

# H4 DIVERSIFIED FUND B1

## Minimum Disclosure Document



November 2017  
Issue date: 15 December 2017

### INVESTMENT OBJECTIVE

The H4 Diversified Fund is a moderate risk multi-asset portfolio, with the primary objective of achieving capital appreciation over the medium term at a risk level roughly half that of a pure equity investment, with moderate capital stability.

### POLICY

The portfolio's investment universe will comprise primarily of listed equity securities, fixed interest securities, listed real estate and assets in liquid form. The portfolio is allowed to invest in listed and unlisted financial instruments for the purpose of efficient portfolio management only. It is permitted to invest in offshore investments as legislation permits. The portfolio will be broadly diversified across asset classes and will be managed in accordance with prudential guidelines governing pension funds (i.e. it is Regulation 28 compliant).

### RISK REWARD PROFILE



This portfolio invests in a range of asset classes, both locally and offshore as permitted, through its selection of underlying managers and/or securities. In terms of the above risk reward profile, the portfolio has a medium to high risk rating due to the diversified nature of its investments. These may be subject to risks which include, but are not limited to, adverse local and foreign stock market conditions, political and macroeconomic events, company earnings and significant corporate events, interest rate conditions, changes in the credit worthiness of government or corporate bond issuers, as well as currency fluctuations. Please refer to the additional risks highlighted in the Information and Disclosures section.

### FUND PERFORMANCE

	Fund	Benchmark
1 year	15.0%	9.1%
3 years annualised	7.5%	9.7%
Since inception cumulative	40.7%	51.5%
Since inception annualised	7.9%	9.7%

### MANAGER ALLOCATION

	Holding	3 months ago
CAM In-house Passive SA Equity	36.7%	36.4%
iShares Core MSCI World UCITS ETF	16.4%	15.7%
Citadel SA Bond H4 Fund	13.3%	8.8%
Citadel SA Protected Equity H4 Fund	10.5%	10.5%
Citadel SA Property H4 Fund	7.6%	7.4%
CAM In-House Preference Shares	7.4%	7.3%
Peregrine Global Real Estate Fund	4.9%	4.9%
Cash	1.4%	1.5%
iShares Edge MSCI World Size Factor ETF	0.4%	0.7%
iShares Edge MSCI World Quality ETF	0.4%	0.7%
iShares Edge MSCI World Momentum ETF	0.4%	0.7%
iShares Edge MSCI World Minimum Volatility ETF	0.3%	0.7%
iShares Edge MSCI World Value ETF	0.3%	0.6%
Nedgroup Core Income Fund	0.0%	0.1%
Citadel SA Income H4 Fund	0.0%	3.9%

### FUND FACTS

Portfolio Manager	Yolanda Naude
Benchmark*	SA Consumer Price Inflation + 4% p.a.
Launch date	22 May 2013
Performance measurement date	31 May 2013
Fund size	R817.61 million
Share class size	R817.61 million
Domicile	South Africa (Unit Trust)
Currency	Rand
Annual management fee	0.65% p.a. (ex VAT) with effect 1 October 2017
Initial fee/Exit fee	0.00%
Number of participatory interests	66 952 847.49
Net asset value per participatory interest	1 221.17 cents
Status	Class B1, Distributing
Fund classification	South African - Multi Asset - High Equity
Trustee	Standard Bank of South Africa
Valuation time	17:00 daily
Transaction cut-off time	15:00 daily
Income declaration dates	31 March and 30 September
Income payment dates	1st business day after declaration date
Distributions over the last 12 months	
- 31 March 2017:	4.66 cents per unit
- 30 September 2017:	18.31 cents per unit

\*Latest month's Consumer Price Index is an estimate

### ACTUAL CUMULATIVE FUND PERFORMANCE SINCE INCEPTION

H4 Diversified Fund B1  
SA Consumer Price Inflation + 4% p.a.



The graph above reflects the actual cumulative percentage performance of the fund and notional performance of the benchmark, based on a lump sum contribution on the launch date of the fund. Performance is shown net of all fund charges and expenses and includes the reinvestment of distributions.

