

Equities once again were the best performing asset class for the quarter, justifying our heavy weighting in equities over bonds and cash. Towards the end of 2005 markets were getting cautious given the bearish stance of the South African Reserve Bank and the expectation for interest rate hikes in early December or by latest February seemed to be weighing heavily on the investor mindset. However the spate of benign inflation data and the rampant strong rand has put paid to any interest rate hike fears and given the current trajectory of the rand I imagine most economists are now pencilling in interest rate cuts for 2006! This was the catalyst for the strong run up in equity markets and provided a decent boost to the bond market as well in the last quarter.

For the quarter the fund returned a commendable 6.9%. Although this was lower than the equity market's 7.7% return it was still an excellent return given that the fund had not been fully invested in equities. The take out of VenFin by Vodafone was the highlight of the quarter as the fund did have a large stake in VenFin. Indeed this corporate action was probably the major catalyst for the final charge in the equity markets in the second half of the quarter as foreigners once again looked to the SA market as a source of inexpensive equities.

The equity portion of the fund has remained focussed on the domestic equity sector given our concerns over the current point in the commodity cycle. We believe domestic economic conditions remain favourable and will do so for the foreseeable future. This should result in solid earnings growth for domestic companies which are currently on reasonable ratings. The massive rally in resource shares in the last quarter has just made the ratings look more expensive and as a result we see few resource shares as offering much value.

Bonds rallied on the back of the change in interest rate expectations and the strengthening rand. They look very expensive on most measures and as a result we have a bias towards shorter term cash-type instruments. Our investments in listed preference shares have done well during the period and provide a great tax-free return and have provided some capital return as well. The PSG preference shares were a great investment at low risk. While the ordinary shares of PSG are trading up over 160% this year the preference shares were being valued as if PSG was going to go out of business.

Looking to 2006 we are more cautious about equity returns. While they are still our favourite asset class the returns are likely to be much less spectacular than 2005. They should however still generate good returns on the back of strong earnings growth.

Neville Chester
Portfolio Manager

Fund category	Domestic Asset Allocation Flexible
Launch date	2 July 2001
Portfolio manager	Neville Chester
Fund size	R733.8 million
NAV	2565.00 cents
Annual management fee	1.25% (ex VAT)
Performance fee	20% (above hurdle, capped at 2.5% p.a.)

Benchmark	Composite Benchmark (65% equity, 25% bonds, 10% cash)
Performance fee hurdle	Composite Benchmark + 2%
Fund description	Invests across various South African asset classes, with a bias towards the equity market over the cycle with the aim of achieving real returns over the long term.

ASSET AND SECTOR ALLOCATION

Sector	31 Dec 2005	30 Sep 2005
Domestic Assets	100.00%	100.00%
Equity	86.19%	84.02%
Resources	11.28%	9.90%
Basic Industries	1.75%	1.48%
General Industrials	0.73%	1.12%
Cyclical Consumer Goods	2.97%	3.07%
Non Cyclical Consumer Goods	6.95%	7.43%
Cyclical Services	20.75%	19.38%
Non Cyclical Services	4.82%	5.95%
Financials	28.20%	27.06%
Information Technology	0.00%	0.12%
Specialist Securities	7.51%	7.98%
Futures	1.23%	0.53%
Listed Property	5.79%	5.98%
Fixed Interest	1.98%	2.90%
Cash	6.04%	7.10%
International Assets	0.00%	0.00%

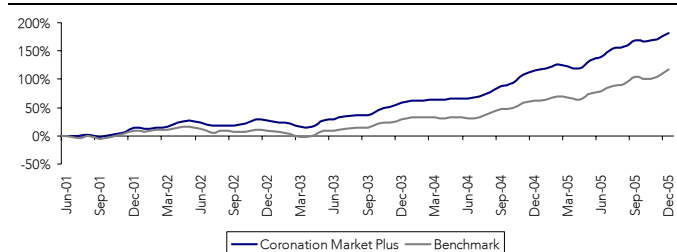
PERFORMANCE & RISK STATISTICS

	Fund	Benchmark
Latest 12 months	33.05%	33.69%
Latest 36 months (annualised)	31.20%	25.92%
Since inception (annualised)	26.35%	18.80%
Annual deviation since inception	11.54%	11.80%
Sharpe ratio	1.48	0.81
Maximum gain	36.32%	31.00%
Maximum drawdown	-9.98%	-10.44%
Positive months	72.22%	68.52%

TOP 10 SHARE HOLDINGS

As at 31 December 2005	% of Fund
Standard Bank Group Ltd	6.43%
Remgro Ltd	5.48%
Makalani Holdings Ltd	5.02%
Liberty International plc	4.87%
Naspers Ltd – N ordinary shares	4.05%
SABMiller plc	3.98%
Bidvest Group Ltd	3.50%
Telkom SA Ltd	3.48%
Woolworths Holdings	3.34%
Venfin Ltd	3.33%
Total	43.48%

CUMULATIVE PERFORMANCE SINCE INCEPTION



INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/09/2005	01/10/2005	38.96	28.47	10.49
31/03/2005	01/04/2005	0.29	0.12	0.17
30/09/2004	01/10/2004	21.62	13.22	8.40
31/03/2004	01/04/2004	23.81	13.53	10.28

ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2005	33.05%	33.69%	-0.64%
2004	35.91%	26.41%	9.50%
2003	24.90%	18.15%	6.75%
2002	11.40%	-0.37%	11.76%
2001	13.87%	9.15%	4.73%

PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Fund 2005	1.69%	3.26%	-1.11%	-1.82%	6.36%	2.30%	6.19%	1.55%	4.03%	-0.70%	1.95%	5.61%	33.05%
B'mark 2005	0.93%	3.32%	-1.66%	-2.28%	6.29%	2.72%	5.29%	1.44%	6.45%	-1.38%	2.07%	5.83%	33.69%
Fund 2004	1.86%	0.41%	1.21%	0.48%	0.71%	-0.06%	1.93%	4.83%	5.97%	2.83%	8.06%	3.18%	35.91%
B'mark 2004	2.79%	0.60%	-0.20%	-0.83%	0.31%	-0.70%	1.56%	5.92%	4.32%	1.52%	6.18%	2.52%	26.41%