PRESCIENT MANAGEMENT COMPANY

Aylett Balanced Prescient Fund

Aylett [&Co] Fund Managers

Minimum Disclosure Document - 30 September 2018

Fund Performance: (figures are annualised)	Aylett Balanced Prescient Fund - Class A1	Composite Index
1 Year	9.9%	6.0%
2 Years	9.2%	7.5%
3 Years	10.9%	8.2%
Inception	9.2%	9.1%
Highest 1 year return	17.2%	21.5%
Lowest 1 year return	4.4%	0.2%

Fund Details:	
Market value	R543.7 million
Offshore exposure	18%
Top 10 holdings	ANGLO AMERICAN PLC
(in alphabetical order)	BERKSHIRE HATHAWAY INC-CL B
	MELCO INTERNATIONAL DEVELOP.
	MTN GROUP LTD
	NEDBANK GROUP LTD
	R186
	REINET INVESTMENTS SCA
	SASOL LTD
	TRANSACTION CAPITAL
	TSOGO SUN HOLDINGS LTD

Fund Facts:	
Fund objective	To provide long term growth in both capital and income over time
Fund category	South African Multi Asset High Equity
Inception	1 November 2013
Benchmark	Composite
Recommended term	Medium to long term
Portfolio manager	Walter Aylett - Aylett & Company (Pty) Ltd
Management company	Prescient Management Company (RF) (Pty) Ltd
Fund auditors	KPMG
Fund trustees	Nedbank Investor Services. Tel: +27 11 534 6557

Fees & minimums:		
Minimum	Lump sum: R5 000	
Investments	Debit order: R500	
Initial fees	None	
Annual management fee A1 Class	Minimum: 1.15% (including VAT)	
	Maximum: 1.15% (including VAT)	
	Fees are class dependent: Calculated on the market value of the fund's assets, accrued daily and paid monthly.	
Total expense ratio	Total TER of 1.21% comprised of:	
A1 Class	Management fee	1.15%
	Performance fee	0.00%
	Other cost	0.06%
	Total TER	**1.21%**
Transaction Costs	Transaction costs	**0.12%**
Total Investment Charges	Total Investment Charges	**1.33%**

Income Distributions:	
Declaration & payment	Declared: Last business day of March annually. Distributed: By the 2nd working day after declaration date.
March 2018: 4.12 cpu	

Fund Investment Summary and Objectives

Our Investment Strategy and Philosophy

Shares are evaluated, not by a fluctuating ticker or a graph on a screen, but by what they represent, a certificate of ownership. We seek great businesses that are well run and managed, trading at a discount to their intrinsic value. We follow the adage that the return of an investment is determined not by the exit price but by the price one pays.

Fund Objective

The objective of the Aylett Balanced Prescient Fund is to maximise long term capital appreciation by investing in assets on behalf of clients that will preserve their purchasing power in real terms and earn a satisfactory return on that capital.

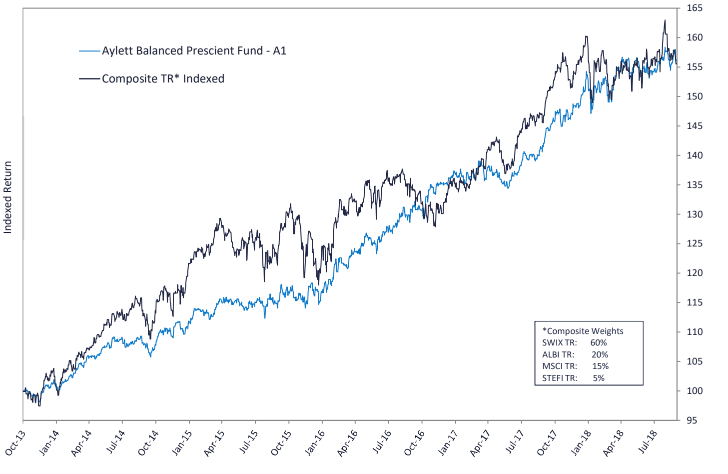
Fund Universe

The maximum net equity exposure of the Aylett Balanced Prescient Fund is 75%, with offshore asset exposure being limited to 30%. This fund is managed to comply with the investment limits governing retirement funds.

