

# PRESCIENT SPECIALIST INCOME FUND (B1)

## MINIMUM DISCLOSURE DOCUMENT & GENERAL INVESTOR REPORT

### INVESTMENT AND RETURN OBJECTIVE

The Fund aims to return CPI + 3% per annum through a full interest rate cycle while providing stability by aiming never to lose capital over any rolling 3 month period.

### INVESTMENT PROCESS

This Fund invests in local and offshore money market, bonds, inflation-linked bonds, preference shares, local only listed property and derivatives to meet the investment objectives. Fund performance can be generated from taking interest rate views, yield enhancement via credit instruments, asset allocation between income producing asset classes and also via the use of derivatives.

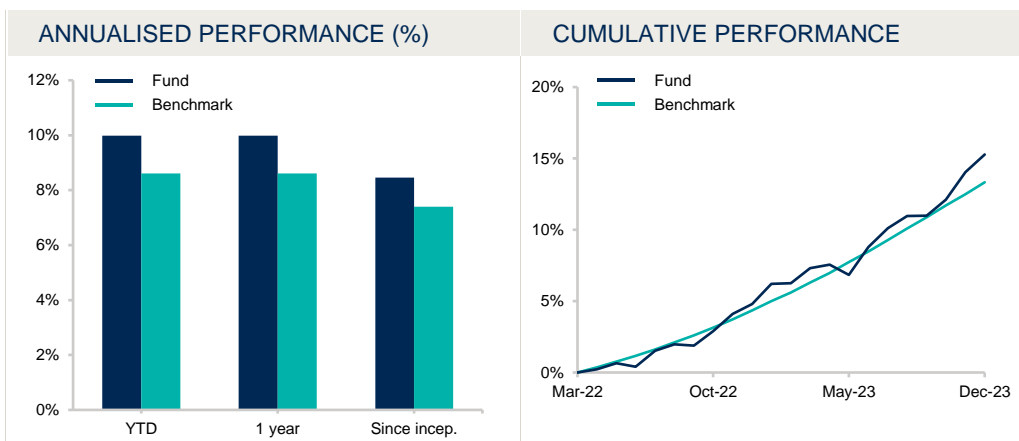
### WHO SHOULD INVEST

Investors seeking stable real returns and aiming to maximise income via exposure to primarily the South African Money and Bond markets. This Fund is suitable to medical aid schemes where investments need to comply with Regulation 30 of the Medical Schemes Act.

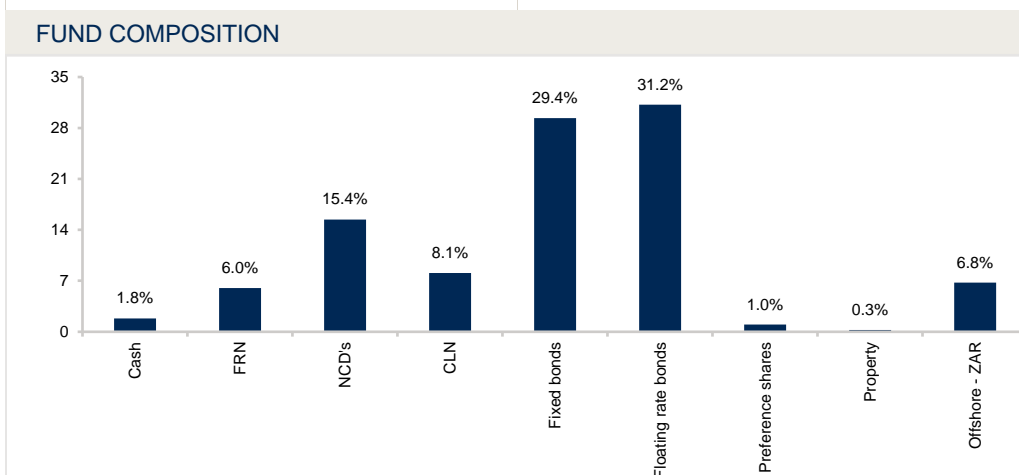
### RISK INDICATOR DEFINITION

These portfolios typically have no or low equity exposure, resulting in higher interest yields and stable capital values with the probability of capital losses over the shorter term (3 months) highly unlikely. These portfolios typically target returns in the region of 1% – 3% above inflation before tax over the long term.

## RISK INDICATOR



| ANNUALISED PERFORMANCE (%) |      |           | RISK AND FUND STATS    |         |           |
|----------------------------|------|-----------|------------------------|---------|-----------|
|                            | Fund | Benchmark | Current                | Fund    | Benchmark |
| 1 year                     | 9.99 | 8.61      | Yield (gross)          | 10.13%  |           |
| Since incep.               | 8.46 | 7.40      | Average Duration       | 1.56yrs |           |
| Highest rolling 1 year     | 9.99 | 8.61      | Since inception (p.a.) |         |           |
| Lowest rolling 1 year      | 6.14 | 6.30      | Alpha                  | 1.06%   |           |
|                            |      |           | Sharpe Ratio           | 0.78    | 1.61      |
|                            |      |           | Standard Deviation     | 2.23%   | 0.43%     |
|                            |      |           | % Positive Months      | 85.71%  | 100.00%   |
|                            |      |           | Max Drawdown           | -0.67%  | 0.00%     |
|                            |      |           | Max Gain               | 1.83%   | 0.74%     |



