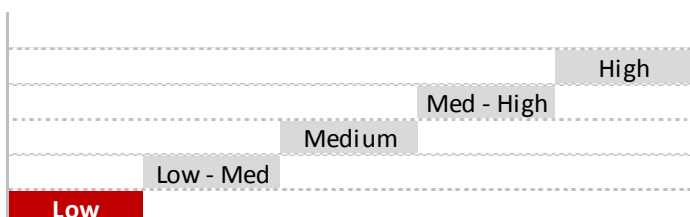




### Fund Objective

The objective of the Lynx Prime Cautious Fund of Funds is to provide investors access to a diversified portfolio of collective investments across all major asset classes. The fund aims to provide investors with capital growth over the long term at a rate of inflation plus 3% measured over a rolling 3 year period.

### Investor Risk Profile\*



\*Please refer to glossary section for further information.

### Fund Facts

|                            |  |               |
|----------------------------|--|---------------|
| Classification             | South Africa - Multi Asset - Low Equity      |               |
| Benchmark                  | Infl.(CPI) + 3% over a rolling 3 year period |               |
| Inception Date of Fund     | 03 May 2005                                  |               |
| Inception Date of Class    | 03 May 2005                                  |               |
| Total Portfolio Size       | 201 M  |               |
| NAV price                  | Launch                                       | 1000.00 (cpu) |
|                            | 30-Sep-17                                    | 1843.35 (cpu) |
| JSE code                   | LPCC1  |               |
| ISIN number                | ZAE000221222                                 |               |
| Income Declaration         | February, August                             |               |
| Valuation                  | Valuation time                               | 17h00 (daily) |
|                            | Dealing cut-off                              | 14h00 (daily) |
| Payment                    | 3rd working day of Mar/Sep                   |               |
| Minimum Initial Investment | R10 000 lump sum                             |               |
|                            | R1000 debit order                            |               |
| Reg. 28 Compliant          | Yes  |               |
| Issue date                 | 15 October 2017                              |               |

### Portfolio Income in Cents Per Unit (cpu)

| Distribution | Dividend | Interest | Other  | Total   |
|--------------|----------|----------|--------|---------|
| Aug-17       | 2.2168   | 26.6905  | 0.2407 | 29.1481 |
| Feb-17       | 3.4234   | 28.1910  | 0.1892 | 31.8036 |

| NAV Values | Jul-17        | Aug-17        | Sep-17        |
|------------|---------------|---------------|---------------|
| Fund Units | 10 591 236    | 10 699 820    | 10 891 258    |
| Fund NAV   | R 196 909 108 | R 199 508 248 | R 200 995 990 |
| Class NAV  | R 1 167 337   | R 1 157 063   | R 1 158 798   |

\*All figures have been rounded to the nearest Unit and Rand

### Fund Universe

The Lynx Prime Cautious Fund of Funds is a multi-managed fund that will consist of a mix of collective investment portfolios investing in a range of asset classes locally and abroad.

### Investment Strategy

The fund has a maximum effective equity exposure of 40% and a maximum effective property exposure of 25%.

### Who should be investing ?

The fund's asset allocation is suited to investor with a cautious approach to risk. The fund conforms to Regulation 28 of the Pension Fund Act.

### Total Investment Charges

Period (annualised): Mar 16 to Mar 17

**Total Expense Ratio (TER) 3.04 %**

Expenses related to the administration 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 be necessarily be an accurate indication of future TER's.

**Transaction Costs (TC) 0.08 %**

Costs relating to the buying and selling of the assets underlying the Financial Product

**Total Investment Charges (TIC) 3.12 %**

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 of the TER of **3.04 %**, a performance fee of 0.00% of the net asset value of the class of the Financial Product was recovered.

### Portfolio Fees

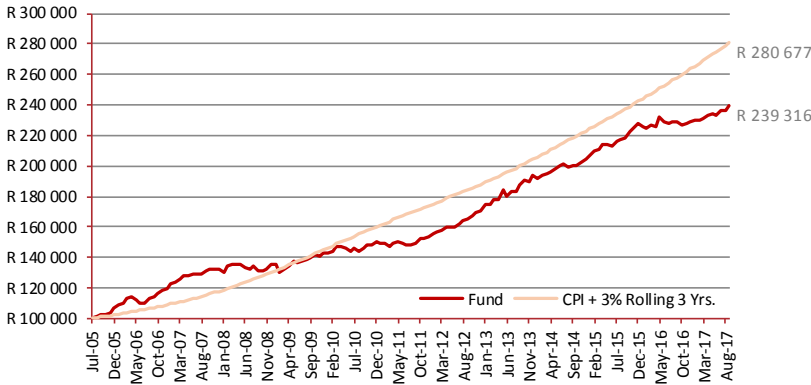
|                           |                   |
|---------------------------|-------------------|
| Management Fee            | 0.15% (excl. VAT) |
| Performance Fee           | N/A               |
| Advisory Fee              | 1.20% (excl. VAT) |
| Investment Management Fee | 0.55% (excl. VAT) |

### Mandate Compliance

The Fund remains within the reporting regime as at the date of this report.

