

MDD Issue Date: 2020/11/18

Fund Objective

The portfolio will aim to achieve a higher return than that of a traditional money market or pure income fund and focus on protection against capital loss for investors.

Fund Strategy

The portfolio will invest in a combination of fixed income generating assets. The major contributor to long term out-performance should come from active duration management. To achieve a greater return than a conventional money market fund, the portfolio will invest in multi assets such as cash, government and corporate bonds, inflation-linked bonds, listed property and equities, both in South Africa and internationally. The portfolio will have a maximum exposure to equities of 10% and a maximum exposure of 25% to property. The portfolio will also invest in listed and unlisted financial instruments (derivatives) as allowed by the Act from time to time.

Fund Information

Ticker	ASIIFA
Portfolio Manager	Tom Barlow
ASISA Fund Classification	South African - Multi Asset - Income
Risk Profile	Conservative
Benchmark	STeFI Call Rate
Fund Size	R 957 101 682
Portfolio Launch Date*	2018/06/01
Fee Class Launch Date*	2018/06/01
Minimum Lump Sum Investment	R 10 000
Minimum Monthly Investment	R 2 000
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)

	A-Class (%)
Maximum Initial Advice Fee	3,45
Maximum Annual Advice Fee	1,15
Manager Annual Fee	0,57
Total Expense Ratio	1,06
Transaction Cost	0,03
Total Investment Charges	1,09
Performance Fee	—
TER Measurement Period	01 June 2018 - 30 June 2020

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.

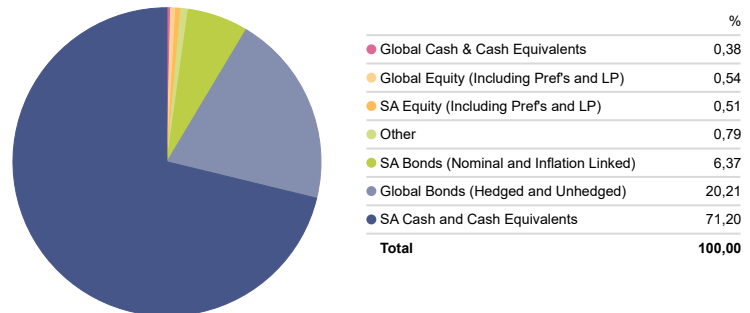
Performance fees are incentive fees earned by the manager for performance in excess of the benchmark. Performance fees form part of the cost structure of the fund and are included in the Total Expense Ratio. Please visit www.sanlamunitrusts.co.za for a detailed list of our funds that charge performance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

Top Holdings

	(%)
Miplan IP Enhanced Income Fund	18,90
Saffron SCI Opportunity Income Fund	18,88
BCI Income Plus Fund	18,85
Fairtree Flexible Income Plus Prescient Fund	18,85
Standard Bank of SA Ltd	6,56
ZAR Cash	2,77
Standard Bank Group Ltd Bond 31052024	1,08
USD/ZAR Currency Put Option	0,74
Firststrand Bank Ltd Bond 23042023	0,70
Absa Group Ltd Bond 25042023	0,70

Asset Allocation

Portfolio Date: 2020/09/30



Annualised Performance (%)

	Fund	Benchmark
1 Year	6,15	5,02
3 Years	—	—
5 Years	—	—
Since Inception	7,47	7,46

Cumulative Performance (%)

	Fund	Benchmark
1 Year	6,15	5,02
3 Years	—	—
5 Years	—	—
Since Inception	19,03	14,97

Highest and Lowest Annual Returns

Time Period: Since Inception to 2019/12/31

Highest Annual %	9,29
Lowest Annual %	9,29

Risk Statistics (3 Year Rolling)

Standard Deviation	—
Sharpe Ratio	—
Information Ratio	—
Maximum Drawdown	—

Distribution History (Cents Per Unit)

2020/09/30 15.45 cpu

Risk Profile

Conservative

This portfolio suits the investor who is seeking stable income flows and aims to keep capital intact. This means that the portfolio is highly unlikely to experience negative returns, but equally will not experience excessive returns on the upside. The main sources of risk are credit risk, interest rate risk and liquidity risk. The portfolio is largely exposed to high quality corporates and banks with low interest rate risk. The portfolio is less volatile than traditional bond funds and is diversified across the income oriented asset classes such as cash, nominal bonds, inflation linked bonds and property.

