

Domestic listed property performed very strongly over the quarter, posting a return of 19.0%. This brings the return for the sector to 28.4% for the year. The performance for the quarter was on the back of stronger bond rates, with the All Bond Index returning 5.6%, but also continued strong distribution growth from the listed property companies.

The fund returned 16.8% over the quarter, which brings the return for the year to 28.4%, which interestingly is exactly in line with the return of the sector. Given that we consistently ran the fund at a less than fully invested position, this implies that returns were predominantly driven by good tactical asset allocation and good share selection over the past year.

The fund also benefited from the position in Liberty International, which returned 6.9% for the quarter, and a whopping 83.3% for the year. Given that the rand depreciated by around 20% against sterling over the past year, the major part of this return was driven by a re-rating in sterling terms. Given the introduction of REIT legislation in the UK budget this year, and Liberty's intention to convert to a REIT structure, there have been large institutional capital flows into UK property in the past year. We believe that the share price in pence is overvalued at the current 1400p level, and have subsequently reduced exposure in the fund from a maximum permissible level of 10% to around 3% currently. Given the important diversification benefits within the fund we are hesitant to sell the position out completely, but will do so at the right price.

Going forward we believe that listed property on aggregate has become fully valued again. On aggregate we are expecting an annualised return around 8% over the next three years for the sector, which is in line with or below the expected return on cash. This is based on an assumption of fair value around 9.1% for RSA long bond rates, which is still around 140bp above current bond rate levels. This figure however hides large divergence between the individual expected returns on the various property stocks. We believe that there are still some good opportunities in the market, and continue to believe that stock picking will be very important in the next year or two. One opportunity we believe is Accupac, where we have increased exposure during a capital raising exercise over the past quarter.

We are however reducing exposure to stocks we believe are overvalued and of poorer quality, and thus again raising liquidity levels in the fund. The average property stock is now trading at a clean forward yield around 8%, and premium to NAV of around 30%. Fundamentals for the sector remain good. Growth expectations for the sector have again increased to 12.3% and 10.4% for the next two years respectively. Importantly though, given our interest rate expectations, we do not see a material negative change to medium term fundamentals for the sector.

We are sticking to our view of positioning the fund in the quality counters with more robust rental streams through the cycle. Despite the anticipated recovery in the office sector, our preference is still for retail. Our view (and international experience has borne this out) is that big regional malls are both more defensive and provide better rental growth over the long term compared to the office and industrial sectors.

Major transactions during the quarter include selling out of Redefine, SA Corporate Real Estate and Apexhi "C" units, and reducing our exposure to Growthpoint and Liberty International.

In summary we see reasonable opportunities within listed property currently, and believe that a focus on quality will pay off in the long term. We believe stock-picking in the fund will become increasingly important, and will continue to use the asset allocation flexibility mandated within the fund.

Edwin Schultz
Portfolio Manager

Fund category	Domestic Asset Allocation Flexible Property
Launch date	20 November 2000
Portfolio manager	Edwin Schultz
Fund size	R1 billion
NAV	2631.91 cents
Annual management fee	1.25% (ex VAT)

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

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2006
Domestic Assets	100.00%
Preference Shares & Other Securities	2.37%
Real Estate	88.60%
Cash	9.03%
International Assets	0.00%

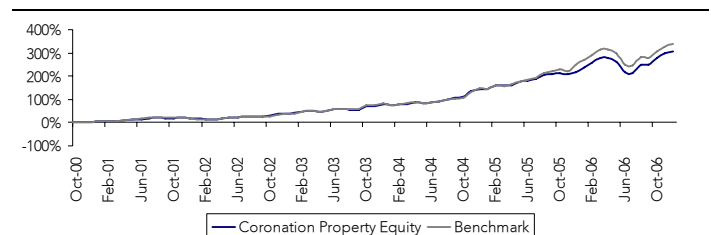
PERFORMANCE AND RISK STATISTICS

	Fund	Benchmark
Year to date	28.41%	25.01%
Latest 12 months	28.41%	25.01%
Latest 36 months (annualised)	33.46%	33.26%
Latest 60 months (annualised)	29.54%	28.33%
Since inception (annualised)	26.89%	26.52%
Annual deviation since inception	12.14%	13.04%
Sharpe ratio	1.38	1.32
Maximum gain	40.44%	33.80%
Maximum drawdown	-16.66%	-17.09%
Positive months	74.32%	68.92%

TOP 10 HOLDINGS

As at 31 December 2006	% of Fund
Hyprop Investments Ltd	17.06%
Allan Gray Property Trust Ltd	16.88%
Growthpoint Properties Ltd	12.53%
Apexhi "A"	10.70%
Syfrets and CU Property Fund	9.68%
Resilient Property Income Fund	6.59%
Accucap Properties Ltd	6.14%
Liberty International Plc	3.23%
Hospitality Property Fund	3.06%
Foord Compass Debentures	2.37%
Total	88.24%

CUMULATIVE PERFORMANCE SINCE INCEPTION



INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/12/2006	01/01/2007	36.97	-	36.97
30/09/2006	01/10/2006	38.62	-	38.62
30/06/2006	01/07/2006	29.13	2.59	26.54
31/03/2006	01/04/2006	26.93	5.12	21.81

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%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2006	5.73%	5.98%	6.20%	-0.22%	-4.15%	-12.36%	-0.57%	10.64%	0.18%	8.27%	5.16%	2.59%
B'mark 2006	5.51%	6.07%	6.10%	-0.14%	-4.14%	-12.24%	-1.31%	11.06%	-1.37%	7.37%	5.05%	2.91%
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%
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%