



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

Research & Product Development  
FINANCIAL SERVICES

  
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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 first 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 Q1 2014

The Reserve Bank governor finally made good on her statement that she "will not hesitate to take appropriate action in order to maintain the integrity of the inflation targeting framework". At the end of January the MPC surprised the market by raising the repo rate by 50 basis points (bps), in a week which saw all the "Fragile Five" economies respond rapidly to halt declining currency by increasing their lending rates to mitigate inflationary risks and potential financial instability. Turkey moved its overnight borrowing rate by 450 bps in a dramatic hike at an emergency policy meeting on January 29.

Although, not as profound as the Turkey change, our local economists and investment professionals were caught unawares by the MPC decision which resulted in increased volatility in the ensuing days. As global developments around the QE programs in Europe, Japan and most importantly the United States unfolded, our local markets settled with initial expectations of more possibly accelerated rate hikes dissipating. This was confirmed in March, as weaker than expected US economic data started to challenge the US Fed's commitment to continue to reduce its bond purchases in its tapering program.

The nominal yield curve has flattened over the quarter with yields at the longer end of the curve (15 years or greater) is now lower than its levels at year end. This was the strongest performing term structure; as the 3-12 year term structure yielded negative returns over the quarter. Surprisingly the 1-3 year bucket was stronger than cash over this period; as the curve recovered from the initial market response to the rate hike.

The rate hike created significant short term trading opportunities as interest rate expectations remained uncertain post the MPC decision. Massive foreign outflows in the bond market over January provided trading opportunities for local managers. Credit however, remained reasonably stable offering similar constant yield pick-up of 1% over the ALBI.

The real-yield curve continued to flatten over the quarter, with the shorter end selling off while the longer end rallied. Some analysts have used Break even inflation analysis to indicate that nominal bonds are more favourably priced than inflation linked bonds.

The ALBI delivered 0.89% over the quarter; and 0.61% over 1 year; with the Barclays Inflation Index returning 1.67% over the quarter and 0.62% for 1 year.

# COMMENTARY

## HOW THE MANAGERS PERFORMED OVER THE Q1 2014

Bond performance over the quarter improved but has remained largely unchanged over the year. Performance dispersion between managers has started to widen from 2.01% over 1 year at the last quarter to over 3% this quarter. However as the top and bottom funds diverge the 2<sup>nd</sup> and 3<sup>rd</sup> quartile dispersion has reduced to 55bps.

The best performing specialist bond fund continues to be the FutureGrowth Yield Enhanced fund returning 3.76% which still underperforms the STeFI (a traditional money market benchmark) by almost 1.5%. As such most managers in this asset class is focusing on adding value over the benchmark. FutureGrowth unlike many of the other funds in this category

Bar Argon, FutureGrowth, Investment Solutions, StanLib, and Coronations Strategic Bond Fund almost all managers are no less than 0.3 in duration to the ALBI, with some managers now longer in duration. This is a significant shift from last year's duration positioning which was mostly short.

With a discontinuous market over the quarter, due to the rate hike and changes in expectations of the US QE tapering program; duration positioning, portfolio adjustments and trading were large drivers of performance with credit continuing to play a lessor role relative to previous quarters. Managers that had a strong quarter 2013 had a reversal of performance in the first quarter of 2014 as markets played in the opposite manner. Argon's strong Q1 assisted their one year performance significantly.

The use of credit in the portfolios is well proliferated with the average fund only 55% 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. Stanlib, traditionally quite strong at trading changes in curves were unable to take advantage of the volatile market and was the worst performing fund over the quarter.

Coronation's Absolute Bond Portfolio's persistent low duration in its Absolute fund did not pay off this quarter. The extremely low duration of 0.93 and hedges made it far less sensitive to the yield movements and was not able to take advantage of stronger real yields experienced in March.

The other four Inflation linked bond managers finished the year within 10 basis points annual performance of each other. This is deceptive, in that the journey taken by each to get the similar performance numbers, were very different. Prescient and Investec held lower durations and were more defensively structured through the cycle. With most of the year being negative for ILB's the strong relative return for the asset class in the 4<sup>th</sup> quarter allowed Prudential and Momentum to recover more of the reversal due to higher duration structures.

This low risk view is countered by the manager investing more than 75% of the fund in more risky non-AAA investments for yield pickup. Prescient which has a 90% ILB, 10% STEFI benchmark has struggled to outperform its benchmark over periods 1 year also where its relatively lower duration strategy has not paid off.

