

Annual Report 2015

Contents

- 2 Report to investors
- 4 Trustee report
- 5 Unit trust performance
- 6 Unit trust range
- 11 Sharia unit trust range
- 13 Our investment philosophy



The past year has been a challenging one for Kagiso Asset Management as market momentum has continued - against our expectations - given very elevated asset price levels and a weak domestic economy. We continued our focus on growing our retail market share by strengthening our distribution capability and we established a strong three year track record with our multi-asset class and global funds. Our global stock picking contributed strongly to performance over the past year across most of our funds, as our global equity research uncovered many interesting opportunities - primarily in developed markets.

Our investment team is at its strongest capacity ever after additional high calibre hires, augmenting the core team that has worked together for over 12 years. Our total staff complement grew to 50, of which 23 are investment professionals, as we build towards our vision of being the leading medium-sized asset manager in South Africa. We now manage over R65.2 billion across all portfolios on behalf of our clients.

Economic backdrop

Local economic growth is very weak as a result of continued electricity supply disruptions, unhelpful and restrictive regulations, lower commodity prices and lower business confidence. Higher income consumers remain very strong, with balance sheets boosted by strong financial markets and incomes buoyed by a scarcity of skills. In contrast, low income consumers are in poor shape due to job cuts and high debt levels, and unemployment is very high.

Globally, the economy remains tepid, with the US looking stronger and Europe and Japan improving slowly, as monetary stimulus takes effect and lower oil prices provide a boost. Developing economies are very

weak, with a Chinese slowdown feeding through to severe commodity price weakness, which is hurting commodity exporters. Market sentiment remains closely linked to US monetary policy and the imminent first interest rate hike for many years.

Markets

Since the 2008 financial crisis, the developed world's central banks have generally maintained near-zero interest rates and undertaken significant unconventional monetary easing. These measures have fed directly through to asset prices, which are now generally high, with developed market bonds at particularly elevated levels.

The effect of this on SA markets has been to see foreign yield-seeking investors, many of whom are passive and therefore price insensitive, buy our bonds and equities up to the highest foreign-held percentage ever. Equity buying has been particularly concentrated in companies which have shown stable cash flows over recent years, and that appear to offer attractive yields relative to the very low (and at times negative) bond yields in developed countries.

This has led to foreign investors now owning over a third of our bond market and over half of our industrial shares (from less than 10% prior to the financial crisis in both cases).

These strong portfolio flows have particularly driven industrial share prices to all-time highs, way in advance of what their prospects warrant. Such shares offer the likelihood of very poor prospective returns and, in many cases, the risk of large capital losses.

Our bond market appears relatively fairly valued, given the long-term inflation outlook, but we are concerned about short-term downside risks if foreigners turn net sellers and drag the rand down as they exit.

Our views

Recent performance has uncharacteristically lagged peers as we have been cautious on equity market exposure. We have avoided expensive industrial shares that continue to trend higher, positioned ourselves significantly in undervalued mid-cap shares with great prospects while investing way too early in the deeply discounted platinum miners.

We aim to exploit mispricings we identify from careful fundamental research and valuation work focused on the long term. This approach does not assure outperformance at all times, but is very rewarding through time as our long-term track record shows. Since our inception 13 years ago, our equity funds have been ahead of the benchmark in all but two calendar years (2012 and 2014), and we have been the number one equity manager (General Equity funds category) 72% of the time.*

As a medium-sized SA investment manager, we are able to take positions in mid-cap companies that are meaningful in size in our clients' portfolios. Most of these shares are too small or too illiquid to make it onto the radar screen of foreign investors, passive investors or large benchmark-cognisant SA managers. This is a

key competitive advantage that we offer clients relative to our larger competitors, and our portfolios have material positions in such shares that have great prospects and are inexpensively priced.

We continue to believe that the price of the platinum group metals (PGMs) should be materially higher than present levels. This is informed by the view that demand will grow gradually on the back of increasing auto emission standards, increasing industrial demand for its unique chemical properties and increasing jewellery demand for platinum in China and India. The supply of PGMs, which is dominated by SA mines (which are cutting back production, given metal prices that do not cover operating costs in general) and recycling (which should decelerate in the years ahead), will lag demand. Higher prices will relieve the pressure on the miners and result in significant share price performance.

