

## OUR FUNDAMENTAL QUALITY PILLARS - IDENTIFYING BEST OF BREED BUSINESSES



### FUND OBJECTIVE

The objective of this portfolio is to provide above average growth in capital over the medium to long term. Income will be of secondary importance. The risk associated with this portfolio shall be the same as the risk associated with SA equities as an asset class. Volatility of capital can occur over the short-term.

### FUND STRATEGY

The portfolio shall invest in assets in liquid form and in securities across all sectors of the JSE Securities Exchange of South Africa as well as international exchanges and other permissible assets allowed by the Act. The portfolio shall be allowed to invest in listed and unlisted financial instruments (derivatives) as allowed by the Act from time to time in order to achieve its investment objective, and shall be permitted to invest in offshore investments as legislation permits. This portfolio will invest predominantly in equities. Apart from the above, the portfolio may also invest in participatory interests of portfolios of collective investment schemes registered in the Republic of South Africa or of participatory interests in collective investment schemes.

The fund will be managed with a high conviction approach, typically holding no more than 20 positions at any time. In line with the investment manager's investment philosophy and process, the holdings will be concentrated in selected JSE Top 50 companies with the buy-to-hold management approach encouraging minimal portfolio turnover.

### INVESTMENT MANAGER INFORMATION

Manager	Stonehage Fleming Investment Management (South Africa) (Pty) Ltd
FSP Number	42847
Address	First Floor North Block, Waterway House 3 Dock Road, Victoria & Alfred Waterfront Cape Town, South Africa
Website	<a href="http://www.stonehagefleminginvestments.com">www.stonehagefleminginvestments.com</a>
Contact number	+27 21 446 2100
Email address	<a href="mailto:jp.duplessis@stonehagefleming.com">jp.duplessis@stonehagefleming.com</a>

Stonehage Fleming Investment Management is the specialist investment division of the Stonehage Fleming Group. Stonehage Fleming is one of the world's leading independently owned family offices with 11 offices situated in 8 global jurisdictions. The fund is managed by Jean-Pierre du Plessis, a director of Stonehage Fleming Investment Management (South Africa). Jean-Pierre has over 15 years experience in equity markets and joined the Group in 2011 to help establish the Group's onshore direct equity offering.

### HOW WE INVEST

- Fundamental, bottom-up research process
- Seek to identify exceptional businesses with a durable competitive advantage and sustainable long-term growth prospects
- Focus on quality of management, return on invested capital, free cash flow generation and balance sheet strength
- Predominantly larger capitalisation businesses with a global orientation, also consider exceptional medium-sized businesses
- Low touch, high conviction concentrated portfolio
- Buy to hold and disciplined selling
- No benchmark orientation, no active trading, no leverage, no hedging

### FUND INFORMATION

Portfolio manager	Jean-Pierre du Plessis, B.Bus.Sci.(Hons) UCT
Senior analysts	Jeremy Gorven, CFA, B.Bus.Sci.(Hons) UCT Ryan de Kock, CFA, M.Comm.(Econ) Stellenbosch
ASISA fund classification	South African – Equity – General
Portfolio launch date	1 June 2016
Fee class launch date	1 June 2016
Portfolio size	R255.6 million
Benchmark 1	JSE All Share Index (Total Return) (J203T)
Benchmark 2	(ASISA) South African Equity General Peer Group
Risk profile	Aggressive, the fund is not suitable for investors with a time horizon under 5 years or looking to preserve capital.
Income declaration dates	30 June and 31 December
Last two distributions	30 Jun 2020: A1: 2.29 cpu, A2: 3.87 cpu 31 Dec 2019: A1: 8.41 cpu, A2: 10.03 cpu
Income payment dates	1st working day in January and July
Portfolio valuation time	3pm
Transaction cut-off	3pm
Repurchase period	3 working days
Availability of daily pricing information	Local newspapers <a href="http://www.sanlamunitrusts.co.za">www.sanlamunitrusts.co.za</a>
Investment manager	Stonehage Fleming Investment Management (South Africa) (Pty) Ltd
Trustee	Standard Bank of South Africa Ltd Tel: +27 21 441 4100 <a href="mailto:compliance-sanlam@standardbank.co.za">compliance-sanlam@standardbank.co.za</a>
Management company	Sanlam Collective Investments (RF)(Pty)Ltd 2 Strand Road, Bellville 7530 PO Box 30, Sanlamhof 7532 Tel: +27 21 916 1800, <a href="mailto:service@sanlaminvestments.com">service@sanlaminvestments.com</a> <a href="http://www.sanlamunitrusts.co.za">www.sanlamunitrusts.co.za</a>

## FUND COMMENTARY

In August 2020, PSG Group (PSG) unbundled the majority of its stake in Capitec Bank (Capitec). PSG has historically held a 30.7% Capitec stake as its largest asset. Prior to the unbundling, PSG disposed of a 1.5% stake in Capitec to repay debt and build a positive net cash position, leaving the group with a 29.2% shareholding. The reason for the unbundling was to address two issues:

1. Pending regulation would have classified PSG as a financial conglomerate due to its large stake in Capitec. Reducing its stake has enabled PSG to avoid the classification and the accompanying minimum capital requirements and administrative burden.

