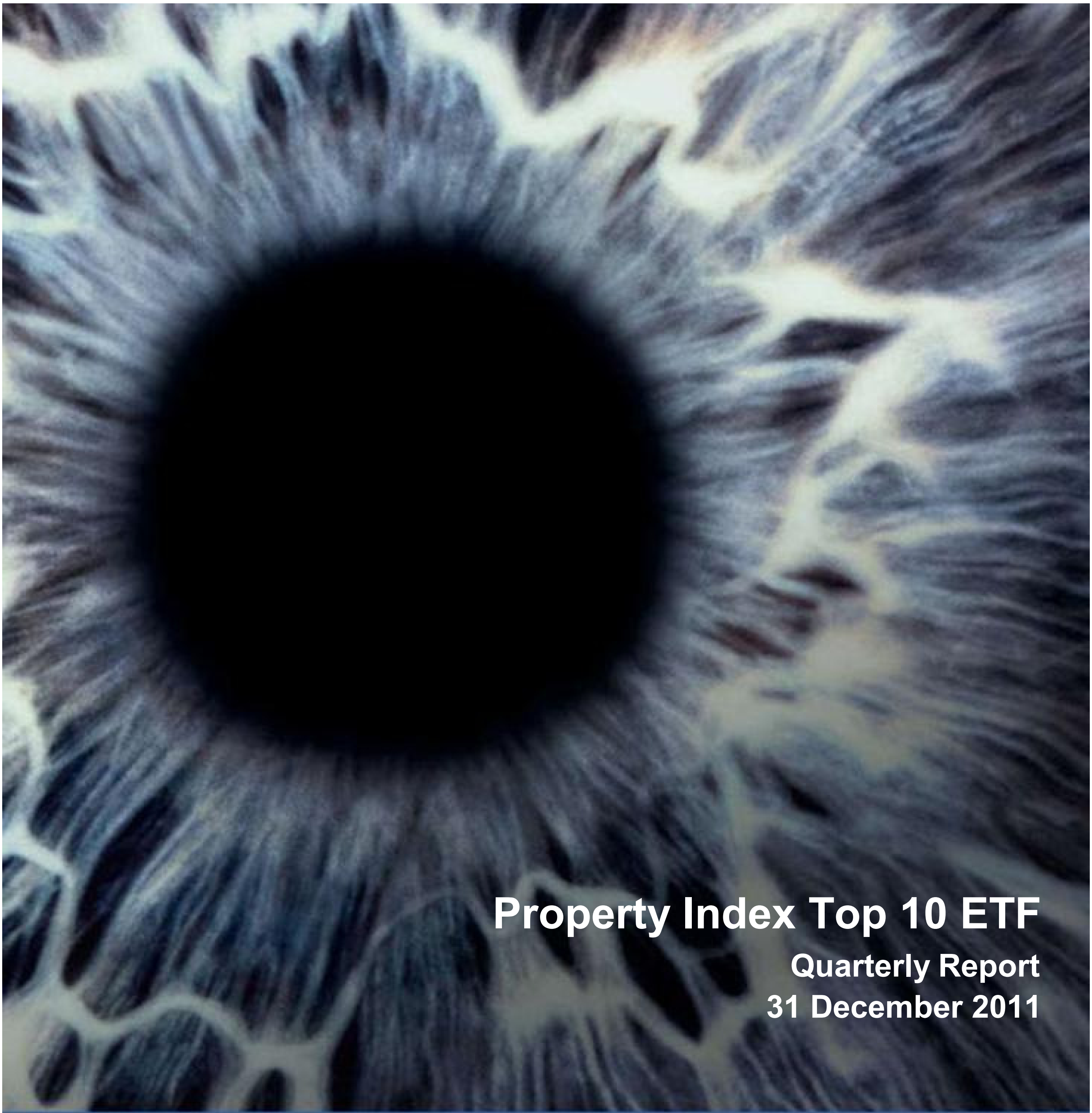

Property Index Top 10 ETF

Quarterly Report
31 December 2011

Sanlam
Investment Management

Property Index Top 10 ETF

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Review for the Quarter

The investment landscape in the final quarter of 2011 continued to be tainted by the sovereign debt problems in the Euro-zone. Measures promulgated at various meetings and summits during the quarter to salvage the situation failed to placate market anxieties and may still fall short of what is required to save the Euro in the long run.

