PRUDENTIAL BALANCED FUND
31 MARCH 2020

FACT SHEET/MINIMUM DISCLOSURE DOCUMENT

RISK/RETURN PROFILE:
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 Lambridis and Michael Moyle

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:
R17 717 428 695

PRUDENTIAL BALANCED FUND

INVESTMENT OPTIONS

Minimum lump sum investment R10,000
Minimum monthly debit order R500 pm

INITIAL FEES (excl. VAT)

Financial adviser service fee (if applicable) 0.00%

ANNUAL MANAGEMENT FEES (excl. VAT)

Financial adviser service fee (if applicable) 0.10%

EXPENSES (incl. VAT)

Where a transaction cost is not readily available, a reasonable best estimate has been used. Estimated transaction costs may include Bond, Money Market, and FX costs (where applicable).

*Estimated expenses

Sources: Prudential & Morningstar

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INCOME TAX:

FUND OBJECTIVE:

ASSET ALLOCATION

Sharpe ratio
Information ratio
Sortino ratio
Monthly volatility
% of positive rolling 12 months
87.3% 90.3%
Information ratio -0.5 n/a
Sortino ratio -0.9 -0.9
Sharpe ratio -0.8 -0.8

TOP 10 HOLDINGS*

1. Prudential Worldwide Managed Fund 18.7%
2. Naspers Ltd 8.0%
3. Prudential Worldwide Strategic Managed Fund 7.1%
4. Prudential Corporate Bond Fund 5.1%
5. British American Tobacco PLC 4.4%
6. Anglo American PLC 3.6%
7. Standard Bank Group Ltd 3.0%
8. Republic of SA Bond 8.75% 310144 (R2044) 2.8%
9. Republic of SA Bond 6.25% 310336 (R209) 2.6%
10. MTN Group Ltd 2.5%

ASSET ALLOCATION

Portfolio:

SA Equity 47.8%
Foreign Equity 23.4%
SA Bonds (ex. Inflation-linked Bonds) 18.5%
SA Cash 4.1%
SA Listed Property 2.7%
Foreign Bonds 1.4%
Africa Equity 1.1%
Foreign Cash 0.6%
SA Inflation-linked Bonds 0.4%

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The widespread impact of the COVID-19 pandemic dominated global markets in March. Almost all asset classes sold off during the month, as negative investor sentiment was amplified by uncertainty over the extent and severity of the virus and its impact on economic growth. The IMF warned of a coming global recession worse than that of the 2008 Global Financial Crisis (GFC), while ratings agency Fitch projected a 1.9% contraction in global growth for 2020. Most countries embarked on stimulus measures to help offset the economic impact of the COVID-19 pandemic. In the US, the US Federal Reserve undertook an emergency 100bp interest rate cut and a US$700bn bond buyback programme. The government, meanwhile, announced a record US$2.2 trillion fiscal stimulus package to counter the anticipated surge in unemployment and stress on corporate and individual earnings. In the UK, the Bank of England lowered its base interest rate from 0.75% to 0.25%, and then again to a record-low 0.1% a week later. In Europe, the ECB launched a new €750bn billion asset purchase programme, which includes the purchasing of government debt and private securities until the end of the year. In China, the People’s Bank of China (PBoC) kept its one-year loan prime rate unchanged at 4.05%, defying market expectations. The PBoC did however lower its seven-day reverse repo interest rate by 20bp to 2.2%, the first cut in nearly five years, and injected CN¥500bn ($70bn) into major markets through seven-day reverse repos.

Local markets weren’t spared from the risk-off sentiment, which was further exacerbated by a string of negative data, including the economy slipping into recession and Moody’s downgrading SA’s sovereign credit rating to below investment grade status. In a bid to encourage economic recovery the SARB reduced the repo rate by 100bps to 5.25% (the second rate decrease for the year) and launched a bond-buying programme. Meanwhile the government announced some fiscal tax and spending measures to help individuals and small businesses weather the local shutdown. In March, the FTSE/JSE ALSI reduced -12.1%, the BEASSA All Bond Index delivered -9.7%, inflation-linked bonds (the Composite ILB Index) posted -7.1%, and cash as measured by the STFI Composite Index returned 0.6%. Looking at global market returns (all in US$), the MSCI All Country World Index delivered -13.4%, the Bloomberg Barclays Global Aggregate Bond Index returned -2.2%, while the EPRANAREIT Global Property REIT Index posted -24.3%. The rand depreciated 14.1% against the US dollar, 10.3% against the pound sterling and 14.3% versus the euro.

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