Granate SCI* Money Market Fund Class B

Collective Investment Scheme Minimum Disclosure Document (MDD)

As of 31/12/2020

GRANATE ASSET MANAGEMENT

MDD Issue Date: **19/01/2021**

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 (%)	3.80
Portfolio manager	Vaneshen Naidoo
ASISA fund classification	South African - Interest Bearing - Money Market
Risk profile	Ultraconservative
Benchmark	STeFI Composite Index
Fund size	R 203,946,134
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 & www.sanlamunittrusts.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	0.29
Total expense ratio (TER)	0.31
Transaction cost (TC)	—
Total investment charge (TIC)	0.31
TER measurement period	01 October 2017 - 30 September 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

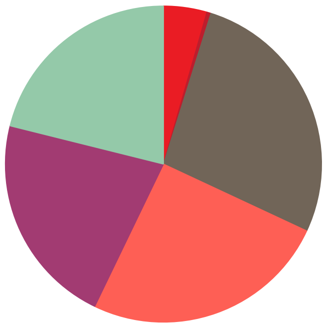
Money market funds are not bank accounts and there are specific risks investors should be aware of. These are interest rate risk, credit risk and liquidity risk. In the Granate SCI Money Market Fund, interest rates risk (the potential for investment losses from unexpected changes in interest rates) is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

Top ten holdings

Top ten holdings	% of portfolio
Portfolio Date	**31/12/2020**
CCB Call	11.00
Investec Call	10.03
Ned SRN 040121	7.43
SBK NCD 140121	5.94
Ned SRN 150321	4.91
Absa Call	3.26
RMB Call	2.66
Ned SRN 150321	2.46
SA Tbill 070421	2.43
RMB NCD 010921	1.99

Asset allocation

Portfolio Date: 31/12/2020



	%
Bonds: Fixed	4.44
Bonds: Floating	0.42
Cash	27.09
MMI: Fixed	25.21
MMI: Floating	21.73
MMI: Treasury Bills	21.11
Total	**100.00**

Annualised performance (%)

	Fund	Benchmark
1 year	5.57	5.39
3 years	6.91	6.64
Since inception	7.30	6.97

Cumulative performance (%)

	Fund	Benchmark
1 year	5.57	5.39
3 years	22.20	21.27
Since inception	39.78	37.74

Highest and lowest calendar-year returns

Time Period: Since Inception to 31/12/2020

Highest annual %	7.98
Lowest annual %	5.57

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	0.42	0.39	0.35	0.33	0.31	0.31	5.57
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)

31/12/2020	0.31 cpu	30/06/2020	0.47 cpu
30/11/2020	0.30 cpu	31/05/2020	0.54 cpu
31/10/2020	0.33 cpu	30/04/2020	0.55 cpu
30/09/2020	0.34 cpu	31/03/2020	0.59 cpu
31/08/2020	0.38 cpu	29/02/2020	0.55 cpu
31/07/2020	0.42 cpu	31/01/2020	0.59 cpu

Administered by

Sanlam

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Risk statistics (3-year rolling)

Standard deviation	0.35
Sharpe ratio	5.87
Information ratio	5.84
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

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

Standard Bank of South Africa Ltd
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Email: compliance-sanlam@standardbank.co.za

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Note: Fund commentaries are updated quarterly.

GRANATE
ASSET MANAGEMENT

Portfolio manager quarterly comment - 31/12/2020

Market comment

Hope, fear and what lies in between

"The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails." William Arthur Ward

After the rollercoaster that was 2020, we find ourselves deeply contemplating what may lie in store for 2021. In thinking through some scenarios for the year ahead, the current state of play in markets is a combination of hope and fear.

Hope has finally sprung
The dominant market theme towards the end of 2020 was the strong vaccine-inspired global economic recovery. Combined with low interest rates and increased government spending (primarily in developed markets), this inspired a boom in equities and other risk assets, a fall in the dollar, and a consequent rise in the value of emerging market currencies, including the rand.

