THE ROOTSTOCK RAND FUND

ROOTSTOCK SCI WORLDWIDE FLEXIBLE FUND

MINIMUM DISCLOSURE DOCUMENT (MDD)

WORLDWIDE FLEXIBLE MULTI ASSET

30 November 2022

PERFORMANCE

	ANNUALISED				CUMULATIVE	
	Fund	Benchmark	Peer Average	Fund Percentile	Fund	Benchmark
1 Year	-26.4%	11.7%	2.2%	0	-26.4%	2.2%
3 Year	2.5%	9.7%	8.2%	6	7.8%	26.8%
5 Year	3.5%	9.6%	5.7%	10	19.0%	31.8%
7 Year	3.0%	10.0%	5.8%	11	23.1%	48.6%
10 Year	9.3%	10.1%	8.4%	62	144.0%	124.8%
Inception	12.2%	10.2%	10.1%	81	368.4%	264.5%

RISK STATISTICS

Annual Basis, Since Inception

Highest Annual Return %	32.97%
Lowest Annual Return %	-26.43%

Three-Year Rolling Basis

Standard Deviation	13.96%
Sharpe Ratio	0.55
Information Ratio	0.13
Maximum Drawdown	-26.43%

INVESTMENT OBJECTIVE

The portfolio will aim to maximize total return for investors by way of a flexible worldwide portfolio actively investing across different asset classes, both locally and internationally.

INVESTMENT POLICY

The portfolio may invest in global and local securities, government, corporate and inflation-linked bonds, debentures, non-equity securities, property shares, property related securities, preference shares, money market instruments and assets in liquid form. The portfolio may also invest in participatory interests and other forms of participation in portfolios of collective investment schemes or other similar schemes operated in territories with a regulatory environment. The manager may make active use of listed and unlisted financial instruments to reduce the risk that a general decline in the value of equity, property and bond markets may have on the value of the portfolio. The manager shall have the maximum flexibility to vary assets between the various markets, asset classes and countries to reflect the changing economic and market conditions. The manager will be permitted to invest on behalf of the portfolio in offshore investments as legislation permits.

INVESTOR PROFILE

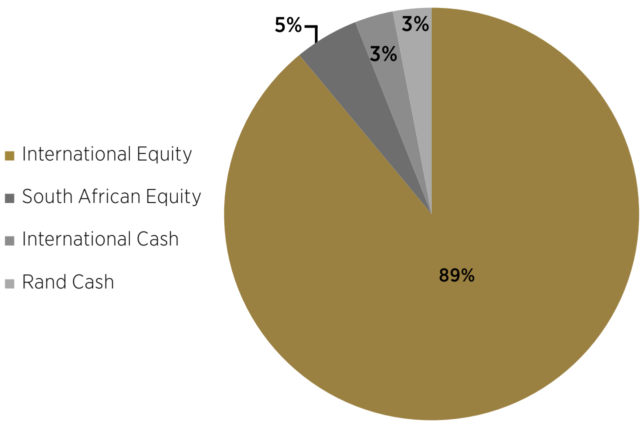
The fund is suitable for investors who:

- have discretionary wealth and require little short-term income;
- can tolerate short-term market and currency fluctuations in pursuit of maximising long-term total return;
- seek domestic and international asset exposure; and
- are comfortable to grant the portfolio manager a wide degree of investment discretion.

TOP HOLDINGS

1	Alphabet Inc	6.8%
2	Prosus NV	6.1%
3	Microsoft Corporation	5.4%
4	Accenture Plc	5.2%
5	Visa Inc	5.1%
6	Thermo Fisher Scientific Inc.	4.6%
7	S&P Global Inc	4.3%
8	Adobe Inc	4.2%
9	LVMH Moet Hennessy Louis Vuitton SE	3.8%
10	Zoetis Inc	3.7%

ASSET ALLOCATION



FUND INFORMATION

Portfolio Manager	Johan Barkhuysen
ASISA Fund Classification	Worldwide - Multi Asset - Flexible
Risk Profile	Moderate
Benchmark	CPI + 5%
Fund Size	R 2,026,631,807
Portfolio Launch Date	01/07/2009
Min. Investment (Platform Investor)	No Minimum
Min. Investment (Direct Investor)	R 10,000,000
Income Declaration Date	June & December
Income Payment Date	1st business day of July & January
Portfolio Valuation Time	15:00
ISIN	ZAE000143244

