

**PRESCIENT**  
LIMITED



# Prescient Limited

Results Presentation  
6 Months to 30 September 2014

**Presented by: Herman Steyn (CEO) and Michael Buckham (FD)**

**27 November 2014**

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- Business environment
- About Prescient
- Our business mission and strategy
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# Business Environment

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# GLOBAL MARKETS



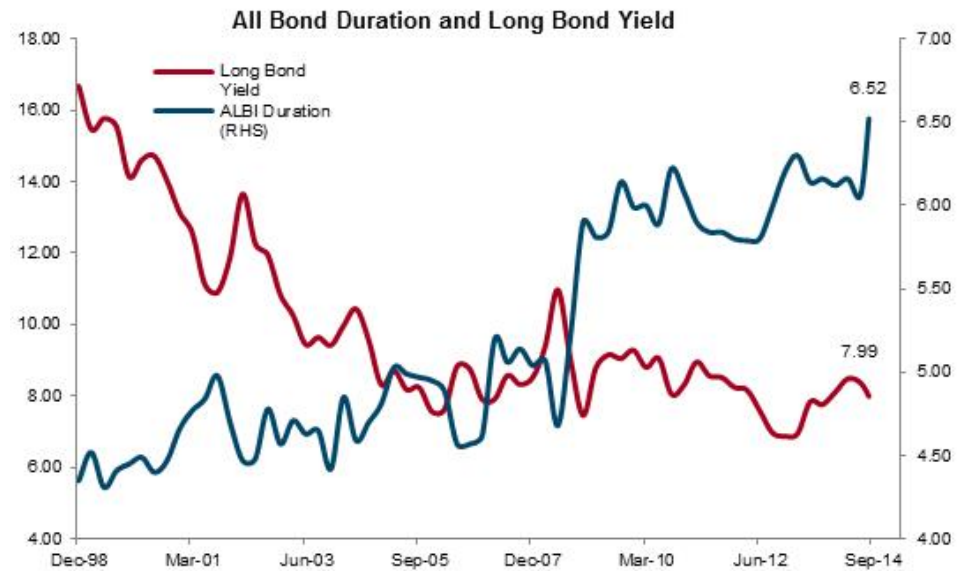
Source: Bloomberg; Wind – Total Return USD



Source: Bloomberg



Source: Bloomberg



Source: iNet

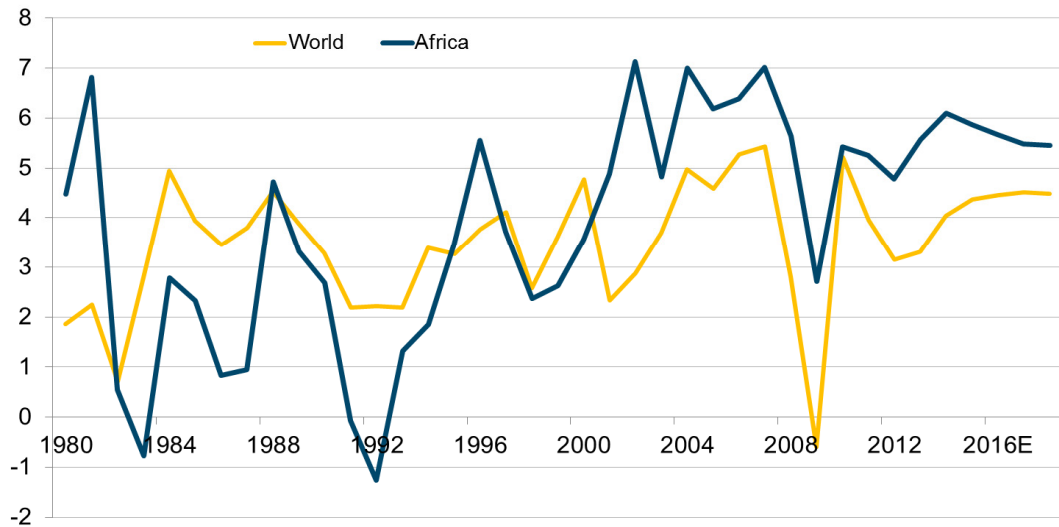


- Retirement reform
  - Shift to retail
- Regulatory burden
- Challenges of dealing in new markets (global compliance)
- Transparency and investment in technology
- Demand for alternative investments
- ABIL

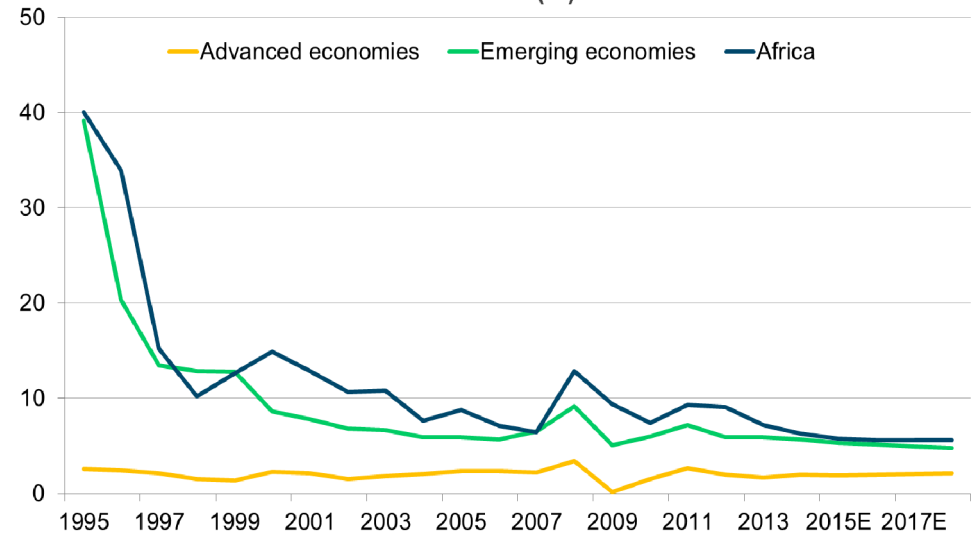
# THE AFRICAN GROWTH STORY



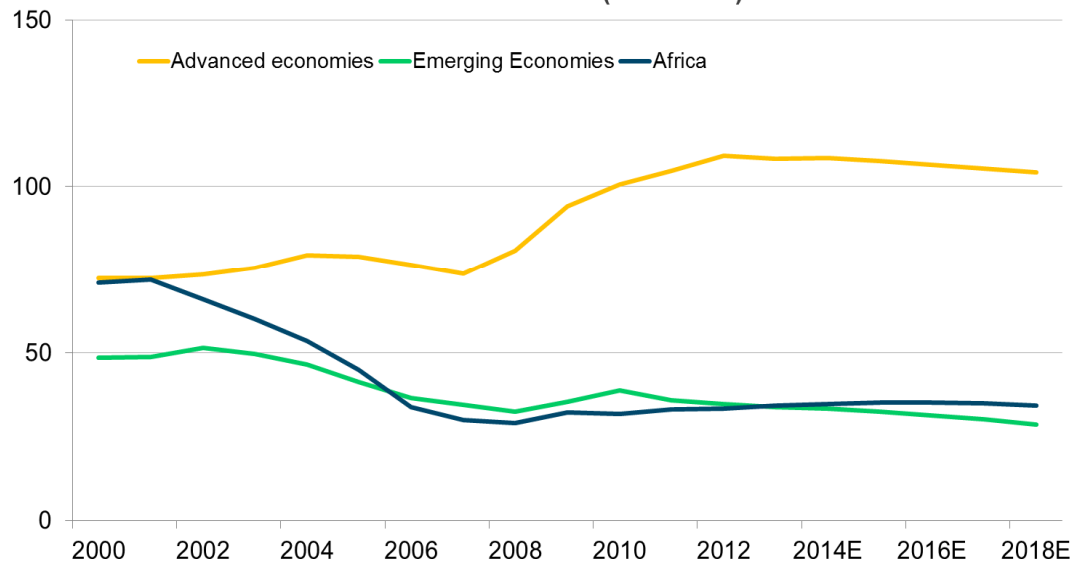
Real GDP growth (%)



Inflation (%)

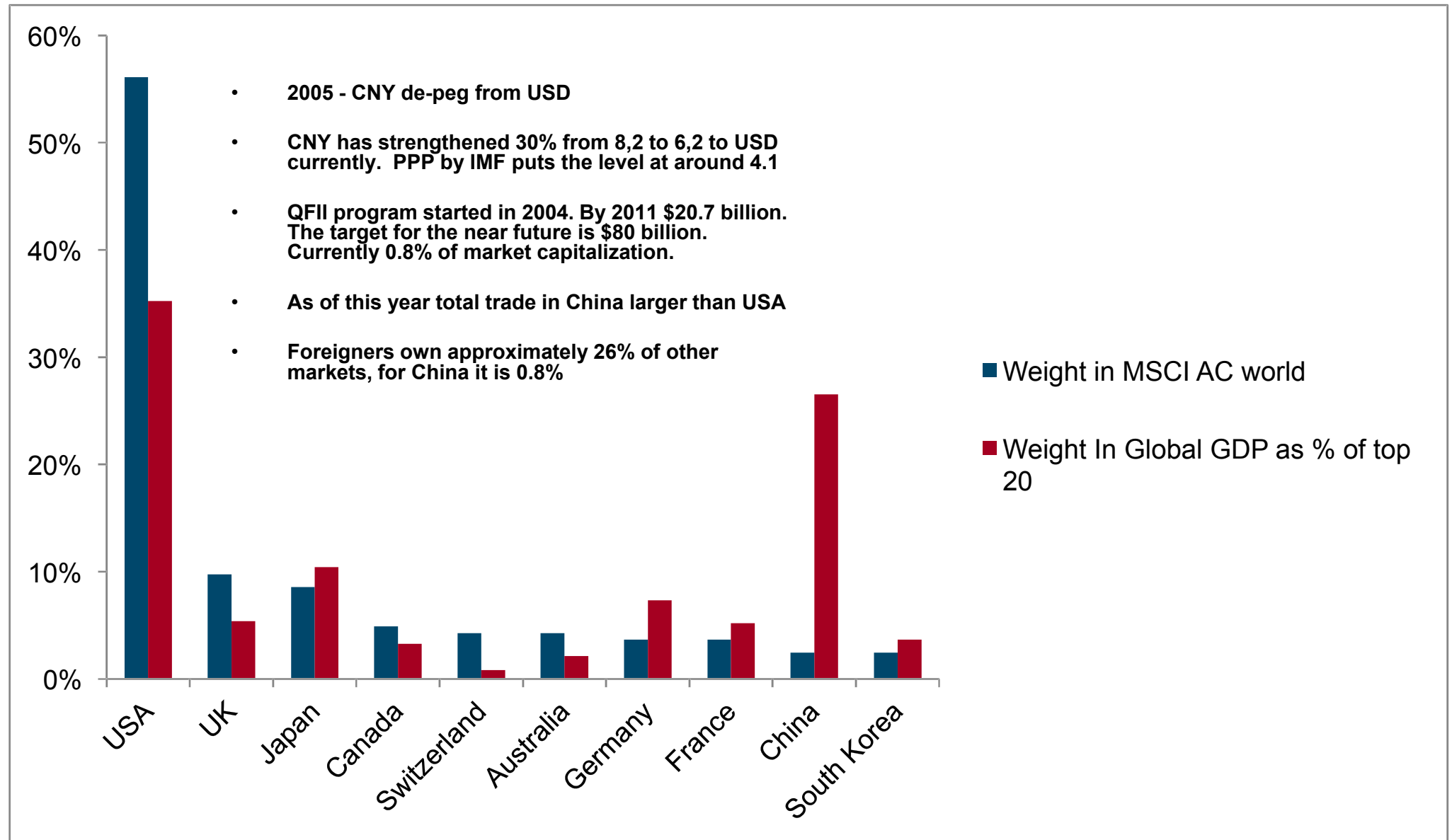


Government Debt (% of GDP)



