# Minimum Disclosure Document
(Fund Fact Sheet)

# Sanlam Select Optimised Equity Fund

January 2019

## Fund Objective

This is a pure equity fund diversified across all sectors of the JSE. The fund aims to achieve maximum capital growth above the benchmark over the medium to long-term by investing in companies that are undervalued relative to realistic growth prospects. This fund is suitable for investors who can withstand potential capital volatility in the shorter term.

## Fund Strategy

The "Optimised" approach refers to the investment style which will incorporate global best techniques in the investment risk management framework. These risk budgeting methods may be quantitatively implemented however the selection process is still based on fundamental research. The Fund aims to consistently add incremental alpha above the FTSE/JSE Shareholder Weighted Index. The Fund may hold offshore equity. The investment manager will also be allowed to invest in listed and unlisted financial Instruments as allowed by the Act from time to time in order to achieve its investment objective.

## Why choose this fund?

This Fund gives you active exposure to the South African Equity market. The small Assets Under Management (AUM) of the manager means that the manager is very nimble and able to execute ideas quickly and react speedily to changes in market conditions. Strong risk management capability should allow for well balanced portfolio construction in order to produce stable benchmark beating returns. Over a medium to long term time horizon the Fund should produce good real returns significantly above inflation.

## Fund Information

| | |
|---|---|
| **ASISA Fund Classification** | South African Equity General |
| **Risk Profile** | Aggressive |
| **Benchmark** | FTSE JSE Shareholder Weighted All Share Index |
| **Fee Class Launch date*** | 01 September 2014 |
| **Portfolio Launch date** | 01 April 2003 |
| **Minimum investment** | LISP minimums apply |
| **Portfolio Size** | R 470 million |
| **Bi-annual Distributions** | 31/12/18: 77.29 cents per unit<br>30/06/18: 105.20 cents per unit |
| **Income decl. dates** | 30/06 \| 31/12 |
| **Income price dates** | 1st working day in January and July |
| **Portfolio valuation time** | 15:00 |
| **Transaction cut off time** | 15:00 |
| **Daily price information** | The local newspaper and<br>www.sanlamunittrusts.co.za |
| **Repurchase period** | 3 working days |

| Fees (Incl. VAT) | LISP-class (%) |
|---|---|
| **Advice initial fee (max.)** | neg. |
| **Manager initial fee (max.)** | 0.00 |
| **Advice annual fee (max.)** | neg. |
| **Manager annual fee (max.)** | 1.03 |
| **Total Expense Ratio (TER)** | 1.41 |

Advice fee | Any advice fee is negotiable between the client and their financial advisor. An annual advice fee negotiated is paid via a repurchase of units from the investor.

Obtain a personalised cost estimate before investing by visiting www.sanlamunittrustsmdd.co.za and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at0860 100 266.

This fund is available via certain LISPS (Linked Investment Service Providers), which levy their own fees.

Manager annual fee: 1.03% p.a. (incl. VAT)| Maximum Performance Fees: 1.71% (incl. VAT) and sharing rate: 20%. Performance fees will only be charged once the performance benchmark is outperformed, irrespective of whether the fund performance is positive or negative . If the fund performs in line or below the bench mark, then the minimum fee of 1.03% p.a. (incl. VAT) is charged. The performance fee is accrued daily, based on daily performance and paid to the manager monthly.

TOTAL EXPENSE RATIOS
PERIOD: 01 January 2016 to 31 December 2018

Total Expense Ratio (TER) | 1.41% of the value of the Financial Product 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. Inclusive in the TER of 1.41%, a performance fee of 0.24% of the net asset value of the class of Financial Product was recovered.

Transaction Cost (TC) | 0.81% of the value of the Financial Product 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) | 2.22% of the value of the Financial Product was incurred as costs relating to the investment of the Financial Product.

