Ampersand Sanlam Collective Investments Flexible Property Income Fund

Minimum Disclosure Document

As of 2020/02/29

ampers&nd ASSET MANAGEMENT

MDD Issue Date: 2020/03/17

Fund Objective

The portfolio's primary objective is to provide outperformance of its benchmark over a rolling 3 year period.

Fund Strategy

The investable universe of the portfolio will be property securities, property collective investment schemes, property loan stock, Real Estate equity, fixed interest securities (including, but not limited to, bonds, corporate bonds, inflation linked bonds, convertible bonds, cash deposits and money market instruments), debentures, preference shares, non-equity securities, derivatives, and assets in liquid form. The minimum portfolio exposure to JSE listed property shares, property loan stock and property portfolios will be 33% of the portfolio's market value. The Manager may only include forward currency agreements, interest rate and exchange rate swap transactions for efficient portfolio management purposes.

Fund Information

Ticker	AFICA
Portfolio Manager	Tom Barlow
ASISA Fund Classification	South African - Real Estate - General
Risk Profile	Aggressive
Benchmark	67% FTSE/JSE Listed Property Index & 33% Stefi
Fund Size	R 436 577 648
Portfolio Launch Date*	2013/11/01
Fee Class Launch Date*	2013/11/01
Minimum Lump Sum Investment	R 1 000 000
Minimum Monthly Investment	R 100 000
Income Declaration Date	March, June, September & December
Income Payment Date	1st business day of April, July, October & January
Portfolio Valuation Time	15:00
Transaction Cut Off Time	15:00
Daily Price Information	Local media
Repurchase Period	2-3 business days

Fees (Incl. VAT)

Fees (Incl. VAT)	A-Class (%)
Maximum Initial Advice Fee	—
Maximum Annual Advice Fee	—
Manager Annual Fee	1,72
Total Expense Ratio	2,13
Transaction Cost	0,26
Total Investment Charges	2,39
Performance Fee	—
TER Measurement Period	01 October 2016 - 30 September 2019

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.sanlamunittrusts.co.za for a detailed list of our funds that charge performance fees together with their calculation methodologies.

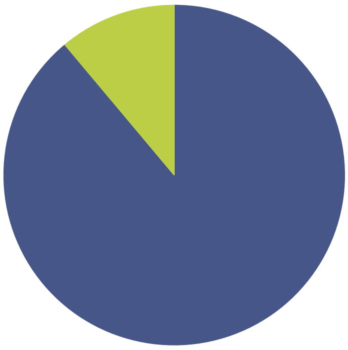
*The Ampersand Sanlam Collective Investments Flexible Property Income Fund transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 01 July 2017.

Top Holdings

Top Holdings	(%)
Metope Property Income Prescient Fund	19,03
Sesfikile BCI Property Fund	18,25
Nedgroup Property Fund	10,30
Absa Property Equity Fund	9,92
Lighthouse Capital Ltd	7,02
Metope Property Prescient Fund	4,93
NEPI Rockcastle Plc	4,53
Resilient Reit Ltd	3,86
Equities Property Fund Ltd	2,64
Vukile Property Fund Ltd	2,31

Asset Allocation

Portfolio Date: 2019/12/31



	%
SA Listed Property	88,91
SA Fixed Income	11,09
Total	**100,00**

Annualised Performance (%)

	Fund	Benchmark
1 Year	-21,05	-10,75
3 Years	-10,62	-4,50
5 Years	-4,55	-0,66
Since Inception	1,18	3,32

Cumulative Performance (%)

	Fund	Benchmark
1 Year	-21,05	-10,75
3 Years	-28,59	-12,89
5 Years	-20,78	-3,27
Since Inception	7,68	22,98

Highest and Lowest Annual Returns

Time Period: Since Inception to 2019/12/31

Highest Annual %	23,03
Lowest Annual %	-18,23

Risk Statistics (3 Year Rolling)

Standard Deviation	10,03
Sharpe Ratio	-0,88
Information Ratio	-0,65
Maximum Drawdown	-21,03

Distribution History (Cents Per Unit)

2019/12/31	1.58 cpu	2018/12/31	2.22 cpu	2017/12/31	2.04 cpu
2019/09/30	1.23 cpu	2018/09/30	2.10 cpu	2017/09/30	1.46 cpu
2019/06/30	1.61 cpu	2018/06/30	1.68 cpu	2017/06/30	1.62 cpu
2019/03/31	1.67 cpu	2018/03/31	1.53 cpu	2017/03/30	1.20 cpu

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Risk Profile

Aggressive
You can afford to take on a higher level of risk (ie, will have a greater exposure to equities in your portfolio) because of your investment time horizon or your appetite for risk. You know that in taking the risk, you need to be patient if you want to achieve the results. So you are willing to invest for the long-term and are prepared to tolerate some volatility in the short term, in anticipation of the higher returns you expect to receive in five years or beyond.

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 buyunits. 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 ofprofessional 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

Investment Manager Information
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Portfolio Manager Comment

As at 31 December 2019

Economic Market Overview

2019 was a challenging year with enormous divergence. The chasm between the best and worst performing assets, regions, economies and markets has not been this severe in many decades.

