



# June/14

## FINSOLNET CONSERVATIVE FUND

### ABOUT THE PORTFOLIO

The Finsolnet Conservative Portfolio is a low 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)
1.8%	18.9%	15.9%	23.7%

### PERFORMANCE COMMENTARY

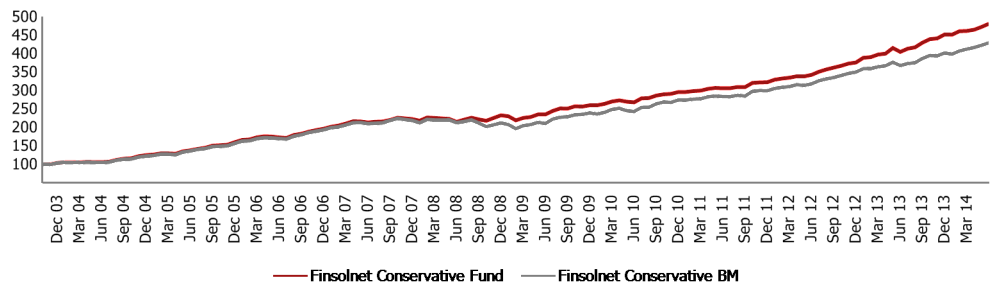
The first half of June was dominated by the ECB's injection of monetary stimulus measures in order to spur inflation in the eurozone, which boosted market sentiment. The second half brought more volatility on the uncertainty around the timing of the US Federal Reserve's interest rate increases and increasing conflict in Iraq and the Ukraine.

The ECB cut interest rates to a record low of 0.15%, and introduced a negative interest rate of -0.1% on banks "parking" money at the ECB to encourage lending rather than hoarding. Markets soared, with the FTSE/JSE All Share Index rising above the 51 000 level, a new record. Mid-month the US Fed had to abate concerns of earlier than expected interest rate increases as US consumer inflation came in at 2.1% year-on-year in May, its highest level in two years. The US Fed reduced its monthly purchases on bonds by a further US\$10 billion to US\$35 billion.

By month end geopolitical risks caused increased volatility. Apart from the conflict in Iraq, Russia cut off gas supplies to the Ukraine in a dispute over payment. Tensions escalated further after the Ukraine signed a trade agreement with the EU. The eurozone continued to battle falling inflation and signs of a slow down, while in the US the effects of the first quarter cold weather spell came through in the second quarter data, including a downward revision of its first quarter GDP figure to a 2.9% contraction. However China reported stronger figures, supporting the government's contention that the economy might avoid a hard landing.

In South Africa, AMCU finally agreed to end the five-month platinum strike, but NUMSA threatened to cripple the auto industry once again by striking over wages. On the economic front all indicators point to a slowdown, increasing the likelihood of a negative growth rate in the second quarter and an official recession. Most significantly the S&P downgraded South Africa's credit rating to BBB with a stable outlook, just one level above junk, while Fitch changed its rating outlook to negative. The World Bank has lowered South Africa's projected economic growth rate for 2014 to 2.0%, and its global growth forecast to 2.8%. The FTSE/JSE All Share Index rose by 2.8%, with the Resource sector rising by 3.5%, the Industrial sector by 2.8% and the Financial sector by 2.7%. The BEASSA All Bond Index delivered 1.0%, while the rand weakened against the US dollar by 0.6%.

### CUMULATIVE RETURNS



### HISTORICAL PERFORMANCE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2010</b>	0.0%	1.5%	2.4%	1.2%	-1.3%	-0.6%	4.0%	0.3%	2.4%	1.2%	0.4%	1.7%	<b>13.8%</b>
<b>2011</b>	0.0%	0.8%	0.4%	1.6%	0.9%	-0.3%	0.1%	1.1%	-0.1%	3.7%	0.5%	0.1%	<b>8.9%</b>
<b>2012</b>	2.1%	0.9%	0.7%	1.2%	-0.1%	1.2%	2.5%	1.8%	1.4%	1.4%	1.6%	0.8%	<b>16.6%</b>
<b>2013</b>	3.4%	0.5%	1.8%	0.6%	3.8%	-2.6%	2.2%	0.9%	3.0%	2.2%	0.5%	2.4%	<b>20.2%</b>
<b>2014</b>	-0.1%	2.1%	0.2%	0.7%	1.6%	1.8%							<b>6.5%</b>

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## FUND SUMMARY

Inception (back dated):	01-Nov-03	
Inception (actual):	12-Nov-09	
Number of Months	56	
	<b>FUND</b>	<b>LMM</b>
Sharpe Ratio	0.82	0.72
Sortino Ratio	1.34	1.06

