

Risk rating



General information

Sector

Domestic AA Variable Equity

Benchmark

Prudential Variable Equity Unit Trust Mean

Investment managers

Omri Thomas

Abax Investments

Appropriate term

Minimum 3 - 5 years

Market value

R122 million

Inception date

1 December 1999

Minimum investments

Lump sum: R10,000

Monthly debit order: R500

Income distributions

30 June, 31 December

December 2011 distribution: 18.44 cpu

Fees (including VAT)

Initial fee: 0%

Financial adviser fee: max 3.42%

Annual management fee: 1.71%

Total expense ratio²

2.08%

Contact Client Service Centre

Tel 0860 123 263 (RSA only)

+27 21 416 6011 (outside RSA)

Fax 0861 119 733 (RSA only)

+27 11 263 6067 (outside RSA)

Website www.nedgroupinvestments.co.zaEmail info@nedgroupinvestments.co.za

Portfolio objective

The portfolio seeks to offer investors medium- to long-term income and capital growth by actively investing in a mix of local and international equities, bonds, property and cash. A maximum of 75% of the portfolio's assets may be invested in equities at all times. The portfolio complies with Regulation 28 of the South African Pension Funds Act.

Investor profile

The portfolio is suitable for investors requiring moderate capital growth who do not wish to make complex asset allocation decisions between equities, cash and bonds, both locally and offshore. Diversification across all asset classes helps to reduce risk and volatility relative to a general equity portfolio.

Socially responsible investing

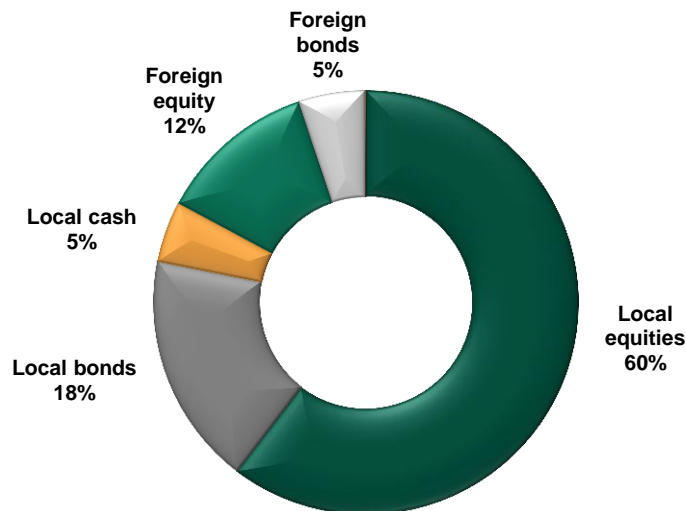
The fund seeks to provide a sustainable income stream through the donation of a portion of the fee income to community organisations. Current beneficiaries include Nicro's Community Victim Support Service, Childline South Africa, Rape Crisis and Habitat for Humanity.

Performance and risk measure¹

| Period | Portfolio | Benchmark |
|------------------------------|-------------|--------------|
| 1 year | 11.9% | 8.5% |
| 3 years p.a. | 14.3% | 12.0% |
| 5 years p.a. | 4.9% | 6.8% |
| 7 years p.a. | 11.3% | 12.4% |
| 10 years p.a. | 13.0% | 14.1% |
| Volatility (since inception) | 12.0% | 18.9% [ALSI] |

Managed by Abax Investments since 27 June 2011

Portfolio structure



Top 10 holdings

| Share | % | | |
|-------|---|------------------------------------|--------------|
| | | Anglo American Platinum Ltd | 3.9% |
| | | Naspers Ltd | 8.0% |
| | | BHP Billiton Plc | 3.3% |
| | | Anglo American Plc | 7.2% |
| | | Coronation Fund Managers | 2.4% |
| | | MTN Group Ltd | 5.4% |
| | | Anglogold Ashanti Ltd | 2.4% |
| | | Alexander Forbes Pref Linked Units | 5.2% |
| | | Imperial Holdings Ltd | 2.0% |
| | | Sasol Ltd | 4.1% |
| | | Total | 43.9% |

Please note: Differences may exist due to rounding.

DISCLAIMER:

Unit trusts are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to the future. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Different classes of units may apply to these portfolios and are subject to different fees and charges. 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 accruals and less any permissible deductions (brokerage, Uncertificated Securities Tax, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio, divided by the number of units in issue. A schedule of maximum fees and charges is available on request from us. Fees and incentives may be paid, and if so, are included in the overall costs. Portfolios are valued daily at 15:00. Instructions must reach us before 14:00 (11:00 for Nedgroup Money Market Fund) to ensure same day value.

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Trustees: The Standard Bank of South Africa Limited, PO Box 54, Cape Town, 8000

¹ Data source: © 2011 Morningstar Inc. All rights reserved. Based on a lump sum investment, using NAV-NAV prices with income distributions reinvested.

² Total Expense Ratio (TER): The annualised TER shown above is for the 12 month period to 31 December 2011. This percentage of the average Net Asset Value of the portfolio was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs.

Investment manager commentary**Omri Thomas**

Equity markets had a strong start to 2012, with the JSE All Share Index (ALSI) gaining 5.7% in January. During the month, the ALSI reached an all-time high. Basic Materials (+8.7%) and Industrials (+8.1%) were the best performing industry groups. Telecoms (-5.0%) was the only industry group to post a negative total return over the month. The performance of holdings in BHP Billiton (+12.7%), Imperial (+12.2%) and Naspers (+10.9%) was pleasing, whereas MTN (-7.3%) and British American Tobacco (-5.6%) detracted from our performance.

Although enormous challenges lie ahead (particularly in the eurozone), recent data have renewed hopes that the global economy can avoid another recession. The US has managed to sustain its recent improvement in macro data with solid GDP (2.8% in the fourth quarter) and employment data (unemployment rate dropped to 8.3%). Data for China has also been encouraging:

- > CPI inflation has moderated to a 15-month low of 4.1%;
- > The economy expanded 8.9% in the fourth quarter of 2011; and
- > The Purchasing Managers' Index rose to 50.5 in January – all readings consistent with a soft landing.

Despite improved newsflow from the two largest economies in the world (US and China), eyes are fixed on Europe. The eurozone crisis remains a significant risk and all nations have a strong interest in the resolution of the crisis as warned by the World Bank: "Developing countries should take steps to plan for a global economic meltdown on a par with 2008-09 if the European sovereign debt crisis escalates".

Turning to South Africa, the improved risk appetite saw the rand exchange rate appreciate by 3.5% against the US dollar in January. As anticipated, the SARB left the policy rate unchanged at 5.5%. The same factors, which have played a role in keeping interest rates unchanged at recent MPC meetings, are still at play - balancing the concerns of the soft state of the domestic economy and inflation (which remains above the upper end of the targeted range).

Global equity markets continue to be boosted by injections of liquidity into the world's financial system. However, one should not lose sight of the fact that the fundamental problems confronting developed economies, especially in Europe, have not disappeared. We have thus positioned the portfolio in a "barbell" fashion; balancing the need for safety, ie high-quality companies that should demonstrate earnings resilience in the face of emerging headwinds, together with exposure to lowly rated resource companies that appear best positioned to rebound if the macro backdrop turns out better than expected.

We have also liquidated our total investment out of the Nedgroup Investments Global Balanced Fund and are excited about the stock-picking opportunities available in the global markets.