Denker SCI* Global Equity Feeder Fund

Minimum Disclosure Document

As of 31/10/2022

DENKER CAPITAL

MDD Issue Date: **15/11/2022**

Fund Objective

The objective of the portfolio is to provide above average long-term capital growth by investing in global equities which the Investment Manager has identified as being undervalued and as offering above average growth potential. This fund is a feeder fund which invests only in the Denker Global Equity Fund, managed by Sanlam Asset Management (Ireland). The portfolio may also hold ancillary liquid assets including cash and or money market instruments.

Fund Strategy

The Investment Manager seeks to achieve the objective of the fund by investing in undiscovered or neglected global equities that the Investment Manager has identified as being undervalued and offering above average growth potential over time.

Tax Free Savings Account

This Fund qualifies as a tax free investment according to section 12T of the Income Tax Act, with effect from 1 March 2015. South African individuals qualify for the associated tax benefits namely no tax on dividends, income or capital gains whilst still enjoying all the benefits of a unit trust. Note contributions to tax free investments are limited to R36 000 per tax year, with a lifetime limit of R500 000. Amounts invested in excess of these permissible thresholds are taxable.

Fund Information

Ticker	SGBB2
Portfolio Manager	Jacobus Oosthuizen
ASISA Fund Classification	Global - Equity - General
Risk Profile	Aggressive
Benchmark	MSCI World Index
Fund Size	R 566,439,300
Portfolio Launch Date	26/02/2007
Fee Class Launch Date	02/07/2007
Minimum Lump Sum Investment	R 10,000
Minimum Monthly Investment	R 500
Income Declaration Date	December
Income Pricing Date	1st business day of January
Portfolio Valuation Time	15:00
Transaction Cut Off Time	15:00
Daily Price Information	Local media & www.sanlamunittrusts.co.za
Repurchase Period	3 business days

Fees (Incl. VAT)

	B2-Class (%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	0.86
TER	1.86
TC	0.08
TIC	1.94
TER Measurement Period	01 July 2019 - 30 June 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.

*Denker Sanlam Collective Investments Global Equity Feeder Fund

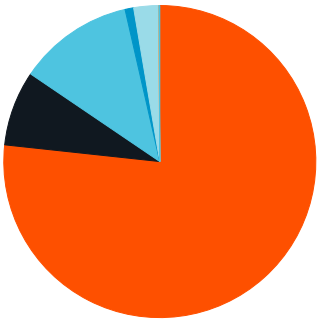
Top Ten Holdings

Portfolio Date	**30/09/2022**
Microsoft	5.21
Berkshire Hathaway	4.80
Lowe's Companies Inc.	3.04
Roche Holding	2.95
Arch Capital Group Ltd	2.95
PepsiCo	2.82
Oracle	2.69
Amazon Inc	2.60
HCA Healthcare Inc	2.57
Walt Disney Company	2.55

These are the top holdings of the offshore fund in which this feeder fund invests.

Asset Allocation

Portfolio Date: 30/09/2022



	%
North America	76.71
United Kingdom	7.77
Europe (Developed Markets)	11.94
Asia (Developed Markets)	0.89
Asia (Emerging Markets)	2.55
Europe (Emerging Markets)	0.04
Latin America	0.09
Total	**100.00**

Annualised Performance (%)

	Fund	Benchmark
1 Year	-0.98	-0.97
3 Years	9.03	13.93
5 Years	7.68	12.67
10 Years	11.21	18.03
Since Inception	7.02	13.18

Cumulative Performance (%)

	Fund	Benchmark
1 Year	-0.98	-0.97
3 Years	29.61	47.87
5 Years	44.77	81.59
10 Years	189.46	424.58
Since Inception	173.61	527.29

Highest and Lowest Annual Returns

Time Period: 01/01/2012 to 31/12/2021

Highest Annual %	31.09
Lowest Annual %	-9.89

Risk Statistics (3 Year Rolling)

Standard Deviation	15.60
Sharpe Ratio	0.33
Information Ratio	-0.68
Maximum Drawdown	-17.07

Distribution History (Cents Per Unit)

31/12/2020	0.00 cpu	31/12/2019	0.00 cpu
30/06/2020	0.00 cpu	30/06/2019	0.00 cpu

Administered by

Sanlam

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Risk Profile

Aggressive
This is an aggressively managed, high-risk portfolio that aims to deliver capital growth over the long term (greater than 5 years). It is designed to substantially outperform the markets and therefore carries a long-term investment horizon (5 years and upwards). The portfolio will be diversified across all major asset classes with significant exposure to equities, and may include offshore equities. There may be some capital volatility in the short term, although higher returns may be expected from five years or beyond.

Risk Considerations

- The fund is focused on investment in global listed companies; accordingly the performance of the fund is directly linked to the performance of the global equity markets.
- Investing in international companies means the currency exchange rate fluctuations will have an impact on the fund's investment performance.
- As the SA Rand can be a volatile currency, this could lead to significant fluctuations in the rand value of this fund.

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; 25% for foreign (offshore) and 5% 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.

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.A feeder fund is a portfolio that invests in a single portfolio of a collective investment scheme, which levies its own charges and which could result in a higher fee structure for the feeder fund.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 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.

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: service@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

Administered by

Sanlam

Portfolio Manager Quarterly Comment

Quarter to September 2022

Market review

The third quarter offered investors hardly any reprieve as volatility in global markets continued.

