



July/12

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 be 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)
2.5%	14.6%	15.4%	16.0%

PERFORMANCE COMMENTARY

The dramatic EU summit announcement that European banks would receive aid directly from the region's permanent bail-out fund, the ESM, quickly ran into trouble as a number of EU countries, including Finland, the Netherlands and Germany, seemed to hesitate over the decision.

Once again economic data disappointed with Q2 GDP growth in the US and China slowing down to 1.5% and 7.6% respectively, after 2.0% and 8.1% gains in Q1. Across the Atlantic, the eurozone remained mired in recession. Oil topped US\$100 a barrel following tensions over Iran and Syria and an oil strike in Norway.

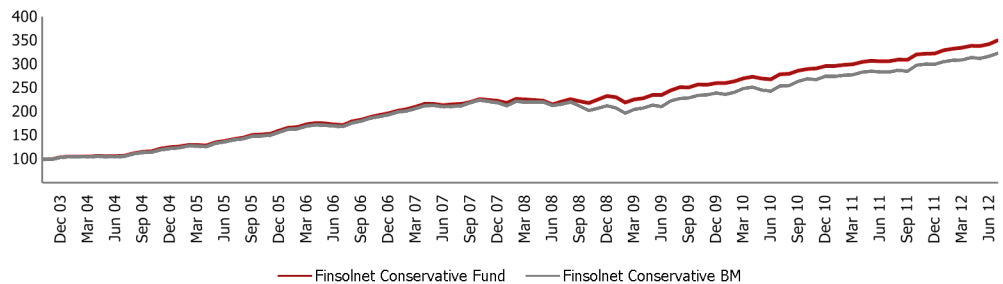
As markets wobbled, global central banks went on the offensive. The ECB, Denmark and China cut interest rates, while the Bank of England raised the size of its asset-purchase programme by £50 billion to £375 billion. This did little to ease concerns as Spanish and Italian borrowing costs soared back into the danger zone. Spain, Italy and Greece all announced further austerity measures, while Greece asked its lenders for a three-year extension to its bail-out programme till 2017.

With markets poised to fall sharply, Germany and Finland saved the day by endorsing the decision to use the eurozone's rescue fund to help Spanish banks. And the ECB's President, Mario Draghi, announced that the central bank "would do whatever it takes to protect the euro", a message echoed by Germany and France. The comments stoked optimism that the ECB and the US Fed will provide further stimulus measures.

According to the South African Reserve Bank's 2012 annual economic report, growth remains "pedestrian", with the manufacturing sector vulnerable because of the European crisis. After nine MPC meetings with no changes, the SARB cut the repo rate by 50 basis points to 5.0%, taking the prime rate to 8.5%. The CPI came in at 5.5% year-on-year in June, while the PPI remained unchanged at 6.6%.

On the political front, credit ratings agencies expressed disappointment over the failure of the ANC Policy Conference in June to clarify its approach to the nationalisation of mines. The equity market roared ahead, with the FTSE/JSE All Share Index gaining 2.7% despite the Resources sector giving up 2% in performance. The bond market continued to benefit from foreign buying, rising 4.0%, while the Rand weakened by 1.5% against the US dollar.

CUMULATIVE RETURNS



HISTORICAL PERFORMANCE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2008	-2.0%	3.9%	-0.5%	-0.6%	-0.6%	-3.6%	2.7%	2.4%	-2.0%	-1.7%	3.4%	3.3%	4.6%
2009	-1.1%	-4.8%	3.0%	1.1%	3.1%	0.0%	4.1%	2.7%	-0.1%	2.4%	-0.2%	1.3%	11.7%
2010	0.0%	1.5%	2.4%	1.2%	-1.3%	-0.6%	4.0%	0.3%	2.4%	1.2%	0.4%	1.7%	13.8%
2011	0.0%	0.8%	0.4%	1.6%	0.9%	-0.3%	0.1%	1.1%	-0.1%	3.7%	0.5%	0.1%	8.9%
2012	2.1%	0.9%	0.7%	1.2%	-0.1%	1.2%	2.5%						8.8%

