Aylett Balanced Prescient Fund - A1

MINIMUM DISCLOSURE DOCUMENT
30 SEPTEMBER 2020

Aylett [&Co] Fund Managers

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 Regulation 28 of the Pension Funds Act.

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: 60% SWIX Total Return Index, 20% All Bond Total Return Index, 15% World MSCI, 5% Cash STeFI
Recommended term	Medium to long term
Portfolio manager	Walter Aylett - Aylett & Company (Pty) Ltd
Management company	Prescient Management Company (RF) (Pty) Ltd
Fund auditors	Ernst & Young Incorporated
Fund trustees	Nedbank Investor Services. Tel: +27 11 534 6557
TFSA	Qualifying Tax Free Savings Account Investment
Regulation 28 Compliant	Yes

FUND DETAILS

Market value	R671.7 million
Offshore exposure	26%
Top 10 holdings	RSA 10.50% R186 211226
	Royal Bafokeng Platinum Ltd
	Reinet Investments SCA
	Berkshire Hathaway Inc-Cl B
	AECI Ltd
	Oriental Watch Holdings
	Melco International Develop.
	Transaction Capital Ltd
	Anglo American Plc
	Spur Corp Ltd

FEES & MINIMUMS

Minimum	Lump sum: R5 000
Investments	Debit order: R500
Initial fees	None
Annual management fee	1.15% (inclusive of 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

A1 Class	Total TER of 1.19% comprised of:
Management fee	1.15%
Performance fee	Not Applicable
Other cost	1.19%
Total TER	**1.19%**
Transaction costs	**0.14%**
Total Investment Charges	**1.33%**

INCOME DISTRIBUTIONS

Declaration & payment

31 March 2020: 4.12 cpu

Declared: Last business day of March annually.
Distributed: By the 2nd working day after declaration date.

PRESCIENT MANAGEMENT COMPANY

FUND PERFORMANCE

(Figures are annualised and net of fees)	Aylett Balanced Prescient Fund - Class A1	Composite Index
1 Year	2.9%	6.3%
3 Years	5.0%	5.7%
5 Years	7.6%	7.1%
Inception	7.5%	8.3%
Highest 1 year return*	17.2%	21.5%
Lowest 1 year return*	-14.4%	-10.0%

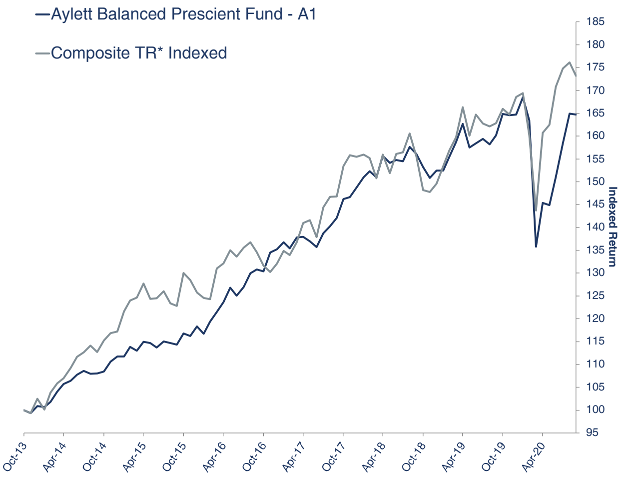
**Highest and lowest consecutive 12-month returns since inception.*

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.

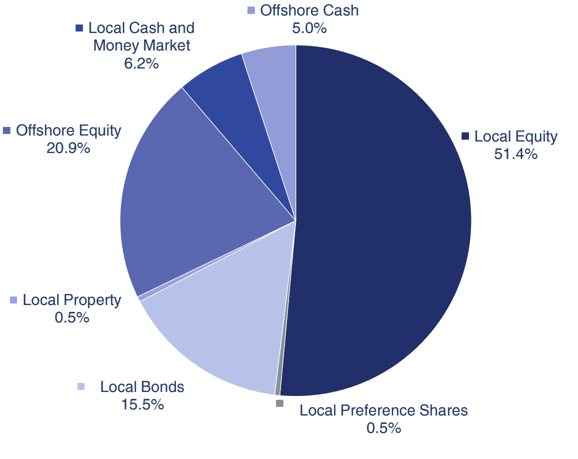
Low | Low - Moderate | **Moderate** | Moderate - High | High

AYLETT BALANCED PRESCIENT FUND vs BENCHMARK PERFORMANCE (Net of fees)



