Momentum Enhanced Factor Portfolio Range
quarterly commentary to end September 2019

Assessing investment returns in an outcome-based investment context

The Momentum Enhanced Factor Portfolio Range is managed in terms of our outcome-based investing philosophy, where we design the portfolios to maximise the probability of achieving the inflation-plus return target of each portfolio over the relevant period, while continuing to meet the portfolios’ risk targets. To achieve this, our portfolio management approach conceptually starts at an (multi) asset class level, then progresses to the identification of specific investment strategies within each asset class (if appropriate) and finally ends up in the selection of (potentially more than one) investment mandates awarded to investment managers that will implement the desired investment strategies.

Given this outcome-based investing framework, when assessing the returns of the Momentum Enhanced Portfolio Range, it is important to start with looking at the returns from the portfolios against their inflation-related targets. This allows us to answer the question: did we achieve our target over the most recent relevant period? We then assess these returns relative to this target in terms of the following:

- The returns provided by the asset classes included in the portfolios
- The returns from the building blocks that provide the asset class exposure for the portfolio against their asset class (or strategic) benchmark. This in turn is explained by:
  - The returns from the investment strategies (or styles) used in the building block (if any)
  - The returns from the investment managers that were awarded the mandates used in each of the building blocks

This quarterly review thus starts with the assessment of the investment returns generated by the portfolios against their targeted investment outcomes over the most recent periods. The next section focuses on the economic environment and the returns generated by the asset classes (beta) for the most recent quarter, measured against our average real return expectations for each asset class. We review the returns from the building blocks and the underlying investment managers against their strategic investment benchmarks.

Momentum Enhanced Factor Portfolio Range returns

The respective inflation objectives of the portfolios have been difficult to attain, given the low return from growth asset classes for the last five years. However, the portfolios managed to outperform their respective benchmarks for most periods.
Economic overview

Unfavourable demographics, rising debt levels and high global uncertainty will ensure lower potential growth in a majority of developed economies in the next five years. The pace of adoption of structural reforms has been too sporadic and too slow to promise a return to pre-crisis growth norms. Monetary policy is likely to adopt an increasingly unconventional role, as some central banks have already breached or are close to breaking below the zero lower bound in short-term interest rates. A combined policy mix, including higher levels of public infrastructure spend and structural reforms could limit financial distortions in the economy and enhance long-term growth and living standards. This could prove beneficial in reducing the growth effect of rising trade protectionism and potentially turbulent financial markets, amid protracted uncertainty.

The risk of a recession is rising, making a case for de-risking portfolios. Although sharp equity drawdowns are typical around recessions, global equities can still move higher in the interim. United States (US) equities tend to act as a defensive play in a slowdown and often outperform equity markets in non-US regions.

In South Africa (SA), some progress has been made on reforming the struggling economy, but big business is growing impatient with President Cyril Ramaphosa’s trickle-through approach to reform and government’s discernible inertia on critical reforms at state entities. The outlook for SA growth remains tepid and is expected to rise from 0.6% in 2019 to 1.5% by 2021, on a marginal positive adjustment in confidence as incremental reforms and more concrete restructuring plans are unveiled for energy utility Eskom. Absent demand-pull inflation and benign underlying price pressures should keep headline inflation below 5% for the next three years, creating space for the SA Reserve Bank (Sarb) to cut interest rates by at least 25 basis points more.

The vast majority of SA shares are trading considerably below their highs after underperforming in the last five years. However, historical returns underpin prospective SA equity returns from the current low five-year trailing return level. The global hunt for yield has become even more pertinent, as the global stock of negative-yielding debt continues to rise. SA’s real bond yields continue to look attractive relative to other emerging-market peers. Good returns are expected from the low base created in SA listed property in 2018, even at an unchanged relative rating to bonds and below-consensus real distribution growth of negative 5%.

Asset class returns

The returns for the asset class benchmarks for the third quarter of 2019 are reported in the first column of the table below. The next column highlights the returns for these asset classes for the previous year. These one-year returns are then converted into real returns by deducting inflation (4.3%) for the year. The final column in the table contains the returns above inflation we expect to get (on average) for these asset classes for a full market cycle.
The table above highlights the challenges growth asset classes have experienced in the last year. The best-performing asset class for the period was local bonds, while local property was the worst-performing asset class.

