



Atlantic

ASSET MANAGEMENT

Real Income Fund

May 2009 Fund Fact Sheet



PRODUCT

Atlantic's Real Income Fund is an actively managed fixed income fund which aims to deliver inflation beating returns over time. The fund will invest primarily in inflation linked bonds as well as other high yielding fixed income securities. The fund manager may also invest in listed property and a basket of selected equity securities to ensure the targeted return is achieved. The Fund aims to protect investors capital and at the same time generate an inflation beating income stream.

PORTFOLIO MANAGER

Arno Lawrenz B.Sc(Hons), CFA

PERFORMANCE OBJECTIVE

The objective of the Atlantic Real Income Fund, as an inflation-themed income fund, is to provide a stable base of income, growing at least in line with inflation, whilst also providing capital appreciation opportunities linked to inflationary trends.

PORTFOLIO POSITIONING AND ACTIVITY

As inflation-linked bond yields have risen, we have pushed our exposure to these assets up to the 25% level again, and, given our views going forward, we fully expect that this will continue to grow – in particular if real yields continue to rise from this point onwards. However, we cannot ignore what is happening to nominal bond yields on a global basis, and therefore while we find linkers attractive from a strategic perspective, we may well find the stomach for a tactical shift into nominal yield bonds should breakeven inflation favour that. With a push towards lower interest rates coming from a number of quarters, we may well find that money market yields are unrewarding from a real yield perspective. As such we would consider a significant shift out of money market assets should the risk reward ration become skewed.

This Fund does not hold any international assets

RISK PROFILE:

Low capital risk over the medium term.

BENCHMARK:

CPI+3% - Measured over a 1 year period

ACI FUND CLASSIFICATION:

Domestic – Asset Allocation – Targeted Absolute Return Portfolio

LAUNCH DATE:

1 January 2009

DISTRIBUTION FREQUENCY:

Quarterly

FUND SIZE AT 31 MAY 2009:

R 34.5m

DISTRIBUTION PER UNIT:

Feb '09 0.00 cents per unit

May '09 1.44 cents per unit

Aug '09 -

Nov '09 -

FEES:

Initial: 0.00% Annual: 1.00% per annum excluding VAT.

MONTH END NAV PRICE: 98.37c

TER: N/A

The Total Expense Ratio (TER) for this portfolio/ class of participatory interest cannot be accurately determined. The TER of this class of participatory interest/ portfolio will be higher than the quoted service charge of the manager.

MINIMUM INVESTMENT AMOUNT:

Monthly debit order R250 pm, Single premium R2000

MANAGEMENT COMPANY: PSG Collective Investments Limited

MARKET OUTLOOK

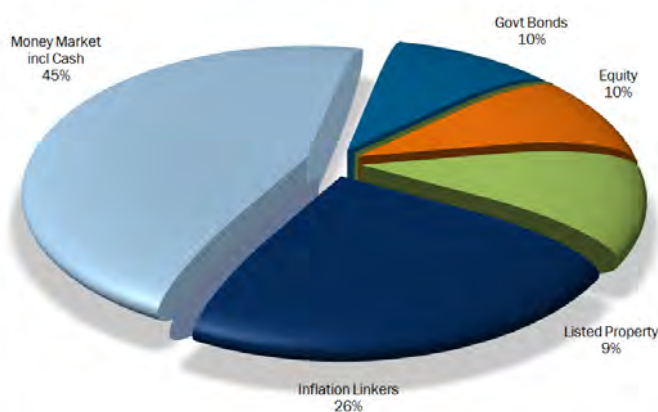
Local CPI data once again surprised to the upside in the latest data release and so it comes as no surprise that inflation-linked bonds were the best-performing fixed income asset class in May, returning 1.65%. This performance, however, pale in comparison against that of the broader equity market, the ALSI managing a stellar 10.3% return as global fiscal and monetary actions continue to get traction in the market economy.

The real economy (both local, as well as abroad), however, remain mired in the doldrums though. There seems to be an almost disconnect at present between economic leading indicators and consumer-driven sectors. Importantly, the uptick in fixed mortgage rates in the US holds no good for any potential economic recovery on the horizon. Also, while indicators, including the Baltic Dry index continue to show what is perceived as a sign of a sharp recovery in demand, export data in the US, Europe and Asia shows clearly that markets may be too optimistic in its assumptions at present.

Closer to home our concerns lie more specifically with the risk to potential policy error than that of a too-rapidly expanding inventory build globally. Recently we have had the DTI, as well as Public Enterprises Minister Barbara Hogan making noises about the need for substantially higher tariffs, as well as larger capital injections into the "expanded" public works program. While we fully support the ongoing broad policy drive of poverty alleviation in the long-term, it is the costs and effectiveness of such programs that we would like to keep track of.

The (lack of) performance in the property sector is further evidence of the almost slow motion-like response to global economic woes in the local economy. Anecdotal evidence of large fast food chains going out of business in the big shopping centres, comments by rating agencies regarding risks to the broader corporate sector and banks' reluctance to extend credit into the market remain a concern. Finally, we continue to follow with some trepidation the increasingly hostile behavior of some of the alliance partners within the ANC, and more specifically the call for the Reserve Bank governor's head, as well as that of inflation targeting.

Atlantic Real Income Fund
Asset Allocation 31 May 2009



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