



**S.A Bond Manager Watch™ Survey
for the month ending December 2014**

Research & Product Development
FINANCIAL SERVICES

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Securing your financial well-being

COMMENTARY

SURVEY NOTES

The SA Bond Manager Watch™ Survey focuses on specialist fixed income mandates invested in South African denominated interest rate/ debt/ inflation linked instruments with an effective modified duration mandate of +/- 2 years around the All Bond Index (ALBI) benchmark. The SA Bond Manager Watch™ Survey is made up of 2 categories; with the following being material changes within each category over the fourth quarter of 2014:

Bond Manager Watch™ (Specialist Bonds): The Atlantic Bond Composite entered the survey.

Bond Manager Watch™ (Inflation Linked Bonds): No changes

It should be noted that historic performance is not indication of future performance nor is it a direct indicator of skill. Although all specialist bond funds use the ALBI as its benchmark, a manager may have different mandates allowing exposure to unlisted instruments, derivatives or even exposure to lower credit ratings. The current positioning and exposure of a fund is more relevant to an investment strategy than its historic performance. Please use all information within this survey and interpretations therefrom cautiously. Use an asset consultant or professional advisor when matching your liabilities to appropriate assets and fund strategies.

SOURCES OF PERFORMANCE: BOND FUNDS

The main sources of performance for Bond funds are:

- Portfolio positioning: Choosing the term structures across the yield curve that you wish to be exposed to, based on the expected interest rate changes to the yield curve. You would want to be exposed more to parts of the curve that is expected to have declining yields and less to rising yields. (Money market instruments being an exception).
- Credit yield pick-up: Purchasing instruments issued by parties with a credit spread over government based issuance. Issuers with lower credit ratings offer similar term instruments at better interest rates to offset the possible risk of default.
- Managing the portfolio term (duration): Adjusting the overall portfolio term (duration) to be longer or shorter than the ALBI benchmark based on interest rate forecasts. Usually longer term instruments provide additional return to compensate for the term risk.
- Trading: Taking advantage of short term mispricing; or using alternate instruments such as derivatives, FRA's and swaps for yield enhancement.
- Other: Other sources would include convexity optimisation, carry trades, convertible bonds. Taking advantage of arbitrage between markets, fixed versus floating rates, nominal versus real rates.

MARKET DYNAMICS THAT INFLUENCED PERFORMANCE AND STRATEGY OVER 2014

The South African bond market ended both the quarter and the 2014 calendar year well, with the ALBI up 4.2% and 10.1% respectively. Inflation-linked bonds (ILBs) put in a similar performance, with ILBs up 2.2% and 11.1% respectively. Both benefitted from compressed yields driving up bond prices.

Yields fell in spite of two interest rate hikes by the Monetary Policy Committee. The 50 basis point (bp) hike in January of 2014 caught the market unaware, introducing significant volatility to both interest rate and currency markets. The 25bp hike in July met a more muted response, but it did accelerate net foreign bond outflows. For the year, net foreign bond outflows totaled R58 billion as sovereign credit expectations deteriorated.

The sovereign credit rating status of South Africa remains a concern, particularly given its current role as an investment haven in Africa. South Africa has received multiple credit rating changes during 2014. In particular, S&P downgraded South Africa in June and Moody's Investor Services did the same in November. Neither has yet compromised South Africa's investment grade (i.e. above junk grade status), but the downgrades did result in net bond outflows.

Due to South Africa maintaining its investment grade status, it remains included in major global indices, with inclusion in the CITI WGBI Index being particularly important for South Africa to obtain capital from foreign investors.

The latest developments in the Medium-Term Strategic Framework (MTSF) provided some support to bolster implementation of the National Development Plan (NDP) in order to curb structural issues within the country. However, with persistent twin account deficits, currency depreciation, electricity disruptions and poor growth, South Africa remains at risk of losing its investment grade.

Two key economic themes that placed downward pressure on bond yields both locally and globally for the quarter and year were lower inflation expectations and the enduring relationship between the yields of the US and SA 10 year bonds.

Declining commodity prices, and the dramatic fall in oil prices in particular, lowered inflation expectations for 2014. The reduction in the demand for precious metals was due to slowing demand from commodity consuming countries, particularly China. The fall in the oil price was attributable primarily to tactics by the Organization of the Petroleum Exporting Countries' (OPEC) to maintain its market share.

COMMENTARY

CPI inflation expectations reduced from 6.4% to 5.8% over the fourth quarter largely as a result of lower fuel and food prices. If the oil price continues to fall, CPI inflation is expected to fall further towards a low of 4% by Q2 2015. This should offer bond investors greater real returns.

This improvement in inflation expectations does not necessarily mean that South African interest rates will fall. As mentioned above, another key driver of South African bond yields is the relationship between the US and SA's 10-year bonds.

The U.S. 10 year government bond yield curve flattened for the year with interest rates falling during 2014. However, an interest rate hiking cycle is expected in the second half of this year as positive economic data signals that the US may be on the path to recovery.

Factors that significantly drove bond market performance were portfolio term (duration) and credit pick-up. The long end of the SA bond curve (bonds maturing >12 years) flattened during 2014, most noticeably in Q4. The short end of the curve (bonds maturing within 3 years) displayed the opposite effect by rising during the quarter (2.5%) and year (6.2%) due to the interest rate hikes. Medium and longer term bonds performed better for the year with the 3-7 years, 7-12 years and 12+ years maturity buckets yielding 7.9%, 8.3% and 12.9% respectively. Fixed rate bonds remain unattractive compared to floating rate notes at the short end.

