

PPS MODERATE FUND OF FUNDS

Fund data as at 30 June 2019



INVESTMENTS

FUND DESCRIPTION

This fund of funds allows for flexible asset allocation with equity exposure which will not exceed 60%. It may also invest in 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.

The PPS Moderate Fund of Funds aims to outperform inflation by 4% per year over periods longer than 60 months. 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

| | |
|--|---|
| Range | Select (A2 class) |
| Portfolio category | South African - Multi Asset - Medium Equity |
| Launch date | 14 May 2007 |
| Fee class launch date | 02 January 2013 |
| Investment manager | PPS Multi-Managers Proprietary Limited (authorised FSP) |
| Benchmark | CPI for all urban areas + 4% |
| Income distribution | Half-yearly |
| Investment horizon | Long-term - five years and longer |
| Portfolio size | R4 643 249 214 |
| Market value (NAV price per unit) | 185.01 cents |
| Number of units held | 392 236 755 (participatory interests) |
| Asset management fee (excl. VAT) | 0.65% |
| Trustee | Standard Chartered Bank |
| Risk profile | Medium |

PORTFOLIO DETAIL

| Top 10 Holdings | Allocation |
|---------------------------|--------------|
| Naspers | 3.8% |
| British American Tobacco | 2.1% |
| RSA R209 6.25% 20360331 | 2.1% |
| Anglo American | 2.0% |
| Standard Bank | 1.9% |
| SASOL | 1.5% |
| MTN | 1.3% |
| RSA R2032 8.5% 20320331 | 1.1% |
| ABSA | 1.1% |
| RSA I2025 CPI 2% 20250131 | 1.1% |
| As a % of total | 17.9% |

ASSET ALLOCATION

| Asset | Allocation |
|------------------|------------|
| SA equity | 31.5% |
| SA cash | 22.4% |
| SA bonds | 19.4% |
| Foreign equity | 15.6% |
| SA property | 5.1% |
| Foreign property | 1.8% |
| Foreign cash | 3.8% |
| Foreign bonds | 0.2% |
| SA commodity | 0.2% |

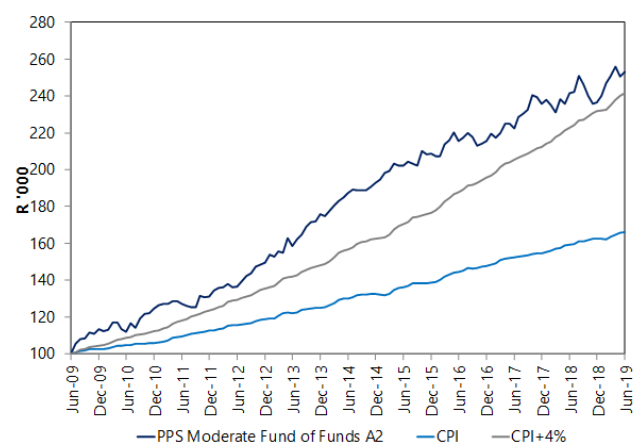
ANNUALISED PERFORMANCE

| | YTD | 1 Year | 3 Years | 5 Years | 10 Years | Since inception |
|----------------------------|-------|--------|---------|---------|----------|-----------------|
| PPS Moderate Fund of Funds | 7.10% | 4.85% | 5.55% | 6.21% | n/a | 8.57% |
| Inflation | 2.19% | 4.48% | 4.77% | 5.01% | 5.21% | 5.93% |
| Inflation +4% | 4.13% | 8.48% | 8.77% | 9.02% | 9.21% | 9.97% |

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|----------------------------|-------|-------|--------|-------|-------|--------|
| PPS Moderate Fund of Funds | 0.23% | 9.40% | 3.35% | 8.30% | 9.62% | 17.65% |
| Inflation | 5.18% | 4.62% | 6.64% | 4.71% | 5.81% | 5.38% |
| Inflation +4% | 9.18% | 8.62% | 10.64% | 8.72% | 9.82% | 9.38% |

ILLUSTRATIVE PERFORMANCE*

Estimated growth of R100 000 invested with all distributions reinvested (for illustrative purposes only).



*Performance prior to January 2013 is based on an older fee class performance prior to the launch of the A2 class and is adjusted for any fee differences.

