

# Flagship IP Flexible Value Fund

Minimum Disclosure Document - 31 December 2021



Navigate Safely Forward

**FUND MANAGER** Niall Brown

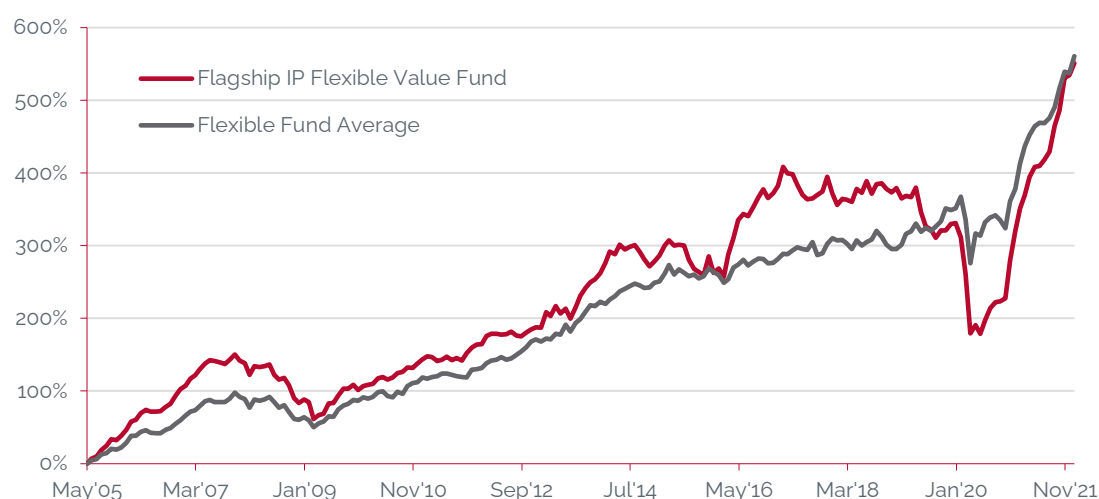
NAV 5,556.4c

Launch date	04 May 2005
Fund size	R373m
NAV - A Class	5 556.4c
Sector	South African - Multi Asset - Flexible
Benchmark	Multi-Asset Flexible Sector Average

## 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

<b>Domestic Equity</b>	<b>70.9%</b>
Reinet Investments	6.1%
Nampak	5.7%
York Timbers	4.9%
Caxton	4.7%
Lewis Group	4.5%
British American Tobacco	4.0%
EPE Capital	3.9%
Frontier Transport Holdings	3.1%
Novus Holdings	3.1%
Naspers	2.8%
Other domestic holdings	28.1%
<b>Offshore Equity</b>	<b>19.9%</b>
Contrarius Global Equity Fund	19.9%
<b>Bonds</b>	<b>0.0%</b>
Domestic	0.0%
Offshore	0.0%
<b>Property</b>	<b>0.0%</b>
Domestic	0.0%
<b>Cash and Strategic Income</b>	<b>2.1%</b>
Domestic	2.0%
Offshore	0.1%
<b>Commodities</b>	<b>7.1%</b>
Platinum	4.6%
Gold	2.5%
<b>TOTAL</b>	<b>100.0%</b>

## PERFORMANCE AND RISK

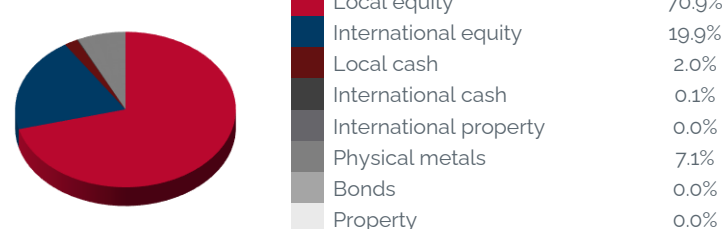
Performance (net of fees)	Fund	Benchmark	Outperformance
Since inception	551.1%	560.8%	-9.7%
Since inception (annualised)	11.9%	12.0%	-0.1%
10 Years (annualised)	9.4%	10.0%	-0.6%
7 Years (annualised)	7.8%	7.0%	0.7%
5 Years (annualised)	6.2%	8.0%	-1.9%
3 Years (annualised)	10.8%	11.4%	-0.7%
1 Year	55.0%	22.1%	32.9%
Year-to-date	55.0%	22.1%	32.9%

Risk Measures (since inception)	Fund	Benchmark
Annualised monthly volatility	13.2	9.7
Sharpe ratio	0.11	0.14
Maximum drawdown	-47.5%	-24.6%
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



### DOMESTIC EQUITY SECTORS



## ANNUAL FUND PERFORMANCE

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Fund</b>	17.9%	8.6%	8.5%	26.0%	6.7%	-4.6%	30.9%	-5.4%	5.1%	-10.0%	-2.6%
<b>Sector</b>	14.9%	5.9%	18.6%	19.5%	10.5%	7.7%	2.0%	9.2%	-3.7%	8.5%	3.9%

