

# Cinnabar SCI\* Income Fund of Funds

## Minimum Disclosure Document

As of 30/09/2023



**CINNABAR**  
INVESTMENT MANAGEMENT

**MDD Issue Date: 19/10/2023**

### 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 106,489,789
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	1.40
Transaction Cost	0.02
Total Investment Charges	1.42
Performance Fee	—
TER Measurement Period	01 July 2020 - 30 June 2023

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.

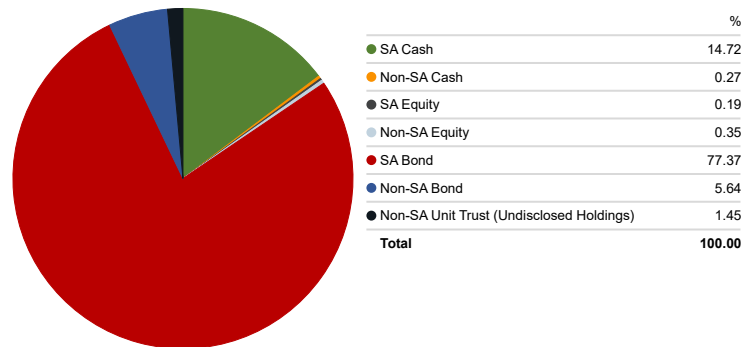
\*The Cinnabar Sanlam Collective Investments Income Fund of Funds transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 02 December 2017.

### Top Ten Holdings

	(%)
PortfolioMetrix BCI Dynamic Income Fund	59.39
Saffron BCI Opportunity Income Fund	20.01
Miplan IP Enhanced Income Fund	19.99

### Asset Allocation

Portfolio Date: 30/09/2023



### Annualised Performance (%)

	Fund	Benchmark
1 Year	8.22	8.08
3 Years	6.30	5.53
5 Years	6.38	5.94
Since Inception	6.43	6.52

### Cumulative Performance (%)

	Fund	Benchmark
1 Year	8.22	8.08
3 Years	20.10	17.50
5 Years	36.23	33.46
Since Inception	77.07	78.46

### Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2022

Highest Annual %	8.13
Lowest Annual %	5.45

### Risk Statistics (3 Year Rolling)

Standard Deviation (Volatility)	2.63
Maximum Drawdown	-1.57
Sharpe Ratio	0.37
Information Ratio	0.28

### Distribution History (Cents Per Unit)

30/09/2023	2.36 cpu	30/09/2022	1.50 cpu	30/09/2021	1.19 cpu
30/06/2023	2.23 cpu	30/06/2022	1.34 cpu	30/06/2021	1.16 cpu
31/03/2023	2.05 cpu	31/03/2022	1.35 cpu	31/03/2021	1.11 cpu
31/12/2022	2.02 cpu	31/12/2021	1.32 cpu	31/12/2020	1.24 cpu

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INVESTMENT MANAGEMENT

### 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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### Portfolio Manager Comment

Cinnabar Market Update: September 2023

#### SA Market Drivers

Global volatility and weakness reverberated throughout South African markets, resulting in negative returns for local investors across all asset classes except for local cash. The past month proved to be a formidable challenge for investors across various fronts. The adverse performance in domestic and global equity, bonds, and property markets underscores the escalating uncertainty and economic headwinds confronting investors. Heightened inflation concerns and extended higher interest rates in the United States have created a less favourable environment for a small emerging economy like South Africa.

SA grew by 0.6% in the second quarter and 1.6% year-on-year at the end of June. Despite this being relatively tepid growth, it actually surprised to the upside with analysts expecting worse growth numbers due to continued load-shedding amongst other issues. Better than expected growth illustrates the resilience of corporate SA in the face of a less than conducive operating environment. Business confidence also increased but remains well below the neutral level of 50, where it has remained since 2015.

Falling government revenues, influenced by adverse commodity prices (previously a tailwind), necessitate spending reductions. The Treasury warned government of this over the course of the month. However, senior ANC officials, Cosatu and SACP members have already pushed back on these potential cost containment measures as they look to woo voters for the 2024 elections. The Finance Minister once again finds himself in quite the bind for this month's medium term budget speech.

The South African Reserve Bank (SARB) held rates steady at 8.25% for the second meeting in a row as inflation hovered just above the inflation target mid-point of 4.5% in August (4.8% reading). The hawkish tone of the governor left no doubt that the MPC still feels that upside risks to inflation remain even though the sources are largely out of their control. The primary mandate of the SARB is to protect the value of the currency and therefore the local interest rate environment is very much tied to the global environment.

#### Global Market Drivers

September saw a pause in developed market central bank rate hikes, but also higher longer-term bond yields as investors priced in longer delays before rate cuts began. Bond prices consequently fell over the month, particularly in the US. The 'higher interest rates for longer' narrative also hit equities, with most regional markets falling in local currency terms. Oil prices continued to rise as Saudi Arabia and Russia agreed to extend their production cuts to the end of 2023. Greater uncertainty and higher US yields helped the US dollar to appreciate further against most other currencies.

In the US, expectations of rate cuts in 2024 reduced as there was a sense of 'good news is bad news'. Broadly positive data points released during the month resulted in expectations that the Federal Reserve would need to keep rates higher for longer on the back of continued economic strength. Against this backdrop, the Federal Reserve held rates flat but the committee member's forecast for future rates ('dot-plot') confirmed members anticipate rates remaining higher for longer.

Saudi Arabia and Russia extended oil supply cuts until the end of the year. This pushed oil prices to peak just below \$95 per barrel at the end of the month posing a risk to inflationary pressure globally.

China, the emerging markets' economic powerhouse, continued to disappoint on the data front. Very low inflation persisted, with prices rising 0.1% year-on-year in August, below expectations. Composite PMI continued to trickle down, falling to 50.9 in September, its lowest level since January 2023.

Equity markets continued their negative trajectory in September with all regions losing value. Emerging market equities performed better developed market equities with US and Europe ex UK equities the worst performing regions. The UK and Japan performed relatively well over the month. Bonds sold off again in September, with Emerging Market bonds worst hit, suffering both from higher bond rates in general, as well as nervousness around emerging market issuers. Real assets struggled under an environment of bond yields selling off (rising). Real estate had a particularly bad month given concerns of future economic growth slowing, debt levels and funding costs. Infrastructure companies which typically sit in the utilities sector also struggled as the sector generally has higher debt levels than other sectors.

Sources: *PortfolioMetrix*

#### Portfolio Manager

Cinnabar Investment Management Team