

As of 2019/05/31

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 portfolios 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	8.35
Portfolio Manager	Bronwyn Blood
ASISA Fund Classification	South African - Multi Asset - Income
Risk Profile	Conservative
Benchmark	STeFI Composite Index + 1%
Fund Size	R 144 635 373
Portfolio Launch Date*	2016/04/01
Fee Class Launch Date*	2016/04/01
Minimum Lump Sum Investment	R 50 000
Minimum Monthly Investment	R 1 000
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)	B-Class (%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	0.57
Total Expense Ratio	0.61
Transaction Cost	—
Total Investment Charges	0.61
TER Measurement Period	01 April 2016 - 31 December 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 Multi Income 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.

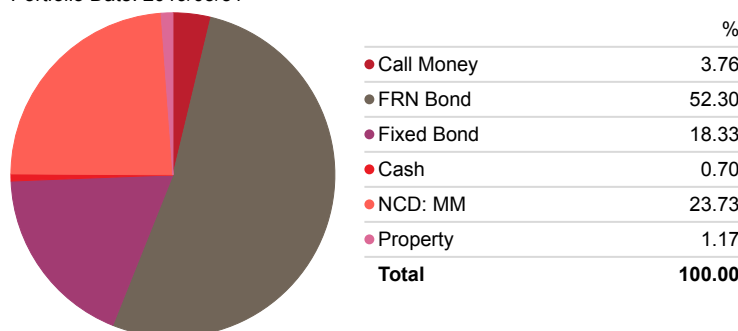
MDD Issue Date: 2019/06/21

Top Ten Holdings

Portfolio Date	2019/03/31
FirstRand FRN 011026	8.30
JIBAR linked swap	5.31
Standard Bank 121222	4.87
Nedbank FRN 220921	3.65
Santam FRN 270622	3.60
Standard Bank FRN 121120	3.34
Old Mutual FRN 301124	3.33
SA TAXI Finance FRN 310321	2.69
Investec FRN 120824	2.67
China Construction Bank Call	2.31

Asset Allocation

Portfolio Date: 2019/03/31



Annualised Performance (%)

	Fund	Benchmark
1 Year	9.18	8.36
3 Years	9.43	8.50
Since Inception	9.41	8.49

Cumulative Performance (%)

	Fund	Benchmark
1 Year	9.18	8.36
3 Years	31.03	27.73
Since Inception	32.94	29.46

Highest and Lowest Calendar Year Returns

Time Period: Since Inception to 2018/12/31

Highest Annual %	9.90
Lowest Annual %	8.35

Risk Statistics (3 Year Rolling)

Standard Deviation	0.66
Sharpe Ratio	2.82
Information Ratio	1.34
Maximum Drawdown	—

Distribution History (Cents Per Unit)

2019/03/31	2.07 cpu	2018/03/31	2.03 cpu
2018/12/31	2.22 cpu	2017/12/31	1.37 cpu
2018/09/30	2.14 cpu	2017/10/27	0.63 cpu
2018/06/30	2.11 cpu	2017/09/30	2.19 cpu

Administered by

As of 2019/05/31

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 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 yield is calculated as the latest distribution divided by the average 3-month unit price, 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 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
(FSP) License No. 46189

Physical Address: 2 Merchant Place, Cnr Rivonia and Fredman Drive, Sandton, 2196

Postal Address: 2 Merchant Place, Cnr Rivonia and Fredman Drive, Sandton, 2196

Tel: +27 (21) 446 9410

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

As of 2019/05/31

Granate SCI Multi Inc - Fund Commentary

Quarterly Commentary (31/03/2019)

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.

Economic overview

Economic growth in most regions is expected to have peaked, and consensus forecasts are for a mild slowdown. However, leading market indicators have started pointing to an increasing risk of a slowdown and possibly a US recession this year with other large economies also slowing down. Global inflation appears to be at cyclical highs which are well below longer term averages and recent inflation data releases have, on aggregate, surprised on the downside together resulting in major central banks slowing the pace of monetary tightening and communicating a more dovish message.

Domestic economic growth in 4Q18 (released in March) slowed to 1.4% q/q seasonally adjusted annualized rate (saar) from 2.6% in 3Q18 to register a full year expansion of 0.8% (1.4% in 2017). The mining sector remained the biggest detractor in the quarter and for the year while Gross Fixed Capital Formation (Investment) fell for a fourth consecutive quarter. Available data for 1Q19 continues to point to softness in the local economy as the mining and manufacturing sectors remain weak and car sales decline. Leading indicators such as the PMI's and business confidence are depressed. Electricity outages now pose a very significant risk to the economic growth outlook and growth for 2019 can easily be shaved by 0.5% resulting in 2019 failing to beat the weak growth registered in 2018.

