

# PPS BALANCED FUND OF FUNDS



INVESTMENTS

As of 30 Jun 2022

## FUND DESCRIPTION

This fund will have moderately high equity exposure, not exceeding 75% and property not exceeding 25%. This fund may invest in equity securities, interest-bearing securities, listed and unlisted financial instruments and liquid assets. It solely holds units in local or foreign collective investment schemes or other similar schemes. Ratios may vary.

The PPS Balanced Fund of Funds aims to outperform its peer group over time. This fund is managed according to Regulation 28 of the Pension Funds Act and therefore is a suitable standalone vehicle for retirement savings.

## FUND OVERVIEW

### List of classes\*

**Portfolio category**  
**Launch date**  
**Investment manager**

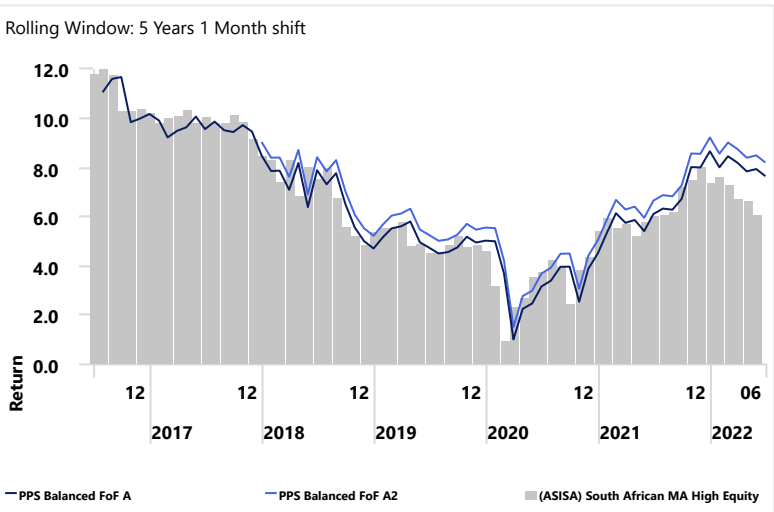
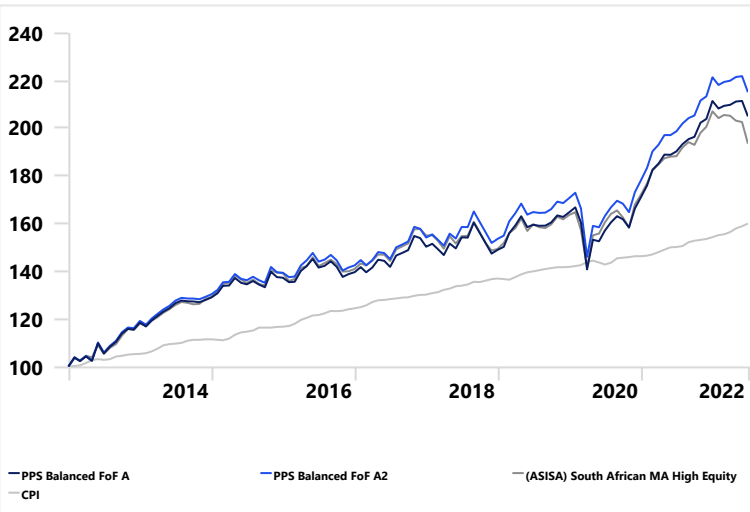
A & A2 class  
South African - Multi Asset - High Equity  
30 July 2011 (A); 2 January 2013 (A2)  
PPS Multi-Managers Proprietary Limited (authorised FSP)  
South African - Multi Asset - High Equity  
Half-yearly  
Long-term - five years and longer  
R3 728 417 349  
199.95 (A); 202.16 (A2)  
192 634 804 (A); 1 435 294 062 (A2)  
1.05% (A); 0.60% (A2)  
Standard Chartered Bank  
Medium - High

**Benchmark**  
**Income distribution**  
**Investment horizon**  
**Portfolio size**  
**Market Value (NAV price per unit)**  
**Number of Units Held**  
**Asset management fee (excl. VAT)**  
**Trustee**  
**Risk profile**

\*On PPS Investments platform, A2 class is available in Select range and A class is available in Original range

## ILLUSTRATIVE PERFORMANCE

Estimated growth of R100 000 invested with all distributions reinvested (for illustrative purposes only). Growth is represented in R '000



