

QUARTERLY COMMENTARY
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Prescient on **point.**

Prescient
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Gut-free investing: why engineered alpha beats intuition in a converging world

A NOTE FROM OUR CEO

by **CHEREE DYERS**
Chief Executive Officer

The courage to invest today no longer means following a hunch; it means trusting the data, even when instinct conflicts.

The principles of investing are being rewritten. Inflation shocks, technological acceleration, and geopolitical realignments have compressed the gap between receiving information and acting on it, compelling investors to shift from instinct to intelligence.

Yet McKinsey’s 2025 Great Convergence data shows that only 35% of active managers outperformed their benchmarks in 2024, down from 48% the previous year. This decline occurs as the decade-long tailwind of easy returns reverses. From 2015 to 2024, the US equity premium averaged 10.6%, well above the long-term 6.2%, but high valuations and fiscal pressures now suggest a leaner decade for returns lies ahead.

One explanation for this performance deterioration is that traditional managers still rely on conviction and gut instinct in a world where markets, machines, and meaning are converging.

The boundaries between public and private markets are also fading, actively managed ETFs are transforming access, and tokenisation is converting real assets into digital forms. Oliver Wyman (2025) calls it “the great blurring”. Portfolios that once adhered to a strict 60/40 split are evolving into hybrid structures that combine listed equities, private credit, and semi-liquid strategies.

If managers continue relying on intuition-based methods, they will overlook the fundamental change that the CFA Institute warns is happening: structural alpha will determine the winners. This is already occurring, with investment firms like Prescient, equipped with cutting-edge systematic capabilities, replacing hunches with engineered precision.

Why?

Traditionally, investors chose between passive index funds that offer market returns and active managers aiming for alpha through stock selection and conviction. However, in today’s merging ecosystem, where capital markets integrate into a single, data-driven landscape, neither strategy is enough.

Systematic investment strategies offer something revolutionary: engineered alpha. This isn’t about prediction; it’s about preparation. Through data, process, and technology, complexity becomes clarity, enabling systems that are repeatable, explainable, and scalable.

The foundation of success lies in treating data not just as an input, but as infrastructure. Owning it grants control; interpreting it develops intelligence. This involves processing hundreds of millions of data points daily, extracting signals from valuation, macro, liquidity, and sentiment factors to construct portfolios that adapt across all regimes.

At Prescient, we’ve built our entire architecture in-house – from data collection to signal extraction, risk management, and execution. This integration ensures transparency at all levels and eliminates reliance on outsourced black boxes. Over 80% of our investment professionals write code, fostering a unified intelligence system where analysts, data scientists, and portfolio managers collaborate seamlessly.

Our systematic approach embodies the discipline of judgment, not its absence. By combining human context with computational precision, we create portfolios that adapt to expanding, contracting, inflating, or deflating markets without relying on forecasts or emotion.

The courage to invest today no longer means following a hunch. It means trusting the data, even when instinct conflicts. In a world where everything is converging, clarity becomes the rarest asset of all. At Prescient, we believe certainty isn’t found, it’s engineered.





Cutting through the noise: the us economy, inflation, and monetary policy in focus

A LOOKBACK ON THE PAST QUARTER

by **BASTIAN TEICHGREEBER**
Chief Investment Officer

In this environment, systematic investing matters more than ever because evidence, not noise, drives sustainable returns.

The US economy is entering a critical juncture. Recent labour market reports have signalled softness that investors cannot ignore. Payroll gains have slowed, unemployment has ticked up from historically low levels, and participation rates show signs of stagnation. For markets accustomed to resilient growth and a Federal Reserve slow to adjust its stance, the message is clear: the Fed’s cautious approach to interest rates is set to shift.

At Prescient, we believe this is exactly the type of environment where investors must distinguish between noise and signal. Headlines are full of speculation, stagflation, “soft landing,” “hard landing”, yet few assessments rest on systematic, data-driven analysis. Our philosophy is that evidence, not opinion, should guide asset allocation. As statistician John Tukey once remarked: “The greatest value of a picture is when it forces us to notice what we never expected to see.” The same applies to data science in macroeconomics: by assembling and analysing vast datasets systematically, we often see risks and opportunities invisible to those reacting to surface-level narratives.

The Prescient Economic Indicator points to a slowdown

Our in-house nowcasting tool, the Prescient Economic Indicator (PEI), shows a pronounced slowdown in the US economy—one that brings the country to the brink of recession, or at minimum, a sharper slowdown than consensus expects. The PEI has a proven track record. It captured the deceleration during the Covid-19 crisis, identified the rebound as stimulus poured into the system, and crucially, indicated that the feared “hard landing” post-rebound was unlikely.

Today, drawing from more than 150 distinct datasets, including alternative and unstructured sources, the same tool is flashing red. Real-time updates point unambiguously toward weakening economic momentum. The central question markets must ask is whether this slowdown can stop short of recession, or whether continued equity market rallies have underpriced the risk of contraction.

From pessimistic sentiment to hard data

The genesis of the current slowdown can be traced back many months. Initially, it was a crisis of confidence. Erratic trade policies under the Trump administration and a lack of delivery on fiscal reforms eroded both consumer and business sentiment. Survey-based data showed pessimism taking hold, but hard data remained resilient.

We have now moved past that phase. Weakness is no longer confined to sentiment indicators—it is clearly visible in labour market reports and personal consumption expenditure. These datapoints matter more than headlines: they reveal not just perceptions of weakness, but actual retrenchment in economic activity.

A growth problem, not an inflation problem

Despite the noise, we believe the US does not face an inflation problem; it faces a growth problem. Our case rests on three points:

- 1. **Narrow inflation composition.** Current inflation is disproportionately driven by the shelter component of the CPI basket. Strip this away, and broad-based inflation pressures remain muted.
- 2. **Tariffs are not inflationary.** Contrary to popular belief, tariffs often prove deflationary, as empirical evidence and academic research confirm. They distort trade flows, compress margins, and dampen demand, rather than igniting sustained price spirals.
- 3. **Structural deflationary forces.** Disruption, demographics, and sovereign debt exert persistent downward pressure on inflation. Technological innovation reduces costs, aging populations dampen demand, and high public debt levels constrain growth.



Taken together, these dynamics suggest that the real threat is not runaway inflation but inadequate growth.

The Fed’s hesitant response

Monetary policy remains the pivotal variable for markets. Yet the Federal Reserve has responded hesitantly to increasingly poor economic data, maintaining high rates in the absence of compelling inflationary threats. While we have begun to see some repricing for cuts, tangible action has been limited.

Our analysis suggests the Fed has been focused on the wrong issue, fixating on “sticky inflation” instead of acknowledging weakening growth. Whether political considerations have played a role is speculation we leave aside. What matters is evidence: the data demanded earlier easing, but policy stayed tight.

Our natural language processing (NLP) algorithms, which parse every word in Federal Open Market Committee (FOMC) transcripts, reveal a split committee. Divergent internal camps led to indecision, keeping policy restrictive for longer. *Meanwhile*, speeches by regional Fed officials—outside the formal FOMC—acknowledged weakening conditions earlier, underscoring the disconnect.

Markets divided on recession risks

Financial markets have so far chosen optimism. Equity indices continue to rally, betting that corporate earnings can remain resilient or that the Fed will pivot just in time. Bond markets, by contrast, have shown greater caution, with the yield curve remaining flattish and rate cut expectations creeping into forward pricing.

This divergence illustrates a critical point: without systematic analysis, investors risk misreading the environment. Markets that focus on headlines, “inflation scare”, “soft landing achieved”, may underappreciate recession risks embedded in hard data.

The case for systematic investing

At Prescient, we argue that only a systematic approach can cut through the noise. Human judgment alone is too easily swayed by narrative, emotion, or politics. Systematic, evidence-based processes ensure that all available information—structured and unstructured, traditional and alternative—is evaluated consistently.

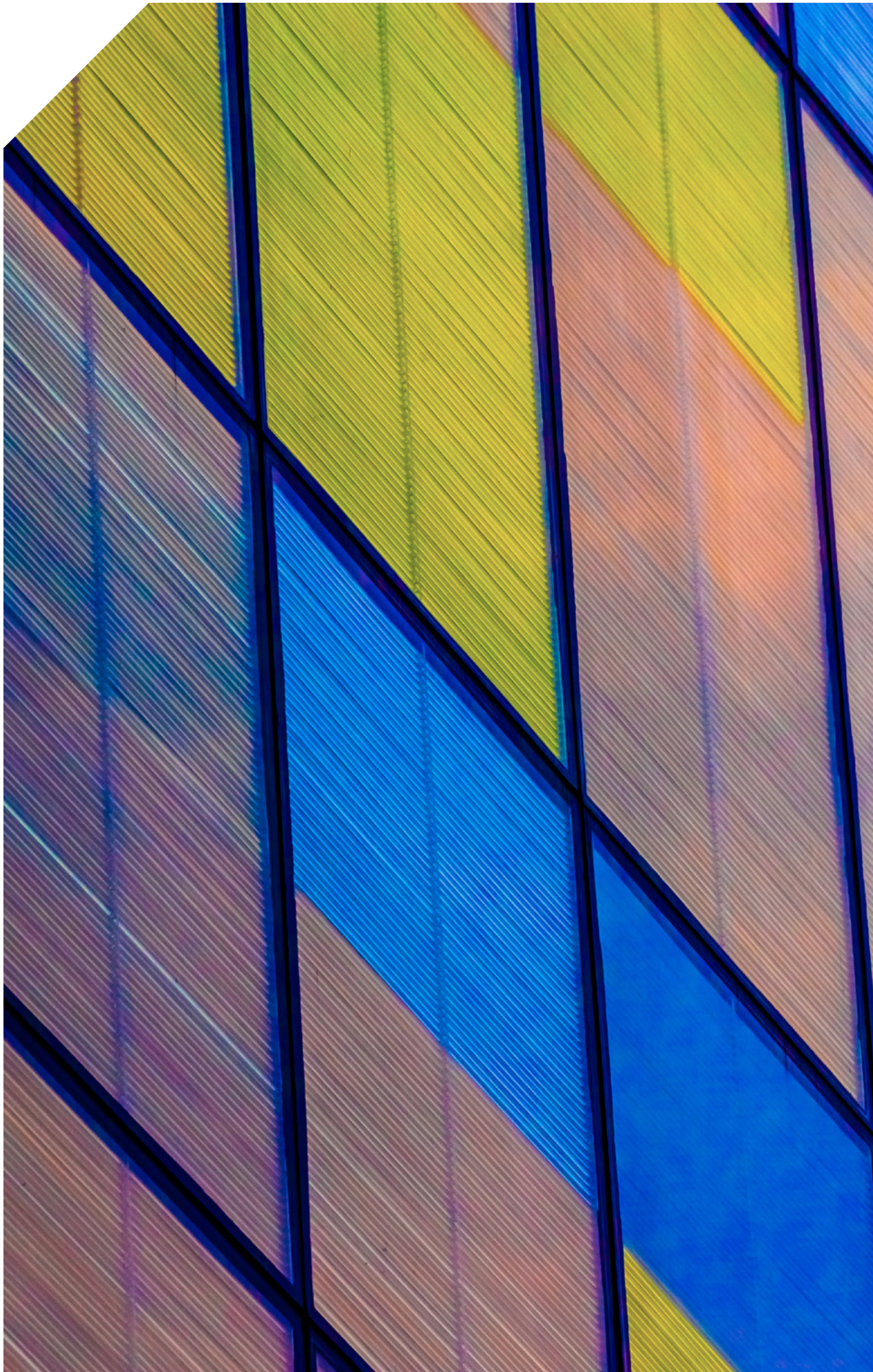
The Prescient Economic Indicator exemplifies this. By combining more than 150 datasets in real time, it provides a holistic view that human intuition alone

cannot replicate. It is not about replacing human decision-makers but equipping them with sharper tools. Our funds are now positioned accordingly: cautiously, prepared to benefit from high real interest rates as long as they persist, and well-equipped to weather volatility should the slowdown evolve into recession.

