

# AYLETT EQUITY PRESCIENT FUND - A1

## MINIMUM DISCLOSURE DOCUMENT &

## GENERAL INVESTOR REPORT

31 MARCH 2023

### 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 Equity Prescient Fund is a general equity portfolio. The Manager in selecting securities for the portfolio will seek to follow an investment policy which will secure for investors an optimum overall return, that is to say the steady growth of income and the preservation of capital in real terms.

The Fund adhered to the investment policy objectives as stated in the Supplemental Deed.

#### 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 45%.

### FUND FACTS

<b>Fund target</b>	To provide long term growth in both capital and income over time.
<b>Fund category</b>	South African Equity General
<b>Inception</b>	3 July 2006
<b>Benchmark</b>	JSE ALL Share Total Return Index
<b>Recommended term</b>	Long term
<b>Portfolio Manager</b>	Justin Ritchie
<b>Management company</b>	Prescient Management Company (RF) (Pty) Ltd
<b>Fund auditors</b>	Ernst & Young Incorporated
<b>Fund trustees</b>	Nedbank Investor Services
<b>TFSA</b>	Qualifying Tax Free Savings Account Investment

### FUND DETAILS

<b>Market value</b>	R4.79 billion
<b>Number of Units - A1</b>	75,825,268
<b>Unit Price - A1</b>	5062.01 cpu
<b>ISIN - A1</b>	ZAE000081154
<b>Offshore exposure</b>	34%
<b>Top 10 holdings</b>	Anglo American Plc
<i>(Alphabetical Order)</i>	Aylett Global Equity Fund
	BHP Group Plc
	British American Tobacco Plc
	Impala Platinum Holdings Ltd
	Melco International Develop.
	Reinet Investments SCA
	Standard Bank Group Ltd
	Transaction Capital Ltd
	Tsogo Sun Gaming Ltd

### FEES & MINIMUMS

<b>Minimum</b>	Lump sum: R5,000
<b>Investments</b>	Debit order: R500
<b>Initial fees</b>	None
<b>Annual management fee - A1</b>	1.15% (inclusive of VAT)

*Fees are class dependent: Calculated on the market value of the fund's assets, accrued daily and paid monthly.*

#### Fee Breakdown - A1

Management fee	1.15%
Performance fee	Not Applicable
Other cost***	0.04%
<b>Total Expense Ratio (TER)</b>	<b>1.19%</b>
Transaction costs	<b>0.12%</b>
<b>Total Investment Charge (TIC)</b>	<b>1.31%</b>

\*\*\*Other fees includes underlying fee (where applicable): Audit Fees, Custody Fees, Trustee Fees and VAT

### INCOME DISTRIBUTIONS

<b>Declaration &amp; payment</b>	March 2023: 162.19 cpu Declared: Last business day of March annually. Distributed: By the 2nd working day after declaration date.
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### FUND PERFORMANCE

(Figures are annualised and net of fees)	Aylett Equity Prescient Fund - A1	JSE All Share TRI
<b>1 Year</b>	1.0%	4.9%
<b>3 Years</b>	28.0%	24.2%
<b>5 Years</b>	11.1%	10.4%
<b>7 Years</b>	11.5%	9.1%
<b>10 Years</b>	11.3%	10.2%
<b>15 Years</b>	12.5%	9.9%
<b>Inception</b>	13.1%	11.3%
<b>Highest 1 year return*</b>	58.8%	54.0%
<b>Lowest 1 year return*</b>	-23.1%	-37.6%

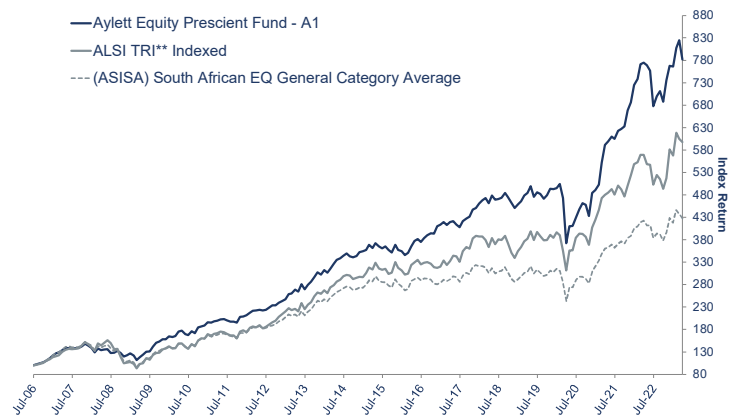
\*Highest and lowest consecutive 12-month returns since inception.

