

Minimum Disclosure Document - 31 December 2018

Fund Performance: (figures are annualised)	Aylett Balanced Prescient Fund - Class A1	Composite Index
1 Year	2.5%	-3.8%
3 Years	8.8%	6.0%
5 Years	8.6%	7.9%
Inception	8.5%	8.1%
Highest 1 year return	17.2%	21.5%
Lowest 1 year return	2.5%	-5.2%

Fund Details:	
Market value	R583.4 million
Offshore exposure	18%
Top 10 holdings (in alphabetical order)	BERKSHIRE HATHAWAY INC-CL B MELCO INTERNATIONAL DEVELOP. MTN GROUP LTD ORIENTAL WATCH HOLDINGS R186 REINET INVESTMENTS SCA ROYAL BAFOKENG PLATINUM LTD SASOL LTD TRANSACTION CAPITAL TSOGO SUN 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	<u>Total TER of 1.18% comprised of:</u>
A1 Class	Management fee 1.15%
	Other cost 0.03%
	Total TER 1.18%
Transaction Costs	Transaction costs 0.16%
Total Investment Charges	Total Investment Charges 1.34%

Income Distributions:	
Declaration & payment	Declared: Last business day of March annually. Distributed: By the 2nd working day after declaration date.
March 2018: 4.12 cpu	

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

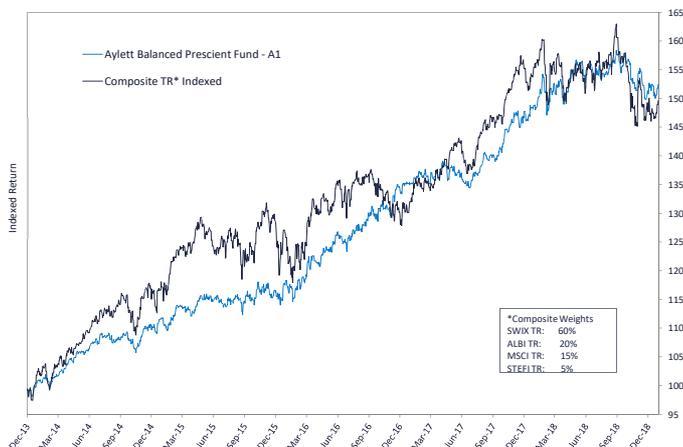
The maximum net equity exposure of the Aylett Balanced Prescient Fund is 75%, with offshore asset exposure being limited to 30%. This fund is managed to comply with the investment limits governing retirement funds.

Fund Risk Profile

The Fund has a moderate risk profile as it is actively managed across global equities, cash and listed assets.

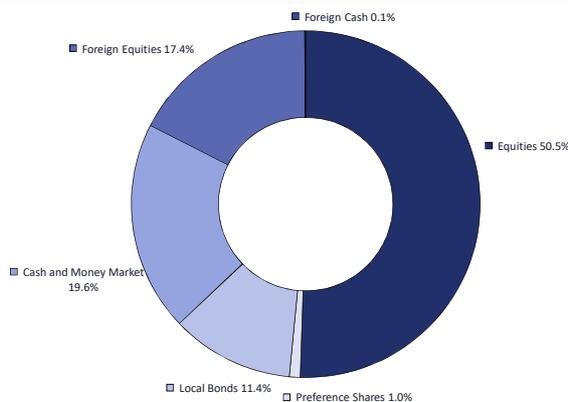


Aylett Balanced Prescient Fund vs. Benchmark



*Total Return Index is net of fees and assumes dividends and distributions are reinvested. Cumulative outperformance since inception is 2.9%. For illustrative purposes only.
Source: Bloomberg, inception to end 31 December 2018

Asset Allocation



Issued on: 18 January 2019

Fund Manager Commentary:

The concerns we expressed at the beginning of the year have largely played out and in the words of a respected Fund Manager, "2018 was a brutal year". Equity markets in local currency terms generated negative returns, bond markets lead by the US followed suit and the only place of safety was dollar cash.

We don't think these negative returns should have surprised investors. After years of rising equity markets, some kind of correction was inevitable. On all measures, valuations were stretched, and it didn't take much for the market to correct. As the US Federal Reserve continued to raise rates, justified by strong fundamental economic indicators, the gravitational pull of higher rates would in time, bring equity markets down. A more cynical view was that the Federal Reserve was trying to give themselves some room for additional levers to stimulate growth when an inevitable slowdown appears.

Our exposure to commodities such as Anglo American stood us in good stead, along with the small cap part of the portfolio providing additional support in the form of Bowler Metcalf and Oriental Watch Holdings. Berkshire Hathaway, our stalwart contributed significantly to our US returns.

