

SEGMENTAL REVIEW

SPECIALISED FUNDS

Performance for the year

	2006 US\$m	2005 US\$m
Revenue and other income	6,5	5,5
Profit from operations	1,3	1,2
Closing capital employed	75,0	20,6
Return on equity before taxation (%)	6,7	5,8

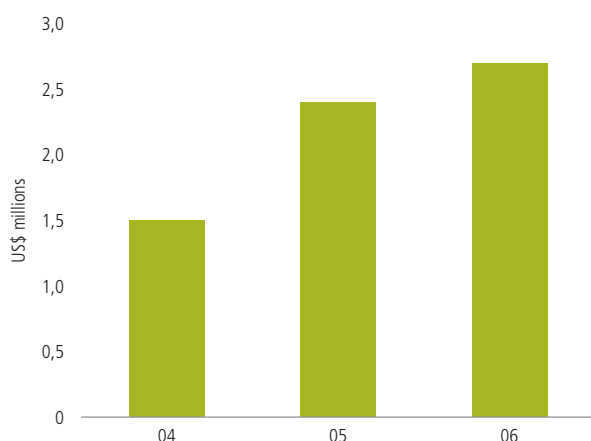
Overview of Specialised Funds

The Specialised Funds division of Brait comprises:

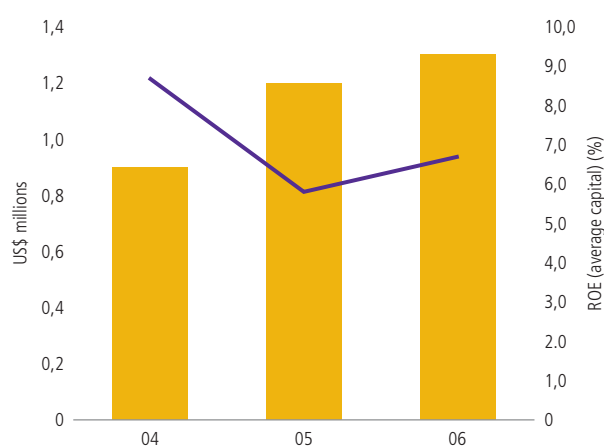
- the management of South African institutional and high net worth third-party capital in hedge fund products;
- the seeding and supporting of emerging hedge funds, and the provision of customised infrastructure, risk management and business support to investment boutiques offering hedge fund products; and
- private equity investments in select investment boutiques that offer the development potential of a long-term investment franchise within active management.

Brait Specialised Funds is the largest institutional fund of hedge fund business in South Africa, with more than five years experience in seeding and supporting emerging hedge fund managers. We invest alongside our clients in well-diversified products, with specific risk-adjusted return targets, which offer important portfolio diversification benefits to traditional portfolios. Considerable industry experience and significant investments in infrastructure and risk management capabilities are designed to provide institutionally acceptable hedge fund solutions.

Revenue (excluding investment gains)



Profit from operations (including investment gain) and ROE

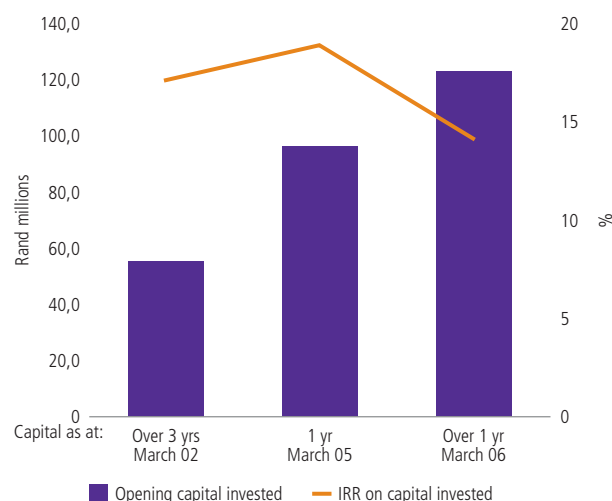


Financial Results and Commentary

Specialised funds income, which consists of fees earned from the management of third-party capital in the group's hedge funds and investment returns generated from Brait's own seed capital, increased by 18% to US\$6,5 million from US\$5,5 million the previous year. Operating earnings increased by 8% to US\$1,3 million from US\$1,2 million the previous year.

