## AUGINVESTMENT 2017 REVIEW



### Adapting Living Annuity Drawdown rates in a low – return environment

After years of saving for retirement, investors and their financial advisers are faced with one of the most important retirement planning questions - "what is the maximum I can draw from my investment portfolio to ensure I do not run out of money?" Most of the research around this question states that the answer to this question lies in accurately determining your *initial withdrawal rate*, which is defined as the Rand amount withdrawn divided by your investment portfolio value, and how you increase your income year on year. In a high return environment, like we have seen in South Africa over the past 20 years, there has been less focus on the initial withdrawal rate as investment returns have generally been more than the income drawn. However, we currently find ourselves in a low return environment which has caused some anxiety amongst investors as they are starting to see their annual income exceeding the investment returns.

The challenge that needs to be resolved when selecting this initial rate is that we want to achieve three objectives; *select a sustainable* rate that will allow us to grow or at least preserve our capital whilst also improving our standard of living over the years. In South Africa, the average annual percentage draw is about 6.5%, however most of the research recommends 5% as a maximum.

In practice, there are several ways to determine this withdrawal rate however in this article, we will look at the most common methods seen in the market and show how introducing certain spending rules can benefit your retirement.

### Most common practices seen in the market

As mentioned above there are several different methods when it comes to selecting your initial and ongoing withdrawal rate, however there are two strategies that are the most common in the market.

#### Inflation adjusted method

In this method, the financial adviser and client calculate a sustainable annual rand amount needed by the client in Year 1 of retirement, and use that as the initial withdrawal amount. This amount is then increased every year by inflation to ensure the purchasing power of the client's income remains constant. For example, if a client retired with an amount of R5 million and the calculated rand amount needed in Year 1 of retirement was R250 000 per annum, assuming 6% inflation, the rand amount would increase by R15 000 (R250 000 \* 6%), for the following year the annual income would be R265 000. The advantage of this method is that the real level of income is maintained year on year, however because the annual income is only linked to inflation and not the underlying performance of the investment portfolio the capital value might be at risk in a consistent period of lower than inflation returns.

#### Fixed Percentage method

With this method, the annual withdrawal amount is determined by taking a fixed percentage of the value of the investment portfolio at the beginning of every year. If we use the same example as above, the client retires with R5 million, and the client and adviser decide to draw 5% of the value of the portfolio each year. This would mean in Year 1 the client would draw R250 000, however to determine the income in Year 2 we do not increase the income by inflation but take 5% of the value of the portfolio at the time of selecting the new income, the rand amount withdrawn will be affected by the underlying performance of the investment portfolio. This would mean that the level of income would be more variable than the *Inflation adjusted method*. This variability creates anxiety among retirees as they can never be sure what their next year's income will be which makes planning and budgeting more difficult. For example, if the portfolio generated an 15% return in Year 1 the income in Year 2 would be R275 000, however if it generated -5% return you would have had a reduction as the income would be R225 000. As previously mentioned the South Africa market has seen strong performance for the last 20 years and investors have therefore not experienced many periods of negative returns.



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#### So, which one then is the better method?

To answer this question, we have compared the two methods over the last 20 years. We have used the actual performance of a representative portfolio for a living annuity portfolio. In the example, the client retired 20 years ago with R1 million (R4.5 million in today's money). The annual income drawn in the first year was R50 000 or 5%. As we can see below, after 20 years a client that applied the 'Inflation adjusted' method would be in a better capital value position than the client that used the 'Fixed Percentage' method.

|                    | INITIAL ANNUAL INCOME | CAPITAL VALUE AFTER 20 YEARS |  |  |  |  |
|--------------------|-----------------------|------------------------------|--|--|--|--|
| INFLATION ADJUSTED | R 50 000              | R 3 500 029                  |  |  |  |  |
| FIXED PERCENTAGE   | R50 000 (5%)          | R 3 213 598                  |  |  |  |  |

The reason for the difference is that by selecting to increase your annual income by a fixed percentage every year you will end up increasing your annual income by more than you require (inflation) after a year of higher than inflation performance. Figure 1 illustrates this. This means that in these years you will be drawing an income that is above the real income you require (this is calculated as the initial rand amount needed increased by inflation). Therefore, any excess return generated which should have been used to supplement the years following weak performance has already been spent.

### Annual Income Drawn

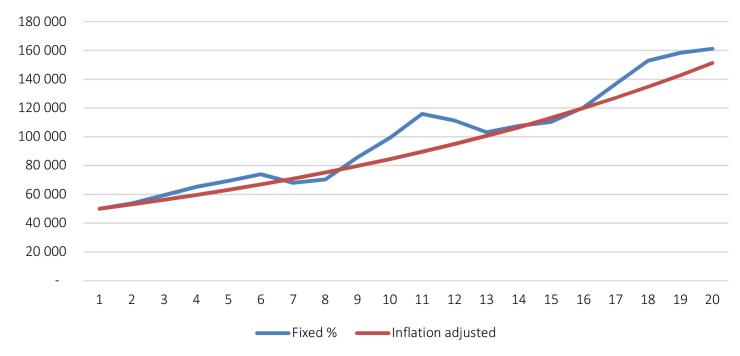


Figure 1: Annual income drawn



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### Modified inflation adjusted method

