Granate SCI* Money Market Fund Class B

Collective Investment Scheme Minimum Disclosure Document (MDD)

As of 30/04/2020

GRANATE
ASSET MANAGEMENT

Fund objective and strategy

The fund aims to give investors access to a diversified portfolio of money market instruments that are usually unavailable to retail investors, or available at a lower yield. It may, within legal limits, also invest in listed and unlisted derivatives. Its objective is to provide a high level of current income while preserving capital and maintaining liquidity. Capital gains will be incidental.

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

Portfolio limits and constraints

Exposure limits are as per the Association for Savings and Investment South Africa's (ASISA's) fund classification structure applicable to South African - Interest Bearing - Money Market portfolios. The portfolio can therefore invest in money market instruments with a maturity limit of less than 13 months, and the average duration of the underlying assets may not exceed 90 days and a weighted average legal maturity of 120 days.

Fund information

Ticker	RSMMB
Yield (%)	6.80
Portfolio manager	Vaneshen Naidoo
ASISA fund classification	South African - Interest Bearing - Money Market
Risk profile	Ultraconservative
Benchmark	STeFI Composite Index
Fund size	R 147,173,944
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 date	Monthly
Income pricing date	1st business day of the following month
Portfolio valuation time	14:00
Transaction cut-off time	13:00
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	0.28
Total expense ratio (TER)	0.31
Transaction cost (TC)	—
Total investment charge (TIC)	0.31
TER measurement period	01 January 2017 - 31 December 2019

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 Money Market 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.

Specific risks

Money market funds are not bank accounts and there are specific risks investors should be aware of. These are interest rate risk, credit risk and liquidity risk. In the Granate SCI Money Market Fund, interest rates risk (the potential for investment losses from unexpected changes in interest rates) is typically influenced by interest rate expectations and is controlled by deciding on the aggregate term of the instruments the fund holds. Credit risk (the risk of a loss due to a borrower failing to make its required payments) is managed by imposing a minimum credit quality requirement for any asset the fund invests in, and there are typically higher exposures to issuers that are subject to additional oversight. Proprietary credit research is a very important part of the investment process. Finally, liquidity profiles of the fund's underlying investments (how quickly they can be converted into cash) are considered to ensure that it can meet its daily obligations. While capital losses are unlikely, they can occur. An example would be if an issuer of an instrument held by the fund defaults. Such losses will be borne by the portfolio and its investors.

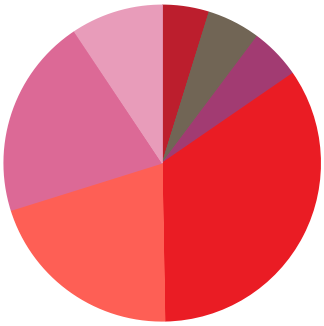
MDD Issue Date: 19/05/2020

Top ten holdings

Top ten holdings	% of portfolio
Portfolio Date	**31/03/2020**
NED SRN 060420	10.31
SBK FRN 140121	8.23
NED SRN 150620	6.77
RSA T-Bill 010720	3.98
NED SRN 150620	3.39
China Construction Bank Call	2.76
Thekwini Conduit	2.73
RSA T-Bill 200520	2.67
RSA T-Bill 270520	2.67
Absa Call	2.44

Asset allocation

Portfolio Date: 31/03/2020



	%
Bonds: Fixed	4.78
Bonds: Floating	5.44
Cash	5.18
MMI: Fixed	34.32
MMI: Floating	20.45
MMI: Stepped	20.47
RSA T-Bills	9.36
Total	**100.00**

Annualised performance (%)

	Fund	Benchmark
1 year	7.43	7.14
3 years	7.63	7.28
Since inception	7.72	7.35

Cumulative performance (%)

	Fund	Benchmark
1 year	7.43	7.14
3 years	24.68	23.47
Since inception	35.48	33.61

Highest and lowest calendar-year returns

Time Period: Since Inception to 31/12/2019

Highest annual %	7.98
Lowest annual %	7.59

Risk statistics (3-year rolling)

Standard deviation	0.09
Sharpe ratio	9.37
Information ratio	9.32
Maximum drawdown	—

Distribution history (cents per unit)

30/04/2020	0.55 cpu	31/10/2019	0.60 cpu
31/03/2020	0.59 cpu	30/09/2019	0.59 cpu
29/02/2020	0.55 cpu	31/08/2019	0.61 cpu
31/01/2020	0.59 cpu	31/07/2019	0.63 cpu
31/12/2019	0.59 cpu	30/06/2019	0.62 cpu
30/11/2019	0.58 cpu	31/05/2019	0.63 cpu

Administered by

Sanlam

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Risk profile: Ultraconservative

The fund is suitable for investors with an extremely low risk tolerance. It has a short timeframe for investment and is designed for minimum capital fluctuations and volatility. Capital protection is of prime importance.

As such, there are no growth assets in the fund, and it is a cash-based investment. It aims to yield returns that are higher than bank deposits and typically higher than inflation.

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.

Additional information

Investment manager information
Granate Asset Management (Pty) Ltd
FSP licence 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
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Portfolio manager quarterly comment - 31/03/2020

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.

Portfolio activity and positioning
The money market curve followed the repo rate lower, with money market rates falling by more than 100 basis points at quarter end. Throughout the quarter we continued taking advantage of a steep money market curve by investing into one-year bank paper at elevated levels. This trade was favourable for the fund, as the market had not anticipated that the SARB would cut the repo rate by as much as it did.

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.

We believe that there is a high probability that the SARB may cut the repo rate significantly in the coming months. This will ultimately depend on the extent of the recession that South Africa is likely to experience, and the policy rates that the SARB deems necessary. It is important to bear in mind that South Africa's saving shortage requires high real policy rates to attract investors. We will therefore continue to invest into longer-term money market bank paper as opportunities present themselves, albeit at lower rates than offered in the previous quarter.

The money market portfolio maintains a high level of liquidity through call deposits and bank paper. With strong capital buffers, relatively liquid balance sheets, strong risk mitigations in place and a supportive SARB, we think that banks are in a strong position to withstand this crisis.

Portfolio manager
Vaneshen Naidoo
CFA ®, M.Sc. (Engineering) (UCT), BSc. Hons (Engineering) (UCT)

Vaneshen joined Granate in December 2015 and manages our money market and cash portfolios. Prior to Granate, he worked at Cadiz Asset Management, which he joined as a graduate in 2006. He was later responsible for analysing the credit and property sectors for the fixed interest and multi-asset teams. Vaneshen holds a M.Sc. in Engineering from the University of Cape Town and is a CFA Charterholder.