

**FUTUREGROWTH**

/ ASSET MANAGEMENT



## **Monthly Review**

July 2017

## Contents

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### Page 3

The Futuregrowth story

### Page 4

Economic and market review

### Page 5-7

Market summary

### Page 8-12

Product information and performance

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## The Futuregrowth story

### A vision unfolding

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Would the founders of Futuregrowth in 1994 recognise the leading asset management company it's become today?

Originally, Futuregrowth was founded to bring Michael Leeman's honours thesis to life. Backed by Southern Life, the initial suite of funds focused on social development and empowerment. The aim was to make money for pension funds while investing in disadvantaged communities.

Fast forward more than 20 years and today Futuregrowth manages around R170 billion of clients' assets, across the full range of fixed interest and development funds, and plays a key leadership role in the asset management industry in South Africa.

During this time, and under the leadership of Paul Rackstraw and Andrew Canter, we have not waived from our purpose: "to protect and grow investors' savings through skill and diligence in a way that engenders trust and sustainably enriches people's lives, while being a positive force in society, markets and for all our stakeholders".

This purpose is based on the belief that investors can genuinely make a positive difference in society while earning sound investment performance for pension fund members.

This belief is what inspires us to pioneer development funds in sectors such as infrastructure, rural and township retail property, agriculture and renewable energy, channeling funds into innovative deals including low-income housing construction, a church in Soweto, urban regeneration projects and taxi finance, to name a few.

Because of our commitment to our clients, Futuregrowth has on various occasions taken action that has not necessarily been in our own best interests. Take the furore that ensued in 2016 after we announced that we could no longer in good conscience invest pension fund members' assets in certain SOEs until we had concluded a governance review.

On another occasion, we identified unfair and unsustainable practices within the micro-lending industry as non-developmental and ceased further investments from our development funds into this sector.

So to answer the question raised at the outset, we believe the answer is yes. The original concept of Futuregrowth is still alive, and thriving, in the Futuregrowth of today. Because even though the company has developed into a large and successful asset management brand, the philosophical belief on which the business was founded is still at the core of everything we do.

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# Market review

## Economic and market review

**Global bond markets stabilise following June scare**

The last week of June was marked by the sharp upward correction of global bond yields in response to remarks by the President of the European Central Bank suggesting that the bank may be nearing the end of exceptionally loose monetary policy. During July, nothing of material interest came the way of market participants to cause another major shift in expectations.

**SARB unexpectedly cuts the repo rate while fiscal data confirms our worst fear**

Locally, the South African Reserve Bank (SARB) surprised most analysts, including us at Futuregrowth, with the 25 basis points (bps) repo rate cut. In our view, the local bond market responded appropriately as short- and medium-dated bonds moved in tandem with the cut, while long-dated bond yields ended July at similar levels to the previous month's close. In the past month, the yield of the benchmark 10-year RSA government bond traded in a fairly wide range of 8.50% and 8.93% before closing the month at 8.61%, or 17bps lower than the June close. In contrast, the long-dated R2048 (maturity 2048) closed the month at 9.86%, a mere one basis point below the previous month's close. Like us, the back end of the bond market is not sold on the rate cut and also remains concerned about the fiscal outlook. The latest monthly government finance data confirmed these concerns as the combination of a growing tax revenue shortfall and an expenditure overrun caused a larger than expected budget deficit for the first three months of the 2017/18 fiscal year.

**Foreign bond buyers in full force**

Even so, the higher nominal yield offered by the local bond market, new-found global bond market stability and the repo rate cut enticed foreign bond investors to turn net buyers of rand denominated government nominal bonds to the tune of almost R10bn in July. This more than reversed the net selling in June and lifted net nominal purchases for the first seven months of the year to R52bn, or nearly 40% of the total outstanding rand denominated debt issued by the South African government. This is a very significant holding considering that it is 5% higher than those of the combined holdings of the South African banking, long-term insurance and pension fund industries. It also clearly illustrates that the average foreign bond investor does not share the same concerns we have in respect of persistent low growth and its negative implications for fiscal consolidation and South Africa's sovereign credit rating profile.

