

QUARTERLY NEWSLETTER
FOURTH QUARTER

2009

ELE  ENT
INVESTMENT MANAGERS



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Ian Jones
B Bus Sc (Hons), FIA

Dear Fellow Investors

2009 proved to be a year of marked contrasts. For the most part of the first quarter, markets were taking a pounding and the outlook and investment news, in general, was extremely negative. From the March 2009 lows, both local and international markets rebounded strongly to the end of the year, with the SA stockmarket returning 56% from the March lows (and 123% when considered in US\$ terms). The pessimism of the first quarter has been replaced with renewed optimism that the worst is over and with bullish sentiment prevailing.

This quarter's newsletter includes investment commentary from our Chief Investment Officer, Terence Craig. He highlights that there are many similarities between current market levels and related commentaries with previous periods where investor caution was warranted.

Portfolio Manager, Johny Lambridis, discusses the impact that BEE deals are having on South African companies and the risks associated with ignoring these deals from a valuation perspective. Johny considers the example of Adcock Ingram's recently announced BEE transaction.

René Prinsloo, an investment analyst, provides some background on how we make use of quantitative analysis in our fundamental investment process, and sets out the main benefits of incorporating these techniques and how these differentiate us from many of our peers.

We have also included a shorter article outlining how our Shari'ah funds are supervised and how we focus on ensuring transparency in the way we manage our client's money.

As a result of a share buy-back and subsequent offer of shares for purchase to further staff members in the second half of 2009, it is most pleasing that not only is the majority of the firm's equity owned by staff members, but the majority of our staff members now own equity in the firm. We believe that this helps ensure business sustainability and continuity for both the firm and for our investors over the long term.

We always welcome any feedback you may have on our newsletter or any other aspect of our business. Please email me at ian@elementim.co.za or call me on 021-426 1313 if you have any comments or questions.

As investors, we know that the probability of victory is low (Ladbrokes had us as 80-1 outsiders at the end of 2009), but for the 2010 World Cup, we will be backing Bafana Bafana 100%!

We wish all investors well for 2010 and we thank you for your continued support. 🏴

Element Balanced Fund

Meeting the needs of investors, whilst maintaining a single investment philosophy, has always guided our choice of which unit trust funds to offer. With this in mind, and after receiving a number of enquiries over the last few years, we are pleased to have launched the Element Balanced Fund during the fourth quarter of 2009.

The main benefits of investing in a balanced fund are that, in the long term, it gives the investor exposure to a full range of asset classes (equities, bonds, money market instruments, derivatives, property and offshore assets) combined to deliver the best risk-adjusted returns. Meanwhile, in the shorter term, responsibility for trading between different asset classes is delegated to portfolio managers who can exploit mispricing opportunities.

The launch of the Element Balanced Fund follows on our success in managing institutional balanced mandates. We have a strong long-term track record since October 2003 for the Element Institutional Balanced Fund, where this fund has outperformed its benchmark by 3.5% p.a. from inception to the end of 2009 (a little over 6 years).

The Element Balanced Fund is a prudential variable equity unit trust fund (allows for the equity exposure to range from 0%-75% max.) that will comply with the regulations that govern retirement funds (Reg 28).

The Fund will therefore be suitable for:

- 🏴 investors who have a moderate risk profile with a medium to long term investment time horizon
- 🏴 investors who wish to save for their retirement
- 🏴 retirement funds
- 🏴 investors who wish to delegate the asset allocation function to an experienced investment management team

As with all our other unit trust funds, we do not charge an initial fee, nor do we charge performance fees, as this cannot be charged equitably for all investors. A reminder to existing investors in the Element Unit Trust Funds, we do not charge a switching fee if you wish to switch all or a portion of your investment in one fund, to another Element Unit Trust Fund.

For further information please refer to our website (www.elementim.co.za) or contact us directly. 🏴

INVESTMENT COMMENTARY



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

“It’s déjà vu all over again”. This quote is attributed to baseball’s Yogi Berra in the early 1960s - catcher for the New York Yankees at the time.

It seems to us at Element Investment Managers, an entirely appropriate quote for the current central bank response to the credit crisis that unfolded in the second half of 2008, as well as the widespread acceptance that “the worst is over”.

We are sometimes criticised when many of the secular (i.e. long-term) trends we research and present on are the same - year in and year out. However, these are the long-term trends that have shaped and will shape our investment universe in the past and in years to come - they change gradually over time - unlike many investors’ perceptions which are heavily influenced by short-term noise.

We thought it useful to examine a few similarities with the past that look to us like “déjà vu all over again”!

1. Time magazine covers

- 15 February 1999 - described in a somewhat fawning article as “The Committee to Save the World” - Robert Rubin, Alan Greenspan and Larry Summers.
- A year later the tech bubble burst, Greenspan cut interest rates to 45 year lows and created an even bigger bubble in housing.
- 28 December 2009 - Federal Reserve Chairman Ben Bernanke is named Person of the Year. Described in a somewhat fawning article as “the mild-mannered man who...prevented an economic catastrophe”.
- Time will tell whether Bernanke’s current policies are creating further economic catastrophes or whether there are “no asset bubbles in the US” as described by him in December 2009.

