LEGACY AFRICA PRESCIENT MONEY MARKET FUND

Minimum Disclosure Document & General Investor Report

30 June 2022

Fund Details

Fund Manager	Joe Kainja
Investment Manager	Legacy Africa Fund Managers
Inception Date	12 April 2021
Publication Date	31 July 2022
ASISA Classification	South African - Interest Bearing – Money Market
Benchmark	STeFI Call Deposit Index
Fund Size	R 71 621 808
Number of Units	71 621 808
NAV Price	100c
Initial Fees	0 %
Class	A1, A2, B2, B3
Management Fees	0.5%, 0.4%, 0%
Minimum Lump Sum	R50 000
Minimum Debit Order	R1 000
Income Declaration	30 June 2022
Income Declaration Amount (CPU)	LAPMMFA2 0,01274000 LAPMMFA3 0,013685000

	Fund Amount	LAPMMF	LAMFA2
30 06 2022	Fee Component (per annum)	LGAFB3	LAMFA2
A	Base Fee (incl VAT)	-	0.34
B	Perfomance fee (incl VAT)	-	-
	Underlying Fees	-	-
C	Other Fees	-	0.35
D	Total Expense Ratio (TER)	-	0.69
E	Transaction costs (TC)	-	-
	Underlying Transaction costs	-	-
F	Total Investment Charges (TER + TC)	-	0.69
		0.10	0.32

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 it 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	30-Jun-22
CASH	11,94	5,26	8,43	7,01
CALL	9,90	2,66	8,30	6,69
Traded Cash	2,04	2,60	0,13	0,31
Money Market	88,06	94,74	91,57	93,29
0 - 1 Months			27,81	14,18
1-3 Months		81,53	22,11	50,80
3-6 Months	88,06	13,21	34,7	13,90
6-12 months			6,95	14,41

Issuer Type (%)				
Instruments	30-Sep-21	31-Dec-21	31-Mar-22	30-Jun-22
RSA Government	88,06	55,00	8,26	15,63
Local Banks	11,94	45,00	91,74	84,37

Credit Rating (%)				
Instruments	30-Sep-21	31-Dec-21	31-Mar-22	30-Jun-22
AAA	88,06	55,00	8,26	15,63
AA+		26,76	48,74	46,65
AA	11,94	18,24	43,00	37,81

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Traded Cash	2,04	2,60	0,13	0,31
Money Market	88,06	94,74	91,57	92,99
NCDs		39,74	69,42	70,25
Fixed Deposits			13,89	7,12
Treasury Bills	88,06	55,00	8,26	15,63

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021					0,32%	0,32%	0,32%	0,29%	0,27%	0,29%	0,28%	0,34%	
2022	0,30%	0,31%	0,37%	0,39%	0,36%	0,39%							2,13%

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 for- warding pricing method of calculation will be applied to all prices.

Market Commentary

Economic and Market Review

In this investment strategy we will put an emphasis of two of the most topical economic measures - inflation and interest rates – and how to position our portfolios in such an environment. The second quarter of 2022 saw inflation rates in the Developed Markets reaching record highs. Specifically, (a) the annual inflation rate in the US unexpectedly accelerated to 8.6% in May of 2022, the highest since December of 1981 (b) the annual inflation rate in the UK increased to 9.1% in May of 2022, the highest since 1982 (c) the annual inflation rate in the Euro Area increased to a new record high of 8.6% in June of 2022; to mention but a few.

The inflationary environment has forced the hand of central banks the world over to hike interest rates in a manner rarely seen in history as follows (a) the Federal Reserve increased the funds rate by 75bps, an action last seen more than 40 years ago (b) the Bank of England raised its main Bank Rate by 25bps during its June 2022 meeting, a fifth consecutive rate hike and pushing borrowing costs to the highest in 13 years as it tries to temper soaring inflation (c) the Central Bank of Brazil unanimously decided to increase the Selim rate by 50bps to 13.25% on June 15th 2022. It was the 11th consecutive interest rate hike since it started tightening in March of 2021 (d) the central bank of Argentina raised its “Leliq” interest rate by 300 bps to 52% on June 16th, the sixth hike this year (e) Mexico’s central bank raised its benchmark policy rate unanimously by 75 bps June 23rd, 2022. It was the ninth rate-hike since the monetary board started normalization process in June of 2021.

Domestically, it is a similar story: the annual inflation rate in South Africa accelerated to 6.5% in May and the South African Reserve Bank raised its benchmark repo rate by 50 bps May 2022 meeting, the 4th consecutive hike and it is the biggest in over six years. The interest rate market participants are expecting interest rates hikes in the region of 3% in the coming year or so while inflation may tapper a bit. This scenario makes money market investments attractive going forward.

In other economic news that is bringing further uncertainty to the financial markets, South Africa is being hit by the worst power outages in more than two years as the state electricity company contends with multiple plant breakdowns after illegal protests followed a deadlock in wage negotiations. Foreign investors’ holdings (28.1%) of South African government bonds fell to the lowest level in more than a decade last month as a selloff of the country’s debt gained momentum.

The nominal bonds weakened during the quarter while inflation-linked bonds continued their stellar performance, sentimentally attributed to the jump in inflation. We believe that we are getting to the inflection between nominals and linkers. Although in the short-term inflation-linked bonds may shine some more in the medium time we prefer nominals.

The recent weakness in domestic equities seems to have been overdone. The current PE of around 11 times seems to offer value given the expectation of the level of earnings. The risk is that going forward we may see eroding of earnings. It would be amiss to ignore the uncertainly in SA and global exogenous factors to an extent that we continue to recommend derivatives overlay with equity holdings. The traded volatilities reached the low of around 10% in December 2021 when we recommended derivative structures with were long volatility. Our current recommendation is for derivatives structures that are net short volatility. The increasing interest rates will on average favor derivatives strategies that are net short CALL options and net long PUTS.

DISCLAIMER

CONTACT DETAILS:

Investment Manager
Legacy Africa Fund Managers (Pty) Ltd
Registration number: 2012/073478/07. FSP number: 44651
Physical Address: Oxford & Glenhove, 114 Oxford Road,
Building 2 Suite 1, Rosebank, 2196
Telephone number: 010 109 3750
Website: www.legacyafrica.co.za
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Management Company:
Prescient Management Company (RF) (Pty) Ltd,
Registration number: 2002/022560/07
Physical address: Prescient House, Westlake Business Park, Otto Close, Westlake, 7945
Postal address: PO Box 31142, Tokai, 7966.
Telephone number: 0800 111 899. E mail address: info@prescient.co.za Website: www.prescient.co.za

Trustee
Nedbank Group Limited
Registration Number: 1951/000009/06
Physical Address: 16 Constantia Boulevard, Constantia Kloof, Roodepoort, 1709
Telephone Number: 011 671 7209
Website: www.nedbank.co.za
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