Source: IMF (WEO April 2013), Prescient

# TOP COUNTRIES IN THE MSCI WORLD VS GDP



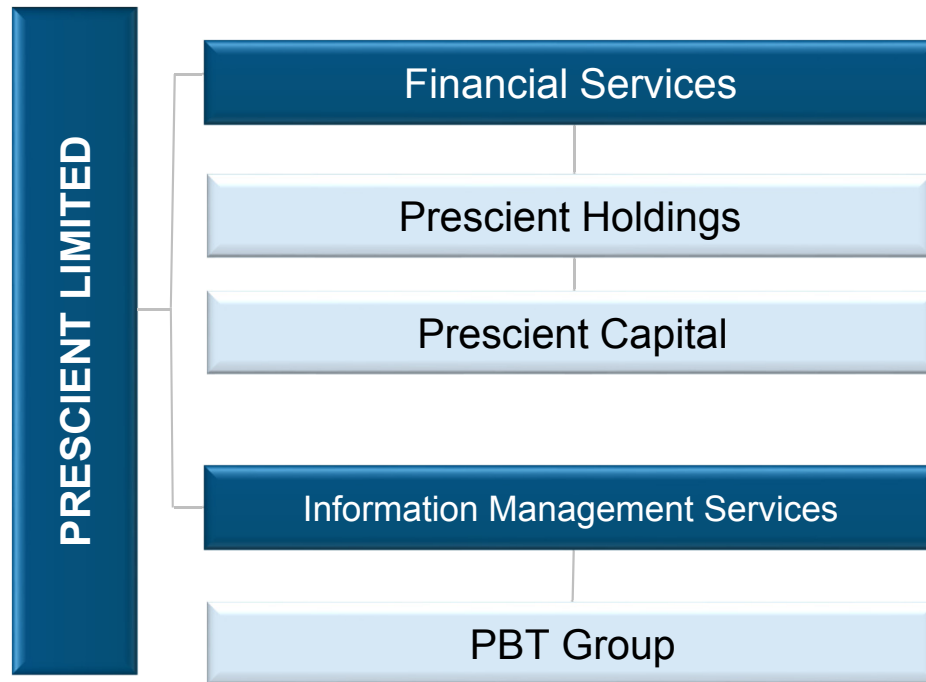
# About Prescient

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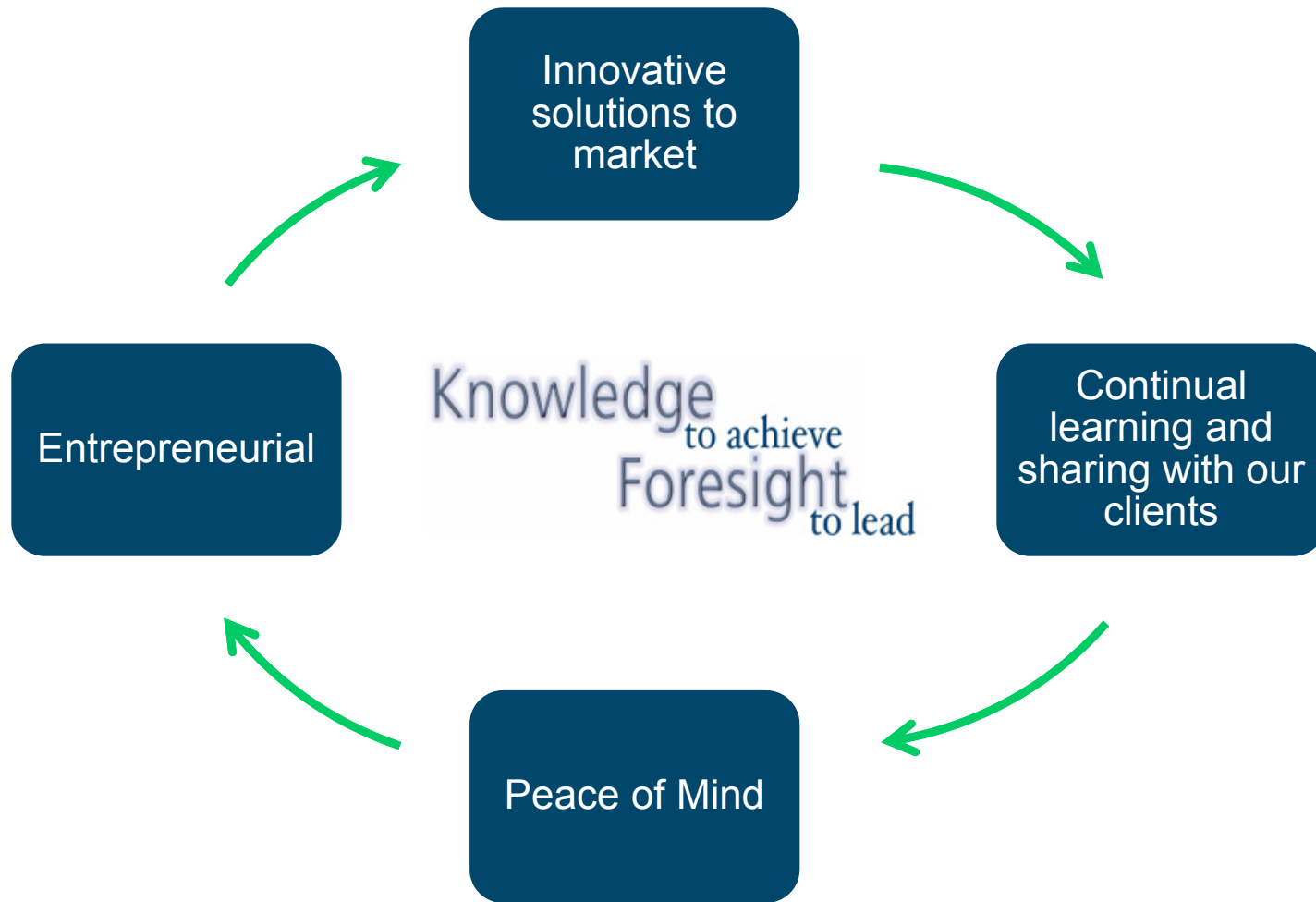


# GROUP ORGANOGRAM



- Current AUM in investment management – R60.4 billion (FY14: R59.1 billion)
- Current third party AUA in administration business
  - South Africa – R52.1 billion (FY14: R31.1 billion)
  - Ireland – €812.5 million (FY14: €1.2 billion)
- Prescient Holdings and subsidiaries – Level II contributor in terms of the DTI code

# Our Business Mission and Strategy



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# Financial Highlights

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## Financial Services

- **Prescient Investment Management**
  - AUM slightly higher with increased flows from retail sales
  - Continued good performance
  - Additional quota for China Fund
- **Prescient Fund Services and Stadia Fund Management**
  - Significant growth in third party AUA
- **Prescient Life**
  - Growth in Prescient Life AUM
  - Well capitalised
- **Prescient Securities**
  - Highly rated research and execution offering
  - Pressure on revenues
- **Prescient Wealth**
  - Costs incurred for future growth

# FINANCIAL HIGHLIGHTS



## Information Management Services

- Strong growth in revenue and earnings
- Demand for services remains high across all technology stacks
- Rand depreciation has enhanced revenue
- Strong local growth maintains revenue generated in foreign currency at 50%
- Weakening rand has limited effect on costs
- Very satisfactory contribution from PBT Australia

# FINANCIAL OVERVIEW



## Statement of Profit and Loss – continuing operations

	Six months to 30 Sep 2014	Six months to 30 Sep 2013	% Change	Full year to 31 March 2014
<b>R'000s</b>				
Revenue	389 370	332 841	17%	664 626
Operating expenses	(306 762)	(254 553)	21%	(518 319)
<b>Profit from operations</b>	<b>82 608</b>	78 288	<b>6%</b>	<b>146 307</b>
Other income	2 601	2 780		10 652
Share of loss of equity accounted investee	(1 223)	(364)		(573)
Finance costs	(4 401)	(3 002)		(4 155)
<b>Profit before taxation</b>	<b>79 585</b>	77 702	<b>2%</b>	<b>152 231</b>
Income tax expense	(23 169)	(22 792)		(39 591)
<b>Profit from continuing operations for the period</b>	<b>56 416</b>	54 910	<b>3%</b>	<b>112 640</b>
Non controlling interests	292	(2 207)		(777)
<b>Total comprehensive income attributable to the parent for continuing operations</b>	<b>56 708</b>	52 703	<b>8%</b>	<b>111 863</b>

# FINANCIAL OVERVIEW



## Segmental reporting

	Financial Services		Information Management Services		Total		% Change
	2014	2013	2014	2013	2014	2013	
<b>R'000s</b>							
<b>Segment external revenue</b>							
Continuing	151 117	142 807	238 253	190 034	389 370	332 841	17%
Discontinued	-	64 899	-	-	-	64 899	
<b>Total segment external revenue</b>	<b>151 117</b>	<b>207 706</b>	<b>238 253</b>	<b>190 034</b>	<b>389 370</b>	<b>397 740</b>	
<b>Segment profit before tax</b>							
Continuing	55 841	58 934	23 744	18 768	79 585	77 702	2%
Discontinued	-	(37 792)	-	-	-	(37 792)	
<b>Total segment profit before tax</b>	<b>55 841</b>	<b>21 142</b>	<b>23 744</b>	<b>18 768</b>	<b>79 585</b>	<b>39 910</b>	

# FINANCIAL OVERVIEW



## Earnings per share

	Six months to 30 Sep 2014	Six months to 30 Sep 2013	% Change	Full year to 31 March 2014
<b>Earnings per share - continuing operations</b>				
Earnings per share	<b>3.59</b>	3.38	6%	7.15
Headline earnings per share	<b>3.59</b>	3.38	6%	6.96
<b>Earnings per share - discontinued operations</b>				
Earnings per share	-	(2.43)		(3.12)
Headline earnings per share	-	(0.43)		(0.43)
<b>Earnings per share - total</b>				
Earnings per share	<b>3.59</b>	0.96	275%	4.03
Headline earnings per share	<b>3.59</b>	2.96	21%	6.53
<b>Actual shares in issue (millions)</b>	<b>1 646</b>	1 598	3%	1 598
<b>Weighted average number of shares in issue (millions)</b>	<b>1 580</b>	1 558	1%	1 566





