

PRUDENTIAL PORTFOLIO MANAGERS UNIT TRUSTS LIMITED

ANNUAL REPORT

Dear Investor,

2017: A surprisingly good year for SA investors

In the face of poor economic conditions and elevated political risk, 2017 proved to be a year of unexpectedly strong returns from most asset classes. This was thanks partly to a bumper period for global growth and equity returns: global equities, as measured by the MSCI World Index (for developed countries in US\$) returned a robust 22.4% for the year, while the MSCI Emerging Markets Index returned an impressive 37.3% (also in US\$). Not only did rising corporate earnings growth reflect the synchronised revival in the world's economies and global trade, but commodity prices also received extended support thanks to accelerated demand from the likes of China. Meanwhile, this also drove heightened foreign investor appetite for emerging market assets like South African equities and bonds. The South African Rand consequently appreciated broadly for the year, gaining 10.1% versus the weaker US Dollar and 1.9% versus UK sterling, but depreciating 2.2% against a robust euro.

The FTSE/JSE All Share Index managed to produce 21.0% (in South African Rand) in 2017, after nearly three years of disappointing equity performance. However, these returns were very unevenly delivered for the year, as the JSE only started to perform from June onwards. This meant that impatient investors who opted to switch to cash or income funds ahead of the recovery (as many did) effectively lost out, while patient investors were rewarded for sticking with their equity and multi-asset funds.

It was a very volatile year for local interest-rate-sensitive assets. Bonds and listed property were impacted negatively by the prevailing uncertainty: nominal bonds returned only 5.0% through 31 October, and listed property returned less than 3.0% through 31 May. However, both managed significant relief rallies following Moody's postponement of its credit rating decision in late November, and the "Ramaphosa rally" amid the post-ANC conference exuberance in December. The BEASSA All Bond Index returned a strong 10.2% for the year. Inflation-linked bonds (Composite ILB

Index) produced a more muted 2.9% (as inflation continued to fall), while cash as measured by the STeFI Composite Index delivered 7.5%. Finally, SA listed property produced 8.3% in the fourth quarter, for an unexpectedly robust total return of 17.2% in 2017.

In light of these returns, Prudential's multi-asset unit trusts proved to be largely positioned correctly, having been overweight in local equities and bonds (where mandates allowed) throughout the year. Our position in SA listed property was also actively managed to ensure we were overweight in listed property when it was undervalued. And although we were also correct to have been overweight in global equities and underweight global bonds, South African Rand appreciation versus the US Dollar detracted from value in many cases. However, the higher level of absolute returns from most asset classes meant that funds with inflation-linked benchmarks, like Prudential's Inflation Plus Fund, were able to beat their targets comfortably.

Prudential is SA's #1 large asset manager - again! I'm very pleased to report that, for the third year in a row, Prudential was recognised as South Africa's best large asset manager, winning the 2018 Morningstar award for "Best Fund House: Larger Fund Range" for the strong collective performance across our entire range of SA unit trusts for periods through 31 December 2017. This follows on winning the same award in both 2016 and 2017, highlighting that we remain true to our principle of "consistency".

More consistent top performance from Prudential funds

A number of our unit trust funds continued to perform strongly in 2017, many of which are consistently ranked in the top quartile (top 25%) of their ASISA categories across various annual periods to 31 December 2017.

- **The Prudential Balanced Fund** was ranked in the top quartile over all annual periods from 1 to 10-years.
- **The Prudential Equity Fund** ended 2017 with a top-quartile ranking over all annual periods from 1 to 10-years.

