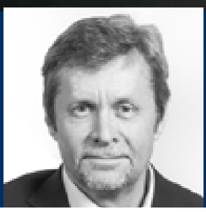
FIRSTGLOBAL GROUP

THE *art* OF SENSIBLE INVESTING

GLOBAL BRIEF

Quarter 3 | 2018



EDITORIAL COMMENT

John Swart
CEO | FIRSTGLOBAL Asset Management

We remain global asset managers, for whom diversification is key.

South Africa is not in a very good space right now

We are in a technical recession. Business confidence is at its lowest level since 1993 (according to the SACCI Business Confidence Index). We are experiencing the longest downward business cycle since 1945, and our competitiveness has diminished against the rest of the world. Our GDP is now accounting for less than half a percent of the world's GDP and our stock market accounts for less than one percent of the world's markets.

With more warning lights on the horizon, including a probable change in the Constitution to allow the expropriation of land without compensation, struggling state-owned enterprises and further credit downgrades (to mention but a few), it is easy to overlook the positives.

But it's not all doom and gloom

The appointment of Mr Tito Mboweni as the new Minister of Finance following the (voluntary) resignation of Minister Nene signals our Government's strong appreciation for this role. The South African Reserve Bank is holding up well as a reputable independent institution under good management. Our independent judiciary and free press are also two factors to be grateful for.

Our corporate balance sheets continue to be highly rated

South Africa still produces solid corporate balance sheets under sound governance and these are highly rated in a global context. Approximately 70% of JSE-listed companies' earnings are derived from global markets. As the rand has depreciated significantly this year, earnings from global markets are bound to have a positive effect on the value of these stocks as earnings convert into rands.

We believe it is wise to stay invested in the South African market

Our markets have struggled to perform over the past five years, resulting in the JSE now trading at a discount of approximately 25% to the long-term average (measured by price to earnings). This may indeed be the best opportunity in a long time to invest and stay invested in the South African market.

We remain global asset managers, for whom diversification is key

We remain strategically positioned as global asset managers who believe in the importance of diversification and who are always searching for the best risk-adjusted income and growth solutions for our clients.

Enjoy the read and thank you for your support.

GLOBAL MARKETS: OPPORTUNITY AMID THE STORMS?

Adapted from a transcript of a presentation given by Pieter Fourie, Head of Global Equities at Sanlam Private Wealth.

There are big discrepancies between different markets

It's been a very interesting year so far. There have been big discrepancies between different markets, and the long-established trend of US equity markets and the technology-heavy Nasdaq market in particular continuing to perform better than other areas of the market is still well entrenched. When you look at Europe and emerging markets, those markets are quite weak. A market like China is down over 20% year to date in US dollar terms, whereas the Nasdaq is showing double-digit gains year to date.

Technology companies continue to drive returns

Furthermore, when we look at the components of what is driving those returns in the markets, it continues to be technology companies like Amazon, Microsoft, Mastercard as well as other semi-conductor companies like Nvidia continuing to perform very well, along with Netflix. Companies like Microsoft and Mastercard have produced good returns, but their valuations are currently quite stretched.

We think some emerging markets may have overreacted to the political news

We think that in some cases, emerging markets have overreacted to some of the bad political news, the most important being the trade war speeches from the President of America, Donald Trump. This is clearly having an impact on emerging markets at a time when some markets like Turkey and Brazil were already suffering from some imbalances, and caused a lot of weakness in those markets.

Areas with secular growth dynamics in emerging markets offer value

The core issues in markets like Turkey and Brazil are having an indirect impact on consumer staples names. We continue to focus on those areas with secular growth dynamics that continue to be unaffected by some of the geopolitical storms. We continue to avoid, for instance, financials operating directly in emerging markets.

We also feel that once the political environment has died down, and President Trump calms down a little bit in terms of what he's saying, and some of the noise he creates, there will be some interesting valuations from where to start building positions again.

We are upping our positions in companies whose valuations are now attractive

So with that in mind, we have looked at some of the names we owned last year and which we sold, including names like Baidu and Alibaba. Those valuations, along with names like Tencent, have pulled back to levels where we are starting to increase our exposure again. In the case of Tencent, we've upped that position to 3% from a 2% position earlier in the year.

We also feel that the secular growth dynamics in emerging markets with regards to discretionary spending, adoption of cloud technology as well as a general uplift in disposable income will continue for the long term, and therefore we're looking at companies that can benefit from that in the very long term.

