

# Mergence CPI + 4% Prime Fund (A1)

## Minimum Disclosure Document

July 2020



**MERGENCE**  
INVESTMENT MANAGERS

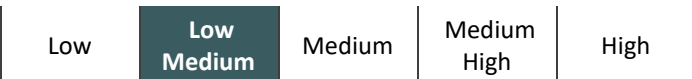
### Fund Description and Summary of Investment Mandate

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]

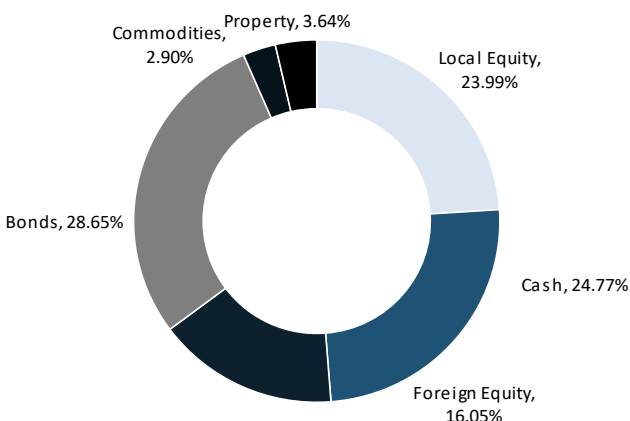
- This portfolio has relatively low equity exposure, resulting in relatively low volatility compared to higher risk portfolios.
- Where the asset allocation contained in this MDD reflects offshore exposure, the portfolio is exposed to currency risks.
- The portfolio is exposed to default and interest 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 than higher risk portfolios.

### Fund Performance [Net of Fees]

	Fund	Benchmark	Active Return
1 Month	1.23%	0.79%	0.44%
6 Months	1.38%	2.46%	-1.08%
1 Year	5.87%	6.20%	-0.33%
3 Years	5.57%	7.74%	-2.17%
5 Years	5.57%	8.51%	-2.94%
Since Inception Annualised	6.84%	8.90%	-2.06%
Since Inception Cumulative	66.98%	93.58%	-26.59%

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

### Asset Allocation [July 2020]



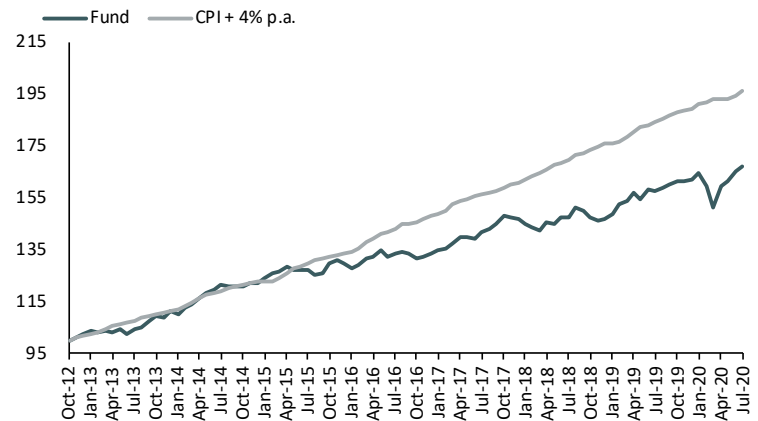
### Fund Information

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 161 698 465
Income Distribution Dates	February
Income Payment Dates	3 <sup>rd</sup> working day of March
JSE Code	MCPR1
ISIN	ZAE000263174
NAV (cents)	123.63
Pensions Fund Act Reg. 28	Yes

