

INVESTMENT SOLUTIONS UNIT TRUSTS LTD ANNUAL UNITHOLDER COMMUNICATION

MARCH 2007

CHAIRMAN'S REPORT

Economy and Markets

Many investors continue to believe SA is simply enjoying a cyclical upswing due to a favourable global economic environment. Investment Solutions, however, remains confident that SA is on a higher and more sustainable growth trajectory and that there has been a structural change. Economic fundamentals remain sound and were very stable throughout the year. But, as was the case globally, investors' perceptions and pricing of these fundamentals went on a roller-coaster ride. Investors were rewarded for sticking to the fundamentals and focusing on valuations. This was especially so after the May/June bout of extreme risk aversion. Asset classes performed extremely well in the past 12 months, with equity markets surging to a record high. Pleasingly, there has been strong breadth in the equity rally, with large, mid- and small-cap shares all enjoying fairly similar investment returns.

Evidence of a more balanced growth profile continues to emerge. This improved balance in the sources of economic growth continues to give Investment Solutions confidence in the longevity of the current economic cycle. SA achieved economic growth of 5% in 2007, the third consecutive year of greater than 5% economic growth.

The outlook for inflation remains key. Investment Solutions' view remains that inflation continues to be under control and has been within the target range since September 2003 – 43 consecutive months. Net foreign-exchange reserves have risen to \$24 billion, an increase of \$1 billion from December 2006; consumer confidence – as proxied by the FNB BER Survey of consumer confidence – has hit an all time high, with records going back to 1982; and business confidence remains close to its all time high.

Globally and locally, the company's focus has been – and strongly remains – on the fundamentals and valuations.

Investment Returns

The unit trust sector remains extremely competitive, with 122 new unit trusts launched during the past 12 months, taking the total number to 765. Increased competition in the unit trust space from new, smaller and more nimble unit trusts has resulted in the Investment Solutions unit trusts falling in the relative rankings in their respective categories. Despite this, the company's range of unit trusts has continued to deliver returns ahead of inflation for the 12 months ending March. Of note is the

Multi-Manger Equity Unit Trust, which despite having a lower allocation to Resources than the ALSI, delivered a return of 30%.

Changes

In July last year, Investment Solutions changed the mandate and number of underlying investment managers in the Pure Fixed Interest Unit Trust, making it more in line with peers in its category, whereas previously it had more of an institutional money focus. Mandates were changed to allow the underlying managers within the unit trust greater flexibility within the Collective Investment Schemes Control Act (CISCA) guidelines to outperform the benchmark, whereas previously they also took into account the investment limitations set out in Regulation 28 of the PensionFunds Act.

This change saw significant assets move from the Pure Fixed Interest Unit Trust to an alternative Investment Solutions portfolio. Excluding the move of these assets, Investment Solutions' assets under management increased by 8.9% for the 12 months ending March 2007. The company's investment team continues to monitor and where necessary change underlying investment managers in the unit trusts. During the course of the last 12 months, changes were also made to the Multi-Manager Equity and Property Unit Trusts.

Conclusion

The markets have continued to allow Investment Solutions' unit trusts to deliver strong returns. In my communication to you last year, I warned that this was possibly unsustainable, and I reiterate this sentiment again regarding the 12 months ahead.

The remainder of this year promises to be profitable for investors, but not without risk and volatility. Investment Solutions remains confident that its investment process, philosophy and depth of resources will continue to build wealth for its clients in a prudent and responsible manner over the medium to longer term. I thank you for your continued support.

Yours sincerely



David Tennick
Chairman



Investment
Solutions
Unit Trusts Limited

IT ALL ADDS UP!

