

MDD Issue Date: 2019/11/19

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 695 862 657
Portfolio Launch Date*	2018/06/01
Fee Class Launch Date*	2018/06/01
Minimum Lump Sum Investment	R 10 000
Minimum Monthly Investment	R 5 000
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	—
Maximum Annual Advice Fee	—
Manager Annual Fee	0.57
Total Expense Ratio	1.09
Transaction Cost	0.04
Total Investment Charges	1.13
Performance Fee	—
TER Measurement Period	01 June 2018 - 31 March 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.

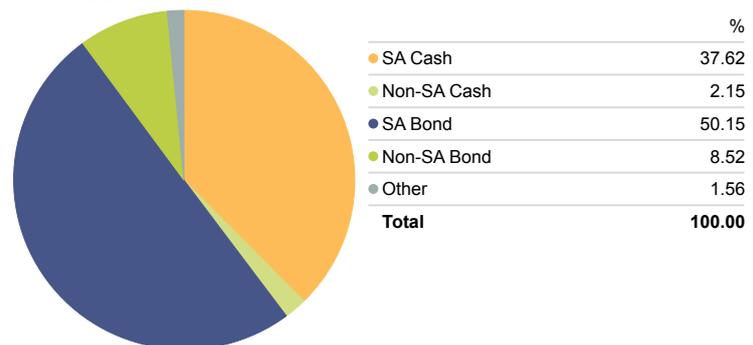
Performance fees are incentive fees earned by the manager for performance in excess of the benchmark. Performance fees form part of the cost structure of the fund and are included in the Total Expense Ratio. Please visit www.sanlamunitrusts.co.za for a detailed list of our funds that charge performance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

Top Holdings

	(%)
Fairtree Flexible Income Plus Prescient Fund	19.42
Miplan IP Enhanced Income Fund	19.36
BCI Income Plus Fund	19.33
Saffron SCI Opportunity Income Fund	19.18
Nedbank Group Ltd F/R 01042018	1.15
Firststrand Ltd Bond 06032020	1.03
USD/ZAR Currency Put Option	0.89
Old Mutual Ltd Bond 112024	0.73
Liberty Group Ltd F/R 28022023	0.67
Nedbank Ltd Bond 20082015	0.66

Asset Allocation

Portfolio Date: 2019/09/30



Annualised Performance (%)

	Fund	Benchmark
1 Year	9.88	6.65
3 Years	—	—
5 Years	—	—
Since Inception	8.93	7.59

Cumulative Performance (%)

	Fund	Benchmark
1 Year	9.88	6.65
3 Years	—	—
5 Years	—	—
Since Inception	8.93	7.59

Highest and Lowest Annual Returns

Time Period: Since Inception to 2018/12/31

Highest Annual %	—
Lowest Annual %	—

Risk Statistics (3 Year Rolling)

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

Distribution History (Cents Per Unit)

2019/09/30 19.19 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 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 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 2019

Economic Market overview

"You are not required to abolish your emotions. Emotions serve a critical purpose in your life, but you need to be able to differentiate when it is a useful form or where it is a distraction and then tone it down so that you are able to think clearly and wisely." – Marcus Aurelius, Roman Emperor.

We usually spell out all the negative events that have occurred during the last three months at this point but given that most of our investors undoubtedly have been "bombarded" with this sensational news we have decided to list what we deem to be of some interest:

1. Continued tension in the US / China trade relations and now its impact into broader regional relations;
2. Threat of impeachment of President Trump;
3. Escalation of tension in the Middle East including the drone attack on Saudi oil fields and its impact on the oil price; and
4. Boris Johnson and the UK Parliament debacle around Brexit.

Domestically "doom and gloom" seems to also dominate headlines with the following "usual suspects" dominating dinner party discussions and news headlines:

1. The "Brain Drain" – everybody with any talent seems to be leaving South Africa;
2. Did Cyril receive dubious campaign funding, did Musi Maimane drive a car funded by Markus Jooste / Steinhoff and what is truth behind the very sad story of Gavin Watson?;
3. Can the SA economy ever be revived or is the debacle of sub-standard management at State Owned Enterprises going to be its ultimate demise?; and
4. The imminent IMF bailout.

All of these factors have led to our experience of some of the most negative conversations in the last decade, surpassing in many cases even those held in the back end of 2009. In many cases our engagement with certain investment professionals has been most disappointing as in too many cases it would seem that this sustained pressure has led to an excuse of "not needing to do the work" and an abandonment of tried and tested valuation principles. We believe this to be an error.

Position going forward

We get asked regularly how we feel about performance and markets. Looking backwards we can sympathize with client frustrations given the extended period (now almost 5 years) of very subdued performance from growth assets (Equity and Listed Property).

This however stands in contrast to our emotions when looking forward. We summarise in point form for ease of reference:

1. Pricing on domestic assets has adjusted to the reality of the South African economic environment. This was not the case 2 years ago.
2. The need to address mismanagement and corruption at key Domestic State Owned Enterprises is now at the top of the agenda across the political arena post the appointment of President Ramaphosa on 15 February 2018. This was not the case 2 years ago.
3. Despite ongoing global tensions, major global enterprises continue to manage the changing economic landscape in a more disciplined manner than their political counterparts – both from a cash flow and balance sheet perspective. This is highly likely to keep the global interest rate environment low which in turn provides an underpin to risk assets.
4. It seems inevitable that some kind of resolution to matters such as Trade Wars and Brexit are inevitable. Economic certainty added to a subdued interest rate environment should restore a more "normalised" return profile for investors.

Hence our key positions across the portfolios remain biased toward growth assets in both the local and global environment although our lower risk and more constrained portfolios do have significant exposure to local fixed income assets. The two largest absolute and peer relative positions remain our allocation to offshore assets and our allocation to local listed property. This position has not changed over the last quarter.

We continue to believe that asset allocation and diversification remain key to ensuring downside risk management while entrenching long term inflation protection and real returns. As per our previous quarterly newsletter we urge investors to remain patient and committed to their chosen investment strategy. We are continuously looking for ways to increase the certainty of cash flow while remaining cognisant of our longer term capital preservation objectives.

Our belief in and commitment to our investment approach remains firm and resolute as we

have weathered comparable and even worse challenges over the past 11 years. With the commitment from our clients, we remain confident that our philosophy will again result in positive outcomes.

Portfolio Manager

Tom Barlow
CFA®, BCom (Economics)