

Flagship IP Flexible Value Fund

Minimum Disclosure Document - 30 June 2020



Navigate Safely Forward

FUND MANAGER Niall Brown

NAV 2,566.2c

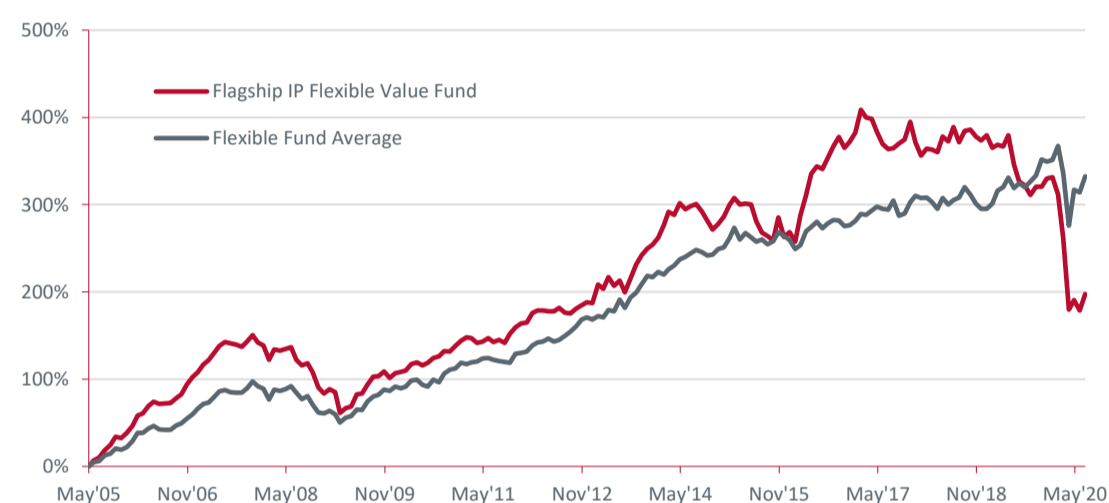
Launch date	04 May 2005
Fund size	R170m
NAV - A Class	2,566.2c
Sector	South African - Multi Asset - Flexible
Benchmark	Multi-Asset Flexible Sector Average

No. of participatory interests	6 640 557
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

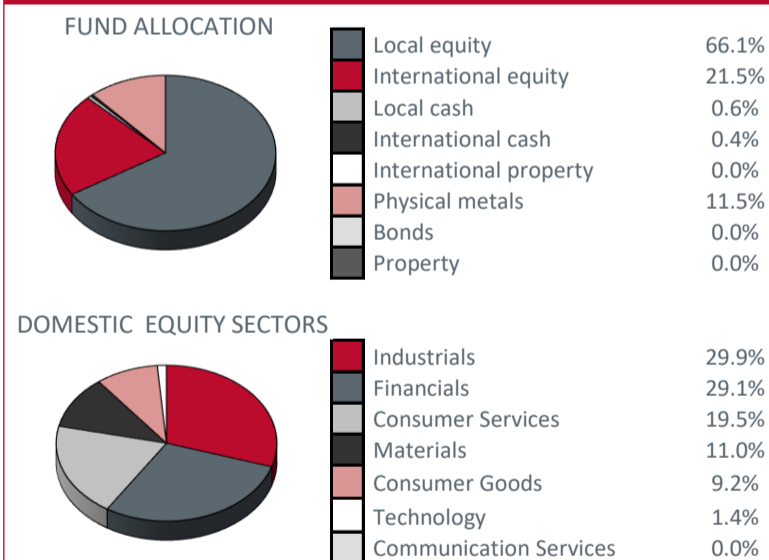
	100.0%
Domestic Equity	66.1%
Quantum Foods	10.8%
EPE Capital	5.0%
African Rainbow Capital	4.7%
Workforce	4.5%
Reinet Investments	4.3%
York Timbers	4.0%
Lewis Group	3.9%
Zeder	3.3%
Hulamin	3.2%
Caxton	2.6%
Other domestic holdings	19.7%
Offshore Equity	21.5%
Contrarius Global Equity Fund	21.5%
Bonds	0.0%
Domestic	0.0%
Offshore	0.0%
Property	0.0%
Domestic	0.0%
Cash and Strategic Income	1.0%
Domestic	0.6%
Offshore	0.4%
Commodities	11.5%
Platinum	5.9%
Gold	5.6%
TOTAL	100.0%

