

## Fund Objective

The objective of the portfolio is to provide long-term capital growth by investing in financial companies from around the world. This feeder fund portfolio primarily invests in participatory interests of the FSB approved Sanlam Investment Management Global Financial 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. The Portfolio may, where the Manager considers it in the best interests of the Fund, invest up to 100% of its net assets in securities traded in or dealt on the stock exchanges or regulated markets considered by the manager to be emerging markets.

## Fund Strategy

The fund utilises its database and long experience of the financial sector to invest in financial companies with the search focused on companies that have a good track record of growing their net worth, whilst maintaining the discipline of investing only when they are undervalued.

## Why Choose This Fund?

- The fund invests in undervalued financial companies around the world, the research focus being on undiscovered or neglected stocks.
- The fund employs an active stock-picking investment process.
- It is a Rand denominated fund. No foreign exchange tax clearance is required.

## Fund Information

Ticker	SGFFA1
Portfolio Manager	Kokkie Kooyman
ASISA Fund Classification	Global - Equity - Unclassified
Risk Profile	Aggressive
Benchmark	MSCI World Financial Index
Fund Size	R 193 073 508
Portfolio Launch Date	2011/03/01
Fee Class Launch Date	2011/03/01
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	1.14
TER	2.32
TC	0.37
TIC	2.69
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 Financial Feeder Fund.

MDD Issue Date

2018/09/18

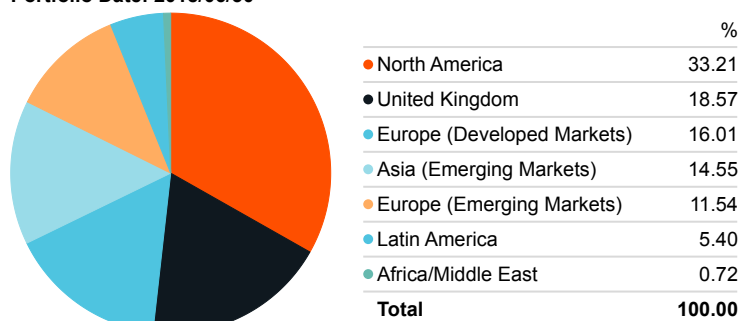
## Top Ten Holdings

Portfolio Date	(%)
2018/06/30	
JP Morgan	5.76
One Savings Bank	5.07
TCS Group Holding	4.96
Essent Group	4.26
TBC BANK	4.25
Yes Bank	4.15
Prudential	3.76
Sparebank 1 Nord Norge	3.08
Citigroup	2.98
Raiffeisen International	2.96

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

## Asset Allocation

Portfolio Date: 2018/06/30



## Annualised Performance (%)

	Fund	Benchmark
1 Year	16.52	20.77
3 Years	16.09	14.60
5 Years	16.59	17.37
Since Inception	16.30	18.84

## Cumulative Performance (%)

	Fund	Benchmark
1 Year	16.52	20.77
3 Years	56.46	50.51
5 Years	115.44	122.75
Since Inception	210.39	265.01

## Highest and Lowest Annual Returns

Time Period: Since Inception to 2017/12/31

Highest Annual %	31.87
Lowest Annual %	4.04

## Risk Statistics (3 Year Rolling)

Standard Deviation	20.79
Sharpe Ratio	0.48
Information Ratio	-0.02
Maximum Drawdown	-15.82

## Distribution History (Cents Per Unit)

2018/06/30	6.63 cpu	2016/12/31	0.00 cpu
2017/12/31	0.00 cpu	2016/06/30	0.00 cpu
2017/06/30	0.00 cpu	2015/12/31	0.00 cpu

Administered by

## 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

### Active Stock-picking Process

This is when asset managers actively and tactically vary their stock selections based on economic and market data, and fundamental valuations, etc. This should lessen an investor's exposure to declining markets and helps preserve capital.

