**PRUDENTIAL BALANCED FUND**

30 NOVEMBER 2020

**RISK/RETURN PROFILE:**

**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 Lambirdis, Michael Moyle and Sandle 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 160 870 178

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**Sources:** Prudential & Morningstar
Global equity markets were broadly positive in November as investors welcomed news of a prospective Covid-19 vaccine. Other factors contributing to investor sentiment included Joe Biden’s US presidential election victory and the increased likelihood of a post-Brexit deal between the UK and the EU. The market appetite improved following Joe Biden’s victory, with the expectation that his administration will help boost economic growth and strengthen international alliances. Traders welcomed comments from Federal Reserve (Fed) Chairman Jerome Powell suggesting that the Fed would inject more money into the economy by expanding both its bond-buying programme and cheap loans to banks. Meanwhile, tensions between the US and China escalated after reports indicated that the Trump administration would add China’s top chipmaker, SMIC, and national offshore oil and gas producer, CNOOC, to the US sanctions blacklist. In the UK, the economy expanded 15.5% q/q in Q3. Sentiment was further supported by hopes of a post-Brexit trade deal, easing coronavirus restrictions, and positive Covid-19 vaccine results. In the Eurozone, there remain positive signs of economic recovery, with the region’s economic output increasing by 12.6% q/q in Q3. Meanwhile, China and Japan joined several Asia Pacific countries in signing a historical free trade agreement, the Regional Comprehensive Economic Partnership, which is pegged to be one of the biggest free trade deals in history.

In South Africa, the SARB left the repo rate unchanged in its November meeting, stating that further easing was unlikely in the near term. The economy is expected to shrink by 8% in 2020, before rebounding by 3.5% in 2021 and 2.4% in 2022. Meanwhile, investors welcomed the news that the government had gazetted 50 strategic large projects, valued at R340bn. The projects focus on different targets including water, sanitation, energy and human settlements. In less positive news, Moody’s and Fitch both downgraded SA’s sovereign credit rating further into “junk” territory. In November, the FTSE/JSE All Share Index returned 10.5%, the FTSE/JSE All Bond Index delivered 3.3%, inflation-linked bonds (the Composite ILB index) posted 2.0%, and cash as measured by the T irr Composite Index returned 0.3%. Looking at global market returns (all in USS), the MSCI All Country World Index delivered 12.4%, the Bloomberg Barclays Global Aggregate Bond Index returned 1.8%, while the EPFANAREIT Global Property REIT Index posted 13.1%. The rand strengthened 5.8% against US dollar, 2.6% against the pound sterling and 3.3% versus the euro.

Contributing to the most absolute performance for the month was the fund’s exposure to SA equities (excluding property), foreign equities (excluding property) and SA bonds (excluding inflation-linked bonds).

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 average amount of money (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.

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 Supplemental Deed and/or 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 larger the annualised monthly volatility, the more likely the monthly returns are to vary from the average monthly return (i.e. the more volatile the investment).

Percentage of positive rolling 12 months
The percentage of months, since inception, that the Fund has shown a positive return over a rolling 12-month period.

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. This is calculated over a 3-year period.

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)
The TER 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 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 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 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 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 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 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 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 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 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 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 average net asset value of the portfolio, calculated for the year to the end of the most recent completed quarter.

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.

A Class: for individuals 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.