QUARTERLY NEWSLETTER

FIRST QUARTER

2021

ELEMENT

INVESTMENT MANAGERS

23 YEARS

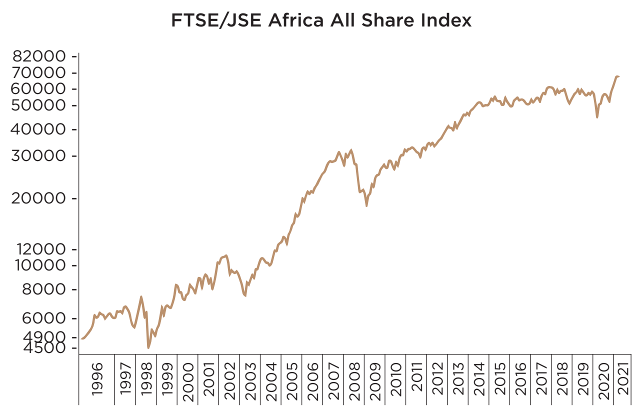
administered by Sanlam

Contents

Lockdown – a year on...

Andrew Bishop
Portfolio Manager
B Bus Sc, CA (SA), CFA

South Africa is more than a year on from our first 21-day lockdown implemented on 26 March 2020. Despite the global health and economic crises caused by the Covid-19 pandemic and related lockdowns, the JSE All Share Index (ALSI) rose by a staggering +80.7%, in a little over a year, since its low on 19 March 2020 to 31 March 2021. The ALSI not only recovered its losses from March 2020 but surpassed its previous peaks achieved prior to the Covid-19 turmoil and is currently trading at record levels (see graph below). Equity Markets are not only recording highs in South Africa, but globally as well, with the S&P500 trading at record highs.



Source: Iress, 31 March 2021

The Covid-19 Crash (14 Feb 2020 - 19 March 2020):

We wrote extensively on the pandemic crash in April 2020 in Element's 1Q2020 Quarterly Newsletter (QNL), which is useful to review a year on. The crash was the fastest bear market decline in history and did not discriminate between asset classes, with both equities and bonds experiencing extreme losses in 1Q2020. We highlighted a year ago, that during periods of sharply negative returns, when pessimism is high, the market can offer investors great long-term investment opportunities. We ended that QNL with the words: "Stay safe. Stay Healthy. Stay Invested".

The Covid-19 Recovery (19 March 2020 – 31 March 2021*)

The ALSI bottomed on 19 March 2020, prior to the start of an exceptional recovery in SA Equity markets. Interestingly, the start of the recovery preceded the initial lockdown in South Africa (26 March 2020) and was spurred on by liquidity injected into markets by central banks and government institutions, both in SA and across the world. In the US, the Federal Reserve and U.S. Treasury acted aggressively through a reduction in interest rates, bond purchases and funding grants and loans from March 2020.

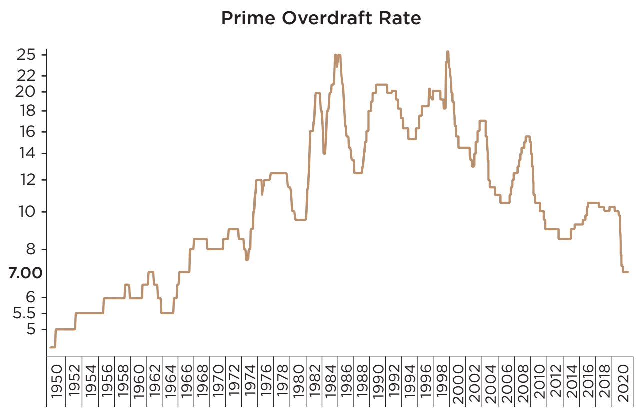
Since the trough of 19 March 2020, the ALSI has returned +80.7% (see table below) to the end of March 2021 and as noted previously, has exceeded its previous all-time high. The recovery has been broad based across various asset classes including SA Equities (ALSI), Global Equities (MSCI WORLD), SA Bonds (ALBI), exchange rates (ZAR) and commodity prices, including Oil.

