

GCI SCI* Income Fund of Funds

Minimum Disclosure Document

As of 2020/03/31



Asset Management

MDD Issue Date: 2020/04/22

Fund Objective

The objective of the portfolio is to provide investors with a high level of income combined with capital preservation.

Fund Strategy

Investments to be included in the portfolio will, apart from assets in liquid form, consist solely of participatory interests in portfolios of collective investment schemes registered in the Republic of South Africa. The portfolio will consist of a mix of collective investment scheme portfolios investing in equity, fixed interest instruments (including, but not limited to, bonds, corporate bonds, inflation linked bonds, convertible bonds, cash deposits and money market instruments), debentures, preference shares and property securities as well as any other income enhancing securities which are consistent with the portfolio's primary objective and that the Act may allow from time to time. The portfolio's equity exposure will be limited to a maximum of 10% of the portfolio's net asset value. The portfolio will be managed in accordance with regulations governing pension funds. The portfolio will also be allowed to invest in listed and unlisted financial instruments (derivatives) as allowed by the Act from time to time. The Manager shall be permitted to invest on behalf of the portfolio in offshore investments as legislation permits.

Fund Information

Ticker	GCIFA
Portfolio Manager	GCI Asset Management Team
ASISA Fund Classification	South African - Multi Asset - Income
Risk Profile	Cautious
Benchmark	110% of STeFI Call Rate
Fund Size	R 134 762 163
Portfolio Launch Date*	2014/07/29
Fee Class Launch Date*	2014/07/29
Minimum Lump Sum Investment	R 10 000
Minimum Monthly Investment	R 500
Income Declaration Date	March, June, September & December
Income Payment Date	1st business day of April, July, October & January
Portfolio Valuation Time	17:00
Transaction Cut Off Time	15:00
Daily Price Information	Local media
Repurchase Period	2-3 business days

Fees (Incl. VAT)

	A-Class (%)
Maximum Initial Advice Fee	3,45
Maximum Annual Advice Fee	—
Manager Annual Fee	1,15
Total Expense Ratio	1,71
Transaction Cost	0,01
Total Investment Charges	1,72
Performance Fee	0,02
TER Measurement Period	01 January 2017 - 31 December 2019

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.

Manager Performance Fee - Performance fee benchmark: 110% STeFI Call Rate; Minimum Fee 1.14%; Maximum Fee 3.42%. All fees are inclusive of VAT.

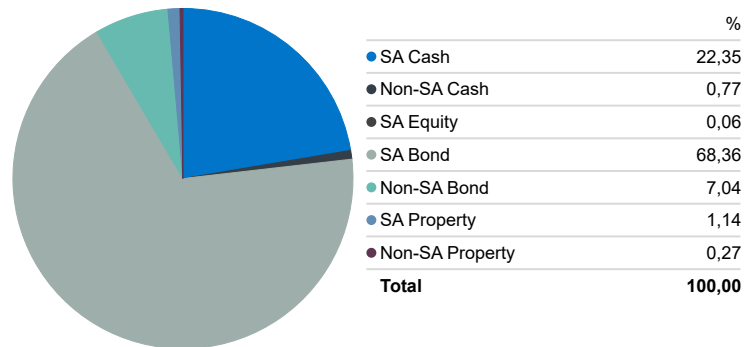
*The GCI Sanlam Collective Investments Income Fund of Funds transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 02 December 2017.

Top Ten Holdings

	(%)
Coronation Strategic Income Fund	28,47
Fairtree Flexible Income Plus Prescient Fund	28,14
Stanlib Income Fund	28,06
Saffron SCI Opportunity Income Fund	14,41

Asset Allocation

Portfolio Date: 2020/03/31



Annualised Performance (%)

	Fund	Benchmark
1 Year	5,04	7,25
3 Years	6,42	7,34
5 Years	6,84	7,26
Since Inception	6,39	7,22

Cumulative Performance (%)

	Fund	Benchmark
1 Year	5,04	7,25
3 Years	20,53	23,68
5 Years	39,21	41,99
Since Inception	42,07	48,55

Highest and Lowest Annual Returns

Time Period: Since Inception to 2019/12/31

Highest Annual %	8,13
Lowest Annual %	6,06

Risk Statistics (3 Year Rolling)

Standard Deviation	1,46
Sharpe Ratio	-0,57
Information Ratio	-0,59
Maximum Drawdown	-1,70

Distribution History (Cents Per Unit)

2020/03/31	1.69 cpu	2019/03/31	1.34 cpu	2018/03/31	1.61 cpu
2019/12/31	1.76 cpu	2018/12/31	1.58 cpu	2017/12/01	1.12 cpu
2019/09/30	1.80 cpu	2018/09/30	1.65 cpu	2017/09/30	1.92 cpu
2019/06/30	1.73 cpu	2018/06/30	1.54 cpu	2017/06/30	1.75 cpu

Administered by



Risk Profile

Cautious

You are cautious about taking on risk (i.e. have a limited exposure to equities in your portfolio). You want your capital to be safe and prefer fairly stable income and/or income growth. Even knowing that equities are a riskier asset class, you are comfortable to have some exposure, albeit limited, to them because you know they will add that little extra to your portfolio.

