FORLIFE MEMBER COMMUNICATION
DECEMBER 2017

A SNEAK PEEK INTO THE BEST OF BOTH WORLDS

OLDMUTUAL

POSITIVE OUTLOOK FOR 2018

For the first time in a while, the New Year has kicked off with both good returns for investors and a positive outlook for the months ahead. The global economy ended 2017 on a high note, and this positive momentum looks set to carry over into 2018. All the major economies – including the US, Europe, Japan and China - are growing at the same time. This is the first "synchronised" upswing since the end of the Global Financial Crisis in 2009. It is not that global growth is historically strong now – it is pretty much in line with long-term average growth – but that over the past decade we've become so used to mediocre growth.

Of course there are always risks – especially given that the current US administration is the most unpredictable in living memory – but there is also a danger that we've become so used to focusing on risks and seeing the next crisis around the corner, that we overlook signs of improvement, and write off items of good news as being one-offs. Instead what we could very well be at the early stages where a virtuous cycle of rising confidence, faster economic growth, job creation and fixed investment spending.

FAVOURABLE BACKDROP FOR MARKETS

With stronger economic growth, companies can grow top line revenues. The bottom line is helped by the fact that financing costs (interest rates) are still very low and that wage costs are increasing very slowly. US companies have just been given a further gift of a massive corporate tax cut – from 35% to 21%. All this is positive for shareholders, as we've seen above from the strong equity returns in 2017. As the world economy returns to normal, interest rates should also rise. But with inflation still low around the world (but no longer so low that central banks are panicking about potential deflation), interest rate increases are expected to be gradual. All in all, it is what many commentators have called a "goldilocks' environment – not too hot (i.e. no overheating and runaway inflation) and not too cold (in terms of economic activity) - for financial markets.

LOCAL OUTLOOK BETTER

The outlook for South Africa is also much better. To understand why it is important to realise why things were so dire to begin with. Between 2013 and 2017, the global environment was extremely unfavourable towards South Africa: commodity prices collapsed, capital flowed out of the country (and other emerging markets) and the rand fell sharply, putting upward pressure on inflation and interest rates. The country also experienced the worst drought in a century, which not only hurt the farming community, but also resulting in a food price shock. And then there were the own goals, including load-shedding, restrictive new visa rules, surprise Cabinet reshuffles and political uncertainty in general.

In terms of the global environment, things are now much more favourable towards us. Commodity prices have firmed up and capital has been flowing into emerging markets. The global economy is finally firing on all cylinders, and South Africa as a small and open economy tends to follow the global cycle with a bit of a lag. As a result, South Africa posted a trade surplus (difference between exports and imports) of R80 billion in 2017. The surplus was only R1 billion in 2016, while imports exceeded exports every year between 2011 and 2015.

It also looks like we'll see fewer own goals being scored. Specifically, sentiment around the political situation has improved substantially following the ANC's December elective conference at Nasrec. Since winning the ANC presidency in a tight race, Cyril Ramaphosa has made all the right noises in terms of focusing on economic growth, investor confidence, combatting corruption and fixed state owned enterprises specifically. It is still early days and there is much uncertainty, but one crucial change has been appointing a strong new board of directors at Eskom. Although Eskom is no longer crippling the economy with rolling blackouts, it risks doing so with its debt burden.

The rand has rallied since December because of the more supportive global environment and because investors now expect some political and economic policy reforms. A stronger currency improves the inflation outlook, which means that the real income growth of South Africans can improve. Since South Africans tend to spend what they earn, real income growth is the main determinant of consumers spending, which in turn accounts for around 60% of economic activity. The other benefit of lower inflation is that it gives the Reserve Bank some room to potentially cut rates once or twice later this year.

The big potential headwind for consumers will come at the February Budget. The South African government needs to stop the unsustainable growth in its debt level, but its tax revenues have grown disapprovingly slow. At the same time, the ability to cut spending is limited and the announcement of free higher education for low income students just adds to the long list of spending needs. Tax rate increases are therefore likely, possibly even an increase in the VAT rate. If the economy surprises on the upside – if we also have a virtuous cycle of sentiment, growth and investment, all of which are low and with plenty of room for improvement – tax revenue collection should also improve and limit the need for tax rate hikes. This is the tricky balancing act the Minister of Finance (whoever he or she will be in February) will have to follow: hike taxes too much and you might hurt the economy and end up getting even less tax revenue.

