



As of 30/09/2020

Fund objective and strategy

This is a domestic income portfolio that aims to provide consistent positive returns and minimal volatility. Its objective is to outperform money market and traditional income portfolios over the medium to longer term.

The fund invests mainly in fixed income and credit markets, including in instruments such as money market securities, bonds, unlisted loans and inflation-linked bonds. It strategically allocates to these various instruments based on current valuations, seeking to enhance the yield of the portfolio while compensating as far as possible for the underlying risk. Within legal limits and in line with its objective, it may also invest in other securities such as listed property and preference shares.

Given that the fund aims to deliver consistent positive returns, it is designed to be less volatile than traditional bond funds, with significantly fewer negative monthly returns. It employs very moderate duration strategies.

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

Fund information

Ticker	RSMIB
Yield (%)	5.91
Portfolio manager	Bronwyn Blood
ASISA fund classification	South African - Multi Asset - Income
Risk profile	Conservative
Benchmark	STeFI Composite Index + 1%
Fund size	R 665,070,863
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	0.58
Total expense ratio (TER)	0.62
Transaction cost (TC)	—
Total investment charge (TIC)	0.62
TER measurement period	01 July 2017 - 30 June 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 Multi Income Fund transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 28 October 2017.

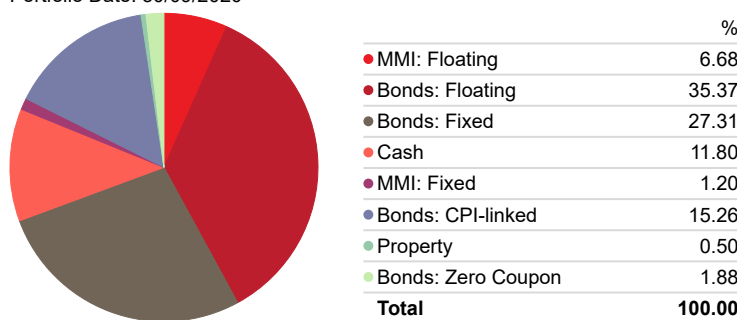
**Granate does not provide financial advice. Advice fees are agreed between the investor and financial adviser.

MDD Issue Date: 16/10/2020

Top ten holdings	% of portfolio
Portfolio Date	30/09/2020
Eskom ES26	5.87
Granate Money Market CIS	3.77
Investec Call	3.50
R186 Government Bond	3.33
R2023 Government Bond	3.25
Firststrand FRN 310328	3.20
R186 Asset Swap	3.03
RMB FRN 181126	3.03
Nedbank FRN 220921	2.35
R2030 Asset Swap	2.26

Asset allocation

Portfolio Date: 30/09/2020



Annualised performance (%)

	Fund	Benchmark
1 year	8.39	7.20
3 years	8.75	7.93
Since inception	9.17	8.15

Cumulative performance (%)

	Fund	Benchmark
1 year	8.39	7.20
3 years	28.62	25.74
Since inception	48.42	42.25

Highest and lowest calendar-year returns

Time Period: Since Inception to 31/12/2019

Highest annual %	9.90
Lowest annual %	8.35

Monthly returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	0.76	0.57	-1.14	1.43	1.70	0.48	0.67	0.93	0.76				6.31
2019	1.09	0.64	0.71	0.91	0.75	0.80	0.66	0.83	0.68	0.57	0.61	0.77	9.41
2018	0.59	0.71	0.92	0.71	0.41	0.39	1.00	0.35	0.62	0.58	1.11	0.67	8.35
2017	0.83	0.72	0.73	0.87	0.97	0.68	0.98	0.90	0.77	0.51	0.48	1.06	9.90
2016	—	—	—	0.72	0.73	0.79	0.86	0.72	0.79	0.82	0.76	0.76	—

Distribution history (cents per unit)

30/09/2020	1.49 cpu	30/09/2019	2.10 cpu
30/06/2020	1.64 cpu	30/06/2019	2.23 cpu
31/03/2020	1.84 cpu	31/03/2019	2.07 cpu
31/12/2019	1.95 cpu	31/12/2018	2.22 cpu

Administered by



As of 30/09/2020

Risk statistics (3-year rolling)

Standard deviation	1.45
Sharpe ratio	1.17
Information ratio	0.51
Maximum drawdown	-1.14

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: Conservative

This fund is suitable for investors who seek stable income flows and are aiming to keep their capital intact. It is highly unlikely to experience negative returns but will also not experience excessive returns on the upside.

The main investment risks are credit risk, interest rate risk and liquidity risk. To mitigate these, the portfolio is largely exposed to high-quality corporates and banks with low interest rate risk, and is diversified across the income-oriented asset classes.

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 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 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 and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 266.

Investment manager information

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Note: Fund commentaries are updated quarterly.

Portfolio manager quarterly comment - 30/09/2020

Market comment

Happy (or mad) Hatters

"Now I've been smiling lately, thinkin' about the good things to come..." Peace Train, Cat Stevens

Granate has turned out somewhat unconventional. We named our business after half a fruit. The pomegranate is a very special fruit, with deep symbolism and an ability to flourish in both conducive and trying conditions. Unfortunately, 'Pomegranate Asset Management' doesn't quite have the same ring to it as major corporate fruit names like 'Apple' and 'Orange'. We had to drop a couple of syllables.

