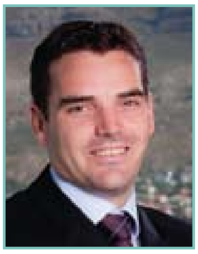
QUARTERLY NEWSLETTER
SECOND QUARTER

2010

ELEMENT
INVESTMENT MANAGERS

CONTENTS

ELEMENT



Ian Jones
B Bus Sc (Hons), FIA

Dear Fellow Investors

The second quarter of 2010 has seen markets falling globally with the FTSE/JSE All Share Index (ALSI) declining by 8.2% over the quarter, and market volatility starting to rise again. There is growing uncertainty over the strength of the global recovery as China's growth starts to show signs of slowing, debt concerns continue in the Eurozone and US unemployment remains stubbornly high.

This quarter's newsletter includes investment commentary from portfolio manager Johny Lambridis, who discusses the major events currently influencing global stock markets and economies. The article highlights the challenge facing developed economies as governments attempt to restore fiscal discipline and stimulus spending comes to an end.

The oil spill in the Gulf of Mexico provides a devastating example of the impact a major ecological disaster can have on the environment, as well as on a company's share price and its investors. Terence Craig, our Chief Investment Officer (CIO), discusses this issue (using BP as the example) and why we continue to focus on Environmental, Social and Governance (ESG) issues and sustainability research as a core part of our analysis of companies.

In his article, Matthew Kreeve, another of our portfolio managers, takes a closer look at why the thorough analysis we carry out for our asset allocation process, including our analyses of bond markets, bond yields and credit ratings, also adds significant value to our equity research process.

Portfolio manager Mohamed Shafee Loonat provides an overview of our new Shari'ah fund, the Element Islamic Balanced Fund. As was the case with the Element Balanced Fund launched last year, we have had a number of enquiries from clients to extend our balanced fund offering to Shari'ah investors.

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.

Thank you for your continued support.

The Element Flexible Fund Benchmark

The Element Flexible Fund will change its benchmark to the Consumer Price Index (CPI) with a hurdle of 5% from the end of July 2010. The current composite benchmark is made up of 45% FTSE/JSE All Share Index, 25% Financial and Industrial Index, 15% All Bond Index, 10% Cash and 5% Property Unit Trust Index.

The purpose of a benchmark is to provide investors and financial advisors with an indication of the long term performance target of a unit trust fund. Our aim is to outperform our benchmarks consistently over the long term at lower levels of volatility.

Feedback from investors on the current composite benchmark is that it is not deemed appropriate nor widely accepted.

CPI is an independent, measurable target which is familiar to investors and financial advisors. By changing the benchmark to be more appropriate to the fund, investors will be able to compare the performance of their investment with a more meaningful target. The Element Flexible Fund is in the Domestic Asset Allocation: Flexible fund category where CPI based benchmarks are widely used.

The change in benchmark will not impact the way in which the fund is managed, the performance of the fund, its long-term track record or the cost to investors. The fund is managed in accordance with its investment objective, which is to achieve a steady growth of capital and income for investors, and not according to its benchmark.

We have included the table below as an indication of how the historic performance of the Element Flexible Fund compares with the current benchmark and the new benchmark of CPI with a hurdle of 5%.

Performance to 30 June 2010	Element Flexible Fund	Old Flexible Benchmark*	CPI + 5%
Since Inception (Annualised)	17.4%	16.0%	11.4%
5 Year (Annualised)	11.9%	14.5%	12.2%
3 Year (Annualised)	4.1%	3.9%	12.9%
1 Year	11.7%	19.8%	10.3%

**45% FTSE/JSE All Share Index, 25% Financial and Industrial Index, 15% All Bond Index, 10% Cash and 5% Property Unit Trust Index*

If you have any queries regarding this change, please feel free to contact us.

THRILLS AND SPILLS

Johny Lambridis
B Econ Sc, FFA

The second quarter of 2010 will probably be remembered as the quarter of spills – BP's disastrous oil leak in the Gulf of Mexico at the start of the quarter (20 April 2010) and Robert Green's infamous "spill" in England's opening game of the 2010 FIFA World Cup against the US later in the quarter. While the latter spill will soon be relegated to sports trivia, the former – one of the worst oil-related environmental disasters – highlights the importance of understanding environmental risk in the valuation of companies. Our CIO, Terence Craig, elaborates on this important issue later in this newsletter.

