TAX FREE SAVINGS ACCOUNT
CAUTIOUS PORTFOLIO

SECURITAS WEALTH
A Division of Securitas Financial Group (Pty) Ltd (FSP 6536)

FEBRUARY 2018

INFORMATION SHEET

ASISA Category	SA Multi Asset Low Equity
Portfolio benchmark	CPI + 2% calculated on a 3-year rolling average
Model inception date	24 May 2017
Investment Managers	4D Wealth Management (Pty) Ltd
Regulation 28	Compliant

CONTRIBUTION DETAILS

Minimum monthly	R500
Minimum lump sum	R20 000

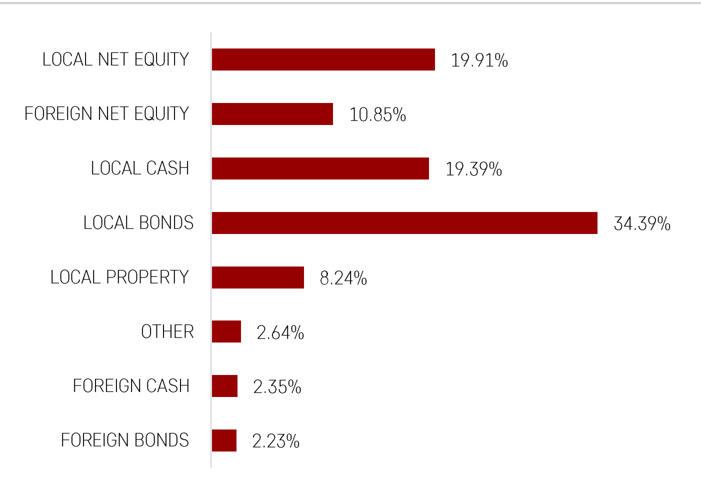
FEE STRUCTURE

Initial fees:	0%-3.42% (VAT incl.)
Annual Advisor fees:	0%-1.14% (VAT incl.)
Weighted TIC	1.63%

RISK STATISTICS

	1 YEAR
REAL RETURN P.A	2.68%
MAXIMUM DRAWDOWN %	-0.53%
NOMINAL RETURN P.A	7.75%
VOLATILITY	8.86

ASSET ALLOCATION



FUND OBJECTIVES

The Portfolio aims to provide a high degree of capital stability and minimize the risk of loss over any rolling 2 year period. The portfolio aims to outperform the average return of the sectors and achieve a return of CPI + 2% over a 2 to 3 year period.

RISK PROFILE

Risk

Low	Low-Medium	Medium	Medium-High	High

Advisable Minimum Term

Minimum term

1 Year	1 - 3 Years	3 - 5 Years	5 - 7 Years	7 Years +

PORTFOLIO FUND HOLDINGS

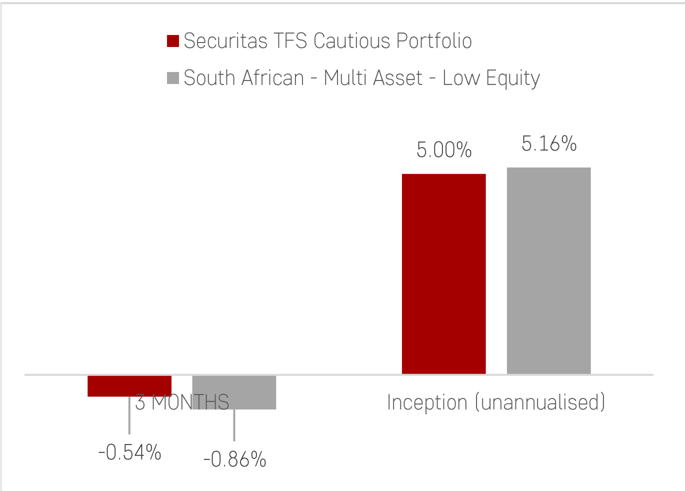
Prudential Inflation Plus Fund A

Nedgroup Investments Stable Fund c

SIM Inflation Plus Fund

Old Mutual Real Income Fund A

PERFORMANCE (as at 01 FEB 2018)



Performance figures are net of fees (excl advice fee)

Total Investment Charge (TIC)

The TIC is not charged as a separate fee but is built into the unit price of the unit trusts you have selected.

All values shown include VAT where applicable.

TIC	Administration fee deducted within unit trust	TIC for investment management
1.63%	0.02%	1.61%

To compare costs across unit trusts with different fee structures, the TIC for investment management is used. This is the unit trust's latest available total investment charge (TIC) less any administration fee deducted within the unit trust for the administration we perform. The TIC is not a separate fee, but is a measure of the actual expenses incurred by the unit trust, including the investment management fee and transaction costs where available. If the actual TIC is not available, an estimate is used. The expenses are expressed as a weighted average using the percentage allocation of each unit trust.

FAIS Conflict of Interest Disclosure

Please note that your financial advisor may be a related party to the co-naming partner and/or BCI**.** It is your financial advisor's responsibility to disclose all fees he/she receives from any related party. The portfolio's TER includes all fees paid by portfolio to BCI, the trustees, the auditors, banks, the co-naming partner, underlying portfolios, and any other investment consultants/managers as well as distribution fees and LISP rebates, if applicable. The portfolio's performance numbers are calculated net of the TER expenses. The investment manager earns a portion of the service charge and performance fees where applicable. In some instances portfolios invest in other portfolios which form part of the BCI Scheme. These investments will be detailed in this document, as applicable.

Discretionary Investment Manager
4D Wealth Management (Pty) Ltd is an authorised Financial Service Provider FSP 40794
Model Portfolio Managers

- Reon Coetzee CFP®, Certified Investment Planning, BA in (Political Science)
- Albert van der Linde B.Com (Hons) Investment Management
- Henro Grove B.Com (Hons) Investment Management
- Johan Steyn RFP®
- Fanie Wasserman B.Com (Hons), PDFP , CFP®

Mandatory disclosure.

The information contained in this document does not constitute advice by Sanlam Life. Whilst every attempt has been made to ensure the accuracy of the information contained herein, Sanlam cannot be held responsible for any errors that may occur. Past performance cannot be relied on as an indicator of future performance. Investment performance will depend on the growth in the underlying assets, which will be influenced by inflation levels in the economy and the prevailing market conditions.

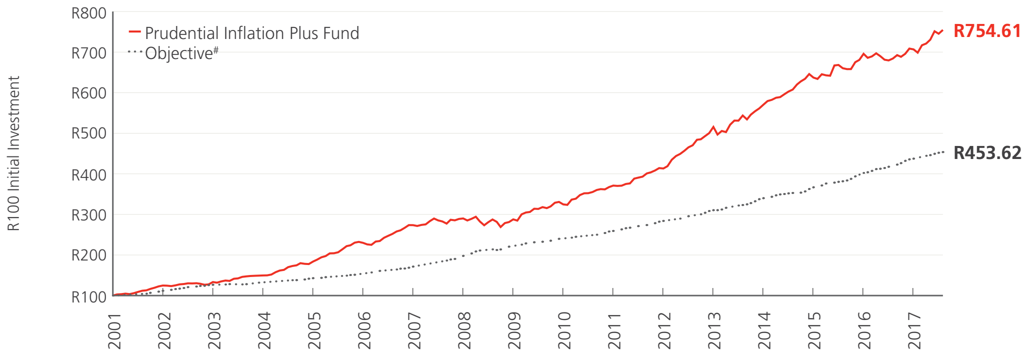
PRUDENTIAL INFLATION PLUS FUND
31 DECEMBER 2017

PRUDENTIAL
INVESTMENT MANAGERS

FACT SHEET/MINIMUM DISCLOSURE DOCUMENT

MULTI-ASSET

SINCE INCEPTION CUMULATIVE PERFORMANCE, DISTRIBUTIONS REINVESTED (A CLASS)



ANNUALISED PERFORMANCE	A CLASS	OBJECTIVE#	T CLASS	X CLASS	B CLASS
1 year	10.3%	8.0%	10.9%	10.6%	11.1%
3 years	7.5%	8.7%	n/a	7.8%	8.3%
5 years	9.9%	8.8%	n/a	10.2%	10.7%
7 years	11.4%	9.0%	n/a	n/a	12.2%
10 years	10.3%	9.4%	n/a	n/a	11.1%
Since inception	13.0%	9.5%	7.2%	11.8%	13.0%