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FUND SUMMARY

Inception (back dated):	01-Nov-03	
Inception (actual):	12-Nov-09	
Number of Months	33	
	FUND	LMM
Sharpe Ratio	0.73	0.61
Sortino Ratio	1.26	0.92

RISK ANALYSIS

	FUND	LMM
% Positive Months	71.4%	68.6%
% Negative Months	28.6%	31.4%
Best Month	5.2%	7.3%
Worst Month	-4.8%	-7.7%
Avg Negative Return	-0.9%	-1.9%
Maximum Drawdown	-5.9%	-23.8%
Standard Deviation	6.4%	10.2%
Downside Deviation	3.7%	6.7%

CORRELATIONS

	FUND	LMM
FTSE/JSE All Share Index	0.79	0.93
BESA All Bond Index	0.49	0.26

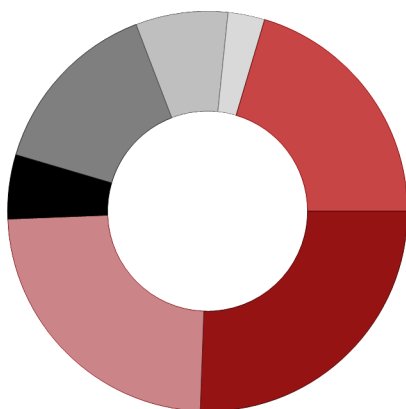
LMM = Global Large Manager Median

MARKET STRESS MONTHS

	FUND	ALSI
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



Equities - 25.6%	TAA - 3.0%
Bonds - 23.8%	International - 20.4%
Inflation Linked Bonds - 5.2%	
Money Market - 14.6%	
Alternatives - 7.5%	

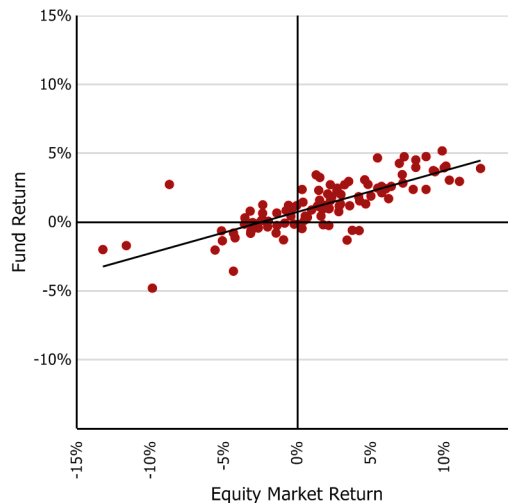
PERFORMANCE ANALYSIS

PERFORMANCE	FUND	BM	DIFFERENCE
Calendar Years			
2006	22.7%	23.4%	-0.7%
2007	13.4%	13.2%	0.2%
2008	4.6%	-2.9%	7.5%
2009	11.7%	12.8%	-1.1%
2010	13.8%	14.7%	-0.9%
2011	8.9%	9.2%	-0.3%

Periodic Performance

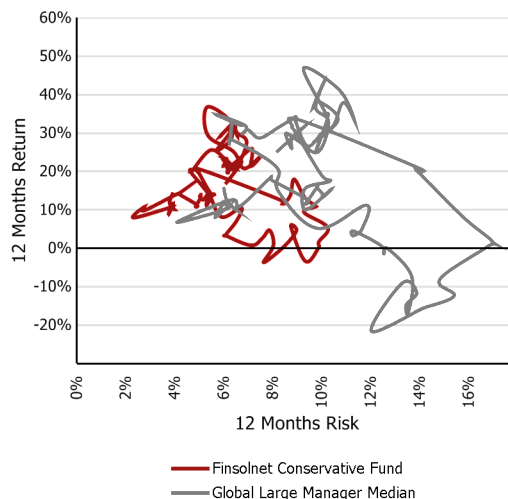
	FUND	BM	DIFFERENCE
1 month	2.5%	2.2%	0.3%
3 month	3.6%	3.1%	0.5%
6 month	6.5%	6.0%	0.6%
Year to date	8.8%	8.0%	0.9%
1 year	14.6%	14.2%	0.4%
2 year	12.2%	12.8%	-0.6%
3 year	12.8%	13.3%	-0.5%
5 year	10.3%	8.9%	1.3%

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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