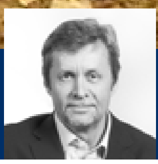
THE *art* OF SENSIBLE INVESTING

FIRSTGLOBAL GROUP

GLOBAL BRIEF

April 2018



Editorial comment

John Swart
CEO | FIRSTGLOBAL Asset Management

Despite a shaky start to the year for markets, we remain cautiously optimistic about the 'new dawn' for South Africa, and suggest investors maintain globally diversified portfolios.

2018 got off to a shaky start with unprecedented global market volatility and trade-war talk. Few asset classes managed to escape the inevitable downturn.

The rand held on to its gains against all major currencies and even strengthened a further 5% against the dollar over the first quarter. Compared to November 2017, it ended the quarter 17% stronger against the dollar. This phenomenon has, of course, been the main driver behind the devaluation of all offshore assets (measured in rands) and rand-hedge shares on the JSE.

The FTSE/JSE All Share Index pulled back by more than 6% despite a slight recovery towards the end of March.

Ratings agency Moody's announced their decision to keep South Africa's credit rating unchanged at just above 'junk' status but changed their outlook from 'negative' to 'stable'. This was good news considering that they are now the only ratings agency that has not yet downgraded South African credit to junk.

Another highlight was the South African Reserve Bank's decision to reduce the official interest rate by 0.25%, which resulted in banks lowering their prime lending rates to 10%.

With a (still far too low) growth rate of 1.7% predicted for South Africa in 2018, struggling state-owned enterprises, and mounting pressure on newly elected President Cyril Ramaphosa to keep expropriation of land without compensation high on the agenda, we believe that the rand will come under pressure again.

It is only natural for investors to feel despondent after the spate of negative market events that unfolded since December. While we remain cautiously optimistic about the 'new dawn' for South Africa, we maintain the view that South African investors will be rewarded for remaining invested in a well-diversified global portfolio.

We hope that you enjoy the read and find value in the articles in this edition of GLOBAL BRIEF.

Regards
John Swart

Ratings agency Moody's announced their decision to keep South Africa's credit rating unchanged at just above 'junk' status but changed their outlook from 'negative' to 'stable'.

The sandwich generation – indebtedness and breaking the cycle of dependency with savings

Adapted from the article 'No pudding for the sandwich generation' by Jean Lombard
Chief Executive of Savings at Sanlam

More than 20% of South Africa's working population is part of the 'sandwich' generation

This means that they support children while also taking care of their elderly parents. According to Statistics SA, 32.2% of South African households have more than one generation living under one roof. While this was previously the norm among rural black communities, the figures show that nuclear families amongst the urban white population increased from 4% to 8% in the last decade. An increase in life expectancy and high levels of youth unemployment are some of the elements that have exacerbated the sandwiching trend. Increasing numbers of clients may be financially responsible for more than one household, even if they don't live under the same roof.

Debt often goes hand in hand with having to support dependants for extended periods

Instead of using all their allowable tax deductions to save for retirement in their early 20s, these young adults are saving the bare minimum, or they are not saving at all, unless compelled by their employers. This phenomenon is creating a pool of heavily indebted young adults. In addition, many people may struggle to strike a balance between taking care of the immediate and extended needs of their families and saving for something less 'immediate' such as retirement. Paying off debt also becomes a critical and consuming financial matter.

Your advice and support can help clients make the best decisions they can despite their situation

Clients who make up the sandwich generation may avoid frank financial conversations with their dependants because they do not want to 'upset' them. This is where your very sensitive role as a coach and guide can make a material difference to your clients' lives. Some of the ways that financial advisors are playing a constructive and positive role in these challenging situations are to help:

- encourage open conversations that consider the entire family unit,
- clarify financial constraints and imperatives as part of a holistic picture,
- identify areas where extra savings can be unlocked by using tax incentives on products like retirement annuities or tax-free savings accounts,
- guide the family in conversations about lifestyle choices or earning additional income, and
- suggest ways that dependent members of the family can contribute to the household finances.

