GLOBAL BRIEF

THIRD QUARTER
2015

EDITORIAL COMMENT

Mike Borland, Director, FIRSTGLOBAL GROUP

EQUITY MARKETS HAVE BEEN DOING THEIR BEST TO PUT THE DREADFUL THIRD QUARTER BEHIND THEM, thanks to rising confidence that the Fed will not move quickly to hike rates. From Wall Street to Europe, Asia and Johannesburg, equity markets have been buoyant since the weak US jobs report for September, released on 2 October. Also helping the process was the hope that Chinese manufacturing conditions had begun to stabilise, following several months of declines.

On the JSE, the index hit its best level in three months recently, drawing on generally good sentiment on global stock markets and appetite for mining shares.

Locally, we have seen and experienced severe disruption to SA's Universities, resulting from the protests against the proposed 10,5% hike in University fees for 2016. One can sympathise with the financial plight of many young and aspirant learners, especially in view of the dire wastage of tax revenue collected, through gross inefficiency in Government services and allocation of resources, low levels of productivity and endemic corruption. One would, however, question the destructive, aggressive and anarchical nature of the protests.

Globally, we see the continued strife in the Middle East and North Africa and the resultant European refugee crisis. One understands the desperation for normal life verses the concerns of the various countries' taxpayers being potentially saddled with the responsibility for these masses.

In this edition we look again at the importance of offshore investments, obstacles in Reserve Bank foreign investment allowances, the positioning of equities and their appropriateness for certain investors, tax related proposals on legislation which will possibly have far reaching implications on the future of tax and estate planning and finally we review our local and offshore investment fund offerings. Enjoy the read.

WHY INVEST OFFSHORE?

Paul Hutchinson, Sales Manager, Investec Asset Management

INVESTORS ARE REGULARLY REMINDED OF THE WISDOM OF INVESTING OFFSHORE and not adopting an investment strategy that focuses only on South African assets. There are a number of compelling reasons for investing offshore. Briefly, these include:

- **Diversification benefits** – investing in international assets allows for greater diversification, which is a key investment principle for reducing risk. In addition, investing in international markets provides access to countries, currencies, asset classes and industries that are not available locally.

- **Reduced emerging market risk** – South Africa remains an emerging market, albeit with pockets of first world industries (e.g. banking and mining) and infrastructure (e.g. roads, ports and railways). By world standards though, we are a small economy with a relatively illiquid and volatile stock market.

Interestingly, while the FTSE/JSE All Share Index makes up less than 1% of the world's market capitalisation, South Africa's gross domestic product (GDP) comprises only approximately 0.6% of the world's GDP. Why is the size of market capitalisation compared to GDP so high in South Africa? The reason is that our country was amongst the earliest adopters of a market exchange aimed at raising external capital to finance business activity, which happened to be mining at the time. (The JSE was founded by Benjamin Woollan in November 1887 to provide a market place for the shares of South Africa's many mining and financial companies that resulted from the discovery of the Witwatersrand goldfields in 1886.) It was not until more recently that financial

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markets geared towards raising external capital became a feature in many other emerging markets, including Russia and China.

Why is this relevant? Index trackers and many global portfolio managers base their allocation to a particular emerging market on relative market capitalisation, not GDP. It is likely that other emerging markets will, over time, see a proportional increase in their market capitalisation in line with their relative GDP, thereby reducing South Africa's relative market capitalisation. Ultimately, this change will likely mean less capital flows to South Africa, which will put pressure on the rand.

