

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 LGAFB3	LAMFA2 LAMFA2
30 06 2022	Fee Component (per annum)		
A	Base Fee (incl VAT)	-	0.34
B	Performance 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

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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	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

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

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 Selic 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 taper 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 uncertainty 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

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 are 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.

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