

# Kagiso Protector Fund

as at 30 June 2014



## Performance and risk statistics<sup>1</sup>

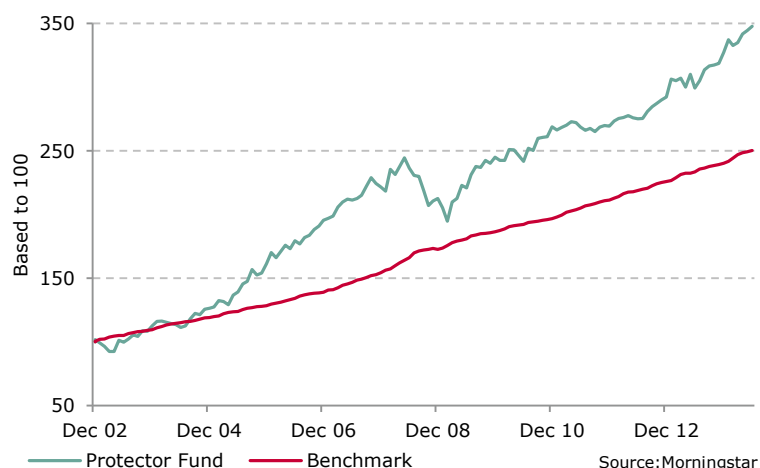
	Fund	Benchmark	Outperformance
1 year	16.2%	11.6%	4.6%
3 years	9.0%	10.9%	-1.9%
5 years	9.5%	10.4%	-0.9%
10 years	12.1%	11.0%	1.1%
Since inception	11.4%	10.8%	0.6%

	Fund	Benchmark
Annualised deviation	8.9%	1.6%
Risk adjusted return*	1.3	6.9
Maximum gain <sup>#</sup>	21.3%	27.0%
Maximum drawdown <sup>#</sup>	-20.4%	-0.9%
% Positive months	64.7%	88.5%

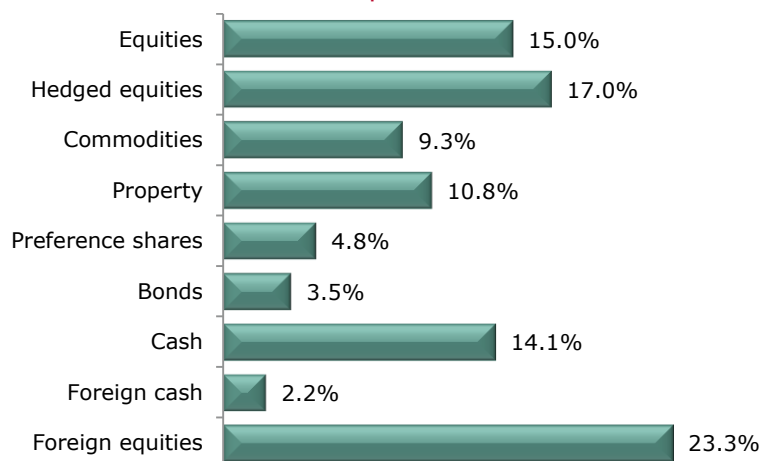
\*Return since inception/standard deviation since inception

<sup>#</sup>Maximum % increase/decline over any period

## Cumulative performance since inception



## Effective asset allocation exposure\*



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

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.

<sup>1</sup> 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.

<sup>2</sup> 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 June 2014. 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.

**Portfolio manager** Justin Floor  
**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** CPI + 5%

**Launch date** 11 December 2002

**Fund size** R70.0 million

**NAV** 2539.23 cents

**Distribution dates** 30 June, 31 December

**Last distribution** 30 June 2014: 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<sup>2</sup>** 1.71%

Unconventional thinking.