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 its 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
<b>INVESTMENT MANAGERS</b>									
<b>SPECIALIST BONDS</b>									
Argon Domestic Core Bond	V		Y	All Bond Index	5.57	52.76%	3	219	14 April 2014
Cadiz Core Bond	V		Y	All Bond Index	6.01	61.83%	3	1 944	11 April 2014
Cadiz Dynamic Bond	V		Y	All Bond Index	5.97	57.67%	2	2 827	11 April 2014
Coronation Active Bond Portfolio (Composite)	V		Y	All Bond Index	6.38	66.46%	9	6 768	14 April 2014
Coronation Strategic Bond Composite	V		Y	All Bond Index	5.60	60.88%	8	3 394	14 April 2014
Futuregrowth Core Bond Composite	V		Y	All Bond Index	5.59	63.14%	5	16 014	14 April 2014
Futuregrowth Yield Enhanced	V		N	All Bond Index	5.53	25.96%	8	4 501	14 April 2014
Investec Corporate Bond Composite	V		Y	All Bond Index	5.92	21.22%	3	13 109	11 April 2014
Investec Dynamic Bond Portfolio	V		Y	All Bond Index	6.16	47.14%	4	5 479	11 April 2014
Investec Triple Alpha	V		Y	All Bond Index	6.04	50.31%	14	3 526	11 April 2014
Investment Solutions Pure Fixed Interest Portfolio	n/a		Y	All Bond Index	5.28	61.28%	n/a	8 727	14 April 2014
JM BUSH A BondPlus	V		Y	All Bond Index	5.83	65.23%	3	788	08 April 2014
Momentum AM Bond Fund	V		Y	All Bond Index	5.81	67.82%	12	6 691	14 April 2014
Momentum MoM Moderate Bond FOF	V		Y	All Bond Index	5.81	62.47%	n/a	223	14 April 2014
Pan Africa AM Segregated Domestic Bond	C		Y	All Bond Index	6.38	36.21%	6	2 727	14 April 2014
Prescient Bond Quant	V		Y	All Bond Index	6.07	66.02%	2	454	03 April 2014
Prescient Bond QuantPlus	V		Y	All Bond Index	6.24	64.81%	11	8 339	03 April 2014
Prudential Yield Enhanced Portfolio	V		Y	All Bond Index	6.35	66.00%	8	2 060	03 April 2014
SIM Institutional Total Return Bond Fund	V		Y	All Bond Index	6.65	70.57%	19	8 867	03 April 2014
Stanlib Core Bond Portfolio	V		Y	All Bond Index	5.47	55.00%	8	4 487	15 April 2014
Vunani Active Bond Fund	V		N	All Bond Index	6.07	41.23%	6	775	09 April 2014
		<i>This includes multi-managers thus must be noted as possible "double-counting"</i>							
<b>TOTAL</b>								101 700	
<b>INFLATION LINKED BONDS</b>									
Coronation Absolute Bond Portfolio			N	CPI + 4%pa	0.93	19.44%	2	7 636	14 April 2014
Investec Inflation Linked Bond Composite				Barclays - BESA SA Inflation Linked Index	11.26	70.00%	3	1 486	11 April 2014
Momentum AM Inflation Linked Bond Fund			Y	Barclays - BESA SA Inflation Linked Index	11.17	76.43%	4	1 577	14 April 2014
Prescient Inflation Linked Bond Composite			Y	90 ILBI / 10 STEFI Call	9.45	75.25%	3	3 195	03 April 2014
Prudential Inflation Linked Bond Fund			Y	Barclays South Africa Inflation Linked Index	11.63	70.00%	1	278	03 April 2014
SIM Inflation Linked Bond Fund			Y	Barclays BESA Govt Inflation-linked Bond Index	10.80	77.80%	3	10 925	03 April 2014
<b>INDICES</b>									
All Bond Index					6.16				
		<i>This includes multi-managers thus must be noted as possible "double-counting"</i>							
<b>TOTAL</b>								25 098	

