

Domestic money market interest rates rose to attractive levels this quarter reaching a point where their relative attractiveness is becoming apparent. Investors should note that the expected return (for a very low risk investment) of one year is now over 9.60%, appealing when other riskier asset classes such as bonds are expected to provide around 8.90% for the next year. A better risk-adjusted return can therefore not be ignored.

At the start of the quarter one year money market interest rates were paying 8.70%, and have risen to 9.60%. Similarly structured two-year money market investments are paying slightly more - around 9.70% per annum but for two consecutive years. These one-year NCDs which pay regular interest have been our main investment focus in recent months, believing this type of asset to top all other fixed interest opportunities at the moment.

During a time of rising interest rates and tighter monetary policy (as a result of the two consecutive 0.5% repo rate hikes seen in both June and August this year), credit spreads would tend to rise, as risks increase. We have noted however, that this has not necessarily been the case in domestic markets this time around as spreads have remained remarkably stable. We attribute this to the very high demand that continues for non government-guaranteed investments such as securitisation. We have seen an enormous amount of corporate credit but especially "securitisation" being issued to institutions in the market, and remain wary of taking on additional exposure in this asset class as we believe that the tide has turned on the good times for now, and that higher interest rates are starting to impact on the consumers' ability to repay all of the debt that they have taken on.

We therefore favour bank issued over non-bank issued paper where liquidity is high and interest rates attractive, investing only where we believe we are being fully compensated for the risks. In turn we have increased the duration of the portfolio to its maximum of 90 days, by buying up as much of the attractive one-year investments that the mandate allows, believing that all the expected interest rate hikes over the next year have been priced in for now.

Tania Miglietta
Portfolio Manager

Fund category	Domestic Fixed Interest Money Market
Launch date	1 October 1999
Portfolio manager	Tania Miglietta
Fund size	R1.3 billion
NAV	100.00 cents
Annual management fee	0.30% (ex VAT)
Initial fee	0.00%

Benchmark	Alexander Forbes 3-month (STeFI) Index
Fund description	To outperform fixed deposits and call accounts, while ensuring capital preservation, stability and liquidity.

ASSET ALLOCATION

Maturity Band	30 Sep 2006
0 – 3 months	78.64%
4 – 6 months	3.59%
7 – 9 months	11.23%
10 – 12 months	6.54%

PERFORMANCE AND RISK STATISTICS

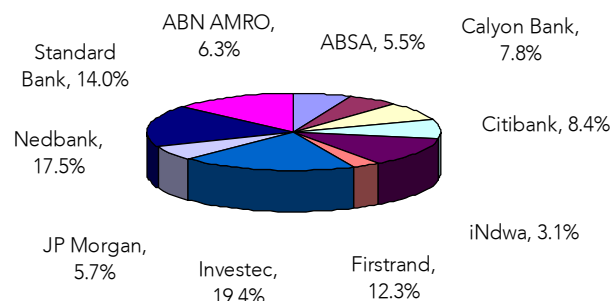
	Fund	Benchmark
Year to date	5.21%	5.30%
Latest 12 months	6.95%	7.07%
Latest 36 months (annualised)	7.52%	7.49%
Latest 60 months (annualised)	9.19%	9.30%
Since inception (annualised)	9.59%	9.68%
Annual deviation since inception	0.57%	0.62%
Sharpe ratio	-0.81	-0.59
Maximum gain	89.81%	95.00%
Maximum drawdown	0.00%	0.00%
Positive months	100.00%	100.00%

ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2005	7.05%	7.04%	0.01%
2004	7.87%	7.78%	0.09%
2003	11.96%	12.27%	-0.31%
2002	11.36%	11.77%	-0.41%
2001	10.36%	10.05%	0.31%
2000	10.58%	10.55%	0.03%
1999	2.68%	2.98%	-0.30%

CREDIT EXPOSURE

As at 30 September 2006



YIELDS FOR THE LAST FOUR PERIODS

Declaration	Payment	Yield
30/09/2006	01/10/2006	7.51
31/08/2006	01/09/2006	7.47
31/07/2006	01/08/2006	6.84
30/06/2006	01/07/2006	7.01

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fund 2006	0.58%	0.51%	0.56%	0.51%	0.60%	0.56%	0.58%	0.61%	0.58%			
B'mark 2006	0.58%	0.52%	0.57%	0.56%	0.58%	0.56%	0.59%	0.61%	0.62%			
Fund 2005	0.61%	0.56%	0.60%	0.55%	0.60%	0.56%	0.53%	0.62%	0.55%	0.58%	0.53%	0.54%
B'mark 2005	0.61%	0.55%	0.61%	0.59%	0.58%	0.55%	0.56%	0.57%	0.55%	0.57%	0.55%	0.56%