QUARTERLY NEWSLETTER
SECOND QUARTER

2009

ELEMENT

INVESTMENT MANAGERS

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ELEMENT

Dear Fellow Investors

It is with great pleasure that I introduce our latest newsletter to you under our new name, Element Investment Managers. Although we move forward under a new name and brand we can assure you that our investment philosophy, process and our commitment to client service excellence will not change.

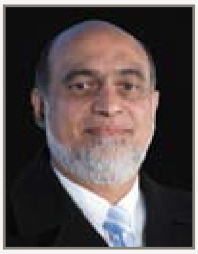
We are particularly encouraged about our positioning going forward, especially in the midst of one of the toughest markets we have seen in many years. It is a market truism that bear markets are the real test of a fund manager's ability. It is therefore incredibly gratifying that, during this current bear market, we have managed to generate market beating returns for our clients at considerably lower than market risk. We are also particularly proud that we have boosted our client base during this challenging period.

Our investment team need special thanks for their ongoing commitment to uncover the unique insights that allow us to maintain our edge as independent, active managers. We are pleased to have developed an extremely well qualified and experienced team that displays such high conviction in their investment views. Conviction is especially important when markets are tough.

We would also like to highlight the crucial contribution that our operations team has made to our business, particularly over the last year. Besides ensuring that we have a well run business, they play two very important roles that impact our clients directly: they free up the investment team to focus purely on investing and they ensure our clients receive excellent service.

Finally, we would like to thank each of our clients for their continued support. You have our commitment that we will continue to aspire to the high standards that we set ourselves in both the investment and client service domains.

Yours sincerely

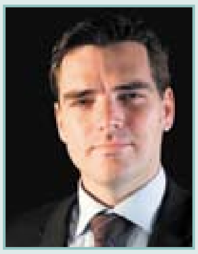


Dr Anwah Nagia
Chairman

INTRODUCING **ELEMENT** INVESTMENT MANAGERS

el•e•ment (noun)

1. A fundamental, essential, or irreducible constituent of a composite entity.
2. The basic assumptions or principles of a subject. A first principle.
3. One of four substances, earth, air, fire, or water, formerly regarded as a fundamental constituent of the universe.
4. A natural habitat, sphere of activity, environment, etc.: to be in one's element; Water is the element of fish.



Frater Asset Management has changed its name to Element Investment Managers with effect from 1 August 2009.

Our decision to change the name was motivated by the need to create an identity for the business which reflects the diversity of our ownership that includes many of our staff, other external shareholders and our strategic empowerment partners. At the same time, we are committed to maintaining a strong connection to our core values and our approach to investment management.

We are most proud of our heritage, having evolved from a private client wealth management business started in 1998 into the specialist investment management business we are today. We now provide professional investment management services to individuals, institutions and retirement funds. Thanks to the support of our clients we now manage investments of over R15bn.

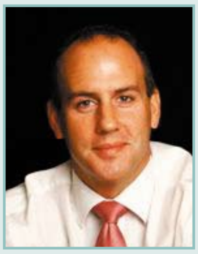
We selected the name Element Investment Managers because it is synonymous with being essential and fundamental. In our opinion, this describes the essence of who we are and what we do. It encapsulates many of the core values to which we subscribe: being straightforward and down to earth, embracing fundamentals and first principles, having an eye for detail and evidence for our views, and, above all, acting with integrity and responsibility.

Element is also a universal name and is not linked to any of our shareholders, which was an important consideration. If you would like to read more about the name change and our new brand, please visit our new website at www.elementim.co.za.

Importantly, we will continue to apply the same investment philosophy and process in managing our clients' money. We remain true to our ethos of being Independent Active Investors.

Ian Jones
B Bus Sc (Hons), FIA

INVESTMENT COMMENTARY



The SA stockmarket (as measured by the FTSE/JSE All Share Index – "ALSI") returned 8.6% in the June quarter after posting a negative return (-4.2%) in the first quarter of the year, giving a six month return to June of 4.1%.

However, from the early March low to the end of June the ALSI returned over 21% to investors. The near impossibility of short-term market timing is highlighted by some extraordinary monthly moves during the first half of 2009 with February down -9.9%, March up 11.0% and the bulk of the second quarter return coming from May being up 10.3%. We have cautioned our fellow investors for some time that we expect market conditions to remain tough with very volatile swings and this was borne out in the first half of the year.

