



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

Research & Product Development
FINANCIAL SERVICES


ALEXANDERFORBES
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 second quarter of 2014:

Bond Manager Watch™ (Specialist Bonds): No changes

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 Q2 2014

The MPC is still confronted with the same policy issue of pursuing alleviating inflation at the expense of weakening the economy further. As was expected by the market, the interest rate was unchanged in May's meeting despite continuous reiterations by the Reserve Bank of the economy being in an interest rate hike environment. The Reserve Bank has maintained that interest rates will have to rise in order to curb the inflation target range breach. An important driver of the interest rate hike will be the need to respond to data of economic variables, such as the Rand and GDP.

The slope of the nominal bond yield curve flattened as the yields of long-dated bonds decreased by more than short-dated bond yields. This in turn resulted in the local bonds (ALBI) performance of 2.5% for the quarter, up from the Q1 2014 performance figure (0.9%). Most of the gains for the past quarter were driven by moderating expectations of interest rate hikes. On a year to date basis, 3.4% was realized, with majority of the gains coming from this quarter. Positive returns were gained across all bond maturities, with the 3-7 year maturity profile performing strongest for the quarter. The yield curve flattened for the month on the back of weak local growth and inflationary pressures. The 10 year treasury yield fell by 10 bps over the quarter, in line with U.S. and European 10 year yields also falling. ILBs performed well for the quarter, returning 5.9% for the quarter on the back of rising inflation and a decrease in real yields.

Despite foreign bond inflows of R13.8 billion during the quarter, the Rand continued to depreciate over the quarter in light of weak Q1 growth, labour unrest and persistent large twin deficits. The Rand still remains on the back foot even though remaining stable in the past few weeks. On a trade-weighted basis, the Rand depreciated marginally by 1.5%. Its depreciation was most severe against the Pound (by 3.7%) and the Yen (by 2.9%), with a modest depreciation of 1.0% versus the Dollar and 0.4% versus the Euro. Vulnerability still plagues the currency as local economic conditions remain poor. Local fundamentals seem to reach a depression with economic outlook not being one of sudden improvement. Thus both local bonds and the Rand imply that the direction of bond yields is likely to be flat going forward.

Credit demand has been subdued during the quarter, not providing a significant boost to economic growth, with a slowdown in household loans visible. Demand for credit is expected to remain subdued given increased pressure on disposable income, poor growth outlook of the country and employment and continuing lending standards tightening on unsecured loan borrowing.

The weak Q1 economic growth sparked concerns among credit rating agencies, partially underpinning Fitch's outlook change of the country from stable to negative and S&P's downgrading of the country's long term foreign currency rating to BBB-, one level above junk. This is concerning as there is a significant risk of SA government debt becoming non-investment grade and the possibility of bond professional investors being forced to be sellers due to breaching regulatory constraints. More holistically, the country risks losing its inclusion in the CITI WGBI index if non-investment grade credit quality influences inclusion into the index.

HOW THE MANAGERS PERFORMED OVER THE Q2 2014

Bond performance over the quarter has improved with the average manager returning 2.74% for the quarter versus 1.25% in quarter 1. Performance dispersion between managers has started to narrow from 3.02% over 1 year at the last quarter to 2.67% this quarter.

The best performing specialist bond fund continues to be the Futuregrowth Yield Enhanced fund returning 8.30% which outperformed the ALBI by 2.82%. Most managers in this asset class are focusing on adding value over the benchmark and over 1 year; all the specialist bond managers have outperformed the ALBI. The specialist bond managers are on average approximately 0.2 in duration to the ALBI, with SIM, Pan Africa, Investment Solutions and Argon as outliers.

The use of credit in the portfolios is well proliferated with the average fund only 53.7% invested in AAA instruments. In particular, the Top 2 funds over 3 years (Futuregrowth Yield Enhanced and Investec Corporate Bond Funds) use high levels of credit in their portfolios.

Coronation's Absolute Bond Portfolio's low duration in its Absolute fund did not pay off this quarter. The low duration of 3.54 and hedges made it far less sensitive to the yield movements. The other five inflation linked bond managers finished the quarter within 1.81% of each other. Prudential was the best performing fund over the quarter and over 1 year in the inflation linked bond fund category and this was in part due to its higher duration structures.

