



Absolute Return Manager Watch™ Survey for the month ending December 2016

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FINANCIAL SERVICES


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COMMENTARY

SURVEY NOTES

The Absolute Return Manager Watch™ Surveys focuses on multi-asset class mandates that targets performance above the SA headline inflation rate (CPI), while simultaneously seeking to protect capital over a 12 month period. It is made up of 4 Categories; with the following being material changes over Q1 2016:

Absolute Return Manager Watch™: CPI +3%: No change in the participants of this category

Absolute Return Manager Watch™: CPI +4%: No change in the participants of this category

Absolute Return Manager Watch™: CPI +5%: STANLIB Multi-Manager Real Return entered the survey

Absolute Return Manager Watch™: CPI +6%: No change in the participants of this category

It should be noted that historic performance is not an indication of future performance nor is it a direct indicator of skill. Many of the participating funds use peer relative performance benchmarks and not investable benchmarks. The current positioning and exposure of funds, is more relevant to an investment strategy. Please use and interpret all information within this survey cautiously and consult an expert advisor to ensure that your fund's assets and fund strategies are appropriately matched to its liabilities.

SOURCES OF PERFORMANCE

Absolute Return portfolios usually build and implement their investment strategies such that the portfolio is resilient to strong negative equity market moves and is able to capture the risk premia of the invested asset classes to deliver real returns above inflation.

They may use a multitude of methods to achieve this goal; some of the more popular strategies being asset allocation modeling (strategic and tactical), dynamic risk modeling, explicit hedging strategies; and fixed income strategies. Its primary driver of return is that over the medium term the asset classes will realise its risk premia and therefore real return.

MARKET DYNAMICS THAT INFLUENCED PERFORMANCE AND STRATEGY OVER 2016

2016 was another tough year for local investors, especially for those approaching retirement where investment gains for many have been negative in real terms for the last two years. The year had a number of significant events which in itself did not define the year but rather sustained already difficult economic conditions. The dominant economic themes that influenced markets and portfolio management strategy were:

- The most significant story of 2016 had to be the unexpected vote by Britain to leave the European Union (Brexit). The sharp sell-off in June, was followed by a quick recovery as investors realised that the exit will be drawn out, with downside risks expected to be absorbed via monetary stimulus by central banks. The full impact to the global economy is uncertain as negotiations begin to manage the exit. The British pound has slid by over 10% to most major currencies (18% to the USD) at that point, reflecting a devalued economy going forward. The UK is a country that consumes more than it manufactures and imports more than it exports. Inflation is a major concern for the economy at this stage; and as a major economy, it may introduce contagion into its EM trading partners. The BOE still saw it fit to cut its 2017 growth forecasts from 2.3% to 0.8%. The full ramifications of Brexit are still to be seen.
- Continuing concerns over the Chinese economy and in turn global growth peaked in January. By late June the Chinese stock market experienced its worst decline since the 2008 financial crisis. Despite government interventions, the Chinese equity market moved quickly into bear territory. The Chinese government's move to devalue the yuan after spending billions of dollars to hold its level against the dollar was further confirmation of a weakening economy. Emerging markets, especially those with strong economic ties to China and commodity driven economies were worst hit with both their equity markets down and sharp devaluations in the currency markets. Despite this economic data released still showed positive growth of 6.7% in the last quarter.
- In March, the Fed opted not to increase interest rates. Dovish comments from the Fed Chair, Janet Yellen, cited the weak global growth, market volatility and inflation as the main reasons behind their decision. However, a controlled communication process over the subsequent months saw the Fed eventually raise interest rates by 25bp in December for the first time since 2008, with the new rate now standing at 0.75%, as the US finally moved away from its zero percent interest rate policy. This further extended the pressure on commodity prices, EM currencies, bond and equity markets. In contrast Europe continues to cut rates applying a negative interest rate paradigm. While growth has been improving, it has been at a very slow rate.
- In January, the oil price sank to a 13 year low as it hit \$27 a barrel. Since then, the oil price has recovered and ended the year at approximately \$55. This has driven an overall rally across most commodities through the year; a significant factor for Africa's resource driven economy.
- Locally, the focus was on South Africa's credit rating review by the three major credit rating agencies. Once again, South Africa was able to avoid the downgrade to non-investment grade ('junk status'). Political instability, low growth and unemployment were highlighted as downgrade concerns by the credit agencies. However, the risk still prevail and issues such as adoption of the Financial Intelligence Control Act can become other catalysts.

COMMENTARY

- Local politics dominated news over the year for both the right and wrong reasons. The 2016 Local Government Elections was largely a peaceful and fair event. On the downside, political uncertainty regarding policy direction and continued political pressure on the Finance Minister put the local currency and bond yields back under pressure. However the Rand recovered strongly to most developed currencies from its weak levels of the previous year amidst significant volatility
- Over the year, the Reserve Bank's Monetary Policy Committee (MPC) opted to keep the repo rate unchanged at 7% per annum, after raising lending rates by 75 basis points in a pre-emptive move to try to curb inflation in January. In its September statement, the Reserve Bank noted, "Should current forecasts transpire, we may be close to the end of the tightening cycle", cautiously signaling the end of the current tightening cycle.

Despite a turbulent year, global equity and bond markets still managed positive gains over the year, returning 8.5% (MSCI ACWI) and 1.6% (Citi WGBI) respectively (both in US dollars). Emerging markets (MSCI EM) returned 11.6% to outperform their developed counterparts over the year (in US dollars).

In the final quarter, the 10-year US bond yield spiked up by 0.85% to 2.44%, largely because of Trump's victory. This negatively affected global bond markets (Citi WGBI) over December (-0.7%) and the quarter (-8.5%) (In US dollars).

Market volatility, low economic growth as well as local and global political uncertainty made 2016 tough for the local asset classes. In the local market, nominal bonds were the best performing asset class for 2016, delivering a total return of 15.5%, on the back of improving political developments and stabilisation of local inflation expectations.

Local equity returns were muted over the year, with the ALSI returning 2.6%. Resources was the best performing sector, returning 34.2% for the year boosted by the recovery in commodity prices. Financials, up 5.4% for the year, benefited from the rand's appreciation against the major currencies and South Africa avoiding a credit downgrade over the year. Industrials (-6.6%) lagged behind because of large-cap rand hedge stocks that have been negatively affected by the rand's appreciation against the major currencies.

