Denker Sanlam Collective Investments Global Equity Feeder Fund

Minimum Disclosure Document

As of 31/08/2024

MDD Issue Date: **16/09/2024**

Fund Objective

The objective of the portfolio is to provide above average long-term capital growth by investing in global equities which the Investment Manager has identified as being undervalued and as offering above average growth potential. This fund is a feeder fund which invests only in the Denker Global Equity Fund, managed by Sanlam Asset Management (Ireland). The portfolio may also hold ancillary liquid assets including cash and or money market instruments.

Fund Strategy

The Investment Manager seeks to achieve the objective of the fund by investing in undiscovered or neglected global equities that the Investment Manager has identified as being undervalued and offering above average growth potential over time.

Why Choose This Fund?

- The fund invests in undervalued equity stocks, the research focus being on undiscovered or neglected stocks.
- The fund employs an active stock-picking investment process.
- It is a Rand denominated fund. No foreign exchange tax clearance is required.

Fund Information

Ticker	SIGA1
Portfolio Manager	Jacobus Oosthuizen
ASISA Fund Classification	Global - Equity - General
Risk Profile	Aggressive
Benchmark	MSCI World Index
Fund Size	R 854,004,307
Portfolio Launch Date	26/02/2007
Fee Class Launch Date	02/07/2007
Minimum Lump Sum Investment	R 10,000
Minimum Monthly Investment	R 500
Income Declaration Date	December
Income Pricing Date	1st business day of January
Portfolio Valuation Time	15:00
Transaction Cut Off Time	15:00
Month End Price	37.67
Daily Price Information	Local media & www.sanlamunittrusts.co.za
Repurchase Period	3 business days

Fees (Incl. VAT)	A1-Class (%)
Maximum Initial Advice Fee	3.34
Maximum Annual Advice Fee	1.15
Manager Annual Fee	1.15
TER	2.14
TC	0.01
TIC	2.15
TER Measurement Period	01 July 2021 - 30 June 2024

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.

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.

Effective 1 October 2024, Sanlam Collective Investments will charge a monthly administration fee of R20 excluding VAT on retail investors whose total investment value is less than R50,000.

*Denker Sanlam Collective Investments Global Equity Feeder Fund

**The main fund this feeder fund is investing in is a non-distributing fund, hence no income may be available for distribution.

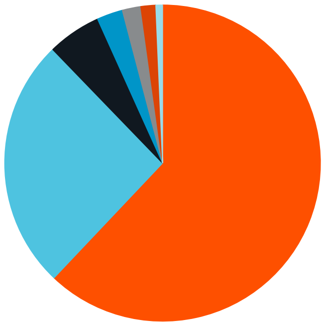
Top Ten Holdings

	(%)
Portfolio Date	**30/06/2024**
Microsoft	5.46
Berkshire Hathaway	4.44
KLA-Tencor Corp	3.67
Oracle	3.27
HCA Healthcare Inc	2.88
Arch Capital Group Ltd	2.65
Denker Global Financial Fund E	2.56
Ferguson Plc	2.42
Alphabet A	2.23
Walt Disney Company	2.15

These are the top holdings of the offshore fund in which this feeder fund invests.

Asset Allocation

Portfolio Date: 30/06/2024



	%
USA	62.07
Europe	25.69
UK	5.49
Other	2.65
Cash	1.90
Asia	1.52
Scandinavia	0.68
Total	**100.00**

Annualised Performance (%)

	Fund	Benchmark
1 Year	14.93	16.68
3 Years	13.85	14.46
5 Years	13.94	16.70
10 Years	11.45	15.33
Since Inception	7.71	12.88

Cumulative Performance (%)

	Fund	Benchmark
1 Year	14.93	16.68
3 Years	47.59	49.95
5 Years	92.06	116.49
10 Years	195.61	316.49
Since Inception	258.07	699.75

Highest and Lowest Annual Returns

Time Period: 01/01/2014 to 31/12/2023

Highest Annual %	32.24
Lowest Annual %	-10.36

Risk Statistics (3 Year Rolling)

Standard Deviation	15.82
Sharpe Ratio	0.49
Information Ratio	-0.09
Maximum Drawdown	-17.18

Distribution History (Cents Per Unit)**

31/12/2022	0.00 cpu	31/12/2020	0.00 cpu
31/12/2021	0.00 cpu	31/12/2019	0.00 cpu

Administered by

Sanlam

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As of 31/08/2024

DENKER CAPITAL

Risk Profile

Aggressive

This is an aggressively managed, high-risk portfolio that aims to deliver capital growth over the long term (greater than 5 years). It is designed to substantially outperform the markets and therefore carries a long-term investment horizon (5 years and upwards). The portfolio will be diversified across all major asset classes with significant exposure to equities, and may include offshore equities. There may be some capital volatility in the short term, although higher returns may be expected from five years or beyond.

Risk Considerations

- The fund is focused on investment in global listed companies; accordingly the performance of the fund is directly linked to the performance of the global equity markets.
- Investing in international companies means the currency exchange rate fluctuations will have an impact on the fund's investment performance.
- As the SA Rand can be a volatile currency, this could lead to significant fluctuations in the rand value of this fund.

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.

Regulation 28
Regulation 28 of the Pension Funds Act sets out prudent investment limits on certain asset classes in investment funds. It applies specifically to investments in Retirement Annuities and Preservation Funds. The allowed maximum exposures to certain asset classes is: 75% for equities; 25% for property; 45% for foreign assets.

