Lunar Capital
Lunar BCI Worldwide Flexible Fund
Three-Year Review

July 10, 2019

Three Years On

On 1 June 2019, we celebrated three years since the launch of the Lunar BCI Worldwide Flexible Fund.

We are very pleased with the support that we have received from our clients, business partners and our management and staff. Our clients are in fact our co-investors. Founding members of Lunar Capital continue to be significant investors in the Lunar BCI Worldwide Flexible Fund, directly aligning our interests with that of our clients' interests and ensuring that we have skin in the game.

We are also particularly proud of the platform that we have created. Not only are we able to invest in the local equities, bonds and money markets, but we also have the ability to invest up to 100% of our fund offshore. Investors in our fund do not need to use their annual foreign exchange allowance to be able to do so.

We have also created a platform where we share what we have learnt in the markets through the Insights page on our website.

Our strategic purpose to empower families and communities and to create a platform to grow their wealth is firmly on track.

How has your and our portfolio grown?

For the period to end June 2019, our performance is a follows:

- The portfolio grew by 15.74% since inception.
- Our 3-year performance is 4.64% per annum (versus 4.35% per annum for the Worldwide Flexible unit trust category).
- All returns are after costs and include dividend and interest distributions. See our latest Minimum Disclosure Document for more detail on our performance.

In our opinion, this is an average performance. Behind this performance, however is some very strong performances, some average performance and a few negatives ones:

- Excellent performance from our offshore portfolio that grew by over 50% in USD since inception, led by Amazon (+137%), Okta (+59%), and Nvidia (subsequently sold).
- There were no significant losses from our individual offshore company investments.
- Locally, we had a positive but subdued performance in line with the market. Impala Platinum (+103%), FirstRand (+80%), and Equites (+28%) led the positive performers.
- The most notable losses in our local portfolio were from Ethos Private Equity (-25%) and Aspen Pharmaceuticals (subsequently sold).

- The South African Rand against the US Dollar was quite volatile during the period. But the overall impact on the performance of the portfolio was low during the period.

How have we decided what we jointly own?

We continue to position the portfolio with quality businesses that we wish to hold over the long term. However, from time-to-time, some of these quality businesses can become expensive. Where we experienced this (Facebook, Nvidia, Shoprite, Discovery, PSG), we either disposed of these investments or reduced our holdings in them. We will re-invest in these businesses if they return to in value territory.

We have also diversified away from our technology heavy positioning, largely due to valuation and market conditions. Some notable changes include:

- Offshore, we invested in the iShares Biotech ETF, Berkshire Hathaway, Okta, Walt Disney and iShares MSCI China ETF. These changes position the portfolio more defensively and to take advantage of better-valued or growth investments.
    - Okta, is an interesting recent investment. It provides IT Security through a secure single sign-on for the staff and clients of large organisations. It has been growing rapidly since it listed and has done well since we invested in it.
    - There has been a lot of negativity on China recently, some of it driven by the trade wars taking place. Our view is that this is reflected in valuations and that there is a higher probability of upside in the Chinese markets than down side. Hence our investment in the China ETFs.
- Locally, we invested in Impala Platinum, BHP Billiton, Naspers and Mediclinic to take advantage of valuation opportunities and create more diversification.
    - Implats recently announced that it will return to profitability. The share price has performed very strongly over the last year.

Our view is that there are a number of headwinds facing the South African economy, but there are some opportunities in local investments. The US market is largely in over-valued territory but there are some companies that could continue to grow and provide good investment returns.