Greek yields continued to soar during the quarter as markets factored in a Greek sovereign debt restructuring that was clearly a default in all but name. But it took Italian bond yields breaching 7% to get concerns really going because it is a market that may simply be too big to salvage with the Euro-zone's current available resources, unless political forces in the way of the European Central Bank (ECB) lending unlimited funds directly to governments are subdued. It is unlikely that the current alignment of interests and negotiating power structures within the Euro-zone will make the latter easily possible. Instead, the ECB lowered its benchmark interest rate from 1.25% to 1% to mitigate what many forecast as the coming recession. Grim austerity measures were announced by various highly indebted countries within the Euro-zone, which, together with the ongoing deleveraging of banks and households, do not give much hope for a quick economic recovery.

Against this backdrop, it is not surprising the Euro fell to its lowest level against the dollar, or that European shares have not fared well, with the shares of European banks, whose assets comprise a lot of potentially defaulting sovereign debt, declining by about 40% since the middle of the year.

A weak Europe that comprises around 25% of the global economy has repercussions for economies around the globe. China, for example, is slowing, but this should not be a surprise for an export-led economy dependent on what has been wavering demand. However, the Chinese authorities are in a strong position to keep growth steadily in the high single digits and have enacted policies to curtail excessive bank lending, and introduced measures to ease inflation. The payoff has already been seen in China's headline inflation, which has fallen sharply from above 6% to 4.2% during the fourth quarter.

As for SA, it is hard to envision a robust acceleration in economic growth in 2012 if there is no meaningful employment growth and credit extension. It is quite feasible that domestic growth in gross domestic product will end up below trend this year - especially since the SA economy tends to underperform the global economy during downturns. Assuming the rand maintains its current value of around R8.20 to the dollar, we expect the SA Reserve Bank to leave the repo rate unchanged through 2012. This should offer an underpin to SA equities and the SA bond market during the year to come.

Given the above, it is hardly surprising that the safer bond markets offered good returns in 2011, with the Barclays Global Aggregate bond index returning 5.64% in USD, whereas the benchmark MSCI Developed World Equity Index global equity index returned -5.54% in USD. The situation was mirrored in SA where the BESA All Bond index (8.82%) outperformed the JSE All Share index (2.57%).

While most market information currently tends to be negative and hardly any commentary suggests much growth in 2012, one should not confuse economic growth with market returns. In fact, equity markets may well substantially precede any definitive signs of an economic recovery. To try and time such a market recovery is futile, and hence we believe that by sticking resolutely to our philosophy, continuing to look for reasonably priced investments such as European equities despite common sentiment, we will provide clients with positive investment returns in the long run.

Kind regards.

Thomas van Heerden
Acting Managing Director

Economic Review

Arthur Kamp - Chief Economist

Global

The latter half of 2011 was noteworthy not so much for what happened as for what did not happen. The widely feared global double-dip recession did not materialise and instead the US economy surprised pleasantly and Japan's real economic activity staged a recovery in the aftermath of its destructive earthquake in March.

Available data suggests growth in the US could have accelerated to around 3.5% in the final quarter of last year from just 1.8% in the third quarter. The US economy is adding jobs, its unemployment rate has declined to 8.5% (compared with its peak for this cycle of 10%), credit conditions have recorded a relative improvement and recent housing data has been more encouraging. The economy is not free and clear, but it is moving in the right direction. The extension of existing tax breaks could also provide support.

However, whereas the US economy has delivered positive surprises relative to expectations, the advance in global real economic activity faltered late last year as the spillover from Thailand's floods contributed to weaker activity in Japan, China's GDP growth moderated and the Euro-zone reflected renewed weakness, seemingly slipping into outright decline.

Fortunately, inflationary pressure is fading rapidly in China, which implies the monetary authorities can loosen monetary policy. Indeed, monetary policy easing is likely to be an ongoing theme among emerging markets generally in 2012 as the upward pressure exerted on headline inflation by commodity prices fades from the data in both developing and developed economies.

In contrast, the outlook for Europe seems grim; where the question is not whether the Euro area economy is in decline, but rather how deep and extensive the downturn is likely to be. Current growth in the region is simply not sufficiently robust to stabilise and reduce debt ratios, i.e. fiscal positions can be expected to be unsustainable in the absence of a reacceleration in growth.

Initiating a rebound in economic activity in Europe will also be no easy matter as uncertainty around asset prices and legislation demanding improvements in capital adequacy ratios encourage banks to deleverage. This is especially important for the economies of Europe that are relatively more reliant on bank funding than capital markets.

