MAESTRO
Equity Fund

PRESCIENT
MANAGEMENT COMPANY

**INVESTMENT OBJECTIVE**
The Fund's objective is to produce above average long-term returns by investing in the South African equity market. It will simultaneously aim to assume less risk than the risk inherent in the market itself. The Fund adopts a conservative investment philosophy.

**FUND BENCHMARK (BMK)**
The Fund will measure itself against the FTSE-JSE All Share Index. It will also use an internal benchmark, the Maestro Equity Benchmark, which consists of an equal weighting of the FTSE-JSE Top40 and Findi30 indices which effectively yields an index that is roughly equally weighted between the resource, financial and industrial sectors.

**LEGAL STRUCTURE**
The Fund is a scheme in the nature of a trust known as a collective investment scheme. The portfolio manager is Maestro Investment Management, an approved Financial Services Provider in terms of the Financial Services and Intermediary Act, operating under licence number 739, and the Financial Institutions (Protection of Fund) Act. This portfolio operates as a white label fund under the Prescient Unit Trust Scheme, which is governed by the Collective Investment Schemes Control Act.

**FEE STRUCTURE**
The maximum initial fee is 2.0% and the annual investment management fee is 1.75%. The *annual* total expense ratio (TER) for the past year in respect of class A was 2.46%.

**FUND SIZE:** R13 763 796

**MANAGEMENT COMPANY**
Prescient Management Company Ltd
Box 31142, Tokai, 7945

**TRUSTEE AND AUDITOR**
Trustee: Nedbank Limited
Auditor: KPMG Inc.

**PORTFOLIO MANAGER**
Maestro Investment Management (Pty) Ltd

**ENQUIRIES**
Maestro Investment Management
Box 1289
CAPE TOWN
8000

Fax: 021 674 3209
Email: equityfund@maestroinvestment.co.za

# The Maestro Equity Fund

Quarterly report for the period ended

31 March 2009

## 1. Introduction

In this Report we comment on the Fund-specific details and analyze the investment returns over time. We will shortly publish a separate document, "Market Commentary – March 2009," which will focus on the environment that prevailed in recent past and in which we will share thoughts of what we believe might happen in the coming months. While this Report focuses on the investment activities of the Maestro Equity Fund during the past quarter it should be read in conjunction with recent editions of *Intermezzo*, wherein we documented some of the salient events during recent months.

## 2. The investment position of your portfolio

The Fund's sector allocation is shown in Chart 1. Exposure to the resource sector totalled 22.7% of the Fund, down from 25.1% in December. Financial exposure rose 1.0% to 10.2% while industrial exposure rose 6.9% to 56.9%. Cash represented 10.2% of the Fund, down from 15.7% at the end of December.

**Chart 1: Asset allocation at 31 March 2009**

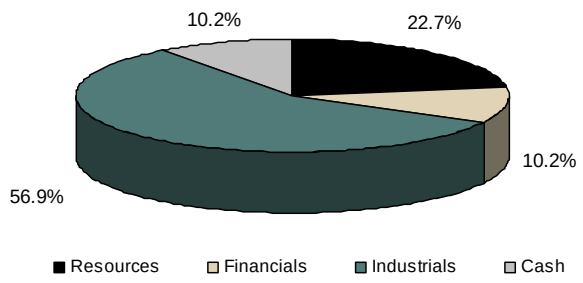
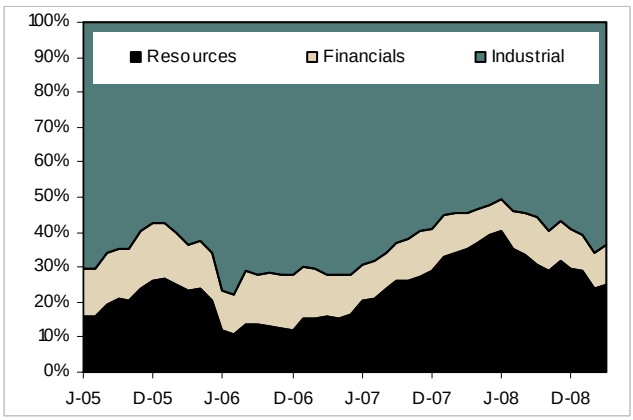



Chart 2 depicts the historical allocation to the three major sectors of the equity market, expressed as a percentage of the equity portion of the Fund.

