Kagiso Islamic Balanced Fund

as at 30 June 2016

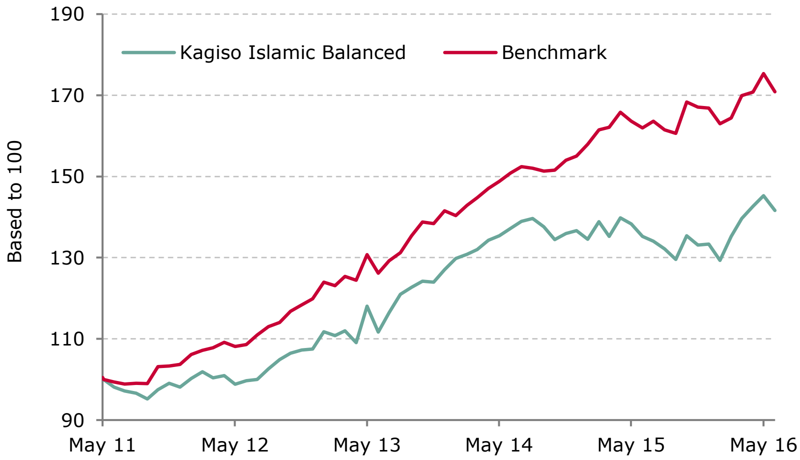
Date of issue: 29 July 2016

Performance[1]

	Fund	Benchmark	Outperformance	Highest*	Lowest*
1 year	4.7%	5.3%	-0.6%	4.6%	-3.0%
3 years	8.2%	10.5%	-2.3%	4.6%	-3.0%
5 years	7.6%	11.4%	-3.8%	8.2%	-5.4%
Since inception	7.0%	10.9%	-3.9%	8.2%	-5.4%

* Highest and lowest monthly fund performance during specified period

Cumulative performance since inception*



Risk statistics

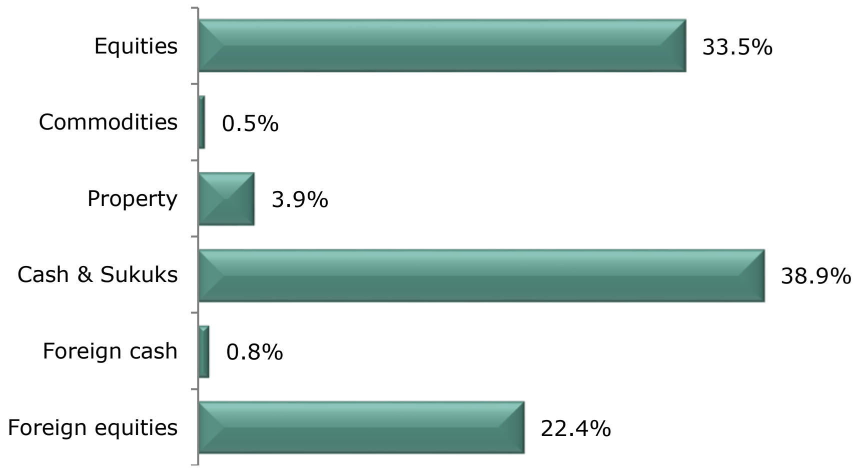
	Fund	Benchmark
Annualised deviation	8.1%	5.8%
Sharpe ratio	0.1	0.9
Maximum gain#	13.1%	14.7%
Maximum drawdown#	-7.5%	-3.5%
% Positive months	62.9%	69.4%

Consecutive months of change in the same direction

Top 10 equity holdings

	% of fund
Mondi	3.5
Tongaat Hulett	2.9
Corning	2.9
Equites Property Fund	2.6
Royal Bafokeng Platinum	2.6
Cisco Systems	2.5
BASF	2.3
Anglo Platinum	2.2
Samsung	2.1
MTN	2.1
Total	25.7

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	R476.6 million

Risk profile	Medium	
NAV	138.71 cents	
TER[2]	1.49%	
TC[3]	0.14%	
Distributions	30 June 2016	0.21 cpu
	31 December 2015	0.25 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 3-year period to end June 2016. 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.
* For illustrative purposes only.

