

Absa Select Equity Fund

31 December 2011

2010 Raging Bull Award for Best Domestic General Equity Fund (on a Risk-Adjusted Basis) for the five year period.

Fund facts

Industry category	Domestic - Equity - General
Performance target	FTSE/JSE All Share Index (including income)
Inception date	23 February 2004
Fund size	R 1,3 billion
JSE code	ASEF
Fund manager	Errol Shear - B.Bus.Sc. (Finance) (Hon), CA (SA), CFA
Asset management Company	Absa Asset Management (Pty) Ltd

Fund details

Minimum lump sum investment	R 2 000
Minimum monthly debit order	R 200
Income declaration	30 June & 31 December
Income distribution	15 July & 15 January

Top holdings (%)

Absa Group Ltd	5.24
Adcock Ingram Holdings Ltd	3.28
Anglo American Plc	9.23
AVI Ltd	3.02
BHP Billiton Plc	6.00
Mr Price Group Ltd	4.45
Old Mutual Plc	2.59
Rengro Ltd	3.02
Sasol Ltd	5.57
Spar Group Ltd	3.72

Performance: total returns to 31 December 2011 (%)

Term	Absa Select Equity Fund	Benchmark	Sector Average	Rank
Since inception	22.09	18.02	13.15	6/86
1 year	4.52	2.57	3.21	28/79
3 years	18.57	17.27	15.47	9/73
5 years	11.9	8.09	6.98	1/57

*Figures are annualised

Source: Morningstar

Risk statistics

Additional information	Fund since inception
Number of positive months	65/94
Sharpe ratio*	1.05
Maximum rolling 3 month gain	22.40%
Maximum rolling 3 month loss	-13.67%

*Risk Free Rate used: 7.65%

Income distributions

Income distribution for the 6 months ended 31 Dec 2011	3.35 c.p.u
Income distribution for the 6 months ended 30 Jun 2011	3.04 c.p.u

Fund objectives

The fund aims to offer investors long-term capital growth by delivering a higher rate of return than the FTSE/JSE All Share Index through investments in selected JSE listed companies. Exposure to shares will exceed 75% of the fund at all times.

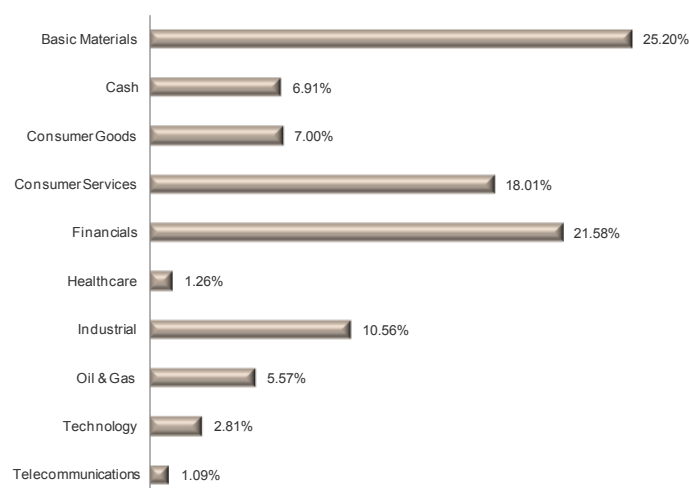
Risk profile and advisable minimum term

Low	Low-Medium	Medium	Medium-High	High
				X
3 Months +	6 Months +	2 Years +	3 Years +	5 Years +
				X

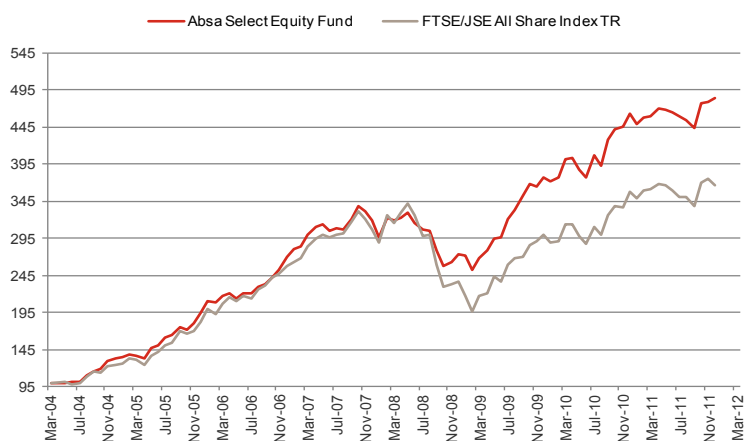
Fees and total expense ratio

Initial fees:	Absa Fund Managers: 0%
	Adviser: 0 - 3.42% (VAT incl.)
Annual management fee**:	1.71% (VAT incl.)
Total expense ratio:	1.48%

Sector allocation



Cumulative performance since inception*



*Index performance of Fund & Benchmark based to 100 at inception of fund

Fund commentary

The All Share Index (ALSI) lost almost 2.5% in December, which means that the Index ended the year up a meager 2.6%. In December 2011, the best performing sectors were Technology (+4.5%) and Financials (+1.9%). The worst sectors were Basic Materials

(-5.7%), which was dragged lower in particular by Gold Mining (-11.1%) and Coal Mining (-5.8%); Consumer Goods lost 3.6% in the month.

