

May 2019

Lynx Investment Philosophy & Investment Strategy

The Lynx Prime Collective Investments are managed on a multi-manager, multi-asset class basis. Using this approach allows us to select the best of breed managers and achieve better diversification across investment styles and asset classes. The additional diversification allows the funds to achieve their return objectives at lower risk than their peers. With the funds exhibiting lower volatility and drawdowns than their peers over time.

Our manager selection process aims to find high quality managers that use different approaches and investment styles, that when combined are able to consistently rank amongst the top performers within that assets class. i.e. this approach should ensure that our equity "box" should rank amongst the top equity funds. Managers are accessed on an ongoing basis with any which fail to meet our expectation being replaced.

The asset allocation is undertaken with both the mandate and the peers in mind. With significant deviation from the average being avoided in order to reduce the volatility of our peer group ranking and enhancing our long-term returns. We are peer group aware and strive to produce returns which place the funds in the top 2 quartiles vs their peer group on a consistent basis. This is monitored on an ongoing basis, with proactive steps taken the funds start to lag their peers. Ultimately if we can produce better than average returns at lower risk on a continent basis, investors will improve the likelihood of achieving their investment goals.

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.

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.

Who should be investing?

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.

Investor Risk Profile



Income Distribution

Date	Dividend	Interest	Other	Total
Feb 2019	9.2060	24.7615	6.2198	40.1873
Aug 2018	3.5911	37.5750	5.3895	46.5555

Fund Net Asset Value

	Mar 19	Apr 19	May 19
Fund Units	12 892 748	12 847 603	12 567 002
Fund NAV	R 239 210 974	R 242 618 659	R 235 063 504
Class NAV	R 157 145 196	R 156 838 094	R 149 617 146

Fund Information

Classification	SA Multi-Asset _ Low Equity	
Benchmark	CPI + 3%	
Inception Date of Fund	03 May 2005	
Inception Date of Class	01 July 2005	
Total Portfolio Size	R 235 063 504	
NAV Price	Launch	1000.00 (cpu)
	Month End	1870.53 (cpu)
JSE Code	LPCA1	
ISIN Number	ZAE000221198	
Income Declaration	February, August	
Valuation	Valuation Time : 17h00 (daily)	
	Dealing cut-off : 14h00 (daily)	
Payment	3rd working day of Mar / Sept	
Min. Initial Investment	R 10 000 lump sum	
	R 1000 debit order	
Regulation 28 Compliant	Yes	
Issue Date	18 June 2019	

Total Investment Charges

Period (Annualised): March 2018 to February 2019

Total Expense Ratio (TER) 1.47 %

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 necessarily be an accurate indication of future TER's.

Transaction Costs (TC) 0.1 %

Costs relating to the buying and selling of the assets underlying the financial

Total Investment Charges (TIC) 1.57 %

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.

Portfolio Fees (Incl. in TIC)

Management Fee	0.15% p.a. (Excluding VAT)
Performance Fee	Not Applicable
Advisory Fee	Not Applicable
Investment Management Fee	0.55% p.a. (Excluding VAT)

Mandate Compliance

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

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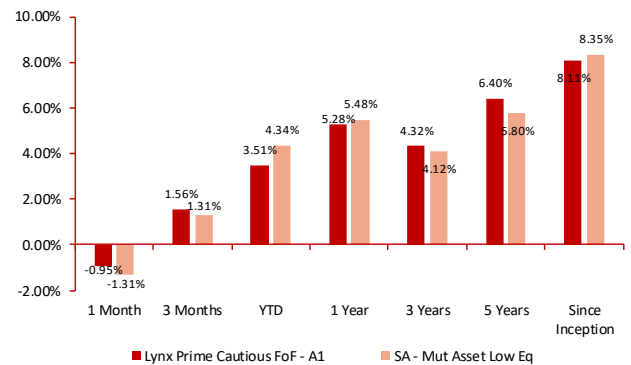
Top Holdings

ABSA Bank Ltd Pref
Anglo American Plc
Arrowhead Properties
British American Tobac
Firststrand Ltd Pref
Investec Ltd Pref
Naspers Ltd
Sasol Ltd
Standard Bank Ltd Pref
Stor Age Property REIT

