



As of 30/04/2021

**Fund objective and strategy**

This is an 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 (%)	5.52
Portfolio manager	Bronwyn Blood
ASISA fund classification	South African - Multi Asset - Income
Risk profile	Conservative
Benchmark	STeFI Composite Index + 1%
Fund size	R 1,456,035,133
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 & 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	0.58
Total expense ratio (TER)	0.62
Transaction cost (TC)	—
Total investment charge (TIC)	0.62
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 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.

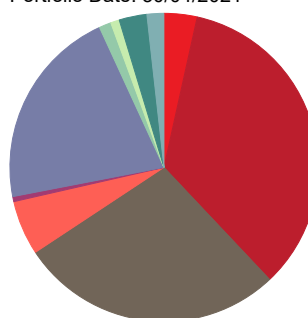
MDD Issue Date: 19/05/2021

**Top ten holdings**

Portfolio Date	% of portfolio
30/04/2021	
Eskom ES26	4.76
R2023 Government Bond	3.66
Investec Call	3.40
Nedbank NBK21A	3.18
Firststrand ILB 310125	2.76
R210 Government Bond	2.66
Firststrand ILB 310328	2.57
Nedbank NGT103	2.44
R2030 Government Bond	2.33
Nedbank SBT101	2.20

**Asset allocation**

Portfolio Date: 30/04/2021



	%
MMI: Floating	3.47
Bonds: Floating	34.50
Bonds: Fixed	27.74
Cash	5.72
MMI: Fixed	0.53
Bonds: CPI-linked	21.17
Property	1.26
Bonds: Zero Coupon	0.92
MMI: Treasury Bills	2.92
Other CIS: Money Market	1.76
Swap: Interest	0.01
<b>Total</b>	<b>100.00</b>

**Annualised performance (%)**

	Fund	Benchmark
1 year	9.90	5.34
3 years	8.74	7.24
5 Years	9.13	7.75
Since inception	9.13	7.75

**Cumulative performance (%)**

	Fund	Benchmark
1 year	9.90	5.34
3 years	28.58	23.34
5 Years	54.80	45.22
Since inception	55.92	46.17

**Highest and lowest calendar-year returns**

Time Period: Since Inception to 31/12/2020

Highest annual %	9.90
Lowest annual %	8.35

**Monthly returns**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2021	0.67	0.04	0.15	1.28									2.14
2020	0.76	0.57	-1.14	1.43	1.70	0.48	0.67	0.93	0.76	0.84	0.91	1.07	9.33
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)**

31/03/2021	1.41 cpu	31/03/2020	1.84 cpu
31/12/2020	1.46 cpu	31/12/2019	1.95 cpu
30/09/2020	1.49 cpu	30/09/2019	2.10 cpu
30/06/2020	1.64 cpu	30/06/2019	2.23 cpu

Administered by





As of 30/04/2021

### Risk statistics (3-year rolling)

Standard deviation	1.56
Sharpe ratio	1.50
Information ratio	0.86
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](http://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 licence no. 46189  
Physical address: 2<sup>nd</sup> Floor, Josephine Mill  
13 Boundary Road, Newlands, Cape Town, 7700  
Tel: +27 (21) 276 3450  
Email: [info@granate.co.za](mailto:info@granate.co.za)  
Website: [www.granate.co.za](http://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](mailto:service@sanlaminvestments.com)  
Website: [www.sanlamunittrusts.co.za](http://www.sanlamunittrusts.co.za)

#### Trustee information

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



*Note: Fund commentaries are updated quarterly.*

### Portfolio manager quarterly comment - 31/03/2021

#### Market comment

#### **They grow up so fast Our income funds turn five**

#### **There are surprisingly many parallels between investing and parenting**

It can be tough being a parent – as every parent will tell you. You must often make hard decisions. You want to nurture your children while also making sure they can thrive and succeed. At times, it's an emotional rollercoaster. But the rewards far outweigh the difficulties. I am a mother of two wonderful teenage daughters, and it's hard to imagine what life would be like without them.

Although investing is supposed to be purely objective, I cannot help but liken the experience of raising and managing a fund to raising children. As a fund manager, you want to make sure your fund grows, thrives and succeeds for your clients. Everyone says you shouldn't get emotional. That you can't control the markets. But it's hard *not* to get emotional about something you are so passionate about.

#### **This month marks a special milestone in the life of Granate**

The Granate SCI Multi Income Fund and Granate SCI Money Market Fund turned five years old. The years were filled with many challenges (and many celebrations), and time flew by. They grow up so fast. So please bear with me as we flick through the photo album of their lives.

