protector

Protector

The African shield is symbolic of defence while the rook represents a fortified stronghold that guards and protects the chess player's most valuable assets. **Keep your funds securely stored in a guarded place with our Protector portfolios.**

Quarterly Investment Analysis

March 2010

Please note that Advantage Asset Managers has moved to a new premises in Sandton. Our new address is as follows: 2nd Floor; 6 Merchant Place; Cnr Fredman Drive and Bute Avenue; Sandton; 2196. Also note that our new reception number is 086 153 8732 and our new Client Service Desk number is 086 123 8238.

protector

advantage asset managers

Economic and market commentary

March 2010

Overall summary

- The Monetary Policy Committee surprised markets by cutting interest rates by 50 basis points down to 6.5%.
- The Committee highlighted that a weak economic recovery and lower inflation expectations provided an opportunity to cut interest rates.
- Most of the asset classes enjoyed a strong run on the back of lower interest rates.
- A bail out package was announced for Greece, as supported by both the euro area countries was well as the International Monetary Fund.
- The bail out announcement brought about some much needed certainty on the future of Greece and financial markets rallied on this reassurance.

Financial markets

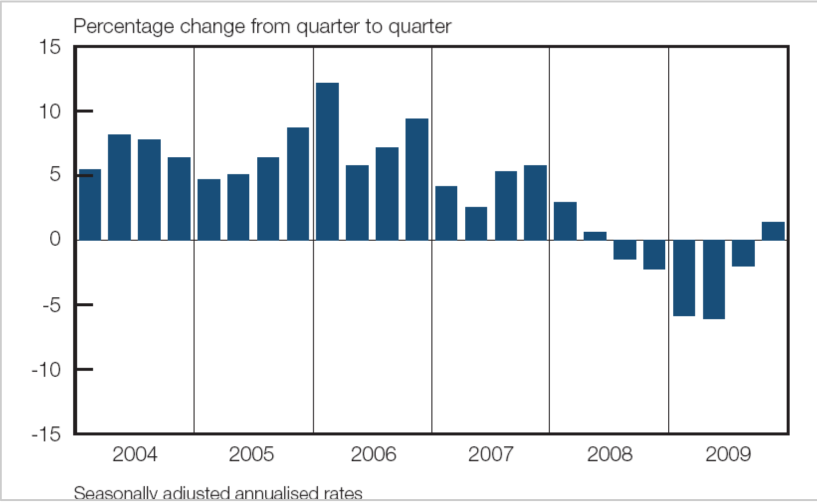
- After having struggled in the first two months of the year, equity markets sparkled in March; the FTSE JSE All Share index returned 7.9% for the month.
- Returns were strong across the three major sectors of the ALSI for the month.
- For the quarter ending March, financial stocks have enjoyed particularly good performance, up 9.2% while resource stocks only managed to return 2.1% for the quarter.
- Both local and global factors have supported our equity markets.
- On the local front, the Monetary Policy Committee cut interest rates while internationally positive news flow around the situation in Greece brought some relief.
- Property markets have enjoyed particularly strong returns, up 9.9% for the quarter.
- Property markets will tend to do very well in an environment of rallying equity and bond markets. The latter has benefitted from the surprise cut in interest rates in March as well as the positive news from the budget last month.
- For the quarter, the All Bond index has delivered a return of 4.4%.
- Commodities like oil and gold have treaded water for most of 2010; Brent crude prices have failed to convincingly break the $80 per barrel level while bullion is sitting around $ 1100 per ounce.
- The report this month will focus on the local economy with particular emphasis on the surprise interest rate cut delivered by the Monetary Policy Committee.
- Internationally, the focus is on developments to resolve issues of debt defaults.

A surprise cut in interest rates sends the markets soaring

- Governor Marcus surprised markets by announcing a further 50 basis point interest rate cut, bringing the repo rate down to 6.5%.
- The Monetary Policy Committee's (MPC) stance was informed by their view that despite clear signs of the economy emerging from recession, the pace of the recovery was expected to be slow. Specifically the bank now expects a growth rate of 2.6% for 2010; 60 basis points higher than their prior forecast. The Committee's decision was also informed by an improvement in the inflation environment.
- This report will consider how the economic growth landscape and inflation outlook has improved over the last while.
- During the month the Reserve Bank released the first quarter's Quarterly Bulletin (QB) which shed some light on the expenditure side of the economy in the final quarter of 2009.
- Consumer expenditure typically contributes about two-thirds to total output and as such, the health of the consumer is critically important to the strength of the economy. The QB revealed that for the first time since the second quarter of 2008, real final household consumption expenditure finally turned positive in the final quarter of 2009.
- This is reflected in figure 1.

