Counterpoint SCI* Cautious Fund

Minimum Disclosure Document

As of 2020/08/31

COUNTERPOINT ASSET MANAGEMENT — CONTEXTUAL VALUE™

MDD Issue Date: 2020/09/17

Fund Objective

The portfolio is a cautious managed portfolio. In selecting investments for the portfolio, the Manager will seek to follow an investment policy which will reflect a spread of investments aiming at income and capital growth associated with a cautious risk profile.

Fund Strategy

In order to achieve this objective, the investments typically included in the portfolio may comprise a combination of domestic and international assets in liquid form. The manager may invest across the full spectrum of securities, and includes equities, participatory interests in collective investment schemes in property, loan stock listed on exchanges, non-equity securities, preference shares, bonds, money market instruments and assets in liquid form. The manager may from time to time invest in participatory interests in portfolios of collective investment schemes registered in the Republic of South Africa and which are consistent with the portfolio's primary objective. The equity limits will be aligned with that of the Asisa Fund Classification: SA - Multi Asset - Low Equity. The portfolio may invest in financial instruments, in accordance with the provisions of the Act, and the Regulations thereto, as amended from time to time, as well as in offshore investments as permitted by legislation, in order to achieve the portfolio's investment objective.

Fund Information

Ticker	MCAA
ISIN	ZAE000163473
Portfolio Manager	Sam Houlie & Piet Viljoen
ASISA Fund Classification	South African - Multi Asset - Low Equity
Risk Profile	Cautious
Benchmark	ASISA Category Avg: SA - Multi Asset - Low Equity
Fund Size	R 272 722 207
Portfolio Launch Date*	2012/01/03
Fee Class Launch Date*	2012/01/03
Minimum Lump Sum Investment	R 10 000
Minimum Monthly Investment	R 500
Income Declaration Date	March, June, September & December
Income Payment Date	1st business day of April, July, October & January
Portfolio Valuation Time	15:00
Transaction Cut Off Time	15:00
Daily Price Information	Local media
Repurchase Period	2-3 business days

Fees (Incl. VAT)

Fees (Incl. VAT)	A1-Class (%)
Maximum Initial Advice Fee	3,45
Maximum Annual Advice Fee	—
Manager Annual Fee	1,17
Total Expense Ratio	1,61
Transaction Cost	0,30
Total Investment Charges	1,91
Performance Fee	—
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 Counterpoint Sanlam Collective Investments Cautious Fund transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 2 December 2017.

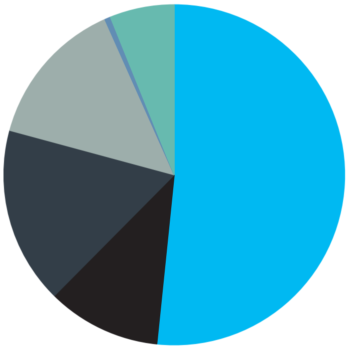
Please note that the fund's benchmark changed on 1 July 2020 to its ASISA Category Average. We consider the fund's ASISA Category average as a reasonable target and meaningful comparison that is relevant and appropriate for our investors to measure the fund's performance against. Therefore, the previous benchmarks are considered less relevant and accordingly, replacing them with the respective ASISA Category Averages, a natural extension of the change.

Top Ten Holdings

Top Ten Holdings	(%)
RSA Bond 12/26 (R186)	10,4
Counterpoint Global Equity	10,0
Counterpoint Global Owner Managed Flexible Fund	9,9
British American Tobacco	4,6
New Gold ETF	4,0
Gold Fields Limited	2,9
Liberty 041022	2,6
Investec F/R 110221	2,3
FirstRand F/R 090325	2,1
FirstRand Bond 071223	2,1

Asset Allocation

Portfolio Date: 2020/06/30



	%
Cash and FRN	51,6
Global Equity	10,8
SA Equity	16,8
SA Bonds and ILB	14,1
SA and Non SA Property	0,6
Other	6,1
Total	**100,0**

