Kagiso Balanced Fund

as at 30 June 2016

Date of issue: 29 July 2016

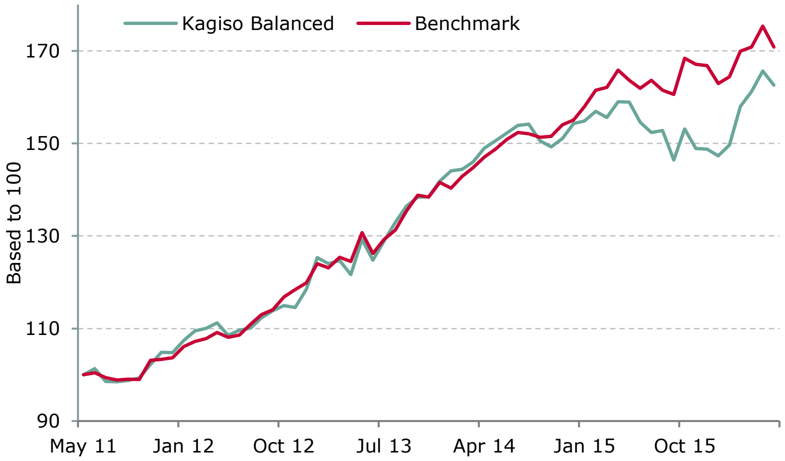
KAGISO Asset Management

Performance[1]

	Fund	Benchmark	Outperformance	Highest*	Lowest*
1 year	5.2%	5.3%	-0.1%	5.5%	-4.2%
3 years	9.2%	10.5%	-1.3%	5.5%	-4.2%
5 years	10.5%	11.4%	-0.9%	6.2%	-4.2%
Since inception	9.9%	10.9%	-1.0%	6.2%	-4.2%

* Highest and lowest monthly fund performance during specified period

Cumulative performance since inception*



Risk statistics

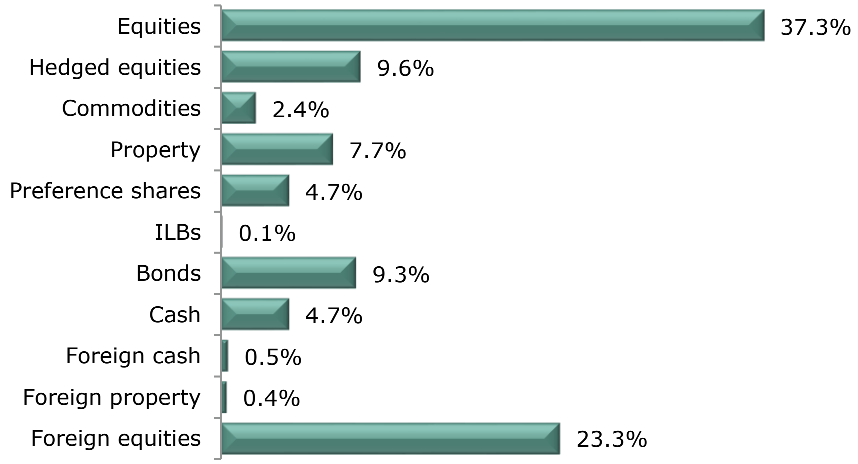
	Fund	Benchmark
Annualised deviation	7.5%	5.8%
Sharpe ratio	0.5	0.9
Maximum gain#	23.6%	14.7%
Maximum drawdown#	-7.9%	-3.5%
% Positive months	69.4%	69.4%

Consecutive months of change in the same direction

Top 10 equity holdings

	% of fund
Naspers	8.2
Old Mutual	4.3
FirstRand/RMB	2.9
Equites Property Fund	2.5
Tongaat Hulett	2.4
AECI	2.4
Mondi	2.1
African Rainbow Minerals	1.8
Softbank Group	1.7
Royal Bafokeng Platinum	1.6
Total	29.9

