

**PORTFOLIO MANAGER COMMENTARY**

The FTSE/JSE All Share index (ALSI) gained 9.7% in rand terms in the third quarter of 2009 (up 13.9% total return) after gaining 8.3% in Q2 2009 on increasing signs of a sustained global economic recovery. After falling to a low of 21665.9 at the July 6, 2009 close, the ALSI rebounded by 19.6% to touch a peak of 25920.7 on September 17, 2009.

Most of the positive performance of the ALSI during Q3 2009 occurred during July (up 10%), with more modest returns in August (up 2.7%) and a flat performance in September as Resources dragged the market lower. A re-rating of the domestic market accounted for all of the gains in the ALSI index, with the PE multiple increasing from 10.6 to 14.5. A key feature of the last quarter has been the continued strength of the Rand exchange rate, with the currency reaching levels of around 7.30 to the US dollar mainly due to Dollar weakness, but also as a consequence of a strong rally in most precious commodity prices.

All the major indices experienced negative earnings growth over the quarter, in line with our thesis that earnings levels are too high. In light of this, we continue with our investment strategy of favouring companies exhibiting the characteristics highlighted below:

- For manufacturing/resource companies, lowest quartile position on the cost curve.
- Lowest cost producers will be the winners in a recessionary environment.
- Companies that are reaping the benefits of previous capital expenditure.
- Companies with strong brands or pricing power in their respective markets.
- Ungearing companies or companies with low gearing levels.

The contraction in earnings over the last year, coupled with rising index levels, has reduced the expected return from the equity market over the next four years. Despite our less optimistic outlook for equity returns, we are still investing in companies exhibiting the characteristics mentioned above.

MTN is a prime example of a company that encapsulates most of the characteristics mentioned above. MTN is also the Fund's biggest holding. We have previously expressed our reservations to MTN management about the potential merger with India's Bharti Airtel and are therefore relieved that the transaction is no longer proceeding. MTN, with operations in 23 countries and revenues in excess of R100bn per annum, is one of the biggest emerging market telecommunications operators. In addition, the group has substantial organic growth opportunities, with mobile penetration rates of less than 50% in most of the countries in which it operates. In addition, the group's strong cash generation abilities, coupled with a virtually ungeared balanced sheet, entrenches its position relative to its competitors. MTN is currently trading at around 12 times our estimate of normalised earnings for the group which we find very attractive for such a world class company.

**Portfolio manager**

Abdulazeez Davids

# KAGISO ISLAMIC EQUITY FUND

CLASS A as at 30 September 2009

**KAGISO**  
Asset Management

<b>Fund category</b>	Domestic - Equity - General
<b>Fund description</b>	Aims to provide steady capital growth and a total portfolio return that is better than the average domestic equity fund.
<b>Launch date</b>	13 July 2009
<b>Portfolio manager/s</b>	Abdulazeez Davids

<b>Fund size</b>	R 3.92 million
<b>NAV</b>	112.68 cents
<b>Benchmark</b>	Domestic Equity General Funds Mean

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Sep 2009
<b>Domestic Assets</b>	<b>100.00%</b>
<b>Equities</b>	<b>84.62%</b>
Oil & Gas	7.59%
Basic Materials	29.04%
Industrials	2.57%
Consumer Goods	17.80%
Health Care	5.23%
Consumer Services	0.96%
Telecommunications	13.15%
Technology	8.29%
<b>Preference Shares &amp; Other Securities</b>	<b>7.36%</b>
<b>Cash</b>	<b>8.02%</b>

### TOP 10 HOLDINGS

As at 30 Sep 2009	% of Fund
MTN Group Ltd	12.12%
Tongaat Hullett Ltd	8.43%
Sasol Limited	7.59%
New Gold Issuer Ltd	7.36%
AECI Ltd	5.79%
Cipla Medpro South Africa Ltd	5.23%
Illovo Sugar Ltd	5.15%
Mondi Plc	4.50%
Trans Hex Group Ltd	4.46%
BUSINESS CONNEXION GROUP LTD	4.34%
<b>Total</b>	<b>64.98%</b>

### SHARIAH ADVISORY AND SUPERVISORY BOARD

The Kagiso Islamic Equity Fund has its own Shariah supervisory board of advisors and is headed up by Sheigh Mohammad Tauha Karaan, principal of Darul 'Ulum Arabiyya wal Islamiyya.

#### Members:

- Sheigh Mohammad Tauha Karaan
- Mufti Zubair Bayat
- Mufti Ahmed Suliman

### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2009								4.98%	0.45%			

### FEES (excl. VAT)

<b>Initial Fee*</b>	Kagiso: 0.00%
<b>Annual Management Fee**</b>	1.00%

\* A portion of Kagiso's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.

### Total Expense Ratio (TER)<sup>2</sup>

As this is a recently launched fund, the TER cannot be accurately determined and will be in line or higher than the quoted annual management fee.

### Advice Costs (excluding VAT)

- Initial and ongoing advice fees may be facilitated on agreement between the Client and Financial Advisor.
- An initial advice fee may be negotiated to a maximum of 3% and is applied to each contribution and deducted before investment is made.
- Ongoing advice fees may be negotiated to a maximum of 1% per annum (if initial advice fee greater than 1.5% is selected, then the maximum annual advice fee is 0.5%), charged by way of unit reduction and paid to the Financial Advisor monthly in arrears. This annual advice fee is not part of the normal annual management fee as disclosed above.
- Where commission and incentives are paid, these are included in the overall costs.

Unit trusts should be considered a medium- to long-term investment. The value of units may go down as well as up. Past performance is not necessarily an indication of future performance. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Instructions must reach the Management Company before 2pm (12pm for the Money Market Fund) to ensure same day value. Fund valuations take place at approximately 15h00 each business day and forward pricing is used. The manager is a member of ASISA. Performance is quoted from Morningstar as at 30 September 2009 for a lump sum investment using Class A NAV prices with income distributions reinvested. Performance figures are quoted after the deduction of all costs incurred within the fund. <sup>2</sup>The 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 2009. 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 TER's. Coronation Management Company Ltd is a registered collective investment scheme management company, providing hosting and other administrative services for unit trust funds, including Kagiso Funds.