

Kagiso Stable Fund

as at 31 December 2015

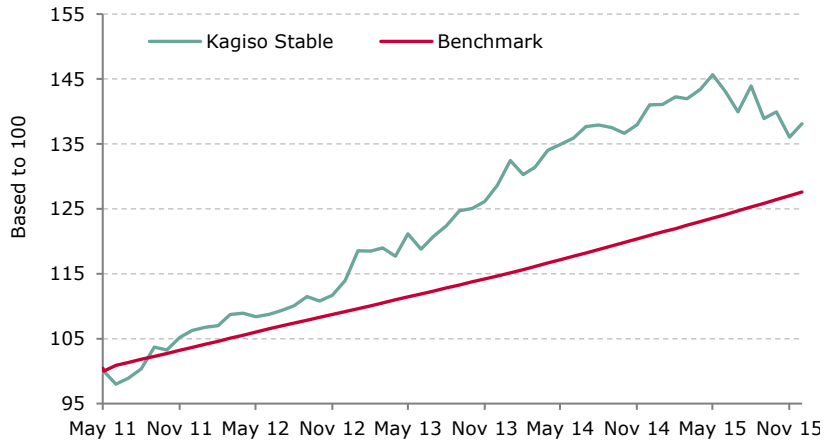


Performance¹

	Fund	Benchmark	Outperformance	Highest*	Lowest*
1 year	-2.1%	4.9%	-7.0%	2.9%	-3.5%
2 years	3.6%	5.2%	-1.6%	3.0%	-3.5%
3 years	6.6%	5.1%	1.5%	4.0%	-3.5%
Since inception	7.1%	5.2%	1.9%	4.0%	-3.5%

* Highest and lowest monthly fund performance during specified period

Cumulative performance since inception



Risk statistics

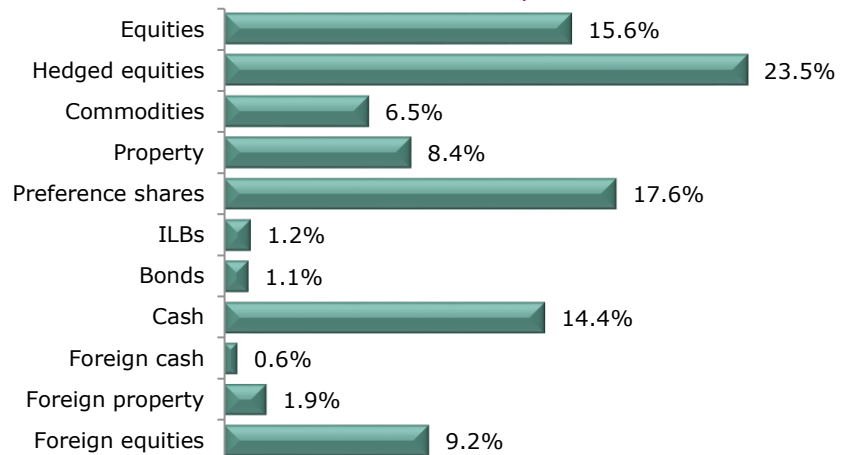
	Fund	Benchmark
Annualised deviation	5.2%	0.1%
Sharpe ratio	0.3	N/A
Maximum gain#	11.5%	27.6%
Maximum drawdown#	-6.6%	N/A
% Positive months	71.4%	N/A

Consecutive months of change in the same direction

Top 10 equity holdings

	% of fund
Zambezi Platinum Pref	7.0
NewGold Platinum ETF	4.4
Naspers	4.2
Old Mutual	3.5
Palladium ETFs	3.4
Equites Property Fund	3.3
FirstRand/RMB	2.8
Anglo Platinum	2.1
AECI	2.0
Delta Property Fund	2.0
Total	34.7

Effective asset allocation exposure*



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

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.
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	R193.6 million

Risk profile	
NAV	131.65 cents
TER²	1.57%
TC³	To be provided as soon as available
Distributions	31 December 2015 1.53 cpu 30 June 2015 1.57 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).

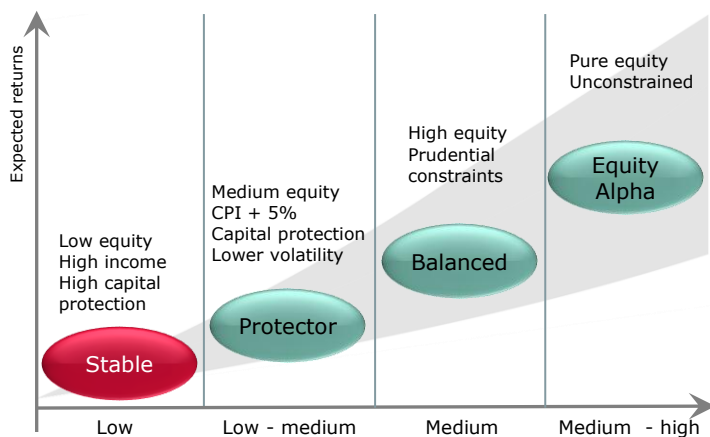
² The Total Expense Ratio (TER) is calculated as a percentage of the average NAV of the portfolio incurred as charges, levies and fees in the management of the portfolio for a rolling 12-month period to end September 2015. A higher TER ratio does not necessarily imply a poor return nor does a low TER imply a good return. The current disclosed TER cannot be regarded as an indication of future TERs.

