

ANCHOR

NAVIGATING  
CHANGE

# ANCHOR ALTERNATIVES 2Q24 BCI CONFERENCE

LIAM HECHTER  
FUND MANAGER



# LONG SHORT EQUITIES TEAM

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## Portfolio Managers

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**LIAM HECHTER**  
CA(SA), CFA  
Fund Manager



**DAMON HOFF**  
Fund Manager

**MATT AUERBACH**  
CA(SA), CFA  
Fund Manager

## Operations

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**CAREY HEDGES**  
UK Operations



**JULIA FLEMING**  
SA Operations

# ONE STRATEGY – 4 ACCESS POINTS (AUM R970M)

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## Anchor Stable Fund

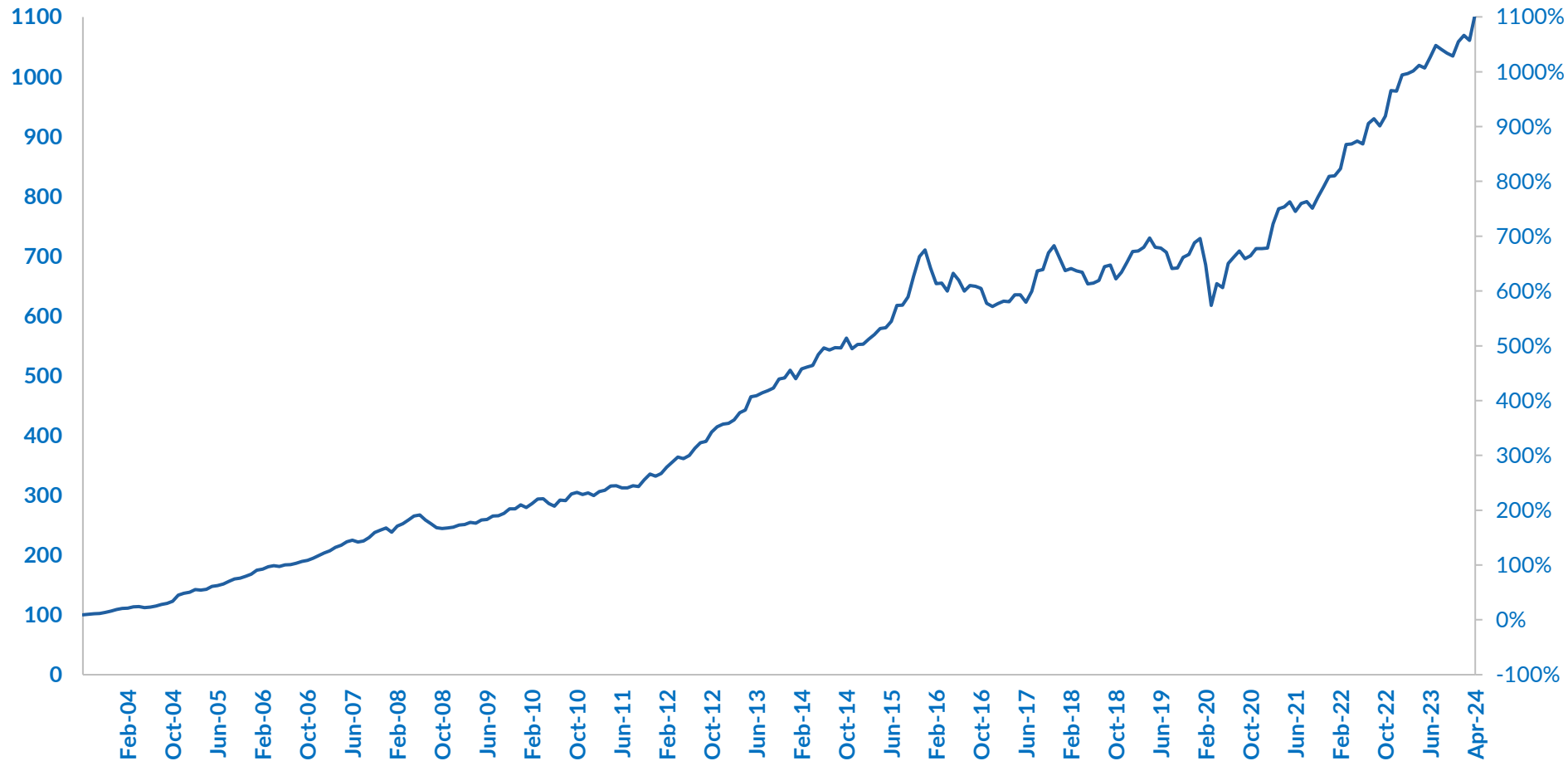
- South African registered retail investor hedge fund
- CAGR since inception of 12.28%
  - 9x since inception in 2003
- Max net long 50%
- AUM of R330m
- AG Variable Fund – new mandate

