FG ASSET MANAGEMENT

QUARTERLY REPORT

Quarter 4 | 2022

ARCHITECTS OF SENSIBLE INVESTMENT SOLUTIONS

MARKET COMMENTARY

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FG Asset Management

A few factors revived some hope in financial markets

Financial markets saw a marked improvement in investor sentiment over the quarter as the heightened recession fears which drove the market declines turned into a hopeful rally in October and November. There were a number of key drivers, which included the US Federal Reserve (Fed) indicating that they were looking to slow the pace of interest rate increases going forward. The expectation for less aggressive monetary policy was further supported by lower-than-expected US inflation print for October. In addition, the gradual easing of the Chinese zero-COVID-19 policy restrictions, together with government support for the Chinese property sector, improved the global growth outlook.

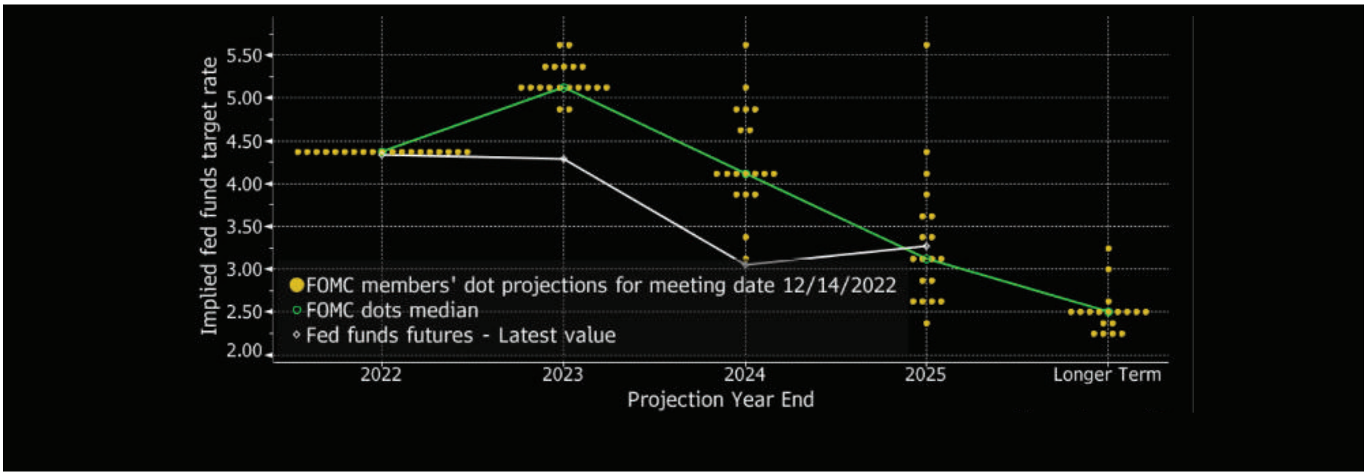
Fears of global recession rise as monetary policies tighten

The rise of global inflation to multi-decade highs over the past year has forced global central banks to tighten monetary policy at an eye-watering pace. The unprecedented nature of the tightening has in turn fuelled fears for a global recession. Developments within global monetary policy therefore remained a key driver for financial markets over the past three months. The Fed's policy decisions remain crucial as they have significant economic implications for the rest of the world. Investors continued to follow inflation releases closely for any signs of abating pricing pressures that would allow for central banks to ease the pace of tightening. The closely watched US inflation showed three consecutive monthly declines, with the annual US inflation rate slowing from 8.2% to 7.1%. Both October and November's inflation releases came in below expectations, with November's inflation release 2% lower than the peak in June and the lowest level since December 2021. The deceleration of prices was across categories, including energy, food, apparel and used cars and truck prices.

