

ATLANTIC ENHANCED INCOME FUND

Monthly Fund Fact Sheet
December 2008

PRODUCT

The Atlantic Enhanced Income Fund is an actively managed income-producing fund, which seeks to provide income levels in excess of that provided by money market funds, while at the same time provide moderate capital growth by careful risk-constrained investment into securities offering good trading opportunities. By actively allocating and diversifying between various interest-bearing asset classes and listed property, total returns are also maximised.

PORTFOLIO MANAGER

Arno Lawrenz B.Sc(Hons), CFA

PERFORMANCE OBJECTIVE

The objective of the Atlantic Enhanced Income Fund is to preserve capital and to maximise income returns for investors. The performance objective of the fund is to achieve a total return in excess of the benchmark over rolling 36-month periods.

This Fund does not hold any international assets.

RISK PROFILE:

Low

BENCHMARK:

ALBI 1-3 Year Total Return Index

ACI FUND CLASSIFICATION:

Domestic-Fixed Interest-Variied Specialist Portfolio

LAUNCH DATE:

1 November 2007

DISTRIBUTION FREQUENCY:

Quarterly

FUND SIZE AT 31 DECEMBER 2008

R 1.547bn

DISTRIBUTION PER UNIT:

Feb '08 2.17 cents per unit
May '08 2.23 cents per unit
Aug '08 2.58 cents per unit
Nov '08 2.55 cents per unit

FEES:

Initial: 0.00%

Annual: 1.00% per annum excluding VAT.

MONTH END NAV PRICE: 100.644c

TER: 1.10%

MINIMUM INVESTMENT AMOUNT:

Monthly debit order R250 pm, Single premium R2000

MANAGEMENT COMPANY:

PSG Collective Investments Limited

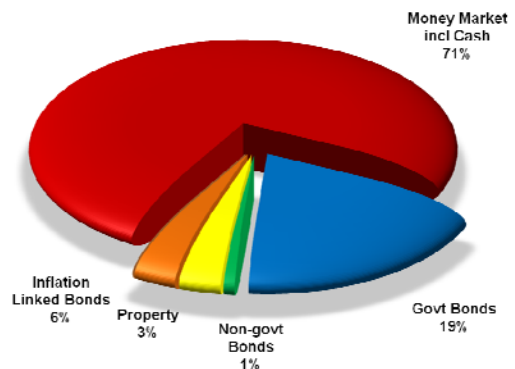
MARKET OUTLOOK

December proved to be a very positive month for global assets. Despite delivering a positive return for the month, equities once again underperformed bonds as investors' preference for stability in a risk averse environment continues. This saw bonds rally to record lows, with the ultra long end of the curve (R209) trading to a best level just north of 6.50%. Despite this rally, the yield curve continued to normalize as the Reserve Bank announced a reduction in the repo rate at the December MPC meeting.

This move saw SA long bonds narrowing the gap to its US counterpart to a best level of 400bp over the month, well off worst levels seen in June of around 600bp. With South Africa's sovereign premium having narrowed to levels closer to its long term equilibrium, our currency premium has now moved into negative territory.

As pointed out in our November report, capital flows to emerging markets remains key for currency stability. Although the rand appeared to recover smartly in December after trading just shy of R12.00/\$ earlier in the quarter, it still remains extremely vulnerable to bouts of risk aversion, putting pressure on the funding requirements of a gaping current account deficit. With South Africa expected to move into a contra-cyclical period of fiscal stimulus, running twin deficits, we expect global investors to pay closer attention to this negative currency premium. We have already seen the country's CDS spread widen again towards the 400 level, off best levels seen recently around 300. While it is expected that bonds could remain the preferred asset class on the local front over the first half of 2009, it would appear that rates are priced almost beyond perfection. This at a time when SOE's are expected to ratchet up local bond issuance, Government revenue collection underperforms, and a sharp slowdown in the local economy will lead to a marked pick-up in South Africa's private sector borrowing requirement.

Atlantic Enhanced Income Fund Asset Allocation 31 December 2008



PORTFOLIO POSITIONING AND ACTIVITY

After increasing the bond component of the fund in the previous month, we have seen bond yields continue to fall. Yields have reached levels where we might well say that too much good news on the interest rate front is being discounted. For that reason, we have not increased the bond component further for the time being. We do not expect a significant sell-off of bonds while significant deflationary forces prevail in global markets, but at the same time, in such an environment, emerging market assets remain in a vulnerable space. Accordingly, our strategy remains one that is biased towards the certain yields of the money markets versus the uncertainty in the bond and property markets..

MONTHLY RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008	0.57%	0.63%	0.62%	0.55%	0.53%	0.77%	1.61%	0.99%	0.82%	0.38%	1.46%	1.85%
2007											0.63%	0.65%

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