Conclusion

The US economy is at an inflection point. The slowdown, once a matter of confidence, is now evident in hard data. Inflation is less a persistent problem than a distraction from the real challenge: weak growth. The Fed’s cautious stance is beginning to shift, but markets may have underestimated recession risks.

In such an environment, the importance of systematic investing cannot be overstated. Evidence, not noise, drives sustainable returns. As Tukey reminded us, the true value of analysis is noticing what others overlook. With disciplined use of data science, Prescient continues to navigate complexity with clarity, ensuring that our investment decisions are anchored not in headlines, but in evidence.





Can you trust your gut? The case for gut-free investing

by **RUPERT HARE**
Head of Multi-Asset

and **SHRIYA ROY**
Portfolio Manager

The smartest thing you can do in a world full of noise is keep it simple, because simplicity is the ultimate sophistication.

Can you trust your gut 100% of the time? Probably not. Intuition helps in everyday moments: picking the fastest queue, reading someone’s intentions, or knowing when to leave a party. But in investing, relying on emotion isn’t intuition; it’s gambling. And in gambling, the house always wins.

Investors feel overwhelmed. The constant stream of AI buzzwords and hype around the next “revolutionary” tool makes it seem like if you’re not chasing the newest innovation, you’re behind. In a world dominated by rapidly evolving technology, it’s tempting to think investing should be more complex. But that’s exactly where emotion - or “gut feel” - creeps back in. The excitement of the “next big thing”, the fear of missing out, the urge to follow the smartest-sounding story. That’s psychology, not strategy.

The smartest thing you can do in a world of noise is keep it simple. Simplicity is the ultimate sophistication. A disciplined, evidence-based process doesn’t chase stories or gut feelings; it adapts as the world changes. That’s gut-free investing: a systematic, data-driven approach built to evolve with the future, not react to it.

Two Systems of Thinking

Daniel Kahneman’s Thinking, Fast and Slow divides thinking into two types: fast, intuitive, reactionary thinking (System 1) and slow, deliberate thinking (System 2). Fast thinking is efficient but error-prone; slow thinking is accurate but time-consuming. At Prescient, we combine the best of both: harnessing speed and automation through systematic processes while grounding decisions in deliberate research.

System 1 (Fast Thinking) vs. System 2 (Slow Thinking)

SYSTEM 1	SYSTEM 2
Fast	Slow
Subconscious	Conscious
Automatic	Effortful
Everyday Decisions	Complex Decisions
Error Prone	Reliable

The Three Pillars of Gut-Free Investing

1. Data Over Drama

Future-proofing investments requires considering it all without reacting to every headline. That means giving systems access to as much relevant data as possible.

We have over 22 asset classes to choose from. How do we decide which to include and in what proportion? The answer lies in data. By analysing expected returns, valuations, macro indicators, sentiment, and alternative datasets, our process identifies combinations that are robust, stable, and aligned with reality, not market narratives.



Today, the world generates around **400 million terabytes of data daily - more than 70 times the amount produced globally in 2010**. The pace of data creation is faster than at any point in history. At Prescient, we see this as an opportunity. Our systems draw from an ever-growing universe, from P/E ratios to macro indicators like the Fed balance sheet, market sentiment, and central bank signals.

More data doesn't automatically mean better decisions. The edge lies in **creative research**, knowing what to use, how to interpret it, and translating it into actionable insights. That's why we're disciplined: only data that adds value and makes economic sense feeds into our models.

2. Technology as an Enabler

Markets move fast, and humans alone can't process every factor. What happens if the Fed announces a surprise rate change, a geopolitical shock hits, and the rand blows out? Without the right technology, it's impossible to consider everything in real time.

Our systems, which have been refined over 27 years, monitor and respond to vast amounts of data instantly, amplifying judgment while keeping emotion out. This allows us to apply the same disciplined philosophy across portfolios of any size, consistently.

Because the system is in place, there's no need to "babysit" markets. Investments work according to embedded rules, freeing clients to focus on long-term goals. Technology **enhances** people rather than replacing them, allowing analysts to focus on interpretation, creativity, and innovation.

3. Smart People Behind Smart Systems

Data and technology are powerful only in the hands of smart people. At Prescient, that means individuals passionate about mathematics, statistics, and markets. Our team combines experience with technical and coding skills, so even younger analysts can contribute meaningfully.

Collectively, our portfolio managers and analysts bring expertise in asset allocation, derivatives, and disciplined decision-making. When markets sell off, emotion naturally rises; we feel it too, but that's where a systematic process shines. The team doesn't intervene impulsively; they trust the models they've built, tested, and understood.

This isn't about throwing data into a machine blindly. It's about **starting simple, testing rigorously, and improving continuously**. There's no need for a complex algorithm if a regression works. Real progress comes from refining the process and watching it compound, knowing the system works because it's designed, tested, and proven.

As Ginni Rometty, former IBM CEO, said:
"AI will not replace humans, but those who use AI will replace those who *don't*."

Gut-Free. Future-Proof.

In an industry driven by hype, the future belongs to those who stay disciplined. What we do isn't flashy or headline-driven, and that's the point. By relying on data, technology, and smart people, we remove emotion, reduce risk, and focus on what drives long-term performance.

It might not sound exciting, but that's exactly why it works. Investing isn't about luck or gut feel; it's about consistency. A system grounded in data and discipline doesn't just survive market noise; it thrives on clarity and control.

When you remove emotion from the equation, the process along with your money do the heavy lifting. Next time you feel tempted to "trust your gut" or chase the latest market story, remember: this isn't Vegas. It's investing.





Hypnic jerking through the markets with our buggy human operating systems

by SEEISO MATLANYANE
Head of Equities

The goal is not to outsmart the market but to outsmart ourselves.

Ever experienced that sudden falling sensation just as you’re about to drift off to sleep? Your body jolts violently awake, and your heart pounds as if you’ve plummeted off a cliff. It’s called a hypnic jerk, and although it can feel alarming, it is simply your brain’s ancient operating system glitching. It is a leftover reflex from a time when “falling” probably meant tumbling out of a tree, rather than nodding off on a memory-foam pillow in six-hundred thread count Egyptian cotton sheets.

The human brain, in many ways, has not had a software update for thousands of years. It evolved for survival in the bush, not necessarily for allocating capital in complex global markets. Yet, we still rely heavily on this faulty, palaeolithic neural machinery to guide our investment decisions today. Unsurprisingly, then, the outcomes can often end in catastrophe.

The Quarter in Review - When the Market Outpaced the Mind

If our minds were computers, they’d be riddled with well-documented bugs like the hypnic jerk. Emotional shortcuts and cognitive biases that once helped us react swiftly to predators now can undermine rational decision-making. The third quarter’s market action – strong gains powered by optimism around rate cuts, resilient earnings, and the relentless AI momentum trade – provided plenty of opportunities to confront our inner cavemen.

Loss Aversion – the ‘don’t drop the banana’ glitch

The human brain evolved in environments where losses could literally mean death, so our neural circuitry developed to react twice as strongly to potential losses as to equivalent gains because survival depended more on avoiding danger than on seeking extra reward.

Consequently, after the volatile start to the year, many remained anchored to the fear of another market correction. The S&P 500 and Nasdaq both reached record highs, fuelled by AI enthusiasm and the Fed’s September rate cut, while those driven by the instinct to protect gains sat on excess cash or prematurely trimmed winners.

Recency Bias – the ‘what just happed matters most’ glitch

Our ancestors’ survival depended on reacting swiftly to the latest threat. If a lion attacked yesterday, vigilance today was sensible. Our brains are still wired to give extra weight to recent experiences. If markets rallied last month, we assume they’ll continue rising. If they fell, we see only danger. Either way, we tend to forget that history is broader than our memory.

A case in point is Europe’s early-year stagnation and political noise that led many to expect ongoing underperformance. However, in the recent quarter, strong earnings in financials and healthcare helped European equities make meaningful gains. Those influenced by recent memories of weak growth may have missed this change.

Confirmation Bias – the ‘see what you want to see’ glitch

Early humans similarly survived by forming quick beliefs and sticking to them unless strongly disproved. If a rustle in the bushes was associated with a predator, the brain evolved to find utility in seeking out corroborating information.

Consider the markets in Asia, where headlines about slowing Chinese growth and concerns over the property market continued to dominate sentiment, even as data pointed towards recovery and easing tensions with the U.S. Markets like Taiwan and Korea quietly rallied on semiconductor and AI demand, while investors who clung to the “China is broken” narrative missed out on this quarter’s broad emerging-market strength.



Anchoring – the “remember where the berries were” glitch

When information was scarce, early humans depended on reference points like “we found berries here last season” to guide future decisions. That is why, even today, our brains still carry remnants of that coding, and once a reference point is established, we find it hard to adjust.

Anchoring to pre-rate-cut expectations is a good example of how underestimated how quickly sentiment could pivot once the Fed eased policy. Even as inflation data softened and forward guidance turned dovish, many remained fixated on the “higher for longer” narrative, missing opportunities in cyclicals and financials.

Herding – the “safety in numbers” glitch

Throughout most of history, survival relied on belonging to a group because isolation often led to danger. Even today, the brain’s social circuitry rewards conformity with oxytocin and punishes deviation with stress.

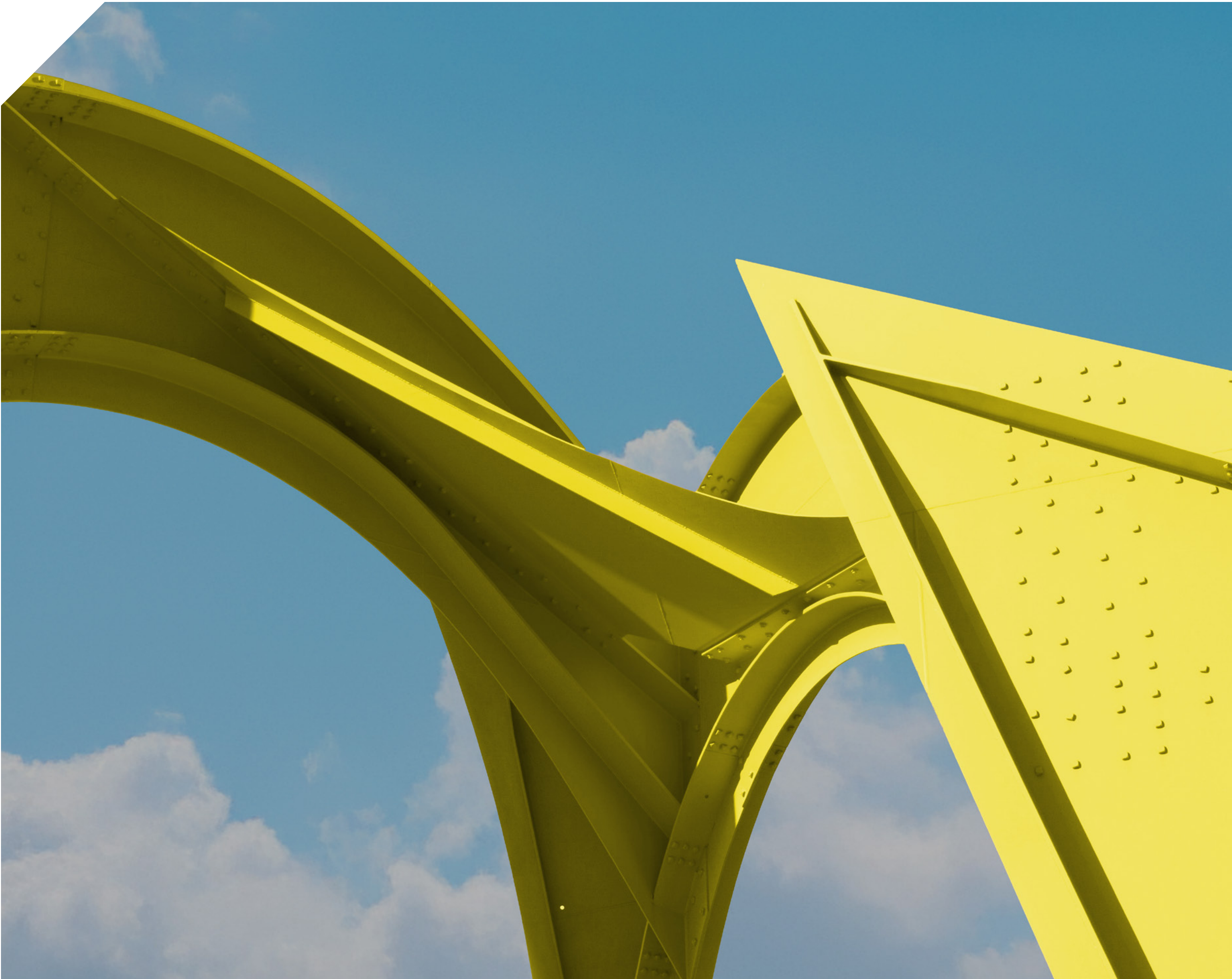
The concentration of flows into the Magnificent Seven reflected classic herding behaviour, the comfort of moving with the crowd, while markets such as Japan and our local South African equities quietly outperformed in USD terms.

