UP

April 2011

Kagiso Asset Management

Quarterly newsletter

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Turbulent times

Gavin Wood - Chief Investment Officer

Looking at the markets, the first quarter of 2011 served up severe shocks and consequent market volatility.

North Africa saw rapid regime changes in Egypt and Tunisia, with a disillusioned Tunisian man who took his own life in flames, sparking a technology-enabled, frustrated youth to overthrow two long-standing autocratic governments.

This revolt has spread to other countries in the region, notably Libya, an important oil producer.

Turbulent times

Severe shocks and market volatility

Japan experienced its worst-ever earthquake and a devastating tsunami. Thousands of people tragically lost their lives and hundreds of thousands have been displaced. The damage to an ageing nuclear plant has contaminated water and food in Japan.

These events remind us how technology links us together like never before in history. Not only are revolutionaries able to correspond with each other in real time within and between countries but, from our living rooms, we are able to witness live footage of unfolding unrest, horrific natural disasters and developing wars.

The disruption of oil production in Libya caused the petrol price to rise sharply worldwide. Electricity shortages and factory damage in Japan has disrupted their production of vital electronics and automotive components needed by factories around the world.

Opportunity to benefit from better prices

Our circumstances are tightly linked to events on the other side of the world.

Clients will know that even large-scale events are not usually of major consequence to our very long-term expectations for cash flows to be generated from potential investments we analyse and assess for inclusion in our portfolios.

Rather, short-term volatility provides opportunity to benefit from better prices for these investments. As we said in the last quarter's edition of "UP", we continue, however, to remain concerned about the excessive government debt in developed economies at a time of worsening demographic trends and the need for stimulus withdrawal.

> "Large-scale events are not usually of major consequence to our very long-term expectations for cash flows from potential investments."

Developments at Kagiso Asset Management

Internally at Kagiso Asset Management, we are excited to be launching three new funds soon. These will complement our existing equity and absolute return offerings and enable us to meet client needs for superior performance across the risk spectrum. Each fund will draw on our proven equity investment process, augmented by our asset allocation skills. We aim to meet the risk/return needs of clients at different stages of life, with different time horizons and different tolerances for risk. More details will follow.

Brazil's agricultural evolution and its impact on South Africa

Aslam Dalvi - Equity Analyst

"Mentioning Brazil conjures up different ideas and emotions for people. For some, perhaps the first thing that jumps to mind is the world renowned Rio Carnival. For others, it may be the world famous "Cristo Redentor", which overlooks the beautiful city of Rio.

Typical of an analyst, what defines Brazil for me is the story of the country's political transition, its recent economic success and the important role of agriculture in its economy."

Brazil's agricultural evolution

Brazil enjoys significant agricultural advantages relative to South Africa. We believe this has allowed downstream industries such as the Brazilian poultry producers to emerge among the lowest cost producers in the world. Given these cost and competitive advantages, we view poultry imports from Brazil as a key threat to the local poultry industry.

Brazil

Brazil, South Africa's largest trading partner in Latin America, is known for its remarkable economic turn-around over the last ten years as well as its socio-economic policy model. It is one of the fastest growing emerging economies in the world with large and expanding agricultural, mining, manufacturing and services sectors.

> "Brazil enjoys significant agricultural advantages relative to South Africa."

On the face of it, the importance of agriculture is not clear as it accounts for around 10% of Brazilian GDP. A closer look, however, shows that "agribusiness" (which includes all related agricultural industries) accounts for roughly 30% of GDP and roughly 40% of exports. The high contribution from agriculture is not surprising as Brazil enjoys significant structural advantages when it comes to farming.

Counting blessings

Brazil has abundant agricultural land. According to the UN's Food and Agriculture Organisation, Brazil has roughly 600 million hectares of arable land available, of which 12% is currently in use. Land available for future agricultural development is about 450 million hectares - more than the US (second place) and Russia (third place) combined.

Brazil also has a favourable climate with temperatures and rainfall levels ideal for growing crops.

In addition, the country has vast water resources, with approximately 12% of the world's fresh water. It has access to one of the world's largest underground water basins, the Guarani Aquifer, which the country shares with its neighbours Argentina, Uruguay and Paraguay. This water resource is a self-replenishing water mass, providing almost limitless access to fresh water and crop irrigation.

Another significant advantage is that Brazil's electrical power grid is largely based on hydro-electricity, which meets about 80% of the country's demand needs. While supply of electricity is subject to some unique risks, such as the droughts experienced in 2001/2002, Brazil's hydro-electricity grid results in a relative cost advantage to other countries.

These competitive advantages have ensured that Brazil has grown its agricultural sector dramatically in the last few years. For example, grain production has almost doubled over the last decade with corn production up from 80 million tons in 2000 to approximately 150 million tons currently.

What is even more striking is that Brazil enjoys these competitive advantages despite significant infrastructure challenges in the form of inadequate roads, ports, airports and other transportation modes. With the Brazilian government's commitment to address these challenges, it is clear to us that Brazil's cost competitiveness will continue to improve and allow the country to further entrench its agricultural superiority.

Comparison with South Africa

In contrast with Brazil's 600 million hectares, South Africa has 15 million hectares of arable land. Of this, only 22% is considered "top grade" arable land, putting the country at a clear disadvantage in terms of access to high quality farm land.

