

# Kruger Ci Prudential Fund

## July 2021



**KRUGER**  
International

Asset & Wealth Management

### INVESTMENT OBJECTIVE

The investment objective of this fund is to provide investors with stable income and conservative capital growth with low volatility of returns over the short to medium term. The fund invests in a combination of equities, listed property, bonds and money market. The fund 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 fund adheres to the prudential investment guidelines set by Regulation 28.

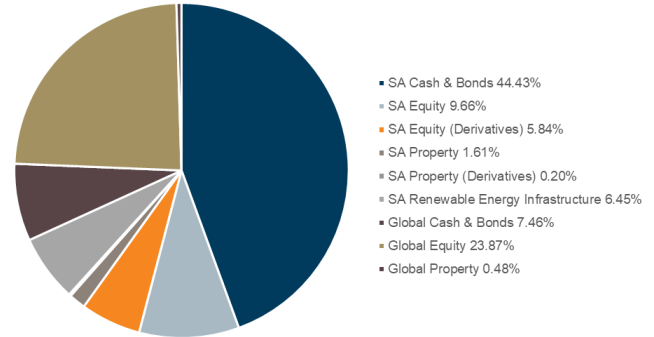
### ABOUT THE FUND

Investment Manager	Hein Kruger Internasionale Fondsbestuur (Pty) Ltd
Regulation 28 Compliant	Yes
Benchmark	South African - Multi Asset - Low Equity Category Average
Equity Exposure	Minimum effective exposure of 40%.
Foreign Exposure	Maximum effective exposure of 30% and an additional 10% in Africa (ex RSA).
ASISA Classification	South African – Multi Asset – Low Equity
Risk Profile	Low
Transaction cut-off time	14:00
Valuation time	17:00

### THE KRUGER INVESTMENT COMMITTEE

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

### ASSET ALLOCATION



Latest available data

### HISTORIC FUND PERFORMANCE (Annualised)

	1 Year	3 Year	5 Year	10 Year
Kruger Ci Prudential Fund (Class A)	12.76%	8.74%	n/a	n/a
Benchmark	11.14%	6.88%	n/a	n/a
Highest return over 12 rolling months				16.72%
Lowest return over 12 rolling months				-0.41%

### FUND MANAGER'S COMMENTARY

#### International:

Global equity markets were generally higher in July amid sustained economic recovery mainly in the US and Europe, the combined effect of declines in fresh Covid infections and the fast-tracking of economic re-openings coupled with ongoing dovish central bank commitments to accommodating monetary policy. An additional boost emanated from the prospects of a \$1 trillion bipartisan infrastructure initiative between the US Democratic and Republican parties – at the time of writing it was signed into law. Recent disturbing global developments such as the fast-spreading Delta variant of Covid-19, the slower vaccination rate partly due to anti-vaccination sentiment and devastating climate change challenges have so far not weighed on sentiment. Robust retail equity market participation has driven markets further into expensive territory prompting increasing warnings by some analysts and fund managers against the dangers of market bubbles. On the economic front, the fierce debate about the stickiness of the current spurt in inflation continues to rage against a background of post covid supply chain disruption and escalating CPI and PPI data. The US employment data for July underlined the concern for policy mistakes by central banks as it confirmed the tighter market conditions – non-farm payrolls surged to 943 000 new jobs in July, nearly 100,000 more than the consensus estimate while the unemployment rate plummeted to 5.4% compared to an expected rate of 5.7%. Average hourly earnings also increased more than expected – 0.4% for the month and 4.0% year on year. Employment numbers for May and June were also revised substantially higher. With another exceptional corporate reporting season for the second quarter of 2021 winding down and average S&P earnings up by about 90% against an expected increase of 54%, the focus will now be on the sustainability of these record earnings. Markets were mixed in July – the Dow Jones advanced by +1.34% (+15.31%ytd) and the S&P 500 by +2.38% (+17.99%ytd) while the MSCI All Country Index declined by -0.10% (+13.76%ytd) and the MSCI Emerging Markets Index by -2.81% (+13.04%ytd) – all in US dollars.