Concerns about the impact of the US inflation declining remain on a high

Despite the slowing of the US inflation over the quarter, uncertainty remains around the pace at which pricing pressures will decline, and the restrictiveness of monetary policy needed to bring inflation back into target range. There were two Federal Open Market Committee (FOMC) meetings held over the quarter, increasing the interest rates by 1.25% in total to bring the Fed funds rate to the new range of 4.25% to 4.5% by the end of December. The hikes were widely expected by the market and have brought the Fed funds rate to the highest range in 15 years. Notably the November FOMC statement and press conference signalled that the pace of rate hikes would be slowing going forward, providing time to observe the lagged effect of the significant tightening that has been implemented since the start of this year. At the December meeting the Fed's Chairman, Jerome Powell, commented that the policy tightening is set to continue until the Fed is confident that the 2% inflation target is within reach - which is not expected to be within the next 12 months according to their forecasts. The FOMC median expectation for the Fed funds rate is to finish 2023 at 5.1%, higher than the market's expectations of 4.3%.

Figure 1: Fed dot plot

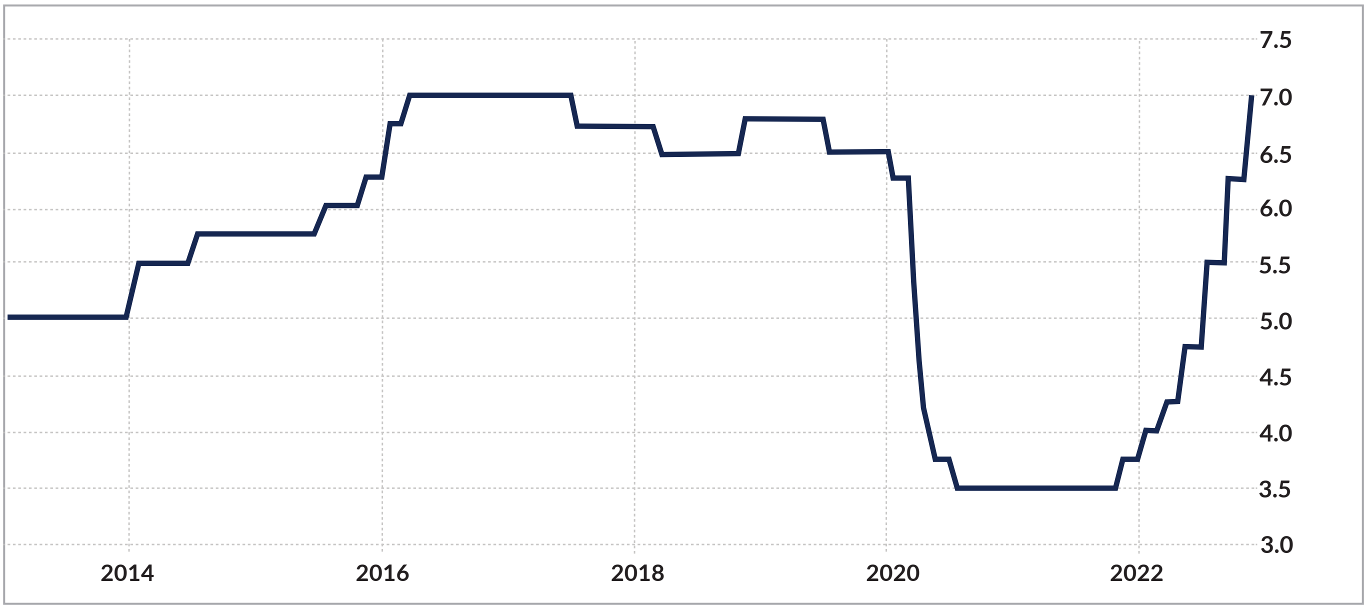


Source: Bloomberg, (December 2022)

South Africa's inflation declined but is expected to return to mid-point target in 2023

In contrast, South African headline inflation rate has only declined 0.4% from its cycle high of 7.8% in July to finish the quarter at 7.4%. Any declines in fuel price increases were offset by food inflation which continued its upward trajectory. Going forward, inflation is expected to return to the 4.5% mid-point target in 2023 as a result of the base effects in both fuel and food inflation. It was therefore of little surprise when the South African Reserve Bank (SARB) increased the repo rate by 0.75% at its only Monetary Policy Committee (MPC) meeting that was held over the quarter. Since the start of the hiking cycle a year ago, the MPC has increased the repo rates by 3.5% to bring it to 7%, the highest level since 2017.