Much has been written about the "green shoots" of economic recovery internationally as commodity prices and stock markets rallied during the June quarter. We would caution, however, that much of the positive news appears to stem from the momentum of price moves themselves rather than economic fundamentals. As an example we can review the trend of bank failures in the US.

A bank failure in the US is the closing of a bank by a federal or state banking regulatory agency. The Federal Deposit Insurance Corporation (FDIC) seizes a bank's assets when its capital levels are too low, or it cannot meet obligations the next day. There were no bank failures in 2005 and 2006, 3 failures in 2007 and 25 failures in 2008. For the year to date (ending on 2 July 2009) there have been 52 bank failures in the US – more than double the failure rate for the whole of 2008. This is not a trend that gives comfort that the worst is behind us.

Similarly we highlight in Figure 1 the actual US unemployment figures (gold) with those that were expected at the beginning of the year if there was no Obama administration recovery plan (grey) and the expected unemployment rate given the Obama recovery plan (blue). The current unemployment figure (which we regard as questionable in any event given the changing definitions) is currently much higher than both the maximum forecast of 9% and 8% (without and with the recovery plan, respectively) that was made

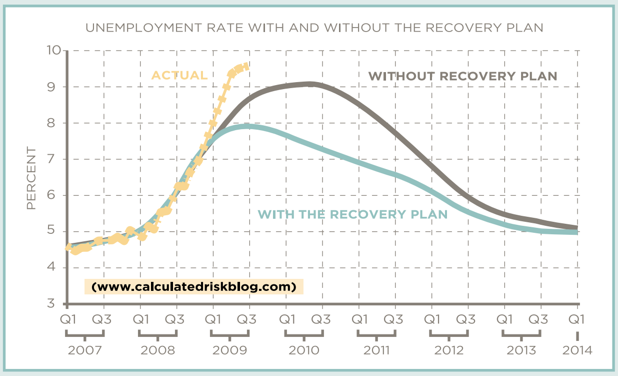


Figure 1 *Source: The Job Impact of the American Recovery and Reinvestment Plan (9 January 2009)*

six months ago. Similarly in South Africa the Treasury is realising that their expected tax annual receipts forecast only a few months ago was far too optimistic – something that will impact our budget deficit materially if spending is kept at budgeted levels.

In South Africa we remain concerned about the sustainability of earnings levels as well as the optimism of a quick earnings recovery that is being built into certain share prices. During the third quarter we expect to see many earnings disappointments for the 6 or 12 month reporting period ending June 2009, given the high comparable base ending June 2008 with which these earnings will be compared. Many commentators are highlighting the 2008 earnings base as a level that companies can return to over the next few years – a view that we do not share overall. In addition, we are concerned that the earnings quality of results is deteriorating at the same time. We spend a material part of our research time ensuring that we understand the fundamentals of the businesses in which we invest our clients' money as well as the quality of earnings put out by those companies. There is much window-dressing in our industry, which tends to be compounded during tough business environments, so we caution against accepting company statements at face value.

As excesses unwind we are starting to see massive frauds uncovered. Madoff, Stanford and Tannenbaum have all made headline news during the first half of the year. Many commentators question how investors could be so easily swayed – we are reminded of the words of the late Michael Jackson with respect to these investors –"you've been hit by a smooth criminal"! As many more frauds followed the collapse of Enron in the early part of the decade (Tyco, WorldCom, Parmalat etc.) we would expect to see more being uncovered going forward.

As investors it is likely that we will have to grow to accept slower growth and increasing regulation and government intervention in economies (both locally and internationally). In turn, returns from asset classes are likely to be lower than what we became used to in the bull market. Massive credit bubbles that grow over a number of years are unlikely to unwind and correct in a short period.

Our portfolios remain cautiously positioned – we believe this prudence is warranted in current circumstances.

Terence Craig
B Bus Sc (Hons), CA (SA), CFA

HAS THE **BULL** LEFT THE CHINA SHOP?

When asked on my thoughts from a recent trip to China (my first but unlikely my last), the words of Marco Polo the Venetian explorer, credited as the first westerner to travel to China[1], come to mind: "I have not told half of what I saw".

What is most difficult to fathom let alone explain is the enormity of China's population estimated at 1.3 billion (nearly 30 times the size of South Africa's population) and growing by an average of 44,000 births a day (that is 30 births every minute) – and how this appears to be co-ordinated successfully by the Chinese central authority.