Meanwhile, there is also the risk that the drive to reduce budget deficits initiates a negative feedback loop whereby increased austerity measures reduce growth and government revenue, thus leading to further deterioration in fiscal positions.

Although recent additional measures introduced by the European Central Bank (ECB) to lend liquidity support through the introduction of an unprecedented three-year refinancing operation for banks and the broadening of the range of instruments accepted as collateral have had something of a positive impact, this does not address insolvency risk. Ultimately, the solution to Europe's debt issue lies in reforms to boost productivity and hence potential economic growth, supported by additional measures, such as a shift towards fiscal union.

In the interim, though, Greece's position remains precarious and near-term government financing requirements in Italy and Spain are onerous. Against this backdrop, there is a pressing need for the ECB to become more active in support of governments to ensure interest rate costs do not spiral upwards and render fiscal dynamics all but impossible.

The extent to which the ECB does or does not up its support is unknowable. It is, nonetheless, critical to understand that the consensus (and SIM's) view for continued global real GDP growth of about 3% (or perhaps a little less) in 2012 implicitly assumes policymakers will act to avoid disorderly defaults and the disintegration of the Euro-zone project.

South Africa

The current upswing in domestic consumer spending is one of the strongest associated with a post-recession recovery since the 1970s. This is not surprising. A sharp increase in SA's terms of trade has boosted purchasing power and been supportive of final demand.

In effect, terms of trade bounces increase the quantity that may be consumed and invested over and above that determined by the volume of production, so that final demand advances more rapidly than real GDP.

The "trading gain" from positive terms of trade shocks can be illustrated by calculating real gross domestic income, which measures the volume of goods and services that can be **bought** from the income generated by the volume of goods **produced.**

Note, however, strong growth in real gross domestic income fades once the terms of trade improvement ends. In the mid-1980s and early 1990s, for example, outright declines in the terms of trade initiated sharp contractions in real gross domestic income. This demonstrates the vulnerability of the current expansion in domestic final demand to any material weakening in commodity export prices.

Real domestic income growth has already slowed, but it is off a high base and still consistent with relatively firm final demand growth - for now. The underlying momentum in the economy is probably firmer than the palpably soft 1.4% advance in strike-affected GDP recorded in the third quarter.

Economic Review (continued)

However, the terms of trade are unlikely to continue rising into next year, implying the boost to final demand growth from this source will probably fade.

How does growth kick on from here? Typically, during South African business cycle upswings, fixed investment spending lags household consumer spending. As the consumption and the business cycle upswing gathers momentum, the marginal rate of return on investment improves, encouraging firms to invest.

Currently, however, the recovery in the marginal rate of return on investment is not sufficiently robust to encourage a strong upswing in fixed investment spending. Private sector fixed investment expanded at an annualised rate of 5.8% in the third quarter of 2011, but this remains moderate relative to the previous cycle.

Against this backdrop, it is hard to envisage a robust acceleration in GDP growth into 2012. Indeed, considering growth forecasts of about 3% for global growth in 2012, it is quite feasible that we will end up with domestic GDP growth of below 3% this year - especially since the SA economy tends to underperform the global economy during downturns.

On domestic inflation, the level at which consumer price inflation is likely to peak is not entirely certain. We are comfortable with our forecast increase in core consumer price inflation to 5.4% by the end of 2012 in response to recent currency weakness and continued material administered price increases. But pinning down the likely peak in headline inflation is more difficult and depends heavily on the outcome for food prices, which may still be influenced by changes in the currency, global food prices and domestic crop estimates. Still, given current available information, our peak in consumer inflation of close to 6.5%, followed by a gradual easing to below 6% by the fourth quarter of this year seems reasonable. Overall, headline inflation is expected to average close to 6% in 2012. Our medium-term inflation assumption is 5.25%, although an upward revision is under consideration.

Assuming the rand remains around its current level of R8.20 to the dollar (which we consider to be “fair value”) we expect the SARB to leave its repo rate unchanged through 2012 in an environment where the Bank’s long-term inflation forecast is below 6%, the economy grows at or below potential and employment and credit extension growth are restrained.

Property Tracker Fund

Johann Hugo - Portfolio Manager

Market review

SA listed property continued to outperform bonds and shares during 2011. Yields on SA listed property and bonds managed to remain relatively stable in the face of concerns over global growth and European sovereign debt together with considerable rand weakness.

