

# Cinnabar SCI\* Income Fund of Funds

## Minimum Disclosure Document

As of 30/11/2022



**CINNABAR**  
INVESTMENT MANAGEMENT

MDD Issue Date: 15/12/2022

### 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 105,357,310
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	1.51
Transaction Cost	0.01
Total Investment Charges	1.52
Performance Fee	—
TER Measurement Period	01 October 2019 - 30 September 2022

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.

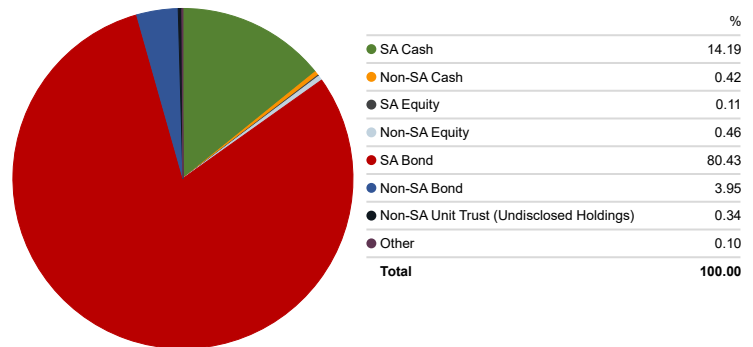
\*The Cinnabar Sanlam Collective Investments Income Fund of Funds transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 02 December 2017.

### Top Ten Holdings

	(%)
PortfolioMetrix BCI Dynamic Income Fund	59.35
Saffron SCI Opportunity Income Fund	19.84
Miplan IP Enhanced Income Fund	19.83

### Asset Allocation

Portfolio Date: 30/09/2022



### Annualised Performance (%)

	Fund	Benchmark
1 Year	7.01	5.15
3 Years	5.96	4.76
5 Years	6.50	5.77
Since Inception	6.51	6.34

### Cumulative Performance (%)

	Fund	Benchmark
1 Year	7.01	5.15
3 Years	18.96	14.96
5 Years	37.03	32.36
Since Inception	69.24	66.92

### 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)	2.08
Maximum Drawdown	-1.70
Sharpe Ratio	0.53
Information Ratio	0.54

### Distribution History (Cents Per Unit)

30/09/2022	1.50 cpu	30/09/2021	1.19 cpu	30/09/2020	1.27 cpu
30/06/2022	1.34 cpu	30/06/2021	1.16 cpu	30/06/2020	1.66 cpu
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

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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

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#### Manager Information

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#### Trustee Information

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### Portfolio Manager Comment

#### Cinnabar Market Update: November 2022

##### United States of America

Retail sales in the US increased 1.3% in October, after a flat reading in September, with personal income and personal spending coming out higher at 0.7% and 0.8% respectively for October. Unemployment remained unchanged, however less workers were actively looking for employment as the labour force participation rate contracted slightly from 62.2 to 62.1. On the monetary side, the US Fed announced a 75bp hike in its Federal Funds target range to 3.75%-4.0%, a move that had widely been anticipated by markets. This came despite a drop in October CPI to 7.7% y/y from 8.2% in September, which was also lower than the 7.9% expected. Compared to the previous month, CPI rose 0.4%, the cost of shelter contributing to over half of this increase. The producer price index for final demand rose 0.2% in October suggesting an ease in inflation. In the latest minutes of the Fed's meeting, members agreed the path of its rate hikes should be less steep going forward. Markets have pencilled in only a 50bp hike for December, with the Fed Funds benchmark rate peaking in early 2023.

##### UK

The British economy shrank 0.2% q/q in Q3 coming in at 2.4% y/y down from 4.4% y/y in Q2. The Bank of England (BoE) said the country could already be falling into recession, with the central bank projecting that it would last through 2023 and into the first half of 2024. In its most recent MPC meeting, the BoE hiked its key Bank Rate by 75bp to 3.0% after inflation hit 11.1% y/y in October, the highest in 41 years and well above the 10.7% expected. The main drivers towards inflation were rising food and utility bills. Economic activity in the UK improved from depressed levels. Retail sales grew 4.1% y/y in November due to winter-related purchases and the Black Friday boost, but the rate of growth lagged behind inflation. Consumer spending is likely to be under pressure going forward, given the squeeze on incomes. The Office for Budget Responsibility (OBR) expects real household incomes to fall by 7% over the two years to April 2024, despite the £100 billion of government support. Manufacturing PMI was revised slightly higher to 46.5 in November, compared to 46.2 in October and unemployment edged higher to 3.6% in the three months to September from 3.5% in the previous period.

