



KAGISO

Asset Management

Abridged Annual Report
2011

Unconventional thinking. Superior performance





Earth House Estate Lättenstrasse is a unique residential complex designed by Vetsch Architektur. It consists of nine unconventional homes in Dietikon, Switzerland. The earth-covered houses support growing vegetation, and break with the tradition of placing houses like boxes on top of the ground. The result is dwellings that look like flowing sculptures. Earth houses benefit from substantial energy savings and complete protection from the elements. The families that live here enjoy the benefits that this unconventional concept provides them.

Unconventional thinking. Superior performance

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I am pleased to report that Kagiso Asset Management experienced continued solid growth during the past year and now manage R30 billion in assets on behalf of our investors.

Importantly, our strong growth has been backed by consistently good investment performance. This stems from our applying unconventional thinking to the assessment of financial markets, and uncovering great investment opportunities.

Market overview

Our sense is that the recent financial crisis has left us with an imbalanced world with below par growth prospects.

Much of the world's economy is in a fragile, overly-indebted state with excess capacity and demographic problems. We therefore remain concerned about the excessive government debt in developed economies at a time of worsening demographic trends, and the need for stimulus withdrawal. Fiscal and monetary stimulus, that has been extended, must end and be reversed, as even governments and central banks do not have infinite resources. This is a huge global economic headwind.

However, strong growth should continue in most emerging markets as favourable demographics and improving productivity spur on economic activity in these economies. South Africa is commonly associated with high growth developing economies

but, for unique structural reasons, does not face as rosy a medium-term outlook in our view.

Our funds remain defensively positioned as we expect volatile markets and tough economic conditions in the year ahead. However, we do see attractive opportunities in the equity market in high quality companies that are reasonably priced.

Fund performance

We are delighted with the performance of our fund range, which has delivered on expectations. We are particularly proud of our Kagiso Equity Alpha Fund, which (since inception in April 2004), ranked first in its sector, 90% of the time. Furthermore, through the management of our Sharia-compliant funds, we were instrumental in fostering transparency and lower fees in the Sharia investment universe, which has resulted in practices that benefit our investors.

Our investors

As a specialist investment management company, we strive to maximise our potential for delivering on our performance and service undertakings to investors.

Over the past year we have experienced solid inflows from:

- ◆ investors who have chosen to grow their existing investments with us; and
- ◆ a large number of new investors from both the institutional and retail markets.

Milestones and developments

Kagiso Collective Investments Limited

Towards the end of 2010 we ended our nine year association with Coronation Fund Managers and registered our own Management Company - Kagiso Collective Investments Limited - to manage our suite of unit trust funds.

Launch of three retail funds

On 1 May 2011 we launched three new asset allocation unit trust funds for our retail investors. These funds will be managed in line with our existing research and asset allocation processes, which have proven to be very successful in delivering consistently good returns for our institutional clients. We hope to deliver similar strong performance to our retail clients over the long term. These funds are:

- ◆ **The Kagiso Balanced Fund**, which aims to provide investors with strong real capital growth over the long term with a moderate level of risk, and within the statutory restrictions for retirement savings.

- ◆ **The Kagiso Islamic Balanced Fund**, a Sharia-compliant fund, which aims to provide steady long-term returns and capital growth with a moderate level of risk.

- ◆ **The Kagiso Stable Fund**, which aims to provide total returns in excess of inflation over the medium term and seeks to provide a high level of capital stability and minimise the risk of capital loss over any one-year period.

It is important to note that the annual financial statements for these three new funds will not be published at this point as they were only launched in May 2011. However, the annual financial statements for the year-end 2012 will be for 14 months, by permission from the Financial Services Board.

Launch of our client newsletter

Our client newsletter 'UP', launched in January 2011, aims to provide thought-provoking and stimulating articles that will reflect our unconventional investment thinking. The newsletter is distributed on a quarterly basis and is available on our website.

I would like to thank our investors for entrusting us with their investments, and take the opportunity to re-affirm our commitment to delivering continued strong investment performance.



