

# Kagiso Top 40 Tracker Fund

## September 2016

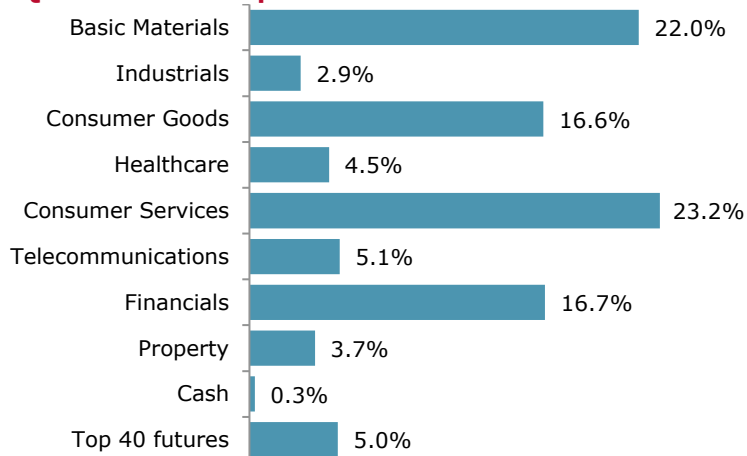


Date of issue: 12 October 2016

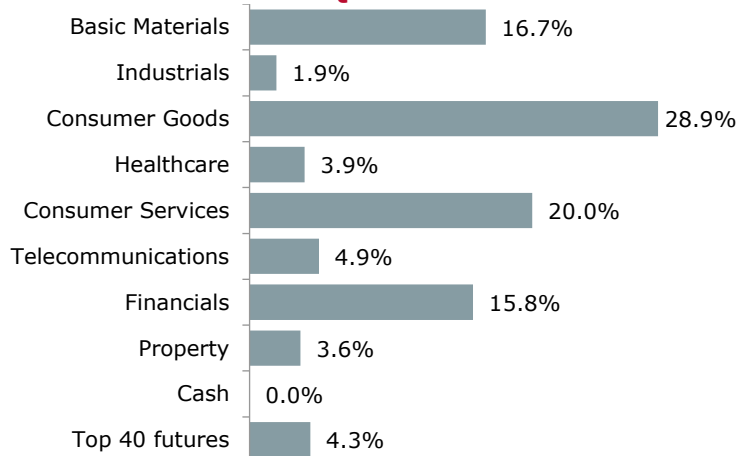
This fund aims to be fully invested in the entire stock selection of the JSE/FTSE Top 40 Index.

### Sector composition

#### Quarter ended September 2016



#### Quarter ended June 2016



### Top 10 holdings

#### Quarter ended September 2016

Naspers	18.2%
BHP Billiton	7.8%
Richemont	7.4%
British American Tobacco	4.5%
Anglo American	4.0%
Sasol	3.7%
MTN	3.7%
Steinhoff	3.6%
FirstRand/RMB	3.3%
Old Mutual	3.0%
<b>Total</b>	<b>59.2%</b>

#### Quarter ended June 2016

Naspers	15.4%
SABMiller	13.3%
Richemont	6.8%
BHP Billiton	6.1%
British American Tobacco	4.5%
MTN	4.0%
Sasol	3.5%
Steinhof	3.5%
Anglo American	3.0%
Old Mutual	2.9%
<b>Total</b>	<b>63.0%</b>

**Fund size** R64.79 million

**NAV** 6,025.41 cpu

**Number of participatory interests** 1,058,983

### Income distributions

30 June 2016 53.00 cpu

31 December 2015 79.78 cpu

### Key indicators

Equity markets (total return)	Quarterly change
MSCI World Equity (US Dollar return)	4.4%
MSCI Emerging Market Equity (US Dollar return)	8.3%
FTSE/JSE All Share Index	0.5%
FTSE/JSE Resources Index	8.1%
FTSE/JSE Financials Index	1.4%
FTSE/JSE Industrials Index	-3.0%
Commodities and currency	Quarterly change
Platinum (\$/oz)	0.3%
Gold (\$/oz)	-0.7%
Brent Crude (\$/barrel)	-0.1%
Rand/US Dollar (USD)	-6.7%

**Policy objective** The fund adhered to the policy objective as stated in the Supplemental Deed

**Additional information** Please read this quarterly investment report in conjunction with the minimum disclosure document for the fund

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Over the quarter, global equity markets were generally higher, with the MSCI World Index closing the quarter up 5.0% in dollar terms. We saw particular strength from the Nasdaq index in the US (+10.7%), the German market (+10.1%) and Hong Kong stocks. The MSCI emerging market index closed the quarter up 9.2% with a weaker dollar supporting dollar returns across many emerging markets.

In South Africa, the economy remains very weak, with agriculture and mining sectors contracting of late and consumer expenditure weak. The rand is particularly important for financial markets at present, as it has strengthened this year from very weak levels, tempering inflation expectations and improving the interest rate outlook.

Ratings agencies have placed the SA sovereign ratings on a negative outlook, with a possibility of a foreign currency downgrade below investment grade due to tepid medium-term growth prospects, a lack of progress on growth-enabling reforms, a weakening fiscal position and heightened potential threats to (currently highly regarded) state institutions. The S&P rating decision in December will be particularly closely watched and a downgrade would be negative for the rand and interest rate expectations.

Against this uncertain backdrop, the local equity market gained 0.3% over the quarter, underperforming other emerging markets. After a prolonged period of weakness, firming commodity prices have led to three successive quarters of resource sector outperformance (up 8.1% this quarter and 36% year to date). The platinum sector was the star performer (up 22.6% this quarter and 125% year to date), outperforming gold (down 10%) and general mining (up 16.7%).

Industrials (down 2%) underperformed this quarter with cyclical retail shares particularly weak. Financials closed the quarter higher (up 0.8%) driven by a strong performance from banking stocks.

The fund slightly underperformed its benchmark over the quarter, driven by costs incurred from flows and index changes that necessitated trading. The deletion of SABMiller from the FTSE/JSE Top 40 Index, which accounted for over 12% of the index resulted in higher than normal trading activity and therefore costs to the fund. Overall the fund continues to closely track its benchmark, the FTSE/JSE Top 40 Index, which closed the quarter down 0.2%.