

ATLANTIC ENHANCED INCOME FUND

Monthly Fund Fact Sheet
October 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 OCTOBER 2008

R 1.420 billion

DISTRIBUTION PER UNIT:

Nov '07 0.71 cents per unit
Feb '08 2.17 cents per unit
May '08 2.23 cents per unit
Aug '08 2.58 cents per unit

FEES:

Initial: 0.00%

Annual: 1.00% per annum excluding VAT.

MONTH END NAV PRICE: 101.58087c

TER: 1.10%

MINIMUM INVESTMENT AMOUNT:

Monthly debit order R250 pm, Single premium R2000

MANAGEMENT COMPANY:

PSG Collective Investments Limited

PORTFOLIO POSITIONING AND ACTIVITY

Given the risks that remain inherent in the markets at the moment, we are retaining a defensive posture in the fund, and focussing on earning safe income with little capital risk. Of course, as the market moves into a new dynamic focussing on deflationary effects we may well have more conviction regarding exposure to riskier assets which affects the safety of capital, which under current circumstances remains our prime concern. As such we do expect that some form of capital gain may come through. However, serious risks remain to the prospects for our currency and given the structure of the SA economy, inflation risks are tied directly to the levels of the Rand.

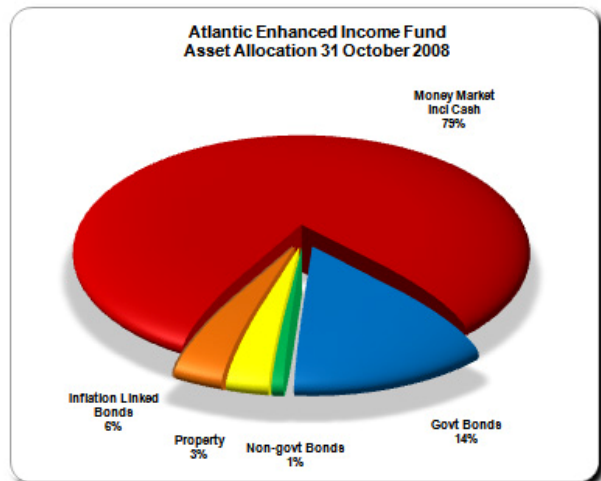
Rightly or wrongly, even the ratings agencies have recognised these risks in a time of deleveraging and (prospective) deflation. Accordingly, until there are signs that the worst of the flow of capital to safe havens is over, we will refrain from extending our exposure to such riskier assets. As far as credit exposure is concerned, there are a number of interesting opportunities that are making an appearance on the radar screen, but given our view on the credit cycle, we retain a defensive position.

MARKET OUTLOOK

The most significant move in the month of October was a sudden deterioration in the value of the Rand – driven primarily by a combination of a strong US dollar as well as a further deterioration in the appetite for Emerging Market risk. There are two important factors responsible for these dynamics – the strong dollar results from continued deleveraging effects leading to a (repatriation) flow of capital as well as a general flight to safety of US Treasuries. Secondly, the concerns about Emerging Markets (EM) arises from clear signs that an "EM de-coupling from the US" economic view is not valid. This has even been recognised by rating agencies who have downgraded the outlook for many EM's, including placing SA on a negative outlook. In all, this worsening outlook led to an initial upwards surge in bond yields (R157 topped 9.88% at its worst during the month) and a moderate drop in the price of listed property stocks.

A subsequent recovery in the Rand has seen a concomitant recovery in bond yields. As far as the outlook goes, an increasingly deflationary global environment will see continued support for bonds – probably even from an asset allocation perspective as prospects for equities remain dim. It is the shift in inflation prospects however that will probably dominate the bond market dynamics. Increasingly we will see pressure for interest rate cuts to come through locally, but we suspect that the SARB may well try to get through this international crisis by remaining on the sidelines for as long as possible, given the current levels of inflation relative to the target.

As we approach the end of the year, liquidity will remain a problem and there are sure to be some severe moves – both up and down, across the various asset classes.



MONTHLY RETURNS

	Jan	Feb	Mar	Apr	May	Jun	July	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		
2007											0.63	0.65

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