Counterpoint SCI* Value Fund

Minimum Disclosure Document

As of 2020/08/31

COUNTERPOINT ASSET MANAGEMENT — CONTEXTUAL VALUE™

MDD Issue Date: 2020/09/17

Fund Objective

The portfolio's objective is to maximise returns in excess of the FTSE/JSE ALSI over time, particularly during periods of weaker equity market growth. The portfolio aims to have a slightly lower risk profile than typical equity funds by mainly investing in shares with a low price to earnings ratio, shares trading at a discount to their net asset value and shares whose prices do not reflect future earnings potential.

Fund Strategy

The portfolio will be a specialist equity portfolio with a valuation bias and will consist of financially sound equity securities listed on exchanges and assets in liquid form. The portfolio may invest in listed and unlisted financial instruments that will only be limited by the statutory limitations placed on the inclusion of financial instruments in portfolios. At all times at least 80% of the portfolio's investments will be in listed equity securities. The Funds limits will be aligned with that of the Asisa Fund Classification: SA - Equity - General. 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. 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 investment policy

Fund Information

Ticker	MVAL
ISIN	ZAE000163507
Portfolio Manager	Piet Viljoen, Sam Houlie & Ray Shapiro
ASISA Fund Classification	South African - Equity - General
Risk Profile	Aggressive
Benchmark	FTSE/JSE ALSI
Fund Size	R 69 157 024
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	June & December
Income Payment Date	1st business day of July & 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)	A1-Class (%)
Maximum Initial Advice Fee	3,45
Maximum Annual Advice Fee	—
Manager Annual Fee	1,40
Total Expense Ratio	1,97
Transaction Cost	1,12
Total Investment Charges	3,09
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.

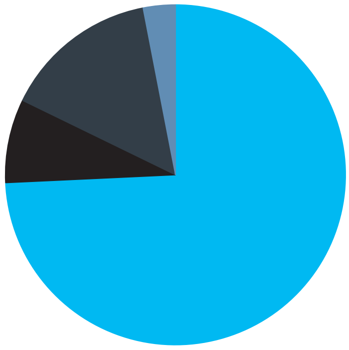
Total Investment Charges (TER + TC) is the total percentage value of the Financial Product that was incurred as costs relating to the investment of the Financial Product.

*The Counterpoint Sanlam Collective Investments Value Fund transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 2 December 2017.

Top Ten Holdings	(%)
RE:CM Equity Fund	20,1
Harmony Gold Mining Co Ltd	4,2
Sibanye Stillwater Ltd	4,0
Netcare Limited	3,9
African Bank (ABKI04 5.75% 130324)	3,9
ABSA Group	3,9
Nedbank Group	3,8
British American Tobacco	3,1
Anheuser-Busch Inbev SA	3,0
AngloGold Ashanti	3,0

Asset Allocation

Portfolio Date: 2020/06/30



	%
SA Equity	74,3
SA Bond	8,0
SA Cash	14,7
Commodities	3,1
Total	**100,0**

Annualised Performance (%)

	Fund	Benchmark
1 Year	8,4	3,9
3 Years	5,8	2,6
5 Years	4,6	5,3
Since Inception	8,7	9,9

Cumulative Performance (%)

	Fund	Benchmark
1 Year	8,4	3,9
3 Years	18,4	8,1
5 Years	25,1	29,4
Since Inception	106,1	126,0

Highest and Lowest Annual Returns

Time Period: Since Inception to 2019/12/31

Highest Annual %	20,6
Lowest Annual %	-4,9

Risk Statistics (3 Year Rolling)

Standard Deviation	11,6
Sharpe Ratio	0,0
Information Ratio	0,4
Maximum Drawdown	-11,0

Distribution History (Cents Per Unit)

2020/06/30	33.85 cpu	2018/06/30	3.48 cpu	2016/12/31	1.74 cpu
2019/12/31	1.98 cpu	2017/12/31	0.65 cpu	2016/06/30	0.96 cpu
2019/06/30	3.40 cpu	2017/12/01	1.38 cpu	2016/04/30	1.57 cpu
2018/12/31	2.78 cpu	2017/06/30	2.15 cpu		

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Sanlam

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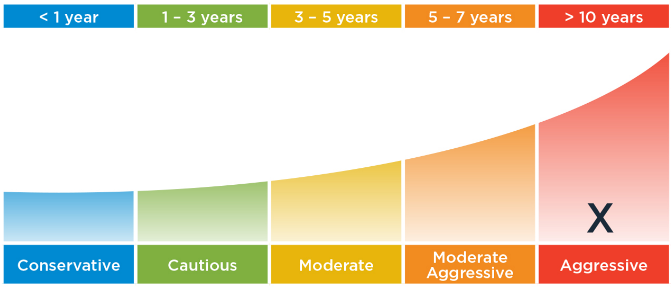
Risk Profile



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
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CONTEXTUAL VALUE™
COUNTERPOINT™
ASSET MANAGEMENT

Portfolio Manager Comment

As at 30 June 2020

Market overview

So far, 2020 has proven to be a tale of two quarters. A vicious decline in the first quarter of the year, as fears around Covid-19 took hold, was followed by a strong rebound in the second quarter. This left the All Share Index down by 3.2% for the year to date.

Large caps have dominated small caps over the past year – just as they have done over the past 10 years. In Q2 resource stocks did very well, and together with industrials posted positive returns for the year. Financials – and specifically property – has been a disaster area of note.

