



June/18

FINSOLNET MODERATE FUND

ABOUT THE PORTFOLIO

The Finsolnet Moderate Portfolio is a low to medium risk balanced portfolio that aims to deliver superior real returns over the medium to longer term with a strong focus on active management of capital loss risk over the shorter term.

The portfolio is managed on a multi-manager basis and includes international exposure. The allocation to various asset classes is set out below. Each manager appointed within a particular asset class has been selected on the basis of rigorous quantitative and qualitative analysis.

The underlying managers have been selected, mandated, monitored and reviewed by EOH Employee Benefits on behalf of their clients.

The portfolio complies with Regulation 28 of the Pension Funds Act, 1956 as amended.

The portfolio is offered on a pooled and unitised basis on the Sygnia Life license.

PERFORMANCE SUMMARY

Month	12 Months	Since Inception	Large Manager Median (12 Months)
3.0%	10.1%	15.2%	10.2%

PERFORMANCE COMMENTARY

Market sentiment in June was largely driven by the erratic behaviour of US President, Donald Trump, starting with his aggressive stance at the G7 meeting, followed by the tit-for-tat trade battles with China. The US Fed added to the toxic investment environment by raising interest rates to 2%, while the ECB indicated that it would wind down its €30 billion-a-month bond-buying program by December as inflation rose to meet the ECB's 2% target. This translated into a massive sell-off in emerging markets. A number of countries, such as India, Turkey, Indonesia and Argentina, increased interest rates to protect their currencies.

The historic summit between the US and North Korea yielded little. In Europe, Italy's new coalition government confirmed that although it had no intention of leaving the eurozone, it wanted a revision of budgetary constraints. While in Turkey, Recep Tayyip Erdogan was re-elected as president, promising to exert more control over the country's monetary policy.

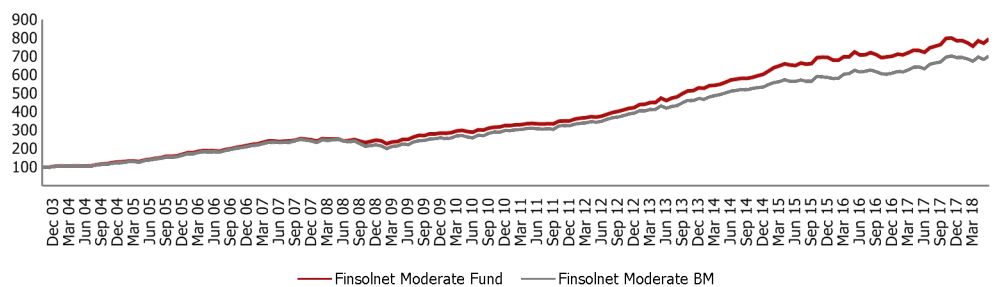
South Africa and other emerging markets reeled from a sharp sell-off, with their currencies near multi-year lows. The rand came within a hair's breadth of the R14/US\$ level, while yields on benchmark 10-year government bonds spiked above 9% for the first time since December 2017. Foreign investors sold R34.7 billion worth of South African bonds between January and June, the highest sell-off on record. In another shock the economy shrank by 2.2% in the first quarter of 2018 compared with the final quarter of last year, while inflation fell to 4.4%.

Unfortunately, volatility remains on the horizon as Trump continues in his quest to get China to reduce its US\$375 billion trade deficit with the US by US\$200 billion.

The last days of June brought a bit of a respite as Trump seemed to soften his stance on additional investment restrictions on China in the face of growing political and business backlash. At the same time a softer US GDP growth number calmed concerns about a hawkish US Fed. Finally, the EU Summit migration agreement reduced the political risk of Germany's coalition government collapsing.

The FTSE/JSE SWIX Index delivered a return of 2.7%, with Resources at 6.4%, Industrials at 4.9% and Financials down 2.8%. The JSE All Bond Index fell by 1.2%, while the rand depreciated by 8.1% relative to the US dollar.

