



S.A Bond Manager Watch™ Survey for the month ending December 2015

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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 2015:

Bond Manager Watch™ (Specialist Bonds): No changes.

Bond Manager Watch™ (Inflation Linked Bonds): The Prudential Inflation Linked Bond Fund exited the survey in October 2015.

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 Q4 2015

Annus Horribilis appropriately describes the course of markets and investors over 2015. Had it not been for a cruelly depreciating Rand, which brings its own economic woes for South Africa, even multi-asset class strategies would have struggled to beat cash returns. The first half of the year was volatile but positive. It was the second half that brought the chickens home to roost. The dominant economic themes that influenced markets and portfolio management strategy were:

- The most significant story of 2015 had to be the declining economic growth in China, which was written in the economic statistics released through the year, and persistent commentary of a shift towards a more consumption led economy from its production driven framework. Weak manufacturing data indicated that conditions in China may be much worse than GDP numbers suggest. Growth forecasts have fallen to less than 5%, with many indicators pointing towards a hard landing of the Chinese economy, and in its wake China's many trading partners including South Africa
- Amidst this the catalyst that ignited all of this took place in late June when 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. Economic data from China will be closely scrutinized over the forthcoming months to provide insight as to the potential extent of the slowdown.
- The second dominant theme was the expectation of the US Fed raising interest rates for the first time since 2008. With the US labour market continuing to tighten with accelerating job growth and jobless claims now at multi-year lows, it seemed inevitable. The weeks approaching the September meeting, increased expectations that interest rates would be hiked. However, despite the positive indicators; the Fed delayed the decision, to unnerve the market. A controlled communication process over the subsequent weeks saw the Fed eventually raise interest rates by 25bp in December for the first time since 2008, 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.

COMMENTARY

- Despite reaching \$50 per barrel at the end of last year, the oil price continued to decline with a significant oversupply relative to global demand. The oil price tumbled towards the \$30 price per barrel as it touched eight year lows in December. This had a ripple effect across all commodities that were already weak due to China's slowdown. Gold, a traditional safe haven in risk-off markets did not perform as the usual "flight to quality" asset and was also negative through this period
- With the outlook on the global market beginning to fragment, the risk of recession loomed large for South Africa. Local conditions deteriorated with continuing electricity shortfalls, rising inflation, increased interest rates, electricity disruptions, labour conflicts, and depressed business confidence. Global rating agencies Fitch and S&P had warned that South Africa that rating downgrades would be applied unless we could implement growth enhancing economic reforms and maintain strong fiscal consolidation. This did not materialise, and South African sovereign risk was downgraded towards junk status.
- The weakening fiscal discipline was further exposed with the surprise removal of finance minister Nhlamhla Nene by President Zuma in December. This not only exposed the frailties of the local markets but demonstrated how quickly capital can move across markets. In the short time it took to appoint Mr Pravin Gordhan back to his former post to calm the markets, R225 billion in value had been wiped off the JSE, the Rand had broken through the R16 a dollar mark and long term bond yields had increased by over a percent. Foreigners sold about R7.9bn of local bonds in December, R4.5bn for the year. This economic uncertainty on fiscal discipline and economic growth sets the primary themes for 2016.
- Many economists felt the 25 bp rate hike in July followed by a second hike in November was insufficient against prevailing Rand weakness and the threat of rising inflation. The exacerbated Rand depreciation by investors in December fuelled market expectations for a 50bp rate hike in January and saw local yield curves shift upwards further weakening the bond market.
- Economic growth forecasts for 2015 continue to be revised downwards, at c. 1.8% by local forecasters, but 0.7% by the IMF which outlined ever weaker local consumption. Local earnings of companies were expected to decline, and Rand hedged earnings perceived as a material risk mitigator.

Interest rate markets also fluctuated significantly q-o-q, with outflows of over R37.5bn from bond markets over the last quarter and R10bn over the year reversing net inflows from the previous quarters. With two interest rate hikes, cash returns were strongest with the STeFI returning +5.6%, and ILB's up 3.7%, whilst nominal bonds were down -3.9%. Local managers are increasing duration at current levels with risk coming from Fed actions and foreign investor interest in local bonds. All in all managers would have struggled to find returns in fixed income markets this year with cash and cash equivalents being the strongest differentiator.

The best-performing area of the curve over the year was the ultra-short end, which returned 4.1% to be ahead of the 3-7-year area, which returned 0.9% and the 7-12-year area, which returned -3.2%. The 12+ year area was the worst performer, returning -7.0%.

HOW THE MANAGERS PERFORMED OVER THE Q4 2015

Bond performance struggled significantly over the fourth quarter after a positive third quarter with all managers returning negative over the quarter even though 18 out of 21 portfolios out-performed the All Bond Index which returned -6.43% for the quarter. The average manager earned -5.81%, as compared to 1.30%, in Q3 2015. 1 year performance dispersion between specialist bond managers has diverged to 4.09% compared to 2.46% last quarter.

