



KAGISO

Asset Management

Abridged Annual Report
2013

Unconventional thinking. Superior performance

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The last year has been eventful and challenging, and Kagiso Asset Management has again experienced a year of substantial growth. On the back of strong client inflows and strong markets, our assets under management now exceed R50 billion. We have opened a Johannesburg sales and client support office and bolstered our retail sales team significantly.

The South African economy has been weak, while the developed world economies have been recovering. Our equity market continues to reach new all-time highs, significantly supported by the weak rand. This has particularly boosted the share prices of many large companies in our market that do business offshore in foreign currencies.

The short-term performance of our funds has been average, by our high standards, as we have adopted a cautious positioning in the face of very high and continually rising asset prices in our markets. Relative underperformance in the first half of the year has been followed by very strong performance in the last six months. Long-term performance remains strong and we are looking forward to the 10-year anniversary of our market-leading Equity Alpha Fund next year.

Economic backdrop

The local economy remains weak and vulnerable. Lacklustre manufacturing, slowing household spending, labour disruptions and a struggling mining sector are all resulting in sluggish economic growth. In addition, the very high fiscal and current account deficits, high and rising inflation and elevated unemployment levels are contributing to a fragile economic outlook.

The global environment, however, looks brighter. While the US is recovering gradually despite enduring strong fiscal drag this year, its outlook is clouded by

the imminent measured withdrawal of monetary stimulus, which will particularly impact housing market activity. Europe is emerging from recession with the Eurozone intact, but with many of its structural flaws unaddressed. Japan is responding positively to new monetary stimulus efforts but, given its high government debt levels, faces some fiscal tightening in the form of a raised consumption tax. China's economic slowdown (to a still very high growth rate) appears to be benign at this stage.

We are positive on the other economies in Sub-Saharan Africa, with demographic trends, infrastructure improvements and increasing democratisation serving as powerful drivers of economic expansion for the coming decades.

Markets

The SA equity market continued to reach new highs this year, with a modest recovery in resource shares and massive appreciation for global industrial shares listed here. Financials have been relatively strong and local industrials and listed property have

underperformed. The bond market has been very weak, backing up significantly in line with yield assets globally on the anticipation of reducing Federal Reserve monetary stimulus. The money market continues to deliver very low returns, but is now anticipating rate increases from the Reserve Bank in the months ahead.

South Africa has attracted significant investment over the last few years from foreign investors seeking superior growth from emerging market equities and high yields from our government bonds. During the first half of this year, foreign investors bought R22.7 billion of SA equities and now own more than one-third of the shares trading on the JSE Securities Exchange – an all-time record. Foreign investors have been sellers of government bonds recently, from record levels of 38% ownership of all outstanding government debt earlier this year to 35% currently. This selloff has resulted in large rises in yields.

Our views

While the unwinding of stimulus will be a slow process, the reality is that any slowing, and ultimate reduction, will have significant implications for most asset classes. We will therefore continue to avoid those assets that have benefited disproportionately from quantitative easing over the last few years.

As valuation-driven investors, we are focused on exploiting mispricings we observe in the market. Our clients with equity exposure are invested in undervalued shares in anticipation of strong capital gains, and are avoiding the permanent capital losses we expect from overvalued shares. We maintain our view that most SA consumer-oriented industrial shares are trading at levels that are well above what their fundamentals justify. In contrast, certain resource shares are significantly undervalued following five years of poor performance.

We particularly favour the platinum mining sector as investor pessimism is high and consequently valuations are compelling. Global supply is contracting following lowered capital expenditure plans and mine closures. Demand, however, seems to be improving and we expect the platinum market to be in deficit for the next few years, which is positive for the platinum price.

We also have a large weighting in bank shares, which are reasonably priced, high quality businesses with long-term growth prospects, especially in Africa north of our borders.

Our multi-asset class funds have low net SA equity exposure (after hedging), high offshore equity exposure in more attractively priced markets, modest allocations to government bonds and credit, and very limited exposure to short rates or listed property.

Looking ahead

We are looking forward to delivering strong results for our clients in the year ahead, although with the caveat that prospective returns are unlikely to match the high returns of recent years, from market levels that are very high and in an environment of receding liquidity.