The Monetary Policy Committee (MPC) of the Reserve Bank met twice during the 1st quarter kept the repo rate unchanged at 6.75% - a unanimous decision in both meetings. The decision March decision was accompanied by the most dovish statement delivered by the MPC in a while, saying that "The overall risks to the inflation outlook are assessed to be more or less evenly balanced" – the first time in 6 meetings that it does not consider the risk to be on the upside.

Both core inflation and growth forecasts were revised downwards for the next three years and inflation expectations (measured by the BER) fell meaningfully, albeit remaining above the middle of the inflation target of 4.5% - something that the SARB is determined to achieve. The downward revision to the SARB's growth forecast was the result of the "bigger than expected slowdown in the global economy, declines in business confidence, potential supply side disruptions from load shedding and growing pressure on household disposable income". We consider it unlikely that the SARB's growth forecast of 1.3% for 2019 will be achieved.

The MPC considers the current policy stance to be accommodative and the SARB's Quarterly Projection Model (QPM) is forecasting 1 rate hike in 2019. It is difficult to see the need for further monetary tightening given the weak performance of the economy. However, given the SARB's determination to get inflation expectations down to 4.5% we believe that a rate cut is very unlikely in 2019.

Market overview

After a shaky end to 2018 financial markets recovered in the 1st quarter of 2019 with all major asset classes recording a positive return.

Locally, equities outperformed all other domestic asset classes followed by bonds which returned an inflation beating return of 3.8% as foreign investors turned net buyers in the quarter - the first in 4. The bond market (ALBI) ended the quarter 22 basis points lower than where it started led by the medium dated maturities of the index which were the biggest beneficiary of lower inflation. Yields on longer dated maturities also fell, but to a lesser extent as investors remain concerned by the deteriorating fiscal outlook which has means that Government borrowing will increase. Yields on shorter dated maturities also lagged the decline of medium maturities as it has become evident that National Treasury will slow the pace of switch auctions which will reduce speculative demand for the shorter end of the yield curve.

Inflation-linked bonds also remained out of favor underperforming all other domestic asset classes in the quarter. For the 12 months to the end of March the asset class lost 3.1% – the largest loss since ILB's were first issued in 1999. The asset class that is supposed to protect investors from rising inflation continues to destroy value, investors in this asset class now losing approximately 7.2% in real terms over the last 12 months. Looking forward, an upward leg in the inflation cycle does make the asset class more attractive, but the demand for inflation protection will remain subdued. We expect increasing demand for ILB's during April as the inflation carry becomes attractive from May.

The listed property sector managed to break its 4-quarter streak of negative returns and outperformed ILB's in the quarter to avoid the wooden spoon but remains a significant underperformer. While property yields are seemingly at attractive levels, oversupply and weak domestic growth pose further risk to the sector as its ability to meet revenue growth projections remains high.

Portfolio Activity

The Multi Income fund outperformed the Stefi index for the quarter with a return of 2.38%, with the highest duration position during the quarter being around 1, and ending the quarter at a duration of 0.8. The fund remained true to its objectives of keeping duration below 2 at all times and focusing mainly on yield enhancement. As we saw bonds moving into more expensive territory we cut our duration position in the form of a swap overlay.

Credit spreads continued to narrow during the quarter and we are finding limited value in the credit market and we have shortened our credit duration position considerably. As credit has been rolling off we have been investing in 1 year NCDs which are offering very good value, especially when compared to longer dated NCDs. We will not be reinvesting extensively until we see better value in the credit market. The fund is positioned in high quality credit with the banking sector and insurance sector still being our largest weight.

Listed property has continued to underperform and we maintain a very low weighting to this asset class. We have also reduced exposure to inflation linkers as we are not overly concerned with a material increase in inflation and are getting more attractive real yields from nominal bonds, however it appears that inflation linkers are now offering better value than they have in the past.

Portfolio Positioning

With credit spreads having narrowed and looking more expensive, we are not finding value in the credit market. There are many corporate bond issuers that are facing enormous pressure in this very low growth environment as we have seen a number of very disappointing financial results coming through, with a number of issuers facing liquidity and solvency pressures. We do not see ourselves increasing our allocation to credit in this environment but will rather manage the duration of these instruments lower as we believe credit spreads will ultimately widen. The NCD curve remains extremely flat and we continue to find value in 1 year NCDs which are now offering well in excess of 3% on a real yield basis. Inflation linkers are also looking attractive against nominals, particularly in the short end of the curve. We will be looking for opportunities to increase the inflation linked exposure in the fund without compromising on liquidity. Our property exposure will remain low until we see the fundamentals or the growth outlook for this sector improve.

In an environment where corporate defaults and restructurings are becoming more frequent, we feel very comfortable with the fund being defensively positioned. Although it is tough to optimise yield with credit spreads continuing to narrow, we would rather be cautious on our level of credit exposure than experience negative drawdowns in the fund due to corporate stress. Money market paper appears to be offering better value relative to other asset classes and we will start to add inflation linkers to the portfolio as we have more conviction that inflation has bottomed.

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.