The best performing specialist bond composite for the quarter was the Absa Asset Management Bond Composite, returning -4.49% over the quarter benefiting from having the lowest duration in amongst its peers. Over 1 year this portfolio is third in the rankings behind the Investec Corporate Bond Composite and the Futuregrowth Yield Enhanced portfolio which also did well over Q4 2015 which was helped by yield enhancement through credit, exposure to the short end and exposure to ILBs. The worst performer over the quarter was SIM Institutional Total Return Bond Fund with a duration greater than that of the ALBI.

Specialist bond composite managers are on average lower duration than the ALBI, with SIM Institutional Total Return Bond, Prudential Yield Enhanced and Momentum MoM Moderate Bond FoF having the highest durations for the quarter. The use of credit in the specialist bond composites proliferates with the average fund only having 61% invested in AAA instruments, however this is up from last quarter's average of 65%.

In terms of ILB composites, the Investec Inflation Linked Bond Composite portfolio performed the best over the quarter and was second on a 1 year basis. The best performing portfolio over 1 year was the Coronation Absolute Bond Portfolio still possessing the lowest duration (3.69) relative to the other ILB composites. The low duration of the portfolio and hedges make it far less sensitive to yield movements. This would give it strong protective qualities in weak interest rate markets but reciprocally it will not respond to yield changes that work in its favour.

Over the year to date and 1 year, all ILB portfolios except 1 have out-performed the inflation linked bond index.

It should be noted that the Absa Asset Management Bond Fund, Futuregrowth Yield Enhanced, Prescient Bond Quant, Prescient Bond Quant Plus, Prescient Inflation Linked Bonds and Coronation Absolute Bond composites are not Regulation 28 compliant composites. This would allow greater flexibility in fund management which could result in significantly different performance outcomes and risk profiles.

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 in terms of 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									
Absa Asset Management Bond Fund	V		N	All Bond Index	5.03	58.50%	1	270	08 January 2016
Argon SA Bond Fund	C		Y	All Bond Index	6.30	61.07%	4	942	14 January 2016
Atlantic Bond Composite	C		Y	All Bond Index	6.67	35.51%	3	670	14 January 2016
Cadiz Houseview Bond Fund	V		Y	All Bond Index	5.49	61.95%	3	808	14 January 2016
Coronation Active Bond Portfolio (Composite)	C		Y	All Bond Index	6.37	61.00%	6	5,233	13 January 2016
Coronation Strategic Bond Composite	C		Y	All Bond Index	5.65	59.00%	6	3,428	13 January 2016
Futuregrowth Core Bond Composite	C		Y	All Bond Index	6.57	67.52%	4	21,031	14 January 2016
Futuregrowth Yield Enhanced	C		N	All Bond Index	6.36	29.02%	5	5,314	14 January 2016
Investec Corporate Bond Composite	V		Y	All Bond Index	6.53	32.38%	3	11,133	12 January 2016
Investec Triple Alpha	V		Y	All Bond Index	6.48	58.62%	8	2,686	12 January 2016
Investment Solutions Pure Fixed Interest Portfolio	n/a		Y	All Bond Index	5.44	65.54%	0	4,841	15 January 2016
JM BUSHA BondPlus	C		Y	All Bond Index	6.01	84.76%	3	831	08 January 2016
Momentum AM Bond Fund	C		Y	All Bond Index	6.62	88.77%	10	14,804	14 January 2016
Momentum MoM Moderate Bond FOF			Y	All Bond Index	6.68	64.05%	1	161	14 January 2016
Pan Africa AM Segregated Domestic Bond	V		Y	All Bond Index	6.21	52.40%	6	1,819	11 January 2016
Prescient Bond Quant	V		N	All Bond Index	6.37	67.40%	2	430	14 January 2016
Prescient Bond QuantPlus	V		N	All Bond Index	6.38	62.80%	10	8,757	14 January 2016
Prudential Yield Enhanced Portfolio	V		Y	All Bond Index	6.70	74.11%	7	2,847	07 January 2016
SIM Institutional Total Return Bond Fund	V		Y	All Bond Index	7.07	80.60%	14	6,778	06 January 2016
Stanlib Core Bond Portfolio	V		Y	All Bond Index	6.50	64.00%	10	6,365	13 January 2016
Vunani Active Bond Fund	V		Y	All Bond Index	6.60	55.26%	7	892	14 January 2016
		<i>This includes multi-managers thus must be noted as possible "double-counting"</i>		TOTAL				100,037	
INFLATION LINKED BONDS									
Coronation Absolute Bond Portfolio	C		N	CPI + 4%pa	3.69	12.00%	2	7,257	13 January 2016
Investec Inflation Linked Bond Composite	V		Y	Barclays - BESA SA Inflation Linked Index	11.92	78.85%	3	3,838	12 January 2016
Momentum AM Inflation Linked Bond Fund	C		Y	Barclays - BESA SA Inflation Linked Index	12.02	68.64%	4	3,366	14 January 2016
Prescient Inflation Linked Bond Composite	V		N	90 ILBI / 10 STEFI Call	9.96	75.30%	3	2,780	14 January 2016
SIM Inflation Linked Bond Fund	V		Y	Barclays BESA Govt Inflation-linked Bond Index	11.79	78.86%	2	2,569	06 January 2016
INDICES									
All Bond Index					6.72				
		<i>This includes multi-managers thus must be noted as possible "double-counting"</i>		TOTAL				19,809	

* Characteristics are updated on a quarterly basis.