The above example clearly shows that the 'Inflation adjusted' method is the more favourable method when selecting the annual income drawn. Both in terms of capital value and the predictability of your annual income. However, because the increases are only linked to inflation every year and not the underlying performance of the portfolio you will never get an 'income raise'. Therefore, because one of the objectives we have is to improve your standard of living we have listed three additional spending rules that you can implement that consider the portfolio returns which will give you an above inflation increase when the portfolio returns allow for it:

- 1. If your previous year's return was negative you do not increase your annual income.
- 2. If the previous year's return was larger than 0% but less than inflation plus 4% you increase your income by inflation.
- 3. However, if your previous year's return was bigger than inflation plus 4% you increase your income by inflation plus 2%

Looking at how this method compares to the *inflation adjusted* method we can see that the returns for the past 20 years would have allowed the client to increase their income by more than inflation in certain years. This meant that although the capital value would have been less the total income drawn over the period was more and therefore allowing the client to improve their quality of life.

|                             | TOTAL INCOME DRAWN | CAPITAL VALUE AFTER 20 YEARS |  |  |  |  |
|-----------------------------|--------------------|------------------------------|--|--|--|--|
| INFLATION ADJUSTED          | R 1 839 280        | R 3 500 029                  |  |  |  |  |
| MODIFIED INFLATION ADJUSTED | R 1 957 240        | R 3 247 227                  |  |  |  |  |

In summary, all three methods have their own advantages and disadvantages, and each method will have certain market conditions that will suit it. However, in a lower return environment, like we have seen over the past few years we feel that being prudent in terms of spending is crucial. We feel that the last method finds the balance between being prudent when drawing an income, allowing you to sustainably increase your income, and giving you a more predictable annual income.

