

Flagship IP Flexible Value Fund



MINIMUM DISCLOSURE DOCUMENT

30 September 2017

FUND OBJECTIVES AND PHILOSOPHY

The Flagship IP Flexible Value Fund aims to outperform both the JSE All Share Index and competing funds over the medium to long term. We rely on fundamental research to identify investments which are trading at a discount to their intrinsic value and to determine which asset classes are the most attractive. The fund will typically have a very different equity profile from that of the All Share Index. Risk is reduced through the fund's value oriented approach and a larger than average number of holdings.

FUND MANAGER COMMENTARY

International

Despite the Trump/North Korea sabre rattling, the German election disappointment, and Iran's threat to walk out of the nuclear deal if the US withdraws, world markets marched steadily higher. Not even the Fed's announcement that it will commence its balance sheet normalisation programme dampened investor enthusiasm. Equity markets are clearly enjoying robust returns and the MSCI world index closed at a record high.

Driving this optimism is the continued strength of the global economy, benefitting from a synchronised upturn of both developed and emerging nations. Global industrial production is the strongest since 2011 and most recent PMI surveys suggest continuing solid growth.

Apart from the strong global economic recovery, accommodative monetary policies are still the order of the day, with only the US beginning to tighten (from a very loose base). These two factors are currently the driving force behind the solid advance of equity markets – despite elevated valuations. (See also our Quarterly Comment report.)

South Africa

Although South Africa bounced back from its recession in the second quarter (up 2.5% annualised), the year on year growth was still only a dismal 1.1%. Despite the weak outlook, and inflation remaining well inside the target bands, the Reserve Bank surprised markets by keeping the policy rate unchanged at 6.75%.

What may have prompted this caution could have been concerns around the October medium term budget. If this fails to deliver a positive message there is a risk that the rating agencies could trigger another downgrade, causing bond rates to rise and the currency to fall.

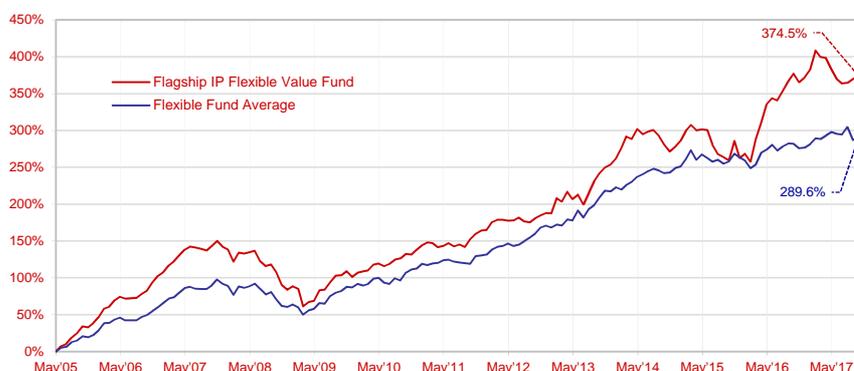
The JSE, despite the MSCI world index closing at a new record high and the weaker rand, ended down almost 2%.

The Fund

The fund's 1% gain over the month was driven by a strong performance from its international equity exposure, assisted by the weaker rand. The only change to the top ten holdings from last month is that Impala Platinum is excluded on further price weakness post results, with the platinum price continuing to languish well below our target levels. It is replaced by investment holding company Stellar Capital, which trades at a discount of over 40% to the value of its investment portfolio. We believe that management are now actively focussing on unlocking this steep discount, which should provide a catalyst for the share's re-rating.

As required by legislation, we confirm that the fund has adhered to its policy objective and strategy.

PERFORMANCE - SINCE INCEPTION*



FUND MANAGER

Niall Brown

FUND DETAILS

UNIT PRICE | 4,318.8c

Sector	South African - Multi Asset - Flexible
Benchmark	Multi-Asset Flexible Sector Average
Inception date	4 May 2005
Management fee	1.25% (excl. VAT)
TER *	1.68% [Class A1]
Entry/exit fee	0%
Dealing/pricing	Daily
Fund size	R352.3m
Minimum investment	R100,000
Income declaration	20.99c [March 2017]
No. of participatory interests	8 136 690

ASSET ALLOCATION



SECTOR ALLOCATION - DOMESTIC



TOP JSE EQUITY HOLDINGS

Top 10	Sector	%*
Reinet Investments	Investment Companies	8.8
Interwaste	Support Services	5.7
Quantum Foods	Food	5.1
Comair	Travel and Leisure	4.1
Value Group	Transportation Services	4.0
Hulamin	Aluminium	3.6
York	Forestry	3.4
Mustek	Technology	3.3
Stellar Capital Partners	Investment Companies	3.0
Anglogold Ashanti	Gold Mining	2.9
		43.9

* % of total fund

ANNUALISED PERFORMANCE

	FUND	BENCHMARK
Since inception	13.4%	11.6%
Latest 10 years	6.9%	8.4%
Latest 5 years	11.1%	9.8%
Latest 3 years	7.6%	5.8%
Latest 1 year	-0.6%	5.5%

Lowest actual annual figure: -28.0% (4 May 2008 to 3 May 2009)
Highest actual annual figure: +75.4% (4 May 2005 to 3 May 2006)

