

A photograph of three white wind turbines standing on a brown, grassy hill. The sky is a clear, bright blue with some light, wispy clouds. The turbines are spaced out across the hill, with the largest one on the left and two smaller ones to its right. The overall scene is clean and modern, representing renewable energy.

**FUTUREGROWTH**

/ ASSET MANAGEMENT

**Monthly Review**

September 2016

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# Market review

## Economic and market review

### US Federal Reserve yet again opts for a cautious stance

In terms of the global macro-economic backdrop, not much has changed over the past quarter or so in terms of the broader global trend of low growth and disinflation – except that the US labour market continued consolidating gains. With a US unemployment rate around 5% and the more stable core inflation rate hovering above 2%, we remain of the view that this combination is close enough to norm to enable the Federal Reserve to proceed with the slow normalisation of monetary policy. Therefore, the decision by the FOMC at the most recent meeting to yet again defer action, has been disappointing. Elsewhere, the Bank of Japan announced tweaks to its quantitative easing programme in an acknowledgement of the potentially unintended disruptive consequences of ongoing unconventional policy measures.

### Foreign net buying of SA local currency bonds reached R64bn this year

Meanwhile, the dusty stampede by global investors, especially from developed economies, into higher-yielding emerging market assets, remains relentless. As a result, non-resident net purchases of rand-denominated government bonds continued to rise sharply and are now at levels reminiscent of the large inflows of 2012 (at that point, sparked by an earlier global rush for yield as well as the inclusion of South Africa into the Citi Group Global Bond Index). While foreign capital inflows are welcomed, especially by countries like South Africa with a current account deficit, the fact is that the unconventional and by now largely ineffective global monetary policy measures have caused unprecedented distortions in the majority of developed bond markets.

### Large, growing foreign bond holding has become a major risk

Whilst we get the reasons for the rush into emerging market debt, it concerns us that foreign holdings of local currency RSA government debt is estimated to have reached a level close to 40% of total outstanding national government local currency debt. This equates to about R0.6 trillion. If history has taught us anything, it is that foreign portfolio flows tend to be fickle and that an orderly exit is never guaranteed. So, to us this is posing an already high risk to future bond and currency market stability. Timing an exit has never been easy, if not downright impossible.

### Latest local data releases supportive of a stable repo rate

In terms of local economic developments, both consumer and producer inflation showed a moderation in the rate of increase during the last quarter. The August consumer inflation data release printed lower than expected at a year-on-year rate of increase of 5.9%. Although inflation at the producer level for the same month was significantly higher at 7.2%, the rate of increase had also slowed over the last month. On the negative side, the August external trade balance swung back into a significantly large deficit of R9bn following several consecutive months of large surpluses. Incoming activity data for the third quarter points to weaker GDP growth following the better second quarter data. Considering the above, it comes as no surprise that the South African Reserve Bank opted to adopt a neutral stance at the last monetary policy meeting.

### Tax revenue shortfall poses a risk

Worryingly, tax revenue collections have disappointed during the first few months of the current fiscal year, potentially putting at risk the Ministry of Finance's plans to reduce the fiscal deficit as planned. We are also still concerned about the pressure being placed by some state-owned enterprises on the fiscal position, even though this is taking the form of state guarantees.

## Another good quarter for nominal bonds despite poor August

Against this backdrop, the yield of the benchmark R186 (maturity 2026) gyrated between a best level of 8.34% and weakest of 9.27%, before closing the three month period at 8.67% or 13 basis points below the second quarter close. The widely shared view of an improved longer-term inflation outlook continued to hamper the demand for inflation-linked bonds. As a result, real yields gradually moved higher. For the quarter, the JSE All Bond Index returned a strong 3.4%, significantly better than both the official inflation-linked index's return of 0.4% and cash's 1.9%. On a year-to-date basis, ended 30 September, nominal bonds are still leading the trio with a total return of 15.1%, followed by inflation-linked bonds at 7.2%, while cash returned 5.4%.