It should be noted that the Futuregrowth Yield Enhanced Fund, Vunani Active Bond Fund and the Coronation Absolute Bond Fund are not Reg. 28 compliant funds. This would allow them greater flexibility in the management of the fund which could result in significantly differing 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 to 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	V		Y	All Bond Index	5.25	43.71%	2	122	11 July 2014
Cadiz Houseview Bond Fund	V		Y	All Bond Index	5.44	56.60%	9	6 243	14 July 2014
Coronation Active Bond Portfolio (Composite)	V		Y	All Bond Index	6.19	64.00%	9	6 381	14 July 2014
Coronation Strategic Bond Composite	V		Y	All Bond Index	5.87	62.67%	7	3 502	14 July 2014
Futuregrowth Core Bond Composite	V		Y	All Bond Index	5.66	57.58%	5	13 477	14 July 2014
Futuregrowth Yield Enhanced	V		N	All Bond Index	5.68	25.56%	8	4 836	14 July 2014
Investec Corporate Bond Composite	V		Y	All Bond Index	5.69	33.82%	3	13 958	14 July 2014
Investec Dynamic Bond Portfolio			Y	All Bond Index	5.96	49.72%	16	9 660	14 July 2014
Investec Triple Alpha			Y	All Bond Index	5.87	57.21%	16	3 678	14 July 2014
Investment Solutions Pure Fixed Interest Portfolio	n/a		Y	All Bond Index	5.34	61.94%	n/a	9 074	14 July 2014
JM BUSHA BondPlus			Y	All Bond Index	5.78	71.70%	3	811	04 July 2014
Momentum AM Bond Fund	V		Y	All Bond Index	5.81	65.97%	11	8 297	14 July 2014
Momentum MoM Moderate Bond FOF			Y	All Bond Index	5.87	59.55%	1	198	14 July 2014
Pan Africa AM Segregated Domestic Bond	C		Y	All Bond Index	6.52	29.15%	6	1 185	11 July 2014
Prescient Bond Quant	V		Y	All Bond Index	6.00	57.70%	2	447	14 July 2014
Prescient Bond QuantPlus	V		Y	All Bond Index	5.83	52.30%	11	8 542	14 July 2014
Prudential Yield Enhanced Portfolio	V		Y	All Bond Index	6.09	59.00%	8	2 146	03 July 2014
SIM Institutional Total Return Bond Fund	V		Y	All Bond Index	6.55	72.16%	18	8 259	03 July 2014
Stanlib Core Bond Portfolio	V		Y	All Bond Index	5.71	53.00%	8	4 494	14 July 2014
Vunani Active Bond Fund	V		N	All Bond Index	6.01	40.80%	6	794	09 July 2014
		<i>This includes multi-managers thus must be noted as possible "double-counting"</i>		TOTAL				105 981	
INFLATION LINKED BONDS									
Coronation Absolute Bond Portfolio			N	CPI + 4%pa	3.54	8.76%	2	7 686	14 July 2014
Investec Inflation Linked Bond Composite				Barclays - BESA SA Inflation Linked Index	11.66	88.35%	3	1 885	14 July 2014
Momentum AM Inflation Linked Bond Fund			Y	Barclays - BESA SA Inflation Linked Index	11.36	79.67%	4	1 528	14 July 2014
Prescient Inflation Linked Bond Composite			Y	90 ILBI / 10 STEFI Call	9.96	84.69%	3	3 275	14 July 2014
Prudential Inflation Linked Bond Fund			Y	Barclays South Africa Inflation Linked Index	11.66	70.00%	1	203	03 July 2014
SIM Inflation Linked Bond Fund			Y	Barclays BESA Govt Inflation-linked Bond Index	11.02	83.00%	3	11 470	03 July 2014
INDICES									
All Bond Index					6.06				
		<i>This includes multi-managers thus must be noted as possible "double-counting"</i>		TOTAL				26 047	

