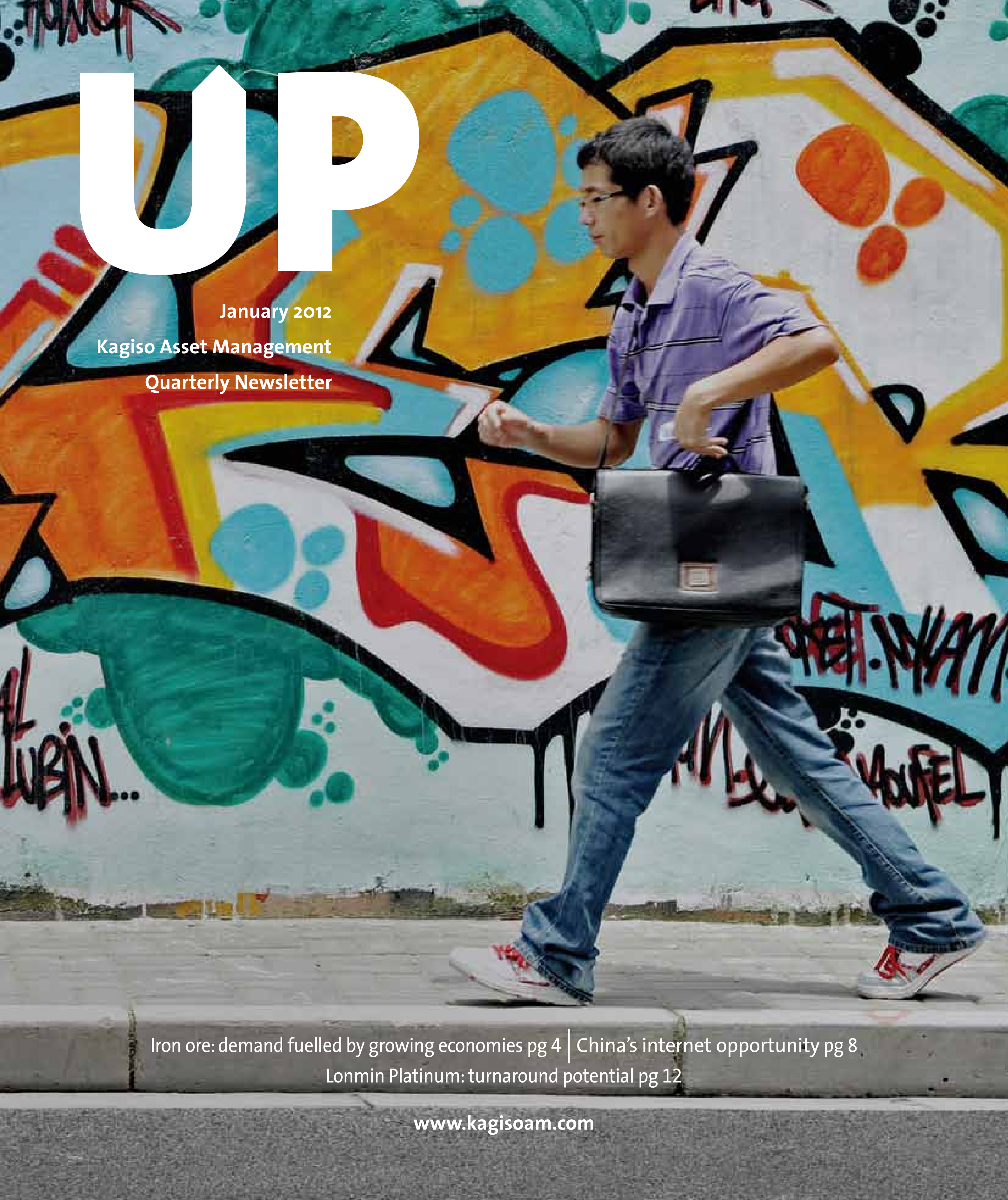
UP

January 2012

Kagiso Asset Management

Quarterly Newsletter



www.kagisoam.com

2011: navigating stormy waters

Abdul Davids - Head of Research

"Calendar year 2011 headlines were dominated by economic events in Europe and the US with debt issues in both regions concerning equity markets.

Despite the volatility, the domestic equity market ended the year close to its all-time high, continuing the upward momentum that began in March 2009."

2011: navigating stormy waters

The robust market performance belies the contrasting fortunes of the three main sectors on the JSE, ie the resources, financial and industrial sectors. The graph below illustrates the price indices of the three primary sectors, all based to 100 at the start of calendar year 2008.

Therefore, assuming an investor invested R100 in any of the three indices at the beginning of calendar year 2008, the investment would be worth R141 if it was put in the industrial sector. If invested in financials, it would be worth R125 and if invested in resources, it would be worth R96. In unpacking the reasons for this great disparity in performance, it is important to understand the key drivers of valuations in general and of these three sectors in particular.

Industrials: the star performers

As seen in the graph below, industrial companies have been the star performers since 2008, with a cumulative return of 41% over the last four years. Domestic industrial companies have benefited from a very favourable macroeconomic environment in South Africa with declining interest rates and declining inflation being the key drivers. We maintain that this very favourable environment will not persist in the future.

However, the ability of many industrial companies to sustain a robust earnings growth momentum, sometimes through liberal credit-granting policies (like in the retail sector) has been rewarded by investors. These investors now expect that the earnings growth trajectory will be maintained long into the future.

