



July/14

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 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)
0.7%	20.9%	17.6%	21.3%

PERFORMANCE COMMENTARY

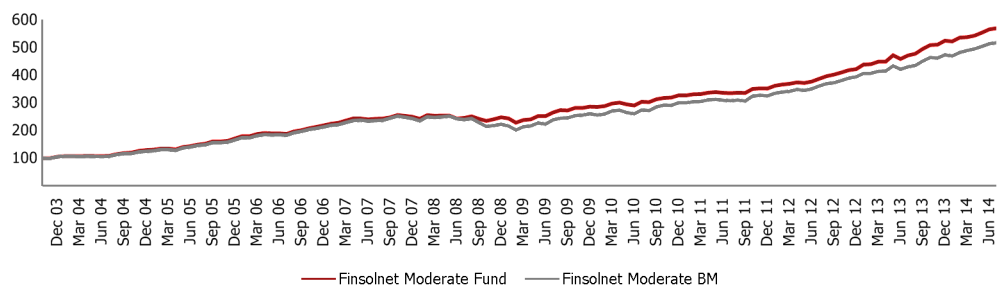
The second half of 2014 started on an up, propelled by stronger US and Chinese economic data and the widespread belief that central banks will keep interest rates low for longer. The headline numbers for the US were a 4.0% annualised GDP growth rate in the second quarter and unemployment falling to 6.1%. The US Federal Reserve announced that it plans to stop its quantitative easing programme in October, while keeping interest rates low for a considerable time.

The eurozone looked less rosy, with inflation unchanged from May at 0.5% year-on-year. After launching a number of quantitative easing measures in June, the ECB left interest rates unchanged. European banking problems also reared their heads again after the parent company of one of Portugal's biggest banks failed to make payments on some short-term debt. The uncertainty translated into a spike in yields on Portugal's 10-year debt, with contagion spreading to Greek, Spanish and Italian debt markets. The geopolitical risks which dominated the headlines had relatively little impact on the markets. Violence in Ukraine, Iraq and Syria, and conflict between Israel and Palestine's Hamas militants did little to dent sentiment. The accidental shooting-down of a Malaysian aircraft over the Ukraine however led to the US and the EU imposing wide-ranging sanctions on Russia. The IMF cut its global growth forecast for 2014 to 3.4% to take into account first quarter weakness in the US and China, warning that the dual crises in the Middle East and Ukraine could dent growth further.

In South Africa the season of strikes is far from over. Just as the platinum sector strike ended, Numsa embarked on a strike in the steel and engineering sector. The unemployment rate increased to 25.5% in the second quarter. Consumer inflation rose slightly less than expected to 6.6% year-on-year in June. The Reserve Bank increased rates by 0.25% to 5.75%, citing rising inflation concerns from precedent-setting double-digit wage settlements in the mining sector. The Bank also cut its growth forecast for 2014 to 1.7%. The inflation outlook has deteriorated with inflation now forecast to average 6.3% this year. The MPC indicated that future interest rate moves would be "gradual and highly data dependent".

The FTSE/JSE All Share Index rose by 0.9%, with the Resources sector rebounding by 5.1%. The Industrial sector fell by 1.3%, while Financials rose by 0.6%. The BEASSA All Bond Index delivered a 1.0% return, while the rand depreciated by 0.6% against the US dollar.

CUMULATIVE RETURNS



HISTORICAL PERFORMANCE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
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	2.9%	1.2%	0.8%	1.3%	-0.6%	1.4%	2.6%	2.4%	1.5%	1.9%	2.1%	0.9%	20.0%
2013	3.9%	0.3%	2.0%	0.1%	5.1%	-2.8%	2.7%	1.3%	3.7%	2.8%	0.3%	2.8%	24.4%
2014	-0.5%	2.6%	0.3%	1.0%	2.0%	2.2%	0.7%						8.6%

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FUND SUMMARY

Inception (back dated):	01-Nov-03	
Inception (actual):	12-Nov-09	
Number of Months	57	
	FUND	LMM
Sharpe Ratio	0.86	0.71
Sortino Ratio	1.33	1.05

RISK ANALYSIS

	FUND	LMM
% Positive Months	72.9%	70.5%
% Negative Months	27.1%	29.5%
Best Month	6.3%	7.3%
Worst Month	-6.3%	-7.7%
Avg Negative Return	-1.2%	-1.8%
Maximum Drawdown	-10.8%	-23.8%
Standard Deviation	7.7%	9.6%
Downside Deviation	4.9%	6.5%

CORRELATIONS

	FUND	LMM
FTSE/JSE All Share Index	0.90	0.93
BESA All Bond Index	0.29	0.21

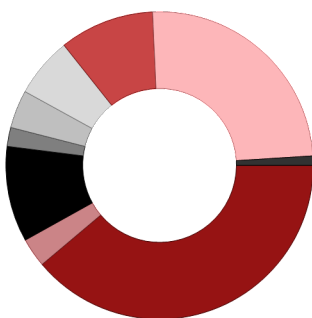
LMM = Global Large Manager Median

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



- Domestic Equities - 38.9%
- Domestic Property - 3.1%
- Domestic Bonds - 10.1%
- Domestic ILB - 2.0%
- Domestic Cash Plus - 4.0%
- Domestic Money Market - 6.3%
- Domestic Alternatives - 10.0%
- International - 24.7%
- Africa - 1.0%

PERFORMANCE ANALYSIS

PERFORMANCE	FUND	BM	DIFFERENCE
Calendar Years			
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%
2012	20.0%	21.1%	-1.2%
2013	24.4%	20.2%	4.2%

Periodic Performance

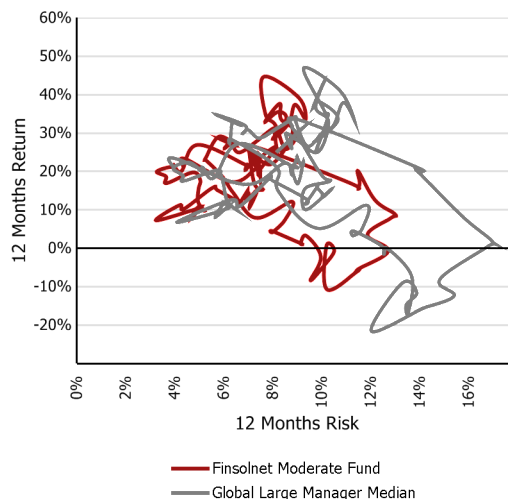
	FUND	BM	DIFFERENCE
1 month	0.7%	0.7%	0.0%
3 month	4.9%	4.5%	0.5%
6 month	9.1%	10.2%	-1.1%
Year to date	8.6%	9.3%	-0.7%
1 year	20.9%	20.2%	0.6%
2 year	21.3%	19.7%	1.6%
3 year	19.4%	18.9%	0.4%
5 year	16.5%	16.8%	-0.2%

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



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