2. Excessively loose monetary policy

- The continuation of the “quantitative easing” of low interest rates is exactly the loose monetary policy that steered the global economy into trouble in the first place:
 - Investment in fixed assets was far beyond the level required by the world economy (think Dubai’s building boom).
 - It allowed the less productive parts of investment banks to grow to a huge size and mainly to the benefit of senior employees (and few others).
 - What will happen when the cheap money is no longer available? Generally cheap money masks those businesses and operations that are uneconomic without it - when the cheap money dries up these businesses will, in all likelihood, fail.

3. Investment banks are being encouraged to take (huge) risks again

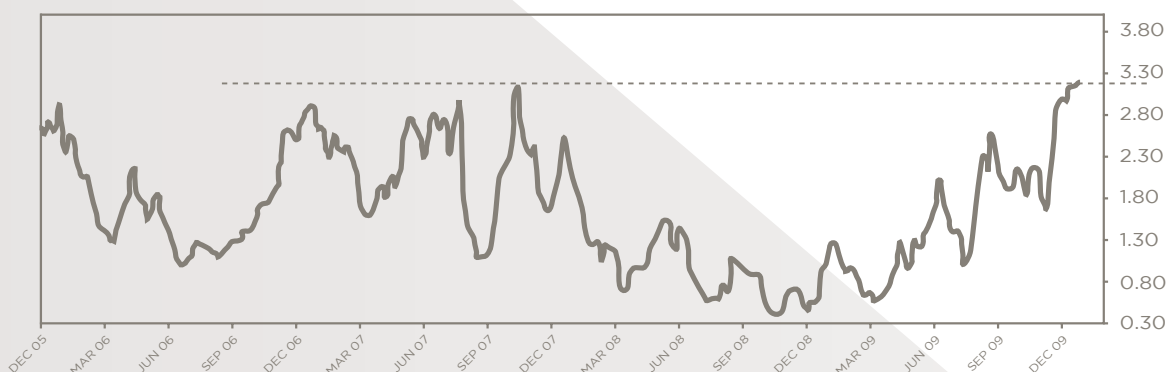
- Having acknowledged some banks as “too big to fail”, authorities are giving free reign for risk-taking (and the large bonuses that follow), as bankers know that there will be someone willing to bail them out. Allowing some to fail (e.g. Lehman Brothers) and others to merge, has created fewer, bigger players with a licence to take risk.
- The separation of commercial and investment banks in the US was set out in the Glass-Steagal Act of 1933 as a result of the collapse of a large portion of the US commercial banking system. This Act was repealed in 1999 and, over the last decade, this has led ultimately to huge risk-taking by institutions placing depositors’ money at risk.

4. Avoiding or repeating the Japanese experience?

- The damage from Japan’s early 1990s property and banking bust is still visible and regulatory actions to try and avoid Japan’s experience have shaped other governments’ responses to the financial crash.
- However, as the Economist points out (Nov 2009) in an article entitled “Same chords, different tune” - “the real strategy in most post-bubble economies is to allow banks to grow their way out of trouble gradually, by making fat profits on the back of free central-bank cash. Many impaired assets remain on

INVESTORS INTELLIGENCE BULL/BEAR RATIO

B/B RATIO: 3.13



their books. The result is a dysfunctional banking system, with credit shrinking, thanks to lack of supply as well as lack of demand. For years, Japan had the advantage of being the only big country in trouble. Today, more balance sheets need repair, the prospects for export-led growth are dimmer, and the increases in public debt will be broader”.

5. Consumer demand distortions

- Authorities have been trying to stimulate demand by offering consumers incentives that are unsustainable in the long run - e.g. “cash for clunkers” for motor vehicles and housing subsidies for first-time buyers.
- The US automakers offered 0% finance after the tech bubble burst in 2000 in order to stimulate demand. This provided a boost to their short-term volumes at the expense of their businesses long-term.

6. Bullish vs. bearish sentiment

- As measured by Investors Intelligence in mid-December 2009 the US bull-to-bear ratio reached 3.13 (i.e. over three times as many bulls as bears). The last time the ratio was over 3, was in October 2007 when it reached 3.16 (see chart on page 2).
- This measure is a contrarian indicator - extreme bullishness is normally a good time to sell.

7. Global security concerns

- While no-one will forget 9/11 in 2001 as one of the most significant events in the past decade, we were reminded, in December 2009, that it was not an isolated incident, when a potential bomb blast on a US airplane was foiled 20 minutes before landing in Detroit.
- Terror attacks have not disappeared; (rightly or wrongly) wars are being fought in Iraq, Afghanistan and many other countries around the world. These are issues that influence government policies, government deficits and potentially governments themselves, come election time.

8. High ratings

- The SA stockmarket (as measured by its All Share Index) ended the year on a PE of 17.2 - the 6th highest at year-end in the last 50 years and on a

dividend yield of 2.2%, the third lowest at year-end in the last 50 years (see year-end dividend yield chart below).

