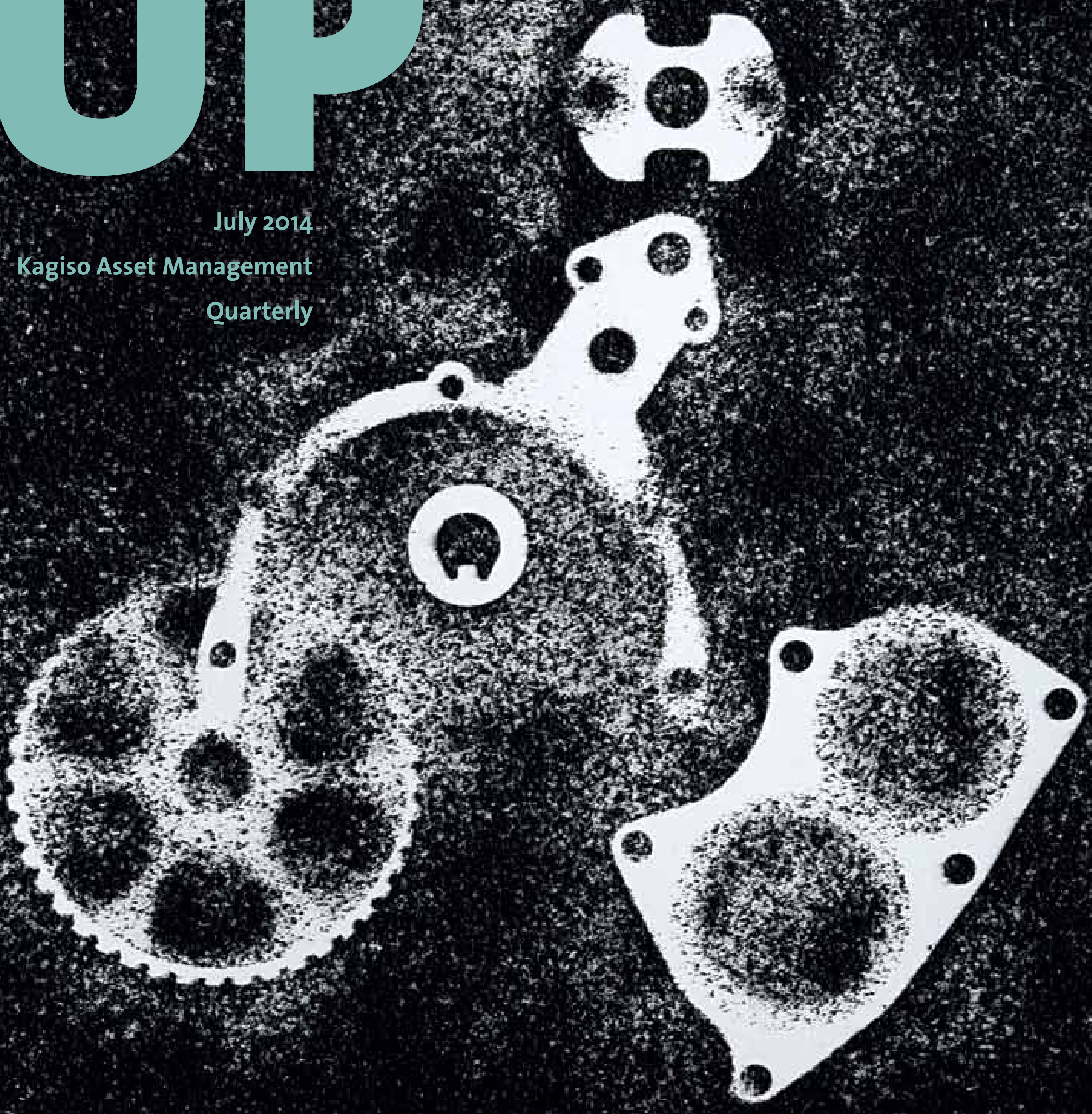
UP

July 2014

Kagiso Asset Management

Quarterly



Global brewers: working harder for growth pg 1

Volkswagen's ambitious vision pg 5 | The coal conundrum pg 13

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Global brewers: working harder for growth

Dirk van Vlaanderen - Investment Analyst

"The last 15 years have been characterised by significant consolidation in the global beer industry and have resulted in the emergence of a clear 'Big 4', - Anheuser-Busch InBev (AB InBev), SABMiller, Heineken and Carlsberg. These four brewers now account for 52% of global beer volumes, in stark contrast to the beginning of the millennium when the top four brewers held only a 22% global market share."

Global brewers: working harder for growth

This wave of merger and acquisition (M&A) activity has contributed meaningfully to the sector's robust earnings growth over this period via the extracting of material revenue and cost synergies and through the utilisation of very inexpensive financing. With the mega deals now completed and significant future deals unlikely due to anti-trust issues or large blocking shareholders (Heineken and Carlsberg), the global brewers can no longer rely on acquisition-led growth. They are therefore improving their cost efficiencies, becoming better brand managers, and are focusing on generating sustainable organic revenue and profit growth.

Developing markets remain attractive

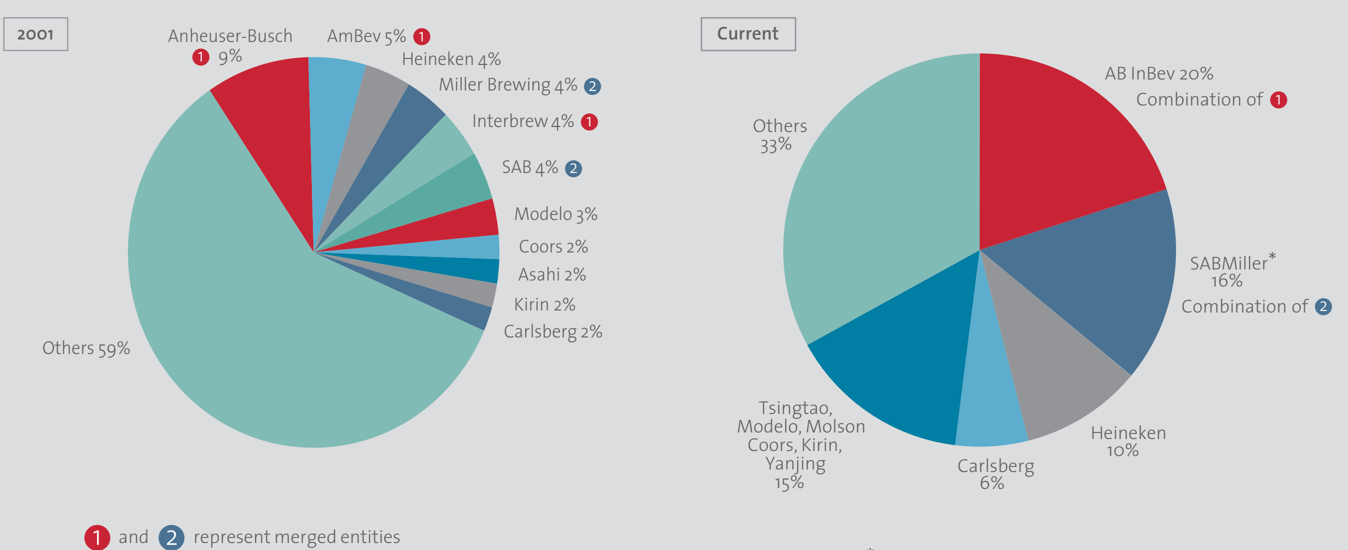
Since the start of the global financial crisis in 2008, developed markets - particularly the US and Western Europe - have shown consistently negative beer volume growth. Heightened unemployment and an ageing population (which has caused a structural shift to higher consumption of wine and spirits) have taken their toll on mainstream lager volumes.

