globally.

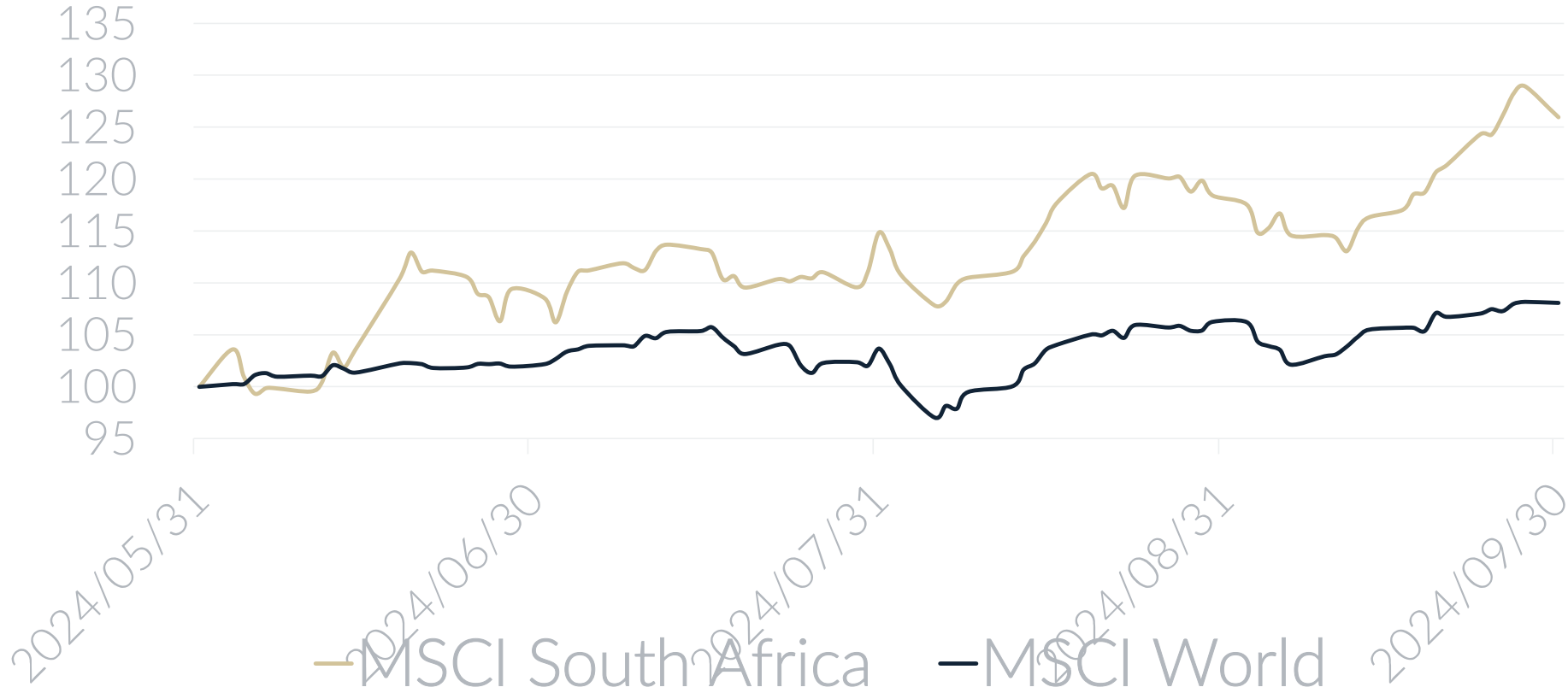


More reasons to be bullish consumer

- Inflation moderating.
- Rates to start coming off.
- Loadshedding in the base.
- Feel good factor of “hope”.



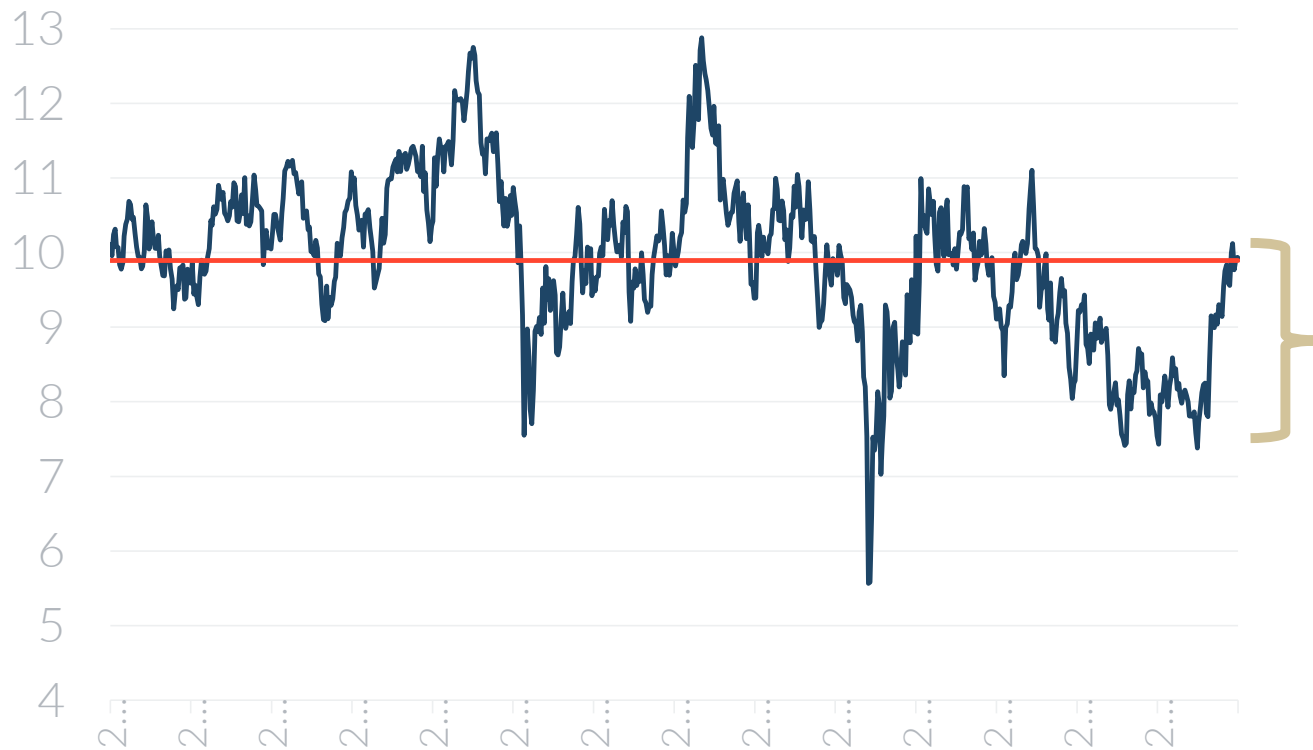
SOUTH AFRICA QUIETLY OUTPERFORMING SINCE GNU