Listed property yields were more stable than bond yields, especially during the second half of the year. Bond yields initially fell in line with their foreign counterparts, but then rose swiftly as the rand weakened in September.

Results reported in the end-September reporting season generally met expectations. The feature of the reporting season was that costs continue to rise faster than income. Outlook statements are more cautious than previously, as expectations for economic growth are being revised downwards.

Actions during quarter

We reweighted all the shares, included in the benchmark, back to 10% during the December rebalance.

Performance and reason

Relative to equities, the property business model is transparent, asset rich, high yielding and based on contractual leases. This model serves listed property well in times of uncertainty over economic growth. The SAPY Index returned 3.73% for the quarter and a very good 8.93% for 2011.

The fund managed to perform in line with its benchmark.

Outlook

On a clean-price basis, we forecast distribution growth of 6% from SA listed property for the next 12 month period. Escalations of 6% to 9% are being achieved on renewals and expiring rents are not too far from market rents due to rapid increases in the latter during the previous upcycle.

Our forecast of distribution growth at the beginning of the year was 8%. The main reason for reducing forecasts is prudence over cost increases. In particular, costs of electricity and rates, which are administered, stand out as increasing particularly rapidly. To the extent that these are passed on to tenants, they increase the total cost of occupancy, and are likely to be a drag on future rental increases.

Vacancy rates have increased, especially in office space, but seem to be manageable. Most management teams expect office vacancies to level off.

South African Money Market

Gert Steenkamp - Portfolio Manager

Market review

During the quarter, the Monetary Policy Committee (MPC) decided to keep the repo rate unchanged at 5.5%. This was in line with market expectations. At 6.1%, inflation breached the upper band of the Reserve Bank's target range in November. Risks to inflation are still evenly balanced and inflation is expected to remain above the upper band of the target range for an extended period.

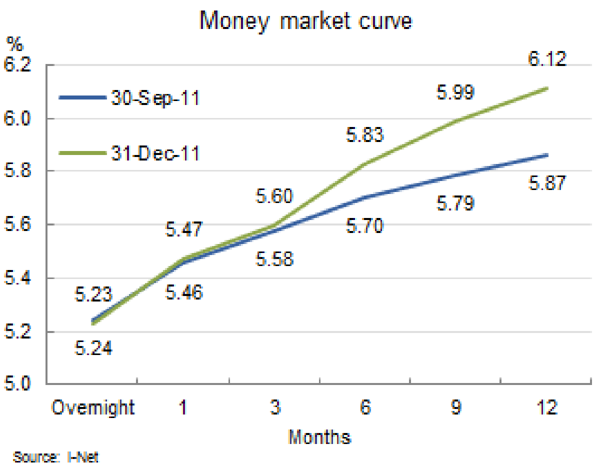
The money market curve steepened during the quarter, with the three-month money market rate increasing from 5.575% to 5.595% and the twelve-month rate increasing from 5.865% to 6.115%. Treasury bills in the 91-day area of the curve traded below the bank rates, and credit spreads on short-term corporate credit decreased during the quarter.

What SIM did

Assets were invested in all maturities across the money market yield curve during the quarter. Quality corporate credit, which traded above the three-month money market rates, was added to the portfolio. We also included floating rate notes in the portfolio to enhance portfolio returns.

SIM strategy

Our preferred investments would be floating rate notes and quality corporate credit to enhance portfolio returns. We expect the repo rate to remain unchanged at the next MPC meeting.



Key Indicators

EQUITY INDICES (excl. dividends)	Level	% change	% change
International	**31/12/2011**	**3 Months**	**12 Months**
Dow Jones Industrial	12,218	11.95	5.53
NASDAQ	2,605	7.86	(1.80)
S & P 500	1,258	11.15	0.00
FTSE 100	5,572	8.65	(6.68)
Nikkei 225 Average	8,455	(2.82)	(17.34)
MSCI World Index (US$)	1,183	7.11	(7.61)
South Africa	**31/12/2011**	**3 Months**	**12 Months**
All Share	31,986	7.79	(0.41)
Resources	51,280	7.23	(8.92)
Financial	8,363	8.55	2.35
Industrial	28,760	8.62	7.34

