IP Prudential Fund of Funds

(A & B2 Class) Minimum Disclosure Document

September 2019

Fund Objectives, Investment Process & Policy

The IP Prudential Fund of Funds is a Fund of Funds. The objective of this Fund is to provide the investor a reasonable income with moderate capital growth, and will seek to follow an investment policy that reflects a spread of investments that are aiming at income and capital growth normally associated with the investment structure of a retirement Fund. 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 +3% over rolling 3 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. The Fund is managed according to the Prudential Regulation 28 guidelines of the Pension Fund Act. This Fund is suitable for cautious investors whom want to protect their assets, whilst achieving a real increase in the value of their investment. 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 Bonds	28.11%
Global Equity	20.37%
SA Cash	19.31%
SA Equity	18.54%
Global Bonds	5.74%
SA Property	3.52%
Global Property	3.19%
Global Cash	1.21%

Top Portfolio Holdings

IP Interest Plus fund	27.74%
MitonOptimal International Managed Flexible	21.64%
IP Prudential Equity Fund	15.67%
IP Active Beta Fund	13.62%
IP High Conviction Equity Fund	6.83%
Sasfin BCI Flexible Income Fund	4.19%
Marriott Property INC Fund	2.97%
Granate SCI Unc Fix Int	2.30%
Tantalum BCI Strategic Income Fund	2.07%
Newfunds Govi ETF	1.63%

Top Securities

Naspers	1.69%
Bhp group plc	1.21%
Growthpoint Properties Ltd	1.15%
Anglo American plc	1.02%
Standard Bank Group Ltd	0.92%
Absa Group Ltd	0.77%
Old Mutual Ltd	0.65%
Sasol ltd	0.55%
Compagnie Financiere Richemont	0.49%
Apple Inc	0.47%

Fund Information

Fund managers	 Roeloff Horne Director & Head of SA Portfolio Management  Scott Campbell Group MD & Chief Investment Officer
Latest price	A 227.95 cents B2 229.04 cents
Fund size[1]	R 126 m
Number of units	A 7 303 653.23 B2 47 916 381.92
ASISA category	SA Multi Asset - Medium Equity
Regulation 28 compliant	Yes
Benchmark	CPI + 3% p.a.
Inception	A 27 January 2005 B2 03 October 2011
Min lump sum investment	A R10,000 B2 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 adviser fee	0%
Max Initial advisor fee	2.00% (excl. VAT)
Annual management fee	A 1.50% (excl. VAT) B2 0.75% (excl. VAT)

Total Expense Ratio (TER)[2],Transaction Costs (TC) and Total Investment Cost (TIC) (01 Jul 2016 to 30 Jun 2019)

	A	B2
TER*	2.69%	1.83%
TC	0.12%	0.12%
TIC (incl. VAT)	2.81%	1.95%

*Includes the annual management fee of 1.50% for A Class and 0.75% for B2 Class (VAT exclusive).

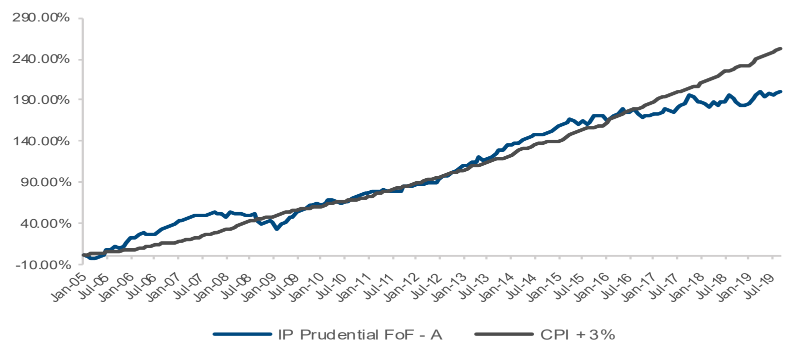
Annualised[2] Performance

Highest % (30 April 2006)	31.86%
Lowest % (28 February 2009)	-13.22%

Fund References

	A	B2
ISIN	ZAE0001140901	ZAE000159158
Bloomberg	SENPRUA:SJ	MITPRB2:SJ
JSE	SEPFF	SEPB2

Fund Performance



Source: IRESS

Annualised Returns[3]	YTD	1-Year	3-Year	5-Year	Since inception 27-01-2005
IP Prudential FoF	5.57%	2.70%	3.11%	3.81%	7.78%
Benchmark	6.32%	7.54%	7.98%	8.20%	8.96%

Cumulative Returns	YTD	1-Year	3-Year	5-Year	Since inception 27-01-2005
IP Prudential FoF	5.57%	2.70%	9.64%	20.58%	199.97%
Benchmark	6.32%	7.54%	25.89%	48.31%	252.04%

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

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Quarterly Market Commentary (as at 30 September 2019)

The portfolio held up well through the volatility experienced over the past three months and returned + 1.05%, 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 and eking out a positive return 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 of 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	B2
31 Mar 2019	2.29	3.25
31 Sep 2019	2.68	3.68

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 1.05% and 1.10%; Lisp Fee: 0.25%; Total Service Fee: 1.50% 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.

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