FUTUREGROWTH

/ ASSET MANAGEMENT

Monthly Review

June 2017

Contents

Page 3
The Futuregrowth story
Page 4-5
Economic and market review
Page 5-8
Market summary
Page 9-13
Product information and performance

Contact our client relationship team

Thembela Mandla
T +27 21 659 5450
C +27 82 895 8976
thembelam@futuregrowth.co.za

Ziyanda Tshaka
T +27 21 659 5460
C +27 83 666 0392
ziyandat@futuregrowth.co.za

Marilyn Gates-Garner
T +27 21 659 5453
C +27 82 466 0868
marilyng@futuregrowth.co.za

Precious Buthelezi
T +27 21 659 5449
C +27 82 085 6486
pbuthelezi@futuregrowth.co.za

Steffen Josephs
T +27 21 659 5466
C +27 83 327 3543
sjosephs@futuregrowth.co.za

The Futuregrowth story

A vision unfolding

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 waivered 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.

Market review

Economic and market review

March cabinet reshuffle adds to heightened policy uncertainty	The second quarter got off to a poor start as the South African bond market was still reeling from the cabinet reshuffle that cost Mr Pravin Gordhan the post of finance minister. This event served as catalyst for sovereign credit rating downgrades by both S&P Global and Moody's. In the case of the former, its foreign currency rating is now aligned with Fitch which downgraded the country to the non-investment grade category earlier this year. In light of the low economic growth trap the country finds itself and heightened concerns about policy stability, both S&P and Moody's retained a negative outlook on the respective foreign and local currency ratings. This means that the next ratings action is either a change to a stable outlook or for all ratings to become non-investment grade. We believe that circumstances, particularly the precarious economic growth situation and policy unpredictability, favour the latter.
The low growth trap risks fiscal consolidation and SA's creditworthiness	In support of this view, the release of first quarter GDP data confirmed that the country officially entered a technical recession (negative rate of growth for two consecutive quarters). This served to raise concerns about persistent sub-par economic growth, with an array of implications for the creditworthiness of the country in the long run. In the short term, sustained weak economic growth will negatively impact plans to consolidate the fiscal situation as low growth limits tax collection. The impact of the worsening weak growth backdrop partly offset the good news on the continued narrowing of the current account deficit. In the meantime, the rate of inflation kept grinding lower to 5.4% in response to lower food prices, a stronger rand compared to a year ago as well as weak consumer demand. This combination of weak growth and lower inflation continue to spur speculation of possible repo rate reductions by the South African Reserve Bank (SARB) before the end of this year.
Fading optimism about US recovery assisted bond bulls after an initial poor start	After ending the first quarter at a yield of 8.84%, the benchmark R186 government bond weakened to 9.0% in early April at which point the global reach for yield, once again, came to the rescue. Linked to this had been other external developments such as the weaker US-dollar and sharply falling US Treasury yields, which in turn had mainly been the result of fading optimism about the strength of the US economic recovery and its implications for the path of official interest rates. Global bond bulls also received support from sticky inflation at relatively low levels in most of the developed world. Against this backdrop, yield-seeking foreign investors brushed aside local political developments and the sovereign rating downgrades. This demand drove local bond yields sharply lower and the R186 yield reached an intra-quarter low of 8.39% by the middle of June.
Large non-resident bond holding risks market stability	The latest non-resident bond buying spree caused the foreign ownership of total outstanding rand denominated South African government bonds, which include both nominal and inflation-linked bonds, to reach an all-time high of almost 40%. In the case of nominal fixed rate RSA government bonds, the foreign share is now a whopping 48%, well above the 20% held by local pension funds. To us, the very large foreign holding endangers future market stability considering the weak local fundamental situation, negative ratings momentum and its impact on global index changes. Moreover, a future correction to extremely loose global monetary policy still holds a significant risk to overvalued bond markets in general.

SA nominal yield curve ended the period at steeper slope	This risk came to the fore in the last week of June when influential central banks including the European Central Bank and the Bank of England suggested that the extent of current loose monetary policy requires reconsideration. This forced bond holders to re-think and lighten up on exposure. The rise in global bond yields as well as unwelcome speculation about possible changes to the SARB's mandate caused a late quarter wave of bond selling. As a result, the R186 yield retraced to 8.78%, just six basis points lower than the closing yield at the end of March. More importantly, the slope of the bond yield curve steepened as long-dated bond yields rose by more than short-dated bonds. Nonetheless, the ASSA JSE All Bond Index still managed to render a positive return of 1.5% for the quarter, the result of fairly stable returns offered by short-dated nominal bonds. Cash delivered a slightly better return of 1.7%.
Poor run of inflation-linked bonds continue	The re-pricing of inflation-linked bonds gained momentum on the back of lower inflation during the second quarter. Reduced demand for inflation protection and the weekly primary issuance of inflation-linked bonds as part of the financing of the national budget deficit pushed real yields higher. As a result, the ASSA JSE Government Inflation-linked Bond Index only managed to eke out a return of 0.9%. In an environment of lower inflation and rising concern about a possible future higher national government financing requirement, the relative poor performance of this asset class makes perfect sense.

