

# Cinnabar SCI\* Income Fund of Funds

## Minimum Disclosure Document

As of 30/04/2022



**CINNABAR**  
INVESTMENT MANAGEMENT

MDD Issue Date: 19/05/2022

### 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 106,351,391
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	1.62
Transaction Cost	0.01
Total Investment Charges	1.63
Performance Fee	0.02
TER Measurement Period	01 January 2019 - 31 December 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.

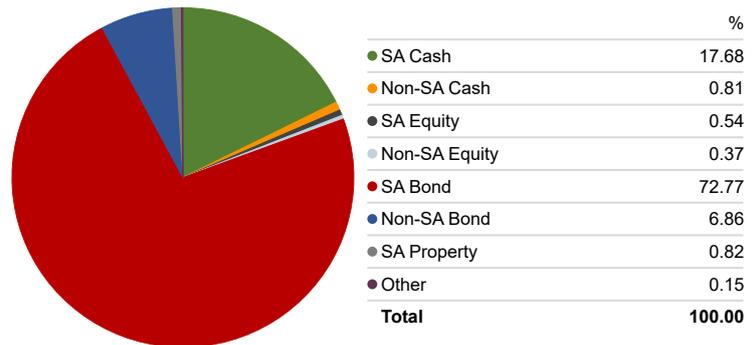
\*The Cinnabar Sanlam Collective Investments Income Fund of Funds transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 02 December 2017.

### Top Ten Holdings

	(%)
Granate SCI Multi Income Fund	21.65
Miplan IP Enhanced Income Fund	21.55
Saffron SCI Opportunity Income Fund	19.67
Fairtree Flexible Income Plus Prescient Fund	19.63
Marriot Core Income - C	16.43

### Asset Allocation

Portfolio Date: 31/03/2022



### Annualised Performance (%)

	Fund	Benchmark
1 Year	5.46	4.05
3 Years	5.93	5.05
5 Years	6.47	5.98
Since Inception	6.43	6.38

### Cumulative Performance (%)

	Fund	Benchmark
1 Year	5.46	4.05
3 Years	18.88	15.94
5 Years	36.78	33.68
Since Inception	62.07	61.54

### Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2021

Highest Annual %	8.13
Lowest Annual %	5.45

### Risk Statistics (3 Year Rolling)

Standard Deviation (Volatility)	1.59
Maximum Drawdown	-1.70
Sharpe Ratio	0.45
Information Ratio	0.50

### Distribution History (Cents Per Unit)

31/03/2022	1.35 cpu	31/03/2021	1.11 cpu	31/03/2020	1.69 cpu
31/12/2021	1.32 cpu	31/12/2020	1.24 cpu	31/12/2019	1.76 cpu
30/09/2021	1.19 cpu	30/09/2020	1.27 cpu	30/09/2019	1.80 cpu
30/06/2021	1.16 cpu	30/06/2020	1.66 cpu	30/06/2019	1.73 cpu

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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

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### Portfolio Manager Comment

**Cinnabar Market Update: April 2022**

#### United States of America

The US economy contracted by 1.4% quarter-on-quarter annualised for Q1, well below market forecasts of a 1.1% expansion. This was due to a record trade deficit and a decline in inventory investment. The US trade deficit widened sharply to a record high of \$109.8 billion in March, as a rise in energy prices lifted imports by 10.3%. Higher prices will continue to apply upward pressure on inflation, which saw an increase of 1.2% month-on-month in March and the annual inflation rate jumping to 8.5%. The Federal Reserve (FED) needs to cool the economy by slowing demand through the credit channel to rein in inflation. The FED raised policy rates by 0.5% in May, lifting its target range of 0.75% to 1%, driving up the two and 10-year yields by 39 basis points and 56 basis points, respectively and supporting the US Dollar. Manufacturing PMI fell for a second straight month to 55.4 in April, from 57.1 in March. The unemployment rate was unchanged at 3.6% in April, with the labour force participation rate falling to a 3-month low of 62.2%.

