



FG INVESTMENT PARTNERS

GLOBAL BRIEF

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EDITORIAL COMMENT

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Amid the devastating unrest in Gauteng and KwaZulu-Natal, we have seen our nation unite as never before

I find myself finalising this editorial piece at the end of one of the most challenging weeks South Africa has seen in recent years. Although these events took place after the end of the quarter under review for this newsletter, it would be remiss of me not to make mention of this. What started as a week of fear and destruction turned out to be a week of people coming together in extraordinary ways to provide support and rebuild, and to reflect on the strengths of our communities and our Constitution. We will cover these events and their impact in detail in the next edition of GLOBAL BRIEF.

Despite the uncertainty and volatility, we are moving forward

During a recent webinar, one of the speakers said that the current state of the world reminds him of traffic around the Arc de Triomphe in Paris: it looks like absolute chaos, but somehow everything seems to be moving in a certain direction...

Globally, the outlook for inflation and interest rates continues to dominate financial markets

US bond and equity markets suggest that the market views the current rise in inflation as transitory and that the policy response is likely to remain accommodative. Most equity indices globally have reached new highs. South African equities on the other hand have paused their upward trajectory of the past 12 months, with the FTSE/JSE All Share Index retracting by 1.46% for the quarter under review.

Locally, the third wave of the pandemic is a setback to economic recovery

The severity of the third COVID-19 wave in South Africa, particularly in the economic hub of Gauteng, increases the risk that the momentum of recovery of the local economy may stall. The carnage of the third wave has tragically surpassed expectations. The prevalence and severity of the disease have now left almost no South African unscathed, be it directly or via friends and family. Although the economy as a whole is on track for recovery, parts of it, especially the services sector, will once again struggle.

While the rand has been relatively strong, it may weaken as a result of risk-off sentiment

The rand has continued its relative strength to the US dollar over the quarter. However, the recent hawkish stance from the US Federal Reserve and the possibility of risk-off sentiment may see the rand retreat.

INDEPENDENT TRANSPARENT COMPETENT

Overall, South Africa continues to make progress with economic reforms and corruption clampdowns

In a significant judgment, former president Jacob Zuma was found guilty of being in contempt of court by the Constitutional Court and sentenced to 15 months in jail. Several meaningful economic reforms have also occurred over the last month, with the most noteworthy being an increase in the self-generation power limit. It remains to be seen whether the Independent Power Providers (IPPs) will also be allowed to provide renewable power supply, instead of only individual companies being permitted to self-provide. The former will be a far more efficient and wide-reaching outcome – additional investment and reduced load shedding will have a significant positive impact on the economy. The full details of the South African Airways part-privatisation and the port operation separation from Transnet are still to be disclosed, but both steps are positive.

The enforcement of POPIA is a great step forward in protecting our privacy

With the Protection of Personal Information Act (POPIA) coming into law on 1 July 2021 I am sure you received a flurry of emails from various service providers and businesses about their respective privacy policies. In a world that has been fraught with privacy invasion, South Africans will now have the right to privacy afforded to them by the Constitution. This also means that the constant flow of invasive sales calls and emails, compliments of the sale of your personal data, will start to dwindle and hopefully fade away.

Our FG Investment Partners financial advisory firms have always treated our clients' personal information with the utmost respect and due diligence, and we therefore welcome the promulgation of this legislation.

In this edition, we once again share expert insights on topical issues.

We have collated a selection of interesting and informative contributions from the fund management companies that play an important role in the composition of the FG Asset Management Funds.

Glyn Owen, Investment Director at Momentum Global Investment Management, provides clear insights on the global inflation issue.

Peter Kent, Co-Head of SA & Africa Fixed Income, together with his colleagues at Ninety One discuss the path to the fiscal sustainability of South Africa's national debt

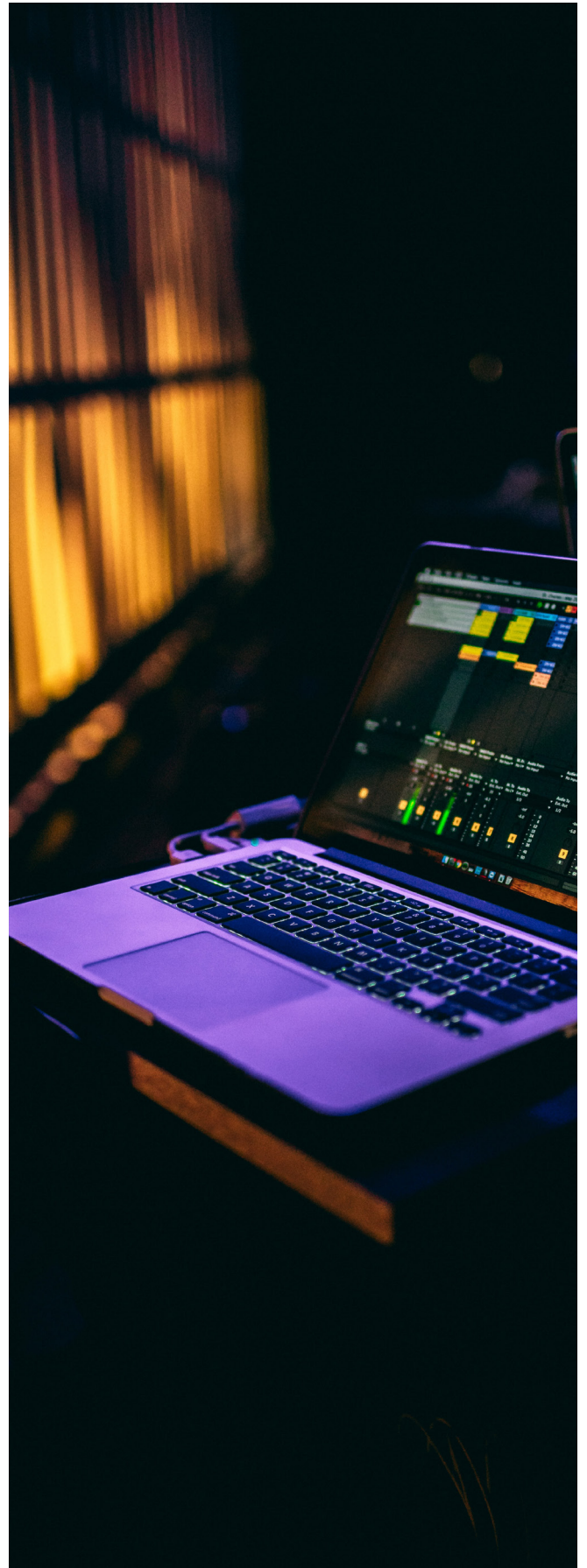
David Lerche, Head of Equities at Sanlam Private Wealth, explores the way people's lives have changed across the globe since the onslaught of the COVID-19 pandemic – which trends are likely to be temporary, what may have changed for good, and how this impacts our investments.

Paul Hutchinson, Sales Manager at Ninety One, provides a fresh lens on the age-old question, "how much do I need to save so that I can comfortably maintain my standard of living in retirement?".

We hope that you find these articles interesting and of value.

Stay safe and well in these uncertain times.

The FG Asset Management Investment Team



INFLATION ON THE MIND



Adapted from an article
by Glyn Owen

Investment Director
Momentum Global
Investment Management



Recovery is on the way, and it will be like no other in pace and scale

It is extraordinary that within 12 months of the world slumping into its steepest and deepest recession since World War II (WWII), we are asking the question, “when will the economy be too hot?”. Recovery is on the way, and it will be like no other in pace and scale. But the nature of the recession, an exogenous shock, followed by swift and enormous policy action, has left the productive capacity of economies largely unscathed, while in aggregate households and businesses have built up substantial excess savings. The shock was unusual too in that it hit both the supply and demand sides of the economy. Demand collapsed and supply chains were dislocated. Activity levels plunged everywhere, and inflation sunk into negative territory.

Inflation is becoming a concern

The disruption to supply chains will take time to return to normal and increasing capacity is not an overnight task. (Building a new semiconductor foundry takes up to two years; developing a new copper mine takes much longer.) Additional constraints would arise if supply chains are reconfigured to prioritise security of supply over cost. As the pent-up demand meets restricted supply, the result is higher prices. On top of that, inflation is increasing anyway because the base effects of falling prices in the second quarter of last year are falling away.

Little wonder, then, that the risk of an inflation surge, something that has not troubled investors in the past 20 years, has become their key concern. Will the rise in inflation be transitory or will it be persistent and trigger an unexpected response from central banks to rein in ultra-loose monetary policy?

