

# CANNON EQUITY H4 FUND A

Minimum Disclosure Document

As of 30/09/2020



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## INVESTMENT OBJECTIVE AND POLICY

The objective of the Cannon Equity H4 Fund is to achieve long-term capital growth. The fund may invest in equity securities listed on exchanges, non-equity securities and assets in liquid form. The fund is also permitted to invest in offshore investments, as well as participatory interests in portfolios of collective investment schemes, as permitted by legislation. Listed and unlisted financial instruments may be used for efficient portfolio management only. The portfolio managers' aim is to follow a value-style investment philosophy in building a portfolio of stocks listed primarily on the FTSE/JSE All Share Index, which in their view, are deemed to be good quality businesses offering attractive valuations and the potential to deliver returns ahead of the South African equity market over the long-term.

## RISK REWARD PROFILE



This portfolio invests predominantly in South African listed equity securities, and may hold offshore stocks as permitted. In terms of the above risk reward profile, the portfolio has the highest risk rating due to the nature of its investments, which may be subject to risks which include, but are not limited to, adverse local and foreign stock market conditions, political and macroeconomic events, company earnings and significant corporate events, as well as currency fluctuations. Please refer to the additional risks highlighted in the Information and Disclosures section.

## TOP HOLDINGS (EXCLUDING CASH)

Portfolio Date: 30/09/2020		Portfolio Date: 30/06/2020	
Anglo American PLC	7.7%	BHP Group PLC	7.0%
BHP Group PLC	6.6%	Pan African Resources PLC	5.8%
Allied Electronics Corp	5.7%	Anglo American PLC	5.8%
Pan African Resources PLC	5.6%	Raubex Group Ltd	5.7%
Metair Investments Ltd	5.2%	Metair Investments Ltd	4.9%
Raubex Group Ltd	4.4%	Stor-Age Property REIT Ltd	4.5%
Datatec Ltd	4.0%	Allied Electronics Corp	4.3%
MTN Group Ltd	3.6%	Old Mutual Ltd Ord	4.0%
OneLogix Group Ltd	3.6%	Quilter PLC Ordinary Shares	3.7%
Absa Group Ltd	3.3%	OneLogix Group Ltd	3.1%

## SECTOR ALLOCATION (MORNINGSTAR, LOOK THROUGH)

Portfolio Date: 30/09/2020		Portfolio Date: 30/06/2020	
Basic Materials	20.6%	Basic Materials	20.4%
Consumer Cyclical	10.6%	Consumer Cyclical	16.4%
Financial Services	25.6%	Financial Services	30.0%
Real Estate	3.3%	Real Estate	5.0%
Consumer Defensive	5.1%	Consumer Defensive	2.0%
Communication Services	6.2%	Communication Services	2.7%
Energy	0.0%	Energy	0.0%
Industrials	18.5%	Industrials	18.8%
Technology	10.0%	Technology	4.7%

## FUND FACTS

Issue Date	15/10/2020
Portfolio Managers	Dr Adrian Saville Samantha Steyn
Benchmark	FTSE/JSE All Share TR ZAR
Fund Classification	(ASISA) South African EQ General
ISIN	ZAE000068110
Launch Date*	01/07/2005
Base Currency	South African Rand
Domicile	South Africa
Annual Management Fee (ex VAT)	1.25%
Initial/Exit Fee	0.00%
Minimum Investment	R2500 lump sum/R500 monthly
Valuation Time (daily)	17:00
Transaction Cut Off Time (daily)	15:00
NAV per Participatory Interest	R 1.53
Number of Participatory Interests	7 826 205.7
Fund Size (million)	R 11.97
Share Class Size (million)	R 11.97

\*Under the MET Collective Investments Scheme

## DISTRIBUTIONS OVER THE LAST 12 MONTHS

Distribution Dates	31 March and 30 September
2019-10	R 0.0362
2020-04	R 0.0015

## FUND PERFORMANCE (%)



The graph above reflects the actual percentage performance of the fund and notional performance of the benchmark, based on a lump sum contribution on the launch date of the fund. Performance of both the fund and the benchmark is annualised over periods longer than one year. Performance is shown net of all fund charges and expenses and includes the reinvestment of distributions.

