Kagiso Equity Alpha Fund

as at March 2011

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	R282.03 million
NAV	428.29 cents
Benchmark	Domestic Equity General Funds Mean
Class A	

Portfolio detail

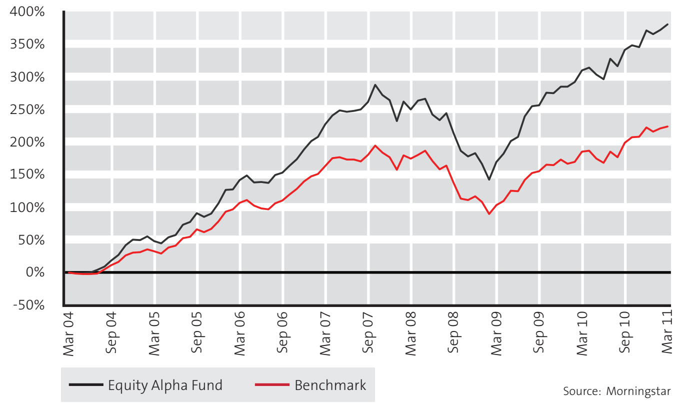
Effective asset allocation exposure

As at 31 March 2011

Domestic assets	95.18%
◆ Equities	93.44%
Oil & Gas	9.14%
Basic Materials	22.09%
Industrials	3.70%
Consumer Goods	8.68%
Healthcare	5.00%
Consumer Services	10.93%
Telecommunications	10.23%
Technology	3.60%
Financials	20.05%
Derivatives	0.00%
◆ Preference Shares & Other Securities	(1.21%)
◆ Real Estate	0.00%
◆ Cash	2.95%
◆ International Assets	4.82%
Equities	4.82%

Performance and risk statistics[1]

Cumulative performance since inception



Source: Morningstar

Top 10 holdings

As at 31 March 2011	% of Fund
MTN	10.23%
Sasol	9.14%
Tongaat Hulett	6.23%
FirstRand/RMB	5.97%
Mondi	5.92%
Standard Bank	5.03%
Naspers	4.28%
British American Tobacco	3.38%
ABSA	3.22%
Mustek	3.20%
Total	**56.61%**

Performance for various periods

	Fund	Benchmark	Outperformance
Since inception (unannualised)	379.90%	223.37%	156.53%
Since inception (annualised)	25.11%	18.25%	6.86%
Latest 5 years (annualised)	14.76%	9.37%	5.39%
Latest 3 years (annualised)	11.09%	5.60%	5.49%
Latest 1 year (annualised)	17.25%	13.41%	3.84%
Year to date	1.90%	0.33%	1.57%
2010	22.38%	18.28%	4.10%
2009	36.23%	25.95%	10.28%
2008	(22.37%)	(21.80%)	(0.56%)
2007	26.15%	15.48%	10.67%

Income distributions

Declaration	Payment	Amount	Dividend	Interest
31 Dec 2010	03 Jan 2011	3.40	3.30	0.10
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	16.29%	14.91%
Sharpe ratio	1.00	0.64
Maximum gain	54.85%	40.36%
Maximum drawdown[3]	(37.37%)	(35.64%)
% Positive months	69.05%	66.67%

3 Maximum % decline over any period

Monthly performance returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2011	(1.26%)	1.44%	1.74%									
2010	(0.02%)	1.87%	4.44%	1.14%	(2.53%)	(1.87%)	7.93%	(2.58%)	5.97%	1.53%	(0.58%)	5.75%
2009	(5.65%)	(8.99%)	10.90%	4.95%	6.70%	2.05%	10.30%	4.66%	0.46%	5.35%	(0.19%)	2.65%

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]	1.26% 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.

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The first quarter of 2011 served up several severe global shocks and consequent market volatility. North Africa saw rapid regime changes in Egypt and Tunisia, with the revolt spreading to the Middle East and to Libya, an important oil producer. The oil price has spiked sharply as a result. Japan experienced its worst-ever earthquake and a devastating tsunami, with thousands killed and displaced and an unfolding nuclear disaster. Electricity shortages and factory damage in Japan have disrupted the production of vital electronics and automotive components needed by factories around the world.

Inflation fears have risen with the rise in commodity prices, especially oil and food. Consequently, monetary policy tightening has been experienced in a number of economies, notably China and the Eurozone.

Notwithstanding the above bad news, equity markets had a strong quarter. The S&P 500 index was up 5.4% and the MSCI World index rose 4.9%. Emerging markets underperformed developed markets in general, although Japan was particularly weak (Nikkei 225 was down 4.6%).

The Kagiso Equity Alpha Fund had a strong quarter compared with its peers in the General Equity sector, due mainly to good stock picking and generally defensive positioning, despite our lower than average resources exposure. The fund remains number one in the General Equity sector since its inception in April 2004.

Commodity prices were mostly stronger over the quarter, led by oil, which was up 25% for Brent Crude (and 17% for WTI in the US). Gold (+2.4%) and platinum (+1%) were up, but copper (-2.5%) was down after a very strong 2010 run. In South Africa, agricultural commodities firmed sharply, with yellow maize up 10.6% and wheat up 7.6%. This should feed into food price inflation in the months ahead.

The rand was weaker against developed market currencies – 2.1% weaker against the US dollar and 8% weaker against the euro. This euro strength reflects a divergence in monetary policy expectations between Europe (tightening) and the US (continued record low interest rates and quantitative easing). The SARB kept interest rates unchanged at multi-decade lows, but rising cost-push inflation pressures probably indicate that the next interest rate move is up.

The FTSE/JSE All Share index was up only 0.3% during the quarter (excluding dividends), with resource shares again performing best (+2.8%), aided by the weaker currency and better commodity prices. Industrial shares (-0.3%) then lagged financials (+0.7%) over the quarter.

Foreigners were net sellers of both equities (R3.1 billion) and bonds (R7.6 billion), reversing slightly the strong inflow trend of 2010.

Mondi (+22%), Assore (+14%), Sasol (+13%) and BAT (+11%) were strong performers for the fund, but our exposure to Implats (-15%) and Tongaat Hulett (-9%), both retreating on Zimbabwe indigenisation fears, were a drag on performance. In general, we avoided most of the severe downward price movements, e.g. severe sell-offs in the construction sector (Murray and Roberts down 34% and PPC down 29%), in Aspen (-14%) and some of the retailers (JD Group down 17% and Mr Price down 8%).

Looking ahead, we remain cautious over prospects for the developed economies, with high levels of government debt, high levels of unemployment, stimulus removal and austerity measures looming and demographic trends moving slowly against them. On the positive side, we believe that there are strong prospects for companies focused on emerging market consumers.

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