Denker SCI Equity Fund*

Minimum Disclosure Document

As of 2019/07/31

DENKER CAPITAL

MDD Issue Date: **2019/08/22**

Fund Objective

The objective of the fund is to offer investors a reasonable level of current income and long-term wealth creation through active management of the portfolio.

Fund Strategy

This is an equity fund which diversifies across all sectors of the JSE and may invest a maximum of 30% in offshore assets. The fund invests in financially sound companies when they are attractively priced relative to their long-term return potential. The investment universe may include participatory interests of underlying unit trust portfolios.

Why Choose This Fund?

- Access to a broad range of opportunities. Our structure gives us the ability to focus on investments and access opportunities that build wealth for investors.
- Investors are exposed to global investment opportunities. The fund can invest up to 30% in foreign listed companies.
- We understand and manage risks. We concentrate on understanding the risks companies face so that we invest with a margin of safety and diversify the portfolio.
- Our interests are aligned with investors. The investment team invests their own money in the fund and in the Denker Capital business.

Fund Information

Ticker	SAVFB2
Portfolio Managers	Claude van Cuyck & Ricco Friedrich
ASISA Fund Classification	South African - Equity - General
Risk Profile	Aggressive
Benchmark	Composite: 87.5% FTSE/JSE Capped SWIX & 12.5% MSCI World Index
Fund Size	R 1 719 994 072
Portfolio Launch Date	1998/10/01
Fee Class Launch Date	2007/01/02
Minimum Lump Sum Investment	R 10 000
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
Repurchase Period	2-3 business days

Fees (Incl. VAT)

Fees (Incl. VAT)	B2-Class (%)
Maximum Initial Advice Fee	—
Maximum Annual Advice Fee	1.15
Manager Annual Fee	0.69
TER	0.72
TC	0.23
TIC	0.95
Performance Fee	—
TER Measurement Period	31 March 2016 - 31 March 2019

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.

Manager Performance Fee (incl. VAT) | Performance Fee Benchmark: 87.5% of the FTSE/JSE Capped Shareholder Weighted Index (J433) and of the 12.5% MSCI World Net Total Return USD Index (NDDUWI), Base Fee: 1.53%, Fee at Benchmark: 1.53%, Fee Hurdle: 87.5% of the FTSE/JSE Capped Shareholder Weighted Index (J433) and 12.5% of the MSCI World Net Total Return USD Index (NDDUWI), Sharing Ratio: 20%, Minimum Fee: 1.53%, Maximum Fee: 3.42%, Fee Example: 1.53% p.a. if the fund performs in line with its Performance Fee Benchmark.

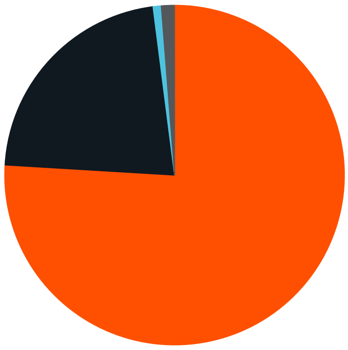
*The Denker Sanlam Collective Investments Equity Fund was renamed from the SIM Value Fund.

Top Ten Holdings

Top Ten Holdings	(%)
Portfolio Date	**2019/06/30**
Denker Global Financial Fund	8.25
Naspers Ltd	7.18
Anglo American Plc	5.21
Denker Global Equity Fund	4.81
MTN Group Ltd	3.80
Standard Bank Group Ltd	3.51
Allied Electronics Corporation Ltd	3.38
Oracle Corporation	3.34
Italtile Ltd	3.23
Investec Ltd	2.99

Asset Allocation

Portfolio Date: 2019/06/30



	%
SA Equity	75.95
Non-SA Equity	22.02
SA Cash	0.78
Non-SA Cash	1.23
Non-SA Bond	0.00
Non-SA Other	0.01
Total	**100.00**

Annualised Performance (%)

	Fund	Benchmark
1 Year	3.34	-1.47
3 Year	2.32	3.75
5 Years	1.46	4.02
10 Years	10.35	11.51
Since Inception	9.11	9.46

Cumulative Performance (%)

	Fund	Benchmark
1 Year	3.34	-1.47
3 Years	7.14	11.68
5 Years	7.51	21.79
10 Years	167.86	197.36
Since Inception	199.72	211.82

Highest and Lowest Annual Returns

Time Period: 2009/01/01 to 2018/12/31

Highest Annual %	35.21
Lowest Annual %	-5.58

Risk Statistics (3 Year Rolling)

Standard Deviation	9.86
Sharpe Ratio	-0.45
Information Ratio	-0.22
Maximum Drawdown	-8.75

Distribution History (Cents Per Unit)

2019/06/30	49.04 cpu	2018/06/30	27.50 cpu
2018/12/31	43.99 cpu	2017/12/31	27.59 cpu

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Risk Profile

Aggressive
You can afford to take on a higher level of risk (i.e. will have a greater exposure to equities in your portfolio) because of your investment time horizon, or your appetite for risk. You know that in taking the risk, you need to be patient if you want to achieve the results. So you are willing to invest for the long-term and are prepared to tolerate some volatility in the short term, in anticipation of the higher returns you expect to receive in five years or beyond.

