AnBro
CAPITAL INVESTMENTS

AnBro Capital Investments
International Unicorn Portfolio (USD)

"A **unicorn** is a privately held start-up **company** valued at over $1 billion. The term was coined in 2013 by venture capitalist Aileen Lee, choosing the mythical animal to represent the statistical rarity of such successful ventures"

AnBro Capital
is a boutique asset management business

AnBro Capital (Pty) is an authorised financial services provider. FSP: 48371

creating time

INDEX

AnBro
CAPITAL INVESTMENTS

AnBro Capital Investments
International Unicorn Portfolio (USD)

The UNICORN portfolio is a diverse investment portfolio made up of high growth companies which are mostly smaller by nature (market cap of below $25bn), have higher growth opportunities and long runways to grow at above average rates.

INTRODUCTION

Since our inception in 2014 ***AnBro*** has dedicated itself to continually trying to think out the box. We constantly look for long term investment ideas that have lots of promise and large runways for growth over many, many years. We are in the fortunate and enviable position where we can literally scout the globe for such investment ideas and boy have we found a few crackerjack ones! Our access to world class research and analysts have allowed us to identify some of these companies, understand them better, constantly learn about them, how they are evolving, how the world is changing, how we need to adapt to these changes and perhaps most importantly from a client perspective, how to profit from them!

WELCOME

Many companies start as an idea, develop into a business and then list on global stock exchanges to continue their growth profile. More often than not these days, stock exchange listings don't occur for quite some time, this is because venture capitalist funds keen to get in on the action before such listings take place, pour money into these ventures in the hope of turning a 'relatively small' investment in many different opportunities into vast fortunes. The risk is certainly worth the return, let's look at an example:

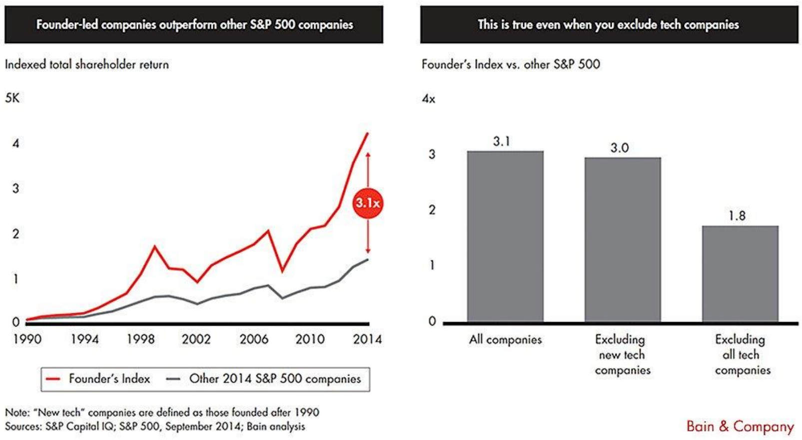
Facebook received its first outside investment from Peter Thiel (president of Clarium Capital) in 2004. The sum was $500 000 in exchange for 10.2% of the company. In 2005 after Facebook was on the verge of signing up its 6 millionth user, Thiel along with Accel Partners invested another $12.7m into the company! At that point the implied value of Facebook was $87.5m. Fast forward a few months to 2006 and Facebook reportedly rejected a bid by Yahoo for $1bn. As per the definition, Facebook had become a UNICORN!

COMMENTARY

Although listing a company by no means guarantees its success, you could make the argument that by the time a listing takes place the risk of failure has reduced considerably. In fact, a listing helps us by delivering a very important screening process if you will. We never see the 100's of companies that fail in the background, but we do get the opportunity to jump on board a company that has 'made it' through the venture cap process. By implication, because it's made it through, we in theory are taking on less risk than the venture capitalist investors took on at the start.

When we invest in companies here at ***AnBro*** we consider ourselves as part-owners of a business. So, who are we partnering with when we do this? First and foremost the answer is MANAGEMENT. We need to ensure that we are aligned with the many management teams we join with by buying shares in their businesses. How do we do this? Well we need to make absolutely sure that founders and managers have the same characteristics we have.

