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MAKING THE MOST OF TAX-FREE INVESTING

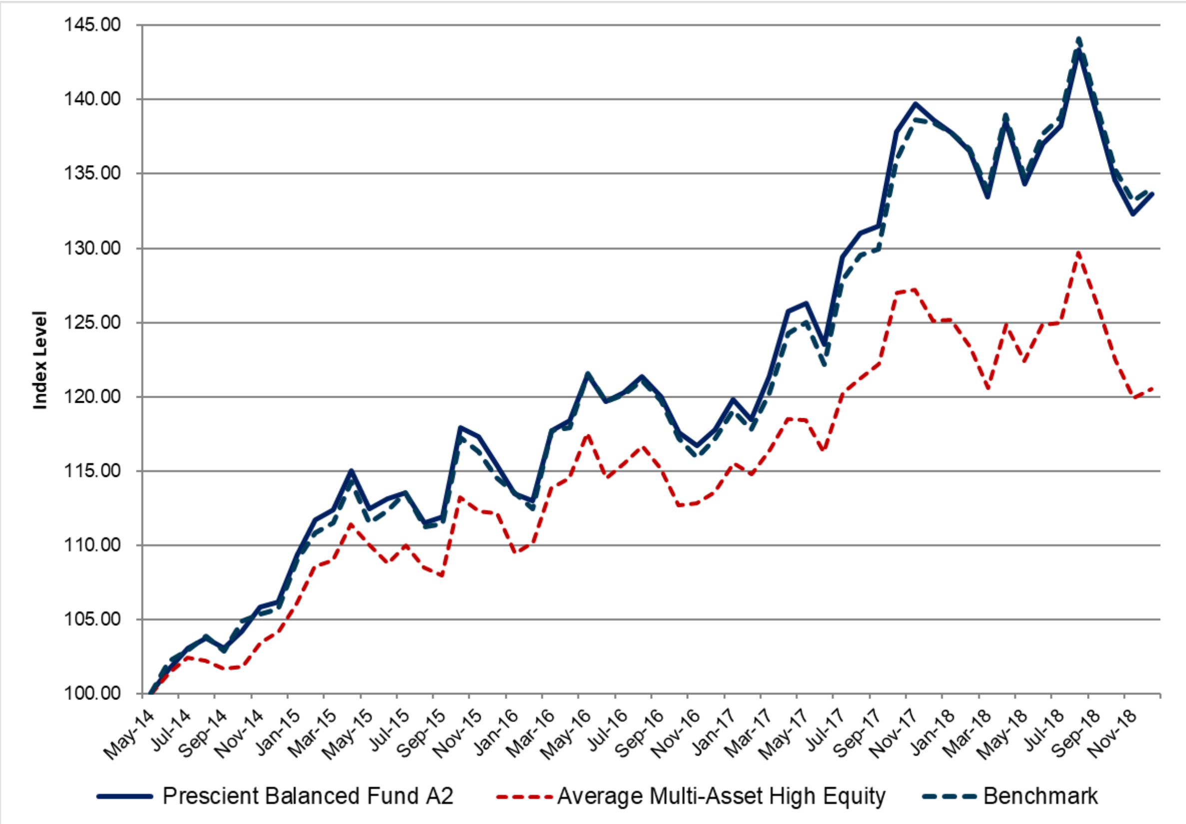
In one's quest to save cash for retirement, two vital factors need to be considered. The first factor relates to the savings vehicle and utilising any tax incentives available, like tax-free savings accounts and the legislation surrounding these investments. The second is as vital a consideration and relates to which type of investment to choose to give one self the best chance of reaching your financial goals.

According to the South African Revenue Services (SARS), investors may contribute a maximum on R33 000 a year to a tax-free savings account, with a life time limit of R500 000 per person. It is important to ensure the maximum permitted contribution is made annually as this does not carry over to the following year and can make a considerable difference over time. On current limits it will take just over 15 years to reach the life time limit of R500 000. Once invested in a tax-free investment, no tax bill is incurred no matter how long the investment is held or how the investment performs.

This brings us to the second factor. A suitable investment for someone with a long-term time horizon is one that has a healthy allocation to growth assets like equities and property shares that can provide inflation protection throughout. Moreover, using a balanced fund that invests into a number of underlying asset classes is imperative as this not only reduce risk through diversification, it also delegates the responsibility to try and capitalise on the divergence in asset class pricing through the market cycle to the investment manager. Selecting the right asset manager can also introduce challenges as managers employ different investment styles that perform differently during different market cycles. To understand and manage this can be an unnecessary burden to the average tax-free savings account investor who might not want this responsibility. Finally, investment management fees erode the cash left over for retirement and the fee structure of any investment should therefore be carefully considered. By way of an example, over a 20-year period a 1% savings on annual investment management fees on a typical balanced fund could add the equivalent to seven years' worth on R33 000 annual contributions to the final fund value, just on fee savings alone!

Prescient Investment Management has a solution that ticks all the boxes, especially if invested in via a tax-free savings account. The Prescient Balanced Fund invests in a diversified asset mix and geographic exposure. Accordingly, 45% of the Fund is exposed to local and 20% to global equities. Likewise, 25% is invested in local interest-bearing assets while 5% is exposed to global interest-bearing instruments. The remaining 5% is invested in local property. The Fund targets returns of inflation plus 5% to 6% per annum over the long term. It has been a star performer since launch nearly 5 years ago and the bare bones approach to investing has meant its strategy is transparent and easy to follow. In the meanwhile, it is one of the cheapest funds amongst its peers (roughly 1% lower fees than the average fund in its category). The chart below shows it stellar track record thus far.

Cumulative returns - Prescient Balanced Fund vs the peer group average and benchmark*



Source: Morningstar since inception performance to 31 Dec 2018. Inception of fund: 31 May 2014

***Benchmark: SWIX 40 Capped (TR) 45.00%, All Bond Index (TR) 12.00%, STeFI 13.00%, SAPY (TR) – 5.00%, MSCI World (TR) 20.00%, US 1 Month TB 5.00%**

	Average Annual Return	Highest rolling 1 year	Lowest Rolling 1 year
Prescient Balanced Fund	6.5%	19.8%	-5.4%
Benchmark	6.6%	19.6%	-4.0%
Peer group average	4.2%	12.8%	-5.8%

Since inception performance to 31 Dec 2018. Inception of fund: 31 May 2014

The Prescient Balanced Fund offers the general tax-free savings account investor an appropriate and efficient long-term savings option, and by that, peace of mind.

Ends

About Prescient Investment Management:

- Prescient Investment Management (Pty) Ltd (Prescient Investment Management), is an authorised financial services provider (FSP 612). 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. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. CIS's are traded at the ruling price and can engage in scrip lending and borrowing. Performance has been calculated using net NAV to NAV numbers with income reinvested. There is no guarantee in respect of capital or returns in a portfolio. Prescient Management Company (RF) (Pty) Ltd is registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). For any additional information such as fund prices, fees, brochures, minimum disclosure documents and application forms please go to www.prescient.co.za