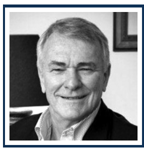
GLOBAL BRIEF

Second Quarter 2014



Editorial Comment

Mike Borland, Director, FIRSTGLOBAL GROUP

Share markets have calmed down as have most other financial markets. The fears of some economic crisis are now largely absent globally and markets continue to grind higher. Let us hope that the economic news continues to be mostly encouraging.

With the general healing of the world's economies and the end of Quantitative Easing anticipated in the 4th Quarter of 2014, the centre of economic/financial attention has turned to the "New World" scenario and the inevitable increasing interest rate cycle both locally and globally.

We therefore turn our focus to the end of the "bail out" stimulus of low interest rates globally. To that end, in this edition, we include an article entitled "De-Caffeinate" by Investec, we consider what we should and should not be doing locally in articles by Marriott and Prudential. We then consider the merits of a balanced approach to investing as seen through the eyes of Coronation Fund Managers and finally we look at the question of Offshore Trusts and their apparent declining popularity with South African investors. Enjoy the read.

De-Caffeinate

John Wyn-Evans, Head of Investment Strategy at Investec Wealth & Investment UK

When Lehman Brothers sank beneath the waves in 2008, taking my short-term employment prospects with it, I decided to mark the occasion by doing something positive for my health and resolved to curtail my caffeine intake. Although there are various opinions on the long-term pros and cons of caffeine consumption, my decision was based on the fact that I was unhappy that I was becoming dependent on it to function on a daily basis – could anything so addictive really be that good for me? Days three to five were pretty unpleasant as I experienced a mixture of nausea and headaches akin to flu symptoms, but since then I have been on an even keel. I have enjoyed the odd cup as if it were a glass of wine to be savoured, and occasionally used it as a stimulant, perhaps ahead of a long drive when I needed to be alert, although I have had none since last summer, challenging myself to see if I could go a whole year without.

"So, what has this got to do with the price of eggs?" I hear you ask. By now you might have realised that I am not averse to using metaphors to illustrate a point, some more tortuous than others, and today I draw the comparison between caffeine and low interest rates. Around the time I was weaning myself off coffee, companies, consumers and home-owners were about to be given an intravenous shot of low interest-rate medicine, with the UK base rate being cut from 5% in September 2008 to 0.5% by March 2009, a level not seen in over three hundred years of the Bank of England's existence. At first it stopped the rot. Once consumers realised that the banking system was not going to collapse entirely, they slowly emerged from their shells. Companies were able start doing business with each other again. This represented a very good outcome from a very perilous situation.

Pretty soon it became clear to financial market operators that the price of money was going to be held low for a substantial period, and also that liquidity was going to be made available on an unprecedented scale – ie very strong coffee and bucket-loads of the stuff at low prices. Cue a strong rally in financial assets which is still (just about) going. Eventually the "real" economy began to catch up, and has since recovered to such an extent that physician-in-chief Mark Carney (governor of the Bank of England) is sending out warning shots that the price of monetary caffeine could rise "sooner than markets currently expect", and also that it could be less freely available (for example measures could be imposed to rein in mortgage lending). Now cue much wailing and gnashing of teeth about the impending brick wall into which the housing market will no doubt crash, taking the rest of the economy down with it.

"Dr" Yellen in the US is putting the US on similar regime (slightly delayed), but counterparts Draghi (Europe) and Kuroda (Japan) still have their thumbs hard on the syringes.

This has led to the first major side-effect, in that the pound has risen to its highest level against the euro for two years, and its highest level against the dollar for five. That's great news for those of us heading abroad for the summer hols, but not so good for our exporters or for the translation of foreign currency earnings back into sterling. These factors are likely to weigh on the FTSE100, which derives some three-quarters of its revenue and earnings from overseas.