As at 31 Mar 2021	Price Levels			
Index	31 Mar 2021	31 Mar 2020	19 Mar 2020	31 Dec 2019
ALSI	66 485	44 490	37 963	57 084
MSCI WORLD	2 812	1 853	1 694	2 358
R2030 (%)	9.5	11.0	11.6	9.0
PRIME (%)	7.0	8.8	9.8	10.0
ZAR (R/$)	14.8	17.9	17.5	14.0
GOLD ($/ounce)	1 708	1 578	1 466	1 518
OIL ($/bbl)	63.6	25.9	28.3	66.0

To 31 Mar 2021	Performance since (%)			
Index	31 Mar 2020	19 Mar 2020	28 Feb 2020	31 Dec 2019
ALSI TR	54.0	80.7	35.3	21.1
MSCI WORLD TR ($)	54.8	69.5	34.4	22.4
MSCI WORLD TR (ZAR)	28.0	43.4	26.7	29.1
ALBI	17.0	22.7	5.6	6.8
PRIME	-20.0	-28.2	-28.2	-30.0
ZAR	-17.3	-15.4	-5.7	5.5
GOLD	8.2	16.5	7.8	12.5
OIL (BRENT)	145.6	124.6	27.0	-3.7

Source: Iress, 31 March 2021
Note: TR is Total Return which includes dividends

Locally, the South African Reserve Bank (SARB) followed global central banks by injecting liquidity into local financial markets. The SARB cut interest rates by reducing its REPO rate by a cumulative 275 basis points (2.75%) since 20 March 2020 to date. This reduced the Prime rate to 7%, its lowest level since the 1960s (over 50 years ago). The lowering of interest rates is intended to support businesses and individuals with access to materially cheaper finance as well as lower the cost of existing finance. SA consumers appear to have used these (e.g. interest on home loan repayments) and other savings (e.g. less travel/vacation spend) on DIY projects and/or small additions or improvements to their residential properties. The home improvement expenditure was motivated by the requirement to "Work From Home" (WFH) necessitated by lockdown regulations. As a result of increased time spent at home by families, temporary home offices were converted into separate stand-alone offices, along with general upgrades as the need to separate home, work & school areas in a house became necessary. This trend benefited building suppliers with Cashbuild (held in Element's portfolios) being a good example as a beneficiary of increased home improvement expenditure. Cashbuild recorded revenue growth of 21% for the 6 months to 31 December 2020, compared with the same six-month period recorded a year earlier.



Source: Iress, 31 March 2021

Certain sectors of the economy and the ALSI fared better than others during this recovery period. Two sectors that were underperformers were the Mid-Cap and Financials sectors (see table below), which remain below their December 2019 levels. The Financial Sector has been impacted by lower interest rates and the increased risk of loan defaults. The outperformer during the recovery period has been the Resources sector, which benefited from higher commodity prices driven by a combination of constrained supply and government stimulus improving demand. Resources have outperformed the ALSI materially since its low in December 2015, when sentiment towards the sector was categorised as "Avoid"!.

To 31 Mar 2021	Total Return from (%)			
Index	31 Mar 2020	19 Mar 2020	28 Feb 2020	31 Dec 2019
ALSI	54.0	80.7	35.3	21.1
TOP40	54.0	83.4	37.9	24.5
Mid-Cap	45.4	51.6	11.0	-6.4
Small-Cap	79.2	96.2	40.4	20.9
Financials	37.8	50.2	-2.8	-16.6
Industrials	38.2	58.4	33.9	26.5
Resources	92.5	148.9	68.6	43.9

Source: Iress, 31 March 2021

The SA Health Care sector has been the worst performing economic grouping during the recovery period (although returns have been positive) and remains one of the few sectors to be at levels lower than at 31 December 2019 (see table below). The Health Care sector was initially forecast to benefit from the increased demand for its services, resulting from a global pandemic. In addition, it was one of the few sectors to be able to operate during lockdown without any material restrictions. However, the hospital companies were negatively impacted by a significant reduction in elective surgeries, owing to the need to social distance and avoid non-urgent visits to the hospital.

