

# NMRQL SCI\* Balanced Fund

## Minimum Disclosure Document

As of 2020/09/30



MDD Issue Date: 2020/10/21

### 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
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 63 156 231
Portfolio Launch Date*	2017/10/01
Fee Class Launch Date*	2017/10/01
Minimum Lump Sum Investment	R 10 000
Minimum Monthly Investment	R 500
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	1,04
Total Expense Ratio	1,67
Transaction Cost	1,26
Total Investment Charges	2,93
Performance Fee	0,12
TER Measurement Period	01 October 2017 - 30 June 2020

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. 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. 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.

#### 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.

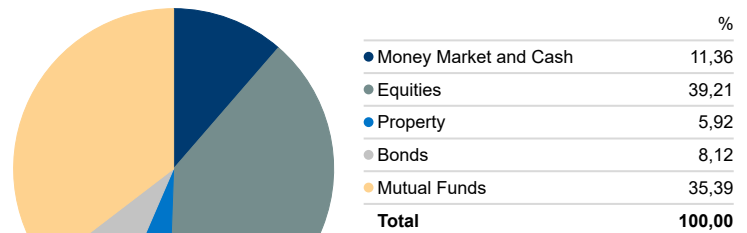
\*\*These figures will become available once sufficient performance history has been met.

### Top Ten Holdings

	(%)
Satrix S&P 500 Feeder fund	15,41
NewFunds GOVI ETF	10,07
Stanlib SA Bond ETF	9,91
Sygnia Itrix 4Ind Rev Gb	9,04
Absa NCD 06012021	8,36
R186 Government Bond	8,12
Satrix Resi	4,95
Sygnia Itrix Gbl Pro ETF	4,94
British American Tobacco Plc	1,82
Vodacom Group Ltd	1,62

### Asset Allocation

Portfolio Date: 2020/09/30



### Annualised Performance (%)

	Fund	Benchmark	JSE ALSI J203T
1 Month	-3,48	-1,78	-1,58
3 Months	-0,22	1,29	0,67
6 Months	10,10	14,89	24,01
1 Year	-1,02	1,83	2,01
Since Inception	-1,46	2,22	2,28

### Cumulative Performance (%)

	Fund	Benchmark	JSE ALSI J203T
1 Month	-3,48	-1,78	-1,58
3 Months	-0,22	1,29	0,67
6 Months	10,10	14,89	24,01
1 Year	-1,03	1,84	2,01
Since Inception	-4,32	6,79	6,97

### Highest and Lowest Annual Returns\*\*

Time Period: Since Inception to 2019/12/31

Highest Annual %	0,74
Lowest Annual %	-12,05

### Risk Statistics (3 Year Rolling)\*\*

Standard Deviation	—
Sharpe Ratio	—
Information Ratio	—
Maximum Drawdown	—

### Distribution History (Cents Per Unit)

2020/06/30	7.75 cpu	2019/12/31	1.42 cpu	2019/06/30	0.00 cpu	2018/12/31	2.47 cpu
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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 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** 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 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. 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) License 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](http://www.sanlamunittrustsmdd.co.za) and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 266.

### Investment Manager Information

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### NMRQL SCI Balanced - Fund Commentary

*As at 30 September 2020*

Q3 2020 saw South Africans gradually move from level 3 to level 1 lock-down restrictions. New cases of Corona Virus infections seem to have dropped from the beginning of the quarter, at around 13000 new cases per day, at its peak, to as low as around 900 new cases per day by the end of Q3. (according to Wikipedia). Globally daily new cases reported, was still rising and by the end of Q3 it had reached almost 311k new cases per day, with the total number of infected people globally now above 37million.

Notwithstanding, markets remain nervous with sentiment remaining unsure and real growth recovery remaining mixed, even though activity showed some upward progress.

South African equity markets remained muted over the quarter with the All Share Index increasing by only 0.67%. The government bond index as tracked by the ABSA Newfunds Govi ETF also only managed a meager 0.59% return for the period. The South African property index lost just over 14% for the quarter, while the gold price as measured by Invest 1's gold etf, ended the quarter up by around 2.2%. Global equity markets fared much better with the S&P500 Index ending the quarter up around 4.15% in rand terms. In contrast global property, as measured by the Sygnia Itrix Global Property ETF, lost around 0.4% for the quarter.

The NMRQL SCI Balanced Fund ended the quarter down around 0.22%. During the quarter, we reduced our equity (local and offshore) and gold positions in favor of South African bonds. At present we are still bullish on equities, both local and offshore, but we believe that the upside is limited and have reduced the risk in the portfolio by means of a larger allocation to bonds and by keeping some gold in the portfolio. Globally, commodities (gold and other precious metals) seem to be cheap compared to equities, but with a weakening dollar this might still take some time to reflect in rand terms.

#### **Portfolio Managers**

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