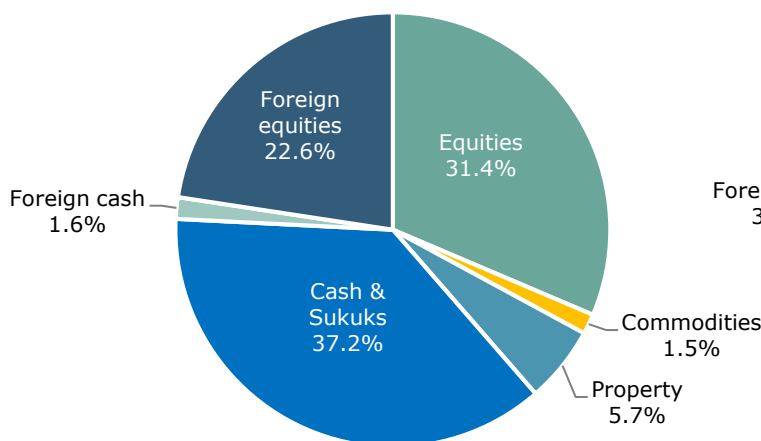


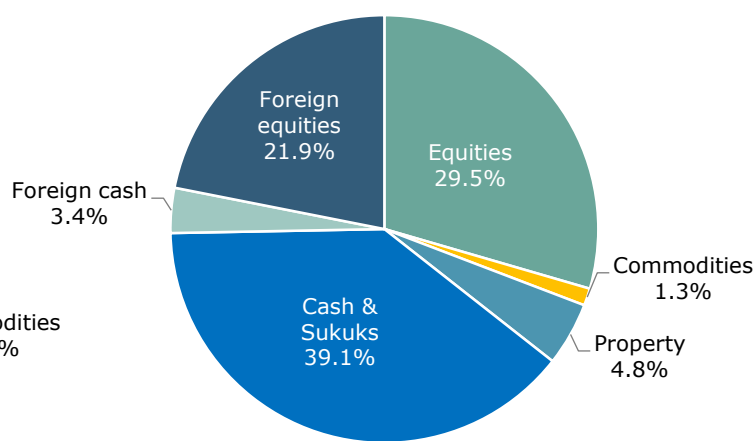
This fund will be invested in a wide variety of domestic and international asset classes such as equity securities, sukuks and listed property, within the constraints of the statutory investment restrictions for retirement funds. The underlying investments will comply with Sharia requirements as prescribed by the Accounting & Auditing Organisation for Islamic Financial Institutions (AAOIFI). The fund will not invest in any interest-bearing instruments.

**Asset allocation**

**Quarter ended December 2016**



**Quarter ended September 2016**



**Top 10 holdings**

**Quarter ended December 2016**

Sasol	3.4%
Equites Property Fund	3.1%
Tongaat Hulett	3.0%
Cisco Systems	2.4%
LyondellBasell	2.4%
Mondi	2.4%
Royal Bafokeng Platinum	1.8%
Datatec	1.8%
AECI	1.7%
Westlake Chemical	1.6%
<b>Total</b>	<b>23.6%</b>

**Quarter ended September 2016**

Corning	3.3%
Cisco Systems	2.7%
Royal Bafokeng Platinum	2.7%
Mondi	2.7%
BASF	2.5%
Sasol	2.5%
Tongaat Hulett	2.4%
Equites Property Fund	2.4%
LyondellBasell	2.0%
AECI	1.9%
<b>Total</b>	<b>25.1%</b>

**Fund size** R494.09 million

**NAV** 143.91 cpu

**Number of participatory interests** 343,294,098

**Income distributions**

31 December 2016 0.00 cpu

30 June 2016 0.21 cpu

**Key indicators**

Equity markets (total return)	Quarterly change
MSCI World Equity (US Dollar return)	1.5%
MSCI Emerging Market Equity (US Dollar return)	-4.6%
FTSE Sharia All-World Index (US Dollar return)	-1.3%
Dow Jones Islamic Market World Index (US Dollar return)	-2.4%
FTSE/JSE All Share Index	-2.1%
FTSE/JSE Resources Index	-1.1%
FTSE/JSE Industrials Index	-5.4%
Commodities and currency	Quarterly change
Platinum (\$/oz)	-12.0%
Gold (\$/oz)	-12.3%
Brent Crude (\$/barrel)	13.6%
Rand/US Dollar (USD)	-0.2%

**Policy objective** The fund adhered to the policy objective as stated in the Supplemental Deed

**Additional information** Please read this quarterly investment report in conjunction with the minimum disclosure document for the fund

The fund returned 10.4% for the year, which was a strong outperformance of the FTSE All Share Index return of 2.6%. Strong performance came from some of our highest conviction holdings, especially among the mid-caps, and from our avoidance of certain expensive industrials. Increased exposure to Resources post the late-December 2015 sell-off also contributed positively. Although our foreign stock selection has been very positive this year, the stronger local currency has meant that our offshore allocation has detracted moderately. The fund has returned 7.1% per annum since its inception in 2011.