The message for younger adults is that if they don't save, the cycle of dependency continues

In this process, there is a powerful message for the younger generation, namely that their own failure to save enough for retirement will only perpetuate the cycle of dependency. Saving for retirement requires financial commitment, and this tends to become more onerous the later you start. A 25-year-old who wants to replace approximately 60% of his or her final salary at retirement, needs to save nearly 20% of each salary until retirement (assuming a real investment return of 4% per year). For a 35-year-old, this percentage climbs to nearly 30%! If a middle-aged individual who started saving for retirement at 25 has to stop at the age of 50 because an adult child or their parents have moved in with them (while they are still putting their younger children through school), their retirement saving period will be reduced to 25 years. The impact on such individuals' retirement savings is significant – the lack of contributions from age 50 reduces the end benefit to approximately 44% of their final salary, instead of the 60% mentioned earlier.

According to Statistics SA, 32.2% of South African households have more than one generation living under one roof. While this was previously the norm among rural black communities, the figures show that nuclear families amongst the urban white population increased from 4% to 8% in the last decade.

Diversify offshore, but don't give up on South Africa

Adapted from 'Diversify offshore, but don't give up on SA' by Alwyn van der Merwe
Director of Investments at Sanlam Private Wealth

Diversification achieves specific objectives, which underpin the argument for offshore investment

We advise our clients to migrate a portion of their assets from South African to offshore investment opportunities to achieve the objectives below. Where our clients have given us discretion in an equity mandate to invest money offshore, we propose a direct offshore exposure of 38%, with the remainder invested in South African equities.

- **Protect investments against sovereign risks.** Investors need protection against the risk that a government could default on its sovereign debt or other obligations.
- **Protect investments against currency risks.** A structurally higher inflation rate relative to trading partners is likely to weigh on the currency over time. Also, if investors perceive that the sovereign risks of a country are high, the currency is likely to reflect this risk by weakening against cross currencies. If investors are exposed to this currency, it simply means their investments – all things being equal – will lose value in international terms.
- **Participate in investment opportunities outside the borders of investors' country of residence, in this case, South Africa. These opportunities include:**
  - taking advantage of global demographic trends,
  - sharing in emerging industries not listed locally,
  - investing in undervalued markets,
  - diversifying company-specific risk, and
  - achieving a better risk-adjusted portfolio composition.

When you look at South African equities, many generate earnings outside our borders

When we consider the source of earnings of the South African equity component, however, our analysis suggests that of the 62% South African exposure, around 75% of these earnings are generated outside our country's borders. Investors who follow this mandate therefore effectively have an 85% exposure to offshore economies and economic trends. We can thus safely argue that we've already hedged our clients' portfolios against the above-mentioned risks, and we're already participating in the global opportunity set.

When is a good time to invest offshore? And should investors ship it all out?

The question remains: if an investor isn't currently in the fortunate position of having significant offshore exposure, is now the time to invest a material proportion of an investment portfolio abroad? Also, given the current uncertain political and economic landscape, should South Africans consider investing their entire portfolio abroad?

One should never, of course, ask questions about timing when emotions are running high

From an investment perspective, this is easy to explain. When the environment is obviously toxic and herd instinct takes over, the news is normally already reflected in the price of assets. If an investor is incorrectly positioned at the time, it implies that to correct the position, they'll need to sell the unpopular asset, which in all likelihood will be cheap, and buy the popular asset, which will likely be expensive – hardly a trade that will serve the investor's interests over the longer term.

This scenario was evident in 2001, when South Africans panicked after the rand devalued

The popular view was that South Africa was simply another Zimbabwe in the making. Not only did South African investors who followed that popular argument sell a cheap currency (the rand), they also bought expensive currencies (US dollars or British pounds).

Many investors would still not have made up their losses from making rash emotive decisions

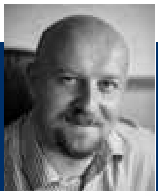
Even worse, cheap South African shares were sold to buy expensive offshore shares. And if this was the only investment decision made over this period, these investors will to this day not have caught up with what their position would have been had they remained invested in South Africa.

