

# Absa Inflation Beater Fund 31 July 2010

## Fund Description / Objective

This is a low risk fund seeking to achieve, over the medium term, a return that exceeds inflation by 3% p.a. Inflation is measured by the South African headline CPI indicator. The fund invests in inflation linked bonds, interest bearing securities of differing terms to maturity and a selection of high dividend, value shares. Share exposure will not exceed 20% of the portfolio and may include investments in high yielding property trusts and loan stock companies.

### Fund Facts

<b>Inception Date</b>	1 September 2002
<b>JSE Code</b>	ABIB
<b>Fund Size</b>	R 463 million
<b>Industry Category</b>	Domestic - Asset Allocation - Targeted A & R Return
<b>Minimum Investment</b>	R 1 000 lump sum R 200 debit order
<b>Initial Fee</b>	0% to 3,42% (VAT incl.)
<b>Total Expense Ratio</b>	1,46%
<b>Annual Service Fee</b>	1,43% (VAT incl.)
<b>Income Declaration</b>	31 March, 30 June, 30 September & 31 December
<b>Income Distribution</b>	1 April, 1 July, 1 October & 1 January
<b>Performance target</b>	CPI + 3%
<b>Risk Rating</b>	Low

### Income Distribution

Distribution for the 3 months ended 31 December 2009	1,24 c.p.u
Distribution for the 3 months ended 31 March 2010	1,40 c.p.u
Distribution for the 3 months ended 30 June 2010	1,24 c.p.u

### Top Holdings

- Absa Bank Floating Rate Note CPI Linked
- Absa Bank Ltd CPI Linked Bond
- Absa Bank Negotiable Certificate of Deposit
- Firststrand Ltd Bond
- Nedbank Ltd CPI Linked Bond
- R197 CPI Linked Bond
- Standard Bank SA Ltd Bond
- Standard Bank SA Ltd CPI Bond

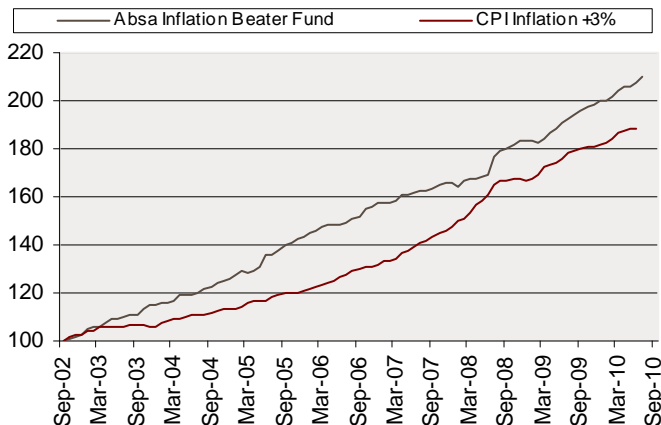
### Historic Performance

	Absa Inflation Beater Fund
1 Year	8,96%
3 Years*	8,95%
5 Years*	8,95%

\* Figures are annualised

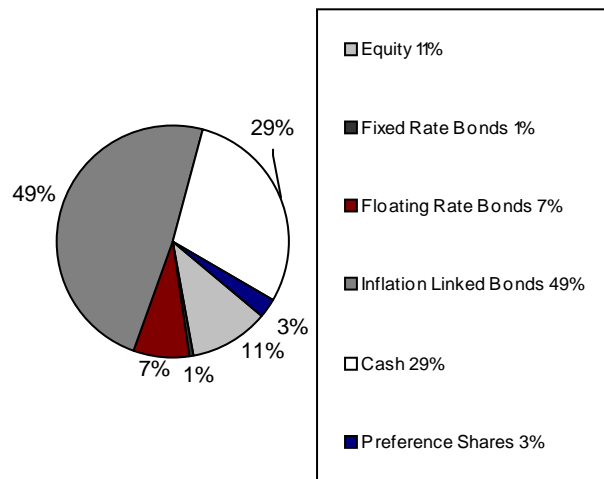
Source: Morningstar

### 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 Inflation Beater Fund has returned 9.0% p.a. for the 5 years to 31 July 2010, comfortably ahead of Headline CPI over this period of 6.9% p.a. The Fund has also returned 9.0% over the past year.

Persistently high food and oil prices, along with inflation in the services sector, kept CPI out of the South African Reserve Bank's (SARB) target range for some time, but the collapse of the oil price from its peak and generally slowing economy have provided some relief on the inflation front. Inflation is now running below 6%.

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.

Equities rallied strongly in July, with the All Share Index finishing the month over 8% higher. Of the major sectors, Technology was up by a massive 28.5%, Telecommunications was up by 13.5%, and Consumer Services was up by over 12%.

Over the last couple of years, there has been dramatic stimulus by central banks worldwide, and markets now appear to be realizing that fiscal consolidation is needed. 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. Growth in many European countries will be very sluggish for the next number of years, and there is increasing concern that China's growth is slowing. Whilst profit growth by companies, which turned negative in many instances, has now "turned the corner", we continue to feel that the prospects for a sustained economic recovery at a "main street" level remain unclear.

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, 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.

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 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. 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 31/07/2010, 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 Investments SA.

### Asset Management Co:

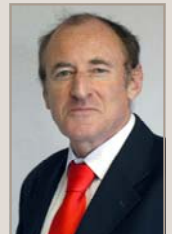
Absa Asset Management (Pty) Ltd

### Portfolio Manager

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To find out more about this fund and  
Absa's unit trust range visit :  
[www.absainvestments.co.za](http://www.absainvestments.co.za)

Absa Fund Managers,  
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