To 31 Mar 2021	Total Return from (%)			
Index	31 Mar 2020	19 Mar 2020	28 Feb 2020	31 Dec 2019
Basic Materials	92.2	148.7	68.4	43.7
Industrials	43.6	40.8	11.1	-10.1
Consumer Staples	33.5	47.3	27.5	20.4
Health Care	17.7	16.2	1.8	-9.9
Consumer Discretionary	39.8	46.6	21.3	1.9
Telecommunications	61.9	80.7	28.1	15.9
Financials	37.8	50.2	-2.8	-16.6
Technology	38.8	73.9	50.6	55.3

Source: Iress, 31 March 2021

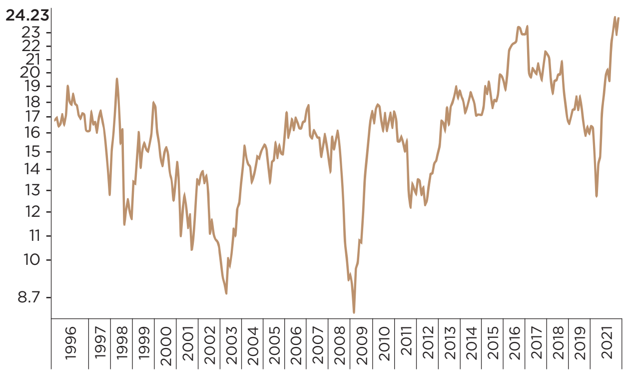
Risk Aversion Subsides

The market is highly emotional swinging from periods of risk aversion (fear) to risk tolerance (exuberance). Over the past 12 months the sentiment of the market has improved and fear/risk aversion that existed in March 2020 has subsided. We highlighted in our 1Q2021 QNL that an investor should control their emotional instincts during periods of fear/ panic and "stay invested". Investors in Element's Unit Trusts would have benefited from remaining invested during this period as all our Funds have recovered to levels higher than they were at the end of February 2020, despite the major drawdowns in March 2020.

Looking forward

The PE Ratio of the JSE has increased from 12.7 at the end of March 2020 to 24.2 at the end of March 2021, which highlights the improvement in sentiment of the market. Starting valuations are much higher than 12 months ago, taking into account sectors where earnings are below trend. Investors should not expect returns to replicate what was achieved over the 12 months to end March 2021 as these returns began from close to the pandemic low point for Indices in 2020.

FTSE/JSE Africa All Share Index (PE Ratio)



Source: Iress, 31 March 2021

Consensus expectations are that the global economy will recover as vaccines are rolled out and herd immunity is achieved. If correct, this should result in a reduction in the need to social distance and economies should return to normal. In addition to this normalisation of business conditions, governments will continue to support the economy through both fiscal (e.g. government grants and infrastructure spend) and monetary policy (e.g. lower interest rates). Markets have priced in a significant portion of this economic recovery and, as noted previously, are trading at record levels both locally and globally. We continue to be concerned about the potential risks to this rosy market outlook. Potential risks include vaccine effectiveness and rollout problems, disparities in vaccine rollouts between countries (as it is a global pandemic), higher global interest rates, higher global inflation, and higher government debt levels.

Global interest rates are at historically low levels with the USA 10 Year Government bond yielding 1.74% as at 31 March 2021. The yield on the USA 10 Year peaked at over 15% in 1981 and has declined steadily over the past 40 years to current levels. This reduction in rates has been caused by both a reduction in inflation as well as a reduction in real rates (nominal interest rates less inflation). Declining interest rates have benefited asset prices over the past 40 years but if this trend reverses (i.e. interest rates increase) it would potentially have negative consequences for asset prices.

Global markets have been supported by government and central bank intervention through both fiscal (e.g. government grants) and monetary (e.g. reduction in interest rates), but at some point these measures will need to be reduced, if not reversed, which could have a negative impact on markets. Support measures in the USA have resulted in the debt to GDP ratio increasing to 129% (Q42020), one of the highest levels in history. Similar to interest rates noted in the paragraph above, debt levels have steadily increased from a low of c.30% in 1981. Lower interest rates have afforded the USA Government the opportunity to increase debt to unprecedented levels, outside of wartime. Reversing this trend would require either (1) higher GDP, (2) lower government spending and/or (3) higher tax revenues. If the economy cannot achieve the higher GDP to reduce the Debt to GDP levels, then the government would need to implement measures to either lower spending levels or have higher taxation, both of which are negative for the economy.

Conclusion

After the panic selling in March 2020 due to concerns over the impact of the Covid-19 pandemic, we have seen global markets not only recover losses from this period but move to record highs. Investors' fear and risk aversion have subsided, and risk tolerance has increased materially. It was wise to "stay invested" and not sell out, during the lows and panic selling in March 2020. The returns from the March 2020 lows were exceptional.

