

July 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.

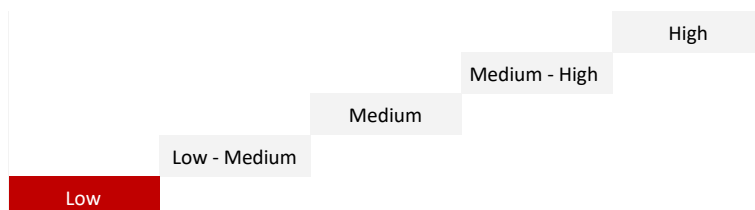
Fund Universe

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	8.9830	24.7018	6.4091	40.0939
Aug 2018	3.6116	37.5748	5.3688	46.5551

Fund Net Asset Value

	May 19	Jun 19	Jul 19
Fund Units	12 567 002	12 725 997	12 861 784
Fund NAV	R 235 063 504	R 240 204 246	R 242 874 117
Class NAV	R 57 243 263	R 62 690 336	R 63 761 922

Fund Information

Classification	SA Multi-Asset _ Low Equity	
Benchmark	CPI + 3%	
Inception Date of Fund	03 May 2005	
Inception Date of Class	01 July 2009	
Total Portfolio Size	R 242 874 117	
NAV Price	Launch	1000.00 (cpu)
	Month End	1888.62 (cpu)
JSE Code	LPCA2	
ISIN Number	ZAE000221206	
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	11 August 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.

July 2019

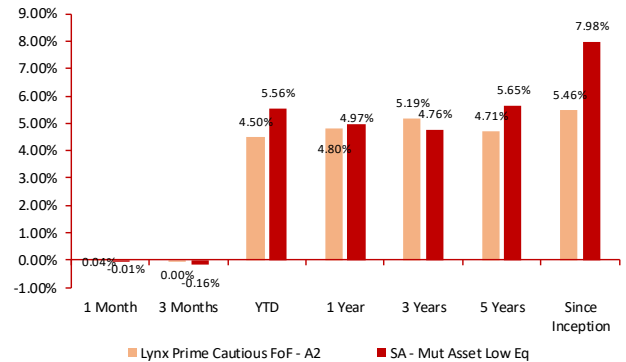
Top Holdings

ABSA Bank Ltd Pref
Anglo American Plc
BHP Group Plc
Firststrand Ltd Pref
Investec Ltd Pref
Naspers Ltd
Nedbank Ltd Pref
Sasol Ltd
Spear REIT Ltd
Std Bank Group Ltd pref

Top 5 Manager Holdings

Investec Diversified Income Fund	20.76%
Prescient Income Provider Fund	17.75%
ABAX Absolute Return Pres Fund	15.05%
Laurium Flexible Prescient Fund	9.52%
Lynx Prime Global Diversified FoF	8.39%

