FUTUREGROWTH
/ ASSET MANAGEMENT

Monthly Review

December 2018

Contents

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The Futuregrowth story: Past and future

A vision unfolding

In the wake of South Africa's democratic transition, Futuregrowth was founded in 1994, with a small suite of investment funds focused on social development and empowerment, and with the vision of creating a sustainable channel for pension funds to invest in disadvantaged communities and national development.

Fast forward more than 20 years: Today, Futuregrowth manages around R185 billion (+/- US$13 billion) of clients' assets, across the full range of fixed interest and development funds, and plays a leadership role in the asset management industry in South Africa. During this time we have not wavered from our purpose: to protect and grow investors' savings through skill and diligence, while being a force for good in the markets and environment in which we operate.

This sense of purpose is based on our belief that investors can make a positive difference in society while earning sound investment performance for pension fund members. That has inspired us to pioneer development funds in sectors such as infrastructure, rural and township retail property, agriculture and renewable energy, providing finance to innovative deals including low-income housing construction, a church in Soweto, urban regeneration projects, taxi finance, and alternative energy, to name a few.

As a responsible investor we engage with our industry and investee companies privately, and sometimes publicly, on sustainability issues. As examples: We have been working steadfastly to improve South Africa's debt capital market standards. In 2013, we identified unfair, unsustainable and prejudicial practices within the consumer lending industry. We chose to stop lending to such businesses in our developmental funds and publicly called for industry reform. And in 2016, we announced that we could no longer in good conscience invest pension fund members' assets in certain State Owned Enterprises (SOEs) until we had concluded detailed governance reviews.

The original concept of Futuregrowth is still alive and thriving in the Futuregrowth of today. Even though the company has developed into a successful asset management business, the philosophical belief on which the business was founded back in 1994 is still at the core of everything we do.

Market review

Economic and market review

Global risk appetite remains undermined	Following a temporary reprieve in November, the fourth quarter eventually turned out to be a mere extension of most of what happened in 2018, in terms of market volatility and weakness. Emerging markets had to face the consequences of compromised international trade and its potentially negative impact on global economic growth, the continued shift away from global quantitative easing, a 40% drop in crude oil prices since October, and rising political risk - specifically the emergence of populist leaders in Latin America's two biggest economies. As a result, investor caution manifested itself in net sales of emerging market bonds by foreign investors.
Local currency and bond markets were dragged along	Considering its own significant structural economic hurdles, South African financial markets got dragged along in this maelstrom of global risk aversion. This is best demonstrated by foreign net sales of local currency denominated bonds which, for the calendar year, reached the R71 billion mark. Apart from offshore developments, the net foreign selling was also in response to a disappointing but starkly realistic Medium Term Budget Policy Statement delivered by the newly appointed Minister of Finance in October. The acknowledgement that much needed fiscal consolidation has to be kicked down the road once again, caused longer-dated bond yields to rise sharply. The yield on the benchmark R186 (maturity 2026) spiked to 9.32%, its weakest point since November 2017.
Local central bank hawks won the day despite the weak economic backdrop	The fiscal disappointment was soon to be offset by a hawkish central bank. At the South African Reserve Bank (SARB)'s November Monetary Policy Committee meeting, it was decided to raise the repo rate by 25 basis points (bps) to 6.75%, the first time the Bank had raised rates since February 2016. This decision, mostly backed by concern about persistently high inflation expectations, had a direct impact on both the level of bond yields and the shape of the nominal yield curve. Short- dated bond yields increased marginally in direct response to the repo rate increase. At the back end, the clear intention of the central bank to manage inflation expectations, despite weak economic growth, played into the hands of local investors who expressed their approval by buying long-dated nominal bonds at the higher, more attractively priced yields. This, coupled with a stronger rand, caused the yield on the R186 to decrease by around 30 bps from its weakest intra-quarterly point of 9.32%. Consequently, the yield on the benchmark R186 (maturity 2026) moved lower to 8.88% on 31 December; 9 bps lower than the September close of 8.99%
Data releases had a limited impact on market sentiment	The most recent economic data releases did little to change our assessment of our broad investment theme: a benign inflation outlook amidst sustained weak economic activity. The underlying inflation trend at both producer and consumer levels remained fairly subdued and is reflective of a rather strong disinflationary environment. On a negative note, the release of the latest external trade account data pointed to another significant current account deficit of -3.5%, putting a question mark on the ability to sustainably shrink the size of the negative current account balance.
Inflation-linked bonds underperformed both nominal bonds and cash	Inflation-linked bond yields receded marginally in the second half of November. Even so, market weakness in the first half of the month gave rise to a steepening of the real yield curve slope. The yield of the benchmark R197 (maturity 2023) initially increased to 3.05%, its weakest level since April 2010, before pulling back to close the quarter at 2.92%, only marginally higher than the September close of 2.90%. Even so, the bearish steepening of the yield curve still caused the JSE ASSA Government Inflation-linked Index (IGOV) to render a poor return of 0.43% during the quarter, underperforming both nominal bonds and cash by a significant margin.