**Building block return assessment**

As explained above, our outcome-based investment philosophy starts at the asset class level and then goes down to an investment strategy (if appropriate) and investment mandate level within each asset class. We thus construct building blocks that reflect our selected investment strategies and managers that were awarded the mandates to implement these to either improve on the returns of the asset class or manage its risk profile.

**Local equity building block**

The third quarter remained a challenging environment in SA as local equities continued to deliver poor returns. July and August were particularly weak months, while September ended flat, resulting in the Alsi and the Swix delivering negative 4.6% and negative 4.3% respectively for the third quarter. Industrials returned negative 2.5%, outperforming resources at negative 6.4% and financials at negative 6.8%. Given the differences in weightings of key shares in the most-widely-used SA equity indices, year-to-date returns posted notable differences with the Alsi posting 7.1%, the Swix and Capped Swix lower at 4.3% and 1.4% respectively.

The building block returned negative 3.3% and negative 0.9% for the quarter and year, which was 1.8% and 1.5% ahead of the respective periods’ benchmarks. For the quarter, all the investment managers, with the exception of Prudential and BlueAlpha, managed to outperform the benchmark. The value strategy managed by Perpetua had a particular good quarter (0.9%, outperforming by 6%), with being overweight Pioneer, Woolworths and British American Tobacco contributing to relative returns. Detractors from relative returns included being underweight Prosus and overweight Blue Label Telecoms and Sasol.

Truffle also had an impressive quarter, posting a return of negative 0.5% (outperforming by 4%). The precious metal miners were the major contributors to returns, primarily as a result of higher precious metal prices, which were underpinned by low valuations. The positions in Impala Platinum, Sibanye Gold, AngloGold Ashanti and Northam Platinum all contributed meaningfully to returns. Global defensives were also up strongly and the

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Q3 2019 returns</th>
<th>Nominal returns for the 12 months</th>
<th>Real returns for 12 months*</th>
<th>Expected real return (p.a.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local equity (Capped Swix)</td>
<td>-5.1%</td>
<td>-2.4%</td>
<td>-6.8%</td>
<td>5.75%</td>
</tr>
<tr>
<td>Local bonds (Albi)</td>
<td>0.7%</td>
<td>11.4%</td>
<td>7.1%</td>
<td>3.25%</td>
</tr>
<tr>
<td>Local property (Sapy)</td>
<td>-4.4%</td>
<td>-2.7%</td>
<td>-7.0%</td>
<td>7.00%</td>
</tr>
<tr>
<td>Local ILBs (Igov)</td>
<td>0.1%</td>
<td>3.7%</td>
<td>-0.6%</td>
<td>2.75%</td>
</tr>
<tr>
<td>Local cash (Stefi)</td>
<td>1.8%</td>
<td>7.3%</td>
<td>3.0%</td>
<td>1.25%</td>
</tr>
<tr>
<td>Global equity (MSCI World)</td>
<td>7.8%</td>
<td>7.1%</td>
<td>2.7%</td>
<td>6.50%</td>
</tr>
<tr>
<td>Global bonds (WGBI)</td>
<td>8.8%</td>
<td>15.8%</td>
<td>11.5%</td>
<td>-0.25%</td>
</tr>
<tr>
<td>US dollar/rand**</td>
<td>7.5%</td>
<td>7.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SA CPI</td>
<td></td>
<td></td>
<td></td>
<td>4.3%</td>
</tr>
</tbody>
</table>

* A positive/negative value here reflects the effects of a depreciation/appreciation of the rand against the US dollar on global asset class returns in rand terms. As the rand gets weaker/stronger, the returns of global investments get better/worse from a local investor’s perspective.
exposure to Anheuser-Busch, British American Tobacco and Reinet all provided strong outperformance. Sasol detracted from returns, as it delayed its annual financial results for a second time to allow for a more in-depth investigation into what went wrong during construction of its $13 billion Louisiana chemical project. The holding in Anglo American detracted from returns, as commodity prices came under pressure during the period.

BlueAlpha returned negative 5.4% (underperforming by 0.3%). The largest sectoral position was being overweight banks, and the investment manager was underweight rate sensitives, global cyclical and telecoms. The largest contributors to returns were being underweight defensives and rate sensitives. Specific local share performers were Anglo American Platinum (10.5%), BidCorp (5.9%) and Investec Australia Property Fund (10.1%). Having no exposure to Shoprite or Discovery also contributed to returns, while having no exposure to gold mining shares or Woolworths detracted from returns. Changes during the quarter included selling Sasol, Richemont and Investec, while buying Anheuser-Busch Inbev and Investec Australia Property Fund.

