

shari'ah
shari'ah



Monthly investment report

May 2010



shari'ah

advantage
asset managers

Shari'ah Portfolio

May 2010

Portfolio mandate

The portfolio has been specifically designed to comply with the Islamic investment principles that satisfy the investment requirements of Islamic Law as well as the regulatory and performance requirements of a retirement fund investor. The primary principle underpinning the equity blend is to provide investors with risk diversification to manager investment strategies, providing a first step for a robust blend in changing market environments. The sukuk fund of fund has a very short duration component which enables the portfolio manager to manage cash flows into or out of the portfolio while ensuring the desired asset allocation of the portfolio is maintained.

Key information

Inception date	August 2008
Portfolio volatility	10.24%
Benchmark volatility	13.76%
Active risk	6.25%

Manager allocation

Local equity managers

Element	34.3%
Kagiso	26.0%

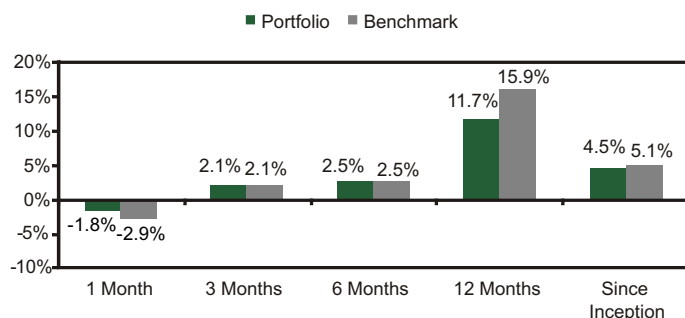
Local sukuk managers

ABSA sukuk structures	23.4%
RMB sukuk structures	8.5%
Albaraka Bank profit-sharing account	3.5%
ABSA Islamic profit-sharing account	4.3%

The largest 10 equity holdings

Share	%
MTN Group	9.4%
Sasol	8.8%
Tongaat	6.2%
Anglo Gold	5.8%
BHP Billiton	4.7%
AECI	4.5%
Goldfields	3.3%
Illovo	3.0%
Altron	2.9%
Mondi Ltd	2.9%

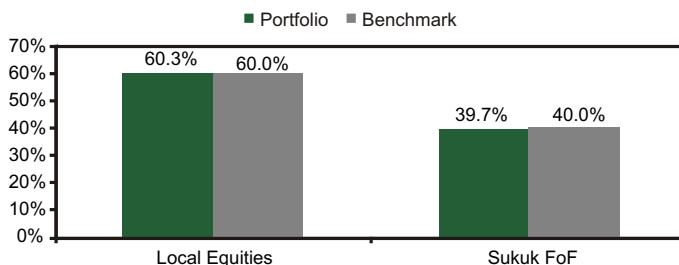
Investment returns



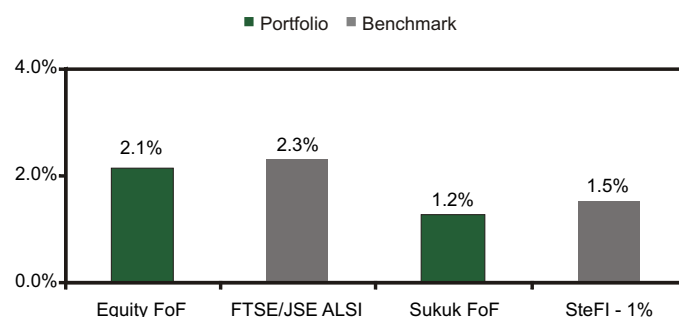
Investment strategy

This balanced multi-manager portfolio has exposure to multiple Shari'ah-compliant portfolios and asset classes. The portfolio targets long-term capital growth with a relatively high volatility.

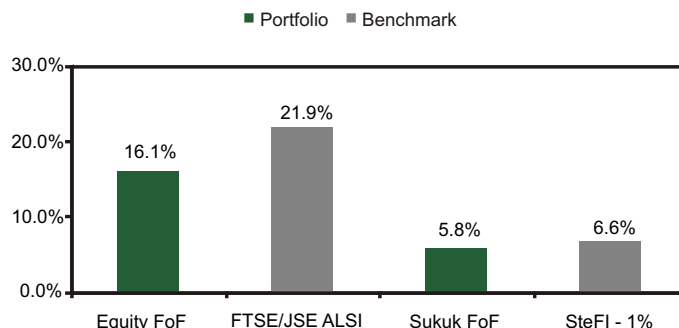
Asset allocation



Building block returns for three months



Building block returns for 12 months



Benchmark allocation

Asset class	Benchmark
Local equities	60% FTSE/JSE All Share index
Local sukuk FoF	40% Short-term Fixed Interest Call Deposit index less 1% a year

Notes:

Returns are gross returns, before the deduction of fees. Returns for periods exceeding one year are annualised. Although reasonable steps have been taken to ensure the validity and accuracy of the information in this document, Advantage Asset Managers does not accept any responsibility for any claim, damages, loss or expense, howsoever arising, out of or in connection with the information in this document, whether by a client, investor or intermediary. Given that past performance may not be an indicator of future performance and that the value of investments will fluctuate over time, independent professional advice should always be sought before making an investment decision. The contents of this document remain the property of Advantage Asset Managers and may not be reproduced without written permission.

