IP Diversified Income Fund of Funds
October 2020

Fund Objectives, Investment Process & Policy
The IP Diversified Income Fund of Funds is an income generating South Africa based Fund of Funds. The investment objective of the Fund is to achieve a high level of sustainable income and stability of capital invested. It will invest in a broad range of participatory interests and other forms of participation in collective investment schemes (CIIs) or similar schemes. The Fund aims to provide investors with a high level of income and low risk capital growth to outperform CPI + 2% p.a. over a rolling 2-year period. The Fund is diversified between asset classes with a high allocation to assets that generate income. It is managed according to the Prudential Regulation 28 guidelines of the Pension Fund Act. This Fund is suitable for conservative investors with the priority to safeguard assets in a tax efficient manner, whilst satisfying a need for income. The Fund has a predetermined risk budget per asset class to allow the manager to vary exposure between asset classes, whilst respecting the Fund’s strategic asset allocation benchmarks. The managers consider tactical asset allocations between asset classes and sectors after a team process has determined a risk score by considering the global and local leading economic indicators, asset class valuations, fundamental research, independent liquidity analysis and technical analysis.

Investor Profile

<table>
<thead>
<tr>
<th>Risk Level</th>
<th>Low</th>
<th>Low to Moderate</th>
<th>Moderate</th>
<th>Moderate to High</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

Asset Allocation

- SA Cash: 42.45%
- SA Bonds: 32.87%
- SA Equity: 9.77%
- Global Equity: 9.44%
- Global Bonds: 3.27%
- Global Cash: 1.53%
- Global Property: 0.38%
- SA Property: 0.29%

Top Portfolio Holdings

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>IP Interest Plus Fund</td>
<td>50.96%</td>
</tr>
<tr>
<td>IP Active Beta Fund</td>
<td>21.17%</td>
</tr>
<tr>
<td>MitonOptimal International Managed Flexible</td>
<td>8.24%</td>
</tr>
<tr>
<td>RMI Specialist Managers Unconstrained Fixed Interest Fund</td>
<td>6.55%</td>
</tr>
<tr>
<td>IP Prudential Equity Fund</td>
<td>4.59%</td>
</tr>
<tr>
<td>Ashburton Inflation ETF</td>
<td>3.48%</td>
</tr>
<tr>
<td>Sharenet BCI Income Plus Fund</td>
<td>2.39%</td>
</tr>
<tr>
<td>MitonOptimal IP High Conviction Equity Fund</td>
<td>1.66%</td>
</tr>
<tr>
<td>Nedgroup Investments Corp MMMKT C20</td>
<td>0.05%</td>
</tr>
</tbody>
</table>

Top Securities

- Standard Bank of South Africa: 15.93%
- South Africa, Republic of: 11.16%
- Nedbank LTD: 9.89%
- RMB Bank LTD: 6.94%
- Investec Bank LTD: 6.79%
- Absa Bank LTD: 5.06%
- HSBC Bank PLC: 2.64%
- UBS: 1.73%
- Land and Agricultural Development Bank of South Africa: 1.56%
- Naspers: 1.52%

Fund Performance

- Annualised Returns*: YTD, 1-Year, 3-Year, 5-Year, Since inception
- IP Diversified Income FoF: 5.52%, 5.27%, 4.86%, 5.03%, 7.10%
- Benchmark: 4.33%, 5.09%, 6.08%, 6.72%, 7.73%
- Cumulative Returns: YTD, 1-Year, 3-Year, 5-Year, Since inception
- IP Diversified Income FoF: 21.5%, 27.83%, 27.83%, 98.26%
- Benchmark: 4.33%, 5.09%, 9.36%, 38.43%, 203.59%

Fund Information

- Fund managers:
  - Roeloff Horne
  - Director & Head of SA Portfolio Management

- Latest price: A 150.30 cents
- Fund size1: B2 150.38 cents
- Number of units:
  - A 11 390 133.21
  - B2 121 466 704.08
- ASISA category: SA Multi Asset - Low Equity
- Regulation 28 compliant: Yes
- Benchmark: CPI + 2%
- Inception: A 21 November 2005
- B2 03 October 2011
- Min lump sum investment: R10,000
- Min monthly investment: A R1,000
- Dates of income declarations: 31 Mar / 30 Jun / 30 Sept / 31 Dec
- Date of income payment: 15th day of the following month or next business day if the 15th does not fall on a business day