FEES (INCLUDES VAT)

Maximum Annual Advice Fee	1.15%
Manager Annual Fee	1.44%
Total Expense Ratio	1.49%
Transaction Cost	0.17%
Total Investment Charges	1.66%
TER Measurement Period	01 Apr 2019 - 31 Mar 2022

DISTRIBUTION HISTORY

30/06/2022	0.00 cpu	30/06/2019	3.46 cpu
31/12/2021	0.00 cpu	31/12/2018	6.08 cpu
30/06/2021	0.00 cpu	30/06/2018	3.22 cpu
31/12/2020	0.00 cpu	30/12/2017	0.00 cpu
30/06/2020	14.31 cpu	30/06/2017	0.00 cpu
31/12/2019	2.62 cpu		

RISK PROFILE

Moderate
This is a moderate-risk portfolio that aims to maximize total return for investors by way of a flexible worldwide portfolio actively investing across different asset classes, both locally and internationally. Currency risk is not actively managed. The recommended term for this investment is five years and longer.

PORTFOLIO MANAGER COMMENT

This comment is updated quarterly and is correct as at 30 September 2022

Another harrowing quarter. In the jaws of runaway inflation, rapidly rising interest rates, energy-supply and cost-of-living crises, geopolitical tensions and outright war, financial markets have proved unstable.

The S&P 500 index experienced some extreme turbulence. Its 4.9% retreat in US dollar for the quarter masks a 14.0% inter-quarter rally and subsequent 16.5% collapse. The miserable quarter ended at the lows, with the index down 9.2% in September, its worst month since *the bug* arrived in March 2020, or barring that, in the echoes of the Global Financial Crisis. The S&P 500 has retreated 23.9% year to date, and 15.5% on a one-year basis, both in US dollar. A similarly volatile MSCI World index fared no better, down 6.2% for the quarter and 25.4% for the year to date measured in US dollar.

The bond market provided little solace. A broad measure of 'risk-free' assets, US Treasuries, a $24 trillion market, realised a fourth consecutive quarterly contraction, down 4.1% in US dollar as measured by the Bloomberg US Treasury index. Its 12.3% year-to-date retreat marks the worst drawdown since its 1973 inception.

Portfolio Commentary

The Rootstock SCI Worldwide Flexible Fund, the 'Rand Fund', fell 0.5% in rand for the quarter. On a one-year basis, the Fund was down 20.1% in rand, while our South African CPI + 5% benchmark rose 11.2%. Our primary error year-to-date has been our relatively high equity exposure, around 95%, relative to a historic average of 85%. Hindsight is a harsh critic. For some time, we have been wary of elevated equity valuations, particularly since the Covid crash. Yet a paucity of return in other assets drove us towards equity. Longer term, we continue to believe equity remains the best means for real wealth accumulation, offering a superior risk-adjusted return profile across asset classes.

Macro commentary

A series of four interconnected shocks since 2020 have fundamentally altered the global landscape. Namely, the Covid-19 pandemic, an unprecedented global fiscal and monetary stimulus in response, the resulting surge in demand hitting lockdown-constrained supply chains, and finally, Russia's invasion of Ukraine sending global energy markets into the stratosphere.

The reverberations in the global economy continue, as several long-running trends appear to have broken down. Inter alia, offshoring of critical supply chains has likely peaked, geopolitics has destabilised, and reliable energy supply in the developed world appears dubious. German fiscal prudence has wavered. Chinese economic growth may be structurally impaired as its property stains and zero-Covid policy constrict development. Inflation, absent for over a decade, has rioted back throughout the Western world.

Central banks, initially flat-footed, have introduced the most profound regime change, at least as far as markets are concerned. The reversal of historically easy monetary policy to an unparalleled surge in rates, alongside quantitative tightening, has compelled markets to contemplate a structurally higher interest rate world, even as inflation continues to rage.

Notwithstanding, global financial institutions maintain sanguine GDP growth estimates. However, the extent of the energy-price shock, the historic change in the cost of debt, and cost-of-living pressures may coalesce in significant economic malaise. Common sense implies that growth forecasts may prove optimistic. Indeed, an inverted US yield curve, a useful if slightly trigger-happy signal of impending recession, breached a 40-year highwater mark during the quarter.