From the Bush to the Market Screen

If noticed, these bugs in our human operating system are often dismissed as flaws of intellect rather than faulty and outdated code embedded deep in our design. The same brain that helped our ancestors survive famine and fight lions now interprets a red number on a Bloomberg screen as an existential threat. The same instincts that once helped us survive the wild now shape how we withstand volatility. The difference is that today’s predators are inflation prints, policy pivots, and market headlines.

The call to thought is this, our ancient operating system is not going away – but with the right investment process, it can be managed. The goal should arguably not be to outsmart the market but rather to outsmart ourselves. Because while the human brain remains a buggy piece of hardware, the investors who recognise its flaws and upgrade their processing accordingly are most likely to endure.

So, what does an upgrade look like? It’s not about eliminating human judgment entirely – it’s about systematically managing the biases that obscure it. In a world where data changes by the second and headlines amplify emotion; gut reactions cannot be relied upon as a reliable compass. A rules-based, systematic process remains the most effective antidote to the flaws of the human operating system.





Bayesian methods in bonds research: *responsive* and *anchored* yield curve modelling

by REZA ISMAIL
Head of Bonds

A Bayesian approach to bond research replaces fragile point estimates with a disciplined way of learning from evidence.

Introduction

Our Bayesian work in bonds research is an investigative programme intended to keep the process at the frontier of quantitative methods in fixed income. The central premise is disciplined synthesis: combine what the historical record has taught us about macro-financial drivers and bond yield changes (a structural perspective) with what the present cross-section of data is signalling (a current-state perspective). Bayesian inference is the paradigm for that synthesis, because it allows prior knowledge and contemporary evidence to be weighed transparently, with uncertainty quantified at every step.

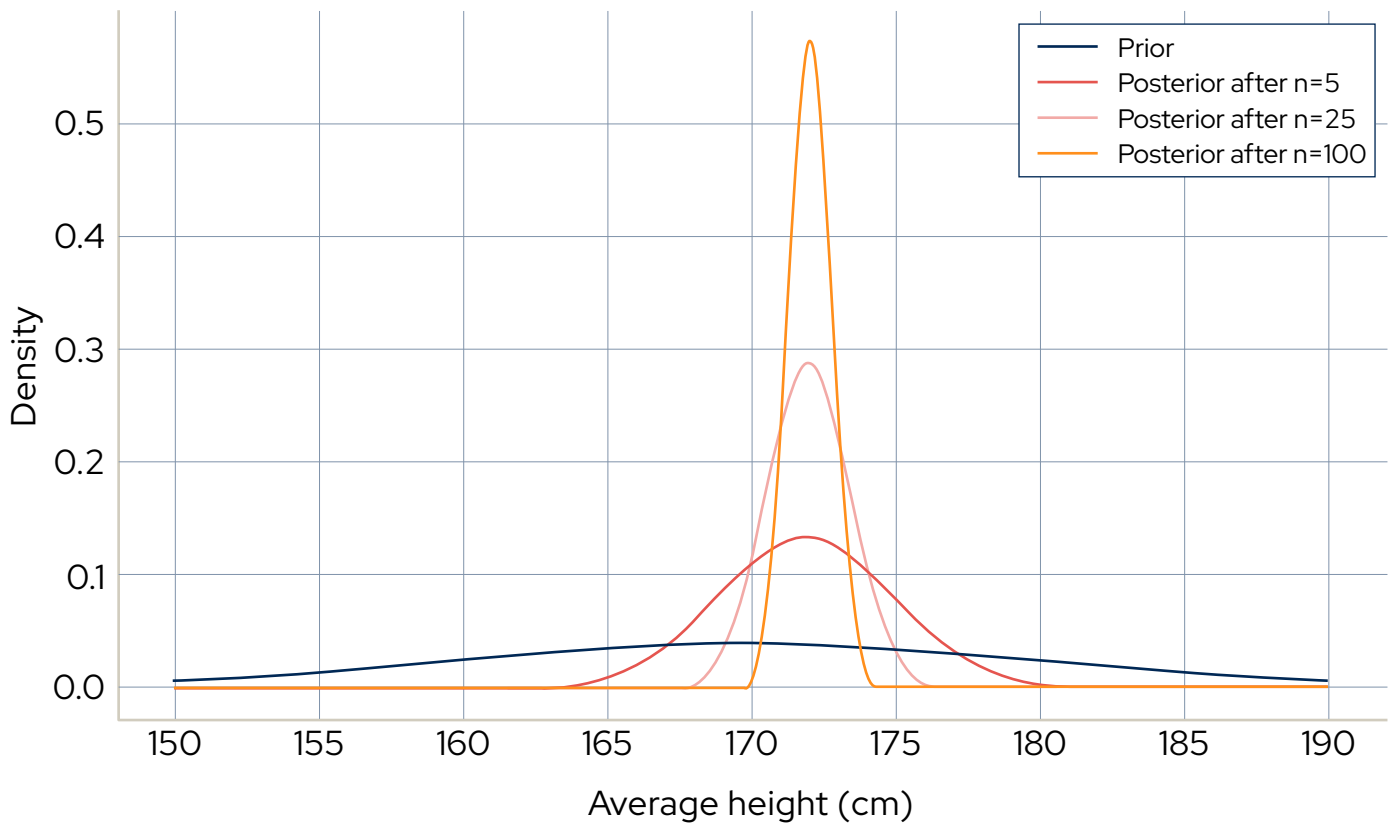
In practice, this means treating the relationships between macro-financial variables and bond yield changes as uncertain objects that are continuously revised as evidence arrives, rather than as fixed coefficients. The approach is deliberately pragmatic: we preserve the economic structure that our team recognises, while layering in a disciplined way to let “today’s state” speak – subject to explicit controls on responsiveness and clear audit trails.

A compact Bayesian illustration: estimating student heights

Consider the task of estimating the average height of first-year university students. Before measuring anyone, we usually have a reasonable starting belief – for example, “about 170 cm, but with meaningful uncertainty.” In Bayesian terms this starting belief is called the *prior*: a quantified description of what is plausible in the absence of any measurements. We then measure a small sample, perhaps 25 students, and compute the sample mean (average). Those measurements define a *likelihood* function: treating the data as fixed and the unknown average as the variable, the likelihood assigns higher values to candidate averages under which specific data like ours would be typical, and lower values to candidate averages under which our specific data would be unusual. We compare candidates by their relative likelihoods.

A value that makes the sample appear typical has a high likelihood; one that makes it appear unusual has a low likelihood. Multiplying prior and likelihood yields the **posterior**: an updated belief that is typically narrower than the prior and pulled toward the true average, with the exact re-centering and narrowing determined by the strength of the prior and the amount and precision of the data.

Bayesian learning: more data > tighter, data-centred belief



Source: Prescient Investment Management, October 2025

Two features of this update matter for decision-making. First, the learning is sequential: after 5 observations the posterior is still wide; after 25 it tightens; after 100 it is both tighter and more firmly centred on the data. Second, the posterior supports probability statements – for example, a 90% credible interval for the unknown average – so any conclusion carries an explicit measure of uncertainty rather than a single brittle point estimate.



The Bonds process

The core ideas of Bayesian inference are brought to life as a powerful research element in the bonds process. In our bond process we are trying to do two things at once:

Firstly, we want to reflect the enduring relationships that typically link macro-financial variables to bond yields – what we will call the *structural view*. Secondly, we also want to listen to what the market is telling us *today*, especially when several variables sit in unusual territory at the same time. The problem is familiar: the more responsive you make a model to today’s conditions, the more you risk being pulled around by noise.

Bayesian methods give us a principled way to keep both thoughts in mind and to quantify how confident we are at each step.

The **prior** here corresponds to what the historical panel tells us about each factor’s typical influence when conditions are ordinary; the **likelihood** here corresponds to what the latest cross-section is signalling about the present state; the **posterior** here corresponds to the updated, decision-ready view that integrates both.

We express these three components as attributions – structural, TODAY, and blended – because the communication problem in investment is not merely “what is the forecast?” but “how do the drivers contribute to the view, and with what confidence?

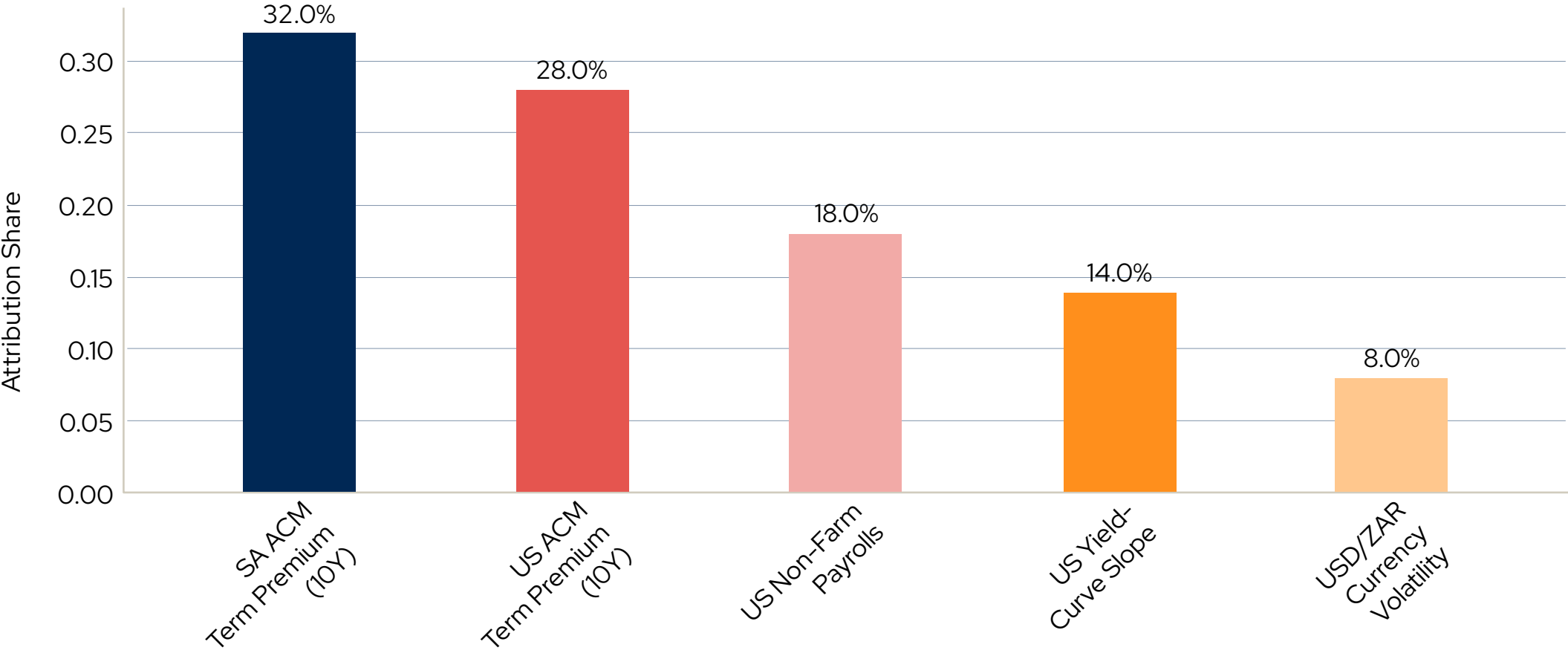
Structural attribution (prior-anchored “centre of gravity”)

To make the mechanics tangible, consider as the object of interest the change in the yield of a 10-year South African bond (this is our y-variable), and as explanatory variables used for the purposes of demonstration: two Valuations variables (SA and US ACM 10-year term premia), one Economics variable (US non-farm payrolls), one Financial Conditions variable (US curve slope), and one Sentiment variable (USD/ZAR volatility).

