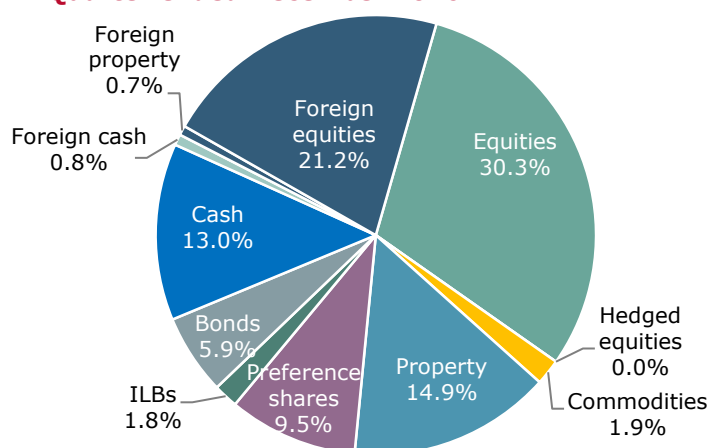


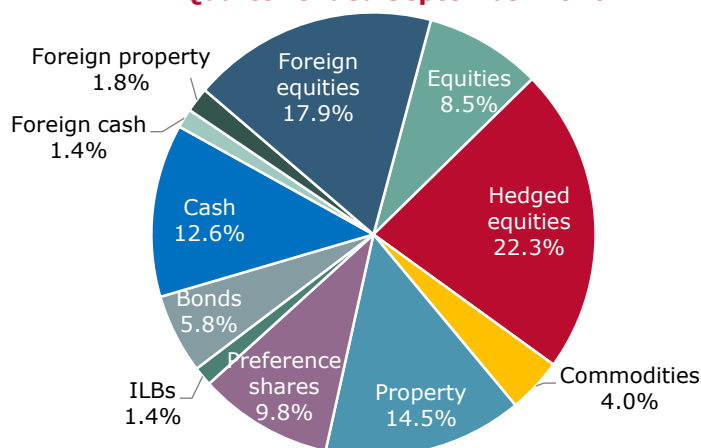
This fund is Regulation 28 compliant and can invest in a variety of domestic and international asset classes (such as equities, listed property, conventional bonds, inflation-linked bonds and cash). It is positioned in our team's best investment ideas - which emanate from our bottom-up research process - and is actively managed to reduce volatility and downside risk. Derivative strategies are employed.

Asset allocation

Quarter ended December 2016



Quarter ended September 2016



Top 10 holdings

Quarter ended December 2016

Zambezi Platinum Pref	5.3%
Equites Property Fund	3.7%
Old Mutual	3.1%
Delta Property Fund	3.0%
Gocompare.com	2.5%
Hospitality Property Fund B	2.5%
Hammerson	2.4%
Master Drilling	2.3%
AECI	2.3%
Northam Platinum	2.1%
Total	29.2%

Quarter ended September 2016

Zambezi Platinum Pref	5.1%
Old Mutual	3.2%
Equites Property Fund	3.0%
Hospitality Property Fund B	2.5%
Hammerson	2.5%
AECI	2.3%
Delta Property Fund	2.3%
Master Drilling	2.3%
Royal Bafokeng Platinum	2.2%
Naspers	2.1%
Total	27.5%

Fund size R77.36 million

NAV 2,686.46 cpu

Number of participatory interests 2,883,273

Income distributions

31 December 2016	35.17 cpu
30 June 2016	36.39 cpu

Key indicators

Economic data	End of quarter figures
Latest consumer price inflation (CPI % YoY)	6.6%
Repo rate (%)	7.0%
3m JIBAR	7.4%
10-year government bond yield	8.9%
Key asset classes (total return)	Quarterly change
MSCI World Equity (US Dollar return)	1.5%
FTSE/JSE All Share Index	-2.1%
FTSE/JSE Listed Property Index	1.3%
BEASSA All Bond Index	0.3%
Commodities and currency	Quarterly change
Platinum (\$/oz)	-12.0%
Gold (\$/oz)	-12.3%
Rand/US Dollar (USD)	-0.2%

Policy objective The fund adhered to the policy objective as stated in the Supplemental Deed

Additional information Please read this quarterly investment report in conjunction with the minimum disclosure document for the fund

The fund returned an exceptionally strong 11.1% for the year (-0.5% return in the final quarter), and was the top performing fund in 2016 in the ASISA Multi Asset Class Medium Equity Category. The fund performance resulted from successful tactical asset allocation, a strong performance from our highest conviction equity and listed property ideas, hedging activity and our exposure to bonds and preference shares. Although our foreign stock selection has been strong this year, the stronger local currency has meant that our offshore allocation has detracted moderately. The fund has returned 10.0% per annum since inception in 2002.

Economic backdrop

Extreme unconventional monetary stimulus following the financial crisis was helpful in combating systemic financial stability risks during the initial acute phase, but has proven unsuccessful in the recovery phase. Global real growth has remained pedestrian, inflation is stubbornly low, and confidence to invest in the real economy (via capital expenditure) has not recovered.

US policy risk is high following the US election result. In particular; protectionist trade measures could counterbalance the benefits of fiscal stimulus, a looser regulatory environment and tax cuts. However, the potential disruption of the current monetary-policy dominated status quo is welcomed. Improved confidence could finally lead to higher levels of US and global growth through increased risk-taking and investment. This, in turn, should lead to higher inflation and normalising interest rates.

