

ANCHOR

NAVIGATING
CHANGE

The Navigator

Strategy and Asset Allocation Report



Table of Contents

Introduction	01
Asset Allocation	02
Asset Allocation Summary	05
Strategy and Asset Allocation, 1Q26	07
Anchor Insights	21
The power of 'I don't know': Investing in an age of AI uncertainty	22
Putting some eggs outside the US equities basket	23
The New Geography of Prosperity: Shifting Centres of Global Capital	29
Housing the Youth: Why under-35s Are Locked Out of Owning Their First Home	32
Exiting South Africa: Why leaving without emigrating can be costly	36



Introduction

Written by:

Nolan Wapenaar and Peter Armitage

Chief Investment Officers

The global investment landscape remains defined by elevated uncertainty and rapid change. Over the past 12 months or so, we have seen a convergence of geopolitical, political and economic developments. These include renewed trade tensions following the implementation of US President Donald Trump's Liberation Day tariffs, concerns around an artificial intelligence (AI) valuation bubble, tighter border controls in developed markets (DMs), and South Africa (SA) increasingly finding itself in the US's cross hairs due to its foreign policy allegiances.

Domestically, SA has faced a failed National Budget and ongoing leadership wrangling within the ANC, while globally, geopolitical risks have intensified including the US setting the dangerous precedent of parachuting in to snatch a foreign country's president, criminal indictment threats against the sitting chair of the US Federal Reserve (Fed), the weaponisation of rare earth minerals, Russia continuing its onslaught on Ukraine (now 1,420 days into Russia's "three-day special military operation"), the Asad regime in Syria collapsing, and growing international condemnation regarding the humanitarian crisis unfolding in Gaza. At the same time, the Iranian regime appears to be barely hanging on as that country experiences growing anti-government demonstrations. Through all of this, financial markets have handsomely rewarded investors both locally and abroad.

Our point is that there are always reasons to be concerned and reasons to delay investments, yet time and time again, we have seen that being invested and remaining invested has reaped far greater rewards than trying to time the market. Our view remains that one needs an investment plan and strategy, followed by patience to allow this strategy to work its course.

You will see in this document that the momentum propelling global markets is expected to continue. Although prices are high and volatility is likely to remain elevated, it is our assessment that growth in earnings will remain robust. We expect the US interest rate-cutting cycle to continue, which will provide further impetus to investors' risk appetite.

We are supporters of alternative assets (including hedge funds, protected equity structured products, physical property, etc.) 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 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.

We think the current rand exchange rate vs the US dollar is reasonable to externalise a portion of your portfolio. Although we expect the rand to hover around these levels over time, we also find that the investment opportunities abroad are compelling.

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	
DOMESTIC				
Equity				12
Bonds				9
Listed property				10
Cash				7
Alternatives*				10 to 15
Rand vs US dollar (rand stronger)				3
GLOBAL				
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 appear increasingly desensitised to political noise, with events such as the US's midnight raid on the Venezuelan president and the Department of Justice (DoJ) launching a criminal investigation into US Fed Chair Jerome Powell having a minimal impact on asset prices. Risk assets continue to perform strongly, supported by robust corporate earnings growth, fuelled in large part by AI-related investment spending. Domestically, commodity prices remain elevated, contributing further to positive market momentum. Against this backdrop, we still favour risk

assets as the strong earnings and price momentum look set to continue. You will see that we continue to favour equities both domestically and abroad.

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. All asset classes have attractive expected returns, though we find global equities to be the most appealing.

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

Source: Anchor

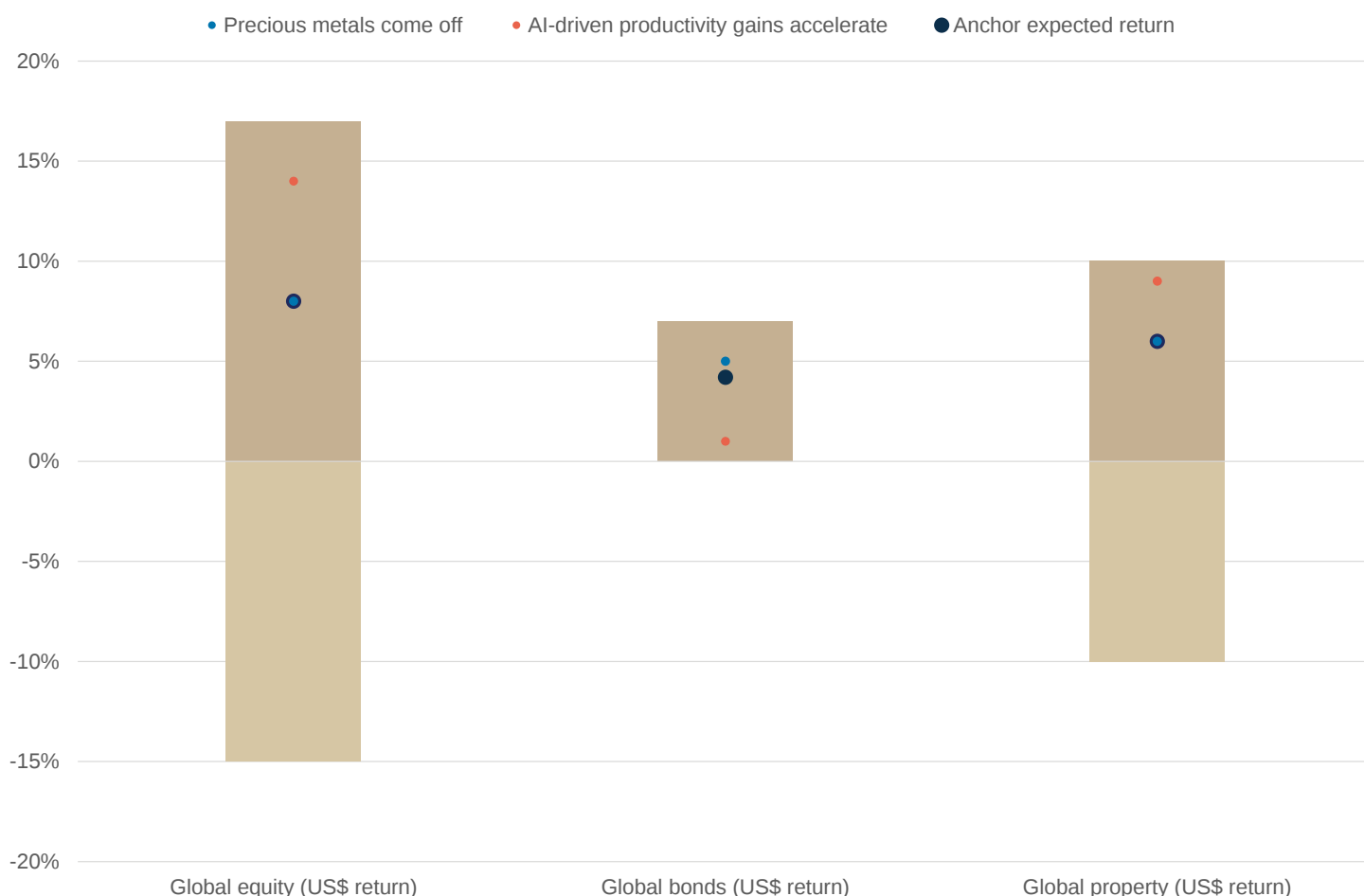


Figure 2: Anchor expected returns by offshore asset class

Source: Anchor

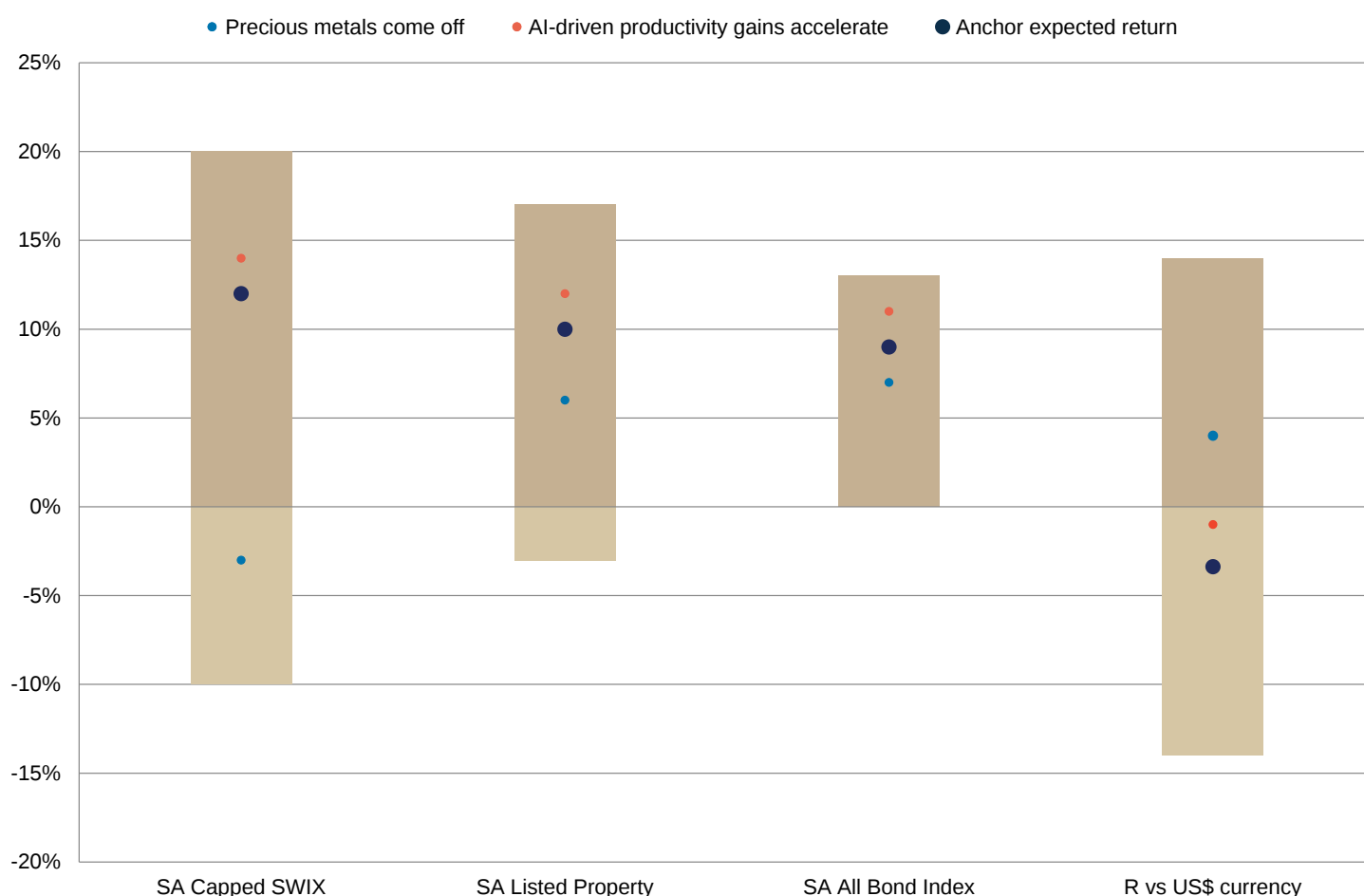
	Global equity	Global bonds	Global property
Anchor expected return (in US dollar)	8%	4%	6%

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, we anticipate a modest recovery in the rand as it approaches its fair value. We are most positive on equities, which show a promising prospect of continued gains and potential upside surprises.

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%	3%

Strategy and Asset Allocation, 1Q26

Economics

The global economy surprised to the upside in 2025, demonstrating unexpected resilience in the face of tariff shocks, elevated geopolitical tensions and heightened policy uncertainty. Growth held up better than feared amongst tariff increases, with companies front-loading spending and investment, and inventory management strategies helping delay cost pass-through to consumers. These dynamics, combined with strong equity markets, robust corporate earnings and a powerful technology-led capital expenditure cycle, provided a meaningful cushion to global activity. A weaker US dollar also played an important role. As global risk appetite improved, capital rotated away from traditional safe havens such as US Treasuries towards higher-yielding opportunities, particularly in EMs. This easing in global financial conditions reduced imported inflation pressures across much of the developing world and enabled continued monetary policy easing in many jurisdictions.

However, as the global economy heads into 2026, underlying fault lines are becoming more visible. Rising protectionism, deepening geoeconomic fragmentation and persistently loose fiscal policy are creating a more fragile global backdrop. While the near-term growth outlook remains broadly constructive, the risk of policy-induced volatility has increased meaningfully.

China outperformed expectations in 2025 but enters 2026 constrained by entrenched structural challenges. Ongoing trade tensions, weak domestic demand, a shrinking labour force and a prolonged property sector downturn continue to weigh on the outlook. Efforts to curb excess capacity through China's so-called involution process (characterised by increasingly intense and self-defeating competition among domestic companies for limited resources and opportunities) are likely to sustain deflationary pressures. That said, the central government's strategic emphasis on technology self-reliance and manufacturing competitiveness, as articulated in its five-year plan to 2030, presents upside risks over the medium term.



In the eurozone, growth is likely to slow modestly in 2026 before improving thereafter. Rising real wages, employment gains, easier financing conditions and a material increase in defence and infrastructure spending (particularly in Germany) should support activity. Nevertheless, higher US tariffs on eurozone exports and intensifying competition from China remain a drag on manufacturing.

Inflation, affordability concerns and policy uncertainty increasingly dominate the US economic outlook. To date, the inflationary impact of tariffs has been relatively muted, aided by stockpiling, tariff pauses and trade diversion. However, upward pressure is emerging in core goods prices, raising the risk of greater pass-through in 2026. The US Fed's policy path will therefore be pivotal. Our base case is for cautious monetary easing as the Fed balances cooling growth against lingering inflation risks. Leadership uncertainty adds a further layer of complexity, with Fed Chair Jerome Powell's term ending in May 2026 and markets closely watching whether his successor adopts a more dovish stance aligned with the Trump administration's preferences. Trade and tariff policy remains a central swing factor. While effective US tariffs have settled well below previously threatened levels, they remain materially higher than a year ago, weighing on global trade and investment. Legal challenges may constrain executive power, but alternative policy mechanisms suggest uncertainty will persist.



Against this complex global backdrop, SA is relatively well-positioned. Periods of improving global risk appetite typically see capital rotate out of the US and into higher-yielding EM assets, weakening the US dollar and supporting currencies such as the rand. This dynamic has been clearly evident, with rand strength proving highly beneficial for SA's inflation outlook by easing pressure on fuel, food and imported goods. A firmer currency is also helping anchor inflation expectations, reinforcing the credibility of the South African Reserve Bank's (SARB) newly adopted 3% inflation target.

Interest rate dynamics further support the outlook. Whilst the US has delivered 175 bpts of easing in the current cycle, SA, in comparison, has cut rates by only 150 bpts. This widening interest rate differential has supported rand strength, improved foreign appetite for domestic bonds and reinforced capital inflows. Importantly, markets are pricing in only one additional 25-bp cut with conviction this year, with a second only partially priced – reflecting policy credibility rather than constraint.

Moreover, this favourable external environment has coincided with meaningful domestic progress. Encouragingly, structural reform is beginning to show up in the data. SA has exited the Financial Action Task Force (FATF) grey list, secured a sovereign credit rating upgrade (with S&P Global upgrading SA's foreign-currency sovereign rating to BB from BB- in November, while maintaining a positive outlook), and achieved measurable improvements in port and rail performance. New private-sector rail investment and additional fiscal revenues from online betting taxes further bolster the outlook.

Nonetheless, risks remain. Political uncertainty, including ANC succession dynamics and municipal election outcomes, could undermine confidence if poorly managed. SA also remains exposed to global commodity and rate cycles, with further work needed to build a more idiosyncratic investment case. That said, in a world characterised by higher geopolitical tension, weaker global institutions and rising fiscal dominance, SA is unusually well positioned. Global capital rotation, a weaker US dollar, supportive commodity dynamics and improving domestic credibility have combined to create one of the most constructive backdrops for the local economy in over a decade- provided recent gains are safeguarded through continued policy discipline and reform execution.



SA Equities

JSE-listed equities delivered an exceptionally strong outcome in 2025. As measured by the FTSE/JSE Capped SWIX, SA equities delivered an impressive 43.5% return. Going forward, we will reference the FTSE/JSE Capped All Share Index (Capped ALSI) following the JSE's Index Harmonisation project, which aligns the traditional All Share and SWIX indices.

SA equities' remarkable return was achieved despite a volatile global backdrop characterised by elevated interest rates for much of the year, persistent geopolitical uncertainty, and uneven global economic growth. Returns, however, were highly concentrated, with the top 20 stocks (out of c. 135 shares) accounting for 90% of the index's total return. This marked a notable shift from 2024, when market leadership was broader and more diversified.

