Kagiso Islamic Balanced Fund

as at 31 December 2015

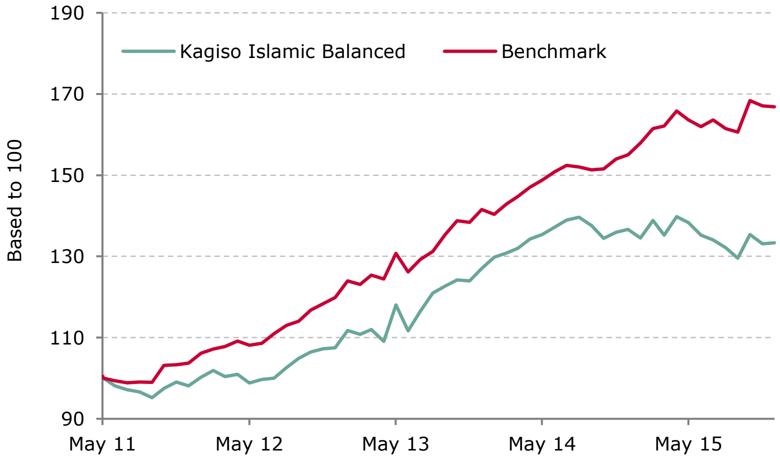
KAGISO Asset Management

Performance[1]

	Fund	Benchmark	Outperformance	Highest*	Lowest*
1 year	-2.5%	7.6%	-10.1%	4.5%	-2.6%
2 years	2.5%	8.6%	-6.1%	4.5%	-2.6%
3 years	7.4%	11.6%	-4.2%	8.2%	-5.4%
Since inception	6.4%	11.6%	-5.2%	8.2%	-5.4%

* Highest and lowest monthly fund performance during specified period

Cumulative performance since inception



Risk statistics

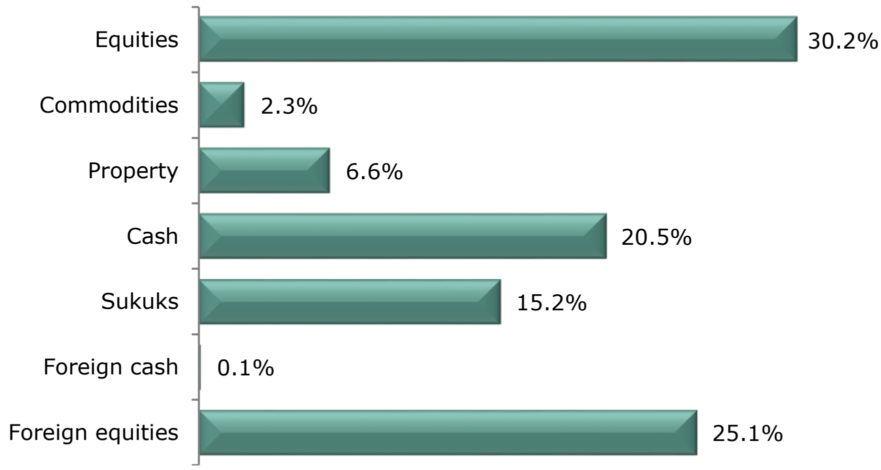
	Fund	Benchmark
Annualised deviation	7.9%	5.6%
Sharpe ratio	0.1	1.0
Maximum gain#	13.1%	14.7%
Maximum drawdown#	-7.3%	-3.5%
% Positive months	62.5%	69.6%

Consecutive months of change in the same direction

Top 10 equity holdings

	% of fund
Tongaat Hulett	3.2
Mondi	3.1
Corning	3.0
Sasol	3.0
Cisco Systems	2.8
BASF	2.8
LyondellBasell	2.5
Equites Property Fund	2.1
Anglo Platinum	2.1
SAP	2.0
Total	26.6

Effective asset allocation exposure



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.
Benchmark	South African - Multi Asset - High Equity funds mean
Launch date	3 May 2011
Fund size	R426.1 million

Risk profile	Medium	
NAV	130.83 cents	
TER[2]	1.49%	
TC[3]	To be provided as soon as available	
Distributions	31 December 2015	0.25 cpu
	30 June 2015	0.40 cpu
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

[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. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. All performances are annualised (ie the average annual return over the given time period).
[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 September 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.
[3] Transaction Costs (TC) are a neccessary cost in administering the Financial Product and impacts Financial Product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.

