# Kagiso Islamic Global Equity Feeder Fund

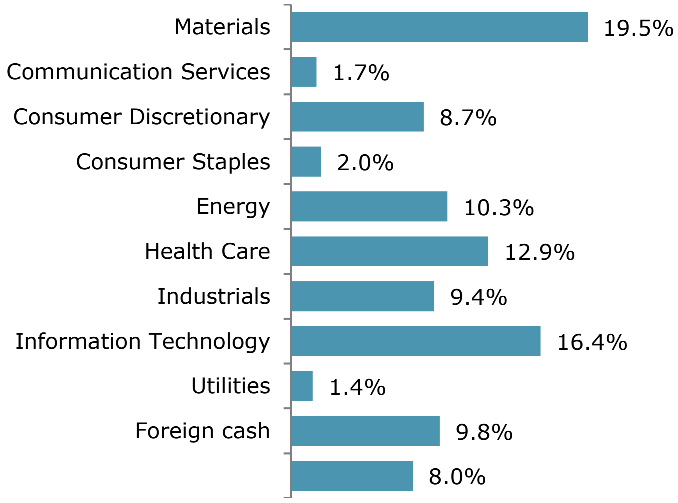
## June 2019

Date of issue: 26 July 2019

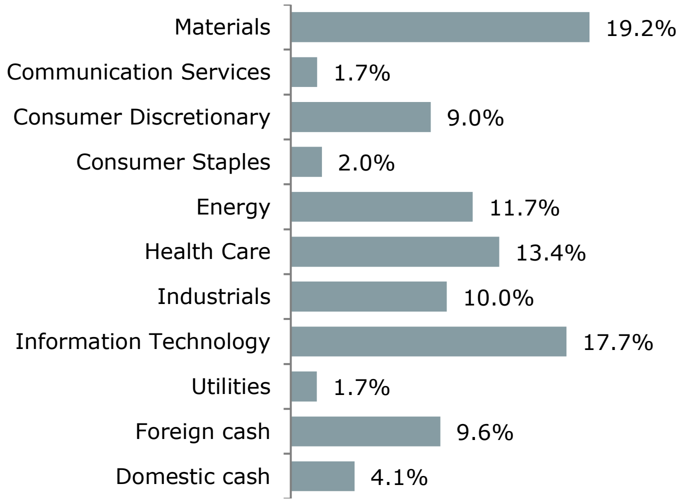
This is a feeder fund and will be fully invested in the dollar-denominated Kagiso Islamic Global Equity Fund, which invests in a diversified portfolio of international equity securities, subject to the statutory investment limitations. The underlying investments will comply with Sharia requirements as 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

| | |
|---|---|
| Siemens | 4.3% |
| Cisco Systems | 3.9% |
| Evonik | 2.9% |
| LyondellBasell | 2.8% |
| Intel | 2.8% |
| National Oilwell Varco | 2.6% |
| Altran | 2.6% |
| Covestro | 2.5% |
| DuPont de Nemours | 2.4% |
| Royal Dutch Shell | 2.4% |
| Total | 29.2% |

### Quarter ended March 2019

| | |
|---|---|
| Cisco Systems | 4.6% |
| DowDuPont | 4.4% |
| Siemens | 4.1% |
| Intel | 3.8% |
| National Oilwell Varco | 3.4% |
| LyondellBasell | 3.0% |
| Evonik | 2.9% |
| Covestro | 2.9% |
| Continental | 2.6% |
| Royal Dutch Shell | 2.5% |
| Total | 34.2% |

**Fund size** R8.56 million
**NAV** 106.28 cpu
**Number of participatory interests** 8,034,761

**Income distributions**

| | |
|---|---|
| 30 June 2019 | 0.00 cpu |
| 31 December 2018 | N/A |

## 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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No performance available yet

**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 signalling a more accommodative monetary policy if economic data deteriorates.

Trade activity is weak, partly due to on-going trade disputes between the US and China (front loaded orders in advance of tariff implementation are now being run down and there are direct reductions in certain affected categories) and seems to be dampening business confidence.

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.

**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%).

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**

Fund performance was below benchmark for the quarter due to poor stock selection with key positives being Altran Technologies (up 43% this quarter and subject to a takeout bid from Capgemini), SAP and Allergan. National Oilwell, Nisshinbo and Johnson Electric underperformed.

Our fund is mainly positioned in companies listed in the USA, Europe and Japan covering a broad range of diversified sectors. Some examples of the global structural themes underpinning some of our holdings include an ageing population (hospitals and medical device suppliers), online disruption (e-commerce, payments, logistics), tomorrow's workforce (automation and robotics), special situations (spin-offs/asset sales) and future mobility (energy storage, components and consumables).

Despite a global backdrop of reasonable, but slower, economic growth and risks of negative disruptions as Chinese economic growth continues to trend lower, we remain positive on the outlook for our stock holdings, given attractive valuations.