
FORLIFE MEMBER COMMUNICATION

SEPTEMBER 2017

A SNEAK PEEK INTO THE BEST OF BOTH WORLDS

WHAT'S ALL THE FUSS AROUND BITCOIN?

The price of Bitcoin has increased by a staggering 50 000% over the past five years (yes, you have read that correctly) from \$12 to almost \$6 000 attracting rising interest from investors. However, the price of Bitcoin has also suffered several sharp declines over this period and is clearly very volatile. We are not going to pretend to be experts on this rapidly emerging technology, but there are some very important investment principles to consider (the first of which is to avoid investing in something you don't fully understand, even if it has made other people a lot of money).

WHAT EXACTLY IS BITCOIN?

Bitcoin is the best known of the so-called cryptocurrencies (although it is only one of thousands). According to its creator, Satoshi Nakamoto (probably a pseudonym), Bitcoin is a "purely peer-to-peer version of electronic cash" allowing online payments "to be sent directly from one party to another without going through a financial institution". It relies on an emerging technology known as blockchain, a digital, decentralised and public ledger.

Blockchain advocates regard it as a more efficient, cheaper, quicker, safer and transparent way of transacting, compared to traditional banks. Transferring money is one of many applications of blockchain technology. Processes which place a cost on enforcing trust (such as transferring money, exchanging derivatives, enforcing legal contracts and verifying audits) can be made significantly more efficient using blockchains.

HOW BLOCKCHAIN LEDGERS WORK

Currently, a transaction between two parties typically involves two ledger entries, one at party A's bank and then one at party B's bank. With blockchain technology, the transaction appears simultaneously and publicly on both parties' ledgers for verification, making it quicker and more transparent while eliminating the need for a central authority to guard against manipulation. All transactions are cryptographically (but not centrally) confirmed, stored and protected.

WHY ALL THE HYPE?

The hype is driven by three factors: firstly, as mentioned above, the more the price of Bitcoin rises, the more attention it attracts. Secondly, it does appear to be a fundamentally useful technology. Thirdly, post the global financial crisis, many have lost faith in the traditional financial institutions and in the central banks that manage the system. Bitcoin is seen as an alternative that is outside of government control and interference.

CAN BITCOIN REPLACE TRADITIONAL CURRENCIES?

Economics textbooks ascribe three characteristics to a currency: a means of exchange, a unit of account, and a store of value. Bitcoin (and its cousin cryptocurrencies) tick the first box but the second two are questionable. We are very far from a point where companies or individuals measure their income and expenses in Bitcoin (and since Bitcoin's value is expressed in dollars, it is the dollar that would remain the unit of account). Its volatility means that it is unlikely to be seen as a store of value.

Moreover, currencies are backed by a lender of last resort (the issuing central bank) to step in when trust between market participants and liquidity evaporates. With Bitcoin, the trust lies in the fact that transactions are cryptographically protected. The fact that there is no central authority backing Bitcoin and that it is largely outside government reach is seen by its fans as a plus. But who will step in if trust in Bitcoin has been breached? The global financial crisis showed not only the importance of authorities stepping in to put out fires, but also the inherent instability of unfettered markets revealing that financial activities need a form of regulation. The US dollar remains the world's reserve currency because of the strong US legal system, the backing of their government, the credibility of the central bank (the Fed) as lender of last resort as well as the very deep, liquid and open capital markets where dollar assets can be traded.

Source: Datastream

IS BITCOIN A BUBBLE OR THE REAL DEAL?

There is no standard financial definition of a bubble, but broadly speaking it has the following four elements which are all present:

- A compelling story, usually of a revolutionary new technology (e.g. railroads, automobiles, the internet) or an almost infinite new source of demand (Chinese demand for commodities) or a severe supply restriction (peak oil).
- Rapid price increases completely divorced from any measure of intrinsic value.
- A frenzy of euphoric speculative activity, attracting non-professional investors. Over-exuberance can very easily turn into fear and therefore prices can re-rate extremely quickly.
- The availability of cheap credit.

