

Flagship IP Flexible Value Fund

Minimum Disclosure Document - 30 April 2020



FUND MANAGER Niall Brown

NAV 2,508.7c

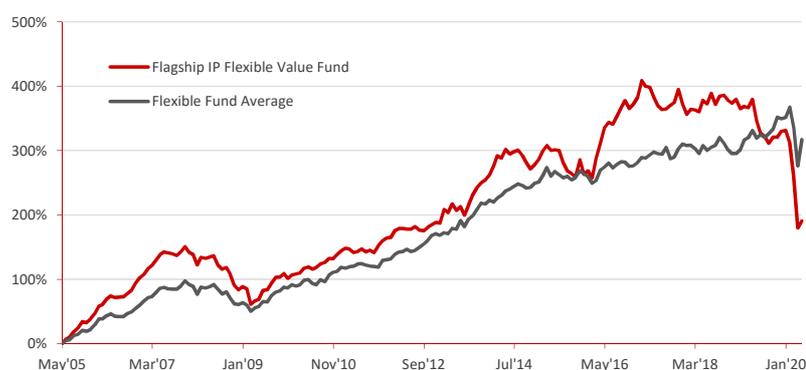
Launch date 04 May 2005
Fund size R168m
NAV - A Class 2,508.7c
Sector South African - Multi Asset - Flexible
Benchmark Multi-Asset Flexible Sector Average

No. of participatory interests 6 689 271
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 | 67.0% |
| Quantum Foods | 8.5% |
| York Timbers | 5.3% |
| Stellar Capital | 5.2% |
| Lewis Group | 4.4% |
| Reinet Investments | 4.3% |
| Workforce | 4.1% |
| EPE Capital | 3.9% |
| Hulamin | 3.1% |
| Caxton | 2.7% |
| African Rainbow Capital | 2.4% |
| Other domestic holdings | 23.1% |
| Offshore Equity | 21.7% |
| Contrarius Global Equity Fund | 21.7% |
| Bonds | 0.0% |
| Domestic | 0.0% |
| Offshore | 0.0% |
| Property | 0.0% |
| Domestic | 0.0% |
| Offshore | 0.0% |
| Cash and Strategic Income | 5.5% |
| Domestic | 5.1% |
| Offshore | 0.4% |
| Commodities | 5.8% |
| Platinum | 5.8% |
| TOTAL | 100.0% |

PERFORMANCE AND RISK

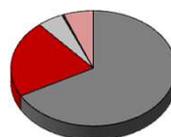
| Performance (net of fees) | Fund | Benchmark | Inflation |
|------------------------------|--------|-----------|-----------|
| Since inception | 190.8% | 317.0% | 129.0% |
| Since inception (annualised) | 7.4% | 10.0% | 5.7% |
| 10 Years (annualised) | 2.9% | 7.6% | 5.1% |
| 7 Years (annualised) | -0.8% | 5.7% | 5.0% |
| 5 Years (annualised) | -6.2% | 1.2% | 4.9% |
| 3 Years (annualised) | -15.6% | 0.0% | 4.3% |
| 1 Year | -39.4% | -6.9% | 3.9% |
| Year-to-date | -32.6% | -7.2% | 2.0% |

Risk Measures (since inception)

| | | |
|-------------------------------|--------|--------------------------|
| Annualised monthly volatility | 12.8 | 9.8 |
| Sharpe ratio | 0.06 | 0.12 |
| 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 |

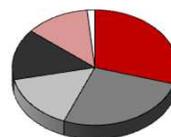
ASSET ALLOCATION

FUND ALLOCATION



| | |
|------------------------|-------|
| Local equity | 67.0% |
| International equity | 21.7% |
| Local cash | 5.1% |
| International cash | 0.4% |
| International property | 0.0% |
| Physical metals | 5.8% |
| Bonds | 0.0% |
| Property | 0.0% |

