

# Element Specialist Income Sanlam Collective Investments Fund

## Minimum Disclosure Document

As of 31/08/2017



### Fund Objective

The objective of this portfolio is to provide investors with actively managed exposure to income generating investments that aim to deliver enhanced money market returns over the long term whilst minimising downside risk.

### Fund Strategy

Along with the traditional income instruments, the Element Specialist Income Sanlam Collective Investments Fund can also invest in listed property (max. 25%), ordinary and preference shares (max. 10%), and offshore instruments (max. 25%). The Fund will utilise defensive asset allocation guidelines. There is no limit on the maturity of instruments in which the fund can invest and the duration of the fund will vary from time to time, depending on where the fund managers see market opportunities. The Manager shall be permitted to invest on behalf of the portfolio in offshore investments as legislation permits. The portfolio will be managed in accordance with regulations governing pension funds.

### Fund Information

Ticker	ESIA
Portfolio Managers	Terence Craig & Jeleze Hattingh
ASISA Fund Classification	South African - Multi Asset - Income
Risk Profile	Cautious
Benchmark	110% STeFI Composite
Fund Size	R 196,455,250.00
Portfolio Launch Date*	01/12/2013
Fee Class Launch Date*	01/12/2013
Minimum Lump Sum Investment	R 10,000
Minimum Monthly Investment	R 500
Income Declaration Date	March, June, September & December
Income Pricing Date	1st business day of July & January
Portfolio Valuation Time	15:00
Transaction Cut Off Time	15:00
Daily Price Information	Local Media
Repurchase Period	2-3 business days

### Fees (Incl. VAT)

Maximum Initial Advice Fee	3.42
Maximum Annual Advice Fee	0.00
Manager Annual Fee	0.85
Total Expense Ratio	1.00
Transaction Cost	0.10
Total Investment Charges	1.10
Performance Fee	N/A

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 is presented for the period 1 July 2014 to 30 June 2017.

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.

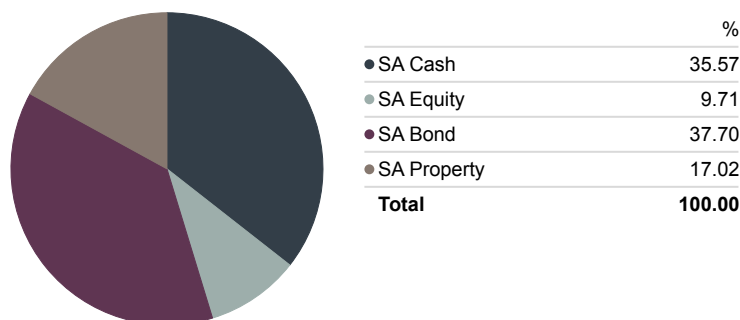
Performance fees are incentive fees earned by the manager for performance in excess of the benchmark. Performance fees form part of the cost structure of the fund and are included in the Total Expense Ratio. Please visit [www.sanlamunitrusts.co.za](http://www.sanlamunitrusts.co.za) for a detailed list of our funds that charge performance fees together with their calculation methodologies.

\*The Element Specialist Income Sanlam Collective Investments Fund transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 08 July 2017.

### Top Ten Holdings

	% of Portfolio
Hospitality Property Fund Ltd Class B	5.11
COMMISSIONER STREET NO 5 (RF) LTD 05/04/18 8.692%	4.14
Southchester Call Db	4.10
AFRICAN BANK LTD 07/11/18 5.1%	3.84
REDEFINE PROPERTIES LTD 27/03/20 8.532%	3.37
CPV POWER PLANT NO 1 BOND SPV (RF) LTD 30/06/29 11%	3.36
Delta Property Fund	2.99
Investec Ltd Pref Share	2.98
Inl 8.9% 020218	2.91
Int 8.4% 070218	2.67

### Asset Allocation



### Annualised Performance (%)

	Fund	Benchmark
1 Year	12.42	8.43
3 Years	9.03	7.73
5 Years		7.01
Since Inception	7.64	7.48

### Cumulative Performance (%)

	Fund	Benchmark
1 Year	12.42	8.43
3 Years	29.60	25.04
5 Years		40.35
Since Inception	31.01	30.26

### Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2016	
Highest Annual %	12.33
Lowest Annual %	0.92

### Risk Statistics (3 Year Rolling)

Standard Deviation	2.88
Sharpe Ratio	0.68
Information Ratio	0.42
Maximum Drawdown	-0.88

### Distribution History (Cents Per Unit)

07/07/2017: 0.32 cpu	31/03/2017: 1.90 cpu	30/09/2016: 2.19 cpu
30/06/2017: 2.12 cpu	31/12/2016: 1.78 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, bi-annual 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

The Element Specialist Income Sanlam Collective Investments Fund had an associate Element Specialist Income ABIL Retention Fund for the period August 2014 – July 2016. The ABIL Retention Fund was closed in July 2016 and as such the above performance figures exclude its performance. 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 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 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 instruments which could be accompanied by additional risks as well as potential limitations on the availability of market 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. 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 Element Investment Managers (Pty) Ltd, (FSP) Licence No. 663, 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](http://www.sanlamunittrustsmdd.co.za) and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 266.

### Investment Manager Information

Element Investment Managers (Pty) Ltd  
(FSP) License No. 663  
Physical Address: 405 Manhattan Place, 130 Bree Street, Cape Town, 8000  
Postal Address: P.O. Box 13, Cape Town, 8000  
Tel: +27 (21) 426 1313  
Email: [info@elementim.co.za](mailto:info@elementim.co.za)  
Website: [www.elementim.co.za](http://www.elementim.co.za)

### Manager Information

Sanlam Collective Investments (RF) (Pty) Ltd  
Physical Address: 2 Strand Road, Bellville, 7530  
Postal Address: P.O. Box 30, Sanlamhof, Bellville, 7530  
Tel: +27 (21) 916 1800  
Email: [service@sanlaminvestments.co.za](mailto:service@sanlaminvestments.co.za)  
Website: [www.sanlamunittrusts.co.za](http://www.sanlamunittrusts.co.za)

### Trustee Information

Standard Bank of South Africa Ltd  
Tel: +27 (21) 441 4100  
Email: [compliance-sanlam@standardbank.co.za](mailto:compliance-sanlam@standardbank.co.za)

## **Portfolio Manager Comment**

### **Quarterly Commentary**

The Element Specialist Income SCI Fund realised a total return of 1.6% for the quarter to the end June 2017, underperforming its benchmark (110% STEFI) return of 2.0%. This performance brings the rolling one year total performance of the Fund to 13.0% (net of fees) – a material outperformance of its benchmark return of 8.5% over the same period.

The main detractor to performance over the second quarter was our position in the property sector, and specifically the sell-off in Delta Property Fund post the announcement of their potential dilutive BBBEE transaction.

## **Portfolio Managers**

### **Terence Craig**

B Bus Sc (Hons), CA (SA), CFA

### **Jeleze Hattingh**

M Sc (Business Mathematics and Information Science - Cum Laude), CFA, CMT