



October 2018

PORTFOLIO OBJECTIVE: The portfolio seeks investment opportunities that meet the objective of delivering an enhanced level of income and stability on capital invested.

INVESTMENT STRATEGY & POLICY: The portfolio will invest across the full spectrum of income generating assets including interest bearing securities (including, but not limited to bonds, convertible bonds, debentures, corporate debt, cash deposits and money market instruments) as well as inflation-linked bonds and corporate bonds. The portfolio will be actively managed with exposure to various asset classes to reflect changing economic and market circumstances, in order to maximise returns to investors. For efficient portfolio management purposes, the Manager may invest in financial instruments (listed and unlisted derivatives) allowed by the Act in order to achieve its investment objective. The portfolio will also invest in participatory interests and offshore investments as permitted by legislation.

FUND INFORMATION

ASSISA Fund Classification	SA Interest Bearing Short Term	Bloomberg Ticker	TSSCIB1
Risk Profile	Conservative		
Benchmark	STeFI Composite Index		
Yield	8.77%		

TOP 5 EXPOSURE

Issuer	% Holding
Standard Bank	10.16%
Firststrand	10.09%
ABSA	9.76%
Nedbank	9.73%
Liberty Group	9.57%

ASSET ALLOCATION

Bonds	96.9%
Cash	3.1%

KEY FACTS

INVESTMENT MANAGER
Terebinth Capital (Pty) Ltd.

PORTFOLIO MANAGERS
Nomathibana Matshoba CFA

PORTFOLIO SIZE
ZAR 51m

INCEPTION DATE
1 Aug 2018

FEE CLASS LAUNCH DATE
1 Aug 2018

MINIMUM INVESTMENT
R100,000

MINIMUM MONTHLY INVESTMENT
R10,000

PORTFOLIO VALUATION TIME
15:00

TRANSACTION CUT-OFF TIME
15:00

INCOME DECLARATION DATE
March, June, September & December

INCOME PRICING DATE
1st business day of April, July, October & January

DISTRIBUTION HISTORY (CPU)
N/A

DAILY PRICE INFO
www.sanlamunitrusts.co.za

FEES (INCL. VAT)
TER: 0.35%
TC: 0.17%
TIC: 0.52%

Annual management fee: 0.52%^
Annual advise fee (max): 1.15%^
Initial advise fee (max): 3.45%^
Initial management fee: 0%^
^ Includes VAT.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	STeFI
2018														

*Performance figures cannot be displayed while the fund is under 12 months

MARKET OUTLOOK AS AT 31 Oct 2018

- The STeFI Composite Index returned 63bps in September, while 3-month JIBAR ended the month at 7.025%, increasing by 2.5bps compared to previous month.
- After a third quarter marred by Emerging Market risk-negative events causing havoc in the local market, local dynamics came to the fore again during October, adding a further layer of complexity to an already trying environment. Bond yields sold off steadily from best levels at month open (last seen in August), to levels last seen around the 2017 ANC elections.
- The MTBPS disappointed hugely with less than expected consolidation and continued support for failing State-Owned Companies (SOCs). While we do see the fact that National Treasury decided to crystallise large outstanding amounts on the SARS balance sheet relating to VAT refunds as encouraging, it does mean that fiscal consolidation is yet again pushed into the future. So much so that the weekly government bond issuance program had to be increased by R500m to R3500m a week.
- The market kept its pricing of an MPC hike in November close to 100% with the front-month forward rate agreement (FRA) contract trading consistently close to 7.18% and three-month JIBAR at 7.017%. The market's view was consistent with SARB communication during October with deputy Governor Francois Groepe mentioning in a speech the importance of maintaining South Africa's purchasing power and the possibility for rates to rise gradually over the medium term.
- South Africa's activity indicators continued to portray anaemic activity in the economy with Private Sector Credit (6.26% y/y), Manufacturing PMI (42.4), Electricity Consumption (0.3% y/y), NAAMSA Vehicle Sales (-1.9% y/y) all printing soft.
- South Africa's September CPI cleared slightly above consensus at 4.9% y/y, with no sign yet of rising food inflation. With added potential pressure likely via rising electricity tariffs, the risk to the CPI trajectory remains to the upside.
- Credit bond issuance remained muted in October with only the financials issuing bonds in the credit space. These include Liberty Group, Absa Group, BNP Paribas and Nedbank Group. Spread compression continues to be the leading theme, with bank junior subordinated notes now pricing well south of 500 basis points over JIBAR.
- There are tentative signs that issues in the local economic and policy landscape are being tended to. There are still, however, many hurdles that needs crossing, including policy certainty regarding the land reform debate, policy certainty for the oil and gas industry and turning around failing SOCs. The President's Investment Conference saw a further R290bn worth of direct investments announced and expected to be implemented over the next five years.
- It remains to be seen whether these issues can be addressed in time to engineer some confidence in the economy to re-ignite GDP growth and subsequently avert a ratings downgrade, and crucially lead to a rise in investment and employment.
- Our investment approach remains tactical, awaiting the outcome of key events into and out of year-end, some of which includes the US mid-term elections, the G20 gathering, conclusion of trade talks between China and the US, the appointment of a fulltime SARS commissioner, the removal of ministers fingered in the state capture report and clear guidance on how SOCs will stop costing the fiscus.

Investment Manager: Terebinth Capital (Pty) Ltd (2nd Floor, Combined HQ Building, 4 Bridal Close, Tyger Falls, Tyger Valley 7530), is An Authorised Financial Services Provider (No. 47909)

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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**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 indifferent 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.

Money Market Instrument

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.

Risk-adjusted returns

Risk-adjusted return refines an investment's return by measuring how much risk is involved in producing that return, which is generally expressed as a number or rating.

Risk Profile - Conservative

You prefer to receive stable income flows and are determined to keep your capital intact at all times. You understand that comfort means that you may not receive outside returns but that your capital will be safe and the likelihood of losing money slim. 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.

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.

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 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. International investments or investments in foreign securities could be accompanied by additional risks such as potential limitations on the availability of market and repatriation of funds, macroeconomic risk, political risk, foreign exchange risk, tax risk, settlement risk, fluctuations in exchange rates which may cause the value of the fund to go up or down as well as potential limitations on the availability of market information. The fund may invest in financial instruments (derivatives) for efficient portfolio management purposes. Income funds derive their income primarily from interest-bearing instruments.

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 out sourced to Terebinth Capital (Pty) Ltd, (FSP) Licence No. 47909, 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.sanlamunitrustsmdd.co.za and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 266.