So do we need to hit the panic button? I think not. The good news is that the prospect of higher interest rates is the result of a recovering economy. If there is any sign of a wobble, Carney will almost definitely back off. Also, the withdrawal of stimulus will be very gradual rather than "cold turkey", and the patient will be subject to constant monitoring. I would also suggest that base rates are highly unlikely to return to levels that many of us have experienced in the last 40 years, at least in the immediate future, as lingering debt and overcapacity weigh on demand and inflation. The economy will still be infused with a steady flow of skinny lattes even if not triple espressos, and should be able to function steadily, and hopefully without further booms and busts, which in the long run is far healthier. Meanwhile I might acknowledge the eventual first rise in base rates by having my first cup of coffee in a long time.

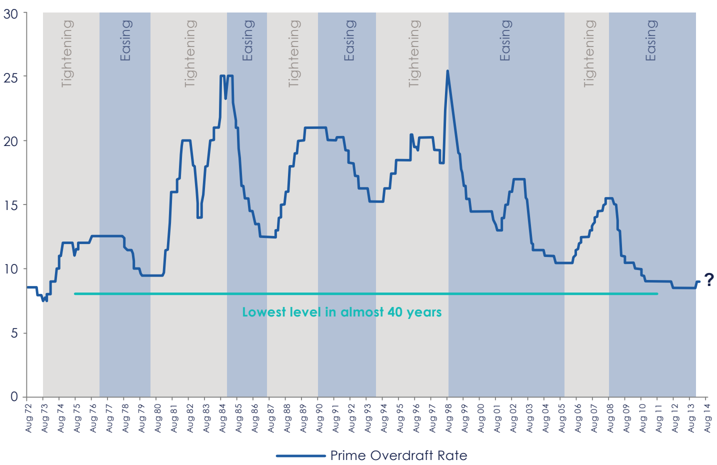
How can you prepare for a possible turn in the interest rate cycle?

Lourens Coetzee, Investment Professional, Marriott Asset Management

Consumers have had significant relief over the past few years with interest rates being close to their lowest levels in almost 40 years. However, with the first 0.5% increase in interest rates behind us and an expectation of further interest rate hikes to come, it is important for investors to position their portfolios appropriately.

The chart below illustrates the South African interest rate cycles going back to 1972:

Interest Rate tightening and easing cycles since 1972



The latest easing cycle in South Africa, which began in 2008, coincided with quantitative easing (QE) in first world markets. This form of monetary policy kept bond yields artificially low for a protracted period of time, in the hope of stimulating economic growth. It is widely anticipated that this unusual form of monetary stimulus will come to an end in the latter part of 2014, placing upward pressure on bond yields. This is likely to coincide with interest rate hikes locally. Investors, therefore, need to consider the investment implications of a normalising yield environment.

In its latest report (Global Economic Prospects Report – Jan 2014), the World Bank had the following comments to make regarding a higher yielding environment:

"The tapering of asset purchases by the Federal Reserve is expected to lead to a rise in base interest rates and spreads. A 100-basis point increase in high-income country base rates is likely to be associated with a 110 to 157 basis point increase in developing country yields, implying an increase in the cost of capital, which could lead to lower investment and growth."

The returns of South African asset classes in both tightening and easing interest rate cycles are highlighted in the table below:

Period		SARB direction	Total Return		
			All Share (J203T)	Bonds (ALBI)	Cash
Jul-73	Aug-76	Tightening	-8.40%	1.10%	10.20%
Aug-76	Nov-79	Easing	44.10%	14.50%	8.70%
Nov-79	Dec-84	Tightening	19.20%	4.20%	14.20%
Dec-84	Apr-87	Easing	54.40%	21.90%	16.00%
Apr-87	May-90	Tightening	15.20%	14.30%	15.40%
May-90	Feb-94	Easing	16.60%	21.90%	16.30%
Feb-94	Aug-98	Tightening	2.30%	7.90%	15.30%
Aug-98	Aug-05	Easing	23.00%	21.20%	11.70%
Aug-05	Jun-08	Tightening	30.40%	2.70%	10.70%
Jun-08	Dec-13	Easing	11.20%	11.40%	7.40%
Tightening Average			**11.7%**	**6.1%**	**13.1%**
Easing Average			**29.9%**	**18.2%**	**12.0%**

Source: Calculation: Marriott, Data: INet and Professor C. Firer's studies on the history of capital markets.

