

FLEXIPORTFOLIO

PERFORMANCE REPORT

1 MAY 2017

SOUTH AFRICAN ECONOMIC REVIEW

The rand has been highly volatile – but has held up surprisingly well following the replacement of Finance Minister Pravin Gordhan with Malusi Gigaba. This is largely because of sustained flows into the local bond market from offshore investors and a notably smaller foreign financing deficit as a result of a smaller deficit on the current account of the balance of payments. However, the sharp drop in commodity prices early in May saw the rand weaken again to around R13.60 to the US dollar.

Minister Gigaba went to considerable lengths in his first few weeks in office to convince investors that fiscal discipline would be sustained and there would be no material divergence in the planned path of fiscal policy and fiscal metrics from that put in place under Minister Gordhan. However, analysts and investors will remain sceptical until the Minister has actually passed the key test: the Medium Term Budget Policy Statement, which is only due to be released in October. In the meantime, markets will also closely watch the way the Minister deals with troubled state-owned enterprises, financially troubled government departments (like the department of water and sanitation) and local authorities. Markets are also concerned there will be an exodus of skilled technocrats from National Treasury, a development that will cause considerable concern as it may indicate a fundamental change of course in fiscal policy.

As we said last month, the dramatic events early in April have again made the outlook for the remainder of the year uncertain. The behaviour of the rand, as the key macro-economic absorber of such shocks, and the impact on consumer, business and investor confidence will drive macro outcomes. While the immediate concern, namely a dramatic slump in the rand has not really materialised, yet concerns are mounting over the other transmission mechanism into the economy, namely business confidence and business investment.

Indeed, comments from the business world are conveying less hope for a cyclical economic recovery, a wait-and-see approach towards further investment and a growing tendency to look for opportunities abroad. There is currently little hope for a material improvement in South Africa's economic growth prospects – not only in the shorter term, but, importantly, in the medium term too. Over and above concerns over more populist policies, the increasing focus on the as-yet-undefined "radical economic transformation" is causing considerable uncertainty regarding the future direction of economic policies and is, especially, creating concerns that the future environment could be dramatically less business friendly.

In short, the events late in March and early April have completely drowned out all other economic news flow and events over the past month. Over the next few months, political developments, the behaviour of the rand and the extent of the shock to confidence will have to be monitored before recalibrating forecasts of all key macroeconomic variables.

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	3.6	7.7	8.0	6.3	12.7	16.0	9.8
JSE Fin & Ind	4.7	4.2	8.8	10.7	17.7	21.3	13.6
JSE All Gold	-1.1	23.1	-19.2	-3.0	-8.3	-4.6	-6.1
All Bond	1.4	14.6	3.6	7.8	7.3	8.5	8.0
Total Cash	0.5	6.8	3.3	6.0	5.4	5.5	6.5
ALSI 40	4.5	5.1	8.5	5.4	12.4	15.5	9.5
INDI 25	6.0	2.9	10.8	12.0	20.2	23.8	16.5

DO GREAT THINGS



OLDMUTUAL

RETIREMENT ANNUITIES TO 01/05/2017 (REFER NOTES)

Period	PERFORMANCE PROFITS						SMOOTHED BONUS						STABLE FUND						CPI
	Equity %			Balanced %			Select %			%			%			%			
	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.	M.P.	A.P.	S.P.	
1 Year	4.7	1.3	5.3	5.0	3.9	4.0	3.0	1.6	3.9	8.0	8.2	3.8	6.4	6.3	3.1	3.1			
2 Years	3.6	0.9	0.8	4.9	3.9	3.9	2.5	0.9	0.6	8.6	9.0	9.3	6.1	6.0	5.9	5.8			
3 Years	4.1	3.4	5.7	5.6	5.6	7.1	3.9	3.6	6.0	9.4	9.9	10.7	5.9	5.8	5.5	5.3			
5 Years	8.4	8.9	12.2	8.5	9.0	11.2	7.5	7.8	10.5	11.2	11.5	12.4	5.3	5.2	4.7	5.6			
8 Years	11.0	11.4	14.1	10.1	10.3	11.7	9.5	9.7	11.7	11.0	11.3	10.8	4.9	4.9	4.8	5.4			
10 Years	10.3	9.9	7.4	9.6	9.4	7.8	9.1	8.8	6.9	11.0	11.0	10.6	5.1	5.1	5.5	6.1			
15 Years	11.9	12.0	11.5	10.6	10.7	10.1	10.7	10.8	10.9	11.7	11.6	11.4	5.4	5.4	5.7	5.6			
20 Years	12.0	11.8	11.3	10.6	10.5	10.3	-	-	-	11.4	11.3	10.9	5.6	5.7	6.4	5.7			
25 Years	12.3	12.3	12.8	10.9	10.8	11.2	-	-	-	11.5	11.5	11.9	6.6	6.7	8.0	6.4			
INTERIM RATES																			
9.50% p.a. (0.7599% p.m.)																			
0.514% p.m.																			