Economic and market commentary (continued)

Figure 1 - Real final consumption expenditure by households

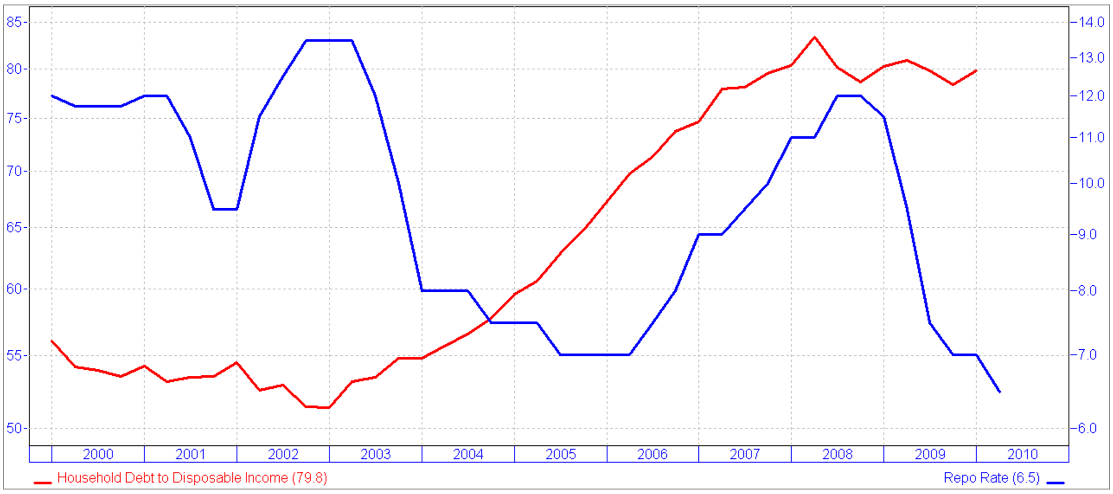


Source: South African Reserve Bank Quarterly Bulletin, March 2010

- The QB states that this expenditure rose by 1.4% in the final quarter and for 2009 as a whole, real final consumption expenditure by households contracted by 3.1%. This compares with an increase of 2.4% in 2008 and this full year contraction was the first fall in real spending since 1992.
- Of particular interest is that the growth in real spending is largely attributable to rising expenditure on durable goods.
- Specifically that growth in real outlays on durable goods accelerated from 0.7% in the third quarter of 2009 to a significant 15.2% increase in the fourth quarter.
- The QB states that the strong increase in mostly discretionary spending was mainly confined to the purchases of new motor cars and durable recreational and entertainment goods such as television sets, personal computers and mobile telephones.
- Furthermore, relatively favourable interest rates alongside attractive promotions by various vehicle franchises boosted sales in personal transport equipment, while the moderation in prices of recreational durable goods prompted consumers to acquire these products.
- The QB highlights that the overall improvement in expenditure by households was underpinned by a turnaround in real household disposable income; after five consecutive quarters of negative growth, real disposable income of households increased at an annualised rate of 2.7% in the fourth quarter of 2009.
- The QB attributes this stronger year-on-year growth in compensation of employees in the fourth quarter and a further moderation in consumer price inflation over the period.
- However, for 2009 as a whole, real disposable income by households declined by 2.8%; the first annual decline in real disposable income since 1991, when a contraction of a mere 0.5% was registered.
- In as much as we are beginning to see an improvement in real household expenditure, our view is that this is likely to remain constrained for some time given the still high consumer debt levels.
- Specifically, household-sector debt relative to disposable income edged higher from 78.4% in the third quarter of 2009 to 79.8% in the fourth quarter.
- The lower interest rates have resulted in a lower ratio of debt-service cost to disposable income; this is now at 8.2% but consumers have limited appetite to take on additional debt as shown in figure 2.

Economic and market commentary (continued)

