Flagship IP Prudential Variable Fund

Minimum Disclosure Document - 30 April 2020

FLAGSHIP ASSET MANAGEMENT

FUND MANAGER Paul Floquet CA(SA), CFA **NAV 224.0c**

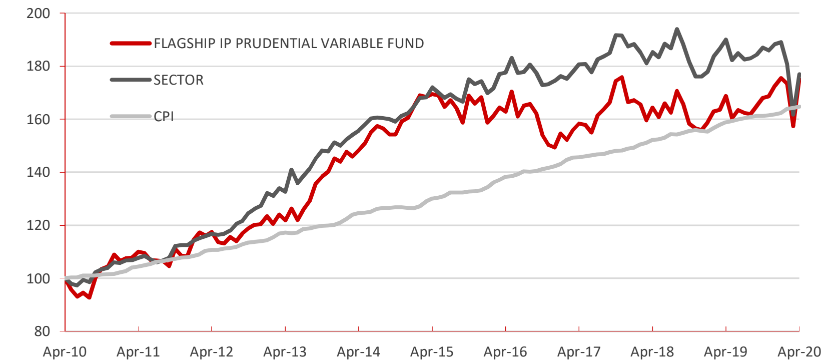
Launch date	19 April 2010
Fund size	R184.2m
NAV - A Class	224.0c
Benchmark	Sector Average [Multi Asset - High Equity Index]
Fund Classification	Multi Asset - High Equity

No. of participatory interests	82 241 406
Minimum investment	R 5 000
Base currency	ZAR
Mar'20 income decl. [CLASS A]	0.78cpu
Sep'19 income decl. [CLASS A]	1.01cpu

FUND OBJECTIVE

The objective of the Flagship IP Prudential Variable Fund is to seek steady growth of both capital and income through investments in a broad range of asset classes in a balanced manner. This Regulation 28 managed fund is classified as South African - Multi Asset - High Equity and aims to maximize returns over the medium to long term utilising flexible asset allocation strategies taking active decisions in accordance with current and projected economic and market conditions. The fund invests in equities, bonds, property and money market and is restricted to maximum limits in accordance with prudential regulations which, inter alia, provide that equity, held both locally and abroad, will not exceed 75% of the fund and offshore investment is restricted to 30% of the fund. Out-performance is targeted through aggressive asset allocation and focused stock selection based on in-house proprietary models and extensive internal and external research. The portfolio uses financial instruments only to the extent permitted by legislation.

PERFORMANCE CHART



FUND EXPOSURES

Domestic Direct Equity	**32.1%**
Naspers	7.8%
Sibanye Stillwater	4.7%
Prosus	3.3%
Astral	3.1%
GoldFields	2.3%
Other domestic holdings	10.9%
International Direct Equity	**11.2%**
Tencent	4.4%
Amazon	2.3%
Microsoft	2.3%
Netflix	1.2%
Other international holdings	1.0%
Capital Protected Exchange Traded Notes	**18.2%**
Eurostoxx Protected ETN	7.1%
Environmental World Index Autocall	6.3%
S&P500 Digital Plus ESP	4.8%
Domestic Balanced Funds	**3.5%**
Old Mutual Dynamic Floor Fund	3.5%
International Balanced Funds	**4.1%**
Flagship International Flexible	4.1%
Property	**1.4%**
Sirius Real Estate	1.4%
Physical Commodities	**8.5%**
Gold	4.9%
Palladium	3.6%
Domestic Cash, Bonds, and Strategic Income	**16.0%**
International Cash	**5.0%**
TOTAL	**100.0%**

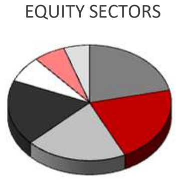
PERFORMANCE AND RISK

Performance (net of fees)	**Fund**	**Benchmark**	**Inflation**
Since inception	75.0%	77.0%	64.9%
Since inception (annualised)	5.7%	5.9%	5.1%
10 Years (annualised)	5.8%	5.9%	5.1%
7 Years (annualised)	5.3%	4.2%	5.0%
5 Years (annualised)	0.6%	0.6%	4.9%
3 Years (annualised)	3.4%	-0.7%	4.3%
1 Year	3.7%	-6.8%	3.9%
Year-to-date	1.4%	-6.0%	2.0%

Risk Measures (since inception)		
Annualised monthly volatility	11.37	8.62
Sharpe ratio	0.05	0.06
Maximum drawdown	-20.5%	-24.2%
Lowest actual annual return	+1.9%	19 April 2012 to 18 April 2013
Highest actual annual return	+22.4%	19 April 2013 to 18 April 2014