Objective (After A Class Fees) over a rolling 3-year period. Fee adjustment to gross Fund Objective for different classes: A class -1.7%, T class -1% , X class -1.4% , B class -0.
Inception dates: X Class: 1 July 2011, B Class: 1 July 2002, T Class: 2 January 2015

RETURNS SINCE INCEPTION##	A CLASS	DATE
Highest annualised return	30.8%	30 Apr 2006
Lowest annualised return	-6.2%	28 Feb 2009

RISK MEASURES	A CLASS	OBJECTIVE
Maximum drawdown over any period	-8.6%	-0.7%
Sortino ratio	0.1	n/a
Sharpe ratio	0.1	n/a
Monthly volatility (annualised)	5.7%	1.6%
Information ratio	-0.3	n/a
% of positive rolling 12 months	95.7%	100.0%

ASSET ALLOCATION	
SA Equity	23.6%
SA Inflation-linked Bonds	23.0%
SA Listed Property	16.1%
Foreign Equity	15.9%
SA Bonds (ex. Inflation-linked Bonds)	13.7%
Foreign Bonds	7.8%
Foreign Property	0.3%
Foreign Cash	0.2%
SA Cash	-0.6%

TOP 10 HOLDINGS*	
1. Prudential Worldwide Real Return Fund	17.7%
2. Prudential Corporate Bond Fund	7.0%
3. Republic of SA ILB 3.45% 071233 (R202)	5.3%
4. Prudential Worldwide Strategic Real Return Fund	5.3%
5. Naspers Ltd	2.7%
6. NEPI Rockcastle PLC	2.7%
7. Republic of SA ILB 2.60% 310328 (R210)	2.7%
8. Republic of SA ILB 2.25% 310138 (I2038)	2.7%
9. Redefine Properties Ltd	2.3%
10. Growthpoint Properties Ltd	2.3%

*As at 31 December 2017 (updated quarterly)

INVESTMENT OPTIONS	A CLASS	T CLASS	X CLASS	B CLASS
Minimum lump sum investment	R20 000	R10 000	R20 000	R100 million
Minimum monthly debit order	R1 000 pm	R1 000 pm	R1 000 pm	n/a

INITIAL FEES (excl. VAT)	A CLASS	T CLASS	X CLASS	B CLASS
Prudential	0.00%	0.00%	0.00%	0.00%
Financial adviser (if applicable)	2.75% (max)	2.25% (max)	2.75% (max)	0.00%

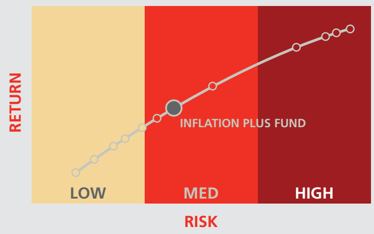
ANNUAL MANAGEMENT FEES (excl. VAT)	A CLASS	T CLASS	X CLASS	B CLASS
Prudential**	1.25%	0.80%	1.00%	0.60%
Financial adviser service fee*** (if applicable)	0.50%	0.00%	0.50%	0.00%

** Additional underlying foreign fund fees are dependent on the fund and are included in the TER
*** Included in Prudential's annual management fee above (T Class Financial Adviser Fees: Initial and Ongoing Adviser Fees are negotiated between the Investor and Financial Adviser. Should you agree to an ongoing Adviser Fee, this will be paid via the regular repurchase of units)

EXPENSES (incl. VAT)	A CLASS	T CLASS	X CLASS	B CLASS
Total Expense Ratio (TER)	1.62%	1.07%	1.33%	0.88%
Transaction Costs (TC)	0.10%	0.10%	0.10%	0.10%
Total Investment Charges (TIC)	1.72%	1.17%	1.43%	0.98%

Where a transaction cost is not readily available, a reasonable best estimate has been used. Estimated transaction costs may include Bond, Money Market, and FX costs (where applicable).

RISK/RETURN PROFILE:



FUND OBJECTIVE:

The primary objective is to outperform CPI by 5% (before fees) over a rolling 3-year period. The secondary objective is to reduce the risk of capital loss over any rolling 12-month period.

INVESTOR PROFILE:

Individuals looking for a low-to medium-risk multi-asset fund. Individuals and retirees who want to protect their investment from the detrimental effects of inflation over time. The recommended investment horizon is 3 years or longer.

INVESTMENT MANDATE:

The Fund invests in an actively managed, diversified combination of domestic and international assets where the asset allocation is tactically managed. The intended maximum limits are Equity 40%, Listed Property 25%, Offshore 25%, and Africa (excl. SA) 5%. The Fund is managed to comply with regulations governing retirement fund investments (Regulation 28).

FUND MANAGERS:

Michael Moyle, David Knee, Duncan Schwulst and Johny Lambridis

ASISA CATEGORY:

South African - Multi-Asset - Low Equity

OBJECTIVE (BEFORE FEES):

CPI+5% p.a. over a rolling 3-year period

INCEPTION DATE:

1 June 2001

FUND SIZE:

R37 794 934 418

AWARDS:

Raging Bull: 2013
Morningstar: 2015

Sources: Prudential, Morningstar & Deutsche Securities

PRUDENTIAL INFLATION PLUS FUND
31 DECEMBER 2017

PRUDENTIAL INVESTMENT MANAGERS

FACT SHEET/MINIMUM DISCLOSURE DOCUMENT

MULTI-ASSET

INCOME DISTRIBUTIONS	TOTAL DISTRIBUTIONS	12-MONTH YIELD
(A Class) 31 December 2017	4.00 cpu	2.39%
(A Class) 30 June 2017	4.99 cpu	2.56%
(B Class) 31 December 2017	5.44 cpu	3.07%
(B Class) 30 June 2017	6.38 cpu	3.28%
(T Class) 31 December 2017	4.99 cpu	2.87%
(T Class) 30 June 2017	5.94 cpu	3.06%

If the income earned in the form of dividends and interest exceeds the total expenses, the Fund will make a distribution. (cpu = cents per unit)

FUND COMMENTARY

The year that was 2017 ended on a high in December, with equity markets around the world posting fresh record highs amid a remarkable lack of volatility. Global growth remained strong, inflation relatively subdued and monetary policies supportive for the month. The passage of the Republican tax cut package in the US bolstered market optimism further. During the month the US Federal Reserve raised its base interest rate by 25 basis points, its third hike for the year, as widely expected. Together with full employment and the large corporate tax cuts to come, analysts expect US inflation to become more problematic in 2018 – market consensus is for four 25bp Fed rate hikes in the new year.

In South Africa it was a surprisingly positive month for investors, with markets dominated by the election of market-friendly Cyril Ramaphosa as President of the ANC. Investors interpreted Ramaphosa's election as an opportunity for the country to introduce much-needed reforms, reduce corruption, and lift business and consumer sentiment. Greater prospects for improved fiscal responsibility also helped the credit rating outlook. Combined with Moody's credit rating reprieve in November, this more optimistic sentiment helped lower risk perceptions among both local and offshore investors, driving strong rallies in South African bonds, listed property and the rand. In December, the BEASSA All Bond Index delivered a total return of 5.7%, Inflation-linked bonds (Composite ILB Index) 4.9%, and cash as measured by the STeFI Composite Index returned 0.6%. Listed property returned 4.2% for the month. The rand, meanwhile, gained strongly in December against all three major global currencies, appreciating 9.3% against a weaker US dollar, 9.1% against the pound sterling and 8.6% against the euro.

Looking at global equity market returns (all in US$), the MSCI World Index (for developed markets) returned 1.4% in December, underperforming the MSCI Emerging Markets Index at 3.6%. Global bonds were largely flat in December as the Bloomberg Barclays Global Aggregate Bond Index (US$) returned 0.3%, while the EPRA/NAREIT Developed Global Property Index (US$) returned 1.4% for the month.

On a relative basis, the fund's underweight position in international fixed income added most to performance, while also adding value were its neutral position in SA listed property and overweight in SA bonds. Its underweight in SA equity also contributed positively. Detractors included certain international holdings due to the stronger rand over the month. The fund retains its top-quartile or better performance over annual periods from 1-10 years (except 2 years).

