

FUTUREGROWTH

/ ASSET MANAGEMENT



Futuregrowth's transformation story

Developing and transforming South Africa for over 20 years

“At Futuregrowth we protect and grow investors’ savings through skill and diligence in a way that engenders trust, sustainably enriches people’s lives, and is a positive force in society, markets and for all our stakeholders.”

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Futuregrowth's transformation story

Futuregrowth has been a leader in transformational and developmental investments for over 20 years via our range of development funds which make a real difference to people's lives in South Africa, while delivering sound investment returns.

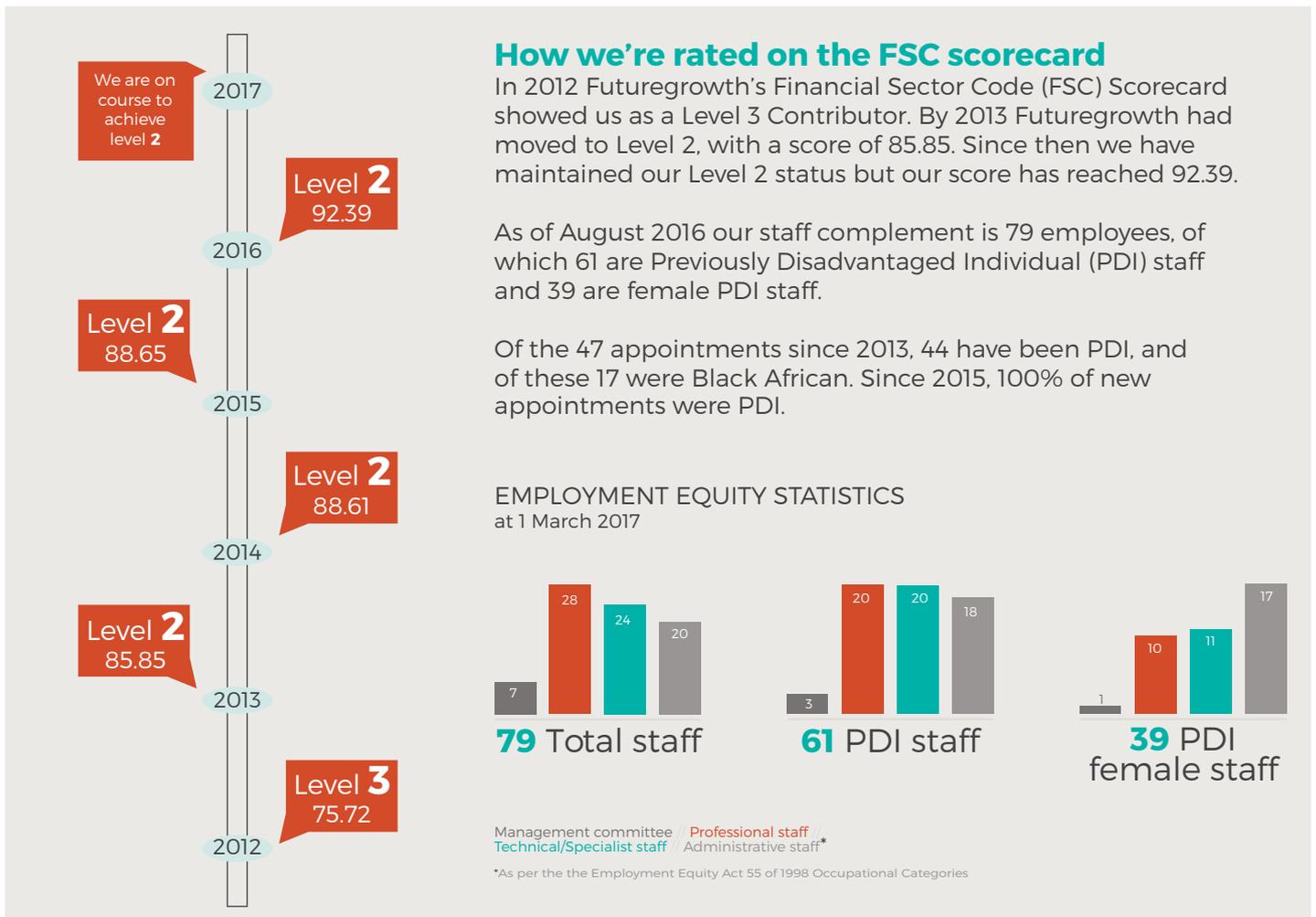
The information covered in this report includes the key criteria against which transformation is generally measured. At Futuregrowth, however, we consider transformation to be far broader than this, and includes the impact our business and investments have on the broader environment in which we operate as part of our assessment.