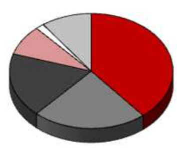
ASSET ALLOCATION

EQUITY SECTORS



Precious Metals	12%
Equity Linked Notes	12%
Media	11%
Technology	10%
Consumer Discretionary	4%
Global Equity Funds	3%
General Mining	3%
Energy	0%
Other Sectors	13%

FUND ALLOCATION



Local net equity	39%
International equity	23%
Total Equity	**62%**
Cash	18%
Physical Commodities	8%
Local property	2%
Local bonds	10%

ANNUAL FUND PERFORMANCE

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fund	-0.5%	11.1%	20.7%	10.5%	4.9%	-11.3%	11.6%	-6.3%	10.7%
Sector	6.2%	13.1%	18.8%	7.2%	7.5%	-0.1%	7.5%	-6.0%	6.9%

FEES

	1 Year	**3 Year**
Total Expense Ratio (incl. VAT)	2.55%	2.41%
Fund management fee (excl. VAT)	1.75%	1.75%
VAT on fund management fee	0.26%	0.26%
Fund expenses (incl. VAT)	0.54%	0.40%
Transaction Costs (incl. VAT)	0.21%	0.34%
Total Investment Charge (incl. VAT)	**2.76%**	**2.75%**

FUND COMMENTARY - APRIL 2020

Despite the fund being only 62% exposed to equity at month end (and as low as 54% during the course of the month), the fund generated an extremely pleasing return of 11.2% in April. The continued outperformance of the fund against its benchmark has now resulted in the fund performing well above the benchmark (and the JSE Allshare) for all periods up to 7 years.

We retained our 11% holding in South African bonds despite them being excluded from the World Government Bond Index at month end as we believe that the real return available to foreigners remains attractive, particularly in light of the massive stimulus and quantitative easing being injected into developed world economies. As required by legislation, we confirm that the fund has adhered to its policy objective and strategy.

MARKET COMMENTARY

International

Markets have bounced back quickly – as at 30 April, the S&P 500 was up almost 35% from its 23^{rd} 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 six weeks to the end of 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. Oil prices continue to exhibit above average volatility.

South Africa

South Africa concluded its first full month of stage 5 lockdown, which ended on the 30^{th} of April. To support the economy, the government announced a stimulus package of R500bn on the 21^{st} 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.

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 up 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 Prudential Variable Fund is to be a domestic, asset-allocation, prudential variable portfolio. The primary objective of the fund is to seek steady but stable growth of both capital and income through investments in a broad range of asset classes in a balanced manner. In order to achieve its objective, the investments normally to be included will comprise a combination of securities in the equity, bond, property and money markets. The portfolio will have an equity exposure (including international equity) between 0% and 75% at all times. Investments to be included in the Flagship IP Prudential Variable Fund will comprise a combination of securities and assets in liquid form which are considered consistent with the portfolio's primary objective and that the Act or the Registrar may from time to time allow, all to be acquired at fair market value. The portfolio may also include participatory interests or any other form of participation in portfolios of collective investment schemes registered in South Africa or operated in territories with a regulatory environment which is to the satisfaction of the Manager and the Trustee and as legislation permits. Nothing contained in the investment policy shall preclude the manager from varying the ratio of the aforementioned securities relative to each other (except as required by the Act), or the assets themselves, to maximise capital growth and investment potential, should changing economic factors or market conditions so demand. Provided also that nothing contained in the investment policy shall preclude the Manager from retaining cash in the portfolio and / or placing cash on deposit in terms of the deed. Provided further that the Manager shall ensure that the portfolio includes securities and assets in liquid form, of at least the aggregate value required, from time to time, by the Act.The Manager will be permitted to invest on behalf of the portfolio in offshore investments as legislation permits.The Manager will be permitted to invest on behalf of the portfolio in financial instruments as legislation permits.The portfolio will be managed so as to comply with prudential requirements with which a pension fund investment strategy must comply in terms of applicable legislation.For the purpose of this portfolio, the manager shall reserve the right to close the portfolio to new investors on a date determined by the manager. This will be done in order to be able to manage the fund in accordance with its mandate. The manager may, once a portfolio has been closed, open that portfolio again to new investors on a date determined by the manager.

TER and Transaction Costs

From 1 January 2017 to 31 December 2019 2.41% of the value of the fund was incurred as expenses relating to the administration of the fund. 0.34% of the value of the fund was incurred as costs relating to the buying and selling of the assets underlying the fund. Therefore, 2.75% of the value of the fund was incurred as costs relating to the investment of the fund. 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 managers seek to reduce risk by investing in a range of assets diversified across sectors and geographies, with the flexibility to vary exposures as market circumstances dictate.

- 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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IP management company