

## Fund facts

<b>Industry category</b>	Domestic - Asset Allocation - Targeted Absolute & Real Return
<b>Performance target</b>	CPI + 3%
<b>Inception date</b>	1 September 2002
<b>Fund size</b>	R 514 million
<b>JSE code</b>	ABIB
<b>Fund manager</b>	Errol Shear - B.Bus.Sc. (Finance) (Hons), CA (SA), CFA
<b>Asset management company</b>	Absa Asset Management (Pty) Ltd

## Fund details

<b>Minimum lump sum investment</b>	R 1 000
<b>Minimum monthly debit order</b>	R 100
<b>Income declaration</b>	31 March, 30 June, 30 September & 31 December
<b>Income distribution</b>	1 April, 1 July, 1 October & 1 January

## Top share holdings (%)

Adcock Ingram Holdings Ltd	0.45
Anglo American Plc	0.74
AVI Ltd	0.50
British American Tobacco Plc	0.67
Capital Shopping Centres Group Plc	0.78
Growthpoint Properties Ltd	1.12
Mr Price Group Ltd	0.62
Remgro Ltd	0.46
Spar Group Ltd	0.63
Woolworths Holdings Ltd	0.53

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

Term	Absa Inflation Beater Fund	Sector Average	Rank
Since inception	9.52	8.93	18/49
1 year	7.54	4.89	9/49
3 years	8.35	9.06	24/42
5 years	8.26	7.56	12/35

\*Figures are annualised

Source: Morningstar

## Risk statistics

Additional information	Since inception
Number of positive months	101/111
Sharpe ratio*	0.55
Maximum rolling 3 month gain	6.74%
Maximum rolling 3 month loss	-0.76%

\*Risk Free Rate used: 8.07%

## Income distributions

Income distribution for the 3 months ended 31 Dec 2011	1.55 c.p.u
Income distribution for the 3 months ended 31 Mar 2011	1.40 c.p.u
Income distribution for the 3 months ended 30 Jun 2011	1.50 c.p.u
Income distribution for the 3 months ended 30 Sep 2011	2.00 c.p.u

## Fund objectives

The fund aims to offer investors a consistent return of 3% above inflation as measured by the SA Consumer Price Index over rolling 36 month periods and not to have a negative return over a rolling 12 month period. The fund invests in shares, income bearing instruments and fixed interest instruments, with major exposure to inflation linked bonds. Shares are limited to a maximum of 20% of the portfolio.

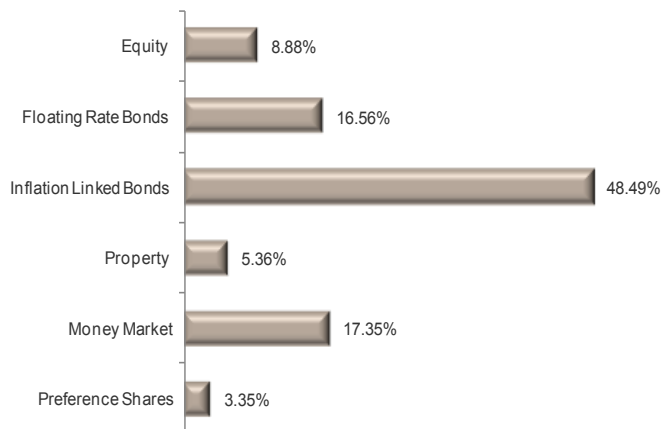
## Risk profile and advisable minimum term

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

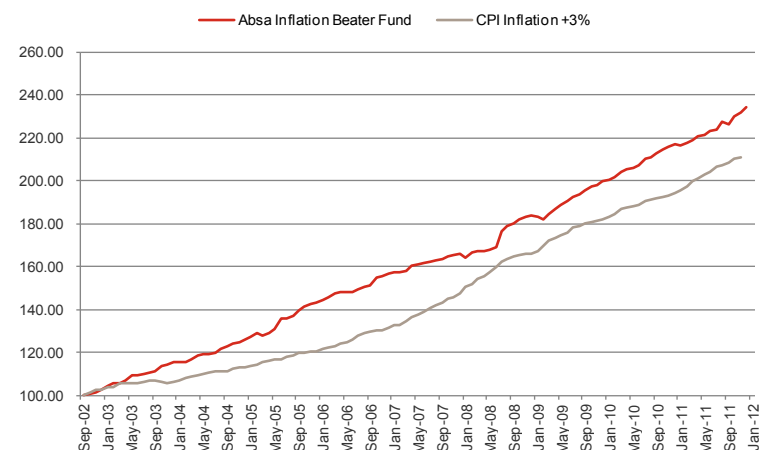
## Fees and total expense ratio

<b>Initial fees:</b>	Absa Fund Managers: 0%
	Adviser: 0 - 3.42% (VAT incl.)
<b>Annual management fee**:</b>	1.43% (VAT incl.)
<b>Total expense ratio:</b>	1.42%

## Asset allocation



## Cumulative performance since inception\*



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

## Fund commentary

The Absa Inflation Beater Fund has returned 8.4% p.a. for the 3 years to 31 December 2011, comfortably ahead of Headline CPI over this period of 4.8% p.a. The Fund has also returned 8.3% p.a. over the past 5 years. Over the past year, inflation has been running at 6.1%. Whilst the Monetary Policy Committee of the South African Reserve Bank (SARB) has, in aggregate, cut interest rates by 650 basis points since their peak, inflation has now breached the upper limit of the Reserve Bank's target range. Consequently, short term interest rates have, in all likelihood, now bottomed. Sustained cost-push pressures, relating particularly to higher electricity prices and wage-cost inflation, along with the dramatic sell-off in the Rand in September (as well as potential future weakness in the currency) could still pose upside risks to inflation.

After plummeting against other major currencies in September, the Rand has stabilized somewhat. 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.

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 sovereign 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 Eurozone 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.

The outlook for company earnings is quite uncertain; hence whilst there are still pockets of value amongst some local stocks, they are fairly difficult to find. 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 flow. We seek to invest in such companies.

The Absa Inflation Beater Fund continues to be positioned so as to minimize the risk of capital loss, while targeting a return in excess of inflation.

## DISCLAIMER

The Absa Inflation Beater Fund is a low risk fund. No initial fee 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 1.43% (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 Inflation Beater Fund requires a minimum balance of R1000. 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 Investments SA.

## Contact details

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