Looking ahead, we forecast a total return of 12% for JSE-listed equities. That said, the index composition has shifted meaningfully, with precious metals (gold and platinum group metals [PGMs]) now accounting for more than one-quarter of the Capped ALSI – adding considerable forecast risk to our estimates.

The standout contributors in 2025 were gold and PGM producers, supported by strong commodity prices, supply constraints, and improving earnings momentum. These sectors played an outsized role in index-level returns, with precious metals accounting for approximately half of the index's total return, reflecting both performance and their growing index weight.

The banking sector also delivered a solid performance, underpinned by strong earnings growth, resilient balance sheets, and improving sentiment towards SA's macroeconomic outlook. While valuations re-rated higher, this was primarily supported by fundamentals rather than excessive optimism.

In contrast, consumer-facing sectors and domestically focused industrials experienced more mixed outcomes. Competitive pressures, uneven demand, and company-specific execution challenges limited earnings growth in many cases. As a result, performance dispersion across the market was elevated, underscoring the importance of selectivity at both a sector and stock level.

Looking beyond the most recent year, the FTSE/JSE Capped SWIX has demonstrated notable resilience over the past five years with an annualised return of 19% p.a. (137% in aggregate), despite SA facing a prolonged period of weak economic growth, infrastructure constraints, and policy uncertainty. Even when measured in US dollar terms, the 5-year return is an impressive 16% p.a. compound return (relative to global equities, as measured by the MSCI World Index at a 13% return). This resilience reflects several structural features of the SA equity market, including:

- Meaningful commodity exposure, providing diversification and a hedge during periods of global stress.
- Significant offshore earnings exposure, reducing reliance on local economic growth.
- Recent improvement in domestic risk sentiment and growth expectations.
- Generally strong balance sheets and disciplined capital allocation among large, listed companies.

Importantly, domestic equity returns over this period have not simply mirrored domestic economic conditions. Rather, the market has continued to reward globally competitive businesses and companies able to execute well in a challenging operating environment.

Looking ahead, we expect volatility to remain elevated by mere virtue of the fact that inherently volatile sectors such as gold and PGMs now make up more than one-quarter of the Capped All Share Index. This increases the sensitivity of market returns to commodity prices, currency movements, and global risk sentiment. As a result, while our forward-looking return expectation remains at around 12%, the range of potential outcomes is wide, making precise forecasts more challenging.

That said, several themes underpin our outlook:

- **Resources:** Earnings momentum remains strong, particularly in PGMs, supported by favourable supply dynamics and medium-term demand trends. While price volatility is likely to persist, the fundamental backdrop remains supportive.

- **Domestic assets:** These now comprise less than half of the index. Within this segment, valuations appear reasonable, especially following the approximately 200 bpt reduction in SA's risk-free rate over the past year. We expect the local banking sector to continue delivering solid earnings growth. Although valuations have rerated higher, they do not appear stretched relative to history or to global peers.
- **Retailers and the consumer:** The outlook remains mixed. While there are pockets of strength where certain companies are executing well and gaining market share, broader SA consumer data remains inconsistent. High competitive intensity and execution challenges remain a key risk, making it difficult to form a high-conviction view at a sector level.

Encouragingly, SA's reform narrative is gaining traction, with incremental improvements in energy availability, logistics, and governance contributing to improved confidence at the margin. While progress remains uneven and at times frustratingly slow, the direction of travel is positive.

Tencent, and by extension Naspers and Prosus, continues to look attractively valued relative to its long-term growth prospects and strategic positioning. Tencent remains one of the best-positioned companies in the global internet landscape, with strong franchises across gaming, social platforms, digital payments, and ecosystem monetisation. We remain constructive on Tencent's outlook into 2026 and view exposure via Naspers and Prosus as an attractive way to access global growth at a meaningful valuation discount.

In summary, 2025 was a strong but highly concentrated year for South African equities. While the market delivered solid returns, outcomes were driven by a narrow group of sectors, reinforcing the importance of diversification and selectivity. Looking ahead to 2026, volatility is likely to remain a defining feature. Nevertheless, opportunities persist across resources, banks, selected domestic assets, and global growth exposure via Tencent, Naspers and Prosus. We remain focused on navigating this environment with a disciplined, selective approach, anchored in our core philosophy of underpinning our portfolios with quality companies we believe will compound over time.

Domestic Bonds

The South African Government Bond (SAGB) yield curve bull-flattened during 4Q25, with longer-dated yields declining more sharply than those at the front end. As a result, the SA All-Bond Index (ALBI) delivered a strong 4Q25 return of 8.96%, bringing its full-year performance to an exceptional 24.24% (Figure 1). The rally was driven primarily by a downward revision in inflation expectations and a reduction in government bond supply, developments that disproportionately benefitted higher-duration assets. Despite SAGB yields rallying by 200 bpts over the course of 2025, we remain cautiously optimistic on the asset class.

Figure 1: SAGB 4Q25 yield change and total return, %

Source: Anchor, JSE



Bond code	4Q25	2025
R2030	3.93%	15.41%
R213	4.99%	18.37%
R2032	6.14%	20.33%
R2033	6.81%	22.04%
R2035	8.50%	25.25%
R209	9.84%	28.22%
R2037	10.29%	28.14%
R2038	9.95%	27.91%
R2040	11.97%	29.60%
R214	12.29%	30.18%
R2044	13.09%	30.73%
R2048	14.24%	32.46%
R2053	14.82%	34.73%
All Bond Index	8.96%	24.24%

Market participants continued to recalibrate inflation expectations lower following guidance from both the National Treasury and the SARB, which reaffirmed their commitment to a lower inflation regime. At the 2025 Medium-Term Budget Policy Statement (MTBPS), the Minister of Finance Enoch Godongwana formally announced a reduction in the inflation target to 3%, with a one-percentage-point tolerance band (2%-4%), replacing the previous 3%-6% range.

Figure 2: 10-year BEIR and yield change

Source: Anchor, JSE

This policy shift is intended to re-anchor inflation expectations, lower structural borrowing costs, and support long-term economic growth.

Consistent with this repricing, the 10-year breakeven inflation rate (BEIR) - the market-implied average inflation rate over the next decade - ended 4Q25 at 4.28%, having narrowed by more than 100 bpts over the course of 2025 (Figure 2).

Date	10-Year BEIR	Yield change to 31-Dec-24
31-Dec-25	4.28%	-1.36%
30-Sep-25	4.53%	-1.12%
31-Dec-24	5.64%	0%



At the 2025 MTBPS, the finance minister also announced a reduction in government bond issuance. National Treasury lowered weekly nominal bond supply from R3.75bn to R3bn, signalling improved funding conditions and reduced borrowing requirements, alleviating pressure on the bond market and reinforcing confidence in the fiscal trajectory.

We identified this inflexion point as early as 2Q25 and began positioning our local fixed-income portfolios for a bull-flattening environment. This positioning proved highly effective, contributing meaningfully to our performance in 2H25.

Despite SAGB yields having rallied by approximately 200 bpts over the course of 2025, we remain cautiously constructive on the asset class, as attractive relative-value opportunities persist. SA's macroeconomic backdrop continues to improve, reflecting both cyclical recovery and structural reform. Fiscal dynamics have strengthened meaningfully - one of the key factors behind SA's credit rating uplift by S&P Global last year. The primary balance has moved into surplus, and the overall fiscal deficit continues to narrow. As government bond yields decline, interest costs as a share of tax revenue are set to fall, reinforcing a positive feedback loop between fiscal sustainability and borrowing costs.

The inflation outlook has improved, supported by stable oil prices, a firmer rand and a restrictive real policy rate. At the same time, growth indicators are turning more constructive. Corporate loan growth has accelerated sharply - historically a reliable leading indicator of rising capital expenditure - while the share of corporate credit in total bank lending has increased, both pointing to a recovery in business confidence. Higher infrastructure spending should further support employment growth, thereby broadening the tax base.

Structural constraints on growth are also easing. Energy availability has improved markedly, with loadshedding largely eliminated, while logistics bottlenecks are gradually unwinding as rail and port volumes recover. Together, these developments suggest that long-standing constraints on SA's growth potential are being alleviated as energy and supply-chain reforms gain traction.

External resilience has strengthened materially. Foreign exchange reserves have risen to record highs after more than a decade of stagnation, while terms of trade remain highly favourable and are likely to stay so. Elevated terms of trade should support a return to surplus for the current account balance, reducing a key external vulnerability.

Taken together, these developments indicate that the strong performance of domestic bonds (and other local asset classes) reflects both cyclical improvement and a compression of structural risk premia. Our models continue to favour long-dated SAGBs, with a particular preference for the 15–20-year segment of the curve. Despite the decline in absolute yields, the SAGB curve remains relatively steep, creating compelling relative value opportunities. Several yield differentials remain close to +2 standard deviations above their long-term averages, while the 15–20-year segment offers the most attractive rolldown, reflecting the pronounced hump in the zero-coupon curve. The combination of an improving macroeconomic environment, residual value and superior roll dynamics continues to support our constructive positioning in this part of the curve.

SA government bonds continue to offer some of the highest yields in the EM universe. These elevated yields, however, still embed a meaningful fiscal risk premium, reflecting ongoing concerns around SA's debt trajectory and fiscal policy credibility. Against this backdrop, we estimate that domestic bonds could deliver returns of approximately 9% over the next 12 months, implying a real return of around 6%.



The Rand

Anchor subscribes to a purchasing power parity (PPP) model for the long-term value of the rand. Over the past three years, this model has shown the rand as meaningfully cheap against the US dollar, as is evident from *Figure 3* below.

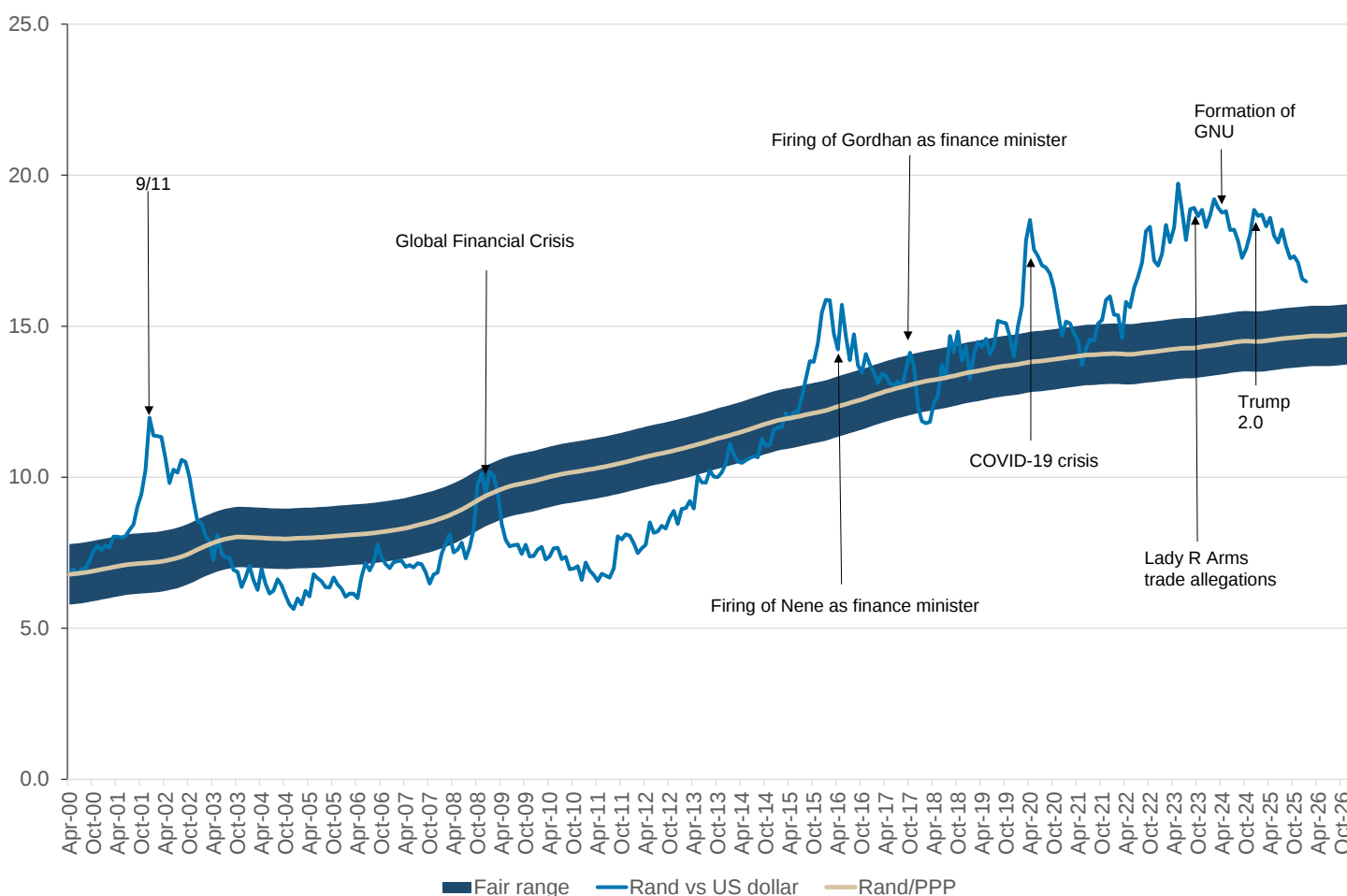
This undervaluation against the US dollar reflected a combination of an exceptionally strong US dollar and a series of own goals by SA. Our modelled fair value of the rand is in the R13.73-R15.73/US\$1 range.

As shown in *Figure 3* below, the rand has been recovering from its oversold levels and is rapidly approaching our fair-value range. With the rand no longer deeply undervalued, investors are increasingly questioning whether further strength is likely.



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

Source: Thomson Reuters, Anchor



If we look at the reasons for the rand's recovery, it has been primarily driven by a weaker US dollar. The US Dollar Index, which tracks the value of the greenback against a basket of six major global currencies, declined by 9.4% in 2025. Despite this correction, we believe that the US dollar is still strong relative to its underlying fundamentals, and most analysts are talking about some modest US dollar weakness in 2026. At Anchor, we believe that this weakness will more likely be toward the second half of the year, particularly if the US Fed eases monetary policy more aggressively than currently anticipated.

Domestic factors also remain supportive. Lower oil import costs and rising export prices for gold and platinum continue to improve SA's terms of trade. This provides a supportive backdrop for the rand. In addition, locally, we are seeing improving fundamentals as investments in infrastructure are likely to accelerate and support growth. Stronger growth dynamics are likely to bolster employment and, in our view, contribute to tax revenues exceeding forecasts, potentially resulting in some positive surprises for the National Treasury on this front.

So, overall, we think that the factors supporting rand strength will remain intact and that the path of least resistance is for the currency to keep recovering. We are pencilling in an exchange rate forecast of R16.00/US\$1 at the end of 2026, reflecting our view of modest gains.

As mentioned in *The Navigator: Anchor's Strategy and Asset Allocation*, 4Q25, dated 18 October 2025, SA's shift toward a 3% inflation target will likely reduce the volatility and rate of depreciation of the rand. This narrowing of the gap between SA's inflation target and that of the US means that the rand should, over time, only depreciate by, on average, 1% p.a. This is a meaningful structural change for the outlook of the local unit.

We note that the currency is now closer to its fair value. This means that its ability to appreciate rapidly is more limited, particularly given that we also think that the strength will be more prevalent in 2H26. The rand being closer to fair value also means that it is more susceptible to adverse shocks. These are impossible to anticipate, but one should be aware that with Trump's foreign policies and SA's 2026 Local Government Elections later this year, any number of factors might surprise, and the impact could be more pronounced than it has been in recent years.



Global Equities

We expect the equity bull market to extend into 2026, following three consecutive years of positive returns. This has been driven by robust earnings growth (particularly in the US), with consensus forecasts indicating compound annual EPS growth of 12% for the next three years. Given this very strong growth momentum, it is no surprise that equity markets are trading at near record-high valuations. Our base-case expectation is for an equity market return of 8% in 2026, based on earnings growth of 15% and some derating.

