

# FINSOLNET

## Inflation (CPI) Plus 6-7 Pigs Compliant Targeted Return Strategy

December/2010

### STRATEGY OBJECTIVE

The objective of this strategy is to target an annual return of CPI plus 6%-7% over a rolling 60-month period and not to lose capital over a rolling 36-month period, while at all times remaining within prudential guidelines.

### LAUNCH DATE

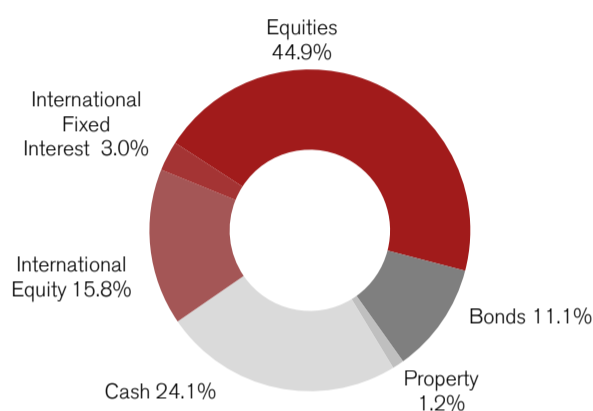
26 June 2008

### TOTAL EXPENSE RATIO

1.67%

\* includes a rebate to FSP of 0.61% (incl. VAT)

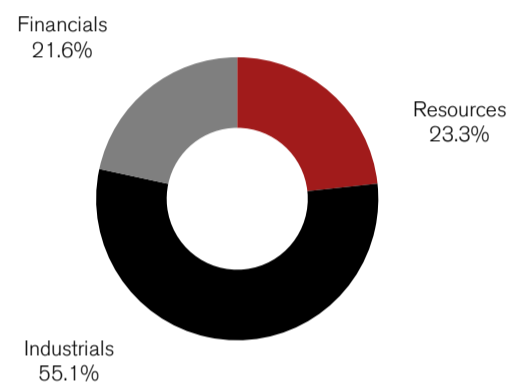
### ASSET ALLOCATION



### TOP 10 EQUITY HOLDINGS

Sasol Ltd	2.6%
MTN Group Ltd	2.0%
SABMiller plc	1.9%
Remgro Ltd	1.7%
Sun International Ltd	1.4%
Standard Bank Group	1.4%
Tiger Brands Ltd	1.4%
Discovery Health Ltd	1.2%
Harmony Gold Mining Co	1.0%
Telkom SA Ltd	1.0%

### EQUITY SECTORS



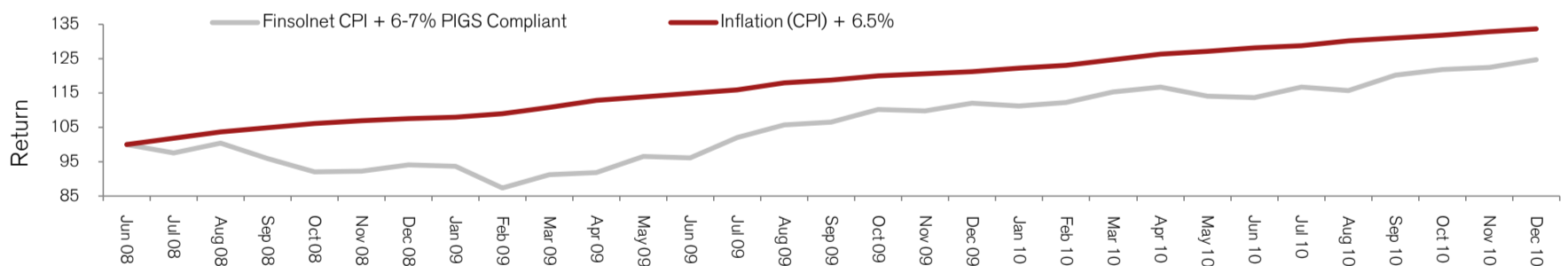
### PERFORMANCE ANALYSIS

YEAR	FUND	CPI + 6.5%	DIFF
2008 (July - Dec)	-5.9%	7.5%	-13.4%
2009	19.0%	12.3%	6.7%
2010	11.3%	10.1%	1.2%

### RISK ANALYSIS

	FUND	ALSI
% Positive Months	63.3%	65.9%
% Negative Months	36.7%	34.1%
Best Month	6.1%	12.5%
Worst Month	-6.7%	-13.2%
Average Negative Month	-2.1%	-3.8%
Max Drawdown	-12.9%	-40.4%
Standard Deviation	9.9%	18.0%
Downside Deviation	7.4%	11.2%