ENDOWMENTS/LIFE PORTFOLIOS TO 01/05/2017 (REFER NOTES)

Period	PERFORMANCE PROFITS						SMOOTHED BONUS						STABLE FUND						CPI
	Equity %			Balanced %			Select %			%			%			%			
	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.	M.P.	A.P.	S.P.	
1 Year	3.8	0.5	4.5	4.3	3.2	3.6	1.9	0.6	3.1	6.5	6.7	3.1	3.7	3.7	1.8	3.1			
2 Years	2.6	0.4	0.3	3.9	3.1	3.0	1.4	0.0	-0.3	7.1	7.5	7.8	3.6	3.5	3.4	5.8			
3 Years	3.2	2.7	4.9	4.5	4.6	6.0	2.6	2.4	4.7	7.9	8.4	9.2	3.4	3.4	3.2	5.3			
5 Years	7.6	8.2	11.5	7.3	7.7	9.9	6.3	6.7	9.3	9.7	9.9	10.9	3.0	3.0	2.7	5.6			
8 Years	10.3	10.7	13.5	8.8	8.9	10.1	8.5	8.7	10.7	10.0	9.9	9.5	2.8	2.8	2.9	5.4			
10 Years	9.7	9.3	6.7	8.3	8.0	6.5	8.1	7.8	6.1	9.6	9.6	9.2	3.0	3.1	3.6	6.1			
15 Years	11.1	11.1	10.4	9.2	9.3	8.9	9.6	9.7	9.9	10.4	10.4	10.3	3.5	3.5	4.1	5.6			
20 Years	11.0	10.8	10.3	9.4	9.3	9.1	-	-	-	10.3	10.2	10.0	4.0	4.1	5.2	5.7			
25 Years	11.4	11.3	11.8	9.6	9.6	10.0	-	-	-	10.4	10.5	10.9	5.0	5.1	6.5	6.4			
INTERIM RATES																			
8.00% p.a. (0.643% p.m.)																			

GUARANTEED CAPITAL FUND (CURRENT AFTER-TAX RATE)

at the tax rate of 18%

at the tax rate of 41%

4.70% p.a. (0.383% p.m.)

5.73% p.a. (0.466% p.m.)

7.97% p.a. (0.641% p.m.)

0.300% 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)	27 (11)	13 (0)	25 (0)	0 (0)	26 (26)	0 (0)	27 (11)	13 (0)	25 (0)	0 (0)	26 (26)
Ordinary Shares	100 (25)	65 (30)	77 (27)	66 (24)	100 (85)	74 (60)	100 (25)	65 (30)	77 (27)	66 (24)	100 (85)	74 (60)
Property	0	7	10	7	0	0	0	7	10	7	0	0
Other	0	1	0	2	0	0	0	1	0	2	0	0

Figures in brackets — international portion of sector weighting

TOP EQUITY HOLDINGS (SA)

NAME	% SPLIT	SECTOR
1. Naspers Ltd	19.0	Media
2. British American Tobacco	4.6	Consumer Goods
3. Sasol	4.3	Oil & Gas
4. Steinhoff International Holdings	3.9	Industrials
5. Standard Bank	3.0	Banks
6. MTN	2.8	Telecommunications
7. Old Mutual	2.7	Life Insurance
8. Remgro	2.5	Industrials
9. Aspen Pharmacare Holdings Limited	2.2	Pharmaceuticals
10. Barclays Africa	2.2	Banks

GLOBAL ECONOMIC OVERVIEW

The global focus over the past month was on a variety of issues: the French election outcome, growing indications of policy tightening in China, the outlook for US Federal Reserve (Fed) policy tightening amid a slowdown in growth in the first quarter, implementation prospects of President Trump's promised fiscal stimulus and the outcome of US corporate earnings reporting season.

In the event, the US earnings season produced strong overall positive surprises and the French election resulted in a strong win for the centrist, pro-Europe Macron.

A more hawkish outcome than was generally expected came through in the US Fed's early-May meeting, indicating that it is not only on course for another rate hike at the next meeting in June, but that it also remains on course for a further one or two hikes, depending on incoming data, for the remainder of the year. As far as the expected fiscal stimulus is concerned, market expectations of any progress this year faded as the Senate is likely to be occupied with the health care bill passed by Congress early in May and the fiscal budget for 2017/18 for the rest of the year. In China, more evidence of a tightening in regulatory policies, aimed at curbing credit growth, caused a sharp sell-off in commodity prices – as it raised concerns over the growth outlook for China during the second half of the year.