Looking ahead

We firmly believe that our clients' portfolios are positioned for strong outperformance in the years that lie ahead and therefore advocate that our clients exercise patience and maintain a long-term perspective. We look forward to a positive and eventful year ahead for Kagiso Asset Management, which should include the launch of our foreign-domiciled global funds and their respective domestic feeder funds.



Gavin Wood

Kagiso Collective Investments Chairman & Kagiso Asset Management Chief Investment Officer

*Source: Morningstar, Kagiso Equity Alpha Fund, inception: 26 April 2004

Trustee report

We, the Standard Bank of South Africa Limited, in our capacity as Trustee of the Kagiso Collective Investments Scheme (“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 financial year ended 30 June 2015.

In support of our report we have adopted certain processes and procedures that allow us to form a reasonable conclusion on whether the Manager has administered the Scheme in accordance with the Act and the Scheme Deed.

As Trustees of the Scheme we are also obliged, in terms of Section 70(3) of the Act, to satisfy ourselves that every statement of comprehensive income, statement of financial position or other return prepared by the Manager of the Scheme as required by 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.

The Manager is responsible for maintaining the accounting records and preparing the annual financial statements of the Scheme in conformity with the standard basis of accounting. This responsibility also includes appointing an external auditor to the Scheme to ensure that the financial statements are properly drawn up so as to fairly represent the financial

position of every portfolio of its collective investment scheme are in accordance with generally accepted accounting practice and in the manner required by the Act.

Our enquiry into the administration of the Scheme by the Manager does not cover a review of the annual financial statements and hence we do not provide an opinion thereon.

Based on our records, internal processes and procedures we report that nothing has come to our attention that causes us to believe that the accompanying financial statements do not fairly represent the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme administered by the Manager.

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.

We conclude our report by stating that we reasonably believe that the Manager has administered the Scheme in accordance with:

- (i) the limitations imposed on the investment and borrowing powers of the manager by this Act;
- (ii) and the provisions of this Act and the deed;



Melinda Mostert
Head: Trustee Services
Standard Bank of South Africa Limited



Seggie Moodley
Head: Risk and Legal (Trustee Services)
Standard Bank of South Africa Limited

08 September 2015

Unit trust performance

Performance to 30 June 2015										
	1 year	3 years ¹	5 years ¹	10 years ¹	Since launch ¹	Launch date	TER ²	Fund size (Rm)		
Unit trust funds³										
Equity Alpha Fund	-1.1%	14.6%	14.5%	17.4%	20.0%	Apr-04	1.46%	1 030.3		
South African Equity General funds mean	5.2%	16.4%	15.7%	14.7%	16.5%					
Outperformance	-6.3%	-1.8%	-1.2%	2.7%	3.5%					
Balanced Fund	1.5%	12.1%	-	-	11.0%	May-11	1.53%	293.2		
South African Multi Asset High Equity funds mean	7.3%	14.2%			12.3%					
Outperformance	-5.8%	-2.1%			-1.3%					
Protector Fund	3.7%	9.5%	8.3%	10.0%	10.7%	Dec-02	1.63%	73.6		
CPI + 5%	9.9%	10.7%	10.5%	11.2%	10.7%					
Outperformance	-6.2%	-1.2%	-2.2%	-1.2%	0.0%					
Stable Fund	5.2%	9.6%	-	-	9.0%	May-11	1.56%	244.2		
Return on large deposits*	5.4%	5.2%			5.3%					
Outperformance	-0.2%	4.4%			3.7%					
Top 40 Tracker Fund	2.5%	18.4%	17.1%	15.9%	13.8%	Aug-97	0.68%	76.8		
FTSE/JSE Top 40 Index	3.4%	19.4%	18.0%	16.7%	15.0%					
Outperformance	-0.9%	-1.0%	-0.9%	-0.8%	-1.2%					
Sharia unit trust funds³										
Islamic Equity Fund	-4.5%	11.5%	11.8%	-	13.4%	Jul-09	1.25%	725.8		
South African Equity General funds mean	5.2%	16.4%	15.7%		16.3%					
Outperformance	-9.7%	-4.9%	-3.9%		-2.9%					
Islamic Balanced Fund	-1.4%	10.7%	-	-	7.5%	May-11	1.49%	422.0		
South African Multi Asset High Equity funds mean	7.3%	14.2%			12.3%					
Outperformance	-8.7%	-3.5%			-4.8%					
Highest and lowest monthly fund performance										
<i>Equity Alpha Fund</i>	4.1%	-3.9%	8.1%	-4.3%	8.1%	-4.3%	10.9%	-9.0%	11.9%	-9.0%
<i>Balanced Fund</i>	2.2%	-2.4%	6.2%	-3.5%	-	-	-	-	6.2%	-3.5%
<i>Protector Fund</i>	1.8%	-2.5%	4.8%	-3.5%	4.8%	-3.5%	7.9%	-5.3%	9.5%	-5.3%
<i>Stable Fund</i>	2.2%	-0.6%	4.0%	-1.9%	-	-	-	-	4.0%	-1.9%
<i>Islamic Equity Fund</i>	4.6%	-3.7%	8.1%	-4.9%	8.1%	-4.9%	-	-	8.1%	-4.9%
<i>Islamic Balanced Fund</i>	3.3%	-2.6%	8.2%	-5.4%	-	-	-	-	8.2%	-5.4%

