Cinnabar SCI* Balanced Fund of Funds

Minimum Disclosure Document
As of 2020/09/30

Fund Objective
The objective of the portfolio is to provide investors with low volatility moderate long term capital growth.

Fund Strategy
Investments to be included in the portfolio will, apart from assets in liquid form, consist solely of participatory interests in portfolios of collective investment schemes registered in the Republic of South Africa. The portfolio will consist of a mix of collective investment scheme portfolios investing in equity, bonds and property and money market instruments. The portfolio’s net equity exposure will range between 0% and 60% of the portfolio’s net asset value. The Fund is Regulation 28 compliant. The portfolio will also be allowed to invest in listed and unlisted financial instruments (derivatives) as allowed by the Act from time to time. The Manager shall be permitted to invest on behalf of the portfolio in offshore investments as legislation permits.

Fund Information
Ticker: MGBF
Portfolio Manager: Cinnabar Investment Management Team
ASISA Fund Classification: South African - Multi Asset - Medium Equity
Risk Profile: Moderate
Benchmark: ASISA Category Avg: SA - Multi Asset - Med Equity
Fund Size: R 296 778 920
Portfolio Launch Date*: 2005/09/09
Fee Class Launch Date*: 2005/09/09
Minimum Lump Sum Investment: R 10 000
Minimum Monthly Investment: R 500
Income Declaration Date: June & December
Income Payment Date: 1st business day of July & January
Portfolio Valuation Time: 17:00
Transaction Cut Off Time: 15:00
Daily Price Information: Local media
Repurchase Period: 2-3 business days

Fees (Incl. VAT) A-Class (%)
Maximum Initial Advice Fee: 3,45
Maximum Annual Advice Fee: 
Manager Annual Fee: 1,15
Total Expense Ratio: 1,79
Transaction Cost: 0,13
Total Investment Charges: 1,92
Performance Fee: 0,02
TER Measurement Period: 01 July 2017 - 30 June 2020

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.

The Performance Fees on Cinnabar Funds were stopped on 1 July 2020.

*The Cinnabar Sanlam Collective Investments Balanced Fund of Funds transitioned to Sanlam Collective Investments (RF) [Pty] Ltd on 02 December 2017.

Top Ten Holdings (%)
- Satrix Bond Index Fund: 18,21
- Satrix Top 40 Index Fund: 15,18
- Satrix World Equity Tracker Fund: 8,83
- Northstar SCI Managed Fund: 8,64
- Ninety One Opportunity Fund: 8,05
- Coronation Balanced Plus Fund: 7,65
- Laurium Flexible Prescient Fund: 7,03
- Kagiso Balanced Fund: 6,61
- Granate SCI Multi Income Fund: 4,09
- Fairtree Flexible Income Plus Prescient Fund: 4,09

Asset Allocation
Portfolio Date: 2020/09/30

<table>
<thead>
<tr>
<th>Category</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>SA Cash</td>
<td>8,72</td>
</tr>
<tr>
<td>Non-SA Cash</td>
<td>3,07</td>
</tr>
<tr>
<td>SA Equity</td>
<td>31,06</td>
</tr>
<tr>
<td>Non-SA Equity</td>
<td>16,10</td>
</tr>
<tr>
<td>SA Bond</td>
<td>35,48</td>
</tr>
<tr>
<td>Non-SA Bond</td>
<td>3,52</td>
</tr>
<tr>
<td>SA Property</td>
<td>1,06</td>
</tr>
<tr>
<td>Other</td>
<td>0,99</td>
</tr>
<tr>
<td>Total</td>
<td>100,00</td>
</tr>
</tbody>
</table>

Annualised Performance (%)

<table>
<thead>
<tr>
<th>Period</th>
<th>Fund</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>2,77</td>
<td>2,81</td>
</tr>
<tr>
<td>3 Years</td>
<td>3,34</td>
<td>3,31</td>
</tr>
<tr>
<td>5 Years</td>
<td>4,07</td>
<td>4,44</td>
</tr>
<tr>
<td>10 Years</td>
<td>5,49</td>
<td>7,50</td>
</tr>
<tr>
<td>Since Inception</td>
<td>7,65</td>
<td>8,33</td>
</tr>
</tbody>
</table>

Cumulative Performance (%)

