MitonOptimal

IP PRUDENTIAL EQUITY OVERVIEW

Presented by Roeloff Horne

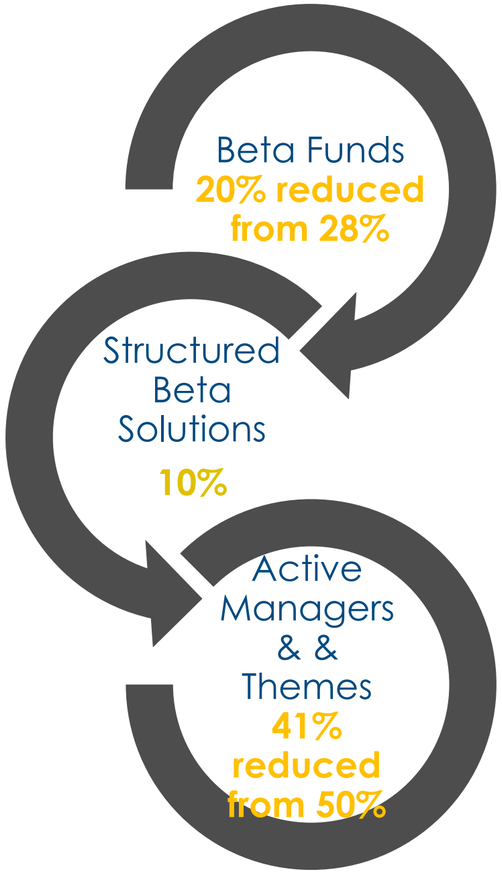
February 2023

UNPACKING THE IP PRUDENTIAL EQUITY FUND

Portfolio Name:		IP PRUDENTIAL EQUITY FUND	
Security Code		**Description**	**% of Market Value**
CASH			
CASH	00001	CASH - PRINCIPAL OEIC	5.09
CASH	00002	CASH - INCOME OEICS	1.40
CASH TOTAL			**6.49%**
FOREIGN CURRENCY			
GBP		UNITED KINGDOM POU	0.13
USD		USA DOLLARS	4.05
FOREIGN CURRENCY TOTAL			**4.18%**
NICMM		NED INV CORP MMKT C	13.38
LOAN AND LIQUIDITY ACCOUNTS HELD (LONG PI			**13.38%**
HOLDINGS AT MARKET VALUE			
ABSGEA		UBS ABSPA 110624 ETN	3.21
CAPIIA		INV CAP SWX TOP40 01	9.87
CML		CORONATION FUND MA	1.36
GND		GRINDROD LIMITED	1.14
NFGOVI		NEWFUNDS GOVI ETF	3.79
REN		RENERGEN LTD	0.58
SBOIL		STANDARD BANK OIL E	1.24
SSW		SIBANYE STILLWATER L	0.39
EEFFA4		EXCELSIA EQT 27FOUR	8.36
EISUS		ISHARES MSCI ISRAEL	1.07
EMVLLN		ISHARES EDGE MSCI E	5.59
GLODIV		CORESHARES G DIV AF	6.52
IVVUS		ISHARES CORE S&P 50	1.50
IWDUS		ISHARES RUSSELL 100	2.89
KEAFC		KAGISO EQUITY ALPHA	14.55
MPID		MARRIOTT PROP INC FI	1.74
MSBB1		STANLIB ENHANCED M	2.33
SSFFC		SASFIN BCI FLEXIBLE IN	4.62
STXCAP		SATRIX CAPPED ALL SH	1.09
SWEA2		SATRIX MSCI EQ IND FD	1.48
SYGEU		SYGNIA ITRIX EUROSTO	1.13
HOLDINGS AT MARKET VALUE TOTAL			**74.43%**
TOTAL NET ASSETS			**100.00%**

BROAD PORTFOLIO CONSTRUCTION METHODOLOGY
IP PRUDENTIAL EQUITY

Theme & Index Selection & Active Manager Allocations*



- Excelsia Equity 27 Four (Enhanced Capped SWIX)
- iShares Core S&P 500
- NewFunds Govi ETF
- ABSA Vol Managed MSCI World Multi Factor ETN
- Satrix MSCI World Equity Index
- Satrix Capped ALSI ETF

- Investec SWIX 40 Protected Note

- Camissa Equity Alpha
- Stanlib Enhanced Multi Style Equity
- iShares Russell 1000 Value ETF
- Core Shares Global Dividend Aristocrats

- Ishares Euro Stoxx 50
- IShares EM Value Factor ETF
- Ishares MSCI Israel ETF
- Commodities- Oil
- Stock Specific Themes
- Sasfin Income & Marriot Property

Core holdings depend on our Core convictions

Satellite holdings depend on theme preferences

* While respecting our SAA plan

COMPONENT OF IP PRUDENTIAL EQUITY

IP Prudential Equity Fund
(A Class) Minimum Disclosure Document
October 2022

MitonOptimal

Quarterly Market Commentary (as at 30 September 2022)