Fund Performance

Growth of a R 100 000 Investment



Fund Composition

| TOP FIVE HOLDINGS                 | Exposure |
|-----------------------------------|----------|
| Prescient Income Provider Fund    | 19.94%   |
| Investec Diversified Income Fund  | 19.93%   |
| ABAX Absolute Return Pres Fund    | 15.12%   |
| Lynx Prime Global Diversified FoF | 13.14%   |
| Prime Income Plus Fund            | 10.99%   |

Performance History: Based on an initial investment of R100 000

| Period          | September-2017 |           | August-2017 |           | July-2017 |           | Risk Statistics       |           |           |
|-----------------|----------------|-----------|-------------|-----------|-----------|-----------|-----------------------|-----------|-----------|
|                 | Fund           | Benchmark | Fund        | Benchmark | Fund      | Benchmark | Risk Metrics          | Fund (C1) | Benchmark |
| 1 Month         | 1.11%          | 0.67%     | 0.18%       | 0.67%     | 1.22%     | 0.70%     | Volatility            | 3.95%     | 0.39%     |
| 3 Months        | 2.53%          | 2.05%     | 1.21%       | 2.09%     | 1.30%     | 2.12%     | Tracking Error        | 4.06%     |           |
| 6 Months        | 3.44%          | 4.22%     | 3.02%       | 4.25%     | 2.84%     | 4.30%     | Information Ratio     | -0.35     |           |
| YTD             | 4.76%          | 6.45%     | 3.61%       | 5.74%     | 3.42%     | 5.04%     | Correlation           | -0.20     |           |
| 1 Year          | 4.79%          | 8.75%     | 3.16%       | 8.78%     | 3.54%     | 8.82%     | Beta                  | 1.10      |           |
| 2 Years         | 4.66%          | 8.75%     | 4.40%       | 8.77%     | 4.46%     | 8.79%     | Sharpe Ratio          | 0.04      |           |
| 3 Years         | 6.14%          | 8.74%     | 5.97%       | 8.76%     | 5.48%     | 8.78%     | Max (Rolling 12 Mths) | 17.10%    | 11.42%    |
| 5 Years         | 7.74%          | 8.78%     | 7.62%       | 8.77%     | 7.83%     | 8.76%     | Min (Rolling 12 Mths) | -3.64%    | 5.80%     |
| Since Inception | 7.44%          | 8.85%     | 7.34%       | 8.79%     | 7.32%     | 8.73%     | Alpha                 | -1.37%    |           |

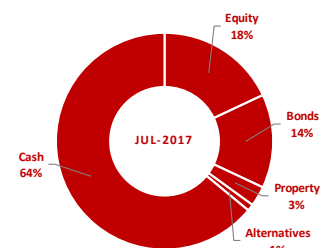
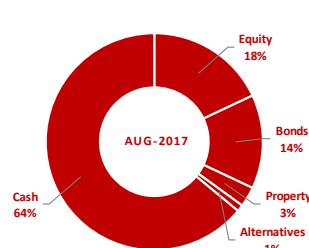
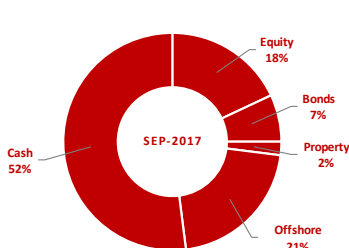
\* Returns above one year are annualised; \*\* Fund Returns are net of fees

\* Annualised

| Monthly Performance |      | Jan    | Feb    | Mar   | Apr    | May    | Jun    | Jul    | Aug    | Sep    | Oct    | Nov    | Dec   | YTD    |
|---------------------|------|--------|--------|-------|--------|--------|--------|--------|--------|--------|--------|--------|-------|--------|
| Fund                | 2017 | 0.57%  | 0.00%  | 0.70% | 0.81%  | 0.27%  | -0.19% | 1.22%  | 0.18%  | 1.11%  |        |        |       | 4.76%  |
| Benchmark           | 2017 | 0.71%  | 0.72%  | 0.70% | 0.70%  | 0.70%  | 0.70%  | 0.70%  | 0.67%  | 0.67%  |        |        |       | 6.45%  |
| Fund                | 2016 | -0.91% | -0.45% | 0.85% | -0.31% | 2.66%  | -1.16% | -0.44% | 0.55%  | -0.46% | -0.60% | 0.55%  | 0.08% | 0.30%  |
| Benchmark           | 2016 | 0.70%  | 0.71%  | 0.69% | 0.71%  | 0.72%  | 0.73%  | 0.72%  | 0.71%  | 0.70%  | 0.71%  | 0.72%  | 0.72% | 8.86%  |
| Fund                | 2015 | 1.04%  | 1.59%  | 0.52% | 1.36%  | -0.04% | -0.28% | 1.45%  | 0.29%  | 0.61%  | 2.05%  | 0.84%  | 1.30% | 11.24% |
| Benchmark           | 2015 | 0.67%  | 0.68%  | 0.68% | 0.70%  | 0.70%  | 0.71%  | 0.73%  | 0.72%  | 0.70%  | 0.69%  | 0.68%  | 0.68% | 8.66%  |
| Fund                | 2014 | -0.71% | 0.93%  | 0.30% | 0.76%  | 1.05%  | 0.95%  | 0.69%  | -1.20% | 0.64%  | 0.02%  | 0.96%  | 1.29% | 5.80%  |
| Benchmark           | 2014 | 0.72%  | 0.74%  | 0.74% | 0.75%  | 0.74%  | 0.73%  | 0.73%  | 0.74%  | 0.72%  | 0.71%  | 0.71%  | 0.69% | 9.07%  |
| Fund                | 2013 | 2.44%  | 0.15%  | 1.47% | 0.16%  | 3.93%  | -2.58% | 1.58%  | 0.32%  | 2.32%  | 1.65%  | -0.37% | 1.80% | 13.49% |
| Benchmark           | 2013 | 0.67%  | 0.68%  | 0.69% | 0.70%  | 0.68%  | 0.69%  | 0.70%  | 0.71%  | 0.72%  | 0.72%  | 0.72%  | 0.72% | 8.71%  |