It's not entirely the same as 2001, because the price gap isn't as wide

So is it different this time, or are investors who follow the herd instinct likely to make the same mistake they did in 2001? Focusing only on the two most crucial prices, we don't believe the situation is entirely the same. Firstly, the rand is now not as cheap against the cross currencies compared to 2001. In fact, the rand is more or less fairly priced against the euro and the British pound at current levels. Secondly, while we believe the South African equity market is cheaper than its international peers – which means we are reluctant to sell – the price 'gap' isn't as wide as it was in 2001.

We will diversify, but South Africa still offers unique opportunities

If an investor's portfolio does not have material offshore exposure currently, we'd consider it prudent at the current exchange rate of approximately R12/$ to migrate a portion of assets offshore, based on the prices of local equities. However, we'll certainly not argue for a complete disinvestment from South Africa. Ignoring the jurisdiction where the liabilities vest (that is, future spending and income requirements), South Africa still offers unique investment opportunities at prices that offer a justifiable future reward for those prepared to invest.



Economic resurgence still faces great obstacles

Adapted from an article by Frans Cronje
Scenario planner and CEO of the Institute of Race Relations

American politician Stephen Bloom is credited with the keenly insightful observation that 'economics is to politics what gravity is to jumping'. In South Africa today, Bloom's maxim is dauntingly relevant.

Is South Africa on a reformist trajectory?

We can measure this against two markers:

1. The rule of law, corruption and an accountable government, which is getting the bulk of analyst attention
2. Policy reform in areas of empowerment, the labour market, property rights and education

The post-1994 economic recovery improved living standards, then a negative spiral followed since 2007

The positive trajectory that started in 1994 was broken in the aftermath of the 2007 Polokwane conference and later the global financial crisis. Public frustration (measured in polling and voting data) born of unmet expectations frightened ruling party politicians, who tried to counter the trend with equal measures of ideological dogma and populist policy. The response was wholly counterproductive and stalled South Africa's post-crisis recovery, even as other emerging markets grew out of the crisis. The ensuing weak economic performance triggered a significant loss of confidence in the ruling party, which in turn triggered deepening populism. A dangerous negative spiral was set in motion. This is essentially where South Africa came to stand in November last year.

To survive, the ANC must restore the rule of law and reform economic policy

Whether what has happened since Ramaphosa's election indicates that the ruling party might reform to survive, and set the country on the path to growth and stability, hinges on how the new administration addresses two fundamental issues:

1. **Restoring the rule of law:** The signs are promising. However, the test will be if these early actions translate into a raft of successful prosecutions, an important catharsis and a sign that the paradigm has indeed shifted.
2. **Economic policy reform:** Here, the obstacles are indeed great. Three obstacles, listed below, must be overcome. Failure to overcome any one of them will see the reformation stall, even if Ramaphosa manages to deal effectively with corruption and malfeasance and re-establish the rule of law.

Economic obstacles that government needs to overcome

1. **The budget deficit and the economic growth to counter this**
   Both government revenue and expenditure as a share of GDP have continued to rise sharply. This was financed in part through the borrowing that doubled the debt-to-GDP ratio and through placing a now near-intolerable burden on individual income tax payers. As a result, Ramaphosa's new administration may not immediately have the money to develop the infrastructure to support an economic recovery while meeting the welfare and service delivery demands of several million households. The antidote is growth, but our forecasts are that growth rates will underperform emerging market averages by around 70% this year. An economic growth rate of up to 2%, as policymakers are predicting, is nowhere near the watershed level for breaking the structural unemployment crisis.
2. **The structural unemployment crisis**
3. **Education**
   To take just one indicator, over half of the Grade 10 class of 2014 progressed to matric in 2016. Of these, less than 3% passed matric maths with a grade of 60% or higher – a qualification that offers a young person the reasonable prospect of ascending to the middle classes within a decade. Without doubling the number of matric maths passes every five years it will be very difficult for government to deliver on demands for middle-class access.

For the past several years, we have been in the scenario we called the 'Breakup of South Africa'

In this scenario, an out-of-touch and corrupt government grows ever more distant from South Africa's people. Counterproductive policy undermines investment and entrepreneurship. The fiscal deficit deepens and service delivery, public education and healthcare suffer as state coffers run dry. Repelled by their politicians, South Africans withdraw into enclaves – some prosperous and others urban slums and rural backwaters. South Africa continues to underperform compared to emerging markets on almost every measure.

