

# Cinnabar SCI\* Income Fund of Funds

## Minimum Disclosure Document

As of 2021/05/31



**CINNABAR**  
INVESTMENT MANAGEMENT

MDD Issue Date: 2021/06/18

### Fund Objective

The objective of the portfolio is to provide investors with a high level of income combined with capital preservation.

### Fund Strategy

Investments to be included in the portfolio will, apart from assets in liquid form, consist solely of participatory interests in portfolios of collective investment schemes registered in the Republic of South Africa. The portfolio will consist of a mix of collective investment scheme portfolios investing in equity, fixed interest instruments (including, but not limited to, bonds, corporate bonds, inflation linked bonds, convertible bonds, cash deposits and money market instruments), debentures, preference shares and property securities as well as any other income enhancing securities which are consistent with the portfolio's primary objective and that the Act may allow from time to time. The portfolio's equity exposure will be limited to a maximum of 10% of the portfolio's net asset value. The Fund is Regulation 28 compliant. The portfolio will also be allowed to invest in listed and unlisted financial instruments (derivatives) as allowed by the 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	GCIFA
Portfolio Manager	Cinnabar Investment Management Team
ASISA Fund Classification	South African - Multi Asset - Income
Risk Profile	Cautious
Benchmark	110% of STeFI Call Rate
Fund Size	R 96 203 731
Portfolio Launch Date*	2014/07/29
Fee Class Launch Date*	2014/07/29
Minimum Lump Sum Investment	R 10 000
Minimum Monthly Investment	R 500
Income Declaration Date	March, June, September & December
Income Payment Date	1st business day of April, July, October & January
Portfolio Valuation Time	17:00
Transaction Cut Off Time	15:00
Daily Price Information	Local media & www.sanlamunitrusts.co.za
Repurchase Period	2-3 business days

### Fees (Incl. VAT)

### A-Class (%)

Maximum Initial Advice Fee	3,45
Maximum Annual Advice Fee	—
Manager Annual Fee	0,63
Total Expense Ratio	1,81
Transaction Cost	0,01
Total Investment Charges	1,82
Performance Fee	0,02
TER Measurement Period	01 April 2018 - 31 March 2021

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 historic total TER above is calculated based on 3 years of historic data, and includes Performance Fees until 31 July 2019. No performance fees have been charged since 1 August 2019 so the historic total TER will fall into line with the current effective TER as the historic data is removed from the calculation over time.

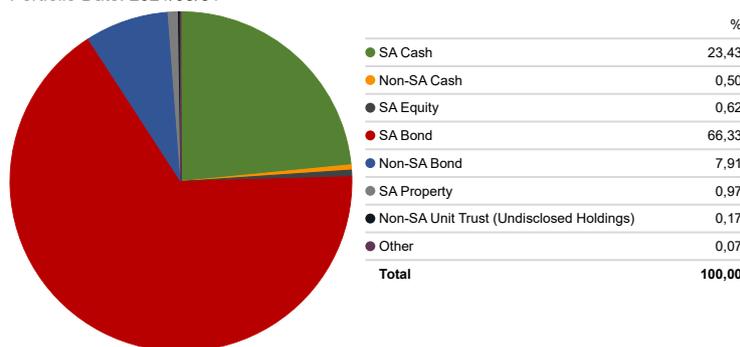
\*The Cinnabar Sanlam Collective Investments Income Fund of Funds transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 02 December 2017.

### Top Ten Holdings

	(%)
Marriot Core Income - C	21,80
Granate SCI Multi Income Fund	19,81
Fairtree Flexible Income Plus Prescient Fund	18,76
Saffron SCI Opportunity Income Fund	18,74
Coronation Strategic Income Fund	18,23

### Asset Allocation

Portfolio Date: 2021/03/31



### Annualised Performance (%)

	Fund	Benchmark
1 Year	7,22	3,94
3 Years	6,72	6,03
5 Years	7,00	6,64
Since Inception	6,58	6,69

### Cumulative Performance (%)

	Fund	Benchmark
1 Year	7,22	3,94
3 Years	21,55	19,20
5 Years	40,26	37,93
Since Inception	54,64	55,75

### Highest and Lowest Annual Returns

Time Period: Since Inception to 2020/12/31

Highest Annual %	8,13
Lowest Annual %	5,45

### Risk Statistics (3 Year Rolling)

Standard Deviation (Volatility)	1,48
Maximum Drawdown	-1,70
Sharpe Ratio	0,36
Information Ratio	0,42

