Kagiso Stable Fund
as at 31 March 2013

KAGISO Asset Management

Performance and risk statistics[1]

	Fund	Benchmark	Outperformance
1 year	9.4%	5.1%	4.3%
Since inception	9.5%	5.3%	4.2%

Performances annualised

	Fund	Benchmark
Annualised deviation	4.4%	0.1%
Sharpe ratio	-1.5	n/a
Maximum gain*	7.0%	10.4%
Maximum drawdown*	-2.0%	n/a
% Positive months	73.9%	n/a

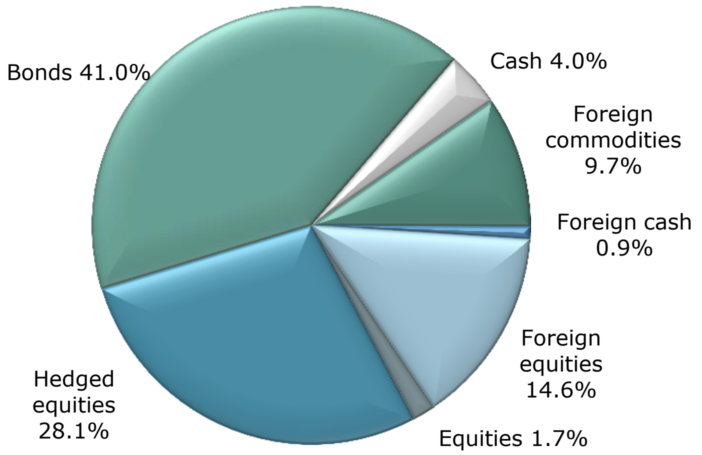
*Maximum % increase/decline over any period

Cumulative performance since inception

Portfolio manager	Gavin Wood
Fund category	South African - Multi Asset - 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	
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	3 May 2011
Fund size	R88.5 million
NAV	117.91 cents
Distribution dates	30 June, 31 December
Last distribution	31 December 2012: 0.69 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]	1.60%

Unconventional thinking. Superior performance

Effective asset allocation exposure*



Top ten equity holdings

	% of fund
Kagiso Media	4.9
Standard Bank	3.8
Mustek	3.5
Lonmin	3.5
Tongaat Hulett	2.2
AECI	1.9
Anglo American	1.8
Royal Bafokeng Platinum	1.1
Caxton Ctp Publishers & Printers	1.0
Naspers	0.9
Total	24.6

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

[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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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 Kagiso Stable Fund continues to reliably deliver on its mandate of outperforming cash deposits, with a very low risk of capital loss. Strong outperformance of 3.6% over its benchmark was achieved for the quarter. This was driven by strong stock selection, inflation-linked bond performance and the effect of the rand's depreciation on the portfolio's global component.

Looking ahead, we continue to be cautious given the contradiction between vulnerable global and local economies and a market at all-time highs. Ever-increasing monetary stimulus is continuing to distort local asset prices in certain sectors and the risk of permanent capital losses remains elevated.

We remain defensively positioned from an asset allocation point of view. The fund continues to be positioned in our best ideas, based on our team's proven bottom-up stock-picking process. Global exposure continues to contribute to currency protection and fund diversification and significant hedging provides capital protection in an increasingly expensive market.

Portfolio manager

Gavin Wood