But we now have the opportunity to realise a scenario we call the 'Rise of the Rainbow'

In this scenario, a reformed ruling party will introduce changes to restore the rule of law and position South Africa as a competitive investment destination. Economic growth would exceed 5% by 2029 and the unemployment rate would be halved. South Africa would turn from the brink of disaster to become one of the world's most exciting emerging markets.

We must improve the markers in two key areas to upgrade our scenario

We cannot make the call yet, but within six months to a year we ought to have enough evidence to say whether we are likely to continue in the 'Breakup' scenario or whether South Africa will change paradigms and enter the era of the 'Rise of the Rainbow'. To upgrade the scenario will require the right markers going up on two broad fronts:

1. The first front is populated by those markers that deal with accountable governance, parastatal reform, state capture, the rule of law and business and popular confidence. They already look a lot better than they did a year ago.
2. The second front is populated by those that deal with policy reform in areas of the labour market, empowerment policy, property rights and education – the odds of which hinge almost entirely on the balance of forces in the battle of ideas. If we make the upgrade, it means we'll be confident that economic growth rates will rise to about 4% by 2024 and to over 5% by 2029. The unemployment rate will fall to below 15% over the same period. South Africa will quadruple the number of young people passing maths in matric. There will be no doubt about property rights or the rule of law.

THE *art* OF SENSIBLE INVESTING

FIRSTGLOBAL ASSET MANAGEMENT QUARTERLY REPORT

QUARTER 1

April 2018

FIRSTGLOBAL ASSET MANAGEMENT

MARKET COMMENTARY

Edrich Jansen
MCom Finance (UP) | PG Dip Financial Planning (UFS)

Volatility returned in the first quarter of 2018

The first quarter of 2018 can be described as the return of (no, not the Jedi) volatility! For the most part of last year, volatility (as measured by the volatility index of the Chicago Board of Options Exchange, known by its ticker symbol as VIX), remained low compared to historical figures. The market rarely follows a linear pattern for extended periods, and alarm bells were already ringing last year after the ongoing market complacency. Large institutions were profiting from derivative products as long as the low volatility persisted. But as we know, change is the only constant in life, and when the short volatility products started to unwind, things started to unravel quickly.

In the US, the anticipation of monetary policy tightening triggered the uncertainty

The first cracks in the third-longest bull market started to appear in February after the release of January's wage inflation figure. The figure reflected the highest annual wage growth since 2009, stoking anxiety that many central banks will start to tighten policy and raise borrowing costs. This hurt corporate earnings and clouded the outlook for what had been expected to be another solid year of global economic growth. The US Federal Reserve subsequently raised interest rates by a quarter of a percent, with the target range now standing at 1.50 – 1.75%. Market participants however managed to digest the news and markets rebounded considerably, with even the 'tech-heavy' Nasdaq surpassing its previous highs. But then March came along and Facebook decided to unfriend the market.

The Facebook data issue triggered a sell-off that affected other technology stocks

The data fiasco at the world's largest social media platform in the middle of March was the catalyst to a technology sell-off, which did not take long to spill over to the rest of the market, particularly the FANG stocks (Facebook, Amazon, Netflix and Alphabet (Google)). The stockmarket fall gained momentum towards the end of the month, with US markets finishing the quarter below February's lows. Trump's tariffs on Chinese steel and aluminium only added fuel to the fire. The way in which China will respond or retaliate is probably the biggest concern for the market currently. At the end of the day, markets do not like trade wars and they do not like interest rate hikes, and even though only one of these realised over the quarter, there are concerns around trade policy going forward.

Locally, we had a lot of positive political news to celebrate

The Zuma-era finally came to an end, and renewed optimism invigorated many South Africans. Euphoria is however dispensed in limited quantities, and the effect wears off quickly. Even though we are coming off a very low base, we now have an educated, well-read president that delivers eloquent speeches, which can restore hope. With national elections around the corner, be prepared to hear populist rhetoric that may be difficult to stomach.