We are based in an old water-powered mill with dungeons, very thick walls, warm wood panelling and antique cast-iron windows. Our 'Key Performance Indicators' are very simple: a shared purpose and a relentless commitment to our values. We have channels in Microsoft Teams called 'Granate Gives Back', 'The Happiness Channel' and 'The Dumbest Things' (a channel dedicated to our collective mistakes). We have a book club. We *don't* have a chief investment officer, because we believe it's the most sensible voice that should be the heaviest, not the most senior. We are the Granateam and call ourselves Granatians. By building an asset manager according to our convictions, with limited regard for convention, we have turned out a bit different (maybe even weird?).

The eccentricities all bring joy, but the greatest contributor to our happiness is our internal diversity: diversity of gender, backgrounds, religions, schools, qualifications, senses of humour, passions, and mother tongues. Bronwyn is a singer, Catherine is a runner, Alex is an ex-game ranger, Phila is an artist, Dalya is a pianist, Tyron is a baker, Vivian is a chef and our intern, Nkosinathi, has his song listed on iTunes. There are many more talents that conventional corporates might regard as hobbies. We embrace and integrate these talents into the Granateam, as we are convinced that happiness happens when your 'private life' and your 'professional life' become somewhat indiscernible. This is also hugely beneficial to our clients. There are many passionate angles to our debates, and every angle reduces the odds of mistakes.

This results in a collective open-mindedness, which is important to ensure that our portfolios change when the facts change and could result in our portfolios looking very different from our peers. Having portfolios that deviate from peers is certainly not by design, but more a case of 'different vines making different wines'.

Examples of how our open-minded culture manifests in our portfolios

Our portfolios change as the facts change:

Let's consider the evolution of the Granate SCI Money Market Fund over the last 12 months. At the end of September last year, 54% of the fund was invested in bank floating-rate notes, which offered attractive real returns. As the money market yield curve steepened, longer fixed-rate instruments became more compelling and we moved about a third of the fund from floating to fixed-rate paper. To date, the drastic repositioning of the fund has served clients well, as we locked in rates that are now long gone after multiple recent repo rate cuts.

The Granate SCI Multi Income Fund looked quite different to most of our peers going into the crisis. We had been reducing credit duration for the prior 18 months, as we were not finding value in credit assets. This resulted in significant cash holdings. We were therefore in a position to start taking advantage of the large sell-off in government bonds in March, thus increasing duration in the fund. We continue to see little value in floating-rate credit, as interest rates are at all-time lows. We believe that short-dated real rates will not produce inflation-beating returns for a while, given the subdued growth and inflation environment that will feed into Monetary Policy Committee determinations. We are finding opportunities in fixed-rate government bonds in the seven to fifteen-year maturity bucket (the 'belly of the curve') and in short-dated inflation-linked bonds.

Our equity-centric funds (the Granate SCI Balanced Fund and Granate SCI Flexible Fund) are currently somewhat different to many peers:

In the equity market, the low share prices of South African companies – even those with long records of profit growth – indicate scepticism about an economic recovery. These include South African companies with long track records of consistent profit growth. Having these companies rather than JSE-listed offshore companies among our largest positions is a deviation from many peer portfolios. If well-run companies like Mr Price, Capitec Bank, Hudaco, Nedbank and Italtile are not worth far more than their current share prices, the future for South Africa must be very grim. We do not see evidence to hold such an extreme negative view. Bad news is often over-indexed, and in South Africa we believe there has been extreme over-indexing. However, we are starting to see glimmers of public optimism.

We do believe in global diversification, given the massive opportunity set with very different growth drivers to the local market. 30% of our equity-centric funds are allocated to offshore companies, all of which have capable management teams and compelling economics. A number of these companies are in rapidly growing industries, like semiconductors and Asian insurance. Many of these names may not be well known and might not appear in many other domestic portfolios.

Is it of concern that our portfolios could end up performing very differently to most

other domestic unit trusts?

We are personally very heavily invested in our funds and obsess about every position's long-term prospects, with no interest in short-term performance relative to peers. We will openly acknowledge that there are some domestic portfolio managers with accomplished records of generating good returns, and we consider how they are positioned for yet another angle to our debates. In investments, you need to make peace with the fact that you will be wrong from time to time – perhaps even very wrong – but you also need to have the courage of your conviction. Dealing with this dichotomy is where team dynamics become crucial. We believe courage is a double-edged sword: very dangerous in the hands of the hasty, but powerful in the hands of a diverse but tightly woven team. Our team can stomach performance that deviates from peers. Anybody who would like to join us on our deviating journey will need to be able to stomach the answer to the following question:

What is the hardest part of long-term investing?

Waiting a long time.

A share or bond price reflects current sentiment, with little regard for the economics of the individual company or issuer. This means you need to believe in the businesses or issuers rather than the prices. This is far easier said than done, as prices can significantly deviate from a 'rational value' for sustained periods of time. However, when sentiment improves, prices improve. The market again remembers its darlings and starts chasing their prices higher. We try to be ahead of this chase by not forgetting our darlings, even if we must wait a very long time. You need to decide if you can wait with us. The reward can be big, but waiting a long time is not always easy.

"We are all a little weird and life's a little weird, and when we find someone whose weirdness is compatible with ours, we join up with them and fall in mutual weirdness and call it love."

Dr. Suess

Portfolio manager

Bronwyn Blood

Prior to joining Granate in December 2015, Bronwyn was the Portfolio Manager of the Flexible Fixed Interest funds and the flagship Absolute Yield Fund at Cadiz Asset Management. She took over the management of the Flexible Fixed Interest funds when Cadiz bought African Harvest in 2006 and managed the Absolute Yield Fund from 2007. Bronwyn holds a BCom Honours degree from the University of Natal.