Market summary

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.

Key macroeconomic themes continue

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 proves 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.
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. Expect the central bank hawks to slowly gain some ground over the next few months. In the case of SA, we feel comfortable with the prospects of the South African Reserve Bank (SARB) being at the peak of the interest rate tightening cycle. A cautious monetary policy 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 (albeit improving) and the stickiness of inflation (still in the upper end of the target range), we deem a neutral policy stance (thus no cuts) as the most appropriate course for monetary policy right now. Recent market turmoil should also add to the list of reasons for the central bank to remain cautious about reducing the repo rate.

Key macroeconomic themes continue

Fiscal policy

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

The significantly heightened fear about the risk to fiscal prudence aside, it would be neglectful of us not to highlight noteworthy concern, chief among which remains overly ambitious nominal GDP estimates which elevate 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

With the exception of the US, and more encouraging signs of some improvement in other G10 countries, the global growth recovery remains fragile. This sets the scene for a modest rise in inflation as well as continued monetary policy divergence, but with some tweaks. It also implies a steady tightening cycle for the few economies that are in a position to normalise monetary policy, especially the US and now perhaps the UK.

Our view remains that the US Treasury market is underestimating the extent of monetary policy tightening by the Federal Reserve, leaving investors vulnerable to fast rising bond yields from current low levels. In light of this, the US 10-year Treasury bond yield should be closer to 3% as opposed to the current 2.3%. Moreover, any movement by other influential central banks to reduce the extent of the excessive monetary policy assistance will force bond investors to re-price the risk of future higher short-term rates.

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 adopted a neutral bias, it is unlikely that they would consider interest rate cuts soon. The external imbalance, albeit improving, is still too big to allow for a lower real repo rate.

Although the newly-appointed Minister of Finance is doing his best to downplay risks to the previously carefully managed fiscal consolidation, it would take far more than a political undertaking to convince us that all is indeed well. We remain particularly concerned about the inability to lift the underlying economic growth rate to the much higher levels required. Persistent sub-trend economic growth and macro policy uncertainty have negative implications for fiscal consolidation, the level of outstanding government debt 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.

Investment view and strategy continue

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 (80% 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 - Zero holding

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*
MONEY MARKET											
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% 6.91% 0.39%	6.50% 6.08% 0.42%	5.92% 5.48% 0.44%	5.82% 5.36% 0.46%	6.96% 6.48% 0.48%	7.08% 6.61% 0.47%
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	8.44% 7.25% 1.19%	7.52% 6.56% 0.96%	6.82% 6.00% 0.82%	6.65% 5.91% 0.74%	7.82% 7.00% 0.82%	7.86% 7.13% 0.73%
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	8.78% 7.63% 1.15%	7.82% 6.92% 0.90%	7.04% 6.29% 0.75%	6.89% 6.13% 0.76%	8.03% 7.15% 0.88%	8.09% 7.25% 0.84%
STEFI PLUS											
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	9.05% 7.63% 1.42%	8.00% 6.92% 1.08%	7.79% 6.29% 1.50%	7.75% 6.19% 1.56%	8.66% 7.26% 1.40%	8.97% 7.79% 1.18%
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	10.26% 7.63% 2.63%	9.08% 6.92% 2.16%	8.70% 6.29% 2.41%	8.59% 6.19% 2.40%		8.66% 6.26% 2.40%
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	11.26% 7.63% 3.63%	10.78% 6.92% 3.86%	10.31% 6.29% 4.02%	10.25% 6.19% 4.06%		10.17% 6.24% 3.93%

Product	Benchmark	Description	Portfolio manager	Inception date	Investment returns	1 Year	3 Years*	5 Years*	7 Years*	10 Years*	Since inception*
STEFI PLUS CONT.											
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	9.62% 7.63% 1.99%	11.80% 6.92% 4.88%	11.82% 6.29% 5.53%			11.77% 6.23% 5.54%
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	10.39% 7.63% 2.76%	11.99% 6.92% 5.07%	11.71% 6.29% 5.42%	11.62% 6.19% 5.43%		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	11.67% 7.63% 4.04%	11.32% 6.92% 4.40%				11.52% 6.87% 4.65%
INCOME											
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	8.81% 8.86% -0.05%	7.74% 7.73% 0.01%	6.83% 6.39% 0.44%	7.12% 6.65% 0.47%	8.13% 7.51% 0.62%	8.58% 8.00% 0.58%
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	9.78% 7.69% 2.09%	7.61% 6.95% 0.66%	7.41% 6.34% 1.07%	7.90% 6.36% 1.54%	8.82% 7.37% 1.45%	8.95% 7.30% 1.65%
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	9.67% 7.71% 1.96%	8.72% 7.02% 1.70%	8.54% 6.40% 2.14%			8.59% 6.48% 2.11%