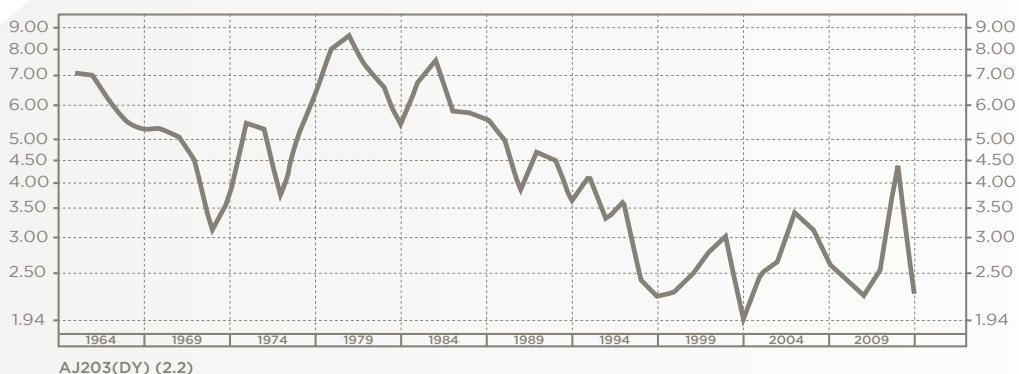
- This is seldom a great starting point for generating good long-term returns and we would highlight that SA real earnings levels (the “E” in the PE ratio) are close to their 50 year trendline (i.e. the PE is not high owing to an abnormally low “E”).
- The last time our market looked this expensive, was at the end of 1999 when the PE was 17.8 (the third highest in the last 50 years) and the dividend yield was 1.9% (the lowest in the last 50 years).
- It is worth noting that the subsequent 3 and 4 year returns from the FTSE/JSE All Share Index from the end of 1999 were a rather pedestrian 6.9% and 9.1% p.a., respectively, neither of which beat cash (3 year return of 10.8% p.a. and 4 year of 11.1% p.a.) and we would caution fellow investors not to expect great returns from our stockmarket, going forward.

Based on our concerns that current central bank policies may be the cause of further investment bubbles, it's worth recalling another famous quote from Yogi Berra - “It ain't over till it's over” (from 1973 when he was manager of the New York Mets that were way out of the running at the time, but ended up winning their divisional title).

We are cautious about international and local stockmarket levels, long-term, and our portfolios remain positioned accordingly. Recoveries are usually associated with job creation, credit granting and rising sales, all of which remain under pressure, while stock and commodity prices continue to rise. We do understand that the continued availability of cheap money could well push markets even further in the short-term, but from a long-term perspective, the risk appears firmly to the downside. George Soros provided investors with a timely reminder in late 2009 when he cautioned that “...the prevailing mood is far removed from reality.”

As we enter a new decade, it is worth highlighting that all our portfolio managers started their careers well over a decade ago - experience that should be of benefit in what could well prove a tough investment decade ahead. We wish all our fellow investors a healthy and prosperous 2010 - the year of the Tiger. ■

FTSE/JSE ALL SHARE - ADJUSTED (DIVIDEND YIELD) YEARLY 31/12/1960 - 31/12/2009



Source: I-net Bridge

TO (ACCOUNT FOR) BEE OR NOT TO BEE



Johny Lambridis
B Econ Sc, FFA

“When the notion of BEE started, many businesses doubted its place in the economy. Most businesses have since come to realize that rather than being an unnecessary burdensome cost it is, in fact, a boon to their progress. Embracing BEE has not only proved to be the right thing to do, but also a cornerstone in the economic growth of our country.” - Cyril Ramaphosa, Foreword to Broad-Based BEE - The Complete Guide

Black Economic Empowerment (BEE) deals have become an accepted business practice in South Africa over the last decade. Gone are the days when talk of an industry Charter depressed share prices – recall how the leaked government draft of the Mining Charter on empowerment in July 2002¹ spooked the market, wiping R54 billion off the market capitalisation of mining stocks. The market has come to accept that such transactions (while not always perfect) are necessary from a business, as well as a wider social perspective, to redress some of the inequities of the past.

As we enter 2010, BEE is likely to remain a topical issue. Media attention has historically focused on equity ownership (at the expense of other categories of BEE) and 2010 is unlikely to be any different, particularly given:

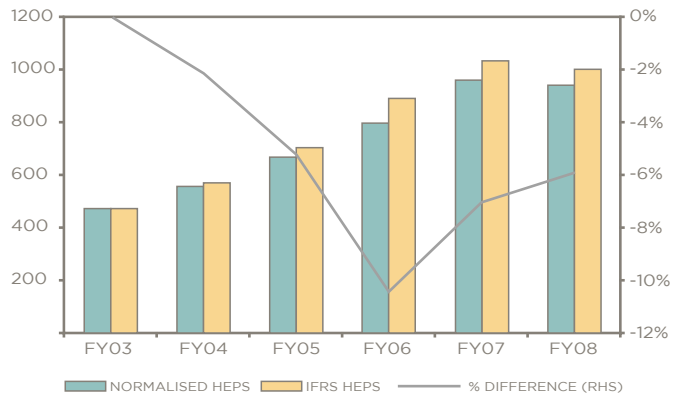
- that equity ownership remains the main stumbling block delaying the alignment of the Financial Sector Charter (FSC) with the DTI codes.
- the calls from some quarters for the recognition of the “once empowered, always empowered” principle² when it comes to measuring BEE ownership.

With BEE deals becoming commonplace, the risk arises that investors pay less attention to the finer details of these (sometimes extremely complex) transactions. With certain earlier deals, like those spawned by the 2003 Financial Sector Charter (FSC), there was considerable analysis of what dilution existing shareholders could potentially suffer and what would be the final unencumbered shareholding of the new black shareholders.