Figure 2: South African interest rate

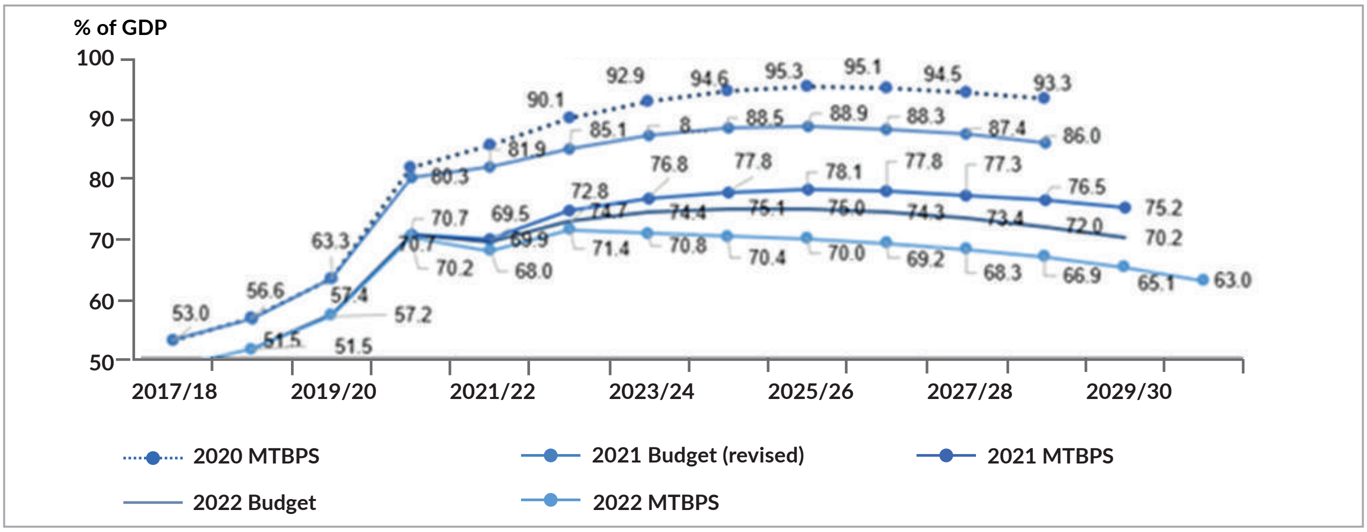


Source: South African Reserve Bank, www.tradingeconomics.com (2013 to 2022)

South Africa's fiscal position continued to improve

Locally, the fourth quarter also brought the much anticipated Medium Term Budget Policy Statement (MTBPS) which was released towards the end of October. The statement reflected a further improvement of South Africa's fiscal position as revenue overruns were partially used to reduce debt. This consolidation has helped to reduce the debt-to-GDP ratio, which is now expected to peak earlier in 2022/2023 at 71.4%.

Figure 3: South Africa's gross debt-to-GDP forecast



Source: 2022 MTBPS, Investec (2017 to 2030)

Mining revenue overruns are expected to continue and wages are expected to increase

The revenue overrun was again coming from higher commodity prices driving higher profits at mining corporates. It is however important to note that National Treasury expect these mining revenue overruns to continue for the next three years. In addition, they only expect a 3% increase in public sector wages. Both assumptions might prove to be ambitious given that the global economy is heading for a slowdown and inflation remains elevated. The debt outlook however reflects National Treasury's commitment to contain government expenditure going forward.