Portfolio Fees

- Max initial manager fee: 0.00%
- Max initial adviser fee: 2.00% (excl. VAT)
- Annual management fee:
  - A 1.00% (excl. VAT)
  - B2 0.75% (excl. VAT)

Total Expense Ratio (TER)², Transaction Costs (TC) and Total Investment Cost (TIC) (01 Jul 2017 to 30 Jun 2020)

- A: 1.98%
- B2: 1.69%

Annualised³ Performance (A Class)

- Highest (% (31 July 2007): 12.38%
- Lowest (% (30 November 2018): 1.75%

Fund References

- ISIN: A ZAE001409199 B2 ZAE00159166
- Bloomberg: ASENDIVESJ B2MTDB2S
- JSE: ASEDIF B2SEDIB2

Source: IRESS

*Annualised returns shown are based on NAV-NAV unit price change from inception (21/12/2005)
A global economic recovery is underway following the initial shock of the coronavirus pandemic, aided by very aggressive stimulus. However, the threat of further restrictions on activity continues to pose a risk to this recovery as we head into the final quarter of the year, with talk of a ‘second wave’ of the coronavirus pandemic gathering momentum.

Cheap liquidity conditions and accommodative policy are expected to remain a prominent feature of the global monetary environment for the next 6-9 months, or at least until there are authoritative signs of an improvement in the outlook for global growth. While the sheer magnitude of monetary stimulus has supported a recovery, the threat of further COVID-lockdowns and fear surrounding the pandemic remain risks – offsetting the benefits of the monetary injection. There are also upside risks with inflation stemming from the rapid expansion of money supply in the likes of the US. ‘Losser-for-longer’ monetary policy is expected to remain the stance of most global central banks heading into 2021 as policymakers attempt to engineer an economic recovery.


The selected sectors (in local and global markets) that will continue to benefit from the current COVID-19 infection scenario – IT/Healthcare/Consumer Staples and Resources/Spot Commodities

Taking a 12-month view, many factors support exposure to selected risk assets:

- Increasing global liquidity
- Low interest rates/developed market bond yields
- Economic recovery in US & China and when it is behind us, conclusion on US elections, a Brexit agreement as well as a stable COVID-19 scenario
- A potential change in SA political rhetoric; curbing corruption and implementation of economic stimulus

It remains important to actively manage risks and opportunities – especially the opportunity to invest in cheap, beaten down SA Incorporated sectors and global value stocks when economic fundamentals improve – in our funds and portfolios.

Portfolio actions over the quarter

- We introduced exposure to the IP High Conviction Equity fund as the house view fund is overweight SA Resources which is our favorite SA Equity sector
- Sold direct SA Bond exposure by selling NEWFUNDS GOVI ETF after a recovery rally
- Introduced Sharenet BCI Income Plus as an additional fixed interest fund in the portfolio. The Fund is managed by the experienced Kobus Louw using the stock selection expertise of Fairtree and Prescient as inputs to his process

Fund Distributions (cents per unit)

<table>
<thead>
<tr>
<th>Date</th>
<th>A</th>
<th>B2</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 Sep 2019</td>
<td>1.49</td>
<td>1.60</td>
</tr>
<tr>
<td>31 Dec 2019</td>
<td>1.74</td>
<td>1.87</td>
</tr>
<tr>
<td>31 Mar 2020</td>
<td>1.66</td>
<td>1.77</td>
</tr>
<tr>
<td>30 Jun 2020</td>
<td>1.58</td>
<td>1.68</td>
</tr>
<tr>
<td>30 Sep 2020</td>
<td>1.04</td>
<td>1.15</td>
</tr>
</tbody>
</table>

Foreign Disclosure

The portfolio may include foreign investments and the following additional risks may apply: liquidity constraints when selling foreign investments and risk of non-settlement of trades, macroeconomic and political risks associated with the country in which the investment is made; risk of loss on foreign exchange transactions and investment valuation due to fluctuating exchange rates; risk of foreign tax being applicable; potential limitations on availability of market information which could affect the valuation and liquidity of an investment. All of these risks could affect the valuation of an investment in the fund.

