

Fund Objective and Strategy

This is a domestic fixed interest portfolio which seeks to provide investors with exposure to the fixed interest market and aims to offer maximum returns by actively extracting value from various sources within the fixed interest universe.

The portfolio uses strategic asset allocation, aggressive duration (ranging between the duration typical of a money market fund and the longest maturity South African government bond), yield curve positioning, switches, stock selection as well as derivative and other yield enhancement strategies, including exposure to foreign currency to maximize returns. The objective of the portfolio is to maximize both income and capital over a long-term investment horizon.

Given that the portfolio aims to maximize total return (which includes capital) it is expected to be more volatile than a traditional income fund with more frequent negative monthly returns. The Manager shall seek to achieve the objective over time through active management of a portfolio of predominantly local assets which will consist of a combination of interest-bearing securities including bonds, loan stock, debentures, fixed deposits, money market instruments and cash, listed and unlisted derivatives, listed property, and preference shares as well as any other securities which are considered to be consistent with the portfolio objectives and any other securities the Act may allow from time to time. The portfolio will be managed in accordance with regulations governing pension funds and CISA.

Fund Information

Ticker	RSVIA
Yield	7.15
Portfolio Manager	Jonathan Myerson
ASISA Fund Classification	South African - Multi Asset - Income
Risk Profile	Moderate
Benchmark	125% STeFI Composite Index
Fund Size	R 467 478 011
Portfolio Launch Date*	2016/04/01
Fee Class Launch Date*	2016/04/01
Minimum Lump Sum Investment	R 10 000
Minimum Monthly Investment	R 500
Income Declaration Date	March, June, September & December
Income Pricing 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)	A-Class (%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	0.97
Total Expense Ratio	1.01
Transaction Cost	0.02
Total Investment Charges	1.03
TER Measurement Period	30 June 2016 - 30 June 2019

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 Granate Sanlam Collective Investments Unconstrained Fixed Interest Fund transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 28 October 2017.

**Risk statistics will only be available once the fund has reached three years performance history.

MDD Issue Date:

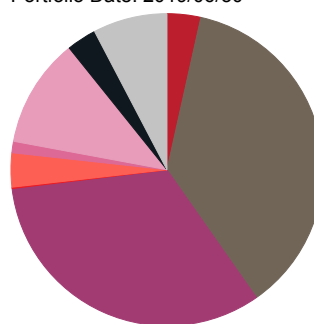
2019/09/18

Top Ten Holdings

Portfolio Date	2019/06/30
RSA Bond R2048 280248	8.91
RSA Bond I2025 310125	5.30
RMB FRN 280120	4.72
FirstRand FRN 011026	3.58
Granate SCI Multi Income Fund	3.47
Granate SCI Money Market Fund	3.43
Standard Bank 231220	3.38
Standard Bank 030320	3.29
RMB Call	2.96
Absa Call	2.96

Asset Allocation

Portfolio Date: 2019/06/30



	%
Fund: MM	3.49
Floating Bonds	36.79
Fixed Bonds	32.79
Unlisted Bonds	0.14
Fund: MI	3.53
MMI: SRN	1.18
MMI: Fixed	11.31
MMI: Floating	3.09
Cash	7.68
Total	100.00

Annualised Performance (%)

	Fund	Benchmark
1 Year	10.55	9.24
3 Years	8.46	9.35
Since Inception	8.74	9.36

Cumulative Performance (%)

	Fund	Benchmark
1 Year	10.55	9.24
3 Years	27.59	30.75
Since Inception	33.16	35.76

Highest and Lowest Calendar Year Returns

Time Period: Since Inception to 2018/12/31

Highest Annual %	8.28
Lowest Annual %	6.00

Risk Statistics (3 Year Rolling)**

Standard Deviation	2.24
Sharpe Ratio	0.45
Information Ratio	-0.36
Maximum Drawdown	-1.21

Distribution History (Cents Per Unit)

2019/06/30	1.82 cpu	2018/09/30	1.90 cpu
2019/03/31	1.75 cpu	2018/06/30	1.83 cpu
2018/12/31	2.04 cpu	2018/03/31	1.82 cpu

Specific Risks

The main source of risk in this portfolio is interest rate risk, to a lesser extent credit risk; liquidity risk and exchange rate risk also apply. Capital losses can occur if, for example, one of the issuers of an instrument held by the portfolio defaults. In this event, losses will be borne by the portfolio and its investors.