Figure 2

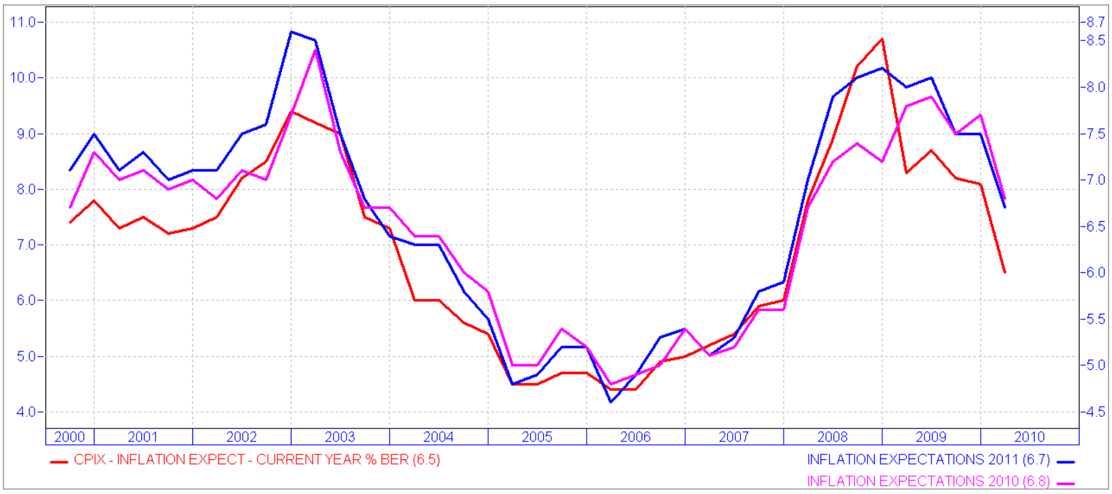


Source: Inet Bridge

- The graph clearly shows that when the MPC cut interest rates in 2003-2005, household debt levels were still around 55% which then fuelled consumer spending as people used lower interest rates to fund purchases on homes, vehicles etc.
- When the MPC started cutting interest rates in this cycle (December 2008), debt levels were already at 80%, which is why the response to lower interest rates on spending has been rather muted. Households will begin to spend significantly only when they feel that their economic prospects and job security have improved.
- Real spending is therefore a factor of the health of the business sector.
- The QB reflects that real fixed capital outlays by private business enterprises, which contracted markedly in the first three quarters of 2009, declined at a much slower pace in the fourth quarter of 2009.
- The pace of contraction slowed from an annualised rate of 14.5% to 2.3% in the fourth quarter as real capital expenditure remained sluggish in most subsectors.
- Furthermore credit extension to non-households remains in negative territory; this is down 5% from the previous twelve months to February 2010. Business confidence is said to be improving as reflected by the RMB/BER Business Confidence index (BCI).
- Specifically, after rising by five points to 28 during the fourth quarter of 2009, the BCI jumped by a further 15 points to a level of 43 during the first quarter of 2010.
- In as much as this is a positive outcome, the level is still below 50, which means that many of the respondents remain pessimistic about their outlook.
- It is clear then that economic growth is improving but there still remain considerable risks, which is one of the reasons that the MPC cut rates further; in an effort to reinforce the sustainability of this recovery.
- Of course the MPC needs to balance this with the inflation rate as growth tends to go hand-in-hand with inflation.
- On this front, the MPC holds the view that inflation will remain within the target band to 2011.
- The MPC statement discusses that the benign inflation environment globally bodes well for SA as the risk of imported inflation is relatively low.
- Also, that there is now greater certainty with respect to electricity tariff increases following the decision by the National Energy Regulator of South Africa (Nersa) to grant price increases to Eskom in the order of 25% per annum, which was in line with the Bank's previous assumptions.
- The MPC has now revised their assumption down to 20% as municipalities were granted lower increases.
- Food inflation has also helped to improve the inflation trajectory; food inflation is now only growing at 1% from last year.
- Also oil prices have remained range bound at $70 - $80 per barrel. Another source of comfort for the MPC was the inflation expectations survey which reflects that analysts, labour and business have lowered their inflation expectations as shown in figure 3.

Economic and market commentary (continued)

Figure 3



- The MPC statement also discussed at length the impact of a stronger rand on the economy.
- Specifically, that a stronger rand exchange rate is a positive factor in the inflation outlook but that an excessively strong exchange rate was a cause for concern from the perspective of overall macroeconomic balance.
- Furthermore, that it was difficult to determine with precision an appropriate level of the exchange rate, but at recent levels the exchange rate might contribute to constraints in the recovery of export and import-competing sectors of the economy.
- All in all, the MPC surprised the markets by cutting interest rates and justified the decision via a slow economic recovery and falling inflation.
- Bonds, equity and property markets all enjoyed a strong rally on the back of this decision by the MPC.
- The forward rate agreement curves give an indication of what future interest rate moves the market is pricing in.
- The three and nine month curves stand at 6.54% and 6.65% which implies that the markets are pricing in no interest rate cuts in the next three months but there is a small probability of seeing rates rise in nine months time.
- The local economic picture remains promising; headwinds to local financial markets would likely come from international markets.
- Currently though, advanced economies seem to be making some progress in addressing some of their issues; of particular interest is the progress being made in Greece which we'll assess below.

Jittery markets assured as Greece given bailout package

- During the last week of the month, the financial press was abuzz with news relating to a long awaited Greek bail out.
- Reuters reported that the leaders of Germany and France had clinched a deal on a joint European-IMF financial safety net for debt-stricken Greece at an EU summit, in an effort to restore confidence in the euro.
- This accord includes no specific financial amount but Reuters[1] reports that a senior European Commission source said the support package would be worth 20-22 billion Euros ($27-29 billion) if required in an emergency.
- Additionally, tough terms imposed by German Chancellor Angela Merkel mean the mechanism could be activated only under strict conditions and would require the unanimous approval of the euro zone, giving Berlin a veto.
- Furthermore, under the arrangement, euro zone countries would provide the majority of any funding for Greece, with rigorous conditions set by the European Commission and the ECB, and the International Monetary Fund would contribute money and expertise.
- Despite the announcement, many details remain unclear, such as the division of responsibilities between the IMF and the euro zone in a rescue.

[1] www.reuters.com

Economic and market commentary (continued)

- Politically, a number of dynamics are also at play.
- German nationals have been vehemently opposed to any bail out of Greece and Merkel's decision to agree to the aid may be problematic for her during the countries state election on 9 May.
- Furthermore, she may face legal challenges in Germany on this decision.
- Merkel had insisted on this contingency plan for Greece on provision that the IMF was involved and EU partners agreed to toughen the bloc's budget deficit rules. France and some other euro zone states were on the other hand opposed to IMF involvement.
- The Economist[2] reports that for many French politicians, the IMF is a Washington-based agency whose single largest shareholder is America; allowing "Washington" to meddle inside the euro zone was called a "humiliation".
- Nonetheless, financial markets welcomed the bail out with the German Dax returning 9.8% in March.
- Similarly the Dow Jones Industrial Index and the Morgan Stanley Emerging Market Index posted strong returns of 5.15% and 7.95% respectively.
- The euro area is by no means out of the woods; Reuters writes that Greece must borrow about 16 billion Euros between April 20 and May 23 alone to refinance maturing debt.
- What should assist Greece is the standby aid package which surely will reassure credit markets and likely avert the need for it to request aid.
- The rest of the PIIGS (Portugal, Italy, Ireland, Greece and Spain) also continue to struggle. Fitch recently downgraded Portugal's sovereign debt rating by one notch to AA- and the Economist reports that deep reforms to Spain's economy look unlikely as the Socialist Prime Minister, Mr Zapatero, seems set to conserve social peace by keeping trade unions happy at the expense of implementing tough austerity reforms.