Developing markets have continued to show positive volume growth through the recession and, although we have seen a modest slowdown in volume growth rates in recent years, we believe the long-term structural factors supporting growth remain strong. This is particularly the case in Africa and Asia, where 2013 consumption per person per annum of eight and 15 litres respectively is significantly below Europe and the US (60 litres and 70 litres per person per annum, respectively) - see chart on opposite page. With a large and relatively young population base and rising income levels, these regions should provide many years of sustained volume growth and rising prices.

China is the largest beer market by volume globally but industry over-capacity and very low pricing means that profitability is very low (around 5% operating margins) compared to other regions. There is potential for margins to rise as the Chinese beer industry consolidates and pricing increases, but this is unlikely to change materially in the next five to 10 years.

Africa and other Asian regions (particularly South East Asia) are very attractive given the strong volume growth outlook, combined with significantly higher profitability (20% to 30% operating margins). While the volume outlook for Latin America is not as strong (mainly because per capita consumption is already relatively high), this region still remains attractive when considering pricing and premium opportunities. Eastern Europe has been a very tough market since the global recession and,

Global beer market share



* Includes proportionate share of China Resources Enterprise volumes

Source: Jefferies International

with consumption already at levels comparable to the developed world, the growth outlook is not favourable for this region. We believe the brewers best placed to capture continued emerging market growth are SABMiller and AB InBev, which generate 73% and 55% of revenues respectively from emerging markets.

Premium beer is a developing market opportunity

With volumes declining in developed markets and moderating in some developing markets, the brewers' ability to increase prices and improve product mix by shifting sales to more expensive (ie more profitable) beer becomes crucial. In general, premium beer is around 50% to 70% more profitable per hectolitre than mainstream lager and, therefore, remains an attractive proposition.

In markets such as Brazil, Mexico and China, premium beer only accounts for 2% to 6% of the market versus 20% to 30% in most developed markets, and over 50% in France (see left chart over the page). This highlights the potential upside as income levels rise and consumers shift to more premium brews. The Big 4 have stepped up the deployment of their global brands to address this opportunity, particularly in markets where they already have strong local operations, and are seeing encouraging results. Examples are the launch in 2012 of Budweiser in Brazil and the ongoing success of the brand in China.

'Crafty' tactics in developed markets

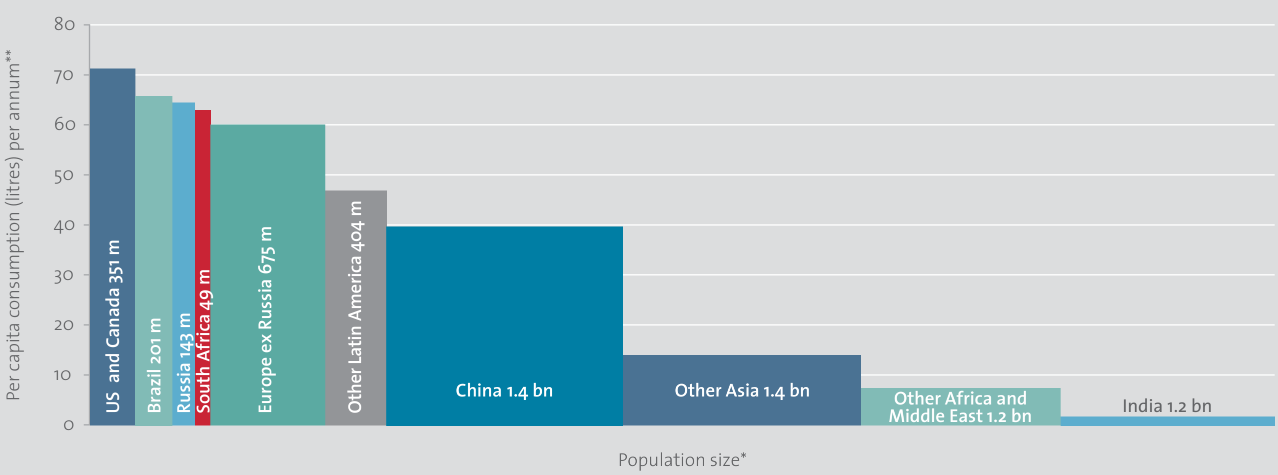
The rise of craft and import beer has added further pressure to the large mainstream lager brands. Craft beer is a global phenomenon but it is most advanced in the US market and makes up around 8% of US beer volumes and 14% of industry sales. In the US, growth in this segment has been robust in the past 10 years and, in 2013, craft beer volume growth was 18% versus a 2% decline for the total US beer market. The craft and import segments of the US beer market have been virtually unaffected by the global recession as volumes in the more premium segment of the market have continued to grow north of 15%.

Initially, the large brewers dismissed craft beer as a 'fad' and 'too small to matter'. However, in an effort to tap this growing segment, they have increasingly been investing behind their own craft brands such as SABMiller's 'Blue Moon' and 'Leinenkugel', and AB InBev's 2011 acquisition of 'Goose Island'. Craft beer is here to stay and we watch with interest as the large brewers adapt their product offerings to capture some of this growth.

From beer to 'near-beer'

The brewers have also begun to get more creative in launching 'near-beer' offerings in Europe, such as 'Radlers' (similar to a

Regional beer consumption and population size



*Global population = 7 bn
**Average per capita consumption = 28 litres per annum

Source: BofAML, Global Research estimates and Canadean

Global brewers: working harder for growth

shandy) and 'Desperados' (a tequila flavoured beer produced by Heineken). In 2012, AB InBev launched a malt-based margarita-style drink called 'Bud Lite Lime-A-Rita', which has had phenomenal success in the US, while SABMiller's 2013 launch of 'Redd's Apple Ale' in the US has also been well received. Locally, SABMiller's 'Flying Fish' is another example of this type of category development.

These products often attempt to capture different drinking occasions with Radlers (low alcohol content), for example, competing with soft drinks as a refreshment proposition. Innovations are also increasingly targeted at the female segment of the market, which has traditionally not been well addressed by the brewing industry. These innovations allow the brewers to sell more profitable products in an effort to offset volume declines in their less-profitable mainstream brands.