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| TISE/JES AL SHARE Index (ALSI)  |                               |                |                | 3m    | YTD     | 1yr         | 3yr pa | 5yr pa   | 10yr pa     | 5yr Vol <sup>1</sup> | 10yr Vol |
|---|-------------------------------|----------------|----------------|-------|---------|-------------|--------|----------|-------------|----------------------|----------|
| FTSE/JSE AL Istated Property ZAR 4.8% 6.9% 13.6% 10.1% 6.6% 13.1% 10.2% 10.8% FTSE/JSE SA Listed Property ZAR 4.8% 6.9% 3.4% 13.0% 11.7% 14.6% 13.6% SA ALI Bond Index (ALBI) ZAR 1.6% 6.9% 3.4% 13.0% 11.7% 14.6% 13.6% SA CASh Index (SteFl) ZAR 1.9% 5.0% 7.7% 7.0% 6.4% 7.2% 0.3% SA CASh Index (SteFl) ZAR 1.9% 5.0% 7.7% 7.0% 6.4% 7.2% 0.3% SA Indiaton (1 month lag) ZAR 0.8% 3.2% 4.5% 5.2% 5.6% 6.0% 1.4% GASH ALI CASH CASH CASH CASH CASH CASH CASH CASH  | LOCAL MARKET INDICI           | FS             |                |       |         |             |        |          |             | ,                    | ,        |
| FISE/JISE SA Listed Property  ZAR 4.8% 6.9% 9.4% 13.0% 11.7% 14.6% 13.6%  A AIB and Index (ALBI)  ZAR 1.6% 6.7% 10.2% 6.7% 6.3% 8.6% 7.7%  SA Cash Index (Steri)  ZAR 1.9% 5.0% 7.7% 7.0% 6.4% 7.2% 0.3%  Balanced Benchmark 2  ZAR 4.1% 10.0% 7.3% 8.1% 12.5% 10.7% 6.9%  GLOBAL MARKET INDICES  Global Equity (MSCI World)  USD 2.5% 11.8% 14.0% 3.9% 8.9% 2.3% 10.0%  Global Gardays Global Bond Index)  USD 2.5% 12.6% 0.7% 0.9% 0.5% 0.4% 0.8% 0.1%  Global Gardays Global Bond Index)  USD 2.6% 7.2% 0.2% 0.7% 0.9% 0.5% 0.4% 0.8% 0.1%  MAJOR INDICES BASED TO RANDS  FISE/JISE AII Share Index (ALSI)  Global Equity (MSCI World)  ZAR 6.0% 13.6% 10.1% 6.6% 13.1% 10.0%  FISE/JISE AII Share Index (ALSI)  Global Equity (MSCI World)  ZAR 1.5% 7.8% 2.6% 13.2% 12.5% 10.9% 13.3% 2.6% 13.1% 10.2% 10.8%  AAI Bond Index (ALBI)  ZAR 1.5% 7.8% 2.6% 13.2% 21.2% 10.9% 13.3% 2.4% 15.5% 2.5% 15.8% 2.4% 15.5% 2.5% 15.8% 2.4% 15.5% 2.5% 15.8% 2.4% 15.5% 2.5% 15.8% 2.4% 15.5% 2.5% 15.8% 2.4% 15.5% 2.5% 15.8% 2.4% 15.5% 2.5% 15.8% 2.5% 2.5% 15.8% 2.5% 2.5% 2.5% 2.5% 2.5% 2.5% 2.5% 2.5   |                               |                | 7AR            | 6.0%  | 13.6%   | 10.1%       | 6.6%   | 13 1%    | 10.2%       | 10.8%                | 15.3%    |
| SA All Bond Index (ALBI)  ZAR 1.6% 6.7% 10.2% 6.7% 6.3% 8.6% 7.7% 10.3% 6.3 and Index (SteFI)  ZAR 1.9% 5.0% 7.7% 7.0% 6.4% 7.2% 0.3% 10.3 and 10.2  | . ,                           | 51)            |                |       |         |             |        |          |             |                      | 15.2%    |
| SA Cash Index (SteFI)   |                               |                |                |       |         |             |        |          |             |                      | 7.59     |
| Balanced Benchmark 2 ZAR 4.1% 10.0% 7.3% 8.1% 12.5% 10.7% 6.9% 5A Inflation (1 month lag) ZAR 0.8% 3.2% 4.5% 5.2% 5.6% 6.0% 1.4% GLOBAL MARKET INDICES  Global Equity (MSCI World) USD 2.5% 11.8% 14.0% 3.9% 8.9% 2.3% 10.0% Emerging Markets Equity (MSCI EM) USD 9.4% 28.3% 24.5% 2.4% 5.3% 2.4% 14.6% Global Bond Index) USD 0.3% 0.7% 0.9% 0.5% 0.4% 0.8% 0.1% MAJOR INDICES BASED TO RANDS  FISE/JSE All Share Index (ALSI) ZAR 6.0% 13.6% 10.1% 6.6% 13.1% 10.2% 10.8% Global Equity (MSCI World) ZAR 7.8% 21.9% 10.2% 6.6% 13.2% 11.9% 10.9% 13.3% Emerging Markets Equity (MSCI World) ZAR 7.8% 21.9% 10.0% 9.5% 14.8% 8.7% 12.2% 5A All Bond Index (ALBI) ZAR 1.1% 1.9% 1.1.5% 7.6% 10.0% 10.0% 10.0% 11.7% COMMODITIES  Global Equity (MSCI World) ZAR 7.8% 21.9% 10.0% 9.5% 14.8% 8.7% 5.1% 12.2% 5Global Bond Index) ZAR 1.1% 1.5% 1.1.5% 7.6% 10.0% 10.0% 10.0% 11.7% COMMODITIES  Gold (US Dollars) USD 3.6% 14.5% 0.2% 1.7% 1.0% 0.5% 10.7% 5Global Bonds (Barclays Global Bond Index) ZAR 1.1% 5.5% 11.5% 8.7% 5.1% 2.5% 11.8% CURRENCIES  Rand / Dollar ZAR 1.1% 5.5% 12.6% 6.5% 8.3% 5.8% 13.0% 8.80 / 7.2% 1.4.5% 12.4% 10.0% 6.2% 14.8% 1.7% 4.4.4% 1.5.5% 12.4% 10.0% 6.2% 14.8% 1.7% 4  | , ,                           |                |                |       |         |             |        |          |             |                      | 0.69     |