EQUITY MULTIPLES REFLECTING LOWER COST OF CAPITAL



JSE Banks 12m Forward PE

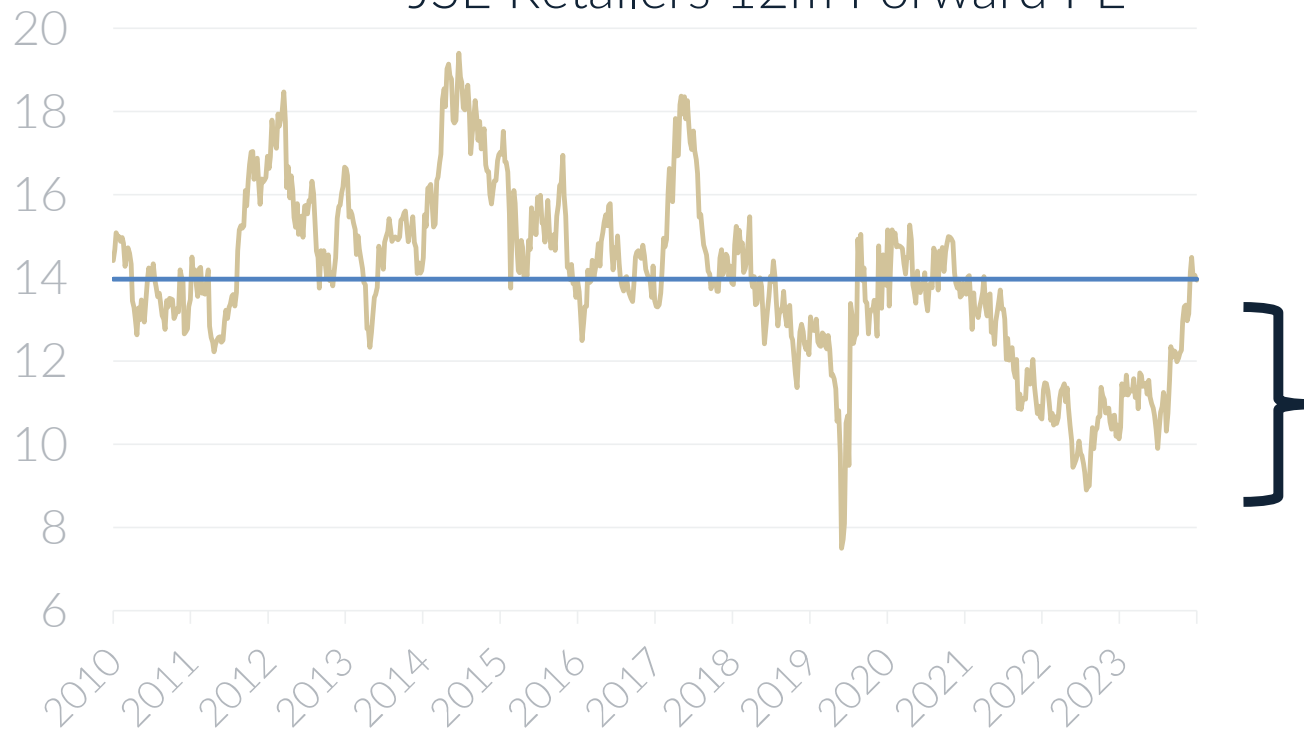


- JSE banks +32% since GNU
 - 29% driven by multiple expansion
 - Not much in the way of earnings upgrades



EQUITY MULTIPLES REFLECTING LOWER COST OF CAPITAL

JSE Retailers 12m Forward PE



- JSE retailers +36% since GNU
- 35% driven by multiple expansion
- Not much in the way of earnings upgrades

HAS THE CHINA “BAZOOKA” ARRIVED?