GLOSSARY

12-month yield	A measure of the Fund's income distributions as a percentage of the Fund's net asset value (NAV). This is calculated by summing the income distributions over a rolling 12-month period, then dividing by the sum of the NAV at the end of the period and any capital gains distributed over the same period.
Annualised performance	The average amount of money (total return) earned by an investment each year over a given time period. For periods longer than one year, total returns are expressed as compounded average returns on a yearly basis.
Cumulative performance graph	This illustrates how an initial investment of R100 or N$100 (for example) placed into the Fund would change over time, taking ongoing fees into account, with all distributions reinvested.
Income distribution	The dividend income and/or interest income that is generated by the underlying Fund investments and that is periodically declared and distributed to investors in the Fund after all annual service fees.
Information ratio	Measures the Fund's active return (Fund return in excess of the benchmark) divided by the amount of risk that the manager takes relative to the benchmark. The higher the information ratio, the higher the active return of the Fund, given the amount of risk taken and the more consistent the manager. This is calculated over a 3-year period.
Intended maximum limits	This indicates the Fund's intended maximum exposure to an asset class. These limits may be reviewed subject to the Fund's Supplemental Deed and/or Regulation 28 for those Funds managed in accordance with Regulation 28 of the Pension Funds Act.
Maximum drawdown	The largest drop in the Fund's cumulative total return from peak to trough over any period.
Monthly volatility (annualised)	Also known as standard deviation. This measures the amount of variation or difference in the monthly returns on an investment. The larger the annualised monthly volatility, the more the monthly returns are likely to vary from the average monthly return (i.e. the more volatile the investment).
Percentage of positive rolling 12 months	The percentage of months, since inception, that the Fund has shown a positive return over a rolling 12-month period.
Regulation 28	The South African retirement fund industry is governed by the Pension Funds Act, No 24 of 1956. Regulation 28 of the Pension Funds Act prescribes the maximum limits in asset classes that an approved retirement fund may invest in.
Sharpe ratio	The Sharpe ratio is used to measure how well the return of an asset compensates the investor for the risk taken. The higher the Sharpe ratio the better the Fund's historical risk-adjusted performance has been. This is calculated by taking the difference between the Fund's annualised return and the risk-free (cash) rate, divided by the standard deviation of the Fund's returns. This is calculated over a 3-year period.
Sortino ratio	This is calculated by taking the difference between the Fund's annualised return and the risk-free (cash) rate, divided by the downside deviation of the Fund's returns i.e. the "bad" volatility. A high Sortino ratio indicates a low risk of large losses occurring in the Fund. This is calculated over a 3-year period.
Total Expense Ratio (TER)	This shows the charges, levies and fees relating to the management of the portfolio and is expressed as a percentage of the average net asset value of the portfolio, calculated over a rolling three years (where applicable) and annualised to the most recently completed quarter. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs.
Transaction Costs (TC)	The percentage of the value of the Fund incurred as costs relating to the buying and selling of the Fund's underlying assets. Transaction costs are a necessary cost in administering the Fund and impacts Fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Fund, investment decisions of the investment manager and the TER.
Total Investment Charges (IC)	The percentage of the value of the Fund incurred as costs, relating to the investment of the Fund. As fund returns are reported after deducting all fees and expenses, these costs (the TER, TC & IC) should not be deducted from the fund returns.
Unit class	Prudential's funds are offered in different unit classes to allow different types of investors (individuals and institutions) to invest in the same fund. Different investment minimums and fees apply to different unit classes. A Class: for individuals only. B & D Class: retirement funds and other large institutional investors only. X Class: the special fee class that was made available to investors that were invested in the Dividend Income Feeder Fund. T Class: for investors in tax-free unit trusts. F Class: for Discretionary Fund Managers.

An electronic copy of this document is available at www.prudential.co.za

HOW TO INVEST

0860 105 775

prudential.co.za

query@myprudential.co.za

Application forms

Invest now

Application forms and all required documentation must be faxed to **+27 11 263 6143** or e-mailed to **instructionsa@myprudential.co.za.**

Sources: Prudential, Morningstar & Deutsche Securities

Nedgroup Investments Stable Fund

Class C

December 2017

NEDGROUP INVESTMENTS

ASSET ALLOCATION RANGE

RISK RATING

← 1 **2** 3 4 5 →

Low Medium High

Risk reward profile

Equity and property investments are volatile by nature and subject to potential capital loss. For credit and income instruments, while unlikely, capital loss may also occur due to an event like the default of an issuer. The portfolio may be subject to currency fluctuations due to its international exposure.

GENERAL INFORMATION

ASISA category

South African Multi Asset Low Equity

Benchmark

Inflation + 4% over rolling 3 years

Investment manager

Foord Asset Management (Pty) Ltd is authorised as a Financial Services Provider under the Financial Advisory and Intermediary Services Act (FSP No. 578).

Inception date

01 November 2007

Appropriate term

Minimum 3 years

Market value

R 25,643 Million

Income distributions

Frequency: Semi-annually

December 2017: 2.65 cpu

Previous 12 months: 5.05 cpu

Fees and charges (excluding VAT)

Initial fees	0.00%
Annual management fee	1.35%
Total expense ratio	1.95%
Transaction costs	0.03%
Total investment charges [2]	**1.98%**

Please Note:

Differences may exist due to rounding

CONTACT

Client Services Centre
Tel: 0860 123 263
Fax 0861 119 733

Website: www.nedgroupinvestments.co.za
Email info@nedgroupinvestments.co.za

Minimum Disclosure Document

Portfolio profile

The portfolio aims to offer investors total returns that are in excess of inflation over the medium-term and is suitable for conservative investors requiring a high level of capital protection, with the potential for some capital growth and who do not wish to make complex asset allocation decisions between equities, cash and bonds, both locally and offshore. Diversification across asset classes and a maximum equity exposure of 40% helps to reduce risk and volatility relative to an average prudential portfolio. The portfolio complies with Regulation 28 of the South African Pension Funds Act.

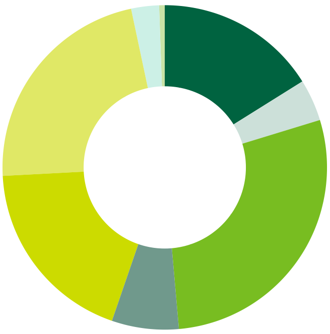
Performance [1]

Period	Portfolio	Benchmark
1 year pa	6.4%	8.8%
3 Years pa	5.5%	9.5%
5 Years pa	8.1%	9.6%
7 Years pa	9.4%	9.8%
10 Years pa	9.5%	10.1%
Lowest 1 year return	-0.7%	
Highest 1 year return	19.5%	

Risk

Period	Portfolio	ALSI
Volatility [5 years]	4.7%	17.8%

Portfolio structure



Equity	16.0%
Property	4.4%
Bonds	28.2%
Commodities	6.6%
Cash and money market	18.9%
Foreign equity	22.5%
Foreign cash	2.8%
Other	0.5%

Top 10 holdings

Share	Percentage
R186 10.5% 211226	22.1
NewGold ETF	5.8
Capital & Counties Properties Plc	3.3
Bank of China 8.65 230318	3.1
British American Tobacco Plc	2.9
R2035 8.875% 280235	2.2
FirstRand FRN Jibar 3-mth +225bps 020624	2.2
Nedbank 9.389% 301120	2.1
Sasol Ltd	2.0
Aspen Pharmacare Holdings	2.0
Total	**47.6**

1) The annualized total return is the average return earned by an investment each year over a given time period. Performance is calculated for the portfolio and individual investment performance may differ as a result of initial fees, the actual investment, the date of reinvestment and dividend withholding tax. Due to the delayed release of inflation data, relevant benchmarks will lag by one month.

2) Total Expense Ratio (TER), expressed as a percentage of the Fund, relates to expenses incurred in the administration of the Fund. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TERs. Transaction Costs (TC), expressed as a percentage of the Fund, relate to the costs incurred in buying and selling the underlying assets of the Fund. TC are a necessary cost in administering the fund and impact fund returns. It should not be considered in isolation as returns may be impacted by other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER. The Total Investment Charges expressed as a percentage of the Fund, relates to all investment costs of the Fund. Both the TER and TC of the Fund are calculated on an annualised basis, beginning 01/10/2014 and ending 30/09/2017.

NEDGROUP INVESTMENTS STABLE FUND

December 2017

NEDGROUP INVESTMENTS

ASSET ALLOCATION RANGE

Investment manager commentary
Foord Asset Management

Global equities (+1.6%, +24.0% for 2017 in US dollars) capped a blistering year by achieving a clean sweep of successive positive monthly gains. The year stands out for its low volatility and broad gains across markets and sectors.

Cyril Ramaphosa's election as new ANC president heralds a more efficient and investment-friendly government. But his support is incomplete with opposing factions seemingly splitting the composition of the top six and the ANC's principal decision-making body, the National Executive Committee.

