



HGG Discretionary Growth PORTFOLIO COMMENTARY

MARKET COMMENTARY

2018 ended dismally for investors as global stocks booked the worst year since the financial crisis and the worst December since 1931. The JSE All Share Index also recorded its worst annual return since 2008. Fortunately, our diversified portfolio philosophy employed in our portfolios helped to limit the short term 'loss' relative to the equity market corrections. The quarterly and calendar year total market returns are as follows (in Rands):

| | Quarterly | Calendar year |
|-----------------------------------|-----------|---------------|
| JSE All Share Index | -4.88% | -8.53% |
| MSCI AC World Index | -11.45% | +3.71% |
| MSCI Emerging Market Equity Index | -6.09% | -0.85% |
| SA Bond Index | +2.74% | +7.79% |
| SA Property Index | -3.99% | -25.26% |

Source: Bloomberg

The Rand depreciated by 16% against the US\$ in 2018.

It is fair for investors to question why we could not foresee this equity market correction - diversifying more or being more cautious - but most of the reasons for the volatility were not share or manager specific or even particular to South Africa. The main reasons for the behavior of equity markets across the globe can be attributed to a combination of the following factors:

- the fear of continued Global Trade War between the US & China;
- continued interest rate hikes in the US;
- slowing global economic growth, especially in China.

Because of the extent of the poor returns suffered by nearly all investors, equity market valuations are now at attractive levels relative to their long-term history. The facts are that corporate earnings in the US are still healthy, global economic growth is expected to grow by 3% p.a., the sentiment toward equity markets can shift quickly if or when the US and China agree to a trade truce and the US Fed decides to pause on interest rate hikes. If this happens, EM currencies and equities should benefit, but we can expect further pain in EM's if the US continues with rate increases and trade wars. In SA, the SARB increased interest rates (prematurely in our view) by 0.25% to manage inflation, while the economy slowed dramatically in 2018. Inflation should be contained as the lower oil price and stable Rand towards the end of the year caused a 10% reduction in petrol prices which may help boost household consumption. Prospects for State Owned Enterprises (SAA in particular) have improved as privatisation prospects are being mooted and rating agencies are giving SA time to fix its fiscal position. The SA equity market remains cheap (dividend yields of more than 4.6% p.a. and valuations are attractive), which means that any form of improved sentiment (locally and globally) can provide us with double digit returns in 2019 and in the long term. We feel the pain of disappointing returns in 2018 with our clients as we remain invested alongside them for the long term.

BEST / WORST CONTRIBUTORS TO PERFORMANCE OVER THE PAST QUARTER

PORTFOLIO ACTIONS OVER THE PAST QUARTER

None.

Best Positive Contributions:

- Stanlib Bond -2.63%

Negative Contributions:

- Old Mutual Global Equity -15.03%
- Coronation Global Emerging Markets Flexible -9.23%
- Allan Gray Equity -8.28%

Discretionary
Fund
Management

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HGG Discretionary Growth Portfolio Summary



