



Editorial Comment

Mike Borland, director, FIRSTGLOBAL GROUP

Whilst there are positive signs of economic recovery around the globe, the US Fed's recent surprise decision NOT to announce a modest tapering of QE suggests that there are still a number of concerns and reasons to avoid the negative impact that tapering might have. This decision also sent equity indices to new record highs, which bolsters the view that they are the best placed asset class as policy makers delay the start of withdrawing their massive stimulus.

Locally we are seeing the signs that further interest rate declines are unlikely and that we are not far off the commencement of a cycle of increasing interest rates after an historically long cycle of low interest rates. Amongst the broader economic implication of this, it bodes well for the interest dependent retired

investor. However, it also sounds a warning bell to individuals and businesses who have high levels of borrowing as the increased cost of finance will bite into domestic disposable income and business profits.

In this edition we look at changes in Retirement Concepts, at the probabilities that Higher Inflation is around the corner, we consider the case for Personal Investing Offshore, and round off with some sage words of advice from Warren Buffet. Also included is our FG Asset Management Investment Update for the quarter.

Enjoy the read.



The old concepts of retirement are changing

Stephen Silcock, Portfolio Manager, Investec

"Retirement at sixty-five is ridiculous. When I was sixty-five I still had pimples." George Burns

Investec has recently increased its retirement age from 60 to 65. This may seem like a radical move, but it is certainly one that many companies and governments are considering in this ever-changing world.

Today people are living longer and are often leading productive lives into their eighties as a result of advances in medical science and lifestyle management. Most employees of large corporates like Investec therefore still have tremendous value to add when they reach 60.

Moreover, given increased life expectancy, many people do not have enough retirement savings to enable them to retire comfortably at the age of 60. The additional five years of saving for retirement helps to address this, as well as the fact that there are also then five years fewer (during

retirement) to fund. In addition to this, a society that can keep its highly skilled employees working for only five extra years before retiring will reap a considerable advantage in GDP.

For those approaching age 50, and the generations to follow, the idea of the end of retirement is a challenge, an opportunity, and certainly a wakeup call.

Various myths underlie the concept of retirement. First, that age 65 is old. And second, that those over 65 are not generally capable of useful work.

Each myth is refuted by current realities. Age 65 is no longer old. People are living and maintaining vitality longer, a phenomenon known as "down-aging". In the near future people will live even longer, will be in better health, and unless the retirement concept changes, will need to collect retirement benefits for periods averaging

20 to 40 years, perhaps even longer.

The second myth, that people over the age of 65 are not capable of meaningful work also flies in the face of tomorrow's realities. When retirement began early last century the most common work was manual and depended heavily on strength. People over 65 were indeed old, more similar to the 75 or 80 year olds of today.

But the primary work of tomorrow is knowledge work, requiring little or no manual strength. Research demonstrates quite clearly that maintaining mental activity can sustain a sharp mind far into old age, barring illness. If culture is short on anything these days it is wisdom, often the unique strength of elders. It can also be pointed out that even muscle strength can be maintained at a far higher level than previously thought, with proper exercise.

The American futurist, Ray Kurzweil, estimates that the equivalent of 20 000 previous years of change will be crammed into this century. It becomes obvious that new careers will appear and disappear with meteoric speed and that life-long learning will not only be a nice slogan, but a career life line. A brand new set of survival skills will become necessary and the years between 40 and 60 will be vital years for "retooling" and retraining. The age of 65 will no longer be regarded as the onset of old age, but simply a milestone in one's life. We may find that we now will work into our 80s, and longer!

As part of their drive to reduce the strains on their public pension schemes, and so reduce their overall fiscal

burdens, most European countries are seriously trying to increase the retirement age to at least 68. Meanwhile the de facto retirement age in the US is 70. A remarkable number of Nobel laureates have been over the age 70, and the career of a tenured professor at a university can stretch to 85.

There are many examples of great artists, writers, architects and composers who have delivered great works well into their advanced years. The world famous Brazilian architect, Oscar Niemeyer, who died last year at the age of almost 105, was still involved in major designs well into his nineties!

It seems likely that most 21st century elders will not retire. They will slow down, work less, work at new things, have some leisure, but continue to engage in useful, income producing work in a variety of arrangements and patterns, perhaps for all of their lives. It is safe to say that the first quarter of the 21st century will see a great re-invention of the third phase of life, away from classic retirement and toward something like "life fulfillment." The end of retirement and beginning of life fulfillment may be a kind of liberation for many.