As the other key performance contributor in 2014, credit also provided a pick-up with corporate bonds (i.e. OTHI) yielding 11.8% for the year. If managers were not correctly positioned on the curve in terms of duration, then being exposed to greater credit risk would have helped improve returns. However, ABIL's curatorship placement created some negative sentiment towards corporate bonds particularly in the second half of 2014. As a result, some managers backed away from credit due to fears over losing capital, while others saw an opportunity to buy cheaper credit. On the whole, credit spreads narrowed in 2014.

HOW THE MANAGERS PERFORMED OVER 2014

In stark contrast to 2013, only about half (55%) of the composites managed to outperform the ALBI. In 2013, all of the composites outperformed due to opportunities on the shorter end of the curve. However, this trend reversed in 2014 with more value being available on the longer end of the curve. On average, managers have become marginally more risk averse, with the allocation towards AAA rated instruments slightly higher than in 2013, i.e. 58.35% vs. 54.31%.

Drilling down into how the bond market environment impacted bond managers, it was quite evident that on average managers had increased their duration over the year. However, most still lagged the ALBI's duration. With the 12+ year maturity segment performing the best, this meant that many managers underperformed.

Futuregrowth Yield Enhanced finished the year as the best performing fund as it possessed one of the highest durations relative to other managers, indicating that it was well positioned in terms of duration. Futuregrowth does also possess high proportions of credit exposure within its fund with only 21.7% allocated towards AAA-rated debt instruments. The fund also holds a number of unlisted securities which provides further yield pickup. A similar result was witnessed last year as Futuregrowth Yield Enhanced finished off on with the highest return for 2013, though at that point they had one of the lowest durations.

Investec Corporate Bond surprisingly finished off as the worst performing fund for the year, even though it displayed modest duration exposure (6.29) and good credit exposure. This is quite different to its performance in 2013 when the fund finished strongly - second behind Futuregrowth Yield Enhanced. A significant detractor to performance was the composite's exposure to ABIL.

The dispersion between bond composites significantly increased compared to 2013, with 2014's figure amounting to more than double (5.73%) the 2013 figure (2.01%). It is interesting to note that the performance differential of the top 6 managers alone were 2.14%. It suggests that managers find it easier to perform in trending markets, where one can simply switch duration and credit. In contrast, volatile markets expose the underlying dynamics of the investment processes used by managers.

In the ILB space, no managers were able to outperform the Barclays SA ILB Index for 2014, a complete reversal from 2013 when all managers outperformed the Index. ILB managers held a proportion of their portfolios in nominal bond and cash securities, which underperformed relative to ILB securities. ILBs performed well for the year ending off on 11.1%, with significant performance coming through in Q2. The long end of the ILB yield curve rallied with the short end having normalized for 2014. This indicates that real yields decreased, given falling inflation expectations and a low yield environment. The average duration of managers in the ILB space has remained fairly stable between 2013 and 2014.

CONCLUSIONS

2014 was a year where yields were compressed affording bond prices a chance to rise and to finish off the year strongly. Value was found on the long end of the curve and in the absence of good duration positioning, credit pick-up aided performance. Going forward, lower inflation expectations will impact bond yields, particularly on the long end as investors may demand lower yields due to falling inflation. Given substantial foreign bond outflows during 2014, South Africa's poor economic fundamentals and its contentious sovereign credit rating status, 2015 proves an important year for the nation to address structural issues and bolster economic growth in order to remain a good fixed income investment haven in Africa.

S.A. BOND MANAGER WATCH™

Objective - The portfolios included in this Survey represent specialist bond portfolios with ALBI as their benchmark and have an effective modified duration mandate of +/- 2 years around the ALBI