**Inflation-linked bond market catches some breath**

Although the rate of inflation at both consumer and producer level continued to decelerate, the inflation-linked bond market actually managed to consolidate its long losing streak that started in April last year. The yield of the benchmark R197 (maturity 2023) actually declined by 8 bps to close July at a yield of 2.47%.

**Nominal bonds manage a respectable performance**

As a result of the above developments, the JSE All Bond Index (ALBI) rendered a total return of 1.5% for the month of July. This is significantly better than cash (0.6%) and the JSE Inflation-linked Government Bond Index (IGOV) which only managed a mere 0.1%. The ALBI is leading the pack for the first seven months of this year with a very respectable 5.5%, especially considering the number of supposedly bond bearish events over this period. An investment in cash would have rendered a return of 4.0% over the period in question. The global reach for yield has once again saved the day.

## Key macroeconomic themes

### Economic growth

A mild, uneven global economic recovery remains our base case, with a relatively strong US economy still leading the way. The Trump presidential victory (together with a House and Senate Republican majority) boosted speculation that higher US fiscal spending will benefit the US growth trajectory. This remains to be seen and for now the risk is that markets may have to face disappointment with respect to both the timing and size of the much anticipated stimulus. 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).

Most emerging market economies are caught between an improved, but still 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 external imbalances, such as SA, remain vulnerable.

Locally, the biggest impediment to higher local growth remains of a more structural nature. The current technical recession South Africa finds itself in bears testament to the broad-based structural weakness we've seen over the past few quarters. Absent of urgent macroeconomic policy reform, any short-term cyclical upswing from the primary and secondary sectors of the economy will prove inadequate in addressing South Africa's economic growth ills. The low growth trap largely remains the result of a serious policy vacuum, policy uncertainty and unpredictability, weak consumer and investor confidence and a sclerotic labour market. Poorly managed state-owned enterprises also remain a negative contributor.

### Inflation

The strong rise in energy and other raw material prices in the last few months has started showing in headline inflation numbers in many economies. Although reflation is welcomed with open arms, since this is what policy makers had aimed to achieve, the feed-through to underlying inflation is still not entirely convincing. Final demand is simply not yet strong enough.

Locally, the expected drop in food inflation and the stronger rand in the last few months has forced down our 2017 annual average inflation forecast to 5.3%. Recent rand weakness in response to the cabinet reshuffle and S&P's sovereign credit ratings downgrade do not yet pose a threat as a weaker rand assumption has been accounted for in our consumer price inflation forecasts.

### Balance of payments

Significant rand depreciation until about 18 months ago, an improved terms of trade position and a pick-up in global economic activity are lending relief to the balance of payments position. Weaker local consumer demand also proved to be a drag on merchandise imports. As a result, we expect a narrowing of the current account deficit from an annual average of 3.3% in 2016 to 3.0% in 2017, followed by marginal widening to 3.5% in 2018. Our terms of trade are expected to weaken from current levels, while the unfavourable income account deficit (primarily comprised of net dividend and interest payments to foreigners), remains a significant drag on a sustained and meaningful balance of payments correction. A stronger currency may also limit a significant further narrowing of the current account deficit over the medium term.

## Key macroeconomic themes continue

### 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 seemingly stuck below 5%, slowly-rising wages and the more stable PCE core inflation rate now hovering at 1.4%, we believe that the Federal Reserve should continue with its interest rate normalisation process, but for obvious reasons at an appropriate pace. The recent pick-up in market chatter about the imminent shrinking of the Federal Reserve's large balance sheet (the largest since the Second World War following its response in the aftermath of the 2008 financial crisis) is premature to our minds. We have also taken the view that the Fed, when they commence with the process, will conduct this in an interest rate neutral manner.

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 (ECB) and Bank of Japan may retain their respective quantitative easing and negative interest rate policy programmes, but with some tweaks. More recently, financial markets had to absorb slightly less dovish signals from the ECB and the Bank of England. We can expect the central bank hawks to slowly gain some ground over the next few months.

The South African Reserve Bank thought it wise to reduce the repo rate in July, taking its cue from 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 (albeit improving) and the stickiness of inflation (still in the upper end of the target range), we deem a neutral policy stance (thus no more cuts) as the most appropriate course for monetary policy right now.

### Fiscal policy

The market is potentially facing a very different new era, with more than enough reason to be very cynical about early efforts by the new Minister of Finance to reassure financial markets about maintaining the status quo.