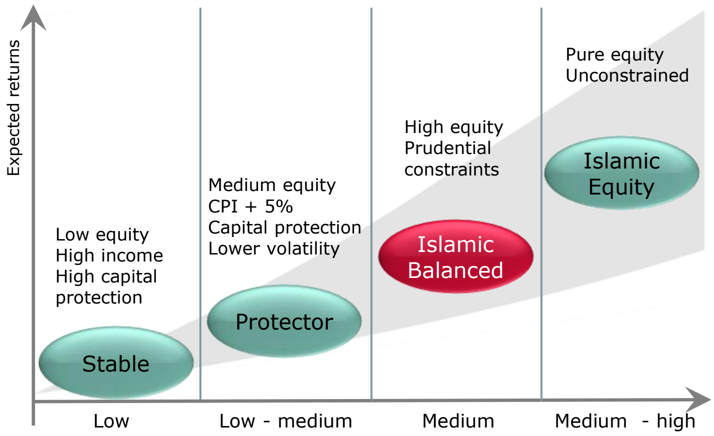
Kagiso Islamic Balanced Fund

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.

adavids@kagisoam.com

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

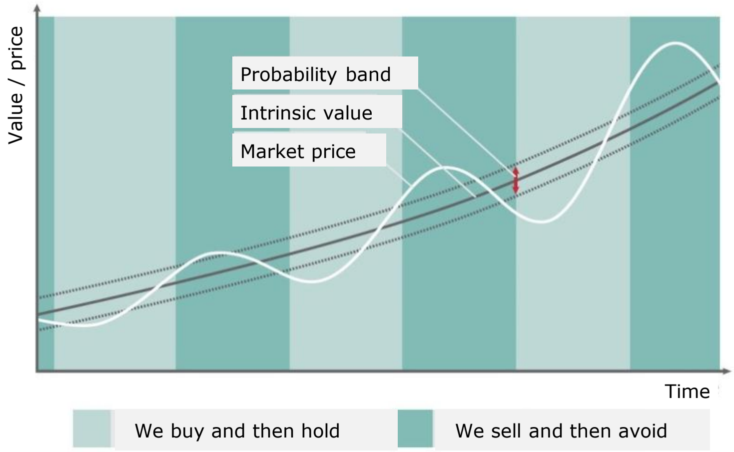
At Kagiso Asset Management, we make investment decisions based on mispricings we observe in the market. Simply put, we buy investments that are priced well below their intrinsic values and avoid those that we believe are overpriced.

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 melinda.mostert@standardbank.co.za
Fund registration no	ZAE000154993

Pricing: 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 to ensure same day value. Prices are published daily on our website and in selected in major newspapers.

The fund returned 1.4% for the quarter outperforming the benchmark by 0.9 %, and 4.7% for the 12 months to end June 2016.

Economic and market overview

The disappointing first quarter GDP growth rate (year on year contraction of 0.6%) deserves attention. The primary sectors - mining and agriculture, which make up 10% of GDP - were down 10% year on year. Secondary sectors - manufacturing and construction, which make up 20% of GDP - were down 1%. The tertiary sector - wholesale and retail trade, financial services, logistics and government services, which makes up 70% of the economy - is still serving as the powerhouse of our economy, but is coming under increasing cyclical pressures (rapidly slowing consumer spending growth and deteriorating credit cycle) and only managed to grow by 1%.

The first quarter result featured some seasonal effects (a lingering drought and safety stoppages in platinum mining), but past client discussions we've had on the worrying multi-year "de-industrialisation" of the local economy are now playing out. The reluctance of industrial growth to be meaningfully kick-started by a weakened currency is of particular concern.

On the global front, the "leave" outcome of the UK referendum on EU membership caused significant market turbulence towards the end of the quarter. The actual effects will only be known after a period of complex and prolonged exit negotiations. Of particular concern to us is the impact on the UK's financial services sector, and the extent to which the seamless sale of financial products to Europe ("passporting") will continue. Our current base case is that a partial migration of financial services infrastructure out of the UK (mostly back office functions relating to clearing activities) is likely. Negotiations that are politically motivated and short-term focussed will have negative growth implications for the UK and Europe, but will have a much smaller impact on the rest of the world.

