Minimum Disclosure Document

(Fund Fact Sheet)

Sanlam Select Bond Plus Fund

June 2020

Fund Objective

The is a pure bond fund and aims to offer both income and capital growth through a well diversified bond portfolio. This fund has no offshore exposure and aims to outperform the BEASSA All Bond Index.

Fund Strategy

The fund will predominantly invest in a concentrated basket of Government and Government guaranteed fixed interest securities so as to reduce credit and liquidity risk, but may also invest in other fixed income securities not guaranteed by Government and hold money market exposure to the 4 major South African banks. The investment manager will also be allowed to invest in listed and unlisted financial instruments (derivatives) as allowed by the Act from time to time in order to achieve its investment objective.

Why choose this fund?

This fund gives you active exposure to the South African bond market and should form part of a well-diversified portfolio. Differentiators include:
• A high conviction approach
• Investing in government and government guaranteed fixed interest securities to avoid credit and liquidity risk.
• Investing in other fixed income securities not guaranteed by Government and hold money market exposure to the 4 major South African banks.
Over time, the fund should produce returns in excess of a money market fund, but at higher risk.

Fund Information

ASISA Fund Classification	South African Interest Bearing Variable Term
Risk Profile	Cautious
Benchmark	BEASSA All Bond Total Return Index
Fee Class Launch date*	02 January 2015
Portfolio Launch date	02 January 2004
Minimum investment	LISP minimums apply
Portfolio Size	R 1286 million
Yield	10.20%
Monthly distribution	
30/06/2020: 3.17 cents per unit 31/05/2020: 0.90 cents per unit 30/04/2020: 5.87 cents per unit 31/03/2020: 6.60 cents per unit 29/02/2020: 6.59 cents per unit 31/01/2020: 5.35 cents per unit	31/12/2019: 5.79 cents per unit 30/11/2019: 4.48 cents per unit 31/10/2019: 7.39 cents per unit 30/09/2019: 7.10 cents per unit 31/08/2019: 6.02 cents per unit 31/07/2019: 6.10 cents per unit
Income decl. dates	Monthly
Income price dates	1st working day
Portfolio valuation time	15:00
Transaction cut off time	15:00
Daily price information	The local newspaper and www.sanlamunittrusts.co.za
Repurchase period	3 working days

Fees (Incl. VAT)	LISP-class (%)
Advice initial fee (max.)	neg.
Manager initial fee (max.)	0.00
Advice annual fee (max.)	neg.
Manager annual fee (max.)	0.57
Total Expense Ratio (TER)	0.58

Advice fee | Any advice fee is negotiable between the client and their financial advisor. An annual advice fee negotiated is paid via a repurchase of units from the investor.

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.

This fund is available via certain LISPS (Linked Investment Service Providers), which levy their own fees.

PERIOD: 01 April 2017 to 31 March 2020

Total Expense Ratio (TER) | 0.58% of the value of the Financial Product 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. Inclusive in the TER of 0.58%, a performance fee of 0.00% of the net asset value of the class of Financial Product was recovered.

Transaction Cost (TC) | 0.48% of the value of the Financial Product 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) | 1.06% of the value of the Financial Product was incurred as costs relating to the investment of the Financial Product.

Maturity Profile Detail

Sector	%
0 - 1 years	9.0%
1 - 3 years	
3 - 7 years	16.0%
7 - 12 years	3.8%
12+ years	71.2%

Performance (Annualised) as at 30 Jun 2020 on a rolling monthly basis*

LISP-class	Fund (%)	Benchmark (%)
1 Year	2.75	2.85
3 Year	7.87	8.11
5 Year	7.05	7.49
Since inception	6.26	7.09

An annualised rate of return is the average rate of return per year, measured over a period either longer or shorter than one year, such as a month, or two years, annualised for comparison with a one-year return.

Performance (Cumulative) as at 30 Jun 2020 on a rolling monthly basis*

LISP-class	Fund (%)	Benchmark (%)
1 Year	2.75	2.85
3 Year	25.50	26.36
5 Year	40.55	43.52
Since inception	39.65	45.75

Cumulative return is the aggregate return of the portfolio for a specified period.

*Significant changes to this fund came into effect from 01 September 2014 and all performance figures are calculated from this date and not the original fund launch date.

Risk statistics: 3 years to 30 Jun 2020

Std Deviation (Ann)	10.33
Sharpe Ratio (Ann)	0.07

Actual highest and lowest annual returns*

Highest Annual %	15.24
Lowest Annual %	-8.80

*Performance figures sourced from Morningstar.

