

# IP Flexible Fund of Funds

## (A & B Class) Minimum Disclosure Document

### September 2019



### Fund Objectives, Investment Process & Policy

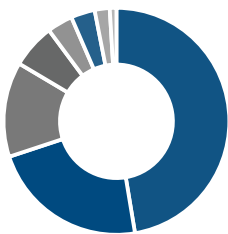
The IP Flexible Fund of Funds is a flexible Fund of Funds. The primary investment objective of this Fund is to provide the investor with consistent low volatile performance and real capital growth. It will invest in a broad range of participatory interests and other forms of participation in collective investment schemes (CISs) or similar schemes. The Fund aims to achieve total returns in excess of CPI +5% over rolling 4-year periods, providing investors with medium to long term capital growth from a diversified portfolio of equities, bonds, listed property and money market instruments, both locally and offshore. This Fund is suitable for long term investors, with a moderate risk tolerance, who want reasonable but relatively stable growth. 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

Low Risk      Low to Moderate Risk      Moderate Risk      Moderate to High Risk      High Risk



### Asset Allocation



SA Equity	47.36%
Global Equity	22.58%
SA Bonds	13.54%
SA Cash	6.32%
Global Property	3.66%
Global Bonds	3.43%
SA Property	2.15%
Global Cash	0.95%

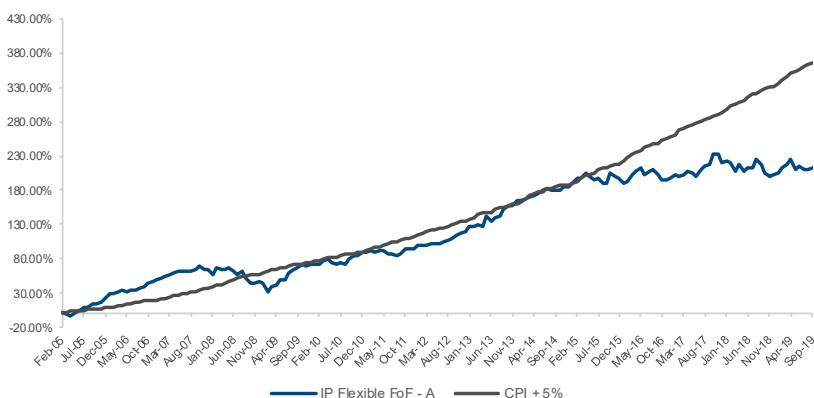
### Top Portfolio Holdings

IP Prudential Equity Fund	33.21%
IP Active Beta Fund Class A	26.27%
IP High Conviction Equity Fund	24.45%
International Managed Flexible Fund	14.68%
PSG Equity Class B	1.54%

### Top Securities

Naspers LTD-N SHS	3.89%
BHP Group PLC	3.26%
Anglo American PLC	3.00%
Standard Bank Group LTD	2.77%
Absa Group LTD	2.39%
Old Mutual LTD	1.78%
Sasol LTD	1.59%
Barlorld LTD	1.46%
Sibanye Gold LTD	1.41%
British American Tobacco PLC	1.22%

### Fund Performance



### Fund Information

#### Fund managers



Roeloff Horne  
Director & Head of SA  
Portfolio Management



Scott Campbell  
Group MD & Chief  
Investment Officer

#### Latest price

A 280.62 cents  
B 283.27 cents

#### Fund size<sup>1</sup>

R 78 m

#### Number of units

A 8 627 830.61  
B 18 933 872.89

#### ASISA category

SA Multi Asset - Flexible

#### Regulation 28 compliant

No

#### Benchmark

CPI + 5%

#### Inception

A 11 February 2005  
B 03 October 2011

#### Min lump sum investment

A R10,000  
B R10,000

#### Min monthly investment

A R500

#### Dates of income declarations

31 Mar / 30 Sept

#### 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	1.50% (excl. VAT)

### Total Expense Ratio (TER)<sup>2</sup>, Transaction Costs (TC) and Total Investment Cost (TIC) (01 Jul 2016 to 30 Jun 2019)

	A	B
TER*	2.81%	1.96%
TC	0.22%	0.22%
TIC (incl. VAT)	3.03%	2.18%

\*Includes the annual management fee of 1.50% (VAT exclusive).