### Distribution History (Cents Per Unit)

Date	Amount	Date	Amount	Date	Amount
2021/03/31	1.11 cpu	2020/03/31	1.69 cpu	2019/03/31	1.34 cpu
2020/12/31	1.24 cpu	2019/12/31	1.76 cpu	2018/12/31	1.58 cpu
2020/09/30	1.27 cpu	2019/09/30	1.80 cpu	2018/09/30	1.65 cpu
2020/06/30	1.66 cpu	2019/06/30	1.73 cpu	2018/06/30	1.54 cpu

Administered by



# Cinnabar SCI\* Income Fund of Funds

## Minimum Disclosure Document

As of 2021/05/31



CINNABAR  
INVESTMENT MANAGEMENT

### Risk Profile

#### Cautious

You are cautious about taking on risk (i.e. have a limited exposure to equities in your portfolio). You want your capital to be safe and prefer fairly stable income and/or income growth. Even knowing that equities are a riskier asset class, you are comfortable to have some exposure, albeit limited, to them because you know they will add that little extra to your portfolio.

### 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 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, biannual 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.

#### 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 investments.

#### 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

The standard deviation is a widely used risk measure of the return dispersion relative to the mean. It is also referred to as volatility.

### 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. A fund of funds portfolio is a portfolio that invests in portfolios of collective investment schemes that levy their own charges, which could result in a higher fee structure for the fund of funds. 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 outsourced to Cinnabar Investment Management (Pty) Ltd, (FSP) Licence No. 45402, 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](http://www.sanlamunittrustsmdd.co.za) and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 266.

#### Cinnabar Investment Management (Pty) Ltd

(FSP) License No. 45402

Physical Address: 346 Ontdekkers Road, Florida, Roodepoort, 1709

Postal Address: 346 Ontdekkers Road, Florida, Roodepoort, 1709

Tel: +27 (11) 768 1022

Email: [info@cinnabarim.co.za](mailto:info@cinnabarim.co.za)

Website: [www.cinnabarim.co.za](http://www.cinnabarim.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](mailto:service@sanlaminvestments.com)

Website: [www.sanlamunittrusts.co.za](http://www.sanlamunittrusts.co.za)

#### Trustee Information

Standard Bank of South Africa Ltd

Tel: +27 (21) 441 4100

Email: [compliance-sanlam@standardbank.co.za](mailto:compliance-sanlam@standardbank.co.za)

Administered by





### Portfolio Manager Comment

Cinnabar Market Update: May 2021

#### United States of America

America's Secretary of the Treasury, Janet Yellen, remarked that rates would have to "rise somewhat to ensure that our economy doesn't overheat". After her initial comments, she clarified that she was not recommending a rise in interest rates. She believes that prices will rise in the near term as economic activity picks up, but she is not worried about persistent inflation. Amid a surge in demand as the economy re-opens, soaring commodity prices and supply constraints, the annual inflation rate in the US soared to 4.2% in April. Rising energy costs are a significant driving factor behind inflationary pressures, as petrol prices in the US reached a seven-year high. US unemployment rate dropped to 5.8% last month as the economy created 559,000 jobs with solid growth in the hospitality and education sectors. Factory activity had another month of record growth, with the IHS Markit US Manufacturing PMI at 62.1 for May. Consumer sentiment hit a 3-month low, with the University of Michigan's consumer sentiment for the US coming in at 82.9 for May. In other news, the US Senate passed the "US Competition and Innovation Act", on which the House will now vote. The Act would allocate \$250 billion towards boosting government spending on technology research over the next five years to counter China's growing influence in areas like 5G, Artificial Intelligence and Quantum Computing.

#### UK

The UK economy continued to ease restrictions in May, with indoor hospitality and schools re-opening, helping boost optimism as the consumer confidence index rose to -9 in May from -15 in the previous month. The service sector grew by 1.9%, and retail trade sales continued to show strength, jumping at a record 42.4% year-on-year in April. UK businesses have been struggling to keep up with demand leading to supply bottlenecks in manufacturing. The cap on energy bills was lifted, and from April 1st, the price cap returned to pre-pandemic levels, increasing-price pressures faced by businesses. The annual inflation rate in the UK increased to 1.5% in April from 0.7% in March. A rise in output and new orders, saw Manufacturing PMI come in at 65.6 in May. The easing of pandemic restrictions and high levels of pent-up demand meant that the rapid revival in labour market conditions continued. The unemployment rate in the UK edged down to 4.8% in the three months to March of 2021. The British economy saw its first month of growth since January 2020, when GDP grew 1.4% year-on-year in March.