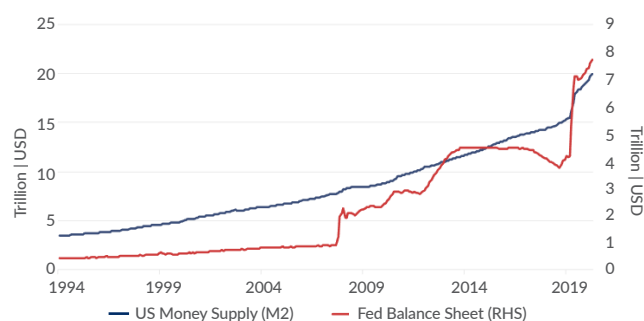
Monetary policy responses to a persistent rise in inflation will be crucial

This is key to judge whether the economy runs too hot, and it will largely determine the durability of the recovery and the performance of financial markets. And it will be the US where all eyes should be turned. Aside from being the largest economy, with the world's reserve currency, it is at the forefront of the vaccination roll-out. It is also turbo-charged by President Biden's huge fiscal packages, with spending plans that, if enacted in full, would result in fiscal deficits of over \$1 trillion each year over the next decade. This will be the highest sustained levels of spending since WWII, representing more than 5% of GDP each year on average and increasing Federal debt to 117% of GDP. At the same time, the central bank continues to implement extraordinarily loose policy and is prepared to allow the economy to run hot,

following its recent policy shift to average inflation targeting. These huge injections of liquidity are a support to markets, and any signs of withdrawal would ring alarm bells. The Fed sees the rise in inflation as transitory and is intent on keeping its foot on the pedal, but markets could begin to doubt the Fed's resolve if higher inflation numbers come through.

The scale of what has happened in the past 12 months is shown in Figure 1. The Fed's balance sheet, which reflects the bonds it has bought in its quantitative easing (QE) programme, has expanded by \$4 trillion in the past year. This has fed through to the money supply, which is up over a quarter, and at \$20 trillion not far short of 100% of GDP. That is a lot of potential stimulus.

Figure 1: Unprecedented US monetary loosening and money supply expansion



Sources: Bloomberg, Momentum Global Investment Management

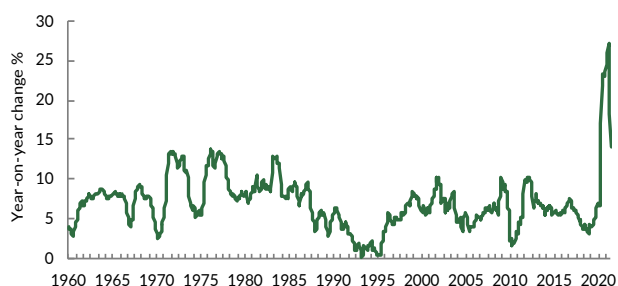
How quickly will the surge in demand eat into spare capacity and result in shortages?

There is already evidence of this in key areas such as semi-conductors and certain materials, leading to production cuts while supplies rebuild. The stand-out feature of markets in June has been the surge in commodity, oil, metals, and agricultural prices, taking the increases over the past 12 months to 60-70%, and in some cases even more. Commentators are already talking about a new commodities super-cycle. In the latest Purchasing Managers' Index Survey in the US, the prices paid component was at its highest in 13 years, with inflation of prices across most supply lines, and businesses citing difficulties in attracting and retaining labour.

Will the huge liquidity provided by the Fed feed through into inflation?

This proved not to be the case after the global financial crisis (GFC), despite massive liquidity injections, but circumstances are very different now. Monetary loosening in the past year, and fiscal stimulus packages, have been on an altogether different scale to those following the GFC, and this time there is no return to fiscal austerity. Furthermore, banks were crippled by the GFC and weakened balance sheets meant that lending was curtailed. Now the banks are in good shape, balance sheets are strong, and they are willing and able to lend to support the recovery. Money supply, which reflects the amount of liquidity in the economy, is expanding in the US at its fastest rate in decades (as shown in Figure 2) and has often been a lead indicator of inflation.

Figure 2: US money supply is expanding at its fastest rate in decades



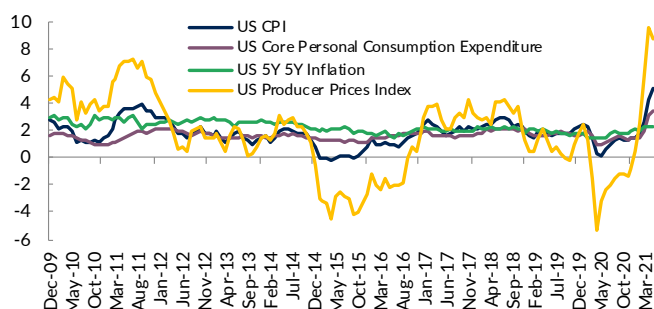
Sources: Bloomberg Finance L.P., Momentum Global Investment Management

A return of inflation is the biggest risk factor in markets

If investors begin to believe that the inflation rise will be persistent, bond yields could move materially higher. The yield on US Treasuries is in effect the world's discount rate; a rise in that discount rate would therefore have global ramifications, not least in emerging markets, potentially undermining all risk assets.

As can be seen from Figure 3, inflation has recently picked up substantially from last year's lows. Some of this is due to the base effects of last year's exceptionally low inflation, but it is what comes next, in the months ahead, that will be more testing. We know that inflation is corrosive for savers. It erodes purchasing power, damages the real value of savings and wealth, and would have far-reaching implications for the construction of portfolios.

Figure 3: Rising US inflation: transitory or persistent?



Sources: Bloomberg Finance L.P., Momentum Global Investment Management
(as of May 2021)

The outcome is by no means certain

Output could rapidly respond to the surge in demand and keep prices in check. Longer-term constraints – including demographics,

digital disruption and competition, and new technology such as artificial intelligence (AI) – could bear down on inflation. But after years of low inflation, it would be complacent to assume that the trend will continue. Globalisation, which has held down inflation over the past two decades, could well have peaked, governments are giving greater emphasis to re-distribution and regulation, and reconfiguring of supply chains could all push up costs. The Producer Price Index in the US has spiked to its highest in over 15 years. Some of this will inevitably feed through to consumer prices, with the latest Consumer Price Index rising at a rate of 5% year-on-year. Furthermore, the Fed's preferred measure of inflation, core personal consumption expenditure, has risen to 3.4%, well above the Fed's target of 2% and the highest in almost three decades. A critical figure to monitor will be forward inflation expectations. These have moved up significantly from the pandemic lows, but so far only to the broad range that they have been in for most of the past decade.

The Fed has signalled the beginning of a new monetary policy tightening cycle

At its policy meeting in June the Fed responded to these moves, which have been much larger than previously expected, by signalling the beginning of a new monetary policy tightening cycle. It has brought forward expectations for the first rate increases, with two increases of 0.25% each during 2023, whereas it previously indicated no rate hikes until 2024. The Fed is now also talking about reducing its huge asset purchase programme in coming months. This move surprised markets, which reacted by pushing yields on short-dated bonds higher. However, it has to be remembered that even with this more hawkish tilt, policy remains extremely loose and will remain so for years to come. This will be a very long policy tightening cycle. For now, markets are giving the Fed the benefit of the doubt and reacting broadly positively to its move, backing the view that the rise in inflation will peak and be transitory. But policy errors are a real risk. The Fed has the tools to deal with a persistent rise in inflation but deploying those tools would be damaging for the economy and markets. Letting the inflation genie out of the bottle is a lot easier than putting it back in again.

The risks have shifted away from disinflation

These risks should be carefully considered when building portfolios. Developments should be carefully scrutinised: headline CPI will be less important than core price measures, which strip out the more volatile components such as energy and food, and that are a better guide to underlying inflationary trends. Most worrying would be if price rises feed into real wage growth and inflation expectations, as this could signal an early end to the Fed's ultra-loose policy and an acceleration in its tightening plans.

This is not meant to be alarmist, but realistic given the extraordinary conditions triggered by the pandemic and ensuing recession. A return to 1970s-style inflation seems inconceivable, and indeed the inflation pick-up underway could well prove to be transitory. Nevertheless, the balance of risks has changed, and we need to recognise that in our portfolio decisions. With the risks ahead and the uncertainty of the outcome, portfolio diversification is more important than ever. We need to balance assets that offer protection against inflation, (including equities that benefit most from the cyclical upturn and those with pricing power, infrastructure, property, inflation-protected bonds, gold and other real assets), with more defensive assets that would perform well in a lower-inflation environment (such as quality equities with consistent revenues, government bonds, and other income-producing assets).



THE PATH TO SUSTAINABILITY

Adapted from an article by Ninety One,
with permission from Ninety One



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Concerns about the sustainability of South Africa's fiscal debt are justified

South Africans are understandably concerned about the path our country is on, particularly regarding the fiscal sustainability of our debt, both in absolute and relative terms.

Interestingly, the UK (85%), the US (91%) and Japan (250%) are not viewed with the same concern. The reason is the sustainability of the debt, both in absolute and relative terms.

However, assessing the sustainability of debt in any given country is a complex question. The Institute for International Finance and Deutsche Bank recently compiled a list of the change in debt-to-GDP ratios between the fourth quarter of 2019 and the third quarter of 2020 across 32 countries across their household, corporate and government sectors. South Africa ranked 11th from the bottom, with an increase of 17% of GDP, the bulk of which was in the government sector. In contrast, the UK has seen a 33% increase in that period, again concentrated in the government. The US has seen a 43% increase, spread between borrowing by the government and corporates. Japan has seen a 50% increase. In South Africa, the surging share of revenues (or borrowing) diverted to making interest payments is due to two main factors: the growing debt burden and persistently high interest rates (which in turn compound the debt burden).

