# SECURITAS MANAGED PORTFOLIO

**FEBRUARY 2018**

SECURITAS WEALTH
A Division of Securitas Financial Group (Pty) Ltd (FSP 6536)

## INFORMATION SHEET

| | |
|---|---|
| ASISA Category | SA Multi Asset High Equity |
| Portfolio benchmark | CPI + 3% calculated on a 5-year rolling average |
| Model inception date | 14 June 2017 |
| Investment Managers | 4D Wealth Management (Pty) Ltd |
| Regulation 28 | Compliant |

## FUND OBJECTIVES

The Portfolio aims to create long-term wealth for Investors. The portfolio aims to outperform the average return of the sector and achieve a return in excess of CPI + 3% over a 5 year period. The Portfolio assumes some risk which includes market fluctuations. The Portfolio may have a potential drawdown of 25% over any given period. The portfolio is suitable for an investment term of 5 years or longer. The Portfolio invests in a mix of shares, bonds, property, commodities and cash.

## RISK PROFILE

| Risk | | | | |
|---|---|---|---|---|
| Low | Low-Medium | Medium | Medium-High | High |

| Advisable Minimum Term | | | | |
|---|---|---|---|---|
| Minimum term | | | | |
| 1 Year | 1 - 3 Years | 3 - 5 Years | 5 - 7 Years | 7 Years + |

## CONTRIBUTION DETAILS

| | |
|---|---|
| Minimum monthly | R500 |
| Minimum lump sum | R20 000 |

## FEE STRUCTURE

| | |
|---|---|
| Initial fees: | 0%-3.42% (VAT incl.) |
| Annual Advisor fees: | 0%-1.14% (VAT incl.) |
| Weighted TIC | 1.87% |

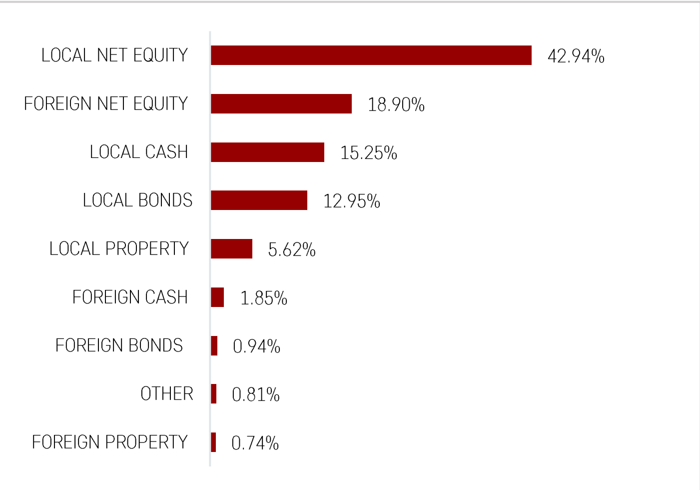
## PORTFOLIO FUND HOLDINGS

- 4D BCI MODERATE FUND OF FUNDS
- PRUDENTIAL BALANCED FUND
- INVESTEC MANAGED FUND
- ALLAN GRAY BALANCED FUND
- SYGNIA CPI+6 FUND
- CORONATION BALANCED PLUS FUND

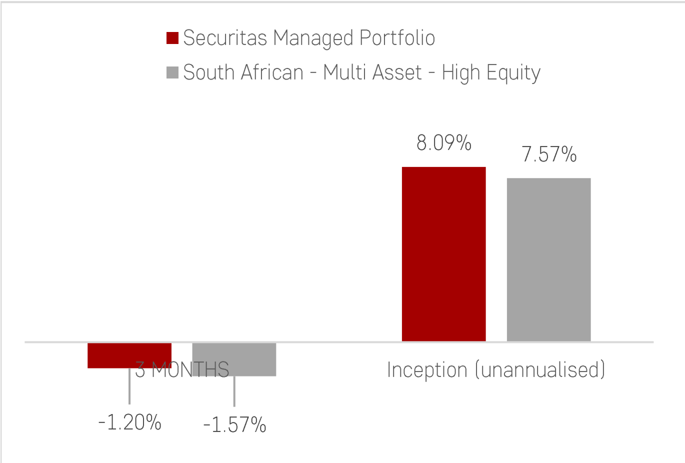
## RISK STATISTICS

| | 1 YEAR |
|---|---|
| STANDARD DEVIATION % | 6.17 |
| MAXIMUM DRAWDOWN % | 3.77 |
| SHARPE | 0.70 |
| SORTINO | 1.14 |

## ASSET ALLOCATION




## PERFORMANCE (as at 01 FEB 2018)




Performance figures are net of fees (excl advice fee)

Total Investment Charge (TIC)

The TIC is not charged as a separate fee but is built into the unit price of the unit trusts you have selected.

All values shown include VAT where applicable.

| TIC | Administration fee deducted within unit trust | TIC for investment management |
| --- | --- | --- |
| 1.87% | 0.02% | 1.85% |

To compare costs across unit trusts with different fee structures, the TIC for investment management is used. This is the unit trust's latest available total investment charge (TIC) less any administration fee deducted within the unit trust for the administration we perform. The TIC is not a separate fee, but is a measure of the actual expenses incurred by the unit trust, including the investment management fee and transaction costs where available. If the actual TIC is not available, an estimate is used. The expenses are expressed as a weighted average using the percentage allocation of each unit trust.

FAIS Conflict of Interest Disclosure

Please note that your financial advisor may be a related party to the co-naming partner and/or BCI**.** It is your financial advisor's responsibility to disclose all fees he/she receives from any related party. The portfolio's TER includes all fees paid by portfolio to BCI, the trustees, the auditors, banks, the co-naming partner, underlying portfolios, and any other investment consultants/managers as well as distribution fees and LISP rebates, if applicable. The portfolio's performance numbers are calculated net of the TER expenses. The investment manager earns a portion of the service charge and performance fees where applicable. In some instances portfolios invest in other portfolios which form part of the BCI Scheme. These investments will be detailed in this document, as applicable.

Discretionary Investment Manager
4D Wealth Management (Pty) Ltd is an authorised Financial Service Provider FSP 40794
Model Portfolio Managers

- Reon Coetzee CFP®, Certified Investment Planning, BA in (Political Science)
- Albert van der Linde B.Com (Hons) Investment Management
- Henro Grove B.Com (Hons) Investment Management
- Johan Steyn RFP®
- Fanie Wasserman  B.Com (Hons), PDFP , CFP®

Mandatory disclosure.

The information contained in this document does not constitute advice by Sanlam Life. Whilst every attempt has been made to ensure the accuracy of the information contained herein, Sanlam cannot be held responsible for any errors that may occur. Past performance cannot be relied on as an indicator of future performance. Investment performance will depend on the growth in the underlying assets, which will be influenced by inflation levels in the economy and the prevailing market conditions.

# 4D BCI MODERATE FUND OF FUNDS (A)

MANAGED BY: 4D WEALTH MANAGEMENT - AUTHORISED FSP 40794

MINIMUM DISCLOSURE DOCUMENT

**31 DECEMBER 2017**

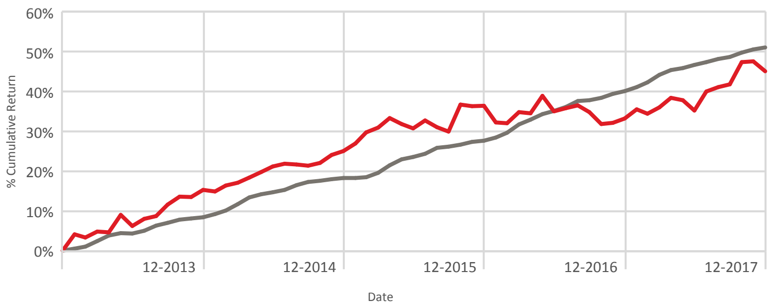
## INVESTMENT OBJECTIVE

The primary investment objective of the portfolio is to provide the investor with a moderate level of income and capital growth.

## INVESTMENT UNIVERSE

The composition of the portfolio shall reflect the investment structure of a retirement fund and shall comply with prudential guidelines. Investments to be included in the portfolio will, apart from assets in liquid form, consist of participatory interests and other forms of participation of local and global collective investment schemes, or other similar schemes operated in territories with a regulatory environment which is to the satisfaction of the manager and trustee of a sufficient standard to provide investor protection at least equivalent to that in South Africa and which is consistent with the portfolio's primary objective. The underlying portfolios may invest in, amongst others, equity securities, property securities, non-equity securities, interest bearing securities, money market instruments, preference shares, listed and unlisted financial instruments, bonds and other interest bearing instruments and securities.

## PERFORMANCE (Net of Fees)




4D BCI Moderate Fund of Funds (A)
Benchmark

| Cumulative (%) | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception |
|---|---|---|---|---|---|
| **Fund** | 8.92 | 16.09 | 45.24 | - | 75.41 |
| **Benchmark** | 7.87 | 27.80 | 51.20 | - | 67.72 |
| **Annualised (%)** | | | | | |
| Fund | 8.92 | 5.10 | 7.75 | - | 9.37 |
| Benchmark | 7.87 | 8.52 | 8.62 | - | 8.58 |

* Inception date: 23 Sep 2011

** Annualised return is the weighted average compound growth rate over the period measured.

**Highest and lowest calendar year performance since inception**

| | |
|---|---|
| **High** | 15.33 |
| **Low** | -2.31 |

## MONTHLY RETURNS

| | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2017** | 1.7 | -0.9 | 1.2 | 1.8 | -0.4 | -1.9 | 3.5 | 0.8 | 0.6 | 3.9 | 0.1 | -1.7 | 8.92 |
| **2016** | -3.1 | -0.1 | 2.1 | -0.2 | 3.3 | -2.8 | 0.5 | 0.5 | -1.2 | -2.2 | 0.2 | 0.8 | -2.31 |
| **2015** | 1.5 | 2.3 | 0.9 | 1.8 | -1.1 | -0.8 | 1.6 | -1.3 | -0.9 | 5.2 | -0.3 | 0.1 | 9.10 |
| **2014** | -0.4 | 1.3 | 0.6 | 1.1 | 1.2 | 1.2 | 0.6 | -0.2 | -0.2 | 0.5 | 1.7 | 0.8 | 8.49 |
| **2013** | 4.1 | -0.8 | 1.4 | -0.2 | 4.2 | -2.6 | 1.7 | 0.7 | 2.6 | 1.7 | -0.1 | 1.6 | 15.33 |
| **2012** | 1.8 | 1.2 | 0.4 | 1.3 | -0.6 | 0.3 | 1.3 | 2.0 | 1.3 | 2.9 | 1.8 | 0.7 | 15.33 |

## FUND INFORMATION

| | |
|---|---|
| Portfolio Manager: | 4D Wealth Management |
| Launch date: | 23 Sep 2011 |
| Portfolio Value: | R 577 402 454 |
| NAV Price (Fund Inception): | 100 cents |
| NAV Price as at month end: | 158.70 cents |
| JSE Code: | MDMF |
| ISIN Number: | ZAE000159604 |
| ASISA Category: | SA - Multi Asset - High Equity |
| Benchmark: | CPI + 3% p.a. |
| Minimum lump sum: | R 25 000 |
| Minimum monthly Investment: | R 1 000 |
| Valuation: | Daily |
| Valuation time: | 08:00 (T+1) |
| Transaction time: | 14:00 |
| Date of Income Declaration: | 28 February/31 August |
| Date of Income Payment: | 2nd working day of Mar/Sep |

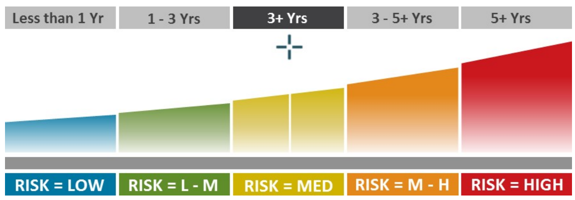
## Income Distribution (cpu)

| 29 Feb 2016 | 31 Aug 2016 | 28 Feb 2017 | 31 Aug 2017 |
|---|---|---|---|
| 1.27 | 1.37 | 1.91 | 1.51 |

## FEE STRUCTURE

| | |
|---|---|
| Annual Service Fee: | (A) 1.14% - (S1) 1.14% (Incl. VAT) |
| Initial Advisory Fee (Max): | 3.42% (Incl. VAT) |
| Annual Advice Fee: | 0 - 1.14% (if applicable) |
| Initial Fee: | 0.00% (Incl. VAT) |
| Performance Fee: | None |
| *** Total Expense Ratio (TER):** | 2.02% (Incl. VAT) |
| Performance fees incl in TER: | 0.00% (Incl. VAT) |
| **Portfolio Transaction Cost:** | 0.23% (Incl. VAT) |
| **Total Investment Charge:** | 2.25% (Incl. VAT) |

## RISK PROFILE



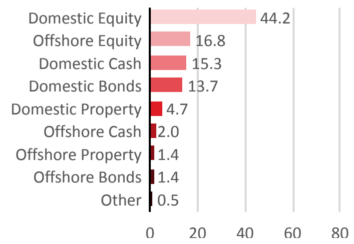

**Medium Risk**

- This portfolio has a balanced exposure to various asset classes. It has more equity exposure than a low risk portfolio but less than a high-risk portfolio. In turn the expected volatility is higher than a low risk portfolio, but less than a high-risk portfolio.
- Where the asset allocation contained in this MDD reflect offshore exposure, the portfolio is exposed to currency risks
- The portfolio is exposed to equity as well as default and interest rate risks.
- The portfolio is suitable for medium term investment horizons
- The probability of losses is higher than that of a low risk portfolio, but less than a high-risk portfolio and moderate long term investment returns are expected.

