

Absa Select Equity Fund 31 July 2010

Fund Description / Objective

The Fund invests in shares on the stock exchange with the intention of providing investors with long-term capital growth and escalating dividend income. Exposure to equities typically exceeds 75% of the fund and comprises a diverse combination of shares selected following independent research.

Fund Facts

| | |
|----------------------------|--|
| Inception Date | 23 February 2004 |
| JSE Code | ASEF |
| Fund Size | R 996 million |
| Industry Category | Domestic - Equity - General |
| Minimum Investment | R 2 000 lump sum R 200 debit order |
| Initial Fee | 0% to 3,42% (VAT incl.) |
| Total Expense Ratio | 1,16% of which 0,15% is the performance fee |
| Annual Service Fee | 1,14% (VAT incl.) + performance fee (see disclaimer) |
| Income Declaration | 30 June & 31 December |
| Income Distribution | 15 July & 15 January |
| Performance target | FTSE/JSE All Share Index (including income) |
| Risk Rating | High |

Income Distribution

| | |
|--|------------|
| Distribution for the 6 months ended 30 June 2009 | 3,36 c.p.u |
| Distribution for the 6 months ended 31 December 2009 | 1,81 c.p.u |
| Distribution for the 6 months ended 30 June 2010 | 3,34 c.p.u |

Top Holdings

- Absa Group Ltd
- Adcock Ingram Holdings Ltd
- Anglo American Plc
- AVI Limited
- BHP Billiton Plc
- JD Group Ltd
- Mr Price Group Ltd
- Sasol Ltd
- Spar Group Ltd
- Standard Bank Group Ltd

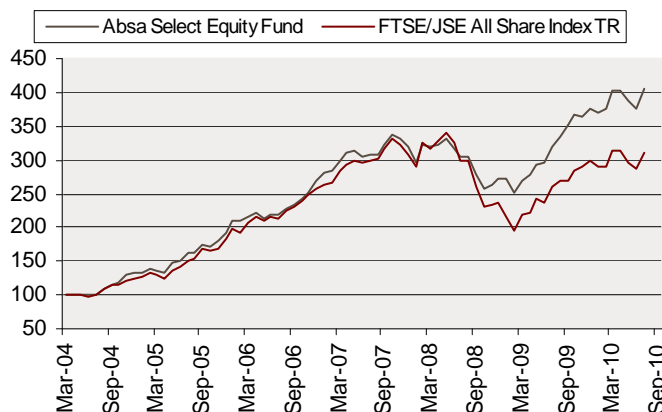
Historic Performance

| | Absa Select Equity Fund | Sector Average | Ranking |
|----------|-------------------------|----------------|---------|
| 1 Year | 21,94% | 17,91% | 11/82 |
| 3 Years* | 8,89% | 1,17% | 1/65 |
| 5 Years* | 19,76% | 13,72% | 2/51 |

* Figures are annualised

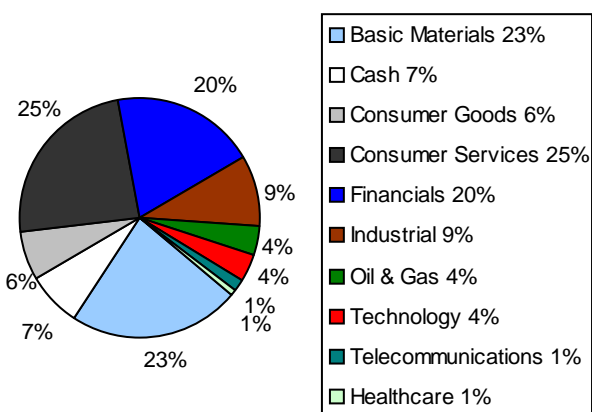
Source: Morningstar

Performance History Graph



*Index performance of Fund & Benchmark based to 100 at inception of fund

Sector Allocation



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Fund Commentary

Equities rallied strongly in July, with the All Share Index finishing the month over 8% higher. Of the major sectors, Technology was up by a massive 28.5% (spurred by the takeout offer for Didata), Telecommunications was up by 13.5% and Consumer Services was up by over 12%. To give an indication of the breadth of the market advance, Consumer Goods was a relative laggard, and yet it was still up by 4.7%.

