Kagiso Islamic Balanced Fund

as at 30 September 2011

KAGISO Asset Management

Performance and risk statistics

The Association for Savings & Investment SA (ASISA) code of practice requires a minimum period of six months since inception to show fund performances and, therefore, this fund does not yet meet this requirement.

Top ten holdings

	% of fund
Sasol	8.8
MTN	5.6
Tongaat Hulett	4.4
Mondi	4.2
Anglogold Ashanti	4.0
AECI	3.3
Vodacom	3.0
Lonmin	2.6
Nampak	2.6
African Rainbow Minerals	2.1
Total	**40.6**

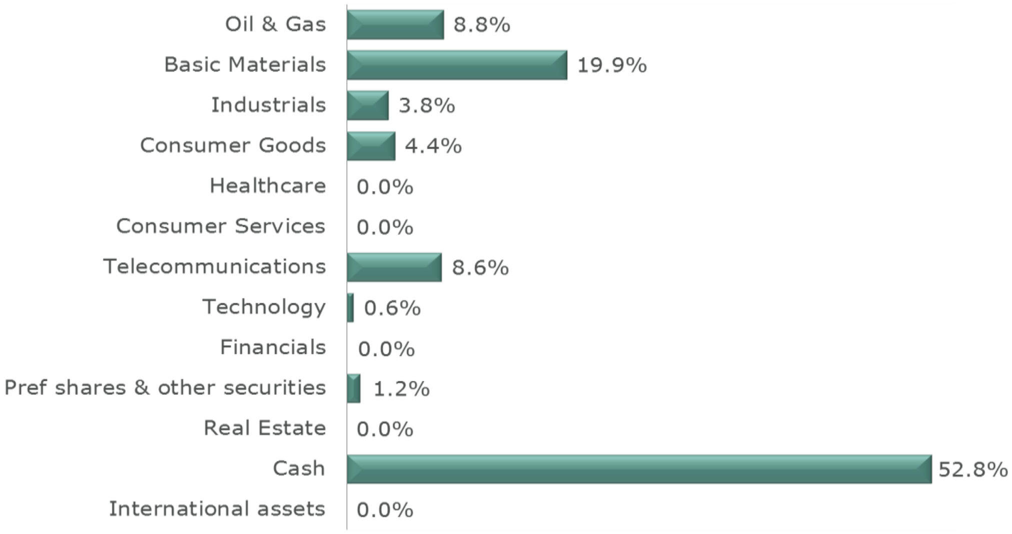
Portfolio manager	Abdulazeez Davids
Fund category	Domestic - Asset Allocation - Prudential - Variable Equity
Fund objective	A Sharia-compliant fund that aims to provide steady long-term returns and capital growth.
Risk profile	Medium
Suitable for	Muslim investors requiring a Sharia-compliant portfolio appropriate for retirement schemes. Investors would also be seeking to build and grow their long-term retirement capital, while preserving the purchasing power thereof over the long-term and limiting exposure to short-term market fluctuations.
Benchmark	Domestic AA Prudential Variable Equity funds mean
Launch date	1 May 2011
Fund size	R40.7 million
NAV	95.19 cents
Distribution dates	30 June, 31 December
Last distribution	N/A
Minimum investment	Lump sum: R5 000; Debit order: R500
Fees (excl. VAT)[1]	Initial fee: 0.00% Financial adviser fee: max 3.00% Ongoing advice fee: max 1.00% pa Annual management fee: 1.25%
TER[2]	N/A

Sharia advisory and supervisory board

Members: Sheigh Mohammed Tauha Karaan
Mufti Zubair Bayat
Mufti Ahmed Suliman

Unconventional thinking. Superior performance

Effective asset allocation exposure



[1] A schedule of maximum fees and charges is available on request and on our website. Fees and incentives may be paid, and if so, are included in the overall costs.

[2] 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 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.

Commentary

The FTSE JSE All Share Index posted a total return of -5.8% for the third quarter of 2011. Of the industry groups, Technology (5.0%) was the top performer with Health Care (2.5%) in second position. Basic Materials (-10.8%) was the worst performer, followed by Oil & Gas (-6.0%), Industrials and Telecoms (both -4.6%). Gold posted a total return of 19.5% in the September quarter, after posting -13.0% in the second quarter.

The developed market debt juggernaut gathered further momentum in the third quarter, with European policymakers continuing to defer the inevitable. On reflection, the past decade can be broken up into three distinct phases:

- Phase 1, starting from the end of 1999 to 2007, saw a major build up in household and financial sector debt in the US and several European economies.
- The second phase, lasting from the start of the subprime crisis to early 2010, saw intense private sector deleveraging combined with a surge in government sector debt. In effect, as the private sector was paying back debt, the government was taking on new debt in order to prop up aggregate demand.
- The third phase – the one in which we currently find ourselves – has seen a slowdown in the pace of private sector deleveraging but an acceleration in the pace of fiscal consolidation. The non-recurrence of further economic stimulus in developed markets has exacerbated the risk of a renewed global recession (the feared double-dip) and threatens to unwind the recovery that commenced in April 2009.

Equity markets appear disappointed and frustrated by the ineffectiveness of Fed policy at a time of heightened economic and financial risks. It is even debatable whether the twist policy will help or hurt the economy. ‘Operation Twist’ creates no new stimulus as the Fed balance sheet will stay steady, but it flattens the yield curve. This could hurt banks which are already under stress. Furthermore, the political impasse has seriously undermined the Obama administration’s ability to address the underlying problems inherent in the US economy. In addition, the horror story in Europe continues.

The advice given by the US to turn the European Financial Stability Fund (EFSF) into a bank is correct as it would allow the EFSF to draw in private sector savings as well as lever up the size of the fund on the European Central Bank’s balance sheet. This is the only way to substantially enlarge the rescue fund, making it a credible source of funding to stem the debt crisis.

The extreme volatility in stock prices is symptomatic of the degree of uncertainty and risk inherent in market valuations currently and also underlines the importance of a sound investment philosophy, a robust bottom-up investment process and a regular top-down quarterly review to generate long-term outperformance for our clients.

Portfolio manager
Abdulazeez Davids