

**LYNX PRIME BALANCED FUND OF FUNDS A1 MINIMUM DISCLOSURE DOCUMENT**  
August 2016



**FUND PROFILE**

The objective of the fund is to provide investors access to a diversified portfolio of collective investments managed by a number of leading South African investment managers. The fund is actively managed and assets will be adjusted to reflect changing economic and market conditions. The fund is diversified across all major asset classes, and aims to provide investors with capital growth over the long term. The fund's asset allocation is suited to investor with a moderate approach to risk. The fund conforms to Regulation 28 of the Pension Fund Act.

**INVESTMENT OBJECTIVE**

The objective of the portfolio is to generate a consistent annual growth rate of inflation plus 6%. This is a multi asset, high equity fund that will have a maximum equity exposure of 75%. The fund may also invest up to 25% offshore.

<b>ASISA Fund Classification</b>	South African - Multi Asset - High Equity
<b>Issue Date:</b>	14-Sep-16
<b>Benchmark:</b>	Inflation (CPI) + 6% over a rolling 3 year period
<b>Risk Profile:</b>	Medium to High
<b>Portfolio Size:</b>	R438 million
<b>Portfolio Launch Date:</b>	03-May-05
<b>Class Launch Date:</b>	01-Jul-05
<b>Portfolio Manager:</b>	James Giffilan, CFA Jacques Du Plessis, CAIA
<b>Contact Details</b>	
<b>Telephone:</b>	+27 (0)11 707 9940
<b>Fax:</b>	+27 (0)86 504 0215
<b>Website:</b>	www.lfm.co.za
<b>Opening Price:</b>	1058.88 cents per unit
<b>Month End Price:</b>	2795.8 cents per unit
<b>Fees (Max)</b>	
<b>Initial Fees:</b>	0.00% (incl. VAT)
<b>Annual Management Fee:</b>	0.80% (incl. VAT)
<b>Income Declaration Dates:</b>	28 February and 31 August
<b>Income Payment Dates:</b>	3rd Working day in March and September - distributed on the following working day
<b>Bi-Annually Distributions</b>	
31-Dec-15	39.28 cpu
30-Jun-16	60.92 cpu
<b>Portfolio Valuation Time</b>	17h00
<b>Transaction Cut Off Time</b>	14h00
<b>Repurchase Period</b>	3 Working Days
<b>Daily Price Information</b>	The local newspaper & www.primeinvestments.co.za
<b>Trustee</b>	Societe Generale
<b>Additional Information</b>	
The fund manager may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity.	

RISK/RETURN STATISTICS	Lynx Prime Balanced FoF A1	CPI+6% (MoM)
Cumulative Return	99.7%	116.4%
Compound RoR (Annualised)	10.9%	12.1%
Highest Monthly Return	6.8%	1.9%
Lowest Monthly Return	-3.9%	0.2%
Percentage Positive Months	72.0%	100.0%
Maximum Drawdown	-4.7%	0.0%
Months In Maximum Drawdown	4	0
Months To Recover	2	0
Standard Deviation	5.9%	1.3%
Sharpe Ratio (Risk free)	0.92	4.84
Sortino Ratio (Risk free)	1.63	72.08
Downside-Deviation (below 10%)	3.9%	0.5%
Correlation to Benchmark	0.07	0.13

ROLLING MONTHLY PERFORMANCE	Lynx Prime Balanced FoF A1	CPI+6% (MoM)
1 Year (annualised)	7.0%	13.2%
Rolling 3 Years (annualised)	10.3%	12.4%
Rolling 5 Years (annualised)	12.9%	12.3%
Since inception (annualised)	10.9%	12.1%

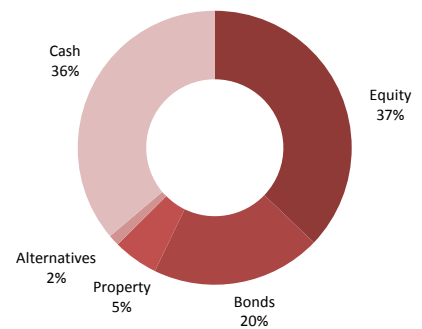
\*Monthly CPI data supplied by bloomberg

**Annual Returns for Rolling 10 Year Period**

Highest Annual % (2006/2007)	23.9%
Lowest Annual % (2007/2008)	-4.6%

TOP FIVE HOLDINGS	% of Portfolio
Investec Diversified Income	16.1%
Prescient Income Provider	16.0%
Laurium Flexible Prescient	15.3%
Visio Actinio	14.6%
Atlantic Enhanced Income	12.6%

**ASSET ALLOCATION**



Period (annualised)	2013/07/01	to	2016/06/30
	<b>Total Expense Ratio (TER)</b>	<b>Transaction Costs (TC)</b>	<b>Total Investment Charges (TER + TC)</b>
	2.80%	0.01%	2.81%
	of the value of the Financial Product was incurred as expenses relating to the administration of the Financial Product	of the value of the Financial Product was incurred as costs relating to the buying and selling of the assets underlying the Financial Product	of the value of the Financial Product was incurred as costs relating to the investment of the Financial Product.