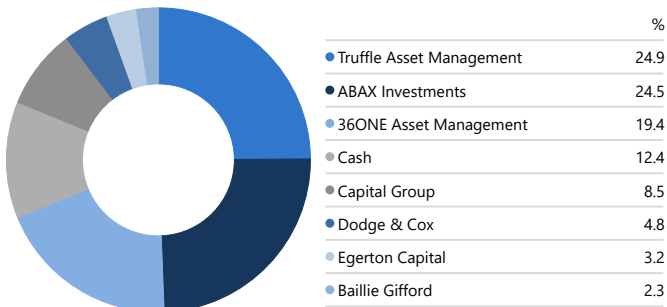
## ANNUALISED PERFORMANCE

	3 months	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception A <sup>^</sup>	Since Inception A2 <sup>^^</sup>
PPS Balanced FoF A	-2.31%	7.72%	8.72%	7.64%	6.20%	8.60%	8.49%	—
PPS Balanced FoF A2	-2.19%	8.27%	9.29%	8.20%	6.75%	—	—	8.37%
(ASISA) South African MA High Equity	-5.68%	2.83%	6.62%	6.05%	5.28%	7.91%	8.17%	7.20%

A<sup>^</sup>30 July 2011; A2<sup>^^</sup>2 January 2013

	YTD 2022	2021	2020	2019	2018	2017	2016	2015
PPS Balanced FoF A	-3.06%	23.63%	3.82%	10.57%	-0.86%	7.66%	1.71%	6.41%
PPS Balanced FoF A2	-2.82%	24.28%	4.36%	11.14%	-0.35%	8.21%	2.22%	6.93%
(ASISA) South African MA High Equity	-6.52%	20.32%	5.19%	9.52%	-3.60%	9.97%	1.31%	7.66%

## ASSET MANAGERS



## RISK METRICS\*\*

Metric	A	A2	Benchmark
Annualised Standard Deviation	9.9%	9.9%	9.8%
Maximum Drawdown	-15.6%	-15.5%	-14.1%
Percentage of Positive months	66.7%	66.7%	65.0%
Information Ratio	0.69	1.21	—
Sharpe Ratio	0.21	0.34	—

\*\*Risk metrics calculated over a 5 year period

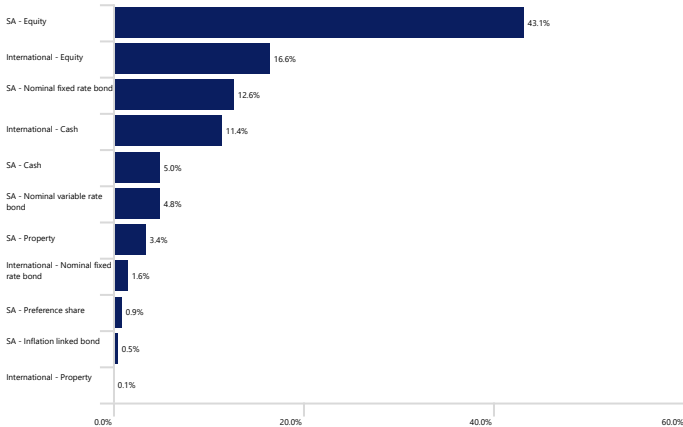
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## ASSET ALLOCATION



## PORTFOLIO DETAIL

Top 10 Holdings	Allocation
RSA 8.875% 20350228	4.3%
NASPERS	3.8%
ABSA GROUP LTD	3.4%
BRITISH AMERICAN TOBACCO	3.3%
RSA 8.5% 20370131	2.6%
GLENCORE XSTRATA	2.4%
SASOL	1.9%
INVESTEC	1.4%
RSA R2040 9% 20400131	1.3%
PROSUS	1.1%

## HIGHEST & LOWEST RETURNS SINCE INCEPTION (12-month rolling performance)

	A <sup>^</sup>	A2 <sup>^^</sup>
Highest	31.6%	32.2%
Highest Month End Date	31 May 2013	31 Mar 2021
Lowest	-11.6%	-11.1%
Lowest Month End Date	31 Mar 2020	31 Mar 2020

A<sup>^</sup>30 July 2011; A2<sup>^^</sup>2 January 2013

## 1 YEAR FEES (%) (INCLUSIVE OF VAT)

Fees	A	A2
Total expense ratio (TER)	1.84	1.32
Transaction costs (TC)	0.35	0.35
<b>Total investment charge (TER+TC)</b>	<b>2.19</b>	<b>1.67</b>

## 3 YEAR FEES (%) (INCLUSIVE OF VAT)

Fees	A	A2
Total expense ratio (TER)	1.84	1.32
Transaction costs (TC)	0.34	0.34
<b>Total investment charge (TER+TC)</b>	<b>2.18</b>	<b>1.66</b>

## DISTRIBUTIONS (Last 12 months)

Date	A	A2
30 Jun 2022	4.15	4.71
31 Dec 2021	0.00	0.00

## FUND COMMENTARY

This FoF targets outperformance of the ASISA Multi-Asset High Equity peer-group over rolling five years. Diversification is achieved on a manager level across both South African and foreign markets. The FoF has no explicit house-view allocation given its peer-benchmark and maintains a foreign allocation of at least 25%.

