

DESTINY INVESTMENTS

2017



A YEAR IN REVIEW

Just like the yo-yo, a toy every generation has had the pleasure and frustration of experiencing, the local capital markets had their fair share of ups and downs in 2017 showing volatility in equities, bonds, commodities and of course, the unpredictable Rand.

LOCAL EQUITY MARKET

Looking at the All Share Index (ALSI) growth of 21%, one would say that the JSE had a good year. However, the JSE's leading indices are dominated heavily by the e-commerce conglomerate Naspers, commodity stocks such as Anglo American and BHP Billiton as well as the large financial services counters. Due to this concentration there is no longer a one-fits-all benchmark that provides a realistic reflection of the broader market.

In contrast to the ALSI, the winners and losers scorecard for the year was not as flattering, indicating that 56% of JSE shares were "losers":

| COMPANY | INDEX |
|-----------------------------------|--------|
| Kumba Iron Ore | 138.4% |
| Exxaro Resources | 81.6% |
| Naspers | 71.5% |
| Dis-Chem Pharmacies | 62.9% |
| Discovery | 62.4% |
| Capitec | 58.0% |
| Clicks | 56.8% |
| Mr Price | 53.5% |
| Netcare | -21.0% |
| Impala Platinum Holdings | -24.1% |
| Harmony Gold Mining Company | -28.0% |
| Telkom SA | -35.0% |
| Brait | -52.4% |
| EOH Holdings | -58.8% |
| Consolidated Infrastructure Group | -84.2% |
| Steinhoff International | -93.5% |

THE RAND

The Rand's roller-coaster ride continued in 2017 reaching R12.30 to the dollar in March, and tumbling shortly after to R13.94 owing to political instability and the downgrades. It has since recovered to a range of around R12.25 with Cyril Ramaphosa's appointment as ANC President. In 2018, if there are no further downgrades, we may in fact see further strengthening of the Rand.

GLOBAL MARKETS

On the global front, 2017 will be remembered as the year of consequences following Black Swan events that shook the investment markets in the previous year, namely the election of US President Donald Trump and the unexpected exit of the United Kingdom from the European Union.

Having said this, President Trump's publicity certainly did not dwindle in 2017. Whether one likes him or hates him, is immaterial, the fact is that he simply cannot be ignored...no matter how hard you try! Trump managed to sign the Republicans' massive \$1.5 trillion tax overhaul into law cementing the largest legislative victory of his first year in office.

The United Kingdom's exit from the European Union proves that independence comes at a price. Lower GDP growth and inflation resulted in an interest rate increase and sombre reflection on a hard Brexit.

DESTINY'S PORTFOLIOS

South African asset managers have had their challenges over the past few years as a result of political instability, concerns around State Owned Enterprises' extreme debt positions, poor fiscal discipline displayed by Government and the International Rating Agencies' downgrades. In addition to this, ethical behaviour has been placed under the spotlight at both a State and Company (e.g. Steinhoff, KPMG) level.

Despite these challenges, Destiny has continued to produce returns that outperform its peers. Diversification has played a significant role in ensuring that the challenges and shocks that have occurred in the market have a limited effect on the portfolios.

This is as a result of Destiny's philosophy where different asset classes, complementary asset managers with specific member-centric mandates, as well as active versus passive investment strategies are integrated efficiently into the portfolios.

| Portfolio | 2017 ¹ | 3-years ¹ (annualised) | 5-years ¹ (annualised) |
|---------------------------|-------------------|-----------------------------------|-----------------------------------|
| Market Enhanced Portfolio | 13.32% | 8.80% | 12.54% ² |
| Moderate Portfolio | 13.01% | 9.29% | 12.65% |
| Conservative Portfolio | 12.57% | 9.34% | 12.15% |
| Defensive Portfolio | 11.45% | 9.11% | 10.69% |
| Money Market Portfolio | 9.31% | 8.43% | 7.54% |

¹ All returns are gross of asset managers and GIB asset based fees but net of performance based fees, where applicable.

² This portfolio commenced in May 2013 and therefore this return is partly modelled.

THE INVESTMENT COMMITTEE

The investment committee was established to combine the intellectual capital of various stakeholders in order to provide Trustees with independent qualitative and quantitative investment research. This research ensures that the decisions made are done so only after extensive debate and deliberation.

One of the GIB investment committee's values is uncompromising transparency, thereby disclosing not only the cost of investing with Destiny but also the inner thinking and workings.

The committee includes GIB investment specialists as well as external and independent investment analysts. Participating employers are invited to attend meetings and provide their input which results in an objective, member-centric investment process.

Below is the list of investment meetings held in 2017:

| Meeting Type | Meeting Date |
|------------------------------|--------------|
| Investment Committee Meeting | 07/03/2017 |
| Investment Committee Meeting | 21/03/2017 |
| Investment Committee Meeting | 21/04/2017 |
| Investment Committee Meeting | 19/07/2017 |
| Investment Conference | 17/08/2017 |
| Investment Committee Meeting | 19/10/2017 |
| Investment Committee Meeting | 07/12/2017 |

This year's Investment Conference hosted Fairtee Capital and Orbis presenting feedback on their excellent investment returns. The Summit also included an Active vs Passive panel discussion focussed around the popular Listed Property Sector, with guest speakers from Momentum and Old Mutual.

Industry Survey: 31 December 2017

Defensive - Conservative

| Portfolio | 2017 | 3-years (Annualised) | 5-years (Annualised) |
|---------------------------------------|--------|----------------------|----------------------|
| Destiny Conservative | 12.57% | 9.34% | 12.15% |
| Destiny Defensive | 11.45% | 9.11% | 10.69% |
| Old Mutual Stable Growth | 10.60% | 7.10% | 8.40% |
| Momentum Enhanced Factor 4 | 10.31% | 8.32% | 9.47% |
| Investment Solutions Conserver | 10.26% | 7.39% | 8.93% |
| Allan Gray Stable | 9.60% | 9.80% | 10.20% |
| 10X Low Equity | 8.90% | 7.50% | 8.80% |
| Momentum Trustee Choice | 8.70% | 7.71% | 8.45% |
| Sanlam Volatility Protection Strategy | 7.90% | 9.30% | 12.30% |
| Coronation Balanced Defensive | 7.80% | 6.60% | 8.80% |
| Investec Cautious Managed | 7.10% | 6.60% | 8.00% |

Moderate - Aggressive

| Portfolio | 2017 | 3-years (Annualised) | 5-years (Annualised) |
|--------------------------------------|--------|----------------------|----------------------|
| 10X High Equity | 13.70% | 8.20% | 11.60% |
| Momentum Enhanced Factor 6 | 13.66% | 9.23% | 12.47% |
| Destiny Market Enhanced | 13.32% | 8.80% | 12.54% |
| Destiny Moderate | 13.01% | 9.29% | 12.65% |
| Coronation Balanced Plus | 12.70% | 7.00% | 11.30% |
| Investment Solutions Performer | 11.93% | 9.16% | 12.73% |
| Allan Gray Balanced | 11.10% | 9.90% | 12.30% |
| Stanlib/Liberty MM Moderate Balanced | 9.49% | 7.17% | 10.41% |
| Liberty Corporate Preferred Assets | 7.02% | 5.01% | 8.89% |
| Foord Balanced Fund | 6.90% | 4.90% | 9.20% |
| Lynx Balanced Fund of Funds | 6.15% | 6.65% | 9.92% |

