ANCHOR
Investment Management

Bringing your vision into focus

In an era of rapid globalization and volatile financial markets, investors are presented with the difficult task of identifying investment opportunities from thousands of securities and financial products. Anchor Investment Management has combined the talents of leading equity and fixed income portfolio managers with advanced computer-assisted securities analysis. Anchor is located in Bermuda, the premiere offshore domicile, and specializes in offshore investment management services.

Anchor at a Glance

History: The Company was originally formed as the investment management division of CASE International Ltd. in 1986. CASE International Ltd. provided financial services to global financial institutions based on advanced computer graphics display technology (the C.A.S.E. Financial Research System). CASE International separated its financial service business from the investment management division in 1996 and the latter was renamed Anchor Investment Management Ltd.

Clients: Individual investors, pension funds, trusts, charitable organizations, insurance companies and other institutions.

Products: Segregated managed accounts for offshore investors.

Ownership: Privately owned.

Licensed Regulatory Institution: Anchor Investment Management Ltd. is licensed to conduct Investment Business by The Bermuda Monetary Authority.

Anchor's Background

Anchor Investment Management Ltd. established its reputation by providing innovative investment management services to high net-worth individuals. The company's disciplined approach to identifying under-valued securities requires an uncompromising commitment to integrity and sound principles.

Over the past three decades the managers at Anchor have earned the confidence and trust of offshore investors. The company offers comprehensive wealth management solutions that are based on time-tested financial disciplines. Superior client service is ingrained in every member of the organization. The Anchor investment team seeks to produce consistent and superior portfolio performance in constantly changing financial markets.

Today, Anchor offers a compelling combination of experience, innovation, service and performance that makes it the choice for both individual and institutional offshore investors. Without the distractions and conflicts of large financial conglomerates, Anchor focuses on delivering a full range of multi-currency investment portfolio choices.

A Tradition of Excellence

The principals at Anchor firmly believe that nothing can replace the judgment of front-ranked investment professionals who have access to the money management industry's finest and most sophisticated research resources. The complexity of today's marketplace makes seasoned investment advisors essential to long-term financial performance.

Anchor's portfolio managers access information through the Anchor Research System, applying advanced computer graphics technology to the securities screening process. Their research systems seek a balance between fundamental, quantitative and qualitative disciplines as a means to create superior investment performance over the long-term. The investment decision process is based on a team approach, rather than individual opinions. Anchor believes that combining proprietary research technology with a talented team of investment managers produces the best results for their clients.

Anchor's dedicated investment advisors provide personalized financial advice specifically designed to maximize returns while protecting the safety of the client's principal. Each client receives an individually managed and independently structured portfolio based on the clients' stated investment objectives and guidelines.

Distinguishing Characteristics

Anchor Investment Management Ltd. is differentiated from other investment management organizations by superior research, outstanding service, skilled professionals and global alliances.

- Individually managed portfolios using the proprietary Anchor Research System and a versatile investment approach.
- Offering personalized financial services with client-specific portfolio management.
- A first-class team of seasoned professionals delivering sound judgment with insight and integrity.

Global Alliances

Anchor Investment Management has formed trading, research and custodial alliances with some of the world's largest investment firms. These relationships give Anchor access to vast global resources and leading institutional research. Combining this traditional research with its proprietary research system allows Anchor's portfolio managers to evaluate potential investment opportunities more comprehensively and with more insight.

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Why Segregated Portfolio Management?

Anchor's clients are offered customized segregated portfolios built around their specific risk and return requirements. The advantages of this approach include:

- Flexibility to meet each client's needs by building portfolios tailored to specific investment risk and reward criteria.
- Investment decisions dictated by the portfolio manager, rather than mutual fund cash flows that can handicap mutual fund performance.
- Anchor is compensated for making the client's assets grow and is not commission driven, as is the case of a traditional brokerage account.
- **Fees Impact Performance:** Anchor has an efficient and cost effective fee-based approach that avoids mutual fund transaction, management and administration fees.

Asset Allocation

The investment process begins with a careful evaluation of each client's unique risk and return requirements. Asset Allocation is an important part of your investment decision:

- Diversification using different asset classes will impact the liquidity, volatility and total return of your portfolio.
- Anchor managers take a Global Approach to enhance risk-adjusted returns.
- History has shown that a diversified portfolio of equities added to a fixed income portfolio enhances the risk-adjusted returns relative to a fixed income only strategy.
- Every Anchor client completes a Portfolio Allocation Scoring System (PASS) in order to determine the appropriate investment objective and asset allocation

The Anchor portfolios are diversified by the following categories:

1. Asset Class
2. Economic Sector
3. Industry
4. Geograpical Location
5. Company Size
6. Specific Holdings

Equity Strategy
(Three-pronged Investment Approach)

Top/Down Macro-Analysis

- Macro-Economics
- Sector Rotation
- Industry Trends
- Political Changes
- External Factors

Proprietary Macro Approach

Anchor's Equity Strategy identifies the five most important Top/Down Factors that impact investment performance. The process begins with unique macro-economic models that identify global trends. The research team then identifies economic sector and specific industry rotation. They also determine whether political changes are hindering or helping the free market process. Finally the research team establishes whether if there are any external environmental factors influencing their investment decision, such as accounting transparency and market liquidity.