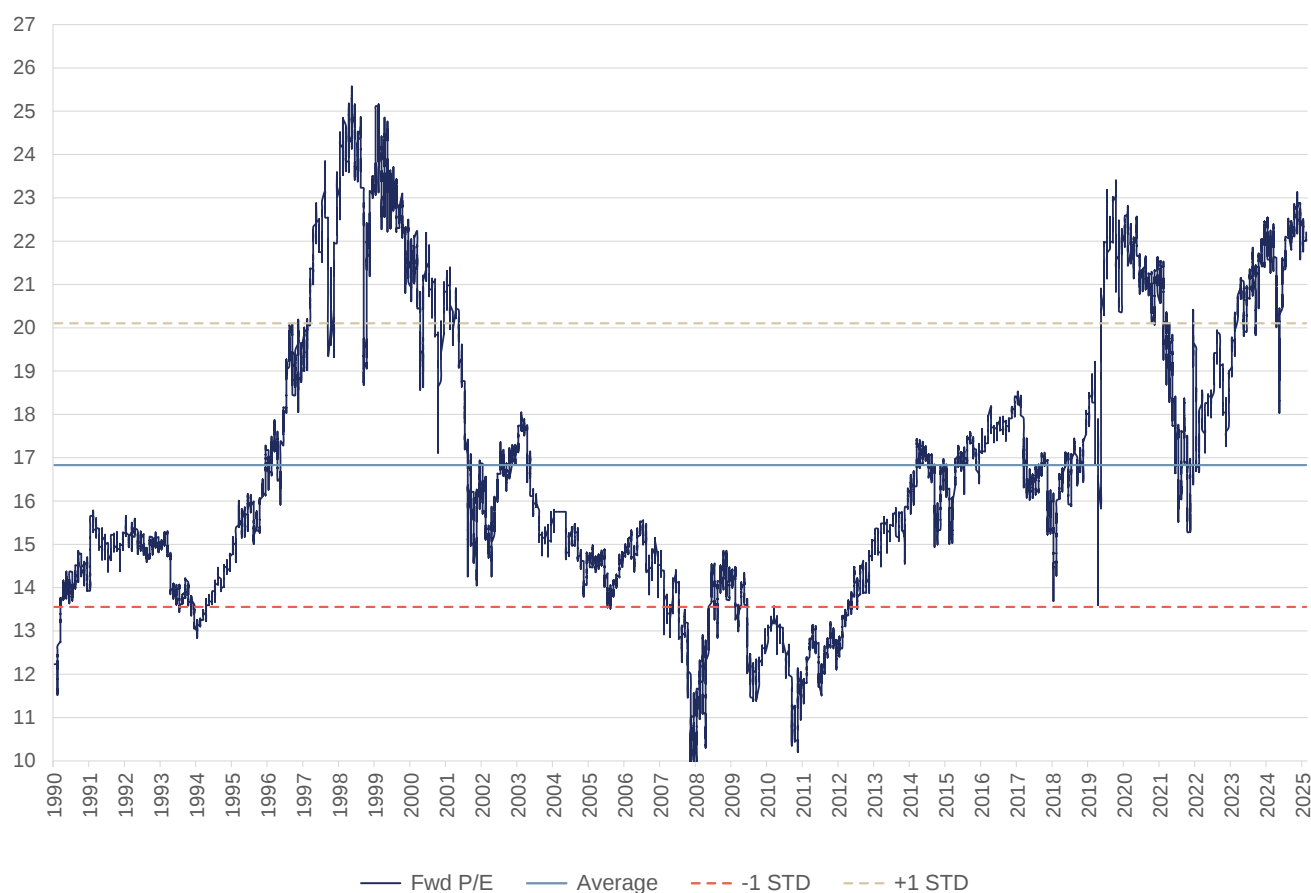
When markets have built in high expectations, disappointments or surprises can be costly, and there is every prospect of a 10%-15% correction at some point during the year as a realistic risk.

However, when we look 12-24 months out, we continue to expect equity markets to trade higher. Driving our confidence is the generational shift in technology capability currently underway and the impact this will have on the US economy and global productivity.

In 2025, the US equity market delivered a total return of 17%, comprising 12% from earnings growth and dividends, and 5% from valuation expansion. The forward 22x P/E for the S&P 500 shown below is well above the average of the past 20 years and close to a 20-year high.

Figure 4: US S&P 500 Index forward P/E, x

Source: Anchor, Bloomberg

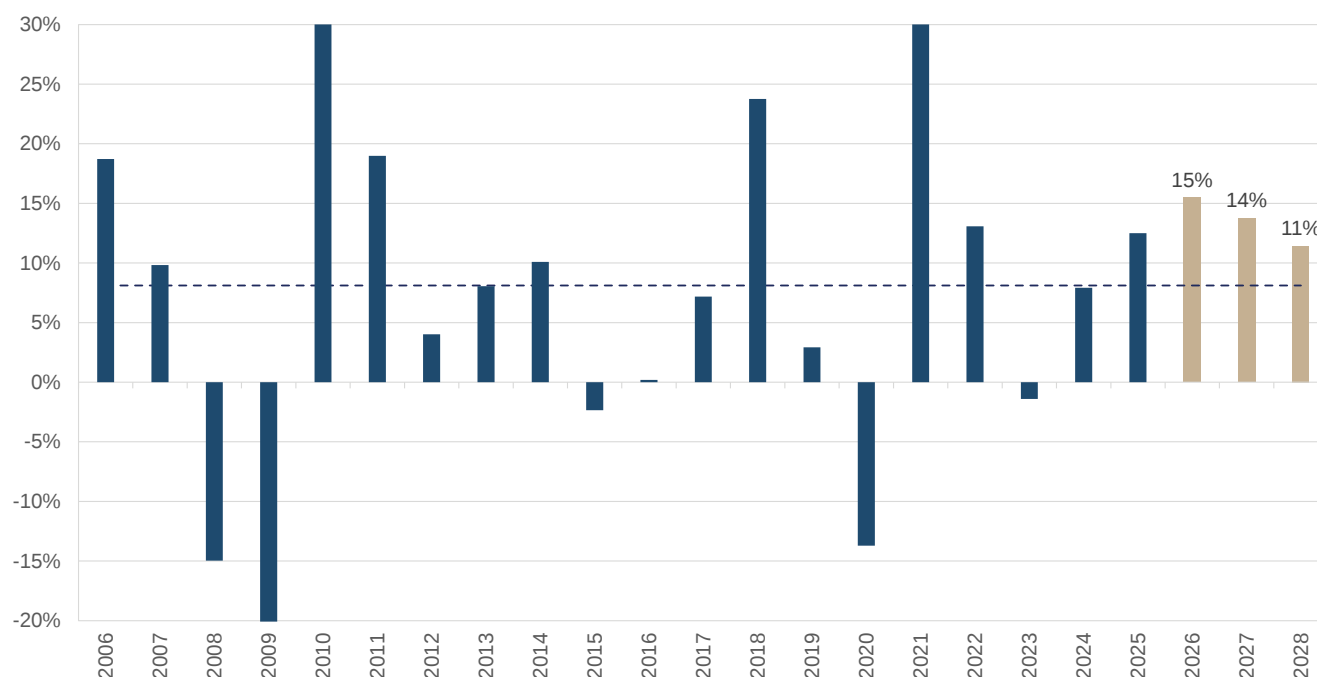


It feels intuitively uncomfortable investing when valuation levels are high, but good returns can still be earned at high entry points if the underlying growth is strong. Market expectations reflect this dynamic

(see Figure 5), with the S&P 500 EPS growth forecast at 15% in 2026, supported by lower interest rates, resilient GDP growth, and sustained, large-scale investment in AI.

Figure 5: US S&P 500 EPS growth, annualised

Source: Anchor, Bloomberg



Investment returns in 2025 have been dominated by the major AI players. Unprecedented capex spending on data centres, chips and energy is a major driver behind US GDP growth. Capex estimates for 2025 are in the region of US\$450bn (and a running total of US\$1.3trn on a trend that started about three years ago). This is expected to rise beyond US\$600bn in 2026. The market capitalisation of the top 7 US tech companies ("Magnificent Seven" [Mag 7] - Apple, Amazon, Microsoft, Meta, Tesla, Nvidia and Alphabet [Google]) now exceeds one-third of the S&P 500 and 20% of global DMs.

Significantly, the current AI boom differs materially from the 2000s dot-com bubble. AI investment is highly capital-intensive and is dominated by enormous, cash-generative companies funding expansion from their own balance sheets, rather than leveraged startups (new companies incurring debt). Excluding Tesla, the Mag 7 companies trade at around forward 30x P/E multiples. This is not excessive given their potential growth rates, but the market will want to see a return on their massive investment spend. These companies have had to invest aggressively despite uncertainty around future business models, recognising that failing to adapt to structural technological changes can be a death knell.

The immediate impact of AI is being felt in the US economy across the board, from construction and other spending (e.g., Caterpillar's share has risen sharply). Later in the decade, the more significant impact will come from technology-driven productivity gains. Some market pundits are predicting sustained 3%-plus US GDP growth in the latter years of the decade. But this will not be a smooth ride, and along the way, markets can lose patience, especially when valuations are high. In 2022, the aggregate value of the Mag 7 shares halved as scepticism around future growth increased, driven by Meta's earnings and return disappointments. This was followed by three spectacular years for these shares.



All eyes will be on AI progress in the US and China (catching up quickly), but there is undoubtedly a lot else going on around the world (something of an understatement). The US has carried out strikes on numerous countries in the last year, notably Syria, Iraq, Iran, Yemen, Somalia, Nigeria and Venezuela. Geopolitical risks continue to rise, increasing the chances of allied retaliation, with China invading Taiwan a possibility. This could be devastating for US tech shares as Taiwan Semiconductor Manufacturing Company (TSMC - Taiwan's biggest company) is a crucial part of the AI supply chain.

Beyond technology, broader US economic conditions remain solid (if somewhat mediocre), with recent jobs numbers indicating a slowing of momentum. This should lead to another 25-50 bps cuts in US interest rates in the next 6 months, with potentially more if Trump-induced pressure flows through to the new Fed chair. The much-anticipated inflation spike from "Trump tariffs", which dominated headlines earlier last year, has not materialised. Imports account for less than 20% of US consumption, and the rise in import prices has been limited to about 5%. This lower figure - compared to the anticipated 15% - is due to factors such as tariff exclusions, finding import alternatives, absorbing margins, and evading tariffs.

Outside the US, earnings growth prospects look less exciting, with one of the major drivers being massive increased defence spending in reaction to the Trump/Putin-induced environment of militancy. Non-US equity markets did exceptionally well in 2025, mainly due to valuation re-rating (as opposed to earnings growth) as investors looked for refuge from the tariff chaos in the US. The strong performance of non-US markets has seen aggregate global valuations reach historic highs. The chart on the next page shows that the MSCI World forward P/E (20x) is not dramatically higher than the 22x in the US. We do not expect material outperformance from non-US shares in aggregate over the next 12-24 months.

Figure 6: MSCI World forward P/E multiple, x

Source: Anchor, Bloomberg



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

Figure 7: 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	14.9%	11.9%	20.1	17.9
MSCI EM Index	23.3%	17.4%	13.6	11.6
MSCI All Country World Index (10% EM)	16.3%	12.5%	19.1	16.9
Nasdaq 100	29.0%	14.2%	25.6	22.4
S&P 500 Index	15.1%	12.9%	22.4	19.8

Global Bonds

US interest rates enter 2026 with the US Fed facing a familiar dilemma. Inflation has eased meaningfully from its post-pandemic highs but remains above the Fed's 2% target, while the labour market shows early signs of weakening. This tension has left policymakers balancing the need for further monetary easing against the risk of cutting too quickly and allowing inflation to re-accelerate.

Having already delivered 1.25% of cuts over the past year and a half, the Fed now appears ready to slow the pace of easing. We expect two further 0.25% cuts this year, taking the policy rate towards 3.0%. After being caught off guard by inflation once, the Fed is reluctant to repeat that experience, particularly given the continued resilience in broader economic activity. A new Fed chair will be appointed in 2026, introducing a degree of uncertainty, though not enough to alter policy direction meaningfully. The institutional framework and legal structure of the Fed remain anchored to its dual mandate of stable inflation and maximum employment, with a democratic process for setting rates, meaning that the Fed chair cannot act unilaterally.

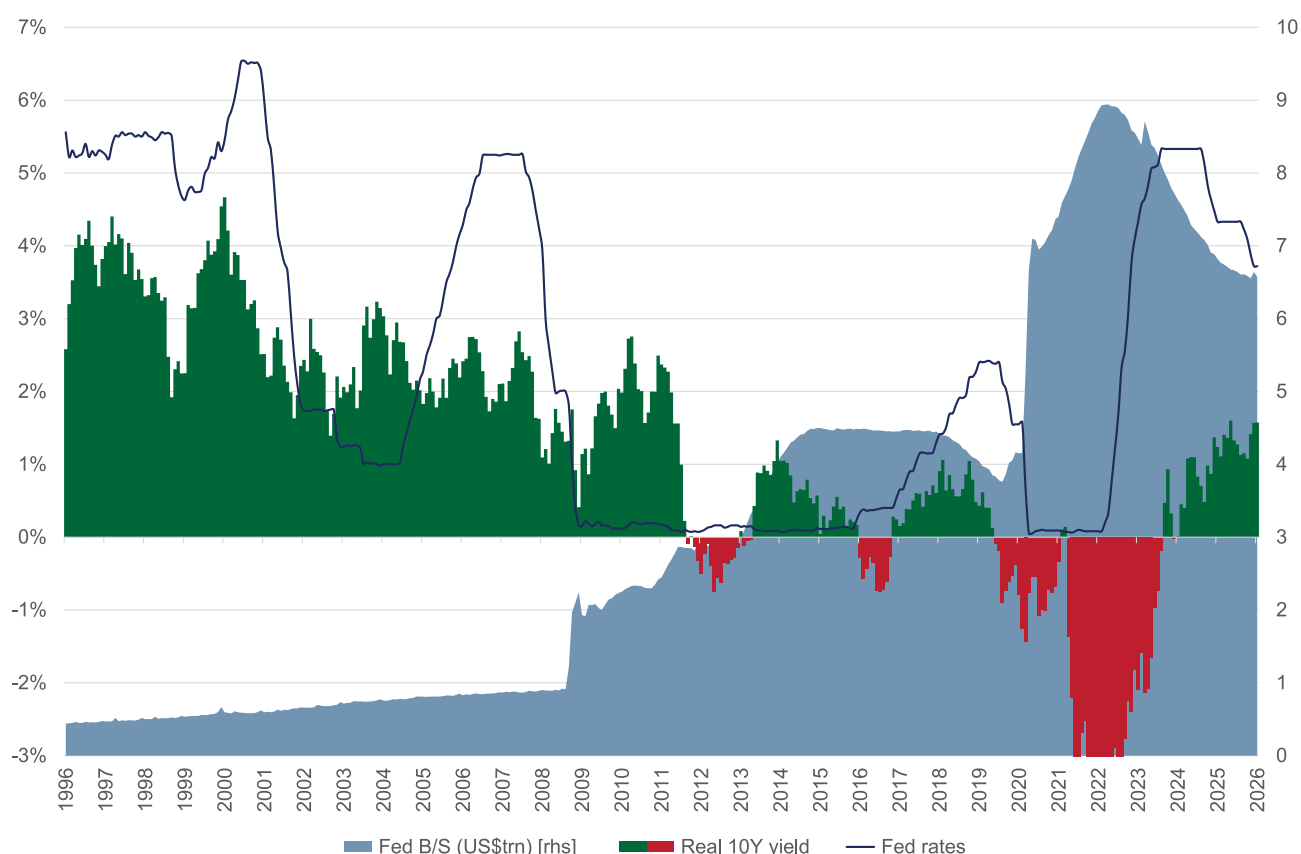
Despite additional Fed cuts expected this year, we do not anticipate a meaningful decline in US long-term yields. The 10-year US government bond yield currently trades near 4.2% p.a., and we expect it to remain close to that level over the next twelve months. Two forces are likely to keep yields anchored around current levels:

1. Markets have already incorporated expectations of a policy rate in the 3%–4% range over the medium term. As such, further cuts are unlikely to drive 10-year yields materially lower.
2. With aggressive post-GFC and COVID-19-era quantitative easing (QE) firmly behind us, and with US deficit spending remaining elevated, investors are once again demanding real compensation for lending long-term money to the US government.

Long-term US inflation expectations of 2.0%–2.5% p.a., combined with investors once again requiring a 1.5%–2.5% p.a. real yield, places the fair nominal yield range around 3.5% – 5.0% p.a. The current 4.2% p.a. level is therefore consistent with a restored real-yield regime.

Figure 8: US 10-year government bond yields are returning to a pre-QE era, with yields less sensitive to Fed rate changes and more driven by investors' demand for a real yield

Source: Anchor, Bloomberg



With yields expected to remain broadly stable, we expect returns for US 10-year government bond investors to consist almost entirely of income, leaving them with a total return of 4.2% over the course of 2026.