\* 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 2014																										
															PERFORMANCE DATA											
															Calendar Year 2013	Calendar Year 2012	Calendar Year 2011	Calendar Year 2010	Calendar Year 2009							
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	Rank	Rank	Rank	Rank							
<b>SPECIALIST BONDS</b>																										
Argon Domestic Core Bond	1.68%	19	1.85%	1	1.85%	1	3.03%	2	10.84%	5	9.51%	18	8.65%	18	*	2.69%	5	18.55%	2	6.81%	21	13.81%	20	-1.04%	21	
Cadiz Core Bond	1.77%	17	1.65%	4	1.65%	4	2.40%	10	10.08%	13	9.91%	15	9.16%	15	10.06%	7	1.96%	10	16.70%	13	8.82%	20	16.13%	12	-0.33%	19
Cadiz Dynamic Bond	1.82%	13	1.85%	2	1.85%	2	2.44%	9	10.37%	8	10.11%	10	9.43%	7	10.17%	4	1.93%	11	17.14%	11	8.98%	18	16.07%	13	0.71%	11
Coronation Active Bond Portfolio (Composite)	2.00%	1	1.73%	3	1.73%	3	2.65%	7	10.89%	4	10.49%	6	9.56%	4	10.15%	5	2.30%	8	17.66%	5	9.85%	5	15.86%	14	0.00%	15
Coronation Strategic Bond Composite	1.96%	2	1.56%	6	1.56%	6	2.71%	6	11.11%	3	10.86%	3	*	*	*	2.76%	4	18.25%	3	9.70%	8	16.34%	9	1.14%	7	
Futuregrowth Core Bond Composite	1.71%	18	0.83%	18	0.83%	18	1.80%	15	10.17%	12	10.04%	14	9.21%	13	9.95%	12	2.10%	9	17.30%	7	9.35%	13	16.39%	8	-0.27%	18
Futuregrowth Yield Enhanced	1.82%	12	1.16%	13	1.16%	13	3.76%	1	11.84%	1	11.82%	1	10.74%	1	11.08%	1	3.29%	1	19.59%	1	11.27%	2	18.44%	2	1.06%	8
Investec Corporate Bond Composite	1.89%	6	1.23%	12	1.23%	12	2.93%	3	11.14%	2	11.55%	2	10.49%	2	*	3.22%	2	17.16%	9	11.56%	1	18.70%	1	2.63%	2	
Investec Dynamic Bond Portfolio	1.80%	15	1.43%	8	1.43%	8	2.00%	12	9.86%	17	9.59%	17	9.02%	16	9.81%	14	1.75%	14	16.17%	17	8.92%	19	15.53%	16	-0.24%	17
Investec Triple Alpha	1.84%	10	1.33%	10	1.33%	10	2.14%	11	10.17%	11	10.13%	9	9.42%	8	*	1.91%	12	16.49%	15	9.82%	6	16.48%	7	0.60%	13	
Investment Solutions Pure Fixed Interest Portfolio	1.86%	8	1.48%	7	1.48%	7	2.79%	4	10.05%	14	9.90%	16	9.26%	11	9.97%	10	2.40%	7	16.05%	18	9.27%	14	15.52%	17	0.75%	10
JM BUSHA BondPlus	1.66%	21	0.77%	20	0.77%	20	0.93%	20	9.37%	20	8.99%	21	8.31%	19	*	1.28%	21	15.97%	19	9.16%	16	13.64%	21	1.88%	5	
Momentum AM Bond Fund	1.83%	11	1.05%	15	1.05%	15	1.19%	19	9.96%	16	10.09%	11	9.52%	5	10.15%	6	1.36%	20	17.17%	8	9.58%	10	16.30%	10	1.35%	6
Momentum MoM Moderate Bond FOF	1.77%	16	0.91%	17	0.91%	17	1.47%	18	9.86%	18	10.24%	7	9.45%	6	9.99%	9	1.63%	18	16.44%	16	9.38%	12	15.82%	15	2.14%	4