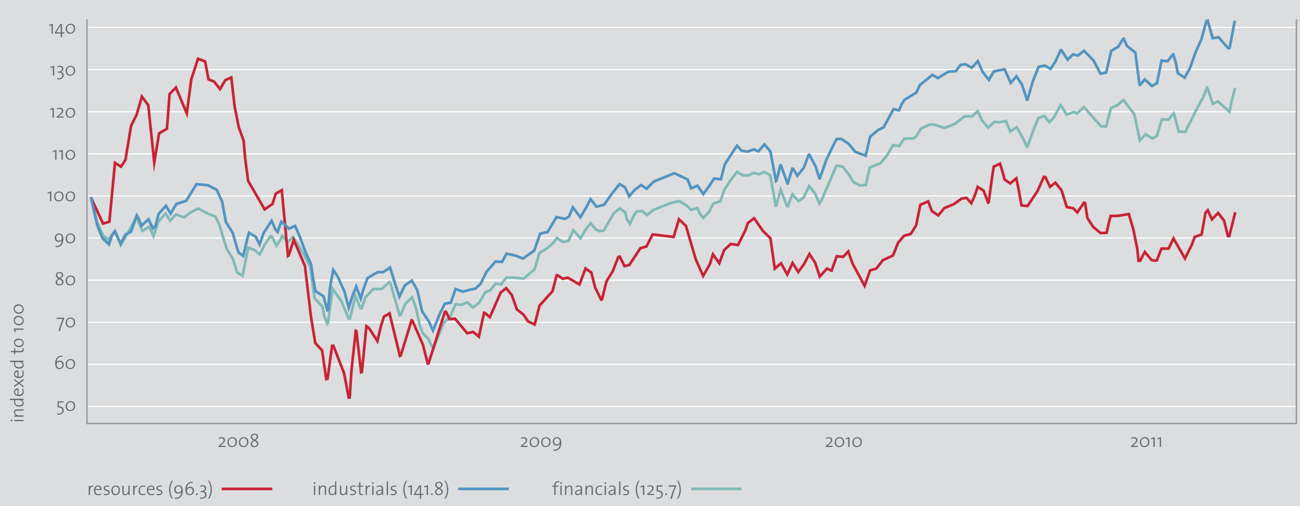
This is borne out by the stratospheric price:earnings multiples that investors are willing to pay for these companies. The graph on the next page highlights the earnings of the three sub-sectors of the domestic market, indexed to 100 at the start of 2008. Industrial companies have shown consistent earnings growth over the period and also the least amount of volatility.

Financials: the laggards

Financial companies, most notably banks, have had contrasting fortunes compared to industrial companies. Following the worst global recession in decades, the domestic banking sector's earnings growth has lagged that of both the industrial and resources sectors.

While bank earnings have been hard hit by the slew of bad debts and related write-offs in the wake of the 2008 recession (earnings declined by more than 20% on average as seen in the graph on the next page), the weak domestic housing market and concomitant muted mortgage lending growth has delayed the recovery in bank earnings. The global banking woes in developed economies have also contributed to substantial

Price return of resources, financial and industrial sectors



Source: INet

negative sentiment towards local banks. However, the local banks are all well-capitalised (unlike their global peers), valuations are attractive relative to history and their ability to continue paying decent dividends remains intact.

Resources: still in the doldrums

The resources sector has shown the most volatility in share prices and earnings levels since 2008. The beginning of 2008 saw the tail end of the commodity bubble for basic commodities like iron ore, coal and copper. Resources company valuations were discounting high commodity prices well into the future. The 2008 recession took its toll on commodity prices and many declined by more than 50% from the pre-crisis highs.

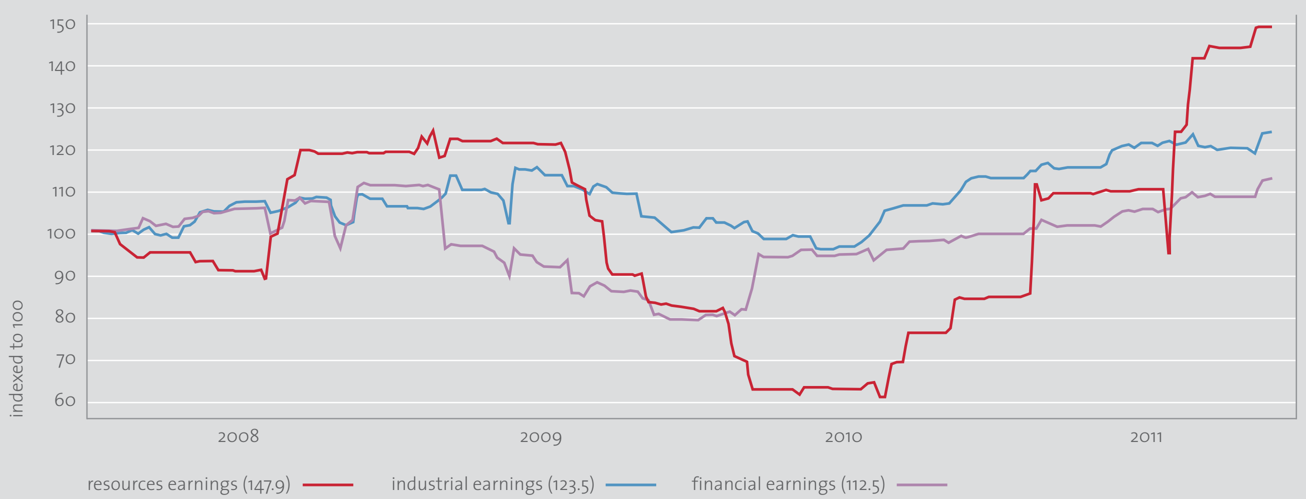
However, following unprecedented and co-ordinated fiscal and monetary stimulus, global investors have sought out physical commodities as an asset class to deploy the stimulatory capital. In addition, China administered its own stimulus to its economy, resulting in a 'restocking phenomenon' that contributed substantially to the sharp rebound in certain commodity prices.

Unfortunately, both platinum group metals (PGMs) and PGM company share prices have lagged the rest of the market post the 2008 recession. South Africa occupies a unique position in the PGM landscape, dominating global supply, and therefore the actions of domestic PGM miners will have a significant impact on the PGMs prices. The PGM miners' share prices have underperformed the PGM basket price since the 2008 recession. Furthermore, the PGM basket price has underperformed base metals like copper and iron ore. We therefore find the PGM miners' valuations very attractive and the upside asymmetry relative to the diversified and base metal miners particularly compelling.

The events of 2011 will continue to reverberate in 2012 with an ensuing impact on equity markets that is difficult to predict. However, our investment approach, which focuses on long-term wealth creation, will stand us in good stead.

We remain convinced that our clients' portfolios are optimally positioned to exploit opportunities in the financial, industrial and resources sectors and that clients with a similar long-term investment horizon will ultimately be well rewarded.

Earnings of resources, financial and industrial sectors



Source: INet

Iron ore: demand fuelled by growing economies

Rubin Renecke - Equity Analyst

"Iron ore is the source of primary iron, which is a key ingredient in the production of steel. Steel is used in large quantities by growing economies as they develop their industrial base and as their populations urbanise.

It is estimated that 98% of all iron ore is used in steelmaking. The remaining 2% is used in the manufacture of cement, pigments, ballast, agricultural products and specialty chemicals."

Iron ore is mined in about 50 countries and the seven largest producing countries account for about 75% of total world production[1]. On the JSE, there are six mining companies that produce or have exposure to iron ore: BHP Billiton, Anglo American, Kumba Iron Ore, African Rainbow Minerals, Exxaro and Assore. Over the last few years, profits from iron ore have been a major driver of these companies' earnings and, therefore, a detailed understanding of the iron market is critical to our investment decisions on these companies.