INVESTMENT IMPLICATIONS

The outlook has improved and markets have responded, but as always diversification is important since we can never know exactly how the future will unfold. Not too long ago, in the middle of last year, things were still looking pretty bleak locally (downgrades, technical recession, and political uncertainty).

FUND PERFORMANCE

FORLIFE

OLD MUTUAL MULTI-MANAGERS
DECEMBER 2017

DESCRIPTION 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 the Old Mutual Multi-Managers 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 depending on the year in which you intend to retire. The purpose of this switch is to reduce your investment risk as you near retirement.

There are three types of pre-horizon funds, each of which has a different risk profile:

- **Max 28:** This is the most aggressive of the pre-horizon funds, with the highest expected risk and return over the long term.
- **Absolute Balanced Fund:** This is a medium-risk fund that targets returns of 6% p.a. above CPI inflation (before fees where applicable) over the longer term and no negative returns over 18-month periods. Investment objectives are not guaranteed.
- **Absolute Defensive Fund:** This is the lowest risk pre-horizon fund that targets returns of 4% p.a. above CPI inflation (before fees where applicable) over the longer term and no negative returns over 12-month periods. Investment objectives are not guaranteed.

At a certain point before retirement, you will be switched out of your pre-horizon fund, into a horizon fund designed for the specific year in which you will retire. The exact point at which you will be switched will depend on your pre-horizon fund, as illustrated in the table below.

WHERE YOU ARE AND WHEN

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.

	PRE-HORIZON FUND		
YEAR OF RETIREMENT	**MAX 28**	**ABSOLUTE BALANCED**	**ABSOLUTE DEFENSIVE**
after 2024	Max 28 Fund	Absolute Balanced	Absolute Defensive
2024	Horizon Fund	Absolute Balanced	Absolute Defensive
2023	Horizon Fund	Absolute Balanced	Absolute Defensive
2022	Horizon Fund	Horizon Fund	Absolute Defensive
2021	Horizon Fund	Horizon Fund	Absolute Defensive
2020	Horizon Fund	Horizon Fund	Horizon Fund
2019	Horizon Fund	Horizon Fund	Horizon Fund
2018	Horizon Fund	Horizon Fund	Horizon Fund
2017	Horizon Fund	Horizon Fund	Horizon Fund

HORIZON FUND MIGRATION DESCRIPTION:

There are currently four different kinds of horizon funds.

The **Cash Migration** Horizon Funds are designed for members that expect to take cash at retirement. These funds will reduce the chance of losing capital as you approach retirement.

The **Bond Migration** Horizon Funds are designed for members that expect to take a guaranteed annuity at retirement. These funds will reduce your exposure to fluctuating annuity rates as you approach retirement.

The **Living Annuity Migration** Horizon Funds are designed for members that expect to take a living annuity at retirement. These funds will maintain exposure to a market-linked investment portfolio as you approach retirement.

The **With-Profit Annuity Migration** Horizon Funds are designed for members that expect to take a with-profit annuity at retirement. These funds will smooth your investment returns as you approach retirement.

Note that if you are invested in a horizon fund, then you will either be in a Cash Migration Horizon Fund, a Bond Migration Horizon Fund, a Living Annuity Migration Horizon Fund, a With-Profit Annuity Migration Horizon Fund, or possibly in a combination of these funds. Please contact the principal officer (or other designated contact person) of your retirement fund if you are unsure about the pre-Horizon portfolio or Horizon portfolio in which you are invested.

FUND PERFORMANCE

The following section shows the performance of the various pre horizon and a horizon funds. Please ensure that you look at the returns of the fund you are invested in. You will never be simultaneously invested in a pre horizon and a horizon fund.

