

# CAPITAL PRESERVATION BUNDLE

JUNE 2019



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## BUNDLE FACTS

<b>Benchmark</b>	CPI + 2%
<b>Mandate Inception (CPI + 2%)</b>	January 2006
<b>Easy Equities Bundle Inception</b>	February 2018
<b>Investment Horizon</b>	> 2 Years

## INVESTMENT OBJECTIVES

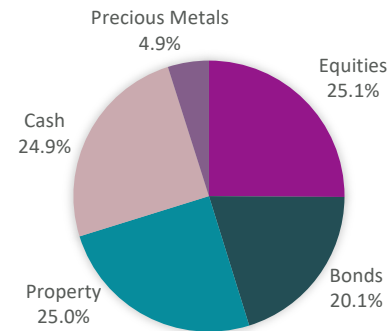
To protect the Rand value of investments from negative returns over the short term (one year) whilst steadily growing the investment to produce returns ahead of inflation with low volatility by investing in an equal-weighted portfolio of primary assets.

## INVESTMENT STRATEGY

Cannon Asset Managers' Capital Preservation Bundle invests across all the major asset classes, including equities, property, bonds, commodities and cash to protect initial capital from downside risk and to produce long-term investment returns ahead of inflation with a conservative risk profile. The investment strategy targets an equal-weighted portfolio of equities, bonds, property and cash, although this is varied tactically from time-to-time to protect investments against market risks or to take advantage of asset class mispricing.

The exposure within the different asset classes is managed on a passive basis, which ensures holdings deliver efficient asset-class returns and costs are kept as low as possible. The primary goals of the bundle are to protect capital from negative returns whilst steadily growing the investment ahead of inflation.

## ASSET CLASS EXPOSURE



## INVESTMENT GUIDELINES

Cannon Asset Managers' Capital Preservation Bundle invests in a portfolio of equities, property, bonds, commodities and cash. The bundle is managed to comply with the investment limits governing retirement funds (Regulation 28 of the Pension Funds Act). This means the bundle may hold foreign assets with an exposure of up to 30% of the investment value, with an allowance for an additional 10% for African (ex-South Africa) investments. However, given that the bundle is designed to protect the Rand value of investments, the portfolio strategy favours holding domestic assets to avoid the volatility often associated with foreign currency exposure. The bundle may have exposure to growth assets, including equities (up to 40% as a low-equity investment) and property (up to 25%). As a result, the bundle will not hold more than 65% exposure to equities and property combined. The strategy targets an equal-weighting in the major asset classes to achieve the two goals of protecting initial capital from downside risk which achieving modest capital growth to preserve the real value of the investment against inflation.

## SUITABLE FOR\*



Lower Volatility Lower Risk Potentially Rewards	Higher Volatility Higher Risk Potentially Higher Rewards
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The bundle is suited to investors who:

- are looking for long-term capital growth ahead of consumer price inflation;
- want to protect their investment against market fluctuations; and
- have an investment horizon of at least two years.

## BENCHMARK

The investment results of the bundle are measured against two benchmarks, namely:

- the market value-weighted average return of funds in the ASISA South African Multi-Asset Low Equity Category, as reported by Morningstar ([www.morningstar.com](http://www.morningstar.com)); and
- the rate of consumer price index inflation plus 2 percent (CPI + 2%).

As a low-risk investment, the bundle also has an implicit objective to achieve investment returns whilst managing volatility and drawdowns such that the bundle produces a return above the rate of consumer price inflation over a rolling two-year period.



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\* Riskalyze is a cutting-edge technology that identifies your acceptable levels of risk and reward with unparalleled accuracy. Using this tool, we ensure that your portfolio aligns with your investment goals and expectations. For more information please go to [www.riskalyze.com](http://www.riskalyze.com).



## EFFECTIVE ANNUAL COST (EAC)

Underlying Fund Total Expense Ratio (TER)	0.41
Transaction Costs	0.13
Asset Management Charge	0.65
Effective Annual Cost (%)	1.19

The estimated effective annual cost is made up of (a) the weighted average of the total expense ratio (TER) of the exchange traded funds that make up the bundle; (b) a reasonable best estimate of the transaction costs incurred in managing the bundle; and (c) the asset management fee charged by Cannon Asset Managers as the bundle advisor. Keeping investment costs as low as possible is an explicit objective of Cannon Asset Managers as the TFSA bundle advisor.