Indeed it is the Chinese government's instruction to state controlled banks to ramp up lending significantly that is helping China recover from the global downturn faster than Western countries, whose banks are still recovering from the credit crisis. While China may be sowing the seeds of its own credit crisis longer term (if the State bank's loans cannot be repaid), in the short term the Chinese recovery is positive news for commodity demand – as the other leg of Chinese central authority planning is a fiscal stimulus package weighted towards infrastructure spending (roads, railways, airports, cities etc).

China's recently built infrastructure (for example Beijing's airport and highways) is certainly impressive, particularly compared with the ageing infrastructure of certain US cities. China, however, also has the desire to build more and will likely spend 10% of its GDP on infrastructure – double that of the US, despite the US's public pledge to increase infrastructure spending.

In the near term, China certainly has a need for more infrastructure, particularly its railways. Such essential infrastructure, which is being accelerated by the Chinese stimulus package, is needed to lower the cost of production and could make China even more competitive. As a simple example: about 80% of China's power (which is largely used by heavy and light industry) is generated by coal-fired power stations in the South. Yet it is cheaper to import coal to southern China from Australia than it is to transport it (via a combination of road, railway and barges) from northern China. Infrastructure that could lower the cost of coal transportation and hence electricity could certainly have a positive knock on effect on many industries.

Notwithstanding the above, we would however caution against overly optimistic assessments of China's infrastructure build (the so-called "build it and they will come" mentality). Building infrastructure for the sake of building increases the long term risk of overcapacity, similar to Japan building its infamous "roads to nowhere". In our view, China's overcapacity risk increases the longer it takes the West (particularly the de-leveraging US consumer) to recover and the longer it takes for China to create internal demand of sufficient size to displace the US consumer.

The latter is a structural adjustment closely linked to China's longer term urbanisation programme (where a further 350m people are expected to urbanise by 2025); and other medium term initiatives like introducing national healthcare to boost consumption; as opposed to the often quoted quick fixes like the Chinese government's stepping in to aid rural incomes or near term subsidies for new cars. While the infrastructure spending is positive news for commodity demand, the late 2008 collapse in commodity prices and commodity related assets is also reshaping other Chinese supply and demand dynamics in the commodity space.

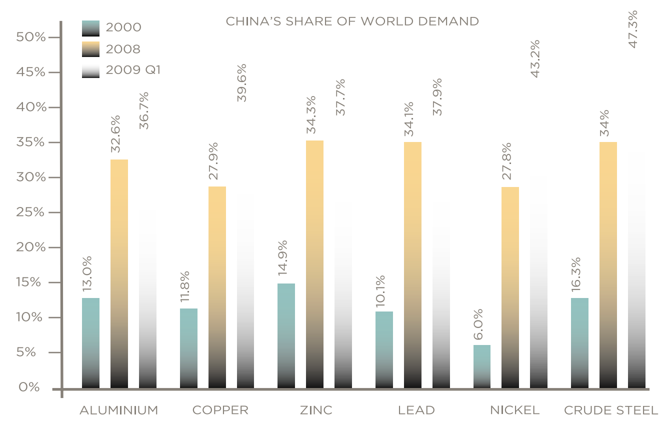
Firstly, the availability of cheap imports has aided the Chinese government's efforts to eradicate small mining firms. The Chinese government's apparent distaste for small firms stems from their poor labour, tax, safety and environmental standards[2]. For example, some commentators estimate that small mines produced 1/3rd of China's coal but accounted

1 Marco Polo is said to have spent some 17 years in China from around 1271.
2 A similar effort was directed at small manufacturing firms in Guadong province in 2007.

for 3/4 of the estimated 6,000 annual deaths. As a result of these government efforts, a significant amount of domestic Chinese coal (particularly coking coal) and iron ore has been taken out the market. This helps to partly explain the tremendous increase in imported coal and iron ore into China in the first couple of months in 2009, despite a weak Chinese steel sector (the main consumer of iron ore).

Secondly, the significant decline in the price of certain commodities over the last year has been used as an opportunity by the Chinese to add to their commodity stockpiles held by the State Reserve Bureau (SRB). This has been particularly evident in copper, where China has a more limited resource base. The Chinese stockpiling partly reflects their ambitions of resource security and to a lesser extent an expectation of a weaker US dollar.

