Kagiso Protector Fund

as at 31 December 2012

KAGISO
Asset Management

Performance and risk statistics[1]

	Fund	CPI+5%	Outperformance
1 year	8.4%	10.6%	-2.2%
3 years	6.1%	10.1%	-4.0%
5 years	5.7%	11.4%	-5.7%
Since inception	11.2%	10.7%	0.5%

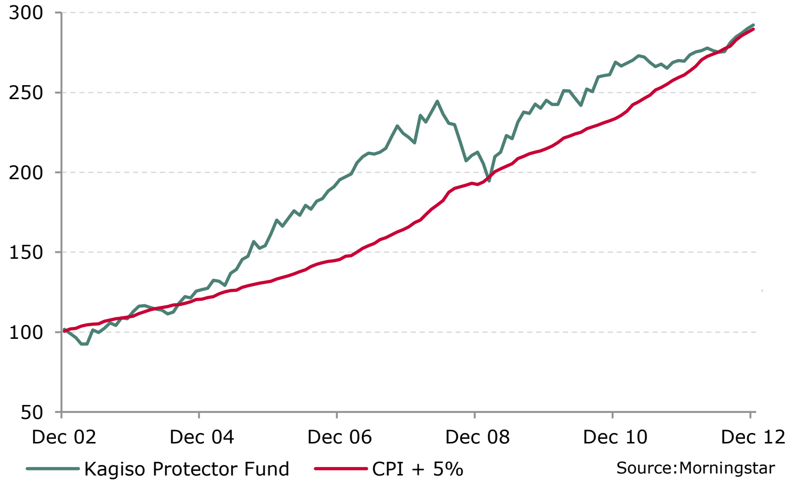
All performances annualised

	Fund	Benchmark
Annualised deviation	9.2%	18.3%
Risk adjusted return*	1.2	1.0
Maximum gain#	21.3%	37.4%
Maximum drawdown#	-20.4%	-43.4%
% Positive months	62.8%	60.8%

*Return since inception/standard deviation since inception

#Maximum % increase/decline over any period

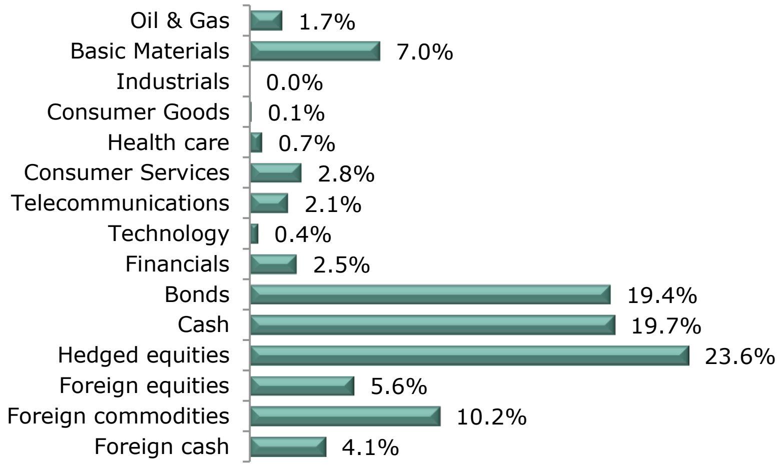
Cumulative performance since inception



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	R6.6 million
NAV	2140.42 cents
Distribution dates	30 June, 31 December
Last distribution	31 December 2012: 7.08 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]	1.59% 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	4.5
Standard Bank	3.3
Sasol	3.3
Firstrand/RMB	3.2
Lonmin	3.1
Naspers	2.5
Anglo American	2.2
Tongaat Hulett	2.1
AECI	1.6
BHP Billiton	1.5
Total	27.2

[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 December 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 TERs.

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Commentary

Firm (but marginally slower) growth in emerging economies and relatively flat output in developed economies contributed to lacklustre overall global economic growth in 2012.

Within emerging markets, China remains the key driver of growth despite some deceleration since the double-digit growth rates of 2010. Developed market growth continues to struggle with the US recording average growth of 2% through much of 2012 and Eurozone economic activity remains weak. The peripheral Eurozone economies are still firmly in recession amid austerity measures and a volatile political climate.

Locally, structural economic problems and weak global conditions continue to constrain prospects for economic growth. South Africa's macro fundamentals are weak and the marginal growth achieved has largely been driven by government and household consumption – largely debt-financed. Yet, despite the deteriorating economic environment, South African share prices continue to reach record highs.

Global markets were generally up during the quarter, with the exception of the US (S&P 500 Index), which was down 1.0% as uncertainty around the looming fiscal cliff deadline affected investor sentiment. The UK (FTSE 100 Index) was up 2.7%, Japan (Nikkei 225) was up 17.2% and the MSCI Emerging Markets Index was up 5.2% (in US dollar terms).

The FTSE/JSE All Share Index gained 10.3% during the quarter, ending the year near a record high. In terms of sector performance, industrials (12.4%) were the largest contributors, followed by financials (9.9%). Resources (7.3%) recovered a little as Chinese data improved and the iron ore price rallied. For the year, the FTSE/JSE All Share Index returned 26.7%. Industrials (40.7%) and financials (38.1%) performed well, with resources (+3.1%) lagging.

Commodity prices weakened this quarter, with most commodities relevant to South African miners losing ground - platinum was down 5.2% (in US dollar terms), gold was down 5.5% and copper was down 2.7%. During the quarter, renewed optimism on Chinese growth led to an improvement in base metals. Consequently, iron ore prices recovered strongly as buying was boosted by stronger activity and falling inventory levels. The oil price (Brent Crude) remained fairly static, down a mere 0.4% during the quarter.

South African consumer price inflation rose during the quarter, driven by higher petrol, electricity and food prices. Inflation remains in the upper region of the South African Reserve Bank's target band, where we expect it to remain in the medium term, with most of the upside pressure stemming from higher food and electricity prices, as well as the knock-on effects of a higher rand.

The fund continues to be defensively positioned from an asset allocation point of view, with hedging in place. The Kagiso Protector Fund was up 2.6% over the quarter, and is up 8.4% year to date. Performance has been negatively impacted by our equity 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 high weighting in inflation-linked bonds added to performance in 2012. Given our inflation outlook, we still favour inflation-linkers because of their relative attractiveness versus cash and conventional bonds, as well as the protection against an inflation shock.

Our meaningful position in physical commodities (Platinum Group Metals) added to performance in 2012. The fund has a high level of offshore exposure (cash and stocks), and this position will be maintained given our currency outlook and the better valuations we see overseas.

Implied option volatility (an indicator of the cost of hedging equities), as measured by the South African Volatility Index (SAVI), declined further over the quarter ending at 14.6%. The cost of put options is consequently amongst the lowest levels we've seen, and we have been purchasing additional protection.

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