



As of 31/01/2021

**Fund objective and strategy**

The fund aims to give investors access to a diversified portfolio of money market instruments that are usually unavailable to retail investors, or available at a lower yield. It may, within legal limits, also invest in listed and unlisted derivatives. Its objective is to provide a high level of current income while preserving capital and maintaining liquidity. Capital gains will be incidental.

The fund is managed according to the prudential investment guidelines for South African retirement funds.

**Portfolio limits and constraints**

Exposure limits are as per the Association for Savings and Investment South Africa's (ASISA's) fund classification structure applicable to South African - Interest Bearing - Money Market portfolios. The portfolio can therefore invest in money market instruments with a maturity limit of less than 13 months, and the average duration of the underlying assets may not exceed 90 days and a weighted average legal maturity of 120 days.

**Fund information**

Ticker	RSMMB
Yield (%)	3.67
Portfolio manager	Vaneshen Naidoo
ASISA fund classification	South African - Interest Bearing - Money Market
Risk profile	Ultraconservative
Benchmark	STeFI Composite Index
Fund size	R 204,172,961
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 & www.sanlamunitrusts.co.za
Repurchase period	2-3 business days

**Fees are including 15% VAT**

	B Class (%)
Maximum initial advice fee**	3.45
Maximum annual advice fee**	1.15
Manager annual fee	0.29
Total expense ratio (TER)	0.31
Transaction cost (TC)	—
Total investment charge (TIC)	0.31
TER measurement period	01 January 2018 - 31 December 2020

The TER shows the percentage of the fund incurred as administration expenses. A higher TER does not necessarily imply a poor return, and a low TER does not necessarily imply a good return. The current TER is also not necessarily an accurate indication of future TERs.

The TC shows the percentage of the fund incurred as expenses related to buying and selling the assets it holds. These expenses are necessary costs in administering the fund. The TC impacts fund returns but should not be considered in isolation, as there are many other factors that impact returns. These include the type of fund invested in, the investment decisions of the investment manager and the TER.

The TIC (TER + TC) measures the total cost to the investor of investing in this fund. It shows the total percentage of the fund incurred as costs.

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

\*\*Granate does not provide financial advice. Advice fees are agreed between the investor and financial adviser.

**Specific risks**

Money market funds are not bank accounts and there are specific risks investors should be aware of. These are interest rate risk, credit risk and liquidity risk. In the Granate SCI Money Market Fund, interest rates risk (the potential for investment losses from unexpected changes in interest rates) is typically influenced by interest rate expectations and is controlled by deciding on the aggregate term of the instruments the fund holds. Credit risk (the risk of a loss due to a borrower failing to make its required payments) is managed by imposing a minimum credit quality requirement for any asset the fund invests in, and there are typically higher exposures to issuers that are subject to additional oversight. Proprietary credit research is a very important part of the investment process. Finally, liquidity profiles of the fund's underlying investments (how quickly they can be converted into cash) are considered to ensure that it can meet its daily obligations. While capital losses are unlikely, they can occur. An example would be if an issuer of an instrument held by the fund defaults. Such losses will be borne by the portfolio and its investors.

MDD Issue Date:

15/02/2021

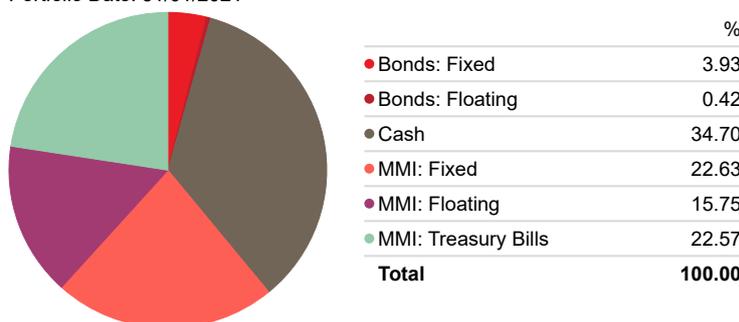
**Top ten holdings**

% of portfolio

Portfolio Date	31/01/2021
CCB Call	10.99
Investec Call	10.02
Ned SRN 040121	7.43
SBK NCD 140121	5.93
Ned SRN 150321	4.91
Absa Call	3.26
RMB Call	2.66
Ned SRN 150321	2.45
SA Tbill 070421	2.43
RMB NCD 010921	1.98