4D WEALTH MANAGEMENT
THE EXTRA DIMENSION IN FINANCIAL SERVICES

## PORTFOLIO HOLDINGS

**Asset Allocation (%)** As at 31 Dec 2017




**Top Holdings (%)** As at 31 Dec 2017

| | |
|---|---|
| Nedgroup Inv Core Diversified B | 20.2 |
| Coronation Top 20 B4 | 13.7 |
| Prudential Balanced B | 10.0 |
| Investec Managed R | 9.9 |
| SIM Balanced B3 | 9.8 |
| 36ONE BCI SA Equity D | 9.1 |
| Coronation Optimum Growth B4 | 6.8 |
| Prescient Income Provider A2 | 6.5 |
| STANLIB Income B2 | 6.5 |
| 4D BCI Flexible A | 4.7 |

## INFORMATION AND DISCLOSURES

### Risks

Where foreign securities are included in the portfolio there may be additional risks such as potential constraints on liquidity and repatriation of funds, macroeconomic risk, political risk, foreign exchange risk, tax risk, settlement risk as well as potential limitations on the availability of market information. Certain investments - including those involving futures, options, equity swaps, and other derivatives may give rise to substantial risk and might not be suitable for all investors.

### * Total Expense Ratio (TER)

Please note: A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's. Transaction Costs are a necessary cost in administering the Fund and impacts Fund 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 Fund, the investment decisions of the investment manager and the TER. The TER and Transaction cost calculations are based upon the portfolio's direct costs for the financial year ended 31 August 2017, whilst the underlying portfolios' ratio and cost calculations are based upon their most recent published figures, being 30 September 2017.

**Effective Annual Cost:** Boutique Collective Investments adopted the ASISA Standard on Effective Annual Cost ("EAC"). The EAC measure allows you to compare charges on your investments as well as their impact on your investment returns prior to investing. For further information regarding the ASISA Standard on Effective Annual Cost and access to the EAC calculator please visit our website at www.bcis.co.za.

### Fund

| * Total Expense Ratio (TER) | Transactional Cost (TC) | Total Investment Charge (TER & TC) |
|---|---|---|
| 2.02% | 0.23% | 2.25% |
| Of the value of the Fund was incurred as expenses relating to the administration of the Fund. | Of the value of the Fund was incurred as costs relating to the buying and selling of the assets underlying the Fund. | Of the value of the Fund was incurred as costs relating to the investment of the Fund. |

### FAIS Conflict of Interest Disclosure

Please note that your financial advisor may be a related party to the co-naming partner and/or BCI. It is your financial advisor's responsibility to disclose all fees he/she receives from any related party. The portfolio's TER includes all fees paid by portfolio to BCI, the trustees, the auditors, banks, the co-naming partner, underlying portfolios, and any other investment consultants/managers as well as distribution fees and LISP rebates, if applicable. The portfolio's performance numbers are calculated net of the TER expenses. The investment manager earns a portion of the service charge and performance fees where applicable. In some instances portfolios invest in other portfolios which form part of the BCI Scheme. These investments will be detailed in this document, as applicable.

**Investment Manager**

4D Wealth Management (Pty) Ltd is an authorised Financial Service Provider FSP 40794.

- Additional information, including application forms, annual or quarterly reports can be obtained from BCI, free of charge or can be accessed on our website www.bcis.co.za.
- Valuation takes place daily and prices can be viewed on our website (www.bcis.co.za) or in the daily newspaper.
- Actual annual performance figures are available to existing investors on request.
- Upon request the Manager will provide the investor with portfolio quarterly investment holdings reports.

**Management Company Information**

Boutique Collective Investments (RF) (Pty) Limited
Catnia Building,
Bella Rosa Village, Bella Rosa Street,
Bellville, 7530
Tel: 021 007 1500/1/2 021 914 1880 + Fax: 086 502 5319
+ Email: clientservices@bcis.co.za + www.bcis.co.za

**Custodian / Trustee Information**

The Standard Bank of South Africa Limited
Tel: 021 441 4100

BOUTIQUE COLLECTIVE INVESTMENTS

## DISCLAIMER

Boutique Collective Investments (RF) (Pty) Ltd ("BCI") is a registered Manager of the Boutique Collective Investments Scheme, approved in terms of the Collective Investments Schemes Control Act, No 45 of 2002 and is a full member of ASISA. Collective Investment Schemes in securities are generally medium to long term investments. The value of participatory interests may go up or down and past performance is not necessarily an indication of future performance.BCI does not guarantee the capital or the return of a portfolio. Collective Investments are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees, charges and maximum commissions is available on request. BCI reserves the right to close the portfolio to new investors and reopen certain portfolios from time to time in order to manage them more efficiently. Additional information, including application forms, annual or quarterly reports can be obtained from BCI, free of charge. Performance figures quoted for the portfolio are from Morningstar, as at the date of this minimum disclosure document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax. BCI retains full legal responsibility for the third party named portfolio. Although reasonable steps have been taken to ensure the validity and accuracy of the information in this document, BCI does not accept any responsibility for any claim, damages, loss or expense, however it arises, out of or in connection with the information in this document, whether by a client, investor or intermediary. This document should not be seen as an offer to purchase any specific product and is not to be construed as advice or guidance in any form whatsoever. Investors are encouraged to obtain independent professional investment and taxation advice before investing with or in any of BCI's products. A fund of funds is a portfolio that invests in portfolios of collective investment schemes that levy their own charges, which could result in a higher fee structure.



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ALLANGRAY

**Fund managers:** Andrew Lapping, Duncan Artus, Jacques Plaut, Simon Raubenheimer, Ruan Stander. (Most foreign assets are invested in Orbis funds.) **Inception date:** 1 October 1999

# Allan Gray Balanced Fund

**31 January 2018**

## Fund description and summary of investment policy

The Fund invests in a mix of shares, bonds, property, commodities and cash. The Fund may buy foreign assets up to a maximum of 25% of the Fund (with an additional 5% for African ex-SA investments). The Fund typically invests the bulk of its foreign allowance in a mix of funds managed by Orbis Investment Management Limited, our offshore investment partner. The maximum net equity exposure of the Fund is 75% and we may use exchange-traded derivative contracts on stock market indices to reduce net equity exposure from time to time. The Fund is managed to comply with the investment limits governing retirement funds. Returns are likely to be less volatile than those of an equity-only fund.

ASISA unit trust category: South African – Multi Asset – High Equity

## Fund objective and benchmark

The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk. The Fund's benchmark is the market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds).

## How we aim to achieve the Fund's objective

We seek to buy shares at a discount to their intrinsic value. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. If the stock market offers few attractive shares we may increase the Fund's weighting to alternative assets such as bonds, property, commodities and cash, or we may partially hedge the Fund's stock market exposure. By varying the Fund's exposure to these different asset classes over time, we seek to enhance the Fund's long-term returns and to manage its risk. The Fund's bond and money market investments are actively managed.

## Suitable for those investors who

- Seek steady long-term capital growth
- Are comfortable with taking on some risk of market fluctuation and potential capital loss, but typically less than that of an equity fund
- Wish to invest in a unit trust that complies with retirement fund investment limits
- Typically have an investment horizon of more than three years

## Minimum investment amounts

| | |
|---|---|
| Minimum lump sum per investor account | R20 000 |
| Additional lump sum | R500 |
| Minimum debit order* | R500 |

*Only available to investors with a South African bank account.

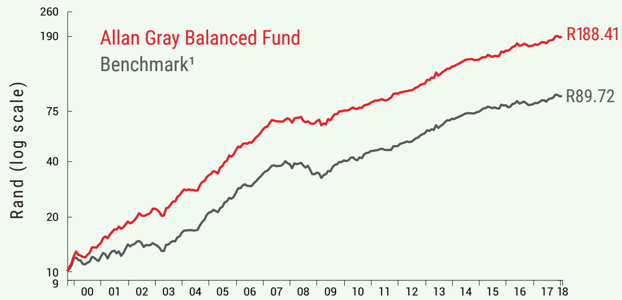
## Fund information on 31 January 2018

| | |
|---|---|
| Fund size | R145.4bn |
| Number of units | 779 019 466 |
| Price (net asset value per unit) | R108.27 |
| Class | A |

1. The market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds). From inception to 31 January 2013 the benchmark was the market value-weighted average return of the funds in both the Domestic Asset Allocation Medium Equity and Domestic Asset Allocation Variable Equity sectors of the previous ASISA Fund Classification Standard, excluding the Allan Gray Balanced Fund. Source: Morningstar, performance as calculated by Allan Gray as at 31 January 2018.
2. This is based on the latest numbers published by IRESS as at 31 December 2017.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 May 2008 to 27 October 2008 and maximum benchmark drawdown occurred from 20 May 2008 to 10 March 2009. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 30 April 2006 and the benchmark's occurred during the 12 months ended 30 April 2006. The Fund's lowest annual return occurred during the 12 months ended 28 February 2009 and the benchmark's occurred during the 12 months ended 28 February 2009. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

## Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested




| % Returns | Fund | Benchmark[1] | CPI inflation[2] |
|---|---|---|---|
| **Cumulative:** | | | |
| Since inception (1 October 1999) | 1784.1 | 797.2 | 177.0 |
| **Annualised:** | | | |
| Since inception (1 October 1999) | 17.4 | 12.7 | 5.7 |
| Latest 10 years | 11.4 | 9.4 | 5.8 |
| Latest 5 years | 11.4 | 8.9 | 5.5 |
| Latest 3 years | 9.2 | 6.0 | 5.6 |
| Latest 2 years | 9.1 | 7.2 | 5.7 |
| Latest 1 year | 9.7 | 8.7 | 4.7 |
| Year-to-date (not annualised) | 0.5 | 0.2 | 0.5 |
| **Risk measures (since inception)** | | | |
| Maximum drawdown[3] | -15.4 | -20.5 | n/a |
| Percentage positive months[4] | 70.9 | 68.6 | n/a |
| Annualised monthly volatility[5] | 8.9 | 9.0 | n/a |
| Highest annual return[6] | 46.1 | 41.9 | n/a |
| Lowest annual return[6] | -8.3 | -16.7 | n/a |



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## Meeting the Fund objective

The Fund has created wealth for its long-term investors. Since inception and over the latest 10 and five-year periods, the Fund has outperformed its benchmark, and its returns have exceeded CPI inflation by a significant margin. The Fund experiences periods of underperformance in pursuit of its objective of creating long-term wealth for investors, without taking on greater risk of loss than the average balanced fund. The maximum drawdown and lowest annual return numbers, in the 'Performance net of all fees and expenses' table, show that the Fund has successfully reduced downside risk in periods of negative market returns.

## Income distributions for the last 12 months

| To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually. | 30 Jun 2017 | 31 Dec 2017 |
|---|---|---|
| **Cents per unit** | 99.1583 | 102.0649 |

## Annual management fee

Allan Gray charges a fee based on the net asset value of the Fund excluding the portion invested in Orbis funds. The fee rate is calculated daily by comparing the Fund's total performance over the last two years, to that of the benchmark.

