

## Fund fact sheet

# Mergence Global CPI + 5% Fund

31 October 2019 - Issued: 19 November 2019



### OVERVIEW

|                           |  |
|---------------------------|--|
| <b>Fund Purpose</b>       | Generate a real return above inflation whilst minimising risk over the medium term |
| <b>Investment Style</b>   | Absolute Return  |
| <b>Benchmark</b>          | Headline Consumer Price Index + 5%   |
| <b>Investment Vehicle</b> | Segregated   |
| <b>Inception date</b>     | Sep-12   |
| <b>Number of Months</b>   | 86   |
| <b>Fund Size</b>          | R 5,013 billion  |
| <b>Minimum Investment</b> | R100 million   |
| <b>Management Fee</b>     | Subject to mandate (usually between 0.50% and 1.00% p.a.)                          |
| <b>Performance fees</b>   | Negotiable   |

### INVESTOR PROFILE

#### The Fund is suitable for institutional investors:

- who believe that the risk of monetary loss is more important than the risk of underperforming the equity markets
- who seek a real return above inflation independent of the overall equity market returns
- who seek an investment solution with a strong focus on medium term capital preservation, while aiming to produce significant growth over the long term

### INVESTMENT OBJECTIVE

The Fund is managed with the objective of producing a real return of CPI plus 5% per annum over the longer term while preserving capital over rolling 12-month periods. The inclusion of international assets broadens diversification and should enhance risk adjusted returns. It may underperform relative to overall equity markets due to its focus on capital preservation and long-term capital growth.

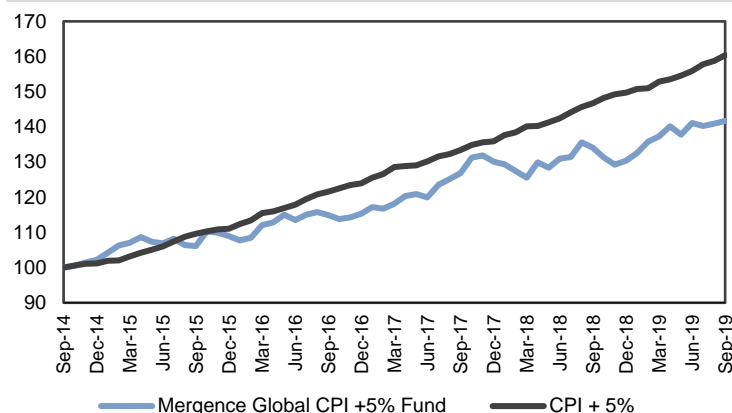
### PERFORMANCE DETAILS

| Period                  | Fund  | CPI + 5% | ALBI   | ALSI   |
|-------------------------|-------|----------|--------|--------|
| 1 Month                 | 1,51% | 0,67%    | -0,35% | 3,14%  |
| 3 Months                | 2,51% | 2,12%    | 1,14%  | 0,82%  |
| 6 Months                | 2,64% | 4,63%    | 3,32%  | -1,86% |
| 1 Year                  | 9,49% | 9,13%    | 12,96% | 11,49% |
| 3 Years (p.a.)          | 8,13% | 9,70%    | 8,54%  | 22,70% |
| Since inception (p.a.)* | 9,04% | 10,28%   | 7,83%  | 11,18% |

\*Inception: September 2012

| Year            | Fund   | CPI + 5% |
|-----------------|--------|----------|
| 2019 (YTD)      | 10,31% | 7,62%    |
| 2018            | 0,22%  | 10,18%   |
| 2017            | 12,80% | 9,62%    |
| 2016            | 5,81%  | 11,61%   |
| 2015            | 6,64%  | 9,77%    |
| 2014            | 11,07% | 10,80%   |
| 2013            | 12,19% | 10,31%   |
| 2012 (4 months) | 6,02%  | 3,68%    |

### 5-YEAR TRACK RECORD



### INVESTMENT MANDATE

The Fund is managed with an absolute return orientation, and is structured to generate a return of 5% 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, both domestically and internationally. The Fund employs active asset allocation and derivative hedging to manage and reduce downside risk.

### RISK OF MONETARY LOSS

The recommended investment term for this Fund is 5 years or longer. While the return expectations should be set at periods over 5 years, the Fund has an objective not to lose money over any rolling 12-month period. As a result, declines over any 36-month period are unlikely. Note that while capital preservation is our intent, this is not a guaranteed fund.

### RISK ANALYSIS

| Risk Measure                  | Fund   |
|-------------------------------|--------|
| Annualized Return             | 9,04%  |
| Standard Deviation            | 5,14%  |
| Sharpe Ratio                  | 0,58   |
| Sortino Ratio                 | 1,50   |
| Maximum Gain                  | 8,51%  |
| Maximum drawdown              | -4,79% |
| Positive Months               | 68,60% |
| Highest rolling 1-year return | 18,43% |
| Lowest rolling 1-year return  | -2,00% |
| Beta to JSE All Share         | 0,41   |
| Correlation to JSE All Share  | 0,90   |

