



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

Research & Product Development  
**FINANCIAL SERVICES**



# 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 third quarter of 2015:

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 Q3 2015

The fragility of global economic markets was exposed during the third quarter, with deep spill over effects into capital markets. The financial woes of Greece which dominated the economic news came to head; where the Greek government was essentially given an ultimatum: accept the terms of the bailout or leave the European Union. With Greece forced to into accepting austerity measures, the immediate risks to global markets seemed to dissipate. But as one crisis abated another begins to emerge.

The Chinese stock market experienced its worst decline since the 2008 financial crisis in late June. The declining economic growth in China was apparent in the economic statistics released through the year, with talks of a shift towards a more consumption-led economy from its production-driven framework. Growth forecasts have fallen to less than 5%, with many indicators pointing towards a hard landing of the Chinese economy. In its wake, China's many trading partners including South Africa are also a knock-on impediment to their own growth rates.

Despite having negative returns for most of the past year, commodity prices fell further. The oil price was severely hit over the quarter down 23.4% with a significant oversupply relative to global demand as production remains subdued. 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.

Equity markets globally sold off sharply in the latter half of August, and continued through September with the US S&P 500 Index down 11% at one point. Emerging markets, especially those with strong economic ties 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 monitored over the forthcoming months to provide insight as to the potential extent of the slowdown.

Amidst this, the US labour market continued to tighten with accelerating job growth with jobless claims now at multi-year lows. The weeks approaching the US Federal Reserve's September meeting, introduced further volatility into the currency and bond markets with increased expectations that interest rates would be hiked. However, despite the positive indicators; US GDP growth at 3.7% (q-o-q annualized), and unemployment at its lowest levels since 2008, the current market turmoil shifted expectations of the rate hike further out, possible not even this year. Market participants are further unnerved at its potential ramifications given the vulnerable nature of economies across the globe. This extends the pressure on commodity prices, EM currencies, bond and equity markets.

## COMMENTARY

The lack of clarity on the Federal Reserve's interest-rate normalisation policy contributed significantly to the emerging-market jitters that have seen the rand weaken by 13.6% against the dollar for the quarter and 20.7% for the year to date.

With the outlook on the global market beginning to fragment, the risk of recession looms large for South Africa. The global economic concerns coupled with continuing electricity shortfalls, rising inflation, increased interest rates, electricity disruptions, labour conflicts, and depressed business confidence does not bode well for the consumer. Global rating agencies Fitch and S&P had warned South Africa that rating downgrades can be applied in the coming months unless we could implement growth enhancing economic reforms and maintain strong fiscal consolidation.

Consumers have to tighten their belts as the South African Reserve Bank became more vocal on further increasing interest rates over the next 6 months. This is driven by the CPI inflation rise to 5% in July, as inflation is expected to rise further and could breach the 6% upper end of the SARB's target, by year-end. The 25 bp rate hike in July was the first intervention against prevailing dollar strength and concerns about the weak rand; rising inflation; labour conflicts and wage increases; moderate to weak economic growth, a wider current account deficit, and stubborn unemployment.

The nominal yield curve drifted higher over the quarter on the back of heightened uncertainty around US monetary-policy normalisation, concerns regarding China's growth, and lower commodity prices, which dented investor confidence - hence the risk-off environment.

Interest rate markets were stable locally, notwithstanding outflows of over R20bn during the quarter. Cash returns were strongest with the STeFI overnight returning +1.4%, nominal bonds up 1.1% and ILB's up 0.9% over the quarter.

The best-performing area of the curve over the year was the ultra-short end, which returned 1.8% to be ahead of the 3-7-year area, which returned 1.5% and the 7-12-year area, which returned 1%. The 12+ year area was the worst performer, returning 0.9%.

### HOW THE MANAGERS PERFORMED OVER THE Q3 2015

Bond performance recovered over the third quarter after a difficult second quarter with 19 out of 21 portfolios out-performing the All Bond Index. The average manager earned 1.30%, as compared to -1.09%, in Q2 2015. 1 year performance dispersion between specialist bond managers has converged to 2.46% compared to 4.62% last quarter.

On the back of a strong second quarter, the best performing specialist bond composite for the quarter and the year to date was again the Investec Corporate Bond Composite, returning 1.62% over the quarter and 5.16% for the year to date. Over 1 year this portfolio is second in the rankings behind the Futuregrowth Yield Enhanced portfolio which had a difficult September due to exposure to the long end of the curve and downward revaluation of commodity assets. The bottom three performers over the quarter were Vunani Active Bond, Prudential Yield Enhanced and SIM Institutional Total Return portfolios all with a greater duration than the ALBI.