**Fee for performance equal to the Fund's benchmark:** 1.00% p.a. excl. VAT

For each percentage of two-year performance above or below the benchmark we add or deduct 0.1%, subject to the following limits:

**Maximum fee:** 1.50% p.a. excl. VAT
**Minimum fee:** 0.50% p.a. excl. VAT

This means that Allan Gray shares in approximately 20% of annualised performance relative to the benchmark.

A portion of the Fund may be invested in Orbis funds. Orbis charges performance-based fees within these funds that are calculated based on each Orbis fund's performance relative to its own benchmark. Orbis pays a marketing and distribution fee to Allan Gray.

## Total expense ratio (TER) and Transaction costs

The annual management fees charged by both Allan Gray and Orbis are included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4 for further information). Transaction costs are disclosed separately.

## Top 10 share holdings on 31 December 2017 (SA and Foreign) (updated quarterly)[8]

| Company | % of portfolio |
|---|---|
| Naspers[7] | 6.5 |
| Sasol | 6.0 |
| Old Mutual | 3.7 |
| British American Tobacco | 3.5 |
| Standard Bank | 3.1 |
| Remgro | 2.9 |
| Investec | 1.8 |
| Life Healthcare | 1.5 |
| Reinet | 1.3 |
| Netcare | 1.1 |
| **Total (%)** | **31.3** |

7. Including stub certificates.

## Total expense ratio (TER) and Transaction costs

| TER and Transaction costs breakdown for the 1 and 3-year period ending 31 December 2017 | 1yr % | 3yr % |
|---|---|---|
| **Total expense ratio** | **1.78** | **1.61** |
| Fee for benchmark performance | 1.09 | 1.08 |
| Performance fees | 0.51 | 0.37 |
| Other costs excluding transaction costs | 0.02 | 0.02 |
| VAT | 0.16 | 0.14 |
| **Transaction costs (including VAT)** | **0.09** | **0.07** |
| **Total investment charge** | **1.87** | **1.68** |

## Asset allocation on 31 January 2018[8]

| Asset Class | Total | South Africa | Africa ex-SA | Foreign ex-Africa |
|---|---|---|---|---|
| Net equity | 61.5 | 46.9 | 1.0 | 13.6 |
| Hedged equity | 8.0 | 0.0 | 0.0 | 8.0 |
| Property | 1.2 | 0.8 | 0.0 | 0.5 |
| Commodity-linked | 3.9 | 3.6 | 0.0 | 0.3 |
| Bonds | 11.2 | 9.5 | 0.8 | 0.8 |
| Money market and bank deposits | 14.2 | 12.3 | 0.7 | 1.2 |
| **Total (%)** | **100.0** | **73.1** | **2.5** | **24.4[9]** |

8. Underlying holdings of Orbis funds are included on a look-through basis.

9. Up to 25% of the Fund's value can be invested outside of Africa and 5% in Africa outside of South Africa. Market movements periodically cause the Fund to move beyond these limits. This must be corrected within 12 months.

## Since inception, the Fund's month-end net equity exposure has varied as follows:

| | |
|---|---|
| Minimum | (February 2000) 49.3% |
| Average | 62.2% |
| Maximum | (July 2004) 72.7% |

Note: There may be slight discrepancies in the totals due to rounding.



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It has been an action-packed year on the market. Here are some things that stood out for us:

- Naspers, which is now 20% of the FTSE/JSE All Share Index (ALSI), started the year at R2 000 per share, traded all the way up to R4 100, and is currently R3 400. Only two of the top hundred companies have beaten Naspers: Kumba and Exxaro.
- Steinhoff started the year as a R300 billion company, and now has a smaller market cap than Italtile.
- Our government's financial position continued to deteriorate, but sentiment towards local firms turned positive when Cyril Ramaphosa was elected as head of the ANC. Barclays went from R150 to nearly R200 in the four days following the national conference.
- The rand has strengthened by 10% against the US dollar since January 2017.
- The price of Bitcoin increased fourteen-fold.

We did not know who would win the ANC election. We do not have an edge in predicting this sort of thing, which is why we structure the portfolio for different outcomes. We also focus on buying undervalued shares, preferably shares under a cloud of negative sentiment and with lots of bad news priced in. This approach has worked well for us through numerous bubbles, crises, and upheavals. It is why we owned shares like Mr Price, Standard Bank, Foschini and Remgro - all of which benefitted from the change in sentiment after the ANC conference.

We were substantial net sellers of equity in the fourth quarter given the price appreciation of some of our largest holdings. We reduced our British American Tobacco holding in November while we were substantial sellers of Standard Bank in the latter half of December. That said we did add to our Woolworths position and initiate a small position in Steinhoff. As of writing the Steinhoff purchase was a mistake and has detracted 0.4% of Fund. There are a few things to be said:

1. We make many mistakes. Steinhoff was not the largest mistake in recent years. Not buying Kumba Iron Ore at R26 or Richemont at R80 were both way worse mistakes, to name just two.

2. There are different senses of the word "mistake". We are not aware of any errors in our analysis, or process, only in how we weighed the upside versus the downside risks. These types of errors are always clear with the benefit of hindsight, never at the time!

3. The accounts of any business may be fraudulent. For some the probability of fraud is higher than for others. We do not take audited accounts at face value. We look for internal inconsistencies, pose questions to management, and evaluate the quality of the audit committee. We found plenty of cause for concern at Steinhoff. This did not lead us to blackball the share, but instead we put in place position limits and conservative valuation multiples. We only started investing when we thought the potential upside outweighed the risks.

4. For context, if you had owned a passive fund tracking the ALSI, your total loss would have been 2.4% for the year. This made Steinhoff the top contributor in 2017 to our performance relative to the market.

5. We don't yet know the final outcome or magnitude of the fraud. It is possible that the share recovers some of its losses.

If we were only concerned about avoiding embarrassment, or if we tried to avoid all shares with downside risk, this would almost surely dent our long-term returns.

The Fund's performance over the year was helped by positions in Standard Bank and Astral Foods, while it was hindered by positions in Sasol and Life Healthcare. Unfortunately, we did not find value in Richemont even when the share was below R90 in January 2017 and missed out on the share's strong performance in 2017. Fortunately we could also not find value in Anglogold or Aspen, two large companies that underperformed.

Strong returns from international markets, and outperformance by Orbis, contributed to the performance of the Fund in 2017.

Commentary contributed by Jacques Plaut

## Fund manager quarterly commentary as at 31 December 2017

## Management Company

Allan Gray Unit Trust Management (RF) Proprietary Limited (the 'Management Company') is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002, in terms of which it operates 11 unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Services Board ('FSB'). The Management Company is incorporated under the laws of South Africa and has been approved by the regulatory authority of Botswana to market its unit trusts in Botswana, however it is not supervised or licensed in Botswana. Allan Gray Proprietary Limited (the 'Investment Manager'), an authorised financial services provider, is the appointed Investment Manager of the Management Company and is a member of the Association for Savings & Investment South Africa (ASISA). The trustee/custodian of the Allan Gray Unit Trust Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)87 736 1732 or www.rmb.co.za

## Performance

Collective Investment Schemes in Securities (unit trusts or funds) are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to future performance. Movements in exchange rates may also cause the value of underlying international investments to go up or down. The Management Company does not provide any guarantee regarding the capital or the performance of the Fund. Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Where annualised performance is mentioned, this refers to the average return per year over the period. Actual investor performance may differ as a result of the investment date, the date of reinvestment and dividend withholding tax.

## Fund mandate

The Fund may be closed to new investments at any time in order to be managed according to its mandate. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The Fund may borrow up to 10% of its market value to bridge insufficient liquidity.

## Unit price

Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund including any income accruals and less any permissible deductions from the Fund divided by the number of units in issue. Forward pricing is used and fund valuations take place at approximately 16:00 each business day. Purchase and redemption requests must be received by the Management Company by 14:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za

## Fees

Permissible deductions may include management fees, brokerage, Securities Transfer Tax (STT), auditor's fees, bank charges and trustee fees. A schedule of fees, charges and maximum commissions is available on request from Allan Gray.

## Total expense ratio (TER) and Transaction costs

The total expense ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past one and three-year periods. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), VAT and other expenses like audit and trustee fees. Transaction costs (including brokerage, Securities Transfer Tax [STT], STRATE and FSB Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are a necessary cost in administering the Fund and impact Fund returns. They 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. Since Fund returns are quoted after the deduction of these expenses, the TER and Transaction costs should not be deducted again from published returns. As unit trust expenses vary, the current TER cannot be used as an indication of future TERs. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. The TER and other funds' TERs should then be used to evaluate whether the Fund performance offers value for money. The sum of the TER and Transaction costs is shown as the Total investment charge.

## Compliance with Regulation 28

The Fund is managed to comply with Regulation 28 of the Pension Funds Act. Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a reasonable time period. The Management Company does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28).

## Foreign exposure

This fund may invest in foreign funds managed by Orbis Investment Management Limited, our offshore investment partner.

# Important information for investors

**Need more information?**
You can obtain additional information about your proposed investment from Allan Gray free of charge either via our website **www.allangray.co.za** or via our Client Service Centre on **0860 000 654**.

# CORONATION BALANCED PLUS FUND

Fund Information as at 31 January 2018

CORONATION
TRUST IS EARNED™

## WHAT IS THE FUND'S OBJECTIVE?

Balanced Plus aims to achieve the best possible investment growth for retirement savers (within the constraints of Regulation 28 of the Pension Funds Act) over the long term.

## WHAT DOES THE FUND INVEST IN?

Balanced Plus can invest in a wide variety of assets, such as shares, bonds, listed property and cash, both in South Africa and internationally.

The fund complies with Regulation 28, which limits the exposure of retirement investors to certain asset classes. For example, shares may never comprise more than 75% of the fund's portfolio, while exposure to property and foreign assets (excluding Africa) is limited to 25% each.

The fund is mandated to use derivative instruments for efficient portfolio management purposes.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile

6/10

Moderate

Maximum growth/
minimum income exposures

Growth Assets: 85%

Income Assets: 15%

As Balanced Plus aims to maximise long-term returns, it will typically have a strong bias towards shares, which offer the highest expected growth over the long run. The fund's managers actively seek out attractively valued shares that may achieve strong returns over periods of five years and longer.

While shares usually offer the best investment return, this comes with the greatest risk of short-term losses. The fund's investment in shares is therefore carefully balanced with other assets (including cash, bonds and property) to ensure that risk is moderated. Returns from these assets are not as volatile as shares, and will not always move in the same direction (up or down) at the same time, making the fund less risky than a pure equity fund.

Given the care taken to manage risk and to ensure that the best possible returns can be achieved from a range of diverse investments, it is unlikely that the Balanced Plus fund will lose money over the longer term. However, the fund may produce negative returns in extreme years, albeit at a lower level than a fund that is only invested in shares.

## HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The recommended investment term is five years and longer.

## WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are saving for retirement, and:

- can stay invested for at least five years (preferably longer);
- have to choose a fund for their retirement annuity, provident fund, preservation fund or pension fund, and are looking for an investment that balances long-term growth with moderate levels of risk.

## WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 0.85% (excl. VAT) is payable.

Fund expenses that are incurred in the fund include fees payable to unconnected international fund managers on a portion of assets situated offshore as well as trading, custody and audit charges. All performance information is disclosed after deducting all fees and other portfolio costs. We do not charge fees to access or withdraw from the fund.

