Kagiso Balanced Fund

as at 30 June 2013

KAGISO Asset Management

Performance and risk statistics[1]

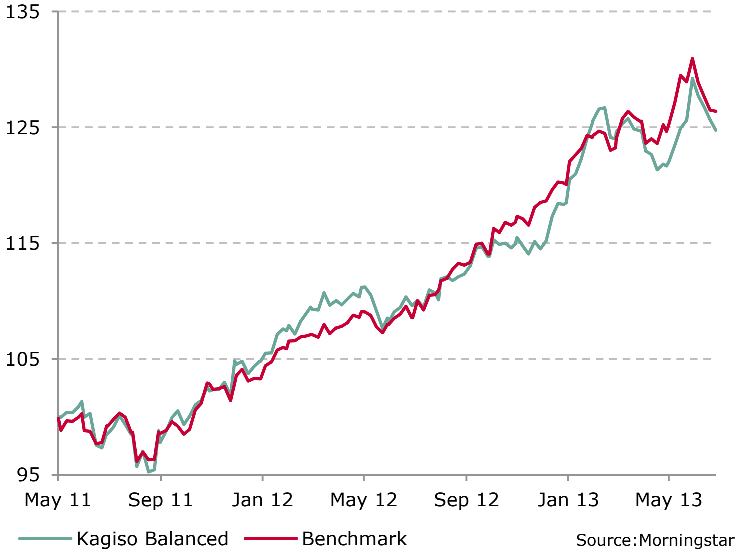
	Fund	Benchmark	Outperformance
1 year	13.8%	16.2%	-2.4%
2 years	12.5%	12.7%	-0.2%
Since inception	10.7%	11.3%	-0.6%

Performances annualised

	Fund	Benchmark
Annualised deviation	8.0%	6.2%
Sharpe ratio	-0.9	-0.9
Maximum gain*	9.5%	14.7%
Maximum drawdown*	-3.5%	-3.5%
% Positive months	69.2%	73.1%

*Maximum % increase/decline over any period

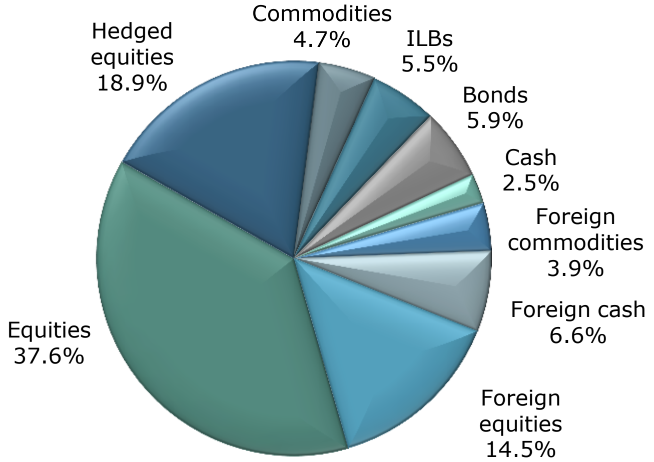
Cumulative performance since inception



Portfolio manager	Gavin Wood
Fund category	South African - Multi Asset - High 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	South African - Multi Asset - High Equity funds mean
Launch date	3 May 2011
Fund size	R94.9 million
NAV	124.07 cents
Distribution dates	30 June, 31 December
Last distribution	30 June 2013: 0.51 cpu
Minimum investment	Lump sum: R5 000; Debit order: R500 pm
Fees (excl. VAT)	Initial fee: 0.00% Financial adviser fee: max 3.00% Ongoing advice fee: max 1.00% pa Annual management fee: 1.25%
TER[2]	1.64%

Unconventional thinking. Superior performance

Effective asset allocation exposure*



* Please note that effective asset allocation exposure is net of derivative positions.

Top ten equity holdings

	% of fund
Standard Bank	5.5
Lonmin	4.5
Firstrand/RMB	4.4
MTN	4.4
Mondi	3.8
Sasol	3.7
Naspers	3.6
Kagiso Media	3.4
Anglo American	3.3
Tongaat Hulett	3.1
Total	39.6

The Kagiso unit trust fund range is offered by Kagiso Collective Investments Limited (Kagiso), registration number 2010/009289/06, a voting member of the Association for Savings and Investment SA (ASISA). Kagiso is a subsidiary of Kagiso Asset Management (Pty) Limited [a licensed financial services provider (FSP No. 784)], the investment manager of the unit trust funds.
Unit trusts are generally medium to long-term investments. The value of units will fluctuate and past performance should not be used as a guide for future performance. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Exchange rate movements, where applicable, may affect the value of underlying investments. Different classes of units may apply and are subject to different fees and charges. A schedule of the maximum fees, charges and commissions is available upon request. Commission and incentives may be paid, and if so, would be included in the overall costs. All funds are valued and priced at 15:00 each business day and at 17:00 on the last business day of the month. Forward pricing is used. The deadline for receiving instructions is 14:00 each business day in order to ensure same day value.

