



FG ASSET MANAGEMENT

QUARTERLY REPORT

Quarter 4 | 2020

ARCHITECTS OF SENSIBLE INVESTMENT SOLUTIONS

MARKET COMMENTARY

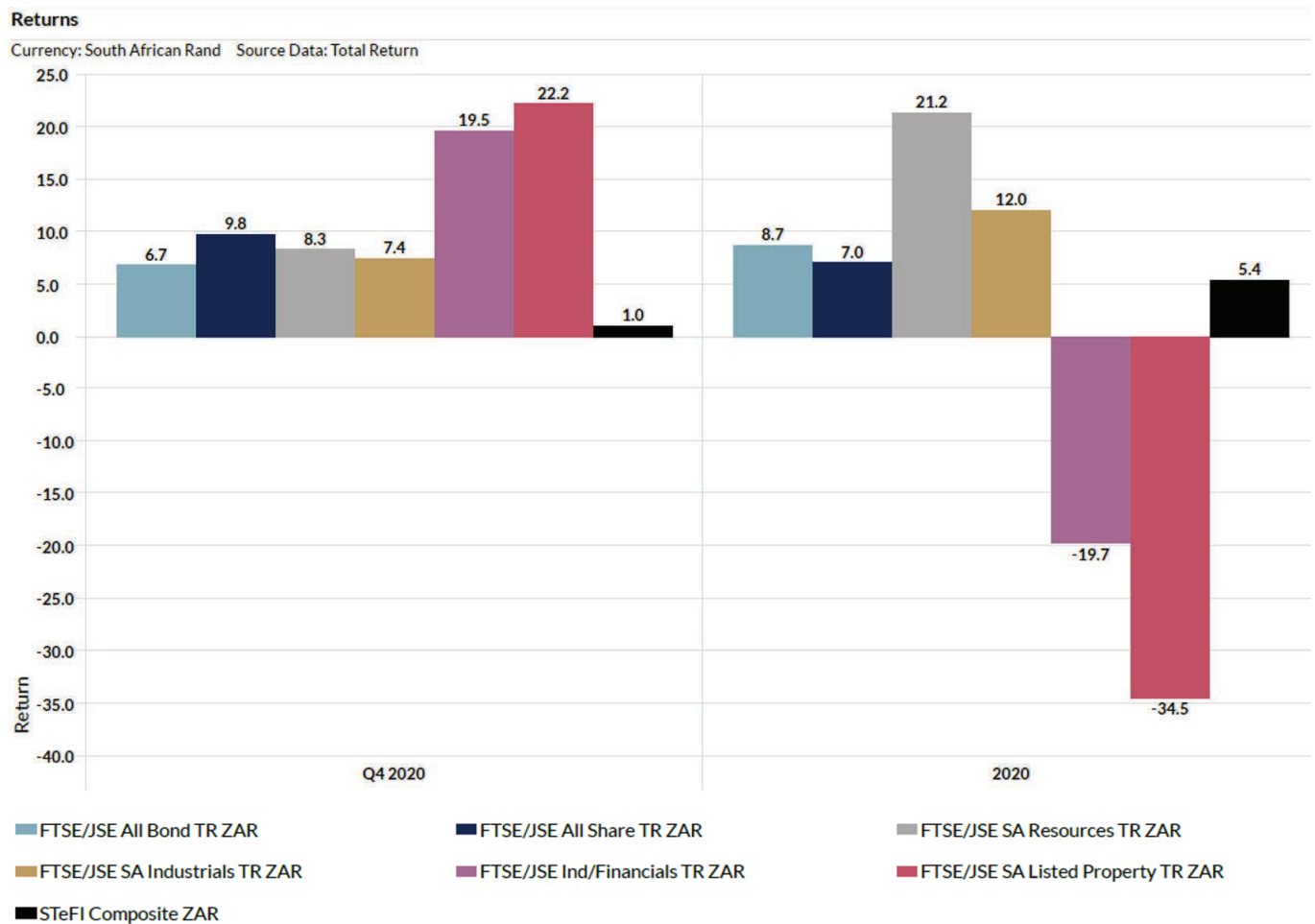


Jacy Harington
Portfolio Manager
FG Asset Management

Numerous global developments over the last quarter of 2020 contributed to hope for the new year