* 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 JUNE 2014																										
PERFORMANCE DATA																										
	Month		Quarter		Year to Date		1 Year		3 Years (p.a.)		5 Years (p.a.)		7 Years (p.a.)		10 Years (p.a.)		Calendar Year 2013	Calendar Year 2012	Calendar Year 2011	Calendar Year 2010	Calendar Year 2009					
	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank					
SPECIALIST BONDS																										
Argon Domestic Core Bond	1.11%	5	2.92%	5	4.82%	1	7.61%	3	10.67%	4	10.07%	17	9.30%	17	*	2.69%	5	18.55%	2	6.81%	20	13.81%	19	-1.04%	20	
Cadiz Houseview Bond Fund	1.18%	3	2.34%	19	4.23%	7	6.69%	10	9.82%	9	10.42%	13	9.99%	7	10.30%	6	1.93%	10	17.14%	11	8.98%	18	16.07%	12	0.71%	11
Coronation Active Bond Portfolio (Composite)	1.07%	7	2.81%	7	4.58%	4	7.23%	4	10.37%	5	10.89%	6	10.19%	4	10.36%	5	2.30%	8	17.66%	5	9.85%	5	15.86%	13	0.00%	15
Coronation Strategic Bond Composite	1.24%	2	3.01%	3	4.61%	3	7.22%	5	10.68%	3	11.34%	3	*	*	*	2.76%	4	18.25%	3	9.70%	8	16.34%	9	1.14%	7	
Futuregrowth Core Bond Composite	0.50%	20	2.14%	20	2.99%	20	5.63%	20	9.50%	14	10.43%	12	9.77%	14	10.12%	12	2.10%	9	17.30%	7	9.35%	13	16.39%	8	-0.27%	18
Futuregrowth Yield Enhanced	1.32%	1	3.58%	1	4.78%	2	8.30%	1	11.25%	1	12.43%	1	11.49%	1	11.37%	1	3.29%	1	19.59%	1	11.27%	2	18.44%	2	1.06%	8
Investec Corporate Bond Composite	0.98%	13	3.11%	2	4.43%	5	7.81%	2	10.71%	2	12.02%	2	11.25%	2	*	3.22%	2	17.16%	9	11.56%	1	18.70%	1	2.63%	2	
Investec Dynamic Bond Portfolio	0.93%	15	2.76%	10	4.23%	6	6.72%	9	9.37%	16	10.07%	16	9.68%	15	10.05%	13	1.75%	13	16.17%	16	8.92%	19	15.53%	15	-0.24%	17
Investec Triple Alpha	0.77%	18	2.78%	9	4.15%	9	6.95%	7	9.61%	10	10.62%	8	10.09%	6	*	1.91%	11	16.49%	14	9.82%	6	16.48%	7	0.60%	13	
Investment Solutions Pure Fixed Interest Portfolio	1.07%	8	2.60%	14	4.12%	10	6.95%	8	9.61%	12	10.30%	14	9.84%	12	10.18%	10	2.40%	7	16.05%	17	9.27%	14	15.52%	16	0.75%	10
JM BUSHA BondPlus	0.92%	16	2.59%	15	3.38%	19	5.84%	19	8.87%	19	9.27%	20	8.94%	18	*	1.28%	20	15.97%	18	9.16%	16	13.64%	20	1.88%	5	
Momentum AM Bond Fund	1.03%	9	2.61%	12	3.69%	14	6.14%	14	9.48%	15	10.45%	11	10.18%	5	10.37%	4	1.36%	19	17.17%	8	9.58%	10	16.30%	10	1.35%	6
Momentum MoM Moderate Bond FOF	1.00%	10	2.58%	17	3.52%	17	6.09%	16	9.37%	17	10.11%	15	9.95%	9	10.22%	8	1.63%	17	16.44%	15	9.38%	12	15.82%	14	2.14%	4
Pan Africa AM Segregated Domestic Bond	1.07%	6	2.83%	6	4.03%	11	6.35%	12	9.56%	13	10.51%	10	9.96%	8	10.18%	9	1.71%	14	16.83%	12	9.07%	17	16.72%	5	0.65%	12
Prescient Bond Quant	0.94%	14	2.61%	11	3.58%	16	6.14%	15	9.08%	18	9.94%	18	9.58%	16	9.90%	14	1.60%	18	15.55%	19	9.46%	11	15.40%	17	0.96%	9
Prescient Bond QuantPlus	0.75%	19	2.80%	8	3.62%	15	6.47%	11	8.77%	20	9.73%	19	9.88%	11	10.24%	7	3.01%	3	13.54%	20	9.17%	15	14.91%	18	3.59%	1
Prudential Yield Enhanced Portfolio	0.99%	11	2.60%	13	3.91%	12	6.32%	13	9.95%	8	11.00%	5	10.20%	3	10.55%	2	1.78%	12	17.14%	10	10.58%	4	17.30%	3	0.03%	14
SIM Institutional Total Return Bond Fund	0.99%	12	2.49%	18	3.85%	13	5.90%	18	9.61%	11	10.54%	9	9.97%	13	10.16%	11	1.70%	15	16.69%	13	9.67%	9	16.82%	4	-0.78%	19
Stanlib Core Bond Portfolio	0.86%	17	2.95%	4	3.42%	18	5.98%	17	9.97%	7	10.77%	7	9.92%	10	10.51%	3	1.66%	16	17.77%	4	10.61%	3	16.26%	11	-0.19%	16
Vunani Active Bond Fund	1.11%	4	2.59%	16	4.20%	8	6.95%	6	10.15%	6	11.03%	4	*	*	*	2.41%	6	17.56%	6	9.74%	7	16.72%	6	2.33%	3	
SPECIALIST BONDS STATISTICS																										
Highest	1.32%		3.58%		4.82%		8.30%		11.25%		12.43%		11.49%		11.37%		3.29%		19.59%		11.56%		18.70%		3.59%	