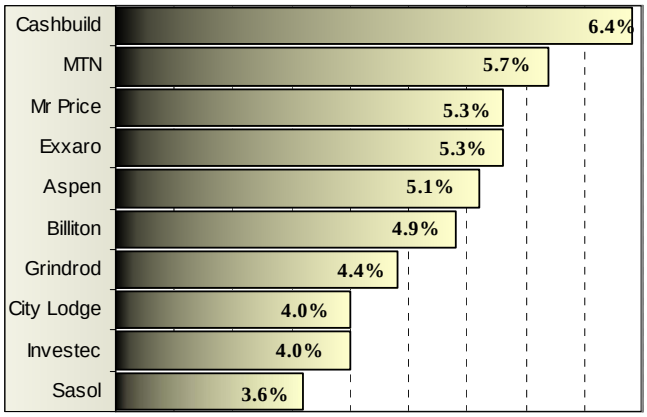
**Chart 2: Sector exposure at 31 March 2009**



## 3. The largest equity holdings

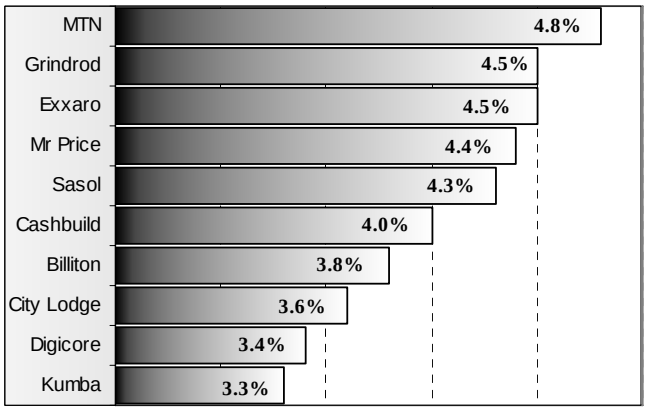
The largest holdings at 31 March are listed in Chart 3, expressed as a percentage of the equity portfolio.

**Chart 3: The largest holdings at 31 March 2009**




The largest holdings at the end of December are listed in Chart 4. During the quarter Aspen and Investec displaced Kumba and Digicore in the largest holdings. At the end of December there were 28 counters in the Fund, versus 30 in December, the ten largest of which constituted 48.7% of the Fund, up from 40.6% in December.

**Chart 4: The largest holdings at 31 December 2008**




## 4. Recent activity on the portfolio

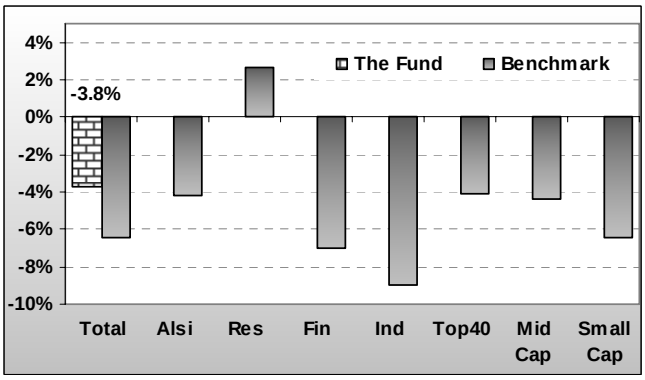
The investment objective on this portfolio is to *achieve long-term growth through the assumption of moderate risk.* We would emphasise the "long-term" aspect of this objective; we are confident that the companies in which the Fund is invested will deliver long-term capital growth together with a steady increase in dividends over time. However some of the companies in which the Fund is invested are not typical large-cap companies and may take longer, particularly in the prevailing market conditions, to generate the above-average returns we expect of them over the long-term.

During the quarter the holdings in Anglo and Kumba were sold and the large holdings in Sasol and Steinhoff reduced. The Digicore holding was increased marginally.

## 5. The performance of the Fund

Turning to the performance of the Fund Chart 5 depicts the returns for the quarter as well as those of the major indices.

