FLEXIPORTFOLIO

PERFORMANCE REPORT

1 APRIL 2015

SOUTH AFRICAN ECONOMIC REVIEW

- News on the economic front was mixed during March. On the positive side, data releases by the Reserve Bank indicated that the current account deficit narrowed quite sharply from 5.8% of GDP in the third quarter of 2014 to 5.1% in the fourth. This was a far greater improvement than was generally expected and calmed worst fears that the current account deficit would remain sticky, putting sustained downward pressure on the rand. A second piece of good news during the past month was that inflation fell to 3.9% in February, its lowest in exactly four years. A third piece of good news, if it should be regarded as good news at all, was that March saw considerably less load shedding by Eskom than officials of the utility had warned might take place in January. Soggy demand for electricity and an apparent moderate improvement in the operational efficiency of the utility's generation capacity appear to be the main contributors to the better-than-expected performance.

- On the negative front, there were growing concerns that none of the improvements mentioned above would last. Indeed, while the fourth quarter current account deficit came as a pleasant surprise, large trade deficits in January and February pointed to a renewed deterioration again in the first quarter of the new year. Much the same goes for inflation, as February's 3.9% was not only likely to be the low in the cycle, but with the unexpectedly sharp increases in the fuel levy in the budget and more than 20% electricity tariff increaselooming, inflation could rise quite sharply in the months to come. As far as Eskom is concerned, it is by no means guaranteed that the recent relatively low incidence of load shedding will continue in the months to come. And, even if it does, the utility's generation capacity will remain sufficiently constrained by the need to continue to conduct high levels of maintenance, which will continue to restrain the overall ability of the economy to grow faster. Indeed, in its statement released after the Monetary Policy Committee meeting, the Reserve Bank noted that the economy's growth potential had declined further from the previously estimated 2.5% to a current estimate of 2% to 2.5%.

- Against the background sketched above, it came as no surprise that the Reserve Bank's Monetary Policy Committee put out a fairly hawkish statement after its March meeting. The Bank also probably believes that the less-than-expected fiscal tightening in the recent Budget places more pressure back on the SARB to ensure that inflation and inflation expectations (and with it wage demands) remain under control. As a result, chances of a rate increase later this year have increased considerably over the past month and, while incoming data and events will likely have the final say as to the timing of any decision to raise rates, it is likely, based on the SARB's hawkish comments, that rates will be lifted before the end of 2015.

The interest rate outlook has become slightly more uncertain again over the past month as a weaker rand, a higher oil price and a sharp hike in fuel levies are likely to see inflation bounce back more strongly in the second half of the year than we previously thought.

MARKET PERFORMANCE INCLUDING DIVIDENDS

	LAST MONTH (%)	YEAR TO DATE (%)	1 YEAR (% P.A.)	3 YEARS (% P.A.)	5 YEARS (% P.A.)	8 YEARS (% P.A.)	10 YEARS (% P.A.)
JSE All Share	-1.3	12.5	12.5	19.4	16.1	11.6	18.0
JSE Fin & Ind	0.4	25.3	25.3	28.1	24.2	16.6	21.3
JSE All Gold	-10.7	-14.3	-14.3	-19.0	-9.9	-9.1	-1.8
All Bond	-0.6	12.4	12.4	9.0	9.7	8.8	8.9
Total Cash	0.5	5.2	5.2	4.8	5.0	6.6	6.6
ALSI 40	-1.5	10.2	10.2	19.3	15.6	11.2	17.5
INDI 25	-0.5	23.1	23.1	31.0	27.3	19.8	23.9

RETIREMENT ANNUITIES TO 01/04/2015 (REFER NOTES)