Top 5 Manager Holdings

Investec Diversified Income Fund	21.06%
Prescient Income Provider Fund	18.02%
ABAX Absolute Return Pres Fund	15.28%
Laurium Flexible Prescient Fund	9.50%
Visio BCI Actinio Fund	9.23%

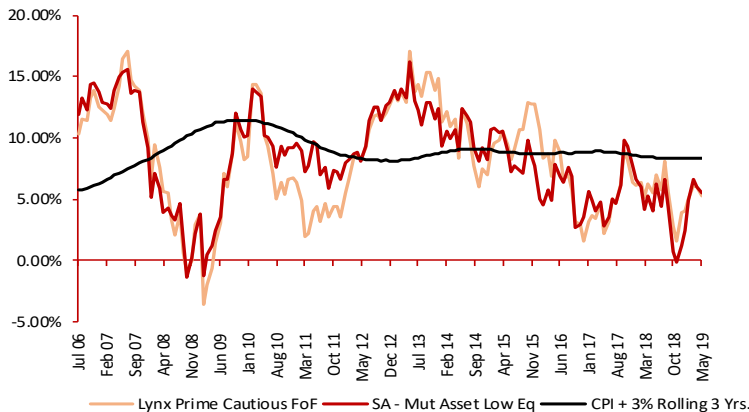
Trailing Returns



Source : Morningstar

Fund vs the ASISA South African Multi Asset Low Equity Average

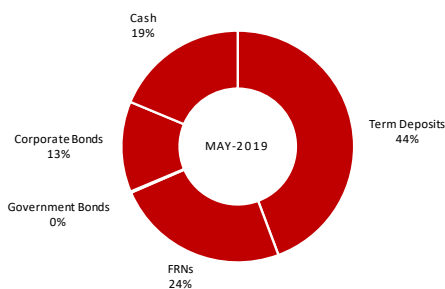
12 Months Rolling Returns



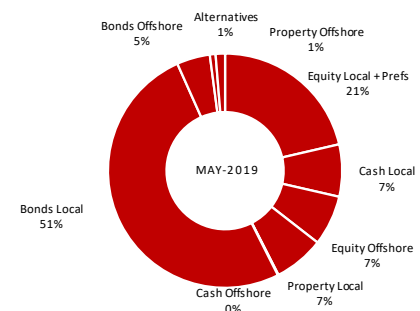
Periodic Returns & Risk Measures

	Fund	Benchmark	Category Avg.
1 Month	-0.95%	0.67%	-1.31%
3 Months	1.56%	2.02%	1.31%
YTD	3.51%	3.40%	4.34%
1 Year	5.28%	8.34%	5.48%
3 Years	4.32%	8.54%	4.12%
5 Years	6.40%	8.63%	5.80%
Since Inception	8.11%	8.79%	8.35%
Max (Rolling 12 Mths)	17.10%	11.42%	16.19%
Min (Rolling 12 Mths)	-3.64%	5.80%	-1.37%
Volatility	4.02%	0.36%	3.72%
Sharpe Ratio	0.20	n/a	0.27