Local markets were negatively affected by the allegations against President Cyril Ramaphosa

At the start of December there was significant political turmoil surrounding President Cyril Ramaphosa and the allegations around his Phala Phala game reserve. Local markets came under significant pressure as speculation raged that the President would resign, given the findings of an independent panel report. Given that it was only two weeks ahead of the ANC's five yearly elective conference, intensified the situation. The markets however managed to regain most of the losses once it was confirmed that the President would challenge the outcome of the report in addition to being re-elected as the head of the ruling party.

Zero-COVID-19 restrictions began to ease in China

A noteworthy development over the quarter was the 20th National Congress of the Chinese Communist Party that was held in October where President Xi Jinping secured his third term as head of the party. A new Politburo Standing Committee was also announced, all of which are close Xi supporters. Despite the perception that the consolidation of power could mean the continuation of recent unfriendly market policies, we saw the gradual easing of China's zero-COVID-19 controls over the course of the second half of the quarter. The easing of controls was unexpected especially given that China is in its winter season, positive COVID-19 cases are rising, and a large portion of the elderly population remain unvaccinated. Given that China is the world's second largest economy, its reopening will be a material boost for global growth going forward. Especially at a time when the rest of the world economies are slowing or even heading for a recession. The prospect of the Chinese economy reopening was therefore another positive market driver.

Overall inflation has declined but we think this may not be enough to avoid recession

The revision of expectations for less aggressive monetary policy tightening from the Fed to bring inflation under control together with the improvement in the outlook for global growth fuelled the recovery in global financial markets over the quarter. Although global inflation has been declining since July, we still see risks that inflation will remain elevated above their respective targets and by implication global monetary policy will be restrictive. We therefore remain cautiously positioned, well diversified and focussed on capital preservation. In addition, we are also carefully considering conditions as they change and opportunities as they arise.

FG SCI* JUPITER INCOME FUND OF FUNDS

For periods until 31 December 2022

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

	6 Months	Year to Date	1 Year	3 Years*	5 Years*	10 Years*	Since Inception*
FG SCI Jupiter Income FoF	4.19%	5.44%	5.44%	5.95%	6.77%	6.98%	7.67%
STeFI Composite Index	2.94%	5.21%	5.21%	4.79%	5.78%	6.14%	6.88%
ASISA SA Multi Asset Income Category Average	4.11%	5.45%	5.45%	6.04%	6.76%	6.78%	7.54%
				1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data 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
- Granate BCI Multi Income Fund
- Matrix SCI Stable 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%	3.76%
% Positive months	93.27%	100.00%

Source until 31 May 2018: MoneyMate
Source from 30 June 2018: Morningstar

The FG SCI Jupiter Income Fund of Funds returned +2.93% in the fourth quarter of 2022 and +5.44% over the past 12 months, outperforming the benchmark Alexander Forbes Short Term Fixed Income Index quarterly return of +1.57%, and the 12-month return of +5.21%. The Granate BCI Multi Income Fund was the best-performing underlying fund over the quarter, returning +3.61%. No changes were made to the fund over the quarter.

Asset allocation as at 30 November 2022

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG SCI Jupiter Income FoF	0%	2%	48%	45%	5%

FG SCI* VENUS CAUTIOUS FUND OF FUNDS

For periods until 31 December 2022

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

	6 Months	Year to Date	1 Year	3 Years*	5 Years*	10 Years*	Since Inception*
FG SCI Venus Cautious FoF	5.64%	3.06%	3.06%	7.38%	6.71%	7.90%	8.40%
ASISA SA Multi Asset Low Equity Category Average	5.37%	1.36%	1.36%	6.56%	5.87%	6.91%	7.29%
				1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data 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 Global Optimum Growth Feeder Fund
- Fairtree Equity Prescient Fund
- Granate BCI Multi Income 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 BCI Opportunity Income Fund
- Satrix Bond Index Fund
- Sanlam Multi Managed Inflation Linked Bond Fund
- Sesfikile BCI Property Fund
- Terebinth SCI Strategic Income Fund
- Veritas Global Equity Feeder Fund