The rigorous debate and analysis of these earlier BEE transactions has led certain of the larger financial companies on the JSE to report to shareholders, not only their current headline earnings per share (HEPS), but also their fully diluted position, allowing for the impact of their BEE transactions. For example, both Standard Bank (see graph above right) and its listed insurance subsidiary, Liberty Holdings, have reported their HEPS on two bases since 2004³. Reporting diluted BEE numbers,

not only gives investors a yearly indication of the dilution of the transaction (currently running at around 6% for Standard Bank), but more importantly avoids the situation where investors are surprised by a sudden earnings decline in the year that the BEE shares finally vest.

STANDARD BANK: NORMALISED AND IFRS HEPS, 2003 - 2008



Regretfully, this transparent reporting is not finding its way into some newer BEE deals that we have assessed in the Industrial Sector, nor does it appear to be demanded by investors. For example:

- Spar was “not able to ascertain the extent of the ultimate dilution” of its proposed BEE transaction and, therefore, provided no pro-forma diluted HEPS calculation in the circular sent to shareholders. Presumably, shareholders made their own estimation of the dilution given that the Spar deal was approved by shareholders.
- Similarly, many analysts commenting on Adcock’s recently announced BEE deal either ignored the potential dilutive impact of the deal on HEPS or argued incorrectly that there would be no initial dilution, as the new shares would only vest 10 years hence. (We would hope that Adcock attempts to estimate the ultimate dilution of its transaction in its circular to shareholders, due around March 2010).

The incorrect logic applied to Adcock, (see graph right), will see reported earnings substantially decline when these new shares are included in the HEPS calculation 10 years from now, most likely surprising the market negatively – as most investors would have forgotten the finer details of a BEE deal concluded a decade prior.

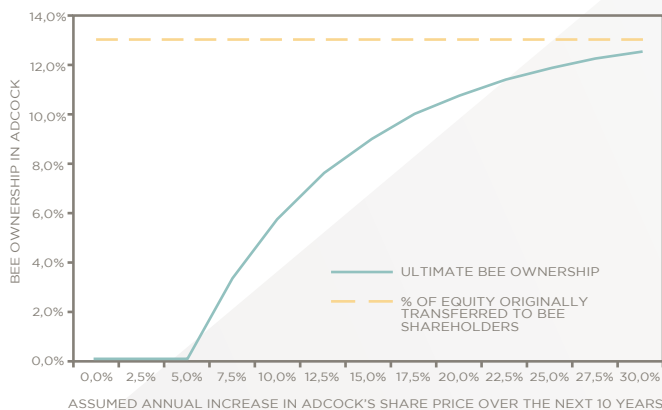
As long-term fundamental investors, we aim to:

- value companies taking into account the economic reality of their BEE transactions – despite the prevailing accounting conventions that can often be employed to mask or delay the true dilution. Put simply - if a company claims ownership points for its BEE deal, these shares should, for consistency purposes, also be taken into account in the valuation of the company and in the estimation of its HEPS.

¹ Proposing that half of mining companies’ equity should be held in black hands.
² Premature interpretations of this principle assumed that once a company achieved a black shareholding it could retain its BEE status regardless of what happened to the black shareholding thereafter.
³ Liberty Holdings also reports its embedded value on a BEE normalised basis.

- understand when a BEE deal could be under water, potentially triggering another BEE deal or a re-set of the existing deal. Bearing in mind that most BEE deals are leveraged and rely in some way or another on the company's share price.
- quantify what will be the likely unencumbered BEE shareholding at the end of the transaction, which often depends on a myriad of yet unknown factors (interest rates, share price and dividends of the company concerned etc). However, transactions that land up transferring a very small shareholding to the BEE beneficiaries, risks alienating the BEE partners or falling foul of the various BEE legislative frameworks, which will simply require a subsequent BEE deal at some point in the future.

Both the Spar and Adcock BEE transactions, mentioned above, will transfer a larger unencumbered BEE shareholding the stronger the performance of their underlying share price (refer to Adcock graph below). For example: although the Adcock transaction (which must still be approved by its shareholders) is structured to transfer 13% ownership to its BEE partners (dotted line in graph below), the ultimate unencumbered BEE shareholding (solid line in graph below) will likely fall below this level depending on the growth in Adcock's share price over the next 10 years. Based on our forecasts of Adcock's dividends, if the Adcock share price increases by 13% annually (in-line with the historic 10 year annual price appreciation of the FTSE/JSE All Share Index since 1960), the BEE partners will end up with approximately 8% of Adcock at the end of the term of the BEE deal. However, if the Adcock share price grows at 5% or less annually, the BEE partners will receive no Adcock shares.



For investors and analysts to ignore the effects of BEE transactions today, simply as a result of the final event only occurring a number of years into the future, is to ignore the reality of one of the underlying elements of SA company valuation. ▀

SUPERVISION OF OUR SHARI'AH FUNDS

One of our company's aims is to customise our portfolios to the specific needs of our clients; one segment being the Muslim community. Element Investment Managers has been actively involved in the field of investments based on Islamic economic principles since July 2000. In November 2007, we became a full member of AAOIFI (Accounting and Auditing Organisation for Islamic Financial Institutions).