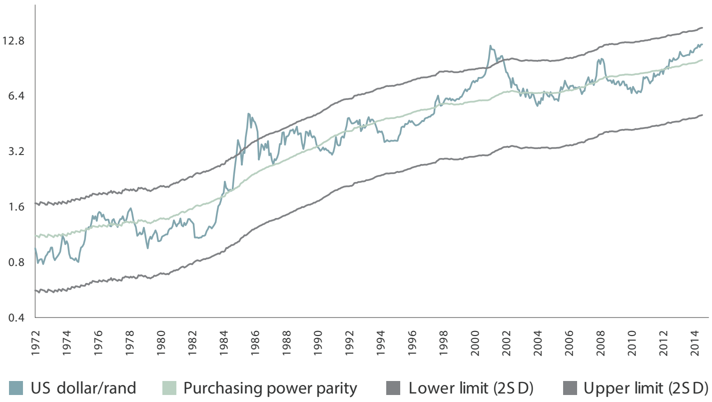
- **Reduced currency risk** – all things being equal, economic theory states that one can expect a currency to depreciate in line with the differential between that country's inflation rate and those of its major trading partners. With inflation hovering close to the upper end of the South African Reserve Bank's 3 – 6% target, South Africa's inflation rate exceeds, by some margin, the inflation rates of its major trading partners. Therefore, over time, we can expect the rand to depreciate against these currencies.

  Figure 1 illustrates the overall deteriorating performance of the rand against the US dollar since 1972. The graph also uses the theory of purchasing power parity (PPP) to illustrate the relative cheapness or expensiveness of the rand against the dollar over time. (PPP is a theory which states that exchange rates between currencies are in equilibrium when their purchasing power is the same in each of the two countries.) When the blue line in Figure 1 is below the green line it suggests that the rand is cheap and vice versa. The two grey lines represent two standard deviations (SD) – cheap or expensive. This simply means that we expect the rand to trade within these bands about 95% of the time.

  Currently, therefore, PPP is suggesting that the rand is on the cheap side. However, it is important to consider South Africa's worsening terms of trade, general risk aversion and continued US dollar strength on the back of expected rising US interest rates. All these factors are potentially negative for the rand.

- **Maintenance of 'hard' currency spending power** – it is important for South Africans who travel abroad or who purchase imported items (or any product or service priced in an international currency) to ensure that they maintain (and grow) their spending power in real terms.

Figure 1: US dollar/rand purchasing power parity



Source: I-Net Bridge and Investec Asset Management, as at 30 June 2015

A long-term view is required to fully benefit from offshore assets' return potential

While the case for investing offshore is compelling, it is important to consider where the return from an international investment could come from: the exchange rate and/or the underlying foreign investment. The impact of exchange rate risk on a foreign investment should also be an important consideration. Many South Africans got burnt when they invested offshore in 2001 and 2002 when the rand traded at around R12 to the US dollar. As a result, South African investors now tend to have an underweight exposure to foreign investments.

Studies have shown that when considering the historical returns of foreign investments, the impact of the exchange rate is uncertain and volatile, and that when measured over shorter time horizons, the exchange rate can have a significant impact on the investment return in rands. Research indicates that it is only over longer time horizons that the underlying investment contributes more to the return than the exchange rate.

Therefore, we are of the opinion that when investing offshore, investors need to take a long-term view to fully benefit from the return potential of the international assets in which they are invested.

FOREIGN INVESTMENT ALLOWANCES

Editorial

BEARING IN MIND THE ABOVE ARTICLE, the natural next step is to consider what options are available for investors to externalise their funds. In simple terms there are three options, namely the R1 million Discretionary Allowance covering gifts, travel, education etc., and the Foreign Investment Allowance (both of which involve the physical transfer offshore by the Investor) and then the access to offshore investments through local Rand Denominated asset swop. The focus of this note is on the Foreign Investment Allowance.

In the February 2015 Budget Review, National Treasury indicated that South African residents' (individuals only) foreign investment allowance would increase from R4 million to R10 million per calendar year effective from April 2015.

The general expectation was that tax clearance (which has always been a prerequisite for a foreign investment allowance) for the increased amount could be obtained in the same relative easy and fairly quick fashion, as was the case for the R4 million limit.

General feedback from colleagues and industry players is that SARS procedures still leave them in the same position they were before: that is they get tax clearance on amounts up to R4 million – within a few days – but are referred for audit where amounts exceed R4 million. At the time of penning this article, the writer is not aware of one single tax clearance application that has been granted where the amount exceeds R4 million.

According to informed sources the South African Reserve Bank (SARB) and Treasury have increased the allowances but SARS processes still remain the same and the R10 million allowance is yet to be streamlined. With no clear procedure currently in place at SARS, this leaves us in the unfortunate position that no application (over and above R4 million) can be processed at present without indeterminate delays.