## Dividend

- The Company declared a dividend of 2.75 cents per share on 27 November 2014 (September 2013: 2.5 cents per share)

	Six months to 30 Sep 2014	Six months to 30 Sep 2013	% Change	Full year to 31 March 2014
Dividend per share	2.75	2.50	10%	5.10
Dividend pay-out ratio (continuing operations)	0.77	0.74	4%	0.71
Dividend cover (continuing operations)	1.31	1.35	(3%)	1.40

# Operational Overview

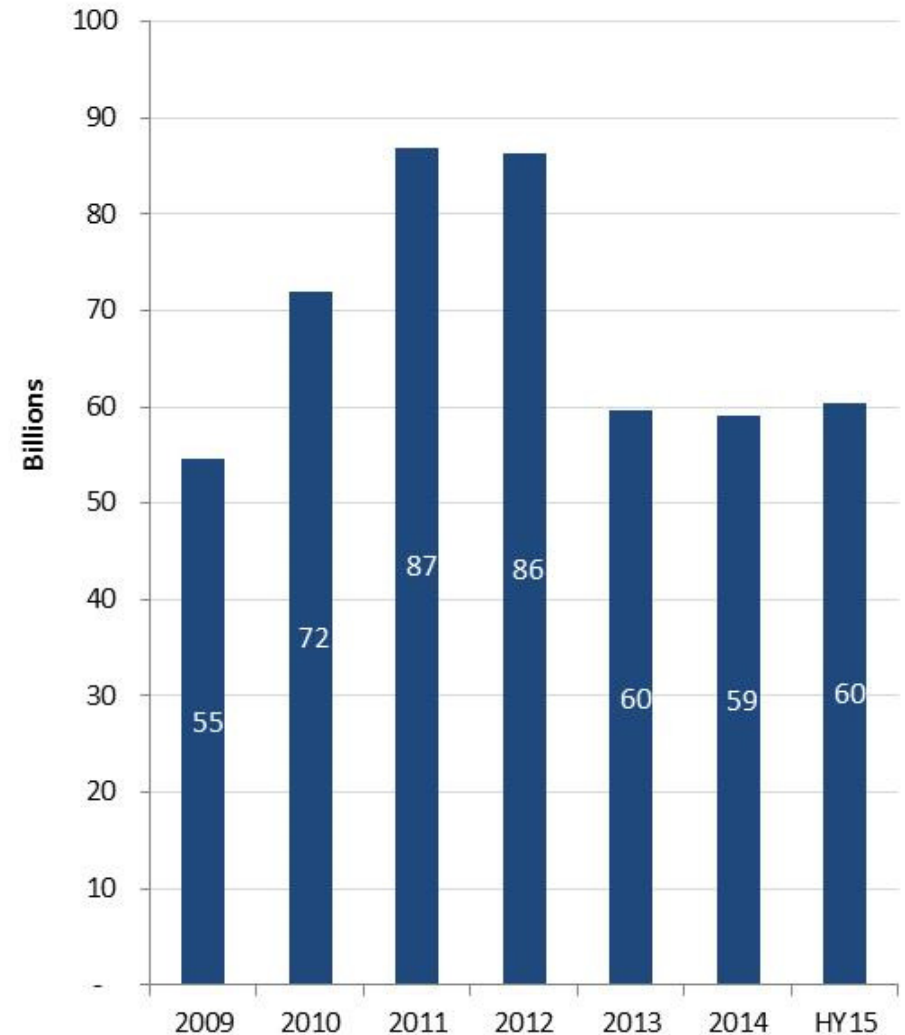
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- 16 Year track record
- Specialising in the delivery of superior risk adjusted returns across a range of mandates
- Markets include South Africa, Africa, China, Global Developed Markets
- Assets under management of R60.4 billion (FY14: R59.1 billion)
- We focus on providing *appropriate solutions* in a changing investment environment
- FY15 focus
  - Performance across mandates
  - Growth in retail base
  - Growth of products in new markets - China and Africa
  - Retirement reform
  - Providing clients with cost effective solutions