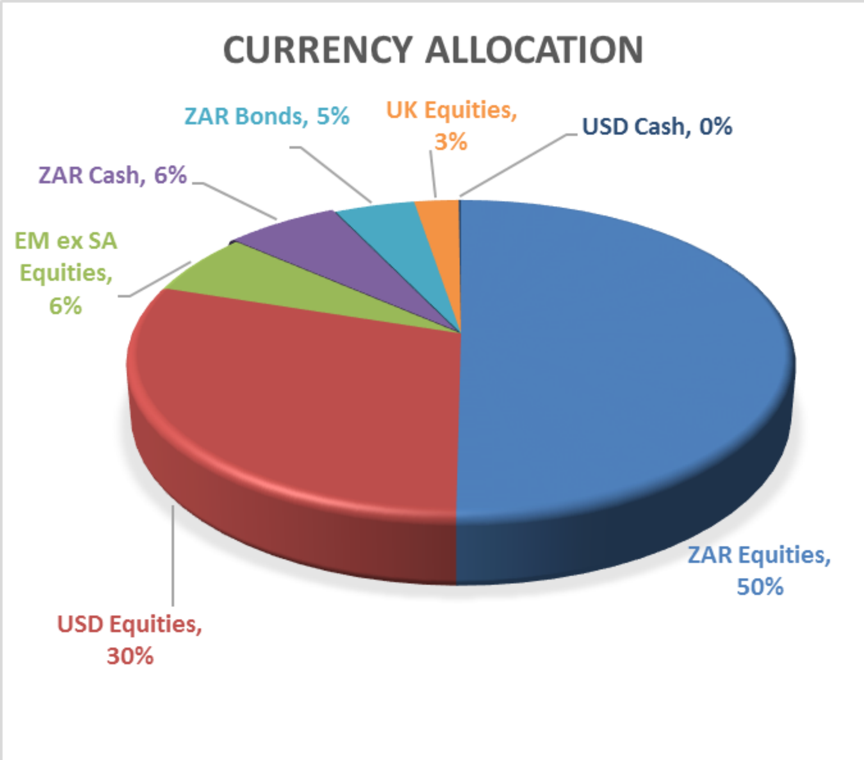
Our portfolio is geared to taking advantage of demographic trends such as:

- The growing middle class in emerging markets;
- Ageing populations, especially in developed markets;
- Technological changes creating opportunities for disruption and innovation;
- The changing preferences of millennials;
- Rapid urbanisation, especially in megacities; and
- Climate change and the shift to cleaner energy sources.

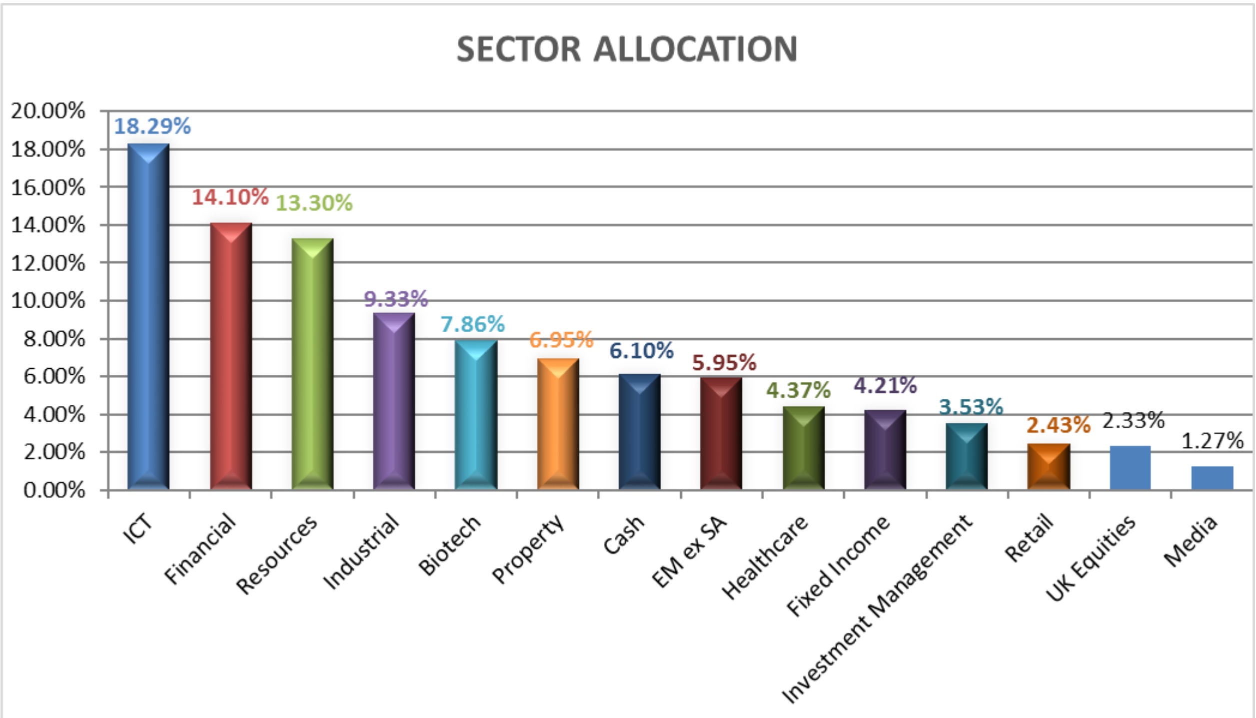
We continue to assess these demographic trends, and how to position our portfolio given the opportunities that present themselves. We aim to invest only in those companies that provide growth at the right price and those that provide the potential rewards for the risk that we take. We wish to obtain above average and real returns at a portfolio level for our investors.

