

Absa Balanced Fund

31 December 2011

2010 Raging Bull Certificate for Best Domestic Asset Allocation Prudential Medium Equity Fund (on a Risk-Adjusted Basis) for the five year period.

Fund facts

Industry category	Domestic - Asset Allocation - Prudential Medium Equity
Performance target	CPI + 5% p.a. over rolling 60 month periods (effective 1 October 2009)
Inception date	1 June 1994
Fund size	R 1,3 billion
JSE code	ABBF
Fund manager	Errol Shear - B.Bus.Sc. (Finance) (Hon), CA (SA), CFA
Asset management company	Absa Asset Management (Pty) Ltd

Fund details

Minimum lump sum investment	R 2 000
Minimum monthly debit order	R 200
Income declaration	30 June & 31 December
Income distribution	15 July & 15 January

Top share holdings (%)

Absa Group Ltd	2.49
Anglo American Plc	4.11
BHP Billiton Plc	2.64
British American Tobacco Plc	2.16
Naspers Ltd	1.80
SAB Miller Plc	1.70
Sasol Ltd	1.88
Standard Bank Group Ltd	1.48
Tiger Brands Ltd	1.70
Woolworths Holdings Limited	1.46

Performance: total returns to 31 December 2011 (%)

Term	Absa Balanced Fund	Sector Average	Rank
Since inception	12.38	9.17	6/34
1 year	6.64	5.36	12/33
3 years	12.71	10.78	4/32
5 years	8.38	6.3	1/21

*Figures are annualised

Source: Morningstar

Risk statistics

Additional information	Data since January 2000
Number of positive months	97/144
Sharpe ratio*	0.63
Maximum rolling 3 month gain	15.56%
Maximum rolling 3 month loss	-9.54%

*Risk Free Rate used: 8.54%

Income distributions

Income distribution for the 6 months ended 31 Dec 2011	4.95 c.p.u
Income distribution for the 6 months ended 30 Jun 2011	4.88 c.p.u

Fund objectives

The fund aims to offer investors a consistent return of 5% above inflation as measured by the SA Consumer Price Index over rolling 60 month periods. The fund will use an active asset allocation strategy by investing in selected JSE listed shares, quoted property trusts, bonds, money market and international assets. The equity content may range from 40% to 65%. The fund is managed according to the guidelines as set out in Regulation 28 of the Pension Fund Act and is suitable for retirement funds investments.

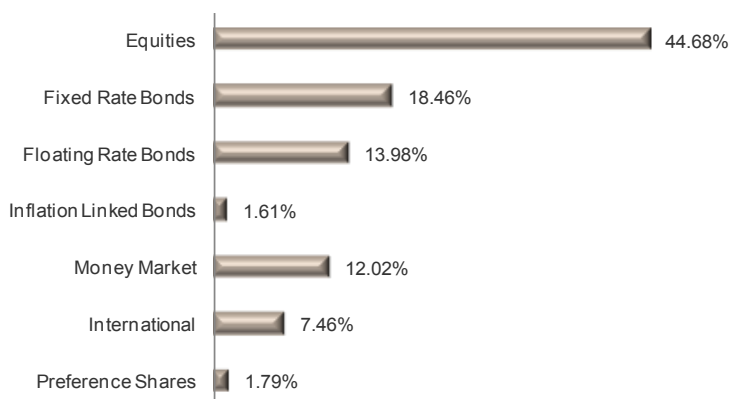
Risk profile and advisable minimum term

Low	Low-Medium	Medium	Medium-High	High
		X		
3 Months +	6 Months +	2 Years +	3 Years +	5 Years +
			X	

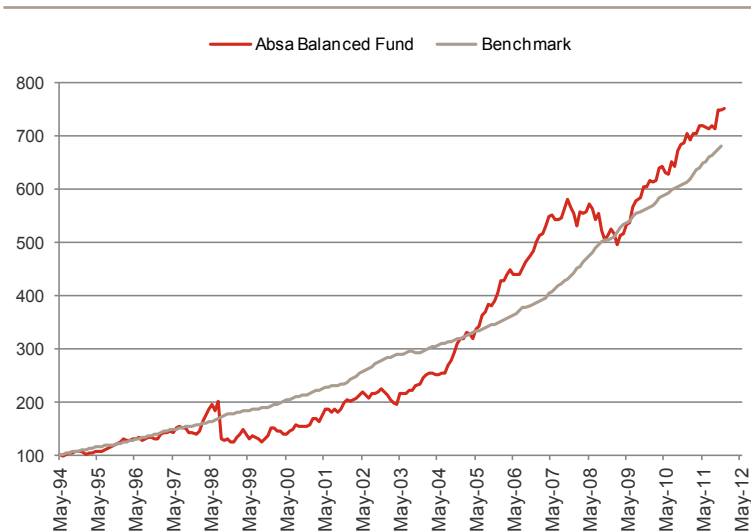
Fees and total expense ratio

Initial fees:	Absa Fund Managers: 2.28% (VAT incl.) Adviser: 0 - 3.42% (VAT incl.)
Annual management fee**:	1.71% (VAT incl.)
Total expense ratio:	1.70 %

Asset allocation



Cumulative performance since inception*



*Index performance of Fund & Benchmark based to 100 at inception of fund

Fund commentary

Though market conditions have been challenging over the past few years, we constantly stress the importance of investing with a longer-term perspective. We are pleased to report that for the 5 year period ending December 31st 2011, the Absa Balanced Fund is the top performing Fund in its category, having returned, 8.4% p.a. The Fund is also the 4th best performing fund amongst its peers over the past 3 years, having returned 12.7% p.a. over this period.