³ Transaction Costs (TC) are a necessary cost in administering the Financial Product and impacts Financial Product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.

The Kagiso Stable Fund is Regulation 28 compliant and can invest in a wide variety of domestic and international asset classes (such as equities, listed property, conventional bonds, inflation-linked bonds and cash). As the fund aims to maximise returns, it will have a strong bias towards equities - typically the asset class with the highest expected long-term returns. The fund is positioned in our team's best ideas - which emanate from our bottom-up research process - and is actively managed to maximise long-term returns without assuming excess risk of loss.

This fund is 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.

Risk vs reward



Portfolio Manager



Gavin Wood
BBusSc, CFA, FFA

Gavin is a founder of Kagiso Asset Management (2001) and has headed up the investment team since inception. He also serves as Executive Director. Previously he was an investment analyst with Coronation Fund Managers.

Minimum investment
Fund registration no

Lump sum: R5 000; Debit order: R500
 ZAE000155008

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

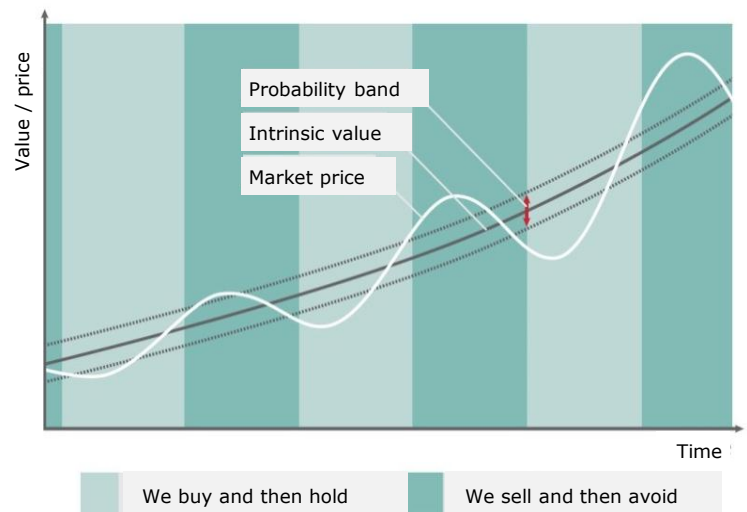
All investments represent a set of future cash flows, which can be valued with reasonable accuracy. Over time, this intrinsic value progresses at a fairly stable pace. Asset prices, however, fluctuate considerably through time. This is largely due to self-reinforcing cycles of enthusiasm or negativity, 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
Fund registration no

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 ZAE000155008

Trustee Melinda Mostert
 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.

The Kagiso unit trust fund range is offered by Kagiso Collective Investments Limited (Kagiso), registration number 2010/009289/06. Kagiso is a member of the Association for Savings and Investment SA (ASISA) and is a registered management company in terms of the Collective Investment Schemes Control Act, No 45 of 2002. 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. Kagiso does not provide any guarantee either with respect to the capital or the return of the portfolio(s). Foreign securities may be included in the portfolio(s) and may result in potential constraints on liquidity and the repatriation of funds. In addition, macroeconomic, political, foreign exchange, tax and settlement risks may apply. However, our robust investment process takes these factors into account. 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. Kagiso may close a portfolio to new investors in order to manage it more effectively in accordance with its mandate.

This fact sheet in its entirety constitutes this fund's Minimum Disclosure Document, as required by the Financial Services Board. Please contact us on the details below should you require additional information on our range of funds.

The fund ended the year with a disappointing total return of -2.1%, with -0.6% achieved in the final quarter. Over the longer term the fund continues to provide positive returns ahead of cash with a high degree of focus on capital preservation.

Economic and market overview

Six years after the world economy emerged from its broadest and deepest post-war recession, a return to robust and synchronized global expansion remains elusive. Within advanced economies, aggressive fiscal and monetary stimulus measures have underpinned generally accelerating output and falling unemployment, although deflationary pressures remain.

Financial market volatility increased in August, following the depreciation of the renminbi and an increase in global risk aversion as a result of a marked slowdown in Chinese economic growth. Temporary surges in volatility had earlier been associated with events surrounding Greek debt negotiations.

Capital flows to emerging markets have slowed in recent quarters, and the lift-off of US policy rates from the zero lower bound is likely to be associated with some tightening of external financial conditions. And, while the growth slowdown in China is thus far in line with forecasts, its cross-border repercussions appear greater than previously envisaged, especially for commodity-export economies.