OLDMUTUAL

FUND **PERFORMANCE**

MAX 28 FUND

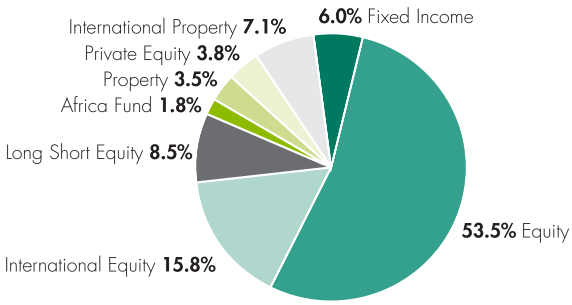
Assets under management R1 777 696 308

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 31 December 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 I-Net

ABSOLUTE BALANCED FUND

Assets under management R2 168 861 842

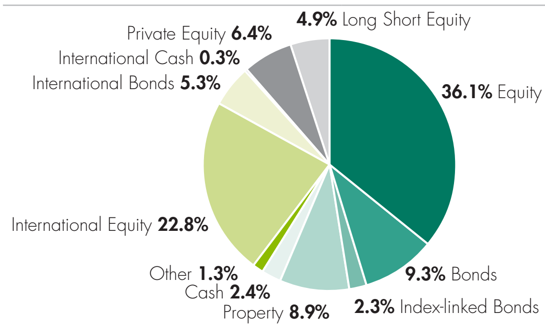
Inception date 1 May 2004

Fund objective

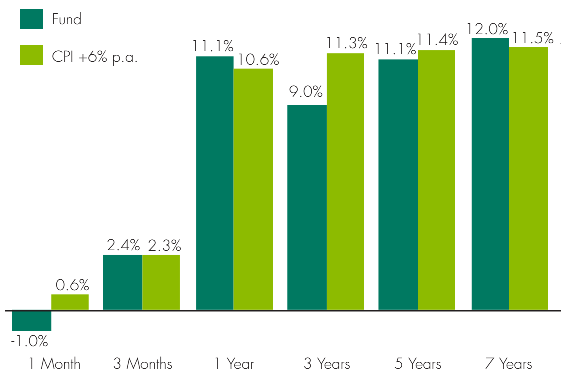
The Fund targets CPI +6% (before fees where applicable) over the longer term and no negative returns over rolling 18-month periods.

Investment objectives are not guaranteed.

Asset Allocation as at 31 December 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 is CPI +6%.

Investment objectives are not guaranteed.

Sources: Old Mutual Multi-Managers and I-Net

ABSOLUTE DEFENSIVE FUND

Assets under management R1 021 861 336

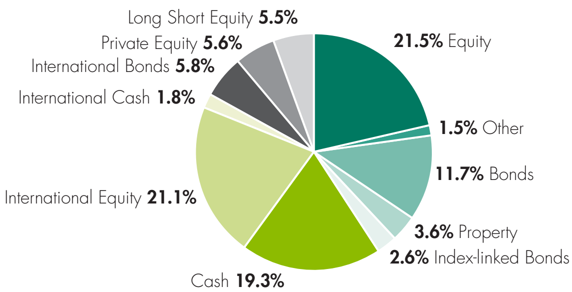
Inception date 1 October 2002

Fund objective

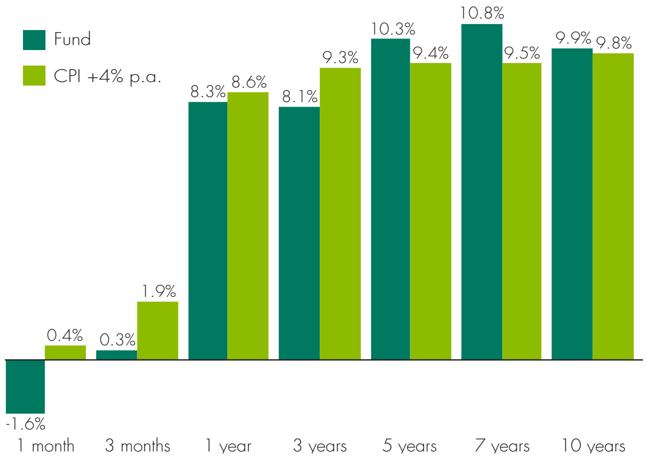
The Fund targets CPI +4% (before fees where applicable) over the longer term and no negative returns over rolling 12-month periods.