Recent monetary loosening measures on the surface look positive for financial assets

- Focused on arresting deflation for both China and the world

Measures haven't yet addressed structural issues

- Property market
- Demographic headwinds (“Japanification”)

Messaging is clear:

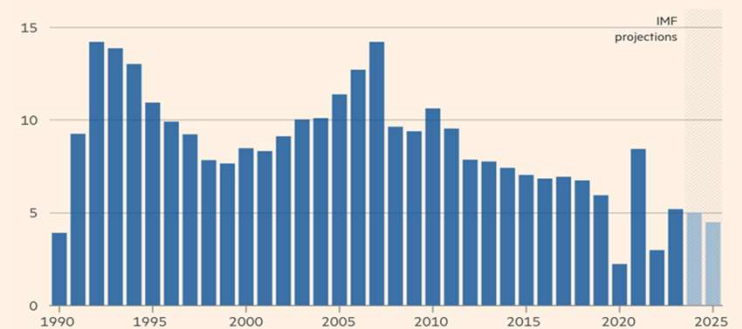
- “Whatever it takes” seems to have arrived

Attention now turns to an announcement on fiscal stimulus



China's growth rate is decelerating

GDP growth, annual %



FINANCIAL TIMES

Source: World Bank, IMF

Chinese stock surge after PBoC unleashes stimulus blitz

CSI 300 index



Source: LSEG



