

IMS Adviser Forum 2018

Pieter Hugo – MD of Prudential Unit Trusts
David Knee – Chief Investment Officer

October 2018



CONSISTENCY IS THE ONLY CURRENCY THAT MATTERS.

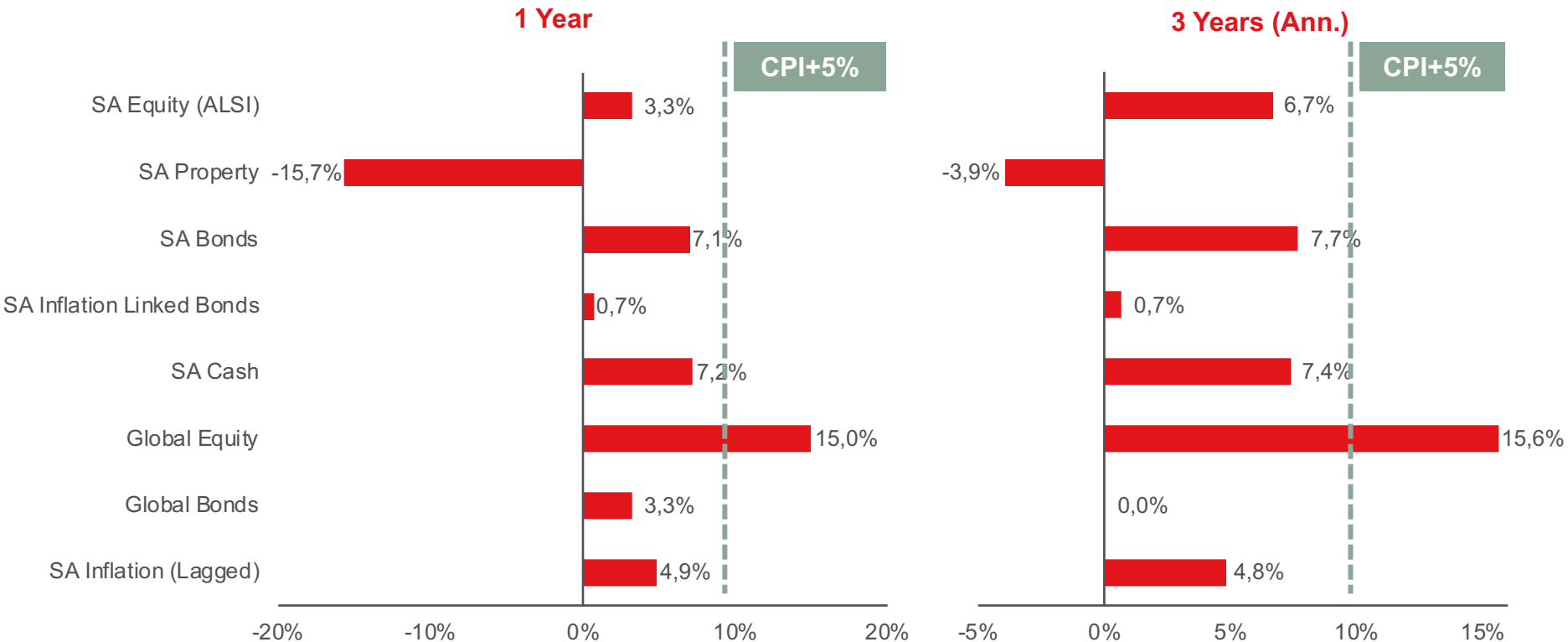
Explore more at [consistency.co.za](https://www.consistency.co.za)



