

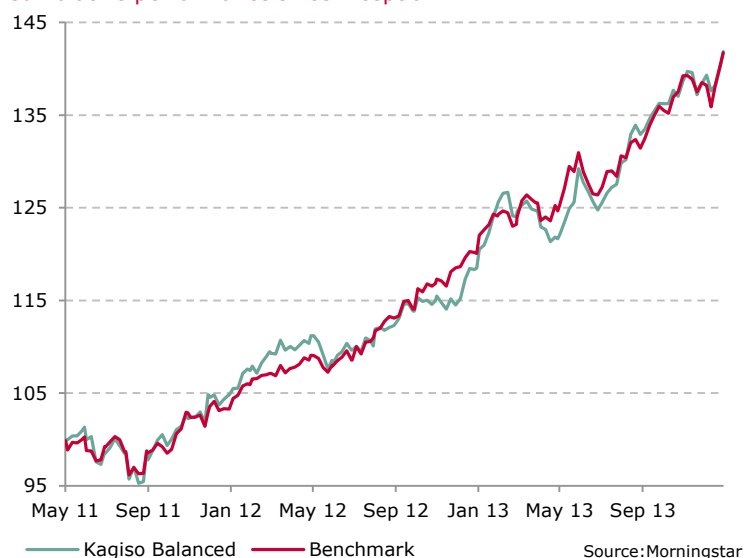
Performance and risk statistics<sup>1</sup>

	Fund	Benchmark	Outperformance
1 year	19.8%	18.1%	1.7%
2 years	16.3%	16.8%	-0.5%
Since inception	14.0%	13.9%	0.1%

	Fund	Benchmark
Annualised deviation	7.6%	6.0%
Sharpe ratio	1.1	1.4
Maximum gain*	13.7%	14.7%
Maximum drawdown*	-3.5%	-3.5%
% Positive months	75.0%	75.0%

\*Maximum % increase/decline over any period

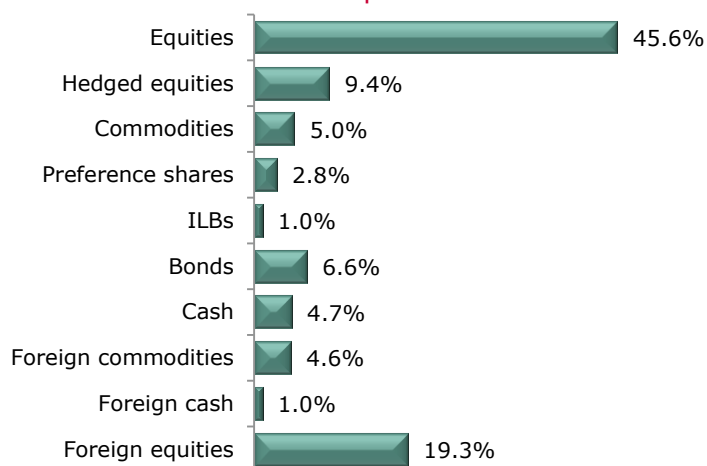
Cumulative performance since inception



<b>Portfolio manager</b>	Gavin Wood
<b>Fund category</b>	South African - Multi Asset - High Equity
<b>Fund objective</b>	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.
<b>Risk profile</b>	 Medium
<b>Suitable for</b>	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 three years or longer.
<b>Benchmark</b>	South African - Multi Asset - High Equity funds mean
<b>Launch date</b>	3 May 2011
<b>Fund size</b>	R125.5 million
<b>NAV</b>	140.52 cents
<b>Distribution dates</b>	30 June, 31 December
<b>Last distribution</b>	31 December 2013: 0.91 cpu
<b>Minimum investment</b>	Lump sum: R5 000; Debit order: R500 pm
<b>Fees (excl. VAT)</b>	Initial fee: 0.00% Financial adviser fee: max 3.00% Ongoing advice fee: max 1.00% pa Annual management fee: 1.25%
<b>TER<sup>2</sup></b>	1.64%

Unconventional thinking.

Effective asset allocation exposure\*



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

Top ten equity holdings

Equity Holding	% of fund
Standard Bank	4.7
Lonmin	4.5
Sasol	4.5
FirstRand/RMB	4.3
Anglo American	3.9
MTN	3.4
Naspers	3.2
AECI	2.7
Tongaat Hulett	2.6
Metair Investments	2.2
<b>Total</b>	<b>36.0</b>

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.

<sup>1</sup> 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. All performances are annualised.

<sup>2</sup> 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 December 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.

