

GCI SCI* Balanced Fund of Funds

Minimum Disclosure Document

As of 2020/05/31



Asset Management

MDD Issue Date: 2020/06/22

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 portfolio will be managed in accordance with regulations governing pension funds. 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	GCI Asset 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 290 454 191
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 April 2017 - 31 March 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.

Manager Performance Fee - Performance fee benchmark: ASISA Category Average: South African - Multi Asset - Medium Equity (excluding this portfolio); Minimum Fee 1.14%; Maximum Fee 3.42%. All fees are inclusive of VAT.

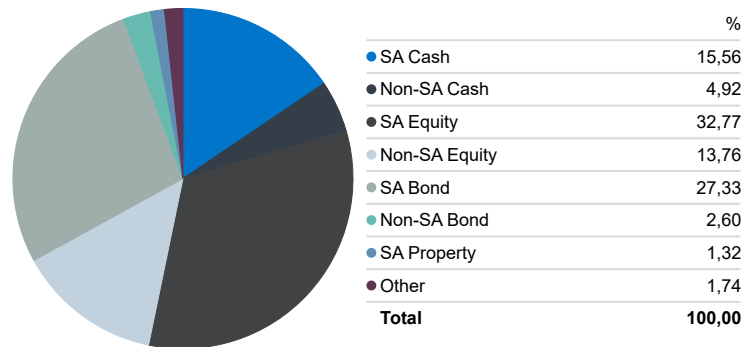
*The GCI Sanlam Collective Investments Balanced Fund of Funds transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 02 December 2017.

Top Ten Holdings

	(%)
Nedgroup Investments Core Income Fund	16,93
Satrix Top 40 Index Fund	14,53
Stanlib Income Fund	14,16
Coronation Balanced Plus Fund	9,09
Laurium Flexible Prescient Fund	8,79
Northstar SCI Managed Fund	8,78
Satrix World Equity Tracker Fund	8,38
Satrix Bond Index Fund	5,29
Kagiso Balanced Fund	4,48
PSG Flexible Fund	3,93

Asset Allocation

Portfolio Date: 2020/03/31



Annualised Performance (%)

	Fund	Benchmark
1 Year	0,53	1,53
3 Years	2,93	3,25
5 Years	3,29	3,55
10 Years	5,44	7,73
Since Inception	7,56	8,28

Cumulative Performance (%)

	Fund	Benchmark
1 Year	0,53	1,53
3 Years	9,07	10,06
5 Years	17,54	19,04
10 Years	69,78	110,64
Since Inception	191,27	221,04

Highest and Lowest Annual Returns

Time Period: Since Inception to 2019/12/31

Highest Annual %	22,46
Lowest Annual %	-0,96

Risk Statistics (3 Year Rolling)

Standard Deviation	7,63
Sharpe Ratio	-0,50
Information Ratio	-0,14
Maximum Drawdown	-10,22

Distribution History (Cents Per Unit)

2019/12/31	3.81 cpu	2017/12/01	3.48 cpu
2019/06/30	4.28 cpu	2017/06/30	3.44 cpu
2018/12/31	4.04 cpu	2016/12/31	
2018/06/30	2.48 cpu	2016/06/30	2.69 cpu

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.

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.

Distributions

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

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) within a portfolio. Diversification allows for more consistent performance under a wide range of economic conditions as it smoothes out the impact of negative market events. The positive performance of some investments or asset classes should neutralize the negative performance of others.

Financial Instruments

Derivatives also known as financial instruments (such as a future, option, or warrants) whose value derives from and is dependent on the change in value of an underlying asset (such as a commodity, currency, or security) to protect against risk (capital losses).

Fund Objective

The fund objective is the portfolio's core goal.

Fund Strategy

The fund strategy is the way that the fund is managed to achieve the fund objective.

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.

Collective Investment Schemes

Collective Investment Schemes (CIS) (also called unit trusts) are portfolios of assets such as equities, bonds, cash and listed property, in which investors can buy units. They allow private investors to pool their money together into a single fund, thus spreading their risk across a range of investments, getting the benefit of professional fund management, and reducing their costs.

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

Standard deviation (also called monthly volatility) is a measure of how much returns on an investme...

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. 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 GCI Asset Management (Pty) Ltd, (FSP) Licence No. 821, 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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Portfolio Manager Comment

As at 31 May 2020

Market Update

Cinnabar Monthly Insight: May 2020

A massive recovery in equity markets has occurred over the past couple of months. The dramatic sell-off to mid-March has all but been eradicated. The FTSE/JSE All Share Index (ALSI) fell 33% from the beginning of the year to its lowest point in March. Since then the market has rallied over 41%, resulting in it being only 4.5% down for the year. Similarly, the US S&P 500 has erased all losses for the year through a 39% rally after falling 31% to the 23rd of March.

These market recoveries have been rapid relative to past examples. It would appear that we have seen a V-shaped stock market recovery which was unexpected. Most commentators had bet on a U-shape recovery, implying an extended-term rally. One must, however, acknowledge that these recoveries are limited to equities and not to their respective economies. Economies worldwide are in a recession, and none are likely to recover this year.

The market correction earlier this year was fairly consistent across most companies on the JSE – there were not many places to hide. In contrast, the recovery has been dominated by far fewer number of businesses. Only ten companies of the 144 in the ALSI have contributed more than 0.1% return to the index year to date. Without the likes of Naspers (and Prosus) and the resource companies (BHP, Sibanye, AngloGold, Goldfields) the rally would not exist. Financials are down over 22% year to date, and they account for many of the blue-chip SA businesses.

In the US, the Information Technology (IT) sector has dominated the recovery. IT now accounts for 25% of the S&P 500 by market cap. The six largest companies, Microsoft, Apple, Amazon, Facebook and Alphabet (Google) account for 18.6% of the index of 500 companies. The IT sector returned 11.7% return year to date, far more than the second-largest industry, Health Care which only produced 2.6%. As in SA, the big losers this year have been Financials and Energy, down 12.4% and 21.1% respectively.

In recent days there have been some massive price recoveries in companies that were oversold. Hertz, the car rental company, is up 650%, after entering voluntary bankruptcy. There is a concern now that equity markets are currently trading purely on sentiment and not on valuation, as earnings have predictably been terrible for the 2nd quarter of 2020. Usually, fundamentals like this would cause prices to fall. However, the massive stimulation from the US government and the Federal Reserve has excited investors. The market appears to be looking well into the future, well after Covid-19 has been beaten.

One could argue that there are still legs to the recovery, particularly in the stocks that have been decimated but will recover when the economies of the world open up further. Oil companies, leisure and tourism companies and banks will still exist – at least the better quality ones – and these industries will rebound. At the same time, it is difficult to see the tech stocks falling; rather, their returns could be more muted given the surge they have already enjoyed. If the recovery of jobs continues to be positive, this could bode well for the US economy and market. Here in SA, we are less confident. We see more pain for SA Inc. companies and expect that the economy will not recover nearly as quickly. The ALSI may continue to go up, but we believe this will be driven by the dual-listed rand hedge stocks and perhaps the resource businesses. SA banks may be well-run blue-chip companies; however, the economy is not supportive enough to see a rebound. For that matter, we remain positioned towards rand hedges and offshore equity.

FUND UPDATES

GCI SCI Balanced FoF

The allocation to the Satrix Capped SWIX index fund was sold and replaced with Satrix Top 40 index fund. The holding in the Satrix SA Property index was sold completely. Both of these changes had significant positive impacts on the fund. 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 last 5 years.

Portfolio Manager

GCI Asset Management Team