As mentioned in our quarterly overview available on our website, we have reduced risk assets in our fund after a recovery bounce in equity markets during July and August. Within the IP Prudential Equity Fund, we decided to use 9.5% of the fund's capital to introduce a 3-year ZAR note issued by Investec (JSE Ticker: CAPIIA) to protect capital in the event of an SA Equity market meltdown during the period to maturity. This while the fund will enjoy 107.5% of the upside of the JSE Capped SWIX Top 40 Index. The protecting element withing the note is as follows:

- Any % drawdown until maturity of less than 30% is 100% protected at maturity. It is called a 70% hard protection. If the index ends more than 30% down, the fund receives the market return plus 30%. For example, if the market ends 50% down on 30 August 2025, the fund receives 80% of the initial investment back.
- Conversely if the index ends 100% up on 30 August 2025, the fund receives 107.5% of the original invested capital.

To fund this purchase, we sold a portion of the Excelsia Equity 27 Four Fund, Kagiso Equity Alpha Fund and the Investec Top 40 ETN.

INDEX COMPONENTS IN IP PRUDENTIAL EQUITY FUND

BONDS & PROPERTY

LOCAL

NewFunds Govi ETF (7.5% reduced to 3.8%)
Marriot Property Income (1.25%)

SA EQUITY BETA

LOCAL

Excelsia Equity 27 Four (Enhanced Capped SWIX) (8.5%)

GLOBAL EQUITY BETA

GLOBAL

iShares S&P 500, (8.5% reduced to 1.5%)
ABSA MSCI World Multifactor,(3%)

STRUCTURED NOTES

LOCAL & GLOBAL

Investec
-10%

INDEX COMPONENTS IN IP PRUDENTIAL EQUITY FUND

COMMODITIES

LOCAL

Sold Gold (4%) – purchased Oil ETF(1.25%)

SA EQUITY SMART BETA

LOCAL

Camissa Equity Alpha (14.5%)
Added Stanlib Enhanced Multi-Style Equity (2.3%)

GLOBAL EQUITY SMART BETA

GLOBAL

iShares Russel 100 Value ETF(7% reduced to 3%)
Global Dividend Aristocrats (6.5%)
Sold Global Infrastructure and Clean Energy ETFs

STOCK SPECIFIC

LOCAL

Sibanye, Renergen, Coronation, Grindrod 3.5%
Sold Sasol, Thungela, TigerBrands and Glencore (was 6% of fund)

INDEX COMPONENTS IN IP PRUDENTIAL EQUITY FUND

EM EQUITY

GLOBAL

iShares EM Value ETF (4.5% increased to 5.6%)
iShares Israel ETF (1%, reduced from 2.5%)

SA FIXED INTEREST

LOCAL

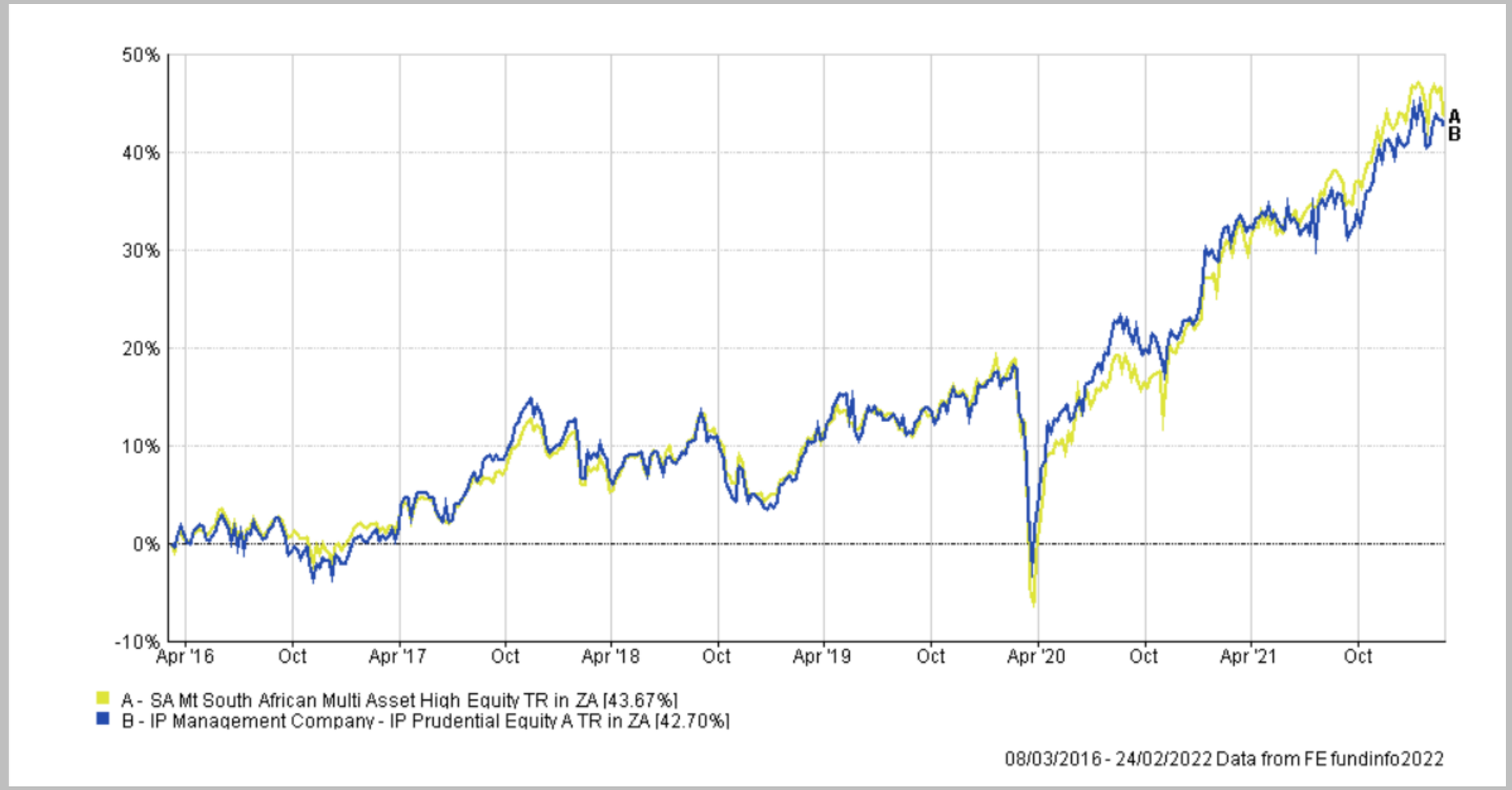
Sasfin Flexible Income (4.7%)