It is clear from this table that markets performed better during periods where interest rates were declining. During tightening cycles, on average, cash fared well relative to other asset classes, while bonds performed the worst. With an expectation of rising bond yields going forward, this trend is set to continue. Given the high correlation between bond and property performance, we would urge investors to exercise caution with fixed interest bonds and listed property, at this point in the interest rate cycle.

Consumers are expected to face continuing pressure as interest rates increase and this will be exacerbated by the fact that consumer confidence is close to its lowest level in almost 10 years (according to the FNB/BER Consumer Confidence Index).

With the consumer under pressure, earnings growth from companies in South Africa will be subdued. Given this outlook, combined with demanding valuations, it suggests that investors need to reduce their return expectations for local equities in the years ahead.

To ensure an acceptable investment outcome in a tightening interest rate environment, Marriott suggests that investors:

- Minimise exposure to fixed interest bonds and listed property.
- Invest in companies that offer basic necessities, such as food, telecommunication and healthcare. These businesses are defensive and will be able to grow their earnings, regardless of a consumer slowdown.
- Consider some exposure to first world equity markets, where valuations are attractive and investors could find diversification benefits.

Don't Overreact!

John Kinsley, MD, Prudential Portfolio Managers Unit Trust

Prudential Portfolio Managers Unit Trust MD John Kinsley advised investors in the final edition of Finfund in 2013 not to panic about the prevailing investment outlook. That was good advice and in our latest interview with him, he defended that position in spite of the Reserve Bank's interest rate hike on January 29.

"Although it did take the market by surprise in that it came much sooner than everyone expected, our three-year view has not changed," he says. "We always believed that South African rates would gradually increase over the period ahead, in line with gradual normalisation of interest rates around the world.

"We accept that Reserve Bank Governor Gill Marcus is concerned about the future path of inflation. Having said that, we argue that if there was even the slightest attempt to protect the currency that is not a game you want to play."

In Turkey's case, Kinsley points out, it raised its official interest rate by approximately 6% in a single day, and within two weeks the currency was just as weak as before the hike.

"But if we look at market expectations, there seems to be the perception that we are now into a rising interest rate cycle. That may be the case, if you looked at forward rate agreement curve (FRA) just after the interest rate increase, it was pricing short-term rates to be over 8% by the end of 2015.

"Now frankly, we think that is too high. We would argue that in this environment with such low economic growth in South Africa, and indeed low growth around the world, we would expect a far shallower rate cycle going forward. In Europe, for instance, there is an expectation that the ECB [European Central Bank] will cut rates again because of the fear of deflation in the eurozone generally."

Kinsley believes that growth rates on average are likely to stay below trend over the next three years, given the lingering impact of the financial crisis on developed markets and slower growth in emerging markets. The result: interest rates and average real rates of return on cash and fixed income assets will be lower than those seen before the financial crisis.

ASSET CLASS VIEWS

Prudential, he points out, is to maintain its portfolio positioning as it was before the rate hike. "We are confident that our positioning and individual holdings in our real return [inflation targeted] and balanced portfolios are such that these funds will continue to deliver real returns above cash. Cash will still produce very low real returns over the next two to three years.

"However, bond returns will remain under pressure from global conditions in the short term, so those investors concerned about returns over the next six to 12 months would be best placed in cash or near-cash assets."

THESE ARE KINSLEY'S VIEWS ON THE MAJOR ASSET CLASSES:

Offshore equities: Overweight. Developed market equities offer the best value, with a few emerging market equities also looking attractive. However, sentiment is still negative on the latter as investors worry about longer-term growth prospects.

