Kagiso Protector Fund

as at 30 September 2012

KAGISO Asset Management

Performance and risk statistics[1]

	Fund	CPI+5%	Outperformance
1 year	7.4%	10.2%	-2.8%
3 years	6.3%	9.7%	-3.4%
5 years	5.1%	11.5%	-6.4%
Since inception	11.2%	10.7%	0.5%

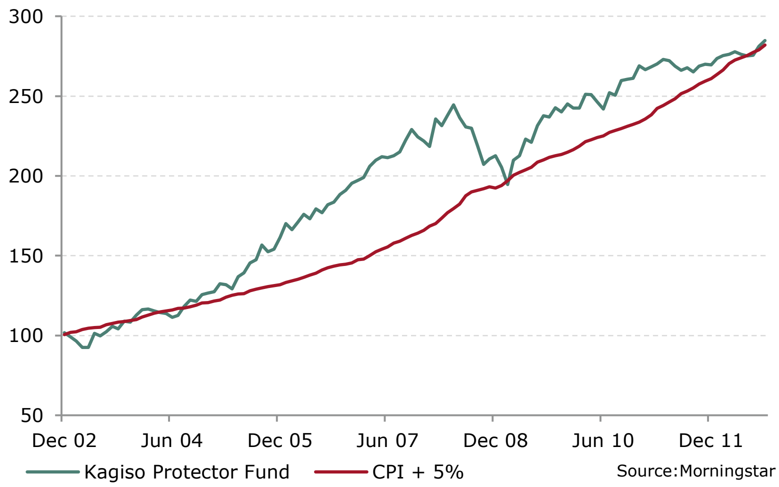
All performances annualised

	Fund	Benchmark
Annualised deviation	9.3%	18.5%
Risk adjusted return*	1.2	0.9
Maximum gain#	21.3%	37.4%
Maximum drawdown#	-20.4%	-43.4%
% Positive months	61.9%	59.8%

*Return since inception/standard deviation since inception

#Maximum % increase/decline over any period

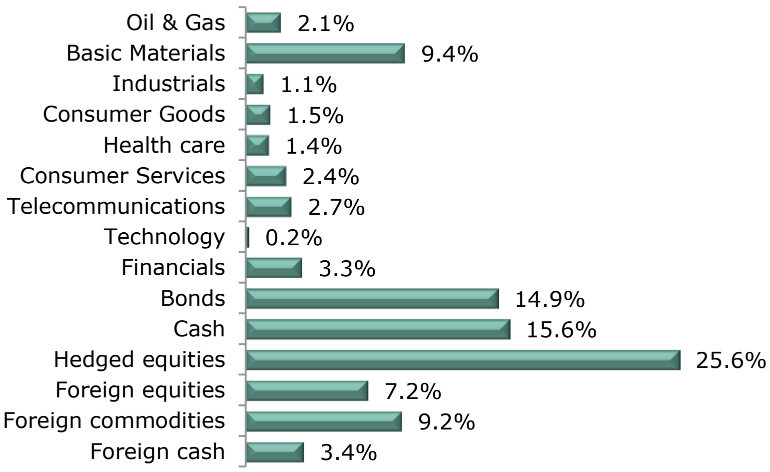
Cumulative performance since inception



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	R95.3 million
NAV	2085.43 cents
Distribution dates	30 June, 31 December
Last distribution	30 June 2012: 14.94 cpu
Minimum investment	Lump sum: R5 000; Debit order: R500
Fees (excl. VAT)	Initial fee: 0.00% Financial adviser fee: max 3.00% Ongoing advice fee: max 1.00% pa Annual management fee: 1.25%
TER[2]	1.52% per annum

Unconventional thinking. Superior performance

Effective asset allocation exposure*



* Please note that effective asset allocation exposure is net of derivative positions.

Top ten equity holdings

	% of fund
MTN	5.3
Firstrand/RMB	4.3
Sasol	3.7
Standard Bank	3.4
Naspers	3.1
Tongaat Hulett	2.8
Mondi	2.7
Anglo American	2.0
Lonmin	1.9
BHP Billiton	1.8
Total	30.9

[1] Performance is quoted from Morningstar as at month-end for a lump sum investment using Class A Net Asset Value (NAV) prices with income distributions reinvested. NAV refers to the value of the fund's assets less the value of its liabilities, divided by the number of units in issue. Performance figures are quoted after the deduction of all costs incurred within the fund.