¹ Annualised (ie the average annual return over the given time period); 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 2015; ³ Source: Morningstar; net of all costs incurred within the fund and measured using NAV prices with income distributions reinvested; * 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. Kagiso is a member of the Association for Savings and Investment SA (ASISA) and is a registered management company in terms of the Collective Investment Schemes Control Act, No 45 of 2002. Kagiso is a subsidiary of Kagiso Asset Management (Pty) Limited [a licensed financial services provider (FSP No. 784)], the investment manager of the 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. Kagiso does not provide any guarantee either with respect to the capital or the return of the portfolio(s). Foreign securities may be included in the portfolio(s) and may result in potential constraints on liquidity and the repatriation of funds. In addition, macroeconomic, political, foreign exchange, tax and settlement risks may apply. However, our robust investment process takes these factors into account. 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. The deadline for receiving instructions is 14:00 each business day in order to ensure same day value. Performance is based on a lump sum investment into the relevant portfolio(s) and 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. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Kagiso may close a portfolio to new investors in order to manage it more effectively in accordance with its mandate. Please refer to the relevant fund fact sheets for more information on the funds 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
Management fee	1.25% pa

Performance fee

10% of fund's outperformance of benchmark over rolling 12-month periods

Total fee

(annual management fee plus performance fee) to be capped at 2% pa

Risk profile



Income distribution Class A

31 December 2014	2.90 cpu
30 June 2015	3.49 cpu

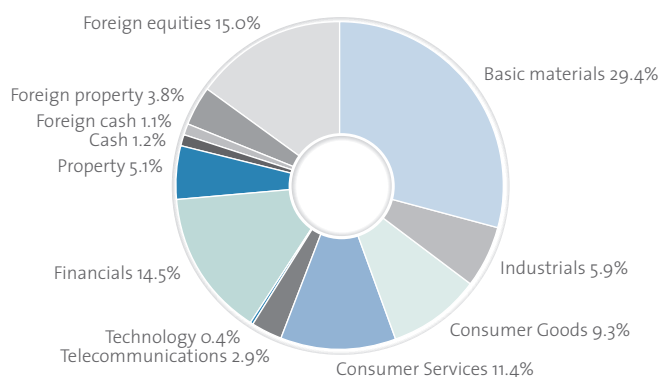
Performance¹ (annualised)

One year to 30 June 2015	-1.1%
--------------------------	-------

¹Source: Morningstar

	Year ended 30 June 2015	Year ended 30 June 2014
Statement of comprehensive income		
Income available for distribution	(3 515 558)	241 626 638
Distribution	11 873 905	11 033 946
Statement of financial position		
Capital value of unit portfolio	1 024 644 314	1 106 406 116
Current liabilities	12 402 408	44 370 720
Total assets	1 037 046 722	1 150 776 836
Market value (Rm)	1 030.3	1 112.3

Effective asset allocation exposure*



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

Top 10 holdings as at 30 June 2015

	% of fund
Naspers	8.4
Standard Bank	5.3
NewGold Platinum ETF	4.6
Tongaat Hulett	4.5
Mondi	4.4
AECI	4.2
Anglo Platinum	3.3
FirstRand/RMB	3.2
Lonmin	3.1
Metair	2.8
	43.8