## Market summary

### Key macroeconomic themes

#### Economic growth

A mild, uneven global economic recovery remains our base case, with a relatively strong US economy leading the way. In contrast, euro zone growth remains challenged while prospects for Japan look particularly poor. We believe that the global recovery will be structurally lower than in previous cycles, mainly due to lower productivity growth, ongoing broad-based balance sheet repair (deleveraging) and shifting demographics (older populations tend to save more and spend less). BREXIT is another factor that is driving uncertainty about the prospects for a more sustained global recovery.

Most emerging market economies are caught between a mixed outlook for the developed world, the implication of structurally lower Chinese economic growth on commodity demand and the US Federal Reserve's well telegraphed intent to normalise monetary policy. Therefore, commodity producers with large external imbalances, such as SA, remain particularly vulnerable.

Locally, the biggest impediment to higher local growth remains of a more structural nature. The second quarter's higher GDP growth rate is unsustainable and this is supported by disappointing manufacturing and mining data releases during the third quarter. Encouragingly, overdue engagement between government and business raises the prospect of unbundling domestic growth potential – but prompt and practical follow through is still necessary for it to be impactful. Quite frankly, the jury is still out on actual delivery, which if it happens, can only be expected to produce results in the long run.

#### Inflation

Although recent data releases have quelled earlier excessive global deflation fears, expectations of rapid reflation are also misplaced. Global inflation trends are likely to remain subdued in our view. Final demand is simply not strong enough. If any, we believe that central banks in the developed world should revisit the general dogmatic pursuit of a 2% inflation target and the appropriate level of so-called price stability. BCA in a research report dated 15 September 2016, claimed that long-term price stability, backed by price data over a 700 year period, is closer to 0-1% range. Targeting an unrealistic high inflation rate distorts the neutral rate (hypothetical rate that neither adds to nor subtracts from final demand). In turn, this may lead to a state of monetary policy with serious unintended consequences.

## Key macroeconomic themes continued

### Inflation continued

Locally, a milder than previously envisioned food inflation forecast, fairly stable crude oil prices and recent rand appreciation have forced down our 2016 and 2017 annual average inflation forecasts to 6.4% and 5.3% respectively. We temper excitement about the expected lower future inflation path simply because a level around 5% is still too far above the bottom end of the inflation target range and actual inflation in many parts of the globe. Banking on continued currency depreciation to maintain global competitiveness is unsustainable in the long run. The central bank has no option but to prioritise and target price stability at a lower level.

### Balance of payments

The combination of years of rand weakness and an improved terms of trade position is finally lending relief to the fragile balance of payment situation. As a result, we expect a narrowing in the current account deficit from an annual average of 4.4% in 2015 to 3.7% in both 2016 and 2017. However, even at these lower levels, SA is still saddled with a relatively weak external trade position which in turn will remain a drag on the currency. The unfavourable and growing income account deficit (net dividend and interest payments to foreigners), has become a significant drag on a sustained and meaningful balance of payments recovery. One of the dark sides of the foreign rush into local currency debt is exactly this; unless of course coupons are re-invested, which we do not know for certain.

### Monetary policy

Having finally started the long awaited and well telegraphed monetary policy normalisation process, we agree with the Federal Reserve's intent to follow a slow and gradual process. With an unemployment rate just below 5%, wages slowly rising and the more stable core inflation rate hovering above 2%, we feel strongly that the Federal Reserve should resume the normalisation process at the first available opportunity, but for obvious reasons at an appropriately slow pace.

The current trend of global monetary policy divergence is expected to continue over the next year or so. With more policy tightening in the US on the cards, the European Central Bank and Bank of Japan will retain their quantitative easing and negative interest rate policy programmes, with some tweaks. At the same time, some of the smaller advanced and commodity-driven economies may be forced to ease policy, mainly due to below-trend economic growth and a modest inflation backdrop. On the positive side, monetary policy divergence will act to soften the impact of higher US rates on global growth.