The *structural attribution* is the long-run allocation of explanatory share across factors when conditions are typical. Practically, it is built from the estimation history using a shrinkage-based methodology that rewards stable, persistent relationships and suppresses opportunistic ones.

Conceptually, it plays the role of the prior-anchored centre of gravity. In our factor setup, this view commonly assigns meaningful, steady shares to Valuations variables e.g., the SA and US 10-year term premia, reflecting slow-moving risk compensation; smaller but persistent shares to Economics variables such as US non-farm payrolls or wage growth; and state-contingent but usually modest shares to Financial Conditions (e.g., US curve slope, ZAR FX basis) and Sentiment (e.g., USD/ZAR volatility, risk-reversal). On calm days, this attribution dominates the narrative, just as the Bayesian **prior** dominates when fresh evidence is thin.

Structural Attribution (prior-anchored)



**The Adrian, Crump, and Moench (ACM) model provides a popular econometric routine for extracting term premia from bond yields*

Source: Prescient Investment Management, October 2025

TODAY attribution (likelihood-led state reading)

The **TODAY attribution** is expressly state-contingent. It asks: given where each factor sits relative to its own history, which ones are currently in unusual territory, and therefore deserve more voice today? To avoid technical jargon, we describe two notions:

> **Local sensitivity (“slope”)**: how much the expected yield on our 10-year bond changes when a factor moves a small step. Intuitively, it is the strength of influence at the current state.

> **Thresholds (“hinges”)**: data-defined cut-offs that demarcate ordinary from unusual values for each factor (for example, upper- and lower-decile markers in standardised units).

When, say, USD/ZAR volatility moves into its upper decile, and the US curve slope is notably steep or inverted, and a term-premium measure is stretched, the current cross-section provides strong, multi-sided evidence. TODAY attribution recognises this by elevating the share assigned to those factors. Crucially, this elevation is tempered

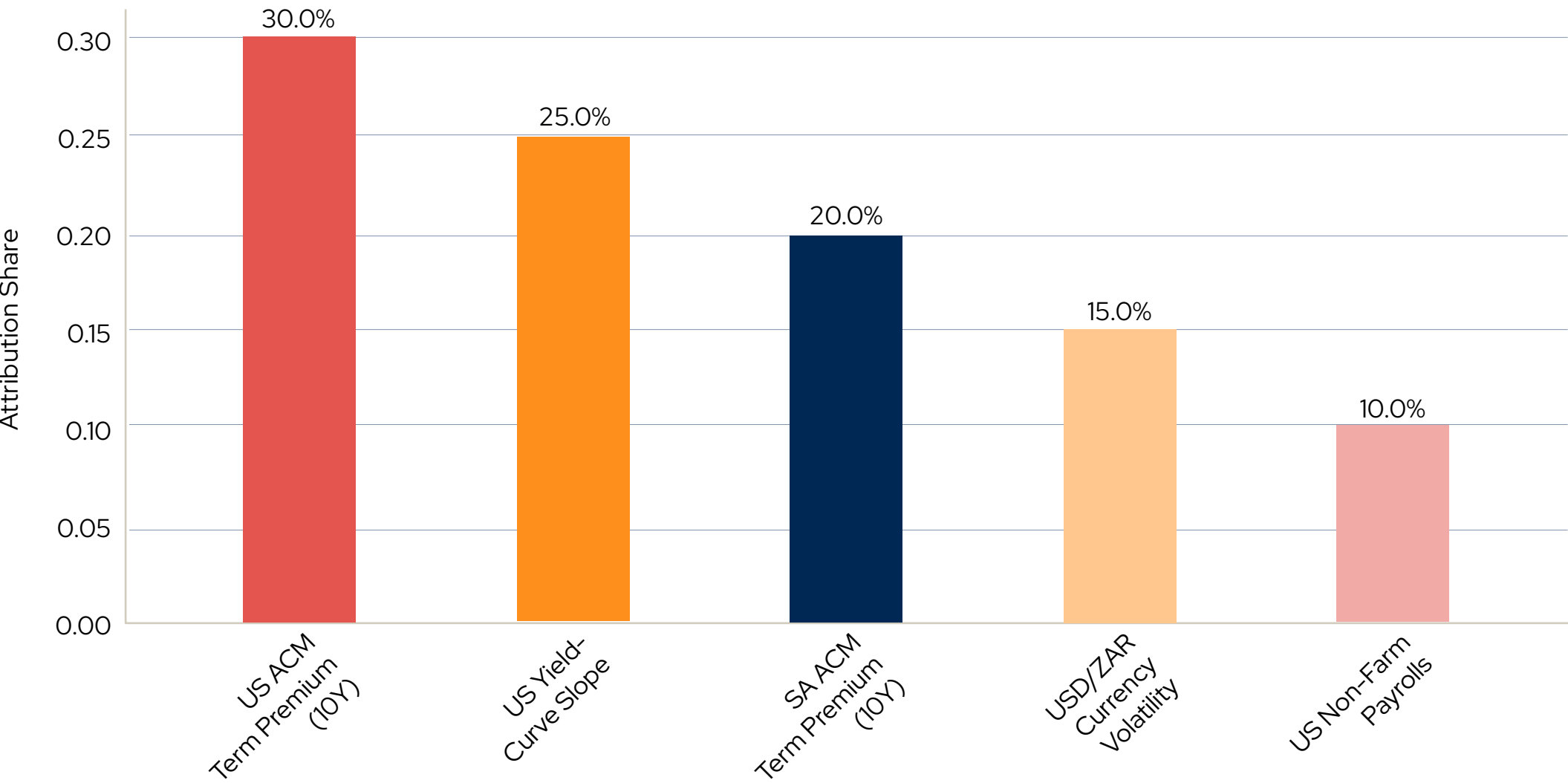


toward each factor’s long-run behaviour, acknowledging the extremity without letting a transient reading overrule accumulated knowledge. In statistical terms, TODAY plays the role of the likelihood: compelling new evidence should move the view, but the degree of movement depends on the breadth and strength of that evidence.

Blended attribution (operational posterior)

The blended attribution is the operational analogue of the *posterior*. It synthesises the structural (prior-anchored) and TODAY (likelihood-led) views into a single allocation that informs the headline forecast. Two governance features ensure responsiveness without over-reaction:

TODAY Attribution (state-contingent)



Prescient Investment Management, October 2025

- Breadth matters, not only amplitude.** If many factors are simultaneously exceptional, the blend leans further toward TODAY; if only one factor is extreme and the rest are ordinary, the blend remains close to structural. This mirrors the way a posterior leans more heavily into evidence that is broad-based and coherent.
- Blend intensity.** Even when evidence is strong, the blend is tempered by the previous statistical success of allowing exceptional data an outsized voiced.

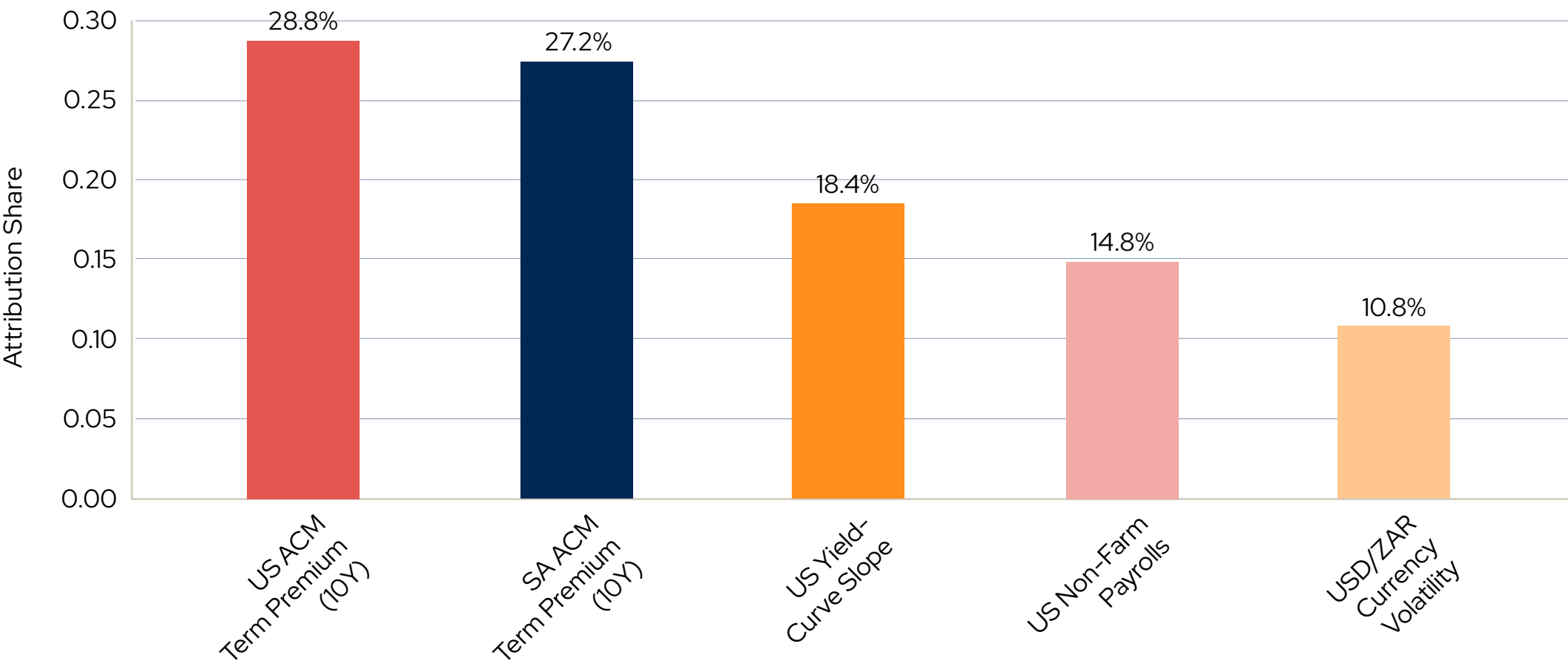
The result is a signal that is responsive when the cross-section speaks with one voice, and anchored when it does not.

How the factor groups behave under the three attributions

To make the mechanics tangible, consider again the five-factor explanatory variable set used in our demonstrations: two **Valuations** variables (SA and US ACM 10-year term premia), one **Economics** variable (US non-farm payrolls), one **Financial Conditions** variable (US curve slope), and one **Sentiment** variable (USD/ZAR volatility).

- > In a quiet week, the *structural attribution* shows the Valuations pair carrying the largest shares, reflecting the slow-moving nature of term premia. The Economics and Financial Conditions variables carry moderate shares; Sentiment is small when risk appetite is stable.

Blended Attribution (operational posterior)



Prescient Investment Management, October 2025



> On a week when USD/ZAR volatility spikes, the curve steepens, and one term-premium is stretched, the *TODAY attribution* elevates those variables because the present evidence is unusually informative. The *blended attribution* shifts in the same direction, but the magnitude of that shift depends on how many of the five are exceptional. This is precisely the Bayesian update in action: strong, broad-based evidence moves the posterior meaningfully; narrow or fragile evidence does not.

Conclusion

A Bayesian treatment of the Bonds process replaces fragile point estimates with a disciplined mechanism for learning from evidence. Point estimates - especially in thresholded, state-dependent settings - tend to overreact to isolated extremes and understate uncertainty.