PRUDENTIAL
INVESTMENT MANAGERS

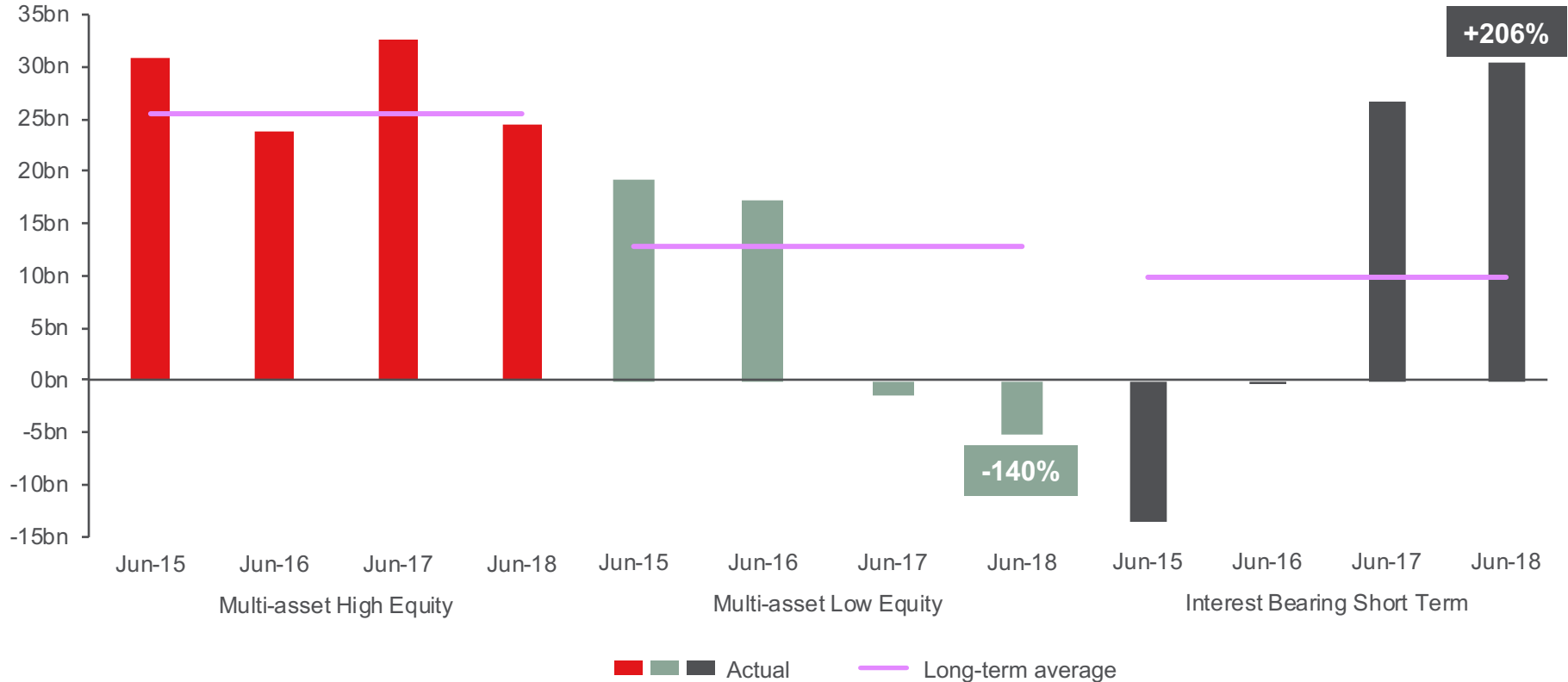
THE FINANCIAL PLANNING CHALLENGE

Asset class returns to 30 September 2018



CLIENT REACTION TO HISTORIC RETURNS

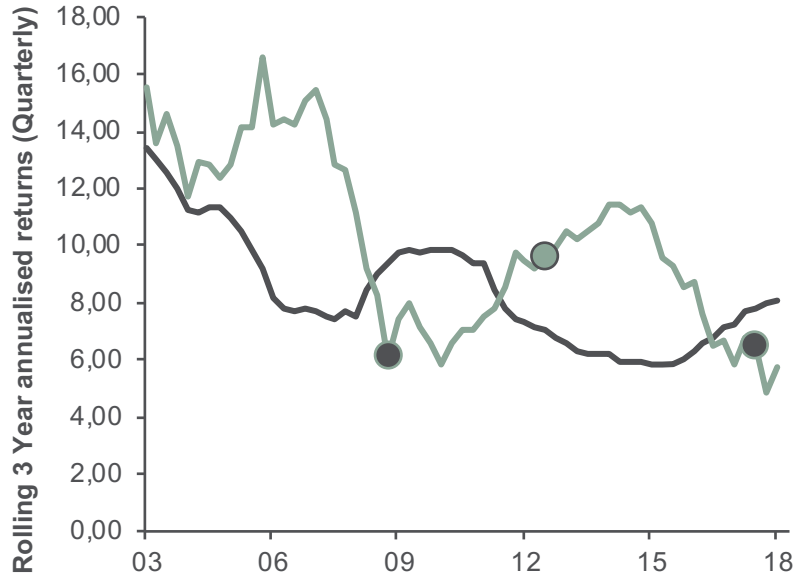
ASISA net flows per category - 12 month periods