#### Europe

Vaccination rates in Europe have started to pick up after a relatively slow start. At its current vaccination pace, the eurozone will soon have provided at least one dose to over 50s. This, along with the gradual re-opening of the economy, has helped boost consumer confidence levels, confirmed at -5.1 in May. The Economic Sentiment Index increased to 114.5 in May from 110.5 in the previous month as the services sector, retail trade, and construction all showed signs of improvement. The seasonally-adjusted unemployment rate dropped to 8% in April from 8.1% in the prior month as the number of unemployed persons declined by 134 thousand from the previous month to 13.03 million. Youth unemployment remained unchanged at 17.2% in April. Homebuilding activity growth hit a 15-month high, while commercial building activity and civil engineering work decreased. The euro zone's annual inflation rate jumped to 2% in May, passing the European Central Bank's target of 2% for the first time in more than two years.

#### Japan

The world's third-largest economy shrank less than expected last quarter, easing concerns around a possible double-dip recession. However, according to Bloomberg economist Yuki Masujima, one major factor behind the smaller contraction was an increase in private inventory relative to the preliminary reading. She believes this could unwind in the second quarter, making a recession more likely. Turning to the indicators, Japan posted a more than sixfold increase in its current account surplus in April, to ¥1.32 trillion, reversing the deficit in the same month a year earlier. Exports surged 38%, while imports rose at a softer 12.8%. Unemployment rose to 2.8% in April, with the number of unemployed increased by 140 thousand. Japan's wage growth has slowed to levels last seen in the aftermath of the 2008 financial crisis as companies have taken a hit from the coronavirus pandemic, dragging on consumption. Economists predict the pandemic has forced Japanese households to save about ¥13 trillion (\$118 billion), or roughly 4% of Japan's annual consumption. However, as COVID-19 subsidies, households may withdraw some of their 'forced savings,' which may push up private consumption.

#### China

Factory-gate prices in China hit a 13-year high in May as manufacturers passed on the surging prices of raw materials. The producer price index rose to 9% in May from a year earlier, compared with 6.8% in April on the back of a further rise in global commodity prices. Meanwhile, China's consumer price index rose 1.3% from a year earlier, compared with a 0.4% rise in April, mainly driven by transportation and communication. China's imports and exports continued growing in May. Imports grew by 51.1% from a year earlier to US\$218.4 billion, up from the 43.1% growth in April, whilst exports grew by 27.9% from a year earlier to US\$263.9 billion, down from the 32.3% growth seen in April. The Caixin China General Manufacturing PMI was at a five-month high of 52.0 in May, and the unemployment rate eased to 5.1% in April. In other news, China told its banks and payment companies not to conduct transactions involving cryptocurrencies and warned investors against speculating in them, as they are disrupting the "normal economic and financial order". Further to this, China's central bank is well advanced in developing its

digital currency, backed by the Yuan.

#### South Africa

South Africa's economy grew by an annualized 4.6% in the first quarter, following a downwardly revised 5.8% in the October-December period. A strong rebound in global demand has aided South Africa through the significant increase in commodity demand. However, some risks remain, including delays in vaccinating the population and the heightened rotational load-shedding, a key hindrance to growth. South Africa's PMI rose to 57.8 in May from 56.2 in the previous month, reaching its highest level since last October. Gross fixed capital formation fell by -2.6% during the first quarter, shaving -0.4% points from the topline GDP outcome. Household consumption expenditure grew by a further 4.7% quarter on quarter attributed mainly to spending on clothing and furnishings. Consumer confidence edged up in the second quarter but remained largely subdued. Consumers face financial uncertainty, with the official unemployment rate reaching 32.6%, youth unemployment (15-34 years) at 46.3% and university graduates at 9.3% in the first quarter. The annual inflation rate in South Africa rose to 4.4% in April from 3.2% in March, whilst the SARB kept its benchmark repo rate unchanged at a record low of 3.5%.

Sources: *Trading Economics, Economy.com, Japan Times, Cinnabar Investment Management*

#### Portfolio Manager

Cinnabar Investment Management Team