The balance of risks is still tilted to the downside. Lower oil and other commodity prices could provide some upside to demand by commodity importers, but complicate the outlook for commodity exporters, some of which already face strained fiscal/balance sheet conditions. The Chinese authorities face difficult trade-offs in their objectives of achieving a transition to more consumption-driven growth without activity slowing too much, while also reducing financial vulnerabilities and implementing reforms to strengthen the role of market forces in the economy.

Commodity exporters have seen sharp depreciations of their currencies, but a general trend of reduced financial inflows to emerging markets has resulted in more generalised depreciation against the US dollar, euro and yen. These exchange rate changes should be associated with growing net exports for the depreciating countries, a development that is part of the natural adjustment process to differential growth rates that flexible exchange rates promote. Increased financial market volatility can pose financial stability challenges in advanced economies (for instance, if accompanied by a sudden decompression of risk premiums), with substantial spill-overs onto emerging markets, including through tighter financial conditions and a reversal of capital flows.

Locally, the SA economy remains vulnerable to portfolio inflows slowing and perhaps reversing, given the high current account and fiscal deficits. The rand depreciated by 25.2% vs the US dollar in 2015 and rand weakness was exacerbated further by domestic policy concerns, power shortages, drought and current account and budget deficits weighing on SA's credit ratings.

The ALBI returned -6.4% for the quarter, reflecting the significant rise in the 10-year benchmark yield. The rise in yields reflect investors' concern over contagion risk within SA, given the observed political quandaries and imminent foreign currency rating downgrades. Inflation-linkers delivered 1.3%, while cash (STeFI) delivered 1.6%.

The general expectation is that the SARB will effect a hike of 25bp in early 2016. The repercussions of the weakening currency are yet to reveal themselves fully due to the lags associated with foreign exchange pass-throughs. The risks to the relatively benign inflation readings recorded thus far are therefore materially skewed to the upside.

The best performing segments of the market – most of which are structurally related to the depreciating currency – have been rand hedges; including paper, beverages, tobacco and household goods.

The generally lower commodity price environment meant that, unsurprisingly, the worst performing sectors were from amongst industrial metals, platinum mining and construction.

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Key indicators	
Economic data	End of quarter figure
Latest consumer price inflation (CPI % YoY)	4.8%
Repo rate (%)	6.3%
3m JIBAR	6.6%
10-year government bond yield	9.7%
Key asset classes (total return)	Quarterly change
MSCI World Equity (US Dollar return)	5.1%
FTSE/JSE All Share Index	1.7%
FTSE/JSE Listed Property Index	-4.7%
BEASSA All Bond Index	-6.4%
Commodities and currency	Quarterly change
Platinum (\$/oz)	-1.7%
Gold (\$/oz)	-4.9%
Rand/US Dollar (USD)	11.8%

Continued -

Fund performance and positioning

Key contributors this quarter were Naspers, Aquarius platinum and New Europe Property Investments, while Standard Bank, MTN and Anglo American detracted. Positive contributions from the fund's foreign picks came from Samsung, Esure and Buwog. 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.

Our longer-dated bond exposure is balanced by shorter duration corporate bonds with strong credit quality. Overall we are underweight bond exposure, with the key concern being the prospect weakness if there are significant foreign investor outflows. Our duration positioning is neutral however.

Mondi is one of our top holdings and has added significant value to our clients' portfolios over the past years. Mondi is an international packaging and paper group with a dual listed company structure (primary listing on the JSE for Mondi Limited and premium listing on the London Stock Exchange for Mondi plc).

Mondi is fully integrated across the packaging and paper value chain – from managing forests and producing pulp, paper and compound plastics, to developing effective and innovative industrial and consumer packaging solutions. Their innovative technologies and products can be found in a variety of applications including hygiene components, stand-up pouches, cement bags, creative retail boxes and office paper.

Mondi's ability to deliver strongly across the cycle is testament to the quality of the business. Their success is based on investing in their high-quality, low-cost asset base, driving sustainable operational improvements, developing in markets that offer growth opportunities, and working with their customers to find attractive solutions. Combined with a strong balance sheet and sustainable free cash flow generation, makes Mondi an extremely resilient organisation, and one in which we have every reason to be confident of value accretion going forward.

The fund retains an allocation to foreign equities and listed property stocks, where we find opportunities in certain large technology stocks, healthcare companies, property and casualty insurers and specific listed property exposures.

We remain positioned with a contrarian orientation, aiming to exploit the extreme valuation differentials on offer as a result of global monetary authorities' unconventional interventions in capital markets, and the concomitant rise of price-agnostic market participants. Our view is that extremely low bond-yields globally are causing global investors to over-price companies with stable cashflows (perceived as bond substitutes) and under-price companies with naturally variable or cyclical cashflows, when these cashflows are at cyclically low levels.

Portfolio Manager
Gavin Wood