<table>
<thead>
<tr>
<th>Period</th>
<th>Fund</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>2,77</td>
<td>2,81</td>
</tr>
<tr>
<td>3 Years</td>
<td>10,35</td>
<td>10,26</td>
</tr>
<tr>
<td>5 Years</td>
<td>22,06</td>
<td>24,25</td>
</tr>
<tr>
<td>10 Years</td>
<td>70,66</td>
<td>106,11</td>
</tr>
<tr>
<td>Since Inception</td>
<td>202,00</td>
<td>231,87</td>
</tr>
</tbody>
</table>

Highest and Lowest Annual Returns
Time Period: Since Inception to 2019/12/31

<table>
<thead>
<tr>
<th>Period</th>
<th>Highest Annual %</th>
<th>Lowest Annual %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>22,46</td>
<td>-0,96</td>
</tr>
</tbody>
</table>

Risk Statistics (3 Year Rolling)

<table>
<thead>
<tr>
<th>Measure</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Deviation (Volatility)</td>
<td>7,73</td>
</tr>
<tr>
<td>Maximum Drawdown</td>
<td>-10,22</td>
</tr>
<tr>
<td>Sharpe Ratio</td>
<td>-0,41</td>
</tr>
<tr>
<td>Information Ratio</td>
<td>0,01</td>
</tr>
</tbody>
</table>

Distribution History (Cents Per Unit)

<table>
<thead>
<tr>
<th>Period</th>
<th>2020/06/30</th>
<th>2018/06/30</th>
<th>2017/12/01</th>
<th>2016/06/30</th>
<th>2015/12/31</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020/06/30</td>
<td>3.97 cpu</td>
<td>2.48 cpu</td>
<td>3.49 cpu</td>
<td>2.89 cpu</td>
<td>3.00 cpu</td>
</tr>
<tr>
<td>2019/12/31</td>
<td>3.81 cpu</td>
<td>2.48 cpu</td>
<td>3.49 cpu</td>
<td>2.89 cpu</td>
<td>3.00 cpu</td>
</tr>
<tr>
<td>2019/06/30</td>
<td>4.28 cpu</td>
<td>2.48 cpu</td>
<td>3.49 cpu</td>
<td>2.89 cpu</td>
<td>3.00 cpu</td>
</tr>
<tr>
<td>2018/12/31</td>
<td>4.04 cpu</td>
<td>2.48 cpu</td>
<td>3.49 cpu</td>
<td>2.89 cpu</td>
<td>3.00 cpu</td>
</tr>
</tbody>
</table>

Administered by
Risk Profile

Moderate

You want to protect yourself from the ups and downs as much as possible and, in so doing, have as smooth a ride as is possible. But you know you need to take some risk to grow your capital. You have a medium to long-term investment horizon; you are looking for a diversified portfolio (ie, a portfolio that invests in a number of different asset classes to spread your risk), and one that offers real (after inflation) returns but with lower volatility. This fund would appeal to anyone nearing retirement (in the capital accumulation phase) and as well as after retirement (in the de-accumulation or capital preservation phase).

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 Volatility
Volatility is a measure of ‘risk’ and refers to the extent to which the price of an investment or capital value fluctuates over a certain period of time. Funds with high volatility usually offer the potential for higher returns over the longer term than low volatility funds.

Cumulative Returns
Cumulative return is the total growth experienced over the period measured.

Diversification
This is a strategy designed to reduce risk within a portfolio by combining a variety of investments (or asset classes) such as equities, bonds, cash or property, which are unlikely to all move in the same direction at the same time. This is designed to reduce the risk (and protect against capital losses) in a portfolio. Diversification 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 neutralize the negative performance of others.

Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 266.

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 investments.

Market Capitalization
Market capitalization is the total value of the issued shares of a publicly traded company; it is calculated by multiplying the share price by the number of shares in issue.

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 the pool of invested money in a unit trust fund is split into equal portions called participatory interests or units. When you invest your money in a unit trust, you buy a portion of the participatory interests in the total unit trust portfolio. Participatory interests are therefore the number of units that you have in a particular unit trust portfolio.

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
The standard deviation is a widely used risk measure of the return dispersion relative to the mean. It is also referred to as volatility.

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 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 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 performance 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 15% 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. A fund of funds portfolio is a portfolio that invests in portfolios of collective investment schemes that levy their own charges, which could result in a higher fee structure for the fund of funds. 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 Cinnabar Investment Management (Pty) Ltd, (FSP) Licence No. 45402, 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 BPA and Bloomberg. The risk free asset assumed for the calculation of Sharpe ratios, STEFI Composite Index. The highest and lowest monthly returns are based on a calendar 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.sanlamunittrusts.co.za and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 266.

