

Marriott Income Fund

31 December 2018

This Minimum Disclosure Document (MDD) provides investors with key information that is intended to assist the investor in understanding the nature and risks of investing in this fund.

Fund Objective and Investment Approach

The Marriott Income Fund has as its primary objective to maximise income yield as well as achieve capital stability. To achieve this objective, the securities normally to be included in the portfolio will consist of fixed income securities, high yielding securities, non-equity securities and liquid assets. Nothing precludes the Manager from retaining cash in the portfolio or placing cash on deposits. Call rates provide the fund with a benchmark. Although the mandate does not prescribe it, the portfolio is managed in conformity with prudential investment guidelines.

Fund Information

Registered Name	Marriott Income Fund
Fund Size	R 107,659,104.56
Price (NAV)	110.93 cpu
Distribution	0.7918 cpu

Key Features

Fund Classification (ASISA)	South African – Multi Asset – Income
Inception Date	15 October 1993
Base Currency	ZAR
Minimum Initial Investment	R500
Minimum Additional Investment	R300
Minimum Debit Order	R300
Distribution Declaration	Last working day of each month
Distribution Payment Dates	3 to 4 working days after declaration
Instruction Cut-off	15h00 daily
Fund Valuation Frequency	15h00 daily

Risk Category Moderately Conservative

Low Medium High

This fund aims to provide a secure income stream with stability in capital. It also aims for modest growth on invested capital.

Fund Limits and Constraints

None, other than the Collective Investment Schemes Control Act.

Fees (excluding VAT)

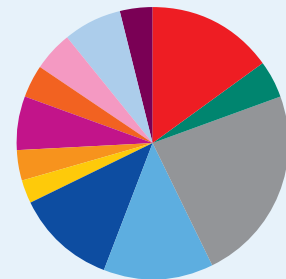
Marriott Initial Fee	0 %
Marriott Annual Management Fee	0.75 %
Advisor Initial Fee (max)	3 %
Advisor Annual Fee (max)	0.5 %

TER/TC (including VAT)

Total Expense Ratio	0.90 %
Transaction Costs	0.00 %

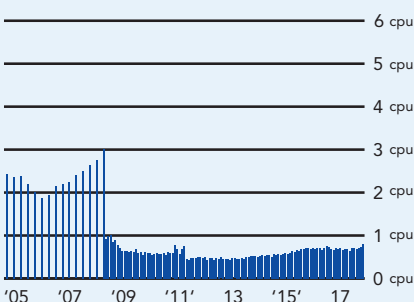
Credit Exposure

● ABSA Bank 15.0%	● Vukile Property 3.7%
● Nedbank 4.6%	● Growthpoint 6.5%
● Investec 23.2%	● MTN 3.7%
● FirstRand Bank 13.2%	● Hyprop 4.7%
● Standard Bank 11.8%	● Netcare 7.1%
● Emira 2.8%	● Bidvest 3.7%



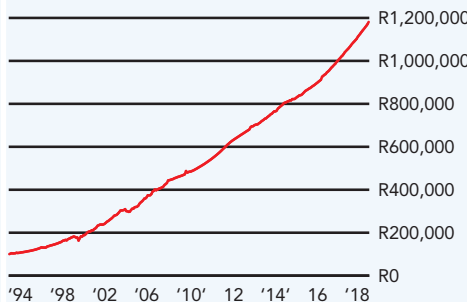
Source: Marriott

Distributions Since Inception (Paid monthly from Oct 2008)



Source: Marriott

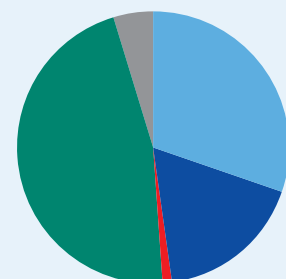
Total Returns Since Inception (Assuming R100,000 invested at inception)



Source: Marriott

Current Asset Allocation

● Cash and Short Term Fixed Deposits 30.5%
● Long Term Fixed Deposits 17.3%
● Preference Shares 1.3%
● Floating Corporate Debt 46.2%
● Fixed Corporate Debt 4.7%



