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 Consulting, 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%. The investment management fee is 1.75% per annum. The *annual* total expense ratio (TER) for 2008 in respect of class A was 2.17%.

FUND SIZE: R16 977 900

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

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

PORTFOLIO MANAGER
Capstone 96 (Pty) Ltd t/a Maestro Investment Consulting

ENQUIRIES
Maestro Investment Consulting
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 December 2008

1. Introduction

We have changed the format of this report and have separated the Fund-specific comment and analysis from the market-related comment, which we will send together with this Report in a separate document called "Market Commentary – December 2008". This change will enable us to despatch the Quarterly Report more promptly and should make it more readable and shorter. I hope you find it more manageable – any comments on the new format would be welcome and appreciated. Of course, this Report still focuses on the investment activities of the Maestro Equity Fund during the past quarter but I still encourage you to read it in conjunction with recent editions of *Intermezzo*, wherein we documented in great detail all the drama of the past quarter.

2. The investment position of your portfolio

The Fund's sector allocation is shown in Chart 1. Exposure to the resource sector totalled 25.1% of the Fund, down from 27.7% in September. Financial exposure declined 2.9% to 9.2% and industrial exposure remained at 50.0%. Cash represented 15.7% of the Fund, up from 10.2% at the end of September.

Chart 1: Asset allocation at 31 December 2008

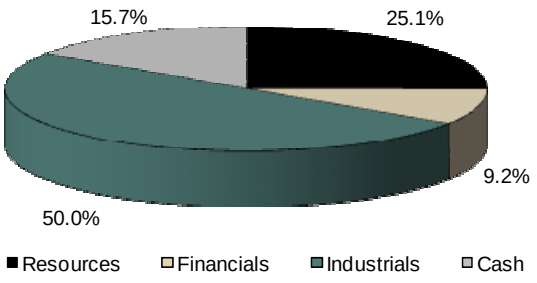
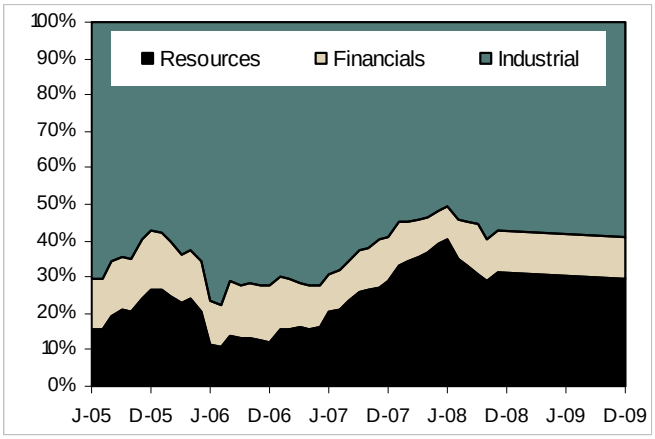


Chart 2 depicts the historical allocation to the three major sectors of the equity market, expressed as a percentage of the equity portion of the Fund.

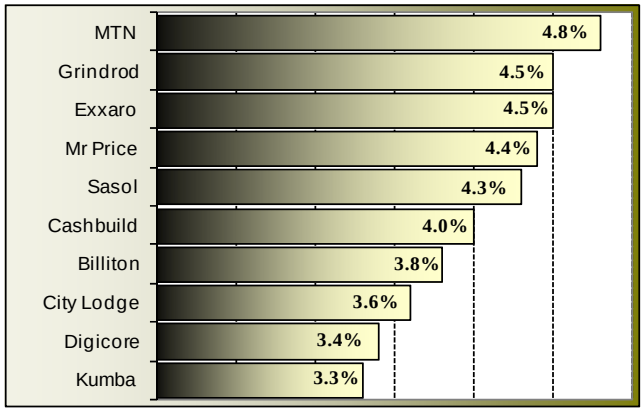
Chart 2: Sector exposure at 31 December 2008



