

# Kruger Ci Balanced Fund of Funds

## April 2020



**KRUGER**  
International  
Asset & Wealth Management

### INVESTMENT OBJECTIVE

The investment objective of this portfolio is to provide investors with capital growth over the medium to long term. The portfolio may also generate income, however, the generation of income will not be the primary objective of this portfolio. The underlying funds in the portfolio invest in a combination of equities, listed property, bonds and money market. The portfolio is aimed at investors who can tolerate higher risk, as explained only by volatility, as it may have a maximum of up to 75% exposure to equities. The portfolio adheres to the prudential investment guidelines set by Regulation 28.

### ABOUT THE FUND

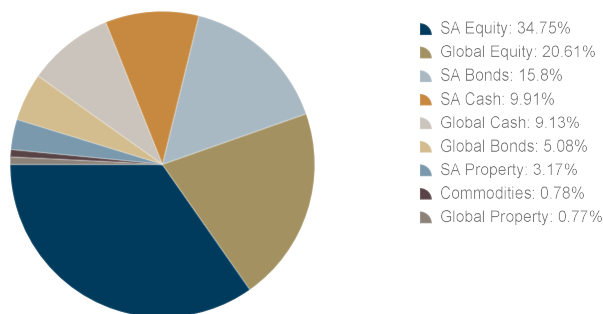
ASISA Classification	South African – Multi Asset – High Equity
Risk Profile	High
Benchmark	South African Multi Asset High Equity Category Average
Equity Exposure	The fund may have a maximum effective exposure of 75% for equity.
Foreign Exposure	Up to 30% of the assets may be invested offshore and an additional 10% in Africa (ex RSA).

### UNDERLYING HOLDINGS

Ci SA Balanced Fund	24.49%
International Equity Fund*	14.98%
Ci Moderate Strategic Fund	13.37%
Foord Domestic Balanced Fund	13.21%
International Flexible Fund*	12.39%
Ci Opportunity Fund	11.71%
Global Cash	8.21%
SA Cash	1.64%

\* Kruger International Mauritius is the Investment Advisor on these funds

### ASSET ALLOCATION



Asset allocations are one month lagged

### PORTFOLIO HISTORIC PERFORMANCE

	1 year	3 year	5 year	10 year
Kruger Ci Balanced Fund of Funds (Class A)	-3.03%	2.09%	2.52%	7.96%
Benchmark	-4.36%	1.80%	2.31%	7.39%
Highest return over 12 rolling months				25.33%
Lowest return over 12 rolling months				-15.85%

\*Annualised

### THE KRUGER INVESTMENT COMMITTEE

Hein Kruger:	Chief Investment Officer
Mia Kruger:	Portfolio Manager
Johan Marais:	Investment Committee Member
Charl Bester:	Investment Committee Member
Chris Nel:	Investment Committee Member
Analytics Consulting:	Investment Consultant