#### UK

According to UK policymakers, global inflationary pressures have intensified following Russia's invasion of Ukraine, which has led to a negative outlook for the economy's growth. The British economy advanced 0.1% month-over-month in February, slowing sharply from a 0.8% growth in January. The unemployment rate declined to 3.8% in the three months to February, returning to pre-coronavirus pandemic levels. Higher interest rates and soaring inflation dampened consumer confidence, which fell to its lowest level since July 2008. The Consumer Price Index in the UK increased 1.10% month-over-month and 7% annually in March, with the most significant upward pressure coming from petrol costs. Manufacturing PMI rose to 55.8 in April, up from a 13-month low of 55.2 in March. In February, the UK's trade deficit shrank to GBP 9.261 billion as exports rose 4.4%, while imports declined 1.8%. The Bank of England raised the critical Bank Rate by 25bps to 1% in May, its 4th consecutive rate hike, pushing up borrowing costs.

#### Europe

April concluded with no sign of a resolution to the war in Ukraine, as fighting in parts of the country intensified. The impact on energy markets has been notable given the difficulties faced by Europe in reducing its energy dependency on Russia. Euro Area data was weaker, with retail sales declining 0.4% month-on-month in March and PMIs remaining at their lowest level since January 2021, edging down to 55.5 in April from 56.2 in March. Inflation was up 0.6% over the previous month in April, with the annual inflation rate rising to fresh highs of 7.5%, as commodity prices were pushed higher from the war in Ukraine and sanctions on Russia. The rising prices and the war in Ukraine continue to take a toll on consumer confidence, which fell to its worst level since April 2020. Higher energy prices led to a sharp increase in the value of energy imports. Imports surged 38.8% from a year earlier, while exports rose at a softer 17%. Meanwhile, on the political front, Emmanuel Macron was re-elected for a second five-year term as French president, defeating Marine Le Pen.

#### Japan

Japan's consumer confidence nudged up to 33 in April as Covid cases fell, and the lifting of covid curbs paved the way for the reopening of the economy. Inflation expectations hit a record for the third month in a row, seeing Japan's consumer prices rising by 1.2% year-on-year in March and 0.4% monthly, with food prices rising at the fastest pace in over five years. Many analysts expect Japan's core consumer inflation to exceed 2% from April onward, mainly due to rising fuel costs. In monetary policy, the Bank of Japan (BOJ) left its key short-term interest rate unchanged at -0.1%, with 10-year bond yields around 0% in April. The BOJ raised this year's inflation forecast but stuck to ultra-low interest rates and guidance to sustain easy policy. In other indicators, the unemployment rate fell to a 1-year low of 2.6% in March, retail sales increased by 2%, and Japan's PMI numbers came in softer, edging down to 53.5 in April from 54.1 in March.

#### China

Having kept Covid-19 under tight control for most of the past two years and locking down Shanghai for all of April, Chinese authorities continue to grapple with containing the outbreak. If Covid continues to flare up this year, the 5.5% GDP growth target looks unlikely. The Chinese economy expanded 4.8% year-on-year in Q1, faster than the 4% in the previous period. Annual inflation rose to a three-month high of 1.5% in March; however, on a monthly basis remained flat as non-food inflation rose further. The People's Bank of China cut their Reserve Requirement Ratio on monetary policy, something they historically have done during FED hiking cycles. Still, it surprised analysts when they kept their key interest rate unchanged at 2.85%. PMI numbers showed a 26-month low of 46.0 in April, falling from March's reading of 48.1 as COVID-19 outbreaks took a toll on the economy. In trade, China's exports rose 3.9% year-on-year while imports remained unchanged, seeing China's trade surplus surge to USD 51.12 billion in April.

#### South Africa

The recent US FED rate hike has seen the USD reach a 20-year high. If the US FED sticks to its narrative of increasing interest rates at 50 basis points for the next few meetings, we can expect the USD to remain strong. By extension, gold and emerging market currencies, such as the Rand, would stay on the back foot, good news for South African exporters. In March, South African exports surged by 30.9% month-over-month, while imports rose at a

softer 7.3%, increasing South Africa's trade surplus to ZAR 45.86 billion. South Africa's PMI dropped to a four-month low of 50.3 in April from 51.4 in the previous month, pointing to a marginal deterioration in business conditions. The uncertainty caused by the Russia-Ukraine war has resulted in business confidence contracting to 95.6. Annual inflation rose to 5.9% in March, from 5.7% in the prior month and slightly below market expectations of 6%, inching up 1% in March. This is the 11th consecutive month that the rate has been above the South African Reserve Bank's 4.5% midpoint and has likely opened the door to another rate hike at their May meeting.

Sources: *Trading Economics, Moneyweb, Japan Times, Cinnabar Investment Management*

#### Portfolio Manager

Cinnabar Investment Management Team