Denker SCI* Balanced Fund

Minimum Disclosure Document

As of 31/08/2023

DENKER CAPITAL

Fund Objective

The objective of the portfolio is to provide attractive risk adjusted returns to the investors, by investing across a wide range of assets, both locally and internationally. The portfolio will avoid unnecessary, or diversifiable, macroeconomic risk and aims to earn the available risk premiums expected from the various asset classes over the long-term.

Fund Strategy

This is an actively managed fund which invests in local and international asset classes. The fund may include participatory interests of collective investment schemes, listed and unlisted financial instruments (derivatives), unlisted forward currency, interest rate and exchange rate swap transactions for efficient portfolio purposes. The Manager shall be permitted to invest on behalf of the portfolio in offshore investments as legislation permits.

To maximise returns for investors, exposure to asset classes varies while the fund can invest up to 75% in equities. The fund is Regulation 28 compliant.

Why Choose This Fund?

- The portfolio is managed to avoid unnecessary macro-economic risk, so should have less volatility than other multi asset high equity funds.
- We try to limit erratic returns by aiming to earn the available risk premiums expected per asset class over the long term.
- Regulation 28 compliant.

Fund Information

Ticker	DSCFB
Portfolio Managers	Madalet Sessions & Jan Meintjes
ASISA Fund Classification	South African - Multi Asset - High Equity
Risk Profile	Moderate
Benchmark	Composite: 60% ALSI CAPI; 15% STeFi; 15% MSCI World & 10% US 10 Yr Treasury
Fund Size	R 242,084,077
Portfolio Launch Date	02/05/2017
Fee Class Launch Date	02/05/2017
Minimum Lump Sum Investment	R 100,000
Minimum Monthly Investment	R 500
Income Declaration Date	June & 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 & www.sanlamunittrusts.co.za
Repurchase Period	2-3 business days

Fees (Incl. VAT)

	B-Class (%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	0.69
TER	0.85
TC	0.14
TIC	0.99
TER Measurement Period	01 July 2020 - 30 June 2023

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 and Transaction Costs cannot be determined accurately because of the short life span of the Financial Product. Calculations are based on actual data where possible and best estimates where actual data is not available.

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.

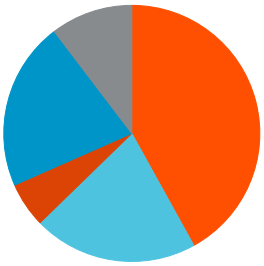
*Denker Sanlam Collective Investments Balanced Fund.

MDD Issue Date: 18/09/2023

Top Ten Holdings	(%)
Portfolio Date	**30/06/2023**
Denker Global Equity Fund USD	16.3
USD Cash	8.5
Denker Global Financial Fund USD	4.9
R2032 8.25% bond	3.0
R2035 8.875% bond	3.0
Naspers Ltd	2.9
R2030 8.0% bond	2.8
R2040 9.0% bond	2.6
FTSE/JSE Capped Swix Top 40	2.6
Prosus N.V.	2.6

Asset Allocation

Portfolio Date: 30/06/2023



	%
Domestic Equity	41.95
Domestic Bonds	20.77
Domestic Cash and Money Market	5.67
Offshore Equity	21.26
Offshore Cash	10.35
Total	**100.00**

Domestic Equity, Offshore Equity and Offshore Cash may include hedged positions from time to time.

Annualised Performance (%)

	Fund	Benchmark
1 Year	15.34	15.21
3 Years	15.77	12.24
5 Years	10.05	9.51
Since Inception	9.57	9.87

Cumulative Performance (%)

	Fund	Benchmark
1 Year	15.34	15.21
3 Years	55.17	41.42
5 Years	61.43	57.53
Since Inception	77.04	80.09

Highest and Lowest Annual Returns

Time Period: 01/01/2018 to 31/12/2022

Highest Annual %	25.78
Lowest Annual %	1.75

Risk Statistics (3 Year Rolling)

Standard Deviation	7.65
Sharpe Ratio	1.29
Information Ratio	0.54
Maximum Drawdown	-3.93

Distribution History (Cents Per Unit)

30/06/2023	28.75 cpu
31/12/2022	28.72 cpu

Administered by

Sanlam

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Risk Profile

Moderate
This is a medium-risk portfolio that aims to deliver income and capital growth over the medium term. This portfolio is designed to minimise volatility and aims to cultivate as smooth a ride as possible. There is some exposure to risky asset classes (such as equities) necessary to grow capital over the medium to long term. This portfolio has a medium to long-term investment horizon. The portfolio is diversified across all major asset classes with an average exposure to equities and offers real (after inflation) returns but with lower volatility.

Glossary Terms

Active Stock-picking Process
This is when asset managers actively and tactically vary their stock selections based on economic and market data, and fundamental valuations, etc. This should lessen an investor's exposure to declining markets and helps preserve capital.

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.

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 based investments. Any investment made through these products gives an investor a single point of entry into a selection of different investments.

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; 45% for foreign (offshore) 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.

