Kagiso Islamic Equity Fund
as at September 2010

KAGISO Asset Management

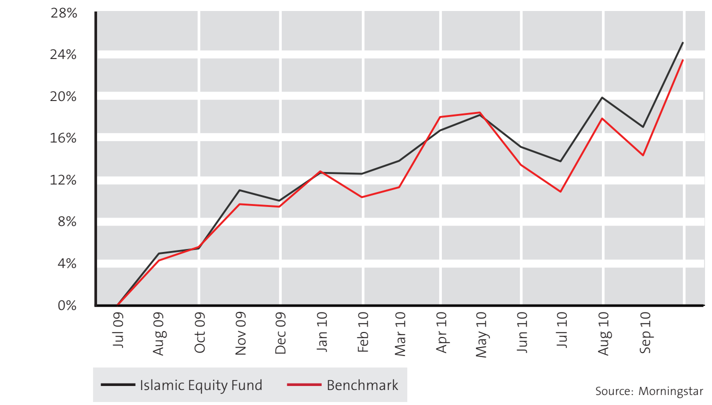
Fund category	Domestic - Equity - General
Fund description	Aims to provide steady capital growth and a total portfolio return that is better than the average domestic equity fund.
Launch date	13 July 2009
Portfolio manager	Abdulazeez Davids
Fund size	R43.31 million
NAV Class A	133.66 cents
Benchmark	Domestic Equity General Funds Mean

Portfolio detail
Effective asset allocation exposure

As at 30 September 2010

Domestic assets	98.75%
◆ **Equities**	**83.31%**
Oil & Gas	9.47%
Basic Materials	30.46%
Industrials	7.40%
Consumer Goods	10.80%
Healthcare	6.19%
Consumer Services	1.28%
Telecommunications	11.80%
Technology	5.93%
◆ **Preference Shares & Other Securities**	**3.29%**
◆ **Cash**	**12.15%**
◆ **International Assets**	**1.25%**
Equities	1.25%

Performance and risk statistics[1]
Cumulative performance since inception



Top 10 holdings

As at 30 September 2010	% of Fund
Sasol	9.47%
MTN	8.27%
Tongaat Hulett	4.66%
Nampak	4.27%
Mondi	4.11%
Anglo American	3.94%
AECI	3.93%
Compagnie Financiere Richemont SA	3.76%
Impala Platinum	3.53%
Vodacom	3.53%
Total	**49.47%**

Performance for various periods

	Fund	Benchmark	Outperformance
Since inception (unannualised)	25.11%	23.44%	1.67%
Since inception (annualised)	21.17%	19.78%	1.39%
Latest 1 year (annualised)	18.64%	16.90%	1.74%
Year to date	11.02%	9.42%	1.59%

Sharia advisory and supervisory board

The Kagiso Islamic Equity Fund has its own Sharia 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

Risk statistics since inception

	Fund	Benchmark
Annualised deviation	10.53%	13.12%
Sharpe ratio	1.32%	0.95%
Maximum gain	11.01 %	9.69%
Maximum drawdown[3]	(3.74%)	(6.38%)
% Positive months	64.29%	64.29%

[3] Maximum % decline over any period

Monthly performance returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	(0.08%)	1.10%	2.52%	1.29%	(2.58%)	(1.19%)	5.35%	(2.37%)	6.89%				11.02%
2009								4.98%	0.45%	5.27%	(0.89%)	2.43%	12.70%

Fees (excluding VAT)

Initial fee	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 administration and distribution services.

Total Expense Ratio (TER)[2]	1.77% per annum

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.

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The FTSE/JSE All Share index (ALSI) gained 13.25% in rands in the third quarter after losing 8.6% in the second quarter on increased expectations of further quantitative easing measures being implemented in developed markets. Globally, emerging markets (+18%) outperformed developed markets (+3.9%) by 14% over the quarter. The third quarter's performance contributed significantly to the ALSI's YTD appreciation of 8.7%.

Our equity market has benefited significantly from developed market stimulus and the concomitant search for yield on both equities and bonds. We should be wary of extrapolating this new found love with South Africa and emerging markets as a new paradigm or structural shift: it is merely a manifestation of excess liquid assets in developed markets attempting to diversify away from perceived, underperforming markets to better performing but more riskier markets. A reflection on our recent past is, therefore, very instructive: we have seen these machinations at work in 2003-2004, as highlighted in the table below:

Period	ALSI PE Change	Rand Change	Absolute PE	R/$
Mar 2003 - Dec 2003	+43.8%	+16%	9.1 => 13.1	7.8 => 6.6
Mar 2009 - current	+69.9%	+27%	9.6 => 16.4	9.5 => 6.9

In 2003, the 16% appreciation in the rand had a significantly negative impact on resources earnings, with average earnings reported between June 2003 and June 2004 showing a 40% decline (the ALSI's earnings declined by 11% over the same period). Clearly, for commodity companies and rand-hedges the rand strength over that period played a major role in the decline in earnings.

Recent utterances by the US central bank that it is ready, willing and able to provide more support to the economy has been interpreted and discounted by equity markets as a fait accompli. This is evident in global equity markets performance over the last month and quarter. Furthermore, the global search for yield as a proxy for safe haven assets, as well as a replacement for lost income on developed market bonds that are at near-record lows, have driven developed market investors inexorably to emerging markets and the excess yields on offer by both equities and bonds.

Mondi is one of the bigger holdings in the fund. Mondi is a paper and packaging company that has established leading positions in uncoated fine paper (UFP) in emerging markets. In particular, the company's operations in Poland and Russia provide the group with the benefits of a vertical integration through ownership and control of vast forestry assets. In addition, the quality and location of these assets gives the group access to low cost wood and have contributed to Mondi being one of the lowest cost producers of UFP and Kraftliner (used in the manufacturing of corrugated packaging). The recent completion of a 10-year asset modernisation programme that cost €3bn coincided with a revival in demand for both Kraftliner and UFP, resulting in a strong recovery in these commodities prices following the recession-induced slump. We are therefore confident that Mondi is on the cusp of substantial earnings growth and in the absence of significant capital expenditure requirements, shareholders can look forward to increased dividends.

Portfolio Manager
Abdulazeez Davids