DOMESTIC EQUITY SECTORS



| | |
|------------------------|-------|
| Financials | 29.6% |
| Industrials | 26.5% |
| Consumer Services | 15.5% |
| Materials | 14.3% |
| Consumer Goods | 12.6% |
| Technology | 1.5% |
| Communication Services | 0.0% |

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 - APRIL 2020

Allowing for the annual distribution, the fund returned 4% during April, mainly on the back of a recovery in offshore equities. Mid and small cap industrial shares, which dominate the fund's SA exposure, remained largely unmoved while the All Share index, on the back of further gains from Naspers and a rally in resources, rebounded strongly in April. However, we expect this rally to falter as the scale of the economic crisis rapidly becomes more apparent.

A share that moves into our top 10 holdings this month is Caxton. At 31 December 2019 the company had zero debt and R1.6bn in cash and near cash. This cash amounts to 420c per Caxton share and represents over 80% of the current 500c share price. Caxton will be suffering during the lockdown along with virtually every other South African business, but we believe this is more than fully reflected in the current share price. The fund's top ten holdings are dominated by companies with debt free balance sheets, and are well positioned to emerge strongly as the economy starts to re-open. (Further fund manager commentary included in the Market Commentary overleaf).

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

MARKET COMMENTARY

Markets have bounced back quickly – as at 30 April, the S&P 500 was up almost 35% from its 23rd March low. While this has been on the back of enormous fiscal and monetary stimulus, the speed and magnitude of the recovery has been disproportionate to the improvement in underlying economic fundamentals, which continue to be poor. In the 6 weeks to end April, 30 million people had sought unemployment benefits in the US and unemployment figures are on course to reach levels last seen in the Great Depression. A similar situation exists in Europe.

Most economists are now predicting a U-shaped recovery for the world economy (slow and gradual) as opposed to a speedy V-shaped recovery.

The most volatile corner of global markets in April was undoubtedly commodities markets, as WTI (the US benchmark blend for oil) traded negative prior to futures close out for the *first time ever*. This was over fears that oil supply would exceed physical storage capacity because, unlike other types of futures contracts, oil futures require traders to take physical delivery of oil. The agreement reached between the OPEC+ alliance and the US earlier in the month to cut global production by 9.7mn barrels per day in May and June (almost 10 percent of global supply) has thus been insufficient to offset the decline in global oil demand.

South Africa concluded its first full month of stage 5 lockdown, which ended on 30 April. To support the economy, the government announced a stimulus package of R500bn on the 21st of April. This included a R200bn loan guarantee for small businesses. Given South Africa's precarious fiscal position, the stimulus package was a sensible compromise between alleviating the negative impacts of the COVID 19 epidemic, whilst limiting the deterioration in its fiscal position, with the actual cost of this loan guarantee hopefully being far less than the headline number. Despite this, the JSE marginally underperformed developed markets over the month.

Fund Manager Commentary (continued from page 1)

In early April we sold the fund's remaining Comair shares. Comair was a great business with a proud history, and it is deeply disappointing that it has been pushed into business rescue by a combination of grossly unfair government funded support of SAA, and now the Covid-19 pandemic. None of the fund's top ten holdings are in the travel, hospitality, leisure and restaurant industries, but we do still hold HCI (casinos and hotels) and Brait (Virgin Active Gyms). These two businesses have meaningful debt and zero revenue at present – not a good combination in the current environment. However, both are industry leading companies and the shares have massive turnaround potential from a very low base once the economy opens up. Hence, we believe that some modest exposure is warranted.

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

ICR House • Alphen Park • Main Road • Constantia • 7806 | Private Bag X21 • Constantia • 7848 • South Africa | Telephone +27 (21) 794 3140 • Facsimile +27 (21) 794 3135

Directors: WT Floquet CA (SA) MBA (chairman) | S de V Hudson BA LLB (ceo) | PD Floquet BCom CA (SA) CFA | NRO Brown BCom CA(SA)

www.flagshipsa.com | info@flagshipsa.com

