

The fund returned 6.6% over the past quarter, bringing the return for the year to date to 14.3%, and thus well on track to achieving our desired level of return for the year. The return for the past year now stands at 21.5% and for the past 3 years 31.4% per annum, which is well above the targeted return for the fund. This is despite maintaining low risk levels and a low level of volatility within the fund.

The past quarter was a good environment for the fund, with resource shares largely flat over the period, while financial and industrial shares returned around 12%. We still believe that this is where the best value is to be found in the market, and have positioned the fund as such. The equity component of the fund subsequently performed very well over the quarter. We have continued to increase equity exposure to what we believe are attractive opportunities in the market currently. Interest rate expectations have swung in a very short space from being too bullish in our opinion, to being too bearish. The FRA curve is now discounting a further three 50 bp increases in interest rates in the next 12 months, and many commentators are expecting as much as 3% to 4% further hikes in interest rates. We believe these expectations are too bearish and creating opportunities in many interest rate sensitive stocks for patient investors with a long time horizon. As such we have increased exposure further to stocks like Edcon and FirstRand. Effective equity exposure within the fund now stands at 68%.

One of our larger purchases during the year to date has been MTN. The share was oversold on emerging market and political risk concerns, allowing us to establish this position at close to R50 per share. The share has gained 30% from these levels, resulting in an attractive contribution to fund performance. We recognise that there are risks in the share, and have started reducing exposure on the back of the strong price performance over a short period.

We also built a substantial position in Netcare over the quarter, which now stands at 4% of fund weighting. The attraction in the share lies predominantly in the GHG acquisition in the UK, which has created significant opportunity for the group going forward. With this transaction Netcare has established a significant share of the private healthcare market in the UK (estimated 25% of beds).

There are a number of positive dynamics in this market which we believe will drive growth going forward. The UK population is ageing, and obviously healthcare spend increases with increasing age. In addition the NHS is undergoing significant changes which will result in more business for the private sector. The government has announced that from 2008 the NHS will become a large purchaser of procedures from the private sector, and Netcare is well placed to benefit from this trend. In addition we believe there are huge rationalisation opportunities in the acquisition, which will include leveraging up low occupancies in the UK, centralisation of administration costs and procurement. A senior management team including Richard Friedland will be moving to the UK to oversee this process.

The transaction is highly leveraged, which in the event of successful operations will result in rapid de-leveraging and resultant strong profit growth, especially given the strong cashflow generation typical from hospital groups. Netcare are no strangers to debt, and were in a similar position locally with the acquisition of the Clinics group a few years ago. Risk is reduced by the fact that the UK debt raised for the transaction is totally ring-fenced in the UK (no recourse to SA operations).

During the quarter we slightly reduced positions in SAB, Remgro and Telkom on the back of very strong price performances as a risk management exercise. These shares remain large weightings in the portfolio, which we believe have good prospects. We also retain hedging of 20% of the equity portion within the fund, which at a reasonable cost protects this portion of the fund from significant downside in equity prices.

The bond allocation within the fund, although small, performed well over the quarter, as heightened volatility provided good trading opportunities. We continue to believe that fair value for RSA long bonds is closer to 9.1%, and as such our bond trading will remain a disciplined process centred on this fair value. Our preference still remains for listed property at current prices.

The international portion of the portfolio performed well over the quarter on the back of a weaker currency (7.6% depreciation against the US\$). We will retain our maximum 15% foreign weighting going forward.

We believe that the fund is well positioned to continue producing attractive returns with a low level of risk. This is largely as we see attractive opportunities in domestic stocks where we have increased weightings, but have kept material hedging levels in place given the capital protection objectives of the fund.

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	R1.5 billion
NAV	2362.91 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	30 Sep 2006
Domestic Assets	81.79%
Equity	62.84%
Oil & Gas	4.71%
Basic Materials	7.62%
Industrials	0.90%
Consumer Goods	11.76%
Healthcare	4.03%
Consumer Services	27.14%
Telecommunications	5.41%
Financials	10.29%
Derivatives	(9.02%)
Preference Shares & Other Securities	0.31%
Real Estate	4.42%
Fixed Interest	2.43%
Cash	11.79%
International Assets	18.21%
Equity	14.00%
Fixed Interest	2.24%
Cash	1.97%

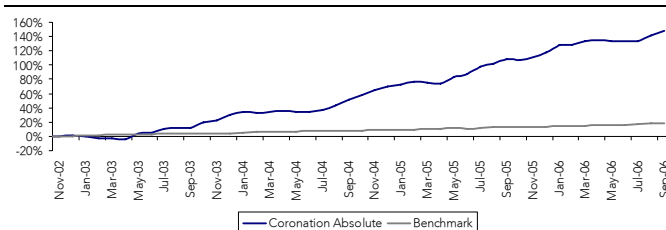
PERFORMANCE AND RISK STATISTICS

	Fund	Benchmark
Year to date	14.32%	4.74%
Latest 12 months	21.55%	4.97%
Latest 36 months (annualised)	31.33%	4.46%
Since inception (annualised)	27.34%	4.51%
Annual deviation since inception	8.73%	1.31%
Sharpe ratio	2.08	N/A
Maximum gain	31.34%	N/A
Maximum drawdown	-5.23%	N/A
Positive months	69.57%	N/A

TOP 10 HOLDINGS

As at 30 September 2006	% of Fund
Naspers Ltd – N ordinary shares	5.28%
Woolworths Ltd	5.21%
Standard Bank Group Ltd	4.82%
Sasol Ltd	4.71%
Richemont Securities AG	4.70%
Impala Platinum Holdings Ltd	4.24%
Network Healthcare Holdings Ltd	4.04%
Telkom SA Ltd	3.77%
Remgro Ltd	3.35%
Edinburgh Partners Euro Fund	3.32%
Total	43.44%

CUMULATIVE PERFORMANCE SINCE INCEPTION



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

ANNUAL RETURNS SINCE INCEPTION

	Fund	CPIX	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%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fund 2006	4.95%	-0.12%	2.28%	1.00%	-0.84%	-0.11%	0.26%	3.10%	3.11%			
B'mark 2006	0.73%	0.22%	0.43%	0.43%	0.57%	0.50%	1.07%	0.49%	0.20%			
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%