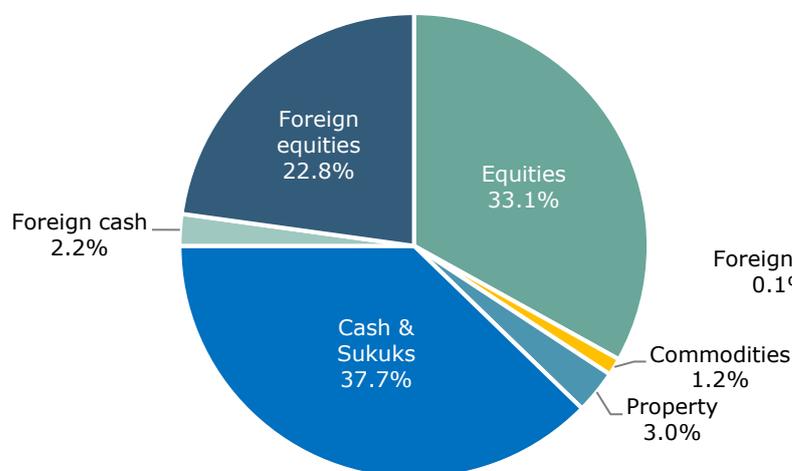


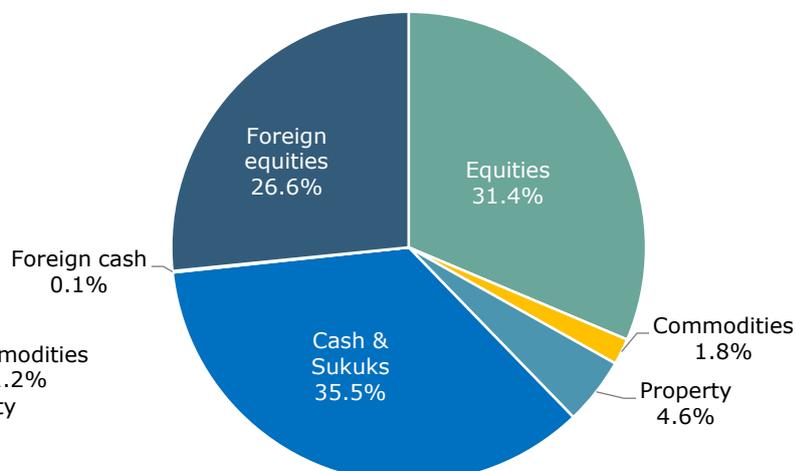
This fund will be invested in a wide variety of domestic and international asset classes such as equity securities, sukuks and listed property, within the constraints of the statutory investment restrictions for retirement funds. The underlying investments will comply with Sharia requirements as prescribed 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 2017**



**Quarter ended September 2017**



**Top 10 holdings**

**Quarter ended December 2017**

Datatec	3.0%
Sasol	2.9%
Tongaat Hulett	2.1%
AECI	1.7%
Afrox	1.7%
Mondi	1.7%
Equites Property Fund	1.5%
Nisshinbo Holdings	1.5%
BASF	1.4%
Novo Nordisk	1.4%
<b>Total</b>	<b>18.9%</b>

**Quarter ended September 2017**

Sasol	3.9%
Equites Property Fund	3.2%
Mondi	2.1%
LyondellBasell	2.0%
Cisco Systems	2.0%
Tongaat Hulett	2.0%
YOOX Net-A-Porter	1.9%
Bayer AG	1.8%
Pan African Resources	1.8%
National Oilwell Varco	1.7%
<b>Total</b>	<b>22.4%</b>

**Fund size** R755.17 million

**NAV** 156.92 cpu

**Number of participatory interests** 481,148,811

**Income distributions**

31 December 2017 0.00 cpu

30 June 2017 0.06 cpu

**Key indicators**

Equity markets (total return)	Quarterly change
MSCI World Equity (US Dollar return)	5.1%
MSCI Emerging Market Equity (US Dollar return)	7.1%
FTSE Sharia All-World Index (US Dollar return)	4.9%
Dow Jones Islamic Market World Index (US Dollar return)	5.8%
FTSE/JSE All Share Index	7.4%
FTSE/JSE Resources Index	3.6%
FTSE/JSE Industrials Index	4.7%
Commodities and currency	Quarterly change
Platinum (\$/oz)	1.9%
Gold (\$/oz)	1.4%
Brent Crude (\$/barrel)	17.1%
Rand/US Dollar (USD)	-8.6%

**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 was up 0.9% this quarter, and up 9.1% for the year, outperforming the average of other Sharia equity funds (up 7.0% for the year). This quarter's performance was primarily due to strong performances from Equites Property Fund and our resource stocks, such as African Rainbow Minerals, offset by negative performances from some of our mid-cap holdings, and our foreign exposure. The fund has returned 7.4% per annum since its inception in 2011.

### **Global economic backdrop**

There was meaningful and synchronised improvement in global growth in 2017. Business sentiment indicators remain very strong with increasing indications of improved capital spend going forward. Developed market consumer sentiment has increased materially in 2017, although, due to ongoing lackluster wage growth, is not yet causing an acceleration in consumer spending. Headline inflation rates across the world have generally increased in 2017 as a result of increases in food and energy inputs, however core inflation remains benign.

In the US, economic growth improved in 2017 due to better industrial production and investment as a result of an improving global backdrop and a recovery in energy markets. Growth is expected to accelerate further in the coming year aided by fiscal stimulus. Most of this is in the form of a substantial front-loaded tax cut package with the key objective of encouraging more meaningful capital investments by corporates.