From whatever angle you look it, it seems that transformation in the retirement industry is inevitable – and something to be celebrated.

With thanks to Dr Piet Muller who allowed some of his thoughts to be used in this report.



Is inflation around the corner?

Neil Urmson, Investment Manager, Investec

The last few years have seen an extraordinary monetary environment with low interest rates, financial repression and quantitative easing. Under normal circumstances these types of actions should have resulted in higher inflation. To date inflation indicators globally have not shown any significant increases and only recently have we seen a movement upwards in bond yields which could still be attributed to the tapering effect and a normalisation of rates as opposed to any real inflationary fears.

Given the above, it is worthwhile trying to understand why it is that inflation has not yet accelerated and whether or not this might change over the short to medium term. It was Milton Friedman who said that inflation is always and everywhere a monetary phenomenon, in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output. The monetary conditions suggest rampant inflation – this has not been the case, why?

In order for us to try to explain this phenomenon, we need to consider a number of factors, which we examine below:

Velocity of money:

What is now clear is that while the quantity of money can be increased, if these funds are not spent or put to active use, the velocity of money will remain low and inflation will be unable to gain a foothold. The key questions must then be: why has velocity remained low and what has prevented money from entering the productive economy? To date, I believe that three dominant factors have prevented the acceleration of monetary velocity.

The first of these has been **confidence in both the corporate and private sectors**. Both consumers and corporates have been inclined to retire debt and wait to see how things work out before committing income to consumption or capital to investment. Given the trauma experienced in 2008 / 2009 and the near death of the global financial system, it is not hard to understand the conservative actions taken by economic participants after the Global Financial Crisis (GFC). Over the last few years we have seen a reduction in consumption, high cash levels on corporate balance sheets and a general reduction

(outside of public debt) in leverage ratios.

The second factor relates **to banks and their inability (or unwillingness) to accelerate lending meaningfully**. This is the result of a number of factors, with the main ones being changes to capital ratios, a lack of lending demand (especially higher quality lending credit demand) and new and sometimes unclear regulations. In addition to this, banks have had to live with an environment which is not yet stable enough to ensure that additional macro issues do not impact on their survival.

Lastly, **the lack of inflation itself is a problem** as consumers and corporates delay decision making in the belief that prices will remain constant and in some cases even fall further. This is clearly a very dangerous situation and one which has plagued Japan for many years.

While this article is not long enough to cover the issue of demographics, it is worthwhile noting that aging populations also have a negative effect on inflation, as peak spending cycles are not repeating as consistently as they have in the past, and older retirees are becoming more conservative in their spending patterns – faced as they are with financial repression and lower returns on cash and fixed income assets. Two of my colleagues, Dr Michael Power and Mr Peter Thomas have done a lot of thinking on this issue and with their input we may well expand on this topic in later articles.

Excess capacity

If there is excess capacity in an economy, it means that factories and other productive parts of the economy are not operating at their full capabilities. As demand increases, this can easily be absorbed and prices are unlikely to increase. Normally, in a situation of excess capacity, producers are limited in the extent to which they can pass on price increases to consumers – they all need the work so can't price as aggressively. Excess capacity essentially works its way out in two ways, either by an increase in demand or by the closure of facilities and the resulting reduction in capacity. Closure can take time as people are laid off and it is normally an expensive exercise.

Wages

In circumstances of labour or skills shortages, prices are likely to increase. This is normally the case when economies are at full employment or specialist skills are in shortage. Wages are also likely to increase when inflation expectations are high or when a labour market is highly unionised. More recently, one could argue that the higher than inflation increases (in South Africa and China) have more to do with social cohesion and the narrowing of the income gap.

Energy (gas / oil) and material inputs

Energy and material costs are amongst the biggest costs faced by producers. Energy will come in a number of forms but is most likely to be oil, gas or coal related. This type of increase forces a cost push type of inflation which, if not offset by efficiency gains, results in higher prices or lower

profit margins. Material costs might include iron ore, copper, agricultural products, etc.

The above is not an all inclusive nor academic analysis of the causes of inflation but it does give some background for what I now proceed to discuss, namely the likelihood of inflation in the next few years.

