

# COMMUNITY GROWTH GILT FUND



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## COMMENTARY – JUNE 2010

The second quarter of 2010 was volatile and weak for medium- and long-dated bonds with yields rising to underperform cash. Global growth concerns and well-behaved local inflation data led the market to start discounting a possible further reduction in short-term rates towards quarter-end. As a result short-dated bond yields declined to outperform cash and money market instruments with the yield curve steepening further.

Offshore developments were a dominant driver during the quarter with the crisis in Europe intensifying. This resulted in a global risk aversion trade with substantial losses on all risky assets. US government bonds were the star performers, with the 10-year yield declining by 87 basis points (bps) during the quarter. Despite some weakness, the local bond market and the rand were both fairly resilient amidst the contagion.

The fund increased its exposure to long-dated fixed rate RSA bonds at the higher yield levels. It also created a holding in inflation-linked bonds. This was funded by reducing exposure to short-dated development-related bonds and corporate bonds.

For the year ending 30 June 2010, the fund returned 11.29% (net of fees), 125bps above the average fund in the gilt unit trust universe and 138bps above the BEASSA benchmark (gross of fees). It was ranked first out of the 16 funds within this universe.

## OUTLOOK

We think that short-term interest rates have bottomed. With a medium-term inflation risk, rising global risk aversion and the substantial amount of bond market funding expected in the future, we are maintaining a defensive stance towards the bond market.

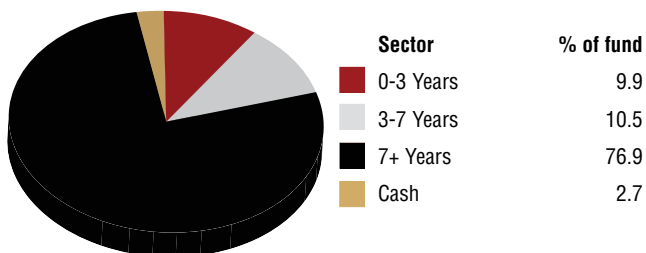
## RISK FACTOR

This is a medium to lower risk fund. The fund is exposed to interest rate fluctuations. Long-term bonds are more sensitive to rate changes, while short-term bonds experience more modest price movements. The holding of long- and short-dated bonds in the fund is used to reduce these risks.

## INVESTMENT AIM

The fund aims to maximise total returns through a balance of capital growth and income generation. The fund invests in bonds with a particular emphasis on reconstruction and development. The emphasis is on institutions and projects that contribute to the development of South Africa through programmes that have a meaningful social impact, and are committed to development, community participation and support.

## PORTFOLIO COMPOSITION as at 30 June 2010



## PAST PERFORMANCE

	Fund	Fund Benchmark	Category Rankings
1 year	11.3	9.3	1/17
3 years	9.3	7.8	3/16
5 years	7.9	6.8	4/16
7 years	9.3	8.3	2/15

Figures as at 30 June 2010, based on lump sum investment excluding initial charges (NAV-NAV prices). All fund and benchmark returns are net of fees. Income is reinvested on the ex-dividend date. Actual investment performance will differ based on the initial fees applicable, the actual investment date and the date of reinvestment of income. Sources: Fund Returns – Morningstar as at 30 June 2010; Fund Benchmark Returns – Old Mutual Investment Group's Internal Performance System as at 30 June 2010

## TEN LARGEST HOLDINGS as at 30 June 2010

Bond	Market Value (Rm)	%
R207	166 067	13.8
R203	132 681	11.0
R208	108 538	9.0
DV22	63 937	5.3
R204	45 778	3.8
R186	38 595	3.2
RW02	31 560	2.6
TL12	25 284	2.1
CCT02	24 932	2.1
UG21	24 282	2.0
<b>TOTAL</b>	<b>661 655</b>	<b>55.1</b>

<b>Fund Category</b>	Domestic - Fixed Interest - Bond
<b>Fund Benchmark</b>	BEASSA All Bond Index
<b>Launch Date</b>	14 July 1998
<b>Net Asset Value</b>	R1 201 million (total market value of assets + net income)
<b>Dealing Price</b>	NAV
<b>Distributions</b>	Declared 31 March; 30 September Distributed 1 business day after declaration
	March 2007: 5.85c per unit
	September 2007: 5.70c per unit
	March 2008: 6.09c per unit
	September 2008: 5.93c per unit
	March 2009: 5.88c per unit
	September 2009: 6.30c per unit
	March 2010: 6.27c per unit
<b>Minimum Investment</b>	Lump sum - R5 000. Monthly debit order - R500
<b>Initial Charge</b>	Upfront charge is 0.68% (incl. VAT), which is commission and is deducted prior to the purchase of units.
<b>Service Fee</b>	0.57% p.a. (calculated on the market value of the fund's assets and deducted from the portfolio monthly). Additional administrative charges incurred by the Management Company are deducted from the fund's portfolio.
<b>Unit Price (cents/unit)</b>	Buy and sell: 144.27c
<b>Total Expense Ratio (TER)*</b>	0.57% (Annualised, ended 31/12/2009)
<b>Fund Code</b>	CGMI

\*From April 2007, the unit trust industry introduced a new measure called Total Expense Ratio (TER) to evaluate the effect of costs on an investment. Each fund's total expense ratio (TER) reflects the percentage of the average Net Asset Value of each portfolio that was incurred as charges, levies and fees related to the management of the portfolio.

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STATUTORY INFORMATION: Collective Investment Schemes in Securities (Unit trusts) are generally medium to long-term investments. Past performance is no indication of future growth. It is important that you are prepared for some shorter-term fluctuations as your investment moves in line with markets. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Unit trusts may engage in scrip lending and may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. An upfront charge for broker commission of 0.68% of the investment amount is deducted prior to the purchase of units. An annual service fee of 0.57% is calculated on the market value of the fund's assets (excluding income and permissible deductions) and deducted from the portfolio on a monthly basis. A schedule of fees and charges and maximum commissions is available from the management company/intermediary. Unit trust prices are calculated on a net asset value (NAV) basis, which is the total market value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio divided by the number of units in issue. Permissible deductions may include compulsory and bank charges, brokerage, marketable securities tax, other taxes and levies, custodian and trustees' fees and audit fees. Commission and incentives may be paid by Comanco and if so, are included in the overall costs. Each fund's total expense ratio (TER) reflects the percentage of the average Net Asset Value of each portfolio that were incurred as charges, levies and fees related to the management of the portfolio. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER. You can easily sell your investment at the ruling price of the day (calculated at 15h00 on a forward pricing basis). Instructions must reach Community Growth Management Company before 15h00 to ensure same day value.

Community Growth Management Company is a member of the Association of Collective Investments, SA. Trustees: The Standard Bank of South Africa Limited, PO Box 54, Cape Town, 8000.

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COMPLAINTS: Write to our Client Services Manager at the above address or for further information call 0860 103 180. Compliance Officer: (021) 509 2570