The momentum strategy managed by Satrix delivered an outperformance of 2.1% over the Capped Swix benchmark for the third quarter. The strategy’s positive contributions to returns was largely attributed to high-scoring momentum shares, such as Anglo Platinum, Bidvest, Impala Platinum and Harmony Gold as well as being underweight position in Sasol. Being overweight African Rainbow Minerals, Telkom and Woolworths detracted from returns.

At the end of September, the building block was changed based on the evaluation of new factor signals and the risk levels in the portfolio. Based on these signals, exposure to AngloGold and Woolworths was increased, Northam was added to the building block, the positions in Harmony and Impala Platinum were reduced and Exxaro dropped.

Prudential produced a return of negative 6.3% for the quarter, underperforming its benchmark by 1.2%. Being overweight British American Tobacco (BAT) was among the largest relative contributors to return for the quarter. Prudential continued to hold resource shares with exposure to global growth and foreign currency earnings like Anglo American, Exxaro, Sasol and Sappi, as well as global giants such as Naspers and BAT.

The investment managers were overweight financial shares, including Old Mutual, Standard Bank, Investec and Absa, which offered attractive valuations with relatively high dividend yields. At the same time, they are still underweight retail shares like Mr Price, Shoprite and Truworths, given the pressure under which local consumers find themselves.

Foord delivered a return of negative 3.2%, outperforming the benchmark by 1.9% for the quarter. Being underweight resource stocks added value, as the sector underperformed, whereas positions in RMB Holdings (negative 8.7%), Aspen (negative 14.4%) and Sasol (negative 27.7%) detracted but were offset by gains in Capital & Counties (14.2%), Anheuser-Busch Inbev (15.9%) and BAT (13.3%). The Commodity ETF Newgold (13.3%) contributed, as the rand gold price rose and the cash holdings contributed, as cash outperformed equities.
Fairtee returned negative 3.45% for the quarter, 1.7% above the Capped Swix. Rand-hedge industrial and resource companies outperformed companies exposed to the local economy during the quarter. Positions in Impala (36.6%), Northam (40.9%), Harmony (36.4%) and AngloGold (11.8%) contributed to returns, while positions in Sappi (negative 31.6%), African Rainbow (negative 17.9%), Anglo American (negative 10.1%) and Fortress B (negative 15.5%) detracted.

Local property building block
A weak operating environment in South Africa continues to detract from the returns in the listed property sector. Demand for space remains subdued and key property portfolio metrics required to drive rental income growth continue to be under some pressure. This weakness was evident in the returns from property portfolios that reported results during the third quarter. For most, growth in rental income was under pressure and, on the back of this, property valuations have started to adjust marginally to reflect realised and expected weakness in rentals.

On the back of the weakness observed in fundamentals and the volatility in equity markets, yields on the benchmark index, the SA Listed Property Index (Sapy), sold off by 0.3% to end the period at 9.3%. For the same period, yields on the SA 10-year bond sold off by 0.2% to close the period at 8.9%.

As a result, the Sapy posted a total return of negative 4.4% for the quarter ending September 2019. The sell off experienced by the listed property asset class during the quarter resulted in the erosion of most of the gains made during the first half of the year. For the nine months ending September 2019, listed property posted total returns of 1.3%.

The building block returned negative 3.8% for the quarter, outperforming the benchmark by 0.6%, with all the investment managers contributing to the relative return.

The component managed by Momentum Asset Management performed well on a relative basis, outperforming the Sapy by 0.13%.

At an individual share level, being underweight the Accelerate Property Fund benefited the building block, following a 33% drop in the share price during the quarter, while being overweight Sirius Real Estate (up 19%) contributed to the outperformance. Detractors in the portfolio came from being overweight MAS Real Estate, which pulled back 12%, due to corporate strategy issues arising during the quarter.

Catalyst outperformed by 0.45%, as being overweight Resilient, Capco and Hammerson contributed to returns. Being underweight Redefine and Accelerate, which underperformed the benchmark, also contributed to relative returns. Being overweight Rebosis A and Hyprop, which underperformed the benchmark, and underweight Investec Australia, Fortress A and Sirius detracted from returns.

