



Atlantic

ASSET MANAGEMENT

Enhanced Income Fund

January 2011 Fund Fact Sheet



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

INVESTMENT 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.

PORTFOLIO POSITIONING AND ACTIVITY

If only market sentiment were as predictable as the Southeaster wind in Cape Town's summer! It would then be easy to set the sails and just wait for the yield to carry you forward. But no, in the real world market we have to deal with sudden squalls of wind that blow contrary to expectations and sometimes randomly change direction. This of course is the lot of a fund manager on a day-to-day basis and it is no use trying to fight it. Our nominal bond and listed property positions were of course the sad victims of such a shift in sentiment, and of course while such shifts see these assets becoming cheaper, it is too easy to then sit with such a position, believing that if one held it at lower levels, at current levels they are even better. Global bond sentiment has shifted distinctly negative and we do not wish to fight that, and hence we have already cut the bond position. We will rather await a shift towards more attractive levels as well as a shift in sentiment before we tactically increase our exposure again. We do however view prospects for listed property as being underrated, and are content to hold our positions, if not increase them. The economy, whilst not rocketing ahead, is certainly staging a modest recovery and this can only be beneficial for the property market. Monetary policy will continue to be supportive in such an environment and we are unlikely to see a major upwards shift in the short term. Forward yields on a number of counters are decent especially relative to the bond market backdrop, and the market is distinctly more equity friendly than bond friendly – this we feel will more likely benefit property – even if bond yields were to rise further from current levels.

This Fund does not hold any international assets

RISK PROFILE: Low-Moderate

BENCHMARK: ALBI 1-3 Year Total Return Index

ASISA FUND CLASSIFICATION: Domestic - Fixed Interest - Varied Specialist Portfolio

LAUNCH DATE: 1 November 2007

DISTRIBUTION FREQUENCY: Quarterly

FUND SIZE AT 31 JANUARY 2011: R 1,651.92bn

DISTRIBUTION PER UNIT:

May '09 2.17 cents per unit

Aug '09 1.87 cents per unit

Nov '09 1.78 cents per unit

Feb '10 1.19 cents per unit

May '10 1.84 cents per unit

Aug '10 1.70 cents per unit

Nov '10 1.82 cents per unit

FEES: Initial: 0.00% Annual: 1.14% per annum including VAT.

VALUATION TIME OF FUND: 15:00 (Quarter end: 17:00)

TRADING CLOSING TIME: 16:45

MONTH END NAV PRICE: 103.59c

TER: Class A 1.14%

Class C 2.39%

MINIMUM INVESTMENT AMOUNT: Monthly debit order R250 pm, Single premium R2000

or subject to LISP minimums

INITIAL MAX. BROKER FEE: 1.14% including VAT.

MANAGEMENT COMPANY: PSG Collective Investments Limited

The Atlantic Enhanced Income Fund has a Total Expense Ratios (TER) as listed above. For the period from 1 January 2010 to 31 December 2010 the above TER of the average Net Asset value of the portfolio were incurred as charges, levies and fees related to the management of the portfolio. The ratio does not include transaction costs. A higher TER does not necessarily imply a poor return, nor does a lower TER imply a good return. The current TER can not be regarded as an indication of future TER's.

Performance (annualised)

1-Year 2-Year 3-Year Inception

Atlantic Enhanced Income Fund 8.06% 7.76% 9.09% 9.05%

ALBI 1-3 Total Return 7.34% 7.26% 9.21% 8.93%

Figures quoted are from ©2010 Moneymate for the period ending January 2011 for a lumpsum, using Nav to Nav prices with income distributions reinvested.

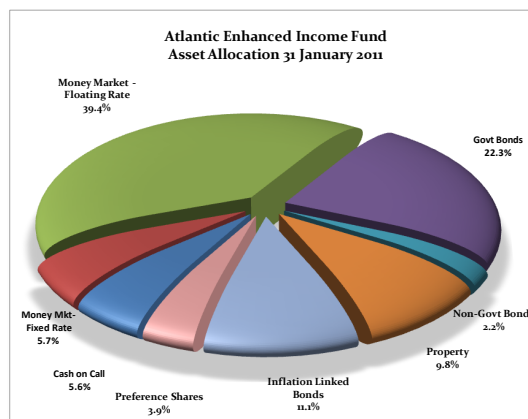
MARKET OUTLOOK

While January was yet another trying month for Emerging Markets – and in particular fixed income markets – it's all about February. President Obama's State of the Nation may have been viewed by more people, but closer attention will likely be paid to our own President Zuma's State of the Nation speech. This will be closely followed by the annual tabling of the National Budget. In an environment where the Rand has recently come under pressure due to a combination of: geopolitical concerns; improvement in macro data; a slight shift in tone at the MPC and market panic in the front end of the yield curve, it will be crucial for investors to find a clear message that South Africa is not about to lock up and throw away the keys of prudent macro policy.

Abroad El Niño's sister, La Niña, continues to misbehave, leaving vast devastation in her wake. The impact of these severe weather conditions on food security cannot be underestimated. The Food and Agriculture Organisation's World Food Price Index marked a seventh straight month of gains in January (231pts), bringing gains since June 2010 to 38%, but importantly racing past its previous highs of 214 last reached during the 2007/2008 commodity bubble.

While our Reserve Bank governor made it clear that the MPC was unlikely to react to exogenous supply-side factors, they are at the mercy of authorities' infatuation with weakening the Rand, even during a period of clear global geopolitical distress and acute food shortage concerns. Authorities will have to toe a very fine line going forward between balancing upside price pressures and potential downward growth surprises due to high food and energy prices. While recent data points to a potential sustained recovery in the global economy, comments at the previous ECB interest rate meeting proved to be slightly more dovish than markets expected. Central Banks will likely be reluctant to overreact to exogenous factors out of fear of killing the recovery. It is therefore critical that the Rand plays its role also in this regard, given the price-taking nature of the South African economy.

Until more clarity arrives it is expected that markets will continue to behave in extremely nervous fashion. In a prepared speech Ben Bernanke made it clear that the US unemployment level remains the major concern. Latest data may show that the unemployment rate improved markedly to 9.0% from the previous 9.4%, but structural unemployment remains on the increase, masking the reason behind ongoing profitability. The US appears to be using less people, paying them more to be more productive, and in doing so improving earnings. This is likely the economic model for the future... Low unit labour costs, high productivity... Roll up the South African State of the Nation address!



CONFLICT OF INTEREST DISCLOSURE The Fund may from time to time invest in a fund managed by a related party. A process is in place to ensure the same selection criteria apply to all funds when selecting the underlying portfolios. PSG Collective Investments or the Fund Manager may negotiate a discount on the fees charged by the underlying Fund Manager. All discounts negotiated are re-invested in the Fund for the benefit of the unit holder. Neither PSG Collective Investments or the Fund Manager retain any portion of such discount for their own account.



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