# Prescient

31 DECEMBER 2023

## ABOUT THE FUND

### Fund Manager:

Prescient Cash and Income Team

### Fund Classification:

South Africa - Multi Asset Income

### Benchmark:

STeFi Call 110%

### JSE Code:

PIMIB1

### ISIN:

ZAE000308128

### Fund Size:

R1.2 bn

### No of Units:

404,995,649

### Unit Price (cpu):

107.35

### Inception Date:

31 March 2022

### Minimum Investment:

R10 000 lump-sum

R1 000 per month

### Initial Fee:

0.00%

### Annual Management Fee:

0.25% (excl VAT)

### Fee Class:

B1

(All performance figures are net of TIC)

### Fee Breakdown:

Management Fee 0.25%

Performance Fees 0.00%

Other Fees\* 0.07%

**Total Expense Ratio (TER) 0.32%**

**Transaction Costs (TC) 0.01%**

**Total Investment Charge (TIC) 0.33%**

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

### Income Distribution:

31 March 2023 - 7.82 cpu

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## FUND MONTHLY RETURNS

|      | JAN   | FEB   | MAR   | APR   | MAY    | JUN    | JUL   | AUG   | SEP    | OCT   | NOV   | DEC   | YTD   |
|------|-------|-------|-------|-------|--------|--------|-------|-------|--------|-------|-------|-------|-------|
| 2022 |       |       |       | 0.23% | 0.43%  | -0.26% | 1.11% | 0.45% | -0.09% | 0.99% | 1.17% | 0.69% | 4.81% |
| 2023 | 1.34% | 0.04% | 1.00% | 0.22% | -0.67% | 1.83%  | 1.21% | 0.77% | 0.02%  | 1.03% | 1.71% | 1.08% | 9.99% |

## FUND COMMENTARY

December saw a continuation of the positive momentum in the South African (SA) Fixed Income market with another strong performance month, ending the year on the front foot. The US economy defied the fears of many market participants in 2023 and made substantial progress towards a "soft landing". This, together with pricing pressures subsiding, has resulted in markets continuing to price in the end of the tightening cycle. The US market is pricing in almost a 2% reduction in rates by the Federal Reserve by the end of the forecast period. In South Africa, the market has moved to price in something similar, with the first rate cut priced for the end of Q1 2024. However, the SA market anticipates a 1% reduction. Given the movement in the SA yield curve, we are favouring floating rate exposure in the 3-year area of the yield curve with our fixed rate exposure focusing on the 6 to 10-year area of the yield curve. This is also where our key change has been, with us selling some of our R2030 exposure for R2032 exposure. We increased our duration during December as we saw some risk budget opening.

The Fund forward yield remains attractive at 10.13%. The Fund has an interest rate duration of 1.56 years.

The Fund had a good performance month during December. The move lower in rates benefitted the duration position. The positive yielding assets also added to the return for the month. The 2023 calendar year return saw us achieve our return target within our risk target.

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## 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 performance:** The highest and lowest performance 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.

**Current Yield:** Annual income (interest or dividends) divided by the current price of the security.

**CPU:** Cents Per Unit to the Glossary

**Alpha:** Denotes the outperformance of the fund over the benchmark.

**Sharpe Ratio:** The Sharpe ratio is used to indicate the excess return the portfolio delivers over the risk free rate per unit of risk adopted by the fund.

**Standard Deviation:** The deviation of the return stream relative to its own average.

**Max Drawdown:** The maximum peak to trough loss suffered by the Fund since inception.

**Max Gain:** Largest increase in any single month.

**% Positive Month:** The percentage of months since inception where the Fund has delivered positive return.

**Average Duration:** The weighted average duration of all the underlying interest bearing instruments in the Fund.

**Forward Yield:** The Forward Yield is the expected combined income of the instruments in the portfolio over the next year expressed as a percentage of the current value of those instruments.

## Fund Specific Risks

**Default Risk:** The risk that the issuers of fixed income instruments 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.

**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.

**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.

## Information Disclosure

The portfolio has adhered to its policy objective and there were no material changes to the composition of the portfolio during the quarter.

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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 collective investment scheme 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 TERs. During the phase in period TERs 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 cost is 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.

Where a current yield has been included for Funds that derive its income primarily from interest bearing income, the yield is a weighted average yield of all underlying interest bearing instruments as at the last day of the month. This yield is subject to change as market rates and underlying investments change.

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 either 3pm or 5pm depending on the nature of the Fund. Prices are published daily and are available on the Prescient website.

Performance has been calculated using net NAV to NAV numbers, including actual initial and all ongoing fees, with income reinvested on the reinvestment date. 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, brochures and application forms please go to [www.prescient.co.za](http://www.prescient.co.za)

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

### 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:

Prescient Investment Management (Pty) Ltd, Registration number: 1998/023640/07 is an authorised Financial Services Provider (FSP 612) 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:** Block B, Silverwood, Silverwood Lane, Steenberg Office Park, Tokai, 7945 **Postal address:** PO Box 31142, Tokai 7966 **Telephone number:** +27 21 700 3600 **Website:** [www.prescient.co.za](http://www.prescient.co.za)

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