In both Europe and Japan, economic activity accelerated moderately in 2017 and buoyant leading indicators suggest further momentum into 2018. In both regions, manufacturing confidence is at elevated levels and export growth is strengthening. Investment growth is picking up from low levels (particularly in Japanese manufacturing where many component sectors are experiencing capacity shortages), which bodes well for the sustainability of the expansion.

Emerging market GDP growth accelerated over 2017 (currently running at a robust 5%). Asian economies are outperforming, with Russia and Latin America lagging, and South Africa expected to register amongst the lowest growth. Output gaps are closing (in particular in Asia), and this together with a resurgent oil price, means moderately higher inflation expectations going forward. Offsetting this is the continuing strong capital flow into emerging markets which, thanks to currency strength, has had a very positive dampening effect on the inflation and interest rate outlooks across emerging markets. China's growth accelerated moderately in 2017 primarily due to a strong recovery in exports and very solid growth in Tier 2 and Tier 3 cities. With credit growth slowing after a period of rapid expansion, Chinese economic activity particularly in the construction sector) is likely to slow from current levels.

### **South African economic backdrop**

Against a very favourable global growth backdrop, South Africa's economic growth was weak in 2017 (0.8% expected) as both consumer and business confidence was damaged by policy actions of government and continuous news of corruption in the public sector. Private investment relative to GDP is very depressed and household consumption growth is slow. The health of the national fiscus has deteriorated due to very low growth, escalating pressure from state owned enterprises, and a worrying decrease in tax collection efficiency.

Although the reformists' apparent win at the ANC elective conference in December was deeply compromised and extremely narrow, it does hopefully avert the worst case scenarios and provide increased confidence for a positive change in the direction of future policy and the hope for its effective implementation. Nevertheless, we believe that any meaningful recovery will take an extended period of time, and that our structural medium-term challenges will result in further rating downgrades, unless government policy direction changes decisively in the near-term.

### **Market review**

For a number of years, extreme unconventional monetary stimulus in the form of price agnostic asset purchases has distorted asset prices across the globe. Bond yields remain very low, corporate bond credit spreads are extremely suppressed and equity prices are high, especially in sectors where stable cashflows are generated (such as consumer staples) and where growth prospects are well appreciated (such as the large global technology companies). Global bond rates have risen somewhat since the second of half of 2016 from record low levels, accompanied by a welcome rise in inflation expectations. These changes in trends, which should continue as monetary conditions begin to normalise, are causing welcome increased dispersion across equities - as well as across asset classes - and are bringing about a better environment for stock pickers.

Over the quarter, developed equity markets were yet again strong in dollar terms. Japan (up 12.1%) Hong Kong (up 8.8%) and the USA (up 6.6%) were outperformers. Emerging markets were also strong (up 7.5% in dollar terms). 2017 has been an exceptionally strong year for equity markets, with the MSCI World Free Index up 23.1% over the year.

Locally, the equity market was again strong over the quarter (up 7.4%). Financials (up 19.2%) outperformed this quarter, with Discovery, FirstRand and Barclays Africa contributing materially (up 33.1, 32.7% and 30.9% respectively).

Industrials were up 4.7%, with heavyweight Naspers (up 18.2%) and the retailers (Foschini up 45.4%, Mr Price up 37.7% and Massmart up 25.1%) contributing, while Steinhoff (down 9.2%), Richemont (down 9.1%) and British American Tobacco (down 1.1%) detracted. Telecommunication company performance was mixed (Telkom down 16.9%, Vodacom down 7.2%, while MTN was up 9.8%). Food producers recovered this quarter (up 18.9%).

Resources were positive this quarter (up 3.7%), with general miners and platinum outperforming (both up 5.6%) and gold lagging (down 1.4%). Standout positive performers were Kumba Iron Ore (up 72%) and African Rainbow Minerals (up 31.6%).

The local market had a strong year (up 21%) with all sectors performing strongly (industrials up 25.6%, financials up 24.4% and resources up 16.8%). Large caps (up 23.2%) significantly outperformed mid-caps and small caps (up 7.4% and 3.0% respectively).

### **Fund performance and positioning**

Strong contributors this quarter were Equites Property Fund, African Rainbow Minerals and Anglo Platinum. Key detractors were our foreign exposure, Clover and Tongaat Hulett. We had minimal exposure to Steinhoff leading up to the unfortunate events in December.

Our global holdings produced strong dollar returns this quarter but detracted from performance due to the stronger rand. Positive contributors were specialist petrochemical producers LyondellBasell and Westlake and UK hospital group Spire Healthcare. Detractors were pharmaceutical group Allergan, industrial conglomerate Phillips and online luxury retailer Yoox Net a Porter.

Against a global backdrop of improving economic growth, high asset prices, and heightened complacency around potential risks (including rising political uncertainty in many countries, a potentially disruptive Chinese economic rebalancing, and locally significant structural hurdles to improved growth), we are increasingly guarded on the outlook for financial markets. However, we are optimistic that more normal financial conditions (in particular higher real rates, inflation and levels of risk-taking) are proving to be a much better environment for stock picking. The outlook for the South African economy is negatively skewed both in the short and medium term and we are positioned appropriately. We retain very high exposure to global holdings, and local mid-cap stocks where we see compelling stock-specific growth vectors coupled with low market valuations. We continue to hold positions in lower-cost platinum group metals miners.