RISK METRICS

| Metric | Fund | Benchmark |
|-------------------------------|-------|-----------|
| Annualised Standard Deviation | 5.5% | 1.2% |
| Maximum Drawdown | -6.1% | 0.0% |
| Percentage of Positive months | 60.0% | 100.0% |
| Information Ratio | -0.51 | n/a |
| Sharpe Ratio | -0.10 | n/a |

RETURNS SINCE INCEPTION (12-month rolling performance)

| Annual figures | Fund | Period |
|----------------|--------|-----------|
| Highest | 23.7% | 28-Feb-10 |
| Lowest | -11.6% | 28-Feb-09 |

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ASSET MANAGERS

| Manager | Percentage |
|---------------------------------|------------|
| ABAX Investments | 15.4% |
| Tantalum Capital | 13.6% |
| Investec Asset Management | 13.4% |
| Prudential Investment Managers | 11.6% |
| Taquanta Asset Managers | 7.9% |
| Prescient Investment Management | 7.0% |
| Coronation Fund Managers | 5.6% |
| Veritas Asset Management | 5.5% |
| Catalyst Fund Managers | 5.3% |
| STANLIB Asset Management | 4.5% |

FEES (INCLUSIVE OF VAT)

| Fees | 1 Year | 3 Years |
|--|--------------|--------------|
| Total expense ratio (TER) | 1.31% | 1.28% |
| Transaction costs (TC) | 0.16% | 0.14% |
| Total investment charge(TER+TC) | 1.47% | 1.42% |

DISTRIBUTIONS

| Date | Cents per unit |
|-----------|----------------|
| 30-Jun-19 | 5.44 |
| 31-Dec-19 | 0.76 |

FUND COMMENTARY

This FoF targets CPI+4% p.a. over rolling five years. Diversification is achieved both on an asset class and manager level. Approximately half the FoF is invested according to our house-view allocation (that aims to achieve CPI+4% p.a. over rolling five years at the lowest possible risk) while the remainder is invested with multi-asset class managers that follow their own strategies (and help mitigate our internal model risk).

Over the five-year investment horizon of the FoF, SA equities (up 4.3% p.a.) have materially underperformed foreign equities (up 12.3% p.a.) and our expectation for this asset class, while SA nominal bonds (up 8.6% p.a.) and SA cash (up 6.7% p.a.) have both delivered returns that comfortably exceeded CPI (averaging 5.0% p.a.). In contrast, SA inflation-linked bonds (up 3.9% p.a.) has underperformed SA fixed interest and even foreign bonds (up 6.7% p.a.). The FoF over this five-year period has benefited from our house-view being overweight foreign equities relative to SA equities, and overweight SA nominal bonds relative to SA inflation-linked bonds. Despite this, the underperformance of SA equities has been a material detractor to performance, given the strategy's dependence on SA equities to deliver on FoF objectives.

Year-to-date, foreign equities (up 13.9%) have substantially outperformed SA equities (up 6.9%), while SA nominal bonds (up 7.7%) have outperformed both SA cash (up 3.4%) and SA inflation-linked bonds (up 3.3%). Within SA equities, SA resources (up 19.2%) have been the top-performing sector. The relative outperformance of SA resources has been driven by spot commodity prices remaining higher than expected (despite global economic growth continuing to decelerate). The strong recent performance of the underlying asset classes has contributed to the FoF achieving its inflation objective year-to-date, but has not yet been sufficient to lift medium term returns.

Over the quarter, we made no changes to our house-view asset allocation, but within SA bonds have structurally increased our allocation to inflation-linked bonds. Inflation-linked bonds now form a 50% allocation to our bond view (previously 20%) and this anchors our portfolio. Our concern that SA economic growth might continue to disappoint has meant that we have not yet increased from a neutral weighting our allocation to SA bonds (despite attractive yields) and SA equities (despite reasonable valuations), although we continue to closely monitor this.

No changes were made to the multi-asset (MA) component of the FoF this quarter, which consists of a combination of MA managers from various ASISA sectors to achieve an overall MA Medium equity allocation. The strategy remains sensibly diversified and strives to strike the appropriate balance between capital protection and capital growth in how its underlying managers are combined.

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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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