In the case of SA, we feel comfortable with the prospects of the South Africa Reserve Bank (SARB) being at the peak of the interest rate tightening cycle. A cautious approach is supported by the weak economic growth backdrop, low levels of credit extension growth and limited evidence of demand-led inflation. However, considering the size of the balance of payments deficit and the stickiness of inflation (in the upper end of the target range), we deem a neutral policy stance (thus no cuts) as the most appropriate.

## Key macroeconomic themes *continued*

### Fiscal policy

The minister of Finance delivered a realistic and balanced national budget in February, placing due emphasis on realism in light of a soft domestic growth outlook and questionable fiscal policy credibility. He also committed to a variety of structural reforms. We now look for evidence of the planned consolidation path, cognisant of the elevated execution risk in the outer years of the Medium Term Expenditure Framework. Until now, government financing data for the first five months of the 2016/17 fiscal year looks promising, but the hefty year-on-year increase in revenue over this period was mostly on the back of re-valuation profits on foreign exchange transactions and mineral/petroleum royalties. Moreover, the financial state of some state-owned enterprises, and the implications for a finely balanced fiscal position, remain a significant concern. We are still awaiting firmer action with regards to the troubled SOEs. Recent changes at SAA are not entirely convincing. In addition, some SOE's appear to act in contravention of the Public Finance Management Act as demonstrated by recent events at the Strategic Fuel Fund. Our concern about the implication on the already high level of contingent liabilities at national level remains elevated.

At a macro level, our perception is that discussions around structural economic reforms appear to have reached a stalemate. A number of policy initiatives are still unresolved. This includes important changes to mining legislation and labour market reforms, specifically the issue around strike ballots and minimum wages. The risk we run from a credit ratings perspective is that the lack of promised structural reforms start weighing more than the strengths offered by monetary and fiscal policy credibility.

### Investment view and strategy

The global growth recovery remains fragile and patchy, which sets the scene for a modest future inflation profile as well as significant monetary policy divergence. It also implies a steady and shallow tightening cycle for the few economies that are in a position to normalise monetary policy, especially the US. This should cap global bond yields. On the negative side, the continued uncertainty about the global, and particularly the Chinese, growth outlook remains a risk – especially for emerging market commodity producers with a weak external position in both absolute and relative terms, like South Africa. We also expect global risk appetite to remain volatile and do not regard market rallies boosted by expectations of more policy easing to be sustainable. If any, we are starting to fear that the unintended consequences of unprecedented monetary policy measures among the major developed market central banks should not be ignored. Monetary policy has lost its effectiveness on final demand and instead has caused major distortions, mainly across developed bond markets. This requires a serious consideration of a change in the policy mix. The impact of fiscal spending on final demand tends to be more effective.

Locally, we still expect a bout of upward pressure on inflation over the next three to four months, but are more focused on the downward trend expected for next year. While the South African Reserve Bank has now adopted a neutral bias, it is unlikely that they would consider interest rate cuts soon. The external imbalance is simply too big to allow for a lower real repo rate, while unpredictable currency swings continue to pose a risk to the more benign inflation outlook. Although the Minister of Finance is clearly determined to rectify the damage to fiscal policy credibility and, by implication, to avoid a sovereign credit downgrade to non-investment grade status, the jury is still out on actual delivery. Therefore, the risk of a credit rating downgrade over the next 12 months still hovers. In the short term, local political uncertainty remains a nagging risk. This is particularly worrying considering how much risk has been priced out of the market since the end of last year, mostly the result of the global reach for yield which managed to whitewash the economic and policy sins of South Africa.

## Investment view and strategy continue

Considering the above, we will continue to approach the market with caution. The emphasis therefore remains on capital preservation. This is expressed by the large underweight modified duration and 12+year nominal bond positions. We have reduced our inflation-linked bond holding significantly in response to the more benign twelve month inflation outlook and instead opted to create an overweight position in short and medium dated nominal bonds. The biggest risk to our cautious stance is sustained net foreign inflows into the local nominal bond market.