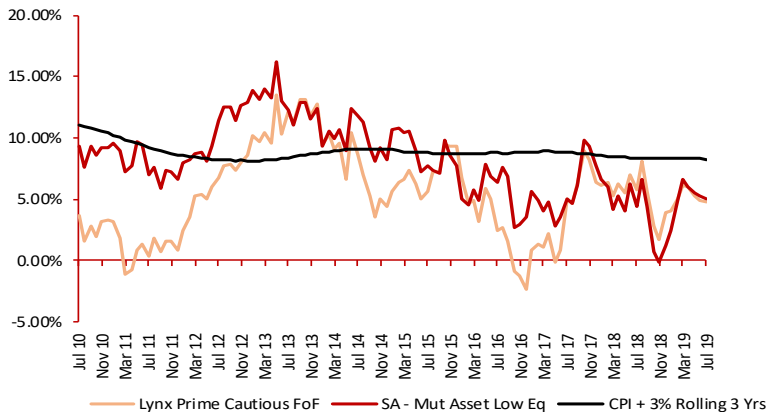
Trailing Returns



Source : Morningstar

Fund vs the ASISA South African Multi Asset Low Equity Average

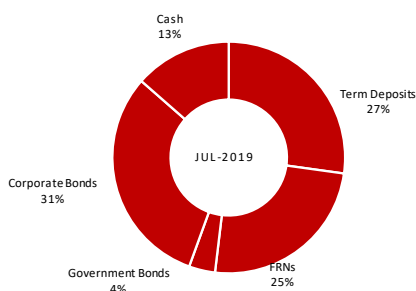
12 Months Rolling Returns



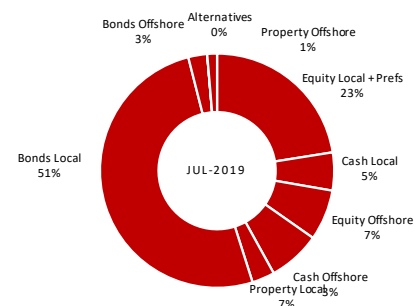
Periodic Returns & Risk Measures

	Fund	Benchmark	Category Avg.
1 Month	0.04%	0.65%	-0.01%
3 Months	0.00%	1.96%	-0.16%
YTD	4.50%	4.70%	5.56%
1 Year	4.80%	8.26%	4.97%
3 Years	5.19%	8.47%	4.76%
5 Years	4.71%	8.59%	5.65%
Since Inception	5.46%	8.88%	7.98%
Max (Rolling 12 Mths)	13.55%	11.03%	16.19%
Min (Rolling 12 Mths)	-2.43%	8.12%	-0.21%
Volatility	3.91%	0.22%	3.42%
Sharpe Ratio	-0.24	n/a	0.41

Fixed Interest Sector Allocation



Asset Allocation as at 31 July 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%	0.73%	1.78%	-0.95%	0.91%	0.04%						4.50%	4.70%	5.56%
2018	0.47%	0.40%	-0.34%	1.95%	-0.32%	1.26%	0.15%	2.60%	-1.16%	-0.57%	-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%	-1.57%	6.32%	8.60%	7.75%
2016	-2.57%	-0.33%	0.97%	-0.21%	2.78%	-1.05%	-2.74%	0.66%	-0.33%	-0.36%	0.66%	0.19%	-2.43%	8.86%	3.54%
2015	-0.21%	1.70%	0.66%	1.48%	0.10%	-0.16%	-0.27%	0.41%	0.72%	2.17%	0.96%	1.41%	9.31%	8.66%	7.72%
2014	-1.35%	1.02%	0.39%	0.83%	1.14%	1.04%	-0.90%	-1.10%	0.75%	0.13%	1.06%	1.40%	4.45%	9.07%	8.26%
2013	1.61%	0.25%	1.57%	0.28%	4.03%	-2.47%	0.73%	0.42%	2.42%	1.74%	-0.27%	1.89%	12.75%	8.71%	12.43%
2012	0.04%	0.76%	0.92%	1.04%	0.37%	0.38%	-0.92%	1.28%	0.65%	1.74%	0.97%	1.01%	8.53%	8.14%	12.94%
2011	-1.58%	-0.26%	-0.83%	0.96%	0.76%	-0.53%	-1.61%	0.32%	0.52%	2.17%	0.45%	0.46%	0.77%	8.63%	6.64%
2010	-1.53%	1.15%	2.02%	0.67%	-0.91%	-0.97%	-0.68%	-1.11%	1.65%	1.27%	0.43%	1.30%	3.25%	10.38%	9.19%
2009								0.92%	0.36%	2.15%	-0.69%	1.17%	3.95%	4.55%	4.90%

July 2019

Fund Commentary

In the 2nd quarter, there were a multitude of factors pulling local asset classes in different directions and although markets were broadly positive, there was ample intra-quarter volatility on the local bourse. On the one hand, concern over any finality in trade negotiations between the US and China cast a shadow on emerging markets. While on the other, a weakening US growth outlook and the increasing prospects of a rate cut by the Fed offset the trade-war uncertainty.

With stage 4 load shedding fresh in our memories and the ongoing enquiry into state capture by the Zondo commission being closely watched, sentiment leading into the national election in early May was tense and gloomy. While investors were more comfortable with Cyril Ramaphosa at the helm of the ruling party, there were concerns over how his success at a national level would impact his power struggle internally. Ultimately, the ANC retained the majority of vote and this provided President Ramaphosa the mandate required to implement policy reforms, starting with some major changes in his cabinet. The “goldilocks” election outcome provided the impetus required for domestic stocks to outperform the broader market at a time when it was most needed, although this theme was short-lived.

Later that month, President Trump upset the apple cart, placing further tariffs on Chinese imports which sparked a meltdown in global risk assets. The S&P 500 and the MSCI ACWI indices both lost close to 7% in May. SA equities were down 5% in the month but the weakness in the rand partially offset some the losses. It wasn't long before the prospect of lower rates in developed markets encouraged investors to pile back into risk assets, leading to a strong reversal and a rally across the board. The scoreboard for Q2 doesn't adequately reflect the volatility experienced by investors, with all major sectors delivering strong returns. Resources lagged the broader market in Q2 but remain the best performing sector for 2019, delivering 19% in the last 6 months. Financials on the other hand were the best performers in Q2 but have lagged for the most of 2019 and are almost 6% behind the JSE All Share Index over this period.