The top three performing sectors during the quarter were banks (11.0%), telecommunications (6.7%) and chemicals (5.7%). At the bottom were consumer services (-11.0%), healthcare (-10.7%) and basic materials (-1.2%). Mid caps (26.9%) outperformed small caps (20.9%) while large caps (-1.6%) struggled over the year.

Foreign sentiment against local equities was confirmed by the considerable level of foreign capital outflows from equity markets, amassing around R124.8 billion cumulatively for 2016 and an outflow of around R28 billion in the fourth quarter.

The rand experienced strong appreciation against the US dollar (11.5%), euro (14.0%) and sterling (26.0%) over the year.

HOW THE MANAGERS PERFORMED OVER 2016

Like the recent past the most influential factor on multi-asset mandates was the allocation to global assets, in particular the allocation to developed markets and currencies; which performed poorly and proved to be a complete reversal of 2015. The four most contributing factors and themes that led to differentiated performances amongst funds were:

- 1.Exposure to local cash vs local bonds for defensive allocations
- 2.Allocation to developed markets and currencies
- 3.Exposure to commodities and resource shares
- 4.Choosing Rand hedge stocks for local equity

In a difficult quarter where local equities, ILBs and global assets delivered negative return only 39% (15 out of the 39) of composites across all categories, were able to protect investor capital over the fourth quarter. Over the one year period 95% (37 out of the 39) of composites were able to protect investor capital as all local asset classes delivered positive returns. The exceptions being; Foord Absolute (-0.82%) and MMI - Absolute Return (CPI +6%) returning -0.03% respectively.

Managers struggled to meet their objectives over the 1 year period as only 1 (SIM Absolute) out of the 39 composites was able to outperform their CPI targets. This is understandable as only local nominal bonds (15.5%) and local property (10.2%) delivered meaningful inflation beating returns over the year. Only 15 of managers, across all the categories, were able to protect capital from inflationary erosion over the one year period.

Over the quarter and one year period, SIM has been the top performing manager claiming all 3 top spots in both periods respectively. Over the quarter it was the SIM Absolute (1.87%), SIM CPI +5% (1.26%) and SIM +5% Global (1.12%). Over the one year period; the SIM Absolute (11.05%), SIM CPI +5% (10.25%) and SIM +6% (9.74%) were the top performers.

The performance across the CPI categories (median returns over one year) for the CPI + 3%, 4%, 5% and 6% are 6.54%, 6.10%, 5.13% and 6.52% respectively, with both the more defensive and more aggressive strategies proving to be the best performers over the period.

ABSOLUTE RETURN MANAGER WATCH™ SURVEY

Objective - The portfolios in this Survey comply with Regulation 28 and represent products targeted at real returns with a CPI Objective.

GENERAL INFORMATION										
	Portfolio Inception date	GIPS™ (Verified/ Compliant)	Global / Domestic Mandate	Notes	Managed Ito Regulation 28? (Y/N)	CPI/X Target Return	Dual objective (If applicable)	No. of funds in composite	Portfolio Size (R m)	Admin - efficiency : Date data submitted
INVESTMENT MANAGERS										
Headline CPI + 3%										
Absa Asset Management Absolute CPI +3%	Oct-02	V	Domestic		Y	Headline CPI + 3%		1	424	09 January 2017
Balondoloz Absolute Return Fund	Mar-12	V	Domestic		Y	Headline CPI + 3%		4	970	16 January 2017
Coronation Inflation Plus Fund	Oct-09	V	Global	Headline CPI + 3.5%	Y	Headline CPI + 3.5%	Preserve capital over a rolling 12m period	1	3,899	11 January 2017
Momentum Molt Real Return	Jul-03	V	Domestic		Y	Headline CPI + 3%		n/a	1,151	06 January 2017
Old Mutual Multi-Managers Inflation Plus 1-3%	Oct-99		Global		Y	Headline CPI + 3%		n/a	260	16 January 2017
Prescient Positive Return Fund		V	Domestic		Y	Headline CPI + 3%		9	5,016	06 January 2017
SIM Absolute	Dec-01	V	Domestic		Y	Headline CPI + 3%	SIM targets low volatility real returns that match the upside return objective (e.g. CPI+X %) over rolling three-year periods. At the same time, they target not to lose capital over rolling one-year periods	7	968	05 January 2017
Stanlib Inflation Plus 3% Fund	Oct-06	V	Global		Y	Headline CPI + 3%		1	728	13 January 2017
