

**GIPS Composite Name:** **Vunani Enhanced Income Composite**

**Jun 2021**

**Benchmark:** **Short-term Fixed Interest Composite Index (STeFI)**

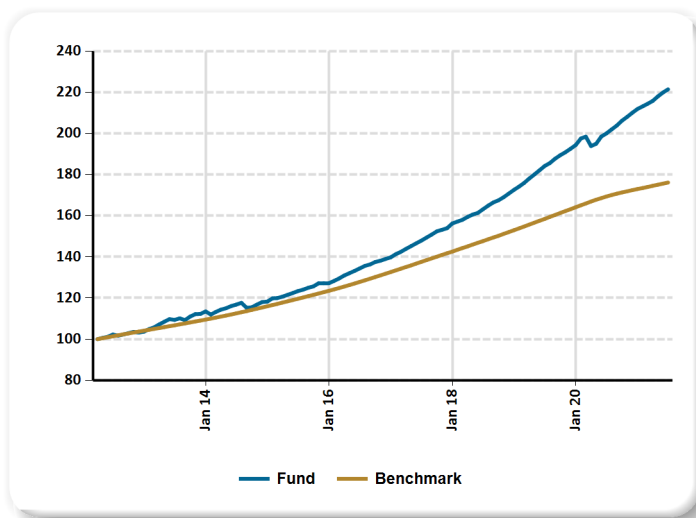
**Composite Creation Date:** **31 Mar 2012**

Period	Gross return	Bmk return	No of Portfolios	Total Assets (million)	% of Firm Assets	Total Firm Assets (million)	Dispersion	3 yr Ann Std Dev	Bmk 3 yr Ann Std Dev
01 Apr 2012 to 31 Dec 2012	3.64%	4.11%	1	34.74	0.42%	8,266.44	N/A	N/A	0.19%
01 Jan 2013 to 31 Dec 2013	9.49%	5.18%	1	118.22	0.97%	12,130.48	N/A	N/A	0.10%
01 Jan 2014 to 31 Dec 2014	4.19%	5.90%	1	381.65	3.03%	12,612.31	N/A	N/A	0.13%
01 Jan 2015 to 31 Dec 2015	7.57%	6.48%	1	348.66	2.43%	14,362.23	N/A	2.63%	0.18%
01 Jan 2016 to 31 Dec 2016	9.90%	7.39%	1	351.46	2.41%	14,597.04	N/A	2.26%	0.20%
01 Jan 2017 to 31 Dec 2017	11.78%	7.50%	1	406.63	2.01%	20,191.39	N/A	1.14%	0.16%
01 Jan 2018 to 31 Dec 2018	10.45%	7.29%	1	581.63	2.19%	26,600.26	N/A	0.81%	0.11%
01 Jan 2019 to 31 Dec 2019	12.61%	7.29%	1	2,100.33	5.25%	40,000.45	N/A	0.78%	0.11%
01 Jan 2020 to 31 Dec 2020	9.03%	5.39%	1	4,345.43	8.94%	48,623.29	N/A	2.11%	0.33%
01 Jan 2021 to 30 Jun 2021	4.50%	1.83%	1	5,207.63	9.52%	54,724.95	N/A	2.10%	0.43%

Vunani Fund Managers (Pty) Ltd has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®)

## SUPPLEMENTAL INFORMATION

### FUND PERFORMANCE



### FUND MANAGEMENT COMMENT

In 2020 it seemed that the English-speaking world learnt a new word, “unprecedented”. This surprised us firstly because it is not a particularly obscure word and secondly because it was very widely misapplied in financial markets. Neither the equity nor the bond market’s behaviour in 2020 was remotely unprecedented. We suppose that fund managers with weak or negative alpha were eager adopters of the word, hoping to deflect responsibility to an exogenous source.

In June 2021, a somewhat more obscure word was bandied about: “contumacy” [stubborn refusal to obey or comply with authority, especially a court order or summons]. At the time of writing (5th July) a legalese was added: “rescission” [the revocation, cancellation, or repeal of a law, order, or agreement].