The lesson of the 1990s internet bubble (and earlier iterations) is that although the hype of the new technology was justified – the internet has transformed our homes, businesses, and social connections – investors were simply prepared to pay way too much for IT companies. For instance, Microsoft's share price took 16 years to regain and surpass its December 1999 level despite the widespread use and profitability of its software. Too much good news was priced in. A different example: smartphones are ubiquitous today, but buying shares in Blackberry, the first smartphone maker, would have been a terrible investment (Blackberry's share price fell from a peak of \$319 in June 2008 to \$24 today).

WHAT ARE THE RISKS?

The first main risk is simply valuation: Bitcoin's price surge means any growth will have to take place off an already-high base.

The second risk area is a regulatory one. The more widespread cryptocurrencies are used, the more likely governments are to step in to limit tax evasion, money laundering, bypassing of capital controls (a big issue in China), and all manner of illicit activities.

The third risk area is competition: it is often argued that Bitcoin's price is supported by its limited supply (that has to be "mined"), but there is virtually no limit to the amount of competing cryptocurrencies.

Blockchain technology will likely reshape global financial (and other trust-based) processes, but this is no guarantee that Bitcoin will maintain a leading position (remember MySpace came before Facebook, eBay was dominant before Amazon, Hotmail used to be more popular than Gmail and at least five major search engines came before Google's domination). There are already cheaper, faster, more efficient and more anonymous cryptocurrencies available.

Traditional institutions will not stand by if their lucrative core business areas are under threat, and many are already making big investments in new technologies, including blockchains. Many major global banks, multinationals, governments and leading universities have been building blockchain-based systems and applications across a variety of valid use-cases. These institutions have both resources and client bases which exceed the current reach of Bitcoin.

WILL MY FUNDS INVEST IN BITCOIN?

No, firstly because Collective Investment Schemes may not, at this stage, invest in cryptocurrencies. But more importantly, while blockchain might turn out to be a game-changing technology, the speculative nature of Bitcoin means that we cannot reasonably build conviction in future price expectations. Fiat currencies can be assessed by their fundamentals (economic growth, inflation, monetary policy and governance), but Bitcoin's intrinsic value is almost impossible to pin down. While supply is known (limited coins are created at a rate that can reasonably be assessed by mining 'hash' power and transaction rates), demand varies widely – hence creating the characteristic volatility we see in the Bitcoin price – and is subject to the risks discussed above. Also, since Bitcoin pays no interest, future returns depend entirely on price increases, instead of compounding income over time.

In summary, it is an exciting technology, but not an exciting investment opportunity.

FUND PERFORMANCE

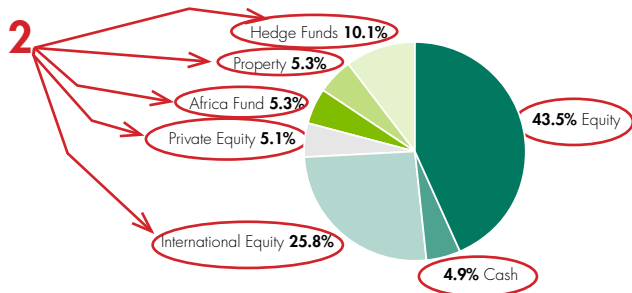
A PICTURE ...

... speaks a thousand words ... so instead of putting you to sleep with boring spreadsheets and wordy essays, we've captured the performance of your funds in simple snapshots. Here's an example of what the information on each diagram is telling you:

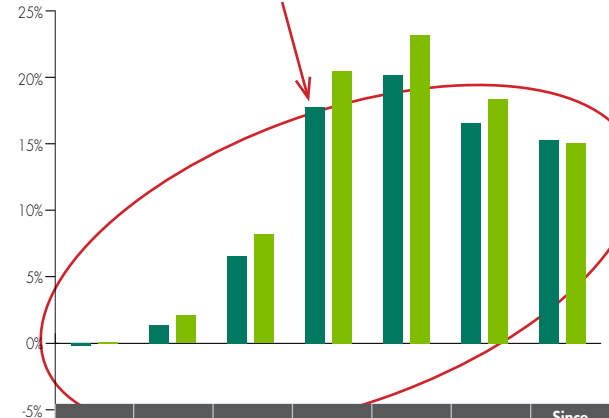
AGGRESSIVE FUND

1 →

Assets under management	R2 335 746 470
Inception date	1 April 2000
Fund objective	The Fund has been designed to maximise real returns and capital growth over the long term.
Asset Allocation as at 30 September 2017:	



