

PRUDENTIAL 2.5% TARGET INCOME FUND

30 JUNE 2021



FACT SHEET/MINIMUM DISCLOSURE DOCUMENT

TARGET INCOME

SINCE INCEPTION CUMULATIVE PERFORMANCE, DISTRIBUTIONS REINVESTED (A CLASS)



ANNUALISED PERFORMANCE	A CLASS	CPI	B CLASS
1 year	21.0%	5.2%	21.5%
2 years	5.2%	3.6%	5.6%
Since inception	3.8%	3.7%	5.2%

* Inception date B Class: 2 April 2019

RETURNS SINCE INCEPTION**	A CLASS	DATE
Highest annualised return	39.1%	31 Mar 2021
Lowest annualised return	-15.1%	30 Apr 2020

** 12-month rolling performance figure

RISK MEASURES	A CLASS
Monthly volatility (annualised)	17.4%
Maximum drawdown over any period	-23.8%

ASSET ALLOCATION	
SA Equity	57.1%
Foreign Equity	11.3%
SA Bonds (ex. Inflation-linked Bonds)	10.7%
Foreign Bonds	7.6%
SA Cash	6.0%
SA Listed Property	5.2%
Foreign Cash	1.1%
Africa Equity	0.9%
SA Inflation-linked Bonds	0.1%

TOP 10 HOLDINGS*	
1. Prudential Worldwide Real Return Fund	15.4%
2. Naspers Ltd	7.6%
3. Prudential Worldwide Strategic Real Return Fund	5.1%
4. MTN Group Ltd	4.2%
5. Standard Bank Group Ltd	3.7%
6. British American Tobacco Plc	3.3%
7. Anglo American Plc	3.2%
8. Absa Group Ltd	2.5%
9. Sasol Ltd	2.3%
10. Firststrand Ltd	2.2%

*As at 30 June 2021 (updated quarterly)

COMPARISON OF TARGET INCOME FUNDS	2.5%	5%	7%
Exposure to growth assets	Higher	Medium	Lower
Exposure to income assets	Lower	Medium	Higher
Risk of not receiving targeted income return	Lower	Medium	Higher
Potential to grow invested capital	Higher	Medium	Lower
Likely volatility of total returns	Higher	Medium	Lower

INVESTMENT OPTIONS	A CLASS	B CLASS
Minimum lump sum investment	R10 000	R20 million
Minimum monthly debit order	n/a	n/a

INITIAL FEES (excl. VAT)	A CLASS	B CLASS
Prudential	0.00%	0.00%
Financial adviser (if applicable)*	3.00% (max)	0.00%

* Initial Adviser Fees are negotiated between the Investor and Financial Adviser. Should you agree to an Initial Adviser Fee, it will be deducted before the investment is made.

ANNUAL MANAGEMENT FEES (excl. VAT)	A CLASS	B CLASS
Prudential*	1.15%	0.85%
Financial adviser service fee** (if applicable)	0.00%	0.00%

*The Fund can invest portions of its assets into underlying foreign investments (incl. investments into Africa). This would mainly be achieved by investing into the sub-funds of the Prudential Global Funds ICAV and the Prudential Africa Equity Fund. These funds will charge an additional asset management fee which is included in the Fund's NAV and the Fund's TER. The Manager receives a marketing and distribution fee in respect of the Prudential Global Funds.

** The Financial Adviser Service Fee is included in Prudential's annual management fee above. An Ongoing Adviser Fee, over and above the Financial Adviser Service Fee, may be negotiated between the Investor and Financial Adviser. Should you agree to an Ongoing Adviser Fee, it will be paid via the regular repurchase of units.

EXPENSES (incl. VAT)	A CLASS	B CLASS
Total Expense Ratio (TER)	1.65%	1.31%
Transaction Costs (TC)	0.25%	0.25%
Total Investment Charges (TIC)	1.90%	1.56%

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).

FUND OBJECTIVE:

To target an annual income return of 2.5%, with a secondary objective of growing capital. While a 2.5% annual income return is targeted, the actual income return may vary.

INVESTOR PROFILE:

Income drawing investors who want to invest in a fund that aims to earn 2.5% income per year. Subject to this being achieved, investors also want capital growth over time. Given the level of targeted income return, it's likely that the real value of capital after targeted income drawdowns will grow over the long term.

