

# Cinnabar SCI\* Income Fund of Funds

## Minimum Disclosure Document

As of 2021/12/31



**CINNABAR**  
INVESTMENT MANAGEMENT

MDD Issue Date: 2022/01/24

### 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 91 039 161
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	1,69
Transaction Cost	0,01
Total Investment Charges	1,70
Performance Fee	0,02
TER Measurement Period	01 October 2018 - 30 September 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.

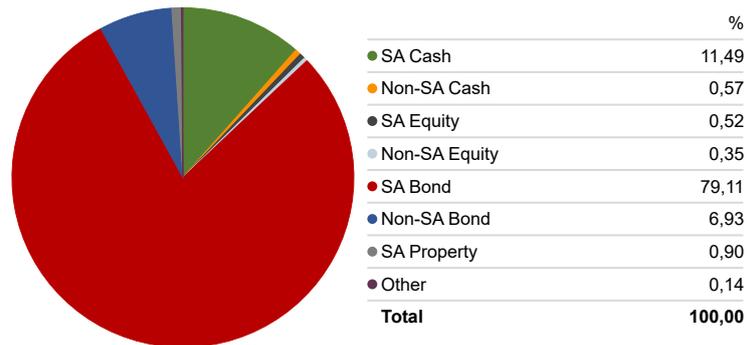
\*The Cinnabar Sanlam Collective Investments Income Fund of Funds transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 02 December 2017.

### Top Ten Holdings

	(%)
Marriot Core Income - C	21,94
Granate SCI Multi Income Fund	20,01
Miplan IP Enhanced Income Fund	19,93
Saffron SCI Opportunity Income Fund	18,93
Fairtree Flexible Income Plus Prescient Fund	18,89

### Asset Allocation

Portfolio Date: 2021/12/31



### Annualised Performance (%)

	Fund	Benchmark
1 Year	5,94	3,88
3 Years	6,45	5,39
5 Years	6,76	6,20
Since Inception	6,52	6,47

### Cumulative Performance (%)

	Fund	Benchmark
1 Year	5,94	3,88
3 Years	20,63	17,05
5 Years	38,66	35,07
Since Inception	59,86	59,29

### Highest and Lowest Annual Returns

Time Period: Since Inception to 2021/12/31

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

### Risk Statistics (3 Year Rolling)

Standard Deviation (Volatility)	1,55
Maximum Drawdown	-1,70
Sharpe Ratio	0,57
Information Ratio	0,62

### Distribution History (Cents Per Unit)

Date	Amount	Date	Amount	Date	Amount
2021/12/31	1.32 cpu	2020/12/31	1.24 cpu	2019/12/31	1.76 cpu
2021/09/30	1.19 cpu	2020/09/30	1.27 cpu	2019/09/30	1.80 cpu
2021/06/30	1.16 cpu	2020/06/30	1.66 cpu	2019/06/30	1.73 cpu
2021/03/31	1.11 cpu	2020/03/31	1.69 cpu	2019/03/31	1.34 cpu

Administered by





### 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) License 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

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### Portfolio Manager Comment

**Cinnabar Market Update: December 2021**

#### United States of America

Holiday spending continued to prop up retail numbers, seeing sales increase 0.3% in November, though that was below expectations and marks a slowdown from October's strong consumer behaviour. Inflationary pressures weighed on demand, the 6.8% YoY CPI increase at its highest level since 1982. Energy remains the largest contributor to the high reading, at a 33.3% increase over November 2020's reading, though automobiles, both used and new, continue to push on inflation as well due to the semiconductor shortage. The labour market continues to improve, with the unemployment rate hitting 4.2%, and the labour force participation rate edging up to 61.8%, the highest level since March 2020. Growth is anticipated to grow by 5.6% for the year before rising by 3.7% and 2.4% in 2022 and 2023, respectively. Consumer sentiment improved in December off the basis of higher wage expectations and moderated inflation expectations, as the Fed moved forward with tapering quantitative easing. Exports are reaching record levels off of strong foreign demand, but imports have also been registering record levels amid strong domestic recovery, and the US deficit returned to near-record levels in December after easing off in November.