Our funds continue to be positioned in our best ideas, based on our team's proven bottom-up stock-picking process. Where applicable, significant hedging provides capital protection in an increasingly expensive market and meaningful global allocation provides useful diversification into more attractively priced markets.



Gavin Wood

Chairman: Kagiso Collective Investments

Trustee report

We, Absa Bank Limited, in our capacity as trustee of the Scheme, hereby confirm that as required in terms of Section 70(3) of the Collective Investments Scheme Control Act, 45 of 2002, as amended (the "Act"), we have satisfied ourselves that every statement of comprehensive income, statement of financial position and other return prepared by the manager of

the Scheme in terms of Section 90 of the Act fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme administered by the manager of the Scheme.

Yours sincerely,



Bennie Van Der Westhuizen
Principal
ABSA Custody and Trustee



Chantell Kruger
Manager
ABSA Custody and Trustee

20 September 2013

Unit trust performance

Performance to 30 June 2013							
	1 year	3 years ¹	5 years ¹	Since launch ¹	Launch date	TER ²	Fund size (Rm)
Unit trust funds³							
Equity Alpha Fund	15.0%	14.6%	11.8%	21.3%	26-04-04	1.5%	699.9
South African Equity General funds mean	16.3%	15.3%	8.7%	16.5%			
Outperformance	-1.3%	-0.7%	3.1%	4.8%			
Balanced Fund	13.8%	-	-	10.7%	03-05-11	1.6%	94.9
South African Multi Asset High Equity funds mean	16.2%			11.3%			
Outperformance	-2.4%			-0.6%			
Protector Fund	8.8%	7.4%	4.8%	10.9%	11-12-02	1.8%	5.7
CPI + 5%	11.2%	10.6%	10.6%	10.8%			
Outperformance	-2.4%	-3.2%	-5.8%	0.1%			
Stable Fund	9.3%	-	-	8.3%	03-05-11	1.6%	88.9
Return on large deposits ⁴	5.0%			5.3%			
Outperformance	4.3%			3.0%			
Top 40 Tracker Fund	20.9%	17.0%	6.3%	13.4%	01-08-97	0.7%	64.8
FTSE/JSE Top 40 Index	21.8%	17.9%	7.0%	14.6%			
Outperformance	-0.9%	-0.9%	-0.7%	-1.2%			
Sharia unit trust funds³							
Islamic Equity Fund	14.2%	12.9%	-	15.0%	13-07-09	1.3%	199.2
South African Equity General funds mean	16.3%	15.3%		16.3%			
Outperformance	-2.1%	-2.4%		-1.3%			
Islamic Balanced Fund	12.0%	-	-	5.2%	03-05-11	1.7%	484.3
South African Multi Asset High Equity funds mean	16.2%			11.3%			
Outperformance	-4.2%			-6.1%			

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 2013; ³ Source: Morningstar; net of all costs incurred within the fund and measured using NAV prices with income distributions reinvested; ⁴ Return on deposits of R5 million plus 2% (on an after-tax basis at an assumed 25% tax rate).

Disclaimer: The Kagiso unit trust fund range is offered by Kagiso Collective Investments Limited (Kagiso), registration number 2010/009289/06, a member of the Association for Savings and Investment SA (ASISA). Kagiso is a subsidiary of Kagiso Asset Management (Pty) Limited, a licensed financial services provider and the investment manager of its unit trust funds.

Unit trusts are generally medium to long-term investments. The value of units will fluctuate and past performance should not be used as a guide for future performance. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Exchange rate movements, where applicable, may affect the value of underlying investments. Different classes of units may apply and are subject to different fees and charges. A schedule of the

maximum fees, charges and commissions is available upon request. Commission and incentives may be paid, and if so, would be included in the overall costs. All funds are valued and priced at 15:00 each business day and at 17:00 on the last business day of the month. Forward pricing is used.

Performance is measured using Net Asset Value (NAV) prices with income distributions reinvested. NAV refers to the value of the fund's assets less the value of its liabilities, divided by the number of units in issue. Figures are quoted after the deduction of all costs incurred within the fund. Please refer to the relevant fund fact sheets for more information by visiting www.kagisoam.com.