### PORTFOLIO MANAGER'S COMMENTARY

International:  
After the strong correction in March, equity markets bounced back strongly in April in spite of the continued and aggressive spread of Covid-19 to all parts of the world. Some of the key factors driving optimism in world equity markets include plans to reopen major economies, hopes of a Covid-19 cure and stimulus from major central banks. The combination of these factors enhanced investors' belief that a V shaped recovery is possible. However, analysts warn there are still a number of red flags to watch out for, including the absence of effective treatment, renewed US/China tensions over the origin of the pandemic and concerns over debt defaults – industries such as airlines, tourism and retail have been affected the most. The unlocking of economies will undoubtedly be sporadic and slow as the fear for a second wave will persist for long time – evidence from the East already indicate signs of this. Optimism that countries will quickly return to some form of "normality" therefore seems unrealistic which puts the sustainability of the current in doubt. From economic data so far it is clear that the economic damage runs deep and that the full picture will only emerge in the coming months and years. The quick, proactive and far reaching support by central banks was impressive but whether it was enough to supply consistent dollar liquidity to a dollar hungry world remains in question. The most important instruments used were interest rates and quantitative easing which, in conjunction with a range of fiscal measures by governments, helped to soothe the nerves. Other important economic and political headwinds such as the concluding negotiations around Brexit and the challenges presented by climate change have for now been put on the back burner. The employment market is probably the best barometer for economic activity as borne out by recent US data – since the start of the lockdown about 7 weeks ago, new claims for temporary employment exploded to more than about 33 million while employment data for April deteriorated to a startling level at astonishing speed. From a record unemployment rate of 3.5% in March it imploded to 14.7%, the highest level since the Second World War – 20.5 million Americans lost their jobs. The impact on the economy and the business sector are clearly reflected in the reporting season for the first quarter currently under way for the first quarter which is currently under way. Adding to the uncertainty is the fact that only a few companies have so far been able to give forward guidance on expected business conditions and earnings. The highlight for April was the sharp rebound of equity markets after the dramatic falls in March – the MSCI All Country Index lost +12.78% (-19.15%ytd); the Dow Jones +11.22% (-14.07%ytd); the S&P 500 +12.82% (-9.29%ytd) and the MSCI Emerging Markets Index by +13.59% (-21.79%ytd) – all in US dollars.

Local:  
The Covid-19 lockdown has led to the acceleration of the SA economy down the slippery slope under the additional weight of existing structural inefficiencies, policy uncertainty, poor business and consumer confidence and expected ongoing Eskom load shedding. In line with the rest of the world, an initial lockdown period of 3 weeks was extended by a further of 2 weeks after which, after the introduction of a five phase risk based unlocking strategy, it was slightly relaxed from level 5 to 4. The combined effect of all these challenges are starting to be reflected in the latest economic data which point increasingly to a deep recession. Among the negative data points were the SACCI business confidence index which recorded a record decline from 89.9 to 77.8 index points in April (consensus was for 80), the Absa Manufacturing PMI that declined in April to 46.1 from 48.1 in March, the Standard Bank PMI-index for the whole economy which declined to 35.1 in April from 44.5 in March, sales of new vehicles which came in at only 574 new cars sold in April compared to 33 564 in March and a warning by the SARS chief executive that the estimated shortfall on the budgeted tax income for the 2021 tax year will amount to 15 - 20% or R285 billion. Among a few positive data points were an increase in the SA leading economic index thanks to firmer export prices, a decrease in consumer inflation to 4.1% from an expected 4.6% and likely to fall further amid tumbling fuel prices and weak demand. This will make further rate cuts possible. Post the Moody's downgrade of SA to junk status, SA fell out of the FTSE World Bond Index at the end of April and this seems to have been already priced into the bond market. In line with the aggressive global monetary policy easing by central banks, the Reserve Bank followed suit with a further one percent cut at a special meeting in April. The FTSE JSE All Share Index also rebounded strongly in April – the FTSE/JSE All Share index rose by +11.34% (-10.39%ytd). All the Kruger funds advanced strongly – Equity by +16.10% (-2.15%ytd); the new Balanced Fund by +11.34% (-0.16%ytd); the old Balanced FOF by +10.09% (-3.17%ytd); the new Prudential Fund by +7.10% (+1.87%ytd), the old Prudential FOF by +7.18% (+1.67%ytd) and the International Flexible Feeder Fund (previously Global FOF) by +9.81% (+20.65%ytd).

### TOP 10 EQUITY EXPOSURES

Naspers Ltd	5.17%	BHP Group	1.59%
British American Tobacco	2.87%	CF Richemont	1.18%
Anglo American	1.82%	Bid Corporation	1.08%
Prosus NV	1.79%	Microsoft	1.08%
Standard Bank	1.68%	Anheuser Busch InBev	1.04%

Top 10 equity exposures are one month lagged.