Offshore bonds: Prudential differs from some of its competitors in this area. While it has no exposure to sovereign bonds, on the corporate and high-yield bond side it's overweight in terms of its competitors but underweight in terms of its own strategic benchmark. International corporate bonds offer a good yield spread and are an excellent diversification asset class.

South African equities: On value metrics such as earnings yield and price to book, it is on the slightly expensive side of fair value and priced to deliver a real return of around 7% a year on a three- to five-year view. The real challenge is that there are some massively expensive industrials and some very cheap resource shares. The challenge to asset managers is to know when to switch, and then to know which counters make the most investment sense when beginning that process.

Domestic listed property: Broadly neutral. The universe of South African REITs (Real Estate Investment Trust) currently offers a relatively attractive for- ward distribution yield of 8.2%, and combined with a robust distribution growth, is price to deliver a real return of over 5% a year over the next five years. This makes it likely to outperform both bonds and cash over the medium term.

Domestic bonds: Prudential is over- weight bonds relative to its peers and its own strategic allocation. It is overweight corporate bonds on the shorter end of the curve, has little exposure in the middle, and is overweight longer-dated bonds. It believes that corporate bonds offer good yield pickup and little duration risk, and is well disposed to long bonds which give 1-1.5% extra yield relative to the middle of the curve at reasonable risk.

Editorial comment: It is interesting to see the consensus views that Prudential and Marriott share — and the differences.

The importance of patience and why balanced funds are the best option for most investors

Pieter Koekemoer, Head of The Personal Investments Business, Coronation Fund Managers

"The investor's chief problem – and even his worst enemy – is likely to be himself." – Benjamin Graham

Achieving the optimal investment outcome over a long period of time is complicated, with the primary reason being that it most likely requires you to be counterintuitive – to do the polar opposite of what feels right when the market or your fund manager disappoints.

A good means of illustrating this problem is to look at the difference between fund returns and investor (or asset weighted) returns.

Fund returns are the performance numbers that you see on fund fact sheets or in performance league tables, e.g. the returns quoted for our flagship funds on page 28 are fund returns. This measures the change in the unit price, with all income reinvested, over the defined period, and is representative of the outcome that a buy-and-hold investor would have achieved over the relevant period.

Investor returns incorporate the impact of cash flows, which reflect the timing of when investors decided to buy or sell units in a fund. It measures the return that the average rand invested in the fund has earned over the relevant period.

If the average investor excelled in timing their decisions, the investor return would exceed the fund return. This would be the happy consequence of astute investors coinciding their buying decisions with cheap fund values, and their selling decisions with periods when fund holdings are overvalued.

Unfortunately, most empirical work indicates that investors are much more likely to make poor timing decisions. Dalbar, a US-based market research firm, has been tracking the difference between fund and investor returns since 1984. In its most recent study, it found that the average investor in a US equity fund over the last 20 years earned just 52% of the available equity market return.

A significant portion of this return gap can be explained by behavior-driven timing decisions. It is more likely that investors would buy a fund (or a risky asset class such as equities) after a period of great performance, and sell it after a period of losses or underperformance. This can be explained by investors' overconfidence (believing they have more ability to make good decisions than they really possess), proneness to sentiment (following the herd or anchoring too much off recent events), inherent loss aversion (they prefer avoiding losses to making gains), and myopia (framing the buy/sell decision too narrowly).

It's not all doom and gloom though. Studies also show that the gap between fund and investor returns is significantly narrower for balanced (multi-asset) funds than for equity-only funds. The reason for this is that balanced fund investors tend to remain invested for longer time periods. This greater investor comfort with a buy-and-hold strategy can primarily be ascribed to the nature of the contract between fund manager and client in a balanced fund: close alignment of objectives, clearly defined risk budgets and a stronger emphasis on capital preservation. Balanced funds will, by design, produce neither the best nor the worst performance available in the market, minimizing regret and the possibility of falling victim to herd behavior. Investors can also more easily match their different objectives and time horizons directly to the range of different funds available.

Are offshore trusts becoming rare?