The reason the UK, the US and Japan can afford massive increases in debt burdens is because their borrowing costs have plunged. If the US government borrows for 10 years at just under 1%, they can afford to support the massive amount of money they have borrowed this year. If Japan or the UK government borrows 10-year money at slightly negative interest rates, they have no problem with debt serviceability. In contrast, South Africa has no such leeway. South Africa's interest costs are high, and the 10-year yields have shown little downward movement through this crisis:

1. Inflation is expected to average 4.1% in 2021

With 10-year government bond yields hovering between 9% and 10%, South Africa is left with real interest rates of more than 5%. In a world where real interest rates are negative in most developed markets, a 5%+ real interest rate stands out.

2. The repo rate is 3.5%

This leaves us with a current term premium of over 5.5%, while the 10-year term-premia are less than 1.0% in much of the world.

3. Local banks can issue five-year NCDs at 7%

The government R186 on the other hand is trading at 7.5%. Investors would rather lend to local banks than the South African government.

4. South Africa's 10-year bond historically yielded 1.5% more than the emerging market average

This doubled to 3.0% when Nhlanhla Nene was fired. After trending down in subsequent years, it has headed higher in the last year, and is now at 4.5% more.

The only way out of this debt trap is to address the root of South Africa's problems: weak growth

During a recent panel discussion, senior members of the fixed income team at Ninety One shared that our situation is by no means unique in the world. While further deterioration in debt profiles will ultimately become unsustainable, South Africa is not alone, with debt burdens across the developed and emerging worlds ballooning.

What, then, of the future? Ninety One believes that fiscal consolidation and structural reform can move us towards sustainability, and that investors have a role to play, by constructively engaging on pressing issues in order to make an impact.

What makes debt unsustainable?

Essentially, there are two perspectives. One is the amount of debt (measured relative to GDP) and the other is the affordability of that debt (measured by how much revenue – that is, tax – must be allocated to paying back that debt).

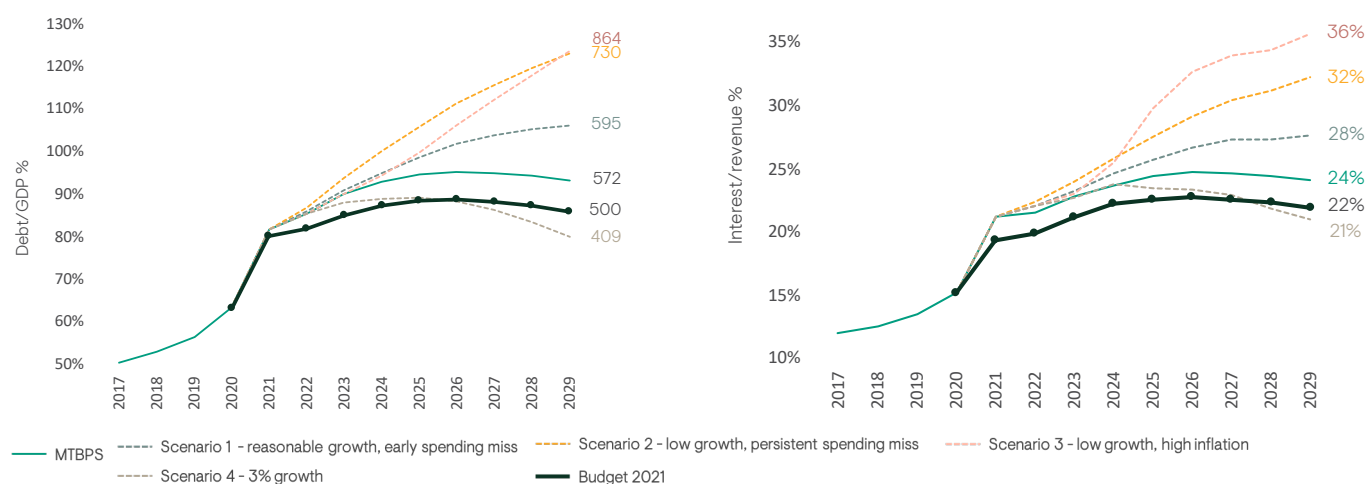
The left-hand graph in Figure 1 on the next page tracks the level of debt incurred and how it evolves over time under different scenarios, and the amount of borrowing that it translates into in billions of rands per year on average over the next eight years. Under the Medium Term Budget Policy Statement (MTBPS) scenario in October 2020, it amounts to around triple the borrowing incurred in 2017/2018 – peaking at 95% of GDP in 2025/26. While debt/GDP is a widely used measure, it is also important in understanding sustainability, i.e. whether the market can accommodate the amount the sovereign wishes to borrow. Measured by how much yields move on Tuesdays, when government comes to market, we're on the cusp of the amount the market believes to be unsustainable.

While it's mentioned often, inflation is not the solution – nominal growth (and hence tax) might rise, but the cost of borrowing would also rise, pushing the absolute amount required per year well north of R800 billion, as evidenced in the graph.

On the right-hand side we show the affordability of that debt, and its evolution. We expect interest to consume 22% of tax revenues every year, under the current scenario. This is a very large number, taking money away from important policy objectives such as

social spending, healthcare, education, or even growth-positive spending in infrastructure. This, in turn, creates social and political problems. However, the graphs both make it clear that there has been an improvement between the MTBPS last year and the Budget this year. To what can this be attributed? It's down to a R100 billion overshoot in tax revenues against low post-pandemic expectations. However, it's key that Treasury now continues to cut issuance and manage spending properly, and not squander the overrun.

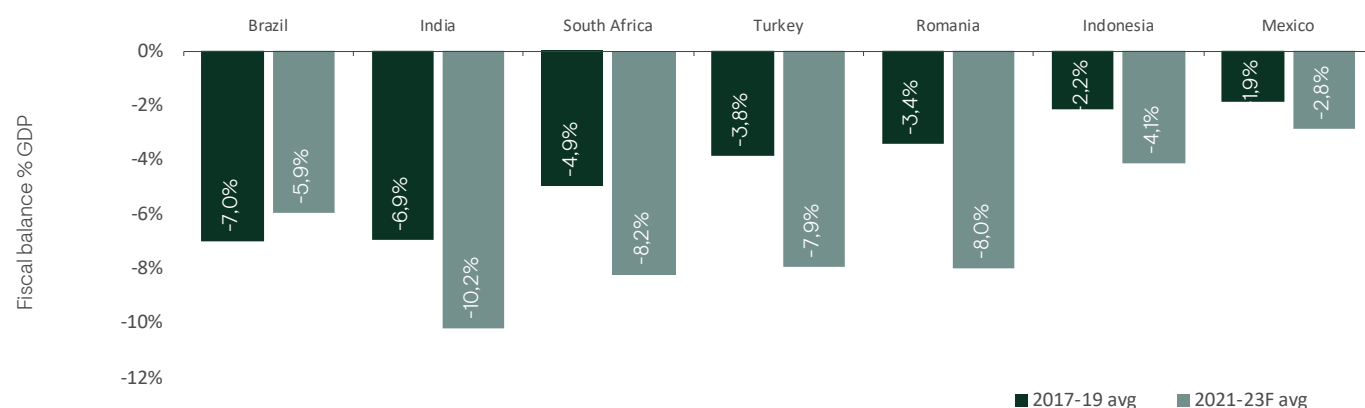
Figure 1: Rising debt = government bond indigestion



Source: Ninety One, data as on 24 February 2021

We considered the example of Jamaica, which has similarities to us in that it has low levels of dollar-denominated debt, but hit 60% of tax revenues in spending on interest. Jamaica defaulted in the face of this number, unable to run the country. Other warning examples abound, such as those in Figure 2.

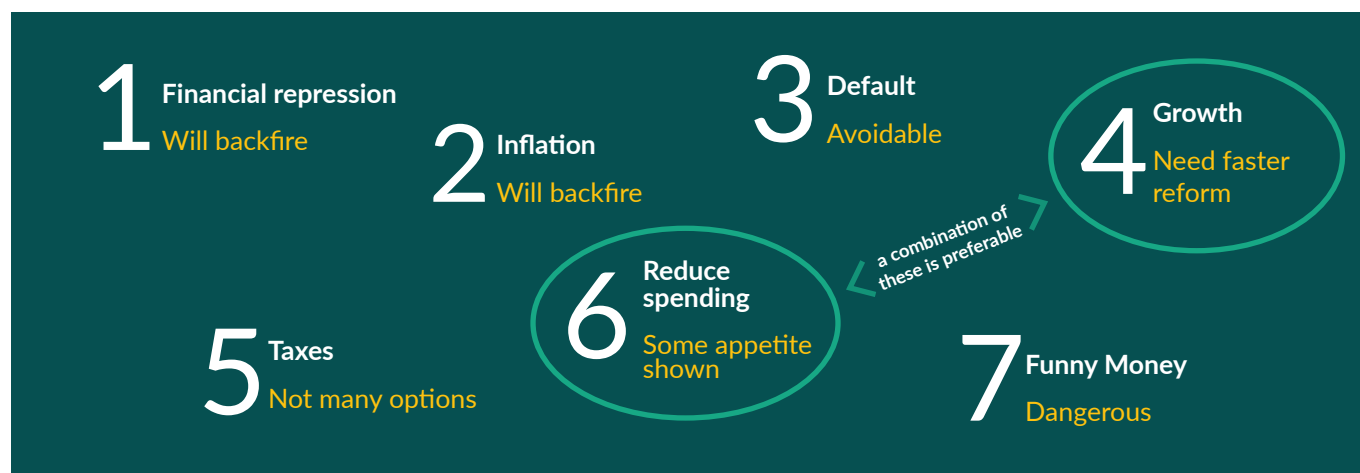
Figure 2: Fiscal balance as a percentage of GDP



Sources: IMF, Ninety One

What can we then do to ensure we do not fall into the Jamaican trap? There are many options, as shown in Figure 3.

