

# Excelsior Multi-Manager Income Portfolio



Own your life

As at 30 September 2011

## Investment strategy

The investment objective is that of a feeder fund seeking to provide investors with a return in excess of money market portfolios while maintaining a high degree of liquidity and capital preservation. Apart from assets in liquid form, it will consist solely of participatory interests in a single portfolio of a collective investment scheme registered in the Republic of South Africa and approved by the Registrar, namely the Investment Solutions Income Unit Trust Fund managed by Investment Solutions, or any other alternative portfolio of a collective investment scheme determined by the manager and approved by the trustee from time to time, and that is characterised as having primarily exposure to fixed interest securities, which will normally be associated with an "income" investment style.

## Portfolio facts

<b>Portfolio manager</b>	Malcolm Holmes	
<b>Management company</b>	STANLIB Multi-Manager	
<b>Launch date</b>	January 2002	
<b>Classification</b>	Domestic Fixed Interest - Income	
<b>Income declaration</b>	30 June and 31 December	
<b>Class of units</b>	A	B1
<b>Minimum investment</b>	Lump sum R 2,000	Debit order R 200 pm
<b>Benchmark</b>	100% BEASSA 1-3 year Index	
<b>Fund size</b>	R 738,01 million	

## This portfolio is suited to the investor who:

- wants access to a highly liquid income portfolio managed on a segregated basis
- wants a portfolio invested in income producing assets and is principally focused on capital preservation
- has an investment horizon of at least 3 years
- wants limited fluctuations in returns from year to year

## Risk profile

Conservative	Moderate	Aggressive
--------------	----------	------------

## Income distribution

<b>Total paid during 2007</b>	<b>7.79 cpi</b>
As a % of a year-end price	7.70 %
2007 year-end price (ex-div)	101.2

**Please note:** To existing Excelsior investors, income is earned through the declaration of new units and not paid in cash. The distributions are before an allowance for any applicable tax has been deducted.

## Quarterly commentary (3rd quarter)

The key investment theme driving South African markets during the third quarter was the dramatic shift in interest rate expectations. In June 2011, the Forward Rate Agreement market on fixed interest instruments was priced for hike certainty by Q1 2012. By September this year, the market was actually anticipating a 50% chance of a cut in interest rates within 6 months. Clearly this benefited interest rate sensitive assets, with bonds (+2.8%), income (+3.0%), property (+2.2%) and cash(+1.4%) continuing to provide protection relative to equity exposure, which dropped by 5.8% for the quarter. We suspect that the market has picked up on the SARB's subtle policy adjustment to focus on both price stability and employment (read: growth). This has made the SARB reluctant to raise interest rates in the face of rising inflation. Globally, weakness in the US growth outlook and no improvement in the employment picture forced the Fed to announce that US interest rates would stay low through mid 2013. The hunt for yield was therefore firmly back on, which encouraged foreign investors to flood into the SA bond market, driving the yield on the SA 10 Year bond down to 7.6% by late August. September would have seen more of the same except for sudden realisation that the European Debt Crisis was deeper, bigger and harder to solve than initially thought. The lack of political urgency in finding a solution to the Greek problem fanned fears of a European led global recession. Risk aversion quickly set in causing foreign bond investors to exit the SA bond market in September, depreciating the Rand by 15% in the process.

So it was an eventful quarter, which the portfolio handled rather well under the circumstances. It outperformed the average of its peer group and over the last 12 months has produced a return of 7.5%. There were no manager changes during the quarter, following the restructuring that took place in April 2011. Prescient was the primary driver of performance for the quarter, benefiting from a larger exposure to the 1-3 year and 3-7 year part of the curve, which outperformed the other areas where Prescient had no exposure. Exposure to ILB's also benefited Prescient's return. RMBAM performed well albeit that its long duration position hurt during September.

Looking forward, it is currently not our view that interest rates will be cut in the next 6 months. We believe that the market may have overly discounted this possibility. Yields did back up in sympathy with this view during September but not enough for us to get really excited about the fixed interest market in the face of rising inflation. As highlighted in the past, we believe that the fund is well placed to handle the type of volatility experienced by the

## Returns

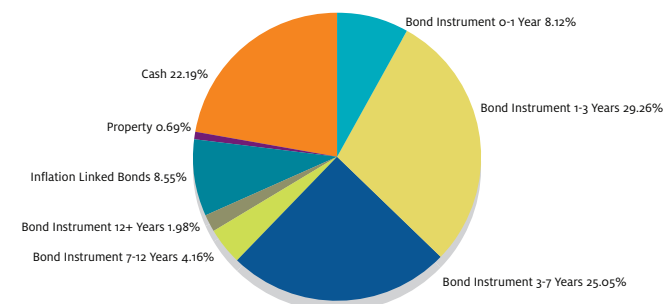
	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years	8 Years
Taxed	0,37%	4,08%	3,09%	4,07%	5,16%	5,47%	5,53%
Retirement Annuity	0,74%	5,41%	4,81%	6,22%	7,60%	8,00%	7,95%
Untaxed	0,74%	5,41%	4,81%	6,22%	7,60%	8,00%	8,05%
Company	0,41%	3,98%	3,17%	4,15%	5,19%	5,50%	5,54%
Benchmark	3,01%	5,25%	8,53%	8,72%	9,62%	9,08%	8,62%
Inflation	1,46%	3,50%	5,34%	4,09%	4,84%	6,93%	5,61%

**Please Note:** The above investment returns are after four-fund tax has been deducted but before any Liberty Life charges have been deducted, with applicable distributions reinvested and are on a sell-to-sell basis. The performances above are inclusive of any underlying manager charges. They are applicable to single contributions and are for Excelsior 200, 300 and 500 Series products (where applicable) for the periods above. Investment returns for periods less than one year are not annualised.

## Underlying portfolio investment managers

Investec Asset Management  
Prescient Investment Management  
RMB (Momentum Asset Management)

## Local income maturity allocation



## Top equity holdings

Firstrd 8.5% 01/09/14	6.50
Investec Corp Bond Fund Z	6.31
Aideul 5.30 Start	5.51
Nedbank 10.55% 15/09/201	5.27
AICBCL 5.35% Start	3.76
ABSA Frn 201213	3.37
SBK12 Fixed Rate 10.82% Callable 24/11/2016	2.95
AIABCL 5.25% Start	2.82
STD 6.25% 31/03/13	2.81
SBN36 ASW J+130 310313 SB	2.78

## Disclaimer

The information contained in this document does not constitute advice by Liberty Life. Whilst every attempt has been made to ensure the accuracy of the information contained herein, Liberty Life cannot be held responsible for any errors that may occur. Past performance cannot be relied on as an indicator of future performance. Investment performance will depend on the growth in the underlying assets, which will be influenced by inflation levels in the economy and prevailing market conditions. Source: Liberty Life, STANLIB.

Liberty Group Limited - an Authorised Financial Services Provider in terms of the FAIS Act. (licence no. 2409)

Liberty Active Limited - an Authorised Financial Services Provider in terms of the FAIS Act. (licence no. 10332)

Info & Queries: factsheets@liberty.co.za