##### Europe

The November eurozone inflation slowed for the first time since June last year, decreasing by 0.1% m/m and 10% y/y from 10.6% in October. Energy and service costs were the main detractors. Producer prices offered more good news dropping 2.9% from a month earlier in October, a sign that inflationary pressures from input prices are easing. However, the European Central Bank policymakers agreed that the central bank should continue normalizing and tightening monetary policy to combat high inflation, even in the event of a shallow recession. Indicators of economic activity in the eurozone surprised to the upside in November. The eurozone manufacturing PMI improved slightly to 47.1 from 46.4 in the previous month. Consumer confidence improved by 3.6 points to -23.9 in November from its extreme low levels. The unemployment rate in the eurozone fell to a new record low of 6.5% in October from 6.6% in the prior month.

##### Japan

Weaker economic data showed the Japanese economy shrinking by 0.3% quarter on quarter and 1.2% y/y in the three months to September amid global inflation pressures and a slump in the yen. Manufacturing PMI fell to 49 in November from 50.7 in October, contracting for the first time since January 2021. Imports climbed 53.5% y/y whilst exports managed a mere 25.3% y/y increase, leading to a surge in the trade deficit by JPY 2,162.3 billion in October. Consumers have taken a more pessimistic view on Japan's economy with consumer confidence declining to 28.6 in November, its lowest level since June 2020. Retail sales saw an increase of 0.2% m/m and 4.3% y/y in October down from a rise of 4.8% y/y in the previous month, but this was the eighth straight month of retail sale increases. Unemployment remained steady at 2.6% in October missing expectations for an improvement to 2.5%. Monetary policy saw the Bank of Japan (BoJ) maintain its key short-term interest rate at -0.1% and that for 10-year bond yields around 0% during its October meeting. The annual inflation rate in Japan climbed to 3.7% in October. The BoJ lifted its 2022 inflation forecast to 2.9% from 2.3%, citing surging prices of energy, food, and durable goods.

##### China

Economic data in China favoured mostly to the downside. November manufacturing PMI came in at 49.4, imports fell 10.6% y/y whilst exports declined by 8.6% y/y and October retail sales declined 0.5% y/y, all continuing to signal a slowdown in growth. The urban unemployment rate remained stable at 5.5% in October. Monetary policy eased along with some support being provided to the property sector. Inflation increased 0.10% m/m in October, however dropping to 2.1% y/y in October from 2.8% in the prior month, attributed to a slowdown in costs of food. Producer prices fell 1.3% y/y in October after a 0.9% rise in September suggesting an ease in inflation. On the political front, policy makers have relaxed COVID restrictions, reducing the quarantine period from 10 days to 8 days, allowing home quarantine for people with COVID-19 who have mild or no symptoms and making secondary contacts no longer in scope for quarantine.

##### South Africa

The South African economy advanced by a notable 1.6% q/q in Q3, following a 0.7% contraction in the prior quarter. Indicators of economic activity showed manufacturing PMI rose to 52.6 points in November from 50 points in the previous month, the highest reading since May. The unemployment rate was at 32.9% for Q3, down from 33.9% in the prior period. This was the lowest jobless rate since Q1 of 2021. On the monetary policy front, the South African Reserve Bank (SARB) raised its benchmark repo rate by 75bps to 7.0% at its November MPC meeting. The SARB again sounded a hawkish note, warning of

upside risks to inflation going forward due partly to the weaker rand. Persistent loadshedding, lower commodity prices and higher interest rates has led the SARB to downgrade their GDP forecasts for 2022 from 1.9% to 1.8% while lowering their expectations for 2023 and 2024 to 1.1% and 1.4% respectively. Annual inflation rose marginally to 7.6% in October from 7.5% in September, led by increases in food and beverages. The annual producer inflation eased for the third straight month by 16% in October, however the SARB only sees inflation returning to the 4.5% midpoint of its 3%-6% target range in the second quarter of 2024.

Sources: *Trading Economics, Bloomberg, BER, JP Morgan, The Guardian, Cinnabar Investment Management*

##### Portfolio Manager

Cinnabar Investment Management Team