



May/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) |
|-------|-----------|-----------------|----------------------------------|
| 1.6%  | 13.8%     | 15.8%           | 17.0%                            |

## PERFORMANCE COMMENTARY

The markets started the month muted as concerns increased amid softer Chinese manufacturing data and growing tensions in the Ukraine. However, focus shifted to the EU after the ECB indicated that it might ease monetary policy at the next policy meeting. The most likely scenario is an interest rate cut from 0.25% to 0.1%, supplemented by a potential cut of the deposit rate to below zero, a move designed to spur more lending.

The expectations of further liquidity triggered a flow of money into emerging markets and overshadowed the US Federal Reserve's taper of its own monthly bond-buying programme by another US\$10 billion to US\$45 billion a month.

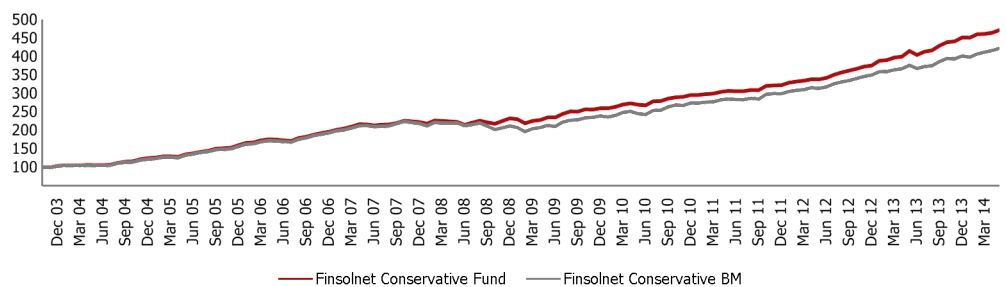
The easing of monetary policy in the eurozone took on more urgency after the first quarter growth figures disappointed, with the eurozone economy expanding by a mere 0.2% quarter-on-quarter. A preliminary inflation reading of 0.7% in April came in well below expectations. The excitement about increased liquidity meant that weak economic data releases from the US and China were largely ignored.

The South African economy shrank by 0.6% over the first three months of 2014 on a massive decline in output from the platinum sector. On a year-on-year basis, the economy grew by 1.6% in the first quarter.

Consumer inflation increased by 6.1% year-on-year in April. The Reserve Bank kept the repo rate unchanged, but downgraded its growth forecasts for 2014 from 2.7% to 2.1%. Other economic data was equally troubling, with the Kagiso manufacturing PMI contracting to 49.4 in April and the unemployment rate rose to 25.5% in the first quarter. South Africa recorded a R13.0 billion trade deficit in April after a R11.4 billion deficit in March. Strikes in the platinum belt continued. The costliest strike in South Africa's history is estimated to have deducted 0.8% from GDP in 2014.

However net foreign buying meant that the FTSE/JSE All Share Index rose above the 50 000 level a number of times, but failed to hold onto the gains by month end. Foreign buying kept the rand surprisingly strong relative to the US dollar. The FTSE/JSE All Share Index rose by 1.6%, the BESA All Bond Index by 1.2% and the rand weakened by 0.6%. The Industrials sector was a large driver of returns at 5.1%, while the Resources lost 4.3% and Financials gained 1.9%.

## 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%  |       |      |      |       |      |      |      | <b>4.5%</b>  |

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## FUND SUMMARY

|                         |             |            |
|-------------------------|-------------|------------|
| Inception (back dated): | 01-Nov-03   |            |
| Inception (actual):     | 12-Nov-09   |            |
| Number of Months        | 55          |            |
|                         | <b>FUND</b> | <b>LMM</b> |
| Sharpe Ratio            | 0.81        | 0.71       |
| Sortino Ratio           | 1.32        | 1.06       |

## RISK ANALYSIS

|                     | <b>FUND</b> | <b>LMM</b> |
|---------------------|-------------|------------|
| % Positive Months   | 74.8%       | 70.1%      |
| % Negative Months   | 25.2%       | 29.9%      |
| 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       |

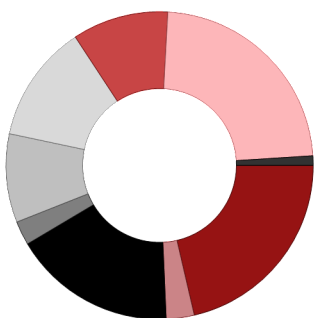
LMM = Global Large Manager Median

## 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 - 21.4%
- Domestic Property - 2.9%
- Domestic Bonds - 17.2%
- Domestic ILB - 2.5%
- Domestic Cash Plus - 9.3%
- Domestic Money Market - 12.4%
- Domestic Alternatives - 10.1%
- International - 23.1%
- Africa - 1.0%

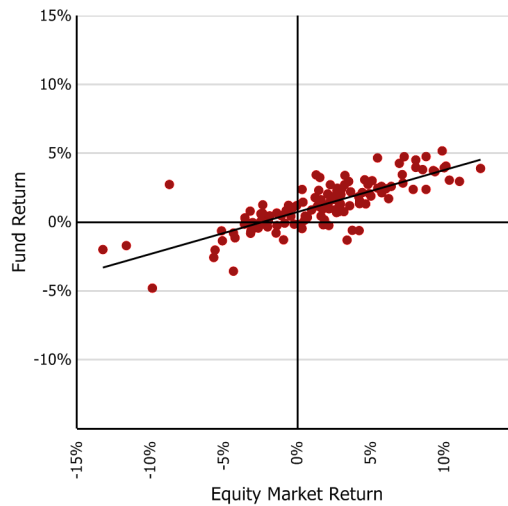
## PERFORMANCE ANALYSIS

| 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

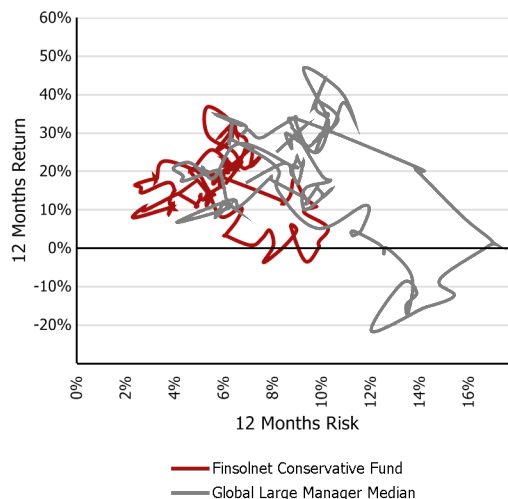
|              | <b>FUND</b> | <b>BM</b> | <b>DIFFERENCE</b> |
|--------------|-------------|-----------|-------------------|
| 1 month      | 1.6%        | 1.5%      | 0.1%              |
| 3 month      | 2.5%        | 3.8%      | -1.3%             |
| 6 month      | 7.0%        | 7.3%      | -0.2%             |
| Year to date | 4.5%        | 5.2%      | -0.7%             |
| 1 year       | 13.8%       | 12.3%     | 1.5%              |
| 2 year       | 18.2%       | 16.1%     | 2.1%              |
| 3 year       | 15.4%       | 14.0%     | 1.4%              |
| 5 year       | 15.0%       | 14.6%     | 0.3%              |

## 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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