The strength of the US dollar, up some 17% on a trade-weighted basis this year, may foment further market difficulties. Global instability has highlighted the US's safe-haven appeal, drawing in global capital, draining dollar liquidity, and pressuring many emerging markets with dollar-denominated debt. These conditions have combined to strain global financial-market infrastructure numerous times in the past. There are mounting risks of a financial dislocation.

The earthquake in discount rates, already shattering, may yet produce some tremors. The market carnage has seen a dramatic derating from previously lofty valuation levels. For reference, the S&P 500 is trading at 17.8 times earnings, down from 26.4 times at the start of the year. Its long-term average is approximately 18 times. Equity markets are not yet out of the woods. With company earnings likely to fall, the price-earnings multiple may prove understated. Higher discount rates generally correspond to lower multiples of earnings in equity markets. Since 1971, the S&P 500 has averaged close to 15-times earnings when the Fed Funds Rate (read: the repo rate) has been above 3%, as it presently stands.

For our part, the wide range of potential outcomes, with significant macro-economic risks, suggest conservative positioning is prudent. Despite the carnage in asset prices, the broad market risk/reward calculation is not compelling, yet many stock-specific opportunities are. We maintain our long-term view, confident that rationally allocated private capital will, as ever, improve productivity and drive long-term value creation.

Portfolio Actions

Owning high-quality companies over long periods of time provides the best protection against the vagaries of macro uncertainty. The highest quality businesses tend to strengthen in tough economic circumstances. As such, we continuously seek to improve the quality of the companies we hold in our portfolio. During the quarter, we added several companies to our holdings, including Ninety One which we briefly outline.

Ninety One is a global asset manager with £135 billion, or around R2.7 trillion, of assets under management. Founded in v1991 as Investec Asset Management under its corporate parent, Investec unbundled the rebranded Ninety One in 2020. The business has successfully transitioned from a South African start-up to become a highly competitive global asset manager. We value Ninety One's consistent execution, and their approach to the critical '3Ps' in asset management, being People, Process and Philosophy. Their diversified product range alongside impressive distribution capabilities are the ingredients necessary for a growing asset base. With heightened uncertainty around asset prices globally, Ninety One trades at around eight-times earnings, with an attractive eight-percent dividend yield. A good margin of safety accompanies an excellent longer-term growth opportunity.

To sum, 2022 has been agony for asset owners, with short-term returns comparable to the worst in modern history. The whiplash-inducing shift in monetary policy has collapsed markets, while troubling macroeconomic clouds gather. Controlling inflation will not be a painless exercise.

As the extent of monetary tightening and weaker growth becomes apparent, markets may prove similarly turbulent for rest of the year. Regardless of the macroeconomic situation, the companies we own should continue to compound both their competitive advantages and earnings, offering patient investors the prospect of excellent long-term returns. Moreover, many high-quality companies are trading at compelling valuations. The investment team is wholly engaged in its task, that of delivering excellent long-term performance to clients. We thank you for your continued support and stand ready to assist. As ever, we strive to grow your, and our, capital as best we can.

Portfolio Manager
Johan Barkhuysen, CFA

rootstock
INVESTMENT MANAGEMENT

REGULATED ENTITIES

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ADDITIONAL INFORMATION

All reasonable steps have been taken to ensure the information on this MDD is accurate. The information 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 performance, 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. Sanlam Collective Investments (RF) (Pty) Ltd retains full legal responsibility for the co-named portfolio. 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.

GLOSSARY

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 Growth
Capital growth is the profit made on an investment, measured by the increase in its market value over the invested amount or cost price. It is also called capital appreciation.

Distributions
The income that is generated from an investment and given to investors through monthly, quarterly, bi-annual or annual distribution pay-outs.

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.

Liquidity
The ability to easily turn assets or investments into cash.

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.

Maximum Drawdown
The maximum drawdown measures the highest peak to trough loss experienced by the fund.

Money Market Instruments
A money market instrument is a low risk, highly liquid, short-term (one year or less) debt instrument, issued by financial institutions or governments, that tend to have lower returns than high-risk investments.

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 by investors to gauge the volatility expected of an investment.

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