Pan Africa AM Segregated Domestic Bond	1.90%	5	1.16%	14	1.16%	14	1.48%	17	10.03%	15	10.07%	13	9.34%	9	9.95%	11	1.71%	15	16.83%	12	9.07%	17	16.72%	5	0.65%	12
Prescient Bond Quant	1.80%	14	0.94%	16	0.94%	16	1.54%	16	9.54%	19	9.48%	19	8.98%	17	9.70%	15	1.60%	19	15.55%	20	9.46%	11	15.40%	18	0.96%	9
Prescient Bond QuantPlus	1.93%	3	0.79%	19	0.79%	19	2.78%	5	9.02%	21	9.34%	20	9.33%	10	10.04%	8	3.01%	3	13.54%	21	9.17%	15	14.91%	19	3.59%	1
Prudential Yield Enhanced Portfolio	1.87%	7	1.27%	11	1.27%	11	1.91%	13	10.55%	7	10.56%	5	9.57%	3	10.34%	2	1.78%	13	17.14%	10	10.56%	4	17.30%	3	0.03%	14
SIM Institutional Total Return Bond Fund	1.85%	9	1.33%	9	1.33%	9	1.86%	14	10.20%	10	10.07%	12	9.16%	14	9.94%	13	1.70%	16	16.69%	14	9.67%	9	16.82%	4	-0.78%	20
Stanlib Core Bond Portfolio	1.68%	20	0.46%	21	0.46%	21	0.74%	21	10.34%	9	10.20%	8	9.25%	12	10.27%	3	1.66%	17	17.77%	4	10.61%	3	16.26%	11	-0.19%	16
Vunani Active Bond Fund	1.93%	4	1.57%	5	1.57%	5	2.63%	8	10.77%	6	10.66%	4	*	*	*	2.41%	6	17.56%	6	9.74%	7	16.72%	6	2.33%	3	
<b>SPECIALIST BONDS STATISTICS</b>																										
Highest	2.00%		1.85%		1.85%		3.76%		11.84%		11.82%		10.74%		11.08%		3.29%		19.59%		11.56%		18.70%		3.59%	
Upper Quartile	1.89%		1.56%		1.56%		2.71%		10.77%		10.49%		9.49%		10.16%		2.41%		17.56%		9.82%		16.72%		1.35%	
Median	1.83%		1.27%		1.27%		2.14%		10.17%		10.09%		9.33%		10.04%		1.93%		17.14%		9.46%		16.26%		0.71%	
Average	1.83%		1.25%		1.25%		2.15%		10.29%		10.17%		9.36%		10.10%		2.12%		16.94%		9.56%		16.15%		0.81%	
Lower Quartile	1.77%		0.94%		0.94%		1.54%		9.96%		9.90%		9.16%		9.95%		1.70%		16.44%		9.16%		15.53%		-0.19%	
Lowest	1.66%		0.46%		0.46%		0.74%		9.02%		8.99%		8.31%		9.70%		1.28%		13.54%		6.81%		13.64%		-1.04%	
Range	0.34%		1.39%		1.39%		3.02%		2.81%		2.83%		2.43%		1.39%											
Number of participants	21		21		21		21		21		21		19		15		21		21		21		21		21	
<b>INFLATION LINKED BONDS</b>																										
Coronation Absolute Bond Portfolio	1.50%		1.45%		1.45%		4.22%		10.47%		11.64%		11.49%		10.87%		4.56%		13.44%		13.88%		15.66%		12.34%	
Investec Inflation Linked Bond Composite	2.70%		1.75%		1.75%		0.90%		11.22%		*		11.22%		*		1.11%		18.81%		13.56%		*		*	
Momentum AM Inflation Linked Bond Fund	2.64%		1.59%		1.59%		0.75%		11.29%		*		*		*		1.21%		19.73%		13.48%		12.00%		*	