More detail is available on www.coronation.com

## WHO ARE THE FUND MANAGERS?

KARL LEINBERGER

BBusSci, CA (SA), CFA

SARAH-JANE ALEXANDER

BBusSc, CFA

ADRIAN ZETLER

BCom (Hons), CA (SA), CFA

## GENERAL FUND INFORMATION

| | |
|---|---|
| Fund Launch Date | 15 April 1996 |
| Fund Class | P (previously class B4) |
| Class Launch Date | 2 April 2012 |
| Benchmark | Composite: 52.5% equity, 22.5% bonds, 5% cash, 20% international |
| Fund Category | South African – Multi-asset – High Equity |
| Regulation 28 | Complies |
| Income Distribution | Semi-annually (March & September) |
| Bloomberg Code | CBALDB4 |
| ISIN Code | ZAE000165205 |
| JSE Code | CBFB4 |

# CORONATION BALANCED PLUS FUND

CLASS P as at 31 January 2018

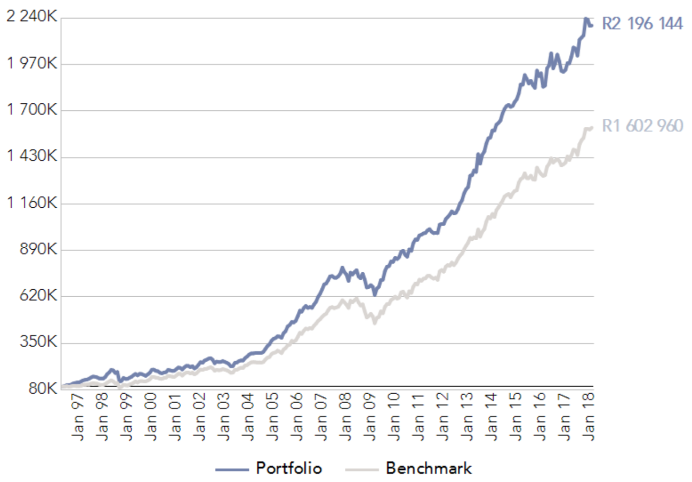
CORONATION
TRUST IS EARNED™

| | |
|---|---|
| Fund category | South African - Multi Asset - High Equity |
| Launch date | 02 April 2012 |
| Fund size | R90.85 billion |
| NAV | 10705.32 cents |
| Benchmark/Performance Fee Hurdle | Composite (52.5% equity, 22.5% bonds, 20% international, 5% cash) |
| Portfolio manager/s | Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler |

| | 1 Year | 3 Year |
|---|---|---|
| Total Expense Ratio | 1.19% | 1.22% |
| Fund management fee | 0.84% | 0.85% |
| Fund expenses | 0.23% | 0.25% |
| VAT | 0.12% | 0.12% |
| Transaction costs (inc. VAT) | 0.13% | 0.12% |
| Total Investment Charge | 1.32% | 1.34% |

## PERFORMANCE AND RISK STATISTICS

### GROWTH OF A R100,000 INVESTMENT (AFTER FEES)




## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

| Sector | 31 Jan 2018 |
|---|---|
| Domestic Assets | 76.7% |
| Equities | 44.4% |
| Oil & Gas | 0.1% |
| Basic Materials | 8.2% |
| Industrials | 1.3% |
| Consumer Goods | 7.1% |
| Health Care | 2.3% |
| Consumer Services | 10.0% |
| Telecommunications | 3.6% |
| Financials | 8.7% |
| Technology | 0.0% |
| Derivatives | 3.0% |
| Unlisted | 0.0% |
| Preference Shares & Other Securities | 0.2% |
| Real Estate | 13.5% |
| Bonds | 13.0% |
| Commodities | 1.2% |
| Cash | 4.4% |
| International Assets | 23.3% |
| Equities | 21.5% |
| Real Estate | 0.7% |
| Bonds | 0.3% |
| Cash | 0.8% |

### PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

| | Fund | Benchmark | Active Return |
|---|---|---|---|
| Since Launch (unannualised) | 2096.1% | 1503.0% | 593.2% |
| Since Launch (annualised) | 15.3% | 13.6% | 1.7% |
| Latest 20 years (annualised) | 14.2% | 14.1% | 0.1% |
| Latest 15 years (annualised) | 16.0% | 15.1% | 0.9% |
| Latest 10 years (annualised) | 11.9% | 11.2% | 0.7% |
| Latest 5 years (annualised) | 10.6% | 10.7% | (0.1)% |
| Latest 3 years (annualised) | 6.8% | 7.7% | (0.9)% |
| Latest 1 year | 11.0% | 11.6% | (0.6)% |
| Year to date | 0.1% | 0.7% | (0.6)% |

### TOP 10 HOLDINGS

| As at 31 Dec 2017 | % of Fund |
|---|---|
| Coronation Global Opportunities Equity Fund | 15.7% |
| Naspers Ltd | 5.6% |
| British American Tobacco Plc | 3.9% |
| Coronation Global Emerging Markets Fund | 3.9% |
| MTN Group Ltd | 3.6% |
| INTU Properties | 2.7% |
| Standard Bank Group Ltd | 2.7% |
| Coronation African Frontiers Fund | 2.7% |
| Fortress Income Fund Ltd A | 2.4% |
| Redefine Income Fund | 2.3% |

### RISK STATISTICS SINCE LAUNCH

| | Fund | Benchmark |
|---|---|---|
| Annualised Deviation | 13.3% | 12.3% |
| Sharpe Ratio | 0.41 | 0.31 |
| Maximum Gain | 57.9% | 29.3% |
| Maximum Drawdown | (34.3)% | (31.9)% |
| Positive Months | 68.2% | 65.5% |

| | Fund | Date Range |
|---|---|---|
| Highest annual return | 49.3% | Aug 2004 - Jul 2005 |
| Lowest annual return | (17.4%) | Sep 1997 - Aug 1998 |

### INCOME DISTRIBUTIONS

| Declaration | Payment | Amount | Dividend | Interest |
|---|---|---|---|---|
| 29 Sep 2017 | 02 Oct 2017 | 146.09 | 52.04 | 94.05 |
| 31 Mar 2017 | 03 Apr 2017 | 125.51 | 38.26 | 87.25 |
| 30 Sep 2016 | 03 Oct 2016 | 124.08 | 46.46 | 77.62 |
| 31 Mar 2016 | 01 Apr 2016 | 98.69 | 28.37 | 70.32 |

### MONTHLY PERFORMANCE RETURNS (AFTER FEES)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fund 2018 | 0.1% | | | | | | | | | | | | 0.1% |
| Fund 2017 | 2.1% | (0.1)% | 2.0% | 2.6% | (0.3)% | (2.0)% | 4.6% | 0.6% | 0.6% | 4.5% | (0.2)% | (1.6)% | 13.2% |
| Fund 2016 | (4.1)% | 0.3% | 5.4% | 0.9% | 3.6% | (4.3)% | 1.5% | 2.5% | (1.9)% | (2.8)% | (0.3)% | 0.6% | 1.0% |

*Issue date: 2018/02/07*

*Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.*

*Please note that the commentary is for the retail class of the fund.*

The fund returned 2.45% for the quarter and 12.7% for the year, which is an improved absolute return given strong equity markets. The fund has performed well against its peer group over meaningful time periods.

Rand strength and a rally in domestic assets meant the large offshore holdings and limited exposure to government bonds detracted from performance in the quarter. Over the longer term, the fund's significant offshore exposure remains a meaningful contributor to performance.

The strong run in global equity markets continued into the quarter with a quarterly US dollar return of 5.7% (MSCI All Country World Index) supporting the 12-month number at 24.0%. Major markets were broadly strong across the developed and emerging world with both the US and eurozone reporting healthy growth. This was achieved despite political tensions continuing to boil under the surface; North Korea's ongoing development of its nuclear agenda, alleged Russian interference in US politics and a tumultuous Middle East. Global GDP growth forecasts remain strong for 2018 with further rate hikes expected in the US.

A tough economy and political uncertainty undermined the performance of South African assets for much of the year. The release of the Medium Term Budget Policy Statement in October highlighted the deterioration in fiscal metrics. A further weakening in the rand and the widening of bond yields provided an opportunity to add to domestic assets at the margin in the period preceding the ANC elective conference.

The appointment of Cyril Ramaphosa as ANC president in December drove a major swing in sentiment, and domestic asset classes rallied into the fourth quarter with the local currency, government bonds and domestic equities all performing strongly. Mr Ramaphosa is expected to herald better fiscal discipline, though a divided party leadership will make reform challenging. The market's reaction has priced much optimism into domestic asset classes against which delivery will be difficult. Our exposure to domestic fixed rate bonds remains low, though this is partially offset by holdings in the higher quality property shares as well as the A class property shares which offer superior risk-reward characteristics. These holdings contributed positively to performance over the quarter.

South African equity markets delivered good returns in 2017, reversing the lacklustre market performance of the past few years. The Capped All Share Index (CAPI) returned 18.06% for the year and 6.5% in the fourth quarter. This compares to an annualised 8.9% over three years. The return in US dollar terms is 30.6% over the year as the rand strengthened.

From an earnings perspective domestic shares had a challenging year and had underperformed going into the final quarter of the year. However, the past quarter saw a rally in their share prices with notable performers including banks (+28%) and general retailers (+23%). The large rand hedges such as Naspers (+72%) and Richemont (+25%) had a good year, outperforming the market. The fund's Naspers position was consistently trimmed throughout the 12-month period on the back of strong performance, particularly in the underlying Tencent investment. Despite this, our absolute position in Naspers remains large, reflecting our continued assessment of the company as an attractive share as it streamlines its investment portfolio and Tencent expands its portfolio of services in large and growing markets. For the full year, resources (+16.8%) lagged the returns delivered by industrials (+22.6%) and financials (+24.4%) (JASIN and FINI 15).

The fund remains overweight offshore stocks, though the buying of domestic shares during the year has reduced the extent of this overweight position. The fund added selectively to better quality domestic industrial names (including Spar, Netcare, Famous Brands, Curro and Pick n Pay) as they underperformed. These positions all contributed to performance during the fourth quarter domestic rally. Notwithstanding this, we believe valuation remains attractive. Offshore names where the fund continues to have meaningful exposure include Naspers, British American Tobacco, MTN and Hammerson.

British American Tobacco in particular looks cheap for a global consumer staple on a one-year forward PE of 15.4x with the opportunity to grow earnings through next generation tobacco products and margin uplift on the back of the recently completed Reynolds take out. The fund added significantly to this position during 2017 and remains convinced of its compelling valuation.

Steinhoff has been a significant detractor from performance over the year, exacerbated by the share price collapse on the announcement that the company would delay the release of its 2017 audited financial results, launch an investigation into accounting irregularities and that the CEO had resigned. The fund held Steinhoff for the expanding, cash generative value retailer Pepkor as well as the opportunity to consolidate a rapidly growing but fragmented European furniture market through its vertically integrated European operations. Despite concerns about its acquisitive nature and aggressive tax structuring, the valuation looked compelling on a single-digit PE multiple. We did extensive reference checks including meeting many of the high calibre board members and well respected regional managers. To date, limited information has been released to further our understanding of where the accounting irregularities occurred. We continue to monitor events closely and will take action as considered appropriate.

The rally in domestic banks and life insurers is also cause for review with higher earnings expectations being priced in.  Discovery was one of the biggest contributors to performance in 2017 with particular strength in the past quarter. The position size has been trimmed in line with the reduced margin of safety. Domestic bank valuations are also pricing in a more optimistic outcome. Slow advances growth over the last few years could be accelerated with more accommodative economic growth, though a benign credit cycle leaves little room for credit loss improvements. Here too, positions sizes reflect a reduced margin of safety.

Brexit-related market uncertainty continued to undermine the outlook for UK property stocks. Global corporate activity picked up in the property sector in the past quarter with bids such as Unibail for Westfield and Brookfield for GGP highlighting inherent longer term value. In the UK specifically, an all share offer for Intu by Hammerson in early December provided some support to our view that there is long-term value in the sector. It is hoped that Hammerson's excellent management team can further unlock the potential in Intu by combining two leading retail portfolios. Valuation remains attractive with the shares trading at significant discounts to NAV. The fund retains a significant holding in UK property via Hammerson PLC, Intu PLC and Capital and Counties.

Calendar 2017 was a relatively robust year for commodity prices with most strengthening as Chinese demand remained resilient. Supply remained constrained as miners persisted with disciplined allocation of capital and Chinese environmental regulation capped domestic supply. While higher commodity prices have reduced the margin of safety in resource valuations, the fund retains a reasonable exposure with contributions to full-year performance from Exxaro, Anglo American and Mondi. Exxaro, in particular, performed well with associate Kumba Iron Ore profiting from robust iron ore prices, high coal prices and a recovery in Tronox. A recent pullback in Mondi has meant the valuation again looks attractive and we are adding to our position.

The past quarter's domestic rally has created the opportunity for us to buy some of the more attractively valued rand hedge shares as the market prices in a very optimistic economic outcome domestically despite lingering challenges. The overall portfolio remains largely unchanged, consistent with our commitment to invest where we see long-term opportunity.