Any applications above the R4 million threshold are treated as applications to exceed allowances. This is irrespective of the clearance being for R10 million or R100 million, and these applications are sent off to an executive committee and all clients are open to full audit.

The SARS standpoint is along the following lines: Mark Kingon, group executive: operational service escalations and support at SARS, says in all matters pertaining to Foreign Investment Allowances, SARS must ensure that the person is fully tax compliant before approving a clearance for the funds involved. “These risks are determined for all cases whether below R4 million or not. Very importantly SARS will continue to apply processes in a manner which best deals with the risk related to the matters.”

Kingon says SARS processes all applications for Foreign Investment Allowances regardless of the amount involved. There is a standard operating process internally dealing with this. In the process, SARS applies various risk rules with the aim of identifying possible leakages in the South African tax base. The risk rules applied during this process are not all necessarily dependant on the threshold set for exchange control purposes, he says. “It is important to note that the purpose of the rules relating to the Foreign Investment Allowance are directed toward protecting the South African tax base.

These rules remained the same despite that the foreign exchange allowance changed.“SARS continually reviews the risk rules and when SARS is comfortable to adjust the rules SARS will adjust the rules, but until then the rule remains the same,” he says.

For the meanwhile at least this all means that, assuming that one’s tax affairs are in order, we can safely bank on a minimum Foreign Investment allowance of R4 million per individual per annumm - and, of course, a combined annual allowance of R8 million for married couples/partnerships - quite a tidy sum to all but the super high net worth individual.

EQUITIES NOT FOR EVERYONE - MANAGING THE PERFECT STORM

Carl Roothman, Head of Retail Business, Sanlam Investments

WE ARE WELL AWARE THAT AN ADVISER’S JOB IS NEVER DONE. No matter how thoroughly you explained to your clients what to expect from the equity market, when markets suddenly fall and alarmed investors start to call, the toughest part of your client journey starts: assuring investors that choppy waters too can lead to the right destination.

Colin Shaw, author of ‘Building great customer experiences’ was one of the first client experience designers to draw attention to the fact that the client experience starts with an expectation and ends with an emotion. The better businesses prepare clients for the potential negative experiences that may lie ahead, the better are the chances of a positive emotional outcome.

We’ve therefore compiled some data to help you manage your clients’ expectations around equities (shares).

Equities are not for those who…

• Invest for the short term

Investors driven by greed or sometimes desperation, needing to make up a shortfall in terms of a future liability, such as their children’s university education, often turn to shares to boost their wealth fast. But equities are not there for those wanting to make a quick buck.

In September 2008, world financial markets came under severe pressure and the ALSI reacted by losing around a third of its value up to year-end. Only by mid-November 2009, the ALSI had recovered from its lows. Investors in the equity market for the year from September 2008 to September 2009 would therefore not even have regained their capital, let alone keeping up with inflation.

Equities are therefore absolutely not for clients wanting to invest for periods shorter than three years. The risk of losing money in real terms is simply too high.

• Try and time the market

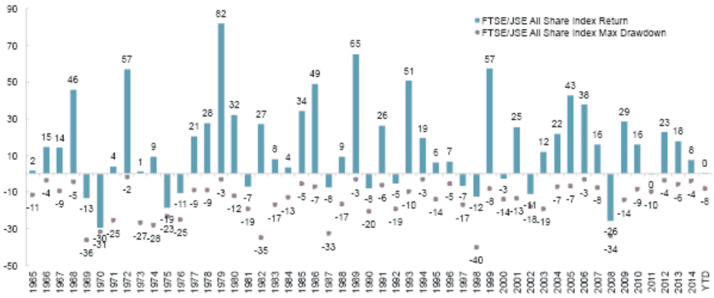
Seasoned investor Peter Lynch said, “Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves.” Because of the asset class’s proven long-term inflation-beating characteristic, investors with very long-term horizons (10 years or more) should remain as fully invested in equities as possible at all times. Those who want to try and time the market, switching out when they think the market is close to its peak and switch back in again when it’s close to the bottom, can try the casino instead. They may have better luck there.

Timing the market is just not worth the risk.