Performance during the year was satisfactory, with Brait Absolute SA Fund (Brait Absolute) continuing to outperform three-year rolling return objectives, returning 6,6% above cash and 11,8% ahead of inflation, whilst limiting volatility to 2,6%. Brait Absolute extended its consecutive positive monthly returns to 44 months, while correlation and beta to the All Share Index remained very low at 0,25 and 0,06 respectively.

Return over 3 years, 1 year (to March 05) and 1 year (to March 06)



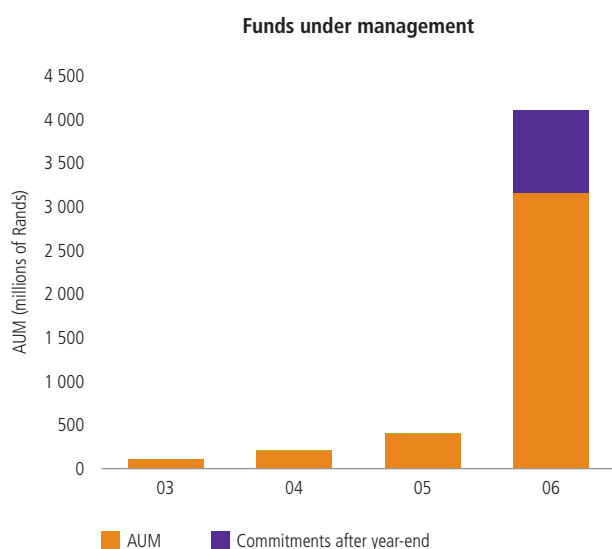
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SPECIALISED FUNDS CONTINUED

Operational review

Over the last five years, Specialised Funds has single-mindedly focused on building performance consistency and infrastructure capability within our fund of hedge funds, to offer institutional investors a cash plus product that is complementary to traditional equity exposure. We have therefore been fortunately positioned to benefit from an increased focus on portfolio re-balancing within risk management by our target client base, and have emerged as a leader in our particular space.

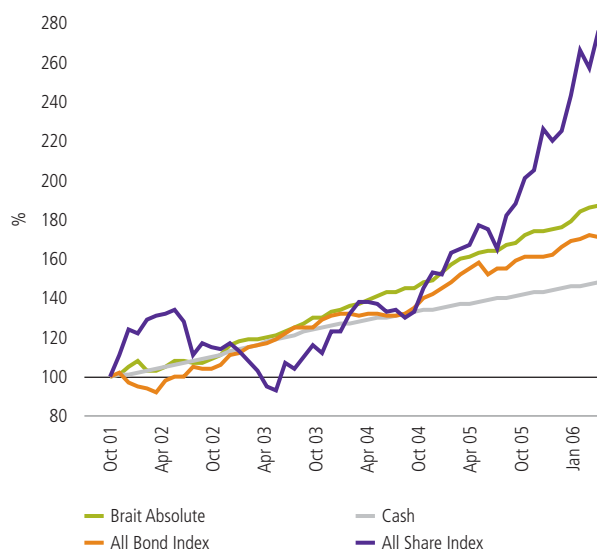
Assets under management (AUM) grew significantly, increasing by 691% since 31 March 2005 to US\$512 million, spread across 19 hedge funds, chosen by our multi-management team for their ability to balance risk against investment opportunity. Despite the considerable growth in AUM, we are fortunate to have secured an additional R3,1 billion of single strategy capacity with our existing managers, and plan to add to this during the year as we search for new sources of alpha.



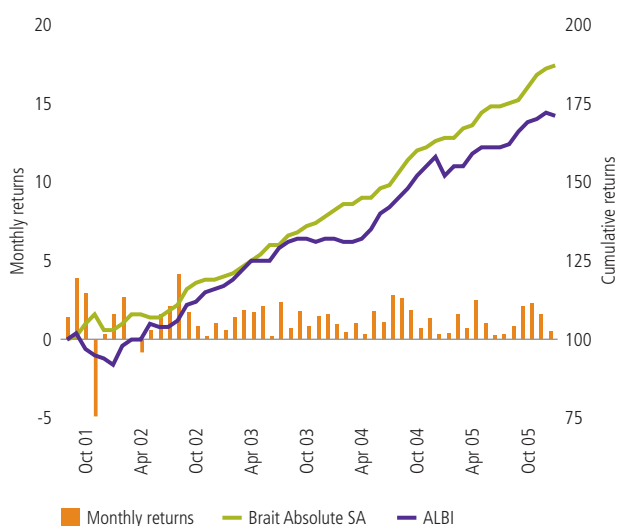
The underlying fund managers within the Brait Funds of Funds include:

