Kruger Ci Prudential Fund
September 2020

KRUGER International
Asset & Wealth Management

INVESTMENT OBJECTIVE

The investment objective of this portfolio is to provide investors with stable income and conservative capital growth with low volatility of returns over the short to medium term. The portfolio invests in a combination of equities, listed property, bonds and money market. The portfolio is aimed at investors who can tolerate low risk, as explained only by volatility, as it may have a maximum of only 40% 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.

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

ABOUT THE FUND

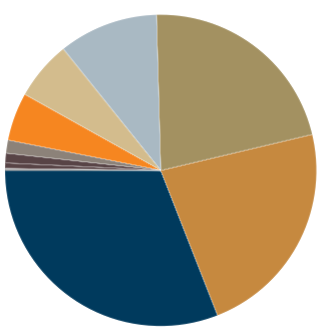
ASISA Classification	South African – Multi Asset – Low Equity
Risk Profile	Low
Benchmark	South African Multi Asset Low Equity Category Average
Equity Exposure	The fund may have a maximum effective exposure of 40% for equity.
Foreign Exposure	Up to 30% of the assets may be invested offshore and an additional 10% in Africa (ex RSA).

UNDERLYING HOLDINGS

Stanlib Corporate Money Market Fund	15.18%
International Equity Fund*	14.71%
International Flexible Fund*	14.39%
SA Bonds	12.61%
SA Cash	10.25%
Nedgroup Investments Core Income Fund	7.23%
Fairtree Equity Prescient Fund	6.85%
Direct Equity (Hedged)	5.16%
Ci Diversified Income Fund	4.88%
Satrix Bond Index Fund	3.65%
Ci Equity Fund	2.01%
Ci Engineered Equity Core Fund	1.98%
Ci Property Fund	1.08%
Global Cash	0.02%

* Kruger International Mauritius is the Investment Advisor on these funds.

ASSET ALLOCATION



Asset allocations are one month lagged

PORTFOLIO MANAGER'S COMMENTARY

International:
The five month rally in global markets paused for breath in September amid a resurgence in Covid-19 infections in many northern hemisphere countries, increasing uncertainty in the runup to the fast approaching US election, elevated tension between the US and China and the widening gap between equity market valuations and the state of the real economy. In contrast, investors continue to believe in a V-shaped economic and market recovery based on the vast amounts of liquidity injected into the global economy by central banks and backed up with fiscal support by various governments. Another reason for the optimism is the belief that an effective vaccine against Covid-19 is imminent. One data point that we have become accustomed to providing a boost to markets in the recent past, US employment, disappointed in September as only 661,000 nonfarm payrolls were recorded compared to the 800,000 expected by economists. Although the unemployment rate fell more than expected to 7.9% this was mainly due to a sharp decline in labour force participation. Other main headwinds remain increasing climate change risks and unfinished Brexit business that seems to be unravelling as the year-end deadline approaches. As far as equity markets are concerned, technology companies continue to be favoured as the main beneficiaries from the pandemic which resulted in a robust rerating of the FANG stocks. This has led to a narrow market rally driven by a small number of stocks and with the reporting season for the third quarter that has just kicked off, validation for the rich valuations of these companies will be sought. Average earnings by S&P 500 companies are expected to decline by about 15 to 20% in this quarter. Markets declined across the board in September – the MSCI All Country Index by -2.03% (-4.42%ytd); the Dow Jones by -2.18% (-0.91%ytd); the S&P 500 by -3.80% (+5.57%ytd) and the MSCI Emerging Markets Index by -1.83% (-5.23%ytd) – all in US dollars.