Investment objectives are not guaranteed.

Asset Allocation as at 31 December 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 is CPI +4%.

Investment objectives are not guaranteed.

Sources: Old Mutual Multi-Managers and I-Net

FUND **PERFORMANCE** continued

CASH HORIZON FUNDS

RETURNS

		1 month		3 months		6 months		1 year		3 years*		5 years*		Since inception*	
	Inception Date	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
2017	27-Jan-10	0.67%	0.54%	2.05%	1.69%	4.52%	3.40%	9.15%	7.50%	6.76%	8.34%	9.65%	9.27%	11.20%	10.66%
2018	27-Jan-11	0.57%	0.44%	1.64%	1.65%	5.39%	3.16%	10.37%	7.81%	7.38%	9.02%	10.56%	10.10%	11.05%	10.67%
2019	3-Apr-12	0.48%	0.34%	1.43%	1.62%	6.39%	3.00%	11.56%	7.94%	8.03%	9.59%	11.49%	11.06%	12.01%	11.79%
2020	23-Apr-14	-0.42%	0.38%	2.09%	1.74%	7.84%	3.25%	12.85%	8.46%	7.94%	10.35%	-	-	8.73%	10.54%
2021	12-Nov-14	-1.30%	0.42%	4.70%	1.86%	11.14%	3.53%	16.06%	9.17%	8.71%	11.23%	-	-	8.80%	11.13%
2024	20-Jun-17	-1.90%	0.60%	3.53%	4.39%	10.78%	9.37%	-	-	-	-	-	-	10.48%	9.37%

* 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	-	-	-	-	100.0%	-	-
2018	1.6%	2.4%	32.8%	2.5%	47.7%	10.6%	2.3%
2019	3.1%	4.7%	62.7%	4.8%	-	20.4%	4.4%
2020	19.9%	4.8%	45.6%	3.7%	-	21.4%	4.7%
2021	36.7%	4.9%	28.4%	2.6%	-	22.4%	5.1%
2024	51.0%	4.3%	9.7%	8.6%	-	20.2%	6.1%
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

		1 month		3 months		6 months		1 year		3 years*		5 years*		Since inception*	
	Inception date	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
2017	27-Jan-10	5.97%	6.38%	2.36%	2.25%	6.30%	6.27%	9.33%	9.66%	6.54%	6.58%	9.67%	8.66%	11.21%	10.26%
2018	27-Jan-11	5.97%	6.38%	2.36%	2.25%	6.30%	6.27%	9.33%	9.66%	7.22%	8.83%	10.44%	9.98%	10.96%	10.58%
2020	08-Jul-16	0.78%	3.36%	1.18%	2.00%	6.48%	4.34%	10.92%	8.90%	-	-	-	-	7.69%	9.06%

* 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 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	Long Bond	Fixed Income	Alternative Assets	International Equity	International Property
2017	-	-	100.0%	-	-	-	-
2018	-	-	100.0%	-	-	-	-
2020	25.7%	3.4%	-	49.9%	1.8%	15.6%	3.5%
Managers	Visio	Sesfikile	Future Growth	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
2016	31-Oct-17	-1.30%	0.42%	-	-	-	-	-	-	-	-	-1.04%	1.04%
2017	29-Sep-10	-1.30%	0.42%	2.66%	1.86%	8.91%	3.46%	13.65%	8.79%	8.38%	10.10%	11.89%	11.37%
2018	30-Apr-11	-1.30%	0.42%	2.70%	1.86%	8.97%	3.49%	13.75%	8.94%	8.26%	10.43%	11.63%	11.31%
2019	30-Apr-12	-1.38%	0.46%	2.87%	1.96%	9.22%	3.69%	14.03%	9.36%	8.19%	10.85%	12.12%	12.54%
2020	07-Apr-15	-1.46%	0.49%	3.04%	2.06%	9.47%	3.88%	14.32%	9.77%			7.14%	12.42%
2021	01-Apr-14	-1.55%	0.52%	3.21%	2.15%	9.73%	4.08%	14.59%	10.19%	8.26%	11.71%	9.12%	12.25%
2022	23-Apr-15	-1.64%	0.55%	3.39%	2.25%	9.99%	4.28%	14.88%	10.61%	-	-	6.59%	9.65%
2023	04-Jul-16	-1.72%	0.58%	3.55%	2.35%	10.23%	5.01%	15.13%	10.83%	-	-	13.92%	8.34%
2024	20-Jun-17	-1.90%	0.60%	3.54%	4.39%	10.27%	9.37%	-	-	-	-	10.50%	9.37%

