

# Cinnabar SCI\* Income Fund of Funds

## Minimum Disclosure Document

As of 2022/12/31



**CINNABAR**  
INVESTMENT MANAGEMENT

MDD Issue Date: 2023/01/19

### 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 106 595 219
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	1,51
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.

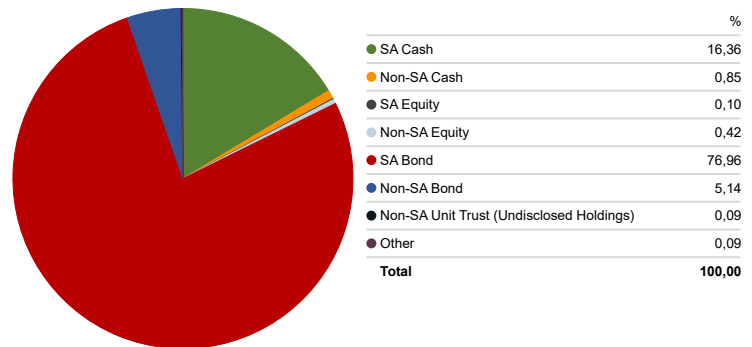
\*The Cinnabar Sanlam Collective Investments Income Fund of Funds transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 02 December 2017.

### Top Ten Holdings

	(%)
PortfolioMetrix BCI Dynamic Income Fund	60,03
Miplan IP Enhanced Income Fund	20,13
Saffron SCI Opportunity Income Fund	20,09

### Asset Allocation

Portfolio Date: 2022/12/31



### Annualised Performance (%)

	Fund	Benchmark
1 Year	6,28	5,43
3 Years	5,89	4,76
5 Years	6,55	5,77
Since Inception	6,49	6,35

### Cumulative Performance (%)

	Fund	Benchmark
1 Year	6,28	5,43
3 Years	18,73	14,98
5 Years	37,34	32,35
Since Inception	69,90	67,93

### Highest and Lowest Annual Returns

Time Period: Since Inception to 2022/12/31

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

### Risk Statistics (3 Year Rolling)

Standard Deviation (Volatility)	2,08
Maximum Drawdown	-1,70
Sharpe Ratio	0,50
Information Ratio	0,51

### Distribution History (Cents Per Unit)

2022/12/31	2.02 cpu	2021/12/31	1.32 cpu	2020/12/31	1.24 cpu
2022/09/30	1.50 cpu	2021/09/30	1.19 cpu	2020/09/30	1.27 cpu
2022/06/30	1.34 cpu	2021/06/30	1.16 cpu	2020/06/30	1.66 cpu
2022/03/31	1.35 cpu	2021/03/31	1.11 cpu	2020/03/31	1.69 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: December 2022

##### United States of America

US inflation slowed to 7.1% in November, and together with the annual producer price inflation easing to 7.4%, should help to reduce uncertainty over the path of interest rates as we move into 2023. However, the Federal Reserve (Fed) raised the fed funds rate by 50bps to 4.25%-4.5% during its latest monetary policy meeting. Minutes from December's meeting showed Fed policymakers continued to expect that ongoing increases in the federal funds rate would be appropriate and that a restrictive policy stance would need to be maintained until the incoming data provided confidence that inflation was on a sustained downward path to 2%. The US trade deficit narrowed to \$61.5 billion in November as exports declined at a slower pace than imports, exports were down 2% vs the 6.4% decline in imports. Manufacturing PMI for the US fell to 48.4 in December, pointing to the 2nd month of contraction in factory activity as Americans are shifting spending away from goods to services. Retail sales slowed by 0.6% m/m in November, however increasing 6.5% y/y.