3. The largest equity holdings

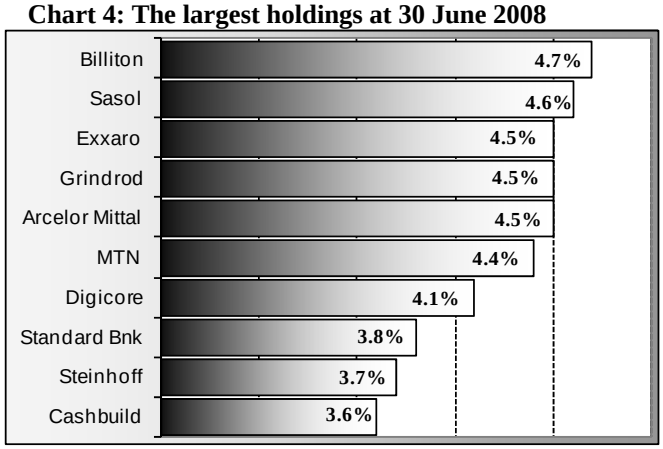
The largest holdings at 31 December are listed in Chart 3, expressed as a percentage of the equity portfolio.

Chart 3: The largest holdings at 30 September 2008



The largest holdings at the end of September are listed in Chart 4. During the quarter Mr Price, City Lodge and Kumba displaced ArcelorMittal, Standard Bank and Steinhoff in the largest holdings. At the end of December there were 30 counters in the Fund, up from 29 in September, the ten largest of which constituted 40.6% of the equity portfolio, down from 42.4% in September.

Chart 4: The largest holdings at 30 June 2008



4. Recent activity on the portfolio

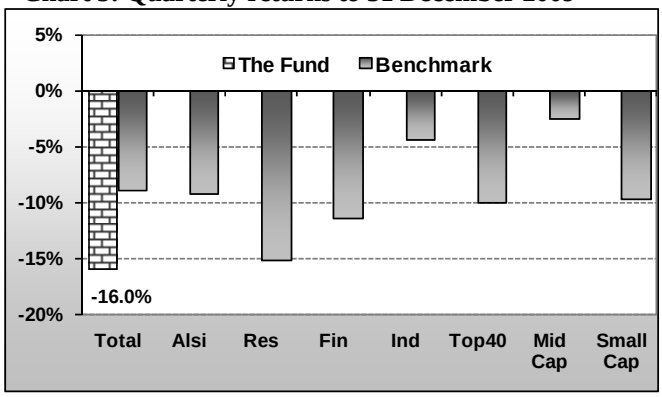
The investment objective on this portfolio is to *achieve long-term growth through the assumption of moderate risk.* It is against this objective that the activities and performance of the portfolio should be assessed.

During the quarter the Standard Bank holding was sold and the one in Billiton was reduced marginally. Holdings in B&W and Sanyati were initiated into the Fund while the holdings in Metmar & Merafe were increased.