RETURNS



3

	1 month	3 months	6 months	1 year	3 years*	5 years*	Since inception*
Fund	0.2%	1.4%	6.6%	17.8%	20.2%	16.6%	15.3%
Benchmark	0.1%	2.1%	8.2%	20.5%	23.2%	18.4%	15.1%

- Returns for periods greater than 1 year are annualised.
 - Where applicable all returns reflected are net of performance fees paid to underlying managers. Where net priced asset manager portfolios are used, returns stated are net of net priced asset manager fees and gross of Old Mutual Multi-Manager fees.
 - The benchmark comprises appropriate market indices weighted by the Fund's strategic allocation.
- Sources: Old Mutual Multi-Managers and INet

#1: This figure refers to how big the Fund is in terms of the total market value of the assets Old Mutual Multi-Managers manage collectively for you and all the other clients invested in the Fund.

#2: This pie chart indicates which asset classes Old Mutual Multi-Managers has invested your money in if you are an investor in the Fund, as well as the weighting to each asset class.

#3: These figures are the "yardstick" or "goal" for returns the Fund managers work towards when they manage these funds.

#4: This graph shows how the Fund has performed in relation to its benchmark over different time periods.



FORLIFE

Forlife offers a single solution to your retirement saving needs, throughout your working life. During the earlier years of your career you will be invested in one of our risk-profiled funds. This is called the **Pre-Horizon Fund**. As you approach retirement, and depending on the elected risk profile, you will be switched to an appropriate Horizon Fund for the year in which you intend to retire. The purpose of this switch is to reduce your investment risk as you near retirement.

DID YOU KNOW?

There are three types of Pre-Horizon Funds, each of which has a different risk profile:

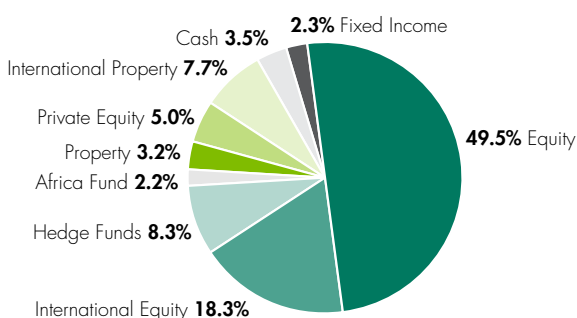
- Aggressive Fund:** This is the most aggressive of the Pre-Horizon Funds, with the highest expected risk and return.
- Absolute Balanced Fund:** This is a medium-risk fund that targets returns of 6% p.a. above CPI inflation (before fees) over the long term and no negative returns over 18-month periods.
- Absolute Defensive Fund:** This is the lowest risk Pre-Horizon Fund that targets returns of 4% p.a. above CPI inflation (before fees) over the long term and no negative returns over 12-month periods.

To **check which fund you are invested in**, refer to the column with your elected risk profile and then look at the row that contains your intended retirement year.

YEAR OF RETIREMENT	PRE-HORIZON FUND		
	AGGRESSIVE	ABSOLUTE BALANCED	ABSOLUTE DEFENSIVE
after 2023	Aggressive Fund	Absolute Balanced	Absolute Defensive
2023	Horizon Fund	Absolute Balanced	Absolute Defensive
2022	Horizon Fund	Absolute Balanced	Absolute Defensive
2021	Horizon Fund	Horizon Fund	Absolute Defensive
2020	Horizon Fund	Horizon Fund	Absolute Defensive
2019	Horizon Fund	Horizon Fund	Horizon Fund
2018	Horizon Fund	Horizon Fund	Horizon Fund
2017	Horizon Fund	Horizon Fund	Horizon Fund
2016	Horizon Fund	Horizon Fund	Horizon Fund