Undervalued Equity Stocks/ Investing in Neglected Global Equities
This is a strategy of selecting shares that trade for less than their intrinsic values. Value investors actively seek stocks that they believe the market has undervalued. They believe the market overreacts to good and bad news, resulting in stock price movements that do not correspond with the company's actual long-term fundamentals. The result is an opportunity for value investors to profit by buying when the price is deflated.

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.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 Denker Capital (Pty) Ltd, (FSP) Licence No. 47075, 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
Denker Capital (Pty) Ltd
(FSP) License No. 47075
Physical Address: 6th Floor, The Edge, 3 Howick Close Tyger Falls, Bellville 7530
Postal Address: PO Box: Private Bag X8, Tyger Valley 7536
Tel: +27 (21) 950 2603
Email: *investorrelations@denkercapital.com*
Website: www.denkercapital.com

Manager Information
Sanlam Collective Investments (RF) (Pty) Ltd
Physical Address: 2 Strand Road, Bellville, 7530
Postal Address: P.O. Box 30, Sanlamhof, Bellville, 7532
Tel: +27 (21) 916 1800
Email: service@sanlaminvestments.com
Website: www.sanlamunittrusts.co.za

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

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Portfolio Manager Quarterly Comment

Quarter to June 2023

Market review

Global markets

It has been a year of two halves. The first quarter's banking stress in the US resulted in a sharp repricing of the likely path for interest rates. The 2-year bond yield in the US rallied from a high of 5.07% on 8 March to a low of 3.78% a few weeks later. In Q2, global markets delivered very attractive returns. This performance was largely due to robust economic growth data, moderating inflation numbers, resolution on the US debt ceiling standoff and lower risk. The 2-year bond yield rose to 4.88% at the end of the quarter, the price of gold - which had a very strong run in March (coincident with US bank stress) - gave back some of these gains in the quarter. YTD global market performance has been notable for the very narrow returns – i.e. a large part of market returns have been driven by only a handful of shares. The strong run has not been the result of a broad rally in shares or sectors.

Finally, no commentary would be complete without noting the rebellion of the CEO of the Wagner group in Russia. Speculation about the implications and consequences of these events are rife, we'll be keeping a close eye on how these events play out.

At a sector level, during Q2 the strongest performing sectors were once again technology (+16%), consumer discretionary (+10.9%) and communication services (+9.6%). This is attributed to a great extent by the inflation and interest rate outlook that has improved somewhat during 2023. The technology performance has been due to the breakthroughs that have been made in the field of AI technology. The semiconductor subsector was a notable outperformer, with Nvidia leading the pack.

Sector laggards were mainly sectors that are more defensive in nature such as consumer staples, healthcare and utilities. These sectors were essentially flat during Q2.

South African markets

South Africa had a very tough quarter. Substantial amounts of loadshedding weighed on the economy in the first half. More recently lower consumption, improved performance of the generation plants (i.e. reduced unplanned outages) and heavy winds contributed to better than expected energy availability. In addition to the burden of loadshedding, allegations by the US ambassador to South Africa that arms had been loaded onto *Lady R*, the Russian vessel that docked in Simonstown in December, had a severely negative impact on the value of domestic assets. The rand weakened from R18.33 at the start of the week to R19.81 two weeks later. Government bonds with 10 years to maturity saw yields rise from 10.1% to 11.3% over the same period. The value of the domestic equity market, with its large weight to foreign companies and earnings were far more resilient.

The FTSE/JSE Capped Swix was up 1.2% in the second quarter. The SA financial index generated a positive return of 5.3% and industrials generated 3.4%, while the resource index suffered a loss of 6.1%. The SA market underperformed global markets as domestic news caused the exchange rate to weaken by 5.9% against the US dollar for the quarter.

Performance

During the quarter, SA government fixed income securities (represented by the FTSE/JSE All Bond Index) lost 1.5% and domestic cash returned 1.9%. The FTSE/JSE SA Property Index closed marginally higher (+0.7%). The rand weakened against the US dollar from R17.79 to R18.83 - this helped boost the value of offshore assets for rand investors. The MSCI World Index gained 13.4% and the MSCI Emerging Markets Index 7.4% in rand, respectively.

Portfolio review
South Africa continues to disappoint in implementing growth enhancing structural reforms.

We maintained our exposure to domestic government bonds. However, the composition of the portfolio has changed dramatically. The fund now has reduced exposure to inflation linked bonds in favour of longer dated domestic vanilla fixed income securities in the wake of the sell-off in May.

We continue to hedge our exposure so that investors are not dependent on specific macro outcomes to generate returns from their investment in the fund. During the quarter we purchased offshore cash as the composition and duration of the domestic bond portfolio changed.

We expect superior stock picking to be the dominant source of investment performance for investors in the fund over the long run, but caution that macroeconomic uncertainty is likely to be a source of ongoing volatility and will likely dominate outcomes for investors in the short run.

Portfolio Managers
Madalet Sessions
M.Comm. Economics

Jan Meintjes
B.Comm. (Hons), CA(SA), CFA®