## FUND HIGHEST/LOWEST ANNUAL RETURN

HIGHEST		LOWEST	
Date	31/01/2017	Date	31/03/2020
Fund	29.7%	Fund	-30.5%
Benchmark	10.3%	Benchmark	-18.4%

Calculated as a 12 month rolling performance figure using month-end values over a 10-year rolling period. The benchmark performances shown above are an illustration of its own performance for the periods shown for the fund. This is not a reflection of the benchmark's own highest or lowest annual return.

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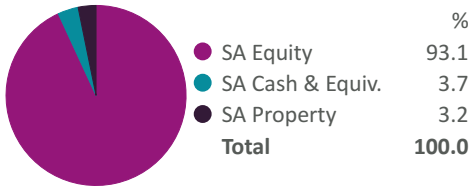
As of 30/09/2020



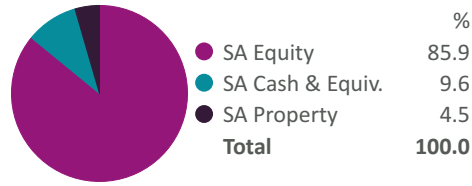
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## ASSET ALLOCATION (MORNINGSTAR, LOOK THROUGH) - MARKET VALUE

Portfolio Date: 30/09/2020



Portfolio Date: 30/06/2020



## EFFECTIVE DERIVATIVE EXPOSURE (NON LOOK THROUGH)

Equity Derivatives	Nil
Currency Derivatives	Nil
SA Cash Margin a/c (as % of fund)	Nil

## FUND COMMENTARY

After very strong performance in August, global equities pulled back in September with the MSCI World Index down 3.4% and the MSCI Emerging Markets Index falling 1.6% (in US dollars). Locally, bonds fared slightly better than equities in aggregate, with the FTSE/JSE All Bond Index flat compared to the FTSE/JSE All Share Index down 1.6%. At sector level, financials (+2.3%) outperformed resources (-3.4%) for the first time since February. During the quarter, economic activity continued to show further signs of normalisation, which should be further supported by the shift to Lockdown Level 1 (the least onerous on the scale). Equity valuations remain on depressed multiples, with the MSCI SA PE down to 10.5 times (a 24% discount to its 5year average). This is the largest relative discount (27%) to MSCI EM for 20 years of consensus forward multiples. The Cannon Equity H4 Fund ('the fund') was down 1.5% in September, effectively in line with its benchmark. The fund is ahead for the third quarter, delivering 1.2% versus 0.7% for the FTSE/JSE All Share Index. The main detractors from the fund's quarterly performance were Raubex (-14.1%), Datatec (-16.7%) and Old Mutual (-13.9%). The top contributors were Pan African Resources (+25.1%), Master Drilling (+36.7%) and Altron (+8.9). The fund continues to adhere to its policy.

TOTAL INVESTMENT CHARGES	01 July 2017 - 30 June 2020		
Three year annualised as per ASISA Standard	Total Expense Ratio (TER)	Transaction Costs (TC)	Total Investment Charges (TER + TC)
	2.38%	0.13%	2.51%
	of the value of the fund was incurred as expenses relating to the administration of the fund. Inclusive in the TER, a performance fee of 0.28% of the NAV of this share class of the fund was recovered	of the value of the fund was incurred as costs relating to the buying and selling of the assets underlying the fund	of the value of the fund was incurred as costs relating to the investments of the fund

### Total Expense Ratio (TER) and Transaction Costs (TC)

A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TERs. The TER does not include Transaction Costs, which are shown separately. Transaction Costs are a necessary cost in administering the fund and impacts fund 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.