Fund Risk Profile

The Fund has a moderate risk profile as it is actively managed across global equities, cash and listed assets.

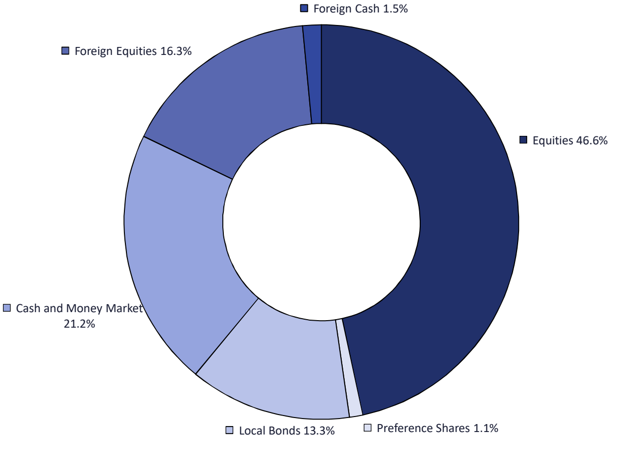
Aylett Balanced Prescient Fund vs. Benchmark



*Total Return Index is net of fees and assumes dividends and distributions are reinvested.
Cumulative outperformance since inception is 0.6%. For illustrative purposes only.

Source: Bloomberg, inception to end 30 September 2018

Asset Allocation



Issued on: 12 October 2018

5th Floor, Mariendahl House, Newlands on Main, Main Road, Newlands, Cape Town
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Fund Manager Commentary:

We have been consistent in our message over the last few years in that we believe many of the levers available to policy makers for asset price growth have been used. Central bankers around the world have been very accommodating with low interest rates and the provision of excess liquidity. Many of the tools in their tool kit have been tried, we struggle to see what can be used next.

In the US, the government has reduced taxes for companies and provided incentives for the repatriation of US dollars held offshore. The new administration has introduced tariff protection for several industries in an attempt to assist local producers – something which might help in the short-term, however, in the long-term is more likely to hurt the country as inefficiencies are introduced and products and services become more expensive for the consumer. China's full reaction to these tariffs are yet to be seen. They have, in the meantime, responded by stimulating their economy and introducing some of their own protection policies.

Globally, companies continue to buy back their own shares funded by cheap debt made available by the central banks, instead of investing in productive assets. We note that most of these loans have variable interest rates and as rates rise, interest bills will follow.
The US long bond currently trades at above three percent and it is not inconceivable that we might see four percent quite soon. The implication of this is obvious: as the reserve currency reprices, all other weaker currencies, in particular emerging market currencies, will have to live with higher borrowing costs. For example, at the current rate of three percent earned on the US long bond, is nine percent sufficient to be earned on the South African R186? Is that enough to incentivise investors to stay or invest in South Africa?

Commodity prices have edged higher over the last few years led mainly by the oil price. A higher oil price affects emerging markets more than they affect developed markets. It remains to be seen whether the frackers that previously reduced oil prices return to apply pressure to the price again. It does not help that the US has punished Iran for reintroducing oil into global markets.

In general, the political environment has been abysmal with no shortage of drama. There is not a day without some headline that rattles confidence and has investors selling assets. A good example is the UK government which continues to erode confidence. One wonders how Brexit will end. Hopefully some sanity will prevail, and it doesn't happen.

Anyone who has started a career in the financial services market in the last ten years has not witnessed a bear market. Bankers appear to have poor short-term memories and have seen some lending on terms similar to those that led to the financial crisis of 2008. The debt markets look vulnerable with all forms of lending at record levels. Global debt to GDP is now 217 percent, up from 179 percent in 2007. Howard Marks has recently written a very good piece on this topic which does a good job of explaining the risks associated with the current high levels of debt.