Prescient Inflation Linked Bond Composite	2.47%		1.59%		1.59%		1.16%		9.30%		*		*		*		1.21%		15.63%		11.45%		10.92%		*	
Prudential Inflation Linked Bond Fund	2.75%		1.88%		1.88%		1.11%		11.38%		10.37%		10.91%		*		1.14%		19.98%		13.25%		11.56%		7.29%	
SIM Inflation Linked Bond Fund	2.68%		1.65%		1.65%		0.85%		*		*		*		*		1.12%		19.39%		*		*		*	
<b>INFLATION LINKED BONDS STATISTICS</b>																										
Highest	2.75%		1.88%		1.88%		4.22%		11.38%		11.64%		11.49%		*		4.56%		19.98%		13.88%		15.66%		12.34%	
Upper Quartile	2.70%		1.72%		1.72%		1.15%		11.29%		11.32%		11.34%		*		1.21%		19.64%		13.56%		12.92%		11.07%	
Median	2.66%		1.62%		1.62%		1.00%		11.22%		11.00%		11.20%		*		1.17%		19.10%		13.48%		11.78%		9.81%	
Average	2.46%		1.65%		1.65%		1.50%		11.00%		11.00%		11.20%		*		1.17%		17.83%		13.12%		12.54%		9.81%	
Lower Quartile	2.51%		1.59%		1.59%		0.86%		10.47%		10.68%		11.05%		*		1.12%		16.42%		13.25%		11.40%		8.55%	
Lowest	1.50%		1.45%		1.45%		0.75%		9.30%		10.37%		10.91%		*		1.11%		13.44%		11.45%		10.92%		7.29%	
Range	1.25%		0.43%		0.43%		3.46%		2.08%		1.27%		0.58%		*		3.44%		6.55%		2.43%		4.75%		5.05%	
Number of participants	6		6		6		6		5		2		2		*		6		6		5		4		2	
<b>INDICES</b>																										
All Bond Index	1.79%		0.89%		0.89%		0.61%		9.20%		8.99%		8.32%		9.16%		0.64%		15.99%		8.82%		14.96%		-0.99%	
1-3 Year Bond Index	1.01%		0.72%		0.72%		4.21%		7.00%		7.28%		8.05%		8.07%		4.42%		8.30%		8.90%		8.75%		7.74%	
3-7 Year Bond Index	1.38%		-0.49%		-0.49%		0.09%		8.11%		8.46%		8.33%		8.89%		1.46%		13.65%		10.18%		12.79%		2.80%	
7-12 Year Bond Index	1.65%		-0.72%		-0.72%		-1.90%		9.46%		9.29%		9.46%		9.78%		-0.21%		18.40%		10.20%		16.00%		-2.19%	
12+ Year Bond Index	2.23%		2.41%		2.41%		0.85%		10.06%		9.01%		7.33%		9.12%		-0.69%		18.81%		6.00%		15.86%		-7.47%	
Barclays - BESA SA Inflation Linked Index	2.65%		1.67%		1.67%		0.62%		10.97%		10.03%		10.63%		10.89%		0.79%		19.37%		13.05%		10.97%		7.66%	
BESA Standard Bank Credit Index	1.55%		-0.06%		-0.06%		3.70%		7.94%		9.85%		9.01%		*		-2.29%		15.74%		10.95%		20.50%		2.51%	
GOVI	1.72%		0.71%		0.71%		0.36%		8.59%		8.56%		7.77%		8.77%		0.52%		15.64%		7.84%		14.58%		-0.44%	
OTHI	2.19%		1.90%		1.90%		1.94%		10.59%		10.14%		8.74%		9.48%		1.49%		17.98%		8.10%		17.28%		-1.91%	
STeFI	0.46%		1.31%		1.31%		5.29%		5.45%		6.20%		7.51%		7.52%											