Against this background, global growth has remained fairly buoyant, even though first quarter growth in the US again disappointed, coming in at an annualised rate of only 0.7%. Markets paid little attention to what has become an almost regular outcome in recent years and remained focused on robust job growth and the low unemployment rate.

In Europe, a Macron win was generally expected after the first round of elections and markets priced in such an outcome in advance. Nevertheless, the election outcome was a considerable relief, as a win for right wing candidate Le Pen would almost certainly have triggered another bout of panic about the future of the Eurozone.

We ended last month's review stating that the global economy remains on a relatively solid footing and there is growing confidence that the world has finally entered a period of synchronised, even though still sub-par, growth. Nevertheless, we argued, that there were still a number of risks that could not be ignored, the most important of which are the mounting debt problems in China and a flare-up in geopolitical tensions. Chinese developments over the past month, ongoing geopolitical tensions and an increasingly strong focus on the US Fed's policy intentions prove that investors will have much to focus on for the remainder of the year.

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	1.3	0.8	11.6	15.1	23.3	19.3	11.4
JP Morgan	1.1	-7.5	-3.1	7.8	11.2	8.4	10.3
S&P 500	0.8	2.7	12.5	19.7	26.8	22.6	14.1
FTSE 100	1.9	-5.8	11.1	5.0	15.8	15.4	7.2
Nikkei Index	1.3	-4.5	3.1	16.1	20.1	14.9	8.4
Rand/Dollar	-0.2	-10.4	-0.7	8.3	11.5	5.9	6.6

WORLDWIDE FUNDS: PERFORMANCE IN RAND TERMS – REFER NOTES

Period	WW EQUITY %						WW BALANCED %					
	Retirement Annuities			Endowments/Life			Retirement Annuities			Endowments/Life		
	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	7.5	3.7	7.5	7.7	4.2	7.5	1.8	-0.5	3.6	2.4	-0.3	4.0
2 Years	6.2	6.4	7.7	6.2	6.6	7.8	3.0	4.5	6.8	3.0	4.3	6.5
3 Years	8.5	8.8	10.8	8.3	8.6	10.4	6.7	7.4	10.0	6.3	6.9	9.2
5 Years	13.2	14.3	17.6	12.8	14.0	17.1	11.4	12.5	15.6	10.8	12.0	15.0
8 Years	14.7	14.7	15.1	14.3	14.3	14.5	13.0	13.1	13.1	12.5	12.6	12.6
10 Years	12.2	11.7	6.4	11.7	11.2	5.9	11.1	10.8	7.3	10.6	10.4	6.8
15 Years	10.0	9.9	5.9	9.3	9.2	4.7	9.8	9.7	6.1	9.1	9.0	5.3

GEOGRAPHICAL SPREAD

	EQUITY PORTION %			BOND PORTION %		
	Fund	MSCI	Difference	Fund	Benchmark ⁷	Difference
United States	44.8	53.0	-8.2	32.6	38.7	-6.1
Japan	3.6	7.6	-4.0	4.0	17.9	-14.0
Europe ex UK	18.0	15.8	2.2	31.8	27.3	4.5
United Kingdom	6.4	5.8	0.5	7.6	5.6	2.0
SE Asia & Canada	8.9	11.5	-2.6	17.6	8.4	9.2
South Africa	14.7	0.0	14.7	0.0	0.2	-0.2
Other	3.7	6.3	-2.6	6.4	1.7	4.6
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	3.7	0.0	1.9	0.2	0.3	0.8
Consumer Discretionary	8.9	12.3	4.7	0.4	0.7	1.9
Consumer Staples	7.5	9.5	3.9	0.3	0.6	1.6
Energy	4.1	6.4	2.1	0.2	0.3	0.9
Financials	15.7	18.3	8.2	0.7	1.2	3.3
Healthcare	10.1	11.2	5.3	0.4	0.8	2.1
Industrials	12.0	10.8	6.3	0.5	0.9	2.5
Information Technology	12.9	16.7	6.8	0.5	1.0	2.7
Materials	5.8	5.3	3.0	0.2	0.4	1.2
Other	0.2	0.0	0.1	0.0	0.0	0.0
Telecoms Services	1.5	3.3	0.8	0.1	0.1	0.3
Utilities	1.4	3.1	0.7	0.1	0.1	0.3
SA Rand Hedge	14.7	0.0	0.0	0.0	0.0	0.0

TOP EQUITY HOLDINGS (GLOBAL)

NAME	SECTOR
1. JPMorgan Chase & Co	Financials
2. Oracle Corporation	Information Technology
3. CRH Plc	Materials
4. Alphabet Inc	Information Technology
5. Citigroup Inc	Financials
6. Moody S Corp	Financials
7. Fiat Chrysler Automobiles	Consumer Discretionary
8. FMC Corp	Materials
9. Apple Inc	Information Technology
10. Owens Corning	Industrials

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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