Effective asset allocation exposure*



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

Portfolio Manager	Gavin Wood	Risk profile	
Fund category	South African - Multi Asset - High Equity	NAV	154.5 cents
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.	TER[2]	1.56%
		TC[3]	0.42%
		Distributions	30 June 2016: 1.73 cpu 31 December 2015: 1.30 cpu
Benchmark	South African - Multi Asset - High Equity funds mean	Fees (excl. VAT)	Initial fee: 0.00% Financial adviser fee: max 3.00% Ongoing advice fee: max 1.00% pa Management fee: 1.25% pa
Launch date	3 May 2011		
Fund size	R277.4 million		

[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. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. All performances are annualised (ie the average annual return over the given time period).
[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 3-year period to end June 2016. 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.
[3] Transaction Costs (TC) are a neccessary cost in administering the Financial Product and impacts Financial Product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.
* For illustrative purposes only.

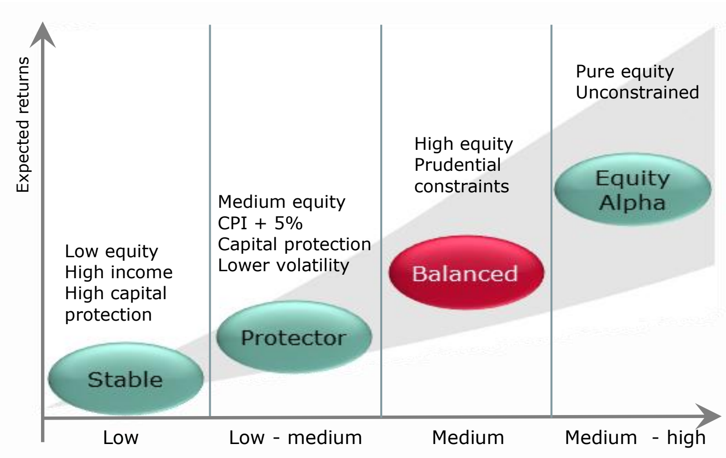
Client service 0800 864 418 Fax 088 021 671 3112 Email clientservice@kagisoam.com Website www.kagisoam.com

Kagiso Balanced Fund

The Kagiso Balanced Fund is Regulation 28 compliant and can invest in a wide variety of domestic and international asset classes (such as equities, listed property, conventional bonds, inflation-linked bonds and cash). As the fund aims to maximise returns, it will have a strong bias towards equities - typically the asset class with the highest expected long-term returns. The fund is positioned in our team's best ideas - which emanate from our bottom-up research process - and is actively managed to achieve an optimal risk/reward balance and consistent positive alpha.

This fund is 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 three years or longer.

Risk vs reward



Portfolio Manager

Gavin Wood
BBusSc, CFA, FFA

Gavin is a founder of Kagiso Asset Management (2001) and has headed up the investment team since inception. He also serves as Executive Director. Previously he was an investment analyst with Coronation Fund Managers.

gwood@kagisoam.com

Our investment philosophy

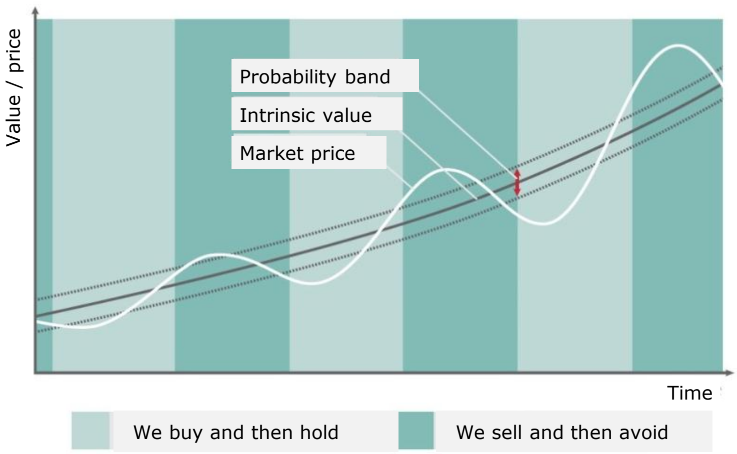
At Kagiso Asset Management, we make investment decisions based on mispricings we observe in the market. Simply put, we buy investments that are priced well below their intrinsic values and avoid those that we believe are overpriced.

