



# October/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)
0.9%	13.7%	17.3%	12.3%

### PERFORMANCE COMMENTARY

Stock markets fell for most of October, spooked by economic weakness in the eurozone and China, war in the Middle East, the standoff in Ukraine, street protests in Hong Kong and the spread of Ebola. Investors sought the safety of US government bonds at the expense of riskier assets such as emerging markets equities. The situation changed dramatically shortly before month-end on expectations that interest rates in the US will stay lower for longer and that the ECB will unveil further easing measures. Strong third quarter US GDP growth and the Bank of Japan upping stimulus added to the positive momentum. The US Federal Reserve ended its quantitative easing programme as expected.

The third quarter GDP growth numbers showed the US economy expanding above the expected 3.4%, while China's GDP grew by a disappointing 7.3%, putting in doubt the 7.5% growth target set for 2014. The IMF cut its global growth forecasts to 3.3% for 2014 and to 3.8% for 2015.

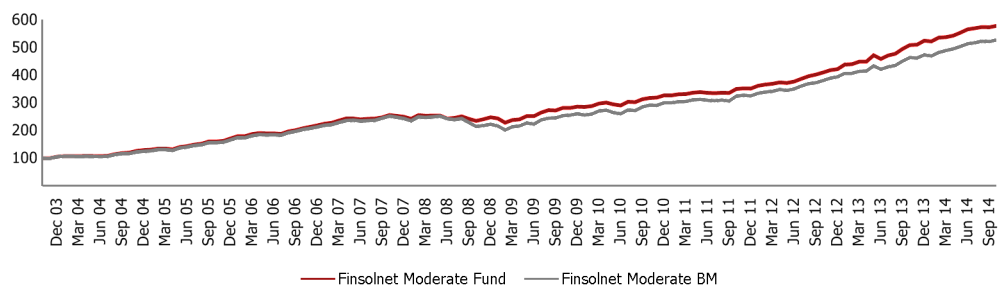
Commodities tumbled, driven down by the hawkish stance of the US Fed on the US economy and the underlying weakness in demand from China. The gold price closed below US\$1 200 on the back of a strong US dollar, while Brent crude oil fell to its weakest level since December 2010 at below US\$90 a barrel. It is rumoured that OPEC is resisting pressure to cut oil production to test how low prices must go to make US shale oil unprofitable.

South Africa released a more prudent than expected medium-term budget, with fiscal tightening as the central theme.

On the economic front, the Kagiso manufacturing PMI rose to 50.7 in September but the trade deficit widened to its highest level in seven months, consumer confidence weakened and the leading indicator of economic activity points to subdued growth in the coming months. Consumer inflation came in at 5.9% in September, down from 6.4% in August.

The FTSE/JSE All Share Index ended the month 1.0% up, with the Industrial and Financial sectors delivering 4.0% and 7.0% respectively. The Resources sector on the other hand fell by a massive 9.8%. The BEASSA All Bond Index ended 3.4% up, while the rand strengthened by 2.3% relative to the US dollar.

### CUMULATIVE RETURNS



### HISTORICAL PERFORMANCE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2010</b>	-0.3%	1.0%	3.2%	1.2%	-2.1%	-1.3%	4.5%	-0.4%	3.5%	1.5%	0.5%	2.5%	<b>14.3%</b>
<b>2011</b>	-0.1%	1.2%	0.3%	1.5%	0.6%	-0.8%	-0.4%	0.5%	-0.2%	4.3%	0.6%	-0.2%	<b>7.5%</b>
<b>2012</b>	2.9%	1.2%	0.8%	1.3%	-0.6%	1.4%	2.6%	2.4%	1.5%	1.9%	2.1%	0.9%	<b>20.0%</b>
<b>2013</b>	3.9%	0.3%	2.0%	0.1%	5.1%	-2.8%	2.7%	1.3%	3.7%	2.8%	0.3%	2.8%	<b>24.4%</b>
<b>2014</b>	-0.5%	2.6%	0.3%	1.0%	2.0%	2.2%	0.7%	0.8%	-0.2%	0.9%			<b>10.3%</b>

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## FUND SUMMARY

Inception (back dated):	01-Nov-03	
Inception (actual):	12-Nov-09	
Number of Months	60	
	<b>FUND</b>	<b>LMM</b>
Sharpe Ratio	0.84	0.68
Sortino Ratio	1.29	1.00

## RISK ANALYSIS

	<b>FUND</b>	<b>LMM</b>
% Positive Months	72.7%	70.5%
% Negative Months	27.3%	29.5%
Best Month	6.3%	7.3%
Worst Month	-6.3%	-7.7%
Avg Negative Return	-1.2%	-1.7%
Maximum Drawdown	-10.8%	-23.8%
Standard Deviation	7.6%	9.5%
Downside Deviation	4.9%	6.5%

## CORRELATIONS

	<b>FUND</b>	<b>LMM</b>
FTSE/JSE All Share Index	0.90	0.93
BESA All Bond Index	0.28	0.20

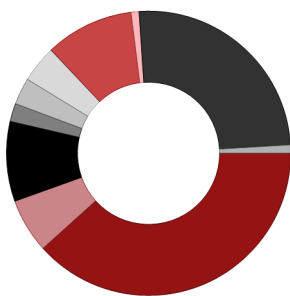
LMM = Global Large Manager Median

## MARKET STRESS MONTHS

	<b>FUND</b>	<b>ALSI</b>
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 - 38.3%
- Domestic Property - 6.2%
- Domestic Bonds - 9.1%
- Domestics ILB - 2.1%
- Domestic Cash Plus - 3.0%
- Domestic Money Market - 4.2%
- Domestic Alternatives - 10.1%
- Commodities - 0.9%
- International - 25.1%
- Africa - 1.0%

## PERFORMANCE ANALYSIS

PERFORMANCE	<b>FUND</b>	<b>BM</b>	<b>DIFFERENCE</b>
<b>Calendar Years</b>			
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

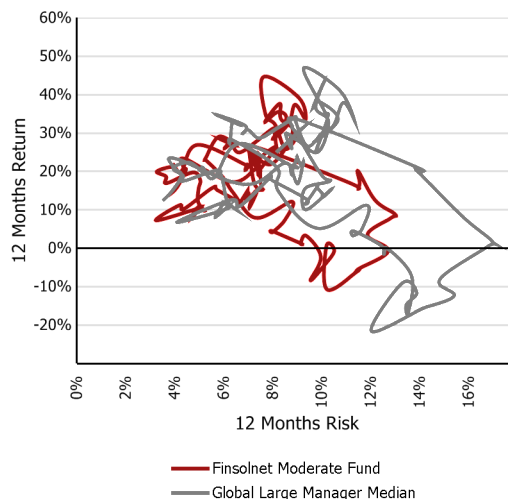
	<b>FUND</b>	<b>BM</b>	<b>DIFFERENCE</b>
1 month	0.9%	1.3%	-0.4%
3 month	1.5%	2.0%	-0.5%
6 month	6.6%	6.6%	-0.1%
Year to date	10.3%	11.5%	-1.2%
1 year	13.7%	13.8%	-0.2%
2 year	18.8%	17.8%	1.0%
3 year	18.2%	17.6%	0.6%
5 year	15.5%	15.8%	-0.3%

## 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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