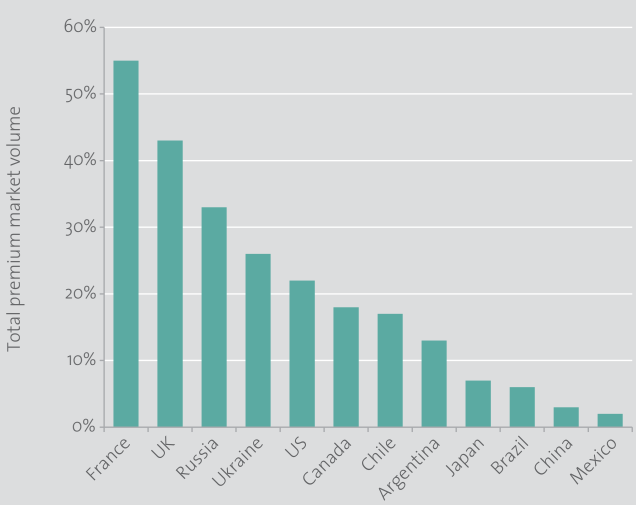
Addressing the cost base

Following the big wave of sector M&A activity, the brewers are looking internally for ways to optimise costs and to become more efficient. AB InBev has the reputation of being the most ruthless on cost efficiency by applying an annual Zero Based Budgeting approach, which enables a very lean cost base. The other three big brewers are currently implementing significant projects to centralise their procurement functions and standardise IT platforms in order to improve efficiencies in all aspects of the business (such as procurement, supply chain, working capital, production and reporting). In our view, a significant amount of these savings will need to be re-invested into the businesses to generate growth and offset margin pressure in developed markets.

Great companies, peak valuations

The Big 4 have evolved into well-diversified, global companies with strong brand portfolios. However, it is unlikely that they will be able to emulate the robust growth rates delivered in the last 15 years. These companies are trading on an average 21x PE ratio on forward earnings, significantly above their long-term average of around 16x. We therefore believe there are more attractive investment opportunities for our clients elsewhere. UP

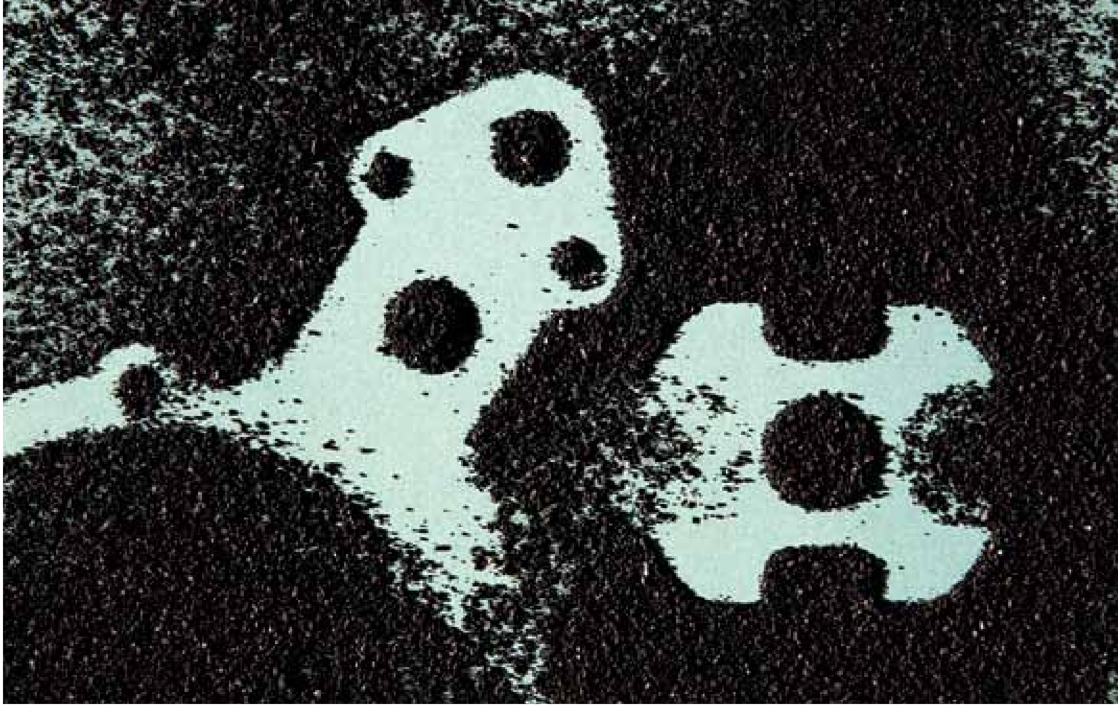
Premium beer penetration



Source: Jefferies International

Big 4 global brand portfolio

Source: Individual companies



Volkswagen's ambitious vision

Simon Anderssen - Investment Analyst

"Vehicle manufacturing is an inherently capital-intensive industry that requires significant expenditure to design, test and deliver a new model to market, let alone the investment in factories and logistics required to produce these vehicles.

In a truly global industry where competition is fierce, manufacturers frequently rely on brands to differentiate their product and appeal to a targeted market segment. However, within each segment, pricing-power is limited because price is typically a key factor in consumers' purchase decisions, given the high-value nature of the product."

Volkswagen's ambitious vision

With fleeting advantages in underlying product performance and limited pricing-power, scale and production efficiency are important determinants of profitability across the industry. The winners in the mass-volume market over the coming decades are likely to be those firms that are able to appeal to the broadest market through a diverse product offering, while achieving the lowest average cost of production. Volkswagen (VW) has anticipated these trends and has been the most proactive manufacturer globally to position itself to capture the future benefits.

Modular toolkits

VW is undertaking the most ambitious production strategy across the industry by seeking to standardise production under three assembly platforms[1], called Modular Toolkits.

The largest of these is the Modular Transverse Toolkit, with the German acronym of MQB, on which most of the group's front-wheel drive vehicles will be produced. MQB is unique because, unlike shared assembly platforms used by most Original Equipment Manufacturers (OEMs), which feature a common chassis and various 'top-hats' for different models, it allows for significant variability.

As shown in the image below, only the engine positioning and the distance between the front axle and pedal box are fixed. All other measurements are variable. This means small models (eg VW Polo) can be manufactured on the same production line as physically larger models (eg VW Jetta).

Model variety is achieved by assembling variations of standard vehicle modules (chassis, body and trim, engine and transmission) in a standardised process where tooling and processes (ie toolkit) are the same, therefore the term 'Modular Toolkit.'

For example, keeping much of the engine and suspension module the same, VW produces the Golf VII alongside the Audi A3 on MQB. Similarly, two vehicles that are otherwise identical can be produced at the same facility where one is powered by a diesel engine and the other an electric motor.

MQB is ambitious because VW aims to produce over 4.5 million vehicles across 40 models on the MQB platform by 2019, making it the largest production platform in the industry.

Commonality in the production process will not only be achieved in the mass-volume passenger car segment, but also in the group's premium vehicle brands under other modular toolkit programs. For instance, the new Porsche Macan shares a third of its platform with the Audi Q5.

