Quarterly general investor report

Kagiso Islamic High Yield Fund

March 2019

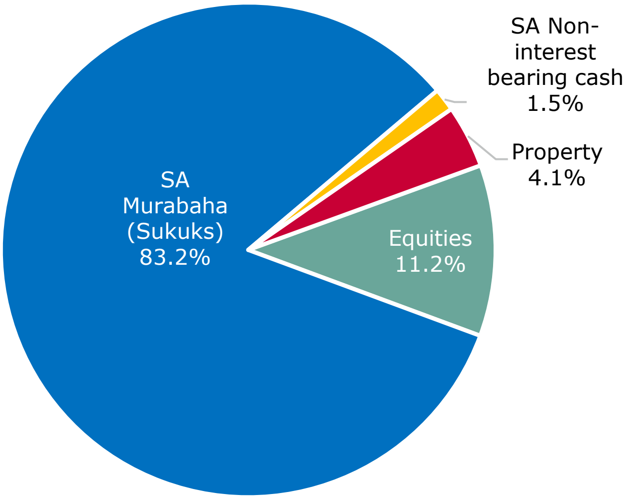
Date of issue: 29 April 2019

This fund aims to provide a high income yield and will typically have a strong bias towards yield assets such as sukuks and property, as well as dividend-paying equities. The underlying investments will comply with Sharia requirements as prescribed by the Accounting & Auditing Organisation for Islamic Financial Institutions (AAOIFI). The fund will not invest in any interest-bearing instruments.

Quarter ended March 2019

Quarter ended December 2018

Asset allocation



Not available for December, launched 11 March 2019

Indicative yield

7.58%

Not available for December, launched 11 March 2019

Fund size R174.73 million
NAV 100.35 cpu
Number of participatory interests 174,060,291

Income distributions

31 December 2018	N/A
30 June 2018	N/A

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

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Kagiso Islamic High Yield Fund
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Performance is not yet available

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

The fund aims to maintain a relatively high exposure to income earnings assets, consisting mainly of sukuks and high dividend yield equities.