Market valuation levels have risen significantly over the past twelve months and it is unlikely that the returns achieved over the past twelve months will be replicated going forward. The markets have priced in a large portion of the expected economic recovery from the Covid-19 pandemic, with little to no pricing of the risk of any disappointment in these expectations. Therefore, investors should temper return expectations and move forward with an increased focus on the risk of things turning out differently to consensus. At Element we continue to invest our clients' money based upon our long-term contrarian philosophy and process. This has served our clients and us well for over 23 years, helping us to remain focused during periods of both market panic and exuberance.

Fund Reports

31 MARCH 2021

	Element Earth Equity Sanlam Collective Investments Fund		Element Real Income Sanlam Collective Investments Fund		Element Balanced Sanlam Collective Investments Fund[2]	
Portfolio Manager	Terence Craig Andrew Bishop		Terence Craig Andrew Bishop		Terence Craig Andrew Bishop	
Inception date	October 2001		October 2002		November 2009	
Classification	SA General Equity		SA Multi-Asset Low Equity		SA Multi-Asset High Equity	
Benchmark	FTSE/JSE All Share Index		CPI+3%		Average of total return of Multi-Asset High Equity category	
TER	1.81%		1.74%		2.31%	
Performance (Net of fees)[1]	**FUND**	**BENCHMARK**	**FUND[2]**	**BENCHMARK**	**FUND**	**BENCHMARK**
Unannualised since Inception	643.7%	1300.2%	415.7%	321.4%	105.9%	158.1%
Annualised since Inception	10.5%	14.6%	9.3%	8.1%	6.5%	8.7%
Annualised 10 Year	2.5%	10.9%	7.4%	8.0%	6.9%	8.4%
Annualised 5 Year	3.4%	8.2%	6.2%	7.3%	7.0%	5.4%
Annualised 3 Year	1.4%	9.7%	5.5%	6.9%	5.4%	7.2%
1 Year	32.7%	54.0%	15.0%	5.9%	21.8%	30.6%
	HIGH	**LOW**	**HIGH**	**LOW**	**HIGH**	**LOW**
12m rolling total rate of return	66.1%	-25.3%	31.7%	-6.5%	28.9%	-11.8%

	Element Specialist Income Sanlam Collective Investments Fund[2]		Element Global Equity Sanlam Collective Investments Fund	
Portfolio Manager	Terence Craig Andrew Bishop		Terence Craig Andrew Bishop	
Inception date	December 2013		February 2011	
Classification	South African Multi-Asset Income		Global General Equity	
Benchmark	110% STEFI		MSCI World Index Total Return (in ZAR)	
TER	1.01%		2.41%	
Performance (Net of fees)[1]	**FUND**	**BENCHMARK**	**FUND**	**BENCHMARK**
Unannualised since Inception	45.2%	67.8%	299.9%	472.3%
Annualised since Inception	5.3%	7.4%	14.6%	18.8%
Annualised 10 Year	No 10 year performance yet		No 10 year performance yet	
Annualised 5 Year	5.7%	7.5%	8.2%	14.0%
Annualised 3 Year	3.8%	7.0%	14.5%	22.1%
1 Year	8.2%	5.0%	19.8%	28.2%
	HIGH	**LOW**	**HIGH**	**LOW**
12m rolling total rate of return	15.2%	-4.9%	59.4%	-11.4%

[1]Performance figures for Class A except Global Equity for Class B.
[2]Performance figures include weighted ABIL Retention Fund performance.

