Aylett Balanced Prescient Fund

Minimum Disclosure Document - 30 June 2019

Fund Performance: (figures are annualised)	Aylett Balanced Prescient Fund - Class A1	Composite Index
1 Year	2.4%	5.5%
3 Years	8.2%	7.2%
5 Years	8.0%	8.1%
Inception	8.5%	9.2%
Highest 1 year return*	17.2%	21.5%
Lowest 1 year return*	1.0%	-5.2%

*Highest and lowest consecutive 12-month returns since inception.

Fund Details:	
Market value	R662.5 million
Offshore exposure	22%
Top 10 holdings (in alphabetical order)	ANGLO AMERICAN PLC
	BERKSHIRE HATHAWAY INC-CL B
	LONGLEAF ASIA PACIFIC UCITS
	MELCO INTERNATIONAL DEVELOP.
	MTN GROUP LTD
	ORIENTAL WATCH HOLDINGS
	REINET INVESTMENTS SCA
	ROYAL BAFOKENG PLATINUM LTD
	TRANSACTION CAPITAL
	TRELLIDOR HOLDINGS LTD

Fund Facts:	
Fund target	To provide long term growth in both capital and income over time
Fund category	South African Multi Asset High Equity
Inception	1 November 2013
Benchmark	Composite
Recommended term	Medium to long term
Portfolio manager	Walter Aylett - Aylett & Company (Pty) Ltd
Management company	Prescient Management Company (RF) (Pty) Ltd
Fund auditors	KPMG
Fund trustees	Nedbank Investor Services. Tel: +27 11 534 6557

Fees & minimums:		
Minimum	Lump sum: R5 000	
Investments	Debit order: R500	
Initial fees	None	
Annual management fee	Minimum: 1.15% (including VAT)	
A1 Class	Fees are class dependent: Calculated on the market value of the fund's assets, accrued daily and paid monthly.	
Total expense ratio	Total TER of 1.20% comprised of:	
A1 Class	Management fee	1.15%
	Performance fee	Not Applicable
	Other cost	0.05%
	Total TER	**1.20%**
Transaction Costs	Transaction costs	**0.18%**
Total Investment Charges	Total Investment Charges	**1.38%**

Income Distributions:	
Declaration & payment March 2019: 6.25 cpu	Declared: Last business day of March annually. Distributed: By the 2nd working day after declaration date.

Fund Investment Summary and Objectives

Our Investment Strategy and Philosophy

Shares are evaluated, not by a fluctuating ticker or a graph on a screen, but by what they represent, a certificate of ownership. We seek great businesses that are well run and managed, trading at a discount to their intrinsic value. We follow the adage that the return of an investment is determined not by the exit price but by the price one pays.

Fund Objective

The Aylett Balanced Prescient Fund will aim to deliver a reasonable level of income and moderate capital growth over time for investors through investing in a broad range of asset classes in a balanced manner.

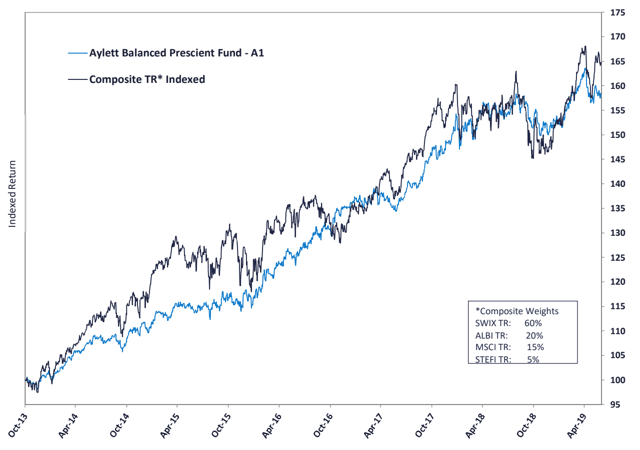
Fund Universe

The maximum net equity exposure of the Aylett Balanced Prescient Fund is 75%, with offshore asset exposure being limited to 30%. This fund is managed to comply with the investment limits governing retirement funds.

Fund Risk Profile

The Fund has a moderate risk profile as it is actively managed across equities, bonds, cash and other listed assets both domestically and in foreign markets.

