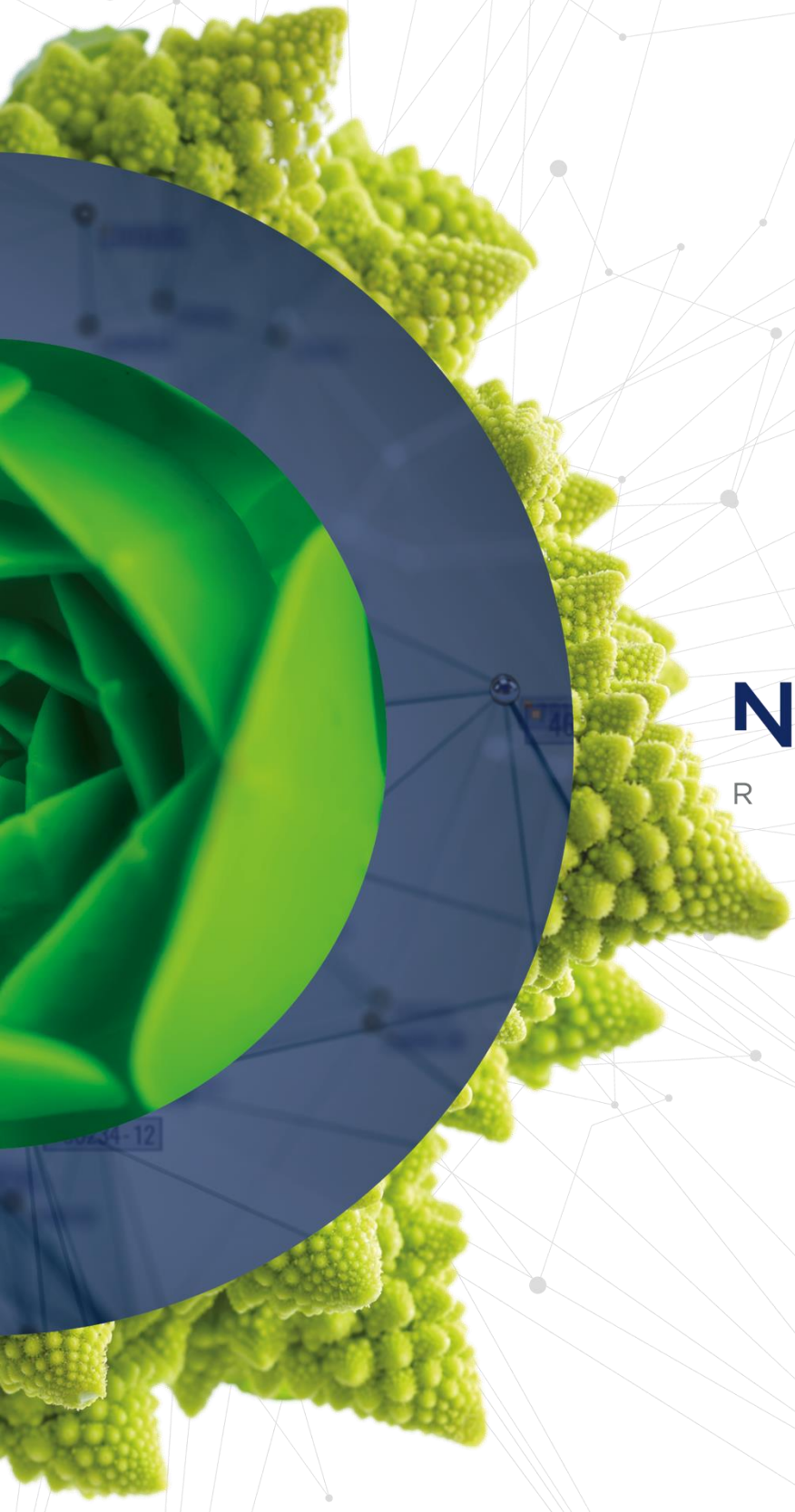
NMRQL SCI* Balanced Fund

Minimum Disclosure Document

As at 30/04/2018



APPROACHING
INVESTMENT
DIFFERENTLY

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*The legal registered name of the fund is NMRQL Sanlam Collective Investments Balanced Fund

Issue Date: 21 May 2018

@NMRQL and @NMRQL_Engineering

administered by Sanlam

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As of 30/04/2018

MDD Issue Date: 21/05/2018

Fund Objective

This is a portfolio with moderate aggressive risk qualities with a primary objective to deliver capital growth over the long term and where the asset allocation and stock selection is systematically managed using quantitative models. The manager focusses less on income generation, being a secondary goal to capital growth.

