Kagiso Islamic Equity Fund

as at 30 June 2011

KAGISO Asset Management

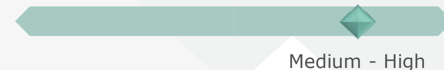
Performance and risk statistics[1]

	Fund	Benchmark	Outperformance
1 year	23.1%	20.6%	2.6%
3 years	-	-	-
5 years	-	-	-
Since inception	22.4%	20.0%	2.4%

All performances annualised

	Fund	Benchmark
Annualised deviation	10.3%	11.8%
Sharpe ratio	1.5	1.1
Maximum gain*	18.6%	18.2%
Maximum drawdown*	-3.7%	-6.4%
% Positive months	70.8%	66.7%

*Maximum % increase/decline over any period

Portfolio manager	Abdulazeez Davids
Fund category	Domestic - Equity - General
Fund objective	A Sharia compliant fund that aims to provide steady capital growth and a total portfolio return that is better than the average general equity fund.
Risk profile	 Medium - High
Suitable for	Muslim investors seeking a Sharia-compliant portfolio of South African equities, who are in their wealth accumulation phase. Investors would be able to withstand short-term market fluctuations in pursuit of maximum capital growth over the long term.
Benchmark	Domestic Equity General funds mean
Launch date	13 July 2009
Fund size	R101.8 million
NAV	149.68 cents
Minimum investment	Lump sum: R5 000; Debit order: R500
Fees (excl. VAT)[2]	Initial fee: 0.00% Annual management fee: 1.00%
TER[3]	1.39% per annum

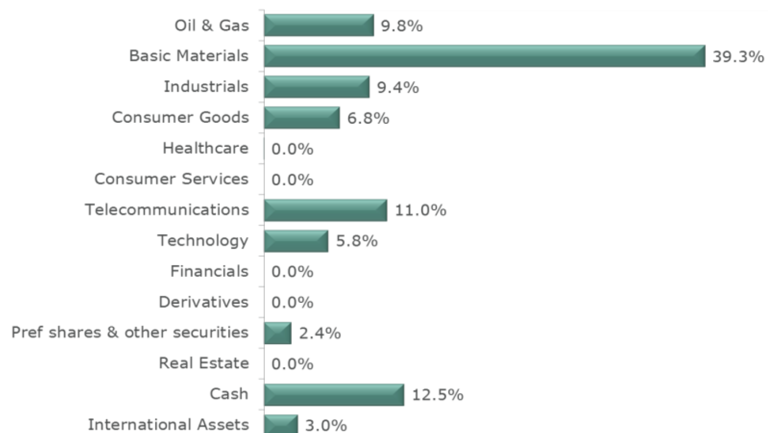
Sharia advisory and supervisory board

The fund has its own Sharia supervisory board of advisors and is headed up by Sheigh Mohammed Tauha Karaan, principal of Darul 'Ulum Arabiyya wal Islamiyya.

Members: Sheigh Mohammed Tauha Karaan
Mufti Zubair Bayat
Mufti Ahmed Suliman

Unconventional thinking. Superior performance

Effective asset allocation exposure



Top ten holdings

	% of fund
Sasol	9.8
MTN	9.1
Tongaat Hulett	5.5
Mondi	5.5
African Rainbow Minerals	4.9
Nampak	4.5
BHP Billiton	4.1
AECI	3.9
Mustek	3.5
Anglo American	3.3
Total	54.3

The Kagiso unit trust range is offered by Kagiso Collective Investments Limited ('Kagiso') registration number 2010/009289/06, a member of the Association for Savings and Investment SA (ASISA). Unit trusts are generally medium- to long-term investments. The value of units may go down as well as up and 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. Unit trust prices are calculated on a net asset value (NAV) basis, which is the total value of assets in the portfolio including any income accruals and less any permissable deductions (brokerage, Uncertificated Secutiries Tax, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio, divided by the number of units in issue. Instructions must reach Kagiso Collective Investments before 14:00 to ensure same day value. Fund valuations take place at approximately 15:00 each business day and forward pricing is used.

[1] Performance is quoted from Morningstar as at month-end 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] A schedule of maximum fees and charges is available on request from us. Fees and incentives may be paid, and if so, are included in the overall costs.

[3] 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 June 2011. 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.

KAGISO
Asset Management

Commentary

The second quarter of 2011 saw a significant reversal of fortune for emerging markets: developed markets outperformed emerging markets and the domestic market. Increased tightening policies in China, coupled with continued European austerity and Greek tales of woe, increased investors' jitters towards emerging markets, instead preferring the perceived relative safety of developed markets. The US appears to be a safe haven, with a weak dollar and loose monetary policy acting as powerful magnets for investor's capital. The US strategy of growing their way out of debt appears to be slowly gathering momentum – but could easily be stymied if the US$ start strengthening again.

It became apparent that the all-important Chinese contribution to the global recovery was not without risk: authorities began to aggressively tighten monetary policy in response to rising inflation which will slow down their economy.

Emerging markets had only a mildly negative quarter, with gains in the first two months largely offsetting a sharp drop in June. In total return dollar terms the MSCI Emerging Markets Index was down 1% for the quarter and the MSCI China Index down 1.7%. Developed markets benefited from an element of safe haven buying and fared a lot better with the S&P 500 up 0.1%, the FTSE 100 up 1.7%, the Nikkei 224 up 3.3% and the DAX 30 up 7%.

Local inflation readings have surprised on the upside with the May CPI reading at 4.6% year on year and food inflation the primary contributor at 6.6% year on year. The pick-up in food inflation was expected and was due to the lagged feed-through of high global agricultural commodity prices. South Africa's recent food inflation pick-up has been relatively mild compared to those of other countries, as we have been shielded by a strong currency and a favourable maize crop surplus. We see higher South African inflation risk going into 2012 as these advantageous factors roll off.

We are cautious about developed economies that face long-term challenges in the form of high unemployment, high government debt levels and negative demographic trends. In the short- to medium-term these economies will have to grapple with the inevitable withdrawal of stimulus and the implementation of austerity plans. As a consequence we remain convinced that the current correction in developed markets is yet to run its course and expect further volatility on global stock markets.

We continue to avoid domestic-focussed, cyclical industrial companies that have benefitted from the strong structural forces of lower domestic interest rates and lower domestic inflation over the last 10 years (the magnitude of which is unlikely to be repeated over the next 10 years). Many of these companies are trading at ratings that suggest the earnings growth achieved over the last 10 years will be repeated – we do not share this view. We currently favour companies with strong balance sheets and high franchise value, with strong cash flow generating abilities that trade at normalised ratings well below the current market rating and therefore allows us to preserve and grow our investors' capital in volatile market conditions.

Portfolio manager

Abdulazeez Davids