Kagiso Protector Fund

as at 31 December 2013

KAGISO Asset Management

Performance and risk statistics[1]

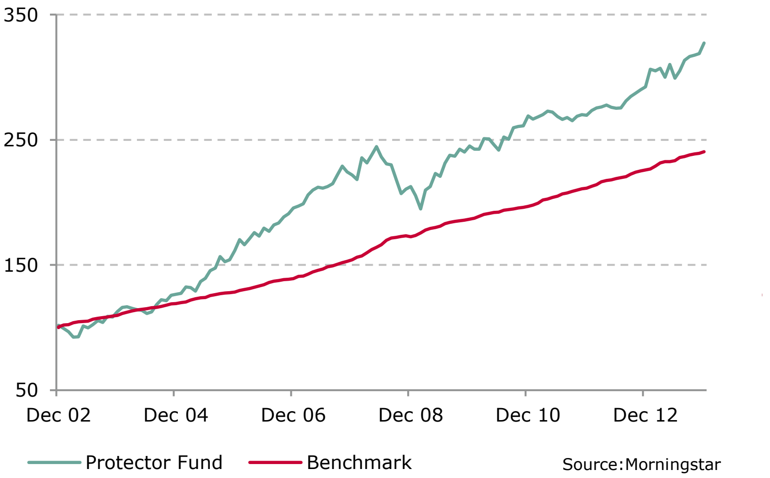
	Fund	CPI+5%	Outperformance
1 year	12.0%	10.5%	1.5%
3 years	6.8%	10.8%	-4.0%
5 years	9.0%	10.4%	-1.4%
Since inception	11.3%	10.7%	0.6%

	Fund	Benchmark
Annualised deviation	9.1%	18.0%
Risk adjusted return*	1.2	0.6
Maximum gain#	21.3%	35.7%
Maximum drawdown#	-20.4%	-44.8%
% Positive months	63.9%	60.2%

*Return since inception/standard deviation since inception

#Maximum % increase/decline over any period

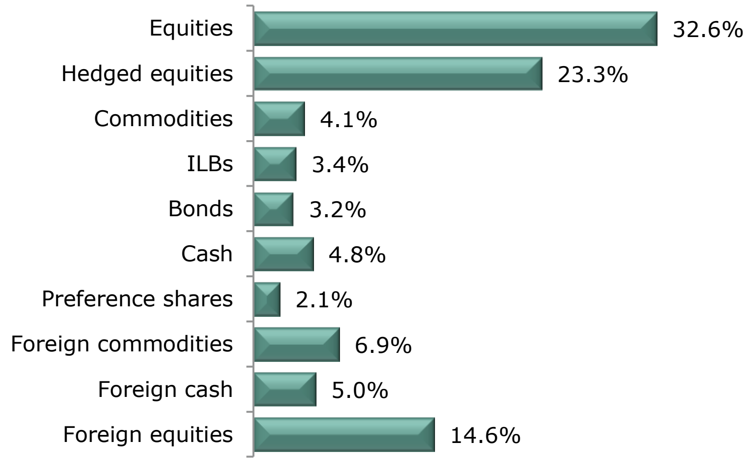
Cumulative performance since inception



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	R5.7 million
NAV	2388.68 cents
Distribution dates	30 June, 31 December
Last distribution	31 December 2013: 0.0 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]	3.34%

Unconventional thinking.

Effective asset allocation exposure*



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

Top ten equity holdings

	% of fund
Lonmin	4.5
Sasol	4.4
Metair Investments	3.6
Standard Bank	3.4
MTN	3.1
Anglo American	3.0
FirstRand/RMB	2.7
Anglo Platinum	2.4
Mondi	2.3
British American Tobacco	2.0
Total	31.4

The Kagiso unit trust fund range is offered by Kagiso Collective Investments Limited (Kagiso), registration number 2010/009289/06, a voting member of the Association for Savings and Investment SA (ASISA). Kagiso is a subsidiary of Kagiso Asset Management (Pty) Limited [a licensed financial services provider (FSP No. 784)], the investment manager of the unit trust funds.
Unit trusts are generally medium to long-term investments. The value of units will fluctuate and past performance should not be used as a guide for future performance. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Exchange rate movements, where applicable, may affect the value of underlying investments. Different classes of units may apply and are subject to different fees and charges. A schedule of the maximum fees, charges and commissions is available upon request. Commission and incentives may be paid, and if so, would be included in the overall costs. All funds are valued and priced at 15:00 each business day and at 17:00 on the last business day of the month. Forward pricing is used. The deadline for receiving instructions is 14:00 each business day in order to ensure same day value.