The rand (+10.4% vs the US dollar) surged against hard currencies in the ensuing relief rally. Government bond yields quickly fell to pre-Medium-Term Budget Policy Statement levels, boosting the All Bond Index (+10.2%), despite the threat of further local currency sovereign ratings downgrades and related bond sales.

The rand-hedge dominated FTSE/JSE All Share Index (-0.3%) underperformed other asset classes as the rand gained. Price declines in Richemont (-4.5%), British American Tobacco (-4.4%) and Naspers (-6.4%) compounded Steinhoff's 92% price capitulation following its admission of unquantified accounting irregularities.

Domestically-focused businesses surged on expectations of policy renewal by the new ANC leadership. Foschini (+24.4%), Massmart (+24.2%), Truworths (+18.1%) and Mr Price (+19.2%) led the general retail sector (+15.9%) higher, while the banking sector (+15.2%) was boosted by FirstRand (+18.9%), Barclays Africa (+14.8%) and Standard Bank (+13.1%).

Short-term rand strength has resulted in a negative performance contribution for the portfolio from foreign assets and rand-hedge domestic investments when measured in rands. However, balance in the portfolio in the form of the listed property counters and a large SA government bond position provided some offset.

The managers have retained the portfolio's bond position despite the bond rally – the stronger rand could induce the SA Reserve Bank to soon reduce interest rates given the benign inflation outlook.

The managers maintain the portfolio bias to securities with foreign earnings complemented by attractive real-yield domestic assets and select domestically-focussed businesses.

Please note an important change that will be effective January 2018. Fund commentary will be produced on a quarterly basis, moving from the current monthly cycle, to provide an enhanced analysis of the fund over a longer period.

Nedgroup Investments contact details
Tel: 0860 123 263 (RSA only)
Tel: +27 21 416 6011 (Outside RSA)
Fax: 0861 119 733 (RSA only)
Email: info@nedgroupinvestments.co.za
For further information on the fund please visit: www.nedgroupinvestments.co.za

Our offices are located at
Nedbank Clocktower, Clocktower Precinct, V&A Waterfront, Cape Town, 8001

Write to us
PO Box 1510, Cape Town, 8000

As at: 16 January 2018

OLD MUTUAL REAL INCOME FUND

FUND INFORMATION

RISK PROFILE

Low	Low to Moderate	Moderate	Moderate to High	High

RECOMMENDED MINIMUM INVESTMENT TERM

1 year+	3 years+	5 years+

FUND OBJECTIVE

The fund aims to provide an income that grows in line with inflation, while sustaining the level of capital over time and minimising any losses over a 12-month period. The portfolio manager actively manages asset allocation to take advantage of changing market conditions.

WHO IS THIS FUND FOR?

This fund is suited to investors who can accept a lower initial income in return for the expectation of inflation-matching growth in income over the recommended investment term, while maintaining the value of their capital. It is suitable as a low-risk investment in retirement.

INVESTMENT MANDATE

The fund invests in the full spectrum of fixed interest investments. The fund may invest up to 25% of its portfolio in selected listed property shares and up to 10% in equities. The fund may invest up to 25% of its portfolio offshore in line with Treasury guidelines. Derivatives may be used for risk management purposes.

REGULATION 28 COMPLIANCE

The fund complies with retirement fund legislation. It is therefore suitable as a stand-alone fund in retirement products where Regulation 28 compliance is specifically required.

BENCHMARK:	CPI
PERFORMANCE TARGET:	CPI + 1% to 2% p.a. (net of fees)

Performance is targeted over the recommended minimum investment term and is not guaranteed.

RISK OBJECTIVE:	The fund aims to protect capital over 12 months.
ASISA CATEGORY:	South African – Multi-Asset – Low Equity
FUND MANAGER(S):	John Orford & Alida Jordaan *(Old Mutual Investment Group – MacroSolutions)*
LAUNCH DATE:	01/04/2006
SIZE OF FUND:	R5.2bn

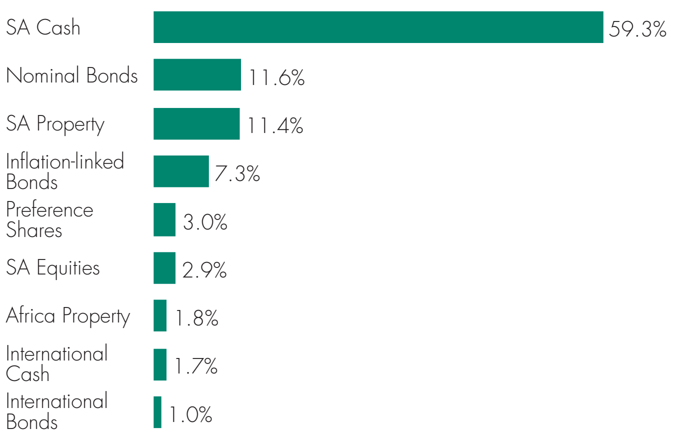
DISTRIBUTIONS: (Quarterly)*

Date	Dividend	Interest	Total	Total %
31/12/2017	0.60c	3.50c	4.10c	1.44%
30/09/2017	0.38c	4.56c	4.94c	1.74%
30/06/2017	0.24c	3.90c	4.14c	1.47%
31/03/2017	0.33c	4.22c	4.55c	1.61%

* Class A fund distributions

FUND COMPOSITION

ASSET & PERCENTAGE ALLOCATION



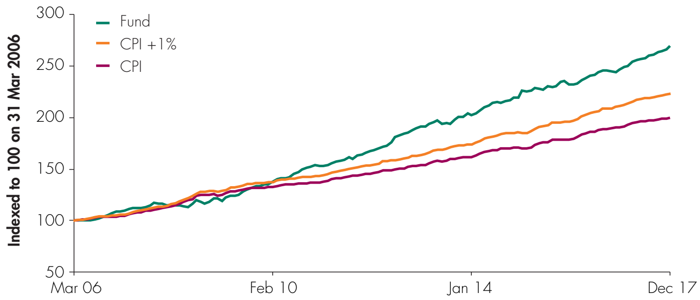
FUND PERFORMANCE as at 31/12/2017

	% PERFORMANCE (ANNUALISED)					
	1-Yr	3-Yr	5-Yr	7-Yr	10-Yr	Since Inception[1]
Fund (Class A)	9.2%	7.0%	7.3%	8.3%	8.7%	8.8%
Fund (Class B1)[2]	9.7%	7.5%	7.8%	8.8%	9.0%	9.1%
Benchmark*	4.6%	5.3%	5.4%	5.5%	5.9%	6.1%

* The CPI figures are lagged by one month as the number was calculated before this month's inflation rate was released.
[1] Performance since inception of the fund.
[2] Class B1 Fund is only available through investment platforms such as Old Mutual Wealth.
Performance measurements over periods shorter than the recommended investment term may not be appropriate. Past performance is no indication of future performance. Fund returns are net of fees and measured against the benchmark.

Rolling 12-Month Return	Highest	Average	Lowest
Fund (Since Inception)	15.4%	8.9%	-0.7%

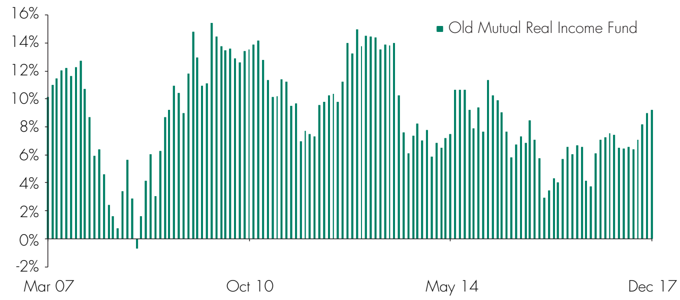
Performance Since Inception



Past performance is no indication of future performance.