| SA Inflation (1 month lag)  ZAR 0.8% 3.2% 4.5% 5.2% 5.6% 6.0% 1.4%  GLOBAL MARKET INDICES  GLOBAL MARKET INDICES  GLOBAL MARKET INDICES  Global Equity (MSCI World)  USD 2.5% 11.8% 14.0% 3.9% 8.9% 2.3% 10.0%  Emerging Markets Equity (MSCI EM)  USD 2.6% 7.2% 0.2% 0.7% 0.9% 3.6% 4.7% 616bal Bonds (Barclays Global Bond Index)  USD 0.3% 0.7% 0.9% 0.5% 0.4% 0.8% 0.1%  MAJOR INDICES BASED TO RANDS  FISE/ISE All Share Index (ALSI)  ZAR 6.0% 13.6% 10.1% 6.6% 13.1% 10.2% 10.8% 616bal Equity (MSCI World)  ZAR 1.5% 7.3% 2.6% 13.2% 21.2% 10.9% 13.3% 24.81 13.9% 12.2% 10.9% 13.3% 24.81 13.9% 12.2% 10.9% 13.3% 24.81 13.9% 10.2% 6.7% 6.3% 8.6% 7.7% 616bal Equity (MSCI World)  ZAR 1.5% 7.8% 2.6% 10.0% 9.5% 14.8% 8.7% 12.2% 24.83 13.9% 10.0% 9.5% 14.8% 8.7% 12.2% 24.83 14.10 10.2% 6.7% 6.3% 8.6% 7.7% 616bal Bonds (Barclays Global Bond Index)  COMMODITIES  Gold (Iz Dollars)  USD 3.6% 14.5% 0.2% 1.7% 1.0% 0.5% 10.7% 606ld (Rands)  ZAR 2.1% 9.0% 11.5% 8.7% 5.1% 2.5% 11.8% 14.5% 6.8% 8.7% 1.2% 6.7% 6.7% 5.1% 2.5% 11.8% 601d (Rands)  CURRENCIES  Rand / GBP Pound ZAR 1.0% 6.2% 14.8% 1.7% 4.4% 1.15% 14.5% 8.8 13.0% 8.8 13.0% 8.8 4.4% 1.5% 1.5% 1.2.6% 6.7% 6.5% 8.3% 2.5% 1.2.6% 6.5% 8.3% 2.5% 1.2.6% 6.5% 8.3% 2.5% 1.2.6% 6.5% 8.3% 2.5% 1.2.6% 6.5% 8.3% 2.5% 1.3.5% 12.4% 6.3% 6.3% 8.6% 7.7% 6.00 10.0% 11.7% 6.00 10.0% 11.7% 6.00 10.0% 11.7% 6.00 10.0% 11.7% 6.00 10.0% 11.7% 6.00 10.0% 11.7% 6.00 10.0% 11.7% 6.00 10.0% 11.7% 6.00 10.0% 11.7% 6.00 10.0% 11.7% 6.00 10.0% 11.7% 6.00 10.0% 11.7% 6.00 10.0% 11.7% 6.00 10.0% 11.7% 6.00 10.0% 11.7% 11.5% 11.5% 1.0% 10.0% 11.7% 11.5% 11.  | , ,                           |                |                |       |         |             |        |          |             |                      | 6.9%     |
| Global Equity (MSCI World)  | SA Inflation (1 month lag)    |                |                |       |         |             |        |          |             |                      | 1.49     |
| Emerging Markets Equity (MSCI EM) USD 9.4% 28.3% 24.5% 2.4% 5.3% 2.4% 14.6% 50lobal Bonds (Barclays Global Bond Index) USD 0.3% 0.7% 0.9% 0.7% 0.9% 3.6% 4.7% 6.0bal Bonds (Barclays Global Bonds (Barclays Global Bond Index) USD 0.3% 0.7% 0.9% 0.5% 0.4% 0.8% 0.1% 0.8% 0.1% 0.8% 0.1% 0.8% 0.1% 0.8% 0.9% 0.5% 0.4% 0.8% 0.1% 0.8% 0.1% 0.8% 0.9% 0.5% 0.4% 0.8% 0.1% 0.8% 0.1% 0.8% 0.9% 0.5% 0.4% 0.8% 0.1% 0.8% 0.1% 0.8% 0.1% 0.9% 0.5% 0.4% 0.8% 0.1% 0.8% 0.9% 0.5% 0.4% 0.8% 0.1% 0.8% 0.9% 0.5% 0.4% 0.8% 0.1% 0.8% 0.9% 0.5% 0.4% 0.8% 0.1% 0.8% 0.9% 0.5% 0.4% 0.8% 0.1% 0.8% 0.9% 0.5% 0.4% 0.8% 0.1% 0.8% 0.9% 0.5% 0.4% 0.8% 0.1% 0.8% 0.9% 0.5% 0.4% 0.8% 0.1% 0.8% 0.9% 0.5% 0.4% 0.8% 0.1% 0.8% 0.9% 0.5% 0.4% 0.8% 0.1% 0.8% 0.9% 0.5% 0.4% 0.8% 0.1% 0.8% 0.9% 0.5% 0.4% 0.8% 0.1% 0.8% 0.9% 0.5% 0.4% 0.8% 0.1% 0.8% 0.9% 0.5% 0.4% 0.8% 0.2% 0.1% 0.9% 0.5% 0.1% 0.9% 0.1% 0.9% 0.1% 0.9% 0.1% 0.9% 0.1% 0.9% 0.1% 0.9% 0.1% 0.9% 0.1% 0.9% 0.1% 0.9% 0.1% 0.9% 0.1% 0.0% 0.0   | GLOBAL MARKET INDI            | CES            |                |       |         |             |        |          |             |                      |          |
| Silobal Bonds (Barclays Global Bond Index)  | Global Equity (MSCI World)    |                | USD            | 2.5%  | 11.8%   | 14.0%       | 3.9%   | 8.9%     | 2.3%        | 10.0%                | 16.5%    |
| MAJOR INDICES BASED TO RANDS   TSTEETISTED   STATE      | Emerging Markets Equity (M    | ISCI EM)       | USD            | 9.4%  | 28.3%   | 24.5%       | 2.4%   | 5.3%     | 2.4%        | 14.6%                | 23.49    |