Headline CPI + 4%										
Absa Asset Management Absolute Global CPI +4%	Dec-06	V	Global		Y	Headline CPI + 4%		4	14,788	09 January 2017
Absa Asset Management Absolute Domestic CPI+4%	Aug-09		Domestic		Y	Headline CPI + 4%		12	10,587	09 January 2017
Argon Absolute Return Fund	Oct-06	V	Domestic		Y	Headline CPI + 4%	Non negative returns over 1 year rolling period.	3	1,124	13 January 2017
Investment Solutions Stable Focus	Apr-05		Domestic		Y	Headline CPI + 4%	No negative returns over rolling 12 month period	n/a	6,806	10 January 2017
Momentum Molt Absolute Strategies	Dec-03		Domestic		Y	Headline CPI + 4%		n/a	2,541	06 January 2017
Merqence CPI + 4% Fund	Oct-09	C	Domestic		Y	Headline CPI + 4%		4	2,643	13 January 2017
OMIG Capital Builder	Mar-08	V	Domestic		Y	Headline CPI + 4%	Targets both positive returns every quarter and CPI+4% pa, or Cash+3% pa over rolling 3-year periods.	1	2,245	12 January 2017
OMIG MacroSolutions Stable Growth Fund	Jul-07	V	Global		Y	Headline CPI + 4%		1	5,359	12 January 2017
Headline CPI + 5%										
Coronation Absolute	Jan-04	V	Domestic		Y	Headline CPI + 5%	Preserve capital over a rolling 12m period	9	5,797	11 January 2017
Foord Absolute	Jun-02	C	Global		Y	Headline CPI + 5%		2	497	13 January 2017
Investment Solutions Real Return Focus Local	Oct-02		Domestic		Y	Headline CPI + 5%	No negative returns over rolling 12 month period	n/a	6,133	10 January 2017
Investment Solutions Real Return Focus Portfolio	May-03		Global		Y	Headline CPI + 5%	No negative returns over rolling 12 month period	n/a	3,971	10 January 2017
JM BUSH Absolute AllClass	Oct-06	C	Domestic		Y	Headline CPI + 5%		2	1,050	06 January 2017
Merqence CPI +5% Fund	Jul-06	V	Domestic		Y	Headline CPI + 5%	Non-negative returns over a rolling 1-year period	0	1,001	13 January 2017
MMI - Absolute Return (CPI +5%)	Nov-03	V	Global		Y	Headline CPI + 5%	CPI +5% (gross of fees) over a rolling 3-year period, and a low probability of losing capital over a rolling 1-year period.	5	586	13 January 2017
Old Mutual Multi-Managers Inflation Plus 3-5%	Jul-03		Global		Y	Headline CPI + 5%		n/a	3,955	06 January 2017
OMIG Wealth Defender	Aug-03	C	Global		Y	Headline CPI + 5%		4	6,811	12 January 2017
Prudential Domestic Real Return Plus 5%	Nov-09	V	Domestic		Y	Headline CPI + 5%		4	1,369	09 January 2017
Prudential Global Real Return Plus 5%	Dec-02	V	Global		Y	Headline CPI + 5%	N/A	2	37,735	09 January 2017
SIM CPI + 5%	Jan-07	V	Domestic		Y	Headline CPI + 5%	SIM targets low volatility real returns that match the upside return objective (e.g. CPI+X %) over rolling three-year periods. At the same time, they target not to lose capital over rolling one-year periods	7	1,633	05 January 2017
SIM CPI + 5% Global	Dec-03	V	Global		Y	Headline CPI + 5%	SIM targets low volatility real returns that match the upside return objective (e.g. CPI+X %) over rolling three-year periods. At the same time, they target not to lose capital over rolling one-year periods	9	16,286	05 January 2017
SIM Absolute Return	May-03		Global		Y	Headline CPI + 5%		1	566	09 January 2017
Old Mutual Multi Managers Absolute Defensive Fund	Sep-02		Global		Y	Headline CPI + 4%	Non-negative returns over rolling 1-year periods	n/a	958	16 January 2017
Vunani Fund Managers CPI+5%	Mar-05	V	Domestic		Y	Headline CPI + 5%		3	2,055	13 January 2017
STANLIB Multi-Manager Real Return Fund	Mar-05	V	Domestic and Global		Y	Headline CPI + 5%		n/a	1,233	16 January 2017
Headline CPI + 6%										
Coronation Absolute	Aug-99	V	Global		Y	Headline CPI + 6%	Preserve capital over a rolling 12m period	1	5,122	11 January 2017
Investec Opportunity	Aug-99	V	Global		Y	Headline CPI + 6%		14	51,975	13 January 2017
MMI - Absolute Return (CPI +6%)	Apr-12	V	Global		Y	Headline CPI + 6%		1	251	13 January 2017
Prudential Domestic Real Return Plus 6 %	Dec-02	V	Domestic		Y	Headline CPI + 6%	N/A	4	3,606	09 January 2017
SIM CPI + 6%	Jan-03	V	Domestic		Y	Headline CPI + 6%	SIM targets low volatility real returns that match the upside return objective (e.g. CPI+X %) over rolling three-year periods. At the same time, they target not to lose capital over rolling one-year periods	3	707	05 January 2017
STANLIB Absolute Plus Fund	Dec-05	V	Domestic	This includes multi-managers thus must be noted as possible "double-counting"	Y	Headline CPI + 6%	Capital preservation over a rolling 12 month period	1	1,837	13 January 2017
TOTAL									214,642	