Meago outperformed by 1.15%, with the largest contributors to returns being overweight Resilient, Storage, Nepi and underweight Redefine. The largest detractors to returns were being overweight Fortress A and Fortress B.

Being overweight shares that provided an attractive valuation for the yield dynamics embedded in the future growth of the shares and being underweight shares, where the underlying asset quality relative to their forward yields were out of synch relative to being overweight contributed to returns for the quarter.
Direct property building block
The direct property building block is a unitised portfolio backed by unlisted property investments, which consist of commercial properties situated within SA, Namibia and Lesotho. The building block offers a stable income and capital return, which is well diversified geographically and sectoral. Major investments within the building block include Tygervalley Shopping Centre in Cape Town and the 102 Rivonia Road (EY head office) in Sandton, to name a few. Whereas the listed property sector is often exposed to market sentiment and volatility outside of its control, unlisted property investments are backed by fixed leases with annual escalations ranging between 6% and 9%.

Two disposals of non-performing properties in the office sector occurred in the last quarter. Both properties were sold above book and market value. An acquisition in the form of a rural retail centre in Northern Cape was made.

The direct property building block delivered a return of 1.81% for the quarter. It performed exceptionally well, exceeding its one-, three- and five-year historical benchmark (CPI plus 5%) returns with a one-year return before the deduction of fees of 11.22%.

Local flexible bond building block
For the quarter ending 30 September 2019, the building block yielded 0.5% compared to the Albi’s 0.7%. Measured over an appropriate investment term of three years, the building block yielded 9.3% compared to the Albi’s 8.9% and, for the five-year period, it yielded 9.3% compared to 8.3% generated by the Albi. For the three-year period, the building block delivered returns above the benchmark and also outperformed the Stefi (7.4%) by a substantial margin, thus delivering on the best of bonds and cash objective as well.

Prescient had a large exposure to cash and shorter-dated instruments (19.7%) sector, but was substantially underweight the 12-plus-year sector (20.0% compared to the Albi’s 55.5%) and also included a large allocation to inflation-linked instruments in the building block (16.5%). Coronation, on the other hand, preferred large exposures (61.0%) to the 12-plus-years sector and property (8.0%). Coronation also further diversified the building block with the inclusion of preference shares and inflation-linked instruments (10.6%).

The building block had a duration position of 6.5 years compared to the Albi of 7.1 years. Duration was decreased by Prescient and increased by Coronation during the quarter under review. On aggregate, the building block was underweight the 7-to-12-years sector and the 12-plus-years sector. It had 10.9% exposure to cash and short-dated floating rate notes (1 to 3 years) and small exposures to property (6.0%) and preference shares (2.4%). The aggregate building block exposure to inflation-linked instruments was 13.5% – up by almost 3.0% from the previous quarter, which was the highest it had been the last three years.

Local flexible income building block
For the quarter, the flexible income building block yielded 1.7%, marginally below the Stefi return of 1.8%. The strategy return of 9.0%, however, outperformed the benchmark of 7.3% for the year. The building block had a short duration of 1.1 years compared to the Albi (1 to 3 years) of 1.4 years.

Local inflation-linked bond building block
Inflation-linked bonds continued to struggle after a temporary reprieve last quarter. The inflation environment remains benign and real yields moved an average 19 basis points higher across the curve. The move higher in yields was in line with that of nominal bonds, as risk sentiment deteriorated on a more widespread global growth slowdown, which increasingly includes China, Europe and more recently, the U.S. The move higher keeps the long-dated maturities well above 3.5% and the medium maturities above 3%.
The total return from Inflation-linked bonds can be divided into two components – the monthly accrual and the mark-to-market of the capital value, due to the move in the real yields. The first component of return is the monthly accrual from the yield on the bonds and the inflation uplift. This component of the total return was a healthy 2.1% this quarter, with 1.3% from inflation uplift and around 0.8% from yield accrual. The second component of the return was determined by the move in real yields of the bonds. Real yields moved higher during the quarter, thereby generating capital losses to the tune of almost 2.0%. These components combined thus explain the index (IGOV) total return of 0.1%.

After a prolonged period of underperformance, the momentum behind rising real yields seems to have dissipated, as a more synchronised global slowdown sets in. In addition, there will be some moderate upward momentum in inflation that will come through in the remainder of the year. This supports Inflation-linked bond valuations and makes them more competitive relative to nominal bonds and declining cash yields.