Quantitative Disciplines

- Valuation Models
- Growth Models
- Free Cash Flow
- Dividend Discount
- Asset Valuation
- Environmental Factors

Advanced Quantitative Disciplines

Stocks are ranked based on 32 quantitative models, in order to fully investigate their fundamental value. Absolute and relative valuation models are based on current and projected Earnings, Revenues, EBITDA, Book Value, Cash Flow and Free Cash Flow. Historic and projected growth rates are compared to valuation metrics.

Earnings quality analysis is performed using Free Cash Flow/Earnings comparisons. Dividend Discount and Asset Valuation Models are used to project investment returns. Insider Activity, Institutional Money Flow and Market Rotation Models are also incorporated to enhance returns.

Portfolio Selection

- Stock Selection
- Risk Management
- Alpha/Beta Analysis
- Diversification
  - Market-Cap
  - Geographic
  - Sector
  - Industry
  - Security
- Restricted Investments

Portfolio Selection and Composition

The portfolio managers work with the research team to select top-rated securities that both meet the client's asset allocation requirement and risk profile. Stocks are constantly ranked based on a decile ranking system through the 32 Anchor quantitative models. Risk Management and Alpha/Beta Analysis are conducted to ensure that the portfolio is correctly constructed to produce optimized, risk-adjusted returns. The portfolio managers seek to reduce the risk inherent in the equity holdings by diversifying based on Market Capitalization, Geographic, Sector, Industry and Individual Security concentration. Furthermore, they eliminate any restricted investments from the security holdings. Once the portfolio is constructed, the team constantly monitors and adjusts the holdings based on the diversification metrics and security ranking system.

Fixed Income Strategy

(Four-pronged Investment Approach)

Macro-Economic Analysis

- **Macro-Economics**
  - Interest Rate Analysis
  - Inflation and Interest Rate Projections
  - Regional and Country Specific Economics Trends
  - Currency Rankings

Anchor's Macro Approach

Anchor's Fixed Income Strategy involves a detailed macro-economic analysis that forecasts interest rate movements and default rates. It begins with the key variables that determine interest rate trends, including: GDP Growth Rates, Current Account and Budget Balances, Fiscal and Monetary Stimulus, Employment Levels and Inflation. Macro models then drive inflation and interest rate forecasts. Regional and Country specific trends are analyzed to determine appropriate interest rate spreads. Specific currencies are ranked based on quantitative and fundamental analysis and interest rate differentials.

Sector Relative Rankings

- **Risk Premiums**
  - Government versus Corporate Credits
  - Historical Premiums
- **Risk Premiums**
  - Duration & Convexity Optimization

Is it worth the risk?

The research team first determines the most fundamental question: "Is the client being paid enough for the risk of a specific class of investments?" They analyze historical risk premiums for each sector of the market and then determine, based on macro-economic models, whether current premiums are attractive. The macro models are also incorporated into yield curve analysis, in order to optimize the portfolio's duration and convexity. The team determines the most attractive duration for each sector and then create an optimized duration and convexity for the entire portfolio.

Credit Analysis

- **Valuation Models**
  - Fundamental Approach
  - 32 Quantitative Models
  - 15 Credit Models
- **Absolute and Relative Yield Analysis**
- **Security Convexity**

A Fundamental Approach to selecting Fixed Income Securities

If the managers determine that corporate credits are attractive based on their macro economic and sector analysis, then a fundamental approach is used to determine the valuation of specific issues. They incorporate a combination of the 32 quantitative models used in their equity valuation methodology (see Equity Strategy), along with 15 corporate credit models. These include interest coverage and interest burden ratios, downside risk scenarios and economic sensitivity analysis. They conduct absolute and relative yield comparisons to determine whether the security fundamentals support the yield premium and determine if the security convexity is appropriate based on the research team's macro views.

Portfolio Selection

- **Client Alpha Objectives**
  - Risk parameters
  - Credit Rating
  - Duration
  - Currency
  - Sectors
- **Diversification**
  - Sector
  - Geographic
  - Industry
  - Security
- **Laddered Approach**
- **Risk Management**

Client Specific Approach to Portfolio Composition

The portfolio managers are responsible for tailoring the fixed income portfolio to the specific risk and return objectives of the client. Alpha objectives are based on the client's income requirement, credit rating and duration restrictions, currency limitations and sector allocation. Specific sector weightings and individual holdings are based on the macro-economic analysis, sector relative rankings and the fundamental valuation of each individual issue.

They seek to reduce risk by diversifying based on Sector, Geographical Location, Industry and Individual Security concentration. Usually, the portfolio holdings are laddered to reduce interest rate risk over time and take advantage of the typical upward sloping yield curve. The portfolio is constantly monitored using risk management techniques to ensure that the portfolio is correctly constructed to produce optimized risk-adjusted returns.

Anchor offers a compelling combination of experience, innovation, service and performance that makes it the choice for both individual and institutional clients.

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