	PERFORMANCE PROFITS									SMOOTHED BONUS			STABLE FUND			CPI
	Equity %			Balanced %			Select %			%			%			
Period	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.	%
1 Year	14.5	14.3	14.3	13.0	13.0	13.0	19.7	16.8	16.8	11.5	12.7	12.7	4.9	4.8	4.8	4.0
2 Years	17.5	17.7	19.2	14.2	14.4	15.0	17.5	16.7	16.6	13.4	14.1	14.7	4.4	4.3	4.1	5.0
3 Years	19.2	18.7	19.4	15.4	15.2	15.9	17.7	16.9	17.0	14.1	14.1	14.1	4.2	4.1	4.0	5.3
5 Years	17.8	16.5	15.1	14.5	13.9	12.7	15.9	14.8	13.1	13.1	12.9	11.9	4.1	4.1	4.2	5.2
8 Years	14.3	13.7	9.2	12.1	11.7	9.0	12.9	12.4	8.9	11.6	11.5	10.8	4.7	4.8	5.5	6.3
10 Years	13.4	13.5	14.6	11.5	11.6	12.3	12.2	12.1	12.9	11.8	12.0	12.9	5.0	5.0	5.5	6.0
15 Years	14.2	14.1	12.7	12.0	12.0	11.3	13.1	13.2	12.7	11.9	11.9	11.5	5.3	5.3	5.5	5.8
20 Years	13.4	13.3	13.2	11.6	11.5	11.7	-	-	-	11.5	11.5	11.6	6.0	6.1	7.4	6.0
25 Years	13.7	13.6	13.4	11.8	11.8	11.9	-	-	-	11.9	12.0	12.7	-	-	-	7.1
INTERIM RATES										9.50% p.a. (0.759% p.m.)			0.391% p.m.			

ENDOWMENTS/LIFE PORTFOLIOS TO 01/04/2015 (REFER NOTES)

	PERFORMANCE PROFITS									SMOOTHED BONUS			STABLE FUND			CPI
	Equity %			Balanced %			Select %			%			%			
Period	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.	%
1 Year	12.6	12.5	12.5	11.4	11.2	11.2	16.7	14.6	14.6	10.0	11.2	11.2	2.8	2.8	2.8	4.0
2 Years	16.1	16.9	18.7	12.5	12.8	13.5	15.7	15.4	15.8	11.9	12.6	13.2	2.5	2.4	2.2	5.0
3 Years	18.1	17.8	18.5	13.7	13.6	14.3	16.1	15.5	15.6	12.6	12.6	12.6	2.3	2.3	2.2	5.3
5 Years	17.1	15.9	14.6	13.0	12.4	11.3	14.8	13.8	12.4	11.7	11.5	10.5	2.2	2.2	2.3	5.2
8 Years	13.6	13.0	8.5	10.6	10.2	7.6	11.9	11.4	8.0	10.2	10.2	9.5	2.8	2.9	3.7	6.3
10 Years	12.7	12.8	13.8	10.0	10.1	11.0	11.2	11.1	11.9	10.5	10.7	11.6	3.2	3.2	3.8	6.0
15 Years	13.2	13.1	11.6	10.6	10.6	10.1	12.0	12.1	11.6	10.8	10.8	10.6	3.7	3.8	4.3	5.8
20 Years	12.4	12.3	12.1	10.3	10.3	10.4	-	-	-	10.6	10.6	10.7	4.6	4.7	6.0	6.0
25 Years	12.6	12.5	12.3	10.5	10.5	10.5	-	-	-	10.9	11.0	11.6	-	-	-	7.1
INTERIM RATES										8.00% p.a. (0.643% p.m.)			0.229% p.m.			

GUARANTEED CAPITAL FUND (CURRENT AFTER-TAX RATE)		3.60% p.a. (0.295% p.m.)
EQUIVALENT RETURN	at the tax rate of 18%	4.39% p.a. (0.359% p.m.)
	at the tax rate of 40%	6.00% p.a. (0.487% p.m.)

PORTFOLIO ASSET SPLIT

	RETIREMENT ANNUITIES						ENDOWMENTS/LIFE					
	PP Equity %	PP Balanced %	PP Select %	Smoothed Bonus %	WW Equity %	WW Balanced %	PP Equity %	PP Balanced %	PP Select %	Smoothed Bonus %	WW Equity %	WW Balanced %
Interest-bearing	0 (0)	24 (2)	17 (3)	24 (0)	0 (0)	26 (26)	0 (0)	24 (0)	17 (3)	24 (0)	0 (0)	26 (26)
Ordinary Shares	100 (25)	67 (30)	75 (23)	67 (24)	100 (86)	74 (59)	100 (25)	68 (31)	75 (23)	67 (24)	100 (85)	74 (59)
Property	0	7	8	7	0	0	0	7	8	7	0	0
Other	0	2	0	2	0	0	0	2	0	2	0	0

Figures in brackets — international portion of sector weighting

TOP EQUITY HOLDINGS (SA)

