

PPS MANAGED FUND



INVESTMENTS

As of 31/03/2021

FUND DESCRIPTION

36ONE Asset Management has been appointed as the exclusive manager of the PPS Managed Fund. This fund seeks to achieve medium to long term capital growth by investing across asset classes, utilising 36ONE's fundamental bottom up approach, combined with a top-down macroeconomic overlay. In the PPS Managed Fund (as in our other partnership strategies) our approach is to partner with a manager that our comprehensive research process has identified as having the skill set and capability to successfully manage the strategy. Partnership managers typically do not yet offer a similar strategy in the retail space.

The PPS Managed Fund aims to outperform CPI+5%, and has an investment horizon of greater than six years. 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*	A & A2 class
Portfolio category	South African - Multi Asset - High Equity
Launch date	1 November 2018 (A & A2)
Investment manager	PPS Multi-Managers Proprietary Limited (authorised FSP)
Benchmark	CPI for all urban areas +5%
Income distribution	Half-yearly
Investment horizon	Long term - six years and longer
Portfolio size	R2 147 343 479
Manager fee (excl. VAT)	1.55% (A) ; 1.10% (A2)
Trustee	Standard Chartered Bank
Risk profile	Medium - High

*On PPS Investments platform, A2 class is available in Select range

HIGHEST & LOWEST RETURNS SINCE INCEPTION

	A	A2
Highest	27.9%	28.6%
Highest Month End Date	2021/03/31	2021/03/31
Lowest	1.0%	1.5%
Lowest Month End Date	2020/03/31	2020/03/31

ASSET ALLOCATION

Asset	Allocation
SA - Equity	45.5%
International - Equity	19.9%
SA - Cash	10.6%
SA - Nominal fixed rate bond	9.7%
International - Cash	8.2%
SA - Nominal variable rate bond	4.6%
SA - Preference share	1.1%
International - Nominal fixed rate bond	0.4%

RISK METRICS

Metric	A	A2	Benchmark
Annualised Standard Deviation	9.5%	9.5%	11.9%
Maximum Drawdown	-6.1%	-6.1%	-10.0%
Percentage of Positive months	70.0%	70.0%	66.7%
Information Ratio	1.14	1.26	—
Sharpe Ratio	1.14	1.20	—

MATURITY ALLOCATION

Maturity	Allocation
< 1 year	12.3%
1 - 3 years	11.4%
3 - 7 years	31.5%
7 - 12 years	17.4%
12 and more years	27.4%

ANNUALISED PERFORMANCE

	3 months	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception
PPS Managed A	7.97%	27.90%	—	—	—	—	16.32%
PPS Managed A2	8.11%	28.55%	—	—	—	—	16.92%
CPI + 5%	2.38%	7.87%	8.86%	9.38%	9.68%	10.07%	9.17%
(ASISA) South African MA High Equity	7.41%	30.65%	7.35%	5.51%	6.28%	8.44%	10.59%

	YTD 2021	2020	2019	2018	2017	2016	2015
PPS Managed A	7.97%	11.41%	12.58%	—	—	—	—
PPS Managed A2	8.11%	12.02%	13.08%	—	—	—	—
CPI + 5%	2.38%	8.18%	8.56%	10.18%	9.62%	11.64%	9.72%
(ASISA) South African MA High Equity	7.41%	5.19%	9.52%	-3.60%	9.97%	1.31%	7.66%

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ASSET MANAGERS



PORTFOLIO DETAIL

Top 10 Holdings	Allocation
Impala Platinum	6.1%
British American Tobacco	4.9%
Naspers	4.7%
RSA 8.875% 20350228	4.4%
ABSA Group Ltd	3.2%
RSA R2030 8% 20300131	2.8%
Sibanye Stillwater Ltd	2.8%
Standard Bank	2.6%
Glencore Xstrata	2.3%
ABSA Bank 3M JIBAR +450BPS 20241128	2.3%

DISTRIBUTIONS

Date	A	A2
31/12/2020	0.80	1.14
30/06/2020	1.95	2.25

1 YEAR FEES (%) (INCLUSIVE OF VAT)

Fees	A	A2
Total expense ratio (TER)	1.83	1.29
Transaction costs (TC)	0.55	0.55
Total investment charge (TER+TC)	2.38	1.84

