Minimum Disclosure Document

# High Street High Equity Prescient Fund

As at 31 August 2019 – Issued on 19 September 2019

PRESCIENT MANAGEMENT COMPANY

highstreet Asset Management

## FUND OBJECTIVE & INVESTMENT POLICY

The fund aims to deliver medium to long-term capital growth over time. The fund invests in a diversified range of equities, preference shares, bonds, debentures, money market, fixed income, property markets and instruments based on the value of any precious metal. The equity allocation will be managed at a maximum effective exposure, including offshore equity, up to 75%. The fund is permitted to invest in listed and unlisted financial instruments in line with the conditions as determined by legislation from time to time. The fund will predominately invest in South African markets but is however permitted to include investments in offshore jurisdictions subject to the investment conditions determined by legislation from time to time. The fund complies with Regulation 28 of the Pension Funds Act.

## PORTFOLIO DYNAMICS

**FUND MANAGER:**
High Street Asset Management (Pty) Ltd
- Ross Beckley, CFA

**LAUNCH DATE:**
19 December 2018

**CLASSIFICATION:**
South African – Multi Asset – High Equity

**BENCHMARK:**
75% FTSE/JSE All Share Total Return Index
25% SAFE South Africa Short Fixed Term Interest Rate – Composite Index, net of fees

**ISIN:**
ZAE000264552

**MINIMUM INVESTMENT:**
Lump sum: R10,000
Monthly: R500

**ADMINISTRATOR:**
Prescient Management Company (RF) (Pty) Limited

**CUSTODIAN:**
Nedbank Investor Services

**UNIT PRICE** (cents):
112.24

**FUND SIZE:**
R106.64m

**DISTRIBUTION:**
Annually End of March (Optional)

**FEES:**
Initial Fund Fee: Nil
Exit Fund Fee: Nil

**ANNUAL MANAGEMENT FEE:**
Class A1: 0.75%

**ANNUAL PERFORMANCE FEE:**
5% of Growth Above the Hurdle Rate
(Hurdle Rate is 10% Per Annum)

**TOTAL EXPENSE RATIO:**
TER incl VAT: New Fund
TIC incl VAT: New Fund
(only available after 12 months)

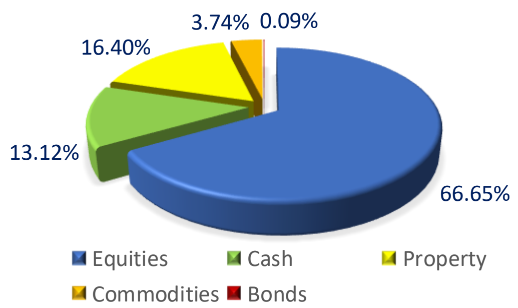
**RISK PROFILE:**
Moderate – High

**RECOMMENDED TIME HORIZON:**
5 years

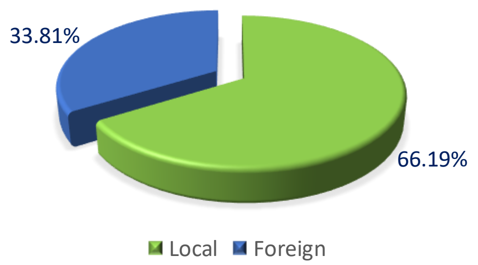
## % MONTHLY PERFORMANCE (NET OF FEES)

| | | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | YEAR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2019 | FUND | 0.06 | 5.22 | 3.66 | 3.49 | -6.32 | 2.69 | 1.32 | 0.78 | | | | | 10.94 |
| | BENCHMARK | 2.26 | 2.70 | 1.31 | 3.33 | -3.48 | 3.72 | -1.62 | -1.68 | | | | | 6.46 |
| 2018 | FUND | | | | | | | | | | | | 1.17 | 1.17 |
| | BENCHMARK | | | | | | | | | | | | 1.78 | 1.78 |

### ASSET ALLOCATION




### GEOGRAPHIC EXPOSURE




## TOP 5 HOLDINGS

**Equities**
Naspers
Master Drilling
Mondi
Adcock Ingram
Richemont

**Property**
Sirius Real Estate
NEPI Rockcastle
MAS Real Estate
Dream Global

**Bonds**
African Bank

## PERFORMANCE GRAPH

(Please note that the graph may only be displayed after 12 months)

## ANNUALISED RETURNS

| RETURN PERIOD | FUND | BENCHMARK |
|---|---|---|
| **1 year** | N/A | N/A |
| **3 years** | N/A | N/A |
| **5 years** | N/A | N/A |
| **Since Inception** | N/A | N/A |
| **Highest rolling 1-year return** | N/A | N/A |
| **Lowest rolling 1-year return** | N/A | N/A |

## Investment Management Commentary

The fund returned 0.78% for the month of July relative to a benchmark return of -1.68%. The Rand depreciated by 5.94% against the US Dollar which helped the fund outperform its benchmark by a margin. Even though the National Health Insurance Bill, introduced to parliament on 8 August, weighed slightly on the exchange, the bulk of the pressure resulted from the risk-off sentiment emanating from the ongoing global trade tensions. While we believe the Rand is facing structural headwinds, real yields of approximately 4% are enticing for foreign investors with US real yields at 0%. As such, we have seen bond outflows abate which is supportive of the currency in the short-term. However, we believe larger forces are at play and a large interest carry alone will not be enough to support the currency over time.

