

**Fund Objective**

The primary objective of the portfolio is to outperform SA CPI Plus 2% per annum on a rolling 24 month basis. The secondary objective is capital preservation over all 12 month rolling periods.

MDD Issue Date: 2018/12/11

**Fund Strategy**

Investments to be included in the portfolio will, apart from assets in liquid form, consist solely of participatory interests in portfolios of collective investment schemes registered in the Republic of South Africa or of participatory interests in collective investment schemes or other similar schemes operated in territories with a regulatory environment which is to the satisfaction of the Manager and the Trustee of a sufficient standard to provide investor protection which is at least equivalent to that in South Africa. The portfolio will consist of a mix of collective investment scheme portfolios investing in equity, bond, money market and property markets as well as multi-asset class portfolios and is not limited to certain asset classes. The portfolio shall adhere to the multi asset : low equity classification requirements as set out by the Asisa standard: fund classification for South African regulated collective investment scheme portfolios, which currently limits the equity exposure to 40%. The portfolio will be managed in accordance with regulations governing pension funds.

**Fund Information**

Ticker	VPCFC
Portfolio Manager	Tom Barlow
ASISA Fund Classification	South African - Multi Asset - Low Equity
Risk Profile	Cautious
Benchmark	30% FTSE/JSE All Share Index & 70% STeFi Composite
Fund Size	R 1 565 404 855
Portfolio Launch Date*	2008/05/12
Fee Class Launch Date*	2008/05/12
Minimum Lump Sum Investment	R 1 000 000
Minimum Monthly Investment	R 100 000
Income Declaration Date	June & December
Income Payment Date	1st business day of July & January
Portfolio Valuation Time	17:00
Transaction Cut Off Time	15:00
Daily Price Information	Local media
Repurchase Period	2-3 business days

**Fees (Incl. VAT)**

**A-Class (%)**

Maximum Initial Advice Fee	—
Maximum Annual Advice Fee	1.15
Manager Annual Fee	0.80
Total Expense Ratio	1.87
Transaction Cost	0.01
Total Investment Charges	1.88
Performance Fee	—
TER Measurement Period	01 October 2015 - 30 September 2018

Total Expense Ratio (TER) is the percentage value of the Financial Product that was incurred as expenses relating to the administration of the Financial Product. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's.

Transaction Cost (TC) is the percentage value of the Financial Product that was incurred as costs relating to the buying and selling of the assets underlying the Financial Product. Transaction Costs are a necessary cost in administering the Financial Product and impacts Financial Product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.

Total Investment Charges (TER + TC) is the total percentage value of the Financial Product that was incurred as costs relating to the investment of the Financial Product.

Performance fees are incentive fees earned by the manager for performance in excess of the benchmark. Performance fees form part of the cost structure of the fund and are included in the Total Expense Ratio. Please visit [www.sanlamunitrusts.co.za](http://www.sanlamunitrusts.co.za) for a detailed list of our funds that charge performance fees together with their calculation methodologies.

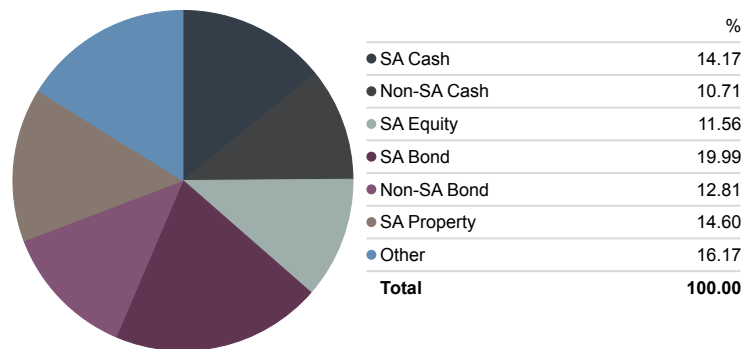
\*The Ampersand Sanlam Collective Investments CPI Plus 2 Fund of Funds transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 01 July 2017.

