

The Protection Specialists

## Preference Share Portfolio

### TECHNICAL OVERVIEW

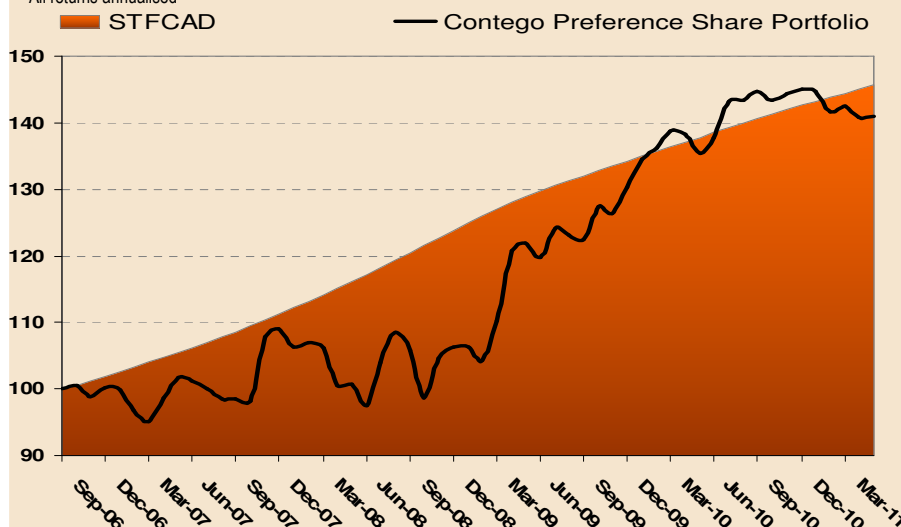
May 2011

Minimum lump sum:	R500 000
Initial charge (max):	
Contego	0.57% (incl. VAT)
Advisor	3.42% (incl. VAT)
Annual service fee:	1.14% (incl. VAT)
Performance fee:	20% of the portfolio's out-performance of benchmark, calculated quarterly
Formation date:	30/09/2006
Income Declarations:	Re-Invested
Benchmark:	STFCAD
Valuation Date:	Month End

### PERFORMANCE SINCE INCEPTION

	Portfolio	STFCAD
Yield	7.4%	
YTD	-2.8%	2.2%
6-month	-2.3%	2.6%
1-year	4.2%	5.7%
2-year *	7.6%	6.3%
3-year *	11.9%	7.9%
Return Since Inception	41.0%	45.7%
Inception Annualised Return	7.6%	8.4%
Standard Deviation	10.80%	0.6%

\*All returns annualised



### MANAGER'S COMMENT

Equity markets declined in May on growing fears that Greece could default, weak jobs data from the US and fears that Chinese economic growth is slowing. The MSCI World index was down -2.0%, Emerging Markets -3.6%, Europe -6.3% and the All Share index -0.8%. The US\$ weakened sharply against the Euro and Gold fell by 2%, Platinum -2.2% and Brent Oil by 7.8%. The oil price has dropped by more than 15% over the past 2 months. Our Industrial stocks rose 1.0% while Resource stocks fell 2.9% on the lower commodity prices. The Rand appreciated by 3.6% against the US\$ which was positive for bonds (ALBI index +1.5%) while Cash delivered a positive return of 0.47%. Inflationary pressure is building driven by the rising fuel, electricity and food prices and the latest CPI figure rose from 4.1% to 4.2%. However, the high unemployment, low growth and strong ZAR makes a rate hike unlikely in 2011. Bond yields are very low and we remain positive on local equity. We expect the ZAR to depreciate toward year-end making offshore equity attractive.

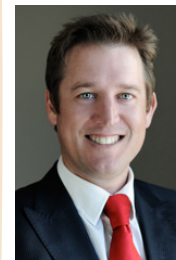
### PORTFOLIO OBJECTIVE

The Contego Preference Share Portfolio's investment objective is to achieve a high level of current income, primarily in the form of dividends, as is consistent with the objectives of capital preservation and liquidity. The return on the portfolio will generally aim to track the local interest rate cycle. The Preference Share Portfolio is a cautious to moderate risk portfolio.

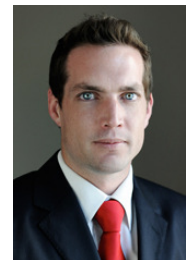
### INVESTMENT STRATEGY

The fund maintains an exclusive focus on South African listed preference shares. At least 80% of the portfolio will at all times be invested in instruments with at least an A1 credit rating. The primary return received from the instruments are dividends, which make the preference share portfolio highly tax efficient. The aim is to achieve superior returns through in-depth research and active trading.

### PORTFOLIO MANAGERS



Schalk Louw



Niel van der Linde

**RISK: CAUTIOUS**

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