

## Fund facts

<b>Industry category</b>	Domestic - Fixed Income - Bond
<b>Performance target</b>	BESA All Bond Index
<b>Inception date</b>	14 May 2002
<b>Fund size</b>	R 75 million
<b>JSE code</b>	ABBA
<b>Fund manager</b>	Errol Shear - B.Bus.Sc. (Finance) (Hon), CA (SA), CFA
<b>Asset management Company</b>	Absa Asset Management (Pty) Ltd

## Fund details

<b>Minimum lump sum investment</b>	R 2 000
<b>Minimum monthly debit order</b>	R 200
<b>Income declaration</b>	31 March, 30 June, 30 September & 31 December
<b>Income distribution</b>	15 April, 15 July, 15 October & 15 January

## Top holdings (%)

Absa Bank Ltd Bond	5.43
Absa Bank Ltd Bond	7.06
ES15 7.75% 30082015	9.70
ES26 7.80% 020426	8.54
First Rand Bank Ltd Bond	4.42
First Rand Bank Ltd Bond	7.25
RSA R186 10.5% 211226	9.32
RSA R201 8.7% 211214	5.66
RSA R204 8% 211218	4.06
Standard Bank Bond	5.54

## Performance: total returns to 31 December 2011 (%)

Term	Absa Bond Fund	Benchmark	Sector Average	Rank
Since inception	10.33	10.82	12.32	11/15
1 year	8.20	8.82	8.53	10/15
3 years	6.60	7.39	7.77	15/15
5 years	7.36	8.59	8.68	14/14

\*Figures are annualised

Source: Morningstar

## Risk statistics

Additional Information	Fund since inception
Number of positive months	78/115
Maximum rolling 3 month gain	10.50%
Maximum rolling 3 month loss	-5.38%

## Income distributions

Income distribution for the 3 months ended 31 Mar 2011	2.17 c.p.u
Income distribution for the 3 months ended 30 Jun 2011	2.11 c.p.u
Income distribution for the 3 months ended 30 Sep 2011	2.13 c.p.u
Income distribution for the 3 months ended 31 Dec 2011	2.15 c.p.u

## Fund objectives

The fund aims to offer investors medium to long-term return, capital and income growth by exploiting anticipated changes in the pattern of interest rates. The funds invests in interest bearing securities of differing terms to maturity, taking into account changes in interest rates, credit risk and liquidity.

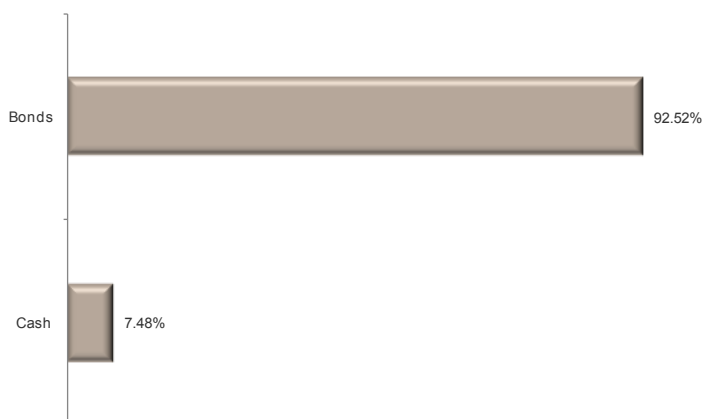
## Risk profile and advisable minimum term

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

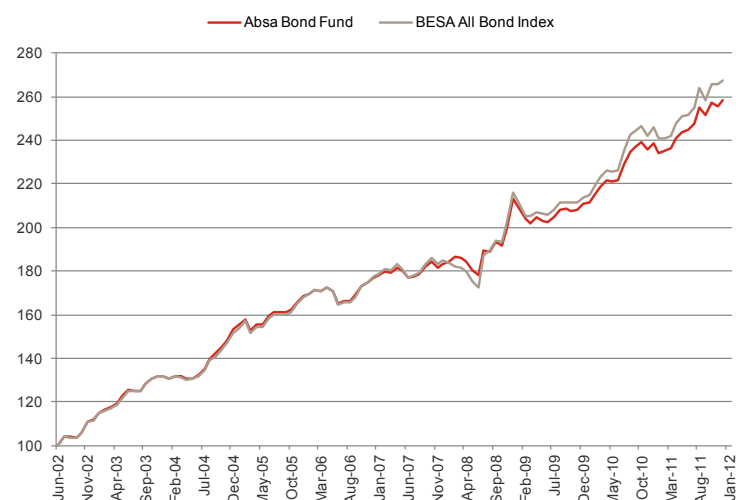
## Fees and total expense ratio

<b>Initial fees:</b>	Absa Fund Managers: 0% Adviser: 0 - 3.42% (VAT incl.)
<b>Annual management fee**:</b>	0.86% (VAT incl.)
<b>Total expense ratio:</b>	0.85 %

## Asset allocation



## Cumulative performance since inception\*



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

## Fund commentary

The ALBI gained 0.72% in December 2011, which means that for the year the Index gained 8.8%. In December, the 1 to 3 year area gained 0.63%, the 3 to 7 year area gained 0.81%, the 7 to 12 year area gained 0.67%, and the 12+ segment gained 0.9%. The yield on the benchmark R157 decreased from 6.77% at the beginning of the month to 6.75% at the end of the month, and the yield on the longer dated R186 increased from 8.45% at the beginning of the month to 8.5% at the end of the month. Cash, as measured by the STEFI, yielded 0.47%, the low yield being a result of the Reserve Bank's numerous past interest rate cuts. In aggregate the Monetary Policy Committee of the South African Reserve Bank (SARB) has cut interest rates by 650 basis points since their peak.

We do point out that local inflation has now breached the 6% upper limit of the South African Reserve Bank's target range. Consequently, short-term interest rates have, in all likelihood, bottomed. Sustained cost-push pressures in South Africa, relating particularly to the higher electricity price and wage-cost inflation, along with the dramatic sell-off in the Rand in September (along with any potential future weakness in the currency), could still pose upside risks to inflation.

The Rand has stabilized somewhat after the afore-mentioned sell-off in September. Although the local currency weakened slightly against the Dollar in December (from 8.08 at the beginning of the month to 8.15 at the end of the month), it strengthened against the Euro (from 10.88 to 10.58) and against the Pound (from 12.75 to 12.58). 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.

We do not feel that bonds generally offer very compelling value at this stage - with massive fiscal deficits and debt issuances around the world, we have felt for some time that there is upside risk to real global bond yields. A key issue is the extent to which further bond issuances can be absorbed by market participants. However, there is a "tug-of-war" between the significant global disinflationary forces (particularly slowing economies and the reduction of private sector debt), and the continued issuance of sovereign debt (which should ultimately drive bond yields higher).

Foreign investors continue to invest into South African bonds, drawn by the high yields relative to the very low yields offered on USA and German bonds.

The ABSA Bond Fund remains cautiously positioned, with a duration that is slightly shorter than the All Bond duration.

## DISCLAIMER

The Absa Bond Fund is a low to medium risk fund. No initial charge is levied, though investments through intermediaries could include a maximum of 3.42% (incl. VAT) payable for commissions and incentives. An annual service charge of 0.86% (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 0.17% (incl. VAT). The investor may instruct Absa Fund Managers in writing at any time to stop the ongoing adviser fee. The Absa Bond Fund requires a minimum balance of R2000. 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 quarterly 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. 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

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