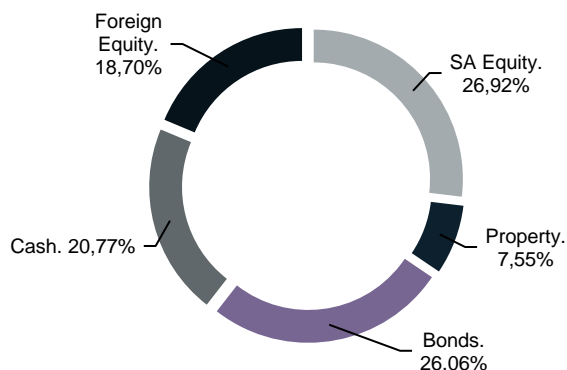
# Mergence Global CPI + 5% Fund

31 October 2019 - Issued: 19 November 2019



## FUND STRUCTURE

### Asset Allocation (Effective)



### Top 10 Equity Holdings

|                | % of Category | % of Total |
|----------------|---------------|------------|
| Naspers        | 12,58         | 3,93       |
| BHP Billiton   | 8,14          | 2,55       |
| Anglo American | 7,30          | 2,29       |
| Richemont      | 5,84          | 1,83       |
| Standard Bank  | 5,38          | 1,68       |
| FirstRand      | 5,24          | 1,64       |
| MTN            | 4,79          | 1,50       |
| Brait          | 4,03          | 1,26       |
| Prosus         | 3,80          | 1,19       |
| Mondi plc      | 3,78          | 1,18       |

## MONTHLY PERFORMANCE RETURNS

|      | JAN    | FEB    | MAR    | APR   | MAY    | JUN    | JUL    | AUG    | SEP    | OCT    | NOV    | DEC    |
|------|--------|--------|--------|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2019 | 1,68%  | 2,43%  | 1,11%  | 2,05% | -1,65% | 2,37%  | -0,55% | 0,42%  | 0,56%  | 1,51%  |        |        |
| 2018 | -0,58% | -1,44% | -1,50% | 3,50% | -1,17% | 1,95%  | 0,36%  | 3,21%  | -1,11% | -2,07% | -1,61% | 0,89%  |
| 2017 | 1,65%  | -0,40% | 1,20%  | 1,82% | 0,47%  | -0,78% | 3,01%  | 1,34%  | 1,31%  | 3,45%  | 0,51%  | -1,35% |
| 2016 | -1,15% | 0,71%  | 3,30%  | 0,70% | 1,93%  | -1,32% | 1,35%  | 0,65%  | -0,77% | -1,02% | 0,42%  | 0,96%  |
| 2015 | 1,97%  | 2,00%  | 0,72%  | 1,48% | -1,20% | -0,42% | 1,22%  | -1,68% | -0,22% | 3,88%  | -0,37% | -0,81% |
| 2014 | -2,02% | 2,98%  | 2,67%  | 1,54% | 1,26%  | 1,39%  | 1,05%  | 0,17%  | -0,59% | 0,56%  | 0,88%  | 0,75%  |
| 2013 | 1,50%  | -0,19% | 1,29%  | 0,10% | 1,83%  | -2,20% | 1,73%  | 0,64%  | 3,09%  | 3,02%  | -0,69% | 1,55%  |
| 2012 |        |        |        |       |        |        |        |        | 1,14%  | 1,49%  | 1,78%  | 1,48%  |

Please note that there are risks associated with financial products and past performance is not necessarily an indication of future performance.

## PORTFOLIO MANAGEMENT



### Patric Ho, B Com, CA(SA)

Head: Absolute Return Funds, Portfolio Manager

Patric has over 33 years' experience in investments. He started his investment career in 1986 doing stockbroking research at a large domestic stockbroker. In 1990 he joined Fedsure as Investment Manager with both research and portfolio management responsibilities. From 1995 to 1998 he relocated to Australia and helped establish a specialist stockbroking operation in Perth. Patric returned to South Africa in 1998 and rejoined Fedsure Asset Management as Chief Investment Officer until 2001. Thereafter he was Chief Investment Officer at Eskom Pension and Provident Fund for a period of seven years before relinquishing this role to set up and manage an absolute return portfolio during his final three years at the fund. Patric joined Mergence in 2012 as Portfolio Manager, Absolute Return Funds and brings with him years of investment management experience at a senior level, and a highly successful record of managing absolute return funds.



### Dirk Steyn, BSc, B Eng and MSc (Financial Mathematics)

Portfolio Manager

Dirk joined Mergence Investment Managers in 2007 in the role of Quantitative Analyst whilst completing a Masters in Financial Mathematics at University of Cape Town. Since then he has fulfilled various roles in the investment process including risk manager and fixed income analyst. Since 2015 Dirk has worked in fixed income and cash management at Mergence and is Portfolio Manager in the Absolute Return Funds team.

Mergence Investment Managers (Pty) Ltd (Mergence), Reg No.2004/021426/07, is a licensed financial services provider under the Financial Advisory and Intermediary Services Act No. 37 of 2002 (FAIS) (FSP No 16134) and is approved by the Registrar of Financial Services Providers ([www.fsb.co.za](http://www.fsb.co.za)). The availability of a complete list and description of all of the firm's GIPS composites is available upon request. Additional information regarding policies for calculating and reporting returns is available upon request. Though Mergence take care in the accuracy of data, we take no responsibility for any information contained herein or attached. Such information is not intended nor does it constitute financial, tax, legal, investment or other advice, including but not limited to "advice" as defined in FAIS. Mergence does not guarantee the suitability or potential value of any information found in this communication. The user of this communication should consult with a qualified financial advisor before relying on any information found herein and before any decision taking action in reliance thereon. The user of any information should be aware that the market fluctuate and the value of investments and that changes in rates of exchange may have an effect on the value, price or income investments. Therefore it is possible that an investor may not retain the full amount invested. Past performance is not necessarily a guide to future investment performance. Fund performance figures are gross of management fees, net of all applicable withholding & gross of SA capital gains taxes.