The first step towards Shari'ah compliance is the establishment of a Shari'ah Supervisory Board (SSB). This board is an independent body of specialised jurists in fiqh almu'amat or Islamic jurisprudence. The role of the board is to ensure that the funds are in compliance with the letter and spirit of Islamic investing. The SSB conducts an audit of the funds every six months.

We also have our own internal Shari'ah department headed by Mufti Yusuf Suliman. This helps us ensure complete and timeous information to the SSB and day to day compliance. We manage our funds with the mindset that the responsibility of managing the wealth of another is much greater than the responsibility of managing our own wealth.

All transactions in an Islamic Economic System are governed by Islamic ethics as enunciated in Islamic law. Whilst Islam offers a basic freedom to contract, this, however, does not imply unrestrained freedom to contract. We are restricted by other Islamic economic principles. Hence, we are not permitted to invest in activities that are prohibited by Islamic law. Some of these activities are: the manufacture and sale of alcohol, gambling in any form, the sale of pork products and pornography.

Islamic Economic principles also prohibit the participation in interest related transactions. Islamic funds are not to be invested in interest bearing instruments, or companies that profit from interest, including banks and other financial services companies. In addition, Islamic scholars have guided towards limits on the amount of interest based financing and we screen all companies to ensure that they fall within the suggested ratios.

A crucial aspect of our approach to the supervision and management of our Shari'ah portfolio is transparency. We ensure that our holdings and any changes to our portfolio are clearly presented and available for our clients' information. ▀

Mohamed Shafee Loonat

KEEPING IT ELEMENTARY - WHY WE INCLUDE QUANTS AS PART OF OUR INVESTMENT PROCESS



René Prinsloo
B Econ Sc, FFA

At Element Investment Managers we regard ourselves, first and foremost, as fundamental investors. We would rather make fewer high conviction calls and remain active investors than risk capital on consensus views that can quickly, and often materially, unwind. High conviction is a result best achieved by detailed fundamental research, built from the bottom-up. With this in mind, we are sometimes asked what competitive advantage our dedicated quantitative analysts bring to the investment team. Here, we aim to consider how quantitative analysis ('Quants' for short) aids and deepens our fundamental work.

For the sake of clarity, it is also worth pointing out that as the science of asset management and banking has developed over the last 30 years, the term Quant itself has been used in a variety of contexts. From derivative-focused, high frequency trading desks in investment banks, to highly theoretical optimisation algorithms in large tracker funds using terabits of data, many of the people and models involved are termed Quants. To a large degree, this type of Quant work focuses on data not found in financial statements or garnered from discussions with company management.

Our Quants, however, spend most of their time on exactly that information – the fundamental data. Whilst our approach doesn't necessarily take advantage of the massive computing power available today, our Quants focus on using a simpler strength which computers deliver – scalability. Clearly, there is a lot of information, and processing it consistently and methodically is of great use in a fundamentally driven environment. We use this to drive objective and simple, but likewise powerful, insights into ever fluctuating markets.

Below we consider these benefits and what they bring to our process:

Idea Generation

One of the challenges we all face is how to allocate our time optimally and effectively. Rigorous in-depth fundamental analysis is no exception. Even experienced analysts can spend months developing high value insights into a sector or company. While large managers find their opportunity set restricted by the size of their

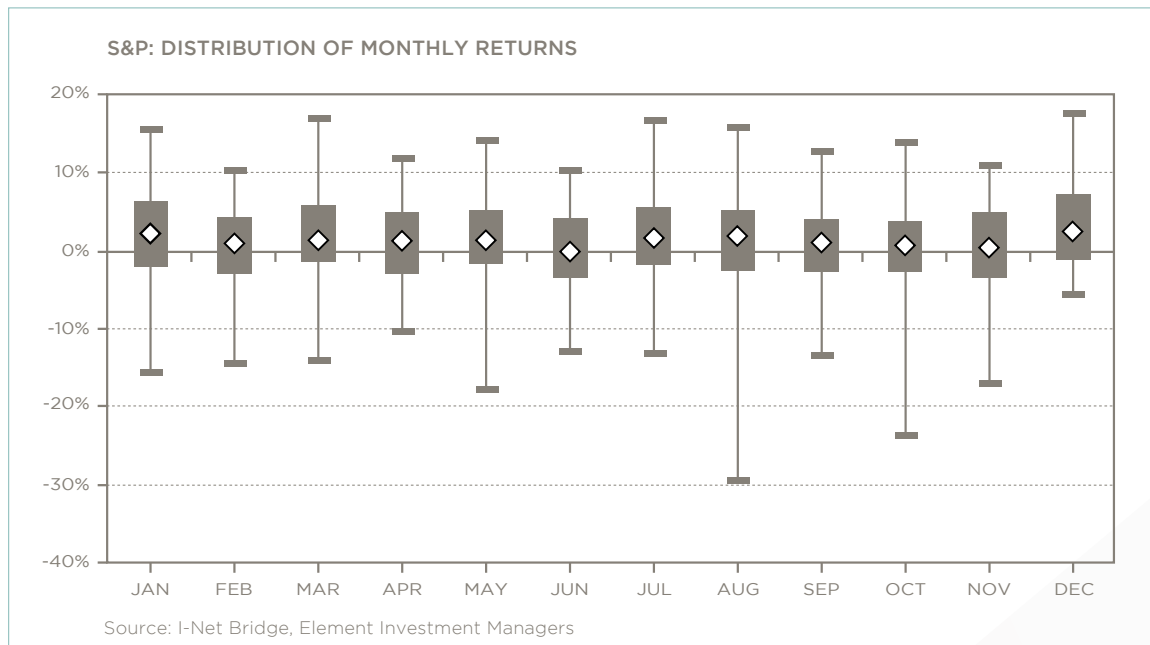
assets (shrinking both their portfolio and research universe), our controlled size opens this universe up for our funds. This means we have additional investment options, but likewise more to cover. Clearly, in financial markets, this is a challenge worth accepting and it is one perfectly suited to Quants. Our Quant models allow us to screen quickly and consistently and sift our entire universe for opportunities. This helps to allocate the scarce resource of analyst time efficiently, ensuring they focus where it matters most.