SELECT MIDCAP EXPOSURE ON INCREASED PROSPECTS

GEARED TO PICK UP IN SOUTH AFRICA

QUALITY MANAGEMENT



LOW EARNINGS BASE



PROVEN BUSINESS MODEL

GLOBAL EQUITIES

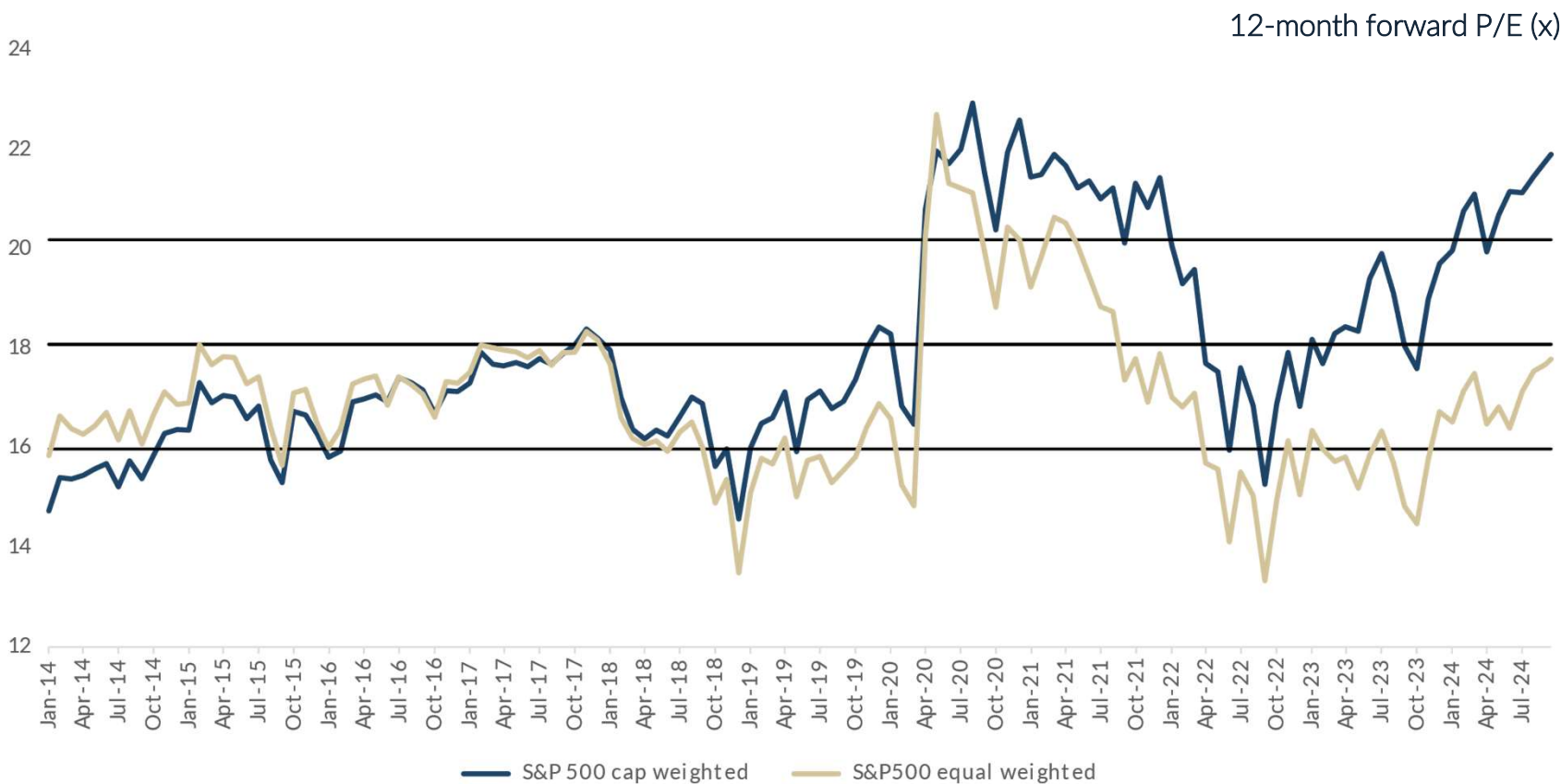
MIKE GREASY
SENIOR FUND MANAGER

CURSE OF THE 24/7 NEWS CYCLE



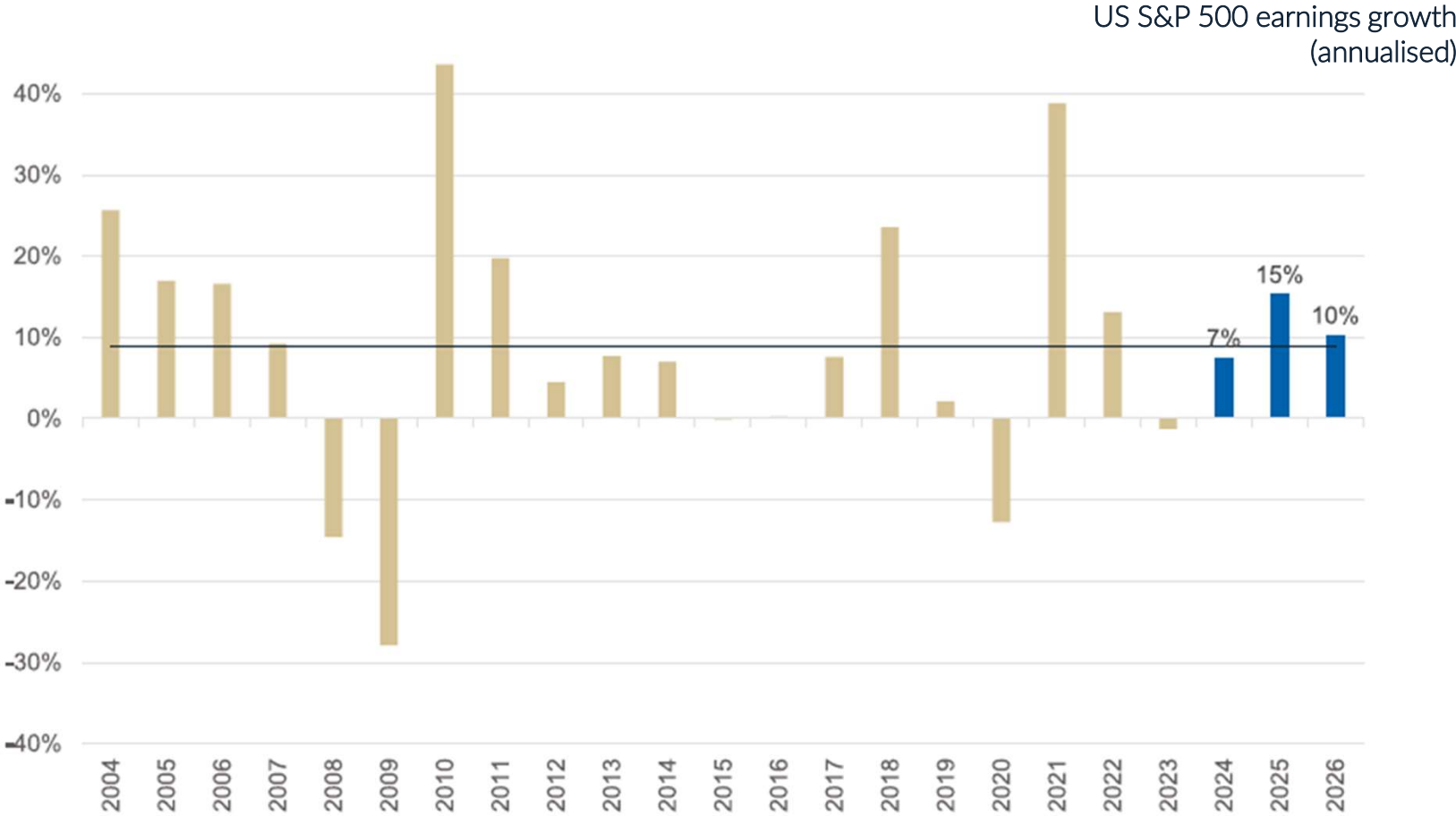


RISING CONCENTRATION IS CLOUDING THE VALUATION PICTURE





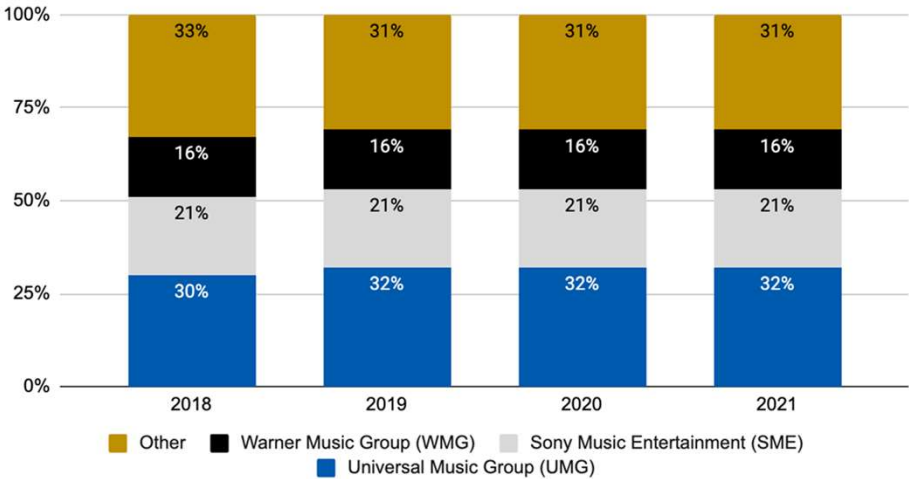
PROJECTED EARNINGS GROWTH IS COMPELLING



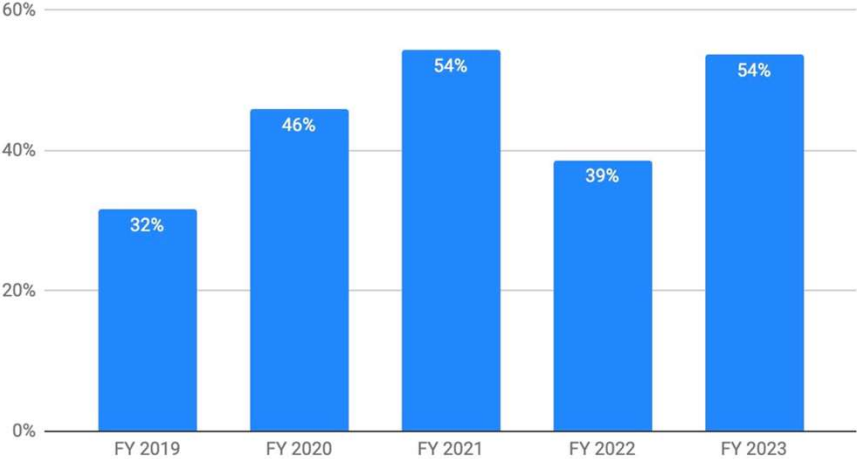


UNIVERSAL MUSIC GROUP

Recorded music industry market share



UMG Return on Equity



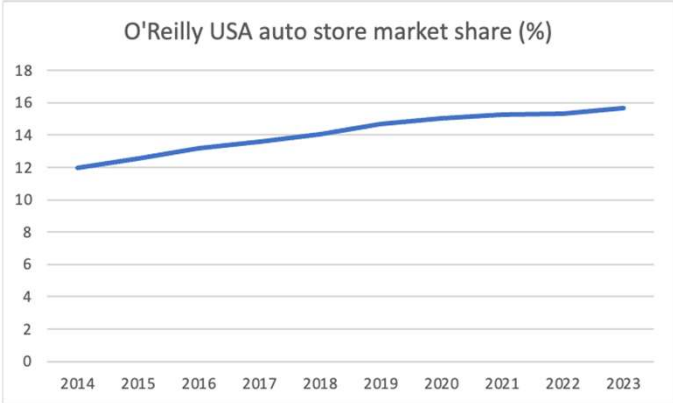