It is still early days, but President Ramaphosa has managed to walk the talk so far

He has vowed to tackle corruption in his inaugural state of the nation address, and since then he has reshuffled his cabinet and appointed respected ministers in the key segments of the market. He also suspended the former SARS commissioner in an attempt to restore credibility at the revenue service, one of the institutional pillars without which the government cannot function optimally. His willingness to take action caught the attention of ratings agencies, resulting in Moody's keeping our investment grade rating unchanged and even upgrading their outlook from negative to stable.

This new hope translated into optimism, confidence, and rand strength

This affects both ordinary South Africans and business. Business and consumer confidence, political stability and leading economic indicators are improving. The knock-on impact is that foreign investors who have been waiting patiently on the sidelines have now started to invest in South Africa, resulting in significant rand appreciation.

But the large offshore component of our market has affected balanced and equity returns

The combination of these positive developments has however created a conundrum. Essentially, the rand is the share price of the country, and the recent strength means that our local assets like our homes and money market funds have increased in value in global terms. However, the big offshore component of our local market means that the majority of local balanced and equity funds have shown beleaguered returns. The old idiom of you cannot have your bread buttered on both sides comes to mind.

MARKET COMMENTARY (continued)

The governance concerns at Resilient dramatically affected the local property market

One of the most prominent local market developments over the quarter has been the sharp decline of the local property market, which is down 20% year to date. The majority of the decline could be attributed to the Resilient group of companies (which makes up close to 40% of the property index) that are down between 40% - 70% this year alone. This group of companies' significant share price weakness was driven by several corporate governance concerns raised at the start of the year that are currently under investigation by the JSE and FSB.

We are prepared for an increase in volatility and have lower return expectations

Generally speaking, investors have become accustomed to double-digit annual equity returns since 2009, and many expected that rate of return to continue into perpetuity. We are currently in the third-longest expansion period on record, largely due to central banks' accommodative monetary policies. With interest rates on the rise and central bank balance sheets that will inevitably shrink, we are entering an era where nobody knows what to expect, simply because we have never been in this position before. Despite this, we are very familiar with managing return expectations and volatility, as it is something we do daily. We therefore may not be able to control much, but we are able to prepare for volatility and lower returns, and most importantly, manage our reactions to these unknowns.

The Zuma-era finally came to an end, and renewed optimism invigorated many South Africans. Euphoria is however dispensed in limited quantities, and the effect wears off quickly.

FG IP JUPITER INCOME FUND OF FUNDS

FOR PERIODS UNTIL 31 MARCH 2018

Performance and Quartile Ranking in Sector | Launch date: 15 August 2005

	6 MONTHS	YTD	1 YEAR	3 YEARS*	5 YEARS*	SINCE INCEP.
FG IP Jupiter Income FoF	3.32%	1.97%	7.65%	7.73%	7.21%	8.05%
STeFI Composite Index	3.55%	1.76%	7.46%	7.21%	6.60%	7.33%
SA Multi Asset Income Category Average	3.44%	1.82%	7.781%	7.58%	6.92%	7.93%
			1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data for longer than 12 months is annualised

Source: MoneyMate, performance for A class shares | Annualised returns are period returns re-scaled to a period of 1 year

Underlying Funds

Nedgroup Investments Flexible Income Fund	Prescient Income Provider Fund
Cadiz Absolute Yield ABIL Retention Fund	Prudential Enhanced Income Fund
Coronation Strategic Income Fund	SIM Active Income Fund

Performance Statistics

	FUND	BENCHMARK
Highest 12-month performance	11.61%	11.77%
Lowest 12-month performance	4.78%	5.17%
% positive months	92.72%	100.00%

The FG IP Jupiter Income Fund of Funds returned +1.97% in the first quarter of 2018 and +7.65% over the past 12 months, outperforming both the quarterly (+1.76%) and annual (+7.46%) return of the benchmark, the Alexander Forbes Short Term Fixed Income Index. The Nedgroup Investments Flexible Income Fund made the most positive contribution to performance over the quarter, returning +2.97% overall. There were no changes to the fund over the quarter.

