

Flagship IP Flexible Value Fund

Minimum Disclosure Document - 31 March 2020



FUND MANAGER Niall Brown

NAV 2,468.7c

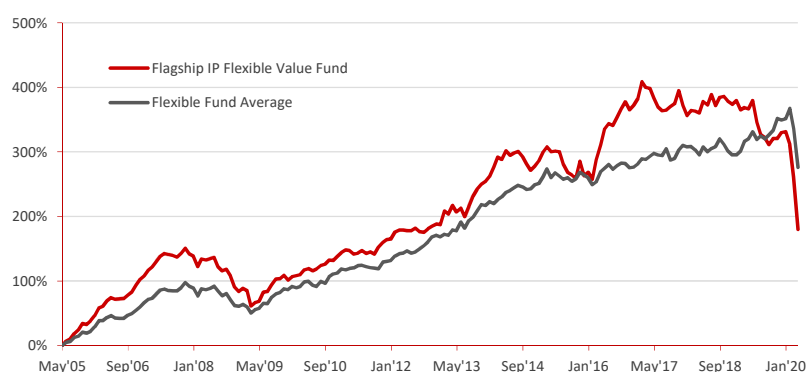
Launch date 04 May 2005
Fund size R163m
NAV - A Class 2,468.7c
Sector South African - Multi Asset - Flexible
Benchmark Multi-Asset Flexible Sector Average

No. of participatory interests 6 576 278
Minimum investment R 100 000
Base currency ZAR
Income declaration - Mar '20 56.44cpu
Dealing Daily

FUND OBJECTIVE

The Flagship IP Flexible Value Fund aims to outperform both the JSE All Share Index and competing funds over the medium to long term. We rely on fundamental research to identify investments which are trading at a discount to their intrinsic value and to determine which asset classes are the most attractive. The fund will typically have a very different equity profile from that of the All Share Index. Risk is reduced through the fund's value oriented approach.

PERFORMANCE CHART



FUND EXPOSURES

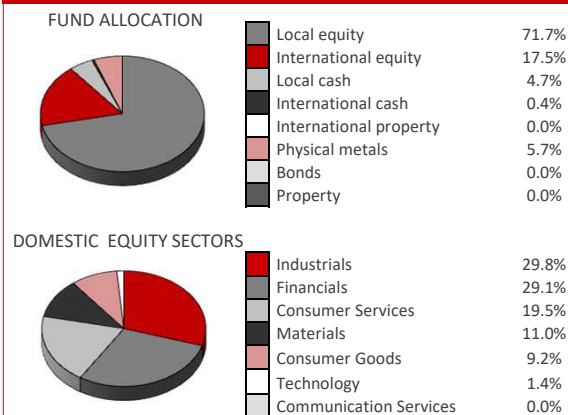
| | |
|----------------------------------|---------------|
| Domestic Equity | 71.7% |
| Quantum Foods | 8.3% |
| Stellar Capital | 6.4% |
| Workforce | 5.4% |
| Lewis Group | 4.9% |
| York Timbers | 4.9% |
| Reinet Investments | 4.2% |
| EPE Capital | 4.0% |
| Zeder | 3.9% |
| Caxton | 2.9% |
| African Rainbow Capital | 2.8% |
| Other domestic holdings | 24.0% |
| Offshore Equity | 17.5% |
| Contrarius Global Equity Fund | 17.5% |
| Bonds | 0.0% |
| Domestic | 0.0% |
| Offshore | 0.0% |
| Property | 0.0% |
| Domestic | 0.0% |
| Offshore | 0.0% |
| Cash and Strategic Income | 5.1% |
| Domestic | 4.7% |
| Offshore | 0.4% |
| Commodities | 5.7% |
| Platinum | 5.7% |
| TOTAL | 100.0% |