2. PSG's market value discount to the sum of its parts had been consistently widening. CEO Piet Mouton partially attributed this to the large position in Capitec which has been outperforming the rest of PSG. With most of the underlying investments listed separately, investors have been able to gain direct exposure. The unbundling has unlocked substantial value for shareholders by effectively unwinding the discount attributable to the Capitec stake.

Post distribution, PSG was set to retain a 2.8% shareholding in Capitec, equivalent to 15% of the new sum of its parts. Most of the stake retained was by virtue of PSG owning 6% of its own outstanding shares as un-cancelled treasury shares. Leading up to the unbundling, we assessed the implied discount of PSG post distribution to be a 48% discount to the value of the underlying assets based on their market value and an even greater discount to our own assessment of the value of these assets. In addition, the group had transitioned into a substantial net cash position.

On the morning that PSG traded ex-distribution, we increased the fund's stake in PSG at what we deem an attractive valuation. We were similarly pleased with the increase in the fund's direct position in Capitec to 2.6% at month end. We view Capitec to be an attractively valued and high quality business.<sup>†</sup>

ANNUALISED PERFORMANCE (%)*	CLASS A1	CLASS A2	BENCHMARK*	PEER AVERAGE*
1 Year	7.15	7.59	3.85	-0.59
3 Years	2.01	2.42	2.64	-0.96
5 Years	-	-	-	-
Since Inception	-0.21	0.19	3.80	0.14

\*5 year figures will become available once sufficient performance history has been met. Benchmark is the FTSE/JSE All Share TR index. Peer Average shown is the ASISA South African Equity General Average.

ACTUAL HIGHEST AND LOWEST ANNUAL FIGURES FOR ROLLING 10 YEARS (%)*	CLASS A1	CLASS A2
Highest Annual (1 Jan 2020 – 31 Dec 2020)	12.87	13.33
Lowest Annual (1 Dec 2017 – 30 Nov 2018)	-14.70	-14.36

\*The lowest and highest annualised performance numbers are based on 10 non-overlapping one year periods, or the number of non-overlapping one year periods from inception where performance history does not exist for 10 years.

TOP 10 HOLDINGS	% OF FUND
Stonehage Fleming Global Best Ideas Equity Fund	21.4
Naspers Limited Class N	17.7
Prosus N.V. Class N	7.7
Anheuser-Busch InBev SA/NV	5.2
Compagnie Financiere Richemont SA	5.0
Clicks Group Limited	4.9
British American Tobacco p.l.c.	4.9
FirstRand Limited	4.7
BHP Group Plc	4.3
Discovery Limited	3.6

ASSET ALLOCATION	% OF FUND
SA Equity	78.0
International Assets	21.4
SA Cash	0.6

Values may not add up to 100% due to rounding.

SECTOR EXPOSURE	% OF FUND
Technology	25.4
International Assets	21.4
Consumer Goods	15.1
Financials	14.9
Consumer Services	12.4
Basic Materials	7.5
Industrials	2.7
Cash	0.6

Values may not add up to 100% due to rounding.

FEES (INCL. VAT)	CLASS A1	CLASS A2
Minimum Investment	R10,000	R30,000,000
Advice Initial Fee (max.)	N/A	N/A
Advice Annual Fee (max.)	N/A	N/A
Investment Manager Initial Fee	N/A	N/A
Investment Manager Annual Fee	1.15%	0.74%
Performance Fee	None	None
Total Expense Ratio (TER)	1.29%	0.88%
Transaction Costs (TC)	0.15%	0.15%
Total Investment Charges (TIC)	1.44%	1.03%

Advice fees are negotiable between the client and their advisor. Annual advice fees are paid through a repurchase of units from the investor. The fund is available through certain LISPs which levy their own fees. Total Expense Ratio (TER) | PERIOD: 1 April 2017 to 30 June 2020.

Total Expense Ratio (TER) | 1.29% (A1 class) and 0.88% (A2 class) of the value of the Financial Product 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) | 0.15% of the value of the Financial Product 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 (TIC = TER + TC) | 1.44% (A1 class) and 1.03% (A2 class) of the value of the Financial Product was incurred as costs relating to the investment of the Financial Product.

Disclosed performance information is calculated after all fees and costs deducted.

## 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, 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. The fund manager may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Performance is based on NAV to NAV calculations with income reinvestments done on the ex-div date. Lump sum investment performances are quoted. Source: Money Mate. All the portfolio options presented are approved collective investment schemes in terms of Collective Investment Schemes Control Act, No 45 of 2002 ("CISCA"). 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.

The Manager has the right to close any portfolios to new investors to manage them more efficiently in accordance with their mandates. The portfolio management of all the portfolios are outsourced to financial services providers authorized in terms of the Financial Advisory and Intermediary Services Act, 2002. Manager Information:

Sanlam Collective Investments (RF) (Pty) Ltd (Sanlam Collective Investments)

PO Box 30	Sanlam Head Office
Sanlam	2 Strand Rd
7532	Bellville
	7530

The Manager retains full legal responsibility for the co-named portfolio. Stonehage Fleming Investment Management (South Africa) (Pty) Ltd is responsible for the management of the investments held in the Fund.

The management of investments are outsourced to Stonehage Fleming Investment Management (South Africa) (Pty) Ltd, FSP 42847 an authorized Financial Services Provider under the Financial Advisory and Intermediary Services Act, 2002.

Standard Bank of South Africa Ltd is the appointed trustee of the Sanlam Collective Investments Scheme.