Figure 3: Dealing with the debt burden



Source: Ninety One

Of all these options, the two that offer the most scope are reducing spending and encouraging growth, with growth the most sustainable. We've already seen appetite from Treasury to reduce and re-direct expenditure towards growth-positive expenditure items. The balance of options is much less attractive, if not downright dangerous. There isn't much room in South Africa to raise taxes (in fact, Treasury has provided some tax relief), while inflation will backfire as described. Defaulting is clearly not a road we want to go down – and is one we can avoid. Financial repression (forcing the market to buy your bonds) is a spectrum depending on how onerous it is; and we already have some forms of investment restriction locally (e.g. exchange controls), with extensive repression abroad in the form of low rates. However, we do not have the scope developed economies have to exert the necessary pressure. Funny money involves versions of expanding the balance sheet of the South African Reserve Bank (SARB) – but the market is signalling that we have a fiscal problem, which can't be fixed by funny money.

What are the key reforms necessary to kickstart growth?

Fortunately, confidence levels are so depressed that investor expectations of future growth prospects can be dramatically boosted by a few key actions. What can be done to boost South Africa's growth prospects, reduce our borrowing costs, and make our debt sustainable?

- **Building state capacity is key**

For growth to be sustainable, the state must be capable of implementing growth-positive policies, otherwise these remain plans on paper. This includes all organs of state, the state-owned enterprises and municipalities. As of now, plans and policies appear to be headed in the right direction, and will be positive for labour-intensive growth. However, it is the organs of state that must implement these policies and plans. Operation Vulindlela has been launched to assist with the implementation of these policies. It is a delivery unit that sits in the offices of the Presidency and National Treasury. Its role is to make sure all bottlenecks in the implementation process are resolved timeously.

- **Stabilise government expenditure and change the expenditure mix**

Government, through the budgeting process, has shown an appetite for this. This is evidenced in the decision to keep wages effectively flat over the medium term, as indicated in the February 2020 budget. However, government needs to conclude a deal with public sector unions that sees the government wage bill remain relatively flat over the coming three years. Preferably this would be by containing salary growth rather than by cutting jobs.

- **Reform the energy sector**

It is important to ensure that the unbundling of Eskom that will create an independent transmission company remains on track for functional separation and legal separation. This would allow the acceleration of independent power procurement, notably from renewables. This accelerated carbon transition would also allow South Africa to access cheap global financing to facilitate the transition.

- **Inclusive growth**

We need a focus on the agriculture, services, tourism, and network industries. These industries, particularly tourism and agriculture, will be able to create new jobs that our economy desperately needs.

Finally, engagement with stakeholders, including Treasury and the SARB, is vital.

THE GREAT LOCKDOWN: ONE YEAR ON



Adapted from an article by
David Lerche

Head of Equities
Sanlam Private Wealth

Which trends are likely to stay and how does this affect investments?

It's now over a year since our lives were abruptly disrupted by South Africa and the rest of the world going into various degrees of pandemic lockdown. While it now brings a wry smile to think we believed then that we'd be restricted for only a few weeks, it's more interesting to examine how people's lives have changed across the globe over the past year. Which trends are likely to be temporary, and what may have changed for good? And how does this impact investments?

The experts say it takes people 62 days on average to form a habit, so given the duration of the lockdowns worldwide, we've had ample time to adapt our behaviour. In many ways, in both our work and personal lives, our behaviour has indeed changed. However, we've yet to see whether some of these changes will be merely temporary, or if they'll become more long-lasting. Overall, human nature essentially tends to remain unaltered – the only permanent changes to society are therefore likely to be those in which we've seen an accelerated adoption of ideas and activities that were already gaining traction before the pandemic started.

Across the world, consumer spending patterns have altered – some permanently, such as the sharp jump in online shopping. Others may be more temporary, like the shift away from services towards goods. Savings rates in the US and the European Union during 2020 were among the highest on record. This trend, coupled with pent-up demand and the reopening of borders and economies, may well result in the sales of durable goods starting to suffer as the pendulum starts to swing towards services again.

An important distinction to make when it comes to trends and investing

From an investment perspective, it's important to note the distinction between recognising a trend and being able to make money out of it. Two questions need to be asked:

1. Which changes are permanent? And which may be temporary?
2. What do share prices reflect as being either permanent or temporary?

It is in finding these mispricings – where the market is pricing a stock for a certain situation to continue into perpetuity, but where things may well turn out differently – that both opportunities and threats for investors lie.

For example, investing into building supply companies simply because people have redirected spend towards their homes over the past year appears to be a poor idea, for two reasons: firstly, the news is already in the market and share prices are reflecting this; and secondly, this trend is likely to be a temporary phenomenon.

While recent data from McKinsey suggest that 'home nesting' (spending on home alterations and décor, gardens and home gyms) will remain elevated, this is unlikely. People may spend a bit more on their homes as they work from home, but much of what has been purchased over the past year is in the form of durable goods, so this should start to cool in 2021.

Throughout the pandemic, people who have spent time and money on improving their home environment (those who've been able to keep their incomes relatively intact) have had the financial ability to do so since the portion of household budgets normally allocated to entertainment and travel spend has largely been saved. As life normalises, we expect this to reverse.

The biggest change to global travel will likely be a decline in business travel

While it's obvious that global travel will increase from current levels, it's not clear if or when it will return to 2019 levels. Leisure travel will recover in time, but in our view there's been a permanent decrease in the level of business travel. Now that corporates understand (and are comfortable with) just how much can be achieved via online communication, and how much money can be saved on travel expenses, coupled with the improved use of employee time, company travel policies will likely become much stricter.

We see clear changes already evident in company policies and attitudes towards working from home. As corporates allow a greater percentage of their employees to work from home, this has multiple knock-on effects:

- Companies require less office space, reducing demand and thus prices. This is likely to be felt most strongly in core office nodes in major city centres worldwide.
- This then drives lower demand for city-centre apartment accommodation.

- Demand for suburban space has increased. This may be most keenly felt in areas previously considered marginal for city workers living there. In a South African context, this is a positive development for towns such as Stellenbosch and Franschhoek, Muldersdrift and Ballito, while internationally, it could affect areas like Guildford in the UK and Long Island in the US.
- The many small businesses that cater to office workers, from coffee shops and pubs to hairdressers and tailors, will certainly be impacted. I would hate to own a formerly thriving coffee shop in Sandton, for example, or a formal menswear retailer in Central London.

Our guidance here is human nature: people will likely return to what they like to do, but will resist the things they're less fond of. We want to travel to exciting destinations, but flying overnight to Frankfurt in late November for a single meeting can probably be avoided. We want to enjoy meals with friends, but we most likely won't miss the daily commute to work. Some people love to shop, so malls will remain, but many others will shop online. Human nature doesn't change.

New dynamics for businesses and educational institutions

This brings new dynamics for businesses. Big brands should do better, as fewer people are likely to walk past the boutique shop with the funky clothing. So smaller brands will become more dependent on online retail platforms, as well as on digital marketing and influencers.

True product brilliance will likely see greater rewards from the move online. Many people now feel much more comfortable ordering goods from international platforms.

People's attitudes to education have certainly shifted. Most parents have realised that while school is of course useful for education, it is also fantastic as day care, so we see little change in this sphere. Rather, the trend towards online education for tertiary-level studies looks to have reached critical mass. Again, this should benefit the big brands. The world's top universities no longer need to limit their intake according to available lecture-hall capacity, but can now massively scale their institutions with little extra cost. While you could attend a South African university online, you could just as easily obtain a degree from Oxford or Harvard if you can afford it.

At government level, there have also been major inroads. In many countries, the pandemic has increased calls for greater levels of social support. However, the media in general has yet to recognise the consequences of higher government spending and debt, as well as changes to societal freedoms.

Four company 'buckets'

Returning to investments, while we know that the world is never so simple as to allow for clean categorisation, we can broadly group companies into four 'buckets' in terms of the current trends:

- Companies with a clear long-term benefit from the lockdowns (e.g. Amazon, online learning)
- Companies with likely only a temporary benefit as people's consumption patterns have adapted (e.g. building supply companies, furniture retailers)
- Companies with likely only a temporary setback (e.g. brewers, leisure travel, hospitals)
- Companies likely to experience long-term problems (e.g. retail property companies, corporate travel)

The market has already factored in a recovery in travel-related shares such as Sabre and Booking Holdings due to pent-up demand. However, it seems incongruous that those stocks that benefited from the shift in consumption spend to (often durable) physical goods appear to be pricing in a continuation of the trend. My snazzy new branded sneakers look great, but they'll last a few years, and I doubt I'm alone in planning to shift my spending over the next year back towards consumption and travel.

ARE YOU INVESTING ENOUGH FOR YOUR FUTURE?



Adapted from an article by Paul Hutchinson, with permission from Ninety One
Sales Manager
Ninety One



Saving enough for retirement is a key aspect of financial planning

A key question that needs to be answered in any financial planning exercise is “How much do I need to save so that I can comfortably maintain my standard of living in retirement?”.