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

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

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Portfolio Manager Quarterly Comment

Quarter to June 2019

Market review

Global markets

Global equity markets experienced another relatively good quarter, albeit with more modest performance than in the first quarter (Q1). Looking at the indices in US dollars – on a total return basis the S&P 500 Index gained 4.3%, the MSCI World Index gained 4.2% and the MSCI Emerging Markets Index, lagged again, closing 0.7% higher this quarter. The surprising decline in long dated developed market government bond yields, which started in Q1, did not subside. Yield on US 10 year maturity bonds declined from 2.4% at the end of Q1 to 2.0% at the end of Q2 and the yield on 10 year German bonds declined from -0.1% to -0.3%.

In late June, the Federal Reserve (the Fed) indicated that it might cut interest rates sooner than previously thought by cutting the word 'patient' out of its policy statement. It added that it would 'act as appropriate' to sustain economic expansion. President Trump has often taken to Twitter to share his exasperation with the Fed's previous rate increases.

Prime Minister Theresa May announced that she would step down as leader of the ruling Conservative Party in the United Kingdom after successive failures to deliver an acceptable Brexit deal. Boris Johnson and Jeremy Hunt are in the race to replace May as leader. Both Johnson and Hunt have claimed that they can renegotiate the withdrawal deal with the European Union and get it through Parliament before the expiry date of 31 October 2019.

South African markets

South African markets outperformed their emerging market peers. The FTSE/JSE Capped Swix gained 2.9% in rand. The US dollar investor benefited from rand strength, as the rand gained against the US dollar from R14.48 at the end of Q1 to R14.07 at the end of Q2. South African bonds delivered strong performance again this quarter, closing 3.8% higher at the end of June.

South Africans went to the polling booth in May. The ANC secured 57.5% of the vote, which was the worst performance for the party in a national election). The DA and EFF, in second and third place respectively, received 20.8% and 10.8% of the vote. The ANC secured outright majorities in all regions except the Western Cape, where the DA maintained its majority.

In June Stats SA published its estimates of gross domestic product (GDP). The economy contracted by 3.2% in Q1 – recording the largest quarterly drop in output since the financial crisis.

Performance

The continued positive returns from both global and local equities has been fueled by the prospect of 'lower for longer' global interest rates and higher commodity prices, the latter supporting a 10.2% return in June for the resources sector (driven mainly by gold and platinum).

South African market returns in the second quarter were driven by financials returning 5.4%, followed by industrials returning 4.0% and resources returning 2.4%.

For the quarter, our portfolio has outperformed its benchmark. A number of our small cap holdings have contributed significantly to the performance in the quarter – these include Altron (+37.3%), Libstar (+24%) and Adcorp (+22%). Other holdings that added to returns are Absa (+20.3%), MTN (+20.5%) and Investec (+8.9%).

Finally, as mentioned in the past, investing is in many respects a negative art. Avoiding losses is as important as the desire to make a profit. In this regard, many of our best decisions were to avoid poor investments which have come under significant scrutiny the past quarter. These include Redefine (-30%), Omnia (-31%), Robosis (-65%), and Tongaat (-39%).

Portfolio review

This has undoubtedly been one of the more anxious periods for South Africans. In addition to having to deal with electricity outages and a general rise in the cost of business in South Africa, corporates are under pressure to cut costs in order to protect profits and returns. Consumers are having to deal with higher VAT, fuel and administered prices (such as electricity) and this is impacting on discretionary spend. Consumer and business confidence remain low. We remain cautious on domestic South Africa and do not see a dramatic improvement in economic growth in the shorter term. Although there are uncertainties surrounding Brexit risks as well as the United States–China trade related issues, global growth could well be supported in the short term by lower interest rates.

Despite macro concerns, we should not lose sight of the fact that great long-term opportunities often emerge in tough environments. In this environment we continue to seek out mispriced opportunities where we have above average conviction. Our objectives are to ensure we focus on constantly improving the quality of the portfolio while reducing the role of chance which unknown macroeconomic events may have. In a tough environment it does not pay to invest in poor quality, highly geared businesses. We remained focused on sticking to our strengths, such as stock picking in an uncertain environment.

In this regard, the heightened uncertainty has created some good opportunities. New positions in the portfolio include AVI, ABInbev and Dis-Chem.

Portfolio Managers

Claude van Cuyck
B.Comm. (Honours), CFA®

Ricco Friedrich
B.Bus.Sc. Finance, CA(SA), CFA®

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