Objectivity

In his book 'House of Cards', William D Cohan gives a detailed account of the events leading to Bear Stearns' demise. He emphasizes that management, right up to the end, maintained an image of confidence in Bear's financial strength. On March 12th 2008 (effectively four days before JP Morgan had to take over the firm) Bear's CEO was interviewed on TV saying that they had "many, many billions - \$17 billion or so - in excess cash" and added "we don't see any pressure on our liquidity, let alone a liquidity crisis". Considering what we know today was happening behind closed doors, he had little choice but to say this. For all but the most cynical fundamental analysts, ignoring direct statements from management is very difficult. Quant processes are far less susceptible to this common type of spin or input contamination. One of their great strengths lies in their objectivity. Quant models typically make clear, consistent and unambiguous calls, making their output especially beneficial in situations where visibility is low or where noise, sentiment and psychological biases may cloud judgment.

Collation of research

Through regular company visits, our fundamental analysts get a ringside view on how the economy is performing. This information is of obvious use in developing a wider perspective, but without a systematic means of compiling it, much can go to waste. Our earnings and valuation models help us avoid that. By aggregating our in-house earnings forecasts, we get an idea of what all our analysts, as a group, are implicitly suggesting about the market and the economy. There are many ways to exploit this collation. For instance, comparing our aggregated earnings numbers to our top-down outlook for GDP is a good way of stress testing both views – agreement reinforces conviction whilst inconsistencies highlight risk.



Institutional Memory & Discipline

Investment teams must inevitably evolve as global migration trends and the personal needs of team members evolve over their career cycle. South Africans know this better than most. One of the key needs of a business is to capture and cement the proprietary intellectual property it develops over time in order to transmit the developments made by those before to those who follow. One part of an investment process very well suited to this 'I.P. Capture' is Quants.

Well developed systems in a properly established environment can capture and continue to develop ideas and processes long after they are built. This improves the rigour of the Investment Process and maintains a consistent framework to contextualise and explore opportunities.

Quants as Myth Busters

The investment world is fraught with myths. Conventional wisdom endorses ideas like "sell in May and go away" or "buy stocks for the January-effect¹". Well maintained and established data allows Quant analysis to examine quickly and acutely these ideas and differentiate myth from half-truths and reasonable fact. Statistical examination makes the January-effect appear much less of a sure thing than an eager stock broker or columnist might suggest. The chart above also shows that since 1954, January returns are not materially different from those delivered in other months.

At a recent conference in Singapore, one speaker shared an interesting story about the ability of Quants to bust myths. A statistician was intrigued by the media hype and mystique around the Bermuda Triangle and decided to investigate independently. He collected data from numerous credible sources on the movement of ships over a long period of time. He then divided the entire ocean up into areas of a similar size to the Bermuda Triangle and calculated, for each area, the number of ships that sank in that area, adjusting for the typical traffic that passes through it. He found that the Bermuda Triangle ranked in the second to lowest quintile with respect to shipping hazard. Thus, statistically speaking, it ranks among the safest shipping waters in the world! Though anecdotal, this speaks to the importance of objectively re-testing even the most established ideas.

All aspects considered, we view our Quant work as a natural extension to our fundamental research. In both areas, we stick to our trusted investment philosophy - long-term, contrarian and risk aware. Our models are relatively simple - we have found that simple models are usually more reliable than mathematically complex ones. Integrating Quants (people and models) into our investment team not only differentiates us from many competitors, but simply makes solid fundamental sense. ▀

¹ The January effect is a theory that stock markets perform better in January than during other months of the year (especially referring to the US). The most popular explanation for this apparent phenomenon has to do with the timing of security sales and purchases by individuals for tax purposes.