Addressing this correctly and timeously is critical as pensioners have different needs (a regular income that ideally increases with inflation over time) and different risks (running out of money because they live longer than expected) to other types of investors. There are also important psychological aspects that must be considered, given that it is unlikely that retirees will be able to live on the state older person's grant (previously the state old age pension), go back to work, or want to be supported by their family.

Ninety One previously completed an in-depth study into how investors should approach their retirement income provision. One conclusion highlights that choosing the right level of starting income is key to investors managing their risk of running out of money. In short, a retiree should choose a starting income level of no more than 5% of their retirement capital¹. Other conclusions highlight the value of active management and the impact of volatility on income, as well as the importance of growth assets² for income.

Five and twenty are the numbers to remember

With this starting income level of 5% of your retirement capital as the standard, we are able to calculate that you require a capital lump sum equal to 20 times your final salary to invest in an income-producing annuity on retirement (as shown in Figure 1). This is the amount required to generate an income equal to 100% of your final salary in retirement (i.e. a replacement ratio of 100%). Drawing no more than 5% is considered likely to provide you with an inflation-adjusted income for 30 years, ensuring a comfortable retirement. Any capital lump sum of less than 20 times will result in a lower starting income (a lower replacement ratio) than your final salary, which means you would need to reduce your monthly expenditure accordingly.

Saving enough is key to investors managing their risk of running out of money.

Figure 1: Guideline for determining how much you need to save for retirement

What level of income is prudent?	How long must it last?	What does this mean?
5% income per year	At least 30 years post retirement.	You need to have saved 20x your final salary (pre-tax) to achieve this level of income
For example: If you need R50 000 per month (post tax), this means you need a pre-tax annual income of R876 000 per year.		In this example it means you need a capital lump sum of R17.5 million at retirement.

Source: Ninety One

Start early – but remember it is never too late.

While knowing how much you require is critical, so too is knowing where you are on the path to this lump sum. Arriving at a sufficient retirement pot is a journey that takes a full working lifetime, as the following formulas illustrate. The impact of delay is considerable:

Starting at working age 20

- 15% of pre-tax salary x 40 years of employment = 20 times income required at age 60
- In this example, someone starts working at age 20 and saves 15% of their pre-tax salary every month for their entire working career. And, in the event they change jobs, they preserve their existing retirement savings. This proverbial unicorn is one of the minority who can retire comfortably at age 60.

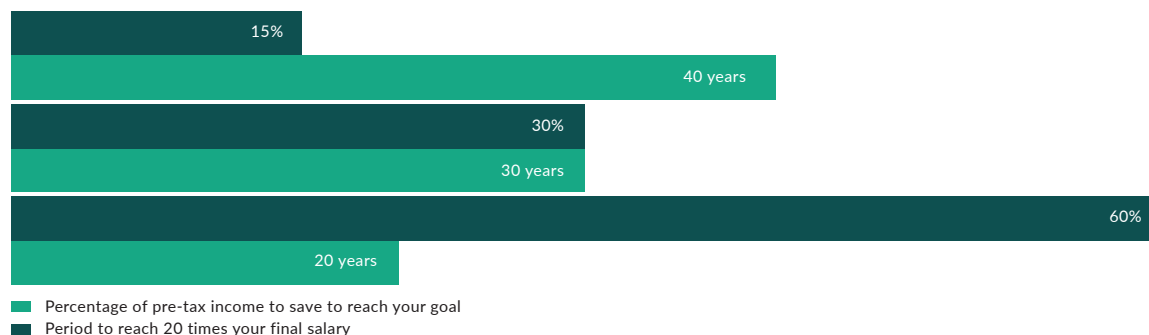
Starting 10 years later

- 30% of pre-tax salary x 30 years of employment = 20 times income required at age 60
- A more realistic example is where someone does not start providing for their retirement from age 20 or does not preserve their retirement benefits when they change jobs in the first 10 years. They are then required to save twice as much of their pre-tax salary for the shorter 30-year period to achieve the same outcome (or retire at 70).

Starting 20 years later

- 60% of pre-tax salary x 20 years of employment = 20 times income required at age 60
- The more extreme outcome of the example above requires an improbable savings rate of 60% of pre-tax salary (or retirement at 80!).

Figure 2: How much to save of your pre-tax salary for how long to retire comfortably



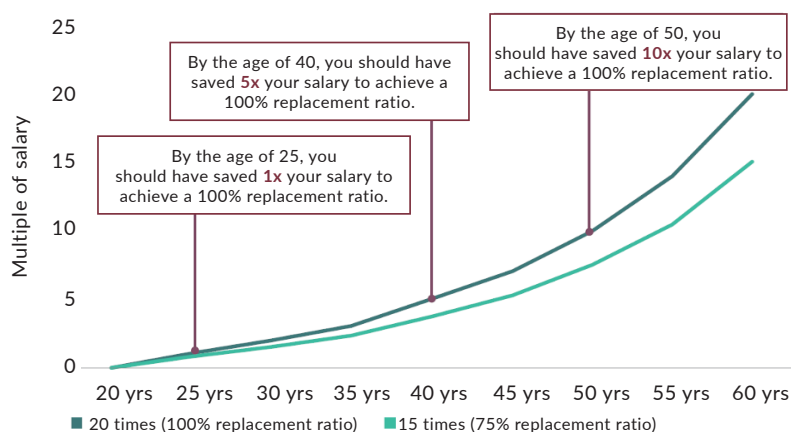
Source: Ninety One

Clearly, there are no quick fixes to a lack of retirement provision, and for many, very little likelihood of being able to comfortably retire at 60 unless they act wisely at the right time. However, it is never too late to start.

How do you know if you are on the right path?

Now that we have established how much you need at retirement and therefore what percentage of your salary you should be saving monthly, how can you assess your progress along the way? Figure 3 shows you what multiple of your current annual salary you need to have saved at any age between 20 and 60 to ensure a replacement ratio of 100%. We have also shown the multiples required for a 75% replacement ratio by way of comparison. A 75% replacement ratio may suffice for many retirees, depending on their lifestyle choices and financial obligations. Once retired, retirees do not typically contribute to a retirement fund anymore. Transport and clothing costs could come down, and they may be debt free, with financially independent children.

Figure 3: Milestones along the way to a comfortable retirement*



Source: Ninety One calculations

*Assumptions: 15% of pre-tax salary saved for 40 years; salary increases at CPI+1.5%; portfolio return (while saving for retirement) = CPI+7% per year

So, by age 40, you should have accumulated retirement savings of approximately five times your annual salary if you are targeting a replacement ratio of 100%. Another interesting observation of this chart is the acceleration of capital values in later years, a clear illustration of compounding benefits. Note that while it took 20 years to accumulate savings of five times your salary, it takes only a further 10 years for your accumulated savings to double to 10 times, and then only another 10 years for your accumulated savings to double yet again and reach the magical 20 times!

The value of active management should not be overlooked. A key assumption in our calculations is a portfolio return of 7% above inflation, which joins forces with compound interest and your contributions to deliver your lump sum available at retirement. With this return, 40 years of saving 15% of your pre-tax income should see you retire comfortably, drawing 5% per year from your savings. However, if returns are 2% higher, at CPI+ 9%, you will have saved 35 times your final salary.

Given the importance of retirement provision, the best approach is to seek professional financial advice.

¹ Jaco van Tonder, Ninety One: "A sensible income strategy is critical for living annuity investors".

² For more information, please see the following link to the dedicated page on "Managing retirement income":

<https://ninetyone.com/en/south-africa/how-we-think/insights?lc=Managing+retirement+income>



FG ASSET MANAGEMENT

QUARTERLY
REPORT

Quarter 2 | 2021

ARCHITECTS OF SENSIBLE INVESTMENT SOLUTIONS

MARKET COMMENTARY



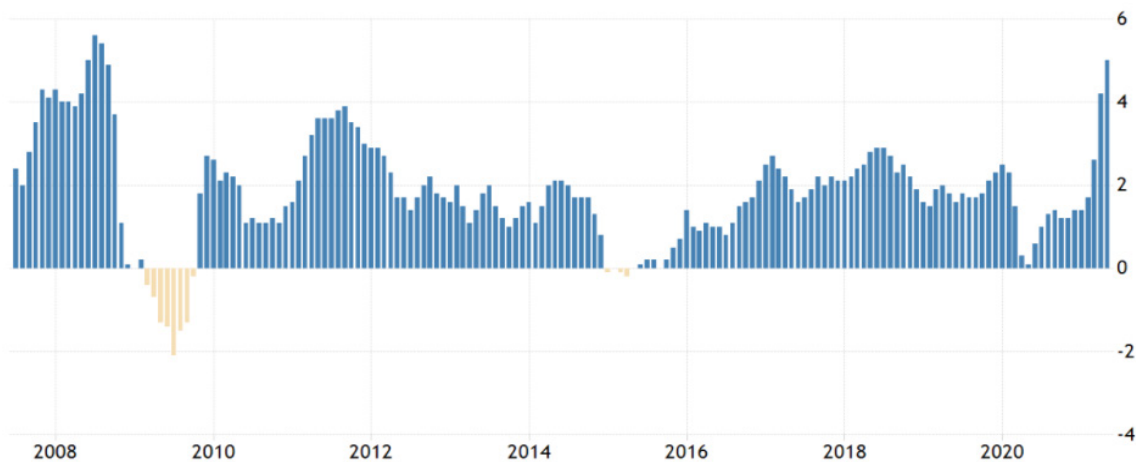
Jacy Harington
Portfolio Manager
FG Asset Management

The rise in global inflation has raised concerns about whether accommodative monetary policies will be maintained

The much-anticipated rise of global inflation became a reality in the second quarter. This was coupled with a rise in market concerns over the ability of key central banks, specifically the US Federal Reserve (Fed), to maintain their accommodative monetary policy stance. As a result, market participants closely followed all economic data releases that could provide insight into the direction and momentum of any future policy changes. Given that a significant part of the recovery since the market drawdowns of March last year had been the result of the substantial amount of accommodative monetary policy, it is understandable that the market is concerned about any withdrawal going forward.