Local:
With Covid-19 approaching its peak in SA, the impact of the lockdown on an already weak economy is substantial as borne out by the latest economic data. Although several data points were slightly better compared to previous months due to the steady unlocking of the economy, the negative undertone remains overwhelming and confirms a deep recession. Among the headline negative data points were mining output that fell by -3.3% in August, manufacturing output by -10.8%, growth in private sector credit slowed to 3.87% year-on-year in August from 5.12% in July, employment data for the second quarter showed that more than 5 million more South Africans were “not economically active” during the strictest period of the coronavirus lockdown, foreign direct investment (FDI) inflows fell to -R17.4 billion in the second quarter and retail sales fell -9% year-on-year in July following a revised -7.2% contraction in June. News just out is that although the International Monetary Fund (IMF) maintained its forecast of a -8% contraction in the local economy this year, its outlook for growth in 2021 was trimmed to + 3% growth from +3.5% in its previous estimate. Among a few positive data points were the IHS Markit (PMI) that rose to 49.4 in September from 45.3 in August, the Absa PMI manufacturing index that rose to 58.3 points in September from 57.3 points in August and South Africa’s headline consumer price inflation that slowed to 3.1% year-on-year in August from 3.2% in July. Although there was hope for a further small rate cut at its last meeting, the Reserve Bank decided to maintain the status quo. In line with global markets the FTSE JSE All Share Index declined by -1.58% (-2.51%ytd) in August. The Kruger Funds all lost ground – the Equity Fund by -2.71 (+3.09%ytd), the Balanced Fund by -2.14% (+4.82%ytd), the Prudential Fund by -1.44% (+5.20%ytd) and the International Flexible Feeder Fund by -3.09% (+18.73% ytd).

PORTFOLIO HISTORIC PERFORMANCE*

	1 year	3 year	5 year	10 year
Kruger Ci Prudential Fund (Class A)	6.37%	n/a	n/a	n/a
Benchmark	3.04%	n/a	n/a	n/a
Highest return over 12 rolling months				10.49%
Lowest return over 12 rolling months				-0.41%

*Annualised

TOP 10 EQUITY EXPOSURES

Naspers Ltd	1.84%	Apple	0.60%
Impala Platinum	1.12%	Harmony Gold	0.59%
Microsoft	0.99%	Anglogold Ashanti	0.57%
Anglo American	0.75%	British American Tobacco	0.57%
BHP Group	0.75%	Prosus NV	0.56%

Top 10 equity exposures are one month lagged.

Ci COLLECTIVE INVESTMENTS

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ABOUT THE FUND

Launch Date	14 March 2018 (Class G: 2 September 2019)	Total Expense Ratio	Class A: 1.49%, Class G: 1.72%
Opening NAV Price	1000.00 cents per unit	Transaction Cost	Class A: 0.07%, Class G: 0.04%
Fund Size	R 831.8 million	Total Investment Charge	Class A: 1.56%, Class G: 1.76%
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	31 March, 30 June, 30 September and 31 December
Annual Service Fee	Class A: 1.250% (Excl. VAT)	Last 12 months Distributions	30/06/2020: (A) 0.19, 30/04/2020: (A) 0.24, 31/03/2020: (A) 0.81, 31/12/2019: (A) 0.52, 30/09/2019: (A) 0.97
	Class G: 1.350% (Excl. VAT)	(cents per unit)	30/09/2020: (G) 0.43, 30/06/2020: (G) 0.07 30/04/2020: (G) 0.29, 31/03/2020: (G) 0.75
Annual Advisory Fee	Maximum 1.00% (Excl. VAT)	Income Reinvestment / Payout Dates	2nd working day in April, July, October 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 low equity portfolio which means that it may invest in a spectrum of equity, bond, property and money market and tends to display reduced short term volatility and aims for long term capital growth. The portfolio may have a maximum equity exposure of up to 40% 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: Low

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 low, as it may only invest up to 40% 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.

FSP: Hein Kruger Internasionale Fondsbestuur (Pty) Ltd, FSP number 521, Tel: (011) 726 7700 Fax: (011) 219 7111
Company/scheme: Ci Collective Investments (RF) (Pty) Limited, PO Box 412249, Craighall, 2024; Tel: 0861 000 881, website: www.cicollective.co.za
Trustee: FirstRand Bank Limited Tel: (011) 371 2111.

COLLECTIVE INVESTMENTS