



Fund Objective

The primary objective of the portfolio is to offer investors a moderate long term total return.

Fund Strategy

In order to achieve its objective, the portfolio can invest in a combination of assets in liquid form, money market instruments, interest bearing instruments, bonds, debentures, corporate debt, equity securities, property securities, preference shares, convertible equities, derivatives and non-equity securities. The manager may from time to time invest in participatory interests in portfolios of collective investment schemes registered in the Republic of South Africa which are consistent with the portfolio's investment policy. The portfolio's net equity exposure will range between 0% and 75% 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 Collective Investment Schemes Control 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	PMBCA
Portfolio Manager	Delphine Govender, Lonwabo Maqubela, & Patrick Ntshalintshali
ASISA Fund Classification	South African - Multi Asset - High Equity
Risk Profile	Moderate
Benchmark	ASISA Category Avg: SA - Multi Asset - High Equity
Fund Size	R 109,930,424
Portfolio Launch Date*	22/09/2014
Fee Class Launch Date*	22/09/2014
Minimum Lump Sum Investment	R 10,000
Minimum Monthly Investment	R 500
Income Declaration Date	June & December
Income Payment Date	1st business day of July & January
Portfolio Valuation Time	15:00
Transaction Cut Off Time	15:00
Daily Price Information	Local media & www.sanlamunitrusts.co.za
Repurchase Period	2-3 business days

Fees (Incl. VAT)

A-Class (%)

Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	—
Annual Investment Management Fee	0.75
Total Expense Ratio	1.12
Transaction Cost	0.24
Total Investment Charges	1.36
TER Measurement Period	01 April 2019 - 31 March 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.

*The Perpetua Sanlam Collective Investments Balanced Fund transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 24 November 2017.

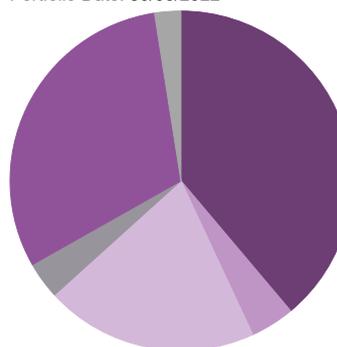
Top Ten Equity Holdings

Portfolio Date: 30/06/2022

Prosus (PRX)	2.93
British American Tobacco Plc	2.85
Standard Bank Group Ltd	1.95
Naspers Ltd	1.87
Absa Group Ltd	1.76
Netcare Ltd	1.36
Massmart Holdings Ltd	1.34
Woolworths Holdings Ltd	1.32
Alibaba Group Holding Ltd	1.21
Pick N Pay Stores Ltd	1.20

Asset Allocation

Portfolio Date: 30/06/2022



	%
SA Equity & Commodities	38.90
SA Cash	4.19
SA Bonds	20.17
SA Property	3.52
Non-SA Equity	30.75
Non-SA Cash	2.48
Total	100.00

Annualised Performance (%)

	Fund	Benchmark
1 Year	-1.33	2.83
3 Years	5.65	5.90
5 Years	4.27	6.86
Since Inception	2.74	6.63

Cumulative Performance (%)

	Fund	Benchmark
1 Year	-1.33	2.83
3 Years	17.94	18.76
5 Years	23.27	39.34
Since Inception	23.36	64.74

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2021

Highest Annual %	23.43
Lowest Annual %	-4.53

3 Year Risk Statistics

Standard Deviation	13.50
Sharpe Ratio	0.05
Information Ratio	-0.05
Maximum Drawdown	-18.36

Distribution History (Cents Per Unit)

30/06/2022	1.53 cpu	30/06/2020	1.19 cpu	30/06/2018	1.86 cpu
31/12/2021	1.70 cpu	31/12/2019	1.71 cpu	31/12/2017	0.25 cpu
30/06/2021	1.25 cpu	30/06/2019	1.37 cpu	30/06/2017	1.24 cpu
31/12/2020	0.74 cpu	31/12/2018	1.56 cpu	24/11/2017	1.26 cpu



Risk Profile

Moderate

You want to protect yourself from the ups and downs of the market as much as possible and, in so doing, have as smooth a ride as possible. But you also know you need to take some risk to grow your capital. You have a medium to long-term investment horizon; you are looking for a diversified portfolio (i.e., a portfolio that invests in a number of different asset classes to spread your risk), and one that offers real returns (after inflation) but with lower volatility. This fund would appeal to anyone nearing retirement (in the capital accumulation phase) as well as after retirement (in the de-accumulation or capital preservation phase).

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 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.

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; 30% for foreign (offshore) and 10% 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.

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. 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 Perpetua Investment Managers (Pty) Ltd, (FSP) Licence No. 29977, 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.