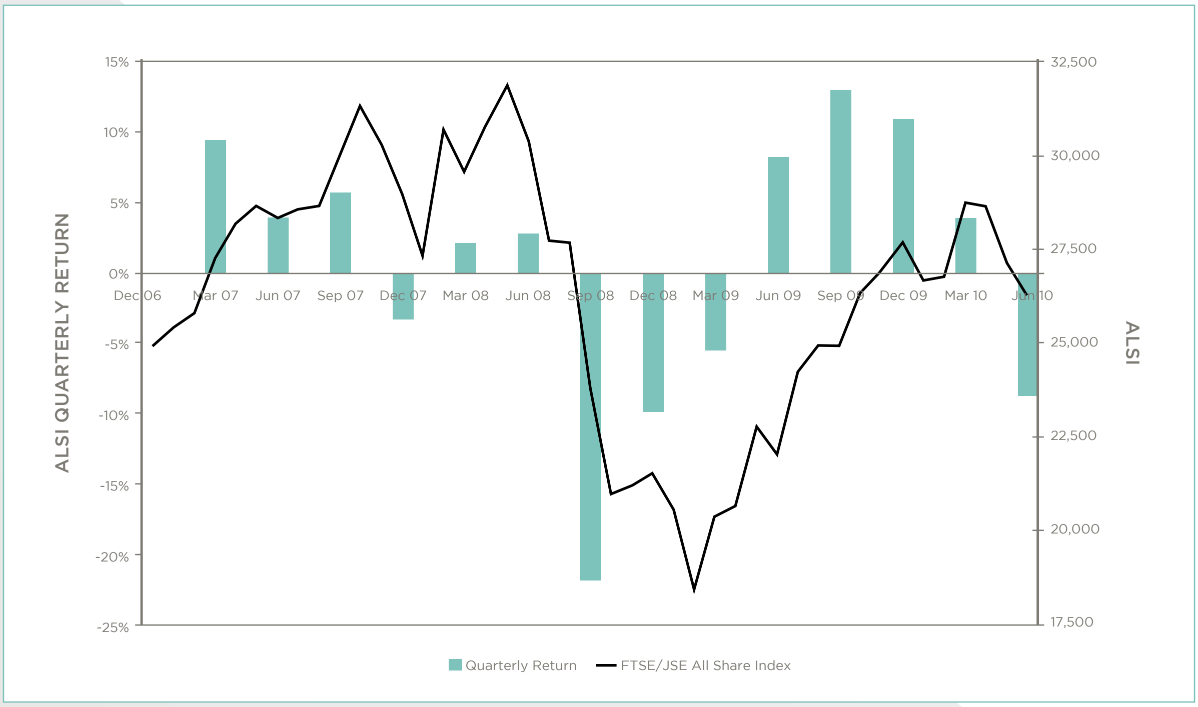
However, with the FTSE/JSE All Share Index (ALSI) posting its first negative return (-8.2%) for five quarters, the second quarter of 2010 also marks the first "slip" in the equity market rally that began in March 2009. With the quarter's losses exceeding the market's gains in the first quarter of 2010, the ALSI is now down 4% year to June (-8% in US$), and from its peak in mid-April to the end of June, the ALSI has shed 11% (-15% in US$).

Although always difficult to predict exactly when a market will top (or bottom), we are not surprised by the poor market returns thus far in 2010. Generally high PE multiple starting points lead to sub-par returns and, as we mentioned at the start of the year[1], the ALSI ended 2009 on a PE of 17.2 – the 6th highest at year-end in the last 50 years. By the middle of 2010, the PE has only fallen back to 16.1.

Most other markets have also gone into reverse. The US is down 7% year to date, European markets – that were shaken by Greece's near default – are down around 10% (and down over 20% when measured in US$), while China is down over 20%. It is important to note that some technicians classify prices falling by more than 20% as a "bear market".

The major catalysts for global markets reversing during the quarter are detailed below (some of which are related to concerns we have raised previously):

- Chinese monetary tightening. Following the massive increase in Chinese money supply, inflation is beginning to appear (the official rate has now increased above 3%) as are signs of an over-heating property market.
- The Henry Tax Review[2] in Australia released in May, which proposed imposing a 40% tax on resource company profits, weighed on global diversified miners. (On the local market this negatively impacted on BHP Billiton and, to a lesser extent, Anglo American).
- Increasing concern among market participants over Greece's ability to repay initial maturing debt on 19th May as well as subsequent debt repayments in the future.



[1] *Investment Commentary, Fourth Quarter 2009 Quarterly Newsletter*
[2] *The controversial tax is still been hotly contested and is indirectly responsible for the resignation of the Australian Prime Minister.*

European governments stemmed the latter concern, to an initial extent, and the slide in the Euro (which has lost 15% against the dollar in 2010) by agreeing on a €110 billion bailout for Greece and a backstop of up to $1 trillion for other indebted governments. However, that has not erased longer-term scepticism about the ability of heavily indebted Eurozone countries to pay down debts and Greece may eventually have to restructure its debt (i.e. default or partially default).

Nearly two years after the collapse of Lehman Brothers in September 2008 and greater use of the word "deleveraging" than ever, we note with concern the increasing levels of global debt. A review of our Quarterly Newsletter from the first quarter 2009 revealed our concern at the time for how the various bailout plans were simply transferring private sector losses (mainly those of global banks) to governments. As we cautioned then, while the transfer "sounds easy", "it's really messy and we'll be reading about this one for a while".

Part of the "messiness" alluded to is now reflected in the rapid deterioration of public finances (as measured by debt/GDP), as private sector debt (some of it toxic) was transferred on to governments' balance sheets. This was further exacerbated by increases in deficit driven stimulus spending by governments to prop up ailing economies. Fiscal positions are particularly dire for developed economies as shown in the graph below, with many at unprecedented peacetime levels. (It is important to note that these fiscal positions exclude the large implicit liabilities of Social Security systems.)

