

Kagiso Islamic Equity Fund

as at 30 June 2014



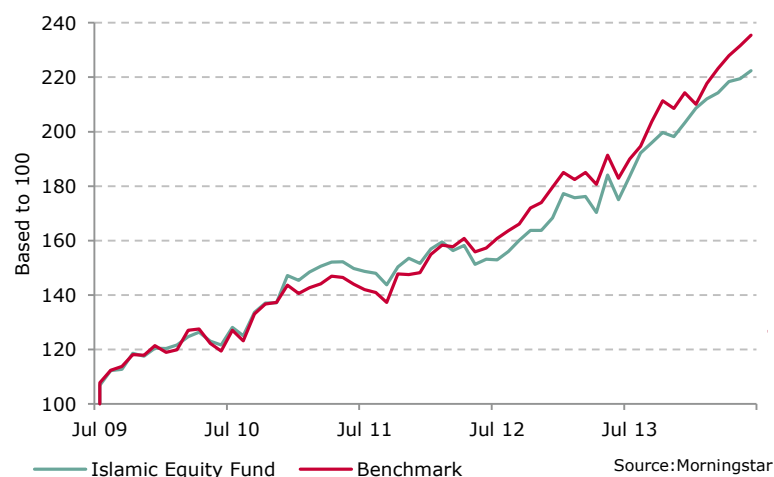
Performance and risk statistics¹

	Fund	Benchmark	Outperformance
1 year	27.1%	28.7%	-1.6%
2 years	20.5%	22.4%	-1.8%
3 years	14.1%	17.8%	-3.7%
Since inception	17.3%	18.7%	-1.4%

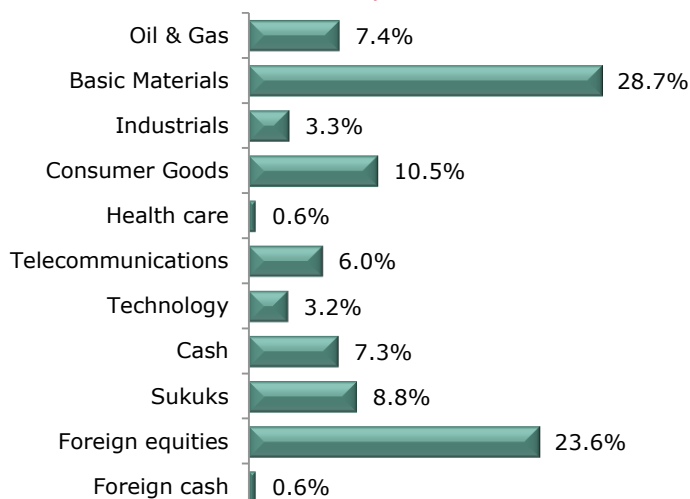
	Fund	Benchmark
Annualised deviation	9.8%	10.2%
Sharpe ratio	1.2	1.2
Maximum gain*	18.6%	18.7%
Maximum drawdown*	-5.6%	-6.5%
% Positive months	70.0%	68.3%

*Maximum % increase/decline over any period

Cumulative performance since inception



Effective asset allocation exposure



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



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

R824.4 million

NAV

213.88 cents

Distribution dates

30 June, 31 December

Last distribution

30 June 2014: 0.93 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%

TER²

1.23%

Sharia advisory and supervisory board members:

Sheikh Mohammed Tauha Karaan
Mufti Zubair Bayat
Mufti Ahmed Suliman

Unconventional thinking.

