ABSOLUTE RETURN FUND

As at 30 June 2018

MIANZ ASSET MANAGEMENT

FUND OBJECTIVES

The Fund aims to preserve capital while achieving long-term growth and reducing short-term downside risk. The Fund's target performance is:

- No negative returns in any 1 year rolling period and outperformance of the benchmark (CPI + 3%) over a 3-year period.

The Fund limits downside risk by utilising explicit hedges (derivative overlays). The Fund holds South African Equity, Protected Equity, Preference shares and Cash.

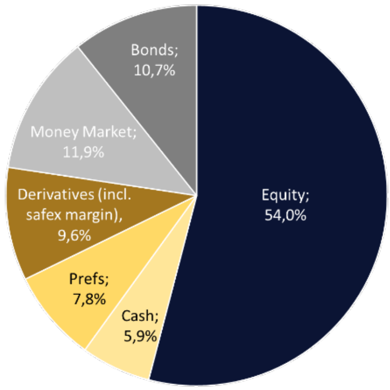
FUND DETAILS

Fund Manager:	Luvo Tyandela
Classification:	Absolute Return Fund
Launch Date:	January 2015
Benchmark:	CPI + 3%
Profile:	Medium Risk
Min Investment:	ZAR 50 million
Management Fees:	0.45%
Performance Fees:	Negotiable

Products

CPI + 3%
CPI + 4%
CPI + 5%
CPI + 6%

Asset Allocation

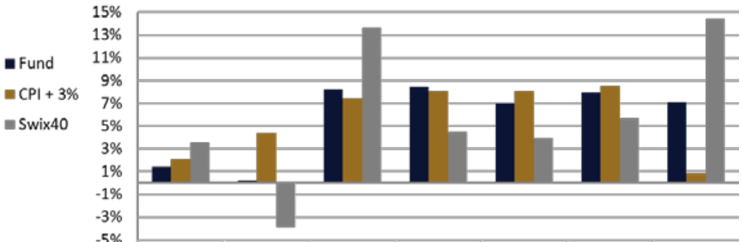


INVESTMENT PROFILE

The Fund is suitable for Institutional Investors seeking:

- Real returns and reduced short-term return volatility.
- To preserve capital while gaining long-term growth.

Performance



	3-month	6-month	1 Year	2 Year	3 Year	since inception**	Risk*
Fund	1,43%	0,24%	8,24%	8,42%	7,01%	7,95%	7,10%
CPI + 3%	2,07%	4,41%	7,46%	8,05%	8,05%	8,55%	0,80%
Swix40	3,58%	-3,87%	13,65%	4,50%	3,97%	5,68%	14,44%

* Risk measured by annualised standard deviation ** Since inception annualised

SA GDP over the past quarter has been the worst since 2009. Global trade tensions that start-ed in the middle of the second quarter escalated causing instability in the financial markets and increased volatility within financial instruments. Our local currency did not remain unscathed by the global risk-off sentiment having depreciated by approximately 12% YTD against the dollar. Emerging market currencies in general, knee-jerked weaker against the dollar due to global trade tensions. One aspect in analysts' views that would warrant further deterioration of the local currency is the continuation of the geopolitical tensions that would maintain a strong dollar, as the dollar is seen as a safe-haven asset during volatile times.

Recently, we have observed that the Chinese and US officials have raised the prospect of resuming talks over trade between the two nations after the US ratcheted up pressure by announcing a new round of potential tariffs. Taking a cue, local equity markets took some relief out of these developments towards the end of the quarter. That being said, economic traction remains benign with concerns over how the ANC's plans on land appropriation without compensation will affect foreign investment, and the SARB will be forgiven for taking a more hawkish stance given the weaker currency and the global trade and geopolitical uncertainty. Putting all this in perspective, we are at a loss as to why this is causing such market nervousness considering that US imports from China as % of GDP both countries is approximately 2 – 4%. This is a very small portion of GDP affected by the US imports.

Looking ahead, the market will be looking for signs of any resolution to the current global rout caused by the trade dispute. The continued tensions may influence the reserve bank's decisions especially the FED for an unaccelerated rate hiking regime. Locally, the FRA curve is currently pricing an unlikely event of further rate cuts this year and in fact pointing for possible rate hikes mid-year next year given the subdued growth and capital flight experienced in recent times.

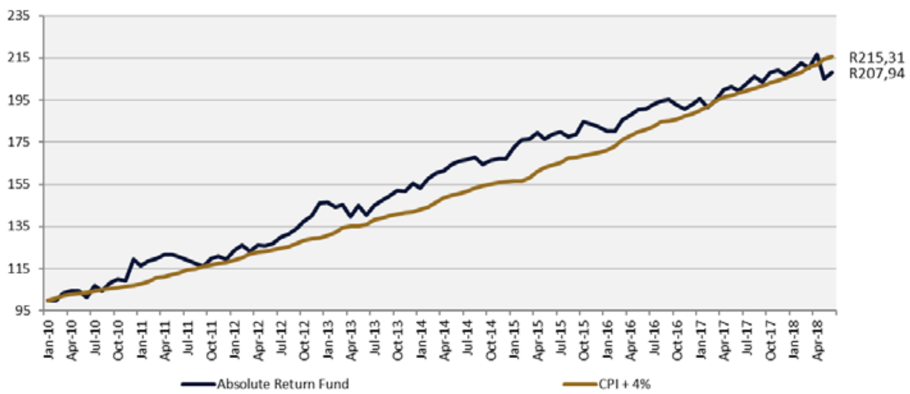
Accordingly, we have seen the market realizing, I.e., the market is getting riskier as realised volatility is moving towards implied volatility across major geographies in line with market decline. Looking at where the implied volatility is marked compared to its long-term average, it is probably still relatively cheaper to buy protection.

Luvo Tyandela. BSc (Statistics), MBA.
Mark Lamohr. BSc (Maths & Applied Maths).

Cumulative Performance

Value of R100 000 investment over the period

CPI + 4%



www.mianzo.co.za | info@mianzo.co.za | +27 (0)21 552 3555