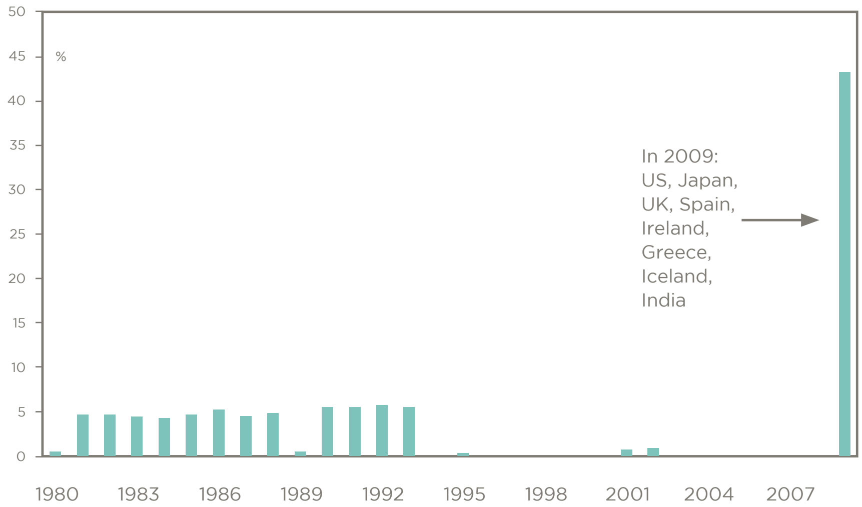
As mentioned previously, taxpayers will ultimately need to foot the bill. In other words, overly indebted governments may seek to pass the debt back to households via higher taxes, lower public spending, the risk of default or the threat of monetisation and inflation. We are already seeing an increasing number of governments (including the recently elected UK coalition government) raise taxes and, in more severe cases, implement unpopular austerity measures (freezing public sector wages, increasing retirement ages, etc.), to avoid a Greek-style sovereign debt crisis.

The deteriorating fiscal positions of developed market economies discussed above, leave policy makers with fewer options to continue to bolster economic growth. Therefore, as South Africans ponder life post the 2010 Soccer World Cup, so too, will investors try to gauge what is the true level of final demand once stimulus spending ends and governments attempt to restore fiscal discipline. Recent indications are not rosy:

- EU car sales (a major user of South Africa's platinum production) declined by 9% year-on-year in May 2010, reflecting the end to government support schemes as well as the challenging economic situation in Europe.
- US existing home sales (the source of the 2008 credit crisis) declined 2% in May 2010, the first month in more than a year that the homebuyer tax credit was not available to prospective homeowners. (Industry participants are already calling for an extension of the tax credit to September this year – not a sign of a market standing on its own two feet.)

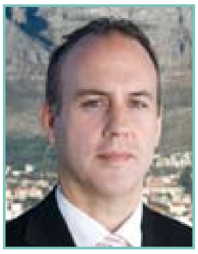
The debt of advanced economies has not gone away; it is simply being transferred from the banks to governments, who, in turn, will try to pass it on to households. This restoration of fiscal balance sheets (increased taxes, austerity measures, lower government spending) is likely to be a drag on growth for some time. Therefore, despite the correction in the previous quarter, we remain cautiously positioned both within our equity stock selection and within our asset allocation for our multi-class funds.

MAJOR ECONOMIES WITH FISCAL DEFICITS AT OR ABOVE 10% OF GDP (% OF GLOBAL GDP), 1980-2009



Sources: IMF and Citi Investment Research and Analysis

WHY RESEARCHING ESG ISSUES MATTERS – IT'S ALL ABOUT RISK



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

The United Nations Principles for Responsible Investment (UN PRI) were launched in April 2006, with Element Investment Managers being the first SA asset manager to sign the UN PRI in May 2006. As a signatory to the UN PRI, "...we believe that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios (*to varying degrees* across companies, sectors, regions, asset classes and through time). We also recognize that applying these Principles may better align investors with broader objectives of society" (our emphasis added).

The first of the UN PRI principles states: "We will incorporate ESG issues into investment analysis and decision-making processes". We highlight to our fellow investors that we have incorporated ESG issues into our decision-making processes since 2001 – a material differentiator in our research process relative to other SA asset managers. We also point out that the ESG research and focus on UN PRI is integrated into our investment philosophy and processes and, therefore, applies to, and benefits *all our clients* and not only a select few. We do *not* have a separate "Head of Responsible Investment" managing a separate fund that is set apart from the majority of client investments, as appears to be the norm elsewhere in SA. It could be argued that with this approach, it implies that the bulk of investments at such a firm are managed "irresponsibly", as only one of many funds is deemed "responsible"!

