Kagiso Islamic Balanced Fund

as at 31 March 2015

KAGISO Asset Management

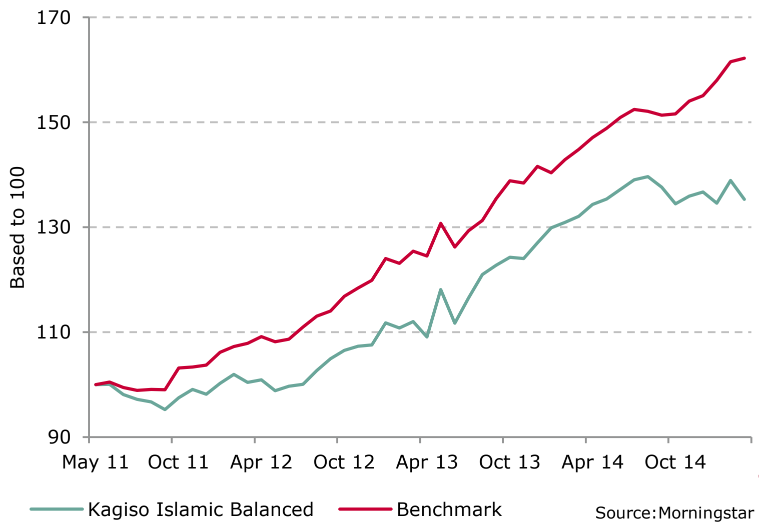
Performance and risk statistics[1]

	Fund	Benchmark	Outperformance
1 year	2.5%	12.0%	-9.5%
2 years	9.9%	13.7%	-3.8%
3 years	10.4%	14.6%	-4.2%
Since inception	8.0%	13.1%	-5.1%

	Fund	Benchmark
Annualised deviation	7.8%	5.2%
Sharpe ratio	0.3	1.4
Maximum gain*	13.1%	14.7%
Maximum drawdown*	-5.4%	-3.5%
% Positive months	68.1%	76.6%

*Consecutive months of change in the same direction.

Cumulative performance since inception



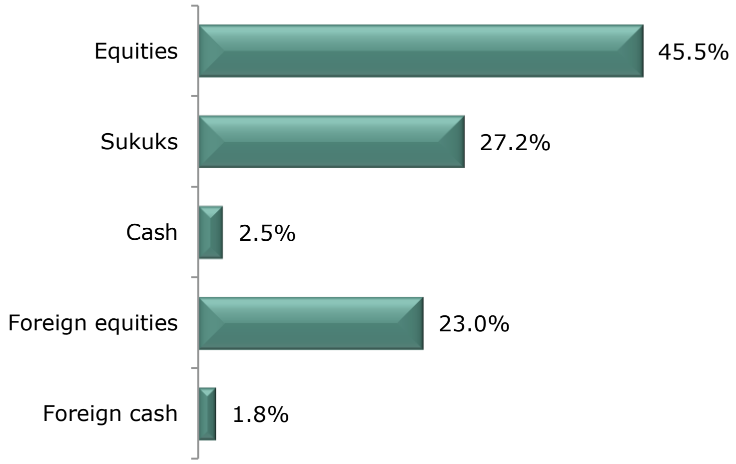
Portfolio Manager	Abdulazeez Davids
Fund category	South African - Multi Asset - High Equity
Fund objective	A Sharia-compliant fund that aims to provide steady long-term returns and capital growth within the constraints of the statutory investment restrictions for retirement funds.
Risk profile	 Medium
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	South African - Multi Asset - High Equity funds mean
Launch date	3 May 2011
Fund size	R414.7 million
NAV	133.13 cents
Distribution dates	30 June, 31 December
Last distributions	30 June 2014: 0.45 cpu 31 December 2014: 0.07 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 Management fee: 1.25% pa
TER[2]	1.43%

Sharia advisory and supervisory board members:

Sheigh Mohammed Tauha Karaan
Mufti Zubair Bayat
Mufti Ahmed Suliman

Unconventional thinking

Effective asset allocation exposure



Top 10 equity holdings

	% of fund
Tongaat Hulett	4.0
Sasol	3.8
BASF	2.9
Adcorp	2.8
Anglo American	2.8
AECI	2.7
New Europe Property	2.6
Anglo Platinum	2.5
Mondi	2.4
Cisco Systems	2.3
Total	28.8

[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 March 2015. 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.

Kagiso Islamic Balanced Fund - Quarterly commentary

as at 31 March 2015

The fund returned -1.0% for the quarter and 2.5% for the 12 months to end March 2015.