Specialist bond composite managers are on average the same duration as the ALBI, with SIM Institutional Total Return Bond, Coronation Active Bond and Futuregrowth Core Bond composites having the highest duration for the quarter. The use of credit in the specialist bond composites proliferates with the average fund only having 65% invested in AAA instruments, however this is up from last quarter's average of 61.14%.

In terms of ILB composites, the Coronation Absolute Bond portfolio performed the best over the quarter as well as on a 1 year basis with the portfolio still possessing the lowest duration (3.61) relative to the other ILB composites. This was assisted by being the only positive performing manager in the month of September which saw ILB's return -0.31%. 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 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
<b>INVESTMENT MANAGERS</b>									
<b>SPECIALIST BONDS</b>									
Absa Asset Management Bond Fund	V		N	All Bond Index	5.82	63.01%	1	284	06 October 2015
Argon SA Bond Fund	C		Y	All Bond Index	6.83	62.71%	3	921	13 October 2015
Atlantic Bond Composite	C		Y	All Bond Index	6.47	50.59%	3	704	16 October 2015
Cadiz Houseview Bond Fund	V		Y	All Bond Index	6.08	62.43%	7	1,268	14 October 2015
Coronation Active Bond Portfolio (Composite)	C		Y	All Bond Index	7.32	61.14%	8	6,737	14 October 2015
Coronation Strategic Bond Composite	C		Y	All Bond Index	6.49	59.33%	6	4,075	14 October 2015
Futuregrowth Core Bond Composite	C		Y	All Bond Index	7.26	99.56%	4	21,227	13 October 2015
Futuregrowth Yield Enhanced	C		N	All Bond Index	7.18	71.44%	5	5,629	13 October 2015
Investec Corporate Bond Composite	V		Y	All Bond Index	6.9	34.00%	3	12,303	13 October 2015
Investec Triple Alpha	V		Y	All Bond Index	6.85	64.67%	15	3,396	13 October 2015
Investment Solutions Pure Fixed Interest Portfolio	n/a		Y	All Bond Index	5.58	61.45%	0	5,012	12 October 2015
JM BUSHA BondPlus	C		Y	All Bond Index	6.37	84.76%	3	881	06 October 2015
Momentum AM Bond Fund	C		Y	All Bond Index	7.15	80.24%	10	12,088	14 October 2015
Momentum MoM Moderate Bond FOF			Y	All Bond Index	6.82	60.29%	2	172	14 October 2015
Pan Africa AM Segregated Domestic Bond	V		Y	All Bond Index	6.68	52.78%	6	1,939	09 October 2015
Prescient Bond Quant	V		N	All Bond Index	6.61	64.00%	2	459	14 October 2015
Prescient Bond QuantPlus	V		N	All Bond Index	6.01	54.90%	10	7,573	14 October 2015
Prudential Yield Enhanced Portfolio	V		Y	All Bond Index	7.18	71.40%	7	2,963	06 October 2015
SIM Institutional Total Return Bond Fund	V		Y	All Bond Index	7.53	83.25%	15	7,330	05 October 2015
Stanlib Core Bond Portfolio	V		Y	All Bond Index	7.19	68.00%	10	6,681	13 October 2015
Vunani Active Bond Fund	V		Y	All Bond Index	6.97	55.06%	7	972	16 October 2015
		<i>This includes multi-managers thus must be noted as possible "double-counting"</i>							
<b>TOTAL</b>								102,613	
<b>INFLATION LINKED BONDS</b>									
Coronation Absolute Bond Portfolio	C		N	CPI + 4%pa	3.61	11.98%	3	7,621	14 October 2015
Investec Inflation Linked Bond Composite	V		Y	Barclays - BESA SA Inflation Linked Index	11	78.60%	3	3,439	13 October 2015
Momentum AM Inflation Linked Bond Fund	C		Y	Barclays - BESA SA Inflation Linked Index	11.32	62.87%	4	1,289	14 October 2015
Prescient Inflation Linked Bond Composite	V		N	90 ILBI / 10 STEFI Call	9.88	73.10%	3	2,697	14 October 2015
Prudential Inflation Linked Bond Fund	V		Y	Barclays South Africa Inflation Linked Index	11.46	64.84%	1	110	06 October 2015
SIM Inflation Linked Bond Fund	V		Y	Barclays BESA Govt Inflation-linked Bond Index	11.19	76.25%	2	2,559	05 October 2015
<b>INDICES</b>									
All Bond Index					6.72				
		<i>This includes multi-managers thus must be noted as possible "double-counting"</i>							
<b>TOTAL</b>								17,716	

