

DATE OF ISSUE: 18 DECEMBER 2018  
30 NOVEMBER 2018

## FUND INFORMATION

### Fund Manager

Andrew Dowse

### ASISA sector classification

South African – Equity – Unclassified

Size: R391 m

### Risk profile

Conservative	Cautious	Moderate	Moderate Aggressive	Aggressive

### Benchmark

JSE Listed Preference Share Index (J251T)

### Recommended investment term

Longer than 3 years

### Minimum lump sum investment

R 5 000

### Minimum debit order investment

R 500

### Valuation time

15h00

### Cut-off time for transaction

14h00

### Inception date

15 January 2008

### Distribution dates

March, June, September, December

### Payment dates

5 to 7 working days after declaration

### NAV on reporting dates

82.63 cents per unit

### Distribution (last 12 months)

8.19 cents per unit

### FEES (VAT exclusive)

#### Maximum initial advisor fee

Class A 1.00% (if applicable)

#### Maximum annual advisor fee

Class A 0.50% (if applicable)

#### Maximum initial manager fee

Class A 0.00%

#### Annual management fee

Class A 0.75%

#### No performance fee

### TER/TC\* (VAT Inclusive)

TER at 30 Sep 2018

TC at 30 Sep 2018

Total Investment Charges

### Class A

0.91%

0.06%

0.97%

\*Please refer to Disclosures on page 2 for details

Prices are published daily on our website and in national newspapers:  
www.bridgefund.co.za

### Manager

Bridge Collective Investments (RF) (Pty) Ltd  
5 Arundel Close, Kingsmead Office Park, Durban 4001  
031 333 6600

### Trustee and Custodian

Société Générale Johannesburg Branch  
160 Jan Smuts Avenue, Rosebank, 2196  
011 448 8800

## INVESTMENT OBJECTIVE AND MANDATE

The Bridge Diversified Preference Share Fund provides investors with an above-average after-tax yield in the form of dividends. This will be achieved by diversifying the portfolio's holdings across various preference shares and dividend yielding assets. A minimum 80% will be invested in preference shares classified as share capital in their respective issuers balance sheet.

This fund is available to be used within our Tax-Free Savings Plan, by virtue of S12T of the Income Tax Act.

## BENEFITS

- Attractive yield
- Low capital volatility
- Tax-efficient income for individual tax payers

## RISKS

- Investment risk (capital risk)
- Market risk (liquidity risk)
- Valuation risk (pricing risk/failure)

## HISTORIC INCOME YIELD\*

As at	Historic net yield
30/11/2018	9.93%

\* The historic net yield is the amount of income (after costs but before withholding taxes), expressed as a percentage of the current capital price, which the portfolio delivered to investors over the last 12 months.

## PAST PORTFOLIO PERFORMANCE

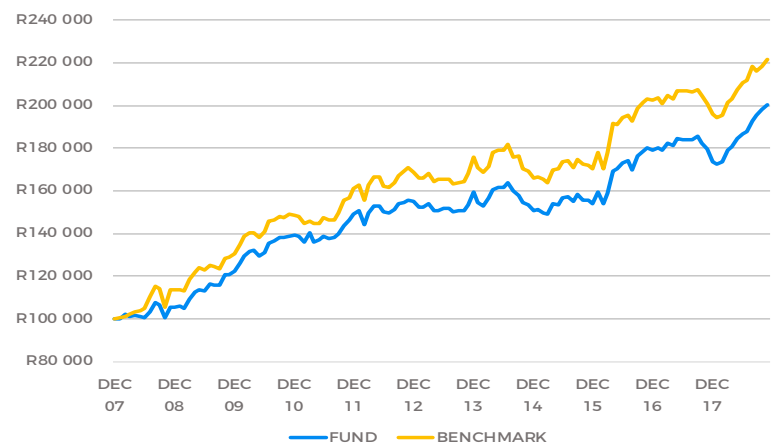
Term	Class A	Benchmark
1 year	11.50%	10.20%
3 year (annualised)	8.81%	8.76%
5 year (annualised)	5.40%	5.75%
7 year (annualised)	4.49%	4.88%
Since inception (annualised)	6.54%	7.29%
Lowest 12 month return	-5.63%	
Highest 12 month return	16.50%	