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
Management fee	1.25% pa

Risk profile



Income distribution Class A

31 December 2014	1.18 cpu
30 June 2015	1.41 cpu

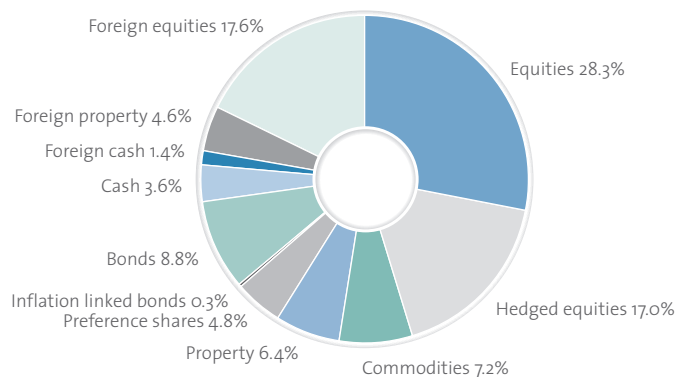
Performance¹ (annualised)

One year to 30 June 2015	1.5%
--------------------------	------

¹ Source: Morningstar

	Year ended 30 June 2015	Year ended 30 June 2014
Statement of comprehensive income		
Income available for distribution	4 384 071	23 593 206
Distribution	5 220 964	2 157 554
Statement of financial position		
Capital value of unit portfolio	290 102 966	152 189 434
Current liabilities	12 136 996	3 148 842
Total assets	302 239 962	155 338 276
Market value (Rm)	293.2	153.5

Effective asset allocation exposure*



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

Top 10 equity holdings as at 30 June 2015

	% of fund
Naspers	5.0
Standard Bank	3.2
Mondi	2.7
Tongaat Hulett	2.6
AECI	2.4
Old Mutual	2.3
MTN	2.0
FirstRand/RMB	2.0
Anglo Platinum	2.0
Lonmin	1.9
Total	26.1

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)

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

Risk profile



Income distribution Class A

31 December 2014	16.20 cpu
30 June 2015	29.64 cpu

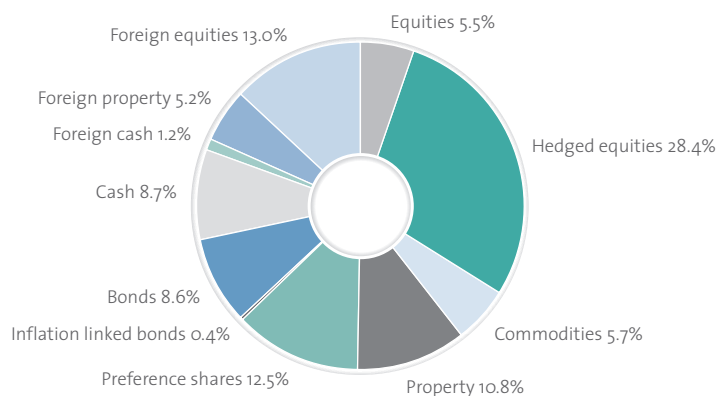
Performance¹ (annualised)

One year to 30 June 2015	3.7%
--------------------------	------

¹Source: Morningstar

	Year ended 30 June 2015	Year ended 30 June 2014
Statement of comprehensive income		
Income available for distribution	2 745 402	2 489 668
Distribution	1 314 723	16 084
Statement of financial position		
Capital value of unit portfolio	72 742 667	69 944 876
Current liabilities	1 954 189	325 400
Total assets	74 696 856	70 270 276
Market value (Rm)	73.6	69.9

Effective asset allocation exposure*



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

Top 10 equity holdings as at 30 June 2015

	% of fund
Zambezi Platinum Pref	7.2
Delta Property Fund	2.4
Tiso Blackstar Group	2.3
New Europe Property	2.1
Tongaat Hulett	2.1
Metair	2.1
Old Mutual	2.0
Standard Bank	2.0
Adcorp	1.8
Deutsche Annington	1.8
Total	25.8