## Top 10 Holdings

| Top 10 | % of Equity |
|---|---|
| Naspers | 10.88 |
| Standard Bank Group Limited | 6.79 |
| Anglo American | 6.43 |
| Firstrand Limited | 6.34 |
| BHP Group | 4.53 |
| British American Tobacco Plc | 3.87 |
| Sanlam | 3.71 |
| ABSA Group Limited | 3.40 |
| Bidvest Group Limited | 2.78 |
| AVI Limited | 2.46 |

## Performance (Annualised) as at 31 Jan 2019 on a rolling monthly basis*

| LISP-class | Fund (%) | Benchmark (%) |
|---|---|---|
| 1 Year | -6.52 | -8.31 |
| 3 Year | 3.85 | 5.57 |
| 5 Year | N/A | N/A |
| Since inception | 3.66 | 4.33 |

An annualised rate of return is the average rate of return per year, measured over a period either longer or shorter than one year, such as a month, or two years, annualised for comparison with a one-year return.

## Performance (Cumulative) as at 31 Jan 2019 on a rolling monthly basis*

| LISP-class | Fund (%) | Benchmark (%) |
|---|---|---|
| 1 Year | -6.52 | -8.31 |
| 3 Year | 12.00 | 17.65 |
| 5 Year | N/A | N/A |
| Since inception | 17.18 | 20.56 |

Cumulative return is the aggregate return of the portfolio for a specified period.

*Significant changes to this fund came into effect from 01 September 2014 and all performance figures are calculated from this date and not the original fund launch date.

## Risk statistics: 3 years to 31 Jan 2019

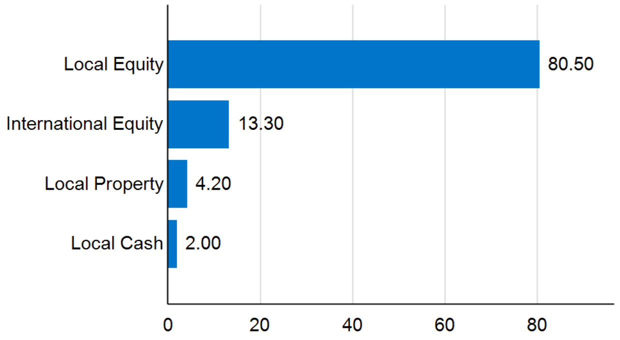
| | |
|---|---|
| Std Deviation (Ann) | 10.39 |
| Sharpe Ratio (Ann) | -0.34 |

## Actual highest and lowest annual returns*

| | |
|---|---|
| Highest Annual % | 17.39 |
| Lowest Annual % | -9.60 |

*Performance figures sourced from Morningstar.

### Asset Allocation




### Investment Manager Monthly Commentary

Global equity markets rebounded in January from December 2018 lows . After the best January since 1987 in the US equity market, the MSCI Emerging Markets (EM) Index also had its best January since 2012. However, over the past 10 years most gains from January were given away within the next few months. The change in tone from the US Federal Reserve (Fed) ? who have talked about keeping rates on hold and adjusting the pace of quantitative tapering if needed ? the apparent easing of trade tensions between the US and China, as well as lower oil prices helped boost markets and buoyed risk assets. All the MSCI World regions posted steady total returns in January: North America +8.5%, Europe +6.6% and Pacific +6.5%.

The MSCI EM Index posted a US Dollar total return of +8.8% in January, slightly ahead of the +7.8% total return from MSCI World Markets. This is MSCI Emerging Markets' best monthly total return performance since March 2016 and MSCI World Markets' since October 2015. MSCI Frontier Markets returned +4.8%.

Within EM, MSCI Latin America (+15%) was the best performing region in January, with heavyweight Brazil returning +17.8% with all the other countries also posting very strong returns.
MSCI EMEA gained +10.6%, with the largest outperformance coming from Turkey (+18.0%), Russia (+13.6%) and South Africa (+12.3%).
MSCI EM Asia posted a total return of +7.3% in January. Pakistan had the best performance, +16.4%, followed by heavyweights China (+11.1%) and South Korea (+10.3%). India (-1.9%) was the only emerging market to post a negative total return over the month.

