Kagiso Protector Fund

as at 30 June 2015

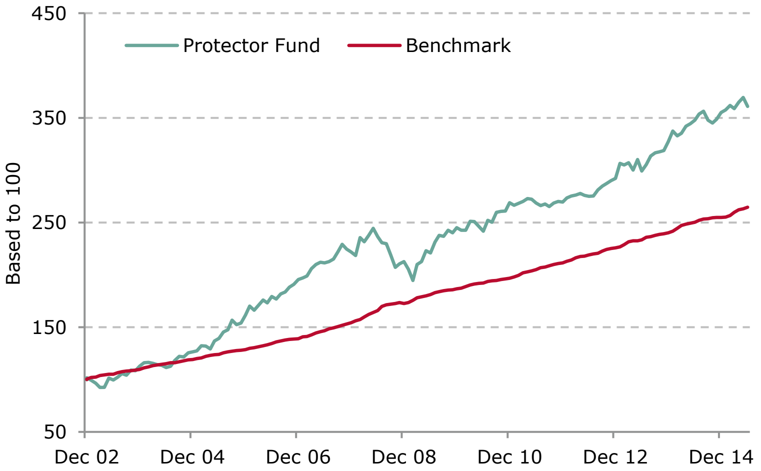
KAGISO Asset Management

Performance[1]

	Fund	Benchmark	Outperformance	Highest*	Lowest*
1 year	3.7%	9.9%	-6.2%	1.8%	-2.5%
3 years	9.5%	10.7%	-1.2%	4.8%	-3.5%
5 years	8.3%	10.5%	-2.2%	4.8%	-3.5%
10 years	10.0%	11.2%	-1.2%	7.9%	-5.3%
Since inception	10.7%	10.7%	0.0%	9.5%	-5.3%

* Highest and lowest monthly fund performance during specified period

Cumulative performance since inception



Risk statistics

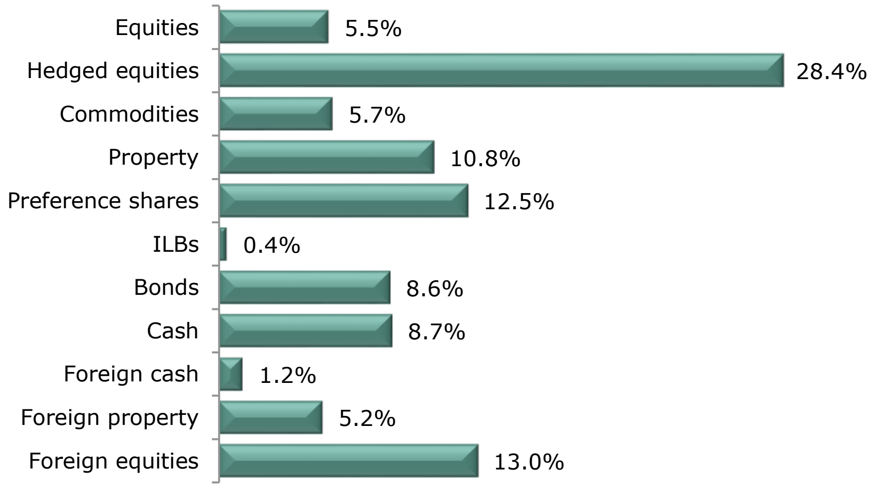
	Fund	Benchmark
Annualised deviation	8.7%	1.6%
Sharpe ratio	1.2	6.8
Maximum gain#	21.3%	27.0%
Maximum drawdown#	-20.4%	-0.9%
% Positive months	64.9%	86.8%

Consecutive months of change in the same direction

Top 10 equity holdings

	% of fund
Zambezi Platinum Pref	7.2
Delta Property Fund	2.4
Tiso Blackstar Group	2.3
New Europe Property	2.1
Tongaat Hulett	2.1
Metair	2.1
Old Mutual	2.0
Standard Bank	2.0
Adcorp	1.8
Deutsche Annington	1.8
Total	25.8