> By contrast, the Bayesian paradigm formalises what is known (the *structural attribution*), what the market is presently signalling (the *TODAY attribution*), and how these are coherently synthesised (the *blended attribution*). The update from prior to posterior is explicit and auditable, and the resulting forecast is accompanied by uncertainty statements that reflect both sampling variability and parameter uncertainty.

Two properties make this approach particularly well suited to bond research. First, regularisation and tempering curb the “winner’s-curse” dynamics that inflate effects selected in the tails: weak or opportunistic relationships are shrunk toward zero unless the data consistently support them, and state-contingent influence is pulled toward its long-run behaviour rather than allowed to pivot wholesale on a single reading.

Second, breadth-sensitive blending privileges cross-sectional coherence over idiosyncratic amplitude: when many factors are simultaneously unusual, the blended attribution moves decisively; when one factor is extreme but the remainder are ordinary, the headline remains anchored. A robust statistical treatment of blend intensity provides an additional governance layer that prevents outsized, episodic influence.

The practical consequence is a decision framework that is responsive without being impressionistic. Structural information retains a stable centre of gravity; current conditions are given voice commensurate with their breadth and credibility; and the final view is a posterior - in the strict statistical sense - rather than a reaction to the latest outlier. In short, the Bayesian paradigm offers calibrated inference, controlled responsiveness, and a clear audit trail, advancing the Bonds research process beyond the instability of point estimates toward a more robust, explainable, and decision-ready signal.





Smart income: data, discipline, and the new age of multi-asset investing

by SAJJAAD AHMED
Portfolio Manager
and SIPHOKUHLE ZWANE
Quantitative Analyst*

Smarter income is not about taking bigger risks; it is about making better decisions.

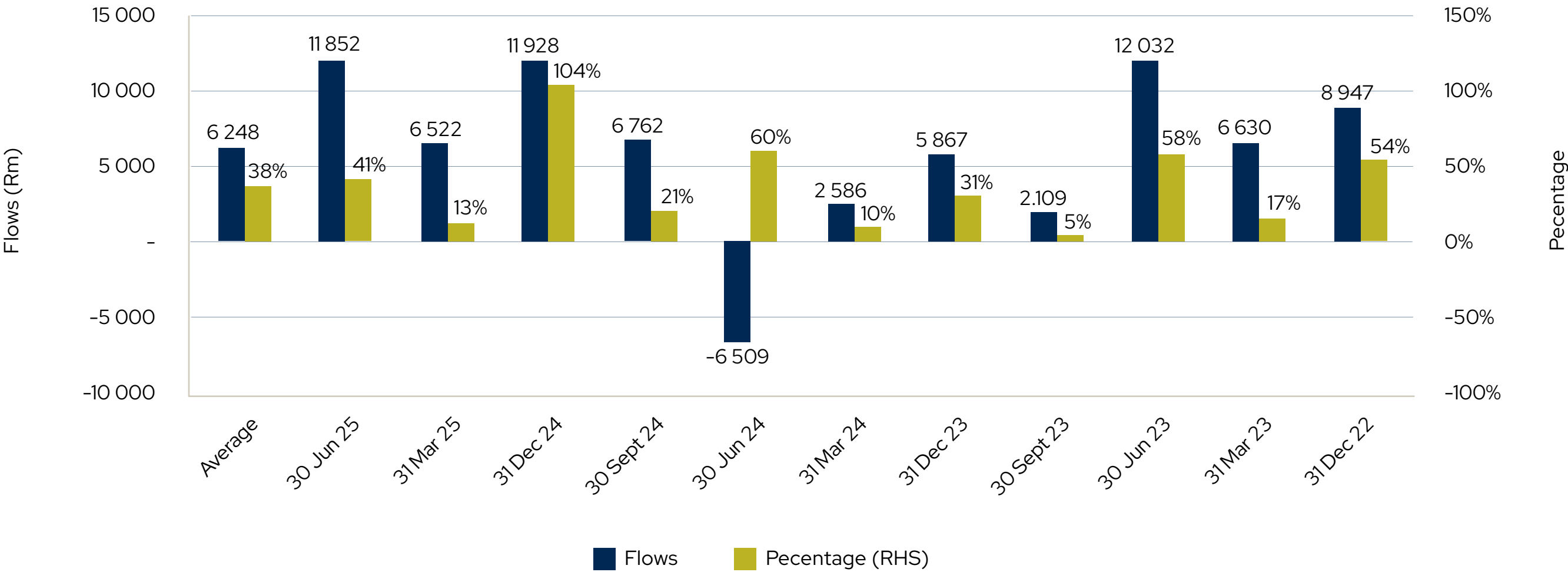
In today’s markets, income investing is evolving beyond the front end of the curve. The traditional approach, relying on short duration, high-quality floating rate instruments, and smooth but predictable returns, has long served its purpose. Yet, as interest rates stabilise and market conditions shift, one needs to keep innovating to discover pockets of value. Investors seeking dependable income now need a smarter toolkit that combines technology, data, and human insight to capture yield while safeguarding against downside risk.

That is where the ASISA Multi-Asset Income (MAI) category shines. Over the past few years, this space has seen remarkable growth, driven by its ability to draw on a wider investment universe. By blending asset classes such as bonds, equities, property, private debt, and foreign bonds in both physical and structured forms, MAI funds can construct portfolios that are not only resilient but also positioned for superior long-term outcomes.

These funds have the ability to draw on up to 10% equity exposure and 25% property exposure, both locally and offshore. Outside of contagion events, these asset classes tend to exhibit low correlations with each other. When allocated intelligently, they can offset each other’s volatilities and deliver smoother returns, demonstrating the benefits of diversity. As the adage states, this is the only free lunch in investing. This flexibility allows investors to harvest enhanced yields while maintaining a disciplined focus on capital protection.

ASISA data shows that Multi-Asset Income funds have attracted net positive inflows over the past three years, except for Q2 of 2024, when all categories experienced net outflows. Net inflows for Collective Investment Schemes (CIS) averaged R6.2 billion, representing 38 per cent of total flows across all categories. Figure 1 below illustrates the quarterly net flows since Q4 2022.

Figure 1: Multi-Asset Income Funds Net Flows (CIS)



Source: ASISA, 30 June 2025



But managing such complexity demands more than experience; it requires intelligence of both the human and technological kind. Analysts can no longer think in silos. The new normal in income investing belongs to teams who can merge financial insight with data science. With the help of advanced tools like machine learning and AI, portfolio managers can analyse patterns, model risk, and identify opportunities that traditional methods might miss. Techniques such as ridge and lasso regression help refine predictive signals and optimise asset allocation, allowing portfolios to adjust exposures dynamically rather than rely on static assumptions. This allows for efficient allocation of capital not only during periods of normality, but also when facing contagion events where asset class correlations tend to increase.

To illustrate the importance of this data-driven approach, it is crucial to first understand the behaviour of the underlying asset classes. Figure 2 below shows the cumulative returns of the main asset classes permitted within the Multi-Asset Income category (the JSE All Share Index, JSE Listed Property, and All Bond Index (ALBI)) alongside the Short-Term Fixed Income (STeFI) benchmark and SteFI plus 2 per cent, a common performance target for the category.

By analysing these foundational returns, we can better appreciate how dynamic, model-driven strategies can enhance performance and manage risk.

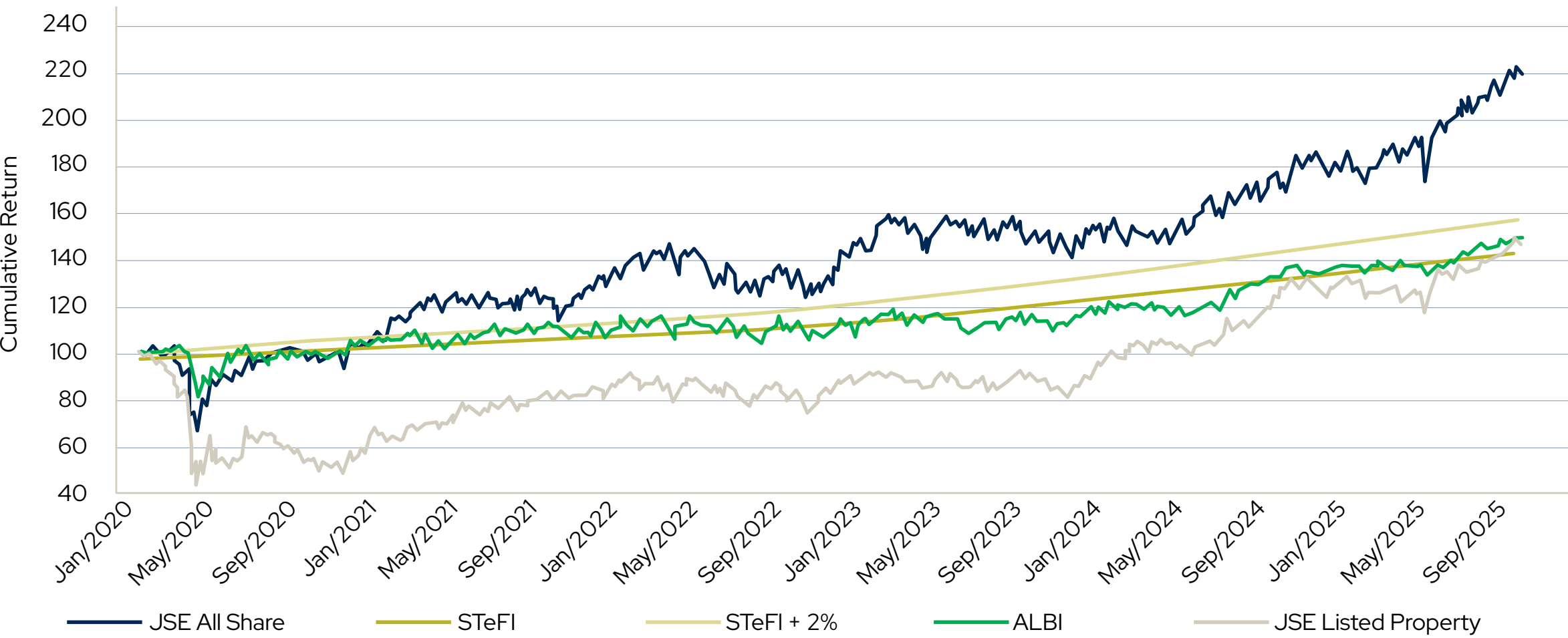
Analysing Figure 2, equities offered the highest returns over the period, but with significant volatility. Though slightly outperformed by the listed property index, SteFI + 2 per cent delivered superior risk-adjusted returns compared to both listed property and ALBI. The smoothness and lower volatility of SteFI-based indices are clearly visible when compared to other asset classes.

Now consider adding equity and property exposure at their maximum limits of 10 and 25 per cent, respectively, as a fixed allocation on top of the SteFI + 2 per cent index (composite fund). Holding a fixed allocation may deliver higher returns in some market environments but also introduces greater volatility in others. We compared this

with the Prescient Income Plus Fund, which enhances yield through corporate credit and private debt exposure capped at 10 per cent.

