

# Excelsior Aggressive Income Portfolio



Own your life

As at 31 December 2011

## Portfolio objective

The Fund aims 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. Investments to be included in this portfolio include cash, bonds, preference shares, property shares, stock including property loan stock, debentures, debenture stock and bonds, unsecured notes, collective investment schemes consistent with the fund's objectives and financial investments. This Fund is not permitted to invest in foreign investment markets.

## Portfolio facts

Portfolio manager	Victor Mphaphuli
Management company	STANLIB
Launch date	August 2005
Portfolio type	Single Manager
Portfolio size	R 169,810,692
Benchmark	33.3% STeFI Composite Index 33.3% All Bond Index 33.3% Property Loan Stock Index and the Property Unit Trust 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 generate a high level of income as well as the potential for capital growth
- wants to achieve real returns of 3% p.a. over their investment horizon after the deduction of tax but before any Liberty Life charges and fees have been deducted
- has an investment horizon of at least 5 years
- is prepared to accept 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 + 3%
Investment horizon	5 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 Aggressive Income Fund returned 17.68% versus the benchmark return of 16.91%

The Fund received inflows of R205m during the fourth quarter. The Fund's modified duration position was increased as the bond market fundamentals remained very positive. The duration was increased through the switching of RSA 2015 R157 paper into RSA 2017 R203, RSA 2018 R204 and RSA 2020 R207 paper. Short dated money market instruments were sold to purchase longer dated bonds. Purchases of corporate bonds consisted of Bidvest and Nedbank paper. The exposure to floating rate notes was increased through the purchase of SA Homeloans and Vukile properties paper at attractive levels. The holding in parastatals was increased through the purchase of Landbank bonds. Exposure to the listed property market was reduced as a defensive strategy for the Fund. The small holdings in preference shares were retained.

### Looking Ahead

Fourth quarter returns in the bond market remained modestly positive at 0.75% for the benchmark All Bond Index (ALBI) despite yields in the long end ending slightly higher. Returns for the year as a whole were 14.96%. The RSA 2015 R157 government bond yield opened the quarter at 7.30%, trading to a low of 6.86% before closing the year at 7.31%. Money market yields also trended lower with the 12 month NCD ending the quarter at 5.85% from 6.30%. Foreigners, who had flooded the local market in search of yield over the past three quarters, were mainly responsible for a higher close in yields as they ended the quarter as net sellers of R20 billion bonds, taking profits ahead of the year end. The yield curve remained positive over the quarter. The weaker close in bond yields was in contrast to a 5.7% appreciation in the Rand which continued to surprise even the most optimistic forecasts. The bond market correlated highly with US yields which trended higher on better economic growth expectations. US Treasuries ended the quarter at 3.3% compared to the previous quarter close of 2.5%.

Third quarter consumer inflation (CPI), although still benign at very low levels has started to show signs of bottoming out, which may curtail any further possibility of the SARB to cut the repo rate again. Expectations in the market are broadly for the SARB to keep the repo rate unchanged for 2011 with rates only being hiked early in 2012. The Rand's strength against major currencies, which occurred despite the dollar strengthening over the quarter, will however be good for inflation fundamentals as this may limit the pace of increases in future. The SARB MPC will be monitoring the path of inflation and inflation expectations forecasts for signs of any secondary round effects from inflated commodity prices. Going forward, bond yields are expected to stay lower in the short term, but gradually start to move higher in the later part of the year.

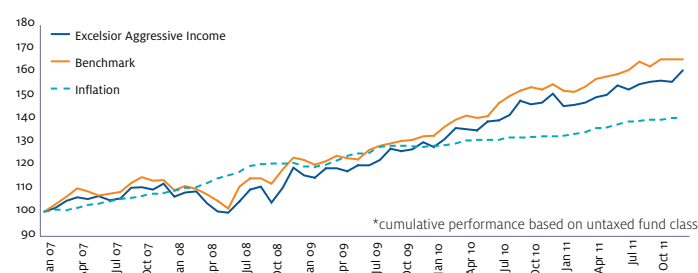
## Disclaimer

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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## Performance

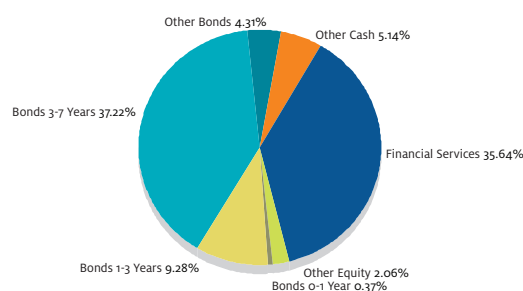


## Returns

	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years
Taxed	2.94%	4.09%	6.44%	10.83%	9.45%	8.43%
Retirement Annuity	3.59%	5.26%	8.79%	13.66%	12.13%	11.07%
Untaxed	3.04%	4.18%	6.51%	11.17%	10.48%	10.09%
Company	2.89%	4.07%	6.53%	10.69%	9.40%	8.44%
Benchmark	7.91%	2.52%	3.22%	10.69%	16.36%	8.32%
Inflation	1.18%	2.66%	6.12%	4.84%	5.17%	7.11%

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.

## Asset allocation



\*asset allocation based on untaxed fund class

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