



# November/11

## FINSOLNET MODERATE FUND

### ABOUT THE PORTFOLIO

The Finsolnet Moderate Portfolio is a low to medium risk balanced portfolio that aims to deliver superior real returns over the medium to longer term with a strong focus on active management of capital loss risk over the shorter term.

The portfolio is managed on a multi-manager basis and includes international exposure. The strategic allocation to various asset classes is set out below. Each manager appointed within a particular asset class has been selected on the basis of rigorous quantitative and qualitative analysis.

The underlying managers have been selected, mandated, monitored and reviewed by Sasfin Asset Consulting on behalf of their clients.

The portfolio complies with Regulation 28 of the Pension Funds Act, 1956 as amended.

The portfolio is offered on a pooled and unitised basis on the Sygnia Life license.

### PERFORMANCE SUMMARY

Month	12 Months	Since Inception	Alexander Forbes Global Large Manager Watch (12 Months)
0.6%	10.4%	16.9%	11.3%

### PERFORMANCE COMMENTARY

The FTSE/JSE All Share Index ended the month up 1.6%, pulled up by Resources (1.9%). Both the Industrial and Financial sectors also ended the month positive (up 1.1% and 1.2%, respectively). The bond market was flat on rising risk aversion. International exposure fared more poorly, with the rand's depreciation not sufficient to compensate for the fall in the global equity markets.

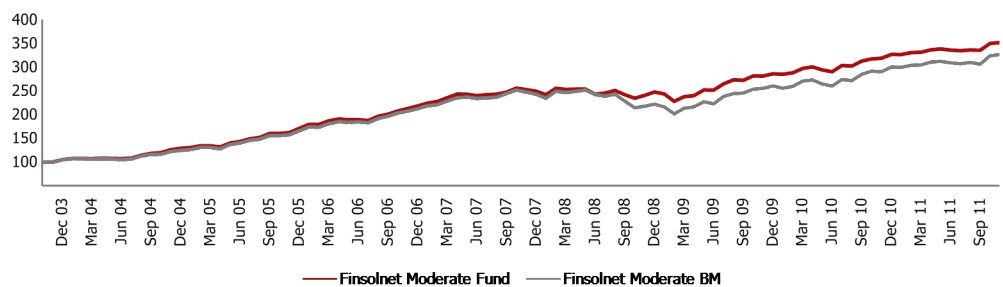
The European debt crisis toppled the Spanish, Italian and Greek governments as the borrowing costs of most euro zone countries rose to dangerously high levels. Market sentiment deteriorated as contagion spread from the periphery to the core of the euro zone. The "muddle through" euro zone solution which seemed most likely to win general endorsement involves using a combination of ECB, IMF and EFSF funding. However there are serious doubts about its effectiveness to stave off debt restructuring by Italy and Spain and a potential break-up of the euro zone.

To compound the problems, economic growth has slowed down globally, and a spate of ratings and outlook downgrades, including Belgium, Portugal, the US, US banks and Hungary dampened investor enthusiasm. In the US, the joint Democrat-Republican "super committee" charged with formulating a plan for cutting US debt by US\$1.5 trillion over 10 years failed to reach consensus, triggering automatic budget cuts in 2013.

The last day of the month brought a surprising rally as six central banks led by the Fed lowered the overnight rate charged to borrow US dollars by any bank operating in their collective jurisdictions. The "easing" cheered the markets, although this instant liquidity injection needed mostly by the European banks is not a resolution of the euro zone sovereign debt problems.

South Africa's economy expanded by 1.4% annualised in Q3, following rates of 4.5% and 1.3% in Q1 and Q2, as mining, manufacturing and agricultural activity all showed negative growth. The manufacturing PMI only just stayed in positive territory in October and consumption has been slow to pick up as 25.0% of South Africans remain unemployed. CPI rose to 6.0% year-on-year boosted by higher prices for food and non-alcoholic beverages. As expected, the Reserve Bank left its repo rate unchanged at 5.5%, as it balanced concerns over sluggish economic growth with rising inflation. Moody's downgraded its outlook on South Africa's government debt rating from stable to negative citing political uncertainty, growth and budget deficit concerns.