Lastly, in terms of overseas foreign direct investment (OFDI), the Chinese continue to be on the lookout for large scale resource deposits that can make a difference on a national level. The current downturn provides the Chinese the opportunity to buy quality assets / companies. Although Chinalco (the largest Chinese aluminium producer) has lost out on increasing its stake in Rio Tinto, we will no doubt see more Chinese resource companies expand abroad.



Source: CISA, China Metals, Macquarie Research May 2009

With the demand for commodities weak outside of China, China's share of world demand has increased significantly in both 2008 and the 1Q09 – and a similar picture is expected for 2Q09 (see figure above). China is therefore holding up commodity prices and resource companies and therefore indirectly a large part of the JSE All Share Index is reliant on the Chinese central government avoiding any potholes on the road to a global recovery.

Johny Lambridis
B.Econ Sc, FFA

IN FOR A POUND... OR IS IT A **PENNY**?

Inflation targeting and the appropriateness of a monetary policy mandate that tries to maintain inflation between 3-6% has been hotly debated recently in the media. Trade unions have staged marches to the Reserve Bank in Pretoria demanding that President Zuma not reappoint the current governor, Mr. Tito Mboweni.

Private sector economists, academics, trade unions - all seem to have different opinions. The debate about inflation and inflation targeting reminded me of a story I was recently told by an old family friend.

My friend and her husband had inherited the family home on the death of her father-in-law in 1946. Her father-in-law had been the small Karoo town's lawyer and had written an airtight will with the following conditions attached to the house: if the family chose not to stay in the house it had to be rented to the local church at a rate of £8 per month. The family chose to live in Cape Town and for a while the arrangement suited both the church and the family. However, by the early 1970s the £8 rental income the family received from the church was no longer sufficient to cover the maintenance of the property. The property became a burden to the family as maintenance costs kept growing, but rental income remained at the specified level of £8. What is so striking about this story is that an educated, well intentioned father (for surely he did not intend to impoverish his son) did not think to include a provision for adjusting the rental income by inflation. How could he possibly have thought that £8 per month in perpetuity would suffice?

Before we judge the father-in-law too harshly we should understand that he had no way of knowing that the terms of the contract would mean that the inheritance would become a burden to his family. Persistent inflation had not yet reared its head in 1946 when the will had been drawn up and the phenomenon only became part of the economic landscape in the 1960s.

The chart of inflation below shows that price levels were quite volatile in the early 1900s and that consumers had experienced rising price levels and the commensurate pressure on budgets (inflation in 1918 was nearly 20%), but yet did not think to include inflation provisions in their wills. That is because persistent inflation, that erodes purchasing power, was only observed post 1960. The change that led to this phenomenon was the introduction of fiat money[1] and government control over the money supply.

Inflation is defined as the change in the price level in the economy and the intention behind calculating price indices is to measure how the purchasing power of currencies changes over time. We know that inflation reduces the purchasing power of our money i.e. a rand in the future is expected to purchase less than a rand today. The reason money loses value is twofold. Firstly, we know from economic theory that goods become less valuable if supply is greater than demand, but for something to lose value continuously requires that supply continuously outstrip demand. And herein lies the explanation of the phenomenon of persistent inflation. Since the end of the fixed exchange rate regime, governments have had sole discretion over the supply of money in the economy and have often simply printed money (as opposed to charging taxes) to pay for their expenditures. Zimbabwe, Germany (post WWI) and a number of Latin American economies are extreme examples of this type of government funding.

In all these examples the economies experienced severe strains, tax revenue dried up and governments powered up the printing presses to pay for their expenditures and in these examples the economies suffered from hyperinflation. The South African government during the 1970s and 1980s also made use of this funding facility but on a much more moderate scale. The consequent inflation eroded the value of our money and left a family that inherited a fixed income of £8 a month with a worthless asset. The benefit of the inflation targeting mandates adopted across the globe is that they signal the intentions of government to pay for expenditures through taxes, and not the printing presses.