And how in the world is Dubai?

- Another interesting development during March came out of Dubai where the government announced that it would rescue Dubai World.
- Reuters reports that Dubai will spend up to $9.5 billion restructuring its debt-laden Dubai World conglomerate in a plan to give bank lenders their money back in five to eight years and repay two key bonds.
- The proposal would give creditors new debt covering the $14.2 billion they are owed, and repay in full Dubai World unit Nakheel's 2010 and 2011 bonds.
- Furthermore, that the plan calls for no new funds from Abu Dhabi, Dubai's wealthier neighbour, which bailed out the emirate last year but Dubai will get access to the $5.7 billion remaining from Abu Dhabi's earlier $10 billion lifeline and pay for the rest of the cash injection itself.
- Reuters also notes that the proposal that must first be approved by the conglomerate's 97 creditors received positive feedback as it meant that the full funds would be returned as opposed to a some proportion of the total outstanding.
- The Dubai stock exchange rallied on the back of these news and the price of developer Nakheel's bonds soared.

Impact on financial markets

- Again we reiterate that financial markets are set for a most volatile year.
- It seems that the recovery is taking hold but any adjustments to monetary and fiscal policy need to be carefully monitored as any errors could derail the recovery.
- As the recovery firms, local and global equities and commodities will continue to be supported.
- Local bond markets have been supported by the surprise interest rate cuts and prospects for lower inflation in the next few months.
- Internationally, prospects for sovereign bonds in advanced economies remain under pressure as burgeoning government debt levels weigh on yields.
- Emerging markets have lower debt levels which make their bonds attractive but if economies overheat during this recovery, then inflation will weigh on these markets.

Azola Lowan, CFA
Senior Research Analyst
Advantage Asset Managers

[2] www.economist.com

S1 –S4 Capital Protection Portfolio

March 2010

Portfolio mandate

These low-risk balanced portfolios are designed to ensure that returns are never below a predetermined level over a 3 month or 1 year period. For annual portfolios market-related growth is achieved through exposure to a balanced portfolio of equities (65%), bonds (33%) and a 2% component in cash for liquidity purposes. The quarterly balanced portfolio has a 65% equity and 35% bond asset allocation. Performance expectations are limited to certain predetermined minimum and maximum levels. New quarterly and annual investment portfolios are implemented four times a year and are open to new investments at the end of each calendar quarter. Maturing portfolios are rolled into new quarterly or annual investments, at which time any growth for the preceding term is locked in and new annual and quarterly minimum and maximum returns are set.

Asset allocations

	S1	S2	S3	S4
TOPI 40	65%	65%	65%	65%
Combination of SA government bonds	33%	33%	33%	35%
Cash	2%	2%	2%	-

Investment implementation

The equity exposure of the fund is linked to the return achieved by the largest forty shares listed on the JSE Securities Exchange, the FTSE / JSE TOP40 TRADEABLE (JTOPI). The capital protection level for the equity exposure is predetermined and is set at different levels for the different portfolios (see table below). Bond exposure is acquired through an investment in a combination of SA government bonds. These bonds have a similar combined duration and profile to the overall South African bond market, are highly liquid and can be economically integrated into a structured portfolio. The S4 structure has a 100% protection factor and applies for a three-month term (see table below). Overall performance is bounded by each asset class minimum and maximum return. The S1, S2 and S3 portfolios have a 2% cash allocation. In order to be conservative, we assume growth of 0% on the cash allocation.

Expiry returns as at 31 March 2010 are reflected. These indicate the potential return of the structure, should the markets close at the current levels at expiry.

S1	Jan-10		Apr-09		July-09		Oct-09	
	Floor	Cap	Floor	Cap	Floor	Cap	Floor	Cap
Equity	100.00%	123.52%	100.00%	117.70%	100.00%	130.00%	100.00%	121.80%
Bond	100.00%	Uncapped	100.00%	Uncapped	105.00%	Uncapped	100.00%	Uncapped
Combined	**100.00%**	**-**	**100.00%**	**-**	**101.65%**	**-**	**100.00%**	**-**
Expiry return as at 31 March 2010	1.38%		11.79%		15.23%		9.68%	

S2	July-08		Oct-09	
	Floor	Cap	Floor	Cap
Equity	106.00%	121.08%	104.50%	111.15%
Bond	106.00%	Uncapped	104.50%	Uncapped
Combined	**105.88%**	-	**104.41%**	-
Expiry return as at 31 March 2010	10.38%		8.70%	

S1 –S4 Capital Protection Portfolio

March 2010

S3	Apr-09		July-09		Oct-09	
	Floor	Cap	Floor	Cap	Floor	Cap
Equity	92.50%	125.51%	92.50%	138.35%	92.50%	144.00%
Bond	100.00%	Uncapped	105.00%	Uncapped	100.00%	Uncapped
Combined	**95.13%**	**-**	**96.78%**	**-**	**95.13%**	**-**
Expiry return as at 31 March 2010	17.16%		21.40%		9.50%	

