

PPS DEFENSIVE FUND



INVESTMENTS

Fund data as at 31 March 2019

FUND DESCRIPTION

Sasfin Asset Management has been appointed as our exclusive single managed PPS Defensive Fund portfolio manager. Sasfin Asset 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 successively 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.

PORTFOLIO DETAIL

Top 10 holdings	Allocation
RSA R186 10.5% 20271221	5.0%
Firststrand ILB 2.60% 2028031	3.7%
Firststrand 3M JIBAR +200Bps 20250309	3.3%
Vanguard Total World Stock ETF	3.2%
Standard Bank 3M JIBAR +156Bps 20220131	3.1%
Toyota Financial Services 3M JIBAR + 145Bps 20190527	3.1%
RSA I2029 CPI 2% 20290331	2.4%
RSA R2030 8% 20300131	2.3%
Standard Bank 3M JIBAR +162Bps 20220612	2.1%
ABSA 3M JIBAR + 135Bps 20240207	2.0%
As a % of total	30.2%

ASSET ALLOCATION

Asset	Allocation
SA cash	67.7%
SA bonds	13.9%
SA equity	11.2%
Foreign equity	3.2%
SA property	1.9%
Foreign cash	2.1%

ANNUALISED PERFORMANCE

	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
PPS Defensive Fund	2.62%	n/a	n/a	n/a	n/a	3.48%
(ASISA) South African MA Low Equity	4.01%	6.67%	5.21%	6.28%	8.43%	2.11%

	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%

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 494 683 777
Market value (NAV price per unit)	102.36 cents
Number of units held	15 009 103 (participatory interests)
Asset management fee (excl. VAT)	0.90%
Trustee	Standard Chartered Bank
Risk profile	Low - Med

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

MATURITY ALLOCATION

Maturity	Allocation
< 1 Year	16.0%
1 - 3 years	10.5%
3 - 7 years	46.2%
7 - 12 years	27.3%

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ASSET MANAGER

Manager	Percentage
Sasfin Asset Managers	100.0%

DISTRIBUTIONS

Date	Cents Per Unit
31-Dec-18	1.09

FEES (INCLUSIVE OF VAT)*

Fees	Percentage
Total expense ratio (TER)	1.07%
Transaction costs (TC)	0.16%
Total investment charge (TER+TC)	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.

Quarterly Commentary

Domestic macroeconomic themes

Slowing household disposable income growth

A major trend in South Africa in the last five years has been the slowdown in the growth of household disposable income, which has impacted the rate of household consumption expenditure, credit extension and is restraining South Africa's Gross Domestic Expenditure growth and Gross Domestic Product growth.

In 2018, household disposable income rose 5.6% to R3.2 trillion of which 71.9% came from higher compensation to employees. This growth was boosted by higher growth in net social benefits, the net effect of which was partially eroded by a tax rate increase. In 2018, SA households spent all their net disposable income.

Stable monetary policy

In South Africa, domestic credit demand was up 6.8% year on year (YoY) for the three months to February 2019, boosted by government credit demand. Household credit growth, although low, has been slowly accelerating across all categories, namely mortgage credit (the largest component), instalment sales and unsecured growth. The BA900 bank returns show unsecured household credit growth was up 9.4% YoY in February 2019, driven by personal loans, which expanded 11.0% YoY. The high growth in personal loans contrasts with the low job and low wage growth suggesting increased financial stress.

Weak growth, declining inflation expectations and the deferral of credit rating agency Moody's credit rating assessment until after the National Election in May 2019, give the SARB room to keep monetary policy stable. No policy rate change is expected until Q4:2019 at the earliest.

International Macroeconomic Themes

Falling global yields

Advanced economy bond yields have fallen during the first quarter of 2019, especially in March, with the US yield curve inverting at the short end of the curve between the three month and 10 year yield. This has raised concerns among investors about a possible sharper than expected global economic growth slowdown.

The sharp fall in bond yields in March 2019 was in response to a change in the Federal Reserve (Fed) and European Central Bank's (ECB's) assessment of financial conditions. In January 2019, the Fed indicated it would pause its rate policy rate normalisation and in March it indicated it would keep its Fed Fund rate on hold for the rest of 2019 and slow the pace of asset reduction in its balance sheet. This change lowered expectations of the Fed Fund rate trajectory.

This expected resurgence in the global hunt for yield has positive implications for increasing demand for Emerging Market assets, particularly for commodities ahead of an expected US-China trade deal. This new trend could lower SA bond yields and strengthen the ZAR. The degree to which this will occur will depend on the market's view of Moody's assessment of SA after the National Election in May this year.

Fund Commentary

For the period since inception of the Fund until the end of March, the return of the Fund was 3.4%, compared to the benchmark inflation rate of 1.6%.

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.

Factors which could affect the market and returns this year include the outcome of the South African General Elections, resolution of the financing problems facing the SOE's (particularly Eskom). BREXIT, negotiations on international trade barriers as well as the path of normalization of global interest rates.

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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 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. **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).

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
WEBSITE: www.pps.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