PPS DEFENSIVE FUND

Fund data as at **30 June 2019**

PPS INVESTMENTS

FUND DESCRIPTION

Sasfin Assest Management has been appointed as our exclusive single managed PPS Defensive Fund portfolio manager. Sasfin Assest Management has a risk-conscious mindset with a focus on protecting capital by maintaining a diversified asset class exposure. In the PPS Defensive Fund (and in our other partnership strategies) our approach is to identify a manager through our comprehensive research process, with the skill set and capabilities to successfully manage a strategy. Partnership managers typically do not yet offer a similar strategy in the retail space.

The PPS Defensive Fund is aimed at investors looking for a low volatility, diversified multi asset portfolio, managed within Regulation 28 of the Pension Fund Act. The primary objective of the fund is to outperform the ASISA SA Multi Asset Low Equity category average and will aim for low short-term volatility with long-term capital growth. The investment horizon for this fund is greater than three years.

FUND OVERVIEW

Range	Select (A2 class)
Portfolio category	(ASISA) South African MA Low Equity
Launch date	1 November 2018
Investment manager	PPS Multi-Managers Proprietary Limited (authorised FSP)
Benchmark	Category Average
Income distribution	Half-yearly
Investment horizon	Medium - three years and longer
Portfolio size	R 557 621 435
Market value (NAV price per unit)	104.44 cents
Number of units held	47 249 350 (participatory interests)
Asset management fee (excl. VAT)	0.90%
Trustee	Standard Chartered Bank
Risk profile	Low - Med

PORTFOLIO DETAIL

Top 10 Holdings	Allocation
RSA R186 10.5% 20271221	6.1%
RSA R2030 8% 20300131	5.8%
RSA I2029 CPI 2% 20290331	4.0%
Standard Bank 3M LIBOR 20290531	4.0%
FirstRand ILB 2.60% 2028031	3.4%
FirstRand 3M JIBAR +200BPS 20250309	3.0%
Woolworths 3M JIBAR + 141 BPS 20200112	2.9%
Vanguard Total World Stock ETF	2.8%
Standard Bank 3M JIBAR +156BPS 20220131	2.8%
FirstRand 3M JIBAR +400BPS 20260413	1.9%
As a % of total	**36.7%**

RISK METRICS*

Metric	Fund	Category average
Annualised Standard Deviation	n/a	n/a
Maximum Drawdown	n/a	n/a
Percentage of Positive months	n/a	n/a
Information Ratio	n/a	n/a
Sharpe Ratio	n/a	n/a

*Please note that the performance shown is over a 12 month rolling period. The performance of the fund will be published once a one year investment record has been established. The information provided in the Risk Metrics will be published once a one year investment record has been established.

RETURNS SINCE INCEPTION*

Annual figures	Fund
Highest	n/a
Lowest	n/a

ASSET ALLOCATION

Asset	Allocation
SA cash	52.2%
SA bonds	25.8%
SA equity	13.1%
Foreign cash	4.1%
Foreign equity	2.8%
SA property	2.0%

MATURITY ALLOCATION

Maturity	Allocation
< 1 year	4.4%
1 - 3 years	15.8%
3 - 7 years	42.4%
7 - 12 years	35.2%
12 years >	2.2%

ANNUALISED PERFORMANCE

	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
PPS Defensive Fund	4.70%	n/a	n/a	n/a	n/a	5.58%
(ASISA) South African MA Low Equity	5.77%	5.50%	5.33%	5.97%	8.33%	3.84%

	2018	2017	2016	2015	2014	2013
PPS Defensive Fund	n/a	n/a	n/a	n/a	n/a	n/a
(ASISA) South African MA Low Equity	1.24%	8.40%	3.59%	7.60%	8.20%	12.17%

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ASSET MANAGER

Manager	Percentage
Sasfin Asset Managers	100.0%

FEES (INCLUSIVE OF VAT)*

Fees	1YR	3YR
Total expense ratio (TER)	1.07%	1.07
Transaction costs (TC)	0.16%	0.16%
Total investment charge (TER+TC)	**1.23%**	**1.23%**

*The TER and Transaction Costs cannot be determined accurately because of the short life span of the Financial Product. Calculations are based on actual data where possible and best estimates where actual data is not available.