### ASSET ALLOCATION (ON A NON LOOK THROUGH BASIS)

	Holding	3 months ago
SA Equity	36.7%	36.4%
Global Equity	18.2%	19.1%
SA Fixed Interest	13.3%	8.8%
SA Protected Equity	10.5%	10.5%
SA Property	7.6%	7.4%
SA Preference Shares	7.4%	7.3%
Global Property	4.9%	4.9%
SA Cash	1.4%	5.5%

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### FUND COMMENTARY

Note: Given this fund's objective, the manager recommends a minimum time horizon of four years for it to achieve its strategic objective.

The H4 Diversified Fund ('the fund') gained 0.1% during November, taking returns over the past 12 months to 15%, outperforming its SA consumer price inflation +4% p.a. benchmark by 5.9 percentage points over the period. In terms of the different asset classes to which the fund was exposed during November, local cash (as measured by the STEFI Composite Index) delivered 0.6%, while SA government bond prices fell 1%, and the local equity market (as measured by the FTSE/JSE All Share Index) gained 1.5% – pushed higher by financials and consumer services shares in particular. The FTSE/JSE Top 40 Index, to which the fund is exposed, performed in line with the local equity market during the month, delivering 1.4%. Local listed property returns came in slightly higher relative to local equities, returning 1.9%. Global equities (as measured by the MSCI All Country World Index) gained 1.9% while global listed property (as measured by the MSCI World REITs Index) rose 2.9%, both in US dollars. During November, the US dollar weakened 3.5% versus the rand, negatively affecting the fund's offshore positioning when measured in rand.

One of the stated primary objectives of the fund is to achieve capital appreciation over the short to medium term at a risk level roughly half that of a pure equity investment. When measured over the past one and three year periods, the fund's standard deviation (which is a generally accepted measure of risk/volatility) was 5.6% and 5.9% respectively. This compares very favourably with the local equity market's standard deviation of 10.9% over one year and 10.8% over three years, and global equity measured in rand's standard deviation of 10.3% over one year and 20.5% over three years.

During November, the manager reduced the fund's underweight position in local bonds, as compared to its strategic allocation mix, given the attractive yields relative to SA cash. Despite the relatively attractive bond yields at the time, the local bond market struggled to gain ground during November. At month-end, the fund held a diversified mix of assets which the manager deems appropriate for the current investment climate. Sizeable exposures included domestic equity (of which a portion is allocated to protected equity), global equities, domestic bonds, South African preference shares and listed property.

The fund continues to adhere to its policy.

### MONTHLY PERFORMANCE TABLE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	1.4%	-1.1%	2.2%	1.8%	0.0%	-1.5%	4.1%	0.6%	1.5%	4.1%	0.1%		14.0%
2016	-1.2%	0.5%	3.0%	0.5%	2.3%	-1.1%	0.2%	1.0%	-1.1%	-1.7%	0.5%	0.9%	3.8%**
2015	1.4%	2.9%	0.2%	1.8%	-2.8%	-0.8%	1.4%	-0.8%	-0.7%	4.6%	-1.4%	-1.1%	4.5%
2014	-1.7%	1.5%	1.8%	1.0%	0.5%	1.2%	0.4%	0.1%	-1.3%	0.1%	1.4%	0.5%	5.6%*
2013						-1.4%	1.1%	1.1%	3.0%	2.1%	-0.5%	2.2%	7.7%

\*Highest annual return for the period shown

\*\*Lowest annual return for the period shown

### TOTAL INVESTMENT CHARGES:

Three year annualised as per ASISA Standard

Period (annualised)	01 October 2014	to	30 September 2017
<b>Class B1 Distributing</b>	<b>Total Expense Ratio (TER)</b>	<b>Transaction Costs (TC)</b>	<b>Total Investment Charges (TER + TC)</b>
	1.23%	0.34%	1.57%
	of the value of the fund was incurred as expenses relating to the administration of the fund. No performance fees are charged.	of the value of the fund was incurred as costs relating to the buying and selling of the assets underlying the fund	of the value of the fund was incurred as costs relating to the investments of the fund

### Total Expense Ratio (TER) and Transaction Costs (TC)

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 TERs. The TER does not include Transaction Costs, which are shown separately. Transaction Costs are a necessary cost in administering the fund and impacts fund 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 financial product, the investment decisions of the investment manager and the TER.