What is iron ore?

Iron ore is a naturally occurring and abundant mineral substance from which pure iron can be economically extracted. Pure iron is the fourth most abundant element in the earth's crust, comprising about 5% thereof. However, it is not found on the surface of the earth in pure form. All sources of iron used by human industry exploit comparatively rarer iron oxide (compounds containing iron and oxygen) minerals, which occur on or near the surface of the earth and can therefore be mined.

The highest quality and most important iron oxides for steelmaking are hematite (Fe_2O_3) and magnetite (Fe_3O_4) deposits. These iron oxides are the primary raw materials used to make steel in the blast furnace/basic oxygen furnace (BF/BOF) steelmaking process.

About 67% of global steel production is from the BF/BOF process. For every ton of steel produced in the BF/BOF process, approximately 1.7 tons of iron ore is required.

Global iron ore reserves are estimated at 180 billion tons by the US Geological Survey. China, Russia and the Ukraine contain about 48% of these reserves but they are of a lower quality than is required in the BF/BOF process. High quality iron ore reserves are most abundant in Australia, Brazil and India with these three countries containing just over 80% of the world's high quality iron ore reserves. South Africa has about 1.4% of these reserves.

Iron ore production

Iron ore mining is not as technically challenging as platinum, gold or copper mining because most iron ore mines are large, open pits with near surface deposits and high concentrations of iron. To mine iron ore, the soil and overlaying rock are first cleared from above the ore body. Blasting with explosives causes the ore body to shatter and massive shovels then scoop the ore from the ground into large trucks, which haul the ore to a plant where it is crushed and screened.

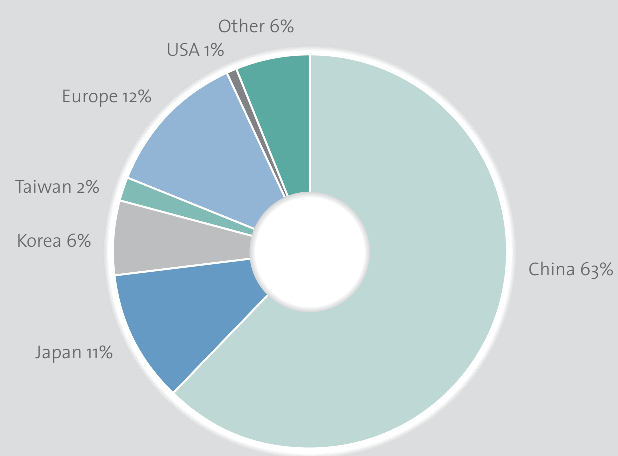
The ore is then deposited on a conveyor belt and carried to a steel mill, a railway line or a port. Although iron ore mining is not technically challenging, because mines are often in remote locations, significant operational expertise is required to be an efficient iron ore producer.

Global iron ore production in 2010 amounted to 1.75 billion tons, of which the 'seaborne' iron ore market comprised about 996 million tons. The bulk of iron ore produced is consumed in the country where it is produced and the balance is traded on the seaborne iron ore market.

Seaborne iron ore market

Australia and Brazil dominate the supply of iron ore to the seaborne market, each having about one-third of the total seaborne iron ore trade. Of the 996 million ton seaborne market, about 770 million tons is supplied from Australia and Brazil. Three companies dominate this supply, namely BHP Billiton (Australia - 127 million tons), Rio Tinto (Australia - 224

Percentage of global Iron ore demand by region



Source: UBS

1 US Geological Survey

Iron ore: demand fuelled by growing economies

million tons) and Vale (Brazil - 287 million tons). Kumba Iron Ore is South Africa's largest iron ore producer and in 2010 produced 43 million tons, of which 36 million tons was exported via the seaborne market.

Iron ore demand

Demand for iron ore is currently dominated by China, Europe and Japan. While steel is produced in most countries in the world, China, Japan and Germany have large export-oriented manufacturing industries, notably in vehicles, appliances and industrial equipment, which are very steel intensive. Steel also forms a major part of infrastructure development, where there has been a massive source of demand from China, which is expanding its infrastructure rapidly.

> 'China is the world's biggest steel producer and consequently the largest consumer of iron ore.'

China's impact on the seaborne iron ore market

China is the world's biggest steel producer and consequently the largest consumer of iron ore. In 2010, China produced 624 million tons of steel. The chart below illustrates China's growth in steel production from 1986 and the growth in imported iron ore from the seaborne market. Over the last decade, China's steel production has grown from about 120 million tons to 624 million tons, a more than five fold increase. Similarly, imported iron ore has grown from about 70 million tonnes to 619 million tons in 2010, an almost nine fold increase.

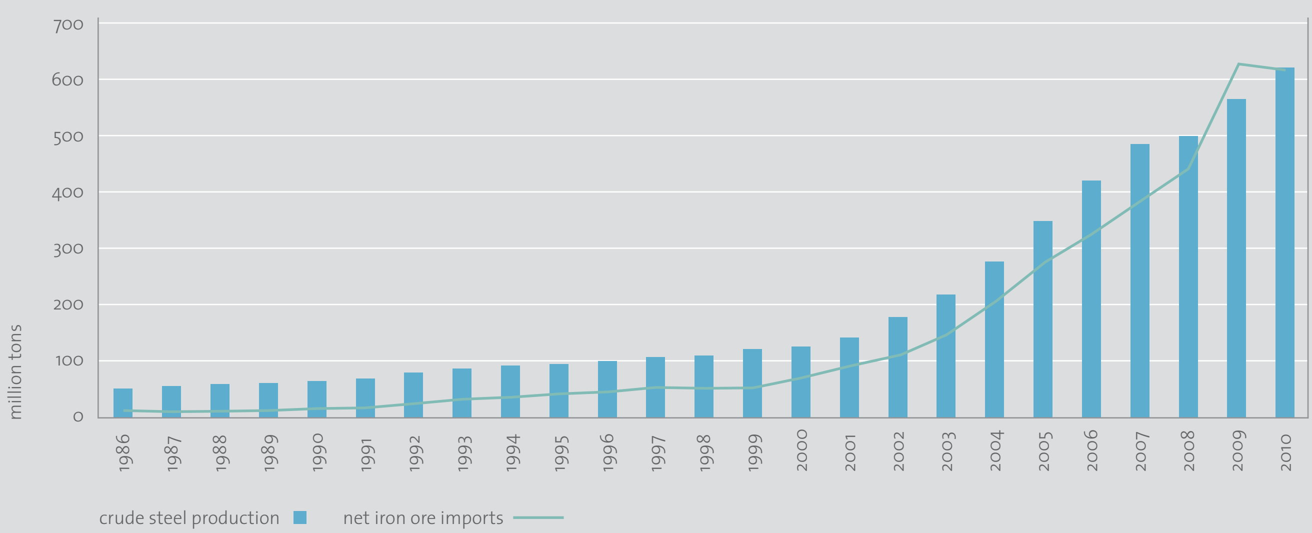
This insatiable demand for iron ore has been due to China's rapid, investment-led economic growth and urbanisation over the last decade. The bulk of the steel produced over this period has gone into infrastructure such as roads, railways, power stations and high rise buildings - in particular residential apartments.