AGGRESSIVE FUND

Assets under management R1 411 798 120
 Inception date 1 April 2000
 Fund objective
 The Fund has been designed to maximise real returns and capital growth over the long term.
 Asset Allocation as at 30 September 2017:



RETURNS



1. Returns for periods greater than 1 year are annualised.
 2. Where applicable all returns reflected are net of performance fees paid to underlying managers. Where net priced asset manager portfolios are used, returns stated are net of net priced asset manager fees and gross of Old Mutual Multi-Manager fees.
 3. The benchmark comprises appropriate market indices weighted by the Fund's strategic allocation.

Sources: Old Mutual Multi-Managers and INet

FUND PERFORMANCE

ABSOLUTE BALANCED FUND

Assets under management R2 125 981 543

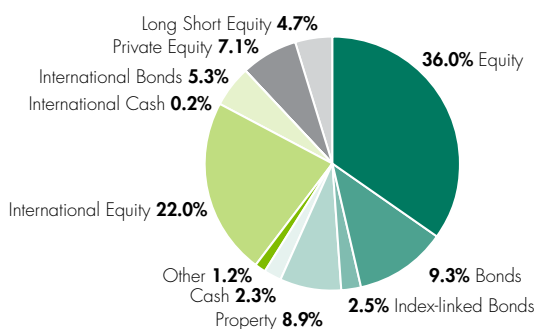
Inception date 1 May 2004

Fund objective

The Fund targets CPI +6% (before fees where applicable) over the longer term and no negative returns over rolling 18-month periods.

Investment objectives are not guaranteed.

Asset Allocation as at 30 September 2017:



RETURNS



- Returns for periods greater than 1 year are annualised.
 - Where applicable all returns reflected are net of performance fees paid to underlying managers. Where net priced asset manager portfolios are used, returns stated are net of net priced asset manager fees and gross of Old Mutual Multi-Manager fees.
 - The benchmark is CPI +6%.
- Investment objectives are not guaranteed.

Sources: Old Mutual Multi-Managers and INet

ABSOLUTE DEFENSIVE FUND

Assets under management R1 003 780 714

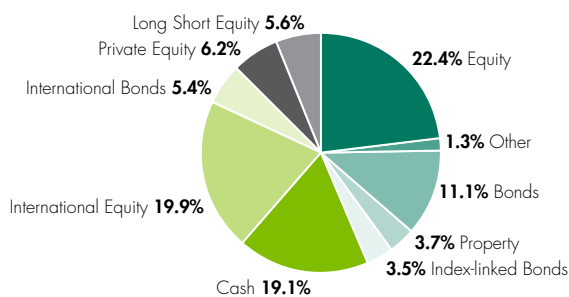
Inception date 1 October 2002

Fund objective

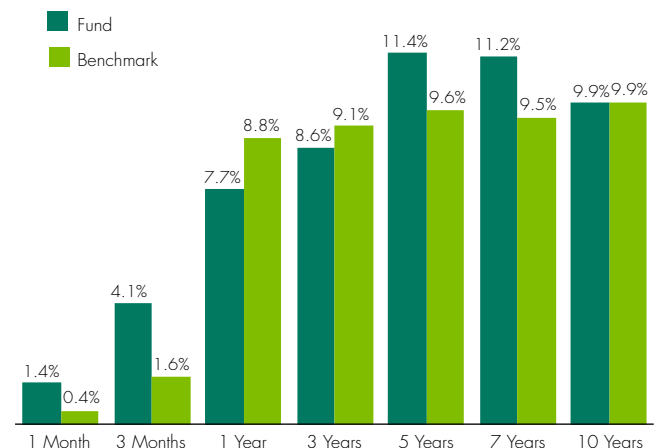
The Fund targets CPI +4% (before fees where applicable) over the longer term and no negative returns over rolling 12-month periods.

Investment objectives are not guaranteed.