Our broad interest rate investment strategy for a core bond fund benchmarked against the ALBI is as follows:

- Modified duration – Underweight (75% of maximum allowable range)
- Cash – Small overweight
- Nominal bonds (1-12 years) - Overweight
- Nominal bonds (12+ year) - Underweight
- Inflation-linked bonds – Small reduced overweight

## Key economic indicators and forecasts (annual averages)

	2012	2013	2014	2015	2016	2017
Global GDP						
USA	2.2%	1.9%	2.4%	2.4%	1.4%	1.9%
Euro area	0.1%	-0.4%	0.9%	1.5%	1.6%	1.3%
Japan	2.1%	1.6%	-0.1%	0.5%	0.6%	1.1%
China	7.8%	7.7%	7.4%	6.9%	6.7%	6.4%
SA GDP	2.2%	2.2%	1.5%	1.3%	0.5%	1.3%
SA Headline CPI	5.6%	5.8%	6.1%	4.6%	6.4%	5.3%
SA Current Account (% of GDP)	-5.2%	-5.8%	-5.4%	-4.4%	-3.7%	-3.7%

Source: Old Mutual Investment Group

Produced by



**Wikus Furstenberg**  
Portfolio Manager &  
Head: Interest Rate Process

# Product information and performance

Product	Benchmark	Description	Portfolio manager	Inception date	Investment returns	1 Year	3 Years*	5 Years*	7 Years*	10 Years*	Since inception*
<b>MONEY MARKET</b>											
Call Money Market	Average Call rate of four largest SA banks	Aims to provide maximum return on overnight cash investments.	Nazley Bardien	January 2000	Product Benchmark Outperformance	6.81% 6.47% 0.34%	5.98% 5.57% 0.41%	5.63% 5.18% 0.45%	5.77% 5.29% 0.48%		7.07% 6.59% 0.48%
Core Money Market	STeFI 3-month Index	Targets high cash returns through a carefully balanced and actively managed mix of short-term interest-bearing investments. The weighted average duration for the Composite may not exceed 120 days.	Michael van Rensburg	July 2004	Product Benchmark Outperformance	7.89% 6.79% 1.10%	6.90% 6.07% 0.83%	6.45% 5.74% 0.71%	6.60% 5.88% 0.72%	7.87% 7.10% 0.77%	7.83% 7.12% 0.71%
180 day Enhanced Money Market	STeFI Composite Index	Targets high cash returns through a carefully balanced and actively managed mix of short- and medium-term interest-bearing investments with maturities ranging from 180 days to 2 years.	Michael van Rensburg	July 2004	Product Benchmark Outperformance	8.19% 7.12% 1.07%	7.13% 6.39% 0.74%	6.68% 5.99% 0.69%	6.83% 6.06% 0.77%	8.06% 7.23% 0.83%	8.05% 7.23% 0.82%
<b>STeFI PLUS</b>											
Yield Enhanced A STeFI+ Short Term	STeFI Composite Index	Targets high cash returns through active interest rate risk management and yield enhancement. The Composite's weighted average rated credit quality must be a minimum of A-. Weighted average term to maturity less than 365 days.	Daphne Botha	October 2002	Product Benchmark Outperformance	8.35% 7.12% 1.23%	7.64% 6.39% 1.25%	7.63% 6.00% 1.63%	7.64% 6.16% 1.48%	8.69% 7.33% 1.36%	8.96% 7.80% 1.16%
Yield Enhanced A STeFI+	STeFI Composite Index	Targets high cash returns through active interest rate risk management and yield enhancement. The Composite's weighted average rated credit quality must be a minimum of A based on official ratings. Weighted average term to maturity less than five years.	Daphne Botha	January 2010	Product Benchmark Outperformance	9.82% 7.12% 2.70%	8.57% 6.39% 2.18%	8.37% 6.00% 2.37%			8.48% 6.11% 2.37%
Yield Enhanced BBB STeFI+	STeFI Composite Index	Targets high cash returns through active interest rate risk management and yield enhancement. The Composite's weighted average rated credit quality must be a minimum of BBB.	Daphne Botha	February 2010	Product Benchmark Outperformance	11.79% 7.12% 4.67%	10.53% 6.39% 4.14%	10.16% 6.00% 4.16%			10.06% 6.09% 3.97%