For the quarter, the building block yielded a mere 0.2% against the benchmark IGOV (0.1%). For the year, it yielded a return of 4.4%, compared to the benchmark of 3.7%. The building block had a modified duration of 10.0 years, compared with the IGOV of 9.8 years. The investment manager was slightly underweight the 3-to-7-years sector and overweight the 1-3-years sector, 7-to12-years and the 12-plus-years sectors.

Local cash building block
For the quarter, the building block delivered a return of 2.2% compared to 1.8% for the benchmark. The quarter’s return was primarily driven by the compression of credit spreads, a trend that has persisted in the last few quarters. The portfolio, therefore, benefitted from the income derived from the underlying instruments and capital gains derived from lower spreads. Credit spreads across the board continued to compress despite that issuance in the primary market increased significantly during the quarter. Credit spreads on average are now at levels last seen five years ago, despite the current economic backdrop being substantially worse. Investment managers have started to adopt a more conservative approach with regards to credit, i.e. focusing on quality companies and investing in shorter-dated instruments.

For the year ending 30 September 2019, the building block delivered a return of 8.8% against the Stefi benchmark of 7.3%. The building block consistently met its objective of capital preservation, by maintaining positive returns on a one-year rolling basis. Both investment managers had a high exposure to floating-rate notes, which provided a high degree of liquidity, while also providing excellent yields.

Local absolute strategies building block
For the quarter, the absolute strategies building block delivered a negative 0.5% return, 0.85% above its internal strategic benchmark, which returned negative 1.4%. For the year, and for four years, which is the relevant measurement period, the building block outperformed the strategic benchmark, returning 5.3% and 6.1% relative to the benchmark returns of 3.6% and 5.6%, respectively. The inflation plus 4% target, however, was difficult to attain, with inflation returning 8.5% for the year and 9.1% per year for the last four years.

During the quarter, Absa and Tantalum contributed to returns, while Prudential, Prescient and Sentio detracted. This can be attributable to the challenges growth asset classes experienced in the period.

Absa returned 1.5% for the quarter and 8.9% for the year. The portfolio was defensively positioned at the end of the quarter, with 85% in local fixed interest and cash, 11.4% in local equities and 3.6% in listed property.
The largest contributors to the Tantalum portfolio in the last quarter were holdings in Wilson Bayly Holmes, British American Tobacco, Anglo American and the Foschini Group, while Sasol, Anglogold, Sappi and MTN detracted from returns. The portfolio returned 0.5% for the quarter and 5% for the year.

Prudential delivered a negative return of 3.4% for the quarter and 0.4% for the year. The portfolio continued to hold resource shares, with exposure to global growth and foreign currency earnings. These hares recorded mixed returns for the quarter, helped by the weaker rand. However, the Sasol, Sappi and Exxaro share prices came under selling pressure on the back of earnings concerns. The portfolio also was overweight financial shares, including Old Mutual, Investec, Standard Bank and Absa, which have offered attractive valuations with relatively high dividend yields. The portfolio was underweight SA listed property, given the higher risks to earnings going forward, despite the attractive valuations prevailing in the asset class. Following the rally in short-dated government bonds at the beginning of the quarter, Prudential increased the portfolio duration by buying longer-dated government bonds. The portfolio maintained a neutral positioning to inflation-linked bonds, as better value was offered in equity and nominal bonds.

Sentio returned negative 1.0% for the quarter and 2.6% for the year, with contributions coming from positions in BTI, Anhaeuser Busch, Anglogold, Mediclinic and the hedges. Top detractors included positions in Sappi, Anglo American and Sasol. In fixed income, during the quarter, the portfolio maintained a neutral duration position relative to the benchmark, due to favourable valuations with increased optionality, which would protect the portfolio during a sell-off while participating in a bond rally. Attractive credit instruments were also added to enhance the yield of the portfolio and decreased inflation-linked bond exposure, due to unfavourable return expectations.

Prescient returned negative 0.8% for the quarter and 8.4% for the year. The portfolio’s local bond and preference share allocation contributed positively, while equity and property were marginally up. The cost of protection, however, detracted from the portfolio.

On a look-through basis, the overall absolute strategies building block was underweight equities, cash and inflation-linked bonds, while being overweight bonds and marginally overweight property.