We have found some interesting new names, including Samsung, earlier in the year, as well as names like Allergen, which is in the pharmaceutical space, as well as names like Sabre Technologies, which focuses on software and travel-related industries. We feel that these businesses have long, secular tailwinds of growth ahead of them, and by March/April this year, on the back of what Donald Trump was saying about drug pricing, those names became very interesting and traded at very low price-earnings multiples, where long-term investors could take a position.

When a company's price gets to 23- or 24-times earnings, we typically sell

On the flipside though, we've also sold out of names that have worked out very well for us over the last three to four years, including names like Moody's Corporation. They operate in a very competitive credit agency industry, but we also feel that a couple of years ago, they were unduly punished with valuations reaching very low levels. From here though, the company is going to struggle to get more expensive. So when something gets to 23- or 24-times earnings, we typically sell, even if it is a great business.

We are therefore finding more value in cyclical businesses in emerging markets than the US

With that in mind, given that the US market is quite long in the tooth, we believe it's the right thing to continue to rotate away from overvalued businesses and into more emerging market, perhaps a little bit more cyclical businesses where we see more value, even though the risk is perhaps a little bit high in terms of forecast risk for those businesses.

It may be the right time to step away from tech stocks that have driven returns to date

Looking forward at returns, this year, markets are up 5%. We feel that, given the very lopsided effect in the market where up to 50% to 60% of the returns are driven by a very small part of the market, being US technology stocks, it's right to step away from areas like that where perhaps the Amazons of the world and the Netflix of the world won't continue to perform as well as they have given the very stretched valuations. A value-based approach at this stage is perhaps a better way to get returns in the market going forward.

We think it is going to be a 6% to 8% return environment going forward

We still believe we won't see the 13% to 14% compound US dollar returns that we've had for our investors over the last five years. I think it's more a 6% to 8% return environment, but that all depends on how volatile the markets will be going forward, and whether the geopolitical news in the future will create opportunities.

We are aiming to harvest the secular growth opportunities

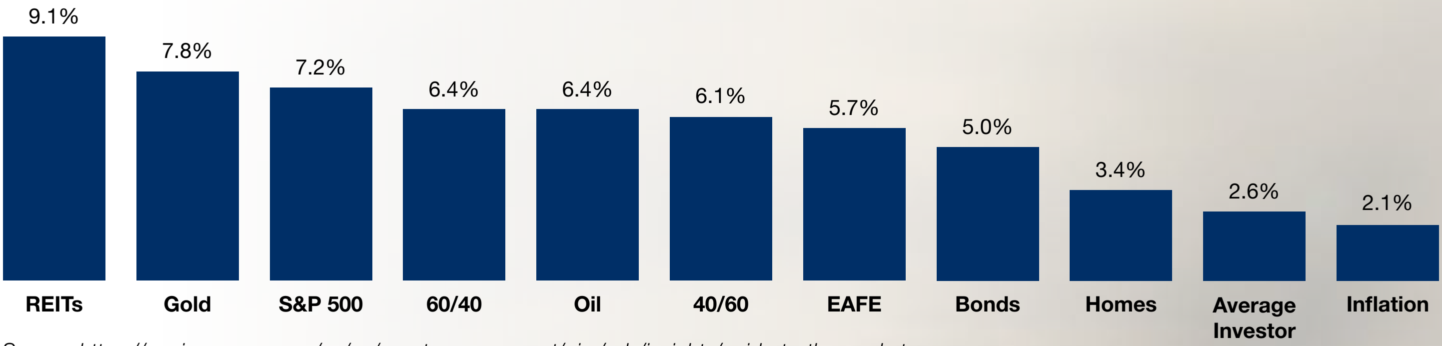
With that in mind, we continue to be bullish on the secular growth areas we've identified, whether that's electronic payments, consumer discretionary spending as well as other cloud-based subscription models. For that matter, we're not going to sell out of Oracle, Microsoft and Sabre Technologies any time soon, as we harvest some of those secular growth winds going forward.

THE BEHAVIOUR GAP

Written by Kate Stannard, Investec Wealth & Investment

I came across a great graph last week of 20-year annualised returns by asset class, courtesy of JP Morgan. What was staggering about the graph below was the returns of each average asset class relative to the average investor. While the S&P for example gave 7.2% and bonds 5%, the average investor returned just 2.6% per annum, marginally above inflation and underperforming every other individual asset class.

