December/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)
-0.2%	7.5%	16.7%	7.9%

PERFORMANCE COMMENTARY

2011 ended on a flat note, with investors anticipating a turbulent 2012 after the European Union prioritised austerity over growth. After an inconclusive EU summit which saw Germany winning the day with an agreement for tighter fiscal integration in the euro zone and tougher budget discipline, German Chancellor Angela Merkel and French President Nicolas Sarkozy are to meet in January 2012 to discuss a new fiscal treaty. Those hoping for an expanded role for the ECB were left disappointed.

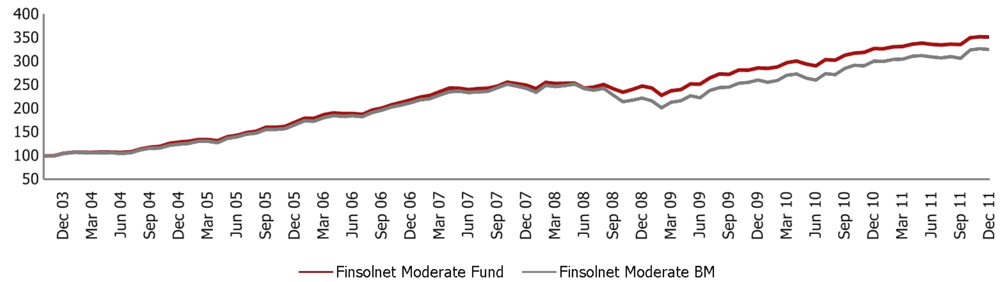
On the interest rate front, most central banks, apart from the ECB which cut its main interest rate to 1%, kept interest rates steady. Economic activity slowed down across the euro zone and in China. The only source of optimism was the US where the economic picture continued to brighten.

In line with international trends South Africa's growth momentum is moderating with downside risks to the outlook for 2012 and 2013 increasing. Although GDP growth for 2011 is still likely to exceed 3%, it is now forecast to weaken significantly in 2012.

As expected consumer inflation rose to 6.1% year-on-year in November, breaching the 3%-6% target range. With a weaker rand pushing inflation up, CPI is expected to average 5.9% in 2012, peaking at 6.4% in the first quarter of 2012. On a positive note credit extension to the private sector grew at a rate of 6.2% year-on-year in November from 5.5% in October. The weaker rand has meant that manufacturing remained stronger, with the PMI reaching 51.6 from 50.5 in October, a fourth consecutive monthly increase. Growth in retail sales year-on-year slowed marginally from 7.7% in September to 7.4% in October. Consumption is likely to slow down in 2012 under the weight of rising inflationary pressures, chronic unemployment and household indebtedness.

As far as the equity markets were concerned, 2011 was a disappointment. Asian stocks posted their first decline in three years as sovereign debt crises in Europe, China's monetary tightening and Japan's earthquake hit the region. The MSCI Asia Pacific Index fell by 23.8% in 2011, with Japan's Nikkei Index coming in at a negative 17.3%. Europe did slightly better with the FTSE100 Index delivering -5.6%, and France's CAC40 Index -17.0% and the German DAX -14.7%. In the US, the S&P's 500 Index ended 2011 flat. In comparison, the JSE/FTSE All Share Index ended in the black up 2.6%. However, the rand depreciated by 21.9% relative to the US dollar in response to rising global risk aversion.

CUMULATIVE RETURNS



HISTORICAL PERFORMANCE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2007													
	2.8%	1.5%	3.5%	3.2%	-0.1%	-1.3%	0.9%	0.4%	1.8%	3.4%	-1.2%	-1.3%	**14.3%**
2008													
	-3.0%	5.5%	-0.9%	0.2%	0.1%	-4.2%	1.0%	2.2%	-3.6%	-3.1%	2.6%	3.0%	**-0.7%**
2009													
	-1.7%	-6.3%	4.2%	1.0%	5.0%	-0.1%	5.2%	3.2%	-0.4%	3.4%	-0.1%	1.7%	**15.5%**
2010													
	-0.3%	1.0%	3.2%	1.2%	-2.1%	-1.3%	4.5%	-0.4%	3.5%	1.5%	0.5%	2.5%	**14.3%**
2011													
	-0.1%	1.2%	0.3%	1.5%	0.6%	-0.8%	-0.4%	0.5%	-0.2%	4.3%	0.6%	-0.2%	**7.5%**

