Anβro
CAPITAL INVESTMENTS

AnBro Capital Investments
International ANCOMP Portfolio (USD)

"COMPOUNDING RETURNS FOR GLOBAL INVESTORS"

AnBro Capital
is a boutique asset management business

AnBro Capital Investments (Pty) is an authorized financial services provider. FSP 48371

creating time

INTRODUCTION

Since our inception in 2014, ***AnBro*** has dedicated itself to continually thinking out the box. We constantly look for ideas and opportunities which are truly unique in the investment universe. For too long clients have lacked the ability to get exposure to portfolios that are different. In many cases the overlap between asset managers is significant. Instead of offering a similar version of the same thing, we try to bring a fresh perspective and some variety to what clients see everywhere else on a daily basis.

Welcome to the **AnBro Dynamic Compound** Portfolio.
JSE Code: **AnComp**

We are in the fortunate and enviable position where we can literally scout the globe for investment ideas! From an excellent source of information flow, we aim to convert research into ideas and ideas into action. From our perspective we constantly ask ourselves, how can clients profit from such a rich source of idea flow.

BENCHMARK

- This portfolio is focused on investing in companies that generate and subsequently pay out large cash flows to investors in the form of high and growing dividends.
- As a result, we scan the globe for the highest quality, highest yielding companies we can find in the search for **Global Value and Income.**
- The appropriate benchmark should incorporate a universe of stocks that fit the same high cash distribution expectations. For our purposes we have chosen the Global X Super Dividend US ETF as the benchmark. **NYSE: DIV**

RISKS

- The portfolio is positioned as medium risk and should only be considered by investors that have the relevant risk appetite.
- **Market risk:** Markets rise and fall; the portfolio will always be exposed to markets.
- **Company risk:** By investing in a company there is always a risk the company can fail.
- **Interest rate risk**: High yielding investments are often compared to the Fixed Income or Bond Markets. During periods of rapidly changing interest rates a greater amount of volatility is possible.
- **Inflation rate risk:** A large portion of the portfolio is invested in real or fixed Assets. This generally provides an element of Inflation protection over the longer term. Short- and medium-term volatility can occur as a result of Market/Company and or Interest rate risk.

COMMENTARY

Introduction

Many people when planning for retirement worry about living off their investments in a way which doesn't accelerate the depletion of their savings and wealth.

One strategy is to ensure that your investments themselves generate significant cash flows. These cash flows if, extensive enough, can be used in multiple ways.

Firstly, during your accumulation or savings phase, these cash flows can be used for re-investment which allow for accelerated savings rates as the power of compounding kicks in. Over long periods of time, the effect of growing cash flows reinvested alongside rising share prices make for returns which can turn out to be quite breath-taking.

Secondly, during your retirement phase the reinvestment of cash flow can be halted and the actual flow of cash from your portfolio can be redirected to your bank account to cover living expenses. With enough time and compounding some people may find themselves in the envious position where cash flows earned can replace the salary or income foregone by moving into retirement, without touching the capital sum accumulated over their working lives.

What are you buying?
The primary aim of the **AnBro Dynamic Compound Portfolio (JSE Code: AnComp)** is to invest in companies that pay dividends which are higher than the average of the S&P500. The portfolio yield before costs is targeted as 4% or greater per annum in the currency of investment. These cash flows are then REINVESTED back into high yielding equities with the aim of compounding growth AND income.

Who is this aimed at?
This portfolio is aimed at long term investors that are interested in investments which generate and return significant amounts of cash flow via dividends, which can in turn be used for reinvestment and compounding over long periods of time.

Investment Process
We work hard and save hard, and we really look forward to the times we get to put our feet up and relax. However, the realisation that the 9-5 beckons is always with us. Whether you work for somebody or for yourself we are acutely aware of the fact that down time is limited and the requirement to get going again lingers over us. It's precisely for this reason that we save for retirement, hoping to accumulate sufficient savings which can see us through our golden years when we can no longer or chose not to work any further.

The search for passive income is oftentimes the bedrock of any retirement or savings strategy. 'Earning money while you sleep' is a very attractive proposition. Various strategies exist which allow investors to benefit from this and when reinvesting this passive income back into the strategy compounding accelerates at a pace which can be quite hard to believe.

Various investments exist which allow you to capture this cash flow.

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PORTFOLIO MANAGEMENT

The portfolio will actively invest in the various opportunities we see on a fairly regular basis across the asset classes we cover and track.

- This is a USD denominated portfolio.
- Opportunities are sourced around the globe

This is not and should not be compared to a passive investment portfolio.

FEES:

This fund charges a fee of 1.35% per annum + VAT

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Investment Options

- Some companies are created to simply distribute cash to their owners. Property owning companies or REITS fall into this category. Professional management teams manage companies that own vast portfolios of property across every conceivable sector in the economy. From shopping malls to data centres to hospitals and cell towers. Their purpose is to own, manage and run these portfolios and pay leftover cash to shareholders.
- Utility companies are allowed to make a fixed margin which allows them to cover their minimum costs and a fair amount of return for their efforts. This predictable reliable cash flow gives management teams strong line of sight into what is required to run the business and oftentimes the balance is paid over to shareholders as dividends.
- Infrastructure companies own assets which are usually critical to the orderly functioning of an economy. Things such as rail roads, airports, oil pipelines, solar farms and highways are examples of businesses that own and manage such assets. Their necessity-based existence makes them vital to the way society works and functions.
- Well run and managed businesses after reaching a certain size, scale or market dominance can find themselves in a position where they start generating more cash than they need to fund their growth ambitions. Often, they turn to returning cash to shareholders in such instances either via share buybacks, increased dividends, or both.
- Capital rich businesses use their reach, influence and reputation to fund or buy companies they see as offering value or a compelling investment return. They can do so with their own or investor capital where they earn either capital returns or fees for their efforts. Cash flows are strong and are used to compound the assets with surplus funds being returned to shareholders.
- When conditions are right some businesses prefer to raise growth capital or to refinance existing debt by the issue of preference shares. These shares are lower risk than equity, pay a yield which compensates you for forgoing the potential capital appreciation offered by ordinary shares and sometimes can be redeemed or even converted to ordinary shares at some point in the future.

How do we manage risk?

Risk is mitigated by searching for investments that fit the following criterion:

1. Staying power – these companies must have endured previous periods of market and economic turmoil and come out stronger at the end of it. Preference is given to companies that did not cut or cancel dividends during the GFC in 2007/2009 or during COVID19.
2. Management matters – high quality management teams with the right incentives and mindset are critical to success. Where possible skin in the game or significant management shareholdings are welcomed. Management track record and ratings are important.
3. Strong Balance sheets – Balance sheets need to be superior to average and must be able to endure the economic cycles that persist over time.
4. Margin of safety – Companies must offer a sufficient margin of safety at current prices relative to our or the markets perception of a fair intrinsic value.
5. Safety of Dividend – the return of cash is an important foundation of the investment thesis. Dividends must be easily funded from existing business operations and must not be at any obvious risk of being cut.

Conclusion

The AnBro Dynamic Compound portfolio aims to place capital in a well-diversified group of investments which offer high and growing investment or dividend income, with the intention of reinvesting the dividends to allow for accelerated compounding which can offer returns that exceed inflation over long periods of time.