

Minimum Disclosure Document & General Investor Report

31 March 2022

Fund Details

Fund Manager	Joe Kainja
Investment Manager	Legacy Africa Fund Managers
Inception Date	12 April 2021
Publication Date	30 April 2022
ASISA Classification	South African - Interest Bearing – Money Market
Benchmark	STeFI Call Deposit Index
Fund Size	R 72 383 654
Number of Units	72 383 654
NAV Price	100c
Initial Fees	0 %
TER	N/A
TC	N/A
TIC	N/A
Class	A1, A2, B2, B3
Management Fees	0.5%, 0.4%, 0%
Minimum Lump Sum	R50 000
Minimum Debit Order	R1 000
Income Declaration	Monthly

Risk Profile

Conservative/ Low Risk: Generally low risk portfolios have minimal equity exposure or no equity exposure, resulting in far less volatility than a more aggressive mandated portfolio and in turn the probability of capital loss (permanent/ temporary) is less likely. However, expected potential long-term investment returns could be lower over the medium to long-term.

Default Risk: The risk that the issuers of fixed income instruments (e.g. bonds) may not be able to meet interest payments nor repay the money they have borrowed. The issuers credit quality is vital. The worse the credit quality, the greater the risk of default and therefore investment loss.

Asset Allocation and Fund Characteristics

Maturity Profile (%)

Instruments	30-Sep-21	31-Dec-21	31-Mar-22
CASH	11,94	5,26	8,43
CALL	9,90	2,66	8,30
Traded Cash	2,04	2,60	0,13
Money Market	88,06	94,74	91,57
0 - 1 Months			27,81
1 - 3 Months		81,53	22,11
3 - 6 Months	88,06	13,21	34,7
6 - 12 months			6,95

Instruments	Instrument Type (%)		
	30-Sep-21	31-Dec-21	31-Mar-22
CASH	11,94	5,26	8,43
CALL	9,90	2,66	8,30
Traded Cash	2,04	2,60	0,13
Money Market	88,06	94,74	91,57
NCDs		39,74	69,42
Fixed Deposits			13,89
Treasury Bills	88,06	55,00	8,26

Instruments	Issuer Type (%)		
	30-Sep-21	31-Dec-21	31-Mar-22
RSA Government	88,06	55,00	8,26
Local Banks	11,94	45,00	91,74

Instruments	Credit Rating (%)		
	30-Sep-21	31-Dec-21	31-Mar-22
AAA	88,06	55,00	8,26
AA+	-	26,76	48,74
AA	11,94	18,24	43,00

Fund Objective

The objectives of the Fund are to maximize income while preserving capital; and to provide liquidity to investors by investing mainly in South African, high quality, short-term money market and fixed income instruments. The Fund will aim to outperform the STeFI Call Deposit Index, after fees. Capital losses are unlikely but will be borne by the Fund and its investors if they do occur. The Fund is permitted to invest in listed and unlisted financial instruments in line with the conditions as determined by legislation from time to time. The fund has adhered to its policy objective.

Fund Investment Policy

The primary performance objective of the portfolio is to obtain a high level of income while preserving capital preservation and maintaining high liquidity. Any capital gains will be of an incidental nature

Fund Performance

Not Available - Performance figures will be available a year after the fund's launch date.

Valuations and Transaction cut-off times

The valuation point for the purposes of calculating daily transaction prices of participatory interests including selling, repurchase, creation and cancellation will be before 18h00 each business day. Provided that with the consent of the trustee, valuation may take place more frequently but not less frequently. Additionally, the forward pricing method of calculation will be applied to all prices.

Market Commentary

Economic and Market Review

The major global feature in the first quarter of 2022 was the Russian-Ukraine war. Russia and Ukraine significant global suppliers of critical commodities including crude oil, wheat, sunflower. This added to inflationary pressures across the global. Annual inflation rate in the US accelerated to 7.9% in February of 2022, the highest since January 1982. Energy remained the biggest contributor, with gasoline prices surging 38%. Inflation accelerated 8% for food (the largest since July of 1981); new vehicles (12.4%); and used cars and trucks (41.2%). Locally, the annual inflation rate was at 5.7 % in February 2022, unchanged from the previous month. This marked the tenth consecutive month in which annual inflation has been higher than the midpoint of the South African Reserve Bank's target range of between 3% and 6%. Main upward pressure came from prices of transportation (14.3%).

During the first quarter, the markets' volatility traded in a tight range, eventually rising as inflation risk and the Russian invasion of Ukraine took centre stage. The VIX, dubbed the fear gauge, spiked early-March '22 (printing at 36.5%) as benchmark equity markets succumbed to the reality of the Russian invasion and the impact of the Russian trade sanctions lifted commodity markets higher. The SAVI volatility index peaked early-March'22 at 26% then gradually declined, currently trading at around 23%. We believe that domestic equities are showing value from the valuation perspective but we are still concerned with estimation errors as well as exogenous factors to an extent that we would maintain to have protection on our equity.

On the interest rate side, the US Federal Bank kicked off its tightening cycle in the later part of the quarter with a 25 basis point hike. It was the first increase in borrowing costs since 2018. The Fed signalled a possibility of six more increases this year, in what would be the most aggressive policy campaign in decades. On the local front, The South African Reserve Bank raised its benchmark repo rate by another 25 bps to 4.25% at its March 2022 meeting, as widely expected. This is the third consecutive hike due to increased inflation risks stemming from the war in Ukraine. The forward rate agreements are factoring in further rate hikes of more than 1.5% in the next 6 months and nearly 2.5% over the next year or so. We believe that while inflation rate is also rising the expected hike in interest rate is higher which would start making money market investment attractive in real terms.

DISCLAIMER

Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CIS's are traded at the ruling price and can engage in scrip lending and borrowing. The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. A schedule of fees, charges and maximum commissions is available on request from the Manager. There is no guarantee in respect of capital or returns in a portfolio. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio divided by the number of participatory interests (units) in issue. Forward pricing is used. The Fund's Total Expense Ratio (TER) reflects the percentage of the average Net Asset Value (NAV) of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's. During the phase in period TER's do not include information gathered over a full year. Transaction Costs (TC) is the percentage of the value of the Fund incurred as costs relating to the buying and selling of the Fund's underlying assets. 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.

A Money Market portfolio is not a bank deposit account and the price is targeted at a constant value. The total return is made up of interest received and any gain or loss made on any particular instrument; and in most cases the return will have the effect of increasing or decreasing the daily yield, but in the case of abnormal losses it can have the effect of reducing the capital value of the portfolio. The yield is calculated as a weighted average yield of each underlying instrument in the portfolio. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressures and a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed.

Where a current yield has been included for Funds that derive its income primarily from interest bearing income, the yield is a weighted average yield of all underlying interest-bearing instruments as at the last day of the month. This yield is subject to change as market rates and underlying investments change.

The Manager retains full legal responsibility for any third party-named portfolio. Where foreign securities are included in a portfolio there may be potential constraints on liquidity and the repatriation of funds, macroeconomic risks, political risks, foreign exchange risks, tax risks, settlement risks; and potential limitations on the availability of market information. The investor acknowledges the inherent risk associated with the selected investments and that there are no guarantees. Please note that all documents, notifications of deposit, investment, redemption and switch applications must be received by Prescient by or before 13:00 (SA), to be transacted at the net asset value price for that day. Where all required documentation is not received before the stated cut off time Prescient shall not be obliged to transact at the net asset value price as agreed to. Funds are priced at either 3pm or 5pm depending on the nature of the Fund. Prices are published daily and are available on the Prescient website. Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request.

Contact Us

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