By far our biggest investment was into the South African bond market, mainly the R186 (South Africa's long-term bond) and one-year NCDs (Negotiable Certificate of Deposit) of the five major banks. A yield of nine per cent or more made sense to us when looking against the prevailing poor economic growth, the SARB's rate hikes, the lack of pressure on inflation as well as the low rates in the US which were close to four per cent. Furthermore, the political environment improved slowly over time as President Cyril Ramaphosa provided some reassuring action. A real return of approximately four per cent is attractive.

There were some notable detractors in the portfolio and below are some of our reasons why we find them attractive:

Reinet

The purchase of Reinet to be successful requires three conditions: 1) a large holding company discount, 2) the British American Tobacco share price trading at a large discount to fair value, and 3) a strong Rand versus the Euro/Pound.

The first two conditions have been met and the level of the currency while difficult to predict seemed to be somewhere in the middle. Of comfort to us, is the introduction of a significant buy-back program by the company, which bodes well for the long-term success as an investment.

In addition, with the British American Tobacco share price having fallen so much, Pension Fund Corporation now makes about 35 per cent of the holding company value making the investment case much less reliant on a single company (British American Tobacco) than in the past.

MTN

Perhaps a controversial investment, but one which suited our mandate. Investors will recall the company being fined a fantastically large sum of money to which the share price reacted negatively and plunged 30 per cent. Without going into the merits of the case we felt the market's reaction was irrational and we structured an entry point into MTN by writing puts on the share at a strike price of R85. The premium income was reasonably high owing to the volatility and the pessimism that prevailed at the time. Effectively the cost of our position was R78.24 per share (as at 31 December 2018 MTN was trading at R89.00 per share).

L Brands

L Brands is the holding company for Victoria's Secret, and Bath and Body Works. The decline in L Brands share price has largely been a result of the poor Victoria Secrets' results over the last 3 years, owing to fashion errors, discontinuing swimwear, changes in consumer preferences and a shift to online.

L Brands management have made extensive changes to the leadership at Victoria's Secret and are commencing with corrective action. Despite the mistakes made by the business, Victoria's Secret remains the US market share leader, and a powerful brand with a strong following. In addition to the US business, it has an extensive international business and is busy building a retail presence in China which is likely to be a big market for the business in the future. It also has a large profitable personal care and makeup businesses which continue to grow.

In contrast to Victoria's Secret's results, Bath and Body Works has performed exceptionally well, growing sales, margins, and profits consistently over the last decade and today makes up the majority of the groups profits. If Bath and Body Works were separately listed, we think it would be worth more than the entire L Brands group at today's share price (\$27/share), meaning we are paying little to nothing for Victoria's Secret. We continue to think that L Brands currently trades at a significant discount to fair value.

Omnia

Omnia's share price declined significantly over the course of 2018. This was driven by poor performances in all its divisions. The Agriculture division suffered with farmers under pressure, low urea prices and a dispute with a major supplier. Explosives battled with a very competitive environment, customers taking strain, low ammonia prices and other customer-specific issues. The Chemicals trading division struggled, as anticipated, reflective of the state of the South African economy leading to a decline in volumes. It is our view that most of these issues are cyclical and/or once-off in nature and that, with the passage of time, earnings will revert back to significantly higher levels.

Outlook

Regular readers will know that our view seldom changes. We find it difficult to forecast the future and so our standard defence is to buy investments that have strong balance sheets, management teams that are able to adapt to rapid market changes and at the same time allocate capital in a shareholder-friendly manner. The concerns we mentioned may prevail, and we expect new ones will surface. This will not deter us from investing in assets should the conditions suit us.

The portfolio has significant latent value, in particular its South African assets. For that value to be unlocked we need confidence to return to the country. All that is required is for the stewards of our economy, namely the government, to take action that will lead to certainty and confidence. We suspect it will be a bumpy first six months with the latter part of the year improving, but we don't really know and continue to remain invested in our stocks and bonds.

Presently there are not many new ideas to be introduced into the fund, and instead we continue to add to existing counters within the portfolio. As previously mentioned on numerous occasions, we have been very optimistic on the valuations inherent in the fund with significant upside for the portfolio. This unpopular view would not be the first time we have found ourselves in this position. It is an uncertain world, but the companies in the fund are strong, with ample cash and products, which are required by consumers. They have strong management teams who are candid in their actions and will ultimately unlock significant value for us as investors.

Walter Aylett

31 December 2018

Issued on: 18 January 2019

Minimum Disclosure Document - 31 December 2018

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

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 CIS 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.

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 15:00 (SA). 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 and application forms, please visit www.aylett.co.za.

Minimum Disclosure Document - 31 December 2018

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 (No.37 of 2002). Please be advised that there may be representatives acting under supervision.

This document is for information purposes only and does not constitute or form part of any offer to issue or sell or any solicitation of any offer to subscribe for or purchase any particular investments. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of, or which may be attributable directly or indirectly to, the use of or reliance upon the information.