20-year annualized returns by asset class (1998 - 2017)



Source: https://am.jpmorgan.com/us/en/asset-management/gim/adv/insights/guide-to-the-markets

The JP Morgan graph beautifully illustrates empirically what author Carl Richards calls "the behaviour gap", the difference between the average investment return and the average investor return.

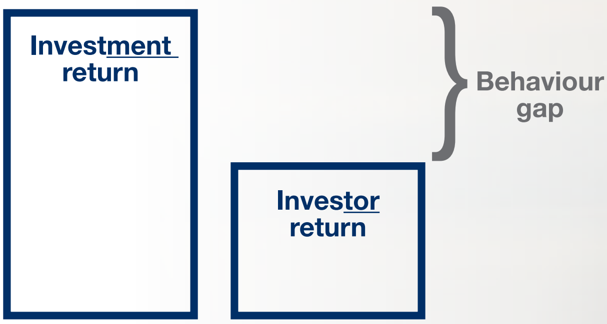


Diagram source: Carl Richards

While transaction costs can account for a small degree of the gap, they simply cannot explain the big difference, which is largely attributed to behaviour such as switching into asset classes at historical highs, trying to time the market, etc.

This is simply and beautifully illustrated again by Carl Richards.

Coincidentally I saw some slides from Vanguard this week where they attributed 150bps per annum to the value added by advisers to returns to clients by behavioural coaching. I am not sure exactly how they came to that number, but they ran a study of 58,000 portfolios over a five-year period of particular market volatility (ending December 2012). The results do seem to echo the JP Morgan graph.

Behavioural coaching aims to reduce the behaviour gap. It entails the making of a solid financial plan and sticking to it through cycles; maintaining perspective and long term discipline; the holding of a client's hand through the troughs and through periods of volatility; helping restrain the impulse to buy the hot new fund or stock once it has already run and selling where the upside materially outweighs the downside; and restraining the impulse to try and time the market.

Our job as advisers is not to seek out the best managers and investments. Yes, of course we need to do that, we need to be informed and up to date and we need to invest hard earned client's money with experienced well-resourced managers and in well valued asset classes, but the real value is being a "shepherd of emotions" connecting with clients with empathy and care to help them close their behaviour gaps and let them reap the benefits of good old fashioned compounding.

EXPROPRIATION WITH(OUT) COMPENSATION: THE ROAD AHEAD

Adapted from an article written by Elmien du Plessis, Associate Professor in Law at North-West University.

Only the state can 'expropriate' property

Before wading into the expropriation issue, we need to understand the basics. The first thing to know is that if the state wants to acquire property for land reform purposes it can do so either by purchasing the property in the open market, which has been government policy to date, or by using its power of expropriation. Only the state has this power – no private person can 'expropriate' property.

The state may transfer this to beneficiaries, but the ANC policy around beneficiaries is unclear

While the property usually vests in the state, it's possible that the state may transfer it to beneficiaries in terms of land reform (public interest). Based on previous ANC policies and presidential utterances, it's clear that the ANC foresees that the land will be transferred to beneficiaries and not kept by the state. At this stage the identity of those beneficiaries is still unclear as is the process by which they'll be selected and supported. This is perhaps the most urgent policy that the ANC needs to finalise.

There are strict procedural guidelines in the Expropriation Act of 1975

The power to expropriate is legitimate and enables the state to address public problems. In South Africa, our Constitution keeps this power in check. It does so, for instance, by requiring that expropriation be for a public purpose, for example, building a road, or in the public interest, such as to transfer the land to a specific land-reform beneficiary. Strict procedural guidelines are laid down in the Expropriation Act of 1975.

The South African compensation standard is 'just and equitable' compensation, not market value

Payment of compensation is also a requirement, although there is a view that once the state has a valid public purpose and the expropriation is done in terms of legislation, it can take possession of property with the compensation issue being dealt with after the fact, for instance by going to court. The South African compensation standard is 'just and equitable' compensation, not market value. While in many instances market value will be 'just and equitable', it could also be less, or even more, than market value. What is just and equitable hasn't been adequately tested in court or challenged by the state, mostly because the state has to date not expropriated any property for land reform purposes.

'Just and equitable' means weighing up the interests of those affected and the public interest

Since determining what is just and equitable requires weighing up the interests of those affected against the public interest (Section 25(3) of the Constitution), the argument is that in some instances, balancing can rest on R0. This, however, is only foreseen in very limited instances, such as in the case of abandoned, hijacked and unmaintained buildings and portions of farms on which labour tenants have been residing for decades. There's no talk of a blanket expropriation of all property or productive property.