Unit trust 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)

Initial fee	0.00%
Financial adviser fee (maximum)	3.00%
Ongoing advice fee (maximum)	1.00% pa
Annual management fee	1.25%

Risk profile



Income distribution Class A

31 December 2012	3.14 cpu
30 June 2013	2.44 cpu

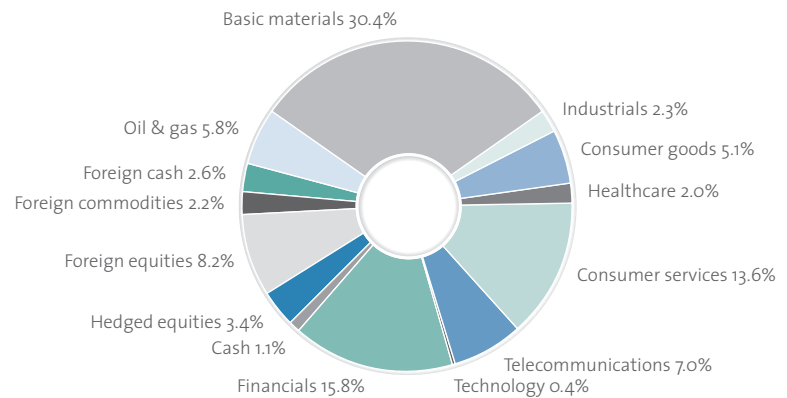
Performance¹ (annualised)

One year to 30 June 2013	15.0%
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¹Source: Morningstar

	Year ended 30 June 2013	Year ended 30 June 2012
Statement of comprehensive income		
Income available for distribution	108 160 902	45 643 711
Distribution	8 032 753	12 152 288
Statement of financial position		
Capital value of unit portfolio	696 545 144	797 635 202
Current liabilities	9 566 027	31 356 521
Total assets	706 111 171	828 991 723
Market value (Rm)	699.9	804.1

Effective asset allocation exposure*



*Please note that effective asset allocation exposure is net of derivative positions.

Top 10 equity holdings as at 30 June 2013

	% of fund
Standard Bank	8.4
Lonmin	7.5
MTN	6.6
FirstRand/RMB	6.4
Sasol	6.0
Naspers	5.2
AECI	5.2
Tongaat Hulett	5.0
Anglo American	4.4
Mondi	3.7
	58.4

Balanced Fund

Fund objective

To provide investors with high, long-term capital growth within the constraints of the statutory investment restrictions for retirement funds. The fund seeks to provide a moderated exposure to volatility in the short term.

Fees (excl. VAT)

Initial fee	0.00%
Financial adviser fee (maximum)	3.00%
Ongoing advice fee (maximum)	1.00% pa
Annual management fee	1.25%

Risk profile



Income distribution Class A

31 December 2012	0.66 cpu
30 June 2013	0.51 cpu

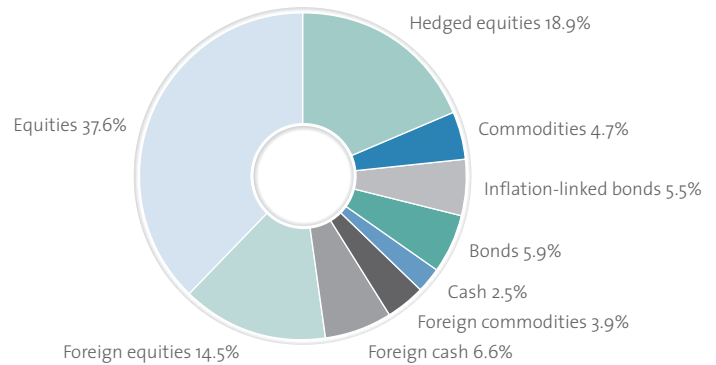
Performance¹ (annualised)

One year to 30 June 2013	13.8%
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¹ Source: Morningstar

	Year ended 30 June 2013	Year ended 30 June 2012
Statement of comprehensive income		
Income available for distribution	12 594 986	8 087 132
Distribution	955 278	-
Statement of financial position		
Capital value of unit portfolio	94 534 385	92 276 232
Current liabilities	861 819	1 919 366
Total assets	95 396 204	94 195 598
Market value (Rm)	94.9	92.3

Effective asset allocation exposure*



*Please note that effective asset allocation exposure is net of derivative positions.