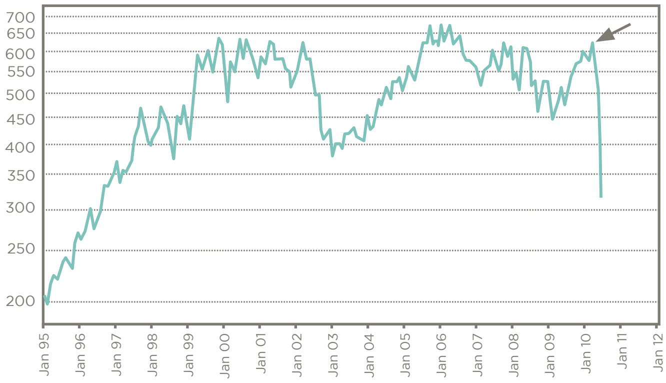
As we highlighted above, ESG issues affect different companies to varying degrees and so our research is focused on areas that may be both *material and relevant* for the long-term valuation of individual companies. As an example, access to water, its cost, utilisation and re-purifying is a material long-term valuation issue for most precious metal mining companies and hence forms part of our research process (that is usually neglected by most analysts). But the same concerns around water and its long-term impact on valuation would not be as material for a banking share.

We have kept investors up to date with our continued engagement with Nampak, which remains ongoing – an area where the primary focus has been on the "G" of ESG i.e. corporate governance – with Element Investment Managers being instrumental in pushing for improved corporate governance in the composition of the Board as well as changes to executive management of Nampak over the last few years.

We feel it prudent to highlight to investors that the focus in our ESG research applies equally to the "E" and "S" parts as well as the "G" – again where material and relevant to the particular company concerned. The "E" and "S" parts are most often neglected by analysts in their research, as the impact of these issues is invariably over a long-term time frame and is often difficult to quantify. The effect of Environmental (and Social) issues on valuation is best illustrated by analysing the most current global disaster affecting the environment – the oil leak in the Gulf of Mexico and its effect on the companies involved – particularly BP.

BP's price graph is shown below (using a log scale). Since the drilling rig explosion in the Gulf of Mexico on 20 April 2010 (the arrow on the graph) that led to the oil leak, BP's share price has declined 51.3% to end June 2010 and is trading back at 1996 price levels. This represents a loss of £63.2bn in market capitalisation – in Rand terms at end June this represents a R723bn loss of value – more than the value of Anglo American, Sasol and Standard Bank combined! Given that most UK (and possibly global) pension and mutual funds will have been invested in BP, an understanding of environmental risks is clearly material for investors.

BP SHARE PRICE (LOG SCALE) – GBP



The BP spill has had a knock-on effect to the whole Oil Sector with the FTSE All World Oil and Gas Index losing 17.4% over the same period. BP's price decline is still approximately 34% worse than the sector, however, and could remain vulnerable until the leak is finally plugged – particularly if the hurricane season compounds the problem. We would highlight to our fellow investors that when the leak is stopped, if not before, it is quite reasonable to expect a material bounce in the BP share price as the *shorter-term* costs of the clean-up become less open-ended and more quantifiable.

As *long-term* investors, however, we caution that the long-term impact on oil company margins could be more material than the short-term clean-up costs. The costs of long-term litigation, oil exploration, insurance/reinsurance, environmental and risk management procedures, lower credit ratings raising its cost of capital, etc. will inevitably increase as a result of this disaster, not to mention a possible straining of relationships between the UK and US. One of the positives may be that more research funding into alternative energy sources becomes forthcoming – something that is needed for a "break-through" technology to be found, which drives down the costs of alternative technologies that are not directly competitive at current levels.

We have heard a number of US commentators liken the oil spill and its effect to the devastation caused by Hurricane Katrina. In our opinion, this misses the point somewhat – Hurricane Katrina (as with the Icelandic volcano eruption earlier in 2010) was an ***act of nature*** and could not have been easily predicted or avoided. The BP oil leak is not a natural occurrence, but a ***man-made event*** – the question to be asked is: with enough detailed research, could this risk have been highlighted more by analysts prior to the event (and should it have been factored more into their valuations of the company)? As investors we have to consider "low" probability-high impact scenarios in our analysis and we try to include these in our research by building a range of valuation sensitivities to possible events.

A number of analysts have intimated that BP was unfortunate in that "accidents do happen" and, this time, its number came up, but that it could have been any one of the other big oil companies. We are not so sure that this is actually the case.

According to a June 2010 article from *The Sunday Times* (London) – over the past three years, the US government department that monitors compliance with health and safety regulations has cited several companies for negligence or corner-cutting.

Sunoco and ConocoPhillips have had eight "egregious, willful" safety violations each. Citgo had two and Exxon had one. BP – well they had ***760*** such violations in the same time period! A quick review of some of the more material incidents prior to the Deepwater Horizon rig explosion which killed 11 workers:

- An explosion at a BP refinery in Texas in 2005 killed 15 people and injured 80. An investigation found that BP had violated provisions of the Clean Air Act and paid $50m in fines.
- In rebuilding this plant, BP did not follow the correct procedures for safety (again) and was fined $87m – the biggest fine of its kind in history. All BP's refineries in the US were found to have a "systemic safety problem".
- In 2006 a broken BP pipeline pumped 200,000 gallons of oil into Alaska and the company was found criminally negligent over corrosion in the pipe.

Internal BP memos, leaked to the press, highlighted a number of red flags that were ignored prior to the Horizon rig explosion – including the type of cement used, the readings on the blowout preventer and abnormal readings on pressure tests. The problem appears to go even further with the relationship between the regulators and those that they regulate being less than optimal. It was reported that one of the permits for Deepwater Horizon was approved only 10 minutes after it had been submitted.