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Kagiso Islamic Balanced Fund

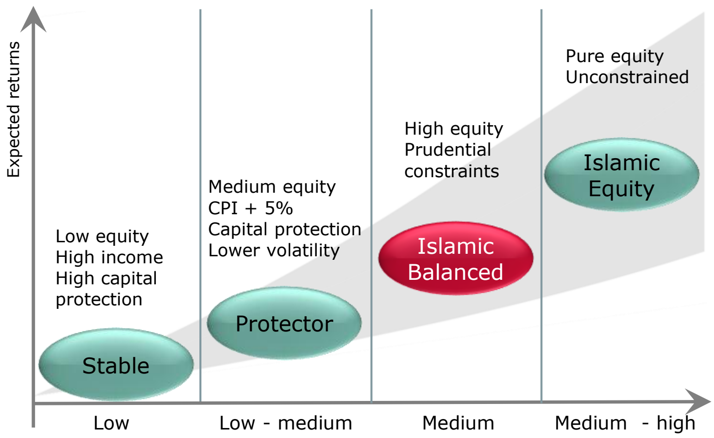
KAGISO Asset Management

The Kagiso Islamic Balanced Fund will be invested in a wide variety of domestic and international asset classes such as equity securities, sukuks and listed property, within the constraints of the statutory investment restrictions for retirement funds.

The underlying investments will comply with Sharia requirements as prescribed by the Accounting & Auditing Organisation for Islamic Financial Institutions (AAOIFI). The fund will not invest in any interest-bearing instruments.

This fund is 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.

Risk vs reward



Portfolio Manager

Abdulazeez Davids
BCom, CFA

Abdul joined Kagiso in 2008 and is Head of Research. Previously he was with Allan Gray as an investment analyst and portfolio manager.

Sharia advisory and supervisory board members

Sheigh Mohammed Tauha Karaan
Mufti Zubair Bayat
Mufti Ahmed Suliman

Minimum investment: Lump sum: R5 000; Debit order: R500

Our investment philosophy

At Kagiso Asset Management, we make investment decisions based on mispricings we observe in the market. Simply put, we buy investments that are priced well below their intrinsic values and avoid those that we believe are overpriced.

Opportunities arise when market prices deviate from intrinsic value

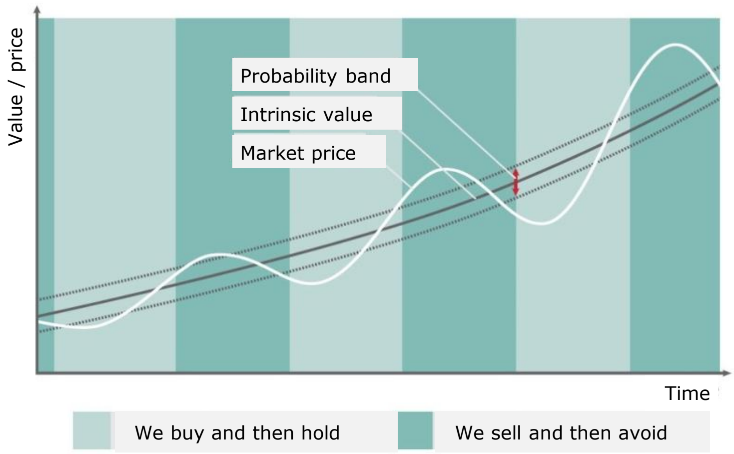
All investments represent a set of future cash flows, which can be valued with reasonable accuracy. Over time, this intrinsic value progresses at a fairly stable pace. Asset prices, however, fluctuate considerably through time. This is largely due to self-reinforcing cycles of enthusiasm or negativity, often fuelled by an excessive focus on near-term data and news flow.

Our aim is to identify and exploit mispricings in the markets. We therefore buy investments at prices well below our estimation of their intrinsic value and hold them, while they deliver strong cash returns and until they can be sold above this value. Once sold, we avoid such overvalued investments for as long as the market price is above the intrinsic value.

The future is never certain

We recognise that there is considerable danger in operating with the comfort of a false sense of certainty and the accompanying behavioural reinforcement cycles that lead to a distorted evaluation of new information. As a result, we understand that despite our best efforts, we cannot possibly know all the facts.

This drives us to think more deeply, to work harder and to be more alert. We therefore view the future in terms of probabilities, we explore alternative scenarios, diversify our positions, hedge risk and seek out potential asymmetries.



Trustee	Melinda Mostert Head: Standard Bank Trustee Services
Fund registration no	ZAE000154993

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Kagiso Islamic Balanced Fund - Quarterly commentary

as at 31 December 2015

KAGISO Asset Management

The fund returned 2.9% for the quarter and -2.5% for the 12 months to end December 2015.

Economic and market overview

The interplay between policy normalisation in the United States, emerging market weaknesses, and accommodation in other major advanced economies drove market developments in the fourth quarter of 2015.

Rising dollar interest rates as the Fed finally started the hiking cycle in the U, lifted the value of the dollar relative to other countries, notably emerging market currencies. Rising US rates also resulted in increased volatility in equity markets, as investors re-assess their appetite for risky assets. This increases the appeal of perceived safe haven assets like US treasuries and results in a disproportionate strengthening of the dollar relative to other heavily traded currencies.