We constantly stress the importance of investing with a longer-term perspective, and over the last 5 years, the Absa Select Equity Fund has returned 11.9% p.a., outperforming the JSE All Share Index by 3.8% p.a. over this period. As at 31 December 2011, this means that the Absa Select Equity Fund is the top performing fund in the General Equity category for the 5 year period, and in the top quartile amongst its peers for the 3 year period. Examples of shares that have performed well over the last 12 months, and where we have been overweight, have been British American Tobacco (+56%), Life Healthcare (+45%) and AVI (+37%).

Over the last couple of years, there has been dramatic stimulus by central banks and governments worldwide, and there is increasing recognition in various circles that fiscal consolidation will be required for years to come. On 5 August, S&P made the historic decision to downgrade US sovereign debt to a rating of AA+. The rolling debt crisis amongst peripheral European nations is increasing feelings of nervousness amongst various market participants. Events in the Eurozone are changing on an almost daily basis at the moment, so it is virtually impossible to predict the ultimate choices that European politicians will ultimately make. At a "main street" level, the global economic recovery continues to be somewhat anaemic, and the lack of job creation around the world is casting doubt on the extent to which a real business recovery will be able to "carry the baton" once governmental stimulus programmes start to wane.

In South Africa, electricity price and wage increases, along with production stoppages at major mines, have been eating into the margins of exporters and mining companies. On the currency front some respite has finally been provided by the recent sell-off in the Rand, although the negative side to this is that further inflationary pressures will be brought to bear on domestic inflation due to the higher price of imports. There are pockets of value amongst some local stocks, though in general, the outlook for company earnings is quite uncertain. Some stocks are, however, trading at parity (or at a discount) with the market at large, yet have higher earnings and dividend yields, strong business franchises and balance sheets, and better visibility of cash flows, and we have attempted to keep our equity exposures to companies where we are comfortable with future earnings prospects.

As long-term investors, we constantly remind ourselves neither to become too flustered nor too excited by short-term fluctuations in share prices. Our long term objective is to grow and protect the fund's capital by investing in financially sound companies, run by competent management and trading at a price that offers long term value. We believe that this long term value will be unlocked over time.

DISCLAIMER

The Absa Select Equity Fund is a high risk fund. No initial charge is levied, though investments through intermediaries could include a maximum of 3.42% (incl. VAT) payable for commissions and incentives. An annual service charge of 1.71% (incl. VAT) against the assets of the fund will be calculated and accrued daily. **The annual management fee includes the financial adviser's ongoing fee of 0.285% (incl. VAT). The investor may instruct Absa Fund Managers in writing at any time to stop the ongoing adviser fee. The Absa Select Equity Fund requires a minimum balance of R2000. The Absa Select Equity Fund was awarded the Raging Bull award on 26 January 2011 for Best Domestic General Equity Fund (on a Risk-Adjusted Basis) for the five year period. Collective Investment Schemes in Securities (Unit Trusts) are generally medium to long term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. The investment return is not guaranteed and is dependent on the performance of the underlying instruments. Forward pricing is used. 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 accrual and less any permissible deductions from the portfolio. Income is distributed half yearly and any income may be paid out into an account as nominated by the investor or be represented by additional units. All requests for transactions received on or before 16:00 every day will be traded at ruling prices and valued after 16:00 on that day. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. This Fund may be closed to new investments. The Fund Manager may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Foreign interest and dividends as well as foreign currency movements affecting capital may be fully taxable under current legislation. This fund may invest in Financial instruments. Figures quoted are from Morningstar, for the period ending 31/12/2011, using NAV-NAV prices, with income distributions reinvested. This product is not for sale to USA persons. The Total Expense Ratio (TER) is expressed as an annualised percentage of the charges, levies and fees incurred by the portfolio related to its management, for the period from 1 October 2010 to 30 September 2011 against the average NAV of the portfolio over this period. A higher TER does not necessarily imply a poor return, nor does a lower TER imply a good return. The current TER cannot be regarded as an indication of future TER's. Consult the Management Company for details. Absa Fund Managers is a member of the Association for Savings and Investment SA.

Contact details


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Reg no 1991/000881/06


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