\* 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 SEPTEMBER 2015																										
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 2014	Calendar Year 2013	Calendar Year 2012	Calendar Year 2011	Calendar Year 2010					
	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank					
<b>SPECIALIST BONDS</b>																										
Absa Asset Management Bond Fund	0.11%	6	1.25%	12	3.51%	7	7.46%	11	*	*	*	*	*	*	*	*	10.27%	11	*	*	*					
Argon SA Bond Fund	0.02%	9	1.31%	7	3.93%	3	8.27%	3	6.95%	3	8.43%	10	9.42%	18	*	*	11.08%	5	2.69%	5	6.81%	19	13.81%	18		
Atlantic Bond Composite	0.13%	5	1.54%	3	3.74%	6	7.41%	14	*	*	*	*	*	*	*	*	10.92%	6	2.32%	8	*	*	*	*		
Cadiz Houseview Bond Fund	-0.06%	11	1.29%	9	3.23%	9	7.45%	12	6.05%	10	8.30%	13	9.78%	14	9.16%	4	9.98%	14	1.93%	11	17.14%	11	8.98%	18	16.07%	12
Coronation Active Bond Portfolio (Composite)	-0.14%	20	1.22%	15	2.91%	19	7.25%	17	6.53%	4	8.84%	4	10.14%	4	9.32%	2	11.33%	3	2.30%	9	17.66%	5	9.85%	5	15.86%	13
Coronation Strategic Bond Composite	-0.14%	19	1.26%	11	3.23%	10	7.79%	7	6.96%	2	9.18%	2	10.54%	3	*	*	11.69%	2	2.76%	4	18.25%	3	9.70%	8	16.34%	9
Futuregrowth Core Bond Composite	-0.11%	17	1.22%	14	2.98%	18	7.37%	15	6.17%	7	8.50%	8	9.86%	10	9.00%	12	10.33%	8	2.10%	10	17.30%	7	9.35%	13	16.39%	8
Futuregrowth Yield Enhanced	-0.12%	18	1.51%	4	4.40%	2	9.55%	1	8.01%	1	10.54%	1	11.61%	1	10.54%	1	12.81%	1	3.29%	1	19.59%	1	11.27%	2	18.44%	2
Investec Corporate Bond Composite	0.15%	2	1.62%	1	5.16%	1	9.44%	2	6.14%	8	9.04%	3	10.95%	2	*	*	7.08%	21	3.22%	2	17.16%	9	11.56%	1	18.70%	1
Investec Triple Alpha	-0.06%	10	1.30%	8	3.77%	5	8.00%	4	5.80%	15	8.23%	14	9.77%	15	*	*	8.83%	20	1.91%	12	16.49%	14	9.82%	6	16.48%	7
Investment Solutions Pure Fixed Interest Portfolio	-0.07%	13	1.17%	18	3.15%	11	7.96%	5	6.51%	5	8.45%	9	9.80%	11	9.05%	9	11.08%	4	2.40%	7	16.05%	16	9.27%	14	15.52%	15
JM BUSHA BondPlus	0.15%	4	1.45%	5	3.10%	14	7.11%	21	5.49%	19	7.89%	19	8.82%	19	*	*	9.59%	19	1.28%	20	15.97%	17	9.16%	16	13.64%	19
Momentum AM Bond Fund	-0.06%	11	1.20%	17	3.27%	8	7.58%	8	6.00%	11	8.41%	11	9.98%	6	9.20%	3	10.27%	10	1.36%	19	17.17%	8	9.58%	10	16.30%	10
Momentum MoM Moderate Bond FOF	0.15%	3	1.24%	13	3.00%	17	7.25%	18	5.95%	13	8.20%	16	9.86%	9	9.12%	6	10.22%	12	1.63%	17	16.44%	15	9.38%	12	15.82%	14
Pan Africa AM Segregated Domestic Bond	-0.07%	14	1.21%	16	3.05%	16	7.50%	10	5.98%	12	8.21%	15	9.79%	13	9.07%	7	10.31%	9	1.72%	14	16.63%	13	9.14%	17	16.74%	5
Prescient Bond Quant	0.05%	7	1.26%	10	3.06%	15	7.23%	19	5.78%	18	8.02%	17	9.48%	17	8.77%	13	10.12%	13	1.60%	18	15.55%	18	9.46%	11	15.40%	16
Prescient Bond QuantPlus	0.23%	1	1.58%	2	3.82%	4	7.93%	6	6.26%	6	7.96%	18	9.57%	16	9.04%	10	9.66%	17	3.01%	3	13.54%	19	9.17%	15	14.91%	17
Prudential Yield Enhanced Portfolio	-0.10%	15	1.09%	20	2.71%	20	7.22%	20	5.79%	16	8.56%	6	9.95%	7	9.16%	5	9.86%	15	1.78%	13	17.14%	10	10.58%	4	17.30%	3
SIM Institutional Total Return Bond Fund	-0.14%	21	1.06%	21	2.69%	21	7.26%	16	5.92%	14	8.34%	12	9.80%	12	9.00%	11	10.67%	7	1.70%	15	16.68%	12	9.67%	9	16.82%	4
Stanlib Core Bond Portfolio	0.03%	8	1.35%	6	3.11%	13	7.44%	13	5.78%	17	8.63%	5	9.90%	8	9.06%	8	9.61%	18	1.66%	16	17.77%	4	10.61%	3	16.26%	11
Vunani Active Bond Fund	-0.11%	16	1.16%	19	3.14%	12	7.55%	9	6.10%	9	8.56%	7	10.05%	5	*	*	9.69%	16	2.41%	6	17.56%	6	9.74%	7	16.72%	6
<b>SPECIALIST BONDS STATISTICS</b>																										
Highest	0.23%		1.62%		5.16%		9.55%		8.01%		10.54%		11.61%		10.54%		12.81%		3.29%		19.59%		11.56%		18.70%	
