

Kagiso Stable Fund

as at 30 June 2016

Date of issue: 29 July 2016

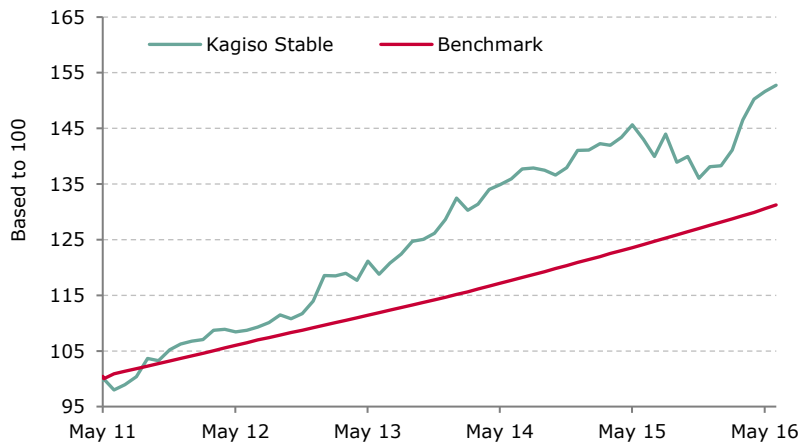


Performance¹

	Fund	Benchmark	Outperformance	Highest*	Lowest*
1 year	6.8%	6.0%	0.8%	3.8%	-3.5%
3 years	8.7%	5.5%	3.2%	3.8%	-3.5%
5 years	9.3%	5.4%	3.9%	4.0%	-3.5%
Since inception	8.5%	5.4%	3.1%	4.0%	-3.5%

* Highest and lowest monthly fund performance during specified period

Cumulative performance since inception*



Risk statistics

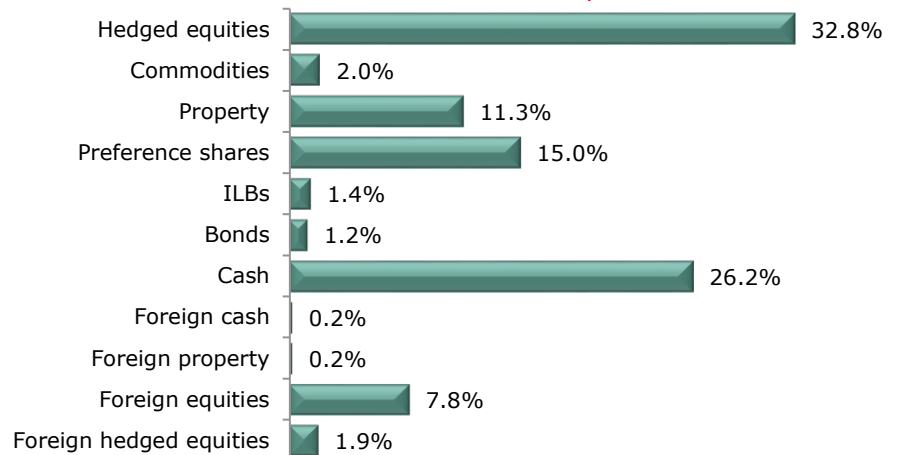
	Fund	Benchmark
Annualised deviation	5.3%	0.1%
Sharpe ratio	0.5	n/a
Maximum gain#	12.3%	31.2%
Maximum drawdown#	-6.6%	n/a
% Positive months	74.2%	n/a

Consecutive months of change in the same direction

Top 10 equity holdings

	% of fund
Naspers	4.6
Equites Property Fund	4.0
Zambezi Platinum Pref	3.9
Old Mutual	2.7
Delta Property Fund	2.3
Fortress Income Fund	2.1
AECI	1.8
Absa Pref shares	1.8
RECM & Calibre Pref	1.7
Tiso Blackstar Group	1.6
Total	26.5

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	R181.8 million

Risk profile		
NAV	143.92 cents	
TER²	1.58%	
TC³	0.54%	
Distributions	30 June 2016	2.32 cpu
	31 December 2015	1.53 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 3-year period to end June 2016. 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.

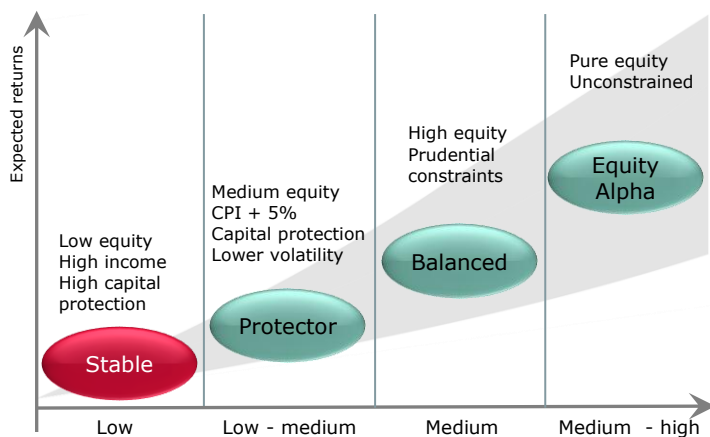
³ Transaction Costs (TC) are a necessary cost in administering the Financial Product and impacts Financial Product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions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

* For illustrative purposes only.

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.

gwood@kagisoam.com

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

Lump sum: R5 000; Debit order: R500
 ZAE000155008

Trustee

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

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. Prices are published daily on our website and in selected major newspapers.

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 returned 4.3% for the second quarter of 2016, benefiting from strong performance from some of our highest conviction ideas and from the tactical opportunities captured in the volatility of December 2015. The fund has returned 8.5% pa since inception in 2011, substantially ahead of both cash and inflation.