Internal transformation//

the transformation of our business to reflect the racial and gender diversity of our country.

External transformation//

the impact that our business and investments have on our clients, communities, the investment industry, capital markets and the economy as a whole.



Employment Equity (EE) Committee

Futuregrowth's EE Committee was formed in 2015 to ensure equitable representation in all occupational categories and levels of employment in the company. The EE Committee monitors the implementation of the transformation and EE strategies. The committee consists of staff members from across the organisation who are passionate about Futuregrowth and its people.



Our investment team

Shareholding structure

Old Mutual Investment Group (OMIG) South Africa has been the majority shareholder of Futuregrowth since 2008. The current shareholding structure is tabled below. It is worth noting that Futuregrowth's BEE shareholding is **39.99%**.

	Breakdown of total shareholding %	Actual BEE allocation %	Total target allocated to staff % (OMIG/FG)	Weighted BEE shareholding %
OMIG ownership	74.70%	*40.48%		30.24%
OMIG/FG Management Trust	12.00%		11.97%	
OMIG/FG Black (PDI) Management Trust	8.00%	**4.45%	***6.05%	4.45%
Imfundo SP Holdings	5.30%	5.30%		5.30%
Total Futuregrowth BEE shareholding	100.00%			39.99%

*40.48% as reflected in the Futuregrowth FSC Scorecard, and also used in this table, is the flow through calculation from OMIG's BEE shareholding calculated in accord with current DTI scorecard requirements. // **4.45% is held by 27 Futuregrowth PDI staff. A minimum of an additional 3.55% is reserved for new allocations to PDI staff. // ***An additional 1.6% has been allocated to PDI staff and in the process of being purchased.

Imfundo SP Holdings is an education trust that provides financial assistance to previously disadvantaged students who pursue a tertiary qualification relating to the asset management field. Futuregrowth thus contributes to broadening the knowledge base and skills development, therefore benefiting the South African economy and society more broadly.

Both the Management and Black Management Trusts are vehicles that house the Futuregrowth shares set aside for senior staff. Over time, up to 20% of the shares will be held by staff via a staff incentive scheme consisting of these Trusts. The Management Trust shareholding of 12% can be allocated to all senior staff including PDI employees but the Black Management Trust shareholding of 8% are exclusively held for PDI employees.

The current take up from the Black Management Trust pool is 4.55%. Those PDI staff who are eligible are offered the opportunity to take up a prescribed share allocation if they so wish. The size of the share allocation is dependent on the individual role. This will be increased as the employee moves to a higher level of responsibility. Take up of shares can be spread over a number of years until the full allocation has been reached. The share allocations occur once a year at bonus time.

Graduate Acceleration Programme Learnership (GAP) & TSIBA

Futuregrowth recognises the need to encourage skills transfer which best takes place within the workplace. We therefore look to grow our current staff within these areas as well as participate in the Old Mutual GAP. In this programme students are offered an internship for eighteen months. These students are recently graduated individuals who have expressed an interest in the financial industry and who are particularly keen on pursuing a career in asset management.

Futuregrowth also participates in the TsiBA bursary programme, which is offered in conjunction with

ASISA. The purpose of this programme is to create a pool of graduates who have developed some basic skills in client services and administration in the financial services industry. These students have the opportunity to gain relevant and valuable work experience in the client reporting and business development areas of the business during their five month placement with Futuregrowth. The selected individual is also given a bursary for eighteen months for the completion of his or her studies in client servicing and administration. The student is paid a salary while completing his or her internship.

12 GAP INTERNS
APPOINTED
SINCE 2011.
3 STARTED
IN 2016 &
2 IN 2017.



ALL ARE PDI
AND **7** ARE
BLACK
AFRICAN.



ALL **7** WHO
JOINED
BEFORE 2016
HAVE BECOME
PERMANENT
EMPLOYEES.



4 HAVE BEEN
PROMOTED TO
ANALYSTS IN
THE INVESTMENT
TEAM, **2** OF
WHOM ARE
BLACK AFRICAN.

GAP LEARNERSHIPS SINCE 2011

SKILLS DEVELOPMENT SINCE 2013

Futuregrowth encourages staff to continue learning, upskilling and developing themselves. Since 2013 we have financially supported:

33

PDI staff who are studying or studied towards a formal qualification (CFA, CIPM, CAIA, post graduate degrees, FMI).



