

Frater Flexible Fund

BUILDING A SOLID RECORD

In delivering a 24% return in its first year, Frater Flexible Fund (FFF) has lived up to Frater Asset Management's growing reputation for delivering above-average returns. Trouncing flexible funds of many big-name asset-management companies, FFF's performance earned it second position in the sector.

Significantly FFF's performance was delivered with little unit price volatility, a feature many risk-averse investors seek. During the most testing period, the equity market's slump in June and July, FFF's unit price fall was limited to 3,5% compared with the All Share index's 22% decline.

The group's value investment style is aimed at producing low volatility, says fund manager James Frater. "You limit the risk of share price downside by buying companies when they're cheap."

This approach has been applied with equal success by Futuregrowth Pure

Equity Fund, which Frater's has managed since July 2000. Now ranked second in the general equity sector over three years, the fund has produced a 92% capital appreciation during Frater's management tenure, compared with a 20% sector average.

Though Frater made effective use of FFF's flexibility by upping liquidity during market weakness, he does not view himself as an active trader. "I prefer to buy and hold and wait for shares to adjust to their fair values," he says.

FFF's current equity exposure is 78% with small- to mid-cap shares making up just over half this exposure. Diversifying the portfolio across 52 shares has also helped to limit risk, says Frater.

"At present, I still prefer cash over fixed-interest assets," says Frater, who has limited FFF's bond exposure to only 1% and held cash at 15%. For income enhancement purposes, FFF has a 6%

APPLETON MGD FLEXIBLE

Domestic all assets flexible

Strong track record: worth watching

Unit price: 1 645,60c Total assets R21m

Top ten holdings: Remgro, Tiger Brands, Liberty International, Woolworths, Sanlam, Standard Bank, Anglo Platinum, Foschini, SABMiller, Wilson Bayly Holmes-Ovcon. Asset allocation: Equities 66%, Bonds 16%, Cash 18%. Sector breakdown: Financials 24%, Resources 12%, Industrials 30%. Top sectors: Life assurance 7%, Food 7%, General retailers 7%, Investment companies 7%, Platinum 5%, Construction & building materials 5%, Banks 4%, Real estate 4%.

Period	Total return (%)	Rank/ no of funds	Sector mean (%)	Total assets** (Rm)	Cash holdings** (%)
3 year	34,9	2/13	13,6	189	40
1 year	16,2	8/28	10,5	21	34
6 mnth	(1,35)	8/28	(2,68)	21	21
3 mnth	6,74	9/29	5,61	21	16

*As at September 30 2002. **At start of period.

The fund has an impressive record, as fund manager Adrian Clayton has maintained a value bias and has avoided IT shares since 2000. The bond holding recently has been exclusively in inflation-linked bonds, which have outperformed conventional bonds this year. The Appleton team was recently strengthened when the old AFC investment team moved to Cape Town.

Stephen Cranston

FRATERS FLEXIBLE

Domestic all assets flexible

A focus on value

Unit price: 125c Total assets R105m

Top ten holdings: Group 5, Tongaat, Iscor, Anglo, Nampak, Sasol, Investec, Connection Group, Primedia N, Altron Part Prefs. Asset allocation: Equities 78%, Bonds 1%, Property 6%, Cash 15%. Sector breakdown: Resources 26%, Financials 13%, Industrials 52%, Property 9%. Top sectors: Building & construction 9%, Food producers & processors 8%, General retailers 8%, Banks 6%, Electronics & electrical 6%, Mining finance 6%.

Period	Total return (%)	Rank/ no of funds	Sector mean (%)	Total assets** (Rm)	Cash holdings** (%)
1 year	23,7	2/27	11,8	68	10
6 mnth	7,2	1/28	(3,5)	75	18
3 mnth	10,3	2/29	5,9	84	20

*As at September 30 2002. **At start of period.

exposure to high-yielding property funds.

Frater holds a cautious view on market prospects. The US market's problems are "not yet over", he says, and though SA's economy should be strong in 2003, pricing pressures flowing from a stronger rand could limit profit growth. In essence, it's an outlook that still favours adherence to a flexible, value-investment style.

Overall, the fund has solid appeal that is enhanced by the absence of upfront commissions.

Stafford Thomas

OLD MUTUAL FLEXIBLE

Domestic all assets flexible

Sober rather than sexy

Unit price: 327c Total assets R138m

Top ten holdings: Remgro, Harmony, Sasol, Standard Bank, Anglo American, Gencor, FirstRand, Liberty International, Sanlam, Old Mutual. Asset allocation: Equities 71%, Bonds 15%, SA cash 4%, Foreign cash 10%. Sector breakdown: Resources 22%, Financials 20%, Industrials 29%. Top sectors: Banks 10%, Diversified industrials 8%, Life assurance 7%, Gold 6%, Oil & gas 5%, Platinum 5%, Mining finance 4%.

Period	Total return (%)	Rank/ no of funds	Sector mean (%)	Total assets** (Rm)	Cash holdings** (%)
3 year	15,6	6/13	13,6	12	64
1 year	8,90	12/28	10,5	154	32
6 mnth	(4,92)	20/28	(2,68)	148	26
3 mnth	6,05	12/28	5,61	147	24

*As at September 30 2002. **At start of period.

Fund manager Johan Strydom says he moves the equity content of the fund from 50% to 80% and his holdings are now at the upper end of the range. He says there is scope for improvement in industrials after better-than-expected results from groups such as Tiger Brands and Reunert. Strydom holds 5,5% of assets in the Old Mutual Small Companies fund, which is more liquid than a direct holding.

Stephen Cranston

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