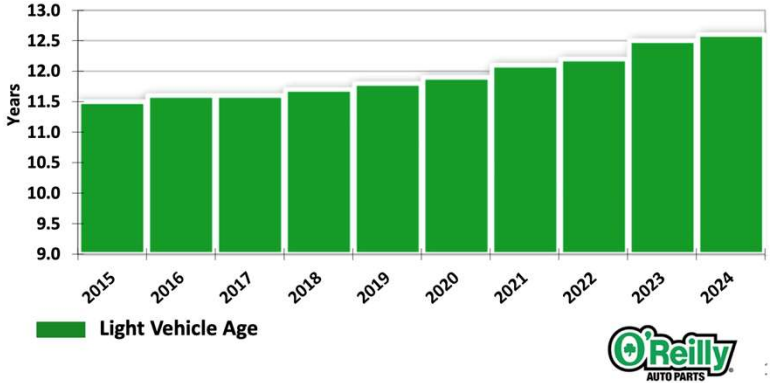
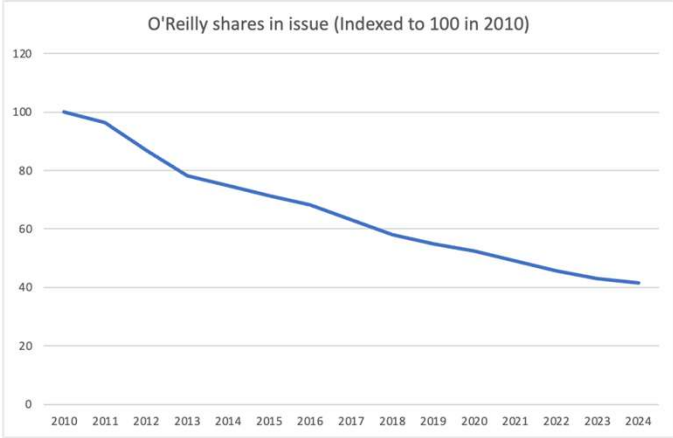
High return on capital licensing business earning royalties on:

- Yesterday’s classics (The Beatles, The Beach Boys, The Bee Gees, Andrea Bocelli, etc.)
- Today’s stars (Taylor Swift, The Weeknd, Drake, Justin Bieber, Lady Gaga, Billie Eilish, etc.)

Growing revenue at high single digits and earnings at low double-digits.



O'REILLY – DEFENSIVE QUALITY COMPOUNDER



REMAIN OBJECTIVE: STAY THE COURSE (CAREFULLY...)



Widening Middle East conflict

US policy beyond elections

Climate change

US/China rivalry

AI – friend or foe?