From the above it appears that shareholders and analysts should have been focusing more on BP's safety standards and procedures to prevent such a disaster as there seemed to be plenty of warning signs – particularly relative to other oil companies.

At Element Investment Managers, we have identified certain key Environmental and Social risks that face certain of our mining companies over the long-term. Where we believe that our own in-house research could benefit from the use of external experts in the field, we have commissioned such bespoke research. We believe that this will give us better insight into the long-term risks (and hence valuations) facing companies. Examples of the bespoke research commissioned over the last few years – where detailed reports were prepared specifically for our own research needs by experts in these areas and were not from other external sources:

- The Gold Mining Industry: Key Sustainability Challenges for SA (Sept 2005)
  - Liabilities associated with mine closure
  - Water usage and pollution
  - HIV/Aids issues
- Silicosis in the SA Mining Industry (March 2007)
- Safety and the Bottom Line: SA Gold and Platinum Producers (May 2008)
- Skills as a Risk for SA Mining: Gold & Platinum (July 2008)
- Water Challenges and Risks for the Platinum Mining Industry in SA (August 2009)

We believe the above reports have improved our understanding of the risks facing certain of our mining companies in SA on both an absolute and relative basis – something that we can build into our valuation models for these companies. It highlights the focus on both the "E" and "S" of ESG research where we believe this to be material and relevant for the valuation of companies concerned and has at times been reflected in our choice of companies held within our client portfolios – where we hold certain shares within a sector, but not others.

What is clear to us going forward, however, is that water access, its treatment and its cost, will be a material issue for SA as a whole (and miners in particular). In our opinion, the cost of water in SA is likely to rise materially in the next decade – not dissimilar to the price increases we are now facing with electricity (the effects of which are now being factored in to mainstream investment analysis).

LOOK TO THE CURVE

Matthew Kreeve
B Com (Hons)

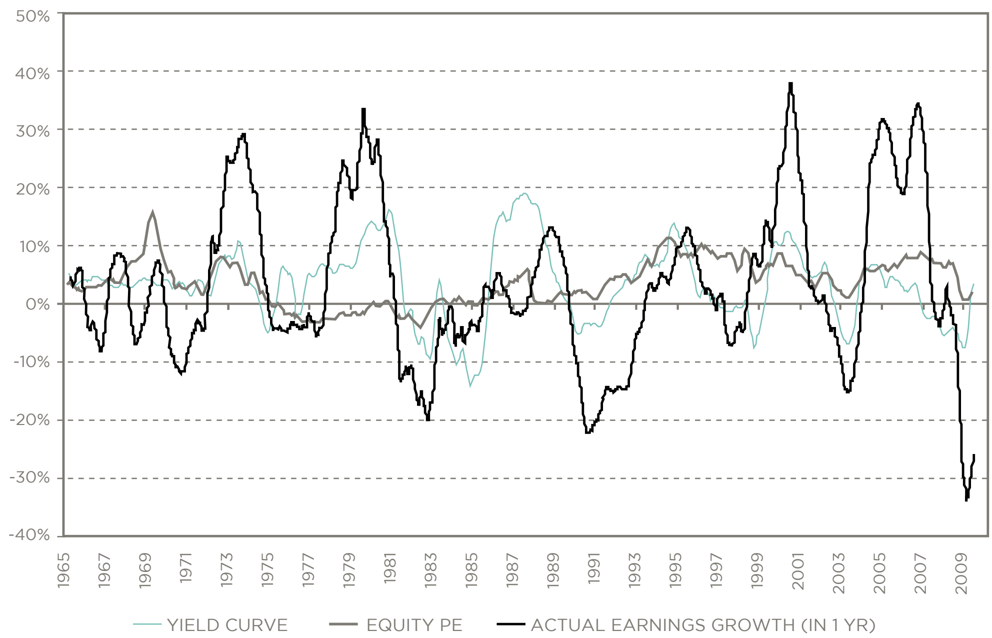
Although bonds are normally relegated to the inside pages of the business section, with the global credit storm and the sea change markets have experienced in credit risk awareness, equity investors are currently paying much more attention to bonds, credit ratings and default risk. Indeed, we agree that they should; we do. While many equity investors simply compare the yield between different asset classes, the yield curve allows for more complex interpretations of what markets are expecting. Investors, even those focused on equities, can gain a lot from looking to the curve. While this can be somewhat technical, we think it's worth highlighting.

There are multiple intersections between bond and equity markets. At the simplest level, fixed income instruments like bonds, promissory notes and treasury bills are much closer to the risk-free rate on which so much comparative valuation work is based. The dividend and earnings yield of equity markets is often compared to that of income instruments – investors must essentially consider the opportunity cost of foregone interest income when choosing to allocate capital to alternatives such as equities. The investor gives up the certainty of relatively fixed returns for potential capital gains – a classic risk-return trade off.

What is more interesting is that the level of bond yields and the slope of the yield curve – the relative position of long dated yields (typically 10 or 20 years out) versus those that are shorter dated (cash or call deposits) – can be a very important predictor for equity markets. In fact, using bond yields in this way tends to predict certain key equity market outcomes more accurately than major equity market indicators do. For this reason we believe that understanding and considering the expectations implied by the bond market can add value to an investment process.

