

As of 2018/11/30

Fund Objective and Strategy

This is a domestic fixed interest portfolio which seeks to provide investors with exposure to the fixed interest market and aims to offer maximum returns by actively extracting value from various sources within the fixed interest universe.

The portfolio uses strategic asset allocation, aggressive duration (ranging between the duration typical of a money market fund and the longest maturity South African government bond), yield curve positioning, switches, stock selection as well as derivative and other yield enhancement strategies, including exposure to foreign currency to maximize returns. The objective of the portfolio is to maximize both income and capital over a long-term investment horizon.

Given that the portfolio aims to maximize total return (which includes capital) it is expected to be more volatile than a traditional income fund with more frequent negative monthly returns. The Manager shall seek to achieve the objective over time through active management of a portfolio of predominantly local assets which will consist of a combination of interest-bearing securities including bonds, loan stock, debentures, fixed deposits, money market instruments and cash, listed and unlisted derivatives, listed property, and preference shares as well as any other securities which are considered to be consistent with the portfolio objectives and any other securities the Act may allow from time to time. The portfolio will be managed in accordance with regulations governing pension funds and CISCA.

Fund Information

Ticker	RSVIA
12 Month Yield	6.66%
Portfolio Manager	Jonathan Myerson
ASISA Fund Classification	South African - Multi Asset - Income
Risk Profile	Moderate
Benchmark	125% STeFI Composite Index
Fund Size	R 427 626 770
Portfolio Launch Date*	2016/04/01
Fee Class Launch Date*	2016/04/01
Minimum Lump Sum Investment	R 10 000
Minimum Monthly Investment	R 500
Income Declaration Date	March, June, September & December
Income Pricing 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	0.97
Total Expense Ratio	1.00
Transaction Cost	0.02
Total Investment Charges	1.02
TER Measurement Period	01 April 2016 - 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.

*The Granate Sanlam Collective Investments Unconstrained Fixed Interest 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.

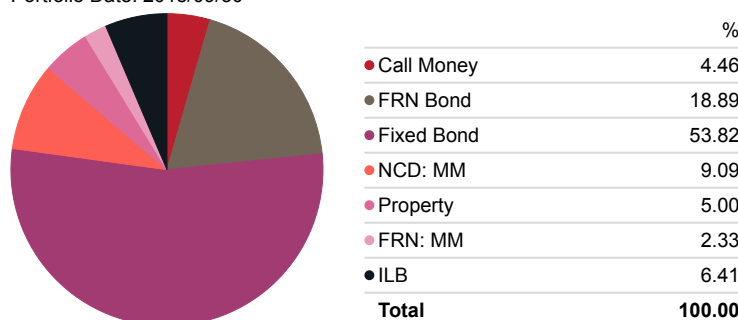
MDD Issue Date: 2018/12/21

Top Ten Holdings

Portfolio Date	2018/09/30	% of Portfolio
RSA Bond R2048 280248		14.31
RSA Bond R2044 310144		10.33
RSA Bond R2040 310140		6.83
RSA Bond R197 071223		4.42
RSA Bond R2030 310130		4.39
China Construction Bank Call		3.55
RSA Bond R2032 310332		3.22
RSA Bond R186 211226		2.54
Investec 060319		2.39
Investec 130319		2.38

Asset Allocation

Portfolio Date: 2018/09/30



Annualised Performance (%)

	Fund	Benchmark
1 Year	6.95	9.14
Since Inception	8.05	9.38

Cumulative Performance (%)

	Fund	Benchmark
1 Year	6.95	9.14
Since Inception	22.94	27.00

Highest and Lowest Calendar Year Returns

Time Period: Since Inception to 2017/12/31	
Highest Annual %	8.28
Lowest Annual %	8.28

Risk Statistics (3 Year Rolling)**

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

Distribution History (Cents Per Unit)

2018/09/30	1.90 cpu	2017/12/31	1.24 cpu
2018/06/30	1.83 cpu	2017/10/27	0.53 cpu
2018/03/31	1.82 cpu	2017/09/30	1.90 cpu

Specific Risks

The main source of risk in this portfolio is interest rate risk, to a lesser extent credit risk; liquidity risk and exchange rate risk also apply. Capital losses 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.