The next few years

It is fair to suggest that as we move forward and the memories of the GFC of 2008 / 2009 fade, confidence is likely to continue improving. As a general rule, people like to see consistent improvement in their lifestyles and don't easily choose to go from a BMW to an entry level Toyota. Similarly, we dream about bigger houses, not smaller ones. If rates remain low and there are no major macro events my guess is that the "animal spirits" will return and that consumption will increase. Similarly, corporates will grow tired of the "increase dividends / share buyback" game and will look to grow their businesses. Ever read a book about a great CEO who just increased dividends and bought back shares? I am also not convinced that we can assume that culturally, all of the world's consumers and corporates will behave in the same way as the Japanese corporate / consumer has in the last few years. As Larry Summers once pointed out to us at a group conference, Americans are not Japanese.

Far harder to analyse is the potential for credit growth. Given the absolute high levels of credit expansion leading up the GFC, it is likely that recoveries will be off a low base and that previous levels of lending activity will not be reached quickly through traditional channels.

The question then is whether governments might become more direct, i.e. move funds directly into the economy through fiscal types of actions, or if the private / unregulated credit markets can grow at a higher rate. To date, governments have tended to prefer monetary policy and indirect policies in relation to credit creation. While some promising private sector initiatives have expanded or begun outside of the formal banking sectors, these are still subscale and not in a position to replace formal lending channels.

In summary, credit growth probably comes down to the banks, the regulations governing them and their willingness to accept additional risk. While it is true that we have seen some loosening from the banks, it is unlikely that they will return to anywhere near the practices of the early and mid 2000s. It is also more likely that advances will go towards property assets and secured lending as opposed to unsecured types of lending.

We are probably getting to a point where excess capacity is starting to unwind as demand increases and production shutdowns become effective. Some production is also likely to move, if it has not already, to lower cost jurisdictions such as South East Asia. While price increases may come about from a tightening in capacity, they are likely to be marginal. Currency fluctuations may in fact be more meaningful contributors to inflationary (emerging markets) or deflationary (developed markets) pressures in

the current environment.

While unemployment remains relatively high, the labour market is unlikely to see any significant increases in wages. I do however think that the zero percent / lower than inflationary increase days are probable over and that, when annual increase and bonus time arrives, a few more brave souls might argue the outcome. Areas with high income disparities, China and South Africa included, are likely to see labour price inflation continue above the official inflation rate.

While energy prices have increased after the GFC, they are not yet at levels that would pose a significant threat to prices unless the currency has exaggerated movements (petrol costs in SA). The emergence of new energy sources and advanced technologies may limit any sustainable significant increases in energy prices in the short and medium terms. On balance, other material input costs have decreased and industries like the automobile industry should benefit from lower steel prices.

In conclusion, I believe that inflation is around the corner and that the deflation fork in the road will be avoided but that the corner may still be some way off. It is neither in the government's nor the indebted consumer's interests to hope for deflation and governments will continue in their attempts to create a rising price environment. Whether they will be able to do this, and if they are then able to tame the Tiger at a later stage, will be the topic of much debate.

With these conclusions in mind and assuming one can construct a portfolio of fairly valued or undervalued stocks, we believe that equities should remain a preferred asset class.

Given that today's monetary environment still remains an experiment of sorts, risk management is more important than ever for those either in the retirement phase of their financial planning or where an investor's capital base cannot tolerate excess volatility or permanent loss of capital.



To be or not to be offshore: How do you decide?

Geoff Blount, CEO, Cannon Asset Managers

Given the rand's recent wobble, the question most investors are asking again is whether to invest offshore or not and, if so, how much of their portfolio should be invested in other countries. Unfortunately for those who want a simple answer, there isn't one: much will depend on the investor's specific circumstances. However, take a look at the following graphs which are instructional in providing some guidelines for making decisions about investing abroad.

In chart 1, we have plotted the average annual returns in dollars for the South African equity market (FTSE JSE All Share Index) and global equities (S&P 500 and MSCI Developed Markets) versus dollar inflation over 10 year rolling periods, and in chart 2, we show the same but in rands versus rand inflation.

