# RisCura Low-Equity Prescient Fund of Funds

**Minimum Disclosure Document & General Investor Report**

Inception date: 01 December 2020 | Effective Date: 30 June 2021

## Investment Objective And Policy

The Manager in selecting collective investment schemes for the portfolio will aim to achieve medium to long term capital growth with low volatility and a low correlation to equity markets through all marketcycles. Asset allocation will be managed actively, and the Fund will seek to capture value opportunities by switching between asset classes with a focus on fixed income selection opportunities. In order to achieve this objective, the Riscura Low Equity Prescient Fund of Funds will, apart from assets in liquid form, consist solely of participatory interest in collective schemes or similar schemes in equity, preference shares,fixed interest, money market and property which will be constructed within a conservative risk framework. The portfolio will have a conservative risk profile with a maximum effective equity exposure, including offshore equity, up to 40%. The underlying collective investment schemes are permitted to invest in listed and unlisted financial instruments in line with conditions as determined by legislation from time to time. The portfolio has adhered to its policy objective.

INVESTMENT MANAGER: RISCURA INVEST (PTY) LTD | TRUSTEE AND CUSTODIAN: NEDBANK INVESTOR SERVICES | MANAGEMENT COMPANY: PRESCIENT MANAGEMENT COMPANY (RF) (PTY) LTD

**R1.3m**
FUND VALUE

**FUND UNIT INFO:**
- 107.4 Per unit
- 266 313 Units per issue
- Income distribution: New Fund
- Valuation time: 17h00
- Distribution: March Annually

**ASISA**
SA > Multi-Asset > Low-Equity

**RISK PROFILE 3/5**
Conservative — Aggressive

**REG 28 COMPLIANT**

**BENCHMARK**
Asisa SA > Multi-Asset > Low Equity > Category Average

## Performance

| | *1M | 1Y | 3Y | 5Y |
|---|---|---|---|---|
| Fund | XXX | XXX | XXX | XXX |
| Benchmark | XXX | XXX | XXX | XXX |

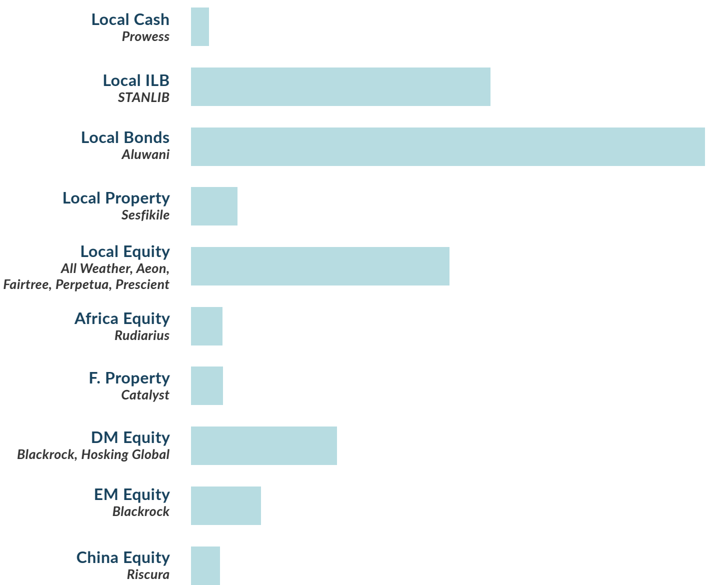
YTD= Year to Date M= Month Y= Year
*Please note that fund's performance will be available after its first year.

## Fee Structure

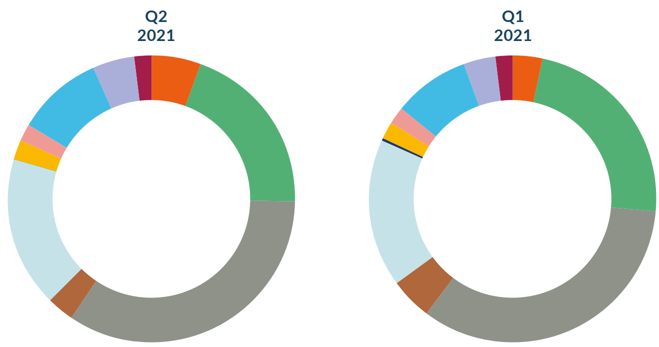
| | | | |
|---|---|---|---|
| Fee Class | CLASS B1 | TER | XXX |
| Applicable Management fees | 0.79% | Transaction Fee | XXX |
| Performance Fee | No Fee | TIC | XXX |

*Please note that the Total Expense Ratio (TER) and Transaction Costs (TIC) 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.*

## Manager Allocation (%)




## Asset Allocation (%)




Q2% | Q1%

- Local Cash 5.69% | 3.50%
- Local ILB 19.81% | 23.16%
- Local Bonds 34.00% | 33.64%
- Local Property 3.06% | 4.79%
- Local Equity 17.09% | 16.70%
- F. Cash 0.01% | 0.32%
- African Equity 2.06% | 1.86%
- F. Property 2.10% | 1.98%
- DM Equity 9.66% | 8.49%
- EM Equity 4.62% | 3.76%
- China Equity 1.90% | 1.78%

## Portfolio Risk

| | | | |
|---|---|---|---|
| Annualised Volatility | XXX | Sharpe Ratio | XXX |
| Max Drawdown | XXX | % Positive Months | XXX |

RISCURA

Issue Date: 28 July 2021

## Positioning and outlook

The Fund remains positioned for an opening of economies while considering the varied success of vaccine rollouts globally. We have seen the large pricing dislocations post the COVID market crash narrow much closer to fair value allowing for fewer obvious market opportunities.