We saw significant progress with COVID-19 vaccination approvals, the conclusion of the US election, an additional round of US fiscal stimulus, and the conclusion of Brexit. These developments were constructive for both global and local financial markets, which staged a further recovery into year-end. Overall, the FTSE/JSE All Share Index (Total Return) managed to finish the year up 7%. However, there remains significant dispersion among its underlying sectors for the year as a whole, as can be seen from Figure 1. Sectors that are more reliant on the South African economy, such as financials and listed property, caught up in performance over November and December, driven by the expectation of a return to normal business conditions post COVID-19.

Figure 1: South African asset class performance for the fourth quarter of 2020 and the year overall



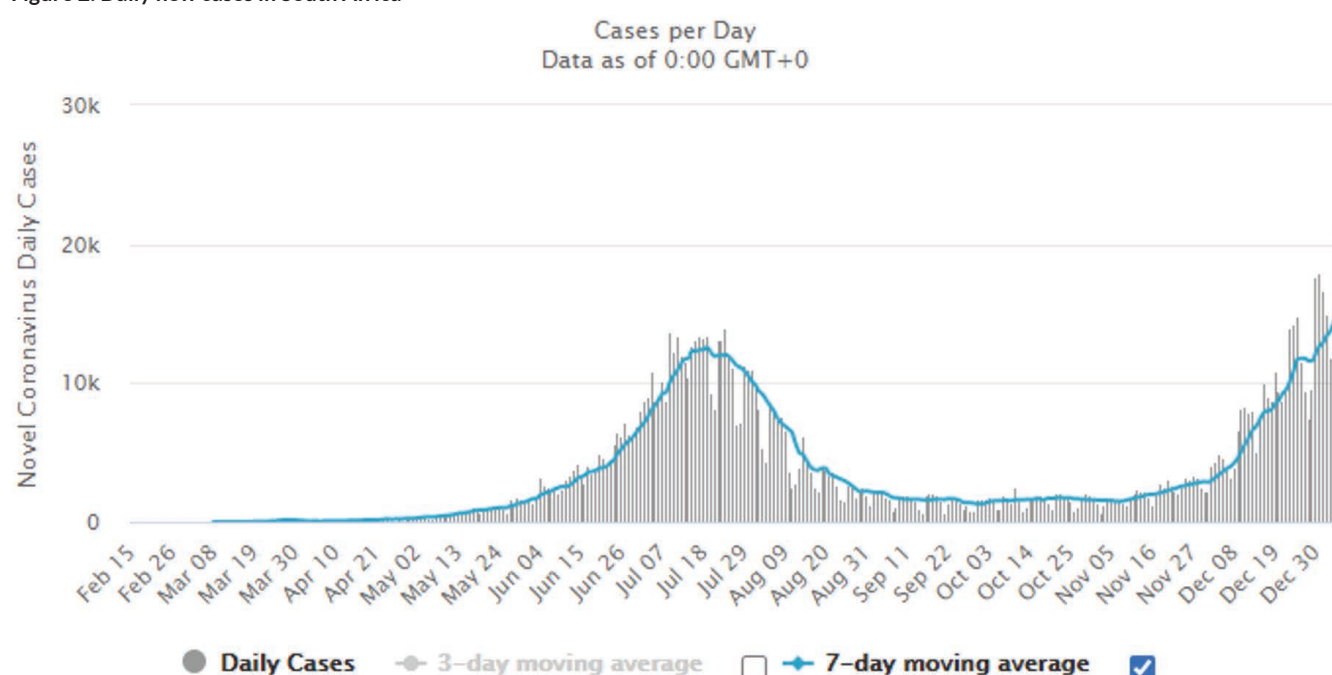
Source: Morningstar

We also saw the return of positive net foreign investments into both local bonds and equities over the quarter. The COVID-19 vaccines – a positive catalyst for global growth – together with a Biden US presidency, bode well for global trade and should support emerging markets going forward.