### Annualised<sup>3</sup> Performance (A Class)

Highest % (30 April 2006)	39.59%
Lowest % (28 February 2009)	-20.71%

### Fund References

	A	B
ISIN	ZAE000140893	ZAE000159141
Bloomberg	SENFLEA: SJ	MTNFLB2: SJ
JSE	SEFFF	SEFB2

Annualised Returns <sup>3</sup>	YTD	1-Year	3-Year	5-Year	Since inception
					11-02-2005
IP Flexible Fund	3.60%	-1.29%	1.15%	2.18%	8.13%
Benchmark	7.9%	9.70%	10.14%	10.37%	11.14%
Cumulative Returns	YTD	1-Year	3-Year	5-Year	Since inception
IP Flexible Fund	3.60%	-1.29%	3.48%	11.36%	212.52%
Benchmark	7.9%	9.70%	33.61%	63.79%	366.68%

Fund returns shown are based on NAV-NAV unit pricings calculated from IRESS for a lump-sum investment with income distribution reinvested (after fees and cost).

**Quarterly Market Commentary** (as at 30 September 2019)

The portfolios held up well through the volatility experienced over the past three months and returned -1.08% where SA Equity market (JSE ALSI) returned -4.75%. Our actions to reduce our SA Equity exposure during June and July and adding to SA Fixed Interest, Global Assets and Gold in most of our portfolios and funds assisted in preserving capital over the three months to end September 2019.

Markets experienced a volatile quarter, after central banks eased policy in response to slowing economic growth: both the Fed and ECB cut rates. The Fed also eased a liquidity shortage, while the ECB will restart asset purchases. Ongoing US-China trade tensions, an oil-price spike and more Brexit drama induced intra-month volatility. Local markets did not react to the SARB's expected decision to keep rates unchanged. A lot of patience is required to stay invested in capital markets when you realise that only one of the main catalysts we listed as an important market driver has been concluded positively since January 2019 when we had our annual team strategic planning session.

In no particular order, the drivers are:

- Actions to improve SA economic policy, addressing State-Owned Enterprises' (SOEs) financial conditions together with fiscal and economic stimulus to re-ignite SA GDP growth
- A deal between the US and China to end the trade war
- A definitive outcome to the UK and EU's Brexit negotiations
- Improving SA, emerging market and developed market corporate earnings.

The one catalyst that changed during 2019 is the end to the FED's rate normalization cycle. This is one of the reasons why almost US\$16 trillion of developed market bonds are trading at negative yields! The fact that developed market bond yields are at historic lows, means that global investors have very little choice in terms of 'safe', high yielding instruments. This guarantees ongoing volatility as dividends of global stocks offer enhanced value relative to global bonds and possibly cause global investors to attempt to buy low and sell high in equity markets in order to generate absolute returns over time.

There are many more factors that can and will influence capital market behavior, but until the main catalysts mentioned are resolved, investors will require a well-diversified portfolio of assets to safeguard themselves against global and local equity market volatility. The good news is that a lot of the bad news is already in the price of SA risk assets and globally the slowdown in global economic activity is a 'known known' to economic policy leaders.

We therefore expect capital markets to grind higher, but with a guarantee of ongoing volatility.

Our preferred asset classes in the short term are Fixed Income in SA for yield and Global Equities for growth. Therefore, we remain underweight on SA Equities (relative to our long-term strategic plan per portfolio) and are severely overweight on SA Fixed Interest. We have some Gold bullion exposure to safeguard us if short term global policy errors derail capital markets. Longer term, local and global equities should win the battle between asset classes as the relative value of equities remain compelling relative to other asset classes, but while the global and local catalysts remain on the sidelines, a trading strategy managed by seasoned professionals is favored while owning local or global equities in a portfolio.

**Fund Distributions (cents per unit)**

	A	B
31 Mar 2019	0.00	0.23
30 Sep 2019	0.31	2.73

**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 FSP receives a distribution fee from the investment manager. If another intermediary FSP 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 0.60%; LISP Fee: 0.25%; Total Service Fee: 1.00% p.a. Excluding VAT.

**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 Company**

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<sup>1</sup>Fund size is of the A Class launched on 11/02/2005 and the B Class launched on 03/10/2011 combined. <sup>2</sup>Please 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 illustration. You can request an EAC calculation from [clientservices@ipmc.co.za](mailto:clientservices@ipmc.co.za) or call us on 021 673-1340. <sup>3</sup>The average return on an 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 20h00 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](mailto:clientservices@ipmc.co.za). Standard Bank is the trustee / custodian – contact [compliance-IP@standardbank.co.za](mailto: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](mailto: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 calculate 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.