Anton Maskowitz, Fiduciary and Tax Specialist, Sanlam Private Investments

Statistics show a steady decline in trusts being established in the international arena and South Africa.

Although the principles of a trust established under English law (offshore trusts) have not fundamentally changed since the days when the knights went on their crusades, it is most certainly a very different animal today!

Recent statistics show a steady decline in trusts being established in the international arena, including South

Africa. This is largely due to, among other things, enhanced transparency, increasing regulatory requirements and aggressive changes in tax legislation, both locally and abroad. This, understandably, has in most cases given rise to perceived exorbitant trustees fees and for many a settlor or beneficiary been the straw that broke the camel's back.

Added to the mix is the fact that the fundamental principles of our trust law, which is funded on Roman-Dutch law, are non-compatible with those principles governing trusts under English law. This has equally given many settlors and beneficiaries (and in some instances their local advisers) more than just grey hairs and often leads to a total breakdown in the relationship between trustee and beneficiary. Choosing offshore trustees who are versed in and understand the above complexities is therefore often a crucial element to ensure the effectiveness and longevity of an offshore trust.

And that was the bad news. Now for the good news ...

As South Africa is becoming more of an open economy, more and more individuals are strategically diversifying their assets internationally. This – due to current limitations imposed by exchange controls – often requires them to 'undo' a portion of their current estate plan, for example, where these assets are held via local trusts. This estate plan is in many instances well thought out over many years.

For most of these individuals, the only viable alternative available in order to 'rectify' the hole in the local estate plan (where the assets were held in trust) is to form an offshore trust to hold the assets externalized for diversification purposes.

Correspondingly, for prospective settlors who want to hedge their bets against sovereign risk and political instability, an offshore trust in a well-regulated financial services centre generally remains the only viable solution.

Even though taxation should never be the core reason for establishing an offshore trust, or any trust for that matter, it would be remiss not to point out some of the salient tax features of an offshore trust.

The recent amendments to the transfer pricing provisions (section 31 of the Income Tax Act) have set the cat among the pigeons and the utilization of interest-free loans to fund offshore trusts were dealt a death blow, effective 1 March 2013. From this date onwards all discretionary offshore family trusts should (if funded by way of loan) be funded by market-related interest-bearing loans in order to avoid possible double taxation.

Similarly all loans, which are still interest-free after this date, should be reconsidered carefully as they too, in all probability, fall foul of the new provisions.

'Perfect', I hear you say, 'loan interest in USD terms is at an all-time low and therefore I'll just charge 0.1% on the loan to the trust – peanuts!'

Not so, unfortunately. SARS views a market-related interest rate as the commercial rate the trustees would have obtained if they had borrowed the funds from an independent financial institution in that currency, which is generally around Libor + 2%.

The SA lender will therefore remain taxable in SA on the loan interest at his or her marginal rate and there's no need to reflect any of the income or gains of the offshore trust in the lender's annual tax return.

Now for the really good news ... If the trustees – having appointed very competent investment managers – can outperform the interest rate charge, any upside (including income such as dividends and capital gains) will not be taxable in South Africa, until such time as an SA resident beneficiary benefits from the trust. When this occurs, the beneficiary receiving the distribution will broadly be subject to income tax or capital gains tax (CGT) if the distribution contains any previous untaxed income or gains. It is therefore crucial for trustees to keep separate and proper records of any income and/or gains since inception of the trust.

From an SA estate duty perspective, although the value of the loan account remains an asset in the estate of the lender, the growth achieved in the trust in excess of the loan value will fall outside the estate duty net. Any outstanding loan can also be bequeathed back to the trust without attracting any adverse CGT consequences, as was the case prior to 1 March 2013.

Lastly, for potential emigrants, mostly those individuals who are contemplating joining their children on foreign shores, the act of leaving South Africa generally results in that person ceasing to be a tax resident in South Africa. This act will result in that person being regarded by SARS to have disposed of all his or her worldwide assets (barring a few exemptions) for capital gains tax purposes.

