Kagiso Islamic Equity Fund
as at 31 December 2011

KAGISO Asset Management

Performance and risk statistics[1]

	Fund	Benchmark	Outperformance
1 year	3.0%	3.2%	-0.1%
2 years	12.2%	10.5%	1.7%
5 years	-	-	-
Since inception	18.1%	17.0%	1.1%

All performances annualised

	Fund	Benchmark
Annualised deviation	10.2%	11.8%
Sharpe ratio	1.1	0.9
Maximum gain*	18.6%	18.2%
Maximum drawdown*	-5.6%	-6.5%
% Positive months	63.3%	60.0%

*Maximum % increase/decline over any period

Cumulative performance since inception

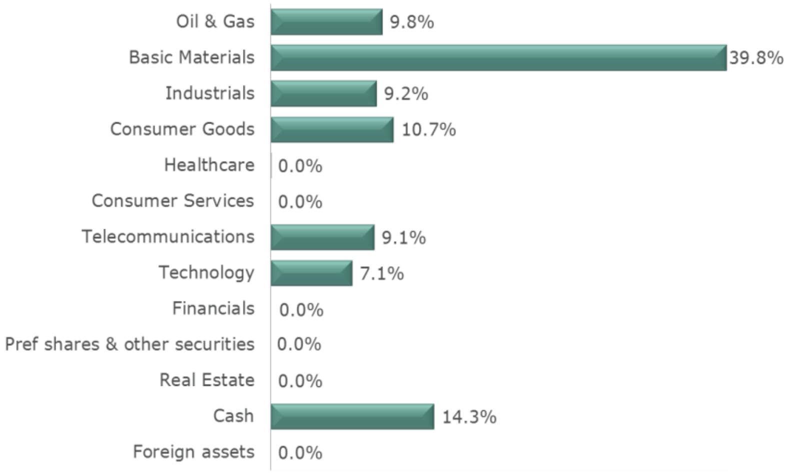
Portfolio manager	Abdulazeez Davids
Fund category	Domestic - Equity - General
Fund objective	A Sharia compliant fund that aims to provide steady capital growth and a total portfolio return that is better than the average general equity fund.
Risk profile	Medium - High
Suitable for	Muslim investors seeking 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	R124.7 million
NAV	151.25 cents
Distribution dates	30 June, 31 December
Last distribution	31 December 2011: 1.34 cpu
Minimum investment	Lump sum: R5 000; Debit order: R500
Fees (excl. VAT)[2]	Initial fee: 0.00% Financial adviser fee: max 3.00% Ongoing advice fee: max 1.00% pa Annual management fee: 1.00%
TER[3]	1.31% per annum

Sharia advisory and supervisory board

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	8.0
Mondi	5.3
Anglo American	5.2
Tongaat Hulett	5.1
BHP Billiton	4.0
AECI	4.0
Datatec	3.5
Royal Bafokeng	3.4
Richemont	3.2
Total	51.6

[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 and on our website. 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 December 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.

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Commentary

The fourth quarter of 2011 was a very strong period for global equities, bouncing off their third quarter low points, amidst high volatility. Positive US economic data emerged amidst the European gloom and co-ordinated central bank measures were announced to provide Europe with much needed banking sector liquidity. Many South African companies, especially among the industrials, ended 2011 at all-time high share prices.

The US market was particularly strong (the S&P 500 Index was up by 11.2%), as was the UK market (up 8.7%), outperforming most emerging markets (MSCI Emerging Markets Index was up 4.4% in USD) and the negative Japanese market (the Nikkei Index fell 2.8%).

The Kagiso Islamic Equity Fund slightly underperformed its peers (in the Domestic General Equity sector) for the quarter - due mainly to our generally defensive orientation and our, now, increased resource sector exposure.

Commodity prices were mixed for the quarter. Oil prices were up 4.5% (Brent Crude), given ongoing Middle East instability and slightly stronger economic news. Gold was down 4.6%, as was platinum (-10.4%). Most other commodities relevant to South African miners were significantly down, while copper was up over the quarter (8.5%).

The Rand was little changed against the US Dollar (+0.1%) and 3.4% stronger against the Euro. The South African Reserve Bank kept interest rates unchanged at multi-decade lows, against a backdrop of rising inflation, which breached the official target in November - partly due to the weaker currency and higher transportation costs. Domestic economic growth prospects are looking softer, however.

The FTSE/JSE All Share Index gained 8.4% during the quarter, coming off a low base at the end of the third quarter, ending the year just 2.6% up. There was little sectoral diversion for the quarter: resources shares (+7.3%) underperformed industrial shares (+9.2%) and financial shares (+8.7%). Equity markets experienced continued volatility, with most of the positive performance coming through in October (+9.4%) and thereafter fluctuating in a range, influenced mainly by developments in Europe. Foreigners were net sellers of equities in 2011 (-R17.2 billion) while flows were fairly flat in the fourth quarter. However, inflows into bonds remained strong during the year (+R47.4 billion).

Sasol (+18.5%), was a strong performer for the fund, but our exposure to Lonmin (-7.2%), Royal Bafokeng Platinum (-3.3%) and Mondi (-2.4%) were a drag on performance.

Looking ahead, we remain cautious over prospects for the developed economies, with high levels of government debt, high levels of unemployment, stimulus removal and austerity measures looming and demographic trends moving slowly against them. On the positive side, we believe that there are strong prospects for companies focused on emerging market consumers, although much of this optimism seems to be priced into South African consumer stocks.

Going forward, we remain defensively positioned with a strong focus on quality, lower risk companies, which are attractively priced. We favour companies with strong balance sheets, high franchise value and/or dominant market positions, low fixed costs and defensive earnings streams. Over the last year we have moved the portfolio significantly out of industrial shares, many of which are trading at all-time highs and anticipating very strong earnings prospects, and into selected resources stocks, especially platinum group metal miners.

The fund continues to be appropriately positioned in our best stock selections, based on our team's proven bottom-up stock picking process.

Portfolio manager

Abdulazeez Davids