Product	Benchmark	Description	Portfolio manager	Inception date	Investment returns	1 Year	3 Years*	5 Years*	7 Years*	10 Years*	Since inception*
<b>STEFI PLUS CONT.</b>											
Yield Enhanced BB SteFI+	STeFI Composite Index	Targets high cash returns through active interest rate risk management and yield enhancement. The Composite's weighted average rated credit quality must be a minimum of BB.	Daphne Botha	January 2012	Product Benchmark Outperformance	11.99% 7.12% 4.87%	13.20% 6.39% 6.81%				12.28% 6.01% 6.27%
Yield Enhanced Geared BB SteFI+	STeFI Composite Index	Targets high cash returns through active interest rate risk management and yield enhancement, as well as equity risk. The Composite's weighted average rated credit quality must be a minimum of BB-.	Daphne Botha	January 2008	Product Benchmark Outperformance	11.86% 7.12% 4.74%	12.82% 6.39% 6.43%	11.66% 6.00% 5.66%	11.95% 6.16% 5.79%		12.02% 7.07% 4.95%
Power Debt***	STeFI Composite Index	Targets high cash returns through active interest rate risk management and yield enhancement. The Composite's weighted average rated credit quality must be a minimum of BBB. Investments in this product are limited to listed and unlisted assets in the power sector and supporting industries.	Paul Semple	May 2014	Product Benchmark Outperformance	11.72% 7.12% 4.60%	11.81% 6.39% 5.42%				10.31% 6.11% 4.20%
<b>INCOME</b>											
Core Income	50% STeFI Call Deposit Index; 50% 3-7 Years All Bond Index	Aims to deliver excess return by investing in money market and bond assets with a focus on yield enhancement while limiting interest rate risk to a maximum average duration of two years.	Wikus Furstenberg	November 2002	Product Benchmark Outperformance	8.00% 8.19% -0.19%	6.94% 6.83% 0.11%	6.73% 6.25% 0.48%	7.11% 6.56% 0.55%	8.13% 7.45% 0.68%	8.58% 7.97% 0.61%
Flexible Income	110% SteFI Call Index	Aims to deliver excess return by investing in money market, bonds, preference shares and listed property and taking advantage of yield enhancement and capital growth opportunities. The composite is not limited by duration constraints.	Wikus Furstenberg	July 2006	Product Benchmark Outperformance	7.68% 7.28% 0.40%	6.80% 6.44% 0.36%	7.45% 6.07% 1.38%	7.88% 6.47% 1.41%		8.90% 7.27% 1.63%
Yield Enhanced Income	20% All Bond Index; 80% SteFI Composite Index	Aims to deliver excess returns through a combination of active interest rate risk management and yield enhancement by investing in listed and unlisted assets. Interest rate risk is constrained.	Wikus Furstenberg	May 2012	Product Benchmark Outperformance	8.98% 7.32% 1.66%	8.40% 6.53% 1.87%				8.45% 6.34% 2.11%

