

Performance and risk statistics¹

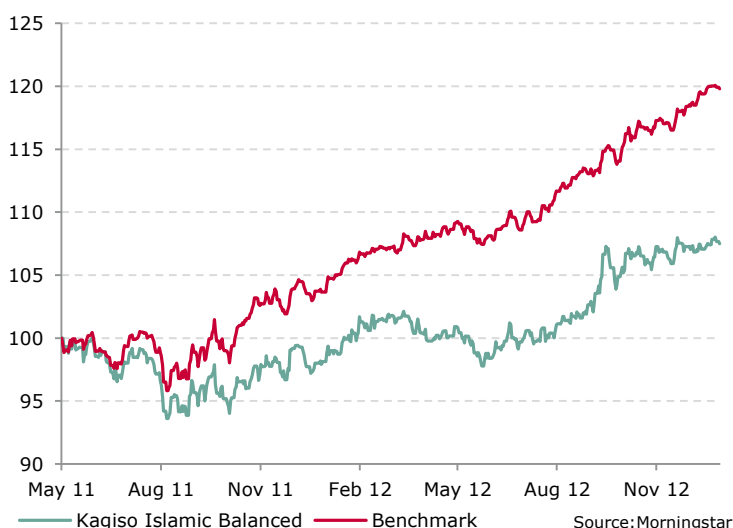
	Fund	Benchmark	Outperformance
1 year	9.5%	15.6%	-6.1%
Since inception	4.4%	11.5%	-7.1%

Performances annualised

	Fund	Benchmark
Annualised deviation	5.2%	4.4%
Sharpe ratio	-1.3	-1.4
Maximum gain*	8.8%	10.9%
Maximum drawdown*	-4.8%	-1.6%
% Positive months	65.0%	80.0%

*Maximum % increase/decline over any period

Cumulative performance since inception



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 3 May 2011

Fund size R452.4 million

NAV 107.49 cents

Distribution dates 30 June, 31 December

Last distribution 31 December 2012: 0.75 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%

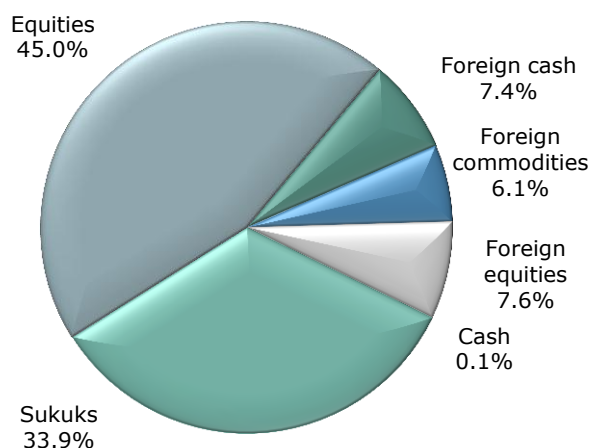
TER² 1.59%

Sharia advisory and supervisory board

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

Unconventional thinking. Superior performance

Effective asset allocation exposure



Top ten equity holdings

	% of fund
Sasol	6.4
MTN	6.2
Anglo American	4.6
Mondi	3.9
Anglogold Ashanti	3.8
Tongaat Hulett	3.4
BHP Billiton	3.2
Nampak	1.7
AECI	1.4
Impala Platinum	1.4
Total	36.0

The Kagiso unit trust fund range is offered by Kagiso Collective Investments Limited (Kagiso), registration number 2010/009289/06, a voting member of the Association for Savings and Investment SA (ASISA). Kagiso is a subsidiary of Kagiso Asset Management (Pty) Limited [a licensed financial services provider (FSP No. 784)], the investment manager of the unit trust funds. Unit trusts are generally medium to long-term investments. The value of units will fluctuate and past performance should not be used as a guide for future performance. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Exchange rate movements, where applicable, may affect the value of underlying investments. Different classes of units may apply and are subject to different fees and charges. A schedule of the maximum fees, charges and commissions is available upon request. Commission and incentives may be paid, and if so, would be included in the overall costs. All funds are valued and priced at 15:00 each business day and at 17:00 on the last business day of the month. Forward pricing is used. The deadline for receiving instructions is 14:00 each business day in order to ensure same day value.

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.

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 December 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 TERs.

Commentary

The FTSE/JSE All Share Index gained 9.8% during the quarter, ending the year near a record high. In terms of sector performance, Industrials (12.4%) were the largest contributors, followed by Financials (9.9%). Resources (7.3%) recovered as Chinese data improved and the iron ore price rallied. For the year, the FTSE/JSE All Share Index returned 26.7% compared to 2.6% in 2011. Industrials (40.7%) and Financials (38.1%) performed well, with Resources (+3.1%) lagging.

Going into 2013, the macro problems that have hindered growth in developed markets remain in place: the strength of the economic recovery will continue to be hampered by the absence of re-leveraging among consumers, reluctance by businesses to invest amid great uncertainty and intense pressure for fiscal restriction from governments. However, monetary authorities have taken extraordinary actions to promote growth in order to stabilise the global financial system and to try to offset fiscal constraints. It is likely that their efforts will produce mixed results, leading to diverging economic growth rates in these markets.

The 'flavour of the month' syndrome of rewarding companies with perceived resilient earnings bases together with 'safe haven' dividend yields continues. Industrial stocks have been key beneficiaries and sector rotation into resources could be a key feature of 2013. However, volatile commodity prices remain significant barriers to this rotation potential. Our investment process, which focuses on bottom-up stock selection with an emphasis on the analysis of key drivers, did not anticipate the macro tailwinds of monetary easing and record low interest rates and its impact on cross-asset valuations. The current phase of corporates re-leveraging or refinancing borrowings and thereby 'locking in' the benefits of record low interest rates will boost short-term earnings growth with the next and final phase of increased M&A activity using cheap debt yet to play out.

The Kagiso Islamic Balanced Fund underperformed the average fund in the Domestic Prudential Variable Equity sector for the quarter due to the lack of exposure to financial shares and our large position in Tongaat. While our current overweight position in resources shares and underweight position in industrials has affected our short-term performance, we believe it is appropriate to position our clients in deeply undervalued shares in anticipation of strong capital gains and avoid the permanent capital losses we expect in vastly overvalued shares. Implats (up 20.6%), Nampak (up 11.4%) and MTN (up 10.9%) were strong performers for the fund, while our exposure to AngloGold Ashanti (down 10.1%) and Tongaat Hulett (down 3.5%) detracted from performance.

Looking ahead, we remain cautious over prospects for 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. We are increasingly finding opportunities in large capitalisation IT stocks in the US with solid balance sheets and resilient cash flow generation abilities.

We remain defensively positioned from an asset allocation point of view, with significant non-equity positions in place. The fund continues to be appropriately positioned in our best domestic and international stock selections, based on our team's proven bottom-up stock picking process.

Portfolio manager
Abdulazeez Davids