Iron ore pricing

China's impact on the seaborne iron ore market has translated into a material increase in prices (see graph on the next page). At the current price of about $140/ton, iron ore producers are making record profit margins and new iron ore projects have payback periods of less than two years.

It appears that iron ore producers are of the belief that China will continue to grow at a very high rate and therefore carry on increasing its demand for steel. Such demand would cause iron ore prices to remain high. This view has incentivised iron ore

China crude steel production and iron ore imports



Source: UBS, Kagiso Asset Management research producers to start new projects with a potential increase in supply of up to 1 billion tons over the next 5 to 10 year period.

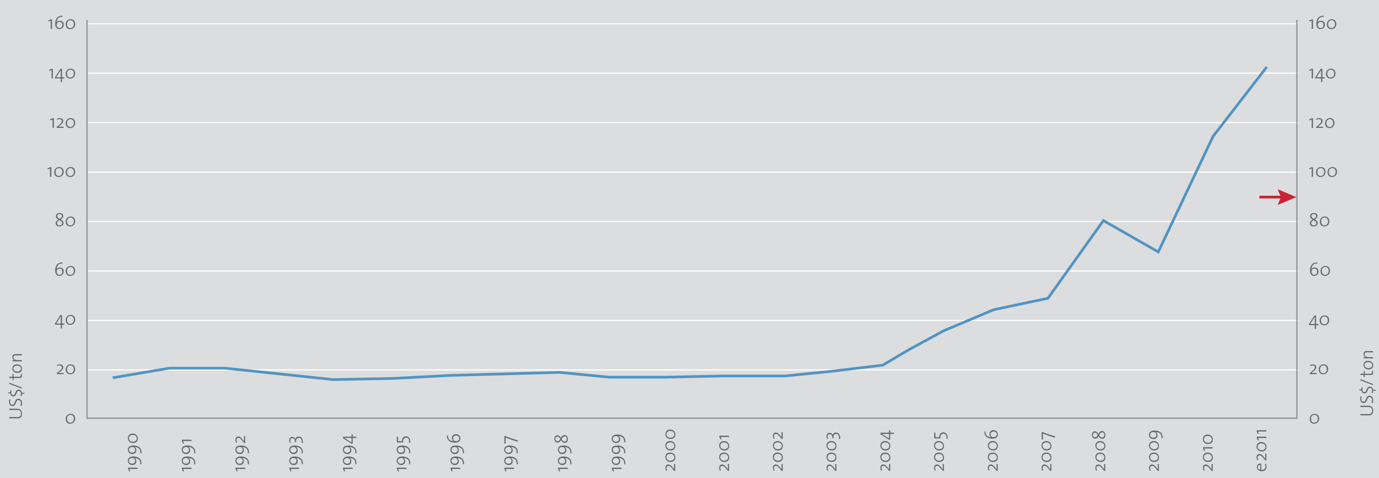
While we agree that China will continue to grow rapidly, we believe the rate of growth will moderate. This moderation in demand, together with the increasing supply, will result in a more balanced iron ore market (and perhaps even overcapacity) and a lower iron ore price. At Kagiso Asset Management we use a long-term equilibrium 'normal' iron ore price of $90/ton when analysing mining companies with iron ore operations, which is significantly above the long-term historic average price.

Conclusion

Annual global steel consumption is almost 20 times greater than the annual consumption of all other metals combined. Iron ore is therefore integral to the global economy and particularly the developing nations.

However, a slower growth rate in China coupled with increasing supply of iron ore, will lead to a more balanced market and declining iron ore prices. This will result in a substantial reduction in profits for iron ore producers and we therefore have a cautious view on companies with high iron ore exposure.

Annual seaborne iron ore price



Kagiso Asset Management's long term iron ore price forecast

Source: UBS, Kagiso Asset Management research

China’s internet opportunity

Gavin Wood - Chief Investment Officer

“In the midst of China’s furiously fast economic growth and development over the last decade, its internet sector has developed particularly rapidly. This growth has presented large returns to date for investors with foresight.

Chinese internet businesses have a number of unique advantages over their western peers, which, when coupled with China’s expected material growth in household incomes and continued rapid urbanisation, present a potentially lucrative investment opportunity for the future.”

JSE-listed Naspers offers significant exposure to one of China's top internet companies, Tencent, at a very attractive price.

Internet companies

Following the dotcom bubble bursting in 2001, the internet sector has matured. Many internet businesses struggle to monetise their large user bases, but, when they do, they can produce very high margins and high returns on capital.

There are huge advantages to being the number one player in an internet niche. This is due to the strong network effect of having so many others on the site, the costs of users moving their content elsewhere and the resources available to plough into continued technology development to keep abreast of trends and changes.

Rapid growth is possible due to scalability of the platform, negligible costs of distribution and the global reach of the internet. Traditionally, the internet has been led by the US, whose internet businesses tend to dominate the English-speaking world.

China's internet landscape

China currently represents the largest internet population in the world at 457 million people (34% of population) in 2010, who spend 18.3 hours online per week on average[1]. Some analysts project this will grow to 675 million people by 2014 (51%)[2]. US penetration is 78%, Japan is 78%, South Korea is 81% and Europe is 67%.

China's internet market has followed a similar pattern of evolution to that of the West, with some important differences. Broadband access is reasonable and relatively inexpensive, but significant telecommunication company investment still lies ahead. This will see wider broadband access at greater speeds and, importantly, a massive increase in mobile internet usage. Mobile internet adoption has been slower than in the West (921 million mobile subscribers, with only 81 million on 3G[3]).

The main internet companies in China are:
Alibaba: leader in B2B and B2C ecommerce
Baidu: leader in search (Google)
Youku: leader in video online advertising (YouTube)
Sohu: a portal offering search, online gaming, online video
Sina: leading media portal that has, to date, the most successful microblogging platform, Weibo (Twitter with a little Facebook)
NetEase: #2 online gaming operator
Renren: social network platform (Facebook)
Tencent: see below

China's internet market is different to the West in some respects. Online gaming consumes a particularly high portion of user time relative to other markets in the West; there is a large disparity between online usage and advertising spend relative to the West and there is still limited adoption of online retail. Growth in online advertising and the development of the e-commerce market still lies ahead.