Property owners are protected by the Constitution and legislation

An owner cannot choose not to be expropriated but can ensure the state expropriates the property within the rule of law. This means that although expropriation is a compulsory form of acquisition, the owner is protected in terms of the Constitution and legislation. Expropriation is an acceptable limitation on private property rights, and if done in terms of the rule of law and mostly when compensation is paid, it does not undermine the system of private property.

If the underlying restitution claim is unproven, there is no underlying public interest

Our judicial system recently showed that it could keep the government from exercising its expropriation powers in some instances when the judiciary interdicted expropriation in a specific case where the underlying restitution claim was not proven. In other words, there was no underlying public interest for which the property in question could be expropriated.

The Constitution qualifies 'property' as not being limited to land, but clarity is needed on this

The ANC's 54th National Conference resolution on expropriation and its subsequent motion in Parliament to consider whether Section 25 of the Constitution needs to be amended, limits the discussion to expropriation of land. This is one area where some clarity would be helpful.

Land reform needs to happen in a legal, sensible and sustainable way

Expropriation as a method of acquisition isn't an end in itself. Without proper guidelines and policies to answer the 'what after expropriation?' question, land reform will stagnate. This will lead to more frustration, and more land invasions will most probably follow to protest government inefficiency. This is not beneficial in any way so it's in South Africa's interest that when land reform happens, that it does so in a sensible and sustainable way, and – most importantly – within the rule of law.

The consistent message: it mustn't harm the economy, food security or agricultural production

This seems to be the ANC's plan. The consistent message that's come through in everything from the party's National Conference through to the motion and, most recently, utterances by President Cyril Ramaphosa, is that land reform must not harm the economy, undermine food security or damage agricultural production.

President Ramaphosa and other ministers have spoken out publicly against land occupations

The President has made it clear that ANC policy is not nationalisation, like the EFF policy, but rather securing land rights and transferring of title where applicable. The ANC also recognises the need for financing, training and

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market access, among other aspects, to ensure a sustainable emerging agriculture sector. In this regard, the ruling party has been in conversation with organised agriculture.

The ANC is asking for an amendment to Section 25 to clarify the detail

It isn't necessarily asking for an amendment to introduce anything new. President Ramaphosa himself has said the ANC acknowledges that the Constitution does not prohibit expropriation without compensation under certain circumstances, but nevertheless wants it clarified in the Constitution. Indications are that discussion is around adding a few words in Section 25(8) to read:

> 'No provision of this section, or the payment of compensation, may impede the state from taking legislative and other measures to achieve land, water and related reform, in order to redress the results of past racial discrimination, provided that any departure from the provisions of this section is in accordance with the provisions of Section 36(1).'

Such an amendment will not have a profound legal effect.

How will it work?

The Constitutional Review Committee will make a recommendation to Parliament about any amendment

The Constitutional Review Committee tasked with investigating whether it's necessary to amend Section 25 (and other provisions) of the Constitution, had until the end of September to consider oral submissions made in the provinces and in Parliament, as well as the 700 000 written submissions received. The Committee will make its recommendation to Parliament whether Section 25 needs to be amended or not.

Any constitutional amendment needs to take place in terms of Section 74 of the Constitution

A broad outline of how this will work is that the Department of Justice needs to introduce a bill to amend the Bill of Rights. With the support of two thirds of its members, the National Assembly then needs to pass this bill. The National Council of Provinces also needs to pass the bill, with the support of six of the nine provinces.

The ANC envisions that the rule of law will still apply and recourse to the courts will remain

Some commentators argue that expropriation without compensation goes against the founding values of the Constitution and therefore requires 75% support for the Constitution to be amended. The only valid argument in this regard, however, would be if there was no recourse to the courts in a case of expropriation. But as shown above, it is not envisioned that there'll be no recourse to the courts. The founding values of the Constitution will also be affected if there's an infringement of the rule of law, for instance if arbitrary deprivation of property, i.e. deprivation without a legal reason, or that doesn't generally apply, is allowed. Again, this isn't what the ANC envisions.