Complacency in markets

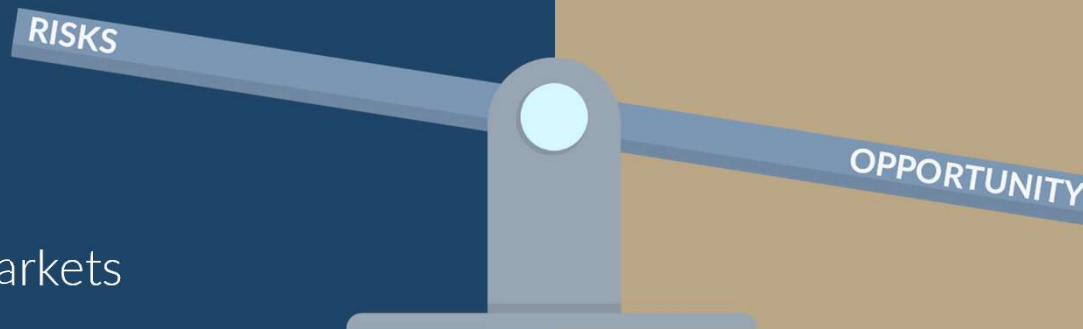
COVID distortions receding

Major economies cutting interest rates

US soft/no landing

China finally getting serious about stimulus

Healthy corporate earnings growth ahead



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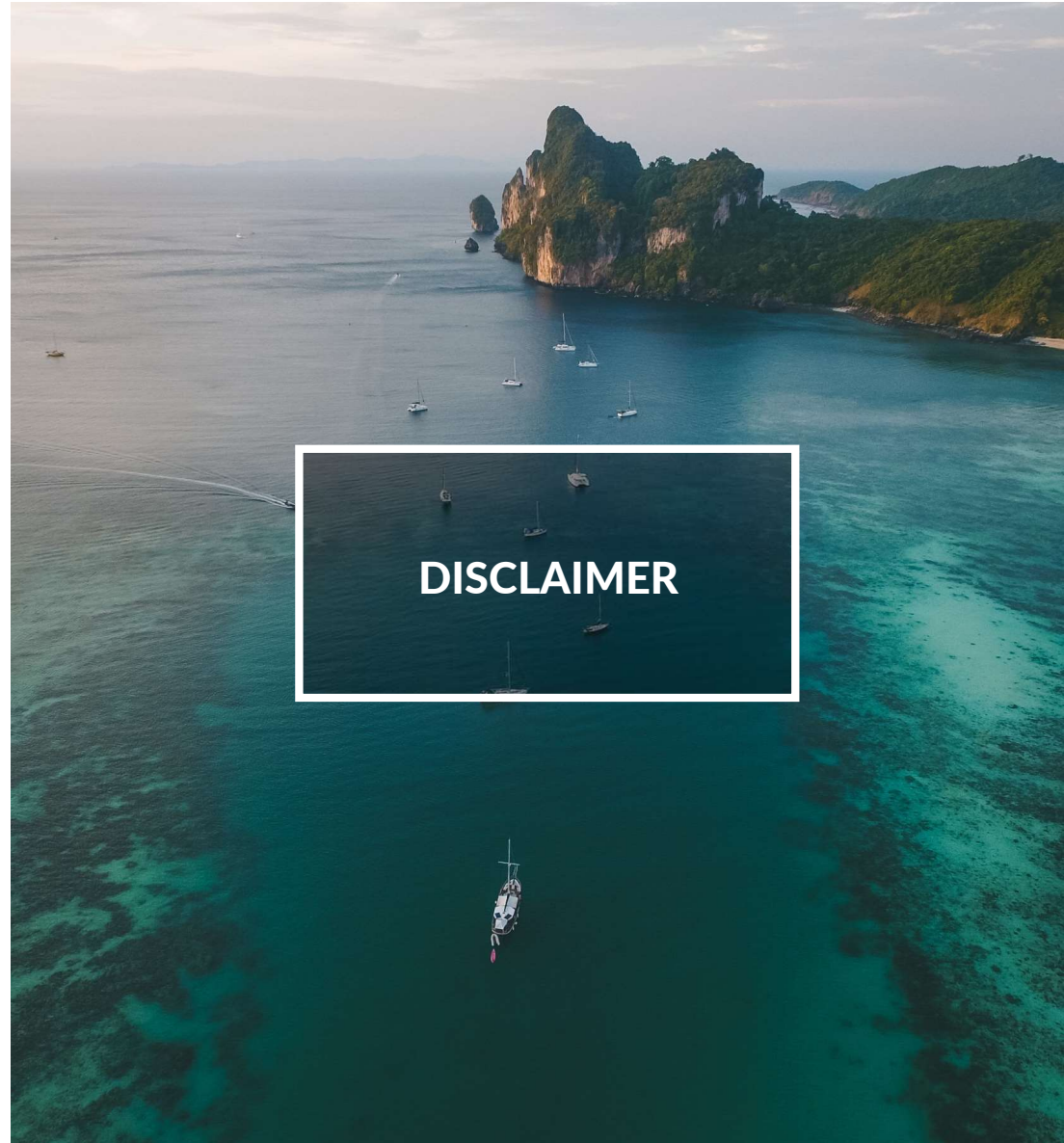
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NOLAN WAPENAAR
CO-CHIEF INVESTMENT OFFICER