Fund	Investment strategy	Fund manager
Polaris Hedge Fund	Long/short equity, relative value, liquid, low turnover	Marius van Rooyen
Lauriston Absolute Fund	Relative value multi-class, neutral, liquid, low turnover	Kevin Cousins
Brait Ruby Fund	Short-bias, directional, liquid, low turnover	Craig Butters
Frater Absolute Fund	Long-bias equity, directional, liquid, low turnover	Terrance Craig
Re:CM Alpha Fund	Long-bias equity, directional, liquid, low turnover	Piet Viljoen
PSG Quant Fund	Managed futures multi-class, long-short, directional, highly liquid, high turnover	Derick Burger
GyroTerm Fund	Fixed-income relative value, highly liquid, high turnover	Lourens Pretorius
Investec SA FI Hedge Fund	Fixed-income relative value, highly liquid, high turnover	Malcolm Charles
Spyglass Focused Fund	Long-bias equity, directional, liquid, low turnover	Sean Katz
Osborne Flexible Fund	Multi-class, long-bias, directional, liquid, low turnover	Niall Brown
Tantalum MNC Fund	Multi-class, long-bias, directional, liquid, low turnover	Morne Marais
Spyglass General Equity	Equity, long/short, directional, liquid, moderate turnover	Gary Abrahams
Aeon Multi Strategy Fund	Multi-class, long/short, directional, liquid, moderate turnover	Asief Mohamed
Tantalum Fusion Fund	Fixed interest, long/short, directional – relative value, liquid, moderate turnover	Melanie Stockigt
Empire Growth Fund	Equity, long/short, directional, liquid, low turnover	Roger Williams
Fairtree Fund	Equity, long/short, directional, liquid, low turnover	Andre Malan
Spyglass Opportunities Fund	Equity, long/short, directional, liquid, moderate turnover	Sean Katz

Comparative returns since inception – November 2001



Bond comparison: Volatility 2,6% versus 4,9%, Correlation 0,3, Beta 0,14



International overview

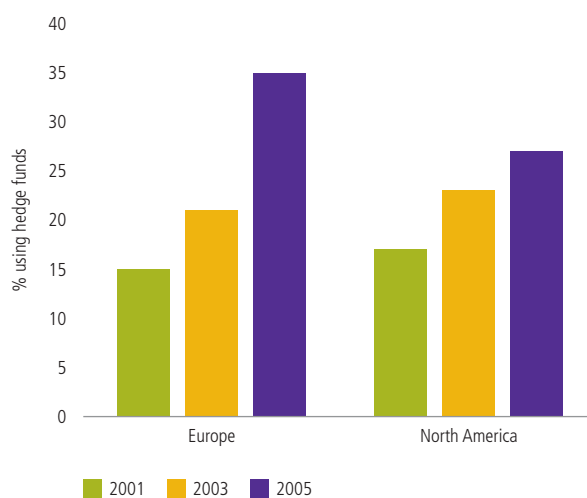
In recent years the hedge fund industry has moved into mainstream thinking, due to the ability to offer alternative sources of alpha and meaningful diversification in a world that is contracting due to globalisation. Industry assets top the US\$1,3 trillion mark, having grown approximately 25% per annum since 1990, with more than 10 000 funds.

The key is that specialised strategies and broad mandates allow essentially non-correlated performance, often with lower volatility. According to the Bank of New York, "Institutions, particularly pension funds and endowments, will become the primary source of capital for hedge funds. Their demands will transform the industry."

This increase in utilisation of hedge funds by institutions is confirmed by a survey performed during 2005-2006 by the Russel Investment Group. This survey, which was based on responses from 327 large organisations responsible for managing tax exempt assets, indicated that the utilisation of hedge funds by such institutions had increased from 21% in 2003 to 35% in 2005 in Europe and from 23% in 2003 to 27% in 2005 in North America. The results of this survey also suggest that globally alternative assets are poised for rapid growth and are expected to reach record levels by 2007, and that hedge fund assets are likely to continue to garner a significant share of increased commitments amongst alternatives.