Top 10 equity holdings as at 30 June 2013

	% of fund
Standard Bank	5.5
Lonmin	4.5
FirstRand/RMB	4.4
MTN	4.4
Sasol	3.7
Naspers	3.6
Kagiso Media	3.4
Anglo American	3.3
Tongaat Hulett	3.1
AECI	2.9
	38.8

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)

Initial fee	0.00%
Financial adviser fee (maximum)	3.00%
Ongoing advice fee (maximum)	1.00% pa
Annual management fee	1.25%

Risk profile



Income distribution Class A

31 December 2012	7.08 cpu
30 June 2013	0.00 cpu

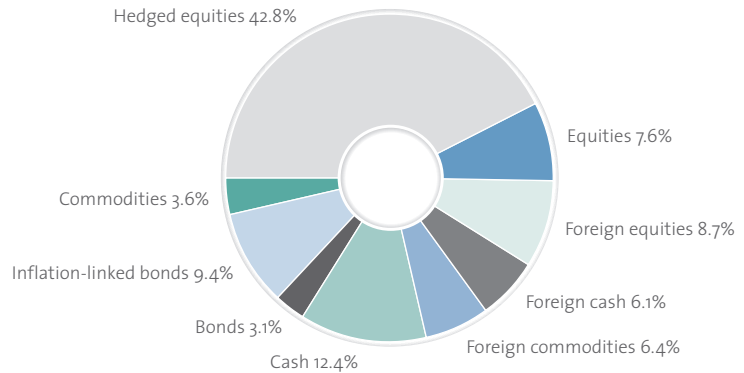
Performance¹ (annualised)

One year to 30 June 2013	8.8%
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¹Source: Morningstar

	Year ended 30 June 2013	Year ended 30 June 2012
Statement of comprehensive income		
Income available for distribution	4 077 410	4 003 565
Distribution	21 847	2 822 365
Statement of financial position		
Capital value of unit portfolio	5 688 337	93 372 349
Current liabilities	52 537	1 532 376
Total assets	5 740 874	94 904 725
Market value (Rm)	5.7	94.1

Effective asset allocation exposure*



*Please note that effective asset allocation exposure is net of derivative positions.

Top 10 equity holdings as at 30 June 2013

	% of fund
MTN	4.6
Standard Bank	4.6
Sasol	3.7
Naspers	3.4
Lonmin	3.2
FirstRand/RMB	3.1
Anglo American	2.5
Kagiso Media	2.2
AECI	2.2
Mondi	2.1
	31.6

Stable Fund

Fund objective

To provide total returns that are in excess of inflation over the medium term. The fund aims to provide a high level of capital stability and to minimise loss over any one-year period, within the constraints of the statutory investment restrictions for retirement funds.

Fees (excl. VAT)

Initial fee	0.00%
Financial adviser fee (maximum)	3.00%
Ongoing advice fee (maximum)	1.00% pa
Annual management fee	1.25%

Risk profile



Income distribution Class A

31 December 2012	0.69 cpu
30 June 2013	0.23 cpu

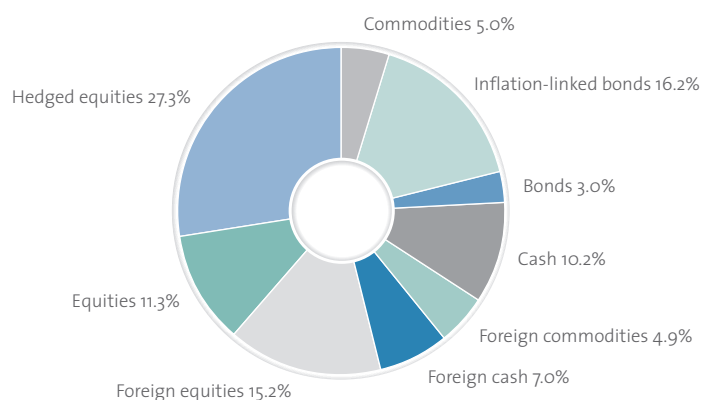
Performance¹ (annualised)

One year to 30 June 2013	9.3%
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¹ Source: Morningstar

	Year ended 30 June 2013	Year ended 30 June 2012
Statement of comprehensive income		
Income available for distribution	8 148 663	6 343 042
Distribution	756 188	237 071
Statement of financial position		
Capital value of unit portfolio	88 738 840	88 618 294
Current liabilities	791 453	2 763 920
Total assets	89 530 293	91 382 214
Market value (Rm)	88.9	88.9

Effective asset allocation exposure*



*Please note that effective asset allocation exposure is net of derivative positions.