Equity prices are affected by a wide range of expectations, from political developments (be they regulatory or tax-related), to competitive forces in their respective target markets, to developments internal to the company, its management and their plans. All of these and other factors can drive equity prices. Despite all this, and the media noise it engenders, we often remind ourselves that an equity owner really only has 2 essential rights – the right to receive dividends, and the right to vote on company resolutions. As earnings and cashflow growth drive the dividends investors ultimately receive, this growth is a primary concern for investors. Many focus on the Price/Earnings (PE) ratio as it succinctly compares the price of the stock to the earnings it has delivered. In theory, as a stock's earnings growth outlook improves, the PE rating of the stock should increase to price in the improved prospects for dividend growth. Thus, we often hear about whether the current market PE is fair considering the outlook for earnings and it remains a useful barometer of pricing. However, there are other ways of looking at what markets are expecting for earnings, and they can capture nuances that PEs may not.

PREDICTIONS VS. SUBSEQUENT REAL EARNINGS OUTCOME



Source: BESA, I-net, Element Investment Managers research

What we show in the chart on the previous page is that the SA bond curve has been a better predictor of future actual earnings growth than the PE ratio. (We are comparing the current bond curve and market PE to the earnings growth achieved one year later). While a long-term chart with many decades of data and multiple series can at first look a bit complicated, close scrutiny of the chart is warranted. In black we chart the actual earnings growth achieved by the FTSE/JSE All Share Index over the last 45 years. If one could have forecast this number with any certainty, the benefits to an equity investor are obvious. In teal we show the prediction the Bond market yield curve has made over the same period. The third line (silver) shows the Equity market PE as it changes over time.

Even by comparing the two coloured predictive lines to the actual result visually, it is clear that the yield curve has a far greater "fit" to the earnings growth than that predicted by the equity market's PE ratio. In other more detailed statistical comparisons, we find that while the curve and the PE ratio sometimes make similar predictions, the various measures of fit and predictive error between the predictor and the result are materially better for the yield curve than for the market PE. This is true on average for periods of up to 3 years: over 1, 2 and 3 years, the bond yield curve is far more sensitive to future changes in earnings outcomes than the PE rating. This is a significant result especially when one considers the wide variety of business and market cycles experienced since 1965.

You may also have noticed how in 7 distinct periods the actual earnings growth outcome was far above or below the result forecast by either predictor – these "surprises" can be very large indeed and highlight the lack of earnings visibility in equity markets (or opportunity for active investors). In 5 of these 20% range surprises, the bond market was closer to the result than the PE ratio! Also, it's notable that as bond markets began to price negative earnings growth in certain cycles, the PE failed to price these in. One spectacular example of this is the 2007/8 period where the PE ratio remained high until it was too late, while the bond curve correctly began to signal the direction of earnings growth, although, in hindsight, underestimating the degree of the drawdown.

This is one simple illustration of why we choose to include the bond market in our research and why, as part of our investment process, we prefer to cover all the listed and liquid alternatives available to investors seeking long-term returns in order to preserve and grow their savings in real terms. There are many other opportunities for cross pollination between bond and equity research. From bottom-up work relating to credit risk and cashflow analysis, to top-down issues such as the above mentioned issue of variant expectations, maintaining a breadth to our analysis suits our absolute return focused, long-term goals.

Element Islamic Balanced Fund

For Muslims, there is no separation between religion and everyday life. Every action is governed by religion and every action, if done in the right way and with the right intention, is regarded as an act of worship. Finance and investments are no different. Saving for retirement in a manner that is consistent with Islamic law is therefore extremely important.

At Element Investment Managers, meeting the needs of our clients has always been important to us. What is required by and what is best for our clients will continue to guide 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 Islamic Balanced Fund during the second quarter of 2010.

The main benefits of investing in a balanced fund are that, in the long term, it gives the investor exposure to a wider range of asset classes 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 position the fund so as to obtain the highest risk adjusted returns.

In simple terms, the Element Islamic Balanced Fund will hold a much smaller allocation to equities and a larger allocation to Islamic cash investments, when compared to an equity-only unit trust. With equities having a higher risk profile compared to Islamic cash investments, the Element Islamic Balanced Fund is likely to experience lower long-term returns and lower levels of risk.

The launch of the Element Islamic Balanced Fund follows on our success in managing Islamic equity funds as well as institutional balanced mandates for both Shari'ah and non-Shari'ah investors. As for the Element Islamic Balanced Fund, we have been managing similar funds since August 2005. Element Investment Managers were the pioneers in terms of designing Islamic cash investment products in South Africa. We have managed Islamic products for individual investors and within portfolios since July 2000 – over a decade.

The Element Islamic Balanced Fund is a prudential variable equity unit trust fund that complies with the regulations that govern retirement funds (Regulation 28). Regulation 28 allows for equity exposure from 0% to 75% but, in accordance with Shari'ah guidelines, the combined equity and property holdings will never fall below 30%.

For further information on our Islamic investing or any of our funds, please refer to our website (www.elementim.co.za) or contact us directly.