Another key disadvantage relative to Brazil is access to water with rainfall unevenly distributed across the country. About 65% of the country does not receive sufficient rainfall for rain fed crop production. As a result, South African farmers rely increasingly on more costly irrigation systems.

Energy costs in South Africa also remain a concern, with South African electricity tariffs expected to rise in excess of 20% over

the next few years, putting further pressure on farmers and downstream industries.

A comparison of soil quality and climate between the two countries also shows Brazil with a clear advantage.

In addition to the above, South Africa has unique challenges. Land redistribution in particular is a major concern given the poor rate of farming success once productive land is handed over. Recent research highlights that the success rate remains below 10%, raising concerns around the current framework of land redistribution.

The challenge facing South African farmers can be seen by looking at key statistics in the agricultural sector. The number of farms, as measured by the Department of Agriculture, has declined by about 31% over the last two decades and total hectares planted for corn has declined by about 40% since 1970. This has resulted in South African agriculture, as a percent of GDP, declining from 9% in 1960 to about 2% currently.

The story of poultry in Brazil and South Africa

The agricultural advantages enjoyed by Brazil have allowed the country to grow agricultural crops, such as corn and soy, at prices lower than other countries, including South Africa.

Adjusting for the impact of currency, research shows that Brazilian corn prices are generally 25% to 35% cheaper than South African import parity prices. The South African import parity price reflects the world price of corn, adjusted for the cost of transport, insurance and storage, and is generally a good proxy for what producers pay in normal, non-surplus years.

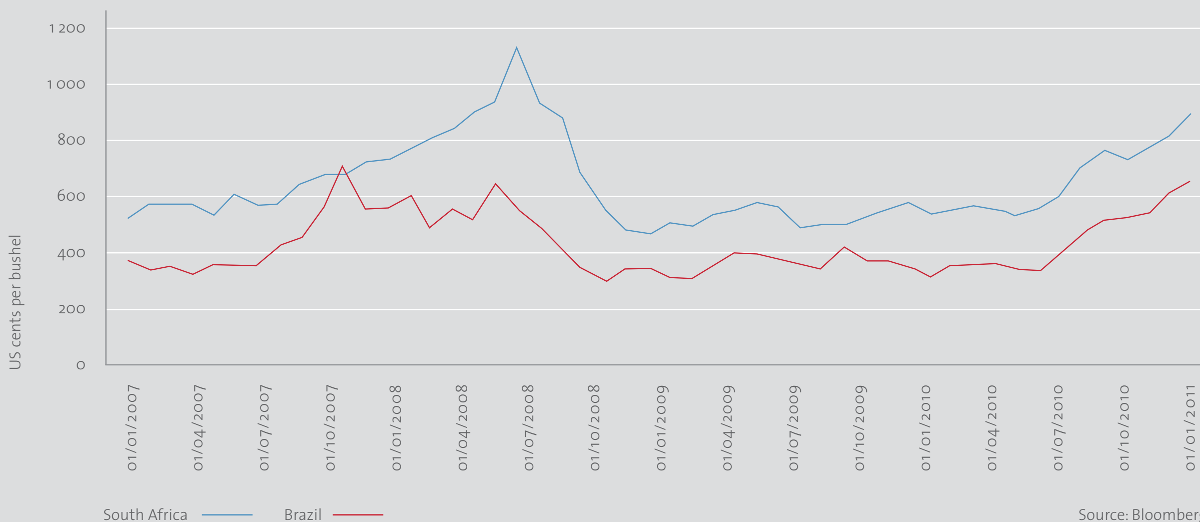
This huge input cost advantage has put Brazilian poultry producers in a globally competitive position, as corn and soy account for about 55% of the cost of raising a bird.

Brazil also has significant scale advantages, with the country producing in excess of 11 million tons of poultry per year. With the ability to spread their fixed cost base across such significant volume, the country is arguably one of the lowest unit cost producers of poultry in the world.

With access to cheap input costs and significant scale advantages, poultry producers in Brazil have flourished over the last decade. According to statistics from the Brazilian Poultry Association, the volume of poultry exports has tripled in the last decade.

Brazil is currently the third largest producer of poultry in the world and the largest exporter globally, with Brazilian exports accounting for a massive 40% of global poultry trade.

Brazilian corn prices versus South African corn prices



Brazil's agricultural evolution

In contrast to Brazil, South African producers don't enjoy the same input cost advantages and the outlook for key operational costs, such as labour and electricity, is also worse. In terms of scale, South Africa is also at a significant disadvantage with local producers producing roughly 1.3 million tons of poultry per year.

