Granate SCI* Multi Income Fund Class B

Collective Investment Scheme Minimum Disclosure Document

As of 2018/10/31

GRANATE ASSET MANAGEMENT | Part of RMI Investment Managers

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
12 Month Yield	7.57%
Portfolio Manager	Bronwyn Blood
ASISA Fund Classification	South African - Multi Asset - Income
Risk Profile	Conservative
Benchmark	STeFI Composite Index + 1%
Fund Size	R 183 593 865
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 - 30 June 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.

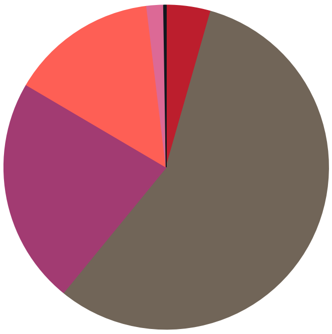
MDD Issue Date:	2018/11/14

Top Ten Holdings

Top Ten Holdings	% of Portfolio
Portfolio Date	**2018/09/30**
RSA Bond R186 211226	9.91
Investec 130319	5.80
Standard Bank 121222	4.05
Anglo American 220319	3.23
Nedbank FRN 220921	3.10
Santam FRN 270622	3.05
Investec 121218	2.97
Absa FRN 170322	2.87
Standard Bank FRN 121120	2.83
Old Mutual FRN 301124	2.83

Asset Allocation

Portfolio Date: 2018/09/30



	%
Call Money	4.42
FRN Bond	56.49
Fixed Bond	22.57
NCD: MM	14.60
Property	1.67
ILB	0.25
Total	**100.00**

Annualised Performance (%)

	Fund	Benchmark
1 Year	8.10	8.32
Since Inception	9.15	8.52

Cumulative Performance (%)

	Fund	Benchmark
1 Year	8.10	8.32
Since Inception	25.37	23.51

Highest and Lowest Calendar Year Returns

Time Period: Since Inception to 2017/12/31

Highest Annual %	9.90
Lowest Annual %	9.90

Risk Statistics (3 Year Rolling)

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

Distribution History (Cents Per Unit)

2018/09/30	2.14 cpu	2017/10/27	0.63 cpu
2018/06/30	2.11 cpu	2017/09/30	2.19 cpu
2018/03/31	2.03 cpu	2017/06/30	2.09 cpu
2017/12/31	1.37 cpu	2017/03/31	2.42 cpu

Administered by

Sanlam

Granate SCI* Multi Income Fund Class B

Collective Investment Scheme Minimum Disclosure Document

As of 2018/10/31

GRANATE ASSET MANAGEMENT

Part of RMI Investment Managers

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 buyunits. 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 ofprofessional 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

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

Administered by

Sanlam

Granate SCI* Multi Income Fund Class B

Collective Investment Scheme Minimum Disclosure Document

As of 2018/10/31

GRANATE ASSET MANAGEMENT

Part of RMI Investment Managers

Granate SCI Multi Inc - Fund Commentary

Quarterly Commentary (30/09/2018)

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 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 0f 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

The Multi Income fund outperformed the bond market and the Stefi index for the quarter with a return of 1.71%, although due to the fund's duration position being slightly above neutral at 1.15, suffered marginally with the continual uptick of bond market yields. We continued to see value in bonds and increased our duration position to almost 1.3 during the quarter. We still favour fixed rate bonds over floating rate bonds and believe that the bond market is pricing in significant fiscal risk. On a real yield basis, longer dated fixed rate bonds are offering real yields in excess of 4%. The challenge is to not introduce too much interest rate risk into the fund whilst taking advantage of the steepness in the yield curve to keep the yield in the fund high.

With credit spreads continuing to narrow we are finding limited value in the credit market and are very much in favour of shortening our credit duration position. We will not be reinvesting extensively until we see better value in the credit market. On a risk adjusted basis we see better value in government bonds. The fund is positioned mainly in high quality credit with the banking sector still being our largest weight.

Listed property has continued to underperform and we reduced our exposure from 2.3% to 1.6% in the quarter. 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.

Portfolio positioning

With credit spreads having narrowed and looking more expensive, we are now actively looking for ways to enhance yield in the fund, besides reinvesting in credit. We have increased our government bond exposure in the form of the R186 and are looking at various structuring opportunities to keep the fixed rate exposure and our current duration position while enhancing the yield on these exposures to over 10%. Due to the volatility in the bond market and the steepness of the curve, we are also seeing value in embedding options into notes which enable an enhanced yield above a vanilla credit spread. We are extremely cautious in the credit market as we are seeing most primary auctions clearing below guidance and not pricing in the credit risks appropriately. This has extended into the secondary market as many corporate bonds, particularly in the banking sector, have repriced and are looking expensive.
We will also remain cautious on the property sector and on a risk adjusted basis now do not believe that the sector is offering value. This is due to the fact that growth prospects for distributable income are extremely poor and are consistently being revised downwards. We are unlikely to upweight our property exposure, unless particular quality stocks have derated significantly. Inflation linked exposure in the fund will remain low in the fund as long as we believe nominals are compensating us more for inflation.

We will continue to keep the yield in the fund high while diversifying across different sectors and risk categories and being mindful of interest rate risk.

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.

Administered by

Sanlam