* 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 2015																									
	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 2015	Calendar Year 2014	Calendar Year 2013	Calendar Year 2012	Calendar Year 2011					
SPECIALIST BONDS																										
Absa Asset Management Bond Fund	-5.18%	1	-4.49%	1	-1.14%	3	-1.14%	3	*	*	*	*	*	*	*	-1.14%	3	*	*	*						
Argon SA Bond Fund	-6.57%	16	-6.15%	14	-2.47%	8	-2.47%	8	3.62%	3	7.09%	5	6.82%	19	*	-2.47%	8	11.08%	5	2.69%	5	18.55%	2	6.81%	19	
Atlantic Bond Composite	-6.37%	11	-6.00%	12	-2.48%	9	-2.48%	9	*	*	*	*	*	*	*	-2.48%	9	10.92%	6	2.32%	*	*	*	*		
Cadiz Houseview Bond Fund	-5.94%	7	-5.56%	8	-2.51%	10	-2.51%	10	3.00%	8	6.89%	9	7.24%	9	8.09%	3	-2.51%	10	9.98%	13	1.93%	11	17.14%	11	8.98%	18
Coronation Active Bond Portfolio (Composite)	-6.16%	10	-5.73%	10	-2.98%	12	-2.98%	12	3.38%	6	7.39%	4	7.46%	5	8.15%	2	-2.98%	12	11.33%	3	2.30%	9	17.66%	5	9.85%	5
Coronation Strategic Bond Composite	-5.62%	2	-5.38%	6	-2.33%	7	-2.33%	7	3.88%	2	7.77%	2	7.97%	3	*	-2.33%	7	11.69%	2	2.76%	4	18.25%	3	9.70%	8	
Futuregrowth Core Bond Composite	-6.68%	18	-6.36%	18	-3.56%	19	-3.56%	19	2.80%	11	6.86%	10	7.11%	15	7.74%	11	-3.56%	19	10.33%	8	2.10%	10	17.30%	7	9.35%	13
Futuregrowth Yield Enhanced	-5.67%	3	-5.00%	2	-0.82%	2	-0.82%	2	4.94%	1	8.99%	1	9.11%	1	9.43%	1	-0.82%	2	12.81%	1	3.29%	1	19.59%	1	11.27%	2
Investec Corporate Bond Composite	-5.85%	5	-5.10%	3	-2.00%	1	-2.00%	1	3.32%	7	7.59%	3	8.38%	2	*	-2.00%	1	7.08%	20	3.22%	2	17.16%	9	11.56%	1	
Investec Triple Alpha	-6.09%	9	-5.56%	9	-2.00%	5	-2.00%	5	2.82%	9	6.81%	11	7.22%	12	*	-2.00%	5	8.83%	19	1.91%	12	16.49%	14	9.82%	6	
Investment Solutions Pure Fixed Interest Portfolio	-6.02%	8	-5.54%	7	-2.56%	11	-2.56%	11	3.49%	5	7.05%	6	7.28%	7	7.93%	6	-2.56%	11	11.08%	4	2.40%	7	16.05%	16	9.27%	14
JM BUSHA BondPlus	-5.83%	4	-5.17%	4	-2.22%	6	-2.22%	6	2.76%	13	6.56%	18	6.86%	18	*	-2.22%	6	9.59%	18	1.28%	20	15.97%	17	9.16%	16	
Momentum AM Bond Fund	-6.84%	19	-6.58%	20	-3.53%	18	-3.53%	18	2.54%	16	6.72%	13	7.25%	8	7.95%	5	-3.53%	18	10.27%	10	1.36%	19	17.17%	8	9.58%	10
Momentum MoM Moderate Bond FOF	-6.63%	17	-6.28%	17	-3.48%	17	-3.48%	17	2.64%	15	6.61%	16	7.22%	13	7.91%	7	-3.48%	17	10.22%	11	1.63%	17	16.44%	15	9.38%	12
Pan Africa AM Segregated Domestic Bond	-6.40%	13	-6.07%	13	-3.21%	14	-3.21%	14	2.79%	12	6.69%	14	7.18%	14	7.88%	9	-3.21%	14	10.31%	9	1.72%	14	16.63%	13	9.14%	17
Prescient Bond Quant	-6.39%	12	-5.96%	11	-3.08%	13	-3.08%	13	2.74%	14	6.52%	19	6.92%	16	7.58%	13	-3.08%	13	10.12%	12	1.60%	18	15.55%	18	9.46%	11
Prescient Bond QuantPlus	-5.85%	6	-5.29%	5	-1.67%	4	-1.67%	4	3.56%	4	6.60%	17	7.31%	6	7.99%	4	-1.67%	4	9.66%	16	3.01%	3	13.54%	19	9.17%	15
Prudential Yield Enhanced Portfolio	-6.87%	20	-6.58%	19	-4.05%	20	-4.05%	20	2.37%	19	6.80%	12	7.24%	10	7.90%	8	-4.05%	20	9.86%	14	1.78%	13	17.14%	10	10.58%	4
SIM Institutional Total Return Bond Fund	-7.05%	21	-6.80%	21	-4.29%	21	-4.29%	21	2.51%	18	6.63%	15	6.92%	17	7.66%	12	-4.29%	21	10.67%	7	1.70%	15	16.69%	12	9.67%	9
Stanlib Core Bond Portfolio	-6.53%	15	-6.17%	15	-3.25%	15	-3.25%	15	2.54%	17	7.03%	7	7.23%	11	7.78%	10	-3.25%	15	9.61%	17	1.66%	16	17.77%	4	10.61%	3
Vunani Active Bond Fund	-6.52%	14	-6.20%	16	-3.25%	16	-3.25%	16	2.81%	10	6.99%	8	7.64%	4	*	-3.25%	16	9.69%	15	2.41%	6	17.56%	6	9.74%	7	
SPECIALIST BONDS STATISTICS																										
Highest	-5.18%		-4.49%		-0.20%		-0.20%		4.94%		8.99%		9.11%		9.43%		-0.20%		12.81%		3.29%		19.59%		11.56%	