Annualised Performance (%)

	Fund	Benchmark
1 Year	4,1	4,7
3 Years	6,7	6,1
5 Years	6,0	6,7
Since Inception	7,3	8,2

Cumulative Performance (%)

	Fund	Benchmark
1 Year	4,1	4,7
3 Years	21,6	19,3
5 Years	34,0	38,5
Since Inception	84,9	97,4

Highest and Lowest Annual Returns

Time Period: Since Inception to 2019/12/31

Highest Annual %	13,2
Lowest Annual %	1,4

Risk Statistics (3 Year Rolling)

Standard Deviation	7,8
Sharpe Ratio	0,0
Information Ratio	0,1
Maximum Drawdown	-6,9

Distribution History (Cents Per Unit)

2020/06/30	0.81 cpu	2019/06/30	1.79 cpu	2018/06/30	2.31 cpu
2020/03/31	2.48 cpu	2019/03/31	1.71 cpu	2018/03/31	1.90 cpu
2019/12/31	1.72 cpu	2018/12/31	1.68 cpu	2017/12/31	0.69 cpu
2019/09/30	1.90 cpu	2018/09/30	2.12 cpu	2017/12/01	1.28 cpu

Administered by

Sanlam

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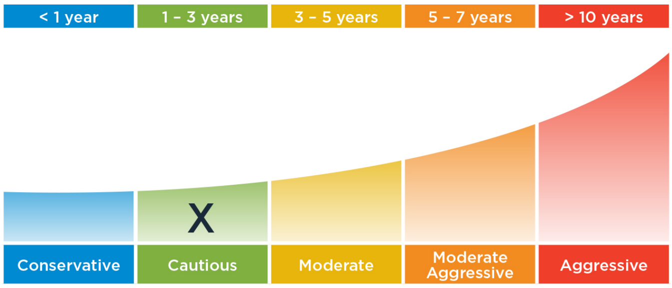
Risk Profile



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.

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.

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.

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.

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.

Regulation 28
Regulation 28 of the Pension Funds Act sets out prudent investment limits on certain asset classes in investment funds. It applies specifically to investments in Retirement Annuities and Preservation Funds. The allowed maximum exposures to certain asset classes is: 75% for equities, 25% for property, 25% for foreign (offshore) assets and 5% African assets.

Risk-adjusted returns
Risk-adjusted return refines an investment's return by measuring how much risk is involved in producing that return, which is generally expressed as a number or rating.

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

Investment Manager Information
Counterpoint Boutique (Pty) Ltd
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Administered by

Sanlam

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CONTEXTUAL VALUE™
COUNTERPOINT™
ASSET MANAGEMENT

Portfolio Manager Comment

As at 30 June 2020

Market overview

The second quarter of 2020 saw a dramatic Covid-19 induced economic slowdown. The US, together with Australia, New Zealand and Germany, maintained strong relative momentum with emerging markets performing in line.

Rapidly increasing risk appetite fuelled a sustained advance across most asset classes, as market participants ignored narratives of escalating virus infections and a prolonged economic slowdown.

In the previous quarter, the US Fed stepped in aggressively with a series of unprecedented interventions. The Fed's intervention buoyed a rally in risk assets, which was sustained throughout the second quarter. Market participants embraced the increased positive sentiment. The speed and magnitude of the recovery matched the sell-off that preceded it.

The CBOE Volatility Index (VIX) spiked in February and has declined steadily since then, despite remaining elevated. Central bank support has now become the overriding narrative and time will tell whether policy intervention can mute the impact of deteriorating Fundamentals and the risk of a second wave of Covid-19.

An additional feature of the quarter was the surprising resilience in developed market bonds.
Global bonds advanced by 2.7% as market participants sought safe havens in anticipation of continued policymaker intervention. Emerging market bonds rallied strongly, due to a combination of currency strength and the revived global search for yield. The signal from EM bond markets is one of increasing risk appetite. For the moment, yield considerations have taken a front seat relative to perceived safety.