TER –IN HIGH EQUITY SECTOR

	IP Management Company IP Prudential Equity A TR in ZA	1.34	109 / 268	30/09/2022	0.86	90 / 263
		TER		TER Date	Annual Charge	
		Value	Rank		Value	Rank

IP PRUDENTIAL LONG TERM PERFORMANCE to FEB 2022

Since first investment in Fund vs Sector



IP PRUDENTIAL SHORT TERM PERFORMANCE

Since Feb to date

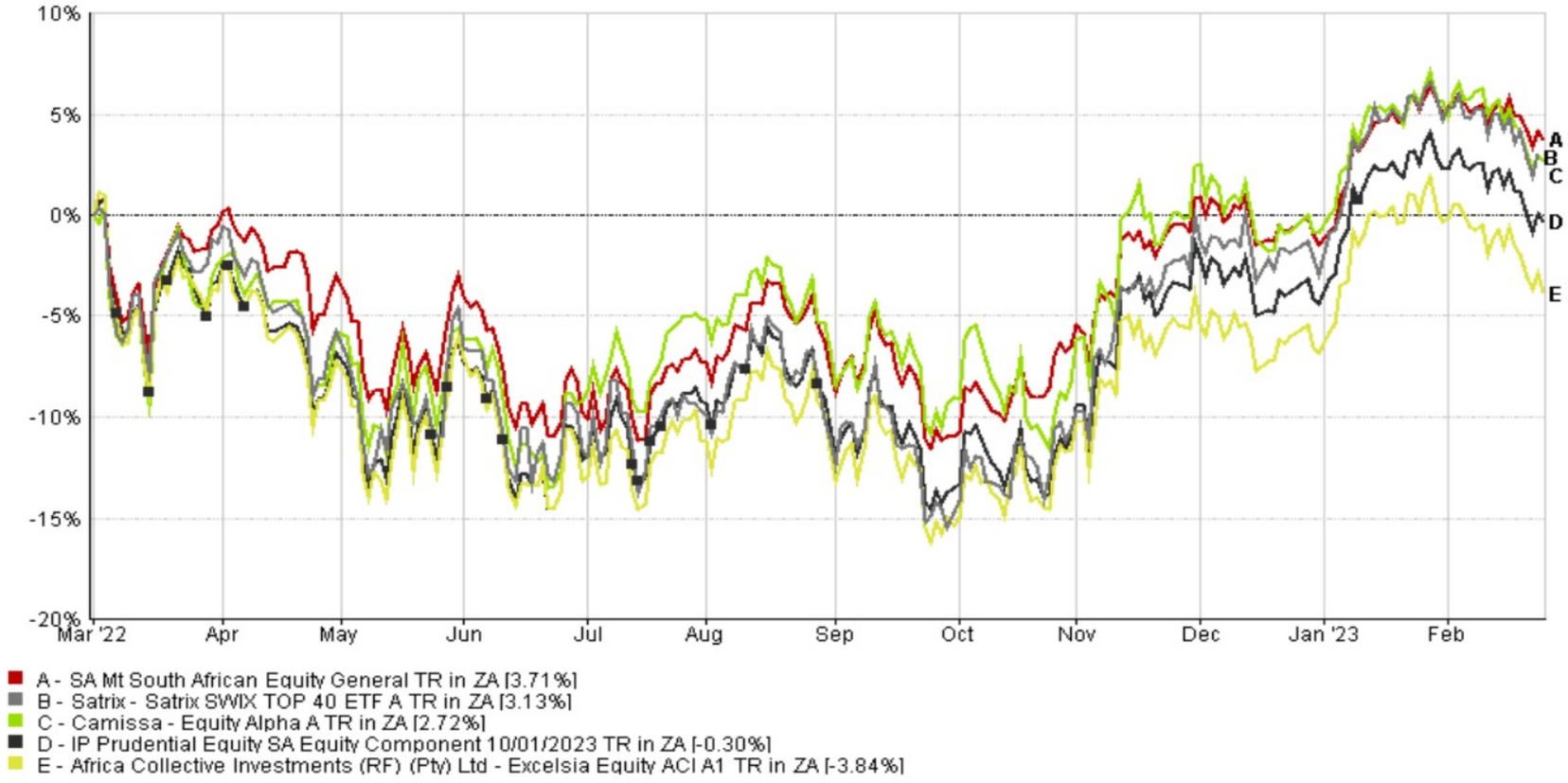
Main Reasons for under - performance

- All underlying SA Equity Managers under-performing sector and Beta Indices respectively
- Too little Offshore exposure post 45% announcement – Our House View dictated stronger ZAR on valuation basis since Oct 2022
- Single Stocks disappointed – SSW/ REN/Coronation
- Did not have larger SA Property and SA Bonds when it performed
- Going UW risk assets may be a little early in 2023- but happy to be there now

- **Strategy in short term** is to stick to our asset allocation decisions, wait on short term signals and if we have a significant sell-off we will use the opportunity to add 3 more managers in the fund
- **Global Equity**- Old Mutual (Jupiter Merlin) and Credo (Value)
- **SA Equity -** Fairtree (Momentum investing)

IP PRUDENTIAL EQUITY SA EQUITY COMPONENT:

Past year



Source: FE 2022
29/11/2021 – 29/11/2022

Excelsia SA Equity Comments on short term performance…

Hi Roeloff

We are well thanks, and I hope you are also well.

We have had some short term underperformance (mainly from our small/mid caps) and the market has been quite volatile over the past 12 months, shifting from a preference for cyclical shares to a preference for defensive shares, and visa versa. As such, one months' detractors tend to be the following months' contributors to performance, as our overweight position in Naspers/Prosus has proven.

As a quick reminder, we are a valuation based Fund Manager and as such will not invest in companies which are trading at a premium to what we believe to be their longer term fair values, Richemont being a case in point. During the month of February, it is again the expensive shares like Richemont and Bidcorp which have lead to our current underperformance.