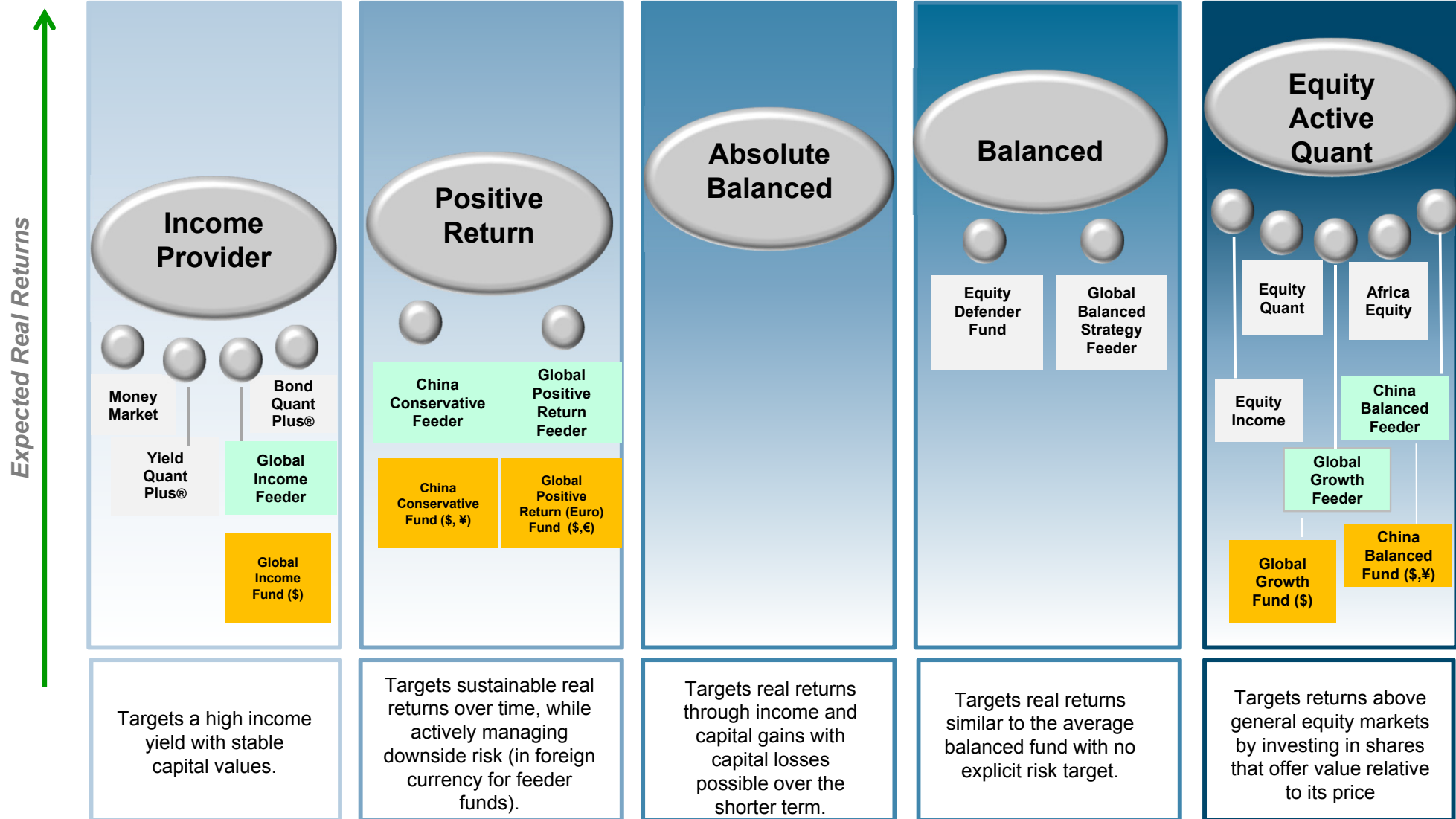
## Assets under management



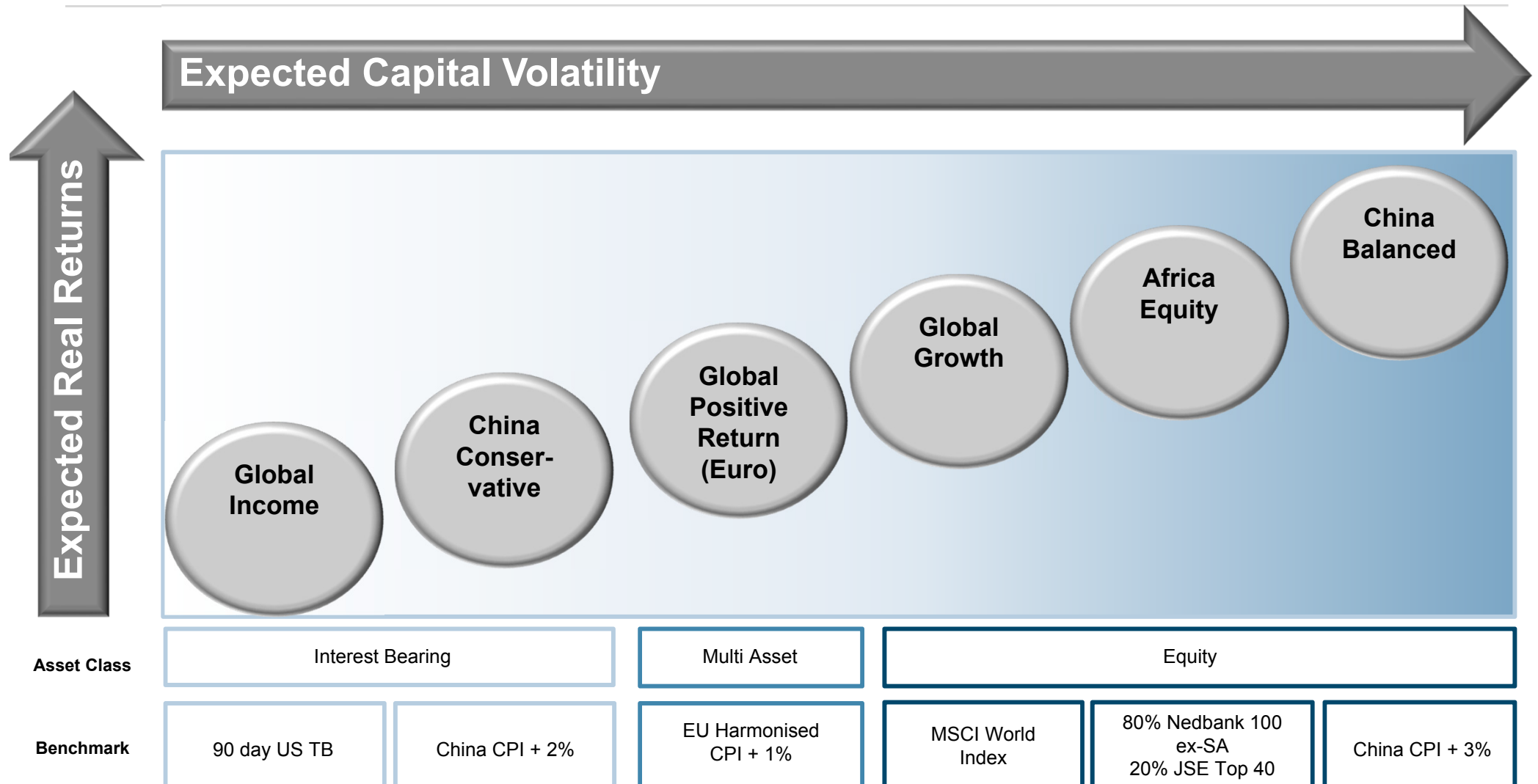
# CORE PRODUCT RANGE



Expected Capital Volatility →



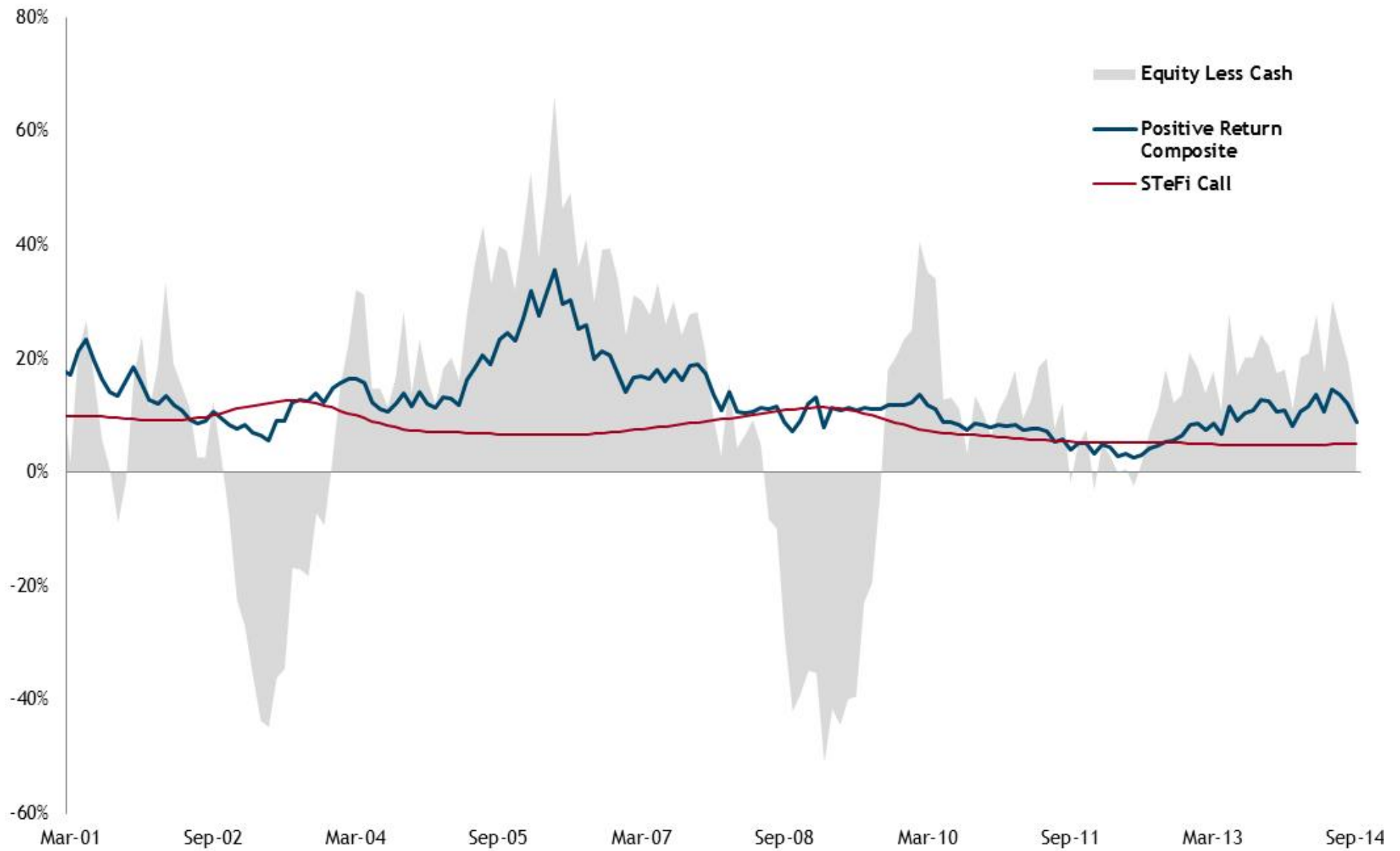
# PRESCIENT OFFSHORE RANGE



**Fund Type** UCITS  
**Pricing** Daily  
**Investment Manager** Prescient Investment Management  
**Custodian** BNY Mellon Trust Company  
**Administrator** Stadia Fund Management Ltd  
**Auditors** KPMG

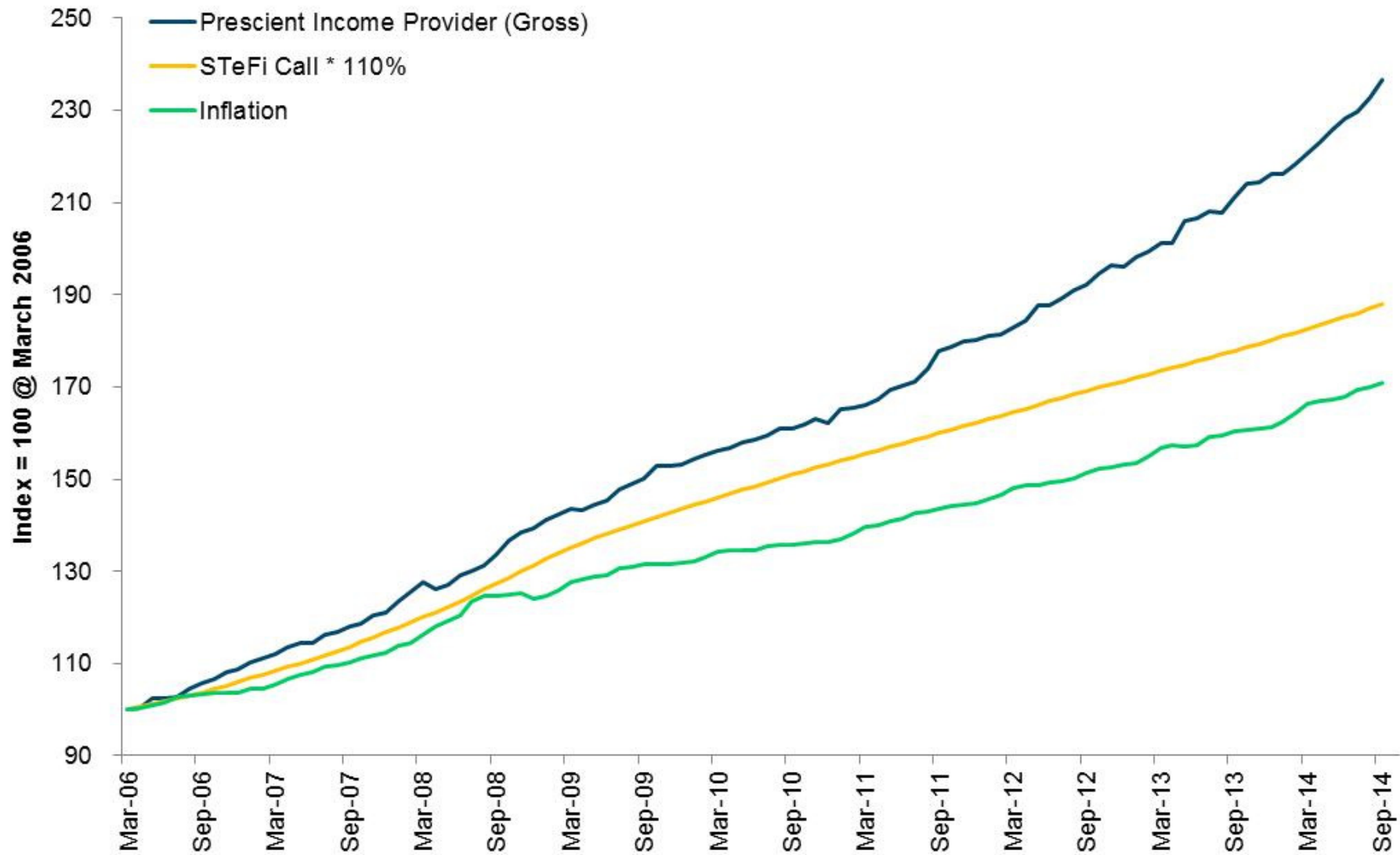
**Registered Office** 33 Sir John Rogerson's Quay  
 Dublin 2, Ireland  
**Client Services** 49 Upper Mount Street  
 Dublin 2, Ireland  
 Tel : 00 353 1 676 6959  
 email : aidan@stadia.ie

# POSITIVE RETURN PERFORMANCE



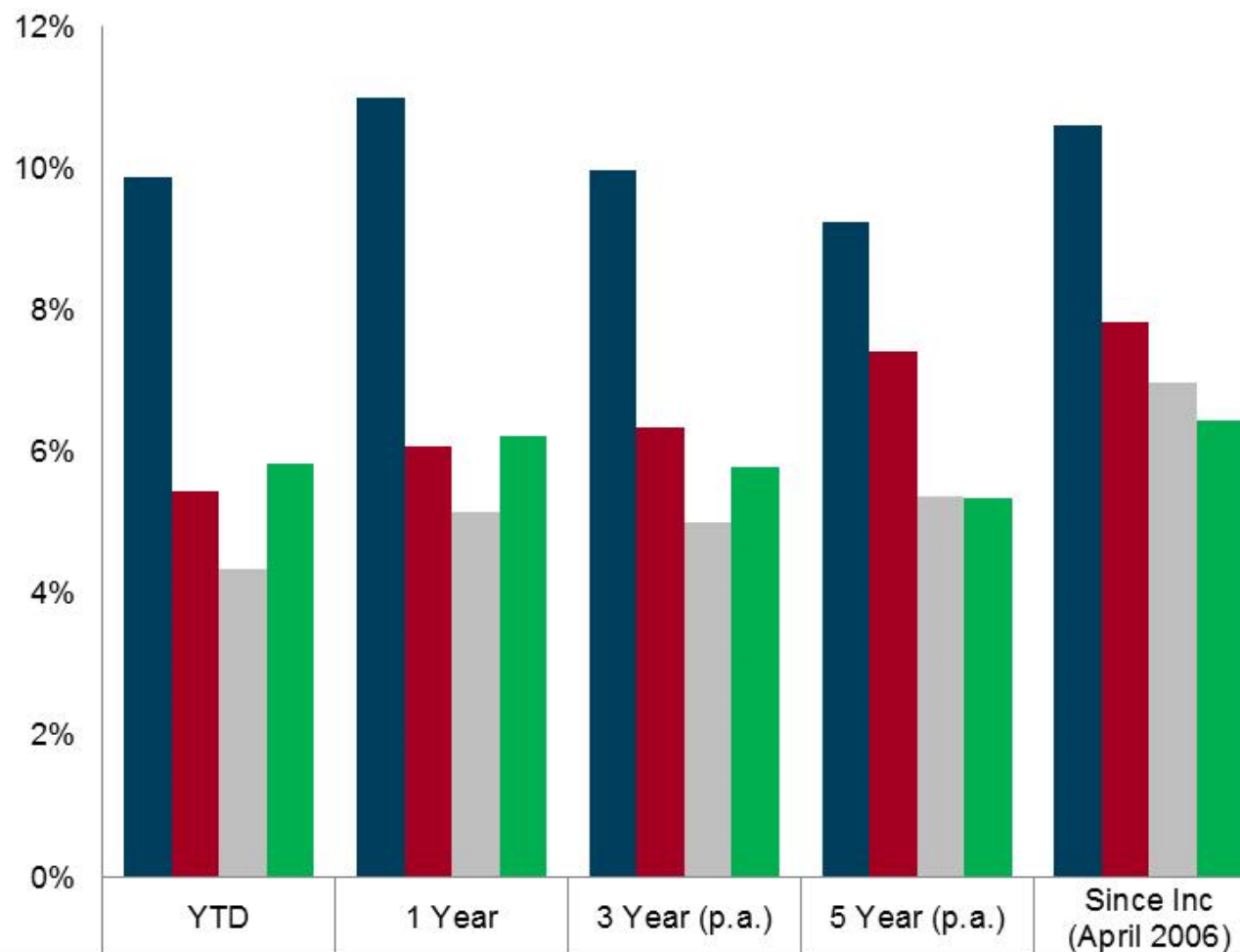
Source: Prescient – Rolling Returns vs STeFi Call – March 2001 to September 2014