Performance statistics

	Fund	Benchmark
Highest 12-month performance	16.83%	17.26%
Lowest 12-month performance	-1.41%	-3.15%
% positive months	72.04%	70.97%

*Source until 31 May 2018: MoneyMate
Source from 30 June 2018: Morningstar

The FG SCI Venus Cautious Fund of Funds returned +4.49% in the fourth quarter of 2022 and +3.06% over the past 12 months, underperforming the benchmark peer group average quarterly return of +4.85%, while outperforming the 12-month return of +1.36%. The Ninety One Global Multi Asset Income Feeder Fund was the worst-performing underlying fund, returning -2.39% over the quarter. The fund's local bond allocation was reduced, and the exposure was rotated into shorter duration by allocating to an existing flexible income manager over the quarter.

Asset allocation as at 30 November 2022

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG SCI Venus Cautious FoF	13%	4%	34%	26%	23%

FG SCI* SATURN MODERATE FUND OF FUNDS

For periods until 31 December 2022

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

	6 Months	Year to Date	1 Year	3 Years*	5 Years*	10 Years*	Since Inception*
FG SCI Saturn Moderate FoF	6.49%	3.05%	3.05%	9.01%	7.27%	8.27%	9.93%
ASISA SA Multi Asset Medium Equity Category Average	6.29%	0.29%	0.29%	7.43%	5.92%	7.22%	8.59%
				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
- Bateleur Flexible Prescient Fund
- Coronation Market Plus Fund
- Coronation Global Optimum Growth Feeder Fund
- Matrix SCI Defensive Balanced Fund
- Ninety One Opportunity Fund
- PSG Flexible Fund
- Rezco Value Trend Fund
- Satrix Bond Index Fund
- SIM Inflation Plus Fund
- Truffle SCI Flexible Fund
- Veritas Global Equity Feeder Fund

Performance statistics

	Fund	Benchmark
Highest 12-month performance	31.40%	26.41%
Lowest 12-month performance	-18.22%	-15.68%
% positive months	69.71%	66.35%

Source until 31 May 2018: MoneyMate
Source from 30 June 2018: Morningstar

The FG SCI Saturn Moderate Fund of Funds returned +5.68% over the fourth quarter of 2022 and +3.05% over the past 12 months, underperforming the benchmark peer group average quarterly return of +6.04%, while outperforming the 12-month return of +0.29%. The Veritas Global Equity Feeder Fund was the worst-performing underlying fund, returning -0.91% over the quarter. The Bateleur Flexible Prescient Fund was added as an underlying fund over the quarter.

Asset allocation as at 30 November 2022

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG SCI Saturn Moderate FoF	32%	2%	25%	14%	27%

FG SCI* NEPTUNE GROWTH FUND OF FUNDS

For periods until 31 December 2022

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 SCI Neptune Growth FoF	7.34%	2.51%	2.51%	9.77%	7.63%	7.40%
ASISA SA Multi Asset High Equity Category Average	6.80%	-0.17%	-0.17%	8.11%	5.93%	6.05%
			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 Global Optimum Growth Feeder Fund
- Fairtree Equity Prescient Fund
- Laurium Flexible Prescient Fund
- Ninety One Equity Fund
- Ninety One Global Franchise Feeder Fund
- M&G Balanced Fund
- PSG Flexible Fund
- Rezco Value Trend Fund
- Saffron BCI Opportunity Income Fund
- Satrix Bond Index Fund
- Sanlam Multi Managed Inflation Linked Bond Fund
- Truffle SCI Flexible Fund
- Veritas Global Equity Feeder Fund

Performance statistics

	Fund	Benchmark
Highest 12-month performance	38.17%	30.65%
Lowest 12-month performance	-11.21%	-10.44%
% positive months	64.00%	63.00%

*Source until 31 May 2018: MoneyMate
Source from 30 June 2018: Morningstar

The FG SCI Neptune Growth Fund of Funds returned +7.16% over the fourth quarter of 2022 and +2.51% over the past 12 months, outperforming the benchmark peer group average quarterly return of +6.91%, and the 12-month return of -0.17%. The ABSA Property Equity Fund was the best-performing underlying fund, returning +17.98% over the quarter. No changes were made to the fund over the quarter.

