

Kruger Ci Balanced Fund

August 2020



KRUGER
International
Asset & Wealth Management

INVESTMENT OBJECTIVE

The investment objective of this portfolio is to provide investors with capital growth over the short to medium term. The portfolio may also generate stable income. The portfolio invests in a combination of equities, listed property, bonds and money market. The portfolio is aimed at investors who can tolerate higher risk, as explained only by volatility, as it may have a maximum of up to 75% exposure to equities. The Fund may from time to time invest in listed and unlisted derivatives, in order to achieve the Fund's investment objective. The portfolio adheres to the prudential investment guidelines set by Regulation 28.

ABOUT THE FUND

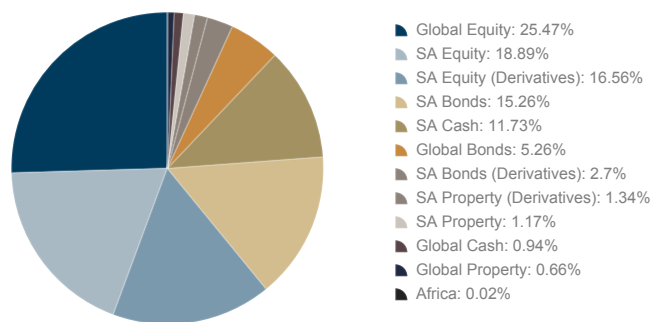
ASISA Classification	South African – Multi Asset – High Equity
Risk Profile	High
Benchmark	South African Multi Asset High Equity Category Average
Equity Exposure	The fund may have a maximum effective exposure of 75% for equity.
Foreign Exposure	Up to 30% of the assets may be invested offshore and an additional 10% in Africa (ex RSA).

UNDERLYING HOLDINGS

International Equity Fund*	19.49%
Direct Equity (Hedged)	17.17%
Fairtree Equity Prescient Fund	15.78%
International Flexible Fund*	12.58%
SA Cash	7.60%
SA Bonds	6.82%
Nedgroup Investments Core Income Fund	5.57%
Ci Diversified Income Fund	3.60%
Satrix Bond Index Fund	3.28%
Direct Bonds (Hedged)	2.70%
Ci Equity Fund	1.97%
Ci Engineered Equity Core Fund	1.96%
Direct Listed Property (Hedged)	0.73%
Ci Property Fund	0.64%
Global Cash	0.11%

* Kruger International Mauritius is the Investment Advisor on these funds

ASSET ALLOCATION



Asset allocations are one month lagged

PORTFOLIO HISTORIC PERFORMANCE*

	1 year	3 year	5 year	10 year
Kruger Ci Balanced Fund (Class A)	10.22%	n/a	n/a	n/a
Benchmark	4.68%	n/a	n/a	n/a
Highest return over 12 rolling months				11.11%
Lowest return over 12 rolling months				-5.80%

*Annualised

THE KRUGER INVESTMENT COMMITTEE

Hein Kruger:	Chief Investment Officer
Mia Kruger:	Portfolio Manager
Johan Marais:	Investment Committee Member
Charl Bester:	Investment Committee Member
Analytics Consulting:	Investment Consultant

PORTFOLIO MANAGER'S COMMENTARY

International:
The relentless surge in global market gains continued in August – the fifth consecutive month – amid continued belief in a V-shaped economic and market recovery post the initial Covid-19 impact. This view is based mainly on the back of vast amounts of liquidity injected by central banks around the world which was backed with fiscal support by numerous governments. Another reason is the steady re-opening of economies and the belief that an effective vaccine against Covid-19 is imminent. This is further spurred on by President Donald Trump who signals a vaccine as early as the end of 2020. As far as equity markets are concerned, technology companies are favoured to be the main beneficiaries from the pandemic which resulted in a robust rerating of especially the so-called FANG stocks. This has led to a narrow market rally driven by a small number of stocks. An additional boost to investor sentiment emanated from a solid increase of 1.37 million nonfarm payrolls in August, an unemployment rate that tumbled to 8.4% compared to expected growth of 1.32 million jobs and an unemployment rate of 9.8%. However, the huge and widening disconnect between the real economy and the lofty levels of equity markets remain of huge concern, especially among traditional market analysts and economists. Among the main reasons are the fear for a possible second wave of Covid-19, escalating tension between the US and China around trade issues, expected volatility in the runup to the US presidential election, increasing climate change risks and unfinished Brexit business that seem to be unravelling as the year-end deadline approaches. In the absence of corporate results to provide immediate market direction – not until the middle of October when the reporting season for the third quarter kicks off – economic data and politics will be the main drivers. Markets continued its upward surge in August – the MSCI All Country Index gained +4.88% (-2.44%ytd); the Dow Jones +7.92% (+1.30%ytd); the S&P 500 +7.19% (+9.74%ytd) and the MSCI Emerging Markets Index by +2.77% (-3.47%ytd) – all in US dollars.