## Anchor Accelerator ZAR and (USD)

- South African registered retail investor hedge fund
- CAGR since PM inception of 11.2%
- JSE + Global equities
- Higher equity exposure (50 -70% net long)
- AUM of R640m
- EM centric global portfolio, long term positions  
looking for maximum capital compounding
- Managers are largest single investor



# LONG TERM TRACK RECORD SINCE INCEPTION



- CAGR of Fund 12.28%
- 2023 correction:
  - Downside capture:
  - Alsi -13.25%
  - Fund -1.5%

# ANCHOR STABLE FUND

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- Set up in 2003 for Hollard Life business
  - Previously called “Hollard Stable Hedge Fund”
  - One of the longest running hedge funds in South Africa – (CAGR of 12.28%)
- Use of low net equity exposure to generate consistent real returns



# ANCHOR STABLE HEDGE FUND – VOLATILITY TARGETING

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- Key performance indicators of the mandate unique to equity linked investments
- Target equity type returns with bond like volatility
  - Average daily move in fund 0.33%
  - Average daily move on Alsi 0.90%
  - CAGR of JSE 13.59%\*, Fund 12.28%
- Target of 30% downside capture and 70% upside capture

\*Since inception, JSE = FTSE/JSE Africa Top40 since 2003 (total return)

# CORE PRINCIPALS OF STRATEGY

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- Systematic management of equity risk:
  - Adjust higher and lower (20% low, 50% upper end) based on value relative to other asset classes
  - Extensive use of downside protection (put options most common)
- Equity exposure based on fundamental bottom-up process
  - Targeted bottom-up stock selection with an absolute return mindset on both long and short exposure.



