**FUND OBJECTIVE:**
To achieve steady long-term growth of capital and income by investing in a diversified combination of domestic and international assets, where the asset allocation is tactically managed.

**INVESTOR PROFILE:**
A suitable fund for retirement provision and for those individuals looking to tilt their portfolio to value with controlled risk exposure. The recommended investment horizon is 5 years or longer.

**INVESTMENT MANDATE:**
The Fund conforms to the regulations governing retirement fund investments (Regulation 28). Intended maximum limits: Equity 75%, Listed Property 25%, Foreign 30%, plus additional 5% Africa (excl. SA).

**FUND MANAGERS:**
David Knee, Johny Lambidis, Michael Moyle and Sandile Malinga

**ASISA CATEGORY:**
South African - Multi-Asset - High Equity

**BENCHMARK:**
ASISA South African - Multi-Asset - High Equity Category Average

**INCEPTION DATE:**
2 August 1999

**FUND SIZE:**
R19 630 812 867
CONTRIBUTING THE MOST TO ABSOLUTE PERFORMANCE FOR THE MONTH

July saw an extension of the global financial markets recovery, with investor optimism growing over the development of a vaccine for COVID-19. This, despite worsening infection rates in large economies like the US, Japan, and Brazil. Markets also appeared to take heart from further stimulus measures announced in some governments and good economic news out of China. However, with some countries forced to renew some shutdown measures due to “second waves” of the coronavirus, the outlook for economic growth remained uncertain. In the US, the economy slumped into a recession as Q2 2020 GDP shrank by a record-breaking 32.9% (q/q annualised). Whilst unemployment improved somewhat, investors worried about the expiration of the special US$600 weekly benefit for the jobless at the end of the month. In the UK, Prime Minister Boris Johnson announced a slowdown of the reopening of the economy due to a spike in COVID-19 infections. Elsewhere in Europe, preliminary estimates showed that the Eurozone economy slumped by 12.1% (q/q annualised) in Q2 2020, making it the steepest contraction on record. In China, tensions with the US continued to escalate, after China ordered the closure of the US consulate in Chengdu. Investors, however, remained upbeat on the back of better-than-expected economic data, with the Chinese economy growing by 11.5% (q/q) (annualised) for Q2 2020.

In South Africa, President Ramaphosa re-imposed certain lockdown restrictions, including the ban on alcohol sales and the reintroduction of a curfew, as hospitals continued to battle with the rising rate of COVID-19 cases. The SA RBShut the repo rate by 25bps to 3.50%, signalling the possible end of its easing cycle. Sentiment was momentarily muted after ratings agency S&P stated that South Africa’s economy would most likely shrink more than initially projected amid the lack of growth and concerns over the country’s fiscal trajectory. The SA RB expects GDP to shrink by 7.3% in 2020. In July, the FTSE/JSE ALSI returned 2.6%, the FTSE/JSE All Bond Index delivered 0.6%, inflation-linked bonds (the Composite ILX Index) posted -1.1%, and as measured by the STFI Composite Index returned 0.4%. Looking at global market returns (all in US$), the MSCI All Country World Index delivered 5.4%, the Bloomberg Barclays Global Aggregate Bond Index returned 3.2%, while the EPRA/NAREIT Global Property REIT Index posted 3.4%. The rand strengthened 2.0% against the US dollar, but weakened 4.1% against the pound sterling and 3.1% versus the euro.

Contributing the most to absolute performance for the month was the fund’s exposure to SA equities (excluding property) and foreign equities (pound sterling and 3.1% versus the euro. The EPRA/NAREIT Global Property REIT Index posted 3.4%. The rand strengthened 2.0% against the US dollar, but weakened 4.1% against the pound sterling and 3.1% versus the euro.

Glossary

12-month yield: A measure of the fund’s income distributions as a percentage of the fund’s net asset value (NAV). This is calculated by summing the income distributions over a rolling 12-month period, then dividing by the sum of the NAV at the end of the period and any capital gains distributed over the same period.

Annualised performance: The evolution of the total monetary (total return) earned by an investment each year over a given time period. For periods longer than one year, total returns are expressed as compounded average returns on a yearly basis.

Cumulative performance graph: This illustrates how an initial investment of R100 or US$100 (for example) placed into the fund would change over time, taking ongoing fees into account, with all distributions reinvested.

Income distribution: The dividend income and/or interest income that is generated by the underlying fund investments and is periodically declared and distributed to investors in the fund after all annual service fees.

Information ratio: Measures the fund’s active return (fund return in excess of the benchmark) divided by the amount of risk that the manager takes relative to the benchmark. The higher the information ratio, the higher the active return of the fund, given the amount of risk taken and the more consistent the manager. This is calculated over a 3-year period.

Intended maximum limits: This indicates the fund’s intended maximum exposure to an asset class. These limits may be reviewed subject to the fund’s intended maximum exposure to an asset class. These limits may be reviewed subject to the fund’s regulations. These limits are shown in Regulation 28 for those Funds managed in accordance with Regulation 28 of the Pension Funds Act.

Maximum drawdown: The largest drop in the fund’s cumulative total return from peak to trough over any period.

Monthly volatility (annualised): Also known as standard deviation. This measures the amount of variation or difference in the monthly returns on an investment. The more the monthly returns are likely to vary from the average monthly return (i.e. the more volatile the investment).

Percentage of positive returns: This measures the percentage of months, since inception, that the fund has shown a positive return over a rolling 12-month period.

Regulation 28: The South African retirement fund industry is governed by the Pension Funds Act, No 24 of 1956. Regulation 28 of the Pension Funds Act prescribes the maximum limits in asset classes that an approved retirement fund may invest in.

Sharpe ratio: The Sharpe ratio is used to measure how well the return of an asset compensates the investor for the risk taken. The higher the Sharpe ratio, the better the fund’s historical risk-adjusted performance has been. This is calculated by taking the difference between the fund’s annualised return and the risk-free (cash) rate, divided by the standard deviation of the fund’s returns.

Sortino ratio: This is calculated by taking the difference between the fund’s annualised return and the risk-free (cash) rate, divided by the downside deviation of the fund’s returns i.e. the “bad” volatility. A high Sortino ratio indicates a low risk of large losses occurring in the fund. This is calculated over a 3-year period.

Total Expense Ratio (TER): This shows the charges, levies and fees relating to the management of the portfolio and is expressed as a percentage of the average net asset value of the portfolio, calculated for the year to the end of the most recent completed quarter. 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.

Unit class: Prudential’s Funds are offered in different unit classes to allow different types of investors (individuals and institutions) to invest in the same fund. Different investment minimums and fees apply to different unit classes.

AAPA: For individual only.
B & D Class: Retirement funds and other large institutional investors only.
X Class: The special fee class that was made available to investors that were invested in the Dividend Income Feeder Fund.
T Class: For investors in tax-free unit trusts.
F Class: For Discretionary Fund Managers.

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Sources: Prudential & Morningstar

Prudential Balanced Fund

Prudential Balanced Fund

T Class: for investors in tax-free unit trusts.
B & D Class: retirement funds and other large institutional investors only.

How to invest

Prudential & Morningstar

Application forms and all required documentation must be faxed to +27 11 263 6143 or e-mailed to instructionsa@myprudential.co.za.