FG ASSET MANAGEMENT

QUARTERLY REPORT

Quarter 1 | 2021

ARCHITECTS OF SENSIBLE INVESTMENT SOLUTIONS

MARKET COMMENTARY

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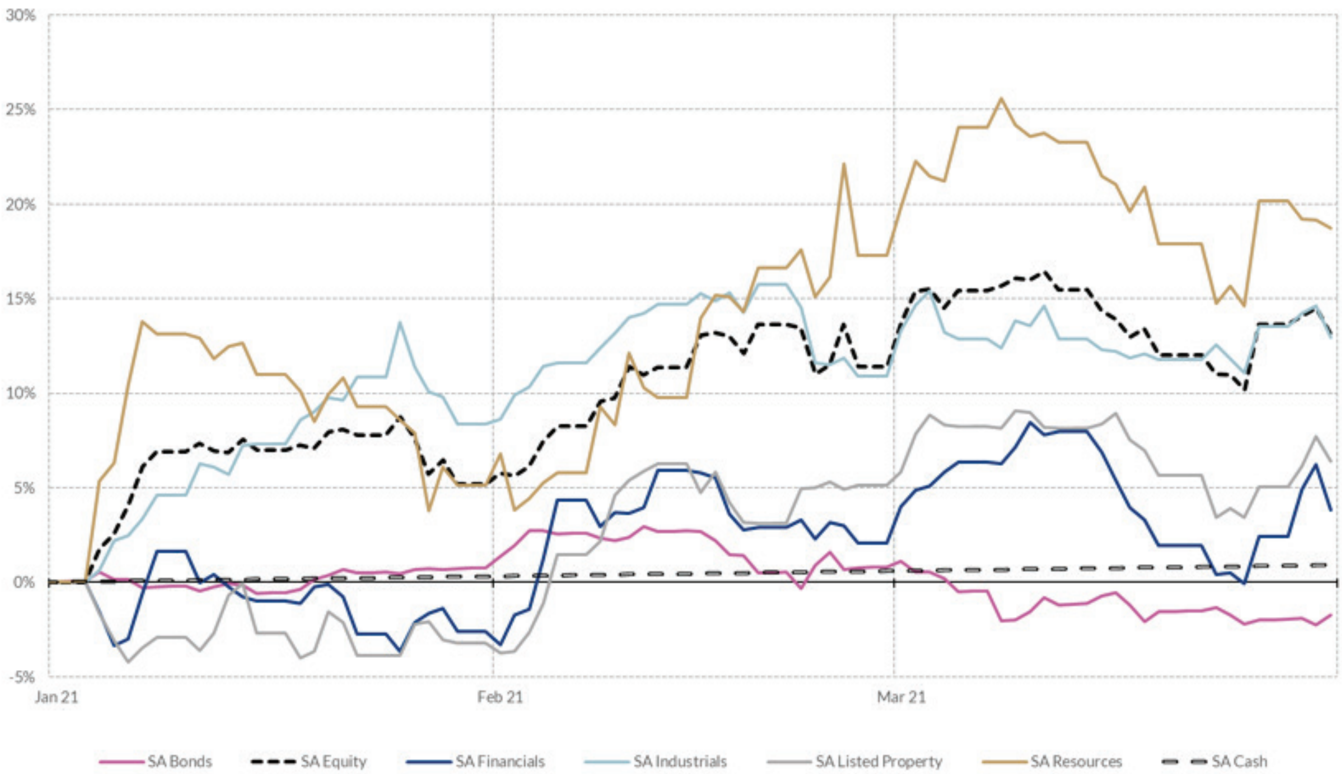
Risk assets enjoyed a strong start to the year as expectations for a global economic recovery continued to improve

Global monetary policy remained accommodative over the quarter while government spending, specifically in the US, continued to grow in an attempt to offset the negative effects of the COVID-19 pandemic. Together with the continued success of the vaccine rollout, especially within developed markets, this supported the positive sentiment over the first quarter. The South African equity market was the best-performing local asset class, returning 13.1% (FTSE/JSE All Share Index Total Return), with the resources sector (+18.7%) once again a stand-out performer over the quarter (as can be seen in Figure 1). In contrast, local bonds was the worst-performing asset class, returning -1.7%, as local bond yields rose alongside global counterparts over the second half of the quarter.