In January, all equity sectors within MSCI World and MSCI EM posted positive US Dollar total returns. Real Estate was the best performing equity sector within MSCI World and the second best within MSCI EM, while Consumer Discretionary was the best performing equity sector within the EM universe.
Within MSCI SA, Energy (+21%), Real Estate (+19.5%) and Financials (+15%) were the top performing equity sectors in January, while the worst performance came from Consumer Discretionary (+1.2%).

After being the worst currency globally in December 2018, the Rand was the strongest in January, appreciating by +8.4% against the US Dollar, ahead of the Brazilian Real (+6.4%), Chilean Peso (+6.2%) and Russian Ruble (+5.9%).

Foreigners remained large sellers of SA equities in January to the value of R14.2 billion, and even stripping out the dual-listed companies, foreigners were sellers to the value of R3.3 billion (US$0.25 billion). The most significant foreign selling over the month took place in Naspers to the value of R4.6 billion, while foreigners sold R1.4 billion of MTN. Stripping out Naspers and MTN along with the dual-listed companies, there would have been foreign inflows to the value of R2.7 billion in January.

In Rand terms, SA equities also gained, up +2.8% for the month. Among the asset classes, the FTSE/JSE SA Listed Property Index (SAPY) outperformed with a total return of +9.2%, its best monthly total return since March 2016, while the FTSE/JSE All Bond Index (ALBI) showed a total return of +2.9%.

SA Financials delivered the best performance in January, posting a total return of +6%, with REITs, Banks and Real Estate Development & Services posting total returns of +8.6%, +7.6% and +7% respectively. Life Insurance returned +3.4% and General Financials and Non-Life Insurance both posted total returns of +2.6% in January. Equity Investments (-7.4%) was the only financial equity sector to show a loss over the month, dragged down by Reinet following its third quarter of 2018 results.
SA Resources returned +3.3% in January. The top performance came from Industrial Metals +18.2% (Kumba +19.6%) and Platinum +12.4%. Gold Mining returned +6.1% and General Mining +3.6%. Chemicals posted a loss of -5.1% in January.

SA Industrials only managed to eke out a gain of +0.9% in January, as many Rand hedge stocks sold off on the stronger Rand. Pharmaceuticals was the top performing Industrial equity sector, gaining +7.7% over the month. This was followed by Beverages (+6.3%) and Media (+5.1%) among the larger sectors. General Retailers (-5.3%) and Mobile Telecoms (-4.6%) were the worst performing large Industrial equity sectors.

The Optimised Equity Fund slightly underperformed the benchmark during the month, with the main detractor being the structural underweight in Naspers. AVI also took away from performance following its share price decline after the negative trading update. However, we believe that much of the negatives in the update were 'one-offs', like the oil hedge, whose negative effects are currently already unwinding as the oil price weakened following its peak in early October. We continue to like AVI's high cash generation and pay-out and see substantial upside in the stock. Rhodes was another stock which took away from performance, as a large seller into thin market liquidity in mid-January forced the share price down. We do not see any problems with the business and the share price has already recovered at the time of writing. Two offshore stocks also detracted from performance, namely Procter & Gamble and Beiersdorf, as these two very high-quality stocks did not rally as much as cyclicals in the strong January rally, while the strengthening Rand also took away. We continue to hold these two stocks due to their high-quality returns and for portfolio balance.

Contributors to the performance included Vodacom, which suffered from a negative trading update caused by weakening data prices and a more competitive telecommunications environment, something we had been concerned about. We are underweight the entire sector for that reason and had MTN and Telkom also contributing positively. Our underweight position in Sasol also contributed, as our view of softer oil prices played out. Select midcaps continued the rally off their December lows, adding to performance. Several of our offshore exposures also added, despite a strengthening Rand.

