Quarterly general investor report

Kagiso Islamic Equity Fund

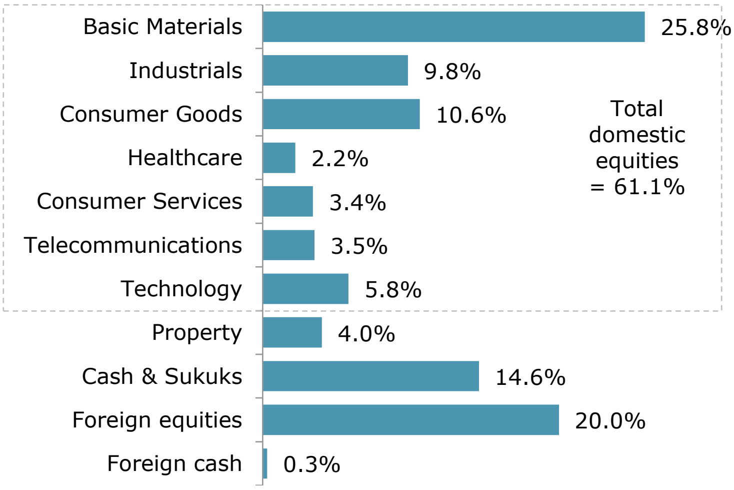
June 2019

Date of issue: 26 July 2019

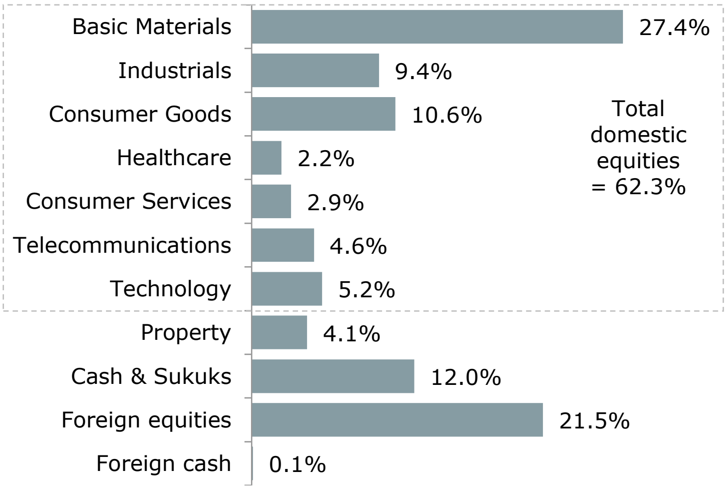
This fund will generally be fully invested in a diversified portfolio of domestic and international equity securities, subject to the statutory investment limitations. The underlying investments will comply with Sharia requirements as prescribed by the Accounting & Auditing Organisation for Islamic Financial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

Asset and sector allocation

Quarter ended June 2019



Quarter ended March 2019



Top 10 equity holdings*

Quarter ended June 2019

AECI	3.5%
Metair	3.0%
Datatec	3.0%
Adcorp	2.9%
Libstar	2.7%
African Rainbow Minerals	2.4%
Northam Platinum	2.3%
Sasol	2.3%
Mondi	2.2%
Mediclinic	2.2%
Total	26.5%

Quarter ended March 2019

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%
Total	27.5%

* Top holdings comprise domestic and global equities

Fund size R900.56 million
NAV 255.97 cpu
Number of participatory interests 352,514,298

Income distributions

30 June 2019	2.23 cpu
31 December 2018	0.00 cpu

Key indicators

Equity markets (total return)	Quarterly change
MSCI World Index (USD)	4.0%
MSCI Emerging Market Equity (US Dollar return)	0.6%
FTSE Sharia All-World Index (US Dollar return)	2.5%
Dow Jones Islamic Market World Index (US Dollar return)	3.5%
FTSE/JSE All Share Index	3.9%
FTSE/JSE Resources Index	2.6%
FTSE/JSE Industrials Index	4.5%
Commodities and currency	**Quarterly change**
Platinum ($/oz)	-1.7%
Gold ($/oz)	9.1%
Brent Crude ($/barrel)	-4.6%
Rand/US Dollar (USD)	-2.9%

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

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Kagiso Islamic Equity Fund

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The fund was up this quarter (0.9%), underperforming the average of other general equity funds (up 1.4%). The fund has returned 8.7% pa over the last three years which is well ahead of the peer group average (2.6% pa) and is pleasingly ranked sixth in its peer group of 126 funds. The fund has returned 11.1% pa since its inception in 2009.