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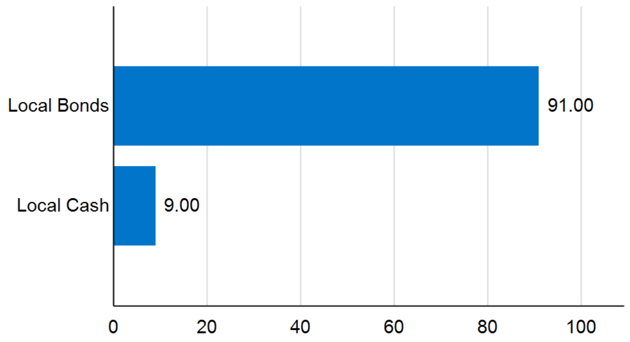
Asset Allocation



Investment Manager Quarterly Commentary

Risk assets have been surfing the liquidity wave brought about by QE infinity from the US Federal Reserve, European and many other central banks. However, countries may have to deal with the risk of a second wave of Covid-19 infections as politicians ease the stringent lockdown measures. Until now, the US has been the prime example of a second wave meeting up with the broadening first wave of infections.

The challenge for investors is to distinguish the temporary from the permanent effects associated with the Covid-19 pandemic and the attendant policy response. To be sure, it is the governments' decisions to enter into varying degrees of lockdown that have caused the supply and demand shocks across the globe. Investors must also discern what markets are discounting as permanent and what part of the hit is temporary.

The rebound in macro data, such as US non-farm payrolls and retail activity, and the surge in economic surprise indices (again most notably for the US) indicate that much of the demand shock was temporary and due to the restrictions. However, the economic scarring could be longer lasting. Household incomes may be permanently lower, while job losses may lag the recession. In addition, behavioural change – whether due to the need for precautionary savings or reduced travel and activity as a health protection measure – could depress the pace of growth in the coming quarters.

For South Africa, the recovery will also be constrained by an uncompetitive economy due to overregulation, lack of reliable power supply, and concentrated/monopolistic network industries. Importantly, the pandemic has brought forward the long-feared fiscal cliff, which will force the government into austerity at a time when the economy can least afford it. Structural reform is long overdue, but these reforms often entail short-term pain for long-term gain, which then reduces the political appetite to implement reforms.

In the short term, a resumption of capital inflows may partially mask South Africa's ills. A steady rand, anchored inflation expectations, and a wide output gap should allow for further monetary policy easing. Timing has become less certain, but as we have learnt from macroeconomics and markets, there are leads and lags. In the end, lower cash and real rates, even if gradual, reduce the hurdle for investment further along the risk frontier.

Market developments

Listed property (+13.4%) took pole position in June, followed by equities (+7.7%), which was the only other asset class to beat cash (+0.5%). Fixed-rate bonds (-1.1%) and inflation-linked bonds (-0.8%) came under pressure from elevated fiscal risk and even higher issuance.

Following the market rout in the first quarter of 2020, equities (+23.2%) rebounded sharply, followed by listed property (+20.4%) where the performance was off a very low base. Fixed-rate bonds posted a respectable 9.9%, double the return from inflation-linked bonds (+4.7%), as all the asset classes managed to outperform cash (+1.5%).

Forex markets were range bound in June, as initial dollar weakness proved temporary. The risk-on associated with the reopening of the US economy gave way to concerns about a renewed escalation of Covid-19 infections in the US. The dollar ended the month down 1.1%, while emerging market forex performance was wide-ranging. The rand fell to R16.60 against the US dollar, but ended the month close to R17.40, leaving the local currency 18% weaker year-on-year. Based on our estimates the rand is moderately undervalued, but sustained gains will depend on the dollar weakening further and the global growth recovery gaining more traction.

US breakeven inflation widened alongside the rebound in oil prices as the Treasury Inflation-Protected Security (TIPS) yield fell but nominal yields remained stable. Emerging market yields compressed moderately further, but SA did not benefit from falling global yields as the 10-year yield rose by 30 basis points. The local bond market has built in renewed risk premium associated with the fiscal deterioration and funding requirement. While tactically bonds screen cheap, the rise in the debt ratio implies upward pressure on funding costs.