Markets stabilised in October, following the August rout. Fears of a crisis centring on emerging markets faded as Chinese equity and currency markets – the rout's epicentre – entered calmer waters. Sentiment improved after policy interventions in emerging markets (The Reserve Bank of India cut its policy rate to a four-year low of 6.75% in late September. At the end of October, the People's Bank of China lowered the one year benchmark lending and deposit rates by 25 basis points).

Most commodities are leveraged to the China investment and construction cycle; negative growth here in 2015 has contributed to weak demand and the resultant softer spot commodity prices see the bulk of producers in loss-making territory. This is clearly not a sustainable situation for the long term, but large scale industry losses look likely to remain a market feature until production shuts are initiated to rebalance markets, or we see an unexpected lift in global demand. Surplus capacity exists in most mined commodities and remains utilised as production halts have been below what is needed to rebalance the trade. In general, market participants attempt to anticipate future outcomes and price them in ahead of time. Pricing therefore suggests a continuation of anaemic global demand and over-supplied markets.

Fund performance and positioning

The performance of South African equity markets in 2015 was characterized by lower commodity prices; higher costs of equity amidst fears of interest rate hikes given the likely ratings downgrade, and a protracted drought due to a severe El-Nino weather phenomenon. The rand depreciated by 25.2% vs. the USD in 2015, against a generally stronger dollar. The rand weakness was exacerbated further by domestic policy concerns, such as power shortages and drought, and in addition current account and budget deficits weighing on SA's credit ratings.The fund's negative return in 2015 was mainly due to the exposure to resources, with the resources sector declining by over 30% in 2015.

Unsurprisingly, SA sector winners in 2015 included rand hedge sectors, with Paper (+64.2%), Beverages (+57.4%), Tobacco (+43.8%), Media (+40.2%) and Household Goods (+34.8%) among the top performers, as the rand depreciated against the USD over the year.

Resources including Industrial Metals (-76.9%), Platinum (-61.8%), Construction (-41.3%), General Mining (-36.7%), Mobile Telecoms (-29.4%) were among the key sector laggards, on the back of generally lower commodity prices in 2015.

The biggest relative contributors to fund performance have been an underweight position in MTN, and then overweight positions in Aquarius platinum, NEPI and Mondi.

One of the fund's biggest holdings, Tongaat Hulett has had a challenging operating environment of late. The above-mentioned El-Nino caused the most severe drought in several years in South Africa and forced Tongaat to pursue cost cutting initiatives in the next six months amidst a 10% decline in profits. The company has also been hurt by lower world sugar prices that are linked to oil prices earlier in the year, although world sugar prices have recovered strongly towards the end of 2015.

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Key indicators	
Equity markets (total return)	Quarterly change
MSCI World Equity (US Dollar return)	5.1%
MSCI Emerging Market Equity (US Dollar return)	0.3%
FTSE Sharia All-World Index (US Dollar return)	4.2%
Dow Jones Islamic Market World Index (US Dollar return)	5.7%
FTSE/JSE All Share Index	1.7%
FTSE/JSE Resources Index	-19.7%
FTSE/JSE Industrials Index	7.3%
Commodities and currency	Quarterly change
Platinum ($/oz)	-1.7%
Gold ($/oz)	-4.9%
Brent Crude ($/barrel)	-23.2%
Rand/US Dollar (USD)	11.8%

Continued -

We now see less risk of lower earnings post a big land deal and in addition, we expect recovery in the sugar margin in 2017 to offset any decline in property profits post 2016.

Barring adverse weather conditions, we remain positive on longer term sugar prices given the steady increase in consumption from developing nations in Africa, Asia and the Middle East, and given that sugar prices are below the Brazilian cost of production and cash costs. This implies that Brazilian producers have an incentive to switch to producing ethanol, potentially leading to price reaction on the back of reduced global supply.

We remain positioned with a contrarian orientation, aiming to exploit the extreme valuation differentials on offer as a result of global monetary authorities' unconventional interventions in capital markets.

Our view is that extremely low bond yields globally are causing global investors to overprice companies with stable cashflows (perceived as bond substitutes) and under-price companies with naturally variable or cyclical cashflows, when these cashflows are low.

We also hold a relatively high midcap exposure in undervalued industrial companies. These seem to have escaped the strong rerating that has occurred in many of the larger industrial SA companies with strong global investor shareholdings. This is possibly due their size causing them not to make the radar screens of large active global investors and the benchmarks of global passive investors. In general we are wary of SA economic exposure, given the very weak outlook, especially in the consumer-facing companies.

The fund retains a high allocation to foreign equities and listed property stocks, where we find opportunity in certain large technology stocks, property and specific listed property exposures.

Portfolio Manager
Abdulazeez Davids