

Absa Balanced Fund 31 July 2010

Fund Description / Objective

This prudential compliant fund has a diversified investment portfolio to ensure an optimum mix of security, return and growth. Funds are invested in top quality JSE-listed shares in all sectors of the exchange, quoted property trusts, gilts and interest-bearing investments. The Fund complies with the prudential investment guidelines as set out in regulation 28 of the Pension Fund Act at all times, and is suitable for pension fund investments.

Fund Facts

Inception Date	1 June 1994
JSE Code	ABBF
Fund Size	R 804 million
Industry Category	Domestic - Asset Allocation - Prudential Medium Equity
Minimum Investment	R 1 000 lump sum R 100 debit order
Initial Fee	5,70% (VAT incl.)
Total Expense Ratio	1,73%
Annual Service Fee	1,71% (VAT incl.)
Income Declaration	30 June & 31 December
Income Distribution	15 July & 15 January
Performance target	CPI + 5% over a rolling period of 5 years (effective 1 October 2009)
Risk Rating	Medium

Income Distribution

Distribution for the 6 months ended 30 June 2009	6,73 c.p.u
Distribution for the 6 months ended 31 December 2009	4,35 c.p.u
Distribution for the 6 months ended 30 June 2010	4,81 c.p.u

Top Holdings

- Absa Bank Ltd CPI Linked Bond
- Absa Bank Preference Shares
- Anglo American Plc
- BHP Billiton Plc
- First Rand Bank Ltd Floating Rate Note
- Nedbank Ltd Bond
- Nedbank Floating Rate Notes
- Standard Bank Group Ltd
- Standard Bank Floating Rate Notes
- Standard Bank Negotiable Certificate of Deposit

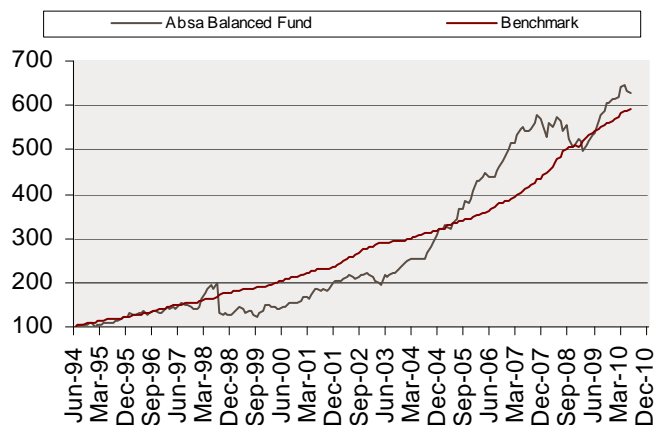
Historic Performance

	Absa Balanced Fund	Sector Average	Ranking
1 Year	15,29%	12,72%	4/33
3 Years*	6,26%	3,02%	2/29
5 Years*	12,33%	10,83%	2/16

* Figures are annualised

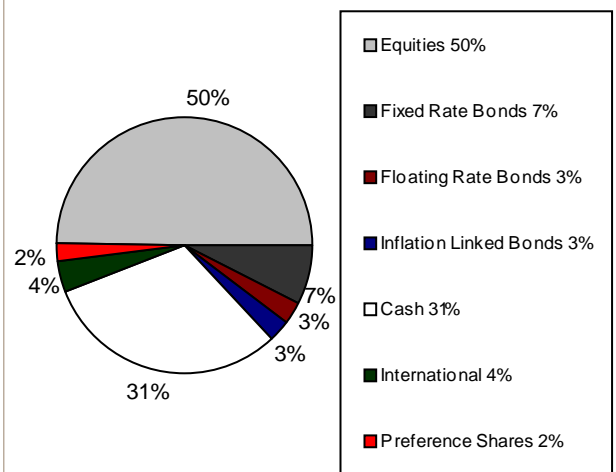
Source: Morningstar

Performance History Graph



*Index performance of Fund and benchmark based to 100 at inception of fund

Asset Allocation



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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, and over the last 5 years, the Absa Balanced Fund has returned 12.3% p.a., making it the 2nd best performing fund in its category over this period. The Fund is also the 2nd best-performing fund over the past 3 years, and has returned 15.3% over the past year. We are delighted to inform investors that the Absa Balanced Fund recently won a Raging Bull Award within the Domestic Asset Allocation (Prudential Medium Equity) Category for its five year performance to 31 December 2009.

In July the cash, fixed interest, equity and property components within the Fund contributed positively to the Fund's return, whilst the foreign component contributed negatively.

The ALBI has been strong in 2010, and increased by 4.12% in July, with the longer end of the curve outperforming. 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.

Currency volatility has traditionally been a significant aspect for South African investors to consider, and the local currency has been strong of late. In July, the Rand strengthened from 7.67 to 7.29 against the Dollar, strengthened marginally against the Pound from 11.44 to 11.41, and weakened against the Euro from 9.37 to 9.51.

Feelings of outright panic in the market, which characterized the depths of the credit crisis, have largely subsided. Nonetheless, we continue to be somewhat cautious on the prospects for a sustained economic recovery at a "main street" level. 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.

There is some uncertainty surrounding the economic fundamentals within South Africa, and equity markets are now fairly expensive. We have thus 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 fairly difficult 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 Absa Balanced 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. 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 31/07/2010, 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.

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To find out more about this fund and
Absa's unit trust range visit :
www.absainvestments.co.za

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