For those who were not fortunate enough to already have an offshore trust in place, the personal assets held offshore will be subject to SA capital gains tax even though they were not physically disposed of.

Fortunately fortune favours the brave and if the assets were held in trust, funded by a loan, there will be no CGT applicable on the value of the outstanding loan account.

In conclusion – and to echo what many international trust commentators have stated repeatedly: like the rhino, offshore trusts may be vulnerable but are pretty thick-skinned, and if treated with care and respect, will most likely remain a very effective estate planning tool for generations to come!

Editorial comment: Post the 2003 Forex Amnesty, one of the major reasons for the existence of foreign trusts has disappeared, especially where costs have been high relative to the value of investments held offshore. A very simple and cost effective substitute has been found in the use of offshore endowment products which provide excellent tax and estate planning advantages coupled with a full spectrum of investment options — all without the added layer of trust costs and trustee fees — and which, in some cases, can provide for protection from creditors

FIRSTGLOBAL Asset Management: Investment Update

Klaas Venter, Chief Investment Officer, and Adri Viljoen, Investment Analyst

The **FG IP Jupiter Income FoF** returned 3.0% year to date and 6.3% over the past 12 months, outperforming both the benchmark cash index as well as the peer group average return over both periods. The underlying fund managers added value through active management as well as by investing in corporate floating rate instruments that pay interest above normal cash rates. The South African Reserve Bank (SARB) kept the interest rate unchanged at both the March and May meetings, which tempered investors' expectations about future interest rate increases and it supported the local bond market, especially longer dated instruments. The Governor of the SARB did however confirm during the last MPC meeting that we are in an interest rate hiking cycle and that more rate hikes should be expected, especially since inflation is now outside of the SARB's 3-6% range. The disappointing local economic growth will however keep the bank from increasing rates too much. The Jupiter fund is positioned to benefit from a flat or rising rate environment with more than 60% of the fund invested in cash and floating rate instruments. No changes were made to the Jupiter fund during the review period.

The **FG IP Venus Cautious FoF** returned 4.2% year to date and 12.2% over the past 12 months, outperforming the benchmark peer group average return of 3.6% and 8.7% respectively over both periods while maintaining a low to average risk profile. The fund was ranked 3rd out of 103 funds over the past year and ranks in the first or second quartile over all rolling three-year periods since inception. The Nedgroup Opportunity Fund and Coronation Optimum Growth Fund at 15% of the Venus fund each, added most to performance over the past 12 months. The Nedgroup fund gained 18.6%, despite being fairly conservatively positioned, with less than 40% invested in risk assets. The Coronation Fund, with more than 80% invested in global stocks, returned 20.7%, benefiting from rand weakness as well as good stock selection. The Venus fund maintains a conservative exposure of 32% to equities (maximum mandated exposure is 40%), with 18% of the fund invested in local equities and 14% invested in global equities. Exposure to the Nedgroup Flexible Income Fund was lowered during the review period as part of the process to align the income managers in the Jupiter and Venus Funds.

The **FG IP Saturn Flexible FoF** returned 5.3% year to date and 12.6% over the past 12 months, outperforming the benchmark peer group average return of 4.5% and 11.8% respectively over both periods. The fund ranks in the first quartile over all rolling five-year periods since inception, ranking joint first out of 24 funds since the fund's inception in August 2005, consistent with its recommended longer term investment horizon. The Saturn fund is well diversified between all asset classes, both locally and globally, while there is little overlap in the stock selection of the underlying funds, further adding to diversification. Diversification reduces the volatility in a portfolio. All of the underlying funds have broad flexible mandates, allowing the mangers to make use of the benefits of diversification. While some of the boutique funds have an equity bias, the majority of underlying funds use the flexibility to construct well diversified portfolios. The Truffle fund, one of the boutique manager funds, is the best performing fund year to date, returning close to 10%. The lower risk ABSA Absolute Fund benefited from the recovery in inflation linked bonds and gained 4.4% over the same period. The exposure to the Rezco fund was increased during the period under review.