GENERAL INFORMATION									
	GIPS™ (Verified/ Compliant)	Notes	Managed ito Regulation 28? (Y/N)	Benchmark Description	Portfolio Modified Duration	% Invested in AAA rated instruments	No.of funds in composite	Portfolio Size (R m)	Admin - efficiency : Date data submitted
INVESTMENT MANAGERS									
SPECIALIST BONDS									
Argon Domestic Core Bond	C		Y	All Bond Index	6.79	46.81%	4	711	09 January 2015
Atlantic Bond Composite	C		Y	All Bond Index	6.19	28.42%	3	646	12 January 2015
Cadiz Houseview Bond Fund	C		Y	All Bond Index	5.00	67.28%	9	4,522	14 January 2015
Coronation Active Bond Portfolio (Composite)	C		Y	All Bond Index	6.55	79.81%	9	8,118	14 January 2015
Coronation Strategic Bond Composite	C		Y	All Bond Index	6.38	64.55%	8	4,429	14 January 2015
Futuregrowth Core Bond Composite	V		Y	All Bond Index	7.16	68.36%	4	18,144	14 January 2015
Futuregrowth Yield Enhanced	V		N	All Bond Index	7.06	21.70%	5	5,439	14 January 2015
Investec Corporate Bond Composite	V		Y	All Bond Index	6.29	34.10%	3	13,317	09 January 2015
Investec Triple Alpha			Y	All Bond Index	6.49	58.37%	16	3,661	09 January 2015
Investment Solutions Pure Fixed Interest Portfolio	n/a		Y	All Bond Index	4.82	63.51%		4,861	12 January 2015
JM BUSHA BondPlus	C		Y	All Bond Index	6.79	84.76%	3	855	08 January 2015
Momentum AM Bond Fund	C		Y	All Bond Index	6.22	76.57%	10	8,450	14 January 2015
Momentum MoM Moderate Bond FOF			Y	All Bond Index	6.16	63.46%	2	206	14 January 2015
Pan Africa AM Segregated Domestic Bond	C		Y	All Bond Index	6.75	38.20%	5	1,899	09 January 2015
Prescient Bond Quant	V		Y	All Bond Index	6.05	59.03%	2	456	12 January 2015
Prescient Bond QuantPlus	V		Y	All Bond Index	5.53	53.90%	11	7,485	12 January 2015
Prudential Yield Enhanced Portfolio	V		Y	All Bond Index	6.64	55.45%	8	2,748	06 January 2015
SIM Institutional Total Return Bond Fund	V		Y	All Bond Index	6.88	81.61%	15	7,139	07 January 2015
Stanlib Core Bond Portfolio	V		Y	All Bond Index	6.29	57.00%	8	4,831	09 January 2015
Vunani Active Bond Fund	V		Y	All Bond Index	6.56	48.98%	6	822	13 January 2015
		This includes multi-managers thus must be noted as possible "double-counting"							
				TOTAL				97,381	
INFLATION LINKED BONDS									
Coronation Absolute Bond Portfolio	C		N	CPI + 4%pa	1.79	12.81%	2	7,605	14 January 2015
Investec Inflation Linked Bond Composite	V		Y	Barclays - BESA SA Inflation Linked Index	11.48	88.70%	3	3,105	09 January 2015
Momentum AM Inflation Linked Bond Fund	C		Y	Barclays - BESA SA Inflation Linked Index	11.30	79.29%	4	1,406	14 January 2015
Prescient Inflation Linked Bond Composite	V		Y	90 ILBI / 10 STEFI Call	9.86	84.60%	3	2,810	12 January 2015
Prudential Inflation Linked Bond Fund	V		Y	Barclays South Africa Inflation Linked Index	11.76	77.69%	1	231	06 January 2015
SIM Inflation Linked Bond Fund	V		Y	Barclays BESA Govt Inflation-linked Bond Index	11.43	82.00%	2	3,593	07 January 2015
INDICES									
All Bond Index									
		This includes multi-managers thus must be noted as possible "double-counting"							
				TOTAL				18,749	

* Characteristics are updated on a quarterly basis. Last update June 2013

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

* While all possible care is taken in the compilation of the Survey, reliance is placed on information received from Investment Managers.

* The rankings and statistical information have been supplied for illustrative purposes only.

* Performance figures are shown gross of fees.

* Performance should not be judged over a short period of time.

* Past performance is not necessarily a guide to future performance.

S.A. BOND MANAGER WATCH™ SURVEY

Objective - The portfolios included in this Survey represent specialist bond portfolios with ALBI as their benchmark and have an effective modified duration mandate of +/- 2 years around the ALBI