Chart 1: 10-year (annualised) rolling returns - US dollars

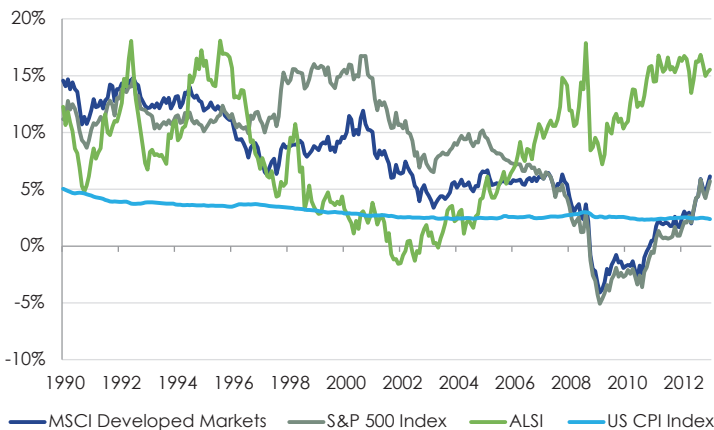
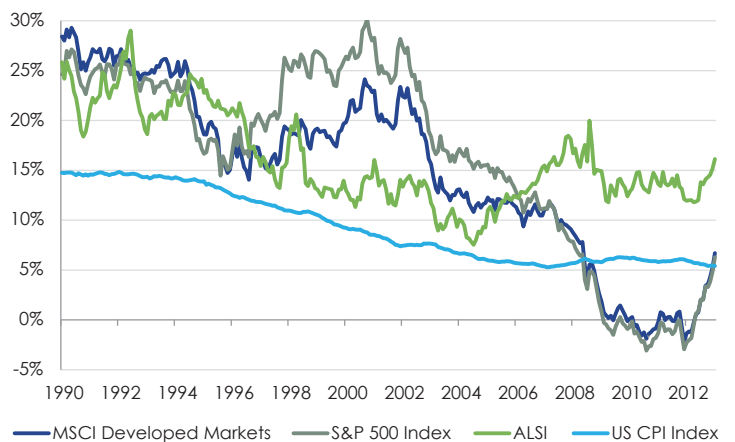


Chart 2: 10-year (annualised) rolling returns - SA rand



What these graphs demonstrate is that there are some very long-term cycles at play.

- From the mid-1990s until the early 2000s SA equities were characterised by poor returns while global equities experienced great returns. We see this divergence in terms of performance in both the dollar and the rand returns.
- During the 2000s, these roles were reversed: we experienced a decade of excellent returns for SA equities and dismal returns for global equities. Again these trends held true in both rand and dollar terms.

While the 1990s were a period of rand weakness and the 2000s a period of rand strength, the greater influence on performance was the actual equity market movements rather than the currency movements.

Implications for making the "offshore" decision:

There are some very powerful observations to be made from these graphs which can guide investors with regard to their offshore decision:

1. Over time, the performance of equity markets moves around long-run averages (the equity risk premium). Extended periods of superior returns are likely to be followed by extended periods of subpar returns: nothing outperforms forever. The 1990s ended on very high valuations for offshore markets, and attractive valuations for South Africa, which informed much of the following 10 years of returns. It is therefore unsurprising that SA equities performed well in the 2000s, after a decade of relatively poor performance, while global equities did the opposite.

What is the likely path forward given the above observation? Mean reversion implies that the great returns of SA equities of the last decade are unlikely to repeat themselves, and the poor returns of global equities are unlikely to repeat themselves.

2. And what about valuations? The price that is paid for an investment (its valuation) is also critical to longer term returns. At the moment, South African equities are on a Cyclically Adjusted PE of 16.1 times, global equities on 16 times and US equities on 18.2 times, approximately at their long-term average. So while our market is marginally more expensive than global equities and cheaper than the US, the valuation differences are not compelling enough to motivate a wholesale switch to another market. We do, however, believe that pockets of our market are very expensive (such as large cap industrials and cash retailers) and represent high investment risk.
3. Don't base your decision on a view of where the currency is going. Firstly, movements in the rand are likely to defy logic and one's forecast will be incorrect. And secondly, as the graphs indicate, the performance of the asset you own is far more important than getting

the currency right. In other words, it's your asset selection and not currency selection that matters. Short-term investment decisions on currency moves are nothing more than speculation. Try and avoid these and rather look at your long-term asset allocation.

