

# CANNON EQUITY H4 FUND

Minimum Disclosure Document



cannon asset managers

DELIVERING VALUE

October 2017

Issue date: 15 November 2017

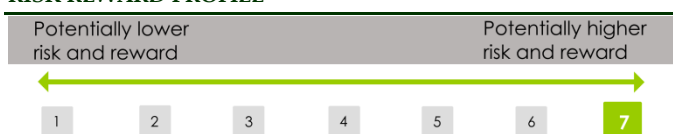
## INVESTMENT OBJECTIVE

The objective of the Cannon Equity H4 Fund is to achieve long-term capital growth.

## POLICY

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.

## FUND PERFORMANCE

	Fund	Benchmark
1 year	-0.3%	20.1%
3 years annualised	-0.9%	9.0%
5 years annualised	2.5%	13.0%
10 years annualised	2.0%	9.7%
Since inception cumulative	173.8%	454.7%
Since inception annualised	8.6%	15.0%

## TOP STOCK HOLDINGS

This Month	Holding	3 months ago	Holding
Anglo American	6.2%	Glencore	5.6%
Combined Motor Holdings Ltd	6.0%	Combined Motor Holdings Ltd	5.1%
Glencore	5.9%	Anglo American	5.1%
Master Drilling	4.4%	Master Drilling	4.8%
Datatec	3.9%	Phumelela Gaming and Leisure	4.1%
Old Mutual	3.8%	Old Mutual	4.1%
Peregrine	3.8%	Standard Bank	4.0%
Phumelela Gaming and Leisure	3.7%	Peregrine	3.9%
Sasfin Holdings	3.7%	Sasol	3.7%
Sasol	3.7%	Sasfin Holdings	3.7%

## ASSET ALLOCATION

	Holding	3 months ago
Equity	96.2%	96.4%
Property	2.1%	2.0%
Cash	1.7%	1.6%

## FUND FACTS

Portfolio Managers	Adrian Saville, Samantha Pauwels (under supervision)
Benchmark	FTSE/JSE All Share Index
Launch date	1 July 2005
Fund size	R35.57 million
Share class size	R35.57 million
Domicile	South Africa (Unit Trust)
Currency	Rand
Annual management fee	1.25% p.a. (excluding VAT)
Initial fee/Exit fee	0.00%
Number of participatory interests	15 405 809.84
Net asset value per participatory interest	230.91 cents
Status	Class A, Distributing
Fund classification	South African - Equity - General
Trustee	Standard Bank of South Africa
Valuation time	17:00 daily
Transaction cut-off time	15:00 daily
Income declaration dates	31 March and 30 September
Income payment dates	01 April and 01 October
Distributions over the last 12 months	
- 31 March 2017:	0.00 cents per unit
- 30 September 2017:	2.57 cents per unit

## ACTUAL CUMULATIVE FUND PERFORMANCE SINCE INCEPTION

Cannon Equity H4 Fund  
FTSE/JSE All Share Index



The graph above reflects the actual cumulative 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 is shown net of all fund charges and expenses and includes the reinvestment of distributions.

## SECTOR ALLOCATION

	Holding	3 months ago
Financials	28.3%	29.1%
Industrials	23.8%	25.0%
Basic Materials	21.3%	19.5%
Consumer Services	14.7%	14.7%
Consumer Goods	6.2%	6.5%
Technology	3.9%	3.6%
Cash	1.7%	1.6%

## FUND COMMENTARY

The Cannon Equity H4 Fund ('the fund') delivered 4.1% in October, as the FTSE/JSE All Share Index returned 6.3%. The biggest contributors to the fund's monthly absolute performance were Group Five (+19%), Bowler Metcalf (+14%) and Metrofile (+13%). The biggest detractors were Holdsport (-12%), Consolidated Infrastructure (-8%) and Inequity (-6%). The manager acknowledges that much of the year's returns in the local equity market are from non-SA related companies, and remains cautious for the short to medium term.

The fund continues to adhere to its policy.

## MONTHLY PERFORMANCE TABLE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Benchmark YTD
2017	1.8%	-2.0%	-3.1%	-1.9%	-1.6%	-2.7%	2.2%	0.3%	-3.1%	4.1%			-6.0%	19.6%
2016	-6.4%	5.4%	4.6%	3.9%	-0.8%	0.9%	1.9%	1.7%	3.1%	-1.8%	2.9%	3.1%	19.2%	2.6%
2015	1.1%	1.1%	-4.6%	4.3%	0.8%	-1.8%	-1.6%	-2.3%	-3.7%	4.3%	-6.2%	-2.2%	-10.7%	5.1%
2014	0.3%	3.0%	-1.3%	2.8%	-0.1%	-0.7%	1.7%	-2.6%	-4.3%	0.0%	-0.9%	-1.7%	-3.9%	10.9%
2013	4.0%	-1.2%	2.1%	-3.9%	1.9%	-2.7%	3.2%	2.8%	4.2%	4.5%	-1.8%	-0.2%	13.2%	21.4%
2012	5.8%	3.7%	0.0%	1.9%	-6.3%	0.9%	-2.7%	2.3%	1.9%	2.7%	-0.4%	4.2%	14.3%	26.7%
2011	-2.5%	2.6%	-0.7%	1.3%	-0.8%	-0.3%	-2.3%	-3.7%	-3.5%	6.8%	-0.9%	1.3%	-3.2%	2.6%
2010	-2.4%	2.2%	5.2%	1.7%	-5.0%	-4.4%	8.0%	-3.0%	8.0%	2.4%	-0.8%	5.6%	17.6%	19.0%
2009	-2.8%	-10.4%	6.7%	5.8%	8.9%	0.3%	9.7%	7.5%	1.4%	3.4%	-1.8%	2.0%	32.9%*	32.1%
2008	-7.3%	8.1%	-2.5%	2.6%	1.8%	-5.6%	-4.5%	2.0%	-11.2%	-16.0%	-3.7%	5.2%	-29.1%**	-23.2%

\*Highest annual return for the period shown

\*\*Lowest annual return for the period shown

## TOTAL INVESTMENT CHARGES:

Three year annualised as per ASISA Standard

Period (annualised)	01 October 2014	to	30 September 2017
Class A Distributing	Total Expense Ratio (TER)	Transaction Costs (TC)	Total Investment Charges (TER + TC)
	1.65%	0.14%	1.79%
	of the value of the fund was incurred as expenses relating to the administration of the fund. Inclusive in the TER of 1.65%, a performance fee of 0.06% of the net asset value of the A 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:

One year, as at financial year-end, as per Board Notice 92 of 2014

01 Apr 2016 to 31 Mar 2017
Total Expense Ratio (TER)
1.82%
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 exposure will be specified within this document. Where this fund invests in other funds 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. 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 Services Board 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.

#### Performance fees

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.

#### 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. 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. Where a FTSE/JSE index ("the FTSE/JSE index") is referenced in this document, copyright therein vests in FTSE International Limited ("FTSE") © FTSE 2016. "FTSE®" is a trade mark of the London Stock Exchange Group Companies and is used by FTSE under licence. "JSE" is a trade mark of the JSE Limited and is used by FTSE under licence. The FTSE/JSE index is calculated by FTSE in conjunction with the JSE. All intellectual property rights in the index values and constituent list vests in FTSE and the JSE. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE/JSE indices and/or FTSE ratings or underlying data. No further distribution of JSE indices data is permitted without the JSE's express written consent. 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.