INVESTMENT DECISIONS BASED ON PERFORMANCE

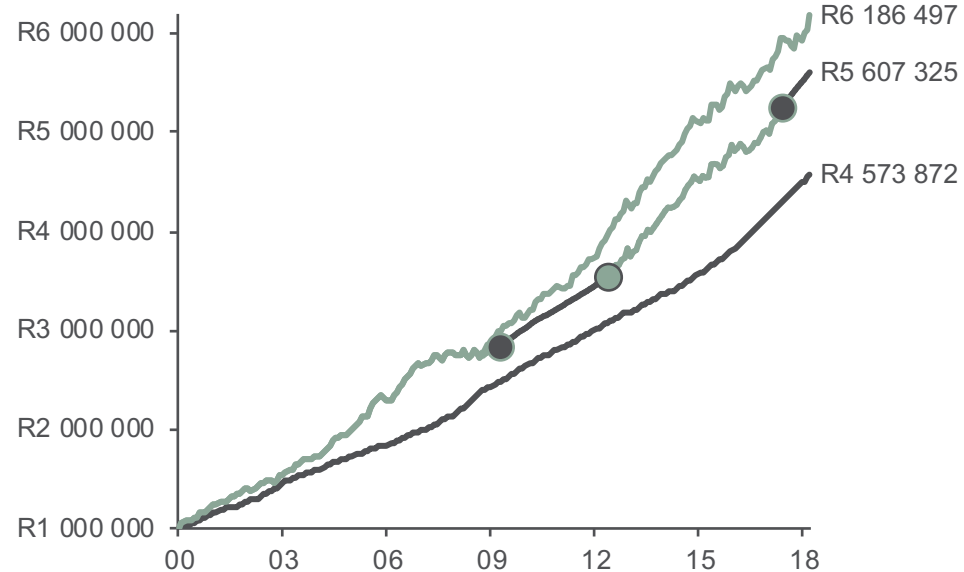


ASISA Category average performance



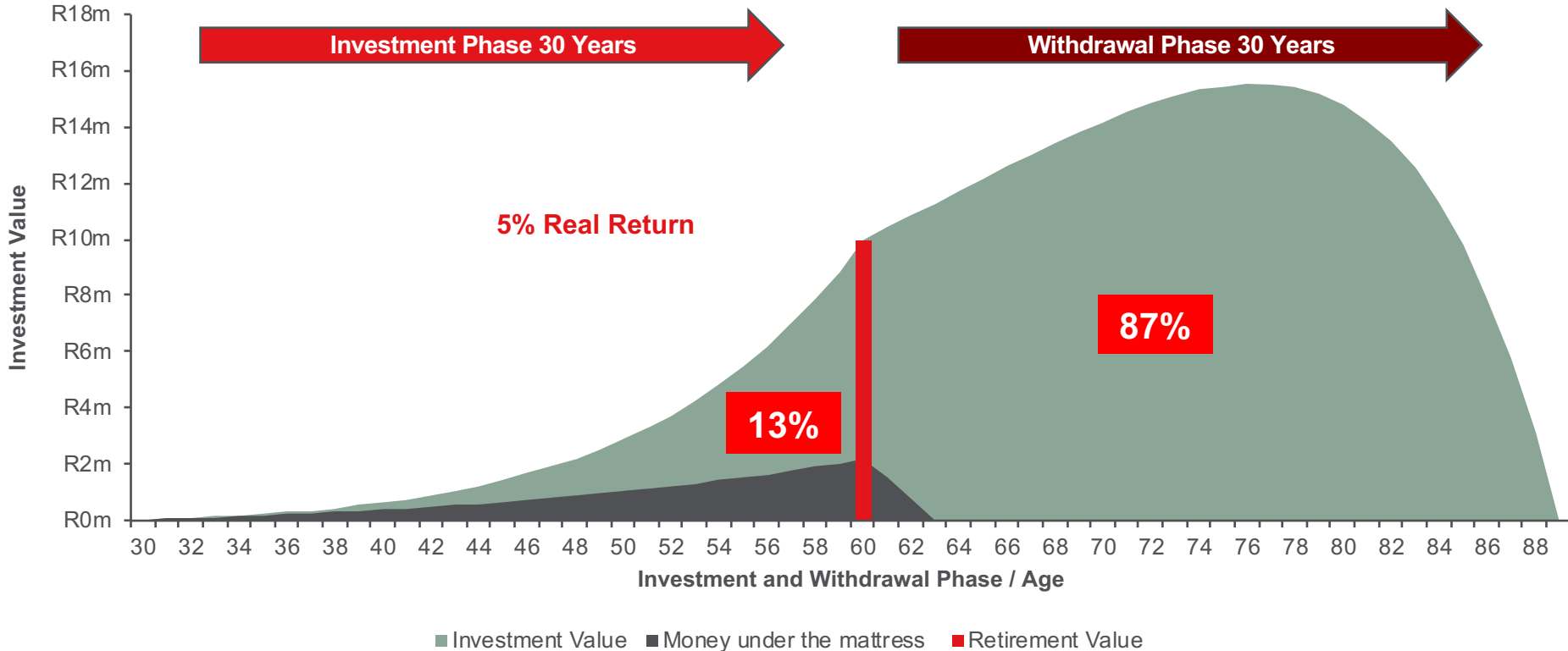
— Interest Bearing Short Term

Investment value

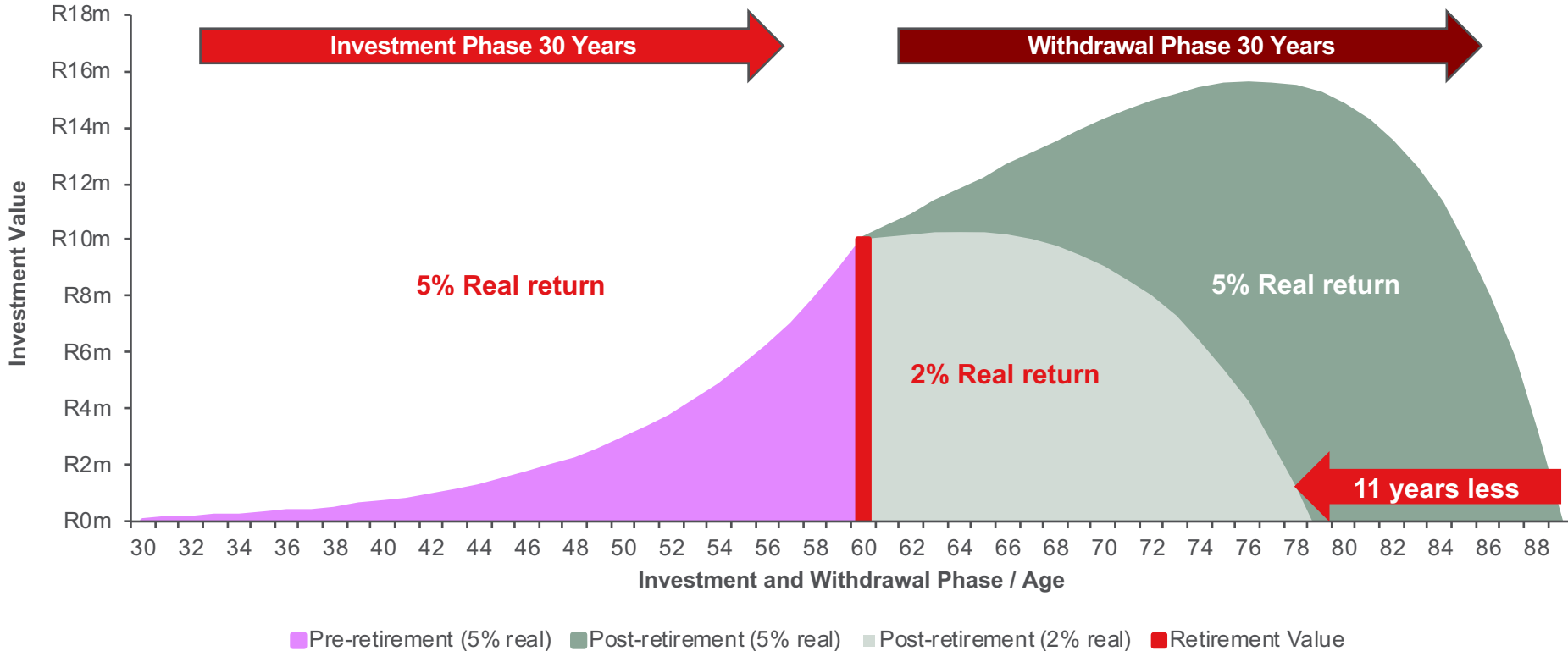


— Multi-asset Low Equity

DON'T GIVE UP GROWTH IN RETIREMENT



INVESTMENT STRATEGY IN RETIREMENT

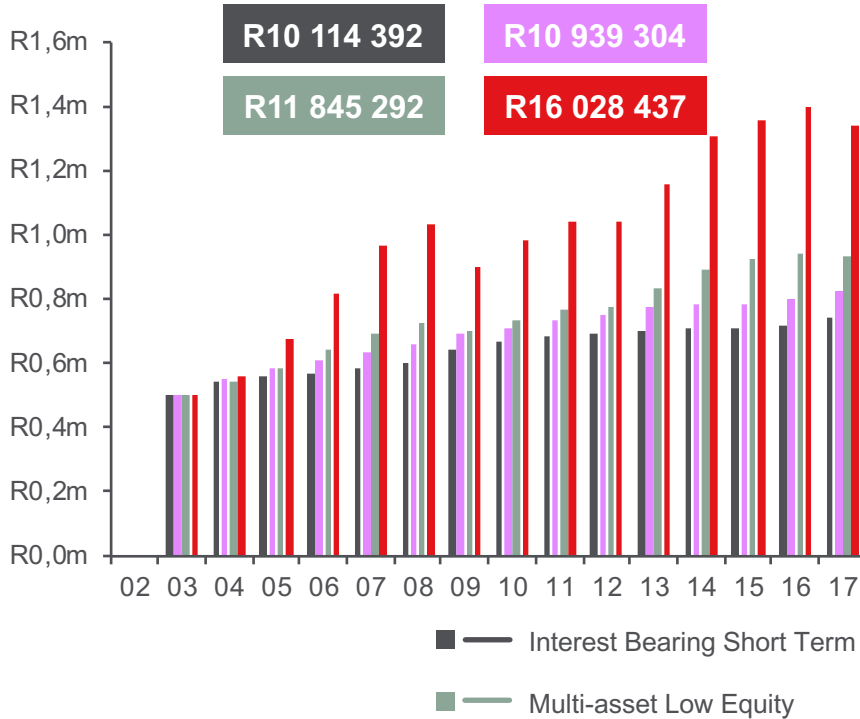


ACTUAL HISTORIC EXPERIENCE

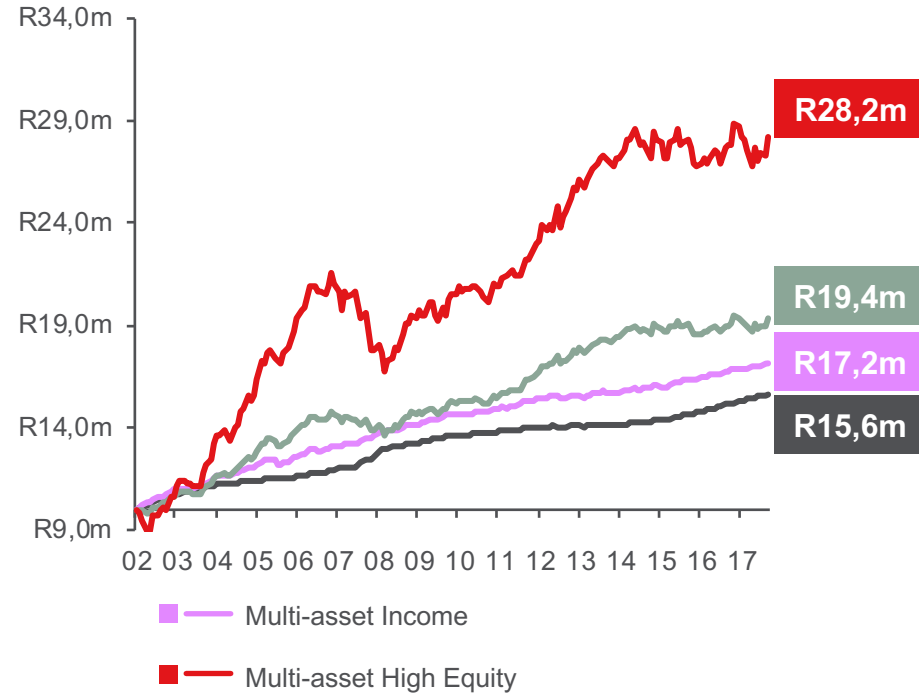
Drawing 5% p.a. Income



Annual income



Investment value (after income)