[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. All performances are annualised.
[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 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.

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

Kagiso Protector Fund - Quarterly commentary

as at 31 December 2013

The fund performed well this quarter, outperforming CPI + 5% by over 3%. During 2013, the fund delivered a return of 12.0%, outperforming its benchmark by 1.5%.

Economic and market overview

In mid-December, the US Federal Reserve announced that it was slowing the pace of its monthly asset purchases by US$10bn. Surprisingly, this was followed by a strong rally in risky assets. As the Fed begins the journey towards eventual policy tightening, other developed market central banks are becoming increasingly accommodative. In particular, Japan has launched a massive asset purchase programme in pursuit of elusive inflation and the European Central Bank is considering further stimulus measures.

Many developed economies are beginning to show signs of a more consistent recovery. The US is showing signs of stronger industrial production and an improved labour market, while most European countries have emerged from recessions. Japan's economy is responding well to Abenomics and its weaker currency, but will need to overcome an increase in consumption tax later this year. Meanwhile, deflation risk is a concern in an environment of significant spare capacity.

Locally, the SA economy remains vulnerable to portfolio inflows slowing and perhaps reversing, given the high current account and fiscal deficits. Growth continues to stutter along, hampered by labour disruptions, electricity shortages and an overburdened consumer. Inflation remains remarkably constrained, with pressures from the weaker currency showing no signs of emerging through consumer prices yet.

After a fairly lacklustre first half of 2013, SA equity markets recorded a very strong latter half. This was mainly driven by industrial companies where, once again share, prices significantly outpaced the growth in earnings. In a change from previous years, listed property underperformed the equity market, coming under pressure in the wake of rising bond yields.

Fund performance and positioning

Sasol (up 10.3%), Naspers (up 18.0%) and Standard Bank (up 8.0%) contributed positively to performance, while Anglo American (down 6.9%), Tongaat Hulett (down 5.3%) and Anglo Platinum (down 9.5%) detracted.

The weaker rand, coupled with good stock selection in foreign investments, aided performance. Our team's international research has uncovered two compelling opportunities in the German residential property sector: Deutsche Annington and Deutsche Wohnen. We believe that the supply and demand dynamics in the German housing market are favourable. After lagging the rest of Europe, wages in Germany are set to rise, which should provide a significant tailwind to German consumers, most of whom rent (Germany has the second lowest home ownership prevalence in the world). In addition, growth in one and two family households is expected to grow despite an overall decline in German population growth. Meanwhile, residential property supply remains extremely constrained as new development costs are substantially above current valuations for existing stock, and space is a scarce resource.

Both companies have well-located portfolios, capable management teams and efficient cost bases, which will allow them to profitably absorb new acquisitions. Furthermore, they can be obtained at very compelling valuations with attractive dividend growth prospects.

Looking ahead, while the unwinding of stimulus will be a slow process, the reality is that any slowing (and ultimately reduction) represents a significant change in the flow of liquidity to markets. This will have implications for several asset classes and we will continue to avoid those assets that have benefited disproportionately from quantitative easing over the last few years. Currently, our market continues to set record highs, with much of the contribution coming from stocks that we believe have inflated valuations. Share prices of SA's global industrial stocks, in particular, continue to rise ahead of earnings growth.

Hedging within the fund provides capital protection in an increasingly expensive SA market and the fund continues to expand its global equity positions. The fund’s asset allocation remains defensive in the face of what we see as an overextended equity market. Commodities (through the domestic platinum and offshore palladium and rhodium ETFs), selected inflation-linked bonds, and preference shares, provide further diversification and expected real returns. The fund maintains the maximum allocation to foreign assets, primarily in international equities and property. We continue to find high quality companies at attractive valuations in developed markets.

Portfolio manager
Jihad Jhaveri

Key indicators	
Economic data	End of quarter figure
Latest consumer price inflation (CPI % YoY)	5.3%
Repo rate (%)	5.0%
3m JIBAR	5.2%
10-year government bond yield	8.0%
Key asset classes (total return)	Quarterly change
MSCI World Equity (US Dollar return)	7.6%
FTSE/JSE All Share Index	5.5%
FTSE/JSE Listed Property Index	1.0%
BEASSA All Bond Index	0.1%
Commodities and currency	Quarterly change
Platinum ($/oz)	-2.3%
Gold ($/oz)	-9.3%
Rand/US Dollar (USD)	3.2%