Denker Sanlam Collective Investments Equity Fund

Minimum Disclosure Document

As of 29/02/2024

MDD Issue Date: **15/03/2024**

Fund Objective

The objective of the fund is to offer investors a reasonable level of current income and long-term wealth creation through active management of the portfolio.

Fund Strategy

This is an equity fund which diversifies across all sectors of the JSE and may invest a maximum of 45% in offshore assets. The fund invests in listed shares of financially sound companies that we think are mispriced by the market and offer exceptional value.
These companies:

- have favourable long-term economic characteristics,
- are run by a competent management team and
- trade at a price which is attractive when measured against the long term return potential and intrinsic value of a business.

The fund may also include participatory interests of collective investment schemes and listed and unlisted financial instruments (derivatives) for efficient portfolio management.

Why Choose This Fund?

- To grow real wealth over time, through opportunities identified in SA and global listed companies.
- To invest alongside a highly experienced team with a disciplined investment process and proven track record.
- For diversified equity exposure across small, mid and large cap listed companies.
- To invest with a team that understands the risks companies face and invests in them with a sufficient margin of safety**.

Fund Information

Ticker	SNVL
Portfolio Manager	Claude van Cuyck
ASISA Fund Classification	South African - Equity - General
Risk Profile	Aggressive
Benchmark	Composite: 87.5% FTSE/JSE Capped SWIX & 12.5% MSCI World Index
Fund Size	R 1,623,691,226
Portfolio Launch Date	01/10/1998
Fee Class Launch Date	01/10/1998
Minimum Lump Sum Investment	R 10,000
Minimum Monthly Investment	R 500
Income Declaration Date	June & December
Income Pricing Date	1st business day of July & January
Portfolio Valuation Time	15:00
Transaction Cut Off Time	15:00
Daily Price Information	Local media & www.sanlamunittrusts.co.za
Repurchase Period	2-3 business days

Fees (Incl. VAT)

Fees (Incl. VAT)	Retail Class (%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	1.55
TER	1.98
TC	0.13
TIC	2.11
Performance Fee	0.37
TER Measurement Period	01 January 2021 - 31 December 2023

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. The TER and Transaction Costs cannot be determined accurately because of the short life span of the Financial Product. Calculations are based on actual data where possible and best estimates where actual data is not available.

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.

Manager Performance Fee (incl. VAT) | Performance Fee Benchmark: 87.5% of the FTSE/JSE Capped Shareholder Weighted Index (J433) and of the 12.5% MSCI World Net Total Return USD Index (NDDUWI), Base Fee: 1.53%, Fee at Benchmark: 1.53%, Fee Hurdle: 87.5% of the FTSE/JSE Capped Shareholder Weighted Index (J433) and 12.5% of the MSCI World Net Total Return USD Index (NDDUWI), Sharing Ratio: 20%, Minimum Fee: 1.53%, Maximum Fee: 3.42%, Fee Example: 1.53% p.a. if the fund performs in line with its Performance Fee Benchmark.

*The Denker Sanlam Collective Investments Equity Fund was renamed from the SIM Value Fund.

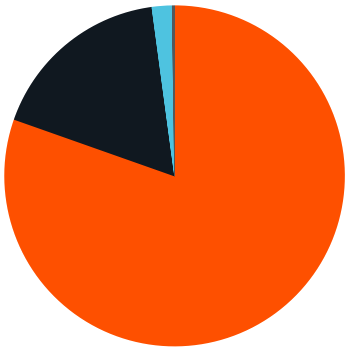
**The difference between our assessment of the company's value and its market price.

Top Ten Holdings

Top Ten Holdings	(%)
Portfolio Date	**31/12/2023**
Denker SCI SA Equity B3	18.66
Denker Global Financial Fund	8.41
Naspers Ltd	5.23
Denker Global Equity Fund	5.12
Oracle Corporation	3.86
Prosus (PRX)	2.92
Firstrand Ltd	2.84
Anglo American Plc	2.67
British American Tobacco Plc	2.67
Absa Group Ltd	2.47

Asset Allocation

Portfolio Date: 31/12/2023



	%
SA Equity	80.39
Non-SA Equity	17.48
SA Cash	1.91
Non-SA Cash	0.22
Total	**100.00**

Annualised Performance (%)

	Fund	Benchmark
1 Year	-0.02	1.86
3 Year	10.53	9.14
5 Years	8.68	8.61
10 Years	5.07	7.28
Since Inception	15.57	14.19

Cumulative Performance (%)

	Fund	Benchmark
1 Year	-0.02	1.86
3 Years	35.02	30.02
5 Years	51.63	51.12
10 Years	63.98	101.91
Since Inception	3,857.96	2,814.39

Highest and Lowest Annual Returns

Time Period: 01/01/2014 to 31/12/2023

Highest Annual %	30.75
Lowest Annual %	-6.41

Risk Statistics (3 Year Rolling)

Standard Deviation	11.77
Sharpe Ratio	0.42
Information Ratio	0.30
Maximum Drawdown	-8.18

Distribution History (Cents Per Unit)

31/12/2023	60.33 cpu	31/12/2022	56.01 cpu
30/06/2023	46.35 cpu	30/06/2022	45.92 cpu

Administered by

Denker Sanlam Collective Investments Equity Fund

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As of 29/02/2024

DENKER CAPITAL

Risk Profile

Aggressive
You can afford to take on a higher level of risk (i.e. will have a greater exposure to equities in your portfolio) because of your investment time horizon, or your appetite for risk. You know that in taking the risk, you need to be patient if you want to achieve the results. So you are willing to invest for the long-term and are prepared to tolerate some volatility in the short term, in anticipation of the higher returns you expect to receive in five years or beyond.