Risk Statistics (Since Inception)	
Maximum Drawdown	-2.9%
Months to Recover	7
% Positive Months	79.4%
Annual Standard Deviation	3.3%

Risk Objective: Capital protection over 12 months



PRINCIPAL HOLDINGS

HOLDING	% OF FUND
R212 2.75% 31/01/2022	4.1%
Transnet FRN 22/08/2018	1.9%
ABSA 9.88% 17/03/2018	1.8%
Egyptian TBL 24/04/2018	1.8%
AHF3A3 FRN 18/04/2019	1.7%
Development Bank of SA	1.7%
Growthpoint Properties Ltd	1.7%
FRJ18 21/02/2018	1.5%
Vukile Property Fund Ltd	1.3%
R197 5.5% 07/12/2023	1.3%

OLD MUTUAL REAL INCOME FUND

FUND MANAGER INFORMATION

JOHN ORFORD
PORTFOLIO MANAGER

- BA Economic History (Hons), Postgraduate Dip (Quantitative Development Economics), MSc (Development Economics), MBA
- 14 years of investment experience

ALIDA JORDAAN
PORTFOLIO MANAGER

- BMus (Hons) (cum laude), MBA (cum laude), CFA
- 22 years of investment experience

FUND COMMENTARY as at 31/12/2017

2017 started off with the inauguration of Donald Trump as the US President, along with his promises of fiscal stimulus and tax reforms. Even though the promises were slow to materialise, the markets continued to rally throughout the year, supported by strong economic data and earnings growth. Global Purchasing Managers' Indices (which are indicators of economic health) were in expansionary territory during 2017, with the Eurozone leading the way. Against the backdrop of subdued global inflation, consumer confidence in the US remained buoyant, while financial markets and economic growth were strong. While Brexit negotiations continue creating more uncertainty, mid-year saw yet another unexpected political result in the UK when Theresa May's gambit to hold a snap general election backfired and the Conservative Party lost their majority – resulting in a hung parliament. Elsewhere, political tensions escalated as North Korea flexed its military and diplomatic muscle. However, the big financial story of the year was bitcoin, which started 2017 at US$960, peaked at US$19 344, and closed the year at US$13 880. (For more on this, read Zain Wilson's article on cryptocurrencies, Decoding Currencies, here.)

Locally, the past year was characterised by ongoing political uncertainty. 2017 began with the dismissal of Pravin Gordhan as Minister of Finance in one of President Zuma's many Cabinet reshuffles. This led to weakness in the currency and was swiftly followed by a downgrade of South Africa's foreign currency sovereign rating to sub-investment or "junk" status by credit ratings agency Standard & Poor's. The South African Reserve Bank cut interest rates by 0.25% in July, but the potential for currency weakness (given the escalating political risk) ruled out further interest rate cuts for the year as investors and the central bank waited on the outcome of the ANC's December elective conference. The result was a narrow victory for Cyril Ramaphosa, which was welcomed by both the rand and the local bond markets. The rand ended the year at its best levels in over two years.

Despite all this noise, 2017 was a great year for growth assets, with global equity (MSCI All Country World Index) up 13% in rand terms, despite the currency appreciating almost 10% against the US dollar. Emerging markets benefited even more from the supportive global environment, returning 25% in rand terms. The local equity market was up 16% (FTSE/JSE Capped SWIX All Share Index), with the diversified miners (+30%), banks (+31%) and the food retailers (+27%) pulling the market higher. SA industrials lagged, with Mediclinic down 16% and Vodacom up only 1%. However, the big stories for 2017 were the collapse of Steinhoff (-94%), with the company immersed in an accounting scandal, and the strong rise of JSE heavyweight Naspers (+72%). Equity returns were supported by good returns from local property (+17%) and bonds (+10%). Global cash and bonds were the clear laggards, delivering negative returns in rand terms.

The fund aims to deliver an income that grows over time while protecting capital. Fund performance for 2017 has been good, delivering a return for the year of 9.2%, exceeding both inflation (4.6%) and cash (7.5%). Three-year performance now exceeds the fund's target of CPI + 1-2% net of fees, after a difficult 2016. Performance since inception has remained comfortably in excess of mandate.

Returns for the fourth quarter of 2017 were particularly good, with South African-linked assets benefiting from a market-friendly outcome to the much-anticipated ANC December elective conference, alongside continued signs of a domestic economic recovery. After spending much of the year in a R13.00 - R13.50 range against the US dollar, the currency finished strongly to end the year at R12.38/US$. This has been the strongest level seen in the currency since mid-2015, preceding the surprise firing of then Finance Minister Nhlanhla Nene and the slew of ratings downgrades that followed.

Domestic bonds, property and bank prices surged in response, ending 2017 comfortably ahead of cash, having been laggards for most of the year. While the low bond duration in the fund meant it did not benefit from the decline in bond yields, this was more than offset by the performance of domestic property assets and selective positions in domestically oriented equities held by the fund. This highlights the use of growth assets as a key tool for the fund. Here, selective exposure in appropriate size enables the fund to benefit from opportunities outside of traditional fixed income assets without jeopardising its capital preservation objective. One such example previously highlighted is the holdings of Barclays Group Africa. This is a position that has done well for the fund, and one that the fund has since sold out of following its strong returns over the last quarter. While the growth asset exposure in the fund has contributed meaningfully to the fund's performance in 2017, it maintains a yield of above 8%, comparing favourably to 12-month bank negotiable certificates of deposit (NCDs), a relatively attractive alternative yielding 7.8%.

Looking ahead to 2018, the international environment of synchronised global growth and a benign interest rate path by developed market central banks remains supportive of domestic assets. With some signs of a turnaround in the domestic economy and political environment, this helps underpin a low inflation outlook over the horizon and an increased possibility of rate cuts. While domestic assets are no longer cheap, this environment will continue to support beneficiaries of lower interest rates and a cyclical growth rebound.

Source: Old Mutual Investment Group as at 31/12/2017

OTHER INVESTMENT CONSIDERATIONS

MINIMUM INVESTMENTS:

- Monthly: R500
- Lump sum: R10 000
- Ad hoc: R500

INITIAL CHARGES (All fees are VAT inclusive)*:

There is no initial administration charge for investment transactions of R500 and above. Initial adviser fee will be between 0% and 3.42%.

Investment transactions below the R500 fund minimum incur a 2.28% administration charge.
* Please note: Initial charges do not apply to the Class B funds.

ONGOING

	Class A	Class B1*
Annual service fees (incl. VAT)	1.37%	0.91%

* Please note: The Class B1 Fund is only available through investment platforms such as Old Mutual Wealth.

The fee is accrued daily and paid to the management company on a monthly basis. Other charges incurred by the fund, and deducted from its portfolio, are included in the TER. These include the fees and costs relating to underlying global asset class exposures, which range between 0.20% and 0.50% (incl. VAT) as the fee for equity exposures is typically higher than the fee for fixed income or money market exposures. A portion of Old Mutual Unit Trusts' annual service fees may be paid to administration platforms.

TAX REFERENCE NUMBER: 9004/554/17/7

ISIN CODES:

Class A	ZAE000076493
Class B1	ZAE000076501

	36 Months		12 Months	
Total Expenses (30/09/2017)	**Class A**	**Class B1***	**Class A**	**Class B1***
Total Expense Ratio (TER)	1.42%	0.96%	1.40%	0.94%
Transaction Cost (TC)	0.08%	0.08%	0.04%	0.04%
Total Investment Charge	1.50%	1.04%	1.44%	0.98%

* Please note: The Class B1 Fund is only available through investment platforms such as Old Mutual Wealth.

TER is a historic measure of the impact the deduction of management and operating costs has on a fund's value. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER, which includes the annual service fee, may not necessarily be an accurate indication of future TERs. Transaction Cost (TC) is a necessary cost in administering the fund and impacts fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER.

Funds are also available via Old Mutual Wealth and MAX Investments.
Helpline 0860 234 234 **Fax** +27 21 509 7100 **Internet** www.omut.co.za **Email** unittrusts@oldmutual.com

OLDMUTUAL

Issued: January 2018

Minimum Disclosure Document

(Fund Fact Sheet)

Sanlam Investment Management Inflation Plus Fund

December 2017

Fund Objective

This is a multi asset low equity fund which aims to deliver smooth, positive real returns (adjusted for the effects of inflation) targeting CPI +4% over a rolling 3 year period. Equity exposure is limited to 40%. The fund is managed in accordance with Reg. 28 guidelines.

Fund Strategy

This actively managed fund is a combination of investments in equity, bonds, money market instruments and listed property both locally and abroad. It can invest 25% offshore. The fund is mandated to invest in unlisted financial instruments (derivatives) for efficient portfolio management. The investment manager will also be allowed to invest in financial instruments (derivatives) as allowed by the Act from time to time in order to achieve its investment objective.

Tax Free Unit Trust

This Fund qualifies as a tax free investment according to section 12T of the Income Tax Act, with effect from 1 March 2015. South African individuals qualify for the associated tax benefits namely no tax on dividends, income or capital gains whilst still enjoying all the benefits of a unit trust. Note contributions to tax free investments are limited to R33 000 per tax year, with a lifetime limit of R500 000. Amounts invested in excess of these permissible thresholds are taxable.