# PRESCIENT INCOME PROVIDER



Since inception = April 2006

# PRESCIENT INCOME PROVIDER COMPOSITE

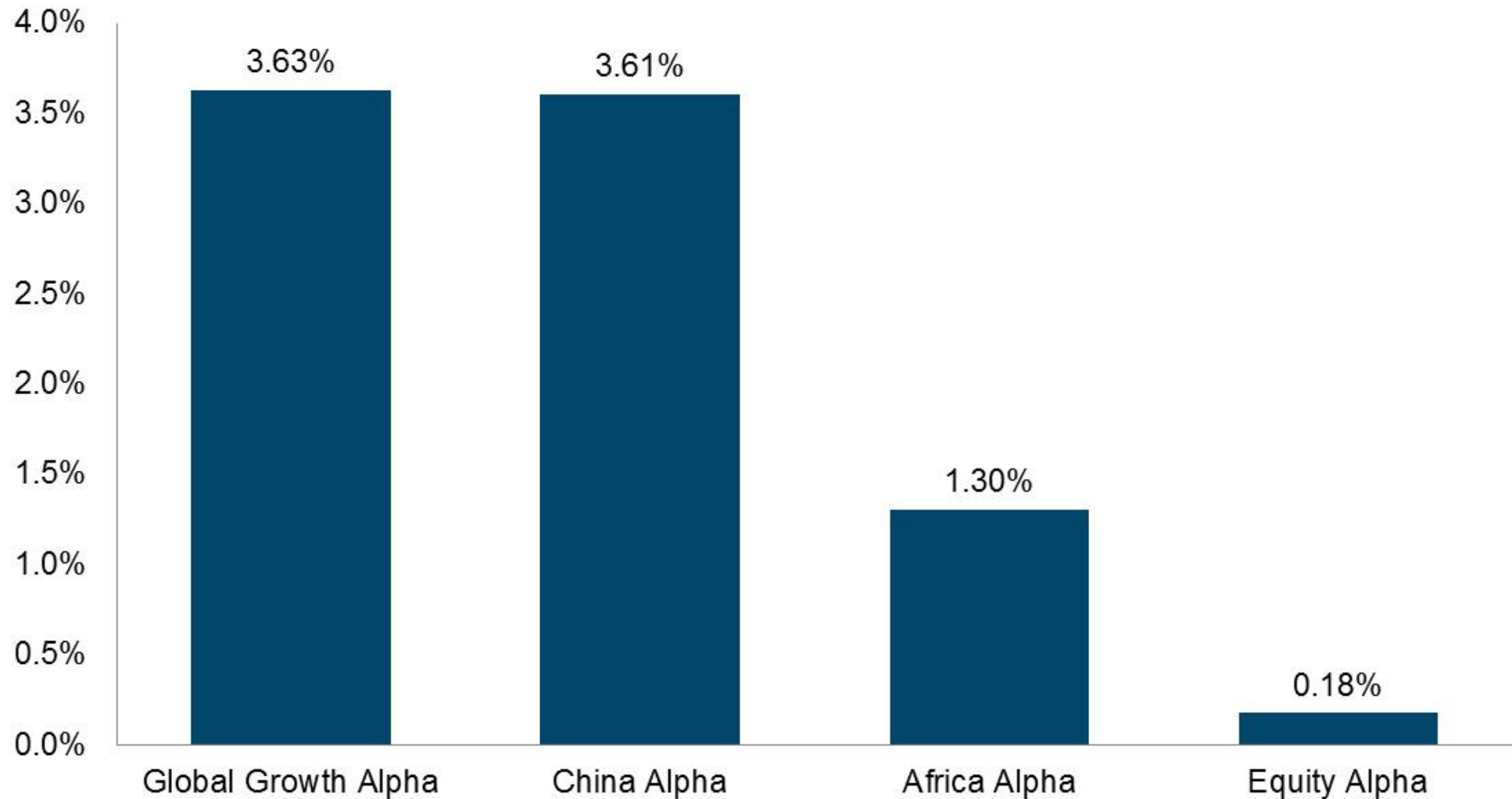


■ Prescient Income Provider Fund (Gross)	9.86%	10.99%	9.97%	9.23%	10.60%
■ ALBI 1-3 Years	5.43%	6.06%	6.34%	7.40%	7.82%
■ Cash	4.34%	5.15%	5.01%	5.36%	6.97%
■ Inflation	5.82%	6.22%	5.78%	5.35%	6.43%

Gross returns to 31 Oct 2014. Inception = April 2006



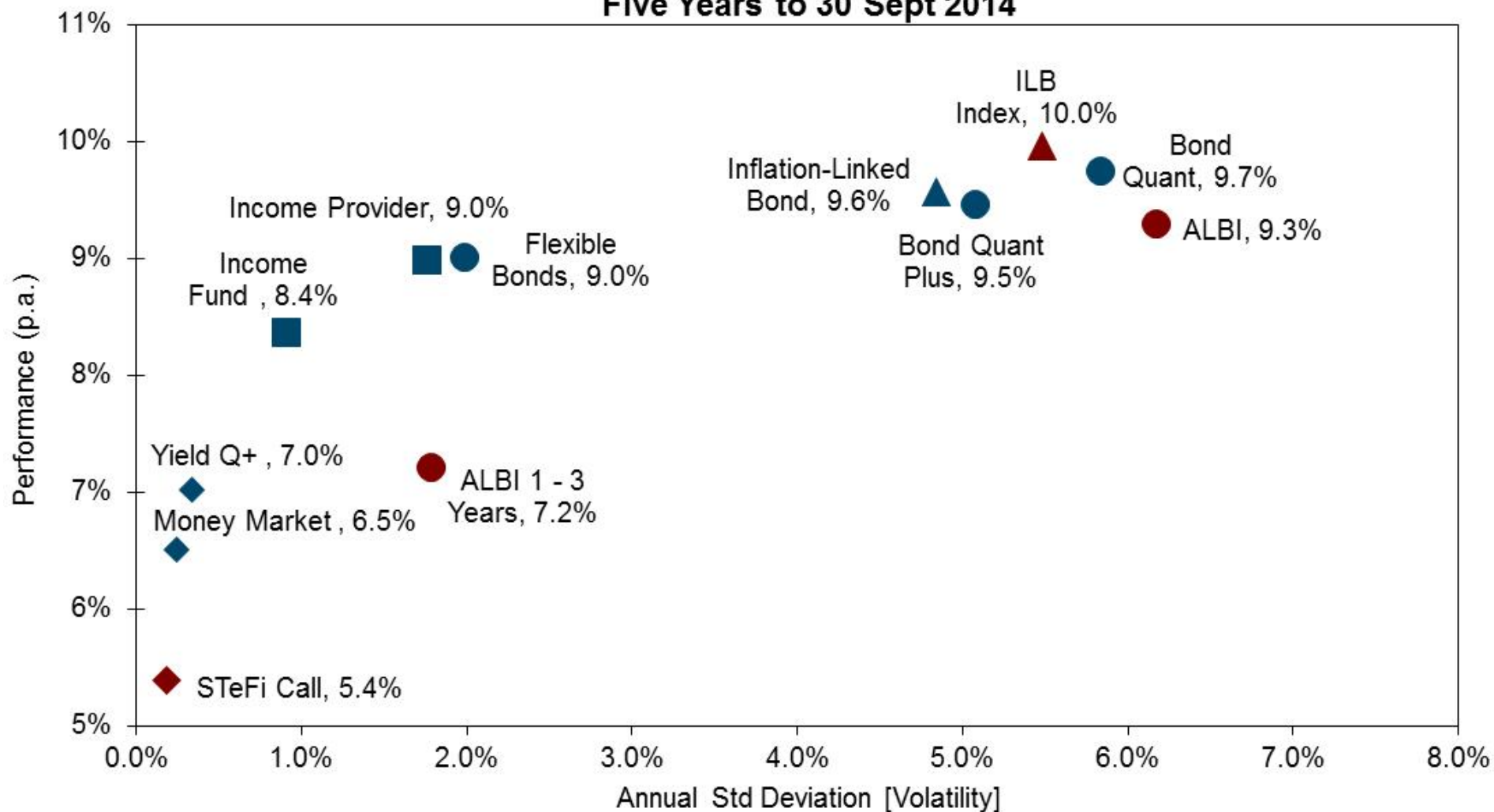
# ALPHA – EQUITY FUNDS VS MARKET INDICES