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.

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; 45% for foreign (offshore) assets.

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.

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 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 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 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. 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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Sanlam

Portfolio Manager Quarterly Comment

Quarter to December 2023

Market review

Global markets

Markets shrugged off rising international and domestic political tensions to finish the year strong. Over the course of 2023 the NASDAQ and the S&P 500 gained 44.6% and 26.3%, respectively. In the final quarter, a combination of economic and employment resilience and surprisingly good inflation numbers offered investors a welcome reprieve as the market rapidly repriced the Fed's future policy trajectory. The tech heavy NASDAQ gained 13.8% in the quarter while the S&P 500 delivered 11.7% total return. The yields on US government bonds with 10 years to maturity declined from 4.6% to 3.9% resulting in gains for investors.

South African markets

After avoiding a technical recession in the previous quarter South Africa's economy showed no clear signs of momentum in the final quarter as loadshedding returned. Every October, National Treasury updates the fiscal projections in the Medium-Term Budget Policy Statement. This year's report was notable for the clear frustration with the poor state of service delivery. Operation Vulindlela's report on progress on structural interventions undertaken by the presidency to reduce growth constraints does provide some cause for hope for 2024.

The rand strengthened from R18.92 at the start of the quarter to R18.28 at year end as global interest rate declines supported riskier markets. Government bond yields declined (10-year maturity instruments saw yields decline from 10.8% to 9.8%) over the quarter. The FTSE/JSE All Bond Index gained 8.1%, the FTSE/JSE Capped Swix Top 40 Index gained 8.2%, and the best asset class total return performance was recorded by the FTSE/JSE SA Listed Property Index, which gained 16.4% as interest rate risks declined.

Portfolio review

Who would've predicted, going into 2023, with the world facing high inflation, rising interest rates, a stubbornly persistent war between the Ukraine and Russia, the escalating conflict between Israel and Hezbollah and fears of a Global recession that the MSCI World Index would've returned 24.4% in USD for the year? As mentioned in my June quarterly, long-term returns are generated by time in the market, no by trying to time the market.

Equities staged a strong recovery in Q4, with the FTSE/JSE All Share Index generating a total return of 6.9%, this after declining by 3.5% in Q3. Financials gained 12.3%, while the industrial and resources indices returned 5.9% and 3.0% respectively.

In 2023, the FTSE/JSE Capped Swix generated a total return of 7.9%. The largest outperformance came from SA financials with a total return of 20%, while industrials generated a total return of 16.6%. Resources, on the other hand, recorded a loss of 11.8%. The mid and small cap sectors generated total returns of 9.7% and 11.2% respectively, while large caps generated 8.1%. One of our competitive advantages is our stock picking ability within the small and mid cap sectors. Once again, this paid off for our investors with a strong performance from a number of stocks that we held in the portfolio over the 12 months ending December 2023. This included Momentum Metropolitan that generated a total return of 35.7%, Sun International (30.5%), Curro (31.4%), Hudaco (20.6%), Santam (24.5%) and Ninety One (22.2%).

Our underweight position in resources also added relative value in 2023, despite not owning any gold in the portfolio. Although the gold stocks performed extremely well in 2023, we do not like the business fundamentals of gold companies. They generally generate return on invested capital (ROIC) consistently below their cost of capital, seldom pay dividends, are serial issuers of shares, are highly capital intensive and generate poor cash flows. We believe gold is better suited as an asset allocation tool for multi-asset class funds as gold returns are negatively correlated to many other asset classes.

Overall, our financial positions in the portfolio performed well during the year; in particular our holdings in Momentum Metropolitan, Sanlam, Santam, Investec and Ninety One.

Despite the challenges experienced in 'Domestic SA', our stock picking in the sector added value. In particular, our holdings in Sun International, Hudaco, Combined Motor Holdings and Foschini.

However, not all investment decisions work out according to plan. During 2023 we decided to invest in Pick 'n Pay after it had underperformed for an extended period of time. We believed that a great deal of negative news was already discounted in the low share price. However, the impact of severe load shedding on a low margin retailer, together with the decision to fire the CEO, Pieter Boone, changed the investment case dramatically for us. What we have learnt, over the many years in the market, is that when an investment case changes and the facts change, you need to act swiftly. In this case, our original investment thesis did not hold, so we sold out of our position in the portfolio.

As we enter 2024, despite the many local and global uncertainties, we are likely to move into a more moderate local and global inflation environment and interest rate hikes are likely behind us, with a higher probability of interest rate declines as we progress into the second half of 2024. This should provide some relief to consumers in 2024. In addition to this, we see a lot of value within our universe of 100 stocks that we actively cover with the medium stock trading on a one year forward price to earnings multiple of 10x and a dividend yield of 4.9%. Historically, these have proven to be attractive entry levels for long-term investors.

Portfolio Manager
Claude van Cuyck
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