Kagiso Equity Alpha Fund

as at 30 September 2011

KAGISO Asset Management

Performance and risk statistics[1]

	Fund	Benchmark	Outperformance
1 year	5.1%	3.2%	1.9%
3 years	13.9%	9.1%	4.8%
5 years	12.9%	7.9%	5.0%
Since inception	22.7%	16.2%	6.5%

All performances annualised

	Fund	Benchmark
Annualised deviation	15.9%	14.6%
Sharpe ratio	0.9	0.5
Maximum gain*	54.9%	40.4%
Maximum drawdown*	-37.4%	-35.6%
% Positive months	66.7%	63.3%

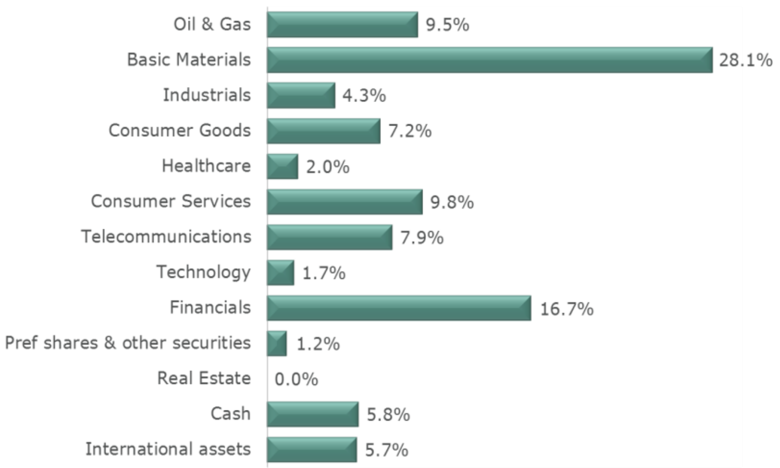
*Maximum % increase/decline over any period

Cumulative performance since inception

Portfolio manager	Gavin Wood
Fund category	Domestic - Equity - General
Fund objective	To provide strong capital growth and a total portfolio return that is in the top quartile for general equity funds.
Risk profile	Medium - High
Suitable for	Investors who are in their wealth accumulation phase, seeking exposure to the domestic equity market. A typical investor would be able to withstand short-term market fluctuations in pursuit of maximum capital growth over the long term.
Benchmark	Domestic Equity General funds mean
Launch date	26 April 2004
Fund size	R412.2 million
NAV	410.42 cents
Distribution dates	30 June, 31 December
Last distribution	30 June 2011: 3.63 cpu
Minimum investment	Lump sum: R5 000; Debit order: R500
Fees (excl. VAT)[2]	Initial fee: 0.00% Financial adviser fee: max 3.00% Ongoing advice fee: max 1.00% pa Annual management fee: 1.25%
TER[3]	1.48% per annum

Unconventional thinking. Superior performance

Effective asset allocation exposure



Top ten holdings

	% of fund
Sasol	9.9
MTN	8.4
Tongaat Hulett	6.6
Firstrand/RMB	6.2
Mondi	5.7
Naspers	5.0
Standard Bank	4.9
Lonmin	3.7
Impala Platinum	3.7
AECI	3.4
Total	57.5

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). Unit trusts are generally medium- to long-term investments. The value of units may go down as well as up and 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. Unit trust prices are calculated on a net asset value (NAV) basis, which is the total value of assets in the portfolio including any income accruals and less any permissable deductions (brokerage, Uncertificated Secutiries Tax, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio, divided by the number of units in issue. Instructions must reach Kagiso Collective Investments before 14:00 to ensure same day value. Fund valuations take place at approximately 15:00 each business day and forward pricing is used.

[1] Performance is quoted from Morningstar as at month-end 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] A schedule of maximum fees and charges is available on request and from our website. Fees and incentives may be paid, and if so, are included in the overall costs.

[3] 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 2011. 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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Commentary

In the third quarter of 2011 market volatility rose substantially as the US Fed's massive QE2 stimulus programme ended. US and European politicians competed with each other for negative headlines – the US left it until the last minute to defer its debt problems (by raising its legislated debt ceiling) and Europe proved indecisive on dealing with the credit crisis in its South.

To add to the negative mood, Chinese economic data softened somewhat and worries about its property market increased. Consumer confidence in the US has weakened as the jobs and housing markets remain very weak. These developments are very much in line with our long held bearish view on the world economy post the financial crisis.

Equity markets had a negative quarter with August and September being particularly volatile. The S&P 500 Index was down 14.3%, its worst quarter since December 2008, and the Nikkei fell 11.4%. On average, emerging markets again underperformed developed markets.

The Kagiso Equity Alpha Fund had an above average quarter compared with its peers in the Domestic General Equity sector - due mainly to our generally defensive orientation and despite our, now, increased resources sector exposure. The fund remains number one in the General Equity sector since its inception in April 2004.

Commodity prices were very volatile but mostly weaker over the quarter. Oil prices were down 4.6% (Brent Crude), despite the prospect of a return of Libyan supply as rebel forces gained control of most of the country. Gold was up 7.4% on increased risk aversion, but platinum (-12.3%) and copper (-25.7%) were sharply down on fading growth hopes and concerns about Chinese demand. Most other commodities were significantly down.

The rand weakened against developed market currencies in line with the broad-based sell-off in emerging market currencies generally – down 16.5% against the US dollar and 9.5% weaker against the euro. The South African Reserve Bank kept interest rates unchanged at multi-decade lows, and interest rate markets reversed expectations of an increase as economic activity slowed materially.

The FTSE/JSE All Share Index was down 5.8% during the quarter, with significant sectoral diversions: resources shares (-10.0%) underperformed industrial shares (-3.3%) and financial shares (-3.1%). Equity markets experienced significant volatility, with most of the negative performance coming through in September (-3.6%). Foreigners were net sellers of equities in the quarter (-R20.1 billion), but small net buyers of bonds (R1.1 billion).

Woolworths (+20.8%), Anglogold Ashanti (+19.0%) and Mediclinic (+8.4%) were strong performers for the fund, but our exposure to Lonmin (-16.8%), Netcare (-11.7%) and Mondi (-11.4%) were a drag on performance.

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, although much of this optimism seems to be priced into South African consumer stocks.

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 continues to be appropriately positioned in our best stock selections, based on our team's proven bottom-up stock picking process.

Portfolio manager
Gavin Wood