TOTAL EXPENSE RATIO	01 April 2019 - 31 March 2020
One year, as at financial year-end, as per Board Notice 92 of 2014	TER FY-End 2020
	2.62%
	of the value of the fund was incurred as expenses relating to the administration of the fund

## PERFORMANCE FEES

Performance Fee Benchmark	FTSE/JSE All Share Total Return Index
Base Fee	1.25%
Fee at Benchmark	1.25%
Fee Hurdle	No hurdle
Sharing Ratio	15.00%
*Maximum Fee	2.25%
Minimum Fee	1.25%

\*Maximum Fee: approximately 1% above the management fee (excl. VAT).

Performance Fee Example: 0% p.a. if the fund performs in line with its Performance Fee benchmark being the FTSE/JSE All Share Total Return Index (J203T).

Method: The performance fee is accrued daily, based on performance over a rolling 1-year period with payments to the Manager being made monthly.



## INFORMATION AND DISCLOSURES

### About the manager, trustee and scheme

This portfolio was established by H4 Collective Investments (RF) (Pty) Ltd, registration number 2002/009140/07 ("the manager") of The Citadel, 15 Cavendish Street, Claremont, 7708 (telephone +27 21 670 9100) as part of the H4 Collective Investments Scheme ("the scheme"). The trustee of the scheme is the Standard Bank of South Africa Limited of 9th Floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg, 2001 (telephone +27 11 636 9111/2).

### About the investment manager

The manager has appointed Cannon Asset Managers Proprietary Limited, registration number 2000/025176/07 ("Cannon"), as the investment manager of the portfolio. Cannon is licensed as a financial services provider in terms of the Financial Advisory and Intermediary Services Act, 2002.

### Risk warning

The risk and return profile of a fund illustrates the amount of risk undertaken by an investor in the hope of achieving a particular return on an investment. The generally accepted principle is that potential return rises with an increase in risk. The risk and return profile on the face of this document is based on the historical performance of the fund. In addition to the risk warnings included elsewhere in this document, it is important to note that there are many other risks associated with investing in collective investments. These can include but are not limited to the following: general market risks (such as general movements in interest rates; external factors [war, natural disasters and such like]; changes to the law and regulatory frameworks; governmental policy changes; global, regional or national economic developments), risks related to a specific security (like the possibility of a company's credit rating being downgraded); and loss in the purchasing power of an investment as a result of an increase in the price of consumer goods (known as inflationary risks).

Some of the portfolios may invest in foreign securities. There are potential material risks associated with investing in foreign securities. These include but are not limited to: potential constraints on liquidity and the repatriation of funds, macroeconomic risks, political and social instability, foreign exchange risks, tax risks, settlement risks and potential limitations on the availability of market information, all of which may have an impact on fund performance. In addition, risks associated with investing in emerging markets (which are generally less mature than those in developed markets) include but are not limited to currency risks, the possibility of expropriation, confiscatory taxation or nationalisation of assets and the establishment of foreign exchange controls which may include the suspension of the ability to transfer currency from a given country.

### Derivatives

If this portfolio has exposure to derivatives, this fact and the level of effective exposure will be specified within this document. Where this portfolio invests in other portfolios which use derivatives, those underlying derivative exposures will not be contained in this document. Derivatives derive their value from the value of an underlying asset. Investing in derivatives involves risk because depending on how the derivative is structured, the portfolio's losses or gains may be unlimited. To prevent this, the portfolio's derivative positions must be "covered" at all times. This means that the portfolio must always hold the underlying asset on which the derivative is based, or have sufficient cash or "margin" to deliver if the portfolio's derivative positions move against it. If derivatives are used in this portfolio, the cash/cash equivalent shown in the asset allocation section includes the portion allocated to "margin" for covering derivative positions and such portion of cash/cash equivalent is therefore not available for use by the manager. Other asset classes shown in the asset allocation section represent the market value of those assets and must be read together with the derivative holdings disclosure. The use of derivatives in collective investment schemes is governed by regulation. Derivatives can be used only for efficiency in portfolio management, for increasing a portfolio's yield, or to protect the portfolio against losses if the value of the shares or instruments invested in, or the market, falls. They may not be used for speculating or for enhancing the return of the portfolio by using gearing. The most common derivatives are options (puts and calls) and futures.