ABRIDGED FINANCIAL STATEMENTS

	Multi-Manager Equity	Property Equity	Multi-Manager Balanced FoF	Real Return Focus	Pure Fixed Interest	Income	Superior Cash	Global Equity Feeder	Global Fixed Income Feeder	US Dollar Cash Feeder
Income Statements for the Year Ended 31 March 2007										
INCOME	139,422,055	47,123,151	2,229,812	28,981,571	85,707,448	97,230,920	202,487,277	71,524	19,423	3,436
Dividends Received	117,753,086	3,112,286	850,792	6,591,449	-	-	-	-	-	-
Net Interest Received	20,108,995	43,358,549	1,387,535	18,304,531	142,420,550	98,873,277	200,901,571	71,524	19,423	3,436
Income Adjustment on Creation and Cancellation of Units	1,559,974	652,316	(8,515)	4,085,591	(56,713,102)	(1,642,357)	1,585,706	-	-	-
EXPENDITURE	22,370,379	954,312	630,645	4,230,431	5,003,778	8,637,871	14,313,397	587,384	130,179	44,336
Service Charges	21,685,884	699,761	634,154	3,764,409	4,469,089	8,417,846	13,960,593	531,708	116,234	44,303
Levies/Custodian Charges	674,226	244,017	(3,509)	457,073	521,483	210,815	327,677	52,510	(5,784)	33
Auditors Remuneration	10,269	10,534	-	8,949	13,206	9,210	25,127	3,166	19,729	-
NET INCOME/SHORTFALL FOR THE YEAR	117,051,676	46,168,839	1,599,167	24,751,140	80,703,670	88,593,049	188,173,880	(515,860)	(110,756)	(40,900)
Balance Sheets at 31 March 2007										
ASSETS										
Non-current Assets	5,209,249,515	758,646,824	53,296,940	757,286,716	939,457,239	1,258,890,875	2,642,369,088	234,439,628	81,145,813	9,251,721
Investments at Market Value	5,209,249,515	758,646,824	53,296,940	757,286,716	-	-	-	234,439,628	81,145,813	9,251,721
Interest Bearing	-	-	-	-	939,457,239	1,258,890,875	2,642,369,088	-	-	-
Current Assets	189,565	15,020	7,219	45,004	6,859	6,345	291,543	35	293	880
Accounts Receivable	182,206	-	876	-	-	-	-	-	-	133
Cash and Cash Equivalent	7,359	15,020	6,343	45,004	6,859	6,345	291,543	35	293	747
TOTAL ASSETS	5,209,439,080	758,661,844	53,304,159	757,331,720	939,464,098	1,258,897,220	2,642,660,631	234,439,663	81,146,106	9,252,601
EQUITY AND LIABILITIES										
Capital and Reserves	5,158,213,665	735,024,427	52,277,531	743,162,405	899,041,828	1,234,977,661	2,585,909,542	234,351,014	81,096,509	9,247,865
Capital Value of the Unit Portfolio	5,158,213,665	735,024,427	52,277,531	743,162,405	899,041,828	1,234,977,661	2,585,909,542	234,351,014	81,096,509	9,247,865
Current Liabilities	51,225,415	23,637,417	1,026,628	14,169,315	40,422,270	23,919,559	56,751,089	88,649	49,597	4,736
Trade and other Payables	1,906,080	161,079	113,682	328,182	491,154	668,213	1,741,467	88,649	49,597	4,736
Unitholders for Distribution	49,319,335	23,476,338	912,946	13,841,133	39,931,116	23,251,346	55,009,622	-	-	-
TOTAL EQUITY AND LIABILITIES	5,209,439,080	758,661,844	53,304,159	757,331,720	939,464,098	1,258,897,220	2,642,660,631	234,439,663	81,146,106	9,252,601
Statement of Changes in Capital Value for the Year Ended 31 March 2007										
RETAINED EARNINGS										
Balance at the Beginning of the Period	-	-	-	-	-	-	-	-	-	-
Net Income for the Period	117,051,676	46,168,839	1,599,167	24,751,140	80,703,670	88,593,049	188,173,880	(515,860)	(110,756)	(40,900)
Income Available for Distribution	117,051,676	46,168,839	1,599,167	24,751,140	80,703,670	88,593,049	188,173,880	(515,860)	(110,756)	(40,900)
Capital Transfer	-	-	-	-	-	-	-	515,860	110,756	40,900
Income Distributions										
30 June 2006	-	-	-	-	-	(23,634,723)	(39,627,526)	-	-	-
30 September 2006	(67,732,341)	(22,692,501)	(686,222)	(10,910,009)	(40,772,554)	(21,184,541)	(43,989,772)	-	-	-
31 December 2006	-	-	-	-	-	(20,522,439)	(49,546,960)	-	-	-
31 March 2007	(49,319,335)	(23,476,338)	(912,945)	(13,841,131)	(39,931,116)	(23,251,346)	(55,009,622)	-	-	-
RETAINED EARNINGS AT THE END OF THE YEAR	-	-	-	-	-	-	-	-	-	-
CAPITAL VALUE OF UNIT PORTFOLIO										
Balance at the Beginning of the Period	4,049,179,089	514,471,980	42,428,772	216,561,026	8,298,571,508	1,235,894,749	2,264,045,775	179,899,019	65,354,378	7,624,331
Creation of Units	834,040,385	239,253,410	11,241,674	680,038,162	1,260,616,874	338,141,826	739,730,926	34,969,697	12,888,437	3,504,963
Cancellation of Units	(860,642,610)	(120,767,626)	(9,749,285)	(230,810,017)	(8,573,437,753)	(332,498,169)	(415,687,447)	(34,004,959)	(12,617,185)	(3,553,571)
Capital Profit Reinvested in the Portfolio	1,135,636,801	102,066,663	8,356,370	77,373,234	(86,708,801)	(6,560,745)	(2,179,712)	53,487,257	15,470,879	1,672,142
TOTAL CAPITAL VALUE AT THE END OF THE YEAR	5,158,213,665	735,024,427	52,277,531	743,162,405	899,041,828	1,234,977,661	2,585,909,542	234,351,014	81,096,509	9,247,865