Asset Allocation as at 30 September 2017:



RETURNS



- Returns for periods greater than 1 year are annualised.
 - Where applicable all returns reflected are net of performance fees paid to underlying managers. Where net priced asset manager portfolios are used, returns stated are net of net priced asset manager fees and gross of Old Mutual Multi-Manager fees.
 - The benchmark is CPI +4%.
- Investment objectives are not guaranteed.

Sources: Old Mutual Multi-Managers and INet

FUND PERFORMANCE continued

CASH HORIZON FUNDS

RETURNS

	Inception Date	1 month		3 months		6 months		1 year		3 years*		5 years*		Since inception*	
		Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
2017	27-Jan-10	0.85%	0.52%	2.42%	1.69%	4.57%	3.47%	7.82%	7.58%	7.13%	8.16%	10.23%	9.62%	11.30%	10.83%
2018	27-Jan-11	1.58%	0.42%	3.69%	1.48%	5.85%	3.24%	8.10%	7.92%	7.95%	8.94%	11.31%	10.51%	11.10%	10.89%
2019	3-Apr-12	2.06%	0.35%	4.90%	1.36%	6.87%	3.17%	8.91%	8.22%	8.70%	9.60%	12.42%	11.86%	12.08%	12.16%
2020	23-Apr-14	1.77%	0.39%	5.63%	1.48%	7.08%	3.42%	8.90%	8.74%	8.39%	10.41%	-	-	8.40%	10.95%
2021	12-Nov-14	1.48%	0.44%	6.15%	1.63%	7.25%	3.76%	8.98%	9.59%	-	-	-	-	7.55%	11.63%
2022	11-May-15	1.25%	0.52%	6.30%	1.88%	7.37%	4.26%	9.01%	10.63%	-	-	-	-	5.68%	10.38%
2023	30-Apr-16	1.14%	0.60%	6.46%	2.60%	7.33%	4.77%	9.02%	9.14%	-	-	-	-	6.74%	7.88%
2024	20-Jun-17	1.06%	0.97%	7.01%	6.71%	-	-	-	-	-	-	-	-	5.60%	5.69%

* Annualised

The benchmark is a composite benchmark of the fund building blocks. The building blocks in the cash horizon funds are Aggressive Fund, OM m|m Inflation 5-7%, OM m|m Inflation 3-5%, OM m|m Inflation 1-3% Fund and the OMMM Money Market Fund.

The building blocks in the cash horizon funds changed from Forlife CPI+7% Fund, Forlife CPI+5% and Forlife CPI+3% Fund to OM m|m Inflation 5-7%, OM m|m Inflation 3-5% and OM m|m Inflation 1-3% Fund.

ASSET ALLOCATION AND MANAGERS

	Equities	Property	Fixed Income	Alternative Assets	Money Market	International Equity	International Property
2017	0.6%	0.9%	9.3%	1.2%	84.2%	3.0%	0.8%
2018	2.3%	3.5%	37.6%	4.7%	36.6%	12.2%	3.2%
2019	7.6%	5.5%	54.9%	7.5%	-	19.5%	5.1%
2020	22.2%	5.5%	38.6%	7.8%	-	20.7%	5.3%
2021	36.8%	5.4%	22.8%	7.9%	-	21.7%	5.4%
2022	45.6%	5.4%	15.7%	7.3%	-	21.0%	5.0%
2023	49.4%	5.2%	11.5%	7.8%	0.4%	20.6%	5.2%
2024	49.9%	4.1%	6.0%	11.1%	2.3%	20.0%	6.6%
Managers	Visio	Sesfikile	Coronation	Old Mutual	Prescient	Coronation	Catalyst
	Prudential	Catalyst	Prudential	Old Mutual Multi-Managers	SIM	Gins Global	Black Rock
	Coronation		Prescient			Orbis	
			Futuregrowth			Baillie Gifford	
						Harris Associates	