Top 10 holdings

	% of fund
Sasol	7.4
MTN	5.8
Tongaat Hulett	5.4
Anglo American	5.4
Microsoft Corporation	5.0
Anglo Platinum	3.9
Impala Platinum	2.9
AECI	2.7
Mondi	2.6
Clover Industries	2.6
Total	43.7

The Kagiso unit trust fund range is offered by Kagiso Collective Investments Limited (Kagiso), registration number 2010/009289/06, a voting member of the Association for Savings and Investment SA (ASISA). Kagiso is a subsidiary of Kagiso Asset Management (Pty) Limited [a licensed financial services provider (FSP No. 784)], the investment manager of the unit trust funds. Unit trusts are generally medium to long-term investments. The value of units will fluctuate and past performance should not be used as a guide for future performance. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Exchange rate movements, where applicable, may affect the value of underlying investments. Different classes of units may apply and are subject to different fees and charges. A schedule of the maximum fees, charges and commissions is available upon request. Commission and incentives may be paid, and if so, would be included in the overall costs. All funds are valued and priced at 15:00 each business day and at 17:00 on the last business day of the month. Forward pricing is used. The deadline for receiving instructions is 14:00 each business day in order to ensure same day value.

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. All performances are annualised.

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 June 2014. 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.

The fund returned 3.8% for the quarter and 27.1% over a one-year period. The fund's objective of providing steady capital growth over the long term and a total portfolio return that is better than the average general equity fund has been achieved.

Economic and market overview

Global and local equity markets continued their grind higher at a faster pace than economic improvements. During the quarter, geopolitical tensions in the Ukraine, between China and its neighbours and in the Middle East were notable.

Monetary policy developments continued to influence asset prices. The US Federal Reserve left its tapering programme unchanged, the Bank of Japan continued with asset purchases and the European Central Bank cut short-term rates and announced it was looking at quantitative easing-style interventions.

In South Africa, the rand ended the quarter only slightly weaker, with the country acting as a relative safe haven in the emerging market context. The crippling five-month platinum sector strike, which came to an end during the quarter, has had broad negative consequences for a wide swathe of the local economy. NUMSA's subsequent strike in the metals and engineering sector will place further pressure on SA's uncomfortably large current account deficit and slow economy. Given the ongoing economic weakness and in the absence of a significant currency shock from here, we expect a fairly shallow and gradual rate hiking cycle of around 1.5% over the next two years.

Fund performance and positioning

Tongaat was by far the fund's strongest performer over the quarter, while Clover, African Rainbow Minerals and Impala Platinum detracted. Offshore holdings performed well, particularly Apple and Intel.

The fund's position in Metair offers significant value as the company is likely to benefit from the global automotive sector's response to tightening vehicle emission standards, particularly by manufacturing batteries for start-stop engine management systems. Metair's subsidiary, First National Battery, has developed the technology to manufacture these batteries and Metair has made acquisitions that give it relevance in Europe's significantly larger vehicle market. Demand for start-stop batteries is expected to increase by 20% pa over the next five to 10 years and Metair is investing to expand production. At the current price, the stock is trading at below 10 times our estimate of normalised earnings.

Overall, levels in the SA equity market are now even more expensive than a quarter ago and we are finding very few undervalued stocks in the local market. The fund retains significant exposure to PGM miners (with severely depressed share prices) and the metal ETFs as we believe that metal prices need to rise given the constrained supply environment and gradually improving demand outlook.

In addition, the fund retains exposure to certain commodity shares (Sasol, Tongaat and Anglo American). We continue to find little value in most industrial shares, with the exception of selected mid-caps.

The fund retains a significant allocation to global assets, where we are finding opportunities in certain technology, speciality chemical, as well as oil refiners and pipeline operators.

Portfolio manager
Abdulzeez Davids

Key indicators	
Equity markets (total return)	Quarterly change
MSCI World Equity (US Dollar return)	4.2%
MSCI Emerging Market Equity (US Dollar return)	5.6%
FTSE Sharia All-World Index (US Dollar return)	5.5%
Dow Jones Islamic Market World Index (US Dollar return)	4.7%
FTSE/JSE All Share Index	7.2%
FTSE/JSE Resources Index	2.8%
FTSE/JSE Industrials Index	9.5%
Commodities and currency	Quarterly change
Platinum (\$/oz)	4.9%
Gold (\$/oz)	3.4%
Brent Crude (\$/barrel)	4.3%
Rand/US Dollar (USD)	0.9%