



### OVERVIEW

<b>Fund Purpose</b>	Generate a real return above inflation whilst minimising medium term risk
<b>Investment Style</b>	Absolute Return
<b>Benchmark</b>	Headline Consumer Price Index + 3%
<b>Investment Vehicle</b>	Segregated
<b>Inception date</b>	Nov 2007
<b>Number of Months</b>	86
<b>Fund Size</b>	R 38.32 million
<b>Minimum Investment</b>	R50 million
<b>Management Fee</b>	Subject to mandate (usually between 0.50% and 1.00% per annum)
<b>Performance fees</b>	Negotiable

### INVESTOR PROFILE

**The Fund is suitable for institutional investors:**

- who believe that the risk of monetary loss is more important than the risk of underperforming the equity markets
- who seek a real return above inflation independent of the overall equity market returns
- who seek an investment solution with a strong focus on medium term capital preservation, while aiming to produce significant growth over the long term

### INVESTMENT OBJECTIVE

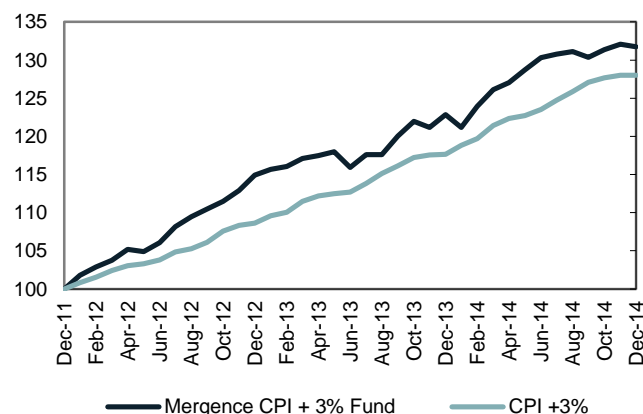
The Fund is managed with the objective of producing a real return of CPI plus 3% per annum over the longer term while preserving capital over rolling 36-month periods. It may underperform relative to overall equity markets due to its focus on capital preservation and long-term capital growth.

### PERFORMANCE DETAILS

Period	Fund	CPI + 3%	ALBI	ALSI
1 Month	-0.25%	0.25%	-1.51%	-0.19%
3 Months	1.07%	0.92%	4.25%	1.36%
6 Months	1.10%	3.13%	6.56%	-0.80%
1 Year	7.24%	8.80%	10.15%	10.88%
3 Years	9.63%	8.57%	8.74%	19.49%
Since Inception	8.90%	9.24%	10.15%	9.80%

Year	Fund	CPI + 3%
2014	7.24%	8.80%
2013	6.92%	8.31%
2012	14.91%	8.61%
2011	8.46%	9.18%
2010	8.13%	6.49%
2009	9.22%	8.38%

### 3-YEAR TRACK RECORD



### INVESTMENT MANDATE

The Fund is managed with an absolute return orientation, and is structured to generate a return of 3% above inflation at a low level of risk. It is broadly diversified across asset classes including equities, listed property, conventional bonds and inflation-linked bonds. The Fund employs active asset allocation and derivative hedging to manage and reduce downside risk.

### RISK OF MONETARY LOSS

The recommended investment term for this Fund is 5 years or longer. While the return expectations should be set at periods over 5 years, the Fund is managed not to lose money over any 36-month period. As a result, declines over any 36-month period are unlikely. Note that while capital preservation is our intent, this is not a guaranteed fund.

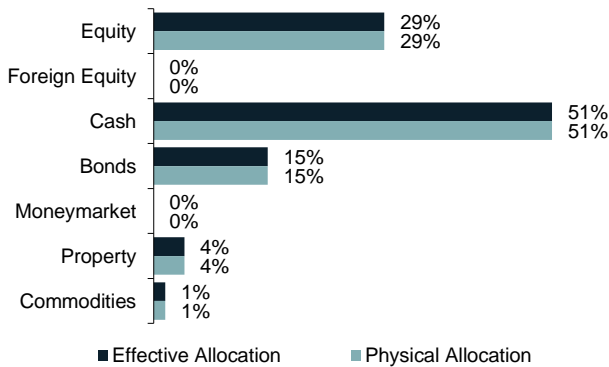
### RISK ANALYSIS

Risk Measure	Fund
Annualised Return	8.90%
Volatility	2.88%
Sharpe Ratio	0.51
Sortino Ratio	0.91
Beta to JSE All Share	0.11
Correlation to JSE All Share	0.61