A long-term view, a high level of ethics and integrity, trustworthiness, support and backing of staff, compensation levels that are fair but not excessive and a level of control that allows them to exercise their vision. These are a few examples. Sure, a lot of this is subjective and 'soft' but via various means you can dig this information out. For example, Glassdoor rates CEO's (by staff). Company presentations allow you to see management ability to interact. Q&A with management gives you a sense of personality and likeability. Lastly, we also want management (founders in particular) to be actively involved in the daily running of the business and they need to hold a substantial shareholding in the company too. We win if they win. Their interests are aligned with ours, our success is joined to their success. Having founders at the helm is a crucial part of the investment philosophy. Founders by nature do right by the business first, for the long term. They aim for long run wins at the expense of short-term gains. Amazon, Facebook, Apple & Microsoft are a few classic examples of this thinking.



Bain & Company also found that from 1990 to 2014, founder led companies produced roughly 3 times the return than other S&P 500 companies. We want to invest in companies that make the world better. ***https://goo.gl/cwJwug***

RISKS

> **Market risk:** Markets rise and fall. If they fall this portfolio will fall
> **Equity risk:** Shares can sometimes fall when other asset classes do not (for example: bonds & property)
> **Company risk:** By investing in a company there is always a risk the company can fail.

PORTFOLIO PROTECTION

> We diversify…A LOT
> When this portfolio kicks off at the end of November we will invest in at least 40 companies which fit our profile
> We will also put equal amounts of money into each investment
> We invest in tranches, not all at once. This allows us to use our cash balance to add to winners AND to bring new companies into the portfolio
> Because we invest for the long term (minimum 5 years) the volatility that this portfolio is subject too will naturally reduce over time

AnBro CAPITAL INVESTMENTS

AnBro Capital Investments
International Unicorn Portfolio (USD)

PORTFOLIO MANAGEMENT

The portfolio is equally weighted from the start. That is, each of our ideas get the same cash allocation on day one. Naturally over time some companies will do better than others and so the weightings will distort as one may double in value, while another may halve in value. We will hold each stock for a minimum of five years even if its short-term performance is poor (a company's success or failure isn't defined by a calendar year or a specific 'defined' time period. To see true success, management must be given time to execute their strategy). Portfolio churn will be minimal, that is not a lot of buying and selling or "Trading" will take place. This keeps costs low. As time progresses and clear winners begin emerging we may buy more of our winners. We will let our winners run and only consider selling any investment if it exceeds 15% of the overall portfolio value over time or if a sudden and fundamental change in the company or its prospects warrant it.

PORTFOLIO OPPORTUNITIES

This portfolio is actively looking for disruptors. Entrepreneurs that are trying to change the world by changing the way an old industry functions or creating a new industry altogether. By doing this its often very difficult to quantify the initial size of an industry initially (Netflix for example created a market for streaming entertainment/movies/series and over a few short years an industry initially worth zero is now worth billions of dollars and still growing rapidly). Tesla is changing/disrupting the vehicle manufacturing industry just like the Model T disrupted the horse and cart a 100 years earlier and blazing a trail across the globe as a result.

- This is a USD denominated portfolio, listed on the JSE Code: **UABCPA**
- Although you buy in ZAR you invest in USD
- For a relatively small sum you can buy an entire portfolio of next generation companies
- These companies are growing rapidly, far faster than Global GDP

They should also be 'recession resistant' by virtue of their disruptor status. The company's size relative to the opportunity it is pursuing should open it up to a market many times bigger than it currently is.

PORTFOLIO PERFORMANCE

In the very short term, this portfolio can be exceptionally volatile. In down markets it may fall by more than the market. In up markets, it should rise faster than the overall market.

Over our investment time horizon (minimum 5 years) we would expect this portfolio to be significantly higher than its starting value (this cannot be guaranteed of course!). The market opportunities out there cater to this quite nicely.

