

Absa Absolute Fund 31 July 2010

Fund Description / Objective

Absa Absolute Fund is a specialist fund that utilises a diversified asset allocation strategy to lower the overall risk profile of the fund. The Fund aims to provide a consistent positive return over and above inflation as measured by the consumer price index, while at the same time minimising the risk of capital loss over a 12 month period. The fund's portfolio of assets are managed within the asset allocation limits for prudential managed portfolio's as per the guidelines stipulated in Regulation 28 of the Pension Fund Act.

Fund Facts

Inception Date	20 November 2006
JSE Code	ABAF
Fund Size	R 2,4 billion
Industry Category	Domestic - Asset Allocation - Targeted A & R Return
Minimum Investment	R 2 000 lump sum R 200 debit order
Initial Fee	0% to 3,42% (VAT incl.)
Total Expense Ratio	1,72%
Annual Service Fee	1,71% (VAT incl.)
Income Declaration	30 June & 31 December
Income Distribution	15 July & 15 January
Performance target	CPI + 4% p.a. over a rolling 36 month period
Risk Rating	Low - Medium

Income Distribution

Distribution for the 6 months ended 31 December 2009	2,21 c.p.u
Distribution for the 6 months ended 30 June 2010	2,61 c.p.u

Top Holdings

- Absa US Dollar Income Fund
- Firstrand Bank Ltd CPI Bond
- Firstrand Bank Ltd Bond
- National Treasury Bond
- Nedbank Floating Rate Notes
- Nedbank Negotiable Certificate of Deposit
- Standard Bank Ltd Bond
- Standard Bank Floating Rate Note

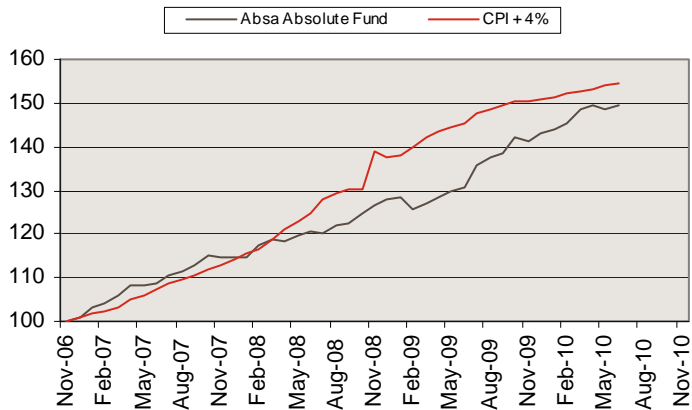
Historic Performance

	Absa Absolute Fund
1 Year	11,67%
2 Years*	11,24%
3 Years*	10,29%

* Figures are annualised

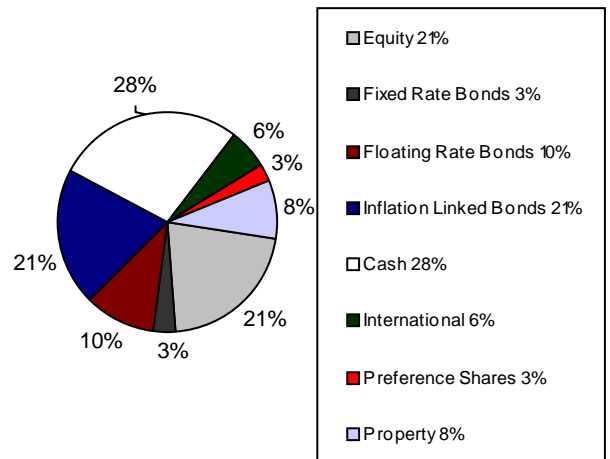
Source: Morningstar

Performance History Graph



* Index performance of fund & benchmark based to 100 at inception of fund

Asset Allocation



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Fund Commentary

The Absa Absolute Fund aims to invest in a strategic mix of assets which is designed to generate a return of CPI plus 4% per annum over a rolling 3 year term, while trying to minimize the risk of losing money in any one year. Assets invested in include inflation linked assets, fixed-interest bonds, money market, equity, property and offshore assets.

Assets selected for this fund are chosen carefully, based not only on return, but also with a view to minimize the potential downside risk of the portfolio. The Fund has returned a positive 11.7% over the past year, and 10.3% p.a. over the past 3 years. CPI inflation has been running at 4.2% over the past year.

Feelings of outright panic in the market, which characterized the depths of the credit crisis, appear to have largely subsided. A big issue at present is the extent to which a real business recovery will be able to "carry the baton" once governmental stimulus programmes start to wane. We continue to be somewhat cautious on the prospects for a speedy economic recovery at a "main street" level. Furthermore there is still some uncertainty surrounding the economic fundamentals within South Africa, and the equity market as a whole is not in cheap territory. Whilst there are still pockets of value amongst some local stocks, they are fairly difficult to find. Nonetheless, there are some stocks 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.

After its March meeting, where rates were cut by 50 basis points, in aggregate the Monetary Policy Committee of the South African Reserve Bank (SARB) has now cut interest rates by 550 basis points from their peak. The high indebtedness of local consumers, coupled with the effects of the National Credit Act, job losses and the generally tough economic environment, will likely mean that despite rate cuts, personal consumption figures will remain depressed for some time.

Our first aim is always to protect our clients' money, and to achieve a satisfactory return over time.

DISCLAIMER

The Absa Absolute Fund is a low to medium risk fund. No initial fee is charged but investments through intermediaries could require a commission of up to 3,42% (VAT Incl.). An annual service charge of 1,71% (incl. VAT) against the assets of the fund will be calculated and accrued daily. The Absa Absolute 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. 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. Figures quoted are from Morningstar, for the period ending 31/07/2010, 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 July 2009 to 30 June 2010 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.

Asset Management Co:

Absa Asset Management (Pty) Ltd

Portfolio Manager

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To find out more about this fund and
Absa's unit trust range visit :
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Absa Fund Managers,
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