# MSCI SOUTH AFRICA – ENOUGH FOR NOW...

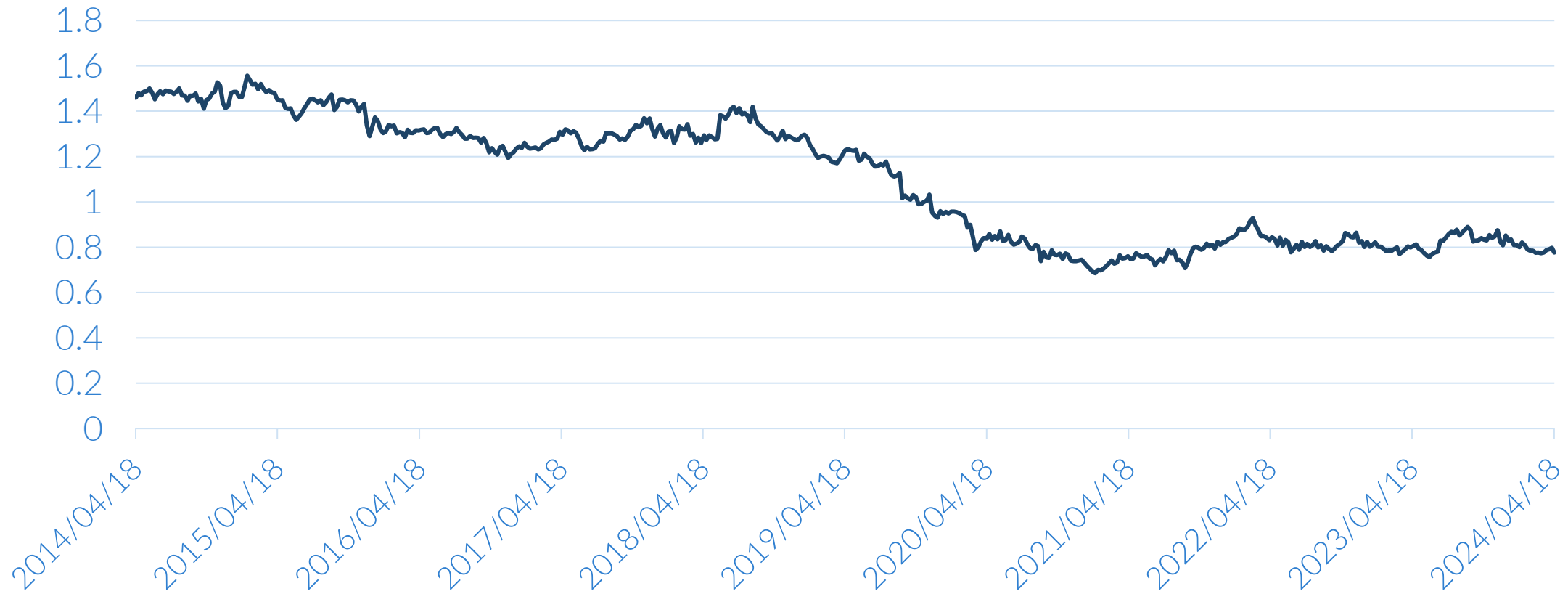






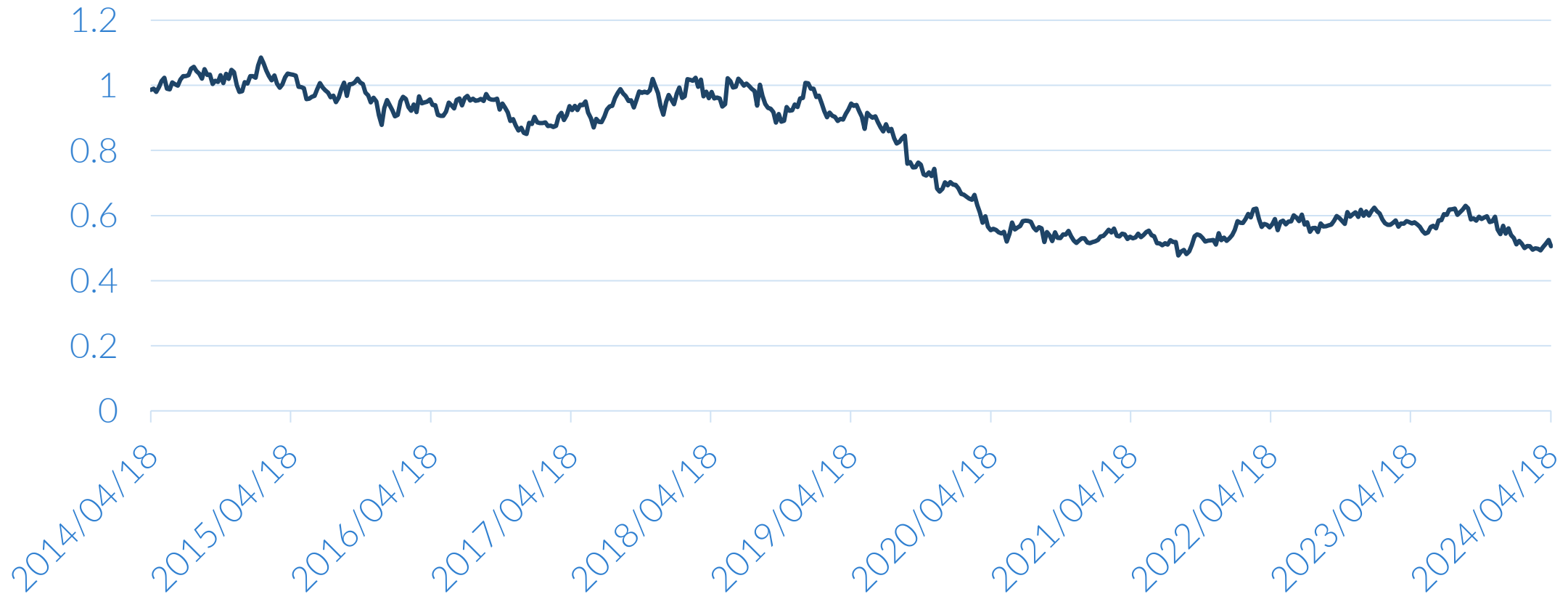
# RELATIVE PERFORMANCE HAS REACHED EXTREME LEVELS

## MSCI SA vs EM (valuation)



# RELATIVE PERFORMANCE HAS REACHED EXTREME LEVELS

## MSCI SA vs MSCI World



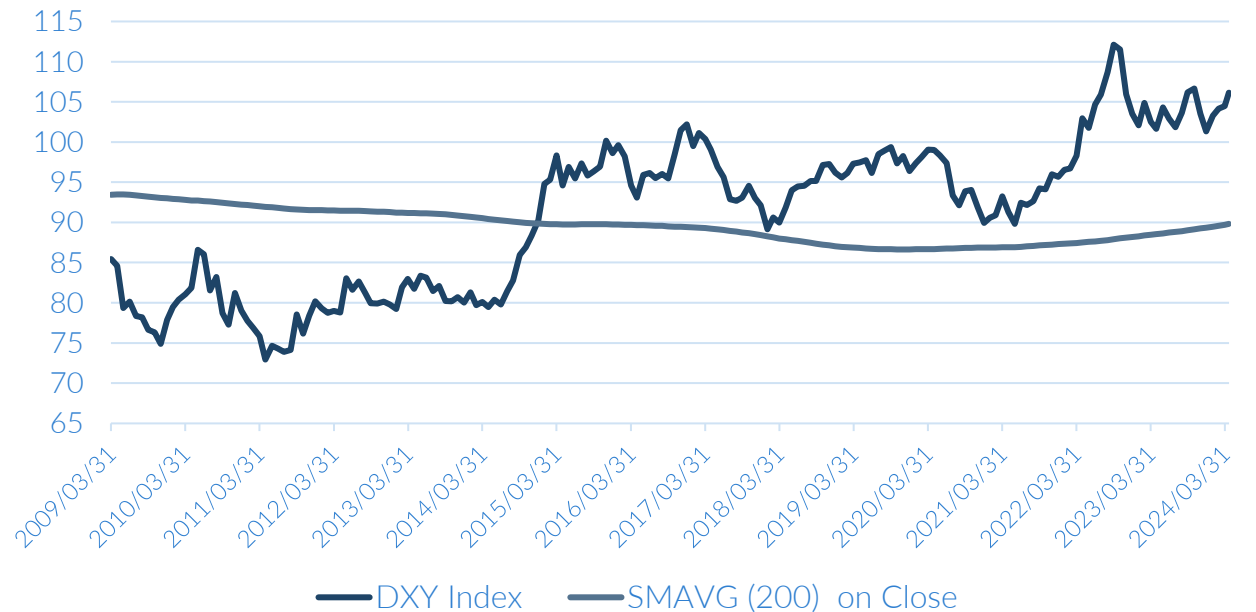
# BASE CASE – POST ELECTION TACTICAL REBOUND

MSCI South Africa	Index
SA Domestic	49%
Banks	25%
Insurance	8%
Retail	8%
Industrial + Telco	8%
ZAR hedge	25%
Commodities	26%

- MSCI South Africa trading at a steep discount
  - Technical factors - offshore allocations, election inertia and pressure on the risk-free rate
  - Structural factors remain in place (Stagflation, low fiscal flexibility and high unemployment)
- Technical factors to recede over the coming months
- Calling for a tactical rebound on SA equities
  - Specifically relative to global equities over the next 12 months
- Added optionality in the form of EM and commodities.

# COGNISANT OF THE FAT TAIL...

- Domestic factors
  - Large election linked tail risk (MK/EFF)
  - Need a “plan B”
  
- Global factors
  - US powers ahead crowding out the rest
  - Hamper's ability to cut rates in SA
  
  - WW3, China transition, US elections



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