

INDEQUITY SEGREGATED PORTFOLIO REPORT
- JUNE 2011 -

Dear Client,

I am pleased to attach the latest report and statement for your cognizance.

I trust it is valuable and meaningful to you.

Thank you for your continued support.

Kind Regards,



D BOTHA

Indequity Capital Managers (Pty) Ltd. (Reg: 1989/003893/07)

General Client Services (Unit Trust)
PO Box 11583, Die Hoewes, 0163
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Dear Client,

In the March 2011 investment report we concluded that the equity markets were too steamy and that “irrational exuberance” was present at the time. Since then the JSE All Share index had a wild ride and it has been a real “yo-yo” The JSE All share Index was down nearly 8 % from the peak to the most recent bottom but has since rebounded strongly and is down by about 3 % since the end of March 2011. (We are fortunate in that our business and clients are long term investors and look past such short term “wild rides”.)

So where does it leave us now:

We are of the view that the equity markets, although they have retreated somewhat, are still not completely out of the woods.

Although the markets are not overpriced at the moment the international investment picture is more sanguine compared to six months ago and some caution is still warranted at the moment and more volatility can be expected.

We received a recent investment strategy research report from UBS which confirms our own analysis and the impact on the South African investment scenario. The report in broad terms concur with our view that in the medium term there is reasonable upside in the local equity market but the next few months may prove volatile. The following issues may thus impact the financial markets over the next six months but should prove to clear in the medium term

In order to give credit to UBS we quote the relevant paragraphs that makes reasonably “light reading”.

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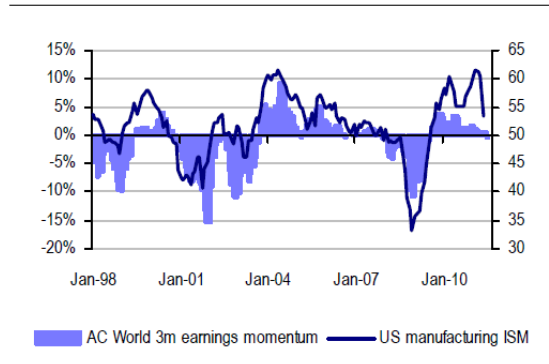
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UBS Report

Global earnings momentum fading

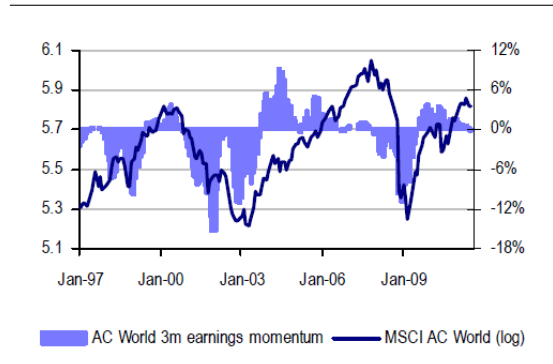
As global growth momentum has faded in recent months, so too has global earnings momentum. We define global earnings momentum as the 3m average of analyst upgrades less downgrades as a percent of total estimates for the MSCI all country world index. In the most recent period global earnings momentum has turned slightly negative.

Chart 2: Earnings momentum and US manufacturing ISM



Source: IBES, Datastream, UBS

Chart 3: Earnings momentum and equity market performance



Source: IBES, Datastream, UBS

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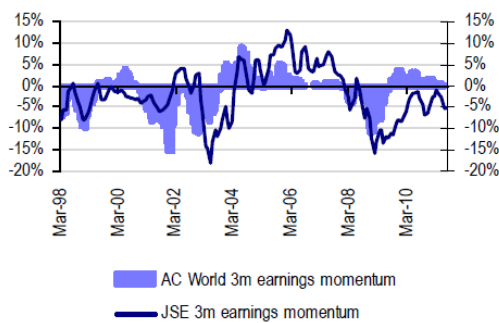
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Earnings momentum in the South African market

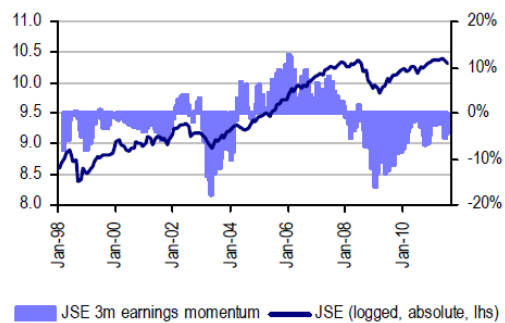
Earnings momentum in South Africa is reasonably highly correlated with global earnings momentum. (See Chart 6) Earnings momentum in South Africa though displays somewhat higher volatility and recently has turned down more significantly than global earnings momentum. In part this reflects the higher weighting of the South African market to basic materials where earnings are more cyclical and earnings estimates are subject to fluctuations in commodity prices and currencies. (We measure earnings momentum for the South African JSE all share index as the sum of upgrades to FY1 and FY2 less the downgrades to FY1 and FY2 as a percentage of the total estimates for FY1 and FY2 for all stocks for which there are consensus estimates.)