Asset allocation as at 30 November 2022

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG SCI Neptune Growth FoF	42%	2%	17%	8%	31%

FG SCI* MERCURY EQUITY FUND OF FUNDS

For periods until 31 December 2022

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

	6 Months	Year to Date	1 Year	3 Years*	5 Years*	10 Years*	Since Inception*
FG SCI Mercury Equity FoF	10.18%	5.84%	5.84%	13.37%	7.87%	8.13%	10.48%
FTSE/JSE Africa All Share (Total Return)	12.95%	3.58%	3.58%	12.72%	7.98%	9.94%	12.63%
ASISA SA Equity General Category Average	8.90%	3.13%	3.13%	10.03%	5.53%	7.31%	10.11%
				1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data 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 Global Optimum Growth Feeder Fund
- Fairtree Equity Prescient Fund
- Gryphon All Share Tracker Fund
- Laurium Equity Fund
- Ninety One Equity Fund
- Ninety One Global Franchise Feeder Fund
- M&G Equity Fund
- PSG Equity Fund
- Truffle SCI General Equity Fund

Performance statistics

	Fund	Benchmark
Highest 12-month performance	56.15%	53.98%
Lowest 12-month performance	-31.68%	-37.60%
% positive months	62.50%	61.54%

Source until 31 May 2018: MoneyMate
Source from 30 June 2018: Morningstar

The FG SCI Mercury Equity Fund of Funds returned +10.93% in the fourth quarter of 2022 and +5.84% over the past 12 months, underperforming the +15.16% quarterly return of the benchmark FTSE/JSE All Share Total Return Index while outperforming the 12-month return of +3.58%. The Ninety One Global Franchise Feeder Fund was the worst-performing underlying fund, returning +3.66% over the quarter. No changes were made to the fund over the quarter.

Asset allocation as at 30 November 2022

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG SCI Mercury Equity FoF	79%	1%	0%	4%	16%

FG SCI* INTERNATIONAL FLEXIBLE FUND OF FUNDS

For periods until 31 December 2022

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

	6 Months	Year to Date	1 Year	3 Years*	5 Years*	10 Years*	Since Inception*
FG SCI International Flexible FoF	4.23%	-10.49%	-10.49%	5.02%	6.61%	10.30%	7.97%
Benchmark**	4.70%	-10.32%	-10.32%	6.16%	7.40%	10.22%	8.93%
ASISA Global Multi Asset Flexible Average***	4.70%	-10.32%	-10.32%	6.16%	7.57%	10.81%	8.05%
				1st Quartile	2nd Quartile	3rd Quartile	4th Quartile

*Data for longer than 12 months is annualised
Annualised returns are period returns re-scaled to a period of 1 year
**Benchmark before June 2013: 50% MSCI World Index, 50% JP Morgan Global Government Bond Index
Benchmark between July 2013 and July 2015: 55% MSCI AC World Index, 33% JP Morgan Global Government Bond Index, 7% FTSE EPRA Nareit Global Property, 5% Stefi Call
***Current benchmark

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	56.04%	59.02%

The FG SCI International Flexible Fund of Funds returned +0.91% in the fourth quarter of 2022 and -10.49% over the past 12 months, underperforming the benchmark peer group average quarterly return of +2.45%, and the 12-month return of -10.32%. The FGAM Global Cautious Fund was the worst-performing underlying fund over the quarter, returning -0.75% in rand terms. No changes were made to the fund over the quarter.

