Denker SCI* Global Dividend Feeder Fund

Minimum Disclosure Document

As of 2018/06/30

MDD Issue Date: 2018/07/26

Fund Objective

The objective of this feeder fund is to generate a growing stream of dividend income for investors through investing in equities, while at the same time pursuing moderate growth in the capital invested. The portfolio primarily invests in participatory interests of the FSB approved Sanlam Investment Management Global Equity Income Fund, a sub-fund of the Irish domiciled Sanlam Universal Funds plc. The portfolio may also hold ancillary liquid assets including cash and/or money market instruments.

Fund Strategy

The manager strives to achieve the fund objective through investing in the shares of companies that are offering relatively high dividend yields and are well established, have healthy balance sheets, generate strong cash flows and have demonstrated a commitment to paying regular dividends. This portfolio may also invest in financial instruments for the exclusive purpose of hedging exchange rate risks.

Tax Free Savings Account

This Fund qualifies as a tax free investment according to section 12T of the Income Tax Act, with effect from 1 March 2015. South African individuals qualify for the associated tax benefits namely no tax on dividends, income or capital gains whilst still enjoying all the benefits of a unit trust. Note contributions to tax free investments are limited to R33 000 per tax year, with a lifetime limit of R500 000. Amounts invested in excess of these permissible thresholds are taxable.

Fund Information

Ticker	SGEA1
Portfolio Manager	Douw Steenekamp
ASISA Fund Classification	Global - Equity - General
Risk Profile	Aggressive
Benchmark	Composite: Annualised Yield of MSCI World High Dividend Yield Index & US CPI
Fund Size	R 73 877 276
Portfolio Launch Date	2013/06/04
Fee Class Launch Date	2013/06/03
Minimum Lump Sum Investment	R 10 000
Minimum Monthly Investment	R 500
Income Declaration Date	June & December
Income Pricing Date	2nd business day of July & January
Portfolio Valuation Time	15:00
Transaction Cut Off Time	15:00
Daily Price Information	Local media
Repurchase Period	3 business days

Fees (Incl. VAT)

	A1-Class (%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	0.85
TER	1.87
TC	0.25
TIC	2.12
TER Measurement Period	01 April 2015 - 31 March 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.

*Denker Sanlam Collective Investments Global Dividiend Feeder Fund.

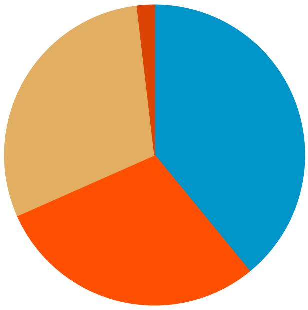
Top Ten Holdings

	(%)
Portfolio Date	**2018/06/30**
Unilever	4.93
Cisco	4.74
Royal Dutch Shell	4.56
Legal & General	4.07
British American Tobacco	3.46
IG Group	3.37
AGEAS	3.30
Glaxosmithkline	3.15
BP	3.04
Total SA	2.90

These are the top holdings of the offshore fund in which this feeder fund invests.

Asset Allocation

Portfolio Date: 2018/06/30



	%
United Kingdom	39.08
North America	29.29
Europe (Developed Markets)	29.77
Asia (Developed Markets)	1.86
Total	**100.00**

Annualised Performance (%)

	Fund	Benchmark
1 Year	5.69	7.41
3 Years	6.67	13.73
Since Inception	11.72	19.81

Cumulative Performance (%)

	Fund	Benchmark
1 Year	5.69	7.41
3 Years	21.37	47.10
Since Inception	75.66	150.62

Highest and Lowest Annual Returns

Time Period: Since Inception to 2017/12/31

Highest Annual %	41.49
Lowest Annual %	-14.12

Risk Statistics (3 Year Rolling)

Standard Deviation	16.99
Sharpe Ratio	0.05
Information Ratio	-0.27
Maximum Drawdown	-18.24

Distribution History (Cents Per Unit)

2018/06/30	15.98 cpu	2016/12/31	30.39 cpu
2017/12/31	26.10 cpu	2016/06/30	8.84 cpu
2017/06/30	15.10 cpu	2015/12/31	26.80 cpu

Administered by

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DENKER CAPITAL

Risk Profile

Aggressive
This is an aggressively managed, high-risk portfolio that aims to deliver capital growth over the long term (greater than 5 years). It is designed to substantially outperform the markets and therefore carries a long-term investment horizon (5 years and upwards). The portfolio will be diversified across all major asset classes with significant exposure to equities, and may include offshore equities. There may be some capital volatility in the short term, although higher returns may be expected from five years or beyond.

Risk Considerations

- The fund is focused on investment in global listed companies; accordingly the performance of the fund is directly linked to the performance of the global equity markets.
- Investing in international companies means the currency exchange rate fluctuations will have an impact on the fund's investment performance.
- As the SA Rand can be a volatile currency, this could lead to significant fluctuations in the rand value of this fund.

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 Growth
Capital growth is the profit made on an investment, measured by the increase in its market value over the invested amount or cost price. It is also called capital appreciation.