Economic data was once again disappointing with little to suggest a turnaround is on the horizon. A few key datapoints released during the month were:

- Electricity consumption for June was down 1.6% year-on-year
- Vehicle sales for July were down 3.7% year-on-year
- Business confidence has slumped to its lowest in two decades. With low business confidence comes restrained capital expenditure which ultimately materialize in less jobs and slower economic growth
- Retail sales for June were up 2.4% year-on-year
- Core CPI for July up 4.2%. While this is well within the committee's 3-6% target band, most analysts are expecting rates to remain unchanged at the 19 September policy meeting. Many may argue that an interest rate cut is justified, most of the pressure on CPI is currently coming from exchange sensitive goods and cutting rates may reduce the allure of the interest carry trade as mentioned above

Many companies reported results during the month with the overall tone positive. Below I highlight a few key results:

- **Adcock Ingram**, one of our few locally focused holdings, produced admirable full year results with revenue and earnings per share both up 9%. This was achieved in a tough business environment and a single exit pricing increase of just 3.78%. We see their pharmaceutical basket as highly defensive and with Bidvest, now a 50.1% shareholder, we expect to see continued active engagement through operational functions and possibly merger & acquisition activity – both are net positive for the share price outlook
- **NEPI Rockcastle**, one of our larger offshore-focused property counters, produced a solid 9.6% increase their distribution for their interim period with net asset value per share increasing by 2.4% over the previous six months. The Central and Eastern European climate in which it operates remains favourable and 6.5% dividend yield, in Euros, enforces that it is attractive to us over local counters where top-line rentals remain under significant pressure
- Our offshore e-commerce holdings of **Alibaba** and **JD.com** beat expectations by a wide margin. Alibaba produced revenue growth of 42% with earnings per share up 57% while JD.com showed revenue growth of 23% with earnings per share swinging into positive territory. Both investments remain attractively priced after selling-off on the back of the trade wars. Both shares are proxies for the Chinese consumer where we believe the negative sentiment has been overdone. The Chinese government is continuing its shift from an investment led to a consumer-driven economy, and with retail sales still growing at 7.5%, we believe this sector still has significant room to grow
- **British American Tobacco (BATS)** produced robust results in the face of tightening regulation with revenue up 4.1% and earnings per share up 7.1%. While the core cigarette business still makes up the bulk of earnings, market commentators were impressed with the growth seen in their next generation products (NGP) which includes vaping and heating products. We believe BATS will find it difficult to establish a stranglehold in this new market and with traditional cigarette volumes declining globally by 3.5% per annum, the new business will struggle to offset the decline in the traditional business as lawmakers sharpen their pencils

During the month we sold our entire British American Tobacco position on the back of the share price appreciating by more than 8% following the release of their results detailed above. We believed the share was undervalued and saw this as an opportune time to exit. We also trimmed our holdings in Anheuser-Busch Inbev and NewGold Platinum ETF which were up 45% and 20% respectively for the year-to-date. Anheuser had reached our target price and the platinum ETF is very cyclical in nature so the decision was taken to realise some profits on the back of recent strong price action.

We believe the fund is well positioned to provide South African investors with a largely Rand hedge product to aid in protecting the global purchasing power of their local savings, should they express concern around the prevailing political and economic climate.

Ross Beckley, CFA
Fund Manager

Minimum Disclosure Document

# High Street High Equity Prescient Fund

As at 31 August 2019 – Issued on 19 September 2019

PRESCIENT MANAGEMENT COMPANY

highstreet Asset Management

## DISCLAIMER

Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CIS's are traded at the ruling price and can engage in scrip lending and borrowing. The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. A schedule of fees, charges and maximum commissions is available on request from the Manager. There is no guarantee in respect of capital or returns in a portfolio. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio divided by the number of participatory interests (units) in issue. Forward pricing is used. The Fund's Total Expense Ratio (TER) reflects the percentage of the average Net Asset Value (NAV) of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's. During the phase in period TER's do not include information gathered over a full year. Transaction Costs (TC) is the percentage of the value of the Fund incurred as costs relating to the buying and selling of the Fund's underlying assets. 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, investment decisions of the investment manager and the TER.

