Kagiso Stable Fund

as at 31 March 2016

Date of issue: 20 April 2016

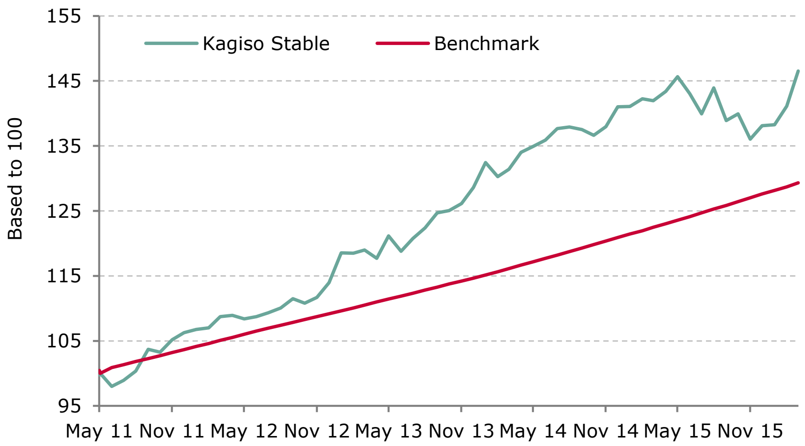
KAGISO Asset Management

Performance[1]

	Fund	Benchmark	Outperformance	Highest*	Lowest*
1 year	3.2%	5.5%	-2.3%	3.8%	-3.5%
2 years	5.6%	5.5%	0.1%	3.8%	-3.5%
3 years	7.2%	5.4%	1.8%	3.8%	-3.5%
Since inception	8.1%	5.3%	2.8%	4.0%	-3.5%

* Highest and lowest monthly fund performance during specified period

Cumulative performance since inception*



Risk statistics

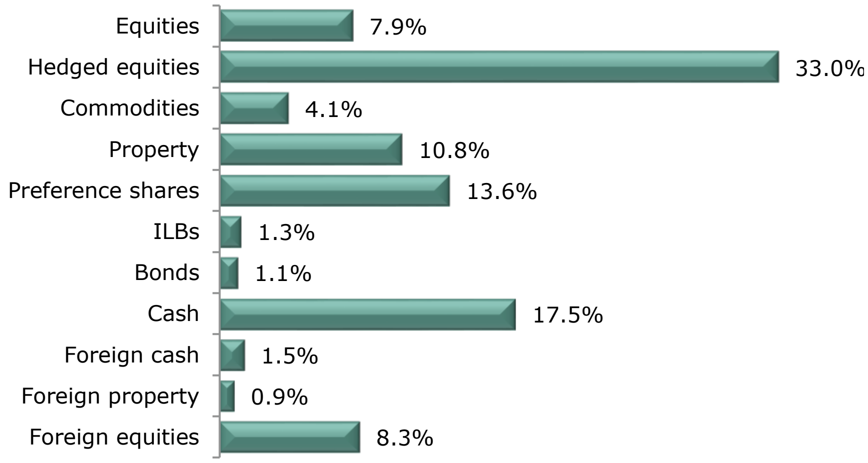
	Fund	Benchmark
Annualised deviation	5.3%	0.1%
Sharpe ratio	0.4	n/a
Maximum gain#	11.5%	29.3%
Maximum drawdown#	-6.6%	n/a
% Positive months	72.9%	n/a

\# Consecutive months of change in the same direction

Top 10 equity holdings

	% of fund
Naspers	4.7
Old Mutual	4.4
Zambezi Platinum Pref	3.7
FirstRand/RMB	3.4
Equites Property Fund	3.3
Fortress Income Fund	2.2
AECI	2.2
Delta Property Fund	2.1
Tongaat Hulett	2.1
Anglo Platinum	1.9
Total	30.0

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	R191.3 million

Risk profile	Low	
NAV	138.05 cents	
TER[2]	1.57%	
TC[3]	0.46%	
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 December 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 neccessary 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.