Debt instrument
A debt instrument (e.g. a bond) is an electronic promise to repay a debt. It is issued by a corporation or government and sold to investors. A bond is an interest-bearing debt instrument, traditionally issued by government as part of their budget funding sources, and now also issued by local authorities (municipalities), parastatals (Eskom) and companies. Bond issuers pay interest to the bondholder every 6 months. The price/ value of a bond has an inverse relationship to the prevailing interest rate, so if the interest rate goes up, the value goes down, and vice versa. Bonds generally have a lower risk than shares because the holder has the security of knowing that it will be repaid in full by government at a specific time in the future.

Distributions
The income that is generated from an investment and given to investors through monthly, quarterly, bi-annual or annual distribution pay-outs.

Dividend income
The investor's share of a company's profits, given to him or her as a part-owner of the company.

Equities
Equities are shares that represent an institution's or individual's ownership in a listed company. These shares are also the "vehicle" through which they are able to "share" in the profits made by that company. As the company grows, and the expectation of improved profits increases, the market price of the share will increase which translates into a capital gain for the shareholder. Similarly, negative sentiment about the company will result in the share price falling. Shares / equities are usually considered to have the potential for the highest return of all the investment classes but also have the highest level of risk i.e. share investments have the most volatile returns over the short term. An investment in equities should be viewed with a 7 to 10 year horizon.

Feeder Fund
A feeder fund is a South African-based fund that feeds exclusively into its primary foreign-based fund. It allows investors easy access to investing in an offshore fund, eliminating complicated tax and other implications. The shares of the feeder fund represent shares in the primary fund (called a master fund).

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.

Maximum Drawdown
The maximum drawdown measures the highest peak to trough loss experienced by the fund.

Money Market Instruments
A money market instrument is a low risk, highly liquid, short-term (one year or less) debt instrument, issued by financial institutions or governments, that tend to have lower returns than high-risk investments.

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

All reasonable steps have been taken to ensure the information on this MDD is accurate. The information to follow 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 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 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 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 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 instruments which could be accompanied by additional risks as well as potential limitations on the availability of market information. A feeder fund is a portfolio that invests in a single portfolio of a collective investment scheme, which levies its own charges and which could result in a higher fee structure for the feeder fund.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. Management of the portfolio is outsourced to Denker Capital (Pty) Ltd, (FSP) Licence No. 47075, 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.

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Portfolio Manager Quarterly Comment

Quarter to June 2018

Despite the general sense of disquiet that seemed to dominate market commentary during the quarter, global economic growth remained above trend and in-line with consensus expectations. Within the developed world, where the fund has most of its exposure, the United States continues to lead the pack with growth remaining robust and forecasts being nudged higher as the effect of last year's tax reforms becomes more apparent. Interest rates were hiked another notch, as was widely expected, without any discernible effect on markets. European growth remained relatively anaemic and market expectations have recently been trimmed, affected by worries over political developments and comments emanating from the ECB. Across the channel, where the reality of a challenging Brexit is becoming clearer, the United Kingdom economic data also disappointed. Business investment has slowed, due to the significant uncertainty that remains regarding the nature of the future relationship with its biggest trading partner with less than a year to go before the formal separation.

The fund lagged both the overall market, as represented by the MSCI World Index, and its more comparable high yield subset, as represented by the MSCI World High Dividend Yield Index, during the quarter. The main reasons for this underperformance were the fund's relative overexposure to the out of favour consumer staples and European financial sectors, where many counters experienced price declines, and its lack of exposure to the high flying FAANG stocks. These shares pay no or paltry dividends and are, therefore, not candidates for inclusion in the fund.

Notable positive contributions to performance were provided by Micro Focus International, Royal Dutch Shell, BP, Total and Anheuser-Busch InBev (a new addition to the fund), while the most notable detractors from performance were Philip Morris International, British American Tobacco, Singapore Telecommunications and ING Groep.

The decision to purchase additional shares in Micro Focus International following the very sharp drop in its share price during the previous quarter has, so far, been vindicated by a 26% bounce during this period. We remain confident that the company's management team will successfully address the unanticipated problems associated with the integration of their acquisition of the software assets of Hewlett Packard Enterprise that gave rise to the previous quarter's disappointing trading update.

The 12% increase in the price of oil during the quarter boosted the prices of all of the fund's holdings in the sector. Given the dynamics in the sector which point to continued strength in the commodity price and increased profitability and cash flow from the integrated producers, we continue to regard their current valuations as very attractive.

The prices of Philip Morris International (-18%), British American Tobacco (-6%) and Altria (-8%) were under sustained pressure during the quarter in response to comments from Philip Morris regarding a slowdown in the rate of sales growth of their new "heat not burn" iQos product in Japan. This product has grabbed a 16% share of the Japanese tobacco products market since its introduction a bit more than two years ago. The market has clearly taken these comments to imply that the promise of renewed industry volume growth has been dashed, despite management's assurances to the contrary. We are not persuaded that a slower rate of growth (not a decline) in one quarter is sufficient evidence to conclude that the potential of this new product category has been exhausted.

Based on current consensus expectations the fund offers a significantly better yield than the overall market (dividend yield of 4.4% versus 2.4%), while trading on a lower valuation (forward P/E of 12.6x versus 15.1x) and producing a substantially better return (ROE of 20.2% versus 17.4%). When compared to the MSCI World Index the fund displays an active share of 92%. We believe that this positions the fund well for the future and, based on our current projections, we expect it to deliver a yield greater than the target yield during the coming 12 months.

Portfolio Manager

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