Secondly, if a particular good becomes relatively scarcer (i.e. demand has outstripped supply) the price of that good will rise to bring the market back to equilibrium. South Africans should be familiar with this type of inflation as Eskom is a particularly visible example of it. A shortage in the market is the clearest indication that electricity tariffs are too low. Eskom require higher prices on the electricity they supply to be able to increase capacity, but this adjustment (even if it takes a number of years) should not lead to a perpetually higher inflation rate. That is, prices are expected to adjust to the market clearing level where the SA economy experiences no more electricity shortages (and Eskom receives higher tariffs) but once we reach the new and higher price that's it. No more price pressure from Eskom and no more pressure on

Source: US FRED and Global Insights

1 *The University of Princeton's website defines fiat money as "money that the government declares to be legal tender although it cannot be converted into standard specie".*

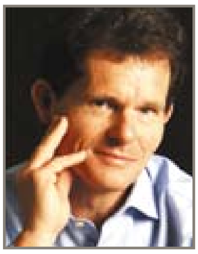
the inflation rate. This is the same type of inflation that is illustrated in the chart above during the early 1900s. But this type of inflation did not lead people to expect permanent inflation – as we can see by the conditions in the father-in-law's will.

The difference between the two types of price adjustments is that the one reflects the relative scarcity of a good while the other reflects the abundance of money. In an economy where the government maintains fiscal surpluses (tax revenues exceed government expenditures) there cannot be persistent inflation. South Africa's current fiscal deficit, conservatively projected in February by National Treasury to be 3.8% of GDP (although likely to be materially higher), is not a threat to the inflation outlook if in the long run the deficit is paid for through tax revenues. However, the risk of temporary inflation from price adjustments that reflect relative scarcity cannot be ruled out.

The debate in South Africa regarding inflation targeting and its appropriateness rather disappointingly does not differentiate between the causes of inflation. With this in mind we conclude that although the adjustment to higher prices can be painful, the adjustment is not a threat to our long-term purchasing power. Generations of people lived and died with this type of price adjustment, but did not think to include inflation indexing in their wills. We should guard against the type of persistent inflation that the global economy has become so familiar with post 1960 as the real value of our future incomes depends entirely on it.

Madalet Sessions
B.Com (PPE), M.Com (Economics) (UCT)

CORPORATE GOVERNANCE – STRENGTHENING THE FOUNDATION FOR INVESTMENT



Element Investment Managers endeavours to add value and reduce downside risk for all clients via our fundamental research process.

Our concept of corporate governance incorporates a view on leadership and risk management. Corporate Governance analysis forms an important part of our fundamental investment analysis. Corporate Governance research can affect the fair value we determine for an investment and has led to us avoiding investment in companies in the past such as JCI and Western Areas.

A recent Heidrick & Struggles Corporate Governance report[1] found that a wide spread existed in governance ratings of South African companies. This is clear evidence that South African governance practices vary substantially from company to company – a further indicator of the need to include Corporate Governance issues into fundamental analysis.

Owing to governance research being an important element of our investment process, we submitted detailed written comments on the King III draft. Our material areas of concerns are:

1. Director Independence
2. Shareholder responsibilities

Peter Butler, Chief Executive of Governance for Owners (UK) and a member of our independent Advisory Board, together with Michelle Edkins, alternate to Peter Butler and Chairman of the International Corporate Governance Network (ICGN) Shareholder Rights Committee, submitted comment on King III from an international investor perspective reinforcing our material concerns. The ICGN is a global membership organisation from 47 countries. Investor members are responsible for global assets of approximately US $ 10 trillion.

1 Boards in turbulent times: Corporate Governance Report 2009: South African supplement
2 Corporate Governance in South Africa – An Investor Perspective (The last assessment was undertaken in 2007)
3 IIF 2007 Report, Page 11

1. Director Independence

The definition of independent director makes no reference to period of service, age or the number of Boards that the director serves on. Unfortunately, based on our engagement experience with the companies in which we have invested, ineffective Boards require objective criteria to ensure they apply their minds to the make up of the Board and ensure there is an appropriate balance of executive, non-executive and truly independent non-executive directors.

The Institute of International Finance (IIF) has assessed the corporate governance of South Africa and compared it to their best practice framework for governance in emerging markets[2] and commented as follows:

Recent corporate governance-related controversies indicate that companies and investors have different interpretations of key corporate governance concepts. For example some of the concepts that need clarification include – what qualifies for independence for board of directors? What is the maximum number of boards a director can sit on and still be effective? Should there be a mandatory retirement age? Authorities need to provide clarification and guidance on these matters.[3]

We have urged the King Committee to simplify the concept of independence by introducing objective term criteria in addition to the subjective evaluation of the Board. The UK Combined Code sets a limit of 9 years (a Code many of our dual listed companies need to comply with in any event) and the CFA Institute a limit of 10 years board service for independence.