The annualised returns (net of fees) of our primary SA unit trusts to the end of 2017 are listed below:

Fund type	Prudential Funds	1-year return	3-year return	5-year return
INCOME	Money Market Fund	7.61%	7.01%	6.33%
	High Interest Fund	8.30%	7.57%	6.76%
	Enhanced Income Fund	8.17%	7.34%	7.16%
MULTI-ASSET	Inflation Plus Fund	10.29%	7.48%	9.91%
	Balanced Fund	11.79%	8.00%	11.77%
	Enhanced SA Property Tracker Fund	14.44%	11.61%	13.92%
PROPERTY	Dividend Maximiser Fund	15.08%	7.52%	11.75%
	Equity Fund	16.41%	8.13%	12.47%
EQUITY	Global High Yield Bond Fund of Funds	-3.04%	3.57%	8.70%
	Global Cautious Managed Fund of Funds	1.31%	5.61%	10.43%
	Global Value Fund of Funds	10.03%	10.60%	18.45%

- **The Prudential Inflation Plus Fund** was also in the top quartile over annual periods from 1 to 10-years, apart from 2-years. It was ranked as the #1 fund in its category over all annual periods from 6 to 10-years.

- **The Prudential Global High Yield Bond Fund** of Funds was the number-one ranked fund in its category for all annual periods from 2 to 10-years.

Looking ahead

Globally, 2018 has already gotten off to a volatile start as the major equity markets have experienced corrections after reaching relatively high valuations, despite fundamentals remaining strong. Equally, bonds in developed markets are now experiencing some uncertainty in the face of accelerating global inflation. However, global growth rates and trade remain well underpinned by the synchronised expansion including the US, Europe, Japan and China – this should also be supportive of corporate earnings growth going forward.

Locally, this is likely to be a key year in determining whether the country is able to take positive steps towards a brighter future, or remain mired in weak growth. The election of Cyril Ramaphosa as President of South Africa has ushered in a new optimism that bodes well for an improvement in general conditions going forward. However, as most analysts agree, much needs to be done

to have a positive impact on economic growth and restore business and investor confidence.

When it comes to investing, volatility is a permanent feature of the global investment landscape and 2018 has already proved this to be the case. It's important to remember, however, that as active investment managers we take the opportunities presented by volatility to accumulate attractively valued assets to help enhance returns for our client portfolios over time. We look past the short-term market conditions and continue to consistently apply our proven investment process every day to ensure the best possible returns for our clients. Early in 2018, we believe our portfolios are well positioned to deliver on their mandates.

In conclusion, as always, we would like to assure you that we continue to take our role as custodians of your hard-earned money very seriously, and would like to thank you for your ongoing support and the trust you place in us.



PIETER HUGO
Managing Director: Prudential Portfolio Managers Unit Trusts Limited

OUR FINANCIAL INFORMATION

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Prudential Dividend Maximiser Fund	Prudential Equity Fund	Prudential Balanced Fund	Prudential Inflation Plus Fund	Prudential High Yield Bond Fund	Prudential Enhanced Income Fund
Securities at market value	4 865 219 821	2 949 744 145	15 955 325 547	37 206 013 527	506 771 804	2 312 776 369
Other assets	68 141 218	66 572 651	2 460 305 994	968 991 865	33 883 821	125 242 081
Total	4 933 361 039	3 016 316 796	18 415 631 541	38 175 005 392	540 655 625	2 438 018 450
Total unitholder funds	4 903 691 630	2 975 385 052	17 945 688 189	37 308 322 423	529 148 381	2 338 512 818
Total liabilities	29 669 409	40 931 744	469 943 352	866 682 969	11 507 244	99 505 632
Total	4 933 361 039	3 016 316 796	18 415 631 541	38 175 005 392	540 655 625	2 438 018 450
Net Income/(loss)	35 356 593	29 013 084	546 552 131	1 083 032 154	43 719 866	158 311 487
Distributions	43 009 858	29 878 647	546 469 970	1 082 150 927	43 534 585	157 778 954
Undistributed income/(deficit) at year end*	(7 653 265)	(865 563)	82 161	881 227	185 281	532 533
Net (loss)/income after distributions**	(335 752)	(287 642)	(140 248)	(277 859)	97 590	291 350
Difference (income attributable to unitholders opening balance)	(7 317 513)	(577 921)	222 409	1 159 086	87 691	241 183

*Undistributed deficit largely due to performance fees on classes with negative income as well as transaction costs.

