

# IP Prudential Equity Fund

## (A Class) Minimum Disclosure Document

### June 2019



### Fund Objectives, Investment Process & Policy

The IP Prudential Equity Fund is a multi-asset portfolio which aims to achieve long term capital growth, and will be a medium to high risk fund which can utilise the maximum equity exposure allowed under the prudential regulations. The asset allocation of the portfolio will be varied according to the manager's view on the macroeconomic outlook as well as the attractiveness of each asset class and may include equities, bonds, money market instruments, property and derivatives, in both local and foreign markets. The portfolio is managed to comply with the statutory investment limits set for funds in South Africa (regulation 28). This fund is suitable for the sophisticated investor who understands the risks of being exposed to Equity. The Fund will be managed using a top-down approach, taking into consideration macro-economic, fundamental, valuation and technical factors. These will serve as inputs to the managers' tactical asset allocation decisions. The managers will invest in a combination of passive ETF instruments or Index Tracking funds, and actively managed funds in core satellite approach. If direct securities are held, it will be managed on an index replication basis wherever possible. The Fund may also include participatory interests or any other form of participation in portfolios of Collective Investment Schemes or other similar schemes in the Republic of South Africa. At all times, the Fund will adhere to regulations governing retirement funds (Regulation 28) and any related capital control legislation as set by the South African Reserve Bank.

### Investor Profile

Low Risk      Low to Moderate Risk      Moderate Risk      Moderate to High Risk      High Risk



### Asset Allocation

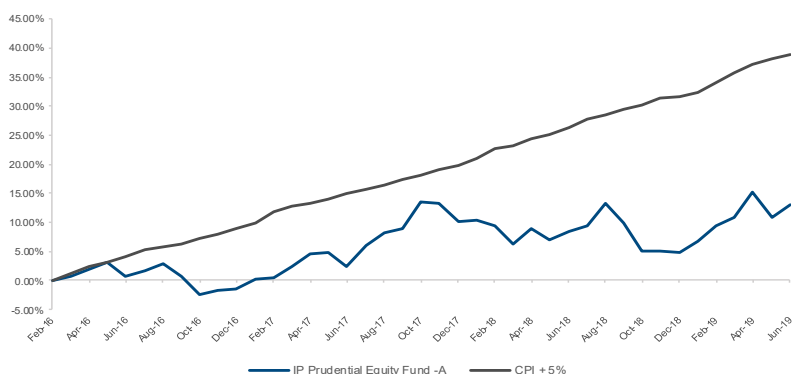


SA Equity	38.92%
SA Bonds	24.00%
Global Equity	23.86%
SA Cash	4.60%
Global Property	4.38%
SA Property	3.55%
Global Cash	0.69%

### Top Portfolio Holdings

Standard Bank Group Ltd Equity	14.41%
SIM Enhanced Yield Fund	12.65%
NewFunds GOVI ETF	9.59%
iShares MSCI ACWI ETF	9.18%
Matrix NCIS Equity	7.77%
Laurium Prescient Equity	6.23%
IB Eurstx Eln	5.73%
Sasfin BCI Flexible Income Fund	5.41%
Gryphon All Share Tracker Fund	5.33%
PSG Equity Fund	3.81%


### Fund Performance



Source: IRESS.

ASISA Member of the Association for Savings & Investment SA

### Fund Information

<b>Fund manager</b>	 Roeloff Home Director & Head of SA Portfolio Management
<b>Latest price</b>	A 109.13 cents B 109.25 cents
<b>Fund size</b>	R 180 m
<b>Number of units</b>	A 108 519 759.91 B 55 943 513.91
<b>ASISA category</b>	SA Multi Asset - High Equity
<b>Regulation 28 compliant</b>	Yes
<b>Benchmark</b>	CPI + 5%
<b>Inception</b>	10 March 2016
<b>Min lump sum investment</b>	A R10,000
<b>Min monthly investment</b>	A R500
<b>Dates of income declarations</b>	31 Mar / 30 Sept
<b>Date of income payment</b>	2nd day of the following month or next business day if the 2nd does not fall on a business day

### Portfolio Fees

<b>Max initial manager fee</b>	0.00%
<b>Annual management fee</b>	0.75% (excl. VAT)

### Total Expense Ratio (TER)<sup>1</sup>, Transaction Costs (TC) and Total Investment Cost (TIC) (01 Apr 2016 to 31 Mar 2019)

<b>TER*</b>	1.55%
<b>TC</b>	0.33%
<b>TIC (incl. VAT)</b>	1.88%

\*Includes the annual management fee of 0.75% (VAT exclusive).