[1] Shared production processes across distinct vehicle models

VW's MQB platform

Source: Volkswagen

The main purpose of the modular toolkit strategy is to improve efficiency and reduce costs. VW have, to date, provided limited guidance on the likely future economic benefits to the company but have suggested that the modularisation strategy could save 20% of the variable cost of production. This implies considerable potential savings over the next eight years, given the expected increase in volumes on the MQB platform (see chart below left). Most of this economic benefit will be re-invested in price and quality that, in turn, should spur volume growth and thereby further lower the average cost of production per vehicle.

Most major OEMs are embarking on a production standardisation strategy to lower costs. However, none matches the high degree of production standardisation and model flexibility of VW's Modular Toolkits, which we expect will lead to a sustainable production-cost advantage for the group.

Maximising average revenue per vehicle

Many consumers would be surprised by the quality and breadth of the group's brand portfolio, which includes iconic badges such as Porsche, Bentley and Lamborghini alongside the 'People's Car', VW and premium-segment leader, Audi (see visual below right).

This deliberate multi-brand portfolio gives VW considerable flexibility to tailor its offering to each market segment and maximise revenue and volume. It also allows the group to maximise the return on investment in research and development by not only releasing technology through its model hierarchy (Golf to Polo), but also across brands (VW Golf to Seat Leon).

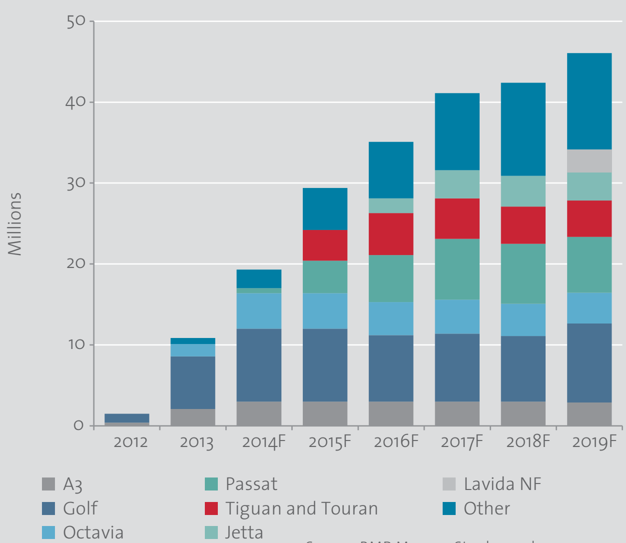
Leading in China

China surpassed the US as the largest passenger car market in 2010 and car sales have increased 22% per annum over the last five years. In 2013, 18 million cars were sold in China, compared to 15.5 million in the US.

Despite already being the single largest market, vehicle penetration in China is half of what it was in fellow BRIC countries, Russia and Brazil, when income per capita in these countries was at a similar level to China in 2013 (see graph over the page).

This is a remarkable statistic and highlights the significant potential for future growth in vehicle sales, off a very large base, if the difference in penetration between China and its peers narrows as income per capita grows.

Number of vehicles produced on MQB platform



Source: RMB Morgan Stanley and company reports

VW's passenger vehicle brands

Source: Company report

Volkswagen's ambitious vision

VW has been operating in China for over three decades and its market share of passenger cars exceeds 20%. This is more than double the next largest competitor. Foreign firms, like VW, are required to partner with Chinese companies and the vehicle producer has two very successful joint ventures with Shanghai Automotive Industry Corporation and FAW Group - two of China's largest vehicle manufacturers. Many of VW's foreign competitors have been unsuccessful in China because of failed partnerships.

The group's share of profits from these joint ventures has increased tenfold over the last five years and contributed 35% to pre-tax profit in 2013. Strong dividends from these joint ventures in 2013, despite ongoing capital expenditure to expand production capacity, show how VW shareholders are extracting substantial returns from these investments.

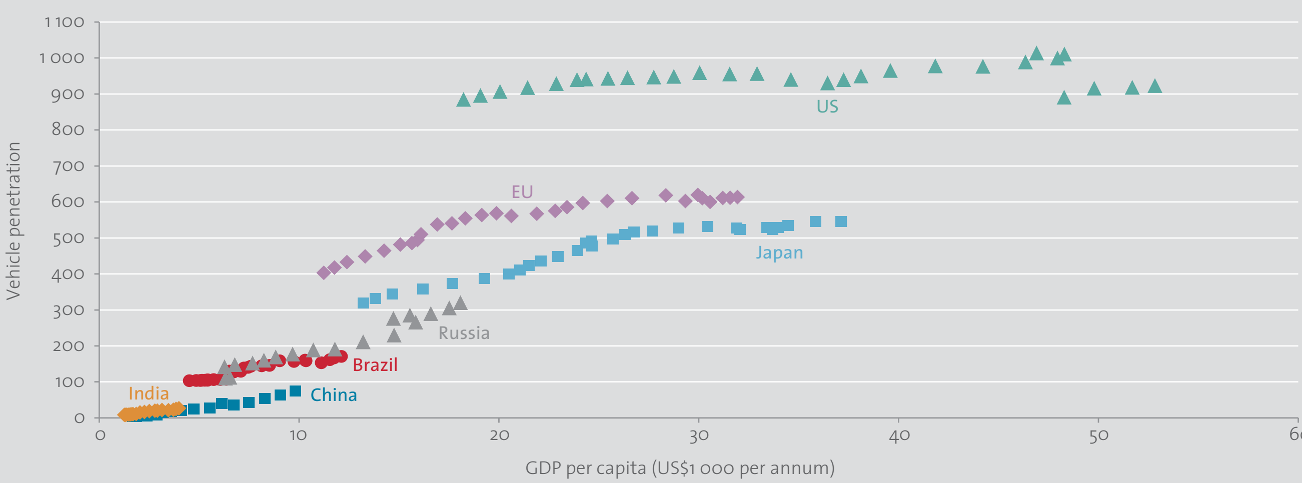
Given its market share, we believe VW is well placed to benefit from future growth in car sales and we expect China to contribute significantly towards group profit growth.

Well positioned for the recovery

The global financial crisis and ensuing recessions resulted in a significant decline in global car sales (particularly in VW's core European market) and decimated industry profits. Throughout this period, VW continued to invest in its Modular Toolkit strategy, its brand portfolio (the 2011 consolidation of Porsche is an example) and its joint ventures in China.

As economic growth returns to the US and Europe, and new car sales recover, VW is well positioned to benefit from its strategic investments. We believe the current share price undervalues the future profits this strategy will deliver, and we hold VW in our global portfolios on behalf of our clients. UP

Vehicle penetration per country[1]



[1] Number of passenger vehicles per 1 000 population of driving age

Source: Citi Research, IMF, UNI and JD Power

Hospital groups face tougher times

Aslam Dalvi - Investment Analyst

Private hospitals in South Africa are ranked among the best in the world when considering quality of care, available facilities and medical technology. The sector is dominated by three listed groups - Mediclinic, Netcare and Life Healthcare.

Over the last decade, these companies have benefited from a growing medical aid base, an ageing insured population and a relatively high burden of disease. Strong business management and disciplined capital allocation in South Africa have supported the delivery of consistent double digit profit growth.