Both local and global inflation increased notably over the quarter. In the US, the annual inflation rate rose to 5%, the highest level since August 2008 (as can be seen from Figure 1). The low base effects from gasoline prices, which increased by 65.2% over the last 12 months, made a significant contribution to the increase. Supply constraints (used cars sales were up 29.7% year-on-year) and pent-up demand for services that are reopening (airline fees were up 24.1% year-on-year) further added to the higher-than-expected inflation rate.

Figure 1: The US inflation rate (%)



Sources: tradingeconomics.com, US Bureau of Labor Statistics

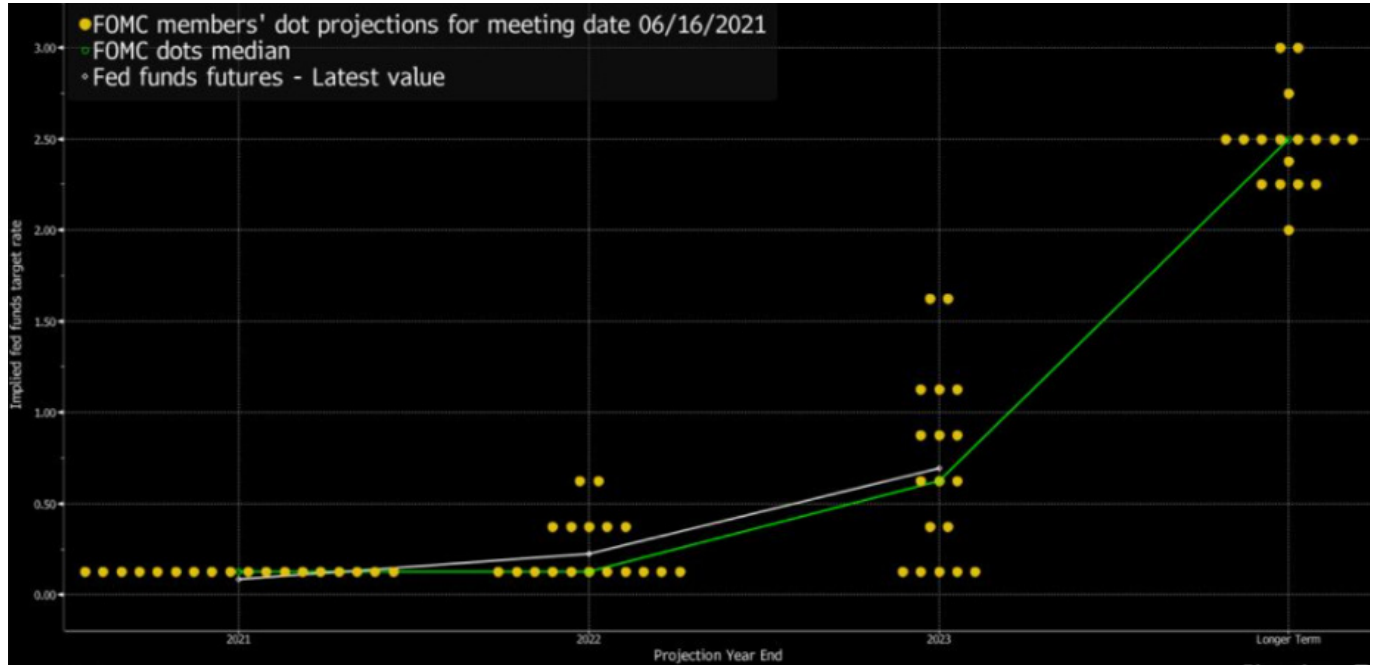
Weak US employment figures alleviated some of the fears

In contrast, the weaker-than-expected US employment releases over the quarter helped to alleviate fears that the Fed would be forced to withdraw the easy monetary policy sooner than expected. Given that the Fed targets both price stability and maximum employment, the slow recovery in new jobs being added in April and May validated its stance to provide monetary policy support to the economy until the recovery is complete.

On the back of increasing growth and inflation forecasts, US rate hikes are now expected in 2023

In June, the Fed held their second Federal Open Market Committee (FOMC) for the quarter, where they kept interest rates near zero and maintained their asset purchases. Despite the FOMC increasing their economic growth forecast for this year from their March forecasts, they maintained that risks to the economic outlook remain. The FOMC also revised up their forecast for inflation for this year to 3.4% as a result of unexpected supply constraints, followed by a decrease to 2.1% in 2022. The dot plot that reflects FOMC members' expectations for the federal funds rate (see Figure 2) showed that the higher-than-expected growth and inflation forecasts have brought forward the median forecasts for the first two rate hikes to 2023.

Figure 2: The Fed dot plot (June 2021)



Sources: Bloomberg, US Federal Reserve

Despite the market seeing the meeting as hawkish overall, with risk assets coming under pressure and the US dollar appreciating, the Fed's stance of waiting for the complete recovery before withdrawing easy policy remained. As a result, market moves were not substantial.

Locally, South Africa's inflation path mirrored that of the US

Our headline rate of inflation increased by 2.0% on an annual basis, from 3.2% in March to 5.2% in May. The 37.4% rise in the oil price from the low levels in May last year contributed significantly to the substantial increase in headline inflation. Despite this big jump, inflation still remained within the South African Reserve Bank's (SARB's) 3 - 6% range and is expected to average around the mid-point target of 4.5% for 2021.

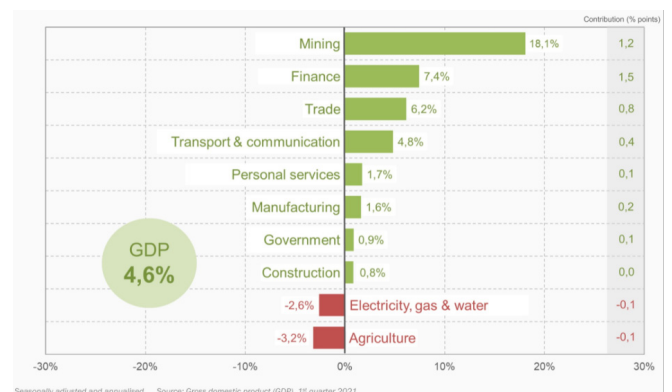
The local repo rate is currently expected to return to the 6% level by the end of 2023 only

The SARB held only one Monetary Policy Committee (MPC) meeting over the quarter in May, where the MPC decided to keep the repo rate unchanged at 3.5%. The MPC's quarterly projection model continued to signal two 0.25% hikes in the second half of this year, followed by 1.00% increases in 2022 and 2023 respectively. This means that the repo rate is expected to return to the 6% level only by the end of 2023. However, the projection model is only to be used as a guide and could change as market conditions evolve. The MPC slightly lowered its inflation forecast for 2021 from 4.3% to 4.2%, while its inflation forecast for 2022 and 2023 were kept unchanged at 4.4% and 4.5% respectively.

While GDP growth for the first quarter exceeded expectations, we haven't reached pre-COVID-19 levels

Early June we received South Africa's first quarter's GDP growth estimate, which came in at 4.6% (annualised) from the previous quarter, significantly higher than the 2.5% expected. Growth was broad based with eight out of ten industries reporting positive growth rates (as shown in Figure 3).

Figure 3: South African first quarter GDP growth rate breakdown



Source: statssa.gov.za

Despite South Africa's growth exceeding expectations over each of the past three quarters, the overall growth is still 3.2% below the pre-COVID-19 levels of the first quarter of 2020. It is expected to only recover to that point in 2022.