Economic and market overview

Since the financial crisis of 2008-2009, the developed world's central banks have generally maintained near-zero interest rates and have undertaken significant unconventional monetary easing in the form of quantitative easing. In 2015, the US Federal Reserve and the Bank of England delayed the onset of expected monetary tightening in response to tepid economic growth and falling inflation. In addition, the ECB launched its long-awaited sovereign quantitative easing programme in January and the Bank of Japan continues with its substantial quantitative easing program. Together, this has amounted to monetary stimulus in excess of prior expectations and as a result, asset prices have been very buoyant so far this year. In particular, high quality South African Industrials and Financials have been bought up to very high price levels as they find favour with investors looking for the stable and (sometimes) growing cash flows they have exhibited over the last few years. While earnings yields are very low relative to history, investors seem to be focused on their 'relatively high' earnings yields when compared to the very low bond yields on offer in developed markets.

South African GDP growth expectations have been materially marked down, influenced by continued electricity supply issues, expected labour disruptions, lower commodity prices and lower business confidence. Higher income consumers remain very strong, boosted by strong financial markets.

Inflation has troughed in the quarter and is likely to head higher and breach the upper end of the SARB's target band in the coming year due to higher petrol, food and electricity prices. For now, the uncertainties related to US policy normalisation and weak domestic growth momentum has prompted the SARB to keep rates on hold at 5.75% at both the January and March MPC meetings. However, they were explicit that the deteriorating inflation outlook had narrowed the scope for a pause in monetary policy normalisation since January and their tone has shifted from neutral (January) to more hawkish (March) on potential rate hikes.

The FTSE/JSE All Share Index touched a record peak in February, before entering a choppier period for the remainder of the first quarter, ultimately delivering a total return of 5.8%. Financials and Industrials were the best performing sectors, delivering 11.2% and 5.6% respectively, while Resources, plagued once more by weakness in platinum and energy names, were down 0.2%. The rand depreciated by 4.6% against the US dollar in the first quarter.

Fund performance and positioning

With continued weakness in the platinum sector, Lonmin, Anglo Platinum and Aquarius Platinum were again the primary sources of performance detraction in the quarter. Platinum group metal (PGM) prices have continued to be very weak and platinum mining share prices have plumbed new depths, currently discounting very little upside to spot metal prices. We maintain the view that demand for PGMs will grow steadily in the years ahead and supply will be very constrained. This is a recipe for much higher metal prices, which are currently depressed by the continued liquidation of above ground stocks by commodity investors who seem to be reacting to macroeconomic developments rather than longer-term metal market fundamentals. When metal prices inevitably move higher, the PGM miners should react very strongly as they become significant cash flow producers again.

Mondi and Netcare were the fund's top performing holdings over the period. In addition, the fund's exposure to certain real estate counters, such as New Europe Property, contributed to performance once more.

Sasol has been a key holding for several years. Its core business is to produce synthetic liquid fuels and chemicals based on its proprietary coal to liquids and gas to liquids technology. Sasol uses in-house Fischer-Tropsch technology to convert coal and gas into a synthetic crude oil and wax, which are in turn refined into petrol, diesel and various chemical feedstocks. The rand/dollar exchange rate and the dollar price of oil are the most important determinants of Sasol's earnings. The oil price plunge will therefore severely reduce Sasol's near-term cash flows, despite an ambitious cost cutting programme that was under way even before the oil price decline. Sasol is therefore worth less than we had previously thought and we have reduced the fund's exposure.

The SA market remains heavily influenced by global markets, central bank activity and the foreign resultant portfolio flows. Markets have started 2015 in a volatile fashion, which we believe is likely to set the tone for the year ahead. Broadly, we have been reducing concentration in the fund by selling down some of the outperformers and are finding significantly more opportunities in mid-cap companies relative to the larger stocks.

The fund retains close to maximum allocation to foreign assets, where we find opportunity in certain large technology stocks, healthcare companies, automakers and specific chemical companies. We are favouring companies with strong intellectual property and consequent high margins.

Portfolio Manager
Abdulazeez Davids

Key indicators	
Equity markets (total return)	Quarterly change
MSCI World Equity (US Dollar return)	1.8%
MSCI Emerging Market Equity (US Dollar return)	1.9%
FTSE Sharia All-World Index (US Dollar return)	-1.8%
Dow Jones Islamic Market World Index (US Dollar return)	2.3%
FTSE/JSE All Share Index	5.8%
FTSE/JSE Resources Index	-0.2%
FTSE/JSE Industrials Index	6.0%
Commodities and currency	Quarterly change
Platinum ($/oz)	-5.5%
Gold ($/oz)	0.0%
Brent Crude ($/barrel)	-2.6%
Rand/US Dollar (USD)	6.0%