Figure 1: Local asset class returns for the first quarter



Source: Morningstar

Control of the US Senate by the Democrats triggered further fiscal stimulus

The year started with run-off elections in the US state of Georgia to determine the last two outstanding seats of the US Senate. Both seats were taken by the Democratic Party, which leaves the US Senate with a Democratic majority, albeit at a very narrow margin. Although this effectively gives the Democrats control of the White House, the House of Representatives and the Senate, the narrow majority in the Senate limits the extent of their power. The market saw the Democratic win in Georgia as the go-ahead for another round of fiscal stimulus from the Biden administration and equity markets rallied as a result. There was little surprise when President Biden announced a further $1.9 trillion spending package. These measures include support to state and local governments, further direct payments to individuals of up to $1 400 each, and more funding for the COVID-19 pandemic response. The stimulus plan was passed and signed into law in early March, pushing up the total US fiscal measures since the start of the pandemic to $5.8 trillion.

The extent of third waves of COVID-19 infections will largely depend on the success of countries' vaccination programmes

In most countries globally, the second wave of COVID-19 infections tapered off over the course of the quarter. There is an expectation for a third wave to come over the coming months; we have already seen infection numbers rise again in Europe, with certain countries implementing their third round of lockdowns. Going forward, there will be a greater divergence in infection rates across countries, depending on the success of a country's vaccination programme. More than 710 million vaccine doses have been administered worldwide, equivalent to 9.2 doses per 100 people, with countries like Israel, the UK and the US being at the forefront, as shown in Figure 2. Unfortunately, South Africa's slow start with its vaccination programme will mean that our population could be more susceptible to higher infection rates going forward, especially during the approaching winter months.

February saw the start of a meaningful sell-off in developed market government bonds with very sharp increases in yields

This continued into March. The US 10-year treasury yield reached 1.74%, the highest level since the COVID-19-induced downturn in the first quarter of 2020 (as can be seen from Figure 3). The rise in yields was driven by higher inflation expectations as the market continued to factor in the inflationary effects of the additional $1.9 trillion fiscal stimulus package as well as higher real yields given the improved economic outlook on the back of the vaccine rollout. This also led to the appreciation of the US dollar, which subsequently put pressure on emerging market assets. During the second half of last year emerging markets benefitted from the low US treasury yields and weakening US dollar as this provided investors with a higher yield alternative. The weaker dollar was also positive for commodity-producing countries and emerging nations with high foreign currency debt burdens. The rise in US treasury yields and US dollar strength reversed this trend somewhat over the second half of the quarter.

Figure 2: COVID-19 vaccinations by country

	Doses administered		Pct. of population	
	▼ Per 100 people	Total	Vaccinated	Fully vaccinated
World	**9.2**	709,730,462	–	–
Israel	115	10,189,198	60%	55%
Seychelles	105	102,080	66%	39%
U.A.E.	90	8,707,073	–	–
Bhutan	62	470,976	62%	–
Chile	61	11,396,072	38%	23%
U.K.	56	37,391,103	48%	8.5%
Bahrain	56	879,825	35%	21%
Monaco	53	20,510	30%	23%
United States	52	171,476,655	33%	19%
Maldives	51	263,832	50%	1.5%
Malta	46	223,020	33%	13%
San Marino	42	14,102	26%	16%
Serbia	38	2,687,311	22%	16%
Hungary	38	3,686,031	27%	11%

Source: www.nytimes.com

Figure 3: US 10-year treasury yield

Source: www.tradingview.com

While local inflation has remained subdued, it should increase in the second quarter

