



Fund Objectives and Key Facts

Fund Performance

Portfolio Commentary

Contact Details and Disclaimer

Investor Risk Profile	
High	
Medium - High	
Medium	
Low - Medium	
Low	

Fund Facts	
Classification	South African - Equity - General
Benchmark	FTSE/JSE SWIX*
Inception Date of Fund	05 August 2010
Inception Date of Class	05 April 2014
Total Portfolio Size	1129.8 M
NAV price	Launch 100.00 (cpu)
	31-Oct-18 242.39 (cpu)
JSE code	MCEFA
ISIN number	ZAE000208559
Income Declaration	February, August
Valuation	Valuation time 22h00 (daily)
	Dealing cut-off 14h00 (daily)
Payment	3rd working day of Mar/Sep
Minimum Initial Investment	R5 000 lump sum
	R500 debit order
Reg. 28 Compliant	No
Issue date	21 November 2018

*Please see fund manager commentary with regards to the benchmark.

Portfolio Income in Cents Per Unit (cpu)

Distribution	Dividend	Interest	Other	Total
Feb-18	1.4325	0.0537	0.1196	1.6058
Aug-17	1.9352	0.1665	0.1132	2.2149

NAV Values	Aug-18	Sep-18	Oct-18
Fund Units	418 156 862	414 532 833	465 919 280
Fund NAV	R 1 144 083 793	R 1 069 178 218	R 1 129 823 606
Class NAV	R 3 902 773	R 3 591 430	R 13 358 047

*All figures have been rounded to the nearest Unit and Rand

Mandate Compliance

The Fund remains within the reporting fund regime as at the date of this report.

Portfolio profile

The Mazi Capital Prime Equity Fund is a general equity portfolio that seeks to sustain high long-term capital growth.

Fund Objective

The portfolio may invest in financial instruments to achieve its objectives from time to time. The manager may include unlisted forward currency, interest rate and exchange rate swap transactions for efficient portfolio management. The portfolio's equity exposure shall always exceed 80% with the balance, if any, invested in liquid assets. Nothing shall preclude the manager from varying the ratios of securities or assets in liquid form in changing economic environment or market conditions to meet the requirements of legislation or from retaining cash or placing cash on deposit. The manager shall reserve the right to close the portfolio to new investors.

Limits and Constraints

- Maximum exposure limits as per the ASISA fund classification structure.
- Maximum offshore exposure of 25% plus max 5% in Africa.
- The portfolio equity exposure will always exceed 80% with the balance, if any, invested in assets in liquid form.

Total Investment Charges

Period (annualised): Mar 17 to Feb 18

Total Expense Ratio (TER) 1,22 %

Expenses related to the administration of the Financial Product. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not be necessarily be an accurate indication of future TER's.

Transaction Costs (TC) 0,49 %

Costs relating to the buying and selling of the assets underlying the Financial Product

Total Investment Charges (TIC) 1,71 %

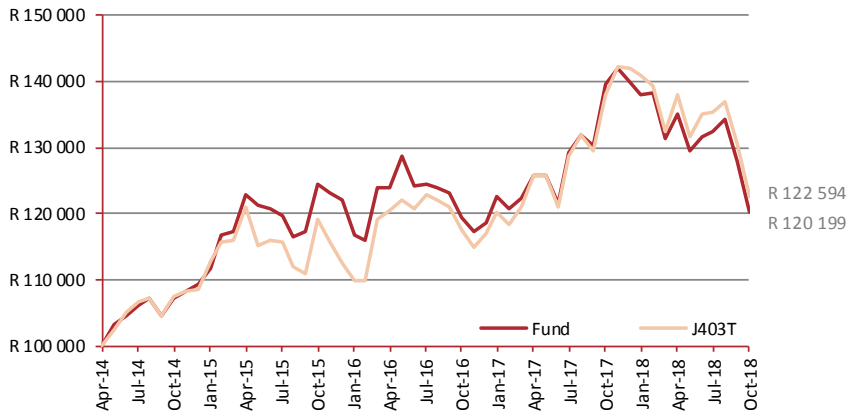
Transaction costs are a necessary cost in administering the Financial Product and impacts Financial Product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Financial Product, the Investment decisions of the investment manager and the TER. Inclusive of the TER of **1,22 %** a performance fee of 0.00% of the net asset value of the class of the Financial Product was recovered.

