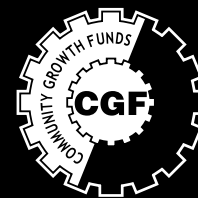


# COMMUNITY GROWTH GILT FUND

Jennifer Sheehy

Portfolio Manager - Old Mutual Investment Group



## COMMENTARY – SEPTEMBER 2011

The bond market experienced significant swings in investor sentiment during the third quarter of 2011, most of it induced by foreign activity on the local bond market. During this period, the yield of the benchmark R208 government bond traded in a wide range of between 8.45% and 7.51%, before ending the quarter a mere 12 basis points stronger at 8.30%. We took advantage of the volatility in the market to trade RSA nominal bonds. On development related bonds, we increased exposure to Development Bank, INCA and short-dated Telkom bonds, reducing exposure to City of Johannesburg bonds.

For the year ending 30 September 2011, the fund returned 6.15% (net of fees), 8 basis points (bps) above the average fund in the gilt unit trust universe and 23bps above the BEASSA benchmark (gross of fees). It was ranked 7 out of the 15 funds within this universe.

Our investment view still centres on rising inflation and ongoing rand volatility, as concern about the Eurozone debt debacle continues to threaten global growth prospects, commodity markets and, by implication, the open South African economy. It is also worth noting that weaker growth prospects do not bode well for Government's tax revenue targets. Taking our cue from the most recent data, it is unlikely that the Minister of Finance will be in a position to offer good news in terms of the current fiscal year's budget deficit.

## OUTLOOK

The overall position of the fund remains defensive, with a focus on short-term capital preservation while carefully considering potential investment opportunities into market weakness.

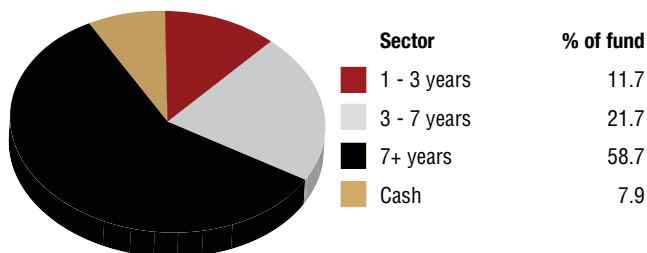
## RISK FACTOR

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 September 2011



## PAST PERFORMANCE

	Fund	Fund Benchmark	Category Rankings
1 Year	6.2	5.3	7/15
3 Years	10.9	9.4	2/15
5 Years	9.6	8.4	3/14
7 Years	9.6	8.5	4/14
10 Years	10.6	9.6	4/11

Figures as at 30 September 2011, 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 September 2011; Fund Benchmark Returns – Old Mutual Investment Group's Internal Performance System as at 30 September 2011

## TEN LARGEST HOLDINGS as at 30 September 2011

Bond	Market Value (Rm)	%
R186	93	8.7
R203	91	8.6
DV22	52	4.9
R204	44	4.1
R213	40	3.8
R209	40	3.8
DV23	32	3.0
R207	31	2.9
TL12	25	2.3
COJ06	23	2.2
<b>TOTAL</b>	<b>470</b>	<b>44.1</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 065 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 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 September 2010: 6.29c per unit March 2011: 6.12c per unit September 2011: 6.08c 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: 152.65c
<b>Total Expense Ratio (TER)*</b>	0.57% (Annualised)
<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 was 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's. 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