Asset allocation as at 30 November 2022

	Global Equity	Global Fixed Income	Global Cash	Global Property	Local Cash
FG SCI International Flexible FoF	66%	23%	6%	3%	2%

	USD	GBP	EUR	JPY	Other	ZAR
Currency Breakdown	69%	3%	7%	6%	13%	2%

MARKET PERFORMANCE

Index	Asset Class	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Last 12 months	Year to Date 2022*
STEFI Composite Index	Local Cash	1.03%	1.15%	1.35%	1.57%	5.21%	5.21%
FTSE/JSE All Bond (Total Return)	Local Bonds	1.86%	-3.71%	0.60%	5.68%	4.26%	4.26%
FTSE/JSE SA Listed Property (Total Return)	Local Property	-1.27%	-11.56%	-3.54%	19.31%	0.49%	0.49%
FTSE/JSE Africa All Share (Total Return)	Local shares	3.84%	-11.69%	-1.92%	15.16%	3.58%	3.58%
JP Morgan World Govt Bond index (USD)	Global Bonds	-6.24%	-8.43%	-7.15%	3.84%	-17.22%	-17.22%
FTSE EPRA Nareit Global REITs TR USD	Global Property	-3.53%	-17.02%	-10.84%	6.89%	-23.71%	-23.71%
MSCI World GR USD	Global Shares	-5.04%	-16.05%	-6.08%	9.89%	-17.73%	-17.73%
MSCI ACWI GR USD	Global Shares	-5.26%	-15.53%	-6.71%	9.88%	-17.96%	-17.96%
US Dollar/South African Rand (+ weaker ZAR, - stronger ZAR)	Exchange Rate	-8.44%	12.11%	9.71%	-5.33%	6.61%	6.61%

*(Return until 31 December 2022)
Source: Morningstar

ADDITIONAL FUND INFORMATION

Fund name	No. of participatory interests*	NAV (month-end)	Total expense ratio (TER)**
FG SCI International Flexible FoF A	21,008,765.82	30.93	1.52
FG SCI International Flexible FoF A1	97.53	30.18	2.09
FG SCI International Flexible FoF B	1,467,927.05	24.86	3.19
FG SCI International Flexible FoF B1	2,699,640.47	25.71	2.96
FG SCI Jupiter Income FoF A	76,016,478.73	12.38	1.04
FG SCI Jupiter Income FoF A1	53.61	12.34	1.61
FG SCI Jupiter Income FoF B	6,406,870.14	12.25	2.76
FG SCI Jupiter Income FoF B1	5,430,821.41	12.27	2.48
FG SCI Mercury Equity FoF A	4,330,679.78	42.03	1.57
FG SCI Mercury Equity FoF A1	16.79	41.92	2.10
FG SCI Mercury Equity FoF B	274,535.92	40.12	3.30
FG SCI Mercury Equity FoF B1	50,424.36	41.07	3.01
FG SCI Neptune Growth FoF A	25,030,997.34	14.73	1.72
FG SCI Neptune Growth FoF A1	48.25	14.68	2.27
FG SCI Neptune Growth FoF B	1,991,296.43	14.57	3.44
FG SCI Neptune Growth FoF B1	1,248,697.05	14.59	3.15
FG SCI Saturn Moderate FoF A	47,139,687.28	33.04	1.59
FG SCI Saturn Moderate FoF A1	20.95	32.93	2.14
FG SCI Saturn Moderate FoF B	6,977,333.56	32.65	3.31
FG SCI Saturn Moderate FoF B1	5,351,917.49	32.70	3.02
FG SCI Venus Cautious FoF A	77,864,529.05	18.13	1.27
FG SCI Venus Cautious FoF A1	37.51	18.08	1.83
FG SCI Venus Cautious FoF B	2,932,030.46	17.86	3.00
FG SCI Venus Cautious FoF B1	8,534,196.11	17.89	2.71

* NAV (Mo-End) and no. of participatory interests as at 31 December 2022

**TER as at 30 September 2022

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