Kagiso Balanced Fund

as at 30 September 2011

KAGISO Asset Management

Performance and risk statistics

The Association for Savings & Investment SA (ASISA) code of practice requires a minimum period of six months since inception to show fund performances and, therefore, this fund does not yet meet this requirement.

Top ten holdings

	% of fund
Sasol	6.0
MTN	5.5
Tongaat Hulett	4.2
Firstrand/RMB	4.2
Mondi	3.9
Naspers	3.6
Standard Bank	3.1
Impala Platinum	2.5
Lonmin	2.5
Anglogold Ashanti	2.3
Total	37.8

Portfolio manager	Gavin Wood
Fund category	Domestic - Asset Allocation - Prudential - Variable Equity
Fund objective	To provide investors with high long-term capital growth, within the constraints of the statutory investment restrictions for retirement funds. The fund seeks to provide a moderated exposure to volatility in the short term.
Risk profile	Medium
Suitable for	Investors who are building up and growing their long-term retirement capital while seeking capital growth. Investors would also be seeking to preserve the purchasing power of their capital over the long-term, with a time horizon of 3 years or longer.
Benchmark	Domestic AA Prudential Variable Equity funds mean
Launch date	1 May 2011
Fund size	R82.1 million
NAV	99.34 cents
Distribution dates	30 June, 31 December
Last distribution	N/A
Minimum investment	Lump sum: R5 000; Debit order: R500
Fees (excl. VAT)[1]	Initial fee: 0.00% Financial adviser fee: max 3.00% Ongoing advice fee: max 1.00% pa Annual management fee: 1.25%
TER[2]	N/A

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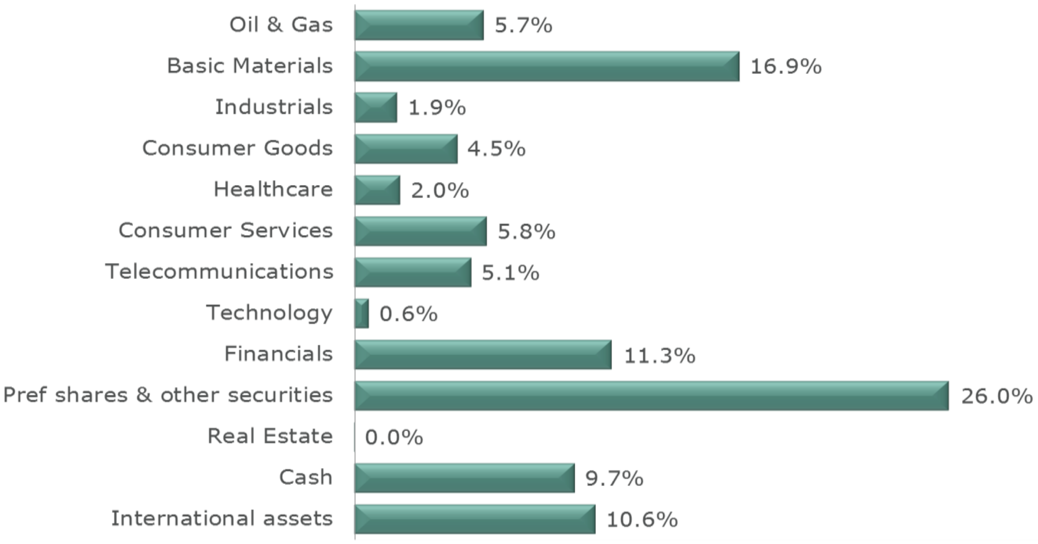
Effective asset allocation exposure



[1] A schedule of maximum fees and charges is available on request and on our website. Fees and incentives may be paid, and if so, are included in the overall costs.

[2] The TER is calculated as a percentage of the average NAV of the portfolio incurred as charges, levies and fees in the management of the portfolio for a rolling 12-month period to end June 2011. A higher TER ratio does not necessarily imply a poor return nor does a low TER imply a good return. The current disclosed TER cannot be regarded as an indication of future TER's.

Client service 0800 864 418 Fax +27 88 021 671 3112 E-mail clientservice@kagisoam.com Website www.kagisoam.com

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Commentary

In the third quarter of 2011 market volatility rose substantially as the US Fed's massive QE2 stimulus program ended. US and European politicians competed with each other for negative headlines – the US left it until the last minute to defer its debt problems (by raising its legislated debt ceiling) and Europe proved indecisive on dealing with the credit crisis in its South.

To add to the negative mood, Chinese economic data softened somewhat and worries about its property market increased. Consumer confidence in the US has weakened as the jobs and housing markets remain very weak. These developments are very much in line with our long held bearish view on the world economy post the financial crisis.

Equity markets had a negative quarter with August and September being particularly volatile. The S&P 500 Index was down 14.3%, its worst quarter since December 2008, and the Nikkei fell 11.4%. On average, emerging markets again underperformed developed markets. The FTSE/JSE All Share Index was down 5.8% during the quarter, with significant sectoral diversions: resources shares (-10.0%) underperformed industrial shares (-3.3%) and financial shares (-3.1%).

The rand weakened against developed market currencies in line with the broad-based sell-off in emerging market currencies generally – down 16.5% against the US dollar and 9.5% weaker against the euro.

The South African Reserve Bank kept interest rates unchanged at multi-decade lows, and interest rate markets reversed expectations of an increase as economic activity slowed materially.

The bond market had another strong quarter, with the ALBI delivering 2.8% as inflation rate expectations moderated substantially as the local and global economy weakened.

Looking ahead, we remain cautious over prospects for the developed economies, with high levels of government debt, high levels of unemployment, stimulus removal and austerity measures looming and demographic trends moving slowly against them.

Going forward, we remain defensively positioned with high rand and dollar cash balances and relatively low equity exposure. Within equities we have a strong focus on quality, lower risk companies, which are attractively priced.

Portfolio manager

Gavin Wood

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