FUND PERFORMANCE continued

BOND HORIZON FUNDS

RETURNS

	Inception date	1 month		3 months		6 months		1 year		3 years*		5 years*		Since inception*	
		Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
2017	27-Jan-10	1.35%	1.35%	3.85%	3.93%	4.65%	4.93%	7.03%	7.17%	7.08%	6.97%	10.19%	8.88%	11.19%	10.22%
2018	27-Jan-11	1.35%	1.35%	3.85%	3.93%	4.65%	4.93%	7.08%	7.17%	7.54%	8.53%	11.03%	10.26%	10.92%	10.55%
2019	27-Mar-12	1.37%	1.24%	4.13%	3.63%	5.90%	4.90%	16.96%	8.62%	11.58%	10.44%	14.19%	12.37%	13.89%	12.67%
2020	08-Jul-16	1.48%	0.72%	5.24%	2.30%	6.36%	3.88%	8.01%	9.16%	-	-	-	-	7.53%	9.26%

* Annualised

The benchmark is a composite benchmark of the fund building blocks. The building blocks in the cash horizon funds are Aggressive Fund, OM m|m Inflation 5-7%, OM m|m Inflation 3-5% Fund and the Long Bond Fund. The building blocks in the bond horizon funds changed from Fortife CPI+7% Fund and Fortife CPI+5% Fund to OM m|m Inflation 5-7% and OM m|m Inflation 3-5% Fund.

ASSET ALLOCATION AND MANAGERS

	Equities	Property	Long Bond	Fixed Income	Alternative Assets	International Equity	International Property
2017	-	-	100.0%	-	-	-	-
2018	-	-	100.0%	-	-	-	-
2019	4.5%	0.7%	90.4%	-	1.0%	2.8%	0.7%
2020	23.5%	3.6%	-	49.3%	5.3%	14.6%	3.7%
Managers	Visio	Sesfikile	Futuregrowth	Coronation	Old Mutual	Coronation	Catalyst
	Prudential	Catalyst		Prudential	Old Mutual Multi-Managers	Gins Global	Black Rock
	Coronation			Prescient		Orbis	
				Futuregrowth		Baillie Gifford	
						Harris Associates	

FUND PERFORMANCE continued

LIVING ANNUITY HORIZON FUNDS

RETURNS

	Inception date	1 month		3 months		6 months		1 year		3 years*		Since inception*	
		Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
2017	29-Sep-10	1.52%	0.42%	6.08%	1.57%	7.16%	3.58%	9.10%	8.94%	8.62%	10.00%	11.92%	11.50%
2018	30-Apr-11	1.50%	0.43%	6.11%	1.60%	7.20%	3.65%	9.06%	9.20%	8.50%	10.37%	11.65%	11.46%
2019	30-Apr-12	1.43%	0.46%	6.18%	1.69%	7.25%	3.85%	9.05%	9.62%	8.37%	10.79%	12.13%	12.75%
2020	27-May-13	1.36%	0.50%	6.25%	1.79%	7.30%	4.05%	9.05%	10.03%	-1.95%	11.21%	3.78%	12.66%
2021	01-Apr-14	1.28%	0.53%	6.32%	1.89%	7.36%	4.25%	9.03%	10.45%	8.12%	11.89%	8.82%	12.50%
2022	23-Apr-15	1.20%	0.56%	6.38%	1.98%	7.40%	4.44%	9.07%	10.87%	-	-	5.84%	9.70%
2023	04-Jul-16	1.14%	0.60%	6.46%	2.60%	7.34%	4.77%	8.97%	9.14%	-	-	10.02%	8.08%
2024	20-Jun-17	1.05%	0.97%	6.50%	6.71%	-	-	-	-	-	-	6.72%	6.71%

* Annualised

The benchmark is a composite benchmark of the fund building blocks. The building blocks in the cash horizon funds are Aggressive Fund, OM m|m Inflation 5-7% and OM m|m Inflation 3-5% Fund.

The building blocks in the living annuity horizon funds changed from Forlife CPI+7% Fund and Forlife CPI+5% Fund to OM m|m Inflation 5-7% and OM m|m Inflation 3-5% Fund.