Cinnabar Investment Management (Pty) Ltd
(FSP) Licence No. 45402

Physical Address: 346 Ontdekkers Road, Florida, Roodepoort, 1709
Postal Address: 346 Ontdekkers Road, Florida, Roodepoort, 1709
Tel: +27 (11) 768 1022
Email: info@cinnabarim.co.za
Website: www.cinnabarim.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
Tel: +27 (21) 441 4100
Email: compliance-sanlam@standardbank.co.za
Global equity markets have performed well over the past five years, returning on average over 11% in USD. This is 1% more than both the 10-year return and the 50-year return for global equities over the same period. A sustained period of low interest rates has driven asset prices higher than long-term average. While on the face of it, investment returns have been good, there has been massive volatility this past year. We expect the volatility to remain significantly elevated for the remainder of 2020 and to abate during the first quarter of 2021 hopefully.

To put things in context, the average volatility of the S&P 500 index over the past 50 years is 19.4%. The previous three years before the coronavirus crisis, volatility fluctuated between 10% and 20%. Currently, the volatility is over 40%. The Great Financial Crisis of 2008-9 only exceeded this level of volatility over the past 50 years. The crashes of 74, 87, and 2001 did not cause as much stress as the two crises of the new millennium.

The best thing about being at such elevated market volatility is that it is now probable that things will begin to calm. Historically, extreme volatility events do not persist for long periods – market participants yearn for calm, for certainty. We believe that following the outcome of the US presidential election – no matter who wins, and as soon as viable vaccination for the coronavirus is discovered, we will see the beginning of another bull market in global equities.

As is evident from the long-term performance of equities, staying invested is the surest way to achieve satisfactory investment results. This may seem overly simple; however, the urge to panic is strong because of the market’s extreme fluctuations. This panic selling is what drives volatility even higher – a vicious feedback loop. Those investors who can’t keep their resolve will end up with far lower returns than that of the market.

As 2020 has been a year that we want to fast forward to the end and forget, we suggest that you do the same with your investments. If you are invested as you should be for your risk profile, we recommend that you not look at your investments until the New Year. The following 3-months are going to be bumpy; it’s time to buckle up and head to the beach or bush.

**Market Update**

**United States of America**

The second quarter saw the US economy shrink by an annualised 31.4% the most significant contraction ever, pushing the economy into a recession. With this being said, the US economy has picked up from its depressed second-quarter level. However, it still has a long way to go before fully recovering from the coronavirus pandemic. In US economic data, the unemployment rate fell for its 5th consecutive month to 7.9%, recovering more than half of the 22 million jobs lost in March and April, albeit with fewer people looking for work. Consumers are more optimistic about the economy, with consumer sentiment increasing to 90.4 in September. Annual inflation rose to 1.3% in August, and the Federal Reserve will look keen interest rates close to zero until inflation is on track to ‘moderately exceed’ its target of 2%. Retail sales growth in the US slowed to just 0.6% month-on-month with the softening in consumer demand linked to the expiry of emergency unemployment benefits at the end of July. Fed chair Jerome Powell said that America’s economic recovery is expected to slow and that it will need continued support from the central bank as well as extra government spending. The Federal Reserve sees the US economy shrinking by 3.7% for the year.

**UK**

After contracting 21.5% year-on-year in the second quarter, the UK economy appeared to rebound in quarter three. GDP rose sharply in July as restrictions were loosened; however, the labour market remained weak. Moreover, Manufacturing PMI came in lower for September at 54.1 compared to the previous month, showing a potential slowdown in private sector momentum towards the end of the quarter. This comes in the wake of restrictions tightening due to the second wave of coronavirus cases. The Bank of England voted unanimously to hold interest rates at its record low of 0.1%. Still, it warned that the rising number of coronavirus infections and a lack of clarity over the UK’s future trade relationship with the EU threatened the economic recovery. Further to this, the bank’s deliberations included a presentation on how ‘negative interest rates’ might work, leading to speculation that such a policy tool is being considered as an option. Unemployment rose to 4.1% in the three months to July from 3.9%, and the government said it would contribute a maximum of 22% of wages for employees who are working fewer than regular hours in an attempt to stem further job cuts. In politics, the UK struck its first post-Brexit trade pact after signing an agreement-in-principle with Japan that aims to boost trade between the two countries by about £15 billion a year.

