Granate SCI* Money Market Fund Class B

Collective Investment Scheme Minimum Disclosure Document (MDD)

As of 28/02/2022

Fund objective and strategy

The fund aims to give investors access to a diversified portfolio of money market instruments that are usually unavailable to retail investors, or available at a lower yield. It may, within legal limits, also invest in listed and unlisted derivatives. Its objective is to provide a high level of current income while preserving capital and maintaining liquidity. Capital gains will be incidental.

The fund is managed according to the prudential investment guidelines for South African retirement funds.

Portfolio limits and constraints

Exposure limits are as per the Association for Savings and Investment South Africa's (ASISA's) fund classification structure applicable to South African - Interest Bearing - Money Market portfolios. The portfolio can therefore invest in money market instruments with a maturity limit of less than 13 months, and the average duration of the underlying assets may not exceed 90 days and a weighted average legal maturity of 120 days.

Fund information

Ticker	RSMMB
Yield (%)	4.38
Portfolio manager	Vaneshen Naidoo
ASISA fund classification	South African - Interest Bearing - Money Market
Risk profile	Ultraconservative
Benchmark	STeFI Composite Index
Fund size	R 235,571,449
Portfolio launch date*	01/04/2016
Fee class launch date*	01/04/2016
Minimum lump sum investment	R 10,000
Minimum monthly investment	R 500
Income declaration date	Monthly
Income pricing date	1st business day of the following month
Portfolio valuation time	14:00
Transaction cut-off time	13:00
Daily price information	Local media & www.sanlamunittrusts.co.za
Repurchase period	2-3 business days

Fees are including 15% VAT	B Class (%)
Maximum initial advice fee**	3.45
Maximum annual advice fee**	1.15
Manager annual fee	0.29
Total expense ratio (TER)	0.31
Transaction cost (TC)	—
Total investment charge (TIC)	0.31
TER measurement period	01 January 2019 - 31 December 2021

The TER shows the percentage of the fund incurred as administration expenses. A higher TER does not necessarily imply a poor return, and a low TER does not necessarily imply a good return. The current TER is also not necessarily an accurate indication of future TERs.

The TC shows the percentage of the fund incurred as expenses related to buying and selling the assets it holds. These expenses are necessary costs in administering the fund. The TC impacts fund returns but should not be considered in isolation, as there are many other factors that impact returns. These include the type of fund invested in, the investment decisions of the investment manager and the TER.

The TIC (TER + TC) measures the total cost to the investor of investing in this fund. It shows the total percentage of the fund incurred as costs.

*The Granate Sanlam Collective Investments Money Market Fund transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 28 October 2017.

Granate does not provide financial advice. Advice fees are agreed between the investor and financial adviser.

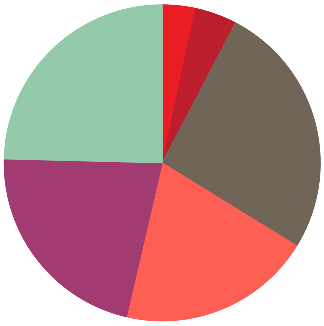
Specific risks
Money market funds are not bank accounts and there are specific risks investors should be aware of. These are interest rate risk, credit risk and liquidity risk. In the Granate SCI Money Market Fund, interest rates risk (the potential for investment losses from unexpected changes in interest rates) is typically influenced by interest rate expectations and is controlled by deciding on the aggregate term of the instruments the fund holds. Credit risk (the risk of a loss due to a borrower failing to make its required payments) is managed by imposing a minimum credit quality requirement for any asset the fund invests in, and there are typically higher exposures to issuers that are subject to additional oversight. Proprietary credit research is a very important part of the investment process. Finally, liquidity profiles of the fund's underlying investments (how quickly they can be converted into cash) are considered to ensure that it can meet its daily obligations. While capital losses are unlikely, they can occur. An example would be if an issuer of an instrument held by the fund defaults. Such losses will be borne by the portfolio and its investors.

MDD Issue Date: 16/03/2022

Top ten holdings	% of portfolio
Portfolio Date	**28/02/2022**
ABSA CALL	9.30
NED SRN 150322	4.29
RMB FRN 280422	2.56
NED SRN 150322	2.14
SBK NCD 281222	2.14
INV FRN 290422	2.13
EQT FRN 260223	2.12
RMB FRN 100822	1.70
INV NCD 170822	1.70
SHP PN 140322	1.70

Asset allocation

Portfolio Date: 28/02/2022



	%
Bonds: Fixed	3.40
Bonds: Floating	4.26
Cash	26.13
MMI: Fixed	19.83
MMI: Floating	21.76
MMI: Treasury Bills	24.60
Total	**100.00**

Annualised performance (%)

	Fund	Benchmark
1 year	3.98	3.89
3 years	5.49	5.32
5 Years	6.39	6.13
Since inception	6.63	6.35

Cumulative performance (%)

	Fund	Benchmark
1 year	3.98	3.89
3 years	17.38	16.81
5 Years	36.28	34.67
Since inception	46.19	43.94