Imports into South Africa and the rise of competitors

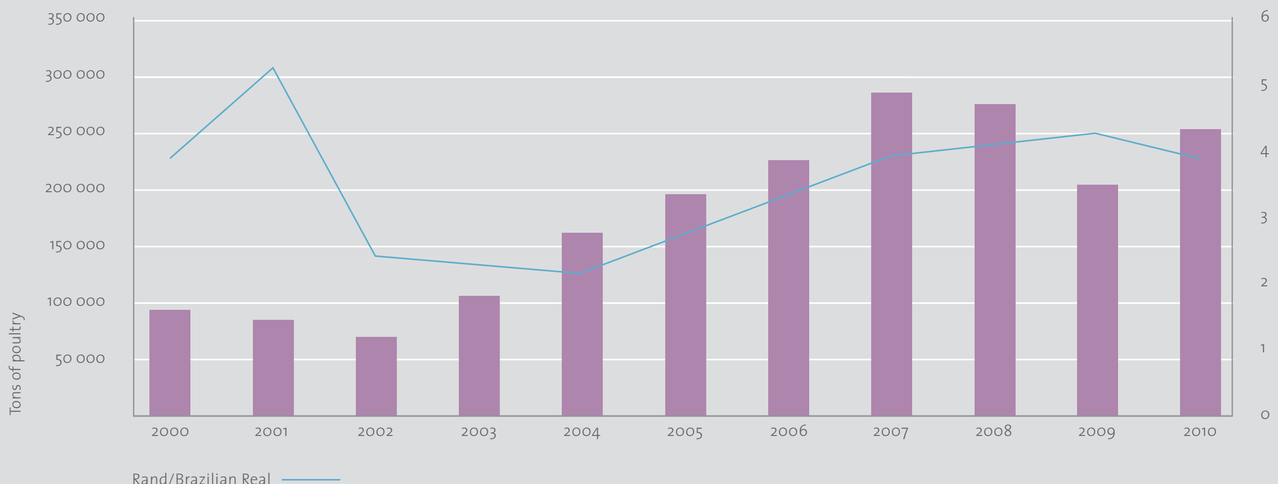
According to the South African Poultry Association, approximately 15% of all poultry demand is met through imports. Of this, roughly 71% of all imports are from Brazil - highlighting the key role that Brazil plays in our local poultry industry. Poultry imports have grown steadily over the last decade, growing from about 95 000 tons in 2000 to approximately 251 000 tons currently.

> "Our concern with local poultry producers is the emergence of a 'super' competitor (Brazil) in the market."

While the recent rand strength, which makes imports cheaper and more attractive, partly explains the sharp rise in imports in 2010, an underlying trend is clear. We believe this trend of growing imports will likely continue, in turn putting pressure on local producers, who - structurally - cannot compete with Brazilian imports.

Our concern with local poultry producers is the emergence of a "super" competitor in the local market that has, and will continue to have, a structural cost advantage over local producers. It is clear to us that, in the absence of direct import restrictions or tariffs, South African producers will continue to lose market share.

Imports of Brazilian poultry into South Africa



Source: South African Poultry Association, Kagiso Asset Management research

Impala Platinum:
Skilfully negotiating future challenges

Jihad Jhaveri - Equity Analyst

"Following on from "The World of Platinum Group Metals" in the last quarter's edition of "UP", we now profile one of the major platinum producers - Impala Platinum. We examine how Impala differentiates itself from its peers and look at strategic opportunities for Impala in the industry.

Impala, the world's second largest platinum producer (1.74 million ounces produced in 2010) has, in the last ten years, delivered solid, sector-beating returns to shareholders mainly due to its far lower cost base."

Impala: Skilfully negotiating future challenges

The breakdown of our fair value for Impala highlights the main sources of future cash flows in present value terms.

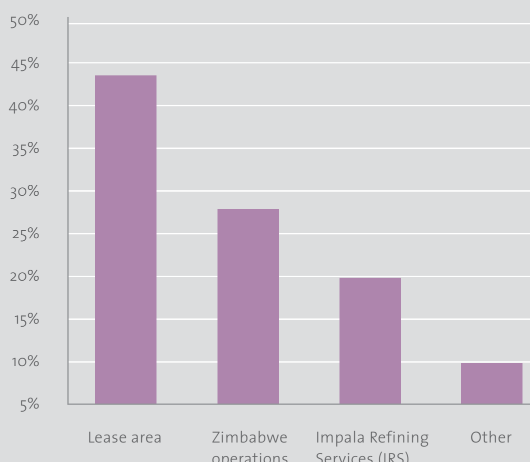
Breakdown of fair value

Impala Refining Services was set up in 1998 to monetise value from Impala's spare smelting and refining capacity. It offers its services to third parties as well as the group's managed mines. The project has been a remarkable success and offers investors growth exposure to the platinum market without the risks of actual mining. Going forward, we see this division growing strongly given that it has roughly 30% spare capacity. Additional volumes will come from: production growth from junior miners, Impala's Zimbabwe operations and from the ever-increasing levels of platinum recycled from auto catalysts.

> "We forecast tons mined and grades (the metal contained in the rock being mined) to increase at Impala's lease area in the medium-term."

The value from Zimbabwe is mostly from the group's 86.9% stake in Zimplats (Impala also has a 50% stake in Zimbabwe's Mimosa mine). There are four PGM (Platinum Group Metals) complexes in Zimbabwe's Great Dyke. The most important of these is the Hartley Complex, which contains 80% of the country's PGM resources. Impala's Zimplats covers 67% of this.

Impala: Fair value



Source: Kagiso Asset Management research

With its vast, shallow resources and significant growth potential, Zimplats is also the lowest cash cost producer in the group and amongst the lowest in the world. The investment risks in Zimbabwe are considerable and we allow for this with an appropriately high required rate of return in our valuation. But, along with these risks, comes potential reward in the form of high margin, high growth potential.

The bulk of our valuation for Impala rests in its mega-mine at Impala Lease ("the lease area") in Rustenburg. We set out below the positive medium-term operational outlook and the longer-term structural challenges.