4. Hence, base your decision on the advantages of diversification rather than on expected currency moves. This can be explained by the fact that there are shares and other investments overseas that are simply not available in South Africa; assets that are useful in diversifying risk given their different business markets and earnings drivers. For example, in South Africa, you simply can't buy exposure to businesses like BMW or Samsung.
5. So even if mean reversion and diversification points your portfolio overseas, don't rush to invest all your assets in overseas equities. Investors that live in South Africa, have their liabilities or living expenses mostly in rands. Putting all their assets overseas means they get poorer in periods of rand strength. Ask investors that had most of their portfolio overseas in the early 2000s how that decade felt for them. Also note that over extended periods, South African equities have always beaten South African inflation, unlike global equities. Perhaps the old adage of "Don't put all your eggs in one basket" applies here.
6. Interest rates and yields have historically been higher in South Africa than overseas and this is likely to continue. For people such as retirees, who are living off the yield of a portfolio, the offshore income will be pretty meagre when compared to local income levels.

Considering all of these observations and the guidelines flowing from them, we suggest that while long-term trends and valuations indicate that global equities are likely to do better than domestic equities, investors shouldn't rush for the door, or take a view on the rand's current weakness to inform their view.

Rather, investors should look to allocate assets to global investments, or increase their current global equity allocation, while being cognisant of their own risk profile, their need for income and their South African liability status.

Excellent Tips by Warren Buffet

On Earning: "Never depend on a single income. Make investment to create a second source."

On Spending: "If you buy things that you do not need, soon you will have to sell things you need."

On Savings: "Do not save what is left after spending, but spend what is left after saving."

On Taking Risk: "Never test the depth of river with both feet."

On Investment: "Do not put all eggs in one basket."

On Expectations: "Honesty is a very expensive gift. Do not expect it from cheap people."



FG Asset Management | Investment Update

by Klaas Venter, Chief Investment Officer, and Adri Viljoen, Investment Analyst



The **FG IP JUPITER Income Fund of Funds** returned 2.86% year to date and 5.49% over the last 12 months, outperforming the peer group average over both periods. While the return is somewhat behind cash for the 8 months to date, the fund still outperformed its cash benchmark over the last 12 months. Volatility in the bond market continued during the last few months and bond yields, both globally and locally, drifted higher as investors moved to price in the imminent tapering of the US Federal Reserve's asset purchase program (QE).

As a result, the US 10-year government bond yield rose to close to 3%, from levels below 2% before the announcement. The local bond market followed US yields higher and the index suffered its worst 4 months in a row since 2001. Local listed property securities followed the bond market lower and declined by 5% since mid-June and by 20% from peak to trough. The Jupiter fund was also affected by the sell-off in the bond market, but due to the large exposure to floating rate securities, was less impacted and still managed positive performance during the review period. Only two of the five underlying funds declined during the review period.

The **FG IP VENUS Cautious Fund of Funds** returned 5.61% year to date and 9.86% over the last 12 months, somewhat behind the average return of the peer group. The fund maintained its conservative positioning relative to the peer group and while it lagged somewhat on a return basis, risk adjusted performance was satisfactory. No fund in the peer group managed higher performance with less volatility (as measured by standard deviation of returns) during the last year. The local equity market reached a new all-time high during the review period, on the back of a recovery in resource shares and good performance from large, rand hedged shares.

While global equities were unchanged and global bond declined in USD terms, the weaker rand contributed positively to the performance. To bring the equity exposure in the Venus fund in line with the Mercury fund, the 36One MET Equity Fund and Nedgroup Entrepreneur fund replaced the Nedgroup Value Fund during the review period. The same strategy was implemented for the income funds to be in line with the funds used in the Jupiter fund. The fund is likely to maintain its conservative stance for the remainder of the year as uncertainty surrounding the US debt ceiling situation is likely to impact on markets in the short term. The fund is positioned to take advantage of temporary pull-backs in more risky asset classes.

The **FG IP SATURN Flexible Fund of Funds** returned 9.26% year to date and 17.23% over the last 12 months, outperforming the peer group average return over both periods. The fund was a first quartile performer over the last 1, 3 and 5 years. The fund with the highest exposure to risk assets, the Coronation fund, was the best performing

fund during the review period. The withdrawal from the Prescient fund was completed at the end of August as was the switch to the ABSA Absolute Fund from the ABSA Balanced fund. Three boutique managers have now been identified and investment into two of the funds, 36One MET Flexible Opportunity Fund and Truffle Flexible Fund, have been completed. Investment into the Visio MET Actinio Fund will take place during the remainder of the year.

The relatively lower assets under management of these boutique firms allow the managers to react quickly to changes in market conditions and these managers are also able to have higher exposure to smaller, well-run companies. We are confident that the inclusion of these funds will contribute positively to the risk-adjusted returns of the Saturn fund over medium to long term.