Nominal bonds render highest return during Q4 despite significant volatility	Despite significant intra-quarter nominal bond market volatility, the JSE ASSA All Bond Index managed to deliver a return of 2.8% over the three- month period ending December. Cash performance as measured by the STeFI total return index rendered a return of 1.8% for the quarter. The return profile of the three interest rate bearing asset classes for the 2018 calendar year follow the same pattern as the past quarter's return. The inflation-linked bond index (0.3%) underperformed both nominal bonds (7.7%) and cash (7.3%) by a significant margin.

Market summary

Key macroeconomic themes

Economic growth	A moderate global economic recovery remains our base case, with a relatively stronger US economy leading the way. However, from a cyclical perspective, the downside risk to our base case has increased as concern over the sustainability of the global recovery in general, and the US in particular, mounts. A sustained global recovery will also be hampered by compromised international trade. Locally, the biggest impediment to higher local growth remains of a structural nature. The low growth trap is largely due to policy uncertainty, weak policy implementation, low levels of fixed capital investment and a rigid labour market. While acknowledging the positive steps towards improved governance, marked by the reconfiguration of the boards of Eskom and Transnet and the finalisation of the mining charter, the perilous state of most of the state-owned enterprises remains a negative risk to the fiscus, and, as a consequence, to domestic economic growth. For now, the risk of a failed economic recovery continues to be the biggest threat to our current investment theme. Should a global growth slowdown culminate, it will worsen the local growth outlook in a significant way.
Inflation	The US remains at the forefront of the global reflation effort, with a decade of ultra-easy monetary policy and recent fiscal stimulus yielding satisfactory inflationary effects. Progress towards reflation in the European Union is also highlighted by the announcement of asset purchase tapering by the European Central Bank earlier in the year. Although global reflation is welcomed, since this is what policy makers had aimed to achieve, it is important that the feed-through to underlying inflation remains contained. It is noteworthy, however, that final demand is not yet strong enough to cause core inflation rates in most developed economies to sustainably breach central bank targets. A possible global growth slowdown would also reduce the risk of sustained higher inflation. Locally, the telegraphed drop in food inflation and a broadly neutral currency view results in our 2019 annual average inflation forecast of 4.8%. More importantly, there is strong evidence that the pass-through of rand weakness to inflation appears to remain exceptionally weak, reflective of the weak economic growth and the inability of producers and retailers to pass on price increases to the end consumer in a significant way. This continues to support the view that the near-term acceleration in the rate of inflation is expected to be relatively benign, and for the targeted inflation rate to remain within the SARB's 3% to 6% target range, although still above the more desirable mid-point of 4.5%.

Where is the yield curve heading in the New Year?

Following a rather protracted period during which political and market events introduced some distortion to the interest rate cycle, a level of "normality" returned by the end of 2017. What do we mean by "normality", you may ask? Simply put, the focus has returned to growth and inflation drivers, as opposed to political events, as influencers of monetary policy and the interest rate cycle.

In this write-up we have considered all the various drivers of the interest rate cycle which was applicable at the time of writing this article (January 2019). However, of greater importance is where we are heading - and, more specifically, how the yield curve will behave.