Investment Manager Information

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Portfolio Manager Comment

As at 30 June 2022

Market overview

The second quarter of 2022 saw continued equity market volatility, and a reversal of the gains of the first quarter, as geopolitical concerns about the Russian/Ukraine conflict were exacerbated by anxiety regarding sharply higher inflation in the US and Europe, and the prospect of what higher interest rates might bring, along with a slowing global economy.

The JSE Capped SWIX Index delivered a total return of -10.6% for Q2. SA Resources and SA Financials gained 19% and 16.7% respectively in Q1, while it lost -20.7% and -15.3% respectively in Q2. SA Industrials were down -3.0% following the -13.1% recorded in the first quarter. At a sector level, there were only 3 recording gains. Software and Computers gained +37.7% on the back of a rebound in performance from Naspers and Prosus following the open-ended share repurchase programme announcement. Tobacco gained +13.6 while Oil, Coals & Gas was up +6.6%, and Chemicals rose by +3.2%. The most significant declines were in Pharmaceuticals (-28.9%), Precious Metals & Mining (-27.6%), Telecoms (-25.4%), Finance and Credit Services (-25.2%), Life Insurance (-23.1%), Industrial Metals & Mining (-21.8%), Banks (-14.5), while Retailers lost -13.2%.

Over the 1-year period to 30 June 2022, the JSE Capped SWIX Index posted a total return gain of +6.9%, led by SA Financials +14.5% and SA Resources gaining +10.7%. SA Industrials were down -6.3%. At a sector level Oil, Coal & Gas, and Chemicals were the largest drivers with gains of +97.0% and 64.2% respectively. Other significant gainers were Tobacco (+36.3%), Industrial Materials (+30.2%), Travel and Leisure (+27.1%), Banks (+27.0%) and Industrial & Support Services (+23.1%).

In Q2 2022, the MSCI ACWI and MSCI EM posted US\$ total return losses of -15.5% and -11.3% respectively. Viewing returns across sectors, the market decline is prevalent with Information Technology, Consumer Discretionary, Materials, and Communication Services selling off the most as the spectre of rising inflation and interest rates affected investor risk appetite, and caused a re-rating of these shares, along with Financials and Industrials. More defensive sectors such as Consumer Staples, Health Care and Utilities were also negative but not as severely as other sectors. Energy avoided the worst of the downdraft due to higher energy prices as a result of supply factors largely caused by the Russian/Ukraine conflict.

Cash was the only asset class delivering a positive return for the quarter, returning +1.2% while the ALBI delivered -3.7% as local interest rates rose, following the developed market rate hikes, resulting in a 1-year return of 1.3%.

Portfolio overview

The Perpetua SCI Balanced portfolio produced a return of -4.7% versus -5.7% of its peer benchmark in the second quarter of 2022. This took the 1-year return of the portfolio to -1.3% vs the benchmark's 2.8%.

The domestic equity portion of the Fund produced a return of -6.5% for the second quarter of 2022 which, while it was a reversal, enabled it to outperform the JSE Capped SWIX's -10.6%. Over the 1-year period to 30 June 2022, the domestic equity portfolio delivered +12.6% vs the JSE Capped SWIX's +6.9%.

As mentioned last quarter we favoured the more defensive sectors and were underweight Resources which helped the equity component outperform the JSE Capped SWIX by 4.1% this quarter. The largest contributors to the relative performance of the Fund over the second quarter of the year were our overweight positions in British American Tobacco, Prosus, Pick n Pay, and Woolworths, as well as our underweight in MTN. Whilst Naspers is trading at a bigger discount, we also perceive more constraints to unlocking value at the Naspers level, including regulatory approval and capital gains tax. While the Fund benefited from the Prosus overweight, the underweight in Naspers was the largest detractor. Other significant detractors relative to the benchmark came from overweights in PPC, ABSA, and Tsogo Sun, and our underweight in Sasol.

Notwithstanding recent outperformance, we believe that the domestic equity component still offers significant upside, with an estimated total rate of return of around 20% p.a. on a 4-year view, with close to 50% of holdings trading below the Perpetua team's bear case value, and more than 90% below base case. In our opinion, valuation and earnings risk of portfolio holdings are low compared to the market.

In line with the overall market, global equity experienced a challenging quarter with a return of -7.4% as compared to the -6.1% of the MSCI ACWI. Bed Bath & Beyond was the largest detractor from performance as this US-based household goods and home construction business came under pressure with rising interest rates expected to affect this industry. This share had been one of the biggest drivers of performance in the global equity portion of the Fund from June 2020 through to early 2021, when we took advantage of a tenfold gain and it became available at a cheap valuation once again earlier this year, and we expect market sentiment to change based on the business fundamentals. Other global equity stocks which contributed the most to negative performance included Meta, Micron, Netflix, Farfetch, Booking, Alphabet, Universal and Paypal – all of whom were affected by the decline in Nasdaq-listed companies. We didn't have exposure to most of these when the initial decline began and used the opportunity to buy into them at reduced valuations as their individual business cases remain strong with each of them being dominant in their respective industries with good long-term growth prospects.

