

# Cinnabar SCI\* Income Fund of Funds

## Minimum Disclosure Document

As of 30/06/2021



**CINNABAR**  
INVESTMENT MANAGEMENT

MDD Issue Date: 23/07/2021

### 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 95,844,588
Portfolio Launch Date*	29/07/2014
Fee Class Launch Date*	29/07/2014
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.

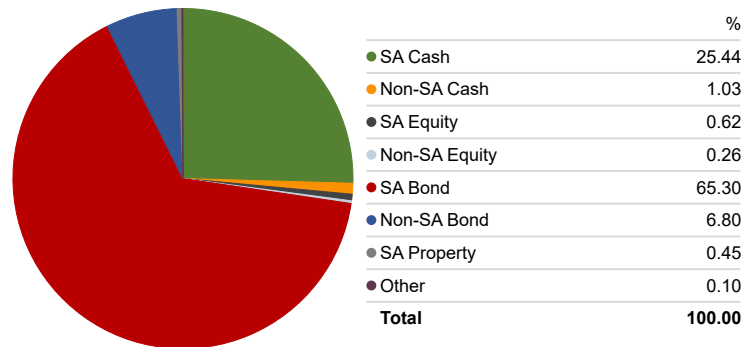
\*The Cinnabar Sanlam Collective Investments Income Fund of Funds transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 02 December 2017.

### Top Ten Holdings

	(%)
Marriot Core Income - C	22.20
Granate SCI Multi Income Fund	20.22
Fairtree Flexible Income Plus Prescient Fund	19.27
Saffron SCI Opportunity Income Fund	19.27
Miplan IP Enhanced Income Fund	12.52
Coronation Strategic Income Fund	5.90

### Asset Allocation

Portfolio Date: 30/06/2021



### Annualised Performance (%)

	Fund	Benchmark
1 Year	7.03	3.90
3 Years	6.68	5.94
5 Years	6.95	6.58
Since Inception	6.57	6.66

### Cumulative Performance (%)

	Fund	Benchmark
1 Year	7.03	3.90
3 Years	21.43	18.89
5 Years	39.93	37.52
Since Inception	55.33	56.24

### Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2020

Highest Annual %	8.13
Lowest Annual %	5.45

### Risk Statistics (3 Year Rolling)

Standard Deviation (Volatility)	1.48
Maximum Drawdown	-1.70
Sharpe Ratio	0.39
Information Ratio	0.45

### Distribution History (Cents Per Unit)

Date	CPU	Date	CPU	Date	CPU
30/06/2021	1.16	30/06/2020	1.66	30/06/2019	1.73
31/03/2021	1.11	31/03/2020	1.69	31/03/2019	1.34
31/12/2020	1.24	31/12/2019	1.76	31/12/2018	1.58
30/09/2020	1.27	30/09/2019	1.80	30/09/2018	1.65

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### 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)

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### Portfolio Manager Comment

Cinnabar Market Update: June 2021

#### United States of America

In the US, economic data has been generally strong over the last three months. Vaccination campaigns continued to accelerate over the second quarter. Covid-related mobility restrictions continued to ease, and activity levels picked up. The US posted an annualised growth rate of 6.4% in the first quarter, following a 4.3% expansion in the previous three-month period. During May, the annual inflation rate accelerated to 5% from 4.2% in April, even though many investors believe current price rises are linked to the re-opening of the economy and will recede later this year. Personal Consumption Expenditure Index increased 3.4% in May, and unemployment edged up to 5.9% in June, with the labour force participation rate remaining at 61.6%. The US Manufacturing PMI index stood at 62.1 in June, pointing to a continued economic rebound. On the political front, a bipartisan infrastructure plan costing \$1.2 trillion was agreed with President Biden, who declared "we have a deal". The eight-year program includes funding for roads, bridges, the power grid, public transport and the internet.