Effective asset allocation exposure*



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

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.
Benchmark	CPI + 5%
Launch date	11 December 2002

Risk profile

Fund size	R73.6 million	
NAV	2,618.0 cents	
TER[2]	1.63%	
Distributions	30 June 2015	29.64 cpu
	31 December 2014	16.20 cpu
Fees (excl. VAT)	Initial fee:	0.00%
	Financial adviser fee:	max 3.00%
	Ongoing advice fee:	max 1.00% pa
	Management fee:	1.25% pa

[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. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. All performances are annualised (ie the average annual return over the given time period).
[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 June 2015. 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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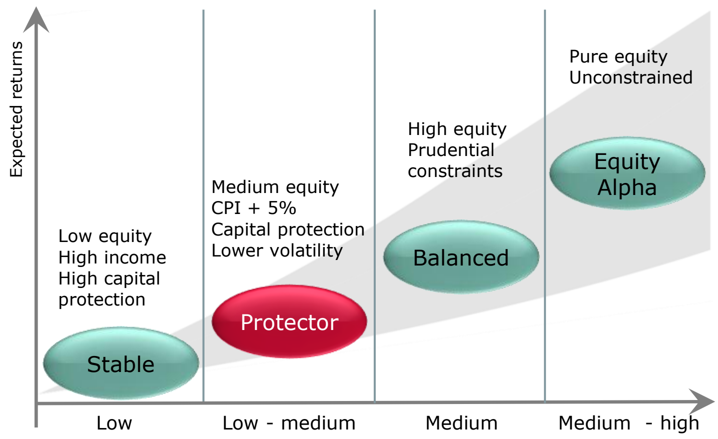
Kagiso Protector Fund

The Kagiso Protector Fund is Regulation 28 compliant and can invest in a variety of domestic and international asset classes (such as equities, listed property, conventional bonds, inflation-linked bonds and cash). It is positioned in our team's best investment ideas - which emanate from our bottom-up research process - and is actively managed to reduce volatility and downside risk. Derivative strategies are employed.

This fund is suitable for investors looking for exposure to the long-term inflation-beating characteristics of equities, with reduced downside exposure and volatility and a strong focus on capital preservation.

Risk vs reward



Portfolio Manager

Justin Floor
BBusSc, Mphil, CFA, FASSA

Justin holds a BBusBc (Hons) in Actuarial Science, Mathematical Statistics and Finance as well as an MPhil in Mathematics of Finance. He is a qualified actuary. Prior to joining us, Justin was employed as an Actuarial Specialist at Old Mutual.

Our investment philosophy

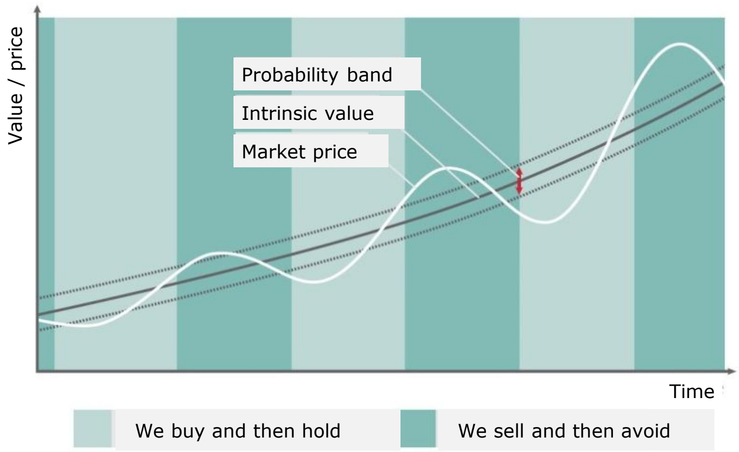
At Kagiso Asset Management, we make investment decisions based on mispricings we observe in the market. Simply put, we buy investments that are priced well below their intrinsic values and avoid those that we believe are overpriced.

