

# Returns achieved

30 July 2017



SPECIALIST INVESTMENT SERVICES

**third circle**  
Asset Management

Stochastic Portfolio Optimisation  
Through Simulation **SPOTS**



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## Comparative track record 30 July 2017: net returns achieved before platform and advisor fees

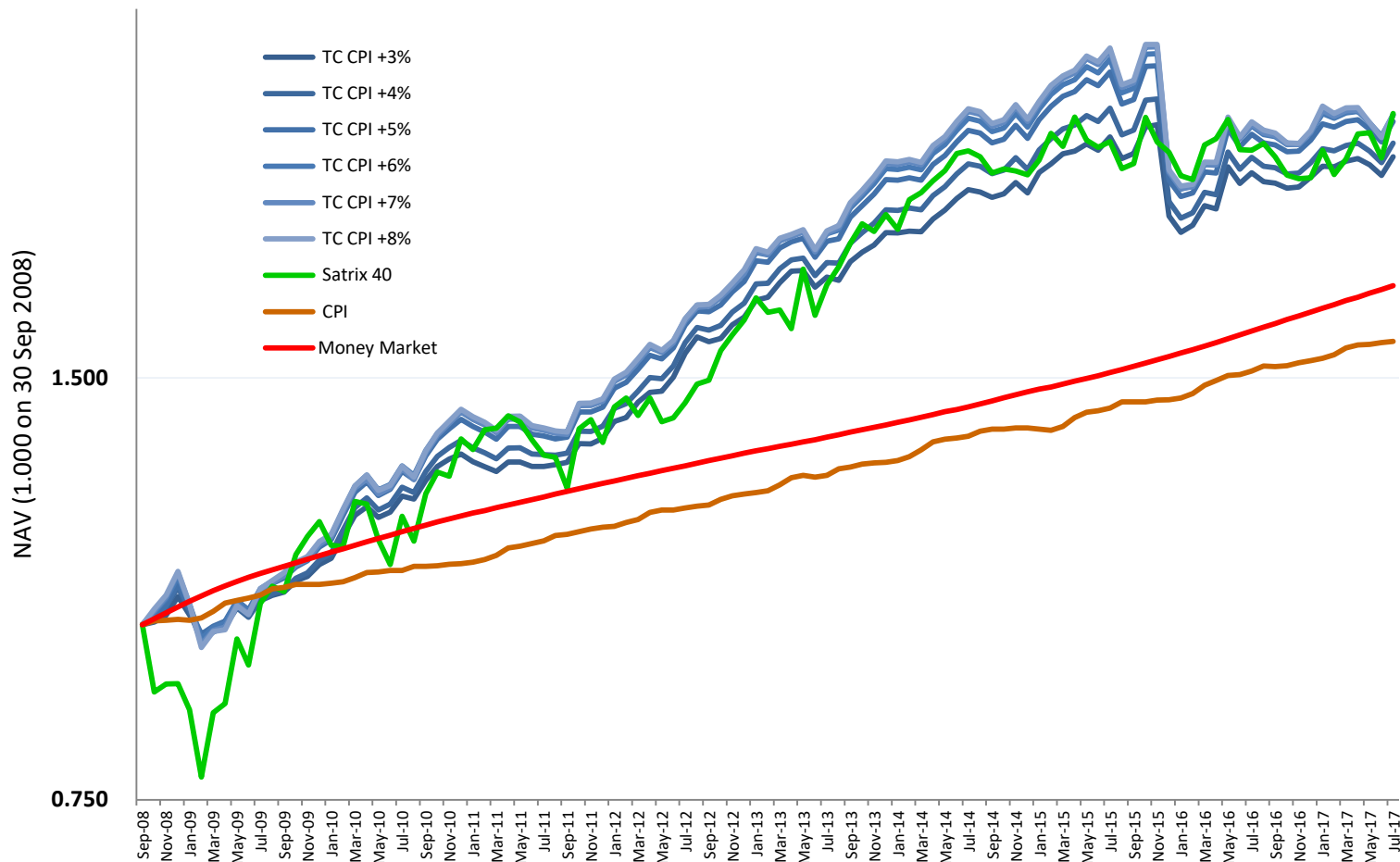
Return targets	CPI +3%	CPI +4%	CPI +5%	CPI +6%	CPI +7%	CPI +8%	Flexible
Minimum and maximum equity exposure	0%<40%	0%<47%	0%<54%	0%<61%	0%<68%	0%<75%	0%<100%
Average equity exposure (modeled/actual combined, since 1 Jan 1994)	35%	40%	47%	52%	58%	64%	85%
1 year return	2.65%	2.38%	2.10%	1.81%	1.53%	1.24%	2.04%
2 year returns (per annum)	-1.63%	-2.83%	-3.98%	-4.49%	-5.16%	-5.30%	-7.07%
3 year returns (per annum)	1.82%	1.14%	0.49%	0.19%	-0.20%	-0.30%	-1.33%
4 year returns (per annum)	5.05%	5.03%	5.04%	4.99%	4.96%	4.90%	5.07%
5 year returns (per annum)	6.66%	6.77%	6.91%	6.93%	6.98%	6.93%	7.32%
Realised annualised return since inception (1 Oct 2008)	9.09%	9.36%	9.81%	9.94%	9.93%	9.95%	9.21%
Model/actual combined annualised return (1 Jan 1994)	15.80%	16.41%	17.07%	17.55%	17.94%	18.41%	19.47%
Current drawdown	-5.14%	-7.01%	-8.76%	-9.56%	-10.61%	-10.87%	-13.64%
Drawdown targets	<5.00%	<7.50%	<10.00%	<12.50%	<15.00%	<17.50%	
Since 1 Oct 2008, 90% of realised drawdowns have been better than	-8.01%	-9.94%	-11.52%	-12.18%	-13.09%	-13.15%	-16.02%
2 year annualised standard deviation of monthly returns	5.04%	5.52%	6.03%	6.58%	7.14%	7.73%	7.75%
<b>Scenario planning:</b>							
<b>Estimated returns per annum over a rolling three year period</b>							
Nightmare scenario - there is a 90% probability of exceeding these levels	4.5%	4.5%	4.5%	4.3%	3.8%	3.3%	1.2%
Likely scenario - there is a 50% probability of exceeding these levels	7.5%	8.4%	9.3%	10.1%	11.0%	11.9%	15.8%
Optimistic scenario - there is a 10% probability of exceeding these levels	11.7%	12.7%	14.0%	15.5%	16.6%	18.0%	24.7%

