Active and Passive

Working Together for Long-Term Wealth

The Case for a Blended Investment Approach

Prepared for Prospective Client | March 2026

LET'S START WITH THE TRUTH

Two perspectives that shape the investment conversation

THE DATA SAYS

Passive investing has outperformed the average active manager over most time periods. This is well-documented and largely driven by costs.

BUT MONEY IS PERSONAL

Investing is not purely rational. The role of an active manager extends beyond performance to include guidance, planning, and behavioural discipline.

The distinction is not between better or worse, but between exposure and decision-making.

Agenda

01
The Data Is Clear
What the evidence says about active vs passive performance

02
The Behaviour Gap
Why investor returns lag fund returns

03
Concentration and Market Risk
What 100% passive exposure actually means

04
Behaviour Across Market Conditions
How different approaches have navigated stress

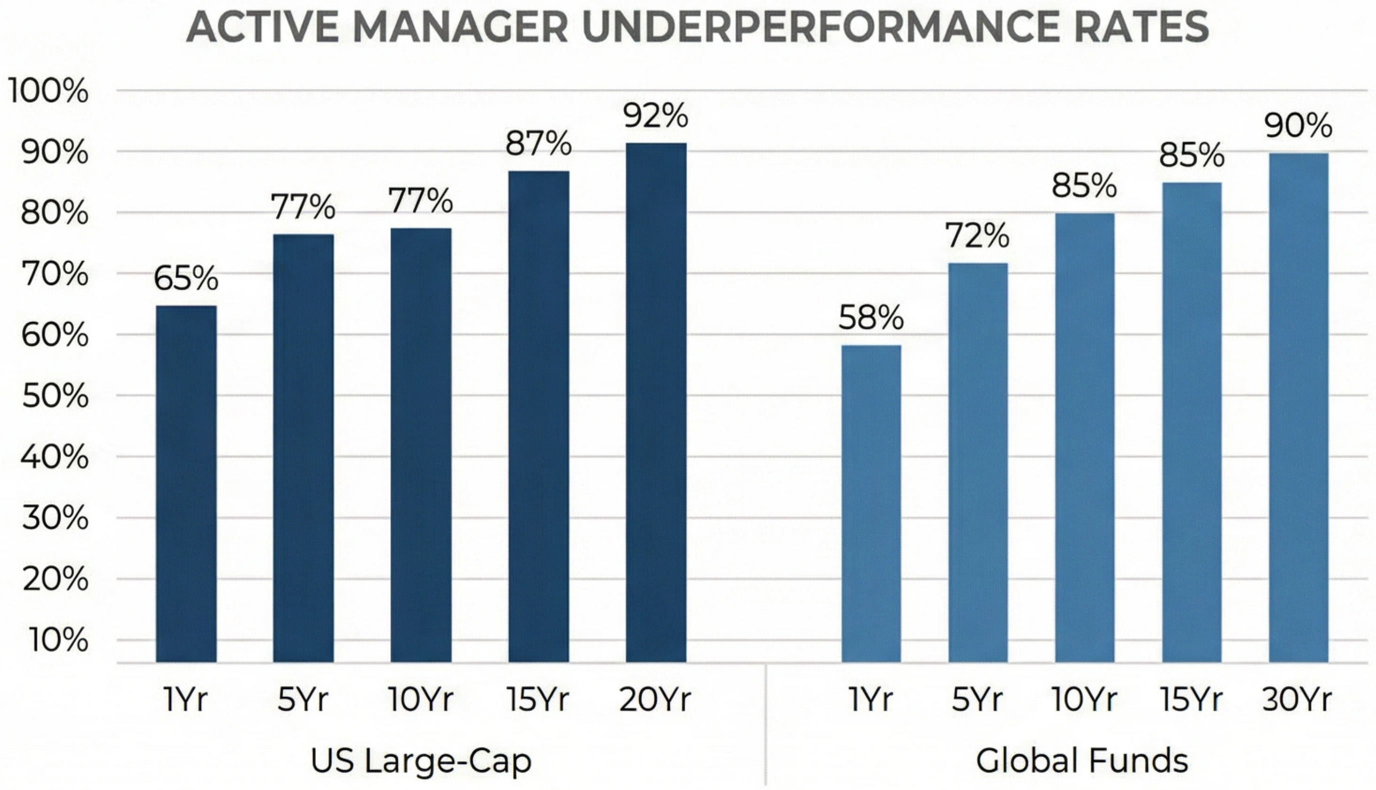
05
What Active Gives Beyond Returns
The value of advice, planning, and discipline

06
Regime Changes Ahead
Why flexibility may matter over the next 20 years

07
Illustrative Portfolio Approach
A blended structure designed for long-term outcomes

THE DATA IS CLEAR

Percentage of active managers underperforming their benchmark



THE REALITY

Most active managers underperform their benchmark after fees.

The longer the time horizon, the harder it becomes to justify active-only exposure.

Cost is the primary driver of underperformance.

Source: SPIVA U.S. Year-End 2025, S&P Dow Jones Indices

THE BEHAVIOUR GAP

Why investor returns consistently lag fund returns

The Return Gap

Average equity fund return (20 years):	~9.8% p.a.
Average equity investor return:	~6.6% p.a.
The gap:	~3.2% p.a.
Estimated value of professional advice:	1.0% to 3.0% p.a.

