



# PPS FLEXIBLE INCOME FUND

## FUND DATA AS AT 30 SEPTEMBER 2018

### OUR APPROACH

The portfolio may invest in high-yielding securities and listed or unlisted financial instruments. It may also hold units in collective investment schemes or other similar schemes. Ratios may vary to optimise prevailing market conditions. The maximum effective exposure in local and foreign equities is limited to 10%; and effective local and foreign property is limited to 25% of the market value of the portfolio.

### RISK PROFILE



### QUARTERLY COMMENTARY

This is a stand-alone or building block multi-asset flexible fund with active manager selection. The fund's benchmark consists of South African bonds with less than three years to maturity, but its managers can invest in bonds across the maturity spectrum, as well as hold property, preference shares, floating rate instruments, and other fixed interest assets. Currently, the three underlying managers are Prescient, Prudential and Abax. Prescient has a more conservative approach, with a strong onus on inflation beating returns while Prudential is more willing to take a longer duration approach should valuations suggest it prudent. Abax is more active in the allocation and will alter the level of assumed risk as it reads the market. The PPS Flexible Income Fund is well diversified which has led to strong performance relative to the benchmark and peers over the longer term. Over the one-year investment horizon the fund has outperformed the benchmark and peer group as well.

The PPS Flexible Income Fund aims to provide investors with income in excess of its benchmark, while providing capital protection in times of bond market weakness. This fund is managed according to Reg. 28 of the Pension Funds Act and therefore is a suitable standalone vehicle for retirement savings.

Range	Select (A2 class)
Portfolio category	South African - Multi Asset - Income
Launch date	14 May 2007
Fee class launch date	02 January 2013
Investment manager	PPS Multi-Managers Proprietary Limited (authorised FSP)
Benchmark	BEASSA ALBI (1-3 year Total Return Index)
Income distribution	Quarterly
Investment horizon	Short-term - twelve months and longer
Portfolio size	R 1 219 755 671
Market value (NAV price per unit)	110.10 cents
Number of units held	163 140 510 (participatory interests)
Asset management fee (excl. VAT)	0.55%
Trustee	Standard Chartered Bank

### ASSET ALLOCATION

Maturity view	Allocation	Asset	Allocation
< 1 year	20.5%	SA cash	71.3%
1-3 years	21.0%	SA bonds	16.3%
3-7 years	43.4%	SA property	3.8%
7-12 years	10.5%	SA equity	3.7%
12+ years	4.6%	Foreign bonds	3.0%
		Foreign property	0.3%
		Foreign cash	- 2.2%

### ASSET MANAGERS

The investment manager uses a multi-manager approach, combining the strengths and expertise of experienced underlying asset managers (authorised FSPs).

	Asset Manager	Allocation	Portfolio Manager
	ABAX Investments	43%	Rashaad Tayob
	Prescient Investment Management	29%	Guy Toms
	Prudential Investment Managers	28%	Roshen Harry

### PORTFOLIO DETAIL

#### Top 5 issuers

FirstRand Bank Ltd.	15.4%
Standard Bank Of South Africa Ltd.	11.0%
Absa Bank Ltd.	7.2%
Nedbank Ltd.	6.8%
Land And Agricultural Dev Bank	4.2%
<b>As a % of total</b>	<b>44.5%</b>

#### Top 5 holdings

Landbank 3M JIBAR +300BPS 20211012	2.6%
Absa 3M JIBAR +205BPS 20231121	2.3%
Sanral JB3MTH+143BPS 20190919	1.7%
FirstRand 3M JIBAR +150BPS 20230221	1.7%
Standard Bank 1% 20201220 USD	1.5%
<b>As a % of total</b>	<b>9.8%</b>

### PERFORMANCE SUMMARY

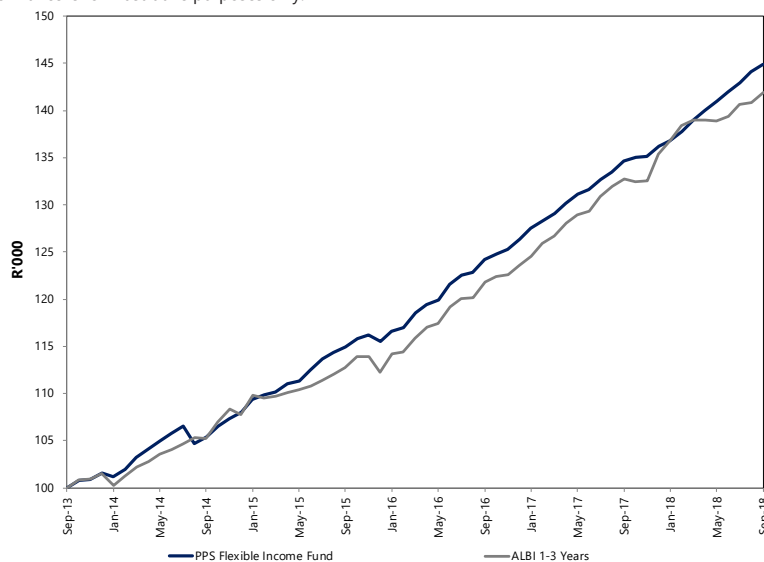
Three years	Five years	Ten years	Since inception
8.01%	7.70%	8.33%	8.54%

Please note that, performance over periods greater than one year is annualised. The performance quoted for the period prior to the launch of the A2 fee class is based on older classes, adjusted for fee differences.

