

# Flagship IP Worldwide Flexible Fund

Minimum Disclosure Document - 29 February 2020



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NAV 563.3c

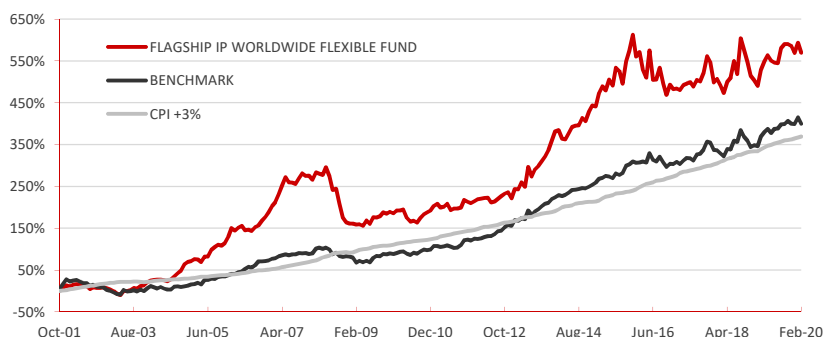
<b>Launch date</b>	05 October 2001	
<b>Fund size</b>	R376m	
<b>NAV - A Class</b>	563.3c	
<b>Benchmark</b>	60% Equity	[30% JSE Allshare, 30% MSCI World - in rands]
	20% Bonds	[10% ALBI, 10% JPMorgan Global Bond Index - in rands]
	20% Cash	[10% Domestic cash, 10% US Overnight call - in rands]

<b>No. of participatory interests</b>	66 789 167
<b>Minimum investment</b>	R 5 000
<b>Base currency</b>	ZAR
<b>Income declaration - Mar '19</b>	0.00cpu
<b>Income declaration - Sep '19</b>	0.00cpu
<b>Dealing</b>	Daily

## FUND OBJECTIVE

To provide long term capital growth from an actively managed portfolio comprising equities, bonds, listed property and cash – both local and foreign. To achieve long term capital growth, the fund will have a bias towards equity (which typically offers the best returns over the long run), but no guidelines have been set for maximum and minimum exposures to any one asset class. Our benchmark is 60% equities, 20% bonds and 20% cash with each category split equally between local and international assets. The fund is classified with ASISA as a Worldwide - Multi Asset - Flexible fund.

## PERFORMANCE CHART



## FUND EXPOSURES

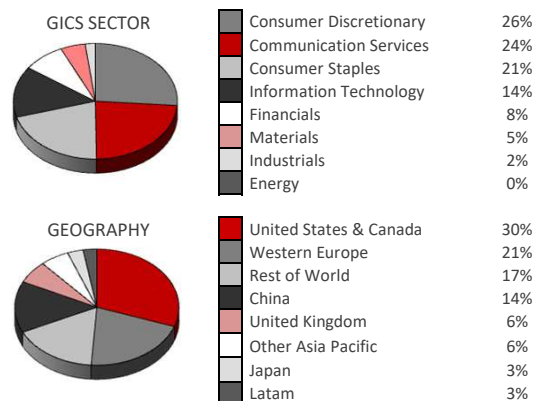
<b>Equity</b>	<b>68.7%</b>
Alibaba	4.9%
Netease	4.8%
Facebook	4.0%
Microsoft	4.0%
Alphabet (Google)	3.7%
Heineken Holding	3.6%
DS Smith Plc	3.4%
Reckitt Benckiser Plc	3.4%
Zalando	3.2%
Dollar Tree	3.1%
Other equity holdings	30.6%
<b>Property</b>	<b>6.5%</b>
Hammerson	2.9%
Hyprop	2.3%
Unibail-Rodamco-Westfield	1.3%
<b>Bonds</b>	<b>0.0%</b>
Offshore	0.0%
Domestic	0.0%
<b>Cash and Strategic Income</b>	<b>17.9%</b>
USD	12.1%
ZAR	1.8%
Other	4.0%
<b>Commodities</b>	<b>6.9%</b>
Gold	6.9%
<b>TOTAL</b>	<b>100.0%</b>

## PERFORMANCE AND RISK

Performance (net of fees)	Fund	Benchmark	Inflation
Since inception	581.3%	399.9%	170.4%
Since inception (annualised)	11.0%	9.1%	5.6%
10 Years (annualised)	8.6%	10.1%	5.0%
7 Years (annualised)	10.0%	9.3%	5.0%
5 Years (annualised)	3.2%	6.3%	5.0%
3 Years (annualised)	4.9%	7.4%	3.9%
1 Year	6.5%	6.6%	3.6%
Year-to-date	0.1%	0.1%	0.3%

Risk Measures (since inception)	Fund	Sector
Annualised monthly volatility	13.67	9.30
Sharpe ratio	0.09	0.15
Maximum drawdown	-37.3%	-21.7%
Lowest actual annual return	-16.8%	5 October 2007 to 4 October 2008
Highest actual annual return	+46.5%	5 October 2004 to 4 October 2005

## EFFECTIVE EQUITY EXPOSURE



## ANNUAL FUND PERFORMANCE

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Fund</b>	1.7%	6.1%	3.5%	43.3%	18.1%	31.2%	-18.2%	2.8%	0.8%	10.8%
<b>Benchmark</b>	0.9%	10.8%	15.8%	25.2%	10.5%	15.8%	-1.5%	8.2%	2.7%	11.3%
<b>Sector</b>	0.3%	9.1%	17.1%	32.5%	10.3%	12.6%	-3.9%	7.8%	-1.5%	13.2%