Product	Benchmark	Description	Portfolio manager	Inception date	Investment returns	1 Year	3 Years*	5 Years*	7 Years*	10 Years*	Since inception*
<b>INTEREST RATE ASSET ALLOCATION</b>											
Interest Rate Asset Allocation	ALBI (62.5%); JSE ILB IGOV Index (30%); STe-FI Call Deposit Index (7.5%)	Aims to deliver excess return mainly through a combination of aggressive asset allocation within the various interest-bearing asset classes.	Wikus Furstenberg	July 2010	Product Benchmark Outperformance	7.56% 7.83% -0.27%	7.95% 7.26% 0.69%	9.44% 8.25% 1.19%			9.73% 8.79% 0.94%
<b>INFLATION-LINKED BONDS</b>											
Passive ILB Index	Barclays Capital/ Absa SAGILB	Aims to match the returns of the benchmark through passive interest rate and yield curve management.	Nazley Bardien	September 2005	Product Benchmark Outperformance	8.20% 8.38% -0.18%	8.25% 8.36% -0.11%	9.12% 9.24% -0.12%	9.27% 9.37% -0.10%	9.74% 9.84% -0.10%	9.93% 10.03% -0.10%
Core ILB	JSE ILB IGOV Index	Aims to deliver excess return through active interest rate risk management and limited yield enhancement.	Wikus Furstenberg	November 2005	Product Benchmark Outperformance	8.19% 8.19% 0.00%	8.20% 8.26% -0.06%	9.43% 9.18% 0.25%	9.77% 9.32% 0.45%	10.10% 9.81% 0.29%	10.12% 9.85% 0.27%
Yield Enhanced Inflation-linked	RSA Inflation Linked Government Bond R202 Total Return Index	Targets high cash returns through a combination of active, real and nominal interest rate risk management and yield enhancement by investing in listed and unlisted assets.	Mei-Chi Liou	June 2011	Product Benchmark Outperformance	9.97% 8.06% 1.91%	11.81% 9.60% 2.21%	12.21% 9.92% 2.29%			11.88% 9.90% 1.98%
Power Inflation-linked***	RSA Inflation Linked Government Bond I2038 Total Return Index	Targets high cash returns through a combination of active, real and nominal interest rate risk management and yield enhancement by investing in listed and unlisted assets in the power sector and supporting industries.	Mei-Chi Liou	January 2014	Product Benchmark Outperformance	14.31% 11.30% 3.01%	13.73% 10.93% 2.80%				10.11% 7.80% 2.31%
Infrastructure & Development Inflation-linked	Barclays BESA SAGILB 15+	Targets high cash returns through a combination of active, real and nominal interest rate risk management and yield enhancement by investing in listed and unlisted socially responsible and developmental assets.	Mei-Chi Liou	Pending	Product Benchmark Outperformance	N/A					
<b>NOMINAL BONDS</b>											
Passive All Bond	All Bond Index	Aims to match the returns of the benchmark through passive interest rate and yield curve management.	Nazley Bardien	June 2000	Product Benchmark Outperformance	7.68% 7.65% 0.03%	6.83% 6.82% 0.01%	8.02% 8.02% 0.00%	8.72% 8.73% -0.01%	8.53% 8.52% 0.01%	10.95% 10.92% 0.03%
Core Bond	All Bond Index	Aims to deliver excess return through a combination of interest-bearing asset allocation, active duration management and yield enhancement.	Daphne Botha/ Wikus Furstenberg	January 2000	Product Benchmark Outperformance	7.62% 7.65% -0.03%	7.12% 6.82% 0.30%	8.67% 8.02% 0.65%	9.53% 8.73% 0.80%	9.20% 8.52% 0.68%	11.38% 10.80% 0.58%