A director who has served for 10 years or longer should be re-elected each year and not be classified as independent. We understand that certain directors will continue to add value after 10 years. These directors should be put forward for re-election with an explanation to stakeholders as to why this is in the interest of the company.

Objective term criteria will also have the benefit that Boards will have to focus more on succession and the development of directors. We believe that this is important for true empowerment to take place in South Africa.

2. Shareholder responsibilities

Companies are required to apply King III or explain their reasoning and motivation to shareholders where they do not do so. King III lacks statutory obligation to require ineffective Boards to apply the principles and guidance. As active shareholders, we will continue to build awareness and engage with Boards to ensure they are accountable to shareholders and responsible to stakeholders.

Institutional shareholders[4] have great latent power to encourage ineffective directors to act in the best interests of companies and reduce investment downside risk. The institutional shareholders need to be encouraged to vote and engage with companies, or require their agents through mandates to vote and engage. This will help to ensure that governance best practice principles are more consistently practiced. On both occasions that the IIF assessment of South African governance was undertaken, the IIF recommended that institutional shareholders be required to vote on shareholder resolutions:

Encourage shareholder activism by requiring disclosure of voting records by institutional shareholders[5]

Institutional shareholders are an important element of a 'system of governance.' The Cadbury definition of governance referred to a system of governance to direct and control an organisation. We believe the exclusion of specific principles and practices for institutional shareholders materially reduces the completeness and adequacy of the overall system of governance for South Africa.

Important changes are being considered for the United Kingdom Combined Code. Paul Myners, Financial Services Secretary to the Treasury, delivered a speech on 19 May 2009 which clearly communicates the government's concern with the commitment of institutional shareholders to responsible investment and the minimal attention to shareholder responsibilities in the Combined Code. We include a short extract:

At the very least, the FRC, in its current review, should ask whether the balance of its present Combined Code is right in devoting only one and a half pages of its current twenty two pages to the responsibilities of shareholders[6]

The King III draft does not have one page dealing with shareholder responsibility – in our view a serious omission. Shareholders can reduce investment risk if they act like owners and ensure Boards are accountable. Every opportunity should be taken to ensure institutional shareholders are aware of their responsibilities to engage with companies to improve corporate governance.

Governance is one of the foundations for all long-term investment. Sound corporate governance is necessary to reduce investment risk. Element Investment Managers has submitted comprehensive comment to the King Committee to try and improve the rigour of the South African governance requirements in the interests of all investors.

David Couldridge
BCom, CA (SA), Grad Dip Tax Law, CFP, Masters Ind Admin

4 Defined by the ICGN as professional investors who act on behalf of beneficiaries, such as individual savers or pension fund members.
5 IIF September 2003 and September 2007
6 http://www.hm-treasury.gov.uk/speech_fsst_190509.htm

ELEMENT

FUND REPORTS

ELEMENT REAL INCOME FUND

FUND MANAGERS

Terence Craig
B Bus Sc (Hons), CA (SA), CFA

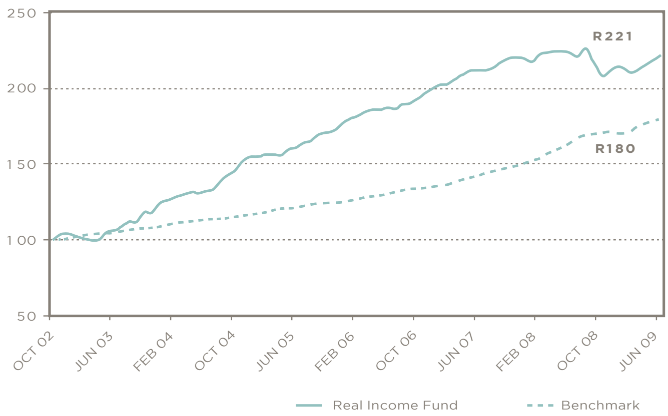
Terence is Chief Investment Officer of Element Investment Managers

Matthew Kreeve
B Com (Hons) (McGill)

Matthew is Portfolio Manager at Element Investment Managers

Performance figures include income distribution and are calculated after fees

Value of R100 invested at inception (income reinvested)