Highest and lowest calendar-year returns

Time Period: Since Inception to 31/12/2021

Highest annual %	7.98
Lowest annual %	3.89

Monthly returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2022	0.35	0.33											0.68
2021	0.30	0.28	0.31	0.31	0.32	0.32	0.33	0.31	0.32	0.34	0.33	0.35	3.89
2020	0.60	0.55	0.60	0.55	0.54	0.48	0.42	0.39	0.35	0.33	0.31	0.31	5.57
2019	0.63	0.57	0.64	0.61	0.64	0.62	0.63	0.62	0.60	0.61	0.58	0.60	7.59
2018	0.62	0.56	0.63	0.61	0.63	0.60	0.61	0.62	0.60	0.62	0.61	0.63	7.59
2017	0.66	0.60	0.66	0.63	0.66	0.66	0.66	0.65	0.64	0.65	0.63	0.61	7.98
2016	—	—	—	0.54	0.70	0.66	0.66	0.67	0.65	0.64	0.62	0.65	—

Distribution history (cents per unit)

28/02/2022	0.32 cpu	31/08/2021	0.31 cpu
31/01/2022	0.34 cpu	31/07/2021	0.32 cpu
31/12/2021	0.34 cpu	30/06/2021	0.31 cpu
30/11/2021	0.33 cpu	31/05/2021	0.32 cpu
31/10/2021	0.33 cpu	30/04/2021	0.30 cpu
30/09/2021	0.31 cpu	31/03/2021	0.31 cpu

Administered by

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As of 28/02/2022

GRANATE ASSET MANAGEMENT

Risk statistics (3-year rolling)

Standard deviation	0.47
Sharpe ratio	3.44
Information ratio	3.42
Maximum drawdown	—

Glossary terms

Annualised returns
Annualised returns show the compound annual growth rate on a total return basis. Total return assumes that distributions are reinvested in the fund.

Asset allocation
Asset allocation is the percentage the fund holds in different asset classes. It is used to determine the level of diversification in the fund.

Capital fluctuations (Volatility)
Volatility refers to the extent to which the price of an investment or capital value fluctuates over a certain time period. High-volatility funds usually offer the potential for higher long-term returns than low-volatility funds.

Collective Investment Schemes
Collective Investment Schemes (also called unit trusts) are portfolios of assets such as equities, bonds, cash and listed property in which investors can buy units. This allows private investors to pool their money into a single fund, which spreads their risk across a range of investments, gives them the benefit of professional fund management and reduces their costs.

Cumulative returns
Cumulative return is the total return an investor would have achieved if they reinvested all distributions.

Derivatives
Derivatives are instruments generally used to protect against risk (capital losses). However, they can also be used for speculative purposes. Examples include futures, options and swaps.

Distributions
Distributions show the income that is generated from an investment and paid out to investors. These pay-outs can be monthly, quarterly, bi-annually or annually.

Diversification
Diversification is a strategy designed to reduce risk and protect against capital losses in a portfolio. It works by combining a variety of asset classes or investments that are unlikely to all move in the same direction at the same time. This 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 neutralise the negative performance of others.

Fund strategy
The fund strategy is how it is managed to achieve its objective.

Information ratio
The information ratio measures the risk-adjusted performance of a fund (the returns it generates and the investment risk it takes to do so) compared to its benchmark. The higher the ratio, the better the fund's risk-adjusted performance compared to the benchmark. For this ratio, risk is quantified by the standard deviation of the fund's returns relative to its benchmark.

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 this pool is split into equal portions called participatory interests or units. You therefore buy participatory interests in that unit trust equal to the value of your monetary contribution.

Sharpe ratio
The Sharpe ratio measures the total risk-adjusted performance of a fund: the returns it generates and the risk it takes to do so. It indicates if a fund's returns are due to excessive risk or not. The higher a fund's Sharpe ratio (i.e. a higher return with a contained risk profile), the better its risk-adjusted performance. For this ratio, risk is quantified by the standard deviation.

Standard deviation
Standard deviation is a measure of the extent to which returns on an investment change from month to month. It is typically used by investors to gauge the volatility expected from an investment.

Risk profile: Ultraconservative

The fund is suitable for investors with an extremely low risk tolerance. It has a short timeframe for investment and is designed for minimum capital fluctuations and volatility. Capital protection is of prime importance.

As such, there are no growth assets in the fund, and it is a cash-based investment. It aims to yield returns that are higher than bank deposits and typically higher than inflation.

Additional information

Investment manager information
Granate Asset Management (Pty) Ltd
FSP licence no. 46189
Physical address: 2nd Floor, Josephine Mill
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Manager information
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Physical address: 2 Strand Road, Bellville, 7530
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Administered by Sanlam

GRANATE
ASSET MANAGEMENT

Portfolio manager quarterly comment - 31/12/2021

Market comment

The emergence of ESG-stamped products in listed fixed income – and how we think about them

We are passionate about funding a better future where we can
At Granate we pursue happiness. We believe that there is happiness in making other people's lives better, even if only a bit better. ESG considerations are all about ensuring wellbeing for more people for longer. We therefore passionately fund a better future where we can, while being consistent with the mandate our clients have given us. Sometimes, funding a better future and being consistent with client mandates align – but sometimes they do not. This commentary considers a few examples in light of recent ESG developments in local fixed income markets.

