

# ATLANTIC ENHANCED INCOME FUND

Monthly Fund Fact Sheet  
November 2007



## 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

### 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

### FEES:

1.00% per annum excluding VAT.

### 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

## PORTFOLIO POSITIONING AND ACTIVITY

The fund was launched on 1 November, which means that managing cash inflows was always going to be the most important activity during the month. However, as it turns out, given our strategic positioning of the fund on a low risk basis, this meant that we did not have to head out on a continual basis buying assets. Our analysis showed that, given the deteriorating fundamental outlook, nominal bond yields do not appear to be attractive. Accordingly, focus was placed on the prospective returns we could generate from exposure to money market assets. With bond yields rising during the course of the month, (the R157 rose from 8.15% on 1 November to 8.51% on 30 November) this proved to be the right fund position.

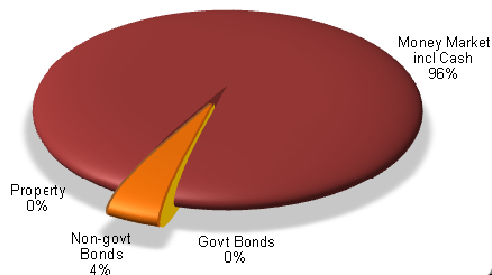
We continue to expect that markets will remain volatile while the full impact of the credit and liquidity squeeze in the US in particular works its way through the global markets. This means that the fund will, for the time being, continue to be positioned fairly defensively and only at levels that indicate true value will we commit the fund to higher levels of risk.

## MARKET OUTLOOK

The most recent inflation data has again pointed to the problem that the SARB faces in trying to manage inflation into the target zone using only interest rates. Early December brought the 8th rate hike in a row and still inflation creeps upwards, with market expectations now pointing to inflation hitting its highest levels only in Q2 2008 and at levels above 8%. Whilst the global backdrop remains one dominated by the prospects for the US dollar as well as what the ultimate consequences of the credit squeeze will be, locally, risks are rising. This not only includes inflation risks, driven presently by rising food prices, but also by political risks as well as currency risks.

With the current account hitting a record high of 8.1% of GDP for Q3 2007, South Africa remains vulnerable to the possibility of a turnaround in the continued strong inward capital flows. Whilst the US dollar weakness is good for the rand, it is unlikely that the rand will continue to strengthen ad nauseam. The possibility then of a dramatic reduction in short term interest rates is very slim in the foreseeable future. Bringing inflation expectations back into line will remain a tough job for the SARB, and we expect them to still remain hawkish for a long period.

Atlantic Enhanced Income Fund  
Asset Allocation 30 November 2007



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ASSET MANAGEMENT