

The fund returned 5.4% over the past quarter, bringing the return for the year to date to 11.9%, and thus well on track to achieving our desired level of return for the year. The return for the past year now stands at 18.1% and for the past 5 years 19.0% 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 continued to position the fund as such. The equity component of the fund 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 and who do not value businesses on the next 6 months earnings expectations, but on the long run prospects for the business. As such we have increased exposure further to stocks like Edcon and FirstRand. Effective equity exposure within the fund now stands at 48%.

We built a substantial position in Netcare over the quarter, which now stands at 3% of the 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 weightings in Implats and Remgro as a risk management exercise. 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.

We also see good opportunities in the listed property market, and have increased our weight to the current 7%. Property performed well over the quarter and added to overall performance. We retain our preference for property shares with quality properties and a retail focus, and as such our major purchases were Grayprop and Acucap. We also added to our position in ApexHi A, which is attractive in an absolute fund given its more defensive nature (protected by the income from the B shares) yet trading at an attractive yield.

The bond allocation within the fund performed well over the quarter, as heightened volatility provided good trading opportunities. We were net sellers of bonds over the quarter. 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 \$). We will retain our maximum 15% foreign weighting going forward.

We believe that the fund is well positioned with a balanced asset allocation currently. Cash levels have decreased significantly from levels close to 40% since the first quarter of this year as listed property, bond and inflation linked bond positions have been increased in the fund. In addition 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 Targeted Absolute and Real Return
Launch date	2 July 2001
Portfolio manager	Edwin Schultz and Gavin Joubert
Fund size	R2.5 billion
NAV	2040.17 cents
Annual management fee	1.25% (ex VAT)
Performance fee	10% ex VAT (above hurdle, capped at 1.5% p.a.)

Benchmark	CPIX
Performance fee hurdle	CPIX + 4%
Fund description	Focused on the preservation of capital over all rolling 12-month periods. Over the medium term, the objective is to produce real growth of at least 4% per annum.

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Sep 2006
<b>Domestic Assets</b>	<b>84.37%</b>
<b>Equity</b>	<b>45.12%</b>
Oil & Gas	3.59%
Basic Materials	5.25%
Industrials	0.78%
Consumer Goods	8.01%
Healthcare	2.94%
Consumer Services	16.91%
Telecommunications	4.26%
Financials	12.10%
Derivatives	(8.72%)
<b>Preference Shares &amp; Other Securities</b>	<b>3.08%</b>
<b>Real Estate</b>	<b>7.39%</b>
<b>Fixed Interest</b>	<b>12.98%</b>
<b>Cash</b>	<b>15.80%</b>
<b>International Assets</b>	<b>15.63%</b>
<b>Equity</b>	<b>12.16%</b>
<b>Fixed Interest</b>	<b>1.25%</b>
<b>Cash</b>	<b>2.22%</b>

### TOP 10 HOLDINGS

As at 30 September 2006	% of Fund
Coronation Global Equity Fund of Funds	7.12%
Naspers Ltd – N ordinary shares	3.89%
Standard Bank Group Ltd	3.82%
Sasol Ltd	3.59%
Remgro Ltd	3.32%
Impala Platinum Holdings Ltd	3.26%
Woolworths Ltd	3.19%
Bidbee Ltd	2.97%
Network Healthcare Holdings Ltd	2.94%
Telkom SA Ltd	2.88%
<b>Total</b>	<b>36.98%</b>

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/09/2006	01/10/2006	21.43	13.00	8.43
30/06/2006	01/07/2006	11.89	2.87	9.02
31/03/2006	01/04/2006	20.71	10.92	9.79
31/12/2005	01/01/2006	13.10	3.89	9.21

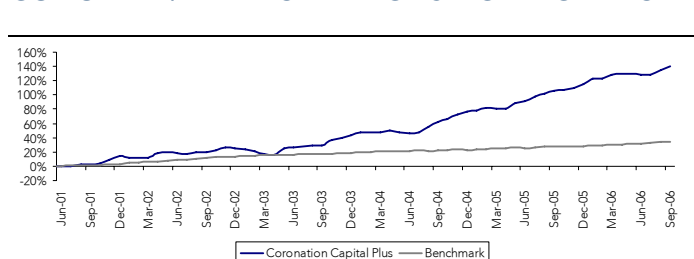
### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fund 2006	3.70%	0.26%	2.55%	0.53%	-0.42%	-0.57%	0.00%	2.90%	2.45%			
B'mark 2006	0.73%	0.22%	0.43%	0.43%	0.57%	0.50%	1.07%	0.49%	0.20%			
Fund 2005	0.77%	1.87%	-0.18%	-0.46%	4.50%	1.45%	3.85%	1.87%	2.08%	0.71%	1.25%	3.48%
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	11.88%	4.74%
Latest 12 months	18.05%	4.97%
Latest 36 months (annualised)	23.47%	4.46%
Latest 60 months (annualised)	18.96%	5.82%
Since inception (annualised)	18.47%	5.73%
Annual deviation since inception	7.89%	1.45%
Downside deviation	3.85%	0.39%
Sharpe ratio	1.11	N/A
Maximum gain	29.49%	N/A
Maximum drawdown	-8.20%	N/A
Positive months	68.25%	N/A

### CUMULATIVE PERFORMANCE SINCE INCEPTION



### ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2005	23.22%	4.03%	19.19%
2004	22.49%	4.29%	18.20%
2003	15.93%	4.05%	11.89%
2002	8.30%	10.50%	-2.20%
2001	14.81%	2.53%	12.29%