The Counterpoint SCI Value Fund's return followed a similar pattern to the market, albeit more subdued. The Fund strongly outperformed in Q1, by declining less than the market. However, it underperformed in Q2 as markets recovered. Taking the two quarters together, the fund posted a positive return of 1.7% almost 5% ahead of the All Share Index.

The Fund benefitted from owning no property, being very light in financials, and having a strong tilt towards industrials. Not having a lot of resource exposure – outside of gold shares - hurt returns in the period under review.

Over the longer term we are still slightly behind the All Share Index. There are a few reasons for this:

- The first – and most important reason - is that we do not own Naspers or Prosus, which together make up over a quarter of the All Share Index. On its own, Naspers has been responsible for over 4% p.a over the past 5 years. of the All Share Index performance.
- Secondly, being a value-orientated fund, it is tilted towards where the current value is, i.e. small caps, financials and industrials. And in the short term, these stocks have fared terribly.

Taken together, these factors have been major headwinds for the Funds' performance. The fact that we are less than 1% p.a. behind the All Share Index over 5 years is a major achievement.

The bigger question we need to ask ourselves is if South Africa will ever generate attractive returns again.

South Africa has been a poor investment destination for the last 10 years. It has underperformed both developed and emerging markets over 5 and 10 years. It is not difficult to understand why this has been the case. A weak and corrupt government compounded by a breakdown in trust between the government and the business sector has undermined South Africa's ability to create wealth and jobs.
Sadly, there are no signs that this is about to change.

Ten years ago, at the time of our hosting of the Word Cup, South Africa was riding on a high. We were part of the famed BRICS movement, optimism was rife and South Africans were actually immigrating back to their home country. Little did we know that the recently-inaugurated President Jacob Gedleyihlekisa Zuma would accelerate what was already a germinating culture of corruption and unaccountability in the government, and to a lesser extent, the private sector. Ten years ago, very few people forecast the poor prospective performance of local assets.

The past 10 years have sprung a couple of other surprises. Who would have thought that property would be the worst-performing major asset class over 5 and 10 years? Not that long ago it was perceived to be a bastion of safety. Who would have thought the resources sector would be the best performing sub-index over the past 5 years? It was generally regarded as "uninvestable" in 2014/15!

One of the few things we can say with certainty about markets is that extrapolating past performance is a dangerous game. Narratives change and are generally based on what has come before. Investing according to the prevailing narrative is like driving by looking through the rear-view mirror: Dangerous and bound to end badly. Today, things look as bleak in South Africa as they looked positive in 2010.

Another thing that has changed is the valuation of the market.

The P/E of the South African market (excluding Naspers) is now as low or lower than it was in 2008 and 2002 – both good times to buy South African assets. It is worth bearing in mind that both times were characterised by heavily negative sentiment - just like the sentiment we are experiencing today.

However, there is one important difference today. Our institutions have been steadily weakened by a progressively more corrupt government, and morally deficient private sector. There is a non-negligible chance that South Africa could find itself going down the failed state route, with debt defaults and a worthless currency.

At the moment, we think the chances of this happening are less than 20%, but they are not negligible. In light of this, it would be foolish to allocate all your eggs into this basket, notwithstanding how attractive it is from a valuation point of view. As Warren Buffett once said – "a long string of impressive numbers multiplied by zero is equal to zero".

Having said that, the valuation warrants at least some allocation. And, if one decided to do so, we believe a fund like the Counterpoint SCI Value Fund, with its ability to invest in smaller SA domestic businesses trading on unbelievably low valuations, makes a lot of sense.

Portfolio overview

The main drivers of the Fund's outperformance during the quarter was exactly those factors that drove its outperformance in the first quarter. Some extra cash as a placeholder for future purchases, (a boon in Q1 but a drag in Q2) substantial exposure to gold equities, (good in both quarters) an overweight to small caps, (good in Q2, bad in Q1) and no Naspers/Prosus (bad in both quarters).

A combination of these pluses and minuses ended up with the Fund well ahead of the market in the year-to-date.

We continue to increase the quality and diversity of the Fund's holdings. Due to the sell-off in March, some high quality companies became cheap enough for us to start buying into them. Such purchases would include Discovery, Transaction Capital, Netcare, Adcock-Ingram, Distell Group, and ABInbev. We also added substantially to banking exposure via ABSA, Nedcor and FirstRand. Banks on PEs of less than 5 are just too cheap to ignore. Some smaller capitalisation stocks which have embedded optionality and limited downside were added: Net1, Aveng and Renergen.

On the selling side, we lightened our resource exposure by selling out of Impala and taking some profits on Anglogold and Goldfields by lightening their weight in the Fund. We still have substantial positions in both these stocks. We also reduced our illiquid small cap holdings by selling down HCI, Truworths and Spur.

Our biggest holding is in the RECM Equity Fund. The Fund mirrors the holdings of the Counterpoint SCI Value Fund, as the two Funds will be merged as soon as the regulatory hurdles have been cleared. We expect this to happen towards October. The second biggest individual holding is an African Bank inflation linked bond. Although this not an equity, it has equity-like characteristics. It is priced to yield 8.5% over inflation, which is better than the equity risk premium that the South African equity market has returned over the long term. As such it is a very attractive, low risk holding for an equity fund like the Counterpoint SCI Value Fund.

Overall, the Fund is well-positioned to capture the upside from very depressed local valuations, and to take advantage of any further dislocations.

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