Kagiso Islamic Equity Fund

as at 31 March 2013

KAGISO Asset Management

Performance and risk statistics[1]

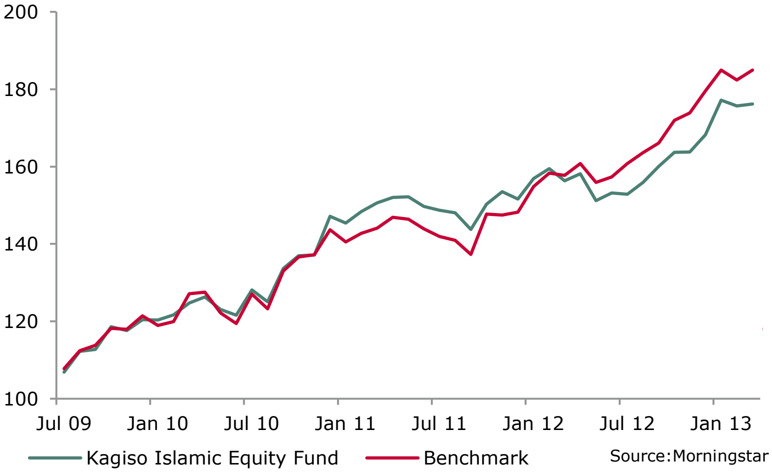
	Fund	Benchmark	Outperformance
1 year	12.7%	17.3%	-4.6%
2 years	8.2%	13.3%	-5.1%
3 years	12.2%	13.3%	-1.1%
Since inception	16.3%	17.8%	-1.5%

All performances annualised

	Fund	Benchmark
Annualised deviation	9.5%	10.3%
Sharpe ratio	-0.5	-0.6
Maximum gain*	18.6%	18.7%
Maximum drawdown*	-5.6%	-6.5%
% Positive months	66.7%	66.7%

*Maximum % increase/decline over any period

Cumulative performance since inception



Source: Morningstar

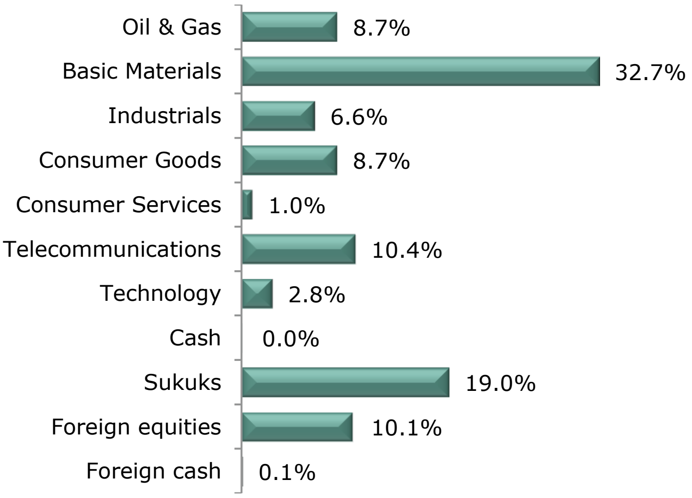
Portfolio manager	Abdulazeez Davids
Fund category	South African - Equity - General
Fund objective	A Sharia compliant fund that aims to provide steady capital growth and a total portfolio return that is better than the average general equity fund.
Risk profile	Medium - High
Suitable for	Muslim investors 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	South African - Equity - General funds mean
Launch date	13 July 2009
Fund size	R192.4 million
NAV	171.58 cents
Distribution dates	30 June, 31 December
Last distribution	31 December 2012: 1.38 cpu
Minimum investment	Lump sum: R5 000; Debit order: R500
Fees (excl. VAT)	Initial fee: 0.00% Financial adviser fee: max 3.00% Ongoing advice fee: max 1.00% pa Annual management fee: 1.00%
TER[2]	1.29% 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 equity holdings

	% of fund
Sasol	8.7
MTN	7.4
Tongaat Hulett	5.6
Lonmin	5.6
Anglo American	5.5
Mondi	5.3
Microsoft Corporation	5.2
BHP Billiton	4.4
AECI	3.6
African Rainbow Minerals	3.1
Total	54.4

[1] Performance is quoted from Morningstar as at month-end for a lump sum investment using Class A Net Asset Value (NAV) prices with income distributions reinvested. NAV refers to the value of the fund's assets less the value of its liabilities, divided by the number of units in issue. Performance figures are quoted after the deduction of all costs incurred within the fund.