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### Value development over time



### MONEY ANCHOR PROFILER®

We know that investor behaviour is driven by the conflict between avoiding pain (potentially losing money) and the achievement of pleasure (gaining wealth through investments growing).

The Money Anchor Profiler® (MAP) offers an indication of both how much pain an investor may be able to stomach emotionally without becoming overanxious, and how much emotional value they attach achieving elevated levels of growth.

### INVESTOR FEAR AND GREED

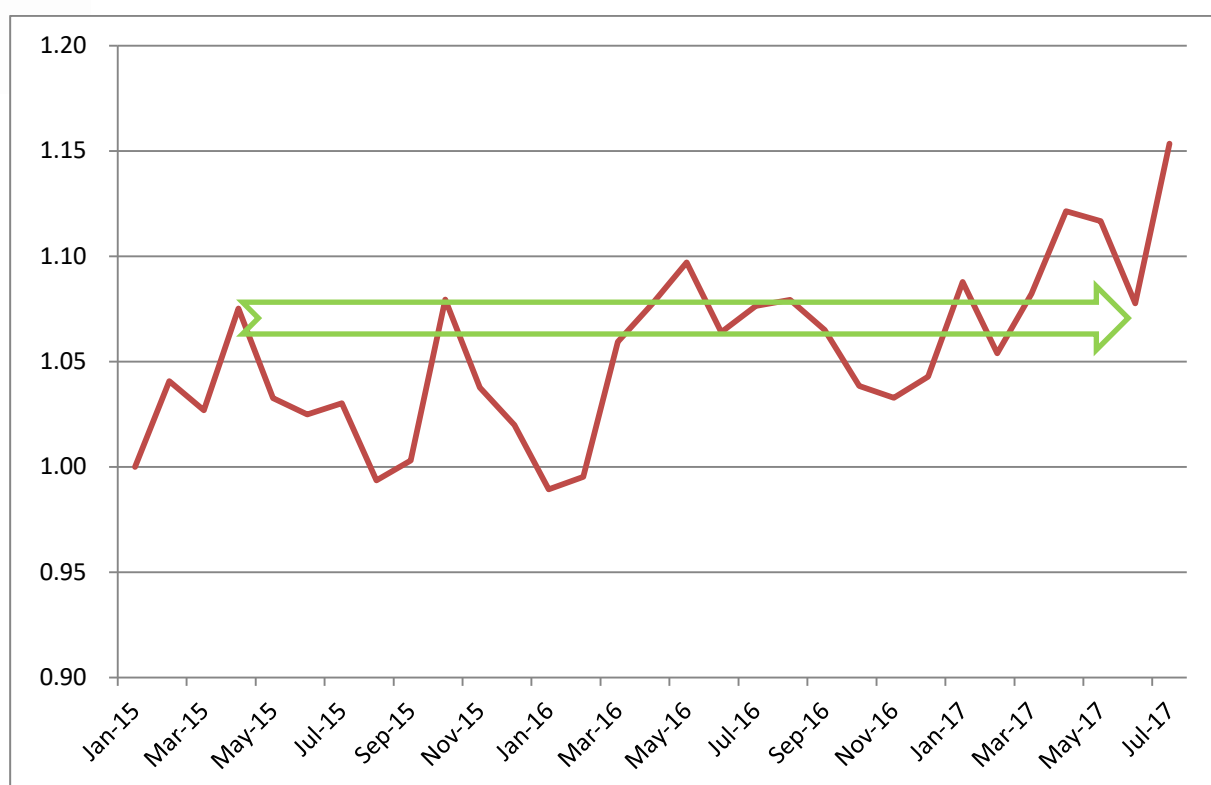
Fear of Draw downs	Greed for Growth
<-05.00%	Potential growth CPI+3%
<-07.50%	Potential growth CPI+4%
<-10.00%	Potential growth CPI+5%
<-12.50%	Potential growth CPI+6%
<-15.00%	Potential growth CPI+7%
<-17.50%	Potential growth CPI+8%