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 Financial Product and impacts Financial Product 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 Financial Product, the investment decisions of the investment manager and the TER. Inclusive in the TER of 2.8%, a performance fee of 0.7% of the net asset value of the class of Financial Product was recovered.

**MONTHLY PERFORMANCE**

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Fund Year to Date	Benchmark Year to Date
2016	-1.58%	-0.10%	1.88%	0.16%	2.75%	-1.49%	0.02%	0.90%					2.49%	10.31%
2015	0.87%	2.83%	0.60%	2.10%	-0.17%	-0.86%	1.18%	-0.15%	-0.16%	3.20%	0.45%	0.89%	11.23%	11.69%
2014	-1.21%	1.80%	0.45%	1.26%	1.64%	1.38%	0.73%	-0.88%	0.55%	0.17%	1.25%	1.44%	8.87%	11.78%
2013	3.69%	-0.12%	2.15%	-0.61%	6.82%	-3.94%	2.94%	1.17%	3.45%	2.66%	-0.58%	2.43%	21.52%	11.87%
2012	2.77%	1.33%	0.97%	1.33%	-0.26%	0.02%	1.24%	1.71%	0.84%	2.81%	0.91%	1.32%	16.01%	12.20%
2011	-0.58%	0.40%	-1.30%	1.21%	0.46%	-1.42%	-1.06%	0.23%	0.12%	3.68%	0.71%	0.43%	2.81%	12.56%
2010	-0.46%	1.28%	3.27%	0.48%	-1.99%	-1.81%	2.01%	-2.94%	4.24%	2.60%	0.69%	2.62%	10.15%	9.84%

## Disclaimer

This is a minimum disclosure document and a general investor report. Collective Investment Schemes are generally medium to long term investments. The value of participatory interests may go down as well as up. The manager does not provide any guarantee either with respect to the capital or the return of a portfolio. Past performance is not necessarily an indication of future performance. CIS's are traded at ruling prices and can engage in borrowing and scrip lending. Different classes of units apply to these portfolios and are subject to different fees and charges. A schedule of fees and charges and maximum commissions is available on request from the manager. The manager has a right to close portfolios to new investors in order to manage them more efficiently in accordance with their mandates. Forward pricing is used. The manager may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Actual investment performance will differ based on the initial fees applicable, the actual investment date and the date of reinvestment of income. Dealing prices are calculated on a net asset value and auditor's fees, bank charges and trustee fees are levied against the portfolios. Performance is calculated for the portfolio, as well as that the individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Lump sum investment performances are quoted. Income distributions are in the calculations. NAV to NAV figures have been used. The investment performance is for illustrative purposes only. The investment performance is calculated after taking the actual initial fees and all ongoing fees into account. The reinvestment of income is calculated on the actual amount distributed per participatory interest by using the ex-dividend date NAV price of the applicable class of the portfolio, irrespective of the actual reinvestment date. Risk profile of the fund ranges from low risk to high risk with a low risk potentially associated with lower rewards and a high risk with potentially higher rewards. Foreign securities may be included in the portfolio from time to time and as such may result in the following: 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. One can also obtain additional information on Prime products on the Prime CIS website and all price related queries or information is readily available on request. Fund of funds are portfolios that invests in portfolios of collective investment schemes that levy their own charges, which could result in a higher fee structure for the fund of funds. The daily cut off time is 14:00 for trades and the valuation point is 17:00. Prices are published on Finswitch by 10:00 daily. Prime Collective Investment Schemes Management Company (RF) (Pty) Ltd is registered as a Collective Investment Scheme Manager in terms of Section 5 of the Collective Investment Schemes Control Act and is a member of ASISA.

## Fund/Market Commentary

The second quarter of 2016 proved to be as volatile as the first, with macroeconomic events such as Brexit dominating headlines and investor sentiment around the world.

The British referendum took the world by surprise as Britons voted to leave the European Union in June. The impact on global equity markets was severe in the days following the outcome as global stock indices such as the MSCI AC World Index and the FTSE 100 Index fell 7%. The British pound weakened to the lowest level in 30 years against the US\$ as the UK's credit rating was downgraded by S&P and Fitch.

However, it wasn't long before economic forecasters and investors alike, started pricing in a looser monetary policy stance amid the uncertain political environment. In fact, Mark Carney who is the governor of the Bank of England suggested the impact of the referendum will likely force them to cut rates in the coming months. The more dovish sentiment led to a sharp rally in risk assets towards the end of the quarter, especially emerging markets where yields are highly attractive in a world devoid of yield.