INVESTMENT DATA TO THE END OF DECEMBER 2014																											
PERFORMANCE DATA																											
	Month	Rank	Quarter	Rank	Year to Date	Rank	1 Year	Rank	3 Years (p.a.)	Rank	5 Years (p.a.)	Rank	7 Years (p.a.)	Rank	10 Years (p.a.)	Rank	Calendar Year 2014	Rank	Calendar Year 2013	Rank	Calendar Year 2012	Rank	Calendar Year 2011	Rank	Calendar Year 2010	Rank	
SPECIALIST BONDS																											
Argon Domestic Core Bond	-1.42%	12	4.18%	11	11.08%	5	11.08%	5	10.58%	3	10.45%	16	9.63%	18	*		11.08%	5	2.69%	5	18.55%	2	6.81%	19	13.81%	18	
Atlantic Bond Composite	-0.91%	2	3.48%	20	10.65%	7	10.65%	7	*		*		*				10.65%		2.32%		*		*	*	*		
Cadiz Houseview Bond Fund	-1.12%	3	4.09%	14	9.98%	13	9.98%	13	9.51%	9	10.68%	13	10.17%	13	9.50%	5	9.98%	13	1.93%	11	17.14%	11	8.98%	18	16.07%	12	
Coronation Active Bond Portfolio (Composite)	-1.43%	13	4.22%	9	11.33%	3	11.33%	3	10.25%	4	11.27%	4	10.48%	5	9.70%	2	11.33%	3	2.30%	9	17.66%	5	9.85%	5	15.86%	13	
Coronation Strategic Bond Composite	-1.22%	5	4.42%	4	11.69%	2	11.69%	2	10.71%	2	11.61%	2	11.00%	2	*		11.69%	2	2.76%	4	18.25%	3	9.70%	8	16.34%	9	
Futuregrowth Core Bond Composite	-1.50%	14	4.26%	8	10.33%	8	10.33%	8	9.73%	5	10.96%	9	10.19%	11	9.29%	12	10.33%	8	2.10%	10	17.30%	7	9.35%	13	16.39%	8	
Futuregrowth Yield Enhanced	-1.32%	8	4.93%	1	12.81%	1	12.81%	1	11.70%	1	12.93%	1	11.94%	1	10.75%	1	12.81%	1	3.29%	1	19.59%	1	11.27%	2	18.44%	2	
Investec Corporate Bond Composite	-1.63%	19	4.07%	16	7.08%	20	7.08%	20	9.00%	15	11.39%	3	10.98%	3	*		7.08%	20	3.22%	2	17.16%	9	11.56%	1	18.70%	1	
Investec Triple Alpha	-1.56%	18	4.08%	15	8.83%	19	8.83%	19	8.92%	17	10.57%	14	10.11%	15	*		8.83%	19	1.91%	12	16.49%	14	9.82%	6	16.48%	7	
Investment Solutions Pure Fixed Interest Portfolio	-0.90%	1	4.65%	2	11.08%	4	11.08%	4	9.70%	7	10.75%	12	10.21%	9	9.40%	8	11.08%	4	2.40%	7	16.05%	16	9.27%	14	15.52%	15	
JM BUSHA BondPlus	-1.31%	7	3.88%	19	9.59%	18	9.59%	18	8.78%	18	9.81%	19	9.18%	19	*		9.59%	18	1.28%	20	15.97%	17	9.16%	16	13.64%	19	
Momentum AM Bond Fund	-1.30%	6	4.17%	12	10.27%	10	10.27%	10	9.41%	13	10.79%	10	10.45%	6	9.52%	3	10.27%	10	1.36%	19	17.17%	8	9.58%	10	16.30%	10	
Momentum MoM Moderate Bond FOF	-1.35%	10	4.13%	13	10.22%	11	10.22%	11	9.26%	14	10.57%	15	10.23%	8	9.40%	9	10.22%	11	1.63%	17	16.44%	15	9.38%	12	15.82%	14	
Pan Africa AM Segregated Domestic Bond	-1.33%	9	4.30%	6	10.27%	9	10.27%	9	9.43%	11	10.78%	11	10.21%	10	9.39%	10	10.27%	9	1.71%	14	16.83%	12	9.07%	17	16.72%	5	
Prescient Bond Quant	-1.55%	17	4.04%	17	10.12%	12	10.12%	12	8.94%	16	10.31%	17	9.88%	17	9.05%	13	10.12%	12	1.60%	18	15.55%	18	9.46%	11	15.40%	16	
Prescient Bond QuantPlus	-1.40%	11	3.96%	18	9.66%	16	9.66%	16	8.65%	19	9.98%	18	10.09%	16	9.42%	7	9.66%	16	3.01%	3	13.54%	19	9.17%	15	14.91%	17	
Prudential Yield Enhanced Portfolio	-1.51%	16	4.39%	5	9.86%	14	9.86%	14	9.42%	12	11.18%	5	10.40%	7	9.51%	4	9.86%	14	1.78%	13	17.14%	10	11.27%	4	17.30%	3	
SIM Institutional Total Return Bond Fund	-1.71%	20	4.45%	3	10.67%	6	10.67%	6	9.51%	8	10.97%	8	10.13%	14	9.34%	11	10.67%	6	1.70%	15	16.69%	13	9.67%	9	16.82%	4	
Stanlib Core Bond Portfolio	-1.51%	15	4.20%	10	9.61%	17	9.61%	17	9.49%	10	11.04%	7	10.18%	12	9.46%	6	9.61%	17	1.66%	16	17.77%	4	10.61%	3	16.26%	11	
Vunani Active Bond Fund	-1.14%	4	4.28%	7	9.69%	15	9.69%	15	9.72%	6	11.09%	6	10.72%	4	*		9.69%	15	2.41%	6	17.56%	6	9.74%	7	16.72%	6	
SPECIALIST BONDS STATISTICS																											
Highest	-0.90%		4.93%		12.81%		12.81%		11.70%		12.93%		11.94%		10.75%		12.81%		3.29%		19.59%		11.56%		18.70%		