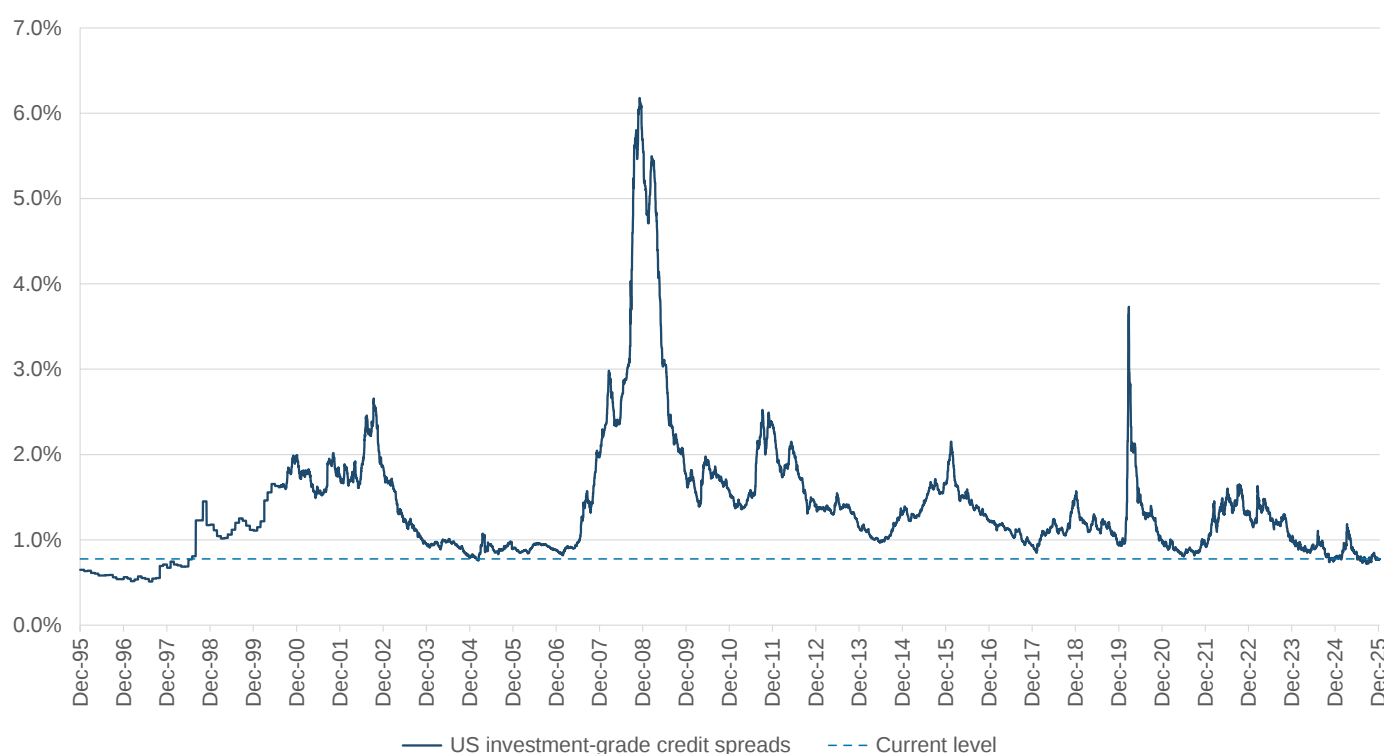
US investment-grade corporate bond yields remain around 4.9% p.a., attractive in absolute terms. However, credit spreads remain unusually tight at 0.8% p.a., which we expect to drift towards 0.9% p.a. by year-end. A modest widening reflects higher funding costs and greater refinancing needs. Fundamentals are sound, but valuation cushions are limited.

The marginal widening of credit spreads in an otherwise stable yield environment should leave US corporate bond investors with small capital losses to erode some of the income earned for a 4% total return in 2026.

With the Fed easing cautiously, US inflation trending toward 2%–2.5%, and fiscal deficits requiring sustained Treasury issuance, long-term US yields look set to remain stable. Investors are now operating in a regime where real yields matter again. A steady, income-led return profile is the most realistic outcome for global bond investors over the coming year.

Figure 9: Credit spreads remain historically tight, offering limited valuation protection

Source: Anchor, Bloomberg



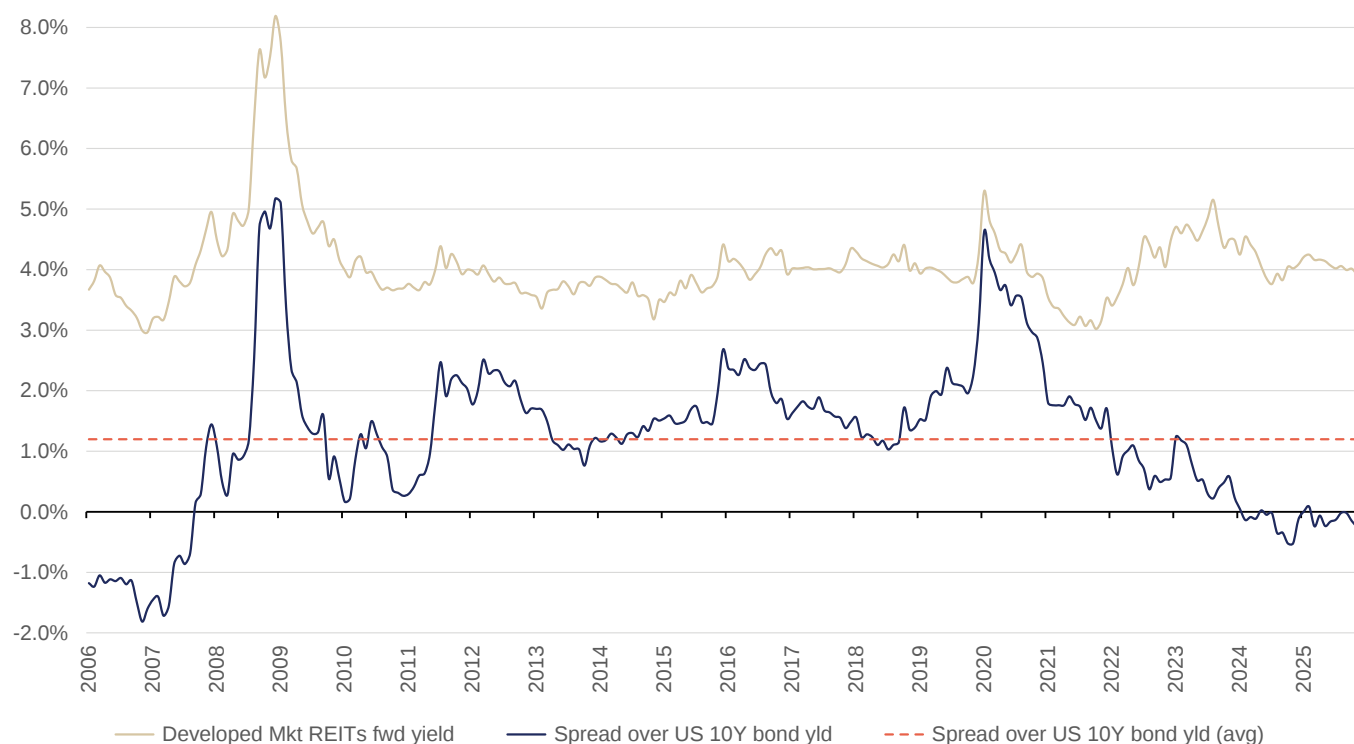
Global Property

Global listed property enters 2026 with a valuation backdrop that remains challenging. Forward dividend yields for US real estate investment trusts (REITs) – which represent most DM listed property – now stand at around 4.0%, slightly below the 4.15% yield on the US government’s 10-year bond. This marks a notable shift from the decade following the global financial crisis (GFC), when REITs consistently offered an income premium over long-term Treasuries and often traded at a valuation premium. That earlier period was defined by

aggressive Fed balance sheet expansion, which pushed long-term yields well below fundamental levels. With the Fed no longer using QE to suppress bond yields, and with US inflation expectations settling near 2.0%–2.5%, long-term Treasury yields appear to have found a “new normal” above 4%. In this environment, it is difficult to justify REITs trading on yields below government bonds, particularly now that income growth has normalised into the low- to mid-single-digit range.

Figure 10: REITs need a modest derating to allow their yields to catch up to the "new normal" for bond yields

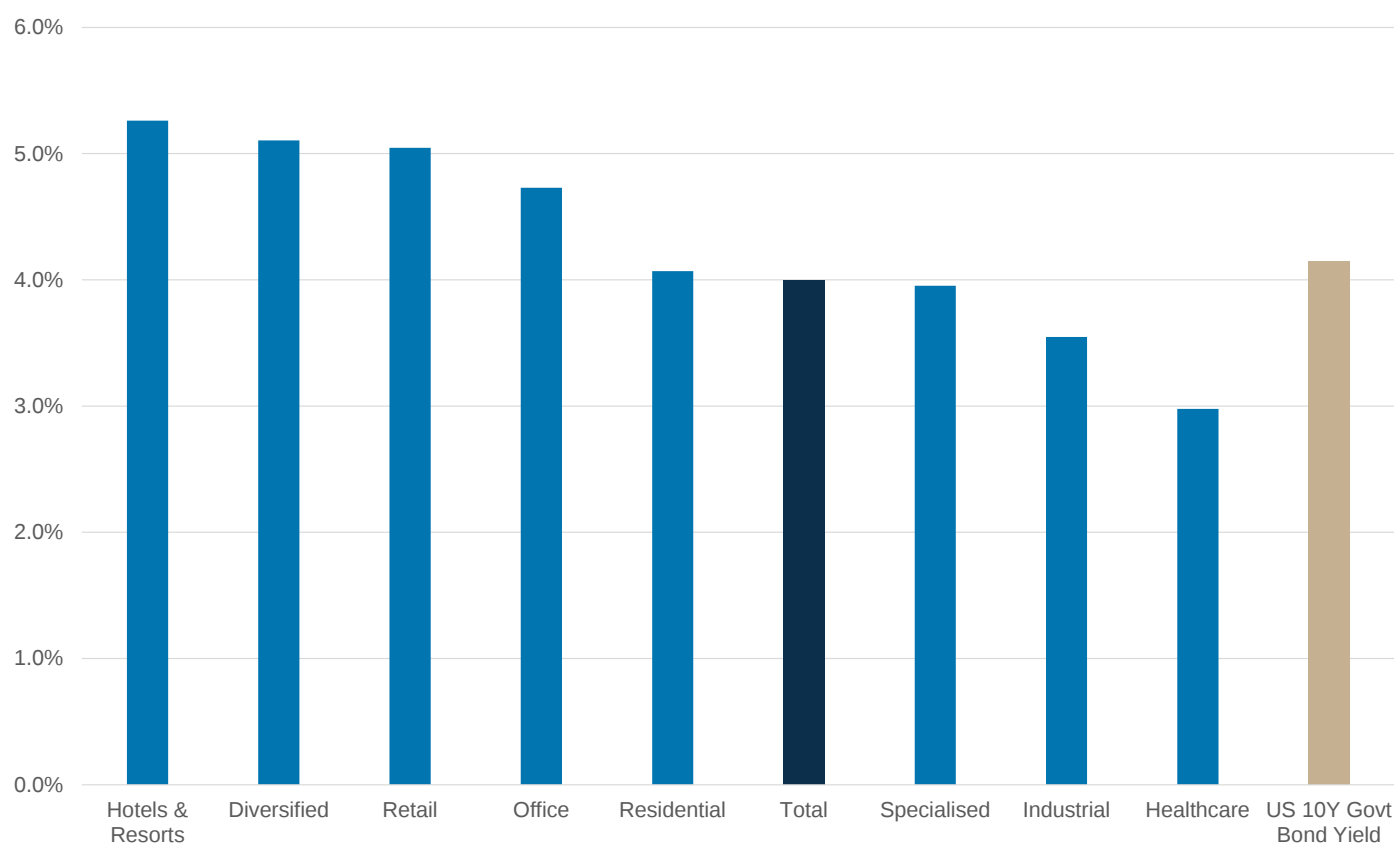
Source: Anchor, Bloomberg



Although valuations appear stretched at the aggregate level, fundamentals across the major REIT subsectors remain broadly stable – with important differences that will shape relative income growth through the year.

Figure 11: As always, there are differences in yield on offer at the various REIT sector levels reflecting their diverging fundamentals and cyclical factors

Source: Anchor, Bloomberg

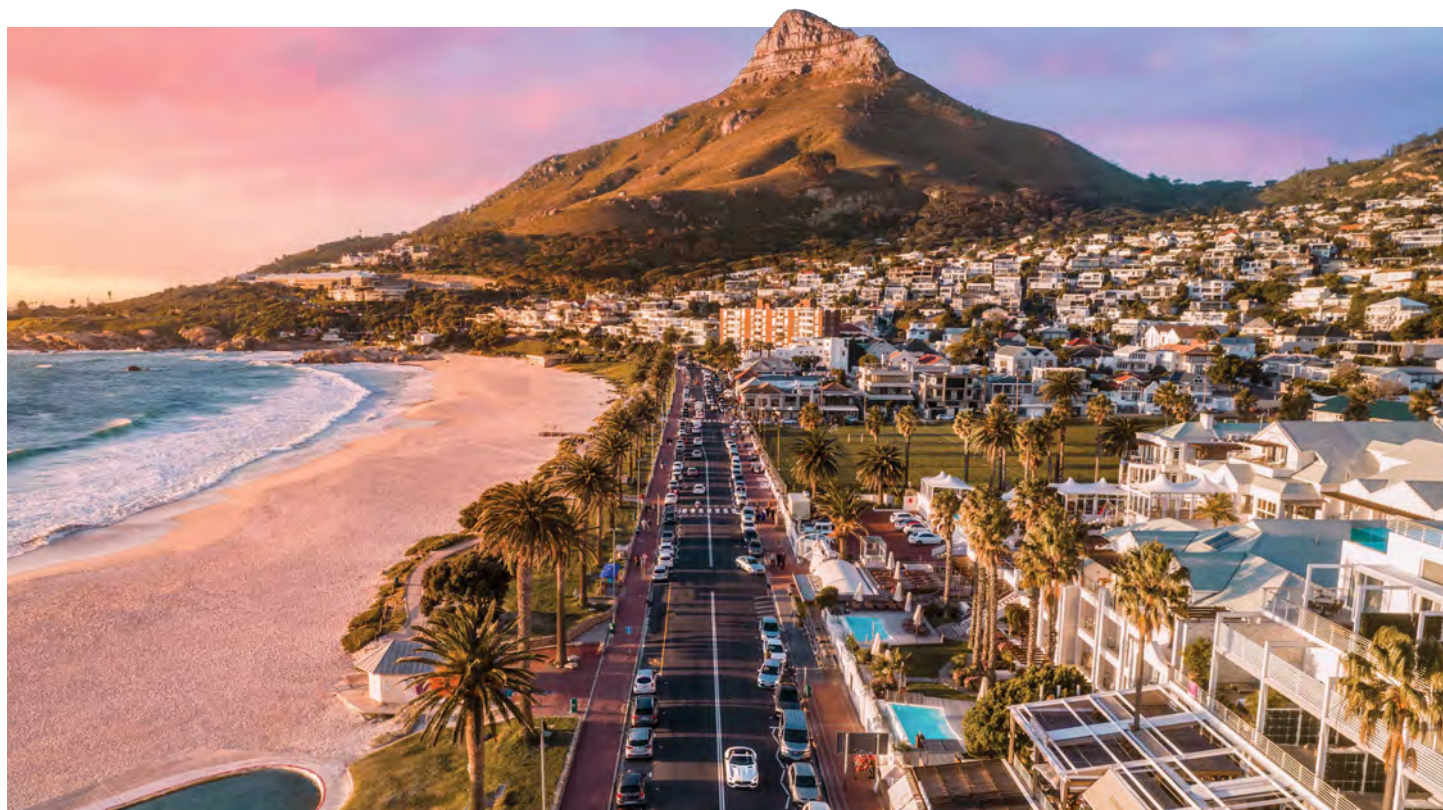


- **Retail:** Supply remains extremely limited across most US shopping centre formats. Foot traffic has normalised, occupancy is high, and rent reversions are trending positively. Retail REITs continue to benefit from disciplined capital expenditure and rational competition.
- **Industrial:** After a period of adjustment, the industrial sector is stabilising. New supply is falling sharply, while demand remains solid from logistics and e-commerce tenants. Rent growth has moderated from the extremes of 2021–2022 but remains healthy.
- **Residential:** Apartment fundamentals are improving as the elevated supply pipeline of 2023–2025 finally peaks. Vacancy rates are stabilising, and rent growth is reaccelerating modestly, with a clearer path toward normalisation during 2026–2027.
- **Healthcare:** Healthcare REITs are seeing occupancy gains as operators recover from COVID-19 pandemic-era disruptions. However, wage inflation and operating-cost pressures remain headwinds, keeping income growth modest and uneven across subsectors.
- **Office:** Signs of stabilisation are emerging in several markets, with positive net absorption and declining availability ratios in many cities. Nonetheless, structural challenges remain, and rent growth is likely to lag the broader REIT universe.
- **Hotels:** Hotels continue to benefit from strong leisure and corporate travel demand. Supply is highly constrained, supporting room-rate growth, though the sector's inherent cyclicality means earnings can be volatile.

These dynamics suggest that while some subsectors may deliver stronger income growth than others, the overall sector still trends toward low- to mid-single-digit earnings expansion — consistent with our 4% income-growth assumption for the year.