Fund Strategy

The portfolio will invest in a combination of equities, bond, money market instruments, listed property as well as international equities and fixed interest investments. The portfolio will be broadly diversified across asset classes. Active asset allocation and securities selection appropriate to the needs of moderate investors will be followed. The exposure to equities will not exceed 75%. This portfolio will be managed in accordance with regulations governing pension funds.

Fund Information

Ticker	NSCBF
Portfolio Manager	Thomas B Schlebusch & Stuart Gordon Reid
ASISA Fund Classification	South African - Multi Asset - High Equity
Risk Profile	Moderate Aggressive
Benchmark	ASISA Category Avg: SA - Multi Asset - High Equity
Fund Size	R 47,874,102
Portfolio Launch Date*	01/10/2017
Fee Class Launch Date*	01/10/2017
Minimum Lump Sum Investment	R 100,000
Minimum Monthly Investment	R 10,000
Income Declaration Date	June & December
Income Payment Date	1st business day of July & January
Portfolio Valuation Time	15:00
Transaction Cut Off Time	15:00
Daily Price Information	Local media
Repurchase Period	2-3 business days

Fees (Incl. VAT)

	A-Class (%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	—
Manager Initial Fee	
Manager Annual Fee	1.02
Total Expense Ratio	—
Transaction Cost	—
Total Investment Charges	—
Performance Fee	—
TER Measurement Period	N/A

Total Expense Ratio (TER) is the percentage value of the Financial Product that was incurred as expensesrelating to the administration of the Financial Product. A higher TER does not necessarily imply apoor return, nor does a low TER imply a good return. The current TER may not necessarily be anaccurate indication of future TER's. The TER and Transaction Costs cannot be determined accurately because of the short life span of the Financial Product.

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. Itshould not be considered in isolation as returns may be impacted by many other factors over timeincluding 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.

Manager Performance Fee
: Performance fees are incentive fees earned by the manager for performance in excess of the benchmark. Performance Fee Benchmark: ASISA Category Average: South African -Multi Asset - High Equity, Sharing Ratio: 10%, Minimum Fee: 1.02%, Maximum Fee: 3.13%. All fees are inclusive of VAT. Example: If the fund performs in line with its performance fee benchmark, the fee will be 1.02%.

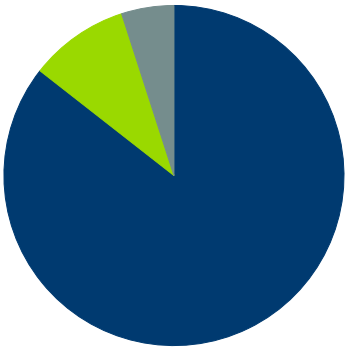
*NMRQL Sanlam Collective Investments Balanced Fund.
**These figures will become available once sufficient performance history has been met.

Top Ten Holdings

	(%)
Absa Ncd	15.02
T Bill	14.20
T Bill	13.92
Absa Ncd	10.77
T Bill	10.25
T Bill	10.12
NewFunds Govi ETF	9.46
Africa Gold Etf	4.92
Nedgroup	4.18
Mr Price	3.78

Asset Allocation

Portfolio Date: 31/03/2018



	%
Money Market and Cash	85.56
ETF Bonds	9.46
Commodities	4.98
Total	**100.00**

Annualised Performance (%)**

	Fund	Benchmark
1 Year		
3 Years		
5 Years		
Since Inception		

Cumulative Performance (%)**

	Fund	Benchmark
1 Year		
3 Years		
5 Years		
Since Inception		

Highest and Lowest Annual Returns**

Time Period: Since Inception to 31/12/2017
Highest Annual %
Lowest Annual %

Risk Statistics (3 Year Rolling)**

Standard Deviation
Sharpe Ratio
Information Ratio
Maximum Drawdown

Distribution History (Cents Per Unit)

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Risk Profile

Moderate Aggressive
In this portfolio, capital growth is of primary importance and results in a higher allocation to equities. The portfolio may display capital fluctuations over the shorter term, however, volatility levels should be lower than a pure equity fund. While diversified across all the major asset classes, this portfolio is tilted more towards equities and other risky asset classes to ensure the best long-term returns of all the asset classes. Fixed income positions are minimized.

