Kagiso Protector Fund
as at 31 March 2012

KAGISO Asset Management

Performance and risk statistics[1]

	Fund	CPI+5%	Outperformance
1 year	2.2%	11.2%	-9.0%
3 years	9.6%	10.2%	-0.6%
5 years	6.0%	12.1%	-6.0%
Since inception	11.5%	10.9%	0.6%

All performances annualised

	Fund	Benchmark
Annualised deviation	9.5%	18.9%
Sharpe ratio	0.3	0.4
Maximum gain*	21.3%	37.4%
Maximum drawdown*	-20.4%	-43.4%
% Positive months	61.6%	58.0%

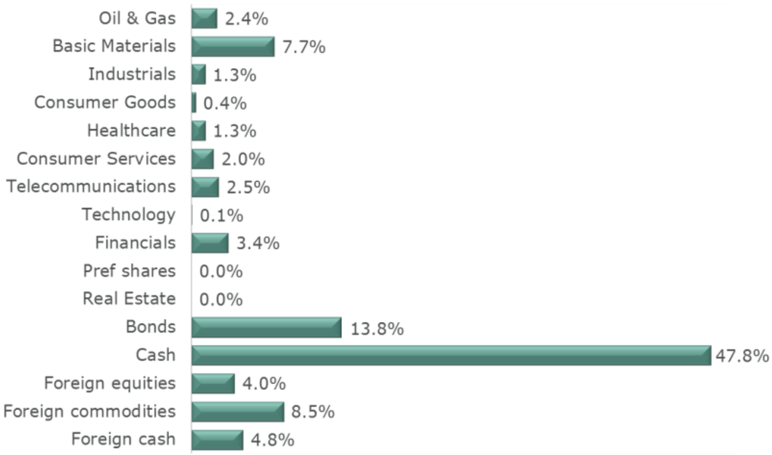
*Maximum % increase/decline over any period

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	R93.4 million
NAV	2037.87 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]	1.48% per annum

Unconventional thinking. Superior performance

Effective asset allocation exposure



Top ten holdings

	% of fund
MTN	5.1
Sasol	4.2
Firstrand/RMB	4.2
Standard Bank	3.2
Naspers	2.9
Lonmin	2.8
Mondi	2.7
Tongaat Hulett	2.4
Impala Platinum	1.6
AECI	1.5
Total	30.7

[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 March 2012. 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.

Commentary

It was an excellent start to the year for the US market with the S&P 500 Index enjoying its best first quarter in 14 years, up by 12.0%. The UK market lagged and was up by only 3.5%. The MSCI Emerging Markets Index was up 14.1% in USD, outperforming the MSCI Developed Markets Index (up 11.7%) and the Japanese market had a strong quarter with the Nikkei up 19.3%.

The FTSE/JSE Top 40 Swix Index gained 6.6% during the quarter, with significant sector dispersion: resources shares (-3.3%) substantially underperformed industrial shares (+10.5%) and financial shares (+12.8%). Equity markets experienced continued volatility, with most of the positive performance coming through in January. Foreigners continued to be net sellers of equities in the first quarter (-R4.1 billion), but bonds remained positive with further strong inflows (+R21.2 billion).

The rate of South African inflation has picked up with March 2012 CPI coming in at 6.1%. With a stubbornly high oil price, electricity tariff increases and increasing food prices, inflation is expected to remain above the 6% upper target level for much of 2012 before returning within the target range. However, it is important to note that any sustained rand weakness from current levels will mean that inflation will be higher than expected. The fund has maintained a meaningful position in government inflation linked bonds.

Implied option volatility (an indicator of the cost of hedging equities), as measured by the South African Volatility Index (SAVI), moved further down to end the quarter at 20%, and we have purchased some put protection at these reasonable levels. 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 18.9% 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 exposure therefore remains low (lower than 30% effective). Over the last year we have moved the portfolio significantly out of industrial shares, many of which are trading further above their all-time highs, and into selected resources stocks, especially platinum group metal miners. Over the year, we have built up some exposure to attractive 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.

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