THE DOMESTIC ENVIRONMENT

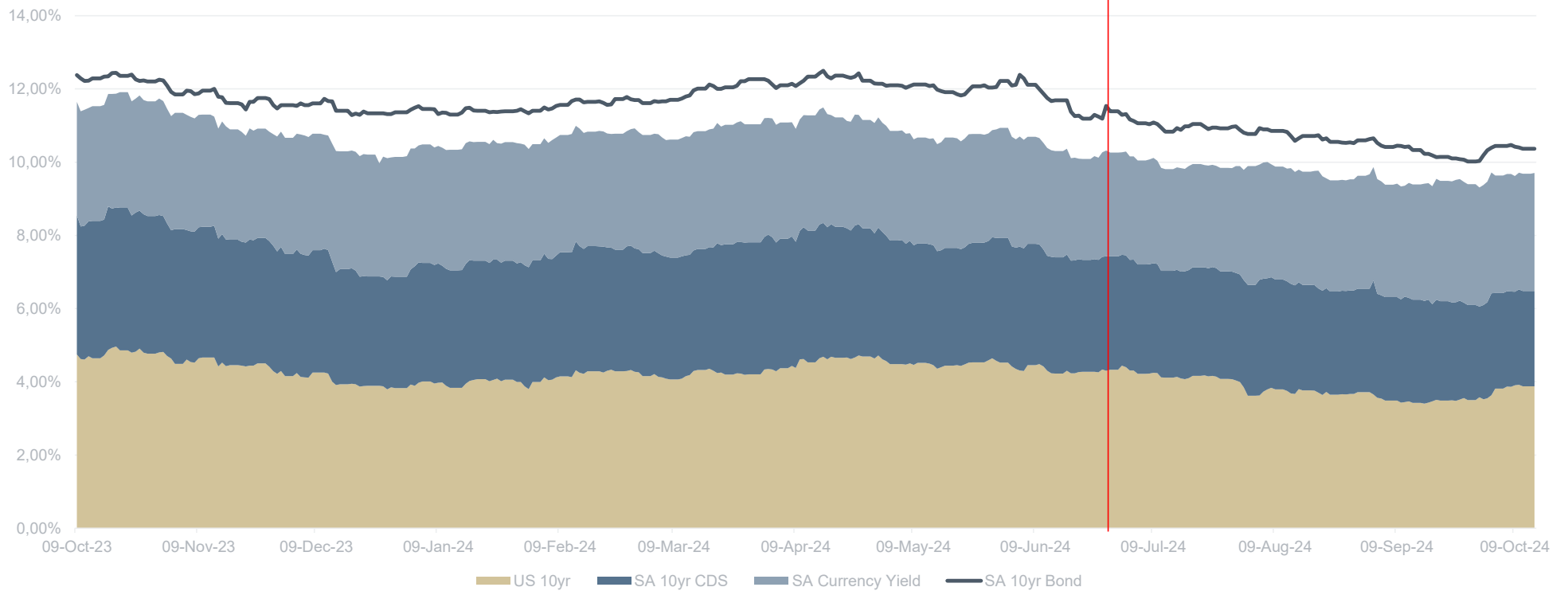
ANCHOR



POLITICAL RISK PREMIUM



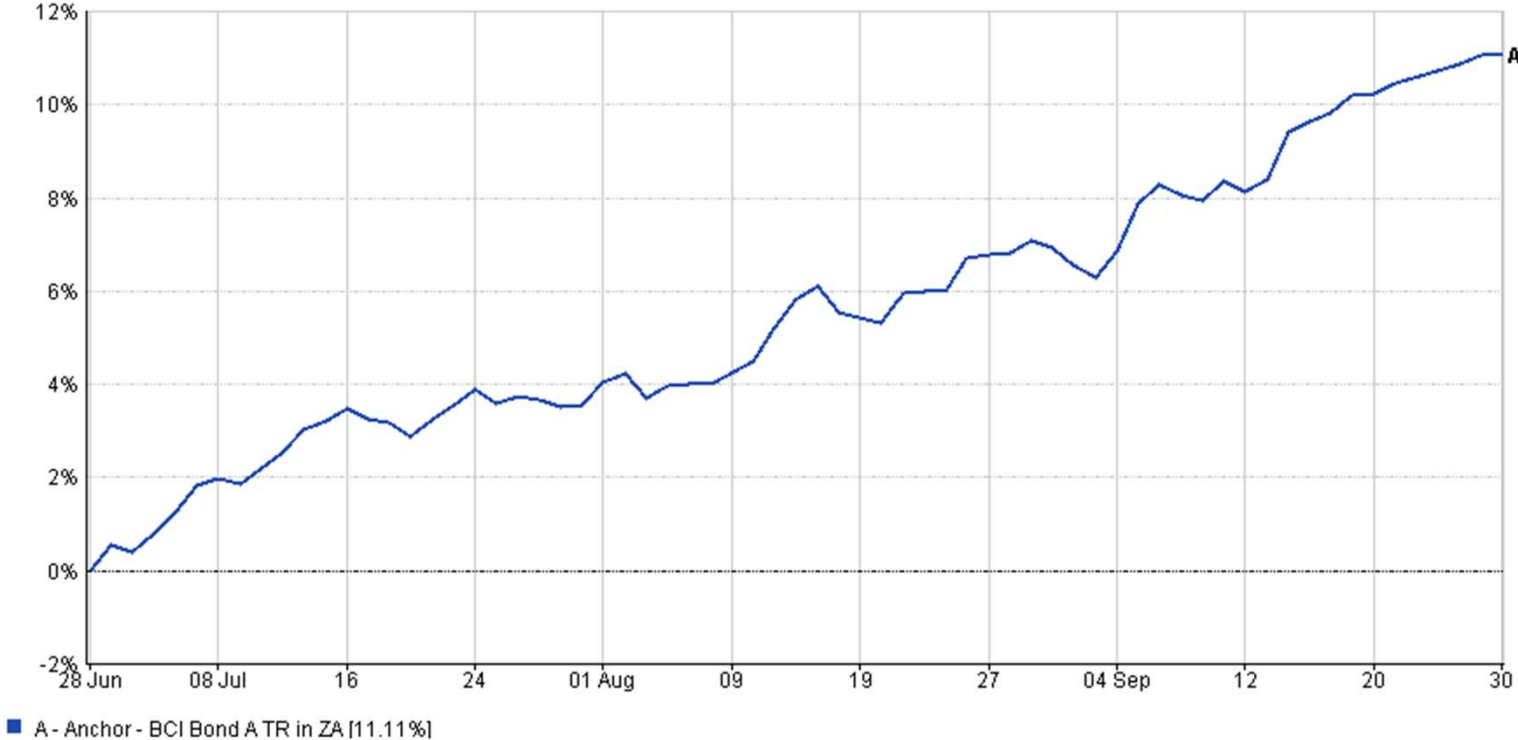
South Africa Government 10yr



10 YEAR BOND YIELDS ARE 1.03% LOWER IN 3Q2024



Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: South African Rand



28/06/2024 - 30/09/2024 Data from FE fundinfo2024



THE COMPOSITION OF BOND YIELD MOVEMENTS

10 Year Yield (30 June 2024)	11.39%	
Political Premium Reduction	-0.48%	} Driven by Investor Sentiment toward South Africa
Reduction in Cost of Credit Insurance	-0.50%	
Expectations of Interest Rate Cuts (US Yield + Currency Yield)	-0.06%	} Driven by global interest rates, inflation and interest rate expectations.
10 Year Yield (14 October 2024)	10.36%	

SOUTH AFRICAN RESERVE BANK



WHERE THE MONEY WILL BE MADE



DOMESTIC EQUITY

DOMESTIC FIXED INCOME

- The SA political risk premium can come down further.