Portfolio Fees

Management Fee	0.15% (excl. VAT)
Performance Fee	20% of the outperformance of the FTSE/JSE SWIX (J403T) index over a rolling 24 months subject to a max. of 2%
Advisory Fee	N/A
Investment Management Fee	0.85% (excl. VAT)

Fund Performance

Growth of a R 100 000 Investment



Fund Composition

Naspers Ltd	11.45%
Sasol Ltd	7.11%
Firststrand Ltd	6.07%
Standard Bank Group Ltd	5.20%
Bidvest Ltd Ord	3.48%
Old Mutual Ltd	3.19%
Bhp Billiton Plc	3.16%
British American Tobacco PLC	3.06%
Compagnie Fin Richemont	2.90%
Investec Plc	2.81%

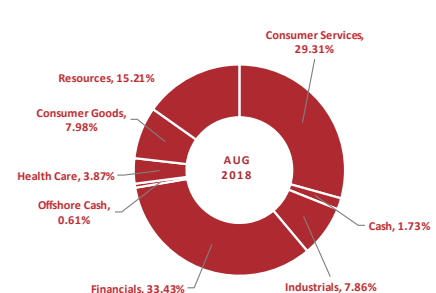
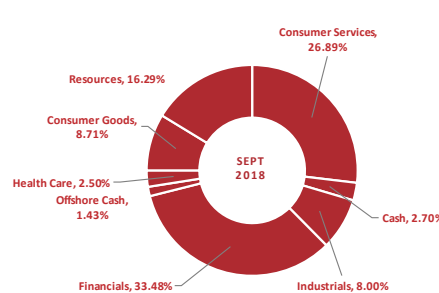
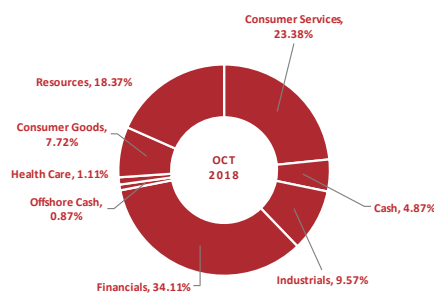
Period	October-2018		September-2018		August-2018		Risk Statistics		
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Risk Metrics	Fund (A)	Benchmark
1 Month	-6.03%	-6.12%	-4.75%	-4.54%	1.51%	1.15%	Volatility	10.34%	11.02%
3 Months	-9.14%	-9.35%	-2.83%	-3.34%	3.73%	4.03%	Tracking Error	2.21%	
6 Months	-11.09%	-11.21%	-2.61%	-1.33%	-2.91%	-1.80%	Information Ratio	-0.21	
YTD	-14.05%	-13.63%	-8.53%	-8.00%	-3.98%	-3.63%	Correlation (SWIX ALSI)	0.93	
1 Year	-13.87%	-11.10%	-1.82%	0.86%	1.92%	3.83%	Beta	0.86	
2 Years	0.36%	2.11%	1.95%	3.89%	4.13%	5.86%	Sharpe Ratio	-0.21	-0.15
3 Years	-1.15%	0.99%	2.91%	5.58%	4.84%	6.88%	Max (Rolling 12 Mths)	22.89%	23.81%
5 Years							Min (Rolling 12 Mths)	-13.87%	-11.10%
Since Inception	4.17%	4.63%	5.62%	6.11%	6.77%	7.21%	Alpha	-0.75%	