PERFORMANCE AND RISK

| Performance (net of fees) | Fund | Benchmark | Inflation |
|------------------------------|--------|-----------|-----------|
| Since inception | 179.5% | 275.9% | 127.2% |
| Since inception (annualised) | 7.1% | 9.3% | 5.7% |
| 10 Years (annualised) | 2.6% | 6.8% | 5.1% |
| 7 Years (annualised) | -1.8% | 4.2% | 4.9% |
| 5 Years (annualised) | -6.9% | -0.2% | 4.9% |
| 3 Years (annualised) | -17.5% | -2.7% | 4.1% |
| 1 Year | -40.1% | -12.4% | 3.8% |
| Year-to-date | -35.2% | -14.9% | 1.2% |

| Risk Measures (since inception) | Fund | Benchmark |
|---------------------------------|--------|--------------------------|
| Annualised monthly volatility | 12.7 | 9.7 |
| Sharpe ratio | 0.06 | 0.11 |
| Maximum drawdown | -43.3% | -22.1% |
| Lowest actual annual return | -28.0% | 4 May 2008 to 3 May 2009 |
| Highest actual annual return | 75.4% | 4 May 2005 to 3 May 2006 |

ASSET ALLOCATION



ANNUAL FUND PERFORMANCE

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------|-------|-------|------|-------|-------|-------|-------|-------|-------|-------|--------|
| Fund | 9.7% | 17.9% | 8.6% | 8.5% | 26.0% | 6.7% | -4.6% | 30.9% | -5.4% | 5.1% | -10.0% |
| Sector | 17.1% | 14.9% | 5.9% | 18.6% | 19.5% | 10.5% | 7.7% | 2.0% | 9.2% | -3.7% | 8.5% |

FEES

| | 1 Year | 3 Year |
|--|--------------|--------------|
| Total Expense Ratio (incl. VAT) | 1.67% | 1.66% |
| Fund management fee (excl. VAT) | 1.25% | 1.25% |
| VAT on fund management fee | 0.19% | 0.19% |
| Fund expenses (incl. VAT) | 0.24% | 0.22% |
| Transaction Costs (incl. VAT) | 0.22% | 0.30% |
| Total Investment Charge (incl. VAT) | 1.89% | 1.96% |

FUND COMMENTARY - MARCH 2020

Only two of the fund's top ten holdings achieved share price gains during March: namely Quantum Foods and Zeder, both food businesses. Egg consumption globally has risen as people have stayed at home and Quantum, as South Africa's largest egg producer, will benefit accordingly. On the other hand, companies with high gearing and whose businesses have to close during the lockdown, have been severely punished by investors. Of the fund's top ten holdings at end February, HCI was most vulnerable in this regard given the group's heavy reliance on the Togo Sun Hotels and Gaming businesses. The offshore equity positioning held through Contrarius Global Equity Fund was regrettably poorly positioned going into the Covid-19 crisis, with a heavy weighting in the energy and consumer discretionary sectors and minimal exposure to consumer staples and IT.

We refer investors to the accompanying letter, giving far more information and commentary than the restraints of this document allow for.

As required by legislation, we confirm that the fund has adhered to its policy objective and strategy.

MARKET COMMENTARY

International

March was a dramatically volatile month across global markets. As the coronavirus pandemic continued to gather pace, countries around the world have taken unprecedented steps to curb its spread, including the lockdown of entire populations and the shuttering of businesses.

These steps leave no business untouched. Leisure, travel and apparel sectors were hit hardest, but the slowdown will ultimately impact all sectors to varying degrees. As we enter April, millions of people worldwide have lost their jobs and are dependent on governments for support. Businesses are in cash preservation mode.

The world's stock markets predictably sold off. The MSCI All Country World Index began the month of March at 512 points, and fell 25.1% in a record-breaking 16 trading days (by March 23) before recovering to end the month down 13.7%. If taken from the peak reached on Feb 12, the index fell 33.9% from peak to trough.