# 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 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
<b>SPECIALIST BONDS</b>																		
Argon Domestic Core Bond	10.84%	5	6.42%	10	1.65%	5	0.93%	1.77	9	9.51%	18	5.99%	18	0.52%	18	1.21%	0.43	19
Cadiz Core Bond	10.08%	13	6.34%	7	0.89%	13	0.78%	1.14	16	9.91%	15	5.69%	7	0.93%	15	0.65%	1.42	14
Cadiz Dynamic Bond	10.37%	8	6.45%	13	1.17%	8	0.79%	1.48	12	10.11%	10	5.79%	14	1.12%	10	0.65%	1.73	12
Coronation Active Bond Portfolio (Composite)	10.89%	4	6.50%	16	1.69%	4	0.65%	2.61	3	10.49%	6	5.76%	12	1.50%	6	0.62%	2.43	6
Coronation Strategic Bond Composite	11.11%	3	6.47%	15	1.92%	3	0.71%	2.69	2	10.86%	3	5.77%	13	1.87%	3	0.69%	2.73	3
Futuregrowth Core Bond Composite	10.17%	12	6.38%	9	0.97%	12	0.80%	1.21	15	10.04%	14	5.72%	9	1.05%	14	0.67%	1.58	13
Futuregrowth Yield Enhanced	11.84%	1	6.08%	4	2.64%	1	1.55%	1.71	10	11.82%	1	5.41%	4	2.83%	1	1.36%	2.08	9
Investec Corporate Bond Composite	11.14%	2	6.05%	3	1.94%	2	1.05%	1.85	8	11.55%	2	5.41%	3	2.56%	2	0.97%	2.63	4
Investec Dynamic Bond Portfolio	9.86%	17	6.24%	6	0.67%	17	0.77%	0.86	18	9.59%	17	5.67%	6	0.60%	17	0.63%	0.95	17
Investec Triple Alpha	10.17%	11	6.37%	8	0.97%	11	0.74%	1.31	13	10.13%	9	5.74%	11	1.15%	9	0.61%	1.87	11
Investment Solutions Pure Fixed Interest Portfolio	10.05%	14	5.99%	2	0.86%	14	0.95%	0.90	17	9.90%	16	5.38%	2	0.91%	16	0.79%	1.15	16
JM BUSHBA BondPlus	9.37%	20	6.23%	5	0.17%	20	0.73%	0.23	20	8.99%	21	5.43%	5	0.00%	21	0.84%	0.00	21
Momentum AM Bond Fund	9.96%	16	6.64%	18	0.76%	16	0.39%	1.97	5	10.09%	11	5.84%	16	1.10%	11	0.43%	2.56	5
Momentum MoM Moderate Bond FOF	9.86%	18	6.47%	14	0.66%	18	0.55%	1.21	14	10.24%	7	5.80%	15	1.25%	7	1.07%	1.18	15
Pan Africa AM Segregated Domestic Bond	10.03%	15	6.57%	17	0.83%	15	0.49%	1.70	11	10.07%	13	5.94%	17	1.08%	13	0.53%	2.03	10
Prescient Bond Quant	9.54%	19	6.44%	12	0.34%	19	0.60%	0.56	19	9.48%	19	5.71%	8	0.49%	19	0.52%	0.94	18
Prescient Bond QuantPlus	9.02%	21	5.50%	1	-0.17%	21	1.93%	-0.09	21	9.34%	20	4.93%	1	0.35%	20	1.59%	0.22	20
Prudential Yield Enhanced Portfolio	10.55%	7	6.88%	21	1.36%	7	0.28%	4.87	1	10.56%	5	6.09%	21	1.57%	5	0.38%	4.15	1
SIM Institutional Total Return Bond Fund	10.20%	10	6.65%	19	1.01%	10	0.53%	1.90	6	10.07%	12	5.99%	19	1.08%	12	0.48%	2.23	7
Stanlib Core Bond Portfolio	10.34%	9	6.81%	20	1.14%	9	0.62%	1.86	7	10.20%	8	6.02%	20	1.22%	8	0.57%	2.14	8
Vunani Active Bond Fund	10.77%	6	6.42%	11	1.57%	6	0.60%	2.60	4	10.66%	4	5.73%	10	1.68%	4	0.58%	2.88	2
			Lower volatility = higher ranking									Lower volatility = higher ranking						
<b>STATISTICS</b>																		
Highest	11.84%		6.88%		2.64%		1.93%	4.87		11.82%		6.09%		2.83%		1.59%	4.15	
Upper Quartile	10.77%		6.50%		1.57%		0.80%	1.90		10.49%		5.84%		1.50%		0.84%	2.43	
Median	10.17%		6.42%		0.97%		0.73%	1.70		10.09%		5.74%		1.10%		0.65%	1.87	
Average	10.29%		6.38%		1.10%		0.78%	1.64		10.17%		5.70%		1.18%		0.75%	1.78	
Lower Quartile	9.96%		6.24%		0.76%		0.60%	1.14		9.90%		5.67%		0.91%		0.57%	1.15	
Lowest	9.02%		5.50%		-0.17%		0.28%	-0.09		8.99%		4.93%		0.00%		0.38%	0.00	
Number of participants	21		21		21		21	21		21		21		21		21	21	
<b>INFLATION LINKED BONDS</b>																		
Coronation Absolute Bond Portfolio	10.47%		3.49%							11.64%		3.26%						
Investec Inflation Linked Bond Composite	11.22%		7.21%							*		*						
Momentum AM Inflation Linked Bond Fund	11.29%		7.10%							*		*						
Prescient Inflation Linked Bond Composite	9.30%		5.74%							*		*						
Prudential Inflation Linked Bond Fund	11.38%		7.22%							10.37%		6.12%						
SIM Inflation Linked Bond Fund	*		*							*		*						
<b>STATISTICS</b>																		
Highest	11.38%		7.22%							11.64%		6.12%						
Upper Quartile	11.29%		7.21%							11.32%		5.40%						
Median	11.22%		7.10%							11.00%		4.69%						
Average	10.73%		6.15%							11.00%		4.69%						
Lower Quartile	10.47%		5.74%							10.68%		3.97%						
Lowest	9.30%		3.49%							10.37%		3.26%						
Number of participants	5		5							2		2						
<b>INDICES</b>																		
All Bond Index	9.20%		6.85%							8.99%		6.08%						
Barclays - BESA SA Inflation Linked Index	10.97%		7.20%							10.03%		6.06%						
BESA Standard Bank Credit Index	7.94%		7.34%							9.85%		6.33%						

