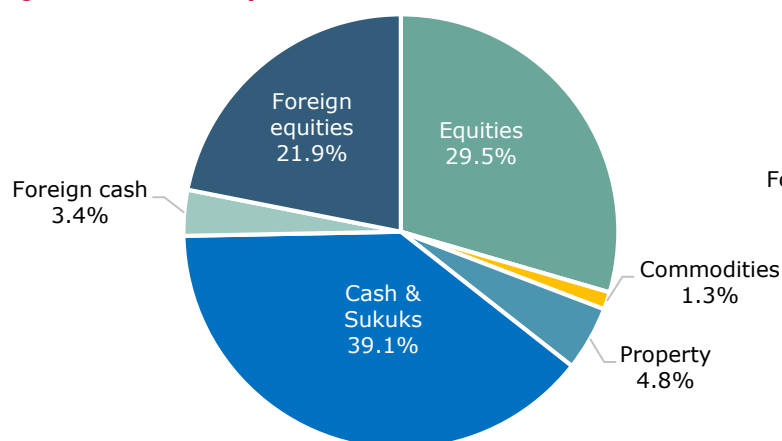


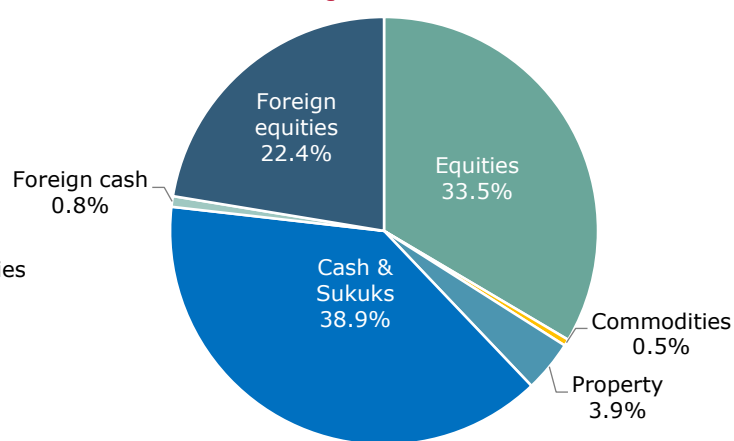
This fund will be invested in a wide variety of domestic and international asset classes such as equity securities, sukuks and listed property, within the constraints of the statutory investment restrictions for retirement funds. The underlying investments will comply with Sharia requirements as prescribed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

**Asset allocation**

**Quarter ended September 2016**



**Quarter ended June 2016**



**Top 10 holdings**

**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>

**Quarter ended June 2016**

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%
<b>Total</b>	<b>25.7%</b>

<b>Fund size</b>	R454.49 million
<b>NAV</b>	143.12 cpu
<b>Number of participatory interests</b>	317,574,244

<b>Income distributions</b>	
30 June 2016	0.21 cpu
31 December 2015	0.25 cpu

**Key indicators**

<b>Equity markets (total return)</b>	<b>Quarterly change</b>
MSCI World Equity (US Dollar return)	4.4%
MSCI Emerging Market Equity (US Dollar retu	8.3%
FTSE Sharia All-World Index (US Dollar returr	4.4%
Dow Jones Islamic Market World Index (US D	4.7%
FTSE/JSE All Share Index	0.5%
FTSE/JSE Resources Index	8.1%
FTSE/JSE Industrials Index	-3.0%
<b>Commodities and currency</b>	<b>Quarterly change</b>
Platinum (\$/oz)	0.3%
Gold (\$/oz)	-0.7%
Brent Crude (\$/barrel)	-0.1%
Rand/US Dollar (USD)	-6.7%

**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 3.3% this quarter, strongly outperforming a flat market. It benefited from strong performances from some of our highest conviction holdings, especially amongst the mid-caps. Very strong stock foreign stock selection more than offset the effects of stronger currency, and resulted in a pleasing contribution to outperformance. The fund has returned 7.3% pa since inception in May 2011.