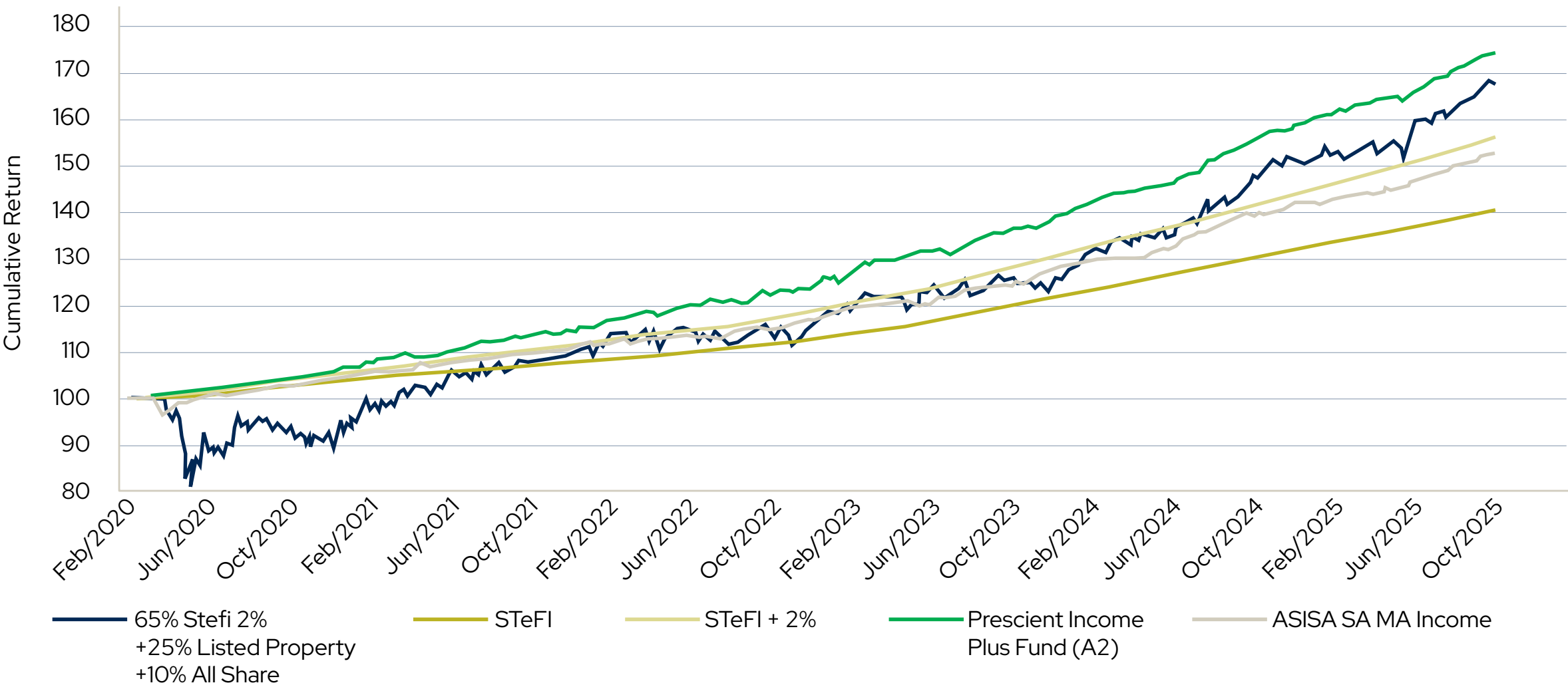
Figure 3 below illustrates this comparison. Using predictive signals derived from data-driven models, portfolios can pivot in and out of risk assets at opportune times, enhancing yield while smoothing returns. The Prescient Income Plus Fund is an example of a fund that incorporates machine learning to dynamically switch asset allocation in response to changing macroeconomic conditions. Using in-house indicators such as the Prescient Credit Cycle Indicator, which assesses credit market risk, the fund can

Figure 2: Asset Class Cumulative Returns Since 2020



Source: Bloomberg, 9 October 2025

Figure 3: Cumulative Returns of Dynamic vs Static Allocation



Source: Bloomberg, PRIME



shift from higher duration and lower quality corporate bonds to shorter duration and higher quality names in periods of market stress. The result is not a leap into risk, but a calculated stride towards efficiency.

Figure 4: Volatility of Asset Classes

	Standard Deviation (Annualised)
STeFI	0.27%
STeFI + 2%	0.27%
Prescient Income Plus Fund (A2)	2.00%
65% SteFI 2 + 25% Listed Property + 10% All Share	7.52%
ASISA SA MA Income	1.61%

Source: Bloomberg, PRIME, 9 October 2025

Figures 3 and 4 highlight how model-driven dynamic funds can outperform static ones, not just in terms of returns but also with regard to volatility control. While the Fund excludes equity and property exposure, it still achieves higher returns than a composite fund with static allocations to those asset classes. Figure 4 further shows that the Prescient Income Plus Fund delivers significantly lower volatility than the static composite fund, underscoring the benefits of disciplined, data-driven portfolio adjustments.

Ultimately, the new generation of income investing is less about chasing yield and more about engineering it with discipline, structure, and foresight. Multi-Asset Income represents a precise evolution where quants, data, and risk managers work together to build portfolios that are robust, responsive, and responsibly rewarding.

In short, smarter income is not about taking bigger risks; it’s about making better decisions.





The end of an era: why alternatives are essential in today’s investment landscape

by **CONWAY WILLIAMS**
Head of Credit

The 60/40 portfolio is no longer enough,
and the future of investing lies in
embracing the full range of opportunities.

For decades, the investment world has clung to a simple yet effective rule of thumb: the 60/40 portfolio. This approach, with 60% allocated to equities for growth and 40% to bonds for stability, has been the bedrock of portfolio construction for generations of investors. The underlying assumption was straightforward: stocks and bonds were negatively correlated, meaning that when one went down, the other would go up, providing a natural hedge and smoothing out returns.

However, things are changing. The economic certainties of the past are giving way to a new era of volatility and unpredictability, and the once-unshakable 60/40 portfolio is showing its cracks.

The breakdown of the 60/40 portfolio

Recent research has cast serious doubt on the long-held belief in the negative correlation between stocks and bonds. A study by H.B. Swart on the South African market reveals a startling trend: since August 2000, South African stocks and bonds have been positively correlated a staggering 89.4% of the time [1]. This means that for the vast majority of the last two decades, these two asset classes have moved in the same direction, effectively nullifying the diversification benefits that the 60/40 portfolio is supposed to provide. The study further notes that in the last five years, this positive correlation has become even more pronounced, averaging around +0.55.

This is not just a South African phenomenon. In their 2025 research paper “Rebuilding 60/40 portfolios with alternatives,” BlackRock points to a “new investment regime” characterised by higher interest rate volatility and greater macroeconomic uncertainty [2]. They note that since the beginning of 2022, bonds have lost money in 14 of the months when stocks were also negative. This simultaneous decline in both asset classes has left many investors exposed and prompted a fundamental reassessment of traditional portfolio construction.

The rise of alternatives

In this new investment landscape, the need for true diversification has never been more critical. At Prescient Investment Management, we believe that the solution lies in looking beyond traditional asset classes and embracing a broader range of investment opportunities. This is where alternative investments, particularly private debt, clean energy debt, and infrastructure debt, come into play.

These asset classes offer a compelling combination of attractive returns, low volatility, and, most importantly, low correlation to traditional equity and bond markets. They are designed to exploit idiosyncratic opportunities and are less exposed to broad market beta, making them valuable sources of uncorrelated returns.

However, investors must carefully consider the liquidity constraints inherent in these investments. Alternative assets typically require longer investment horizons and may not offer the immediate liquidity available in public markets. This illiquidity premium, while contributing to enhanced returns, necessitates thoughtful portfolio construction to ensure adequate liquidity for operational needs and unexpected circumstances.

A closer look at our preferred alternatives

Private Debt

Private debt has emerged as a powerful tool for investors seeking stable income and a buffer against volatility. As KKR notes in their June 2025 research, “What Role Can Private Credit Play in Individual Investors’ Portfolios?”, private credit markets are not subject to the same daily sentiment-driven swings as public markets [3]. Returns are instead determined by contractual agreements, providing a predictable stream of income.



Furthermore, private debt has historically demonstrated greater resilience during market corrections. KKR’s analysis shows that direct lending generated approximately 90% of equity returns with significantly lower volatility. That said, investors should note that private debt carries distinct risks, including credit risk, illiquidity risk, and concentration risk, that differ from those in public markets.

Clean Energy and Infrastructure Debt

The global transition to a more sustainable future presents a once-in-a-generation investment opportunity. The International Energy Agency (IEA) reports that the ratio of clean power to fossil fuel investment has surged from 2:1 in 2015 to a remarkable 10:1 in 2024 [4]. This shift in capital allocation is creating growing demand for financing in the clean energy and infrastructure sectors.

Clean energy and infrastructure debt offer investors the ability to participate in this long-term secular trend while enjoying stable, predictable returns. These are often long-term projects with government-backed contracts, providing a degree of certainty and low correlation to the broader economic cycle. As Mercer’s 2024 research on alternative investments highlights [5], infrastructure investments have the potential to deliver greater diversification, inflation protection, and long-term sustainability. Mercer specifically notes that infrastructure debt can provide exposure to essential services and utilities that tend to have stable, predictable cash flows and often include inflation-linked pricing mechanisms.

The Prescient approach

At Prescient Investment Management, we have long recognised the importance of looking beyond the traditional. We believe that in today’s complex and uncertain world, we cannot take a rigid approach to how we manage funds. Instead, we advocate for a more dynamic and diversified approach that includes a meaningful allocation to alternative investments.

By incorporating private debt, clean energy debt, and infrastructure debt in our portfolios, we aim to provide our clients with more resilient and robust investment solutions. These asset classes offer the potential for enhanced returns, lower volatility, and true diversification, contributing to consistent outperformance and giving clients confidence in their financial futures.

Conclusion

The era of the 60/40 portfolio as the default solution is over. The future of successful investing lies in a more sophisticated and forward-looking approach that embraces the full spectrum of investment opportunities.

The future is alternative.



[1] Swart, H.B. (2025). Stock and Bond Correlation in South Africa.
[2] BlackRock. (2025). Rebuilding 60/40 portfolios with alternatives. Retrieved from <https://www.blackrock.com/us/individual/insights/60-40-portfolios-and-alternatives>
[3] KKR. (2025). What Role Can Private Credit Play in Individual Investors’ Portfolios? Retrieved from <https://www.kkr.com/insights/private-credit-allocation>
[4] IEA. (2024). World Energy Investment 2024. Retrieved from <https://www.iea.org/reports/world-energy-investment-2024/overview-and-key-findings>
[5] Mercer. (n.d.). Alternative investments – opportunities in private debt. Retrieved from <https://www.mercer.com/en-ca/insights/investments/alternative-investments/opportunities-in-private-debt/>





Don't trust your gut: Systematic investing is the future of shorter-duration strategies

by **HENK KOTZE**
Head of Cash & Income

and **CHANTÉ BURGER**
Portfolio Manager

Systematic investing provides a disciplined, transparent, and repeatable way to make better decisions in complex markets.

For decades, investors have relied on intuition, experience, and gut feel to guide their allocation to shorter-duration investments. Money market funds and low-duration fixed-income portfolios have often been perceived as simple, stable parking bays for cash – safe havens requiring little more than a broad view on interest rates. But in a world where yield curves are evolving rapidly, inflation dynamics are shifting, and liquidity cycles are more complex than ever, traditional approaches are increasingly insufficient.

The future of shorter-duration investing lies in systematic strategies – disciplined, data-driven, repeatable processes designed to deliver consistent outcomes in all market conditions. At Prescient Investment Management, this philosophy underpins the construction and management of both our Prescient Money Market Fund and our Prescient Income Provider Fund. By systematically harvesting opportunities across yield curves, credit markets, and liquidity conditions, we aim to deliver competitive, risk-aware returns without relying on the whims of market sentiment.

Why Gut Feel Falls Short

In the money market and short-duration space, many investors still rely on discretionary calls: when to extend duration, how to position for interest rate cuts, or whether to add exposure to credit spreads. These decisions are often influenced by emotions, headlines, or consensus forecasts that can be wrong at crucial turning points.

History is littered with examples of human intuition faltering. Predicting central bank policy is notoriously difficult, especially in today's data-dependent world, where each inflation print or employment number can dramatically shift expectations. Similarly, liquidity events can materialise unexpectedly, causing stress in seemingly “safe” corners of the fixed-income universe.

Systematic investing removes these behavioural biases by applying rules-based decision-making, guided by robust quantitative models and supported by experienced investment teams. It doesn't seek to outguess the market in the short term; rather, it seeks to systematically capture available premiums, whether through carry, roll-down, or spread dynamics, while controlling for risk and liquidity.