The Manager retains full legal responsibility for any third-party-named portfolio. Where foreign securities are included in a portfolio there may be 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. The investor acknowledges the inherent risk associated with the selected investments and that there are no guarantees. Please note that all documents, notifications of deposit, investment, redemption and switch applications must be received by Prescient by or before 13:00 (SA), to be transacted at the net asset value price for that day. Where all required documentation is not received before the stated cut off time Prescient shall not be obliged to transact at the net asset value price as agreed to. Funds are priced at either 3pm or 5pm depending on the nature of the Fund. Prices are published daily and are available on the Prescient website. Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request. For any additional information such as fund prices, brochures and application forms please go to www.prescient.co.za

## FUND SPECIFIC RISKS

1. **Default risk:** The risk that the issuers of fixed income instruments (e.g. bonds) may not be able to meet interest payments nor repay the money they have borrowed. The issuers credit quality it vital. The worse the credit quality, the greater the risk of default and therefore investment loss.
2. **Developing Market (excluding SA) risk:** Some of the countries invested in may have less developed legal, political, economic and/or other systems. These markets carry a higher risk of financial loss than those in countries generally regarded as being more developed.
3. **Foreign Investment risk:** Foreign securities investments may be subject to risks pertaining to overseas jurisdictions and markets, including (but not limited to) local liquidity, macroeconomic, political, tax, settlement risks and currency fluctuations.
4. **Interest rate risk:** The value of fixed income investments (e.g. bonds) tends to be inversely related to interest and inflation rates. Hence their value decreases when interest rates and/or inflation rises.
5. **Property risk:** Investments in real estate securities can carry the same risks as investing directly in real estate itself. Real estate prices move in response to a variety of factors, including local, regional and national economic and political conditions, interest rates and tax considerations.
6. **Currency exchange risk**: Changes in the relative values of individual currencies may adversely affect the value of investments and any related income.
7. **Geographic / Sector risk:** For investments primarily concentrated in specific countries, geographical regions and/or industry sectors, their resulting value may decrease whilst portfolios more broadly invested might grow.
8. **Liquidity risk:** If there are insufficient buyers or sellers of particular investments, the result may lead to delays in trading and being able to make settlements, and/or large fluctuations in value. This may lead to larger financial losses than expected.
9. **Equity investment risk:** Value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. bankruptcy), the owners of their equity rank last in terms of any financial payment from that company.

## GLOSSARY SUMMARY

**Annualised performance:** Annualised performance show longer term performance rescaled to a 1 year period. Annualised performance is the average return per year over the period. Actual annual figures are available to the investor on request.

**Highest & Lowest return:** The highest and lowest returns for any 1 year over the period since inception have been shown.

**NAV:** The net asset value represents the assets of a Fund less its liabilities.

## CONTACT DETAILS

**Management Company:**
Prescient Management Company (RF) (Pty) Ltd, **Registration number:** 2002/022560/07 **Physical address:** Prescient House, Westlake Business Park, Otto Close, Westlake, 7945 **Postal address:** PO Box 31142, Tokai, 7966. **Telephone number:** 0800 111 899. **E-mail address:** info@prescient.co.za **Website:** www.prescient.co.za

**Trustee:**
Nedbank Investor Services **Physical address:** 2nd Floor, 16 Constantia Boulevard, Constantia Kloof, Roodepoort, 1709 **Telephone number:** +27 11 534 6557 **Website:** www.nedbank.co.za

The Management Company and Trustee are registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). Prescient is a member of the Association for Savings and Investments SA.

**Investment Manager:**
High Street Asset Management (Pty) Ltd, **Registration number:** 2013/124971/07 is an authorised Financial Services Provider (FSP45210) under the Financial Advisory and Intermediary Services Act (No.37 of 2002), to act in the capacity as investment manager. This information is not advice, as defined in the Financial Advisory and Intermediary Services Act (N0.37 of 2002). Please be advised that there may be representatives acting under supervision.
**Physical address:** The Offices of Hyde Park, Block B, 1 Strouthos Rd / Off 2nd Rd, Hyde Park, 2196 **Postal address:** P.O. Box 523041, Saxonwold, 2132 **Telephone number:** +27(0)11-3254006 **Website:** www.highstreetassetmanagement.co.za

This document is for information purposes only and does not constitute or form part of any offer to issue or sell or any solicitation of any offer to subscribe for or purchase any particular investments. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable directly or indirectly to the use of or reliance upon the information.

**Management and administration:**
Prescient Management Company (RF) (Pty) Ltd. This portfolio operates as a white label fund under the Prescient Unit Trust Scheme, which is governed by the Collective Investment Schemes Control Act.

## TER & TC

| FEES (Incl VAT) | |
|---|---|
| **Invest Management Fee** | 0.75% |
| **Performance Fee** | New Fund |
| **Other Fees** | New Fund |
| **Total Expense Ratio (TER)** | New Fund |
| **Transaction Costs (TC)** | New Fund |
| **Total Investment Charge (TIC)** | New Fund |

The TER and TC ASISA Standard came into effect from 1 January 2016. This standard is to ensure that all ASISA members operate within the outcomes of TCF. Therefore, it is a requirement to disclose both the TER and TC numbers. Transaction Costs are not included in the calculation of TER hence we need to disclose both the TER and TC numbers separately and also Total Investment Charge which is the combination of TER and TC. This will impact the MDDs as we will have to disclose this and amend the disclaimer to cater for the definition of Total Costs.

Please note that the Total Expense Ratio and Transaction Costs cannot be determined accurately because of the short life span of the Financial Product and the funds. The TER will be available after one year.