

.....Dance anyone?

"Once a price history develops, and people hear that their neighbour made a lot of money on something, that impulse takes over"; and we're seeing that in commodities and housing...Orgies tend to be wildest toward the end. It's like being Cinderella at the ball. You know that at midnight everything's going to turn back to pumpkins & mice. But you look around and say, 'one more dance,' and so does everyone else. The party does get to be more fun -- and besides, there are no clocks on the wall. And then suddenly the clock strikes 12, and everything turns back to pumpkins and mice." Warren Buffett

We are still breathing although fairly breathless after the last quarter. The fund returned 15.6% for the quarter against the 21.3% of the FTSE/JSE Resource 20 Index and the 15.1% of the Equity Resources and Basic Industries Index. Massive volatility was the hallmark of the quarter as the recent risk loving (greedy) behaviour of global investors briefly gave way to some healthy fear. Central bankers played a key role in all of this as lending rates increased across the globe to combat the spectre of inflation. As a result, emerging market assets were liquidated – currencies, bonds, equities.

This process saw the rand weaken by 16.7% to levels last seen in September 2003. The rand started the quarter at R/\$ 6.12 to end at R/\$ 7.15, touching 5.99 and 7.41 along the way! Initially our portfolio benefited from the headwinds experienced by the sector as we were more defensively positioned. Once the currency started to weaken however the more marginal single commodity producing assets – the kind we do not own - outperformed the quality wide margin assets and so we ended the quarter behind the benchmark (having been ahead in the middle of June).

This quarter saw us take a significant strategic decision to diversify away from resources shares listed on the JSE exclusively. The key motivation being the unattractive valuation levels of many counters and the concentration of the sector (all translating into limited opportunity in an overvalued market). Conversely we saw many opportunities in foreign listed commodity producers due to these assets either being of superior quality or offering attractive valuations, or both! We thus bought dollars at an average rate of R/\$ 6.37 and invested in six foreign listed resources and basic material stocks. These assets currently comprise 14% of the assets in the fund.

The best performer for the period was Amplats, up 35% given its gearing to the currency. In contrast, Impala returned 13.3% as investors panicked about near term earnings growth. We remain of the view that wide margin assets are the best to own through the cycle. They do not dilute us as shareholders by issuing shares to fund their existence, they gain market share from competitors in poor pricing environments and they generate enough cash to fund their growth! Impala is a classic example of such a company – having already paid out R65 in dividends this year. They are finalising a BEE deal which at current prices will erode 1.5% of shareholder value, well within the 3% impact most listed companies are achieving. The cash raised by the deal of just over R3 billion will be paid out in another special dividend (R46/share) or used to buy back shares were they to be cheap enough.

Investors in the JSE resources index have had a fantastic run. From January this year the total return (including dividends) is 29.5%, over a 1 year period 68.42%, and an average of 43.9% over the last three years. While we will enjoy the party while it lasts, we remind investors that resources are inherently cyclical and we are expecting the clock to strike 12 at any time. We remain more defensively positioned and will decline the "one for the road" being offered to us.

Hugo Nelson & Henk Groenewald
Portfolio Managers

Fund category	Domestic Equity Resources & Basic Industries
Launch date	1 October 1999
Portfolio manager	Hugo Nelson & Henk Groenewald
Fund size	R82.7 million
NAV	5280.36 cents
Annual management fee	1.00% (ex VAT)

Benchmark Fund description

Resources & Basic Industries Sector Mean
Invests in a broad range of resource and basic industry counters that are affected by changes in the commodity cycle.

ASSET AND SECTOR ALLOCATION

Sector	30 Jun 2006
Domestic Assets	86.00%
Equity	79.30%
Oil & Gas	14.15%
Basic Materials	62.62%
Industrials	1.99%
Consumer Services	0.54%
Cash	6.70%
International Assets	14.00%
Equity	12.65%
Cash	1.35%

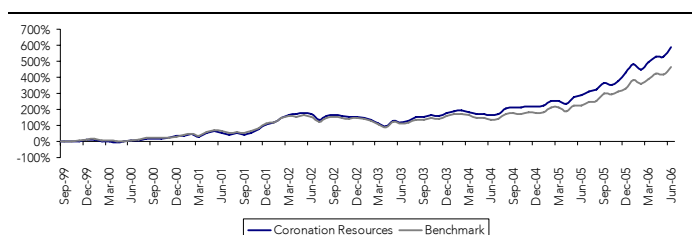
PERFORMANCE AND RISK STATISTICS

	Fund	Benchmark
Year to date	29.51%	30.55%
Latest 12 months	68.42%	74.00%
Latest 36 months (annualised)	43.88%	39.37%
Latest 60 months (annualised)	33.63%	29.40%
Since inception (annualised)	32.12%	30.63%
Annual deviation since inception	23.55%	22.96%
Sharpe ratio	0.93	0.89
Maximum gain	93.37%	75.65%
Maximum drawdown	-23.81%	-23.54%
Positive months	62.96%	60.49%

TOP 10 HOLDINGS

As at 30 June 2006	% of Fund
Sasol Ltd	14.15%
Anglo American Plc	11.80%
Impala Platinum Holdings Ltd	11.63%
BHP Billiton Plc	10.17%
Mittal Steel SA	7.55%
Omnia Holdings	4.21%
Anglogold Ltd	3.85%
Norilsk Nickel AD	3.58%
Petrolio Brasileiro S.A.A.	3.20%
Cia Vale Do Rio Doce ADR	3.15%
Total	73.29%

CUMULATIVE PERFORMANCE SINCE INCEPTION



INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/03/2006	01/04/2006	169.56	160.77	8.79
30/09/2005	01/10/2005	43.09	37.01	6.08
31/03/2005	01/04/2005	38.06	30.33	7.73
30/09/2004	01/10/2004	30.39	24.57	5.82

ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2005	60.04%	55.63%	4.40%
2004	13.37%	6.94%	6.42%
2003	9.23%	6.09%	3.14%
2002	23.18%	16.02%	7.16%
2001	55.61%	70.68%	-15.07%
2000	20.09%	17.94%	2.15%
1999	10.92%	12.76%	-1.84%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fund 2006	10.32%	-5.97%	8.00%	6.12%	-0.09%	9.03%						
B'mark 2006	11.33%	-4.83%	7.03%	6.36%	-0.42%	8.70%						
Fund 2005	3.00%	8.37%	0.67%	-5.79%	12.94%	2.93%	6.16%	1.88%	10.92%	-3.04%	5.56%	5.91%
B'mark 2005	2.39%	9.27%	-0.16%	-6.31%	10.93%	0.58%	6.69%	2.37%	13.30%	-2.24%	4.56%	5.37%