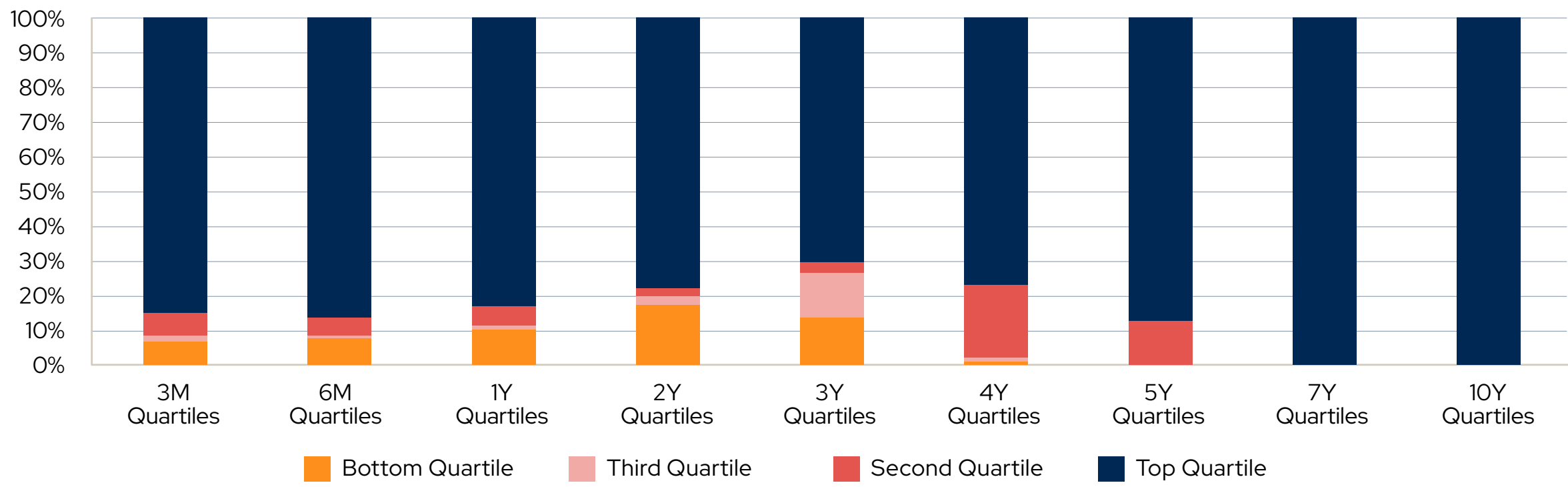
The Prescient Money Market Fund: Discipline in Liquidity

The Prescient Money Market Fund exemplifies this approach. It is managed using a disciplined framework that evaluates every investment decision through a risk-return lens, considering liquidity buffers, credit quality, and yield curve positioning. Rather than simply chasing the highest yield or taking duration bets based on hunches, the fund systematically allocates to instruments that optimise after-risk returns within regulatory and liquidity constraints.

This means continuously assessing short-term funding dynamics, identifying pricing anomalies, and ensuring the portfolio remains resilient under different interest rate scenarios. The result is a highly competitive yield, delivered with consistency and transparency; attributes that investors increasingly demand in uncertain times.



Prescient Money Market Fund A2
Proportion of time spent in each quartile in each rolling period



Profile Data, 30 September 2025

The Prescient Income Provider Fund:
A Systematic Edge Beyond Money Markets

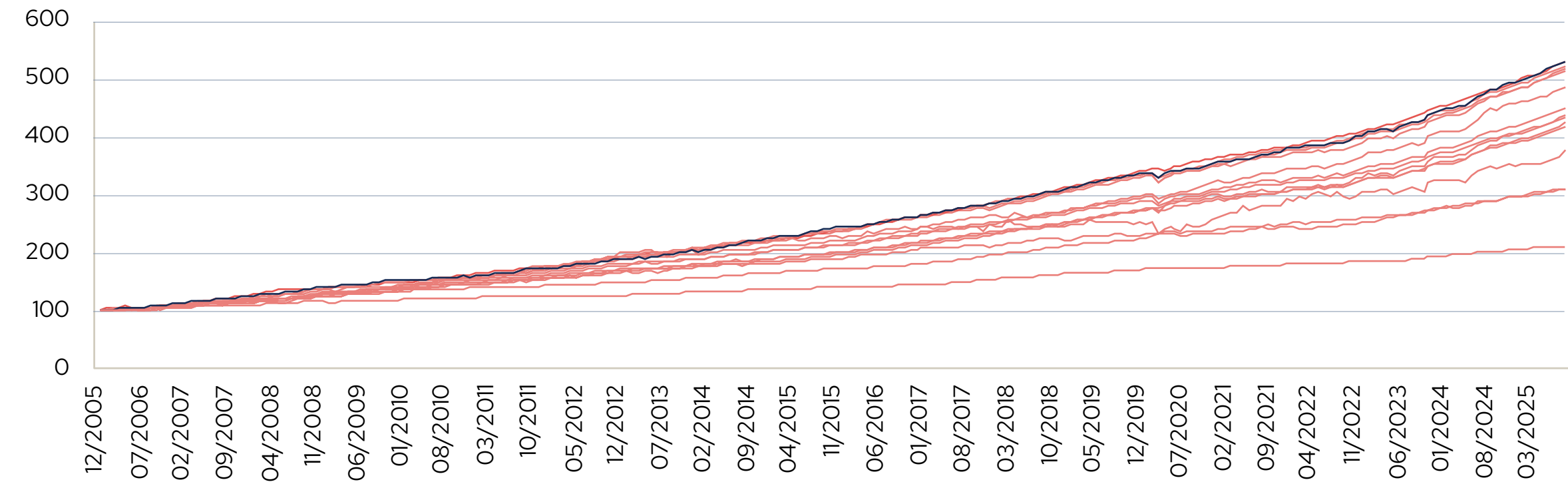
While the Prescient Money Market Fund focuses on capital preservation and daily liquidity, the Prescient Income Provider Fund takes the systematic philosophy further out the curve. Operating in the short to medium-term fixed-income universe, it systematically identifies opportunities across global and local yield curves, credit markets, and floating-rate instruments.

Using a rigorous quantitative process, the fund evaluates carry, duration, credit spreads, and relative value opportunities daily, seeking to optimise total return while maintaining a conservative risk profile. This approach allows the fund to benefit from structural sources of return, such as term and credit premiums, without relying on speculative rate views.

Importantly, systematic processes enable faster and more consistent reaction to changing conditions than a discretionary manager could achieve. As central banks approach inflection points in their policy cycles, being systematically positioned to benefit, rather than trying to predict the exact timing of cuts or hikes, can make a meaningful difference to outcomes.

Rules and evidence-based investing has enabled the Prescient Income Provider Fund to deliver strong outperformance relative to peers for almost 20 years, as can be seen in the *Since Inception Indexed Return* chart.

Since Inception Indexed Return
South African Multi Asset Income
Prescient Income Provider Fund A2



ProfileData, 30 September 2025

	Prescient Income Provider Fund A2	Benchmark
1 Year	10.17	8.29
Since Inception	9.20	7.25
Highest Rolling 1 Year	14.29	12.59
Lowest Rolling 1 Year	4.04	3.86

Inception Date: 31 December 2005

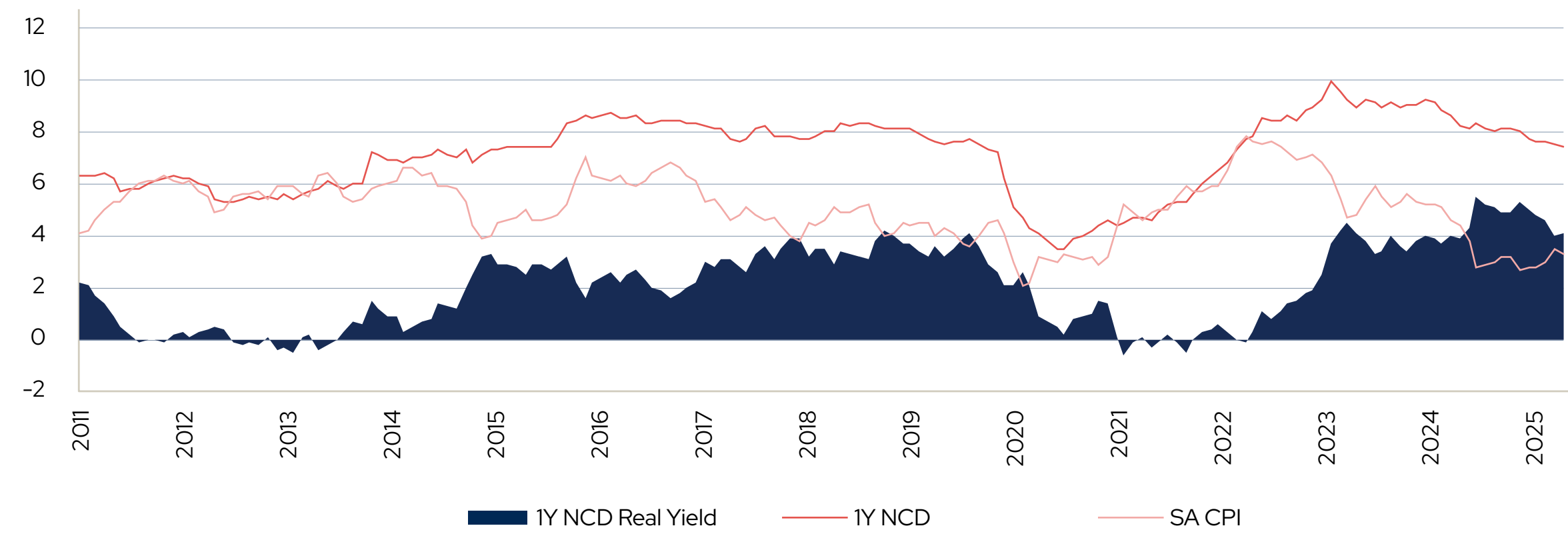
A Changing Investment Landscape
Requires a Different Approach

Investors are facing a landscape marked by elevated front-end yields, uncertain monetary policy paths, and intermittent liquidity events. This environment is rich with opportunity, but also fraught with behavioural traps: fear of missing out, premature duration extension, or delayed reaction to policy shifts.

The SA 1 Year NCD Rates Chart shows the elevated nature of real yields in the front end of the South African yield curve, an opportunity one can capitalise on, following a systematic approach.



SA 1 Year NCD Rates



Bloomberg, 30 September 2025

Systematic investing offers a clear alternative. By embedding discipline, transparency, and repeatability into the investment process, systematic strategies are better equipped to navigate complexity and uncertainty. They do not depend on heroic forecasts; instead, they rely on data, structure, and a proven framework to harvest return drivers consistently.

Prescient’s Advantage: Proven Systems, Local Expertise

Prescient has spent decades refining its systematic investment philosophy. Our technology, quantitative models, and investment processes are deeply integrated with the expertise of experienced fixed-income professionals. This blend of data-driven discipline and human oversight enables us to deliver strong risk-

adjusted returns while maintaining a clear focus on capital preservation. Prescient’s investment portal now processes close to a billion data points daily to assist the smart people in making consistent, gutless investment decisions.

Both the Prescient Money Market Fund and the Prescient Income Provider Fund are built on this foundation. They are designed for investors who want to move beyond gut feel and recognise that systematic investing is not just the future but the present of short-duration portfolio management.

The Path Forward

In a world where short-term markets are increasingly complex, relying on instinct is no longer enough. Systematic investing provides a modern, robust framework for generating returns while controlling risk. At Prescient Investment Management, we leverage data, technology, and experienced professionals to deliver consistent outcomes, particularly in money market and short-duration strategies where precision and discipline matter most.

The question is no longer whether to adopt a systematic approach, but how quickly you can make the transition.





Beyond the buzzword: why data science is investment management’s best-kept secret

by TIMOTHY TERBLANCHE
Head of Data Science

and CHLOE TOWNSEND
Data Scientist

In a world overflowing with data, true advantage comes from understanding it deeply rather than simply collecting it.