Portfolio manager
Karl Leinberger, Sarah-Jane Alexander and Adrian Zetler
as at 31 December 2017

## IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION BALANCED PLUS FUND

The Balanced Plus Fund should be considered a medium- to long-term investment. The value of units may go down as well as up, and therefore Coronation does not make any guarantees with respect to the protection of capital or returns. Past performance is not necessarily an indication of future performance. The fund is mandated to invest up to 30% (including a maximum exposure of 5% to Africa, excluding South Africa) of its portfolio into foreign securities and may as a result be exposed to macroeconomic, settlement, political, tax, reporting or illiquidity risk factors that may be different to similar investments in the South African markets. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Asset allocation is reflected on a look-through basis. Any African exposure (ex SA) is reflected under international assets. Coronation Management Company (RF) (Pty) Ltd is a Collective Investment Schemes Manager approved by the Financial Services Board in terms of the Collective Investment Schemes Control Act. Portfolio managed by Coronation Asset Management (Pty) (FSP 548) Ltd, an authorised financial services provider. The Management Company reserves the right to close the fund to new investors if we deem it necessary to limit further inflows in order for it to be managed in accordance with its mandate. Unit trusts are allowed to engage in scrip lending and borrowing. Standard Chartered has been appointed as trustees for the fund (www.sc.com/za; 011-2176600). Coronation is a full member of the Association for Savings & Investment SA (ASISA).

## HOW ARE UNITS PRICED AND AT WHICH PRICE WILL MY TRANSACTION BE EXECUTED?

Unit trusts are traded at ruling prices set on every trading day. Fund valuations take place at approximately 15h00 each business day, except at month end when the valuation is performed at approximately 17h00 (JSE market close) and forward pricing is used. Instructions must reach the Management Company before 14h00 (12h00 for the Money Market Fund) to ensure same day value. The payment of withdrawals may be delayed in extraordinary circumstances, when the manager with the consent of the fund trustees deem this to be in the interest of all fund investors. These circumstances may include periods when significant underlying markets suspend trading which will prevent accurate valuation of the instruments held in the fund. When the suspension of trading relates to only certain assets held by the fund, these assets may be side-pocketed. This process allows normal liquidity on the assets that can be valued, but will delay liquidity on the affected portion of the fund. If the fund is faced with excessive withdrawals, the affected withdrawals may be ring-fenced, which is the separation and delayed sale of the assets reflecting the interest of the liquidity seeking investors. It ensures that the sale of a large number of units will not force Coronation to sell the underlying investments in a manner that may have a negative impact on remaining investors of the fund.

## HOW WAS THE PERFORMANCE INFORMATION INCLUDED IN THIS FACT SHEET CALCULATED?

Performance is calculated by Coronation as at the last day of the month for a lump sum investment using Class P NAV prices with income distributions reinvested. Class A NAV prices were used for the period prior to the launch of Class P. All underlying price and distribution data is sourced from Morningstar. Performance figures are quoted after the deduction of all costs (including manager fees and trading costs) incurred within the fund. Note that individual investor performance may differ as a result of the actual investment date, the date of reinvestment of distributions and dividend withholding tax, where applicable. Annualised performance figures represent the geometric average return earned by the fund over the given time period. Unannualised performance represents the total return earned by the fund over the given time period, expressed as a percentage.

## WHAT IS THE TOTAL EXPENSE RATIO (TER) AND TRANSACTION COSTS (TC)?

TER is calculated as a percentage of the average net asset value of the portfolio incurred as charges, levies and fees in the management of the portfolio. The TER charged by any underlying fund held as part of a fund's portfolio is included in the fund expenses portion of the TER, but trading and implementation costs incurred in managing the fund are excluded. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. The 1 year TER is for the 12 months to end of September 2017 (updated annually). The 3 year TER is for a rolling 36-month period to the last quarter end (December, March, June and September).

Transaction costs are a necessary cost in managing a fund and impacts the fund's return. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER.

The Total Investment Charge is the sum of the Total Expense Ratio (TER) and transaction costs.

## ADVICE AND PLATFORM COSTS

Coronation does not provide financial advice. If you appoint an advisor, advice fees are contracted directly between you and the advisor. For more information please contact the relevant platform (Linked Investment Service Provider or Life Assurance Provider).

## WHERE CAN I FIND ADDITIONAL INFORMATION?

Additional information such as daily fund prices, brochures, application forms and a schedule of fund fees and charges is available on our website, www.coronation.com

## IMPORTANT INFORMATION REGARDING TERMS OF USE

This document is for information purposes only and does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase any particular investment. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance upon the information.

# Investec
# Managed Fund

Investec Asset Management

'H' class units, ZAR

As at end December 2017

## Fund Features

- A balanced fund for investors who don't want to actively manage their own asset allocation
- Flexible investment style and stock selection process

## Objectives and investment policy summary

- The Fund aims primarily for steady and stable total returns (the combination of income and capital growth). A secondary aim is to provide a reasonable level of current income
- The Fund invests in a balanced manner across a range of asset classes including shares, property investments and property funds, gilts (fixed income securities issued by governments) and interest bearing securities (financial contracts evidencing ownership or debt) and cash
- Other investments may include the units of other funds (including foreign funds) and derivatives (financial contracts whose value is linked to the price of an underlying asset)

## Annualised performance (%)

| | FUND | SECTOR |
|---|---|---|
| 1 Year | 12.5 | 10.0 |
| 3 Years | 10.6 | 6.3 |
| 5 Years | 12.3 | 9.2 |
| 10 Years | 9.8 | 8.3 |
| Since Inception† | 14.7 | 13.8 |

†Since Inception simulation date 28.02.94

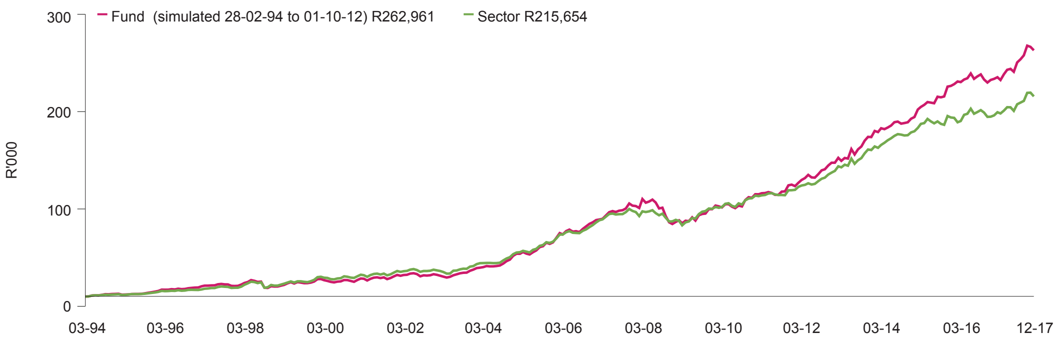
## Fund statistics (%)

| SINCE INCEPTION† | | DATE* |
|---|---|---|
| Highest annualised return | 47.9 | 30.04.06 |
| Lowest annualised return | -22.7 | 28.02.09 |

*12 month rolling performance figures

| | |
|---|---|
| Annualised volatility (%) | 15.3 |
| Maximum drawdown (%) | -30.0 |

## Since inception performance, R10,000 initial investment




Source: © Morningstar, dates to 31.12.17, performance figures above are based on lump sum investment, NAV-NAV, net of fees, gross income reinvested, in ZAR. The performance quoted for periods before the launch of H Class is based on older classes' performance, is adjusted for any fee differences and is for illustrative purposes only.

## Income distributions (cents per class unit)

| Payment Date | Total |
|---|---|
| 03 October 2017 | 15.54 |
| 07 April 2017 | 16.16 |

## Asset allocation (%)

| | |
|---|---|
| **Local Assets** | **75.7** |
| Equities | 32.7 |
| Cash / Money Market | 28.0 |
| Bonds | 13.4 |
| Commodities | 1.6 |
| **Foreign Assets** | **24.3** |
| Equities | 18.9 |
| Cash / Money Market | 3.5 |
| Bonds | 1.5 |
| Property (listed) | 0.4 |

## Risk profile

**Lower risk** Potentially lower rewards — **Higher risk** Potentially higher rewards

1 2 3 **4** 5 6 7

## Key facts

**Portfolio manager:** Gail Daniel
**Fund size:** ZAR 12.2bn
**Fund inception date:** 09.02.94
**H Inc ZAR class unit inception date:** 01.10.12
**Domicile:** South Africa
**Sector:** ASISA SA Multi-Asset High Equity
**Benchmark:** Peer group median
**'H' class unit dealing currency:** ZAR

## 'H' class unit charges

**Initial fund fee:** 0.00%
**Minimum annual management fee:** 0.55%
**Maximum annual management fee:** 2.60%
**Total expense ratio (TER):** 1.78%
**Transaction cost (TC):** 0.76%
**Total investment charge (TIC):** 2.54%

Inclusive in the TER of 1.78%, a performance fee of 0.98% of the net asset value of the class of fund was recovered.

Fees rates are shown excluding VAT. TER, TC and TIC are shown including VAT.

The annual management fee is accrued daily, and the daily fee rate depends on fund performance over the previous 12 months (net of the H-class minimum annual fee rate) relative to a fee hurdle, the peer group median. If the fund underperforms this hurdle then the minimum annual fee rate applies. If the fund outperforms this hurdle then the annual fee rate is increased by 20% of the outperformance, subject to a minimum fee of 0.55% and a maximum fee of 2.60% p.a.

## Other information

**Valuation and transaction cut-off:** 16.00 SA Time (forward pricing)
**Minimum investment:** LISPs or R10,000,000
**ISIN:** ZAE000171500

**Investec Managed Fund**
Winner of the Special Raging Bull award for the best risk-adjusted performance over 21 years by a South African multi-asset equity fund. The full details and basis of the award, affirmed on 25.01.17, are available on request.

# Investec Managed Fund

### Sector allocation excl. cash (%)

| | |
|---|---|
| Financials | 27.7 |
| Basic Materials | 22.7 |
| Consumer Goods | 16.1 |
| Telecommunications | 11.2 |
| Consumer Services | 7.7 |
| Technology | 5.0 |
| Health Care | 3.7 |
| Additional | 3.1 |
| Other | 2.8 |

FTSE sector data source: FTSE International Limited ("FTSE") © FTSE 2017.
Please note a disclaimer applies to FTSE sector data and can be found at:
http://www.ftse.com/products/downloads/FTSE_Wholly_Owned_Non-Partner.pdf

### Top Equity holdings (%)

| | |
|---|---|
| Standard Bank Group Ltd | 3.9 |
| FirstRand Ltd | 2.9 |
| Anglo American Plc | 2.4 |
| Naspers Ltd | 2.4 |
| MTN Group Ltd | 2.2 |
| Cie Financiere Richemont SA | 2.1 |
| Anheuser-busch Inbev SA/NV | 2.1 |
| BHP Billiton Plc | 2.0 |
| Sasol Ltd | 1.9 |
| Old Mutual Plc | 1.7 |
| Total | 23.6 |

### Specific Fund Risks

**Currency exchange:** Changes in the relative values of different currencies may adversely affect the value of investments and any related income.
**Default:** There is a risk that the issuers of fixed income investments (e.g. bonds) may not be able to meet interest payments nor repay the money they have borrowed. The worse the credit quality of the issuer, the greater the risk of default and therefore investment loss.
**Derivative counterparty:** A counterparty to a derivative transaction may fail to meet its obligations thereby leading to financial loss.
**Derivatives:** The use of derivatives is not intended to increase the overall level of risk. However, the use of derivatives may still lead to large changes in value and includes the potential for large financial loss.
**Developing market:** These markets carry a higher risk of financial loss than more developed markets as they may have less developed legal, political, economic or other systems.
**Interest rate:** The value of fixed income investments (e.g. bonds) tends to decrease when interest rates and/or inflation rises.

