Kagiso Equity Alpha Fund

as at 30 June 2014

KAGISO Asset Management

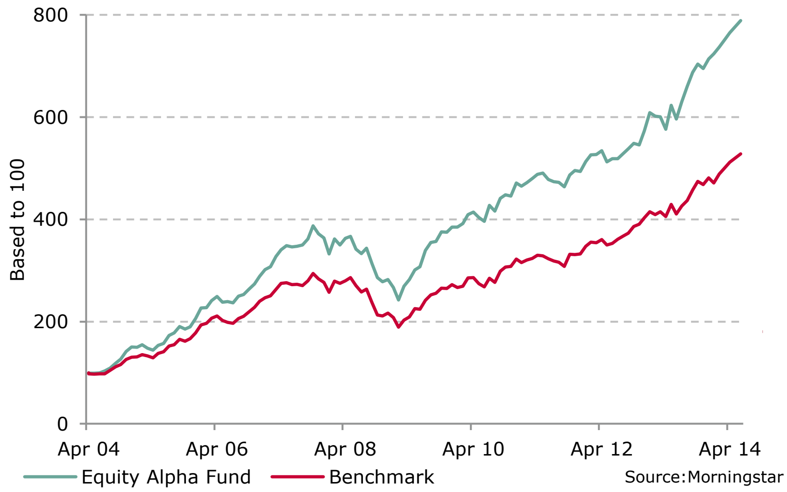
Performance and risk statistics[1]

	Fund	Benchmark	Outperformance
1 year	32.2%	28.7%	3.5%
3 years	18.1%	17.8%	0.3%
5 years	20.7%	18.7%	2.0%
10 years	23.0%	18.4%	4.6%
Since inception	22.3%	17.6%	4.7%

	Fund	Benchmark
Annualised deviation	14.5%	13.3%
Sharpe ratio	1.0	0.8
Maximum gain*	54.8%	40.3%
Maximum drawdown*	-37.4%	-35.6%
% Positive months	69.1%	66.7%

*Maximum % increase/decline over any period

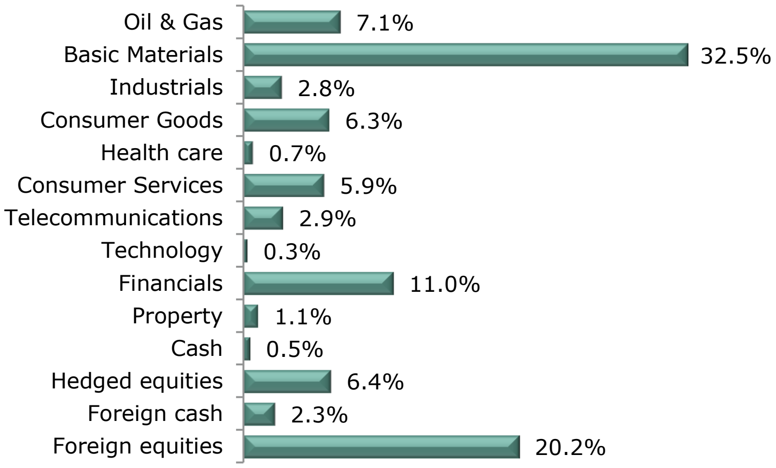
Cumulative performance since inception



Portfolio manager	Gavin Wood
Fund category	South African - 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	South African - Equity - General funds mean
Launch date	26 April 2004
Fund size	R1 112.3 million
NAV	673.57 cents
Distribution dates	30 June, 31 December
Last distribution	30 June 2014: 3.35 cpu
Minimum investment	Lump sum: R5 000; Debit order: R500
Fees (excl. VAT)	Initial fee: 0.00% Financial adviser fee: max 3.00% Ongoing advice fee: max 1.00% pa Annual management fee: 1.25% Performance fee: 10% of fund's outperformance of benchmark over rolling 12-month periods. Total fee (annual management fee plus performance fee) to be capped at 2%.
TER[2]	1.45%

Unconventional thinking.

