RE:CM

_REGARDING CAPITAL MANAGEMENT

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_Regarding Capital Management (Pty) Ltd. _REG. NO. 2001/028924/07
_DIRECTORS Piet Viljoen, Theunis de Bruyn, Werner Stals.

18 July 2005

Dear Client,

We are writing to inform you of a reduction in the investment management fee within the RE:CM Core Managed Fund (A units). As you are probably aware, our existing total investment fee consists of a base fee of 1.5% per annum (excl. VAT) and a return related fee of 20% above (and below) CPI-X plus 8% per annum. It is our base fee that is reducing, from 1.5% to 1% per annum, with immediate effect. The return related component of our fee remains unchanged.

The fee change is in line with our fee philosophy: *poor performance should not be profitable*. Accordingly, our base fee, which is linked to asset size and not returns, should largely reflect the costs of managing your money. The saving in our business costs, which we are now passing on to you, have come from two main sources:

1. <u>Benefits of Scale:</u>

The RE:CM Core Managed Fund has grown to R700m at the time of writing this. This asset size is significant because of the inherent inverse relationship between asset size and costs: as assets under management increase, the costs of managing those assets, on a per Rand basis, go down. We have recently completed our second financial year end and have a clear picture of what this benefit of scale represents. As you can see, it is significant.

2. <u>Eliminating the Cost of External Distribution:</u>

It is the industry norm that asset managers pay external agents to attract and retain clients within their unit trusts. Such third parties (like independent financial advisors and linked investment service providers) charge fees linked to asset size – which means these costs are not scalable and go on to dominate the cost line of a unit trust company over time. Because we have the advantage of not wanting to be an asset gatherer, we do not see the benefit in paying for this external distribution (besides the obvious argument that these third parties work for the client, not the asset manager anyway). Accordingly, our cost base reflects the cost of managing your money only.

We trust that the change and rationale supporting this change makes sense to you. If you have any questions, please contact me at (021) 425 7953, or on e-mail rory@recm.co.za.

Good investing!

Rory Maguire