[2] The Total Expense Ratio (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 September 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.

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Commentary

This quarter was characterised by significant labour unrest within the local resources sector, which placed South Africa high on the international news agenda. The unprecedented tragedy that occurred at Lonmin's Marikana mine was the catalyst for further strikes, which have subsequently spread to other sectors of the local economy. Despite this, the South African equity market held up well over the quarter and reached an all-time high during September.

Globally, most developed economies continue to grapple with slower economic activity and high unemployment. The US economic weakness has brought about yet further quantitative easing measures by the Fed. The economy has become a key focal point of the upcoming US presidential elections and the US faces automatic fiscal tightening in 2013, unless further action is taken to extend current fiscal stimulus measures.

Economic weakness persists in Europe, with the latest data indicating that this region went into contraction during the second quarter of this year. GDP growth in the world's second-largest economy, China, has begun to slow. Given that its major trading partners are facing tough economic conditions, the South African economy continues to be weak, with the situation exacerbated by recent labour unrest.

Global markets were generally up during the quarter, with the exception of Japan, which was down 1.5%. The US (S&P 500 Index) was up 5.8%, the UK (FTSE 100 Index) was up 3.1% and the MSCI Emerging Markets Index was up 7.9% (in US dollar terms).

The FTSE/JSE All Share Index gained 7.3% during the quarter, with the recent material sectoral diversion continuing - industrials were up 10.5%, financials were up 6.5% and resources were up 2.9%. Foreigners were net sellers of equities, particularly in the resources sector where they appeared to be unnerved by the labour challenges facing miners. However, this sell-off was offset by significant foreign inflows into our bond market. Foreign investors continued to favour local consumer-oriented industrial shares, causing these exceptionally expensive shares to accelerate upwards to new all-time highs.

Commodity prices strengthened this quarter, with most commodities relevant to South African miners gaining - platinum was up 16.8%, gold was up 11.1% and copper was up 6.8%. After a significant fall last quarter, the oil price (Brent Crude) increased by 16.1%.

The rand weakened by 1.8% against the US dollar and 3.2% against the euro. Inflation has dropped back into the upper region of the South African Reserve Bank's target band, where we expect it to remain in the medium term. The Reserve Bank dropped the repo rate by 50bps in July, and left it unchanged at their most recent Monetary Policy Committee meeting. Interest rates are currently at multi-decade lows.

The fund continues to be defensively positioned from an asset allocation point of view, with hedging in place. The Kagiso Protector Fund was up 3.5% over the quarter, and is up 5.6% year to date. Performance has been negatively impacted by our stock selection this year. We have a large position in undervalued platinum miners and low exposure to overvalued consumer-oriented industrial shares. While our current overweight position in resources shares and underweight position in industrials is affecting our short-term performance, we believe it is appropriate to position our clients in deeply undervalued shares in anticipation of strong capital gains and avoid the permanent capital losses we expect in vastly overvalued shares.

Our meaningful position in physical commodities (Platinum Group Metals) added to performance. The fund is at its maximum limit on offshore exposure (offshore cash and offshore stocks). The currency depreciation over the quarter has added to performance.

Implied option volatility (an indicator of the cost of hedging equities), as measured by the South African Volatility Index (SAVI), remained very low over the quarter averaging ending at 18%. Since inception, fund volatility has been 9.4% versus 18.5% for the FTSE/JSE Top 40 Index.

Looking ahead, we remain cautious over prospects for developed economies with high levels of government debt, high levels of unemployment and demographic trends moving slowly against them. On the positive side, we believe that there are strong prospects for companies focused on emerging market consumers, although much of this optimism seems to be priced into South African consumer stocks.

We remain defensively positioned from an asset allocation point of view, with significant hedging in place. The fund continues to be appropriately positioned in our best stock selections, based on our team's proven bottom-up stock picking process.

Portfolio manager

Jihad Jhaveri

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