Impala lease area's operational rebound

Over the last few years, a late delivery of new capital projects and a fall in stope development (pre-mining development of underground areas) caused the lease area to lose a lot of its mining flexibility (mining plans had to be directed to an increasingly narrow number of areas). This lack of flexibility caused a decrease in most of the lease area's key performance indicators, as illustrated in the graph on the opposite page.

These issues have largely been resolved, with new shafts coming into production, as well as a renewed focus on development. We forecast that tons mined and grades (the metal contained in the rock being mined) will increase. Importantly, the new shafts will restore the level of Merensky reef relative to UG2 reef (see *"The World of Platinum Group Metals"- "UP" January 2011*). The restoration of Merensky has a number of positive spin-offs, including: higher metal recoveries (there is less metal lost in the processing of Merensky ore) and more platinum in the mix.

The final ingredient in the operational rebound is economies of scale, especially from labour productivity. The lease area did not undergo massive retrenchments during the recent underperformance and Impala management will therefore not have to hire aggressively during the rebound.

As a result of the expected productivity gains, unit costs per tons mined (R/t) will increase at a lower rate than mining inflation. In addition, the factors discussed on the previous page will mean that platinum ounces produced will increase by more than the tons mined, and therefore unit cash costs per platinum ounce will increase by even less (see graph below). We expect the stated target of one million ounces of platinum from the lease area by 2014 to be met and even moderately exceeded.

But there are significant challenges ahead ...

Despite the above positive factors, in the longer-term Impala faces structural issues at its lease area. Above average increases in future replacement capital expenditure and cash costs are a near certainty. This is because the lower depth, high Merensky content areas - making up the easily accessible parts of the lease area - have been mined out. Recent shaft sinking projects (see table on the next page) have come with increasing price tags and increased depth.

> "However, in the longer-term Impala faces structural issues at its lease area."

Taking recent management guidance on the expected tons from the current suite of shafts, together with estimates of the costs of new deep shafts, we can see that Impala will have to increase its capital spend in real terms in order to maintain the lease area production (see graph on the next page). Importantly, the average shaft depth (weighted by tons) will increase steadily into the future and this will mean that cash cost increases will be higher than lower-depth peers.

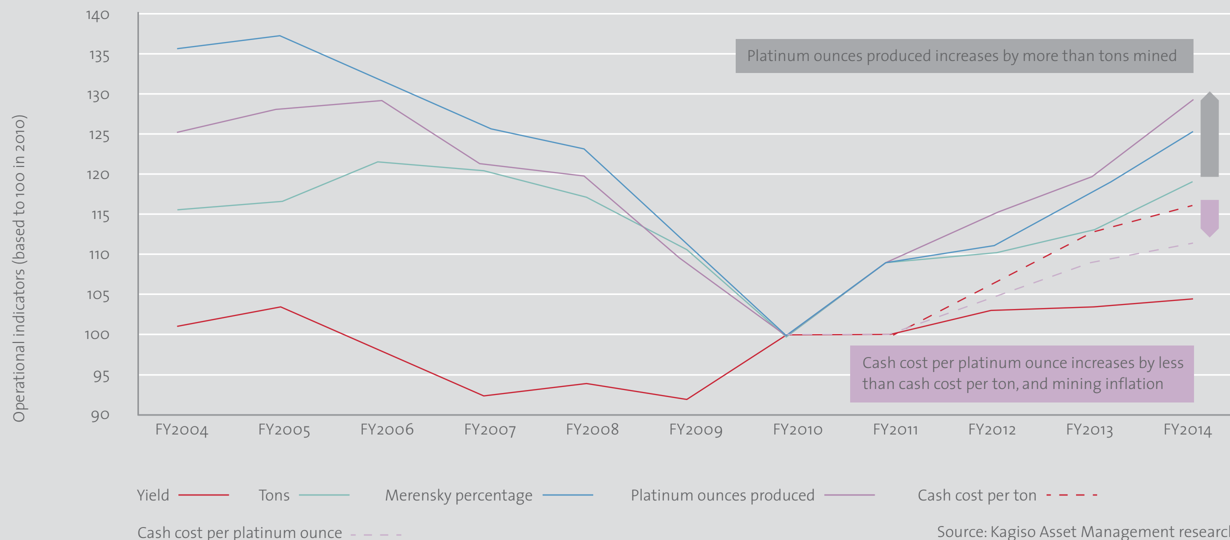
The lease area's neighbours

The table on the next page also highlights the key features of capital projects at neighbouring mines: the projects have much lower depth, much lower price tags, and - importantly - are Merensky rich (especially RBPlat).

While these projects, (in particular the Wesizwe project), are far from completion and face considerable project risk, they are in our view less risky than those of Impala's ultra-deep shaft projects.

Details of the neighbouring project plans also show that they will involve the building of considerable above-ground infrastructure. A large amount of this could easily be accessed at Impala's lease area. Wesizwe and RBPlat plan to spend R1.2 billion and R1.9 billion respectively for concentrator capacity that already exists at Impala's lease area.