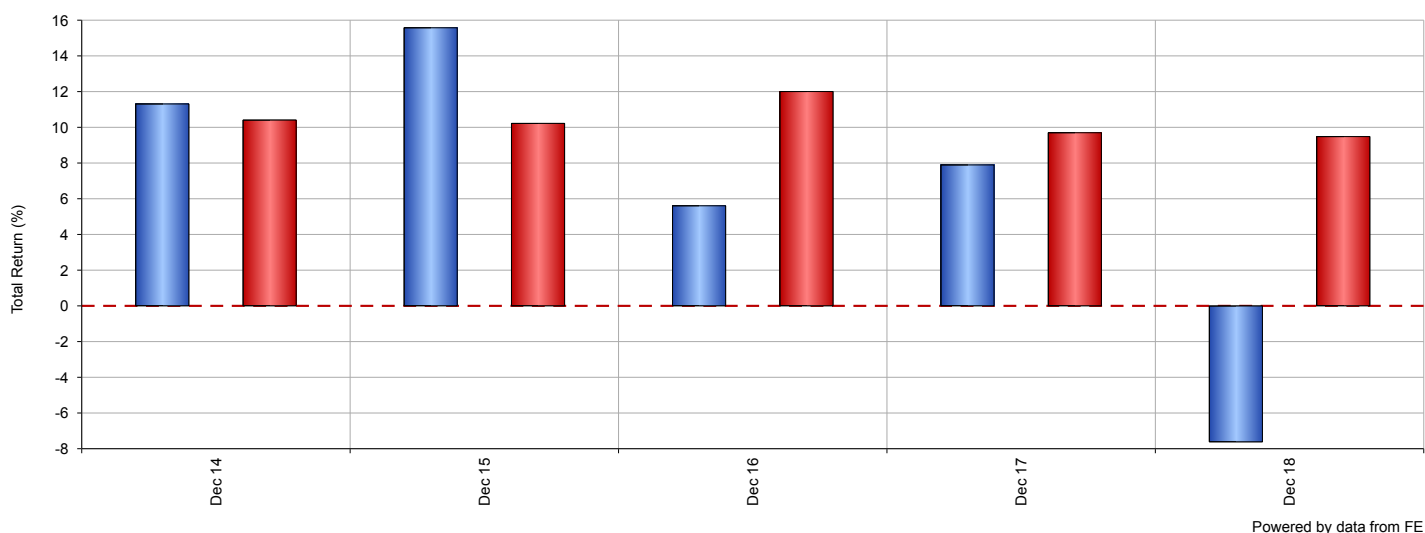
The following tables and charts illustrate the overall performance of the portfolio against its benchmark. The cumulative chart illustrates the overall performance over a maximum of five years dependant on the age of the portfolio and the table shows the overall performance broken down into specified periods. The discrete table and chart illustrates how the portfolio has performed against the benchmark during whole calendar years. All performance is to the latest month end and in composite currency.

Cumulative Performance



| Name | 3 mths | 6 mths | 1 yr | 3 yrs | 5 yrs |
|--|--------|--------|-------|-------|-------|
| ■ HGG Discretionary Growth Portfolio | -6.93 | -6.26 | -7.62 | 5.27 | 35.45 |
| ■ Benchmark - CPI Excluding Owners Equivalent Rent + 5% - Jan 97 | 2.31 | 4.75 | 9.49 | 34.54 | 63.74 |

Discrete Calendar Year Performance



| Name | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|-------|-------|-------|------|-------|
| ■ HGG Discretionary Growth Portfolio | 11.32 | 15.58 | 5.61 | 7.90 | -7.62 |
| ■ Benchmark - CPI Excluding Owners Equivalent Rent + 5% - Jan 97 | 10.41 | 10.23 | 12.01 | 9.70 | 9.49 |

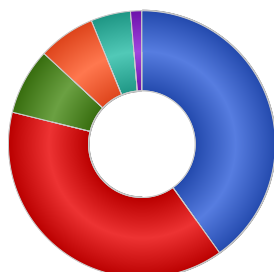
HGG Discretionary Growth Portfolio

Portfolio Asset Allocation by Holding



This report illustrates the contribution of the individual portfolio holdings to the overall portfolio asset allocation.

Asset Allocation



| Name | % Weight |
|------------------------------|----------|
| South African Equities | 40.12 |
| Other International Equities | 38.73 |
| South African Fixed Interest | 8.04 |
| Money Market | 6.91 |
| Global Fixed Interest | 4.83 |
| Property | 1.36 |

Portfolio Asset Breakdown by Individual Holdings

| Portfolio Holdings | South African Equities (%) | Other International Equities (%) | South African Fixed Interest (%) | Money Market (%) | Global Fixed Interest (%) | Property (%) |
|--|----------------------------|----------------------------------|----------------------------------|------------------|---------------------------|--------------|
| Old Mutual - Global Equity R | - | 15.24 | - | 0.76 | - | - |
| IP Management Company - IP Worldwide Flexible Fund of Funds B2 | 5.86 | 2.62 | 0.78 | 1.10 | 4.41 | 0.23 |
| Prudential - Balanced B | 4.29 | 2.81 | 1.91 | 0.53 | - | 0.47 |
| Allan Gray - Equity A | 5.22 | 2.36 | - | 0.29 | - | 0.13 |
| Investec - Investec Managed H | 2.37 | 1.59 | 0.52 | 3.07 | 0.42 | 0.03 |
| PSG - Equity A | 5.37 | 2.52 | - | 0.01 | - | 0.10 |
| Coronation - Top 20 A | 6.62 | - | - | 0.01 | - | 0.38 |
| Coronation - Global Emerging Markets Flexible A | 0.35 | 5.29 | - | 0.35 | - | 0.01 |
| Gryphon - All Share Tracker A | 5.73 | - | - | 0.27 | - | - |
| Sanlam - Denker SCI Emerging Markets Feeder A1 | - | 6.31 | - | -0.31 | - | - |
| Nedgroup - Investments Entrepreneur R | 4.32 | - | 0.09 | 0.58 | - | 0.02 |
| STANLIB - Bond R | - | - | 4.74 | 0.25 | 0.00 | - |
| Total Portfolio | 40.12 | 38.73 | 8.04 | 6.91 | 4.83 | 1.36 |