ELEMENT REAL INCOME FUND

FUND MANAGERS

Terence Craig

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

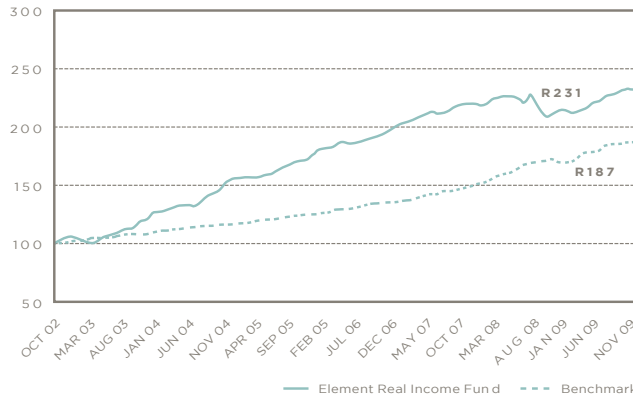
Terence is Chief Investment Officer of Element Investment Managers

Matthew Kreeve

B Com (Hons) (McGill)

Matthew is a Portfolio Manager at Element Investment Managers

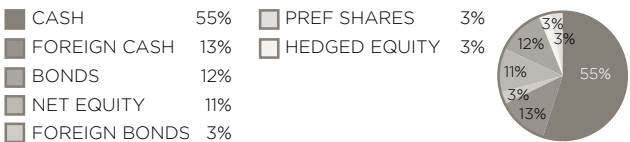
Value of R100 invested at inception (income reinvested)



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

SHARE	% OF EQUITY
MTN GROUP	6.2
ANGLOGOLD	6.0
SASOL	5.6
TONGAAT	5.3
BIDVEST	5.3
REINET	5.2
ALTECH	4.9
MEDI-CLINIC	4.5
GOLD FIELDS	4.4
MONDI LTD	4.4
TOTAL	51.8

ASSET ALLOCATION



PERFORMANCE (Net of fees)

	Fund	Benchmark
Since Inception (un-annualised)	130.8%	86.8%
Since Inception (annualised)	12.4%	9.1%
Last 12 Months	7.8%	9.5%
3 year (annualised)	4.9%	11.5%
5 year (annualised)	8.2%	9.9%

CLASSIFICATION Domestic Targeted Absolute and Real Return

INCOME DISTRIBUTION March, June, September, December

BENCHMARK CPI + 3%

INCEPTION DATE October 2002

MINIMUMS R500 Debit Order
R5 000 Lump Sum

SIZE OF FUND R519 million

ELEMENT FLEXIBLE FUND

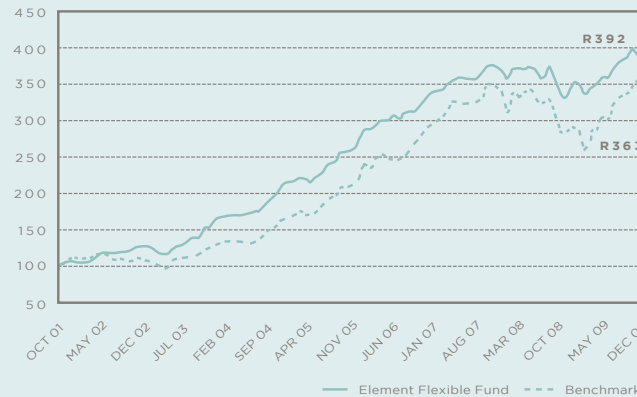
FUND MANAGER

Terence Craig

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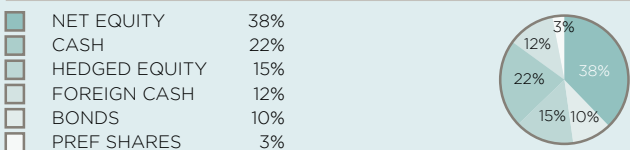
Value of R100 invested at inception (income reinvested)



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

SHARE	% OF EQUITY
MTN GROUP	6.8
ANGLOGOLD	6.4
SASOL	6.0
TONGAAT	5.6
REINET	5.3
BIDVEST	5.0
GOLD FIELDS	4.7
MONDI PLC	4.6
ALTECH	4.5
MEDI-CLINIC	4.0
TOTAL	52.9

ASSET ALLOCATION



PERFORMANCE (Net of fees)

	Fund	Benchmark
Since Inception (un-annualised)	291.7%	263.3%
Since Inception (annualised)	18.2%	17.1%
Last 12 Months	11.7%	23.3%
3 year (annualised)	5.2%	7.4%
5 year (annualised)	12.7%	16.7%

CLASSIFICATION Domestic Asset Allocation Flexible

INCOME DISTRIBUTION March, September

BENCHMARK FTSE/JSE All Share Index (45%); F&I Index (25%); PUT Index (5%); ALBI (15%); Cash (10%)

INCEPTION DATE October 2001

MINIMUMS R500 Debit Order
R5 000 Lump Sum

SIZE OF FUND R652 million

ELEMENT EARTH EQUITY FUND

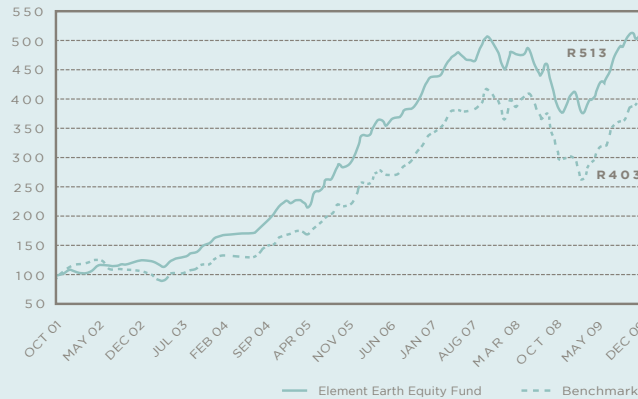
FUND MANAGER

Terence Craig

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

Terence is Chief Investment Officer of Element Investment Managers

Value of R100 invested at inception (income reinvested)