	NAME	% SPLIT	SECTOR
1.	Naspers Ltd	13.0	Media
2.	MTN Group	5.6	Telecommunications
3.	FirstRand	4.3	Banks
4.	Steinhoff International Holdings Ltd	4.1	Industrials
5.	Standard Bank	4.0	Industrials
6.	British American Tobacco	4.0	Consumer Goods
7.	Sasol	3.7	Oil & Gas
8.	SABMiller Plc	3.0	Consumer Goods
9.	Remgro	2.9	Consumer Goods
10.	Anglo American Plc	2.6	Basic Resources

GLOBAL ECONOMIC OVERVIEW

- The US S&P 500 Index, which rose to a new record high in February, fell by almost 2% in March, amid considerable intra-month volatility. Several factors appeared to have contributed to its increased volatility and overall decline during the month. Importantly, the Federal Reserve indicated in the statement following its scheduled meeting that it was on course to start raising rates later this year, even though the statement was generally less hawkish than was expected.

- A second factor, an appreciating dollar, contributed to market volatility and, on the margin, also appears to be acting as a growing drag on the US economy and company earnings. A fairly large chunk of US companies' earnings are derived from offshore operations and the stronger dollar clearly undermines the dollar value of such earnings. Moreover, even though the US economy is relatively closed (i.e. foreign trade accounts for a relatively small portion of GDP), the surge in the dollar is apparently beginning to undermine export growth and thus slowing the pace of the US expansion. This comes on top of slowing activity in the energy sectors as a result of the sharply lower oil price. High frequency data released over the past few months suggest that overall US GDP growth during the first quarter slowed to only about 1% at an annual rate, down from 2.2% in the fourth quarter of last year and a far more robust 4.8% in the middle quarters of 2014.

- While the US is clearly getting closer to the start of its interest rate hiking cycle, March saw a continuation of the round of policy easing that swept the rest world in January and February as nine countries lowered interest rates, with only Brazil moving the other direction. In addition, the Chinese Central Bank, which had implemented various stimulus measures in recent months, indicated that there is room for yet more policy easing. A number of countries now have negative nominal policy interest rates, which implies central banks charge their banking customers a fee to hold their cash deposits.

- On the economic growth front, there are growing signs that Eurozone growth is gathering momentum and, even more encouragingly, that the acceleration is spreading across a broader front within the 19-member single-currency block. However, against this, economic activity in the US and China slowed in the first quarter, so overall global growth remains relatively modest. We remain of the opinion that overall global growth will at least match last year's 2.7% and should be marginally better.

- In the meantime, global inflation remains subdued, with low oil and other commodity prices, soggy demand and the efforts by many countries to gain a competitive advantage over their competitors via currency depreciation keeping a strong lid on consumer and producer prices globally. With these conditions likely to persist for some time still, it is hard to see inflation becoming a threat any time soon.

Global growth remains soggy as an apparent improvement in the Eurozone appears to be offset by slowing growth in the US and China. Still, overall global growth should at least match last year's performance. With powerful disinflationary forces still in place, a number of countries around the world eased policy further over the past month.

GLOBAL MARKET PERFORMANCES IN RAND TERMS

	LAST MONTH (%)	YEAR TO DATE (%)	1 YEAR (% P.A.)	3 YEARS (% P.A.)	5 YEARS (% P.A.)	8 YEARS (% P.A.)	10 YEARS (% P.A.)
MSCI World	2.4	22.8	22.8	31.4	22.3	11.5	14.3
JP Morgan	3.1	10.9	10.9	15.1	12.7	10.8	10.6
S&P 500	2.3	29.9	29.9	35.2	26.5	14.0	15.2
FTSE 100	-2.1	9.1	9.1	24.3	18.1	7.8	11.8
Nikkei Index	5.9	28.1	28.1	27.3	17.4	7.8	11.1
Rand/Dollar	4.0	15.2	15.2	16.4	10.5	6.6	6.9

