

# Flagship IP Flexible Value Fund

Minimum Disclosure Document - 29 February 2024



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## FUND MANAGER

Niall Brown

NAV 6 224.3c

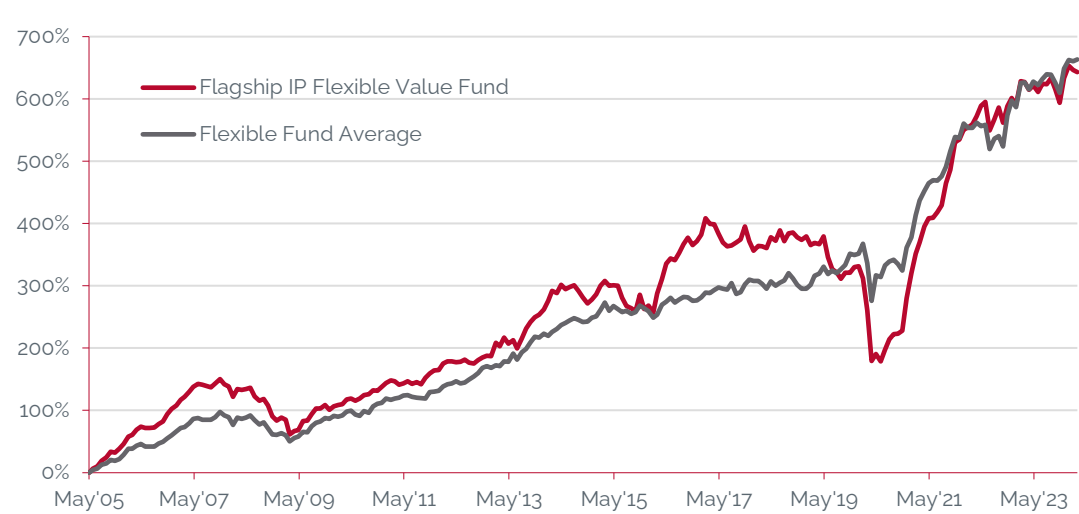
Launch date	04 May 2005
Fund size	R398m
NAV - A Class	6 224.3c
Sector	South African - Multi Asset - Flexible
Benchmark	Multi-Asset Flexible Sector Average

No. of participatory interests	6 365 751
Minimum lump sum investment	R 10 000
Base currency	ZAR
Income declaration - Mar '23	44.21cpu
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

<b>Domestic Equity</b>	<b>54.6%</b>
Caxton	7.5%
York Timbers	4.8%
EPE Capital	4.7%
Workforce Holdings	3.6%
Reinet Investments	3.5%
Frontier Transport	3.2%
Novus	3.1%
KAL Group	3.1%
Master Drilling	2.6%
Brait	2.3%
Other domestic holdings	16.2%
<b>Offshore Equity</b>	<b>26.4%</b>
Contrarius Global Equity Fund	24.6%
Alibaba	1.8%
<b>Bonds</b>	<b>0.0%</b>
Domestic	0.0%
<b>Property</b>	<b>0.0%</b>
Domestic	0.0%
<b>Cash and Strategic Income</b>	<b>12.9%</b>
Domestic	3.8%
Offshore	9.1%
<b>Commodities</b>	<b>6.1%</b>
Platinum	4.7%
Gold	1.4%
<b>TOTAL</b>	<b>100.0%</b>

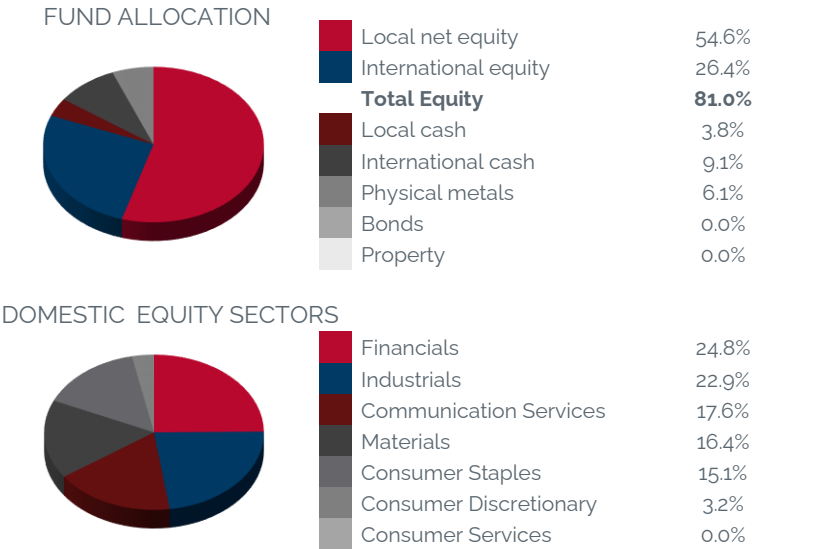
## PERFORMANCE AND RISK

Performance (net of fees)	Fund	Benchmark	Outperformance
Since inception	642.8%	663.4%	-20.7%
Since inception (annualised)	11.2%	11.4%	-0.2%
10 Years (annualised)	6.6%	7.1%	-0.5%
7 Years (annualised)	5.8%	7.5%	-1.7%
5 Years (annualised)	9.6%	8.9%	0.7%
3 Years (annualised)	16.5%	9.0%	7.5%
1 Year	2.1%	5.9%	-3.8%
Year-to-date	-1.4%	0.2%	-1.6%