Closer to home there has recently been an improvement in the South African inflation outlook, partly on the back of a stabilising rand and partly as the drought has shown signs of subsiding. Bonds repriced on the back of this and closed up 4.4% for the quarter. Equities ended the quarter marginally up. Gold stocks were undoubtedly the best performers but financials and rand hedge stocks struggled in the volatile environment.

The Lynx SCI Balanced fund ended the quarter up 1.4%. The main positive contributors were our income managers who continue to offer attractive yields at relatively low risk, and also our indirect resource exposure via one of our value managers. Even though the fund has minimal exposure to the Euro area, our offshore exposure was the main detractor during the quarter on the back of a strengthening rand. We are however, happy with the diversification benefit it provides given an uncertain local economic backdrop.

### **Contact details for the Trustees:**

Societe Generale Security Services

Tel: 011 448 8800

### **Manager Information:**

Prime Collective Investment Schemes Management Company (RF) (Pty) Ltd

Telephone: +27 (10) 594-2100

Facsimile: +27 (86) 642-1880

Email: [save@primeinvestments.co.za](mailto:save@primeinvestments.co.za)

A fund of fund unit trust only invests in other unit trust, which levy their own charges, which could result in higher fee structures for these funds.

The manager shall reserve the right to close the portfolio to new investors on a date determined by the manager.

## **Glossary of Terms**

### **Fund of funds**

A "fund of funds" is an investment strategy of holding a portfolio of other investment funds rather than investing directly in stocks, bonds or other securities. This type of investing is often referred to as multi-manager investment. Investing in a fund of funds may achieve greater diversification. The benefit of diversification is that it can reduce volatility and the overall risk in the portfolio, while maintaining returns.

### **Regulation 28**

Regulation 28 of the Pension Funds Act sets out prudent investment limits on certain asset classes in investment funds. It applies specifically to investments in Retirement Annuities and Preservation Funds.

The maximum permitted exposure to certain asset classes is:

75% to equities

25% to property

25% to offshore assets +5% to African Assets.

### **Risk Profile: Medium to High**

Your primary aim is to achieve the required capital growth necessary to realise your long-term goals and objectives. You are prepared to tolerate fluctuations in your returns because you know that the longer-term picture is worth the short term pain, even if that means you lose money sometimes. While diversified across all the major asset classes, your portfolio will be tilted more towards equities because you know they offer the best long-term returns of all the asset classes and thus your wealth will grow over time.

### **Liquidity**

This is the ability to easily turn assets or investments into cash.

### **Equities**

An equity or share represents an institution/individual's ownership in a listed company and is the vehicle through which they are able to "share" in the profits made by that company. As the company grows, and the expectation of improved profits increases, the market price of the share will increase and this translates into a capital gain for the shareholder. Similarly, negative sentiment about the company will result in the share price falling. Shares/equities are usually considered to have the potential for the highest return of all the investment classes, but with a higher level of risk i.e. share investments have the most volatile returns over the short term. An investment in this type of asset should be viewed with a 7 to 10 year horizon.

### **Total Expense Ratio (TER)**

This is the total costs associated with managing and operating an investment (excluding administration, financial planning and servicing fees). These costs consist primarily of management fees and additional expenses such as trading fees, legal fees, auditor fees and other operational expenses. The total cost of the fund is divided by the fund's total assets under management to arrive at a percentage amount, which represents the TER.

### **Standard deviation**

Standard deviation (also called monthly volatility) is a measure of how much the returns on an investment change from month to month. It is typically used by investors to gauge the amount of expected volatility in an investment.

### **Sharpe ratio**

The Sharpe ratio measures risk-adjusted performance of an investment or portfolio. It measures the amount of risk associated with the returns generated by the portfolio and indicates whether a portfolio's returns are due to excessive risk or not. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been (i.e. a higher return with a contained risk profile, where the portfolio manager is not taking excessive risk to achieve those returns).

### **Annualised total returns**

Annualised return is the weighted average compound growth rate over the period measured.

### **Compound rate of return (RoR)**

The compounded rate of return is the average yearly (annualised) percentage that the fund has returned since the inception of the fund.

### **Sortino Ratio**

The Sortino Ratio is similar to the Sharpe ratio in that it indicates the risk/reward profile of a fund based on past data. The difference is that the Sortino Ratio takes into account harmful volatility by taking into account the standard deviation of negative returns (downside deviation). A large ratio indicates a low probability of a large loss.

### **Downside deviation**

A measure of downside risk that calculates the volatility on fund returns below a defined minimum. In this case, negative returns i.e. any monthly return below 0%.

### **Annual Returns (Highest/Lowest)**

The highest and lowest annualised performance numbers are based on 10 non overlapping one year periods or the number of non overlapping one year periods from inception where performance history does not yet exist for 10 years.