• Panic easily

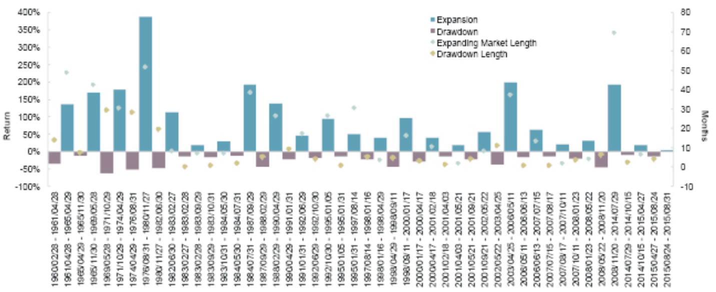
Short-term volatility of the equity market is perfectly normal. Every time the market corrects (fall by more than 10%) your clients may want to get out of the market ASAP. But, if they look at the two graphs below, they'll see that the ALSI has risen far more than it has fallen, and the long-term trend of the market has always been upward.

ALSI calendar year returns versus largest monthly draw-down in that year



Source: Morningstar | Monthly returns to 31 Aug 2015

ALSI expansions and drawdowns



Source: Morningstar | Daily returns to 31 Aug 2015

It's, however, extremely difficult to predict when, and by how much, markets will rise and fall. If your clients sell in a panic after the first signs of a market correction, they may miss out on good performance days, resulting in an overall drop in their return. Where you don't want to be on the good market days is out of the market. And there's no way you can predict when those days will be.

Besides, historical ALSI data indicates that it is highly likely long-term equity investors will reap positive real returns when they invest for 10 years or longer and highly unlikely that they will lose any capital when they invest for five years or longer.

• 'Watch the pot'

With the advent of real-time investment reporting, your clients can now view their portfolio values online on a daily basis. While the rise in transparency is positive, the flipside is that investors who tend to 'watch the pot boil' are now more likely to compare their funds' performance with that of their peers, often leading to buyers' remorse and switching to the funds that outperformed recently.

According to a study by Dalbar, over the past 30 years the average investor in an equity unit trust in the US earned an average of 3.8% a year —a third of the Standard & Poor's 500's average 11.1%! This is mainly due to switching in and out of funds at the wrong time, chasing outperformance – an exercise which is more often than not counterproductive.

Advice for everybody

To summarise, when investing for growth, equities are instrumental. As financial 'insiders' we need to get the following three things right, though:

- Make sure our clients have the right equity allocation % for the right timeframe
- Manage our clients' expectations before they commit to the investment
- Help our clients to stay the course – let the market do the rest.

DAVIS TAX COMMITTEE - THE FUTURE FOR TRUSTS AND ESTATE DUTY

Sharon Hamman, Senior Legal Adviser, Advice and Wealth Management, Momentum

TAX, ESTATE PLANNING AND RELATED ISSUES including the establishment and management of Inter Vivos and Testamentary Trusts and the drafting of Wills are issues of vital importance and the subject of consideration by many of us. It is therefore of interest to anyone concerned to understand what the thinking of the Fiscus is, and what MAY lie ahead in terms of possible changes that are being considered and are the subject of certain proposals.

Introduction

The Davis Tax Committee (DTC) was appointed in 2013 to investigate the SA tax system and whether it promotes economic growth and job creation. It also has to determine if it creates a sustainable base for revenue collection. The committee has now released its first interim report on estate duty (and other related matters) and if implemented can see a major change to the estate planning landscape as we know it. The purpose of the report is to achieve a simpler and fairer system that will:

- Address deficiencies in the current system,
- Encourage and simplify estate duty compliance,
- Treat all taxpayers equally regardless of their marital status,
- Create a primary rebate that allows an element of relief for families and makes provision for inflation, and
- Encourage retirement savings without creating estate planning loopholes.

Please note – The report makes recommendations and was open for public comment until 30 September 2015 – it is not draft legislation or legislation at this time. Advice can only be given in terms of current existing legislation and whilst it is necessary to take note of changes on the horizon one should wait for the changes to become reality before acting thereon.

