

Performance and risk statistics¹

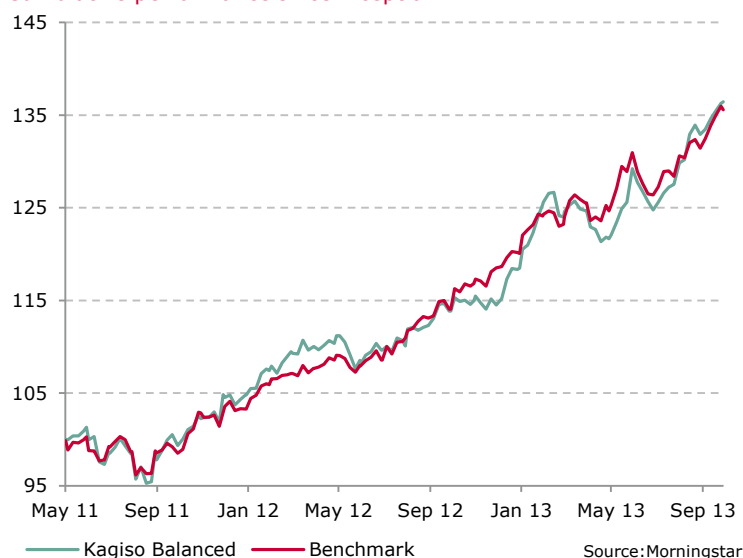
	Fund	Benchmark	Outperformance
1 year	19.8%	18.7%	1.1%
2 years	17.2%	17.0%	0.2%
Since inception	13.7%	13.4%	0.3%


Performances annualised

	Fund	Benchmark
Annualised deviation	7.9%	6.1%
Sharpe ratio	1.0	1.3
Maximum gain*	9.5%	14.7%
Maximum drawdown*	-3.5%	-3.5%
% Positive months	72.4%	75.9%

*Maximum % increase/decline over any period

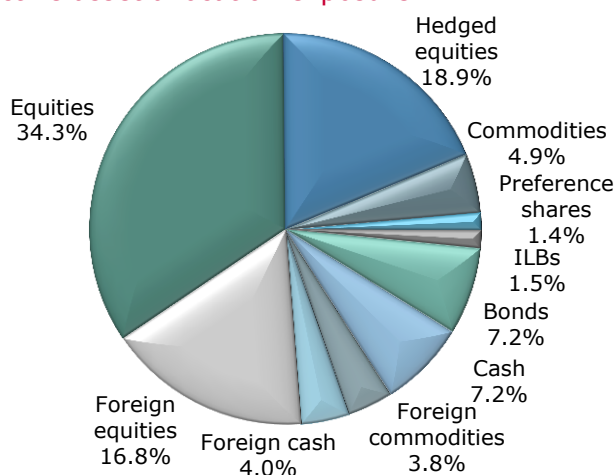
Cumulative performance since inception



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	R113.5 million
NAV	135.13 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%
TER²	1.63%

Unconventional thinking. Superior performance

Effective asset allocation exposure*



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

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 September 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.

Top ten equity holdings

	% of fund
Sasol	4.4
Lonmin	4.4
Standard Bank	4.4
FirstRand/RMB	4.0
Anglo American	3.9
MTN	3.8
Kagiso Media	3.2
Naspers	2.9
AECI	2.7
Tongaat Hulett	2.7
Total	36.4

The fund performed well this quarter, delivering a return of 9.4% on the back of very good stock selection locally and globally, a conservative bond market positioning and despite significant equity market hedging.

Economic and market overview

This quarter saw the US Federal Reserve act counter to expectations it had created in the previous quarter that it would finally slow the pace of its asset purchases and thus begin the gradual reduction of its extreme monetary stimulus measures. Unsurprisingly, this fuelled a strong rally in risky assets towards the end of the quarter. Chinese economic data seemed to suggest a milder slowdown, albeit not without concerns that there is excessive leverage supporting this strength, which was positive for commodity prices and European manufacturing data seems indicative of a mild recovery from its long slump.