### General disclosures

This document is the minimum disclosure document required by Board Notice 92 of 2014 published by the Financial Sector Conduct Authority under the Collective Investment Schemes Control Act 45 of 2002. Collective investment schemes are generally medium to long-term investments. The value of participatory interests or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. Collective Investment schemes are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commission is available on request from the manager. Neither the manager nor Cannon provides any guarantee either with respect to the capital or the return of the portfolio. The manager has the right to close the portfolio to new investors in order to manage it more efficiently in accordance with its mandate. Where any forecasts or commentary about the expected future performance of asset classes or the market in general are made in this document, please note that neither Cannon nor H4 guarantee that such forecasts or commentary will occur.

### Performance disclosures

The performance calculated and shown is that of the portfolio. Individual investor performances may differ as a result of initial fees (if applicable), the actual investment date, the date of reinvestment and dividend withholding tax. Where periods of longer than one year are used in calculating past performance, certain figures may be annualised. Annualisation is the conversion of a rate of any length of time into a rate that is reflected on an annual basis. Actual annual figures and performance calculations are available on request. All since inception performance returns are calculated from the launch date of the portfolio.

### Disclosures in respect of the Cannon Equity H4 Fund

The Cannon Equity H4 Fund was originally established as the Cannon MET Equity Fund under the MET Collective Investments Scheme. The Cannon Equity H4 Fund was established under the H4 Collective Investments Scheme on 30 September 2016 and amalgamated with the Cannon MET Equity Fund on 3 February 2017. The amalgamated portfolio continued under the name of the Cannon Equity H4 Fund. The Cannon Equity H4 Fund charges a performance fee of 15% of the excess total return above the FTSE/JSE All Share Total Return Index over a rolling 1-year, capped at 1% p.a. The performance fee is calculated daily and deducted monthly on a high-water mark principle.

### Disclosures in respect of third-party-named portfolios

This portfolio is a third-party-named portfolio. A third-party-named portfolio bears the name of both the manager and the investment manager. The manager retains full legal responsibility for the third-party-named portfolio.

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## Calculation of the NAV and price

The value of participatory interests is calculated on a NAV basis. The NAV is the total value of all assets in the portfolio including any income accruals and less any deductible expenses (which may include audit fees, brokerage, service fees, securities transfer tax and bank charges). The price of participatory interests is calculated by dividing the NAV by the number of participatory interests in issue. Prices are published daily in local newspapers. The portfolio is available via certain LISPs, who levy their own fees. Investors in this portfolio may thus be liable for an initial fee and/or annual service fee levied by the third party administrator that is not reflected in the initial charge (where applicable) or NAV calculation.

## Limitation of liability

This document has been compiled for information purposes only and does not take into account the needs or circumstances of any person or constitute advice of any kind. It is not an offer to sell or an invitation to invest. The information and opinions in this document have been recorded by Cannon and the manager in good faith from sources believed to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. Cannon and the manager accordingly accept no liability whatsoever for any direct, indirect or consequential loss arising from the use of this document or its contents.

## Complaints process

Any complaint must be set out in writing and include all relevant information and documents in the complainant's possession. The complaint must be addressed to the manager's compliance officer and posted or hand-delivered to the manager's physical address above or sent by email to [info@H4CI.co.za](mailto:info@H4CI.co.za). The complaint will be investigated internally and the complainant will be advised of the outcome of the complaint.

## Additional information

Cannon and the manager are members of ASISA. Figures quoted are from Cannon, Morningstar, Datastream, Bloomberg and MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This document is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

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Please speak to your advisor should you require any additional information on this portfolio. Should you so require, the application form, annual report and Performance Fee Frequently Asked Questions document may be obtained from the manager free of charge.

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