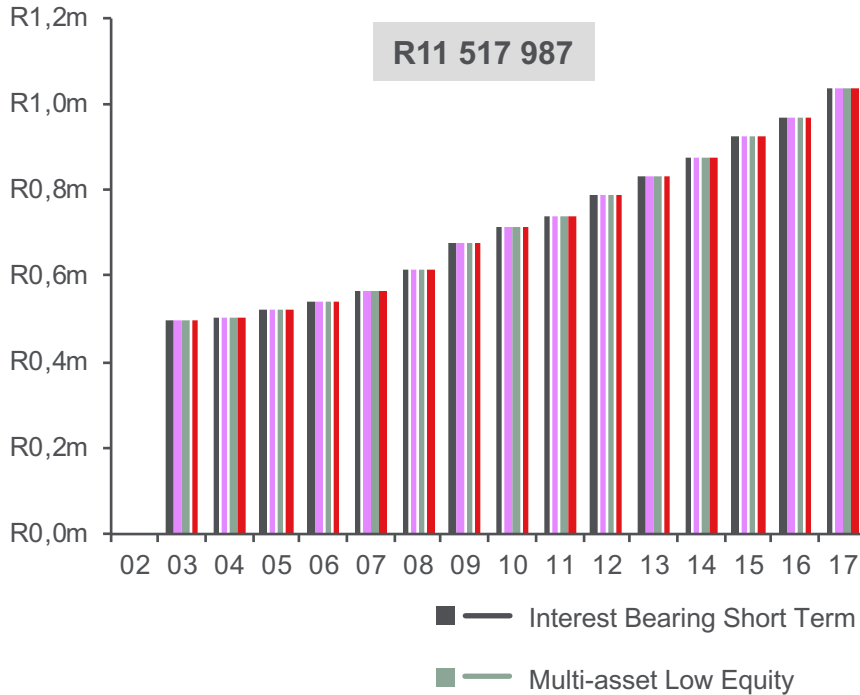


MITIGATING SEQUENCE RISK 1: MANAGE INCOME

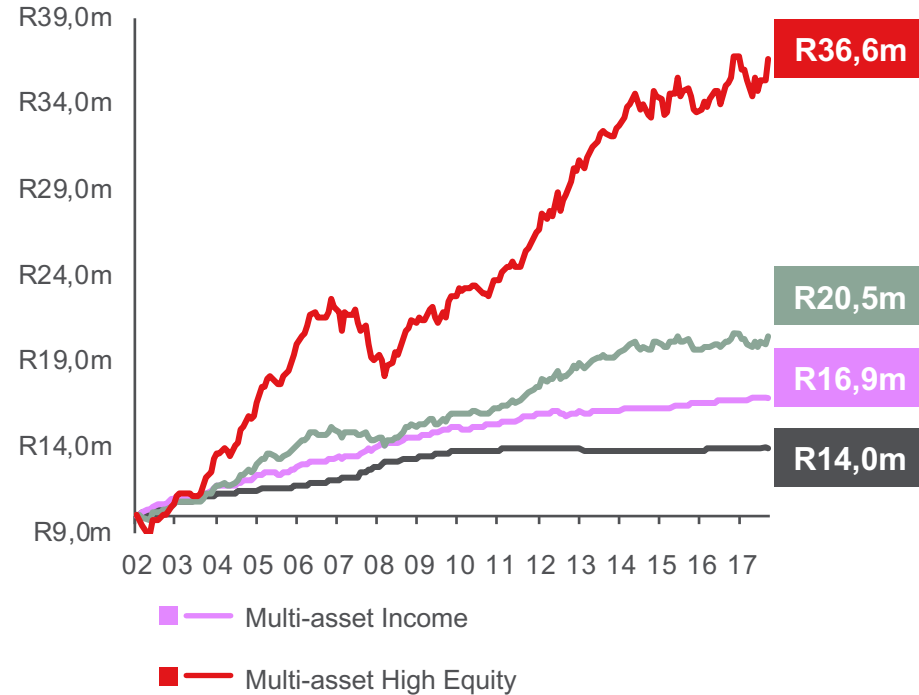
Start drawing 5% of initial capital, then increase rand income annually by inflation



Annual income



Investment value (after income)

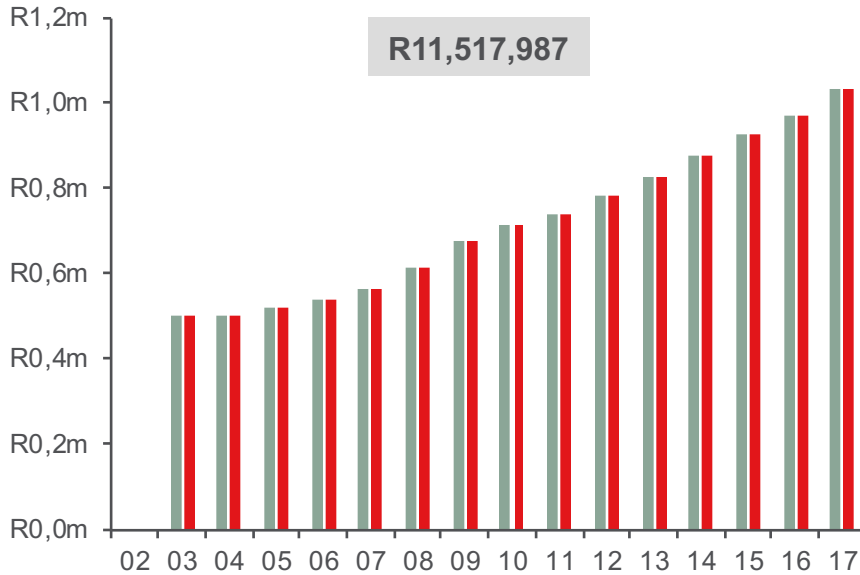


MITIGATING SEQUENCE RISK 2:

Valuation sensitive active asset allocation and stock selection

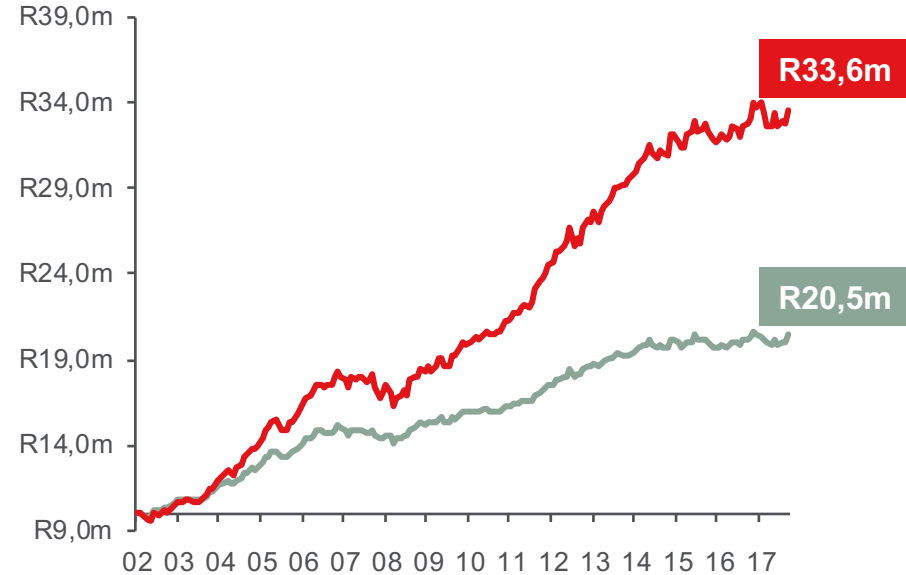


Annual income



R11,517,987

Investment value (after income)