In December the cash, fixed income bonds, inflation-linked bonds, and real estate components within the Fund all contributed positively to total return, whilst equity and foreign components contributed negatively. The ALBI gained 0.72% in December 2011. In aggregate the Monetary Policy Committee of the South African Reserve Bank (SARB) has cut interest rates by 650 basis points since their peak, but inflation is now above the 6% mark. Currency volatility has traditionally been a significant aspect for South African investors to consider. After plummeting against other major currencies in September, the Rand has stabilized somewhat. As we have previously pointed out, history has shown that the Rand can both strengthen beyond consensus expectations, and also sell off strongly in a short space of time, particularly when sentiment of foreign investors towards South African financial assets turns negative. We have been cautioning that the significant capital inflows experienced by South Africa over the past 18 months could easily experience sudden reversals.

Over the last couple of years, there has been dramatic stimulus by central banks and governments worldwide, and there is increasing recognition in various circles that fiscal consolidation will be required for years to come. On 5 August, S&P made the historic decision to downgrade US debt to a rating of AA+; furthermore the Japanese fiscal position continues to look dire. The rolling debt crisis amongst peripheral European nations is increasing feelings of nervousness amongst various market participants. Events in the Euro-zone are changing on an almost daily basis at the moment, so it is virtually impossible to predict the ultimate choices that European politicians will ultimately make. At a "main street" level, the global economic recovery continues to be somewhat anaemic, and the lack of job creation around the world is casting doubt on the extent to which a real business recovery will be able to "carry the baton" once governmental stimulus programmes start to wane.

With some uncertainty surrounding the economic fundamentals within South Africa, and a generally uncertain outlook for company earnings, we have attempted to keep our equity exposures to companies where we are comfortable with future earnings prospects. Whilst there are still pockets of value amongst some local stocks, they are not easy to find. Nonetheless, some stocks are trading at parity (or at a discount) with the market at large, yet have higher earnings and dividend yields, strong business franchises and balance sheets, and better visibility of cash flows. We will continue to seek out such shares and position the fund appropriately.

DISCLAIMER

The Absa Balanced Fund is a medium risk fund. The maximum initial charge is 5.70% (incl. VAT) of consideration received and will include a maximum of 3.42% (incl. VAT) payable for commissions and incentives. An annual service charge of 1.71% (incl. VAT) against the assets of the fund will be calculated and accrued daily. **The annual management fee includes the financial adviser's ongoing fee of 0.285% (incl. VAT). The investor may instruct Absa Fund Managers in writing at any time to stop the ongoing adviser fee. The Absa Balanced Fund requires a minimum balance of R2000. The Absa Balanced Fund won a Raging Bull certificate on 26 January 2011 for the Best Domestic Asset Allocation Prudential Medium Equity Fund (on a Risk-Adjusted Basis) for the five year period. Collective Investment Schemes in Securities (Unit Trusts) are generally medium to long term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. The investment return is not guaranteed and is dependent on the performance of the underlying instruments. Forward pricing is used. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio. Income is distributed half-yearly and any income may be paid out into an account as nominated by the investor or be represented by additional units. All requests for transactions received on or before 16:00 every day will be traded at ruling prices and valued after 16:00 on that day. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. This Fund may be closed to new investments. The Fund Manager may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Foreign interest and dividends as well as foreign currency movements affecting capital may be fully taxable under current legislation. This Fund may invest in Financial instruments. Figures quoted are from Morningstar, for the period ending 31/12/2011, using NAV-NAV prices, with income distributions reinvested. This product is not for sale to USA persons. The Total Expense Ratio (TER) is expressed as an annualised percentage of the charges, levies and fees incurred by the portfolio related to its management, for the period from 1 October 2010 to 30 September 2011 against the average NAV of the portfolio over this period. A higher TER does not necessarily imply a poor return, nor does a lower TER imply a good return. The current TER cannot be regarded as an indication of future TER's. Consult the Management Company for details. Absa Fund Managers is a member of the Association for Savings and Investment SA.

Contact details



Absa Fund Managers Limited

Reg no 1991/000881/06

Authorised Financial Services Provider - Reg No 330

Absa Investment Campus, 65 Empire Road, Parktown, 2193

PO Box 6115, Johannesburg, 2000



Contact Centre: 0860 111 456 / **Fax:** (011) 480 5440



Email: unittrust@absa.co.za / **Website:** www.absainvestments.co.za



Trustees

Standard Bank Trustees Services

PO Box 54, Cape Town, 8000