Another surprise in June was amusing, but there is a more serious look-through to investments. This surprise was delivered by Cristiano Ronaldo, the most prolific international goal scorer. In a post-match interview, he conspicuously removed a sponsor’s refreshment, replaced it with a bottle of water and uttered one word in English: “water”. That five-second display erased four billion dollars from the market capitalisation of Coca Cola.

An important soft skill for a fund manager is academic honesty regarding the skill versus luck debate. Too often, good luck gets warped into skill by selective amnesia while bad luck is bemoaned as just that and declared totally out of the hands of the fund manager. Poor ethics apart, this asymmetrical treatment of luck is a pity, because acknowledging good luck for what it is and stripping it out of claimed alpha seems to us to be a critical ingredient of learning.

That said, spare a thought for the buyer of Coca Cola shares in the minutes or hours before Ronaldo’s act of defiance. No fair value model of equities, be it a DDM, DCF, PE-relative or any variation, has a parameter for a celebrity sportsman disdaining a product!

Your fund’s yield to maturity has settled at around 7.25%, which is a little meagre compared to recent years, but is a substantial enhancement over its benchmark’s yield, overnight rates, and all NCD rates between 3 and 12 months.

**NOTES:**

1. **COMPOSITE DESCRIPTION** : Includes portfolios that are invested in the South African money market and Fixed Interest. The fund aims for higher returns than are available through cash and bank deposits over a 12-36 month period, seeking actively managed exposure to the full spectrum of the fixed interest and high yielding universe of assets.
2. **BENCHMARK CREATION** : Published Index: Short-term Fixed Interest Composite Index (STeFI)
3. **FIRM DEFINITION** : Vunani Fund Managers (Pty) Ltd is registered with the Financial Sector Conduct Authority (FSCA) as a discretionary Financial Service Provider, License 608. The GIPS firm includes all portfolios managed by Vunani Fund Managers.
4. **MINIMUM ASSET LEVELS** : Vunani Fund Managers excludes all portfolios with an asset value less than R20 million.
5. **CURRENCY** : Vunani Fund Managers uses South African Rand to express all performance.
6. **PERFORMANCE CALCULATION** : Performance results are presented gross of management and performance fees, after deducting trading expenses, custodial fees and bank charges. Trading expenses include brokerage, trade settlement fees, taxes and trading levies as well as VAT thereon. The aggregate return method is used which combines all the composite assets and cash flows to calculate composite performance as if the composite were one portfolio.
7. **LIST AND DESCRIPTION OF COMPOSITES** : A complete list and description of all composites is available by emailing a request to info@vunanifm.co.za.
8. **LEVERAGE AND DERIVATIVES** : The use of derivatives is limited to exchanged traded futures and options for the purpose of maintaining the correct exposure to asset classes whilst providing liquidity.
9. **LEVERAGE AND DERIVATIVES** : Derivatives may be employed as risk mitigating strategies.
10. **INCONSISTENCIES IN EXCHANGE RATES** : Vunani Fund Managers use I-Net quotations for foreign exchange (FX) rate conversions. Due to timing differences, FX rates used to value instruments in the individual client portfolios may differ from the FX rates used by Vunani Fund Managers for benchmark conversion to local currency. Vunani Fund Managers accepts this variance in FX rates as immaterial and do not make any adjustments for such variances.
11. **DISPERSION** : Vunani Fund Managers uses the standard deviation across portfolio returns represented within the composite for the full year to calculate dispersion. Portfolios must be in a composite for the full period for which dispersion is being measured.
12. **FEE STRUCTURE** : A fee of 75 bps on market value.
13. Vunani Fund Managers negotiates fees with each individual client in line with the standard company fee schedule.
14. **WITHHOLDING TAXES** : Proceeds on sales and income are accounted for net of any withholding taxes until such time as any reclaimable portion is received.
15. Additional information regarding policies for calculating and reporting returns is available on request.
16. **CASH FLOWS** : A fund may be removed from the composite, should a cash flow be greater than 5% of that fund. Once the fund has been realigned, it will be included again.
17. Benchmark components, weights, and the rebalancing process is available on demand.
18. **VERIFICATION** : Vunani Fund Managers claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. Vunani Fund Managers has been independently verified for the periods 2004 to 2019. The verification report(s) is/are available on request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.
19. **GIPS®** is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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