While the start of a vaccine rollout is promising, this was dampened by the scope of rising infections over the festive season

November brought the much-anticipated phase three COVID-19 vaccine trial results from not one, but three different manufacturers, with effective rates much higher than expected. The Pfizer/BioNTech, Moderna and AstraZeneca/Oxford University trials all released their final human clinical trial results in November. The UK became the first Western nation to grant authorisation to a COVID-19 vaccine, with the first doses of the Pfizer/BioNTech vaccines administered on 8 December. Canada and the US followed soon thereafter. This has allowed global governments to start inoculating as soon as the vaccines become available, with the target of building widespread immunity in order to resume economic activity at pre-pandemic levels. Unfortunately, alongside the good news on the vaccine, we also saw a strong increase in the global and then the local rate of infections into year-end. Some of the hard-hit countries and regions like the UK and Europe consequently started to reintroduce certain lockdown measures. While there were only limited restrictions locally at the start of December, stricter adjusted Level 3 lockdown restrictions were introduced on 27 December as cases continued to escalate into year-end, as shown in Figure 2. Expectations are however that government will not reinstate the harsh Level 5 lockdown, as the South African economy will struggle to survive it for a second time.

Figure 2: Daily new cases in South Africa



Source: www.worldometers.info

The US election result and consequential fiscal stimulus package was a highlight for the quarter

Another positive development in November was the conclusion of the US election on 3 November. It took several weeks to get the final result, and the current President Donald Trump still has to concede. However, as soon as it became apparent that Democrat Joe Biden would be the 46th president of the United States, markets rallied in relief, as the uncertainty that had loomed over the markets for much of the year had been removed. The House of Representatives remained under a Democratic majority, with the Senate's final seats only to be finalised in January. The market is hopeful that the next four years under a Biden presidency will bring more stability and certainty. At the end of December, the Senate also came to an agreement over a second US aid package of \$900 billion, which included aid to households, businesses that have suffered as a result of the pandemic, and further unemployment benefits. This long-awaited agreement of additional fiscal stimulus should provide further support for an economic recovery in 2021. Biden's administration has also said that they would look to add to the package. However, this is dependent on which party controls the Senate going forward.

Four years later, Brexit was finally concluded

In the UK, to everyone's relief, an agreement was finally reached at the 11th hour that allowed the UK to conclude its transition out of the European Union (EU) at the end of 2020. After its 47 years of membership, the UK is the first country to formally leave the EU. It has taken more than four years of negotiations and three Prime Ministers since the referendum was held in June 2016.

Locally, there were a number of significant developments over the last quarter

In October, the much-anticipated Medium Term Budget Policy Statement (MTBPS) reflected Treasury's commitment to reducing spending with the aim of stabilising South Africa's debt path – albeit at a slower pace and forecasting a higher overall debt level than previously indicated. Despite this, the market remained sceptical about the implementation of the proposed spending cuts, as the majority would come from reducing public sector wages. In mid-December, the Labour Appeal Court dismissed the public sector unions' application to force government to pay the third round of wage increases as agreed in the



2018 wage deal. The implementation of the additional wage increases would have cost the government R37.8 billion. The ruling was seen as a much-needed step in the right direction with regards to cutting the public sector wage bill going forward.

In November, two of the three major ratings agencies, Moody's and Fitch, downgraded South Africa's sovereign rating by one notch, leaving Fitch's rating at BB- and Moody's' one notch higher at Ba2. The agencies highlighted concerns about South Africa's poor economic growth outlook and weakening fiscal position. Both agencies retained their negative outlooks in anticipation of February's budget, where they will look for evidence of more prudent fiscal spending measures and decisive growth policies. Even though market participants did not expect any rating action from agencies in November, the credit default swap (CDS) market was already reflecting spread levels for South Africa equivalent to a BB- rating ahead of the downgrades.