Opportunities arise when market prices deviate from intrinsic value
All investments represent a set of future cash flows, which can be valued with reasonable accuracy. Over time, this intrinsic value progresses at a fairly stable pace. Asset prices, however, fluctuate considerably through time. This is largely due to self-reinforcing cycles of enthusiasm or negativity, often fuelled by an excessive focus on near-term data and news flow.

Our aim is to identify and exploit mispricings in the markets. We therefore buy investments at prices well below our estimation of their intrinsic value and hold them, while they deliver strong cash returns and until they can be sold above this value. Once sold, we avoid such overvalued investments for as long as the market price is above the intrinsic value.

The future is never certain
We recognise that there is considerable danger in operating with the comfort of a false sense of certainty and the accompanying behavioural reinforcement cycles that lead to a distorted evaluation of new information. As a result, we understand that despite our best efforts, we cannot possibly know all the facts.

This drives us to think more deeply, to work harder and to be more alert. We therefore view the future in terms of probabilities, we explore alternative scenarios, diversify our positions, hedge risk and seek out potential asymmetries.



Minimum investment	Lump sum: R5 000; Debit order: R500	Trustee	Melinda Mostert Head: Standard Bank Trustee Services melinda.moster@standardbank.co.za
Fund registration no	ZAE000154985		

Pricing: 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 to ensure same day value. Prices are published daily on our website and in selected major newspapers.

Client service 0800 864 418 Fax 088 021 671 3112 Email clientservice@kagisoam.com Website www.kagisoam.com

The fund returned 2.9% for the second quarter of 2016, benefiting from strong performance from some of our highest conviction ideas and from the tactical opportunities captured in the volatility of December 2015. The fund has returned 9.9% pa since inception in 2011.

Economic and market overview

On the global front, the unexpected "leave" outcome of the UK referendum on EU membership caused significant market turbulence towards the end of the quarter. The actual effects will only be known after a period of complex and prolonged exit negotiations. There will likely be negative growth implications for the UK and Europe and a smaller impact on the rest of the world.

In the aftermath of the UK referendum there was a flight to safety, with increases in gold, safe haven currencies (US dollar, yen, Swiss franc) and developed market bonds. We continue to believe that asset prices are generally high, which makes markets vulnerable to stress events and normal cyclical economic slowdowns.

The US economy continues to strengthen, despite weak data in May. Market expectations for rate hikes have been pushed out further this quarter (at most one further hike expected at the end of the year), seemingly because of the weak global economy and the Brexit vote. The European economy continues to stagnate, despite huge central bank stimulus.

Emerging markets are also weak, but are showing signs that the worst is behind them. India continues to show strength, China benefited from a new dose of stimulus, while Russia and Brazil remain very weak.

In South Africa, the first quarter GDP growth rate (year on year contraction of 0.6%) was particularly disappointing. Mining and agriculture (10% of GDP) was down 10%, while manufacturing and construction (20% of GDP) was down 1%. It is particularly concerning that the very weak rand seems to have very little beneficial impact on the production side of the economy. The tertiary sector (70% of the economy) is still serving as the powerhouse of our economy and only managed to grow by 1%. This trade and services part of the economy is, however, coming under increasing cyclical pressure with rapidly slowing consumer spending growth and a deteriorating credit cycle.

The local equity market gained 0.4% over the quarter. After a prolonged period of significant weakness, we have now had two successive quarters of resource sector outperformance (up 6.4% this quarter). The platinum sector held on to significant gains from the previous quarter and outperformed the market (up 5.1%), with a moderately stronger rand platinum price (up 2.8%).

