Denker Sanlam Collective Investments SA Equity Fund

Minimum Disclosure Document

As of 31/08/2024

DENKER CAPITAL

MDD Issue Date: 16/09/2024

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.

Tax Free Savings Account

This Fund qualifies as a tax free investment according to section 12T of the Income Tax Act, with effect from 1 March 2015. South African individuals qualify for the associated tax benefits namely no tax on dividends, income or capital gains whilst still enjoying all the benefits of a unit trust. Note contributions to tax free investments are limited to R36 000 per tax year, with a lifetime limit of R500 000. Amounts invested in excess of these permissible thresholds are taxable.

Fund Information

Ticker	DSIEF
Portfolio Manager	Claude van Cuyck
ASISA Fund Classification	South African - Equity - General
Risk Profile	Aggressive
Benchmark	FTSE/JSE Capped SWIX
Fund Size	R 363,978,692
Portfolio Launch Date	02/05/2017
Fee Class Launch Date	02/05/2017
Minimum Lump Sum Investment	R 10,000
Minimum Monthly Investment	R 500
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
Month End Price	13.22
Daily Price Information	Local media & www.sanlamunittrusts.co.za
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	0.85
TER	0.94
TC	0.13
TIC	1.07
Performance Fee	—
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. 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.

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.

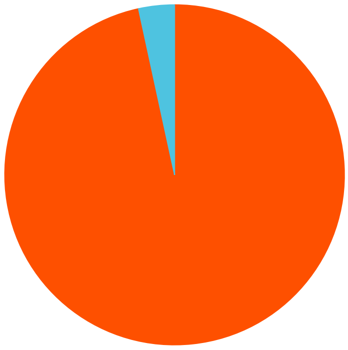
*Denker Sanlam Collective Investments SA Equity Fund.

Top Ten Holdings

	(%)
Portfolio Date	**30/06/2024**
Naspers Ltd	7.52
Firstrand Ltd	6.18
Anglo American Plc	4.83
Prosus (PRX)	4.80
British American Tobacco Plc	3.97
Standard Bank Group Ltd	3.92
Anheuser-Busch Inbev SA	3.33
Nedbank Group Ltd	3.28
Sanlam Ltd	3.19
Hudaco Industries Ltd	2.95

Asset Allocation

Portfolio Date: 30/06/2024



	%
SA Equity	96.59
SA Cash	3.41
Total	**100.00**

Annualised Performance (%)

	Fund	Benchmark
1 Year	15.77	17.03
3 Years	13.03	10.39
5 Years	12.94	11.20
Since Inception	7.71	7.51

Cumulative Performance (%)

	Fund	Benchmark
1 Year	15.77	17.03
3 Years	44.40	34.51
5 Years	83.77	70.04
Since Inception	71.39	69.02

Highest and Lowest Annual Returns

Time Period: 01/01/2018 to 31/12/2023

Highest Annual %	32.80
Lowest Annual %	-4.65

Risk Statistics (3 Year Rolling)

Standard Deviation	12.46
Sharpe Ratio	0.52
Information Ratio	0.56
Maximum Drawdown	-8.93

Distribution History (Cents Per Unit)

30/06/2024	27.17 cpu
31/12/2023	26.96 cpu

Administered by

Sanlam

DENKER CAPITAL

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.

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 (offshore) 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

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.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 Denker Capital (Pty) Ltd, (FSP) Licence No. 47075, 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 and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 266.

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Portfolio Manager Quarterly Comment

Quarter to June 2024

Market review

Global markets

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.

South African markets

The second quarter saw no loadshedding in South Africa. The suspension of loadshedding has been attributed to a reduction in unplanned outages and an improvement in the energy availability factor. Strategic utilisation of the Open Cycle Gas Turbines remains lower than in the past two years. Eskom continued to anticipate loadshedding limited to Stage 2 over the winter months.

The result of the national elections held on 29 May came as a surprise to markets. On the day after the election the rand weakened to R18.74 to the US dollar. Three weeks later the rand traded briefly below R18.00 to the dollar. The Government of National Unity (GNU) will need to navigate a range of political and economic challenges to accelerate reform and get the economy growing.

The FTSE/JSE All Share Index gained 8.2%, the FTSE/JSE Property Index gained 5.5%, the domestic bond market (represented by the FTSE/JSE All Bond Index) gained 7.5%. The rand strengthened modestly against the US dollar from R18.92 at the beginning of the quarter to R18.19.

Portfolio review

In our last quarterly report, we discussed the uncertainty regarding the election outcome and the negative impact that it was having on the market. We had also indicated that the risk of the ANC forming a potential coalition with the EFF and MK party (with diabolical consequences) was extremely low. Fortunately, we avoided this worst-case scenario, and the outcome of the GNU is probably the best outcome we could've envisaged. However, the hard work has now begun, and time will tell whether the GNU implements growth-friendly reforms and makes prudent macroeconomic policy choices.

The immediate response of the favourable election outcome was ZAR strength (it strengthened by 3% relative to the US dollar over the month of June), a sharp recovery in the SA banks & retailers (with both indices up 16.2% and 17.1% respectively). At the sector level, SA financials rose by 13.2%, SA industrials were up 1.9%, while resources declined by 3.6%. The small cap and mid cap indices rose by 6.5% and 6.4% respectively, while the large cap index was up 2.8%. Banks are inextricably linked to the fortunes of the country. They are, in fact, geared to the SA economy, and hence immediately act as transmission mechanisms of likely economic growth. They transfer changes in cost of capital and liquidity directly to their clients. They should benefit from improved economic conditions, lower potential equity risk premiums, greater levels of transactional volumes and lower credit loss ratios.

In addition to the above, the economy should be supported by a potential reduction in interest rates (albeit later in the year) and the potential of early pension fund withdrawals from the recently announced two pot retirement reform (coming into effect on 1 September 2024) that could support GDP growth and retail spending later in 2024 and into 2025.

The portfolio performed well in the month and quarter to end June. The following stocks that we own performed particularly well in June: Foschini (+34.2%), FirstRand (+18.3%), Life Healthcare (+17.8%), Standard Bank (+17.7%) and Mr Price (+16%).

We continue to argue that there is compelling value in SA equities with price-to-earnings (PE) multiples across our universe of 100 stocks being low, on average, relative to history, and dividend yields looking attractive relative to the past. Historically, these have offered attractive entry levels for long-term investors. We believe, that if our political leaders pave the way for growth-friendly reforms and prudent macroeconomic policy, the potential for a substantial re-rating of domestic equities is possible. This will be driven by improved GDP growth, lower risk-free rates (10-year bond yield) and a lower implied equity risk premium. These three factors are key to a re-rating in PE multiples, and, in turn, improved equity returns over the next few years. *From our lips to God's ears!*

Portfolio Manager
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