The most pertinent recommendations are as follows:

Trusts

Trusts should be taxed as separate taxpayers. Special trusts meeting the requirements as set by the Income Tax Act (ITA) will continue to be taxed as natural persons (generally where a trust is formed exclusively for the benefit of disabled persons or minors) – National Treasury will however revisit the definitions.

It is recommended that a flat rate of tax is maintained for trusts and it is likely that it will remain at the highest tax rate which is currently 41%.

Due to the effective tax planning achieved by the use of the deeming provisions contained in section 7 of the ITA and the conduit principle in section 25B, it is suggested that it is repealed insofar as it applies to South African trusts. The attribution and distribution rules in respect of offshore trusts will be retained for non-resident trust arrangements.

Most trusts are funded by way of interest-free loans between the trust and the donor (a connected person in relation to that trust). It seems that interest-free loans will be permitted to continue as the DTC has recommended that transfer pricing adjustments (as applicable to non-resident trusts) should not apply in respect of local trusts.

A statement was made that taxpayers should be allowed to use trusts as there are viable reasons to use the structure – more than just postponing or avoiding estate duty. This loss of revenue will therefore be countered by the recommendations made above – income tax will be more severe in respect of the trust's income and therefore compensate for the estate duty loss.

It is recommended that no concessions will be made to allow taxpayers to dissolve their trust arrangement.

Foreign trusts

A recommendation is made that all distributions made by foreign trusts to its beneficiaries should be taxed as income. The motivation is to discourage offshore trust formation.

In addition a suggestion is made to review the criminal offence provision of the Tax Administration Act with the intent of bringing more stringent penalties and criminal charges against taxpayers who fail to disclose their direct or indirect interests in foreign trusts. Offshore trusts funded from South Africa in excess of R10 000 000 will also be required to be reported to SARS.

Estate duty changes

The idea is to retain estate duty as a tax. The administrative system underpinning this tax is already in place and functioning and it will not make sense to replace it with another wealth tax - the cost and time associated with a new system is not justified. They will rather look at making the system more efficient and to generate more income by making some adjustments to the legislation supporting this tax.

It is recommended that the current estate duty rate of 20% remain unchanged.

The concept of spousal bequests will be reviewed and possibly withdrawn completely – thereby resulting in the well-known section 4(q) being repealed.

To counter the removal of inter-spousal deductions it is suggested that the primary abatement be increased to R6 000 000 per taxpayer. This will result in the last surviving spouse having a maximum abatement available of R12 000 000 (which is R6 000 000 multiplied by 2 less any portion of the abatement used by a pre-deceased spouse). It is believed this will in most instances soften the blow of removing section 4(q).

Donations tax

Contradicting the recommendations made in respect of estate duty, inter-spousal donations are to be retained – however, it should not apply in respect of interests held in fixed property or companies (or similar entities).

Donations made in respect of assets that were acquired prior to the taxpayer becoming a resident in SA or in respect of property that was donated or inherited by the SA resident from a non-resident person, is free from donations tax at the moment. This will be reviewed and the exemption might be removed as this is not in the spirit of the residence-based tax system we use.

The ITA also contains an exemption for donations made towards the maintenance of a person where the Commissioner of SARS considers it to be reasonable. This is viewed as a loophole to allow a taxpayer to reduce his/her estate and it is recommended that the definition of 'reasonable maintenance' be refined. The exemption should exclude certain assets like fixed property, financial instruments, etc.

A suggestion is also made that the concept of donations made in anticipation of death should be removed - thereby removing the donatio mortis causa exemption contained in the Estate Duty Act.

Retirement funds

It is recommended that the exemption from estate duty remains intact, however, the committee supports the inclusion of disallowed contributions made to retirement funds by the taxpayer for estate duty purposes. The reason is to prevent the exemption of retirement funds being abused.

This amendment is already included in the Taxation Laws Amendment Bill and likely to be implemented from 1 January 2016. The DTC made a recommendation that it should apply to all contributions made after 1 March 2015, however, the Bill has been written to give effect to the inclusion of all contributions made that did not qualify as a tax deduction, where the date of death is after 1 January 2016.

This does have a retrospective impact and the industry will definitely raise this concern in its comments made on both the Bill and the report.