## FEES

	1 Year	3 Year
<b>Total Expense Ratio (incl. VAT)</b>	2.20%	2.21%
<b>Fund management fee (excl. VAT)</b>	1.75%	1.75%
<b>VAT on fund management fee</b>	0.26%	0.26%
<b>Fund expenses (incl. VAT)</b>	0.19%	0.20%
<b>Transaction Costs (incl. VAT)</b>	0.61%	0.64%
<b>Total Investment Charge (incl. VAT)</b>	<b>2.81%</b>	<b>2.85%</b>

## FUND COMMENTARY - FEBRUARY 2020

In February, your fund contracted by 3.4%, while the fund's benchmark was down 3.0% and the MSCI All World Index declined 8.6% in dollars (-4.5% in rand). The largest detractors were Hyprop, Walt Disney and Informa. Despite the general weakness in markets, Endava managed to generate a positive return. Bonds and gold performed well. We have made the portfolio more robust to tail-risk scenarios by trimming positions in companies that are likely to be worse affected by the Coronavirus, adding to those that are more resilient, and increasing our cash and gold weightings.

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

## MARKET COMMENTARY

### International

March has been the most eventful month for equities in a long time. The cause has been the global fallout from the Coronavirus. To date the number of those infected is over ninety thousand and the number of confirmed deaths over three thousand. While the virus was originally confined to Asia, we are beginning to see outbreaks in Europe, North America, and closer to home in Nigeria and Algeria. After its muted initial response, markets have started to price in a far more serious fall-out. In fact, during the last week of February, the decline in equity prices was the largest fall on the S&P since the global financial crisis of 2008 (-12%).

While, to paraphrase the words of Rudyard Kipling, we as investors “should keep our heads when all those about us are losing theirs”, we also need to be alert to potential tail risk scenarios and the probability that those materialize. As such, we are monitoring developments closely.

The first order impacts of the Coronavirus were felt by companies who are in the travel industry or outdoor entertainment industries (Walt Disney, Informa).

Next affected have been those companies who have large direct supply chain exposure to China (Apple) or companies that rely on the region for a large proportion of their sales (the luxury goods companies).

We are now beginning to see the effects spread more broadly as the revenues of all companies are a derivative of economic growth, to a lesser or greater extent.

### South Africa

News in South Africa was dominated by the budget speech. While the markets initial response was favourable, this optimism was supplanted with scepticism as the budget relies on large cuts in the government’s wage bill which have been very hard to implement in the past. Cosatu and other trade unions, on cue, were quick to express their opposition and have now lodged a formal dispute.

While many market participants have factored in an investment downgrade to junk status by Moody’s, passive investors can only react after the fact – and so further rand weakness is likely.

## 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 bi-annually on 31 March and 30 September.
- 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%.
- The EAC is a standard industry measure which has been introduced to allow you to compare the charges you incur and their impact on the investment returns over specific periods. Please visit <http://www.ipmc.co.za/effectiveannual-cost> to address the EAC illustrator. You can request an EAC calculation from [clientservices@ipmc.co.za](mailto:clientservices@ipmc.co.za) or call us on 021 673-1340
- Fund prices are published daily and available in newspapers countrywide, as well as on our website, [www.flagshipsa.com](http://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](mailto: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 [clientservice@ipmc.co.za](mailto:clientservice@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 of 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](mailto: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 IP Worldwide Flexible Fund is a Worldwide-Asset Allocation portfolio in the Flexible Portfolio Sector which invests at least 15% of its assets in South African investment markets and no more than 85% of its assets in approved foreign investment markets, at all times, with specific focus on asset allocation. The primary objective of the Flagship IP Worldwide Flexible Fund is to offer medium to long-term capital growth. The portfolio will invest in a flexible combination of investments in equity, bond, money or property markets to maximise total returns over the long term. The portfolio will be actively managed with exposure to various asset classes being varied to reflect changing economic and market circumstances, in order to maximise returns for investors.

In order to achieve its objective, the investments normally included in the Flagship IP Worldwide Flexible Fund will comprise a combination of local and foreign securities, exchange securities, stock including loan stock, financially sound listed property investments and participatory interests in portfolios of collective investment schemes in property shares, assets in liquid form and any other securities which are considered consistent with the portfolio’s primary objective and the Act or the Registrar may from time to time allow, all to be acquired at fair market value. To the extent permitted by legislation, the fund may use exchange traded funds and financial instruments to implement specific investment views.

### TER and Transaction Costs

From 1 January 2017 to 31 December 2019 2.21% of the value of the fund was incurred as expenses relating to the administration of the fund. 0.64% of the value of the fund was incurred as costs relating to the buying and selling of the assets underlying the fund. Therefore, 2.85% of the value of the fund was incurred as costs relating to the investment of the fund. 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.

### Fund Risk Profile

- The fund managers seek to reduce risk by investing in a range of assets diversified across sectors and geographies, with the flexibility to vary exposures as market circumstances dictate.



- 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.

### Flagship Asset Management (Pty) Limited

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