Most of the performance is likely to come from only a few of the names we invest in. We expect the PARETO PRINCIPLE or 80/20 rule to apply here. That is 80% of the return is likely to come from 20% of the investments. Its precisely for this reason that we wont sell losers (today's loser could become tomorrows winner) AND that we will allow our winners to run and only consider making any position smaller if it becomes so large in the portfolio that the risk of its size outweighs the potential future returns.

Furthermore, I'd be bold enough to suggest that the future return dispersion may look something like this:

- 15% of investments will not make us any money, in fact we will likely lose
- 15% of investments make us money, but we don't get to exploit their full potential because they are delisted/purchased by another company
- 50% of investments will make us money. Maybe not a fortune, but something along inflation like returns
- 20% make us an enormous amount of money and drive the performance of the entire portfolio

Because we don't know which of the **universe** we invest in today, will be the winners in 10 years from now, it's important to buy all and hold all the stocks for the entire investment period.

AnBro
CAPITAL INVESTMENTS

AnBro Capital Investments
International Unicorn Portfolio (USD)

GET IN **TOUCH**
for more information

CONTACT DETAILS

Telephone Number:

+27 (011) 064 1600

Fax Number:

+27 (011) 064 1601

PHYSICAL ADDRESS

AnBro Capital Investments
XstraSpace
140a Kelvin Drive
Morningside Manor
Sandton, 2196

INQUIRIES

Investor Info:

info@anbro.co.za

Press Inquiries:

press@anbro.co.za

GENERAL Q & A

Q *How long should I invest for?*
A Do not consider this investment if your time horizon is less than 5 years.

Q *How do I invest?*
A You can purchase the investment on the **JSE SHARE CODE: UABCPA** either via your existing share portfolio/brokerage account OR by opening an account directly with ***AnBro* Capital Investments (AnBro)** www.anbro.co.za / info@anbro.co.za.

Q *What is the minimum investment amount?*
A When investing on the JSE, the price of 1 unit is the minimum investment. (For efficiency purposes please take trading costs into account. Make sure brokerage fees aren't more than 1% of the total investment amount). Investing directly offshore via ***AnBro*** would require a minimum investment of $100 000.00. In this instance you will own the actual shares and not the listed UNIT.

Q *What should I compare this to?*
A The portfolio is aimed at beating the S&P 500 & Nasdaq over meaningful periods of time.

Q *Is the listed unit easy to trade?*
A ABSA Capital will act as market maker. Should any oddities occur on screen please call either ABSA or ***AnBro*** and we will ensure a fair market price is offered for the purchase or sale.

Q *Is the unit price transparent?*
A The unit will always trade within a small range of the portfolio's NET ASSET VALUE. No investor should pay for or accept a price significantly above or below the portfolio NAV.

Q *Does this portfolio form part of my offshore allowance?*
A If purchasing the UNIT on the JSE, there is no limit to the amount of exposure any investor can obtain i.e. it is not considered an offshore investment. If purchasing the portfolio directly via ***AnBro*** Offshore expatriated funds are required.

Q *What risk do I take by using* ***AnBro*** *or investing in this portfolio?*
A When buying units, your cash is used to buy USD. Those USD's are then used to purchase the underlying shares in the portfolio. UBS Group AG (the largest Swiss banking institution in the world) holds the shares in safe custody for clients. The value of the portfolio and its net asset value determine the price of the unit that is listed on the JSE.

Q *Do I own the shares when I buy the UNIT?*
A No, the portfolio held by UBS owns the shares and the unit price is determined by the NAV of the portfolio. The price or NAV is made daily and will reflect the closing price of the unit each day on the JSE. If you invest offshore directly via ***AnBro*** you will own the shares.

Q *Is my money safe?*
A Other than the risk associated with investing in shares and stock markets (see risk section above), your money is safe. Investors have no credit risk exposure to ***AnBro*** Capital Investments. The JSE regulates the investment structure, ABSA Group facilitate it and UBS manage it. Client funds and the underlying shares are held in Trust accounts which in turn have no exposure to the success or failure of the ABSA Group or UBS AG.

Q *How is this investment measured from a REG 28 perspective?*
A Current legislation allows this investment to be considered for Regulation 28 portfolios

NOTES