Opportunities arise when market prices deviate from intrinsic value
All investments represent a set of future cash flows, which can be valued with reasonable accuracy. Over time, this intrinsic value progresses at a fairly stable pace. Asset prices, however, fluctuate considerably through time. This is largely due to self-reinforcing cycles of enthusiasm or negativity, often fuelled by an excessive focus on near-term data and news flow.

Our aim is to identify and exploit mispricings in the markets. We therefore buy investments at prices well below our estimation of their intrinsic value and hold them, while they deliver strong cash returns and until they can be sold above this value. Once sold, we avoid such overvalued investments for as long as the market price is above the intrinsic value.

The future is never certain
We recognise that there is considerable danger in operating with the comfort of a false sense of certainty and the accompanying behavioural reinforcement cycles that lead to a distorted evaluation of new information. As a result, we understand that despite our best efforts, we cannot possibly know all the facts.

This drives us to think more deeply, to work harder and to be more alert. We therefore view the future in terms of probabilities, we explore alternative scenarios, diversify our positions, hedge risk and seek out potential asymmetries.



Minimum investment	Lump sum: R5 000; Debit order: R500	Trustee	Melinda Mostert
Fund registration no	ZAE000150850		Head: Standard Bank Trustee Services

Pricing: 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 to ensure same day value.

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Kagiso Protector Fund - Quarterly commentary

as at 30 June 2015

The fund returned 0.6% for the quarter and 3.8% over the one-year period to 30 June 2015. Sharp weakness in some of the fund's key domestic stock picks and commodity ETF holdings has resulted in the one-year performance dipping below the fund's CPI+5% objective. The fund's has now returned 10.7% since inception, 5.1% ahead of inflation.

Economic and market overview
While global growth dipped in the first half of 2015, it is set to make a modest comeback over the remainder of the year, partly due to the reversal of several temporary factors that depressed economic activity in the US. The Chinese government's efforts to stimulate their economy and reasonably strong economic momentum in Europe and Japan should also lift growth. Still, a persistent shortfall in aggregate demand remains the defining feature of the global economic landscape.

The eyes of the world remain on US monetary policy and the timing of the first rate hike. Far more important is the pacing and extent of the hiking cycle, and we expect slow and shallow in this regard.

The Chinese economy continued to slow in the first half of the year, as reflected in various 'real-time' measures such as railcar freight volumes, electricity output, bank lending and slowing demand for commodities. The shift from capital investment to consumption continues.

Despite a dovish FOMC, the rand fell 0.3% over the quarter against the USD, as markets priced in short-term risks from Greece and medium-term risk from rising US rates. The FOMC commentary suggested that the trajectory of interest rate rises might be less steep than had originally been anticipated.

Locally, following weaker global bond markets, the ALBI was down 1.4% for the quarter, marginally worse than inflation-linkers (-1.3%), while cash (STeFI) delivered 1.6%. The fund retains a relatively neutral positioning in bonds, with value in longer-dated exposure balanced by shorter duration corporate bonds with strong credit quality.

The SARB kept rates on hold at 5.75% as lower oil prices and weaker US data allowed the SARB some latitude. However, the extent of deterioration in the inflation outlook, recent rand weakness and high dependence on foreign capital flows leave the SARB with little room to delay rate increases. This was confirmed by the intensification in the SARB's hawkish rhetoric, signalling the continuation of the tightening cycle. An interest rate hike of 25bps in the third quarter of this year is likely.

The FTSE/JSE All Share Index touched a record peak in April, before entering a more volatile period for the remainder of the quarter as negotiations between Greece and their European creditors broke down. The All Share Index ultimately ended the quarter 0.2% down (ie largely unchanged).

SA sector winners included Support Services (+11.7%), General Financials (+11.5%), Mobile Telecoms (+11.0%), Forestry and Paper (+10.3%), and Specialty Chemicals (+10.0%). Unsurprisingly, sector laggards included Resources exposed stocks with gold miners (-16.8%), Industrial Metals (-13.7%), Platinum (-8.1%) and Construction (-8.3%) sectors hurt by falling commodity prices. Fixed Telecoms (-19.0%) were also out of favour as investor scepticism around Telkom's transformation heightened.