We concur with Marks that should something go wrong in the markets, it is not going to come from the equity markets, but more likely from the public and private debt markets. Will this result in rising inflation, debt defaults, rising interest rates and more trade disputes? We simply do not know but prefer to remain cautious. We will continue to invest but need even more safety from our investments coupled with lower expectations in terms of returns.

We are fans of a strong balance sheet and try to value businesses in a way that takes into account an uncertain future. Businesses that sell products and services that are understandable, are required on a day-to-day basis and cannot be easily replaced are businesses we like. Industries such as tobacco and food companies come to mind, as well as companies like Oriental Watch Holdings and Bowler Metcalf with their cash flush balance sheets and simple business models.

We are finding more value in South Africa than offshore. The major reason for increasing our investment exposure to South Africa despite the pessimism, is that asset prices more than reflect the problems our country has, whereas offshore asset prices (in general) do not. We concede that short-term prospects for South African companies don't look great, but the prices we are currently paying do not require much optimism. While we have not introduced many new ideas to the fund, you will notice that we continue to allocate capital to companies we know intimately and that command strong positions in their markets.

As previously mentioned, the R186, South Africa's long-term bond currently yields about nine percent. At one stage it was trading to almost double inflation - a premium we don't think is warranted and therefore an attractive asset. With the exception of a weak rand, we see no reason why rates should increase: confidence is low, the political environment uncertain and the petrol price increases are tantamount to a rate increase on an already struggling economy.

Investing in South Africa with its struggling economy and the pervasive pessimism will feel uncomfortable to many but this pessimism feels familiar. It wasn't long ago when we were investing in commodity companies that were priced for Armageddon, an investment which turned out to be very rewarding. The local investments will require time and patience, but we don't think it is impossible that with a bit of growth and improvement in the sentiment of our country, share prices of some of the businesses we are buying today could double.

Walter Aylett

30 September 2018

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Disclaimer

For any additional information such as fund prices and application forms, please visit www.aylett.co.za.

Risk Profile

Medium / Medium - High:

- These portfolios generally hold more equity exposure than low risk portfolios but less than high risk portfolios
- In turn the expected volatility is higher than low risk portfolios, but less than high risk portfolios
- The probability of losses are higher than that of the low risk portfolios but less than high risk portfolios
- Expected potential long term investment returns could therefore be lower than high risk portfolios due to lower equity exposure, but higher than low risk portfolios

Glossary

Annualised performance: Annualised performance shows longer-term performance rescaled to a 1 year period. Annualised performance is the average return per year over the period. Actual annual figures are available to the investor on request.

Highest & Lowest return: The highest and lowest returns for any 1 year over the period since inception have been shown.

NAV: The Net Asset Value represents the assets of a Fund less its liabilities.

Composite Index: 60% SWIX Total Return Index, 20% All Bond Total Return Index, 15% World MSCI, 5% Cash STEFI

CPU: cents per unit

Contact Details

Management Company:

Prescient Management Company (RF) (Pty) Ltd, Registration number: 2002/022560/07 Physical address: Prescient House, Westlake Business Park, Otto Close, Westlake, 7945 Postal address: PO Box 31142, Tokai, 7966. Telephone number: 0800 111 899. E-mail address: info@prescient.co.za Website: www.prescient.co.za

Prescient Management Company (RF) (Pty) Ltd. This portfolio operates as a white label fund under the Prescient Unit Trust Scheme, which is governed by the Collective Investment Schemes Control Act. Prescient is a member of the Association for Savings and Investments SA.

Trustee:

Nedbank Investor Services physical address: 2nd Floor, 16 Constantia Boulevard, Constantia Kloof, Roodepoort, 1709 Telephone number: +27 11 534 6557 Website: www.nedbank.co.za

The Management Company and Trustee are registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002).

Investment Manager:

Aylett & Company (Pty) Ltd, Registration number: 2004/034008/07 is an authorised Financial Services Provider (FSP No. 26/10/20513) under the Financial Advisory and Intermediary Services Act (No.37 of 2002), to act in the capacity as investment manager. This information is not advice, as defined in the Financial Advisory and Intermediary Services Act (N0.37 of 2002). Please be advised that there may be representatives acting under supervision.

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