

The first quarter of 2007 started off very strongly in most asset classes. Equities were particularly strong and our overweight position has once again proven to be the correct position. Within equities, the stock picking also proved to be correct, with good value being added for investors. The strength of the domestic economy and our heavy weighting towards domestic stocks was confirmed by the good results reported in the first quarter. Consumer demand remained strong, despite higher interest rates, and this has now stimulated further corporate investment as capacity utilisation in all spheres of the economy is close to 100%. As a result, it is difficult to find any corporate entity that had a poor 2006. Fears of a prolonged and restrictive interest rate cycle have proved unfounded and into the new year volumes have remained strong. The fund returned 9.3% versus its benchmark of 7.5%, which was a pleasing result.

The rand has remained around its new level of between R7.10 and R7.30 to the dollar for the past six months, mainly through the SARB interventions - without which it would most likely be stronger. In this environment we continue to invest offshore, predominantly in equities due to the relatively attractive valuations offered, although we have been investing a portion into the fixed interest market at attractive yields.

Late last year property stocks failed to follow the government bond index stronger and appeared to be an easy opportunity which the fund took advantage of by upping its weighting. This paid off later in this quarter and we have subsequently started reducing this position in favour 12 and 24 month NCDs, which are still offering great returns close to 10%. When comparing bonds to the alternative cash returns they do not look attractive at all. As a result we have reduced our bond weighting significantly and mainly hold a few credit positions which offer a decent spread. International bonds are looking more attractive with yields around 5% in hard currencies. We have added to these holdings.

Another great investment we have been taking advantage of is the preference share market. Yields on preference shares are at an all time high, thanks to continued uncertainty around the tax treatment post the changes to STC. Despite all the issuers putting out statements that they will pass on all benefits to make good the final yield to investors, they are trading over 75% of prime. This is a post-tax yield which is better than cash! We have recently launched a standalone preference share fund for investors who want to access this instrument on a direct basis.

Overall the fund is positioned with an overweight holding in equities with a bias to move more into international equities. The underweight position in bonds is offset by holdings in cash, NCDs and preference shares.

I believe the fund is well positioned to continue to deliver on its mandate of outperforming its benchmark and over the longer-term, inflation.

Neville Chester
Portfolio Manager

Fund category	Domestic Asset Allocation Flexible
Launch date	2 July 2001
Portfolio manager	Neville Chester
Fund size	R1.1 billion
NAV	3521.30 cents
Annual management fee	1.43% (incl VAT)
Performance fee	20% incl VAT (above hurdle, capped at 2.85% p.a.)

Benchmark	Composite Benchmark (63% equity, 22% bonds, 10% International, 5% cash)
Performance fee hurdle	Composite Benchmark + 2%
Fund description	Invests across various domestic and international asset classes, with a bias towards the equity market over the investment cycle.

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2007
Domestic Assets	88.84%
Equity	71.88%
Oil & Gas	6.01%
Basic Materials	15.25%
Industrials	0.51%
Consumer Goods	7.81%
Healthcare	2.08%
Consumer Services	19.35%
Telecommunications	4.65%
Financials	16.77%
Derivatives	(0.55%)
Preference Shares & Other Securities	5.70%
Real Estate	3.32%
Fixed Interest	1.67%
Cash	6.27%
International Assets	11.16%
Equity	6.56%
Fixed Interest	1.85%
Cash	2.75%

TOP 10 HOLDINGS

As at 31 March 2007	% of Fund
Coronation Global Equity Fund of Funds	6.56%
Standard Bank Group Ltd	6.10%
Impala Platinum Holdings Ltd	6.02%
Sasol Ltd	6.01%
Naspers Ltd – N ordinary shares	4.71%
Woolworths Holdings Ltd	3.94%
BHP Billiton Plc	3.92%
Richemont Securities AG	3.15%
Absa Group Ltd	2.82%
Telkom SA Ltd	2.71%
Total	45.94%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/03/2007	01/04/2007	27.70	15.49	12.21
30/09/2006	01/10/2006	38.34	28.57	9.77
31/03/2006	01/04/2006	38.93	30.49	8.44
30/09/2005	01/10/2005	38.96	28.47	10.49

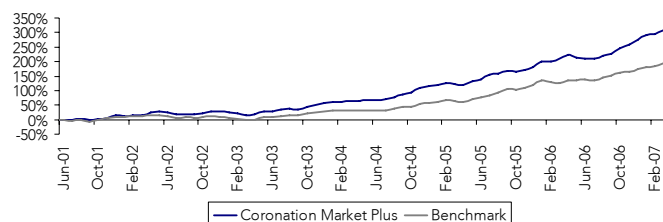
MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2007	5.07%	0.53%	3.43%									
B'mark 2007	2.18%	1.27%	3.88%									
Fund 2006	6.30%	-0.01%	3.86%	1.27%	-3.24%	-0.92%	0.05%	3.16%	1.79%	5.92%	3.82%	4.30%
B'mark 2006	6.30%	-1.85%	4.67%	3.02%	-0.95%	1.79%	-0.98%	3.96%	2.61%	3.38%	2.00%	2.89%

PERFORMANCE AND RISK STATISTICS

	Fund	Benchmark
Year to date	9.25%	7.49%
Latest 12 months	27.81%	27.95%
Latest 36 months (annualised)	35.08%	31.39%
Latest 60 months (annualised)	28.44%	22.03%
Since inception (annualised)	27.49%	21.11%
Annual deviation since inception	11.06%	11.08%
Sharpe ratio	1.61	1.04
Maximum gain	36.32%	31.00%
Maximum drawdown	-9.98%	-10.44%
Positive months	73.91%	71.01%

CUMULATIVE PERFORMANCE SINCE INCEPTION



ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2006	29.15%	29.99%	-0.85%
2005	33.05%	33.69%	-0.64%
2004	35.91%	26.41%	9.50%
2003	24.90%	18.15%	6.75%
2002	11.40%	-0.37%	11.76%
2001	13.87%	9.15%	4.73%