## Top 10 equity holdings

	% of fund
Growthpoint Australia	4.3
Lonmin	2.7
Anglo Platinum	2.6
Metair Investments	2.4
Intu Properties	2.2
Sasol	2.2
Tongaat Hulett	2.1
Standard Bank	2.0
Old Mutual	1.9
Aquarius Platinum	1.8
<b>Total</b>	<b>24.2</b>

The Protector Fund returned 3.8% over the quarter, outperforming its CPI+5% objective. This brings the performance for the last 12 months to 16.2%. The fund continues to provide positive absolute returns ahead of inflation, with a high degree of focus on capital preservation.

## Economic and market overview

Global and local equity markets continued their grind higher at a faster pace than economic improvements. During the quarter, geopolitical tensions in the Ukraine, between China and its neighbours and in the Middle East were notable.

Monetary policy developments continued to influence asset prices. The US Federal Reserve left its tapering programme unchanged, the Bank of Japan continued with asset purchases and the European Central Bank cut short-term rates and announced it was looking at quantitative easing-style interventions.

In South Africa, the rand ended the quarter only slightly weaker, with the country acting as a relative safe haven in the emerging market context. The crippling five-month platinum sector strike, which came to an end during the quarter, has had broad negative consequences for a wide swathe of the local economy. NUMSA's subsequent strike in the metals and engineering sector will place further pressure on SA's uncomfortably large current account deficit and slow economy.

S&P announced their widely-expected sovereign credit downgrade over the period, with Fitch moving South Africa's rating to a negative outlook. Bond valuations look marginally attractive at the long end of the curve. However, capital values remain vulnerable in the short-term given the high level of foreign ownership and an environment of high twin deficits and slowly normalising US monetary policy.

The SARB kept rates on hold at 5.5% over the period, but instituted its own form of forward interest rate guidance, highlighting that we are now in an upward rate hiking cycle. Given the ongoing economic weakness and in the absence of a significant currency shock from here, we expect a fairly shallow and gradual rate hiking cycle of around 1.5% over the next two years.

## Fund performance and positioning

Tongaat, FirstRand and Pick n Pay were the fund's strongest performers over the quarter, while Lonmin, Metair and Anglo Platinum detracted. Offshore holdings performed well, particularly Apple, Unibail-Rodamco and Intel, as did the fund's PGM ETF holdings.

The fund's position in Metair offers significant value as the company is likely to benefit from the global automotive sector's response to tightening vehicle emission standards, particularly by manufacturing batteries for start-stop engine management systems. Metair's subsidiary, First National Battery, has developed the technology to manufacture these batteries and Metair has made acquisitions that give it relevance in Europe's significantly larger vehicle market. Demand for start-stop batteries is expected to increase by 20% pa over the next five to 10 years and Metair is investing to expand production. At the current price, the stock is trading at below 10 times our estimate of normalised earnings.

Overall, levels in the SA equity market are now even more expensive than a quarter ago and we are finding very few undervalued stocks in the local market. Listed property has recently underperformed equities, improving the relative attractiveness of this sector. We have increased the fund's exposure to property companies with foreign operations (Intu Properties and New Europe Property Investments) and certain high quality domestic companies, which we think will fare better in the difficult operating environment we see ahead.

The fund's preference share holdings provide a good alternative to cash, with a yield pickup of around 3%.

We see value in longer dated bonds and have been increasing exposure into weakness. Inflation-linked bonds are offering very little value at current levels and we have sold our previous holdings.

The fund retains a significant allocation to global assets, where we are finding opportunities in certain technology, healthcare and listed property stocks, as well as oil refiners and pipeline operators.

## Portfolio manager

Justin Floor

Key indicators	
Economic data	End of quarter figure
Latest consumer price inflation (CPI % YoY)	6.6%
Repo rate (%)	5.5%
3m JIBAR	5.8%
10-year government bond yield	8.2%
Key asset classes (total return)	Quarterly change
MSCI World Equity (US Dollar return)	4.2%
FTSE/JSE All Share Index	7.2%
FTSE/JSE Listed Property Index	4.4%
BEASSA All Bond Index	2.5%
Commodities and currency	Quarterly change
Platinum (\$/oz)	4.9%
Gold (\$/oz)	3.4%
Rand/US Dollar (USD)	0.9%