There was only one Monetary Policy Committee (MPC) meeting over the quarter, held in November, where the repo rate was left unchanged at 3.5%. The voting was again split, with two of the five members voting for a 0.25% rate cut. The repo rate has now almost halved since the beginning of 2020, having been reduced from 7.5% to 3.5% in an attempt to support domestic demand. It is expected that the South African Reserve Bank will be able to maintain the rates at these low levels for as long as inflation remains close to the bank's mid-point target of 4.5%. However, unexpected declines in inflation would provide an opportunity for further rate cuts this year.

Figure 3: South Africa's inflation rate

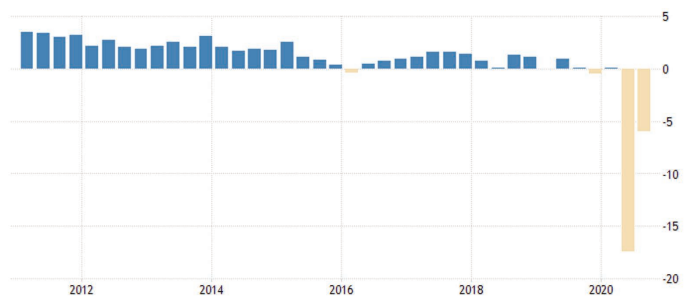


Sources: Tradingeconomics.com, Statistics South Africa

The latest release for November's inflation showed that price increases have stabilised to just over 3% over the fourth quarter, as can be seen from Figure 3. In the near term, higher food prices are expected to be offset by lower fuel prices over the first quarter of 2021. However, from the second quarter onwards, inflation is expected to normalise towards the 4.5% mid-point target.

A very welcome surprise came in December when the third quarter GDP growth figure came out much higher than expected. It showed that the economy expanded by 13.5% overall from the second quarter, as stringent lockdown measures were lifted at the start of June. This nevertheless follows the 16.6% contraction in growth in the second quarter, leaving the economy 6% smaller than at the end of the third quarter of 2019 (as shown in Figure 4). However, this is significantly better than the -7.8% that was expected. The breakdown of the third quarter's growth shows that all industries recorded positive growth, with the largest positive contributions coming from mining, manufacturing and trade.

Figure 4: South Africa's GDP annual growth rate



Sources: Tradingeconomics.com, Statistics South Africa

Thankfully, there were a number of positive developments over the past quarter showing promise that 2021 should provide further economic recovery and stabilisation from the lows that were experienced over the past year.



FG IP JUPITER INCOME FUND OF FUNDS

For periods until 31 December 2020

Performance and quartile ranking in sector | Launch date 15 August 2005

	6 months	Year to date	1 year	3 years*	5 years*	Since inception*
FG IP Jupiter Income FoF	3.49%	5.42%	5.42%	7.14%	7.75%	7.86%
STeFI Composite Index	2.14%	5.39%	5.39%	6.64%	6.97%	7.19%
ASISA SA Multi Asset Income Category Average	4.01%	6.02%	6.02%	7.23%	7.55%	7.74%
			1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile

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

Underlying funds

- Coronation Strategic Income Fund
- Nedgroup Investments Flexible Income Fund
- Granate SCI Multi Income Fund
- Prescient Income Provider Fund
- Terebinth SCI Strategic Income Fund

Performance statistics

	Fund	Benchmark
Highest 12-month performance	11.61%	11.77%
Lowest 12-month performance	3.25%	5.17%
% positive months	93.48%	100.00%

The FG IP Jupiter Income Fund of Funds returned +2.31% in the fourth quarter of 2020 and +5.42% over the past 12 months, outperforming the benchmark Alexander Forbes Short Term Fixed Income Index quarterly return of +0.97% and 12-month return of +5.39%. The Terebinth SCI Strategic Income Fund was the best-performing underlying fund over the quarter, returning +3.02%. The Granate SCI Multi Income Fund was added to the fund over the quarter to further diversify the fund's exposure.