##### UK

The British economy expanded 0.5% in October from September, the biggest increase in nearly a year. In its December MPC meeting, the Bank of England voted by a majority of 6-3 to raise interest rates by 50 basis points to 3.5%. Looking forward, the MPC agreed that, if the outlook suggested more persistent inflationary pressures, it would continue to tighten policy as necessary. Annual inflation eased to 10.7% in November from 11.1% in October but remaining well above the central bank's target at 2%. Economic activity in the UK remains at depressed levels. Retail sales declined 0.4% m/m and 5.9% y/y in November. Manufacturing PMI declined to 45.3 in December from 46.5 in November and unemployment edged higher to 3.6% in the three months to September from 3.5% in the previous period. Consumers are still pessimistic with high inflation continuing to erode household income as the country braces for prolonged recession.

##### Europe

During its December monetary policy meeting, the European Central Bank raised all policy interest rates by 50 basis points. This brings the deposit facility rate to 2%, the refinancing rate to 2.5% and the marginal lending rate to 2.75%. In addition, the bank announced it would begin to shrink its Asset Purchase Programme portfolio in March, in line with expectations. Consumer prices fell 0.3% m/m in December, whilst the annual inflation rate for December is estimated at 9.2%. Producer prices eased further to 27.1% y/y in November, a sign that inflationary pressures from input prices are easing. The eurozone manufacturing PMI improved slightly to 47.8 in December from 47.1 in the previous month. Consumer confidence improved to -22.2 in December from -23.9 in November. The unemployment rate in the eurozone stood at 6.5% in November, down from 7.1% in the same month last year.

##### Japan

The annual inflation rate in Japan edged up to 3.8% in November from 3.7% a month earlier. Upward pressure came from all components: food, housing, fuel, light, and water charges. The Bank of Japan surprised markets in December by announcing a change to its yield curve control program: it will now target a 0.5% ceiling for 10y bond yields, rather than the previous 0.25%. Governor Haruhiko Kuroda said this is a move to "continue the implementation of a sustainable monetary easing" and was "absolutely not a first step" towards an exit from ultra-loose monetary policy. Manufacturing PMI fell to 48.9 in December from 49 in November. Imports climbed 30.3% y/y whilst exports managed a mere 20% y/y increase, leading to a surge in the trade deficit to JPY 2,027.4 billion in November. Consumers have taken a more optimistic view on Japan's economy with consumer confidence increasing to 30.3 in December, amid waning COVID disruptions as the government already lifted all pandemic restrictions. Retail sales decreased 1.10% in November over the previous month but increased 2.6% in November from a year earlier. Unemployment fell to 2.5% in November after standing at 2.6% in the past two months.

##### China

The recent relaxation of Covid rules has seen a rise in Covid cases. The Chinese government has shifted focus from prevention of cases to prevention of severe cases. December manufacturing PMI came in at 49 as the increase in Covid cases disrupted production, whilst November retail sales declined 5.5% y/y, all continuing to signal a slowdown in growth. The urban unemployment rate increased to a six-month high of 5.7% in November. China's annual inflation fell to 1.6% y/y in November from 2.1% in the prior month, largely due to a sharp slowdown in cost of food pork prices which eased further after authorities released national reserves. During its December meeting, the People's Bank of China left its key lending rates unchanged for the fourth straight month. The one-year loan prime rate (corporate and household loans) was unchanged at 3.65%, while the five-year rate was maintained at 4.3%.

##### South Africa

In South Africa, the high inflation and interest rates will lead to low growth prospects going into 2023. Manufacturing PMI remained unchanged at 50.20 points in December. Business moral improved as indicated by the business confidence index rising to 110.9 in November, up from 109.4 in the previous month. However, continuing power outages will weigh heavily on businesses and consumers going into 2023. More positively, South Africa recorded a trade surplus of ZAR 7.98 billion as exports comfortably exceed imports in November. Exports rose by 8.2% m/m, whilst imports decreased 0.1%. Annual inflation eased marginally to 7.4% in November from 7.6% in October, led by a slowdown in prices of transportation and further interest rate increases are expected to moderate, broadly following the lead of the US. The annual producer inflation eased for the fourth straight month to 15% in November, 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