Administered by



As of 2018/11/30

Risk Profile: Moderate

You prefer to receive stable income flows, but you also want to increase the value of your capital over time. You understand that to allow for some capital growth, its value can fluctuate moderately over time while the likelihood of losing money is relatively low. The portfolio that gives you the most comfort consists primarily of income-oriented asset classes such as cash, nominal and inflation-linked bonds and property. You shy away from too much exposure to equities because of their higher volatility.

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. 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. The Manager has the right to close any portfolios to new investors to manage them more efficiently in accordance with their mandates. 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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Email: info@granate.co.za
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Portfolio Manager Quarterly Comment

Quarterly Commentary (30/09/2018)

Fund Profile

The Granate SCI Unconstrained Fixed Interest Fund is a domestic fixed interest portfolio which seeks to provide investors with exposure to the fixed interest market and aims to offer maximum returns by actively extracting value from various sources within the fixed interest universe. The portfolio uses strategic asset allocation, aggressive duration (ranging between the duration typical of a money market fund and the longest maturity South African government bond), yield curve positioning, switches, stock selection as well as derivative and other yield enhancement strategies, including exposure to foreign currency to maximize returns. The objective of the portfolio is to maximize both income and capital over a long-term investment horizon. Given that the portfolio aims to maximize total return (which includes capital) it is expected to be more volatile than a traditional income fund with the possibility of negative monthly returns. The portfolio is managed in accordance with regulations governing pension funds and CISCA.

Economic overview

Economic activity in major economies remained generally strong although there are some signs that growth momentum is slowing as the upswing is now in its 10th year and uncertainties around the impact of "trade wars", Brexit, and higher oil prices weigh on markets. These uncertainties have negatively impacted emerging markets as evident by a significant spike in market volatility and below-expectation data releases.

Domestic economic data for the 2nd quarter of 2018 (released during Q3 2018) showed that the economy is in worse shape than previously thought, having moved into recession for the first time since 2009. GDP contracted at a seasonally adjusted quarter-on-quarter annualised rate of 0.7% in the 2nd quarter, after recording a downward revised 2.6% contraction in the 1st quarter of 2018. 3rd quarter data has been mixed with retail and manufacturing growth improving while the mining sector slowed down meaningfully. Overall, however, economic growth is expected to improve in the 2nd half of the year, albeit to levels which are below potential.

The Monetary Policy Committee (MPC) of the Reserve Bank met twice during the 3rd quarter and kept the repo rate unchanged at 6.5%. While the repo rate was kept unchanged, the message delivered by the MPC has become progressively more hawkish as also evident by the fact that in its last meeting (September), 3 of the 7 members voted for a 0.25% rate hike. The MPC's decision has been made more difficult since the economy weakened by more than it had expected, while the currency depreciated by 11% between the two meetings. Therefore, it concluded that whilst the risks to inflation are to the upside (due mainly to external factors), demand pressures do not appear to pose a significant risk to inflation. Rising global policy rates, the weaker rand, higher petrol prices, stubbornly high administrative prices and prospects for stronger growth mean that policy rates will rise over the next 18 months with a high probability of a 0.25% increase in the repo rate by the end of the year.

Market overview

After a very poor 2nd quarter of 2018 for domestic bonds where the All Bond Index (ALBI) returned -3.8%, bond yields continued to rise, albeit at a much slower pace in the 3rd quarter with the yield on the benchmark R186 rising by 15.5 basis points (bps) and the ALBI returning 0.81%. The quarter was characterised by a significant spike in emerging market currency and bond volatility led primarily by concerns around Turkey's economic outlook and the risk that it may pose to emerging markets as evident by further selling of South African bonds by foreign investors.