**Asset allocation**

Portfolio Date: 31/01/2021



**Annualised performance (%)**

	Fund	Benchmark
1 year	5.26	5.11
3 years	6.80	6.54
Since inception	7.24	6.92

**Cumulative performance (%)**

	Fund	Benchmark
1 year	5.26	5.11
3 years	21.82	20.92
Since inception	40.20	38.17

**Highest and lowest calendar-year returns**

Time Period: Since Inception to 31/12/2020

Highest annual %	7.98
Lowest annual %	5.57

**Monthly returns**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2021	0.30												0.30
2020	0.60	0.55	0.60	0.55	0.54	0.48	0.42	0.39	0.35	0.33	0.31	0.31	5.57
2019	0.63	0.57	0.64	0.61	0.64	0.62	0.63	0.62	0.60	0.61	0.58	0.60	7.59
2018	0.62	0.56	0.63	0.61	0.63	0.60	0.61	0.62	0.60	0.62	0.61	0.63	7.59
2017	0.66	0.60	0.66	0.63	0.66	0.66	0.66	0.65	0.64	0.65	0.63	0.61	7.98
2016	—	—	—	0.54	0.70	0.66	0.66	0.67	0.65	0.64	0.62	0.65	—

**Distribution history (cents per unit)**

31/01/2021	0.30 cpu	31/07/2020	0.42 cpu
31/12/2020	0.31 cpu	30/06/2020	0.47 cpu
30/11/2020	0.30 cpu	31/05/2020	0.54 cpu
31/10/2020	0.33 cpu	30/04/2020	0.55 cpu
30/09/2020	0.34 cpu	31/03/2020	0.59 cpu
31/08/2020	0.38 cpu	29/02/2020	0.55 cpu

Administered by



As of 31/01/2021

**Risk statistics (3-year rolling)**

Standard deviation	0.38
Sharpe ratio	5.30
Information ratio	5.28
Maximum drawdown	—

**Glossary terms**

**Annualised returns**

Annualised returns show the compound annual growth rate on a total return basis. Total return assumes that distributions are reinvested in the fund.

**Asset allocation**

Asset allocation is the percentage the fund holds in different asset classes. It is used to determine the level of diversification in the fund.

**Capital fluctuations (Volatility)**

Volatility refers to the extent to which the price of an investment or capital value fluctuates over a certain time period. High-volatility funds usually offer the potential for higher long-term returns than low-volatility funds.

**Collective Investment Schemes**

Collective Investment Schemes (also called unit trusts) are portfolios of assets such as equities, bonds, cash and listed property in which investors can buy units. This allows private investors to pool their money into a single fund, which spreads their risk across a range of investments, gives them the benefit of professional fund management and reduces their costs.

**Cumulative returns**

Cumulative return is the total return an investor would have achieved if they reinvested all distributions.

**Derivatives**

Derivatives are instruments generally used to protect against risk (capital losses). However, they can also be used for speculative purposes. Examples include futures, options and swaps.

**Distributions**

Distributions show the income that is generated from an investment and paid out to investors. These pay-outs can be monthly, quarterly, bi-annually or annually.

**Diversification**

Diversification is a strategy designed to reduce risk and protect against capital losses in a portfolio. It works by combining a variety of asset classes or investments that are unlikely to all move in the same direction at the same time. This allows for more consistent performance under a wide range of economic conditions, as it smooths out the impact of negative market events. The positive performance of some investments or asset classes should neutralise the negative performance of others.

**Fund strategy**

The fund strategy is how it is managed to achieve its objective.

**Information ratio**

The information ratio measures the risk-adjusted performance of a fund (the returns it generates and the investment risk it takes to do so) compared to its benchmark. The higher the ratio, the better the fund's risk-adjusted performance compared to the benchmark. For this ratio, risk is quantified by the standard deviation of the fund's returns relative to its benchmark.

**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 this pool is split into equal portions called participatory interests or units. You therefore buy participatory interests in that unit trust equal to the value of your monetary contribution.

**Sharpe ratio**

The Sharpe ratio measures the total risk-adjusted performance of a fund: the returns it generates and the risk it takes to do so. It indicates if a fund's returns are due to excessive risk or not. The higher a fund's Sharpe ratio (i.e. a higher return with a contained risk profile), the better its risk-adjusted performance. For this ratio, risk is quantified by the standard deviation.

**Standard deviation**

Standard deviation is a measure of the extent to which returns on an investment change from month to month. It is typically used by investors to gauge the volatility expected from an investment.

**Risk profile: Ultraconservative**

The fund is suitable for investors with an extremely low risk tolerance. It has a short timeframe for investment and is designed for minimum capital fluctuations and volatility. Capital protection is of prime importance.

As such, there are no growth assets in the fund, and it is a cash-based investment. It aims to yield returns that are higher than bank deposits and typically higher than inflation.

**Additional information**

All reasonable steps have been taken to ensure the information on this MDD is accurate. The information 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 (NAV) 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 yield is calculated on a 7-day rolling basis, annualised. 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. 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](http://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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**Manager information**

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*Note: Fund commentaries are updated quarterly.*

**Portfolio manager quarterly comment - 31/12/2020**

**Market comment**

**Hope, fear and what lies in between**

*"The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails." William Arthur Ward*

After the rollercoaster that was 2020, we find ourselves deeply contemplating what may lie in store for 2021. In thinking through some scenarios for the year ahead, the current state of play in markets is a combination of hope and fear.

