

The fund generated returns of 38.6% and 42.8% over the 1 and 3-year time periods to end December 2006. This can be compared against the FTSE/JSE Africa Top 40 benchmark returns of 40.9% and 37.1% respectively. Whilst the returns from the fund were slightly behind that of the benchmark in 2006, the fund has significantly outperformed the ALSI40 Index over all meaningful time periods, with annualised outperformance of 8.8% since inception of the fund in September 2000 and annualised outperformance of 6.1% over the past 5 years.

The last few months of the year saw significant price appreciation from the financial and industrial area of the market, in particular the banks and retailers, after these same sectors were aggressively sold by short-term focused investors in the May-June period. The fund benefited from these recent price movements, having large holdings in both the banks (Standard Bank, FirstRand and ABSA) and retailers (Woolworths and Edcon).

Whilst the fund held no Edcon in the earlier part of the year we were aggressive buyers in the May-June period when the share price declined by 30%, to the point where Edcon was a 7% position in the fund. At that time we were asked repeatedly as to why we were buying Edcon when the rand was depreciating, interest rates were rising, the consumer was slowing down, bad debts were rising and operating margins and ROEs of Edcon were at all time highs. Our response was simply that we were investing in Edcon taking a 5-10 year view of the business and not a 6-month view and on this basis Edcon was trading substantially below what we believed the business was worth. It sounds very simple, but it is far harder to actually stick to this approach in practice when there is negative news flow every day and the share price continues to decline. Human behaviour in the stock market is often irrational in the face of adversity and this provides opportunities for investors with a long-term time horizon and who are able to separate emotion from the facts. Whilst we had considered the advent of a private equity buyer for Edcon, this was certainly not a core part of our investment case: we were simply buying (after performing detailed research and sensitivity analysis) what we believed was an undervalued asset. In early October an announcement was made by the company that they had been approached by a consortium of private equity investors to take the company private. The share price rose by 15% on that news and has continued to increase subsequent to that. We have recently started reducing the fund's Edcon position as the share gets closer to what we believe is fair value for the business.

Although we added to a few of the fund's larger positions during the past few months (Sasol, Netcare and Telkom in particular) we were more active on the selling side, and in addition to reducing the fund's Edcon position we also sold out of MTN completely (after a 50% appreciation in the share price in the space of a few months) and reduced the fund's banking positions. The only significant recent new purchase was that of Exxaro Resources after Kumba was split into two companies: the one being Kumba Iron Ore, which holds the group's iron ore assets and the other being Exxaro, which holds coal assets as well as heavy minerals assets and part of the iron ore assets. As is the case with all of the fund's holdings, we bought Exxaro because we believe the valuation is attractive, using our estimates of normalised prices for the various commodities within the company's portfolio and the rand/dollar exchange rate.

The new year has seen a continuation of the rise in the SA equity market and whilst we believe that equities are still more attractive than bonds or cash, and that all of the fund's holdings are still undervalued, we are once again struggling to find new investment opportunities. As a result the cash levels have increased slightly to 6% of the fund and may well increase further if the market continues to increase. As always, we prefer to wait patiently for new opportunities to arise rather than commit capital to unattractively valued equities.

**Hugo Nelson and Gavin Joubert**  
Portfolio Managers

|                       |   |
|-----------------------|---|
| Fund category         | Domestic Equity Large Cap                         |
| Launch date           | 1 October 2000                                    |
| Portfolio manager     | Hugo Nelson and Gavin Joubert                     |
| Fund size             | R1.4 billion                                      |
| NAV                   | 4966.97 cents                                     |
| Annual management fee | 1.00% (ex VAT)                                    |
| Performance fee       | 20% ex VAT (above benchmark, capped at 2.5% p.a.) |

|                         |  |
|-------------------------|--|
| <b>Benchmark</b>        | FTSE/JSE Africa Top 40 Index   |
| <b>Fund description</b> | Aims to outperform the FTSE/JSE Top 40 Index, is actively managed and will typically hold no more than 20 large cap stocks at any point in time. |

### EFFECTIVE ASSET ALLOCATION EXPOSURE

| Sector                      | 31 Dec 2006    |
|-----------------------------|----------------|
| <b>Domestic Assets</b>      | <b>100.00%</b> |
| <b>Equity</b>               | <b>96.33%</b>  |
| Oil & Gas                   | 9.21%          |
| Basic Materials             | 17.79%         |
| Industrials                 | 6.16%          |
| Consumer Goods              | 10.65%         |
| Healthcare                  | 7.49%          |
| Consumer Services           | 25.52%         |
| Telecommunications          | 7.16%          |
| Financials                  | 12.35%         |
| <b>Cash</b>                 | <b>3.67%</b>   |
| <b>International Assets</b> | <b>0.00%</b>   |