Lease area efficiency improvements



Source: Kagiso Asset Management research

Shaft sinking projects

Shaft name	Impala 20 shaft	Impala 16 shaft	Impala 17 shaft	Wesizwe Frisch-Ledig	RBPlat Styldrift 1
	In development at lease area			Neighbouring projects	
Depth (m)	1 058	1 675	2 000	650	750
Capex: 2010 money (Rbillion)	7.3	7.7	11.2	7.1	8.8
R/t 2010 money	3 330	2 861	4 148	2 620	3 191
Supplementary information					
Capex start date	Oct 2004	Oct 2004	Jun 2008	2 011	2 010
First production date	2011	2013	2017	2014	2013
Full production date	2016	2018	2022	2019	2017
Refrigeration needed	yes	yes	yes	no	no
Tons p.a. (millions)	2.2	2.7	2.7	2.7	2.8
Platinum ounces (000) p.a.	190	150	220	200	210

Source: Kagiso Asset Management research, Shaft Sinkers

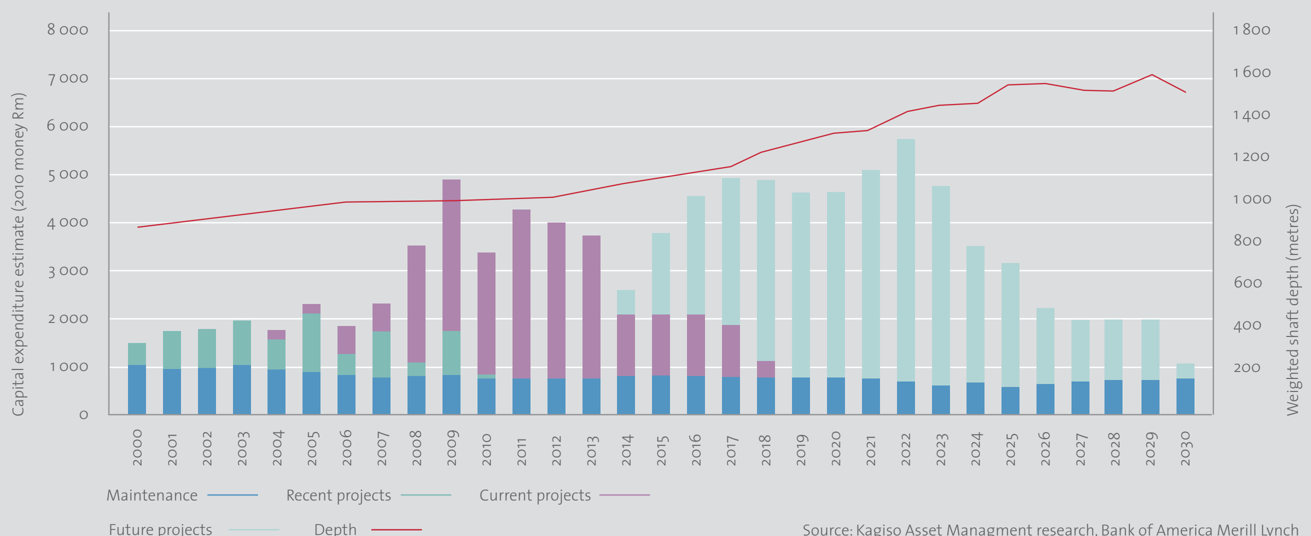
Our mosaic theory

Impala's existing infrastructure and operations are directly contiguous to RBPlat's mine. This has already led to mutually beneficial infrastructure sharing agreements being signed recently: Impala has entered into two separate royalty agreements with RBPlat to mine RBPlat's long-dated ounces from Impala's existing shafts.

Importantly, RBPlat's area offers Impala the opportunity to significantly delay at least two of Impala's future deep shaft projects in favour of RBPlat's Merensky-focussed Styldrift I, and Styldrift II (envisaged to cover the North of the Styldrift area) projects.

The shallow, Merensky-rich growth potential of Impala's regional neighbours - together with the massive scale, above ground infrastructure, balance sheet strength and technical expertise at Impala's lease area - need to be combined to maximise the regional potential. In doing so, we believe Impala will realise another decade of solid returns for shareholders.

Lease area capex profile



Source: Kagiso Asset Managment research, Bank of America Merill Lynch

South African industrials: Quo vadis earnings?

Abdul Davids - Head of Research

"Barring the financial meltdown in 2008, the last decade has been a very fruitful period for industrial companies - with record earnings levels achieved immediately before the 2008 crisis.

A confluence of three key macro variables, all moving in stimulatory unison, has contributed to the exponential growth in earnings."

South African industrials: Quo vadis earnings?

However, South African industrial companies are facing unprecedented challenges in their attempts to deliver continued earnings growth to their increasingly demanding shareholders: an absence of key macro stimulus, increased competition and slower economic growth is inhibiting revenue growth, whilst cost pressures from rising utility price increases threaten to exacerbate the inevitable deterioration in profit margins.

The importance of earnings

Most valuation methodologies are based on an application of a discount factor or price-earnings (PE) multiple to an assumed level of earnings or cash flow. As such, a thorough understanding and appreciation of earnings levels and the related drivers of these earnings is essential before any attempt at a valuation can be made. In addition, the industrial sector comprises around 45% of the broader market and is therefore a larger component of our market than the financial and resources sectors.