Hospital groups face tougher times

The sector has grown earnings by around 15% per annum over this period, while share prices have performed even better. The consistent track record of earnings delivery and favourable fundamentals have resulted in the market attributing increasingly lofty valuations to companies in the sector. However, we believe that medium-term growth will slow due to a number of challenges that lie ahead for private hospital companies.

Healthcare landscape

South African healthcare spend is around R250 billion per annum, of which the private sector accounts for around R130 billion. As a share of GDP, South Africa is in the top quartile of developing nations, with expenditure currently at around 9% of GDP (see chart below).

South Africa has around 120 000 hospital beds, of which 35 000 are in the private sector[1]. Netcare is the largest private hospital group, with a market share of 26%. Life Healthcare and Mediclinic have 24% and 21% market shares respectively, while the smaller independent operators have a collective share of around 25%.

The listed groups have hospitals countrywide, while the independents tend to be more regionalised, dominating in the Free State and the North West. Netcare has 36% and 32% shares of the Gauteng and KZN markets respectively, Life Healthcare dominates in the Eastern Cape (68% of private beds) and Mediclinic has the largest market shares in the Western Cape, Northern Cape, Mpumalanga and Limpopo.

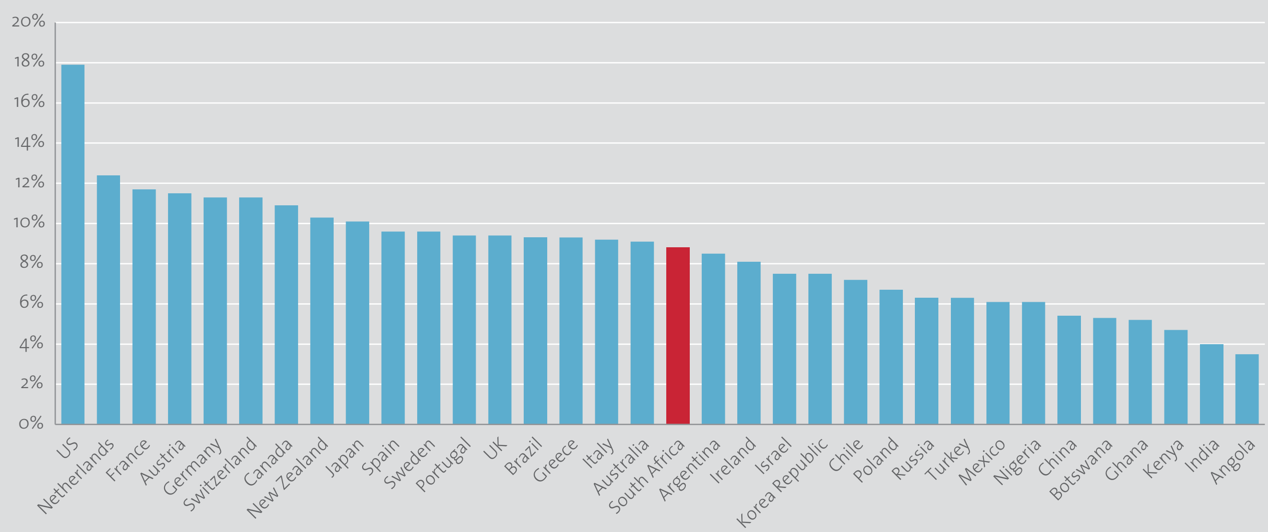
An attractive business model

One of the differences between local and international hospital groups is that local companies are not allowed to employ doctors. As a result, these hospitals earn their revenue largely by renting out facilities. The business model is therefore very similar to that of a hotel, which charges a daily fee per room. Revenue is derived from the 'room rate' that can be charged and the occupancy levels that are achieved (for how long facilities are 'rented out').

In a hotel group, tariffs and occupancy rates tend to fluctuate with the business cycle, leading to some cyclicality in earnings. In the case of a hospital group, demand is less cyclical and typically grows by around 2% to 3% per annum in South Africa. This is because healthcare usage is a non-discretionary, high priority consumer 'purchase'. In addition, the impact of ageing leads to a higher length of stay and more complex (and higher value) cases.

[1] Hospital Association of South Africa

Total healthcare expenditure as a percentage of GDP



Source: OECD (2013 'Healthcare at a glance' report)

This combination of steady volume growth and stable pricing is responsible for the defensive nature of hospital revenue, which has grown by 10% per annum over the last seven years.

The high capital requirements and high fixed costs have resulted in a large degree of operating leverage across hospital groups. We estimate that fixed costs account for around 55% to 65% of total costs. This means that, as volumes grow and occupancy levels rise, total cost growth is lower than revenue growth - leading to an expansion in profit margins (see left chart below).

Currently, occupancy levels across the industry, at 69%, are relatively high. We consider a hospital full at around 70% occupancy, seeing that local specialists typically do not work on weekends, resulting in a very low weekend use of hospitals. Given already high occupancy levels, we foresee less leverage benefits going forward and would expect earnings growth to be closer to that of revenue.

A different decade ahead

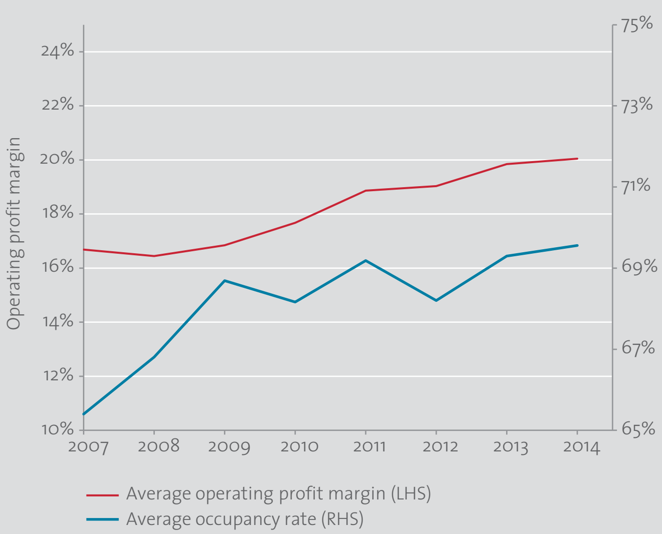
The industry has benefited from an ageing population, a high burden of disease and a relatively weak public healthcare sector. These structural drivers will ensure a continued rise in the use of and, therefore, demand for private healthcare services.

Given the high cost of private care, employment and growth in the medically insured population are additional factors that affect the overall spend on private healthcare. The local medical aid population has grown by 3% per annum over the last five years, which is well ahead of the growth in overall employment in South Africa. This is largely due to the introduction of the Government Employee Medical Scheme (GEMS).

In 2002, cabinet approved a framework for the development of a closed medical scheme that would cover public service employees and their families. This led to the establishment of GEMS in 2005, which has been very successful in growing the medically insured base. Importantly, excluding GEMS, we estimate the medically insured population has actually declined since 2005 (see right chart below).