This is some of the most extreme volatility we've seen in 15 years. The selloff has brought an end to the 236% cumulative rise in the MSCI ACWI since March 2009; and today the index is back at a level not seen since April 2017.

Encouragingly, the fiscal and monetary response has been swift. The US Federal

Reserve cut interest rates by 150 basis points to near zero and immediately ran through its entire 2008 crisis handbook of asset buying programs. Governments around the world have implemented support measures, and financial institutions have offered forbearance on loans outstanding.

South Africa

Bad news abounded over the month: the country began its 21 day lockdown on the 26th of March, and the sovereign was predictably cut to junk status by Moody's on midnight of the 27th. The country's finances remain vulnerable, and there is reason to believe the IMF and/or World Bank may be approached to fund required government expenditure aimed at softening the impact of the economic slowdown.

The FTSE/JSE All Share Index started the year at around the 57 000 level. By March 19 the down turn was so extreme that it was trading below 38 000 points (-33.5%). It ended March down -22.1% for the year. On top of this, the ZAR weakened 13.9% vs the USD.

The outlook for SA equities is dim. Although valuations are 'optically' cheap, the recovery of earnings is dependent on the execution of government policy which up to this point has been absent.

Risk Considerations and Important Information

- Collective Investment Schemes in Securities (unit trusts) are generally medium to long term investments.
- The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. The manager does not provide any guarantee either with respect to the capital or the return of a portfolio.
- Unit trusts are traded at ruling prices and can engage in scrip lending subject to the limits and conditions imposed by the Act.
- The manager may borrow up to 10% of the market value of the collective investment scheme portfolio to ensure liquidity.
- Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accruals and less any permissible deductions (brokerage, Uncertificated Securities Tax, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio, divided by the number of units in issue.
- A schedule of fees, charges and maximum commissions is available on request. Commission and incentives may be paid, and if so, are included in the overall costs.
- The unit trust portfolios are priced daily at 15h00 (quarter end 17h00), using forward pricing. Dealing cut-off time is 14h30 daily.
- Units will be repurchased by the manager at the ruling price calculated in accordance with the requirements of the Act and the relevant deeds and paid to the investor only. Subject to occurrences beyond the control of Flagship Asset Management (FAM), transaction requests received by FAM before 14h30 will be actioned at that day's price. Monies from the repurchase of units will not be paid to third party bank accounts.
- FAM reserves the right to repurchase unit balances with a market value less than the minimum monthly investment amount and close the investment account. Investors will be notified beforehand should this be contemplated.
- Portfolio performance is calculated on a NAV to NAV basis and does not take any initial fees into account. Figures quoted are from Reuters and Moneymate for a lump sum using NAV-NAV prices with income distributions reinvested. Income is reinvested on the ex-dividend date. Actual investment performance will differ based on the initial fees applicable, the actual investment date and the date of reinvestment of income. Investment performance calculations are available for verification upon request.
- Income distributions for the fund occur bi-annually on 31 March and 30 September.
- Annualised returns are period returns re-scaled to a period of 1 year. This allows investors to compare returns of different assets that they have owned for different lengths of time. Actual annual figures are available to investors upon request.
- SARS requires us to pay over Dividend Withholding Tax (DWT) on your behalf where applicable. We will deduct this tax before we pay any dividends to you or reinvest into your account. Unless we receive information from you indicating otherwise, we will be obliged to withhold the default DWT of 20%.
- 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/effectiveannual-cost> to address the EAC illustrator. You can request an EAC calculation from clientservices@ipmc.co.za or call us on 021 673-1340
- Fund prices are published daily and available in newspapers countrywide, as well as on our website, www.flagshipsa.com. Also available on our website is additional information on the unit trust portfolio, including our **Application Form**. FAM reserves the right to only process instructions that are submitted on FAM standard transaction forms.
- Flagship Asset Management (Pty) Ltd is an authorised financial services provider (FSP 577). Trustees / custodians for the scheme are Standard Bank of South Africa Ltd – contact compliance-IP@standardbank.co.za. IP Management Company Reg. No. 2007/01760/07 is the authorised manager of the scheme – contact 021 673 1340 or clientservice@ipmc.co.za. IP Management Company (RF) (Pty) Ltd is a member of the Association for Savings & Investment SA (ASISA).
- The Manager retains full legal responsibility of the Fund, regardless of co-naming arrangements.
- Additional information including the annual report of the Manager and detailed holdings of the portfolio as at the last quarter end are available, free of charge, from info@flagshipsa.com.
- A statement of changes in the composition of the portfolio during the reporting period is available on request.
- Complaints should be in writing and clearly marked for the attention of the Compliance Officer and should be mailed to Private Bag X21, Constantia, 7848.