S4	Jan-10	
	Floor	Cap
Equity	100.00%	102.90%
Bond	101.01%	101.00%
Combined	**100.35%**	**-**
Expiry return as at 31 March 2010	0.97%	

Performance report - March 2010

Protector	1 Month	3 Months	6 Months	12 Months	36 Months*	60 Months*
Local Money Market	0.75%	1.96%	3.97%	9.03%	10.05%	9.15%
Benchmark	0.61%	1.78%	3.66%	8.15%	9.95%	8.93%
Global Money Market	0.17%	1.48%	2.96%	4.54%	8.93%	8.78%
Benchmark	-0.15%	1.07%	2.06%	2.86%	9.16%	8.83%
Absolute Strategies	1.47%	1.98%	5.05%	12.05%	7.55%	12.86%
CPI +4%	0.97%	2.19%	3.57%	9.86%	12.62%	11.16%
Guaranteed Fund (MSG)**	0.20%	0.40%	0.70%	1.26%	6.48%	8.85%
Benchmark	0.60%	1.26%	4.07%	10.53%	12.55%	11.06%
Guaranteed Fund (MSB)**	0.10%	0.30%	0.60%	1.16%	5.72%	7.97%
Benchmark	0.60%	1.26%	4.07%	10.53%	12.55%	11.06%
Real Return	1.24%	2.55%	5.06%	11.94%	11.23%	16.00%
Benchmark	0.89%	1.94%	3.08%	8.81%	11.96%	10.77%

*Annualised
**The Guaranteed Portfolio (MSB and MSG) performance figures are net of all fees.

- Performance figures are nominal, gross, and non-annualised (except where indicated otherwise).
- The benchmark for the Real Return Portfolio is based upon CPI lagged by a month plus 3% p.a.
- All returns to 31 March 2010.

Market indices

	1 Month	% Change at 3 months	% Change at 12 months	% Change at 36 months	% Change at 60 months
CPI*	0.64%	1.19%	5.66%	8.32%	6.91%
Headline CPI**	0.64%	1.19%	5.66%	7.72%	6.02%
R/$ Exchange rate	4.25%	0.25%	29.57%	-0.55%	-3.07%
All Share index	7.87%	4.48%	44.09%	4.60%	19.91%
Shareholder Weighted index (SWIX)	6.92%	5.16%	43.20%	4.50%	19.78%
Financials	7.35%	9.87%	51.28%	-0.08%	14.14%
Industrials	5.79%	4.41%	50.15%	7.94%	20.91%
Resources	10.17%	2.09%	36.06%	3.58%	22.02%
MSCI World index (All Countries)***	3.04%	2.81%	18.93%	-7.12%	5.01%
Citigroup Composite index	-5.20%	-2.27%	-18.34%	6.63%	7.42%
ALBI	2.11%	4.45%	9.01%	7.45%	8.13%
STeFI	0.61%	1.78%	8.15%	9.95%	8.93%

*For February 2010 - Due to the reweighting of the CPI from January 2009, this number reflects a compound of month on month CPI returns. The historical numbers used are the official month on month numbers based on a composite of the old basket prior to January 2009 and new basket post January 2009.
**For February 2010 -These figures reflect the historically adjusted returns for the new CPI basket.
*** MSCI World index (All Countries) return adjusted to correspond with international investment prices received.

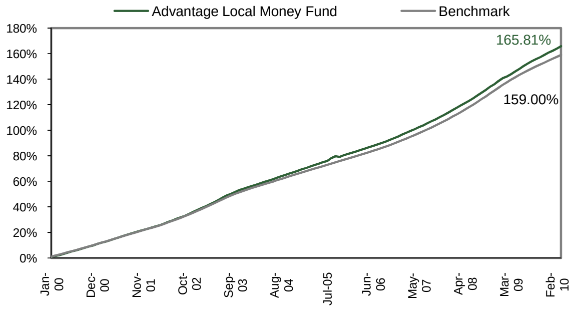
Advantage Local Money Market Portfolio

March 2010

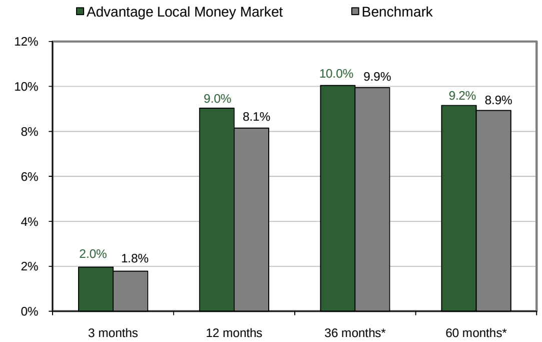
Investment objective

The Advantage Local Money Market Portfolio provides preservation of capital and maintenance of liquidity. The portfolio is exclusively invested in South African money market instruments and other cash or near cash instruments. It will exhibit very low levels of volatility. The lower volatility is at the expense of higher long term returns due to the absence of equity and other long term growth investments.