Upper Quartile	-1.28%		4.32%		10.77%		10.77%		9.72%		11.13%		10.46%		9.51%		10.77%		2.48%		17.61%		9.83%		16.72%		
Median	-1.38%		4.19%		10.25%		10.25%		9.49%		10.79%		10.21%		9.42%		10.25%		2.02%		17.14%		9.58%		16.30%		
Average	-1.36%		4.21%		10.24%		10.24%		9.62%		10.90%		10.33%		9.52%		10.24%		2.15%		16.99%		9.63%		16.18%		
Lower Quartile	-1.51%		4.08%		9.69%		9.69%		9.13%		10.57%		10.12%		9.39%		9.69%		1.69%		16.47%		9.22%		15.67%		
Lowest	-1.71%		3.48%		7.08%		7.08%		8.65%		9.81%		9.18%		9.05%		7.08%		1.28%		13.54%		6.81%		13.64%		
Range	0.81%		1.45%		5.73%		5.73%		3.05%		3.12%		2.76%		1.69%												
Number of participants	20		20		20		20		19		19		19		13		20		20		19		19		19		
INFLATION LINKED BONDS																											
Coronation Absolute Bond Portfolio	-0.05%		2.25%		8.51%		8.51%		8.77%		11.13%		11.61%		10.64%		8.51%		4.56%		13.44%		13.88%		15.66%		
Investec Inflation Linked Bond Composite	-0.20%		2.23%		10.91%		10.91%		10.04%		*		*		*		10.91%		1.11%		18.81%		13.56%		*		
Momentum AM Inflation Linked Bond Fund	-0.08%		2.34%		10.86%		10.86%		10.34%		11.29%		*		*		10.86%		1.21%		19.73%		13.48%		12.00%		
Prescient Inflation Linked Bond Composite	-0.05%		2.07%		10.22%		10.22%		*		*		*		*		10.22%		*		15.63%		11.45%		10.92%		
Prudential Inflation Linked Bond Fund	-0.15%		2.31%		10.33%		10.33%		10.22%		11.10%		11.02%		*		10.33%		1.14%		19.98%		13.32%		11.59%		
SIM Inflation Linked Bond Fund	-0.19%		2.35%		10.87%		10.87%		10.21%		*		*		*		10.87%		1.12%		19.39%		*		*		
INFLATION LINKED BONDS STATISTICS																											
Highest	-0.05%		2.35%		10.91%		10.91%		10.34%		11.29%		11.61%		*		10.91%		4.56%		19.98%		13.88%		15.66%		
Upper Quartile	-0.06%		2.33%		10.87%		10.87%		10.22%		11.21%		11.46%		*		10.87%		1.21%		19.64%		13.56%		12.92%		
Median	-0.12%		2.28%		10.60%		10.60%		10.22%		11.13%		11.32%		*		10.60%		1.14%		19.10%		13.48%		11.79%		
Average	-0.12%		2.26%		10.29%		10.29%		9.91%		11.18%		11.32%		*		10.29%		1.83%		17.83%		13.14%		12.54%		
Lower Quartile	-0.18%		2.23%		10.25%		10.25%		10.04%		11.12%		11.17%		*		10.25%		1.12%		16.42%		13.32%		11.42%		
Lowest	-0.20%		2.07%		8.51%		8.51%		8.77%		11.10%		11.02%		*		8.51%		1.11%		13.44%		11.45%		10.92%		
Range	0.16%		0.28%		2.40%		2.40%		1.56%		0.19%		0.59%		*		2.40%		3.44%		6.55%		2.43%		4.75%		
Number of participants	6		6		6		6		5		3		2		*		6		5		6		5		4		
INDICES																											
All Bond Index	-1.55%		4.25%		10.15%		10.15%		8.74%		9.97%		9.29%		8.54%		0.64%		15.99%		8.82%		14.96%		-0.99%		
1-3 Year Bond Index	-0.48%		2.45%		6.23%		6.23%		6.31%		7.31%		8.15%		7.75%		4.42%		8.30%		8.90%		8.75%		7.74%		
3-7 Year Bond Index	-1.36%		3.26%		7.90%		7.90%		7.90%		9.11%		8.36%		8.36%		1.46%		13.65%		10.18%		12.79%		2.80%		
7-12 Year Bond Index	-1.99%		4.07%		8.30%		8.30%		8.56%		10.34%		9.43%		8.87%		-0.21%		18.40%		10.20%		16.00%		-2.19%		
12+ Year Bond Index	-1.71%		5.35%		12.91%		12.91%		10.03%		10.35%		8.75%		8.03%		-0.69%		18.81%		6.00%		15.86%		-7.47%		
Barclays - BESA SA Inflation Linked Index	-0.13%		2.24%		11.15%		11.15%		10.17%		10.90%		10.81%		11.19%		0.79%		19.37%		13.05%		10.97%		7.66%		
BESA Standard Bank Credit Index	-0.92%		5.37%		9.14%		9.14%		7.27%		10.54%		9.95%		*		-2.29%		15.74%		10.95%		20.50%		2.51%		
GOVI	-1.53%		4.09%		9.81%		9.81%		8.47%		9.54%		8.70%		8.14%		0.52%		15.64%		7.84%		14.58%		-0.44%		
OTHI	-1.65%		4.87%		11.81%		11.81%		10.22%		11.16%		9.97%		8.89%		1.49%		17.98%		8.10%		17.28%		-1.91%		
STeFI	0.56%		1.55%		5.90%		5.90%		5.55%		5.86%		7.14%		7.38%		5.18%		5.55%		5.73%		6.93%		9.13%		