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## ILLUSTRATIVE PERFORMANCE

The graph reflects illustrative growth of a R100 000 lump sum over five years, taking all initial and ongoing investment fees into account. It assumes income is reinvested on the reinvestment date. The investment performance is for illustrative purposes only.



## ANNUALISED PERFORMANCE

	YTD	1 year	3 years	5 years	10 years	Since inception
PPS Flexible Income Fund	6.39%	7.60%	8.01%	7.70%	8.33%	8.54%
ALBI 1-3 years	4.80%	6.92%	7.96%	7.25%	7.85%	7.95%

	2017	2016	2015	2014	2013	2012
PPS Flexible Income Fund	7.81%	9.34%	7.00%	6.27%	6.05%	8.11%
ALBI 1-3 years	9.61%	10.08%	4.10%	6.23%	4.40%	8.33%

The performance quoted for the period prior to the launch of the A2 fee class is based on older classes, adjusted for fee differences. Please note that performance over periods greater than one year is annualised.

## RISK METRICS

	PPS Flexible Income Fund	ALBI 1-3 years
Annualised standard deviation	1.65%	2.27%
Maximum drawdown	-1.72%	-1.47%
Positive months	95.00%	85.00%

Actual annual figure	PPS Flexible Income Fund	Period
Highest	13.12%	2008
Lowest	6.05%	2013

Please be advised that, as indicated by the risk profile and potentially influenced by asset allocation risks may be associated with this fund, as follows:

- General market risk
- Company risk
- Credit risk
- Counterparty risk
- Inflation risk
- Third party operational risk

## DISTRIBUTION DATES AND VALUES (LAST 12 MONTHS)

Date	Cents per unit
30-Sep-18	2.25
30-Jun-18	2.00
31-Mar-18	2.06
31-Dec-17	1.88

## FEES (INCLUSIVE OF VAT)

Fees	Percentage
Total expense ratio (TER)	0.69
Transaction costs (TC)	0.02
<b>Total investment charge (TER + TC)</b>	<b>0.71</b>

• A schedule of fees, charges and maximum commissions are available on request.

## Get in Touch

**If you need more information or would like to make an investment, please consult your PPS Investments accredited adviser. Alternatively, feel free to contact us directly. We are ready to assist if you require any brochures, application forms or annual reports or with any queries you may have. Contact us on 0860 468 777 (0860 INV PPS) or at [clientservices@ppsinvestments.co.za](mailto:clientservices@ppsinvestments.co.za).**

**Manager details:** PPS Multi-Managers Proprietary Limited  
PPS House, Boundary Terraces,  
1 Mariendahl Lane, Newlands, 7700

**Telephone:** 0860 468 777 (0860 INV PPS)

**Email:** [clientservices@ppsinvestments.co.za](mailto:clientservices@ppsinvestments.co.za)

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

**Trustee details:** Standard Chartered Bank  
5th Floor, 4 Sandown Valley Crescent,  
Sandton, 2196

**Telephone:** 011 217 6600

**Email:** [SouthAfrica.Securities-Services@sc.com](mailto:SouthAfrica.Securities-Services@sc.com)

## 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.

### TER & TC

Transaction Cost (TC) is a measure of the total costs incurred in buying and selling assets underlying the CIS. The 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. TER's and TC's are expressed as a percentage of the daily net asset value of the CIS calculated over a period of three years 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. 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.

**Performance figures are from PPS Multi-Managers and Morningstar.** They 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. Past performance is not indicative of future performance.

**This fund is exposed to foreign securities** and as such, it may be subject to the additional macroeconomic 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 realising investments, due to system or liquidity issues experienced by the respective exchange. The portfolio may also be subject to settlement risk; regional market failures will impact the portfolio heavily invested therein. In addition, normal market and investment value fluctuations will occur.

**Unit Trust prices are calculated on a NAV to NAV basis** and do not take any initial fees into account, it 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. Portfolio valuations occur at 3pm on business days, except the last business day of the month, when it will be 5pm. The closing price on the day of the transaction is processed. In the case of management companies, requests must be received by the manager by 2pm to receive the same day's price. Linked Investment Service Providers specify their own timelines and may take up to five days to process. Prices are published daily and are available in the daily newspapers.

**Managers may close the portfolio to new investors to ensure the portfolio is managed according to its mandate.**

*Professional Provident Society Insurance Company Limited, the ultimate holding company of PPS Management Company, is a member of the Association for Savings & Investment SA (ASISA).*

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