Gavin Wood

Chairman: Kagiso Collective Investments

Trustee report

We, ABSA Bank Limited, in our capacity as trustee of Kagiso Collective Investments ('the Scheme') have prepared a report in terms of Section 70(1)(f) of the Collective Investment Schemes Control Act 45 of 2002, as amended ('the Act'), for the period 1 October 2010 up to and including 30 June 2011 ('the Report').

The Report is available from us and/or Kagiso Collective Investments Ltd ('the Manager').

This letter is an abridged version of the Report.

Having fulfilled our duties as required by the Act, we confirm that the Manager of the Scheme has in general administered the Scheme:

- i) Within the limitations on the investment and borrowing powers of the manager imposed by the Act, and
- ii) In accordance with the provisions of the Act and the trust deeds.



Bennie van der Westhuizen
Principal
Absa Capital Custody & Trustee

We do, however, wish to bring to your attention the following instances of where the Manager has not administered the Scheme in accordance with the said limitations and provisions:

- a) Some errors and timing differences resulted in contraventions of some of the limitations referred to in i) and some of the provisions referred to in ii) above. These contraventions were in our view not material and where appropriate the portfolios were compensated by the Manager for any loss (if any) that may have been suffered by the portfolios as a result of these contraventions.

We confirm that according to the records available to us, no losses were suffered in the portfolios and no investor was prejudiced as a result thereof.

Should any investor require a copy of the Report, kindly contact the Manager.



Chantell Kruger
Manager
Absa Capital Custody & Trustee

29 September 2011

Unit Trust performance

Performance to 30 June 2011							
	1 year	3 years ¹	5 years ¹	Since launch ¹	Launch date	Ter ²	Fund size (Rm)
Equity funds³							
Equity Alpha Fund	20.8%	11.9%	14.9%	24.1%	26-Apr-04	1.2%	313.3
Domestic Equity General Funds Mean	20.6%	6.1%	10.3%	17.6%			
Outperformance	0.2%	5.8%	4.6%	6.5%			
Islamic Equity Fund	23.1%	-	-	22.4%	13-Jul-09	1.4%	101.8
Domestic Equity General Funds Mean	20.6%			20.0%			
Outperformance	2.6%			2.4%			
Top 40 Tracker Fund	24.7%	1.8%	9.9%	13.5%	11-Dec-02	0.7%	67.6
FTSE/JSE Top 40 Index	25.7%	2.5%	10.7%	14.7%			
Outperformance	-1.0%	-0.7%	-0.8%	-1.2%			
Asset allocation fund³							
Protector Fund	11.1%	4.4%	8.4%	12.2%	11-Dec-02	1.0%	71.1
CPI + 5% ⁴	9.4%	10.3%	11.7%	10.7%			
Outperformance	1.7%	-5.9%	-3.3%	1.5%			

¹ Annualised; ² TER (total expense ratio) = % of average NAV of portfolio incurred as charges, levies and fees in the management of the portfolio for the rolling 12-month period to 30 June 2011; ³ Source: Morningstar; net of all costs incurred within the fund and measured using NAV prices with income distributions reinvested; ⁴ CPI for June is an estimate.

Equity range

Equity Alpha Fund

Fund objective

To provide strong capital growth and a total portfolio return that is in the top quartile for general equity funds.

Fees (Excl. VAT)¹

Initial fee	0.00%
Financial adviser fee - max	3.00%
Ongoing advice fee - max	1.00% pa
Annual management fee	1.00%

¹ A schedule of maximum fees and charges is available on request.