Financials (down 4.3%) underperformed, with UK-exposed firms particularly hard hit (Investec and Capital and Counties were down 17%). A flat performance from industrials (up 0.5%) masks significant stock divergence. Notable strong performers included Tongaat Hulett (up 13.1%) and Telkom (up 20.1% on good results). The retailers were weak (Shoprite, Woolworths and Truworths were down between 4% and 13%) as deteriorating local economic prospects were absorbed into their high ratings. A notable exception was Mr Price (up 18.7%) on resilient results. Amongst the industrial heavyweights: Naspers (up 8.6%), MTN (up 5.7%), and British American Tobacco (up 9.1%) showed solid performances, whilst SABMiller (down 5.5%) and Richemont (down 13%) lagged.

Bonds outperformed equities (ALBI was up 4.4%), as well as cash (up 1.8%) this quarter. The bond rally since the dramatically oversold levels of December 2015 (up 10.3%) has been substantial, but has not been as a result of economic improvements or waning idiosyncratic risk. South Africa's economic risks remain high, given weak growth, high unemployment and a worsening fiscus.

Continued -

Key indicators	
Economic data	**End of quarter figure**
Latest consumer price inflation (CPI % YoY)	6.3%
Repo rate (%)	7.0%
3m JIBAR	7.4%
10-year government bond yield	8.8%
Key asset classes (total return)	**Quarterly change**
MSCI World Equity (US Dollar return)	0.3%
FTSE/JSE All Share Index	0.4%
FTSE/JSE Listed Property Index	-0.4%
BEASSA All Bond Index	4.4%
Commodities and currency	**Quarterly change**
Platinum ($/oz)	4.7%
Gold ($/oz)	7.2%
Rand/US Dollar (USD)	0.3%

Continued -

Fund performance and positioning

Key stock contributors this quarter were Naspers, Equites and Tongaat Hulett. FirstRand, Old Mutual and Capco detracted.

We reduced bond exposure profitably during the quarter, as strong foreign appetite for local bonds compressed yields. Capital was deployed into shorter duration deposits which are now offering attractive risk-adjusted yields. Our remaining longer-dated bond exposure is balanced by shorter duration corporate bonds with strong credit quality, where valuations remain attractive with yields at healthy spreads above expected inflation. The fund’s exposure to preference shares was a positive contributor this quarter.

Foreign stock selection was mixed this quarter, with notable detractors being UK healthcare group, Spire, UK property company, Hammerson, and Dutch electric technology company, Philips. Contributors to performance were Japanese multinational internet corporation, Softbank, American corrugated packaging company, Westrock, and the Austrian/German residential property landlord, Buwog. Post the UK referendum we have purchased a basket of attractively valued high quality European financials, particularly insurers.

On the local side, specialist industrial property fund, Equites Property Fund, has been a strong performer over the quarter in our funds. Logistical excellence has become vital for industrial corporates in South Africa, particularly in the very competitive consumer facing sectors. This has caused a structural need for well-located and optimally designed distribution centres. Equites Property Fund has built a competitive advantage in designing, financing, building and managing these specialist properties and is very well positioned to benefit from these structural trends. The share provides our clients with a solid revenue stream from a well-diversified mix of tenants, which are mainly large multinationals and JSE-listed corporates. There is also future growth expected from development projects, brownfield expansions (the current Foschini Group distribution centre expansion) as well as partnering opportunities with other general property funds.

We continue to apply our process and valuation-driven philosophy with focus and discipline, currently positioning the fund very differently to the market and competing funds. We are maintaining a conservative positioning, with substantial equity hedging in place, maximum offshore exposure, defensive precious metal ETF holdings and low duration yield asset exposure. The performance year to date has been very encouraging and market volatility and geopolitical events are creating exciting opportunities to position our funds in significantly undervalued shares with strong prospects for superior returns.

Portfolio Manager
Gavin Wood