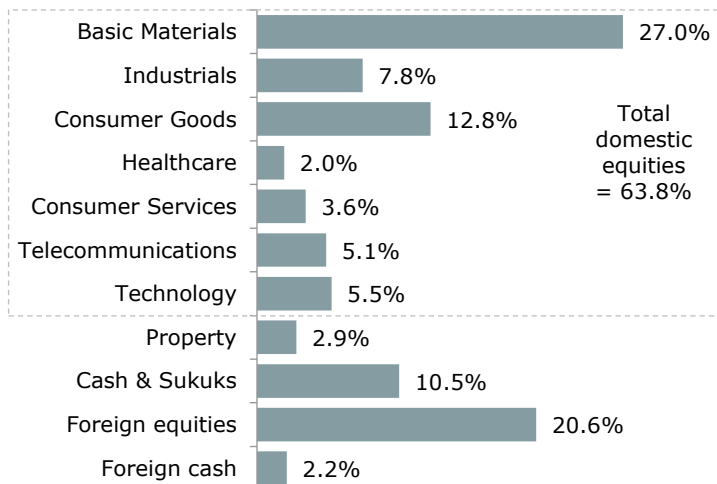
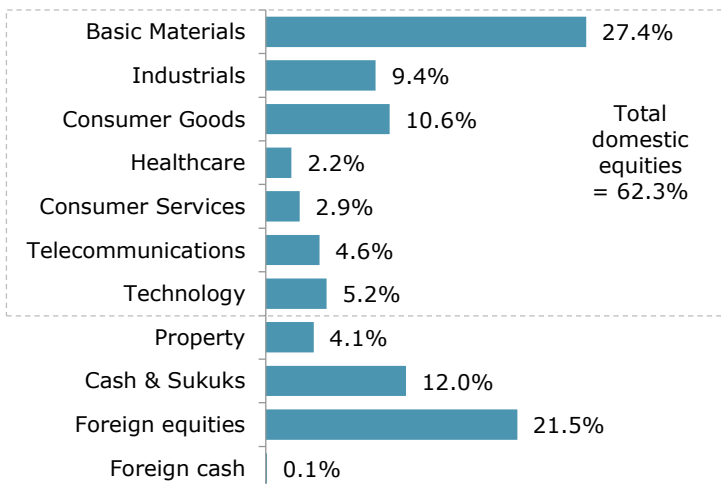


This fund will generally be fully invested in a diversified portfolio of domestic and international equity securities, subject to the statutory investment limitations. The underlying investments will comply with Sharia requirements as prescribed by the Accounting & Auditing Organisation for Islamic Financial Institutions (AAOIFI) and will not invest in any interest-bearing instruments.

**Quarter ended March 2019**

**Quarter ended December 2018**

**Asset and sector allocation**



**Top 10 equity holdings\***

AECI	3.7%
Sasol	3.3%
Datatec	3.0%
Metair	2.9%
African Rainbow Minerals	2.8%
MTN	2.4%
Northam Platinum	2.4%
Libstar	2.4%
Mondi	2.3%
Adcorp	2.3%
<b>Total</b>	<b>27.5%</b>

AECI	3.4%
African Rainbow Minerals	3.3%
Sasol	3.1%
Tongaat Hulett	2.9%
Woolworths	2.7%
Metair	2.7%
Datatec	2.6%
Adcorp	2.6%
Northam Platinum	2.5%
Mondi	2.5%
<b>Total</b>	<b>28.3%</b>

\* Top holdings comprise domestic and global equities

<b>Fund size</b>	R856.50 million
<b>NAV</b>	253.81 cpu
<b>Number of participatory interests</b>	338,145,233

<b>Income distributions</b>	
31 December 2018	2.17 cpu
30 June 2018	6.16 cpu

**Key indicators**

Equity markets (total return)	Quarterly change
MSCI World Index (USD)	12.5%
MSCI Emerging Market Equity (US Dollar return)	9.9%
FTSE Sharia All-World Index (US Dollar return)	11.8%
Dow Jones Islamic Market World Index (US Dollar return)	14.1%
FTSE/JSE All Share Index	8.0%
FTSE/JSE Resources Index	16.2%
FTSE/JSE Industrials Index	8.8%
Commodities and currency	Quarterly change
Platinum (\$/oz)	6.8%
Gold (\$/oz)	0.8%
Brent Crude (\$/barrel)	27.0%
Rand/US Dollar (USD)	0.8%

**Policy objective** The fund adhered to the policy objective as stated in the Supplemental Deed

**Additional information** Please read this quarterly investment report in conjunction with the minimum disclosure document for the fund

The fund was up 5.7% this quarter, marginally underperforming the average of other general equity funds (up 5.9%). Over the last three years, the fund has returned 9.2% pa and is pleasingly ranked fifth in its peer group of 129 funds. The fund has returned 11.2% pa since its inception in 2009.