## Interest Bearing Funds

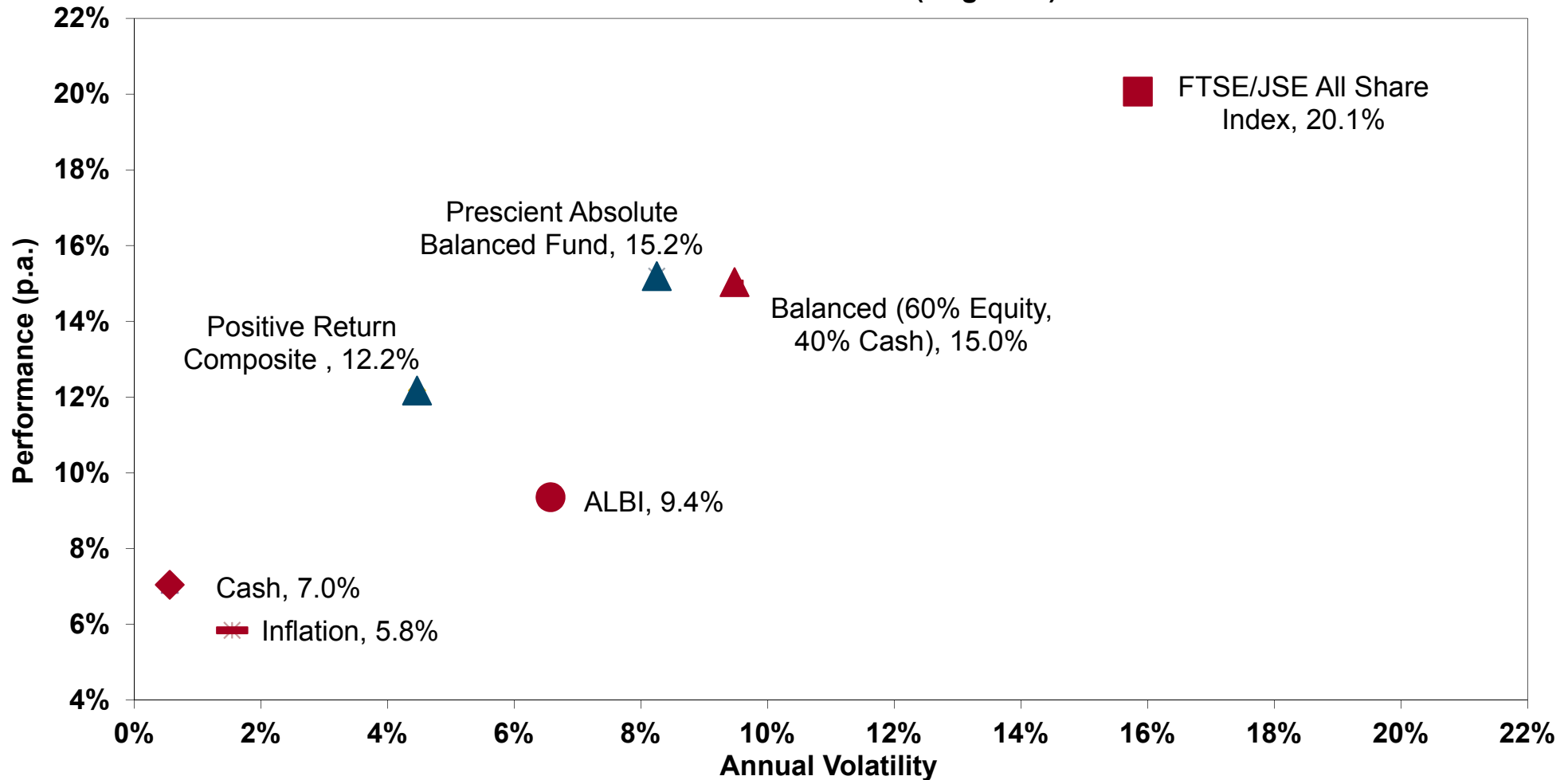
**Prescient Interest Bearing Funds vs Market Indices  
Five Years to 30 Sept 2014**





## Positive Return and Absolute Balanced Funds

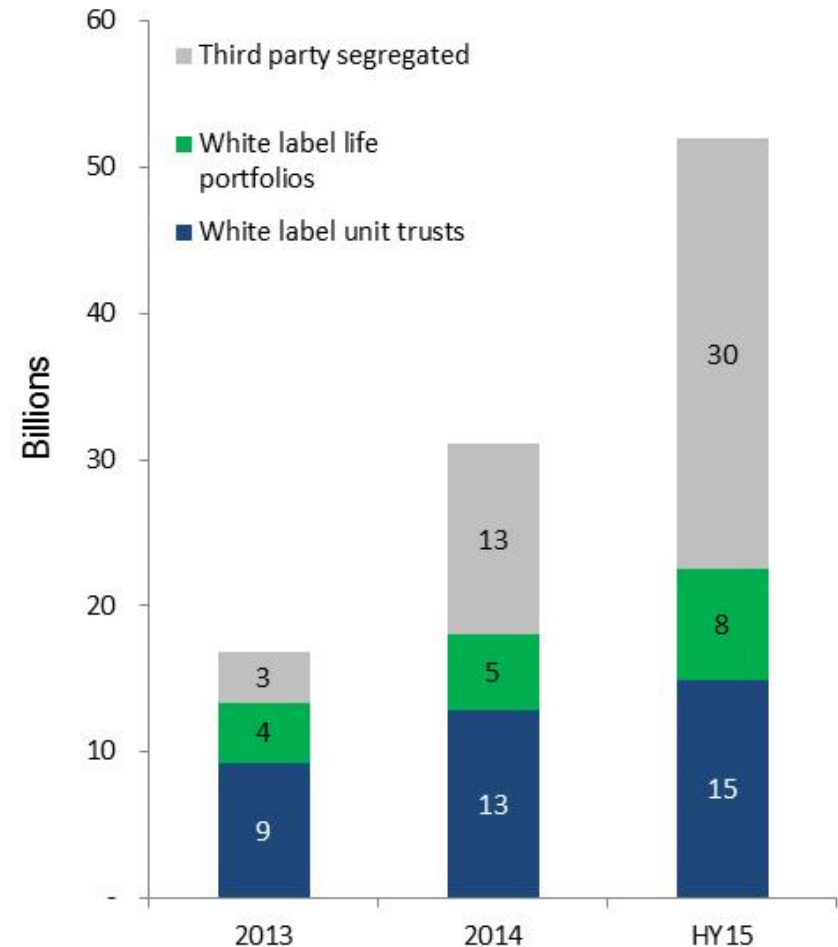
Prescient Positive Return and Absolute Balanced Fund vs Benchmarks  
Risk/Return - Since Inc of Absolute Balanced Fund (Aug 2003) to 31 October 2014





- Providing outsourced administration services since 2010
- Operating in South Africa and Ireland
- Significant growth in 3<sup>rd</sup> party AUA:
  - South Africa – R52.0 billion (FY14: R31.1 billion)
  - Ireland - €812.5 million (FY14: €1.2 billion)
- Specialist outsourced administration and platform services to asset managers, multi-managers, hedge funds, pension funds and other institutional investment providers
- Significant investment in people and technology. Technology systems include:
  - Eagle Investment systems
  - Thinkfolio
  - Vermillion
- FY15 focus
  - Growth in third party clients
  - Successful integration of new clients
  - Competitive pricing structure
  - Further enhancement of front office and reporting capability
  - Hedge Fund administration capability

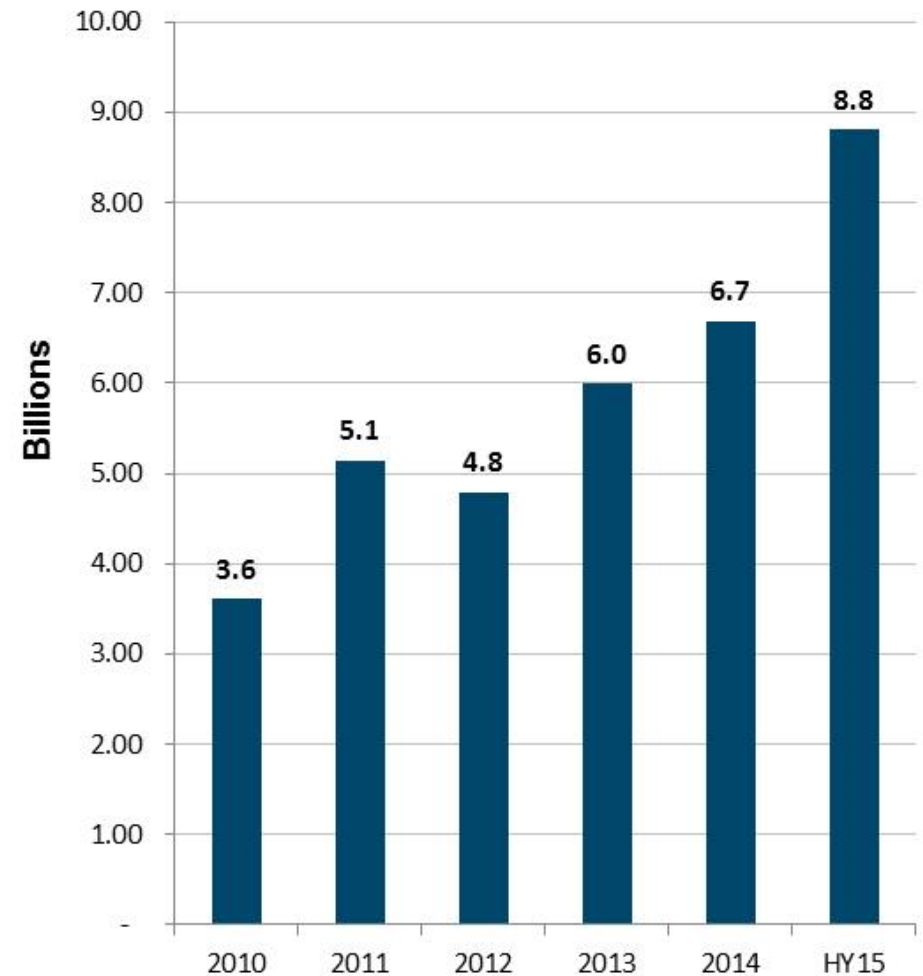
## South African assets under administration





- Range of products managed by third party managers under a white-labelled arrangement with full administration services
- In the retail space, Prescient Life offers retirement annuities, preservation funds, umbrella funds, living annuities and endowment policies
- Competitive advantage - solution that we call “seamless transition”
- FY15 focus
  - Establishing Prescient Life as a fully operational business
  - Embracing regulatory changes in preparation for full implementation in 2015
  - Liaison with National Treasury to promote “seamless transition”
  - Gained traction with trustees and consultants and starting to see new business flows as a result

## Policyholder Assets





- Focus on the institutional fund management market
- Research and trade offering covers equity, derivatives and fixed income
- Consistent performance in FM rankings and Spire awards (refer to Appendix)
- FY15 focus - Strengthen research/trade offering across asset classes



- Operating within the group since 2010
- An independent private client wealth and portfolio management business that provides clients with a comprehensive range of services
- FY15 focus
  - Grow senior team and private client manager base
  - Enhancement of Prescient Wealth's investment propositions, and the inclusion of an advisory business
  - Implementation of a comprehensive wealth management offering



- The PBT Group is a consulting company, specialising in data management, to SA, MEA and Australian clients
- These professional services are conducted in, amongst others, the Financial Services, Retail and Mobile Telecommunication sectors
- Successful track record in Africa and Middle East, operating since 2003
- Well established in Australia, operating since 2005
- FY15 focus
  - Continued growing contribution to Prescient Group revenue and earnings
  - 50% of earnings generated offshore to diversify earnings base
  - Continued service delivery to clients in buoyant trading environment



# The Year Ahead

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# THE YEAR AHEAD



- Focus on investment performance
- Positioned for growth
  - Strong balance sheet
  - Technology platform
  - Appropriate solutions
- Maintain competitive positioning
- Specific focus areas:
  - Retail
  - Life products – “seamless transition”
  - Prescient Wealth
  - China
  - Africa
  - Beta funds
- Maintain our entrepreneurial culture



- Challenges
  - Regulatory burden
  - Pressure to reduce costs of investment management services
  - Dollar denominated costs for systems
  - Conversion time for Prescient Wealth
  - Pressure on revenue for Prescient Securities
  - Regulatory capital can lead to a drag in financial performance
- Earnings growth drivers
  - Improved performance
  - Growth of assets
  - Improved margins due to increase in retail flows
  - Economies of scale for administration
  - High demand for information management services

# Q&A

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Thank You

## Regulatory Information

The information contained herein is provided for general information purposes only. This information does not constitute a solicitation, recommendation, guidance or proposal, and the service provided is not intended nor does it constitute financial, tax, legal, investment or other advice.