### FUND RISK PROFILE

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



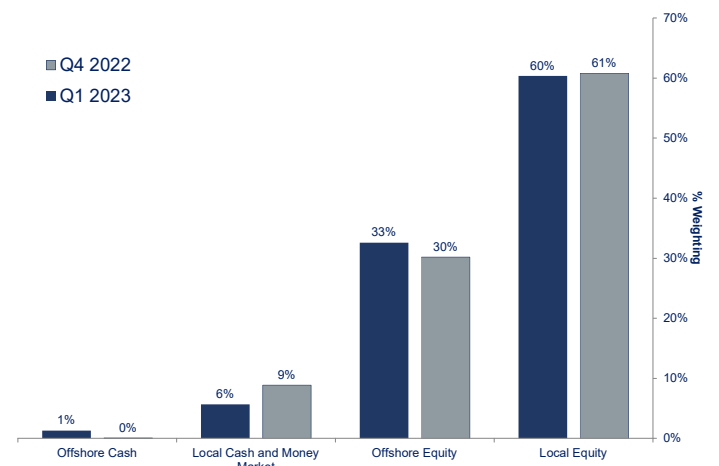
### AYLETT EQUITY PRESCIENT FUND vs JSE ALL SHARE TRI PERFORMANCE (Net of fees)



\*\*Total Return Index is net of fees and assumes dividends and distributions are reinvested. Cumulative outperformance since inception is 184.3%.  
 For illustrative purposes only: The illustrative performance is calculated by taking the actual initial fees and all ongoing fees into account for the amount shown. Income is reinvested on the reinvestment date.

Past performance is not indicative of future performance.  
 Source: Bloomberg, inception to 31 March 2023

### ASSET ALLOCATION



**MARKET REVIEW**

For the quarter that ended March 2023, the JSE All Share returned a total of +5.2% followed by the ALBI (+3.4%) and Cash (+1.8%). SA Property posted a total return loss of 5.1%. The South African equity market underperformed the ACWI global index, which returned just shy of 12% in ZAR. The rand weakened 4.5% against the USD, starting the period at 17.03 and finishing at 17.79.

**FUND PERFORMANCE**

Over the quarter, the fund returned 2%. The fund is materially different to its benchmark, so you should expect material differences in returns. We expect, and so should you, that there will be (hopefully brief) periods where we underperform our benchmark.

Contributors to performance included Reinet Investments, Jumbo (Greek Retailer), Grupo Aeroportuario Cen-Adr (a Mexican airport company), the Aylett Global Equity Fund and Spirit AeroSystems.

Pension Insurance Corporation, 49% owned by Reinet Investments, has started to show the market the potential that attracted us to the business. As rates have risen in the developed world, defined benefit funds' funding position has improved considerably. As this continues, more of these funds can be transferred off corporate balance sheets and to companies like Pension Insurance Corporation, promising a long runway for growth. Pension Insurance Corporation was tested during the Liability-Driven Investing crisis in November and emerged largely unscathed, a testament to its business model and risk management.

Detractors to performance were Transaction Capital, Impala Platinum Holdings Ltd, Anglo American Plc, Sabre Corp and British American Tobacco Plc.

