

# Mergence CPI + 4% Prime Fund (A1)

## Minimum Disclosure Document

June 2019



**M E R G E N C E**  
INVESTMENT MANAGERS

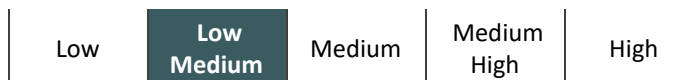
### Fund Description and Summary of Investment Mandate

The Fund is managed with an absolute return orientation, and is structured to generate a return of 4% above inflation at a low level of risk. It is broadly diversified across asset classes including, equities, listed property, conventional bonds and inflation-linked bonds. The Fund employs active asset allocation and derivative hedging to manage and reduce downside risk.

### Investment Objective

The Mergence CPI+4% Prime Fund<sup>1</sup> is a collective investment scheme that aims to provide investors with capital growth over the long term. The Fund is managed with the objective of producing a real return of CPI plus 4% per annum over the longer term while preserving capital over a rolling 12 months period. It may underperform relative to overall equity markets due to its focus on capital preservation and long-term capital growth.

### Risk Indicator



#### Low - Medium Risk [Investment Horizon : 1 - 3 Years]

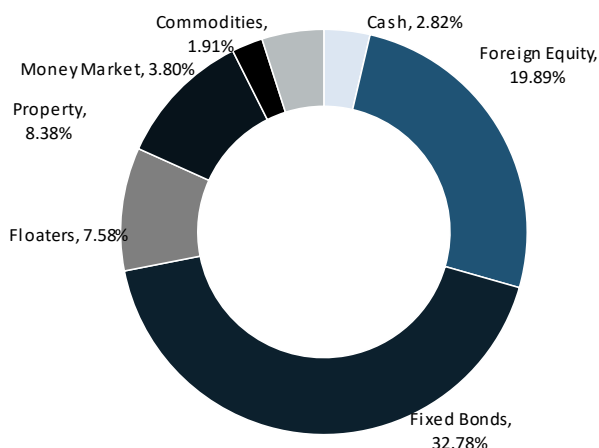
- This portfolio has relatively low equity exposure, resulting in relatively low volatility compared to higher risk portfolios.
- Where the asset allocation contained in this MDD reflects offshore exposure, the portfolio is exposed to currency risks.
- The portfolio is exposed to default and interest rate risks.
- Therefore, it is suitable for medium term investment horizons.
- The expected potential long-term investment returns may be lower over the medium to long term

### Fund Performance [Net of Fees]

	Fund	Benchmark	Active Return
1 Month	2.32%	0.63%	1.69%
6 Months	7.96%	3.32%	4.63%
1 Year	7.57%	8.16%	-0.59%
3 Years	6.14%	8.67%	-2.53%
5 Years	5.77%	8.94%	-3.18%
Since Inception Annualised	7.13%	9.12%	-1.99%
Since Inception Cumulative	58.25%	78.91%	-20.67%

Returns above one year are annualised. Annualised return is the weighted average compound growth rate over the period measured.