Top 10 equity holdings as at 30 June 2013

	% of fund
Kagiso Media	6.9
Standard Bank	4.2
FirstRand/RMB	3.7
Lonmin	3.1
Tongaat Hulett	2.0
Tesco	1.9
IBM	1.9
Apple	1.9
Humana	1.8
Anglo American	1.6
	29.0

Top 40 Tracker Fund

Fund objective

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

Fees (excl. VAT)

Initial fee	0.00%
Financial adviser fee (maximum)	0.00%
Ongoing advice fee (maximum)	0.25% pa
Annual management fee	0.50%

Risk profile



Income distribution Class A

31 December 2012	54.06 cpu
30 June 2013	48.99 cpu

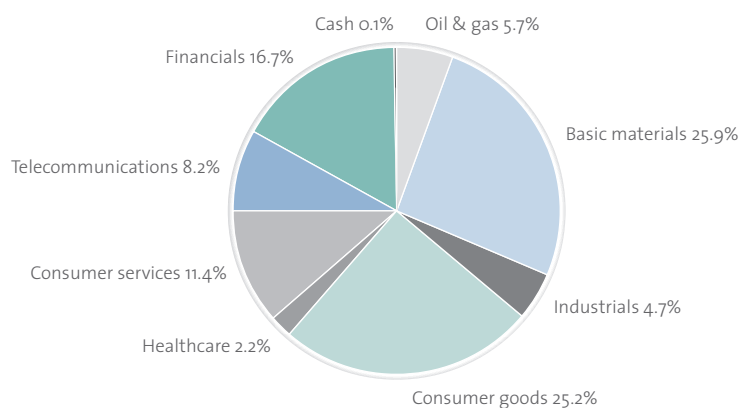
Performance¹ (annualised)

One year to 30 June 2013	20.9%
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¹ Source: Morningstar

	Year ended 30 June 2013	Year ended 30 June 2012
Statement of comprehensive income		
Income available for distribution	12 780 494	4 512 603
Distribution	1 432 684	2 072 370
Statement of financial position		
Capital value of unit portfolio	64 123 229	67 076 349
Current liabilities	1 406 528	1 186 501
Total assets	65 529 757	68 262 850
Market value (Rm)	64.8	68.3

Effective asset allocation exposure*



*Please note that effective asset allocation exposure is net of derivative positions.

Top 10 equity holdings as at 30 June 2013

	% of fund
BHP Billiton	12.5
SABMiller	10.9
Richemont	7.9
MTN	7.1
Naspers	6.6
Anglo American	5.8
Sasol	5.5
British American Tobacco	3.3
Standard Bank	3.1
Old Mutual	2.9
	65.6

Sharia unit trust range

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)

Initial fee	0.00%
Financial adviser fee (maximum)	3.00%
Ongoing advice fee (maximum)	1.00% pa
Annual management fee	1.00%

Risk profile



Income distribution Class A

31 December 2012	1.38 cpu
30 June 2013	1.38 cpu

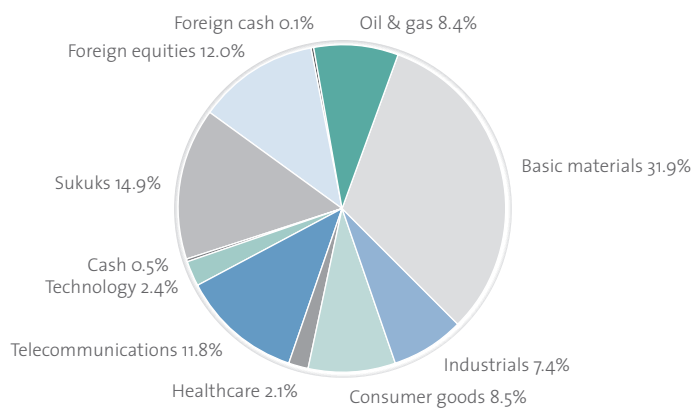
Performance¹ (annualised)

One year to 30 June 2013	14.2%
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¹ Source: Morningstar