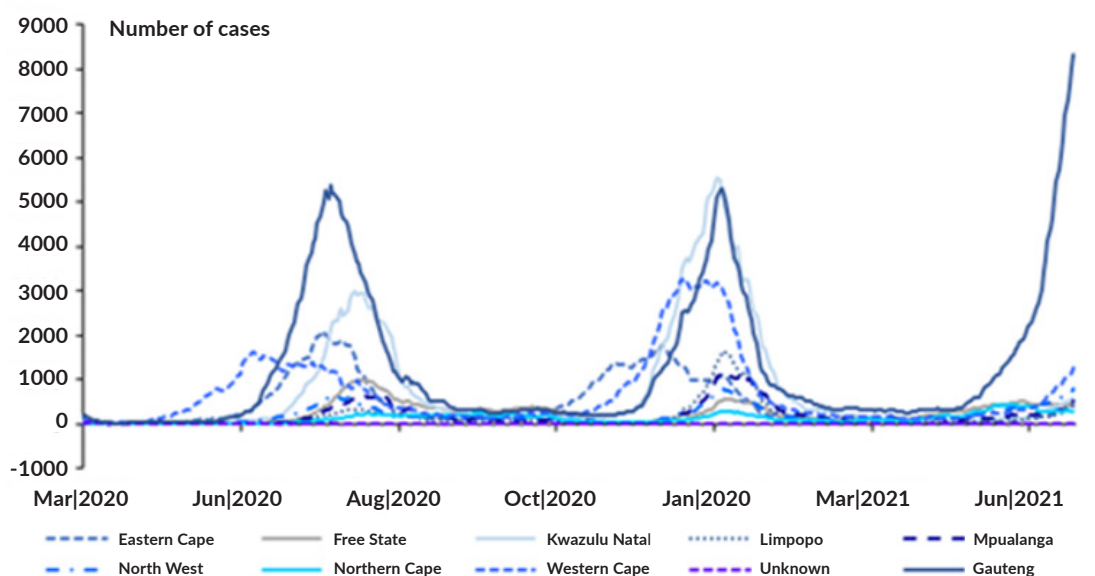


Despite its initial strength, the rand weakened into quarter-end on the back of US dollar appreciation and the third wave

Over the quarter we also saw the rand appreciate significantly, especially relative to the US dollar. It reached a low of R13.42/\$ in the first week of June, almost 30% stronger from the high seen in April last year (R19.01/\$). A key driver of the rand strength has been South Africa's high trade surplus, which has been driving demand for the rand as commodity, agriculture and vehicle exports benefitted from the recovery in global economies.

However, the rand weakened again into quarter-end as the US dollar appreciated following the hawkish FOMC meeting. The local spike in COVID-19 infections (shown in Figure 4), especially in Gauteng (a key economic province for South Africa, where infections quickly surpassed those of the first and second waves) also weighed on the rand.

Figure 4: Regional daily case increase in COVID-19 cases (7-day rolling average)



Sources: National Department of Health, Investec

The slow pace of the vaccination rollout remains a key concern locally

At the end of the quarter, level 4 lockdown was reinstated again as the third wave of infections grew. While this does pose an increased risk to South Africa's economic recovery, as before, the extent of the impact still remains very uncertain. A greater concern at this stage is the slow pace of the vaccination rollout, with only 2.9 million doses administered (4.8 doses per 100 people) by the end of the quarter. Given this slow rollout there is the possibility of a fourth or even a fifth wave over the next 12 months.

Property was the best performer locally, while global equity markets continued to benefit from the global recovery

Overall, the property sector had a stellar quarter and was the best-performing asset class, returning 12.1%. Local bonds (+6.9%) followed, as South Africa's fiscal prospects improved given the strong terms of trade. The South African equity market, as measured by the FTSE/JSE All Share Index, was flat for the quarter, with resources being the worst-performing sector (-5.0%). Commodity prices started to come under pressure in May when the Chinese government expressed concerns about the extent of the price increases. The weakness extended into June as the US dollar appreciated following the hawkish FOMC meeting. The improving global economic outlook remained a key driver of global equity markets, with support from ongoing fiscal and monetary policies. The MSCI World Index and the MSCI Emerging Markets Index returned 7.9% and 5.1% respectively over the quarter, in US dollars.



FG IP JUPITER INCOME FUND OF FUNDS

For periods until 30 June 2021

Performance and quartile ranking in sector | Launch date 15 August 2005

	6 Months	Year to date	1 Year	3 Years*	5 Years*	Since inception*
FG IP Jupiter Income FoF	3.48%	3.48%	7.09%	7.01%	7.35%	7.83%
STeFI Composite Index	1.83%	1.83%	4.01%	6.05%	6.62%	7.08%
ASISA SA Multi Asset Income Category Average	3.25%	3.25%	7.38%	7.11%	7.26%	7.70%
			1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile

*Data longer than 12 months is annualised

Source: Morningstar, performance for A class shares

Annualised returns are period returns re-scaled to a period of 1 year

Underlying funds

- Abax Flexible Income Fund
- Coronation Strategic Income Fund
- Granate SCI Multi Income Fund
- Prescient Income Provider Fund
- Terebinth SCI Strategic Income Fund

Performance statistics

	Fund	Benchmark
Highest 12-month performance	11.61%	11.77%
Lowest 12-month performance	3.25%	4.01%
% positive months	93.68%	100.00%

The FG IP Jupiter Income Fund of Funds returned +2.33% in the second quarter of 2021 and +7.09% over the past 12 months, outperforming the benchmark Alexander Forbes Short Term Fixed Income Index quarterly return of +0.92% and 12-month return of +4.01%. The Terebinth SCI Strategic Income Fund was the best-performing underlying fund over the quarter, returning +3.57%. No changes were made to the fund over the quarter.

Asset allocation as at 31 May 2021

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG IP Jupiter Income FoF	0%	2%	45%	47%	6%



FG IP VENUS CAUTIOUS FUND OF FUNDS

For periods until 30 June 2021

Performance and quartile ranking in sector | Launch date 2 July 2007

	6 Months	Year to date	1 Year	3 Years*	5 Years*	Since inception*
FG IP Venus Cautious FoF	6.20%	6.20%	10.29%	7.59%	7.04%	8.60%
ASISA SA Multi Asset Low Equity Category Average	6.01%	6.01%	10.86%	6.49%	5.98%	7.48%
			1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile

*Data longer than 12 months is annualised

Source: Morningstar, performance for A class shares

Annualised returns are period returns re-scaled to a period of 1 year

Underlying funds

- 36ONE BCI Equity Fund
- Abax Opportunity Fund
- ABSA Property Equity Fund
- Coronation Optimum Growth Fund
- Coronation Strategic Income Fund
- Fairtree Equity Prescient Fund
- Matrix SCI Defensive Balanced Fund
- Ninety One Diversified Income Fund
- Ninety One Global Multi-Asset Income Feeder Fund
- Ninety One Global Franchise Feeder Fund
- Prescient Income Provider Fund
- Saffron SCI Opportunity Income Fund
- Satrix Bond Index Fund
- Sanlam Multi Managed Inflation Linked Bond Fund
- Sesfikile BCI Property Fund
- Terebinth SCI Strategic Income Fund

Performance statistics

	Fund	Benchmark
Highest 12-month performance	16.83%	17.26%
Lowest 12-month performance	-1.41%	-3.15%
% positive months	72.02%	72.02%

The FG IP Venus Cautious Fund of Funds returned +2.40% in the second quarter of 2021 and +10.29% over the past 12 months, underperforming the benchmark peer group average quarterly return of +2.43%, and the 12-month return of +10.86%. The Fairtree Equity Prescient Fund was the worst-performing underlying fund, returning -2.85% over the quarter. A rotation out of cash into longer duration bonds was implemented. This resulted in a decrease in the allocation to the Coronation Strategic Income Fund and an increase in the allocations to the Satrix Bond Index Fund and the Sanlam Multi Managed Inflation Linked Bond Fund over the quarter.

Asset allocation as at 31 May 2021

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG IP Venus Cautious FoF	16%	4%	31%	28%	21%



FG IP SATURN FLEXIBLE FUND OF FUNDS

For periods until 30 June 2021

Performance and quartile ranking in sector | Launch date 15 August 2005

	6 Months	Year to date	1 Year	3 Years*	5 Years*	Since inception*
FG IP Saturn Flexible FoF	9.03%	9.03%	16.22%	7.80%	6.45%	10.15%
ASISA SA Multi Asset Medium Equity Category Average	7.69%	7.69%	13.85%	6.69%	5.77%	8.83%
			1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile

*Data for longer than 12 months is annualised

Source: Morningstar, performance for A class shares

Annualised returns are period returns re-scaled to a period of 1 year

Underlying funds

- 36ONE BCI Flexible Opportunity Fund
- Abax Opportunity Fund
- Coronation Market Plus Fund
- Coronation Optimum Growth Fund
- Matrix SCI Defensive Balanced Fund
- Ninety One Opportunity Fund
- PSG Flexible Fund
- Rezco Value Trend Fund
- Satrix Bond Index Fund
- SIM Inflation Plus Fund
- Truffle SCI Flexible Fund

Performance statistics

	Fund	Benchmark
Highest 12-month performance	31.40%	26.41%
Lowest 12-month performance	-18.22%	-15.68%
% positive months	69.47%	67.37%

The FG IP Saturn Flexible Fund of Funds returned +2.15% in the second quarter of 2021 and +16.22% over the past 12 months, outperforming the benchmark peer group average quarterly return of +2.06% and the 12-month return of +13.85%. The Satrix Bond Index Fund, which was added to the fund over the quarter, was the best-performing underlying fund, returning +6.73%.

