

## ② FREQUENTLY ASKED QUESTIONS (FAQ)

### 1. WHICH PRUDENTIAL FUNDS CHARGE PERFORMANCE FEES?

<b>Prudential Dividend Maximiser Fund*</b>	<a href="#">View fund Fact Sheet</a>	<b>Prudential Equity Fund</b>	<a href="#">View fund Fact Sheet</a>
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\*Excluding T class. Tax free products do not charge performance fees.

### 2. PERFORMANCE FEE TABLE (UPDATED QUARTERLY)

	DIVIDEND MAXIMISER FUND		EQUITY FUND	
	A Class	B Class	A Class	B Class
October 2018	0.06%	0.06%	0.06%	0.07%
November 2018	0.05%	0.06%	0.06%	0.06%
December 2018	0.02%	0.03%	0.03%	0.04%
<b>Total for the quarter*</b>	<b>0.13%</b>	<b>0.15%</b>	<b>0.15%</b>	<b>0.17%</b>

\*Figures may differ due to rounding

### 3. WHAT ARE THE MINIMUM AND MAXIMUM FEES, THE FEE HURDLES, AND THE SHARING (PARTICIPATION) RATES FOR THE FUNDS?

For both the funds listed above, the characteristics of the fee structure are detailed in the following table. The fees quoted are inclusive of VAT:

	CLASS		
	A Class (Retail class)	B Class (LISP clean class)	C Class (LISP all-in fee class)
Minimum fee	1.44%	0.98%	2.70%
Benchmark	ASISA South African - Equity - General Category Mean		
Fee hurdle	ASISA South African - Equity - General Category Mean		
Sharing rate	20%	20%	20%
Maximum fee	2.88%	2.42%	4.14%
Fee accrual frequency	Daily	Daily	Daily
Fee payment frequency	Monthly	Monthly	Monthly
Performance fee measurement period	Rolling 36 months	Rolling 36 months	Rolling 36 months

The performance fee is accrued daily based on performance over a 36-month period, with payments to the fund manager made monthly.

### 4. WHAT FEE RATE WILL BE CHARGED IF:

- the funds perform 10% p.a. less than the benchmark?
- the funds perform 5% p.a. less than the benchmark?
- the funds perform in line with the benchmark?
- the funds perform 5% p.a. more than the benchmark?
- the funds perform 10% p.a. more than the benchmark?

The following table applies to both the Prudential Dividend Maximiser and the Prudential Equity fund. Fees are shown inclusive of VAT:

	-10%	-5%	IN LINE WITH BENCHMARK	5%	10%
A Class	1.44%	1.44%	1.44%	2.59%	2.88%
B Class	0.98%	0.98%	0.98%	2.13%	2.42%
C Class	2.70%	2.70%	2.70%	3.85%	4.14%

### 5. ARE THE FEE HURDLES THE SAME AS THE FUNDS' BENCHMARKS?

Yes, the fee hurdles are the same as the funds' benchmarks.

### 6. WILL MORE THAN THE MINIMUM FEE BE CHARGED IF THE FUND IS EXPERIENCING NEGATIVE PERFORMANCE?

Performance fees may apply even when the fund is experiencing negative performance. So if the fund performs better than the fee hurdle, even if the fee hurdle and benchmark performance are negative and the fund performance is negative, performance fees may apply.

### 7. WHEN FUND PERFORMANCE IS CALCULATED, ARE FEES INCLUDED OR EXCLUDED (NET OF FEES OR GROSS OF FEES)?

Fund performance (the return of a fund) is calculated net of fees (i.e. after the fees have been deducted). The performance fees of the fund are therefore paid on the net of fees outperformance.

### 8. DO ANY OTHER CLASSES OF THE FUNDS CHARGE FIXED FEES INSTEAD OF PERFORMANCE FEES?

No.

## 9. ARE PERFORMANCE FEES ACCRUED DAILY?

Yes, performance fees are accrued daily.

## 10. HOW OFTEN IS THE PERFORMANCE FEE PAID TO THE MANAGER (ALSO CALLED FEE PAYMENT FREQUENCY)?

The performance fee is paid monthly.

## 11. DO PERFORMANCE FEE ACCRUALS APPLY TO PERFORMANCE PERIODS MORE THAN A MONTH BEFORE ACCRUAL?

No. Performance fees are accrued based on the fund's performance relative to its benchmark in the previous month, which is the most recent available data.

