Kagiso Balanced Fund

as at 31 March 2012

KAGISO Asset Management

Performance[1]

	Fund	Benchmark	Outperformance
Since inception	10.0%	7.8%	2.2%

Performances % change

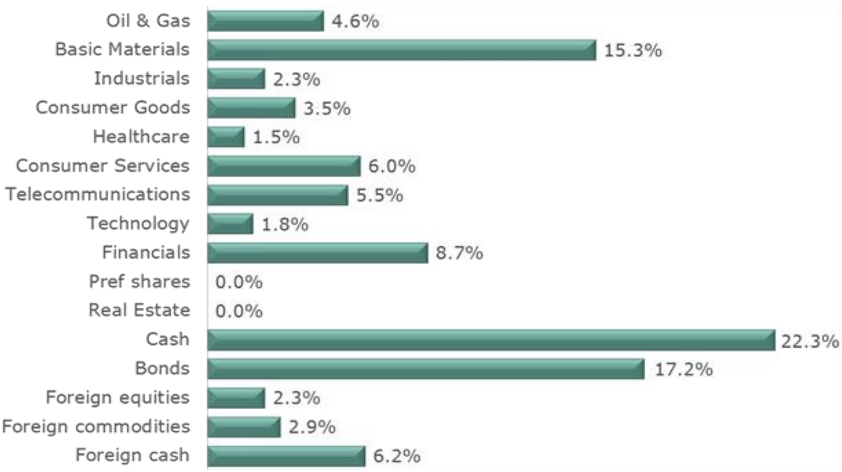
Top ten holdings

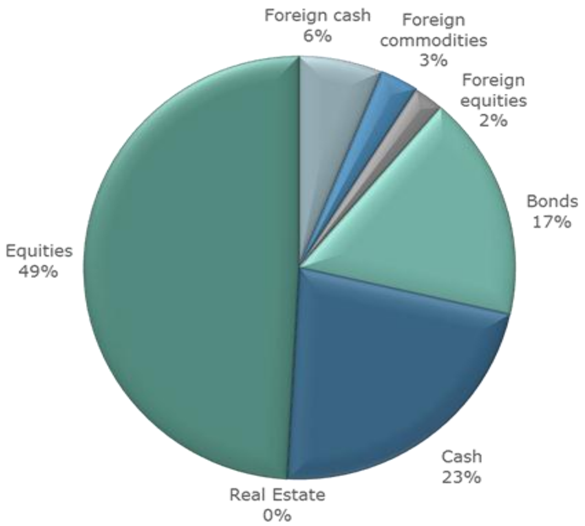
	% of equities
MTN	10.3
Sasol	8.5
Naspers	8.0
Tongaat Hulett	7.4
Firstrand/RMB	7.4
Lonmin	7.4
Standard Bank	6.8
Mondi	6.3
AECI	5.0
Impala Platinum	4.3
Total	71.3

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	3 May 2011
Fund size	R91.9 million
NAV	110.03 cents
Distribution dates	30 June, 31 December
Last distribution	Nil
Minimum investment	Lump sum: R5 000; Debit order: R500 pm
Fees (excl. VAT)[2]	Initial fee: 0.00% Financial adviser fee: max 3.00% Ongoing advice fee: max 1.00% pa Annual management fee: 1.25%
TER[3]	N/A

Unconventional thinking. Superior performance

Effective asset allocation exposure





The Kagiso unit trust range is offered by Kagiso Collective Investments Limited ('Kagiso') registration number 2010/009289/06, a member of the Association for Savings and Investment SA (ASISA). Unit trusts are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily an indication of future performance. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Unit trust prices are calculated on a net asset value (NAV) basis, which is the total value of assets in the portfolio including any income accruals and less any permissable deductions (brokerage, Uncertificated Secutiries Tax, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio, divided by the number of units in issue. Instructions must reach Kagiso Collective Investments before 14:00 to ensure same day value. Fund valuations take place at approximately 15:00 each business day and forward pricing is used.

[1] Performance is quoted from Morningstar as at month-end for a lump sum investment using Class A NAV prices with income distributions reinvested. Performance figures are quoted after the deduction of all costs incurred within the fund.

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

[3] 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 December 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.

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Commentary

The first quarter of 2012 saw the South African equity market underperform most global markets, partly due to the weak performance of resources shares as news of growth slowing in China outweighed continued positive US economic data. Many South African companies, especially amongst the industrials, were pushed further above their all-time high share prices.

It was an excellent start to the year for the US market with the S&P 500 Index enjoying its best first quarter in 14 years, up by 12.0%. The UK market lagged and was up by only 3.5%. The MSCI Emerging Markets Index was up 14.1% in USD, outperforming the MSCI Developed Markets Index (up 11.7%) and the Japanese market had a strong quarter (the Nikkei Index up 19.3%).

The rand gained 5.4% against the US dollar and was 2.4% stronger against the euro. The South African Reserve Bank kept interest rates unchanged at multi-decade lows due to ongoing global economic uncertainty, despite inflation remaining above the official target of 6% pa. Inflationary pressures are coming from the weaker currency and higher transportation, electricity and food prices.

The bond market had a reasonable quarter, with the ALBI up 2.4%, despite high inflation rate expectations, outperforming the meagre cash returns on offer.

The Kagiso Balanced Fund performed well above average relative to its peers in the Domestic AA Prudential Variable Equity sector for the quarter, despite a defensive equity position. Reasonable equity selection and tactical asset allocation contributed to performance.

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 biting and demographic trends moving slowly against them.

Going forward, we remain defensively positioned with a high rand cash balance and relatively low equity exposure – partly achieved via hedging. We have exposure to inflation-linked bonds and some foreign exposure to equities, commodity ETF's and USD cash. Within South African equities we have a strong focus on attractively priced quality, companies and have increased our resource sector exposure at the expense of very highly priced industrials.

Portfolio manager

Gavin Wood