Product	Benchmark	Description	Portfolio manager	Inception date	Investment returns	1 Year	3 Years*	5 Years*	7 Years*	10 Years*	Since inception*
<b>NOMINAL BONDS cont.</b>											
Long Duration Bond	All Bond Index 12+ Years	Aims to deliver excess return through active allocation between long-dated fixed rate and inflation-linked bonds, limited yield curve selection, duration management and yield enhancement.	Wikus Furstenberg	December 2006	Product Benchmark Outperformance	5.85% 7.19% -1.34%	6.59% 7.01% -0.42%	8.24% 8.48% -0.24%	8.81% 8.72% 0.09%		7.82% 7.52% 0.30%
Yield Enhanced Bond	All Bond Index	Targets high cash returns through a combination of active interest rate risk management and yield enhancement by investing in listed and unlisted assets.	Jason Lightfoot	December 2001	Product Benchmark Outperformance	9.92% 7.65% 2.27%	9.34% 6.82% 2.52%	10.63% 8.02% 2.61%	11.56% 8.73% 2.83%	10.92% 8.52% 2.40%	11.28% 9.34% 1.94%
Infrastructure & Development Bond	All Bond Index	Targets high cash returns through a combination of active interest rate risk management and yield enhancement by investing in listed and unlisted socially responsible and developmental assets.	Jason Lightfoot	January 1995	Product Benchmark Outperformance	9.60% 7.65% 1.95%	9.40% 6.82% 2.58%	10.77% 8.02% 2.75%	11.71% 8.73% 2.98%	11.20% 8.52% 2.68%	12.79% 10.80% 1.99%
<b>SOCIALLY RESPONSIBLE INVESTMENTS</b>											
Infrastructure & Development Bond	All Bond Index	Targets high cash returns through a combination of active interest rate risk management and yield enhancement by investing in listed and unlisted socially responsible and developmental assets.	Jason Lightfoot	January 1995	Product Benchmark Outperformance	9.60% 7.65% 1.95%	9.40% 6.82% 2.58%	10.77% 8.02% 2.75%	11.71% 8.73% 2.98%	11.20% 8.52% 2.68%	12.79% 10.80% 1.99%
Development Equity	Consumer Price Index (CPI) + 10%	Targeting high returns by investing in equity and related assets that are socially responsible or developmental.	James Howard	September 2006	Product Benchmark	17.80% 15.95% 1.85%	17.85% 15.66% 2.19%	14.73% 15.67% -0.94%	13.94% 15.32% -1.38%	18.14% 16.26% 1.88%	18.35% 16.30% 2.05%
Community Property	Consumer Price Index (CPI) + 4%	A portfolio specialising in the finance and development of retail shopping centres catering to the needs of under-served communities throughout South Africa.	Smital Rambhai (Product Manager)	June 1996	Product Benchmark	17.68% 9.95% 7.73%	12.14% 9.66% 2.48%	10.90% 9.66% 1.24%	10.66% 9.32% 1.34%	11.91% 10.25% 1.66%	13.14% 9.90% 3.24%
Agri	Consumer Price Index (CPI) + 10%	A portfolio specialising in equity investments in agricultural land, agribusinesses and farming infrastructure.	Smital Rambhai (Product Manager)	March 2010	Product Benchmark	N/A					

Product	Benchmark	Description	Portfolio manager	Inception date	Investment returns	1 Year	3 Years*	5 Years*	7 Years*	10 Years*	Since inception*
<b>SOCIALLY RESPONSIBLE INVESTMENTS cont.</b>											
Development Balanced***	A composite weighting of the underlying funds' benchmarks.	A balanced portfolio providing investors with social impact from a targeted and development perspective and exposure to listed equities that track the JSE's SRI Index.	James Howard	November 2004	Product Benchmark Outperformance	9.31% 7.83% 1.48%	8.20% 6.58% 1.62%	11.98% 10.10% 1.88%	11.38% 10.07% 1.31%	10.57% 9.58% 0.99%	13.16% 12.29% 0.87%
Power Debt***	STeFI Composite Index	Targets high cash returns through active interest rate risk management and yield enhancement. The Composite's weighted average rated credit quality must be a minimum of BBB. Investments in this product are limited to listed and unlisted assets in the power sector and supporting industries.	Paul Semple	May 2014	Product Benchmark Outperformance	11.72% 7.12% 4.60%	11.81% 6.39% 5.42%				10.31% 6.11% 4.20%
Power Inflation-linked bond***	RSA Inflation Linked Government Bond I2038 Total Return Index	Targets high cash returns through a combination of active, real and nominal interest rate risk management and yield enhancement by investing in listed and unlisted assets in the power sector and supporting industries.	Mei-Chi Liou	January 2014	Product Benchmark Outperformance	14.31% 11.30% 3.01%	13.73% 10.93% 2.80%				10.11% 7.80% 2.31%
Infrastructure & Development Inflation-linked bond	Barclays BESA SAGILB 15+	Targets high cash returns through a combination of active, real and nominal interest rate risk management and yield enhancement by investing in listed and unlisted socially responsible and developmental assets.	Mei-Chi Liou	Pending	Product Benchmark Outperformance	N/A					

Currency: ZAR/Gross of fees

\* Annualised

\*\* Currently investors are Futuregrowth staff who may elect to invest through their retirement funds.

\*\*\* Portfolio returns. Supplemental information.

# FUTUREGROWTH

/ ASSET MANAGEMENT

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