For the quarter, most major asset classes advanced, with relatively few losers. Gold surged by 12.9% in line with declining nominal yields and despite US dollar weakness. Gold appears to be responding to an environment of rising uncertainty. The volatility and trend in the $ gold price during 2020 and the recent quarter has been surprising. It is unusual for gold to be positively correlated with risk assets and time will tell which asset class is providing the correct signal.

The MSCI World Index rallied by 19.5%. The MSCI Emerging Market recovered in line with this as the Index advanced by 18.2% over the quarter, accompanied by sustained strength in EM currencies relative to the US dollar.

Global property, as measured by the iShares Developed Market Property Yield ETF which tracks the FTSE EPRA/NAREIT Developed Index rallied by 9.7% over the quarter. Global property was decimated during the coronavirus sell-off and is slowly recovering off a low base.

On the domestic front, the global recovery had a knock-on effect on SA risk assets, including bonds and the rand. SA rallied in line with emerging markets and looked through the negative impact of the Covid-19 induced economic slowdown and the Moody's downgrade in the previous quarter. The country faces severe economic headwinds but market participants have looked through the dip and discounted the distant recovery.

Domestic fixed income securities had an exceptional quarter. The All Bond Index advanced by 9.9%, with the longer end of the curve appreciating well over 13%. April and May were exceptionally strong months for the bond market. June saw a pull-back in the longer end of the curve, while the short end remained well-bid. Inflation-linked bonds, as measured by the JSE CILI Index, recovered most of the first quarter losses, with a 4.7% return. Domestic inflation continues to trend lower and appears to have bottomed in Q2. Cash, as measured by the STeFI Index, returned a steady 1.5%, trending lower as the SARB intervened with an opportune cut in rates. The JSE Preference Share Index had a solid quarter with a positive return of 17.6%. SA-listed Property staged a strong comeback, rising by 20.4%. The listed property sector has been hit by a series of cascading headwinds going back to early 2018 and appears to have bottomed.

The JSE All Share Index advanced by 23.2%, which reversed most of the losses in the first quarter of 2020.

A global market resurgence had a knock-on effect on SA risk assets, including bonds and the rand. In line with the rest of the world, South Africa is struggling with a Covid-19 induced economic slowdown, The Moody's downgrade in the previous quarter is now fully discounted. The country nevertheless faces severe economic headwinds and the downgrade is likely raise future cost of capital at a time when bond issuance is likely to increase.

The advance in the JSE All Share Index was broad based and in terms of sectors, Resources was the best performer, returning +41.2%, followed by Industrials with a total return of +16.6% and Financials returned +12.4%. Mid-Caps bounced, with a 15.4% return, while Small-Caps staged a resurgence with a 17.2% return. The Small-Caps sector has declined every year for the last 6 years and remains a long-term laggard in relative returns.

In terms of equity sectors, the top performers were Chemicals (+160.5%), Gold Mining (+68.0%), Industrial Metals (+65.4%) and Platinum (+62.0%). The worst performers were Health Care Equipment (-6.0%), Food Retailers (-2.0%) and Food Producers (-1.6%).

In Q2, SA Equities outperformed most other emerging markets. The quarter was highly volatile and dominated by rapidly increasing appetite for risk assets in general and EM equities more specifically. Domestically-oriented equities, most notably Small-Caps, recovered the least and valuations are very cheap relative to history. The valuation of domestic equities now discounts very low expectations and represents a multi-decade opportunity for investors to participate in the recovery on a more rational basis. Current valuations are reminiscent of the early 2000s, when negative sentiment towards domestic small and mid-caps provided a platform for high prospective returns in the ensuing years.