#### UK

Britain's gross domestic product shrank by 6.1% year-on-year in the first quarter; however, growth picked up strongly in April as covid restrictions eased. The UK economy grew 2.3% in April, up from 2.1% in March, and is in a sweet spot right now with the boost from the release of pent-up demand and government support expected to drive economic activity in the second quarter. Consumer price inflation climbed to 2.1% in May from 1.5% in April, driven mainly by rising clothing and fuel prices. Inflation is expected to continue higher in the coming months as we see some base effects and supply chain disruptions coming through. The Bank of England voted unanimously to keep its benchmark interest rate on hold at a record low of 0.1% during its June meeting and, by a majority of 8-1, to leave its bond-buying programme unchanged. The labour market continued to show signs of recovery as the unemployment rate fell to 4.7% in the three months to April.

#### Europe

The eurozone economy contracted by 0.6% in the first quarter; however, the European Commission revised upwards its Eurozone GDP forecasts for 2021 and 2022 to 4.8% this year and 4.5% in 2022. The IHS Markit Eurozone Manufacturing PMI saw a new record high of 63.4 in June, from a preliminary estimate of 63.1, marking a twelfth successive month of expansion in the sector and pointing to a robust economic rebound. Consumers are more optimistic due to ongoing re-opening efforts and the rapid pace of COVID-19 vaccination. The annual inflation rate in the Euro Area eased to 1.9% in June as energy and service prices slowed. The European Central Bank left monetary policy unchanged during its June meeting, saying it expects net purchases under the PEPP over the coming quarter to continue. As the labour market shows signs of recovery amid the gradual easing of coronavirus-induced restrictions, the Euro Area seasonally-adjusted unemployment rate edged down to 7.9% in May.

#### Japan

Japan's economy is seen as having barely eked out growth last quarter amid stop-and-go restrictions to contain outbreaks. The economy shrank 1% in the first quarter after a 2.8% growth during the fourth quarter last year. However, Japan's government projected the economy would return to a pre-coronavirus pandemic level later this year, expecting a further acceleration of domestic vaccine rollouts and a strong recovery of the world economy. Japan Manufacturing PMI remains in an expansionary territory at 52.4 for June, down from 53.0 a month earlier. Consumer prices declined by 0.1% year-on-year in May, after a 0.4% drop in the prior month. The Bank of Japan left its key short-term interest rate unchanged at -0.1% and maintained the target for the 10-year Japanese government bond yield at around 0% during its June meeting. On the political front, Prime Minister Yoshihide Suga is likely to unveil another economic stimulus package worth at least ¥20 trillion within the next few months, according to a Bloomberg survey. Analysts said they see ¥1 trillion being earmarked for revitalising Japan's semiconductor industry, another ¥2 trillion for digitalisation and ¥2 trillion for helping meet climate change goals.

#### China

Economists are predicting an increase in downward pressure on China's economy in the second half of the year after leading indicators pointed towards an overall softening of business activity. China's General Manufacturing PMI fell to 51.3 in June 2021 from 52 in May, easing for a third straight month, primarily attributed to a shortage of semiconductors, coal and power and a coronavirus outbreak in the significant export province of Guangdong. China's Urban unemployment edged down to 5.0% in May, the lowest rate in two years, whilst the annual inflation rate jumped to 1.3% in May from 0.9% a month earlier. In politics, China's central bank stepped up its clampdown on bitcoin, drawing in officials from the country's biggest banks to discuss the problem of "cryptocurrency speculation".

#### South Africa

South Africa's economy contracted by 3.2% in the first quarter, with Manufacturing PMI weakening to 57.4 in June from 57.8 in the previous month amid fresh concerns over rising coronavirus cases and tighter restrictions. Businesses are more optimistic as the business confidence index rose to 50 in the second quarter, whilst consumers found themselves more pessimistic, with consumer confidence decreasing to -13 in the second quarter from

-9 in the previous period. May saw CPI hit a 30-month high of 5.2%, above the 4.5% midpoint of the South African Reserve Bank's monetary policy target range of 3-6%. Most economists feel this is no reason to panic as "there's not all that much room for inflation to take hold in a sustained manner for a prolonged period of time". Further to this, core inflation is at 3.1%, lower than the 3.6% target and PPI in May rising 0.4% from April suggests that prices are hardly on the boil in the current environment.

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

#### Portfolio Manager

Cinnabar Investment Management Team