

Overview

The SIM Unconstrained Equity product offers investors access to our best investment ideas, without the restrictions that usually come with benchmark-related investing.

Investment objective

We aim to deliver positive real returns that exceed the local equity market in the long-term.

Investment philosophy

We are active value investors who place more emphasis on track record and fact than forecast and speculation. We invest according to our estimate of a company's fair value based on normalised operating conditions. We aim to capitalise on mispricings in the equity markets that arise as a result of human emotions (mainly fear and greed) and differences in investor time horizons.

Investment horizon

We don't judge our performance on anything less than three years because in the short-term, share prices tend to behave in a fairly random manner.

Investment mandate

The fund performance is measured against a notional benchmark consisting of 98% equity, 2% cash.

Although the fund doesn't invest according to a benchmark, for performance measurement purposes its benchmark for the equity component is SWIX and, for the cash component, it is the call rate.

The following asset allocation ranges apply:

Asset Class	Percentage of total market value of portfolio
Equities	98 – 100
Cash	< 2

Regulatory constraints – Not regulation 28 compliant given fund's unconstrained nature.

Risk profile – This fund is actively managed and thus investors should be willing to potentially tolerate more volatility versus the market in the short-term.

Performance fee structure

- Performance fees at 20% of the returns above a predetermined benchmark.
- Performance fees are calculated on a rolling 36-month outperformance, as the idea is to promote longer-term outperformance. Fees will be phased in from inception to the first 36 months.

Fees (VAT excluded)

The fee is equal to one-twelfth of the following:

Balance in the fund at the date of recovery of the fee	Percent per annum
First R150m	0.55
Next R150m	0.50
Next R200m	0.45
Next R500m	0.40
Min. assets	R100m

This fee is recovered at the end of each month.

About the managers

The portfolio is jointly managed by award-winning Ricco Friedrich and Claude van Cuyck who together have 31 years investment experience across a range of different industries.

Who should invest

The SIM Unconstrained Equity product is best suited to clients who:

- Prefer an active, differentiated and less conventional approach to investing;
- Value the importance of an absolute mindset to picking stocks;
- Do not view risk as short-term volatility against a benchmark, but rather a permanent loss of capital;
- Prefer to take a longer term view when building wealth;
- Want to gain full exposure to the investment professionals' best ideas.

Second quarter performance review

The FTSE/JSE All Share Index (ALSI) once again reached a new record high on 24 April, touching 55188 points. In April alone we saw the ALSI edge higher by 4.7% for the month. This was, however, short-lived as markets around the world declined on the back of renewed fears of a possible Grexit.

The best performing sectors during the quarter were Support Services (+11.7%), General Financials (+11.5%) and Mobile Telecoms (+11%). The worst performing sectors were Gold Miners (-16.8%) and Industrial Metals (-13.7%).

What SIM Unconstrained Equity did?

The portfolio outperformed the benchmark during the quarter. During the second quarter we saw some of the construction stocks in the portfolio recover somewhat with shares like Stefanutti and Group Five providing returns of 24% and 13% respectively and adding to the overall attribution of the funds.

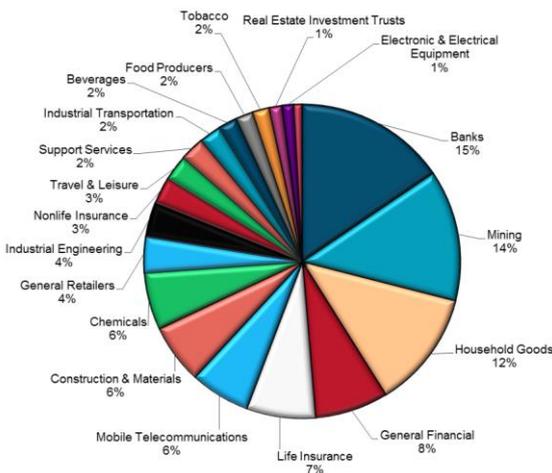
Other stocks that contributed to overall relative outperformance were Hudaco, Investec and newcomer Choppies. Our investments in Sun International, Allied Electronics and Foschini detracted value during the quarter.

The portfolio continues to be overweight in financials, with a relatively neutral exposure to resources compared to the market and a strong underweight in industrials. We currently have no exposure to expensive industrial shares, such as Naspers, Richemont, SABMiller and Aspen, as we see better opportunities elsewhere.

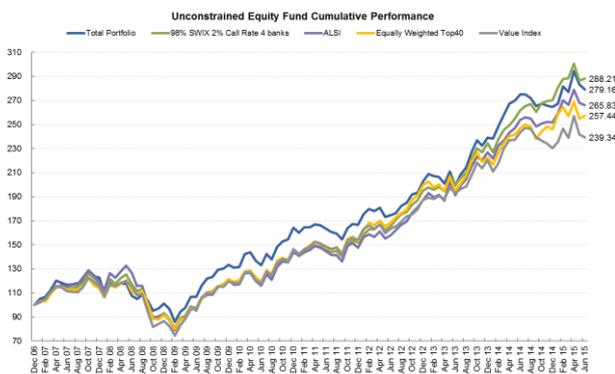
SIM strategy

Although we believe that the market is now expensive at the aggregate level, there remains a distinct difference between the segment of the market that is particularly expensive and certain stocks that remain attractively valued. This allows us to gradually increase our holdings in the more attractive segment of the market where the margin of safety is the greatest. We continue to believe that the gradual recovery in global economies, together with a more normalised interest rate environment (we expect higher interest rates globally over time) will lead to more rational capital allocation. This will support our value approach to investments and our current portfolio positioning.

Fund's sector exposure

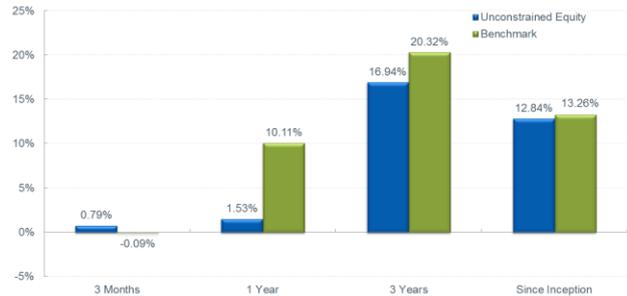


Unconstrained Equity's performance (since incep.)



Source: SIM

Annualised returns



Funds Top 10 Holdings

Share	Weight (%)
Steinhoff	11.80
Standard Bank	6.99
Old Mutual plc	6.85
Anglo American plc	6.14
MTN Group Limited	5.99
Barclays Africa Group Ltd	4.82
Sasol Limited	4.07
Hudaco Industries Limited	3.45
Nedbank Group Limited	3.27
Group Five Limited	2.96
Total	56.37%

Disclaimer: Collective Investment Schemes (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. Collective investments are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio. Portfolio performance is calculated on a NAV to NAV basis and does not take any initial fees into account. Annualised Growth Rate. Income is reinvested on the ex-dividend date. Total return performances are published. The source is Morningstar. (Risk statistics: Money Mate). Actual investment performance will differ based on the initial fees applicable, the actual investment date and the date of reinvestment of income. A schedule of fees and charges and maximum commissions is available from the manager/scheme. Commission and incentives may be paid and if so, would be included in the overall costs. Forward pricing is used. The following charges are levied against the portfolio: Brokerage, auditor's fees, bank charges and trustee fees. A full member of the Association for Savings & Investment SA