**The Fund can invest portions of its assets into underlying foreign investments (incl. investments into Africa). This would mainly be achieved by investing into the sub-funds of the Prudential Africa Equity Fund. These funds will charge an additional asset management fee which is included in the Fund’s NAV and the Fund’s Objective.**

**Total Investment Charges (TIC)**

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<tbody>
<tr>
<td>2020</td>
<td>1.68%</td>
<td>1.26%</td>
<td>1.79%</td>
<td>1.50%</td>
<td>0.91%</td>
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**Transaction Costs (TC)**

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<tr>
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**Minimum lump sum investment**

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<tr>
<td>R10 000</td>
<td>R10 000</td>
<td>R10 000</td>
<td>R10 000</td>
<td>R20 million</td>
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**Minimum monthly debit order**

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<tr>
<td>R500 pm</td>
<td>R500 pm</td>
<td>R500 pm</td>
<td>R500 pm</td>
<td>n/a</td>
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**Financial adviser service fee**

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<tr>
<td>1.00%</td>
<td>0.80%</td>
<td>1.25%</td>
<td>1.00%</td>
<td>0.60%</td>
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**FUND OBJECTIVE:**

The primary objective is to outperform CPI by 5% before fees (which is 3.4% after fees for the A class) over a rolling 3-year period. The secondary objective is to reduce the risk of capital loss over any rolling 12-month period.

**INVESTOR PROFILE:**

Individuals looking for a low- to medium-risk multi-asset fund. Individuals and retirees who want to protect their investment from the detrimental effects of inflation over time. The recommended investment horizon is 3 years or longer.

**INVESTMENT MANDATE:**

The Fund invests in a diversified mix of local and foreign equity, bonds, listed property and cash. The Fund may also invest in derivatives and other collective investment schemes. Asset allocation is actively and tactically managed to achieve the Fund’s objectives. The intended maximum limits are Equity 40%, Listed Property 25%, Foreign 30%, and Africa (excl. SA) 5%. The Fund is managed to comply with regulations governing retirement fund investments (Regulation 28).

**FUND MANAGERS:**

David Knee, Johnny Lambridis, Michael Moyle and Sandile Malinga

**ASISA CATEGORY:**

South African - Multi-Asset - Low Equity

**OBJECTIVE (BEFORE FEES):**

CPI+5% p.a. over a rolling 3-year period

**INCEPTION DATE:**

1 June 2001

**FUND SIZE:**

R20 653 833 448

**AWARDS:**

FUND COMMENTARY

The year ended on a buoyant note in December as investors shrugged off the rising “second wave” of Coronavirus infections and bought up riskier assets, pushing many equity markets to record highs. Investor sentiment was boosted by the start of vaccine rollouts across several countries, the US Congress’ agreement of a fourth stimulus package and the UK and EU’s finalisation of a Brexit deal. In the US, consumers and investors took heart from the recent Elect Joe Biden’s Cabinet choices, which partly signalled a return to “safe” Obama-era policies and a vigorous stance on combating the pandemic. The passing of another round of fiscal stimulus measures, combined with the start of vaccinations country-wide, led many to expect a faster economic recovery. At its 16 December meeting, the Federal Reserve raised its forecasts for GDP growth for the next three years: -2.4% for 2020 from -3.7% previously; to 4.2% from 4.5% in 2021; and to 3.2% from 3.0% in 2022. In the UK and Europe, news was dominated by the late-minute Brexit deal, and the start of the distribution of vaccines in both regions. The European Central Bank (ECB) projected that the Euro area’s real GDP will contract by 7.3% in 2020, rebounding to 3.9% growth in 2021 and 4.2% growth in 2022. Asian bourses hit record highs in December amid optimism over accelerating growth in the region on the back of recoveries in consumer demand and business activity.