WORLDWIDE FUNDS: PERFORMANCE IN RAND TERMS - REFER NOTES

	WW EQUITY %						WW BALANCED %					
	Retirement Annuities			Endowments/Life			Retirement Annuities			Endowments/Life		
Period	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.
1 Year	20.2	16.8	16.8	18.6	15.3	15.3	16.7	13.5	13.5	15.0	11.9	11.9
2 Years	19.4	20.3	21.8	18.0	19.8	21.7	16.1	16.8	18.2	14.7	16.4	18.3
3 Years	23.0	22.1	23.5	21.9	21.3	22.5	19.1	18.7	20.2	18.1	18.1	19.4
5 Years	21.1	19.2	16.5	20.4	18.6	15.9	18.1	16.8	14.6	17.5	16.4	14.3
8 Years	14.1	12.9	6.2	13.5	12.3	5.6	12.6	11.6	7.1	12.2	11.2	6.7
10 Years	11.9	11.5	10.1	11.0	10.7	9.2	11.2	11.0	10.5	10.7	10.4	9.7
15 Years	9.3	9.0	5.5	8.3	8.0	4.4	9.1	8.9	6.2	8.4	8.2	5.5

GEOGRAPHICAL SPREAD

	EQUITY PORTION %			BOND PORTION %		
	Fund	MSCI	Difference	Fund	Benchmark[7]	Difference
United States	11.3	15.5	-4.2	16.5	37.6	-21.1
Japan	9.4	7.7	1.7	5.0	15.9	-10.9
Europe ex UK	16.6	15.6	0.9	37.5	29.5	8.0
United Kingdom	29.7	38.2	-8.4	11.3	6.3	4.9
SE Asia & Canada	10.5	7.8	2.7	18.9	8.1	10.7
South Africa	14.1	0.0	14.1	0.0	0.3	-0.3
Other	8.4	15.2	-6.8	10.7	2.1	8.6
Total	**100.0**	**100.0**	**0.0**	**100.0**	**100.0**	**0.0**

EQUITY SECTOR SPREAD

	Fund	MSCI	US	JAPAN	UK	Europe ex UK
Cash	1.4	0.0	0.2	0.1	0.5	0.3
Consumer Discretionary	10.8	12.6	1.4	1.2	3.7	2.1
Consumer Staples	5.3	9.7	0.7	0.6	1.8	1.0
Energy	4.6	7.5	0.6	0.5	1.6	0.9
Financials	18.3	21.5	2.5	2.0	6.3	3.5
Healthcare	10.6	12.2	1.3	1.2	3.7	2.0
Industrials	12.5	10.5	1.7	1.4	4.3	2.4
Information Technology	14.0	14.0	1.8	1.5	4.9	2.7
Materials	4.3	5.3	0.6	0.5	1.5	0.8
Other	0.1	0.0	0.0	0.0	0.0	0.0
Telecoms Services	2.6	3.6	0.3	0.3	0.9	0.5
Utilities	1.5	3.2	0.2	0.2	0.5	0.3
SA Rand Hedge	14.1	0.0	0.0	0.0	0.0	0.0

TOP EQUITY HOLDINGS (GLOBAL)

	NAME	SECTOR
1.	Oracle Corporation	Information Technology
2.	Wells Fargo & Co	Financials
3.	Delphi Automotive plc	Industrials
4.	JPMorgan Chase & Co	Financials
5.	Novartis AG	Pharmaceuticals
6.	Royal Dutch Shell plc	Energy
7.	Taiwan Semiconductor SP	Industrials
8.	Daimler AG Registered Shares	Industrials
9.	China Mobile Ltd	Telecommunications
10.	DBS Group Holdings Ltd	Financials

NOTES

1. The performance figures in the tables represent the returns earned on premiums allocated. The returns on premiums actually paid will be lower than this because they take the policy specific charges into account.

2. All returns are quoted net of investment fund charges and tax.

3. The Smoothed Bonus declaration is made up of a vesting bonus and a claim bonus. The vesting bonus portion of the total bonus cannot be removed on death or maturity of the policy. The claim bonus portion is not guaranteed and could be adjusted should investment conditions dictate.

4. M.P. = monthly premium, A.P. = annual premium, S.P. = single premium.

5. The Flexi range of products was launched on 1 September 1984. Returns for the periods starting before this date apply to policies available before the introduction of the Flexi range of products.

6. The Property Portfolio and the OMD Top 40 Index Fund returns are available at any time.

7. The MSCI World Index is the benchmark for the Worldwide Equity portion. The benchmark figures for the Worldwide Bond portion consist of 70% JP Morgan Bond Index and 30% Barclays Capital Global Bond Index.

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