

Fund Objective and Strategy

The objective of the portfolio is to provide investors with a way to participate in a diversified portfolio of money market instruments that ordinarily are either not available or offer a lower yield to retail investors. The primary performance objective of the portfolio is to obtain a high level of current income as is consistent with capital preservation and liquidity. Capital gains will be of an incidental nature.

The portfolio will be managed in accordance with CISCA and Regulation 28 of the Pension Funds Act. The portfolio will be allowed to invest in listed and unlisted financial instruments (derivatives) as allowed by the Act from time to time, in order to achieve the portfolio's objective.

Portfolio Limits and Constraints

Exposure limits as per the ASISA fund classification structure applicable to South African - Interest Bearing - Money Market Portfolios. Money market instruments with a maturity limit of less than thirteen months, the average duration of the underlying assets may not exceed 90 days and a weighted average legal maturity of 120 days. The portfolio will be managed in compliance with prudential investment guidelines applicable to retirement funds in South Africa.

Fund Information

Ticker	RSMMA
12 Month Yield	7.59%
Portfolio Manager	Vaneshen Naidoo
ASISA Fund Classification	South African - Interest Bearing - Money Market
Risk Profile	Ultra Conservative
Benchmark	STeFI Composite Index
Fund Size	R 138,629,396
Portfolio Launch Date*	01/04/2016
Fee Class Launch Date*	01/04/2016
Minimum Lump Sum Investment	R 10,000
Minimum Monthly Investment	R 500
Income Declaration Date	Monthly
Income Pricing Date	1st business day of the following month
Portfolio Valuation Time	14:00
Transaction Cut Off Time	13:00
Daily Price Information	Local media
Repurchase Period	2-3 business days

Fees (Incl. VAT)

A-Class (%)

Maximum Initial Advice Fee	3.42
Maximum Annual Advice Fee	1.14
Manager Annual Fee	0.34
Total Expense Ratio	0.44
Transaction Cost	—
Total Investment Charges	0.44

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. The TER is presented for the period 1 October 2014 to 30 September 2017.

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.

*The Granate Sanlam Collective Investments Money Market Fund transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 28 October 2017.

**Risk statistics will only be available once the fund has reached three years performance history.

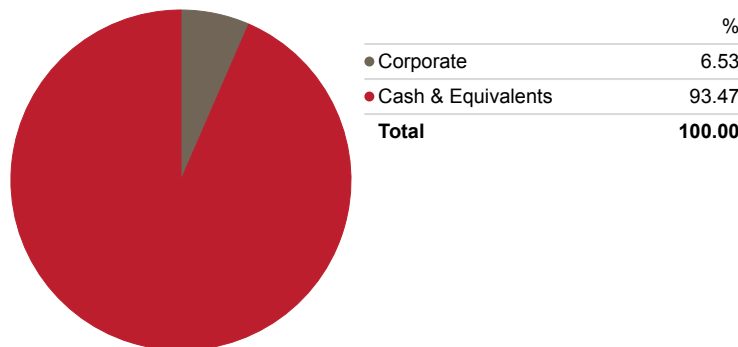
Specific risks

The Granate Money Market Fund is a domestic money market fund which seeks to provide investors with a high level of income, whilst preserving capital, maintaining liquidity and mitigating the risks that are specific to money market funds; namely interest rate risk, liquidity risk and credit risk. Typically the interest rate risk is influenced by the interest rate expectations and is controlled by deciding on the aggregate term of the fund. A minimum credit quality requirement for any asset held in the fund is imposed and there are typically higher exposures to the issuers that are subject to additional oversight. Proprietary credit research is a very important of the investment process. Liquidity profiles of the underlying investment are considered so as to ensure that the fund can meet its daily obligations. While capital losses are unlikely, they can occur if, for example, one of the issuers of an instrument held by the portfolio defaults. In this event, losses will be borne by the portfolio and its investors.

Top Ten Holdings

	% of Portfolio
China Construction Bank	11.97
Investec	8.92
RMB	7.03
Nedgroup 180618	5.07
ABSA	4.34
Standard Bank 080318	3.85
Investec 080118	3.67
Investec 101218	3.63
China Construction Bank 070618	3.62
RMB 101218	3.62

Asset Allocation



Annualised Performance (%)

	Fund	Benchmark
1 Year	7.86	7.56
Since Inception	7.86	7.55

Cumulative Performance (%)

	Fund	Benchmark
1 Year	7.86	7.56
Since Inception	14.16	13.58

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2017	
Highest Annual %	7.86
Lowest Annual %	7.86

Risk Statistics (3 Year Rolling)**

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

Distribution History (Cents Per Unit)

31/12/2017: 0.60 cpu	31/08/2017: 0.64 cpu	30/04/2017: 0.62 cpu
30/11/2017: 0.61 cpu	31/07/2017: 0.64 cpu	31/03/2017: 0.64 cpu
27/10/2017: 0.64 cpu	30/06/2017: 0.64 cpu	28/02/2017: 0.59 cpu
30/09/2017: 0.62 cpu	31/05/2017: 0.64 cpu	31/01/2017: 0.64 cpu

Risk Profile: Ultra Conservative

An ultra-conservative portfolio caters for an extremely low risk tolerance, and is designed for minimum capital fluctuations and volatility. It carries a short time-frame for investment. There are no growth assets in this portfolio and it is a cash-based investment. The ultraconservative portfolio aims to yield returns that are higher than bank deposits and typically higher than inflation. Capital protection is of prime importance.