### TOTAL EXPENSE RATIO:

One year, as at financial year-end, as per Board Notice 92 of 2014

01 Apr 2016 to 31 Mar 2017
<b>Total Expense Ratio (TER)</b>
1.03%
of the value of the fund was incurred as expenses relating to the administration of the fund.

### TOTAL EXPENSE RATIO:

As from the reduction in Annual Management Fee for this Fund on 1 January 2016

Period	01 Jan 2016	to	30 September 2017
<b>Class B1 Distributing</b>	<b>Total Expense Ratio (TER)</b>	<b>Transaction Costs (TC)</b>	<b>Total Investment Charges (TER + TC)</b>
	1.02%	0.34%	1.36%
	of the value of the fund was incurred as expenses relating to the administration of the fund.	of the value of the fund was incurred as costs relating to the buying and selling of the assets underlying the fund	of the value of the fund was incurred as costs relating to the investments of the fund

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### INFORMATION AND DISCLOSURES

#### About the manager, trustee and scheme

This portfolio was established by H4 Collective Investments (RF) (Pty) Ltd, registration number 2002/009140/07 ("the manager") of The Citadel, 15 Cavendish Street, Claremont, 7708 (telephone +27 21 670 9100) as part of the H4 Collective Investments Scheme ("the scheme"). The trustee of the scheme is the Standard Bank of South Africa Limited of 9th Floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg, 2001 (telephone +27 11 636 9111/2).

#### About the investment manager

The manager has appointed Citadel Investment Services Proprietary Limited, registration number 1996/006847/07 ("Citadel"), as the investment manager of the portfolio. Citadel is licensed as a financial services provider in terms of the Financial Advisory and Intermediary Services Act, 2002. Citadel Asset Management is the asset management division of Citadel.

#### Risk warning

The risk and return profile of a fund illustrates the amount of risk undertaken by an investor in the hope of achieving a particular return on an investment. The generally accepted principle is that potential return rises with an increase in risk. The risk and return profile on the face of this document is based on the historical performance of the fund. In addition to the risk warnings included elsewhere in this document, it is important to note that there are many other risks associated with investing in collective investments. These can include but are not limited to the following: general market risks (such as general movements in interest rates; external factors [war, natural disasters and such like]; changes to the law and regulatory frameworks; governmental policy changes; global, regional or national economic developments), risks related to a specific security (like the possibility of a company's credit rating being downgraded); and loss in the purchasing power of an investment as a result of an increase in the price of consumer goods (known as inflationary risks).

Some of the portfolios may invest in foreign securities. There are potential material risks associated with investing in foreign securities. These include but are not limited to: potential constraints on liquidity and the repatriation of funds, macroeconomic risks, political and social instability, foreign exchange risks, tax risks, settlement risks and potential limitations on the availability of market information, all of which may have an impact on fund performance. In addition, risks associated with investing in emerging markets (which are generally less mature than those in developed markets) include but are not limited to currency risks, the possibility of expropriation, confiscatory taxation or nationalisation of assets and the establishment of foreign exchange controls which may include the suspension of the ability to transfer currency from a given country.

#### Derivatives

If this portfolio has exposure to derivatives, this fact and the level of exposure will be specified within this document. Where this fund invests in other funds which use derivatives, those underlying derivative exposures will not be contained in this document. Derivatives derive their value from the value of an underlying asset. Investing in derivatives involves risk because depending on how the derivative is structured, the portfolio's losses or gains may be unlimited. To prevent this, the portfolio's derivative positions must be "covered" at all times. This means that the portfolio must always hold the underlying asset on which the derivative is based, or have sufficient cash or "margin" to deliver if the portfolio's derivative positions move against it. The use of derivatives in collective investment schemes is governed by regulation. Derivatives can be used only for efficiency in portfolio management, for increasing a portfolio's yield, or to protect the portfolio against losses if the value of the shares or instruments invested in, or the market, falls. They may not be used for speculating or for enhancing the return of the portfolio by using gearing. The most common derivatives are options (puts and calls) and futures.