[1] Performance is quoted from Morningstar as at month-end for a lump sum investment using Class A Net Asset Value (NAV) prices with income distributions reinvested. NAV refers to the value of the fund's assets less the value of its liabilities, divided by the number of units in issue. Performance figures are quoted after the deduction of all costs incurred within the fund.
[2] The Total Expense Ratio (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 2013. 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 TERs.

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

KAGISO Asset Management

Quarterly commentary

Comments from the US Federal Reserve hinting at a possible deceleration of stimulus, concerns around a Chinese slowdown and the weak South African economy were key themes during the quarter. It is still early, but there are signs that a market environment, for which we have been positioned for over a year, is finally coming to pass, with valuations driving this view.

US economic activity appears to be improving, but remains significantly below potential. The Eurozone faces significant challenges as it grapples with debt in its periphery and an increasingly negative demographic burden as its population ages. China's growth prospects remain high, but are decelerating as the new leadership undertakes necessary structural reforms and reins in excessive credit extension.

The South African economy remains weak and vulnerable. Lacklustre manufacturing, slowing household spending and a struggling mining sector, all contributed to a weak 0.9% GDP growth rate in the first quarter. In addition, the large 'twin deficits', high and rising inflation, falling commodity prices and a credit-driven consumption boom, which is now showing signs of unwinding, are all contributing to a fragile economic outlook.

With the exception of Japan, global markets performed poorly in June as news of the Fed's stimulus tapering saw a re-pricing across risky asset classes and bond markets. Yet, despite the sharp sell-off in June, most developed equity markets performed well over the quarter. The US market (S&P 500 Index) ended the quarter up 2.4%, the Japanese market was a strong performer, with the Nikkei 225 Index gaining 10.3%, however the UK market (FTSE 100 Index) fell 3.1% as did the MSCI Emerging Markets Index, which was down 9.1% (in US dollar terms).

The local equity market hit a new high in May, but then fell sharply during June to end the quarter down 0.2%. In line with the previous quarter's trend, Industrials (up 6.9%) outperformed the broader market, driven by rand-hedge stocks which were boosted by the depreciating currency. The positive trend in domestic industrials has again been fuelled by foreign buying, with equity inflows totalling R19.7 billion over the quarter, up from R3 billion in the previous quarter.

Financials (down 1.6%) and Resources (down 11.8%) once again lagged. Resources continue to underperform as the prospect of lower stimulus and concerns around Chinese demand contributed to pressure on commodity prices. Most commodities relevant to South African miners fell in US dollar terms. Iron ore was down 15%, copper lost 11.1%, platinum fell 14.9% and gold was down 22.8%. The oil price (Brent Crude) ended the quarter 7.4% lower.

The rand had another difficult quarter, weakening 6.5% against the US dollar and 7.9% against the Euro. Inflation eased to 5.6% at its most recent reading for May. However, inflation is expected to breach the 3% - 6% target band in the second half of this year due to fuel price increases and the lagged impact of the weaker rand.

The Kagiso Balanced Fund marginally underperformed the average fund in the South African Multi Asset High Equity sector over the quarter. After contributing to recent outperformance, the fund's commodity ETF exposure and inflation-linked bond holdings, detracted from performance this quarter. Credit exposure in the fund performed well, with credit spreads remaining stable or contracting slightly.

The fund's global exposure contributed positively to performance, where the weaker currency and strong stock selection continued to add value. In addition, the fund's defensive asset allocation and protective hedge positions proved beneficial in offsetting some of the volatility observed over the quarter. After contributing to recent outperformance, the fund's positioning in inflation-linked bonds detracted from performance in June.

Looking ahead, while the unwinding of stimulus will be a slow process, the reality is that any slowing (and ultimately reduction) represents a significant change in the flow of liquidity to markets. This will have implications for several asset classes and we will continue to avoid those assets that have benefited disproportionately from quantitative easing over the last few years.

We maintain our view that SA consumer-focused industrials are overpriced and will continue to avoid this sector. We believe that there is significant scope for capital loss as several drivers of the consumer sector (currency, interest rates, employment, wage growth and access to credit) have all turned negative. It is important to highlight that the SA resource sector's significant underperformance coincides with substantial foreign selling of local resource shares. While this represents a clear opportunity as the sector is attractively priced, it also highlights the potential downside risk to SA industrials if foreigners were to start selling. We remain defensively positioned from an asset allocation point of view. We have low exposure to property, physical cash and long-duration bonds. Global exposure continues to contribute to currency protection and fund diversification, and significant equity hedging provides capital protection in an increasingly expensive market.

Portfolio manager

Gavin Wood