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 Fluctuations (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, bi-annual 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. 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 Manager has the right to close any portfolios to new investors to manage them more efficiently in accordance with their mandates. A money market portfolio is not a bank deposit account. The price is targeted at a constant value. The total return to the investor is made up of interest received and any gain or loss made on any particular instrument and in most cases the return will merely have the effect of increasing or decreasing the daily yield, but that in the case of abnormal losses it can have the effect of reducing the capital value of the portfolio. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressures and in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. Management of the portfolio is outsourced to Granate Asset Management (Pty) Ltd, (FSP) Licence No. 46189, 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

Granate Asset Management (Pty) Ltd

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Portfolio Manager Quarterly Comment

Economic overview

Global economic activity in the 4th quarter of 2017 continued to improve and the business cycle upswing is now in its 9th year as interest rates remain low and inflation is, in most countries, below target despite tightening labour markets. 2018 is promising to build on last year's momentum as financial conditions and improved sentiment combine to provide another year of synchronized global growth.

Domestic economic data activity remained relatively weak in the 4th quarter, although the economy is expected to have maintained positive growth after expanding by a quarter-on-quarter annualized rate of 2% (0.8% year-on-year) in the 3rd quarter. The SARB composite of leading indicators continues to improve as does the ABSA PMI which recorded its 4th consecutive increase, albeit remaining below the all-important 50 level for a 6th month. While a significant confidence boost will support economic growth over the next quarter or two, South Africa's growth is likely to remain below trend for the foreseeable future.

Major central banks continued to communicate to the market a more hawkish outlook for interest rates, although it is only the US (FOMC) and the UK (BOE) that raised policy rates among the main central banks during the quarter. The FOMC remains by far the most hawkish major central bank and after raising its lending rate 3 times in 2017 (from 0.75% to 1.5%) and embarking on shrinking its balance sheet is expected to continue its tightening policy in 2018.

In South Africa, the Monetary Policy Committee (MPC) of the Reserve Bank met once in the 4th quarter (November) and left the repo rate unchanged at 6.75%, a unanimous decision by the six MPC members. The November statement set a more hawkish tone than in September (although with the same decision despite a split MPC vote) as the committee considered risks to the inflation outlook to have increased, mainly due to higher international oil prices and a weaker rand exchange rate. Risks to growth, on the other hand, were deemed to be on the downside. The decision was also affected by the "rapidly deteriorating fiscal position" which the statement said "...could potentially reduce the scope for further monetary policy accommodation".

While two of the three main upside risks to domestic inflation raised by the MPC (weaker currency, Eskom price increases, and higher international oil prices) have subsided, currency weakness is likely to return as fiscal consolidation remains a challenge that will not vanish anytime soon. This means that Moody's will likely downgrade South Africa's credit rating to below investment grade and tax hikes will keep inflation from remaining at or below the middle of the target range. Therefore, we think that the MPC will change its view on the risks to inflation to be balanced, but keep the repo rate unchanged for the foreseeable future.

Market overview

South African financial markets had a nervous and volatile quarter as investors faced the difficult task of weighing up the probabilities of different ANC elective conference outcomes.

While the deteriorating fiscal position presented at the Medium Term Budget Policy Statement (MTBPS) had led the 3-month and 12-month Negotiable Certificates of Deposit (NCD) rates higher, the positive outcome of the ANC elective conference reversed some of the losses which had been priced by the market.

The 3-month NCD rate increased by 17.5 basis points and ended the quarter at 7.15% while the 12-month NCD rate ended 12.5 basis points higher at 7.90%, despite reaching high of 8.375% post the November MPC meeting.

At the end of the quarter a better inflation outlook had led Forward Rate Agreements (FRAs) to price in a 25-basis point interest rate cut in the first quarter of 2018.

Portfolio activity

At the start of the quarter we reduced the interest rate risk of the portfolio, as we did not believe that the longer end of the money market curve offered sufficient risk compensation.

When rates ticked higher in the quarter, we incrementally increased the portfolio's interest rate risk by investing a portion of the portfolio in high quality longer-term bank deposits. However, given the economic and political uncertainty, we still felt it prudent to keep the portfolio relatively defensively positioned by holding larger cash positions and more short-term deposits than the portfolio would ordinarily have.

Portfolio positioning

Given the strong December rally and our view that the MPC of the Reserve Bank is likely to keep the repo-rate unchanged for 2018, longer term fixed rate assets are not offering sufficient risk compensation because the market is already pricing in a repo-rate cut for the first quarter of 2018.

We will therefore look to use the significant liquidity which we have built up in the portfolio to incrementally invest into high quality floating-rate bank deposits as they offer superior risk compensation. We will also look to invest into longer term fixed rate assets as opportunities are presented.

The portfolio maintains a high level of liquidity through call deposits and bank paper.

Portfolio Manager

Vaneshen Naidoo

CFA®, M.Sc. (Engineering) (UCT), BSc. Hons (Engineering) (UCT)