Kagiso Equity Alpha Fund
as at 30 June 2012

KAGISO Asset Management

Performance and risk statistics[1]

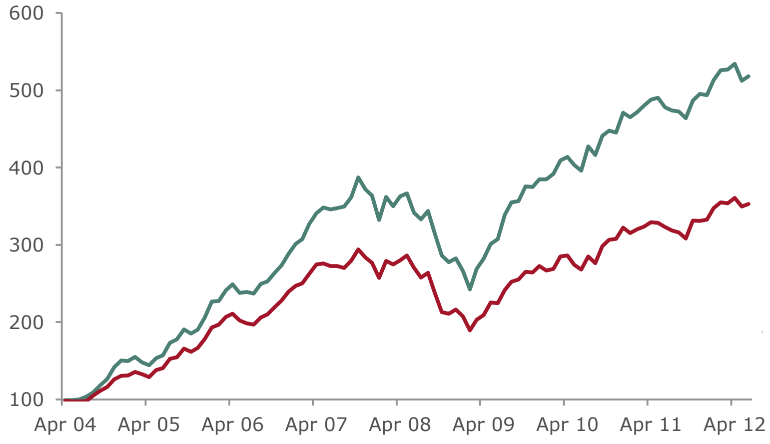
	Fund	Benchmark	Outperformance
1 year	8.4%	9.3%	-0.9%
3 years	19.0%	16.3%	2.7%
5 years	8.4%	5.3%	3.1%
Since inception	22.1%	16.5%	5.6%

All performances annualised

	Fund	Benchmark
Annualised deviation	15.5%	14.3%
Sharpe ratio	0.9	0.6
Maximum gain*	54.9%	40.4%
Maximum drawdown*	-37.4%	-35.6%
% Positive months	68.4%	64.3%

*Maximum % increase/decline over any period

Cumulative performance since inception

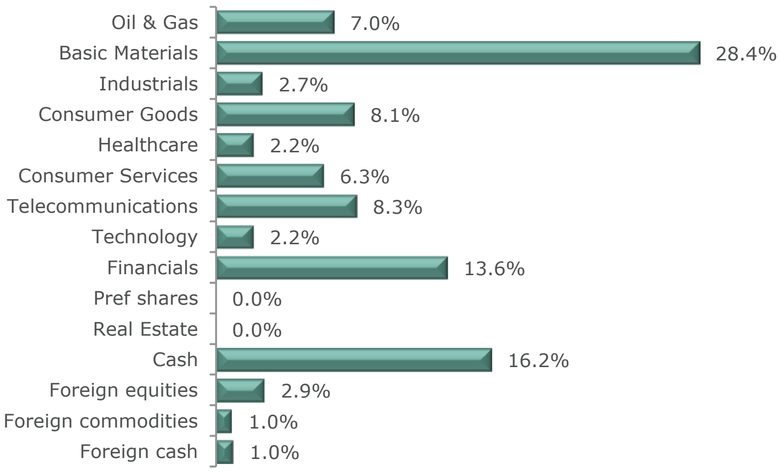


Source:Morningstar

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	R804.10 million
NAV	453.75 cents
Distribution dates	30 June, 31 December
Last distribution	30 June 2012: 3.64 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*



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

Top ten holdings

	% of fund
MTN	9.4
Sasol	7.8
Lonmin	7.3
Tongaat Hulett	7.2
Standard Bank	7.0
Firstrand/RMB	5.8
Mondi	5.4
Anglo American	4.9
AECI	4.3
Naspers	3.9
Total	63.1

[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 June 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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Commentary

The South African equity market held up relatively well at aggregate level in rand terms over the quarter and touched its all-time high during the period. This, however, masks a massive sectoral diversion, with financial and industrial shares strongly up and resources shares continuing to head lower. The weaker currency also supported the market, given the heavy weighting towards rand hedge shares in our market.

Global markets were generally lower, with the S&P 500 in the US down by 3.3%, Japan's Nikkei down 10.7%, the MSCI Emerging Markets index down 8.8% (in US dollar terms).

The Kagiso Equity Alpha Fund underperformed the average fund in its sector (the Domestic General Equity sector). This was due particularly to the large position we have in platinum miners – which were very weak – and the low weighting in consumer facing industrials which were very strong. The fund remains number one in the Domestic General Equity sector since its inception in April 2004 (number six over the last 5 years and number thirteen over the last 3 years).

Commodity prices weakened over the quarter as global economic data from China to Europe and the US was lower than expectations. The oil price fell 21.9% (Brent Crude), and most commodities relevant to South African miners were negative for the quarter, with: copper down 9.2%, gold down 3.8% and platinum down 12.9%.

The rand lost 6.0% against the US dollar and 1.0% against the euro. The South African Reserve Bank kept interest rates unchanged at multi-decade lows. Money market expectations moved materially during the quarter - from expecting rate increases to a situation where an interest rate cut in 2012 is now priced in. Inflation looks to have peaked and to be securely heading into the target band. The South African economy continues to be weak, with a generally poor employment environment and economic weakness in our major trading partners.

The FTSE/JSE All Share index gained 1.0% during the quarter, with considerable sectoral diversion as resources shares (down 3.6%) substantially underperformed industrial (up 2.6%) and financial shares (up 4.6%). Foreigners were net buyers of equities again this quarter, with a particular appetite for consumer stocks.

Tongaat Hulett (up 20.3%), FirstRand (up 11.4%) and Nampak (up 9.5%) were strong performers for the fund. Our exposure to Lonmin (down 20.7%), AECI (down 13.5%) and Sasol (down 6.1%) detracted from performance.

Looking ahead, we remain cautious over prospects for the developed economies, with high levels of government debt, high levels of unemployment 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 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