

MARCH 2008

CHAIRMAN'S REPORT

Economy and Markets

First-quarter 2008 economic data pointed to intensifying inflationary pressures, weak demand conditions and increasing prospects of yet another interest-rate increase. Local markets fell in line with their global counterparts, while bond yields remained high on renewed concerns about the local inflation outlook. Investment Solutions continues to be concerned that the less favourable global economy, rising inflation and supply constraints – mainly limited electricity-generation capacity – will result in 2008 being a difficult year for corporate earnings delivery.

Despite increased short-term pressures, the company believes the local macroeconomic environment remains sound. Macroeconomic fundamentals have improved significantly on the back of comprehensive economic reforms. Fiscal prudence has reduced government's debt obligations, foreign-exchange reserves have risen to their highest on record, and monetary and fiscal policy transparency has enhanced policy credibility. The economy is thus better placed to deal with macroeconomic shocks, one of which is elevated price pressures.

Inflation rose further in February 2008, with CPIX up to 9.4% year on year as rapidly rising food and fuel prices continued to exert upward pressure. CPIX has been above the critical 6% for 11 months in succession and is set to remain so for the foreseeable future. Indications are that this period could match that of 2002 to 2003, when CPIX remained outside the target band for 22 months in succession. Food inflation remains sticky at around 14% and this, combined with the rapid increase in energy costs, suggests inflationary pressures will persist. Elevated global oil prices and rand weakness have pushed local fuel prices up 20% since the beginning of this year. Additionally, power utility Eskom has proposed to increase electricity tariffs by around 53% – as opposed to the originally approved 14.2%. All these point to sustained inflationary pressures, a situation that suggests CPIX is unlikely to drop to within the target range this year.

The rand remained under pressure. After recovering to R7.75/\$ in late February, the local unit weakened steadily in March, closing the month at R8.09/\$. Against the euro and the pound it weakened to R12.79 and R16.03 from R11.88 and R15.41 respectively. On a real trade-weighted basis – Investment Solutions' preferred method of exchange-rate valuations – the rand has lost around 16.8% since the beginning of this year. The rand also continues to underperform other resource-based currencies such as the Australian dollar and Brazilian real. Even relative to the currencies of other economies with high current-account deficits that are perceived to be vulnerable (Hungarian forint, Turkish lira etc), the rand has underperformed. Investment Solutions maintains the rand is slightly undervalued relative to its peer currencies. The local unit, however, remains vulnerable to further weakness due to the large current-account deficit. This remained large in 2007 but compared favourably with the deficits of other commodity-based economies such as Australia and New Zealand. Investment Solutions, however, has previously highlighted that the current account on its own is not a problem. It is always the current-account deficit and something else – in this case, the slowing local growth on the back of higher interest rates and production constraints – that make the rand vulnerable.

Investment Solutions remains confident that local macroeconomic stability can be maintained amid the intensified short-term pressures. Although economic growth will slow in 2008 due to less favourable conditions, it will remain reasonably firm. Fixed investment spending will be a key driver of growth in the coming years.

Investment Returns

The unit trust sector remains competitive even in these uncertain times. Thirteen new unit trusts were launched in the past 12 months, taking the total to 844 and assets under management to R658 billion. Despite a very challenging period, the Property, Income, Superior Cash and US Dollar Cash Feeder portfolios all delivered returns above their respective benchmarks for the 12-month period ending March 2008. The remaining portfolios underperformed their benchmarks over the same period but we remain confident that this situation will be reversed over the longer term.

Changes

In early 2008, Investment Solutions launched the Institutional Equity Unit Trust. The new fund was launched to cater for investors who prefer a more conservatively managed fund compared to our retail offering. Our institutional portfolio is benchmark cognisant and targeted to beat the SWIX whereas our retail offering aims to beat peers. During the period under review, there was a cancellation of units in the Multi-Manager Equity Unit Trust to the amount of R3.7 billion which was a result of the Alexander Forbes Profile Range changing its equity building-block from the Multi-Manager Equity portfolio to an alternative Investment Solutions portfolio.