Why This Matters for You

- Emotional decisions during market stress are the primary destroyer of long-term wealth.
- Investors consistently buy high and sell low, driven by fear and greed.
- Professional guidance helps bridge this gap through discipline and structure.
- The cost of poor timing often exceeds the cost of advice.

Source: DALBAR QAIB 2025, Forbes, Vanguard Advisor's Alpha, Morningstar Mind the Gap

CONCENTRATION AND MARKET RISK

What 100% passive exposure actually means today

100% Passive Means:

- Over 30% of the S&P 500 is concentrated in just 7 stocks
- No ability to reduce exposure to overvalued sectors
- Full participation in every market decline
- No flexibility to hold cash during periods of elevated risk

Active Flexibility Allows:

- Reduce exposure levels to concentrated sectors
- Manage risk based on valuation and market conditions
- Hold cash or reduce exposure during periods of elevated risk
- Diversify across geographies based on investment conviction
- Access strategies not typically included in indices (e.g. hedge funds)

Passive reflects the market as it is. Active allows for decisions based on how the market is evolving.

Source: StarTribune, Anchor Capital

BEHAVIOUR ACROSS MARKET CONDITIONS

Illustrative periods showing how different approaches navigated stress. Not a direct performance comparison.

Period	S&P 500 (USD)	MSCI World (USD)	Anchor BCI Flex (ZAR)	What This Illustrates
2020 COVID Crash (Full Year)	+18.4%	+15.9%	+23.0%	Flexible mandate **allowed active positioning** during **recovery**
2022 Bear Market (Full Year)	-18.1%	-18.1%	-7.5%	Cash positioning provided a buffer not available in passive funds
1H 2025 (Jan to Jun)	-0.4%	+3.7%	+10.6%	**Geographic flexibility** allowed different positioning

Important: These periods are illustrative and not a complete performance history. Anchor BCI Worldwide Flexible Fund returns are measured in ZAR, while S&P 500 and MSCI World figures are in USD. The rand has depreciated against the dollar over this period, which flatters ZAR-denominated returns. These figures are not directly comparable due to differing mandates, currencies, and investment universes. The fund holds significant cash, which reduces drawdowns but limits upside in rising markets. Past performance is not indicative of future results.

Source: Anchor Capital, iShares MSCI World ETF, Slickcharts S&P 500

WHAT ACTIVE GIVES BEYOND RETURNS

Improving investor outcomes through discipline, planning, and guidance

Dimension	Passive (Self-Directed)	Active (Anchor Advised)
Market crash communication	None. You are alone	Proactive outreach and guidance
Decisions under stress	Emotional decisions made alone	Experienced guidance to help avoid costly mistakes
Tax efficiency (Sec 10B, CGT)	Not optimised	Actively managed for tax
Unexpected life events	ETF does not know you	A partner who understands your family's situation
Estate and succession planning	No adjustment	Integrated financial planning
Strategy changes	Fixed index weighting	Portfolio adapted as circumstances evolve
Alternatives (hedge funds, private equity)	Indexes exclude these entirely	Access to strategies for different market environments

Source: Vanguard Advisor's Alpha

REGIME CHANGES AHEAD

Over a 10 to 20 year horizon, market regimes will change. Flexibility can be valuable.

2008-09

Global Financial Crisis

Markets fell 50%+. Many investors sold at the bottom and never recovered their position.

2015-16

China Slowdown and Commodities

EM-heavy portfolios suffered. Flexible mandates could reduce exposure.

2020

COVID-19 Pandemic

Fastest 30% decline in history (22 days). Investors under stress often sold at the worst time.

2022

Inflation and Rate Hikes

Equities and bonds fell together. Traditional 60/40 passive portfolios offered no shelter.

2025

Trade Wars and Geopolitics

Policy-driven volatility (VIX spiked above 50). Different mandates navigated this differently.

Next 20 Yrs

Unknown Regime Changes

AI disruption, demographic shifts, climate events. A passive ETF follows the index regardless of environment.

Source: Anchor Capital, Slickcharts S&P 500, CBOE VIX

ILLUSTRATIVE PORTFOLIO APPROACH

The role of this structure is to balance efficient market exposure with disciplined decision-making over time.

MSCI World ETF / S&P 500 ETF

- Efficient, low-cost market exposure
- Captures broad global equity growth
- Tax-efficient buy-and-hold core
- Proven long-term performance track record

Anchor BCI Worldwide Flexible Fund

- Behavioural guidance and decision-making support
- Flexible cash positioning and risk management
- Access to alternatives beyond index constituents
- Human oversight for life changes and planning

Passive provides efficient market exposure. Active adds guidance, flexibility, and discipline. Together, they aim to improve long-term investor outcomes, not just fund returns.

The appropriate allocation will depend on your risk tolerance, investment horizon, and objectives.

ANCHOR

"Investing is not just about choosing funds, it is about making the right decisions consistently over time."

Our role is to help guide those decisions, particularly when markets are most challenging.

Duncan Bell | Wealth Manager | +27 (72) 456 0922 | dbell@anchorcapital.co.za | www.anchorcapital.co.za