Denker SCI* Global Equity Feeder Fund

Minimum Disclosure Document

As of 31/08/2022

MDD Issue Date: **16/09/2022**

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	SLFA
Portfolio Manager	Jacobus Oosthuizen
ASISA Fund Classification	Global - Equity - General
Risk Profile	Aggressive
Benchmark	MSCI World Index
Fund Size	R 541,949,107
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
Daily Price Information	Local media & www.sanlamunittrusts.co.za
Repurchase Period	3 business days

Fees (Incl. VAT)

Fees (Incl. VAT)	A-Class (%)
Maximum Initial Advice Fee	3.34
Maximum Annual Advice Fee	0.00
Manager Annual Fee	1.44
TER	2.44
TC	0.08
TIC	2.52
TER Measurement Period	01 July 2019 - 30 June 2022

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.

*Denker Sanlam Collective Investments Global Equity Feeder Fund

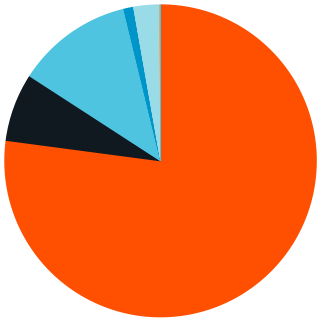
Top Ten Holdings

Top Ten Holdings	(%)
Portfolio Date	**30/06/2022**
Microsoft	5.39
Berkshire Hathaway	4.54
Lowe's Companies Inc.	2.64
Oracle	2.82
ARCH CAPITAL GROUP LTD	2.67
Roche Holding	2.76
Becton Dickinson & Co.	2.62
Medtronic Inc	2.53
PepsiCo	2.67
KLA-Tencor Corp	2.29

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

Asset Allocation

Portfolio Date: 30/06/2022



	%
North America	77.10
United Kingdom	7.05
Europe (Developed Markets)	12.07
Asia (Developed Markets)	1.01
Asia (Emerging Markets)	2.68
Europe (Emerging Markets)	0.04
Latin America	0.06
Total	**100.00**

Annualised Performance (%)

	Fund	Benchmark
1 Year	-1.72	0.55
3 Years	8.34	13.59
5 Years	8.56	14.45
10 Years	10.41	18.08
Since Inception	5.86	12.39

Cumulative Performance (%)

	Fund	Benchmark
1 Year	-1.72	0.55
3 Years	27.16	46.57
5 Years	50.75	96.34
10 Years	169.12	427.14
Since Inception	141.64	511.30

Highest and Lowest Annual Returns

Time Period: 01/01/2012 to 31/12/2021	
Highest Annual %	30.34
Lowest Annual %	-10.40

Risk Statistics (3 Year Rolling)

Standard Deviation	14.45
Sharpe Ratio	0.29
Information Ratio	-0.73
Maximum Drawdown	-17.31

Distribution History (Cents Per Unit)

31/12/2020	0.00 cpu	31/12/2019	0.00 cpu
30/06/2020	0.00 cpu	30/06/2019	0.00 cpu

Administered by

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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; 25% for foreign (offshore) and 5% African 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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Sanlam

Portfolio Manager Quarterly Comment

Quarter to June 2022

Market review

Global market volatility remained elevated. The economic uncertainty as a result of the ongoing Russia/Ukraine conflict, the risks of rising inflation, and the likelihood that interest rates will ease inflation pressure but increase recession risk, has seen sentiment remain 'risk off'. For the quarter, the MSCI World Index lost 16.2% in US dollar terms; the MSCI Europe Index lost 14.2%; the MSCI North America Index lost 16.8%; the MSCI Pacific Index lost 14.4%; and the MSCI Emerging Markets Index was down 11.4%.

At a sector level consumer discretionary (-23.7%) and technology (-21.7%) were hardest hit, followed by materials (-19.7%) and communication services (-19.4%). The less cyclical sectors held up better: healthcare (-7.2%), consumer staples (-6.4%) and utilities (-7%). Energy also held up relatively well (-5%) despite a sharp correction (-15%) during the last month of the quarter.