Yield

The return on an investment by means of interest or dividends received from the holdings. Yield is supplied by the Fund Manager who is under no obligation to define the type of yield supplied i.e. Gross/Net or Running/Redemption. Funds comprising mainly of bonds normally quote a gross redemption yield after all charges but before tax has been deducted whereas funds mainly made up of equities normally quote a yield representing the estimated annual payout net of tax of basic rate tax payer.

Calendar Year Performance

The aggregate amount that the investment has gained or lost during a calendar year i.e. 1st January to 31st December.

Cumulative Performance

The aggregate amount that the investment has gained or lost over specified time periods and assumes any interest is reinvested.

Discrete Performance

The aggregate amount that the investment has gained or lost between two specified time periods.

Total Expense Ratio (TER)

The TER is a measure of the total costs associated with managing and operating an investment fund such as a mutual fund. These costs consist primarily of management fees and additional expenses such as trading fees and legal fees as well as any other operational expenses.

Alpha

A measure of a fund's over- or under-performance by comparison to its benchmark. It represents the return of the fund when the benchmark is assumed to have a return of zero, and thus indicates the extra value that the manager's activities have contributed.

Beta

Beta is a statistical estimate of a fund's volatility by comparison to that of its benchmark, i.e. how sensitive the fund is to movements in the section of the market that comprises the benchmark. Beta close to 1 means a fund is likely to move in line with its benchmark, greater than 1 and the fund is more volatile than the benchmark.

r^2

The r -squared measure is an indication of how closely correlated a fund is to an index or a benchmark. A range is defined between 0 and 1, with 0 indicating no correlation at all, and 1 showing a perfect match. Values upwards of 0.7 suggest that the fund's behaviour is increasingly closely linked to its benchmark, whereas the relevance begins to diminish below that.

Sharpe

Sharpe calculates the level of a fund's return against the return of a notional risk-free investment, such as cash or Government bonds. The difference in returns is then divided by the fund's standard deviation - its volatility, or risk measurement. The resulting ratio is an indication of the amount of excess return generated per unit of risk. Therefore, a negative Sharpe usually suggests investments would have been better off in risk-free government securities. When analysing similar investments, the one with the highest Sharpe has achieved more return while taking on no more risk than its fellows - or, conversely, has achieved a similar return with less risk.

Volatility

Volatility is calculated using standard deviation, a statistical measurement which, when applied to an investment fund, expresses its risk. Volatility shows how widely a range of returns varied from the fund's average return over a particular period.

- Lower volatility means that the holding's value changes at a steady pace over time.
- Higher volatility means that the holding's value fluctuates over short time periods.

Capital Return

The return of an instrument assuming all dividend income, interest and tax is paid out.

Gross Return

The return of an instrument over a specified period with all income reinvested on a gross basis i.e. without any allowance for taxation, interest, dividends and distributions.

Total Return

Total Return shows the total return of the instrument with all income* reinvested and assuming income is taxed at basic rates of income tax.

*interest, dividends and distributions.

FE Crown Fund Rating

An FE rating system which uses three years of evenly weighted Fund history, using the alpha, relative volatility and performance consistency, which is compared to a pre-defined, relevant benchmark. The resulting score is then compared against Funds that fit into the same (one of ten) sub-asset class groupings. Broadly speaking, the top 10% of funds will get a five FE Crown Rating, the next 15% four FE Crowns, and each of the remaining 25% tiers will get three, two, and one FE Crown respectively.

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