#### General disclosures

This document is the minimum disclosure document required by Board Notice 92 of 2014 published by the Financial Services Board under the Collective Investment Schemes Control Act 45 of 2002. This portfolio was established for a specific group of investors and may not be available for direct investment by the general public. Collective investment schemes are generally medium to long-term investments. The value of participatory interests or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commission is available on request from the manager. Neither the manager nor Citadel provides any guarantee either with respect to the capital or the return of the portfolio. The manager has the right to close the portfolio to new investors in order to manage it more efficiently in accordance with its mandate. Where any forecasts or commentary about the expected future performance of asset classes or the market in general are made in this document, please note that neither Citadel nor H4 guarantee that such forecasts or commentary will occur.

#### Performance disclosures

The performance calculated and shown is that of the portfolio. Individual investor performances may differ as a result of initial fees (if applicable), the actual investment date, the date of reinvestment and dividend withholding tax. Where periods of longer than one year are used in calculating past performance, certain figures may be annualised. Annualisation is the conversion of a rate of any length of time into a rate that is reflected on an annual basis.

#### Disclosures in respect of the Citadel SA Money Market H4 Fund only

A money market portfolio is not a bank deposit account. The price of participatory interests is targeted at a constant value. The total return to the investor is made up of interest received and any gain or loss made on any particular investment, and in most cases the return will merely have the effect of increasing or decreasing the daily yield, but in the case of abnormal losses it can have the effect of reducing the capital value of the portfolio. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressures – in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. The yield is calculated monthly using historical figures and is annualised.

#### Disclosures in respect of the Citadel Global Equity H4 Fund of Funds

A fund of funds portfolio 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.

#### Disclosures in respect of the Citadel SA Money Market H4 Fund, the Citadel SA Bond H4 Fund and the Citadel SA Income H4 Fund

The yield is historic and is calculated as at the date stipulated on the face of this document.

#### Disclosures in respect of third-party-named portfolios

A third-party-named portfolio bears the name of both the manager and the investment manager. Where this portfolio is a third-party-named portfolio, the manager retains full legal responsibility for the third-party-named portfolio.

#### Calculation of the NAV and price

The value of participatory interests is calculated on a NAV basis. The NAV is the total value of all assets in the portfolio including any income accruals and less any deductible expenses (which may include audit fees, brokerage, service fees, securities transfer tax and bank charges). The price of participatory interests is calculated by dividing the NAV by the number of participatory interests in issue. Prices are published daily in local newspapers. The portfolio is available via certain LISPs, who levy their own fees. Investors in this portfolio may thus be liable for an initial fee and/or annual service fee levied by the third party administrator that is not reflected in the initial charge (where applicable) or NAV calculation.

#### Limitation of liability

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#### Complaints process

Any complaint must be set out in writing and include all relevant information and documents in the complainant's possession. The complaint must be addressed to the manager's compliance officer and posted or hand-delivered to the manager's physical address above or sent by email to info@H4CI.co.za. The complaint will be investigated internally and the complainant will be advised of the outcome of the complaint.

#### Additional information

Citadel and the manager are members of ASISA. Figures quoted are from Citadel, Morningstar, Datastream, Bloomberg and MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This document is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Where a FTSE/JSE index ("the FTSE/JSE index") is referenced in this document, copyright therein vests in FTSE International Limited ("FTSE") © FTSE 2016. "FTSE®" is a trade mark of the London Stock Exchange Group Companies and is used by FTSE under licence. "JSE" is a trade mark of the JSE Limited and is used by FTSE under licence.



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