We have a robust investment process and strategy which has proven very successful over the medium/long term. This investment philosophy is part of our DNA and our clients have given us their money to manage based on this philosophy and process – while we continuously make enhancements, we do not deviate from it due to short term price movements.

Our performance over our minimum 3 year investment horizon has been very good, having generated c.17% Alpha (cumulative) to the end January 2023. Although the short term monthly performance might not be good at times, given the current uncertainty around macro-economic (global inflation) and geo political (Russia/Ukraine) factors and the market volatility this is currently creating, medium to longer term performance should be the focus.

As a final point, from your commentary below, I gather that we are can be considered a diversifier to your clients' total portfolio, and diversifiers outperform when the other portfolios underperform.

I hope this helps, and please don't hesitate to contact me should you need any additional information.

Regards

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Claremont, Cape Town, 7708

EXCELSIA CAPITAL

Introducing Stanlib Enhanced Multi Style Equity

STANLIB Systematic Solutions team

BUSINESS AND STRATEGY

BCom (Hons) (Financial Analysis), CFA
16 years experience

Wehmeyer Ferreira
COO

BCom (Hons) (Business Finance), MBA
20 years experience

Ntombenhle Radebe
Business Development Manager

INVESTMENTS

Rademeyer Vermaak
Head: Portfolio Management
MEng (Electronic – Cum Laude), CFA
19 years experience

Ryan Basdeo
Head: Index Portfolio Management
BCom (Taxation),MBA, CAIA, Registered Security Trader
16 years experience

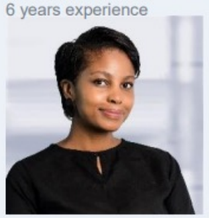
Paul Botha
Senior Quantitative Developer
BCom (Hons) (Accounting Sciences), CA (SA), CFA
14 years experience

Vanessa Mathebula
Quants Analyst
MSc (Financial Engineering & Risk Management – Cum Laude), BCom (Hons) (Investment Management)
6 years experience

Telita Koorsen
Specialist: Investment Analyst
BCom (Accounting)
19 years experience

Sizwe Mdakane
Quants Analyst
MPhil (Mathematical Finance)
6 years experience

Chetan Ramlall
Senior Quants Analyst
MPhil (Mathematical Finance), BSc (Hons) (Electrical Engineering)
4 years experience

