Kagiso Stable Fund

as at 30 June 2013

Performance and risk statistics[1]

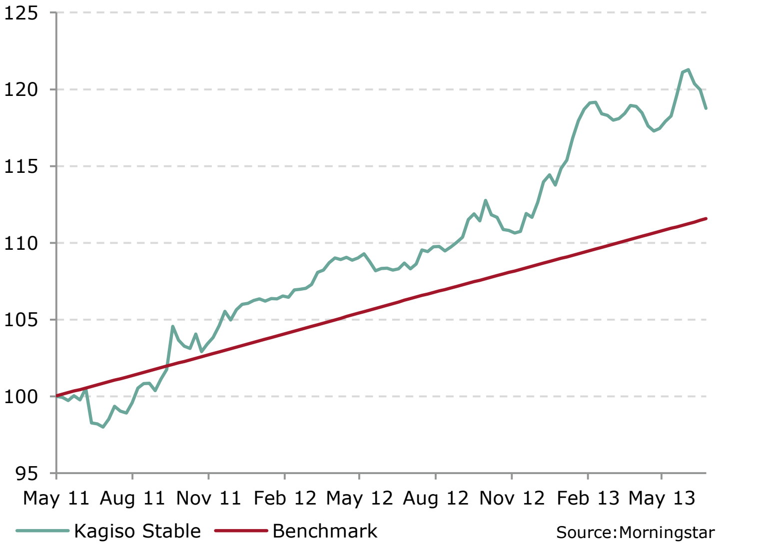
	Fund	Benchmark	Outperformance
1 year	9.3%	5.0%	4.3%
2 years	10.1%	5.3%	4.8%
Since inception	8.3%	5.3%	3.0%

Performances annualised

	Fund	Benchmark
Annualised deviation	4.9%	0.1%
Sharpe ratio	-1.3	n/a
Maximum gain*	7.0%	11.8%
Maximum drawdown*	-2.0%	n/a
% Positive months	69.2%	n/a

*Maximum % increase/decline over any period

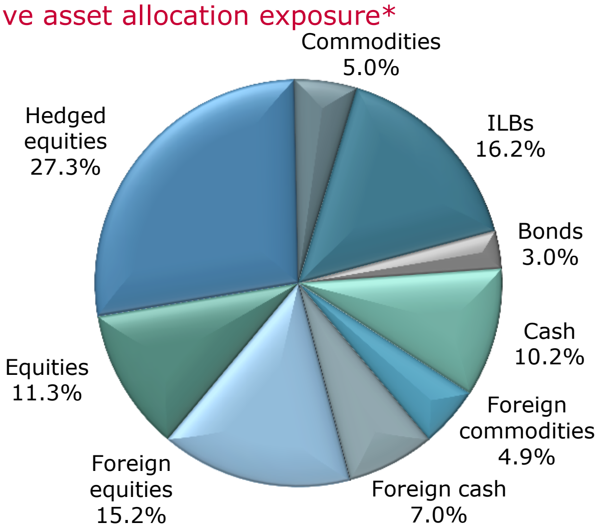
Cumulative performance since inception



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	 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	3 May 2011
Fund size	R88.9 million
NAV	117.73 cents
Distribution dates	30 June, 31 December
Last distribution	30 June 2013: 0.23 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]	1.64%

Unconventional thinking. Superior performance

Effective asset allocation exposure*



Top ten equity holdings

	% of fund
Kagiso Media	6.9
Standard Bank	4.2
Firstrand/RMB	3.7
Lonmin	3.1
Tongaat Hulett	2.1
Anglo American	1.6
Mondi	1.5
AECI	1.5
Pick n Pay	1.3
Caxton Publishers & Printers	1.1
Total	26.8

* 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.

[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 June 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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Quarterly commentary

Comments from the US Federal Reserve hinting at a possible deceleration of stimulus, concerns around a Chinese slowdown and the weak South African economy were key themes during the quarter. It is still early, but there are signs that a market environment, for which we have been positioned for over a year, is finally coming to pass, with valuations driving this view.

US economic activity appears to be improving, but remains significantly below potential. The Eurozone faces significant challenges as it grapples with debt in its periphery and an increasingly negative demographic burden as its population ages. China's growth prospects remain high, but are decelerating as the new leadership undertakes necessary structural reforms and reins in excessive credit extension.

The South African economy remains weak and vulnerable. Lacklustre manufacturing, slowing household spending and a struggling mining sector, all contributed to a weak 0.9% GDP growth rate in the first quarter. In addition, the large 'twin deficits', high and rising inflation, falling commodity prices and a credit-driven consumption boom, which is now showing signs of unwinding, are all contributing to a fragile economic outlook.

With the exception of Japan, global markets performed poorly in June as news of the Fed's stimulus tapering saw a re-pricing across risky asset classes and bond markets. Yet, despite the sharp sell-off in June, most developed equity markets performed well over the quarter.

The local equity market hit a new high in May, but then fell sharply during June to end the quarter down 0.2%. In line with the previous quarter's trend, Industrials (up 6.9%) outperformed the broader market, driven by rand-hedge stocks which were boosted by the depreciating currency.

The rand had another difficult quarter, weakening 6.5% against the US dollar and 7.9% against the Euro. Inflation eased to 5.6% at its most recent reading for May. However, inflation is expected to breach the 3% - 6% target band in the second half of this year due to fuel price increases and the lagged impact of the weaker rand.

The Kagiso Stable Fund slightly underperformed its benchmark over the quarter after a strong first quarter performance. After contributing to recent outperformance, the fund's commodity ETF exposure and inflation-linked bond holdings, detracted from performance this quarter. Credit exposure in the fund performed well, with credit spreads remaining stable or contracting slightly.

The fund's global exposure contributed positively to performance, where the weaker currency and strong stock selection continued to add value. In addition, the fund's defensive asset allocation and protective hedge positions proved beneficial in offsetting some of the volatility observed over the quarter.

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.

We remain defensively positioned from an asset allocation point of view. We have low exposure to property, physical cash and long-duration bonds. Global exposure continues to contribute to currency protection and fund diversification, and significant equity hedging provides capital protection in an increasingly expensive market.

Portfolio manager
Gavin Wood