The company changed the underlying investment manager in the Property Equity Unit Trust as a result of concerns following Old Mutual Investment Group's acquisition of Marriott. The company's investment team continues to monitor and, where necessary, change underlying investment managers.

Conclusion

As noted in my report to you last year the past 12 months have been challenging for investment markets. The outlook remains difficult and we can expect volatile markets.

Although we remain concerned that the next year will be a difficult one, Investment Solutions remains confident its investment process, philosophy and depth of resources will continue to add value and build wealth for its clients.

I thank you for your continued support.

Yours sincerely



David Tennick
Chairman

ABRIDGED FINANCIAL STATEMENTS

	Multi-Manager Equity	Property Equity	Multi-Manager Balanced FoF	Real Return Focus	Pure Fixed Interest	Income	Superior Cash	Institutional Equity	Global Equity Feeder	Global Fixed Income Feeder	US Dollar Cash Feeder
Income Statements for the Year Ended 31 March 2008											
INCOME	132,767,127	59,059,442	2,411,372	41,486,671	87,787,907	146,035,009	281,048,967	2,839,821	48,172	30,122	18,000
Dividends Received	151,282,985	669,433	815,824	11,871,623	-	636,574	-	1,690,223	-	-	-
Net Interest Received	21,269,162	58,671,654	1,692,906	30,041,756	88,557,155	143,582,149	281,058,144	1,055,799	48,172	30,122	18,000
Income Adjustment on creation and cancellation of units	(39,785,020)	(281,645)	(97,358)	(426,708)	(769,248)	1,816,286	(9,177)	93,799	-	-	-
EXPENDITURE	19,410,202	717,377	716,877	6,938,447	2,345,951	9,740,709	15,837,253	48,778	777,041	199,775	335,144
Service Charges	18,718,463	527,833	682,962	6,645,663	2,109,933	9,562,905	15,595,855	-	703,817	170,675	301,618
Levies/Custodian Charges	586,771	169,272	20,186	275,850	137,341	134,026	172,089	48,778	53,313	15,430	26,550
Auditors Remuneration	104,968	20,273	13,729	16,934	98,677	43,778	69,309	-	19,911	13,670	6,976
NET INCOME/(SHORTFALL) FOR THE YEAR	113,356,925	58,342,064	1,694,495	34,548,224	85,441,956	136,294,300	265,211,714	2,791,043	(728,869)	(169,653)	(317,144)
Balance Sheets at 31 March 2008											
ASSETS											
Non-current assets											
Financial Assets - Listed Shares	2,282,142,203	787,141,477	47,806,622	746,431,879	-	-	-	396,832,027	70,211,386	17,480,601	31,479,212
Financial Assets - Interest bearing	-	-	-	-	956,740,807	1,503,236,525	2,960,628,260	-	-	-	-
Current Assets	10,499,874	3,009	18,122	24,201	8,883	2,965,021	594,563	13,011	3,022	331	4,720
Financial Assets - Current	-	-	1,696	6,210	-	7,568	671	13,011	-	69	-
Bank balances and deposits	10,499,874	3,009	16,426	17,991	8,883	2,957,453	593,892	-	3,022	262	4,720
TOTAL ASSETS	2,292,642,077	787,144,485	47,824,745	746,456,080	956,749,690	1,506,201,546	2,961,222,823	396,845,038	70,214,408	17,480,932	31,483,932
