

# Mergence Equity Prime Fund (B1)

Minimum Disclosure Document

September 2019



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

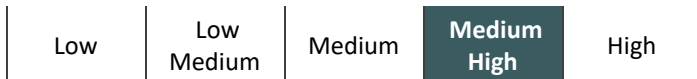
## Fund Description and Summary of Investment Mandate

Our philosophy of pragmatism underlines our approach to investing in equities, and thus the Fund's objective to be a consistent generator of alpha through cycles. We embrace a style agnostic approach given the cyclicity in performance of a strong bias to either value or growth styles. Our investment process is based on detailed bottom up fundamental analysis. We aim to invest in high quality businesses that are trading at a discount to our assessment of fair value. Our equity investment process is comprehensive, proprietary research driven and long term focused.

## Investment Objective

The Mergence Equity Prime Fund<sup>1</sup> is a collective investment scheme that aims to provide investors with capital growth over the long term. The objective is to achieve returns that are in excess of the FTSE/JSE Capped Shareholder Weighted Index (Capped SWIX) over any three year rolling period, without exposing the Fund to excessive risk.

## Risk Indicator



### Medium - High Risk

- This portfolio has a higher exposure to equities than any other risk profiled portfolio and therefore tends to carry higher volatility due to high exposure to equity markets.
- Expected potential long term returns are high, but the risk of potential capital losses is high as well, especially over shorter periods.

### The Fund is suitable for investors who:

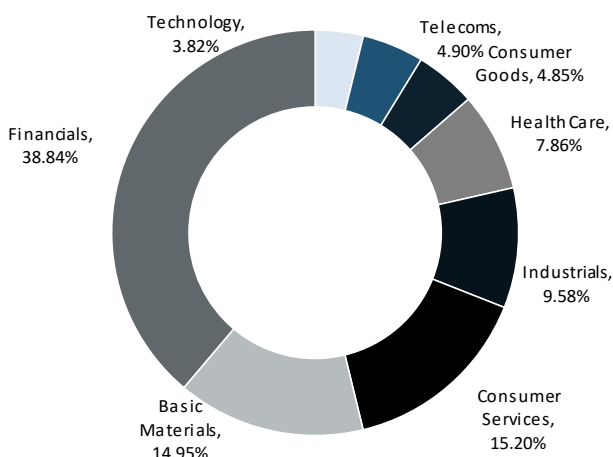
- Seek specialist South African equity exposure as part of their overall investment strategy;
- Believe long term equity exposure adds value;
- Understand the nature of equity exposure in that there is a risk of market fluctuations.

## Fund Performance [Net of Fees]

	Fund	Benchmark	Active Return
1 Month	0.20%	0.67%	-0.47%
6 Months	-2.18%	-2.36%	0.18%
1 Year	0.31%	-3.98%	4.30%
3 Years	-0.07%	1.19%	-1.26%
5 Years	3.45%	3.69%	-0.23%
Since Inception Annualised	9.19%	9.24%	-0.05%
Since Inception Cumulative	115.84%	116.63%	-0.79%

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

## Asset Allocation [September 2019]



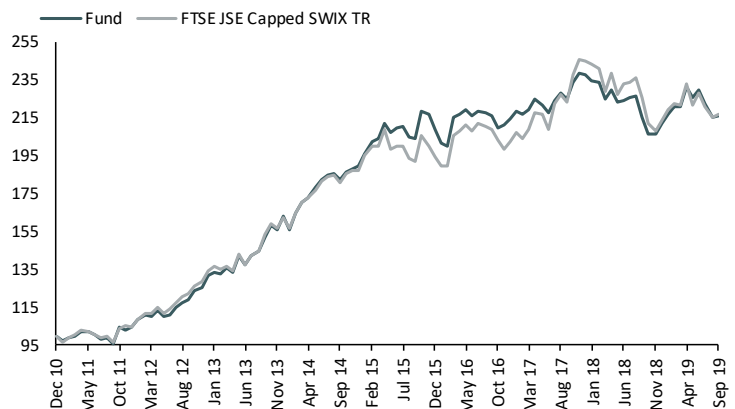
## Fund Information

Fund Manager	Mergence Investment Managers (Pty) Ltd
ASISA Fund Category	South African - Equity - General
Benchmark	FTSE/JSE Capped Shareholder Weighted Index (Capped SWIX)*
Class Launch Date	January 2011
Fund Class	B1
Fund Base Fee	0.55% (Excl. VAT)
Total Fund Size	R 83 724 795
Income Distribution Dates	February
Income Payment Dates	3 <sup>rd</sup> working day of March
JSE Code	MRQEB1
ISIN	ZAE000263331
NAV (cents)	178.79
Pensions Fund Act Reg. 28	Non Compliant