Inflation figures lagged by one month

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ABSOLUTE RETURN MANAGER WATCH™ SURVEY

Objective - The portfolios in this Survey comply with Regulation 28 and represent products targeted at real returns with a CPI Objective.

Benchmark Methodology CPI - Due to the reweighting and rebasing of the CPI from January 2009 the benchmark numbers reflect a compound of month to month CPI returns. The historical month to month numbers used in calculations are the official month to month numbers based on the old basket prior to January 2009 and new basket post January 2009. The adjusted CPI(I-Net code: AECPI) figures are shown together with market statistics below should these numbers be preferred for comparison purposes.

Benchmark Methodology CPIX- The benchmark numbers prior to January 2009 reflected a compound of month to month CPIX returns. Due to the reweighting and rebasing of the CPI and discarding of the CPIX numbers from January 2009 the historical month to month numbers used in calculations are the official months to month numbers based on the old CPIX prior to January 2009 and the new CPI basket post January 2009. The CPI excluding owners equivalent rent (I-Net code: AECPIX) and adjusted CPI(I-Net code: AECPI) figures are shown together with market statistics below should these numbers be preferred for comparison purposes.

INVESTMENT DATA TO THE END OF DECEMBER 2016													
PERFORMANCE DATA													
	Month	Quarter	Year to Date	1 Year		3 Years		5 Years		7 Years		10 Years	
	Portfolio	Portfolio	Portfolio	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
Headline CPI + 3%													
Absa Asset Management Absolute CPI +3%	0.65%	0.49%	7.13%	7.13%	9.61%	7.34%	8.72%	8.36%	8.62%	8.77%	8.40%	9.44%	9.27%
Balondolzi Absolute Return Fund	1.41%	-0.92%	5.40%	5.40%	9.61%	*	*	*	*	*	*	*	*
Coronation Inflation Plus Fund	0.43%	0.15%	6.27%	6.27%	10.11%	7.76%	8.72%	10.24%	8.62%	11.05%	8.40%	*	*
Momentum MoM Real Return	0.63%	0.41%	6.97%	6.97%	9.61%	6.93%	8.72%	8.09%	8.62%	7.43%	8.40%	8.97%	9.27%
Old Mutual Multi-Managers Inflation Plus 1-3%	0.20%	-0.48%	5.31%	5.31%	9.61%	8.72%	8.72%	12.79%	8.62%	*	*	*	*
Prescient Positive Return Fund	0.22%	-0.64%	6.81%	6.81%	9.61%	6.55%	8.72%	7.78%	8.62%	7.21%	8.40%	8.78%	9.27%
SIM Absolute	1.36%	1.87%	11.06%	11.05%	9.61%	8.79%	8.72%	9.57%	8.62%	10.19%	8.40%	10.00%	9.26%
Stanlib Inflation Plus 3% Fund	0.91%	-0.93%	5.22%	5.22%	9.61%	*	*	*	*	*	*	*	*
Headline CPI + 4%													
Absa Asset Management Absolute Global CPI +4%	0.69%	0.70%	3.94%	3.94%	10.61%	8.31%	9.72%	10.22%	9.62%	10.63%	9.40%	11.15%	9.27%
Absa Asset Management Absolute Domestic CPI+4%	1.10%	0.90%	7.24%	7.24%	10.61%	7.46%	9.72%	9.62%	9.62%	*	*	*	*
Argon Absolute Return Fund	1.34%	-0.80%	6.62%	6.62%	10.61%	8.49%	9.72%	10.71%	9.62%	10.18%	9.40%	9.32%	9.27%
Investment Solutions Stable Focus	0.81%	0.08%	6.38%	6.38%	10.61%	6.61%	9.72%	8.26%	9.62%	8.33%	9.40%	9.55%	9.27%
Momentum MoM Absolute Strategies	0.83%	-0.77%	7.56%	7.56%	10.61%	6.95%	9.72%	7.43%	9.62%	7.02%	9.40%	7.52%	9.27%
Mergence CPI + 4% Fund	1.37%	0.38%	5.82%	5.82%	10.61%	6.08%	9.72%	8.69%	9.62%	8.47%	9.40%	*	*
OMIG Capital Builder	0.21%	0.19%	5.09%	5.09%	10.61%	5.46%	9.72%	7.28%	9.62%	6.58%	9.40%	*	*
OMIG MacroSolutions Stable Growth Fund	0.93%	0.26%	5.43%	5.43%	10.61%	8.09%	9.72%	11.13%	9.62%	10.93%	9.40%	*	*
Headline CPI + 5%													
Coronation Absolute	1.10%	-0.43%	8.37%	8.37%	11.61%	6.02%	10.72%	9.13%	10.62%	10.21%	10.40%	10.58%	11.27%
Foord Absolute	0.01%	-1.31%	-0.82%	-0.82%	11.61%	7.03%	10.72%	14.04%	10.62%	13.64%	10.40%	11.75%	11.26%
Investment Solutions Real Return Focus Local	1.20%	0.47%	7.70%	7.70%	11.61%	7.06%	10.72%	9.12%	10.62%	9.12%	10.40%	9.65%	11.26%
Investment Solutions Real Return Focus Portfolio	0.67%	-0.03%	5.18%	5.16%	11.61%	7.73%	10.72%	10.23%	10.62%	9.86%	10.40%	9.68%	11.26%
JM BUSHIA Absolute AIRCClass	1.73%	-0.69%	7.89%	7.89%	11.61%	6.45%	10.72%	10.95%	10.62%	11.06%	10.40%	9.94%	11.27%
Mergence CPI +5% Fund	1.33%	-0.27%	6.66%	6.66%	11.61%	6.51%	10.72%	9.41%	10.62%	8.99%	10.40%	8.76%	11.26%
MMI - Absolute Return (CPI +5%)	0.67%	-0.80%	0.97%	0.97%	11.61%	6.02%	10.72%	9.73%	10.62%	10.10%	10.40%	7.92%	11.27%
Old Mutual Multi-Managers Inflation Plus 3-5%	0.43%	-1.43%	3.86%	3.86%	11.61%	9.14%	10.72%	14.60%	10.62%	*	*	*	*
OMIG Wealth Defender	0.65%	0.80%	4.11%	4.11%	11.61%	7.55%	10.72%	11.58%	10.62%	10.94%	10.40%	10.22%	11.27%
Prudential Domestic Real Return Plus 5%	1.37%	-0.21%	9.29%	9.29%	11.61%	8.89%	10.72%	*	*	*	*	*	*
Prudential Global Real Return Plus 5%	0.82%	-0.49%	5.13%	5.13%	11.61%	9.52%	10.72%	13.31%	10.62%	13.14%	10.40%	*	*
SIM CPI + 5%	1.52%	1.26%	10.25%	10.25%	11.61%	8.75%	10.72%	10.49%	10.62%	10.73%	10.40%	10.22%	11.27%
SIM CPI + 5% Global	1.09%	1.12%	6.41%	6.41%	11.61%	9.40%	10.72%	11.74%	10.62%	11.35%	10.40%	10.50%	11.26%
SMM Absolute Return	0.77%	-0.24%	2.15%	2.15%	11.61%	8.60%	10.72%	11.18%	10.62%	10.49%	10.40%	10.51%	11.26%
Old Mutual Multi Managers Absolute Defensive Fund	0.42%	-0.15%	3.96%	3.96%	11.61%	8.69%	10.72%	11.64%	10.62%	11.12%	10.40%	10.12%	11.27%
Vunani Fund Managers CPI+5%	0.97%	-1.20%	3.10%	3.10%	11.61%	7.29%	10.72%	11.23%	10.62%	11.08%	10.40%	9.80%	11.27%
STANLIB Multi-Manager Real Return Fund	0.36%	-0.91%	3.18%	3.18%	11.61%	6.95%	10.72%	9.66%	10.62%	9.62%	10.40%	9.90%	11.27%
MARKET STATISTICS													
Combination of old CPIX and new CPI	0.32%	0.98%	6.61%	6.61%		5.72%		5.62%		5.40%		6.27%	
Consumer Price Inflation (Old/New combined CPI)	0.32%	0.98%	6.61%	6.61%		5.72%		5.62%		5.40%		6.26%	
Consumer Price Inflation (Headline CPI) [I-Net code: AECPI]	0.32%	0.98%	6.61%	6.61%		5.72%		5.62%		5.40%		6.07%	
STFI	0.63%	1.88%	7.39%	7.39%		6.59%		6.10%		6.17%		7.31%	
Number of Participants	33	33	33	33		31		30		27		22	