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 December 2009

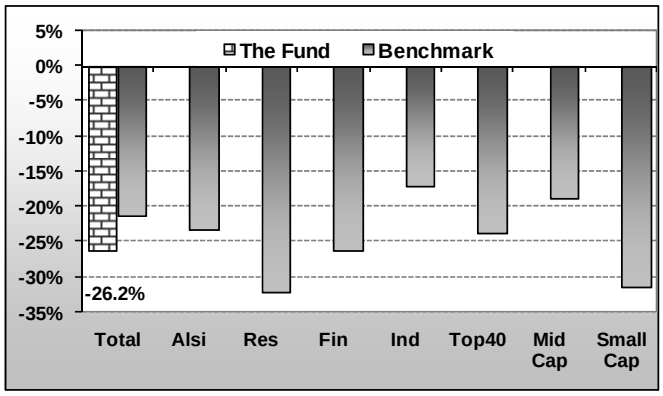


The un-annualised return on the total Fund during the December quarter was -16.0% which can be measured against the returns of the Maestro equity benchmark and All share index of -8.9% and -9.2% respectively. This return is disappointing and can be described in part to the poor returns from some of the mid and small cap holdings in the Fund. These shares were severely penalised during the quarter as investors fled to large caps in an attempt to reduce their overall risk. Examples of *quarterly* declines include the decline in Dawn of 40.8%, Group Five 37.2%, Jasco 31.2% and Digicore 30.1%. Of course the large declines from just about all the resource companies didn't help either. For the record, the quarterly returns for the mid and small cap sector were -2.5% and -9.6% respectively. The returns of your largest holdings during the quarter were MTN -5.7% (down 7.6% last quarter), Grindrod -14.0% (-32.2%), Exxaro -15.7% (-30.5%), Mr Price 11.2% (48.3%) and Sasol -20.0% (-17.4%).

That brings us to the annual returns for 2008, shown in Chart 6. ***The annual return of the total Fund for 2008 was -26.2%.*** Inflation rose 11.8% during this period and the All bond index 17.5%, the bulk (11.9%) of which came in the last two months of the year. This can be compared to the Maestro equity benchmark return of -21.1% and All Share Index of -23.2%. The materials

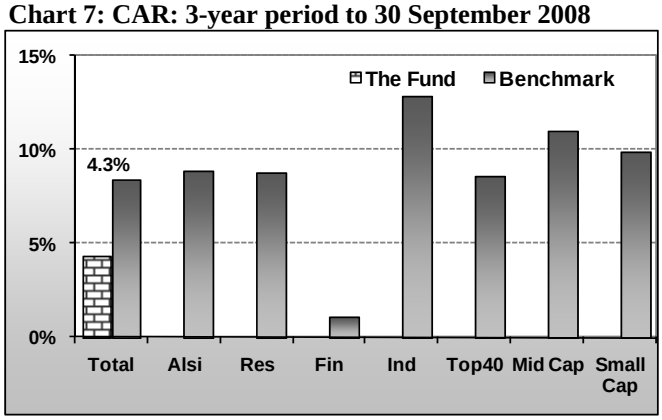
(resource) index declined 31.9%, financials 26.1% and industrials 16.9%. Not shown in the chart are the respective declines in the mid and small cap indices during the year of 18.7% and 31.2%. The main detractors from the Fund's returns during the year were Dawn *down* 55.7%, Iliad 54.7%, Digicore 54.6%, Jasco 52.9%, Anglo 49.2%, Kumba 43.2% and Implats 43.1%. The only share to rise during the period was Mr Price, which gained 12.5%.

Chart 6: Annual return to 31 December 2008



The compound annual return (CAR) of the Fund over the three-year period ended 31 December, shown in Chart 7 ***was 4.3% per annum***; it can be compared to the returns over the same period of the Maestro equity benchmark of 8.4% and the All Share Index's 8.9%. 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 December, not shown in the chart, are 8.6%, 11.0% and 9.9% respectively. Similarly the respective CARs for the resource, financial and industrial indices were 8.8%, 1.1% and 12.8%. It is interesting to see how much better industrial shares have performed during this period, notwithstanding the huge upturn in resource shares during 2006 (when they rose 48.6%) and 2007 (up 27.5%). Bonds and cash delivered respective returns of 8.8% and 10.1% over the same period. Note too, that with the exception of the financial index returns over the period, all other asset classes and sectors delivered returns of between 8.6% and 12.8% - a narrow range when one considers how volatile (on the upside and downside) returns have been during this period.

Chart 7: CAR: 3-year period to 30 September 2008



6. Closing remarks

I refer you again to the document "Market Commentary – 2008", which accompanies this Report, for detail on our views on the global investment environment for the foreseeable future. I'm sure you will appreciate that the uncertainty and nervousness prevailing in the market place at the moment means that any forecast or view, including Maestro's, needs to be treated with caution. But as we said last quarter, the longer-term returns reflected in this Report provide sufficient evidence of 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 your Fund and will seek out and retain investments we believe offer value right now 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 portfolio. 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
30 January 2009