Effective asset allocation exposure*



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

Top 10 holdings

	% of fund
Sasol	7.5
Standard Bank	6.5
Lonmin	5.1
NewGold Platinum ETF	4.9
Tongaat Hulett	4.8
Anglo Platinum	4.5
AECI	3.9
FirstRand/RMB	3.8
Mondi	3.5
MTN	3.4
Total	47.9

[1] Performance is quoted from Morningstar as at month-end for a lump sum investment using Class A Net Asset Value (NAV) prices with income distributions reinvested. NAV refers to the value of the fund's assets less the value of its liabilities, divided by the number of units in issue. Performance figures are quoted after the deduction of all costs incurred within the fund. All performances are annualised.

[2] The Total Expense Ratio (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 2014. 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 TERs.

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Kagiso Equity Alpha Fund - Quarterly commentary

as at 30 June 2014

The Equity Alpha Fund returned 4.9% for the quarter, 0.5% behind its peer benchmark. Over a one-year period, the fund delivered a return of 32.2%, outperforming the average comparable fund by 3.6%. The fund recently marked its 10-year anniversary and was ranked third out of all the general equity funds, having returned 23% pa (after fees) for clients since its inception.

Economic overview

Global and local equity markets continued their grind higher at a faster pace than economic improvements. During the quarter, geopolitical tensions in the Ukraine, between China and its neighbours and in the Middle East were notable.

Monetary policy developments continued to influence asset prices. The US Federal Reserve left its tapering programme unchanged, the Bank of Japan continued with asset purchases and the European Central Bank cut short-term rates and announced it was looking at quantitative easing-style interventions.

In South Africa, the rand ended the quarter only slightly weaker, with the country acting as a relative safe haven in the emerging market context. The crippling five-month platinum sector strike, which came to an end during the quarter, has had broad negative consequences for a wide swathe of the local economy. NUMSA's subsequent strike in the metals and engineering sector will place further pressure on SA's uncomfortably large current account deficit and slow economy. Given the ongoing economic weakness and in the absence of a significant currency shock from here, we expect a fairly shallow and gradual rate hiking cycle of around 1.5% over the next two years.

Fund performance and positioning

Tongaat, FirstRand and Pick n Pay were the fund's strongest performers over the quarter, while Lonmin, Metair and Anglo Platinum detracted.

The fund's position in Metair offers significant value as the company is likely to benefit from the global automotive sector's response to tightening vehicle emission standards, particularly by manufacturing batteries for start-stop engine management systems. Metair's subsidiary, First National Battery, has developed the technology to manufacture these batteries and Metair has made acquisitions that give it relevance in Europe's significantly larger vehicle market. Demand for start-stop batteries is expected to increase by 20% pa over the next five to 10 years and Metair is investing to expand production. At the current price, the stock is trading at below 10 times our estimate of normalised earnings.

Overall, levels in the SA equity market are now even more expensive than a quarter ago and we are finding very few undervalued stocks in the local market. The fund retains significant exposure to PGM miners (with severely depressed share prices) and the metal ETFs as we believe that metal prices need to rise given the constrained supply environment and gradually improving demand outlook.

In addition, the fund retains exposure to certain banking shares (Standard Bank and FirstRand) and commodity shares (Anglo American, Tongaat and Sasol). We continue to find little value in most industrial shares, with the exception of selected mid-caps.

Listed property has recently underperformed equities, improving the relative attractiveness of this sector. We have increased the fund's exposure to property companies with foreign operations (Intu Properties and New Europe Property Investments) and certain high quality domestic companies, which we think will fare better in the difficult operating environment we see ahead.

The fund retains a significant allocation to global assets, where we are finding opportunities in certain technology, healthcare and listed property stocks, as well as oil refiners and pipeline operators.

Portfolio manager
Gavin Wood

Key indicators	
Equity markets (total return)	Quarterly change
MSCI World Equity (US Dollar return)	4.2%
MSCI Emerging Market Equity (US Dollar return)	5.6%
FTSE/JSE All Share Index	7.2%
FTSE/JSE Resources Index	2.8%
FTSE/JSE Financials Index	8.7%
FTSE/JSE Industrials Index	9.5%
Commodities and currency	Quarterly change
Platinum ($/oz)	4.9%
Gold ($/oz)	3.4%
Brent Crude ($/barrel)	4.3%
Rand/US Dollar (USD)	0.9%