

AF Conservative Growth

May 2017

BACKGROUND

The primary objective of a retirement fund is to replace one's salary on retirement. A Net Replacement Ratio (NRR) is used to measure the percentage of final pensionable salary that can be obtained by purchasing an annuity that will provide a guaranteed inflation-linked income stream for life. An NRR of between 60%-75% is generally accepted to provide the required income for most people to maintain their existing lifestyles supported by their salaries. This may vary from individual to individual, depending on his/her needs and circumstances.

An AF LifeStage retirement solution is a dynamic investment strategy designed towards achieving this objective. The AF LifeStage solution has 2 distinct phases: Accumulation of assets (30-40 years), and preparing towards specific retirement objectives (5-7 years prior to retirement). The AF Specialist Conservative Growth portfolio is designed to be part of the AF Specialist LifeStage retirement solution. It reduces capital risk (volatility) relative to the AF Specialist Medium-Conservative Growth portfolio, and is used in the final phase in the preparation for retirement where the main objective is capital preservation.

INVESTMENT OBJECTIVES

The portfolio is a specialist risk profiled investment strategy with the following objectives:

1. Protect the capital value of the retirement savings over 24 month periods
2. Generate returns that are geared towards short term real growth (Target: $CPI+3\% \text{ p.a. over a rolling 2 year period}$)
3. Protect the expected income replacement value of the accumulated retirement savings for retirement whilst achieving objectives 1 and 2

* This target is based on the Alexander Forbes long term actuarial calculations and may change through time

INVESTMENT STRATEGY

The AF Specialist Conservative Growth portfolio is a global Reg. 28 compliant multi-asset class portfolio. It adopts a specialist multi-manager investment approach where it selects skilled managers that specialise in a single asset class or strategy. The underlying asset allocation, portfolio construction and strategy selection is constructed specifically to meet the investment objectives and has a high allocation towards defensive (capital protective) assets. Alternative strategies such as hedge funds have a strong focus on capital protection. The portfolio reflects Alexander Forbes best advice for the final preparation phase of its specialist LifeStage solutions, where capital protection is the primary objective.

RISK CHARACTERISTICS

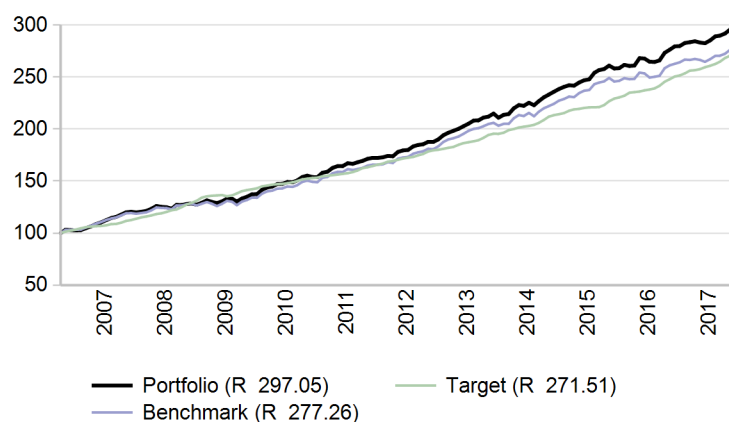
This portfolio is suited for shorter term investors with ideally with one to two years to retirement. Although one of the fund's objectives is to protect the capital value, this is not guaranteed. However, the portfolio construction process specifically analyses the risk of loss to minimize the probability of the fund experiencing capital losses over rolling 24 month periods.

Traditional Risk Categorisation: Conservative

INVESTMENT RETURNS

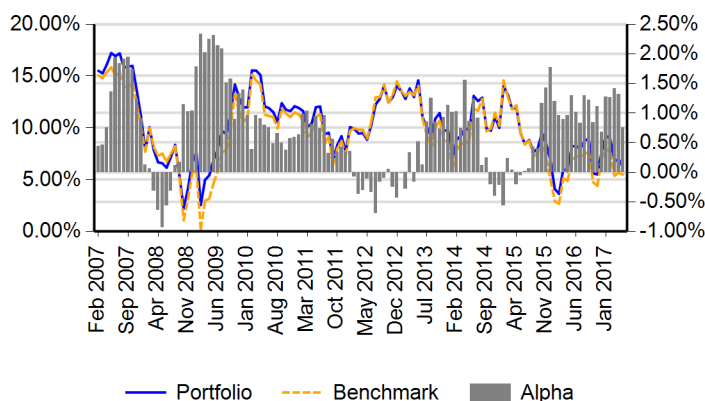
	Portfolio	Benchmark
1 Month	0.47%	0.39%
3 Months	2.46%	2.46%
YTD	4.11%	3.74%
1 Year	6.24%	5.49%
3 Years	7.98%	7.31%
5 Years	9.62%	8.94%
10 Years	9.44%	8.80%
Since Inception	10.16%	9.49%

CUMULATIVE RETURNS



ROLLING RETURN

1 Year Rolling Return



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BENCHMARK

		95.0%
Local		
Cash	STeFI Call Deposit Index	36.2%
Equity	FTSE/JSE Capped SWIX ALSI	18.7%
Bonds	All Bond Index	15.3%
Inflation-Linked Bonds	Barclays/ABSA SA Govt ILB Index	9.1%
Alternatives	Caveo Moderate	5.0%
	Caveo Stable	5.0%
Property	FTSE/JSE SA Property	5.7%
Global		5.0%
Equity	MSCI AC World	3.1%
Bonds	Citi WGBI	1.0%
Cash	French Treasury Bill	0.5%
	US Treasury Bill	0.5%

ASSET ALLOCATION

	Local	Africa	Global	Combined
Equity Excluding Property	16.0%	0.1%	5.0%	21.1%
Property	6.3%	0.0%	0.1%	6.4%
Bonds	28.8%	0.0%	1.4%	30.2%
Cash	32.1%	0.0%	0.9%	33.0%
Commodities	0.0%	0.0%	0.1%	0.1%
Alternatives	9.2%	0.0%	0.0%	9.2%
Balanced	0.0%	0.0%	0.0%	0.0%
Total	92.5%	0.1%	7.4%	100.0%

FEES

Performance-Based Fees (1 year)	0.02%
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NOTES

- Market data is sourced from Datastream. The FTSE/JSE Africa Index Series is calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Securities Exchange South Africa ("JSE") in accordance with standard criteria. The FTSE/JSE Africa Index Series is the proprietary information of FTSE and the JSE. All copyright subsisting in the FTSE/JSE Africa Index Series index values and constituent lists vests in FTSE and the JSE jointly. All their rights are reserved.
- All returns are before deduction of Investment Solutions' policy fees and performance fees, but net of other expenses. Returns for periods exceeding one year are annualized and all returns are quoted in Rands. Past investment returns are not indicative of future returns.
- All holdings information is based on latest available data.
- There may be differences in totals due to rounding.
- Kindly note that with effect from 1 April 2017, all Investment Solutions South African equity benchmarks have changed from the FTSE/JSE SWIX to the FTSE/JSE Capped SWIX ALSI Index.

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