[2] The Total Expense Ratio (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 March 2013. 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 TERs.

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Quarterly commentary

The global economy continued its slow crawl during the first quarter of 2013. The endemic debt crisis in the Eurozone reared its head in Cyprus, as a further symptom of the economic problems in the developed world. Developed market central banks continue to pour stimulus into the markets at an unprecedented rate in their continuing attempt to support the recovery. The Bank of Japan's recently announced 'Quantitative and Qualitative Monetary Easing Programme' had an immediate impact on risk assets around the globe.

Locally, weak export demand, buoyant but slowing consumer spending, slow infrastructure development and chronic labour unrest in the mining, transport and agricultural sectors all contributed to a sluggish economy. This, along with a high current account deficit, negatively affected the rand, which was the worst performing emerging market currency over the quarter. During this period, the rand lost 8.1% and 5.3% respectively against the US dollar and the euro.

Developed equity markets rebounded strongly during the quarter. Positively interpreted comments from the US Federal Reserve officials contributed to US equities gaining 10%, propelling the S&P 500 index to a new high. The Japanese equity market was a strong performer, with the Nikkei 225 index gaining 19.3%. European equities gained 5% during the period, underperforming the global market as the events in Cyprus seemed to dampen investor sentiment. The MSCI Emerging Markets index was down 9.7% (in US dollar terms).

Despite deteriorating macroeconomic fundamentals, the South African equity market continued to set new records, with the FTSE/JSE All Share index reaching an all-time high of 40984 in March. Given the debt woes and weak economic activity plaguing developed economies, South Africa has attracted significant foreign investment over the last few years. During the quarter, foreigners bought R3 billion of SA equities and R14.1 billion of SA bonds. Foreign investors now own more than one-third of the local bond market and of the shares trading on the JSE Securities Exchange – an all-time record for both asset classes.

The FTSE/JSE All Share index gained 2.5% over the quarter, with industrials up 6.3%, and financials up 5.9%. Resources (down 6.0%) continued to be weighed down by weakening commodity prices in part from weaker Chinese demand, as their economic growth moderates. However, the weaker rand should provide some support to resources earnings in the short term.

Most commodities relevant to South African miners lost ground in US dollar terms. Gold was down 4.6% and copper lost 7.1%. Platinum, however, was up 3.5%. The oil price (Brent Crude) rose above US$120/barrel for the first time in almost a year, but fell back as the US showed strong inventory figures, ending the quarter 2.2% lower.

The rand's depreciation has placed upward pressure on inflation expectations. The revised Consumer Price Inflation basket has now been implemented and inflation rose to 5.9% at its most recent reading for February. The effects of a weaker rand, rising food prices, rising administered prices such as fuel and electricity and real wage increases are the main upside risks to inflation, which we expect to breach the South African Reserve Bank's target band in mid-2013.
The Kagiso Islamic Equity Fund outperformed the average fund in the ASISA South African Equity General sector for the quarter. This outperformance was driven by strong stock-selection as many of our highest conviction positions were rewarded. The absence of many expensive industrial shares (particularly retailers), which had a poor quarter, also contributed significantly to relative outperformance. Mondi (up 36.5%), AECI (up 27.9%), Sasol (up 12.3%) and Tongaat Hulett (up 7.6%) were strong performers for the fund, while our exposure to BHP Billiton (down 7.8%), MTN (down 6.2%) and Anglo American (down 6.0%) detracted from performance.

Looking ahead, we continue to be cautious given the contradiction between vulnerable global and local economies and a market at all-time highs. Ever-increasing monetary stimulus is continuing to distort local asset prices in certain sectors and the risk of permanent capital losses remains elevated.

The fund continues to be positioned in our best ideas, based on our team's proven bottom-up stock-picking process. Significant hedging provides capital protection in an increasingly expensive market.

Portfolio manager
Abdulazeez Davids