The listed property sector enters 2026 in a position of fundamental stability but with valuation constraints. With US long-term interest rates settling above 4% and REIT dividend yields now slightly below that level, we see limited scope for re-rating. Income remains the primary driver of returns, while earnings growth continues at a measured pace. Against this backdrop of stable fundamentals but constrained valuations, we expect global listed property to deliver a muted but positive total return over the next 12 months. The key components of our 6% return expectation are:

- 4% dividend income, reflecting the sector's adjusted forward yield.
- 4% income growth, consistent with fundamentals across retail, industrial and residential sectors.
- 2% de-rating, as REIT yields adjust upward to align more closely with long-term Treasury yields.





Anchor Insights

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

This quarter, James Bennett argues that admitting “I don’t know” is a mark of wisdom in investing, especially when dealing with uncertain, forward-looking themes like AI. Seleho Tsatsi examines the case for avoiding excessive concentration in US equities (not putting all your eggs in the US basket) and highlights the risks of relying too heavily on a single market. Casey Sprake discusses how global wealth is rising, but prosperity is shifting unevenly, with data showing widening gaps between average and median wealth, rapid growth in “everyday millionaires,” and EMs playing a bigger role in global wealth creation amid stronger economic resilience. Ryan Lewarne highlights how rising living costs, weak economic growth and persistently high youth unemployment are pushing the average age of first-time homebuyers in SA to 37. Finally, Di Haiden provides a structured overview of the process of emigrating from SA, especially if you have left without formally ceasing tax residency or if you did not use official channels to report your exit from SA.

The power of 'I don't know': Investing in an age of AI uncertainty.



Written by:
James Bennett
Global Equity Analyst



"I don't know," may be the three most liberating words in financial markets.

I learned this in 1991 as a university student studying for a commerce degree. There was an imminent threat of war between the US and Iraq, which the world was following closely. The then secretary general of the United Nations (UN) was Javier Pérez de Cuéllar. Following a last-ditch meeting in January 1991 with Iraqi leadership (in an attempt to avert war with the US), he was asked by reporters whether he thought there was going to be war or not. His answer was striking: *"It is a question, if you believe in God, only God knows. If you don't believe in God, who knows?"*

His admission that, despite his position, he did not know what was going to happen made a more powerful statement to me than if he had tried to force a "Yes" or "No" answer. It made me realise the seriousness and gravity of the situation. Sometimes, there can be a signal in someone in an apparently knowledgeable position, admitting they do not know the answer to a question. A caveat is that this article relates more to investment matters that involve gazing into a crystal ball. It is less relevant for more fact-based areas such as legal and tax advice.

It seems like we do a complete circle in this regard. As a junior sell-side analyst in the mid-1990s, I felt like I knew almost nothing. You lived in fear of being asked a question by a client that you could not answer. For years, you worked on your knowledge base to find the answers to the questions ahead of time that clients might ask.

A junior analyst saying "I don't know" to a fund manager client asking a question felt like a disaster. The reality is that being unable to answer many client questions was likely to bring one's career to a premature end. However, eventually, as an experienced analyst, you complete the circle and become quite comfortable with periodically telling a client you did not have the answer to their question. Sometimes it is more helpful to acknowledge you don't know, rather than trying to force an answer.

American philosopher, diplomat, and president of Columbia University, Nicholas Murray Butler (1862–1947) captured this perfectly:

"An expert is one who knows more and more about less and less until he knows absolutely everything about nothing."

The point here is that the more of an expert one becomes in a field, the more one appreciates the intricacies of that field and how little one actually knows. In my view, this ties directly into the phenomenon of so-called imposter syndrome (a term coined in the late 1970s). Imposter syndrome is where experts in their field secretly feel like they are fraudsters tricking their audiences into believing that they know more than they really do. One school of thought is that, ironically, the more you know about a topic, especially a complex one, the more likely you are to experience imposter syndrome. Research shows that as many as 70% of people will experience it at some point in their lives. It is also more prevalent in high-performance fields like technology and medicine.

Arguably, the most burning issue in global investment markets at the moment is whether AI-exposed companies are in a bubble or not. Is AI a bubble? I don't know! I hear the compelling arguments from both sides, and I am really not sure. I am also not sure anyone genuinely knows. However, here are some observations I have made.

It seems to me that the AI bears are a lot more confident that they are right than the AI bulls, often stating their opinions as fact. It is simply "the AI bubble" or "when the AI bubble bursts". So much so that the term "AI bubble, bubble" comes to mind. It feels like there is currently a bubble in people calling AI a bubble! Negative narratives about AI (from an investment perspective) are completely overwhelming financial podcasts, social media and mainstream global business news networks. There is a lot of FUD (fear, uncertainty and doubt) on social media about the AI trade. I will say that this is not how bubbles usually form, in my opinion.

Although many of the bearish arguments are compelling at face value, they are mostly the same arguments being rehashed, perhaps from different angles. A key one being OpenAI committing to future capex well in excess of its current or 2026 projected revenue of c. US\$30bn. I am not sure the world has ever seen this before, especially at such a large scale from a single company. Another one is the circular nature of funding transactions between Nvidia and companies such as OpenAI and CoreWeave, which has the market understandably very concerned. I am not going to go through all the details for the purposes of this article. There are countless articles out there discussing these issues.



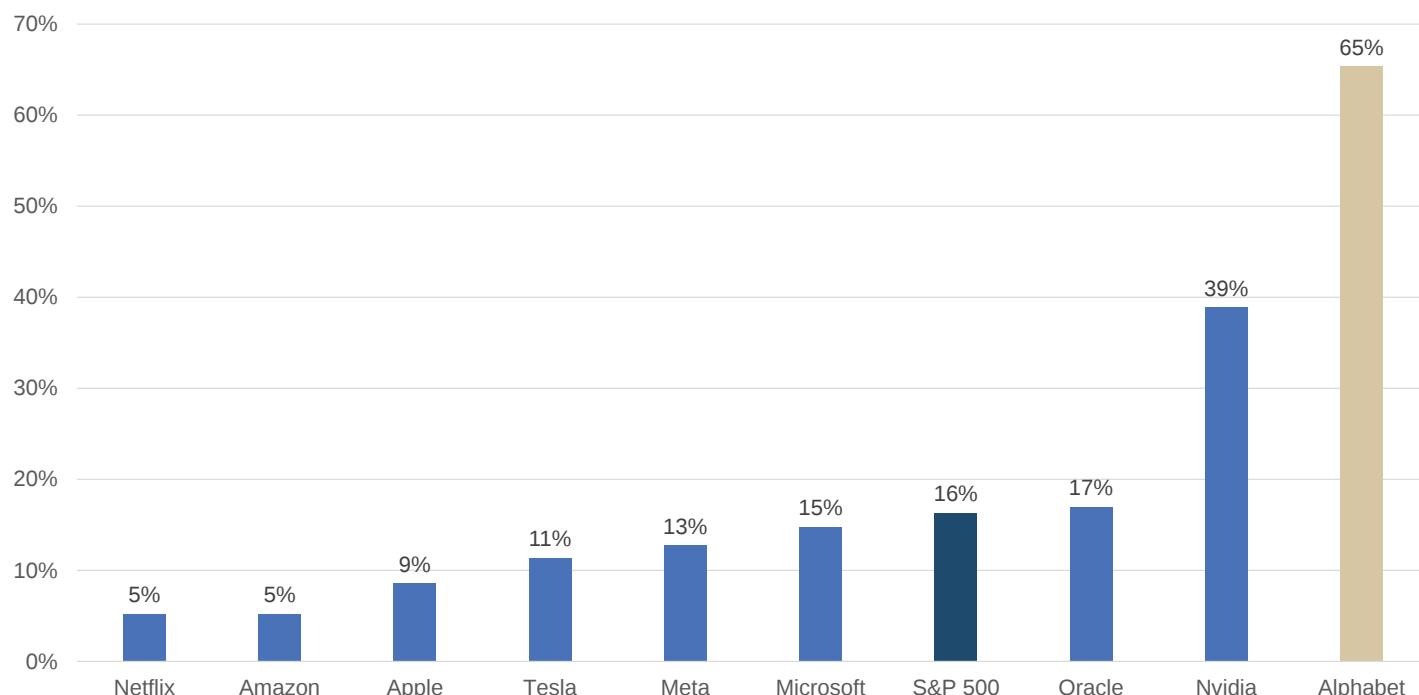
It is hardly worth following most of these articles at this point due to their repetitive nature. I would say that calling AI a bubble is not a niche, contrarian view anymore. It is now consensus amongst social media and mainstream business media. If AI does end up being a bubble, it would be one of the most widely telegraphed bubbles ever. It seems unusual that a bubble would be so widely warned about ahead of time. I have never viewed social media as a prime source of investment advice.

I believe the overwhelming view of AI being a bubble is not a negative thing, but actually a good thing. It reduces the chances of excess developing in the AI ecosystem. It might reduce the risk of failures or disappointments to individual companies periodically, rather than a dramatic, overall stock market collapse. I would be more worried if almost no one were talking about a potential AI bubble.

The AI bulls seem more guarded about their views for the most part. A lot of the bulls appear to be people heavily involved in the inner workings of AI, with a deep technical knowledge of what is going on.

They portray the view that the general investing public has a limited understanding of how profound and enduring the oncoming AI onslaught is going to be. They seem to be a smaller and less vocal but more knowledgeable group than the AI bears. That in itself, does not make the AI bears wrong!

I was working in the market in 1999 as the tech bubble was playing out. This was before the days of podcasts, social media and trading apps on pocket devices. However, it felt to me that the market was all-in on tech stocks back then. One did not hear many dissenting voices about investing in tech shares. The tech bears felt like a contrarian minority. It was mostly conservative, deep value investors who were sounding the alarm bells, and they were typically ostracised for their views. They did end up being correct and saved themselves and their clients from a tremendous amount of pain for a couple of years.

Figure 1: The 2025 share price performances of select big tech companies*Source: Anchor, LSEG Data & Analytics*

However, there was a sting in the tail. From the wreckage of the tech collapse starting from about 2002, arose generational opportunities to invest in tech stocks that have lasted over two decades. It is easy to identify these tech winners with the benefit of hindsight, but even owning just a couple of them over the long term has yielded outstanding returns. My point here is that avoiding the tech bubble of 1999 was only part of the story. The other arguably more important part of the story was to be ready to buy some winning tech companies and hold them for the very long term. Anecdotally, I feel that many investors who correctly avoided the tech bubble around 1999/2000 then missed the subsequent opportunity to invest in the generational tech companies that arose from the ashes of the tech collapse.

If nobody really knows how AI will unfold over the next three to five years, how does one invest in the AI theme? In my view, risk management is key. Do not be all in on AI, but also, do not be all out. The AI thesis is likely to be in a constant state of flux. Be flexible and keep an open mind, listening to both sides of the argument. Do not hold onto your views too rigidly. Narratives are shifting all the time.

Arguably, the most significant narrative shift this year has been Alphabet (Google's parent). Several prominent global tech investors, 12-18 months ago, felt that Alphabet was facing an almost existential threat from

OpenAI. Recently, the narrative has shifted to the threats that OpenAI faces from Alphabet! Suddenly, companies perceived to be over-indexed to the success of OpenAI are selling off after having previously been winners for the very same reasons. The world of AI will probably look completely different in 5 years than how we perceive it today. I also think focusing on big companies with decent balance sheets reduces risks a lot. Big companies with financial might and scale are going to be very difficult to compete against in the world of AI.

Another possibility is that the big, audacious AI bubble bursting that many AI bears expect may never happen. It could be contained to failures amongst individual AI-exposed stocks over time. So rather than making a top-down decision to "get out of AI exposure", investors should focus on stock selection while managing overall portfolio risk.

In conclusion, we start off our careers in financial markets by saying "I don't know" to just about everything because we lack experience. As we become more experienced, we feel compelled to have an answer for every question. Finally, you go back to admitting you don't know something when you don't know. So next time your favourite Anchor advisor or analyst answers your question with "I don't know", it may be the most insightful answer you hear. Sometimes it is okay or even better not to know.



Putting some eggs outside the US Basket

Written by:

Seleho Tsatsi, CFA

Investment Analyst

In this article, we examine the case for avoiding excessive concentration in US equities (not putting all your eggs in the US basket), thereby highlighting the risks of relying too heavily on a single market (over-concentration). We focus on three important considerations: current valuations, implied returns from those valuations, and prospective earnings growth rates. Together, these factors support a more diversified and measured allocation approach.

We begin with valuations. US equity market valuations are at historic highs. The S&P 500's current forward price-to-earnings (P/E) multiple of c. 22x has only been this high on two other occasions in the past thirty years. Those were the late 1990s, as the dot-com bubble gathered steam, and the 2020-2021 COVID-19 bull market. As shown in *Figure 2*, both periods were followed by meaningful market corrections. From 2000 to 2002, the S&P 500 declined by 49% peak-to-trough, and the index fell by a much-faster 25% over just ten months in 2022.

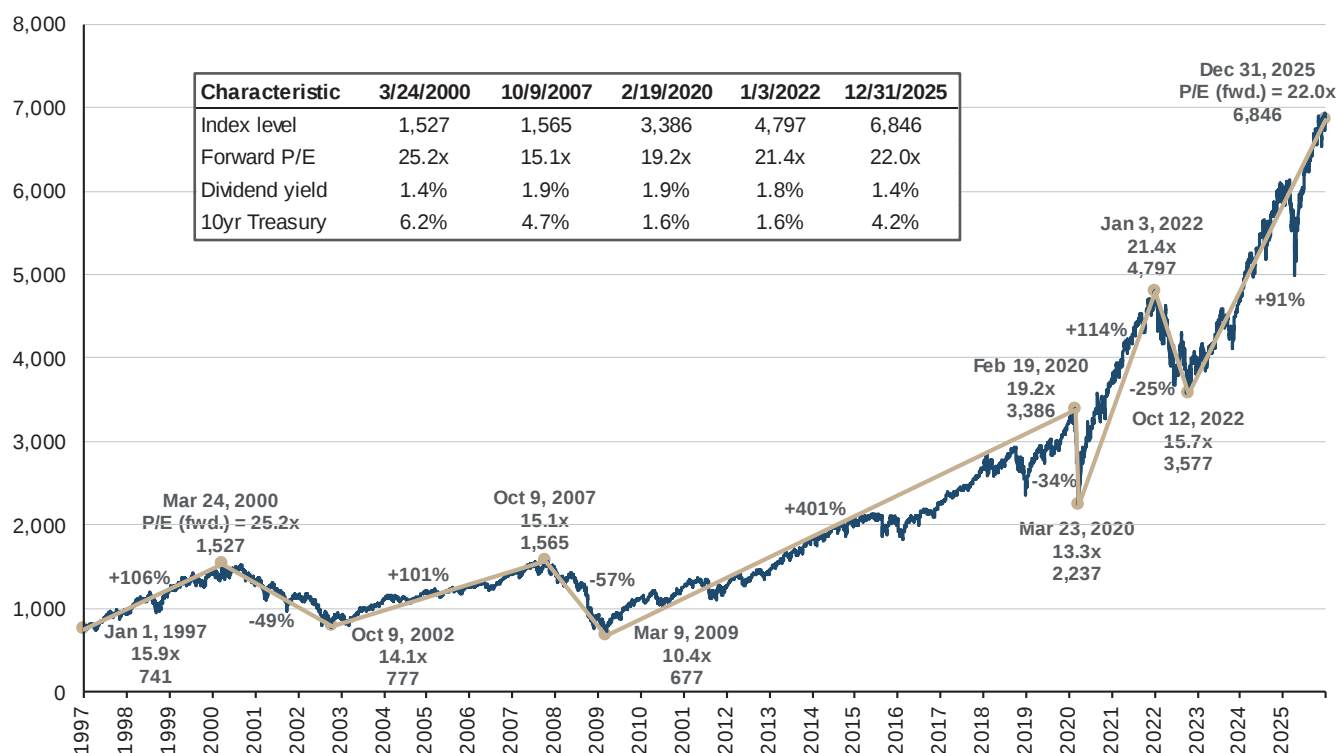
Figure 1: S&P 500 forward P/E ratio

Source: Anchor, Bloomberg



Figure 2: S&P 500 Index performance

Source: JP Morgan Asset Management



To be clear, high valuations are not reliable predictors of poor subsequent returns over the short term. As Figure 3 shows, subsequent one-year returns from similar valuation levels have ranged widely, from gains of c. 20% to losses of c. 40%. In other words, starting valuations, measured by the P/E multiple in this instance, offer little insight as an indicator of returns over the subsequent one year.

For ten-year subsequent returns, however, valuations become far more informative and are meaningfully more reliable predictors of subsequent returns. As illustrated in Figure 4, when forward P/E multiples have been at current levels in the past, subsequent S&P 500 ten-year returns have been very muted. In many instances, subsequent ten-year annualised returns have generally been negative or flat.