* For illustrative purposes only.

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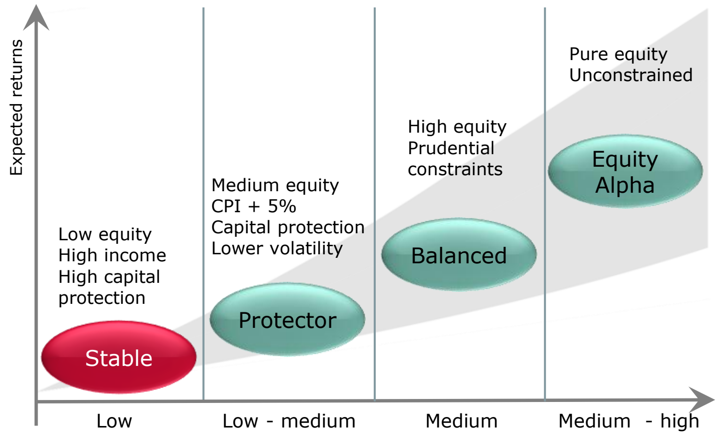
Kagiso Stable Fund

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.

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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

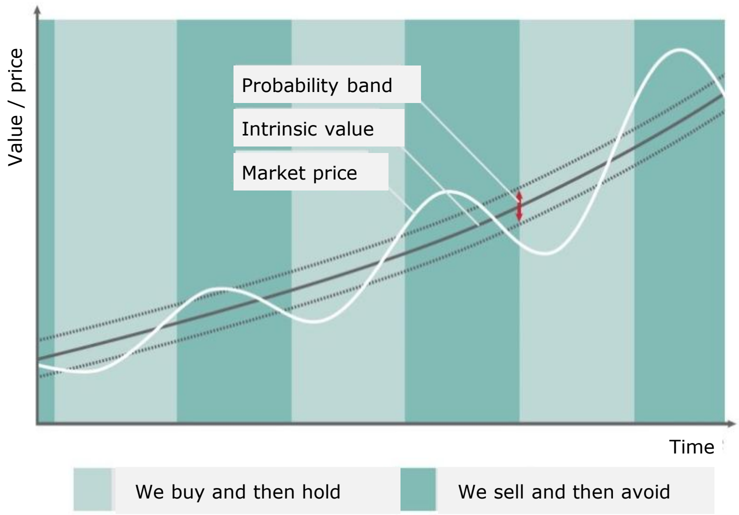
All investments represent a set of future cash flows, which can be valued with reasonable accuracy. Over time, this intrinsic value progresses at a fairly stable pace. Asset prices, however, fluctuate considerably through time. This is largely due to self-reinforcing cycles of enthusiasm or negativity, 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
Fund registration no	ZAE000155008

Trustee: Melinda Mostert - Head: Standard Bank Trustee Services melinda.mostert@standardbank.co.za

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Kagiso Stable Fund - Quarterly commentary

as at 31 March 2016

The fund returned 6.1% for the first quarter of 2016, representing a substantial improvement from recent disappointing performance.

The fund benefited from strong performance in some of our highest conviction ideas and from the tactical opportunities captured in the volatility of December 2015. The fund has returned 8.1% pa since inception in 2011, substantially ahead of both cash and inflation.

Economic and market overview

The quarter had a turbulent start, with a substantial sell-off in January and February followed by a large rally in March. Of note and concern was increasing evidence that negative interest rate policies pursued by the ECB and the Bank of Japan appear to be failing, with the respective currencies strengthening (in Japan's case very substantially) and stock markets falling.

After December's US rate hike, the first in almost 10 years, market expectations of further 2016 US rate hikes faded in response to slightly weaker economic data. The US dollar weakened as a result.

