Denker SCI* SA Equity Fund

Minimum Disclosure Document

As of 2018/10/31

MDD Issue Date: 2018/11/22

Fund Objective

The objective of the specialist domestic equity portfolio is to provide investors with growth of capital. It aims to offer a reasonable level of income and relative stability of capital invested to obtain long term wealth accumulation.

Fund Strategy

This SA-only pure equity fund invests in listed shares of financially sound companies that we think are mispriced by the market and offer exceptional value.

These companies:

- have favourable long term economic characteristics,
- are run by a competent management team and
- trade at a price which is attractive when measured against the long term return potential and intrinsic value of a business.

The fund may also include participatory interests of collective investment schemes and listed and unlisted financial instruments (derivatives) for efficient portfolio management.

Why Choose This Fund?

- Our value investment philosophy has produced superior performance over the long term in the past.
- We look for opportunities to invest in good companies at a discount, thereby increasing the potential for superior returns.
- The fund is consistently managed without allowing emotions to influence decision making.
- The fund is not benchmark cognisant but rather aims to maximise real wealth for nvestors over time.

Fund Information

Ticker	DSIEF
Portfolio Managers	Claude van Cuyck & Ricco Friedrich
ASISA Fund Classification	South African - Equity - General
Risk Profile	Aggressive
Benchmark	FTSE/JSE Capped SWIX
Fund Size	R 451 877 496
Portfolio Launch Date	2017/05/02
Fee Class Launch Date	2017/05/02
Minimum Lump Sum Investment	LISP Minimums Apply
Minimum Monthly Investment	LISP Minimums Apply
Income Declaration Date	June & December
Income Pricing 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)

	B1-Class (%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	0.84
TER	0.87
TC	0.32
TIC	1.19
Performance Fee	—
TER Measurement Period	02 May 2017 - 30 June 2018

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. Calculations are based on actual data where possible and best estimates where actual data is not available.

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.

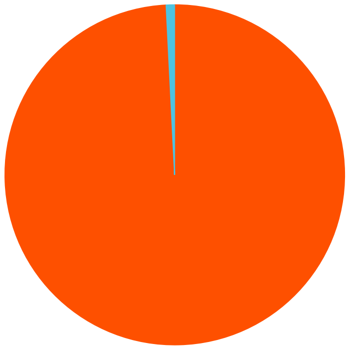
*Denker Sanlam Collective Investments SA Equity Fund.
**These figures will become available once sufficient performance history has been met.

Top Ten Holdings

	(%)
Portfolio Date	**2018/09/30**
Naspers Ltd	7.65
Anglo American Plc	5.79
Sasol Ltd	5.61
Allied Electronics Corporation Ltd	5.55
Old Mutual Ltd	4.95
British American Tobacco Plc	4.65
BHP Billiton Plc	4.44
Investec Ltd	4.15
Absa Group Ltd	4.11
Standard Bank Group Ltd	3.88

Asset Allocation

Portfolio Date: 2018/09/30



	%
SA Equity	99.21
SA Cash	0.79
Total	**100.00**

Annualised Performance (%)

	Fund	Benchmark
1 Year	-7.72	-8.69
Since Inception	-5.88	-1.52

Cumulative Performance (%)

	Fund	Benchmark
1 Year	-7.72	-8.69
Since Inception	-8.23	-2.15

Highest and Lowest Annual Returns**

Time Period: 2018/01/01 to 2018/10/31

Highest Annual %	—
Lowest Annual %	—

Risk Statistics (3 Year Rolling)**

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

Distribution History (Cents Per Unit)

2018/06/30	10.90 cpu
2017/12/31	10.00 cpu

Administered by

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As of 2018/10/31

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Risk Profile

Aggressive
You can afford to take on a higher level of risk (i.e. will have a greater exposure to equities in your portfolio) because of your investment time horizon, or your appetite for risk. You know that in taking the risk, you need to be patient if you want to achieve the results. So you are willing to invest for the long-term and are prepared to tolerate some volatility in the short term, in anticipation of the higher returns you expect to receive in five years or beyond.

Glossary Terms

Active Stock-picking Process
This is when asset managers actively and tactically vary their stock selections based on economic and market data, and fundamental valuations, etc. This should lessen an investor's exposure to declining markets and helps preserve capital.

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.