Two areas of focus for the portfolio are inflation and the impact of developed markets having had much greater success with their vaccine rollouts. Our last commentary we addressed the bump in the US ten-year yield curve in March as concerns over the US economy overheating rose. This was quickly abated by the Fed coming out and declaring that they will not be looking to increase interest rates in the short term nor reduce their purchases of assets. In June the Fed had a slightly more hawkish view on inflation indicating that they would be 'talking about talking about' tapering as well as expecting a rate hike possibly in late 2023 rather than 2024. This appeared to have taken the market by surprise, however the Fed has maintained its position on inflation being 'transitory'. We are cognisant of the market jitters around inflation but agree with the Fed's sentiment. These periods of market jitters around inflation have allowed the portfolio's allocation to inflation linked bonds to perform well.

Regarding the opening of economies and vaccine rollouts, we have seen how developed economies like the US have exceeded their rollout targets with some economies even offering booster shots for added protection against new COVID variants. These economies have been able to get back to relative normal in terms of economic activity whereas emerging markets like South Africa and India have faced more sever recent Covid waves. This, together with recent dollar strengthening, has contributed to stronger developed market performance. Therefore, in the shorter term we have topped up our developed market (DM) equity allocations if underweight the targeted allocation. In terms of our TAA view, the relatively attractive valuations of emerging market (EM) equities and the anticipation of these economies catching up on their vaccine rates leading to those economies also returning to capacity continue to support our medium-term preference to EM.

Despite some concerns over the slowdown in growth in China, we maintain our favourable view of China Equity, especially for onshore equities. A faster bound in economic activity post lockdown bolstered earnings recovery and growth, being one of the only economies back on the pre-pandemic GDP projections. Even with contraction of the credit impulse indicator, exports over 2020-2021 have risen sharply offering a counterbalance to the economy.

We maintain our position of maximising the equity allocation, with the local market specifically providing upside potential given the prospective earnings recovery for Rand hedges and SA inc. While we will continue to monitor the risks of a stronger dollar and rising geopolitical tensions.

Although the local property sector has rebounded strongly year to date, the relative gains on offer have narrowed, decreasing the attractiveness of the asset class on a valuation basis. We remain underweight as the sector continues to face challenges with shifting demand dynamics.

## Glossary Summary

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

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

**Sharpe Ratio:** The Sharpe ratio is used to indicate the excess return the portfolio delivers over the risk free rate per unit of risk adopted by the fund.

**Max Drawdown:** The maximum peak to trough loss suffered by the Fund since inception.

**% Positive Month:** The percentage of months since inception where the Fund has delivered positive return.

**Annualised Volatility:** Returns a statistical measure of the degree to which an individual value in a probability distribution tends to vary from the population mean of the distribution. The annualised standard deviation shows how far away numbers on a list are from their averages and takes that number and multiplies it by the square root of the frequency. This statistic is annualised if the number for periods greater than one year.

**CPU:** Cents per unit, reflects the consideration in cents paid for a unit of participation in the Fund.

***Aggressive/ High Risk:** Generally, these portfolios hold more equity exposure than any other risk profiled portfolio therefore tend to carry higher volatility. Expected potential long-term returns could be higher than other risk profiles, in turn potential losses of capital could be higher.

***Moderate/ Medium Risk:** These portfolios generally hold more equity exposure than low risk portfolios but less than high risk portfolios. In turn, the expected volatility is higher than low risk portfolios but less than high risk portfolios. The probability of losses is higher than low risk portfolios, but less than high risk portfolios. Expected potential long-term investment returns could therefore be lower than high risk portfolios due to lower equity exposure, but higher than low risk portfolios.

## Contact Details

**Investment Manager:**
RisCura Invest (Pty) Ltd.
Registration number: 2009/015999/07 is an authorised Financial Services Provider (FSP40909) 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 (No.37 of 2002). Please be advised that there may be representatives acting under supervision.
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*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.*

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## 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.

A Fund of Funds is a portfolio that invests in portfolios of collective investment schemes, which levy their own charges, which could result in a higher fee structure for these portfolios.

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**

## Disclaimer for Fund specific risk

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. **Derivatives risk:** The use of derivatives could increase overall risk by magnifying the effect of both gains and losses in a Fund. As such, large changes in value and potentially large financial losses could result.
3. **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.
4. **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.
5. **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.
6. **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.
7. **Currency exchange risk:** Changes in the relative values of individual currencies may adversely affect the value of investments and any related income.
8. **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.
9. **Derivative counterparty risk:** A counterparty to a derivative transaction may experience a breakdown in meeting its obligations thereby leading to financial loss.
10. **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.
11. **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.