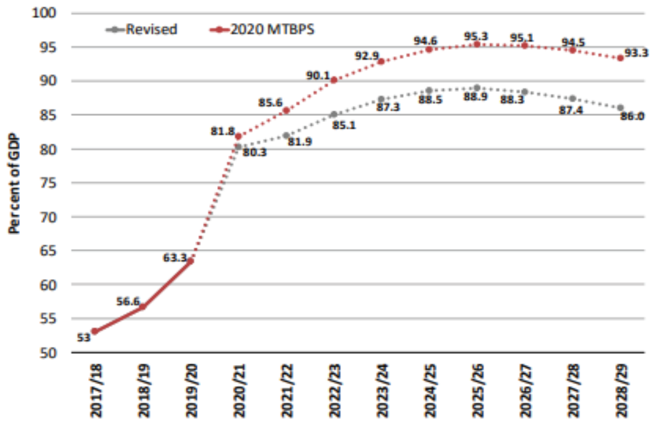
Locally, the inflation rate remained subdued as the annual inflation rate eased from 3.2% in January to 2.9% in February. This was below consensus expectations of 3.1% and also below the 3.0% lower bound of the target range. Lower medical aid increases contributed to the lower inflation as many insurance companies capped or delayed premium increases to later this year. However, the current low level of inflation is seen as only transitory, with expectations for inflation to increase again in the second quarter as a result of base effects and higher oil prices. The South African Reserve Bank (SARB) held two Monetary Policy Committee meetings over the quarter and kept the repo rate unchanged at 3.5%. At the meeting in March, the decision was unanimous, compared to the January meeting where two of the five members voted for a rate cut, signaling that it is likely that South Africa has reached the bottom of the rate cycle.

The National Budget painted a dire picture of South Africa's fiscal position, although the debt trajectory has improved

February also brought the greatly anticipated National Budget that, despite being positively received, still painted a dire picture of South Africa's fiscal position. It was reassuring to see government's resolve to remain committed to the "active" scenario for South Africa's debt path. The aim of the active scenario is to stabilise debt over the medium term by reducing unsustainable expenditure, such as the public-service wage bill.

Better-than-expected tax revenues from the second half of the year together with a lower GDP contraction for 2020 helped to reduce the budget deficit projection for 2020/2021 from -15.7% projected in the October Medium Term Budget Policy Statement (MTBPS) to -14%. The debt trajectory has also improved with the overall debt-to-GDP ratio expected to peak at 88.9% in 2025/2026, 6.4% lower than the MTBPS projection (see Figure 4). At quarter-end there was more good news as SARS announced an additional R38 billion of revenue collected in the 2020/2021 tax year. This could lower the budget deficit by a further 0.8%.

Figure 4: Gross debt-to-GDP outlook for South Africa



Source: National Treasury

FG IP JUPITER INCOME FUND OF FUNDS

For periods until 31 March 2021

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

	Year to date	6 Months	1 Year	3 Years*	5 Years*	Since inception*
FG IP Jupiter Income FoF	1.12%	3.46%	9.20%	6.84%	7.44%	7.81%
STeFI Composite Index	0.90%	1.88%	4.57%	6.34%	6.81%	7.14%
ASISA SA Multi Asset Income Category Average	0.97%	3.49%	8.57%	6.83%	7.26%	7.68%

1st Quartile | 2nd Quartile | 3rd Quartile | 4th 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

- Abax Flexible Income Fund
- Coronation Strategic 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%	4.57%
% positive months	93.58%	100.00%

The FG IP Jupiter Income Fund of Funds returned +1.12% in the first quarter of 2021 and +9.20% over the past 12 months, outperforming the benchmark Alexander Forbes Short Term Fixed Income Index quarterly return of +0.90% and 12-month return of +4.57%. The Abax Flexible Income Fund was the best-performing underlying fund over the quarter, returning +2.06%. No changes were made to the fund over the quarter.

Asset allocation as at 28 February 2021

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG IP Jupiter Income FoF	0%	2%	45%	47%	6%

FG IP VENUS CAUTIOUS FUND OF FUNDS

For periods until 31 March 2021

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

	Year to date	6 Months	1 Year	3 Years*	5 Years*	Since inception*
FG IP Venus Cautious FoF	3.71%	6.85%	16.83%	7.89%	6.89%	8.57%
ASISA SA Multi Asset Low Equity Category Average	3.49%	7.21%	17.26%	6.62%	5.76%	7.43%
			1st Quartile	2nd Quartile	3rd Quartile	4th 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
- Abax Opportunity Fund
- ABSA Property Equity Fund
- Coronation Optimum Growth Fund
- Coronation Strategic Income Fund
- Fairtree Equity Prescient Fund
- Matrix SCI Defensive Balanced 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	16.83%	17.26%
Lowest 12-month performance	-1.41%	-3.15%
% positive months	71.52%	71.52%

The FG IP Venus Cautious Fund of Funds returned +3.71% in the first quarter of 2021 and +16.83% over the past 12 months, outperforming the benchmark peer group average quarterly return of +3.49%, but underperforming the 12-month return of +17.26%. The Fairtree Equity Prescient Fund was the best-performing underlying fund, returning +15.06% over the quarter. No changes were made to the fund over the quarter.

