Kagiso Protector Fund

as at 31 December 2011

KAGISO Asset Management

Performance and risk statistics[1]

	Fund	Benchmark	Outperformance
1 year	0.2%	11.5%	-11.3%
3 years	8.2%	10.4%	-2.2%
5 years	6.6%	12.0%	-5.4%
Since inception	11.5%	10.8%	0.8%

All performances annualised

	Fund	Benchmark
Annualised deviation	9.6%	19.0%
Sharpe ratio	0.3	0.4
Maximum gain*	21.3%	37.4%
Maximum drawdown*	-20.4%	-43.4%
% Positive months	60.6%	57.8%

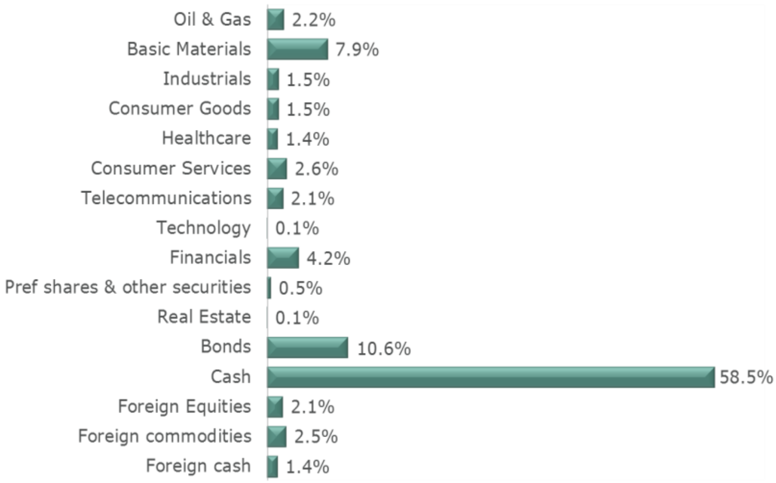
*Maximum % increase/decline over any period

Cumulative performance since inception

Portfolio manager	Jihad Jhaveri
Fund category	Domestic - Asset Allocation - Targeted Absolute & Real Return
Fund objective	To provide steady capital growth and returns that are better than equity market returns on a risk adjusted basis over the medium to longer term.
Risk profile	Low - Medium
Suitable for	Investors looking for exposure to the long-term inflation-beating characteristics of domestic equities, with reduced downside exposure and volatility and a strong focus on capital preservation.
Benchmark	Risk-adjusted returns of an appropriate SA large cap index
Launch date	11 December 2002
Fund size	R153.0 million
NAV	2017.04 cents
Distribution dates	30 June, 31 December
Last distribution	31 December 2011: 28.08 cpu
Minimum investment	Lump sum: R5 000; Debit order: R500
Fees (excl. VAT)[2]	Initial fee: 0.00% Financial adviser fee: max 3.00% Ongoing advice fee: max 1.00% pa Annual management fee: 1.25%
TER[3]	1.46% per annum

Unconventional thinking. Superior performance

Effective asset allocation exposure



Top ten holdings

	% of fund
MTN	5.4
Sasol	4.4
Firstrand/RMB	4.2
Standard Bank	3.3
Lonmin	3.1
Naspers	2.8
Tongaat Hulett	2.7
Mondi	2.4
Impala Platinum	2.1
AECI	1.5
Total	31.8

The Kagiso unit trust range is offered by Kagiso Collective Investments Limited ('Kagiso') registration number 2010/009289/06, a member of the Association for Savings and Investment SA (ASISA). Unit trusts are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily an indication of future performance. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Unit trust prices are calculated on a net asset value (NAV) basis, which is the total value of assets in the portfolio including any income accruals and less any permissable deductions (brokerage, Uncertificated Secutiries Tax, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio, divided by the number of units in issue. Instructions must reach Kagiso Collective Investments before 14:00 to ensure same day value. Fund valuations take place at approximately 15:00 each business day and forward pricing is used.

[1] Performance is quoted from Morningstar as at month-end for a lump sum investment using Class A NAV prices with income distributions reinvested. Performance figures are quoted after the deduction of all costs incurred within the fund.

[2] A schedule of maximum fees and charges is available on request and on our website. Fees and incentives may be paid, and if so, are included in the overall costs.

[3] The 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 December 2011. 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 TER's.

Client service 0800 864 418 Fax +27 88 021 671 3112 E-mail clientservice@kagisoam.com Website www.kagisoam.com

Commentary

The fourth quarter of 2011 was a very strong period for global equities, bouncing off their third quarter low points, amidst high volatility. Positive US economic data emerged amidst the European gloom and co-ordinated central bank measures were announced to provide Europe with much needed banking sector liquidity. Many South African companies, especially among the industrials, ended 2011 at all-time high share prices.

The US market was particularly strong this quarter (the S&P 500 Index was up by 11.2%), as was the UK market (up 8.7%), outperforming most emerging markets (MSCI Emerging Markets Index was up 4.4% in USD) and the negative Japanese market (the Nikkei Index fell 2.8%). The FTSE/JSE Top 40 SWIX Index gained 8.3% during the quarter, coming off a low base at the end of the third quarter, ending the year just 2.6% up. There was little sectoral diversion for the quarter: resources shares (+7.3%) underperformed industrial shares (+9.2%) and financial shares (+8.7%). Equity markets experienced continued volatility, with most of the positive performance coming through in October (+9.4%) and thereafter fluctuating in a range, influenced mainly by developments in Europe.

Food inflation continued to rise significantly, with the November 2011 reading at 11.1% year-on-year, from 1.6% year-on-year in December 2010. If the Rand depreciation (21.9% vs the Dollar in 2011) does not reverse, it is almost certain that CPI will materially breach the 6% upper target level in 2012.

Implied option volatility (an indicator of the cost of hedging equities), as measured by the South African Volatility Index (SAVI), moved down to a more reasonable 24.8% from 32.7% at the start of the quarter. As always, we will aim to minimise the cost of the fund’s downside protection through an optimal blend of our dynamic asset allocation model, outright put options, and tactical cash overlays. Since inception, fund volatility has been 9.6% versus 19.0% for the FTSE/JSE Top 40 Index.

Going forward, we remain cautious about developed economies that face long-term challenges in the form of high unemployment, high government debt levels and negative demographic trends. In the short- to medium-term these economies will have to grapple with the implementation of austerity plans.

Our equity asset allocation is low (currently 31% effective). Within our equity exposure, we remain defensively positioned with a strong focus on quality, lower risk companies, which are attractively priced. Over the last year we have moved the portfolio significantly out of industrial shares, many of which are trading at all-time highs and anticipating very strong earnings prospects, and into selected resources stocks, especially platinum group metal miners.

Over the year, we have built up some exposure to select high quality international stocks, and have a holding in platinum group metal exchange traded funds.

Outside of equities, we hold a meaningful position in inflation-linked bonds, given our views on inflation risks and short-term interest rates.

Looking at the calendar year of 2011, the FTSE/JSE Top 40 SWIX Index gained 4.1%. Mainly due to the direct costs of protection (the cost of purchasing puts), the fund was flat for the year (up 0.2%).

The long-term goal of the fund is to balance the return targets (to produce strong real returns) with the risk tolerance (to minimise drawdowns). This is a challenging remit and will mean, at certain times, more of a focus on returns and, at other times, more of a focus on drawdown protection. We are in a period where the fund is very defensively positioned and our focus is on drawdown protection, given our views on equity valuation levels and market risk.

Portfolio manager

Jihad Jhaveri