### Glossary Summary

**Annualised performance:** Annualised performance is the average return per year over the period.
**Duration:** This is a measure of risk for funds which invest in bonds as it predicts the sensitivity of the value of a fund's portfolio given changes in interest rates. The higher the value the greater the volatility of the fund's performance resulting from changes to interest rates. The Modified duration is shown.
**Maximum drawdown:** The largest peak to trough decline during a specific period of an investment.
**NAV:** The Net Asset Value (NAV) represents the value of the assets of a fund less its liabilities.
**Risk profile:** A number on a scale of 1 to 7 based on how much the value of a fund has fluctuated over the past 5 years (or an estimate if the fund has a shorter track record). A rating of 1 represents the lower end of the risk scale with potentially lower rewards available whilst a rating of 7 reflects higher risk but potentially higher rewards.
**Total Expense Ratio:** TER includes the annual management fee, performance fee and administrative costs and includes VAT but excludes portfolio transaction costs (except in the case of an entry or exit charge paid by a fund when buying or selling units in another fund) expressed as a percentage of the average daily value of the Fund calculated over a rolling three year period (or since inception where applicable) and annualised to the most recently completed quarter. Where funds invest in the participatory interests of foreign collective investment schemes, these may levy additional charges which are included in the relevant TER. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TERs.
**Transaction cost:** Transaction costs are a necessary cost in administering the Fund and impacts 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. Calculations are based on actual data where possible and best estimates where actual data is not available. Transaction costs are inclusive of VAT.
**Total investment charge:** This is the sum of the TER and TC.
**Volatility:** The amount by which the performance of a fund fluctuates over a given period.

### Important information

All information provided is product related and is not intended to address the circumstances of any particular individual or entity. We are not acting and do not purport to act in any way as an advisor or in a fiduciary capacity. No one should act upon such information without appropriate professional advice after a thorough examination of a particular situation. Collective investment scheme funds (CISs) are generally medium to long term investments. Funds are traded at ruling prices and can engage in borrowing, up to 10% of fund net asset value to bridge insufficient liquidity, and scrip lending. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the fund including any income accruals less permissible deductions from the fund. A schedule of charges, fees and advisor fees is available on request from the Manager, Investec Fund Managers SA (RF) (Pty) Ltd (IFMSA) which is registered under the Collective Investment Schemes Control Act. Additional advisor fees may be paid and if so, are subject to the relevant FAIS disclosure requirements. Performance shown is that of the fund and individual investor performance may differ as a result of initial fees, actual investment date, date of any subsequent reinvestment and any dividend withholding tax. This fund may be closed in order to be managed in accordance with the mandate. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Where the fund invests in the participatory interests of foreign collective investment schemes, these may levy additional charges which are included in the relevant TER. Fund prices are published each business day at www.investecassetmanagement.com and in select media publications . The Manager outsources its portfolio management to Investec Asset Management (Pty) Ltd ('Investec'), a member of the Association for Savings and Investment SA (ASISA). This minimum disclosure document is the copyright of Investec and its contents may not be re-used without Investec's prior permission. Issued 11.01.2018

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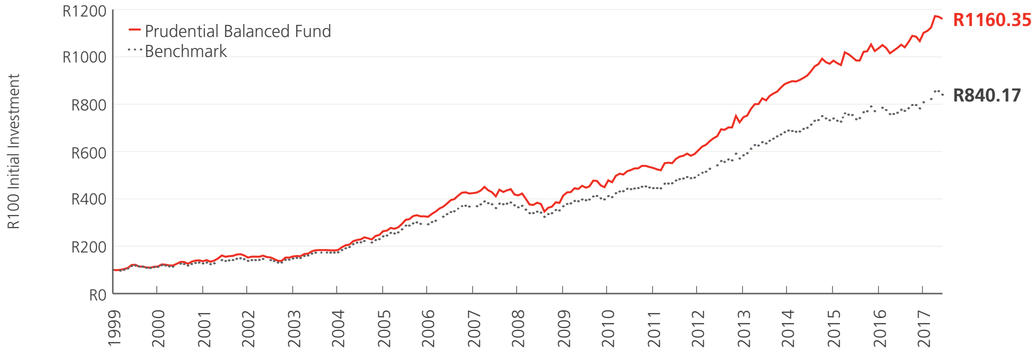
PO Box 7713 Johannesburg 2000
Telephone: (011) 282 1808

# PRUDENTIAL BALANCED FUND
## 31 DECEMBER 2017

PRUDENTIAL INVESTMENT MANAGERS

**FACT SHEET/MINIMUM DISCLOSURE DOCUMENT** | **MULTI-ASSET**

### SINCE INCEPTION CUMULATIVE PERFORMANCE, DISTRIBUTIONS REINVESTED (A CLASS)




| ANNUALISED PERFORMANCE | A CLASS | BENCHMARK | T CLASS | X CLASS | B CLASS |
|---|---|---|---|---|---|
| 1 year | 11.8% | 10.0% | 12.4% | 15.5% | 12.6% |
| 3 years | 8.0% | 6.3% | n/a | 8.3% | 8.8% |
| 5 years | 11.8% | 9.2% | n/a | 12.1% | 12.6% |
| 7 years | 12.3% | 9.6% | n/a | n/a | 13.2% |
| 10 years | 10.5% | 8.3% | n/a | n/a | 11.4% |
| Since inception | 14.2% | 12.3% | 7.5% | 11.9% | 14.7% |

# Inception dates: X Class: 2 January 2013, B Class: 1 July 2002, T Class: 2 January 2015

| RETURNS SINCE INCEPTION## | A CLASS | DATE |
|---|---|---|
| Highest annualised return | 44.7% | 30 Apr 2006 |
| Lowest annualised return | -21.1% | 28 Feb 2009 |

## 12-month rolling performance figure

| RISK MEASURES | A CLASS | BENCHMARK |
|---|---|---|
| Monthly volatility (annualised) | 10.6% | 8.9% |
| Maximum drawdown over any period | -23.2% | -16.8% |
| Information ratio | 1.1 | n/a |
| Sortino ratio | 0.2 | -0.2 |
| Sharpe ratio | 0.1 | -0.1 |
| % of positive rolling 12 months | 89.5% | 91.9% |

| TOP 10 HOLDINGS* | |
|---|---|
| 1. Prudential Worldwide Managed Fund | 17.6% |
| 2. Prudential High Interest Fund | 12.1% |
| 3. Prudential Worldwide Strategic Managed Fund | 6.3% |
| 4. Naspers Ltd | 5.7% |
| 5. British American Tobacco Plc | 4.5% |
| 6. Prudential Corporate Bond Fund | 4.1% |
| 7. Old Mutual Plc | 3.2% |
| 8. Standard Bank Group Ltd | 3.0% |
| 9. Sasol Ltd | 2.8% |
| 10. Firstrand Ltd | 2.5% |

*As at 31 December 2017 (updated quarterly)

| ASSET ALLOCATION | |
|---|---|
| SA Equity | 44.8% |
| Foreign Equity | 21.7% |
| SA Bonds (ex. Inflation-linked Bonds) | 12.9% |
| SA Cash | 12.7% |
| SA Listed Property | 4.9% |
| Foreign Bonds | 2.3% |
| SA Inflation-linked Bonds | 0.4% |
| Foreign Property | 0.3% |

| INVESTMENT OPTIONS | A CLASS | T CLASS | X CLASS | B CLASS |
|---|---|---|---|---|
| Minimum lump sum investment | R10 000 | R10 000 | R10 000 | R100 million |
| Minimum monthly debit order | R500 pm | R1 000 pm | R500 pm | n/a |

| INITIAL FEES (excl. VAT) | A CLASS | T CLASS | X CLASS | B CLASS |
|---|---|---|---|---|
| Prudential | 0.00% | 0.00% | 0.00% | 0.00% |
| Financial adviser (if applicable) | 3.00% (max) | 2.25% (max) | 3.00% (max) | 0.00% |

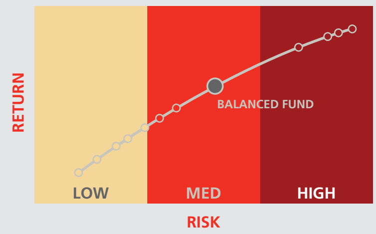
| ANNUAL MANAGEMENT FEES (excl. VAT) | A CLASS | T CLASS | X CLASS | B CLASS |
|---|---|---|---|---|
| Prudential** | 1.25% | 0.80% | 1.00% | 0.60% |
| Financial adviser service fee*** (if applicable) | 0.50% | 0.00% | 0.50% | 0.00% |

** Additional underlying foreign fund fees are dependent on the fund and are included in the TER
*** Included in Prudential's annual management fee above

| EXPENSES (incl. VAT) | A CLASS | T CLASS | X CLASS | B CLASS |
|---|---|---|---|---|
| Total Expense Ratio (TER) | 1.62% | 1.08% | 1.43% | 0.88% |
| Transaction Costs (TC) | 0.14% | 0.14% | 0.14% | 0.14% |
| Total Investment Charges (TIC) | 1.76% | 1.22% | 1.57% | 1.02% |

Where a transaction cost is not readily available, a reasonable best estimate has been used. Estimated transaction costs may include Bond, Money Market, and FX costs (where applicable).

### RISK/RETURN PROFILE:




### FUND OBJECTIVE:

To achieve steady long-term growth of capital and income by investing in a diversified combination of domestic and international assets, where the asset allocation is tactically managed.

### INVESTOR PROFILE:

A suitable fund for retirement provision and for those individuals looking to tilt their portfolio to value with controlled risk exposure. The recommended investment horizon is 5 years or longer.

### INVESTMENT MANDATE:

The Fund conforms to the regulations governing retirement fund investments (Regulation 28). Intended maximum limits: Equity 75%, Listed Property 25%, Offshore 25%, and Africa (excl. SA) 5%.

### FUND MANAGERS:

David Knee, Michael Moyle, Duncan Schwulst and Johny Lambridis

### ASISA CATEGORY:

South African - Multi-Asset - High Equity

### BENCHMARK:

ASISA South African - Multi-Asset - High Equity Category Average

### INCEPTION DATE:

2 August 1999

### FUND SIZE:

R18 224 899 543



**Sources:** Prudential, Morningstar & Deutsche Securities

# PRUDENTIAL BALANCED FUND
## 31 DECEMBER 2017

PRUDENTIAL
INVESTMENT MANAGERS

## FACT SHEET/MINIMUM DISCLOSURE DOCUMENT

MULTI-ASSET

| INCOME DISTRIBUTIONS | TOTAL DISTRIBUTIONS | 12-MONTH YIELD |
|---|---|---|
| (A Class) 31 December 2017 | 8.17 cpu | 2.46% |
| (A Class) 30 June 2017 | 8.24 cpu | 2.80% |
| | | |
| (B Class) 31 December 2017 | 10.61 cpu | 3.13% |
| (B Class) 30 June 2017 | 10.55 cpu | 3.52% |
| | | |
| (T Class) 31 December 2017 | 9.84 cpu | 2.93% |
| (T Class) 30 June 2017 | 9.82 cpu | 3.30% |

If the income earned in the form of dividends and interest exceeds the total expenses, the Fund will make a distribution. (cpu = cents per unit)

### FUND COMMENTARY

The year that was 2017 ended on a high in December, with equity markets around the world posting fresh record highs amid a remarkable lack of volatility. Global growth remained strong, inflation relatively subdued and monetary policies supportive for the month. The passage of the Republican tax cut package in the US bolstered market optimism further. During the month the US Federal Reserve raised its base interest rate by 25 basis points, its third hike for the year, as widely expected. Together with full employment and the large corporate tax cuts to come, analysts expect US inflation to become more problematic in 2018 – market consensus is for four 25bp Fed rate hikes in the new year.

In South Africa it was a surprisingly positive month for investors, with markets dominated by the election of market-friendly Cyril Ramaphosa as President of the ANC. Investors interpreted Ramaphosa's election as an opportunity for the country to introduce much-needed reforms, reduce corruption, and lift business and consumer sentiment. Greater prospects for improved fiscal responsibility also helped the credit rating outlook. Combined with Moody's credit rating reprieve in November, this more optimistic sentiment helped lower risk perceptions among both local and offshore investors, driving strong rallies in South African bonds, listed property and the rand. In December, the BEASSA All Bond Index delivered a total return of 5.7%, Inflation-linked bonds (Composite ILB Index) 4.9%, and cash as measured by the STeFI Composite Index returned 0.6%. Listed property returned 4.2% for the month. The rand, meanwhile, gained strongly in December against all three major global currencies, appreciating 9.3% against a weaker US dollar, 9.1% against the pound sterling and 8.6% against the euro.

Looking at global equity market returns (all in US$), the MSCI World Index (for developed markets) returned 1.4% in December, underperforming the MSCI Emerging Markets Index at 3.6%. Global bonds were largely flat in December as the Bloomberg Barclays Global Aggregate Bond Index (US$) returned 0.3%, while the EPRA/NAREIT Developed Global Property Index (US$) returned 1.4% for the month.

