

Excelsior Income Portfolio



As at 31 October 2011

Portfolio objective

The Portfolio aims to secure high income at a reduced risk. The Portfolio invests in a wide range of securities such as government, public corporation and local authority stocks as well as other interest bearing financial instruments.

Portfolio facts

Portfolio manager	Victor Mphaphuli
Management company	STANLIB
Launch date	June 2002
Portfolio type	Single Manager
Portfolio size	R 669,183,950
Benchmark	100% BEASSA 1-3 year Bond Index

The performance of the portfolio benchmark over time provides the basis against which the portfolio manager will be measured.

Please consult the current portfolio grid for any current restrictions on the availability of portfolios for new business and switching.

Who should invest in this portfolio

This portfolio is suited to the investor who:

- wants to invest in fixed interest investments with a term of less than 3 years
- has an investment horizon of at least 3 years
- wants limited fluctuations in returns from year to year

Risk profile

Conservative	Moderate	Aggressive
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No adjustment has been made to the above risk profile for the guaranteed version of the portfolio. If a guarantee is selected on the portfolio, then the risk profile will be lower, provided the investor remains in the guaranteed portfolio for the duration of its guaranteed term.

What return is this portfolio designed to achieve?

Expected return*	CPI + 0.5%
Investment horizon	3 years

The Consumer Price Index (CPI) measures the increase in the price of the basket of goods an average family would buy over a specified period of time.

* Expected return is after the deduction of tax but before any Liberty Life charges and fees have been deducted.

Quarterly commentary (3rd quarter)

Fund review

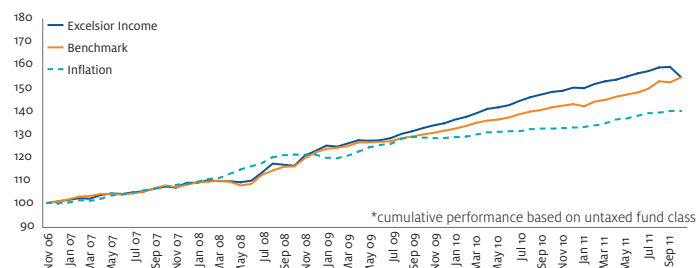
The STANLIB Income Fund returned 10.59% vs. the benchmark return of 8.91%. The Fund received inflows of R689 during the third quarter which, together with the sale of shorter dated instruments was used to invest in higher yielding corporate bonds with slightly longer maturities. The Fund's modified duration position was also increased through the purchase of RSA R157 2015 government paper. Medium dated floating rate notes were added to the portfolio to benefit from yield enhancement and spread compression. Purchases of floating rate notes consisted of Absa, Imperial Group, Nedbank, and Investec paper. The exposure to parastatals was increased through the purchase of Development Bank of SA bonds.

Looking Ahead

The bond market extended the gains achieved in the first half of the year into the 3rd quarter with the All Bond Index producing a very solid 8.04% return for the three months ended 30 September 2010. The yield on the RSA 2015 government paper ended the third quarter at 7.30%, a full 73 basis points lower than the level at which it traded at the end of June. The 12 month NCD opened the quarter at a high of 7.20% and trended lower over the period to close at 6.30% primarily as a result of the South African Reserve Bank lowering the repo rate. The main driver for bond yields was the tremendous demand from foreign investors who were in search of high yielding emerging market assets. Interest rates in most of the developed world remain at very low levels and this made emerging market yields particularly attractive. As a result most emerging markets have seen their currencies appreciate substantially against the major currencies over the last year.

During the third quarter consumer inflation (CPI) continued its downward momentum and surprised the market by repeatedly posting numbers that were lower than consensus estimates. This positive inflation trend, as well as the rampant Rand, prompted the SARB MPC committee to lower the Repo rate by a further 50 basis points in September. This brings the total reduction in the Repo rate to 600 basis points since December 2008. The market adjusted rather aggressively to this rate cut and bond yields at the short end of the yield curve saw the biggest moves. Global bond yields remain at historically low levels with further monetary quantitative easing expected from major central banks around the world. This should be supportive for domestic bond yields in the short term.

Performance

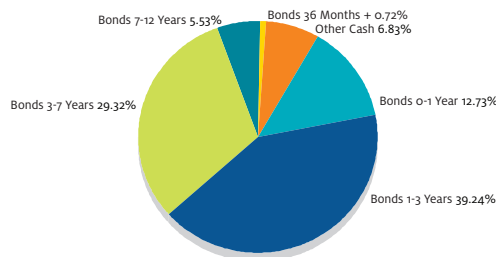


Returns

	3 mths	6 mths	1 Yr	2 Yrs	3 Yrs	5 Yrs	8 Yrs	10 Yrs
Taxed	2.21%	3.11%	5.57%	7.16%	7.18%	7.47%	7.08%	7.49%
Retirement Annuity	2.17%	4.57%	8.27%	9.79%	10.93%	9.42%	8.94%	9.20%
Untaxed	2.19%	4.61%	8.33%	10.04%	11.36%	9.99%	9.68%	10.33%
Company	1.23%	2.43%	4.64%	6.30%	6.79%	6.97%	6.71%	7.17%
Benchmark	3.23%	5.59%	9.12%	9.02%	9.97%	9.15%	8.61%	9.36%
Inflation	1.45%	2.68%	5.69%	4.33%	4.93%	6.98%	5.71%	6.04%

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. They are applicable to single contributions and are for Excelsior 300 and 500 Series products for the periods above. Investment returns for periods less than one year are not annualised.

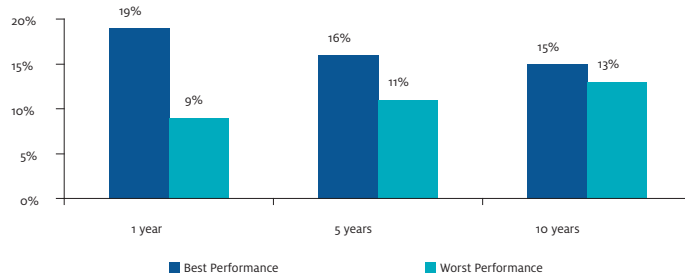
Sector allocation



*asset allocation based on untaxed fund class

Return volatility

The graph below indicates the volatility of annual investment returns for an investor in this portfolio. The highest and lowest annual returns over 1, 5 and 10 year intervals have been shown based on the portfolio being invested in the benchmark. The calculations are based on investment returns during the 20 years to 01/01/2007.



No allowance has been made for the impact of tax or charges and fees in calculating these returns.

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.

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