Glossary Terms

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 Volatility

Volatility is a measure of 'risk' and refers to the extent to which the price of an investment or capital value fluctuates over a certain period of time. Funds with high volatility usually offer the potential for higher returns over the longer term than low volatility funds.

Cumulative Returns

Cumulative return is the total growth experienced over the period measured.

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.

Distributions

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

Diversification

This is a strategy designed to reduce risk within a portfolio by combining a variety of investments (or asset classes) such as equities, bonds, cash or property, which are unlikely to all move in the same direction at the same time. This is designed to reduce the risk (and protect against capital losses) within a portfolio. Diversification allows for more consistent performance under a wide range of economic conditions as it smoothes out the impact of negative market events. The positive performance of some investments or asset classes should neutralize the negative performance of others.

Financial Instruments

Derivatives also known as financial instruments (such as a future, option, or warrants) whose value derives from and is dependent on the change in value of an underlying asset (such as a commodity, currency, or security) to protect against risk (capital losses).

Fund Objective

The fund objective is the portfolio's core goal.

Fund Strategy

The fund strategy is the way that the fund is managed to achieve the fund objective.

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.

Collective Investment Schemes

Collective Investment Schemes (CIS) (also called unit trusts) are portfolios of assets such as equities, bonds, cash and listed property, in which investors can buy units. They allow private investors to pool their money together into a single fund, thus spreading their risk across a range of investments, getting the benefit of professional fund management, and reducing their costs.

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 investments.

Market Capitalization

Market capitalization is the total value of the issued shares of a publicly traded company; it is calculated by multiplying the share price by the number of shares in issue.

Maximum Drawdown

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

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.

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. 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. A *fund of funds portfolio* is a portfolio that invests in portfolios of collective investment schemes that levy their own charges, which could result in a higher fee structure for the fund of funds. Income funds derive their income primarily from interestbearing instruments. 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 GCI Asset Management (Pty) Ltd, (FSP) License No. 821, 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 Comment

As at 31 March 2020

Market Update

Global Bear Market and SA Junked!

The first quarter of the year and the decade has been terrible in terms of health, economies and financial markets. Most major markets entered "bear" territory after falling more than 20%; however, there have been some large upswings subsequently. Global equities are down -21%, US equities -20%, emerging market equities -24%, UK equities -28% and SA equities -38% all in USD.

Other asset classes were not immune to the carnage, with SA bonds falling -9%. But the worst asset class of all was SA Listed Property that fell a massive -48% – this as the Lockdown happened and the impact on retailers and shopping malls was acutely felt.

Rubbing salt in our wounds, Moody's finally downgraded us to junk during March, which did result in rand weakness to major currencies – at one point falling to ZAR19.30 per USD. At quarter-end, it was down almost 20% year to date. Bond yields blew out following the downgrade, with 10-year government bond yields rising to 11.3%. There was some solace with the South African Reserve Bank cutting the Repo Rate by 1% to 5.25%. Economists are predicting a further 1% rate cut this year as inflation remains low – 4.24% – and expected to fall further still, supported by the oil price that collapsed during the coronavirus crisis.

The outflow of foreign investors from our bond market has been due to the global Risk-Off sentiment. The downgrade of our credit rating has not resulted in the worst of the outflows. This because the World Government Bond Index (WGBI) is only being rebalanced at the end of April – the delay due to lack of liquidity in global bond markets. The exact quantum of assets set to leave our shores is not precise, but there will be an effect on the longer end of the bond curve.

As with the massive drop in equity markets, the exit from the WGBI will provide market opportunities for fixed income managers to buy these bonds at historically high yields (low prices). Also, the departure from the WGBI will occur in an environment where the SARB will be supporting the market with liquidity by buying back government bonds. This may help cushion the blow.

We have continued to take advantage of the incredibly cheap prices of assets and have been topping up equities following big down days. Even with maintaining these equity levels, the portfolios have largely fallen less than peers year-to-date. We affirm that exiting risky assets at this stage would be extremely dangerous because when the recovery comes, it will be incredibly swift.

FUND UPDATES

GCI SCI Income FoF

There were no changes to the portfolio during the quarter. Due to its diverse style of managers, the portfolio performed relatively well compared to peers; however, it did suffer a negative return for the quarter. The portfolio outperformed its peers in the (ASISA) South African MA Income category over all periods to 2 years.

Portfolio Manager

GCI Asset Management Team