



Atlantic

ASSET MANAGEMENT

Enhanced Income Fund

March 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

Fretting over risk positions when the market is volatile eventually becomes a daily habit that money managers have to deal with. Should one sell to minimise risky and thus safeguard capital and then risk selling at the top - as far as yields are concerned, of course? Or does one hold out and keep risk on, with the risk being that market yields rise even further and then having clients with low risk appetites question our portfolio strategy? In the end, long bond yields were fairly stable through March albeit very close to our stop loss levels. (And we managed to retain our sanity as well.) Of course with the dramatic sentiment shift earlier this year, we felt it likely that, given the speed of the move that the market started appearing ripe for somewhat of a pullback. As noted in the market commentary, it was left to foreigners to do the dirty work of pulling yields lower in the 1st few days of April. That of course benefitted our risk positions in long bonds, but we are not completely convinced that this is the change in trend that we would expect to see once the market has a better view as to the coming inflation peak and likely trajectory in 2012. A change in the sentiment as far as listed property also worked in our favour, although again we are not convinced that we are about to see a sudden shift in underlying fundamentals - this is a long term game and needs to be played carefully. As such we are mindful of materially increasing our risks here too early. Uncertainty about the inflation rise still to come also dictates that we retain our inflation hedge via Inflation Linked Bonds. Real Yields are likely to be capped on the upside given the uncertainty, and hence in an upwards-trending inflation world, the uplift from that inflation rise as well as the hedging angle gives us a prudent hedge component for the portfolio - even as the majority of the fund is exposed to benefit from a rise in short-dated interest rates over the coming year.

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 MARCH 2011: R 1,542bn
DISTRIBUTION 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
 Feb '11 1.55 cents per unit
FEES (Class A): 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: 102.472c
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

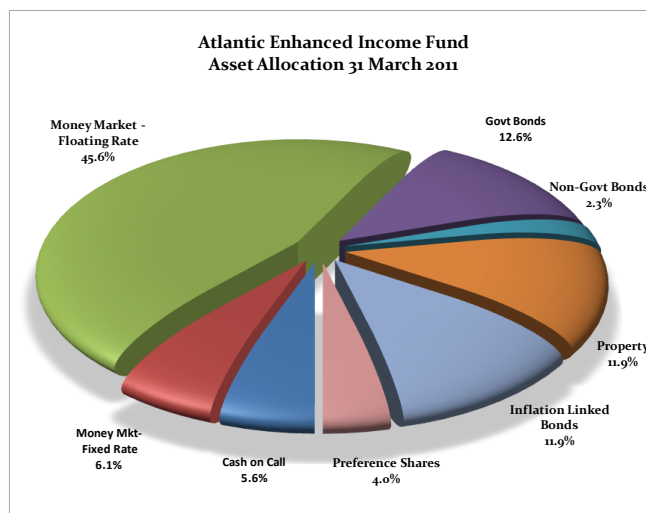
MARKET OUTLOOK

For the first time in a number of months all asset classes managed in March to eke out positive gains, albeit meagre ones at that. With bonds just about matching the performance of cash and equities, and ILBs only slightly north of that (ranging from 48bp for cash to ILBs' 58bp), it was left up to the listed property sector to add that much-needed oomph to the Varied Fixed Income space over the past month, returning a healthy 3.35%.

The environment for investments remain exceptionally difficult to call with managers left to balance out natural disasters, geopolitical risks and even US political skulduggery in their ongoing quest to provide investors with returns in excess of record-low cash rates. Commentary from local authorities over the month also failed to give any clear direction on the timing of the first interest rate hike. In fact, while the market appeared to latch only onto the 'we will not be soft on inflation' comment made specifically by the SARB governor at a speech in Soweto in the latter half of March, it was the unevenness of the economic recovery that seems to have gone unnoticed.

It was therefore left up to the foreign contingent to step into the breach, with very aggressive bond purchases witnessed in the final week of March, which appears to be following through into the first few days of April. The argument, for now, seems one of relative attractiveness in the Developing Market space as monetary policy language is clearly starting to shift in Developed Markets. In addition it would appear that policy actions in EM thus far should manage to contain inflation.

It is on the latter point that vigilance will continue to be required as we already see signs of the 'risk-on' phase having a sharp impact on the soft agricultural commodity space once more. It should therefore come as no surprise that demand for both gold and silver, but also inflation-linked bonds appear as healthy as ever.



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 um. The current TER can not be regarded as an indication of future TER's.

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.

Performance (annualised)	1-Year	2-Year	3-Year	Inception
Atlantic Enhanced Income Fund	6.17%	7.40%	8.84%	8.75%
ALBI 1-3 Total Return	7.36%	7.71%	9.65%	9.09%

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



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ATLANTIC ASSET MANAGEMENT (PTY) LTD IS A REGISTERED INVESTMENT SERVICES PROVIDER. FSP NUMBER 31756. COMPANY REGISTRATION NUMBER: 2007/005723/07.

Collective Investment Schemes or 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 a guide as to future performance. Collective Investment Schemes are traded at ruling prices and can engage in borrowing and lending. The value of participatory interests (units) and the amount of income distributed or accumulated may go down as well as up. Commission and incentives may be paid and if so, are included in the overall costs. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. This portfolio may be capped at any time in order for the fund to be managed in accordance with the mandate. Atlantic Asset Management is an associate member of the Association for Savings and Investment South Africa (ASISA). A schedule of fees and charges and maximum commissions is available on request from the company.

Company/scheme: PSG Collective Investments, 1st Floor PSG House, Alphen Park, Constantia Main Road, Constantia, 7806. Member of ASISA.