Upper Quartile	0.11%		1.35%		3.74%		7.94%		6.38%		8.59%		10.02%		9.16%		10.92%		2.48%		17.61%		9.83%		16.73%	
Median	-0.06%		1.26%		3.15%		7.47%		6.00%		8.41%		9.80%		9.06%		10.17%		2.02%		17.14%		9.58%		16.30%	
Average	-0.01%		1.30%		3.38%		7.75%		6.16%		8.49%		9.91%		9.18%		10.26%		2.15%		16.98%		9.64%		16.19%	
Lower Quartile	-0.11%		1.21%		3.05%		7.26%		5.86%		8.22%		9.78%		9.04%		9.69%		1.69%		16.47%		9.22%		15.67%	
Lowest	-0.14%		1.06%		2.69%		7.11%		5.49%		7.89%		8.82%		8.77%		7.08%		1.28%		13.54%		6.81%		13.64%	
Range	0.37%		0.56%		2.46%		2.44%		2.52%		2.64%		2.79%		1.77%		5.73%		2.01%		6.05%		4.75%		5.05%	
Number of participants	21		21		21		20		19		19		19		13		21		20		19		19		19	
<b>INFLATION LINKED BONDS</b>																										
Coronation Absolute Bond Portfolio	0.24%		1.64%		4.65%		7.01%		7.09%		9.26%		10.97%		10.49%		8.51%		4.56%		13.44%		13.88%		15.66%	
Investec Inflation Linked Bond Composite	-0.41%		0.93%		2.93%		6.66%		5.22%		*		*		*		10.91%		1.11%		18.81%		13.56%		*	
Momentum AM Inflation Linked Bond Fund	-0.37%		1.04%		3.23%		6.65%		6.96%		9.76%		*		*		10.86%		1.21%		19.73%		13.48%		12.00%	
Prescient Inflation Linked Bond Composite	-0.34%		1.09%		3.01%		5.14%		*		*		*		*		10.22%		*		15.63%		11.45%		10.92%	
Prudential Inflation Linked Bond Fund	-0.34%		0.95%		2.81%		5.19%		6.63%		9.51%		9.89%		10.15%		10.33%		1.14%		19.98%		13.32%		11.59%	
SIM Inflation Linked Bond Fund	-0.37%		0.92%		2.94%		5.36%		6.78%		*		*		*		10.87%		1.12%		19.39%		*		*	
<b>INFLATION LINKED BONDS STATISTICS</b>																										
Highest	0.24%		1.64%		4.65%		7.01%		7.09%		9.76%		10.97%		10.49%		10.91%		4.56%		19.98%		13.88%		15.66%	
Upper Quartile	-0.34%		1.07%		3.18%		5.58%		6.96%		9.63%		10.70%		*		10.87%		1.21%		19.64%		13.56%		12.92%	
Median	-0.35%		0.99%		2.97%		5.29%		6.78%		9.51%		10.43%		*		10.60%		1.14%		19.10%		13.48%		11.79%	
Average	-0.26%		1.09%		3.26%		5.59%		6.82%		9.51%		10.43%		*		10.29%		1.83%		17.83%		13.14%		12.54%	
Lower Quartile	-0.37%		0.93%		2.93%		5.20%		6.66%		9.38%		10.16%		*		10.25%		1.12%		16.42%		13.32%		11.42%	
Lowest	-0.41%		0.92%		2.81%		5.14%		6.63%		9.26%		9.89%		*		8.51%		1.11%		13.44%		11.45%		10.92%	
Range	0.65%		0.72%		1.84%		1.87%		0.46%		0.50%		1.07%		*		2.40%		3.44%		6.55%		2.43%		4.75%	
Number of participants	6		6		6		6		5		3		2		*		6		5		6		5		4	
<b>INDICES</b>																										
All Bond Index	-0.07%		1.11%		2.67%		7.04%		5.30%		7.68%		8.94%		8.25%		10.15%		0.64%		15.99%		8.82%		14.96%	
1-3 Year Bond Index	0.64%		1.76%		4.62%		7.19%		5.56%		6.87%		7.80%		7.72%		6.23%		4.42%		8.30%		8.90%		8.75%	
3-7 Year Bond Index	0.39%		1.53%		3.76%		7.14%		4.97%		7.69%		8.90%		8.17%		7.90%		1.46%		13.65%		10.18%		12.79%	
7-12 Year Bond Index	0.05%		1.05%		2.80%		6.98%		4.49%		7.89%		8.50%		8.30%		8.30%		-0.21%		18.40%		10.20%		16.00%	
12+ Year Bond Index	-0.44%		0.90%		1.92%		7.37%		5.69%		7.42%		8.66%		7.76%		12.91%		-0.69%		18.81%		6.00%		15.86%	
Barclays - BESA SA Inflation Linked Index	-0.31%		0.94%		2.75%		5.05%		6.70%		9.40%		9.70%		10.04%		11.15%		0.79%		19.37%		13.05%		10.97%	
BESA Standard Bank Credit Index	-4.97%		-5.82%		-4.16%		0.99%		1.33%		5.91%		8.53%		*		9.14%		-2.29%		15.74%		10.95%		20.50%	
GOVI	0.01%		1.15%		2.49%		6.67%		5.08%		7.30%		8.29%		7.83%		9.81%		0.52%		15.64%		7.84%		14.58%	
OTHI	-0.32%		0.97%		3.30%		8.33%		6.40%		8.47%		9.93%		8.61%		11.81%		1.49%		17.98%		8.10%		17.28%	
STeFI	0.52%		1.60%		4.79%		6.41%		5.75%		5.76%		6.61%		7.32%		5.90%		5.18%		5.55%		5.73%		6.93%	