### **Economic backdrop**

Extreme unconventional monetary stimulus following the financial crisis was helpful in combating systemic financial stability risks during the initial acute phase, but has proven unsuccessful in the recovery phase. Global real growth has remained pedestrian, inflation is stubbornly low, and confidence to invest in the real economy (via capital expenditure) has not recovered.

US policy risk is high following the US election result. In particular; protectionist trade measures could counterbalance the benefits of fiscal stimulus, a looser regulatory environment and tax cuts. However, the potential disruption of the current monetary-policy dominated status quo is welcomed. Improved confidence could finally lead to higher levels of US and global growth through increased risk-taking and investment. This, in turn, should lead to higher inflation and normalising interest rates.

European growth remained anaemic during 2016. Better growth in Germany and Spain - led by consumer and export strength - was offset by weak growth in Italy and France, where employment growth and business confidence remains sluggish. In the UK, consumer spending and business activity have been resilient following the Brexit vote. Japanese economic growth remains low, held back by depressed consumer spending.

In China, significant fiscal stimulus is supporting fixed asset investment and therefore buoying GDP growth. In the short term, the stimulus has been effective, with industrial activity, inflation, and sentiment indicators improving over the course of 2016, providing a much improved backdrop for commodity demand.

Among the major emerging market economies, the strongest growth this year was in Indonesia and India. Although India's near-term growth will be affected by the recent currency demonetisation and the impending general sales taxes

In South Africa, economic growth remains very weak and is expected to improve only moderately in the medium term, as the agriculture and mining sectors recover from low levels. The exchange rate, which remains very sensitive to political developments, has recovered significantly in 2016 from oversold levels. This has improved inflation expectations and the interest rate outlook, offering some relief to a subdued consumer. Unfortunately, much of this respite will be offset by expected increases in consumer taxes.

In our view, South African private sector investment - which has been declining in real terms since 2014 - is the key to unlocking higher growth and employment and is unlikely to recover unless there is meaningful improvement in the political backdrop (policy certainty and growth-enabling reforms are required). This improvement is also necessary to protect the sovereign credit rating, which agencies will review again in June 2017.

### **Market review**

Extreme unconventional monetary stimulus in the form of price agnostic asset purchases has distorted asset prices across the globe. Bond yields are very low, and equity prices are high, especially in sectors where stable cashflows are generated, such as consumer staples. Global bond rates rose somewhat during the second half of 2016 from record low levels, accompanied by a welcome rise in inflation expectations. This change in trend has seen over-priced defensive stocks and bonds start to meaningfully underperform.

Over the quarter, developed equity markets were mixed in dollar terms, with Hong Kong and UK stocks down, while German, French and US markets were positive. For the year, US markets were the best performing developed markets (S&P 500 index up 12%). Despite a generally negative final quarter, emerging markets (with the exception of Turkey) had a positive year, with stronger currencies boosting dollar returns.

The local equity market lost 2.1% over the quarter and finished marginally up for the year. After three successive quarters of strong performance the resource sector was down marginally this quarter, but with significant internal divergence. General mining was up 9.3%, while gold and platinum mining were down a significant 35.5% and 33.0% respectively, following sharp falls in precious metal prices. Resources remained the top performing sector (up 29.0%) for the year, with the platinum sector posting a recovery from a low base (up 50.5%).

Industrials (down 5.4%) underperformed again this quarter as index heavyweight Naspers declined materially (down 15.2%). Many highly rated shares came under pressure: Brait (down 20.7% for the quarter and down 47.0% for the year), British American Tobacco (down 11.3%), Shoprite (down 10.4%), Woolworths (down 8.1%) and Aspen (down 7.8%). On the positive side, telcos outperformed (Telkom up 24.6% and MTN up 7.4%). Fashion retailers Truworths and Foschini Group recovered some of the previous quarter's losses (up 14.1% and 12.2% respectively). Tongaat (up 10.8%), Imperial (up 9.2%) and Richemont (up 8.9%) were also strong. Industrials underperformed for the year (down 8.3%).

Financials (up 3.2%) outperformed, (with banks strong again this quarter: FirstRand up 14.8%, Barclays up 11.7%, Standard Bank up 7.9% and Nedbank up 7.0%), while insurers again lagged (Old Mutual and Sanlam were down 4.4% and 1.4% respectively). Financials finished the year positively (up 3.6%).

### **Fund performance and positioning**

Strong contributors in 2016 were Anglo Platinum, African Rainbow Minerals and Tongaat Hulett. Key detractors were Capital and Counties, Adcorp and Mustek.

Foreign stock selection was positive for the quarter, although significantly outweighed by rand strength. Our exposure to chemical and energy companies like Westlake, Lyondell and Westrock/Ingevity contributed positively to performance.

Against a backdrop of still weak economic growth, high asset prices, rising political uncertainty in many large countries, and a potentially disruptive Chinese economic rebalancing, we are guarded on the outlook for financial markets. However, we are cautiously optimistic that financial conditions may have now begun to normalise (in particular higher real rates, inflation and levels of risk-taking).

We continue to position the fund in investment opportunities we identify from deep research and analysis, taking a long-term perspective to identify mispricings. We have a high exposure to mid-cap stocks where we see undervaluation, large positions in the low-cost PGM miners and certain PGM ETFs and very high exposure to global stock picks.