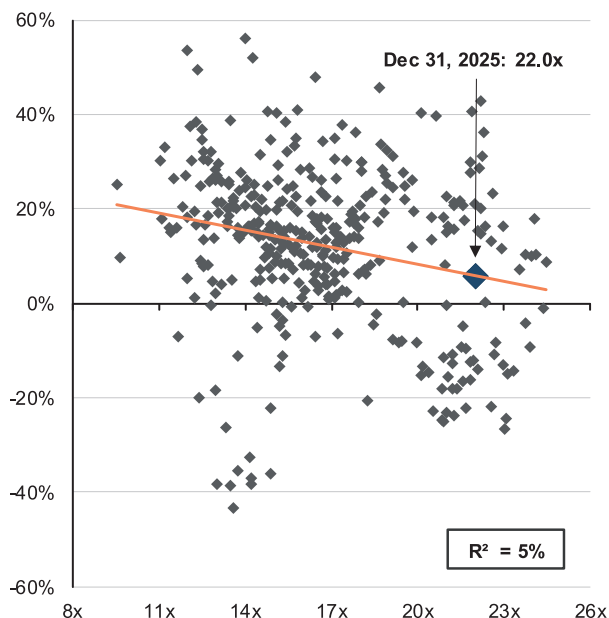
So, historical data suggest that US returns over the ensuing ten years are likely to be uninspiring at an index level. However, this does not necessarily imply that all US stocks will deliver such muted returns over the period. Instead, it suggests that index-level (such as the S&P 500) returns for US equities are likely to be modest over the next decade, even if select companies continue to generate robust returns.

We next turn to earnings growth rates, which have been a critical driver of US equity markets' outperformance over the past fifteen years. As illustrated in Figure 5, US returns have outperformed those of developed markets (DMs) ex-US meaningfully since c. 2010. Higher US earnings growth has been a major driver of that outperformance, with US earnings up nearly fivefold since 2010. US technology leadership over the past fifteen years across mobile, cloud, enterprise software and artificial intelligence (AI) has led to an explosion in earnings growth (Figure 6). By contrast, earnings growth in the rest of the world over the same timeframe was far more muted, failing even to double.

Interestingly, we may now be seeing that gap in relative earnings growth narrowing. Earnings expectations in emerging markets (EMs) have begun to improve, with consensus forecasts pointing to 18.1% earnings growth for EMs vs 14.0% for the US in 2026 (Figure 7). Whether this represents a cyclical rebound or a more structural shift remains to be seen. For now, it is one sign of a potentially improving investment opportunity set in EMs.

Figure 3: S&P 500 forward P/E and subsequent one-year returns

Source: J.P. Morgan Asset Management



*Dots represent monthly data points since 1988 (earliest available). The forward P/E ratio is the price to 12-month forward earnings, calculated using IBES earnings estimates. Past performance is not a reliable indicator of current and future results.

Figure 4: S&P 500 forward P/E and subsequent 10-year returns

Source: J.P. Morgan Asset Management

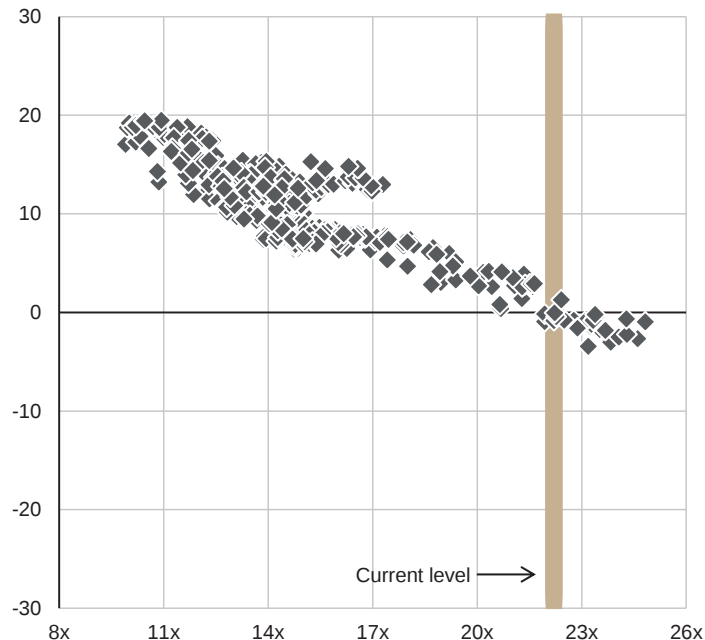


Figure 5: DM vs US equity markets performance

Source: J.P. Morgan Asset Management

International developed out/underperformance vs. U.S., MSCI EAFE, MSCI USA, DXY Index, total return, rolling 3-year ann.

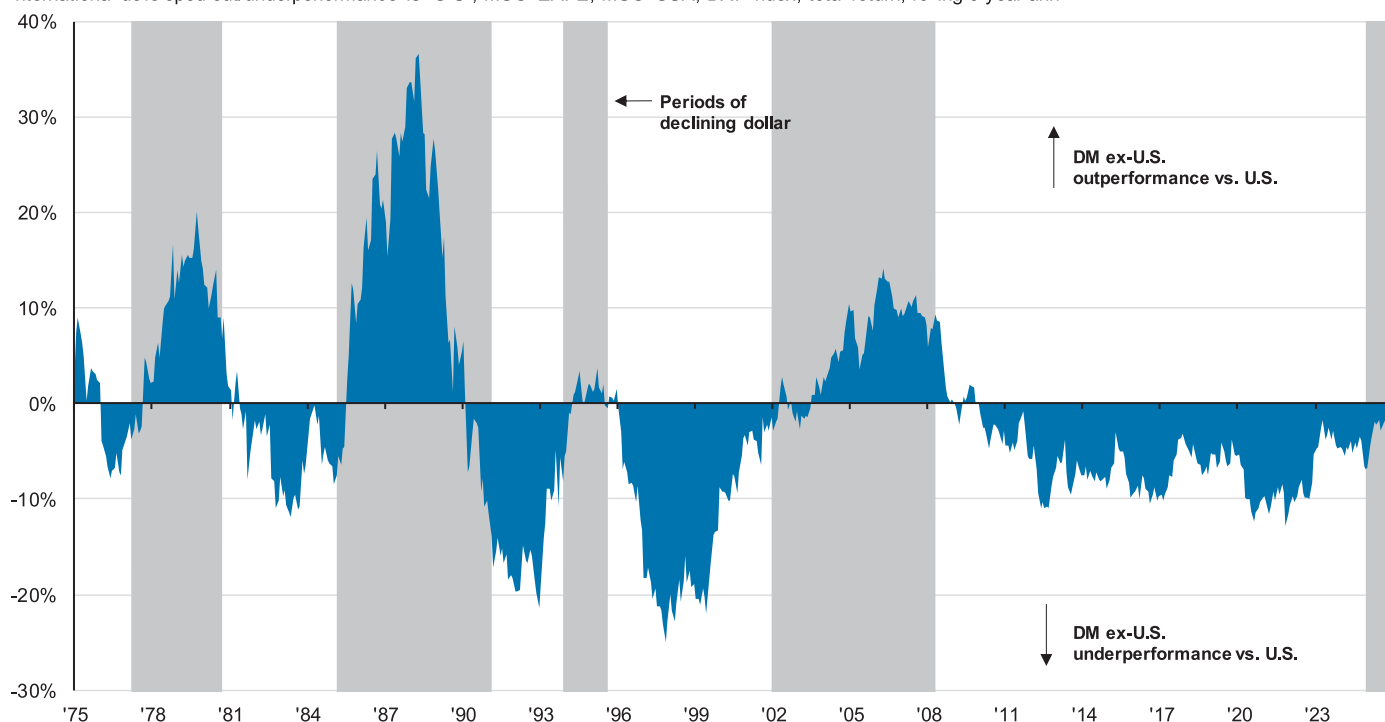
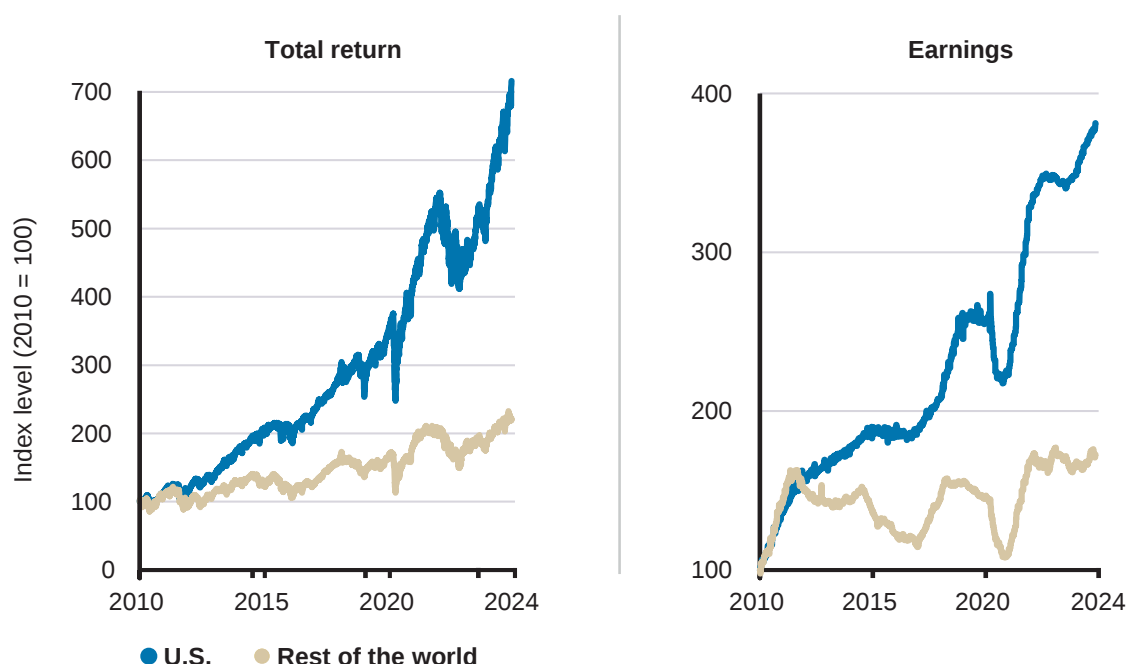
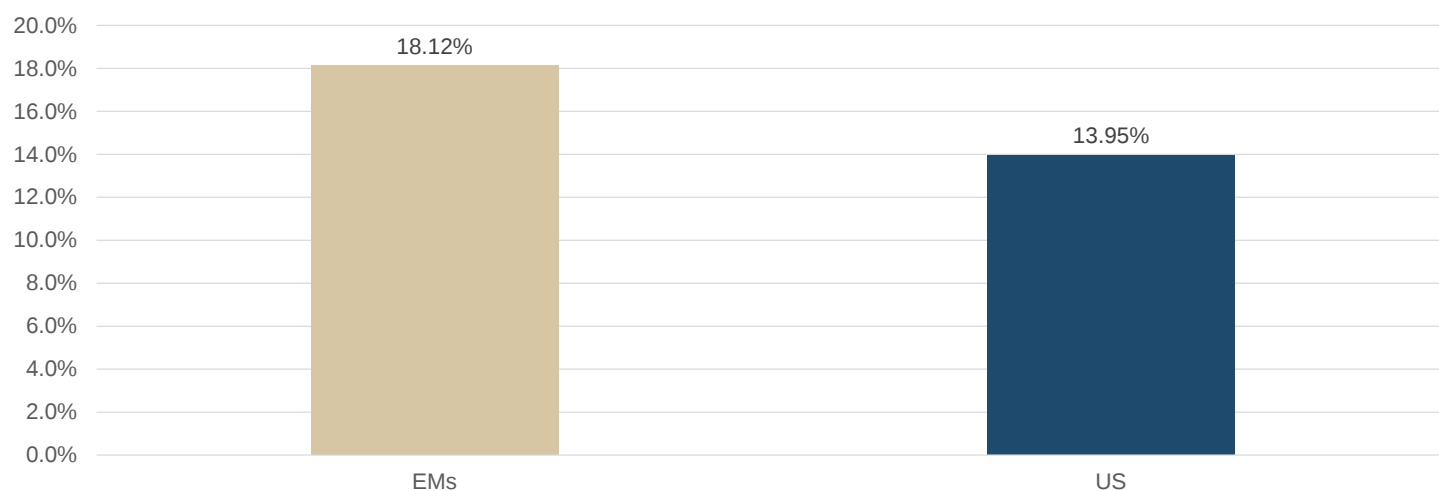


Figure 6: US equity returns and earnings vs the rest of the world, 2010-2024

Source: Blackrock

**Figure 7: 2026 consensus earnings growth forecasts for EMs vs the US, in US\$**

Source: Anchor, Bloomberg



The US has earned its outperformance vs the rest of the world since 2010, as the world came out of the global financial crisis (GFC). Strong earnings growth, driven by technology leadership, was the main driver of that outperformance. The starting point of a 14x forward P/E in 2010 also created a powerful environment for earnings expansion and a multiple re-rating over the subsequent fifteen years. Today's backdrop is different. Elevated valuations, muted long-term return prospects at an index level, and a potentially improving earnings outlook in other regions justify investors not going all in on the US.

This is not a call to avoid the US market. It remains home to many world-class businesses, and attractive stock-specific opportunities are likely to emerge both now and over the next few years. Instead, we argue that investors should not focus solely on the US. At this point in the cycle, a more diversified global allocation appears prudent as US index-level returns are likely to be modest over the next ten years. Exclusive reliance on US equities increases concentration risk, especially when long-term return expectations appear constrained. Anything is possible in the short term, as Figure 3 demonstrates, but the balance of evidence suggests that investors should avoid placing all their eggs in the US basket. Developed markets ex-US and EMs also deserve consideration.

The New Geography of Prosperity: Shifting Centres of Global Capital



Written by:
Casey Sprake
Economist



Global wealth continued to expand in 2024, with average wealth per person rising 4.6% YoY. As the *UBS Global Wealth Report 2025* underscores, however, the distribution of this wealth remains far from uniform across countries and regions. Average wealth is calculated by dividing total household wealth by the adult population; yet this metric can be distorted by extreme concentrations at the top of the wealth ladder. Even so, it remains a valuable starting point. By this measure, Switzerland again tops the global ranking with average wealth per adult of US\$687,166, followed closely by the US (US\$620,654) and Hong Kong (US\$601,195). Many of the highest-ranking nations are small but globally influential financial hubs, such as Hong Kong and Luxembourg. Notably, the US jumped from fourth place in 2023 to second place in 2024, reflecting the strong performance of financial markets and a stable US dollar.

Nonetheless, averages only tell part of the story. Median wealth (a more representative measure that identifies the midpoint of wealth distribution) offers more profound insight into inequality. Here, the gap between countries becomes more pronounced. The US, for example, ranks second globally in average wealth but slips to fifteenth in median wealth, reflecting its deep internal wealth disparities. By contrast, Luxembourg takes the lead in median wealth at US\$395,000 per adult, followed by Australia at US\$268,000. This contrast illustrates how wealth is distributed much more evenly in some countries than in others, despite similar headline averages.

Despite the disparities, the broader global picture reveals a world that has become steadily richer since the turn of the millennium.

