

Flagship IP Flexible Value Fund

Minimum Disclosure Document - 30 September 2020



Navigate Safely Forward

FUND MANAGER Niall Brown

NAV 2,790.1

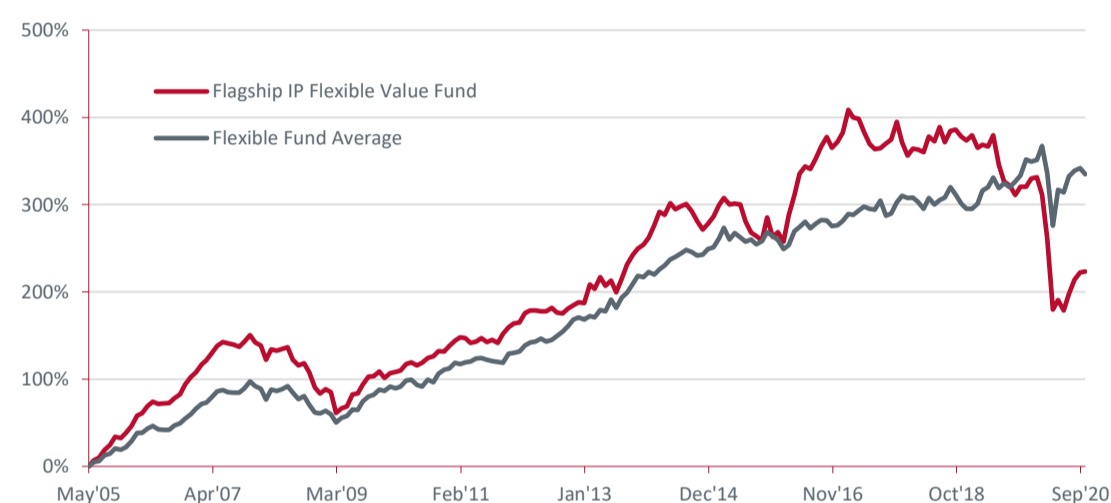
Launch date	04 May 2005
Fund size	R184m
NAV - A Class	2,790.1c
Sector	South African - Multi Asset - Flexible
Benchmark	Multi-Asset Flexible Sector Average

No. of participatory interests	6 597 907
Minimum lump sum 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

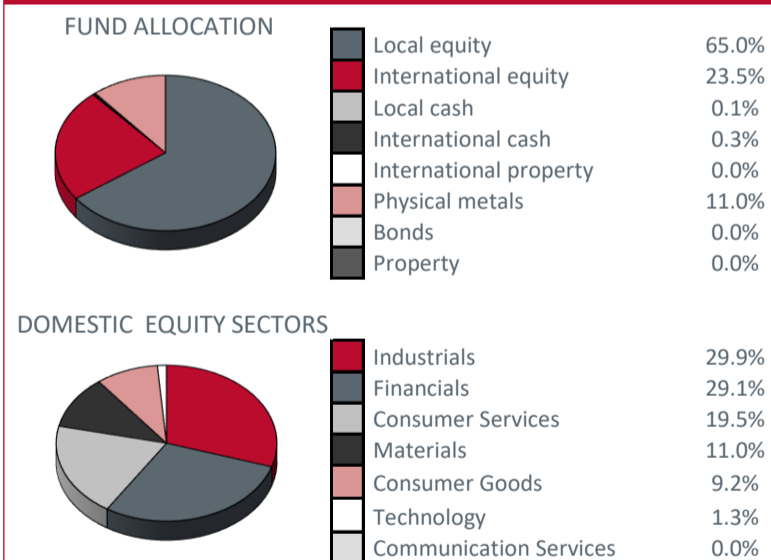
Domestic Equity	65.0%
Lewis Group	6.3%
African Rainbow Capital	5.7%
EPE Capital	4.7%
British American Tobacco	4.5%
York Timbers	4.2%
Workforce	3.9%
Zeder	3.1%
Caxton	3.0%
Reinet Investments	2.8%
Hulamin	2.8%
Other domestic holdings	24.0%
Offshore Equity	23.5%
Contrarius Global Equity Fund	23.5%
Bonds	0.0%
Domestic	0.0%
Offshore	0.0%
Property	0.0%
Domestic	0.0%
Cash and Strategic Income	0.4%
Domestic	0.1%
Offshore	0.3%
Commodities	11.0%
Platinum	5.7%
Gold	5.3%
TOTAL	100.0%

PERFORMANCE AND RISK

Performance (net of fees)	Fund	Benchmark	Inflation
Since inception	223.4%	335.2%	129.6%
Since inception (annualised)	7.9%	10.0%	5.5%
10 Years (annualised)	3.4%	8.1%	5.1%
7 Years (annualised)	-0.8%	5.1%	4.8%
5 Years (annualised)	-2.1%	3.2%	4.6%
3 Years (annualised)	-12.0%	0.7%	3.9%
1 Year	-23.1%	0.1%	2.5%
Year-to-date	-25.0%	-2.4%	2.3%