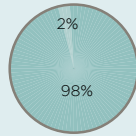


TOP TEN SHARE HOLDINGS (% of equities, EXCL pref shares)

SHARE	% OF EQUITY
MTN GROUP	6.7
ANGLOGOLD	6.6
SASOL	6.2
TONGAAT	5.7
REINET	5.5
BIDVEST	5.2
GOLD FIELDS	4.9
MONDI PLC	4.7
ALTECH	4.5
MEDI-CLINIC	4.2
TOTAL	54.2

ASSET ALLOCATION

EQUITY	98%
CASH	2%



PERFORMANCE (Net of fees)

	Fund	Benchmark
Since Inception (un-annualised)	412.6%	303.0%
Since Inception (annualised)	22.2%	18.6%
Last 12 Months	26.5%	31.5%
3 year (annualised)	5.9%	6.2%
5 year (annualised)	18.0%	19.0%

CLASSIFICATION

Domestic General Equity

BENCHMARK

FTSE/JSE All Share Index with 50% down-weighting applied to resources

INCOME DISTRIBUTION

March, September

INCEPTION DATE

October 2001

MINIMUMS

R500 Debit Order
R5 000 Lump Sum

SIZE OF FUND

R516 million

ELEMENT ISLAMIC EQUITY FUND

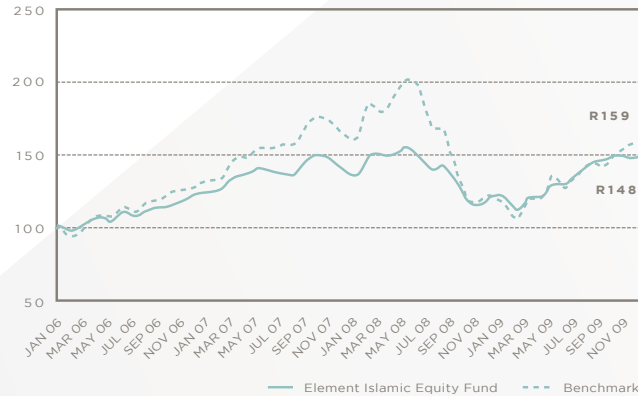
FUND MANAGER

Mohamed Shafee Loonat

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

Mohamed is a Portfolio Manager at Element Investment Managers

Value of R100 invested at inception (income reinvested)

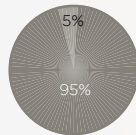


TOP TEN SHARE HOLDINGS (% of equities, EXCL pref shares)

SHARE	% OF EQUITY
SASOL	8.9
ANGLOGOLD	8.8
MTN GROUP	8.7
TONGAAT	7.6
BHP BILLITON	7.3
ALTRON	6.3
ALTECH	6.3
A E C I	5.9
GOLD FIELDS	5.5
MONDI LTD	4.9
TOTAL	70.2

ASSET ALLOCATION

EQUITY	95%
CASH	5%



PERFORMANCE (Net of fees)

	Fund	Benchmark
Since Inception (un-annualised)	47.9%	59.5%
Since Inception (annualised)	10.5%	12.7%
Last 12 Months	21.6%	31.2%
3 year (annualised)	6.2%	7.2%

CLASSIFICATION

Domestic General Equity

BENCHMARK

FTSE / JSE Shari'ah All Share Index

INCOME DISTRIBUTION

March, September

INCEPTION DATE

February 2006

MINIMUMS

R500 Debit Order
R5 000 Lump Sum

SIZE OF FUND

R120 million

ELEMENT BALANCED FUND

THE ELEMENT BALANCED FUND WAS LAUNCHED ON 11 NOVEMBER 2009. PLEASE VISIT WWW.ELEMENTIM.CO.ZA FOR MORE DETAILS.

Figures quoted are from Element Investment Managers for the period ended December 2009 for a lump sum investment using NAV-NAV prices with income distributions reinvested. Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. CIS prices are calculated on a net asset value basis which is the total value of all assets in the portfolio including any income accruals and less all permissible deductions from the portfolio. CIS are traded at ruling prices and can engage in borrowing and scrip lending, except for the Element Islamic Equity Fund. Different classes of participatory interests apply to these portfolios and are subject to different fees and charges. A schedule of fees and charges and maximum commissions is available from the company/scheme. Commissions and incentives may be paid and if so, would be included in the overall costs. Forward pricing is used. The funds are valued daily at 15h00. The portfolios may be closed. Element Unit Trusts Limited is a full member of the Association for Savings and Investment SA (ASISA). Element Investment Managers (Pty) Limited is an authorised Financial Services Provider (FSP663).



Independent Active Investors

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ELEMENT INVESTMENT MANAGERS (PTY) LTD REG. NO. 1998/006727/07
AUTHORISED FINANCIAL SERVICES PROVIDER (LICENCE NUMBER 663)
DIRECTORS: DR A NAGIA (CHAIRMAN), TR CRAIG, IA JONES, Y MOHAMED*
J NAIDOO*, LL XATE* (*NON EXECUTIVE), FOUNDER JKI FRATER