We constantly stress the importance of investing with a longer-term perspective, and over the last 5 years, the Absa Select Equity Fund has returned 19.8% p.a., outperforming the JSE All Share Index by 3.3% p.a. over this period. As at 31 July 2010, the Absa Select Equity Fund is the top performing fund in the General Equity category for the 3 year period, and the second best performing fund over the 5 year period. In recognition of its performance, the Absa Select Equity Fund recently won three Raging Bull Awards for its performance to 31 December 2009, including Best Broad-Based Domestic Equity Fund over 3 years and Best Domestic General Equity Fund (Risk-adjusted) over 5 years. Examples of shares that have performed well over the last 12 months, and where we have been overweight, have been Datatec (+75%), Mr Price (+72%), and Spar (+50%).

Over the last couple of years, there has been dramatic stimulus by central banks worldwide, and markets now appear to be realizing that fiscal consolidation is needed. A big issue at present is the extent to which a real business recovery will be able to "carry the baton" once governmental stimulus programmes start to wane. Growth in many European countries will be very sluggish for the next number of years, and there is increasing concern that China's growth is slowing. Whilst profit growth by companies, which turned negative in many instances, has now "turned the corner", we continue to feel that the prospects for a sustained economic recovery at a "main street" level remain unclear.

Wage increases, coupled with the strong rand, will likely eat into the margins of exporters. For miners, commodity prices have increased sharply from their lows, which currently more than compensates for cost increases. We will closely monitor global economic conditions, and particularly the demand coming from China, in assessing the sustainability of commodity prices at these levels.

There are still pockets of value amongst some local stocks, though they are fairly difficult to find. Some stocks are trading at parity (or at a discount) with the market at large, yet have higher earnings and dividend yields, strong business franchises and balance sheets, and better visibility of cash flows, and we have attempted to keep our equity exposures to companies where we are comfortable with future earnings prospects.

As long-term investors, we constantly remind ourselves neither to become too flustered nor too excited by short-term fluctuations in share prices. Our long term objective is to grow and protect the fund's capital by investing in financially sound companies, run by competent management and trading at a price that offers long term value. We believe that this long term value will be unlocked over time.

DISCLAIMER

The Absa Select Equity Fund is a medium to high risk fund. No initial charge is levied, though investments through intermediaries could include a maximum of 3.42% (incl. VAT) payable for commissions and incentives. An annual service charge of 1.14% (incl. VAT) is applicable to the Select Equity Fund together with an additional performance fee. *The performance fee is 15% of the portfolio's outperformance of the benchmark plus 2% (benchmark is the JSE/FTSE All Share Index plus income thereto), is calculated and accrued daily on a twelve month rolling basis and deducted from income to the Fund. The Absa Select Equity Fund requires a minimum balance of R2000. Collective Investment Schemes in Securities (Unit Trusts) are generally medium to long term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. Forward pricing is used. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio. Income is distributed half yearly and any income may be paid out into an account as nominated by the investor or be represented by additional units. All requests for transactions received on or before 16:00 every day will be traded at ruling prices and valued after 16:00 on that day. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. This Fund may be closed to new investments. The Fund Manager may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Foreign interest and dividends as well as foreign currency movements affecting capital may be fully taxable under current legislation. This fund may invest in Financial instruments. Figures quoted are from Morningstar, for the period ending 31/07/2010, using NAV-NAV prices, with income distributions reinvested. This product is not for sale to USA persons. The Total Expense Ratio (TER) is expressed as an annualised percentage of the charges, levies and fees incurred by the portfolio related to its management, for the period from 1 July 2009 to 30 June 2010 against the average NAV of the portfolio over this period. A higher TER does not necessarily imply a poor return, nor does a lower TER imply a good return. The current TER cannot be regarded as an indication of future TER's. Consult the Management Company for details. Absa Fund Managers is a member of the Association for Savings and Investment SA.

Asset Management Co:

Absa Asset Management (Pty) Ltd

Portfolio Manager

Errol Shear

B.Bus.Sc. (Finance)

(Hons), CA (SA), CFA



Contact Details

Absa Fund Managers Limited:

Absa Investments Campus,
65 Empire Road, Parktown, 2193
PO Box 6115, Johannesburg, 2000

Contact Centre : 0860 111 456

Fax : (011) 480 5440

unittrusts@absa.co.za

To find out more about this fund and Absa's unit trust range visit :
www.absainvestments.co.za

Absa Fund Managers,
Reg no 1991/000881/06
Authorised Financial Services Provider

Trustees:

Standard Bank Trustee Services
PO Box 54, Cape Town, 8000



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