**Top Ten Holdings**

	(%)
VPFP International Cautious Fund	26.02
Ampersand SCI Equity Fund	17.80
Ampersand SCI Flexible Property Income Fund	16.48
Saffron SCI Active Bond Fund	14.89
Saffron SCI Opportunity Income Fund	8.84
Element Specialist Income SCI Fund	6.93
Ampersand SCI Income Fund	4.05
Saffron African Yield Fund	2.59
Saffron SCI Large Cap Fund	0.87
Momentum Money Market Fund	0.00

**Asset Allocation**

Portfolio Date: 2018/09/30



**Annualised Performance (%)**

	Fund	Benchmark
1 Year	-0.58	1.05
3 Years	3.61	5.96
5 Years	6.12	6.59
Since Inception	7.83	7.57

**Cumulative Performance (%)**

	Fund	Benchmark
1 Year	-0.58	1.05
3 Years	11.23	18.98
5 Years	34.60	37.60
Since Inception	121.64	116.13

**Highest and Lowest Annual Returns**

Time Period: Since Inception to 2017/12/31

Highest Annual %	13.99
Lowest Annual %	1.45

**Risk Statistics (3 Year Rolling)**

Standard Deviation	5.45
Sharpe Ratio	-0.63
Information Ratio	-0.56
Maximum Drawdown	-5.23

**Distribution History (Cents Per Unit)**

2018/06/30	1.70 cpu	2016/06/30	3.16 cpu
2017/12/31	3.46 cpu		
2017/06/30	2.46 cpu		
2016/12/31	1.52 cpu		

## Risk Profile

### Cautious

This portfolio aims to protect capital in real (after inflation) terms, while providing a reasonable level of income. The portfolio displays low volatility levels, designed to reduce the probability of capital losses. This portfolio has limited or no exposure to equities. It is designed for maximum capital protection and aims to ensure a stable income and/or income growth.

## Glossary Terms

### Annualised Returns

Annualised return is the weighted average compound growth rate over the period measured.

### Asset Allocation

Asset allocation is the percentage holding in different asset classes (i.e. equities, bonds, property, etc.). It is used to determine the level of diversification in a portfolio.

### Capital Volatility

Volatility is a measure of 'risk' and refers to the extent to which the price of an investment or capital value fluctuates over a certain period of time. Funds with high volatility usually offer the potential for higher returns over the longer term than low volatility funds.

### Cumulative Returns

Cumulative return is the total growth experienced over the period measured.

### Derivatives

Derivatives are instruments generally used as an instrument to protect against risk (capital losses), but can also be used for speculative purposes. Examples are futures, options and swaps.

### Distributions

The income that is generated from an investment and given to investors through monthly, quarterly, biannual or annual distribution pay-outs.

### Diversification

This is a strategy designed to reduce risk within a portfolio by combining a variety of investments (or asset classes) such as equities, bonds, cash or property, which are unlikely to all move in the same direction at the same time. This is designed to reduce the risk (and protect against capital losses) within a portfolio. Diversification allows for more consistent performance under a wide range of economic conditions as it smoothes out the impact of negative market events. The positive performance of some investments or asset classes should neutralize the negative performance of others.

### Financial Instruments

Derivatives also known as financial instruments (such as a future, option, or warrants) whose value derives from and is dependent on the change in value of an underlying asset (such as a commodity, currency, or security) to protect against risk (capital losses).

### Fund Objective

The fund objective is the portfolio's core goal.

### Fund Strategy

The fund strategy is the way that the fund is managed to achieve the fund objective.

### Information Ratio

The Information Ratio measures the market risk-adjusted performance of an investment or portfolio. The greater a portfolio's Information Ratio, the better its risk-adjusted performance has been compared to the market in general.

### Collective Investment Schemes

Collective Investment Schemes (CIS) (also called unit trusts) are portfolios of assets such as equities, bonds, cash and listed property, in which investors can buy units. They allow private investors to pool their money together into a single fund, thus spreading their risk across a range of investments, getting the benefit of professional fund management, and reducing their costs.

### LISP (Linked Investment Service Provider)

A Linked Investment Service Provider is a financial institution which packages, distributes and administers a broad range of unit trust investments.

### Market Capitalization

Market capitalization is the total value of the issued shares of a publicly traded company; it is calculated by multiplying the share price by the number of shares in issue.

### Maximum Drawdown

The maximum drawdown measures the highest peak to trough loss experienced by the fund.

### Participatory Interests

When you buy a unit trust, your money is pooled with that of many other investors. The total value of the pool of invested money in a unit trust fund is split into equal portions called participatory interests or units. When you invest your money in a unit trust, you buy a portion of the participatory interests in the total unit trust portfolio. Participatory interests are therefore the number of units that you have in a particular unit trust portfolio.