#### UK

Strong consumer behaviour saw retail sales almost double their expectations in November, coming in at a 1.4% MoM increase. The unemployment rate decreased to 4.2% in October and job vacancies hit a new record despite the end of the furlough scheme. UK Manufacturing PMI is still strong but dipped slightly in December to 57.9 from 58.1 in the previous month. The Bank of England (BoE) voted to raise interest rates, the first of the G7 countries to do so, in December, lifting the rate from 0.10% to 0.25% in an unexpected move. A ten-year inflation high of 5.1% had the BoE signalling a December rate hike earlier in the quarter, but Omicron had all but erased market expectations of them following through. That they did so marks the UK's focus on tempering inflation rather than new variants. Consumer confidence took a hit on Omicron and the new rate hike, weighed down by the prospect of increasing living costs and stricter borrowing pressure.

#### Europe

In Europe, Omicron lockdowns have stalled economies once again and has dented consumer confidence, though the severity of the approach has varied widely across the continent. The Manufacturing PMI hit 58 in December, an expansionary reading but the lowest level since February, due to shortages at suppliers and subdued demand pressures. Inflation across the Eurozone in November hit its highest reading since July 1991, at 4.9%, the highest reading in the CPI basket being, once again, energy. The European Central Bank further cut its bond purchases under the Pandemic Emergency Purchase Programme (PEPP) in December, but increased them under the Asset Purchase Programme to serve as a bridge through the winding down of the PEPP.

#### Japan

Japan's economy registered negative GDP growth in Q3, stifled by coronavirus restrictions, and consumer data shows Q4 might be in for a similarly hard time as Omicron takes its toll, with household spending unexpectedly declining -1.3% in November, off of an expected 1.6% rise. Japan's infamous low inflation is starting to ease, catching up to 0.6% in December off the back of strong energy prices, a push that is being felt by Japanese consumers. With some of the lowest inflation in the world, the Bank of Japan has signalled that, unlike many other countries intending to normalize monetary policy, they expect to maintain their 'ultra-loose' policy. With market expectations that it will remain the most dovish central bank, the Yen had weakened significantly, dealing another blow to Japanese consumers, though export-heavy firms have benefitted.

#### China

Omicron and the US Fed sent the Chinese economy whipsawing the last couple of months of 2021. The new variant's emergence, while worrying, was generally accepted as a manageable risk soon after discovery, and dampened demand for the dollar, driving the Yuan to its strongest reading since early 2018 and weakening exports and the Chinese trade surplus. Coupled with the Chinese central bank's more dovish attitude as of late, the Fed's more hawkish turn in December sent the Yuan back in the other direction. China's zero-COVID policy has proved tough to maintain, and Omicron has weighed on consumer sentiment and spending, with the former decreasing to a three-month low in November at 119.5, and the latter slowing to a 0.22% increase MoM. China's inflation hit 2.3% in November, with food prices rising for the first time in six months. The Manufacturing PMI surged to 50.9 in December, from a contractionary reading the month before, due to easing supply and energy constraints.

#### South Africa

While global commodity demand continues to support the South African economy, demand has fallen from mid-2021, evidenced by the softening current account surplus and trade balance, both in surplus, but not record territory levels. Manufacturing PMI fell to 54.1 in December from 57.2 in November, likely due to falling demand on Omicron fears in the developed countries. Inflation spiked to 5.5% in November, within the SARB's target range but 1% higher than the midpoint, and tightening expectations around rate hikes in 2022. The Q3 unemployment rate ticked up to 34.9% and that, along with higher energy prices, the resumption of load-shedding, and the fourth wave of infections all kept consumer

confidence in negative territory at a -9 reading in Q4.

Sources: *Trading Economics, Businessstech, Reuters, Cinnabar Investment Management*

#### Portfolio Manager

Cinnabar Investment Management Team