Risk profile

Medium to high

Income distribution Class A

31 December 2010	3.40 cpu
30 June 2011	3.63 cpu

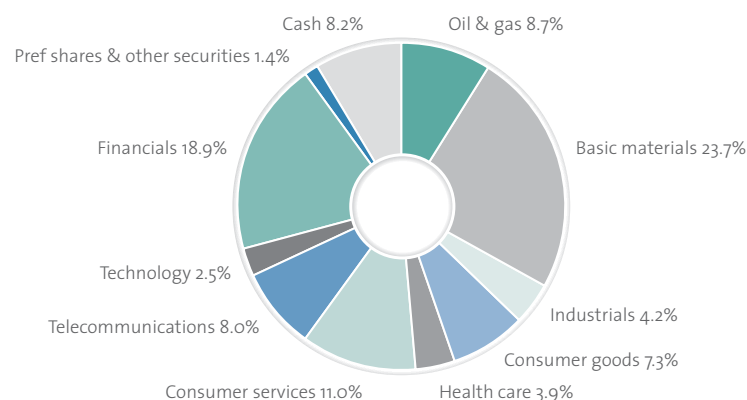
Performance² (annualised)

One year to 30 September 2010	23.8%
One year to 30 June 2011 ³	20.8%

² Source: Morningstar; ³ For the first three months of the period ending 30 June 2011, the fund was administered by Coronation Collective Investment Schemes. For the remaining nine months it was administered under Kagiso Collective Investments.

	Period to 30 June 2011	Year ended 30 Sept 2010
Statement of comprehensive income		
Income available for distribution	21 636 944	17 067 802
Distribution	4 960 806	594 918
Statement of financial position		
Capital value of unit portfolio	310 465 567	222 309 806
Current liabilities	23 125 347	6 945 327
Total assets	333 590 914	229 255 133
Market value (Rm)	313.3	222.9

Effective asset allocation exposure



Top 10 holdings

	30 June 2011
Sasol	9.1%
MTN	8.6%
Tongaat Hulett	7.0%
FirstRand/RMB	6.8%
Mondi	6.3%
Naspers	5.0%
Standard Bank	4.9%
African Rainbow Minerals	3.5%
AECI	3.3%
Lonmin	3.1%
	57.4%

Islamic Equity Fund

Fund objective

A Sharia-compliant fund that aims to provide steady capital growth and a total portfolio return that is better than the average general equity fund.

Fees (Excl. VAT)¹

Initial fee	0.00%
Financial adviser fee - max	3.00%
Ongoing advice fee - max	1.00% pa
Annual management fee	1.00%

¹ A schedule of maximum fees and charges is available on request.

Risk profile

Medium to high

Income distribution Class A

30 June 2011 0.31 cpu

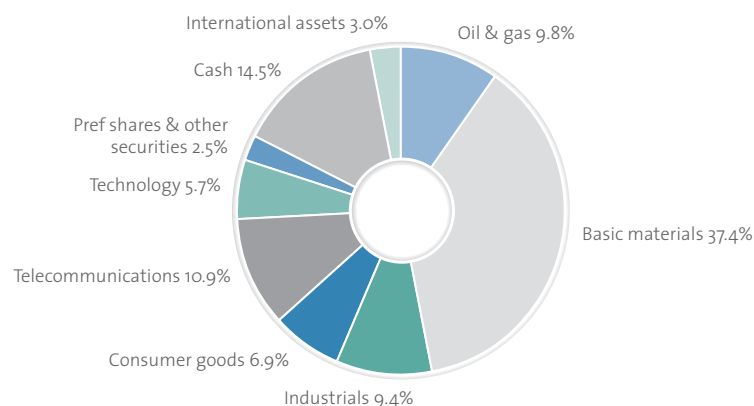
Performance² (annualised)

One year to 30 September 2010 15.5%
One year to 30 June 2011³ 23.1%

² Source: Morningstar; ³ For the first three months of the period ending 30 June 2011, the fund was administered by Coronation Collective Investment Schemes. For the remaining nine months it was administered under Kagiso Collective Investments.

	Period to 30 June 2011	Year ended 30 Sept 2010
Statement of comprehensive income		
Income available for distribution	6 413 770	3 316 110
Distribution	211 035	594 918
Statement of financial position		
Capital value of unit portfolio	101 599 403	43 314 727
Current liabilities	2 490 536	751 779
Total assets	104 089 939	44 066 506
Market value (Rm)	101.8	43.3

Effective asset allocation exposure



Top 10 holdings

	30 June 2011
Sasol	9.8%
MTN	9.1%
Tongaat Hulett	5.5%
Mondi	5.5%
Africa Rainbow Minerals	4.9%
Nampak	4.5%
BHP Billiton	4.1%
AECI	3.9%
Mustek	3.5%
Anglo American	3.3%
	54.3%

Tracker Fund

Fund objective

To track the movements and replicate the performance of the FTSE/JSE Top 40 Index over time.