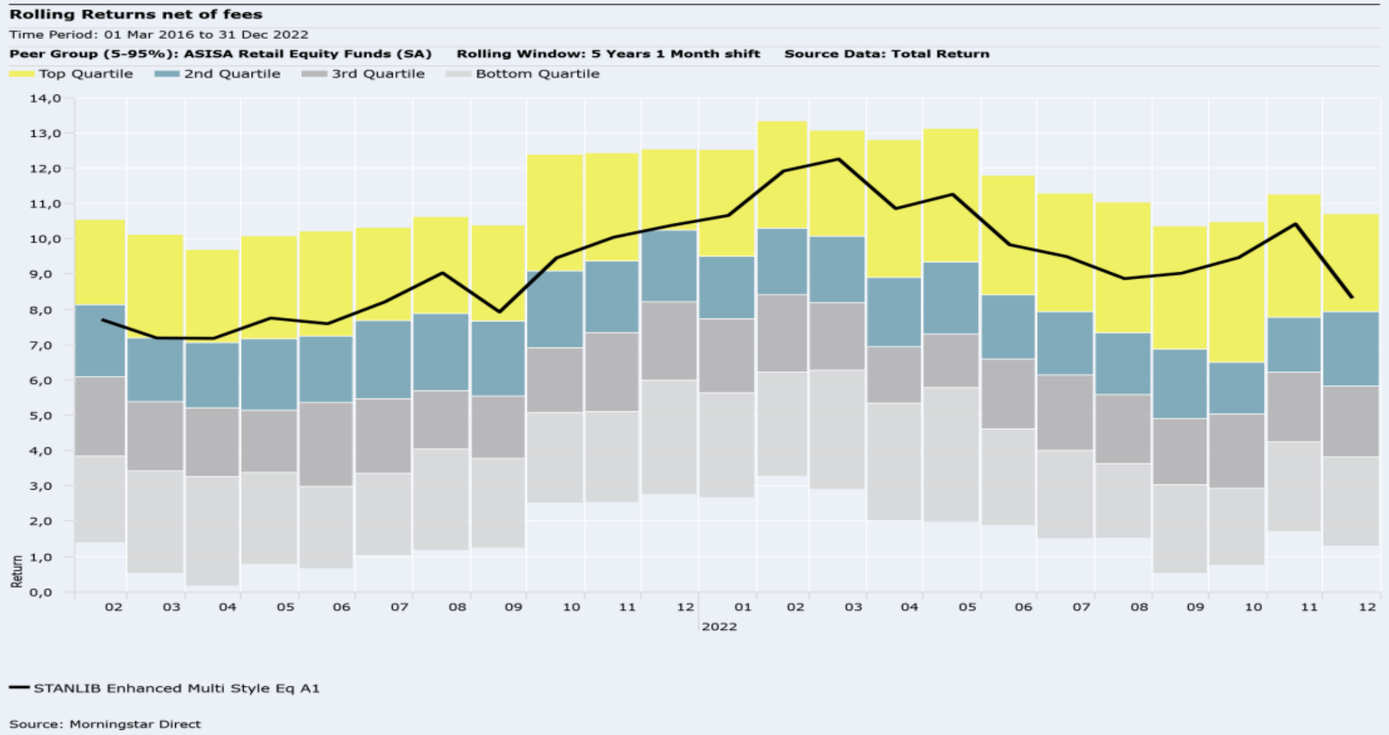


Lungile Macuacua
Analyst
BSc (Hons) Chemical Engineering
1 year experience

Introducing Stanlib Enhanced Multi Style Equity

Persistent Alpha Through the Cycle

Over a rolling 5 years, fund performance has been consistently top quartile amongst competitors:



Introducing Stanlib Enhanced Multi Style Equity

No Style Bias

- A diversified style approach removes the need to call the cycle.
- Over time, blending styles outperforms any single factor: **Bottom Up > Top down**

	2016	2017	2018	2019	2020	2021	2022 (Dec '22)	Cumulative
High	Quality -0.2%	STANLIB EMS 20.2%	STANLIB EMS -3%	Growth 29.9%	Growth 5.2%	Value 36.6%	STANLIB EMS 9.4%	STANLIB EMS 78%
	STANLIB EMS -0.7%	Market 16.5%	Quality -8.9%	Value 13.7%	STANLIB EMS 1.2%	STANLIB EMS 31.8%	Growth 5.2%	Growth 68.1%
	Market -1.4%	Growth 15.3%	Market -10.9%	Market 6.8%	Market 0.6%	Market 27.1%	Market 4.4%	Market 45.8%
	Value -1.7%	Quality 11.6%	Value -12.8%	STANLIB EMS 5.3%	Quality -9.6%	Quality 24.8%	Quality 1.2%	Quality 21.7%
Low	Growth -2.6%	Value 10.3%	Growth -15.6%	Quality 5.1%	Value -24.5%	Growth 23.4%	Value -1.9%	Value 8.8%
STANLIB EMS α	**0.7%**	**3.7%**	**7.9%**	**-1.5%**	**0.6%**	**4.7%**	**5.0%**	**32.2%**

Source: Peresec, Bloomberg

Introducing Stanlib Enhanced Multi Style Equity

Better Than the Benchmark

Rational investment philosophy: **Pick stocks** that are consistently better than the benchmark across key fundamental metrics.

