Kagiso Equity Alpha Fund

as at 31 March 2012

KAGISO Asset Management

Performance and risk statistics[1]

	Fund	Benchmark	Outperformance
1 year	9.8%	9.5%	0.3%
3 years	25.1%	20.4%	4.8%
5 years	10.0%	6.1%	3.9%
Since inception	23.1%	17.1%	6.0%

All performances annualised

	Fund	Benchmark
Annualised deviation	15.5%	14.4%
Sharpe ratio	0.9	0.6
Maximum gain*	54.9%	40.4%
Maximum drawdown*	-37.4%	-35.6%
% Positive months	67.7%	63.5%

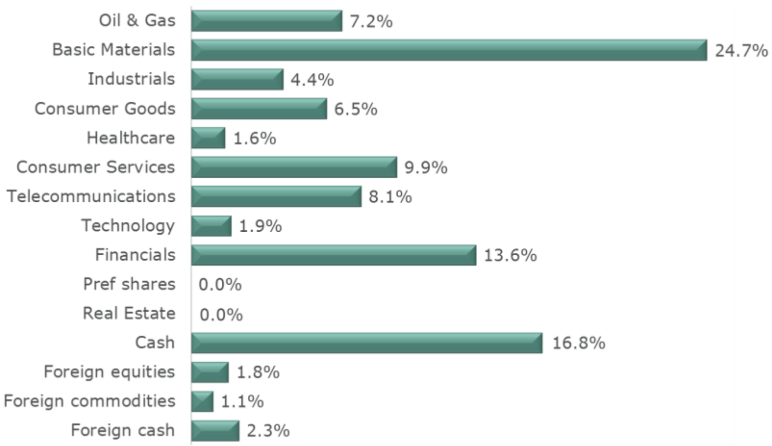
*Maximum % increase/decline over any period

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	R583.8 million
NAV	461.17 cents
Distribution dates	30 June, 31 December
Last distribution	31 December 2011: 4.77 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]	1.46% per annum

Unconventional thinking. Superior performance

Effective asset allocation exposure



Top ten holdings

	% of fund
MTN	9.3
Sasol	8.2
Naspers	7.1
Tongaat Hulett	7.0
Lonmin	6.9
Firstrand/RMB	6.8
Standard Bank	6.4
Mondi	6.3
AECI	4.6
Impala Platinum	3.7
Total	66.3

[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 March 2012. 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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KAGISO
Asset Management

Commentary

The first quarter of 2012 saw the South African equity market underperform most global markets, partly due to the weak performance of resources shares as news of growth slowing in China outweighed continued positive US economic data. Many South African companies, especially amongst the industrials, were pushed further above their all-time high share prices.

It was an excellent start to the year for the US market with the S&P 500 index enjoying its best first quarter in 14 years, up by 12.0%. The UK market lagged and was up by only 3.5%. The MSCI Emerging Markets index was up 14.1% in USD, outperforming the MSCI Developed Markets index (up 11.7%) and the Japanese market had a strong quarter (the Nikkei was up 19.3%).

The Kagiso Equity Alpha Fund outperformed its peers (in the Domestic General Equity sector) again this quarter - despite our generally defensive orientation and our, now, increased resource sector exposure. The fund remains number one in the Domestic General Equity sector since its inception in April 2004 (number three over the last 5 years and number five over the last 3 years).

Commodity prices were mostly positive for the quarter. Oil prices were up significantly, mostly during February, +14.9% (Brent Crude), given ongoing Middle East instability and slightly stronger economic news. Most other commodities relevant to South African miners were up, with copper up over the quarter by 11.7%, gold up 6.7% and platinum up 18.8%.

The rand gained 5.4% against the US dollar and was 2.4% stronger against the euro. The South African Reserve Bank kept interest rates unchanged at multi-decade lows due to ongoing global economic uncertainty, despite inflation remaining above the official target of 6% pa. Inflationary pressures are coming from the weaker currency and higher transportation, electricity and food prices.

The FTSE/JSE All Share index gained 4.9% during the quarter. There was considerable sectoral diversion for the quarter: resources shares (-3.3%) substantially underperformed industrial shares (+10.5%) and financial shares (+12.8%). Equity markets experienced continued volatility, with most of the positive performance coming through in January. Foreigners continued to be net sellers of equities in the first quarter (-R4.1 billion), but bonds remained positive with further strong inflows (+R21.2 billion).

Mondi (+25.8%), Naspers (+22.0%) and Discovery (+17%) were strong performers for the fund, but our exposure to Impala Platinum (-8.9%), Sasol (-3.9%) and MTN (-2.7%) 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 biting 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. Given the massive share price underperformance there appears to be significant value in resources shares at present, although they will remain volatile.

Going forward, we remain defensively positioned from an asset allocation point of view, with significant hedging in place. Our bottom up stock selection process has caused us to move the portfolio significantly out of industrial shares, many of which are trading at all-time highs and anticipating very strong earnings prospects, and into selected resources stocks, especially platinum group metal miners. This has raised the market sensitivity (beta) within the portfolio.

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