### Sharpe Ratio

The Sharpe Ratio measures total risk-adjusted performance of an investment or portfolio. It measures the amount of risk associated with the returns generated by the portfolio and indicates whether a portfolio's returns are due to excessive risk or not. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been (i.e. a higher return with a contained risk profile, where the portfolio manager is not taking excessive risk to achieve those returns).

### Standard Deviation

Standard deviation (also called monthly volatility) is a measure of how much returns on an investment change from month to month. It is typically used by investors to gauge the volatility expected of an investment.

## Additional Information

All reasonable steps have been taken to ensure the information on this MDD is accurate. The information to follow does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act. Use or rely on this information at your own risk. Independent professional financial advice should always be sought before making an investment decision. The Sanlam Group is a full member of the Association for Savings and Investment SA. Collective investment schemes are generally medium- to long-term investments. Please note that past performances are not necessarily a guide to future performances, and that the value of investments / units / unit trusts may go down as well as up. A schedule of fees and charges and maximum commissions is available from the Manager, Sanlam Collective Investments (RF) Pty Ltd, a registered and approved Manager in Collective Investment Schemes in Securities. Additional information of the proposed investment, including brochures, application forms and annual or quarterly reports, can be obtained from the Manager, free of charge. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. Collective investments are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accruals and less any deductible expenses such as audit fees, brokerage and service fees. Actual investment performance of the portfolio and the investor will differ depending on the initial fees applicable, the actual investment date, and the date of reinvestment of income as well as dividend withholding tax. Forward pricing is used. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The performance of the portfolio depends on the underlying assets and variable market factors. Performance is based on NAV to NAV calculations with income reinvestments done on the ex-div date. Lump sum investment performances are quoted. The portfolio may invest in participatory interests of other unit trust portfolios. These underlying funds levy their own fees, and may result in a higher fee structure for our portfolio. All the portfolio options presented are approved collective investment schemes in terms of Collective Investment Schemes Control Act, No 45 of 2002 ("CISCA"). The Manager may borrow up to 10% the market value of the portfolio to bridge insufficient liquidity. The fund may from time to time invest in foreign instruments which could be accompanied by additional risks as well as potential limitations on the availability of market information. Investments in foreign instruments are also subject to fluctuations in exchange rates which may cause the value of the fund to go up or down. The fund may invest in financial instruments (derivatives) for efficient portfolio management purposes. A fund of funds portfolio is a portfolio that invests in portfolios of collective investment schemes that levy their own charges, which could result in a higher fee structure for the fund of funds. The Manager has the right to close any portfolios to new investors to manage them more efficiently in accordance with their mandates. Management of the portfolio is outsourced to Ampersand Asset Management (Pty) Ltd, (FSP) Licence No. 33676, an Authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act, 2002. Sanlam Collective Investments (RF) (Pty) Ltd retains full legal responsibility for the co-named portfolio. Standard Bank of South Africa Ltd is the appointed trustee of the Sanlam Collective Investments scheme. Sources of Performance and Risk Data: Morningstar Direct, INET BFA and Bloomberg. The risk free asset assumed for the calculation of Sharpe ratios: STEFI Composite Index. The highest and lowest 12-month returns are based on a calendar year period over 10 years or since inception where the performance history does not exist for 10 years. Obtain a personalised cost estimate before investing by visiting [www.sanlamunittrustsmdd.co.za](http://www.sanlamunittrustsmdd.co.za) and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 266.

### Investment Manager Information

Ampersand Asset Management (Pty) Ltd  
(FSP) License No. 33676  
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Tel: +27 (11) 803 6597  
Email: [queries@ampersand.co.za](mailto:queries@ampersand.co.za)  
Website: [www.ampersandam.co.za](http://www.ampersandam.co.za)

### Manager Information

Sanlam Collective Investments (RF) (Pty) Ltd  
Physical Address: 2 Strand Road, Bellville, 7530  
Postal Address: P.O. Box 30, Sanlamhof, Bellville, 7532  
Tel: +27 (21) 916 1800  
Email: [service@sanlaminvestments.com](mailto:service@sanlaminvestments.com)  
Website: [www.sanlamunittrusts.co.za](http://www.sanlamunittrusts.co.za)

### Trustee Information

Standard Bank of South Africa Ltd  
Tel: +27 (21) 441 4100  
Email: [compliance-sanlam@standardbank.co.za](mailto:compliance-sanlam@standardbank.co.za)

## Portfolio Manager Comment

As at 30 September 2018

### Economic Market overview

Mark Twain's observation of "History does not repeat, but it does rhyme" is an apt synopsis for what we experienced during the third quarter of 2018.