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, bi- annual 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 buyunits. 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 ofprofessional 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 Standard deviation (also called monthly volatility) is a measure of how much returns on an investment change from month to month. It is typically used ...

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 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 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 instruments which could be accompanied by additional risks as well as potential limitations on the availability of market 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. 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 NMRQL Research (Pty) Ltd, (FSP) Licence No. 45782, 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 and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 266.

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As of 30/04/2018

NMRQL RESEARCH

NMRQL SCI Balanced - Fund Commentary

Quarter 1 2018

Markets are always changing and Q1 2018 was a very good example. The All-Share index essentially moved sideways in January (0%) and fell heavily in February (-2%) and specifically in March (-4.9%). (*In contrast our fund fell in January and February and moved sideways ion March)* .As they change, performance of any given market, asset class, or investment methodology will either improve or deteriorate. This is why diversification is important. When something zigs, something else typically zags. The principle benefit of following a *quantitative* investment methodology is that performance can be measured and monitored (hence the name - quantitative). Now the principle benefit of following a *machine learning* powered quantitative investment methodology (and one of the primary reasons why it differs from typical quantitative investment methodologies) is that our algorithms are allowed to modify their behavior and adjust their beliefs about the market as their performance improves or deteriorates. *In other words, there is a continuous feedback loop between the algorithms and the market.*

What has happened over the past quarter is that our algorithms have identified a statistically significant change in the market and are thus adapting. Whilst this process takes place we typically reduce the amount of risk we have on the table to minimize what people call "model risk" (the risk of a quantitative model being wrong). Model risk is elevated during times of change because our algorithms become more *uncertain.* Over the past quarter our allocation to equities reduced from almost 75% to now < 20% exposure to equities. This is proportional to our algorithms' confidence a.k.a certainty. In total we currently monitor 46 different measures of historic and *probable future* performance per algorithm. That means that in any given week we observe an additional (46 measurements x 1000 algorithms * 5 days) = 230,000 data points which tell us how confident our algorithms are. We watch the aggregate of these values carefully.

During February / March the aggregate uncertainty of our algorithms is at levels only seen a handful of times historically. These periods include: August 2006 (after the Federal Reserve changed its interest rate policy), September 2007 (just after the "quant crisis"), February 2008 (just before the collapse of Bear Stearns), July and August 2008 (just before the 2008 stock market crash began in earnest), in November and December 2014 (again when the Federal Reserve was debating rates), August 2015 (just before the 2015 market selloff), January to April 2016 (triggered by the selloff in Asian markets), and now in February to March 2018. In our simulations and tests this aggregate measurement has proven to be a leading indicator of turmoil in global financial markets so the statistically high values we are currently seeing are cause for concern.

In addition to this measure our models also 'see' and learn from various indicators of risk including, but not limited to, spreads between various bonds, implied volatilities across different markets, and performance of developed and emerging market asset classes covering equities, government and corporate bonds, future contracts, foreign exchange rates, commodities, and economic factors. Of these many metrics one variable stands out at the moment: the spread between the London Inter-bank Offered Rate (LIBOR) and Overnight Indexed Swap (OIS) rates. This variable has been steadily climbing for weeks and is believed to indicate an increase in funding risk. Some commentators speculate that this spread is being caused by money being expatriated back to the US to take advantage of lower tax rates; others think it is due to increased risks.

We don't pretend to know what or how these metrics relate to future returns of the market or what has caused them to spike, all we know is that the models see this data and are currently very uncertain about the future direction of the market. As such, our fund is sitting with a very low exposure to equities (< 20%) and a high exposure to cash. When the algorithms learn how to invest in this "new normal" they will redeploy the cash. Whether that occurs after a further correction, crash, or rally is still to be seen. Regardless of what happens we are carefully watching our algorithms as they watch the markets. It is worth pointing out, again, that our algorithms monitor thousands of time series from all corners of the globe in their search for exploitable patterns and we are continuously feeding them more and more data.

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