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Key macroeconomic themes continued

Balance of payments	We expect a marginal widening of the current account balance from an annual average of -2.5% of gross domestic product (GDP) in 2017, to -3.5% in both 2018 and 2019. Even with the significant R125bn cumulative net foreign selling of rand-denominated bonds and equities in the 2018 calendar year, the unfavourable income account deficit (primarily due to the large net dividend and interest payments to foreigners) remains a considerable drag on a sustained and meaningful balance of payments correction. An escalation of international trade tensions still represents the biggest risk to adversely impacting the balance of payments position, especially for a small open economy like South Africa, with strong Eurozone and Chinese trade links.
Monetary policy	With the unemployment rate in the US below 4% and inflation pressures gradually building, we believe that the Federal Reserve should continue with its interest rate normalisation process, albeit at a very gradual pace and bearing cognisance of the risks to global growth. The SARB is expected to maintain its more cautious stance, which we fully support. Factors contributing to this stance include: some pressure on the balance of payments; the fact that actual inflation is back above the mid-point of the target range (which the SARB has consistently telegraphed as the desired target point); inflation expectations remaining stubbornly close to the top end of the target band; and the waning support provided by a decade of ultra-loose global monetary policy. This is at least partly balanced by the fact that the central bank is not completely ignorant of the fact that underlying economic activity remains very weak. All in all, the risk to our stable repo rate outlook is still skewed to the upside, mostly due to embedded high inflation expectations. Even so, barring a significant financial crisis, a weak policy tightening cycle remains our base case.
Fiscal policy	Although fiscal year-to-date revenue performance up until the 2018 Medium Term Budget Policy Statement (MTBPS) had proved to be resilient and had guided expectations of a positive result, the actual outcome was disappointing. National Treasury is still confronted by a very challenging fiscal path and continues to tread the fine line between balancing the need for fiscal consolidation and economic stimulus. As we have previously highlighted, structurally weak domestic growth is primarily responsible for severely impeding the consolidation of SA's budget balance. Although likely to be positive over the longer term, SARS' efforts to address legacy issues around Value Added Tax refunds have also notably contributed to the slowing down of fiscal consolidation. We now look to the actual delivery of fiscal and wide-ranging state-owned enterprise reform to reinvigorate consumer and business confidence.

Investment view and strategy

At a global level, the shift from quantitative easing to quantitative tightening remains the main trend, for now. However, the risk to a sustained global economic recovery should not be ignored and this may cause a slowing of the tightening monetary policy trend over the next year. This tightening trend also implies that global bond yields, more specifically the US Treasury market, may have already peaked and may hover in a tight, slightly lower range in the near term.