Upper Quartile	1.08%		2.86%		4.28%		7.02%		10.21%		10.92%		10.16%		10.37%		2.48%		17.59%		9.83%		16.72%		1.48%	
Median	1.00%		2.69%		4.07%		6.58%		9.61%		10.48%		9.94%		10.23%		1.92%		17.14%		9.52%		16.28%		0.73%	
Average	0.99%		2.74%		4.01%		6.66%		9.82%		10.60%		10.00%		10.32%		2.13%		16.95%		9.60%		16.15%		0.86%	
Lower Quartile	0.92%		2.59%		3.61%		6.13%		9.45%		10.10%		9.77%		10.17%		1.69%		16.38%		9.17%		15.53%		-0.04%	
Lowest	0.50%		2.14%		2.99%		5.63%		9.27%		9.77%		8.94%		9.90%		1.28%		13.54%		6.81%		13.64%		-1.04%	
Range	0.82%		1.44%		1.83%		2.67%		2.48%		3.15%		2.55%		1.47%											
Number of participants	20		20		20		20		20		20		18		14		20		20		20		20		20	
INFLATION LINKED BONDS																										
Coronation Absolute Bond Portfolio	0.98%		3.13%		4.62%		8.56%		10.23%		11.56%		11.73%		10.99%		4.56%		13.44%		13.88%		15.66%		12.34%	
Investec Inflation Linked Bond Composite	1.40%		4.21%		6.04%		9.62%		11.24%		*		*		*		1.11%		18.81%		13.56%		*		*	
Momentum AM Inflation Linked Bond Fund	1.54%		5.86%		7.54%		11.85%		11.97%		*		*		*		1.21%		19.73%		13.48%		12.00%		*	
Prescient Inflation Linked Bond Composite	1.62%		5.41%		7.09%		10.94%		10.06%		*		*		*		1.21%		15.63%		11.45%		10.92%		*	
Prudential Inflation Linked Bond Fund	1.46%		6.03%		8.02%		12.61%		12.15%		10.92%		11.63%		*		1.14%		19.98%		13.25%		11.56%		7.29%	
SIM Inflation Linked Bond Fund	1.50%		5.79%		7.53%		12.00%		11.80%		*		*		*		1.12%		19.39%		*		*		*	
INFLATION LINKED BONDS STATISTICS																										
Highest	1.62%		6.03%		8.02%		12.61%		12.15%		11.56%		11.73%		*		4.56%		19.98%		13.88%		15.66%		12.34%	
Upper Quartile	1.53%		5.84%		7.54%		11.96%		11.93%		11.40%		11.71%		*		1.21%		19.64%		13.56%		12.92%		11.07%	
Median	1.48%		5.60%		7.31%		11.39%		11.52%		11.24%		11.68%		*		1.17%		19.10%		13.67%		11.78%		9.81%	
Average	1.42%		5.07%		6.81%		10.83%		11.24%		11.24%		11.68%		*		1.72%		17.83%		13.12%		12.54%		9.81%	
Lower Quartile	1.42%		4.51%		6.30%		9.95%		10.48%		11.08%		11.65%		*		1.12%		16.42%		13.25%		11.40%		8.55%	
Lowest	0.98%		3.13%		4.62%		8.56%		10.06%		10.92%		11.63%		*		1.11%		13.44%		11.45%		10.92%		7.29%	
Range	0.64%		2.90%		3.40%		4.05%		2.09%		0.65%		0.11%		*		3.44%		6.55%		2.43%		4.75%		5.05%	
Number of participants	6		6		6		6		6		2		2		*		6		6		5		4		2	
INDICES																										
All Bond Index	0.95%		2.46%		3.37%		5.48%		8.69%		9.46%		8.96%		9.38%		0.64%		15.99%		8.82%		14.96%		-0.99%	
1-3 Year Bond Index	0.49%		1.78%		2.51%		5.68%		6.86%		7.36%		8.22%		8.08%		4.42%		8.30%		8.90%		8.75%		7.74%	
3-7 Year Bond Index	0.61%		2.94%		2.44%		5.57%		8.03%		8.97%		8.83%		9.09%		1.46%		13.65%		10.18%		12.79%		2.80%	
7-12 Year Bond Index	0.70%		2.93%		2.19%		4.40%		9.07%		9.94%		9.19%		10.16%		-0.21%		18.40%		10.20%		16.00%		-2.19%	
12+ Year Bond Index	1.39%		2.09%		4.55%		5.48%		9.07%		9.44%		8.29%		9.52%		-0.69%		18.81%		6.00%		15.86%		-7.47%	
Barclays - BESA SA Inflation Linked Index	1.39%		5.86%		7.62%		11.96%		11.70%		10.55%		11.35%		11.19%		0.79%		19.37%		13.05%		10.97%		7.66%	
BESA Standard Bank Credit Index	3.72%		4.61%		4.54%		8.17%		10.68%		9.90%		*		*		-2.29%		15.74%		10.95%		20.50%		2.51%	
GOVI	0.86%		2.49%		3.22%		5.37%		8.51%		9.04%		8.39%		9.00%		0.52%		15.64%		7.84%		14.58%		-0.44%	
OTHI	1.42%		2.29%		4.23%		6.07%		9.79%		10.56%		9.48%		9.64%		1.49%		17.98%		8.10%		17.28%		-1.91%	
STeFI	0.49%		1.42%		2.75%		5.45%		6.02%		7.39%		7.46%		7.46%		5.18%		5.55%		5.73%		6.93%		9.13%	