DISTRIBUTIONS

Date	Cents Per Unit
30-Jun-19	2.90
31-Dec-18	1.09

FUND COMMENTARY

Market update

Domestic macroeconomic themes

State of the Nation

President Ramaphosa delivered the first State of the Nation address (SoNA) to the sixth parliament on 20 June 2019. Seven priorities were emphasized, where five were social, one governance oriented and the seventh was generic. The priorities have a strong social focus concentrated on transformation, the development state and social protection. The President did not indicate the seriousness of the economic crisis facing South Africa. This economic backdrop puts enormous pressure on government to employ constructive growth enhancing reforms. The President highlighted eight immediate economic issues which needed to be addressed. Eskom would be given a R230bn bailout over ten years, but no details were given about its unbundling while the losses continue to mount. Government indicated it would put R100bn into an Infrastructure fund over the next ten years, though it is not clear where the funds are coming from. Much of the private and public sector fixed investment commitments over the next three years were not new. Significant headwinds remain for fixed investment in South Africa at present. The President indicated that he would drive a comprehensive plan to create no fewer than two million new jobs for young people within the next decade. Just to keep up with the school leaving population South Africa would need to add 11.2 million jobs over the next decade. The "employ-ability" of the youth has become problematic given the quality of the education system and the low number of youths finishing school. The President affirmed the Reserve Bank's mandate is protected by the Constitution. Surprisingly little was said in the SoNA about land reform, considering it is probably the greatest source of uncertainty in South Africa at present. An overarching formal framework is urgently needed in the public arena to guide the land reform process otherwise it is likely to take on a life of its own. Three other immediate issues were discussed around telecommunications, national health insurance and tourism reforms but no timeframe was given to their resolution. The President has identified clear opportunities for reform and progress but is not clear what room he will be given by rival factions in the Tripartite Alliance to undertake the reforms timeously. None of the proposed economic reforms are new but just need to be implemented.

International Macroeconomic Themes

Coming phase of greater monetary accommodation

The rapid shift in interest rate expectations over the last six months has brought down Treasury 10 year yields by 120 basis points and the amount of debt with yields below zero has expanded to a record of $13 trillion. The Fed's policy rate is above the two year and five-year part of the US yield curve, suggesting that it is behind the curve. The UK, German, Swiss and Japanese yield curves have a similar inversion between their one month and two year and even the five-year maturities. The inversion is not deep, but it is becoming persistent. The Fed kept its policy rate steady in H1:2019 but indicated a case for easing has strengthened. US yields have discounted a 75% probability of a 25-basis point rate cut in July 2019. If the US economy slows faster than expected the Fed has little room to lower its policy rate. Depending on the character of the slowdown the Fed may have to employ a fourth round of asset purchases. The Fed will stop reducing its balance sheet by Q3:2019 but still has considerable flexibility to manage the shape and level of the US yield curve. The European Central Bank (ECB) also held its policy rates steady in H1:2019 but its marginal lending rate is already zero and deposit rate minus 0.5%. The ECB has already announced its third programme of targeted long-term lending operations and Governor Draghi has indicated further rate cuts and asset purchases would be used if required. Similarly, the Bank of Japan held its policy stance in H1:2019 but is coming under some pressure due to weakness in Japanese exports and output. The People's Bank of China has engaged in extensive monetary accommodation using required reserve rate reductions, and targeted lending. There has also been extensive fiscal stimulation to counter the negative effects of the trade dispute with the US. Developed economy central banks have minimal room with policy rates to counter a sharp economic slowdown. They will be obliged to engage in extraordinary policies such as targeted lending and asset purchases if the slowdown is sharper than expected. Capital markets are expected to respond positively to the additional stimulus but the effect on the economy is less certain.