While government control over the internet is present to some degree in all countries (eg making unsuitable content illegal), the Chinese government's control and regulation of the internet is particularly strong. Certain Western websites, such as Facebook and Twitter, are blocked, certain content is censored and there are extensive regulations governing companies operating on the web.

China's unique advantages

Chinese internet companies have certain unique advantages, some of which cause their market to be particularly attractive and some of which protect them against foreign competition.

China's internet market attractiveness stems from, amongst other things: less availability of alternative entertainment media than in the West; the 'one child' policy causing kids to socialize more on the web; high literacy and education standards causing a high affinity for internet usage and wide availability in the cities of broadband and internet cafes at an inexpensive price.

China's prevalent languages are not spoken much outside of the country and English (the traditional language of the internet) is very little understood. This language barrier, the use of Chinese written characters and the government intervention in the internet make it difficult for foreign internet companies to succeed in China.

[1] CNNIC [2] Barclays Capital [3] MIIT, June 2011

China's internet opportunity

Tencent

Tencent, based in Shenzhen, 45 minutes by car from Hong Kong, is one of China's largest and most successful internet companies. Known for its penguin logo, it was founded in 1998, launched QQ instant messaging in February 1999 and listed in Hong Kong in 2004. Its growth has been huge as China's internet market has exploded (see chart below). It also just happens to have a 34.3% shareholder in JSE-listed Naspers, one of South Africa's oldest media companies.

Tencent offers the following:
Mobile services: instant messaging, bundled SMS packages and mobile games, books and music services. This is its earliest platform and is still a large revenue generator, but is likely to decline in significance with the rise of social networking and smart phones.
Internet services: exposure to almost all sub-sectors of the Chinese internet industry: social media and social networking services, microblogging, portal, instant messaging, e-commerce, online payment, online gaming, video, wireless portal
Online advertising: mostly display and search advertising

The scale of Tencent's user base is staggering:
- Tencent QQ, the instant messaging system, has over 710 million active registered user accounts (72.7% market share).
- QQ.com is the number one portal (by traffic) with 147 million daily unique visitors in September 2011.
- Tencent is the largest social networking services provider by monthly time spent (see chart on the opposite page).

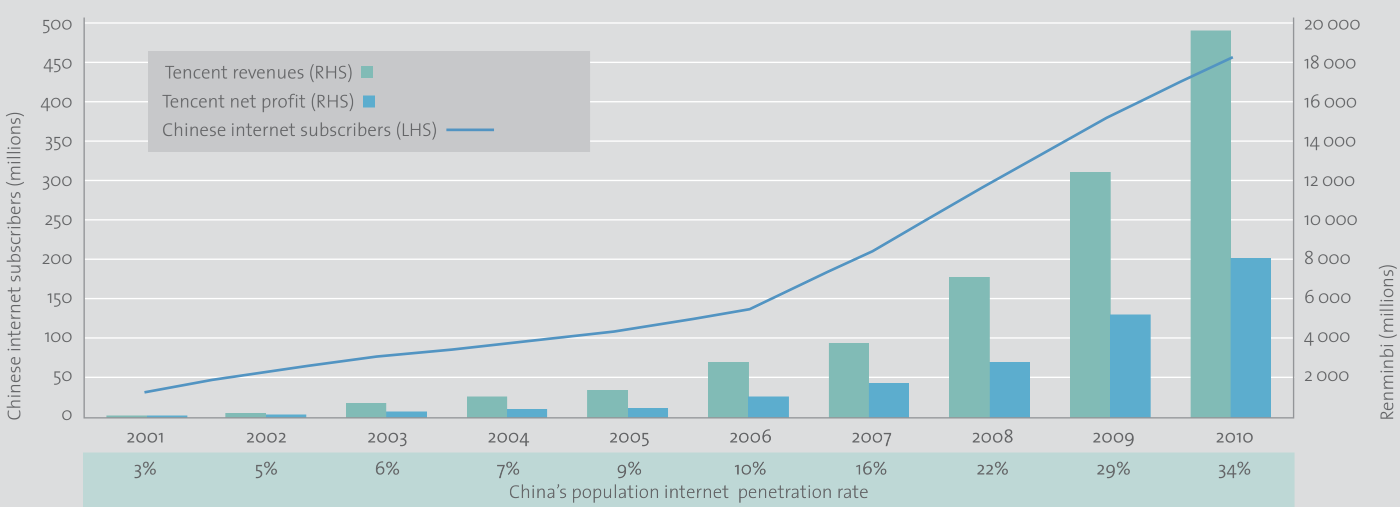
This scale of highly engaged users provides a number of advantages, namely:
- a strong network effect and user 'stickiness'
- a strong ability to cross-sell new products
- the resources to maintain a base of over 8 000 engineers for research and development and one of the largest server farms in the world and
- a highly appealing distribution platform for third party software developers

Perhaps Tencent's biggest attraction is that it has very successfully monetised its significant user base from an early stage - it has delivered positive operating cash flows since 2001.

For its mobile services, it receives revenue from subscription fees or item sales - paid to it via telephone companies, who perform the collection function for a fee.

It offers its internet services on a prepaid basis (Q-Coin cards are sold at retailers and its e-sales system wholesales to internet cafes and retailers), which produces a very positive working capital cycle. These services are mostly provided free,

Tencent grows with China's internet



Source: Tencent, CNNIC, DCO, Kagiso Asset Management research but they charge for the sale of virtual items (eg virtual gifts and accessories) and subscriptions (special privileges, premium features, discounts on in-game items).

Online advertising is sold directly to its corporate clients.

Online gaming - Tencent is China's largest operator and leading developer - currently represents over 50% of revenues. Game software, with names such as Dungeon and Fighter, Crossfire and League of Legends, is generally free for download. Revenue is then generated either by charging for time hooked into the main servers, which host the game content and the links to other players, or users are charged for virtual items bought in the game. Online gaming has proved to be very defensive to economic slowdowns, partly because it is such inexpensive entertainment and partly because its users are students or scholars, who are not generally employed.

The risks

Given the growth opportunities for Tencent from a continued rising internet user base and increased online spend per user, there are significant risks from competition. Since the internet and technology is evolving so rapidly, Tencent needs to invest continuously to defend its user base against competitors. Currently, it is investing heavily in microblog and online video, in actively migrating its Qzone users to Pengyou (its real-name social networking service), in building its e-commerce platform and in enhancing security software.