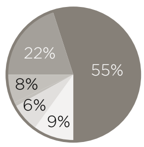
TOP TEN HOLDINGS

(% of equities, EXCL pref shares)

SHARE	% OF EQUITY
HOWDEN	9.8
BUSINESS CONNEXION	6.1
ANGLOGOLD	5.4
GOLD FIELDS	4.6
MEDI-CLINIC	4.4
SASOL	4.1
VODACOM	4.0
REINET	3.9
MTN GROUP	3.9
TONGAAT	3.8
TOTAL	**50.0**

ASSET ALLOCATION

CASH	55%
NET EQUITY	22%
PREF SHARES	8%
BONDS	6%
HEDGED EQUITY	9%



PERFORMANCE (Net of fees)

% Results	Fund	Benchmark
Since Inception	121.3%	80.4%
Last 12 Months	-0.9%	10.4%
3 year (annualised)	5.7%	11.4%
5 year (annualised)	10.8%	9.7%

MANDATE	Domestic Targeted Absolute and Real Return
BENCHMARKS	CPI + 3%
MINIMUMS	R1 000 Debit Order R10 000 Lump Sum
INCOME DISTRIBUTION	March, June, September, December
PRICING	Forward
SIZE OF FUND	R559 million

ELEMENT FLEXIBLE FUND

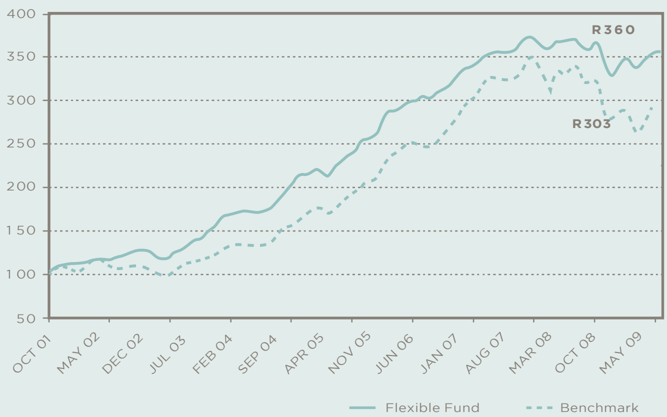
FUND MANAGER

Terence Craig
B Bus Sc (Hons), CA (SA), CFA

Terence is Chief Investment Officer of Element Investment Managers

Performance figures include income distribution and are calculated after fees

Value of R100 invested at inception (income reinvested)



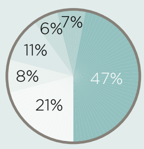
TOP TEN HOLDINGS

(% of equities, EXCL pref shares)

SHARE	% OF EQUITY
ANGLOGOLD	6.2
SASOL LIMITED	5.4
GOLD FIELDS	5.3
MTN GROUP	5.2
MEDI-CLINIC	5.1
REINET	5.0
MONDI PLC	4.7
TONGAAT	4.6
VODACOM	4.4
OLD MUTUAL	4.3
TOTAL	**50.2**

ASSET ALLOCATION

NET EQUITY	47%
PREF SHARES	7%
BONDS	6%
HEDGED EQUITY	11%
FOREIGN CASH	8%
CASH	21%



PERFORMANCE (Net of fees)

% Results	Fund	Benchmark
Since Inception	259.8%	202.9%
Last 12 Months	-1.5%	-7.2%
3 year (annualised)	5.5%	7.0%
5 year (annualised)	15.8%	17.8%

MANDATE	Domestic Asset Allocation Flexible
BENCHMARKS	FTSE/JSE (45%); F&I Index (25%); PUT Index (5%); ALBI (15%); Cah (10%)
MINIMUMS	R1 000 Debit Order R10 000 Lump Sum
INCOME DISTRIBUTION	March, September
PRICING	Forward
SIZE OF FUND	R616 million