Asset Allocation | as at 28 February 2018

	LOCAL EQUITY	LOCAL PROPERTY	LOCAL BONDS	LOCAL CASH	FOREIGN
FG IP Jupiter Income FoF	0%	5%	28%	61%	6%

FG IP VENUS CAUTIOUS FUND OF FUNDS

FOR PERIODS UNTIL 31 MARCH 2018

Performance and Quartile Ranking in Sector | Launch date: 2 July 2007

	6 MONTHS	YTD	1 YEAR	3 YEARS*	5 YEARS*	SINCE INCEP.
FG IP Venus Cautious FoF	-1.76%	-2.22%	3.66%	5.33%	8.07%	8.76%
SA Multi Asset Low Equity Category Average	0.21%	-1.23%	4.37%	4.70%	6.78%	7.58%
			1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data for longer than 12 months is annualised

Source: MoneyMate, performance for A class shares | Annualised returns are period returns re-scaled to a period of 1 year

Underlying Funds

36ONE MET Equity Fund	Old Mutual Global Equity Fund
ABSA Property Equity Fund	Prescient Income Provider Fund
Coronation Optimum Growth Fund	Prudential Enhanced Income Fund
Coronation Strategic Income Fund	Saffron SCI Opportunity Income Fund
Investec Diversified Income Fund	SIM Active Income Fund
Nedgroup Investments Entrepreneur Fund	Cadiz Absolute Yield ABIL Retention Fund
Nedgroup Investments Opportunity Fund	

Performance Statistics

	FUND	BENCHMARK
Highest 12-month performance	15.12%	16.56%
Lowest 12-month performance	-1.41%	-2.82%
% positive months	71.32%	72.09%

The FG IP Venus Cautious Fund of Funds returned -2.22% in the first quarter of 2018 and +3.66% over the past 12 months, underperforming the benchmark peer group average quarterly return of -1.23% and 12-month return of +4.37%. The Investec Diversified Income Fund made the biggest positive contribution to performance, returning +3.12% over the quarter. The ABSA Property Equity Fund was the biggest detractor from performance on the back of negative reports regarding the Resilient group of companies. Given the increased volatility and uncertainty currently surrounding the property sector, exposure to the ABSA Property Equity Fund was reduced to reduce the risk on Venus and was tactically reallocated to the income funds. Future investment into this fund will be assessed once the exact status of the Resilient group becomes clear.

Asset Allocation | as at 28 February 2018

	LOCAL EQUITY	LOCAL PROPERTY	LOCAL BONDS	LOCAL CASH	FOREIGN
FG IP Venus Cautious FoF	18%	5%	15%	43%	19%

FG IP SATURN FLEXIBLE FUND OF FUNDS

FOR PERIODS UNTIL 31 MARCH 2018

Performance and Quartile Ranking in Sector | Launch date: 15 August 2005

	6 MONTHS	YTD	1 YEAR	3 YEARS*	5 YEARS*	SINCE INCEP.
FG IP Saturn Flexible FoF	-2.09%	-2.63%	2.22%	4.16%	7.80%	10.65%
SA Multi Asset Medium Equity Category Average	-1.22%	-3.04%	3.48%	3.50%	6.92%	9.06%
			1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data for longer than 12 months is annualised

Source: MoneyMate, performance for A class shares | Annualised returns are period returns re-scaled to a period of 1 year

Underlying Funds

36ONE BCI Flexible Opportunity Fund	PSG Flexible Fund
Coronation Market Plus Fund	Rezco Value Trend Fund
Investec Opportunity Fund	SIM Inflation Plus Fund
Nedgroup Investments Opportunity Fund	Truffle SCI Flexible Fund
Matrix Defensive Balanced Fund	

Performance Statistics

	FUND	BENCHMARK
Highest 12-month performance	31.40%	26.41%
Lowest 12-month performance	-18.22%	-15.68%
% positive months	69.54%	66.23%

The FG IP Saturn Flexible Fund of Funds returned -2.63% in the first quarter of 2018 and +2.22% over the past 12 months, outperforming the benchmark peer group average quarterly return of -3.04%, but underperforming the 12-month return of +3.48%. The Matrix Defensive Balanced Fund was the best-performing underlying fund over the quarter, returning +0.90%. The strong quarterly performance in the local bond market supported the fund's local bond allocation. No changes were made to the fund over the quarter.