Fund Information

ASISA Fund Classification	SA - Multi Asset - Low Equity
Risk profile	Cautious
Benchmark	CPI +4% over a 3 year rolling period
Portfolio launch date	01 Apr 1999
Fee class launch date	02 Jul 2007
Minimum investment	Lump sum: R1 000 000 | Monthly: R200
Portfolio size	R14 088.3 million
Last two distributions	30 Jun 2017: 11.24 cents per unit 31 Dec 2017: 11.85 cents per unit
Income decl. dates	30 Jun | 31 Dec
Income price dates	1st working day in January and July
Valuation time of fund	15:00
Transaction cut off time	15:00
Daily price information	www.sanlamunittrusts.co.za
Repurchase period	3 working days

Fees (Incl. VAT)

	B4-Class (%)
Advice initial fee (max.)	N/A
Manager initial fee	N/A
Advice annual fee (max.)	1.14
Manager annual fee	0.68
Total Expense Ratio (TER)	0.79

Advice fee | Any advice fee is negotiable between the client and their financial advisor. An annual advice fee negotiated is paid via a repurchase of units from the investor.

Sanlam Reality members may qualify for a discount on the Manager annual fee.

Total Expense Ratio (TER) | PERIOD: 1 October 2014 to 30 September 2017
Total Expense Ratio (TER) | 0.79% of the value of the Financial Product was incurred as expenses relating to the administration of the Financial Product. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's.
Transaction Cost (TC) | 0.07% of the value of the Financial Product was incurred as costs relating to the buying and selling of the assets underlying the Financial Product. Transaction Costs are a necessary cost in administering the Financial Product and impacts Financial Product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.
Total Investment Charges (TER + TC) | 0.86% of the value of the Financial Product was incurred as costs relating to the investment of the Financial Product.

The portfolio manager may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. This fund is also available via certain LISPS (Linked Investment Service Providers), which levy their own fees. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down.

Top 10 Holdings

Securities	% of Portfolio
Naspers -N-	5.72
BTI Group	1.26
FirstRand / RMBH	1.12
Sasol	1.08
Stanbank	1.07
MTN	1.02
Old Mutual	0.87
Anglos	0.69
Sanlam	0.62
Barclays Group Africa	0.59

Top 10 Holdings as at 31 Dec 2017

Performance (Annualised) as at 31 Dec 2017 on a rolling monthly basis

B4-Class	Fund (%)	Benchmark (%)
1 year	8.75	8.90
3 year	8.43	9.63
5 year	10.03	9.52
10 year	9.16	9.93

Annualised return is the weighted average compound growth rate over the period measured.

Performance (Cumulative) as at 31 Dec 2017 on a rolling monthly basis

B4-Class	Fund (%)	Benchmark (%)
1 year	8.75	8.90
3 year	27.47	31.75
5 year	61.30	57.56
10 year	140.19	157.77

Cumulative return is aggregate return of the portfolio for a specified period

Risk statistics: 3 years to 31 Dec 2017

Std Deviation (Ann)	3.58
Sharpe Ratio (Ann)	0.36

Actual highest and lowest annual returns*

Highest Annual %	16.14
Lowest Annual %	(0.36)

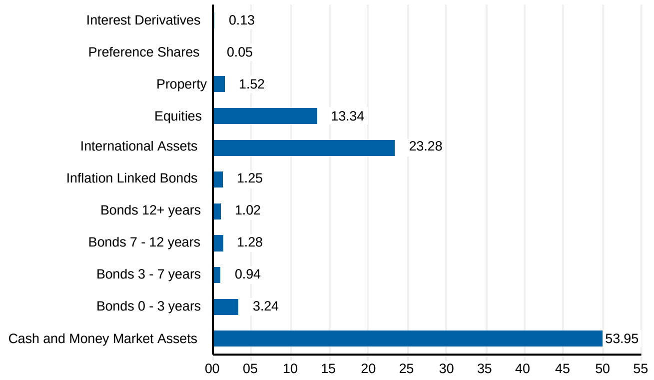
Minimum Disclosure Document

(Fund Fact Sheet)

Sanlam Investment Management Inflation Plus Fund

December 2017

Asset Allocation



Portfolio Manager(s) Quarterly Comment - 31 Dec 2017

Market review

The end of the quarter brought a number of unknowns to the fore, leading to some sharp share price dislocations. We knew about the precarious financial position of state-owned enterprises (SOEs), but did not know that it would be Steinhoff International that would make the ignominious headline as possibly one of the largest collapses in the history of corporate South Africa. We also knew that South Africa's credit rating was on a knife-edge, but did not know that Moody's would decide on a stay of execution. And finally, we have become accustomed to expect the unexpected when it comes to global political events. And yet, it still came as a surprise that one of the longest-serving African presidents, Robert Mugabe, was deposed in a bloodless coup and Cyril Ramaphosa was chosen to lead the ANC, 27 years after standing next to Nelson Mandela on the balcony of the Cape Town City Hall.

The FTSE/JSE Shareholder Weighted Index (SWIX) had a strong close to the year, up by some 9.6% in the final quarter to end the year up 21.2%. This is also a reflection of very positive risk-on sentiment towards emerging markets globally with the latter also up a whopping 37.4% in dollars in 2017, which led global equities up by over 20%, the best returns we have experienced since 2009. Globally, politics played a key role to drive markets higher with US President Trump's tax reform plan driving the S&P up 21.8% for the year, while Emmanuel Macron's unexpected victory at the French presidential elections helped inspire European equities (up 22%) and Japanese Prime Minister Shinzo Abe's landslide victory fuelled the Japanese market (up 22%) to anticipate more reflationary policies.

Bond market developments in the final quarter were dominated by the Medium-Term Budget Policy Statement (MTBPS) delivered by the minister of finance on 25 October 2017. The MTBPS disappointed deeply as it projected deficits of more than 4% for the current fiscal year due to a revenue shortfall of around R50 billion and increased spending in support of South African Airways, the South African Post Office and other SOEs. The minister also projected spending of R3 billion in excess of the expenditure ceiling, thus going against an earlier undertaking to keep support for SOEs 'budget neutral'. The MTBPS alerted on much wider deficits over the forecast horizon and a deterioration in the net debt-to-GDP ratio to 60.8% in 2022 from current levels of about 52.3%. Failure to stick to the previously outlined fiscal consolidation path was the main reason why S&P downgraded South Africa further into junk status on 24 November. On the same day Moody's placed South Africa on review for a downgrade, which must be resolved within 90 days. In Moody's judgment the election outcome of the ANC president could have a material effect on the policy direction of the ruling party and thus the country and as a result they decided to delay the rating action. For now, our sovereign debt remains part of the Citi World Government Bond Index, which has an estimated US$6 - 10 billion in mandates tracking our bonds via that index. Since our sovereign bonds had sold off ahead of the downgrade and were already anticipating a double downgrade, this was a positive surprise. Initially our currency weakened slightly from below R14 to the US dollar by some 30 cents, but subsequently staged a rally, which was also fuelled by the outcome at the ANC elective conference.

As soon as the credit downgrade event was out of the way, markets started focusing on the ANC elective conference. Given the spectacular failure of polls to predict political outcomes globally over the past few years, the leadership race threatened to be another embarrassment for the pundits. Early on, it appeared that market participants favoured the more market-friendly Cyril Ramaphosa and the rand and domestic stocks strengthened slightly ahead of the conference. That trend accelerated when indication of a Ramaphosa win emerged with domestic financials experiencing an 8.4% rally in December with the rand being one of the strongest currencies in December, gaining 9.6% against the greenback. Bonds followed the currency stronger, with the yield on the R186 benchmark bond rallying from 9.20% to 8.60%, surpassing pre-MTBPS levels.

As market participants, we were more interested in the policy pronouncements at the conference. The announcement of free tertiary education for the poor will have long-term benefits, but details of the funding model for the R12 billion per annum needed and conditions attached to such a project to ensure deserving students gain access to further education while maintaining the quality of outcomes, remain key. Last year there were some 150 000 applicants for 100 000 tertiary places, showing the chronic undersupply of available capacity. In addition, it is key that scarce skills needed to boost economic growth get prioritised. There was also a declaration on redistribution of land without compensation. Again, a dovish view is that our constitution already makes provision for such a pronouncement.

For the quarter to December, the rand strengthened from R13.50 against the US dollar to R12.38. Nominal bonds returned 2.2%, cash returned 1.8% and inflation-linked bonds 1.5%. On the international front, the MSCI Emerging Markets Index was 7.3% firmer in US dollar terms and the MSCI World Index returned 5.5%. Locally, the SWIX rose 9.6% quarter-on-quarter with all major equity sectors delivering positive returns. Within equities, SA Financials rose 16.0%, SA Resources increased 4.9% and SA Industrials were 4.7% higher over the quarter.

