



# October/15

## 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 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)
4.8%	17.2%	17.3%	11.6%

### PERFORMANCE COMMENTARY

The fourth quarter started with strong positive momentum on mounting speculation that the US Federal Reserve is unlikely to hike interest rates this year amid the impact of global economic weakness on the US. The markets soared as China cut interest rates and the ECB hinted at further quantitative easing, despite the same China having posted its softest GDP growth since the financial crisis, Japan facing the possibility of another recession and the eurozone flirting with deflation once again. On the political front, nationalist parties gained ground across Europe with elections in Portugal, Poland and Spain, upsetting the political status quo with anti-austerity sentiment.

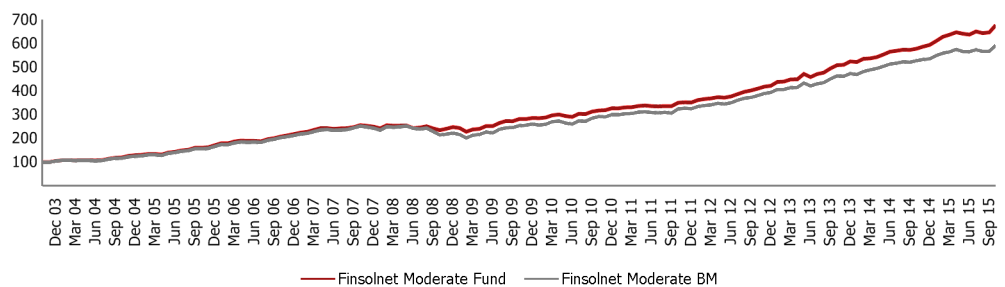
US economic data was a mixed bag, with the US Fed describing economic activity as expanding at a 'moderate' pace. In China, on the other hand, deceleration has been faster than expected with the third quarter GDP growth coming in at 6.9%, clouding its prospects for reaching the official targeted growth rate of about 7% for the year. Eurozone has been holding up relatively well, although the slowdown in China is starting to affect trade numbers and potential growth. The IMF lowered its 2015 global growth forecast to 3.1%.

South Africa's economic data continued to point to weakness, with the business confidence index falling to its lowest in 22 years, the trade balance deficit widening and the unemployment rate increasing to 25.5% in the third quarter. Consumer price inflation stayed stable at 4.6% year-on-year in September.

The Medium Term Budget Policy Statement brought few surprises, with the projected budget deficit being lowered to 3.8% of GDP in 2015 on the back of spending cuts and cost controls. The three main risks to the fiscal outlook are weak economic growth, the public sector wage bill and financial support for state-owned companies beyond what is currently budgeted for. On the negative side, growth forecasts have been cut to 1.5% for 2015 and 1.7% for 2016. Inflation is expected to equal 4.8% this year, rising to 6.2% next year.

The FTSE/JSE SWIX index returned 7.3%, with the financial sector rising by 7.3%, industrials by 8.5% and resources by 5.6%. The bond market saw net inflows and a return of 1.3%, while the listed property sector delivered 2.1%. The rand strengthened by 0.2% relative to the US dollar.

### CUMULATIVE RETURNS



### HISTORICAL PERFORMANCE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<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%	1.5%	1.3%	<b>13.3%</b>
<b>2015</b>	2.8%	2.9%	1.4%	1.6%	-0.9%	-0.6%	2.1%	-1.1%	0.5%	4.8%			<b>14.1%</b>

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## FUND SUMMARY

Inception (back dated):	01-Nov-03	
Inception (actual):	12-Nov-09	
Number of Months	72	
	<b>FUND</b>	<b>LMM</b>
Sharpe Ratio	0.85	0.65
Sortino Ratio	1.34	0.97

## RISK ANALYSIS

	<b>FUND</b>	<b>LMM</b>
% Positive Months	72.9%	70.1%
% Negative Months	27.1%	29.9%
Best Month	6.3%	7.3%
Worst Month	-6.3%	-7.7%
Avg Negative Return	-1.1%	-1.7%
Maximum Drawdown	-10.8%	-23.8%
Standard Deviation	7.5%	9.3%
Downside Deviation	4.7%	6.3%

## 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 - 35.4%
- Domestic Property - 5.1%
- Domestic Bonds - 12.7%
- Domestic Cash Plus - 6.5%
- Domestic Money Market - 1.6%
- Domestic Alternatives - 10.2%
- International - 25.6%
- Africa - 3.0%

## PERFORMANCE ANALYSIS

PERFORMANCE	<b>FUND</b>	<b>BM</b>	<b>DIFFERENCE</b>
<b>Calendar Years</b>			
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%
2014	13.3%	13.1%	0.2%

### Periodic Performance

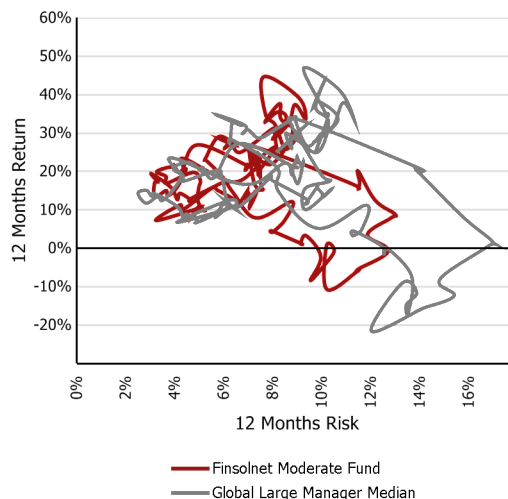
	<b>FUND</b>	<b>BM</b>	<b>DIFFERENCE</b>
1 month	4.8%	4.6%	0.2%
3 month	4.1%	3.4%	0.7%
6 month	4.7%	3.1%	1.6%
Year to date	14.1%	10.8%	3.3%
1 year	17.2%	12.5%	4.8%
2 year	15.4%	13.1%	2.3%
3 year	18.3%	16.0%	2.3%
5 year	16.4%	15.3%	1.1%

## 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



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