Chart 6: World and JSE earnings momentum



Source: IBES, Datastream, IBS

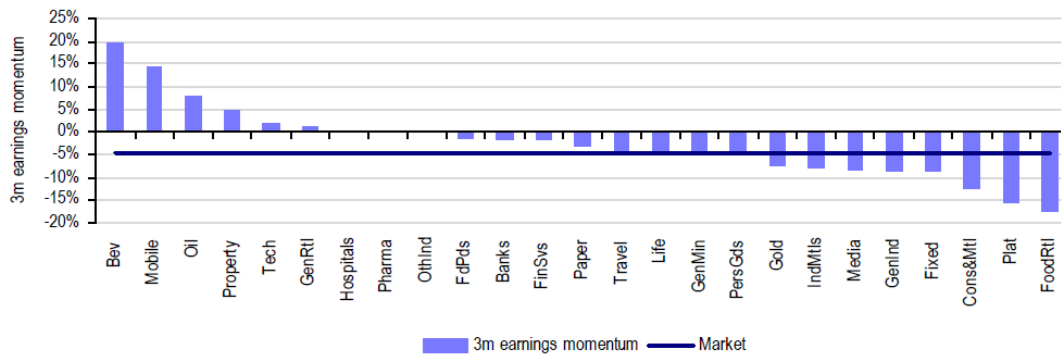
Chart 7: JSE earnings momentum and price performance



Source: IBES, Datastream, IBS

Weakness in earnings momentum is relatively broad based with more than half the sectors within the JSE showing negative earnings momentum.

Chart 8: Three month (absolute) consensus earnings momentum by sector



Source: IBES, Datastream, UBS

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Conclusion

We expand on the above in less technical “investment jargon”.

Chart 2: United States Manufacturing historically had a major impact on international earnings/profit momentum (closely correlated) and for six months now US manufacturing has been trending down.

This slowdown in international earnings momentum has historically impacted directly on equity markets.(Chart3) We have no reason to think it will be different this time.

Chart 6: The profit momentum of international businesses again has a material impact on local JSE company profits. Lower company profits for JSE companies have historically impacted directly on JSE share prices. (Chart 7)

The “dominos” go as follows: US manufacturing stalls and that impacts international profit which in turn impacts local JSE profits and local share prices.

On the positive side UBS forecasts the local All Share index to deliver a total return of 19 % over the next twelve months given certain baseline assumptions. We are of the view that is too “rich” but we agree with the direction of the forecast, namely positive growth 12 months hence.

We are thus still positive about the medium term future for the JSE ALSI and expect medium term growth.

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Internal news

We take this opportunity to inform clients what we have achieved over the last few years and what we are busy with to grow our skills base.

The writer has become a member of the Market Technicians Association of New York earlier in 2011 by passing the final examination to become a Chartered Market Technician. (CMT holder). The Market Technicians Association was formed in the 1970's to enhance the field on technical analysis and market analysis and is recognised as such by the Securities and Exchange Commission. (SEC).

The CMT readings enables the CMT holder to analyse markets, structure of prices and importantly also analyse international equity markets, commodities and trends in detail. The writer also attended the 2011 symposium in New York where the speakers shared the latest techniques in the field of market analysis. We are of the view that the international analysis will benefit our clients given the ever increasing interaction and dependence between financial markets.

In addition one of our investment committee members JD van Heerden (M Sc, CFA) has started with a doctorate degree at the University of Stellenbosch that is ground-breaking mathematical modelling in the investment field. The research undertaken will be the first of its kind in South Africa and will definitely impact positively on client performance in years to come.

We trust this gives clients more comfort that we are serious about improving our skills to deliver superb performance to our valued clients.

Thank you for your continued support.

Kind regards

D BOTHA CMT

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Transactions for the quarter

QUARTERLY REPORT OF THE INVESTMENT PERFORMANCE FOR THE PERIOD

31 MARCH 2011 TO 30 JUNE 2011

PERFORMANCE OF CLIENT PORTFOLIO

SUMMARY OF INTEREST AND DIVIDENDS RECEIVED FOR THE PERIOD ENDING 30/06/2011

Interest	R 18 285.87
Dividends	R 73 868.77

2011/03/31 Opening Balance	R 10 468 922.62
2011/06/30 Closing Balance	R 10 752 556.75

Performance of the portfolio for the quarter *	2.80%
Performance of the FTSE Allshare Index for the quarter ending 30 June 2011	-0.60%
Performance of the portfolio for the year-to-date	0.56%
Performance of the FTSE Allshare Index for the year-to-date	0.50%

** B.o.E Private Clients*

Annual current dividend income from the portfolio	R 230 796.00
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TRADES FOR THE QUARTER ENDING 30/06/2011

