# Perpetua SCI* Balanced Fund

## Minimum Disclosure Document

As of 31/07/2021

MDD Issue Date: 18/08/2021

## Fund Objective

The primary objective of the portfolio is to offer investors a moderate long term total return.

## Fund Strategy

In order to achieve its objective, the portfolio can invest in a combination of assets in liquid form, money market instruments, interest bearing instruments, bonds, debentures, corporate debt, equity securities, property securities, preference shares, convertible equities, derivatives and non-equity securities. The manager may from time to time invest in participatory interests in portfolios of collective investment schemes registered in the Republic of South Africa which are consistent with the portfolio's investment policy. The portfolio's net equity exposure will range between 0% and 75% 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 Collective Investment Schemes Control 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 | PMBCA |
| Portfolio Manager | Delphine Govender |
| ASISA Fund Classification | South African - Multi Asset - High Equity |
| Risk Profile | Moderate |
| Benchmark | ASISA Category Avg: SA - Multi Asset - High Equity |
| Fund Size | R 86,997,383 |
| Portfolio Launch Date* | 22/09/2014 |
| Fee Class Launch Date* | 22/09/2014 |
| 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 & www.sanlamunittrusts.co.za |
| Repurchase Period | 2-3 business days |

| Fees (Incl. VAT) | A-Class (%) |
|---|---|
| Maximum Initial Advice Fee | 3.45 |
| Maximum Annual Advice Fee | — |
| Annual Investment Management Fee | 0.75 |
| Total Expense Ratio | 1.12 |
| Transaction Cost | 0.21 |
| Total Investment Charges | 1.33 |
| TER Measurement Period | 01 July 2018 - 30 June 2021 |

Our Manager Annual Fee has decreased by 0.51%. Our expectation is therefore that the TER will decrease.

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 Perpetua Sanlam Collective Investments Balanced Fund transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 24 November 2017.

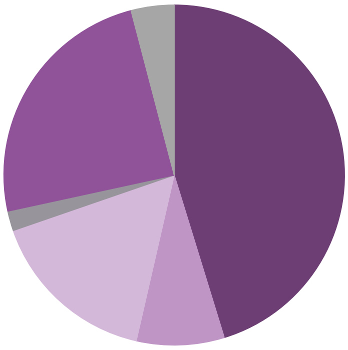
## Top Ten Equity Holdings

Portfolio Date: 30/06/2021

| | |
|---|---|
| British American Tobacco Plc | 3.47 |
| Naspers Ltd | 2.60 |
| Standard Bank Group Ltd | 2.59 |
| Firstrand Ltd | 2.12 |
| Massmart Holdings Ltd | 2.10 |
| Royal Bafokeng Platinum Ltd | 1.93 |
| Life Healthcare Group Holdings Ltd | 1.82 |
| Glencore Plc | 1.81 |
| Woolworths Holdings Ltd | 1.75 |
| Oceana Group Ltd | 1.43 |

## Asset Allocation

Portfolio Date: 30/06/2021



| | % |
|---|---|
| SA Equity | 45.25 |
| SA Cash | 8.33 |
| SA Bonds | 16.13 |
| SA Property | 1.88 |
| Non-SA Equity | 24.33 |
| Non-SA Cash | 4.08 |
| **Total** | **100.00** |

## Annualised Performance (%)

| | Fund | Benchmark |
|---|---|---|
| 1 Year | 22.78 | 17.00 |
| 3 Years | 4.95 | 7.29 |
| 5 Years | 4.33 | 6.83 |
| Since Inception | 3.43 | 7.41 |

## Cumulative Performance (%)

| | Fund | Benchmark |
|---|---|---|
| 1 Year | 22.78 | 17.00 |
| 3 Years | 15.61 | 23.50 |
| 5 Years | 23.62 | 39.13 |
| Since Inception | 26.06 | 63.32 |

## Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2020

| | |
|---|---|
| Highest Annual % | 9.05 |
| Lowest Annual % | -4.53 |

## 3 Year Risk Statistics

| | |
|---|---|
| Standard Deviation | 13.69 |
| Sharpe Ratio | 0.00 |
| Information Ratio | -0.40 |
| Maximum Drawdown | -19.27 |