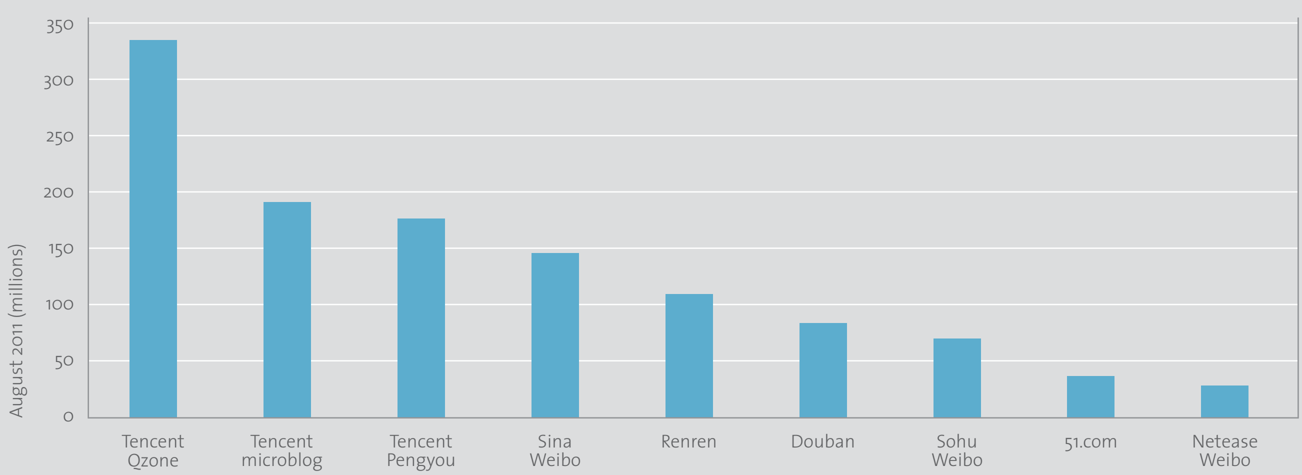
Growth rates in revenue are unlikely to be as high as in the recent past and margins are likely to be lower due to this need for ongoing defensive investment spend.

Appealing investment

Given its growth prospects and strong market position in China, we see Tencent as a very attractive investment for our clients' portfolios. It trades on a historic price:earnings (PE) ratio of 21x and has almost 10% of its market cap in cash on its balance sheet as at 30 September 2011. Contrast this with PE ratios of 26x and 42x for South Africa's Shoprite and Massmart respectively, which have significantly lower growth prospects and are looking very fully priced.

Tencent is available to South African investors via Naspers (73% of the market cap of Naspers). If one subtracts the Tencent investment from Naspers' market cap, the remaining excellent businesses of Naspers, such as pay TV and other emerging market internet companies, are trading on a PE ratio of just 4.3x. Alternatively, when we value the other Naspers businesses at our estimate of their intrinsic value, Naspers investors are receiving Tencent at a 35% discount to its Hong Kong market price.

Tencent: monthly unique visitors



Source: iResearch

Lonmin Platinum: turnaround potential

Jihad Jhaveri - Equity Analyst

In the platinum mining industry, there is significant capital expenditure (capex), time and risk involved in bringing new platinum shafts into production.

Lonmin Plc. (Lonmin), the world's third largest platinum producer (721 thousand ounces of platinum sold in 2011), is in the fortunate position of having already substantially developed and paid for three new shafts.

The replacement value of these shafts (net of remaining capex) is around 60% of Lonmin's R27 billion enterprise value (market capitalisation of R25 billion plus net debt of R1.9 billion as at 15 December 2011).

Lonmin is also one of only three fully integrated Platinum Group Metal producers (along with Impala and Anglo Platinum), and has further significant asset value in its suite of concentrators, smelters and refineries.

Lonmin's assets can be bought at a substantial discount to the market value

As can be seen in the chart below, Lonmin's shares are trading at close to the accounting book value of the company's assets. This in itself positions Lonmin favourably compared to its peers. The interesting investment question is what the replacement value of the assets is.

Replacement value of the mining infrastructure (shafts and inclines)

Lonmin's Marikana mine (the bulk of the company's value and our focus in this article) is a large lease area with seven shafts and a number of inclines. It is fairly difficult to estimate the replacement value of mining assets in general, especially because the depletion rate of reserves is key (a mined-out shaft is worthless).

However, Lonmin is unique in that a large part of its asset base consists of brand new shafts and so the value of these can be benchmarked quite accurately to recent industry project values[1]. Our valuation of Lonmin's other shafts and inclines includes a substantial discount that is conservative, considering that the mining life of these shafts and inclines is, on average, fairly high.

Replacement value of the above ground infrastructure

The capital costs required to build smelting and refining capacity is substantial and is outside of the reach of most platinum companies (in South Africa only Lonmin, Impala and Anglo Platinum have both smelting and refining capacity, and the rest of the miners are forced to use third parties).

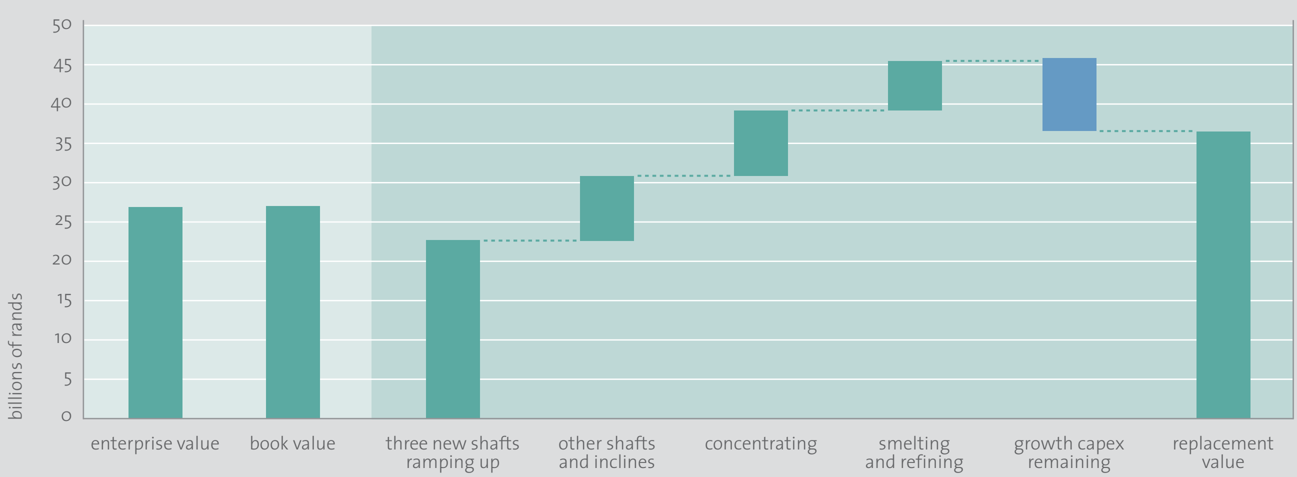
Lonmin currently has the refining capacity to produce over a million ounces of platinum, and to concentrate and smelt over 800 thousand ounces.

