



MULTI-ASSET CLASS SOLUTIONS: THE PROFILE RANGE

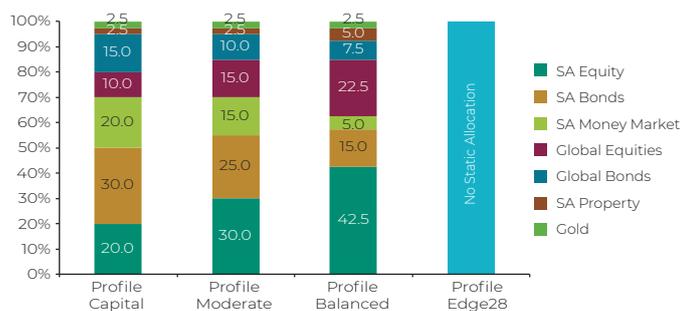
The suite of Profile portfolios is a comprehensive range of unitised, market-linked portfolios that span the risk/return spectrum. These policy-based investments are specifically designed for institutional investors and are compliant with Regulation 28 of the Pension Funds Act of South Africa.

Within the parameters of their mandates, the Profile portfolios invest across a range of local and offshore asset classes including equity, interest-bearing instruments, property, convertibles, commodities and derivatives.

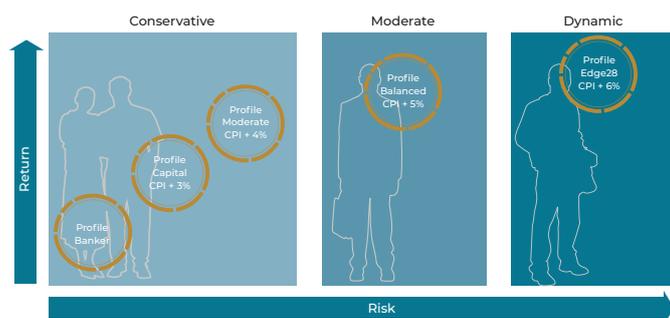
There are four portfolios in the Profile portfolio range, from very conservative to aggressive. The investor may also switch between these funds within the range on a seamless basis to correspond with their changing risk profile.

STATIC BENCHMARK ASSET ALLOCATION

The static benchmark represents our view of the optimal long-term asset allocation per portfolio.



LONG-TERM RISK AND RETURN OBJECTIVES



PORTFOLIO MANAGERS



PETER BROOKE

- Head of MacroSolutions
- BBusSc Finance (Hons)
- 21 years of investment experience



ARTHUR KARAS

- BCom, CFA
- 25 years of investment experience

MARKET COMMENTARY AS AT 31/03/2019

Investors were, by and large, relieved to bid farewell to 2018. Hopes for a 2019 reversal of fortunes grew and the first quarter didn't disappoint. A more cautious US Federal Reserve (signalling that interest rates are on hold), continued accommodative monetary policy in Europe and Chinese stimulus all contributed to the recovery in risk assets over the quarter. It would also appear that the US and China are making progress on trade talks, while the British parliament indicated that a no-deal Brexit was not a preferred route. Global equities rose over 12% in US dollar over the quarter, largely reversing the 11% fall incurred in last quarter of 2018. This really illustrates the importance of sticking to one's long-term savings plan, as panicking out of the market at the end of the year would have been very expensive.

Locally, given the constraints facing South Africa, the Budget delivered by Minister Mboweni was sound. Eskom is the elephant in the room. The fragility of our electricity supply and the return of load shedding reinforced the need to urgently tackle the electricity dilemma. It was pleasing to note that Government proposed a solution of splitting Eskom into three companies – we now need to see the follow-through in the coming months. All eyes were on the ratings agencies of late, particularly Moody's, which granted South Africa another reprieve at the end of March. In terms of market performance, the local equity market recovered somewhat (up 4% on the FTSE/JSE Capped SWIX), but this was driven by the performance of the resources and the global names – local sectors were mostly lower over the quarter. Better global sentiment, well-contained inflation and a firm fiscal stance led to local bonds delivering good returns over this period. Attention now turns to the Elections in May, following which investors will expect greater clarity on the pace and extent of the local recovery.

FUND PERFORMANCE COMMENTARY AS AT 31/03/2019

Profile Edge28 benefited from the better equity markets and enjoyed good returns during the first quarter of 2019. The portfolio's return over 12 month exceeds that of the FTSE/JSE SWIX Index, but was impacted negatively by exposure to SA focused stocks.

During the quarter, the portfolio sold its remaining holding in Capitec. The fast-growing bank has been a core holding since the collapse of African Bank (ABIL) in 2014, and has risen nearly 500% since then. We are still positive about Capitec's earnings outlook, but the valuation has simply gotten too high for our liking. We have added to a number of our domestic equities on weakness. British American Tobacco, which had a torrid time in 2018, was another investment where we increased our exposure and were rewarded with a much better start to 2019.