Flagship Asset Management (Pty) Limited

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Issue date: 9 October 2017



A NON-VOTING MEMBER OF THE ASSOCIATION FOR SAVINGS & INVESTMENT SA

Risk Considerations and Important Information

- Collective Investment Schemes in Securities (unit trusts) are generally medium to long term investments.
- The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. The manager does not provide any guarantee either with respect to the capital or the return of a portfolio.
- Unit trusts are traded at ruling prices and can engage in scrip lending subject to the limits and conditions imposed by the Act.
- The manager may borrow up to 10% of the market value of the collective investment scheme portfolio to ensure liquidity.
- Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accruals and less any permissible deductions (brokerage, Uncertificated Securities Tax, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio, divided by the number of units in issue.
- A schedule of fees, charges and maximum commissions is available on request. Commission and incentives may be paid, and if so, are included in the overall costs.
- The unit trust portfolios are priced daily at 15h00 (quarter end 17h00), using forward pricing. Dealing cut-off time is 14h30 daily.
- Units will be repurchased by the manager at the ruling price calculated in accordance with the requirements of the Act and the relevant deeds and paid to the investor only. Subject to occurrences beyond the control of Flagship Asset Management (FAM), transaction requests received by FAM before 14h30 will be actioned at that day's price. Monies from the repurchase of units will not be paid to third party bank accounts.
- FAM reserves the right to repurchase unit balances with a market value less than the minimum monthly investment amount and close the investment account. Investors will be notified beforehand should this be contemplated.
- Portfolio performance is calculated on a NAV to NAV basis and does not take any initial fees into account. Figures quoted are from Reuters and Moneymate for a lump sum using NAV-NAV prices with income distributions reinvested. Income is reinvested on the ex-dividend date. Actual investment performance will differ based on the initial fees applicable, the actual investment date and the date of reinvestment of income. Investment performance calculations are available for verification upon request.
- Income distributions for the fund occur annually on 31 March.
- Annualised returns are period returns re-scaled to a period of 1 year. This allows investors to compare returns of different assets that they have owned for different lengths of time. Actual annual figures are available to investors upon request.
- SARS requires us to pay over Dividend Withholding Tax (DWT) on your behalf where applicable. We will deduct this tax before we pay any dividends to you or reinvest into your account. Unless we receive information from you indicating otherwise, we will be obliged to withhold the default DWT of 20%.
- Fund prices are published daily and available in newspapers countrywide, as well as on our website, www.flagshipsa.com. Also available on our website is additional information on the unit trust portfolio, including our [Application Form](#). FAM reserves the right to only process instructions that are submitted on FAM standard transaction forms.
- Flagship Asset Management (Pty) Ltd is an authorised financial services provider (FSP 577). Trustees / custodians for the scheme are Standard Bank of South Africa Ltd – contact compliance-IP@standardbank.co.za. IP Management Company Reg. No. 2007/01760/07 is the authorised manager of the scheme – contact 021 673 1340 or clientservices@ipmc.co.za. IP Management Company (RF) (Pty) Ltd is a member of the Association for Savings & Investment SA (ASISA).
- The Manager retains full legal responsibility for the Fund, regardless of co-naming arrangements.
- Additional information including the annual report of the Manager and detailed holdings of the portfolio as at the last quarter end are available, free of charge, from info@flagshipsa.com.
- A statement of changes in the composition of the portfolio during the reporting period is available on request.
- Complaints should be in writing and clearly marked for the attention of the Compliance Officer and should be mailed to Private Bag X21, Constantia, 7848.

Investment Policy

The Flagship Flexible Value Fund will be an asset allocation portfolio. The manager in selecting securities for the portfolio will seek to follow an investment policy which will secure for investors an optimum overall return, that is to say the steady growth of income and the preservation of capital in real terms. In order to achieve these main objectives the investments to be acquired for the Flagship Flexible Value Fund, shall comprise a mix of securities, which may include ordinary shares, preference shares, debentures, fixed interest instruments, gilts and money market instruments as defined in the Act and the Deed, all to be acquired at a fair market value.

The portfolio may also include participatory interests or any other form of participation in portfolios of collective investment schemes or other similar schemes. Where the aforementioned schemes are operated in territories other than in South Africa, participatory interests or any other form of participation in these schemes will be included in the portfolio only where the regulatory environment is to the satisfaction of the manager and trustee and is of sufficient standard to provide investor protection at least equivalent to that in South Africa.

The portfolio is permitted to invest in financial instruments in line with the conditions by the Registrar from time to time.

Fees

Performance Fees

Performance Fee benchmark:	Median of the Domestic Asset Allocation Flexible Unit Trust Sector
Base Fees:	1.25% per annum
Fee at Benchmark:	1.25% per annum
Fee Hurdle:	Median of the Domestic Asset Allocation Flexible Unit Trust Sector
Sharing Ratio:	10%
Minimum Fee:	1.25% per annum
Maximum Fee:	No maximum
Fee Example:	0.1% for each 1% outperformance of portfolio benchmark on a high water mark basis
Method of Calculating:	If the fund underperforms the Fee Hurdle, then only the base fee is accrued until the high water mark is again reached.

The Performance Fee Frequently Asked Questions (FAQ) document may be found on www.ipmc.co.za

* TER and Transaction Costs

From 1 July 2014 to 30 June 2017, 1.68% of the value of the fund was incurred as expenses relating to the administration of the fund. 0.44% of the value of the fund was incurred as costs relating to the buying and selling of the assets underlying the fund. Therefore 2.12% of the value of the fund was incurred as costs relating to the investment of the fund. Inclusive in the TER of 1.68%, a performance fee of 0% of the Net Asset Value of the class of Financial Product was recovered

A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. Transaction Costs are a necessary cost in administering the fund and impacts fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER.

Risks

- The fund is likely to have a very different equity profile to that of the All Share Index. Risk is reduced through the fund's value-orientated approach and a larger-than-average number of holdings.



- Shares are potentially volatile investments and there is a risk of capital loss over the short term.
- Foreign securities may have additional material risks, depending on the specific risks affecting that country, such as: 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.
- Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down.

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