## RISK ANALYSIS

	<b>FUND</b>	<b>LMM</b>
% Positive Months	75.0%	70.3%
% Negative Months	25.0%	29.7%
Best Month	5.2%	7.3%
Worst Month	-4.8%	-7.7%
Avg Negative Return	-0.9%	-1.8%
Maximum Drawdown	-5.9%	-23.8%
Standard Deviation	6.1%	9.7%
Downside Deviation	3.8%	6.5%

## CORRELATIONS

	<b>FUND</b>	<b>LMM</b>
FTSE/JSE All Share Index	0.80	0.93
BESA All Bond Index	0.42	0.21

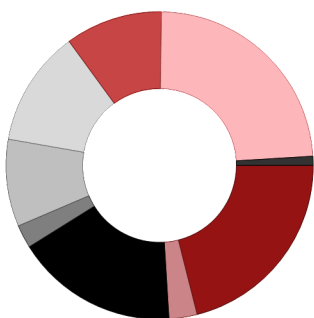
LMM = Global Large Manager Median

## MARKET STRESS MONTHS

	<b>FUND</b>	<b>ALSI</b>
July 2008	2.7%	-8.7%
September 2008	-2.0%	-13.2%
October 2008	-1.7%	-11.6%
February 2009	-4.8%	-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 - 21.1%
- Domestic Property - 3.0%
- Domestic Bonds - 17.1%
- Domestic ILB - 2.4%
- Domestic Cash Plus - 9.2%
- Domestic Money Market - 12.2%
- Domestic Alternatives - 10.2%
- International - 23.8%
- Africa - 1.0%

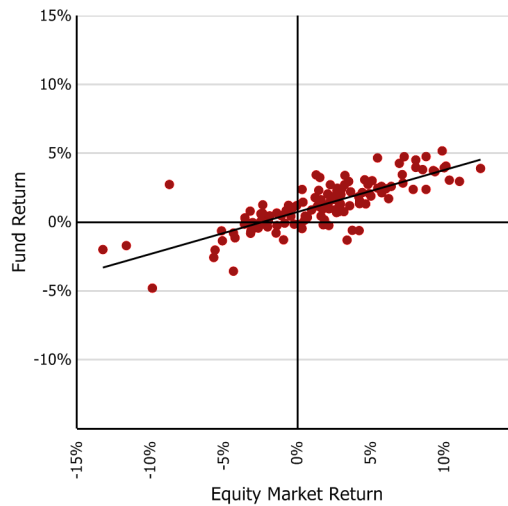
## PERFORMANCE ANALYSIS

PERFORMANCE	<b>FUND</b>	<b>BM</b>	<b>DIFFERENCE</b>
<b>Calendar Years</b>			
2008	4.6%	-2.9%	7.5%
2009	11.7%	12.8%	-1.1%
2010	13.8%	14.7%	-0.9%
2011	8.9%	9.0%	-0.1%
2012	16.6%	17.1%	-0.5%
2013	20.2%	14.7%	5.5%

### Periodic Performance

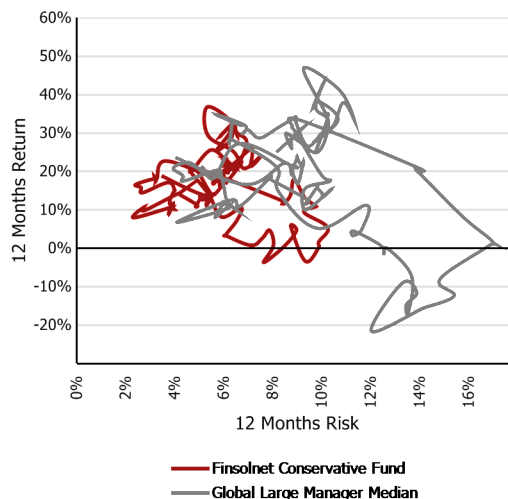
	<b>FUND</b>	<b>BM</b>	<b>DIFFERENCE</b>
1 month	1.8%	1.5%	0.3%
3 month	4.2%	4.1%	0.1%
6 month	6.5%	6.9%	-0.4%
Year to date	6.5%	6.9%	-0.4%
1 year	18.9%	16.8%	2.1%
2 year	18.5%	16.2%	2.3%
3 year	16.3%	14.8%	1.5%
5 year	15.4%	15.3%	0.1%

## 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



## FOR MORE INFORMATION CONTACT:

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