ASSET ALLOCATION AND MANAGERS

	Equities	Property	Fixed Income	Alternative Assets	Money Market	International Equity	International Property
2017	35.1%	5.4%	24.1%	8.0%	-	21.8%	5.5%
2018	35.9%	5.4%	23.5%	7.9%	-	21.8%	5.5%
2019	49.3%	5.4%	12.7%	7.1%	-	20.7%	4.9%
2020	35.1%	5.4%	24.1%	8.0%	-	21.8%	5.5%
2021	44.3%	5.4%	16.7%	7.4%	-	21.1%	5.1%
2022	47.5%	5.4%	14.1%	7.2%	-	20.8%	5.0%
2023	49.4%	5.1%	11.4%	7.8%	0.4%	20.6%	5.2%
2024	49.9%	3.9%	5.4%	11.5%	2.5%	20.0%	6.7%
Managers	Visio	Sesikile	Coronation	Old Mutual	Prescient	Coronation	Catalyst
	Prudential	Catalyst	Prudential	Old Mutual Multi-Managers	SIM	Gins Global	Black Rock
	Coronation		Prescient			Orbis	
			Futuregrowth			Baillie Gifford	
						Harris Associates	

FUND PERFORMANCE continued

WITH-PROFIT ANNUITY HORIZON FUNDS

RETURNS

	Inception date	1 month		3 months		6 months		1 year		3 years		Since inception*	
		Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
2017	11-Aug-11	0.80%	0.22%	2.13%	0.96%	4.01%	2.33%	7.76%	6.33%	9.11%	7.02%	12.32%	9.33%
2018	31-Oct-12	0.80%	0.22%	2.13%	0.96%	4.01%	2.33%	7.64%	6.33%	8.47%	7.94%	11.23%	9.75%
2019	31-Oct-12	0.89%	0.25%	2.78%	1.04%	4.68%	2.56%	7.17%	7.14%	8.05%	9.14%	11.50%	11.31%
2020	28-Feb-13	1.30%	0.35%	4.81%	1.34%	6.28%	3.19%	7.94%	8.45%	8.07%	10.30%	11.31%	12.96%
2021	31-Oct-14	1.48%	0.44%	6.15%	1.63%	7.25%	3.76%	8.98%	9.59%	-	-	8.12%	11.45%
2022	31-Mar-15	1.30%	0.52%	6.32%	1.88%	7.38%	4.26%	9.03%	10.63%	-	-	6.84%	9.88%
2023	30-Apr-16	1.14%	0.60%	6.46%	2.60%	7.33%	4.77%	9.02%	9.14%	-	-	4.99%	7.88%
2024	20-Jun-17	1.06%	0.77%	6.51%	6.21%	-	-	-	-	-	-	6.51%	6.21%

* Annualised

The benchmark is a composite benchmark of the fund building blocks. The building blocks in the With Profit funds are Aggressive Fund, OM m|m Inflation 5-7%, OM m|m Inflation 3-5% Fund and the Forlife CoreGrowth Fund.

The building blocks in the with profit horizon funds changed from Forlife CPI+7% Fund and Forlife CPI+5% Fund to OM m|m Inflation 5-7% and OM m|m Inflation 3-5% Fund.

ASSET ALLOCATION AND MANAGERS

	Equities	Property	Fixed Income	Alternative Assets	Money Market	International Equity	International Property
2017	-	-	-	100.0%	-	-	-
2018	-	-	-	100.0%	-	-	-
2019	4.8%	0.7%	3.3%	87.4%	-	3.0%	0.8%
2020	24.4%	3.8%	16.7%	36.2%	-	15.1%	3.8%
2021	36.9%	5.4%	22.7%	7.8%	-	21.7%	5.4%
2022	44.3%	5.4%	16.7%	7.4%	-	21.1%	5.1%
2023	49.4%	5.1%	11.3%	7.9%	0.5%	20.5%	5.2%
2024	49.9%	4.0%	5.7%	11.3%	2.4%	20.0%	6.7%
Managers	Visio	Sesfikile	Coronation	Old Mutual	Prescient	Coronation	Catalyst
	Prudential	Catalyst	Prudential	Old Mutual Multi-Managers	SIM	Gins Global	Black Rock
	Coronation		Prescient			Orbis	
			Futuregrowth			Baillie Gifford	
						Harris Associates	



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