Characteristics are updated on a quarterly basis. Last update June 2013

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S.A. BOND MANAGER WATCH™ SURVEY

Objective - The portfolios included in this Survey represent specialist bond portfolios with ALBI as their benchmark and have an effective modified duration mandate of +/- 2 years around the ALBI

SECTOR ALLOCATION							
	1-3 Years	3-7 Years	7-12 Years	12+ Years	Other	Cash	Total
INVESTMENT MANAGERS							
SPECIALIST BONDS							
Argon Domestic Core Bond	9.01%	19.24%	17.24%	52.60%	0.00%	1.90%	100.00%
Cadiz Houseview Bond Fund	23.26%	20.16%	14.83%	37.85%	0.00%	3.90%	100.00%
Coronation Active Bond Portfolio (Composite)	12.61%	15.20%	34.63%	29.50%	3.92%	4.13%	100.00%
Coronation Strategic Bond Composite	16.48%	10.40%	29.38%	31.23%	10.82%	1.69%	100.00%
Futuregrowth Core Bond Composite	4.71%	25.02%	16.98%	52.43%	0.00%	0.87%	100.00%
Futuregrowth Yield Enhanced	30.34%	25.99%	22.12%	52.53%	4.18%	-35.47%	100.00%
Investec Corporate Bond Composite	10.36%	27.87%	33.05%	28.21%	0.00%	0.50%	100.00%
Investec Triple Alpha	2.07%	6.22%	17.52%	15.39%	56.46%	2.33%	100.00%
Investment Solutions Pure Fixed Interest Portfolio	3.04%	20.57%	15.05%	46.37%	0.69%	14.29%	100.00%
JM BUSHA BondPlus	5.54%	30.92%	13.09%	49.10%	0.00%	1.36%	100.00%
Momentum AM Bond Fund	17.98%	16.50%	21.19%	41.48%	1.22%	1.63%	100.00%
Momentum MoM Moderate Bond FOF	2.97%	38.11%	14.45%	37.13%	0.51%	6.83%	100.00%
Pan Africa AM Segregated Domestic Bond	3.77%	21.60%	17.99%	51.48%	4.32%	0.84%	100.00%
Prescient Bond Quant	7.48%	40.71%	19.72%	32.09%	0.00%	0.00%	100.00%
Prescient Bond QuantPlus	13.02%	36.63%	22.99%	27.36%	0.00%	0.00%	100.00%
Prudential Yield Enhanced Portfolio	8.54%	21.92%	27.33%	36.06%	0.00%	6.14%	100.00%
SIM Institutional Total Return Bond Fund	7.50%	13.52%	41.03%	37.45%	0.01%	0.48%	100.00%
Stanlib Core Bond Portfolio	5.29%	22.37%	18.81%	49.60%	2.92%	1.01%	100.00%
Vunani Active Bond Fund	7.66%	24.09%	19.12%	45.60%	0.00%	3.54%	100.00%
INFLATION LINKED BONDS							
Coronation Absolute Bond Portfolio	27.54%	16.33%	9.83%	5.75%	33.20%	7.35%	100.00%
Investec Inflation Linked Bond Composite	3.88%	0.22%	40.49%	49.88%	2.11%	3.43%	100.00%
Momentum AM Inflation Linked Bond Fund	0.02%	0.15%	39.29%	54.06%	0.00%	6.48%	100.00%
Prescient Inflation Linked Bond Composite	2.40%	3.91%	0.60%	50.31%	42.78%	0.00%	100.00%
Prudential Inflation Linked Bond Fund	4.29%	0.00%	25.44%	42.37%	0.00%	27.90%	100.00%
SIM Inflation Linked Bond Fund	3.63%	0.76%	38.34%	50.51%	0.00%	6.77%	100.00%
Indices							
All Bond Index	0.00%	30.42%	16.74%	44.00%	0.00%	8.83%	100.00%

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S.A. BOND MANAGER WATCH™ SURVEY

