Kagiso Equity Alpha Fund

as at September 2010

KAGISO
Asset Management

Fund category	Domestic - Equity - General
Fund description	Aims to maintain top quartile performance in its category.
Launch date	26 April 2004
Portfolio manager	Gavin Wood
Fund size	R222.90 million
NAV	398.00 cents
Benchmark	Domestic Equity General Funds Mean
Class A	

Portfolio detail

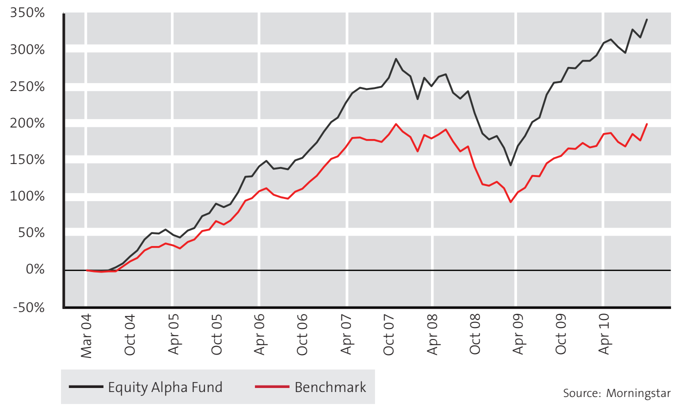
Effective asset allocation exposure

As at 30 September 2010

Domestic assets	**92.91%**
◆ **Equities**	**86.37%**
Oil & Gas	7.88%
Basic Materials	16.88%
Industrials	3.33%
Consumer Goods	8.38%
Healthcare	4.64%
Consumer Services	15.06%
Telecommunications	8.90%
Financials	21.13%
Technology	2.17%
Derivatives	(2.01%)
◆ **Preference Shares & Other Securities**	**1.98%**
◆ **Real Estate**	**0.16%**
◆ **Cash**	**4.39%**
◆ **International Assets**	**7.09%**
Equities	7.09%

Performance and risk statistics[1]

Cumulative performance since inception



Source: Morningstar

Top 10 holdings

As at 30 September 2010	% of Fund
MTN	8.73%
Sasol	7.88%
Naspers	7.76%
FirstRand	5.43%
Standard Bank	5.32%
Tongaat Hulett	4.90%
British American Tobacco	3.72%
Discovery	3.61%
Impala Platinum	2.74%
Mondi	2.53%
Total	**52.61%**

Performance for various periods

	Fund	Benchmark	Outperformance
Since inception (unannualised)	340.97%	198.69%	142.28%
Since inception (annualised)	25.64%	18.33%	7.31%
Latest 5 years (annualised)	18.26%	12.40%	5.86%
Latest 3 years (annualised)	6.86%	1.66%	5.20%
Latest 1 year (annualised)	23.76%	17.04%	6.72%
Year to date	14.66%	9.43%	5.23%
2009	36.21%	23.97%	12.24%
2008	(22.38%)	(21.70%)	(0.67%)
2007	26.15%	17.04%	9.11%
2006	39.90%	34.27%	5.63%

Income distributions

Declaration	Payment	Amount	Dividend	Interest
30 Sep 2010	01 Oct 2010	1.06	0.96	0.10
31 Mar 2009	01 Apr 2009	5.60	5.51	0.09
30 Sep 2008	01 Oct 2008	0.33	0.31	0.02
31 Mar 2008	01 Apr 2008	2.12	1.88	0.24

Risk statistics since inception

	Fund	Benchmark
Annualised deviation	16.77%	15.35%
Sharpe ratio	0.99%	0.61%
Maximum gain	54.83 %	42.25%
Maximum drawdown[3]	(37.37%)	(35.71%)
% Positive months	69.23%	65.38%

3 Maximum % decline over any period

Monthly performance returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2010	(0.02%)	1.87%	4.44%	1.14%	(2.53%)	(1.87%)	7.93%	(2.58%)	5.97%			
2009	(5.65%)	(8.99%)	10.90%	4.95%	6.70%	2.05%	10.29%	4.66%	0.46%	5.53%	(0.19%)	2.65%
2008	(8.68%)	8.94%	(3.30%)	3.69%	0.96%	(6.76%)	(2.52%)	3.20%	(8.72%)	(8.81%)	(2.92%)	1.69%

Fees (excluding VAT)

Initial fee	0.00%
Annual management fee*	1.00%

* A portion of Kagiso's annual management fee may be paid to administration platforms like LISP's as a payment for administration and distribution services.