Risk Measures (since inception)	Fund	Benchmark
Annualised monthly volatility	13.0	9.8
Sharpe ratio	0.07	0.12
Maximum drawdown	-47.5%	-23.2%
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)	1.69%	1.69%
Fund management fee (excl. VAT)	1.25%	1.25%
VAT on fund management fee	0.19%	0.19%
Fund expenses (incl. VAT)	0.25%	0.25%
Transaction Costs (incl. VAT)	0.26%	0.28%
Total Investment Charge (incl. VAT)	1.95%	1.96%

FUND COMMENTARY - SEPTEMBER 2020

The fund price reflected a modest advance in September, largely due to the offshore equity exposure held via the Contrarius Global Equity Fund. We continue to focus on the value we see in investment holding companies where discounts are generally at their widest levels in a very long time. In the Top 40, both Naspers and Remgro are trading at record discounts to NAV and the same applies to most holding companies outside the Top 40. The fund has four such counters in its top 10 holdings and another holding company, Brait, is the fund's 11th largest investment - the share gained 23% during September as the market decided that the discount was just too wide, particularly as management has made it clear that they plan to unlock the full asset value over the next 3 to 5 years. African Rainbow Capital is controlled by Patrice Motsepe and has former Sanlam CEO (Johan van Zyl) and former Sanlam Investments CEO (Johan vd Merwe) running the show. It is a large holding for us, and one that has come in for some deserved criticism recently. A R750m rights issue announced along with the year end results was a most unwelcome surprise and the shares are trading at less than one third of NAV. We share the market's concerns, but believe that extreme negative sentiment is creating an opportunity and management reputations need to be preserved with steps being taken to restore value for long suffering minority shareholders. Share buybacks would be an obvious route even if this course of action were to involve incurring borrowings for a period of time.

MARKET COMMENTARY

International

The S&P 500 Index weakened in September but has still delivered a positive return year-to-date, despite Covid. By comparison, most other stock indices have delivered negative returns year-to-date.

The campaign trail in the US is starting to take centre stage and promises to be an 'entertaining' affair. The first of 3 presidential debates between Trump and Biden descended into (not unexpected) chaos, with the candidates interrupting each other frequently, including petty name calling. That Trump refused to condemn white supremacist groups – and the recent revelation that he only paid US\$750 in taxes in both 2016 and 2017 – may have put him on the back foot.

The clock is also ticking on the 31st of October deadline for a post-Brexit trade deal being negotiated between the UK and EU. Many political pundits are now placing a low probability on a deal being reached, mainly as a result of the UK signalling that it intends to renege on commitments made in its Brexit Withdrawal Treaty and, in so doing, undermining the goodwill of the EU. Predictably, this has been negative for the pound, which depreciated 3.45% against the US dollar during the month, and has also depreciated against the US dollar year-to-date.

We're noticing a worrying trend emerging, of people and parties wilfully ignoring terms of contracts entered into – with seeming impunity. This is evident both with the Brexit Withdrawal Treaty and LVMH's deal to acquire Tiffany. LVMH is alleged to have colluded with the French Foreign Ministry to ensure the completion of the transaction would only happen outside the deal's 'drop-dead' date.

Elsewhere, the relationship between China and the US continues to sour, although Trump has given his support to the sale of a minority stake in TikTok's global operations to Oracle, which will avoid the app being banned in the US. Japan has also elected a new prime minister to replace Shinzo Abe.

South Africa

South Africa's Covid alert level was reduced to level 1 on the 21st of September. Perhaps now the long road to getting our economy growing again, and restoring investor confidence, can commence. The JSE ALSI is now only down 2.4% year-to-date, boosted by Naspers and rand-hedge stocks. Domestic focused companies have fared far worse with the JSE Financial Index, which includes the large banks, having fallen a massive 32.7%. Tentative steps towards tackling corruption are being made, although with every step we take forward, we seem to take one back.

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.		

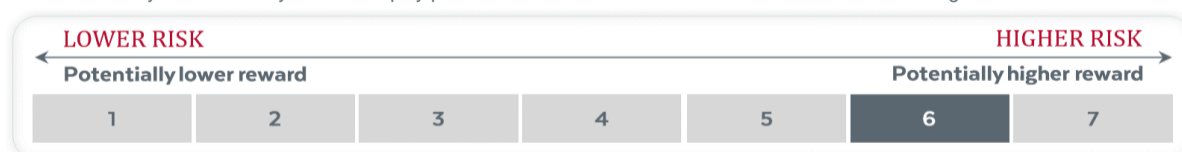
The Performance Fee Frequently Asked Questions (FAQ) document may be found on www.ipmc.co.za

TER and Transaction Costs

From 1 July 2017 to 30 June 2020, 1.69% of the value of the fund was incurred as expenses relating to the administration of the fund. 0.27% 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 1.69%, 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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