KAGISO ISLAMIC EQUITY

CLASS A as at 31 December 2009

PORTFOLIO MANAGER COMMENTARY

The FTSE/JSE All Share index (ALSI) returned 32.1% (price return of 28.0%) in 2009, mainly led by resources (35.5%) and industrials (30.5%), with financial stocks gaining 28.0% for the year. For the ALSI, it was an unusual year, with three months (March, May and July) accounting for almost all of the year's returns. January and February were the worst performing months and, excluding these two months, the ALSI returned an impressive 53.1% over the remainder of the year.

Following the massive correction in the second half of 2008, world stock markets rebounded strongly in 2009, with most markets posting gains in excess of 35.0%. These returns were amplified after taking into account the negative returns for the first two months of 2009.

In hindsight, the major rebound in world equity markets should have been anticipated, given the massive injection of liquidity experienced in most economies as central bankers aggressively reduced their benchmark lending rates. The synchronised recovery in world markets since March 2009 is symptomatic of portfolio flows, rather than company fundamentals, driving share prices.

Our domestic market re-rated in step with other developed and emerging markets, despite deteriorating economic and company fundamentals. In addition, the local currency emerged as the second best performing currency in 2009 – a fact that many resource company valuations choose to ignore. Consequently, our domestic market is currently significantly overvalued compared to its long-term history. Exogenous forces like foreigners' appetite for emerging and developing market equities and global economic variables will therefore continue to shape and influence our domestic market's returns in the short-term. However, because of the liquidity stimulus mentioned above, there is still significant scope for global markets to continue higher in the short-term before the necessary correction ensues.

The fund remains significantly underweight in resources counters as most valuations of these counters belie the underlying commodity fundamentals. In addition, the fund has increased its exposure to companies that have lagged in the recovery (like MTN) and companies that have strong earnings recovery and growth potential from current levels, yet trade at reasonable multiples relative to the rest of the market.

Tongaat is an example of a company that has the above mentioned characteristics and is therefore a substantial holding in the fund. Tongaat has invested substantial amounts of capital in its sugar operations in countries like Mozambique and Swaziland and these investments have been timed to coincide with a significant liberalization of the European Union sugar market to the benefit of countries like Swaziland and Mozambique.

In addition, Tongaat has substantial sugar and agricultural investments in Zimbabwe. These investments are not reflected in the company's market valuation but have significant earnings growth potential that will be unlocked as economic and political stability returns to Zimbabwe. Furthermore, Tongaat's extensive sugar, starch and property businesses in South Africa provide a strong value underpin to the current market valuation of the company.

Whilst we foresee increased volatility in domestic and world markets, we are confident that our proven investment process will continue to identify investment opportunities that will outperform the market over the medium- to long-term.

Portfolio manager
Abdulazeez Davids

KAGISO ISLAMIC EQUITY FUND

CLASS A as at 31 December 2009

KAGISO Asset Management

Fund category	Domestic - Equity - General
Fund description	Aims to provide steady capital growth and a total portfolio return that is better than the average domestic equity fund.
Launch date	13 July 2009
Portfolio manager/s	Abdulazeez Davids
Fund size	R 8.46 million
NAV	120.42 cents
Benchmark	Domestic Equity General Funds Mean

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2009
Domestic Assets	**100.00%**
Equities	**79.68%**
Oil & Gas	8.29%
Basic Materials	28.98%
Industrials	2.01%
Consumer Goods	16.89%
Health Care	5.97%
Telecommunications	9.98%
Technology	7.55%
Preference Shares & Other Securities	**4.08%**
Cash	**16.24%**

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

TOP 10 HOLDINGS

As at 31 Dec 2009	% of Fund
MTN Group Ltd	9.55%
Sasol Limited	8.29%
Tongaat Hullett Ltd	7.05%
Tiger Brands Ltd	5.37%
AFRICAN RAINBOW MINERALS LIMITED	5.23%
Illovo Sugar Ltd	4.47%
Arcelormittal SA Ltd	4.18%
New Gold Issuer Ltd	4.08%
Mondi Plc	4.04%
Cipla Medpro South Africa Ltd	3.99%
Total	**56.25%**

INVESTOR PROFILE

- The fund is suitable for Muslim investors seeking a Shariah compliant portfolio of South African equity.
- Investors who are in their wealth accumulation phase and require little investment income in the short term.
- Investors seeking exposure to the domestic equity market.
- Investors who are able to withstand short term market fluctuations in pursuit of maximum capital growth over the long term.

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2009								4.98%	0.45%	5.27%	(0.89)%	2.43%	12.70%

FEES (excl. VAT)

Initial Fee*	Kagiso: 0.00%
Annual Management Fee**	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)²

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. [1]Performance is quoted from Morningstar as at 31 December 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. [2]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 December 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.

CORONATION FUND MANAGERS