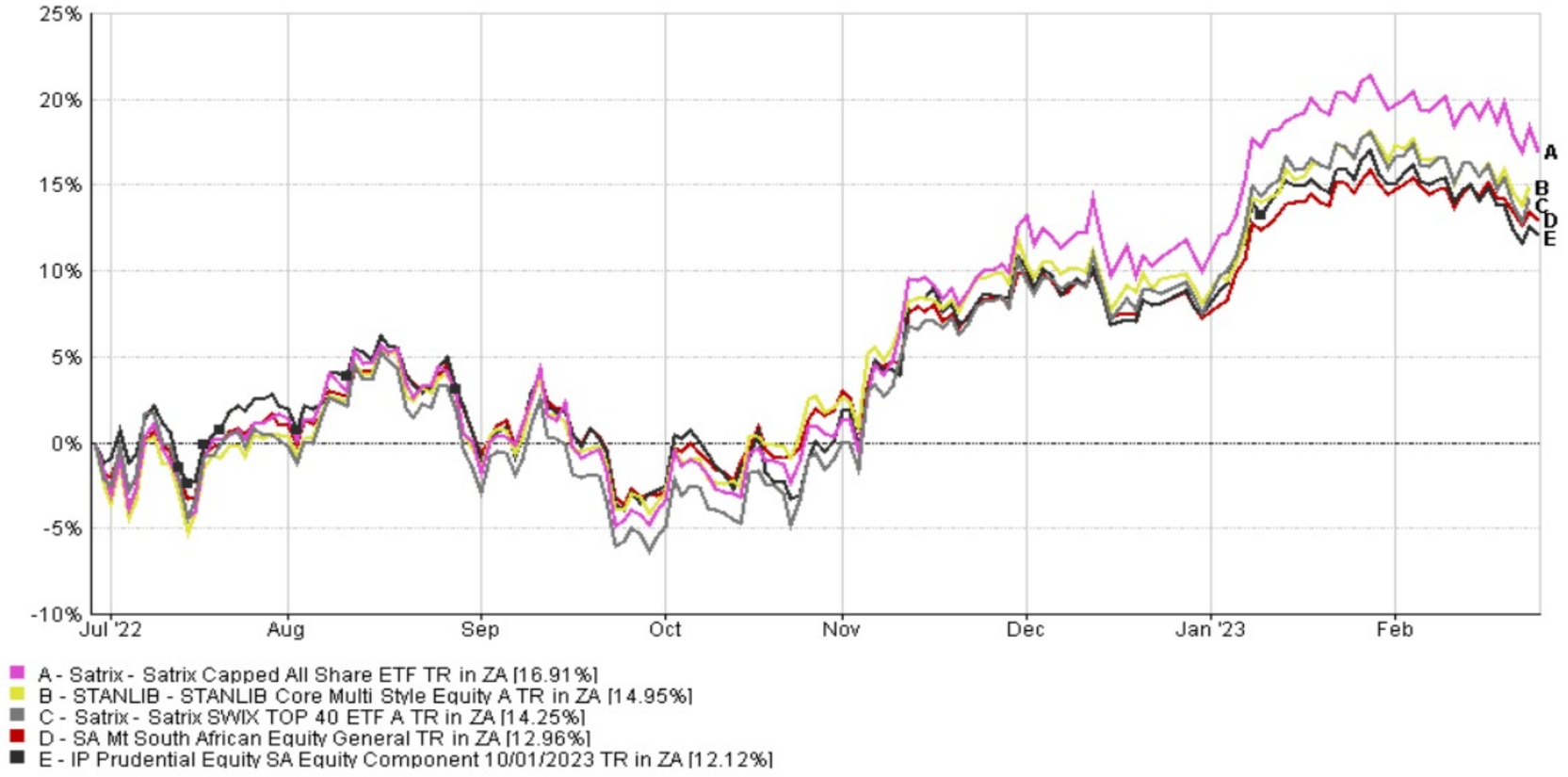
Thus, a **portfolio** with strong growth drivers, that generates significant cash returns on capital, at an attractive valuation.