Benchmark: JSE Listed Preference Share Index (effective May 2009)

The past portfolio performance is calculated on rolling monthly basis. Lump sum, NAV to NAV and distributions reinvested. Annualised return is weighted average compound growth rate over period measured. The investor performance may differ as a result of advisor fees (where applicable), actual investment date, date of reinvestment and dividend withholding tax. Past performance is not necessarily a guide to future performance. The lowest and highest returns show the lowest and highest consecutive 12 month return each class has experienced since its inception. Actual annual figures are available to the investor on request.

## LONG-TERM TRACK RECORD

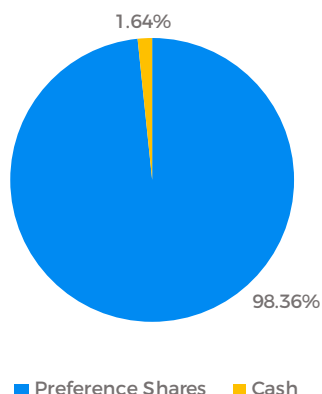
ILLUSTRATIVE GROWTH OF R100 000 INVESTED AT INCEPTION (CLASS A) \*



\*Illustrative purposes only assuming all distributions reinvested and ongoing fees included

DATE OF ISSUE: 18 DECEMBER 2018  
30 NOVEMBER 2018

## ASSET ALLOCATION



## TOP 10 HOLDINGS

Security	Weighting (%)
Firststrand Limited Preference Shares	16.18%
Standard Bank Group Preference Shares	15.96%
ABSA Preference Shares	14.38%
Investec Non-redeemable Preference Shares	12.98%
Nedbank Non-cumulative Preference Shares	8.50%
PSG Preference Shares	7.19%
Investec Limited Preference Shares	6.64%
Discovery Holdings Limited Preference Shares	5.58%
Netcare Cumulative Non-redeemable Preference Shares	2.91%
Grindrod Limited Preference Shares	2.81%

## MONTHLY COMMENTARY

Concerns about global growth continued to mount in November as tensions between the United States and China grow. Donald Trump threatened to increase the tariffs imposed on Chinese goods further across all US\$200 billion of traded items if China did not start showing signs of its alleged commitment towards preventing the copying of US developed technology and innovation. At the same time, growing tensions between the United States and Saudi Arabia mount over the dispute about the death of a Saudi political reporter that visited a Saudi embassy in Turkey and subsequently died through brutal torture. This saw the oil price decline sharply. Leading up to the G20 summit in Argentina, speculation was that Russia would meet with Saudi Arabia to discuss potential interventions in the oil supply market in an attempt to lift oil prices, or at least halt the fall. Furthermore, a rumour that China and the US were scheduled to meet raised hopes that an agreement could be reached that would avoid raising tariffs on Chinese goods further.

Consumer price inflation in the US accelerated slightly to 2.5% in October compared with the revised 2.3% for September. This was in line with what economists had forecast and together with the non-farm payrolls data for October confirmed that the US economy remains strong. Jobs grew by 250,000 in October and the labour participation rate rose to 62.9%. PMI numbers across all sectors continue to show strong broad growth across markets. The second estimate of third-quarter US GDP was affirmed at 3.5% and the Federal Reserve kept rates unchanged at 2.25% as expected, with the last hike due in December. Jerome Powell commented towards the end of November that the central bank's benchmark interest rate is "just below" neutral. This demanded that the market reprice expectations for 2019. Some commentators were quoted as forecasting only one hike in 2019 after these comments. The US 10-year treasury yield fell and took equity markets down with it, citing a slowing US economy.

Brexit concerns rise as Teresa May approaches a March 2019 deadline that could see the UK leaving Europe with no deal. Her proposal, authorised by the European Union, has been widely criticised by fellow MP's in the House of Commons and it seems highly unlikely that this deal will succeed. The Bank of England held their interest rates unchanged but issued a stern warning that a negative Brexit could see worse economic consequences for Britain than the 2008 Great Financial Crisis.