Portfolio review

Although the fund did not escape the effects of global market movements, it outperformed its benchmark (the MSCI World Index) – with the A class losing 14.8%, compared to the benchmark's -16.2%.

The main detractors from performance for the quarter were: HCA Healthcare, Netflix, Walt Disney and Berkshire Hathaway.

- HCA Healthcare's recent profits were impacted by the effect of inflation, which was reflected in the company's higher operating expenses. We believe the market has overreacted to this news and that the company's profits will gradually recover as they pass on the higher costs to their customers. We made use of the weakness in share price to continue building this new position in the portfolio.
- Netflix detracted after the company saw a decline in subscriber growth for the first time in a decade (losing 2 million subscribers in Q2). They attributed the subscriber loss to penetration rates being higher than they expected, increased competition, and the generally weaker macro environment. They also said that they expected margins to be flat, a change from their previous guidance of 300bps per year expansion.
- Disney shares were down on the back of the market's concerns that the streaming market has hit a ceiling, as well as the increased recession risks and its impact on Disney's other assets. The market sentiment around the stock has not improved, even as the parks business has been operating at levels last seen pre-Covid and the streaming business has grown in line with the management team's expectations. Profitability targets and subscriber expectations of the streaming business have not been changed, illustrating management's confidence that they will reach those goals.
- Berkshire Hathaway pulled back a bit after very strong performance in Q1. It remains a positive long-term contributor to performance and we believe the current valuation remains very attractive.

The main contributors to performance for the quarter were: CDK Global, Bristol-Myers Squibb, Philip Morris International, Prosus and PepsiCo.

- CDK Global benefitted from a bid by Brookfield Business Partners to take the business private at US$54.87 per share. The transaction was completed after quarter end.
- In a market that was driven by fears around a global recession and potential earnings disappointments, it was no surprise that Bristol-Myers Squibb (pharmaceutics), Philip Morris International (tobacco) and PepsiCo (snacks and beverages) showed up in the list of positive contributors - given the steady demand for their products.
- Prosus and Naspers announced an 'open ended' share buyback programme. The buybacks involve a further reduction in their Tencent holding which will be used to fund the buyback of shares in both Prosus and Naspers. The news was positively received by the market.

According to research by Oakmark Funds (https://oakmark.com/news-insights/bill-nygren-market-commentary-2q22/), on 13 June, the S&P 500 index dropped to a level of US $3,750, bringing the decline from its 3 January record high to 21.8%. This drop of more than 20% indicated that we had officially entered a bear market. Many investors wonder whether they should remain invested in equities during a bear market or whether this is a good time to add to their investment. Oakmark reviewed the returns of the last 11 bear markets and found that: the median bear market low occurred less than four months following the day the market was down 20%; the shortest time to the ultimate bottom was one day after falling 20%, in October 1957; and the longest time to the bottom was more than two years, September 1946 to June 1949. Another finding was that for those previous bear markets, the median additional decline after the market was down 20% was 10% and, despite those declines, two years from the time the market first hit down 20% the median gain was 33%. Interestingly, the two-year price increase from a random purchase date has been just over half as much at 17%. This data shows that, in the past, the start of a bear market was one of the best times to enter the market. The main reason for this is that valuation levels were more favourable than at the peak, and a near term decline in corporate earnings (whether it would actually occur in the future or not) had already been priced in to some extent.

We believe it is impossible to time the markets. The old adage, 'it's not about timing the market, but about time in the market', has been proven over the years. Research shows that those who stay invested over the long run in a well-diversified portfolio will generally do better than those who try to profit from turning points in the market. Our portfolio is well diversified, invested in companies that build shareholder wealth over time, have healthy balance sheets and trade at attractive valuations. We believe this investment approach should stand our investors in good stead during the bear market and importantly, positioned well for the inevitable recovery.

Portfolio Manager
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