The significantly heightened fear of the risk to fiscal prudence aside; it would be neglectful of us to not highlight noteworthy concern; chief among which remains overly ambitious real GDP estimates which elevates Treasury's execution risk in the current and outer years of the Medium Term expenditure framework. Our concern about the implications of an already elevated level of national contingent liabilities remains high.

Lastly, despite the addition of a new income tax bracket, revenue collections by the South Africa Revenue Service bear the risk of increasingly underperforming fiscal targets over the medium term as efficiency gains in this state department seemingly unwind.

## Investment view and strategy

The modest global economic recovery sets the scene for limited inflationary pressure and a steady monetary tightening cycle for the few economies that are in a position to normalise policy. Our view remains that global bond markets in general are not appropriately priced, leaving room for rising yields.

Locally, the downward trend to inflation is entrenched, supported mostly by significantly lower food price increases while weak consumer demand is also playing a role. While the South African Reserve Bank has surprised many with the timing of the recent cut, we still believe that a strong easing cycle should not be pursued. The external trade imbalance, albeit improving, is still too big to allow for a significantly lower real repo rate.

Our main concern remains the strong link between the local low economic growth backdrop and tax revenue collection. Persistent sub-trend economic growth and macro policy uncertainty have negative implications for fiscal consolidation and eventually sovereign credit ratings.

Negative ratings momentum in the medium to longer term caused mainly by sustained sub-trend economic growth as well as uncertainty about the fiscal outlook does not match the continued aggressive accumulation of local currency bonds by foreign investors. This mismatch presents a potential lethal mix for the local bond market.

Considering the above, we shall continue to approach the market with extreme caution.

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

- Modified duration - Underweight (90% of maximum allowable range)
- Cash - Overweight
- Nominal bonds (1-3 years) - Underweight
- Nominal bonds (3-7 years) - Overweight
- Nominal bonds (7-12 years) - Underweight
- Nominal bonds (12+ year) - Underweight
- Inflation-linked bonds - Started the accumulation of a small holding of short-dated bonds

### Key economic indicators and forecasts (annual averages)

	2013	2014	2015	2016	2017	2018
Global GDP	2.6%	2.8%	2.9%	2.5%	3.0%	2.8%
SA GDP	2.2%	1.5%	1.3%	0.5%	0.8%	2.0%
SA Headline CPI	5.8%	6.1%	4.6%	6.3%	5.3%	5.2%
SA Current Account (% of GDP)	-5.8%	-5.4%	-4.4%	-3.3%	-3.0%	-3.5%

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	7.30% 6.89% 0.41%	6.55% 6.13% 0.42%	5.95% 5.51% 0.44%	5.83% 5.37% 0.46%	6.94% 6.46% 0.48%	7.09% 6.61% 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	8.51% 7.25% 1.26%	7.60% 6.61% 0.99%	6.86% 6.03% 0.83%	6.67% 5.92% 0.75%	7.81% 6.98% 0.83%	7.87% 7.13% 0.74%
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	8.85% 7.64% 1.21%	7.89% 6.97% 0.92%	7.06% 6.32% 0.74%	6.91% 6.14% 0.77%	8.03% 7.14% 0.89%	8.10% 7.25% 0.85%
<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	9.25% 7.64% 1.61%	8.11% 6.97% 1.14%	7.80% 6.32% 1.48%	7.77% 6.20% 1.57%	8.66% 7.24% 1.42%	8.98% 7.79% 1.19%
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	10.41% 7.64% 2.77%	9.17% 6.97% 2.20%	8.76% 6.32% 2.44%	8.61% 6.20% 2.41%		8.69% 6.27% 2.42%
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	11.29% 7.64% 3.65%	10.85% 6.97% 3.88%	10.32% 6.32% 4.00%	10.25% 6.20% 4.05%		10.17% 6.26% 3.91%



