

## Minimum Disclosure Document - 30 September 2018

| Fund Performance:<br>(figures are annualised) | Aylett Equity Prescient Fund<br>Class A1 | JSE All Share TRI |
|---|--|-------------------|
| 1 Year  | 10.0%                                    | 3.3%              |
| 3 Years                                       | 10.5%                                    | 6.7%              |
| 5 Years                                       | 9.8%                                     | 8.0%              |
| 7 Years                                       | 13.6%                                    | 12.8%             |
| 10 Years                                      | 14.1%                                    | 12.1%             |
| Inception                                     | 13.6%                                    | 11.3%             |
| Highest 1 year return                         | 48.2%                                    | 48.3%             |
| Lowest 1 year return                          | -19.2%                                   | -37.6%            |

| Fund Details:                              |  |
|--|--|
| Market value                               | R1041.7 million  |
| Offshore exposure                          | 16%  |
| Top 10 holdings<br>(in alphabetical order) | ANGLO AMERICAN PLC<br>BERKSHIRE HATHAWAY INC-CL B<br>BHP BILLITON PLC<br>MELCO INTERNATIONAL DEVELOP.<br>MTN GROUP LTD<br>NEDBANK GROUP LTD<br>REINET INVESTMENTS SCA<br>SASOL LTD<br>STANDARD BANK GROUP LTD<br>TRANSACTION CAPITAL LTD |

| Fund Facts:        |   |
|--------------------|---|
| Fund objective     | To provide long term growth in both capital and income over time. |
| Fund category      | South African Equity General                                      |
| Inception          | 3 July 2006   |
| Benchmark          | JSE ALL Share TRI   |
| Recommended term   | 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<br>A1 Class | Minimum: 1.15% (including VAT)<br>Maximum: 1.15% (including VAT)   |
|                                   | 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 1.20% comprised of:</u>  |
| A1 Class                          | Management fee 1.15%<br>Performance fee 0.00%<br>Other cost 0.05%<br>Total TER <b>1.20%</b>                    |
| Transaction Costs                 | Transaction costs <b>0.11%</b>   |
| Total Investment Charges          | Total Investment Charges <b>1.31%</b>  |

| Income Distributions: |   |
|-----------------------|---|
| Declaration & payment | Declared: Last business day of March annually.              |
| March 2018: 72.05 cpu | 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

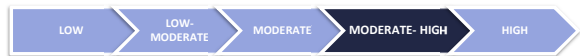
The objective of the Aylett Equity Prescient Fund is to maximise long term capital appreciation by investing in assets on behalf of clients that will preserve their purchasing power in real terms and earn a satisfactory return on that capital.

#### Fund Universe

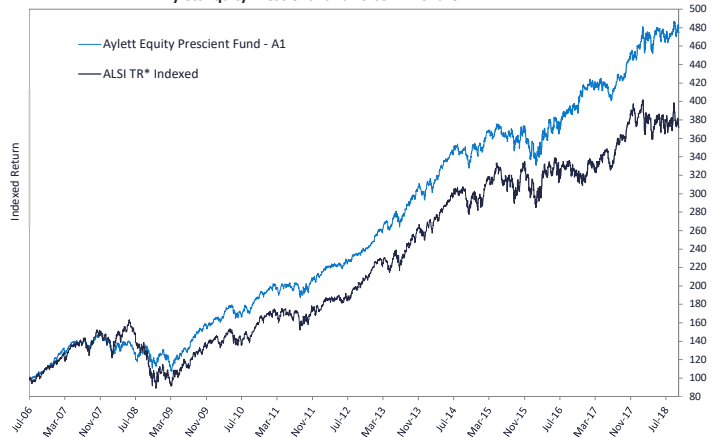
The Aylett Equity Prescient Fund is required to invest a minimum of 80% of the portfolio in equities at all times, with offshore asset exposure being limited to 30%.