What do we jointly own?

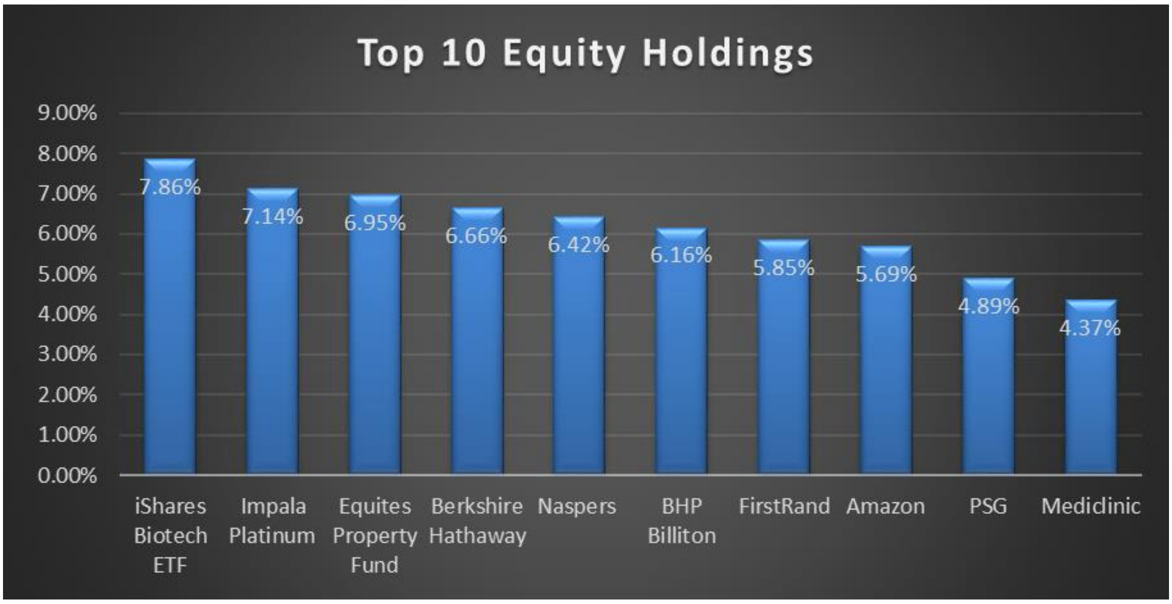
Approximately 39% of our assets are offshore and 61% in South Africa. We hold 6% in cash, 5% in bonds, and 89% in equities.



The Information and Communications Technology sector still presents our largest exposure at 18%, followed by Financials (14%), Resources (13%), and Industrials (9%). Overall sector diversification is quite good currently, reflecting our defensive stance.



Our Top holding is the iShares Biotech ETF. This fits in well with view on demographic trends and it trades at a relatively good valuation. Implats recent growth has catapulted it into our second largest holding reflecting our positive views on the sector. Equites is a logistics property investment, investing in warehouses and large distribution centres for eCommerce and other large companies. The remaining top 10 holdings are reflected below reflective of our views on demographic trends, valuations and growth opportunities.



We will continue to seek opportunities for good investments, taking asset allocation decisions and managing the risks inherent in the markets.

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Thank you to our clients, staff, directors, and business partners for your support, guidance and friendship. Whilst there are always significant risks in the financial markets, there will also be opportunities from which to profit. It is left to us to identify these risks and opportunities through our investment philosophy and methodology. Our aim to provide a platform for growing the wealth of our families and communities is intact and we will continue to utilise this and enhance it.

We look forward to continuing our journey with you; growing our business, growing your and our wealth, empowering our families and communities to grow their wealth.