Rating agencies S&P and Moody's have placed SA sovereign ratings on review due to continuing risks to South Africa's medium-term growth prospects and the lack of progress on growth-enabling reforms. A foreign currency rating downgrade to below investment grade rating is likely sometime this year (and appears to be largely priced in). While less likely, a downgrade of the local currency rating to sub-investment grade would be far more serious and is likely to lead to South Africa's exclusion from key global government bond indices with the risk of substantial capital repatriation on the part of foreign bond investors and associated currency weakness.

The rand strengthened 4.7% against the US dollar over the quarter from extremely low levels reached during December's Finance Minister crisis.

Local equity markets gained 3.9% in the first quarter driven primarily by resources stocks. Industrial metals stocks (+93.1%), gold stocks (+92.8%) and platinum stocks (+74.6%), stood out as particularly strong.

Unsurprisingly, rand-sensitive global sectors, including personal goods (-12.6%), forestry & paper (-6.6%) and beverages (- 4.5%) were among the weakest sectors.

Fund performance and positioning

Key stock contributors this quarter were Amplats, African Rainbow Minerals and FirstRand while Metair, Adcorp and Sun International detracted.

SA bonds started the year strongly, with the ALBI returning 6.6% for the quarter and inflation-linkers delivering 2.1%, while cash yielded 1.7%.

The SARB decided to hike the repo rate by 0.25% to 7.0% in March, continuing the current hiking cycle that started in January 2014.

By hiking pre-emptively, the SARB is helping to contain inflation expectations, assisting the rand to strengthen and providing investors with more confidence to look through the peak in the inflation cycle. The interest rate market now suggests that rates will be increased by an additional 1% during this cycle with rates peaking at around 8%.

Continued -

Key indicators	
Economic data	End of quarter figure
Latest consumer price inflation (CPI % YoY)	7.0%
Repo rate (%)	7.0%
3m JIBAR	7.2%
10-year government bond yield	9.0%
Key asset classes (total return)	Quarterly change
MSCI World Equity (US Dollar return)	-0.9%
FTSE/JSE All Share Index	3.9%
FTSE/JSE Listed Property Index	10.1%
BEASSA All Bond Index	6.6%
Commodities and currency	Quarterly change
Platinum ($/oz)	9.7%
Gold ($/oz)	16.2%
Rand/US Dollar (USD)	-5.2%

Continued -

The fund benefited from the additional bonds added in mid-December. Currently, the longer-dated bond exposure is balanced by shorter duration corporate bonds with strong credit quality. Valuations remain attractive with yields at healthy spreads above expected inflation. We remain cautious, however, of the potential for weakness on bond selling by foreigners in the event of a sovereign rating downgrade.

Foreign stock selection was disappointing this quarter, with notable detractors being US packaging firm Westrock, Old Mutual Asset Management, and Brookdale Senior Living. Contributors to performance were fashion retailer Michael Kors, US hospital group HCA holdings and energy pipeline firm, Kinder Morgan.

We continue to employ significant equity hedging in the fund, enabling high exposure to our stock-picking ideas, with low equity market risk as an alternative to low-yielding cash.

African Rainbow Minerals (ARM) has rebounded strongly after substantial weakness last year. ARM extracts and beneficiates iron ore, manganese ore, chrome ore, platinum group metals, copper, nickel and coal. ARM also has an investment in gold mining through its shareholding in Harmony.

ARM's assets are well positioned on global cost curves and the group features a strong balance sheet, providing flexibility for surviving the current depressed commodity price environment. The company is well-positioned to take advantage of inexpensive asset sales in the current distressed resources environment and is well-positioned for the expected normalisation in commodity prices. It is the premier empowerment partner for large, global miners such as Glencore and Vale, which is an additional strength for deal-making in the South African mining industry context.

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

The fund is positioned in undervalued shares with excellent prospects for superior returns. While the external environment is continually shifting we continue to apply our process and valuation-driven philosophy with focus and discipline, keeping a vigilant eye out for mispriced opportunities.

Portfolio Manager
Gavin Wood