**TRANSACTION CAPITAL**

After many years of contribution to the performance of the fund, Transaction Capital detracted from performance in the 2022 calendar year. Unfortunately, that poor performance only accelerated during the first quarter of 2023. In March, the company released a trading update well below our, and the markets' expectations which resulted, over the following week, in the share price declining nearly 70%. Transaction Capital is a holding company for 3 businesses, Nutun (a debt collections and services business), WeBuyCars (a growing used vehicle trader) and SA Taxi (a financier of commuter taxis). Nutun results were as expected, WeBuyCars was weaker than expected, but not materially so. The disappointing result was largely a result of SA Taxi.

SA Taxi sells new and used Toyota vehicles to taxi operators. All new taxis come from the Toyota factory in Durban. Used vehicles are mostly sourced from vehicles reclaimed in the event of default. Over time, SA Taxi has grown this refurbishment capability to provide a lower-cost option for customers that can't afford a new taxi and as a way to limit the loss given default (they lose less money on a taxi if they reclaim, refurbish and resell).

When the Toyota factory was flooded in April last year, the only source of new taxis went offline, and SA Taxi management took the decision to accelerate its refurbishment capability. This turned out to be a mistake and at the beginning of 2023, SA Taxi decided to reverse course and decrease the number of refurbishments undertaken. This decision triggered an impairment to the refurbishment facility and to the SA Taxi loan book; the quantum of which took us, and the market, by surprise.

Post the share price decline, we have spent a considerable amount of time reassessing the investment case for Transaction Capital. Even after materially reducing our estimate of the earnings power of SA Taxi and accounting for slower growth from WeBuyCars, our estimate of the intrinsic value of the Transaction Capital group is materially higher than when the share price has settled. As a result, we have taken advantage of the weakness in the share price to increase our holding in the business nearly threefold.

Additionally, we have been encouraged by management's transparency and willingness to answer questions in a public forum. They have provided immense detail on multiple public webinars, helping to better understand the impairments and to help dispel the misinformation seen proliferating.

## NOTABLE CHANGES TO THE FUND

We established two new positions in the fund, both along a similar theme: Shell PLC and TotalEnergies. Long-term investors will remember our preference for US-listed oil and gas producers. This changed during the quarter as the difference in valuation between the US and European oil companies diverged. In addition to being considerably cheaper than the US alternatives, Shell and Total also have two of the best gas portfolios available (gas being a commodity we quite like). They also have attractive mobility businesses (think petrol stations), assets that set them apart from their US competitors.

There were no exits during the quarter.

## OUTLOOK

The headwinds to local businesses continue unabated (loadshedding, SOE collapse, municipal failure etc) which necessitates a thorough reassessment of our locally-owned businesses to ensure they are priced appropriately for the risk. We regularly review and debate the investment case for each, making sure there is a good reason to own every one of the "SA Inc" businesses in your portfolio. The offshore assets that we own may not be as inexpensive as local assets but remain very attractive relative to the associated risks. As a result, the portfolio holds a considerable amount of latent value which we would expect to see realised over the next few years.

Developed markets are increasingly pricing in rate decreases, seemingly convinced that inflation has been tamed so the global hiking cycle is done. This is at odds with what the central banks are communicating. One of them must be wrong. We're not economists, so make no claim to knowing who is right but are very curious to see who wins the debate and where rates settle. One bet we would be willing to take is that the coming year will be volatile. As a result, we continue to maintain a healthy cash balance to take advantage of any of that volatility, be it locally or offshore, in the months to come.



31 March 2022

## 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

## RISK PROFILE:

### **Moderate - High:**

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

## FUND SPECIFIC RISKS:

**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.

This portfolio operates as a white label fund under the Prescient Unit Trust Scheme, which is governed by the Collective Investment Schemes Control Act.

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

## CONTACT DETAILS:

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**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). Prescient is a member of the Association for Savings and Investments SA.

**Investment Manager:** Aylett & Co. Fund Managers, Registration number: 2004/034008/07 is an authorised Financial Services Provider (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. Physical address: 5th Floor Mariendahl House, Newlands on Main, Main Road, Newlands, 7708, Cape Town, South Africa, Postal address: PO Box 44414, Claremont, South Africa, 7735, Telephone number: +27 21 673 1460, Website: [www.aylett.co.za](http://www.aylett.co.za)

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