Total Expense Ratio (TER)[2]	1.49% per annum

Advice costs (excluding VAT)

- Initial and ongoing advice fees may be facilitated on agreement between the Client and Financial Advisor.
- An initial advice fee may be negotiated to a maximum of 3% and is applied to each contribution and deducted before investment is made.
- Ongoing advice fees may be negotiated to a maximum of 1% per annum (if initial advice fee greater than 1.5% is selected, then the maximum annual advice fee is 0.5%), charged by way of unit reduction and paid to the Financial Advisor monthly in arrears. This annual advice fee is not part of the normal annual management fee as disclosed above.
- Where commission and incentives are paid, these are included in the overall costs.

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). Kagiso Collective Investments Limited is a subsidiary of Kagiso Asset Management to which the investment of its unit trust funds is outsourced. The Kagiso Islamic Equity Fund is a Collective Investment Scheme portfolio (unit trust) registered in terms of the Collective Investment Schemes Control Act under the Kagiso Unit Trust Scheme. Unit trusts should be considered a medium- to long-term investment. The value of units may go down as well as up. 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. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Instructions must reach Kagiso Collective Investments before 2pm to ensure same day value. Fund valuations take place at approximately 15h00 each business day and forward pricing is used. The manager is a member of ASISA. [1]Performance is quoted from Morningstar as at 30 September 2010 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]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 September 2010. 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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as at September 2010

KAGISO Asset Management

Global equity markets rebounded strongly in the quarter, more than erasing losses from the prior quarter. This was despite worsening global economic data and reversing fiscal stimulus. The optimism seems largely due to the anticipation of further monetary stimulus from developed market central banks. These expectations fed through to heavy foreign buying of South African bonds and a massive 9.7% strengthening in the rand against the US dollar.

We remain cautious that the signs of economic recovery are distorted by government stimulus measures. It is not clear what levels of economic activity will be sustainable as this stimulus is inevitably withdrawn. Additionally, economic activity will be depressed by the need for developed country austerity measures, which are necessary if historically very high levels of debt are to be reduced.

Add to this: high structural unemployment, massive welfare and pension liabilities and other economic imbalances, and we have a tough outlook for markets. We are wary that the short-term positive impact of additional developed market monetary stimulus will be difficult to sustain. On the positive side, we believe that there are strong prospects for companies focused on emerging market consumers. We are positioned in some of these, which are still priced below intrinsic value.

The Kagiso Equity Alpha Fund had an average quarter compared with its peers in the General Equity sector, due mainly to a more defensive positioning in a strongly positive period and due to our tactical positioning for a weaker rand. Despite this, we ended September 2010, within our sector: 4th year to date, 5th over 3 years and 2nd over 5 years (according to Morningstar).

Commodity prices were significantly stronger over the quarter, with the weak US dollar providing some support: copper was up 23.5%, oil up around 6%, platinum up 8.5% and gold up 5% (hitting new all-time highs).

The rand was 9.7% stronger against the US dollar, in line with many other emerging market currencies and around 3% stronger against the pound and the yen. The euro was strong for the quarter as fears about their sovereign debt situations receded somewhat. This rand strength was despite a 0.5% cut in the repo rate by the SARB on a muted inflation outlook and very subdued economic activity.

The FTSE/JSE All Share index was up 13.3% during the quarter, with financials (+15.2%) and industrials (+18.5%) again outperforming resources (+7.1%).

Foreigners did not add to their equity positions in the quarter, after being strong net buyers over the past year. Foreign investors bought high volumes of South African bonds in their search for yield, driving down bond yields to multi-year lows (the 10-year bond yield fell to 7.9% (from 8.8%). Foreigners have bought a substantial R74.1 billion in South African bonds in the year to date.

Naspers (+32%), Mondi (+28%), Cipla Medpro (+35%), MTN (+26%) and Richemont (+27%) were strong performers for the fund, but our exposure to sugar, hospital and general defensive stocks lagged the broader market's surge.

Going forward, we remain defensively positioned with a strong focus on quality, lower risk companies, which are attractively priced. We favour companies with strong balance sheets, high franchise value and/or dominant market positions, low fixed costs and defensive earnings streams. We are avoiding companies which have strongly re-rated in expectation of high earnings growth in future – growth that we believe may be elusive in the tough economic environment we expect.

The fund remains appropriately positioned in our best stock selections, based on our team's proven bottom-up stock picking process.

Portfolio manager
Gavin Wood