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.

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 on request 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 on request 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 countries and therefore it may have risks regarding liquidity, the repatriation of funds, political and macroeconomic situations, foreign exchange, tax, settlement, and the availability of information. The fund may invest in financial instruments (derivatives) for efficient portfolio management purposes. Income funds derive their income primarily from interest-bearing instruments. The yield is a current and is calculated on a daily basis. 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 and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 266.

Investment Manager Information

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Portfolio Manager Comment

As at 30 September 2020

Economic Market overview

"I fear not the man who has practiced 10,000 kicks once, but I fear the man who has practiced one kick 10,000 times." – Bruce Lee

Q3 2020 reminded us just how tenuous the "recovery" we experienced in Q2 2020 actually is. Sentiment remained strong throughout the back end of Q2 2020 and into mid-August 2020 and this led to improved pricing on risk assets across the board. I remember a distinct change in narrative delivered by newscasters across channels, away from the then prevalent "new economy" driven by technology and all its potential, to three concerns:

1. A second wave of Covid-19 in Europe & the UK combined with stubbornly high numbers in the US (I am writing this on the morning of the announcement that President Trump has contracted Covid-19);
2. Increased tensions around the globe especially between China and the US (best captured in the Tik-Toc story) but also areas like the India/China border dispute, tensions in the East China Sea, etc.;
3. And finally, the inevitable return of the Brexit debacle, this time with Boris Johnson openly stating that the UK may violate international law.

The strong performance of risk assets around the world mentioned above should be seen against the back drop of about a 40% drop in quarterly earnings announced by the major global companies in Q2 2020 when compared to a year ago. The IMF and other "major" forecasters continued to revise down GDP expectations and actual numbers announced demonstrated the severe economic implications of a legislated lock down.

I believe as market pundits were influenced by the change in narrative in the press as per paragraphs 1 to 3 above and re-evaluated the subdued numbers delivered by economies and companies, they began to reduce risk and hence a fairly material "pull back" at the back end of September 2020. The only anomaly perhaps being the strong performance of the ZAR/USD over this period moving from around R17.67 per USD in mid-August to the current R16.49. But to be fair, this is a very short timeframe and we will have to watch this volatility carefully before making any pronouncements.

Position going forward

Ampersand has continued to make material strides in the refinement of the risk and liquidity profiles within the specific investment products we manage. We expect this work to conclude during Q4 of 2020 and are excited about the prospects of a more efficient and explainable set of outcomes given the continuing uncertain global economic environment.

Over the duration of Q3 2020 the only active position was a 25% to 30% underweight position in the domestic property asset class – this position served us well. Our final step in this asset class is to switch a component of our actively managed exposure to passive management and in time, as economic certainty returns, to move to a more neutral position relative to our long-term strategic asset allocation of 10%. We do however not anticipate moving to this neutral position for the balance of 2020.

In the domestic equity asset class, we completed the move to a more certain outcome in the month of September. We believe that with only indexation present in our exposure we have reduced costs, enhanced liquidity and are more certain of the relative return profile of this asset class in the foreseeable future.

Internationally we have re-allocated the equity asset class to roughly a 50% active and 50% passive exposure. We are at present considering a number of options relating to the international property and bond exposure to enhance certainty of performance outcomes while further reducing costs.

On full completion of the above we believe we will be in an excellent position to adopt the "Bruce Lee" approach to investment management i.e. to focus on our core principle of asset class diversification within a disciplined framework. We continue to monitor managers and valuation metrics but focus our energies on delivering explainable and repeatable investment returns based on the eight primary asset classes we expose our clients to.

Portfolio Manager

Tom Barlow
CFA®, BCom (Economics)