Asset allocation as at 30 November 2020

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG IP Jupiter Income FoF	0%	2%	46%	45%	7%



FG IP VENUS CAUTIOUS FUND OF FUNDS

For periods until 31 December 2020

Performance and quartile ranking in sector | Launch date 2 July 2007

	6 months	Year to date	1 year	3 years*	5 years*	Since inception*
FG IP Venus Cautious FoF	3.85%	5.98%	5.98%	5.79%	6.45%	8.44%
ASISA SA Multi Asset Low Equity Category Average	4.58%	5.17%	5.17%	4.95%	5.36%	7.30%
			1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile

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

Underlying funds

- 36ONE BCI Equity Fund
- ABSA Property Equity Fund
- Coronation Optimum Growth Fund
- Coronation Strategic Income Fund
- Fairtree Equity Prescient Fund
- Matrix SCI Defensive Balanced Fund
- Nedgroup Investments Opportunity Fund
- Ninety One Diversified Income Fund
- Ninety One Global Multi-Asset Income Feeder Fund
- Ninety One Global Franchise Feeder Fund
- Prescient Income Provider Fund
- Saffron SCI Opportunity Income Fund
- Satrix Bond Index Fund
- Sanlam Multi Manged Inflation Linked Bond Fund
- Sesfikile BCI Property Fund
- Terebinth SCI Strategic Income Fund

Performance statistics

	Fund	Benchmark
Highest 12-month performance	15.12%	16.56%
Lowest 12-month performance	-1.41%	-3.15%
% positive months	70.99%	70.99%

The FG IP Venus Cautious Fund of Funds returned +3.03% in the fourth quarter of 2020 and +5.98% over the past 12 months, underperforming the benchmark peer group average quarterly return of +3.59%, but outperforming the 12-month return of +5.17%. The Ninety One Global Multi-Asset Income Feeder Fund was the worst-performing underlying fund, returning -8.08% over the quarter. No changes were made to the fund over the quarter.

Asset allocation as at 30 November 2020

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG IP Venus Cautious FoF	12%	5%	29%	31%	23%



FG IP SATURN FLEXIBLE FUND OF FUNDS

For periods until 31 December 2020

Performance and quartile ranking in sector | Launch date 15 August 2005

	6 months	Year to date	1 year	3 years*	5 years*	Since inception*
FG IP Saturn Flexible FoF	6.59%	6.42%	6.42%	5.28%	5.10%	9.87%
ASISA SA Multi Asset Medium Equity Category Average	5.70%	5.36%	5.36%	4.25%	4.68%	8.60%
			1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile

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

Underlying funds

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

Performance statistics

	Fund	Benchmark
Highest 12-month performance	31.40%	26.41%
Lowest 12-month performance	-18.22%	-15.68%
% positive months	68.48%	66.30%

The FG IP Saturn Flexible Fund of Funds returned +4.70% in the fourth quarter of 2020 and +6.42% over the past 12 months, outperforming the benchmark peer group average quarterly return of +4.51% and the 12-month return of +5.36%. The PSG Flexible Fund was the best-performing underlying fund, returning +13.11% over the quarter. No changes were made to the fund over the quarter.

Asset allocation as at 30 November 2020

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG IP Saturn Flexible FoF	36%	3%	21%	17%	23%



FG IP NEPTUNE GROWTH FUND OF FUNDS

For periods until 31 December 2020

Performance and quartile ranking in sector | Launch date 1 September 2014

	6 months	Year to date	1 year	3 years*	5 years*	Since inception*
FG IP Neptune Growth FoF	9.22%	7.70%	7.70%	5.56%	5.80%	6.34%
ASISA SA Multi Asset High Equity Category Average	7.24%	5.19%	5.19%	3.56%	4.35%	4.95%
			1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile

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

Underlying funds

- ABSA Property Equity Fund
- Catalyst Global Real Estate Prescient Feeder Fund
- Coronation Optimum Growth Fund
- Coronation Strategic Income Fund
- Fairtree Equity Prescient Fund
- Laurium Flexible Prescient Fund
- Ninety One Equity Fund
- Ninety One Global Franchise Feeder Fund
- Prudential Balanced Fund
- PSG Flexible Fund
- Rezco Value Trend Fund
- Truffle SCI Flexible Fund