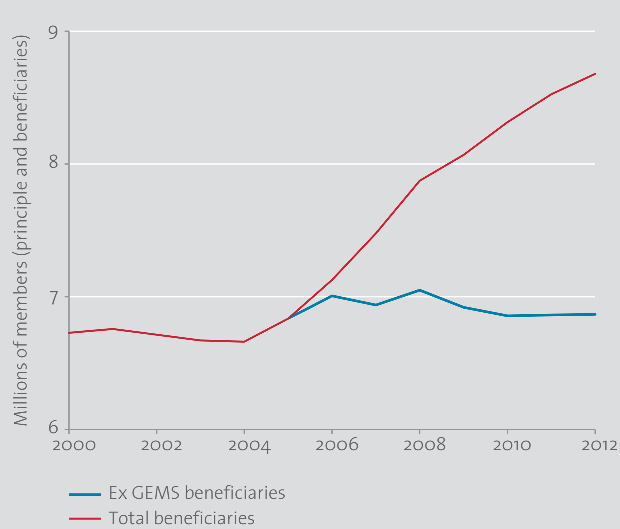
We believe the outlook for private hospital groups will be more challenging going forward as the contribution to insured life growth from GEMS will start to decline. GEMS already has close to 800 000 principle members out of a potential one million member pool. Additionally, the outlook for employment growth in the private sector remains weak and government employment growth is likely to slow due to fiscal constraints.

Listed hospital groups' operating leverage



Source: Credit Suisse and Kagiso Asset Management research

Private medical scheme membership



Source: Deutsche Bank

Hospital groups face tougher times

Industry challenges

Regulation

Considering the rising cost of medical care globally, more intensive regulation of healthcare is not unique to South Africa. The two main regulatory risks centre on:

- the introduction of National Health Insurance; and
- the recent competition commission inquiry into the healthcare sector.

Both these risks could lead to increased pressure on hospital tariffs and, therefore, industry profitability.

Competition

The day surgery industry in South Africa remains small with 15% of all hospitals offering facilities, compared to 50% of all hospitals in Australia and the US offering day surgery. Procedures performed at day surgery centres can be up to 50% cheaper than at traditional hospitals, providing a strong incentive for medical aid schemes and patients to use these facilities. The recent listing of Advanced Health, which will be rolling out a network of high quality day surgery centres, highlights the changing competitive landscape and will negatively affect private hospital groups' profits as volumes shift to these new facilities.

Skills shortage

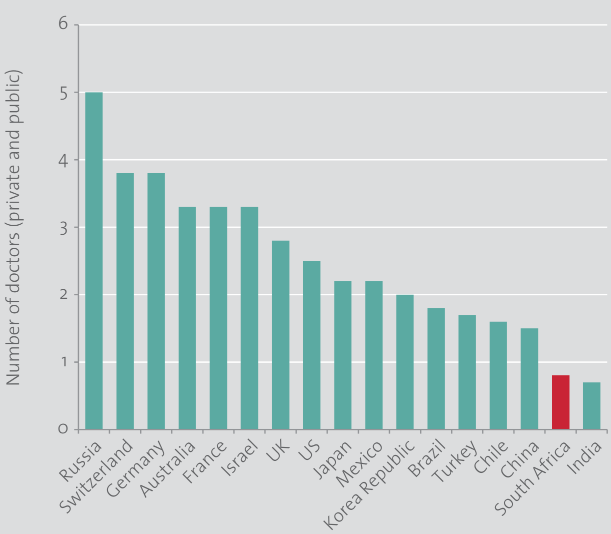
Another challenge in the industry is the shortage of skilled personnel (see charts below). In particular, nurse shortages are a major problem as nursing accounts for around 50% of total costs. South Africa has around one nurse per 1 000 people. The private sector has just over one doctor per 1 000 people and the statistics are worse in the public sector (around one doctor per 3 000 people). These metrics are substantially lower than other middle income and more developed countries.

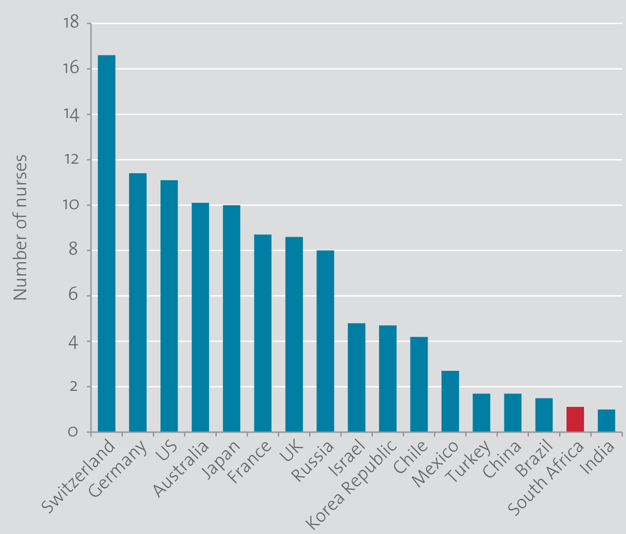
The road ahead

The private hospital sector has delivered a strong performance over the last decade and outperformed the market by 4.5% per annum.

While the outlook for private hospital companies remains favourable, challenges ahead include potentially more intrusive legislation, a slowing medical aid base and cost pressures from a lack of skilled staff. In addition, occupancy levels are already high, limiting the potential for margin expansion for hospital groups and share prices are very high. This leads us to adopt a cautious view on the sector's investment return potential. UP

Practicing doctors and nurses per 1 000 population





Source: OECD (2013 'Healthcare at a glance' report)

The coal conundrum

Rubin Renecke - Investment Analyst

"Coal is a strategically important commodity for the South African economy. As a major employer, the coal mining sector contributes 3% to GDP and 6% to export revenues. We indirectly consume coal on a daily basis via our use of electricity. Coal costs account for 25% to 30% of the price we pay for electricity and are partly to blame for the large increase in electricity prices over the last five years."

The coal conundrum

Eskom, South Africa's state-owned power utility, generates 95% and 45% of the electricity used in South Africa and Africa respectively. The power utility produces the majority (92%) of its electricity from 13 coal-fired power stations.

Six listed companies produce 90% of South Africa's annual coal production of 260 million tonnes, with Anglo American being the largest producer, followed by Glencore, Sasol[1], Exxaro, BHP Billiton and African Rainbow Minerals (see chart below).

What is coal?

Coal is a fossil fuel formed from the decomposition of organic materials that have been subjected to geologic heat and pressure over millions of years. The degree of change undergone by coal as it matures during this period has an important bearing on its ultimate physical and chemical properties, and is referred to as the 'rank' of the coal. Low rank coal has high moisture levels, low carbon content and therefore low energy content. Higher rank coal has lower moisture content, contains more carbon, produces more energy and is generally harder and stronger.

The two main types of coal are thermal and metallurgical coal, primarily used in power generation and steel-making respectively. In this article, we focus on thermal (or steaming) coal which, as the name suggests, is used for generating steam in power generation. Thermal coal is also used in cement making and other power intensive industries. The diagram on the opposite page represents a comprehensive view of the different types of coal, world coal reserves and the various uses of coal.