Feeder Fund
A feeder fund is a South African-based fund that feeds exclusively into its primary foreign-based fund. It allows investors easy access to investing in an offshore fund, eliminating complicated tax and other implications. The shares of the feeder fund represent shares in the primary fund (called a master fund).

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.

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 based investments. Any investment made through these products gives an investor a single point of entry into a selection of different investments.

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.

Undervalued Equity Stocks/ Investing in Neglected Global Equities
This is a strategy of selecting shares that trade for less than their intrinsic values. Value investors actively seek stocks that they believe the market has undervalued. They believe the market overreacts to good and bad news, resulting in stock price movements that do not correspond with the company's actual long-term fundamentals. The result is an opportunity for value investors to profit by buying when the price is deflated.

Additional Information

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Sanlam

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Portfolio Manager Quarterly Comment

Quarter to September 2018

South African market overview

The FTSE/JSE All Share Index (ALSI) posted a total return of -2.2% vs. +4.5% for Q2 and -6% for Q1. South African resources and financials outperformed in Q3 with total returns of +5.2% and +2.8% respectively, while industrials were the drag on the index, shedding 7.8% over the quarter. Naspers, which was down 12.2%, was a big contributor to the fall in the index.

The best-performing sectors included technology (+10.4%), platinum (+25.5%) and non-life insurance (+16.6%). The worst performance came from pharmaceuticals (-31.8%), mobile telecoms (-12.8%) and media (-12.3%).

Year to date resources remains the best-performing sector (+20.9%) relative to declines for both industrials (-11.8%) and financials (-6.8%).

South Africa entered a recession for the first time since the global financial crisis. In addition to the challenging macroeconomic background, the recent period has been characterised by a number of company-specific calamities, which has resulted in their share prices experiencing sharp downward moves. MTN (down 18%) was hit by multiple regulatory financial claims in Nigeria, Aspen fell 34% after releasing disappointing results and Blue Label (down 49%) continues to be plagued by its Cell C acquisition.

The low growth environment has impacted confidence, resulting in returns from cash (7.3%) exceeding equities (6.7%) over the past three years. Year to date the MSCI South Africa Index is down 21% in US Dollars, significantly underperforming MSCI Emerging Markets, which were down just 7.4%. Second to Turkey, South Africa is one of the worst-performing emerging markets in 2018.

Performance

In spite of ongoing volatility, the portfolio continued to outperform its benchmark in the quarter due to good stock picking. Our large position in Old Mutual contributed positively (+14.5%) with the unbundling of Quilter Cheviot unlocking value for shareholders. We believe the counter remains very cheap and should see further uplift as Nedbank shares are still to be unbundled. The announcement by Investec to split its asset management company contributed positively to performance. In addition, we had very little exposure to both Aspen (-38%) and MTN (-18%), which added positively to relative performance.

Detractors from performance included Libstar (-27%), Shoprite (-12%) and Tiger Brands (-20%). While all three companies face short-term challenges due to the increased pressure on consumers and rising competitive activity, we remain positive on the long-term prospects for these companies and continue to selectively add to certain positions in the portfolio.

Outlook

The synchronised recovery in global activity faltered, with trade tensions and increasing political uncertainty in Europe. The US remains the bright spot globally with unemployment (at 3.7%) reaching its lowest level since 1969. Locally, corporate profit growth is growing at just 5.5% (i.e. no real growth). We are in the middle of a downturn in profit growth with no visible sign of a bottoming. The previous three downturns bottomed after corporate earnings had declined. Equity markets are, however, forward looking and will turn in anticipation of a recovery in earnings growth. Current consensus growth for FY19 for the ALSI is 18%, which includes over 25% growth for South African industrials. We view this as way too optimistic.

The price-earnings (P/E) (next 12 months) of the ALSI has fallen from 15.9x (its peak earlier this year) to 12.9x and is the lowest level in five years. This should provide some margin of safety against any further disappointments in profit growth.

So far, this year has been the worst year for equities since the global financial crisis in 2008. In this environment we continue to focus our efforts in uncovering companies that display a minimum of quality in the past financial performance and current financial position and which are trading below our assessment of intrinsic value. In times of increasing pessimism, our experience has proven that opportunities arise to buy great businesses at bargain prices.

With global interest rates moving firmly upwards, it will be the most expensive stocks (highest P/E) that are hit the hardest and as managers who seek out mispriced opportunities, this should play to our strengths.

Portfolio Managers
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