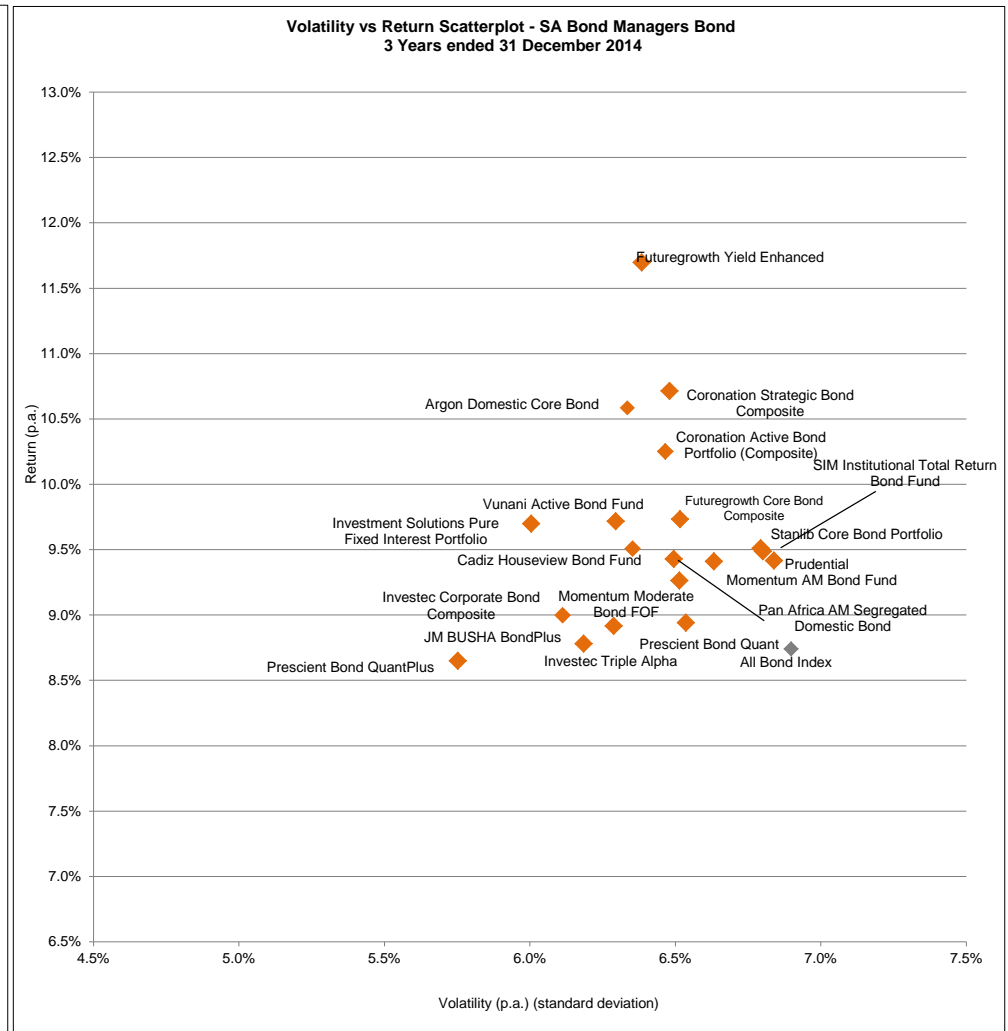
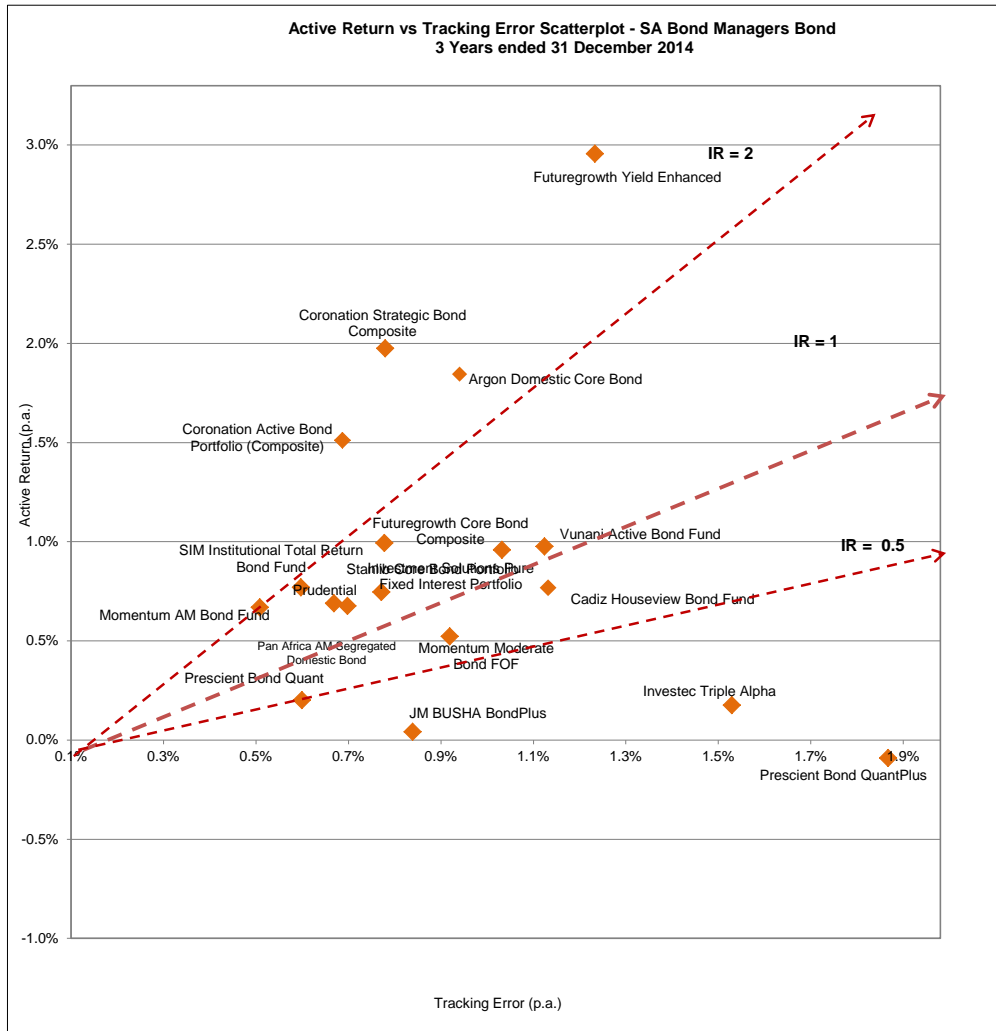
Objective - The portfolios included in this Survey represent specialist bond portfolios with ALBI as their benchmark and have an effective modified duration mandate of +/- 2 years around the ALBI