Asset allocation as at 28 February 2021

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG IP Venus Cautious FoF	14%	6%	27%	31%	22%

FG IP SATURN FLEXIBLE FUND OF FUNDS

For periods until 31 March 2021

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

	Year to date	6 Months	1 year	3 years*	5 years*	Since inception*
FG IP Saturn Flexible FoF	6.74%	11.76%	27.19%	8.55%	6.16%	10.17%
ASISA SA Multi Asset Medium Equity Category Average	5.52%	10.29%	24.18%	7.18%	5.53%	8.83%

1st Quartile | 2nd Quartile | 3rd Quartile | 4th 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
- Abax Opportunity Fund
- Coronation Market Plus Fund
- Coronation Optimum Growth Fund
- Matrix SCI Defensive Balanced Fund
- Ninety One 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	68.98%	66.84%

The FG IP Saturn Flexible Fund of Funds returned +6.74% in the first quarter of 2021 and + 27.19% over the past 12 months, outperforming the benchmark peer group average quarterly return of + 5.52% and the 12-month return of + 24.18%. The PSG Flexible Fund was the best-performing underlying fund, returning +14.60% over the quarter. The Coronation Optimum Growth Fund was added to the fund over the quarter.

Asset allocation as at 28 February 2021

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG IP Saturn Flexible FoF	36%	3%	19%	18%	24%

FG IP NEPTUNE GROWTH FUND OF FUNDS

For periods until 31 March 2021

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

	Year to date	6 Months	1 Year	3 Years*	5 Years*	Since inception*
FG IP Neptune Growth FoF	8.83%	16.32%	38.17%	10.27%	7.37%	7.46%
ASISA SA Multi Asset High Equity Category Average	7.41%	13.72%	30.65%	7.35%	5.51%	5.90%
			1st Quartile	2nd Quartile	3rd Quartile	4th 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	38.17%	30.65%
Lowest 12-month performance	-11.21%	-10.44%
% positive months	64.56%	63.29%

The FG IP Neptune Growth Fund of Funds returned +8.83% over the first quarter of 2021 and + 38.17% over the past 12 months, outperforming the benchmark peer group average quarterly return of + 7.41% and the 12-month return of + 30.65%. The Fairtree Equity Prescient Fund was the best-performing underlying fund, returning +15.06% over the quarter. No changes were made to the fund over the quarter.

Asset allocation as at 28 February 2021

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG IP Neptune Growth FoF	45%	4%	10%	14%	27%

FG IP MERCURY EQUITY FUND OF FUNDS

For periods until 31 March 2021

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

	Year to date	6 Months	1 Year	3 Years*	5 Years*	Since inception*
FG IP Mercury Equity FoF	12.90%	24.76%	56.15%	8.61%	6.18%	10.49%
FTSE/JSE Africa All Share (Total Return)	13.14%	24.18%	53.98%	9.68%	8.20%	12.92%
ASISA SA Equity General Category Average	12.18%	23.00%	48.54%	5.65%	4.58%	10.22%
			1st Quartile	2nd Quartile	3rd Quartile	4th 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	56.15%	53.98%
Lowest 12-month performance	-31.68%	-37.60%
% positive months	62.03%	62.03%

The FG IP Mercury Equity Fund of Funds returned +12.90% in the first quarter of 2021 and +56.15% over the past 12 months, underperforming the +13.14% quarterly return of the benchmark FTSE/JSE All Share Total Return Index but outperforming the 12-month return of +53.98%. The Coronation Optimum Growth Fund was the worst-performing underlying fund, returning -0.64% over the quarter. No changes were made to the fund over the quarter.

Asset allocation as at 28 February 2021

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG IP Mercury Equity FoF	75%	3%	0%	6%	16%

FG IP INTERNATIONAL FLEXIBLE FUND OF FUNDS

For periods until 31 March 2021

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

	Year to date	6 Months	1 Year	3 Years*	5 Years*	Since inception*
FG IP International Flexible FoF	2.37%	-1.49%	9.94%	11.63%	6.68%	8.80%
Benchmark	3.09%	0.37%	11.18%	14.14%	7.25%	9.93%
ASISA Global Multi Asset Flexible Average	3.09%	0.37%	11.18%	14.14%	7.30%	8.94%
			1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

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

Underlying funds

- FGAM Global Cautious Fund
- FGAM Global Growth Fund
- FPA 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	56.52%	59.26%

The FG IP International Flexible Fund of Funds returned +2.37% in the first quarter of 2021 and +9.94% over the past 12 months, underperforming the benchmark peer group average quarterly return of +3.09% and the 12-month return of +11.18%. The FGAM Global Cautious Fund was the worst-performing underlying fund over the quarter, returning -0.94%, as the fund's low equity allocation hindered performance. No changes were made to the fund over the quarter.