**Europe**

The three months to June saw the Euro area economy shrink by 14.7%, the most significant contraction on record, pushing the economy to a recession as the coronavirus restrictions hurt most sectors. Looking ahead to Q3, the annual rate of inflation in the eurozone is expected to rise from 0.2% in August based on falling energy prices. ECB President Christine Lagarde signalled a change to the central bank’s strategy, introducing the flexibility to adjust the 2% inflation target. Unemployment increased to 8.1% in August, the highest jobless rate since July 2013. On the positive side, the overall economic sentiment was upbeat for September. Manufacturing PMI increased to 53.7 in September from 51.7 in the previous month, and consumer confidence was -13.9 for September, higher than August’s reading of -14.7. On the employment front, the number of employed persons in the Euro Area declined by 2.9% on quarter in the three months to June. Meanwhile, outbreaks of the virus in France and Spain threaten the regional recovery. S&P Global Ratings warned that European banks had wagered their exposure to sovereign debt, which could result in higher ‘doom loop’ risks. As reported by Reuters, “the ‘doom loop’ was at the heart of the eurozone debt crisis when banks had vast holdings of their own governments’ debt.”.

**Japan**

The Japanese economy shrank by an annualised 28.1% in the quarter ending June, slightly more than initial estimates and the biggest slump on record. Recent indicators show the economy remains in a severe state as unemployment increased to its highest rate since March 2017 when it reached 3% in August, up from 2.7% in the prior month. Both retail sales and consumer price inflation decreased by 1.9% and 0.2% respectively. The Bank of Japan kept its key short-term interest rate at -0.1% and maintained the target for the 10-year Japanese government bond yield at around 0% during its September meeting. More positively, the manufacturing PMI index ended the month marginally up at 47.7 for September from 47.2 in the previous month. Like Japanese policymakers who have slightly upgraded their views on the economy, consumers are more optimistic on the future of the economy as consumer confidence edged up 32.7 in September from 29.3 in the previous month. On the political front, Yoshihide Suga was elected as Japan’s new prime minister, replacing Shinzo Abe after he abruptly resigned last month due to poor health.

**China**

China’s economy continues to gain traction despite a challenging external environment. A loosening of COVID-19 restrictions saw retail trade add 0.5% from a year earlier in August as consumption started to recover. General Manufacturing PMI was little changed at 53.0 in September, slightly below market consensus of 53.1, indicating factory activity maintained its recovery momentum. China’s annual inflation rate eased to 2.4% in August from 2.7% in the previous month, and the People’s Bank of China left its one-year loan prime rate unchanged at 3.85%, with the equivalent five-year rate also unchanged at 4.65%. The lack of action suggests officials remain comfortable with the degree to which monetary policy is supporting domestic activity. In other indicators, China’s unemployment rate decreased to 5.0% for August, and residential property prices increased by 4.8% in the year in the same month. China’s trade surplus widened sharply to USD 58.93 billion in August 2020 from USD 34.72 billion in the same month the previous year. Although the external sector continued to fare well in August, risks are looming on the horizon as some of China’s main trading partners are suffering heavily from the consequences of the pandemic.

**South Africa**

The COVID-19 lockdown forced the South African economy to nosedive in Q2 as lockdown measures impacted activity, with capital and household spending plummeting as businesses and consumers deferred non-essential purchases. In Q3, as restrictions were gradually lifted, business sentiment increased to 24 in the third quarter of 2020 from a record low of 5 in the previous period. Consumers are likewise less pessimistic with consumer confidence rising to -23 in the third quarter after hitting a 35-year low of -33 in the prior period. Retail trade slumped 9% from a year earlier in July following a downwards revised 7.2% fall in June and a 49.9% tumble reported in April, suggesting the economic recovery will be slow. Annual inflation rate edged down to 3.1% in August from 3.2% in July, which saw the South African Reserve Bank held its benchmark repo rate unchanged at a record low of 3.5% during its September meeting. Further to this the South African Reserve Bank said that further easing was not likely in 2020 but hinted two rate increases in the Q3 and Q4 of 2021. The Bank also revised its growth expectations downwards. It forecasts the economy to contract by 8.2% in 2020, before rebounding by 3.9% in 2021 and 2.6% in 2022.

**Sources:** Trading Economics, Bloomberg, Reuters, Cinnabar Investment Management, The Economist

**Cinnabar SCI Balanced FoF Update**

Coronation Strategic Income, Fairtree Flexible Income Plus and Granate SCI Multi Income replaced Stanlib Income, increasing the duration of the fixed income portion of the portfolio as well as adding further diversification. The portfolio has performed in line with its benchmark of the average of peers in the (ASISA) South African MA Medium Equity category over the year to date, one year and three years.

**Portfolio Manager**

Cinnabar Investment Management Team