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	Portfolio	Portfolio	Portfolio	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
Headline CPI + 6%													
Coronation Absolute	0.52%	-0.15%	6.52%	6.52%	12.61%	7.53%	11.72%	12.15%	11.62%	12.25%	11.40%	11.69%	12.27%
Investec Opportunity	0.54%	-1.36%	2.32%	2.32%	12.61%	9.30%	11.72%	12.87%	11.62%	12.84%	11.40%	12.07%	12.27%
MMI - Absolute Return (CPI +6%)	0.69%	-1.15%	-0.03%	-0.03%	12.61%	6.03%	11.72%	*	*	*	*	*	*
Prudential Domestic Real Return Plus 6 %	1.62%	-0.17%	9.08%	9.08%	12.61%	8.98%	11.72%	12.86%	11.62%	13.16%	11.40%	12.45%	12.27%
SIM CPI + 6%	1.65%	0.80%	9.74%	9.74%	12.61%	8.79%	11.72%	11.06%	11.62%	11.26%	11.40%	*	*
STANLIB Absolute Plus Fund	1.02%	-1.10%	4.97%	4.97%	12.61%	7.57%	11.72%	10.11%	11.62%	10.56%	11.40%	9.79%	12.26%
MARKET STATISTICS													
Combination of old CPIX and new CPI*	0.32%	0.98%	6.61%	6.61%		5.72%		5.62%		5.40%		6.27%	
Consumer Price Inflation (Old/New combined CPI)	0.32%	0.98%	6.61%	6.61%		5.72%		5.62%		5.40%		6.26%	
Consumer Price Inflation (Headline CPI) [I-Net code: AECPI]	0.32%	0.98%	6.61%	6.61%		5.72%		5.62%		5.40%		6.07%	
STEFI	0.63%	1.88%	7.39%	7.39%		6.59%		6.10%		6.17%		7.31%	
Number of Participants	6	6	6	6		6		5		5		4	

Inflation figures lagged by one month

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ABSOLUTE RETURN MANAGER WATCH™ SURVEY

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Benchmark Methodology CPI - Due to the reweighting and rebasing of the CPI from January 2009 the benchmark numbers reflect a compound of month to month CPI returns. The historical month to month numbers used in calculations are the official month to month numbers based on the old basket prior to January 2009 and new basket post January 2009. The adjusted CPI(I-Net code: AECPI) figures are shown together with market statistics below should these numbers be preferred for comparison purposes.

Benchmark Methodology CPIX - The benchmark numbers prior to January 2009 reflected a compound of month to month CPIX returns. Due to the reweighting and rebasing of the CPI and discarding of the CPIX numbers from January 2009 the historical month to month numbers used in calculations are the official month to month numbers based on the old CPIX prior to January 2009 and the new CPI basket post January 2009. The CPI excluding owners equivalent rent (I-Net code: AECPIX) and adjusted CPI(I-Net code: AECPI) figures are shown together with market statistics below should these numbers be preferred for comparison purposes.