Whilst reasonable steps are taken to ensure the accuracy and integrity of information contained herein, Prescient accepts no liability or responsibility whatsoever if any information is, for whatever reason, incorrect. Prescient further accepts no responsibility for any loss or damage that may arise from reliance on information contained herein.

**Business address:**

Prescient House, Westlake Business Park,

Otto Close, Westlake, Cape Town, 7945

Tel: 021 700 3600

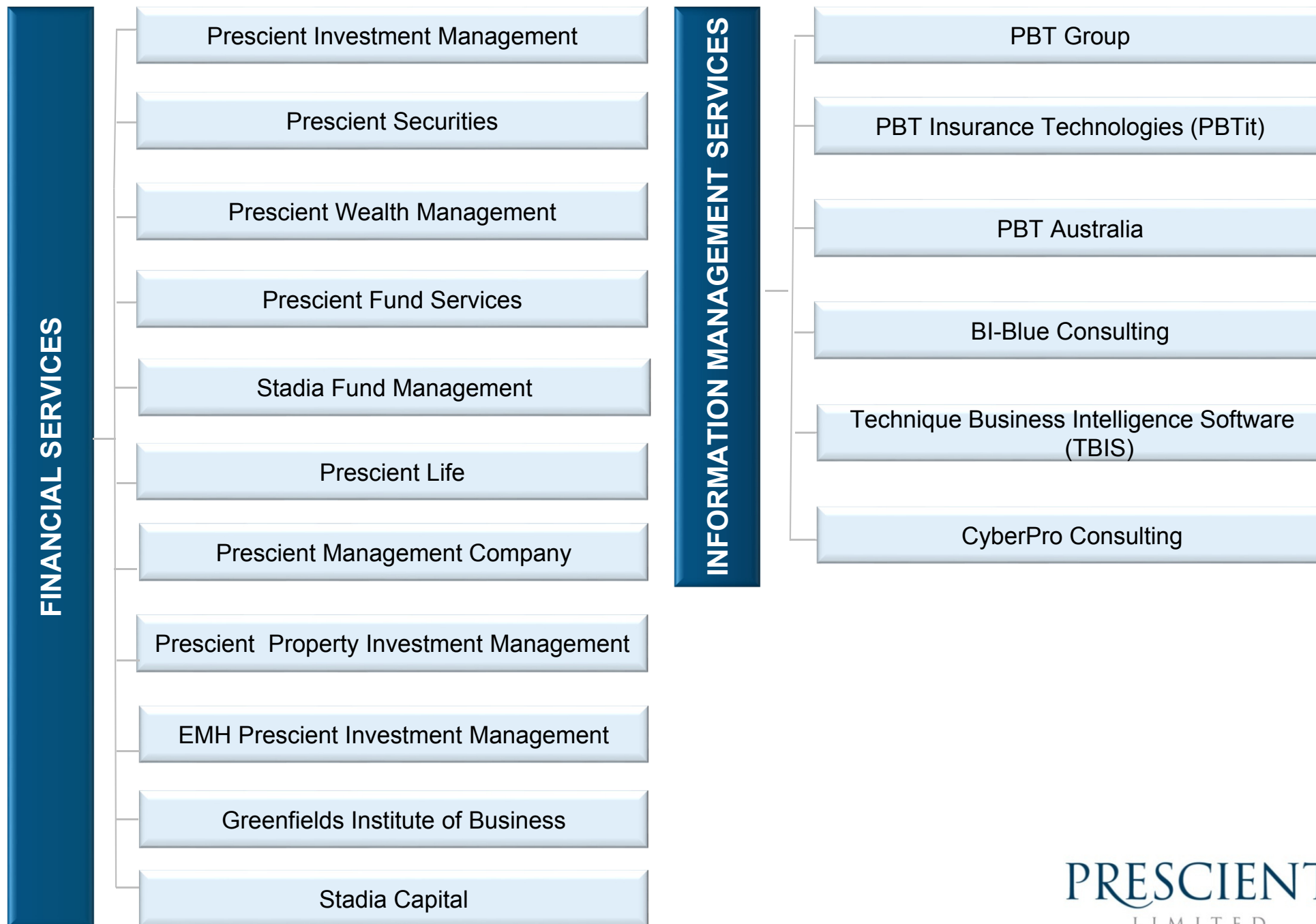
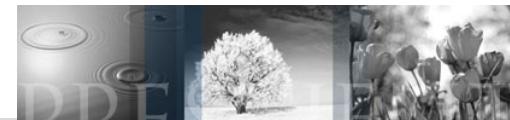
Fax: 021 700 3700

# Appendices

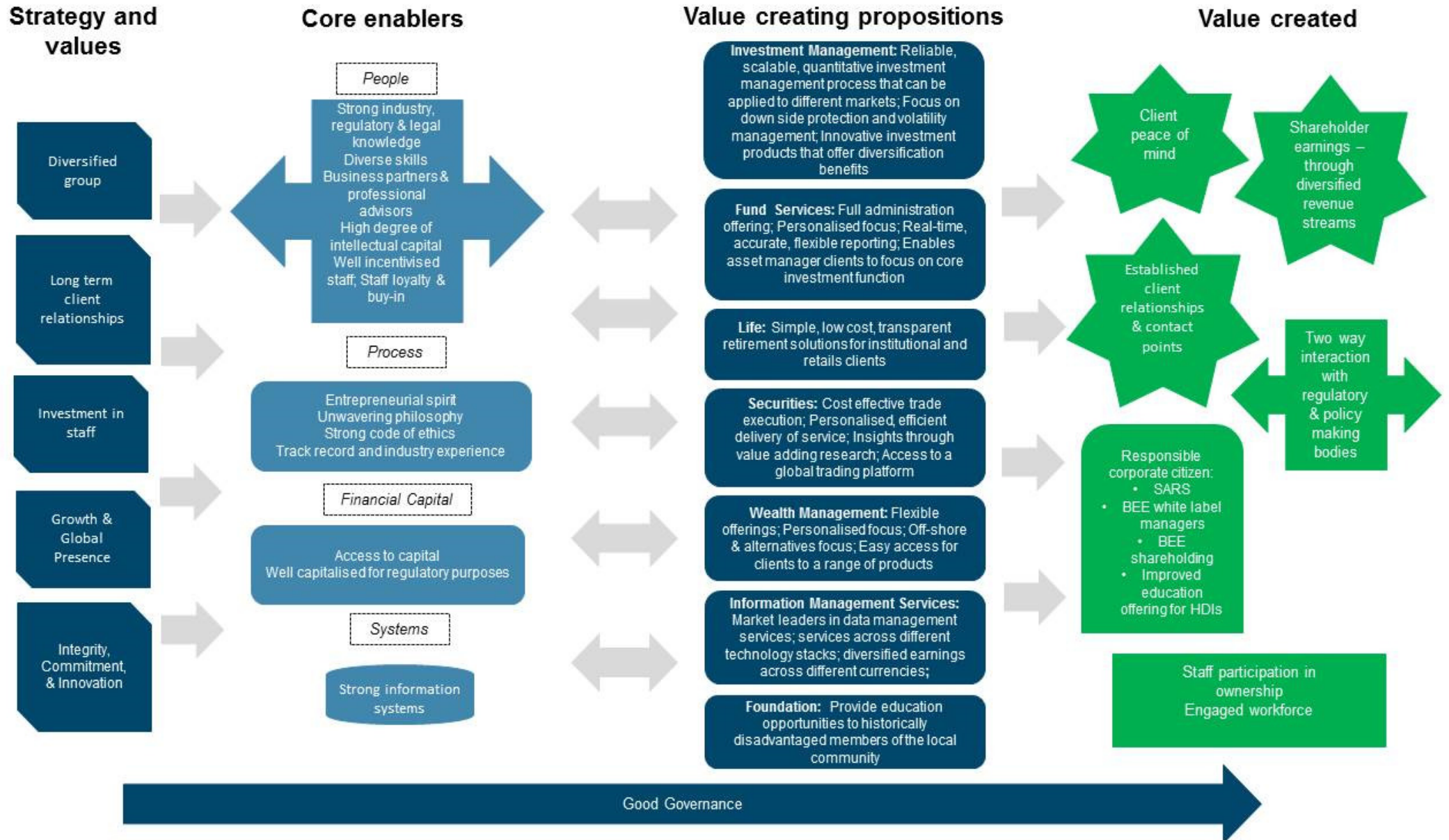
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# GROUP ORGANOGRAM