People are at the heart of what we do

- / We grow our own trees at Futuregrowth -- allowing people to learn and expand in their career, both here and, sometimes, elsewhere.
- / We all contribute towards achieving the purpose of the organisation.
- / We've chosen to stay small -- to have a unified, connected, trusting, sharing culture.
- / Futuregrowth has a culture of openness and sharing of information, ideas, and learnings.
- / It's a learning place -- questions are answered willingly and openly.
- / We're a family.

Being a Responsible Investor: With great capital comes great responsibility

As fiduciaries representing investors' interests we take our role of responsible investor very seriously.

The issue of sustainable and responsible investment practices are not new in South Africa. Regulation 28 of the Pension Funds Act requires pension funds to consider issues that could materially affect long-term performance, including environmental, social and governance (ESG) factors.

Our Approach

Integrating non-financial analysis into our investment process

Futuregrowth manages approximately R170 billion of assets across a range of fixed income and development funds. We believe integrating non-financial analysis makes for better investment decisions and also more sustainable returns.

“Consciously seeking to invest client funds in a responsible manner.”

Financial analysis in isolation is not sufficient to assess companies which are exposed to many non-financial risks that could affect their prospects. Through the investment process we seek to identify non-financial risks (ESG, governance, management, operational, etc) that could impair the quality of our investments. The purpose of integrating these factors

is to improve the analysis of all investments, promote improving standards of practice, and to assist the investment process in assessing the risks.

Engagement

Futuregrowth believes that engagement with investee companies on matters of ESG is appropriate to ensure long-term sustainability. We believe in collaboration with investee companies and engaging management to encourage companies to think about their approach to integrating, disclosing and reporting on ESG issues.

Some of our engagement activities include filing shareholder resolutions, attending annual general meetings, debt-holder meetings, negotiating debt-related terms, lender-related issues and voting our shareholder proxies.

We believe that our role within the investment community is to engage companies on these issues, to encourage improved standards and aspire to responsible ways of doing business.

Examples of investor activism

Effecting sustainable change in capital markets

Acting as fiduciaries for our pension fund clients, Futuregrowth actively engages with the capital markets and raises issues in public to bring about fairer capital markets and investment practices for all, often raising issues that need debate.

Examples of pro-active engagements are:

- JSE takeover of BESA (2008): Lack of fair and transparent price discovery
- Credit Ratings Agencies (2008): Conflict with ratings agencies
- Bond Covenants (2009): Fighting for better investor protections
- Bank failures (2011): Lack of accountability when banks fail
- Bond pricing (2011): Bond pricing problems
- Prescription (2009 + every 18 months): Hostile to prescription in SA

- Micro-lending (2013): Identify unfair and unsustainable practices of microlenders
- Bond Indices (2015): Argued indices are fundamentally flawed
- Covered Bonds (2015): Hostile to covered bonds introduction in SA
- ACSA (2015): Oppression of minorities
- SOE governance (2016)

“As fiduciaries, Futuregrowth seeks fairer capital markets and investment practices, often raising issues that need debate”

Industry involvement

ASISA committees and working groups

We have representation on the ASISA Fixed Interest Standing Committee as well as its various sub-committees focusing on the development of the bond and credit market, responsible investments and infrastructure.

These sub-committees are:

- Responsible Investing Standing Committee
- Covered Bonds Working Group
- Debt Issuer Services Work Group
- Securitisation Working Group
- Infrastructure Working Group
- Project Bonds Working Group
- Money Market Sub-committee
- Commercial Paper Review

Principles for Responsible Investment (PRI)

- We chair the PRI Awareness Working Group in South Africa
- We are members of the Fixed Interest Outreach Sub-committee

Chartered Financial Analyst (CFA)

Futuregrowth has been a supporter of CFA South Africa since its founding, through active Board membership during its first 13 years as well as by supporting its mission with sponsorships, education initiatives hosted by the CFA and continued participation in various forums.

Partnership with Government & State Owned Enterprises in National Development

Acting for our investor clients, Futuregrowth is one of the longest-serving and largest private sector funders of national development in South Africa. Often this is in conjunction with national government initiatives, such as infrastructure (transport, water, alternative energy), taxi recapitalisation, urban renewal, affordable housing, utilisation of ocean resources, student accommodation, and much more.