**Chart 5: Quarterly returns to 31 March 2009**

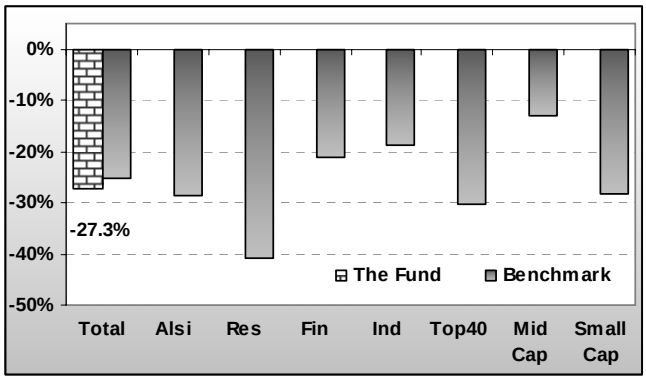



***The un-annualised return on the total Fund during the March quarter was -3.8%,*** which compares favourably with that of the Maestro equity benchmark and All share index returns of -6.5% and -4.2% respectively. These returns display the defensive characteristic of Maestro's investment style, which is also evident if one considers the longer-term returns of the Fund, particularly during times of market weakness. So, while the Fund's equity portfolio didn't decline as much as the equity market did during January and February, it failed to keep up with the heady gains (11.0%) in March. This in itself is an indication of the defensive nature of the equity portfolio and its relative robustness in the face of what remain very difficult conditions in which to manage money. For the record, the quarterly returns of the mid and small indices were -4.4% and -6.4% respectively.

The returns of the Fund's largest holdings during the quarter were Cashbuild 30.8% (down 5.5% last quarter), MTN -3.2% (5.7%), Mr Price -2.0% (11.2%), Exxaro -3.7% (-15.7%) and Aspen 35.7% (-20.9%). You can see for yourself how volatile the returns during the quarter were and the large range they traversed. I should add that although the Fund's quarterly equity return was modest in absolute terms, this completely belies the extreme movements of the equity market during the quarter. In this respect I refer you to the "Market Commentary – March 2009" document, which will unpack the market movements in more detail.

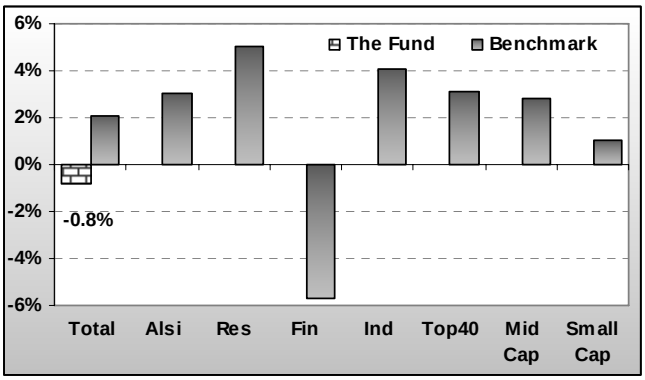
That brings us to the annual returns for the year to end-March, shown in Chart 6. ***The annual return of the total Fund to March was -27.3%*** (the annual return to December was -26.2%); inflation rose 8.6% during the past year. The Fund's annual return can be compared to the Maestro equity benchmark return of -25.4% and the All Share Index -28.5%. The materials (resource) index declined 40.7%, financials 21.2% and industrials 18.7%. Not shown in the chart are the respective annual declines in the mid and small cap indices of 12.9% and 28.3%. The main detractors from the Fund's returns during the year were Anglo *down* 66.8%, Arcelor Mittal 62.9%, Digicore 62.5%, Jasco 56.2% and Dawn 52.4%. Despite the market decline of 28.5% some of the investments performed remarkably well, including Aspen which rose 43.0% over the period, Cashbuild 36.0% and Mr Price 33.2%.

**Chart 6: Annual return to 31 March 2009**




***The compound annual return (CAR) of the Fund over the three-year period to March 2009,*** shown in Chart 7 ***was -0.8%***; it can be compared to the returns over the same period of the Maestro equity benchmark of 2.1% and the All Share Index's 3.0%. Unlike markets offshore, the SA equity market's returns over the three-year period are still positive. The CARs for the large (Top40), mid and small cap indices to March are 3.1%, 2.8% and 1.1% respectively. Similarly the respective CARs for the resource, financial and industrial indices were 5.0%, -5.7% and 4.1%. Note that there has been an annual difference of more than 10% between the resource and financial indices over the past three years – this is a remarkable (and large) difference when one thinks about it! Bonds and cash delivered respective returns of 6.3% and 10.5% over the same period.

**Chart 7: CAR: 3-year period to 31 March 2009**




## 6. Closing remarks

I refer you again to the forthcoming document "Market Commentary – March 2009" for detail on our views on the global investment environment. I'm sure you will appreciate that the prevailing nervousness in the market means that any forecast or view, including Maestro's, needs to be treated with caution. As we said last quarter, the longer-term returns of the SA equity market provide sufficient evidence to support the merits of long-term investment, despite temporary and nerve-wracking periods of equity market weakness.

We will continue to be conservative in our management of the Fund and will seek out and retain investments we believe offer value and which will lead to respectable long-term returns in the years to come.

Please feel free at any stage to contact either myself or any other member of the Maestro team about your investment in the Maestro Equity Fund. We remain at your disposal at all times and look forward to being of further service to you throughout the remainder of the year.

Andre Joubert
27 April 2009