### Annualised<sup>2</sup> Performance

<b>Highest %</b> (30 November 2017)	16.49%
<b>Lowest %</b> (30 November 2018)	-7.52%

### Fund References

<b>ISIN (A Class)</b>	ZAE000215190
<b>Bloomberg (A Class)</b>	SENPRUA:SJ
<b>JSE (A Class)</b>	IPEFA

<b>Annualised Returns<sup>2</sup></b>	YTD	1-Year	3-Year	Since inception 10-03-2016
<b>IP Prudential Equity Fund</b>	7.99%	4.38%	3.97%	3.76%
Benchmark	5.52%	9.92%	10.10%	10.36%
<b>Cumulative Returns</b>	YTD	1-Year	3-Year	Since inception 10-03-2016
<b>IP Prudential Equity Fund</b>	7.99%	4.38%	12.38%	13.09%
Benchmark	5.52%	9.92%	33.48%	38.89%

Fund returns shown are based on NAV-NAV unit pricings calculated from IRESS for a lump-sum investment with income distribution reinvested (after fees and cost).



**Quarterly Market Commentary** (as at 30 June 2019)

The portfolio enjoyed a welcome recovery in risk asset classes over the past 6 months, outperforming Money Market returns by more than 4% over the past 6 months.

The Rand recovered some of its recent losses gaining 3.7% against the US Dollar with global Central Bank talk of interest rate easing boosting Emerging Market currencies. Global trade and global manufacturing PMI's are declining – due partly to the effects of President Trump's tariff wars with Mexico, Canada, the Eurozone and China. The Brexit saga drags on and on, also reducing trade and economic growth in Britain and the Euro area.

Investors are wondering where the turnaround in SA company earnings is going to come from and whether these shares are a value trap as even a 5% dividend yield isn't enough to encourage new buyers. Investor sentiment in South Africa and amongst consumers and business is very poor. We now believe that post the election weaker GDP data and continued ANC infighting is highlighting that there is a chance that South Africa 'Incorporated Stocks' could become a value trap as we struggle to gain any growth momentum and improvement in investor and consumer confidence.

We took profit from our offshore exposure in the fund by selling some iShares MSCI AC World Equity. We also traded Naspers actively during the first 6 months and booked a 25% profit on this trade as we sold the stock in May. We also reduced our SA Equity exposure by 8% during the quarter, mainly by selling both Naspers and PSG Equity. This fund has had a disappointing 12 months due to stock selection. We have built up some cash in the fund to take advantage of potentially cheaper stocks as poor SA economic data and/or some retracement/profit taking in offshore equity markets in the slower Northern hemisphere months offer better opportunities later in the cycle. We introduced the NEWGOLD ETF back into the fund as it demonstrated positive technical momentum due to a weaker US Dollar and the fact that US\$13 trillion developed market bonds yield negative returns. We added to our NEWFUNDS GOVI allocation to increase exposure to SA Bonds which remain attractive despite potential downgrade concerns in the next 12 months.

We used some of the inflows into the fund to purchase the Sanlam Managed Risk Fund. This fund uses Artificial Intelligence to actively manage exposure (between 10% -90%) to the MSCI World Equity Index. The results are surprisingly good since it launched two years ago. We have bought back into Emerging Markets ETFs and will continue to do so if we experience actual developed market central bank rate cuts and increased global liquidity and economy expansion.

