

MAESTRO CAUTIOUS FUND



PRESCIENT
LIFE

October
2014

Investment objective

The Fund's objective is to produce above average long-term returns whilst simultaneously aiming to assume less risk than is inherent in the market itself. The Fund adopts a conservative investment philosophy and is Regulation 28 compliant.

The Fund benchmark

The Fund measures itself against a benchmark consisting of 30% All Share Index, 30% All Bond Index (ALBI), 40% Short term fixed income (STEFI) index.

Legal structure

The Fund is a pooled portfolio on the Prescient Life Limited balance sheet. The appointed portfolio manager of the Fund is Maestro Investment Management (Pty) Limited, an approved Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act, operating under licence number 739. Prescient Life Limited is a linked insurer governed by the Long Term Insurance Act. Prescient Life Limited issues investment linked policies. This Fund operates as a white label under the Prescient Life Licence.

Fee structure

There is no initial fee charged. The Maestro Cautious Fund is a Fund of Funds with an annual management fee of 1.0% (excl VAT). This is inclusive of investment consulting, all underlying managers, and administrative functions performed by Prescient Life.

Fund size

R1 451 291

Long term insurer

Prescient Life Limited
(Reg no: 2004/014436/06)

Auditor

KPMG Inc.

Portfolio manager

Maestro Investment Management (Pty) Limited

Enquiries

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Orchestrating Your Wealth



Market Overview

October was characterised by a significant increase of volatility in financial markets which is not immediately apparent by looking at the monthly performance numbers. Investor concerns around the European Central Bank's ability to prevent deflation in the eurozone increased along with concerns around the rate of Chinese economic growth. Equity markets initially declined sharply early in the month. The trend then reversed following comments by one of the US Federal Reserve (the Fed) Governors, who stated that, if necessary, the Fed could stay its hand and not only retain the relatively small amount of quantitative easing (QE) it was still applying, but could in fact restore it if need be. An unexpected increase in monetary stimulus from the Bank of Japan also added to the increase in risk appetite. To place the extent of the V-shaped dip and gain into perspective, including intra-day dips, the US equity market declined 7.9% from its 9 October level to its trough on 15 October. From that point it rose 11.1% to end October at another all-time high – and all of that in just seventeen trading days! From its September peak to its October trough, the German equity market fell 15.6%, before rising 9.5% through to the end of the month.

Overall for the month, equity markets generally posted pleasing returns. The MSCI World index rose 0.6%, while the MSCI Emerging market index rose 1.1%, thanks in part to the 2.4% and 4.6% respective gains in the Chinese and Indian markets. The Russian market declined 2.4%, while Brazil gained 1.0%. Moving onto developed markets, the US market rose 2.5% and Hong Kong rose 4.4%. The German market declined 1.6% and the UK market 1.1%.

"To achieve great things, two things are needed; a plan, and not quite enough time."

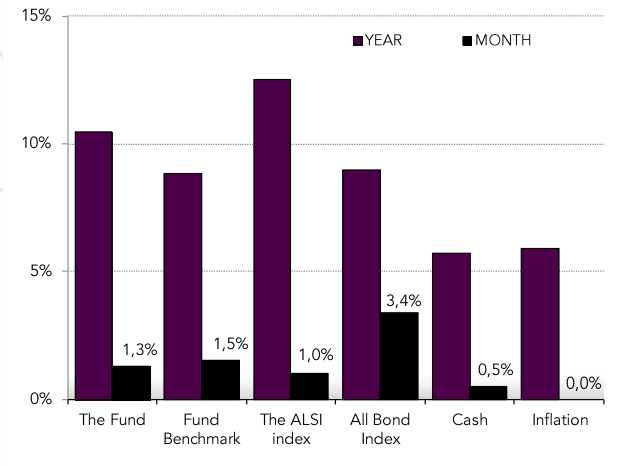
- Leonard Bernstein



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Market returns



Turning to the SA equity market, the All share index rose 1.0%. Once again the respective returns from the major indices were quite breathtaking. The financial and industrial indices rose 6.7% and 3.7% respectively on the month, while the basic materials index ended down 9.1%, bringing its three-month decline to 20.6%! Not to be outdone, the gold index declined 24.4% during October alone, bringing its *two-month decline* to no less than 37.5%! The mid and small cap indices ended the month 2.1% and 3.7% higher. The rand strengthened during the month post investors taking the view that South Africa’s new finance minister, Nhlanhla Nene’s budget lent towards fiscal austerity. Bond investors also took a positive view on the speech and piled into government bonds which lead to the All Bond index recording its biggest gain in over a year of 3.4% for the month.