PORTFOLIO INFORMATION

	Multi-Manager Equity		Property Equity		Multi-Manager Balanced FoF		Real Return Focus		Pure Fixed Interest	Income	Superior Cash	Global Equity Feeder	Global Fixed Income Feeder	US Dollar Cash Feeder
	Int.	Div.	Int.	Div.	Int.	Div.	Int.	Div.	Int.	Int.	Int.	Int.	Int.	Int.
Income Distributed for the Period														
30 June 2006	-	-	-	-	-	-	-	-	-	1.8269	1.6476	-	-	-
30 September 2006	-	3.0822	5.1281	0.7120	1.2772	1.3355	1.0746	1.1347	4.9272	1.7587	1.7623	-	-	-
31 December 2006	-	-	-	-	-	-	-	-	-	1.6490	1.9649	-	-	-
31 March 2007	-	1.7296	5.3020	0.3767	1.6419	1.9685	1.4243	0.7143	4.5328	1.8261	2.1180	-	-	-
Benchmark	Gen Eq UT Ave		SAPY		68% Gen Eq UT Ave + 22% ALBI + 10% SteFI		Headline CPI + 5% p.a.		ALBI	BESA 1-3-year Bond Index	SteFI Call	MSCI World	LBGAI	90-day US Treasury Bill
Inception Date	17 Sept. 2001		29 Sept. 2004		22 May 2002		1 Oct. 2004		17 Sept. 2001	1 July 2004	17 Sept. 2001	23 March 2004	23 March 2004	23 March 2004
Investment Returns to 31 March 2007														
One Year	29.81%		18.72%		22.01%		15.66%		5.48%	7.05%	7.66%	29.65%	23.62%	21.98%
Benchmark	32.26%		21.90%		23.44%		11.23%		5.57%	5.97%	7.59%	35.84%	27.48%	23.63%
Two Years (Annualised)	41.01%		42.55%		29.79%		23.16%		8.84%	7.32%	7.26%	23.41%	8.93%	11.48%
Benchmark (Annualised)	42.63%		45.46%		30.96%		9.80%		9.15%	7.68%	7.08%	26.67%	11.14%	12.63%
Five Years (Annualised)	25.48%		-		-		-		13.69%	-	8.88%	-	-	-
Benchmark (Annualised)	24.14%		-		-		-		14.47%	-	8.89%	-	-	-
Investment Returns to 31 March 2006														
One Year	53.18%		71.17%		38.07%		31.14%		12.31%	7.59%	6.87%	17.47%	-4.02%	1.89%
Benchmark	53.82%		73.57%		38.94%		8.39%		12.85%	9.41%	6.57%	18.13%	-3.10%	2.61%
Two Years (Annualised)	42.69%		-		31.86%		-		13.41%	-	7.19%	-	-	-
Benchmark (Annualised)	43.87%		-		32.99%		-		14.03%	-	6.82%	-	-	-
Three Years (Annualised)	43.76%		-		31.75%		-		12.73%	-	8.27%	-	-	-
Benchmark (Annualised)	44.31%		-		32.66%		-		13.47%	-	7.94%	-	-	-
Performance Fees	0.01%		0.00%		0.05%		0.58%		0.18%	0.25%	0.00%	0.00%	0.00%	0.00%
Total Expense Ratios (TERs)	1.56%		1.55%		1.40%		1.86%		1.17%	1.14%	0.62%	2.07%	2.03%	1.41%
Unit Prices at 30 March 2007	3.4686		2.263		2.1034		1.4929		1.1526	1.0327	1.023	1.6007	1.1623	1.1855
Asset Allocation														
Equities	89.7%		-		61.0%		48.2%		-	-	-	100.0%	-	-
Bonds	-		-		20.3%		3.3%		90.1%	73.8%	-	-	100.0%	-
Cash	9.6%		2.8%		18.3%		42.7%		9.9%	26.2%	100.0%	-	-	100.0%
Listed Property	0.7%		97.2%		0.4%		5.8%		-	-	-	-	-	-
Maximum Initial Advice Fee	3.42%		3.42%		3.42%		3.42%		0.68%	0.68%	0.68%	3.42%	3.42%	1.71%
Annual Management Fee	1.48% p.a.		1.48% p.a.		1.30% p.a.		1.20% p.a.		1.14% p.a. ¹	1.14% p.a. ¹	0.60% p.a.	2.10% p.a.	1.90% p.a.	1.35% p.a.