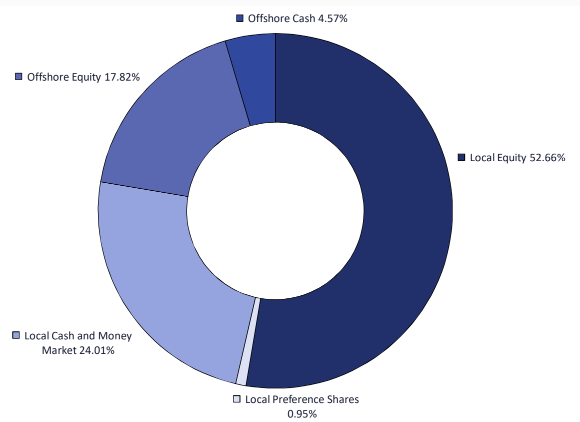
Aylett Balanced Prescient Fund vs Benchmark



*Total Return Index is net of fees and assumes dividends and distributions are reinvested.
Cumulative outperformance since inception is -6.3%. For illustrative purposes only.

Source: Bloomberg, inception to end 30 June 2019

Asset Allocation



Issued on: 18 July 2019

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Aylett [&Co] Fund Managers

Aylett Balanced Prescient Fund

PRESCIENT MANAGEMENT COMPANY

Minimum Disclosure Document - 30 June 2019

Fund Manager Commentary:

MARKET OVERVIEW

Over the last few months we have had the opportunity to travel. In May we attended the annual Berkshire Hathaway AGM in Omaha where we met with fellow fund managers from across the globe and shared our thoughts on the investment markets. This was followed by a trip to New York to visit companies and fund managers. A few weeks later our team attended a consumer conference in Paris. Below are a few of the themes which may be of interest to our investors:

1. It is certainly getting harder to make money out of listed stocks today than ever before. Global interest rates are again trending lower and the total amount of stocks available has halved as companies have either merged, been acquired or been taken private. Companies are spending more money on buybacks and less on productive assets. Top line growth is hard to come by and margins are at record highs.

2. The concerns we expressed in the past about potential trade wars and their side effects are now becoming a reality. The political systems in the US, UK and Europe continue to create uncertainty - something markets never like.

3. The risk of cybercrime is on the rise. A major bank CFO we visited recently considered this to be the first and foremost threat to his operations. Not far behind this were concerns about the increased costs of compliance and regulation. We suspect that the increase in capital requirements mean that banks have never been safer for depositors but that the high returns on equity they achieved in the past are unlikely to be repeated.

4. The US Fed has started to communicate a dovish view on rates as we head into the US elections next year. If these interest rate cuts do not materialise, equity valuations are too high.

5. We see very little to provide us with comfort in the markets as we attempt to find new investments. We suspect that overall, the best opportunities lie in small caps around the world as they escape the attention of ETF's, benchmark-huggers and momentum investors. One of the few markets with low valuations is South Africa, but it remains very difficult to envisage what will restore confidence to consumers and companies allowing them to invest for the future. Pessimism is rife as the stewards of the country, mainly the South African government, appear to be unqualified and helpless to take the tough decisions to create the appropriate environment for growth in the economy.

In light of the above, our view is that the most intelligent approach is to invest in companies that have reasonable balance sheets, valuations on our side, and products and services we understand. Around the globe we will have to invest cautiously in assets we understand and that will be able to withstand any kind of shock that will be thrown at the managers of those assets.

During our annual pilgrimage to Omaha to attend the Berkshire Hathaway AGM, we were privileged to spend time with some of the most intelligent fund managers in the world. This year reinforced lessons of past AGM's:

a) It is not possible to predict the future.

b) Having a simple investment plan is useful and if we consistently apply it, we will do reasonably well.

c) Time and time again we are pleasantly surprised at the positive feedback we get on how we do things at Aylett & Co. What we do works, the trick is to keep it that way and not to feel the short-term pressure markets place on us to change our thinking.

PORTFOLIO

MTN

We felt that by the middle of last year the share price was discounting far too much pessimism. We have written in the past about MTN and our readers are encouraged to read the past fact sheets to provide the background to our thinking.