### 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.

### Distributions

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

### Derivatives

Derivatives are instruments generally used as an instrument to protect against risk (capital losses), but can also be used for speculative purposes. Examples are futures, options and swaps.

### 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).

### Liquidity

The ability to easily turn assets or investments into cash.

### 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.

### LISP (Linked Investment Service Provider)

A Linked Investment Service Provider is a financial institution which packages, distributes and administers a broad range of unit trust based investments. Any investment made through these products gives an investor a single point of entry into a selection of different investments.

### 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.

### Sarpe 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.

### Undervalued Equity Stocks/ Investing in Neglected Global Equities

This is a strategy of selecting shares that trade for less than their intrinsic values. Value investors actively seek stocks that they believe the market has undervalued. They believe the market overreacts to good and bad news, resulting in stock price movements that do not correspond with the company's actual long-term fundamentals. The result is an opportunity for value investors to profit by buying when the price is deflated.

## 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](http://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

**Our stock selection and adequate diversification helped the fund through a tough quarter.**

Financial shares were sold down almost everywhere - with the MSCI World Financials Index being down 4.3% this quarter and 6% year to date. Despite the difficult circumstances, the fund has outperformed the MSCI World Financials Index on a one year basis and both the MSCI World equity and financials indices over two and three years. Based on historical valuations and the track record of the companies, the sell-off in many cases was unwarranted and has provided us with good investment opportunities.

**Confidence in world growth has taken a knock.**

The combination of rising oil prices and president Trump's method of negotiating better trade agreements for the US has dented confidence in world growth. A long bull market and uncertainty about future interest rate hikes in the US also had an effect. Higher US interest rates mean emerging markets will be forced to hike rates as well, even if their economies are not doing well. On the other hand, weaker US growth will mean a weaker US dollar and therefore less pressure on emerging market currencies.

**In uncertain times, we find it important to be invested in companies with good management teams.**

Our research has shown that especially in tough and uncertain operating environments, such as these, it is vital to be diversified but above all to remain invested in companies with good management teams that have a track record of growing shareholder value. Over time, it's the management teams that are on the front foot that in tough times take market share from weaker opponents. The volatility gives us good opportunities to add to the companies we really like, at lower prices.

**We reduced our holdings in riskier markets to add to better opportunities.**

During the quarter the difference in the sell-offs between 'good' and 'bad' emerging market currencies was noticeable. The currencies of countries dependant on US dollar funding (Argentina, Turkey, Brazil and South Africa) fell 10-16% while Peru, Georgia, India and Indonesia (strong balance sheets) declined only 1-6%. By comparison, the euro declined 5% against the US dollar.

So two decisions earlier in the year paid off: (1) to reduce our investment in Turkey and Brazil and (2) to invest the proceeds in more defensive holdings (US Bancorp, ICE, Marsh and Wells Fargo).

We maintained the fund's investments in the Norwegian, UK, Mexican and Peruvian financials as they have proven to be defensive and valuations remain attractive.

**We see opportunities going forward.**

Valuations have become very attractive and we feel the sell-offs in a number of emerging markets were in many cases overdone. So, we are now spoilt for choice:

- Political uncertainty in Europe pushed banks and insurers (that were already cheap) down 10-25% in US dollars. Even if they don't re-rate one can simply harvest the 10-12% earnings yield of which investors get 50% in cash via dividends.
- Emerging market financials have been sold off heavily. History shows that generally the following year share prices rebound 30% and more. Why? Because generally the good banks continue to grow shareholder value in local currency during the sell-off and both the market and the currency quickly revert to previous levels when the buyers return.

As said, we did reduce the funds' holdings in the riskier emerging markets at the beginning of the quarter and can now use the opportunities to selectively increase positions again. However, we believe Turkey is moving past a tipping point and are in fact selling our remaining investment there - despite the attractive valuation and track records of the individual management teams.

### Portfolio Manager

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