This document is a Minimum Disclosure Document (MDD) which contains key information about this portfolio. This MDD will be updated on a monthly basis. Sources: Performance sourced from Morningstar and Portfolio Analytics Consulting, for a lump sum using NAV-NAV prices with income distributions reinvested. CPI for all urban areas sourced from Factset. Asset Allocation and Top 10 holdings data compiled by Global Investment Reporting SA ("GIRSA")

Published date: 18.05.2020



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### ABOUT THE FUND

Launch Date	17 May 2006 (Class G: 2 September 2019)	Total Expense Ratio	Class A: 1.66%, Class G: 1.87%
Opening NAV Price	1000.00 cents per unit	Transaction Cost	Class A: 0.12%, Class G: 0.13%
Fund Size	R 359.2 million	Total Investment Charge	Class A: 1.78%, Class G: 2.00%
Initial Fee	Class A: 0%, Class G: 0%	Calculation Period	1 Jan 2017 to 31 Dec 2019 (Class G: Estimate)
Initial Advisory Fee	Maximum 3.00% (Excl. VAT)	Income Declaration Dates	30 April, 30 June and 31 December
Annual Service Fee	Class A: 0.525% (Excl. VAT) Class G: 0.625% (Excl. VAT)	Last 12 months Distributions (cents per unit)	30/04/2020: (A) 28.61, 31/12/2019: (A) 14.01 28/06/2019: (A) 15.69 30/04/2020: (G) 1.30, 31/12/2019: (G) 0.00
Annual Advisory Fee	Maximum 1.00% (Excl. VAT)	Income Reinvestment / Payout Dates	2nd working day in May, July and January
Transaction cut-off time	14:00	Frequency of pricing	Our daily NAV prices are published on our website and in the national newspaper
Valuation time	17:00		

#### FAIS Conflict of Interest Disclosure

The annual fees include a fee up to 0.200% payable to Kruger, a fee up to 0.200% (Class A) or 0.300% (Class G) payable to Ci Collective Investments, a fee up to 0.125% payable to Analytics Consulting. All fees stated are exclusive of VAT. Please note that in most cases where the Financial Services Provider (FSP) is a related party to the portfolio manager, the FSP/distributor may earn additional fees other than those charged by the portfolio manager. Kruger International is an indirect shareholder of Ci Collective Investments. Kruger International Mauritius is the Investment Advisor on the International Equity Fund and International Flexible Fund. Kruger International aggregates all foreign investments within the Kruger International global portfolio range. The portfolio may therefore be invested in the Kruger International Mauritius offshore portfolios from time to time. Kruger International Mauritius and SIP may earn an annual investment management fee of up to 1% on all such investments. Please see further details below.

#### Characteristics

This is a multi-asset high equity portfolio which means that it may invest in a spectrum of equity, bond, property and money market and tends to have an increased probability of short-term volatility and aims to maximise long term capital growth. The portfolio may have a maximum equity exposure of up to 75% and complies with the regulation governing retirement funds. This portfolio may, at the discretion of the portfolio manager, invest up to 30% of the assets outside of South Africa plus an additional 10% of the assets in Africa excluding South Africa. A fund of funds is a portfolio that invests in portfolios of collective investment schemes, which levy their own charges, which could result in a higher fee structure for the fund of funds.

#### Risk Reward Profile: High

Typically, the lower the risk, the lower the potential return and the higher the risk, the higher the potential return. There is no guarantee that returns will be higher when investing in a portfolio with a higher risk profile. The risk profile for this portfolio is rated as high, as it may only invest up to 75% in equity securities, both locally and abroad. The risk refers only to volatility

### RISK DEFINITIONS

#### Market Risk

Equity markets are volatile and the price of equities fluctuate based on a number of factors such as changes in the economic climate, general movements in interest rates and the political and social environment which will also affect the value of the securities held in the unit trust, thereby affecting the overall value of the unit trust.

#### Currency Risk / Foreign Exchange Risk

This risk is associated with investments that are denominated in foreign currencies. When the foreign currencies fluctuate against the South African Rand, the investments face currency gains or losses.