Upper Quartile	-5.85%		-5.38%		-2.22%		-2.30%		3.44%		7.07%		7.39%		7.99%		-2.22%		10.96%		2.48%		17.61%		9.83%	
Median	-6.37%		-5.96%		-2.56%		-2.82%		2.80%		6.81%		7.23%		7.91%		-2.82%		10.25%		2.02%		17.14%		9.58%	
Average	-6.24%		-5.81%		-2.62%		-2.70%		3.02%		6.97%		7.35%		7.99%		-2.62%		10.26%		2.15%		16.98%		9.64%	
Lower Quartile	-6.57%		-6.20%		-3.25%		-3.31%		2.69%		6.66%		7.14%		7.78%		-3.25%		9.69%		1.69%		16.47%		9.22%	
Lowest	-7.05%		-6.80%		-4.29%		-4.29%		2.37%		6.52%		6.82%		7.58%		-4.29%		7.08%		1.28%		13.54%		6.81%	
Range	1.87%		2.31%		4.09%		4.09%		2.57%		2.47%		2.29%		1.85%		4.09%		5.73%		2.01%		6.05%		4.75%	
Number of participants	21		21		21		20		19		19		19		13		21		20		20		19		19	
INFLATION LINKED BONDS																										
Coronation Absolute Bond Portfolio	-1.01%		0.31%		4.98%		4.98%		6.00%		9.00%		10.40%		10.29%		4.98%		8.51%		4.56%		13.44%		13.88%	
Investec Inflation Linked Bond Composite	-1.85%		0.93%		3.88%		3.88%		5.22%		9.47%		*		*		3.88%		10.91%		1.11%		18.81%		13.56%	
Momentum AM Inflation Linked Bond Fund	-1.85%		0.84%		4.11%		4.11%		5.32%		9.68%		*		*		4.11%		10.86%		1.21%		19.73%		13.48%	
Prescient Inflation Linked Bond Composite	-1.78%		0.63%		3.66%		3.66%		*		*		*		*		3.66%		10.22%		*		15.63%		11.45%	
SIM Inflation Linked Bond Fund	-1.92%		0.77%		3.73%		3.73%		5.16%		*		*		*		3.73%		10.87%		1.12%		19.39%		*	
INFLATION LINKED BONDS STATISTICS																										
Highest	-1.01%		0.93%		4.98%		4.98%		6.00%		9.68%		10.40%		*		4.98%		10.91%		4.56%		19.73%		13.88%	
Upper Quartile	-1.78%		0.84%		4.11%		4.11%		5.49%		9.57%		10.40%		*		4.11%		10.87%		2.04%		19.39%		13.64%	
Median	-1.85%		0.77%		3.88%		3.88%		5.27%		9.47%		10.40%		*		3.88%		10.86%		1.16%		18.81%		13.52%	
Average	-1.68%		0.70%		4.07%		4.07%		5.43%		9.38%		10.40%		*		4.07%		10.28%		2.00%		17.40%		13.09%	
Lower Quartile	-1.85%		0.63%		3.73%		3.73%		5.21%		9.23%		10.40%		*		3.73%		10.22%		1.12%		15.63%		12.97%	
Lowest	-1.92%		0.31%		3.66%		3.66%		5.16%		9.00%		10.40%		*		3.66%		8.51%		1.11%		13.44%		11.45%	
Range	0.91%		0.62%		1.32%		1.32%		0.84%		0.68%		0.00%		*		1.32%		2.40%		3.44%		6.29%		2.43%	
Number of participants	5		5		5		5		4		3		1		*		5		5		4		5		4	
INDICES																										
All Bond Index	-6.67%		-6.43%		-3.93%		-3.93%		2.12%		6.09%		6.26%		7.00%		10.15%		0.64%		15.99%		8.82%		14.96%	
1-3 Year Bond Index	-1.47%		-0.50%		4.10%		4.10%		4.91%		6.37%		6.90%		7.38%		6.23%		4.42%		8.30%		8.90%		8.75%	
3-7 Year Bond Index	-3.71%		-2.74%		0.93%		0.93%		3.38%		6.71%		6.98%		7.46%		7.90%		1.46%		13.65%		10.18%		12.79%	
7-12 Year Bond Index	-6.37%		-5.83%		-3.19%		-3.19%		1.52%		6.42%		6.45%		7.21%		8.30%		-0.21%		18.40%		10.20%		16.00%	
12+ Year Bond Index	-8.55%		-8.79%		-7.04%		-7.04%		1.39%		5.59%		5.00%		5.91%		12.91%		-0.69%		18.81%		6.00%		15.86%	
Barclays - BESA SA Inflation Linked Index	-1.75%		0.91%		3.68%		3.68%		5.12%		9.40%		9.37%		9.82%		11.15%		0.79%		19.37%		13.05%		10.97%	
BESA Standard Bank Credit Index	-4.32%		-3.86%		-7.85%		-7.85%		-0.58%		4.76%		6.55%		7.09%		9.14%		-2.29%		15.74%		10.95%		20.50%	
Govi	-6.16%		-5.79%		-3.44%		-3.44%		2.15%		5.85%		6.12%		6.66%		9.81%		0.52%		15.64%		7.84%		14.58%	
OTHI	-8.01%		-8.11%		-5.08%		-5.08%		2.51%		6.56%		6.76%		7.23%		11.81%		1.49%		17.98%		8.10%		17.28%	
STeFI	0.55%		1.62%		6.49%		6.49%		5.86%		5.77%		6.41%		7.31%		5.90%		5.18%		5.55%		5.73%		6.93%	