PERFORMANCE AND RISK

Performance (net of fees)	Fund	Benchmark	Inflation
Since inception	197.4%	332.6%	126.8%
Since inception (annualised)	7.5%	10.1%	5.6%
10 Years (annualised)	3.1%	8.5%	5.0%
7 Years (annualised)	-0.1%	6.0%	4.9%
5 Years (annualised)	-4.8%	2.0%	4.5%
3 Years (annualised)	-13.8%	1.3%	3.8%
1 Year	-30.2%	-3.2%	2.3%
Year-to-date	-31.0%	-5.2%	1.1%

Risk Measures (since inception)	Fund	Benchmark
Annualised monthly volatility	12.8	9.8
Sharpe ratio	0.06	0.12
Maximum drawdown	-47.5%	-22.8%
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)	1.68%	1.68%
Fund management fee (excl. VAT)	1.25%	1.25%
VAT on fund management fee	0.19%	0.19%
Fund expenses (incl. VAT)	0.24%	0.24%
Transaction Costs (incl. VAT)	0.19%	0.29%
Total Investment Charge (incl. VAT)	1.87%	1.96%

FUND COMMENTARY - JUNE 2020

The fund gained 6.8% in June, but of course has a long way to go in order to get back to an acceptable level. We sold out of Stellar Capital early in the month, and re-invested the bulk of the proceeds into two other investment companies, Ethos Capital (EPE) and African Rainbow Capital (ARC).

As is the case with most investment holding companies, these two are both trading at very wide discounts to Net Asset Value. We believe that the abnormal discounts currently prevailing are set to narrow meaningfully over time. Accordingly, where we can buy this category of investment vehicle with good quality assets, it makes eminent sense to do so. Besides EPE and ARC, two other investment companies are represented in the fund's top seven holdings, namely Reinet and Zeder.

The fund's current cash position is negligible. However, given our positive view on precious metal prices and negative view on the long term outlook for the Rand, we prefer to hold gold and platinum ETF'S, rather than cash earning minimal interest.

MARKET COMMENTARY

International

Efforts to contain the spread of the COVID-19 pandemic have been enormously destructive to global economies, many of which only started to recover in the last few weeks. All major economies are expected to enter recession, with the IMF forecasting a global contraction of 4.9% in 2020.

Markets were dramatically volatile in the first 6 months of 2020. The MSCI All Country World Index (ACWI) fell -21.7% (in US\$) in Q1 before advancing +19.2% in Q2 to end down -6.7% for the 6 months to June 30. While financial markets have recovered from their lows and are continuing to show broad based resilience in the face of poor economic news flow, the sheer volume of fiscal and monetary stimulus is playing a large role in this recovery.

Markets have displayed stoic stubbornness in the face of adverse economic data. Looking in more detail, we have noticed a bifurcation in stock returns per sector: technology companies with sturdy balance sheets, defensive consumer staples, and health care have outperformed, while travel, energy, and credit-exposed financials, among others, continue to suffer.

Like the Global Financial Crisis in 2010, the coronavirus pandemic will long be

remembered for the unprecedented policy responses it elicited from central banks around the world. This concerted policy response has been a key driving force behind the markets rapid recovery.

South Africa

The local economy remains subdued as South Africa struggles to emerge from one of the longest and most brutal lockdowns experienced anywhere on the globe. Virus containment measures are expected to continue to negatively affect the local economy for at least the remainder of the year.

The JSE All Share Index has recovered from its March lows but remains 4% lower than January levels. The Rand has stabilised in the last two months but still trades nearly 21% weaker versus the US\$ year to date.

Government finances continue to deteriorate. The Finance Minister released a supplementary budget that outlined enormous fiscal challenges for the country that could ultimately lead it to default. The Minister did not convincingly address the methods by which the government would prevent a default, except, predictably, higher taxes.

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:

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 April 2017 to 31 March 2020, 1.68% of the value of the fund was incurred as expenses relating to the administration of the fund. 0.29% 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 1.68%, 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.

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