“Through our efforts, we seek to be on the right side of history.”

Codes of Standards

We adhere to the following standards and guidelines:

- FAIS Code of Conduct for Administrative and Discretionary Financial Services Providers
- FAIS General Code of Conduct for Authorised Financial Services Providers and Representatives
- Futuregrowth is a signatory to the PRI
- Code of Responsible Investment in South Africa (CRISA) (2011)
- Global Investment Performance Standards (GIPS) (2000)
- CFA Asset Manager Code of Professional Conduct (2006)
- International Finance Corporation (IFC) standards (2010)
- GLOBALG.A.P. standards (2010)

Directorships and members of investment committees

Various members of the investment team are involved in external investment committees or hold directorships showing positive engagement with investee companies.

Examples of investment committees are:

- South Africa Infrastructure Fund
- The Masisizane Fund
- ASISA Enterprise Development Fund

Examples of investee companies are:

- Infrastructure Finance Corporation (INCA)
- South African Enterprise Development
- N3 Toll Concession
- National Urban Reconstruction and Housing Agency (Nurcha)
- National Housing Finance Corporation
- Open Learning Group
- Eduloan

Trustee training

Given the fiduciary role that trustees play in pension fund management and the importance of having the appropriate skills and knowledge, Futuregrowth has compiled a series of workshops on various topics including bonds, responsible investing, credit and compliance.

Development investments that serve the nation

Our philosophy

Futuregrowth is dedicated to the development and empowerment of South Africa and its people, with many of our products geared towards supporting change. We are passionate about improving the lives of all South Africans and are always striving to identify opportunities that will not only yield optimal financial returns for investors, but also make recognised contributions to society. Futuregrowth has become a reliable channel for investors' savings that assist in funding national development. Our belief is that thriving communities result in thriving businesses, therefore, business can and should develop the communities in which they operate.



Supporting **investments** into infrastructure development

20 years of consistent, long-term performance

Tangible **social impact**

R51bn invested in developmental investments*

Active in all **9 provinces**

Renewable energy exposure of **R9.20bn** in committed & pipeline deals

*At September 2016

“We bring energy and creativity to developmental finance -- assessing and making investments that others don't, and actively engaging to assist companies on their journey.”

While our primary role is to provide a retirement benefit for members, improving the lives of individuals and their families while they are still working is also critically important.

We define developmental investing as that which provides investors with both commercial returns and tangible social and developmental impact. In South Africa, the primary development focus is around the provision of basic services and infrastructure development.

Our process & track record

Futuregrowth has a 20 year track-record of investing in developmental investments. We use a fundamental investment approach with active decision making and judgement applicable in all processes.

Developmental sectors

Futuregrowth has invested a total of **R51bn*** in various developmental sectors on behalf of our third party clients.



Low income & affordable housing



SMME & Enterprise Development



Transport infrastructure



Water infrastructure



Agriculture & rural development



Renewable & alternative energy



Aqua-farming



Healthcare



Education

*At September 2016

“Invest profitably and responsibly. Align your investments with your humanity.”

Our suite of development funds

Our range of development funds forms part of our overall Responsible Investment (RI) strategy and reflects the intentions of investors to do good by consciously investing to make a positive impact in society and the broader environment for current and future stakeholders.

Our developmental suite of funds consists of:

- Infrastructure & Development Bond Fund
- Development Equity Fund
- Community Property Fund
- Agri-Fund
- Development Balanced Fund (Fund of Funds)
- Power Debt Fund
- Power Inflation-linked Bond Fund
- Infrastructure & Development Inflation-linked Bond Fund

Caring for communities

Futuregrowth allocates 1% of its after tax profits to Corporate Social Investment (CSI). Our key focus areas of support fall within the three broad CSI categories of social development, health and education. An internal CSI Committee vets the projects under review. Committee members are invited to serve on the committee based on their passion for, and interest in, social development work in and among socio-economically deprived communities, and all staff are encouraged to participate in the various projects that we engage in.

During 2016 we funded 22 projects across all three CSI categories.

Our purpose is to make a meaningful, tangible difference to communities and in so doing fulfil our purpose of effecting positive change in South Africa. A secondary purpose is to provide Futuregrowth employees with a platform to live the brand and further enrich their own lives by doing good for others as members of the CSI Committee.

Read our latest report - Corporate Social Investments 2015 - which can be found on our website.



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