**Net income as per statement of comprehensive income after adjusting for net fair value gains & losses and transaction costs

OUR FINANCIAL INFORMATION

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 *(continued)*

	Prudential Money Market Fund	Prudential Enhanced SA Property Tracker Fund	Prudential Global High Yield Bond Fund of Funds	Prudential Global Cautious Managed Fund of Funds	Prudential Global Value Fund of Funds	Prudential High Interest Fund
Securities at market value	1 412 325 721	7 623 708 714	331 954 183	102 057 857	267 598 160	8 428 488 990
Other assets	172 010 036	118 070 822	35 462 672	6 447 017	5 882 116	3 120 627 816
Total	1 584 335 757	7 741 779 536	367 416 855	108 504 874	273 480 276	11 549 116 806
Total unitholder funds	1 534 667 538	7 656 853 412	353 520 555	107 979 511	272 157 193	10 817 458 362
Total liabilities	49 668 219	84 926 124	13 896 300	525 363	1 323 083	731 658 444
Total	1 584 335 757	7 741 779 536	367 416 855	108 504 874	273 480 276	11 549 116 806
Net Income/(loss)	213 766 489	413 646 154	(4 466 307)	(994 401)	(14 851 282)	684 429 971
Distributions	213 766 476	413 742 122	-	-	-	679 559 892
Undistributed income/(deficit) at year end*	13	(95 968)	(4 466 307)	(994 401)	(14 851 282)	4 870 079
Net (loss)/income after distributions**	-	(59 403)	(2 567 078)	(735 108)	(3 280 536)	1 716 436
Difference (income attributable to unitholders opening balance)	13	(36 565)	(1 899 229)	(259 293)	(11 570 746)	3 153 643

*Undistributed deficit largely due to performance fees on classes with negative income as well as transaction costs.

**Net income as per statement of comprehensive income after adjusting for net fair value gains & losses and transaction costs

RETAIL (A CLASS) UNITS

There are no initial charges levied by Prudential Portfolio Managers Unit Trusts Limited. Initial fees may be agreed between the investor and the financial adviser.

Prudential annual management fee	(Excl. VAT)
Prudential Equity and Prudential Dividend Maximiser Funds*	1.25%
Prudential Balanced Fund	1.25%
Prudential Global Cautious Managed Fund of Funds, Prudential Global Value Fund of Funds and Prudential High Yield Bond Fund	0.75%
Prudential Global High Yield Bond Fund of Funds	0.50%
Prudential Money Market Fund	0.35%
Prudential Inflation Plus Fund	1.25%
Prudential Enhanced SA Property Tracker Fund	0.65%
Prudential Enhanced Income Fund	1.00%
Prudential High Interest Fund	0.55%
Prudential Income Fund	0.50%

***Performance fee** for the Prudential Equity and Prudential Dividend Maximiser Funds: 20% of the outperformance of the mean return of the South African Equity General Sector, measured over a rolling 36 month period. The performance fee is capped at 1.25% (excl. VAT) on a rolling 12 month basis.

RETAIL (X CLASS) UNITS

There are no initial charges levied by Prudential Portfolio Managers Unit Trusts Limited. Initial fees may be agreed between the investor and the financial adviser.

Prudential annual management fee	(Excl. VAT)
Prudential Balanced Fund	1.00%
Prudential Enhanced Income Fund	0.80%
Prudential High Interest Fund	0.45%
Prudential Inflation Plus Fund	1.00%

DISTRIBUTIONS - RETAIL CLASS

Fund	Declaration date	Cents per unit
Prudential Dividend Maximiser Fund	31-Dec-17	3.97
	30-Jun-17	5.22
Prudential Equity Fund	31-Dec-17	4.88
	30-Jun-17	4.20
Prudential Balanced Fund	31-Dec-17	8.17
	30-Jun-17	8.24
Prudential Inflation Plus Fund	31-Dec-17	4.00
	30-Jun-17	4.99
Prudential High Yield Bond Fund	31-Dec-17	2.61
	30-Sep-17	2.67
	30-Jun-17	2.64
Prudential Enhanced Income Fund	31-Mar-17	2.64
	31-Dec-17	2.13
	30-Sep-17	1.98
Prudential Enhanced SA Property Tracker Fund	30-Jun-17	2.02
	31-Mar-17	1.81
	31-Dec-17	2.78
	30-Sep-17	5.47
Prudential Global High Yield Bond Fund of Funds	30-Jun-17	2.87
	31-Mar-17	4.71
	31-Dec-17	0.00
Prudential Global Cautious Managed Fund of Funds	30-Jun-17	0.00
	31-Dec-17	0.00
Prudential Global Value Fund of Funds	31-Dec-17	0.00
	30-Jun-17	0.00

Note: The Prudential Money Market Fund and the Prudential High Interest Fund distribute monthly.