South African retail sales drifted lower, rising only 0.7%, below expectations of 1.9%. Consumer prices rose 5.1% to the end of October, slightly slower than the forecast of 5.2%. The Reserve Bank hiked interest rates by 25 basis points to 6.75%, raising the prime interest rate to 10.25%. This increase came despite the falling oil price, as the Reserve Bank saw it appropriate to reinforce its independence and stick to its Constitutional mandate.

Preference shares gained 1.47% in November along with SA bonds which rose 3.87%. However, SA equities, SA property and SA inflation-linked bonds declined 3.17%, 1.29% and 1.07% respectively. The yield on the R186 government bond fell 43 basis points to 8.92% at the end of November. The fund rose 1.10% during November with biggest advances from Invicta, PSG, Grindrod and Discovery rising 6.24%, 5.56%, 3.83% and 3.67% respectively. Standard Bank, Absa, Nedbank and Investec (INPR) lagged, but still rose 0.12%, 0.21%, 0.58% and 0.78% in the month. The pre-tax yield of 10.96%, and a net (after-tax and fees) yield of 8.05% for the Bridge Diversified Preference Share Fund, offers an attractive yield relative to cash and bonds for the medium term.

## HOW TO INVEST

- Visit our website at [www.bridgefm.co.za](http://www.bridgefm.co.za) and download an application form.
- Complete the relevant sections and return all required documentation and proof of payment to us via fax: +27 (0)31 571 0761 or email: [investments@bridgefm.co.za](mailto:investments@bridgefm.co.za)
- If you have any queries regarding this form please contact your financial advisor or our Client Services department on 0800 117 842.

## DISCLOSURES

### Management Company and Mandate

Bridge Collective Investments (RF) (Pty) Ltd ("the Manager"), Registration number 2008/022492/07, is a company incorporated in South Africa acting as a manager of collective investments schemes in securities in terms of Section 42 of the Collective Investments Schemes Control Act and is supervised by the Financial Sector Conduct Authority. The registered address of the Manager is 5th Floor Protea Place, 40 Dreyer Street, Claremont, Western Cape 7708. The Trustee and Custodian is Société Générale Johannesburg Branch. **The Investment Management of the portfolios is outsourced to Bridge Fund Managers (Pty) Ltd, an authorised financial services provider, FSP 29834.** Client administration is outsourced to Maitland Group South Africa Limited, Tel: 021 681 8059; Address: Maitland House 1, River Park, Gloucester Road, Mowbray, 7700, Cape Town.

### Performance

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.

### Fees

A schedule of fees and charges and maximum commissions is available on request from the manager. There are no performance fees charged in the portfolio. Commission and incentives may be paid and if so, would be included in the overall costs. The manager does not provide any guarantee either with respect to the capital or the return of a portfolio. Participatory interests in the portfolios issued by the manager qualify as investment instruments for the purposes of Tax-Free Savings and Investment account by virtue of Section 12T of the Income Tax Act. Past portfolio performance is measured on a rolling monthly basis.

### Tax-Free Savings Plan

If you wish to invest in a Tax-Free Savings and Investment Plan please ensure that you fill in the correct application form. Bridge is required by law not to accept contributions in excess of the annual (R33 000) and lifetime limits (R500 000). Bridge does not monitor the contributions you may have with other service providers. Consequently, you undertake to advise Bridge when your aggregate contribution across service providers has reached the annual limit (R33 000) and the lifetime limits (R500 000). Bridge is not responsible for the tax penalty which you may incur as a result of excess contributions made by you into the Investment Plan. A 40% penalty is payable on the contribution above limit. Bridge does not charge any fees for withdrawal of the tax free investment.