* Returns above one year are annualised; ** Fund Returns are net of fees

Monthly Performance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	
Fund	2018	-1.34%	0.24%	-5.04%	2.93%	-4.24%	1.69%	0.49%	1.51%	-4.75%	-6.03%		-14.05%	
Benchmark	2018	-0.68%	-1.18%	-5.00%	4.33%	-4.76%	2.74%	0.10%	1.15%	-4.54%	-6.12%		-13.63%	
Fund	2017	3.23%	-1.47%	1.38%	2.92%	-0.08%	-3.38%	6.27%	2.00%	-1.11%	7.11%	1.81%	-1.57%	17.89%
Benchmark	2017	2.57%	-1.49%	2.24%	4.06%	-0.07%	-3.83%	6.34%	2.42%	-1.73%	6.51%	3.09%	-0.16%	21.22%
Fund	2016	-4.51%	-0.70%	6.88%	0.13%	3.78%	-3.50%	0.31%	-0.54%	-0.64%	-3.02%	-1.63%	1.05%	-2.88%
Benchmark	2016	-2.31%	0.06%	8.32%	1.25%	1.34%	-1.27%	1.88%	-0.66%	-0.89%	-2.81%	-2.35%	1.98%	4.13%

Asset Class Returns	Oct-18
ALSI (TR)	-5.76%
ALBI (TR)	-1.71%
CASH	0.59%
ZAR/USD	14.76

Asset Allocation





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The Market

The global economy has continued on its steady growth path, led by the US, where growth accelerated in 2018 on the back of fiscal stimulus and an improving trade deficit. The expectation is, however, for growth to slow as trade is hampered by increased tariffs, the effects of fiscal stimulus fade, and higher interest rates (in the US, and into 2019, in the Eurozone).

Emerging markets have suffered somewhat in the third quarter, due to sharp declines in confidence, rising US interest rates, a stronger dollar and trade concerns. This has been reflected in the sharp selloff in EM currencies and bonds, particularly Argentina, South Africa and Turkey. The domestic economy slipped into recession in the second quarter of the year, when GDP contracted by 0.7% QoQ, and this led to most analysts revising their growth forecasts lower, most to below 1% for 2018. There is some potential upside for the 3rd and 4th quarter growth numbers, particularly in the agricultural sector, while the stimulus package announced in late September along with a series of short term strategic measures should boost confidence. More detail on the stimulus package will be provided in the mid term budget in late October, due to be delivered by new Finance Minister Tito Mboweni following Nhlanhla Nene's resignation.

With lingering concerns about the impact of escalating trade tensions between US and China, emerging markets on the whole will remain vulnerable, with tighter financial conditions expected and a rotation into US assets. While a number of EM central banks have already raised interest rates, the SARB has held off, despite risks to the inflation outlook from a weaker ZAR and stubbornly high oil prices. By the end of the quarter, the ZAR had strengthened marginally. Local equity markets suffered negative returns, while fixed income assets saw small, but positive numbers. Cash remains the best performer in 2018.

Fund Commentary

The broader market as represented by the SWIX declined by 3.3% over the quarter on a total return basis. The Capped Swix, against which the fund is benchmarked from August 2018, was down by 1.65% on a total return basis over the quarter. The Mazi Asset Management Prime Equity unit trust fund returned -2.5% over the quarter on a gross of fee basis. Both the market and the fund experienced most of the quarter's drawdown in September, with the fund returning -4.7% versus the Capped Swix return of -4.2% for the month.

Company specific results and announcements during September had marked effects on the quarter's results.

On the positive side for the fund, favourable results by Old Mutual, Capitec and FirstRand benefitted performance as the fund has high conviction positions in these companies. The fund further benefitted from exposures to Anglo American and its platinum subsidiary. Over the quarter the fund benefitted in relative terms from low exposure to MTN as well as not having positions in Clicks and Netcare. On the negative side the fund's exposure to Aspen and Libstar detracted significantly from performance. Positioning in Impala Platinum, Rhodes Food Group and Vodacom also detracted from relative performance to a lesser extent.