European growth remained anaemic during 2016. Better growth in Germany and Spain - led by consumer and export strength - was offset by weak growth in Italy and France, where employment growth and business confidence remains sluggish.

In China, significant fiscal stimulus is supporting fixed asset investment and therefore buoying GDP growth. In the short term, the stimulus has been effective, with industrial activity, inflation, and sentiment indicators improving over the course of 2016, providing a much improved backdrop for commodity demand.

In South Africa, economic growth remains very weak and is expected to improve only moderately in the medium term, as the agriculture and mining sectors recover from low levels. The exchange rate, which remains very sensitive to political developments, has recovered significantly in 2016 from oversold levels. This has improved inflation expectations and the interest rate outlook, offering some relief to a subdued consumer. Unfortunately, much of this respite will be offset by expected increases in consumer taxes.

In our view, South African private sector investment - which has been declining in real terms since 2014 - is the key to unlocking higher growth and employment and is unlikely to recover unless there is meaningful improvement in the political backdrop (policy certainty and growth-enabling reforms are required). This improvement is also necessary to protect the sovereign credit rating, which agencies will review again in June 2017.

Market review

Extreme unconventional monetary stimulus in the form of price agnostic asset purchases has distorted asset prices across the globe. Bond yields are very low, and equity prices are high, especially in sectors where stable cashflows are generated, such as consumer staples. Global bond rates rose somewhat during the second of half of 2016 from record low levels, accompanied by a welcome rise in inflation expectations. This change in trend has seen over-priced defensive stocks and bonds start to meaningfully underperform.

Over the quarter, developed equity markets were mixed in dollar terms, with Hong Kong and UK stocks down, while German, French and US markets were positive. For the year, US markets were the best performing developed markets (S&P 500 index up 12%).

The local equity market lost 2.1% over the quarter and finished marginally up for the year. After three successive quarters of strong performance the resource sector was down marginally this quarter, but with significant internal divergence. General mining was up 9.3%, while gold and platinum mining were down a significant 35.5% and 33.0% respectively, following sharp falls in precious metal prices. Resources remained the top performing sector (up 29.0%) for the year, with the platinum sector posting a recovery from a low base (up 50.5%).

Industrials (down 5.4%) underperformed again this quarter as index heavyweight Naspers declined materially (down 15.2%). Many highly rated shares came under pressure: Brait (down 20.7% for the quarter and down 47.0% for the year), British American Tobacco (down 11.3%) and Shoprite (down 10.4%). On the positive side, telcos outperformed (Telkom up 24.6% and MTN up 7.4%). Fashion retailers Truworths and Foschini Group recovered some of the previous quarter's losses (up 14.1% and 12.2% respectively). Industrials underperformed for the year (down 8.3%).

Financials (up 3.2%) outperformed, (with banks strong again this quarter: FirstRand up 14.8%, Barclays up 11.7%, Standard Bank up 7.9% and Nedbank up 7.0%), while insurers again lagged (Old Mutual and Sanlam were down 4.4% and 1.4% respectively). Financials finished the year positively (up 3.6%).

Bonds (up 0.3%) outperformed equities over the quarter, but lagged cash (1.9%). For the year, bonds rose meaningfully (up 15.5%), recovering from over-sold levels at the start of 2016 and benefitting from reduced inflation expectations as the result of the stronger rand.

Fund performance and positioning

Our holdings in cash, preference shares, local property and global stocks added to performance this quarter. The decision last quarter to take some profits in local bonds and switch into shorter-duration credit instruments has started to pay off. Local equity holdings and hedging activities detracted this quarter.

Strong contributors this quarter were African Rainbow Minerals, FirstRand, Tongaat Hulett and Tiso Blackstar Group. Key detractors were Naspers, our holdings in platinum miners and ETFs, as well as Old Mutual.

Foreign stock selection was again positive this quarter, although significantly outweighed by rand strength. UK-listed life insurer Prudential continued to be a strong performer (our position was built up at attractive levels post the Brexit sell-off), as was Tempur Sealy (the world's largest bedding provider). In the aftermath of the US election, we purchased a basket of high quality US banking shares which will be boosted by any increases in interest rates, inflation and business confidence.

Our holding in US energy infrastructure company Kinder Morgan enhanced performance in 2016. The company's share price recovered by almost 50% as utilisation of the company's vast pipeline infrastructure continued to increase. The share price had declined in 2015 amid widespread investor disappointment at its dividend reduction following the steep oil price decline. As North American energy production continues to grow and export volumes increase, Kinder Morgan's unmatched infrastructure network (135 000 km) positions the company for significant growth. An expected recovery in energy prices would further enhance Kinder Morgan's cashflows, enabling the company to continue with dividend payments and pay down debt.

Against a backdrop of still weak economic growth, high asset prices, rising political uncertainty in many large countries, and a potentially disruptive Chinese economic rebalancing, we are guarded on the outlook for financial markets. However, we are cautiously optimistic that financial conditions may have now begun to normalise (in particular higher real rates, inflation and levels of risk-taking).

We continue to position the fund in investment opportunities we identify from deep research and analysis, taking a long-term perspective to identify mispricings. We have a high exposure to mid-cap stocks where we see undervaluation, large positions in the low-cost PGM miners and certain PGM ETFs and very high exposure to global stock picks.

Resurgent foreign appetite for local bonds has now compressed their yields back down to fair value. We continue to see more attractive risk-adjusted yields in shorter-duration instruments and remain underweight bonds. We maintain a hedge against our equity exposure and maintain a high exposure to foreign equities.