Fees (Excl. VAT)¹

Initial fee	0.00%
Financial adviser fee - max	3.00%
Ongoing advice fee - max	1.00% pa
Annual management fee	0.50%

¹ A schedule of maximum fees and charges is available on request.

Risk profile

Medium to high

Income distribution Class A

31 December 2010	17.8 cpu
30 June 2011	31.9 cpu

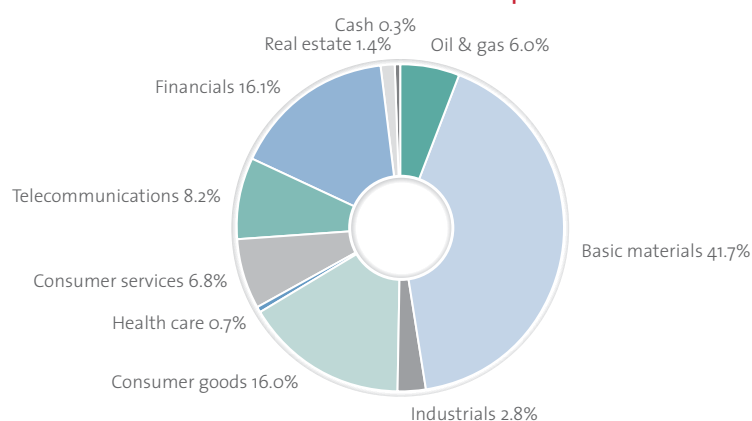
Performance² (annualised)

One year to 30 September 2010	18.0%
One year to 30 June 2011 ³	24.6%

² Source: Morningstar; ³ For the first three months of the period ending 30 June 2011, the fund was administered by Coronation Collective Investment Schemes. For the remaining nine months it was administered under Kagiso Collective Investments.

	Period to 30 June 2011	Year ended 30 Sept 2010
Statement of comprehensive income		
Income available for distribution	6 144 996	10 927 026
Distribution	857 621	898 065
Statement of financial position		
Capital value of unit portfolio	67 054 629	59 736 886
Current liabilities	690 912	3 217 448
Total assets	67 745 541	62 954 334
Market value (Rm)	67.6	62.56

Effective asset allocation exposure



Top 10 holdings

	30 June 2011
BHP Billiton	14.2%
Anglo American	11.1%
SABMiller	7.5%
MTN	6.7%
Richemont	5.7%
Sasol	5.6%
Standard Bank	3.9%
Naspers	3.8%
Impala Platinum	2.8%
Anglogold Ashanti	2.7%
	64.1%

Protector Fund

Fund objective

To provide steady capital growth and returns that are better than equity market returns on a risk adjusted basis over the medium to longer term.

Fees (Excl. VAT)¹

Initial fee	0.00%
Financial adviser fee - max	3.00%
Ongoing advice fee - max	1.00% pa
Annual management fee	0.75%

¹ A schedule of maximum fees and charges is available on request.

Risk profile

Low to medium

Income distribution Class A

31 December 2010	17.3 cpu
30 June 2011	29.3 cpu

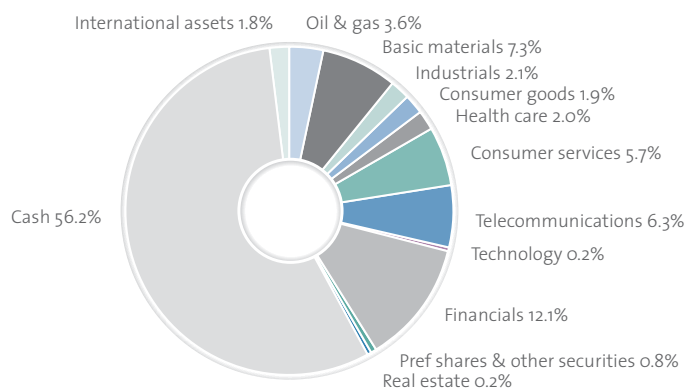
Performance² (annualised)

One year to 30 September 2010	8.1%
One year to 30 June 2011 ³	11.1%

² Source: Morningstar; ³ For the first three months of the period ending 30 June 2011, the fund was administered by Coronation Collective Investment Schemes. For the remaining nine months it was administered under Kagiso Collective Investments.

