

The fund had a good quarter on an absolute basis, returning 13.5%. On a relative basis, the performance was slightly disappointing, with the mid and small-cap indices returning 13.9% and 17.4% respectively. The Top 40 index returned 9.7% for the quarter.

The performance of mid and small-cap stocks continues to surprise on the upside, with this quarters performance coming on the back of a year (2006) in which the fund returned 46.7%. The fund now trades on a forward PE of 11 times, the most expensive it has been since I started managing the fund in February 2005.

The fund has delivered an average return of 31% per annum for the past 6 years. After such an extended bull run, one tends to forget that markets do sometimes go down. While nobody can really see what will derail this phenomenal run, often, in retrospect, it becomes clear.

A lot of our time is currently occupied by efforts to position the fund in a relatively defensive way. This is achieved in two ways. Firstly, by buying counters with stable and predictable earnings and cash flows (and selling or avoiding counters with the opposite), and secondly, by buying counters which are significantly undervalued such that the margin of safety between the share price and the value of the company is large enough to protect you in the event of a market correction.

The fund is well populated with companies that are defensive by nature. Distell/KWV, Woolworths, Famous Brands and Spar are all well represented in the fund. We have also sold out of various counters whose earnings and cash flows are highly cyclical and often are largely beyond the control of the company itself. Eland Platinum and Aquarius Platinum are good examples.

The biggest purchase during the quarter was in Amalgamated Appliance Holdings (Amaps). We are very positive about the proposed transaction to purchase Steinhoff's furniture manufacturing business and the way it is being funded. The transaction is value and earnings enhancing for Amaps and as an added bonus, BEE is being introduced without any dilution to Amaps shareholders.

The largest sale during the quarter was Gijima Ast Group. We bought our stake in the company some two years ago, at the time of the rights issue and a raft of pessimism surrounding the company. Back then we thought the company would earn around 10 or 11 cents per share on a normalised basis, and while the company is not yet at this level, the market is doing a good job of pricing in this level of earnings. As such, we think the opportunity has largely passed and that there is more upside elsewhere in the market.

Alistair Lea
Portfolio Manager

Fund category	Domestic Equity Smaller Companies
Launch date	1 April 1997
Portfolio manager	Alistair Lea
Fund size	R221.2 million
NAV	4381.49 cents
Annual management fee	1.14% (incl VAT)

Benchmark	Composite benchmark: FTSE/JSE Africa Mid & Small Cap Indices
Fund description	Invests in small and mid capitalisation companies, developing industries and recovery shares.

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2007
Domestic Assets	100.00%
Equity	93.49%
Basic Materials	1.27%
Industrials	5.99%
Consumer Goods	17.56%
Healthcare	2.47%
Consumer Services	51.52%
Financials	12.35%
Technology	2.33%
Cash	6.51%
International Assets	0.00%

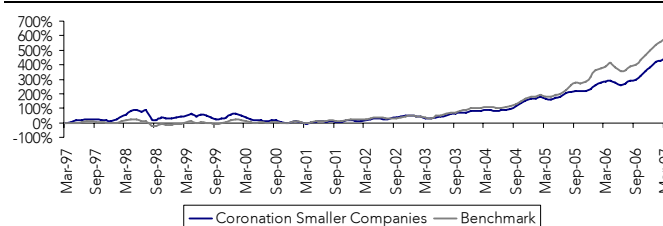
PERFORMANCE AND RISK STATISTICS

	Fund	Benchmark
Year to date	13.53%	14.51%
Latest 12 months	42.77%	36.34%
Latest 36 months (annualised)	43.52%	45.66%
Latest 60 months (annualised)	36.82%	39.15%
Since inception (annualised)	18.71%	20.45%
Annual deviation since inception	22.94%	19.50%
Sharpe ratio	0.30	0.45
Maximum gain	67.21%	50.47%
Maximum drawdown	-37.63%	-30.55%
Positive months	65.00%	64.17%

TOP 10 HOLDINGS

As at 31 March 2007	% of Fund
Iliad Africa Ltd	6.63%
Distell Group Ltd	6.12%
Cashbuild Ltd	5.70%
Adcorp Holdings Ltd	5.16%
Mobile Industries Ltd	4.84%
Woolworths Holdings Ltd	4.68%
Famous Brands Ltd	4.62%
Amalgamated Appliance Ltd	4.13%
Nu-World Holdings Ltd	3.72%
Primedia "N" Ltd	3.43%
Total	49.03%

CUMULATIVE PERFORMANCE SINCE INCEPTION



INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/03/2007	01/04/2007	15.92	10.99	4.93
30/09/2006	01/10/2006	24.70	22.43	2.27
31/03/2006	01/04/2006	47.09	44.28	2.81
30/09/2005	01/10/2005	19.43	17.36	2.07

ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2006	46.72%	43.26%	3.46%
2005	25.94%	41.37%	-15.43%
2004	48.14%	38.62%	9.52%
2003	20.64%	36.35%	-15.71%
2002	24.03%	16.86%	7.17%
2001	15.91%	22.82%	-6.91%
2000	-33.41%	-13.56%	-19.85%
1999	21.50%	36.96%	-15.46%
1998	13.19%	-9.36%	22.55%
1997	12.62%	-4.78%	17.40%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2007	7.95%	2.20%	2.91%									
B'mark 2007	6.26%	3.60%	4.02%									
Fund 2006	9.60%	4.83%	1.55%	2.08%	-3.70%	-4.47%	4.01%	3.94%	1.58%	6.61%	8.49%	5.43%
B'mark 2006	11.23%	2.69%	5.34%	2.23%	-5.83%	-5.88%	1.85%	5.89%	1.75%	7.51%	5.98%	5.11%