Kagiso Protector Fund
as at 31 March 2013

KAGISO Asset Management

Performance and risk statistics[1]

	Fund	CPI+5%	Outperformance
1 year	11.2%	11.3%	-0.1%
3 years	7.0%	10.8%	-3.8%
5 years	5.8%	11.7%	-5.9%
Since inception	11.5%	11.3%	0.2%

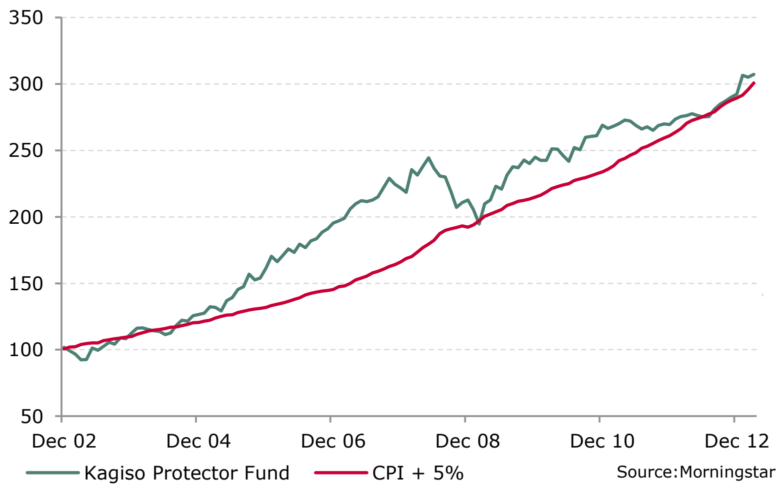
All performances annualised

	Fund	Benchmark
Annualised deviation	9.1%	18.1%
Risk adjusted return*	1.3	1.0
Maximum gain#	21.3%	37.4%
Maximum drawdown#	-20.4%	-43.4%
% Positive months	62.9%	61.0%

*Return since inception/standard deviation since inception

#Maximum % increase/decline over any period

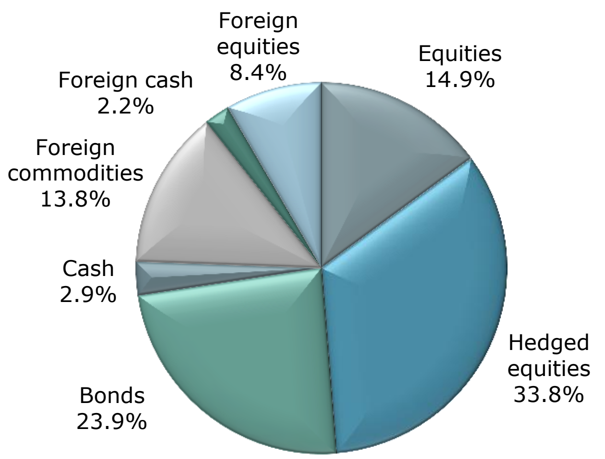
Cumulative performance since inception



Portfolio manager	Jihad Jhaveri
Fund category	South African - Multi Asset - Medium Equity
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	R6.4 million
NAV	2242.14 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]	1.65% 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
Standard Bank	4.8
MTN	4.5
Sasol	3.7
Anglo American	3.2
Firstrand/RMB	3.0
Lonmin	2.9
Naspers	2.7
Mondi	2.1
Tongaat Hulett	1.9
AECI	1.7
Total	30.5

[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 March 2013. 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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KAGISO Asset Management

Commentary

The global economy continued its slow crawl during the first quarter of 2013. The endemic debt crisis in the Eurozone reared its head in Cyprus, as a further symptom of the economic problems in the developed world. Developed market central banks continue to pour stimulus into the markets at an unprecedented rate in their continuing attempt to support the recovery. The Bank of Japan's recently announced 'Quantitative and Qualitative Monetary Easing Programme' had an immediate impact on risk assets around the globe.

Locally, weak export demand, buoyant but slowing consumer spending, slow infrastructure development and chronic labour unrest in the mining, transport and agricultural sectors all contributed to a sluggish economy. This, along with a high current account deficit, negatively affected the rand, which was the worst performing emerging market currency over the quarter. During this period, the rand lost 8.1% and 5.3% respectively against the US dollar and the euro.

Developed equity markets rebounded strongly during the quarter. Positively interpreted comments from the US Federal Reserve officials contributed to US equities gaining 10%, propelling the S&P 500 index to a new high. The Japanese equity market was a strong performer, with the Nikkei 225 index gaining 19.3%. European equities gained 5% during the period, underperforming the global market as the events in Cyprus seemed to dampen investor sentiment. The MSCI Emerging Markets index was down 9.7% (in US dollar terms).

Despite deteriorating macroeconomic fundamentals, the South African equity market continued to set new records, with the FTSE/JSE All Share index reaching an all-time high of 40984 in March. Given the debt woes and weak economic activity plaguing developed economies, South Africa has attracted significant foreign investment over the last few years. During the quarter, foreigners bought R3 billion of SA equities and R14.1 billion of SA bonds. Foreign investors now own more than one-third of the local bond market and of the shares trading on the JSE Securities Exchange – an all-time record for both asset classes.

The FTSE/JSE All Share index gained 2.5% over the quarter, with industrials up 6.3%, and financials up 5.9%. Resources (down 6.0%) continued to be weighed down by weakening commodity prices in part from weaker Chinese demand, as their economic growth moderates. However, the weaker rand should provide some support to resources earnings in the short term.

Most commodities relevant to South African miners lost ground in US dollar terms. Gold was down 4.6% and copper lost 7.1%. Platinum, however, was up 3.5%. The oil price (Brent Crude) rose above US$120/barrel for the first time in almost a year, but fell back as the US showed strong inventory figures, ending the quarter 2.2% lower.

The rand's depreciation has placed upward pressure on inflation expectations. The revised Consumer Price Inflation basket has now been implemented and inflation rose to 5.9% at its most recent reading for February. The effects of a weaker rand, rising food prices, rising administered prices such as fuel and electricity and real wage increases are the main upside risks to inflation, which we expect to breach the South African Reserve Bank's target band in mid-2013.

The fund continues to be defensively positioned from an asset allocation point of view, with hedging in place. The Kagiso Protector Fund was up 5.1% over the quarter, and is up 11.1% over the past 12 months. Performance has been positively impacted by our equity stock selection over this quarter. We have a low exposure to overvalued consumer-oriented industrial shares. While our current overweight position in resources shares and underweight position in industrials has affected our one year performance negatively, 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.

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. 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), increased somewhat over the quarter from around 14.6% to 16.5%. We have maintained our high level of 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