

# ATLANTIC ENHANCED INCOME FUND

Monthly Fund Fact Sheet  
September 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.

## 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 - Moderate

### 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 30 SEPTEMBER 2008

R1330.80 m

### 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:

101.13c

### 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:

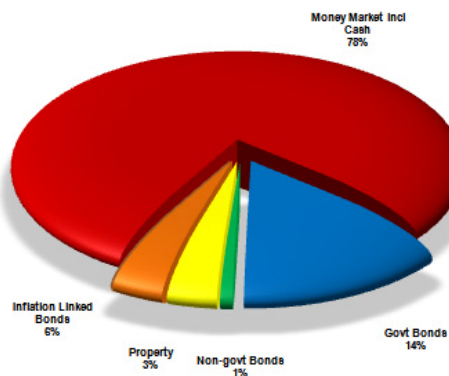
PSG Collective Investments Limited

## MARKET OUTLOOK

It seems as if the usual Black October arrived early in the form of the meltdown scenario that faced the world during the course of September. The failures of Freddie Mac, Fannie Mae, Lehman's et al prefaced a massive gridlock in financial markets that saw the flight to safety scenario renewed. Interestingly, in the SA bond market, we saw a flight to safety as well. Traditionally, in times of global risk aversion, South Africa gets lumped together with other (risky) Emerging Markets and we see a currency sell-off combined with a bond sell-off. This time, we saw a currency sell-off and a bond flight to safety. The Rand moved from R7.70/US\$ to R8.28 during September (and still going higher) while bond yields (R157) moved from 9.15% to 8.85% by month end. While part of this may be explained by a search for Government risk rather than being in a money market at a bank, the differing behaviour between SA and our Emerging markets peers should be noted. It is a reflection of the different financial market structures, and in particular the relative safety of the SA banks.

Having said that, we are approaching the "End of the Beginning" as far as this whole mess is concerned, with massive, co-ordinated Central Bank action now underway, including the all-important deposit guarantees that in our opinion was a prime requirement. The second phase of this crisis will now be the economic impacts of a deep recession, and we are sure to see a significant rise in corporate credit defaults around the world. In the background, economic activity in SA continues to slow, while inflation still remains at disconcertingly high levels. As such we do not expect the SARB to cut rates soon, but expect that the first cuts will come in early to mid 2009.

Atlantic Enhanced Income Fund  
Asset Allocation 30 September 2008



## PORTFOLIO POSITIONING AND ACTIVITY

Given the global flight to safety in the face of a massive gridlock scenario, we have refrained from adding to the risk in the portfolio during September, but we do expect that as the dust settles we will continue to add to our bond and property positions during the course of the remainder of 2009. One of our biggest concerns in this regard remains the prospects for inflation over the course of the next 6 months. In addition, slowing economic activity will have an impact on the prospects for listed property. In the longer term (i.e. > 12 months) we think that listed property will outperform bonds and we are intent on significantly increasing our exposure there over time. We retain a defensive position to credit due to our view on the credit risk cycle being far from its peak.

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