### Asset Allocation [June 2019]



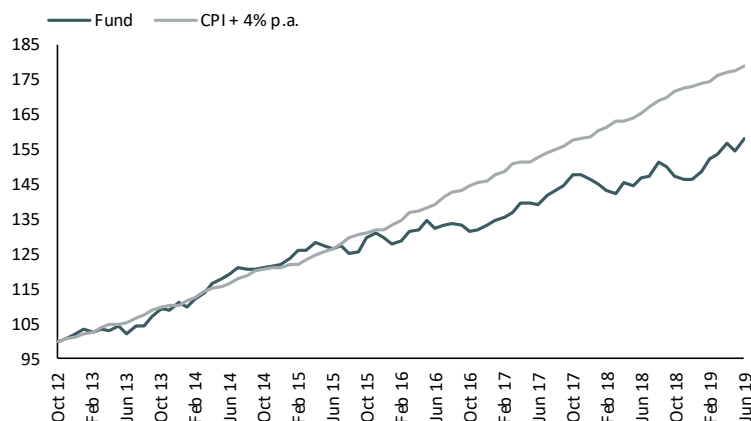
### Fund Information

Fund Manager	Mergence Investment Managers (Pty) Ltd
ASISA Fund Category	South African - Multi Asset - Medium Equity
Benchmark	CPI + 4% p.a.
Class Launch Date	November 2012
Fund Class	A1
Fund Base Fee	1.00% (Excl. VAT)
Total Fund Size	R 157 830 674
Income Distribution Dates	February
Income Payment Dates	3 <sup>rd</sup> working day of March
JSE Code	MCPRA1
ISIN	ZAE000263174
NAV (cents)	122.94
Pensions Fund Act Reg. 28	Yes

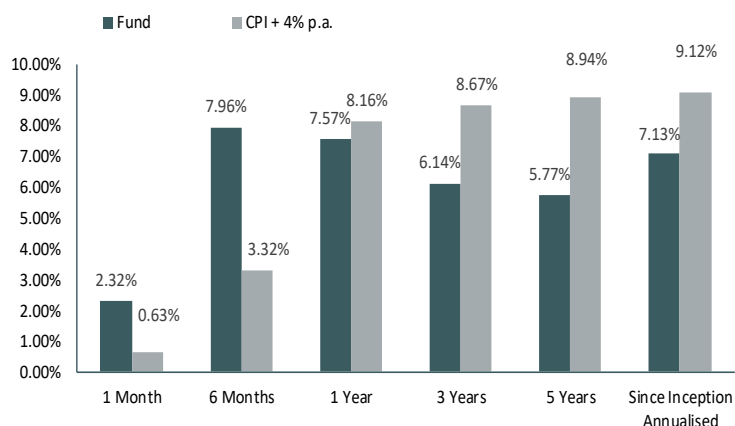
### Income Distributions (cpu)

Month	Dividend	Interest	Total
Feb 2019	0.2880	1.3635	1.6515

### Growth of R100 Invested Since Inception

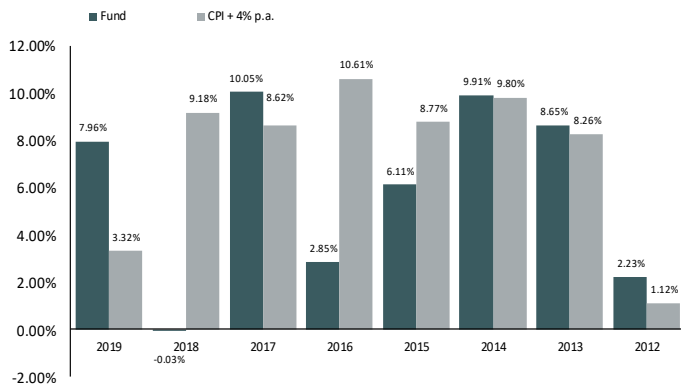


### Fund Trailing Performance





### Fund Calendar Year Performance



### Top Equity Holdings

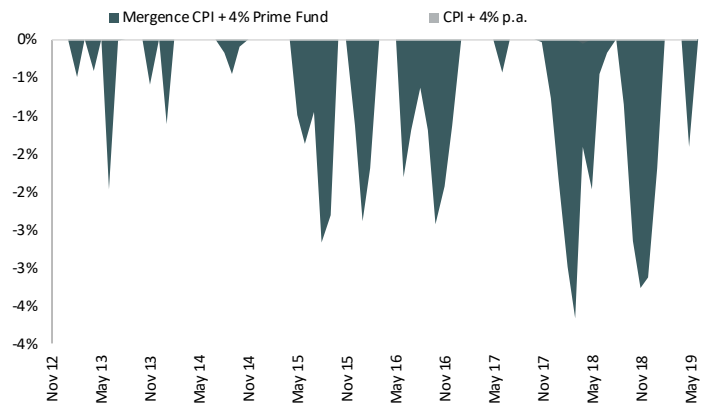
NPN - Naspers Ltd	3.88%
BHP - BHP Group	2.11%
AGL - Anglo American Plc	1.50%
FFA - Fortress Income Fund Ltd - A	1.47%
MTN - Mtn Group Ltd	1.38%
SBK - Standard Bank Group Ltd	1.38%
CFR - Compagnie Fin Richemont	1.35%
GRT - Growthpoint Properties Ltd	1.25%
FSR - Firststrand Ltd	1.24%
RDF - Redefine Properties Ltd	1.22%