The fund performed well in absolute terms, returning 4.0% for the quarter. During 2013, the fund delivered a return of 19.8% and outperformed its peer median benchmark by 1.7%. It continues to provide returns significantly ahead of inflation. The fact that the fund is ranked in the second quartile for the year is a notable achievement given its defensive positioning in local equities, which ran strongly over the year.

#### Economic and market overview

In mid-December, the US Federal Reserve announced that it was slowing the pace of its monthly asset purchases by US\$10bn. Surprisingly, this was followed by a strong rally in risky assets. As the Fed begins the journey towards eventual policy tightening, other developed market central banks are becoming increasingly accommodative. In particular, Japan has launched a massive asset purchase programme in pursuit of elusive inflation and the European Central Bank is considering further stimulus measures.

Many developed economies are beginning to show signs of a more consistent recovery. The US is showing signs of stronger industrial production and an improved labour market, while most European countries have emerged from recessions. Japan's economy is responding well to Abenomics and its weaker currency, but will need to overcome an increase in consumption tax later this year. Meanwhile, deflation risk is a concern in an environment of significant spare capacity.

Locally, the SA economy remains vulnerable to portfolio inflows slowing and perhaps reversing, given the high current account and fiscal deficits. Growth continues to stutter along, hampered by labour disruptions, electricity shortages and an overburdened consumer. Inflation remains remarkably constrained, with pressures from the weaker currency showing no signs of emerging through consumer prices yet.

After a fairly lacklustre first half of 2013, SA equity markets recorded a very strong latter half. This was mainly driven by industrial companies where, once again, share prices significantly outpaced the growth in earnings. In a change from previous years, listed property underperformed the equity market, coming under pressure in the wake of rising bond yields.

Bond yields came under further pressure this quarter as weak foreign demand failed to keep pace with elevated issuance, particularly at longer maturities. Although credit spreads are relatively low, we believe that a diversified exposure to high quality credit instruments is warranted. Cash rates remain near all-time lows and the market is pricing in more extensive and imminent rate hikes than we believe are likely.

#### Fund performance and positioning

Asset allocation detracted from performance over the quarter, with the fund's defensive SA equity positioning hindering relative performance. Despite this, strong instrument selection resulted in a good absolute performance.

Within local equities, Sasol (up 10.3%), Naspers (up 18.0%) and Standard Bank (up 8.0%) contributed positively to quarterly performance, while Anglo American (down 6.9%), Tongaat Hulett (down 5.3%) and Anglo Platinum (down 9.5%) detracted. The weaker rand, coupled with good stock selection in foreign investments, aided performance. In particular, our positions in Growthpoint Property Australia (up 17.4% in AUD), Microsoft (up 12.4% in USD) and Intel (up 17.7% in USD) contributed significantly to the fund's performance.

The fund's increased exposure to preference shares at the beginning of September was well rewarded. After a period of underperformance during most of the year, this income-paying asset class was the best-performing domestic asset class in the fourth quarter (up 7.9%), driven primarily by strong performance in banking sector instruments. We continue to find value in this asset class, which offers very attractive yields and low sensitivity to long-term interest rates.

Our team's international research has uncovered two compelling opportunities in the German residential property sector: Deutsche Annington and Deutsche Wohnen. We believe that the supply and demand dynamics in the German housing market are favourable. After lagging the rest of Europe, wages in Germany are set to rise, which should provide a significant tailwind to German consumers, most of whom rent (Germany has the second lowest home ownership prevalence in the world). In addition, growth in one and two family households is expected to grow despite an overall decline in German population growth. Meanwhile, residential property supply remains extremely constrained as new development costs are substantially above current valuations for existing stock, and space is a scarce resource.

Both companies have well-located portfolios, capable management teams and efficient cost bases, which will allow them to profitably absorb new acquisitions. Furthermore, they can be obtained at very compelling valuations with attractive dividend growth prospects.

The fund's asset allocation remains defensive in the face of what we see as an overextended equity market. Low net exposure to SA equities and hedging provides some capital protection. We have low exposure to SA listed property, physical cash and long-duration bonds. Commodities (primarily through the domestic platinum and offshore palladium ETFs) 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)	5.3%
Repo rate (%)	5.0%
3m JIBAR	5.2%
10-year government bond yield	8.0%
Key asset classes (total return)	Quarterly change
MSCI World Equity (US Dollar return)	7.6%
FTSE/JSE All Share Index	5.5%
FTSE/JSE Listed Property Index	1.0%
BEASSA All Bond Index	0.1%
Commodities and currency	Quarterly change
Platinum (\$/oz)	-2.3%
Gold (\$/oz)	-9.3%
Rand/US Dollar (USD)	3.2%