R33,6m

R20,5m

Multi-asset Low Equity

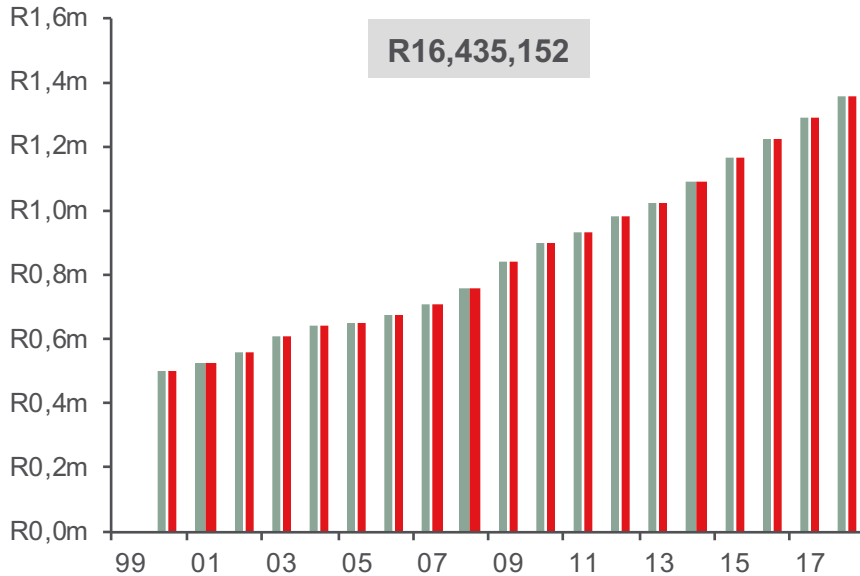
Prudential Inflation Plus A

MITIGATING SEQUENCE RISK 2:

Valuation sensitive active asset allocation and stock selection

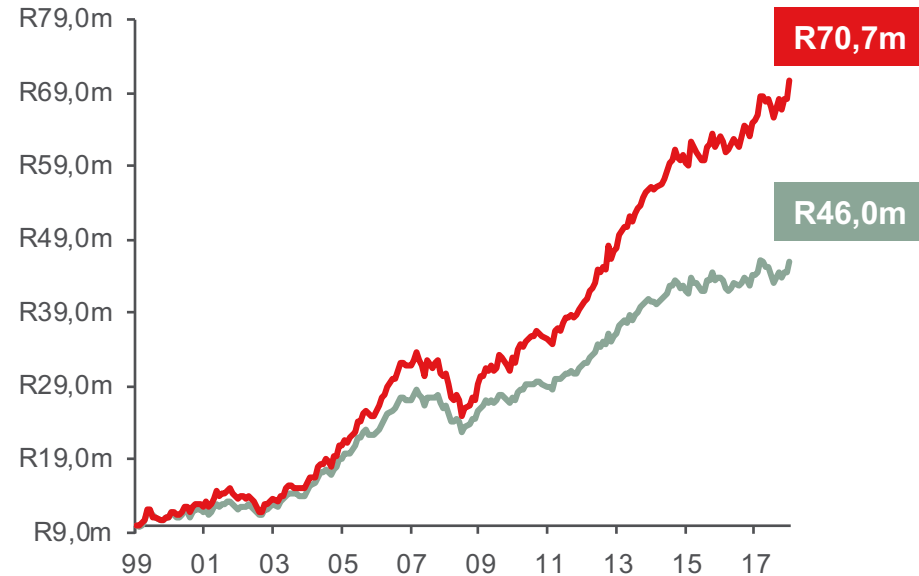


Annual income



Multi-asset High Equity

Investment value (after income)



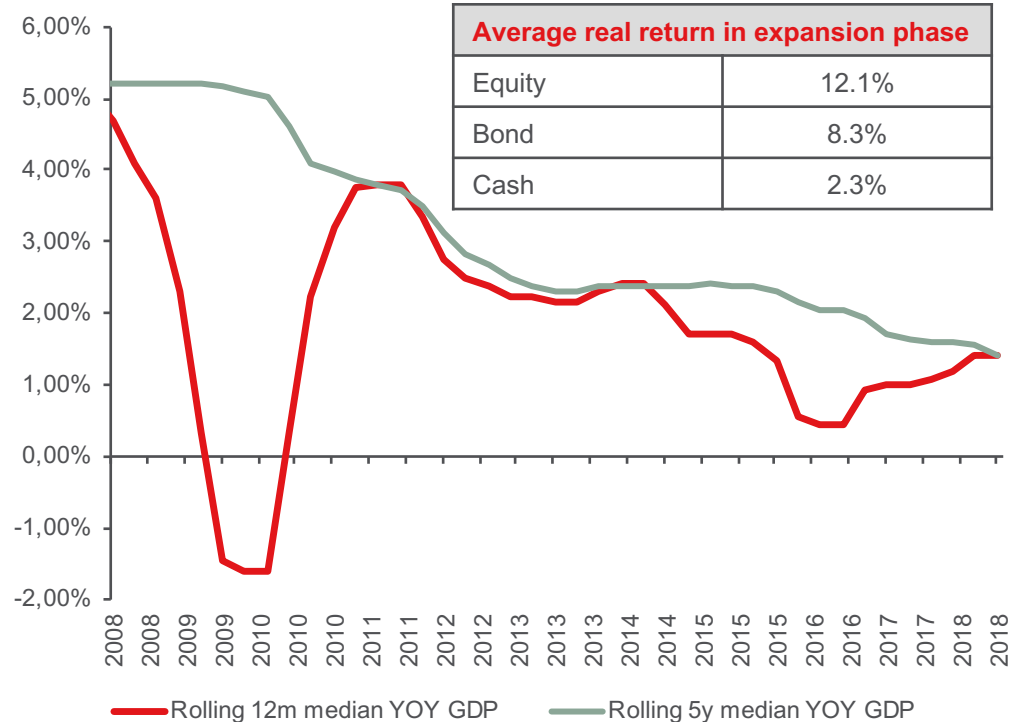
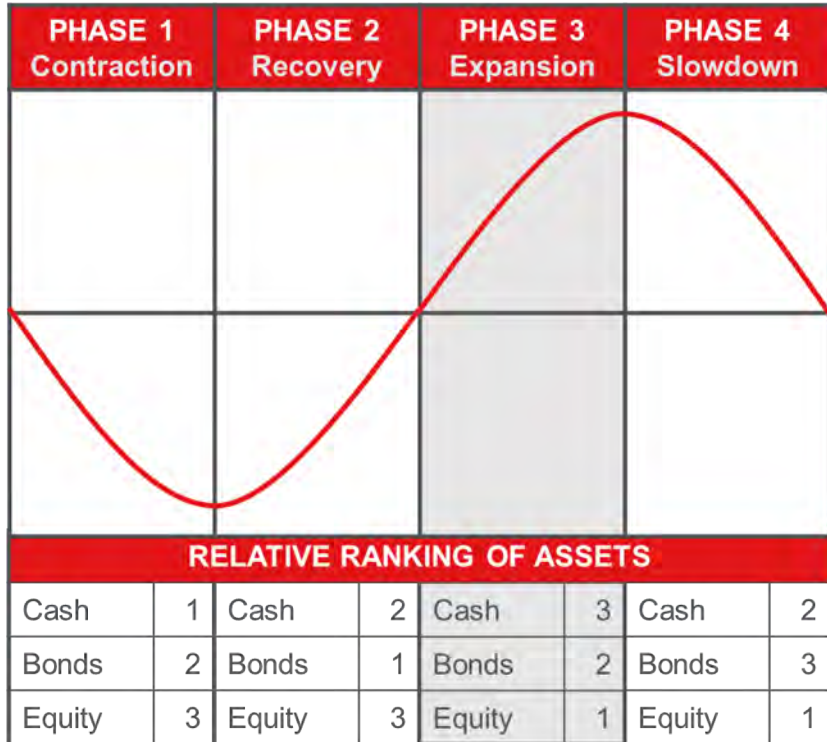
Prudential Balanced A