In early June, Stats SA released the Q1 GDP print which surprised to the downside, contracting 3.2% QoQ. Load shedding weighed heavily on the manufacturing and mining sectors while agricultural output was lower due to one-off effects. This was the most significant contraction in over a decade, and concerns over the stability of Eskom's power supply and financial sustainability remain key concerns for most economists. Without energy there is no investment, and a financially unstable Eskom poses a risk to the fiscus and credit ratings. For now, it appears that Moody's has given the new regime the benefit of the doubt, having recently issued a credit opinion on SA, reiterating it's Baa3 stable outlook. They argue that that “the new government” will put forward policies to continue tackling the main credit challenges, including low growth, steadily rising debt, leveraged state-owned enterprises and weakened institutions' now that elections are out of the way.

Talk of a potential downgrade to junk-status for SA has been around for so long that it seems investors are ignoring this risk entirely. Local bonds have outperformed the broader equity market by 7% and 3% over the last 1 year and 3 years respectively. A narrowing of SA's credit default swap by approximately 100bps since 2016 along with a strong improvement in local inflation has more than offset the headwind of rising rates in the US and has contributed to outstanding absolute returns. More recently, the dovish sentiment from the Fed and the subsequent compression in global yields has led to further demand for higher yields from abroad, but now valuations appear to be stretched. A high allocation to SA bonds may seem obvious with these strong returns, but the potential tail risk of drastic outcomes could easily have been realised had 2% of the candidates voted against Cyril Ramaphosa at the 2017 ANC elective conference.

The demand for lucrative after-tax returns, in an environment where growth assets continue to struggle has been supportive for the preference share market. Year to date, the FTSE/JSE preference share index is up 12% and broadly speaking yields remain attractive at about 10%. The property market has offered some respite after a tumultuous 2018, with the Capped FTSE/JSE Property Index delivering 2% for 2019 so far. The local property counters remain prey to the weak domestic growth environment, excess supply in the office space and lacklustre retail pending. In the absence of the strong contribution from companies in the Resilient Group that started the year on an exceptionally low base, together with the rand hedges, the broader market would certainly have been down year-to-date.

SA Indices & Indicators

EQUITY INDICES	31 Jul 19	YTD	1M	3 M
All Share J203T	8 467	9.55%	-2.37%	-2.66%
Resources J258T	3 146	14.37%	-5.24%	-0.93%
Industrials J520T	7 918	-9.43%	-3.82%	-11.37%
Financials J580T	9 570	-1.80%	-6.44%	-7.42%

SECTOR INDICES				
Basic Materials J510T	4 061	14.55%	-5.24%	-0.93%
Industrial 25 J211T	14 320	15.35%	1.49%	-0.47%
Health Care J540T	6 314	-21.79%	-2.34%	-14.62%
Consumer Services J550T	41 130	3.66%	-2.42%	-4.93%
Telecom J560T	14 479	18.75%	2.43%	7.47%
Financials J580T	9 570	-1.80%	-6.44%	-7.42%
Technology J590T	4 734	7.70%	2.55%	-3.89%

SIZE & STYLE INDICES				
Top 40 J200T	7 544	10.47%	-2.63%	-2.60%
Mid Cap J201T	15 658	2.18%	-1.99%	-3.12%
Small Cap J202T	17 753	-1.13%	0.51%	-2.34%

SA LISTED PROPERTY & SA BOND INDEX				
SA List Prop (SAPY) J253T	1 929	4.77%	-1.20%	0.09%
ALBI Total Return - Beassa (ALBI)	677	6.85%	-0.74%	2.16%

CASH				
STEFI Composite Index (STFIND)	428	4.23%	0.61%	1.82%

EXCHANGE RATES	31 Jul 19	YTD	1 M	3 M
ZAR/USD	14.17		14.10	14.34
Rand (Appreciation)/Depreciation		-1.53%	0.50%	-1.19%
ZAR/GBP	17.36		17.95	18.69
Rand (Appreciation)/Depreciation		-5.24%	-3.29%	-7.12%
ZAR/EUR	15.78		16.06	16.07
Rand (Appreciation)/Depreciation		-4.01%	-1.74%	-1.80%

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

ECONOMICS	Last Avail.	2018	2017	2016
SA Real GDP YoY	0.00%	1.10%	1.30%	0.30%
CPI YoY	4.50%	5.20%	5.30%	6.30%
Current A/C Balance as a % of GDP	-3.50%	-2.50%	-2.80%	-4.60%
Unemployment Rate	29.00%	27.50%	27.50%	26.70%

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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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