The **FG IP MERCURY Equity Fund of Funds** returned 5.8% year to date and 17.5% over the last 12 months, somewhat behind the benchmark All Share index. The JSE All Share Index reached a new all-time high of more than 43 000 points during the review period. Divergence among share performance remain large, with 12 of the Top 40 shares, mostly resources, showing double-digit returns, while 12 shares, mostly in the consumer sector, declined over the review period. Two of the managers with active mandates managed to outperform the index over the review period with especially the Coronation fund performing well.

The inclusion of the Nedgroup Mining and Resources fund contributed positively to relative performance during the review period, as the weaker rand and higher commodity prices supported shares of most companies in this sector. While the inclusion of the SIM "Smart-Beta" index funds was successful in significantly lowering the fees on the Mercury fund, over the last 12 months, these funds have not managed to outperform the All Share Index and were the main detractors of relative performance over that period. Over the last review period (Jun-Aug) however, the RAFI Fund and Equally Weighted Fund did manage to outperform the index.

The **FG IP INTERNATIONAL FLEXIBLE Fund of Funds** returned 26.58% year to date and 32.12% over the last year in rand terms. The weakening of the local currency was the main contributor to performance, with currency movements accounting for 21% of the 26.6% return for the 8 months to date. The deteriorating fundamentals of the country, including the growing twin deficit problem put pressure on the currency and it was sold off aggressively. The Rand has been one of the worst performing currencies of all emerging market currencies over the past year. Global assets underperformed local assets over the review period. Global equities as measured by the MSCI AC World index was unchanged over the review period, while global bonds also succumbed to selling pressure after the

US Federal Reserve's announcement regarding possible tapering and declined by 2.6% over the review period.

The outlook for the global economy has improved however with the US economic recovery still on track and fears of a collapse are now dissipating. Recent data out

of Europe also suggest that the worst may be over for the region. An improved macro-economic environment should support equities and we maintain an overweight position to equities and given the forecast for future interest rate increases, we maintain an underweight position to bonds.

Performance and quartile rankings in sector for periods until 31 August 2013

Index	Year to date	6 Months	1 Year	3 Years*	5 Years*
FG IP Jupiter Income FoF	2,86%	1,70%	5,49%	7,39%	8,33%
Atlantic Enhanced Income Fund	1,67%	0,49%	3,95%	6,38%	7,74%
Cadiz Absolute Yield Fund	3,42%	2,12%	6,12%	8,35%	9,90%
Coronation Strategic Income Fund	3,70%	2,48%	7,20%	9,47%	10,17%
Prudential Enhanced Income Fund	2,53%	1,24%	5,43%	8,25%	Not Started
SIM Active Income Fund	3,23%	2,26%	5,51%	6,80%	8,92%
SA Multi Asset Income Category Average	2,46%	1,55%	5,10%	6,84%	8,07%
STEFI Composite Index	3,40%	2,57%	5,20%	5,62%	6,96%
FG IP Venus Cautious FoF	5,61%	4,08%	9,86%	11,38%	10,08%
36One MET Equity Fund	19,16%	13,92%	31,57%	Not Started	Not Started
Cadiz Absolute Yield Fund	3,42%	2,12%	6,12%	8,35%	9,90%
Coronation Strategic Income Fund	3,70%	2,48%	7,20%	9,47%	10,17%
Coronation Optimum Growth Fund	32,20%	19,03%	41,46%	24,64%	13,80%
Coronation Top 20 Fund	16,10%	12,31%	30,01%	22,04%	17,67%
Investec Diversified Income Fund	3,82%	2,16%	5,85%	7,83%	Not Started
Nedgroup Investments Entrepreneur Fund	13,05%	10,84%	22,49%	28,18%	16,13%
Nedgroup Investments Flexible Income Fund	3,96%	2,87%	6,79%	8,41%	8,67%
Nedgroup Investments Opportunity Fund	6,31%	3,98%	14,76%	15,67%	9,67%
Nedgroup Investments Value Fund	2,25%	3,31%	11,93%	15,55%	14,05%
Prudential Enhanced Income Fund	2,53%	1,24%	5,43%	8,25%	Not Started
Prudential Enhanced SA Tracker Fund	1,15%	-4,14%	0,77%	16,29%	18,73%
SIM Active Income Fund	3,23%	2,26%	5,51%	6,80%	8,92%
SA Multi Asset Low Equity Category Average	6,57%	4,30%	11,19%	10,57%	9,33%
FG IP Saturn Flexible FoF	9,26%	6,65%	17,23%	14,72%	11,17%
36One MET Flexible Opportunity Fund	14,19%	9,98%	25,09%	25,86%	19,47%
ABSA Absolute Fund	3,93%	2,95%	9,51%	11,91%	11,76%
Absa Balanced Fund	7,48%	6,24%	14,81%	13,11%	10,93%
Coronation Market Plus Fund	16,60%	10,97%	27,58%	19,85%	15,41%
Investec Opportunity Fund	8,86%	6,99%	16,36%	16,23%	12,46%
Prescient Balanced Quantplus Fund	4,04%	3,02%	11,02%	9,50%	7,98%
Truffle Flexible Fund	10,23%	7,36%	18,64%	Not Started	Not Started
SA Multi Asset Medium Equity Category Average	7,85%	5,53%	13,98%	11,99%	9,75%
FG IP Mercury Equity FoF	5,84%	5,79%	17,45%	18,04%	11,62%
36One MET Equity Fund	19,16%	13,92%	31,57%	Not Started	Not Started
Coronation Top 20 Fund	16,10%	12,31%	30,01%	22,04%	17,67%
Nedgroup Investments Entrepreneur Fund	13,05%	10,84%	22,49%	28,18%	16,13%
Nedgroup Investments Mining and Resources Fund	6,20%	6,71%	17,60%	10,02%	4,30%
SIM Dividend + Index Fund	-3,66%	-3,59%	7,90%	Not Started	Not Started
SIM Equally Weighted Top 40 Fund	3,63%	4,50%	16,72%	Not Started	Not Started
SIM Rafi 40 Index Fund	5,85%	4,31%	18,25%	Not Started	Not Started
FTSE/JSE Africa All Share (Total Return)	9,51%	8,14%	22,82%	19,20%	12,01%
SA Equity General Category Average	8,41%	6,73%	19,23%	16,65%	11,09%
FG IP International Flexible FoF	26,58%	14,98%	32,12%	16,63%	8,23%
*Data longer than 12 months are annualised	1 st quartile	2 nd quartile	3 rd quartile	4 th quartile	