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'.

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

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								
Argon Domestic Core Bond	11.12%	29.95%	7.45%	38.54%	0.00%	12.95%	0.00%	100.00%
Cadiz Dynamic Bond	17.11%	24.90%	12.89%	38.99%	0.00%	6.11%	0.00%	100.00%
Coronation Active Bond Portfolio (Composite)	14.74%	23.23%	24.32%	30.40%	5.52%	1.79%	0.00%	100.00%
Coronation Strategic Bond Composite	16.88%	20.35%	19.43%	31.02%	11.04%	1.28%	0.00%	100.00%
Futuregrowth Core Bond Composite	7.51%	25.39%	15.99%	38.65%	0.00%	12.47%	0.00%	100.00%
Futuregrowth Yield Enhanced	12.18%	21.76%	8.68%	15.39%	4.24%	37.75%	0.00%	100.00%
Investec Corporate Bond Composite	5.40%	31.55%	30.54%	31.93%	0.00%	0.57%	0.00%	100.00%
Investec Dynamic Bond Portfolio	1.20%	10.83%	7.69%	22.00%	50.59%	7.69%	0.00%	100.00%
Investec Triple Alpha	2.55%	13.54%	6.41%	18.50%	57.13%	1.87%	0.00%	100.00%
Investment Solutions Pure Fixed Interest Portfolio	6.49%	21.55%	15.51%	41.76%	5.09%	9.60%	0.00%	100.00%
JM BUSHBA BondPlus	10.61%	39.88%	11.33%	36.63%	0.00%	1.54%	0.00%	100.00%
Momentum AM Bond Fund	2.15%	19.43%	21.80%	38.43%	1.10%	17.09%	0.00%	100.00%
Momentum MoM Moderate Bond FOF	2.25%	41.68%	15.34%	31.88%	0.73%	8.13%	0.00%	100.00%
Pan Africa AM Segregated Domestic Bond	3.76%	23.06%	14.40%	49.87%	7.93%	0.98%	0.00%	100.00%
Prescient Bond Quant	2.64%	1.39%	45.91%	5.33%	44.73%	0.00%	0.00%	100.00%
Prescient Bond QuantPlus	6.67%	0.00%	39.73%	9.03%	44.57%	0.00%	0.00%	100.00%
Prudential Yield Enhanced Portfolio	5.57%	24.21%	12.95%	50.85%	0.00%	6.41%	0.00%	100.00%
SIM Institutional Total Return Bond Fund	8.20%	18.33%	24.10%	49.08%	0.02%	0.26%	0.00%	100.00%
Stanlib Core Bond Portfolio	3.81%	24.03%	27.06%	35.26%	3.22%	6.63%	0.00%	100.00%
Vunani Active Bond Fund	11.21%	30.22%	14.62%	42.81%	0.00%	1.14%	0.00%	100.00%
INFLATION LINKED BONDS								
Coronation Absolute Bond Portfolio	23.76%	17.52%	9.18%	5.05%	34.80%	9.70%	0.00%	100.00%
Investec Inflation Linked Bond Composite	2.14%	0.40%	43.46%	50.87%	0.00%	3.13%	0.00%	100.00%
Momentum AM Inflation Linked Bond Fund	4.88%	2.46%	36.46%	52.46%	0.00%	3.74%	0.00%	100.00%
Prescient Inflation Linked Bond Composite	0.00%	4.98%	0.57%	49.86%	44.59%	0.00%	0.00%	100.00%
Prudential Inflation Linked Bond Fund	5.57%	0.00%	29.20%	43.91%	0.00%	21.32%	0.00%	100.00%
SIM Inflation Linked Bond Fund	4.38%	1.16%	38.49%	51.25%	0.00%	4.72%	0.00%	100.00%
Indices								
All Bond Index	0.00%	30.42%	16.74%	44.00%	0.00%	8.83%	0.00%	100.00%

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".