Administered by

Risk Profile: Moderate

You prefer to receive stable income flows, but you also want to increase the value of your capital over time. You understand that to allow for some capital growth, its value can fluctuate moderately over time while the likelihood of losing money is relatively low. The portfolio that gives you the most comfort consists primarily of income-oriented asset classes such as cash, nominal and inflation-linked bonds and property. You shy away from too much exposure to equities because of their higher volatility.

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 Fluctuations (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, bi-annual 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.

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 investment change from month to month. It is typically used by investors to gauge the volatility expected of an investment.

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 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 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 yield is calculated as the latest distribution divided by the average 3-month unit price, annualised. 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 instruments which could be accompanied by additional risks as well as potential limitations on the availability of market 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. The Manager has the right to close any portfolios to new investors to manage them more efficiently in accordance with their mandates. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressures and in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. Management of the portfolio is outsourced to Granate Asset Management (Pty) Ltd, (FSP) Licence No. 46189, 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.

Investment Manager Information

Granate Asset Management (Pty) Ltd
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Manager Information

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Portfolio Manager Quarterly Comment

Quarterly Commentary (30/06/2019)

Fund profile

The Granate SCI Unconstrained Fixed Interest Fund is a domestic fixed interest portfolio which seeks to provide investors with exposure to the fixed interest market and aims to offer maximum returns by actively extracting value from various sources within the fixed interest universe. The portfolio uses strategic asset allocation, aggressive duration (ranging between the duration typical of a money market fund and the longest maturity South African government bond), yield curve positioning, switches, stock selection as well as derivative and other yield enhancement strategies, including exposure to foreign currency to maximize returns. The objective of the portfolio is to maximize both income and capital over a long-term investment horizon. Given that the portfolio aims to maximize total return (which includes capital) it is expected to be more volatile than a traditional income fund with the possibility of negative monthly returns. The portfolio is managed in accordance with regulations governing pension funds and CISCAs.

Economic overview

Uncertainty around global economic growth momentum, concerns relating to trade tensions and the possibility of slower global trade translated into dovish comments by both the European central bank (ECB) and the US federal reserve (FED). Both central banks referred more openly to the prospect of policy loosening if growth risks materialise and follow a wave of central banks that have either adopted or alluded to monetary policy easing.

Domestic economic growth in 1Q19 (released in June) came in a lot worse than expected at a seasonally adjusted annualised rate of -3.2%, the worst contraction since 2009. The contraction was broad based - agriculture, mining and manufacturing sectors deteriorating the most - suggesting that the cause of the slowdown is not limited to electricity outages. Leading indicators such as the PMIs and business confidence remain depressed and available data for 2Q19 continues to point to softness in the local economy as the mining and manufacturing sectors remain weak and car sales continue to decline sharply. That said, the electricity supply has stabilised, and the softness does not appear to be as severe as 1Q19. While a technical recession (which brings with it negative sentiment) will probably be avoided, the lowered GDP growth forecast for 2019 of both consensus and the SARB might be difficult to achieve.

The Monetary Policy Committee (MPC) of the Reserve Bank met once during the 2nd quarter and kept the repo rate unchanged at 6.75%. However, the vote was much closer than previous meetings with two of the five members voting for a 25bp cut. The MPC revised its headline and core CPI inflation forecasts lower across the entire forecast horizon. CPI forecasts are now only slightly higher than the mid-point of the inflation target of 4.5% over most of the forecast horizon - something that the SARB has been determined to achieve. There was also further downward revision to the SARB's growth forecast for 2019 which is now expected to average 1.0% (down from 1.3% in March) because of the larger than expected slowdown in the first quarter. The MPC now expects a materially wider output gap than previously envisaged, due to the disappointing 1Q GDP. A wider output gap and a lower inflation trajectory, which is closer to the mid-point target of 4.5%, are reasons that the Quarterly Projection Model (QPM) now embeds one 25bp cut by the end of 1Q20, as opposed to the March 2019 forecast which had one generated hike by the end of 2019. The inflation trajectory and an MPC that sees the balance of risks around its inflation projection being more or less even, provides room for a rate cut and cyclical support for growth without comprising its main objective or credibility.

We therefore believe that rate cuts are very likely in the 2nd of 2019 with the risk of rates remaining flat if Eskom's challenging financial situation (and the knock-on consequences this could have for South Africa's fiscal position, credit rating, and exchange rate) cannot be resolved.