With the commissioning of its number 2 smelter early in May 2012 (also substantially paid for) and with the addition of a fifth concentrator, the group will be able to reliably sustain concentrating, smelting and refining capacity of close to a million ounces of platinum.

Again the assumptions needed to justify a replacement value for these assets are significant, especially since the benchmark for the last significant smelting investment in South Africa was Anglo Platinum's Polokwane Smelter in 2002. However, Lonmin's

[1] UP article April 2011, pg 10 (top table)

Lonmin: asset replacement analysis of Marikana



Source: Kagiso Asset Management research, company reports, Renaissance Capital

Lonmin Platinum: turnaround potential

continued maintenance spend on these assets leads us to believe that our values are sufficiently conservative.

Total replacement value of Lonmin's assets at Marikana

As seen in the chart on the previous page, we estimate that Lonmin's replacement value at Marikana is worth substantially more than the current enterprise value. Given the operational turnaround and the expected growth in production, our fair value for Lonmin is substantially above the replacement value.

Operational turnaround, growth plans - Lonmin should trade at a premium to its asset value

Lomin's new management team have outlined a credible growth plan, which will see its production rise by more than 50% to 950 thousand platinum ounces in 2015 from its low point in 2009. As illustrated in the chart below (left), a significant portion of the growth will come from the three new shafts mentioned earlier (Hossy, Saffy and K4), and, importantly, the group has produced more than 900 thousand ounces of platinum before.

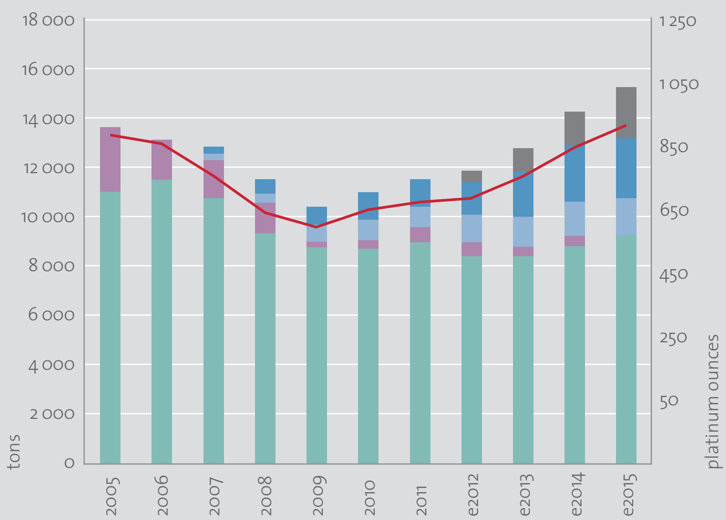
Ore reserve development can essentially by viewed as 'pre-mining', where significant mining costs are incurred (without any revenue) to prepare the ground for future mining. Lonmin now has 19 months of ore reserves, 60% higher than 2006 (as illustrated in the graph below on the right). This adds further confidence to the outlook for growth.

A significant portion of mining costs are fixed (will not increase due to higher volumes). This means that as more tons are mined at the same location, mining costs per ton (rand per ton) should increase at levels well below South African mining inflation. In addition, as indicated in the graph on the right, Lonmin's recoveries (a measure of how well management is minimising the metal that is lost in the processing stage), have improved substantially. This means that more platinum is recovered for the same cost base and, therefore, unit costs per platinum ounce should perform even better than costs per ton.

Conclusion

The above factors, when combined, mean that Lonmin should gradually move down the cash cost curve relative to its peers, and should once again be a significantly profitable platinum major. Its substantial existing asset base and development investment place it in a very favourable position relative to its peers, who must invest significant capex to maintain and grow production.

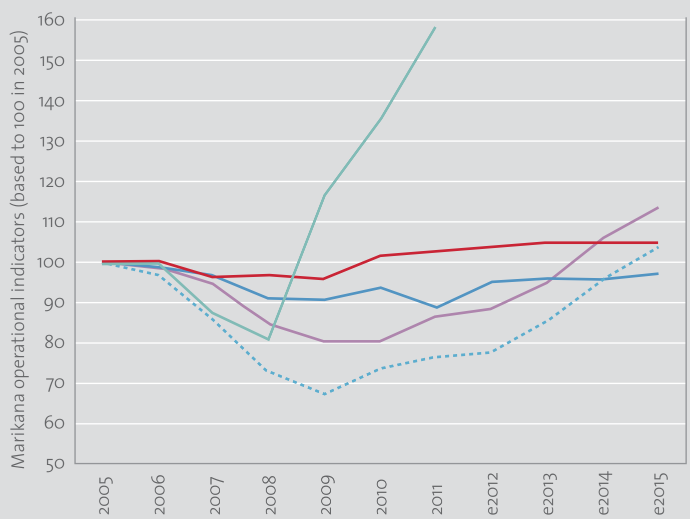
Marikana: production split (platinum ounces)



old shafts open cast Hossy Saffy K4 platinum
e = estimated

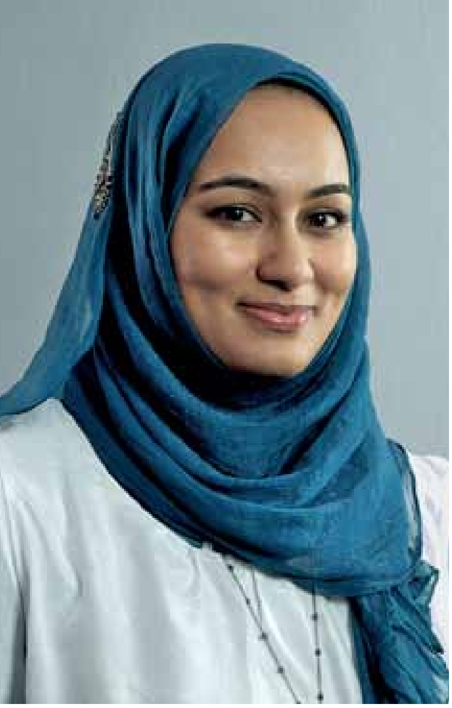
Source: Kagiso Asset Management research, company reports

Marikana: efficiency improvements



tonnage grade recovery platinum available ore reserves
e = estimated

Source: Kagiso Asset Management research, company reports



Turkey: hospitable, proud and searching

Zeenat Kalla - Trader

“When I think back on my trip to Turkey, there are many things that come to mind: the smell of freshly baked simit in the morning, the echoes of the many calls to prayer that rang through the city and the endless warmth of the Turkish people.