### Fund Risk Profile

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



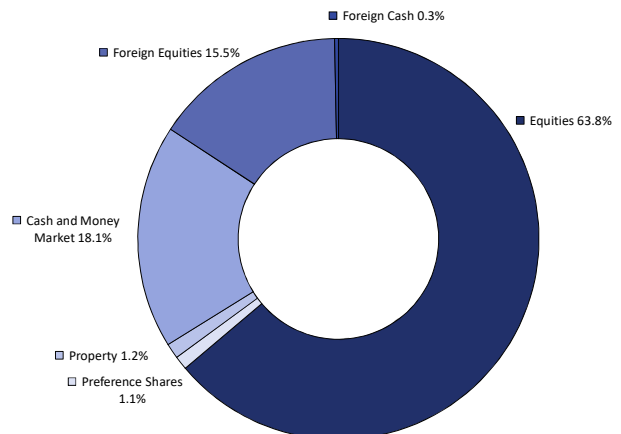
Aylett Equity Prescient Fund vs. JSE All Share TRI



\*Total Return Index is net of fees and assumes dividends and distributions are reinvested. Cumulative outperformance since inception is 102.5%. For illustrative purposes only.

Source: Bloomberg, inception to end 30 September 2018

### Asset Allocation



Issued on: 12 October 2018

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**Fund Manager Commentary:**

We have been consistent in our message over the last few years in that we believe many of the levers available to policy makers for asset price growth have been used. Central bankers around the world have been very accommodating with low interest rates and the provision of excess liquidity. Many of the tools in their tool kit have been tried, we struggle to see what can be used next.

In the US, the government has reduced taxes for companies and provided incentives for the repatriation of US dollars held offshore. The new administration has introduced tariff protection for several industries in an attempt to assist local producers – something which might help in the short-term, however, in the long-term is more likely to hurt the country as inefficiencies are introduced and products and services become more expensive for the consumer. China's full reaction to these tariffs are yet to be seen. They have, in the meantime, responded by stimulating their economy and introducing some of their own protection policies.

Globally, companies continue to buy back their own shares funded by cheap debt made available by the central banks, instead of investing in productive assets. We note that most of these loans have variable interest rates and as rates rise, interest bills will follow.

Commodity prices have edged higher over the last few years led mainly by the oil price. A higher oil price affects emerging markets more than they affect developed markets. It remains to be seen whether the frackers that previously reduced oil prices return to apply pressure to the price again. It does not help that the US has punished Iran for reintroducing oil into global markets.

In general, the political environment has been abysmal with no shortage of drama. There is not a day without some headline that rattles confidence and has investors selling assets. A good example is the UK government which continues to erode confidence. One wonders how Brexit will end. Hopefully some sanity will prevail, and it doesn't happen.

Anyone who has started a career in the financial services market in the last ten years has not witnessed a bear market. Bankers appear to have poor short-term memories and have seen some lending on terms similar to those that led to the financial crisis of 2008. The debt markets look vulnerable with all forms of lending at record levels. Global debt to GDP is now 217 percent, up from 179 percent in 2007. Howard Marks has recently written a very good piece on this topic which does a good job of explaining the risks associated with the current high levels of debt.

We concur with Marks, that should something go wrong in the markets, it is not going to come from the equity markets but more likely from the public and private debt markets. Will this result in rising inflation, debt defaults, rising interest rates and more trade disputes? We simply do not know but prefer to remain cautious. We will continue to invest but need even more safety from our investments coupled with lower expectations in terms of returns.

We are fans of a strong balance sheet and try to value businesses in a way that takes into account an uncertain future. Businesses that sell products and services that are understandable, are required on a day-to-day basis and cannot be easily replaced are businesses we like. Industries such as tobacco and food companies come to mind, as well as companies like Oriental Watch Holdings and Bowler Metcalf with their cash flush balance sheets and simple business models.

We are finding more value in South Africa than offshore. The major reason for increasing our investment exposure to South Africa despite the pessimism, is that asset prices more than reflect the problems our country has, whereas offshore asset prices (in general) do not. We concede that short-term prospects for South African companies don't look great, but the prices we are currently paying do not require much optimism. While we have not introduced many new ideas to the fund, you will notice that we continue to allocate capital to companies we know intimately and that command strong positions in their markets.

Investing in South Africa with its struggling economy and the pervasive pessimism will feel uncomfortable to many but this pessimism feels familiar. It wasn't long ago when we were investing in commodity companies that were priced for Armageddon, an investment which turned out to be very rewarding. The local investments will require time and patience, but we don't think it is impossible that with a bit of growth and improvement in the sentiment of our country, share prices of some of the businesses we are buying today could double.

*Walter Aylett*

30 September 2018

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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 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](http://www.aylett.co.za).

### Risk Profile

#### Medium / Medium - High:

- 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.

**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](mailto:info@prescient.co.za) Website: [www.prescient.co.za](http://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](http://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.

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