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

ELEMENT

FUND REPORTS

30 JUNE 2010

ELEMENT REAL INCOME FUND

FUND MANAGERS

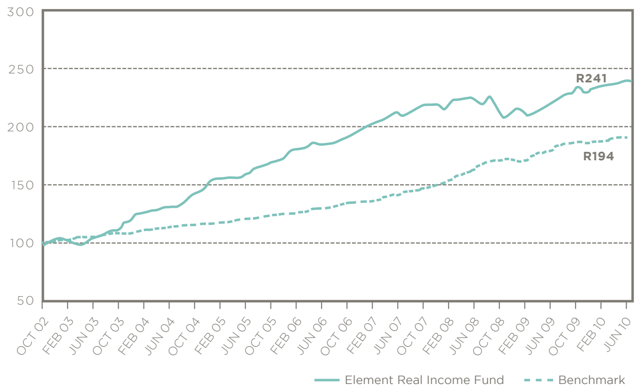
Terence Craig
B Bus Sc (Hons), CA (SA), CFA

Terence is Chief Investment Officer of Element Investment Managers

Matthew Kreeve
B Com (Hons)

Matthew is a Portfolio Manager at Element Investment Managers

Value of R100 invested at inception (income reinvested)

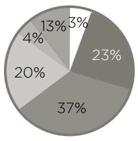


TOP TEN SHARE HOLDINGS
(% of equities, EXCL pref shares)

SHARE	% OF EQUITY
SASOL	8.2
MTN GROUP	6.9
ANGLOGOLD	6.5
HOWDEN	5.1
TONGAAT	4.9
GOLD FIELDS	4.8
REINET	4.4
BIDVEST	4.3
MONDI LTD	3.9
OLD MUTUAL	3.7
TOTAL	**52.7**

ASSET ALLOCATION

FIXED INCOME AND BONDS (> 1 YEAR)	37%	NET EQUITY	13%
MONEY MARKET INCL. CASH (< 1 YEAR)	23%	PREF SHARES	4%
FOREIGN CASH	20%	HEDGED EQUITY	3%



PERFORMANCE (Net of fees)

	Fund	Benchmark
Since inception (un-annualised)	141.0%	93.6%
Since inception (annualised)	12.2%	9.0%
Last 12 months	8.5%	7.8%
3 year (annualised)	4.4%	10.7%
5 year (annualised)	8.4%	9.9%

CLASSIFICATION	Domestic Targeted Absolute and Real Return
BENCHMARK	CPI + 3%
MINIMUMS	R500 Debit Order R5 000 Lump Sum
INCOME DISTRIBUTION	March, June, September, December
INCEPTION DATE	October 2002
SIZE OF FUND	R443 million

ELEMENT FLEXIBLE FUND

FUND MANAGERS

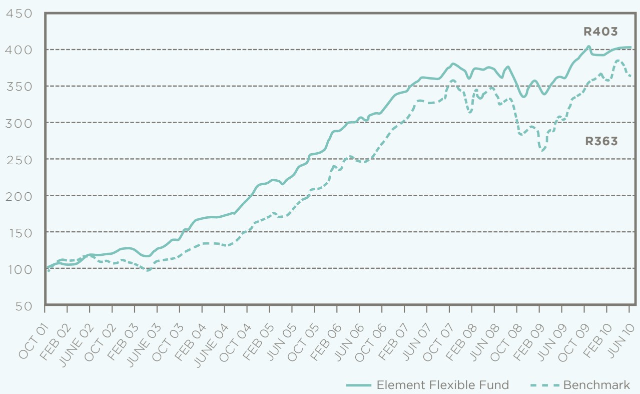
Terence Craig
B Bus Sc (Hons), CA (SA), CFA

Terence is Chief Investment Officer of Element Investment Managers

Matthew Kreeve
B Com (Hons)

Matthew is a Portfolio Manager at Element Investment Managers

Value of R100 invested at inception (income reinvested)

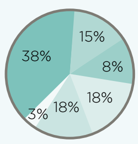


TOP TEN SHARE HOLDINGS
(% of equities, EXCL pref shares)

SHARE	% OF EQUITY
SASOL	8.4
ANGLOGOLD	7.3
MTN GROUP	7.0
TONGAAT	5.3
GOLD FIELDS	5.3
REINET	4.5
BIDVEST	4.5
MONDI PLC	4.2
REMGRO	3.7
HOWDEN	3.6
TOTAL	**53.8**

ASSET ALLOCATION

NET EQUITY	38%	HEDGED EQUITY	15%
BONDS	18%	CASH	8%
FOREIGN CASH	18%	PREF SHARES	3%



PERFORMANCE (Net of fees)

	Fund	Benchmark
Since inception (un-annualised)	302.7%	262.9%
Since inception (annualised)	17.4%	16.0%
Last 12 months	11.7%	19.8%
3 year (annualised)	4.1%	3.9%
5 year (annualised)	11.9%	14.5%

CLASSIFICATION	Domestic Asset Allocation Flexible
BENCHMARK	FTSE/JSE All Share Index (45%); F&I Index (25%); PUT Index (5%); ALBI (15%); Cash (10%)
MINIMUMS	R500 Debit Order R5 000 Lump Sum
INCOME DISTRIBUTION	March, September
INCEPTION DATE	October 2001
SIZE OF FUND	R603 million