## Distribution History (Cents Per Unit)

| | | | | | |
|---|---|---|---|---|---|
| 30/06/2021 | 1.25 cpu | 30/06/2019 | 1.37 cpu | 30/06/2017 | 1.24 cpu |
| 31/12/2020 | 0.74 cpu | 31/12/2018 | 1.56 cpu | 24/11/2017 | 1.26 cpu |
| 30/06/2020 | 1.19 cpu | 30/06/2018 | 1.86 cpu | 31/12/2016 | 0.45 cpu |
| 31/12/2019 | 1.71 cpu | 31/12/2017 | 0.25 cpu | 30/06/2016 | 0.65 cpu |

Administered by

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## Risk Profile

**Moderate**
You want to protect yourself from the ups and downs of the market as much as possible and, in so doing, have as smooth a ride as possible. But you also 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 (i.e., a portfolio that invests in a number of different asset classes to spread your risk), and one that offers real returns (after inflation) but with lower volatility. This fund would appeal to anyone nearing retirement (in the capital accumulation phase) 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.

**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; 30% for foreign (offshore) and 10% African 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.

## Additional Information



**Investment Manager Information**
Perpetua Investment Managers (Pty) Ltd
(FSP) License No. 29977
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Postal Address: PO Box 44367, Claremont 7735, South Africa
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Email: Info@perpetua.co.za
Website: www.perpetua.co.za

**Manager Information**
Sanlam Collective Investments (RF) (Pty) Ltd
Physical Address: 2 Strand Road, Bellville, 7530
Postal Address: P.O. Box 30, Sanlamhof, Bellville, 7532
Tel: +27 (21) 916 1800
Email: service@sanlaminvestments.com
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**Trustee Information**
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Email: compliance-sanlam@standardbank.co.za

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## Portfolio Manager Comment

**As at 30 June 2021**

**Market overview**

Following a positive first quarter for the broad SA equity market, SA Equities posted flat total returns in the second quarter of 2021 with the All-Share Index (ALSI) recording a return of 0%. While SA Industrials have performed particularly better than SA Financials and SA Resources year-to-date, the second quarter derived returns from strong SA Financials (+7.5%), a fairly muted performance from SA Industrials (+0.8%) and negative performance from SA Resources (-5.0%). The SWIX delivered -1.8% and the Capped SWIX delivered -0.1%. On a monthly basis, April (ALSI +1.0%) and May (ALSI +1.6%) posted positive returns, although subdued. Total returns turned negative in June (ALSI -2.4%). The returns for global equities were larger than domestic equities and positive, with the MSCI ACWI gaining +4.3% in ZAR despite a strengthening local currency (the return of the MSCI ACWI in USD was +7.5%) over the quarter. SA bonds had a relatively strong performance over the quarter as the ALBI gained +6.9%, while SA cash eked out a return of +0.9% (identical to the previous quarter).

Small Cap stocks have continued to rebound strongly in many markets since COVID-19 crash – the MSCI ACWI Small Cap Index has posted a USD a total return of +68.8% over 15 months to 31 March 2021. Since 31 October 2020 to 30 June 2021, JSE Small Caps have gained +55.0%, while Mid Caps and Large Caps have gained +33.2% and +26.7%, respectively. Over the second quarter, Small Caps (+8.0%) delivered the largest returns relative to Mid Caps (+5.9%) and especially Large Caps (-1.6%). The three strongest counters over the period were all SA Industrial Mid Caps, namely Distell (+43%), Dis-chem (+41.4%) and TFG (+29.5%). The bottom three performers were all SA Resource stocks, namely Montauk Renewables (-32.3%), Amplats (-23.4%) and Anglogold (-17.5%), the first being a Mid Cap and the latter two being Large Caps.

The top performing sectors for the three months to 30 June 2021 are Industrial Support Services with Small Cap Hudaco (+31.0%), Finance and Credit Services with Small Cap Transaction Capital (+22.8%), and Personal Goods with Large Cap Richemont (+21.9%). The worst performing sectors were Software and Computer (-15.0%), Precious Metals and Mining (-13.5%) and Industrial Materials (-10.0%).

Over the last 5 years, the SA Equities has returned +8.1% compound annual return. This has underperformed the returns of SA Bonds, with the ALBI returning +9.2% per annum over the same period. Cash has returned a reasonable +6.6% per annum. The returns of SA Equity, SA Bonds and cash are significantly stronger than the performance of SA Property over the past 5 years, as SA Property posted a return of -6.9% over the period. Regarding global markets, the MSCI ACWI has returned +15.2% (USD) over the last 5 years, while the Barclays US Treasury Index has returned +2.2% (USD) over the period.

**Portfolio overview**

The portfolio returned +2.6% for the second quarter of 2021 versus +1.8% for the composite benchmark over the same period.