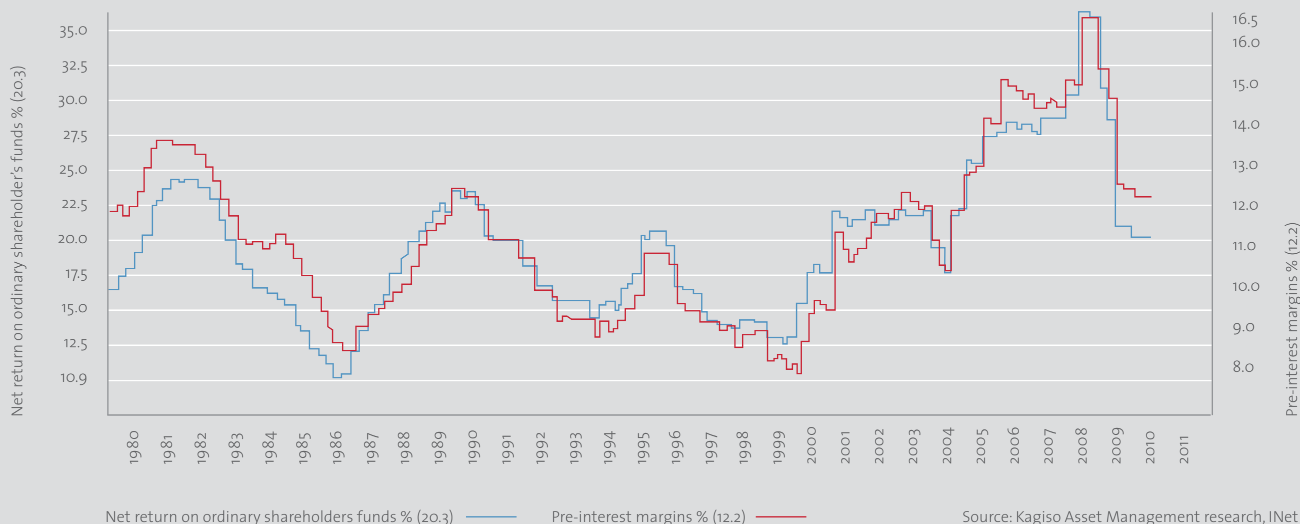
> "Industrial companies face unprecedented challenges in their attempts to deliver continued earnings growth."

The graph below highlights two key measures of profitability for industrial companies, namely: pre-interest margins (or operating profits expressed as a percentage of revenue) and the return on shareholder's funds (or ROE). The cyclical nature of these two measures is clearly visible, as well as the protracted period of growth in profitability between 1999 and 2008.

The period between 1999 and 2008 can be considered a golden period for South African industrial companies. In 1999, the country was recovering from the damage inflicted by the 1998 emerging market crisis and from record high interest rates. In addition, inflation was still high and substantially above the central bank's target range. However, three key macro variables were on the cusp of substantial corrections:

- the prime overdraft rate declined from 25% in 1998 to 15% in 2008
- the inflation rate declined from 10% in 1998 to below 8% in 2008 and
- the currency (rand/US dollar) moved from an average of R5.50 in 1998 to above R8.00 in 2008

Measures of company profitabilty



This "macro cocktail" was a substantial country stimulus package: households and companies geared up their balance sheets (average company gearing levels increased from 30% in 1998 to 70% in 2008 - see graph on the page below) as credit became much more affordable. This, in turn, spurred asset price growth.

Declining inflation resulted in strong volume growth for most retailers and the weaker currency contributed significantly to the global competitiveness of domestic manufacturers. Increased exports resulted in an increase in manufacturer's capacity utilisation levels (see graph on the following page).

> "Our concern is that many domestic companies are not ready to face world-class competitors."

Industrial companies were therefore able to achieve not only strong revenue growth, but the lower inflationary environment resulted in better cost control and, hence, higher operating margins.

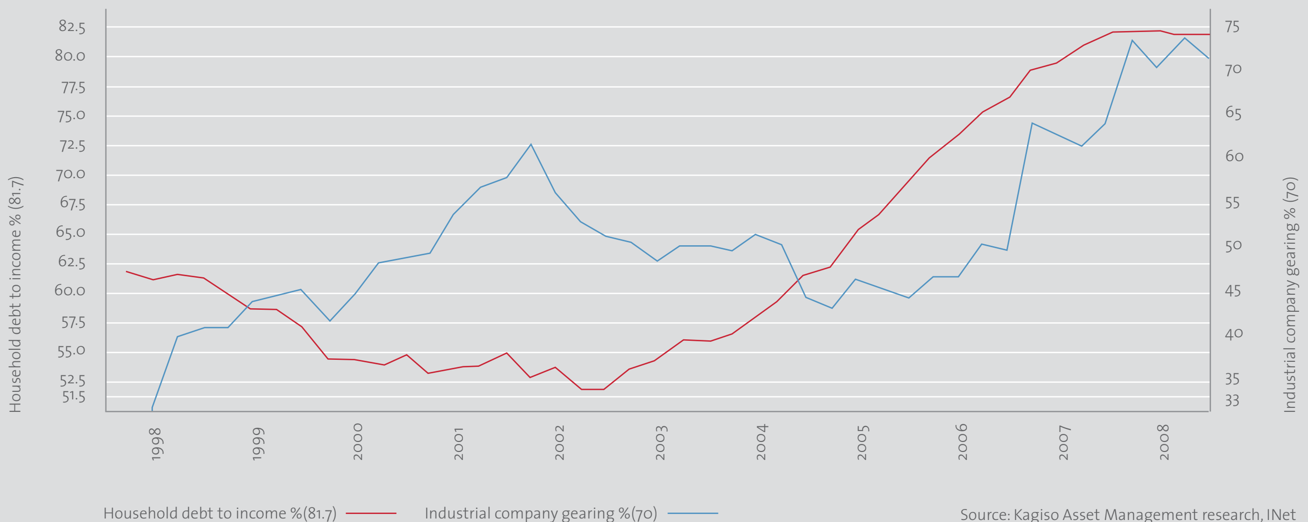
The honeymoon is over

Whilst the macro cocktail provided a strong stimulus to industrial earnings, it also attracted foreign attention. Most notably to industries where a few participants are enjoying "super profits". An example is the Dangote group, which is challenging PPC in the domestic cement market. In addition, Zara is looking to compete with Truworths and the clothing retailers and WalMart is taking on the food retailers.