EQUITY AND LIABILITIES											
Capital and Reserves											
Capital value of Unit portfolio	2,252,420,846	754,629,075	46,833,473	728,876,514	914,268,965	1,455,767,961	2,886,553,984	394,049,243	70,112,486	17,448,615	31,444,212
Undistributed income	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities	40,221,231	32,515,410	991,267	17,579,566	42,480,724	50,433,585	74,668,839	2,795,795	101,922	32,318	39,720
Financial Liabilities - Trade and other payables	1,186,767	59,684	85,066	283,722	313,318	4,084,192	2,028,462	4,660	101,922	32,318	39,720
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-
Unitholders for distribution	39,034,464	32,455,726	906,205	17,295,844	42,167,406	46,349,393	72,640,377	2,791,135	-	-	-
TOTAL EQUITY AND LIABILITIES	2,292,642,077	787,144,485	47,824,744	746,456,080	956,749,689	1,506,201,546	2,961,222,823	396,845,038	70,214,408	17,480,932	31,483,932
Statement of Changes in Equity for the year ended 31 March 2008											
RETAINED EARNINGS											
Balance at beginning of the period	-	-	-	-	-	-	-	-	-	-	-
Net income for the period	113,356,925	58,342,065	1,694,495	34,548,224	85,441,956	136,294,300	265,211,714	2,791,044	(728,869)	(169,653)	(317,144)
Income available for distribution	113,356,925	58,342,065	1,694,495	34,548,224	85,441,956	136,294,300	265,211,714	2,791,044	(728,869)	(169,653)	(317,144)
Capital Transfer	-	-	-	-	-	-	-	-	-	-	-
Income Distributions:											
30 June 2007	-	-	-	-	-	(26,491,333)	(60,038,370)	-	-	-	-
30 September 2007	(74,330,557)	(25,883,082)	(788,283)	(17,254,495)	(43,284,765)	(29,053,537)	(61,876,837)	-	-	-	-
31 December 2007	-	-	-	-	-	(34,400,489)	(70,655,721)	-	-	-	-
31 March 2008	(39,026,369)	(32,458,983)	(906,212)	(17,293,729)	(42,157,191)	(46,348,941)	(72,640,786)	(2,791,044)	-	-	-
Capital Transfer	-	-	-	-	-	-	-	-	728,869	169,653	317,144
RETAINED EARNINGS AT THE END OF THE YEAR	-	-	-	-	-	-	-	-	-	-	-
CAPITAL VALUE OF UNIT PORTFOLIOS											
Balance at beginning of the period	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
Creation of Units	1,038,344,001	367,657,408	6,812,814	154,107,764	221,059,754	503,942,385	803,074,255	405,356,281	54,593,632	15,815,299	40,026,098
Cancellation of Units	(3,753,530,855)	(275,665,839)	(10,914,775)	(163,332,081)	(125,525,678)	(235,301,726)	(511,030,555)	(5,650,000)	(225,501,096)	(79,887,367)	(23,063,110)
Capital Profit reinvested in the fund	(190,605,965)	(72,386,921)	(1,342,097)	(5,061,575)	(80,306,939)	(47,850,359)	8,600,742	(5,657,037)	6,668,936	424,174	5,233,359
Undistributed Income/Over Distribution	-	-	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL VALUE AT THE END OF THE YEAR	2,252,431,560	754,629,075	46,833,473	728,876,514	914,268,965	1,455,767,961	2,886,553,984	394,049,243	70,112,486	17,448,615	31,444,212