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# S.A. BOND MANAGER WATCH™ SURVEY

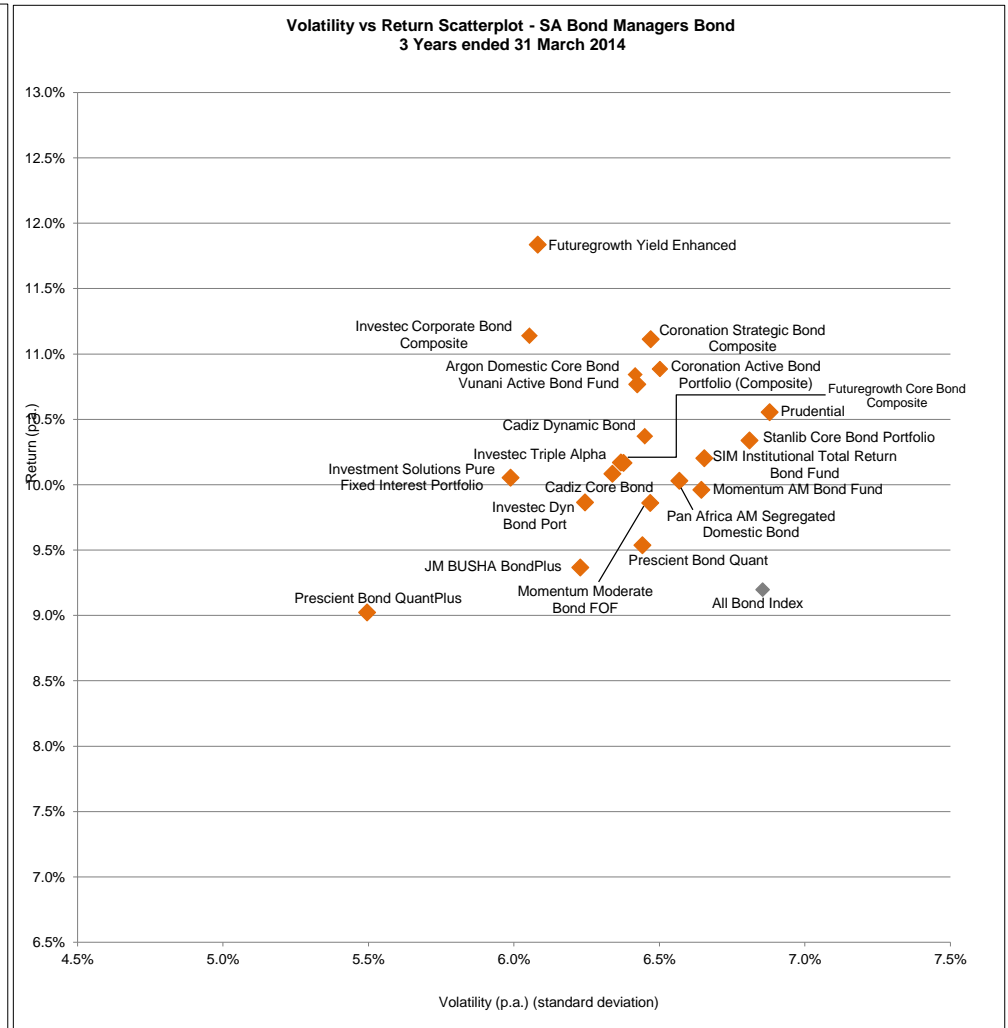
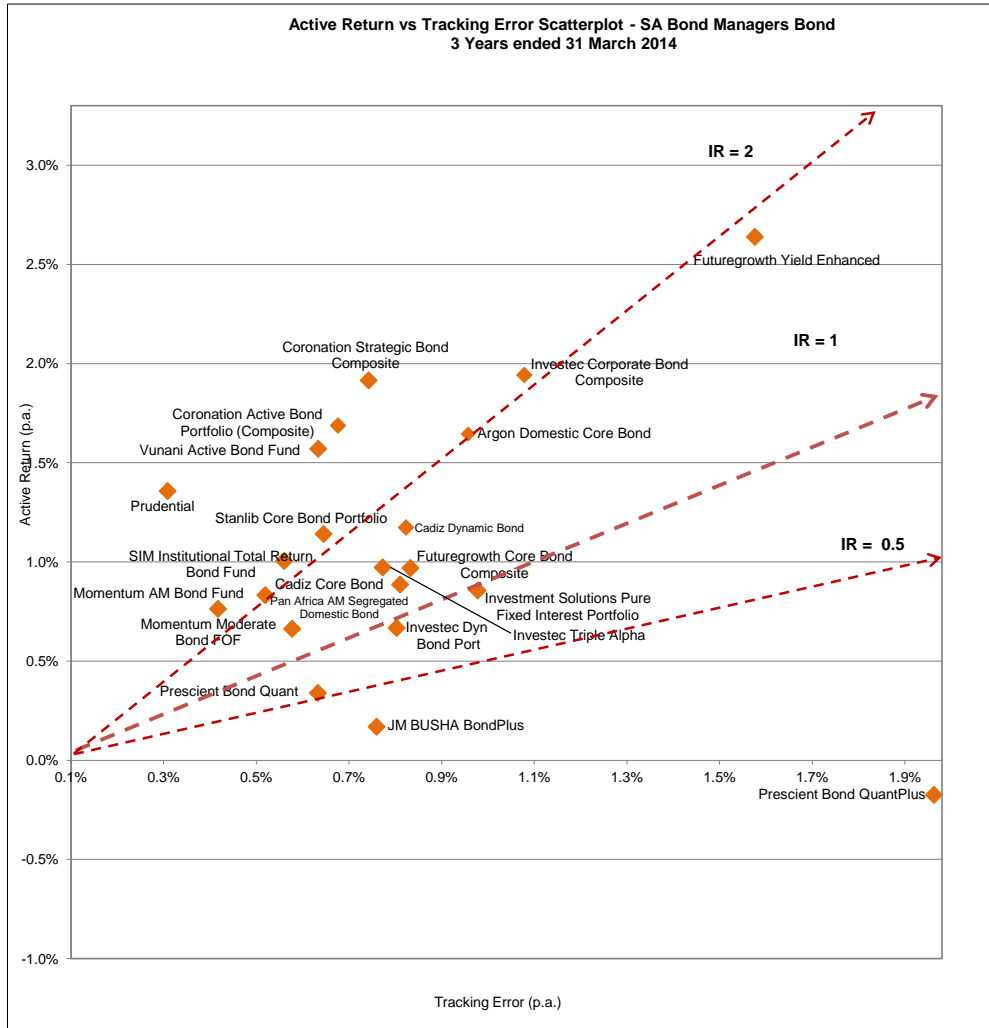
Objective - The portfolios included in this Survey represent specialist bond portfolios with ALBI as their benchmark and have an effective modified duration mandate of +/- 2 years around the ALBI