On 1 April 2016, with a small amount of cash from our sole shareholder at the time, RMI Investment Managers, we entered the market and our income funds were born. On this same day, former president Jacob Zuma apologised to the nation for breaching the constitution. Still visible in our rear-view mirror, the baton for Finance Minister had been recklessly passed around and we breathed a sigh of relief that we had managed to escape managing fixed income funds during this time.

#### **It was the best of times, it was the worst of times**

However, the outlook for the economy was far from rosy. South Africa's fiscal concerns were firmly in the spotlight and avenues for growth were looking narrow and rocky. The IMF pulled back its growth estimates and everyone was talking about inevitable ratings downgrades. Our currency was just off its lowest level ever against the US dollar.

Still, it was a good time to launch an income fund. The repo rate was at 7%, real (above-inflation) yields were high and corporate credit markets were offering good returns to entice investors who had the remnants of recent corporate failures lingering in their minds. When corporate bonds offer rates that are high above prevailing interest rates, they're ideal for an income fund, as they provide a higher level of income than cash, bank deposits or government bonds. They also generally offer low volatility and consistent, positive returns. Five years ago, there was enough high-quality credit at attractive rates for us to diversify the funds appropriately and achieve high overall real yields at very low risk.

#### **My heartfelt gratitude to our early investors**

The months passed and our funds started to build decent – albeit very short – track records. By 2017, some of our earliest supporters had started to invest with us. We were doing what we are most passionate about: managing portfolios for the benefit of our clients. We just had very few clients.

Around this time we also shared a low that many parents will recognise when their child doesn't qualify for a sports team or isn't invited to the party. Equity investors had grown disenchanted by returns that had failed to compare to those enjoyed post the global financial crisis, with the JSE having lagged many fixed income funds. Consider that from mid-2014 to mid-2017, the FTSE/JSE ALSI returned below 5% on an annualised basis – a negative real yield. In contrast, the attractive real yields being offered by income funds were increasingly drawing attention. However, while our performance was good, our funds were still the largely ignored new kids on the block. It was tough, but we accepted that we still had some growing up to do.

#### **The market was changing along with our business**

To ensure the sustainability of our business, it was also time to take the kind of tough decision parents only know too well: one that may feel uncomfortable at the time but that you know is right for your child in the long term. And so, Granate underwent some big changes. New team members joined, and old and dear colleagues left. The staff took over majority ownership of the business and I had more people to call my fellow Granatians. We moved home from a modern steel and glass high-rise in the Cape Town foreshore to a historic water mill with uneven wooden floors in the southern suburbs. In February 2020, we launched the Granate SCI Balanced Fund and Granate SCI Flexible Fund, and our little fund family grew.

While demand for income funds had increased, the rates on offer from corporate bonds had fallen – to such an extent that government bonds (which are in theory 'risk free') were offering higher rates. It was clear that the market was taking a dim view of South Africa's fiscal situation. To us, the bad news seemed over indexed, resulting in an anomaly. We started to reduce credit exposures to take advantage of the rising opportunity government bonds were offering. We also started to reduce our already small property weightings, as we believed that the soaring debt levels and market dynamics these companies faced no longer made them appropriate for income funds.

#### **The COVID crisis and beyond**

Then, the COVID crisis hit. Government bond yields rose even further, as the market rushed to sell these instruments when there were few buyers. Our philosophy of avoiding overvalued instruments had resulted in us building up a significant cash position. We therefore capitalised on this rare opportunity and increased our exposures. We also realised how grateful we are to be small-but-big-enough, as it allows us to be nimble. Providing liquidity in an illiquid market often has very good results for clients.

Flicking the pages forward to today, government bonds have sold off significantly once again. This time, it was due to signs of an improving US economy and fears that this may bring inflation. We believe that the inflation outlook in South Africa remains contained and that the market is pricing in more risk than is warranted. We are therefore comfortable to continue harvesting returns from the steepness of the yield curve, so that our clients can benefit from the attractive rates on offer.

#### **A birthday wish fulfilled**

Raising a family and managing people's savings are both relentless and wonderful long-term pursuits. I'm exceedingly proud of being a parent to two wonderful daughters and I'm in a fortunate position to say that I'm very proud of the funds I manage, the people I get to call our clients and the business I am a part of. We are, after all, just people doing the best for our families and the communities we serve. I look forward to serving our clients and my Granate colleagues for many more birthdays ahead.

Happy 5<sup>th</sup> birthday!

#### **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.