Fund performance and positioning
A generally weak resources sector and a weak spot platinum pricing environment once again led to share price attrition in the platinum sector. Selected platinum names were key absolute detractors for us. Mondi and several of our mid-cap ideas such as Advtech, Metair and KAP, were the fund's top performing holdings over the quarter on an absolute basis. The fund's investment in the London property developer, Capital & Counties Properties also contributed to performance this quarter.

The fund has a large exposure to the Zambezi Platinum Preference share, which despite its name, carries very little platinum risk due to supportive guarantees by large institutional investors. The instrument has a 10-year maturity and earns a 12.75% return, which is set to float upwards with the likely possibility of SARB rates hikes later this year.

The fund's offshore assets performed well, particularly Esure (a UK internet and telephone-based insurance company), as well as several global healthcare names such UnitedHealth, NMC health and HCA holdings.

Continued -

Key indicators	
Economic data	End of quarter figure
Latest consumer price inflation (CPI % YoY)	4.6%
Repo rate (%)	5.8%
3m JIBAR	6.1%
10-year government bond yield	8.2%
Key asset classes (total return)	Quarterly change
MSCI World Equity (US Dollar return)	-0.3%
FTSE/JSE All Share Index	-0.2%
FTSE/JSE Listed Property Index	-6.2%
BEASSA All Bond Index	-1.4%
Commodities and currency	Quarterly change
Platinum ($/oz)	-5.6%
Gold ($/oz)	-0.9%
Rand/US Dollar (USD)	0.3%

Continued -

Adcorp was founded in 1975 as the country's first recruitment advertising agency and has transformed into the largest workforce management player on the African continent. It has delivered excellent value for our clients, being one of several compelling mid-cap ideas in our portfolios yet to receive wider market attention. The Group offers workforce management, training and business process outsourcing services and solutions across a vast spectrum of industry sectors and job types with a specific focus on emerging markets and, in particular, Africa and the Asia-Pacific region. Spanning three continents and a strategic alliance with global player Randstad, the Group has an increasing global presence. Adcorp has an impressive record of creating value for its shareholders, converting a high proportion of its profits into cash, paying dividends, adhering to the highest standards of corporate governance and providing quality service to its clients through operational excellence, innovative product offerings and service solutions. We are confident that this business offers excellent long-term prospects at very reasonably valuation multiples, which we believe will translate into attractive returns to clients invested in our portfolios.

The domestic market once more remains heavily influenced by global markets, central bank activity and the resultant portfolio flows. Markets have started 2015 in a volatile fashion, which we believe is likely to set the tone for the year ahead.

We hold a relatively high mid-cap exposure in undervalued industrial companies that seem to have escaped the strong rerating that has occurred in many of the larger industrial SA companies with strong global investor shareholdings – possibly due to their size causing them not to make the radar screens of large active global investors and the benchmarks of global passive investors.

Platinum group metal (PGM) prices have continued to be very weak and platinum mining share prices have plumbed new depths, currently discounting weak prospective metal prices. We continue to find significant value in the platinum miners as their share prices reflect a lower trajectory of metal prices than we believe is realistic, given prospective fundamental market deficits that we expect. Our analysis suggests that PGM demand will continue to grow from autocatalyst fabrication, jewellery (especially in China and India) and other industrial applications. Recycling supply should peak in the next three years and mining supply, which is heavily concentrated in SA, remains extremely constrained by underinvestment by mining companies who need to preserve cash at a time when large parts of the industry are loss making.

We are employing significant equity hedging in the fund via put option strategies. This enables us to benefit from our stock-picking ideas, without taking too much equity market risk and without needing to hold any low-yielding cash.

The fund retains a healthy exposure to foreign assets, where we find opportunity in certain large technology stocks, healthcare companies, property and casualty insurers and specific listed property exposures. We are favouring companies with strong intellectual property and consequent high margins. At a time of very high global asset prices, we are adopting a very contrarian positioning with the intention of delivering strong positive returns in potentially downward moving markets.

Portfolio Manager
Justin Floor