The **FG IP Mercury Equity FoF** returned 7.8% year to date and 17.9% over the past 12 months, slightly behind the benchmark FTSE/JSE All Share Index (including dividends) return which returned 8.7% and 21.8% respectively. The local stock market surpassed the 50 000 index level for the first time in its history towards the end of May. The market as a whole is trading on expensive levels, with the historical P/E ratio close to 18 times, albeit impacted by high multiples on some of the shares with a high weighting in the index. Strong momentum has driven large cap shares higher, with the Top 40 Index gaining 9% year to date and 22.4% over the past 12 months. Mid-cap shares lagged, gaining 6% and 17% respectively. Active management in such an environment is very important, as fund managers need to seek shares that still offer good value and reduce exposure to expensive shares. During the review period, we therefore continued to implement our strategy of increasing exposure to active managers and we increased exposure to the Foord Equity Fund with a corresponding decline in exposure to the Satrix Rafi Fund.

The **FG IP International Flexible FoF** returned 1.9% year to date and 10.8% over the past 12 months, against the composite benchmark return which returned 4.7% and 15.6% respectively. The underweight position to global bonds detracted from performance over both periods, while the underlying equity managers of the FGAM funds underperformed the MSCI World index in 2014 as well. The equity managers in the FGAM funds are benchmark agnostic and short term underperformance can happen as a result. This strategy has proven to be successful in outperforming the market over the longer term. The strength of global bonds in the past few months has come as a surprise to many investors. The yields on many developed market government bonds are trading at multi-year lows and offer investors very little compensation for inflation or default over the longer term. It is expected that yields will rise to more normalised levels when investors start pricing in interest rate increases in these countries, leading to capital losses. The US Federal Reserve has indicated that they are likely to start increasing interest rates in 2015. We therefore maintain our underweight position to global bonds. The underlying funds are now close to their strategic allocations.