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

Reasonable use of the survey may be made for purposes of comment and

# 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 SEPTEMBER 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
<b>SPECIALIST BONDS</b>																		
Argon SA Bond Fund	6.95%	3	7.06%	8	1.65%	3	0.91%	1.82	4	8.43%	10	6.77%	17	0.76%	10	1.14%	0.67	13
Cadiz Houseview Bond Fund	6.05%	10	6.96%	5	0.75%	10	1.11%	0.68	14	8.30%	13	6.42%	5	0.62%	13	0.92%	0.68	12
Coronation Active Bond Portfolio (Composite)	6.53%	4	7.14%	10	1.23%	4	0.86%	1.87	3	8.84%	4	6.58%	14	1.17%	4	0.60%	1.95	3
Coronation Strategic Bond Composite	6.96%	2	7.16%	11	1.66%	2	0.73%	2.28	1	9.18%	2	6.53%	13	1.50%	2	0.70%	2.15	1
Futuregrowth Core Bond Composite	6.17%	7	7.43%	17	0.87%	7	0.85%	1.03	8	8.50%	8	6.71%	15	0.82%	8	0.72%	1.14	8
Futuregrowth Yield Enhanced	8.01%	1	7.27%	15	2.71%	1	1.21%	2.23	2	10.54%	1	6.44%	8	2.86%	1	1.39%	2.06	2
Investec Corporate Bond Composite	6.14%	8	6.81%	3	0.84%	8	2.81%	0.30	18	9.04%	3	6.18%	3	1.36%	3	2.24%	0.61	15
Investec Triple Alpha	5.80%	15	7.04%	7	0.50%	15	1.49%	0.33	17	8.23%	14	6.43%	6	0.55%	14	1.21%	0.46	17
Investment Solutions Pure Fixed Interest Portfolio	6.51%	5	6.77%	2	1.21%	5	1.03%	1.18	6	8.45%	9	6.14%	2	0.78%	9	0.91%	0.85	11
JM BUSHA BondPlus	5.49%	19	6.99%	6	0.19%	19	0.80%	0.23	19	7.89%	19	6.35%	4	0.22%	19	0.69%	0.31	18
Momentum AM Bond Fund	6.00%	11	7.20%	13	0.70%	11	0.54%	1.29	5	8.41%	11	6.52%	11	0.73%	11	0.51%	1.42	6
Momentum MoM Moderate Bond FOF	5.95%	13	7.20%	12	0.65%	13	1.00%	0.65	15	8.20%	16	6.48%	9	0.52%	16	0.91%	0.58	16
Pan Africa AM Segregated Domestic Bond	5.98%	12	7.09%	9	0.68%	12	0.68%	1.00	9	8.21%	15	6.53%	12	0.54%	15	0.59%	0.92	10
Prescient Bond Quant	5.78%	18	7.23%	14	0.48%	18	0.52%	0.92	10	8.02%	17	6.50%	10	0.34%	17	0.52%	0.66	14
Prescient Bond QuantPlus	6.26%	6	6.48%	1	0.96%	6	1.76%	0.54	16	7.96%	18	5.70%	1	0.28%	18	1.64%	0.17	19
Prudential Yield Enhanced Portfolio	5.79%	16	7.54%	18	0.49%	16	0.68%	0.73	11	8.56%	6	6.84%	18	0.88%	6	0.56%	1.56	4
SIM Institutional Total Return Bond Fund	5.92%	14	7.63%	19	0.62%	14	0.57%	1.09	7	8.34%	12	6.85%	19	0.66%	12	0.49%	1.34	7
Stanlib Core Bond Portfolio	5.78%	17	7.41%	16	0.48%	17	0.71%	0.68	13	8.63%	5	6.74%	16	0.95%	5	0.63%	1.51	5
Vunani Active Bond Fund	6.10%	9	6.96%	4	0.80%	9	1.11%	0.72	12	8.56%	7	6.44%	7	0.88%	7	0.88%	1.01	9
			Lower volatility = higher ranking									Lower volatility = higher ranking						
<b>STATISTICS</b>																		
Highest	8.01%		7.63%		2.71%		2.81%	2.28		10.54%		6.85%		2.86%		2.24%	2.15	
Upper Quartile	6.38%		7.25%		1.08%		1.11%	1.23		8.59%		6.65%		0.92%		1.03%	1.46	
Median	6.05%		7.14%		0.75%		0.85%	0.92		8.43%		6.50%		0.76%		0.72%	0.92	
Average	6.22%		7.12%		0.92%		1.01%	1.03		8.54%		6.48%		0.87%		0.91%	1.05	
Lower Quartile	5.86%		6.98%		0.56%		0.68%	0.66		8.22%		6.42%		0.55%		0.59%	0.63	
Lowest	5.49%		6.48%		0.19%		0.52%	0.23		7.89%		5.70%		0.22%		0.49%	0.17	
Number of participants	19		19		19		19	19		19		19		19		19	19	
<b>INFLATION LINKED BONDS</b>																		
Coronation Absolute Bond Portfolio	7.09%		2.96%							9.26%		3.06%						
Investec Inflation Linked Bond Composite	6.66%		6.36%							*		*						
Momentum AM Inflation Linked Bond Fund	6.96%		6.67%							9.76%		6.01%						
Prudential Inflation Linked Bond Fund	6.63%		6.87%							9.51%		6.15%						
SIM Inflation Linked Bond Fund	6.78%		6.69%							*		*						
<b>STATISTICS</b>																		
Highest	7.09%		6.87%							9.76%		6.15%						
Upper Quartile	6.96%		6.69%							9.63%		6.08%						
Median	6.78%		6.67%							9.51%		6.01%						
Average	6.82%		5.91%							9.51%		5.08%						
Lower Quartile	6.66%		6.36%							9.38%		4.54%						
Lowest	6.63%		2.96%							9.26%		3.06%						
Number of participants	5		5							3		3						
<b>INDICES</b>																		
All Bond Index	5.30%		7.56%							7.68%		6.87%						
Barclays - BESA SA Inflation Linked Index	6.70%		6.81%							9.40%		6.13%						
BESA Standard Bank Credit Index	1.33%		8.27%							5.91%		7.35%						

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# S.A. BOND MANAGER WATCH™ SURVEY