Market overview

Financial markets had a 2nd consecutive positive quarter in 2019, buoyed mainly by dovish central banks and despite generally softer economic data in both emerging and developed markets.

Locally, all major asset classes recorded a positive return. The listed property sector (4.52%) outperformed all other domestic asset classes followed closely by equities (3.92%) and bonds (3.70%). For the 12 months to the end of June, listed property has however underperformed all other major asset classes. Despite the short-term outperformance in listed property, yields are seemingly at attractive levels. We are however wary of the risk that the oversupply and weak domestic growth poses to the sector as well as the risk inherent in the highly geared offshore investments. What is becoming more apparent is that the correlation of listed property with the equity market continues to rise as it does its volatility.

Lower growth, inflation and probability of lower policy rates have driven the US 10yr bond below 2% for the first time in almost three years. The local bond market (ALBI) ended the quarter 13 basis points lower than where it started led by the medium dated maturities of the index, despite foreign investors turning net sellers of bonds in the 2nd quarter. Yields on longer dated maturities also fell, but to a lesser extent as investors remain concerned by the deteriorating fiscal outlook which means that government borrowing will increase. The fiscal deterioration worsened at the State of the Nation Address (SONA) where there was

commitment by government to accelerate the timing of the fiscal support for Eskom to ensure that the utility has enough cash to meet its commitments in the short to medium term.

Inflation-linked bonds continue to perform poorly - now the only domestic asset class to record a negative real annualised return over the last five years, as investors have had little appetite for the long end of the curve due to more attractive valuations for long dated nominal bonds. Looking forward, an upward leg in the inflation cycle, real yields of 3% (and above) and potential repo rate cuts does make the asset class more attractive, but the demand for inflation protection over the medium term will likely remain subdued. The lack of demand will be compounded by the inflation carry becoming less attractive post July.

Portfolio activity

We increased the portfolio's exposure to local currency fixed rate bonds marginally and increased the interest rate risk in the fund as we anticipate the Reserve Bank to cut the repo rate. We were also active in the currency market - hedging the funds USD position (due to USD bonds held in the fund) back into rand when our currency valuation model suggested that the rand was significantly undervalued.

We reduced the portfolio's exposure to the listed property sector by a further 1% during the quarter to 1.7% (significantly underweight its strategic asset allocation). The volatility of the sector remained extremely elevated and we remain concerned that both structural and cyclical headwinds will remain and could even intensify as all property sectors struggle to fill vacancies and raise rentals.

The portfolio's exposure to ILB's was increased by a further 2% (although also remains below the strategic asset allocation of the asset class). The increase in exposure to ILB's was done mainly in the short end of the yield curve. However, we have also started buying longer dated ILB's as they are now offering good value on an absolute basis.

Portfolio positioning

Poor domestic growth and the absence of demand-pull inflation implies that the SARB is likely to cut the repo rate twice by the end of 2019. This is a positive environment for bonds which are further supported by lower global interest rates.

Our bond valuation models point to better valuation for domestic bonds compared with the beginning of the 2nd quarter despite the yield on the ALBI declining. Therefore, we have increased the portfolio's exposure to longer dated fixed rate bonds to reflect this improvement in valuations. However, we maintain a lower interest rate risk position compared with the portfolio's "neutral" position as we are of the view that the fiscal outlook continues to deteriorate. While much of the deterioration of South Africa's fiscal outlook is priced in the bond market, a Moody's rating downgrade - a growing probability, will lead to a significant sell-off, albeit relatively short lived.

The portfolio maintains its very low exposure to property despite what might appear compelling valuations. We are not at all clear that the necessary adjustment to the poor environment have been priced in and therefore happy to get more certainty on that.

We continued to increase the exposure to inflation-linked bonds during the quarter by buying slightly longer duration instruments as the asset class now appears to be providing better absolute value.

The fund remains highly liquid with well diversified exposure to high quality credit.

Portfolio Manager

Jonathan Myerson
M.Soc.Sci. (Economics) (UCT), MIFM

Prior to joining Granate Asset Management in December 2015, Jonathan served as the Head of the Fixed Interest team at Cadiz Asset Management from 2006 to 2015 where he managed the Unconstrained, House View and Inflation-Linked Bond funds. Jonathan has 11 years of sell-side experience having worked as a Fixed Interest Strategist at HSBC from 1995 to 2003 and then at RMB from 2003 to 2006. Jonathan holds an M.Soc.Sci. (Economics) from the University of Cape Town.