Performance and quartile rankings in sector for periods until 31 May 2014

Index	Year to date	6 Months	1 Year	3 Years*	5 Years*
FG IP Jupiter Income FoF	**3,01%**	**3,80%**	**6,31%**	**7,78%**	**7,98%**
Cadiz Absolute Yield Fund	3,09%	3,81%	6,75%	8,51%	8,77%
Coronation Strategic Income Fund	3,09%	4,09%	6,86%	9,59%	9,98%
Prudential Enhanced Income Fund	3,18%	4,15%	6,21%	8,56%	*not started*
SIM Active Income Fund	3,08%	3,71%	6,49%	7,09%	7,90%
SA Multi Asset Income Category Average	2,65%	3,58%	5,82%	7,32%	7,77%
STEFI Composite Index	2,25%	2,70%	5,34%	5,44%	6,07%
FG IP Venus Cautious FoF	**4,18%**	**6,26%**	**12,17%**	**11,53%**	**11,77%**
36One MET Equity Fund	4,02%	7,40%	20,72%	*not started*	*not started*
Cadiz Absolute Yield Fund	3,09%	3,81%	6,75%	8,51%	8,77%
Coronation Strategic Income Fund	3,09%	4,09%	6,86%	9,59%	9,98%
Coronation Optimum Growth Fund	3,31%	7,68%	20,76%	27,49%	21,15%
Coronation Top 20 Fund	8,28%	12,86%	23,15%	20,81%	22,62%
Investec Diversified Income Fund	2,89%	3,96%	5,64%	8,55%	*not started*
Nedgroup Investments Entrepreneur Fund	9,15%	11,11%	19,31%	27,37%	26,80%
Nedgroup Investments Opportunity Fund	6,43%	9,27%	18,64%	16,25%	15,94%
Prudential Enhanced Income Fund	3,18%	4,15%	6,21%	8,56%	*not started*
Prudential Enhanced SA Tracker Fund	2,86%	4,12%	7,64%	17,03%	20,03%
SIM Active Income Fund	3,08%	3,71%	6,49%	7,09%	7,90%
SA Multi Asset Low Equity Category Average	3,59%	5,25%	8,67%	11,23%	10,81%
FG IP Saturn Flexible FoF	**5,30%**	**7,42%**	**12,64%**	**14,58%**	**15,33%**
36One MET Flexible Opportunity Fund	2,83%	6,05%	15,31%	23,76%	27,19%
ABSA Absolute Fund	4,40%	5,70%	8,72%	12,41%	12,63%
Coronation Market Plus Fund	6,45%	9,54%	17,13%	19,98%	19,99%
Investec Opportunity Fund	5,75%	7,44%	12,34%	14,24%	14,98%
Rezco Value Trend Fund	4,56%	6,55%	14,26%	23,73%	18,69%
Truffle Flexible Fund	9,76%	13,32%	24,71%	21,37%	*not started*
Visio MET Actinio Fund	4,28%	6,41%	19,56%	23,52%	24,82%
SA Multi Asset Medium Equity Category Average	4,53%	6,62%	11,78%	12,55%	13,23%
FG IP Mercury Equity FoF	**7,78%**	**10,16%**	**17,88%**	**17,63%**	**19,06%**
36One MET Equity Fund	4,02%	7,40%	20,72%	*not started*	*not started*
Coronation Top 20 Fund	8,28%	12,86%	23,15%	20,81%	22,62%
Foord Equity Fund	9,10%	12,15%	26,29%	24,10%	25,53%
Gryphon All Share Tracker Fund	8,57%	11,32%	21,09%	18,75%	19,81%
Nedgroup Investments Entrepreneur Fund	9,15%	11,11%	19,31%	27,37%	26,80%
Prudential Equity Fund	7,34%	10,61%	20,52%	20,28%	21,08%
SIM Rafi 40 Index Fund	7,96%	11,12%	19,14%	not started	*not started*
FTSE/JSE Africa All Share (Total Return)	8,76%	12,01%	21,81%	18,71%	20,23%
SA Equity General Category Average	8,10%	11,15%	21,24%	16,74%	18,69%
FG IP International Flexbile FoF	**1,93%**	**6,92%**	**10,34%**	**20,40%**	**12,58%**
*Data longer than 12 months are annualised	*1st quartile*	*2nd quartile*	*3rd quartile*	*4th quartile*	

Asset Allocation at 30 April 2014

Fund	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG IP Jupiter Income FoF	0%	5%	27%	64%	5%
FG IP Venus Cautious FoF	18%	9%	19%	34%	21%
FG IP Saturn Flexible FoF	40%	6%	18%	15%	22%
FG IP Mercury Equity FoF	89%	1%	0%	6%	4%
FG IP International Flexbile FoF	0%	0%	0%	5%	95%

Quarterly Performance of general indices

Index	Asset Class	2Q 2013	3Q 2013	4Q 2013	1Q 2014	Year to date 2014*
STEFI Composite Index	Local Cash	1,26%	1,28%	1,30%	1,31%	2,25%
Beassa ALBI Total Return	Local Bonds	-2,27%	1,91%	0,13%	0,89%	2,37%
FTSE/JSE SA Listed Property (Total Return)	Local Property	-0,35%	-1,31%	0,99%	1,82%	2,87%
FTSE/JSE Africa All Share (Total Return)	Local shares	-0,22%	12,53%	5,53%	4,29%	8,76%
JP Morgan World Govt Bond index (USD)	Global Bonds	-3,08%	2,68%	-1,26%	2,70%	4,32%
EPRA/NAREIT Global Index (USD)	Global Property	-4,85%	1,65%	-1,37%	3,14%	9,00%
MSCI AC World (USD)	Global Shares	-1,18%	7,38%	6,93%	0,61%	3,18%
US Dollar/South African Rand (+ weaker, - stronger)	Exchange Rate	6,89%	1,58%	3,24%	1,78%	2,13%

*(Return until 31 May 2014)

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