



January/12

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 be Amadwala 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	Large Manager Median (12 Months)
2.7%	10.5%	16.9%	9.9%

PERFORMANCE COMMENTARY

The year started on an unexpectedly upbeat note as the US economic data painted a picture of steady recovery. Elsewhere, economic activity was subdued. Both the World Bank and the IMF cut their global economic growth forecasts for 2012, to 2.5% and 3.3% respectively.

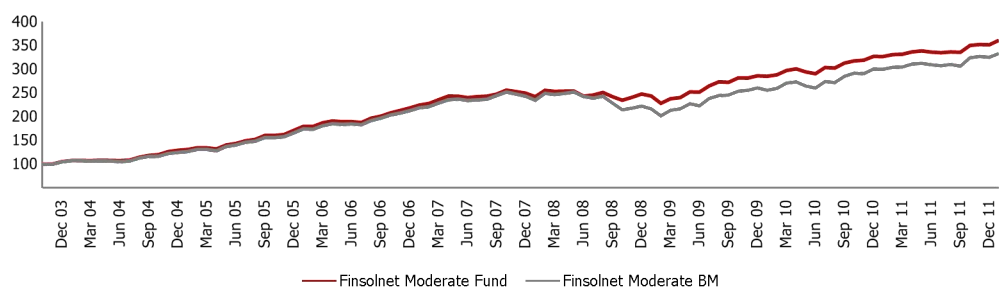
Greece spent the month in negotiations with private bond holders to forgive at least half of its debt ahead of a decision on the next bail out instalment. If Greece fails, it may face default as early as March when €14.5 billion of its bonds mature. Increasingly, the troika of foreign lenders, the ECB, the EU and the IMF, has come to believe that the country has neither the ability nor the will to carry out the economic reforms it has promised in exchange for aid. Successful bond auctions by Italy, Portugal, Spain, France, Germany and Belgium cheered the markets. The success is in no small measure attributable to the €489 billion disbursed by the ECB to the euro zone banks.

Stock markets fell temporarily when S&P stripped France of its top AAA credit rating, but rallied on China's growth figure of 9.2% for 2011 and after the US Federal Reserve said it will not raise interest rates until late 2014. The EU summit in Brussels resulted in an agreement on tighter budgetary rules and finalisation of the permanent bail-out fund, the European Stability Mechanism. Britain and the Czech Republic opted not to adopt the measures.

South Africa faced a slew of growth forecast cuts for 2012. The IMF cut its growth projections down to 2.5%, the Reserve Bank to 2.8%, and Finance Minister Pravin Gordhan announced that he will revise the official growth forecast to below 3% in the February 22nd budget. Following a similar move by Moody's in November 2011, Fitch cut South Africa's BBB+ rating outlook from stable to negative, citing limited progress on several structural issues. The Reserve Bank kept the repo rate unchanged at 5.5%, while consumer inflation held steady at 6.1% year-on-year in December.

The FTSE/JSE All Share Index started the year 5.7% up, driven largely by the Resources sector's stellar 8.3% return. The bond market was more subdued, delivering 2.1%, while the Rand strengthened by 3.5% against the US dollar.

CUMULATIVE RETURNS



HISTORICAL PERFORMANCE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
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%
2012	2.7%												2.7%

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FUND SUMMARY

Inception (back dated):	01-Nov-03	
Inception (actual):	12-Nov-09	
Number of Months	27	
	FUND	LMM
Sharpe Ratio	0.73	0.60
Sortino Ratio	1.19	0.93

RISK ANALYSIS

	FUND	LMM
% Positive Months	67.7%	67.7%
% Negative Months	32.3%	32.3%
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%	10.4%
Downside Deviation	5.0%	6.8%

CORRELATIONS

	FUND	LMM
FTSE/JSE All Share Index	0.90	0.93
BESA All Bond Index	0.34	0.26

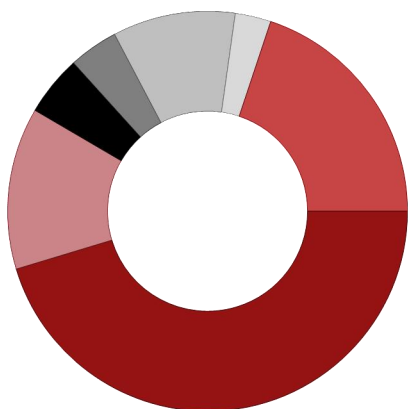
LMM = Global Large Manager Median

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.

ASSET ALLOCATION



Equities - 45.3%	TAA - 2.9%
Bonds - 13.1%	International - 19.9%
Property - 4.9%	
Money Market - 4.0%	
Alternatives - 9.9%	

PERFORMANCE ANALYSIS

PERFORMANCE	FUND	BM	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%	8.3%	-0.7%

Periodic Performance

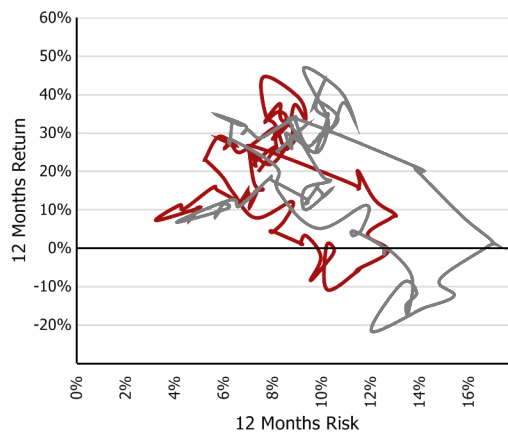
	FUND	BM	DIFFERENCE
1 month	2.7%	2.5%	0.2%
3 month	3.1%	2.8%	0.3%
6 month	7.8%	8.4%	-0.6%
Year to date	2.7%	2.5%	0.2%
1 year	10.5%	11.1%	-0.6%
2 year	12.5%	14.2%	-1.6%
3 year	14.0%	15.5%	-1.5%
5 year	10.0%	8.8%	1.2%

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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