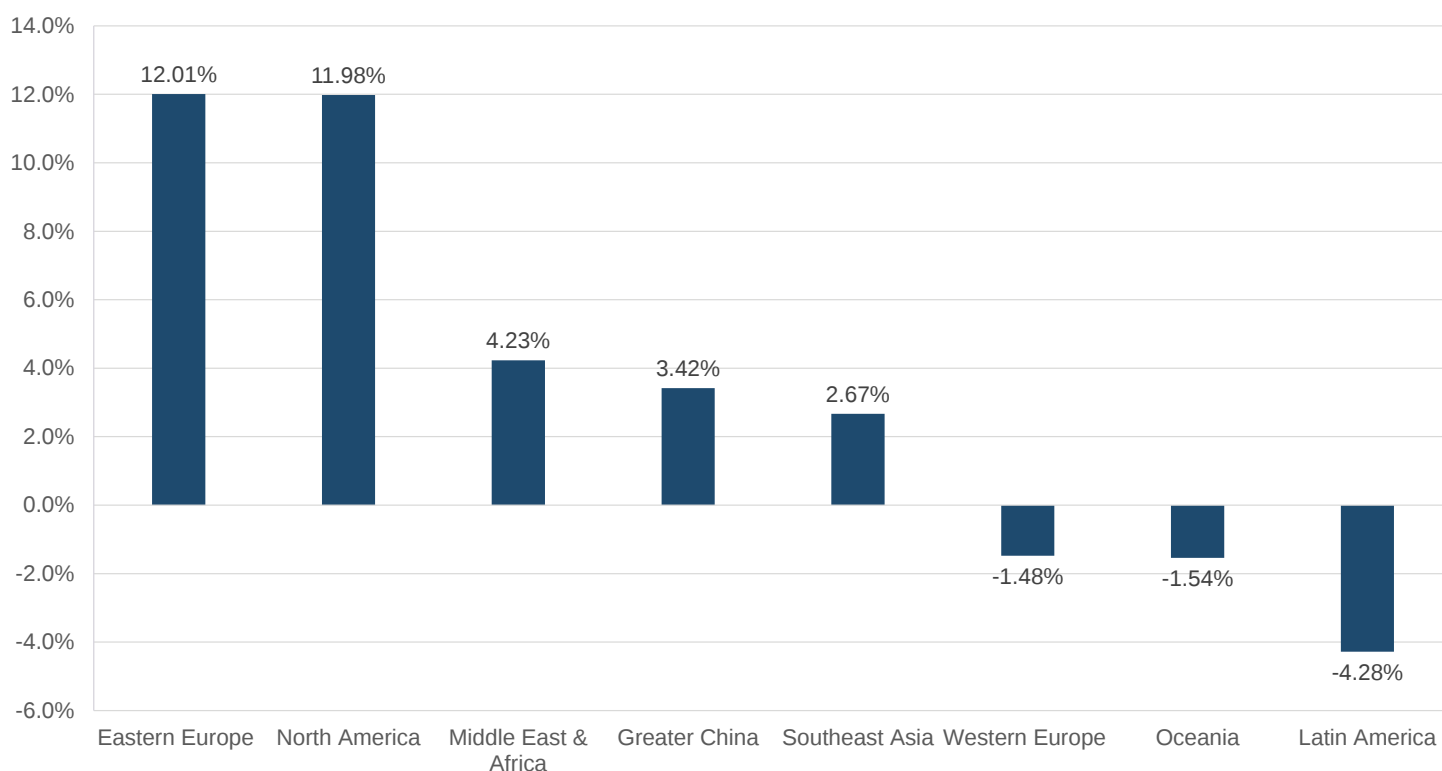
With a compound annual growth rate (CAGR) of 3.4% in real terms since 2000, wealth accumulation has shown remarkable resilience. Even after adjusting for inflation and debt, total wealth has consistently expanded, and the lowest wealth band (under US\$10,000) continues to shrink year after year. While growth momentum shifted from Europe, the Middle East, and Africa in 2023 to North America in 2024, the long-term trajectory remains one of steady expansion.

One of the most striking developments in the *UBS* report is the rise of the “Everyday Millionaires” or EMILLs – individuals with US\$1mn-US\$5mn in assets. Their numbers have more than quadrupled since 2000, reaching 52mn worldwide and collectively holding US\$107trn by the end of 2024, almost equal to the wealth of the world’s ultra-high-net-worth individuals (UHNWIs, those with over US\$5mn). While the pace of growth varies across regions, the upward trend is nearly universal, signalling the increasing prevalence of millionaires in societies once dominated by far lower wealth brackets.

The millionaire population continues to expand, with 680,000 new entrants added in 2024 alone – a 1.2% YoY increase. Türkiye recorded the fastest percentage increase, while the United Arab Emirates (UAE) also posted robust gains. In absolute terms, the US remains dominant, creating over 1,000 new millionaires per day last year, far outpacing Western Europe and Greater China combined. Mainland China also contributed significantly, adding c. 380 new millionaires daily. Looking forward, *UBS* projects that by 2029, another 5.3mn people will join the ranks of global millionaires, a nearly 9% increase from 2024.

Figure 1: Change in personal wealth 2023-2024 in US\$ terms, weighted by average population size

Source: UBS, Anchor



Yet measuring wealth is not without its challenges. Currency fluctuations can distort comparisons, while many countries still lack robust mechanisms for regularly capturing wealth data. In addition, individuals are often reluctant (or simply unable) to provide accurate valuations of key assets such as property. Subsequently, while wealth measurement may lack pinpoint precision, it remains invaluable for identifying broader trends and shifts in the global economy.

EMs: The quiet force behind shifting global wealth

While the *UBS Global Wealth Report* focuses primarily on household assets, demographics, and the rise of new wealth cohorts, an important complementary trend shaping global wealth dynamics is the growing macroeconomic resilience of EMs. This resilience has increasingly enabled households in developing economies to accumulate wealth more steadily across economic cycles, narrowing (though not eliminating) historical gaps with advanced economies.

Over the past decade and a half (spanning the global financial crisis [GFC], COVID-19, and the post-pandemic inflation surge), most EMs have shown a remarkable ability to withstand global risk-off shocks. While favourable external conditions (such as stronger US growth, supportive commodity prices, or accommodative global financial conditions) helped, the deeper transformation has come from the strengthening of EM policy frameworks.

These improvements have bolstered monetary-policy credibility, enhanced fiscal responsibility, reduced imbalances, and created more stable environments for saving and investment.

Monetary frameworks have advanced significantly: central banks are more insulated from fiscal pressures, inflation expectations are better anchored, and proactive tightening has helped to prevent persistent price surges. Many EMs also rely less on foreign-exchange intervention, as stronger macro fundamentals reduce the need for costly market operations. Fiscal frameworks have improved as well.

Whilst EMs still grapple with elevated debt-service costs, many have adopted more countercyclical policies and become more responsive to sustainability concerns. Macprudential tools have also helped reduce vulnerabilities from currency mismatches and excessive leverage- historical triggers for damaging capital-flight episodes.

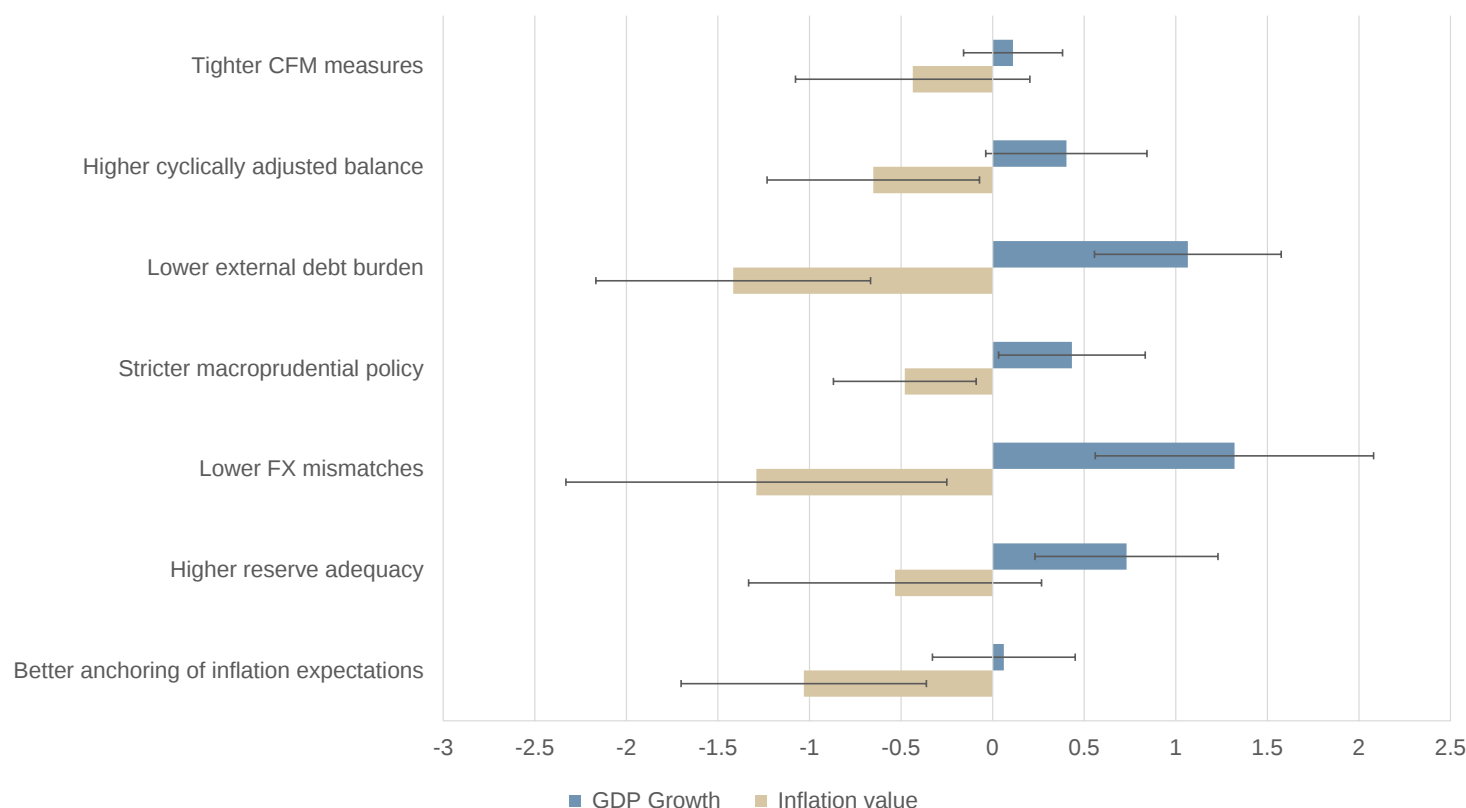
These institutional improvements have delivered quantifiable macroeconomic benefits. Comparing pre- and post-GFC risk-off episodes shows that stronger EM policy frameworks contributed roughly 0.5 ppts to higher growth and 0.6 ppts to lower inflation in the year after a global shock. Meanwhile, benign external conditions boosted growth but did little to curb inflation pressures- underscoring the importance of domestic policy credibility.

This relationship is clearly illustrated in *Figure 2* below, which shows that EMs with stronger policy fundamentals (such as lower FX mismatches, well-anchored inflation expectations, or higher reserve adequacy) experience much better economic outcomes after global shocks.

For example, a country with low FX mismatches (75th percentile) typically experiences around 1.3 pts higher growth than a country with high mismatches (25th percentile) during risk-off periods. Similarly, well-anchored inflation expectations significantly reduce post-shock inflation.

Figure 2: Policy determinants for stronger economic outcomes in EMs

Source: IMF, Anchor



In essence, EMs with stronger frameworks enjoy easier policy trade-offs, lower risks of capital flow reversal, and less need for emergency FX intervention. By contrast, EMs with weaker frameworks often face harsher consequences, including larger output losses, de-anchored inflation expectations, and steeper policy adjustments.

These developments matter profoundly for global wealth dynamics. As macroeconomic volatility declines and financial systems mature, more EM households have been able to accumulate durable assets, such as property, savings, pension contributions, and financial investments. This trend has contributed to the rise of middle-wealth cohorts in countries like Türkiye, Brazil, India, SA, and Indonesia. It has also supported the rapidly expanding millionaire populations in several EM regions, as economic cycles become less destabilising to household balance sheets.

Taken together, the evidence points to a clear conclusion: the world is getting progressively richer, but in uneven ways.

The widening gap between average and median wealth highlights stark and persistent inequality. The expanding pool of EMILLs reflects a world where middle-wealth cohorts are gaining ground even as UHNWIs retain vast concentration at the top. At the same time, the growing resilience of EMs- rooted not in luck but in stronger policy frameworks- has become an increasingly important force shaping global wealth creation.

With new millionaires emerging at a rapid pace and the most significant intergenerational transfer of wealth in history already underway, the global financial landscape is entering a period of profound transition. North America and China will remain the main engines of wealth creation, but the growing strength of EMs ensures they will play a far more influential role than in the past.

For policymakers, investors, and households alike, understanding these dynamics is crucial- not only for navigating today's wealth distribution but for preparing for the shifts of tomorrow.

Housing the Youth: Why under-35s are Locked out of Owning their First Home



Written by:
Ryan Lewarne
Wealth Management

Buying your first home has become increasingly challenging for young South Africans. While technology has made the world more connected and fast-moving, it has also contributed to higher living costs. Several structural and economic factors are now pushing the average age of first-time buyers in SA higher. According to *BetterBond's* 2025 data, the average first-time buyer is now 37 years old, compared to 33 just a few years ago.

The hidden locks: What is keeping under-35s out of their first property?

SA's youth face several proverbial locks on their front doors. The most pressing issue is the extraordinarily high youth unemployment levels, which have been steadily increasing over the past decade. This limits their earning power and delays their ability to enter the property market.

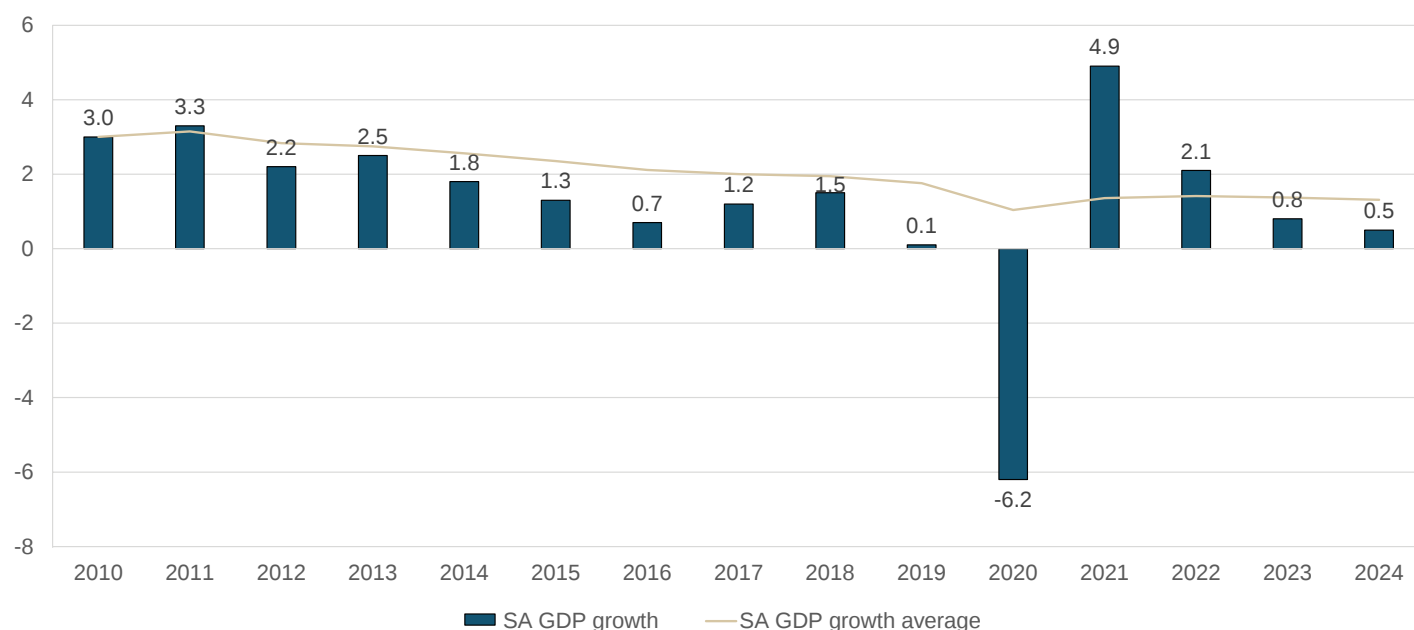
Looking at the latest trends within the South African labour force, as per Stats SA's 2Q25 *Quarterly Labour Force Survey (QLFS)*, the unemployment rate for those

between 15 and 24 years old is currently at 58.5%. This represents a concerning increase of 5.1% from 3Q01. Similarly, for the age band between 25-34 years old, unemployment was reported at 38.4% in 2Q25, from 34.4% in 3Q01. These trends reflect more than difficult job prospects – they also highlight the growing issue of SA youth being unable to support themselves as they transition into adulthood, materially impacting their ability to enter the property market.

The alarmingly high youth unemployment problem in SA is multifaceted, being both structural and cyclical in nature and driven by the country's poor economic performance. The domestic economy has not grown fast enough to reduce unemployment meaningfully. A helpful way to assess a country's economic performance and size is by examining its real gross domestic product (GDP). Strong real GDP growth typically indicates a healthy economy with rising employment levels. The economic rule of thumb is that real GDP needs to grow by 3%-plus YoY to enable sustained job creation. Over the past 14 years, SA's real GDP growth has averaged just 1.31% p.a.