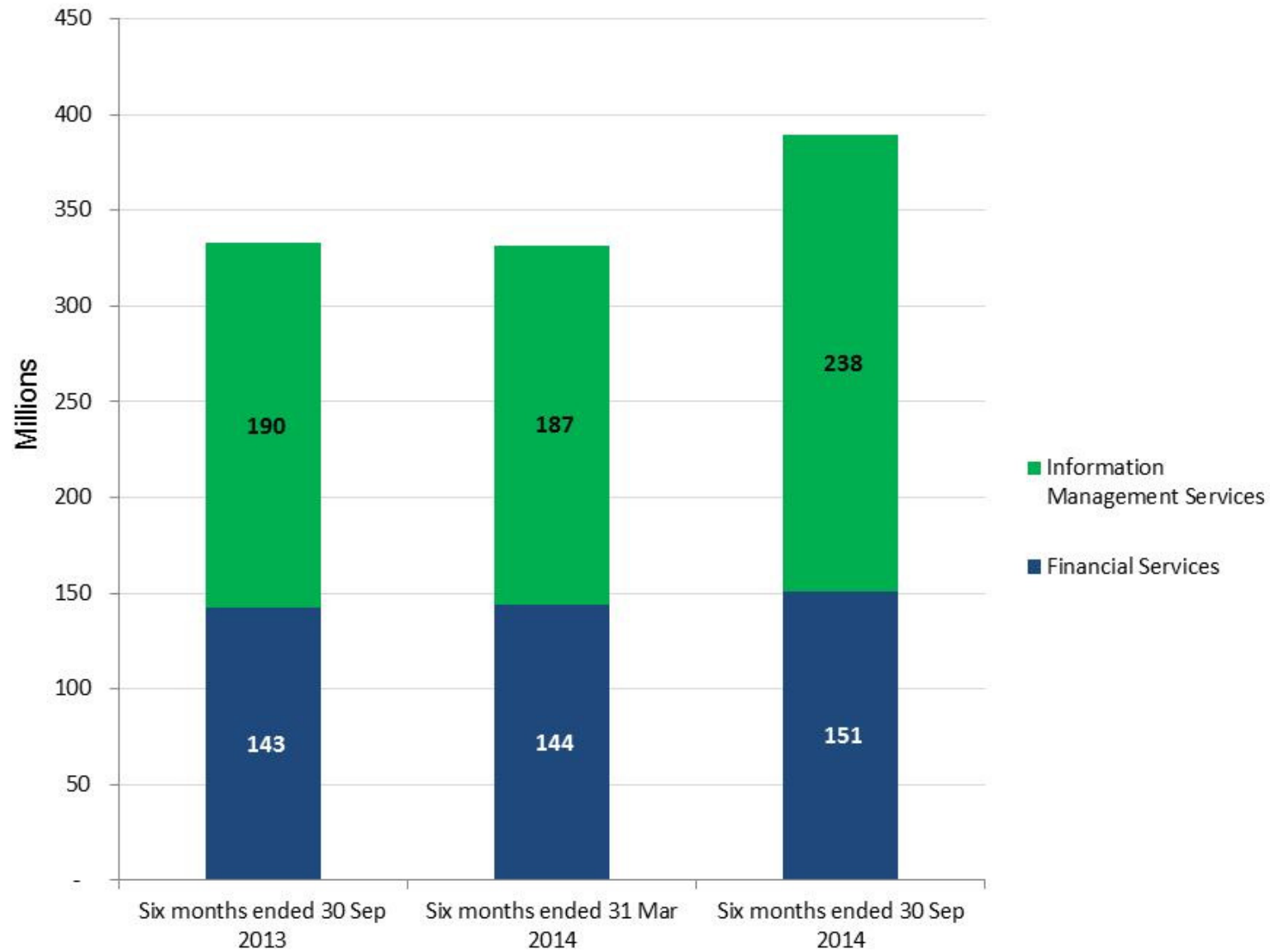


# PRESCIENT VALUE CREATION STORY BOARD

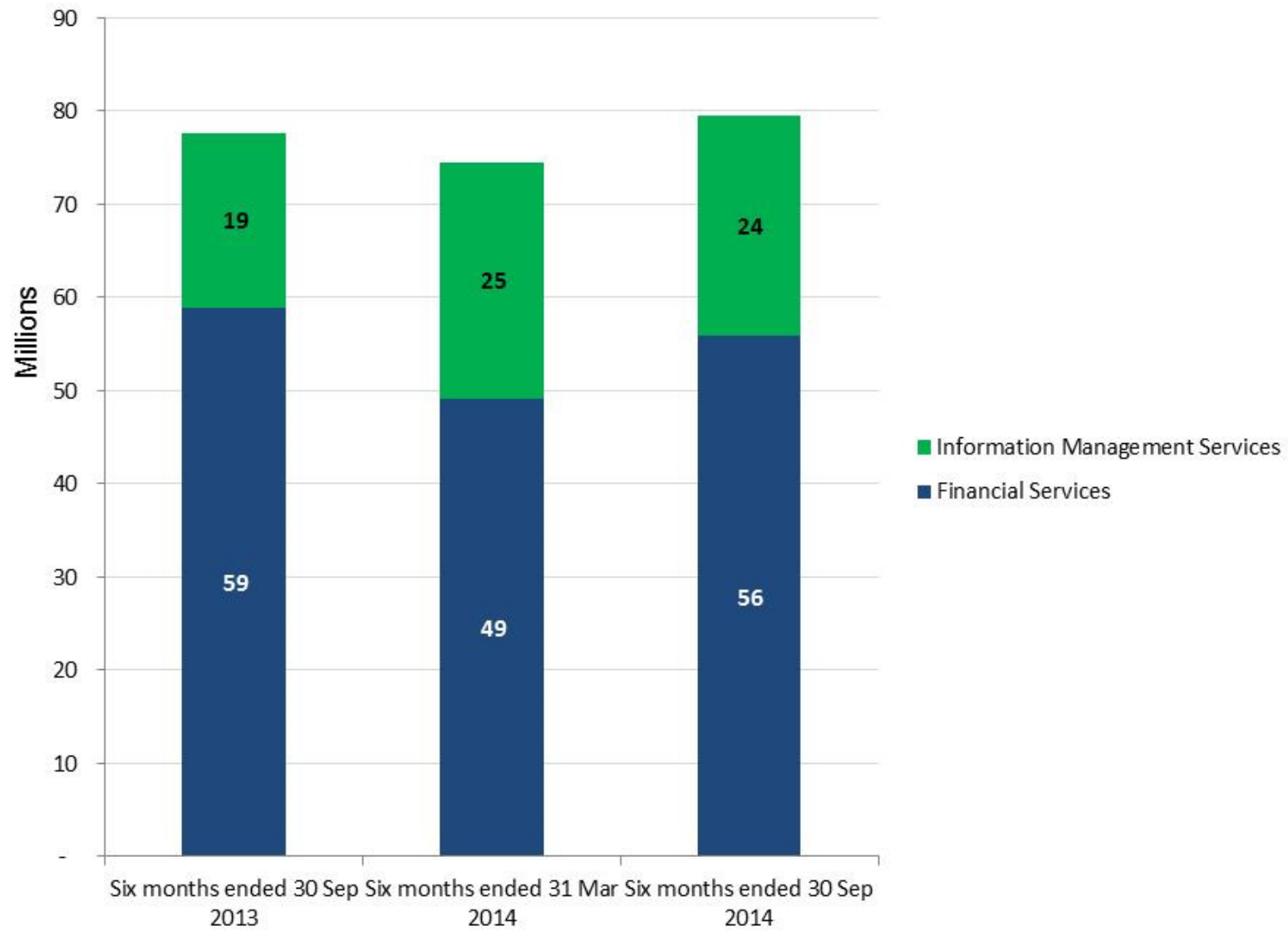




# REVENUE



# PROFIT BEFORE TAX





## PRESCIENT INVESTMENT MANAGEMENT

- 2014 Raging Bull Award
  - Positive Return – Best SA Multi-Asset Medium Equity Fund
  - Positive Return – Best SA Multi-Asset Medium Equity Fund on a risk adjusted basis
- 2014 Morningstar
  - Nominated in Diversified Bond category
  - Nominated in Global Bond category

2013 POA Imbasa Yegolide Absolute Return Manager of the Year

## PRESCIENT FUND SERVICES

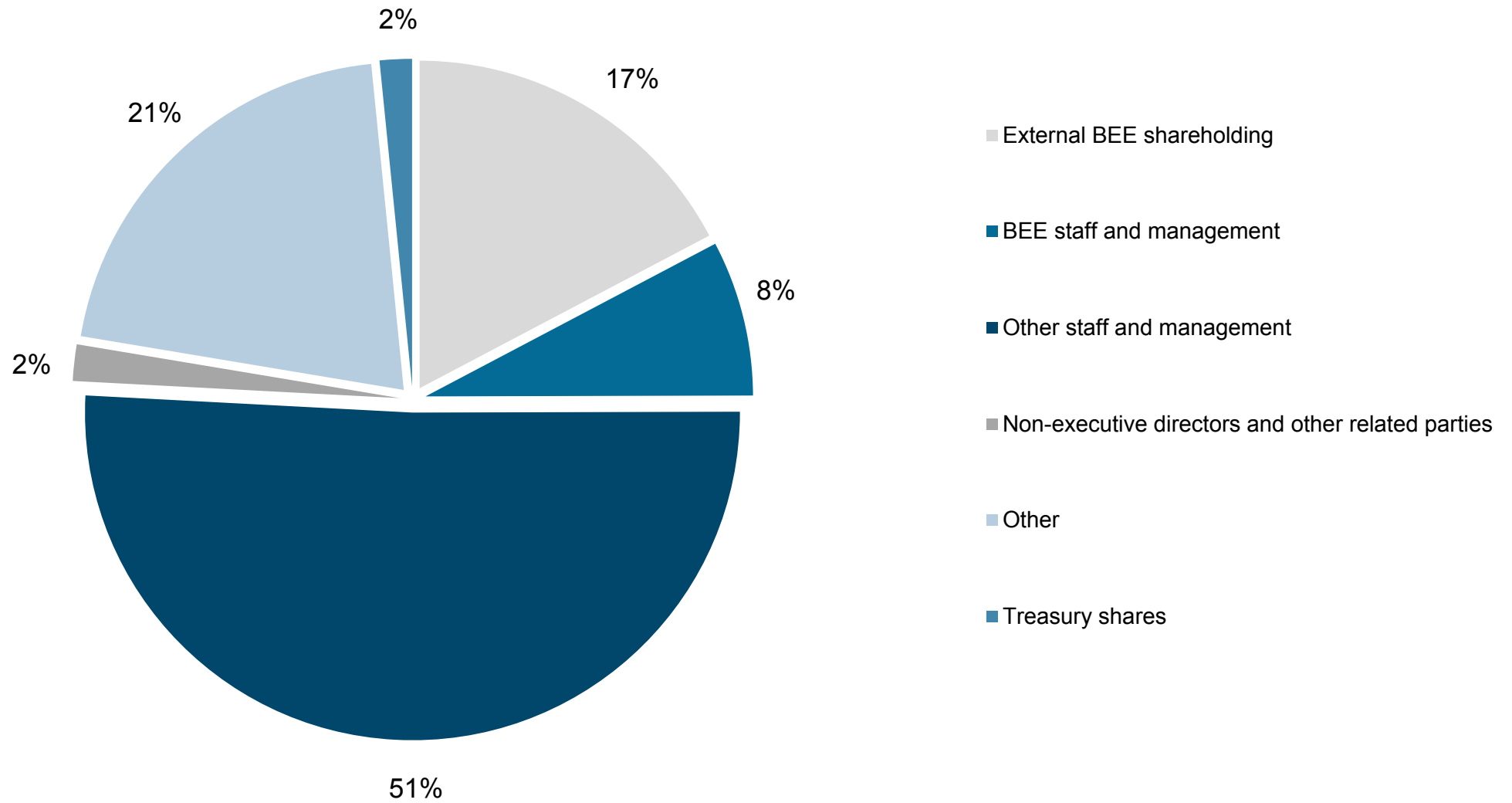
- Prescient Fund Services uses Eagle Investment Systems as its primary administration system. The business unit received an award from Eagle for innovative use of its software.



## PRESCIENT SECURITIES

- **The 2014 Financial Mail “Rating the Analysts (equities and derivatives) Awards”:**
  - #1 – Resources small and medium market cap companies
  - #1 – Electronic and electrical equipment
  - #1 – Derivatives research
  - #2 – Hotels, travel and leisure
  - #3 – Financial and industrial small and medium market cap companies (#1 when weighted by AUM)
  - #3 – Derivatives dealing (#2 when weighted by AUM)
  - #3 – Risk management
  - #4 – Innovative research
  - #4 – Credit analysis
  - #4 – Other African economies and markets
- **The 2014 Spire Awards:**
  - #1 – Best Agency Broker House (Roll-up award)
  - #1 – Best Agency Broker – Bonds
  - #1 – Best Agency Broker – Listed Interest Rare Derivatives
  - #2 – Best Agency Broker – Listed FX Derivatives
  - #2 – Best Research Team – Quantitative Research

# ANALYSIS OF SHAREHOLDERS



As at 31 March 2014