



As of 30/06/2020

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 (%)	5.81
Portfolio manager	Vaneshen Naidoo
ASISA fund classification	South African - Interest Bearing - Money Market
Risk profile	Ultraconservative
Benchmark	STeFI Composite Index
Fund size	R 135,223,922
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	0.29
Total expense ratio (TER)	0.31
Transaction cost (TC)	—
Total investment charge (TIC)	0.31
TER measurement period	01 April 2017 - 31 March 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 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

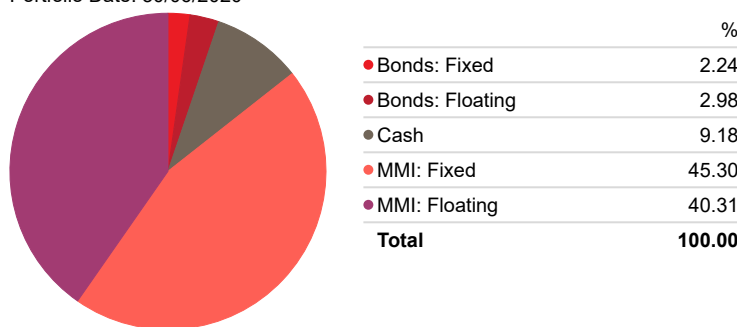
Money market funds are not bank accounts and there are specific risks investors should be aware of. These are interest rate risk, credit risk and liquidity risk. In the Granate SCI Money Market Fund, interest rates risk (the potential for investment losses from unexpected changes in interest rates) is 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: 16/07/2020

Top ten holdings	% of portfolio
Portfolio Date	30/06/2020
SBK FRN 140121	9.00
NED SRN 150920	7.41
RSA T-Bill 010720	4.44
Ned SRN 060720	3.76
Ned SRN 060720	3.76
Ned SRN 060720	3.76
Ned FRN 150920	3.71
RMB Call	3.38
Investec Call	3.05
Investec Fixed 020720	2.39

Asset allocation

Portfolio Date: 30/06/2020



Annualised performance (%)

	Fund	Benchmark
1 year	7.18	6.86
3 years	7.53	7.17
Since inception	7.66	7.29

Cumulative performance (%)

	Fund	Benchmark
1 year	7.18	6.86
3 years	24.32	23.10
Since inception	36.86	34.86

Highest and lowest calendar-year returns

Time Period: Since Inception to 31/12/2019	
Highest annual %	7.98
Lowest annual %	7.59

Monthly returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	0.60	0.55	0.60	0.55	0.54	0.48							3.37
2019	0.63	0.57	0.64	0.61	0.64	0.62	0.63	0.62	0.60	0.61	0.58	0.60	7.59
2018	0.62	0.56	0.63	0.61	0.63	0.60	0.61	0.62	0.60	0.62	0.61	0.63	7.59
2017	0.66	0.60	0.66	0.63	0.66	0.66	0.66	0.65	0.64	0.65	0.63	0.61	7.98
2016	—	—	—	0.54	0.70	0.66	0.66	0.67	0.65	0.64	0.62	0.65	—

Distribution history (cents per unit)

30/06/2020	0.47 cpu	31/12/2019	0.59 cpu
31/05/2020	0.54 cpu	30/11/2019	0.58 cpu
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

Administered by



As of 30/06/2020

Risk statistics (3-year rolling)

Standard deviation	0.12
Sharpe ratio	9.57
Information ratio	9.53
Maximum drawdown	—

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: 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.

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 on a 7-day rolling basis, 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 - 30/06/2020

Market comment

Global financial markets staged an impressive recovery in the second quarter of 2020. Financial markets have held up extremely well given the unprecedented nature of the economic shock experienced globally. While strict lockdowns have been relaxed in many countries, the recovery in financial markets is more attributable to the extent of the stimulus provided by central banks and governments, and not necessarily because of a rapid improvement in the underlying economies. The International Monetary Fund confirmed this view in its recent publications and indicated that this phenomenon may increase the possibility of financial conditions tightening at some point in the future.

Increased risk appetite from investors and the liquidity available found its way into emerging market assets, which boosted asset prices post the sell-off in March. South African equity and fixed income markets were included in this basket. The domestic bond market was buoyed by a lower repo rate, lower inflation forecasts, the second phase of government's policy response, and foreign investors selling local bonds at a much slower rate, despite the country exiting global indices such as the World Government Bond Index. The South African Reserve Bank (SARB) continued purchasing domestic bonds in the secondary market, in a sustained effort to support the market and prevent any further dislocations. However, it must be noted that the SARB has repeatedly emphasised that this is not a quantitative easing programme.

The SARB's Monetary Policy Committee (MPC) cut the repo rate by 150 basis points over the course of two meetings held in the quarter. The first, an emergency 100 basis point cut, was implemented in April post the extension of the lockdown, due to a large downward revision to growth forecasts. The second followed at the MPC's May meeting, at which it revised growth even lower and forecast that inflation would drop below 3% for the next six months (before normalising next year). These aggressive cuts were made mainly to relieve the struggling consumer. While further cuts are expected, they will likely be smaller. At quarter end, the forward rate agreement market was pricing in further cuts of close to 50 basis points for this year.

Portfolio activity and positioning

The money market curve continued to follow the repo rate lower, with money market rates falling by almost 200 basis points as at quarter end. Throughout the quarter we continued to take advantage of a steep money market curve by investing into one-year bank paper, albeit at rates that were lower than in the previous quarter. This is still beneficial to the money market portfolio, as call deposit rates are very low and are likely to trend lower with further repo rate cuts.

We believe that there is a high probability that the SARB will cut the repo rate in the coming months. Growth in the local economy is likely to be the worst recorded in our democratic history. In addition, inflation should remain tempered, as demand is weak and inflation pass-through from the depreciation in the rand remains low. As mentioned in previous commentaries, it is important to bear in mind that South Africa's saving shortage requires high real policy rates to attract investors. This alone puts a limit on the extent of interest rate cuts and on how long low real interest rates can be maintained.

We continue to invest into longer-term money market bank paper as opportunities present themselves. Overall, the portfolio will maintain a high level of liquidity through call deposits and bank paper. Local banks are still well capitalised and supported by the SARB, which puts them in a good position to weather this storm. The fund's income will be lower than in the previous quarter, as reinvestments and inflows are invested into lower-yielding instruments. However, it is still likely to remain above inflation in the short to medium term.

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.