Contact Information

Management Information
IP Management Company (RF) Pty Limited
1st Floor, Mariendahl House, Newlands on Main, Main Road, Newlands, 7700, PO Box 23271, Claremont, 7735

t: +27 21 673 1340
e: 086 557 4848

Fund Management Company
MitonOptimal South Africa (Pty) Limited
2nd Floor, Suite 202, South Wing, Great Westerford, 240 Main Road, Rondebosch, 7700.
t: +27 (0) 21 688 3579
e: +27 (0) 21 688 6940
e: mail@mitonoptimal.com
w: www.mitonoptimal.com

FAIS Conflict of Interest Disclosure

With multi-asset portfolios the investment manager, MitonOptimal South Africa (Pty) Ltd employs an investment strategy where specific collective investment schemes across a range of asset classes are selected and grouped together. This enable the management of the units in those portfolios in a cost and tax efficient manner. The investment manager re-invests 100% of all rebates received from the underlying managers. No other FISP receives a distribution fee from the investment manager. If another intermediary FISP is used, it is their responsibility to disclose any additional fees to you as the investor. The following fees are paid out of the portfolio’s service charge and range as follows (excl VAT): IP Management Company (RF) Pty Ltd: Up to 0.15% p.a.; MitonOptimal South Africa: between 0.55% and 0.65%; Lisp Fee: 0.25%; Total Service Fee: 1.50% p.a. Excluding VAT.

1Fund size is of the A Class launched on 21/11/2005 and the B2 Class launched on 03/10/2011 combined. 2Please note: The Total Expense Ratio (TER) of the value of the financial product was incurred as expenses relating to the administration of the financial product. The Transaction Costs (TC) relate to the buying and selling of assets underlying the financial product. Total Investment Charge (TIC) is the value of the financial product incurred as costs relating to the investment of the financial product. 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. Transaction costs are a necessary cost in administering the Financial Product and impacts Financial Product returns. It should not be considered in isolation as returns may be impacted by many factors over time including market returns, the type of financial product, the investment decisions of the investment manager and the TER. The EAC is a standard industry measure which has been introduced to allow you to compare the charges you incur and their impact on the investment returns over specific periods. Please visit http://www.ipmc.co.za/ effective-annual-cost-to-access the EAC calculator. You can request an EAC calculation from clientservices@ipmc.co.za or call us on 021 673-1340. 3The above returns for investment each year over a given time period. 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 commissions is available on request from the manager. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The Fund is invested in portfolios of other Collective Investment Schemes that levy their own charges, which could result in a higher fee structure for the Fund of Funds. The Manager retains full legal responsibility for the Fund, regardless of Co-Naming arrangements. Each portfolio may be closed for new investments. Transaction cut-off time is 14.30 daily. Valuation time is 20:00 for Fund of Funds. Prices are published and calculated daily, they are available in newspapers countrywide, as well as on request from the Manager. IP Management Company (RF) Pty Ltd is the authorised Manager of the Scheme – contact 021 673 1340 or clientservices@ipmc.co.za. Standard Bank is the trustee / custodian – contact compliance-ip@standardbank.co.za. Additional information including application forms, the annual report of the Manager and detailed holdings of the portfolio as at the last quarter end are available, free of charge, from clientservices@ipmc.co.za. IP Management Company is a member of ASISA. MitonOptimal South Africa (Pty) Limited is the Fund Manager and is regulated by the Financial Sector Conduct Authority, FSP 28160. We advise that you consult a Qualified Independent Financial Advisor to ensure that the Fund is appropriate in terms of the investor’s risk tolerance and appetite. Collective Investment Schemes prices are calculated on a net asset value basis and auditor’s fees, bank charges and trustee fees are levied against the portfolio. Graphs and performance figures are sourced from IRESS for lump sum investments including income distribution, at NAV to NAV basis and do not take any initial fees into account. Income is reinvested on the ex-dividend date. Performance shown is for the portfolio. Individual investor performance may differ due to initial fees, actual investment date, re-investment date and withholding taxes. MitonOptimal South Africa (Pty) Limited is authorised to act as a Fund Manager in terms of FAIS. Fund of Funds invest in portfolios of other Collective Investment Schemes that levy their own charges, which could result in a higher fee structure for the fund of funds.

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