In South Africa, a resurgence of the Coronavirus led to tighter lockdowns, but global risk-on investor sentiment prevailed, putting the FTSE/JSE All Share Index (AUX) in positive territory (+7.0%) for the year. Amid a dearth of government plans to acquire and roll out vaccines, market participants worried over the impact of possible rollout delays until mid-2021. In more positive news, SA GDP growth for Q3 2020 surprised to the upside at 13.5% q/q (66.1% annualised). The South African Reserve Bank (SARB) is now projecting an 8.0% contraction in the economy for 2020, improving to 3.5% growth in 2021. In December, the ALSI returned 4.2%, the FTSE/JSE All Bond Index delivered 2.4%, inflation-linked bonds (the Composite LIBI Index) posted 2.2%, and cash as measured by the STIR Composite Index returned 0.3%. Looking at global market returns (all in US$), the MSCI All Country World Index delivered 4.7%, the Bloomberg Barclays Global Aggregate Bond Index returned 1.3%, while the EPRA/NAREIT Global Property REIT Index posted 4.0%. The rand strengthened 4.6% against US dollar, 2.6% against the pound sterling and 2.4% versus the euro.

Contributing the most to absolute performance for the month was the fund’s exposure to SA equities (excluding property), SA listed property pound sterling and 2.4% versus the euro. The upside at 13.5% q/q (66.1% annualised). The South African Reserve Bank (SARB) is now projecting an 8.0% contraction in the economy for 2020, improving to 3.5% growth in 2021. In December, the ALSI returned 4.2%, the FTSE/JSE All Bond Index delivered 2.4%, inflation-linked bonds (the Composite LIBI Index) posted 2.2%, and cash as measured by the STIR Composite Index returned 0.3%. Looking at global market returns (all in US$), the MSCI All Country World Index delivered 4.7%, the Bloomberg Barclays Global Aggregate Bond Index returned 1.3%, while the EPRA/NAREIT Global Property REIT Index posted 4.0%. The rand strengthened 4.6% against US dollar, 2.6% against the pound sterling and 2.4% versus the euro.

GLOSSARY

12-month yield
A measure of the Fund’s income distributions as a percentage of the Fund’s net asset value (NAV). This is calculated by summing the income distributions over a rolling 12-month period, then dividing by the sum of the NAV at the end of the period and any capital gains distributed over the same period.

Annualised performance
The average amount of money (total return) earned by an investment each year over a given time period. For periods longer than one year, total returns are expressed as compounded average returns on a yearly basis.

Cumulative performance graph
This illustrates how an initial investment of R100 or N$100 (for example) placed into the Fund would change over time, taking into account reinvestment of all income distributions, with all distributions reinvested into the Fund.

Information ratio
Measures the Fund's active return (Fund return in excess of the benchmark) divided by the amount of risk that the manager takes relative to the benchmark. The higher the information ratio, the higher the active return of the Fund, given the amount of risk taken and the more consistent the manager. This is calculated over a 3-year period.

Intended maximum limits
This indicates the Fund’s intended maximum exposure to an asset class. These limits may be reviewed subject to the Fund’s risk appetite and the Manager’s discretion.

Maximum drawdown
The largest drop in the Fund’s cumulative total return from peak to trough over any period.

Percentage of positive rolling 12 months
The percentage of months, since inception, that the Fund has shown a positive return over a rolling 12-month period.

Regulation 28
The South African retirement fund industry is governed by the Pension Funds Act, No 24 of 1956. Regulation 28 of the Pension Funds Act prescribes the maximum limits in asset classes that an approved retirement fund may invest in.

Sharpe ratio
The Sharpe ratio is used to measure how well the return of an asset compensates the investor for the risk taken. The higher the Sharpe ratio the better the Fund’s historical risk-adjusted performance has been. This is calculated by taking the difference between the Fund’s annualised return and the risk-free (cash) rate, divided by the standard deviation of the Fund’s returns. This is calculated over a 3-year period.

Sortino ratio
This is calculated by taking the difference between the Fund’s annualised return and the risk-free (cash) rate, divided by the downside deviation of the Fund’s returns i.e. the “bad” volatility. A high Sortino ratio indicates a low risk of large losses occurring in the Fund. This is calculated over a 3-year period.

Total Expense Ratio (TER)
This shows the charges, levies and fees relating to the management of the portfolio and is expressed as a percentage of the average net asset value of the portfolio, calculated for the year to the end of the most recent completed quarter. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs.

Unit class
Prudential’s Funds are offered in different unit classes to allow different types of investors (individuals and institutions) to invest in the same fund. Different investment minimums and fees apply to different unit classes.

A Class: for individuals only.
B & D Class: retirement funds and other large institutional investors only.
X Class: the special fee class that was made available to investors that were invested in the Dividend Income Feeder Fund.
T Class: for investors in tax-free unit trusts.
F Class: for Discretionary Fund Managers.