Source and Date: MoneyMate, 31 March 2021

	Element Islamic Equity Sanlam Collective Investments Fund		Element Islamic Balanced Sanlam Collective Investments Fund		Element Islamic Global Equity Sanlam Collective Investments Fund	
Portfolio Manager	Terence Craig Andrew Bishop		Terence Craig Andrew Bishop		Terence Craig Andrew Bishop	
Inception date	February 2006		April 2010		October 2012	
Classification	SA General Equity		SA Multi-Asset High Equity		Global General Equity	
Benchmark	Average of Shari'ah General Equity Funds with a 1 year track record		Average of Shari'ah Balanced High Equity Funds with a 1 year track record		Dow Jones Islamic Market World Index Total Return (in ZAR)	
TER	2.03%		2.12%		2.20%	
Performance (Net of fees)	**FUND**	**BENCHMARK**	**FUND**	**BENCHMARK**	**FUND**	**BENCHMARK**
Unannualised since Inception	181.3%	230.2%	94.8%	151.9%	170.3%	345.4%
Annualised since Inception	7.1%	8.2%	6.3%	8.8%	12.5%	19.4%
Annualised 10 Year	5.4%	7.7%	6.6%	8.8%	No 10 year performance yet	
Annualised 5 Year	9.8%	6.1%	8.9%	6.6%	5.7%	15.4%
Annualised 3 Year	11.1%	8.2%	8.9%	8.5%	14.3%	23.7%
1 Year	34.4%	40.9%	20.5%	28.2%	20.2%	27.0%
	HIGH	**LOW**	**HIGH**	**LOW**	**HIGH**	**LOW**
12m rolling total rate of return	34.4%	-25.1%	22.2%	-9.6%	41.9%	-11.4%

[1] Performance figures for Class A

Source and Date: MoneyMate, 31 March 2021

Figures quoted are from Element Investment Managers (Pty) Limited, for the period ended 31 March 2021, for a lump sum investment, using NAV-NAV figures net of fees with income distributions reinvested on the ex-dividend date.

The Total Expense Ratios (TERs) are calculated for the most expensive Retail classes, and for the period period 1 October 2019 to 31 December 2020. A higher TER does not necessarily imply a poor return nor does a low TER imply a good return. The current TERs cannot be regarded as indicative of future TERs.

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.

The highest and lowest 12-month returns are based on a 12-month rolling period since inception.

More performance related information is available from the Manager, or alternatively on the publically available Minimum Disclosure Documents. This includes cumulative performance figures, as well as the highest and lowest annual figures over a rolling 12 month period.

Shari'ah Investment Track Record

2000

Element awarded Futuregrowth Pure Equity Fund Mandate

- In June 2000 Element becomes the investment manager of the Futuregrowth Pure Equity Fund (currently named the Old Mutual Albaraka Equity Fund - a unit trust with a restricted mandate based on Islamic principles). Element was the investment manager of this fund until March 2005.

2003

Element establishes a joint venture with Futuregrowth and Albaraka Bank

- In June 2003 Element established a joint venture with Futuregrowth, Albaraka Bank and Channel Islam to market the newly named Futuregrowth Albaraka Equity Fund to the SA Islamic community.

2004

Element wins 3 Raging Bull Awards in the Unit Trust General Equity Sector

- In January 2004 the Futuregrowth Albaraka Equity Fund managed by Element was awarded the ACI/Personal Finance Raging Bull Awards for the three years ending 31 December 2003 in the General Equity sector:
- Top Performing Fund
- Most Consistent Performing Fund
- Best Sortino Risk-Adjusted Performing Fund

2005

- Element earns a further Raging Bull Award and establishes SA's first Sukuk

- In February 2005 the Futuregrowth Albaraka Equity Fund managed by Element was awarded the ACI/Personal Finance Raging Bull Award for Most Consistent Performing Fund in the General Equity Sector for the three years ending 31 December 2004.
- Futuregrowth decides to manage the Futuregrowth Albaraka Equity Fund internally from April 2005.
- Element Establishes an Independent Shari'ah Supervisory Board ("SSB") and Internal Head of Shari'ah
- Mufti Mohammed Ali (Chairman)
  Senior Lecturer: Darul Uloom Zakariyya
- Mufti Ashraf Qureshi
  Member of the SA Board of Muftis
- Mufti Ahmed Suliman
  Aalim & Ifta' completed at Darul Uloom Zakariyya
- Mufti Yusuf Suliman (Internal)
  CSAA (AAOIFI) and Head of Markaz Al Noor
- Element co-founds the first SA Institutional Islamic Balanced Fund - both Reg 28 and Shari'ah compliant
- Element becomes the First SA Investment Manager to launch a Murabaha Sukuk (a Shari'ah compliant cash investment product) in conjunction with Nedbank.

2006

Element establishes its Islamic Equity Unit Trust

- Element launches its Islamic Equity Unit Trust Fund in February 2006.