	Period to 30 June 2011	Year ended 30 Sept 2010
Statement of comprehensive income		
Income available for distribution	2 178 358	361 953
Distribution	1 824 388	53 683
Statement of financial position		
Capital value of unit portfolio	69 903 509	3 725 750
Current liabilities	4 777 984	71 167
Total assets	74 681 493	3 796 917
Market value (Rm)	71.3	3.8

Effective asset allocation exposure



Top 10 holdings

	30 June 2011
MTN	6.3%
Sasol	4.1%
FirstRand/RMB	3.2%
Standard Bank	2.9%
Naspers	2.8%
Brait SA	2.5%
Impala Platinum	2.3%
BHP Billiton	2.0%
African Rainbow Minerals	1.8%
Tongaat Hulett	1.7%
Total	29.5%

Responsible investing

Kagiso Asset Management became a signatory to the **United Nations' Principles for Responsible Investment (PRI)**, because of our commitment to act in the best long-term interests of our investors.

The PRI were developed to reflect the increasing relevance of environmental, social and corporate governance issues to investment practices. The aim is to help investors consider both environmental, social and governance (ESG) issues and investment decision-making and ownership practices, thereby improving long-term returns to beneficiaries.

We believe that ESG issues can affect the performance of investment portfolios to varying degrees, and that applying these principles may better align our investors with the broader objectives of society.

We have incorporated the PRI in our investment decision-making process to the **benefit of our investors** and by adhering to the following:

- ◆ We are committed to the principles of good corporate governance and to ensuring that the companies in which we invest adhere to the same principles.
- ◆ We determine whether the interests of our investors would be best served by *avoiding* positions in companies that are considered to be poorly governed, or by *becoming more actively involved* in these companies through discussion with management, making our views public, exercising our proxy voting right or through any other means in order to enhance shareholder value.
- ◆ It must never be our intention to become involved in the management of any company's operations or to be involved on a long-term basis, and potential conflicts of interest or perceived conflicts of interest must be avoided at all costs.
- ◆ We regularly report on progress achieved towards the implementation of the principles.

A detailed document stating our position on corporate activity, governance and shareholder activism is available on request.

Contact details

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Website: www.kagisoam.com

Copies of the audited financial statements for Kagiso Collective Investments Limited, together with each of the unit trust portfolios, and the Annual Report by the Shariah Supervisory Board are available on request - free of charge. Call our client service team or send us an email to clientservice@kagisoam.com to request a printed or electronic copy.

Kagiso Collective Investments Limited

Company Registration Number: 2010/009289/06

Trustees

Absa Bank Limited, Private Bag X 10056, Sandton, 2146

Directors

Executive Director: RG Greaver

Non-executive Directors: GJ Wood and GL Carter

Company Secretary

Tracy-Lee Scott, Head of Operations & Finance

Disclaimer: Collective Investment Schemes in Securities (CIS) is generally medium- to long-term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. The price of each unit is aimed at a constant value. The total return to the investor is primarily made up of interest received, but may also include any gain or loss made on any particular instrument. In most cases this will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of reducing the capital value of the portfolio. CIS are traded at ruling prices

and can engage in borrowing and scrip lending. Different classes of units apply to these portfolios and are subject to different fees and charges. A schedule of fees and charges and maximum financial adviser fees is available on request from Kagiso Asset Management. Financial adviser fees may be paid in if so, would be included in the overall costs. Forward pricing is used. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Portfolios may be closed or capped at any stage. Kagiso Asset Management is a member of the Association of Savings and Investment South Africa.



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