Asset allocation

We slightly increased our position in conventional bonds as the asset class offers an approximate 3% real yield, which is attractive when compared to domestic bonds of similarly rated countries. Inflation remains under control and well within the target inflation band. Cash continued to be enhanced over the quarter via the addition of select credit assets at attractive yield pick-ups over money market rates.

The fund's gross and effective equity exposures were higher, largely due to the strong equity move over the three-month period to end December. Given estimates of earnings growth, the local market is now fairly priced with the one-year forward price-earnings (P/E) at 13.5 if we exclude Naspers, which now makes up 25% of the SWIX. If we include Naspers the one-year forward P/E is at 16.

On the international front, we retain our preference for equities and property over fixed-income assets, with a favourable bias to European assets from a relative valuation perspective. The backdrop for developed market bonds remains poor as central banks remain on course to withdraw liquidity.

Investment strategy

While markets have discounted a view that economic policy will become more market-friendly, corruption will be halted and credit downgrades postponed, there is still a lot of water to flow under the proverbial bridge. There is no doubt that the business experience of the new ANC president will bring in more rationality to some of the policy debate, but we believe that the minister of finance will find it tough to meet expectations of 'radical social economic transformation' while striking a conservative tone and finding R40 billion in expenditure cuts/tax hikes to satisfy the rating agencies come March.

Over the very long run, conventional SA government bonds gave a 2% real return. In the third quarter of 2017 we increased our long-run real required return for SA long bonds from 2% to 3% due to the deteriorating position in state finances. Bonds currently trade marginally above this 3% real return assuming inflation remains well behaved within the target range. We see nominal bonds as fairly valued and prefer nominals over inflation-linked bonds on relative valuation measures over the medium term.

We believe the SA equity market to be selectively attractive, offering reasonable upside from current levels. Given the current market valuation together with capital protection over a 12-month rolling basis being one of the key fundamental goals of our Absolute Return offering, we believe it prudent and necessary to continue our strategy of explicitly protecting a portion of our local equity exposure through derivative overlays. Internationally, we believe US markets to be overpriced on most valuation metrics while European equities remain relatively cheaper on several key valuation metrics. We therefore maintain a positive outlook and fund position with respect to Europe through our global equity and property allocation.

Equities

The SWIX had a strong close to the year, up by 9.6% in the final quarter to end the year up 21.2%, delivering exceptionally strong returns against a politically and economically challenging backdrop. Within equities, SA Financials rose 16.0%, SA Resources increased 4.9% and SA Industrials were 4.7% higher over the quarter.

Financial stocks experienced a Santa Claus rally driven by a strengthening of the rand and net inflows into domestic stocks of approximately R63 billion for the year (while the overall market recorded net outflows of some R35 billion). Industrials had a challenging final quarter as the Steinhoff International debacle weighed on sentiment but nonetheless was up by 22.5% for the year. On a relative basis for the year, Resources stocks lagged after a bumper 2016, up 17.9% over the 12-month period.

The SIM house view portfolio was up 19% this year with our position in Steinhoff International, down 92%, hurting performance in the final quarter of the year. This was an extremely disappointing outcome with value as a philosophy underperforming this year and our position in Steinhoff being the main detractor from performance, costing over 1% of outperformance in the past year. The largest position in the portfolio remains Naspers, which was up over 71.8% this year. Within the resources space, we were pleased that our overweight position in Anglo American delivered a 34.2% return for the past year. However, despite being relatively overvalued and delivering lacklustre results, Discovery led the way in the financial space, up by 64.1% in the year. We remain concerned that at 100% premium to embedded value, the downside risk to owning the stock is even larger. Capitec, another underweight in the portfolio, was up 59.9% and remains very expensive at a price to book of 6x!

SIM equity strategy

A year ago, there was general apathy towards SA equities and the focus on political and economic downside risks in South Africa meant that many investors sat on the sidelines, which teed up the strong relief rally we witnessed at the end of the year with the SWIX up 21.2% in 2017. This is also a reflection of very positive risk-on sentiment towards emerging markets globally. As contrarian investors, we are the most cautious when market participants become overly bullish and discount potential risks. In South Africa, the danger is that too much, too soon may be expected from the new ANC leadership and also global risks from Fed tapering may now be underestimated.

December saw the Steinhoff International share price collapse as auditors held back on signing off its financial statements and its CEO abruptly departed. This could well be one of the worst cases of value destruction that corporate South Africa has witnessed as the market value of Steinhoff International, a global company ranking second in Europe in the household goods sector to IKEA, with over 130 000 employees, dwindled from R242 billion to R20 billion in a matter of days. We don't know yet what will emerge from the Steinhoff debacle but remain cautious of its potential ripple effects. The value destruction inflicted is nonetheless disturbing and we will pursue all possible avenues to rescue some value for our investors.

The fund remains focused on investing in companies with clear moats and diversified franchises with the muscle to stay the course in the long term.

Sanlam Investment Management Inflation Plus Fund

December 2017

Equity outlook

The local market is now fairly priced with the one-year forward price-earnings (P/E) at 13.5 if we exclude Naspers, which now makes up 25% of the SWIX. If we include Naspers the one-year forward P/E is at 16.

In this past year the risk of a China hard landing appears to have abated but there are continued concerns about the path of the US economy and future Fed actions. Emerging markets, SA included, benefited from a buoyant global growth environment but valuations have now normalised.

That being said, as fundamental value investors, although the market (at an aggregate level) appears to be trading at fair value, we still see selective value in local equities.

As regards our holding in Steinhoff International, the company is presently caught in an information vacuum. There have been no pronouncements as to what was inflated or omitted from the past financial statements and we will have to await the release of new information to know the full extent of over- or under-statements of the accounts. In addition, the company is now caught up in a liquidity squeeze with the risk that funders are unlikely to roll further funding and credit agencies having downgraded the company's rating to sub-investment grade. Finally, various directors such as billionaire Christo Wiese and former CEO Markus Jooste had borrowed against the security of Steinhoff International shares and the collapse of the share price has led to margin calls, which have triggered further selling as covenants were breached and lenders took hold of the collateral, exacerbating the share price decline.

Our view is that the group will have to be restructured, broken up and its structure simplified. New management will have to be brought on board to regain investor confidence and those guilty of wrongdoing will have to be held responsible legally with the commensurate punishment. Until then, **the stock is likely to remain highly speculative and a value trap**. We have therefore curtailed our position to neutral in the portfolios notwithstanding the potential upside that we see in a breakup scenario.

International

Most economic indicators suggest that the global upswing has remained in place in the fourth quarter. The US economy remained strong and consumers remained upbeat. There were signs of faster wage growth in some industries and house prices continued on their uptrend. In December, both business and investor confidence received a boost when President Trump signed into law the Comprehensive Tax Reform Bill. As part of this tax bill, the corporate tax rate will be cut from 35% to 21%. On the interest rate side, as was expected, the Fed hiked the target range for the federal funds rate by 0.25% to 1.25 - 1.5%. In Europe, the European Central Bank kept policy rates intact at its December meeting. The opening policy statement suggests that quantitative easing (QE) is still scheduled to run until next September, or longer if required, and rates are expected to be on hold until the end of the QE purchases. Underlying economic conditions remained strong with manufacturing conditions pointing to the fastest expansion since 2011 and services growth remaining steady. In China, the People's Bank of China raised the reverse repo rate by 0.05% during December, their third rate hike in 2017. Industrial production, exports, imports and retail sales rose in November. China's top policymakers met in December to set out economic policies with the aim of pursuing high-quality growth and further promoting supply-side structural reforms.

For the quarter in dollar terms, the MSCI Emerging Markets Index (MSCI EM) recorded a return of 7.3% while the MSCI World Index returned 5.5%. For the calendar year 2017, the MSCI EM outperformed world markets with a return of 37.4% versus 22.4%. EM performance in 2017 was largely boosted by the strong Asian region with heavyweights China and Korea each delivering close to a 50% return. Global bonds, as measured by the Bloomberg Barclays Capital Aggregate Bond Index, rose 1.1% over the quarter. The local currency appreciated by a whopping 9.1% over the quarter to a level of R12.38 to the US dollar from R13.50 at the end of September, proving to be the strongest global currency performance against the dollar for the three-month period to end December 2017.