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 • Registered as an administrator in terms of Sec 13B of the Pension Funds Act, number 24/401

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Glossary

% negative months: Number of negative active months divided by 60.

% positive months: Number of positive active months divided by 60.

Active risk (tracking error): This is a forecast of the difference in returns between the portfolio and its benchmark. This figure represents the amount by which the portfolio can be expected to deviate from the benchmark at 68% confidence. By positioning the portfolio to be different from the benchmark, in areas where there is expected outperformance, the investment manager is taking active risks in anticipation of deriving an active return above the benchmark.

Active returns: These are the fruits from active management. Active management is the pursuit of investment returns higher than a specified benchmark as opposed to passive management which seeks only to match the benchmark returns.

Alpha (active return): Portfolio return less benchmark return for five years.

Annualised return: Five-year geometric average return, annualised.

Average negative active month: Arithmetic average of negative months for five years.

Average return: Five-year arithmetic average.

Benchmark: A portfolio that is used as a point of reference against which the investment returns of another portfolio is measured. The goal of an active manager is to exceed the return on the benchmark portfolio. An example of a benchmark portfolio is the FTSE/JSE All Share index.

Benchmark volatility: This is an annualised forecast of the benchmark's volatility. It represents the amount value of the benchmark is expected to fluctuate for a one-year period at 68% confidence.

Best active month: Highest return for five years.

Beta: Sensitivity of the portfolio relative to its benchmark movements for five years.

Cumulative return: Five-year cumulative return.

Dividend yield: Most recent annual dividend divided by the current market price.

Downside risk: Maximum cumulative loss from peak to trough for five years, this is calculated using a system called Pertrac.

Growth shares: Companies that have long-term growth forecasts which are significantly greater than growth in nominal GNP. Growth can come from a number of areas, for example leverage, acquisitions, growth in revenues per share, increased efficiency, investment of retained earnings. As such, growth shares tend to be more volatile, lower yielding in terms of dividends paid out, smaller in terms of capitalisation, higher risk and potentially higher return.

Industry risk: Indicates the degree to which the investment manager allows the under- or overweighting of industries in the portfolio relative to the benchmark, to dominate the return of the portfolio. Typically, a portfolio with an industry-risk figure of 1% or lower has little variation in industry weightings relative to the benchmark. The investment manager has aggressively either under- or overweighted certain industries in a portfolio where the portfolio has an industry risk of 4% or above.

Information ratio: An extremely useful tool that measures the ratio of returns above the benchmark in a portfolio against the degree of risk that was assumed by the manager to achieve those returns. The higher the ratio, the greater the returns and the lower the risk. A negative information ratio suggests that not only was the performance poor, but a great deal of risk was assumed by the portfolio as well. Information ratios are an excellent way to compare portfolio managers with very different styles and levels of aggressiveness.

Portfolio volatility: This is an annualised forecast of the portfolio's volatility. It represents the amount you can expect the value of the portfolio to fluctuate for a one-year period at 68% confidence.

Standard deviation: Volatility of returns for five years.

Share-selection risk: Identifies the degree to which the investment manager allows the selection of specific companies to drive the portfolio's returns. The higher the number, the more aggressive the investment manager is in terms of selecting shares that are distinctly different to the market as a whole. A share-selection risk number of around 1% suggests a very low share-selection bet. A figure of 4% and above suggests a fairly aggressive bet on specific companies. Typically, a portfolio with a smaller number of shares or shares that may be atypical from the market as a whole will have much higher share selection risk. One word of caution, in the BARRA model, the share-selection risk number is also synonymous with that portion of return that cannot be explained by the market, industry or style movements.

Style risk: Indicates the degree to which the investment manager allows a particular investment style to dominate the performance of the portfolio. Examples of investment styles might be investment managers who concentrate on small companies, large companies, value shares, growth shares, success shares, emerging companies, blue chip shares, etc. The style of a particular manager can often explain up to 90% of the active return of the portfolio. Portfolios with a style risk number of below 1% could be viewed as being style neutral. Portfolios with a figure of 4% or more would show that the manager took an aggressive 'bet' on the particular style.

Value shares: Value shares have proven to be long-term performers because, when bought, their prices tend to be low relative to others in the sector and low relative to companies' fundamentals. This will mean that price tends to be low relative to earnings potential, book value, sales and dividends. Companies included here may well be blue chip companies in mature industries but, buying when the price is cheap, long-term performance can be expected. Tends to be a less-volatile strategy than growth-share investing.

Worst active month: Lowest return for five years.

Year to date: Describes the investment return from 1 January to the current date.