This was particularly evident in the South African market where many cyclical commodity assets continued to surprise even the most optimistic investors and beneficiaries while SA Focused cyclical assets like SA Retailers and SA Listed Property experienced continued pressure on the back of weak economic performance, low business and consumer confidence and continued investor pessimism.

On top of these frustrating outcomes the local economy continued to struggle as a result of government policy uncertainty, high unemployment, weak consumer demand and suffocating high interest rates. These challenges were further amplified by the return of load shedding in December 2019 and continued challenges at most of the State-Owned Enterprises but particularly SAA where the company was placed in voluntary business rescue.

On the global front – the environment was significantly rosier from a market performance perspective, yet the political environment remained extremely unpredictable and volatile.

Market performance continued to be robust as investor demand for growth assets remained insatiable. Global Central Banks continued monetary support with interest rates remaining at or close to all-time lows in many jurisdictions. This backdrop provided support for decent economic growth yet surprisingly muted inflation.

Inflation remains a major concern for many, yet we believe the structural trends around technology, demographic shift and broader supply of oil as result of shale and other technological advances over the last 10 years, have resulted in a dramatic downward shift in long term global inflation expectations which could support the status quo for the foreseeable future.

Although we saw a rally in most commodity prices over the last 12 months – the price of Brent Crude oil is still below the September/October 2018 highs and although the recent rise will have an impact on inflation in the near term, the effect will be muted and in many cases, deflationary. The average price of oil for 2019 remains below the current levels and therefore an inflationary spike remains a remote possibility.

In summary we believe the global macro-economic environment should remain conducive to a continued rally in global growth assets while cyclical assets could continue to outperform. The political risks remain elevated as the US/China trade war and tensions in Hong Kong and the Middle East loom ominously on the horizon. Furthermore the UK seems hell bent on blowing up the EU and the EU seems completely comfortable in lighting the fuse.

Position going forward

Our portfolios remain well diversified and continue to hold significant exposure to growth assets to provide long term protection against inflation risk and retention of purchasing power.

We continuously look for ways to entrench exposure to growth assets while remaining cognisant of the prevailing risks in the market.

We believe SA Equity and SA Listed Property assets are becoming increasingly more attractive and we would look to increase or at worst maintain our exposure if we experience volatility. On the global front we remain constructive on growth assets as mentioned before.

Below is a summary of our major positions and our strategic thinking:

1. We are true to our investment philosophy with the major focus on managing client expectations and not losing money over the short to medium term (12 to 24 months)

As much as we try to limit the downside and manage short term volatility, the funds need to remain focused on achieving their long-term return objectives and as a result, will always have exposure to growth assets (these provide the long-term growth underpin but also attract short term capital volatility).

2. We are diversified across geography, asset class, currency and investment strategy

The portfolios currently invest around 27.5% to 32.5% offshore and we further increase diversification by investing in SA growth assets that receive hard currency returns or that provide substantial inflation protection. The portfolios also invest in a broad range of asset classes that have different characteristics and return profiles and include exposure to a mix of global currencies, although a large component of between 45% and 60% is linked to the local currency (ZAR). The final approach we use to ensure diversification is by combining a number of different investment strategies (currently 15 to 17) and managers (currently 11 to 13) which we believe results in the best possible risk-return profile for our investors. We will continue to assess the investment managers' portfolios and periodically adjust the allocations to best reflect our views and risk perceptions.

3. We prefer exposure to assets that we believe offer reasonable value in the medium to long term. We also actively look to down-weight, and where practical, avoid assets that are expensive with a high probability of permanent capital destruction over the medium to long term.

Below is a summary of our major asset allocation positions:

- Neutral on local equities on the back of valuation concerns although opportunities have continued to develop;
- Overweight global equities on the back of reasonable valuations as a result of strong earnings, further expected growth, diversification benefits and continued low interest rate environment underpin;
- Underweight global and local bonds due to risk of interest rate normalization;
    - Tactical and active positioning can add significant value, particularly in the local environment;
    - Overweight global and local listed property on the back of relative and absolute valuations;
    - Offers diversification benefits across geography, currency and industry;
    - Offers strong inflation protection through yield escalation.

4. Markets remain dynamic which can result in intense short-term swings and emotional reactions from the investment public. This highlights risks but also provides opportunities;

- Tactical positions in local and global short-dated fixed income instruments provide optionality through liquidity which will allow us to make use of short to medium term opportunities that may arise, should markets overreact to negative news or surprises.

5. Uncertainty forces most investors to look for comfortable investments which tend to create crowded trades with significant concentration risk. We are acutely aware of these pockets and aim to avoid these comfort traps by questioning our thinking and remaining true to our approach.

As we have stressed over the last 12 to 18 months, we need to retain growth assets in the portfolio to ensure we achieve our longer-term performance objectives. We recognise that the last 12 to 24 months have been particularly challenging and we are grateful for your continued support and belief in our commitment to you.

Portfolio Manager
Tom Barlow
CFA ®, BCom (Economics)

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