

Absa Income Enhancer Fund

31 July 2014

Fund facts

Industry category	SA - Interest Bearing - Short Term Bonds
Performance target	STeFI Composite
Inception date	1 April 1993
Fund size	R 761,4 million
JSE code	ABSC
Fund manager	Juan Bekker - SAIFM Rehana Rungasamy - BCom, SAIFM
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	The last day of every month
Income distribution	The 2nd working day of the following month

Performance: total return(%)

Term	Absa Income Enhancer Fund R	Absa Income Enhancer Fund B	Benchmark
Since inception	10.32	5.80	8.47
1 year	5.03	3.70	5.49
3 years	5.14	3.82	5.47
5 years	5.79	4.36	5.98

Note: R class returns used, the sector average and rank only applies for the R Class
*Figures are annualised Source: Morningstar

Analysis of Absa Income Enhancer Fund's 1 year return

Date	c.p.u	Nominal distribution as a % of clean price	Monthly % clean price movement
Aug 2013	0.47	0.43%	0.01%
Sept 2013	0.44	0.40%	0.33%
Oct 2013	0.46	0.42%	0.27%
Nov 2013	0.48	0.44%	0.10%
Dec 2013	0.50	0.46%	0.05%
Jan 2014	0.50	0.46%	-1.18%
Feb 2014	0.31	0.29%	-0.76%
Mar 2014	0.52	0.48%	0.31%
Apr 2014	0.49	0.45%	0.13%
May 2014	0.51	0.47%	0.33%
June 2014	0.48	0.44%	-0.09%
July 2014	0.56	0.52%	0.17%
Total	5.72	5.26%	-0.319%

1 year income return on the reinvestment of monthly interest 5.39%

1 year capital return of the clean price -0.32%

Absa Income Enhancer Fund 5.07%

Fund objectives

The Absa Income Enhancer aims to provide investors with a high interest income return over the short to medium term. The investable universe of the fund will include interest bearing and non-equity securities, including but not limited to bonds, cash deposits and money market instruments. Modified duration of the fund will not exceed 2 years.

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 (VAT incl.)

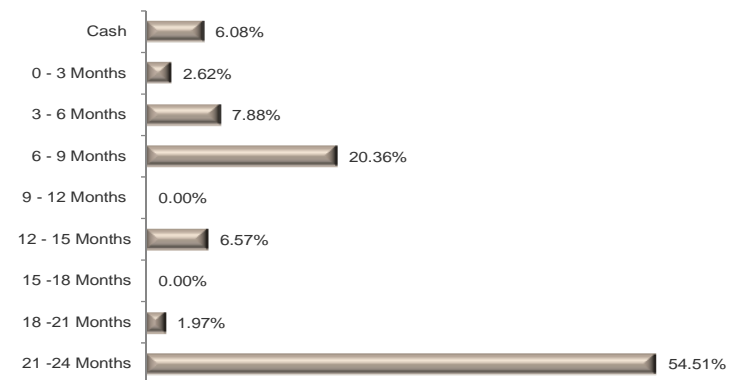
	Class A	Class B
Initial fees:		
Absa Fund Managers:	0%	0%
Adviser:	0 - 1.14%	0%
Annual management fee:		
Absa Fund Managers:	0.86%	2.11%
Adviser:	0 - 1.14%	*N/A
Total expense ratio:	0.87%	2.12%

*Adviser on-going fee is included in the annual management fee and it varies according to the platform through which the investment is done

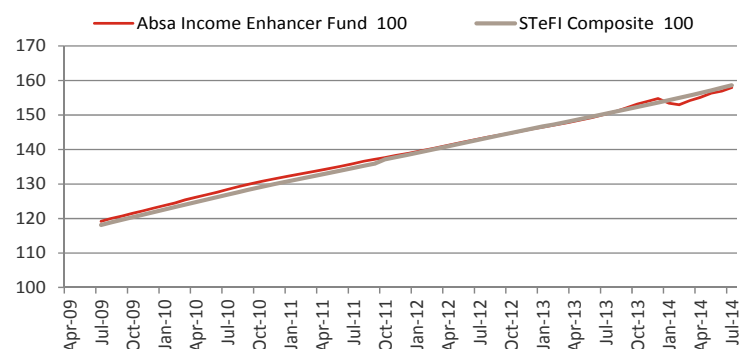
Risk statistics

Modified duration	1.83
Weighted average duration	670 days

Duration analysis



5 year cumulative performance



*Index performance of Fund & Benchmark based to 100 at January 2008

Note: This graph is net of fees.

Quarterly fund commentary as at 30 June 2014

The South African Reserve Bank's (SARB) decision to keep the repo rate on hold at its Monetary Policy meeting in May was widely expected. The statement though remained hawkish with the Bank highlighting that it was in a 'rising interest rate cycle' to gradually normalize rates. The moderate hiking cycle may also imply increasing interest rates by smaller increments of 25 basis points to allow for the gradual policy normalization. The SARB remains cognizant though of the stagflation bind it finds itself in.

Consumer Price inflation (CPI) jumped to 6.6% y/y in May from 6.1% in April, remaining stubbornly above the inflation target band of 3.0% - 6.0% which somewhat vindicated the SARB's decision to hike the repo rate by 50 basis points in January this year.

The prolonged strike action in the local platinum mining sector which in part contributed to Fitch's decision to downgrade South Africa's credit rating outlook to negative from stable, continued to plague the Rand over the quarter. The Rand weakened 1.03% to end the quarter around 10.63 to the US Dollar.

The money market yield curve steepened toward the end of the quarter on the back of hawkish rhetoric from the Reserve Bank Governor and the new Minister of Finance. The 1 year NCD rate rose by 12.5 basis points to 7.025%.

The FRA (forward rate agreement) curve continues to discount a further 75 basis point rate increase for the year.

The money market fund has been positioned for further interest rate hikes.

DISCLAIMER

The Absa Income Enhancer Fund is a low risk fund. No initial charge is levied though investments through intermediaries could include a maximum of 1.14% (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. Ongoing advice fees may be negotiated to a maximum of 1.14% (incl. VAT) per annum, charged by a way of unit reduction and paid to the Financial Adviser monthly in arrears. This annual advice fee is not part of the normal annual management fee. The Absa Income Enhancer Fund requires a minimum balance of R2 000. 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 monthly 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 and/or local interest and dividends as well as foreign currency movements and interest distributions affecting capital may be fully taxable under current legislation. Figures quoted are from Morningstar, for the period ending 31/07/2014, using NAV-NAV prices, with income distributions reinvested and figures quoted are net of fees. 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 July 2013 to 30 June 2014, 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

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