INVESTMENT DATA TO THE END OF DECEMBER 2016														
	1 Year				3 Years				5 Years					
	Volatility	% positive months	Worst month	Maximum drawdown	3 Year Return (p.a.)	Volatility	% positive months	Worst month	Maximum drawdown	5 Year Return (p.a.)	Volatility	% positive months	Worst month	Maximum drawdown
Headline CPI + 3%														
Absa Asset Management Absolute CPI +3%	2.93%	75.00%	-0.40%	-2.05%	7.34%	3.39%	77.78%	-1.88%	-2.05%	8.36%	3.23%	80.00%	-1.88%	-2.05%
Balondolzi Absolute Return Fund	3.53%	75.00%	-1.22%	-3.02%	*	*	66.67%	-1.28%	-3.02%	*	*	*	*	*
Coronation Inflation Plus Fund	4.66%	66.67%	-1.08%	-1.92%	7.76%	3.77%	72.22%	-1.11%	-1.92%	10.24%	3.80%	*	*	*
Momentum MoM Real Return	2.38%	75.00%	-0.53%	-2.06%	6.93%	3.55%	72.22%	-1.55%	-2.06%	8.09%	3.78%	73.33%	-2.55%	-2.55%
Old Mutual Multi-Managers Inflation Plus 1-3%	3.46%	58.33%	-1.17%	-1.73%	8.72%	3.40%	72.22%	-1.17%	-1.73%	12.79%	3.91%	81.67%	-1.72%	-1.73%
Prescient Positive Return Fund	2.61%	91.67%	-0.97%	-1.11%	6.55%	3.30%	75.00%	-1.32%	-1.55%	7.78%	3.76%	75.00%	-1.94%	-1.94%
SIM Absolute	2.35%	100.00%	0.24%	-0.81%	8.79%	2.33%	91.67%	-0.98%	-1.22%	9.57%	2.09%	91.67%	-0.98%	-1.22%
Stanlib Inflation Plus 3% Fund	4.01%	83.33%	-1.95%	-3.02%	*	*	83.33%	-1.95%	-3.02%	*	*	85.00%	-1.95%	-3.02%
Headline CPI + 4%														
Absa Asset Management Absolute Global CPI +4%	3.47%	66.67%	-0.49%	-2.85%	8.31%	3.53%	69.44%	-1.98%	-2.85%	10.22%	3.49%	75.00%	-1.98%	-2.85%
Absa Asset Management Absolute Domestic CPI+4%	3.06%	66.67%	-0.49%	-2.85%	7.46%	3.94%	69.44%	-1.98%	-2.85%	9.62%	3.82%	75.00%	-1.98%	-2.85%
Argon Absolute Return Fund	4.33%	66.67%	-1.29%	-2.66%	8.49%	4.20%	75.00%	-2.29%	-2.66%	10.71%	4.12%	76.67%	-2.29%	-2.66%
Investment Solutions Stable Focus	2.85%	75.00%	-0.58%	-2.47%	6.61%	3.80%	72.22%	-1.59%	-2.70%	8.26%	3.74%	76.67%	-2.32%	-2.70%
Momentum MoM Absolute Strategies	3.87%	66.67%	-1.22%	-2.27%	6.95%	4.36%	63.89%	-2.57%	-2.74%	7.43%	4.49%	68.33%	-3.36%	-3.36%
Mergence CPI + 4% Fund	4.16%	66.67%	-0.98%	-3.90%	6.08%	4.22%	66.67%	-1.67%	-4.03%	8.69%	4.06%	*	*	*
OMIG Capital Builder	2.11%	75.00%	-0.47%	-0.85%	5.46%	2.68%	72.22%	-1.41%	-1.88%	7.28%	3.05%	75.00%	-1.94%	-1.94%
OMIG MacroSolutions Stable Growth Fund	3.34%	58.33%	-1.18%	-1.78%	8.09%	3.22%	72.22%	-1.18%	-1.78%	11.13%	3.53%	80.00%	-2.23%	-2.23%
Headline CPI + 5%														
Coronation Absolute	5.39%	66.67%	-1.50%	-6.42%	6.02%	5.64%	61.11%	-3.44%	-6.42%	9.13%	5.58%	68.33%	-3.44%	-6.42%
Foord Absolute	8.83%	66.67%	-3.49%	-7.01%	7.03%	7.15%	69.44%	-3.49%	-7.01%	14.04%	7.87%	73.33%	-3.72%	-7.01%
Investment Solutions Real Return Focus Local	4.17%	66.67%	-0.41%	-3.81%	7.06%	4.80%	63.89%	-1.96%	-3.81%	9.12%	4.57%	71.67%	-2.53%	-3.81%
Investment Solutions Real Return Focus Portfolio	3.94%	66.67%	-1.12%	-1.80%	7.73%	3.78%	72.22%	-1.25%	-1.80%	10.23%	4.26%	75.00%	-2.94%	-2.94%
JM BUSHA Absolute AllClass	6.37%	50.00%	-1.44%	-7.25%	6.45%	7.59%	58.33%	-3.67%	-7.25%	10.95%	6.93%	68.33%	-3.67%	-7.25%
Mergence CPI +5% Fund	5.35%	50.00%	-1.12%	-3.74%	6.51%	5.13%	61.11%	-1.80%	-3.74%	9.41%	4.88%	68.33%	-2.56%	-3.74%
MMI - Absolute Return (CPI +5%)	4.49%	50.00%	-2.04%	-3.00%	6.02%	4.31%	63.89%	-2.04%	-3.00%	9.73%	4.51%	71.67%	-2.68%	-3.00%
Old Mutual Multi-Managers Inflation Plus 3-5%	5.64%	66.67%	-2.21%	-2.52%	9.14%	4.58%	77.78%	-2.21%	-2.52%	14.60%	5.25%	83.33%	-2.26%	-2.52%
OMIG Wealth Defender	5.16%	66.67%	-2.22%	0.00%	7.55%	4.17%	69.44%	-2.22%	0.00%	11.58%	4.51%	*	*	*
Prudential Domestic Real Return Plus 5%	5.37%	58.33%	-1.21%	-3.90%	8.89%	6.40%	66.67%	-3.75%	-4.03%	6.40%	6.40%	53.33%	-3.75%	-4.03%
Prudential Global Real Return Plus 5%	4.42%	58.33%	-1.30%	-2.16%	9.52%	4.47%	69.44%	-1.63%	-2.16%	13.31%	4.96%	76.67%	-3.57%	-3.57%
SIM CPI + 5%	3.26%	83.33%	-0.18%	-1.68%	8.75%	3.25%	77.78%	-1.27%	-1.84%	10.49%	3.11%	83.33%	-1.27%	-1.84%
SIM CPI + 5% Global	3.77%	66.67%	-0.88%	-1.45%	9.40%	2.86%	83.33%	-0.88%	-1.45%	11.74%	3.14%	88.33%	-1.36%	-1.45%
SMM Absolute Return	5.74%	58.33%	-2.33%	-3.34%	8.60%	4.63%	72.22%	-2.33%	-3.34%	11.18%	5.01%	75.00%	-2.33%	-3.34%
Old Mutual Multi Managers Absolute Defensive Fund	4.62%	58.33%	-1.44%	-2.29%	8.69%	3.50%	77.78%	-1.44%	-2.29%	11.64%	4.06%	81.67%	-1.81%	-2.29%
Vunani Fund Managers CPI+5%	4.26%	58.33%	-1.20%	-3.41%	7.29%	4.96%	66.67%	-1.61%	-3.41%	11.23%	5.49%	71.67%	-3.61%	-3.61%
STANLIB Multi-Manager Real Return Fund	5.86%	66.67%	-2.17%	-2.29%	6.95%	4.54%	66.67%	-2.17%	-2.29%	9.66%	4.63%	71.67%	-2.69%	-2.67%
MARKET STATISTICS														
Combination of old CPIX and new CPI	1.38%				5.72%	1.52%				5.62%	1.42%			
Consumer Price Inflation (Old/New combined CPI)	1.38%				5.72%	1.52%				5.62%	1.42%			
Consumer Price Inflation (Headline CPI) [I-Net code: AECPI]	1.38%				5.72%	1.52%				5.62%	1.42%			
STEFI	0.13%				6.59%	0.21%				6.10%	0.24%			

Inflation figures lagged by one month

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ABSOLUTE RETURN MANAGER WATCH™ SURVEY

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Benchmark Methodology CPI - Due to the reweighting and rebasing of the CPI from January 2009 the benchmark numbers reflect a compound of month to month CPI returns. The historical month to month numbers used in calculations are the official month to month numbers based on the old basket prior to January 2009 and new basket post January 2009. The adjusted CPI(I-Net code: AECPI) figures are shown together with market statistics below should these numbers be preferred for comparison purposes.

Benchmark Methodology CPIX- The benchmark numbers prior to January 2009 reflected a compound of month to month CPIX returns. Due to the reweighting and rebasing of the CPI and discarding of the CPIX numbers from January 2009 the historical month to month numbers used in calculations are the official month to month numbers based on the old CPIX prior to January 2009 and the new CPI basket post January 2009. The CPI excluding owners equivalent rent (I-Net code: AECPIX) and adjusted CPI(I-Net code: AECPI) figures are shown together with market statistics below should these numbers be preferred for comparison purposes.