Fixed Interest Sector Allocation



Asset Allocation as at 31 May 2019



Monthly Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Fund YTD	Bmk YTD	Sector Avg.
2019	0.60%	1.32%	0.74%	1.78%	-0.95%								3.51%	3.40%	4.34%
2018	0.47%	0.40%	-0.34%	1.95%	-0.32%	1.26%	0.15%	2.60%	-1.16%	-0.58%	-1.15%	0.63%	3.91%	8.34%	1.18%
2017	0.68%	0.10%	0.81%	0.91%	0.39%	-0.08%	1.33%	0.29%	1.22%	2.15%	-0.04%	-1.58%	6.31%	8.60%	7.75%
2016	-0.84%	-0.34%	0.97%	-0.21%	2.78%	-1.05%	-0.44%	0.66%	-0.34%	-0.37%	0.66%	0.19%	1.62%	8.86%	3.54%
2015	1.14%	1.70%	0.66%	1.48%	0.10%	-0.16%	1.56%	0.41%	0.72%	2.17%	0.96%	1.41%	12.82%	8.66%	7.72%
2014	-0.62%	1.01%	0.38%	0.83%	1.14%	1.02%	0.76%	-1.11%	0.74%	0.13%	1.06%	1.40%	6.92%	9.07%	8.26%
2013	2.55%	0.25%	1.57%	0.28%	4.03%	-2.47%	1.71%	0.42%	2.42%	1.74%	-0.27%	1.89%	14.90%	8.71%	12.43%
2012	1.66%	0.76%	0.92%	1.04%	0.37%	0.38%	1.18%	1.28%	0.65%	1.74%	0.97%	1.01%	12.63%	8.14%	12.94%
2011	-0.19%	-0.28%	-0.84%	0.95%	0.76%	-0.53%	-0.23%	0.32%	0.52%	2.17%	0.45%	0.46%	3.58%	8.63%	6.64%
2010	0.13%	1.14%	2.02%	0.67%	-0.92%	-0.98%	1.03%	-1.11%	1.64%	1.26%	0.42%	1.29%	6.73%	10.38%	9.19%
2009	-0.03%	-4.12%	2.07%	1.23%	2.27%	-0.22%	3.09%	0.91%	0.35%	2.14%	-0.70%	1.16%	8.25%	11.42%	10.03%
2008	-0.93%	3.28%	0.32%	-0.07%	0.16%	-1.84%	-0.73%	1.88%	-2.11%	-0.19%	0.74%	2.46%	2.86%	10.51%	2.12%
2007	2.04%	0.77%	2.05%	1.79%	0.29%	0.21%	0.44%	0.20%	1.09%	1.27%	-0.16%	-0.42%	9.96%	8.20%	9.14%
2006	2.31%	1.09%	2.45%	0.89%	-1.24%	-1.77%	-0.09%	2.30%	1.49%	1.58%	1.49%	1.47%	12.54%	6.26%	13.69%

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Fund Commentary

Local and global investors were treated to a relief rally in the first quarter following one of the most significant and broad-based sell-off's since the global financial crisis (in the 4th quarter of 2018). A more dovish stance by the Fed on the back of global growth concerns provided a tailwind for global markets, but especially emerging markets which have been under pressure since the start of Q2 2018 over fears of monetary tightening by major developed market central banks. With global liquidity expected to remain more accommodative for longer and the potential for some finality of the US-China trade-deal, risk assets bounced off their recent lows with interest sensitive assets like listed property benefitting the most.

The local market took direction from its global counterparts with risk-on sentiment driving major indices significantly higher. During the quarter, foreigners were net buyers of SA bonds but remain net sellers of SA equities, and have been so for the last 9 consecutive months. The JSE ALL Share Index gained 8.0% while the ALBI and SA Listed Property Index gained 3.8% and 1.5% (incl divs) respectively. While the returns from most portfolios in Q1 provided some comfort to investors after an ongoing period of subdued returns, the state of the economy doesn't match the improving returns on investor statements. The RMB/BER business confidence index in South Africa for example, fell 3 points to 28 in the first quarter of 2019, from 31 in the previous period. It is the weakest level of confidence since Q2 2017 and deterioration was observed in four out of the five sectors: construction, retail, wholesale, manufacturing and new vehicle trade.

One can't talk about the challenges of the domestic economy without mentioning Eskom, which for most South Africans has become somewhat of a swearword. In March during the height of the power outages imposed by stage 4 and 5 load shedding, it is was reported that 40% of the 45K mw it generates was out due to breakdowns. More than half of Eskom's power generation is beyond its useful life and the financial constraints faced by previous administration has pushed these power plants too hard for too long. Commenting on the matter, Public Enterprises Minister Pravin Gordhan said, "We are a recovering democratic government and load shedding is the result of that. We'll get it right in the next year or two". The biggest impact from a GDP perspective is on mining, manufacturing and electricity production and it is estimated that should load shedding continue, it could detract from annual GDP growth by 0.9%. The fiscal impact of Eskom will continue to weigh on the rand, although the disinflationary pressures are likely to offset some of the impact.

Earlier in the quarter, Minister Mboweni delivered the budget for 2019/2020 and although it was light on direct taxes, it was certainly not an election friendly budget where expenditure was concerned. On the one hand, it's the first time we've seen treasury make a concerted effort to curb the ballooning wage bill, but at the same time, much of the fiscus is being constrained to support Eskom. Investors' minds were recently put to rest when Moody's announced that they would not downgrade SA and kept their outlook at stable.