Interest Rates	%	bp change	bp change
International	**31/12/2011**	**3 Months**	**12 Months**
Indicator			
USA FED Fund Rate	0.25	-	-
USA 10 Year Rate	1.88	(5)	(140)
South Africa	**31/12/2011**	**3 Months**	**12 Months**
Capital Market			
5 Year Government Bond (R157)	6.72	(27)	(59)
10 Year Government Bond (R207)	7.89	(37)	(23)
Money Market			
SA Repo Rate	5.50	-	-
3 Month JIBAR	5.59	2	4
12 Month NCD	6.11	25	18

INFLATION (30/11/2011)		% change	% change
CPI	-	1.18	6.12
CPI-X	-	1.26	6.37

EXCHANGE RATES	Rate	% change	% change
R / USD	8.07	0.30	(17.97)
R / Euro	10.46	3.52	(15.50)
R / Pound	12.53	0.58	(17.76)
USD / Euro	1.30	3.30	3.30

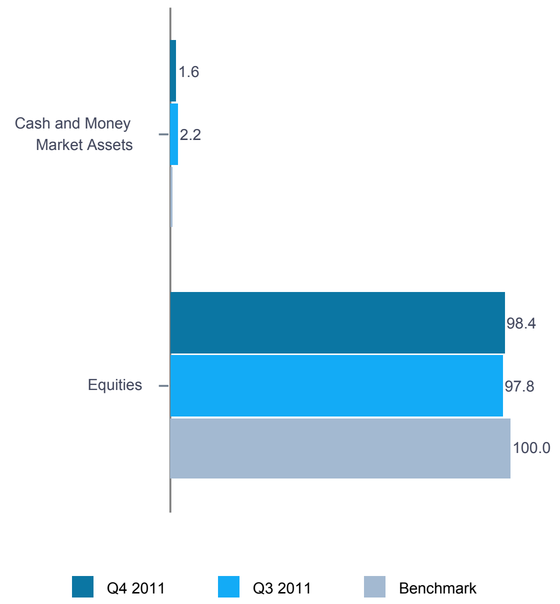
Source : I-Net

Portfolio Overview

Quarter ended 31 December 2011

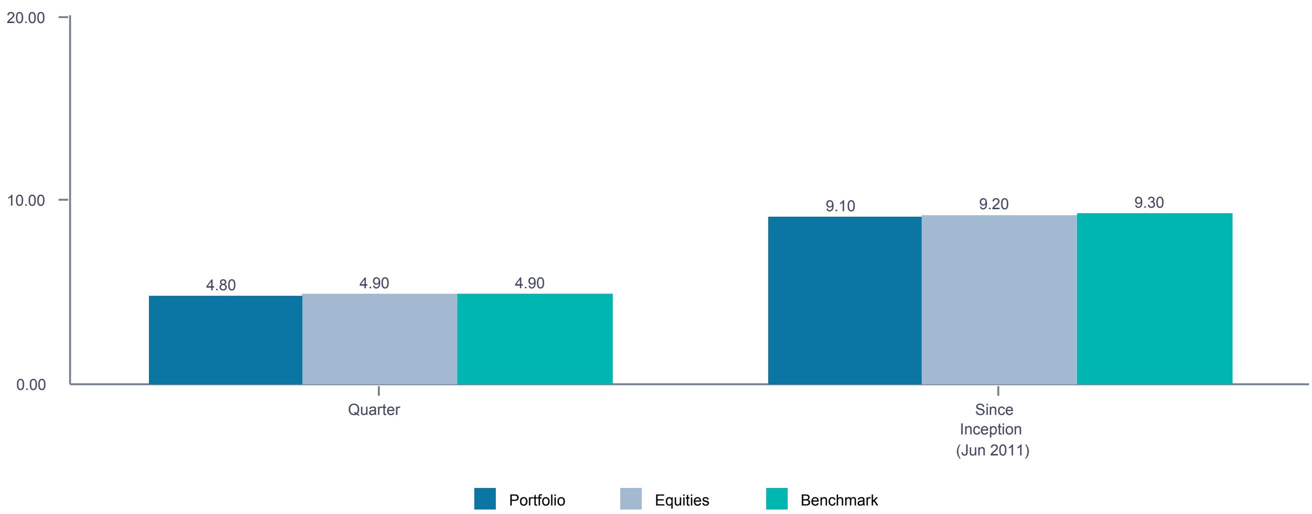
Cash flow for the Quarter	R
Closing Market Value: 30/09/2011	**22,594,088.66**
Contributions	0.00
Investment Income:	384,629.21
Dividends	*394,582.61*
Interest	*2,379.36*
Nett P & L on Sales	*(12,332.76)*
Market Movements:	679,796.96
Withdrawals	0.00
Costs:	(511,937.25)
Bank Costs	*(2,904.38)*
Distribution paid on Dividends A	*(458,824.84)*
Sundry expenditures	*(2.70)*
UT Management Fees	*(50,205.33)*
Closing Market Value: 31/12/2011	**23,146,577.58**

Effective Asset Allocation (%)



Benchmark	%
FTSE PROPTEN Index	100.0

Performance (%)



Performance figures are time-weighted and calculated in accordance with GIPS.