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FUND SUMMARY

Inception (back dated):		01-Nov-03
Inception (actual):		12-Nov-09
Number of Months		26
	FUND	**LMW**
Sharpe Ratio	0.70	0.59
Sortino Ratio	1.16	0.91

RISK ANALYSIS

	FUND	**LMW**
% Positive Months	67.3%	67.3%
% Negative Months	32.7%	32.7%
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	5.0%	6.8%

PERFORMANCE ANALYSIS

PERFORMANCE	**FUND**	**CPI**	**DIFFERENCE**
Calendar Years			
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%
2011	7.5%	8.2%	-0.7%
Periodic Performance			
1 month	-0.2%	-0.6%	0.4%
3 month	4.7%	6.1%	-1.3%
6 month	4.6%	5.1%	-0.5%
Year to date	7.5%	8.2%	-0.7%
1 year	7.5%	8.2%	-0.7%
2 year	10.8%	11.7%	-0.8%
3 year	12.4%	13.5%	-1.1%
5 year	10.0%	8.9%	1.1%

CORRELATIONS

	FUND	**LMW**
FTSE/JSE All Share Index	0.90	0.94
BESA All Bond Index	0.34	0.26

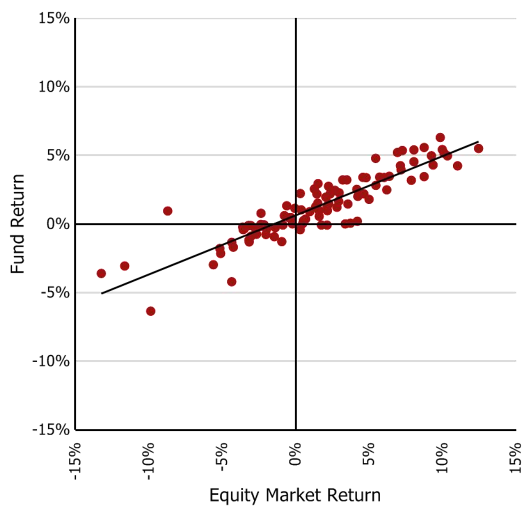
LMW = Alexander Forbes Global Large Manager Watch Median

MARKET STRESS MONTHS

	FUND	**ALSI**
July 2008	1.0%	-8.7%
September 2008	-3.6%	-13.2%
October 2008	-3.1%	-11.6%
February 2009	-6.3%	-9.9%

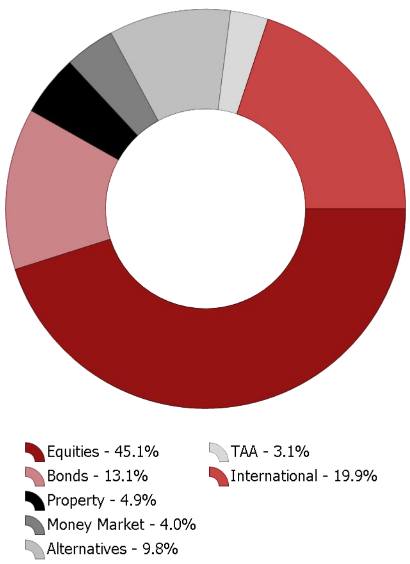
Proforma performance numbers for periods prior to inception of the portfolio are based on actual performance of the underlying building blocks used in the portfolio. These risk and return numbers are shown to aid in the understanding of potential future performance and risk characteristics of the product.

FUND SENSITIVITY TO EQUITY MARKET

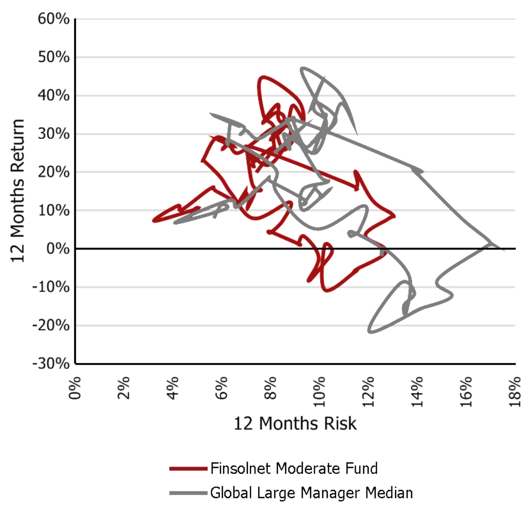


This scatterplot indicates the extent to which fund returns are correlated with those of the equity market.

ASSET ALLOCATION



12 MONTHS RISK/RETURN SNAIL TRAIL



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