The ANC needs a two thirds majority to pass any bill, which it doesn't currently have

The ANC doesn't currently have the required two thirds majority in the National Assembly to pass the bill, so it would need the support of other parties. The EFF has been pushing for nationalisation, so it's uncertain that it would support the ANC in such a vote. The IFP could only support the ANC if such a provision doesn't include traditional land. The DA wouldn't support such a motion either. And since we're a democracy, the ANC can't push through such an amendment without the needed support.

The greater the public interest in legislation, the more onerous the obligation to involve the public

There are also procedural requirements, of which the public participation requirement is perhaps the most important. If a bill is introduced to Parliament, there will be another round of written comments on the amendment. The Constitutional Review Committee's provincial hearings as well as the submissions made to this committee in Parliament won't suffice for this purpose. The question currently before the committee, i.e. whether the Constitution should be amended or not, differs from the issue that'll be on the table with an amendment bill. The Constitutional Court has been clear that the greater the public interest in legislation, the more onerous the obligation to ensure public involvement.

Based on the process and typical timing, the earliest any amendment may happen would be in 2020

Once an amendment is passed in terms of Section 74, it can't be challenged based on unconstitutionality. The provision then becomes part of the Constitution itself, and the Constitution will then be read as a whole, with provisions read in harmony with one another. Such an amendment, if this is the road on which the ANC wishes to embark, is unlikely to happen before the 2019 elections. The likelihood of the Department of Justice introducing a bill before March 2019 is slim. And if it does, a bill usually takes six to nine months to be promulgated. This would take us to early 2020.

So, what to do in the meantime?

Encourage government to enact the current Expropriation Bill

A good start is to encourage the government to enact the current Expropriation Bill without further delay. This bill, which will replace the Expropriation Act of 1975, was withdrawn pending the Constitutional Review Committee completing its work. It allows for land to be expropriated in the public interest, for 'just and equitable' compensation.

Enacting the Expropriation Bill in its current form will provide certainty to land owners and investors

Since land reform relies on the political will to implement it, rather than a change to the Constitution, we need to encourage government to start implementing the existing legislation.

EXPROPRIATION WITH(OUT) COMPENSATION: THE ROAD AHEAD

Adapted from an article written by Elmien du Plessis, Associate Professor in Law at North-West University.

Government should consider the findings of a balanced parliamentary research report

In addition, government should also seriously consider the findings of the well-researched and balanced report produced last year by the parliamentary High Level Panel on the Assessment of Key Legislation and the Acceleration of Fundamental Change. The panel, headed by former president Kgalema Motlanthe, found that the pace of land reform in South Africa has been slow, and recommends various pieces of legislation to provide a framework for land reform.

Join the table and get involved in the discussions to create a shared future

Lastly, on a personal level, we, the people of South Africa, shouldn't hesitate to join the tables where discussions on these issues take place, to ensure we can create a shared future.

Since land reform relies on the political will to implement it, rather than a change to the Constitution, we need to encourage government to start implementing the existing legislation.

THE *art* OF SENSIBLE INVESTING

FIRSTGLOBAL ASSET MANAGEMENT QUARTERLY REPORT

Quarter 3 | 2018

FIRSTGLOBAL ASSET MANAGEMENT

MARKET COMMENTARY

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

Local and global rhetoric has remained broadly unchanged

South African investors, by and large, would tell you in no uncertain terms that they have been demonstrating patience far beyond what is considered the virtuous threshold over the past four years – and justifiably so. Equity returns have been nothing short of disappointing, and after opening the local property 'can of worms', that sector is now underperforming cash over a five-year period. The question on everyone's lips is 'where to from here?', and the last two words investors want to hear are 'be patient'.

The third quarter was a mixed bag in terms of asset class returns and where money could have been made, but both the local and global rhetoric remained broadly unchanged: trade wars, monetary policy normalisation, and the three p's – protectionism, populism and policy uncertainty.

Diversification and offshore exposure are key

A good example of how quickly things can change in the market was the rand's substantial depreciation against the US dollar in August (12%) after it recorded its worst month since the 2013 taper tantrum. The aforementioned example reiterates the importance and benefits of both diversification and having offshore exposure. It might come as a surprise to many, but the driver behind the rand's sharp decline was not self-inflicted this time around, but rather due to a broader risk-off market environment fuelled by the political/policy uncertainty amongst emerging market countries.

Turkey specifically has been a real eye-opener, showing what could have happened in South Africa if a different president was elected on 18 December 2017. From an investment point of view, as bad as things might look and feel for South Africans, it could have been much worse. Coincidently, a recent survey* ranked South Africans as the most pessimistic people on the planet, with the majority of people perceiving things to be much worse than they actually are.