The domestic bond component of the Fund produced a return of -2.6% vs the ALBI's -3.7% over the quarter.

Portfolio Positioning

We maintain an element of caution regarding the near-term outlook. The allocation to growth assets is slightly below the permissible 75% limit, with an increase in global equity exposure to just over 30% funded by a lightly lower SA equity allocation. We're overweight domestic bonds as we tilt towards a more defensive stance given the elevated risks.

We can find selected favourable stock picks in the SA equity market within sectors that we believe are poised for recovery. SA's economic growth remains anemic, and the global market outlook is uncertain in the face of a possible developed market stagflation scenario. Many of the cyclical sectors benefitted from the unexpected speed and magnitude of the COVID recovery. At the beginning of 2022, valuation levels, particularly in developed markets were stretched and commodity prices were trading at elevated levels. As a result, we were concerned about the risk of capital loss and had more capital invested in defensive sectors such as Tobacco, Healthcare, certain Retailers, Food Producers, and Beverages. We did however maintain exposure to cyclical sectors that we believe had still not recovered, namely in the Construction & Materials, and Travel & Leisure sectors. Some sectors may not recover to previous levels and therefore specific stocks rather than entire sectors will be the drivers of future returns. British American Tobacco continues to be the largest holding and is beginning to recover from earlier concerns around regulatory pressure. The company's reduced risk strategy is accelerating, and the balance sheet is now in a more comfortable position post the Reynolds acquisition. As a result, BTI has resumed its share buyback programme. In our Q1 2022 report, we also mentioned that we had increased our exposure in Prosus as it traded at lower levels during the early part of 2022 despite earnings remaining strong. This aided performance this past quarter and we see further upside in this counter. In late-stage recovery, sectors such as the hospital groups we hold, Netcare and Life Healthcare, both of which are expected to continue benefiting from higher bed occupancy rates as the effects of the pandemic continue to abate. Hospitality groups have witnessed increased turnover post-COVID restrictions, and the companies are highly cash generative. This has gone unnoticed by the market. The Fund has exposure through Tsogo Sun Gaming and Sun International. Massmart is a Special Situation/Restructuring thesis. Whilst it detracted from fund performance during the quarter, in terms of our investment markers and interactions with the management team, we are of the view that the company is getting closer to achieving break-even in the Game stores and improving the group's overall profitability.

Despite short-term rates beginning to move higher, SA long bonds still reflect a material risk premium despite the outlook for inflation and interest rates. The portfolio has an almost equal allocation to bonds in the 3-12 year area and 12+ with the modified duration being 5.0 vs the 6.3 years of the ALBI and an average yield of 10.2%, reflecting a willingness to access the attractive yield while adopting a slightly defensive stance.

We believe that the offshore equity component of the Fund, excluding the Russian exposure, is currently priced at a near c.40% discount to our conservative assessment of intrinsic value, implying a c.67% return potential. If we add the Russian exposure, then the offshore equity component has a c.90% return potential from the current net asset value.

Approximately 11 of the global equity holdings account for c.51% of the global equity portion contributing four-quarters of the c.67% potential return excluding the Russian exposure. These holdings include Alibaba, Meta Platforms (Facebook), Tencent Holdings, Micron Technology, British American Tobacco, Melco International Development, Booking Holdings, Bayer, PayPal, Netflix and Farfetch.

We are extremely excited about the return potential of global equity over the next five years. We have rarely seen large, dominant, high-quality businesses such as Alibaba, Tencent, Meta Platforms, Micron Technology, and Booking Holdings, among others, trading at multi-decade low valuations as they do today. For example, Meta Platforms sells for \$442B; has \$44B cash on hand; has no debt and earned c.\$50B last year after adjusting for c.\$10B invested in the metaverse project. The core Meta business of Facebook, Instagram, Messenger and WhatsApp sells for c.8x price-to-earnings ratio. These are four of the five largest and most popular social media apps worldwide counting more than half the world's population outside of China as its users. Similarly, Alibaba, Tencent, Micron, British American Tobacco, Bayer, and Melco sell for single-digit price-to-earnings ratios.

While market risks are elevated relative to where they were a year ago, the Fund is positioned to navigate the equity market volatility by virtue of the portfolio's security selection and access to shares with lower-than-average valuation risk, as well as its slightly more defensive asset allocation than has been the case historically.

Portfolio Manager

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