Conclusion

It is clear that the recommendations can change the playing field and create a need to revisit estate plans to review the effectiveness into the future.

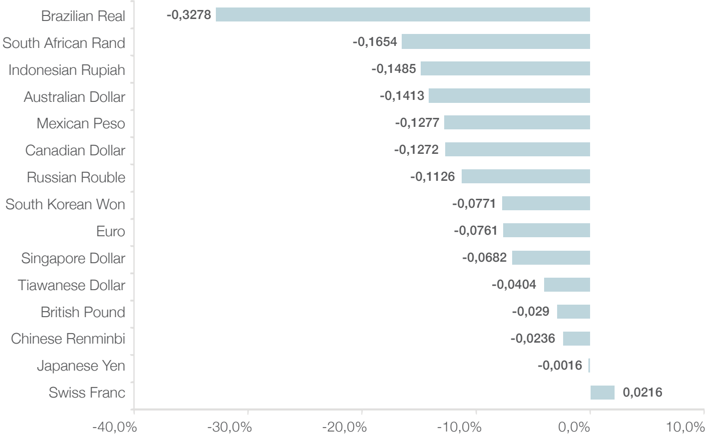
A revision of this nature has been a long time coming and it is expected that many of the recommendations will be accepted, however, exactly how it will be enacted and the timeframe in which it will be done cannot be anticipated at this point.

OFFSHORE FUNDS

Hennie Fourie, Director, FIRSTGLOBAL GROUP

MOST CURRENCIES HAVE STRUGGLED YEAR TO DATE against a rampant USD and exposure to other currencies (except the Swiss Franc) has created head winds for global portfolio managers.

Performance of currencies vs USD 2015 YTD (30 September)



Source: Bloomberg. Data from 31 December 2014 to 30 September 2015.

Global equities have materially outperformed global bonds since the market bottomed in March 2009, alongside strong gains for property securities. For the most part the Funds have been on the right side of this trade in terms of its asset allocation policy.

Last quarter, however, marked the most serious setback since the euro crisis in 2011 and as a result the asset allocation policy in the Fund detracted from performance. Global equities fell by 9.3% over the quarter, after falling by 6.2% in August and a further 4.3% in September; property securities held up better than global equities while nonetheless down by 3.8% and global aggregate bonds produced positive returns of 1.2%.

Contrarius suffered its worst quarter since inception in both absolute and relative terms: the Fund fell by more than 20% over the period compared to its previous worst rolling 3 month return of -16%; similarly, in relative terms, the Fund underperformed its benchmark by 13% compared to its previous worst relative performance of -6%.

The key reasons for the underperformance were stock selection within the materials, consumer discretionary and IT software sectors. The materials sector made the largest negative impact, both from their stock selection but also from their large allocation to the sector, which they have built up this year in response to the perceived valuation opportunity.

Within this sector Contrarius have positions in a range of businesses across both industrial and precious metals. During July many of the stocks in which they had meaningful positions declined by over 15% and some by as much as 50%, with the largest detractors concentrated within their precious metals holdings. The Fund's other equity managers also underperformed, albeit by a much smaller magnitude, other than First State who outperformed with a return of -5.8% over the quarter compared to -9.3% for global equities and -7.0% for global listed infrastructure.

Franklin Templeton, our unconstrained global bond manager, also underperformed the return of global aggregate bonds as a result of its greater exposure to credit and emerging market debt. In the property component of the Fund, Catalyst outperformed its benchmark with a positive return of 1.7% over the quarter, in spite of the generally weak backdrop.

Our equity managers have however staged a dramatic turnaround in performance since 1 October. We have used this opportunity to reduce our Contrarius exposure after participating in the upside post quarter end. The rationale is to further diversify our style allocation more towards quality value and growth. We will also be reducing our Orbis exposure over the next couple of weeks for the same reason.

Looking Forward

Our outlook remains broadly unchanged from the last quarter, notwithstanding the big rise in volatility witnessed over the period. The overriding factor behind these moves has been clear evidence of slowing global growth, especially in emerging markets.