Fund Commentary

The Fund continued to earn inflation plus returns from its core low risk, interest bearing investments, while the exposure to equities added to returns. We are surprised by the strength in SA Equities, given the headwinds of Eskom rolling load shedding, which will have an adverse affect on the economy. The expropriation without compensation debate also still must conclude.

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DISCLOSURES

Collective Investment Schemes in Securities (CIS) are generally medium-to long-term investments. The value of participatory interests (units) may go down as well as up, and past performance is not necessarily a guide to future performance. CIS are traded at ruling prices and can engage in borrowing and scrip lending up to 10% of the market value of the portfolio to bridge insufficient liquidity. The manager does not provide any guarantee either in respect of the capital or the return of a portfolio. 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 for the fund of funds.

Total Expense Ratio (TER) is a measure that can be used by investors and advisers to determine how much of a Financial Product's underlying assets are relinquished as payment for services rendered in the administration of the Financial Product. **Transaction Costs (TC)** is a measure of the total costs incurred in buying and selling assets underlying the CIS are a necessary cost in administering the CIS and impact CIS's 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 CIS, the investment decisions of the investment manager and the TER. TER's and TC's are expressed as a percentage of the daily net asset value of the CIS calculated over the past one year and three year period on an annualised basis. 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. **Total Investment Charges (TIC)** is a measure of total cost relating to the investment. The TER and TC disclosed are estimates based on our best estimate of the underlying costs. A schedule of fees, charges and maximum commissions are available on request.

Performance figures are from PPS Multi-Managers and Morningstar. These performance figures are for lump sum investments with income distributions reinvested on the ex-dividend date. All PPS Multi-Managers performance figures and values are quoted after the deduction of costs and applicable taxes incurred within the Fund. Actual investment performance will differ based on the initial fees applicable, the actual investment date and the date of the reinvestment of income and dividend withholding tax. The reinvestment of income is calculated based on actual distributed amount and factors such as payment date and reinvestment date will be considered. Please note that performance over periods greater than one year is annualised. Annualised performance is the average return earned on an investment each year over a given time period.

This fund is exposed to foreign securities and as such, it may be subject to the macroeconomic, settlement risks and political risks brought about by this exposure. It may also be subject to currency risk, which means the underlying investments of the fund could depreciate or appreciate against the reporting currency of the investor. Because these securities are listed on other exchanges, it may be subject to the relevant regulatory authority, and thus the tax implications and legislative changes of that particular entity. There may also be delays in realizing investments, due to system or liquidity issues experienced by the respective exchange. In addition, market and investment value fluctuations may occur. Overall, please be advised that, as indicated by the risk profile and potentially influenced by asset allocation, risks may be associated with this fund such as general market risk, company risk, credit risk, counterparty risk and third party operational risk.

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 deductible expenses from the Fund divided by the number of units in issue. Transactions must be received by the Management Company (MANCO) by 2pm to receive the net asset value price for that day. Transaction requests received after this cut off time will only be processed on the next business day, and will receive the price of that day. Linked Investment Service Providers (LISP), specify their own transaction timelines and may take up to five business days to process. Portfolio valuations occur at 3 p.m. on business days, except the last business day of the month, when it will be 5pm. Prices are published daily and are available in the daily newspapers.

The manager may close the portfolio to new investors to ensure the portfolio is managed according to its mandate.

PPS Investments (39270), PPS Multi-Managers (28733), PPS Investment, Administrators (45924) and PPS Insurance (1044) are licensed Financial Services Providers. PPS Management Company is a licensed collective investment scheme manager. PPS Nominees is an independent nominee company approved by the Financial Sector Conduct Authority (FSCA).

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PPS Multi-Managers is the appointed investment manager for the PPS Management Company.

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