Our concern is that many of the domestic companies may not be ready to face world-class competitors: the 2000-2008 "honeymoon period" has resulted in a degree of complacency amongst many managers and employee costs have spiralled. In addition, supplier concentration has caused retail selling prices to remain high despite deflationary pressures on input prices.

The concomitant profit margin expansion enjoyed by industrial companies over this period is now under threat from overseas competitors, who are searching for growth outside of their stagnant domestic markets. Stimulatory monetary policies in developed markets have lowered the cost of funding for developed market competitors and contributed to their willingness to aggressively target acquisitions and organic expansions in order to compete with South African incumbents.

Households and company indebtedness



South African industrials: Quo vadis earnings?

Where to from here?

The current economic environment of multi-decade low interest rates, a strong currency and relatively benign inflation is unlikely to persist. The 2008 financial crisis has demonstrated how global events can impact our post-isolation economy and the consequent effects on corporate profits and sentiment.

The challenges facing corporate South Africa are very real: slow economic growth, crippling unemployment and rising inflation. This is even before taking cognisance of planned steep electricity price hikes and the resultant secondary inflationary pressures.

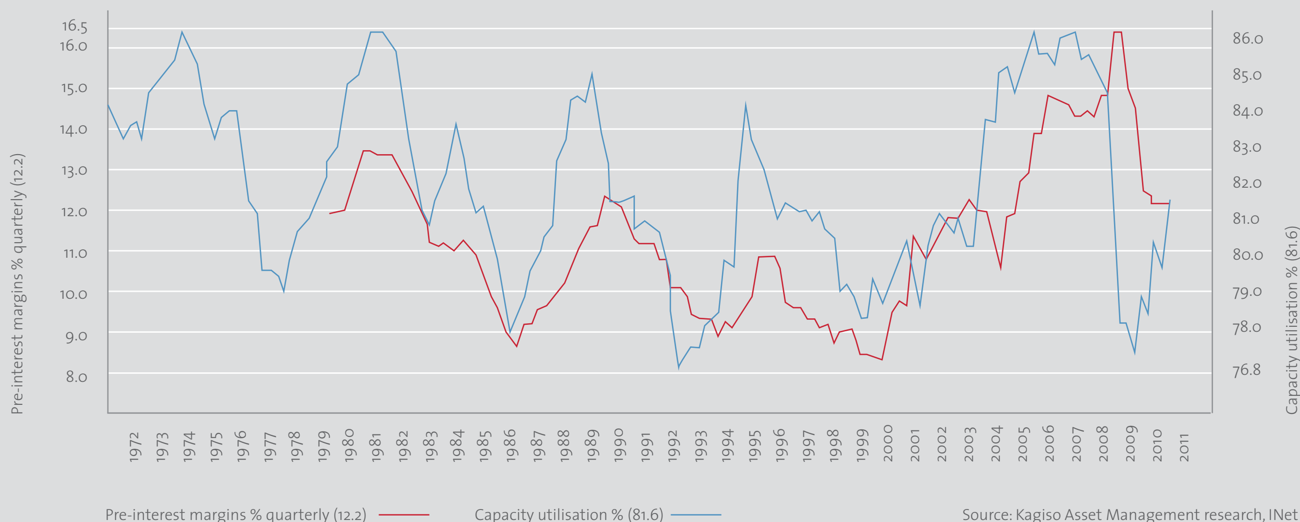
In this environment and with foreign competitors arriving on our doorstep, the current level of industrial earnings appears unsustainable and a repeat of the stellar growth performance achieved between 1999 and 2008 looks highly unlikely. Some industries may be at greater risk than others: those that are heavily reliant on archaic and anti-competitive structures (like our construction sector), or accustomed to exploiting their market dominance (cement and gas sectors) may be unable to defend their current earnings levels and any foreign competition will exacerbate the inevitable decline in earnings.

> "In the current environment, industries heavily reliant on anti-competitive structures may be at greater risk."

In our research and portfolio construction process we are highly cognisant of not expecting sustainability of past earnings performance that was entirely fortuitous and not the result of a genuine competitive advantage or management skill.

This caution has enabled us to successfully avoid recent corporate earnings disappointments and thereby protect the value of our clients' investments.

Manufacturer productivity



India: Life lessons, stark contrasts

Satish Gosai - Head of Trading

"After visiting India for the first time in January 2009, I vowed to myself that I would NEVER go back. It was a culture shock to say the least.

Even though I have no immediate family in India, I went with the notion that I would fit in and feel at home amongst my "fellow Indian brothers". Boy, was I wrong!"

These people were nothing like me - from the way that they stared at me (for no apparent reason) to the invasive personal questions: I recall my salary being the topic of conversation on many occasions. To make it worse, even the food was disappointing - too rich and oily, nothing like the food at home.