Product	Benchmark	Description	Portfolio manager	Inception date	Investment returns	1 Year	3 Years*	5 Years*	7 Years*	10 Years*	Since inception*
INTEREST RATE ASSET ALLOCATION											
Interest Rate Asset Allocation	ALBI (62.5%); JSE ILB IGOV Index (30%); STeFI 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% 5.36% 1.83%	7.27% 6.32% 0.95%	8.05% 6.78% 1.27%	9.36% 8.25% 1.11%		9.36% 8.25% 1.11%
INFLATION-LINKED BONDS											
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% -0.47% 0.13%	4.40% 4.46% -0.06%	7.12% 7.19% -0.07%	8.31% 8.42% -0.11%	9.15% 9.24% -0.09%	9.20% 9.29% -0.09%
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	0.30% -0.29% 0.59%	4.60% 4.43% 0.17%	7.41% 7.17% 0.24%	8.80% 8.41% 0.39%	9.54% 9.23% 0.31%	9.37% 9.07% 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	-0.48% -2.77% 2.29%	5.75% 3.61% 2.14%	9.65% 7.41% 2.24%			10.10% 8.04% 2.06%
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	1.48% -2.24% 3.72%	7.21% 4.14% 3.08%				8.39% 5.73% 2.66%
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					
NOMINAL BONDS											
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	7.98% 7.93% 0.05%	7.12% 7.12% 0.00%	6.62% 6.61% 0.01%	8.37% 8.38% -0.01%	8.41% 8.40% 0.01%	10.72% 10.69% 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	9.15% 7.93% 1.22%	7.59% 7.12% 0.47%	7.40% 6.61% 0.79%	9.13% 8.38% 0.75%	9.16% 8.40% 0.76%	11.20% 10.58% 0.62%

Product	Benchmark	Description	Portfolio manager	Inception date	Investment returns	1 Year	3 Years*	5 Years*	7 Years*	10 Years*	Since inception*
NOMINAL BONDS cont.											
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	7.22% 7.22% 0.00%	6.37% 6.75% -0.38%	6.48% 6.67% -0.19%	8.31% 8.49% -0.18%	8.11% 7.82% 0.29%	7.57% 7.28% 0.29%
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	9.56% 7.93% 1.63%	9.23% 7.12% 2.11%	9.08% 6.61% 2.47%	10.99% 8.38% 2.61%	10.81% 8.40% 2.41%	11.09% 9.17% 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	9.19% 7.93% 1.26%	9.08% 7.12% 1.96%	9.08% 6.61% 2.47%	10.98% 8.38% 2.60%	10.90% 8.40% 2.50%	12.52% 10.58% 1.94%
SOCIALLY RESPONSIBLE INVESTMENTS											
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	9.19% 7.93% 1.26%	9.08% 7.12% 1.96%	9.08% 6.61% 2.47%	10.98% 8.38% 2.60%	10.90% 8.40% 2.50%	12.52% 10.58% 1.94%
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	-0.52% 15.50% -16.02%	12.00% 15.40% -3.40%	12.16% 15.68% -3.52%	11.94% 15.52% -3.58%	12.63% 16.25% -3.62%	16.59% 16.25% 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-serviced communities throughout South Africa.	Smital Rambhai	June 1996	Product Benchmark	26.66% 9.49% 17.17%	17.84% 9.40% 8.44%	14.81% 9.68% 5.13%	12.89% 9.51% 3.38%	12.35% 10.25% 2.10%	13.89% 9.89% 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*
SOCIALLY RESPONSIBLE INVESTMENTS cont.											
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	6.73% 3.36% 3.37%	5.49% 3.28% 2.21%	10.14% 8.14% 2.00%	11.08% 9.45% 1.63%	8.90% 8.00% 0.90%	12.72% 11.70% 1.02%
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	11.67% 7.63% 4.04%	11.32% 6.92% 4.40%				11.52% 6.87% 4.65%
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	1.48% -2.24% 3.72%	7.21% 4.14% 3.08%				8.39% 5.73% 2.66%
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 infomation.

FUTUREGROWTH

/ ASSET MANAGEMENT

FAIS disclaimer: Futuregrowth Asset Management (Pty) Ltd ("Futuregrowth") is a licensed discretionary financial services provider, FSP 520, approved by the Registrar of the Financial Services Board to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act 37 of 2002. The fund values may be market linked or policy based. Market fluctuations and changes in exchange rates may have an impact on fund values, prices and income and these are therefore not guaranteed. Past performance is not necessarily a guide to future performance. Futuregrowth has comprehensive crime and professional indemnity in place. Performance figures are sourced from Futuregrowth and I-Net Bridge (Pty) Ltd. GIPS disclaimer: Futuregrowth Asset Management (Pty) Limited ("Futuregrowth), a subsidiary of Old Mutual Investment Group Holdings (Pty) Limited is a specialist investment company which manages the full range of interest bearing and developmental investments in an ethical and sustainable way. Futuregrowth claims compliance with the Global Investment Performance Standards (GIPS®). Contact Futuregrowth at +27 21 659 5300 to obtain a list of composite descriptions and/or a presentation that complies with the GIPS® standards. The investment returns reflected are supplemental information as they are not calendar year returns and are gross-of-fees. Currency: ZAR

3rd Floor, Great Westerford
240 Main Road, Rondebosch
7700, South Africa
Private Bag X6, Newlands, 7725, South Africa
Tel: +27 21 659 5300 Fax: +27 21 659 5400
www.futuregrowth.co.za