UPDATE ON THE SYm|mETRY CAUTIOUS FOF

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The SYm|mETRY Cautious Fund of Funds, the latest addition to the SYm|mETRY range of unit trusts, reached its one-year anniversary in August 2011. We felt this milestone would be an ideal opportunity to assess how the fund has fared over its first year.

Realistically, it has been an average year for the fund. Positives were that the fund has grown to R75 million in assets under management and that it showed exceptional resilience during the extreme market volatility by consistently protecting investors' capital. In contrast, performance over the period ended below benchmark and although it is still a short period over which to measure performance, it is understandable that investors would have preferred better returns.

RISK

The SYm|mETRY Cautious Fund of Funds has a specific objective to protect capital over any nine-month period and it did this exceptionally well over the period. The fund did not have a single month of negative returns over the year, making it one of only two funds (out of 64) in the Prudential Low Equity unit trust category that can claim that achievement (it also had the second lowest volatility in the category at 0.8%).

PERFORMANCE

The SYm|mETRY Cautious Fund of Funds has a return objective of beating cash by at least 2% over the long term. After its first year, it has returned 4.6% since inception compared to the 5.9% from cash (using STeFI as the benchmark for cash). While it is currently behind target, one year is typically too brief a period on which to truly judge performance. Beating cash is a long-term objective of the fund and there are bound to be periods of underperformance relative to cash, a risk investors have to be willing to take in order to outperform cash over time.

Over the last nine months and shorter periods, the fund has delivered above average returns. However, since the first three months after inception resulted in below average performance, the fund ended below the peer average over the full one-year period.

UNDERSTANDING PERFORMANCE

As always, we spend much of our time trying to understand the reasons behind good or poor performance from our funds and managers. One of the biggest contributing factors to the performance of the fund during its initial few months was its very small size. After its first month, the fund size was just over R3 million and thereafter the fund roughly doubled in size every month for three consecutive months.

This means that cash flows, and their timing, still had a very strong influence on the performance of the fund. At such a small fund size, administration costs also still have a significant impact on performance. By January 2011 (four months after inception), the fund had surpassed the critical level of about R20 million, where the relative impact of costs and cash flows started to decrease to manageable levels – which also meant more competitive returns for the fund.

Of the three managers in the fund, the best performing manager was Marriott, in combination with Coronation. While Marriott was initially selected to give the fund exposure to the fixed interest market, they were replaced by Coronation in July 2011, to ensure the fund remains compliant with prudential guidelines. It is no surprise that the combination of these two managers fared the best over the last year, since fixed interest assets were by far the strongest performing asset class over the period. We expect this good performance to last as long as interest rates stay low and the world economy struggles to regain positive momentum.

Another manager, Prescient, is specifically included in the fund to provide protected exposure to the equity market and it is thus expected that they will suffer most when equity markets are weak, as reflected in their performance in the fund over the year. Although Prescient always has derivative protection on all their equity exposure, the nature of derivatives means that they don't immediately reap the benefit of their protection. We expect to see fairly strong returns from Prescient over the next few months as their derivative positions start maturing.

Taquanta had an average year, although they did provide the most consistent returns. Taquanta did not, however, match their cash benchmark. This was partly the result of their expectation that rates were set to rise towards the end of 2011 and partly due to the poor performance of the equity market since they also have a very small exposure to protected equity.

LOOKING AHEAD

We look forward to the SYm|mETRY Cautious Fund of Funds establishing itself over the next few years as a reliable and safe option for investors who are very concerned about risk but also want to make sure their investment does not diminish over time as a result of inflation. We have full confidence in the managers (and different strategies) employed in the fund and will continue to provide our managers with the freedom and time to convert their proven skill into peer-beating returns for our investors. At the same time we will continue to monitor our managers and the fund closely to enhance our understanding of what makes a winning multi-managed portfolio.

For more information on the fund or the latest available factsheet, visit our website at www.symmetry.co.za.