#### Concentration Risk

Unit Trusts pool the assets of many investors and use the proceeds to buy a portfolio of securities. There are regulations in place which limit the amount that a unit trust may invest in securities, thereby spreading the risk across securities, asset classes and companies.

#### Liquidity Risk

This relates to the ability of the unit trust to trade out of a security held in the portfolio at or near to its fair value. This may impact on liquidity and in the case of foreign securities, the repatriation of funds.

#### Credit Risk

Credit risk arises where an issuer of a non-equity security or a swap is unable to make interest payments or to repay capital. The Fund may be exposed to credit risk on the counterparties in relation to instruments such as cash, bonds and swaps that are not traded on a recognised exchange. The possibility of the insolvency, bankruptcy or default of a counterparty with which the Fund trades such instruments, could result in losses to the Fund.

#### Inflation Risk

The risk of potential loss in the purchasing power of your investment due to a general increase of consumer prices.

#### Political Risk

The risk that investment returns could suffer as a result of a country's political changes or instability in the country. Instability could come from changes in the country's government, policy makers or military.

#### Tax Risk

This risk relates to any change to tax laws or to the interpretation of existing tax laws which has an impact on the manner in which unit trusts are taxed.

#### Compliance Risk

This refers to the risk of not complying with the legislation, regulations, prescribed investment limits and internal policies and procedures by the manager or the portfolio manager.

This document is not intended to address the personal circumstances of any Financial Services Provider's (FSP's) client nor is it a risk analysis or examination of any client's financial needs. Collective Investment Schemes in Securities ("CIS") are generally medium to long term investments. The value of participatory interests 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. Different classes of units apply to this portfolio and are subject to different fees and charges. A schedule of fees and charges is available on request from Ci. Ci does not provide any guarantee either with respect to the capital or the return of the portfolio. Forward pricing is used. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. International Investments may include additional risks such as potential constraints on liquidity and repatriation of funds, macroeconomic risk, political risk, foreign exchange risk, tax risk, settlement risk as well as potential limitations on the availability of market information. The portfolio may be closed from time to time in order to manage it more efficiently in accordance with its mandate. The Kruger portfolios are portfolios established and administered by Ci, and Kruger has been appointed to manage and market the portfolios. Kruger is an indirect shareholder of Ci. As an indirect shareholder, Kruger may earn dividends from time to time and participation in any dividends may be linked to the revenue generated by Ci from the Kruger portfolios, and from any other Ci portfolios. Ci retains full legal responsibility for this co-named portfolio. Additional information on the portfolio may be obtained, free of charge, directly from Ci. Ci is a Non-Voting (Ordinary) Member of the Association for Savings & Investment SA (ASISA). A fund of funds is a portfolio that invests in portfolios of collective investment schemes, which levy their own charges, which could result in a higher fee structure for the fund of funds.

**Total Expense Ratio (TER):** The above TER % has been annualised and indicates the percentage of the value of the portfolio which was incurred as expenses relating to the administration of the portfolio over the rolling 3 year period or since fund inception, on an annualised basis. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER's cannot be regarded as an indication of future TER's. **Transaction Cost (TC):** The above TC % has been annualised and indicates the percentage of the value of the portfolio which was incurred as costs relating to the buying and selling of the assets underlying the portfolio. Transaction Costs are a necessary cost in administering the portfolio and impacts portfolio 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 portfolio, investment decisions of the investment manager and the TER.

**Total Investment Charge** is the TER plus TC which indicates the percentage of the value of the portfolio which was incurred as costs relating to the investment of the portfolio. 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. Performance quoted is for lump sum investment with income distributions, prior to deduction of applicable taxes, included. NAV to NAV figures have been used. The annualised return is the return of the performance period re-scaled to a period of one year. Performance is calculated for the portfolio and individual investor performance may differ as a result of initial fees, actual investment date, date of reinvestment and dividend withholding tax.

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