

Excelsior Small Companies Portfolio



Own your life

As at 31 December 2011

Portfolio objective

This Portfolio is primarily invested in small and medium sized companies listed on the JSE. Its aim is to invest in young companies that have potential to grow significantly in the medium to long-term.

Portfolio facts

Portfolio manager	Shawn Stockigt
Management company	STANLIB
Launch date	June 2002
Portfolio type	Single Manager
Portfolio size	R 133,082,722
Benchmark	100% FTSE/JSE Small Cap 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 young that have the potential to grow significantly in the medium to long term
- has an investment horizon of at least 10 years
- is prepared to accept significant 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 + 4.5%
Investment horizon	10 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)

Companies which contributed positively to small cap equity performance in the 3rd quarter included Life Healthcare, Grindrod and Eqstra Holdings, amongst others.

During the quarter we added positions in City Lodge, Wilson Bayly and Ceramics, amongst others. Holdings in Coronation and Kelly Group were lightened in order to fund the up weighting of the above mentioned companies.

Although the hospitality sector is operating under pressure with some operators resorting to aggressive pricing strategies to gain short term market share, City Lodge remains profitable and continues to generate returns on investment capital in excess of its cost of capital. We believe City Lodge offers upside in the medium to longer term at its current market value which, in our view, is trading at a significant discount to its replacement value.

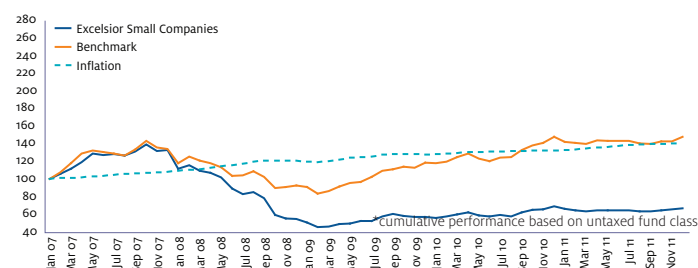
Despite Ceramics reporting a modest earnings growth in its recent set of numbers with pressure coming from imports due to the stronger Rand in an environment of subdued demand, we have added the stock to the portfolio. This company will benefit from any recovery in the residential housing market of which we have recently started to see early signs of recovery. From a valuation perspective the company currently trades on a historic Price to Earnings in line with its long-term average and at a discount to its mean Price to Book. We believe this is a well run business which is globally cost competitive and any weakness in the rand will benefit the company.

Despite the current volatility in domestic and global markets we remain focused on three key criteria when looking for companies to invest in:

- Trading at a discount to our calculated intrinsic value for the business; and
- Where management act with share holders interests at heart; and
- Patience.

The combination of the above three criteria allows us to invest as "true owners of a business", take out any of the above and we lose the safety that comes with a long-term view. For example, without patience we won't see the long-term unlock of value from management which is aligned with shareholders.

Performance

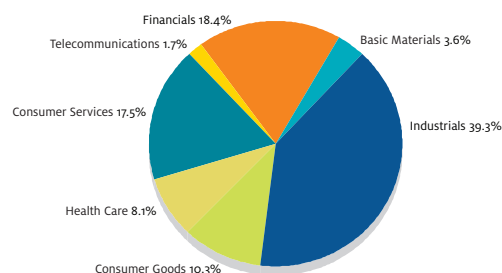


Returns

	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years	8 Years
Taxed	5.79%	3.50%	-2.62%	8.03%	6.34%	-5.70%	11.17%
Retirement Annuity	6.08%	3.61%	-2.95%	7.77%	6.12%	-6.63%	11.27%
Untaxed	6.28%	3.89%	-2.67%	8.63%	7.11%	-6.12%	11.63%
Company	5.15%	2.74%	-0.42%	7.33%	4.22%	-6.92%	9.39%
Benchmark	-0.12%	2.26%	6.35%	5.76%	4.68%	7.13%	5.53%
Inflation	1.18%	2.66%	6.12%	4.84%	5.17%	7.11%	5.99%

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



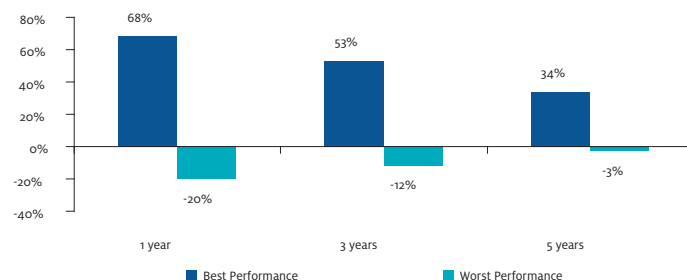
*asset allocation based on untaxed fund class

Top ten equity holdings

Cityldg	4.71%
Grindrod	4.04%
Zeder Investments	4.02%
Hosken Cons Invest	3.81%
Hudaco	3.76%
Adcorp	3.64%
Omnia Holdings	3.56%
Life Healthcare Grp	3.55%
Jhb Stock Ex	3.03%
Astral Foods	2.97%

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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