CUMULATIVE RETURNS



HISTORICAL PERFORMANCE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2014	-0.4%	2.6%	0.4%	1.0%	2.0%	2.2%	0.7%	0.9%	-0.1%	0.9%	1.5%	1.3%	13.8%
2015	2.9%	3.0%	1.5%	1.7%	-0.9%	-0.5%	2.1%	-0.9%	0.5%	4.8%	0.4%	-0.1%	15.2%
2016	-2.1%	-0.1%	2.8%	0.0%	3.8%	-2.3%	0.2%	1.6%	-1.5%	-2.4%	0.6%	0.5%	0.9%
2017	1.6%	-0.5%	1.6%	1.9%	-0.2%	-1.3%	3.4%	1.1%	1.2%	4.4%	0.3%	-1.8%	12.0%
2018	0.1%	-1.5%	-2.4%	3.9%	-1.6%	3.0%							1.3%

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FUND SUMMARY

Inception (back dated):	01-Nov-03	
Inception (actual):	12-Nov-09	
Number of Months	104	
	FUND	LMM
Sharpe Ratio	0.61	0.48
Sortino Ratio	1.04	0.76

RISK ANALYSIS

	FUND	LMM
% Positive Months	69.9%	68.2%
% Negative Months	30.1%	31.8%
Best Month	6.3%	7.3%
Worst Month	-6.3%	-7.7%
Avg Negative Return	-1.2%	-1.6%
Maximum Drawdown	-10.8%	-23.8%
Standard Deviation	7.4%	9.0%
Downside Deviation	4.3%	5.6%

CORRELATIONS

	FUND	LMM
FTSE/JSE All Share Index	0.89	0.93
BESA All Bond Index	0.15	0.12

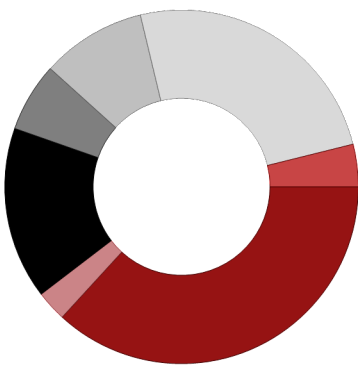
LMM = Global Large Manager Median

MARKET STRESS MONTHS

	FUND	ALSI
July 2008	1.0%	-8.7%
September 2008	-3.6%	-13.2%
October 2008	-3.1%	-11.6%
February 2009	-6.3%	-9.9%

Proforma performance numbers for periods prior to inception of the portfolio are based on actual performance of the underlying building blocks used in the portfolio. These risk and return numbers are shown to aid in the understanding of potential future performance and risk characteristics of the product.

ASSET ALLOCATION



- Domestic Equities - 36.8%
- Domestic Property - 2.8%
- Domestic Bonds - 15.8%
- Domestic Money Market - 6.3%
- Alternatives - 9.6%
- International - 24.9%
- TAA - 3.9%

PERFORMANCE ANALYSIS

PERFORMANCE	FUND	BM	DIFFERENCE
Calendar Years			
2012	20.4%	21.1%	-0.7%
2013	25.4%	20.2%	5.2%
2014	13.8%	13.1%	0.7%
2015	15.2%	9.6%	5.6%
2016	0.9%	4.1%	-3.2%
2017	12.0%	13.9%	-1.9%

Periodic Performance

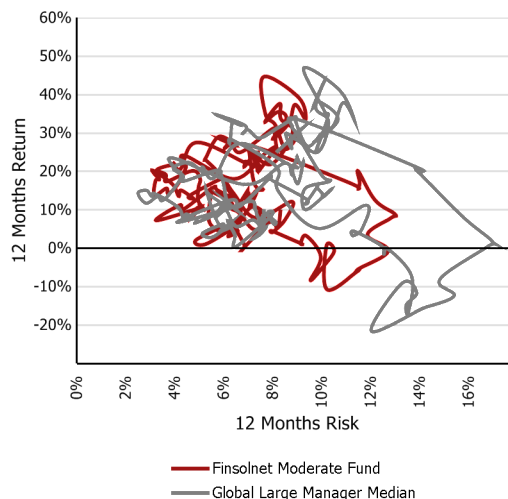
	FUND	BM	DIFFERENCE
1 month	3.0%	2.8%	0.2%
3 month	5.3%	4.2%	1.0%
6 month	1.3%	1.2%	0.1%
Year to date	1.3%	1.2%	0.1%
1 year	10.1%	11.0%	-0.9%
2 year	6.0%	6.8%	-0.8%
3 year	6.9%	7.6%	-0.7%
5 year	11.5%	10.8%	0.7%

FUND SENSITIVITY TO EQUITY MARKET



This scatterplot indicates the extent to which fund returns are correlated with those of the equity market.

12 MONTHS RISK/RETURN SNAIL TRAIL



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