ELEMENT EARTH EQUITY FUND

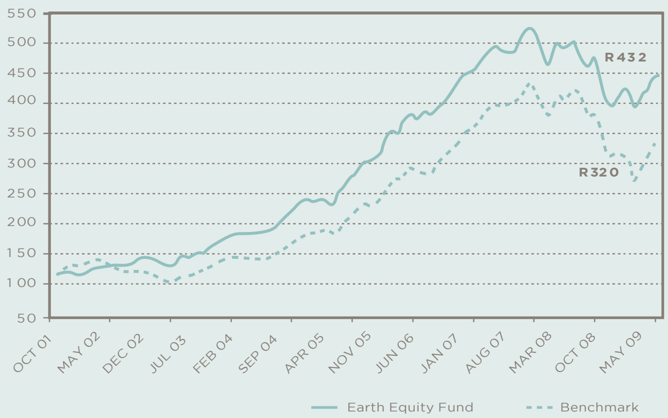
FUND MANAGER

Terence Craig
B Bus Sc (Hons), CA (SA), CFA

Terence is Chief Investment Officer of Element Investment Managers

Performance figures include income distribution and are calculated after fees

Value of R100 invested at inception (income reinvested)

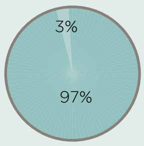


TOP TEN HOLDINGS
(% of equities, EXCL pref shares)

SHARE	% OF EQUITY
ANGLOGOLD	6.3
REINET	5.8
SASOL	5.7
GOLD FIELDS	5.4
MEDI-CLINIC	5.2
MTN GROUP	4.8
TONGAAT	4.4
VODACOM	4.4
MONDI PLC	4.4
OLD MUTUAL	4.3
TOTAL	**50.7**

ASSET ALLOCATION

EQUITIES	97%
CASH	3%



PERFORMANCE (Net of fees)

% Results	Fund	Benchmark
Since Inception	331.8%	219.5%
Last 12 Months	-6.3%	-17.6%
3 year (annualised)	5.3%	5.3%
5 year (annualised)	20.4%	19.8%

MANDATE	Domestic General Equity
BENCHMARKS	FTSE/JSE All Share Index with 50% down-weighting applied to resources
MINIMUMS	R250 Debit Order R2 500 Lump Sum
INCOME DISTRIBUTION	March, September
PRICING	Forward
SIZE OF FUND	R428 million

ELEMENT ISLAMIC EQUITY FUND

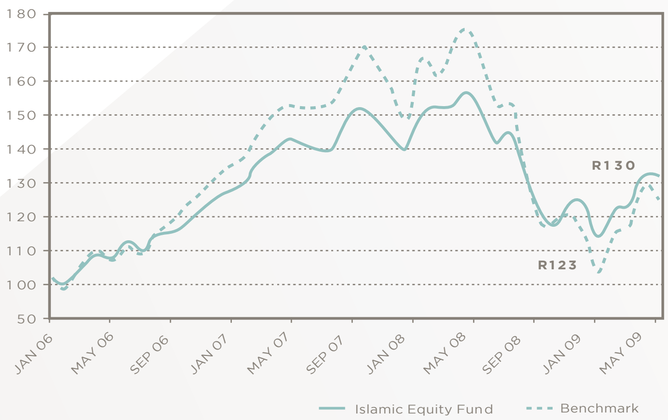
FUND MANAGER

Mohamed Shafee Loonat
BCom (Eco), B Compt & Advanced Tax (Hons) UNISA CA(SA), CFA PG Dip (Islamic Banking and Insurance)

Mohamed is Portfolio Manager at Element Investment Managers

Performance figures include income distribution and are calculated after fees

Value of R100 invested at inception (income reinvested)

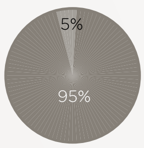


TOP TEN HOLDINGS
(% of equities, EXCL pref shares)

SHARE	% OF EQUITY
TONGAAT	7.2
BHP BILLITON	7.0
MTN GROUP	6.9
ANGLOGOLD	6.9
A E C I	6.6
SASOL	6.3
ALTRON PREFS	5.3
GOLD FIELDS	5.3
MONDI LIMITED	5.1
ALTECH	5.1
TOTAL	**61.7**

ASSET ALLOCATION

EQUITIES	95%
CASH	5%



PERFORMANCE (Net of fees)

% Results	Fund	Benchmark
Since Inception	29.7%	23.1%
Last 12 Months	-12.7%	-24.9%
3 year (annualised)	5.5%	4.2%

MANDATE	Domestic General Equity
BENCHMARKS	FTSE/JSE All Share Index
MINIMUMS	R500 Debit Order R5 000 Lump Sum
INCOME DISTRIBUTION	March, September
PRICING	Forward
SIZE OF FUND	R94 million

ELEMENT

INVESTMENT MANAGERS

Independent Active Investors

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