**Total Return Index is net of fees and assumes dividends and distributions are reinvested.*
Cumulative outperformance since inception is -8.5%.
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.
Source: Bloomberg, inception to 30 September 2020

ASSET ALLOCATION



FUND MANAGER COMMENTARY

BACKGROUND

Not much has changed since the June fact sheet was written. We are three months further into the covid-19 pandemic, at a lower lockdown level, and the plans proposed and actions undertaken by our government continue to be uninspiring. A larger margin of safety is required in our thinking and so the only companies qualified to come into our investing universe are the ones that are able to deal with many things thrown at them. That's not to say we do not want to invest in South Africa, it is just that we have raised the bar a bit more given the state of everything we see around us.

Notably, we have seen two local companies, namely Omnia Holdings Ltd (Omnia) and African Oxygen Limited (Afrox), attracting foreign investment through either an outright sale or the purchase of part of the business respectively, at significantly higher prices than the market is placing on them. As investors this gives us great confidence of the existing pure-play South African assets that we have in the portfolio as well as substantiating and supporting our view that South Africa remains undervalued. There are multiple reasons for these low valuations; most importantly that local government recovery plans remain uninspiring, their track record of implementation poor, all while unemployment and despair continues to worsen. This means weak macroeconomic forecasts and thus so many South Africans are taking their investing offshore in search of better prospects.

THE PORTFOLIO

We have seen that life moves on; people are still trying to earn a living and seeking to spend their money on necessities, other consumer goods and entertainment. We will hopefully look back in time and say that this was a very good opportunity to buy certain assets. Since June the assets we own, and the results they have produced, have been very encouraging in this regard. We are now starting to see evidence of businesses return to normalisation in terms of valuation as the market starts to look forward, for example Spur Corporation Ltd is now at approximately 90% of last year's price levels.

People are starting to go out, they are starting to travel, the restrictions are being relaxed slowly and life goes on…and so too will stock markets go on. This indicates to us that the latent value in the fund is extreme. If you combine all the small investments we have made, roughly 30% of the portfolio is in South African domestic equities, and 50% of that we feel is cheap. Looking at the foreign component of the portfolio, which makes up roughly 50% effective exposure, the prospects for the dollar-revenue rand-cost models, for example Royal Bafokeng Platinum and AECI Limited, look good. The Omnia deal is quite interesting for AECI in that it shows how valuable AECI's businesses truly are, not that they are identical, but they are in the chemical fertiliser type market. With the exception of the banks, property companies and retailers, some of the pure-play industrial South African businesses will do well even in adverse economic conditions.

INTERNATIONAL

Interestingly in the international component of the portfolio we are starting to see opportunities open up in the US market that weren't there before, such as travel and leisure related companies, which we are busy looking at and over time we think will be quite attractive despite the continuation of the Covid-19 pandemic. We are also working hard to find exposure in certain markets in Asia, and emerging markets given their better growth prospects. Mexico and Brazil, for example, strike us as interesting. We are not experts in those markets, nor do we claim to be, but we are finding attractive companies at good valuations there given how hard their share prices have been hit.

BONDS

We have no bond exposure offshore and our local bonds have low duration risk given their remaining six year term. We are always looking to increase the yield and look for better investments, but feel the interest rate cycle has bottomed and as such yields will weaken over time.

LOOKING FORWARD

In conclusion, we remain happy with the portfolio. The investments trade at a discount to intrinsic value and we are very comfortable about their outlook over the next three to five years. Over the short term it is difficult to say what might transpire; with the US elections in November, Brexit and enough bad news in Europe, markets could weaken. Typically, this gives us hope that our investment style is solid through the cycle. So called growth investments such as Tesla, Microsoft and Tencent are priced as if their positive prospects are certain and stars will continue to align, while so called value investments are priced as if their decline is permanent and unstoppable. There continues to be talk of the 'death of the value investor', as some value investors are closing shop now, which is another sign of the value available in markets if you look in the right areas.

The most telling characteristic of our investment style for us is that we were very disciplined in the sell-off and did not panic. We were measured in our buying when the markets were moving all the way down and we were given continued opportunities to buy more of our favoured stocks at significantly lower levels. We did not sell our shares and we are now near fully invested. We are excited about the future of our investments, run by very competent managers, some of whom are owner-managed, and wait patiently for them to work for us.

Walter Aylett

30 September 2020

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.

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.

PRESCIENT
MANAGEMENT COMPANY

Aylett [&Co]
Fund Managers