| Asset Class Returns | Sep-17 |
|---------------------|--------|
| ALSI (TR)           | -0.87% |
| ALBI (TR)           | 1.08%  |
| SAPY (TR)           | 1.19%  |
| CASH                | 0.63%  |
| ZAR/USD             | 13.50  |

Asset Allocation





Links

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Fund Performance

Portfolio Commentary

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## Fund Commentary

Global markets in the third quarter of 2017 continued to march ahead as the synchronised recovery in global economic activity gained further traction. Low inflation numbers in the US, which have largely been a result of low oil prices and “transitory economic” anomalies have allowed the Fed to maintain a dovish stance for now. The upbeat market sentiment, together with strong corporate profits and a weak US dollar have spurred the S&P 500 to all-time highs. Trump’s much awaited tax reform policy was finally announced, and immediately US yields rose and the dollar strengthened which highlight the inflationary nature of his proposed policy changes. Eurozone economic data remained robust and GDP from the second quarter was confirmed at 0.6%. The possibility of reduced stimulus measures has been the focus of the market for some time and a strong Euro reflects that. The MSCI EMU index returned 4.3% in Euros for the quarter.

Emerging markets (EM) benefitted greatly from the continuation of excess liquidity in developed markets. Portfolio flows, particularly in favour of fixed income assets accelerated in recent months, benefitting EM currencies and their respective sovereign bonds. Foreign investors seem to have ignored recent political turmoil in countries like Turkey and South Africa, primarily chasing high real yields. EM equities have also benefitted from the uptick in global economic activity and the performance of equities in these markets reflect that. The Shanghai composite index for example gained 5%, while Russia’s Micex and Brazil’s Bovespa gained 11% and 18% respectively in local currency terms over quarter.

Closer to home, the JSE All Share Index gained 8.9% during the quarter, this performance was mainly driven by a handful of heavyweights such as Naspers. However, low investor confidence and weak economic activity held back stocks that are more exposed to domestic economy. Foreigners remained net sellers of SA equities and net buyers of SA bonds. The rand was rather resilient throughout the quarter until it sold off sharply in September to end the quarter at 13.6/\$.

The Lynx Cautious Fund did not take on unnecessary risks and yet provided a steady return of 2.9% during the quarter. All eyes will be on the Fed and the ECB in the coming quarter as the potential for policy normalisation has increased substantially in recent weeks. This, together with the binary ANC elective conference in December could result in an uptick in market volatility. Nevertheless, we are comfortable with the fund positioning and remain well diversified across asset class and geography.

## Glossary of Terms

**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.

**Total Expense Ratio** 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.

**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.

**Risk Profile (Low):** You are cautious about taking on risk (i.e. will have less exposure to equities in your portfolio). You want your capital to be safe and prefer fairly stable income and/or income growth. Even knowing that equities are a riskier asset class, you are comfortable to have some, albeit limited, exposure to them because you know they will add that little extra to your portfolio.

**Volatility** is a statistical measure of the dispersion of returns for a given security or market index.

**Tracking error** is a measure of the risk in an investment portfolio that is due to active management decisions made by the portfolio manager; it indicates how closely a portfolio follows the index to which it is benchmarked.

**Information ratio**, is a measure of the risk-adjusted return of a portfolio. In this case, it measures the active return of the manager's portfolio divided by the amount of risk that the manager takes relative to the benchmark.

**Sharpe Ratio** is a measure for calculating risk-adjusted return. It is the average return earned in excess of the risk-free rate per unit of total risk. 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).

**Beta** is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.

**Alpha** is a measure of the active return on an investment. It represents the excess returns of a fund relative to the return of a suitable benchmark.



Links

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