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

S.A. BOND MANAGER WATCH™ SURVEY

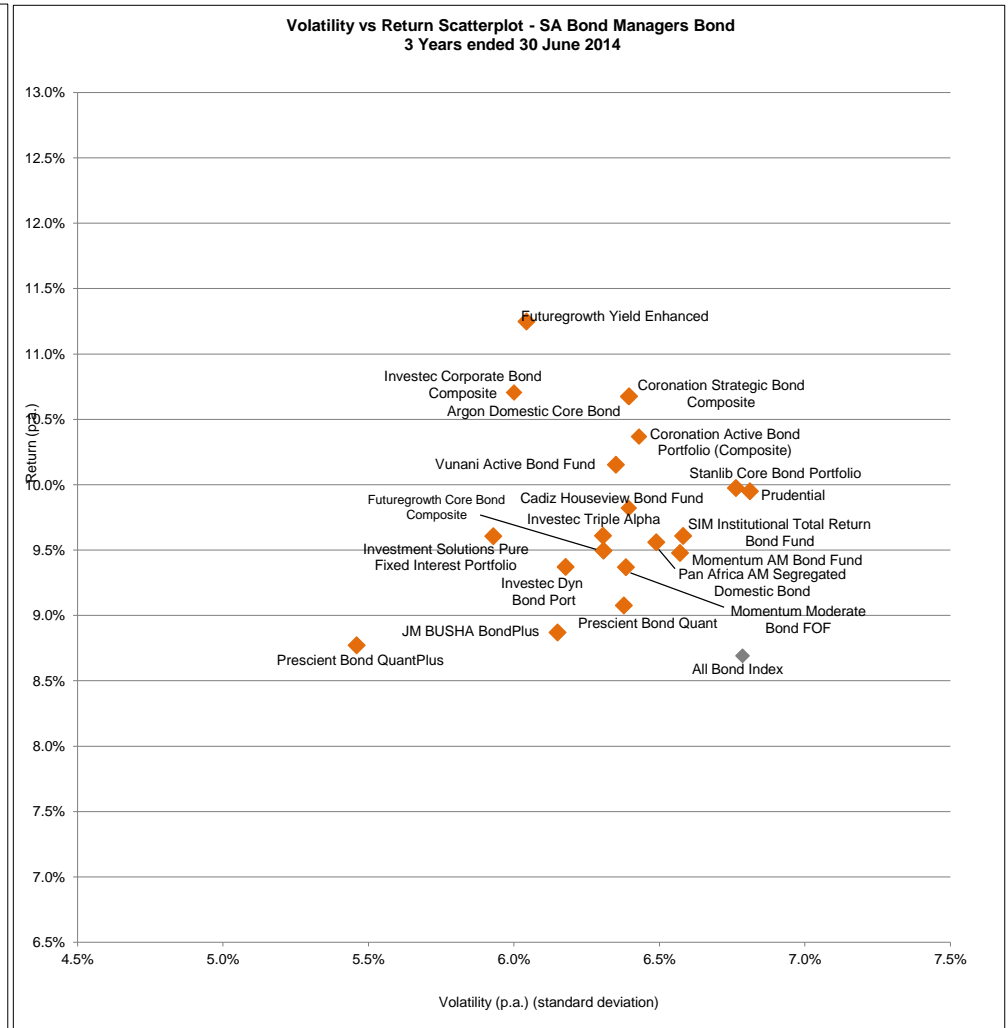
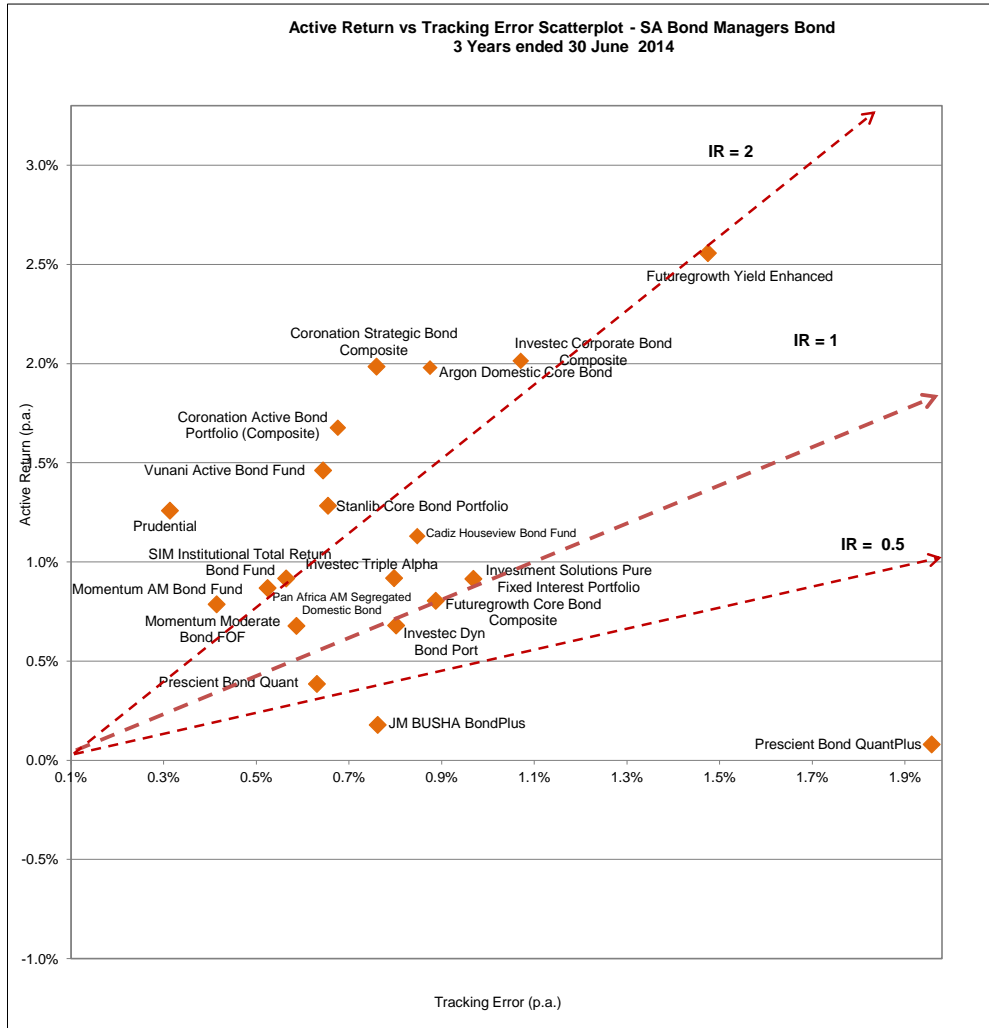
Objective - The portfolios included in this Survey represent specialist bond portfolios with ALBI as their benchmark and have an effective modified duration mandate of +/- 2 years around the ALBI