Performance statistics

	Fund	Benchmark
Highest 12-month performance	14.27%	12.31%
Lowest 12-month performance	-11.21%	-10.44%
% positive months	63.16%	61.84%

The FG IP Neptune Growth Fund of Funds returned +6.88% over the fourth quarter of 2020 and +7.70% over the past 12 months, outperforming the benchmark peer group average quarterly return of +5.88% and the 12-month return of +5.19%. The ABSA Property Equity Fund was the best-performing underlying fund, returning +22.90% over the quarter. No changes were made to the fund over the quarter.

Asset allocation as at 30 November 2020

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG IP Neptune Growth FoF	46%	4%	12%	11%	27%



FG IP MERCURY EQUITY FUND OF FUNDS

For periods until 31 December 2020

Performance and quartile ranking in sector | Launch date 15 August 2005

	6 months	Year to date	1 year	3 years*	5 years*	Since inception*
FG IP Mercury Equity FoF	12.83%	8.52%	8.52%	2.84%	4.05%	9.80%
FTSE/JSE Africa All Share (Total Return)	10.49%	7.00%	7.00%	3.12%	6.36%	12.24%
ASISA SA Equity General Category Average	10.79%	1.92%	1.92%	0.05%	3.10%	9.57%
			1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile

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

Underlying funds

- 36ONE BCI Equity Fund
- Coronation Optimum Growth Fund
- Fairtree Equity Prescient Fund
- Gryphon All Share Tracker Fund
- Laurium Prescient Equity Fund
- Nedgroup Private Wealth Core Equity Fund
- Ninety One Equity Fund
- Ninety One Global Franchise Feeder Fund
- Prudential Equity Fund
- PSG Equity Fund
- Sesfikile BCI Property Fund
- Truffle SCI General Equity

Performance statistics

	Fund	Benchmark
Highest 12-month performance	41.30%	48.30%
Lowest 12-month performance	-31.68%	-37.60%
% positive months	61.41%	61.41%

The FG IP Mercury Equity Fund of Funds returned +10.50% in the fourth quarter of 2020 and +8.52% over the past 12 months, outperforming the +9.75% quarterly return of the benchmark FTSE/JSE All Share Total Return Index and the 12-month return of +7.00%. The Sesfikile BCI Property Fund was the best-performing underlying fund, returning 20.03% over the quarter. No changes were made to the fund over the quarter.

Asset allocation as at 30 November 2020

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG IP Mercury Equity FoF	74%	5%	0%	5%	16%



FG IP INTERNATIONAL FLEXIBLE FUND OF FUNDS

For periods until 31 December 2020

Performance and quartile ranking in sector | Launch date 17 October 2007

	6 months	Year to date	1 year	3 years*	5 years*	Since inception*
FG IP International Flexible FoF	-1.99%	9.73%	9.73%	9.26%	5.01%	8.78%
Benchmark	-0.84%	13.15%	13.15%	10.85%	5.75%	8.66%
ASISA Global Multi Asset Flexible Average	-0.84%	13.15%	13.15%	10.85%	5.57%	8.86%
			1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile

*Data for longer than 12 months is annualised

Source: Morningstar, performance for A class shares

Annualised returns are period returns re-scaled to a period of 1 year

Underlying funds

- FGAM Global Cautious Fund
- FGAM Global Growth Fund
- Nedgroup Investments Global Flexible Fund
- Ninety One Global Strategic Managed Fund
- Ninety One Global Franchise Fund

Performance statistics

	Fund	Benchmark
Highest 12-month performance	40.26%	34.52%
Lowest 12-month performance	-16.99%	-15.05%
% positive months	56.33%	59.12%

The FG International Flexible Fund of Funds returned -3.78% in the fourth quarter of 2020 and +9.73% over the past 12 months, underperforming the benchmark peer group average quarterly return of -2.64% and the 12-month return of + 13.15%. The FGAM Global Cautious Fund was the worst-performing underlying fund over the quarter, returning -7.44%, as the fund's low equity allocation hindered performance. No changes were made to the fund over the quarter.