### **Economic backdrop**

Developed economies continue to gradually improve, but growth remains subpar and inflation stubbornly low. In the US, rising employment, albeit with low wage growth, continues to benefit consumer expenditure and the energy sector is stabilising after a deep contraction. The US Federal Reserve is likely to increase interest rates again soon, with recent deferrals seemingly due to economic fragility outside of the US. European and Japanese growth is anaemic, with little credit growth, despite the backdrop of record monetary stimulus.

In China, significant fiscal stimulus has been propping up fixed asset investment and supporting GDP growth. Incrementally less profitable public projects are being undertaken and we are concerned that this inefficient growth path is not sustainable and is accompanied by rapidly increasing debt to GDP ratio. Additionally, the housing market in China, which has been in a strong upswing recently (benefiting heavy industries like cement and steel), is showing signs of a cyclical slowdown. This backdrop is negative for bulk commodity demand.

Within emerging markets, India and Indonesia are benefiting from pro-growth fiscal reforms, while Russia and Brazil are rebounding from deep recessions. The commodity price rebound, a key positive factor for many emerging markets this year, remains vulnerable to a potential Chinese investment slowdown. This quarter, the global search for yield resulted in very strong emerging market bond and equity inflows.

In South Africa, the economy remains very weak, with agriculture and mining sectors contracting of late and consumer expenditure weak. The rand is particularly important for financial markets at present, as it has strengthened this year from very weak levels, tempering inflation expectations and improving the interest rate outlook.

Ratings agencies have placed the SA sovereign ratings on a negative outlook, with a possibility of a foreign currency downgrade below investment grade due to tepid medium-term growth prospects, a lack of progress on growth-enabling reforms, a weakening fiscal position and heightened potential threats to (currently highly regarded) state institutions. The S&P rating decision in December will be particularly closely watched and a downgrade would be negative for the rand and interest rate expectations.

### **Market review**

Extreme unconventional monetary stimulus in the form of asset purchases continues to distort asset prices across the globe. Bond yields are near record lows and in many cases negative. Equity prices are high, especially in sectors where stable cashflows are generated, such as consumer staples.

Over the quarter, global equity markets were generally up, with particular strength from the Nasdaq index in the US, the German market and Hong Kong stocks. The local equity market gained 0.3% over the quarter, underperforming other emerging markets. After a prolonged period of weakness, we have now had three successive quarters of resource sector outperformance (up 8.1% this quarter and 36% year to date). The platinum sector was the star performer (up 22.6% this quarter and 125% year to date), outperforming gold (down 10%) and general mining (up 16.7%). Commodity prices in dollar terms were generally flat this quarter, consolidating gains in the year to date, but base metals (up over 10%) and sugar (up 13%) were particularly strong.

Industrials (down 2%) underperformed this quarter and cyclical retail shares were particularly weak: Truworths (down 15%) and Mr Price (down 26%), as these highly-rated shares have begun to disappoint on earnings growth. The healthcare sector was also weak (down 7%). Heavyweight industrials Steinhoff (down 6.8%) and British American Tobacco (down 5.1%) underperformed in line with the stronger rand, while MTN (down 16.2%) continued to be dragged lower by operational underperformance and a weaker Nigerian currency. On the positive side, Famous Brands (up 32.1%) and AECI (up 26.7%), were strong.

### **Fund performance and positioning**

Strong contributors this quarter were AECI, Datatec, Royal Bafokeng Platinum as well as our global holdings (strong global stock selection more than outweighed the effects of the significantly stronger rand). Foreign stock selection was very positive this quarter led by Westlake, a chemical with similar operations to Sasol's proposed investment in the US.

On the local side, mining explosive and chemical manufacturer, AECI, has been a strong performer over the quarter in our funds. The company is one of the few remaining South African manufacturers with world-class intellectual property and globally competitive products. It is using this position to expand outside of South Africa, particularly in Africa, Indonesia and Australia. In addition to world class explosives technologies, the company has leading water purification solutions, agricultural chemicals and food additive products - all focused on attractive growth markets. AECI has a strong balance sheet, generates good cashflows and has many large growth opportunities.

Against a backdrop of weak economic growth, high asset prices, rising political uncertainty in many large countries and a potentially disruptive Chinese economic rebalancing, we are cautious on the outlook for financial markets.

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, a large positions in the low cost PGM miners and certain PGM ETFs and very high exposure to global stock picks.