In December, the fund's overweight holdings in SA equity and SA bonds, as well as its underweight in international fixed income assets added the most to relative performance. Detracting most from value was its underweight in SA cash. Performance remains upper quartile over all annual periods from 1-10 years.

### GLOSSARY

| | |
|---|---|
| **12-month yield** | A measure of the Fund's income distributions as a percentage of the Fund's net asset value (NAV). This is calculated by summing the income distributions over a rolling 12-month period, then dividing by the sum of the NAV at the end of the period and any capital gains distributed over the same period. |
| **Annualised performance** | The average amount of money (total return) earned by an investment each year over a given time period. For periods longer than one year, total returns are expressed as compounded average returns on a yearly basis. |
| **Cumulative performance graph** | This illustrates how an initial investment of R100 or N$100 (for example) placed into the Fund would change over time, taking ongoing fees into account, with all distributions reinvested. |
| **Income distribution** | The dividend income and/or interest income that is generated by the underlying Fund investments and that is periodically declared and distributed to investors in the Fund after all annual service fees. |
| **Information ratio** | Measures the Fund's active return (Fund return in excess of the benchmark) divided by the amount of risk that the manager takes relative to the benchmark. The higher the information ratio, the higher the active return of the Fund, given the amount of risk taken and the more consistent the manager. This is calculated over a 3-year period. |
| **Intended maximum limits** | This indicates the Fund's intended maximum exposure to an asset class. These limits may be reviewed subject to the Fund's Supplemental Deed and/or Regulation 28 for those Funds managed in accordance with Regulation 28 of the Pension Funds Act. |
| **Maximum drawdown** | The largest drop in the Fund's cumulative total return from peak to trough over any period. |
| **Monthly volatility (annualised)** | Also known as standard deviation. This measures the amount of variation or difference in the monthly returns on an investment. The larger the annualised monthly volatility, the more the monthly returns are likely to vary from the average monthly return (i.e. the more volatile the investment). |
| **Percentage of positive rolling 12 months** | The percentage of months, since inception, that the Fund has shown a positive return over a rolling 12-month period. |
| **Regulation 28** | The South African retirement fund industry is governed by the Pension Funds Act, No 24 of 1956. Regulation 28 of the Pension Funds Act prescribes the maximum limits in asset classes that an approved retirement fund may invest in. |
| **Sharpe ratio** | The Sharpe ratio is used to measure how well the return of an asset compensates the investor for the risk taken. The higher the Sharpe ratio the better the Fund's historical risk-adjusted performance has been. This is calculated by taking the difference between the Fund's annualised return and the risk-free (cash) rate, divided by the standard deviation of the Fund's returns. This is calculated over a 3-year period. |
| **Sortino ratio** | This is calculated by taking the difference between the Fund's annualised return and the risk-free (cash) rate, divided by the downside deviation of the Fund's returns i.e. the "bad" volatility. A high Sortino ratio indicates a low risk of large losses occurring in the Fund. This is calculated over a 3-year period. |
| **Total Expense Ratio (TER)** | This shows the charges, levies and fees relating to the management of the portfolio and is expressed as a percentage of the average net asset value of the portfolio, calculated over a rolling three years (where applicable) and annualised to the most recently completed quarter. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs. |
| **Transaction Costs (TC)** | The percentage of the value of the Fund incurred as costs relating to the buying and selling of the Fund's underlying assets. Transaction costs are a necessary cost in administering the Fund and impacts Fund 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 Fund, investment decisions of the investment manager and the TER. |
| **Total Investment Charges (IC)** | The percentage of the value of the Fund incurred as costs, relating to the investment of the Fund. As fund returns are reported after deducting all fees and expenses, these costs (the TER, TC & IC) should not be deducted from the fund returns. |
| **Unit class** | Prudential's funds are offered in different unit classes to allow different types of investors (individuals and institutions) to invest in the same fund. Different investment minimums and fees apply to different unit classes.<br>A Class: for individuals only.<br>B & D Class: retirement funds and other large institutional investors only.<br>X Class: the special fee class that was made available to investors that were invested in the Dividend Income Feeder Fund.<br>T Class: for investors in tax-free unit trusts.<br>F Class: for Discretionary Fund Managers. |

**An electronic copy of this document is available at www.prudential.co.za**

### HOW TO INVEST

0860 105 775

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Application forms

Invest now

Application forms and all required documentation must be faxed to **+27 11 263 6143** or e-mailed to **instructionsa@myprudential.co.za.**





**Sources:** Prudential, Morningstar & Deutsche Securities

# SYGNIA CPI + 6% FUND

**CLASS B**
SOUTH AFRICAN - MULTI-ASSET - HIGH EQUITY

**31 DECEMBER 2017**

**RISK PROFILE**

| LOW | LOW MEDIUM | MEDIUM | **MEDIUM HIGH** | HIGH |
|---|---|---|---|---|

LESS RISK/ RETURN — MORE RISK/ RETURN

**TIME HORIZON**

| 0 - 2 YEARS | 2 YEARS+ | 3 YEARS+ | **5 YEARS+** | 7 YEARS+ |
|---|---|---|---|---|

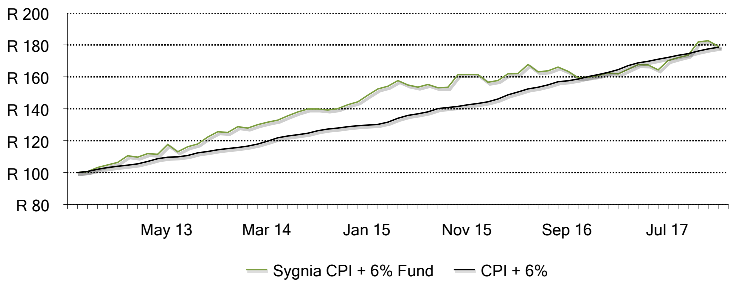
| | |
|---|---|
| PORTFOLIO MANAGERS | **RIAN BRAND**<br>**IAIN ANDERSON** |
| REGULATION 28 | **COMPLIANT** |
| FUND LAUNCH DATE | **20 JUNE 2012** |
| CLASS LAUNCH DATE | **15 AUGUST 2012** |
| FUND SIZE | **R 2 080 MILLION** |
| INSTRUMENT PRICE | **160.01** |

| | |
|---|---|
| FUND OBJECTIVE | **MAXIMISATION OF LONG-TERM RETURNS WITH LIMITED FOCUS ON MANAGING THE RISK OF SHORT-TERM CAPITAL LOSS** |
| INCOME DISTRIBUTION | **BI-ANNUALLY (SEPTEMBER AND MARCH)**<br>**PAYMENT: 1 OCT 2017 - 2.46 CENTS PER UNIT**<br>**PAYMENT: 1 APR 2017 - 2.00 CENTS PER UNIT** |
| TRUSTEES | **STANDARD BANK TRUSTEES (021 441 4100)** |

## CUMULATIVE INVESTMENT PERFORMANCE

Growth of R100 invested on 31 August 2012

Investment: R 179,13
Benchmark: R 178,51




## ASSET ALLOCATION

| ASSET CLASS | PERCENTAGE | ALLOCATION |
|---|---|---|
| SA Equities | 50.4% | |
| SA Properties | 6.4% | |
| SA Fixed Interest | 11.4% | |
| SA Money Market | 9.2% | |
| Int Equities | 20.2% | |
| International Fixed Interest | 0.9% | |
| Int Properties | 0.7% | |
| Int Cash | 0.4% | |
| Africa Equity | 0.3% | |

## PERFORMANCE ANALYSIS

| PERIODIC PERFORMANCE | FUND | *BM | DIFFERENCE |
|---|---|---|---|
| 1 Month | -1.9% | 0.6% | -2.5% |
| 3 Months | 3.2% | 2.3% | 0.9% |
| 6 Months | 9.0% | 4.4% | 4.6% |
| Year to Date | 11.4% | 10.6% | 0.8% |
| 1 Year | 11.4% | 10.6% | 0.8% |
| **3 Years | 7.5% | 11.3% | -3.9% |
| **5 Years | 11.0% | 11.4% | -0.4% |
| **Since Inception | 11.6% | 11.5% | 0.1% |

*Headline Consumer Price Index + 6%
**Annualised performance figures

## MANAGER ALLOCATION

| MANAGER | PERCENTAGE |
|---|---|
| Domestic Index Trackers | 38.0% |
| Global Index Trackers | 18.8% |
| Investec Asset Management | 8.1% |
| Boutique Manager 3 | 6.0% |
| Coronation Fund Managers | 5.6% |
| Boutique Manager 1 | 4.9% |
| Boutique Manager 2 | 3.8% |
| Sygnia Asset Management | 3.4% |
| ABSA | 2.5% |
| Taquanta Asset Management | 2.4% |
| Boutique Manager 4 | 1.8% |

## HISTORICAL PERFORMANCE

| | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | YEAR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2014 | -0.7% | 1.7% | 1.2% | 1.0% | 2.0% | 1.8% | 1.4% | 0.0% | -0.5% | 0.6% | 1.7% | 1.3% | 12.1% |
| 2015 | 2.9% | 2.6% | 1.1% | 2.3% | -1.7% | -0.9% | 1.1% | -1.3% | 0.2% | 5.1% | 0.1% | -0.1% | 11.8% |
| 2016 | -3.0% | 0.7% | 2.7% | 0.1% | 3.5% | -2.8% | 0.4% | 1.4% | -1.6% | -2.5% | 0.3% | 0.6% | -0.4% |
| 2017 | 1.0% | -0.4% | 1.8% | 1.8% | -0.1% | -1.8% | 3.5% | 1.1% | 0.9% | 4.8% | 0.4% | -1.9% | 11.4% |

## RISK STATISTICS

| | FUND | ^BM |
|---|---|---|
| % Negative Months | 31.7% | 35.0% |
| Avg Negative Return | -1.3% | -1.2% |
| Maximum Drawdown | -5.0% | -4.2% |
| Standard Deviation | 6.9% | 6.4% |
| Downside Deviation | 3.9% | 3.2% |
| Highest Annual Return: Jul 2013 - Jun 2014 | 22.1% | 19.6% |
| Lowest Annual Return: Nov 2015 - Oct 2016 | -1.2% | -0.5% |

The risk statistics reflected above are calculated on a 60-month or since-inception basis, depending on which period is shorter. ^SA Multi-Asset High Equity Avg

## FEES

| | |
|---|---|
| Initial Fees: | 0.00% |
| Management Fees: | 0.969% per annum (including VAT) |
| Performance Fees: | N/A |
| Total Expense Ratio (TER): | 0.71% (December 2017) |
| Transaction Costs (TC): | 0.22% (December 2017) |
| Total Investment Charge (TIC): | 0.93% (December 2017) |

FIND OUT MORE ABOUT OUR FUNDS:
**WWW.SYGNIA.CO.ZA**

SYGNIA

# SYGNIA CPI + 6% FUND
## FUND **COMMENTARY**

**CLASS B**
SOUTH AFRICAN - MULTI-ASSET - HIGH EQUITY
4TH QUARTER 2017

**RISK PROFILE**

| LOW | LOW MEDIUM | MEDIUM | MEDIUM HIGH | HIGH |
|---|---|---|---|---|

LESS RISK/ RETURN — MORE RISK/ RETURN

**TIME HORIZON**

| 0-2 YEARS | 2 YEARS+ | 3 YEARS+ | 5 YEARS+ | 7 YEARS+ |
|---|---|---|---|---|

## 2017 IN SUMMARY

In 2017 global stocks enjoyed their best annual performance since the post-crisis recovery, on accelerating economic growth across the world. The MSCI All Country World Index delivered 24.0% in 2017, its biggest gain since 2009, the S&P500 benchmark was up 19.4%, its sixth best annual performance in two decades and the MSCI Emerging Markets Index rose by 37.3%. Even global bond markets enjoyed a bumper 2017, with the Barclays Global Aggregate Bond Index up 7.4%.

The fourth quarter started on a strong note despite the uncertainty surrounding central banks' quantitative easing programmes, the looming US tax cuts and concerns about growth in China.

However, by year-end some of the uncertainty had dissipated as the US adopted a bill cutting its corporate tax rate from 35% to 21%, the US Fed increased interest rates in December, the ECB committed to a bond-buying programme until September 2018 and growth in China, albeit pedestrian by historical standards, was sufficient to boost commodities.