Asset allocation as at 30 November 2020

	Global Equity	Global Fixed Income	Global Cash	Global Property	Local Cash
FG IP International Flexible FoF	65%	7%	21%	5%	2%

	USD	GBP	EUR	JPY	Other	ZAR
Currency Breakdown	62%	4%	11%	7%	14%	2%



MARKET PERFORMANCE

Index	Asset Class	1Q 2020	2Q 2020	3Q 2020	4Q 2020	Year to Date 2020*
STeFI Composite Index	Local Cash	1.69%	1.46%	1.16%	0.97%	5.39%
BEASSA ALBI Total Return Index	Local Bonds	-8.72%	9.94%	1.46%	6.71%	8.65%
FTSE/JSE SA Listed Property Index (Total Return)	Local Property	-48.15%	20.43%	-14.14%	22.19%	-34.49%
FTSE/JSE Africa All Share Index (Total Return)	Local Shares	-21.38%	23.18%	0.67%	9.75%	7.00%
JP Morgan World Govt Bond Index (USD)	Global Bonds	3.10%	1.46%	2.54%	2.26%	9.68%
FTSE EPRA Nareit Global REITs TR Index (USD)	Global Property	-30.16%	10.78%	1.66%	13.91%	-10.40%
MSCI World GR Index (USD)	Global Shares	-20.93%	19.54%	8.05%	14.07%	16.50%
MSCI ACWI GR Index (USD)	Global Shares	-21.26%	19.39%	8.25%	14.79%	16.82%
USD/ZAR (+ weaker ZAR, - stronger ZAR)	Exchange Rate	27.45%	-2.74%	-3.90%	-12.21%	4.57%

*(Return until 31 December 2020)



ADDITIONAL FUND INFORMATION

Fund name	No. of participatory interests*	NAV (month-end)	Total expense ratio (TER)**
FG IP Jupiter Income FoF A	101 891 479	11.88	1.07
FG IP Jupiter Income FoF B	12 359 930	11.83	2.79
FG IP Jupiter Income FoF B1	19 299 329	11.84	2.50
FG IP Jupiter Income FoF A1	50	11.86	1.65
FG IP Venus Cautious FoF A	58 271 275	16.44	1.42
FG IP Venus Cautious FoF B	6 049 180	16.31	3.14
FG IP Venus Cautious FoF B1	12 333 193	16.32	2.85
FG IP Venus Cautious FoF A1	36	16.42	1.98
FG IP Saturn Flexible FoF A	45 776 910	28.13	1.47
FG IP Saturn Flexible FoF B	11 670 198	28.00	3.19
FG IP Saturn Flexible FoF B1	6 605 016	28.01	2.90
FG IP Saturn Flexible FoF A1	20	28.10	2.04
FG IP Neptune Growth FoF A	17 377 055	12.38	1.60
FG IP Neptune Growth FoF B	1 987 277	12.34	3.33
FG IP Neptune Growth FoF B1	802 203	12.34	3.04
FG IP Neptune Growth FoF A1	47	12.37	2.16
FG IP Mercury Equity FoF A	4 163 500	32.26	1.71
FG IP Mercury Equity FoF B	763 150	31.03	3.43
FG IP Mercury Equity FoF B1	72 951	31.66	3.15
FG IP Mercury Equity FoF A1	16	32.24	2.29
FG IP International Flexible FoF A	14 335 610	29.29	1.63
FG IP International Flexible FoF B	2 066 448	24.35	3.30
FG IP International Flexible FoF B1	9 371 608	25.06	3.07
FG IP International Flexible FoF A1	159	28.91	2.20

*Fund size and no. of participatory interests as at 31 December 2020

**TER as at 30 September 2020



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