“ The stock market is
a device for
transferring money
from the impatient to
the patient. ”

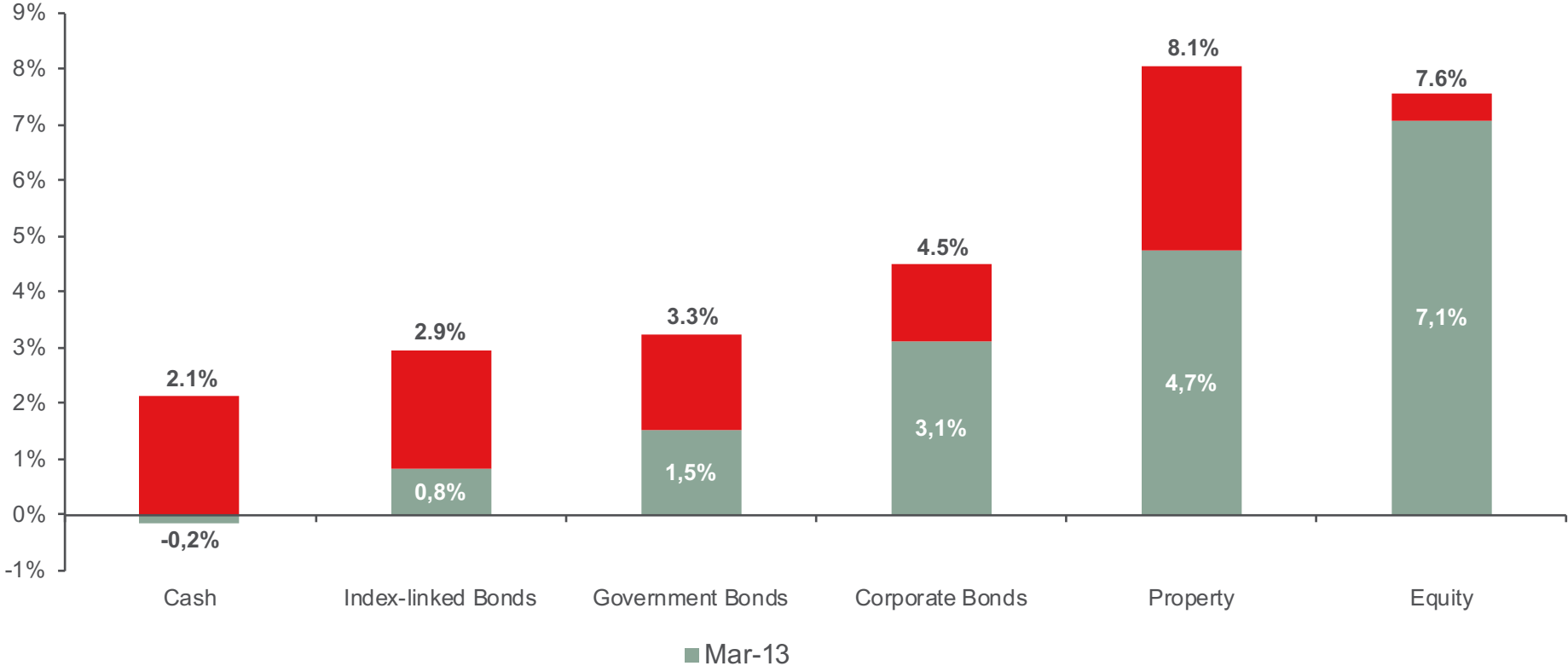
- Warren Buffett



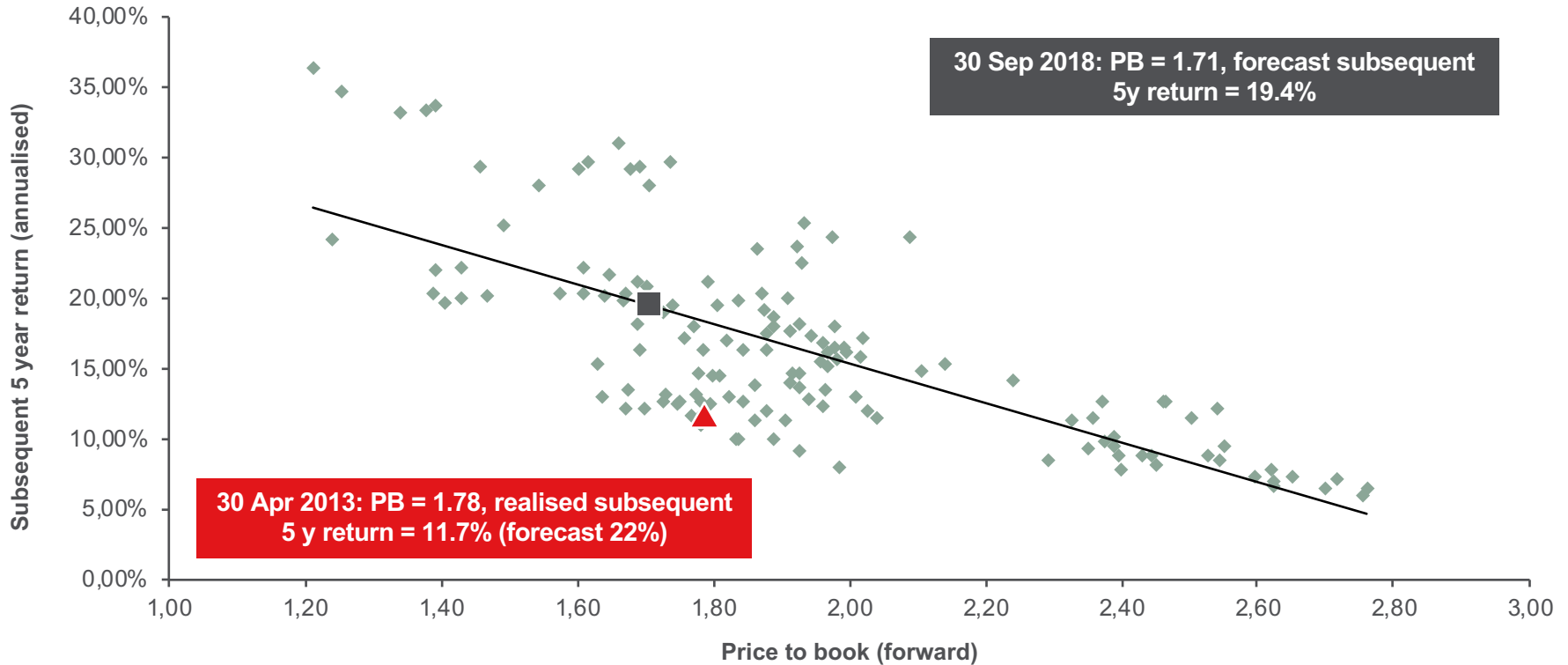
IMPACT OF BUSINESS CYCLE PHASES ON SA ASSETS