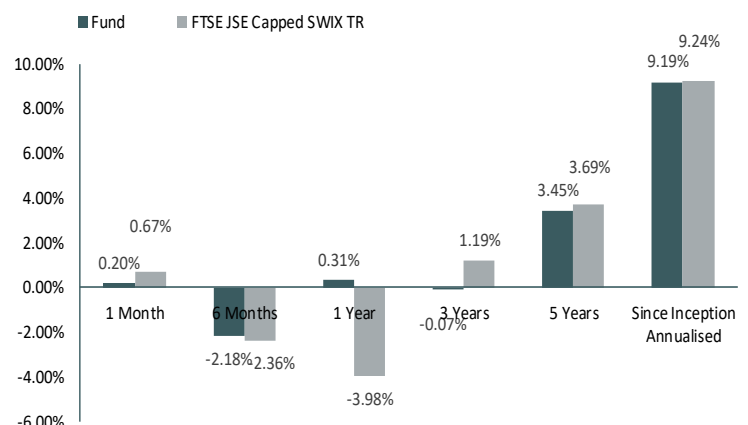
## Income Distributions (cpu)

Month	Dividend	Interest	Total
Feb 2019	0.4591	0.0436	0.5026

## Growth of R100 Invested Since Inception



## Fund Trailing Performance



<sup>1</sup>Previously known as the Mergence Equity Prescient Fund, the fund amalgamated with Prime CIS on the 15<sup>th</sup> of September 2018.

\* Previously FTSE JSE Shareholder Weighted Index (SWIX) until 31 Oct 2018

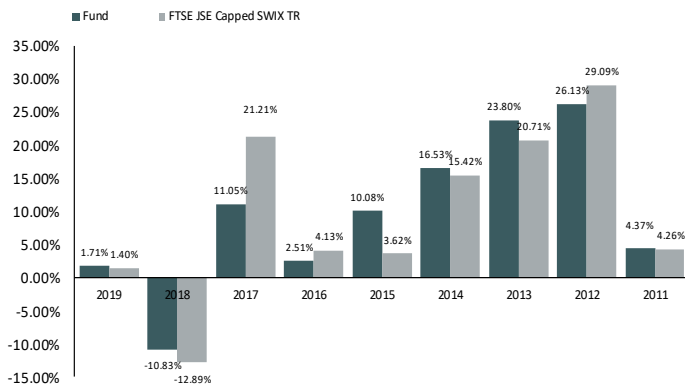
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## Fund Calendar Year Performance



## Fund Risk Statistics

	Fund	Benchmark
Standard Deviation*	9.51%	10.62%
Tracking Error*	3.67%	
Alpha*	-0.05%	
% Months Outperforming Benchmark	43.81%	
% Positive Months	62.86%	60.95%
Fund Maximum Drawdown: Oct-2018	-13.35%	
Fund Highest Annual Return: Jun-2014	33.15%	
Fund Lowest Annual Return: Nov-2018	-13.29%	

\*Annualised

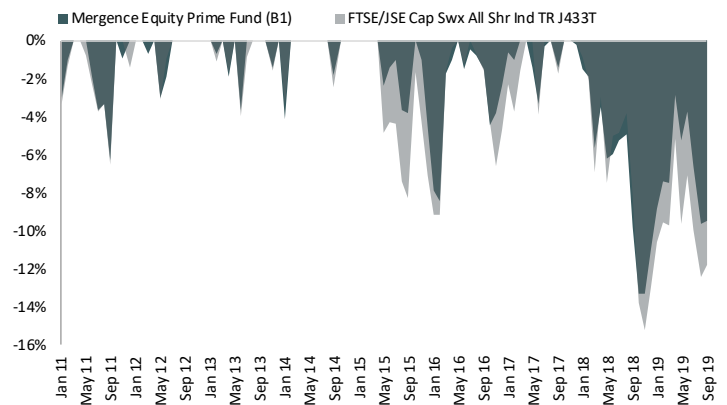
## Fund Fees

Fees Structure (% p.a.)	Class B1
Annual Fee (manager)	0.55% (Excl. VAT)
Performance Fee	n/a
Administration Fee	0.15% (Excl. VAT)

## Top Equity Holdings

NPN - Naspers Ltd	9.24%
BAT - Brait SE	4.88%
ART - Argent Industrial Ltd	4.59%
ASC - Ascendis Health Ltd	4.58%
SBK - Standard Bank Group Ltd	4.38%
MTN - Mtn Group Ltd	4.28%
AGL - Anglo American Plc	4.26%
PRX - Prosus NV	3.52%
SCP - Stellar Capital Partners	3.28%
APN - Aspen Pharmacare	3.28%

## Drawdown Analysis



Cost Ratios (Annual) including VAT as at:	Class B1
<b>30 September 2019</b>	
Based on period from :	Jan 2018 - Dec 2018
Total Expense Ratio	0.70%
Transaction Costs	0.26%
Total Investment Charge	0.96%

## 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.

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### 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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 +27 (0)86 642 1880	<a href="http://www.primeinvestments.co.za">www.primeinvestments.co.za</a>	
 <a href="mailto:save@primeinvestments.co.za">save@primeinvestments.co.za</a>		

#### Fund Manager

Mergence Investment Managers (Pty) Ltd


FSP No: 16134

Suite 303, 3rd floor, North Wing, Granger  
Bay Court, Waterfront, 8005

 +27 (0)21 433 2960


#### Trustees

FirstRand Bank Limited

 +27 (0)87 577 8730

#### Administrator

Global Independent Administrators

 +27 (0)10 594 2100

### 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.