

STANLIB Aggressive Income Proposition

As at 31 December 2011

the art and science of investing

Proposition details

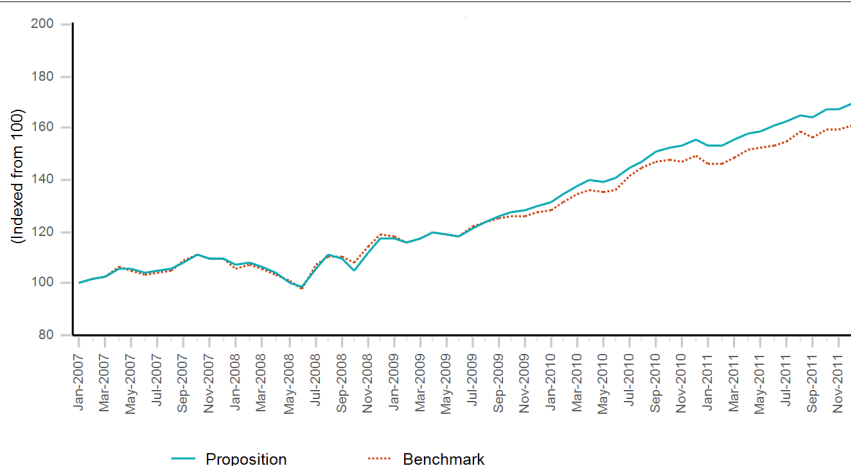
GIPS Inception Date: 25 Jul 2005
 Asset size: R 1'358.94 million
 Benchmark: SAPY 33.33%; BEASSA All Bond Index 33.33%; STeFI Composite Index 33.33%
 Available as: Pooled, Unit Trust, Segregated
 Brief description:

This proposition aims to allocate exposure to fixed income asset classes that are most likely to benefit from current economic fundamentals. This will include cash, bonds, inflation-linked bonds, preference shares, property shares and any other readily tradable interest bearing instrument.

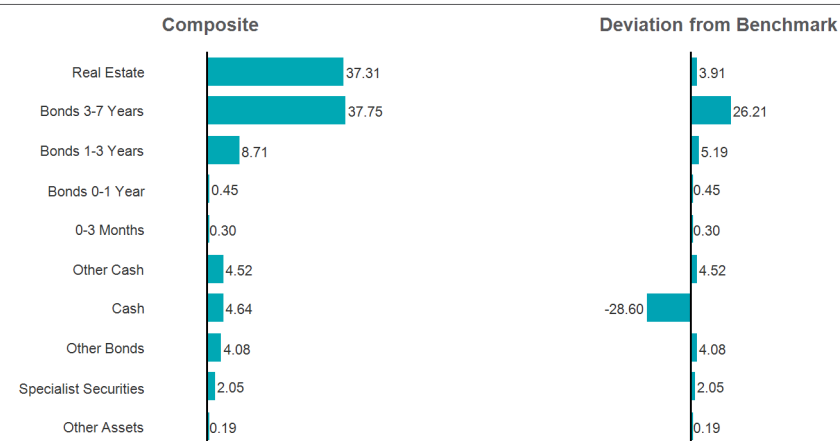
Performance table (annualized, gross of fees in Rands) (%)

	1 year	3 years	5 years	Since GIPS inception
Proposition	9.28	13.16	11.80	13.32
Benchmark	7.89	10.63	10.72	12.24

Cumulative 5 year gross performance vs. benchmark



Typical Sector Allocation(%) vs Benchmark(%)



Based on latest month averages

Risk profile

Negligible	Low	Moderate	High	Very High
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Risk statistics (3 years, annualised)

Alpha	0.36
Beta	0.80
Benchmark Standard Deviation	4.63
Standard Deviation	3.91
Sharpe Ratio	1.62
Sortino Ratio	1.20
Tracking Error	1.57
Information Ratio	1.61

Combined top Holdings (%)

Based on last month's averages

1. RSA 8% 211218	28.68
2. ABSA JB+145 170318	6.75
3. RSA 2.75% 310122	5.63
4. LAND & AGRI BANK SA	4.43
5. STD JBR+125 260416	4.42
6. HM OB JBR+165 190715	2.96
7. STD JBR+220 241116	2.94
8. Inv 2.75% 310122	2.38
9. ABSA 8.10% 270315	2.37
10. DEV BNK 15.0%150616	2.34
TOTAL	62.89

Big positions relative to benchmark

Based on last month's averages

Counter	Over/Underweight
STANLIB INSTITUTIONAL PROPERTY	OW
RSA 8% 211218	OW
GRWTHPNT PROPS	UW
REDEFINE INCOME	UW

