Fund Objective
The portfolio is a general equity portfolio that seeks to sustain high long-term capital growth.

Fund Strategy
The portfolio’s investment universe consists of equity securities, preference shares, debentures, debenture bonds, money market instruments, property shares and property related securities listed on exchanges, and assets in liquid form. 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 equity exposure will always exceed 80% of the portfolio’s net asset value. 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: PMECA
Portfolio Managers: Delphine Govender, Lonwabo Maqubela, Patrick Ntshalintshali & Glen Heinrich
ASISA Fund Classification: South African - Equity - General
Risk Profile: Aggressive
Benchmark: FTSE/JSE SWIX (.J403T)
Fund Size: R 92 209 840
Portfolio Launch Date*: 2014/09/22
Fee Class Launch Date*: 2014/09/22
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
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: 0.86
Total Expense Ratio: 1.02
Transaction Cost: 0.20
Total Investment Charges: 1.22
TER Measurement Period: 01 January 2017 - 31 December 2019

Top Ten Equity Holdings
Portfolio Date: 2019/12/31
- British American Tobacco Plc: 7.95%
- Standard Bank Group Ltd: 4.68%
- Tiger Brands Ltd: 4.52%
- Woolworths Holdings Ltd: 4.48%
- Absa Group Ltd: 4.29%
- Sasol Ltd: 4.17%
- Royal Bafokeng Platinum Ltd: 3.03%
- AngloGold Ashanti Ltd: 2.87%
- Netcare Ltd: 2.69%
- Omnia Holdings Ltd: 2.64%

Asset Allocation
Portfolio Date: 2019/12/31
- SA Equity: 98.38%
- SA Cash: 0.27%
- SA Property: 1.35%
Total: 100.00%

Annualised Performance (%)
- Fund
- Benchmark
1 Year: -13.10% -6.69%
3 Years: -5.68% 1.16%
5 Years: -3.49% 1.14%
Since Inception: -3.46% 2.16%

Cumulative Performance (%)
- Fund
- Benchmark
1 Year: -13.10% -6.69%
3 Years: -16.10% 3.54%
5 Years: -16.28% 8.82%
Since Inception: -17.44% 12.32%

Highest and Lowest Annual Returns
Time Period: Since Inception to 2019/12/31
- Highest Annual %: 21.02%
- Lowest Annual %: -13.61%

3 Year Risk Statistics
- Standard Deviation: 11.59%
- Sharpe Ratio: -1.06
- Information Ratio: -0.99
- Maximum Drawdown: -21.67%

Distribution History (Cents Per Unit)
- 2019/12/31: 1.91 cpu
- 2017/12/31: 0.08 cpu
- 2016/12/31: 0.83 cpu
- 2019/06/30: 1.59 cpu
- 2017/11/24: 0.68 cpu
- 2016/06/30: 1.12 cpu
- 2018/12/31: 1.37 cpu
- 2017/06/30: 1.45 cpu
- 2015/12/31: 1.39 cpu
- 2018/06/30: 1.84 cpu
- 2016/03/31: 0.87 cpu

Risk Profile

Aggressive
You can afford to take on a higher level of risk (i.e., have a greater exposure to equities) because of your investment time horizon and/or your appetite for risk. You know that in taking the risk, you need to be patient if you want to achieve the results. So you are willing to invest for the long-term and are prepared to tolerate some volatility in the short term, in anticipation of the higher returns you expect to receive in five years or beyond.

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 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, 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.

**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 on request 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 on request 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 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. 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. Management of the portfolio is outsourced to Perpetua Investment Managers (Pty) Ltd, (FSP) Licence No. 29977, 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 results 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.sanlamunittrustsmd.co.za and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 296.

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Administered by
Portfolio Manager Comment

As at 31 December 2019

Following a particularly volatile 2018, 2019 proved to be a comparatively positive year as the All Share Index (ALSI) delivered 12.0% for the year versus -8.5% last year. This return, however, was not evenly sourced in terms of sector contributions as SA Resources returned 28.5%, sharply outperforming SA Industrials at 8.9% and SA Financials, which only returned 0.6% for the year. Eight of the top 10 return stocks in 2019 were resource counters, with the top 5 delivering over 100% return each. Accordingly, most diversified equity portfolios struggled to match the return for the ALSI in the year.

Following a tough third quarter for equity returns, the fourth quarter of 2019 brought moderate relief for investors. Both October and December were positive months, while November was a particularly weak month (ALSI was down 1.8% and SWIX was down 1.6%) resulting in the ALSI and the SWIX delivering 4.6% and 4.8% respectively for the fourth quarter. The Platinum and Gold Mining sectors delivered 47% and 26% respectively in the fourth quarter.

Given the differences in weightings of key stocks in the most widely used SA equity indices, the one-year return posted notable differences with the ALSI posting 12.0%; the SWIX and Capped SWIX lower at 9.3% and 6.7% respectively.

Over the last 5 years, returns for the SA equity market have been very disappointing with the ALSI delivering 6.0% compound annual return and failing to beat cash returns at 7.2% or the ALBI at 7.7%.

During the past 7 years specifically, the Value style has sharply underperformed the South African market as well as the Growth investment style. While “Value” as a style can experience periods of relative underperformance, it is unusual for the length of underperformance that has occurred. This has been largely driven by the contribution of the technology and internet beneficiary stocks to returns which typify growth stocks. True value-oriented managers would be and were underweight these groups of popular shares and this positioning has therefore negatively affected returns of all-encompassing value managers.

The portfolio returned 4.0% for the fourth quarter versus 4.8% for the SWIX over the same period. Our underweight positions in Naspers and MTN, as well as our overweight in Omnia contributed positively to relative performance. Detractors from relative performance include our overweight position in Woolworths (which had been a positive contributor through the year) and Nampak, as well as our underweight position in Sibanye. Our underweight exposure in the Telecommunications sector through the year also contributed positively to relative returns.

In terms of portfolio positioning, we are moderately overweight in Industrials and slightly reduced our underweight to Financials. We are currently marginally overweight resources.

In terms of industry exposure, the portfolio remains overweight the food producers and the healthcare sector and is underweight software & computer services and property. We believe the food producers have been impacted by a protracted negative cycle (in terms of rising input costs) and believe this will start to normalize in the period ahead. We believe this, combined with company-specific action, will positively impact earnings. Our largest overweight positions relative to the benchmark include British American Tobacco, Tiger Brands and Woolworths. We believe these shares are good quality businesses trading at meaningful discounts to their fundamental value.

Portfolio Managers
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