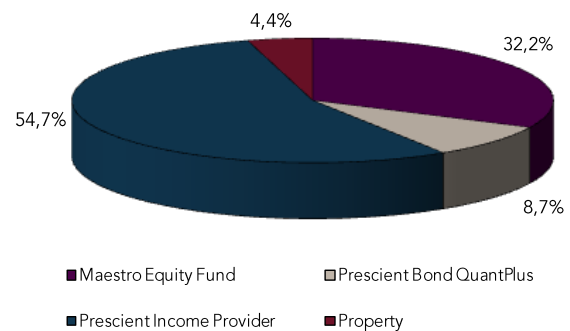
Monthly fund returns

During October the Maestro Cautious Fund’s NAV increased 1.3% versus 1.5% return of the Fund benchmark. The return on the [Maestro Equity Fund](#)

was 2.7% versus the 1.0% return of the All Share Index. The [Prescient Income Provider Fund](#) returned 0.4% against its benchmark of 0.5%. The [Prescient Bond QuantPlus Fund](#) returned 3.3% against its benchmark of 3.4 %.

The Maestro Cautious Fund does not invest into the [Central Park Global Balanced Fund](#).

Asset allocation



Largest Holdings

Investment	% of Fund
Prescient Flexible Income	8,3%
Pivotal Property Fund	4,4%
ABSA AB011 FRN Tier2 Bond	3,6%
Steinhoff	2,4%
Aspen	2,3%
MTN Group	2,3%
Nedbank FRN Non-demat 260	2,2%
Naspers	2,0%
RSA 10.50% R186 211226	1,8%
Sasol	1,8%
Total	31,2%

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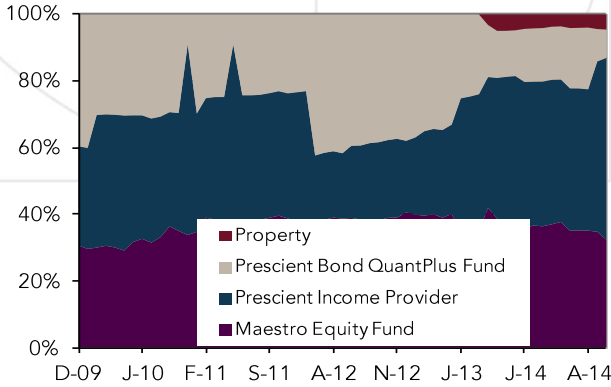
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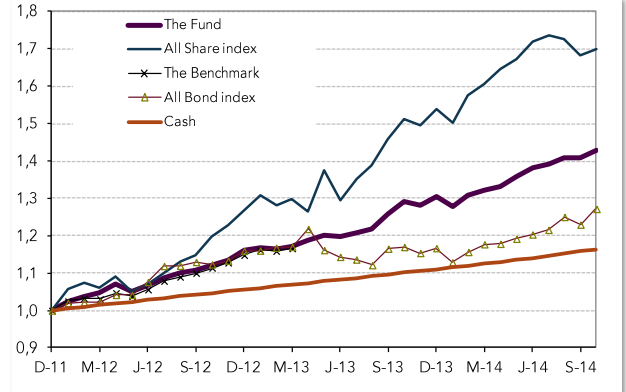
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Historic sector allocation



Historic performance



Monthly and annual average returns (%)

Investment	1 month	1 year	3 years
Maestro Cautious Fund	1.3	10.5	12.7
Maestro Cautious Fund Benchmark	1.5	8.8	10.6

Calendar year performance (%)

Investment	Year-to-date	2013	2012	2011	2010
Maestro Cautious Fund	9.2	12.6	16.1	2.9	12.8
Maestro Cautious Fund Benchmark	7.9	8.7	14.8	5.8	13.7

Units in linked insurance policies should be considered as medium to long-term investments. The value of units may go up as well as down and past performance is not necessarily a guide to future performance. Unit prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (Brokerage, Securities Transfer Tax, VAT, Auditor's fees, Bank Charges, Custodian fees and the annual Management fee) from the portfolio divided by the number of units in issue. Fluctuations or movements in exchange rates may cause the value of any underlying international investments to go up and down. Forward pricing is used. Maestro Investment Management (Pty) Limited and Prescient Life Limited are members of the Association for Savings and Investments of South Africa (ASISA).