Emerging markets have faced the near perfect storm of sluggish global growth, the challenges of reining in a credit boom, excessive dollar debt exacerbated by a strong dollar, inadequate structural reforms during the boom years and the effects of China's slowdown and the related collapse in commodity prices. Recent data releases have confirmed the trend of weak and falling growth across the emerging world, with Brazil and Russia in outright recession and China quite evidently slowing to a much lower growth rate. With emerging countries now accounting for 40% of global GDP, and China alone for 15%, a slowdown there now has substantial implications for growth in the developed world.

The critical issues affecting markets need to be kept in perspective, however. China is on a path to structurally slower growth but its consumer sector is strong; the collapse in commodity markets has caused some severe dislocations in important parts of the global economy, but these negative effects should be offset by the positive impact of lower prices to users – in turn this enables central banks to maintain very loose monetary policy and continuing stimulus without risking inflation. While high levels of uncertainty continue to fuel volatility, this creates opportunities for longer term investors to add to investments at attractive prices.

It is imperative that South African investors consider sufficient offshore exposure in their portfolios to diversify currency and country risk.

Source: Morningstar / Bloomberg, FGAM MGIM Quarterly Report, September 2015. Past performance is not indicative of future returns.

FIRSTGLOBAL ASSET MANAGEMENT: INVESTMENT UPDATE

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

THE FG IP JUPITER INCOME FUND OF FUNDS returned 5.2% year to date and 7.4% over the past 12 months, outperforming the peer group average and the benchmark Alexander Forbes Short Term Fixed Interest Index over both periods. There were two MPC meetings held over the quarter, with the South African Reserve Bank increasing the repo rate at the first meeting in July, citing concerns over rising consumer inflation, while keeping it unchanged during the September meeting. The All Bond Index gained 1.1% during the third quarter, despite the interest rate hike. We disinvested from the Cadiz Absolute Yield fund after the announcement of the resignation of the fund manager and replaced the fund with the Nedgroup Flexible Income Fund.

The FG IP Venus Cautious Fund of Funds returned 4.4% year to date and 7.97% over the past 12 months, somewhat behind the peer group average in 2015, but still outperforming the benchmark over the past 12 months. We disinvested from the Cadiz Absolute Yield fund after the announcement of the resignation of the fund manager and replaced the fund with the Prescient Income Provider fund, which already formed part of the Jupiter fund. The Coronation Optimum Growth Fund, with a sizable position in emerging markets, detracted from performance in 2015. Towards the end of the quarter, we added the Old Mutual Global Equity fund, which provides a larger allocation to developed markets.

The FG IP Saturn Flexible Fund of Funds returned 5.8% year to date and 8.3% during the past 12 months, outperforming the benchmark peer group average over both periods by a fair margin. The combination of aggressive and conservative funds added to performance in 2015, while the active asset allocation management of the underlying funds also contributed positively to performance. We made no changes to the fund during the quarter. The Truffle Flexible Fund has been the best performing underlying fund in 2015, returning a handsome 12% benefiting from both good asset allocation and stock selection. This performance is noteworthy, as listed property is the only local asset class to record double-digit performance year to date.

The FG IP Neptune Growth Fund of Funds returned 4.3% year to date and 6.4% during the past 12 months, outperforming the benchmark peer group average over both periods. The fund has been conservatively managed since its inception in September 2014, with a large overweight position to cash and floating rate instruments. This conservative asset allocation positioning has added to returns in 2015 as both local equities and bonds have underperformed cash. We added the Rezco Value Trend Fund and Truffle Flexible Fund during the quarter. Both these funds have exhibited strong performance during a difficult year in capital markets through successful asset allocation and/or stock selection.

The FG IP Mercury Equity Fund of Funds returned 2.8% year to date and 5.6% during the past 12 months, underperforming the benchmark FTSE/JSE All share Index year to date, but outperforming the benchmark over the past 12 months. The Mercury fund has however outperformed the peer group average over both periods. Resources and telecoms have been the largest drag on the stock market over the past year, with both sectors down sharply over this period. The recent announcement of a takeover bid by AB Inbev of SABMiller saw the latter's share price jump 25% on the news, heavily impacting the performance of the index in 2015. SABMiller is now the largest share by market cap on the local stock exchange.

