March/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)
0.3%	19.8%	17.5%	19.1%

PERFORMANCE COMMENTARY

The first quarter of 2014 ended on a flat note after a month of volatility brought about by concerns about Chinese growth, a shortened timeline for US interest rate increases and Russia's aggressive annexation of Crimea. Concerns about the impact of the recent bout of cold weather on the US economy also lingered. On the political front, in the worst confrontation since the end of the Cold War, Russia annexed Crimea. Geopolitical risk played havoc with market sentiment.

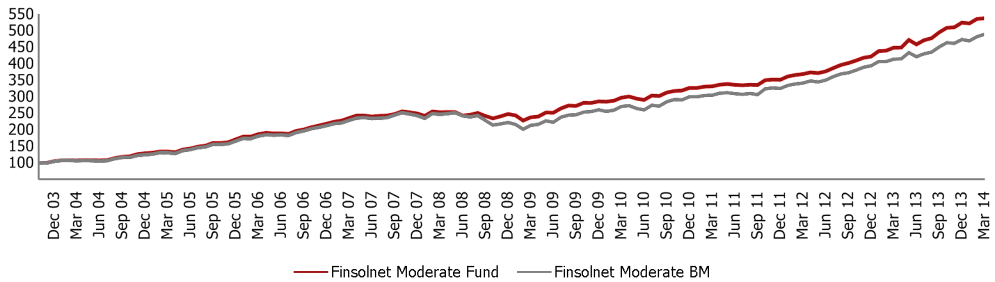
Market sentiment took another beating after the US Fed decided to trim bond purchases by a further US$10 billion to US$55 billion a month. The US Fed also signalled that the first interest rate hike could come as soon as six months after the end of quantitative easing. Concerns about a shortened timeline were further exacerbated by positive US economic data through the month. However, markets gained ground on the last day of the month after the US Fed's chair, Janet Yellen, defended the extraordinary measures taken to support the US economy, a move taken as an indication that interest rates will stay low for longer despite previous announcements, and after China indicated that it was ready to support the cooling economy.

Eurozone inflation fell to 0.5% year-on-year in March, its lowest since November 2009, adding to speculation that the ECB will cut interest rates in April. In addition, geopolitical tensions appeared to ease as Russia began pulling back some troops from Ukraine's eastern border. Gold price fell below US$1 300/oz level as an improving US economic outlook bolstered appetite for risk.

South Africa had a turbulent month with Eskom imposing rolling blackouts for the first time since 2008, the continuation of strikes in the platinum sector, the release of the perception-damaging Nkandla report and a record rainfall in Gauteng which is likely to cause further damage to the economy.

The consumer inflation figure came in at a higher than expected 5.9% year-on-year. The Reserve Bank kept the repo rate on hold at 5.5%, but it indicated that interest rates will be increased in the future. This helped the rand to strengthen to R10.55 to the US dollar. The GDP growth forecast has been cut to 2.6% for 2014. The FTSE/JSE All Share Index rose by 1.8%, with the Financial sector rebounding by 6.4%, Industrials by 1.1% and Resources flat at 0.1%.The BESA All Bond Index rose by 1.8%, while the rand strengthened by 2.1% relative to 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%										**2.5%**

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FUND SUMMARY

Inception (back dated):		01-Nov-03
Inception (actual):		12-Nov-09
Number of Months		53
	FUND	**LMM**
Sharpe Ratio	0.84	0.70
Sortino Ratio	1.33	1.04

RISK ANALYSIS

	FUND	**LMM**
% Positive Months	72.0%	69.6%
% Negative Months	28.0%	30.4%
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	7.8%	9.8%
Downside Deviation	4.9%	6.5%

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			
1 month	0.3%	1.5%	-1.2%
3 month	2.5%	3.3%	-0.9%
6 month	8.6%	8.5%	0.1%
Year to date	2.5%	3.3%	-0.9%
1 year	19.8%	18.2%	1.6%
2 year	20.7%	19.7%	1.0%
3 year	17.5%	17.1%	0.4%
5 year	17.7%	18.0%	-0.3%

CORRELATIONS

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

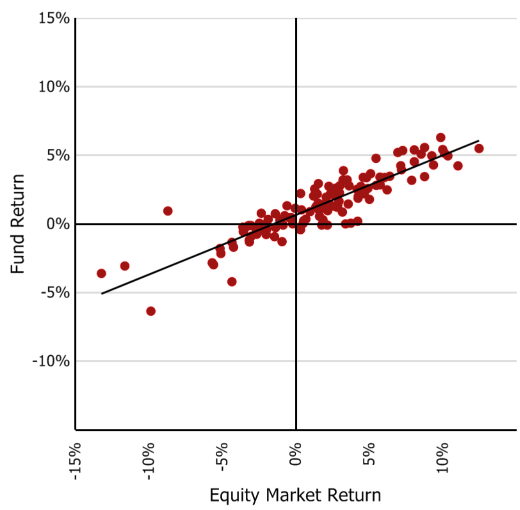
LMM = Global Large Manager Median

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%

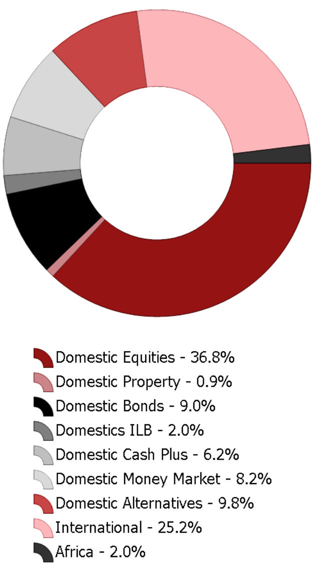
Proforma performance numbers for periods prior to inception of the portfolio are based on actual performance of the underlying building blocks used in the portfolio. These risk and return numbers are shown to aid in the understanding of potential future performance and risk characteristics of the product.

FUND SENSITIVITY TO EQUITY MARKET

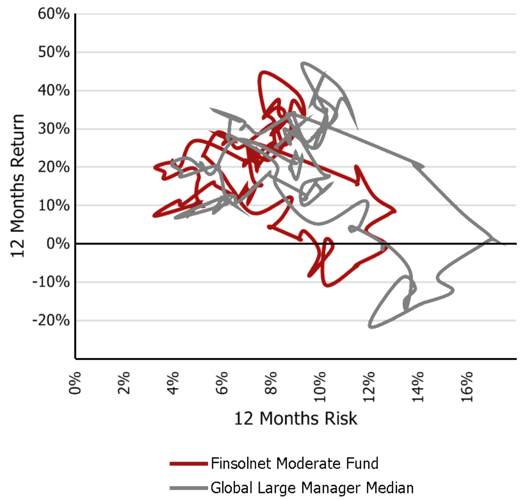


This scatterplot indicates the extent to which fund returns are correlated with those of the equity market.

ASSET ALLOCATION



12 MONTHS RISK/RETURN SNAIL TRAIL



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