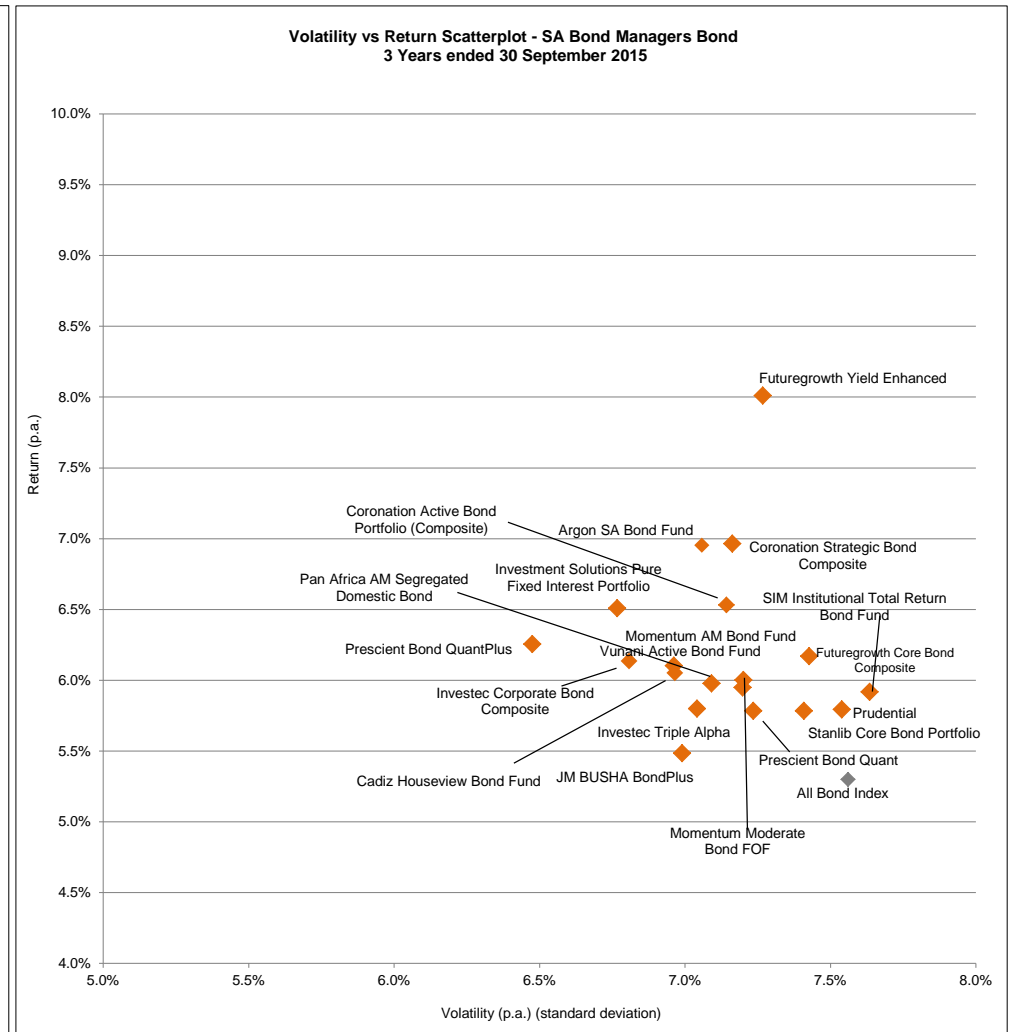
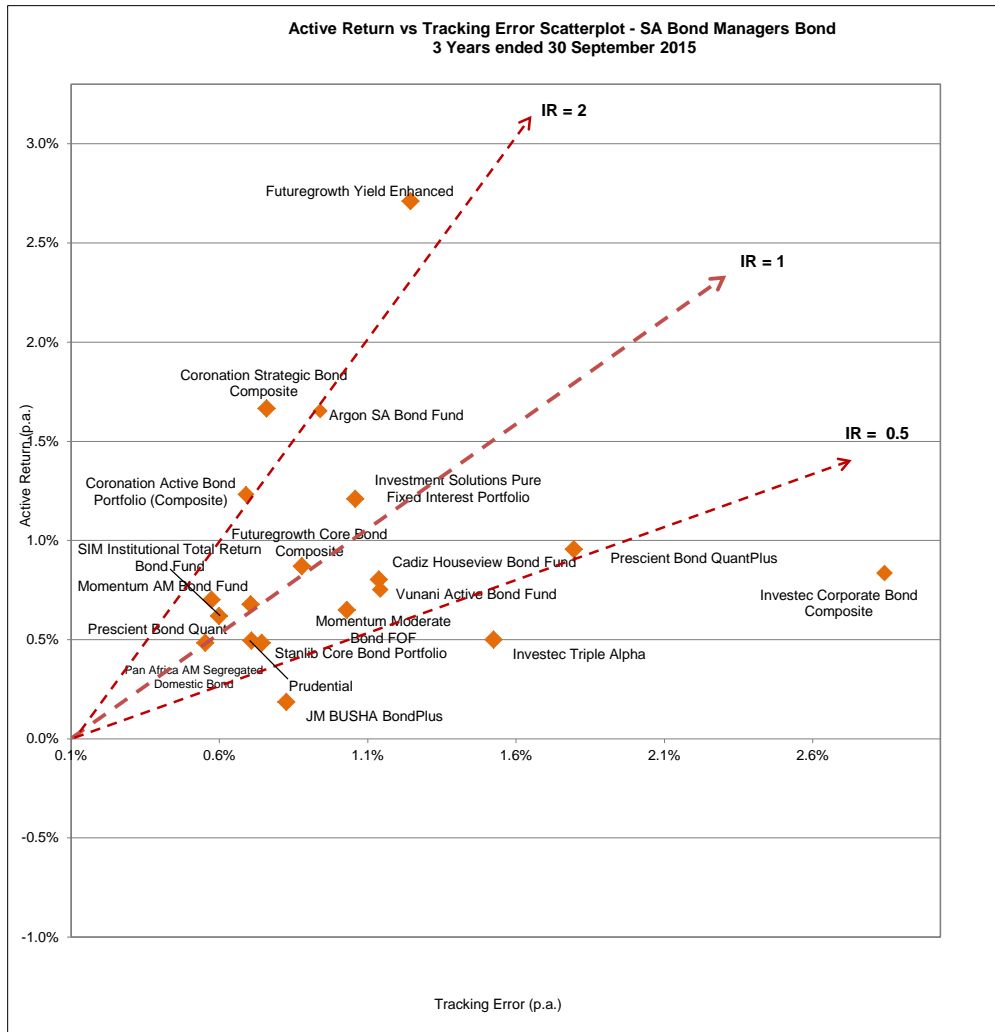
Objective - The portfolios included in this Survey represent specialist bond portfolios with ALBI as their benchmark and have an effective modified duration mandate of +/- 2 years around the ALBI