Trade wars between the US and China remain a big market driver

Despite the trade skirmishes between the US and China beginning to sound like repetitive rhetoric, it remains a big market driver that could potentially get bigger unless the two super powers find some common ground. A recent study by US Federal Reserve economists suggests that geopolitical conflict seldom correlates with prolonged slumps in stock prices, but trade wars are however unchartered territory. It seems as if very few people are considering the leverage that China has over the US with regards to the trade 'negotiations'. The likelihood of President Xi Jinping still being in power ten years from now is far greater than that of Trump, who will not be – simply because of the two different political regimes of each country. Therefore, China is in a better position to make a strategic decision today that could benefit the country ten years down the line. Having said that, in politics, making assumptions based on a certain outcome is not only dangerous, but also a fool's game.

US markets have surged ahead and may continue to do so

The US market powered ahead in the third quarter, but analysts warn it may come with a cost: it has become increasingly expensive and is vulnerable to a snapback. Potential catalysts that could cause the current divergence between US stocks and the rest of the world to narrow include a downturn in technology stocks and rising interest rates. The aforementioned risks however do not seem immediate enough to deter investors from investing in US markets. Moreover, with consumer confidence at 18-year highs, corporate earnings surging on, a strong labour market, and economic growth estimated at 4% for the US economy in the third quarter, there are few signs of the economic expansion slowing down soon.

Investors in South Africa cautiously await the outcome of land reform

Closer to home, it is safe to say that the euphoria of a promised new dawn is now truly over and the reality that there is no quick fix has been a sobering experience. The emotive land expropriation without compensation (EWC) and the process to amend Section 25 of the Constitution was set in motion over the quarter, leading to increased uncertainty amongst investors. President Ramaphosa however attempted to reassure global investors at the United Nations General Assembly in New York in September, that despite the necessity of EWC to redress historical injustices, it will be done in a manner that will neither harm the economy, nor negatively impact agricultural output. Instead, it will be dealt with in the same manner apartheid was dealt with.

Those with patience and who remain invested reap the best rewards

The FG IP Funds of Funds continued their path to recovery after the damage caused by Steinhoff and the Resilient group of companies between December 2017 and February 2018. All the FG funds are outperforming their benchmarks year to date with the exception of one fund, which is only marginally behind its peer group. The past quarter reminded us how quickly things can change (for better or for worse, of course). On the one hand, shares in MTN and Aspen declined sharply. On the other hand, investors who were invested in one of our offshore offerings were rewarded with double-digit returns in August alone, illustrating the benefits of staying invested and staying the course. Often, the truth is the hardest thing to hear, but the evidence shows that patience is the best way to achieve a rewarding long-term investment.

*https://www.thesouthafrican.com/south-africans-the-most-negative-people-in-the-world/

FG IP JUPITER INCOME FUND OF FUNDS

FOR PERIODS UNTIL 30 SEPTEMBER 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	3.81%	5.86%	7.27%	8.01%	7.53%	8.03%
STeFI Composite Index	3.55%	5.37%	7.27%	7.34%	6.81%	7.32%
SA Multi Asset Income Category Average	3.36%	5.51%	7.05%	7.51%	7.10%	7.97%
			1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data for longer than 12 months is annualised
Source: Morningstar, performance for A class shares I 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	SIM Active Income Fund
Coronation Strategic Income Fund	

Performance Statistics

	FUND	BENCHMARK
Highest 12-month performance	11.61%	11.77%
Lowest 12-month performance	4.78%	5.17%
% positive months	92.99%	100.00%

The FG IP Jupiter Income Funds of Funds returned +1.93% in the third quarter of 2018 and +7.27% over the past 12 months, outperforming the benchmark Alexander Forbes Short Term Fixed Income Index' quarterly return of +1.78% and in line with its 12-month return of +7.27%. The Nedgroup Investments Flexible Income Fund made the most positive contribution to performance over the quarter, returning +2.64% overall. The property allocation on the Prudential Enhanced Income Fund weighed on Jupiter's 12-month return. The position in the fund was however subsequently sold in the second quarter as the fund had not added value over the longer term on a risk-adjusted basis. No changes were made to the fund over the quarter.