Asset Allocation | as at 28 February 2018

	LOCAL EQUITY	LOCAL PROPERTY	LOCAL BONDS	LOCAL CASH	FOREIGN
FG IP Saturn Flexible FoF	41%	5%	13%	19%	22%

FG IP NEPTUNE GROWTH FUND OF FUNDS

FOR PERIODS UNTIL 31 MARCH 2018

Performance and Quartile Ranking in Sector | Launch date: 1 September 2014

	6 MONTHS	YTD	1 YEAR	3 YEARS*	5 YEARS*	SINCE INCEP.
FG IP Neptune Growth FoF	-1.73%	-4.53%	3.54%	4.18%	N/A	5.16%
SA Multi Asset High Equity Category Average	-1.47%	-3.52%	3.25%	3.34%	N/A	4.48%
			1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data for longer than 12 months is annualised

Source: MoneyMate, performance for A class shares | Annualised returns are period returns re-scaled to a period of 1 year

Underlying Funds

ABSA Property Equity Fund	Old Mutual Global Equity Fund
Catalyst Global Real Estate Prescient Feeder Fund	Prudential Balanced Fund
Coronation Strategic Income Fund	PSG Flexible Fund
Fairtree Equity Prescient Fund	Rezco Value Trend Fund
Investec Equity Fund	Truffle SCI General Equity Fund
Laurium Flexible Prescient Fund	

Performance Statistics

	FUND	BENCHMARK
Highest 12-month performance	14.27%	12.31%
Lowest 12-month performance	0.30%	-0.62%
% positive months	62.79%	60.47%

The FG IP Neptune Growth Fund of Funds returned -4.53% over the first quarter of 2018 and +3.54% over the past 12 months, underperforming the benchmark peer group average return of -3.52% over the quarter, but outperforming the 12-month return of +3.25%. The Coronation Strategic Income Fund was the best-performing underlying fund over the past quarter, returning +1.95%. The ABSA Property Equity Fund was the biggest detractor from performance over the quarter on the back of negative reports regarding the Resilient group of companies. Given the increased volatility and uncertainty currently surrounding the property sector, exposure to the ABSA Property Equity Fund was reduced to reduce the risk on Neptune and was tactically reallocated to the Coronation Strategic Income Fund. Future investment into this fund will be assessed once the exact status of the Resilient group becomes clear.

Asset Allocation | as at 28 February 2018

	LOCAL EQUITY	LOCAL PROPERTY	LOCAL BONDS	LOCAL CASH	FOREIGN
FG IP Neptune Growth FoF	45%	5%	7%	18%	25%

FG IP MERCURY EQUITY FUND OF FUNDS

FOR PERIODS UNTIL 31 MARCH 2018

Performance and Quartile Ranking in Sector | Launch date: 15 August 2005

	6 MONTHS	YTD	1 YEAR	3 YEARS*	5 YEARS*	SINCE INCEP.
FG IP Mercury Equity FoF	-0.56%	-4.17%	3.94%	1.89%	7.08%	11.07%
FTSE/JSE Africa All Share (Total Return)	1.03%	-5.97%	9.60%	5.05%	10.02%	13.87%
SA Equity General Category Average	0.71%	-4.76%	4.58%	2.23%	7.82%	12.01%
			1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data for longer than 12 months is annualised

Source: MoneyMate, performance for A class shares | Annualised returns are period returns re-scaled to a period of 1 year

Underlying Funds

36ONE BCI Equity Fund	PSG Equity Fund
Coronation Optimum Growth Fund	Nedgroup Private Wealth Core Equity Fund
Fairtree Equity Prescient Fund	Nedgroup Investments Entrepreneur Fund
Foord Equity Fund	Old Mutual Global Equity Fund
Gryphon All Share Tracker Fund	Prudential Equity Fund
Investec Equity Fund	Truffle SCI General Equity Fund

Performance Statistics

	FUND	BENCHMARK
Highest 12-month performance	41.30%	48.30%
Lowest 12-month performance	-31.68%	-37.60%
% positive months	62.91%	62.25%

The FG IP Mercury Equity Fund of Funds returned -4.17% in the first quarter of 2018 and +3.94% over the past 12 months, outperforming the quarterly return of the benchmark FTSE/JSE All Share Total Return Index (ALSI) of -5.97%, but underperforming the 12-month return of +9.60%. In a tough quarter for equities, the Nedgroup Investments Entrepreneur Fund managed to deliver a positive return over the quarter over a period where most equity funds were in the red. It managed to return +1.96% over the quarter, helping Mercury to outperform the ALSI. There were no changes to the fund over the quarter.

