



September/12

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 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)
1.5%	19.8%	16.9%	20.4%

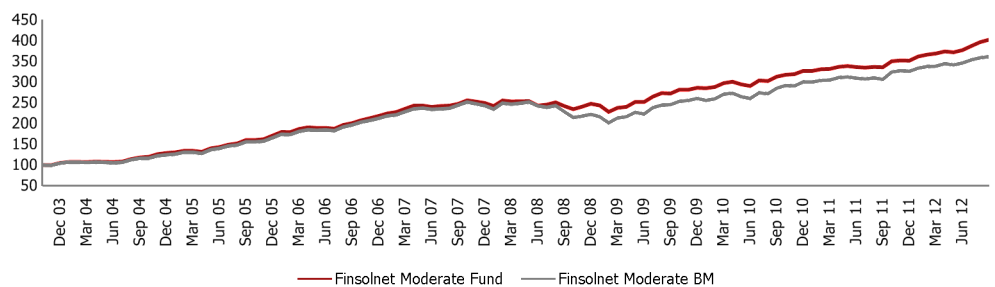
PERFORMANCE COMMENTARY

Touted as a key month for the future of the eurozone, September did not disappoint, bringing more monetary relaxation, but few long-term answers. From chaos in the Middle East triggered by an incendiary anti-Islamic video posted on YouTube, and protests in Spain and Greece, to the crippling mining strikes in South Africa, the month lurched from one surprise to the next. Economic data continued to point to a global slowdown. This pushed oil prices to below US\$110 a barrel despite the instability in the Middle East and the Iran oil sanctions. The gold price rose to above US\$1 780 an ounce, ending the quarter 11.5% up, as investors once again viewed the metal as an inflation hedge.

But economic fundamentals were overshadowed by major policy decisions. The ECB announced that it will launch an unlimited bond-buying programme to lower struggling EU countries' borrowing costs. The German Constitutional Court declared the permanent bailout fund, the European Stability Mechanism, as legal, clearing the way to use it to recapitalise troubled banks and governments. And the US Fed embarked on an unlimited third round of quantitative easing until the labour market outlook improves "substantially". However attention soon shifted to Spain which continued to resist asking for a bail-out. Unfortunately, with unemployment at 24.6%, an unstable banking system and the real prospect of secession of Catalonia, the government has little choice. Asking for a bail-out is a precondition for the ECB buying Spanish bonds to lower its yields. Meanwhile, the Greek government failed to approve an additional €11.5 billion of austerity cuts needed to secure the next instalment of aid. International lenders have delayed their final decision until after the US elections. At month-end both Spain and France unveiled tough austerity budgets designed to drastically reduce their budget deficits. In particular, Spain's budget was interpreted as a precursor to a request for a bail-out. This steadied market sentiment.

The South African economy continued to slow down with the manufacturing PMI falling to 50.2 in August. Consumer inflation ticked up to 5.0% year-on-year, and the current account gap widened to 6.4% of GDP, bringing to the fore South Africa's growing dependence on foreign investment inflows. The wildcat strikes within the mining sector continued to dominate the headlines. What started as a tragic incident at a platinum mine spread to the gold sector through September. The impact, apart from foreign investor perceptions, will be felt in the third quarter economic growth numbers. Moody's credit rating downgrade at month-end was not welcomed news. The FTSE/JSE All Share Index rose by 1.6%, bolstered by the Resources sector which delivered 5.7%, while the BESA All Bond Index returned 0.9%. The Rand appreciated by 1.0% relative to the US dollar.

CUMULATIVE RETURNS



HISTORICAL PERFORMANCE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2008	-3.0%	5.5%	-0.9%	0.2%	0.1%	-4.2%	1.0%	2.2%	-3.6%	-3.1%	2.6%	3.0%	-0.7%
2009	-1.7%	-6.3%	4.2%	1.0%	5.0%	-0.1%	5.2%	3.2%	-0.4%	3.4%	-0.1%	1.7%	15.5%
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%				14.4%

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FUND SUMMARY

Inception (back dated):	01-Nov-03	
Inception (actual):	12-Nov-09	
Number of Months	35	
	FUND	LMM
Sharpe Ratio	0.75	0.62
Sortino Ratio	1.21	0.94

RISK ANALYSIS

	FUND	LMM
% Positive Months	69.2%	69.2%
% Negative Months	30.8%	30.8%
Best Month	6.3%	7.3%
Worst Month	-6.3%	-7.7%
Avg Negative Return	-1.2%	-1.9%
Maximum Drawdown	-10.8%	-23.8%
Standard Deviation	8.0%	10.1%
Downside Deviation	5.0%	6.7%

CORRELATIONS

	FUND	LMM
FTSE/JSE All Share Index	0.90	0.93
BESA All Bond Index	0.34	0.26

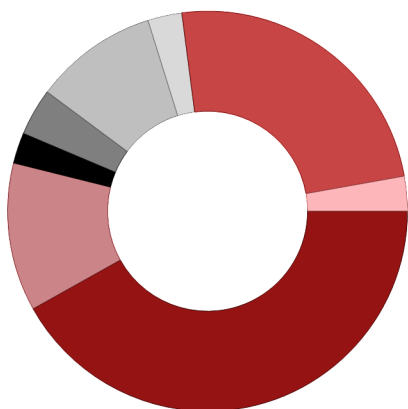
LMM = Global Large Manager Median

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.

ASSET ALLOCATION



Equities - 41.9%	TAA - 2.8%
Bonds - 12.0%	International - 24.3%
Property - 2.5%	Cadiz (ILB) - 2.8%
Money Market - 3.8%	
Alternatives - 10.0%	

PERFORMANCE ANALYSIS

PERFORMANCE	FUND	BM	DIFFERENCE
Calendar Years			
2006	27.7%	28.3%	-0.7%
2007	14.3%	14.4%	-0.1%
2008	-0.7%	-8.5%	7.8%
2009	15.5%	17.2%	-1.7%
2010	14.3%	15.2%	-1.0%
2011	7.5%	8.6%	-1.0%

Periodic Performance

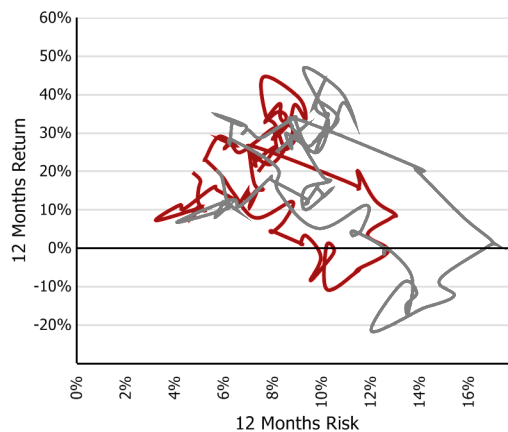
	FUND	BM	DIFFERENCE
1 month	1.5%	0.7%	0.7%
3 month	6.7%	4.4%	2.2%
6 month	9.0%	6.8%	2.2%
Year to date	14.4%	10.8%	3.5%
1 year	19.8%	17.9%	1.9%
2 year	13.3%	12.6%	0.8%
3 year	13.9%	13.7%	0.1%
5 year	10.2%	8.2%	2.0%

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



— Finsolnet Moderate Fund
— Global Large Manager Median

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