As the quarter kicked off, the market became hopeful of possible interest rate cuts by the Fed next year, given concerns about slowing growth. However, when the Fed reaffirmed its commitment to fighting inflation it had a negative impact on stocks in the second half of the quarter. The federal funds rate was raised by 75 basis points (bps) at the end of the quarter – making it the third consecutive 75bps increase.

The ongoing uncertainty around inflation and energy prices are posing increased risks to economic activity. Central banks have started to raise rates. Changes in fiscal policy announced by the new (and now, resigned) Conservative Prime Minister Liz Truss and her (since fired) chancellor of the Exchequer, Kwasi Kwarteng, was widely blamed for bond and currency market weakness in the UK. The sell-off in the UK government bond market in turn was responsible for a fall-out in pension funds and forced the Bank of England to announce additional purchases of government debt. The European Central Bank has started to raise interest rates as producer price inflation hit record levels on the back of the energy crisis. The US dollar continues to rise as the Fed has signalled more aggressive interest rate hikes to prevent inflation becoming embedded in expectations and price formation. For the quarter, the MSCI World Index lost 6.2% in US dollar terms and the MSCI Emerging Markets Index shed 11.6%.

At a sector level, communication services (-12.7%) and real estate (-11.7%) were hardest hit, followed by utilities (-8.4%) and materials (-7.7%). Consumer discretionary (+0.3%) and energy (-1.44%) held up relatively well.

Portfolio review

The fund slightly underperformed its benchmark (the MSCI World Index) during the quarter – with the A class losing 6.5% in US dollar terms, compared to the benchmark's -6.2%. The main detractors from performance for the quarter were Alibaba, Legal & General and Philip Morris.

A weak macro environment in China remains the main concern weighing on Alibaba's share price. The recent under performance can be attributed to new lockdowns in China that led to record low consumer confidence levels which in turn is negatively impacting China e-commerce exposed stocks. Alibaba continues to optimise investment spend and improve operational efficiency that we believe should result in materially higher e-commerce profits.

Legal and General (LGEN) detracted from the fund's performance over the quarter given market concerns on the impact of the recent liquidity pressures in the UK pension fund market. The recent extraordinary increases in interest rates, and the unprecedented speed of those increases, has caused challenges for LGEN's pension fund clients and counterparties of their UK LDI (Liability-Driven Investing) business. While volatility has certainly increased in the market, we estimate that the LDI business makes up less than 10% of earnings at the company. Furthermore, LGEN acts as an agent between their pension fund clients and market counterparties and has no balance sheet exposure. Post a management call with the company following the event we remain confident in the group's ability to continue to deliver attractive shareholder returns over time and continue to expect them to benefit from the higher interest rate environment which should drive increased demand for pension de-risking solutions (LGEN's core offering) as more plans' funding levels improve and they look to de-risk.

During the quarter Philip Morris was down 15% and detracted 16bps from our performance. The business is still firing on all cylinders as volumes, market share and earnings continues to perform in line with our expectations. The management also raised their full year guidance and are expecting to deliver $6.0 of EPS for the full year – driven by production constraints that are starting to ease, lower GP margin pressure and operating margin expanding into the 2H. Philip Morris is currently trading at 15x earnings with a robust dividend yield of 6% and we believe the business is still undervalued at these levels.

The main contributors to performance for the quarter were Lowe's, HCA Healthcare and LIC Housing Finance.

Lowe's shares were up 8% for the quarter, contributing 34bps to our performance. The home improvement retailer has been focusing on operating efficiency and productivity to take share within an uncertain macro environment. Coming off a strong 2021 driven by Covid-induced DIY spending, 2022 has been a solid year for the business. Operating margins continued to improve despite revenues not growing much (mainly due to the high 2020/2021 base). For the year so far, Lowe's has also returned ~$9bn to shareholders in the form of buybacks and dividends. We expect the business to continue to make strides in closing the performance gap between Home Depot, its largest competitor, while growing sales and improving profitability further. Lowe's trades on 14x consensus earnings, which in our view does not reflect the quality of the business and management's excellent execution to transform the business. We think the profit improvement will become clearer in a normalised environment and we are happy owners of Lowe's shares at these levels.

HCA Healthcare saw its shares trade 9.6% higher this quarter, after being down ~35% for the year until 30 June 2022. At that point it traded at ~10x consensus earnings, one of the lowest levels in the last five years (ex-Covid when it traded down to 7x earnings). HCA is the largest hospital group in the world with >180 hospitals and thousands of clinics and we believe the current valuation is a very compelling entry point for longer term shareholders. Operating results over the last year have been improving, as margins remain healthy (and improving), its scale is growing with occupancy levels steady, and the market has become more confident the group can navigate the higher inflation environment better than initially thought – especially on the labour cost side. Managing costs has been a big driver of HCA outperforming expectations, even in this challenging environment. Given the valuation levels, the HCA management has put its capital to work and bought back $2.7 bn in stock during the last quarter (up from $2 bn in Q2). HCA remains one of our largest positions in the fund as we believe the business is still very undervalued.

LIC performed strongly over the period after delivering a very strong set of results for the quarter to end June. Whilst the growth was off a low base, given higher provisions and staff expenses in the prior comparative period, LIC reported solid operational growth. Pre-provision operating profits rose 41% YOY and with 96% of the loan book floating in nature we should see widening margins as policy rates increase further. LIC is well positioned to capitalise on the shortfall in affordable housing in India and has many favourable tailwinds. Despite the relative outperformance this quarter we believe the company remains undervalued.

Portfolio Manager
Jacobus Oosthuizen
M.Compt, CA(SA), CFA®