

Dear Client,

July 2011

Taking into account that Contego Asset Management specializes in protection should help in understanding the profile portrayed in the data presented below.

The Contego B5 is a full weighted equity fund that uses protection to preserve your capital against the excessive downside movements in the market. The Contego B5 is the only fund in its sector that keeps a full equity holding regardless of the markets state or trend and it is also important to note that the Contego B5's full or total equity exposure is always fully protected at all times. Though the fund's equity portion is comparable to the FTSE/JSE ALSI Top 40, the fund is not a tracker fund, but an actively managed equity portfolio that holds a basket of 16 to 20 shares using a focused relative value bias. The stocks are chosen in weightings based on the FTSE/JSE ALSI Top 40, reflecting Contego Asset Management's strategic house view, held quarterly while being altered to accommodate shorter term movements or changes through Contego's tactical asset allocation meetings held monthly. The unique protection strategies employed make this fund a very attractive considerably lower risk general equity alternative if the client is more risk aware or risk conscious.

**Key Characteristics of the Contego B5 Protected Equity Portfolio: Risk - Moderate/Assertive**

Capital Preservation as Primary Objective

Unlimited Upside Equity Exposure

Continuous Protection of Capital Gains

Actively Managed Equity Basket

Low Risk Equity Alternative

Tax Efficient Total Returns

**Contego B5 versus its benchmark (CPI +6%) – 6 year period (Inception)**



13/05/2005 - 11/07/2011 Data from FE 2011

The above graph shows the Contego B5's ability to keep up with its stated benchmark of CPI +6% over the longer term. The graph clearly shows that the Contego B5 has the ability to provide inflation beating returns, typically only achievable through equity exposure with the differentiating characteristic of capital preservation of your capital and the respective capital gains as it's achieved.

**Contego B5 versus the Targeted Absolute Real Return benchmark (5 years)**



On a 5 year basis, the Contego B5 has convincingly outperformed its sector. The use of the Contego B5 as an equity building block gives the investor the potential upside of the equity market plus the reassurance of knowing that the volatile and possible downside of the market is kept to a relative minimum.

**Contego B5 versus the FTSE/JSE ALSI Top40 (5 years) – Equity Diversification or Alternative?**



The above graph represents the benefit and cost of the Contego B5 versus the Top 40 ALSI. Where volatility is a key concern in a clients investment make up and where liquidity events may unexpectedly

arise (See A); the Contego B5 provides stability to one's diversified equity portfolio. Falling less than the market in the crash allowed the fund to start from a higher base in the rally following the crisis. This graph also depicts the theory behind protection, as protection has a cost the fund typically participates in approx. two thirds of the market's upside, when the market falls, the protection is triggered and the fund only participates in approx. one third of the downside. It is important to note that this is the longer term norm and the participation could vary considerably during shorter term movements. What can also be noted from the graph above is the "cost of protection" as can be seen by the Contego B5's relatively lagging move when the market rallies. The cost of protection would cause the Protected Equity strategy to under perform in the straight line dash or bull market rallies and is therefore best used to diversify the allocated equity portion as insurance against market uncertainty and volatility.

**Contego B5 versus the Top 40 ALSI (4 years) – When you need PROTECTION!**



05/07/2007 - 05/07/2011 Data from FE 2011

As the graph shows, the timing of the fund could yield enormous benefit for any investor like any good fund should. The choice of the Contego B5 over a trending, overall volatile period of time shows what exactly the fund is capable of.

I do hope this document has been of use to you in explaining where Contego Asset Management fits into the "equity exposure picture". If you require any further help or explanation, please feel free to contact me.

Kind Regards,

Glaxton Robinson  
*Business Development*  
**Contego Asset Management (PTY) Ltd**  
*Registered Financial Service provider - FSP 788*

E) [glaxton@contego.co.za](mailto:glaxton@contego.co.za)  
 T) 021 914 7444  
 W) [www.contego.co.za](http://www.contego.co.za)



*Contego Group*  
 @contegonews

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