| ### MAIOR INDICES BASED TO RANDS  ### FTSE/JSE All Share Index (ALSI)  ZAR 6.0% 13.6% 10.1% 6.6% 13.1% 10.2% 10.8% 21.0 13.6% 10.1% 13.2% 21.2% 10.9% 13.3% 21.0 13.2% 21.2% 10.9% 13.3% 21.0% 10.0% 9.5% 14.8% 8.7% 12.2% 21.9% 10.0% 9.5% 14.8% 8.7% 12.2% 23.4 21.9% 10.0% 9.5% 14.8% 8.7% 12.2% 23.4 21.9% 10.0% 9.5% 14.8% 8.7% 12.2% 23.4 21.9% 10.0% 9.5% 14.8% 8.6% 7.7% 23.4 21.9% 10.0% 10.2% 6.7% 6.3% 8.6% 7.7% 23.4 23.4 23.4 23.4 23.4 23.4 23.4 23.4   | Global Bonds (Barclays Globa  | al Bond Index) | USD            | 2.6%  | 7.2%    | 0.2%        | 0.7%   | 0.9%     | 3.6%        | 4.7%                 | 5.9%     |
| FTSE/JSE All Share Index (ALSI)  ZAR 6.0% 13.6% 10.1% 6.6% 13.1% 10.2% 10.8% Slobal Equity (MSCI World)  ZAR 1.5% 7.8% 2.6% 13.2% 21.2% 10.9% 13.3% Emerging Markets Equity (MSCI EM)  ZAR 7.8% 21.9% 10.0% 9.5% 14.8% 8.7% 12.2% SA AII Bond Index (ALBI)  ZAR 1.6% 6.7% 10.2% 6.7% 6.3% 8.6% 7.7% Slobal Bond Index (ALBI)  ZAR 1.6% 6.7% 10.2% 6.7% 6.3% 8.6% 7.7% Slobal Bond Sarclays Global Bond Index)  ZAR 1.1% 1.9% -11.5% 7.6% 10.0% 10.0% 11.7% CCOMMODITIES  Gold (US Dollars)  Gold (US Dollars)  ZAR 2.1% 9.0% -11.5% 8.7% 5.1% 2.5% 11.8% CCURRENCIES  Rand J Obliar  ZAR 1.1% 5.5% 12.6% -6.5% -8.3% -5.8% 13.0% Rand J Collars Care Care Care Care Care Care Care Care   | Global Cash                   |                | USD            | 0.3%  | 0.7%    | 0.9%        | 0.5%   | 0.4%     | 0.8%        | 0.1%                 | 0.49     |
| Silobal Equity (MSCI World)   | MAJOR INDICES BASE            | O TO RANDS     |                |       |         |             |        |          |             |                      |          |
| Emerging Markets Equity (MSCI EM)  ZAR  ZAR  7.8%  21.9%  10.0%  9.5%  14.8%  8.7%  12.2%  SA All Bond Index (ALBI)  ZAR  1.6%  6.7%  10.2%  6.7%  6.3%  8.6%  7.7%  10.0%  10.0%  11.7%  COMMODITIES  Gold (US Dollars)  USD  3.6%  14.5%  0.2%  1.7%  1.0%  0.5%  10.7%  3.0%  3.15%  1.15%  8.7%  5.1%  1.0%  0.5%  10.7%  10.7%  Gold (Rands)  ZAR  2.1%  9.0%  11.5%  8.7%  5.1%  2.5%  11.8%  CURRENCIES  Rand / Dollar  ZAR  1.1%  5.5%  12.6%  6.5%  8.3%  5.1%  5.5%  13.0%  Rand / BP Pound  ZAR  1.0%  CAR  2.1%  1.0%  6.2%  14.8%  1.7%  1.4.4%  1.5%  1.5%  1.5%  1.4.5%  1.5%  1.5%  1.5%  1.6%  6.5%  8.3%  5.1%  1.5%  1.4.5%  1.5%  1.6%  6.5%  8.3%  5.1%  1.0%  6.2%  1.1.5%  1.1.  | FTSE/JSE All Share Index (ALS | SI)            | ZAR            | 6.0%  | 13.6%   | 10.1%       | 6.6%   | 13.1%    | 10.2%       | 10.8%                | 15.3%    |
| SA All Bond Index (ALBI)  | Global Equity (MSCI World)    |                | ZAR            | 1.5%  | 7.8%    | 2.6%        | 13.2%  | 21.2%    | 10.9%       | 13.3%                | 13.8%    |
| Global Bonds (Barclays Global Bond Index)  ZAR  1.1%  1.9%  -11.5%  7.6%  10.0%  10.0%  11.7%  COMMODITIES  Gold (US Dollars)  USD  3.6%  14.5%  0.2%  1.7%  1.0%  0.5%  10.7%  Sold (Rands)  ZAR  2.1%  9.0%  -11.5%  8.7%  5.1%  2.5%  11.8%  CURRENCIES  Rand / Dollar  ZAR  1.1%  5.5%  12.6%  -6.5%  -8.3%  -5.8%  13.0%  Rand / GBP Pound  ZAR  1.0%  6.2%  14.8%  1.7%  -4.4%  -1.5%  14.5%  Rand / Euro  ZAR  -4.4%  -6.2%  5.9%  -3.2%  -7.2%  -4.5%  12.4%  LOCAL UNIT TRUST SECTORS  SA Equity - General  ZAR  2.1%  SA Multi Asset - High Equity  ZAR  2.1%  3.1%  3.1%  5.6%  7.2%  11.6%  10.9%  13.0%  11.8%  Global Real Estate - General  USD  2.5%  10.5%  10.8%  3.8%  8.7%  2.1%  10.0%  11.8%  Global Real Estate - General  USD  2.5%  10.5%  10.8%  3.0%  6.8%  3.2%  7.7%  Global Real Estate - General  USD  3.3%  7.7%  -0.5%  1.5%  1.4, 5  Rand/US\$  Rand  10.9  10.7  10.9%  Rand  10.9%  10.9 | Emerging Markets Equity (M    | ISCI EM)       | ZAR            | 7.8%  | 21.9%   | 10.0%       | 9.5%   | 14.8%    | 8.7%        | 12.2%                | 15.7%    |
| COMMODITIES Gold (US Dollars)   | SA All Bond Index (ALBI)      |                | ZAR            | 1.6%  | 6.7%    | 10.2%       | 6.7%   | 6.3%     | 8.6%        | 7.7%                 | 7.5%     |