INSTITUTIONAL (B OR D CLASS) UNITS

Prudential annual management fee	(Excl. VAT)
Prudential Balanced and Prudential Inflation Plus Funds B	0.60%
Prudential Money Market Fund B	0.00% (Negotiated fees)
Prudential High Yield Bond Fund B	0.50%
Prudential Equity and Prudential Dividend Maximiser Funds B*	0.85%
Prudential Enhanced Income Fund B	0.75%
Prudential Enhanced SA Property Tracker Fund D	0.55%
Prudential High Interest Fund D	0.35%
Prudential Income Fund	0.40%

*Performance fee for the Prudential Equity and Prudential Dividend Maximiser Funds: 20% of the outperformance of the mean return of the South African Equity General Sector, measured over a rolling 36 month basis. The performance fee is capped at 1.25% (excl.VAT) on a rolling 12 month basis.

DISTRIBUTIONS - INSTITUTIONAL CLASS

Fund	Declaration date	Cents per unit
Prudential Dividend Maximiser Fund B	31-Dec-17	6.43
	30-Jun-17	7.55
Prudential Equity Fund B	31-Dec-17	7.88
	30-Jun-17	7.32
Prudential Balanced Fund B	31-Dec-17	10.61
	30-Jun-17	10.55
Prudential Inflation Plus Fund B	31-Dec-17	5.44
	30-Jun-17	6.38
Prudential High Yield Bond Fund B	31-Dec-17	2.70
	30-Sep-17	2.76
	30-Jun-17	2.73
	31-Mar-17	2.73
Prudential Enhanced Income Fund B	31-Dec-17	2.20
	30-Sep-17	2.05
	30-Jun-17	2.08
	31-Mar-17	1.88
Prudential Enhanced SA Property Tracker Fund D	31-Dec-17	2.87
	30-Sep-17	5.55
	30-Jun-17	2.95
	31-Mar-17	4.80
Prudential Dividend Maximiser Fund D	31-Dec-17	8.21
	30-Jun-17	8.90
Prudential Global Cautious Managed Fund of Funds B	31-Dec-17	0.00
	30-Jun-17	0.00
Prudential Equity Fund D	31-Dec-17	9.35
	30-Jun-17	8.32
Prudential Enhanced Income Fund D	31-Dec-17	2.31
	30-Sep-17	2.16
	30-Jun-17	2.19
	31-Mar-17	1.99

Note: The Prudential Money Market Fund and the Prudential High Interest Fund distribute monthly.

RETAIL (A CLASS) UNITS

ANNUALISED PERFORMANCE (%) AS AT 31 DECEMBER 2017

Fund	1 year	2 years	3 years	4 years	5 years	Since inception	Fund inception date
Prudential Dividend Maximiser Fund	15.08	8.02	7.52	8.32	11.75	17.61	2 August 1999
Prudential Equity Fund	16.41	10.16	8.13	8.78	12.47	17.67	2 August 1999
Prudential Balanced Fund	11.79	7.80	8.00	8.90	11.77	14.24	2 August 1999
Prudential Inflation Plus Fund	10.29	6.90	7.48	8.54	9.91	12.84	1 June 2001
Prudential High Yield Bond Fund	9.59	12.45	6.31	6.89	5.69	10.22	27 October 2000
Prudential Enhanced Income Fund	8.17	9.06	7.34	7.46	7.16	8.56	1 July 2009
Prudential Money Market Fund	7.61	7.43	7.01	6.65	6.33	7.78	9 April 2002
Prudential Enhanced SA Property Tracker Fund	14.44	12.38	11.61	15.13	13.92	16.61	2 December 2005
Prudential Global High Yield Bond Fund of Funds	-3.04	-6.00	3.57	4.80	8.70	8.25	1 November 2000
Prudential Global Cautious Managed Fund of Funds	1.31	-3.93	5.61	6.17	10.43	7.26	1 March 2004
Prudential Global Value Fund of Funds	10.03	2.88	10.60	11.02	18.45	6.83	18 February 2000
Prudential High Interest Fund	8.30	8.37	7.57	7.11	6.76	6.51	8 December 2010
Prudential Income Fund	8.35	n/a	n/a	n/a	n/a	8.35	6 December 2016