	Year ended 30 June 2013	Year ended 30 June 2012
Statement of comprehensive income		
Income available for distribution	21 608 775	2 759 524
Distribution	3 024 184	2 191 778
Statement of financial position		
Capital value of unit portfolio	197 593 874	147 103 367
Current liabilities	10 731 883	5 428 450
Total assets	208 325 757	152 531 817
Market value (Rm)	199.2	148.2

Effective asset allocation exposure



Top 10 equity holdings as at 30 June 2013

	% of fund
Sasol	8.4
MTN	7.9
Microsoft Corporation	6.5
Tongaat Hulett	5.9
Anglo American	5.8
Lonmin	5.1
Mondi	4.3
AECI	3.9
Vodacom	2.7
Metair	2.7
	53.2

Islamic Balanced Fund

Fund objective

A Sharia-compliant fund that aims to provide steady long-term returns and capital growth within the constraints of the statutory investment restrictions for retirement funds.

Fees (excl. VAT)

Initial fee	0.00%
Financial adviser fee (maximum)	3.00%
Ongoing advice fee (maximum)	1.00% pa
Annual management fee	1.25%

Risk profile



Income distribution Class A

31 December 2012	0.75 cpu
30 June 2013	0.24 cpu

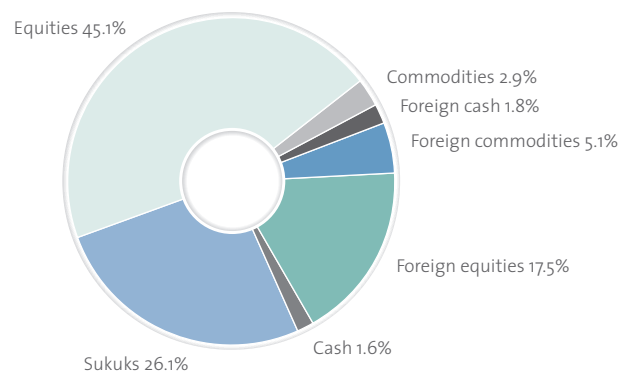
Performance¹ (annualised)

One year to 30 June 2013	12.0%
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¹Source: Morningstar

	Year ended 30 June 2013	Year ended 30 June 2012
Statement of comprehensive income		
Income available for distribution	27 198 306	545 749
Distribution	4 204 890	-
Statement of financial position		
Capital value of unit portfolio	483 270 131	50 538 427
Current liabilities	6 652 820	109 338
Total assets	489 922 951	50 647 765
Market value (Rm)	484.3	50.5

Effective asset allocation exposure



Top 10 equity holdings as at 30 June 2013

	% of fund
Sasol	7.1
MTN	6.2
Microsoft Corporation	5.1
Mondi	4.9
Intel Corporation	4.8
Anglo American	4.1
Tongaat Hulett	4.1
BHP Billiton	2.7
Vodacom	2.3
Network Healthcare	2.2
	43.5

Our investment philosophy

We make investment decisions based on mispricings we observe in the market. Simply put, we buy investments that are priced well below their intrinsic values and avoid those that we believe are overpriced.

Opportunities arise when market prices deviate from intrinsic value

All investments represent a set of future cash flows, which can be valued with reasonable accuracy. Over time, this intrinsic value progresses at a fairly stable pace. Asset prices, however, fluctuate considerably through time. This is largely due to self-reinforcing cycles of enthusiasm or negativity, often fuelled by an excessive focus on near-term data and news flow.

Our aim is to identify and exploit mispricings in the markets. We therefore buy investments at prices well below our estimation of their intrinsic value and hold them while they deliver strong cash returns and until

they can be sold above this value. Once sold, we avoid such overvalued investments for as long as the market price is above the intrinsic value.

The future is never certain

We recognise that there is considerable danger in operating with the comfort of a false sense of certainty and the accompanying behavioural reinforcement cycles that lead to a distorted evaluation of new information. As a result, we understand that despite our best efforts, we cannot possibly know all the facts.

This drives us to think more deeply, to work harder and to be more alert. We therefore view the future in terms of probabilities, we explore alternative scenarios, diversify our positions, hedge risk and seek out potential asymmetries.

Copies of the 2013 audited financial statements for Kagiso Collective Investments Limited, each of the unit trust portfolios and the Annual Report by the Sharia Supervisory Board are available on request - free of charge.

Call our client service team or send 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, GL Carter and R Bhayat

Company Secretary
Tracy-Lee Scott

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