The trade tensions and threats of tariffs and protectionism between the US and its major trading partners have continued to upset the perceived calm and tranquillity across the globe, yet economic activity and growth have remained robust.

This robust economic performance provided support to developed equity markets yet the risk associated with higher tariffs and the rise of protectionist policies put pressure on emerging markets as many developed market investors decided to reduce overall risk exposure. This risk adjustment caused strife across most emerging markets as many EM currencies experienced significant losses with Argentina and Turkey being the most affected. However the events also scarred the local currency and stock market.

On the global front, tensions between the US and the rest of the world continue to dominate the narrative. This culminated in an open spat at the recently held G7 Summit in Canada in June 2018 but continued during many of Trump's subsequent visits across the globe. This has again been evident in the negotiations around NAFTA where the United States has caused strained relations with both their closest neighbours and historic allies. It does appear that the changing of the guard in Mexico where a more conservative government has taken power has paved the way for a revised trade agreement between Mexico and the US, but the negotiations between the Trump administration and Canada has taken a distinctly different tone and seems likely to drag on.

On the local political front President Ramaphosa has dedicated a lot of energy to reviving the local economy and his strategy is focused on attracting foreign investment. He has already managed to convince various parties across the globe to keep supporting South Africa and we have seen public commitments from numerous countries and governments with the most significant coming from the Kingdom of Saudi Arabia, the UAE and China where the President has managed to secure funding of around \$35billion. The bulk of this funding will go towards infrastructure and energy orientated project hence it does entrench a much needed longer term focus within the SA government which under the previous administration was more focused on self-enrichment and cadre politics.

The immediate economic growth and employment environment in South Africa however remains dire. The local economy entered a technical recession as the economy contracted for a second quarter in a row. This brought the annual growth rate to a meagre 0.4% year-on-year while the unemployment rate remained stubbornly high at 27.2%. The growth outlook for the local economy also does not appear very rosy as many sectors continue to struggle and it is likely that economic growth could continue to disappoint for the rest of 2018.

The US has continued to lead the global growth trajectory and the US economy has continued to surprise on the upside when it comes to growth and employment. Economic growth has hit a multi-year high, reaching 4.2% year-on-year as at the end of the second quarter of 2018. This culminated in strong US employment growth and the unemployment rate hitting a 49-year low of 3.7%. Expectations around growth remain positive and this has allowed the US Fed to continue with gradual interest rate increases which is expected to continue over the next 12 to 18 months.

Economic growth in the European Union has continued to recover and it finally appears as if the tide has turned. This is especially evident in some of the peripheral economies where the expected growth rates in some smaller economies (like Romania, Ireland, Poland and Bulgaria) are inching above 4% p.a. while the larger economies like Germany and France are slowly pushing above 2%. The one large risk to the region remains the possible negative impact of Brexit and the uncertainty relating to this. Hopefully the EU and the UK will come up with a workable solution but time is quickly running out as the cut-off date for the UK leaving the EU is 29 March 2019.

### Portfolio Activity

The Ampersand Sanlam Collective Investments CPI+2% Fund of Funds generated a return of 2.58% for the quarter. The SA inflation plus 2% fund objective and Portfolio Benchmark (30% J203T/70% SteFi) returned 1.80% and 0.58% respectively. The biggest contributor to short term performance has been the offshore component as well as the property component. We are comfortable with the way the portfolio performed during the third quarter of 2018.

### Position going forward

Our key positions across the portfolios have remained consistent for the majority of the past 12 to 18 months.

We retain a strong allocation to offshore assets and we also continue to hold a significant allocation to SA Listed Property. We will continue to monitor the position closely to effectively manage risks and embrace opportunities when they are presented. We remain concerned with market valuations and risk, however structurally we need to retain growth assets in the portfolio to ensure we achieve our longer term objectives.

Asset allocation and diversification therefore remain key to ensuring downside risk

management while continuing to achieve our inflation-based returns. Our aim is to provide our investors with diverse exposure across various investment strategies, investment managers and assets. We feel strongly that the result of this diversification strategy should have a high probability of achieving our long term return objectives, while providing protection against short term swings and overall risk.

### Portfolio Manager

Tom Barlow  
CFA®, BCom (Economics)