

# AFENA CAPITAL

## INVESTMENT OBJECTIVE

The Afena Money Market Prescient Fund (the fund) is aimed at investors seeking to earn a higher level of income on their surplus cash while enjoying the flexibility of a highly liquid investment. The fund is geared to the most conservative investors with a primary objective of capital preservation and liquidity provision at short notice, whilst achieving returns in excess of fixed bank deposits and call accounts over time. The fund is actively managed in an investment process that is based on fundamental research and bottom-up instrument selection. The fund may be utilised as an investment vehicle by retirement funds or individual investors, either as a building block or as a total fund strategy when capital protection is required.

## INVESTMENT GUIDELINES

The fund has a low risk profile and will invest in domestic (South African) money market instruments of high credit quality with a minimum rating of F1 and F1+ or the equivalent. The fund is a liquid short duration fund with a maximum weighted average duration of 90 days.

Investment performance will be driven by the ability to not only understand how macroeconomic factors affect the short end of the curve but also to take advantage of dislocations in the yield curve in order to generate higher returns while keeping in line with the risk parameters of the fund.

## FUND COMMENTARY

At the start of year, the consensus view was 2019 would be a better year in terms of economic growth for South Africa (SA), with the economy trading water until the general elections and activity levels expected to pick up meaningfully in the second half of the year. Sadly, the year got off to a rocky start with Eskom's electricity load-shedding, declining business confidence, weak vehicle and retail sales and contracting manufacturing production. Globally, growth has continued to be lacklustre with the US/China trade negotiations and a disorderly Brexit. The outlook for South Africa's growth for 2019 has been revised down to under 1% from around 1.5% previously.

Eskom's woes have added pressure on an economy that already suffers from a weak education system, low levels of saving and investments, low productivity levels and hostile industrial relations, high levels of corruption, state capture and parasitic state owned enterprises. Load-shedding poses one of the biggest risks to SA's growth outlook this year and is estimated to deduct around 0.4% from GDP. If SA does indeed record growth below 1%, 2019 will be the third year of growth below 1% since the 2009.

On the performance front for the quarter, the Fund returned 1.87%, bettering the benchmark, by 18 basis points. In March, the SA Reserve Bank's (SARB) Monetary Policy Committee delivered a dovish statement where the repo rate was kept unchanged at 6.75% and assessed risks to the inflation outlook as balanced. We therefore believe they will leave rates unchanged for the foreseeable future and are actively looking for longer dated maturities (6 – 12 months).

## INVESTMENT PERFORMANCE

Highest rolling 1 year return since inception: Fund 8.32%: Benchmark 7.01%  
Lowest rolling 1 year return since inception: Fund 6.48%: Benchmark 6.05%



Performance calculated on NAV with income reinvested Source: Afena Capital & Bloomberg

\*Alexander Forbes SteFI 3M Call

Date: 31 March 2019

## EXPOSURE BY ISSUER

Instrument Name	% of Fund	Instrument Name	% of Fund
Investec Bank	18.28%	Absa Capital	5.94%
Deutsche Bank	16.90%	HSBC Bank	5.04%
Nedbank	14.91%	Barloworld	2.96%
SA Reserve Bank	11.56%	Thekwini	2.96%
Rand Merchant Bank	8.98%	Trans-Caledon	2.95%

## AFENA MONEY MARKET PRESCIENT FUND

Minimum Disclosure Document | 31 March 2019

### FUND CHARACTERISTICS

Fund Manager(s)	Bongani Ngwanya <sup>^</sup> and Zahira Osman
ASISA Fund Classification	South Africa – Interest Bearing – Money Market
Benchmark	Alexander Forbes SteFI 3M Call
Fund Launch	1 October 2014
Fund Size	R 34 million
Income Distribution	Income distributed monthly on the 1st day of the month at 100 cents per unit
Initial Fee	0%
Annual Management Fee*	0.12% (incl VAT)
Risk Profile**	Low
Minimum Investment	R1 000 lump sum and/ R100 monthly
Maximum Fund Duration	90 days
Maximum Weighted Average Maturity	120 days
Total Investment Charge***	0.19% (1 April 2018 to 31 March 2019)

<sup>^</sup>Representative under supervision

\*Different classes of units apply to this portfolio and are subject to different fees and charges.

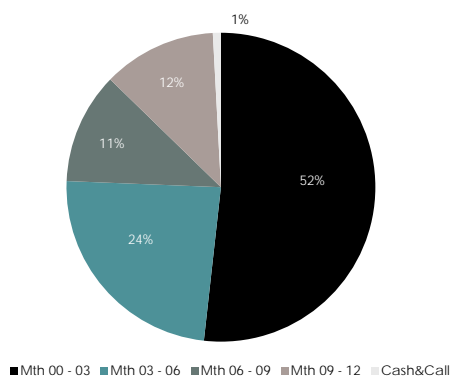
\*\*Risk comes from the uncertainty about whether an investment will yield the promised return. The greater the risk, the higher the potential rate of return or potential loss.