Performance figures are gross of fees.

Equities

Quarter ended 31 December 2011

Major Transactions

Purchases	Shares bought	Amt. Paid (R)
Redefine	30,685	226,782
Hyprop	3,029	158,763
Emira	6,537	77,303
SA Corp Real Estate	3,342	11,254

Sales	Shares sold	Proceeds (R)
Sycom	5,391	121,146
Resilient	2,819	97,582
Capital	7,858	68,510
Fountainhead	8,001	53,453
Arrowhead Prop Ltd A	8,707	49,126

Major Shareholdings

No.	Security Name	MV Current quarter (R`m)	% of Total Equities	Benchmark Weighting (%)	Quarter (%) Price Change
1	Sycom	2.4	10.5	10.5	13.2
2	Fountainhead	2.3	10.0	10.0	2.5
3	SA Corp Real Estate	2.3	10.0	10.0	6.5
4	Resilient	2.3	10.0	10.0	6.6
5	Redefine	2.3	10.0	10.0	(7.5)
6	Emira	2.3	9.9	9.9	2.0
7	Hyprop	2.3	9.9	9.9	(1.4)
8	Acucap	2.3	9.9	9.9	(2.6)
9	Capital	2.3	9.9	9.9	3.0
10	GrowthPoint	2.2	9.8	9.8	4.6
	Total	**23.0**	**99.9**	**99.9**	

Physical Portfolio Structure Summary

As at 31 December 2011

Asset Class	Book Value (R)	Market Value (R)	% of Portfolio	% of Category
Total Portfolio	**21,942,510**	**23,146,578**	**100.0**	**100.0**
Cash and Money Market Assets	**370,167**	**370,167**	**1.6**	**100.0**
Equities	**21,572,343**	**22,776,411**	**98.4**	**100.0**
Financials	21,572,343	22,776,411	98.4	100.0

Effective vs Physical Exposure

	Effective Exposure (%)		Physical Exposure (%)	
	31/12/11	30/09/11	31/12/11	30/09/11
Cash and Money Market Assets	1.60	2.15	1.60	2.15
Equities	98.40	97.85	98.40	97.85
Market Value (R'm)			**23.15**	**22.59**

Deviation due to breakdown of unitised portfolios into underlying securities.

Physical Portfolio Structure Detail

As at 31 December 2011

Holding	Security	Book Value (R)	Market Value (R)	% of Portfolio	% of Category
	Total Portfolio	**21,942,510**	**23,146,578**	**100.0**	**100.0**
	Cash and Money Market Assets	**370,167**	**370,167**	**1.6**	**100.0**
-2	ABSA Cap Call PROP10	-2	-1	0.0	0.0
-46,267	Net Current Assets - Cash And Money market	-46,267	-47,477	-0.2	-12.8
416,436	ABSA Inc Call PROP10	416,436	417,645	1.8	112.8
	Equities	**21,572,343**	**22,776,411**	**98.4**	**100.0**
	Financials	**21,572,343**	**22,776,411**	**98.4**	**100.0**
59,403	Acucap Properties Ltd	2,057,760	2,257,314	9.8	9.9
120,693	Growthpoint Prop Ltd	2,092,252	2,238,855	9.7	9.8
42,519	Hyprop Investments Ltd	2,230,653	2,264,137	9.8	9.9
306,768	Redefine Properties Ltd	2,218,936	2,270,083	9.8	10.0
65,646	Resilient Property Income Fund Ltd	1,998,381	2,281,199	9.9	10.0
255,407	Capital Property Fund	2,048,763	2,250,136	9.7	9.9
190,363	Emira Property Fund	2,500,804	2,265,320	9.8	9.9
332,218	Fountainhead Property Trust	2,134,447	2,282,338	9.9	10.0
659,551	Sa Corp Real Estate Fund	2,152,378	2,282,046	9.9	10.0
99,665	Sycom Property Fund Managers Limited	2,137,968	2,384,983	10.3	10.5