INVESTMENT MANDATE:

The Fund invests in a flexible mix of local and foreign equity, bonds, property and cash. The Fund can also invest in derivatives and other collective investment schemes. The Fund is not managed to conform to the regulations governing retirement fund investments (Reg. 28). The Fund is not limited in terms of allocation to asset classes, currencies or geographies.

INCOME DISTRIBUTION:

The income earned from the Fund's underlying assets will be distributed quarterly. Typically, investors will reinvest these distributions. Regular drawdowns, which could be made monthly, quarterly, half-yearly or yearly, will be funded through the sale of units.

FUND MANAGERS:

David Knee, Michael Moyle, Sandile Malinga and Leonard Krüger

ASISA CATEGORY:

The Fund is unclassified given its unique investment objective.

PRIMARY OBJECTIVE:

2.5% Income return p.a.

INCEPTION DATE:

2 April 2019

FUND SIZE:

R100 244 829

INCOME DISTRIBUTIONS	TOTAL DISTRIBUTIONS	12-MONTH YIELD
(A Class) 30 June 2021	0.43 cpu	2.22%
(A Class) 31 March 2021	0.46 cpu	2.01%
(A Class) 31 December 2020	0.21 cpu	2.68%
(A Class) 30 September 2020	0.42 cpu	3.10%
(B Class) 30 June 2021	0.53 cpu	2.52%
(B Class) 31 March 2021	0.56 cpu	2.31%
(B Class) 31 December 2020	0.29 cpu	3.01%
(B Class) 30 September 2020	0.51 cpu	3.47%

If the income earned in the form of dividends and interest exceeds the total expenses, the Fund will make a distribution. (cpu = cents per unit)

FUND COMMENTARY

Global equity markets were mixed in June, as concerns over rising inflation, tighter monetary policies, and a rise in new Covid-19 infections appeared to be the major drivers behind market sentiment. There was some reprieve in the US, however, after President Biden and a bipartisan group of US Senators closed a deal on an infrastructure initiative worth \$1.2 trillion, while concerns over policy tightening eased after the US Federal Reserve (Fed) reassured financial markets that the recent spike in inflation was transitory. Meanwhile, the Fed now forecasts that the US economy will grow by 7% in 2021 (up from March's projection of 6.5%). Officials noted that progress with the vaccination rollout and strong policy support will likely increase economic activity and employment. In the UK, the Bank of England reiterated its intention to keep its monetary policy unchanged in the short term, warning against "premature tightening" until there is clear evidence that significant progress has been made to eliminate spare capacity and to bring inflation towards the 2% target. The European Central Bank (ECB) left its monetary policy unchanged in June, raising its GDP projections for 2021 and 2022 to 4.6% and 4.7%, respectively. Sentiment lifted after ECB President Christine Lagarde suggested that the region could expect a stronger economic recovery following brighter prospects for global demand and a faster-than-anticipated increase in consumer spending, downplaying the likelihood of tighter monetary policies. Turning to China, tensions between the US and China resurfaced after the US blacklisted five Chinese firms over alleged human rights abuses in Xinjiang. Beijing responded by saying that it would take all necessary measures to safeguard the legitimate interests of Chinese companies.

In South Africa, President Ramaphosa announced a 14-day Level 4 lockdown amid a sharp rise in new Covid-19 cases. In more positive news, South Africa's economy grew by an annualised 4.6% in Q1 2021, easily beating market expectations of a 2.5% increase. Inflation climbed to 5.2% y/y in May from 4.4% y/y in April, largely in line with market expectations. The increase marked the highest inflation reading since November 2018, however this was largely due to last year's low base. Meanwhile, South Africa's trade surplus rose to R54.6 billion in May, marking the largest monthly trade surplus on record. In June, the FTSE/JSE All Share Index returned -2.4%, the FTSE/JSE All Bond Index delivered 1.1%, inflation-linked bonds (the Composite ILB Index) posted -1.5%, and cash as measured by the STeFI Composite Index returned 0.3%. Looking at global market returns (in US\$), the MSCI All Country World Index delivered 1.4%, the Bloomberg Barclays Global Aggregate Bond Index returned -0.9%, while the EPRA/NAREIT Global Property REIT Index posted 1.3%. The rand depreciated 4.1% against the US dollar, 1.1% against the pound sterling and 0.9% against the euro.