Monthly cumulative returns to 31 March 2010



Performance as at 31 March 2010

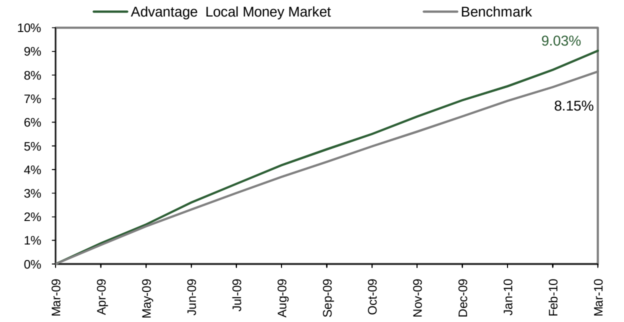


*36 months and 60 months annualised

Portfolio characteristics

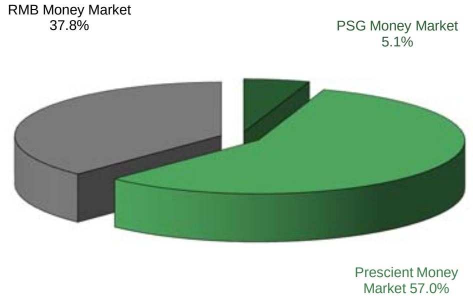
Launch date	Dec 99
Risk profile	Conservative
Investment horizon	0-3 Years
Benchmark	STeFI*

1 year cumulative performance to 31 March 2010



Manager allocation as at 31 March 2010

PSG Money Market	5.1%
Prescient Money Market	57.0%
RMB Money Market	37.8%



NOTE: Returns are gross returns, before the deduction of fees.

Advantage Asset Managers Registration Number 2004/023064/07
• Authorised as a financial services provider (FSP) under the Financial Advisory and Intermediary Services Act, 2002 number 19840
• Registered as an administrator in terms of Sec 13B of the Pension Funds Act, number 24/401

Contact details:
Tel +27 86 153 8732 Fax +27 11 505 1300 Website www.advantage.am e-mail AdvantageAMCR@advantage.am
2nd Floor, 6 Merchant Place, Cnr Fredman Drive and Bute Avenue, Sandton
PO Box 330, Gallo Manor, 2052

Advantage Global Money Market Portfolio

March 2010

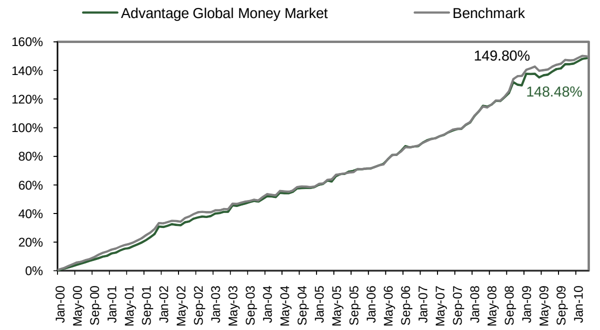
Investment objective

The Advantage Global Money Market Portfolio provides preservation of capital and maintenance of liquidity. The portfolio is invested in South African money market instruments and other cash or near cash instruments as well as international cash instruments. It will exhibit volatility due to exchange rates, but will provide some shelter against currency risk. The return will be lower due to the absence of equity and other long term capital growth asset classes.

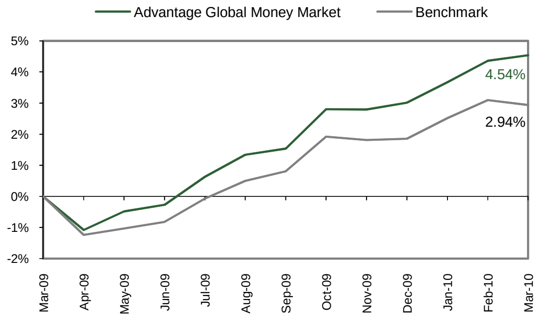
Portfolio characteristics

Launch date	Dec 99
Risk profile	Conservative
Investment horizon	0-3 Years
Benchmark	30 Day $ Libor (7.5%), STeFi (85%) 30 Day Eur (7.5%)

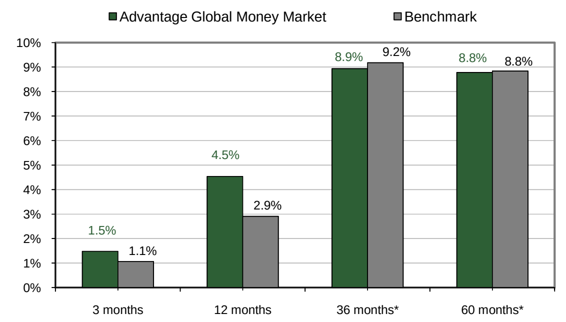
Monthly cumulative returns to 31 March 2010



1 year cumulative performance to 31 March 2010



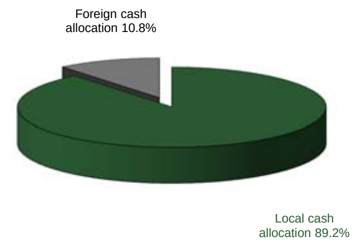
Performance as at 31 March 2010



*Annualised

Asset allocation as at 31 March 2010

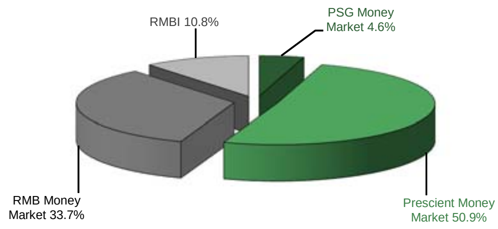
Local cash allocation	89.2%
Foreign cash allocation	10.8%
Total cash allocation	100.0%