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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Portfolio Manager Quarterly Comment

Quarter to June 2024

Market review

Global equity markets delivered more modest returns in Q2. The S&P 500 and MSCI World indices gained 4.3% and 2.6%, respectively, in US dollar terms. AI was again a major driver of returns. According to the Wall Street Journal, *"within the S&P500, companies related to the theme gained 14.7% in market value this past quarter, whereas the rest lost 1.2%"*. Inflation showed further signs of easing, but markets have not regained confidence that interest rates will be cut aggressively between now and year end. Yields on US government bonds were modestly higher over the quarter. Geopolitical tensions and political developments in the European Core economy created bouts of market volatility.

At a global equity sector level, technology (+11.4%), communication services (+8.1%), and utilities (+3.2%) were the strongest performers. On the other hand, materials (-3.4%), real estate (-3.3%), and consumer discretionary (-2.3%) were the weakest performers.

Portfolio review

The Denker Global Equity Fund underperformed its MSCI World Index benchmark by 2.9% for the quarter. The fund's A class declined 0.3% after fees, while the benchmark gained 2.6% over the period. Over the last 12 months, the A class returned 18.7% against a benchmark return of 20.2%.

A key detractor to performance was the fund's exposure to a number of relatively more interest rate sensitive industrial and consumer discretionary counters. This includes companies like Ferguson, Masco, Lowe's Companies and Floor & Décor. Many of these counters experienced double digit share price declines as sentiment fluctuated around the US' interest rate outlook. Stickier-than-anticipated inflation data initially prompted market participants to shift out expectations for interest rate cuts. However, this sentiment has since begun to make way for a more benign outlook. As at quarter end, the share prices of many of the affected companies were yet to respond favourably, however.

We do not aim to intentionally position the fund for specific economic outcomes. Our investment philosophy involves aiming to identify well-managed companies that trade at favourable bottom-up valuations and that we believe should be able to generate attractive returns on capital over time. We remain confident that the portfolio's various industrial and consumer discretionary counters can each stand on their own merit and remain well-positioned to deliver robust returns over the long term. In the meantime, these counters also help diversify the portfolio against a variety of market outcomes.

Another key driver of market performance over the quarter was increasing expectations around all things AI. The fund does not hold any Nvidia, which has become the poster child for the theme, whose share price increased 37% over the period (and 149% year to date). Nvidia has become a substantial contributor to benchmark performance, and not holding it has therefore meaningfully detracted from relative performance.

The fund is also underweight Apple. Since the start of the year, sentiment around the company's prospects have shifted from that of a relatively mature technology hardware company (albeit with a still growing services portfolio), to one that could benefit from a strong sales uptick as consumers upgrade to new AI-enabled devices. Apple has also opted for a partnership approach with many of its AI offerings. This means that the company should be able to maintain strong cash generation and share buybacks at a time when cash flows at many of its peers could come under pressure due to increased capital expenditure requirements.

Positively, the fund maintains exposure to several other counters in the AI-related value chain that benefited over the period. This includes KLA Corporation (which provides quality control equipment for semiconductor manufacturing), Oracle (which, among other things, is a leading provider of cloud computing), Qualcomm (whose Snapdragon chips are well placed to facilitate on-device inferencing), Broadcom (which can help companies design custom chips) and Micron (whose product suite includes high bandwidth memory).

Finally, a pullback in the share price of Melrose Industries detracted from performance. Melrose designs and manufactures parts for the aerospace industry and is one of the relatively newer additions to the fund. A key attraction is the company's revenue and risk sharing agreements with leading engine manufacturers. Once a component becomes part of an engine design it typically benefits from strong cash flows over the entire lifespan of the product, which in the case of airplane engines can be up to 30 years. After a strong start to the year as the market became more comfortable with the company's turnaround strategy, the share price declined in the quarter as key customers Boeing and Airbus downgraded their near-term production outlooks. While both companies continue to benefit from strong order books, various supply chain and operational issues continue to hamper aircraft deliveries. This could result in slower new part sales and risk inventory build at Melrose in the short term. In the meantime, strong aftermarket sales, as existing aircraft continue to need to be serviced, should help alleviate some of the pressure. In our view, Melrose remains attractively valued when considering its long-term earnings potential and we expect end-customer production issues to resolve in due course.

Much has already been said about the concentration of US share price performance in recent months, with most of the performance being driven by a relatively small selection of large cap technology companies. For example, J.P. Morgan Asset Management estimated that over the six months to June 2024, the basket of so-called Magnificent 7 companies (which include Alphabet, Amazon, Apple, Meta, Microsoft, Nivida and Tesla) rallied 33%, while the remainder of the S&P 500 returned only 5%. This suggests that the seven companies in question drove 61% of the entire S&P 500 index's performance.

At Denker Capital we prefer to focus on long-term performance and do not attempt to chase specific trends. This has consequently been headwind to recent performance. In our view, there are sizeable parts of the market that continue to offer very attractive upside, but that has garnered less attention and consequently underperformed of late. This includes industrial and consumer companies outside of the large-cap technology space, smaller companies where valuations have failed to keep up with their large-cap counterparts and companies listed outside of the US. We think that in a more balanced market environment, many of these well-positioned and well-managed companies could deliver substantial upside to discerning investors.

Note: The returns above are quoted in US dollar terms.

Portfolio Manager
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