Portfolio performance and positioning

We implemented an overweight duration stance in early March based on: 1) cheaper valuations following the welcome budget announcement in late February, 2) the start of Fed easing, 3) the fall in US long-term bond yields, and 4) our expectation of domestic disinflation. We maintained the stance through the dislocated sell-off given the view that levels on local yields were extreme and unjustified, even when factoring in the fiscal risks. We reduced the duration stance to neutral during early-April given the rally in yields towards a higher fair-value level and maintained a broadly neutral duration allocation for most of the second quarter of 2020. Key risks in April were the potential portfolio outflows on the FTSE World Government Bond Index rebalancing and an anticipated meaningful increase in domestic issuance. Neither fully materialised, with the rebound in risk appetite and normalisation in markets pushing yields below fair value on some areas of the curve.

During May, National Treasury increased the size of the weekly auctions, which contributed to a steepening in the yield curve. Bank and speculative inflows into the short end of the curve also contributed to the steepening, but the SA Reserve Bank (SARB) disappointed the market with a hawkish 50-basis point cut, leading to renewed flattening in the curve. Even so, the negotiable certificates of deposit curve steepened, allowing us to take advantage of more attractive cash rates. We added moderate duration mid-June, with a bias towards high-carry bonds as yields sold off in anticipation of the supplementary budget. Despite a modest increase in issuance of fixed-rate bonds, we have maintained the slight overweight duration stance.

Treasury has maintained the strategy of short-dated issuance (T-Bills and the c.5-year area of the curve), which, combined with the SARB's bond-buying programme, should limit further curve steepness. Nevertheless, the risks to long-dated bonds stem from a normalisation in funding and/or switch auctions – these will very likely resume later in the year. For now, a more cautious SARB should limit front-end bond gains, while nominal bonds are better able to absorb higher issuance than is the case for inflation-linked bonds.

We remain overweight in cash and the 12+ years bucket, with a preference for the 10-year to 20-year area of the curve, which has screened cheap with an attractive yield to maturity, while the 5-year area has now compressed too far on speculative demand in the face of a less dovish SARB.

Appointed Investment Manager

Matrix Fund Managers (Pty) Ltd

Investment Manager Disclaimer

The management of investments are outsourced to Matrix Fund Managers (Pty) Ltd, FSP 44663, an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act, 2002.

Risk Profile (Cautious)

This portfolio aims to protect capital in real (after inflation) terms, while providing a reasonable level of income. The portfolio displays low volatility levels, designed to reduce the probability of capital losses. This portfolio has limited or no exposure to equities. It is designed for maximum capital protection and aims to ensure a stable income and/or income growth.

Trustee Information

Standard Bank of South Africa Ltd

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Additional Information

Glossary Terms

Collective Investment Schemes (CIS)
Collective Investment Schemes (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.

Distributions
The income that is generated from an investment and given to investors through monthly or quarterly distribution payouts.

Fixed-interest investments
Fixed interest funds invest in bonds, fixed-interest and money market instruments. Interest income is a feature of these funds and, in general, capital should remain stable.A fixed-interest investment aims to offer investors a regular income at a set interest rate, which can be fixed over a specified term. If interest rates fall, the fixed-interest investment typically becomes more valuable. Conversely if interest rates rise, the value of the investment will fall.

Fixed-interest securities
A fixed interest security is basically a loan to the government or a company. With most, you get interest payments for as long as you hold the security. The amount of interest you will get (called the coupon) is expressed as a percentage of the nominal value. Since the nominal value is typically R100, if a security has a coupon of 6%, you will get R6 a year interest for each nominal unit (R100) of stock that you have.

The interest provides you with a fixed amount at regular intervals. So this is usually a very predictable way of getting an income from your investment.

Fixed deposits
A fixed deposit or term deposit is an amount of money held at a financial institution for a fixed amount of time. It pays higher interest than a savings account but imposes conditions on the amount, frequency, and/or period of withdrawals.

LISP (Linked Investment Service Providers)
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.

Maturity date
This refers to the actual date a bond is "cashed out" by the issuer and an investor receives the face value of that bond. Or, this could be the length of time until a fixed income investment returns its original investment at the date mentioned above. For example, someone might say that a bond has "a 5-year maturity."

Total Expense Ratio (TER)
This is the total costs associated with managing and operating an investment (excluding administration, financial planning and servicing fees). These costs consist primarily of management fees and additional expenses such as trading fees, legal fees, auditor fees and other operational expenses. The total cost of the fund is divided by the fund's total assets under management to arrive at a percentage amount, which represents the TER.

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