Granate SCI* Multi Income Fund Class B

Collective Investment Scheme Minimum Disclosure Document

As of 31/03/2020

MDD Issue Date: 23/04/2020

Fund Objective and Strategy

This is a domestic income portfolio which seeks to provide investors with consistent positive returns and minimal volatility. The objective of the portfolio is to deliver real returns in excess of money market and traditional income portfolios over the medium to longer term.

Investors are mainly exposed to the fixed income and credit markets. The portfolio aims to optimize risk-adjusted returns by strategically allocating within the various sources of the fixed interest and credit universe according to current valuations. The portfolio will optimize the yield of the portfolio whilst compensating as far as possible for the underlying risk. This is done by focusing mainly on credit and yield-enhancing strategies, whilst very moderate duration strategies are employed.

Given that the portfolio aims to deliver consistent positive returns, it is designed to be less volatile than traditional bond funds with significantly fewer negative monthly returns. The Manager shall seek to achieve this objective by investing in a portfolio of assets which will consist of a combination of interest-bearing securities including money market, bonds, unlisted loans, inflation linkers, listed property and preference shares as well as any other securities which are considered to be consistent with the portfolio's objectives or 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	RSMIB
Yield	7.41
Portfolio Manager	Bronwyn Blood
ASISA Fund Classification	South African - Multi Asset - Income
Risk Profile	Conservative
Benchmark	STeFI Composite Index + 1%
Fund Size	R 324,073,721
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 Dates	March, June, September & December
Income Pricing Dates	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 are including 15% (VAT)	B Class (%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	0.57
Total Expense Ratio (TER)	0.62
Transaction Cost	—
Total Investment Charges	0.62
TER Measurement Period	01 January 2017 - 31 December 2019

The 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 TERs.

The 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 necessary costs in administering the Financial Product and impact 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 Multi Income Fund transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 28 October 2017.

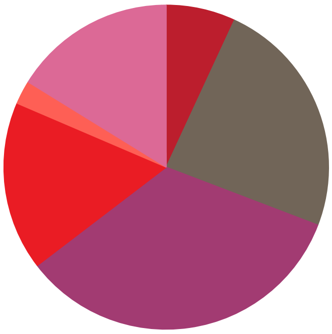
Granate does not provide financial advice, advice fees if applicable are thus contracted directly between client and appointed advisor.

Top Ten Holdings

Top Ten Holdings	% of Portfolio
Portfolio Date	**31/03/2020**
Eskom ES26	6.44
R2030 Asset Swap	6.26
RMB FRN 181126	6.24
R186	6.21
Nedbank Call	5.79
RMB Call	4.89
R2030	4.76
SBK FRN 160424	3.74
China Construction Bank Call	3.69
Absa Call	3.15

Asset Allocation

Portfolio Date: 31/03/2020



	%
Bond: CPI Linked	6.90
Bond: Fixed	23.91
Bond: Floating	33.80
Cash	16.84
MMI: Fixed	2.36
MMI: Floating	15.72
Property	0.47
Total	**100.00**

Annualised Performance (%)

	Fund	Benchmark
1 Year	6.98	8.28
3 Years	8.46	8.38
Since Inception	8.75	8.44

Cumulative Performance (%)

	Fund	Benchmark
1 Year	6.98	8.28
3 Years	27.59	27.29
Since Inception	39.87	38.28

Highest and Lowest Calendar Year Returns

Time Period: Since Inception to 31/12/2019

Highest Annual %	9.90
Lowest Annual %	8.35

Risk Statistics (3 Year Rolling)

Standard Deviation	1.27
Sharpe Ratio	0.84
Information Ratio	0.06
Maximum Drawdown	-1.14

Distribution History (Cents Per Unit)

31/03/2020	1.84 cpu	31/03/2019	2.07 cpu
31/12/2019	1.95 cpu	31/12/2018	2.22 cpu
30/09/2019	2.10 cpu	30/09/2018	2.14 cpu
30/06/2019	2.23 cpu	30/06/2018	2.11 cpu

Administered by

Granate SCI* Multi Income Fund Class B

Collective Investment Scheme Minimum Disclosure Document

As of 31/03/2020

GRANATE
ASSET MANAGEMENT

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 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 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 are 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 (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 the 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

Investment Manager Information
Granate Asset Management (Pty) Ltd
FSP License No. 46189
Physical Address: 2nd Floor, Josephine Mill
13 Boundary Road, Newlands, Cape Town, 7700
Tel: +27 (21) 276 3450
Email: info@granate.co.za
Website: www.granate.co.za

Manager Information
Sanlam Collective Investments (RF) (Pty) Ltd
Physical Address: 2 Strand Road, Bellville, 7530
Postal Address: P.O. Box 30, Sanlamhof, Bellville, 7532
Tel: +27 (21) 916 1800
Email: service@sanlaminvestments.com
Website: www.sanlamunittrusts.co.za

Trustee Information
Standard Bank of South Africa Ltd
Tel: +27 (21) 441 4100
Email: compliance-sanlam@standardbank.co.za

Administered by
Sanlam

Granate SCI* Multi Income Fund Class B

Collective Investment Scheme Minimum Disclosure Document

As of 31/03/2020

GRANATE
ASSET MANAGEMENT

Granate SCI Multi Inc - Fund Commentary

Quarterly Commentary (31/03/2020)

Fund Profile

The Granate SCI Multi Income Fund is a domestic income portfolio which seeks to provide investors with consistent positive returns and minimal volatility. The objective of the portfolio is to deliver real returns in excess of money market and traditional income portfolios over the medium to longer term. Investors are primarily exposed to the fixed income and credit markets.