SECTOR ALLOCATION								
	1-3 Years	3-7 Years	7-12 Years	12+ Years	Other	Cash	Inflation Linked Bonds	Total
INVESTMENT MANAGERS SPECIALIST BONDS								
Argon Domestic Core Bond	12.90%	15.80%	40.70%	27.60%	0.00%	3.00%	0.00%	100.00%
Cadiz Core Bond	12.82%	23.15%	17.65%	38.74%	0.47%	7.17%	0.00%	100.00%
Cadiz Dynamic Bond	20.60%	22.69%	14.19%	36.30%	0.11%	6.13%	0.00%	100.00%
Coronation Active Bond Portfolio (Composite)	13.92%	21.95%	25.46%	28.22%	9.14%	1.31%	0.00%	100.00%
Coronation Strategic Bond Composite	16.13%	20.15%	20.53%	27.54%	11.92%	3.73%	0.00%	100.00%
Futuregrowth Core Bond Composite	8.05%	31.34%	15.91%	36.99%	0.00%	7.71%	0.00%	100.00%
Futuregrowth Yield Enhanced	22.89%	25.12%	10.21%	10.75%	4.32%	26.72%	0.00%	100.00%
Investec Corporate Bond Composite	3.69%	34.33%	29.32%	32.68%	0.00%	0.00%	0.00%	100.02%
Investec Dynamic Bond Portfolio	1.33%	7.69%	18.77%	34.62%	28.77%	8.81%	0.00%	100.00%
Investec Triple Alpha	2.43%	10.26%	9.72%	20.52%	54.07%	3.00%	0.00%	100.00%
Investment Solutions Pure Fixed Interest Portfolio	9.61%	23.61%	21.79%	40.26%	2.92%	1.81%	0.00%	100.00%
JM BUSHUA BondPlus	10.98%	34.11%	14.09%	38.52%	0.00%	2.29%	0.00%	100.00%
Momentum AM Bond Fund	0.01%	25.56%	25.34%	36.13%	1.43%	11.53%	0.00%	100.00%
Momentum MoM Moderate Bond FOF	3.72%	27.42%	20.91%	34.04%	0.60%	13.30%	0.00%	100.00%
Pan Africa AM Segregated Domestic Bond	3.79%	22.22%	24.63%	38.50%	6.74%	4.11%	0.00%	100.01%
Prescient Bond Quant	6.17%	32.77%	15.92%	42.83%	0.00%	2.32%	0.00%	100.01%
Prescient Bond QuantPlus	4.80%	33.27%	16.75%	40.33%	0.00%	4.84%	0.00%	99.99%
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	7.87%	18.91%	19.09%	53.81%	0.00%	0.30%	0.00%	99.99%
Stanlib Core Bond Portfolio	3.89%	20.60%	30.56%	32.43%	3.36%	9.16%	0.00%	100.00%
Vunani Active Bond Fund	8.61%	33.97%	13.42%	42.85%	0.00%	1.15%	0.00%	100.00%
INFLATION LINKED BONDS								
Coronation Absolute Bond Portfolio	19.82%	19.24%	5.05%	10.32%	37.83%	7.73%	0.00%	100.00%
Investec Inflation Linked Bond Composite	2.56%	0.48%	46.38%	50.47%	0.00%	0.11%	0.00%	100.00%
Momentum AM Inflation Linked Bond Fund	5.62%	2.38%	40.99%	47.36%	0.00%	3.65%	0.00%	100.00%
Prescient Inflation Linked Bond Composite	3.96%	7.00%	50.18%	38.86%	0.00%	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	3.90%	1.15%	41.03%	49.43%	0.00%	4.49%	0.00%	100.00%
Indices								
All Bond Index	0.00%	29.25%	16.41%	45.71%	0.00%	8.63%	0.00%	100.00%

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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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