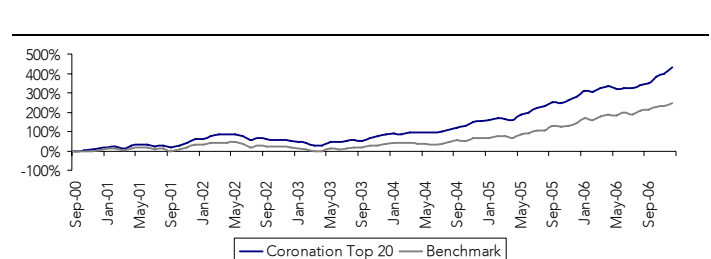
### PERFORMANCE AND RISK STATISTICS

|                                  | Fund    | Benchmark |
|----------------------------------|---------|-----------|
| Year to date                     | 38.61%  | 40.90%    |
| Latest 12 months                 | 38.61%  | 40.90%    |
| Latest 36 months (annualised)    | 42.77%  | 37.13%    |
| Latest 60 months (annualised)    | 27.28%  | 21.15%    |
| Since inception (annualised)     | 30.81%  | 22.00%    |
| Annual deviation since inception | 18.45%  | 20.23%    |
| Sharpe ratio                     | 1.14    | 0.60      |
| Maximum gain                     | 38.58%  | 37.20%    |
| Maximum drawdown                 | -22.28% | -21.54%   |
| Positive months                  | 66.67%  | 61.33%    |

### TOP 10 HOLDINGS

| As at 31 December 2006          | % of Fund     |
|---------------------------------|---------------|
| Naspers Ltd—N ordinary shares   | 11.95%        |
| Woolworths Ltd                  | 10.31%        |
| Impala Platinum Holdings Ltd    | 9.72%         |
| Sasol Ltd                       | 9.21%         |
| Network Healthcare Holdings Ltd | 7.49%         |
| Telkom SA Ltd                   | 7.16%         |
| Standard Bank Group             | 6.75%         |
| Richemont Securities AG         | 6.19%         |
| Remgro Ltd                      | 6.16%         |
| SABMiller Plc                   | 4.46%         |
| <b>Total</b>                    | <b>79.40%</b> |

### CUMULATIVE PERFORMANCE SINCE INCEPTION



### INCOME DISTRIBUTIONS

| Declaration | Payment    | Amount | Dividend | Interest |
|-------------|------------|--------|----------|----------|
| 30/09/2006  | 01/10/2006 | 99.38  | 95.65    | 3.73     |
| 31/03/2006  | 01/04/2006 | 39.28  | 32.49    | 6.79     |
| 30/09/2005  | 01/10/2005 | 74.38  | 67.95    | 6.43     |
| 31/03/2005  | 01/04/2005 | 0.00   | 0.00     | 0.00     |

### ANNUAL RETURNS SINCE INCEPTION

|      | Fund   | Benchmark | Active Return |
|------|--------|-----------|---------------|
| 2005 | 50.87% | 48.24%    | 2.64%         |
| 2004 | 38.94% | 23.48%    | 15.47%        |
| 2003 | 20.28% | 13.31%    | 6.98%         |
| 2002 | -4.59% | -10.69%   | 6.10%         |
| 2001 | 41.80% | 30.08%    | 11.72%        |
| 2000 | 13.23% | 2.10%     | 11.13%        |

### MONTHLY PERFORMANCE RETURNS

|             | Jan   | Feb    | Mar    | Apr    | May    | Jun   | Jul    | Aug   | Sep    | Oct    | Nov   | Dec   |
|-------------|-------|--------|--------|--------|--------|-------|--------|-------|--------|--------|-------|-------|
| Fund 2006   | 7.32% | -1.85% | 4.99%  | 2.85%  | -3.46% | 1.27% | -0.31% | 3.44% | 2.61%  | 6.84%  | 3.65% | 6.38% |
| B'mark 2006 | 8.93% | -4.14% | 7.42%  | 4.55%  | -2.17% | 4.79% | -1.92% | 5.38% | 2.42%  | 4.16%  | 2.20% | 4.01% |
| Fund 2005   | 1.15% | 3.72%  | -1.43% | -1.74% | 10.08% | 3.36% | 8.98%  | 2.69% | 5.57%  | -1.40% | 5.00% | 6.69% |
| B'mark 2005 | 1.33% | 5.86%  | -0.44% | -5.83% | 10.55% | 2.99% | 6.90%  | 1.90% | 10.63% | -2.47% | 1.94% | 8.06% |