### General

The General Investor Report is published on a quarterly basis and is available on request and on our website. The portfolio may borrow up to 10% of its net assets on a temporary basis. Such borrowings are permitted only to meet the portfolio's obligations in relation to (i) the administration of the Fund relating to purchase or sale transactions; and/or (ii) the redemption or cancellation of participatory interests in the portfolio. Borrowings in relation to (i) above are only permitted for a period of up to 8 calendar days, and 61 calendar days in respect of (ii). The annual report, brochures, application form is available on our website. The portfolio may be closed to new investments at any time in order to be managed in accordance with its mandate. Forward pricing is used. Information on this document shall not be construed as financial advice as defined and/or contemplated in terms of the Financial Advisory and Intermediary Services Act, Act 37 of 2002 ("the FAIS Act").

### Complaints

Bridge shall, wherever possible, avoid situations causing a conflict of interest. Where it is not possible to avoid such conflict, Bridge shall advise you of such conflict in writing at the earliest reasonable opportunity and shall mitigate the conflict of interest in accordance with its conflict of interest Management Policy. You may send a blank email with a subject "conflict of interest" to the compliance officer, should you need a copy of this policy. Complaints should be directed to the Compliance Officer. The Complaints Resolution Policy is available on request. The Compliance Officer's email address is [compliance@bridgefm.co.za](mailto:compliance@bridgefm.co.za). Bridge Collective Investments (RF) (Pty) Ltd and Bridge Fund Managers (Pty) Ltd (collectively referred to as "Bridge") are members of the Bridge Financial Services Group and are supervised by the Financial Sector Conduct Authority.

### Total expense ratio (TER) and transaction costs

Total expense ratio (TER) is a measure of a portfolio's assets that have been expended as payment for services rendered in the management of the portfolio or collective investment scheme (CIS), expressed as a percentage of the average daily value of the portfolio or CIS calculated over rolling three year periods coinciding with a calendar quarter end and annualised. Transaction costs (TC) is a measure to determine the costs incurred in buying and selling the underlying assets of a portfolio or CIS, expressed as a percentage of the average daily value of the portfolio or CIS calculated over a period of three years on an annualised basis. TC are a necessary cost in administering the portfolio or CIS and impacts 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 portfolio or CIS, the investment decisions of the investment manager and the TER. Total investment charges is a measure of the total value of portfolio incurred as costs relating to the investment of the portfolio or CIS. **A higher TER / TC does not necessarily imply a poor return, nor does a low TER / TC imply a good return.** The current TER may not necessarily be an accurate indication of future TER / TC's. The effective annual cost (EAC) is a measure which allows you to compare the cost that you can expect to incur when you invest in different financial products.

### Contact details

Clients can contact our Client Services centre on 0800 117 842 or email [investments@bridgefm.co.za](mailto:investments@bridgefm.co.za) to request an EAC statement.

**QUARTERLY GENERAL INVESTOR REPORT**

PARTICIPATORY INTERESTS	UNITS	UNIT PRICE	TER @ 30/09/2018
CLASS A	464 530 166.75	83.75	0.91%

**ADHERENCE TO POLICY OBJECTIVE**

This portfolio adhered to the agreed investment policy objective throughout the period

**PORTFOLIO COMPOSITION AND CHANGES FOR 3 MONTHS**

PREFERENCE SHARES & ETF	START %	END %	CHANGE
ABSA PEF SHARES	10.21	11.12	0.91
DISCOVERY HLDGS LTD PEF	5.25	5.01	-0.24
FIRSTRAND LTD PEF	16.22	15.70	-0.52
GRINDROD LTD PEF	3.61	2.78	-0.83
INVESTEC BANK LTD PEF	7.22	6.44	-0.78
INVESTEC LTD NON RED PEF	14.18	13.03	-1.15
IMPERIAL PEF	1.65	1.73	0.08
INVICTA HLDGS LTD PEF	2.04	1.92	-0.12
NEDBANK NON CUM PEF	9.76	8.45	-1.31
NETWORK HEALTHCARE PEF	2.20	2.85	0.65
PSG PREFERENCE SHARE	6.41	6.32	-0.09
STANDARD BK GR PEF	16.78	15.75	-1.03
SASFIN PEF	1.16	1.09	-0.07
STEINHOFF INV PEF	2.11	1.87	-0.24
<b>TOTAL PREFERENCE SHARES</b>	<b>98.80</b>	<b>94.06</b>	