### THIRD CIRCLE WRAP FUND

	Third Circle Wrap Fund					
	CPI + 3%	CPI + 4%	CPI + 5%	CPI + 6%	CPI + 7%	CPI + 8%
Coronation Global Emerging Markets Flexible Fund	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%
Sanlam India Opportunities Feeder Fund	4.2%	4.3%	4.5%	4.6%	4.8%	4.9%
Old Mutual Global Emerging Market Fund - A	6.7%	6.7%	6.6%	6.6%	6.5%	6.5%
Coronation Industrial Fund - P	5.1%	6.2%	7.4%	8.5%	9.7%	10.8%
SIM Industrial Fund - R	5.1%	6.3%	7.4%	8.6%	9.7%	10.9%
Bridge Managed Growth Fund	4.9%	5.4%	5.9%	6.3%	6.8%	7.3%
STANLIB Inflation Plus 3% Fund - A	5.0%	5.5%	6.1%	6.6%	7.2%	7.7%
CentaurBCI Flexible Fund	6.0%	7.0%	8.0%	9.0%	10.0%	11.0%
Nedgroup Investments Flexible Income Fund - A	6.8%	6.2%	5.7%	5.1%	4.6%	4.0%
Coronation Strategic Income Fund - A	6.7%	5.4%	4.0%	2.7%	1.3%	0.0%
BCI Best Blend Flexible Income Fund - C	12.8%	12.3%	11.8%	11.2%	10.7%	10.2%
Prescient Income Provider Fund - A2	5.3%	4.2%	3.2%	2.1%	1.1%	0.0%
Nedgroup Investments Property Fund - A	13.1%	11.7%	10.4%	9.0%	7.7%	6.3%
Marriott Dividend Growth Fund - R	0.0%	1.4%	2.8%	4.1%	5.5%	6.9%
Absa Property Equity Fund	9.2%	8.2%	7.3%	6.3%	5.4%	4.4%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

It's been a frustrating time for SA investors  
 – essentially no stock market returns from April 2015 to June 2017



JSE All Share Total Return Index (including dividends)