Asset Allocation | as at 31 August 2018

	LOCAL EQUITY	LOCAL PROPERTY	LOCAL BONDS	LOCAL CASH	FOREIGN
FG IP Jupiter Income FoF	0%	4%	32%	58%	6%

FG IP VENUS CAUTIOUS FUND OF FUNDS

FOR PERIODS UNTIL 30 SEPTEMBER 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	5.00%	2.67%	3.17%	7.07%	7.95%	8.83%
SA Multi Asset Low Equity Category Average	4.46%	3.13%	4.71%	6.00%	6.82%	7.72%
			1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

***Data for longer than 12 months is annualised**
Source: Morningstar, performance for A class shares I Annualised returns are period returns re-scaled to a period of 1 year

Underlying Funds

36ONE BCI Equity Fund	Old Mutual Global Equity Fund
ABSA Property Equity Fund	Prescient Income Provider Fund
Coronation Optimum Growth Fund	Saffron SCI Opportunity Income Fund
Coronation Strategic Income Fund	Sesfikile SCI Property 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	70.37%	71.85%

The FG IP Venus Cautious Funds of Funds returned +1.69% in the third quarter of 2018 and +3.17% over the past 12 months, outperforming the benchmark peer group average quarterly return of +1.61%, but underperforming the 12-month return of +4.71%. The Old Mutual Global Equity Fund made the biggest positive contribution to performance for a second consecutive quarter, returning +6.29% overall during the quarter. The property allocation through the ABSA Property Equity Fund weighed on the 12-month return as the South African property sector came under significant pressure at the start of the year. There were no changes made to the fund over the past quarter.

Asset Allocation | as at 31 August 2018

	LOCAL EQUITY	LOCAL PROPERTY	LOCAL BONDS	LOCAL CASH	FOREIGN
FG IP Venus Cautious FoF	15%	8%	14%	42%	21%

FG IP SATURN FLEXIBLE FUND OF FUNDS

FOR PERIODS UNTIL 30 SEPTEMBER 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	5.47%	2.70%	3.28%	5.61%	7.29%	10.58%
SA Multi Asset Medium Equity Category Average	5.09%	2.05%	3.86%	5.38%	6.67%	9.27%
			1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data for longer than 12 months is annualised
Source: Morningstar, performance for A class shares I 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	68.79%	66.24%

The FG IP Saturn Flexible Funds of Funds returned +1.12% in the third quarter of 2018 and +3.28% over the past 12 months, underperforming the benchmark peer group average quarterly return of +1.54% and the 12-month return of +3.86%. The Coronation Market Plus Fund was the worst-performing underlying fund over the quarter, returning -1.55%. The 12-month return was weighed down by the Steinhoff position that was held in the fund towards the end of the year. No changes were made to the fund over the past quarter.

Asset Allocation | as at 31 August 2018

	LOCAL EQUITY	LOCAL PROPERTY	LOCAL BONDS	LOCAL CASH	FOREIGN
FG IP Saturn Flexible FoF	37%	5%	13%	18%	27%

FG IP NEPTUNE GROWTH FUND OF FUNDS

FOR PERIODS UNTIL 30 SEPTEMBER 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	7.64%	2.76%	5.81%	6.69%	N/A	6.42%
SA Multi Asset High Equity Category Average	4.62%	0.87%	3.10%	5.28%	N/A	5.28%
			1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

***Data for longer than 12 months is annualised**
Source: Morningstar, performance for A class shares I 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	61.22%	61.22%

The FG IP Neptune Growth Funds of Funds returned +1.96% in the third quarter of 2018 and +5.81% over the past 12 months, outperforming the benchmark peer group average quarterly return of +1.06% as well as the 12-month return of +0.87%. The Old Mutual Global Equity Fund was the best-performing underlying fund over the past quarter, returning +6.29%. No changes were made to the fund over the past quarter.