### Fund Risk Statistics

	Fund	Benchmark
Standard Deviation*	4.35%	1.37%
Tracking Error*	4.55%	
Alpha*	-1.99%	
% Months Outperforming Benchmark	47.50%	
% Positive Months	67.50%	98.75%
Fund Maximum Drawdown: Mar-2018	-3.66%	
Fund Highest Annual Return: Jun-2014	16.75%	
Fund Lowest Annual Return: Nov-2018	-0.91%	

\*Annualised

### Drawdown Analysis



### Fund Fees

Fees Structure (% p.a.)	Class A1
Annual Fee (manager)	1.00% (Excl. VAT)
Performance Fee	n/a
Administration Fee	0.15% (Excl. VAT)

Cost Ratios (Annual) including VAT as at:	Class A1
<b>30 June 2019</b>	
Based on period from :	Jan 2018 - Dec 2018
Total Expense Ratio	1.28%
Transaction Costs	0.05%
Total Investment Charge	1.33%

### Glossary

**Volatility** is a statistical measure of the dispersion of returns for a given security or market index.

**Tracking error** is a measure of the risk in an investment portfolio that is due to active management decisions made by the portfolio manager; it indicates how closely a portfolio follows the index to which it is benchmarked.

**Sharpe Ratio** is a measure for calculating risk-adjusted return. It is the average return earned in excess of the risk-free rate per unit of total risk. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been; i.e. a higher return with a contained risk profile, where the portfolio manager is not taking excessive risk to achieve those returns.

**Alpha** is a measure of the active return on an investment. It represents the excess returns of a fund relative to the return of a suitable benchmark.

**Market Risk:** Equity markets are volatile and the price of equities fluctuate based on a number of factors such as changes in the economic climate, general movements in interest rates and the political and social environment which will also affect the value of the securities held in the CIS, thereby affecting the overall value of the CIS.

**Currency Risk / Foreign Exchange Risk:** This risk is associated with investments that are denominated in foreign currencies. When the foreign currencies fluctuate against the USD, the investments face currency gains or losses.

**Concentration Risk:** CIS investment vehicle pools the assets of many investors and use the proceeds to buy a portfolio of securities. There are regulations in place which limit the amount that a CIS may invest in securities, thereby spreading the risk across securities, asset classes and companies.

**Liquidity Risk:** This relates to the ability of the CIS to trade out of a security held in the portfolio at or near to its fair value. This may impact on liquidity and in the case of foreign securities, the repatriation of funds.

**Inflation Risk:** The risk of potential loss in the purchasing power of your investment due to a general increase of consumer prices.

**Compliance Risk:** This refers to the risk of not complying with the legislation, regulations, prescribed investment limits and internal policies and procedures by the manager or the portfolio manager.



### Important Information

#### Risks

Where foreign securities are included in the portfolio there may be additional risks such as potential constraints on liquidity and repatriation of funds, macroeconomic risk, political risk, foreign exchange risk, tax risk, settlement risk as well as potential limitations on the availability of market information. Certain investments - including futures, options, equity swaps, and other derivatives may give rise to substantial risk and might not be suitable for all investors.

#### Total Expense Ratio (TER)

Total Expense Ratio, expressed as a percentage of the fund, is a measure of the actual expenses incurred by the fund over the past financial year and is not an indication of the current fees charged to manage the fund. The TER includes the annual management fees, performance related fees (if any) as well as audit fees, trustee fees and the VAT payable on these components. It also includes the same for any underlying funds the fund may be invested in.