Global bond yields also ended higher in the quarter (WGBI -0.92%) - yields on 10 year bonds rising in all developed markets excluding New Zealand. The rising yields in these markets was in line with major central banks either raising interest rates (US, UK, and Canada) or becoming more hawkish in their communication to the market. While emerging market bond yields did end the month higher in line with developed market bonds, they still managed to record a positive return (0.38%) due to their approximately 3.3% higher yield.

The inflation-linked bond curve continued to drift higher during the quarter with shorter dated maturities rising by more than longer dated ones in a sign that investors are not overly concerned with a material increase in inflation over the near term.

The listed property sector remains a significant underperformer having recorded its 3rd consecutive negative quarter, this being the first time this has happened since 2004. The sector remains under pressure as economic growth continues to disappoint and the market being sceptical of companies' distribution policies and the ability to meet previous distribution growth expectations.

Portfolio activity

During the 3rd quarter we continued to increase the portfolio's exposure to fixed rate bonds by 4% in the long end of the yield curve. To ensure that we maintain sufficient liquidity in

the portfolio to allow us to change interest rate risk in line with the portfolio's objective of maximising both yield and capital return over time, we bought long dated government bonds using cash from maturing short dated floating rate notes and bank NCD's.

After reducing the portfolio's exposure to inflation-linked bonds towards the end of the 2nd quarter, we bought back the exposure in August as the inflation carry looked more attractive and it appeared that short dated nominal bonds and money market instruments were under estimating the near-term inflation risk. After the sell-off in nominal yields during the first part of September where the inflation-risk premium increased again, we switched out of some of the inflation-linked and into nominal government bonds.

We reduced the portfolio's exposure to the listed property sector by 1.2% during the quarter to 5%. The sector has performed very poorly and the spike in price volatility of certain stocks has made us more cautious of the sector. In particular, we lowered the portfolio's exposure to the foreign counters (Nepi Rockcastle, Hammerson, and Intu) as we think their benefits as a rand hedges have declined and we have also reduced exposure to stocks that have a relatively high exposure to the residential sector (SA Corp and Octadec).

Portfolio positioning

South Africa's economic growth remains well below its potential rate and is expected to improve, albeit gradually. The poor domestic growth is in stark contrast to global growth which continues its strong upswing. While the poor domestic economic growth has negative implications for the fiscus it also implies that inflation will remain generally contained.

Our bond valuation guide, which uses global risk free rates, South Africa's Sovereign risk and inflation as its inputs suggests that local bond yields are offering a positive *risk compensation*. Therefore, the fund continues to increase exposure to the long end of the yield curve (now 39% of the fund) at yields around 10% with an overall yield to maturity of 9.5%. The fund is currently using half of its interest rate risk "budget" (given the still material risks to yields that a shrinkage in global liquidity poses) and is keeping significant liquidity to allow for adjustments due to high volatility.

Given the poor economic outlook we keep the exposure to listed property significantly below its long term strategic asset allocation and have concentrated our holdings in high quality, less volatile stocks. Our decision not to cut exposure to the sector to zero stems from the fact that we think that the difficult environment is generally priced into the better-quality stocks and the yields they offer is attractive.

Like with property, the portfolio's exposure to inflation-linked bonds is materially below its long term strategic asset allocation. This is even though we think that at yields of around 3%, this asset class is offering positive *risk compensation* and is attractive in absolute terms. However, relative to nominal bonds, inflation-linked bonds appear expensive particularly at the long end of the yield curve.

Portfolio Manager

Jonathan Myerson
M.Soc.Sci. (Economics) (UCT)

Jonathan served as the Head of the Fixed Interest team at Cadiz Asset Management from 2006 to 2015 where he managed the Unconstrained, House View and Inflation-Linked Bond funds. Jonathan has 11 years of sell-side experience having worked as a Fixed Interest Strategist at HSBC from 1995 to 2003 and then at RMB from 2003 to 2006. Jonathan joined Granate at its inception as Head of Fixed Income in November 2015.