Biggest impact on active returns

Based on last month's averages

Top 5 contributors

1. STANLIB INSTITUTIONAL PROPERTY	OW
2. GRWTHPNT PROPS	UW
3. REDEFINE INCOME	UW
4. VUKILE	OW
5. NETCARE75%	OW

Top 5 detractors

1. SA CORP REAL EST FND	UW
2. SYCOM PROP FUND	UW
3. FOUNTAINHEAD PROP	UW
4. REDEFINE PROP INTL	OW
5. RESILIENT PROP INC	UW

GIPS® Disclosure

STANLIB Asset Management is a 100% owned operating entity within STANLIB Ltd. The company comprises all portfolios managed by STANLIB Asset Management. STANLIB Asset Management claims compliance with the Global Investment Performance Standards (GIPS®). To receive a list of composite descriptions of STANLIB Asset Management and/or a presentation that complies with the GIPS® standards, contact STANLIB Performance at 0860 123 003, write to STANLIB Asset Management, PO Box 202, Melrose Arch, 2076 or email stanlib.performance@stanlib.com

Investment thesis

The investment objective of the proposition is to provide an efficient investment medium whereby investors can participate in a portfolio that will seek to generate a high level of income, as well as the potential for capital growth. Securities normally to be included in this proposition means cash, bonds, financially sound and appropriate preference shares, property shares, stock including property loan stock, debentures, debenture stock and debenture bonds, unsecured notes, collective investment schemes in property, non-equity and other securities listed on exchanges which are considered consistent with the portfolio's primary objective and that the Act or the Registrar may allow from time to time.

The proposition may be fully invested in any of the above-mentioned asset classes at any particular time. It may invest in participatory interests or any other form of participation in portfolios of collective investment schemes or other similar collective investment schemes as the Act may allow from time to time, and which are consistent with the portfolio's investment policy. It may from time to time invest in financial instruments. The proposition will not be permitted to invest its assets in foreign investment markets.

Quarterly Comments - Q4 2011

Fund Review

The Proposition's yield curve position was maintained with an underweight in the long end which performed poorly. The duration was slightly increased through the purchase of RSA 2015 R157 and RSA 2018 R204 paper. Money market assets were liquidated and invested in higher yielding floating rate notes. The modified duration position was increased from 1.00 to 1.31 years. Further purchases of corporate bonds and floating rate notes consisted of Standard Bank, Investec and African Bank paper. Exposure to securitised assets has also been increased due to attractive levels being offered in comparison to money market assets. The holding in inflation linked paper was increased as a means of diversifying inflation risks developing as evidenced by the continuous upward revision by the SARB monetary policy committee. Exposure to the listed property market was maintained as the property sector's valuations and outlook remained attractive in relation to current bond yields.

Quarter Review

The quarter was characterized by further volatility in bond yields driven by a plethora of factors. Five year benchmark yields ended the year on a positive note. The RSA 5 Year (R157) opened the quarter at 6.98% and declined to 6.72% with ample volatility intra quarter tracking the Rand and international markets. The 12 Month NCD opened the quarter at 5.85% and closed at 6.03%. There was an improvement in the demand for risky assets as volatility, reduced substantially from a high of 45% to end the quarter at 23%. As a result the JP Morgan SA sovereign spread compressed by 50 basis points as the risk-on trade dominated the quarter although there was some volatility in between. The Rand remained on the back foot touching a high of R8.61 before recovering to end the quarter at R8.07, as concerns around the sovereign debt crisis in Europe lingered.

The ECB cut the minimum bid rate during the quarter to end at 1%, and took further steps to reduce the potential liquidity gridlock by reducing reserve requirements amongst other measures. Italian and Spanish bond yields traded above 7% which would be unsustainable, but improved toward the end of the quarter. Greek 2 year yields ended the year at 125% as the risk of outright default increased. The SA short end yield curve remained steep with the yield differential between the 12 Month NCD and RSA 2015 R157 trading at 70 basis points. The steepness is as a result of increasing inflation, expected funding pressure from government due to tepid economic growth and accommodative monetary policy by the SARB. The latest inflation data showed CPI breaching the top end of the SARB target, printing 6.1%, and is still expected to rise further due to a weaker Rand and higher food prices. Inflation linked bonds benefited from inflation rising as real yields trended lower.

The SARB monetary policy committee left rates unchanged in the two meetings held, as they were concerned about below average growth and increasing inflation. The SARB will continue to find a balance between growth and inflation, and as a result, the repo is expected to remain flat for 2012.

Statutory Disclosure and General Terms & Conditions

Where Collective investment Schemes in Securities (unit trusts) is included in the proposition, refer to www.stanlib.com for the relevant Collective Investment Scheme Portfolio fact sheet.

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