For me, the friendliness of the people was one of the highlights of my adventure. For example, my sister and I received an invitation to have tea and instead we were served a seven course meal. Another example was a hotel manager, who went out of his way to find us the best baklava in town when his shift was over, just because we had mentioned it once.”

Turkey: hospitable, proud and searching

As a bit of a food connoisseur, I cannot emphasise enough how wonderful the food was. Not as bland as in Egypt and not as spicy as in India, but just right for me.

I was also fascinated by the struggle for identity amongst the Turkish people - particularly the younger generation - and the strong sense of national pride.

Search for identity

Since the fall of the Ottoman Empire in 1923, Turkey has searched for its identity. Despite the majority of the population being Muslim, the government at the time of the change attempted to move towards a secular state. It banned both religious garments and the speaking of any language other than Turkish.

> 'I was fascinated by the struggle for identity amongst the Turkish people and the strong sense of national pride.'

The bans were only lifted in 1991. Most of the older generation only speaks Turkish and many of the women still dress in the European fashion of the 1920's - long overcoats and floral scarves, which is a 'disguise' for the more traditional religious dress code.

The younger generation is experiencing a different upbringing, with English, German and Arabic being taught in the schools, as well as a more western style of dressing. Due to the government encouraging people to learn English, there is a lot of demand for English teachers. During our journey we met many native English speaking people, predominantly from the UK, who initially visited Turkey just for a holiday and then decided to stay permanently.

In between

Turkey finds itself in the interesting position where it does not fit the bill as an 'Arab state' and has been shunned from joining the European Union. While previous governments have moved towards a secular state, the current government under Prime Minister Recep Tayyip Erdoğan, is more conservative and is trying to preserve the Turkish culture and to find a balance between religion and a secular lifestyle.

Pride

Despite this ongoing search for identity, one of the first things that strikes you as you step off the plane is the overwhelming sense of patriotism. The Turkish flag can be seen flying everywhere and shrines of the first president of the Republic of Turkey, Mustafa Kemal Atatürk, are dotted along the streets.

It is illegal to insult the former president or to insult any aspect of Turkish culture. We found this out the hard way when I tried to teach my sister some Turkish and she accidently pronounced Teşekkuler (Tuh-Sheck-Koo-Leir), which means 'thank you', as 'Tupac Shakur' (American rapper) and started giggling. The locals were not amused.

Women in Turkey

As women travelling alone in Turkey, we were concerned about our safety. However, we soon realized that there was nothing to worry about. Armed with the little Turkish I knew, we were able to navigate our way around the country without any incident. People were exceedingly helpful and, on the odd occasion when we did get lost, went out of their way to make sure we were taken care of. Men were courteous, offering to carry our luggage, giving up seats on the bus and opening doors.

Second time

Even though we were there for two weeks, it was too short. There were many historic sights (such as the battle site of Troy and the peaking heads of Mount Nemrut) that we didn't manage to see and, since Turkey lies on some of the biggest fault lines in the world, it makes sense to try to see as many as possible of these sites in case they are damaged by earthquakes. Overall, my trip to Turkey was a deeply satisfying journey on many levels and I will definitely return.

Kagiso Asset Management Funds

Performance to 31 December 2011	1 year	3 years[1]	5 years[1]	Since launch[1]	Launch	TER[2]
Collective Investment Scheme Funds[3]						
Equity Funds						
Equity Alpha Fund	4.9%	20.5%	11.4%	22.9%	26-Apr-04	1.46%
Domestic Equity General Funds Mean	3.2%	15.4%	6.8%	16.8%		
Outperformance	1.7%	5.1%	4.6%	6.1%		
Islamic Equity Fund	3.0%	-	-	18.1%	13-Jul-09	1.31%
Domestic Equity General Funds Mean	3.2%			17.0%		
Outperformance	-0.1%			1.1%		
Asset Allocation Funds						
Balanced Fund*	-	-	-	4.8%	3-May-11	n/a
Domestic AA Prudential Variable Equity Funds Mean				3.7%		
Outperformance				1.1		
Islamic Balanced Fund*	-	-	-	-1.9%	3-May-11	n/a
Domestic AA Prudential Variable Equity Funds Mean				3.7%		
Outperformance				-5.6%		
Protector Fund	0,2%	8.2%	6.6%	11.5%	11-Dec-02	1.46%
CPI + 5%[4]	11.5%	10.4%	12.0%	10.8%		
Outperformance	-11.3%	-2.2%	-5.4%	0.7%		
Stable Fund*	-	-	-	6.3%	3-May-11	n/a
Return on large deposits**				3.8%		
Outperformance				2.5%		
Institutional Funds[5]						
Equity Funds						
Managed Equity Fund	4.7%	20.3%	10.9%	13.6%	1-Sep-06	n/a
FTSE/JSE SWIX All Share Index	4.3%	17.9%	8.7%	11.5%		
Outperformance	0.4%	2.5%	2.3%	2.2%		
Core Equity Fund	4.3%	19.0%	9.8%	19.5%	1-Nov-04	n/a
FTSE/JSE SWIX All Share Index	4.3%	17.9%	8.7%	18.4%		
Outperformance	0.1%	1.1%	1.2%	1.0%		
Asset Allocation Funds						
Domestic Balanced Fund[6]	10.1%	17.1%	-	8.7%	1-May-07	n/a
Peer Median[7]	12.0%	17.7%		8.5%		
Outperformance	-1.9%	-0.7%		0.2%		

[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 31 December 2011; [3]Source: Morningstar; net of all costs incurred within the fund; [4]CPI for December 2011 is an estimate; [5]Source: Kagiso Asset Management; gross of management fees; [6]Domestic Balanced Fund and benchmark returns to 30 November 2011; [7]Median return of Alexander Forbes SA Manager Watch: BIV Survey; *These funds were launched on 3 May 2011 and, therefore, performance figures since inception are not annualised; **Return on deposits of R5 million plus 2% (on an after-tax basis at an assumed 25% tax rate).

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