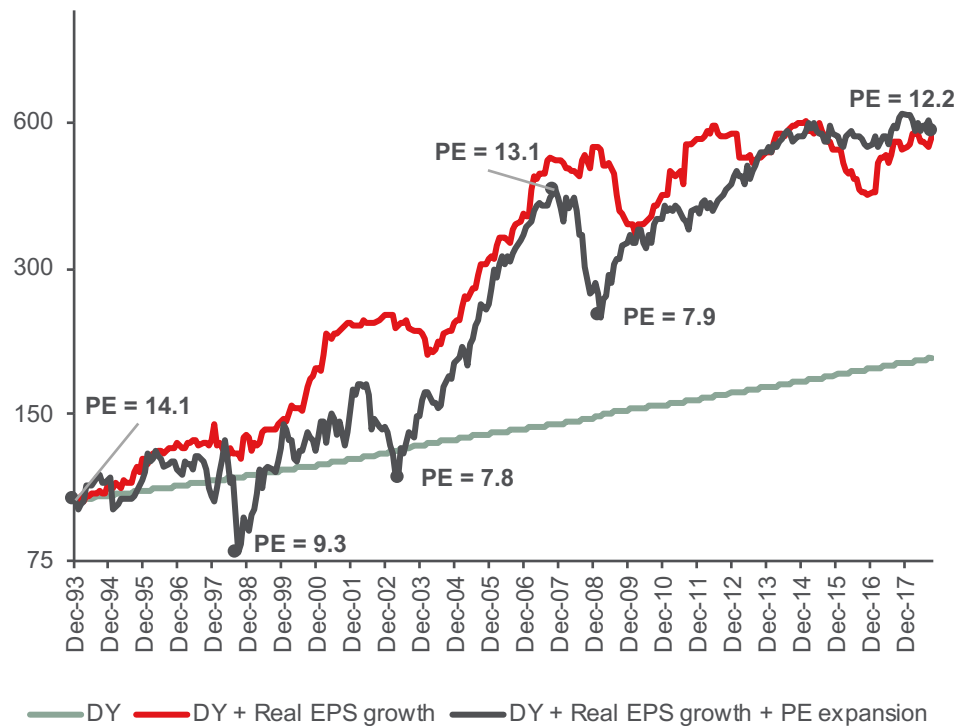
HISTORIC AND CURRENT VALUATION



PRICE TO BOOK VS SUBSEQUENT 5 YEAR RETURN

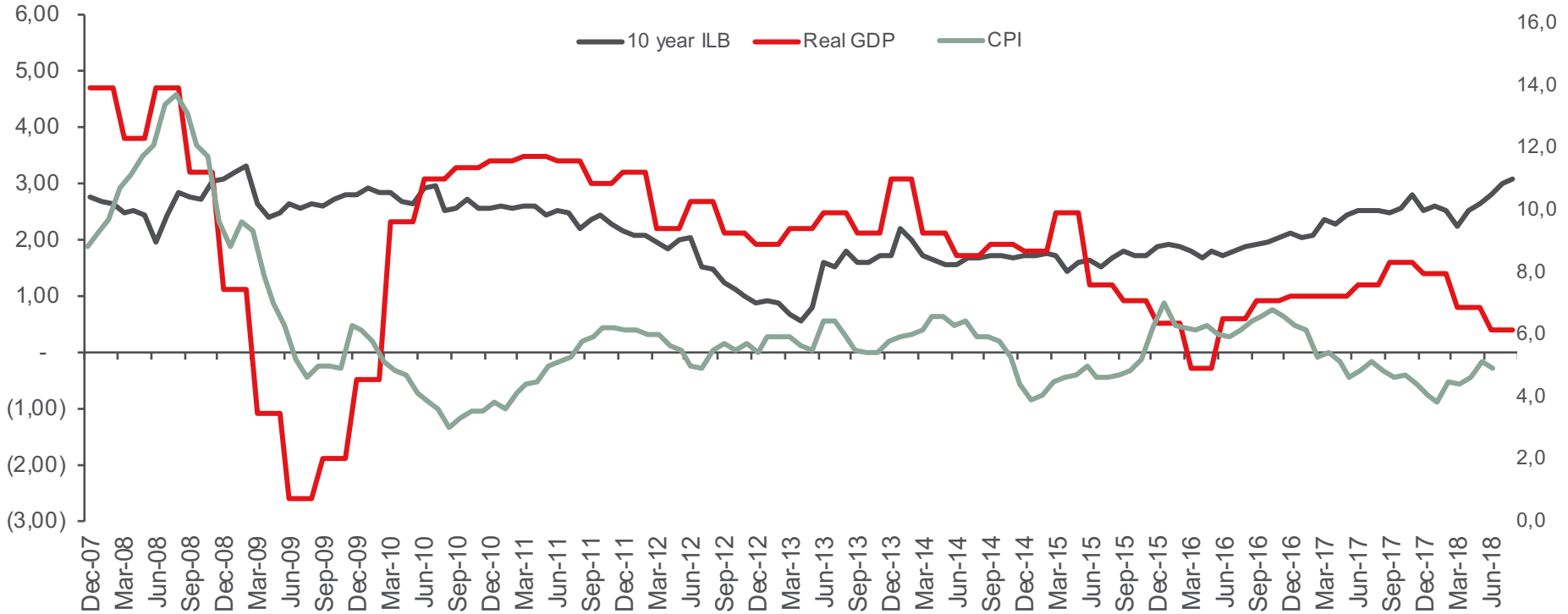


THE DRIVERS OF EQUITY RETURNS



	1994 - 2018	5 yr Forecast
Dividend	2.8%	2.9%
Earnings Growth	4.3%	4.2%
Re-rating	0.1%	3.5%
Total Real	7.3%	11.0%
Total Nominal	13.9%	17.1%