Source: Morningstar performance figures for the Funds are based on NAV price.

RETAIL (X CLASS) UNITS

ANNUALISED PERFORMANCE (%) AS AT 31 DECEMBER 2017

Fund	1 year	2 years	3 years	4 years	5 years	Since Inception	Class inception date
Prudential Balanced Fund	15.53	8.03	8.26	9.18	12.06	12.06	2 January 2013
Prudential Inflation Plus Fund	10.61	7.19	7.78	8.83	10.20	11.85	1 July 2011
Prudential Enhanced Income Fund	8.41	9.31	7.58	7.70	7.40	8.25	1 April 2011
Prudential Money Market Fund	7.73	7.56	7.13	6.77	6.45	6.19	1 April 2011
Prudential High Interest Fund	8.44	8.52	7.71	7.24	6.89	6.63	1 April 2011
Prudential Income Fund	8.96	n/a	n/a	n/a	n/a	8.96	6 December 2016

Source: Morningstar performance figures for the Funds are based on NAV price.

INSTITUTIONAL (B OR D CLASS) UNITS

ANNUALISED PERFORMANCE (%) AS AT 31 DECEMBER 2017

Fund	1 year	2 years	3 years	4 years	5 years	Since inception	Class inception date
Prudential Dividend Maximiser Fund B	15.53	8.43	7.96	8.78	12.22	12.17	2 January 2007
Prudential Equity Fund B	16.97	10.63	8.56	9.25	12.93	12.87	2 January 2007
Prudential Balanced Fund B	12.61	8.59	8.80	9.71	12.60	15.23	1 July 2002
Prudential Inflation Plus Fund B	11.11	7.70	8.28	9.35	10.73	13.11	1 July 2002
Prudential High Yield Bond Fund B	9.91	12.78	6.62	7.31	6.05	9.18	1 April 2003
Prudential Enhanced Income Fund B	8.47	9.38	7.65	7.78	7.48	8.67	1 July 2009
Prudential Enhanced SA Property Tracker Fund D	14.57	12.51	11.73	15.26	14.05	17.26	1 July 2010
Prudential High Interest Fund D	8.54	8.59	7.80	7.51	7.13	6.83	9 December 2010
Prudential Global Cautious Managed Fund of Funds B	1.60	-3.65	5.91	6.47	n/a	8.33	1 July 2013
Prudential Dividend Maximiser Fund D	15.82	8.71	8.23	9.03	12.49	14.07	4 January 2010
Prudential Equity Fund D	17.19	10.91	8.85	9.43	13.13	14.98	4 January 2010
Prudential Enhanced Income Fund D	8.78	9.68	7.95	8.07	7.75	8.54	1 July 2011
Prudential Income Fund D	8.49	n/a	n/a	n/a	n/a	8.49	6 December 2016

Source: Morningstar performance figures for the Funds are based on NAV price.

Stock markets continually rise and fall. Investing in them is always more risky than a deposit-based savings fund. However, the rewards can be much greater, provided you are prepared to take a longer-term view. Prudential's Unit Trusts are managed by professional fund managers. Their job is to make sure you have a stake in a portfolio of investments, which over a period of time, is likely to produce a good rate of growth that aims to offset any short-term fluctuations.