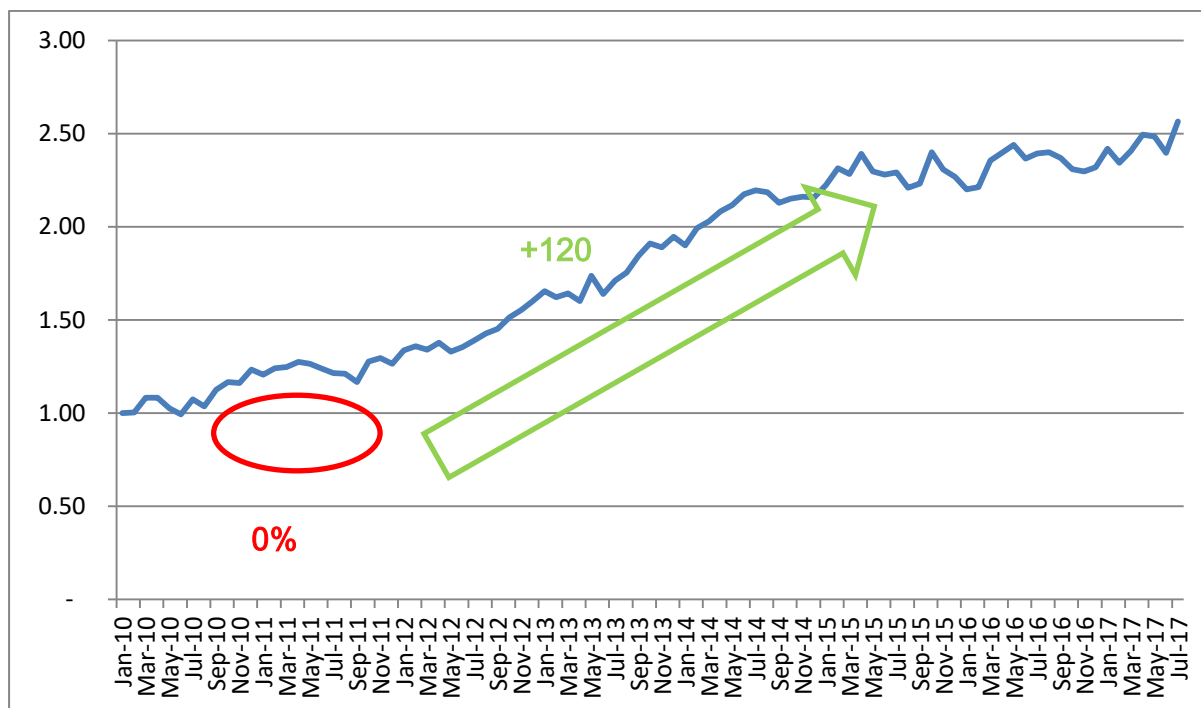
Stochastic Portfolio Optimisation  
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Political uncertainties, a tepid economy, credit ratings downgrades and a volatile currency have left local share markets with very little to get excited about. All of the stock market gains since April 2015 have come since 18 June 2017!

- Over the period, excluding the once-off events of December 2015, the Third Circle portfolios beat the stock market by between 6.4% and 8.3%, mainly due to holdings in foreign shares and cash.
- These are the only asset classes to have beaten inflation – but only by 1.7% and 1.3% respectively.
- By law we may hold no more than 25% in offshore assets, while cash effectively has a 0% chance of generating inflation + 3% or more over time. Thus there needs to be at least some contribution from local stocks for the portfolios to grow satisfactorily.
- These stagnant periods happen from time to time: as a recent example, from October 2010 to October 2011, the market yielded 0%.

Since then, however, it has climbed by 120%...



JSE All Share Total Return Index (including dividends)

*The lesson is that patience is required: the markets statistically have always delivered over time, but they do not grow on demand and occasionally take a breather (or even temporary step backwards).*

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As an independent asset management company we focus on value added discretionary investment management services, both for the individual as well as institutions. TCAM is wholly owned by its management. We are a multi manager of collective investment schemes, all of which are in conjunction with respected banking establishments.

- ◇ TCAM is a pioneer in the field of aligning a person's asset allocation with a person's money personality (Money Anchor Profiling - MAP).
- ◇ TCAM have done this in such a way that a seamless integration is maintained between the client's wishes, personality traits and the eventual design of the client's portfolio.
- ◇ TCAM does not give financial advice.
- ◇ TCAM does not directly or indirectly hold more than 10% of an insurer's shares.
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Absa Investment Management Services (AIMS)



Glacier Financial Solutions (Pty) Ltd



Momentum Wealth

LISP'S specializes in the administration and management of unit linked investments as well as in multi investment management. LISP'S cater for discretionary saving investments, retirement solutions, guaranteed offerings and offshore investing on single investment platforms thereby providing a full spectrum of investment solutions with access to the complete range of South African unit trust funds as well as select offshore unit trusts. By complementing their administrative capabilities with investment expertise, LISP'S have uniquely positioned themselves as new generation investment houses and has independent status facilitates complete objectivity in providing optimal investment solutions.

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