

The fund had a very good quarter, returning 13.0%. This brings the return for the calendar year to 29.2%. The annualised return over the past 3 years now stands at 30.1%, which is well above the performance target of inflation plus 6%.

Performance has been achieved within a very disciplined approach to risk management within the fund, as reflected by a low level of volatility over the return period. Fund risk has been lowered by amongst other strategies a low and flexible equity allocation, derivative based protection strategies in place, and share selection with emphasis on the downside characteristics of every investment.

The past quarter continued to be a good environment for the fund, with financial and industrial shares performing much better than resource shares. Resource shares were adversely affected by a strong rand, which appreciated by 11% against the dollar over the quarter. We have for some time now preferred the valuations of largely domestic stocks, while we believe resource stock are generally overvalued. This positioning combined with good stock selection has benefited the fund significantly.

The main contributors to good equity performance over the past year have been old favourites and top holdings such as Implats, Naspers, Remgro, Sasol, Richemont and SABMiller, as well as domestic stocks such as Woolworths, Standard Bank, Edgars and Primedia. We continue to emphasise a long-term approach as a key philosophy in the management of the fund, and this has evidenced itself in a low level of portfolio turnover in the equity component of the fund. We calculate that annual equity portfolio turnover has averaged 24% over the past year, implying broadly that equity positions are typically held for more than 4 years. There has been limited activity in the equity portion of the fund recently, apart from small recent purchases in the fund including increasing our Telkom position, where we believe that overly negative perceptions of the fixed line business, potential competition and litigation issues have created a buying opportunity. While we recognise these to be important issues, we believe the share price has more than discounted these issues, and the valuation is attractive on a single digit p/e and expected dividend yield approaching cash return levels.

We also bought the JSE which is a recent listing and we believe an attractive opportunity. Exchanges globally are premium businesses as they are generally monopolies, strongly cash-generative and have great opportunities to grow revenue as markets rise over time, and new products and services are added. Even after significant price appreciation the JSE valuation still looks very attractive when compared with the global peer group.

Significant recent sales include MTN which we believe has become fully priced given the risk inherent in the investment.

We will continue to hedge a portion of the equity portfolio against price declines, and currently have 20% hedged not too far from current market levels.

The fund did very well from its investment in listed property, which returned 19% over the past quarter. While we believe the sector has become fully priced on aggregate, fundamentals for property distribution growth remain strong, and there are selective opportunities. One such opportunity is Acucap where we increased our position in a recent capital raising exercise. The company has a predominantly retail based exposure, with two large regional malls in Krugersdorp and Kempton Park. We believe they have an excellent management team, and the prospect to show good distribution growth through an economic cycle.

We have generally maintained a very low bond exposure throughout the year. Bonds returned a lacklustre 5.5% for the year, well below the cash return of 7.9%. We have managed to add value in the bond portfolio through trading the volatile environment in the past few months, but remain convinced that bonds are significantly overvalued.

The international component of the fund performed well over the year, on the back of a weak currency (9.4% depreciation against the dollar for the year), and a good performance from offshore managers. We aim to retain maximum offshore exposure going forward, and believe it continues to play an important part in reducing the risk profile of the overall fund.

The fund has performed very well over the past few years, but we must caution that it has generally been in a good market environment. Equity markets have shown great returns in each of the past four years, and listed property in the last eight. We remain confident in our investment philosophy, risk management and positioning of the fund to achieve our return objectives over time, but the level of returns achieved in the past three to four years are very unlikely to be repeated.

Edwin Schultz and Gavin Joubert
Portfolio Managers

Fund category	Domestic Asset Allocation Flexible
Launch date	2 December 2002
Portfolio manager	Edwin Schultz & Gavin Joubert
Fund size	R1.8 billion
NAV	2627.92 cents
Annual management fee	1.25% (ex VAT)
Performance fee	20% ex VAT (above hurdle, capped at 2.5% p.a.)

Benchmark	CPIX
Performance fee hurdle	CPIX + 6%
Fund description	Aims to maintain a real growth rate of 6% per annum, and preserve capital over any rolling 36-month period.

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2006
Domestic Assets	83.82%
Equity	63.74%
Oil & Gas	4.75%
Basic Materials	7.81%
Industrials	3.13%
Consumer Goods	9.71%
Healthcare	4.95%
Consumer Services	28.34%
Telecommunications	4.61%
Financials	6.18%
Derivatives	(5.74%)
Real Estate	4.62%
Fixed Interest	2.08%
Cash	13.38%
International Assets	16.18%
Equity	12.89%
Fixed Interest	1.73%
Cash	1.56%

TOP 10 HOLDINGS

As at 31 December 2006	% of Fund
Woolworths Ltd	5.79%
Naspers Ltd – N ordinary shares	5.40%
Network Healthcare Holdings Ltd	4.95%
Impala Platinum Holdings Ltd	4.85%
Sasol Ltd	4.75%
Telkom SA Ltd	4.61%
Standard Bank Group Ltd	3.52%
Richemont Securities AG	3.33%
Remgro Ltd	3.13%
Edinburgh Partners Euro Fund	2.86%
Total	43.19%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/09/2006	01/10/2006	37.01	28.30	8.71
31/03/2006	01/04/2006	37.06	26.03	11.03
30/09/2005	01/10/2005	30.13	19.88	10.25
31/03/2005	01/04/2005	0.00	0.00	0.00

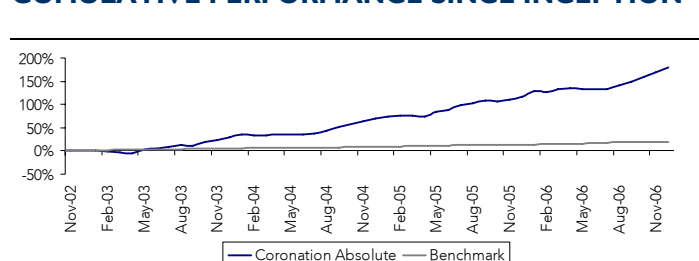
MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2006	4.95%	-0.12%	2.28%	1.00%	-0.84%	-0.11%	0.26%	3.10%	3.11%	4.55%	4.04%	3.88%
B'mark 2006	0.73%	0.22%	0.43%	0.43%	0.57%	0.50%	1.07%	0.49%	0.28%	0.14%	-0.07%	0.30%
Fund 2005	2.01%	2.04%	-0.69%	-0.78%	5.58%	2.01%	5.60%	2.16%	2.70%	-0.40%	2.22%	4.43%
B'mark 2005	0.46%	0.08%	1.06%	0.52%	0.22%	-0.22%	1.04%	0.37%	0.22%	0.22%	-0.07%	0.07%

PERFORMANCE AND RISK STATISTICS

	Fund	Benchmark
Year to date	29.17%	5.22%
Latest 12 months	29.17%	5.22%
Latest 36 months (annualised)	30.11%	4.51%
Since inception (annualised)	29.28%	4.34%
Annual deviation since inception	8.63%	1.29%
Sharpe ratio	2.33	N/A
Maximum gain	31.34%	N/A
Maximum drawdown	-5.23%	N/A
Positive months	71.43%	N/A

CUMULATIVE PERFORMANCE SINCE INCEPTION



ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2005	30.13%	4.03%	26.09%
2004	30.91%	4.29%	26.62%
2003	28.65%	4.05%	24.60%
2002	0.83%	0.17%	0.66%