PPS STABLE GROWTH FUND

Fund data as at **30 June 2019**

INVESTMENTS

FUND DESCRIPTION

Tantalum Capital has been appointed as the exclusive portfolio manager for our single-managed PPS Stable Growth Fund. Tantalum Capital has an absolute return mindset and a longstanding track record in fixed interest, multi-asset high, and alternative offerings. In the PPS Stable Growth Fund (and in our other single-managed strategies) our approach is to identify a manager, through our comprehensive research process, with the skill set and capabilities to successfully manage a strategy, but who does not yet offer such a fund in the retail space.

The PPS Stable Growth Fund aims to achieve moderate returns while preserving capital over the medium to long term. The primary objective of the fund is to outperform the ASISA SA Multi Asset Medium Equity category average. The investment horizon for this fund is greater than five years.

FUND OVERVIEW

Range	Select (A2 class)
Portfolio category	South African - Multi Asset (MA) - Med Equity
Launch date	1 October 2018
Investment manager	PPS Multi-Managers Proprietary Limited (authorised FSP)
Benchmark	Category Average
Income distribution	Half-yearly
Investment horizon	Long-term - five years and longer
Portfolio size	R 522 643 118
Market value (NAV price per unit)	96.77 cents
Number of units held	60 062 875 (participatory interests)
Asset management fee (excl. VAT)	0.95%
Trustee	Standard Chartered Bank
Risk profile	Medium

PORTFOLIO DETAIL

Top 10 holdings	Allocation
RSA R209 6.25% 20360331	8.9%
British American Tobacco	3.9%
RSA I2025 CPI 2% 20250131	3.8%
RSA R186 10.5% 20271221	3.2%
Naspers	3.2%
Sasol	2.2%
Northam platinum	1.7%
Anglo Gold	1.6%
BHP Billiton	1.6%
Anglo American	1.5%
As a % of total	**31.7%**

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 equity	37.5%
SA cash	21.9%
SA bonds	21.6%
Foreign equity	8.1%
Foreign cash	7.9%
SA property	1.8%
Foreign property	0.8%
SA commodity	0.4%

MATURITY ALLOCATION

Maturity	Allocation
< 1 Year	11.0%
1 - 3 years	13.3%
3 - 7 years	23.2%
7 - 12 years	13.6%
12 and more years	38.9%

ANNUALISED PERFORMANCE

	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
PPS Stable Growth Fund	4.68%	n/a	n/a	n/a	n/a	-0.87%
(ASISA) South African MA Medium Equity	6.81%	4.39%	4.40%	5.19%	9.23%	0.63%

	2018	2017	2016	2015	2014	2013
PPS Stable Growth Fund	n/a	n/a	n/a	n/a	n/a	n/a
(ASISA) South African MA Medium Equity	-1.78%	9.28%	1.54%	7.40%	9.16%	15.80%

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ASSET MANAGER

Manager	Percentage
Tantalum Capital	100.0%

DISTRIBUTIONS

Date	Cents per unit
30-Jun-19	2.07
31-Dec-18	1.91

FEES (INCLUSIVE OF VAT)*

Fees	1 Year	3 Years
Total expense ratio (TER)	1.14%	1.14%
Transaction costs (TC)	0.35%	0.35%
Total investment charge (TER+TC)	**1.49%**	**1.49%**

*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.

FUND COMMENTARY

Markets bounced back in June, reversing the sharp drop in May amid improved investor sentiment. US and China trade tensions have been central to investor fears for some time, but the end-June G20 summit and the meeting between President Xi and President Trump encouraged renewed hope for a de-escalation of these tensions. Trump's successful shakedown of Mexico, getting them to agree to police their border in exchange for no new tariffs, also improved sentiment.