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

INVESTMENT DATA TO THE END OF DECEMBER 2015																		
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 SA Bond Fund	3.62%	3	8.13%	12	1.50%	3	0.90%	1.66	4	7.09%	5	7.37%	15	1.00%	5	1.04%	0.96	12
Cadiz Houseview Bond Fund	3.00%	8	7.81%	4	0.88%	8	1.17%	0.75	11	6.89%	9	7.00%	5	0.79%	9	0.97%	0.82	13
Coronation Active Bond Portfolio (Composite)	3.38%	6	8.05%	10	1.27%	6	0.70%	1.81	3	7.39%	4	7.22%	13	1.29%	4	0.60%	2.17	1
Coronation Strategic Bond Composite	3.88%	2	7.95%	6	1.76%	2	0.89%	1.99	2	7.77%	2	7.10%	8	1.68%	2	0.78%	2.15	2
Futuregrowth Core Bond Composite	2.80%	11	8.44%	17	0.68%	11	0.84%	0.81	10	6.86%	10	7.43%	17	0.77%	10	0.71%	1.07	7
Futuregrowth Yield Enhanced	4.94%	1	8.04%	9	2.82%	1	1.29%	2.20	1	8.99%	1	7.03%	6	2.89%	1	1.41%	2.06	3
Investec Corporate Bond Composite	3.32%	7	7.73%	3	1.20%	7	2.82%	0.43	18	7.59%	3	6.80%	3	1.49%	3	2.25%	0.66	15
Investec Triple Alpha	2.82%	9	7.98%	7	0.70%	9	1.50%	0.46	17	6.81%	11	7.04%	7	0.72%	11	1.23%	0.58	18
Investment Solutions Pure Fixed Interest Portfolio	3.49%	5	7.70%	2	1.37%	5	1.08%	1.27	5	7.05%	6	6.78%	2	0.95%	6	0.94%	1.01	10
JM BUSHA BondPlus	2.76%	13	7.86%	5	0.65%	13	0.93%	0.69	12	6.56%	18	6.94%	4	0.46%	18	0.78%	0.59	16
Momentum AM Bond Fund	2.54%	16	8.31%	15	0.42%	16	0.52%	0.81	9	6.72%	13	7.30%	14	0.63%	13	0.50%	1.27	6
Momentum MoM Moderate Bond FOF	2.64%	15	8.24%	14	0.52%	15	0.99%	0.52	16	6.61%	16	7.20%	12	0.51%	16	0.87%	0.59	17
Pan Africa AM Segregated Domestic Bond	2.79%	12	8.10%	11	0.67%	12	0.66%	1.01	7	6.69%	14	7.19%	11	0.60%	14	0.59%	1.01	11
Prescient Bond Quant	2.74%	14	8.22%	13	0.62%	14	0.52%	1.18	6	6.52%	19	7.17%	10	0.43%	19	0.53%	0.81	14
Prescient Bond QuantPlus	3.56%	4	7.45%	1	1.44%	4	1.75%	0.82	8	6.60%	17	6.36%	1	0.51%	17	1.66%	0.31	19
Prudential Yield Enhanced Portfolio	2.37%	19	8.60%	18	0.25%	19	0.68%	0.38	19	6.80%	12	7.58%	18	0.71%	12	0.56%	1.27	5
SIM Institutional Total Return Bond Fund	2.51%	18	8.76%	19	0.39%	18	0.59%	0.65	13	6.63%	15	7.62%	19	0.53%	15	0.52%	1.03	8
Stanlib Core Bond Portfolio	2.54%	17	8.38%	16	0.42%	17	0.71%	0.59	15	7.03%	7	7.41%	16	0.94%	7	0.63%	1.48	4
Vunani Active Bond Fund	2.81%	10	8.01%	8	0.70%	10	1.10%	0.63	14	6.99%	8	7.13%	9	0.90%	8	0.88%	1.03	9
			Lower volatility = higher ranking									Lower volatility = higher ranking						
STATISTICS																		
Highest	4.94%		8.76%		2.82%		2.82%	2.20		8.99%		7.62%		2.89%		2.25%	2.17	
Upper Quartile	3.44%		8.27%		1.32%		1.14%	1.23		7.07%		7.33%		0.98%		1.00%	1.27	
Median	2.81%		8.05%		0.70%		0.90%	0.81		6.86%		7.17%		0.77%		0.78%	1.01	
Average	3.08%		8.09%		0.96%		1.03%	0.98		7.03%		7.14%		0.94%		0.92%	1.10	
Lower Quartile	2.69%		7.91%		0.57%		0.69%	0.61		6.66%		7.01%		0.57%		0.59%	0.74	
Lowest	2.37%		7.45%		0.25%		0.52%	0.38		6.52%		6.36%		0.43%		0.50%	0.31	
Number of participants	19		19		19		19	19		19		19		19		19	19	
INFLATION LINKED BONDS																		
Coronation Absolute Bond Portfolio	6.00%		3.07%							9.00%		3.09%						
Investec Inflation Linked Bond Composite	5.22%		6.42%							9.47%		6.18%						
Momentum AM Inflation Linked Bond Fund	5.32%		6.68%							9.68%		6.08%						
SIM Inflation Linked Bond Fund	5.16%		6.72%							*		*						
STATISTICS																		
Highest	6.00%		6.72%							9.68%		6.18%						
Upper Quartile	5.49%		6.69%							9.57%		6.13%						
Median	5.27%		6.55%							9.47%		6.08%						
Average	5.43%		5.72%							9.38%		5.12%						
Lower Quartile	5.21%		5.58%							9.23%		4.59%						
Lowest	5.16%		3.07%							9.00%		3.09%						
Number of participants	4		4							3		3						
INDICES																		
All Bond Index	2.12%		8.56%							6.09%		7.54%						
Barclays - BESA SA Inflation Linked Index	5.12%		6.81%							9.40%		6.17%						
BESA Standard Bank Credit Index	-0.58%		8.65%							4.76%		7.66%						

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S.A. BOND MANAGER WATCH™ SURVEY

