Kagiso Stable Fund

as at 30 September 2011

KAGISO Asset Management

Performance and risk statistics

The Association for Savings & Investment SA (ASISA) code of practice requires a minimum period of six months since inception to show fund performances and, therefore, this fund does not yet meet this requirement.

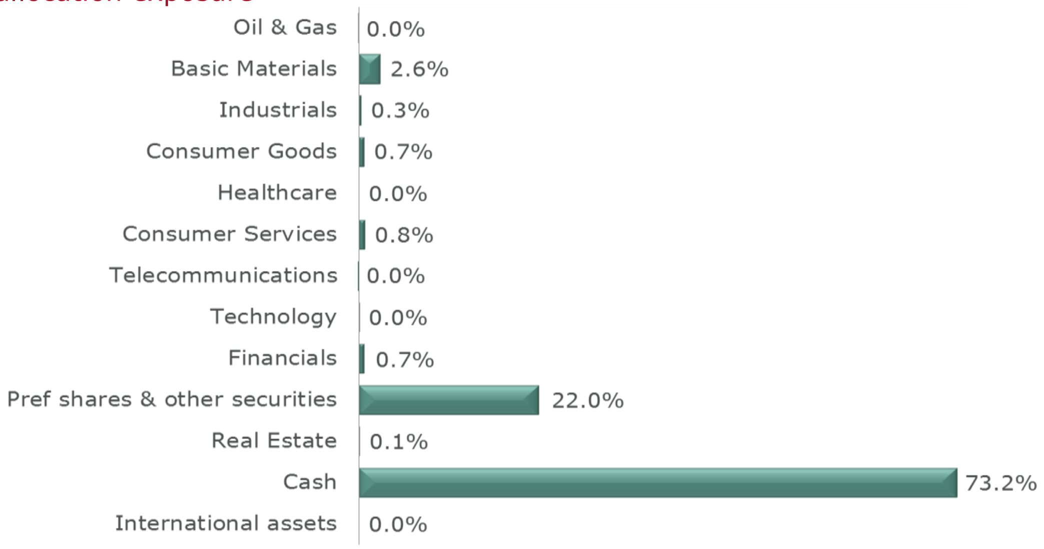
Top ten holdings

	% of fund
Tongaat Hulett	1.04
Omnia	1.01
AECI	1.00
Standard Bank	1.00
Royal Bafokeng	0.98
Advtech	0.95
Pan African Resources	0.48
Bowler Metcalf	0.29
Resilient Property Income Fund	0.03
Fountainhead Prop Trust	0.03
Total	6.81

Portfolio manager	Gavin Wood
Fund category	Domestic - Asset Allocation - Prudential - Low Equity
Fund objective	To provide total returns that are in excess of inflation over the medium term. It seeks to provide a high level of capital stability and to minimise loss over any one year period, within the constraints of the statutory investment restrictions for retirement funds.
Risk profile	Low
Suitable for	Investors who are risk averse and require a high degree of capital stability while requiring a reasonable income and some capital growth. A typical investor would be retired or nearing retirement and seeking to preserve capital over any one year period.
Benchmark	The return on deposits for amounts in excess of R5 million plus 2% (on an after-tax basis at an assumed 25% tax rate).
Launch date	1 May 2011
Fund size	R83.8 million
NAV	103.67 cents
Distribution dates	30 June, 31 December
Last distribution	N/A
Minimum investment	Lump sum: R5 000; Debit order: R500
Fees (excl. VAT)[1]	Initial fee: 0.00% Financial adviser fee: max 3.00% Ongoing advice fee: max 1.00% pa Annual management fee: 1.25%
TER[2]	N/A

Unconventional thinking. Superior performance

Effective asset allocation exposure



The Kagiso unit trust range is offered by Kagiso Collective Investments Limited ('Kagiso') registration number 2010/009289/06, a member of the Association for Savings and Investment SA (ASISA). Unit trusts are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily an indication of future performance. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Unit trust prices are calculated on a net asset value (NAV) basis, which is the total value of assets in the portfolio including any income accruals and less any permissable deductions (brokerage, Uncertificated Secutiries Tax, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio, divided by the number of units in issue. Instructions must reach Kagiso Collective Investments before 14:00 to ensure same day value. Fund valuations take place at approximately 15:00 each business day and forward pricing is used.

[1] A schedule of maximum fees and charges is available on request and on our website. Fees and incentives may be paid, and if so, are included in the overall costs.

[2] The 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 2011. 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 TER's.

Commentary

In the third quarter of 2011 market volatility rose substantially as the US Fed's massive QE2 stimulus program ended. US and European politicians competed with each other for negative headlines – the US left it until the last minute to defer its debt problems (by raising its legislated debt ceiling) and Europe proved indecisive on dealing with the credit crisis in its South.

To add to the negative mood, Chinese economic data softened somewhat and worries about its property market increased. Consumer confidence in the US has weakened as the jobs and housing markets remain very weak. These developments are very much in line with our long held bearish view on the world economy post the financial crisis.

Equity markets had a negative quarter with August and September being particularly volatile. The S&P 500 Index was down 14.3%, its worst quarter since December 2008, and the Nikkei fell 11.4%. On average, emerging markets again underperformed developed markets. The FTSE/JSE All Share Index was down 5.8% during the quarter, with significant sectoral diversions: resources shares (-10.0%) underperformed industrial shares (-3.3%) and financial shares (-3.1%).

The rand weakened against developed market currencies in line with the broad-based sell-off in emerging market currencies generally – down 16.5% against the US dollar and 9.5% weaker against the euro.

The South African Reserve Bank kept interest rates unchanged at multi-decade lows, and interest rate markets reversed expectations of an increase as economic activity slowed materially.

The bond market had another strong quarter, with the ALBI delivering 2.8% as inflation rate expectations moderated substantially as the local and global economy weakened.

Looking ahead, we remain cautious over prospects for the developed economies, with high levels of government debt, high levels of unemployment, stimulus removal and austerity measures looming and demographic trends moving slowly against them.

Going forward, we remain very defensively positioned with high rand and dollar cash balances and negligible equity exposure.

Portfolio manager
Gavin Wood