Manager allocation as at 31 March 2010

PSG Money Market	4.6%
Prescient Money Market	50.9%
RMB Money Market	33.7%
RMBI	10.8%

Manager allocation as at 31 March 2010



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PO Box 330, Gallo Manor, 2052

Advantage MSG Portfolio

March 2010

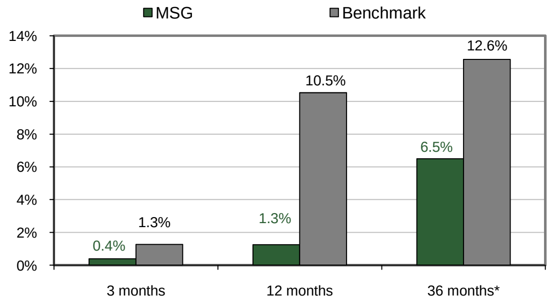
Investment objective

The Advantage Guaranteed Portfolio offer members of pension and provident funds exposure to a diversified basket of equities, bonds and cash investments. At the same time they limit the effect of fluctuating investment returns of the underlying investments. The Guaranteed Portfolios allow significant exposure to the equity market, whilst protecting investors against the natural volatility associated with direct equity investments.

Asset class return comparison

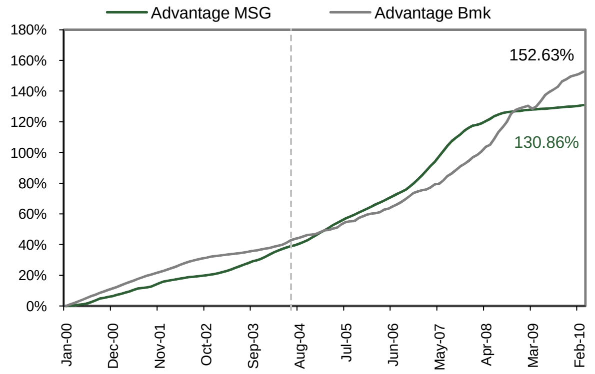
	3 months	12 months	36 months*
MSG	0.4%	1.3%	6.5%
Cash (STeFI)	1.8%	8.8%	10.0%
Bonds(ALBI)	1.6%	1.7%	6.3%
Equities (All Share)	1.4%	33.2%	4.5%

Momentum Structured Growth Performance as at 31 March 2010

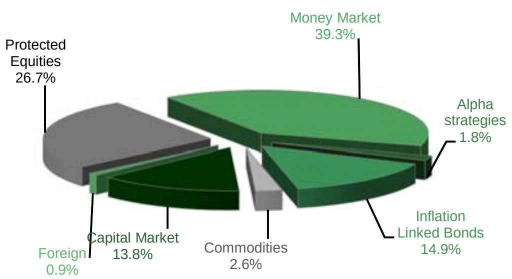


*Annualised

Cumulative returns to March 2010



Physical exposure as at 31 March 2010



Alpha strategies

Alpha strategies uses derivative instruments in order to achieve returns above cash, while at the same time substantially reducing market risk.

Protected equity

Protected equity is a derivative strategy that prevents losses in the value of an equity portfolio, while retaining exposure to potential positive returns.

NOTE: Returns are gross returns, before the deduction of fees.

Advantage Asset Managers Registration Number 2004/023064/07
• Authorised as a financial services provider (FSP) under the Financial Advisory and Intermediary Services Act, 2002 number 19840
• Registered as an administrator in terms of Sec 13B of the Pension Funds Act, number 24/401

Contact details:
Tel +27 86 153 8732 Fax +27 11 505 1300 Website www.advantage.am e-mail AdvantageAMCR@advantage.am
2nd Floor, 6 Merchant Place, Cnr Fredman Drive and Bute Avenue, Sandton
PO Box 330, Gallo Manor, 2052

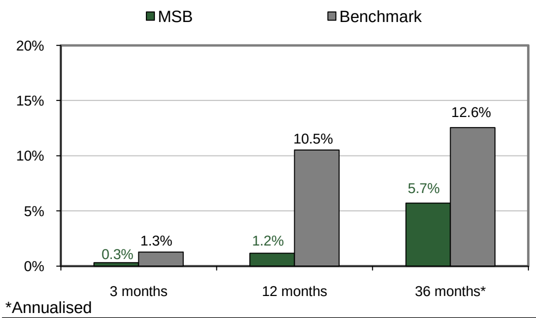
Advantage MSB Portfolio

March 2010

Investment objective

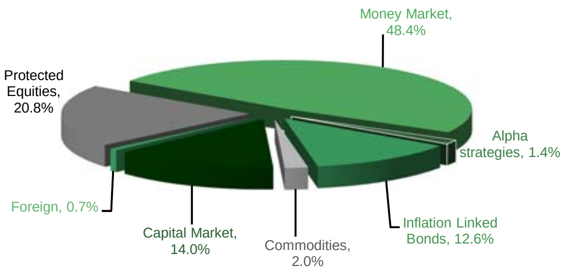
The Advantage Guaranteed Portfolio offer members of pension and provident funds exposure to a diversified basket of equities, bonds and cash investments. At the same time they limit the effect of fluctuating investment returns of the underlying investments. The Guaranteed Portfolios allow significant exposure to the equity market, whilst protecting investors against the natural volatility associated with direct equity investments.