#### Local:

A number of promising economic green shoots that appeared recently were thrashed in July amid the devastating civil unrest in the wake of Zuma's imprisonment. Thankfully, the sustained recovery in the world economy continued to benefit South Africa mainly on the commodity front due to a surge in demand coupled with supply chain bottlenecks leading to solid spikes in volumes and prices. However, the jury is still out on the sustainability of the global recovery due to the fast-spreading Covid-19 Delta variant which poses fresh uncertainty and challenges, especially for emerging and under vaccinated countries like South Africa. Thankfully, the third wave of Covid-19 infections have abated recently leading to a relaxation of certain lockdown measures. Some of the economic data points already reflect the damage of the unrest such as the SACCI business confidence index which declined to a nine-month low of 93.2 in July from 96.2 in June imperilling at least 150 000 jobs as well as the Absa PMI manufacturing index which plummeted to 43.5 points in July from 57.4 points in June. A cost estimate put the damage to the SA economy at roughly R50 billion with the expectation that up to 1% will be shaved off GDP growth for 2021. The major structural bottlenecks such as the lack of stable energy supply – once again highlighted by the recent Eskom (Medupi) explosion – and the chronic and worsening unemployment situation remain by far the main economic challenges. The FTSE JSE All Share Index gained +4.18% (+17.93%ytd) in July while all the Kruger Funds followed suit – the Equity Fund by +3.66% (+16.43%ytd); the Balanced Fund by +2.90% (+13.26%ytd); the Prudential Fund by +2.08% (+10.54%ytd) and the International Flexible Feeder Fund by +3.41% (+6.53%ytd).

This document is a Minimum Disclosure Document (MDD) which contains key information about this fund. This MDD will be updated on a monthly basis. Sources: Performance sourced from Morningstar and Portfolio Analytics Consulting, for a lump sum using NAV-NAV prices with income distributions reinvested. CPI for all urban areas sourced from Factset. Asset Allocation and Top 10 holdings data compiled by Global Investment Reporting SA ("GIRSA")

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[www.krugerinternational.co.za](http://www.krugerinternational.co.za)





### ABOUT THE FUND

Fund Size	891.3 million
Fund Launch Date	14 March 2018
Class Launch Date	(A): 14 March 2018, (G): 2 September 2019
Opening Class NAV Price	(A): 100.00 cents per unit
Opening Class NAV Price	(G): 100.00 cents per unit
Frequency of pricing	Our daily NAV prices are published on our website and in the national newspaper

### FUND FEES

Initial Fee	Class A: 0.00%, Class G: 0.00%
Initial Advisory Fee	Maximum 3.00% (Excl VAT)
Annual Service Fee	Class A: 1.25% (Excl VAT)
Annual Service Fee	Class G: 1.35% (Excl VAT)
Annual Advisory Fee	Maximum 1.00% (Excl VAT)

### DISCLOSURES

#### FAIS Disclosure

The annual fees include a fee of up to 0.70% payable to Kruger International, a fee of up to 0.15% (Class A) or 0.25% (Class G) payable to Ci Collective Investments, and a fee up to 0.40% 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 fund manager, the FSP/distributor may earn additional fees other than those charged by the fund manager. A FX fee of up to 0.05% (incl. VAT) on any FX transactions may be payable to Kruger International in addition to the annual fees referred to above. Kruger International is an indirect shareholder of Ci Collective Investments. Kruger International Mauritius (KIM) is the investment advisor on the International Equity Fund and International Flexible Fund. The fund may invest in the KIM funds. KIM and SIP may earn an annual investment advisory fee of up to 1.00% on all such investments. Kruger International does not charge an annual management fee on the value of investments that are placed in the KIM funds.

#### Characteristics

This is a multi-asset low equity fund 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 fund may have a maximum equity exposure of up to 40% and complies with the regulation governing retirement funds. This fund may 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 fund with a higher risk profile. The risk profile for this fund 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 fund 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 repay capital, which could result in losses to the fund.

#### Total Return Swaps Risk

The fund may invest in total return swaps. Total return swaps are unlisted instruments issued by a bank to provide the return of a specific index. The value of the instrument is directly linked to the performance of the underlying equities in the index and will fluctuate in line with daily market movements. Some of the equity exposure in the fund could be derived through total return swaps instead of physically holding the underlying equities.

#### 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 fund 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 terms 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 fund 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 fund. 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 fund may be closed from time to time in order to manage it more efficiently in accordance with its mandate. The Kruger funds are funds established and administered by Ci, and Kruger has been appointed to manage and market the funds. 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 funds, and from any other Ci funds. Ci retains full legal responsibility for this co-named fund. Additional information on the fund 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 fund which was incurred as expenses relating to the administration of the fund 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 fund which was incurred as costs relating to the buying and selling of the assets underlying the fund. Transaction Costs are a necessary cost in administering the fund and impacts fund 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 fund, 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 fund which was incurred as costs relating to the investment of the fund. 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 fund 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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