ELEMENT EARTH EQUITY FUND

FUND MANAGERS

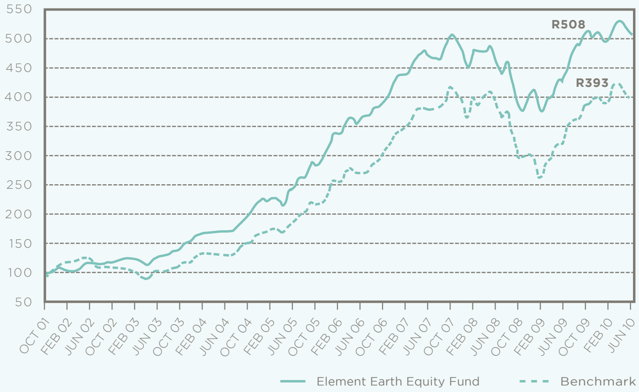
Terence Craig
B Bus Sc (Hons), CA (SA), CFA

Terence is Chief Investment Officer of Element Investment Managers

Johny Lambridis
B Econ Sc, FFA

Johny is a Portfolio Manager at Element Investment Managers

Value of R100 invested at inception (income reinvested)



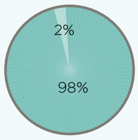
TOP TEN SHARE HOLDINGS

(% of equities, EXCL pref shares)

SHARE	% OF EQUITY
SASOL	8.3
MTN GROUP	7.1
ANGLOGOLD	7.1
TONGAAT	5.9
GOLD FIELDS	5.0
BIDVEST	4.5
REINET	4.3
MONDI PLC	4.2
REMGRO	3.8
ALTECH	3.7
TOTAL	**53.9**

ASSET ALLOCATION

EQUITY	98%
CASH	2%



PERFORMANCE (Net of fees)

	Fund	Benchmark
Since inception (un-annualised)	407.8%	292.9%
Since inception (annualised)	20.6%	17.1%
Last 12 months	17.5%	23.0%
3 year (annualised)	2.5%	1.1%
5 year (annualised)	15.7%	16.0%

CLASSIFICATION	Domestic General Equity
BENCHMARK	FTSE/JSE All Share Index with 50% down-weighting applied to resources
MINIMUMS	R500 Debit Order R5 000 Lump Sum
INCOME DISTRIBUTION	March, September
INCEPTION DATE	October 2001
SIZE OF FUND	R480 million

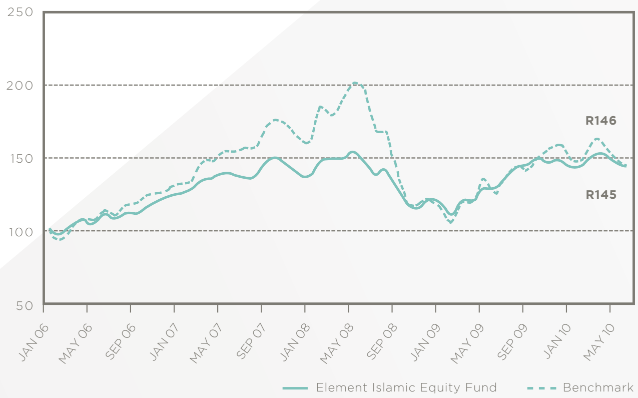
ELEMENT ISLAMIC EQUITY FUND

FUND MANAGER

Mohamed Shafee Loonat
B Com (Eco), B Compt & Advanced Tax (Hons), 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)



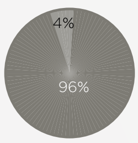
TOP TEN SHARE HOLDINGS

(% of equities, EXCL pref shares)

SHARE	% OF EQUITY
ANGLOGOLD	9.4
MTN GROUP	9.3
SASOL	9.1
TONGAAT	7.7
GOLD FIELDS	5.9
BHP BILLITON	5.4
ALTRON	5.1
MONDI LTD	5.0
LIFE HEALTHCARE	4.7
ALTECH	4.5
TOTAL	**66.1**

ASSET ALLOCATION

EQUITY	96%
CASH	4%



PERFORMANCE (Net of fees)

	Fund	Benchmark
Since inception (un-annualised)	45.1%	46.3%
Since inception (annualised)	8.8%	9.0%
Last 12 months	11.9%	15.6%
2 year (annualised)	-1.2%	-13.6%
3 year (annualised)	1.6%	-1.9%

CLASSIFICATION	Domestic General Equity
BENCHMARK	FTSE / JSE Shari'ah All Share Index
MINIMUMS	R500 Debit Order R5 000 Lump Sum
INCOME DISTRIBUTION	March, September
INCEPTION DATE	February 2006
SIZE OF FUND	R134 million

THE **ELEMENT BALANCED** FUND WAS LAUNCHED ON 11 NOVEMBER 2009 AND THE **ELEMENT ISLAMIC BALANCED FUND** WAS LAUNCHED ON 28 APRIL 2010. PLEASE VISIT WWW.ELEMENTIM.CO.ZA FOR MORE DETAILS.

ELEMENT
INVESTMENT MANAGERS

Independent Active Investors

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