The US economy performed in line with expectations, with the unemployment rate at a 17-year low of 4.1% in November and most economic indicators in positive territory. Only inflation remained stubbornly low at 1.7%. The US Fed raised interest rates by 0.25% for the third time this year to the 1.25% to 1.5% range, and left its outlook of three further rate increases in 2018 and 2019 unchanged. GDP growth is expected to come in at 2.5% in 2018, cooling down to 2.1% in 2019.

China's economy performed better than expected on the back of easy credit and copious public investment. China's GDP growth came in at 6.8% year-on-year in the third quarter, against an official target of 6.5% growth for the year 2017. Trade data showed record imports of base metals, which helped to drive up commodity prices.

And finally, the Eurozone's recovery took everyone by surprise, with the IMF forecasting growth of 2.1% in 2018, the highest since 2007. The recovery has been broad-based, spanning all countries and sectors, and well-balanced, with household spending, exports and investment all playing their part. Overall the Eurozone's GDP grew by 2.6% year-on-year to the end of September. The ECB announced that it will extend its bond-buying programme until at least September 2018 to keep the recovery on track, but will halve its purchases to €30 billion per month from January.

The ultra-low interest rates in developed economies continued to channel money into higher-yielding assets in emerging markets.

Oil prices rose to their highest levels in two years at US$67 a barrel, supported by rising global demand, supply disruptions and an extension for another nine months of the supply cut deal between OPEC and other major oil producers.

The upward cycle in commodities continued, driven largely by supply constraints. Certain metals, such as nickel, copper and cobalt, benefitted from the growth in the popularity of electric cars.

South Africa faced a tough quarter after yet another Cabinet reshuffle and the Medium-Term Budget Policy Statement which painted a dire picture of the economy. The budget deficit is projected to rise sharply to 4.3% of GDP at the end of 2017. Growth forecasts were cut to 0.7% in FY16/17 and 1.1% in FY17/18 and several State Owned Enterprises (SOEs) are facing liquidity crises. The government needs R30 billion in tax hikes and R50 billion in spending cuts in 2018 to stabilise its finances. These figures exclude the cost of free tertiary education.

S&P cut South Africa's local currency-denominated debt to junk, while Moody's decided to give us the benefit of the doubt until the February 2018 budget.

Despite a strong start, equity markets reeled in December following the revelations of massive fraud at Steinhoff International, the impact of a lower Tencent price on Naspers, allegations that Multichoice paid bribes to influence the government's communications policies and the impact of a strong Rand on Rand hedge counters.

The Rand strengthened on the growing expectations that Cyril Ramaphosa would take over as the President of the ANC, a move regarded as policy friendly. It firmed further after a couple of high profile court rulings came out against President Jacob Zuma.

Ramaphosa's victory, when it came, was bitter-sweet as the ANC's NEC were perceived as being evenly split between reformers and Zuma supporters, a fact that may hamper Ramaphosa. The first indication of that came when the ANC endorsed a resolution to allow expropriation of land without compensation albeit in a "sustainable way". On a positive note, the ANC resolved that state power rested with the ANC and that a commission of inquiry into state capture had to be set up urgently. Zuma left the ANC with a poisoned chalice in the form of a last-minute promise of free tertiary education for the poor, estimated to cost R12 billion. He also immediately defied the party by appealing the High Court's judgement directing him to establish a commission of inquiry into state capture.

On the economic front, GDP growth came in at annualised 2.0% in the third quarter. Manufacturing and mining production continued on a stronger note through the fourth quarter, with the Absa Manufacturing PMI rising to 48.6 index points in November. Business confidence also improved. The unemployment rate remained stable at a record high of 27.7%. Although consumer inflation slowed to 4.6% in November, the Reserve Bank kept interest rates steady at 6.75% as it highlighted the risk of deteriorating public finances and rising government guarantees to SOEs.

## SO WHAT WILL 2018 BRING?

The main risks facing the markets are political, including the North American Free Trade Agreement (NAFTA) negotiations, North Korea's nuclear ambitions and elections in Italy. However, continued loose monetary conditions should support expansion. The US stock rally is likely to continue on stronger earnings, boosted by the tax cuts.

The real risks are likely to materialise in the second half of 2018 as central banks globally unwind the monetary stimulus that took interest rates to historic lows and pumped roughly US$14 trillion into financial markets. The US Fed, the ECB and the Bank of Japan have been the biggest buyers of bonds since the crisis. By keeping bond yields artificially low they have pushed investors into riskier asset classes, boosting equities and buoying economic activity. With the US Fed lifting interest rates and starting to reduce its US$4.5 trillion balance sheet, and the ECB set to halve its monthly purchases of bonds to €30 billion starting in January, the result will be the lowest central banks' debt purchases since 2010.

## FUND PERFORMANCE

During a difficult quarter, the Sygnia CPI + 6% Fund returned 0.2% compared to its long term target, CPI + 6% per annum, which was 2.7%. This underperformance was largely driven by poor market conditions with SA Bonds the only asset class delivering returns in excess of the target. The Fund's offshore position and an underweight position in SA Bonds detracted from performance, while strong performance from the Fund's active equity managers and an over-allocation to SA Money Market benefitted performance.

During the quarter the Fund's exposure to US Equity and Global Property increased, funded by a reduction in Global Bonds, while the net offshore position of the Fund was reduced through a reduction in Africa exposure. A tactical position in select commodities was also introduced (and later closed) in the period.

The Fund remains true to its mandate of maximising long-term returns whilst managing the risk of short-term capital loss.

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# IMPORTANT INFORMATION TO CONSIDER BEFORE INVESTING

## INVESTMENT APPROACH

The Sygnia CPI + 6% Fund is a multi-asset-class fund managed with a high exposure to equities in order to seek long-term returns of at least 6% per annum above inflation while still seeking to moderate the short-term volatility of returns. The Fund will have exposure to both domestic and foreign assets, which will include equities, fixed interest and money market assets and will be comprised of a number of underlying portfolios managed by a range of different managers selected by Sygnia. The Fund has a benchmark of CPI + 6% per annum and will maintain a total equity exposure of below 75% of the portfolio.

## BALANCING RISK AND REWARD

The Fund is a suitable investment for investors seeking higher returns, who are willing to tolerate higher volatility and aim to maximise capital accumulation over a longer-term time horizon. The strategy complies with Regulation 28 of the Pension Funds Act 1956, as amended, so is suitable for investors in retirement annuities, preservation, pension and provident funds.

The recommended investment term for investors in the Fund is a minimum of five years. The Fund has a medium to high risk profile. The risk is managed by spreading investments across asset classes, as well as among a number of asset management houses. The former ensures diversification of sources of returns over market cycles, while the latter ensures diversification of investment styles and philosophies. Tactical asset allocation is used to take advantage of short-term mispricing opportunities in the market in an efficient and cost-effective manner and as a risk management tool in times of market downturns. Equity markets are volatile and the price of equities fluctuate based on a number of factors such as changes in the economic climate, general movements in interest rates and the political and social environment which will also affect the value of the securities held in the unit trust, thereby affecting the overall value of the unit trust. There are regulations in place which limit the amount that a unit trust may invest in securities, thereby spreading the risk across securities, asset classes and companies. The fund may also be exposed to Liquidity Risk. This relates to the ability of the unit trust to trade out of a security held in the portfolio at or near to its fair value. This may impact on liquidity and in the case of foreign securities, the repatriation of funds. The Fund may also be exposed to credit risk where an issuer of a non-equity security may not be able to make interest payments or repay the capital. This will impact the value of the Fund. There are regulations in place which limit the amount a unit trust may be exposed to each Issuer, thereby spreading the risk across various Issuers.

Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily an indicator of future performance. Unit trusts are traded at the ruling price and are allowed to engage in borrowing and scrip lending.

Annualised performance figures represent the geometric average return earned by the fund over the given time period. Unannualised performance represents the total return earned by the fund over the given time period, expressed as a percentage. Performance is calculated for the portfolio. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Reinvestment of income is calculated on the actual amount distributed per participatory interest, using the ex-dividend date NAV price of the applicable class of the portfolio, irrespective of the actual reinvestment date.

## FEES

Sygnia charges an annual management fee comprised of applicable basis fees paid to underlying managers and Sygnia's annual service fee. The Fund may invest in other unit trusts (underlying funds) that levy their own charges and which may charge performance fees in the event that the underlying fund's performance exceeds its benchmark. A schedule of fees and charges is available on request from Sygnia.

## WHAT IS THE TOTAL EXPENSE RATIO (TER)?

The total expense ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past year. Transaction costs are a necessary cost in administering the Fund and impact Fund returns. They 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. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return.

## FOREIGN SECURITIES

The fund may also invest in foreign securities, which may be exposed to macroeconomic, settlement, political, tax, reporting or illiquidity risk factors that may be different to similar investments in South African markets. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down.

## HOW ARE UNIT PRICES CALCULATED?

Unit prices are calculated on a net asset value basis, which is the total market value of all assets in the portfolio, including any income accruals and less any permissible deductions from the portfolio, divided by the number of units in issue. Forward pricing is used and Fund valuations take place at approximately 15:00 each business day. The exception takes place at month end, when valuations are performed at 17:00. Purchases and redemption requests must be received by the manager by 14:00 each business day to receive that day's price. The price shown is specific to this class. The fund size represents the portfolio size as a whole. Unit prices are updated by 10:00 every business day and are available on our website, www.sygnia.co.za.

## CUMULATIVE INVESTMENT PERFORMANCE

Cumulative investment performance is for illustrative purposes only. The investment performance is calculated by taking all ongoing fees into account for the amount shown, with income reinvested on the reinvestment date.

## DISCLAIMER

The Fund may be closed to new investments at any time in order to be managed in accordance with its mandate. Sygnia Collective Investments RF (Pty) Ltd is incorporated and registered under the laws of South Africa and is registered under the Collective Investment Schemes Control Act, 2002 (Act No 45 of 2002). Sygnia Asset Management (Proprietary) Limited, an authorised financial services provider, is the appointed investment manager of the Fund. Sygnia Collective Investments RF (Pty) Ltd does not provide any guarantee with respect to the capital or return of the portfolio. Nothing in this minimum disclosure document will be considered to state or imply that the collective investment scheme or portfolio is suitable for a particular type of investor.

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Additional information such as fund prices, brochures, application forms and a schedule of fees and charges can be requested via admin@sfs.sygnia.co.za or 0860 794 642 (0860 SYGNIA).

# Important notes

## Disclaimer

All of the unit trusts except the Allan Gray Money Market Fund may be closed at any time. This is to allow them to be managed according to their mandates. A feeder fund is a unit trust fund that, apart from assets in liquid form, consists solely of units in a single portfolio of a collective investment scheme. A fund of funds unit trust may only invest in other unit trusts, which levy their own charges that could result in a higher fee structure for these portfolios. Permissible deductions may include management fees, brokerage, STT, auditor's fees, bank charges and trustee fees. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The Fund may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Allan Gray Unit Trust Management Limited ('the Company') is a member of the Association for Savings & Investment SA (ASISA). Allan Gray Proprietary Limited, an authorised financial services provider, is the appointed investment manager of the Company. The Company is incorporated and registered under the laws of South Africa and is supervised by the Financial Services Board. The Company has been approved by the Regulatory Authority of Botswana to market its unit trusts in Botswana, however it is not supervised or licensed in Botswana.

## Unit price

Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accruals and less any permissible deductions from the portfolio divided by the number of units in issue. Forward pricing is used and Fund valuations take place at approximately 16:00 each business day. Fluctuations and movements in exchange rates may also cause the value of underlying international investments to go up or down.

The Allan Gray Money Market Fund aims to maintain a constant price of 100 cents per unit. The total return to the investor is primarily made up of interest received but may also include any gain or loss made on any particular instrument held. In most cases this will have the effect of increasing or decreasing the daily yield, but in some cases, for example in the event of a default on the part of an issuer of any instrument held by the fund, it can have the effect of a capital loss. Such losses will be borne by the Fund and its investors and in order to maintain a constant price of 100 cents per unit, investors' unit holdings will be reduced to the extent of such losses.

## Performance

Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to the future.

## General notes

Values shown are calculated using more decimal places than are displayed. You may find small rounding differences when attempting to reconcile individual components back to totals.