

## Fund fact sheet

# Mergence CPI + 4% Fund

30 April 2017 - Issued: 15 May 2017



MERGENCE

### OVERVIEW

<b>Fund Purpose</b>	Generate a real return above inflation whilst minimising medium term risk
<b>Investment Style</b>	Absolute Return
<b>Benchmark</b>	Headline Consumer Price Index + 4%
<b>Investment Vehicle</b>	Segregated
<b>Inception date</b>	Oct 2009
<b>Number of Months</b>	91
<b>Fund Size</b>	R 2.920 billion
<b>Minimum Investment</b>	R50 million
<b>Management Fee</b>	Subject to mandate (usually between 0.50% and 1.00% per annum)
<b>Performance fees</b>	Negotiable

### INVESTOR PROFILE

#### The Fund is suitable for institutional investors:

- who believe that the risk of monetary loss is more important than the risk of underperforming the equity markets
- who seek a real return above inflation independent of the overall equity market returns
- who seek an investment solution with a strong focus on medium term capital preservation, while aiming to produce significant growth over the long term

### INVESTMENT OBJECTIVE

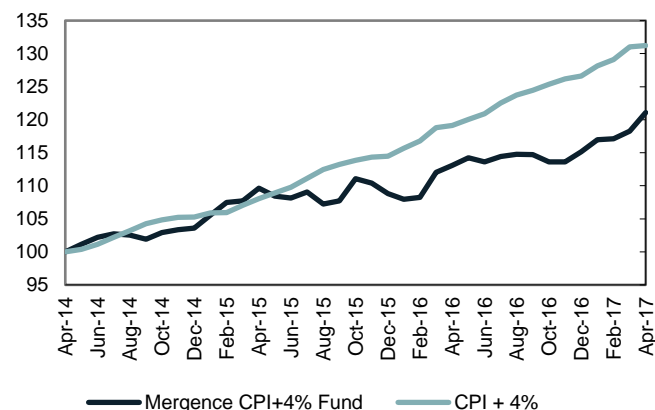
The Fund is managed with the objective of producing a real return of CPI plus 4% per annum over the longer term while preserving capital over rolling 36-month periods. It may underperform relative to overall equity markets due to its focus on capital preservation and long-term capital growth.

### PERFORMANCE DETAILS

Period	Fund	CPI + 4%	ALBI	ALSI
1 Month	2.38%	0.92%	1.42%	3.64%
3 Months	3.52%	3.29%	2.55%	3.11%
6 Months	6.58%	5.53%	3.59%	8.00%
1 Year	7.07%	10.13%	10.57%	4.50%
3 Years	6.58%	9.48%	6.06%	6.02%
5 Years	8.59%	9.68%	7.29%	12.48%
Since Inception	9.11%	9.40%	7.85%	13.62%

Year	Fund	CPI + 4%
2017	5.13%	4.03%
2016	5.82%	10.61%
2015	5.05%	8.77%
2014	7.37%	9.80%
2013	9.23%	9.31%

### 3-YEAR TRACK RECORD



### INVESTMENT MANDATE

The Fund is managed with an absolute return orientation, and is structured to generate a return of 4% above inflation at a low level of risk. It is broadly diversified across asset classes including equities, listed property, conventional bonds and inflation-linked bonds. The Fund employs active asset allocation and derivative hedging to manage and reduce downside risk.

### RISK OF MONETARY LOSS

The recommended investment term for this Fund is 5 years or longer. While the return expectations should be set at periods over 5 years, the Fund is managed not to lose money over any 36-month period. As a result, declines over any 36-month period are unlikely. Note that while capital preservation is our intent, this is not a guaranteed fund.

### RISK ANALYSIS

Risk Measure	Fund
Annualised Return	9.11%
Volatility	4.32%
Sharpe Ratio	0.81
Sortino Ratio	1.78
Beta to JSE All Share	0.33
Correlation to JSE All Share	0.92

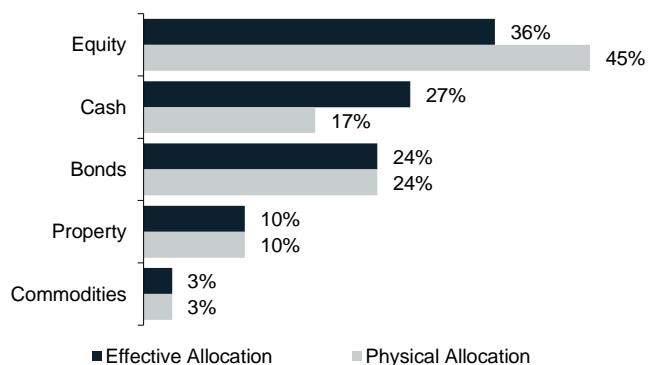
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## FUND STRUCTURE

### Asset Allocation (Effective)



### Top 10 Equity Holdings

	% of Category	% of Total
Naspers -N	18.90	8.60
MTN	5.59	2.54
BAT	5.24	2.38
Richemont	4.65	2.12
Steinhoff	4.20	1.91
Sasol	4.00	1.82
Remgro	3.35	1.53
BHPBilliton	3.05	1.39
Standard Bank	2.84	1.29
Firststrand	2.61	1.19

## MONTHLY PERFORMANCE RETURNS

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2017	1.6%	0.1%	1.0%	2.4%								
2016	-0.8%	0.3%	3.5%	1.0%	1.0%	-0.6%	0.7%	0.3%	0.0%	-1.0%	0.0%	1.4%
2015	1.9%	1.8%	0.2%	1.8%	-1.1%	-0.3%	0.8%	-1.7%	0.5%	3.1%	-0.6%	-1.4%
2014	-1.4%	2.4%	1.4%	1.3%	1.1%	1.1%	0.5%	-0.1%	-0.6%	1.0%	0.4%	0.3%
2013	1.2%	-0.1%	0.9%	-0.4%	1.5%	-2.1%	1.9%	1.0%	1.9%	1.9%	-0.5%	1.8%

Please note that there are risks associated with financial products and past performance is not necessarily an indication of future performance.

## PORTFOLIO MANAGEMENT



**Dirk Steyn**, BSc, B Eng and MSc (Financial Mathematics)  
Portfolio Manager

Dirk joined Mergence Investment Managers in 2007 in the role of Quantitative Analyst whilst completing a Masters in Financial Mathematics at University of Cape Town. Since then he has fulfilled various roles in the investment process including risk manager and fixed income analyst. In the last three years, Dirk has focussed his attention on championing fixed income and cash management at Mergence, and joined the absolute returns team in 2014 as Portfolio Manager.



**Patric Ho**, B Com, CA(SA)  
Head: Absolute Return Funds, Portfolio Manager

Patric has over 25 years investment experience having started his career in 1986 as a researcher at a large domestic stockbroker. In 1990 he joined Fedsure as Investment Manager with both research and portfolio management responsibilities. In 1995 he relocated to Australia and helped establish a specialist stock-broking operation. Patric returned to SA in 1998 and re-joined Fedsure Asset Management as Chief Investment Officer until 2001. Thereafter he was Chief Investment Officer at Eskom Pension and Provident Fund for 7 years before relinquishing this role to set up and manage an absolute return portfolio during his final 3 years at the Fund. Patric joined Mergence in 2012 as Portfolio Manager: ARF's and brings with him years of investment management experience at a senior level and a highly successful record of managing absolute return funds.

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