Looking forward, we believe the US equity market is getting more expensive and we sold some global equity into the recent strength. At the same time, we think the severe weakness of the rand in the last year will not be repeated and, as such, are running with high South African exposure. This includes interest-bearing assets where South Africa offers very high real returns in a global context. Markets are pricing in a very bearish outlook for South Africa. This includes the loss of SA's last remaining investment grade rating. Any good news on the South African economy or political landscape would be positive for these assets.



This is an actively managed and a flexible portfolio that seeks to deliver superior real returns over the long term by capitalising on high-conviction asset allocation and stock selection opportunities across local and international asset classes.

This investment suits investors who are prepared to accept the potential for significant short-term fluctuations in pursuit of maximum growth over the long term. Investors should note that investment objectives are not guaranteed.

The portfolio complies with Regulation 28 of the Pension Funds Act.

ADDITIONAL INFORMATION

Launch date

January 1995

Benchmark

No static asset allocation benchmark

Risk category

Active

Investment objective

The portfolio aims to maximise real returns, and targets CPI + 6% per annum (gross of fees) over the long term. As such, a relatively high level of short-term volatility can be expected. Investment objectives are not guaranteed.

Fees

Domestic assets: 0.65% p.a. (rebates for large funds)

International assets: 0.80% p.a.

Plus: A performance fee in respect of alternative assets.

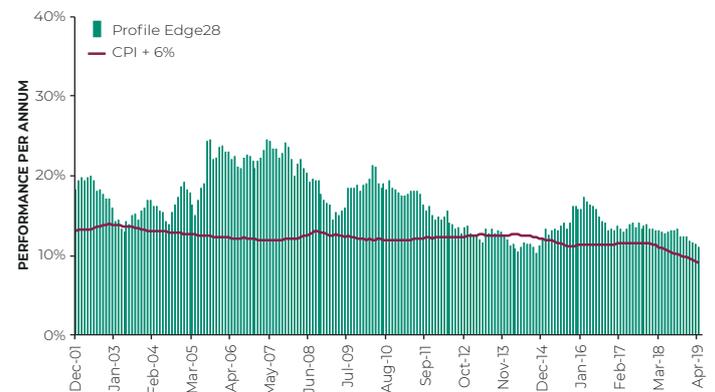
Fees on domestic assets exclude VAT. (VAT is deemed not payable.)

PRINCIPAL HOLDINGS AS AT 30/04/2019

HOLDING	SECTOR	% OF FUND
Naspers	Media	3.1
Sasol	Oil & Gas	2.8
Nedcor	Banks	2.5
ABSA	Banks	2.5
Standard Bank	Banks	2.3
Old Mutual	Life Insurance	2.0
British American Tobacco	Consumer Goods	2.0
MTN Group	Telecommunications	1.8
Pepkor	Consumer Goods	1.7
Anglo American	Basic Resources	1.6
		22.3

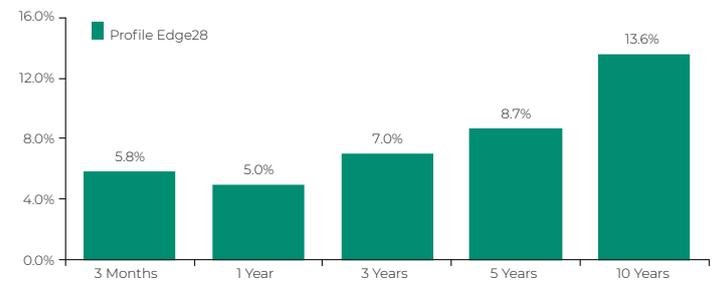
PERFORMANCE AS AT 30/04/2019

7-Year Rolling Returns



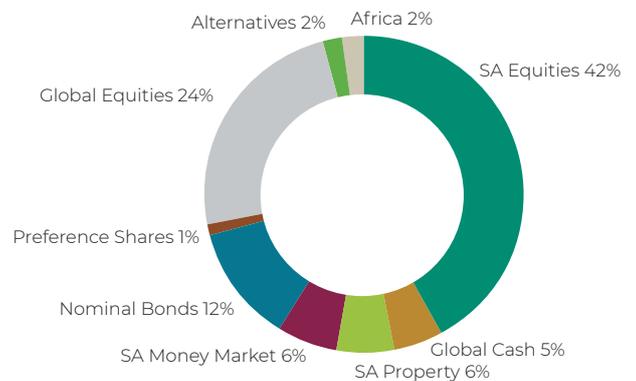
Source: Old Mutual Investment Group (IRIS)

RETURNS AS AT 30 APRIL 2019



Source: Old Mutual Investment Group (IRIS)

ASSET ANALYSIS AS AT 30/04/2019



Source: Old Mutual Investment Group (HiPortfolio)