Please note: A higher TER ratio 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. 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.

Effective Annual Cost: Prime Collective Investments adopted the ASISA Standard on Effective Annual Cost ("EAC"). The Effective Annual Cost measure allows you to compare charges on your investments as well as their impact on your investment returns prior to investing. For further information regarding the ASISA Standard on Effective Annual Cost and access to the EAC calculator please visit our website at [www.primeinvestments.co.za](http://www.primeinvestments.co.za).

#### Transaction Cost (TC)

Transaction cost expressed as a percentage of the fund, is the total cost incurred in dealing in the underlying assets of the fund, which includes buys and sells in order to change portfolio positioning or to facilitate cash flow into or out of the fund. Incurring these costs is an inevitable part of managing a unit trust portfolio. The level of such costs over any particular period should be interpreted in the context of factors such as financial market events and volatility over the same period, the style of the investment manager, cash flow profile of the fund and the type of fund. E.g. dealing costs for money market or income funds are typically materially lower than for equity funds.




#### Total Investment Charge (TIC)

The Total Investment Charge, expressed as a percentage of the fund, relates to all investment costs of the fund. It is shown as the sum of the TER and TC.

With the exception of money market funds, all unit trust returns are quoted net of TIC, therefore these expenses should not be deducted again from published returns. The Fund performance can therefore be assessed on a basis which already takes into account relative differences in TER and TC.

### Contact Details

#### Prime Collective Investment Schemes Management Company (RF) (Pty) Ltd


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 <a href="mailto:save@primeinvestments.co.za">save@primeinvestments.co.za</a>		

#### Fund Manager

Mergence Investment Managers (Pty) Ltd


FSP No: 16134

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#### Trustees

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#### Administrator

Global Independent Administrators

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### STATUTORY DISCLAIMER & NOTES

This is a minimum disclosure document and a general investor report. Collective Investment Schemes are generally medium to long term investments. The value of the participatory interests may go down as well as up. The manager does not provide any guarantee either with respect to the capital or the return of a portfolio. Past performance is not necessarily an indication of future performance. CIS's are traded at ruling prices and can engage in borrowing and scrip lending. Different classes of units apply to these portfolios and are subject to different fees and charges. A schedule of fees and charges and maximum commissions is available on request from the manager. The manager has a right to close portfolios to new investors in order to manage them more efficiently in accordance with their mandates. Commission and incentives may be paid and if so, will be included in the overall costs. Forward pricing is used. The manager may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Income is reinvested on the re-investment date. The Actual investment performance will differ based on the initial fees applicable, the actual investment date and the date of reinvestment of income. Dealing prices are calculated on a net asset value and auditor's fees, bank charges and trustee fees are levied against the portfolios. Performance is calculated for the portfolio, as well as that the individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Income distributions are included in performance calculations prior to deduction of applicable taxes. Performance numbers and graphs are sourced from Collective Endeavours Consulting (Pty) Ltd. NAV to NAV figures have been used. Investment performance is for illustrative purposes only. Investment performance is calculated after taking the actual initial fees and all ongoing fees into account. The reinvestment of income is calculated on the actual amount distributed per participatory interest by using the ex-dividend date NAV price of the applicable class of the portfolio, irrespective of the actual date of reinvestment. Risk profile of the fund ranges from low risk to high risk with a low risk potentially associated with lower rewards and a high risk with potentially higher rewards. Foreign securities may be included in the portfolio from time to time and as such may result in the following: 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 daily cut off time is 14:00 for trades and the valuation point is 22:00. Prices are published on Finswitch by 10:00 daily. One can also obtain additional information on Prime products on the Prime CIS website and all price related queries or information is readily available on request. Prime Collective Investment Schemes Management Company (RF) (Pty) Ltd is a registered Collective Investment Scheme Manager in terms of Section 5 of the Collective Investment Schemes Control Act and is a wholly owned subsidiary of Prime Financial Services (Pty) Ltd, a member of ASISA.