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
Management fee	1.25% pa

Risk profile



Income distribution Class A

31 December 2014	1.38 cpu
30 June 2015	1.57 cpu

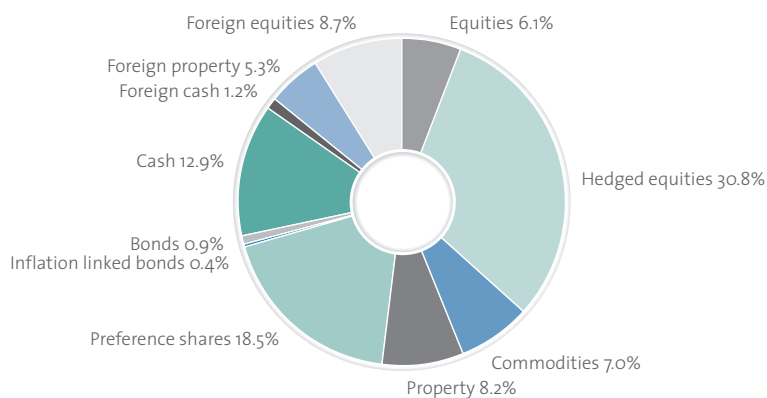
Performance¹ (annualised)

One year to 30 June 2015	5.2%
--------------------------	------

¹ Source: Morningstar

	Year ended 30 June 2015	Year ended 30 June 2014
Statement of comprehensive income		
Income available for distribution	11 414 283	14 976 585
Distribution	5 389 097	2 081 253
Statement of financial position		
Capital value of unit portfolio	241 192 660	142 610 364
Current liabilities	8 374 967	3 563 968
Total assets	249 567 627	146 174 332
Market value (Rm)	244.2	144.0

Effective asset allocation exposure*



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

Top 10 equity holdings as at 30 June 2015

	% of fund
Zambezi Platinum Pref	8.3
Naspers	3.5
Tiso Blackstar Group	2.9
Standard Bank	2.6
Anglo Platinum	2.1
Tongaat Hulett	2.0
AECI	1.9
Growthpoint Property	1.8
Lonmin	1.8
Old Mutual	1.7
Total	28.6

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
Management fee	0.50% pa

Risk profile



Income distribution Class A

31 December 2014	71.04 cpu
30 June 2015	112.18 cpu

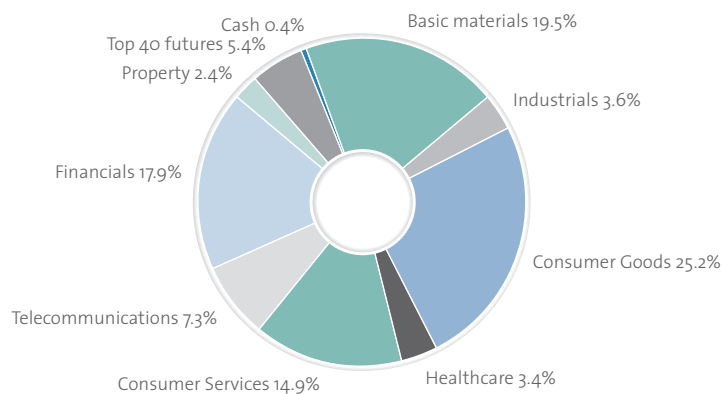
Performance¹ (annualised)

One year to 30 June 2015	2.5%
--------------------------	------

¹ Source: Morningstar

	Year ended 30 June 2015	Year ended 30 June 2014
Statement of comprehensive income		
Income available for distribution	1 817 406	21 576 692
Distribution	2 314 178	1 810 042
Statement of financial position		
Capital value of unit portfolio	75 382 745	85 851 708
Current liabilities	1 466 026	1 172 301
Total assets	76 848 771	87 024 009
Market value (Rm)	76.8	86.8

Effective asset allocation exposure*



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

Top 10 holdings as at 30 June 2015

	% of fund
Naspers	11.2
SABMiller	10.2
BHP Billiton	8.4
Richemont	8.1
MTN	6.5
Sasol	4.1
Anglo American	3.8
FirstRand/RMB	3.3
British American Tobacco	3.3
Standard Bank	3.2
	62.1