Key:

1. A maximum service fee of 1.14% (including VAT) is payable. This amount could be lower under certain conditions, the details of which are available from the Management Company.

Notes:

- The TER is the percentage of the average net asset value of the portfolio that was incurred as charges, levies and fees for the one-year period. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs. If there was a performance fee, it is included in the TER number. During the phasing-in period (January 2007 to September 2007), total expense ratios do not include information gathered over a full year.
- All fees include VAT.
- The annual service fees quoted above are expressed annually but payable/charged daily and calculated on the daily market value of assets.
- From the annual service fees, Investment Solutions will pay investment management fees to the selected investment managers appointed by Investment Solutions.
- The investments in the portfolios are managed by selected investment managers in a multi-manager arrangement. In addition to the annual investment management fees, limited so-called "performance" fees may be payable to some managers if the investment returns on the investments managed by them are above a challenging hurdle rate or benchmark. The performance fees are subject to change and the percentage or amount of fees payable to the managers is available on request from Investment Solutions. Investment Solutions receives no performance fees other than a 50% share of those related to the Global Resilient Portfolio (a component of all combined portfolios), which is received by Investment Solutions (Jersey) Ltd, and the Caveo portfolios, which is received by Caveo Fund Solutions (Pty) Ltd. These are associated companies of Investment Solutions. For sake of clarity: the performance fees are not payable from the policy fees and are therefore levied against the relevant portfolios over and above the policy fees.
- Additional charges incurred by the Management Company are permitted to be deducted from the fund. These include trustee/custodian charges, bank charges, audit fees, RSC levies, UST, brokerage fees and VAT.
- Unit prices are calculated on a net-asset-value basis. The net asset value is defined as the total market value of all assets in the unit portfolio, including any income accrued and less any permissible deductions from the portfolio divided by the number of units in issue.
- A fund-of-funds unit trust invests only in other unit trusts, which levy their own charges. This could result in a higher fee structure for this unit trust.
- A feeder fund portfolio is a portfolio that, apart from assets in liquid form, consists solely of units in a single portfolio of a collective investment scheme.
- The targeted return of the Real Return Focus Unit Trust is based on current market conditions and is subject to change, should market conditions vary.
- All fees are correct at the date of publication.

TRUSTEE REPORT FOR THE FINANCIAL YEAR ENDING 31 MARCH 2007

In terms of Section 70(1)(h) of the Collective Investment Scheme Control Act, 2002, Absa Bank Limited submits the report for Investment Solutions Unit Trusts Limited. These portfolios in Investment Solutions Unit Trusts Limited were conducted in accordance with the limitations imposed on the investment and borrowing powers in accordance with the provisions of the Act and the Deed, with the following exception:

The Investment Solutions Superior Cash Portfolio sold 23 R153 August 06 bond futures contracts. The portfolio did not hold the underlying asset as required in terms of Notice 1503, Chapter II, section 7 (a). The Manager closed the position on 13/6/2006.

Hilda de Villiers
Trustee
Absa Capital
Absa Investor Services

Lorrinda Graham
Head of Department
Absa Capital
Absa Investor Services

INVESTMENT SOLUTIONS UNIT TRUSTS LIMITED

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Copies of the audited annual financial statements of the Management Company and of the unit trusts managed by it are available, free of charge, on request. Please contact the office as detailed above.

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The assets of the unit trusts are managed by selected investment managers in a multi-manager arrangement. In addition to the annual service fee, a limited performance fee may be payable to an asset manager if the asset manager has outperformed a challenging hurdle rate. These performance fees are subject to change from time to time and the amount of performance fees paid is available from Investment Solutions Unit Trusts Limited. Unit trusts are generally medium to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to the future. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Forward pricing is used. A schedule of fees, charges and maximum commission is included in this brochure. Commission and incentives may be paid and, if so, would be included in the overall costs. The fund may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Completed application forms and notification of deposits must be received before 13h00 for the investment to be executed on that day. If received after the applicable cut-off time, funds will be invested at the buying price of the next day. The 13h00 cut-off time also applies to redemptions and switches.

Investment Solutions Unit Trusts Limited Registration Number 2001/015776/06 – A member of the Association of Collective Investments



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