Contributing the most to absolute performance for the month was the fund's exposure to foreign equities (excluding property), foreign bonds 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.
Cumulative performance graph	This illustrates how an initial investment placed into the Fund would change over time, taking ongoing fees into account.
Income distribution	The dividend income and/or interest income that is generated by the underlying Fund investments and that is periodically declared and distributed to investors in the Fund after all annual service fees.
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 the monthly returns are likely to vary from the average monthly return (i.e. the more volatile the investment).
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.
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 TERs.
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.

HOW TO INVEST

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prudential.co.za

query@myprudential.co.za

Application forms

Invest now

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

DISCLAIMER

Prudential Portfolio Managers Unit Trusts Ltd (Registration number: 1999/0524/06) is an approved CISA management company (#29). Assets are managed by Prudential Investment Managers (South Africa) (Pty) Ltd, which is an approved discretionary Financial Services Provider (#45199). The Trustee's/Custodian details are: Standard Bank of South Africa limited – Trustees Services & investor Services. 20th Floor, Main Tower, Standard Bank Centre, Heerengracht, Cape Town. Prudential Portfolio Managers (South Africa) (Pty) Ltd ("PPMSA") is part of the same corporate group as the Prudential Assurance Company. The Prudential Assurance Company is a direct subsidiary of M&G plc, a company incorporated in the United Kingdom. Neither PPMSA or the Prudential Assurance Company are affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America or Prudential plc, an international group incorporated in the United Kingdom.

Collective Investment Schemes (unit trusts) are generally medium-to long-term investments. Past performance is not necessarily a guide to future investment performance. Unit trust prices are calculated on a net asset value basis. This means the price is the total net market value of all assets of the unit trust fund divided by the total number of units of the fund. Any market movements – for example in share prices, bond prices, money market prices or currency fluctuations - relevant to the underlying assets of the fund may cause the value of the underlying assets to go up or down. As a result, the price of your units may go up or down. Unit trusts are traded at the ruling forward price of the day, meaning that transactions are processed during the day before you or the Manager know what the price at the end of the day will be. The price and therefore the number of units involved in the transaction are only known on the following day. The unit trust fund may borrow up to 10% of the fund value, and it may also lend any scrip (proof of ownership of an investment instrument) that it holds to earn additional income. A Prudential unit trust fund may consist of different fund classes that are subject to different fees and charges. Where applicable, the Manager will pay your financial adviser an agreed standard ongoing adviser fee, which is included in the overall costs of the fund. A Collective Investment Schemes (CIS) summary with all fees and maximum initial and ongoing adviser fees is available on our website. One can also obtain additional information on Prudential products on the Prudential website. The Fund may hold foreign securities including foreign CIS funds. As a result, the fund may face material risks. The volatility of the fund may be higher and the liquidity of the underlying securities may be restricted due to relative market sizes and market conditions. The fund's ability to settle securities and to repatriate investment income, capital or the proceeds of sales of securities may be adversely affected for multiple reasons including market conditions, macro-economic and political circumstances. Further, the return on the security may be affected (positively or negatively) by the difference in tax regimes between the domestic and foreign tax jurisdictions. The availability of market information and information on any underlying sub-funds may be delayed. The Manager may, at its discretion, close your chosen unit trust fund to new investors and to additional investments by existing investors to make sure that it is managed in accordance with its mandate. It may also stop your existing debit order investment. The Manager makes no guarantees as to the capital invested in the fund or the returns of the fund. Excessive withdrawals from the fund may place the fund under liquidity pressure and, in certain circumstances, a process of ring fencing withdrawal instructions may be followed. Fund prices are published daily on the Prudential website. These are also available upon request. The performance is calculated for the portfolio. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Purchase and repurchase requests must be received by the Manager by 13h30 (11h30 for the Money Market Fund) SA time each business day. All online purchase and repurchase transactions must be received by the Manager by 10h30 (for all Funds) SA time each business day.