One scenario for 2021 sees these positive economic hopes and low interest rates continue to buoy markets. We too would like this upbeat global backdrop and renewed risk appetite to continue – and to feed through to South African assets.

Fear continues to lurk
However, the start of the year has seen some fear creep into market thinking:

- <u>Continued virus fears:</u> Rising infections and resulting lockdowns are wreaking further havoc, while new strains of the virus continue to emerge.
- <u>Vaccination rollouts</u>: Economies under pressure (such as our own) are almost certain to lag in vaccinations and to suffer slower growth as the mammoth logistical task of rolling out vaccines becomes evident.
- <u>The return of inflation in a low-growth environment</u>: The Democrat stronghold in the US speaks to further US fiscal stimulus. Combined with easy monetary policy, rising commodity prices, a constrained supply side and evidence of rising supply chain prices, we could have a return to inflation.
- <u>Overexuberance</u>: Global markets are at record highs. Eventually, booming valuations will have priced everything in – and the ongoing fear is always going to be that they have run too far.

We avoid swaying with sentiment
With the pendulum swinging between hope and fear, we cannot get caught up in the emotion. Aiming to stay rational, we avoid positioning portfolios for any single outcome. Rather, we consider the probabilities of various outcomes and seek positive risk compensation from individual investments to compensate for being unable to consistently predict these outcomes accurately.

Diversification means more to us than 'more'
For us, diversification is a trade-off between time horizon, returns and risk, which we define as not delivering the returns our clients need. It is a process that doesn't necessarily result in our clients making the most money in the short term but optimises the likelihood of meeting our mandates.

The winds of investment opportunity blow in many different directions, at different speeds and at different times. If we had an investment barometer with full foresight, diversification would not be necessary. We would simply hoist the sail that harnesses the most exuberant future winds. Risk would be minimal and returns abundant. However, we have made peace with the fact that we will not be able to find such a barometer and that risk is an inescapable companion on our voyage.

So, do we hoist every single sail and build portfolios that will bob along in just about any waters? Cater for all perceivable weather conditions? Surely, the more sails we have, the lower the risk? Not necessarily. Blindly adding sails (or positions) simply for the sake of perceived risk reduction is not diversification. That's simply not trying terribly hard and is better described as a dilution of returns. In fact, given our definition, this *increases* risk.

Diversification is not a numbers game that absolves us from having conviction. It's there to manage the risks of our conviction. It's not there to protect us against bad weather for a day or a week. It's there to ensure we can express our investment philosophy and process to the benefit of our clients in the many years ahead at acceptable levels of risk. It's there to make sure the ship sails swiftly and safely in unchartered waters and that we reach our destination as planned.

Diversifying is harnessing the highest probability opportunities from a variety of different fundamental drivers. It caters for the odd squall of error or tack of misjudgement. Setting our sails in this way makes it possible to have portfolios with few instruments or fundamental exposures that are still highly diversified.

How do we take this into the waters of 2021?
The Granate SCI Money Market Fund is our boat that sails in only the safest waters. It invests in short-term, rand-denominated instruments of only the highest quality.

For those looking for a sunset cruise along the coast, the Granate SCI Multi Income Fund hoists further sails: fixed and variable interest, inflation linkers, property, corporate credit, a bit of duration and some derivatives. Currently, corporate credit and property are not catching the breeze, but we have large sails out for the fixed, variable and inflation-linked winds blowing.

Finally, our equity-centric funds (the Granate SCI Balanced Fund and Granate SCI Flexible Fund) offer longer voyages across open waters by adding further sails: local and global equities. Spending some time in the same waters as our other ships, they benefit from this knowledge as they consider what lies over the horizon. We currently have sails hoisted to capture potential winds from global opportunities (such as those in semiconductors), a rebound in some of South Africa's top businesses, and winds that may come from rand-hedged and dual-listed opportunities.

Ultimately, our funds are built to be fit for purpose, and robust enough to withstand unexpected changes in wind. We never hoist only one sail. And we will always be on the boat with you.

"Now—bring me that horizon." Captain Jack Sparrow

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.