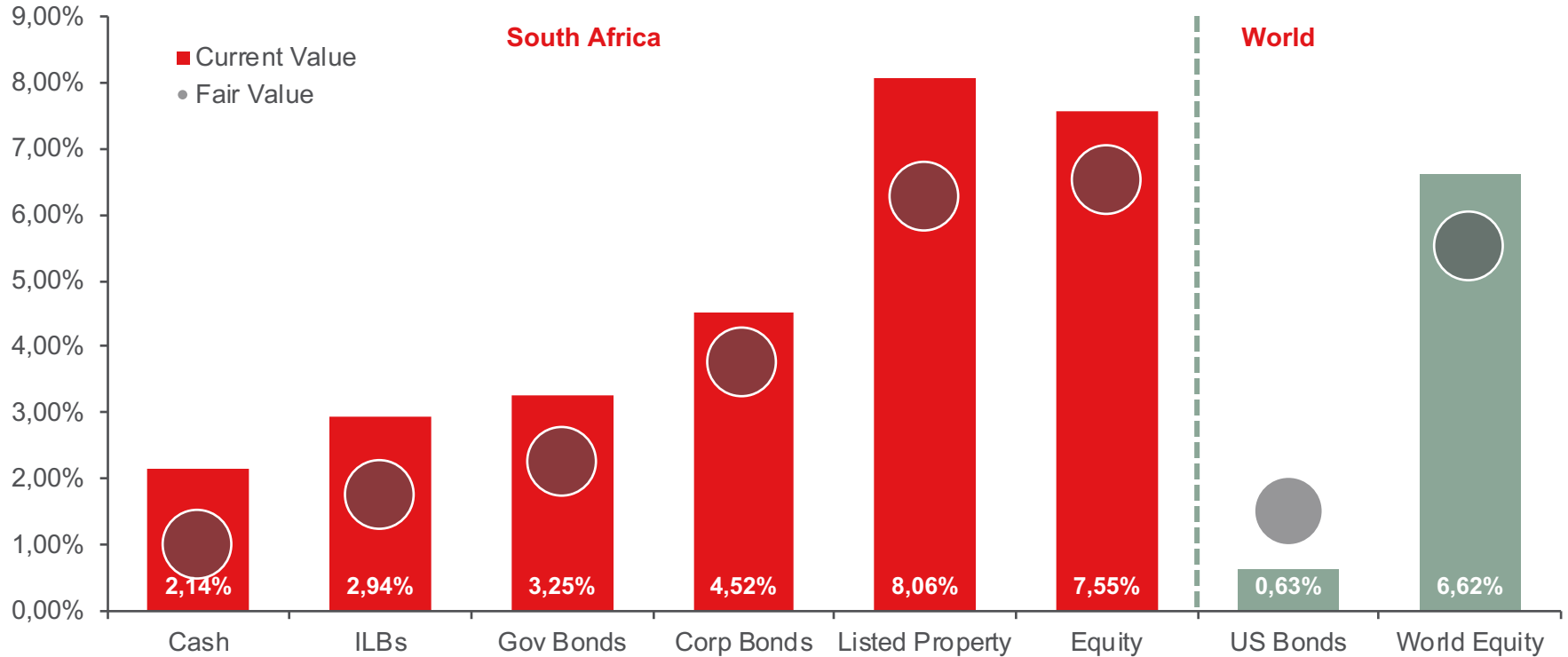
ILB YIELDS



ILBS – REAL RETURN 3 YEARS AGO VS TODAY



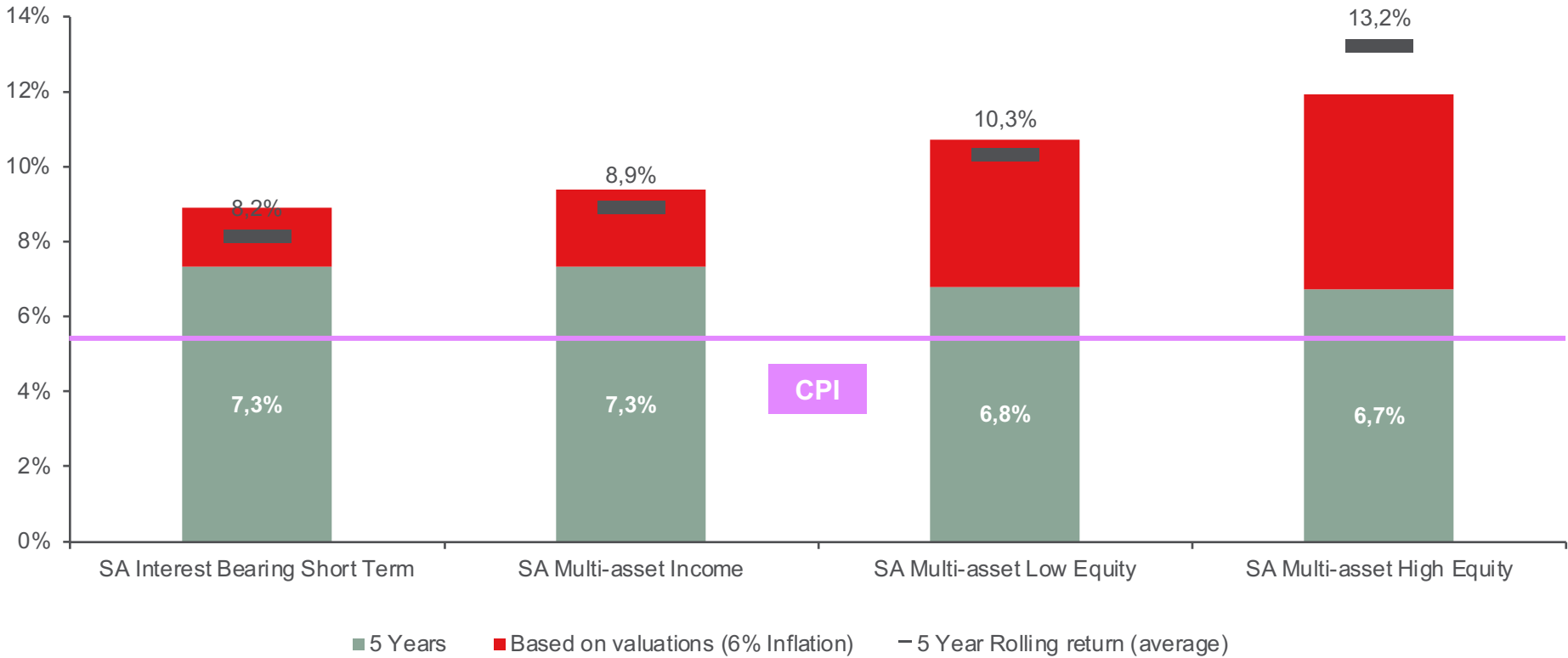
CURRENT REAL RETURNS VERSUS FAIR VALUE



SECTOR PERFORMANCE BASED ON CURRENT VALUATIONS



13,2%





THANK YOU

DISCLOSURE STATEMENT

This document is for information purposes only and is not an offer or a solicitation to invest in any of the capabilities or products offered by Prudential Investment Managers (South Africa) (Pty) Ltd ('Prudential') or any of its associates, being Prudential Portfolio Managers SA Life Ltd or Prudential Unit Trusts Ltd. Prudential is authorised and registered as a discretionary financial services provider by the Financial Services Board of South Africa [FSP 45199], in terms of the Financial Advisory and Intermediary Services Act. The company's offices are located at: 5th Floor Protea Place, 40 Dreyer Street, Claremont, 7708. Information in this document has been obtained from sources believed to be accurate and timely, but Prudential makes no representation or warranty, express or implied, with respect to the correctness, accuracy or completeness of the information and opinions provided therein. This information is not intended to constitute a basis for any specific investment decision. Investors are advised to familiarise themselves with the unique risks related to their investment choices, and should seek the advice of a qualified financial adviser before investing. The value of an investment will fluctuate and past performance is not necessarily an indication of future returns. Full terms and conditions, and MDD are available at www.prudential.co.za, or on request.

CONTACT DETAILS

T: +27 21 670 5100

E: query@prudential.co.za