### PERFORMANCE GRAPH



Portfolio	Allocation	1 Month	3 Months	1 Year	3 Years	5 Years	Since Inception
Allan Gray Balanced Fund - B	24.25%	1.8%	3.1%	9.1%	6.0%	11.4%	
Coronation Balanced Plus Fund	24.25%	2.7%	4.8%	15.4%	9.2%	14.0%	
Nedgroup Investments Managed Fund - A	24.25%	0.5%	2.8%	11.3%	8.6%	11.0%	
Investec Opportunity Fund - A	24.25%	2.3%	4.2%	10.8%	7.9%	12.1%	
Absa Money Market Fund	3.00%	0.5%	1.5%	6.8%	9.1%	8.8%	
<b>Finsolnet CPI + 6-7% PIGS Compliant</b>		<b>1.8%</b>	<b>3.7%</b>	<b>11.3%</b>			<b>9.2%</b>
CPI + 6.5%		0.7%	2.1%	10.1%	13.0%	12.7%	10.9%
CPI		0.2%	0.4%	3.6%	6.5%	6.2%	4.4%

Unit trusts are medium to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to the future. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commission is available from the management company / scheme. Different classes of units apply to this fund and are subject to different fees and charges. Commission and incentives may be paid and if so, would be included in the overall costs. It should also be noted that as a result of the nature of wrap fund portfolios, an investor's underlying portfolio holdings and/or portfolio performance may differ slightly from the information reflected above. Therefore, performance figures presented on the fact sheet are approximate figures and may differ from actual performances of client accounts.



This scatter plot indicates the sensitivity of the fund returns to those of the equity market. This analysis shows that the fund exhibits little sensitivity to the direction of the equity market.

COMMENTARY

Confounding the sceptics, 2010 ended on a high note, with the FTSE/JSE All Share Index returning 19.0% for the year, and the BESA All Bond Index 15.0%. The Rand strengthened by 10.6% over the same period. December contributed strongly to this performance with the FTSE/JSE All Share Index adding 6.2%, driven largely by Resources which returned 7.7%.

December brought more concerns about the eurozone debt crisis and a shift in the balance of power in the US as President Barack Obama gave in to the Republicans' demands for the retention of tax cuts. Government bond yields spiked on concerns about levels of debt of Western economies. Strikes made headlines in Greece and Spain (against austerity measures), Italy (against the survival in power of the Prime Minister Silvio Berlusconi) and the UK (against the raising of university tuition fees). China increased interest rates in response to record inflation in November. However globally stock markets ended on a high, breaching levels last seen prior to the collapse of Lehman Brothers in September 2008. There is a widespread expectation that the rally will continue into 2011.

South Africa has been invited to join the BRIC group of emerging economies, which includes Brazil, Russia, India and China. Given its small size and weak economic growth South Africa's ascension is more reflective of global politics than economics, with China viewing the country as the gateway for investment into Africa.

The latest domestic data releases paint a picture of an economy which has stabilised and may even be in weak recovery. Consumer spending has improved as evidenced by strong retail and new vehicle sales numbers. It is expected to pick up further in 2011 as interest rate cuts filter through to support demand. The trade account recorded a surprise R8.4 billion surplus in November on stronger than expected exports. On a negative note, unemployment remains a problem, with the number of permanent workers falling by 2.7% in November after a 2.8% rise in October. Credit extension to the private sector slowed to 4.6% year-on-year reflecting concerns about further borrowing in the face of a weak recovery. Consumer inflation quickened to 3.6% year-on-year in November (0.2% month-on-month), while producer inflation slowed to 6.2%.

The National Treasury upped the limit for institutional investments offshore by 5%. Retirement funds can now invest 25% offshore, and unit trusts, asset managers and long-term insurers 35%.

The aggregated strategy resulted in a portfolio predominantly invested in local and international equity (60.4%). During December global and domestic markets rallied outweighing the negative impact of the strengthening rand in respect of international exposure, resulting in strong performance of the underlying managers. The fund return for the month of 1.8% is more than double that of the benchmark return of 0.7%. Since the recovery from the financial crisis began, the strategy has consistently exceeded the benchmark.

HISTORICAL PERFORMANCE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2008</b>							-2.3%	2.8%	-4.3%	-4.1%	0.2%	2.0%	<b>-5.9%</b>
<b>2009</b>	-0.4%	-6.7%	4.3%	0.6%	5.2%	-0.4%	6.1%	3.7%	0.6%	3.5%	-0.4%	2.0%	<b>19.0%</b>
<b>2010</b>	-0.6%	0.9%	2.6%	1.2%	-2.2%	-0.4%	2.7%	-0.8%	3.8%	1.3%	0.5%	1.8%	<b>11.3%</b>