The domestic equity portion of the Fund outperformed its benchmark (Capped SWIX) by +1.5% and the global equity portion underperformed its MSCI ACWI benchmark by -1.0%. Local bond exposure slightly underperformed the benchmark (ALBI) by -0.4%.

Within domestic equities for the quarter, underweight positions in Naspers and Impala, as well as our overweight position in Life Healthcare contributed positively to relative performance. Detractors from relative performance include our underweight positions in MTN, Capitec and Richemont. At an industry level, the two industries that contributed significantly to relative performance of the Fund was Technology and Basic Materials. We are underweight both of these industries. The Technology includes companies such as Naspers and Prosus (both underweight positions) and Datatec (an overweight position, but still contributed positively to relative returns). Within Basic Materials, Precious Metals and Mining contributed the strongest to relative performance, which includes underweighting companies such as Impala, Northam Platinum and Sibanye. Stocks held in the Fund with the largest positive performance throughout the period include TCS Group, Hugo Boss and Itaú Unibanco.

**Portfolio Positioning**

The equity exposure of the fund is at a particularly high level versus the fund's history as we are finding an above average number of undervalued equities domestically and globally. However, we are still below our maximum permissible equity exposure as we maintain an element of caution with regards to the near-term outlook.

In terms of the domestic equity market, the on-going impact of COVID-19 and the current 3rd wave will have an adverse impact on the economy and has introduced fresh uncertainty. Nonetheless we are still able to find significant opportunities. This is predominantly in companies that took management action during the last few years of anemic demand and are now well positioned to enjoy improved profitability. After the initial COVID-19 sell-off in 2020, it was possible to buy broadly and participate in the recovery of entire industries such as banking and retail. We are now of the view that specific stocks rather than entire sectors will be drivers of future returns. In our assessment, these opportunities carry low earnings and valuation risk. In contrast, we are of the view that the resources sector is already pricing in a stronger for longer commodity cycle. China accounts for more than half of most commodity demand. The Chinese government is taking steps to cool both the Chinese economy as well speculative activity in commodities. Consequently, we are cautious the sector. In the short term, this may impact our relative performance but we are of the view that at this point of the resources cycle, absolute capital preservation will prove to be more important than relative performance.

In terms of sector exposure, Retailers are now our largest overweight. Food Producers, which was our largest overweight for the last couple of years, is the second largest. Health Care Providers is our third largest overweight. Software & Computer Services, Banks and Precious Metals & Mining are our most prevalent underweights. Our largest company overweight positions relative to the benchmark include British American Tobacco, Massmart and Royal Bafokeng Platinum. We believe these shares are good quality businesses trading at meaningful discounts to their fundamental value.

Global markets are also in a state of uncertainty as the spectre of COVID-19 still hangs over society. Despite vaccine rollouts picking up – especially in wealthier developed market countries – additional variants of the virus have introduced new uncertainty with regards to when movement will be less restricted and life can return to a greater sense of normality. However that plays out, it's likely to lead to a few changes which may impact on economies and markets. For example, behaviour patterns with regards to retail and travel may change. In addition, there will be an element of permanent economic scarring and permanent job losses and new domestic supply chains may constrain future global trade.

The global equity exposure within the Fund is overweight the following sectors - Financials, Consumer Discretionary, Consumer Staples, and Energy. This is funded by underweights in Information Technology, Communication Services, Health Care, Industrials, Utilities and Real Estate. Financials makes up approximately 30% of the global equity component – Banks, Insurers, Asset Managers and Consumer Credit Lenders - the largest of which include Bank of Ireland, Wells Fargo and TCS Group Holding. The addition of more emerging market shares (such as Alibaba and Naspers) to the Fund has resulted in the emerging market exposure of the global equity portion of the Fund increasing to 25%. On equity markets the valuation levels between value and growth are at record levels but value counters have made a substantial recovery since the middle of 2020 – with room for more. We believe that the global equity component is well-positioned to benefit from this.

The current pricing of SA long bonds is reflecting a material risk premium and close to what could be perceived as the "worst case scenario". SA Nominal bonds continue to offer value and remain the preferred asset class across fixed income. There is notable protection in yields vs cash. Inflation-linked bonds are not that attractive, especially given benign inflation outlook.

Developed market bonds look underwhelming in terms of the level of returns and rates are expected to continue to persist at historically low levels in a post COVID-19 recovery, which is supportive of risk assets and emerging markets. United States short dated bonds now paying 0% interest rates. We continue to support very underweight positioning in developed market fixed income.

**Portfolio Manager**

Delphine Govender CA(SA), CFA