Local:
With Covid-19 reaching its peak, the impact of the lockdown on an already weak SA economy is huge as borne out by the latest economic data. Although some data points were slightly better than in previous months due to the steady unlocking of the economy, the deepening negative undertone remains overwhelming and confirms a deep recession. Among the most prominent negative data points were mining output that fell 9.1% in July while manufacturing was down 10.6%, the current account balance that swung to a deficit in the second quarter as the trade surplus more than halved – R91.5 billion in the second quarter from R201.7 billion surplus in the first quarter – a deficit of 2.4% of GDP on its current account balance during the April to June quarter from a revised surplus of 1.2% of GDP in the prior quarter. GDP that shrank by a record 51% in the second quarter on an annualised basis, the growth in private sector credit that slowed to 5.12% year-on-year in July from a revised 5.63% in June and the headline consumer price inflation that quickened to 3.2% year-on-year in July from 2.2% in June, and the trade balance that slowed down to a surplus of R37.42 billion in July compared to R45.73 in June.. Among a few positive data points were the Standard Bank PMI index for the whole economy that edged up to 45.3 in August from 44.9 in July but staying below the 50 mark, the Absa PMI manufacturing index that improved from 51.2 in July to 57.3 in August. The poor data possibly leaves room for a further small rate cut at the next monetary policy meeting of the Reserve Bank. Contrary to foreign markets, the FTSE JSE All Share Index declined by -0.26% (-0.94%ytd) in August. The Kruger Funds all gained ground – the Equity Fund advanced by +0.54% (+5.96%ytd), the Balanced Fund by +0.92% (+7.12%ytd), the Prudential Fund by +1.01% (+6.74%ytd) and the International Flexible Feeder Fund by +2.31% (+22.51%ytd).

TOP 10 EQUITY EXPOSURES

Naspers Ltd	4.32%	Harmony Gold	1.38%
Impala Platinum	2.62%	Prosus NV	1.35%
Anglo American	1.79%	Sanlam Ltd	1.33%
BHP Group	1.57%	British American Tobacco	1.26%
Anglogold Ashanti	1.52%	CF Rlichemont	1.18%

Top 10 equity exposures are one month lagged.

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ABOUT THE FUND

Launch Date	03 July 2017 (Class G: 2 September 2019)	Total Expense Ratio	Class A: 1.51%, Class G: 1.76%
Opening NAV Price	1000.00 cents per unit	Transaction Cost	Class A: 0.12%, Class G: 0.07%
Fund Size	R 1.26 billion	Total Investment Charge	Class A: 1.63%, Class G: 1.83%
Initial Fee	Class A: 0%, Class G: 0%	Calculation Period	Inception to 30 Jun 2020 (Class G: Estimate)
Initial Advisory Fee	Maximum 3.00% (Excl. VAT)	Income Declaration Dates	30 June and 31 December
Annual Service Fee	Class A: 1.250% (Excl. VAT)	Last 12 months Distributions	30/06/2020: (A) 0.01, 30/04/2020: (A) 0.83 31/12/2019: (A) 0.49
	Class G: 1.350% (Excl. VAT)	(cents per unit)	30/06/2020: (G) 0.00, 30/04/2020: (G) 0.76 31/12/2019: (G) 0.11
Annual Advisory Fee	Maximum 1.00% (Excl. VAT)	Income Reinvestment /Payout Dates	2nd working day in July and January
Transaction cut-off time	14:00	Frequency of pricing	Our daily NAV prices are published on our website and in the national newspaper
Valuation time	17:00		

FAIS Disclosure

The annual fees include a fee up to 0.700% payable to Kruger, a fee up to 0.150% (Class A) or 0.250% (Class G) payable to Ci Collective Investments, a fee up to 0.400% payable to Analytics Consulting. All fees stated are exclusive of VAT. Please note that in most cases where the Financial Services Provider (FSP) is a related party to the portfolio manager, the FSP/distributor may earn additional fees other than those charged by the portfolio manager. Kruger International is an indirect shareholder of Ci Collective Investments. Kruger International Mauritius is the Investment Advisor on the International Equity Fund and International Flexible Fund. Kruger International aggregates all foreign investments within the Kruger International global portfolio range. The portfolio may therefore be invested in the Kruger International Mauritius offshore portfolios from time to time. Kruger International Mauritius and SIP may earn an annual investment advisory fee of up to 1% on all such investments. Kruger International does not charge any annual management fee in South Africa against the value of any investments that are placed in any of the Kruger International Mauritius offshore portfolios.

Characteristics

This is a multi-asset high equity portfolio which means that it may invest in a spectrum of equity, bond, property and money market and tends to have an increased probability of short term volatility and aims to maximise long term capital growth. The portfolio may have a maximum equity exposure of up to 75% and complies with the regulation governing retirement funds. This portfolio may, at the discretion of the portfolio manager, invest up to 30% of the assets outside of South Africa plus an additional 10% of the assets in Africa excluding South Africa.