Asset allocation as at 28 February 2021

	Global Equity	Global Fixed Income	Global Cash	Global Property	Local Cash
FG IP International Flexible FoF	67%	7%	19%	5%	2%

	USD	GBP	EUR	JPY	Other	ZAR
Currency Breakdown	59%	4%	12%	7%	16%	2%

MARKET PERFORMANCE

Index	Asset Class	2Q 2020	3Q 2020	4Q 2020	Q1 2021	Last 12 months	Year to Date 2021*
STeFI Composite Index	Local Cash	1.46%	1.16%	0.97%	0.90%	4.57%	0.90%
BEASSA ALBI Total Return Index	Local Bonds	9.94%	1.46%	6.71%	-1.74%	16.96%	-1.74%
FTSE/JSE SA Listed Property Index (Total Return)	Local Property	20.43%	-14.14%	22.19%	6.40%	34.44%	6.40%
FTSE/JSE Africa All Share Index (Total Return)	Local Shares	23.18%	0.67%	9.75%	13.14%	53.98%	13.14%
JP Morgan World Govt Bond Index (USD)	Global Bonds	1.46%	2.54%	2.26%	-5.65%	0.37%	-5.65%
FTSE EPRA Nareit Global REITs TR Index (USD)	Global Property	10.78%	1.66%	13.91%	7.40%	37.78%	7.40%
MSCI World GR Index (USD)	Global Shares	19.54%	8.05%	14.07%	5.04%	54.76%	5.04%
MSCI ACWI GR Index (USD)	Global Shares	19.39%	8.25%	14.79%	4.68%	55.31%	4.68%
USD/ZAR (+ weaker ZAR, - stronger ZAR)	Exchange Rate	-2.74%	-3.90%	-12.21%	0.78%	-17.31%	0.78%

*(Return until 31 March 2021)

ADDITIONAL FUND INFORMATION

Fund name	No. of participatory interests*	NAV (month-end)	Total expense ratio (TER)**
FG IP International Flexible FoF A	15 237 340	29.99	1.61
FG IP International Flexible FoF B	2 113 150	24.83	3.27
FG IP International Flexible FoF B1	9 529 526	25.56	3.04
FG IP International Flexible FoF A1	159	29.55	2.18
FG IP Jupiter Income FoF A	97 512 958	12.01	1.07
FG IP Jupiter Income FoF B	11 893 582	11.92	2.79
FG IP Jupiter Income FoF B1	19 041 585	11.93	2.5
FG IP Jupiter Income FoF A1	50	11.97	1.66
FG IP Mercury Equity FoF A	4 081 175	36.42	1.72
FG IP Mercury Equity FoF B	746 943	34.89	3.44
FG IP Mercury Equity FoF B1	73 355	35.61	3.15
FG IP Mercury Equity FoF A1	16	36.35	2.29
FG IP Neptune Growth FoF A	17 387 334	13.47	1.57
FG IP Neptune Growth FoF B	1 956 531	13.37	3.3
FG IP Neptune Growth FoF B1	837 019	13.39	3.01
FG IP Neptune Growth FoF A1	47	13.44	2.13
FG IP Saturn Flexible FoF A	45 803 050	30.03	1.44
FG IP Saturn Flexible FoF B	11 238 186	29.76	3.16
FG IP Saturn Flexible FoF B1	6 434 803	29.79	2.87
FG IP Saturn Flexible FoF A1	20	29.94	2.01
FG IP Venus Cautious FoF A	59 367 108	17.05	1.41
FG IP Venus Cautious FoF B	5 483 737	16.85	3.14
FG IP Venus Cautious FoF B1	12 196 787	16.86	2.85
FG IP Venus Cautious FoF A1	36	17.01	1.99

*Fund size and no. of participatory interests as at 31 March 2021
**TER as at 31 December 2020

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