All figures are quoted exclusive of value added tax (15% as of 1 April 2018). Independent financial advisors are eligible to charge an additional advice fee of up to 0.50% per annum.

## REGULATION 28 COMPLIANCE & SAVINGS WRAPPER

Cannon Asset Managers' Capital Preservation is managed to comply with the restrictions and requirements imposed by Regulation 28 of the Pension Funds Act. However, investors are not obliged to invest in the bundle via a savings wrapper.

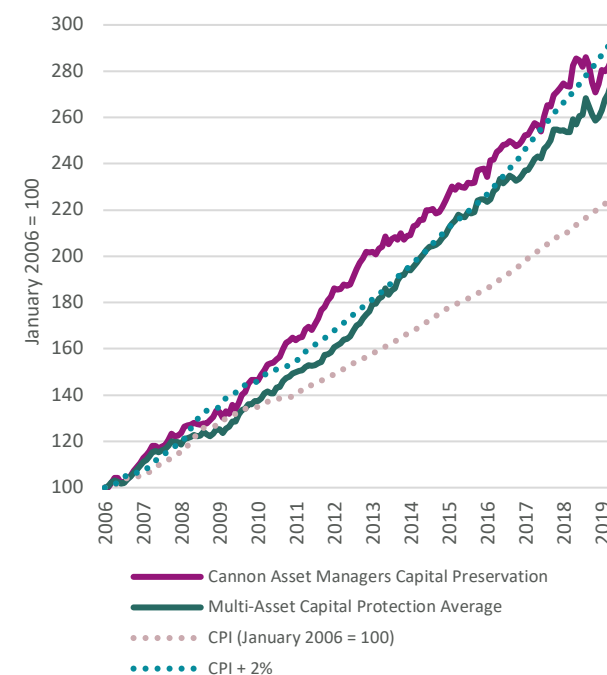
**Retirement Annuity:** If you choose to invest in the bundle via a retirement annuity, an additional fee of 0.30% per annum will be levied for the savings wrapper, increasing the effective annual cost to 1.49%.

**Living Annuity:** If you invest via a living annuity an additional fee of 0.40% per annum will be levied for the savings wrapper, increasing the effective annual cost to 1.59% per annum.

## PORTFOLIO ATTRIBUTES & INVESTMENT RESULTS

Return & Risk Attributes	Benchmark (CPI + 2%)	ASISA Average	Capital Preservation Bundle
Average Yearly Return (%)	8.5	7.9	8.3
Average Yearly Volatility (%)	1.0	2.9	3.8
One-Year Return	7.9	5.5	0.9
Three-Year Return	8.0	5.9	5.0
Five-Year Return	7.9	6.3	5.5
Ten-Year Return	7.7	7.9	7.9
Return Since Inception (%)	195.8	171.8	187.1
Highest Monthly Return	1.9	2.7	3.3
Lowest Monthly Return	0.0	-1.5	-2.6
Highest Annual Return	15.2	13.7	16.0
Lowest Annual Return	5.3	1.5	-1.4
Positive Months (%)	99.4	82.0	73.9
Success Rate (%)	NA	77.8	87.3

## PERFORMANCE



ⓘ The return and investment performances set out in this document are for illustrative purposes only. The performance is calculated by taking the actual initial fees and all ongoing fees into account for the strategic asset allocation percentages of the TFSA bundle and all income is reinvested on the reinvestment date. For the period from 2006 to 2018, proxy data were used based on Cannon Asset Managers underlying mandates to represent the TFSA bundle's returns. The highest and lowest annual returns reported are on a rolling 12-month basis since inception, and not per calendar year; this metric is intended to capture how much the TFSA bundle and the benchmark returns have varied for a rolling 12-month period. The TFSA bundle is managed to comply with Regulation 28 of the Pension Funds Act.

‡ The Success Rate measures the instances in which the investment performance of the portfolio is ahead of consumer price inflation over the investment horizon of the portfolio, as noted under the section "Benchmark". The effective annual cost (EAC) calculation is made in accordance with ASISA effective annual cost (EAC) standard available at [www.asisa.org.za/codes-standards-guidelines/standards/](http://www.asisa.org.za/codes-standards-guidelines/standards/).

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