There can be challenges to deploying meaningful ESG capital in local fixed income markets
To deliver on the mandate our clients have given us while also leaning in to making a positive impact is the ESG ideal. To date, this has been challenging for two reasons. The first is the lack of industry agreement on what truly constitutes meaningful ESG investing. The second is the limited (though expanding) opportunity set in which to deploy meaningful ESG capital in the South African fixed income market. Given the high demand for these assets against such restricted supply, it can put the returns our clients need at odds with the ESG outcomes they need. When anything is in hot demand, the cost of attaining it increases.

ESG opportunities in fixed income are growing
Before 2021, green bonds (where proceeds are exclusively applied to finance projects with clear environmental benefits) were the only form of ESG-stampedissuance in the listed South African debt market. All other opportunities – linked to social or sustainability-related projects – were typically unlisted. This meant that they weren't widely available. During 2021, in addition to green bonds, social bonds and sustainability-linked bonds (SLBs) to the value of approximately R10 billion were issued in the listed market. For context, this was more than the value of all green bonds issued in South Africa between 2014 and 2020.

Social bonds are similar to green bonds, in that funding is used for a predetermined outcome. In this case, typically projects that have positive social outcomes, such as funding unbanked small enterprises or affordable housing.

In contrast, SLBs are not project-specific and proceeds can be used for general corporate purposes. Here, the ESG component comprises debt features that change if the company hits sustainability-linked targets (such as increasing renewable energy consumption or reducing carbon emissions). To date, SLBs issued locally have generally been structured so that coupons (interest rate payments to the investor) reduce when the stated ESG targets are met. This means that the issuer is rewarded with lower financing costs – but that the investor's return declines.

Green and social bonds fit comfortably into our ESG framework
We believe that bonds with proceeds specifically earmarked for use in green or social projects are clearly true to the spirit of ESG investing. The investor, the issuer and our society are aligned. The investor receives an interest payment for the bond and has exposure to the issuer's balance sheet (essentially, an identical credit risk to a 'non-green' or 'non-social' bond). The issuer receives capital to invest in ESG outcomes on which it also earns a return. Furthermore, the success of the investment will be assessed by investors when next the issuer seeks to raise capital, incentivising the company in question to be societal in its thinking. Everyone wins.

We were therefore encouraged to see Standard Bank's Tier 2 green bonds being issued in early December, with proceeds earmarked to finance or refinance renewable energy projects. As compensation to investors, the interest rate offered was similar to what 'non-green' debt would have cleared at. (The issuance cleared at 3-month Jibar + 200 basis points, which was 10 basis points lower than Standard Bank's previous Tier 2 auction and 10 basis points wider than FirstRand's Tier 2 issuance two weeks prior.) The bonds therefore offer fair compensation for the credit risk investors take while issuance proceeds target positive change. Everyone wins, and we were happy to add the bond to our client portfolios.

With SLBs, it can be less clear-cut
We are currently less enthusiastic about SLBs. We don't deny that these bonds incentivise issuers to operate more sustainably – which is, of course, part of what we're trying to achieve. But we do need to consider our duty to our clients' financial return requirements.

Of the six SLBs issued in the South African market to date, only one imposes a penalty on the issuer if its stated ESG targets are not met. In this instance, coupon payments will increase. No such provision exists for the remaining SLBs, meaning that issuers stand to benefit from lower financing costs if their ESG targets are met, but without any downside if they aren't. On the flipside, investors bear the cost without qualifying for any upside. This becomes more of a concern when the ESG hurdles linked to these bonds are unambitious. In such cases, issuers can capitalise on the ESG trend and benefit from lower funding costs without having to stretch too far to make improvements in the way they impact society. This is particularly true if proceeds are not applied to funding positive change, as there is no obligation to do so.

There are certainly positives here, but we feel that the structuring of local SLBs could generally be improved. We are therefore especially critical in our assessments of these instruments and their related ESG targets when new issuances come to market.

While client mandates come first, ESG is a must
Our clients have given us a task, which translates into our purpose: to protect and grow their savings. This means that we must first deliver on our mandated benchmarks, so that our clients can retire or live better than they otherwise would have. But we must also consider the state of the world in which they live or may one day retire. We will continue to search for opportunities where these two goals align. Currently, the pickings are slim but we look forward to a broader set of opportunities in years to come.

Portfolio manager
Vaneshen Naidoo
CFA ®, M.Sc. (Engineering) (UCT), BSc. Hons (Engineering) (UCT)

Vaneshen joined Granate in December 2015 and manages our money market and cash portfolios. Prior to Granate, he worked at Cadiz Asset Management, which he joined as a graduate in 2006. He was later responsible for analysing the credit and property sectors for the fixed interest and multi-asset teams. Vaneshen holds a M.Sc. in Engineering from the University of Cape Town and is a CFA Charterholder.