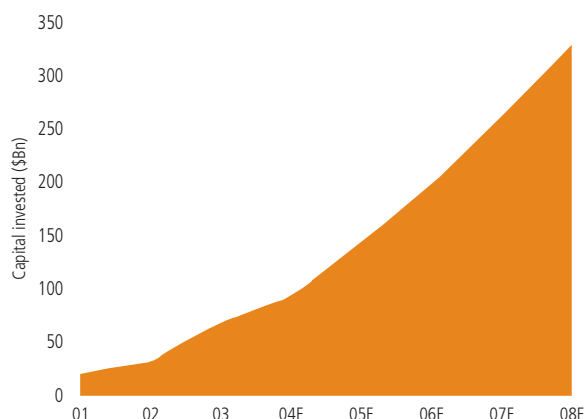
Trends in fee levels: According to an article in Business Standard, there is a clear desire and ability of the newer funds in the global industry to charge higher fees. No longer are funds charging a 1% management fee and 20% performance fee – the norm for the first generation of funds set up in the early 1990's.

Increased utilisation of hedge funds by institutions



Source: Russell Survey on Alternate Investing 2005 – 2006

Growth of US institutional hedge fund capital



Source: Casey Quirk & Acito and The Bank of New York

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One of the most notable trends in the international hedge fund arena has been the increased scrutiny placed on infrastructure and operational risk areas, and the regulatory drive towards valuation independence. Investment managers focused on portfolio management are finding these demands onerous, and are increasingly utilising outsourced expertise to pass muster.

South African overview

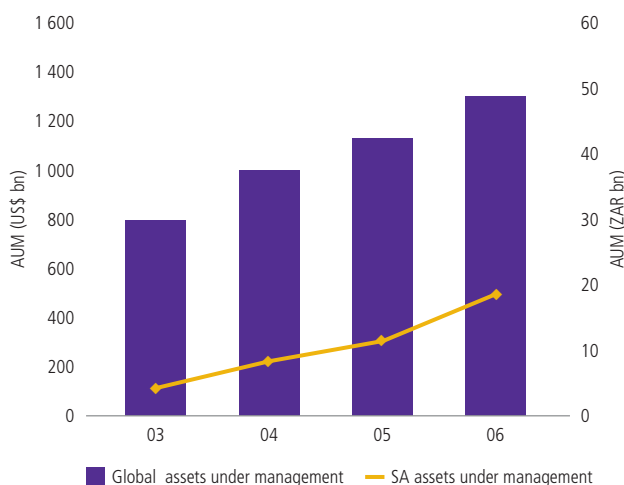
The EuroHedge Special Report, "South Africa: A new hedge fund market emerges", February 2006, states that "South Africa's hedge funds are rapidly evolving into an impressive industry . . . , which stands out among global emerging markets". A contributor states, "New funds are being started at a phenomenal rate . . . According to our database, there were about 65 hedge funds one year ago, and now its up to 84 . . .", and industry assets are estimated at around R12 billion at the end of 2005.

In the section covering funds of hedge funds entitled "Competing hard for distinctive niches", the following observation is noteworthy: ". . . Brait has emerged as the largest, and certainly, the most innovative FoHFs manager in South Africa. What distinguishes Brait from its competitors, is that it has pioneered long-term capacity agreements with talented managers and has developed an incubator model that has nurtured 17 hedge funds . . ."

Strategic initiatives

We remain focused on delivering expected performance within specialised mandates utilising hedge fund strategies, and aim to expand our capabilities during the year ahead through specific product developments. We are in advanced stages of launching a large multi-strategy fund, which promises to enhance our abilities to deliver exciting performance whilst minimising operational risk. In addition, we believe that an increasing client base, including international investors attracted to South Africa's macro-economic developments, will expect more customised solutions, which our experience in the industry suggests we can now accommodate.

Global and SA hedge fund growth



Source of global assets 2004 – 2005: IFSL estimates based on Europ hedge and Hennessee Group data