The President and domestic policymakers have demonstrated strong leadership during the Covid-19 crisis and there remains a resolve to address the structural impediments in the fiscus and critical institutions. The response to the crisis has added to fiscal strain in the shorter-term but investors appear willing to look beyond the next 2 years.

Domestic equity valuations remain attractive relative to long-term growth prospects. The rand is likely to remain range-bound and could even stage a comeback, as the US dollar weakens. SA Inc equities are undoubtedly cheap and discounting very weak prospects. We continue to believe that we are entering a prolonged period that will suit stock-pickers and active managers.

The probability is high that equities, as an asset class, will generate inflation-beating returns from current levels. Risk assets are set to continue the recovery that started at the end of the previous quarter.

The magnitude and speed of the recent rally has surprised us. For that reason, we have maintained a level of conservatism and slowed down our deployment of cash into the myriad of opportunities that continue to become available.

Portfolio overview

The Fund advanced by 6.9%, marginally behind the average fund. Performance was mixed, in a quarter when most asset classes advanced, and our Fund positioning remained inherently conservative.

In the second quarter, positive returns were pervasive and defensive positioning was less appropriate. Asset allocation was the biggest detractor, particularly our significant underweight in SA Bonds. Domestic equity selection was mixed. Our significant overweight in Gold contributed strongly. Lack of exposure to risk was the over-riding reason for the Fund's lagging relative return.

The net result was below-average performance and one of our more challenging quarters in the last 3 years. More importantly, the excellent long-term performance of the Fund remains intact. In particular, the Fund has generated 2 quartile performance over 1 year, 2years and 5 years. The 3 year performance is firmly in the first quartile.

On the domestic front, our stock selection discipline and asset allocation experience enabled us to maintain our trend of avoiding or averting the worst performing securities and sectors. In equities, our very low exposure to Drug Retailers, Food Retailers and Healthcare added significant value. Individual stocks contributed significantly, led by our high exposure to Goldfields, Anglogold, Implats and Discovery. Excellent stock selection was not enough to mitigate the impact of an overall lower allocation to domestic equities, which detracted at the asset allocation level.

Detractors were few, with a minor impact on relative returns. Our small position in Tiger Brands and other domestic consumer stocks, were the only detractors.

Our high allocation to Global Equities provided additional drag, as currency strength and lagging stock selection, resulted in significant under-performance relative to domestic equities.

In addition, our long-held commitment to having above-average cash in the Fund, was a significant detractor over the quarter, as virtually every asset class advanced.

Portfolio positioning

Fund strategy remains the same. In contrast, the Fund positioning changed over the quarter, in response to significant volatility and the dramatic recovery in both equities and bonds

We started the quarter with a higher equity weighting and within equities, we continued to favour strong balance sheets and cheaper valuations. In May, we steadily reduced foreign exposure in anticipation of less foreign currency tailwinds and to increase our exposure to domestically oriented stocks. In addition, we increased exposure to both Gold and Platinum equities. In response to the broad-based rally in equities, we reduced overall equities towards the end of the quarter.

Our Fixed Income exposure is inherently conservative, lower duration and adequately diversified. Our SA bond positioning varied considerably during the quarter. The bond market rallied strongly but is still characterised by significant event risk and tight liquidity in peripheral securities. Our increased activity is symptomatic of underlying conditions and not our normal approach to fixed income. We started the quarter with higher bond exposure, as yields increased on EM contagion and with the anticipated impact of the Moody's downgrade. Despite our increased exposure, the Fund remained underweight relative to the average fund, based on fiscal considerations. In late May, we reduced our bond exposure again, particularly on the longer end of the curve. We remain vigilant and are inclined to buy into any renewed weakness in bonds. We have no parastatal or SOE debt exposure.

Cash is a residual outcome of our investment process. End of the quarter cash balances remained stable, despite significant changes during the quarter, as we rebalanced exposures in response to prevailing market conditions

Portfolio Managers
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CA(SA) & CFA

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