Asset Allocation | as at 28 February 2018

	LOCAL EQUITY	LOCAL PROPERTY	LOCAL BONDS	LOCAL CASH	FOREIGN
FG IP Mercury Equity FoF	81%	2%	0%	7%	10%

FG IP INTERNATIONAL FLEXIBLE FUND OF FUNDS

FOR PERIODS UNTIL 31 MARCH 2018

Performance and Quartile Ranking in Sector | Launch date: 17 October 2007

	6 MONTHS	YTD	1 YEAR	3 YEARS*	5 YEARS*	SINCE INCEP.
FG IP International Flexible FoF	-8.71%	-4.00%	-1.81%	4.27%	10.43%	8.01%
Benchmark	-10.44%	-5.60%	-3.27%	3.87%	10.01%	8.96%
Global - Multi Asset - Flexible Average	-10.44%	-5.60%	-3.27%	3.79%	9.18%	7.20%
			1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data for longer than 12 months is annualised

Source: MoneyMate, performance for A class shares | Annualised returns are period returns re-scaled to a period of 1 year

Underlying Funds

FGAM Global Cautious Fund	Nedgroup Global Flexible Fund
FGAM Global Growth Fund	Old Mutual World Equity Fund
Investec Global Strategic Managed Fund	

Performance Statistics

	FUND	BENCHMARK
Highest 12-month performance	40.26%	34.52%
Lowest 12-month performance	-16.99%	-15.05%
% positive months	56.80%	58.73%

The FG International Flexible Fund of Funds returned -4.00% in the first quarter of 2018 and -1.81% over the past 12 months, outperforming the benchmark peer group average quarterly return of -5.60% and 12-month return of -3.27%. The fund's allocation to global bonds supported the outperformance overall, despite the rand appreciating +3.81% relative to the US dollar over the quarter. A new investment into the Old Mutual World Equity Fund was made during the latter part of the quarter. The funds were allocated on a pro-rata basis from both the Nedgroup Investments Global Flexible Fund and the Investec Global Strategic Managed Fund.

Asset Allocation | as at 28 February 2018

	GLOBAL EQUITY	GLOBAL FIXED INCOME	GLOBAL CASH	GLOBAL PROPERTY	LOCAL CASH
FG IP International Flexible FoF	58%	10%	21%	7%	4%

	USD	GBP	EUR	JPY	OTHER	ZAR
Currency Breakdown	55%	5%	14%	9%	13%	4%

MARKET PERFORMANCE

INDEX	ASSET CLASS	2Q | 2017	3Q | 2017	4Q | 2017	1Q | 2018	YTD | 2018*
STeFI Composite Index	Local Cash	1.85%	1.88%	1.76%	1.76%	1.76%
BEASSA ALBI Total Return	Local Bonds	1.49%	3.66%	2.25%	8.03%	8.03%
FTSE/JSE SA Listed Property (Total Return)	Local Property	0.91%	5.73%	8.32%	-19.61%	-19.61%
FTSE/JSE Africa All Share (Total Return)	Local Shares	-0.39%	8.91%	7.44%	-5.97%	-5.97%
JP Morgan World Govt Bond index (USD)	Global Bonds	2.59%	1.65%	0.99%	2.17%	2.17%
MSCI AC World (USD)	Global Shares	3.61%	4.69%	5.37%	-1.41%	-1.41%
USD/ZAR (+ weaker, - stronger)	Exchange Rate	-2.39%	3.13%	-8.74%	-3.81%	-3.81%

***(Return until 31 March 2018)**

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ASSET MANAGEMENT