The FTSE/JSE Capped SWIX fell sharply this quarter (-10.6%), tracking global stocks lower, after further upside inflation surprises in the US caused the Fed to ramp up its hawkishness, causing markets to take fright. Resources stocks were the hardest hit (-21.9%) as commodity prices corrected, but Financials also came under pressure (-15.6%), while Industrials (-2.6%) proved relatively more resilient after the jump in Naspers/Prosus. Among interest-sensitive asset classes, SA listed property fell in line with the equity market (-12.1%), and nominal bonds also declined (-3.7%), while inflation-linked bonds were a safe-haven in the broad-based market sell-off (+2.9%).

Foreign asset classes benefitted from dollar strength in the flight to safety, enhancing their performance when measured in rands. Foreign equities were down (-5.4%) in rands, with developed markets (-6.0%) underperforming emerging markets (-0.7%) significantly as Chinese equities bounced. Global listed real estate (-8.6%) also sold off sharply, while global bonds (+2.1%) rallied in response to declining US Treasury yields over the quarter. Against this backdrop, PPS Balanced has continued to perform well compared to peers, driven by the SA multi-asset managers, with 36One, Truffle and Abax all performing particularly well this year.

Over the five-year investment horizon of the FoF, SA equities (up 5.9% p.a.) have underperformed foreign equities (up 11.9% p.a.) and our expectation for this asset class, while SA nominal bonds (up 7.8% p.a.) have outperformed SA inflation-linked bonds (up 5.5% p.a.), SA cash (up 5.9% p.a.) and SA inflation (averaging 4.5% p.a.). Better recent performance from SA equities has resulted in improved returns in the ASISA SA Multi-Asset High Equity category. The FoF has stood out well, having outperformed its peer group benchmark meaningfully over the most recent 5-year investment horizon, while ranking among the top quartile of funds in the ASISA category.

The look-through equity allocation of the FoF is 59.7%, of which 16.6% is invested in foreign equity (compared to 59.0% and 15.2% at the end of last quarter). The multi-asset high equity managers include a diverse selection of the best stock-pickers and asset allocators available domestically, each with proven track records. Abax and Truffle each manage domestic-only multi-asset mandates, while 36One has allowance to invest in both SA and foreign markets. The remainder of the foreign allocation is made up of the underlying managers in the PPS Global Balanced FoF. The foreign allocation has been a strong contributor to performance historically but has detracted more recently. SA assets on the other hand have delivered compelling returns over the last two years.

In terms of portfolio changes, this quarter we downgraded both foreign equity and property in our tactical asset allocation house view framework to "Underweight", given the significant deterioration in the global macroeconomic backdrop. We therefore exited Catalyst Global Real Estate. We introduced Dodge and Cox (Worldwide Global Stock Fund), a highly regarded value manager, which stands to benefit from the ongoing cyclical rotation. We also took advantage of the sharp sell-off in global bonds this year to reduce the portfolio's underweight in global bonds, by introducing Dodge and Cox Worldwide Global Bond Fund. Lastly, we introduced Blackrock, to enhance returns on the increased dollar cash holding in the portfolio.

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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 CIS's underlying assets are relinquished as payment for services rendered in the administration of the CIS. 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 (TC)** is a measure that can be used by investors and advisers to determine the costs incurred in buying and selling assets underlying the CIS. TC's 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.

**Total Investment Charges (TIC)** is a measure of total cost relating to the investment. TIC is the sum of the total expense ratio (TER) and the transaction cost (TC).

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. The TER and TC disclosed are estimates based on our best estimate of the underlying costs.

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. Performance is based on NAV to NAV calculations and calculated on a rolling monthly basis. The past performance is relevant to the investment or the service offered by the manager.

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.

A schedule of fees, charges and maximum commissions are available on request. This fund does not charge performance fees.

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

Additional information of the proposed investment, including brochures, application forms and annual or quarterly reports, can be obtained from the Manager, free of charge.

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.