PORTFOLIO INFORMATION

<u>Income Distributed for the Period</u>	Multi-Manager Equity		Property Equity		Multi-Manager Balanced FoF		Real Return Focus		Pure Fixed Interest		Income		Superior Cash		Institutional Equity	Global Equity Feeder	Global Fixed Income Feeder	US Dollar Cash Feeder				
	Int.	Div.	Int.	Div.	Int.	Div.	Int.	Div.	Int.	Div.	Int.	Div.	Int.	Div.	Int.	Int.	Int.	Int.				
30 June 2007	-	-	-	-	-	-	-	-	-	-	2.0555	-	2.1862	-	-	-	-	-				
30 September 2007	-	3.5709	5.0394	0.0327	1.7522	1.3806	1.3636	1.3747	4.7682	-	2.2310	-	2.2323	-	-	-	-	-				
31 December 2007	-	-	-	-	-	-	-	-	-	-	2.1881	-	2.4439	-	-	-	-	-				
31 March 2008	-	3.9077	6.8714	0.1512	2.0701	1.8134	1.8876	0.9459	4.3516	-	3.0051	0.0429	2.5146	-	-	-	-	-				
Benchmark	General Equity Unit Trust Average		SA Listed Property Index		68% Gen Eq UT Ave + 22% ALBI + 10% SteFl		Headline CPI + 5% p.a.		Bond Exchange of SA All Bond Index		Bond Exchange of SA 1-3-year Bond Index		Short-term Fixed Interest Call Deposit Index		FTSE/JSE Shareholder Weighted Index		Morgan Stanley Capital Intern. World Index		Lehman Brothers Global Aggregate Index		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		20 Feb. 2008		23 March 2004		23 March 2004		23 March 2004	
Investment Returns to 31 March 2008																						
One Year	-1.21%		3.07%		0.41%		3.06%		0.23%		6.72%		10.02%		-		7.37%		23.04%		16.52%	
Benchmark	3.75%		-2.64%		3.87%		16.56%		0.64%		6.50%		9.71%		-		8.70%		28.56%		16.27%	
Two Years (Annualised)	13.24%		7.27%		10.68%		9.18%		2.82%		6.89%		8.83%		-		23.04%		16.52%		19.22%	
Benchmark (Annualised)	17.14%		8.94%		13.23%		14.31%		3.07%		6.23%		8.64%		-		28.56%		16.28%		19.89%	
Three Years (Annualised)	25.24%		25.35%		19.15%		16.06%		5.89%		7.12%		8.17%		-		17.81%		13.44%		13.14%	
Benchmark (Annualised)	28.27%		27.24%		21.22%		12.64%		6.23%		7.28%		7.95%		-		20.37%		16.54%		13.83%	
Performance Fees	0.00%		0.00%		0.01%		0.49%		0.01%		0.16%		0.00%		0.00%		0.00%		0.00%		0.00%	
Total Expense Ratios (TERs)	1.54%		1.53%		1.42%		1.74%		0.89%		1.04%		0.61%		0.04%		2.26%		2.11%		1.61%	
Asset Allocation																						
Equities	92.9%		-		61.8%		28.1%		-		-		-		98.8%		100.0%		-		-	
Bonds	-		-		13.5%		4.3%		91.9%		81.1%		-		-		-		99.7%		-	
Cash	5.7%		5.1%		23.5%		62.0%		8.1%		18.9%		100.0%		2.8%		-		-		100.0%	
Listed Property	1.4%		94.9%		1.2%		5.6%		-		-		-		1.5%		-		0.3%		-	
Maximum Initial Advice Fee	3.42%		3.42%		3.42%		3.42%		0.68%		0.68%		0.68%		3.42%		3.42%		3.42%		1.71%	
Annual Service 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.		1.48% 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 Investment Solutions Unit Trusts Ltd.

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.
- Past investment returns are not indicative of future returns. All returns quoted are after deduction of service charges and any other expenses (including deduction of performance fees payable to underlying investment managers). Returns for periods exceeding one year are annualised. All returns are in Rands.
- 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 Unit Trusts Ltd will pay investment management fees to the selected investment managers appointed by Investment Solutions Unit Trusts Ltd.
- The investments in the unit trusts are managed by selected investment managers in a multi-manager arrangement. In addition to the fixed annual service 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. For sake of clarity: the performance fees are not payable from the fixed annual service fees and are therefore levied against the relevant portfolios over and above the fixed annual service fees.
- Additional charges incurred by Investment Solutions Unit Trusts Ltd are permitted to be deducted from the unit trusts. 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 trust, including any income accrued and less any permissible deductions from the unit trust 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 these unit trusts.
- A feeder fund unit trust is a unit trust that, apart from assets in liquid form, consists solely of units in a single portfolio of a unit trust.
- The Institutional Equity Unit Trust inception date was 20 February 2008 therefore, there is insufficient history to show investment returns.
- All fees are correct at the date of publication.

TRUSTEE REPORT FOR THE FINANCIAL YEAR ENDING 31 MARCH 2008

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 no exceptions.

Hilda de Villiers
Trustee
Absa Capital
Absa Investor Services

Lorrinda Graham
Head of Department
Absa Capital
Absa Investor Services

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Copies of the audited annual financial statements of Investment Solutions Unit Trusts Limited and of the unit trusts managed by Investment Solutions Unit Trusts Limited are available, free of charge, on request.

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



Investment Solutions Unit Trusts Limited Registration Number 2001/015776/06

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