In the aftermath of the UK referendum we saw a flight to safety. Gold prices increased moderately from elevated levels and, more importantly, many developed market bond yields plummeted to levels below 2012 lows. The US 10-year yield is now at record low levels of 1.38%. These moves, which are unsustainable in the long-term, invariably cause a "hunt for real yields" and distort asset prices. Looking through specific events, the reality is that markets are at high levels (on a historic P/E basis), apart from Europe. This makes markets vulnerable to stress events, and normal cyclical economic slowdowns.

Labour market data from the US disappointed this quarter. The average monthly change in non-farm payrolls has been about 200,000 since October 2010, but employment growth has now fallen short of that expansion average in four of the past five months. On the other hand retail sales remain robust, as have vehicle sales (which have recovered sharply post the GFC and are running at above 20-year average levels). Market expectations for rate hikes have been pushed out further this quarter (at most, one further hike expected at the end of the year).

Chinese data remains erratic and difficult to interpret during the country's adjustment to structurally lower tertiary led growth. However import data was stronger than expected this quarter, especially on the commodity front.

Exceptionally strong foreign inflows into SA equities (+R58bn) in June helped to more than offset the year to date outflow position of the previous quarter. A large portion of the flows have been deal related (the SAB/ABI merger as well as the Bidvest break up into Bidevest and Bidcorp), but we have nevertheless seen a return of foreign buying in industrials like Naspers and MTN (post the increased certainty around its Nigerian fine).

The local equity market gained 0.4% over the quarter. After a prolonged period of sharp falls, we have now had two successive quarters of resource outperformance (up 6.4% this quarter). Global macro developments (Brexit, US rate hike delays, increased political uncertainties) have created a perfect storm for the dollar gold price, which together with a weakened currency has led to a surging rand gold price, and rising gold sector (up 16.4%). The platinum sector held on to significant gains from the previous quarter and out-performed the market (5.1%), with a moderately stronger rand platinum price (up 2.8%). The premium between the gold price and platinum price is at record highs and will normalise over time. Kumba Iron Ore, a structurally high cost global producer following significant Australian mine expansions, was the strongest share this quarter (up 39.6%) on a higher iron ore price and a general reassertion of commodity grade price differentials (which were supressed during the commodity price lows of January).

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Key indicators	
Equity markets (total return)	Quarterly change
MSCI World Equity (US Dollar return)	0.3%
MSCI Emerging Market Equity (US Dollar return)	-0.3%
FTSE Sharia All-World Index (US Dollar return)	1.7%
Dow Jones Islamic Market World Index (US Dollar return)	1.0%
FTSE/JSE All Share Index	0.4%
FTSE/JSE Resources Index	6.5%
FTSE/JSE Industrials Index	0.4%
Commodities and currency	Quarterly change
Platinum ($/oz)	4.7%
Gold ($/oz)	7.2%
Brent Crude ($/barrel)	25.0%
Rand/US Dollar (USD)	0.3%

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Fund performance and positioning

Key contributors this quarter were Tongaat, Royal Bafokeng Platinum and Anglo American. Capco, AECI and Sasol were the largest detractors. Year to date our meaningful positions in defensive resource counters have added significantly to performance (as at 11 July 2016, Royal Bafokeng Platinum was up 90%, Anglo Platinum up 109% and ARI up 118%).

On the local side, specialist industrial property fund, Equites Property Fund, has been a strong performer over the quarter in our funds. Logistical excellence has become vital for industrial corporates in South Africa, particularly in the very competitive consumer facing sectors. This has caused a structural need for expanding, better located and optimised distribution centres. In many cases distribution centres, given scale benefits, have to be built in a modular fashion, with future expansion phases in mind. Equites Property Fund has built a competitive advantage in designing, financing, building and managing these specialist properties and is very well positioned to benefit from these structural trends.

The share provides our clients with a solid revenue stream from a well-diversified industrial portfolio with largely multinational clients and JSE listed corporates. In addition, we expect strong future cash flows from current development projects, brownfield expansions (the current Foschini Group distribution centre expansion) as well as partnering opportunities with other general property funds. An added advantage from a timing point of view is that the company is currently financially under-geared.

We continue to apply our process and valuation-driven philosophy with focus and discipline, currently positioning the fund very differently to the market and competing funds. Performance year to date has been very encouraging and we remain totally focused in clawing back recent under-performance. Market volatility and geopolitical events are creating exciting opportunities to position our funds in significantly undervalued shares with strong prospects for superior returns.

Portfolio Manager
Abdulazeez Davids