Style	Metric	2016	2017	2018	2019	2020	2021	2022
Value	Forward 12M EY	+	+	+	+	+	+	+
	T12M Div Yield	+	+	+	+	+	+	+
	BookYield	-	+	+	+	+	+	+
Quality	ROE	+	+	+	+	+	+	+
	EarningsQuality	+	+	+	+	+	+	+
	EarningsCertainty	+	+	+	-	-	+	+
Growth	BEst EPS Change 6m	+	+	+	+	+	+	+
	EPS Growth 1Y	-	+	-	+	-	+	+
	Dividend 5Y Growth	+	-	+	+	+	+	+
	EPS Revisions Up/Down	+	+	+	+	+	+	+

Source: Bloomberg

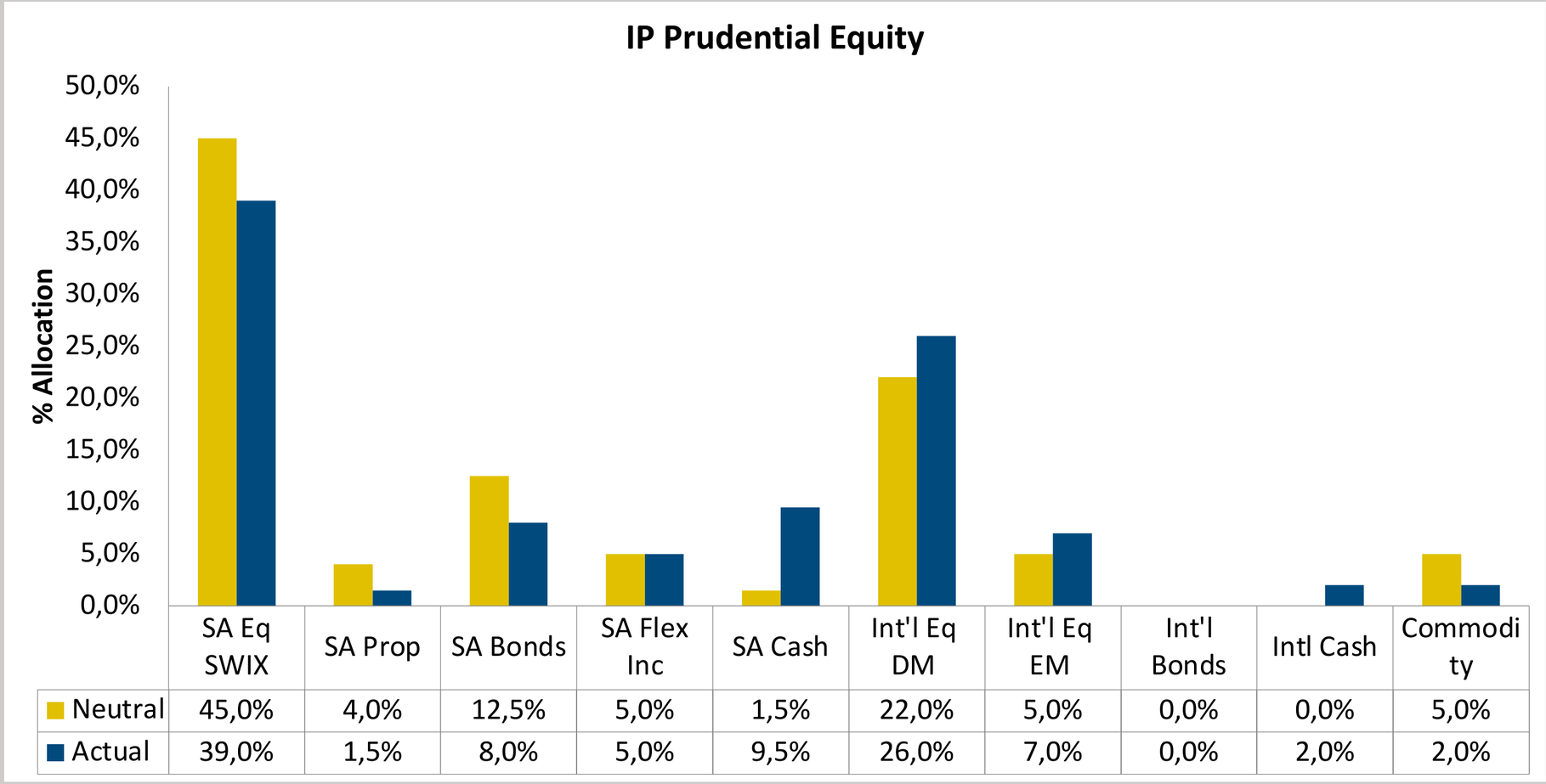
IP PRUDENTIAL EQUITY SA EQUITY COMPONENT:

Past 6 month performance of new components



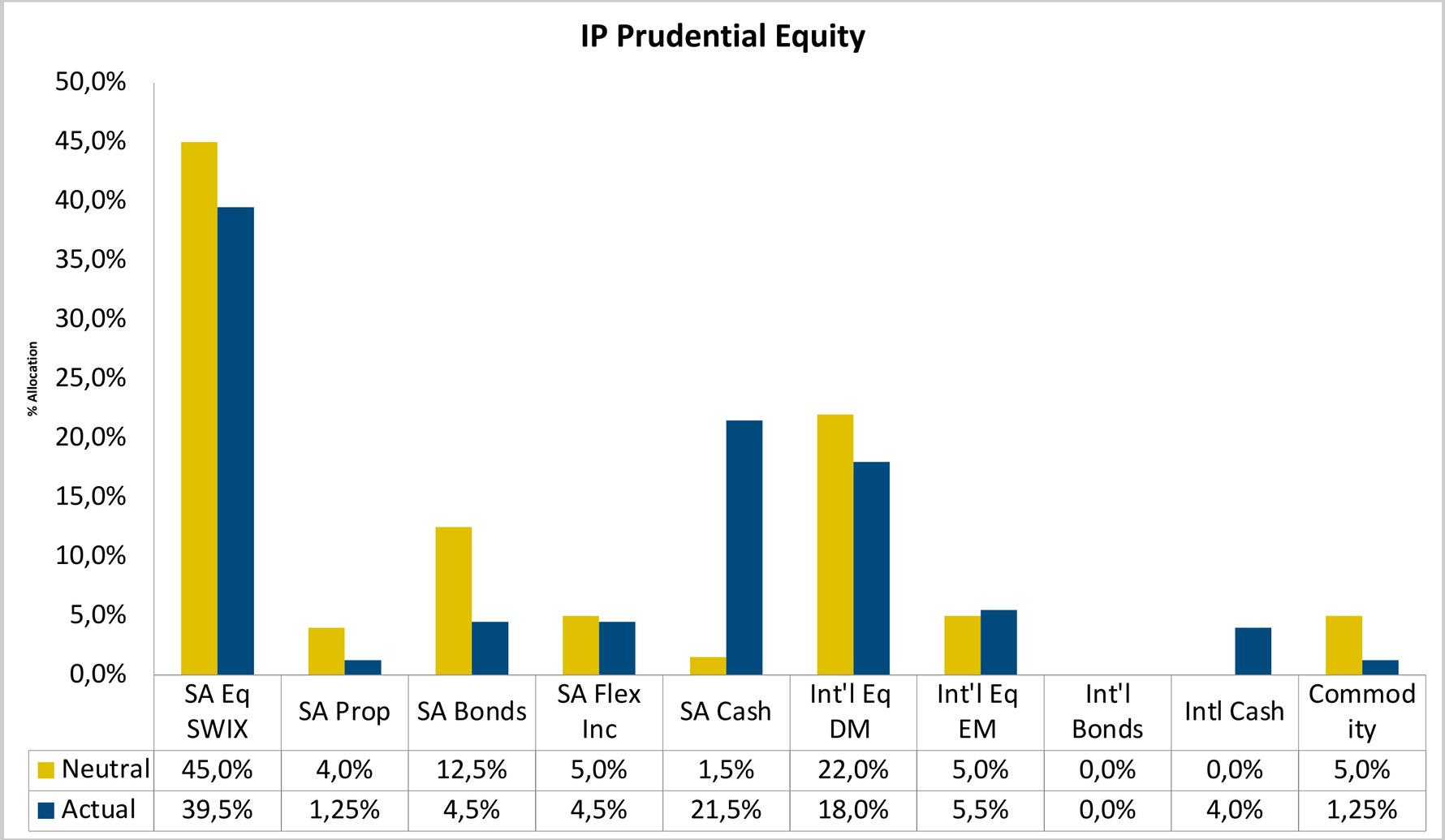
Source: FE 2022
29/11/2021 – 29/11/2022

IP PRUDENTIAL EQUITY ALLOCATION – 31 OCTOBER 2022



	SA Eq SWIX	SA Prop	SA Bonds	SA Flex Inc	SA Cash	Int'l Eq DM	Int'l Eq EM	Int'l Bonds	Intl Cash	Commodity
Neutral	45,0%	4,0%	12,5%	5,0%	1,5%	22,0%	5,0%	0,0%	0,0%	5,0%
Actual	39,0%	1,5%	8,0%	5,0%	9,5%	26,0%	7,0%	0,0%	2,0%	2,0%

IP PRUDENTIAL EQUITY ALLOCATION – 24 FEBRUARY 2023



	SA Eq SWIX	SA Prop	SA Bonds	SA Flex Inc	SA Cash	Int'l Eq DM	Int'l Eq EM	Int'l Bonds	Intl Cash	Commodity
Neutral	45,0%	4,0%	12,5%	5,0%	1,5%	22,0%	5,0%	0,0%	0,0%	5,0%
Actual	39,5%	1,25%	4,5%	4,5%	21,5%	18,0%	5,5%	0,0%	4,0%	1,25%

IP PRUDENTIAL EQUITY SA EQUITY COMPONENT:

5 year track record…

Source: FE 2022
29/11/2017 – 24/02/2023

iShares Israel ETF – price behavior and sell signals

iShares Israel ETF – 2 years –

not a good-looking technical chart

iShares S&P 500 ETF – price behavior and redemption dates

iShares S&P 500 ETF – 2 years –

200 Day Moving Average important technical juncture

iShares EM Value ETF – 2 years –

Remains constructive

Glencore – sold at 30% profit

Thungela – sold on 12 Jan

Sibanye – reduced on 12 Jan

Renergen – Book Build a negative Short Term

Coronation- What a negative surprise ☹

THANK YOU | ANY QUESTIONS?

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