INVESTMENT DATA TO THE END OF June 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	10.67%	4	6.39%	12	1.98%	4	0.84%	2.34	5	10.07%	17	5.95%	17	0.61%	17	1.21%	0.51	18
Cadiz Houseview Bond Fund	9.82%	9	6.39%	13	1.13%	9	0.82%	1.38	12	10.42%	13	5.76%	13	0.96%	13	0.66%	1.45	12
Coronation Active Bond Portfolio (Composite)	10.37%	5	6.43%	15	1.68%	5	0.65%	2.60	3	10.89%	6	5.73%	12	1.44%	6	0.61%	2.36	6
Coronation Strategic Bond Composite	10.68%	3	6.40%	14	1.98%	3	0.73%	2.72	2	11.34%	3	5.72%	11	1.89%	3	0.69%	2.75	2
Futuregrowth Core Bond Composite	9.50%	14	6.31%	8	0.80%	14	0.86%	0.94	16	10.43%	12	5.68%	7	0.97%	12	0.70%	1.40	13
Futuregrowth Yield Enhanced	11.25%	1	6.04%	4	2.56%	1	1.44%	1.77	9	12.43%	1	5.37%	4	2.97%	1	1.37%	2.17	9
Investec Corporate Bond Composite	10.71%	2	6.00%	3	2.01%	2	1.04%	1.94	8	12.02%	2	5.37%	3	2.57%	2	0.97%	2.63	4
Investec Dynamic Bond Portfolio	9.37%	16	6.18%	6	0.68%	16	0.77%	0.88	17	10.07%	16	5.64%	6	0.62%	16	0.64%	0.97	15
Investec Triple Alpha	9.61%	10	6.31%	7	0.92%	10	0.77%	1.20	14	10.62%	8	5.70%	9	1.16%	8	0.64%	1.82	11
Investment Solutions Pure Fixed Interest Portfolio	9.61%	12	5.93%	2	0.91%	12	0.94%	0.97	15	10.30%	14	5.34%	2	0.85%	14	0.79%	1.07	14
JM BUSH A BondPlus	8.87%	19	6.15%	5	0.18%	19	0.73%	0.24	19	9.27%	20	5.41%	5	-0.18%	20	0.79%	-0.23	20
Momentum AM Bond Fund	9.48%	15	6.57%	17	0.79%	15	0.38%	2.05	7	10.45%	11	5.81%	15	0.99%	11	0.42%	2.39	5
Momentum MoM Moderate Bond FOF	9.37%	17	6.39%	11	0.68%	17	0.56%	1.22	13	10.11%	15	5.79%	14	0.66%	15	0.70%	0.94	16
Pan Africa AM Segregated Domestic Bond	9.56%	13	6.49%	16	0.87%	13	0.49%	1.76	10	10.51%	10	5.90%	16	1.06%	10	0.51%	2.08	10
Prescient Bond Quant	9.08%	18	6.38%	10	0.39%	18	0.60%	0.64	18	9.94%	18	5.68%	8	0.48%	18	0.52%	0.92	17
Prescient Bond QuantPlus	8.77%	20	5.46%	1	0.08%	20	1.93%	0.04	20	9.73%	19	4.91%	1	0.27%	19	1.59%	0.17	19
Prudential Yield Enhanced Portfolio	9.95%	8	6.81%	20	1.26%	8	0.28%	4.44	1	11.00%	5	6.05%	20	1.55%	5	0.37%	4.20	1
SIM Institutional Total Return Bond Fund	9.61%	11	6.58%	18	0.92%	11	0.53%	1.72	11	10.54%	9	5.96%	18	1.09%	9	0.48%	2.26	8
Stanlib Core Bond Portfolio	9.97%	7	6.76%	19	1.28%	7	0.62%	2.05	6	10.77%	7	5.97%	19	1.32%	7	0.57%	2.29	7
Vunani Active Bond Fund	10.15%	6	6.35%	9	1.46%	6	0.61%	2.38	4	11.03%	4	5.71%	10	1.58%	4	0.58%	2.74	3
			Lower volatility = higher ranking									Lower volatility = higher ranking						
STATISTICS																		
Highest	11.25%		6.81%		2.56%		1.93%	4.44		12.43%		6.05%		2.97%		1.59%	4.20	
Upper Quartile	10.21%		6.44%		1.52%		0.85%	2.13		10.92%		5.83%		1.46%		0.79%	2.37	
Median	9.61%		6.38%		0.92%		0.73%	1.74		10.48%		5.71%		1.03%		0.65%	1.95	
Average	9.82%		6.32%		1.13%		0.78%	1.66		10.60%		5.67%		1.14%		0.74%	1.74	
Lower Quartile	9.45%		6.17%		0.76%		0.59%	0.97		10.10%		5.58%		0.65%		0.56%	0.96	
Lowest	8.77%		5.46%		0.08%		0.28%	0.04		9.27%		4.91%		-0.18%		0.37%	-0.23	
Number of participants	20		20		20		20	20		20		20		20		20	20	
INFLATION LINKED BONDS																		
Coronation Absolute Bond Portfolio	10.23%		3.44%							11.56%		3.25%						
Investec Inflation Linked Bond Composite	11.24%		7.19%							*		*						
Momentum AM Inflation Linked Bond Fund	11.97%		7.14%							*		*						
Prescient Inflation Linked Bond Composite	10.06%		5.82%							*		*						
Prudential Inflation Linked Bond Fund	12.15%		7.29%							10.92%		6.13%						
SIM Inflation Linked Bond Fund	11.80%		7.12%							*		*						
STATISTICS																		
Highest	12.15%		7.29%							11.56%		6.13%						
Upper Quartile	11.93%		7.18%							11.40%		5.41%						
Median	11.52%		7.13%							11.24%		4.69%						
Average	11.24%		6.33%							11.24%		4.69%						
Lower Quartile	10.48%		6.14%							11.08%		3.97%						
Lowest	10.06%		3.44%							10.92%		3.25%						
Number of participants	6		6							2		2						
INDICES																		
All Bond Index	8.69%		6.79%							9.46%		6.05%						
Barclays - BESA SA Inflation Linked Index	11.70%		7.26%							10.55%		6.10%						
BESA Standard Bank Credit Index	8.17%		7.51%							10.68%		6.43%						