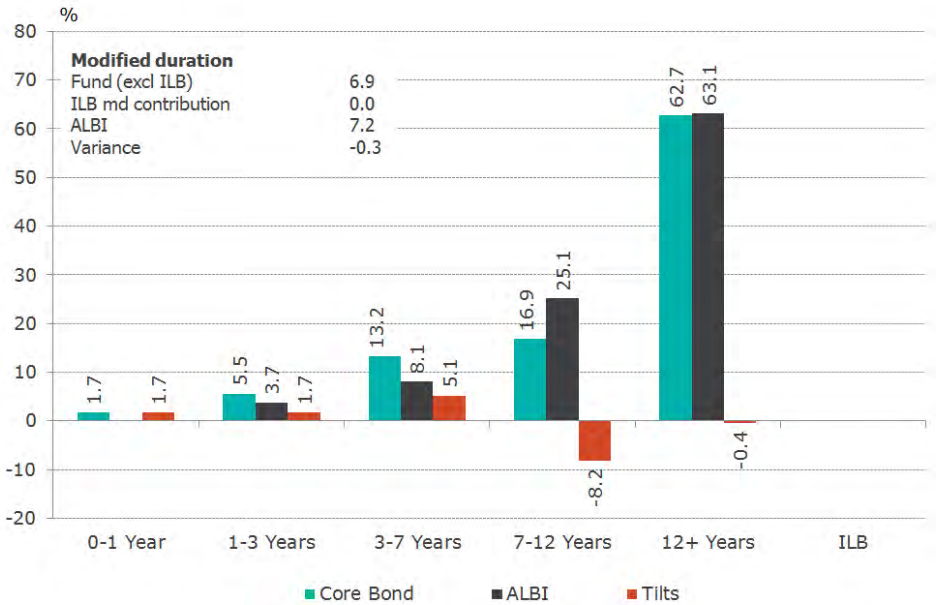
Investment view and strategy continued

Locally, our main concern with regards to the bond market remains the strong link between lacklustre economic growth and fiscal consolidation - or more specifically, the rising debt burden of the government, which arises as a consequence of a lack of fiscal consolidation and therefore continues to threaten the country's sovereign risk profile in addition to the pressure it places on domestic funding costs. The risk of a failed economic recovery has not dissipated, even when accounting for the strong third quarter rebound in GDP of 2.2%, the underlying economy remains structurally weak. This makes us question the quality of tax revenue collections and consequently the state of health of the tax base, which in turn keeps the risk of a budget deficit overrun at elevated levels. This concern was proven well founded following the tabling of the 2018 MTBPS in October, where the newly appointed Minister of Finance announced a widening of the medium-term budget deficit estimates released in the tabling of February's Main Budget, with the start of some fiscal consolidation now only to occur in the 2020/21 fiscal year.

On the monetary policy front, we maintain our view that, following the recent repo rate increase in November, the central bank will remain hostage to the opposite forces of a lacklustre economic growth outlook and limited upside risks to inflation in light of the strong disinflationary environment. For now, this suggests to us a stable policy path combined with a central bank that will keep warning of their response function to the threat of higher inflation outcomes. The underlying domestic disinflationary trend and the risk to the global growth outlook should not be ignored. On balance, the risk to the stable repo rate outlook is still skewed to the upside, mostly due to stubbornly high inflation expectations.

While the observable investment theme and related real-time developments mostly have negative consequences for the local bond market, it is important to note that current market valuation is largely reflective of this. Cheaper market valuations, following the sell-off during the second quarter, afforded us an opportunity to cautiously increase risk by selectively buying bonds. We shall continue to look for opportunities to increase bond market exposure, but only into bouts of weakness, considering the level of uncertainty discussed above.

As a result, our broad interest rate investment strategy remains defensive. In the case of our Core Bond Composite (benchmarked against the All Bond Index), this is expressed as follows:



Key economic indicators and forecasts (annual averages)

	2015	2016	2017	2018	2019	2020
Global GDP	2.9%	2.5%	3.3%	3.3%	3.0%	2.9%
SA GDP	1.3%	0.3%	1.3%	0.9%	2.0%	2.5%
SA Headline CPI	4.6%	6.3%	5.3%	4.6%	4.8%	5.0%
SA Current Account (% of GDP)	-4.4%	-3.3%	-2.0%	-3.5%	-3.5%	-3.8%

Source: Old Mutual Investment Group

Produced by the Interest Rate Team

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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	6.72% 6.50% 0.22%	7.00% 6.69% 0.31%	6.49% 6.13% 0.36%	6.08% 5.67% 0.40%	6.28% 5.83% 0.45%	7.05% 6.60% 0.45%
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	8.06% 6.92% 1.14%	8.22% 7.04% 1.18%	7.55% 6.57% 0.99%	7.04% 6.17% 0.87%	7.23% 6.39% 0.85%	7.89% 7.12% 0.78%
Corporate Short Term Funds (unit trust)	STeFI Composite Index	Aims to deliver a regular income and to outperform corporate bank deposits over time, while preserving capital and maintaining a high level of liquidity.	Michael van Rensburg/ Nazley Bardien	August 2018	Product Benchmark Outperformance	N/A					
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	8.26% 7.25% 1.01%	8.50% 7.39% 1.11%	7.79% 6.91% 0.88%	7.27% 6.47% 0.80%	7.46% 6.59% 0.87%	8.11% 7.26% 0.86%
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.	Rhandzo Mukansi	October 2002	Product Benchmark Outperformance	8.55% 7.25% 1.30%	8.98% 7.39% 1.59%	8.31% 6.91% 1.40%	8.09% 6.47% 1.63%	8.22% 6.70% 1.52%	8.98% 7.75% 1.23%
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.	Rhandzo Mukansi	January 2010	Product Benchmark Outperformance	9.57% 7.25% 2.32%	10.07% 7.39% 2.67%	9.29% 6.91% 2.38%	8.94% 6.47% 2.47%		8.87% 6.43% 2.44%