**Hope has finally sprung**

The dominant market theme towards the end of 2020 was the strong vaccine-inspired global economic recovery. Combined with low interest rates and increased government spending (primarily in developed markets), this inspired a boom in equities and other risk assets, a fall in the dollar, and a consequent rise in the value of emerging market currencies, including the rand.

One scenario for 2021 sees these positive economic hopes and low interest rates continue to buoy markets. We too would like this upbeat global backdrop and renewed risk appetite to continue – and to feed through to South African assets.

**Fear continues to lurk**

However, the start of the year has seen some fear creep into market thinking:

- **Continued virus fears:** Rising infections and resulting lockdowns are wreaking further havoc, while new strains of the virus continue to emerge.
- **Vaccination rollouts:** Economies under pressure (such as our own) are almost certain to lag in vaccinations and to suffer slower growth as the mammoth logistical task of rolling out vaccines becomes evident.
- **The return of inflation in a low-growth environment:** The Democrat stronghold in the US speaks to further US fiscal stimulus. Combined with easy monetary policy, rising commodity prices, a constrained supply side and evidence of rising supply chain prices, we could have a return to inflation.
- **Overexuberance:** Global markets are at record highs. Eventually, booming valuations will have priced everything in – and the ongoing fear is always going to be that they have run too far.

**We avoid swaying with sentiment**

With the pendulum swinging between hope and fear, we cannot get caught up in the emotion. Aiming to stay rational, we avoid positioning portfolios for any single outcome. Rather, we consider the probabilities of various outcomes and seek positive risk compensation from individual investments to compensate for being unable to consistently predict these outcomes accurately.

**Diversification means more to us than 'more'**

For us, diversification is a trade-off between time horizon, returns and risk, which we define as not delivering the returns our clients need. It is a process that doesn't necessarily result in our clients making the most money in the short term but optimises the likelihood of meeting our mandates.

The winds of investment opportunity blow in many different directions, at different speeds and at different times. If we had an investment barometer with full foresight, diversification would not be necessary. We would simply hoist the sail that harnesses the most exuberant future winds. Risk would be minimal and returns abundant. However, we have made peace with the fact that we will not be able to find such a barometer and that risk is an inescapable companion on our voyage.

So, do we hoist every single sail and build portfolios that will bob along in just about any waters? Cater for all perceivable weather conditions? Surely, the more sails we have, the lower the risk? Not necessarily. Blindly adding sails (or positions) simply for the sake of perceived risk reduction is not diversification. That's simply not trying terribly hard and is better described as a dilution of returns. In fact, given our definition, this *increases* risk.

Diversification is not a numbers game that absolves us from having conviction. It's there to manage the risks of our conviction. It's not there to protect us against bad weather for a day or a week. It's there to ensure we can express our investment philosophy and process to the benefit of our clients in the many years ahead at acceptable levels of risk. It's there to make sure the ship sails swiftly and safely in uncharted waters and that we reach our destination as planned.

Diversifying is harnessing the highest probability opportunities from a variety of different fundamental drivers. It caters for the odd squall of error or tuck of misjudgement. Setting our sails in this way makes it possible to have portfolios with few instruments or fundamental exposures that are still highly diversified.

**How do we take this into the waters of 2021?**

The Granate SCI Money Market Fund is our boat that sails in only the safest waters. It invests in short-term, rand-denominated instruments of only the highest quality.

For those looking for a sunset cruise along the coast, the Granate SCI Multi Income Fund hoists further sails: fixed and variable interest, inflation linkers, property, corporate credit, a bit of duration and some derivatives. Currently, corporate credit and property are not catching the breeze, but we have large sails out for the fixed, variable and inflation-linked winds blowing.

Finally, our equity-centric funds (the Granate SCI Balanced Fund and Granate SCI Flexible Fund) offer longer voyages across open waters by adding further sails: local and global equities. Spending some time in the same waters as our other ships, they benefit from this knowledge as they consider what lies over the horizon. We currently have sails hoisted to capture potential winds from global opportunities (such as those in semiconductors), a rebound in some of South Africa's top businesses, and winds that may come from rand-hedged and dual-listed opportunities.

Ultimately, our funds are built to be fit for purpose, and robust enough to withstand unexpected changes in wind. We never hoist only one sail. And we will always be on the boat with you.

*"Now—bring me that horizon." Captain Jack Sparrow*

**Portfolio manager**

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

Vaneshen joined Granate in December 2015 and manages our money market and cash portfolios. Prior to Granate, he worked at Cadiz Asset Management, which he joined as a graduate in 2006. He was later responsible for analysing the credit and property sectors for the fixed interest and multi-asset teams. Vaneshen holds a M.Sc. in Engineering from the University of Cape Town and is a CFA Charterholder.