DATE	SHARE NAME	TYPE	QUANTITY	TOTAL VALUE
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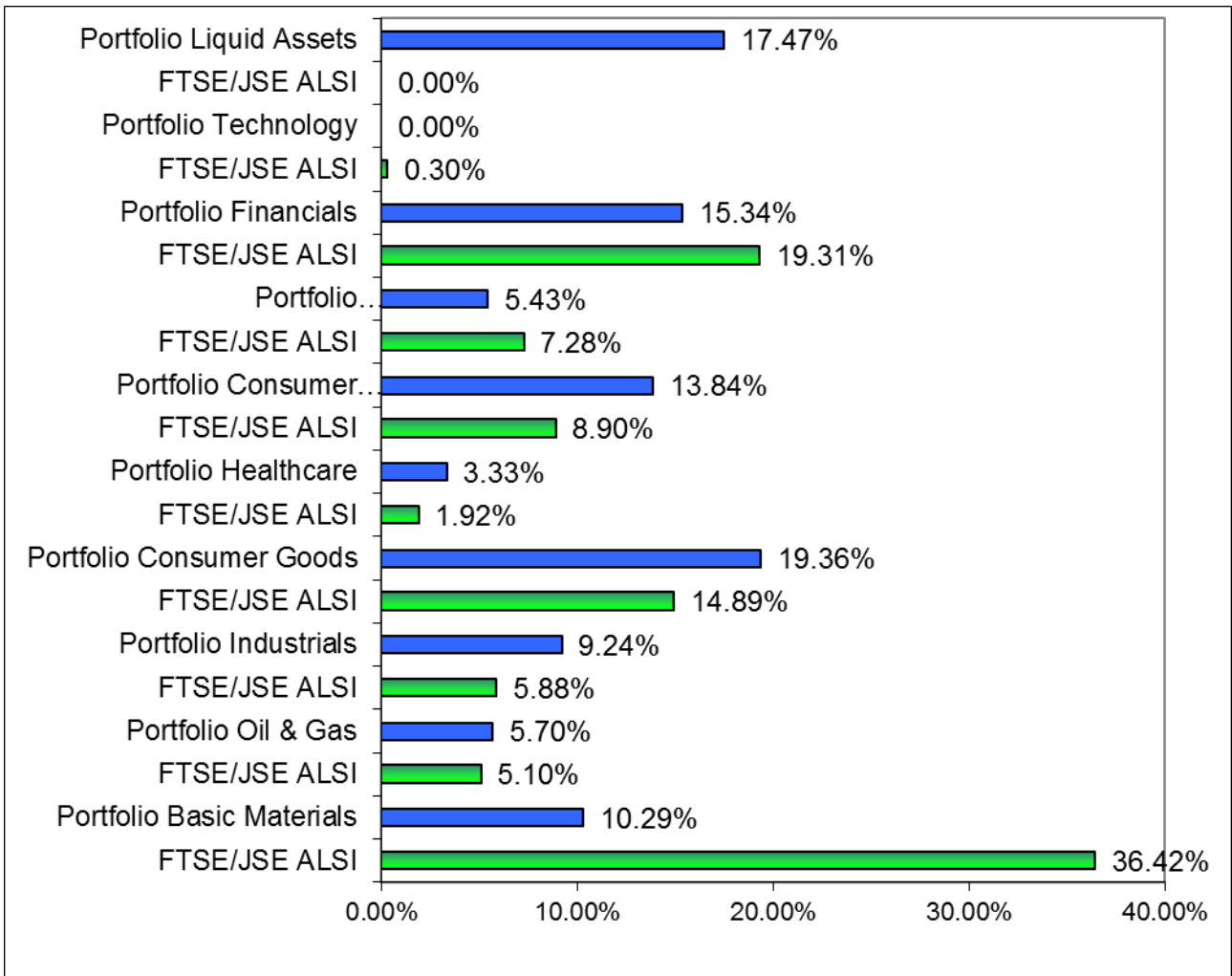
** There were no transactions for the quarter*

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Portfolio Breakdown



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TOP 10 EQUITY HOLDINGS

NASPERS LTD	10.60%
SABMILLER PLC	8.00%
COMPAGNIE FIN RICHEMONT	7.00%
SASOL LTD	6.90%
CORONATION FUND MANAGERS LD	5.60%
ANGLO AMERICAN PLC	5.50%
BRITISH AM. TOBACCO PLC	4.60%
SHOPRITE HLDGS LTD ORD	4.50%
MTN GROUP LTD	3.80%
REUNERT ORD	3.50%

TOTAL EQUITIES	82.50%
CALL/MONEY MARKET INVESTMENTS	17.50%

Commentary

The portfolio is managed as a pension fund portfolio and has performed well regardless of the turbulent financial markets during the last quarter.

The Top Ten shares are all of high quality and the shares are well positioned for medium to long term capital growth.

Given the current low interest rate the call funds in the account should be invested in property – or preference shares rather than keeping the funds on call indefinitely.

The performance for the quarter and the year to date is very satisfactory. Details are in the report.

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