## FEES

	1 Year	3 Year
<b>Total Expense Ratio (incl. VAT)</b>	1.71%	1.70%
<b>Fund management fee (excl. VAT)</b>	1.25%	1.25%
<b>VAT on fund management fee</b>	0.19%	0.19%
<b>Fund expenses (incl. VAT)</b>	0.27%	0.26%
<b>Transaction Costs (incl. VAT)</b>	0.24%	0.28%
<b>Total Investment Charge (incl. VAT)</b>	1.95%	1.98%

## FUND COMMENTARY - DECEMBER 2021

The fund's 55% return for 2021 was a very welcome outcome after the difficult prior two years. December saw just one change in the top ten holdings, with Naspers replacing African Rainbow Capital (ARC). We took advantage of a very strong rally in ARC to lighten our holding, and switched some of the proceeds into Naspers, which underperformed the ALSI by almost 35% in 2021. Of course, Naspers is a share which we should have held from 2008 until 2020 as it rose relentlessly. Finally, it took a sharp sell-off in Chinese tech stocks last year to stop the Naspers juggernaut in its tracks. This created an opportunity to gain exposure to Tencent at a greatly discounted price through Naspers in the second half of last year. We now hold three Top 40 stocks in the top ten – all non-mining rand hedges. For the rest, the fund's JSE exposure is dominated by small caps, where we still find excellent value, although no longer the absolute bargain prices that were on offer in 2020.

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

MARKET COMMENTARY

International

2021 was a great year for risk assets. The MSCI ACWI was up 19% for the year and both oil and copper rallied, up 50% and 29% respectively. However, due to rising inflation expectations, bonds performed poorly and gold closed the year down 4%.

Some very interesting dynamics took place beneath the headline numbers. If one looks at US stocks, which account for the bulk of our benchmark, just five stocks (Apple, Microsoft, Nvidia, Tesla and Alphabet) accounted for more than 50% of the S&P 500 returns since April, while hundreds of companies were trading at their lowest levels over the last 12 months. EM stocks, which retreated by 2%, also continued to underperform developed world stocks by a wide margin.

Geopolitical tensions ratcheted higher over the Russian troop build-up near Ukraine while the emergence of the Omicron COVID-19 variant created significant volatility across most markets and asset classes earlier in the month. But equities were able to shake off fears of the fast-spreading, less virulent variant and December saw strong gains led by the US (MSCI World +4.0%, S&P +4.4%).

Investors increased their expectations of a Fed hike as the FOMC announced a faster tapering schedule; US 2-year yields rose 17bps to 0.73%. However, the dollar weakened with DXY down 0.3% and EM FX up 0.7%. Economic momentum slowed slightly with key Economic Surprise Indices down in December in Europe (hard hit by Omicron) and China but up in the US. In commodities, Brent crude rebounded 11% to close the year at US\$77.46, its highest year-end close since 2013.

South Africa

The JSE ALSI had an excellent 2021, rallying 29% in ZAR. As the rand weakened by 10% against the USD, this meant the JSE delivered a 19% return in US dollars for the year, marginally ahead of the MSCI ACWI. Notwithstanding this good 1-year performance, it continues to be a laggard over longer periods. An issue to be aware of in 2022, is whether Ramaphosa will be re-elected as president of the ANC in its national elective conference in December. This will determine whether or not he is eligible to run for president in 2024’s national election.

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](mailto: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](http://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](mailto: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](mailto: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](mailto: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

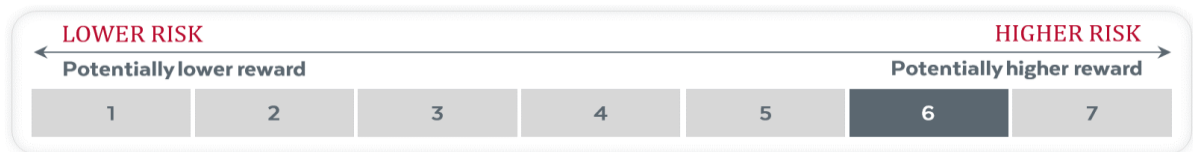
<b>Performance Fee benchmark:</b>	<b>Median of the Domestic Asset Allocation Flexible Unit Trust Sector</b>				
<b>Base Fees:</b>	1.25% per annum	<b>Fee at Benchmark:</b>	1.25% per annum	<b>Fee Hurdle:</b>	Average of the South African Multi-Asset Flexible Unit Trust Sector
<b>Sharing Ratio:</b>	10%	<b>Minimum Fee:</b>	1.25% per annum	<b>Maximum Fee:</b>	No maximum
<b>Fee Example:</b>	0.1% for each 1% outperformance of portfolio benchmark on a high water mark basis				
<b>Method of Calculating:</b>	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 <a href="http://www.ipmc.co.za">www.ipmc.co.za</a>					

TER and Transaction Costs

From 1 October 2018 to 30 September 2021, 1.70% of the value of the fund was incurred as expenses relating to the administration of the fund. 0.28% of the value of the fund was incurred as costs relating to the buying and selling of the assets underlying the fund. Therefore 1.98% of the value of the fund was incurred as costs relating to the investment of the fund. Inclusive in the TER of 1.70%, 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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