Economic backdrop

Global economic growth, though still healthy, has decelerated from the high rates of recent years. Strengthening developed region labour markets continue to underpin consumer expenditure via solid wage growth. Inflation rate expectations have retreated meaningfully, particularly in Europe. Key central banks have therefore paused their slow tightening measures and are signaling a more accommodative monetary policy if economic data deteriorates.

Trade activity is weak, partly due to the "trade war" (front loaded orders in advance of tariff implementation are now being run down and there are direct reductions in certain affected categories).

US economic growth has been strong this year, but weaker manufacturing production and the tapering off of fiscal stimulus support will now lead to a moderation back to trend. In Europe, manufacturing and export related activity is weak, particularly in Germany, affected by slower Chinese growth and a contracting global automotive market. Japan's growth is similarly weak and will be exacerbated by an impending consumer tax hike.

Overall growth in China continues to moderate as the government acts to rebalance the economy and reign in credit excesses. Infrastructure and manufacturing related growth is most affected, although temporarily shielded by domestic stimulus.

Stronger commodity prices and producer currencies have led to an improvement in economic growth and inflation prospects for commodity-focused emerging economies. India, Indonesia and Eastern Europe continue to outperform emerging market peers and laggards, Argentina, Turkey (contracting), South Africa (deteriorating low growth) and Brazil (significant iron ore mine disruptions) remain weak.

The South African economy continues to experience very weak economic growth, particularly with persistently low business confidence, contracting investment; and lacklustre consumption growth (wage settlements have moderated meaningfully and employment is stagnant). Early progress by the new ANC leadership on governance improvements is being followed up by frustratingly slow policy reforms in the face of a deteriorating fiscal position (debt to GDP).

Market review

Global markets rebounded and were strong again this quarter (up 4.2% in dollar terms and 17.4% year to date) with the USA (up 4.3%), France (up 7.5%) and Germany (up 8.9%) outperforming. Emerging markets (up 0.7% in dollar terms) were mixed and generally robust, except in China (down 3.9%).

Locally, the equity market was positive again this quarter (up 3.9%) with resources (up 2.6%) outperforming – gold and platinum miners were strong (up 26.6% and 9.4% respectively). Standout performers included Gold Fields (up 44.1%) Anglogold Ashanti (up 32.6%) and Impala Platinum (up 14.3%).

Industrials were up 2.6%. Heavyweights including MTN (up 20.5%), Richemont (up 14.2%) and Naspers (up 2.6%) contributed positively, while British American Tobacco (down 17.3%) detracted. Retailers were generally higher - Woolworths (up 5.2%), Mr. Price (up 4.7%) and Pick n Pay (up 3.9%). Hospitals (down 15.0%) and food producers (down 4.8%) underperformed.

Financials (up 5.4%) outperformed, with Absa, MMI, and FirstRand very strong (up 15.7%, 14.3% and 11.1% respectively). Listed property was generally strong (up 4.5%) with Intu Properties (down 32.9%) underperforming.

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 have retreated to very low levels (pricing in exceedingly low levels of future long-term inflation), corporate bond credit spreads are depressed and equity prices are high, especially in large cap stocks and sectors where growth prospects are well appreciated.

US bond rates have risen from the record low levels of 2016, accompanied by tentative signs of wage led rising inflation (although yields in other developed markets are now back down to record lows). Recent trade tensions between the US and its key trading partners seem to have negatively impacted the global growth outlook and central banks are now poised to undertake pre-emptive easing measures in an attempt to avert material economic deterioration.

Fund performance and positioning

Strong local equity contributors this quarter include Anglo Gold Ashanti, MTN, and once again, some of our high conviction mid-cap holdings: Altron, Adcorp, Libstar and Metair. Key detractors were Tongaat Hulett, Sasol and Clover.

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Our global equity holdings contributed to performance with key positives being Altran Technologies (up 43.0% this quarter and subject to a takeout bid from Capgemini), Siemensand Evonik. National Oilwell Varco, Goodyear, and Intel Corporation, underperformed.

Despite a global backdrop of reasonable, but weaker, economic growth, risks of negative trade 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 Libstar.

Libstar is South Africa's largest private label food producer, which listed on the JSE in May 2018. We are particularly excited about the prospects for the growth of private label which usually offers consumers a lower price alternative to traditional branded products, at a similar or better margin to the retailers (a win for consumers and retailers). There is an increased retailer focus to push private label and, the improved quality of these products has resulted in wider consumer acceptance. Libstar provides private label products to Woolworths, Pick n Pay and Shoprite Checkers and is well placed to benefit from this growth. A poor set of maiden results saw the Libstar share price weaken since IPO, providing an opportunity for us to build a meaningful position in our funds. Despite the share price being up 50% from its lows, we believe there is significant value to be unlocked as earnings rebound and the resilience of its private label strategy begins to manifest.