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

Fees	A	A2
Total expense ratio (TER)	1.61	1.16
Transaction costs (TC)	0.56	0.56
Total investment charge (TER+TC)	2.17	1.72

**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.

MANAGER COMMENTARY

The JSE All Share Index finished the first quarter of 2021 with another positive month, gaining 1.6% in March and bringing the Q1 total return to 13.1%. PGM miners had a strong March. Flooding at one of Norilsk's mines in Russia resulted in the palladium and rhodium markets moving into a larger deficit. Diversified miners were once again a large component of the index's return as BHP Billiton and Anglo American reached multiyear highs, benefitting from continued strength in copper and iron ore.

The US 10-year treasury sold off during the quarter as market participants became increasingly concerned about inflation. Yields climbed from under 1% at the beginning of January to 1.74% by quarter end. Higher rates do not bode well for expensive and sometimes unprofitable tech companies after a frenzy of new listings and euphoric price action in many cases. The first quarter continued the trend seen at the start of October – with a rotation from Growth to Value and large-cap to small cap. The Russell Microcap and S&P Midcap 400 were the top performers for the quarter with the lowest YTD returns coming from the Nasdaq 100 and the Russell 1000 Growth.

Offshore markets surged higher in Q12021 on the back of two overriding themes – the vaccine rollout and greater than expected stimulus in developed markets. The Senate passed a \$1.9 trillion coronavirus relief package at the beginning of March, putting Congress one step closer to addressing the toll of the coronavirus pandemic and putting in place their broader economic agenda. Together with the \$900 billion stimulus injected at the end of 2020 – this equates to nearly 14% of US Gross Domestic Product. This led to upgrades in forecasts for US growth. The International Monetary Fund raised not only its US growth forecast, but also raised its global economic outlook with an upgrade of 0.5% for 2021 and 0.2 for 2022, with Gita Gopinath, the IMF's economic counsellor, stating "a way out of this health and economic crisis is increasingly visible".

Johnson & Johnson released the results of their Phase 3 Covid-19 vaccine trial. The vaccine results indicated that it was 72% effective in the United States but only 64% effective in South Africa. The difference in efficacy is likely due to the more contagious 501Y.V2 strain. 64% efficacy implies that out of 100 people who are vaccinated, 64 will not get the disease. However, it is not all bad news. The vaccine reduced hospitalisations and no deaths had occurred in trial participants. While some people will still get Covid-19 after taking the vaccine, the severity of the disease will be much less. This vaccine is a great success for countries like South Africa as it only requires a single dose and does not have the same stringent storage requirements of the mRNA vaccines. Therefore, it will be easier to administer and distribute in developing countries.

Due to demand imbalances and related distortion in consumption patterns (created by Coronavirus and forced lockdowns), higher inflation numbers are forecast for the US over the next couple of months. It will be interesting to see if inflation in the US is transitory in nature or the start of structurally higher longer-term inflation. The Fed seems happy to keep monetary condition hot with inflation running above their 2% target. Unprecedented wealth effects and government transfers to households may see inflation higher for longer. This remains a concern for equity markets.

Finance minister Tito Mboweni presented South Africa's budget in February. Thanks to higher tax revenue from mining companies, Treasury did not feel it was necessary to introduce new tax measures which were hinted at towards the end of last year. Nevertheless, the fiscal picture remains concerning as South Africa is forecast to have a significant budget deficit for the next few years before debt to GDP stabilises at 89% in 2026. These forecasts look optimistic and rely on the government negotiating below-inflation wage increases for public sector employees – a hard task given the ANC's relationship with its trade union partners.

The fund's performance was positive for the quarter. The fund outperformed the ASISA SA Multi Asset High Equity Category and the CPI+5% benchmark. Holdings in PGM miners, Naspers, diversified miners and tobacco were the largest contributors to performance, while positions in gold miners and government bonds contributed negatively. The fund's exposure to offshore equities contributed positively to performance.

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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.

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.