The investment industry loves to talk about data. Every firm claims to be data-driven, but there’s a vast difference between having data and knowing what to do with it. That gap is where data science lives, and it’s where real competitive advantage emerges.

The Detective Work Behind the Numbers

Data science isn’t simply running reports or building dashboards. In its truest form, it’s detective work: sifting through massive, complex datasets to uncover patterns that the human eye and mind simply cannot find on their own. Data science is a combination of mathematics, statistics, computer science, and deep domain knowledge, used together to extract insights from information that would otherwise remain locked away in spreadsheets and databases.

For systematic investment management, this detective work becomes undeniably essential. Markets are mechanical systems that, given enough data, can be explained, but they’re also driven by complex human interactions and behaviours that create unexplained anomalies and introduce irrational elements. The question isn’t whether the data exists to understand these dynamics; it’s whether you have the capabilities to find, analyse, and act on it.

From Buzzword to Competitive Necessity

The explosion of available data has made data science a compelling competitive advantage. Every industry is flooded with information, and investment firms are collecting and purchasing more data than ever. Modern machine learning algorithms are incredibly powerful at finding insights and analysing a wide variety of different data, all while growing more sophisticated every year. We’re not just talking about generative AI, but about broader advances in statistical modelling, methods that are robust, explainable, and deliver accurate results.

Consider what this means in practice. An analyst manually reviewing thousands of stock reports or economic indicators faces a slow, human error-prone process. Data science techniques can process those same records in seconds, identifying which factors are most influential, spotting patterns a human analyst might miss, and even detecting early signals of market shifts. This isn’t about replacing human judgment; it’s about allowing data science to serve as an extension of human capability, transforming expertise into something faster, sharper, and more scalable.

The Creative Side of Quantitative Rigour

There’s a misconception that data science is purely mechanical: data in, data out. The reality is far more nuanced. While the process involves strict statistical analysis and extensive back-testing, there’s also an essential element of creativity and problem-solving. The main aspects of any data science solution are forming solid hypotheses, interpreting the results, and critically evaluating the outcome to ensure it adds value.

This is where collaboration becomes crucial. Data science doesn’t happen in isolation. The most valuable insights emerge from conversations between data scientists and investment professionals who possess deep domain expertise in their asset classes. Together, they develop hypotheses that could potentially improve investment decisions. Yes, technical experimentation is important. But that initial spark, “What if we looked at it this way?” often comes from collaborative exploration.



Alternative Data: The Uncharted Territory

The rise of alternative data has transformed what’s possible in investment management. Traditional financial data, such as earnings reports, economic indicators and price histories, tells one story. But alternative data sources reveal a new world of information: satellite imagery tracking retail parking lots, credit card transaction data, and sentiment analysis from news and social media. These datasets capture the human side of markets, the complex interactions that traditional metrics miss.

The challenge with alternative data is both finding the right sources and identifying the right questions to answer. When you have the whole world at your disposal, how do you choose which path to take? It’s not enough to have the data; you need to know how to interrogate it properly.

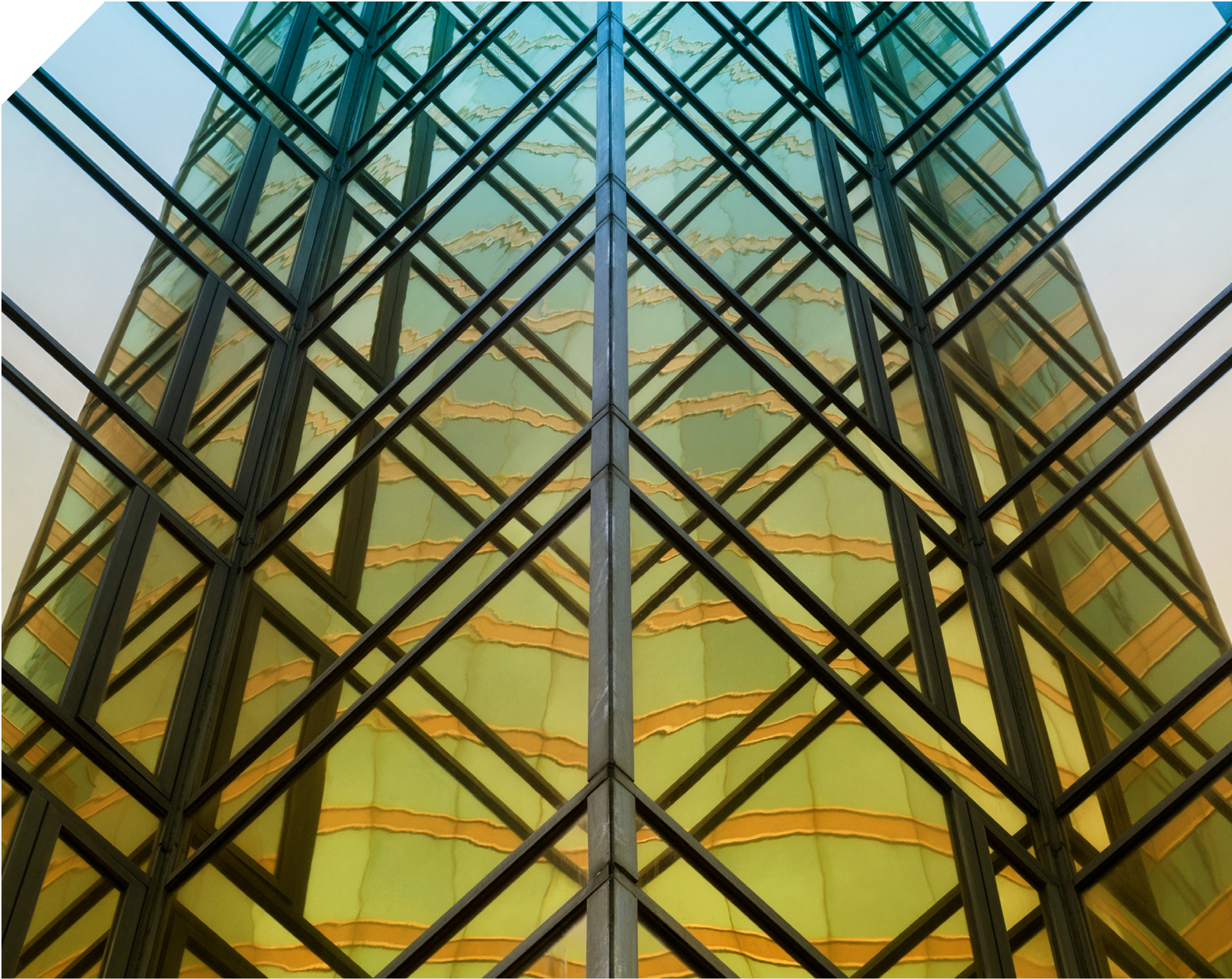
Information as Certainty

At its core, data science follows a simple principle: better information leads to better decisions when that information is used wisely. Not gut feelings, not instinct, just verifiable patterns backed by research. In the context of investment management, this creates a more complete picture of market dynamics and reduces the uncertainty inherent in investment decisions.

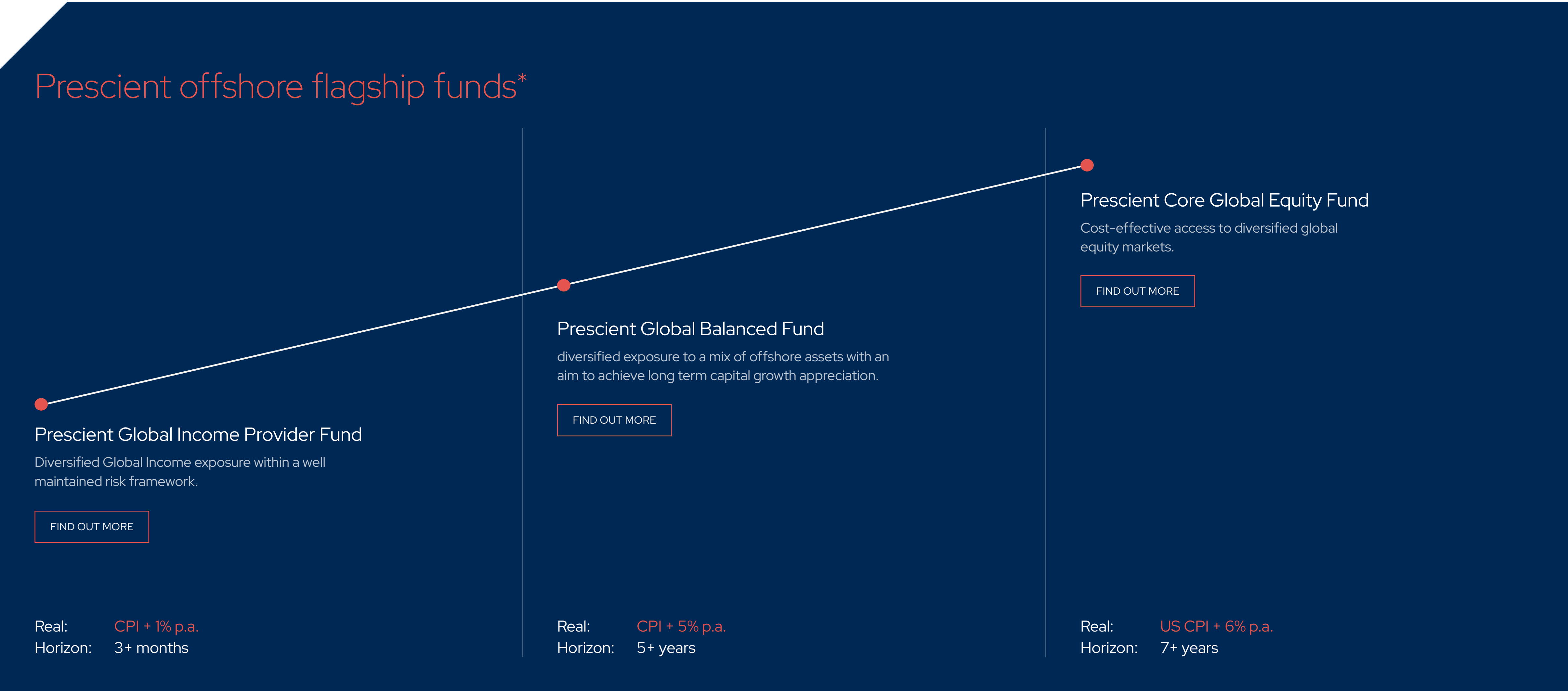
The conversation around data-driven investing is growing louder, and rightfully so. But as more firms claim to be leveraging data and technology, real differentiation comes down to execution. It’s not about having data scientists on staff or deploying machine learning models. It’s about building a culture where quantitative rigour and creative exploration work in tandem, where technical capabilities serve investment objectives, and where the goal isn’t to follow the trend but to uncover what others haven’t yet seen.

The Prescient Difference

In a world overflowing with data, true advantage lies not in how much you have, but in how deeply you understand it. At Prescient, that understanding is what turns information into conviction, and conviction into performance.







*The funds are approved under section 65 of CISCA.



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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. CISs are traded at the ruling price and can engage in scrip lending and borrowing. A schedule of fees, charges and maximum commissions is available on request from the Manager. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. 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. There is no guarantee in respect of capital or returns in a portfolio. 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. A Money Market portfolio is not a bank deposit account and the price is targeted at a constant value. The total return is made up of interest received and any gain or loss made on any particular instrument; and in most cases the return will have the effect of increasing or decreasing the daily yield, but in the case of abnormal losses it can have the effect of reducing the capital value of the portfolio. The yield is calculated as a weighted average yield of each underlying instrument in the portfolio. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressures and a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. A Feeder Fund is a portfolio that invests in a single portfolio of a collective investment scheme which levies its own charges, and which could result in a higher fee structure for the feeder fund. The investment performance is for illustrative purposes only. The investment performance is calculated by taking the actual initial fees and all ongoing fees into account for the amount shown and income is reinvested on the reinvestment date. Prescient Management Company (RF) (Pty) Ltd is registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002).

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