### **Economic backdrop**

Global economic growth has decelerated from recent very high rates, but remains healthy, albeit with some notable weak spots such as Europe. Strengthening developed region labour markets are providing support to consumer expenditure. Inflation rate normalization to higher levels has stalled somewhat. Key central banks have therefore paused their slow tightening measures and are signaling a more accommodative monetary policy if economic data deteriorate.

The trade war initiated by the US continues to have an impact on trade activity (front loading of orders in advance of tariff implementation and direct reductions in certain categories) and seems to be dampening business confidence.

Above trend growth for the US economy is continuing this year, but fiscal stimulus support has begun to taper off. In Europe and Japan, growth has decelerated, primarily due to weaker export related activity, particularly related to China.

Chinese government measures to rebalance the economy, reign in credit excesses and reduce pollution resulted in a marked deceleration in infrastructure and manufacturing-related growth in 2018. Authorities have responded with domestic stimulus, which seems to have brought a stabilisation in growth, albeit at the expense of necessary de-gearing. There is more divergence in growth rates amongst emerging economies based on relative fundamentals. Fairly strong growth is expected in Poland, Brazil, India and Emerging Asia, with positive inflation and interest rate outlooks. Laggards, Argentina, Turkey (contracting) and South Africa (very low growth), remain weak.

The South African economy continues to experience very weak economic growth, particularly with contracting investment and lacklustre consumption growth (wage settlements have moderated meaningfully lower and employment is stagnant).

### **Market review**

Global markets rebounded strongly this quarter (up 12.6% in dollar terms) erasing most of last quarter's losses with the USA (up 13.6%), the UK (up 11.6%) and France (up 11.1%) outperforming. Emerging markets (up 10.0% in dollar terms) were generally strong, particularly China (up 17.7%).

Locally, the equity market was positive this quarter (up 8.0%) with resources (up 16.2%) outperforming - platinum miners and general miners were strong (up 49.7% and 22.4% respectively). Standout positive performers included Impala Platinum (up 66.3%) and Northam Platinum (up 46.8%).

Industrials were up 8.8%, with heavyweights British American Tobacco (up 27.4%), Naspers (up 15.2%) and Richemont (up 11.8%) contributing positively. Retailers, Massmart (down 23.2%), Mr. Price (down 22%) and Truworths down (21.2%), underperformed and Aspen (down 31.0%) was also particularly weak.

Financials (down 0.5%) underperformed, with JSE, Nedbank and Sanlam very weak (down 20.2%, 8.5% and 7.6% respectively) and Quilter (up 25.1%) and Capitec (up 20.8%) outperforming.

For a number of years, extreme, unconventional monetary stimulus, in the form of price agnostic asset purchases, has distorted asset prices across the globe. Global bond yields remain very low (pricing in exceedingly low levels of future long-term inflation), corporate bond credit spreads are depressed and equity prices are still fairly high, especially in sectors where growth prospects are well appreciated.

Global bond rates have risen from the record low levels of 2016, accompanied by tentative signs of rising inflation, particularly in the US (although bond rates have retreated in the last six months). Importantly, the rate of total global central bank asset purchases peaked in early 2017 and is steadily reducing as monetary stimulus programs are withdrawn (although the expected pace of reduction is now somewhat slower than previously). These conditions are bringing about a more normal (higher) level of market volatility and a welcome increase in dispersion across equities, as well as across asset classes – a better environment for stock pickers.

### **Fund performance and positioning**

Once again, our strong local equity contributors this quarter were our high conviction mid-cap holdings: Northam Platinum, Clover, Datec, AECI, African Rainbow Minerals and Metair. Key detractors were Tongaat Hulett, Woolworths and Vodacom.

Our global holdings contributed to performance, the key positive contributors being Cisco Systems, Spire Healthcare Group, Johnson Electric Holdings and SAP. Bayer, Imersys and Inpex, however, underperformed.

Despite a global backdrop of reasonable economic growth, eventually tightening monetary policy, risks of negative disruptions as Chinese economic growth continues to trend lower and a local market facing a very weak economy, we remain positive on the outlook for our stock holdings, given attractive valuations.

We are optimistic that more normal financial conditions are proving to be a much better environment for stock picking. We retain a particularly high exposure to a selection of local mid-cap stocks which offer compelling upside from a number of diverse stock specific factors that are providing positive performance, uncorrelated to the general market. An example of this is Northam Platinum.

Northam is a medium sized Platinum Group Metals (PGM) producer that is expanding by adding low cost, mechanised production over the next three years. This expansion was made possible by a capital raise via a successful BEE deal and the business was able to buy stressed assets at the bottom of the cycle for a fraction of their replacement cost. Northam is also a large chrome producer and will grow chrome production as it expands, which will significantly add to revenues with minimal additional cost (a massive boost to profitability relative to peers). We believe that the relatively low cost operations have positioned the business to generate significant returns on investments into the future.