## 12. IS A ROLLING MEASUREMENT PERIOD USED?

Yes, the measurement period is rolling 36 months. Where rolling measurement periods are used, certain unit holders may carry a lower proportion of the performance fee relative to performance enjoyed, while other investors may carry a higher proportion of the performance fee relative to performance enjoyed. This is dependent on when the investor initially invested in the fund – if they have been invested for the full 36 months or just a portion of the 36 months. This effect is restricted to the initial 36 months of a unit holder's investment period.

## 13. SHOULD THE FUND EXPERIENCE UNDER-PERFORMANCE TO THE FEE HURDLE, HOW LONG IS THAT UNDER-PERFORMANCE HELD AGAINST THE MANAGER? IN PARTICULAR, AT WHAT POINT WOULD THAT UNDER-PERFORMANCE BE WRITTEN OFF FROM A FEE CALCULATION POINT OF VIEW?

Under-performance against the fee hurdle will be held against Prudential for a three-year (36-month) period (as a consequence of the rolling 36-month measurement period) before being written off from a fee calculation point of view.

## 14. DOES PERFORMANCE ABOVE THE HURDLE NEED TO OVERCOME PRIOR UNDER-PERFORMANCE (ALSO CALLED A HIGH WATER MARK SYSTEM)?

There is no high water mark system in place. The fund is required to outperform the fee hurdle on a rolling 36-month basis in order to qualify for performance fees.

## 15. DO ANY UNDERLYING FUNDS CHARGE IMPLICIT PERFORMANCE FEES?

The Prudential Equity and Dividend Maximiser funds may invest in other funds from time to time. Where underlying funds charge implicit performance fees (i.e. implicit in their unit prices), unit holders may carry these performance fees regardless of whether the Prudential Equity Fund or Prudential Dividend Maximiser Fund have outperformed their own benchmarks.

## 16. IS THE PERFORMANCE FEE INCLUDED IN THE TER – TOTAL EXPENSE RATIO?

Yes, the performance fee is included in the TER (inclusive of VAT) and the performance fee element is also shown separately.

## GLOSSARY

<b>Annual management fee</b>	The ongoing fee charged for managing the fund. This is a fixed fee (also called the Minimum Fee) that is charged regardless of fund performance. The Financial Adviser's service fee is also included in Prudential's annual management fee, and is paid to the Financial Adviser by Prudential where applicable.
<b>Minimum fee</b>	This is the annual management fee (or service charge) charged by the fund manager regardless of fund performance.
<b>Maximum fee</b>	This is the maximum annual management fee that may in any instance be recovered from the fund by the fund manager. This fee includes the minimum fee and all performance fee elements.
<b>Performance fee cap</b>	The maximum performance fee that can be charged by the fund.
<b>Benchmark</b>	This is the performance measure the fund is managed against (such as an equity index like the FTSE/JSE All Share Index (ALSI)). Each fund may only have one benchmark.
<b>Fee hurdle</b>	This is the level of performance the fund must attain, prior to a fee higher than the Minimum Fee being charged. Fee Hurdle refers to the absolute hurdle (for example ALSI + 2% per annum) and not only the threshold (for example, 2% per annum).
<b>Sharing rate</b>	The percentage of performance above the Fee Hurdle that the fund manager is entitled to share in with the client. Also called a Participation Rate.
<b>High water mark</b>	The highest level of outperformance (performance above the benchmark) the fund has reached since the previous fee payment date.
<b>Fee accrual frequency</b>	This is the frequency at which provisions are made in the fund prices in order to allow for fees in excess of the Minimum Fee.
<b>Fee payment frequency</b>	This is the frequency at which the amounts provided in the fund in respect of fees in excess of the Minimum Fee are transferred from the fund to the fund manager.
<b>Performance fee measurement period</b>	The length of the period for which the fund performance is compared to the fee hurdle, each time the fee is accrued.
<b>Net of fees</b>	After fees have been deducted.
<b>Gross of fees</b>	Before fees have been deducted.
<b>Total Expense Ratio (TER)</b>	This is the standard measure of the impact that the deduction of management fees and operating costs has on a fund's value. The TER is expressed as a percentage, and is calculated by dividing the portfolio costs by the market value of the fund.

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