Risk Category	Product Characteristics
Low Risk	Limited price swings Narrow income growth potential Lower probability of capital loss
Moderate Risk	Moderate price swings Medium income growth potential Moderate probability of capital loss
High Risk	High price swings High income growth potential High probability of capital loss

\*\*\* A Total Investment Charge (TIC) comprises two cost components: transaction costs and a Total Expense Ratio (TER). TER is a measure of a portfolio's assets that are forgone as operating expenses. Included in the TER is the proportion of costs incurred as charges, levies and fees in the management of the portfolio. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current disclosed TER cannot be regarded as an indication of future TERs. The current disclosed TER is applicable to the institutional class (B3 units). The TER for the retail class (A1 units) is available on request. The breakdown of TIC for the period is as follows:

Management Fee	Other Fees	Total Expense Ratio (TER)	Transaction Costs (TC)	Total Investment Charge (TIC)
0.12%	0.06%	0.18%	0.00%	0.18%

## MATURITY PROFILE



ASSET ALLOCATION: 91.10% Cash and 8.90% Bonds

## AFENA CAPITAL

Afena Capital is an independent investment management firm that was established in November 2005, where management and staff have majority ownership of the company. The firm was founded by a team of entrepreneurial investment professionals who shared a common long term vision to build a trusted, professionally managed, quality investment management firm. The firm focuses on producing excellent long term investment returns, providing quality service to its clients and offering professional management of investment portfolios on behalf of third party clients. We currently employ 12 full time staff members and manage segregated and pooled portfolios on behalf of institutional investors. On 31 March 2019, total assets managed by Afena Capital were R5.0 billion.

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, STI, 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. 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 11:00 (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. Money market Funds are priced before 3pm. 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. For any additional information such as fund prices, brochures and application forms please go to [www.afenacapital.com](http://www.afenacapital.com). Published on 23 April 2019.

## DISCLAIMER FOR FUND SPECIFIC RISK

**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 lower the credit quality, the greater the risk of default and therefore investment loss. **Interest rate risk:** The value of fixed income investments (e.g. bonds) tends to be inversely related to interest and inflation rates. Hence their value decreases when interest rates and/or inflation rises. **Currency exchange risk:** Changes in the relative values of individual currencies may adversely affect the value of investments and any related income. **Geographic / Sector risk:** For investments primarily concentrated in specific countries, geographical regions and/or industry sectors, their resulting value may decrease whilst portfolios more broadly invested might grow. **Liquidity risk:** If there are insufficient buyers or sellers of particular investments, the result may lead to delays in trading and being able to make settlements, and/or large fluctuations in value. This may lead to larger financial losses than expected.

## GLOSSARY OF TERMS

Term	Meaning
Annualised performance	Annualised performance show longer term performance rescaled to a 1 year period. Annualised performance is the average return per year over the period. Actual annual figures are available to the investor on request.
Highest & Lowest return	The highest and lowest returns for any 1 year over the period since inception have been shown.
NAV	The net asset value represents the assets of a Fund less its liabilities.
Co-named Collective Investment Scheme	A portfolio approved and branded in the name of both the manager (Prescient Management Company) and the financial services provider (Afena Capital) and where the financial services provider undertakes the function of discretionary financial services in relation to the assets of the portfolio.
Income Distribution	The interest and/or dividend income that is generated by the underlying investments in the Fund and that is declared and distributed to investors in the Fund periodically
Capital Preservation	A conservative investment strategy that aims to avoid risk or loss in a Fund.
Liquidity	The ease with which a financial instrument can be sold and converted to cash without having much impact on its value or price.
Weighted Average Duration	The average length of time to maturity of all the underlying instruments held in a Fund weighted according to the relative holding of each instrument.
Annual Effective Yield	This is a forward looking yield that takes the last seven days' yield and annualizes it for the next 12 month period. The Annual Effective Yield gives an indication of the income return (interest and/or dividends received) for the Fund over a 12-month period assuming the income returns are reinvested.

## CONTACT DETAILS

**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](mailto:info@prescient.co.za) Website: [www.prescient.co.za](http://www.prescient.co.za)

**Trustee:** Nedbank Investor Services Physical address: 2nd Floor, 16 Constantia Boulevard, Constantia Kloof, Roodepoort, 1709 Telephone number: +27 11 534 6557 Website: [www.nedbank.co.za](http://www.nedbank.co.za)

The Management Company and Trustee are registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). Prescient is a member of the Association for Savings and Investments SA.

**Investment Manager:** Afena Capital Proprietary Limited, Registration number: 2005/017613/07 is an authorised Financial Services Provider (FSP 25033) under the Financial Advisory and Intermediary Services Act (No.37 of 2002), to act in the capacity as investment manager. This information is not advice, as defined in the Financial Advisory and Intermediary Services Act (No.37 of 2002). Please be advised that there may be representatives acting under supervision. **Physical address:** Fifth Floor MontClare Place, Corner Campground and Main Roads, Claremont, 7708. **Postal address:** PO Box 23883, Claremont, 7735. **Telephone number:** 021 657 6240. **Website:** [www.afenacapital.com](http://www.afenacapital.com)

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The Afena Money Market Prescient Fund is managed by Afena Capital and is structured as a co-branded portfolio operating under Prescient Management Company (RF) Pty Limited

Postal address: PO Box 31142, Tokai, 7966

Fund trustee: Nedbank