### CUMULATIVE RETURNS



### HISTORICAL PERFORMANCE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2007</b>	2.8%	1.5%	3.5%	3.2%	-0.1%	-1.3%	0.9%	0.4%	1.8%	3.4%	-1.2%	-1.3%	<b>14.3%</b>
<b>2008</b>	-3.0%	5.5%	-0.9%	0.2%	0.1%	-4.2%	1.0%	2.2%	-3.6%	-3.1%	2.6%	3.0%	<b>-0.7%</b>
<b>2009</b>	-1.7%	-6.3%	4.2%	1.0%	5.0%	-0.1%	5.2%	3.2%	-0.4%	3.4%	-0.1%	1.7%	<b>15.5%</b>
<b>2010</b>	-0.3%	1.0%	3.2%	1.2%	-2.1%	-1.3%	4.5%	-0.4%	3.5%	1.5%	0.5%	2.5%	<b>14.3%</b>
<b>2011</b>	-0.1%	1.2%	0.3%	1.5%	0.6%	-0.8%	-0.4%	0.5%	-0.2%	4.3%	0.6%		<b>7.7%</b>

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## FUND SUMMARY

Inception (back dated):	01-Nov-03	
Inception (actual):	12-Nov-09	
Number of Months	25	
	<b>FUND</b>	<b>LMW</b>
Sharpe Ratio	0.72	0.60
Sortino Ratio	1.18	0.93

## RISK ANALYSIS

	<b>FUND</b>	<b>LMW</b>
% Positive Months	68.0%	68.0%
% Negative Months	32.0%	32.0%
Best Month	6.3%	7.3%
Worst Month	-6.3%	-7.7%
Avg Negative Return	-1.2%	-1.9%
Maximum Drawdown	-10.8%	-23.8%
Standard Deviation	8.3%	10.5%
Downside Deviation	5.1%	6.8%

## CORRELATIONS

	<b>FUND</b>	<b>LMW</b>
FTSE/JSE All Share Index	0.90	0.94
BESA All Bond Index	0.34	0.26

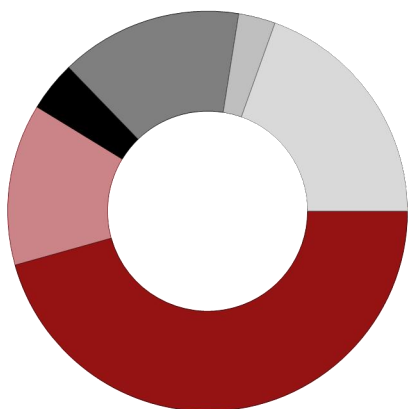
LMW = Alexander Forbes Global Large Manager Watch Median

## MARKET STRESS MONTHS

	<b>FUND</b>	<b>ALSI</b>
July 2008	1.0%	-8.7%
September 2008	-3.6%	-13.2%
October 2008	-3.1%	-11.6%
February 2009	-6.3%	-9.9%

Proforma performance numbers for periods prior to inception of the portfolio are based on actual performance of the underlying building blocks used in the portfolio. These risk and return numbers are shown to aid in the understanding of potential future performance and risk characteristics of the product.

## ASSET ALLOCATION



Equities - 45.7%	International - 19.5%
Bonds - 13.1%	
Money Market - 4.0%	
Alternatives - 14.7%	
TAA - 3.0%	

## PERFORMANCE ANALYSIS

PERFORMANCE	<b>FUND</b>	<b>CPI</b>	<b>DIFFERENCE</b>
<b>Calendar Years</b>			
2005	32.6%	33.0%	-0.4%
2006	27.7%	28.3%	-0.7%
2007	14.3%	14.4%	-0.1%
2008	-0.7%	-8.5%	7.8%
2009	15.5%	17.2%	-1.7%
2010	14.3%	15.2%	-1.0%

### Periodic Performance

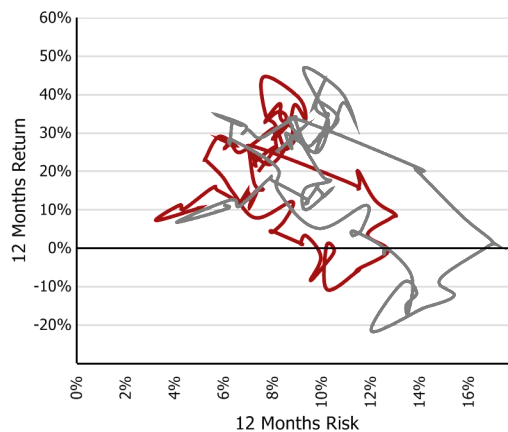
	<b>FUND</b>	<b>CPI</b>	<b>DIFFERENCE</b>
1 month	0.6%	0.8%	-0.3%
3 month	4.7%	5.4%	-0.8%
6 month	4.0%	4.7%	-0.7%
Year to date	7.7%	8.9%	-1.2%
1 year	10.4%	12.5%	-2.1%
2 year	11.9%	13.1%	-1.3%
3 year	13.5%	14.5%	-1.0%
5 year	10.6%	9.5%	1.0%

## FUND SENSITIVITY TO EQUITY MARKET



This scatterplot indicates the extent to which fund returns are correlated with those of the equity market.

## 12 MONTHS RISK/RETURN SNAIL TRAIL



— Finsolnet Moderate Fund  
— Global Large Manager Median

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