INVESTMENT DATA TO THE END OF DECEMBER 2016														
	1 Year				3 Year Return (p.a.)	3 Years				5 Year Return (p.a.)	5 Years			
	Volatility	% positive months	Worst month	Maximum drawdown		Volatility	% positive months	Worst month	Maximum drawdown		Volatility	% positive months	Worst month	Maximum drawdown
	Headline CPI + 6%													
Coronation Absolute	6.76%	66.67%	-2.22%	-3.00%	7.53%	5.43%	66.67%	-2.22%	-3.24%	12.15%	6.06%	73.33%	-3.58%	-3.58%
Investec Opportunity	6.38%	58.33%	-2.67%	-5.75%	9.30%	5.72%	66.67%	-2.67%	-5.75%	12.87%	5.98%	73.33%	-3.05%	-5.75%
MMI - Absolute Return (CPI +6%)	5.98%	58.33%	-2.52%	0.00%	6.03%	5.22%	66.67%	-2.52%	0.00%	*	*	73.33%	*	*
Prudential Domestic Real Return Plus 6 %	5.87%	66.67%	-1.14%	-4.73%	8.98%	6.81%	69.44%	-3.56%	-4.73%	12.86%	6.59%	75.00%	-3.56%	-4.73%
SIM CPI + 6%	4.16%	75.00%	-0.57%	-2.40%	8.79%	3.99%	75.00%	-1.45%	-2.40%	11.06%	3.86%	81.67%	-1.45%	-2.40%
STANLIB Absolute Plus Fund	3.75%	75.00%	-1.84%	-2.82%	7.57%	3.74%	75.00%	-1.84%	-2.82%	10.11%	4.27%	75.00%	-1.84%	-2.82%
	MARKET STATISTICS													
Combination of old CPIX and new CPI	1.38%				5.72%	1.52%				5.62%	1.42%			
Consumer Price Inflation (Old/New combined CPI)	1.38%				5.72%	1.52%				5.62%	1.42%			
Consumer Price Inflation (Headline CPI) [I-Net code: AECPI]	1.38%				5.72%	1.52%				5.62%	1.42%			
STEFI	0.13%				6.59%	0.21%				6.10%	0.24%			

Inflation figures lagged by one month
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Benchmark Methodology CPIX- The benchmark numbers prior to January 2009 reflected a compound of month to month CPIX returns. Due to the reweighting and rebasing of the CPI and discarding of the CPIX numbers from January 2009 the historical month to month numbers used in calculations are the official month to month numbers based on the old CPIX prior to January 2009 and the new CPI basket post January 2009. The CPI excluding owners equivalent rent (I-Net code: AECPIX) and adjusted CPI(I-Net code: AECPI) figures are shown together with market statistics below should these numbers be preferred for comparison purposes.

INVESTMENT DATA TO THE END OF DECEMBER 2016					
	Calendar Year				
	2015	2014	2013	2012	2011
Headline CPI + 3%					
Absa Asset Management Absolute CPI +3%	5.13%	9.82%	5.53%	14.47%	9.33%
Balondolozzi Absolute Return Fund	6.04%	*	*	*	*
Coronation Inflation Plus Fund	7.48%	9.56%	13.61%	14.52%	10.32%
Momentum MoM Real Return	5.34%	8.51%	10.53%	9.16%	3.10%
Old Mutual Multi-Managers Inflation Plus 1-3%	8.57%	12.40%	20.13%	18.22%	7.67%
Prescient Positive Return Fund	5.82%	7.03%	10.85%	8.45%	3.19%
SIM Absolute	6.73%	8.65%	9.80%	11.69%	10.05%
Stanlib Inflation Plus 3% Fund	6.73%	*	*	*	*
Headline CPI + 4%					
Absa Asset Management Absolute Global CPI +4%	9.54%	11.59%	9.70%	16.71%	10.60%
Absa Asset Management Absolute Domestic CPI+4%	4.96%	10.26%	8.30%	17.79%	9.07%
Investment Solutions Stable Focus	4.53%	8.98%	8.94%	12.63%	6.56%
Momentum MoM Absolute Strategies	4.91%	8.41%	6.88%	9.44%	2.79%
OMIG Capital Builder	3.39%	7.93%	9.99%	10.14%	3.45%
OMIG MacroSolutions Stable Growth Fund	8.57%	10.33%	14.27%	17.47%	8.84%
Argon Absolute Return Fund	7.19%	11.75%	10.72%	17.62%	7.45%
Headline CPI + 5%					
Coronation Absolute	0.05%	9.90%	12.76%	15.18%	4.99%
Foord Absolute	11.20%	11.15%	24.82%	26.06%	9.90%
Investment Solutions Real Return Focus Local	3.28%	10.33%	10.90%	13.67%	4.61%
Investment Solutions Real Return Focus Portfolio	8.06%	10.01%	14.72%	13.47%	7.13%
JM BUSH A Absolute AllClass	-0.29%	12.12%	12.17%	24.25%	8.31%
Mergence CPI +5% Fund	3.80%	9.13%	9.78%	18.22%	6.53%
MMI - Absolute Return (CPI +5%)	7.63%	9.65%	13.36%	17.80%	8.68%
Old Mutual Multi Managers Absolute Defensive Fund	12.15%	10.14%	17.39%	15.05%	8.92%
Old Mutual Multi-Managers Inflation Plus 3-5%	10.86%	12.91%	24.94%	21.68%	8.03%
OMIG Wealth Defender	9.45%	9.16%	18.94%	16.92%	7.29%
Prudential Domestic Real Return Plus 5%	4.08%	13.51%	*	*	*
Prudential Global Real Return Plus 5%	10.23%	13.36%	17.23%	21.31%	12.26%
SIM CPI + 5%	6.39%	9.65%	12.41%	13.88%	8.59%
SIM CPI + 5% Global	12.06%	9.82%	16.95%	13.76%	10.72%
SMM Absolute Return	11.27%	12.69%	18.11%	12.28%	4.35%
Vunani Fund Managers CPI+5%	9.43%	9.46%	12.36%	22.72%	6.54%
STANLIB Multi-Manager Real Return Fund	8.40%	9.37%	13.32%	14.39%	5.78%
MARKET STATISTICS					
Combination of old CPIX and new CPI	4.77%	5.80%	5.35%	5.60%	6.12%
Consumer Price Inflation (Old/New combined CPI)	4.77%	5.80%	5.35%	5.60%	6.12%
Consumer Price Inflation (Headline CPI) [I-Net code: AECPI]	4.77%	5.80%	5.35%	5.60%	6.12%
STEFI	6.49%	5.90%	5.18%	5.55%	5.73%

Inflation figures lagged by one month

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Benchmark Methodology CPIX- The benchmark numbers prior to January 2009 reflected a compound of month to month CPIX returns. Due to the reweighting and rebasing of the CPI and discarding of the CPIX numbers from January 2009 the historical month to month numbers used in calculations are the official month to month numbers based on the old CPIX prior to January 2009 and the new CPI basket post January 2009. The CPI excluding owners equivalent rent (I-Net code: AECPIX) and adjusted CPI(I-Net code: AECPI) figures are shown together with market statistics below should these numbers be preferred for comparison purposes.