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



## ANNUAL FUND PERFORMANCE

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund	26.0%	6.7%	-4.6%	30.9%	-5.4%	5.1%	-10.0%	-2.6%	55.0%	6.1%	9.1%
Sector	19.5%	10.5%	7.7%	2.0%	9.2%	-3.7%	8.5%	3.9%	22.1%	0.3%	11.6%

## FEES

	1 Year	3 Year
Total Expense Ratio (incl. VAT)	1.96%	1.93%
Fund management fee (excl. VAT)	1.25%	1.25%
VAT on fund management fee	0.19%	0.19%
Fund expenses (incl. VAT)	0.52%	0.49%
Transaction Costs (incl. VAT)	0.14%	0.26%
Total Investment Charge (incl. VAT)	2.10%	2.19%

## FUND COMMENTARY - FEBRUARY 2024

February was a strong month for world markets, but a poor one for both the JSE and the rand, with both weakening by between 2.5% and 3%. We used market weakness to add modestly to a few of the fund's smaller holdings, and also initiated one new investment, namely African Rainbow Capital (ARC). ARC is a share that we have owned in the past and subsequently sold profitably. In the second half of 2023 ARC's share price again came under pressure, with sentiment being hurt by the announcement of a surprise rights issue late in the year. Since then, the shares have mostly traded below the R5 rights issue price. ARC's two largest assets are their holdings in Rain and Tyme Bank. One can argue that ARC's valuation of Rain is overly aggressive, but this appears to be more than discounted in the wide 55% discount to NAV which currently prevails.

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

MARKET COMMENTARY

Global equity markets delivered yet another strong showing during February. In the US, the S&P 500, Russell 2000 and Nasdaq composite all gained more than 5%. UK markets were more muted, with the FTSE 100 returning 0.5%. Performance in the East was strong, with Japan's Nikkei returning 8%, and even Hong Kong ended the month almost 7% higher.

The Nikkei's strong performance was despite the Japanese economy slipping into an unexpected technical recession, driven mainly by weaker than expected domestic consumption numbers. This also means that Germany has now overtaken Japan to become the world's 3<sup>rd</sup> largest economy.

There should be little doubt that these returns continue to be fuelled by big tech and the expected advantages brought about by AI. Few earnings events were watched as closely as that of Nvidia, which delivered another big beat along with increased guidance, leading the S&P to a new all-time-high. Shortly before this, stocks in the US experienced a brief speedbump as January's CPI reading came in slightly higher than expected, in stark contrast with China as their CPI numbers again came in lower than expected and PPI numbers have now been in deflationary territory for 16 months in a row.

Across the globe, geopolitical tensions continue to simmer. Russia's war in

Ukraine has reached a grim 2-year milestone, and we seem to be no closer to its end. In fact, the prevailing narrative seems to be one of escalating tensions rather than decreasing. Talks of NATO potentially sending soldiers onto Ukrainian soil were met with threats of nuclear warfare by the Kremlin. The Kremlin again showed its hand when its biggest political threat, Alexei Navalny, died suddenly in a Siberian penal colony. All of this has cast a new light on European and NATO military budgets, especially with odds increasing that Donald Trump could once again be elected US president later this year.

Locally, investors were not able to partake in the global market euphoria in February, as was the case in 2023. The JSE All Share index dropped by 2.4%, while the Resources index declined by almost 7%. Exacerbating these losses was the performance of the Rand, which declined by almost 3% against the USD over the course of the month.

The much-anticipated budget speech did not deliver a great deal of fireworks, with the main talking point being Government drawing R150 billion (of its total of R500 billion) from foreign gold and currency reserves as our budget deficit continues to grow. Lastly, Cyril Ramaphosa declared 29 May as the official election date. This promises to be a very insightful day into South Africa's future, as the ANC faces its biggest threat yet of being booted from power.

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

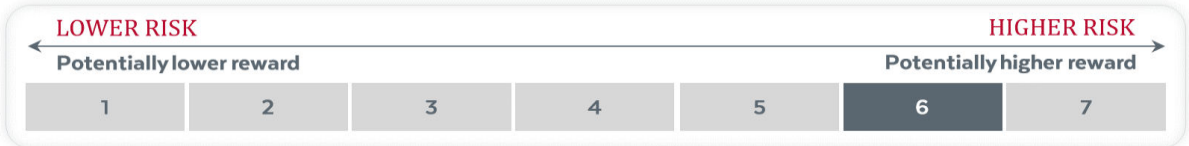
<b>Performance Fee benchmark:</b>	<b>Median of the Domestic Asset Allocation Flexible Unit Trust Sector</b>			
<b>Base Fees:</b>	1.25% per annum	<b>Fee at Benchmark:</b>	1.25% per annum	<b>Fee Hurdle:</b> Average of the South African Multi-Asset Flexible Unit Trust Sector
<b>Sharing Ratio:</b>	10%	<b>Minimum 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 January 2021 to 31 December 2023, 1.93% of the value of the fund was incurred as expenses relating to the administration of the fund. 0.26% of the value of the fund was incurred as costs relating to the buying and selling of the assets underlying the fund. Therefore 2.19% of the value of the fund was incurred as costs relating to the investment of the fund. Inclusive in the TER of 1.93%, 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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