

Kagiso Top 40 Tracker Fund

December 2016

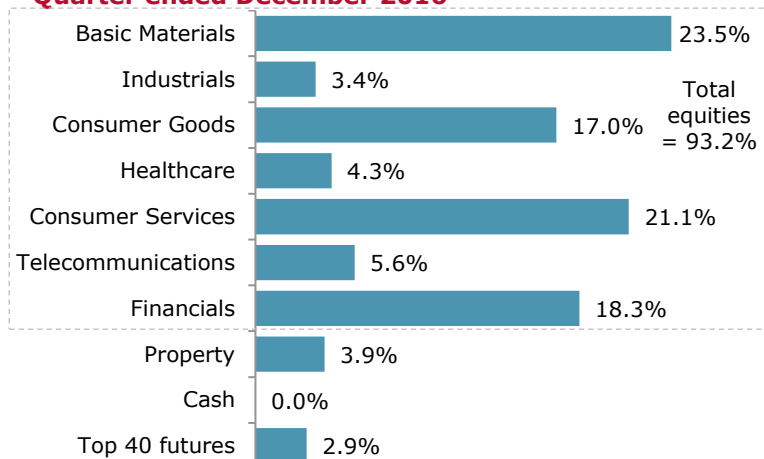
Date of issue: 20 January 2017



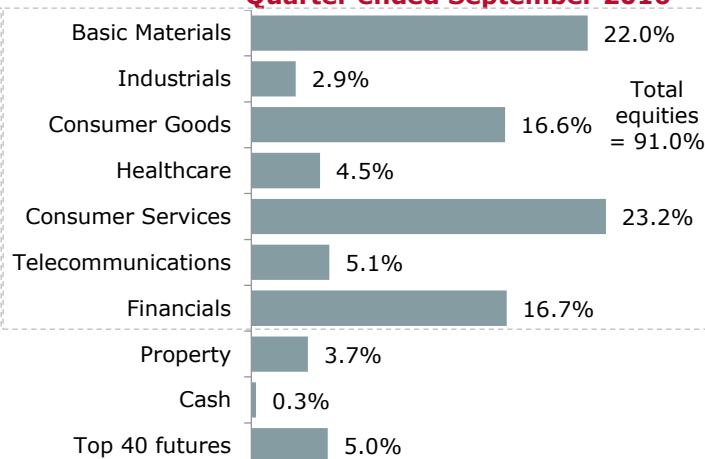
This fund aims to be fully invested in the entire stock selection of the JSE/FTSE Top 40 Index.

Asset and sector allocation

Quarter ended December 2016



Quarter ended September 2016



Top 10 holdings

Quarter ended December 2016

Naspers	16.4%
BHP Billiton	8.7%
Richemont	8.6%
Anglo American	4.9%
MTN	4.2%
Sasol	4.2%
FirstRand/RMB	3.9%
British American Tobacco	3.9%
Standard Bank	3.5%
Steinhoff	3.4%
Total	61.7%

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%
Total	59.2%

Fund size R60.46 million

NAV 5,835.09 cpu

Number of participatory interests 1,036,093

Income distributions

31 December 2016 68.24 cpu

30 June 2016 53.00 cpu

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Key indicators

Equity markets (total return)	Quarterly change
MSCI World Equity (US Dollar return)	1.5%
MSCI Emerging Market Equity (US Dollar return)	-4.6%
FTSE/JSE All Share Index	-2.1%
FTSE/JSE Resources Index	-1.1%
FTSE/JSE Financials Index	3.2%
FTSE/JSE Industrials Index	-5.4%
Commodities and currency	Quarterly change
Platinum (\$/oz)	-12.0%
Gold (\$/oz)	-12.3%
Brent Crude (\$/barrel)	13.6%
Rand/US Dollar (USD)	-0.2%

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, emerging markets underperformed developed markets with the MSCI Emerging Market Index down 4.1% versus the MSCI World up 2%. Despite a generally negative final quarter, emerging markets (with the exception of Turkey and India) had a positive year with the MSCI Emerging Market Index closing the year up 11.6%. For the final quarter, developed equity markets were mixed in dollar terms, with Hong Kong and UK stocks down, while German, French and US markets were positive. For the year, US markets were the best performing developed markets (S&P 500 index up 12%).

In South Africa, economic growth remains very weak and is expected to improve only moderately in the medium term, as the agriculture and mining sectors recover from low levels. The exchange rate, which remains very sensitive to political developments, has recovered significantly in 2016 from oversold levels. This has improved inflation expectations and the interest rate outlook, offering some relief to a subdued consumer. Unfortunately, much of this respite will be offset by expected increases in consumer taxes.

SA sovereign ratings remained unchanged however the S&P retained their negative outlook with the next review in June 2017. A meaningful improvement in the political backdrop in the form of policy certainty and growth enabling reforms is needed in order to mitigate the risk of downgrade. ANC succession dynamics will be a key focus ahead of the ANC elective conference in December 2017.

The local equity market lost 2.1% over the quarter and finished the year relatively flat (up 2.6%). After three successive quarters of strong performance the resource sector was down marginally this quarter, but with significant internal divergence. General mining was up 9.3%, while gold and platinum mining were down a significant 35.5% and 33.0% respectively, following sharp falls in precious metal prices. Resources remained the top performing sector (up 29.0%) for the year, with the platinum sector posting a recovery from a low base (up 50.5%).

Industrials (down 5.4%) underperformed this quarter with a number of highly rated shares under pressure including Naspers (down 15.2%), Brait (down 20.7%) and British American Tobacco (down 11.3%). Industrials closed the year down 8.3% with the poor performance across most sectors mitigated to some extent by a good performance out of General Industries (up 23.8%), Food producers (up 23.3%) and Fixed line Telecoms (up 22.1%).

Financials outperformed, closing the quarter up 3.2% and the year up 3.6% driven by a strong performance from the banking and non-life insurance sectors (up 33.6% and 32.9% respectively for the year).

The fund underperformed its benchmark over the quarter and year, driven by costs incurred from flows and large index changes that resulted in higher than average levels of trading.