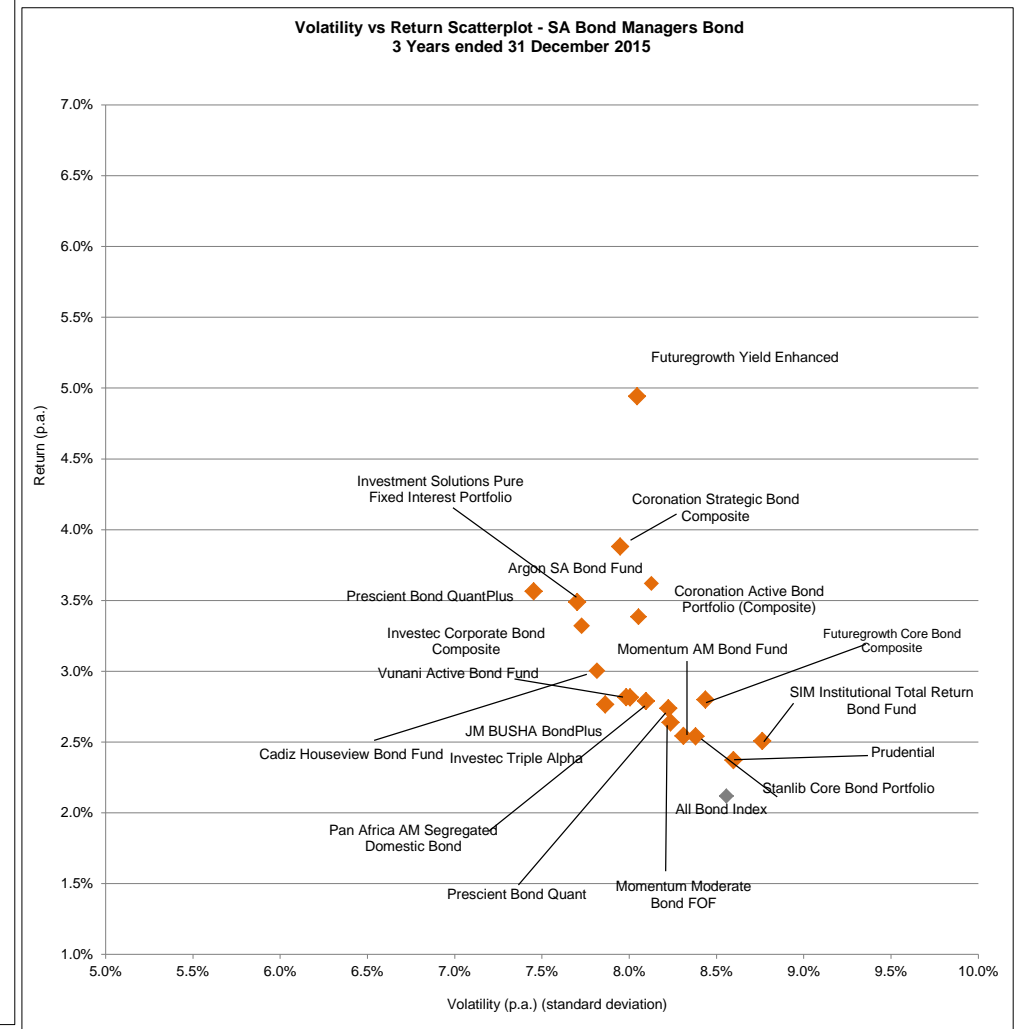
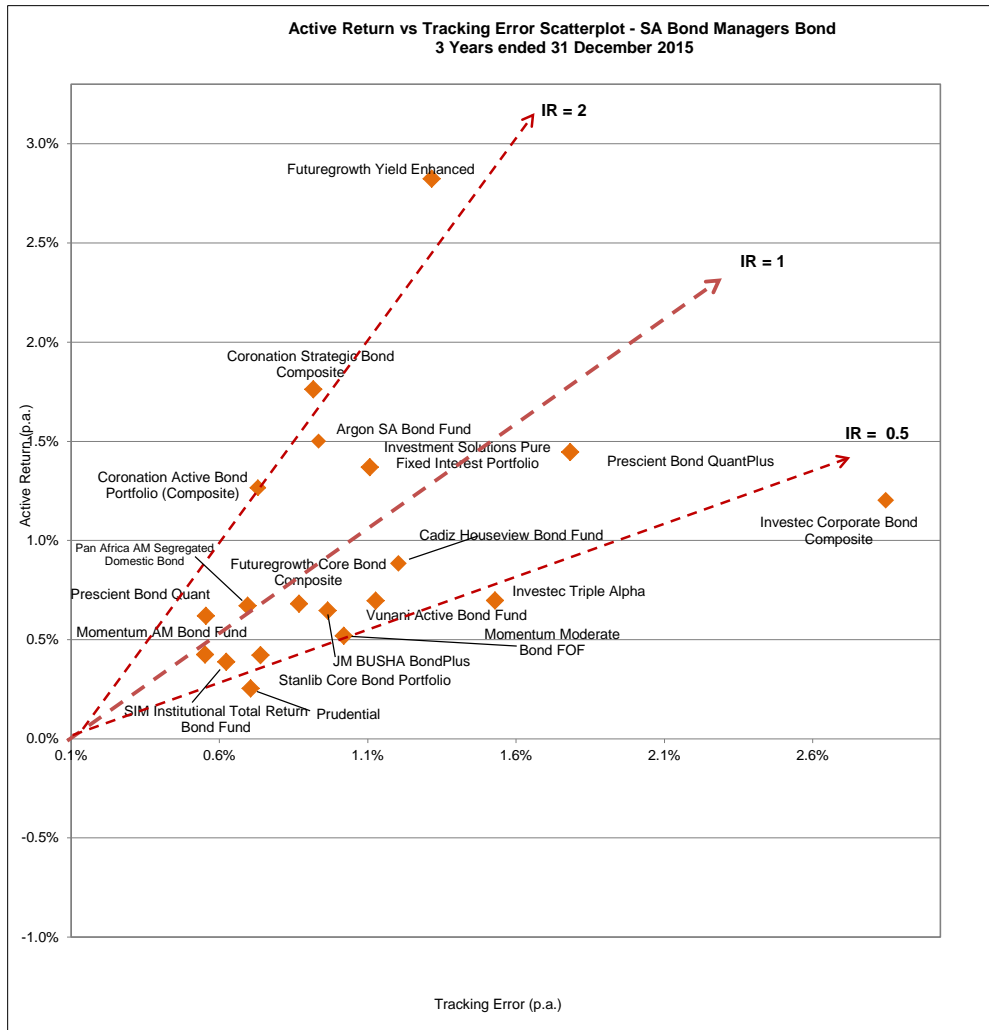
Objective - The portfolios included in this Survey represent specialist bond portfolios with ALBI as their benchmark and have an effective modified duration mandate of +/- 2 years around the ALBI