* 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	International Equity	International Property
2016	36.7%	4.9%	28.3%	2.6%	22.4%	5.1%
2017	36.7%	4.9%	28.3%	2.6%	22.4%	5.1%
2018	36.7%	4.9%	28.3%	2.6%	22.4%	5.1%
2019	39.1%	4.9%	25.4%	3.1%	22.5%	5.1%
2020	41.4%	5.0%	22.4%	3.6%	22.5%	5.1%
2021	43.8%	5.1%	19.4%	4.0%	22.6%	5.1%
2022	46.2%	5.1%	16.4%	4.5%	22.7%	5.1%
2023	48.5%	5.2%	13.4%	5.0%	22.8%	5.1%
2024	51.0%	4.3%	9.7%	8.6%	20.2%	6.1%
Managers	Visio	Sesfikile	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

WITH-PROFIT ANNUITY HORIZON FUNDS

RETURNS

		1 month		3 months		6 months		1 year		3 years		Since inception*	
	Inception date	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
2017	11-Aug-11	0.77%	0.22%	2.33%	1.25%	4.51%	2.22%	8.21%	6.18%	8.92%	7.11%	12.05%	9.16%
2018	31-Oct-12	0.77%	0.22%	2.33%	1.25%	4.51%	2.22%	8.21%	6.18%	8.14%	7.88%	11.15%	9.52%
2019	31-Oct-12	0.77%	0.22%	2.64%	1.25%	5.50%	2.29%	9.89%	6.67%	7.81%	8.99%	11.47%	11.00%
2020	28-Feb-13	-0.31%	0.32%	2.88%	1.55%	7.82%	2.92%	12.71%	7.97%	7.90%	10.18%	11.34%	12.62%
2021	31-Oct-14	-1.30%	0.42%	2.75%	1.86%	9.07%	3.53%	13.91%	9.17%	8.05%	11.23%	8.38%	11.15%
2022	31-Mar-15	-1.65%	0.50%	3.25%	2.10%	9.78%	4.02%	14.69%	10.22%	-	-	7.44%	9.77%
2023	30-Apr-16	-1.72%	0.58%	3.54%	2.35%	10.23%	5.01%	15.12%	10.83%	-	-	6.50%	8.15%
2024	30-Jun-17	-1.90%	0.60%	3.53%	4.39%	10.28%	9.37%	-	-	-	-	9.45%	9.37%

* 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	International Equity	International Property
2017	-	-	-	100.0%	-	-
2018	-	-	-	100.0%	-	-
2019	-	-	-	100.0%	-	-
2020	18.9%	2.5%	14.6%	50.0%	11.5%	2.6%
2021	36.7%	4.9%	28.3%	2.6%	22.4%	5.1%
2022	48.5%	5.2%	13.4%	5.0%	22.8%	5.1%
2023	48.5%	5.2%	13.4%	5.0%	22.8%	5.1%
2024	51.0%	4.3%	9.7%	8.6%	20.2%	6.1%
Managers	Visio	Sesfikile	Coronation	Old Mutual	Coronation	Catalyst
	Prudential	Catalyst	Prudential	Old Mutual Multi-Managers	Gins Global	Black Rock
	Coronation		Prescient		Orbis	
			Futuregrowth		Baillie Gifford	
					Harris Associates	

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