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 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	10.24% 7.25% 2.99%	11.22% 7.39% 3.82%	10.84% 6.91% 3.93%	10.49% 6.47% 4.03%		10.30% 6.42% 3.88%
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	10.64% 7.25% 3.39%	11.92% 7.39% 3.52%	12.12% 6.91% 5.21%	11.81% 6.47% 5.34%		11.81% 6.47% 5.34%
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	9.94% 7.25% 2.69%	10.89% 7.39% 3.50%	11.86% 6.91% 4.95%	11.45% 6.47% 4.99%	11.81% 6.70% 5.11%	11.77% 7.15% 4.63%
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	11.16% 7.25% 3.91%	11.53% 7.39% 4.13%				11.42% 7.02% 4.41%
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	8.01% 7.31% 0.71%	9.21% 9.03% 0.18%	7.70% 7.53% 0.18%	7.27% 6.80% 0.46%	7.54% 7.02% 0.51%	8.56% 7.97% 0.59%
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	8.79% 7.25% 1.53%	9.39% 7.46% 1.93%	7.83% 6.95% 0.88%	7.90% 6.52% 1.38%	8.08% 6.77% 1.30%	8.93% 7.31% 1.62%
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	9.71% 7.38% 2.33%	10.16% 8.16% 2.00%	9.05% 7.12% 1.93%			8.91% 6.76% 2.15%

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	6.52% 5.33% 1.19%	9.25% 8.29% 0.96%	7.73% 6.75% 0.98%	8.50% 7.21% 1.30%		9.10% 7.98% 1.12%
INFLATION-LINKED BONDS											
Passive ILB Index	JSE ILB IGOV Index	Aims to match the returns of the benchmark through passive interest rate and yield curve management.	Nazley Bardien	September 2005	Product Benchmark Outperformance	-0.02% -0.49% 0.47%	2.87% 2.87% 0.00%	4.61% 4.64% -0.02%	6.00% 6.05% -0.05%	7.31% 7.38% -0.07%	8.31% 8.38% -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	0.43% 0.02% 0.41%	3.35% 2.89% 0.47%	4.82% 4.64% 0.19%	6.38% 6.05% 0.33%	7.79% 7.38% 0.41%	8.45% 8.13% 0.33%
Yield Enhanced Long Duration ILB	JSE Composite Inflation-linked Index 12+ Year	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.	Jason Lightfoot	June 2011	Product Benchmark Outperformance	-1.49% -4.49% 3.00%	2.75% 0.57% 2.19%	5.67% 3.34% 2.33%	7.57% 5.25% 2.31%		8.18% 6.04% 2.14%
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.	Jason Lightfoot	January 2014	Product Benchmark Outperformance	-0.56% -4.37% 3.81%	4.05% 0.77% 3.28%				3.25% 0.04% 3.21%
Infrastructure & Development ILB	JSE Composite Inflation-linked Index 12+ Year	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.	Jason Lightfoot	November 2016	Product Benchmark Outperformance	-2.57% -4.49% 1.92%					-1.36% -2.75% 1.40%
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	7.64% 7.69% -0.04%	11.06% 11.07% -0.01%	7.71% 7.71% -0.01%	7.81% 7.81% 0.00%	7.68% 7.68% 0.00%	10.59% 10.57% 0.02%

Product	Benchmark	Description	Portfolio manager	Inception date	Investment returns	1 Year	3 Years*	5 Years*	7 Years*	10 Years*	Since inception*
NOMINAL BONDS cont.											
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/ Rhandzo Mukansi	January 2000	Product Benchmark Outperformance	8.21% 7.69% 0.53%	11.64% 11.07% 0.57%	8.17% 7.71% 0.45%	8.53% 7.81% 0.72%	8.45% 7.68% 0.77%	11.08% 10.47% 0.61%
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	9.53% 7.69% 1.84%	12.72% 11.07% 1.64%	9.89% 7.71% 2.18%	10.25% 7.81% 2.44%	10.18% 7.68% 2.50%	11.11% 9.17% 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	9.20% 7.69% 1.52%	12.49% 11.07% 1.42%	9.77% 7.71% 2.06%	10.23% 7.81% 2.42%	10.28% 7.68% 2.60%	12.42% 10.47% 1.95%
DEVELOPMENTAL 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	9.20% 7.69% 1.52%	12.49% 11.07% 1.42%	9.77% 7.71% 2.06%	10.23% 7.81% 2.42%	10.28% 7.68% 2.60%	12.42% 10.47% 1.95%
Development Equity	Consumer Price Index (CPI) + 10%	Targeting high returns by investing in equity and related assets that are socially responsible or develop-mental.	James Howard & Sarah de Villiers	September 2006	Product Benchmark Outperformance	12.84% 15.19% -2.34%	7.80% 15.47% -7.68%	12.84% 15.40% -2.57%	12.48% 15.42% -2.94%	12.55% 15.35% -2.80%	16.44% 16.03% 0.41%
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 communi-ties throughout South Africa.	Smital Rambhai	June 1996	Product Benchmark Outperformance	11.96% 9.18% 2.78%	16.65% 9.47% 7.18%	15.24% 9.40% 5.84%	13.94% 9.42% 4.52%	12.17% 9.35% 2.82%	13.78% 9.77% 4.01%
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 Outperformance	N/A					