INVESTMENT DATA TO THE END OF DECEMBER 2016					
	Calendar Year				
	2015	2014	2013	2012	2011
Headline CPI + 6%					
Coronation Absolute	6.21%	9.91%	21.20%	17.74%	7.73%
Investec Opportunity	15.53%	10.46%	16.23%	20.72%	12.59%
Prudential Domestic Real Return Plus 6 %	4.33%	13.74%	13.11%	25.04%	9.97%
Prudential Global Inflation Plus 6%	11.42%	13.73%	20.57%	21.62%	11.67%
SIM CPI + 6%	6.35%	10.31%	14.15%	14.97%	8.14%
STANLIB Absolute Plus Fund	7.78%	10.02%	15.40%	12.67%	9.33%
MARKET STATISTICS					
Combination of old CPIX and new CPI*	4.77%	5.80%	5.35%	5.60%	6.12%
Consumer Price Inflation (Old/New combined CPI)	4.77%	5.80%	5.35%	5.60%	6.12%
Consumer Price Inflation (Headline CPI) [I-Net code: AECPI]	4.77%	5.80%	5.35%	5.60%	6.12%
STEFI	6.49%	5.90%	5.18%	5.55%	5.73%

Inflation figures lagged by one month

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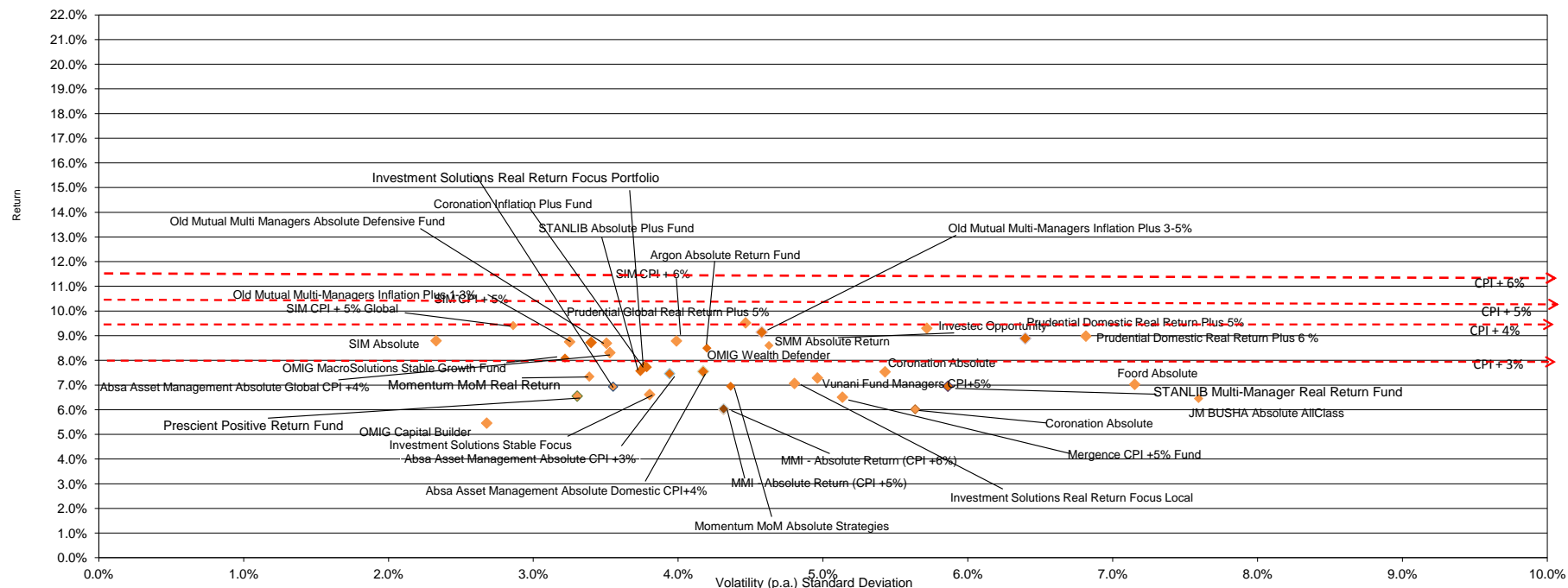
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ABSOLUTE RETURN MANAGER WATCH™ SURVEY

Volatility vs Return Scatterplot on Absolute Return Managers
for the 3 Years ended 31 December 2016



* Reasonable use of the survey maybe made for purposes of comment and study provided that full acknowledgement is made to "Alexander Forbes Research & Product Development".

** Please see final page for Disclaimers and Glossary **

ABSOLUTE RETURN MANAGER WATCH™ SURVEY

EXPLANATORY NOTES

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Quantitative figures are calculated on 3 year performance returns.

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General :

Managers are ranked from highest to lowest active return. In some cases rankings JULY be different due to return differences disguised by the rounding. Rankings are purely for illustrative purposes.

GIPS™ is a trademark owned by the CFA Institute.

Statistical Definitions :

The Median is the value above or below which half the managers fall.

The Upper Quartile is the value above which one quarter of the managers fall.

The Lower Quartile is the value below which one quarter of the managers fall.

Risk Analysis Definitions :

"Volatility" is the annualised standard deviation of the manager's monthly returns.

"Volatility" is a measure of the variability of the manager's returns.

"Return to Risk" is the return divided by the

"Volatility"

"Return to Risk" is a measure of the return earned per unit of risk taken.

"Active return" is the return earned by the manager less the return on the benchmark.

"Active Return" is a measure of the value that the

manager has added or detracted over the benchmark return.

"Tracking Error" is the annualised standard deviation of the monthly "Active Returns".

"Tracking Error" is a measure of the variability of the manager's returns relative to the benchmark returns.

"Information Ratio" is the "Active Return" divided by the "Tracking Error".

"Information Ratio" is a measure of the value added per unit of risk taken relative to the benchmark.

"Sortino Ratio (Capital Loss)" measures whether the return in excess of a zero benchmark was sufficient to cover the downside volatility/risk inherent in the investment ie whether capital was indeed preserved.

"Sortino Ratio (Inflation)" measures whether the return in excess of an inflationary benchmark was sufficient to cover the downside volatility/risk inherent in the investment ie whether capital was protected in real terms.

GIPS™ - Global Investment Performance Standards

Ethical principles to achieve full disclosure and fair presentation of investment performance

In South Africa GIPS™ SA requires managers to obtain a verification certificate on compliance

GIPS™ - Status:

C - Indication that manager is compliant but not verified

V - Indication that manager is verified

More information can be obtained from <http://www.gipstandards.org/>