Looking ahead, in a way, we identify four key risks: two globally and two in SA. Globally, Fed policy and US ?China trade negotiations will ultimately drive global growth and capital flows. They are interdependent, as one is likely to influence the other, i.e. should US ?China talks fail, the Fed will likely pause further as failure would hurt global trade and US growth. The reverse scenario is equally likely. If investors globally are climbing the wall of worry, then it is perhaps the trade war overhang that represents one of the final hurdles to clear in the short term. And yet, based on peer conversations, trading flow and the latest fund-flow data, one could be forgiven for thinking a resolution is already all but discounted with EM inflows now entirely reversing 2018 losses in the space of three months.

Here in SA, the outcome of parliamentary elections will likely be the trigger for more political and economic certainty (and hopefully stability), while the strategy around the rescue of Eskom from its financial woes will be almost equally important, given the potential impact on government finances and potential credit downgrades.

So, while caution is warranted, we continue to believe that we are in the late stages of a bull market. Macro research from Bank of America Merrill Lynch and BCA shows that markets tend to be most potent at the beginning and end of a bull market cycle with higher than average returns. The first decile and last decile tend to be the best and one could expect somewhere between 15-25% globally for the next 12 months. Our own valuations of the current SA equity universe suggest c.25% upside from here, and it would thus be imprudent to dial down risk too early. However, we believe a winning strategy might be to be nimble, sell the rallies and buy the dips as volatility is on the rise and needs to be carefully navigated.

As the timing and outcomes of many of these risks are difficult to forecast, the we foresee the fund to remain balanced and to keep a barbell exposure.

### Appointed Investment Manager

Sentio Capital Management (Pty) Ltd

### Investment Manager Disclaimer

The management of investments are outsourced to Sentio Capital Management (Pty) Ltd, FSP 33843, an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act, 2002.

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January 2019

### Risk Profile (Aggressive)

This is an aggressively managed, high-risk portfolio that aims to deliver capital growth over the long term (greater than 5 years). It is designed to substantially outperform the markets and therefore carries a long-term investment horizon (5 years and upwards). The portfolio will be diversified across all major asset classes with significant exposure to equities, and may include offshore equities. There may be some capital volatility in the short term, although higher returns may be expected from five years or beyond.

### Trustee Information

**Standard Bank of South Africa Ltd**

Tel no.: 021 441 4100
E-mail: Compliance-SANLAM@standardbank.co.za

### 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 performance is not necessarily a guide to future performance, 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 portfolio may invest in other unit trust portfolios which levy their own fees, and may result is 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 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 Manager has the right to close any portfolios to new investors to manage them more efficiently in accordance with their mandates. A copy of the Performance fee Frequently Asked Questions can be obtained from our website: www.sanlaminvestments.com. The portfolio management of all the portfolios is outsourced to financial services providers authorized in terms of the Financial Advisory and Intermediary Services Act, 2002. Standard Bank of South Africa Ltd is the appointed trustee of the Sanlam Collective Investments Scheme.

### Glossary Terms

**Collective Investment Schemes (CIS)**
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. 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.

**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 or quarterly distribution payouts.

**Equities**
Equities are shares that represent an institution's or individual's ownership in a listed company. These shares are also the "vehicle" through which they are able to "share" in the profits made by that company. As the company grows, and the expectation of improved profits increases, the market price of the share will increase which translates into a capital gain for the shareholder. Similarly, negative sentiment about the company will result in the share price falling.

Shares / equities are usually considered to have the potential for the highest return of all the investment classes but also have the highest level of risk i.e. share investments have the most volatile returns over the short term. An investment in equities should be viewed with a 7 to 10 year horizon.

**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.

**Pure equity fund**
This is a fund that invests primarily in higher-risk asset classes such as equities (stocks or shares) and aims to achieve aggressive capital growth over the long term. This type of fund will experience volatility in the short term.

**Total Expense Ratio (TER)**
This is the total costs associated with managing and operating an investment (excluding administration, financial planning and servicing fees). These costs consist primarily of management fees and additional expenses such as trading fees, legal fees, auditor fees and other operational expenses. The total cost of the fund is divided by the fund's total assets under management to arrive at a percentage amount, which represents the TER.

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