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
Management fee	1.25% pa

Risk profile



Income distribution Class A

31 December 2014	0.69 cpu
30 June 2015	1.03 cpu

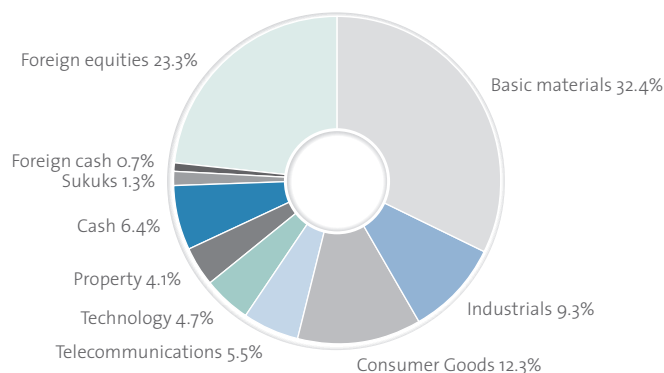
Performance¹ (annualised)

One year to 30 June 2015	-4.5%
--------------------------	-------

¹ Source: Morningstar

	Year ended 30 June 2015	Year ended 30 June 2014
Statement of comprehensive income		
Income available for distribution	(38 756 901)	89 989 564
Distribution	6 119 467	5 125 148
Statement of financial position		
Capital value of unit portfolio	722 176 335	820 794 656
Current liabilities	32 286 507	28 021 991
Total assets	754 462 842	848 816 647
Market value (Rm)	725.8	824.4

Effective asset allocation exposure



Top 10 holdings as at 30 June 2015

	% of fund
MTN	5.6
Sasol	4.8
Tongaat Hulett	4.6
Mondi	4.3
AECI	3.7
NewGold Platinum ETF	3.6
Anglo Platinum	3.5
Adcorp	3.5
Palladium ETFs	3.2
Metair	3.2
	40.0

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
Management fee	1.25% pa

Risk profile



Income distribution Class A

31 December 2014	0.07 cpu
30 June 2015	0.40 cpu

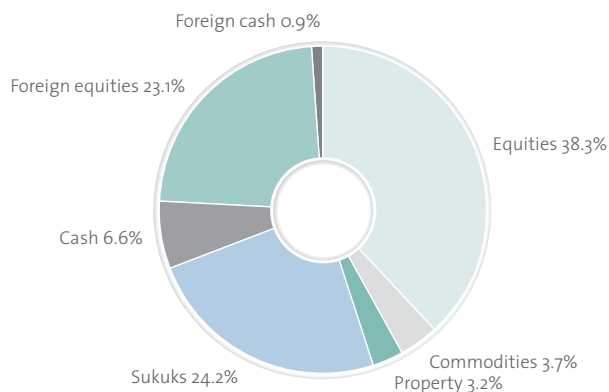
Performance¹ (annualised)

One year to 30 June 2015	-1.4%
--------------------------	-------

¹Source: Morningstar

	Year ended 30 June 2015	Year ended 30 June 2014
Statement of comprehensive income		
Income available for distribution	(6 684 842)	61 956 917
Distribution	1 574 096	1 731 007
Statement of financial position		
Capital value of unit portfolio	420 647 305	359 937 941
Current liabilities	5 935 588	7 952 677
Total assets	426 582 893	367 890 618
Market value (Rm)	421.9	361.1

Effective asset allocation exposure



Top 10 equity holdings as at 30 June 2015

	% of fund
MTN	4.7
Sasol	4.1
Tongaat Hulett	3.8
Adcorp	2.8
Anglo American	2.7
Mondi	2.7
Corning	2.6
AECI	2.5
BASF	2.5
Cisco Systems	2.2
	30.6

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 2015 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
Standard Bank of South Africa Limited,
Private Bag X 54, Cape Town, 8000

Directors
Executive Director: RG Greaver
Non-executive Directors: R Bhayat, GL Carter and GJ Wood

Company Secretary
Tracy-Lee Scott



Kagiso Asset Management (Pty) Limited

Fifth Floor MontClare Place
Cnr Campground and Main Roads
Claremont 7708

PO Box 1016 Cape Town 8000

Tel +27 21 673 6300 Fax +27 86 675 8501

Email info@kagisoam.com

Website www.kagisoam.com

Kagiso Asset Management (Pty) Limited is a licensed financial services provider
(FSP No. 784). Reg No. 1998/015218/07.