Our passive indexation exposure in the fund (which is an active decision) has now increased to 61% of the fund. Our conviction is that while investors prefer large cap SA and global equities as a proxy for liquidity and earnings growth, passive solutions will continue to do well relative to active managers. Active managers need a small/mid cap equity bull market and lots of liquidity in those counters to enhance returns relative to Index Providers. Needless to say, indexation reduces the cost of this solution too.

For now, we are cautious, but await any change in action/activity to add risk back into the Fund.

**Fund Distributions (cents per unit)**

	A
31 Mar 2018	0.60
30 Sep 2018	0.89
31 Mar 2019	0.59

**Foreign Disclosure**

The portfolio may include foreign investments and the following additional risks may apply: liquidity constraints when selling foreign investments and risk of non-settlement of trades; macroeconomic and political risks associated with the country in which the investment is made; risk of loss on foreign exchange transactions and investment valuation due to fluctuating exchange rates; risk of foreign tax being applicable; potential limitations on availability of market information which could affect the valuation and liquidity of an investment. All of these risks could affect the valuation of an investment in the fund.

**FAIS Conflict of Interest Disclosure**

With multi-asset portfolios the investment manager, MitoOptimal South Africa (Pty) Ltd employs an investment strategy where specific collective investment schemes across a range of asset classes are selected and grouped together. This enable the management of the units in those portfolios in a cost and tax efficient manner. The investment manager re-invests 100% of all rebates received from the underlying managers. No other FSP receives a distribution fee from the investment manager. If another intermediary FSP is used, it is their responsibility to disclose any additional fees to you as the investor. The following fees are paid out of the portfolio's service charge and range as follows (excl. VAT): IP Management Company (Pty) Ltd: Up to 0.15% p.a.; MitoOptimal South Africa: between 0.25% and 0.30%; LISP: 0.25%. Total Service Fee: 0.75% p.a. Excluding VAT. Distributor: Signal Wealth (registered Financial Services Provider No. 45386) The distributor receives 0.25% from the management fee of the A class, 12 Green Point Mews, Main Road, Green Point, C: +27 83 259 1019 T: +27 31 941 2933

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<sup>1</sup>Please note: The total expense ratio (TER) of the value of the financial product was incurred as expenses relating to the administration of the financial product. Transaction costs (TC) relate to the buying and selling of the assets underlying the financial product. Total Investment Charge (TIC) is the value of the financial product incurred as costs relating to the investment of the financial product. 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. Transaction costs are a necessary cost in administering the Financial Product and impacts Financial Product returns. It should not be considered in isolation as returns may be impacted by many factors over time including market returns, the type of financial product, the investment decisions of the investment manager and the TER. The EAC is a standard industry measure which has been introduced to allow you to compare the charges you incur and their impact on the investment returns over specific periods. Please visit <http://www.ipmc.co.za/effective-annual-cost> to access the EAC illustrator. You can request an EAC calculation from [clientservices@ipmc.co.za](mailto:clientservices@ipmc.co.za) or call us on 021 673-1340. <sup>2</sup>The average return on an investment each year over a given time period. Collective Investment Schemes are generally medium to long term investments. The value of participatory interests or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from the manager. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The Manager retains full legal responsibility for the fund, regardless of Co-Naming arrangements. Transaction cut off time is 14:30 daily. Each portfolio may be closed for new investments. Valuation time is 20h00. Prices are published daily and available newspapers countrywide, as well as on request from the Manager. IP Management Company (RF) Pty Ltd is the authorised Manager of the Scheme – contact 021 673 1340 or [clientservices@ipmc.co.za](mailto:clientservices@ipmc.co.za). Standard Bank is the trustee / custodian – contact [complianceIP@standardbank.co.za](mailto:complianceIP@standardbank.co.za). Additional information including application forms, the annual report of the Manager and detailed holdings of the portfolio as at the last quarter end are available, free of charge, from [clientservices@ipmc.co.za](mailto:clientservices@ipmc.co.za). IP Management Company is a member of ASISA. A statement of changes in the composition of the portfolio during the reporting period is available on request. The performance is calculated for the portfolio. The individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. The fund is invested in a portfolio of collective investment schemes that levy their own charges, which could result in a higher fee structure for the fund.