Despite weak growth conditions and likely fiscal deterioration, local government bonds were supported in a risk rally following synchronised dovish messaging from the European Central Bank and the Federal Reserve, in response to slowing global growth. ECB president Draghi said that additional stimulus would be required as inflation has failed to reach target levels, signaling the potential for both further cuts in the policy interest rate and additional asset purchases. Across the Atlantic, the Fed's dot plot indicated that 8 out of 17 participants anticipate that cuts will be appropriate in 2019, with 7 participants signalling 50bp of cuts before the end of the year. Fed chair Powell said that the central bank was still monitoring the economy for signs of weakness and would act as appropriate to sustain the expansion. He also referred to a changed global risk picture, partly due to greater uncertainty over trade. While Europe entered its summer political lull, the UK finally faced the Tory leadership battle 'endgame', and an apparent acceptance that a hard Brexit was both likely and priced into Sterling and UK growth forecasts.

Escalating geopolitical risk between the US and Iran, as well as an extension of supply cut agreements between Saudi Arabia, Russia and Iran (for another six to nine months), led to an almost 8% increase in the oil price (to over USD66.50/ barrel), presenting some upwards risk to the inflation outlook. While these tensions seem unlikely to abate in the near future, and may lead to elevated oil and commodity prices for some time to come, inflation expectations globally remain fairly muted at this stage in the cycle and are not currently threatening accommodative central bank policy. Domestically, interest rate cut expectations were initially fuelled by the first quarter GDP print of -3.2% that was well below consensus expectations of a 1.6% contraction. These expectations were further supported by the release of May's headline inflation of 4.5%, with inflation coming in at or below the mid-point of the SARB's inflation target range. Taking these dynamics into account, market participants are pricing in a 25bp cut at the July 2019 meeting.

In South Africa, the politically-induced stagnation continued and the Rand suffered renewed volatility in the face of lingering concerns around the SA sovereign rating. Clear signs of policy actions to accelerate growth and stabilise government finances are essential as are urgent steps to address Eskom's debt and operational challenges. A somewhat wishful SONA address did little to encourage local optimism. President Ramaphosa highlighted seven focus points for government, centered around growth and reform. He also announced accelerated funding for Eskom. The lack of implementation on Eskom's turnaround plan was a clear disappointment for the market, leading to a sell-off in the long end of the curve as increased issuance is expected to fund the additional support to Eskom. Following a meeting between Treasury and London investors, media reports suggest that the front-loaded fiscal support will ensure that Eskom is a going concern for two years, during which the Chief Reorganisation Officer will have to produce a plan to deal with Eskom's debt. The government has apparently guaranteed that investors won't suffer any losses. We understand that the Eskom Sustainability Task Team has submitted their final report to the presidency and that a CRO and team have been identified, to be announced in mid-July. Overall, the domestic fears were overcome by the bullish global backdrop, which brought bond yields nicely lower, and stabilised the Rand back at the low R14 level.

The PPS Stable Growth Fund equity positioning benefited from the market rally. Positive contributors in June were Anglogold, as well as resources counters Anglo American Plc, Northam, and BHP Billiton. Negative contributions came from weakness in our SA Inc shares like Tsogo Gaming (despite the unbundling of the hotel operations, which should have leant support), Motus, Massmart, as well as company-specific Sasol weakness.

Our equity portfolio positioning is always determined bottom-up, based on individual company fundamentals. We have found improving prospects hard to come by, but SA equity value based on normalized metrics is attractive to us, and we have continued to build exposure to shares like Motus, Barloworld, and Pioneer Foods into this ongoing weakness. When viewed from a sectoral perspective, our portfolio is fairly evenly balanced across sectors, and includes cheap defensive shares as well as cheap cyclical exposure, poised to benefit from improved growth.

The funds fixed Income positioning benefited from exposure to nominal bonds. The ALBI returned 2.23% for the month in the context of globally falling yields. Exposure to inflation-linked bonds and credit enhancement further contributed to returns, slightly offset by an appreciation in the rand. We took advantage of a rally in local bond yields following dovish international central bank rhetoric and the improved risk-on environment, by reducing some bond exposure and could reduce duration further into episodes of strength.

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 PPS 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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