REPORT OF THE TRUSTEE FOR THE PRUDENTIAL PORTFOLIO MANAGERS UNIT TRUST SCHEME

We, the Standard Bank of South Africa Limited, in our capacity as Trustee of the Prudential Portfolio Managers Unit Trust Scheme ("the Scheme") have prepared a report in terms of Section 70(1)(f) of the Collective Investment Schemes Control Act, 45 of 2002, as amended ("the Act"), for the financial year ended 31 December 2017.

In support of our report we have adopted certain processes and procedures that allow us to form a reasonable conclusion on whether the Manager has administered the Scheme in accordance with the Act and the Scheme Deed.

As Trustees of the Scheme we are also obliged in terms of Section 70(3) of the Act to satisfy ourselves that every statement of comprehensive income, statement of financial position or other return prepared by the Manager of the Scheme as required by Section 90 of the Act fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme.

The Manager is responsible for maintaining the accounting records and preparing the annual financial statements of the Scheme in conformity with International Financial Reporting Standards. This responsibility also includes appointing an external auditor to the Scheme to ensure that the financial statements are properly drawn up so as to fairly represent the financial position of every portfolio of its collective investment scheme are in accordance with International Financial Reporting Standards and in the manner required by the Act.

Our enquiry into the administration of the Scheme by the Manager does not cover a review of the annual financial statements and hence we do not provide an opinion thereon.

Based on our records, internal processes and procedures we report that nothing has come to our attention that causes us to believe that the accompanying financial statements do not fairly represent the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme administered by the Manager.

We confirm that according to the records available to us, no losses were suffered in the portfolios and no investor was prejudiced as a result thereof.

We conclude our report by stating that we reasonably believe that the Manager has administered the Scheme in accordance with:

- (i) the limitations imposed on the investment and borrowing powers of the manager by this Act;
- (ii) and the provisions of this Act and the deed;



MELINDA MOSTERT
Standard Bank of South Africa Limited



SEGGIE MOODLEY
Standard Bank of South Africa Limited

19 March 2018

PRUDENTIAL PORTFOLIO MANAGERS UNIT TRUSTS LIMITED COLLECTIVE INVESTMENT SCHEMES ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

This summarised report is extracted from the audited information, but is not itself audited. The annual financial statements were audited by KPMG Inc., who expressed an unmodified opinion thereon 23 March 2018. The audited annual financial statements and the auditor's report thereon are available for inspection at the Schemes' registered office.

The directors take full responsibility for the preparation of the abridged report and the financial information has been correctly extracted from the underlying annual financial statements.

DISCLAIMER

Collective Investment Schemes (unit trusts) are generally medium- to long-term investments. The value of participatory interest (units) may go down as well as up. Past performance is not necessarily a guide to the future. Unit trust prices are calculated on a net asset value basis, which is the total book value of all assets in the portfolio divided by the number of units in issue. Fluctuations or movements in exchange rates may also be the cause of the value of underlying international investments going up or down. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Commissions and incentives may be paid and if so, would be included in the overall costs. Different classes of units apply to the Prudential Collective Investment Scheme Funds and are subject to different fees and charges. A detailed schedule of fees and charges and maximum commissions is available on request from the company. Forward pricing is used. All of the unit trusts may be capped at any time in order for them to be managed in accordance with their mandates.

The Prudential Money Market fund aims to maintain a constant price of 100 cents per unit. The total return to the investor is primarily made up of interest received but may also include any gain or loss made on any particular instrument held. In most cases this may have the effect of increasing or decreasing the daily yield, but in some cases, for example in the event of a default on the part of an issuer of any instrument held by the Fund, it can have the effect of a capital loss. Such losses will be borne by the Prudential Money Market fund and its investors and in order to maintain a constant price of 100 cents per unit, investors' unit holdings will be reduced to the extent of such losses.

A fund of funds unit trust may invest in other unit trusts, all of which levy their own charges that could result in a higher fee structure for these portfolios.

A feeder fund is a unit trust fund that, apart from assets in liquid form, consists solely of units in a single portfolio of a collective investment scheme.

Fund assets are managed by Prudential Investment Managers (SA) Pty Ltd which is a licensed discretionary service provider (FSP#615).

Prudential Portfolio Managers Unit Trusts Limited

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