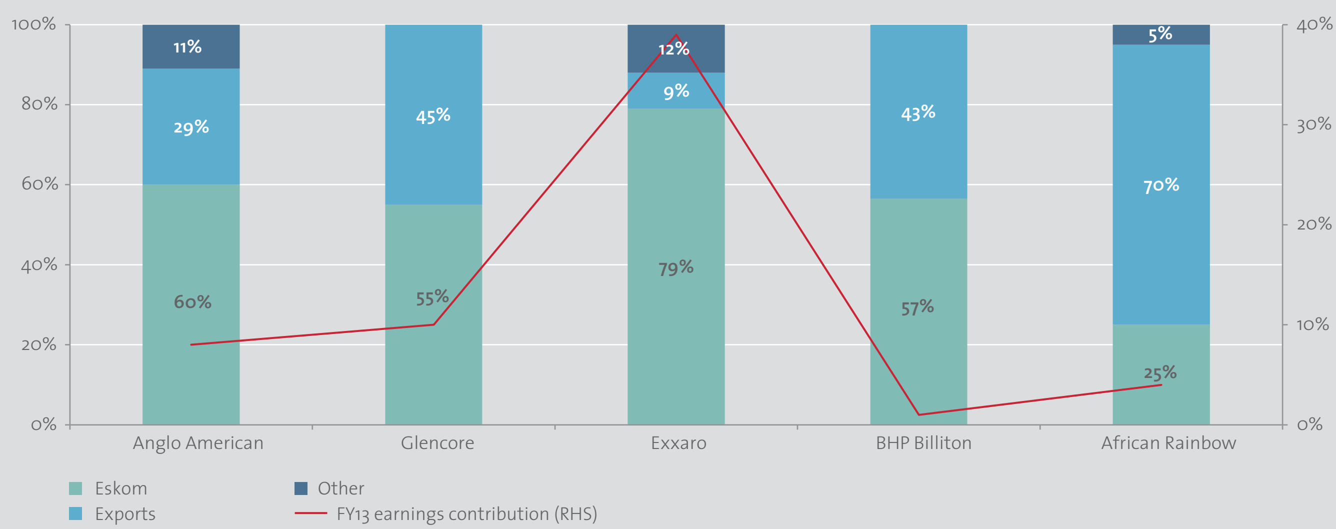
The coal mining method used is determined by the geology of the deposit and is either an underground or open pit technique. Underground mining accounts for almost 60% of total world coal production.

Global thermal coal trade

China, the US and India are the three largest thermal coal producers in the world, with almost all production used domestically. China imported around 192 million tonnes of thermal coal in 2013 - large in the context of the seaborne (export) coal trade of 865 million tonnes, but modest when compared with domestic coal production of around 3.8 billion tonnes. Indonesia is the world's largest supplier of seaborne thermal coal (40%), followed by Australia (20%), Russia (10%), Colombia (9%) and South Africa (8%). The map over the page depicts the global seaborne thermal coal trade and the relative sizes of the major importers and exporters.

[1] Sasol has no exposure to Eskom and contributes 6% to exports.

SA thermal coal producers' exposure to Eskom and exports



Source: Company data and Macquarie Research (January 2014)

The seaborne thermal coal market is crucial for South African coal producers. The export thermal coal price is set by the supply and demand fundamentals of the seaborne trade, and profit margins on exported coal are significantly higher than they are for domestic supplies. Of the stocks listed on the JSE, Glencore is currently the world's largest thermal coal exporter (98 million tonnes of exports), BHP Billiton is the third largest (43 million tonnes) and Anglo American ranks as the sixth largest (34 million tonnes).

Coal pricing

The export thermal coal price has been under considerable pressure over the last few months following years of very robust prices. The year to date average price is around US$76 a tonne, compared with an average price of US$95 a tonne between 2008 and 2013. A number of important factors are contributing to the current weak pricing environment. These are:

- continued supply growth from major producers such as Indonesia and Australia;
- the shale gas and oil revolution in the US, which has displaced coal demand and resulted in US coal making its way to the export markets; and
- a slowdown in the economies of the major importers, particularly India and China.

Our long-term price estimate is US$80 a tonne, based on our estimate of the marginal cost of production.

The South African coal market

South Africa is the world's seventh largest coal producer. About 70% of local production is used domestically and the balance is exported, making the country the fifth largest coal exporter (77 million tonnes in 2012) worldwide. Based on recent studies[1], recoverable coal reserves amount to about 33 billion tonnes.

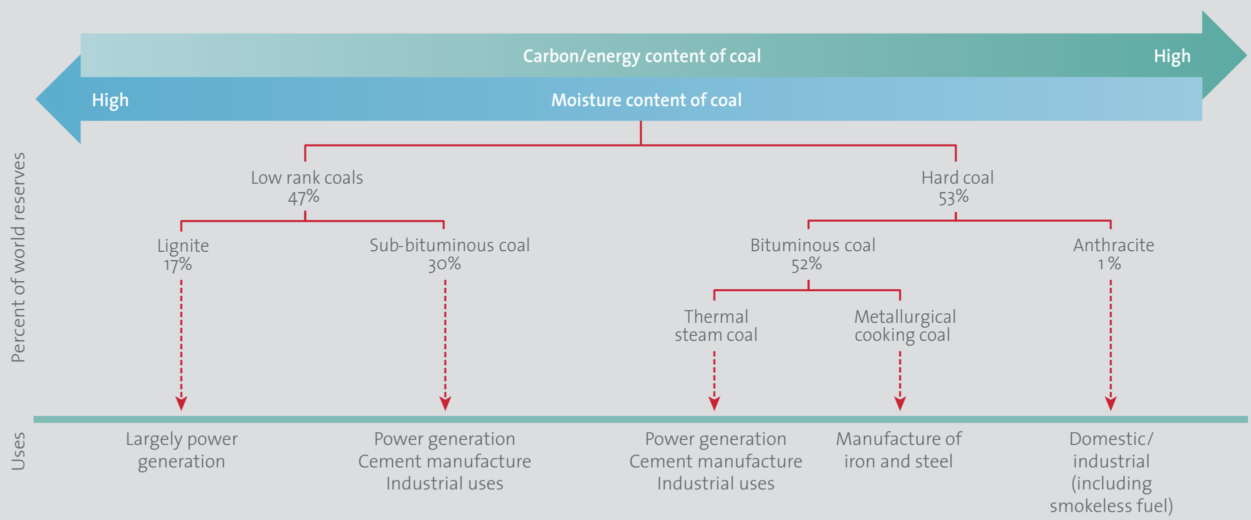
The major coalfields are located in the northern part of the country. The most important are the Highveld (29% of reserves), Witbank (26%) and Ermelo (13%) in Mpumalanga as well as the Waterberg (20%) in Limpopo.

Richards Bay Coal Terminal is the world's largest export coal terminal. Opened in 1976 with an original capacity of 12 million tonnes per annum, it has grown into an advanced 24-hour operation with a design capacity of 91 million tonnes per annum.