Momentum Secure Bonus Performance as at 31 March 2010



*Annualised

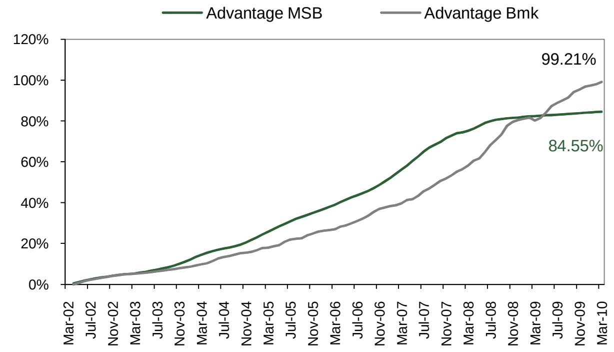
Physical exposure as at 31 March 2010



Asset class return comparison

	3 months	12 months	36 months*
MSB	0.3%	1.2%	5.7%
Cash (STeFI)	1.8%	8.8%	10.0%
Bonds(ALBI)	1.6%	1.7%	6.3%
Equities (All Share)	1.4%	33.2%	4.5%

Cumulative returns to March 2010



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Advantage Real Return Portfolio

March 2010

Portfolio mandate

The asset allocation is dynamically managed. The portfolio aims to generate sustainable positive returns and immunise the fund from downside risk, so that capital is protected over any 12 month rolling period. The return objective is to beat inflation over rolling 36 month periods. The portfolio has a low risk profile and short to medium investment term of 1 to 3 years. The portfolio conforms to Prudential Investment Guidelines.

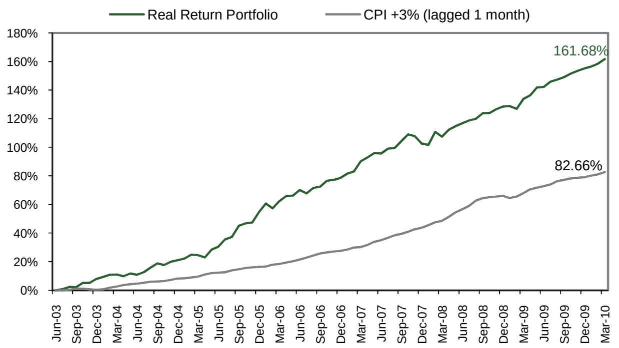
Investment strategy

The Real Return Fund is registered as a collective investment scheme which invests in a spread of equities, bonds, cash and appropriate derivative instruments. The portfolio uses an objective asset allocation process, determined by relative pricing and risk targets. Where opportunities exist, returns are locked in, raising the return profile through hedging and the applicable use of derivative instruments. Enhancement strategies are applied to each asset class to achieve incremental performance over time.

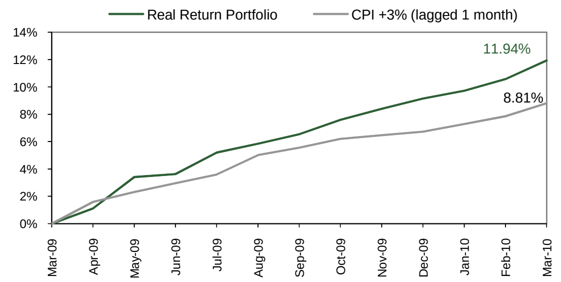
Key information

Launch date	July 2003
Investment horizon	Short term (1 - 3 years)
Benchmark	CPI + 3% lagged 1 month***

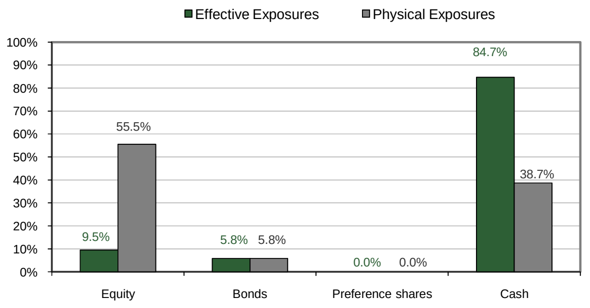
Cumulative returns since inception



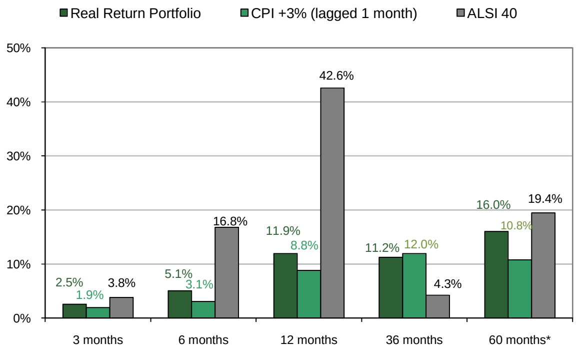
Cumulative returns over the past 12 months



Asset allocation as at 31 March 2010**



Performance summary to 31 March 2010



*Annualised

**Effective exposures refers to the exposure participation in down markets and physical exposure refers to the exposure participation in up markets

***Benchmark changed from CPI + 4% to CPI + 3% lagged by 1 month, effective from 1 June 2008

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