Investment Policy

The Flagship IP Flexible Value Fund is an asset allocation portfolio. The manager, in selecting securities for the portfolio, will seek to follow an investment policy which will secure for investors an optimum overall return, that is to say the steady growth of income and the preservation of capital in real terms. In order to achieve these main objectives the investments to be acquired for the Flagship IP Flexible Value Fund, shall comprise a mix of securities, which may include ordinary shares, preference shares, debentures, fixed interest instruments, gilts and money market instruments as defined in the Act and the Deed, all to be acquired at a fair market value. The portfolio may also include participatory interests or any other form of participation in portfolios of collective investment schemes or other similar schemes. Where the aforementioned schemes are operated in territories other than in South Africa, participatory interests or any other form of participation in these schemes will be included in the portfolio only where the regulatory environment is to the satisfaction of the manager and trustee and is of sufficient standard to provide investor protection at least equivalent to that in South Africa. The portfolio is permitted to invest in financial instruments in line with the conditions by the Registrar from time to time.

Performance Fees

Performance Fee benchmark:

Median of the Domestic Asset Allocation Flexible Unit Trust Sector

Base Fees: 1.25% per annum **Fee at Benchmark:** 1.25% per annum **Fee Hurdle:** Median of the Domestic Asset Allocation Flexible Unit Trust Sector

Sharing Ratio: 10% **Minimum Fee:** 1.25% per annum **Maximum Fee:** No maximum

Fee Example: 0.1% for each 1% outperformance of portfolio benchmark on a high water mark basis

Method of Calculating: If the fund underperforms the Fee Hurdle, then only the base fee is accrued until the high water mark is again reached.

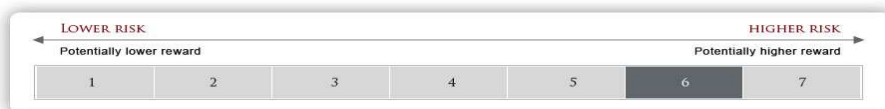
The Performance Fee Frequently Asked Questions (FAQ) document may be found on www.ipmc.co.za

TER and Transaction Costs

From 1 January 2017 to 31 December 2019, 1.66% of the value of the fund was incurred as expenses relating to the administration of the fund. 0.30% of the value of the fund was incurred as costs relating to the buying and selling of the assets underlying the fund. Therefore 1.96% of the value of the fund was incurred as costs relating to the investment of the fund. Inclusive in the TER of 1.66%, a performance fee of 0% of the Net Asset Value of the class of Financial Product was recovered. 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 TER's. Transaction Costs are a necessary cost in administering the fund and impacts fund 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 fund, the investment decisions of the investment manager and the TER.

Fund Risk Profile

- The fund is likely to have a very different equity profile to that of the All Share Index. Risk is reduced through the fund's value-orientated approach and a larger-than-average number of holdings.



- Shares are potentially volatile investments and there is a risk of capital loss over the short term.
- Foreign securities may have additional material risks, depending on the specific risks affecting that country, such as: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information.
- Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down.

Flagship Asset Management (Pty) Limited

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