INVESTMENT DATA TO THE END OF DECEMBER 2014																			
RISK VS RETURN																			
	Calculated on 3 year performance returns									Calculated on 5 year performance returns									
	3 Year Return (p.a.)	Rank	Volatility (Risk)	Rank	Active Return	Rank	Tracking Error	Information Ratio	Rank	5 Year Return (p.a.)	Rank	Volatility (Risk)	Rank	Active Return	Rank	Tracking Error	Information Ratio	Rank	
SPECIALIST BONDS																			
Argon Domestic Core Bond	10.58%	3	6.34%	7	1.84%	3	0.91%	2.02	4	10.45%	16	6.24%	16	0.48%	16	1.22%	0.39	17	
Cadiz Houseview Bond Fund	9.51%	9	6.35%	8	0.77%	9	1.10%	0.70	13	10.68%	13	5.99%	7	0.71%	13	0.91%	0.78	12	
Coronation Active Bond Portfolio (Composite)	10.25%	4	6.47%	10	1.51%	4	0.66%	2.30	3	11.27%	4	6.06%	12	1.30%	4	0.63%	2.05	4	
Coronation Strategic Bond Composite	10.71%	2	6.48%	11	1.97%	2	0.75%	2.63	1	11.61%	2	6.01%	9	1.64%	2	0.70%	2.34	1	
Futuregrowth Core Bond Composite	9.73%	5	6.52%	14	0.99%	5	0.75%	1.33	7	10.96%	9	6.05%	10	0.98%	9	0.66%	1.50	8	
Futuregrowth Yield Enhanced	11.70%	1	6.38%	9	2.96%	1	1.20%	2.46	2	12.93%	1	5.74%	4	2.95%	1	1.37%	2.16	2	
Investec Corporate Bond Composite	9.00%	15	6.11%	3	0.26%	15	2.75%	0.09	17	11.39%	3	5.78%	5	1.41%	3	2.20%	0.64	15	
Investec Triple Alpha	8.92%	17	6.29%	5	0.18%	17	1.50%	0.12	16	10.57%	14	5.99%	8	0.60%	14	1.20%	0.50	16	
Investment Solutions Pure Fixed Interest Portfolio	9.70%	7	6.00%	2	0.96%	7	1.00%	0.96	11	10.75%	12	5.65%	2	0.78%	12	0.88%	0.89	11	
JM BUSHA BondPlus	8.78%	18	6.19%	4	0.04%	18	0.81%	0.05	18	9.81%	19	5.73%	3	-0.16%	19	0.79%	-0.21	19	
Momentum AM Bond Fund	9.41%	13	6.63%	16	0.67%	13	0.48%	1.40	5	10.79%	10	6.10%	14	0.82%	10	0.49%	1.66	6	
Momentum MoM Moderate Bond FOF	9.26%	14	6.51%	13	0.52%	14	0.89%	0.59	14	10.57%	15	6.08%	13	0.59%	15	0.89%	0.67	13	
Pan Africa AM Segregated Domestic Bond	9.43%	11	6.49%	12	0.69%	11	0.64%	1.08	8	10.78%	11	6.18%	15	0.80%	11	0.61%	1.33	9	
Prescient Bond Quant	8.94%	16	6.54%	15	0.20%	16	0.57%	0.35	15	10.31%	17	6.05%	11	0.33%	17	0.51%	0.65	14	
Prescient Bond QuantPlus	8.65%	19	5.75%	1	-0.09%	19	1.84%	-0.05	19	9.98%	18	5.31%	1	0.01%	18	1.59%	0.00	18	
Prudential Yield Enhanced Portfolio	9.42%	12	6.84%	19	0.68%	12	0.67%	1.01	9	11.18%	5	6.36%	18	1.21%	5	0.59%	2.05	3	
SIM Institutional Total Return Bond Fund	9.51%	8	6.79%	17	0.77%	8	0.57%	1.36	6	10.97%	8	6.36%	19	0.99%	8	0.51%	1.96	5	
Stanlib Core Bond Portfolio	9.49%	10	6.80%	18	0.75%	10	0.74%	1.01	10	11.04%	7	6.29%	17	1.06%	7	0.65%	1.63	7	
Vunani Active Bond Fund	9.72%	6	6.29%	6	0.98%	6	1.09%	0.89	12	11.09%	6	5.97%	6	1.11%	6	0.89%	1.25	10	
			<i>Lower volatility = higher ranking</i>									<i>Lower volatility = higher ranking</i>							
STATISTICS																			
Highest	11.70%		6.84%		2.96%		2.75%	2.63		12.93%		6.36%		2.95%		2.20%	2.34		
Upper Quartile	9.72%		6.53%		0.98%		1.10%	1.38		11.13%		6.14%		1.16%		1.06%	1.81		
Median	9.49%		6.47%		0.75%		0.81%	1.01		10.79%		6.05%		0.82%		0.79%	1.25		
Average	9.62%		6.41%		0.88%		1.00%	1.07		10.90%		6.00%		0.93%		0.91%	1.17		
Lower Quartile	9.13%		6.29%		0.39%		0.66%	0.47		10.57%		5.88%		0.60%		0.62%	0.65		
Lowest	8.65%		5.75%		-0.09%		0.48%	-0.05		9.81%		5.31%		-0.16%		0.49%	-0.21		
Number of participants	19		19		19		19	19		19		19		19		19	19		
INFLATION LINKED BONDS																			
Coronation Absolute Bond Portfolio	8.77%		3.00%							11.13%		3.31%							
Investec Inflation Linked Bond Composite	10.04%		6.55%							-		-							
Momentum AM Inflation Linked Bond Fund	10.34%		6.83%							11.29%		6.07%							
Prescient Inflation Linked Bond Composite	-		-							-		-							
Prudential Inflation Linked Bond Fund	10.22%		7.02%							11.10%		6.13%							
SIM Inflation Linked Bond Fund	10.21%		6.84%							-		-							
STATISTICS																			
Highest	10.34%		7.02%							11.29%		6.13%							
Upper Quartile	10.22%		6.84%							11.21%		6.10%							
Median	10.21%		6.83%							11.13%		6.07%							
Average	9.91%		6.05%							11.18%		5.17%							
Lower Quartile	10.04%		6.55%							11.12%		4.69%							
Lowest	8.77%		3.00%							11.10%		3.31%							
Number of participants	5		5							3		3							
INDICES																			
All Bond Index	8.74%		6.90%							9.97%		6.40%							
Barclays - BESA SA Inflation Linked Index	10.17%		6.95%							10.90%		6.08%							
BESA Standard Bank Credit Index	7.27%		7.93%							10.54%		7.01%							

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Quantitative figures are calculated on 3 year performance returns.

Performance should not be judged over a short period of time.

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General :

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

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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.

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