Looking to our portfolios, within global equities we maintain a preference for European equities over other developed markets from a relative valuation perspective. The US market looks highly valued on most valuation measures such as Tobin's Q ratio (EV/replacement value), stock market capitalisation to GDP ratio and the Shiller P/E ratio. Europe is still a fair degree cheaper. We therefore retain our overweight Europe position in our global equity portfolio. Our select global property exposure currently has an average dividend yield of close to 6%, which remains attractive if a real return of about 4% is required.

Bonds

The rand strengthened over the quarter from R13.50 against the US dollar to R12.38 at the end of December. The local bond market endured a tumultuous ride and yields sold off more than a 100 basis points as the market anticipated a negative mini-budget and Finance Minister Malusi Gigaba revealed the extent of the fiscal deterioration in the MTBPS. 2017 foreign inflows into the bond market reversed sharply from a high of R73 billion in October to around R45 billion just before the ANC conference, before recovering to R53 billion on confirmation of a Ramaphosa win. The FTSE/JSE All Bond Index returned 2.2% for the quarter, outpacing cash returns of 1.8% on the STeFI Composite. The 5.7% rally in December resulted in bond returns of 10.2% for the year. The benchmark SA 10-year bond yield rallied from 9.2% to 8.6% over the quarter.

The local corporate bond markets saw very robust issuance in 2017, with final gross issuance for the year achieving an all-time record of R142 billion, driven by record bank and corporate issuance, despite muted SOE issuance. The event that rocked the market, however, was the announcement by Steinhoff International of possible 'accounting irregularities' with respect to the annual financial results released by the group since at least 2015. The announcement kicked off a 92% decline in the share price and a downgrade by Moody's from BBB- to CCC+. Our portfolios had about 80 basis points exposure to Steinhoff bonds and spreads on Steinhoff bonds issued in the local market widened, resulting in bond prices of 10% to 15% below par. Despite this, we have decided to maintain our holdings of these bonds in the absence of any definitive news from the company, and with no reasonable bids in the market for the bonds.

November saw S&P downgrade the sovereign's foreign currency rating to BB and its local currency rating to BB+, i.e. sub-investment grade. The knock-on effect of this was that several local borrowers with international scale ratings (mainly banks and SOEs) also faced rating downgrades or reviews for downgrades, at least in line with that of the sovereign. The possibility exists that these downgrades, as well as the adverse news from Steinhoff International (previously a significant borrower in local markets) will result in softer corporate bond market conditions at the start of 2018.

For our funds, cash continued to be enhanced through investments in select corporate debt as specific opportunities presented themselves at decent yield pick-ups over money market rates. Nominal bonds were marginally increased earlier in the quarter on valuation grounds. We believe that local fixed-income assets remain an attractive investment to consider if compared to the domestic bonds of similarly rated countries. Locally, we see real yields of some 3% on offer against a contained inflation target range background. That being said, we err on the side of caution. We agree that political risk is now lower and, in fact, should President Jacob Zuma be recalled by the ANC, local assets could rally further given positive sentiment. But the medium- and longer-term outlook are more challenging owing to the deteriorated fiscal situation and the political stalemate in the ANC that could potentially hinder much-needed fundamental reforms. Nominal bonds are preferred to inflation-linked bonds on a relative value basis.

Portfolio Manager(s)

Natasha Narsingh

BSc(Chem), MBA

Management of Investments

The management of investments are outsourced to Sanlam Investment Management (Pty) Ltd, FSP 579, an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act, 2002.

Minimum Disclosure Document

(Fund Fact Sheet)

Sanlam Investment Management Inflation Plus Fund

December 2017

Risk Profile (Cautious)

This portfolio aims to protect capital in real (after inflation) terms, while providing a reasonable level of income. The portfolio displays low volatility levels, designed to reduce the probability of capital losses. This portfolio has limited or no exposure to equities. It is designed for maximum capital protection and aims to ensure a stable income and/or income growth.

Additional Information

All reasonable steps have been taken to ensure the information on this MDD is accurate. The information to follow does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act. Independent professional financial advice should always be sought before making an investment decision.

The Sanlam Group is a full member of the Association for Savings and Investment SA. Sanlam Collective Investments (RF) (Pty) Ltd is a registered and approved Manager in Collective Investment Schemes in Securities. Collective investment schemes are generally medium- to long-term investments. Past performance is not necessarily a guide to future performance, and that the value of investments / units / unit trusts may go down as well as up. A schedule of fees and charges and maximum commissions is available from the Manager on request. Additional information of the proposed investment, including brochures, application forms and annual or quarterly reports, can be obtained from the Manager, free of charge Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. Collective investments are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accruals and less any deductible expenses such as audit fees, brokerage and service fees. Forward pricing is used. Performance is based on NAV to NAV calculations with income reinvestments done on the ex-div date. Performance is calculated for the portfolio and the individual investor performance may differ as a result of initial fees, actual investment date, date of reinvestment and dividend withholding tax. The manager has the right to close the portfolio to new investors in order to manager it more efficiently in accordance with its mandate. The performance of the portfolio depends on the underlying assets and variable market factors. Lump sum investment performances are quoted. The portfolio may invest in other unit trust portfolios which levy their own fees, and may result is a higher fee structure for our portfolio. All the portfolio options presented are approved collective investment schemes in terms of Collective Investment Schemes Control Act, No 45 of 2002 ("CISCA"). The fund may from time to time invest in foreign countries and therefore it may have risks regarding liquidity, the repatriation of funds, political and macroeconomic situations, foreign exchange, tax, settlement, and the availability of information. The Manager has the right to close any portfolios to new investors to manage them more efficiently in accordance with their mandates.

Sources of Performance and Risk Data: Morningstar Direct, INET BFA and Bloomberg.

The risk free asset assumed for the calculation of Sharpe ratios: STEFI Composite Index.

The highest and lowest 12-month returns are based on a 12-month rolling period over 10 years or since inception where the performance history does not exist for 10 years.

Obtain a personalised cost estimate before investing by visiting www.sanlamunittrustsmdd.co.za and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 266.

Trustee Information

Standard Bank of South Africa LTD

Tel no.: 021 441 4100, E-mail: Compliance-SANLAM@standardbank.co.za

Glossary of Terms

Annualised total returns
Annualised return is the weighted average compound growth rate over the period measured.

Asset allocation funds
Also known as balanced or managed funds. A fund manager invests in a spread of assets such as equities, bonds and cash depending on market conditions.

Balanced fund
Also known as an asset allocation or managed funds. A fund manager invests in a spread of assets such as equities, bonds and cash depending on market conditions.

Derivatives
Derivatives are instruments generally used as an instrument to protect against risk (capital losses), but can also be used for speculative purposes. Examples are futures, options and swaps.

Distributions
The income that is generated from an investment and given to investors through monthly or quarterly distribution pay outs.

Diversification
This is a strategy designed to reduce risk within a portfolio by combining a variety of investments (or asset classes) such as equities, bonds, cash or property, which are unlikely to all move in the same direction. This is designed to reduce the risk (and protect against capital losses) within a portfolio. Diversification allows for more consistent performance under a wide range of economic conditions as it smoothes out the impact of negative market events. The positive performance of some investments or asset classes should neutralize the negative performance of others.

LISP (Linked Investment Service Provider)
A Linked Investment Service Provider is a financial institution which packages, distributes and administers a broad range of unit trust based investments. Any investment made through these products provides a client a single entry into a selection of investment elements.

Sharpe ratio
The Sharpe ratio measures risk-adjusted performance of an investment or portfolio. It measures the amount of risk associated with the returns generated by the portfolio and indicates whether a portfolio's returns are due to excessive risk or not. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been (i.e. a higher return with a contained risk profile, where the portfolio manager is not taking excessive risk to achieve those returns).

Standard deviation
Standard deviation (also called monthly volatility) is a measure of how much returns on an investment change from month to month. It is typically used by investors to gauge the amount of expected volatility in an investment.

Total Expense Ratio (TER)
This is the total costs associated with managing and operating an investment (excluding administration, financial planning and servicing fees). These costs consist primarily of management fees and additional expenses such as trading fees, legal fees, auditor fees and other operational expenses. The total cost of the fund is divided by the fund's total assets under management to arrive at a percentage amount, which represents the TER.

Manager Information: Sanlam Collective Investments (RF) (Pty) Ltd Physical address: 2 Strand Road, Bellville 7530, Postal address: PO Box 30, Sanlamhof 7532.
Tel: +27 (21) 916 1800, Fax: +27 (21) 947 8224, Email: service@sanlaminvestments.com, Website: www.sanlamunittrusts.co.za.