Coal is South Africa's third-largest mineral export by value.[2] Despite the significant remaining coal resources, industry growth is hampered by uncertainty around Eskom demand (given delays in the building of new power stations), rail infrastructure (to enable transport of coal to the coast) and potential regulatory intervention.

[1] South African Coal Roadmap (July 2013)
[2] Macquarie report (January 2014)

Types of coal



Source: World Coal Institute

The coal conundrum

Cheap but dirty power

Coal-fired power generation has been the backbone of global economic growth over the last century. Coal is one of the cheapest sources of power but highly polluting. In general, developed economies are focussing on environmental policies that aim to reduce the reliance on coal-fired power generation, in favour of renewables and nuclear, due to its negative effect on the environment.

In China, the government recently imposed new restrictions that greatly increased the difficulty of opening new coal power plants in the country's three main economic regions.

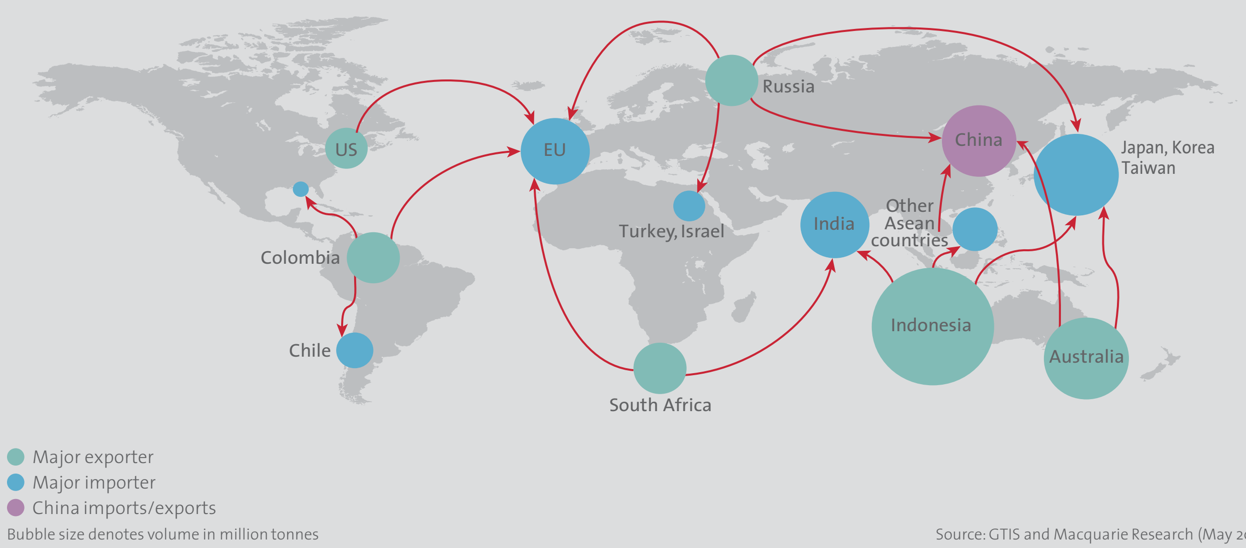
Most of Europe is undergoing a similar transition to the US, where the decommissioning of older coal-fired power plants is expected to outpace new additions over the next decade.

However, following the Fukushima nuclear disaster in Japan in March 2011, Japan and some European countries, such as Germany and the Netherlands, have opted to phase out nuclear and pursue coal-fired power generation as a safer source of electricity.

Coal is here to stay

The dilemma of cheap power versus environmental impact will continue to generate significant debate for decades to come. For developing economies like South Africa, which has abundant coal reserves, coal will remain an important energy source that cannot be avoided. The challenge lies in finding the best way to exploit its potential in an environmentally responsible manner. UP

Global seaborne thermal coal trade



Source: GTIS and Macquarie Research (May 2014)

Kagiso Asset Management Funds

Performance to 30 June 2014	1 year	3 years[1]	5 years[1]	10 years[1]	Since launch[1]	Launch	TER[2]
Unit trust funds[3]							
Equity Alpha Fund	32.2%	18.1%	20.7%	23.0%	22.3%	Apr-04	1.5%
South African Equity General funds mean	28.7%	17.8%	18.7%	18.4%	17.6%		
Outperformance	3.5%	0.3%	2.0%	4.6%	4.7%		
Balanced Fund	22.0%	15.6%	-	-	14.2%	May-11	1.6%
South African Multi Asset High Equity funds mean	19.5%	14.9%			13.9%		
Outperformance	2.5%	0.7%			0.3%		
Protector Fund	16.2%	9.0%	9.5%	12.1%	11.4%	Dec-02	2.3%
CPI + 5%[4]	11.6%	10.9%	10.4%	11.0%	10.8%		
Outperformance	4.6%	-1.9%	-0.9%	1.1%	0.6%		
Stable Fund	14.4%	11.5%	-	-	10.2%	May-11	1.7%
Return on large deposits*	5.2%	5.2%			5.3%		
Outperformance	9.2%	6.3%			4.9%		
Institutional funds[5]							
Managed Equity Fund	34.0%	19.6%	21.7%	-	16.5%	Sep-06	
FTSE/JSE SWIX All Share Index	31.9%	21.8%	22.2%		15.6%		
Outperformance	2.1%	-2.2%	-0.5%		0.9%		
Core Equity Fund	37.0%	22.1%	22.5%	-	21.0%	Nov-04	
FTSE/JSE SWIX All Share Index	31.9%	21.8%	22.2%		20.1%		
Outperformance	5.1%	0.3%	0.3%		0.9%		
Domestic Balanced Fund[6]	16.7%	12.9%	15.7%	-	10.9%	May-07	
Peer median[7]	16.2%	15.9%	17.8%		11.6%		
Outperformance	0.5%	-3.0%	-2.1%		-0.7%		
Global Balanced Fund[8]	-	-	-	-	21.7%	Jul-13	
Peer median[9]					21.2%		
Outperformance					0.5%		
Sharia unit trust funds[3]							
Islamic Equity Fund	27.1%	14.1%	17.3%	-	17.3%	Jul-09	1.3%
South African Equity General funds mean	28.7%	17.8%	18.7%		18.7%		
Outperformance	-1.6%	-3.7%	-1.4%		-1.4%		
Islamic Balanced Fund	22.9%	11.8%	-	-	10.5%	May-11	1.6%
South African Multi Asset High Equity funds mean	19.6%	14.9%			13.9%		
Outperformance	3.3%	-3.1%			-3.4%		

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 March 2014; 3 Source: Morningstar; net of all costs incurred within the fund and measured using NAV prices with income distributions reinvested; 4 CPI for June is an estimate; 5 Source: Kagiso Asset Management; gross of management fees; 6 Domestic Balanced Fund and benchmark returns to 31 May 2014; 7 Median return of Alexander Forbes SA Manager Watch: BIV Survey; 8 Global Balanced Fund and benchmark returns to 31 May 2014 and not annualised as fund less than 1 year old; 9 Median return of Alexander Forbes Global Large Manager Watch. * Return on deposits of R5 million plus 2% (on an after-tax basis at an assumed 25% tax rate).

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