We took advantage of a number of buying opportunities into the falling price, capturing the fairly substantial dividend. This, together with writing several put options on the counter, was able to produce a healthy return. Although we believe there is further upside in MTN, we recently lightened the position in the fund.

Omnia

From time-to-time we make mistakes, and unfortunately we need to report back on an investment that has led to some permanent loss of capital. So what went wrong?
Omnia is in a difficult situation. It is a cyclical group with operations primarily in fertilisers and explosives. Omnia has historically managed both of these businesses very well, having grown them organically into dominant positions in their industries. However, both of these businesses require significant investments in working capital, requiring large amounts of cash as they grow. This, combined with two poorly timed acquisitions, raised gearing levels.

Under "normal" conditions, this gearing was not high and could have been paid back relatively quickly. However, in 2019, both fertilisers and explosives have suffered from particularly severe conditions at the same time, resulting in an earnings meltdown with which the banks are clearly not comfortable. As a result, the funders have forced Omnia to announce a R2bn rights issue. Raising that amount of capital will destroy any hope of the share price recovering to past levels.

Unfortunately, Omnia were poor in their market communication in this regard, having first issued a SENS reassuring investors that they would not require a rights issue, and then shortly thereafter reversing tack and announcing a large capital raise. In addition, it is never wise to announce an intended rights issue without complete details on price, shares to be issued and underwriting terms.

Our view remains that Omnia's divisions are valuable businesses through the cycle, and clearly worth more than they are currently valued. However, this recent reminder of their earnings volatility means the market is unlikely to re-rate Omnia back to past levels.

OUTLOOK

Pessimism abounds, and it is only the optimistic investor salivating at the low prices of local equities. We don't know what the catalyst will be to the market recognising that our shares are too cheap. We suspect that in time to come we may look back at this as an ideal opportunity to have invested in local stocks.

Walter Aylett

30 June 2019

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Balanced Fund Risk Disclosure

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 is vital. The worse the credit quality, the greater the risk of default and therefore investment loss.

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.

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.

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.

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.

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.

Currency exchange risk:
Changes in the relative values of individual currencies may adversely affect the value of investments and any related income.

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.

Derivative counterparty risk:
A counterparty to a derivative transaction may experience a breakdown in meeting its obligations thereby leading to financial loss.

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.

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.

Disclaimer

For any additional information such as fund prices and application forms, please visit www.aylett.co.za.

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Risk Profile

Moderate

- 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 are higher than that of the 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

Glossary

Annualised performance: Annualised performance shows longer-term performance rescaled to a 1 year period. Annualised performance is the average return per year over the period. Actual annual figures are available to the investor on request.

Highest & Lowest return: The highest and lowest returns for any 1 year over the period since inception have been shown.

NAV: The Net Asset Value represents the assets of a Fund less its liabilities.

Composite Index: 60% SWIX Total Return Index, 20% All Bond Total Return Index, 15% World MSCI, 5% Cash STEFI

CPU: Cents per unit

Contact Details

Management Company:
Prescient Management Company (RF) (Pty) Ltd, Registration number: 2002/022560/07 Physical address: Prescient House, Westlake Business Park, Otto Close, Westlake, 7945 Postal address: PO Box 31142, Tokai, 7966. Telephone number: 0800 111 899. E-mail address: info@prescient.co.za Website: www.prescient.co.za
Prescient Management Company (RF) (Pty) Ltd. This portfolio operates as a white label fund under the Prescient Unit Trust Scheme, which is governed by the Collective Investment Schemes Control Act. Prescient is a member of the Association for Savings and Investments SA.

Trustee:
Nedbank Investor Services physical address: 2nd Floor, 16 Constantia Boulevard, Constantia Kloof, Roodepoort, 1709 Telephone number: +27 11 534 6557 Website: www.nedbank.co.za
The Management Company and Trustee are registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002).

Investment Manager:
Aylett & Company (Pty) Ltd, Registration number: 2004/034008/07 is an authorised Financial Services Provider (FSP No. 26/10/20513) 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 (N0.37 of 2002). Please be advised that there may be representatives acting under supervision.

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