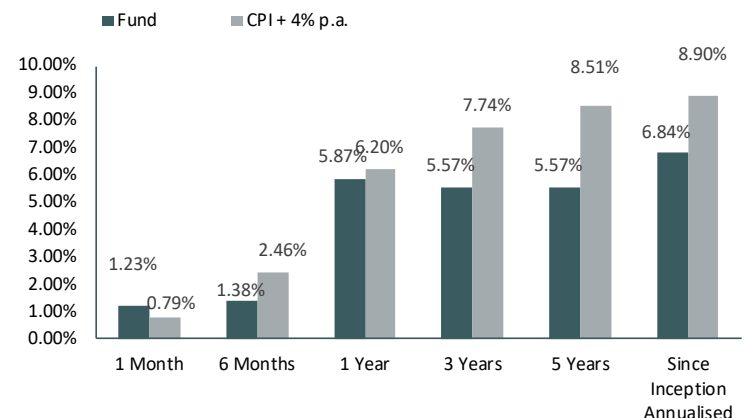
### Income Distributions (cpu)

Month	Dividend	Interest	Total
Feb 2020	1.0501	4.8081	5.8581
Feb 2019	0.2880	1.3635	1.6515

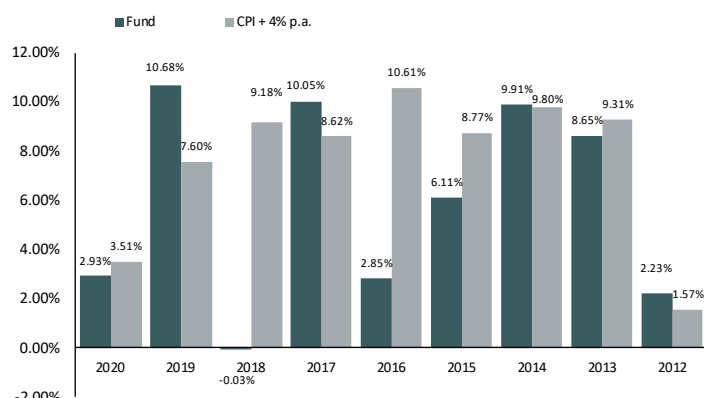
### Growth of R100 Invested Since Inception



### Fund Trailing Performance



### Fund Calendar Year Performance



### Top Equity Holdings

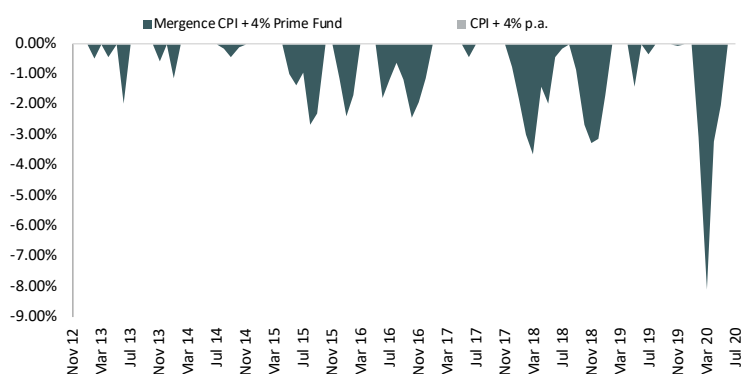
NPN - Naspers Ltd	4.29%
BHP - BHP Group	2.35%
AGL - Anglo American Plc	2.09%
ANG - AngloGold Ashanti Ltd	1.61%
NGPLT - New Palladium ETF	1.36%
BTI - British American Tobacco Plc	1.33%
CFR - Compagnie Fin Richemont	1.33%
PRX - Prosus N.V.	1.32%
ABG - ABSA Group Limited	1.27%
SBK - Standard Bank Group Ltd	1.06%

### Fund Risk Statistics

	Fund	Benchmark
Standard Deviation*	5.09%	1.31%
Tracking Error*	5.18%	
Alpha*	-2.06%	
% Months Outperforming Benchmark	48.39%	
% Positive Months	67.74%	100.00%
Fund Maximum Drawdown: Mar-2020	-8.11%	
Fund Highest Annual Return: Jun-2014	16.75%	
Fund Lowest Annual Return: Mar-2020	-1.64%	

\*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>31 July 2020</b>	
Based on period from :	Apr 2019 - Mar 2020
Total Expense Ratio	1.24%
Transaction Costs	0.07%
Total Investment Charge	1.31%

### 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.