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".

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

S.A. BOND MANAGER WATCH™ SURVEY



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".

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

S.A. BOND MANAGER WATCH™ SURVEY

EXPLANATORY NOTES

General Disclaimers :

This document has been prepared for use by clients of the Alexander Forbes Group. Any other third party that is not a client of the Alexander Forbes Group and for whose specific use this document has not been supplied, must be aware that Alexander Forbes Group shall not be liable for any damage, loss or liability of any nature incurred by any third party and resulting from the information contained herein.

The information contained herein is supplied on an "as is" basis and has not been compiled to meet any third party's individual requirements. It is the responsibility of any third party to satisfy himself or herself, prior to relying on this information that the contents meets the third party's individual requirements.

Nothing in this document, when read in isolation and without professional advice, should be construed as solicitation, offer, advice, recommendation, or any other enticement to acquire or dispose of any financial product, advice or investment, or to engage in any financial transaction or investment. A third party should consult with an authorised financial advisor prior to making any financial decisions.

Alexander Forbes has taken all reasonable steps to ensure the quality and accuracy of the contents of this document and encourages all readers to report incorrect and untrue information, subject to the right of Alexander Forbes to determine, in its sole and absolute discretion, the contents of this document. Irrespective of the attempts by Alexander Forbes to ensure the correctness of this document, Alexander Forbes does not make any warranties or representations that the content will in all cases be true, correct or free from any errors. In particular, certain aspects of this document might rely on or be based on information supplied to Alexander Forbes by other persons or institutions.

Alexander Forbes has attempted to ensure the accuracy of such information, but shall not be liable for any damage, loss or liability of any nature incurred by any party and resulting from the errors caused by incorrect information supplied to Alexander Forbes.

Performance figures are shown gross of fees and taxes. Past history is not necessarily a guide to future performance.

Quantitative figures are calculated on 3 year performance returns.

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

FAIS Notice and Disclaimer: This information is not advice as defined and contemplated in the Financial Advisory and Intermediary Services Act, 37 of 2002, as amended. Alexander Forbes shall not be liable for any actions taken by any person based on the correctness of this information.

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.

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.

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.gipsstandards.org/>