The portfolio aims to optimize risk-adjusted returns by strategically allocating within the various sources of the fixed interest and credit universe according to current valuations. The portfolio will optimize the yield of the portfolio whilst compensating as far as possible for the underlying risk. This is done by focusing mainly on credit and yield enhancing strategies, whilst very moderate duration strategies are employed. The portfolio is managed in accordance with regulations governing pension funds and CISCA.

Market Comment

March 2020 must be one of the worst and most volatile months on record, as financial markets globally responded to the economic consequences of the COVID-19 pandemic – a simultaneous demand and supply shock of unprecedented proportions. Policy responses varied across economies, but key actions have been the same: implement a lockdown to contain the health crisis and provide fiscal and monetary stimulus to support the economy. The market sell-off was widespread, as investors moved quite rapidly to increase cash holdings at the expense of risk assets. Even 'safe-haven' assets such as gold sold off at the height of the panic. This was despite central banks' decisive policy action and government announcements of some of the largest economic relief packages in history.

South African equity and fixed income markets were not spared, with foreigners rushing to sell assets. The liquidity squeeze in the fixed income market forced the South African Reserve Bank (SARB) to step in and firstly cut the repo rate by 100 basis points – a magnitude of four times more than the incremental interest rate changes in recent years – and subsequently introduce an additional set of temporary measures. This was somewhat effective in stabilising the fixed income market, despite Moody's finally downgrading the country to below sub-investment grade. Moody's cited the lack of concrete action around structural reforms by government and massive downward revisions to growth due to COVID-19. This combination has given rise to a significantly worse fiscal outlook for the country's overall debt trajectory, as South Africa struggles with a concrete plan to contain its debt levels.

On the monetary front, it seems as though the SARB's Monetary Policy Committee is primed for more cuts to the repo rate, having revised growth down by a further 2% to 4% and indicating that inflation will likely be contained within the 3% to 6% range despite the significant weakening in the currency. At quarter end the forward rate agreement (FRA) market was pricing in further cuts of almost 100 basis points in this year. A lower repo rate, couple with enormous fiscal challenges, means a steeper yield curve is likely for longer.

Portfolio activity and positioning

A crisis like the one we have been experiencing produces once-in-a-decade investment opportunities. Price moves have been dramatic. We have been taking advantage of this deliberately and slowly.

- Government bonds, being fixed-rate in nature, offered extraordinary value compared to the equivalent floating-rate bonds (including credit), and we increased government bond exposure as these instruments sold off. This will be highly accretive to returns over time. We have 12.6% exposure, with a fund modified duration of 1.15.
- Due to the severe disruption in markets, the local bond market underperformed significantly in March. Foreigners sold record amounts, punishing the sector for the poor growth outlook resulting from the crisis. This underperformance is unprecedented.
- There was a window of opportunity during which inflation-linked bonds were trading at unprecedented levels, offering real yields of close to 6%. We took this opportunity buy some for the portfolio.
- Although property has been severely punished, we have slightly upweighted our exposure from 0.3% to 0.5%. However, we are still extremely cautious about the fundamentals of this sector and are not comfortable yet to take a meaningful position. We think the risks far outweigh any potential return.
- Our corporate credit exposure was reduced slightly as we increased liquidity in the fund. Our rigorous credit process leaves us comfortable with the current underlying credit exposures, but we are continually monitoring these for any signs of stress.
- The fund has enough liquidity to take advantage of the opportunities we expect when credit spreads widen. We have not yet decided to increase exposure to credit, as we believe credit spreads have the potential to widen further from here.
- We are overweight South African banks. With strong capital buffers, relatively liquid balance sheets, strong risk mitigations in place and a supportive SARB, we think they will withstand this crisis.

The decision to increase modified duration has impacted short-term performance, as yields increased across the curve and we continued to buy. It's impossible to call the bottom of a market, so we incrementally bought into weakness. It's important to remember that this is not permanent loss of capital. Considering the yields these bonds are producing, we see this as a down-payment for compelling future returns. The fund remains a top-quartile performer across all relevant time periods.

Portfolio Manager
Bronwyn Blood
B.Comm (Honours)

Prior to joining Granate Asset Management in December 2015, she was the Portfolio Manager of the Flexible Fixed Interest Funds and the flagship Absolute Yield Fund at Cadiz Asset Management. When Cadiz bought African Harvest in 2006 Bronwyn took over the management of the Flexible Fixed Interest funds. Bronwyn holds a B.Comm (Honours) degree from the University of Natal.