### FUND STRUCTURE

#### Asset Allocation (Effective)



#### Top 10 Equity Holdings

	% of Category	% of Total
MTN	11.73	3.44
BHPBilliton	9.72	2.85
Sasol	7.98	2.34
Naspers -N	7.85	2.31
SAB Miller	6.52	1.92
BAT	6.21	1.82
Anglo American	5.41	1.59
Richemont	4.85	1.42
Remgro	4.71	1.38
Standard Bank	4.58	1.35

### MONTHLY PERFORMANCE RETURNS

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014	-1.4%	2.3%	1.7%	0.7%	1.3%	1.2%	0.4%	0.2%	-0.6%	0.8%	0.6%	-0.3%
2013	0.7%	0.3%	0.9%	0.3%	0.4%	-1.7%	1.4%	0.0%	2.0%	1.6%	-0.7%	1.4%
2012	1.8%	1.0%	0.9%	1.4%	-0.3%	1.1%	2.0%	1.2%	0.9%	0.9%	1.3%	1.8%
2011	-0.3%	0.9%	0.3%	1.6%	0.6%	0.2%	0.5%	1.6%	-0.4%	1.5%	1.1%	0.5%
2010	0.1%	0.7%	1.4%	0.7%	-0.3%	0.1%	1.9%	0.3%	0.8%	0.5%	0.6%	1.0%
2009	0.0%	-1.1%	1.9%	2.1%	1.0%	0.5%	0.7%	0.9%	0.7%	0.5%	0.9%	0.7%

Please note that there are risks associated with financial products and past performance is not necessarily an indication of future performance.

### PORTFOLIO MANAGEMENT



**Fabian de Beer**, B Com, H.Dip.Ed  
Chief Investment Officer

Fabian has over 25 years investment experience, having obtained his B Com at UWC majoring in Accounting and Economics, followed by a post graduate H.Dip.Ed. He has held a number of senior and executive management positions namely: Head of the Group ALM function at Standard Bank/SCMB (Treasury); senior manager of ALM/risk assessment at Eskom Treasury; senior positions at the Eskom Pension Fund of which most of the time was spent heading Investment Multi-Management and playing a major role in investment and portfolio strategy as well as asset allocation. He then joined BRAIT SA as Executive Director and lead investment manager for its Fund of Hedge Funds. In 2006, Fabian joined Mergence Investment Managers as Investment Strategist, a role he still fulfills.



**Dirk Steyn**, BSc, B Eng & MSc (Financial Mathematics)  
Fixed Income Manager

Dirk joined Mergence Investment Managers in 2007 in the role of Quantitative Analyst whilst completing a Masters in Financial Mathematics at University of Cape Town. Since then he has fulfilled various roles in the investment process including risk manager and fixed income analyst. In the last three years, Dirk has focussed his attention on championing fixed income and cash management at Mergence.

Mergence Investment Managers (Pty) Ltd (Mergence), Reg No.2004/021426/07, is a licensed financial services provider under the Financial Advisory and Intermediary Services Act No. 37 of 2002 (FAIS) (FSP No 16134) and is approved by the Registrar of Financial Services Providers ([www.fsb.co.za](http://www.fsb.co.za)). The availability of a complete list and description of all of the firm's GIPS composites is available upon request. Additional information regarding policies for calculating and reporting returns is available upon request. Though Mergence take care in the accuracy of data, we take no responsibility for any information contained herein or attached. Such information is not intended nor does it constitute financial, tax, legal, investment or other advice, including but not limited to "advice" as defined in FAIS. Mergence does not guarantee the suitability or potential value of any information found in this communication. The user of this communication should consult with a qualified financial advisor before relying on any information found herein and before any decision taking action in reliance thereon. The user of any information should be aware that the market fluctuate and the value of investments and that changes in rates of exchange may have an effect on the value, price or income investments. Therefore it is possible that an investor may not retain the full amount invested. Past performance is not necessarily a guide to future investment performance. Fund performance figures are gross of management fees, net of all applicable withholding & gross of SA capital gains taxes.