| Gold (US Dollars) Gold (Rands)  USD 3.6% 14.5% 0.2% 1.7% 1.0% 0.5% 10.7% Gold (Rands)  ZAR 2.1% 9.0% -11.5% 8.7% 5.1% 2.5% 11.8%  CURRENCIES  Rand / Dollar  ZAR 1.1% 5.5% 12.6% -6.5% -8.3% -5.8% 13.0% Rand / GBP Pound ZAR 1.0% 6.2% 14.8% 1.7% -4.4% -1.5% 14.5% 12.4%  LOCAL UNIT TRUST SECTORS  SA Equity - General SA Multi Asset - High Equity ZAR 2.1% 5.5% 4.4% 4.0% 10.2% 8.2% 9.2% SA Wulti Asset - General JAR 3.1% 5.5% 4.8% 6.5% 8.2% 7.9% 3.3% SA Real Estate - General USD 2.6% 12.8% 14.3% 3.8% 8.7% 2.1% 10.0% Global Multi Asset - High equity USD 2.5% 10.5% 10.5% 10.8% 3.0% 6.8% 3.2% 7.7% Global Real Estate - General USD 3.3% 7.7% -0.5% 1.5% 4.4% 1.1% 10.9%  CURRENCIES Rand/USS Rand 12.9 13.1 14.6 8.2 7.1 4.5 Rand/GBP Rand 16.7 17.0 19.7 12.8 14.2 7.5 Rand/GBP Rand 15.3 14.9 16.3 10.4 9.5 NA  | Global Bonds (Barclays Globa  | al Bond Index) | ZAR            | 1.1%  | 1.9%    | -11.5%      | 7.6%   | 10.0%    | 10.0%       | 11.7%                | 14.6%    |
| COURTENCIES       | COMMODITIES                   |                |                |       |         |             |        |          |             |                      |          |
| CURRENCIES Rand / Dollar  | Gold (US Dollars)             |                | USD            | 3.6%  | 14.5%   | 0.2%        | 1.7%   | 1.0%     | 0.5%        | 10.7%                | 7.5%     |
| Rand / Dollar ZAR 1.1% 5.5% 12.6% -6.5% -8.3% -5.8% 13.0% Rand / GBP Pound ZAR 1.0% 6.2% 14.8% 1.7% -4.4% -1.5% 14.5% Rand / Euro ZAR -4.4% -6.2% 5.9% -3.2% -7.2% -4.5% 12.4% LOCAL UNIT TRUST SECTORS  SA Equity - General ZAR 3.1% 7.5% 4.4% 4.0% 10.2% 8.2% 9.2% SA Multi Asset - High Equity ZAR 2.1% 6.4% 3.7% 5.7% 9.7% 8.2% 6.0% SA Multi Asset - Low equity ZAR 1.8% 5.5% 4.8% 6.5% 8.2% 7.9% 3.3% SA Real Estate - General ZAR 3.1% 5.6% 7.2% 11.6% 10.9% 13.0% 11.8% Global Equity - General USD 2.6% 12.8% 14.3% 3.8% 8.7% 2.1% 10.0% Global Multi Asset - High equity USD 2.5% 10.5% 10.8% 3.0% 6.8% 3.2% 7.7% Global Real Estate - General USD 3.3% 7.7% -0.5% 1.5% 4.4% 1.1% 10.9% Spot Rates 1-Sep-17 Latest Quarter 1 Year Ago 5 Years Ago 10 Years Ago 20 Years Ago CURRENCIES Rand 16.7 17.0 19.7 12.8 14.2 7.5 Rand/GBP Rand 16.7 17.0 19.7 12.8 14.2 7.5 Rand/EUR Rand 15.3 14.9 16.3 10.4 9.5 NA RATES Libor 6m \$ US\$ 1.5 1.4 0.9 0.7 5.4 5.9 Repo Rate Rand 6.8 7.0 7.0 5.5 9.5 NA   | Gold (Rands)                  |                | ZAR            | 2.1%  | 9.0%    | -11.5%      | 8.7%   | 5.1%     | 2.5%        | 11.8%                | 8.3%     |
| Rand / GBP Pound ZAR 1.0% 6.2% 14.8% 1.7% -4.4% -1.5% 14.5% Rand / Euro ZAR -4.4% -6.2% 5.9% -3.2% -7.2% -4.5% 12.4%   LOCAL UNIT TRUST SECTORS  SA Equity - General ZAR 3.1% 7.5% 4.4% 4.0% 10.2% 8.2% 9.2% SA Multi Asset - High Equity ZAR 2.1% 6.4% 3.7% 5.7% 9.7% 8.2% 6.0% SA Multi Asset - Low equity ZAR 1.8% 5.5% 4.8% 6.5% 8.2% 7.9% 3.3% SA Real Estate - General ZAR 3.1% 7.5% 14.3% 3.8% 8.7% 2.1% 10.0% Global Equity - General USD 2.6% 12.8% 14.3% 3.8% 8.7% 2.1% 10.0% Global Multi Asset - High equity USD 2.5% 10.5% 10.8% 3.0% 6.8% 3.2% 7.7% Global Real Estate - General USD 3.3% 7.7% -0.5% 1.5% 4.4% 1.1% 10.9%   Spot Rates 1-Sep-17 Latest Quarter 1 Year Ago 5 Years Ago 10 Years Ago 20 Years Ago CURRENCIES  Rand/US\$ Rand 12.9 13.1 14.6 8.2 7.1 4.5 Rand/GBP Rand 16.7 17.0 19.7 12.8 14.2 7.5 Rand/EUR Rand 15.3 14.9 16.3 10.4 9.5 NA  RATES  Libor 6m \$ US\$ 1.5 1.4 0.9 0.7 5.4 5.9 Repo Rate Rand 6.8 7.0 7.0 5.5 9.5 NA  | CURRENCIES                    |                |                |       |         |             |        |          |             |                      |          |