The South African economy remains weak and vulnerable, with high current account and fiscal deficits supported by strong portfolio flows into our equity and bond markets. These portfolio flows may well reverse when US monetary stimulus is eventually reversed. Lacklustre manufacturing, slowing household spending and a struggling mining sector all contribute to a weak economic growth outlook at a time when inflation is heading higher due to the pass-through of currency weakness, high administered price increases and high wage settlements. This quarter saw intense strike activity across the auto sector and certain mining companies, with consequent damage to perceptions of South Africa as a competitive destination for foreign direct investment.

The SARB kept the repo rate constant over the quarter as weak growth constrains the rate hikes that may normally accompany inflation heading above the target band. The SA government continues its high pace of bond issuance to finance its large budget deficit.

Equities were the strongest performing asset class over the quarter, with the local equity market generally outperforming other emerging and developed markets. This was despite very limited net foreign equity purchases in the quarter after strong foreign inflows during the first two quarters. The rand weakened slightly, providing some support for companies with offshore operations or with foreign currency revenue streams.

While the correction in bond yields has caused bonds to trade closer to our assessment of fair value, we remain concerned that the weaknesses in the SA economy at a time of global monetary stimulus deceleration necessitate a very conservative duration and portfolio holding position in bonds. Although credit spreads are low relative to history, we believe a diversified exposure to high quality credit instruments is warranted.

Money market rates (evidenced by FRA rates) are pricing in more extensive and near-dated rate hikes than we believe are likely.

Fund performance and positioning

The fund performed strongly over the quarter, delivering a 9.4% return. This performance was driven by strong equity stock selection as many of our highest conviction positions performed strongly. On the SA equity side, Lonmin (up 34.7%), Mondi (up 38.5%) and African Rainbow Minerals (up 34.9%) contributed positively to performance, while Tongaat (down 2.9%) detracted. The defensive positioning in bonds contributed some capital protection over the period, with corporate bonds with robust credit strength contributing to total returns. The fund's global stock selection continues to be satisfactory, with Apple and Tesco making strong contributions.

The fund's low exposure to SA equity was a drag on performance given the strong run in this asset class. However, we remain confident that a defensive positioning is appropriate given what we see as an over-extended market.

The fund continues to maintain a high exposure to platinum group metals - both to the SA platinum miners and to the physical platinum and palladium exchange traded funds. Key to this view is the concentration of the global supply of the metals in a small number of mining companies in SA, which leads us to believe that supply discipline is possible. With much of the metals being produced at a marginal profit or at losses, supply has been aggressively cut and will be reduced further until the metal prices rise to a level which is consistent with economic returns for the miners. We expect industrial demand for platinum, primarily for autocatalysts in Europe, to recover gradually in the years ahead and jewellery demand, dominated by China, to continue to grow strongly.

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.

Low net exposure to SA equities and significant hedging provides some capital protection with high exposure to our top stock picks. We have low exposure to SA listed property, physical cash and long-duration bonds. Commodities (primarily through the domestic platinum ETF and offshore palladium ETF) and selected inflation-linked bonds provide further diversification and expected real returns. The fund maintains the maximum allocation to foreign assets, primarily in international equities and property. We continue to find high quality companies at attractive valuations in developed markets.

Portfolio manager
Gavin Wood

Key indicators	
Economic data	End of quarter figure
Latest consumer price inflation (CPI % YoY)	6.0%
Repo rate (%)	5.0%
3m JIBAR	5.1%
10-year government bond yield	7.6%
Key asset classes (total return)	Quarterly change
MSCI World Equity (US Dollar return)	7.7%
FTSE/JSE All Share Index	12.5%
FTSE/JSE Listed Property Index	-1.3%
BEASSA All Bond Index	1.9%
Commodities and currency	Quarterly change
Platinum (\$/oz)	4.7%
Gold (\$/oz)	7.7%
Rand/US Dollar (USD)	1.6%