



Institutional investors Client bulletin

FEBRUARY 2016

INVESTMENT SOLUTIONS ACCELERATOR PORTFOLIO

Executive Summary

The new Investment Solutions Accelerator Portfolio is an aggressive multi-asset portfolio that aims to achieve growth above inflation over longer periods. It is suited to investors following an aggressive growth strategy and who are prepared to take on risk or volatility within their portfolios.

The primary objective of the portfolio is to outperform a composite benchmark and the secondary objective is to deliver a return of between 5% and 7% a year ahead of CPI over a rolling seven-year period. It has a strategically high exposure to growth assets both locally and globally, and includes a specific allocation into Africa. The portfolio is expected to do well in a bull market but lag behind other more conservative or flexible balanced portfolios in a bear market, given its high strategic allocation to growth asset classes.

The Investment Solutions Accelerator Portfolio is managed within the constraints of Regulation 28 of the Pension Funds Act, which makes it a suitable aggressive option for a member investment choice arrangement or as a standalone aggressive portfolio.

An optimal blend of highly ranked asset managers

The Investment Solutions Accelerator Portfolio is managed using specialist local and global asset-class building blocks. We carefully select the asset managers in each building block according to skill and style. We then combine asset managers to include a diversity of investment styles (e.g. value, thematic stock picking, earnings and cash-flow focused) and optimise the portfolio's expected risk and return.

Asset allocation

Due to the aggressive nature of this portfolio, it will maintain a high exposure to growth assets such as equities and property. There is also an element of tactical asset allocation (TAA) within the portfolio so that asset allocation in the short-to-medium term (3 to 12 months) can be tactically adjusted to take advantage of the market environment.

Strategic asset allocation (looking through the TAA building block)

	Local	Global	Africa	Total
Equity	48%	22%	5%	75%
Property	12%	0%	-	12%
Bonds	9%	3%	-	12%
Cash	1%	0%	-	1%
Total	70%	25%	5%	100%

Depending on the asset-allocation call, the portfolio will have about 70% invested locally, 5% in Africa and about 25% offshore. The allocation to global equities is currently invested in an index-tracking fund, although Investment Solutions can change this to an active approach based on the outlook for the asset class.



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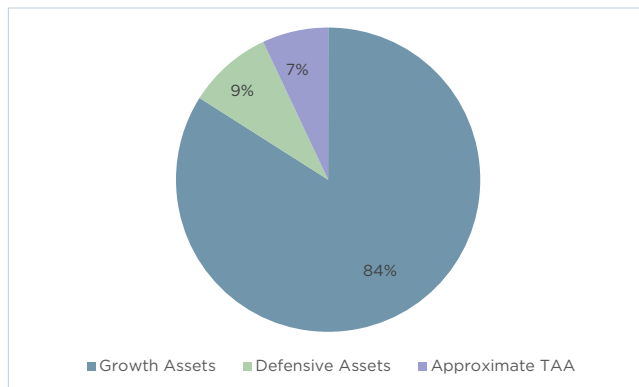
Investment Solutions (South Africa)



Investment Solutions (South Africa)

Exposure to Growth, Defensive and TAA Strategies

The following chart clearly illustrates the portfolio's aggressive positioning with 84% invested in growth assets which excludes the growth assets held through the TAA strategy.



The components of the portfolio

The Accelerator portfolio is managed using specialist Investment Solutions building blocks, as listed below. Each building block is measured against an appropriate benchmark which is also shown in the table. As a multi-manager portfolio, Investment Solutions will be responsible for making manager changes within the building-block portfolios.

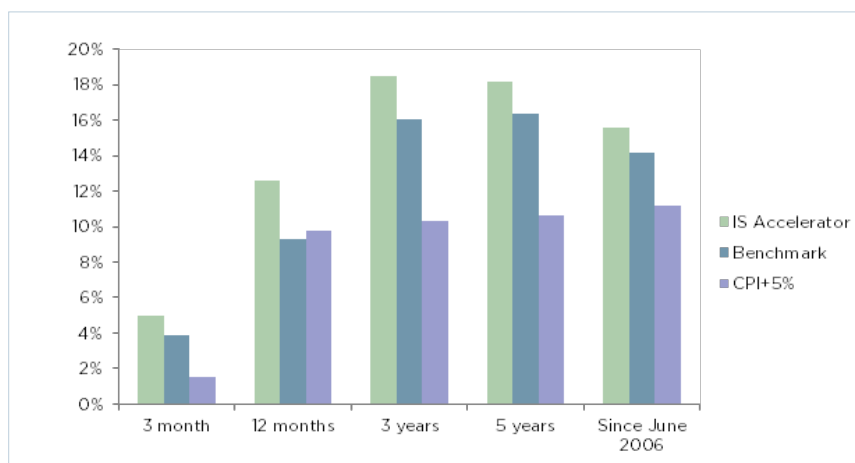
Portfolio building blocks

Asset Class	Investment Solutions Portfolio	Benchmark
Local equity	IS Accelerator Equity	SWIX
Local listed property	IS Property	SAPY
Local bonds	IS Pure Fixed Interest	ALBI
Global equity	IS BlackRock Passive Equity	MSCI ACWI
Global bonds	IS Global Bonds	Citi WGBI
Africa listed equity	Caveo Africa	MSCI EFM AFRICA (ex SA)

Back-tested performance

Given the aggressive nature of this portfolio and its strategic allocation to growth assets, we would expect long-term returns to be between 5% and 7% a year ahead of inflation. Based on back-tested performance* to the end of December 2015, the portfolio would have comfortably delivered on our expectation of benchmark outperformance as well as meeting its inflationary expectation over the long term with returns well above CPI+7%. As there has been a very strong equity bull market over the last 15 years, investors should moderate their return expectations over the next five to 10 years.

Back-tested Performance of Accelerator Portfolio against benchmark and inflation plus 5% (CPI+5%)



*Back-tested performance is calculated using the past performance of the proposed underlying managers, whether or not they were held within the existing building blocks at the time. Past performance is not an indicator of future performance.

Fees

The policy fee includes the base fee paid to underlying investment managers. The fee is also VAT exempt.

Local	
First R50 million or part thereof	0.88%
Next R50 million or part thereof	0.78%
Next R100 million or part thereof	0.68%
Next R300 million or part thereof	0.63%
Balance over R500 million	0.58%
Offshore	
All Offshore assets	0.40%

Performance fees are paid directly to the underlying asset managers. About 9% of the assets within the Accelerator portfolio could attract performance fees, depending on the performance of the underlying managers. These are being renegotiated with a view to removing them where possible. The Caveo Africa fees are deducted as a direct expense against the portfolio.

A robust, aggressive portfolio

We believe the Investment Solutions Accelerator Portfolio will be a robust, aggressive portfolio and an ideal option under a member investment choice arrangement or for an investor seeking a high-growth portfolio that will have a consistently high allocation to growth/risky assets.

For more information, or to find out how we can help you find the right investment solution, please contact one of the team members below.

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