Asset Allocation | as at 31 August 2018

	LOCAL EQUITY	LOCAL PROPERTY	LOCAL BONDS	LOCAL CASH	FOREIGN
FG IP Neptune Growth FoF	44%	6%	7%	15%	29%

FG IP MERCURY EQUITY FUND OF FUNDS

FOR PERIODS UNTIL 30 SEPTEMBER 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	2.51%	-1.77%	1.95%	3.94%	5.77%	10.71%
FTSE/JSE Africa All Share (Total Return)	2.27%	-3.84%	3.32%	6.67%	7.99%	13.34%
SA Equity General Category Average	0.38%	-4.35%	1.09%	3.90%	5.45%	10.92%
			1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data for longer than 12 months is annualised
Source: Morningstar, performance for A class shares I Annualised returns are period returns re-scaled to a period of 1 year

Underlying Funds

36ONE BCI Equity Fund	Nedgroup Private Wealth Core Equity Fund
Coronation Optimum Growth Fund	Nedgroup Investments Entrepreneur Fund
Fairtree Equity Prescient Fund	Old Mutual Global Equity Fund
Gryphon All Share Tracker Fund	Prudential Equity Fund
Investec Equity Fund	Sesfikile BCI Property Fund
PSG 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	62.42%	62.42%

The FG IP Mercury Equity Funds of Funds returned -0.10% in the third quarter of 2018 and +1.95% over the past 12 months, outperforming the quarterly return of the benchmark FTSE/JSE Africa All Share Total Return Index, which returned -2.17%, but underperforming the 12-month return of +3.32%. Mercury has however managed to outperform the peer group average return over both periods. The Old Mutual Global Equity Fund made the biggest positive contribution, returning +6.29%. The best-performing local general equity fund was the PSG Equity Fund which returned +3.29% over the quarter. No changes were made to the fund over the quarter.

Asset Allocation | as at 31 August 2018

	LOCAL EQUITY	LOCAL PROPERTY	LOCAL BONDS	LOCAL CASH	FOREIGN
FG IP Mercury Equity FoF	71%	7%	0%	8%	14%

FG IP INTERNATIONAL FLEXIBLE FUND OF FUNDS

FOR PERIODS UNTIL 30 SEPTEMBER 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	20.91%	16.07%	10.38%	10.22%	11.82%	9.51%
Benchmark	20.14%	13.45%	7.65%	8.34%	11.42%	10.36%
Global - Multi Asset - Flexible Average	20.14%	13.45%	7.65%	8.34%	10.86%	8.94%
			1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data for longer than 12 months is annualised
Source: Morningstar, performance for A class shares I 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	Merian 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	57.25%	59.09%

The FG International Flexible Funds of Funds returned +4.33% in the third quarter of 2018 and +10.38% over the past 12 months, underperforming the benchmark peer group average quarterly return of +4.59%, but outperforming the 12-month return of +7.65%. The fund's allocation to global equities supported the outperformance overall, with the rand's depreciation relative to the US dollar over the quarter acting as a tailwind for returns measured in rands. Global equities outperformed global bonds for a second consecutive quarter, resulting in the Old Mutual World Equity Fund being the best-performing underlying fund over the period, returning +7.82% in rand terms. Please note that following the separation of Old Mutual Plc into four stand-alone companies, the Old Mutual World Equity Fund has been rebranded and is now referred to as the Merian World Equity Fund. No changes were made to the fund over the quarter.

Asset Allocation | as at 31 August 2018

	GLOBAL EQUITY	GLOBAL FIXED INCOME	GLOBAL CASH	GLOBAL PROPERTY	LOCAL CASH
FG IP International Flexible FoF	63%	9%	18%	7%	3%

	USD	GBP	EUR	JPY	OTHER	ZAR
Currency Breakdown	55%	5%	16%	9%	13%	2%

MARKET PERFORMANCE

INDEX	ASSET CLASS	4Q 2017	1Q 2018	2Q 2018	3Q 2018	YTD 2018*
STeFI Composite Index	Local Cash	1.80%	1.76%	1.74%	1.78%	5.37%
BEASSA ALBI Total Return	Local Bonds	2.22%	8.06%	-3.78%	0.81%	4.81%
FTSE/JSE SA Listed Property (Total Return)	Local Property	8.32%	-19.61%	-2.19%	-1.01%	-22.16%
FTSE/JSE Africa All Share (Total Return)	Local Shares	7.44%	-5.97%	4.54%	-2.17%	-3.84%
JP Morgan World Govt Bond Index (USD)	Global Bonds	0.99%	2.17%	-3.04%	-1.70%	-2.62%
EPRA/NAREIT Global Index (USD)	Global Property	2.86%	-4.21%	2.03%	-1.47%	-3.70%
MSCI AC World (USD)	Global Shares	5.37%	-1.41%	-0.12%	3.77%	2.19%
USD/ZAR (+ weaker ZAR, - stronger ZAR)	Exchange Rate	-8.74%	-3.81%	15.70%	3.21%	14.85%

***(Return until 30 September 2018)**

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