The FG IP International fund of Funds returned 8.7% year to date and 10.4% over the past 12 months, underperforming the benchmark and peer group average over both periods. Two of the underlying funds in the FGAM Global funds, Contrarius and Orbis, both with a value bias, underperformed sharply over the past year as the value investing style struggled both locally and globally. This led to the relative underperformance of the FG International Flexible Fund during the past 12 months. Global equity markets have been weak in general during the year and the MSCI All Country World Index is down 8.5% year to date in USD terms. Majority of the fund's positive return year to date has been contributed by the weakening rand against the US dollar.

Performance and quartile rankings in sector for periods until 30 September 2015

Index	6 Months	Year to Date	1 Year	3 Years*	5 Years*
FG IP Jupiter Income FoF	**3,06%**	**5,24%**	**7,37%**	**7,43%**	**7,26%**
SA Multi Asset Income Category Average	3,16%	5,14%	6,90%	6,75%	6,78%
STEFI Composite Index	3,18%	4,76%	6,38%	5,71%	5,75%
FG IP Venus Cautious FoF	**0,01%**	**4,40%**	**7,97%**	**10,95%**	**10,37%**
SA Multi Asset Low Equity Category Average	1,10%	4,62%	7,02%	10,46%	9,53%
FG IP Saturn Flexible FoF	**1,22%**	**5,83%**	**8,34%**	**13,90%**	**12,47%**
SA Multi Asset Medium Equity Category Average	*-0,10%*	4,05%	6,50%	12,05%	10,51%
FG IP Neptune Growth FoF	**0,27%**	**4,28%**	**6,35%**	not started	not started
SA Multi Asset High Equity Category Average	*-1,08%*	3,43%	5,88%	-	-
FG IP Mercury Equity FoF	**-3,43%**	**2,76%**	**5,60%**	**15,35%**	**13,63%**
SA Equity General Category Average	*-4,51%*	0,54%	2,48%	14,96%	12,39%
FTSE/JSE Africa All Share (Total Return)	*-2,32%*	3,39%	4,79%	17,58%	14,64%
FG IP International Flexbile FoF	**2,36%**	**8,66%**	**10,35%**	**18,42%**	**16,71%**
Foreign - Multi Asset - Flexible Average	4,35%	10,01%	12,73%	19,33%	17,31%
Composite Benchmark	4,53%	10,25%	12,32%	23,15%	24,78%
*Data longer than 12 months are annualised	1ST QUARTILE	2ND QUARTILE	3RD QUARTILE	4TH QUARTILE	

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Quarterly Performance of general indices

Index	Asset Class	4Q 2014	1Q 2014	2Q 2015	3Q 2015	Year to date 2015*
STEFI Composite Index	Local Cash	1,55%	1,53%	1,56%	1,60%	4,76%
Beassa ALBI Total Return	Local Bonds	4,25%	2,99%	-1,40%	1,11%	2,67%
FTSE/JSE SA Listed Property (Total Return)	Local Property	11,08%	13,69%	-6,23%	6,24%	13,26%
FTSE/JSE Africa All Share (Total Return)	Local Shares	1,36%	5,85%	-0,20%	-2,13%	3,39%
JP Morgan World Govt Bond index (USD)	Global Bonds	-0,91%	-1,79%	-1,68%	2,03%	-1,47%
EPRA/NAREIT Global Index (USD)	Global Property	7,16%	3,37%	-7,62%	-2,25%	-6,66%
MSCI AC World (USD)	Global Shares	0,06%	1,83%	-0,29%	-9,88%	-8,50%
US Dollar/South African Rand (+ weaker, - stronger)	Exchange Rate	2,38%	4,75%	0,17%	13,92%	19,53%

*(Return until 30 September 2015)

Asset Allocation as at 31 August 2015

Fund	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG IP Jupiter Income FoF	0%	2%	22%	70%	6%
FG IP Venus Cautious FoF	16%	9%	17%	39%	20%
FG IP Saturn Flexible FoF	36%	8%	15%	17%	24%
FG IP Neptune Growth FoF	35%	8%	5%	35%	18%
FG IP Mercury Equity FoF	83%	3%	0%	6%	8%
FG IP International Flexbile FoF	0%	0%	0%	8%	92%

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