Anglo American and Anglo American Platinum benefitted from the 9% increase in the Palladium spot price as well as from the recent clarity with respect to the mining charter. Our high conviction position in these companies is based on our positive view of management and the manner in which the company has been able to improve on margins through effective cost control as well as a focus on operating high quality/high margin assets only.

On Investec, our thesis was premised on the company meeting our investment criteria as well as trading at a significant discount to fair value. Whilst this was the case, we felt that a change in management and structure of the company were necessary catalysts to seeing the company rerating. Following an announcement regarding the change in management earlier in the year, the company announced the unbundling of the asset management unit in order for it to operate separately from the remainder of the group. This saw the company being up 9.5% following the announcement.

The portfolio has benefitted from the managed exposure to Clicks and Dischem. We have recently rotated exposure from Clicks to Dischem after benefitting from the good performance of Clicks over the last year. We currently see more upside in Dischem relative to Clicks based on the strong and stable leadership at Dischem and the opportunities for the company to deliver earnings growth from increased store roll out.

Libstar fell further by 24% over September following the release of results in the previous month. Our view is that the market over-reacted to a disappointing set of maiden results, which was largely due to a forex loss. We are expecting stronger operational performance over the second half of the financial year which may restore the market's trust in management.

Aspen fell 40% following the release of its annual results. Despite earnings being in-line with the company's trading statement (earnings warning) issued a couple of weeks earlier, it is our view that principally three issues caused the severe sell-off: Firstly, the price achieved on the sale of the infant milk business was below the market's anticipated level, and this may point to a forced sale as Aspen had to reduce its net-debt position, we think at the behest of their funders. Secondly, there was a substantial loss of business suffered in the contract manufacturing business which we (and the market in general) would have expected to be highlighted in the trading update. Thirdly, the lack of available borrowing capacity put pay to any near-term acquisitions which have been an integral part of the strategy. At present we are holding our position pending the outcome of a meeting with management during middle October and re-evaluation of value. We are sending four team members to meet with executive management at their offices.

The portfolio continues to be exposed to companies that we have conviction in, with an ongoing focus ensuring that capital allocation is optimised and focussed on our best ideas.

Whilst we have seen a number of our best ideas coming through as expected in the last few months, the domestic and foreign macro environment has introduced short term volatility that inevitably impacts the fund. Whilst we certainly take the environmental factors into account, our starting point remains rooted in identifying the best individual investment opportunities.

The portfolio is exposed to:

- Companies that stand to benefit from a SA economic recovery: Foschini, FirstRand, Bidvest and Cashbuild;
- Companies with self-help / recovery opportunities irrespective of the macro environment: Old Mutual, Investec, PPC and Exxaro;
- Companies with strong fundamentals: Dischem, AVI, Capitec and Trellidor.

We are cautious about troubled or unsustainable spaces and companies with specific industry challenges: MTN, Vodacom, Healthcare and Packaging.



Links




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Prime Collective Investment Schemes Management Company (RF) (Pty) Ltd
www.primeinvestments.co.za

 +27 (0)10 594 2100
 +27 (0)86 642 1880
 save@primeinvestments.co.za

1st Floor, Building B,
 Hurlingham Office Park,
 59 Woodlands Ave, Hurlingham Manor,
 Sandton

PostNet Suite 208,
 Private Bag X9,
 Benmore, 2010


Mazi Asset Management (Pty) Ltd
www.mazi.co.za

 +27 (0)10 001 8300
 +27 (0)10 001 8339
 info@mazi.co.za

90 Rivonia Road
 (Cnr. Rivonia Rd and Katherine Street)
 North Wing, 4th Floor

An authorised financial services
 provider (**FSP No:** 46405)
 Registration no.:2012/012860/07

Fund Contact Details
Custodian/Trustee

Societe Generale Security Services
 +27 (0)11 448 8800

Portfolio Managers

Malungelo Zilimbola — BSc (Hons) Quantity Surveying, BCom (Hons) Finance
 Asanda Notshe — BBusSci (Actuarial Science), FIA , FASSA

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