

Listed property continued to perform very well, with the SA Listed Property Index returning 11.4% over the past quarter, bringing the return for the calendar year to 50%.

The past quarter was a tale of two halves, with prices declining significantly during November, and subsequently rebounding significantly during December. The spread between listed property yields and bonds remained largely unchanged over the quarter, with good property returns thus being driven by declining bond rates and continued strong distribution growth. The All Bond Index returned 5% over the past quarter, and 10.8% over the year.

The fund showed a return of 7.4% over the past quarter, bringing the return for the calendar year to 36.7%.

During the sell-off in November we increased the exposure to domestic listed property to around 80% (from 73% at the end of the previous quarter), as a large seller in the market provided an opportunity to purchase large lines at attractive prices. Exposure was increased to our core holdings such as Grayprop, Sycom and ApexHi A, as well as Capital into declining prices. The holding in Emira was sold out, and the holding in Martprop further reduced.

We continue to believe that the yield differentials between the top quality properties and more secondary properties are too low, and are thus concentrating the fund in which we believe are the top quality property companies, with the best long-term growth prospects. A good example would be Grayprop, who have spent significantly on refurbishing and expanding some of their prime shopping centres recently, and will now be able to reap the benefits of improved trading and cost reductions going forward.

On the other hand we still believe that many of the property companies are overvalued at current levels, and will thus continue to utilise the flexibility of the fund mandate, with 20% of the fund currently invested outside domestic listed property shares.

While Liberty International has not performed well over the past quarter due to the strengthening rand, we continue to believe that it is a very attractive investment within the fund, and have increased exposure to the maximum allowable amount during the quarter. We will be getting further clarity on REIT conversion in the UK budget in the new year, which could be a positive development for listed property in the UK. In the mean time the development pipeline of Liberty International is progressing on track, and we are expecting good results to be released by the company early in the new quarter.

With cash rates being very low it is a constant challenge to optimise returns on cash holdings within the fund, and to this effect we participated in the recent Growthpoint securitisation. We believe it is a high quality securitisation with very low risk due to the quality of the assets underlying the investment. We are also investigating investments in other debenture structures to improve cash returns.

**Edwin Schultz**  
Portfolio Manager

Fund category	Domestic Asset Allocation Flexible Property
Launch date	20 November 2000
Portfolio manager	Edwin Schultz
Fund size	R1.06 billion
NAV	2160.78 cents
Annual management fee	1.25% (ex VAT)

<b>Benchmark</b>	Flexible Property Funds Mean
<b>Fund description</b>	Invests in quality listed property assets with the aim to produce high income yields and long-term capital growth.

**ASSET AND SECTOR ALLOCATION**

Sector	31 Dec 2005	30 Sep 2005
<b>Domestic Assets</b>	<b>100.00%</b>	<b>100.00%</b>
Equity	2.83%	2.61%
Financials	2.42%	2.26%
Specialist Securities	0.41%	0.35%
Listed Property	90.16%	81.97%
Fixed Interest	2.56%	0.00%
Cash	4.45%	15.42%
<b>International Assets</b>	<b>0.00%</b>	<b>0.00%</b>

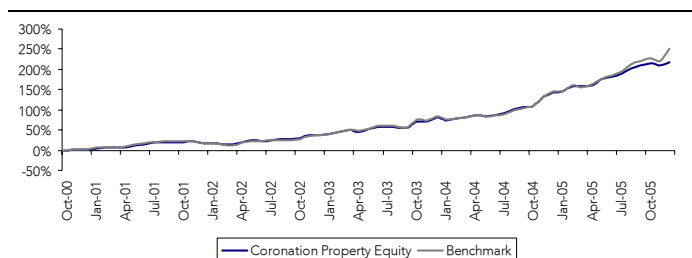
**PERFORMANCE & RISK STATISTICS**

	Fund	Benchmark
Latest 12 months	36.69%	42.07%
Latest 36 months (annualised)	33.99%	36.77%
Latest 60 months (annualised)	26.67%	27.76%
Since inception (annualised)	26.58%	27.05%
Annual deviation since inception	9.57%	10.87%
Sharpe ratio	1.74	1.65
Maximum gain	40.44%	33.80%
Maximum drawdown	-5.57%	-8.21%
Positive months	75.81%	70.97%

**TOP 10 SHARE HOLDINGS**

As at 31 December 2005	% of Fund
Allan Gray Property Trust Ltd	15.63%
Hyprop Investments Ltd	14.46%
Syfrets and CU Property Fund	10.84%
Apexhi "A"	10.83%
Liberty International plc	10.22%
Growthpoint Properties Ltd	9.24%
Resilient Property Income Fund	5.55%
Accucap Properties Ltd	5.17%
Makalani Holdings Ltd	2.42%
Martprop Property Fund	2.33%
<b>Total</b>	<b>86.69%</b>

**CUMULATIVE PERFORMANCE SINCE INCEPTION**



**INCOME DISTRIBUTIONS**

Declaration	Payment	Amount	Dividend	Interest
31/12/2005	01/01/2006	24.71	0.83	23.88
30/09/2005	01/10/2005	11.93	1.36	10.57
30/06/2005	01/07/2005	28.42	2.04	26.38
31/03/2005	01/04/2005	31.84	0.01	31.83

**ANNUAL RETURNS SINCE INCEPTION**

	Fund	Benchmark	Active Return
2005	36.69%	42.07%	-5.38%
2004	35.27%	35.00%	0.27%
2003	30.11%	33.39%	-3.29%
2002	17.91%	16.71%	1.20%
2001	14.99%	14.02%	0.97%
2000	2.20%	2.66%	-0.46%

**PERFORMANCE RETURNS**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Fund 2005	0.68%	5.25%	-0.06%	1.45%	5.22%	2.12%	2.66%	4.88%	2.41%	1.32%	-1.44%	7.53%	36.69%
B'mark 2005	-0.57%	6.08%	-1.17%	2.84%	4.48%	2.77%	3.39%	6.14%	2.61%	2.39%	-1.98%	9.20%	42.07%
Fund 2004	-3.64%	2.47%	1.24%	2.88%	-0.76%	0.86%	3.34%	4.81%	2.91%	1.45%	11.49%	4.23%	35.27%
B'mark 2004	-4.14%	1.66%	1.69%	2.82%	-0.97%	0.63%	2.39%	5.04%	2.91%	1.82%	11.65%	5.67%	35.00%