**Commodities building block**
The commodities building block returned an impressive 6.5% for the quarter and contributed to the absolute returns of the portfolios that invest in this building block. This return was comfortably ahead of Stefi and was driven by the weak rand and increase in commodity prices.

**Moderate hedge solution building block**
The moderate hedge solution building block is a multi-strategy fund of funds, where a range of strategies including equity long/short and fixed income arbitrage are blended together, targeting a return profile uncorrelated to the broader market indices. The building block produced a positive return of 3.0% for the quarter and 12.8% for the year (after the deduction of all fees). The best-performing investment manager in this building block for the year to date was Abax, returning 9.7% for the quarter and 26.5% for the year. This is with very little resource exposure and the returns were generated by the active trading and variable directional exposure of the fund, which was well suited to the current environment.
Aggressive hedge solution building block
The aggressive hedge solution building block, which consists of equity long-short hedge funds and the alternative beta fund, targeting a return of 50% Capped Swix and 50% cash, returned negative 1.5% for the quarter with the benchmark returning negative 2.2%. This brings the year-to-date return to 0.7% for the building block against a benchmark of 1.9%. The active investment manager allocation within the building block returned 9.5% for the year to date, with the largest contributor to returns being the active trading strategy.

Portable alpha solution building block
The portable alpha solution building block, which targets Capped SWIX plus 2% after the deduction of all fees, underperformed the benchmark by 2.2% for the quarter. For the year to date, the building block produced a return of 6.1%, outperforming the Capped SWIX by 4.7%. Fixed income arbitrage contributed the most to returns for the last quarter, with all strategies contributing to returns for the year to date.

Special opportunities building block
The return for the third quarter came in at 5.06%, resulting in an annualised return after the deduction of fees for the 38 months of history of 10.20%. Returns since inception are at inflation plus 5.7%, which is a pleasing result given the building block is now half way through the initial six-year investment horizon. The reason for the uptick in returns was due to a number of the underlying portfolios being marked up during the quarter. This is expected to continue, as the underlying investments within those portfolios are nearing sale.

Global equity building block
Global equities posted positive returns for the quarter, despite increasing fears of a global slowdown. Developed equity markets gained 0.5% for the past three months, which was a much smaller return than experienced in the first two quarters, bringing the year-to-date growth to 17.6%. Their emerging market counterparts returned negative 4.2% for the quarter. Central banks increasingly took a dovish stance during the quarter, as many made cuts to their base rates in an attempt to stimulate slowing economies.

Although, the US equity market performed weakly in comparison to prior quarters, returning 1.4%, it increased the year-to-date return to 20.0%. Trade war tensions continued, with the direction of trade talks with China remaining highly uncertain and global trade suffering as a consequence. Continental European equities advanced 2.8% in euro terms, despite further evidence of a manufacturing recession and wider eurozone slowdown.

UK equities gained 0.7% in sterling terms, with underperformance continuing to be driven by Brexit-related uncertainty, as the next key deadline on 31 October approaches. Japanese equities performed well for the past quarter, returning 3.1%.

Against this backdrop, the global equity building block returned 6.0% for the quarter, underperforming the benchmark return of 7.8%. The building block returned 3.6% for the year, compared to the benchmark return of 7.1%. For the quarter, all the investment strategies underperformed their respective benchmarks, with the value style detracting the most, at negative 0.8%. This underperformance was caused mostly by Contrarius, underperforming the MSCI World Index by more than 10%, because of its selection of securities in the Materials and Energy sector.
Global property building block
The global property building block was introduced to the portfolio range during the course of the fourth quarter of 2018. The building block is managed passively by Blackrock and is aimed at achieving capital growth by tracking closely the return of the FTSE EPRA/NAREIT Developed Index. The building block is invested in equity securities of companies that form part of the benchmark index. The building block returned negative 2.18% for the quarter, which was below the benchmark return of negative 1.23%.

Global fixed income building block
The global bond building block returned 8.3% for the quarter and 14.6% for the year. The positive return for the quarter and the year was mostly due to the weakening of the rand and the low interest rate environment.

Conclusion
While the market environment has been tough, our outcome-based investing approach is limiting the underperformance against the portfolios’ targeted investment outcomes during this difficult time by diversifying across multiple asset classes and investment strategies. Portfolio enhancements and other initiatives are continually being considered, as we aim to provide clients with well-diversified, risk-managed and risk-controlled investment solutions that give them the best chance of achieving their targeted investment outcomes.