Economic and market overview

On the global front, the unexpected "leave" outcome of the UK referendum on EU membership caused significant market turbulence towards the end of the quarter. The actual effects will only be known after a period of complex and prolonged exit negotiations. There will likely be negative growth implications for the UK and Europe and a smaller impact on the rest of the world.

In the aftermath of the UK referendum there was a flight to safety, with increases in gold, safe haven currencies (US dollar, yen, Swiss franc) and developed market bonds. We continue to believe that asset prices are generally high, which makes markets vulnerable to stress events and normal cyclical economic slowdowns.

The US economy continues to strengthen, despite weak data in May. Market expectations for rate hikes have been pushed out further this quarter (at most one further hike expected at the end of the year), seemingly because of the weak global economy and the Brexit vote. The European economy continues to stagnate, despite huge central bank stimulus.

Emerging markets are also weak, but are showing signs that the worst is behind them. India continues to show strength, China benefited from a new dose of stimulus, while Russia and Brazil remain very weak.

In South Africa, the first quarter GDP growth rate (year on year contraction of 0.6%) was particularly disappointing. Mining and agriculture (10% of GDP) was down 10%, while manufacturing and construction (20% of GDP) was down 1%. It is particularly concerning that the very weak rand seems to have very little beneficial impact on the production side of the economy. The tertiary sector (70% of the economy) is still serving as the powerhouse of our economy and only managed to grow by 1%. This trade and services part of the economy is, however, coming under increasing cyclical pressure with rapidly slowing consumer spending growth and a deteriorating credit cycle.

The local equity market gained 0.4% over the quarter. After a prolonged period of significant weakness, we have now had two successive quarters of resource sector outperformance (up 6.4% this quarter). The platinum sector held on to significant gains from the previous quarter and outperformed the market (up 5.1%), with a moderately stronger rand platinum price (up 2.8%).

Financials (down 4.3%) underperformed, with UK-exposed firms particularly hard hit (Investec and Capital and Counties were down 17%). A flat performance from industrials (up 0.5%) masks significant stock divergence. Notable strong performers included Tongaat Hulett (up 13.1%) and Telkom (up 20.1% on good results). The retailers were weak (Shoprite, Woolworths and Truworths were down between 4% and 13%) as deteriorating local economic prospects were absorbed into their high ratings. A notable exception was Mr Price (up 18.7%) on resilient results. Amongst the industrial heavyweights: Naspers (up 8.6%), MTN (up 5.7%), and British American Tobacco (up 9.1%) showed solid performances, whilst SABMiller (down 5.5%) and Richemont (down 13%) lagged.

Bonds outperformed equities (ALBI was up 4.4%), as well as cash (up 1.8%) this quarter. The bond rally since the dramatically oversold levels of December 2015 (up 10.3%) has been substantial, but has not been as a result of economic improvements or waning idiosyncratic risk. South Africa's economic risks remain high, given weak growth, high unemployment and a worsening fiscus.

Continued -

Key indicators	
Economic data	End of quarter figure
Latest consumer price inflation (CPI % YoY)	6.1%
Repo rate (%)	7.0%
3m JIBAR	7.4%
10-year government bond yield	8.8%
Key asset classes (total return)	Quarterly change
MSCI World Equity (US Dollar return)	0.0%
FTSE/JSE All Share Index	0.4%
FTSE/JSE Listed Property Index	-0.4%
BEASSA All Bond Index	4.4%
Commodities and currency	Quarterly change
Platinum (\$/oz)	4.7%
Gold (\$/oz)	7.2%
Rand/US Dollar (USD)	0.3%

Continued -

Fund performance and positioning

Key stock contributors this quarter were Naspers, Equites and Tongaat Hulett. FirstRand, Old Mutual and Capco detracted.

We reduced bond exposure profitably during the quarter, as strong foreign appetite for local bonds compressed yields. Capital was deployed into shorter duration deposits which are now offering attractive risk-adjusted yields. Our remaining longer-dated bond exposure is balanced by shorter duration corporate bonds with strong credit quality, where valuations remain attractive with yields at healthy spreads above expected inflation. The fund's exposure to preference shares was a positive contributor this quarter.

Foreign stock selection was mixed this quarter, with notable detractors being UK healthcare group, Spire, UK property company, Hammerson, and Dutch electric technology company, Philips. Contributors to performance were Japanese multinational internet corporation, Softbank, American corrugated packaging company, Westrock, and the Austrian/German residential property landlord, Buwog. Post the UK referendum we have purchased a basket of attractively valued high quality European financials, particularly insurers.

On the local side, specialist industrial property fund, Equites Property Fund, has been a strong performer over the quarter in our funds. Logistical excellence has become vital for industrial corporates in South Africa, particularly in the very competitive consumer facing sectors. This has caused a structural need for well-located and optimally designed distribution centres. Equites Property Fund has built a competitive advantage in designing, financing, building and managing these specialist properties and is very well positioned to benefit from these structural trends. The share provides our clients with a solid revenue stream from a well-diversified mix of tenants, which are mainly large multinationals and JSE-listed corporates. There is also future growth expected from development projects, brownfield expansions (the current Foschini Group distribution centre expansion) as well as partnering opportunities with other general property funds.

We continue to apply our process and valuation-driven philosophy with focus and discipline, currently positioning the fund very differently to the market and competing funds. We are maintaining a conservative positioning, with substantial equity hedging in place, maximum offshore exposure, defensive precious metal ETF holdings and low duration yield asset exposure. The performance year to date has been very encouraging and market volatility and geopolitical events are creating exciting opportunities to position our funds in significantly undervalued shares with strong prospects for superior returns.

Portfolio Manager

Gavin Wood