Product	Benchmark	Description	Portfolio manager	Inception date	Investment returns	1 Year	3 Years*	5 Years*	7 Years*	10 Years*	Since inception*
DEVELOPMENTAL 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	-1.87% -4.11% 2.24%	8.26% 6.71% 1.55%	7.25% 5.26% 1.99%	9.85% 7.70% 2.16%	10.63% 9.16% 1.47%	12.16% 10.98% 1.18%
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	11.16% 7.25% 3.91%	11.53% 7.39% 4.13%				11.42% 7.02% 4.41%
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.	Jason Lightfoot	January 2014	Product Benchmark Outperformance	-0.56% -4.37% 3.81%	4.05% 0.77% 3.28%				3.25% 0.04% 3.21%
Infrastructure & Development ILB	JSE Composite Inflation-linked Index 12+ Year	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.	Jason Lightfoot	November 2016	Product Benchmark Outperformance	-2.57% -4.49% 1.92%					-1.36% -2.75% 1.40%

Currency: ZAR/Gross of fees

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

FUTUREGROWTH
/ ASSET MANAGEMENT

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Unit trusts disclaimer:

- We aim to treat our clients fairly by giving you the information you need in as simple a way as possible, to enable you to make informed decisions about your investments.
- We believe in the value of sound advice and so recommend that you consult a financial planner before buying or selling unit trusts. You may, however, buy and sell without the help of a financial planner. If you do use a planner, we remind you that they are entitled to certain negotiable planner fees or commissions.
- You should ideally see unit trusts as a medium- to long-term investment. The fluctuations of particular investment strategies affect how a fund performs. Your fund value may go up or down. Therefore, we cannot guarantee the investment capital or return of your investment. How a fund has performed in the past does not necessarily indicate how it will perform in the future.
- The fund fees and costs that we charge for managing your investment are disclosed in this Minimum Disclosure Document (MDD) and in the table of fees and charges, both of which are available on our public website or from our contact centre.
- Additional information of the proposed investment, including brochures, application forms and annual or quarterly reports, can be obtained, free of charge, from Old Mutual Unit Trust Managers (RF) (Pty) Ltd, from our public website at www.omut.co.za or our contact centre on 0860 234 234.
- Our cut-off time for client instructions (e.g. buying and selling) is at 15:00 each working day for all our funds, except the Money Market Funds, the price of which is set at 13:00. These are also the times we value our funds to determine the daily ruling price (other than at month-end when we value the Old Mutual Index Funds and Old Mutual Multi-Managers Fund of Funds range at 17:00 close). Daily prices are available on the public website and in the media.
- Unit trusts are traded at ruling prices, may borrow to fund client disinvestments and may engage in scrip lending. The daily ruling price is based on the current market value of the fund's assets plus income minus expenses (NAV of the portfolio) divided by the number of units on issue.
- The Net Asset Value to Net Asset Value figures are used for the performance calculations. The performance quoted is for a lump sum investment. The performance calculation includes income distributions prior to the deduction of taxes and distributions are reinvested on the ex-dividend date. Performances may differ as a result of actual initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Annualised returns are the weighted average compound growth rates over the performance period measured.

Old Mutual Unit Trust Managers (RF) (Pty) Ltd, registration number 1965 008 47107, is a registered manager in terms of the Collective Investment Schemes Control Act 45 of 2002. Old Mutual is a member of the Association for Savings and Investment South Africa (ASISA). Old Mutual Unit Trust Managers has the right to close the portfolio to new investors in order to manage it more efficiently in accordance with its mandate.

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