Asset allocation as at 31 May 2021

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG IP Saturn Flexible FoF	36%	3%	25%	13%	23%



FG IP NEPTUNE GROWTH FUND OF FUNDS

For periods until 30 June 2021

Performance and quartile ranking in sector | Launch date 1 September 2014

	6 Months	Year to date	1 Year	3 Years*	5 Years*	Since inception*
FG IP Neptune Growth FoF	9.99%	9.99%	20.14%	8.68%	7.54%	7.34%
ASISA SA Multi Asset High Equity Category Average	9.39%	9.39%	17.31%	6.77%	5.78%	5.96%
			1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile

*Data for longer than 12 months is annualised

Source: Morningstar, performance for A class shares

Annualised returns are period returns re-scaled to a period of 1 year

Underlying funds

- ABSA Property Equity Fund
- Catalyst Global Real Estate Prescient Feeder Fund
- Coronation Optimum Growth Fund
- Fairtree Equity Prescient Fund
- Laurium Flexible Prescient Fund
- Ninety One Equity Fund
- Ninety One Global Franchise Feeder Fund
- Prudential Balanced Fund
- PSG Flexible Fund
- Rezco Value Trend Fund
- Saffron SCI Opportunity Income Fund
- Satrix Bond Index Fund
- Sanlam Multi Managed Inflation Linked Bond Fund
- Truffle SCI Flexible Fund

Performance statistics

	Fund	Benchmark
Highest 12-month performance	38.17%	30.65%
Lowest 12-month performance	-11.21%	-10.44%
% positive months	64.63%	64.63%

The FG IP Neptune Growth Fund of Funds returned +1.07% over the second quarter of 2021 and +20.14% over the past 12 months, underperforming the benchmark peer group average quarterly return of +1.84%, but outperforming the 12-month return of +17.31%. The Fairtree Equity Prescient Fund was the worst-performing underlying fund, returning -2.85% over the quarter. The Coronation Strategic Income Fund position was switched into the Saffron SCI Opportunity Income Fund, Satrix Bond Index Fund and Sanlam Multi Managed Inflation Linked Bond Fund over the quarter.

Asset allocation as at 31 May 2021

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG IP Neptune Growth FoF	45%	3%	18%	8%	26%



FG IP MERCURY EQUITY FUND OF FUNDS

For periods until 30 June 2021

Performance and quartile ranking in sector | Launch date 15 August 2005

	6 Months	Year to date	1 Year	3 Years*	5 Years*	Since inception*
FG IP Mercury Equity FoF	13.37%	13.37%	27.91%	7.83%	6.27%	10.34%
FTSE/JSE Africa All Share (Total Return)	13.20%	13.20%	25.07%	8.09%	8.11%	12.71%
ASISA SA Equity General Category Average	12.81%	12.81%	24.99%	5.46%	4.61%	10.09%
			1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile

*Data longer than 12 months is annualised

Source: Morningstar, performance for A class shares

Annualised returns are period returns re-scaled to a period of 1 year

Underlying funds

- 36ONE BCI Equity Fund
- Coronation Optimum Growth Fund
- Fairtree Equity Prescient Fund
- Gryphon All Share Tracker Fund
- Laurium Prescient Equity Fund
- Ninety One Equity Fund
- Ninety One Global Franchise Feeder Fund
- Prudential Equity Fund
- PSG Equity Fund
- Sesfikile BCI Property Fund
- Truffle SCI General Equity

Performance statistics

	Fund	Benchmark
Highest 12-month performance	56.15%	53.98%
Lowest 12-month performance	-31.68%	-37.60%
% positive months	62.11%	62.11%

The FG IP Mercury Equity Fund of Funds returned +0.41% in the second quarter of 2021 and +27.91% over the past 12 months, outperforming the +0.05% quarterly return of the benchmark FTSE/JSE All Share Total Return Index and the 12-month return of +25.07%. The Sesfikile BCI Property Fund was the best-performing underlying fund, returning +11.15% over the quarter. The Nedgroup Private Wealth Core Equity Fund position was fully redeemed over the quarter and the proceeds of the redemption was prorated across the existing equity managers within the fund.

Asset allocation as at 31 May 2021

	Local Equity	Local Property	Local Bonds	Local Cash	Foreign
FG IP Mercury Equity FoF	76%	3%	0%	6%	15%



FG IP INTERNATIONAL FLEXIBLE FUND OF FUNDS

For periods until 30 June 2021

Performance and quartile ranking in sector | Launch date 17 October 2007

	6 Months	Year to date	1 Year	3 Years*	5 Years*	Since inception*
FG IP International Flexible FoF	4.90%	4.90%	2.82%	7.14%	7.17%	8.83%
Benchmark	4.64%	4.64%	3.77%	9.53%	7.69%	9.86%
ASISA Global Multi Asset Flexible Average	4.64%	4.64%	3.77%	9.53%	7.74%	8.89%
			1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile

*Data for longer than 12 months is annualised
Source: Morningstar, performance for A class shares
Annualised returns are period returns re-scaled to a period of 1 year

Underlying funds

- FGAM Global Cautious Fund
- FGAM Global Growth Fund
- FPA Global Flexible Fund
- Ninety One Global Strategic Managed Fund
- Ninety One Global Franchise Fund

Performance statistics

	Fund	Benchmark
Highest 12-month performance	40.26%	34.52%
Lowest 12-month performance	-16.99%	-15.05%
% positive months	56.71%	59.39%

The FG International Flexible Fund of Funds returned +2.47% in the second quarter of 2021 and +2.82% over the past 12 months, outperforming the benchmark peer group average quarterly return of +1.51% but underperforming the 12-month return of +3.77%. The Ninety One Global Franchise Fund was the best-performing underlying fund over the quarter, returning + 6.29%. No changes were made to the fund over the quarter.

Asset allocation as at 31 May 2021

	Global Equity	Global Fixed Income	Global Cash	Global Property	Local Cash
FG IP International Flexible FoF	67%	9%	18%	5%	1%

	USD	GBP	EUR	JPY	Other	ZAR
Currency Breakdown	61%	4%	12%	7%	15%	1%



MARKET PERFORMANCE

Index	Asset Class	3Q 2020	4Q 2020	Q1 2021	Q2 2021	Last 12 months	Year to Date 2021*
STeFI Composite Index	Local Cash	1.16%	0.97%	0.90%	0.92%	4.01%	1.83%
FTSE/JSE All Bond (Total Return)	Local Bonds	1.46%	6.71%	-1.74%	6.86%	13.68%	5.00%
FTSE/JSE SA Listed Property Index (Total Return)	Local Property	-14.14%	22.19%	6.40%	12.12%	25.17%	19.30%
FTSE/JSE Africa All Share Index (Total Return)	Local Shares	0.67%	9.75%	13.14%	0.05%	25.07%	13.20%
JP Morgan World Govt Bond Index (USD)	Global Bonds	2.54%	2.26%	-5.65%	1.07%	-0.01%	-4.64%
FTSE EPRA Nareit Global REITs (Total Return) USD	Global Property	1.66%	13.91%	7.40%	9.94%	36.73%	18.08%
MSCI World (Total Return) USD	Global Shares	8.05%	14.07%	5.04%	7.89%	39.67%	13.33%
MSCI ACWI (Total Return) USD	Global Shares	8.25%	14.79%	4.68%	7.53%	39.87%	12.56%
US Dollar/South African Rand (+ weaker ZAR, - stronger ZAR)	Exchange Rate	-3.90%	-12.21%	0.78%	-3.31%	-17.80%	-2.55%

*(Return until 30 June 2021)



ADDITIONAL FUND INFORMATION

Fund name	No. of participatory interests*	NAV (month-end)	Total expense ratio (TER)**
FG IP International Flexible FoF A	19 276 428.84	30.73	1.61
FG IP International Flexible FoF A1	159.32	30.24	2.18
FG IP International Flexible FoF B	2 139 061.87	25.33	3.28
FG IP International Flexible FoF B1	10 200 680.68	26.10	3.05
FG IP Jupiter Income FoF A	81 966 660.33	12.04	1.06
FG IP Jupiter Income FoF A1	50.95	12.02	1.63
FG IP Jupiter Income FoF B	11 703 542.93	11.99	2.79
FG IP Jupiter Income FoF B1	15 883 459.00	12.00	2.50
FG IP Mercury Equity FoF A	4 068 123.40	36.33	1.73
FG IP Mercury Equity FoF A1	16.51	36.30	2.29
FG IP Mercury Equity FoF B	739 077.15	34.88	3.46
FG IP Mercury Equity FoF B1	59 652.11	35.63	3.17
FG IP Neptune Growth FoF A	19 755 684.41	13.54	1.58
FG IP Neptune Growth FoF A1	47.32	13.53	2.13
FG IP Neptune Growth FoF B	2 222 247.76	13.45	3.30
FG IP Neptune Growth FoF B1	1 281 880.91	13.48	3.02
FG IP Saturn Flexible FoF A	46 658 905.70	30.40	1.45
FG IP Saturn Flexible FoF A1	20.54	30.36	2.01
FG IP Saturn Flexible FoF B	10 795 689.65	30.25	3.18
FG IP Saturn Flexible FoF B1	6 349 687.63	30.26	2.89
FG IP Venus Cautious FoF A	66 375 171.85	17.22	1.42
FG IP Venus Cautious FoF A1	36.15	17.20	1.99
FG IP Venus Cautious FoF B	5 415 539.38	17.08	3.15
FG IP Venus Cautious FoF B1	12 960 389.00	17.08	2.86

*Fund size and no. of participatory interests as at 30 June 2021

**TER as at 31 March 2021



**INDEPENDENT
TRANSPARENT
COMPETENT**

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