- We think that interest rates will settle at lower levels than the market is pricing.
- We think that South Africa sees four more interest rate cuts this cycle. Prime settles at 10.5% for a long time.
- It is time to think about locking in interest rates – we like the flexible income fund.

GLOBAL EQUITY

GLOBAL FIXED INCOME

THE GLOBAL ENVIRONMENT

THE US BACKGROUND



WHERE THE MONEY WILL BE MADE



DOMESTIC EQUITY

DOMESTIC FIXED INCOME

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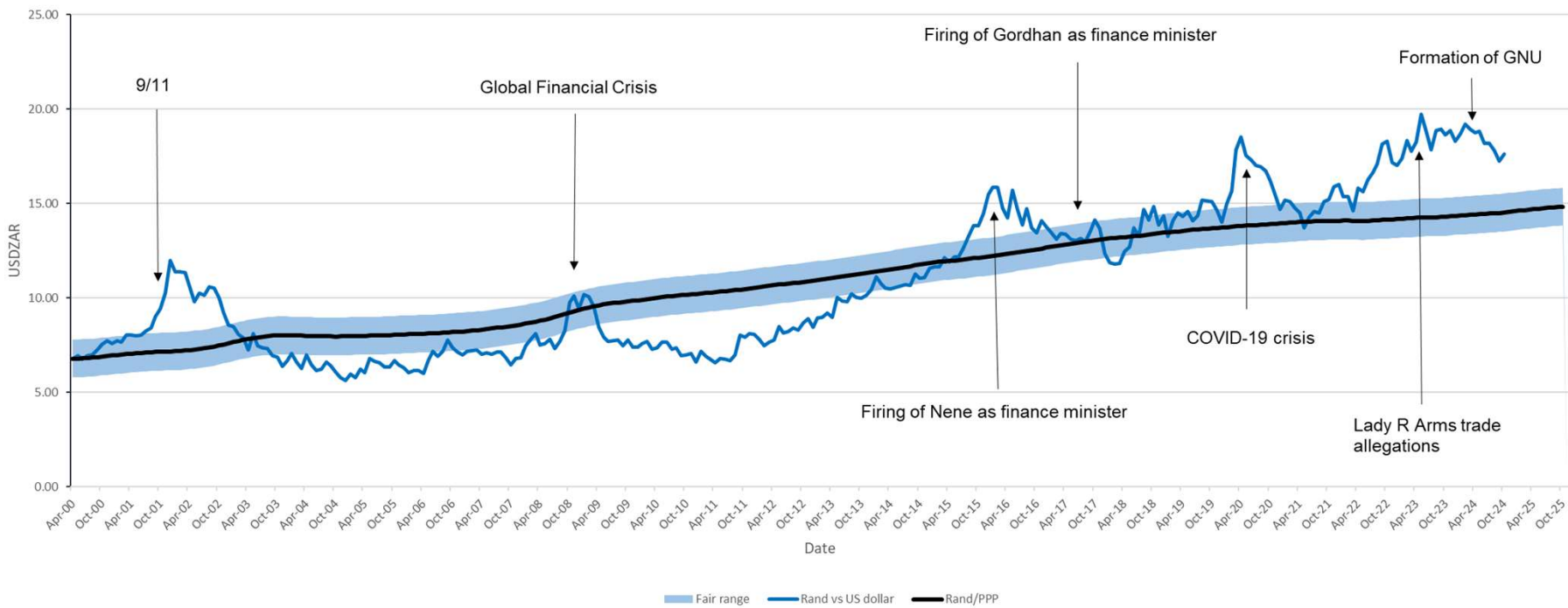
- Cash is rapidly losing its appeal.
- A term yield of 4 to 10 years is attractive to lock in the higher rates.
- The Anchor Global High Yield Fund is showing a yield of 4.5% - 5.0%, with bonds maturing in 2026 to 2029.



THE RAND



Actual ZAR/USD vs ZAR PPP Model



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