SECTOR ALLOCATION								
	1-3 Years	3-7 Years	7-12 Years	12+ Years	Other	Cash	Inflation Linked Bonds	Total
INVESTMENT MANAGERS								
SPECIALIST BONDS								
Absa Asset Management Bond Fund	3.65%	18.36%	44.12%	16.35%	0.67%	16.85%	0.00%	100.00%
Argon Domestic Core Bond	3.39%	19.94%	23.54%	47.65%	0.00%	5.49%	0.00%	100.00%
Atlantic Bond Composite	2.66%	15.05%	18.74%	40.51%	9.79%	13.25%	0.00%	100.00%
Cadiz Houseview Bond Fund	13.91%	15.38%	14.95%	49.35%	0.02%	6.38%	0.00%	100.00%
Coronation Active Bond Portfolio (Composite)	7.93%	6.51%	36.68%	43.74%	3.74%	1.40%	0.00%	100.00%
Coronation Strategic Bond Composite	13.97%	8.39%	26.59%	38.77%	10.94%	1.35%	0.00%	100.00%
Futuregrowth Core Bond Composite	5.64%	15.06%	17.28%	57.21%	2.87%	1.95%	0.00%	100.00%
Futuregrowth Yield Enhanced	19.72%	16.67%	17.74%	56.58%	22.16%	-32.88%	0.00%	100.00%
Investec Corporate Bond Composite	11.05%	30.52%	33.32%	27.00%	0.00%	-1.88%	0.00%	100.00%
Investec Triple Alpha	12.70%	19.38%	27.24%	34.35%	0.00%	6.34%	0.00%	100.00%
Investment Solutions Pure Fixed Interest Portfolio	3.41%	8.95%	28.74%	47.13%	0.03	8.54%	0.00%	100.00%
JM BUSHA BondPlus	13.04%	20.91%	21.70%	43.70%	0.00%	0.66%	0.00%	100.00%
Momentum AM Bond Fund	5.29%	7.77%	26.51%	56.30%	1.34%	2.79%	0.00%	100.00%
Momentum MoM Moderate Bond FOF	5.36%	20.75%	20.20%	46.47%	0.53%	6.69%	0.00%	100.00%
Pan Africa AM Segregated Domestic Bond	7.57%	7.47%	23.65%	54.60%	4.74%	1.98%	0.00%	100.00%
Prescient Bond Quant	11.57%	12.97%	24.85%	50.61%	0.00%	0.00%	0.00%	100.00%
Prescient Bond QuantPlus	11.57%	12.97%	24.85%	50.61%	0.00%	0.00%	0.00%	100.00%
Prudential Yield Enhanced Portfolio	7.36%	10.79%	20.94%	53.68%	8.30%	-1.07%	0.00%	100.00%
SIM Institutional Total Return Bond Fund	6.15%	14.54%	19.41%	59.56%	0.01%	0.32%	0.00%	100.00%
Stanlib Core Bond Portfolio	9.67%	14.04%	23.50%	51.47%	1.03%	0.29%	0.00%	100.00%
Vunani Active Bond Fund	11.66%	11.57%	21.75%	52.67%	0.00%	2.35%	0.00%	100.00%
INFLATION LINKED BONDS								
Coronation Absolute Bond Portfolio	21.27%	20.49%	15.19%	4.56%	35.45%	3.04%	0.00%	100.00%
Investec Inflation Linked Bond Composite	1.22%	12.32%	27.14%	49.17%	7.24%	2.92%	0.00%	100.00%
Momentum AM Inflation Linked Bond Fund	1.00%	10.16%	30.19%	58.33%	0.32%	0.00%	0.00%	100.00%
Prescient Inflation Linked Bond Composite	7.08%	12.27%	27.21%	53.44%	0.00%	0.00%	0.00%	100.00%
SIM Inflation Linked Bond Fund	5.19%	6.41%	31.53%	50.69%	5.35%	0.84%	0.00%	100.00%
Indices								
All Bond Index	0.00%	30.42%	16.74%	44.00%	0.00%	8.83%	0.00%	100.00%

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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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