| Rand / Euro ZAR -4.4% -6.2% 5.9% -3.2% -7.2% -4.5% 12.4%  LOCAL UNIT TRUST SECTORS  SA Equity - General ZAR 3.1% 7.5% 4.4% 4.0% 10.2% 8.2% 9.2% 5.4% Multi Asset - High Equity ZAR 2.1% 6.4% 3.7% 5.7% 9.7% 8.2% 6.0% SA Multi Asset - Low equity ZAR 1.8% 5.5% 4.8% 6.5% 8.2% 7.9% 3.3% SA Real Estate - General ZAR 3.1% 5.6% 7.2% 11.6% 10.9% 13.0% 11.8% Global Equity - General USD 2.6% 12.8% 14.3% 3.8% 8.7% 2.1% 10.0% Global Multi Asset - High equity USD 2.5% 10.5% 10.8% 3.0% 6.8% 3.2% 7.7% Global Real Estate - General USD 3.3% 7.7% -0.5% 1.5% 4.4% 1.1% 10.9%  Spot Rates 1-Sep-17 Latest Quarter 1 Year Ago 5 Years Ago 10 Years Ago 20 Years Ago CURRENCIES  Rand/US\$ Rand 12.9 13.1 14.6 8.2 7.1 4.5 Rand/GBP Rand 16.7 17.0 19.7 12.8 14.2 7.5 Rand/EUR Rand 15.3 14.9 16.3 10.4 9.5 NA  RATES  Libor 6m \$ US\$ 1.5 1.4 0.9 0.7 5.4 5.9 Repo Rate Rand 6.8 7.0 7.0 5.5 9.5 NA  | Rand / Dollar                 |                | ZAR            | 1.1%  | 5.5%    | 12.6%       | -6.5%  | -8.3%    | -5.8%       | 13.0%                | 15.9%    |
| SA Equity - General   ZAR   3.1%   7.5%   4.4%   4.0%   10.2%   8.2%   9.2%   | Rand / GBP Pound              |                | ZAR            | 1.0%  | 6.2%    | 14.8%       | 1.7%   | -4.4%    | -1.5%       | 14.5%                | 15.5%    |
| ZAR   3.1%   7.5%   4.4%   4.0%   10.2%   8.2%   9.2%   | Rand / Euro                   |                | ZAR            | -4.4% | -6.2%   | 5.9%        | -3.2%  | -7.2%    | -4.5%       | 12.4%                | 13.7%    |
| SA Multi Asset - High Equity  ZAR  ZAR  ZAR  ZAR  ZAR  ZAR  ZAR  ZA   | LOCAL UNIT TRUST SE           | CTORS          |                |       |         |             |        |          |             |                      |          |
| SA Multi Asset - Low equity   | SA Equity - General           |                | ZAR            | 3.1%  | 7.5%    | 4.4%        | 4.0%   | 10.2%    | 8.2%        | 9.2%                 | 12.4%    |
| SA Real Estate - General       ZAR       3.1%       5.6%       7.2%       11.6%       10.9%       13.0%       11.8%         Global Equity - General       USD       2.6%       12.8%       14.3%       3.8%       8.7%       2.1%       10.0%         Global Multi Asset - High equity       USD       2.5%       10.5%       10.8%       3.0%       6.8%       3.2%       7.7%         Global Real Estate - General       USD       3.3%       7.7%       -0.5%       1.5%       4.4%       1.1%       10.9%         Spot Rates       1-Sep-17       Latest Quarter       1 Year Ago       5 Years Ago       10 Years Ago       20 Years Ago         CURRENCIES         Rand/US\$       Rand       12.9       13.1       14.6       8.2       7.1       4.5         Rand/GBP       Rand       16.7       17.0       19.7       12.8       14.2       7.5         Rand/EUR       Rand       15.3       14.9       16.3       10.4       9.5       NA         RATES         Libor 6m \$       US\$       1.5       1.4       0.9       0.7       5.4       5.9         Repo Rate       Rand       6.8       7.0  | SA Multi Asset - High Equity  |                | ZAR            | 2.1%  | 6.4%    | 3.7%        | 5.7%   | 9.7%     | 8.2%        | 6.0%                 | 7.1%     |
| Spot Rates   Spo    | SA Multi Asset - Low equity   |                | ZAR            | 1.8%  | 5.5%    | 4.8%        | 6.5%   | 8.2%     | 7.9%        | 3.3%                 | 3.69     |
| Spot Rates  | SA Real Estate - General      |                | ZAR            | 3.1%  | 5.6%    | 7.2%        | 11.6%  | 10.9%    | 13.0%       | 11.8%                | 13.29    |
| Spot Rates   1-Sep-17   Latest Quarter   1 Year Ago   5 Years Ago   10 Years Ago   20 Years Ago   | Global Equity - General       |                | USD            | 2.6%  | 12.8%   | 14.3%       | 3.8%   | 8.7%     | 2.1%        | 10.0%                | 16.39    |
| Spot Rates   1-Sep-17   | Global Multi Asset - High equ | uity           | USD            | 2.5%  | 10.5%   | 10.8%       | 3.0%   | 6.8%     | 3.2%        | 7.7%                 | 12.4%    |
| CURRENCIES  Rand/US\$ Rand 12.9 13.1 14.6 8.2 7.1 4.5  Rand/GBP Rand 16.7 17.0 19.7 12.8 14.2 7.5  Rand/EUR Rand 15.3 14.9 16.3 10.4 9.5 NA  RATES  Libor 6m \$ US\$ 1.5 1.4 0.9 0.7 5.4 5.9  Repo Rate Rand 6.8 7.0 7.0 5.5 9.5 NA   | Global Real Estate - General  |                | USD            | 3.3%  | 7.7%    | -0.5%       | 1.5%   | 4.4%     | 1.1%        | 10.9%                | 21.39    |