Risk Reward Profile: High

Typically, the lower the risk, the lower the potential return and the higher the risk, the higher the potential return. There is no guarantee that returns will be higher when investing in a portfolio with a higher risk profile. The risk profile for this portfolio is rated as high, as it may only invest up to 75% in equity securities, both locally and abroad. The risk refers only to volatility

RISK DEFINITIONS

Market Risk

Equity markets are volatile and the price of equities fluctuate based on a number of factors such as changes in the economic climate, general movements in interest rates and the political and social environment which will also affect the value of the securities held in the unit trust, thereby affecting the overall value of the unit trust.

Currency Risk / Foreign Exchange Risk

This risk is associated with investments that are denominated in foreign currencies. When the foreign currencies fluctuate against the South African Rand, the investments face currency gains or losses.

Concentration Risk

Unit Trusts pool the assets of many investors and use the proceeds to buy a portfolio of securities. There are regulations in place which limit the amount that a unit trust may invest in securities, thereby spreading the risk across securities, asset classes and companies.

Liquidity Risk

This relates to the ability of the unit trust to trade out of a security held in the portfolio at or near to its fair value. This may impact on liquidity and in the case of foreign securities, the repatriation of funds.

Credit Risk

Credit risk arises where an issuer of a non-equity security or a swap is unable to make interest payments or to repay capital. The Fund may be exposed to credit risk on the counterparties in relation to instruments such as cash, bonds and swaps that are not traded on a recognised exchange. The possibility of the insolvency, bankruptcy or default of a counterparty with which the Fund trades such instruments, could result in losses to the Fund.

Total Return Swaps Risk

This portfolio may invest in total return swaps. Total return swaps are unlisted instruments issued by a bank to provide the return of a specific index. Therefore, the equity exposure in this portfolio is derived through the total return swap and not by physically holding the equities in the portfolio. The value of the instrument is directly linked to the performance of the basket of assets per the index and will fluctuate in line with the daily market movements.

Inflation Risk

The risk of potential loss in the purchasing power of your investment due to a general increase of consumer prices.

Political Risk

The risk that investment returns could suffer as a result of a country's political changes or instability in the country. Instability could come from changes in the country's government, policy makers or military.

Tax Risk

This risk relates to any change to tax laws or to the interpretation of existing tax laws which has an impact on the manner in which unit trusts are taxed.

Compliance Risk

This refers to the risk of not complying with the legislation, regulations, prescribed investment limits and internal policies and procedures by the manager or the portfolio manager.

This document is not intended to address the personal circumstances of any Financial Services Provider's (FSP's) client nor is it a risk analysis or examination of any client's financial needs. Collective Investment Schemes in Securities ("CIS") are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to future performance. CIS are traded at ruling prices and can engage in borrowing and scrip lending. Different classes of units apply to this portfolio and are subject to different fees and charges. A schedule of fees and charges is available on request from Ci. Ci does not provide any guarantee either with respect to the capital or the return of the portfolio. Forward pricing is used. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. International Investments may include additional risks such as potential constraints on liquidity and repatriation of funds, macroeconomic risk, political risk, foreign exchange risk, tax risk, settlement risk as well as potential limitations on the availability of market information. The portfolio may be closed from time to time in order to manage it more efficiently in accordance with its mandate. The Kruger portfolios are portfolios established and administered by Ci, and Kruger has been appointed to manage and market the portfolios. Kruger is an indirect shareholder of Ci. As an indirect shareholder, Kruger may earn dividends from time to time and participation in any dividends may be linked to the revenue generated by Ci from the Kruger portfolios, and from any other Ci portfolios. Ci retains full legal responsibility for this co-named portfolio. Additional information on the portfolio may be obtained, free of charge, directly from Ci. Ci is a Non-Voting (Ordinary) Member of the Association for Savings & Investment SA (ASISA).

Total Expense Ratio (TER): The above TER % has been annualised and indicates the percentage of the value of the portfolio which was incurred as expenses relating to the administration of the portfolio over the rolling 3 year period or since fund inception, on an annualised basis. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER's cannot be regarded as an indication of future TER's. **Transaction Cost (TC):** The above TC % has been annualised and indicates the percentage of the value of the portfolio which was incurred as costs relating to the buying and selling of the assets underlying the portfolio. Transaction Costs are a necessary cost in administering the portfolio and impacts portfolio 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 portfolio, investment decisions of the investment manager and the TER. Total Investment Charge is the TER plus TC which indicates the percentage of the value of the portfolio which was incurred as costs relating to the investment of the portfolio. The TER and Transaction Costs cannot be determined accurately because of the short life span of the Financial Product. Calculations are based on actual data where possible and best estimates where actual data is not available. Calculations are based on actual data where possible and best estimates where actual data is not available. Performance quoted is for lump sum investment with income distributions, prior to deduction of applicable taxes, included. NAV to NAV figures have been used. The annualised return is the return of the performance period re-scaled to a period of one year. Performance is calculated for the portfolio and individual investor performance may differ as a result of initial fees, actual investment date, date of reinvestment and dividend withholding tax.

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