Source: Marriott

Performance

Net of all fees and expenses as per the TER disclosure (including income)

Annualised (pa)	1 year	2 years	3 years	4 years	5 years	Since Inception (Oct 1993)	Volatility of Return Since Inception	
							Highest 12 Months	Lowest 12 Months
Income Return	7.9%	7.9%	7.7%	7.4%	7.1%	9.8%	-	-
Price Return	0.4%	0.1%	0.2%	0.1%	0.0%	0.5%	-	-
Total Return	8.3%	8.0%	7.9%	7.5%	7.1%	10.3%	30.1%	-2.2%

Source: Marriott

For periods longer than 12 months annualised performance figures are used. An annualised performance figure represents the compounded average return in percentage terms earned by the fund over the given period of time.

Commentary

For the year ending 31 December 2018 the Income Fund produced a total return of 8.3%, well above both money market and the multi-asset income sector average returns. This good outcome was achieved through a 20% exposure to medium term fixed deposits and an increased exposure to floating corporate debt. The table below indicates the current positioning, weighted yield and investment term of the portfolio.

Marriott Income Fund - Current Position (31 December 2018)

Instrument	Weight	Gross Yield (%)	Term (years)
Cash and Short Term Fixed Deposits	31%	7.9%	0.4
Longer Term Fixed Deposits & Corporate Debt	22%	9.5%	3.7
Floating Corporate Debt	46%	8.6%	4.3
Preference Shares	1%	11.6%	+5
Total*	100.0%	8.6%	3.0

*Gross yield and term (years) are weighted

Source: Marriott

Given a deterioration in the global backdrop, lower commodity prices, and policy uncertainty South Africa's low growth is set to continue in 2019 with real GDP expected to increase by only 1.3% according to the World Bank. As such, it appears inevitable that SA will lose its investment grade status (long term local currency sovereign debt credit rating) by Moody's over the medium term. This is an important consideration for income funds as approximately 90% of South Africa's sovereign issuance is in local currency and is approximately 40% foreign owned. A downgrade is highly likely to result in a selloff in bonds resulting in higher yields, rising interest rates and possibly a weaker currency. The Marriott Income Fund is well positioned for this with a low modified duration (interest rate price sensitivity of 0.8) and approximately 31% in short dated cash which will allow the fund to take advantage of higher yields. In addition, the 46% floating corporate debt exposure will also benefit as interest rates rise.

Given the current positioning we anticipate returns to average approximately 8% p.a. over the next two years, in line with the portfolio's current yield.

Contact us: To find out more about this fund or to obtain free of charge additional information such as brochures, application forms, annual reports and other marketing material, please visit our website www.marriott.co.za or contact our Communication Centre on **0800 336 555**.

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. If required, the manager may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Forward pricing is used. The ruling price of the day is calculated at approximately 15h00 SA time each day. Purchase and repurchase requests must be received by the manager by 15h00 SA time each business day. Prices are published on a daily basis on the Marriott website, www.marriott.co.za. Unit trusts are calculated on a net asset value basis. Net asset value is the value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio. Marriott does not provide any guarantees with respect to the capital or the return of the portfolio. A schedule of fees and charges and maximum commissions is available on request from Marriott. Where initial fees are applicable, these fees are deducted from the investment consideration and the balance invested in units at the net asset value. Commissions and incentives may be paid and if so, would be included in the overall costs. Where, different classes of units apply to the fund these would be subject to different fees and charges. Declaration of income accruals are monthly. Performance figures are based on lump sum investment. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. This portfolio may be closed to new investors in order to manage it more efficiently in accordance with its mandate. The TER shows the percentage of the average Net Asset Value of the portfolio that was incurred as charges, levies and fees relating to the management of the portfolio. A higher TER ratio does not necessarily imply poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an 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 other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER. Marriott Unit Trust Management Company (RF) (Pty) Ltd is a member of the Old Mutual Investment Group. Old Mutual is a member of the Association for Savings and Investment South Africa (ASISA).

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