| CURRENCIES  Rand/US\$ Rand 12.9 13.1 14.6 8.2 7.1 4.5  Rand/GBP Rand 16.7 17.0 19.7 12.8 14.2 7.5  Rand/EUR Rand 15.3 14.9 16.3 10.4 9.5 NA  RATES  Libor 6m \$ US\$ 1.5 1.4 0.9 0.7 5.4 5.9  Repo Rate Rand 6.8 7.0 7.0 5.5 9.5 NA   | Spot Rates                    | 1-Sep-17       | Latest Quarter | 1 Ye  | ear Ago | 5 Years Ago | 10 Yea | rs Ago 2 | O Years Ago |                      |          |
| Rand/US\$ Rand 12.9 13.1 14.6 8.2 7.1 4.5 Rand/GBP Rand 16.7 17.0 19.7 12.8 14.2 7.5 Rand/EUR Rand 15.3 14.9 16.3 10.4 9.5 NA  RATES Libor 6m \$ US\$ 1.5 1.4 0.9 0.7 5.4 5.9 Repo Rate Rand 6.8 7.0 7.0 5.5 9.5 NA   |                               |                |                |       |         |             |        |          |             |                      |          |
| Rand/GBP       Rand       16.7       17.0       19.7       12.8       14.2       7.5         Rand/EUR       Rand       15.3       14.9       16.3       10.4       9.5       NA         RATES         Libor 6m \$       US\$       1.5       1.4       0.9       0.7       5.4       5.9         Repo Rate       Rand       6.8       7.0       7.0       5.5       9.5       NA  |                               | d 12.9         | 13.1           |       | 14.6    | 8.2         |        | 7.1      | 4.5         |                      |          |
| Rand/EUR Rand 15.3 14.9 16.3 10.4 9.5 NA  RATES  Libor 6m \$ US\$ 1.5 1.4 0.9 0.7 5.4 5.9  Repo Rate Rand 6.8 7.0 7.0 5.5 9.5 NA  | , ,                           |                |                |       |         |             |        |          |             |                      |          |
| RATES Libor 6m \$ US\$ 1.5 1.4 0.9 0.7 5.4 5.9 Repo Rate Rand 6.8 7.0 7.0 5.5 9.5 NA  | ,                             |                |                |       |         |             |        |          |             |                      |          |
| Libor 6m \$ US\$ 1.5 1.4 0.9 0.7 5.4 5.9<br>Repo Rate Rand 6.8 7.0 7.0 5.5 9.5 NA   | ·                             |                |                |       |         |             |        |          |             |                      |          |
| Repo Rate Rand 6.8 7.0 7.0 5.5 9.5 NA   |                               | Ċ 1 E          | 1.4            |       | 0.9     | 0.7         |        | 5./      | 5.0         |                      |          |
|   |                               |                |                |       |         |             |        |          |             |                      |          |
|   |                               |                | 10.5           |       | 10.5    | 9.0         |        | 12.5     | 20.3        |                      |          |

Fundhouse is a leading investment adviser specialising in fund research, ratings and portfolio construction services. We help clients manage investments on behalf of the end investor. Our experienced team understands the complexities of the fund management world. We apply this knowledge alongside a client-first mindset to improve the outcome for the end investor.

9.5

1.243.5

922.0

47.8

5.1

9.3

1.597.4

1,428.0

95.4

649.7

71.0

5.8

1,279.0

1.321.1

999.0

49.6

All Bond Index Yield

COMMODITIES Gold (\$/oz)

Oil (Brent Crude) \$

Platinum

INFLATION

SA Inflation

Rand

USŚ

US\$

US\$

1.321.9

999.0

52.8

NΑ

Fundhouse was founded in 2007 by professionals from the investment management industry. We currently operate from offices in the United Kingdom and South Africa, where we cover the local and global fund industry first hand. Our business is 100% independent and owner managed which means we can offer objective advice and services in the best interests of our clients.



AND RESEARCH

SERVICE

NA

334.6

430.0

18.6

9.4