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	9.86% 7.64% 2.22%	11.91% 6.97% 4.94%	11.91% 6.32% 5.59%			11.77% 6.25% 5.52%
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	10.68% 7.64% 3.04%	12.10% 6.97% 5.13%	11.81% 6.32% 5.49%	11.58% 6.20% 5.38%		11.87% 7.12% 4.75%
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% 7.64% 4.08%	11.30% 6.97% 4.33%				11.52% 6.89% 4.63%
<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	8.91% 8.90% 0.01%	7.86% 7.81% 0.05%	6.81% 6.49% 0.32%	7.16% 6.69% 0.47%	8.17% 7.55% 0.62%	8.60% 8.03% 0.57%
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	9.65% 7.70% 1.95%	7.69% 7.00% 0.69%	7.19% 6.37% 0.82%	7.86% 6.30% 1.56%	8.84% 7.37% 1.47%	8.97% 7.31% 1.66%
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	9.79% 7.56% 2.23%	8.86% 7.09% 1.77%	8.40% 6.33% 2.07%			8.65% 6.53% 2.12%

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	7.19% 4.89% 2.30%	7.50% 6.46% 1.04%	7.39% 6.18% 1.21%	9.19% 7.97% 1.22%		9.43% 8.30% 1.13%
<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	-0.34% -0.38% 0.04%	4.47% 4.52% -0.05%	6.14% 6.20% -0.06%	8.21% 8.32% -0.11%	9.11% 9.20% -0.09%	9.15% 9.22% -0.07%
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	0.27% -0.29% 0.56%	4.66% 4.51% 0.15%	6.35% 6.20% 0.15%	8.71% 8.31% 0.40%	9.51% 9.19% 0.32%	9.31% 9.01% 0.30%
Yield Enhanced Long Duration ILB	Barclays SAGILB 15+ 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	-1.23% -3.59% 2.36%	5.67% 3.52% 2.15%	8.52% 6.29% 2.23%			9.90% 7.86% 2.04%
Power ILB***	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	1.43% -2.17% 3.60%	7.31% 4.19% 3.12%				8.10% 5.43% 2.67%
Infrastructure & Development ILB	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	7.22% 7.16% 0.06%	7.29% 7.29% 0.00%	6.11% 6.10% 0.01%	7.98% 7.99% -0.01%	8.54% 8.53% 0.01%	10.76% 10.73% 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	8.41% 7.16% 1.25%	7.74% 7.29% 0.45%	6.83% 6.10% 0.73%	8.71% 7.99% 0.72%	9.29% 8.53% 0.76%	11.23% 10.62% 0.61%

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	5.79% 5.78% 0.01%	6.47% 6.93% -0.46%	5.56% 5.76% -0.20%	7.70% 7.80% -0.10%	8.22% 7.95% 0.27%	7.64% 7.37% 0.27%
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	8.80% 7.16% 1.64%	9.31% 7.29% 2.02%	8.54% 6.10% 2.44%	10.59% 7.99% 2.60%	10.94% 8.53% 2.41%	11.14% 9.22% 1.92%
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	8.53% 7.16% 1.37%	9.07% 7.29% 1.78%	8.55% 6.10% 2.45%	10.60% 7.99% 2.61%	11.04% 8.53% 2.51%	12.55% 10.62% 1.93%
<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	8.53% 7.16% 1.37%	9.07% 7.29% 1.78%	8.55% 6.10% 2.45%	10.60% 7.99% 2.61%	11.04% 8.53% 2.51%	12.55% 10.62% 1.93%
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	0.37% 15.10% -14.73%	9.47% 15.37% -5.90%	12.31% 15.66% -3.35%	12.15% 15.55% -3.40%	12.73% 16.18% -3.45%	16.56% 16.22% 0.34%
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	June 1996	Product Benchmark	26.39% 9.09% 17.30%	17.87% 9.37% 8.50%	14.83% 9.65% 5.18%	12.90% 9.54% 3.36%	12.32% 10.18% 2.14%	13.87% 9.87% 4.00%
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	8.55% 5.90% 2.65%	5.92% 4.37% 1.55%	10.44% 8.54% 1.90%	10.88% 9.29% 1.59%	9.23% 8.35% 0.88%	12.98% 11.98% 1.00%
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% 7.64% 4.08%	11.30% 6.97% 4.33%				11.52% 6.89% 4.63%
Power ILB***	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	1.43% -2.17% 3.60%	7.31% 4.19% 3.12%				8.10% 5.43% 2.67%
Infrastructure & Development ILB	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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