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	3.49%	18.39%	50.26%	17.12%	0.63%	10.11%	0.00%	100.00%
Argon Domestic Core Bond	5.21%	18.49%	13.64%	58.43%	0.00%	4.23%	0.00%	100.00%
Atlantic Bond Composite	1.07%	16.33%	15.24%	41.86%	9.64%	15.86%	0.00%	100.00%
Cadiz Houseview Bond Fund	12.03%	19.55%	9.80%	42.67%	16.82%	-0.87%	0.00%	100.00%
Coronation Active Bond Portfolio (Composite)	10.62%	6.67%	26.42%	50.96%	3.97%	1.35%	0.00%	100.00%
Coronation Strategic Bond Composite	13.24%	8.33%	27.82%	39.43%	10.13%	1.05%	0.00%	100.00%
Futuregrowth Core Bond Composite	7.30%	11.31%	17.55%	59.45%	2.75%	1.64%	0.00%	100.00%
Futuregrowth Yield Enhanced	34.14%	11.04%	16.02%	55.49%	21.57%	-38.26%	0.00%	100.00%
Investec Corporate Bond Composite	9.63%	31.27%	34.93%	29.09%	0.66%	-5.58%	0.00%	100.00%
Investec Triple Alpha	10.68%	31.22%	30.18%	36.92%	0.00%	-9.01%	0.00%	100.00%
Investment Solutions Pure Fixed Interest Portfolio	1.02%	9.66%	23.25%	49.56%	3.65%	12.86%	0.00%	100.00%
JM BUSHA BondPlus	8.40%	25.00%	15.48%	48.51%	0.00%	2.62%	0.00%	100.00%
Momentum AM Bond Fund	3.56%	13.00%	28.23%	48.99%	1.26%	4.96%	0.00%	100.00%
Momentum MoM Moderate Bond FOF	0.53%	28.03%	18.38%	44.38%	0.53%	8.15%		100.00%
Pan Africa AM Segregated Domestic Bond	3.53%	11.67%	21.58%	60.16%	4.41%	-1.36%	0.00%	100.00%
Prescient Bond Quant	1.47%	30.37%	25.92%	42.24%	0.00%	0.00%	0.00%	100.00%
Prescient Bond QuantPlus	8.29%	30.30%	23.78%	37.63%	0.00%	0.00%	0.00%	100.00%
Prudential Yield Enhanced Portfolio	5.82%	14.70%	20.89%	50.51%	7.13%	0.95%	0.00%	100.00%
SIM Institutional Total Return Bond Fund	4.35%	12.05%	27.70%	55.42%	0.01%	0.48%	0.00%	100.00%
Stanlib Core Bond Portfolio	4.43%	20.42%	37.93%	27.50%	7.99%	1.74%	0.00%	100.00%
Vunani Active Bond Fund	9.55%	33.55%	15.16%	41.00%	0.00%	0.74%	0.00%	100.00%
INFLATION LINKED BONDS								
Coronation Absolute Bond Portfolio	22.05%	21.59%	14.75%	4.96%	34.84%	1.82%	0.00%	100.00%
Investec Inflation Linked Bond Composite	1.76%	13.47%	30.27%	49.34%	4.41%	0.75%	0.00%	100.00%
Momentum AM Inflation Linked Bond Fund	0.19%	11.05%	30.24%	53.49%	5.03%	0.00%	0.00%	100.00%
Prescient Inflation Linked Bond Composite	10.34%	9.89%	27.91%	51.86%	0.00%	0.00%	0.00%	100.00%
Prudential Inflation Linked Bond Fund	7.21%	10.43%	9.47%	45.87%	31.44%	-4.43%	0.00%	100.00%
SIM Inflation Linked Bond Fund	5.15%	6.49%	32.42%	51.48%	5.04%	-0.57%	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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# S.A. BOND MANAGER WATCH™ SURVEY

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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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