2007

Element awarded Full AAOIFI Membership

- Element becomes the first SA Investment Manager to be awarded Full Membership of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

2010

Element establishes its Islamic Balanced Unit Trust

- Element launches its Islamic Balanced Fund (Reg 28 compliant) in April 2010.

2012

Element establishes its Islamic Global Equity Unit Trust

- Element launches its Islamic Global Equity Fund in October 2012.

2013

- Shamier Khan becomes Shari'ah Portfolio Manager in October 2013.

2014

- We invested in South Africa's inaugural global US dollar-based sukuk based on an attractive valuation and in order to diversify portfolio risk.
- We entered into our first Shari'ah compliant forward exchange contract (FEC) in order to reduce currency risk.

2015

- Element rated by PMR Africa as the best "asset management company" in the Shari'ah sector.

2016

- Best performing Shari'ah Balanced Fund for the year.

2017

- Best performing Shari'ah Balanced Fund for the year.
- Best performing Shari'ah Equity Fund for the year.

2018

- Best performing Shari'ah Balanced Fund for the 3 years ended December 2018.

2019

- Per the Alexander Forbes survey: Best performing Shari'ah Equity and Shari'ah Balanced Fund for the 3 years ended December 2019.

2021

- Per the Alexander Forbes survey: Best performing Shari'ah Balanced Fund for the 3 and 5 years ended February 2021.

Full details and basis of the awards are available from the Manager.

Responsible Investment – First Quarter 2021

Element's Voting Record: 1Q2021		
No. of meetings voted at during 1Q2021	2	100%
Voted against/abstained on at least 1 res.	**1**	**50%**
Meetings attended	0	0%
Number of resolutions	29	100%
Voted **FOR** management	25	86%
Voted **AGAINST** management	4	14%
Abstentions	0	0%
Withdrawn resolutions	0	0%

Voting Against – Selected Examples 1Q2021		
Oceana	Remuneration	Remuneration appears to overly focused on HEPS growth for both the short-term and long-term component. Short-term bonus targets were achieved despite HEPS being below peak levels and share price declining materially.
Oceana	Directors	Voted against the appointment of P de Beyer and S Pather. They both have served on the board for more than 10 years.

Minimum Disclosures

STATUTORY INFORMATION

- Collective Investment Schemes in Securities (CIS) prices are calculated on a Net Asset Value (NAV) basis, which is the total value of all assets in the Fund, including any income accrual and less all permissible deductions in terms of the Act, divided by the number of units in issue. Permissible deductions include brokerage, MST, auditor's fees, bank charges, trustee fees and service charges of the manager. Different classes of participatory interests apply to this Fund and are subject to different fees and charges. Performance is shown for the most expensive class of the Fund and individual investor performance may differ as a result of initial fees, actual investment date, date of any subsequent reinvestment and any dividend withholding tax. A schedule of fees, charges and maximum commissions is available on request from the manager. The annual management fee is levied monthly on the daily value of the Fund, and no performance fees are charged. Commission and incentives may be paid and if so, would be included in the overall costs.
- Performance is based on NAV to NAV calculations with income reinvestments done on the ex-div date. Performance is calculated for the portfolio and the individual investor performance may differ as a result of initial fees, actual investment date, date of reinvestment and dividend withholding tax. The manager has the right to close the portfolio to new investors in order to manager it more efficiently in accordance with its mandate. The Manager retains full legal responsibility for the co-brand portfolio.
- CIS are traded at ruling prices and can engage in scrip lending and borrowing (except for the Element Islamic Sanlam Collective Investments Funds). Transaction cut-off time is at 14h00 daily, and the Fund is valued daily at 15h00 using forward pricing. Fund prices are published each business day at www.elementim.co.za and in select media publications.
- CIS are generally medium- to long-term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. The manager does not provide any guarantee with respect to the capital or the return of the Fund. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down.
- The Minimum Disclosure Documents are available both on Element Investment Managers' website (www.elementim.co.za) as well as Sanlam Collective Investments' website (www.sanlaminvestments.com). Alternatively investors can contact either Element Investment Managers or Sanlam Collective Investments directly. These documents contain key information which should assist investors in understanding the respective collective investment scheme product.
- Prior to 8 July 2017 the portfolios were administered by Element Unit Trusts Limited.
- Element Investment Managers is committed to handling client complaints in a timely and fair manner and has implemented systems and procedures to satisfy this commitment. The detailed Complaints Handling and Resolution Procedure is available on www.elementim.co.za, or can be requested directly from the manager. Any complaint should be lodged, in writing, with the Compliance Officer at Element Investment Managers at utclientservices@elementim.co.za
- Sanlam Collective Investments' trustee is Standard Bank of South Africa Ltd, Tel: +27 (21) 441-4100, E-mail: Compliance-SANLAM@standardbank.co.za
- Sanlam Collective Investments (RF) (Pty) Ltd is an approved Manager in terms of the Collective Investment Schemes Control Act, 2002.
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  Email: service@sanlaminvestments.com. Website: www.sanlamunittrusts.co.za