Interestingly, the JSE lagged global markets in the first quarter and the performance was heavily skewed towards a few large multi-national companies like Naspers and Richemont as well as some miners like Anglo American and BHP Billiton. For example, 96% of the return of the ALSI is attributable to these 4 shares which account for roughly 40% of the index. On the other hand, Q1 was a disaster for many domestic companies with the likes of Mr Price, Massmart and Truworths all falling more than 18% while the likes of EOH and Tongaat fell 60% and 65% respectively.

It's no secret that consumers are under pressure, this is evident in some of the results we've seen from domestic retailers in recent months. They continue to feel the pinch, after years of poor economic growth, coupled with record high petrol prices and elevated interest rates. Some of these retailers have been able to shield consumers from second round effects of rising fuel costs, but this has squeezed their margins and this is evident in the results we've seen lately.

While South Africa has its own set of problems, it's important to remember that it is a small cog in a much larger machine and will take direction from the global economy. There has been a marginal economic slowdown in global growth recently but some finality on the US China trade deal has the potential to reignite global trade which stands to benefit emerging markets. A stable local general election could prove to be the catalyst the domestic economy desperately needs. An improvement in local consumer and business confidence could encourage a turnaround for many SA assets that are attractively priced relative to history and their global peers. Furthermore, a positive outcome could help the country secure much needed foreign fixed capital investments that depends heavily on an improvement in political stability.

SA Indices & Indicators

EQUITY INDICES	31 May 19	YTD	1M	3 M
All Share J203T	8 277	7.09%	-4.84%	0.73%
Resources J258T	3 014	9.56%	-5.09%	-2.70%
Industrials J520T	8 587	-1.77%	-3.88%	-3.23%
Financials J580T	10 100	3.63%	-2.31%	-0.11%

SECTOR INDICES	31 May 19	YTD	1M	3 M
Basic Materials J510T	3 890	9.73%	-5.09%	-2.65%
Industrial 25 J211T	13 510	8.82%	-6.10%	3.51%
Health Care J540T	6 500	-19.48%	-12.11%	-20.81%
Consumer Services J550T	41 904	5.61%	-3.14%	1.08%
Telecom J560T	13 577	11.35%	0.77%	19.68%
Financials J580T	10 100	3.63%	-2.31%	-0.11%
Technology J590T	4 423	0.63%	-10.20%	7.68%

SIZE & STYLE INDICES	31 May 19	YTD	1M	3 M
Top 40 J200T	7 351	7.64%	-5.09%	1.19%
Mid Cap J201T	15 593	1.76%	-3.53%	-2.78%
Small Cap J202T	17 691	-1.47%	-2.68%	-0.76%

SA LISTED PROPERTY & SA BOND INDEX	31 May 19	YTD	1M	3 M
SA List Prop (SAPY) J253T	1 911	3.76%	-0.87%	0.77%
ALBI Total Return - Beassa (ALBI)	666	5.26%	0.64%	2.74%

CASH	31 May 19	YTD	1M	3 M
STEFI Composite Index (STFIND)	423	3.00%	0.61%	1.82%

EXCHANGE RATES	31 May 19	YTD	1 M	3 M
ZAR/USD	14.34		14.34	14.37
Rand (Appreciation)/Depreciation		-0.35%	0.00%	-0.21%
ZAR/GBP	18.69		18.69	17.46
Rand (Appreciation)/Depreciation		2.02%	0.00%	7.04%
ZAR/EUR	16.07		16.07	15.23
Rand (Appreciation)/Depreciation		-2.25%	0.00%	5.52%

BORROWING RATES	31 May 19	1 m Ago	3m Ago
SA Repo Rate	6.75%	6.50%	6.50%
SA Prime Overdraft Rate	10.25%	10.00%	10.00%

ECONOMICS	Last Avail.	2018	2017	2016
SA Real GDP YoY	0.00%	1.10%	1.30%	0.30%
CPI YoY	4.40%	5.20%	5.30%	6.30%
Current A/C Balance as a % of GDP	-3.50%	-2.50%	-2.80%	-4.60%
Unemployment Rate	27.60%	27.50%	27.50%	26.70%

May 2019

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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.

Risk Profile (Medium to High): The investors' primary aim is to achieve the required capital growth necessary to realise his/her long-term goals and objectives. The investor is 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.

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

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).

Disclaimer

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