Figure 1: SA GDP growth, YoY % change

Source: SARB, Anchor

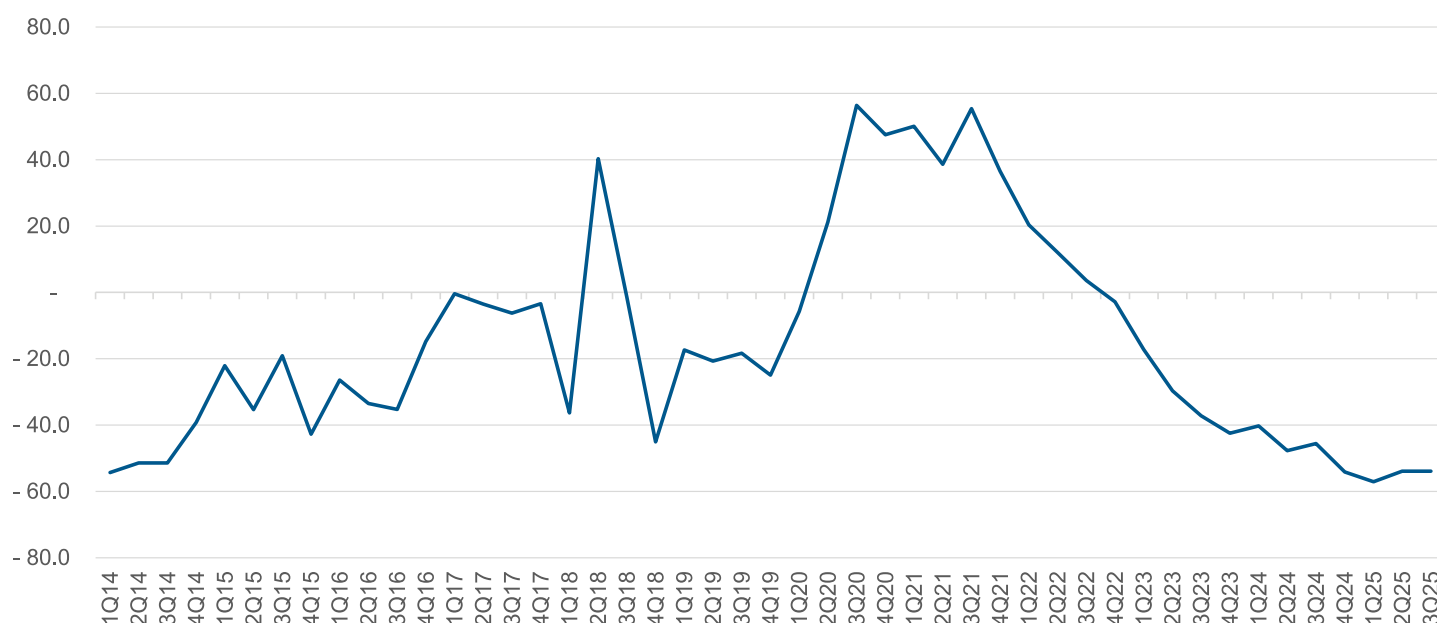


Naturally, SA's sluggish economic backdrop impacts even those who are employed. Real earnings power is also under pressure. According to *PayInc* (formerly *BankservAfrica*) data, which aims to represent the average net pay adjusted for inflation through surveying the average salary of c. 4mn South Africans,

from December 2011 to July 2025, real take-home pay declined by 7.04%. Household savings have barely improved over the past decade as consumers increasingly rely on debt to fill the gap left by the high cost of living and the subsequent decline of consumers' real purchasing power.

Figure 2: SA household savings, Rbn

Source: Reuters, Anchor



Since 2014, the average SA household saving rate has, for the most part, been negative and is currently only 0.78% above the saving value published in 2014. Due to rising living costs, low wages, and accessible credit,

the SA consumer is simply spending more than they earn, through the utilisation of debt or existing savings to supplement their lifestyles.



Beyond the bond: What under-35s are overlooking?

By outlining the key factors locking under-35s out of the property market, it becomes clear that several economic pressures weigh heavily on young buyers. However, for those fortunate enough to be able to afford to purchase their first home, this section presents a practical example of the often-overlooked costs beyond the monthly bond repayment. Using the example of a middle-income earner (c. R28,000/month) purchasing an estimated R1.4mn free-standing home, we note the following:

Initial upfront costs

- **Deposit:** The first step in purchasing a house usually involves a deposit. *RE/Max Southern Africa*, a leading property agent, states that an ideal deposit is usually 10%-20% of the seller's asking price. For the sake of this example, a 10% deposit is used. This would require the purchaser to save R140,000 for the initial deposit (we note that a seller does not always require a deposit). Additionally, some financial institutions can provide 100% bonds to assist first-time buyers, but this depends on the affordability assessment conducted by the relevant lender.
- **Bond registration fees:** The *Law Society of SA* published a guideline on 1 August 2025 relating to bond registration fees. Based on that, one would be required to outlay R32,240.25 (VAT inclusive) on a bond amount of R1.26mn. Note that the fees published serve as a mere guideline and should be negotiated when registering a bond, as some lawyers will charge above the published rates.

- **Credit life insurance:** The lender may require the borrower to take out additional credit life insurance - a policy which will ensure that the bond is paid should the lender not be able to pay due to death, disability or sometimes retrenchment. If required, the maximum amount that can be levied on this life insurance policy is R2 per R1,000 of the amount outstanding on the bond (as per the *Government Gazette* dated 9 February 2017). This means that the maximum premium on the credit life insurance policy would amount to R2,800/month.
- **Deeds Office registration:** The bond will thereafter have to be registered with the Deeds Office. The Deeds Office publishes the cost of registering the bond, which, in this example, will be an amount of R1,646.
- **Bank admin fees:** The final costs of the bond may be administrative costs levied by the financial institution processing the buyer's bond registration. This varies, but an assumed amount of R1,500 will be utilised.
- **Transfer duty:** Once the bond is registered and the sale is approved, the transfer will take place. This, too, comes with its own set of costs. Transfer duty will be levied on a sliding scale. In our example, transfer duty will be levied at 3% above the R1.21mn, resulting in an additional R5,700 being required.
- **Conveyancing attorney fees:** These fees (also calculated using a sliding scale) add further cash flow requirements. Conveyancing fees on a property of R1.4mn are c. R33,890.50 (VAT inclusive), further increasing the amount of funds required by the purchaser.
- **Deeds Office transfer fee:** Finally, the transfer will need to be registered with the Deeds Office, resulting in a further cost of R1,464 in our example.
- **Home inspection:** While optional, for a buyer's peace of mind, it is recommended that the property be inspected to aid in identifying any unforeseen issues with the property. On average, home inspections in SA cost between R2,000 and R5,000, depending on factors such as property size, age, inspection scope, etc. For this example, we will use the lower band of this range of R2,500.

See a summary in the table in *Figure 3* on the next page, showing the initial cash outlay for the stated example.

Figure 3: Initial cash outlay for our stated example

Source: Anchor

Description	Amount
Deposit	R140,000.00
Bond Registration Fee	R32,240.25
Bond Registration Fee Deeds Office	R1,646.00
Admin Fee - Bond Registration	R1,500.00
Transfer Duty	R5,700.00
Conveyancing Fees	R33,890.50
Transfer Fee - Deeds Office	R1,464.00
Home Inspection - Optional	R2,500.00
Total	R218,940.75

Now, once all the above is complete, and the initial cash outlay of R218,940.75 has been paid, you will begin paying down your bond. However, many first-time homebuyers often overlook the additional (or ongoing monthly) costs that come with owning a property.

These include:

- **Municipal rates and taxes:** You are required to pay rates to your local municipality, further decreasing your affordability monthly. The amount spent on rates varies substantially based on location and property size. It is crucial that all new entrants into the property market ensure that they can comfortably cover these costs alongside their bond repayment before even embarking on the purchasing journey, as this may have dire effects on the purchaser's future financial well-being.
- **Home and content insurance:** Insuring your home and its contents could save you significantly in the long run. Insurance on a R1.4mn house and its contents would cost more than R1,500/month, depending on the risk factors identified by the insurer.
- **Maintenance costs:** Another cost that first-time buyers often overlook is the maintenance of their new house. *Sotheby's International Realty* states that, if possible, one should set aside 1%-4% of one's home's value annually for maintenance. On the value of R1.4mn, this would then equate to between R14,000 and R56,000 p.a.

Combined with your monthly bond repayment and your regular monthly living expenses, these additional costs can materially change a buyer's financial picture from what they originally envisioned.

Nevertheless, despite the economic headwinds, homeownership remains achievable – albeit not as quickly or easily as in the case of previous generations. The key for first-time buyers is to:

- Make sure you have a clear, detailed financial plan enabling you to save for the initial cash outflow required.
- Through an effective budget, you can ensure that you can cover unforeseen costs and not just the monthly bond repayment.

With disciplined financial planning and a committed savings strategy, purchasing your first home is well within reach. While it may take longer than in previous generations, the goal remains entirely achievable for today's aspiring homeowners.

Exiting South Africa: Why leaving without emigrating can be costly



Written by:
Di Haiden
CEO: Robert Cowen Investments

Countless South Africans today have families spread across continents or are themselves living abroad. Over the December festive season, many families united and shared time together. Watching these crowds descend in their droves on SA's coastal towns made me wonder how many South Africans have just left and NOT formally emigrated. Often, these individuals departed as students or professionals, established lives overseas and never returned to live in SA. While this may be physically straightforward to do, technically it can carry material tax, exchange control and legal consequences if not properly managed!

In everyday parlance, emigration simply means leaving a country. In tax and legal contexts, however, emigration has specific implications — especially around residency, tax obligations, citizenship, and financial affairs. For many governments (including SA's), emigration intersects with how a person is counted for taxation, social benefits (not too relevant in SA) and legal status. Importantly, an individual's physical departure alone does not constitute emigration for South African tax purposes.

If you left SA without formally ceasing tax residency or if you did not use official channels to report your exit from SA and have not EMIGRATED, you are exposing yourself to all sorts of unexpected complications from a tax and exchange control perspective.

We have covered this topic before and indicated what the pitfalls are and why the official emigration process is essential if you have left and do not plan

to return to SA to live. It is not too late to emigrate if you left and did not formally emigrate, even if it was years ago. If this is the case, it is important to establish the exact circumstances involved before submitting documentation to the authorities in order to determine what the tax and exchange controls implications are going to be and whether penalties may apply.

What we thought would be beneficial is to provide you with a more structured overview of the process so that it is easier to understand what is involved. Emigrating is a life-changing decision that involves much more than booking a flight. It encompasses immigration paperwork, tax residency status, financial planning, and legal changes. While many choose to emigrate for safety, quality of life, economic opportunity, or for family reasons, the tax implications are significant — especially for South African tax residents.

Below, we provide a step-by-step guide to the emigration process and the considerations involved:

South African Emigration

Pre-decision and strategic planning (6–18 months before your departure)

Clarify your intention

- Confirm whether your move is temporary or permanent
- Decide whether you intend to cease your South African tax residency
- Identify your intended country of permanent residence

Intent is critical – the South African Revenue Service (SARS) assesses tax residency based on facts and circumstances, not solely on travel dates, although travel records and passport stamps are relevant.

Understand your tax residency status

- Are you ordinarily resident in SA?
- Do you qualify as a resident under the physical presence test?
- Depending on the jurisdiction you are moving to, it is important to review applicable Double Taxation Agreements (DTAs) with the destination country

Immigration and legal preparation

Immigration to the destination country

- Apply for the appropriate visa or residency permit (work, skilled visa, business/investor visa, family or partner visa)
- Understand the path to becoming a permanent resident and citizenship
- Familiarise yourself with tax residency rules in the destination country

South African citizenship considerations

- Apply to Home Affairs to retain your South African citizenship (if you intend to keep it) before acquiring foreign citizenship
- Confirm dual citizenship rules



Tax emigration and SARS compliance

Prepare for cessation of SA tax residency

- Gather required supporting documentation, including:
 - Passport and travel history
 - Proof of foreign residency (lease, utility bills, permits, etc.)
 - Foreign employment contract or visa
- Identify assets subject to exit (deemed disposal) tax, i.e. assets subject to capital gains tax (CGT). These can include:
 - Offshore investments
 - Shares
 - Unit trusts
 - Foreign property
- Note that certain assets are excluded, including:
 - South African immovable property
 - Specific retirement funds

Submit your SARS tax residency change

- Declare cessation of tax residency via SARS eFiling
- Submit all supporting documentation
- Await SARS confirmation of the cessation date and any exit tax assessment (if applicable)

Final South African tax return

- File a part-year tax return
 - Declare local income up to the exit date
 - Worldwide income up to the exit date
- Settle any CGT (exit tax) triggered by deemed disposal on emigrating

Financial and exchange control matters

Bank accounts and local investments

- Notify South African banks and investment providers of your change in tax residency
- Convert accounts to non-resident accounts, where required
- Review debit orders and credit facilities

Offshore transfers

- Confirm the eligibility of available allowances, including the R1mn single discretionary allowance (SDA) and the R10mn foreign investment allowance (FIA)
- Obtain tax clearance and bank approvals for large transfers, where applicable

Insurance and risk cover

- Review your life policies, disability cover and medical aid
- Determine whether these policies remain valid post-emigration
- Consider international health insurance

Property, estate and legal planning

Property in SA

- Decide whether to sell, rent out or retain your SA property as a non-resident
- Appoint a rental agent if applicable
- Understand non-resident CGT withholding tax on future sale

Estate planning

- Review and update your South African will
- Consider a separate will for offshore assets
- Review beneficiary nominations on policies, retirement funds and Investments
- Consider situs-based estate taxes in the destination country

Practical and administrative steps

Personal administration

- Cancel or transfer:
 - Utilities
 - Cellphone contracts
 - Subscriptions
- Notify:
 - Medical providers
 - Schools
 - Professional bodies

Records and documentation

- Keep certified copies of:
 - ID and passport
 - Tax returns and assessments
 - Proof of residency change
 - Immigration approval

Post-emigration compliance

Ongoing South African obligations (if any)

- Declare SA-source income (e.g. rentals)
- File non-resident tax returns if required
- Ensure withholding taxes are correctly applied

Destination country compliance

- Register with the local tax authority
- File an initial tax return
- Declare worldwide income where required
- Understand reporting obligations for offshore assets

Key risks to avoid

Below, we highlight important risks to avoid when exiting SA.

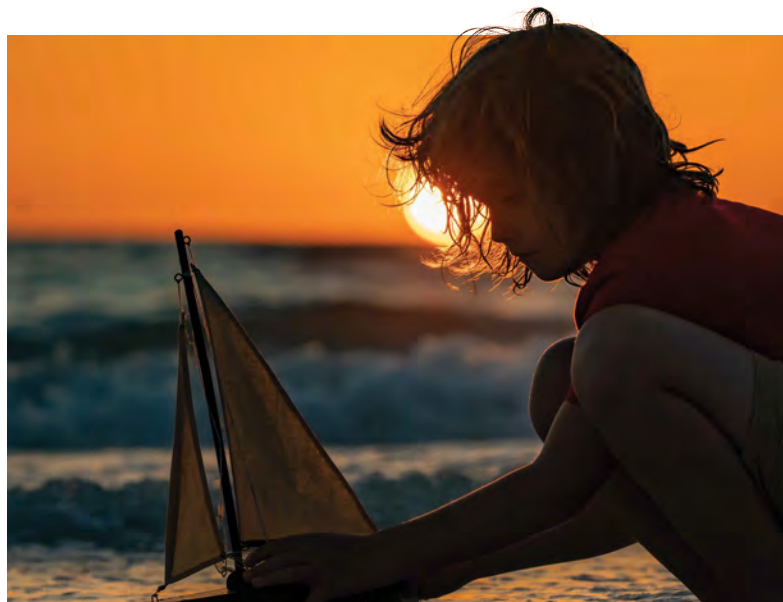
- Leaving SA without formally addressing tax residency
- Assuming physical departure equals tax emigration
- Poor timing that triggers unnecessary exit CGT
- Premature withdrawal of retirement funds
- Losing SA citizenship unintentionally
- Having assets or inheritances blocked due to non-compliance

Conclusion

Emigration from SA is not a single event, but a multi-year, structured process with lasting tax and legal consequences. The most costly mistakes typically arise from poor planning rather than deliberate non-compliance. Leaving SA without formalising your exit does not reduce the complexity – it merely postpones it, often at a much higher cost. If you have already left and not followed the official emigration process, it is not too late to do it now.

For those individuals who are planning to emigrate, it is essential to obtain the correct advice on SA tax, SA exchange control and immigration (the process in the country you are going to). If you have already left and have not yet formally emigrated, it is vitally important to establish your exit date and complete the process sooner rather than later.

Please contact us if you wish to discuss further by emailing Di Haiden (di@rcinv.co.za) or Aarthi Bikram (aarthi@rcinv.co.za) – we are more than happy to assist.



Disclaimer

This report and its contents are confidential, privileged and only for the information of the intended recipient. Anchor Capital (Pty) Ltd makes no representations or warranties in respect of this report or its content and will not be liable for any loss or damage of any nature arising from this report, the content thereof, your reliance thereon, its unauthorised use or any electronic viruses associated therewith. This report is proprietary to Anchor Capital (Pty) Ltd and you may not copy or distribute the report without the prior written consent of the authors.

Anchor Capital (Pty) Ltd (Reg no: 2009/002925/07).
An authorised Financial Services Provider; FSP no: 39834
anchorcapital.co.za | invest@anchorcapital.co.za