GENERAL RISKS

- **Macro-economic risk:** Investments are sensitive to the developments in the economy, such as changes in interest rates, the value of the currency, the inflation rate, government policies, tax rates, and the Reserve Bank's policies, amongst others.
- **Liquidity risk:** The liquidity of a security (whether a share or income instrument) is a function of its trading volume. A compression in the volume of securities available for trade could affect the manager's ability to transact, which in turn, could lead to substantial losses for the fund.
- **Third party operational risk:** The Fund's operations depend on third parties. The operational failure of a third-party may have an adverse effect on investors.

RISKS ASSOCIATED WITH INVESTING IN EQUITIES

- **Non-diversification risk:** The Fund aims at minimising company-specific risks through diversification. However, at times, a particular sector may comprise a sizeable proportion of the Fund's total assets and expose it to the risk of non-diversification.
- **Corporate performance risk:** When determining the intrinsic value of a company, we attribute a certain level of future operational performance for this company.
- However, the company might not perform as per our expectations and this could negatively impact the share price and thus our fund. In the event of a company default, the owners of the company's shares rank last in terms of any financial payment from that company and may receive nothing upon liquidation.
- **Derivatives risk**: The use of derivatives may increase the overall risk in the Fund by multiplying the effect of both gains and losses.

RISKS ASSOCIATED WITH INVESTING IN INCOME INSTRUMENTS

- **Market / interest rate risk:** Fluctuations in the market value of the securities in which this Fund invests may have a negative impact on the fund. The income instruments are likely to be especially sensitive to changes in interest rates or changes in market participants' expectations of how interest rates will change in future.
- **Credit risk:** There is a risk that certain corporate and other counterparties with whom the manager invests or through whom the manager transacts run into financial difficulty, and are unable to honour their commitments in full, which will lead to a potential loss of capital.
- **Loss of purchasing power of capital:** There is a risk that in a high inflation environment, the securities in the Fund may appreciate at a rate lower than the inflation rate, and as such, the purchasing power of an investor's capital may decline.

RISKS ASSOCIATED WITH INVESTING IN INTERNATIONAL MARKETS

- **Foreign currency risk:** This Fund invests a proportion of its capital in stocks, which are priced in foreign currencies, and is thus exposed to the risk of currency movement. Therefore, the value of the fund is affected by any changes in the value of foreign currencies relative to the South African Rand.
- **Country and political risk:** This Fund invests in stocks listed both in developed and emerging markets, across multiple jurisdictions. This gives rise to potential macroeconomic risks, political risks, different tax regime implications, settlement risks and the potential limitation on the availability of market information. There are risks associated with the potential deteriorating relationships between countries, which may lead to the potential of freezing of overseas financial assets and the introduction of extraordinary exchange controls. The risk also exists that a country defaults on its financial obligations to its funders. All of the above could adversely affect the value of the fund.

RISKS ASSOCIATED WITH INVESTING IN SHARI'AH INVESTMENTS

- An investment has to meet certain quantitative and qualitative criteria in order to qualify as a Shari'ah compliant investment. If an investment subsequently fails to meet all these requirements then the fund will be forced to exit this position, notwithstanding the investments' attractiveness relative to our intrinsic value.

RELATIVE PERFORMANCE RISK

- The Funds may from time to time perform significantly differently to their benchmark.

The information contained within this document has been prepared by Element Investment Managers (Pty) Ltd, does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act, and should be read in conjunction with the MDD and Upfront Disclosure Document. Use of or reliance on this information is at own risk. Independent professional financial advice should be sought before making an investment decision.

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