I was warned by friends and family that it would not be as clean as South Africa and I prepared myself for that. But there would be moments of disgust when I would catch someone spitting on the street. And, along with the garbage, my mental preparation went out of the window.

> "The average man manages to smile and be pleasant even though he has so little compared to most of us."

Being in India the first time around really made me appreciate South Africa for the many reasons that I used to take for granted: the cleanliness, the smell of fresh air, the racial diversity. I felt lucky to be a South African and glad that India was a closed chapter in my life never to be re-opened.

Second time around

Unfortunately my wife felt differently. There was a big celebration for our Guru's 90th birthday and she really wanted to go. So, after much convincing, off to India we went again. I knew what to expect because I had been there before. I therefore decided that I would not let anything faze me. I had ten days to get through and I could either be miserable or not. So I made a conscious decision to be happy and to observe without judgment.

This simple shift in attitude turned out to be the key to enjoying the trip second time around. I learnt so many special things about the country and its people, which I had missed out on the first time around because I was caught up in the negatives.

Lessons to be learnt

India may not be the most relaxing holiday destination but it is an experience that teaches us valuable life lessons:

I noticed how hard the average man has to work in order to provide for his family, how he manages to smile and be pleasant even though he has so little compared to most of us. His priorities are God, his family and friends. Everything else is just by the way and immaterial. As long as he has food to eat and a roof over his head, he is content. He is so thankful for the lot that he has.

To be invited into a local's home was another eye opener. Indians believe in the saying "Athithi Devo Bhava", which means "Treat your guest as you would the Lord". Our hosts went all out to ensure that we were comfortable and that our every need was seen to. This was another lesson, this time in hospitality.

Enviable sales culture

From an economic point of view, I believe the world should learn from India how to sell. Every shop assistant tried his best to sell us his product: I vividly recall a grown man draping a sari around himself while trying to convince us that it was worth buying!

Perhaps due to the intense competition, salesmen try their very best to ensure customer satisfaction. Potential customers are treated like royalty in even the smallest shop.

The intellectual level of the country is phenomenal with engineering being a common degree. The ability of taxi drivers and salesman to do mental arithmetic at great speed and accuracy is quite impressive.

I must confess that the freedom of walking the streets late at night without the fear of getting murdered is also something I could get used to. India is full of poor people, so there is always the danger that you may be pick-pocketed. However, it is also a country full of God-fearing people and therefore violent crimes are not as common.

India beckons

I will certainly visit India again. We get so caught up in life and its little obstacles that we forget what is truly important and India reminds me of this. This last trip taught me to celebrate every little occasion (there are so many festivals throughout the year in India) and to live each day to its fullest. Lessons far more valuable than the ticket price.

Kagiso Asset Management Funds

Performance to 31 March 2011	1 Year	3 Years[1]	5 Years[1]	Since Launch[1]	Launch	TER[2]
COLLECTIVE INVESTMENT SCHEME FUNDS[3]						
Equity Alpha Fund	17.3%	11.1%	14.8%	25.1%	26-Apr-04	1.3%
Domestic Equity General Funds Mean	13.4%	5.6%	9.4%	18.3%		
Outperformance	3.8%	5.5%	5.4%	6.9%		
Islamic Equity Fund	20.8%			26.4%	13-Jul-09	1.4%
Domestic Equity General Funds Mean	13.4%			23.2%		
Outperformance	7.3%			3.1%		
Protector Fund	7.6%	5.3%	9.6%	12.7%	11-Dec-02	1.1%
CPI + 5%[4]	8.9%	11.3%	11.9%	10.8%		
Outperformance	(1.3%)	(6.0%)	(2.3%)	1.9%		
INSTITUTIONAL FUNDS[5]						
Managed Equity Fund	19.0%	11.3%		15.5%	1-Sep-06	n/a
FTSE/JSE SWIX All Share Index	15.4%	7.4%		12.5%		
Outperformance	3.7%	3.9%		3.0%		
Core Equity Fund	17.2%	9.8%	13.8%	21.5%	1-Nov-04	n/a
FTSE/JSE SWIX All Share Index	15.4%	7.4%	12.3%	20.1%		
Outperformance	1.8%	2.4%	1.5%	1.4%		
Balanced Fund[6]	16.7%	10.1%		9.1%	1-May-07	n/a
Peer Median[7]	18.3%	9.5%		8.2%		
Outperformance	(1.6%)	0.6%		0.8%		
Bond Fund	8.9%	9.1%		7.7%	1-May-07	n/a
BESA All Bond Index	9.8%	9.7%		7.4%		
Outperformance	(0.9%)	(0.5%)		0.3%		
Money Market Fund	6.6%	9.1%	9.1%	8.7%	1-Jan-04	n/a
Alexander Forbes STeFI Composite Index	6.5%	8.8%	8.8%	8.4%		
Outperformance	0.1%	0.3%	0.3%	0.3%		

[1]Annualised. [2]TER (total expense ratio) = % of average NAV of portfolio incurred as charges, levies and fees in the management of portfolio for the rolling 12-month period to end March 2011. [3]Source: Morningstar. Net of all costs incurred within the fund.[4]CPI for March 2011 is an estimate. [5]Source: Kagiso Asset Management. Gross of management fees. [6]Balanced Fund & benchmark returns as at 28 February 2011.[7]Median return of Alexander Forbes SA Manager Watch: BIV Survey.

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