FG IP Saturn Flexible FoF

Fund	Formation Date	Manager	Size (Rm)	Benchmark
FG IP Saturn Flexible FoF	08/2005	FGAM Investment Committee	R 2 169	SA Multi Asset Medium Equity Category Average
36One MET Flexible Opportunity Fund	09/2005	Cy Jacobs	R 2 273	Repo + 2%
ABSA Absolute Fund	11/2006	Errol Shear	R 21 395	CPI + 4%
Coronation Market Plus Fund	07/2001	Neville Chester	R 3 826	63% equity, 22% bonds, 10% international, 5% cash
Investec Opportunity Fund	05/1997	Clyde Rossouw	R 33 342	CPI
Truffle Flexible Fund	11/2010	Truffle	R 368	SA Multi Asset Flexible category Average
Visio MET Actinio Fund	04/2004	Patrice Moyal	R 903	Stefi + 2%

Quarterly Performance of general indices

Index	Asset Class	3Q 2012	4Q 2012	1Q 2013	2Q 2013	Year to date 2013*
STEFI Composite Index	Local Cash	1,36%	1,30%	1,25%	1,26%	3,40%
Beassa ALBI Total Return	Local Bonds	4,99%	2,62%	0,91%	-2,27%	-3,27%
JP Morgan World Govt Bond index (USD)	Global Bonds	2,78%	-1,84%	-2,80%	-3,08%	-5,03%
FTSE/JSE Africa All Share (Total Return)	Local shares	7,26%	10,34%	2,48%	-0,22%	9,51%
FTSE/JSE Africa Swix Top 40 (Total Return)	Local shares	7,55%	10,87%	0,86%	0,97%	8,78%
FTSE/JSE Africa Small Cap (Total Return)	Local shares	6,23%	7,99%	8,13%	0,41%	14,45%
MSCI AC World (USD)	Global Shares	6,24%	2,46%	5,98%	-1,18%	7,13%
FTSE/JSE SA Listed Property (Total Return)	Local Property	10,98%	2,75%	9,14%	-0,35%	0,59%
US Dollar/South African Rand (+ weaker, - stronger)	Exchange Rate	1,71%	2,16%	8,71%	7,04%	20,96%

*(Return until 31 Aug 2013)

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