Denker SCI Equity Fund*

Minimum Disclosure Document

As of 31/08/2022

DENKER CAPITAL

MDD Issue Date: **16/09/2022**

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 45% in offshore assets. The fund invests in listed shares of financially sound companies that we think are mispriced by the market and offer exceptional value.
These companies:

- have favourable long-term economic characteristics,
- are run by a competent management team and
- trade at a price which is attractive when measured against the long term return potential and intrinsic value of a business.

The fund may also include participatory interests of collective investment schemes and listed and unlisted financial instruments (derivatives) for efficient portfolio management.

Why Choose This Fund?

- To grow real wealth over time, through opportunities identified in SA and global listed companies.
- To invest alongside a highly experienced team with a disciplined investment process and proven track record.
- For diversified equity exposure across small, mid and large cap listed companies.
- To invest with a team that understands the risks companies face and invests in them with a sufficient margin of safety**.

Fund Information

Ticker	SAVFB2
Portfolio Manager	Claude van Cuyck
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 1,649,039,474
Portfolio Launch Date	01/10/1998
Fee Class Launch Date	02/01/2007
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 & www.sanlamunittrusts.co.za
Repurchase Period	2-3 business days

Fees (Incl. VAT)	B2-Class (%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	0.69
TER	0.74
TC	0.14
TIC	0.88
Performance Fee	—
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. 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.

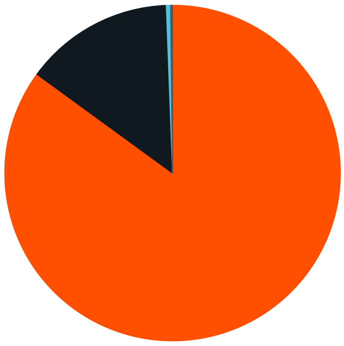
*The Denker Sanlam Collective Investments Equity Fund was renamed from the SIM Value Fund.

Top Ten Holdings

Top Ten Holdings	(%)
Portfolio Date	**30/06/2022**
Denker SCI SA Equity B3	15.96
Denker Global Financial Fund	6.57
Naspers Ltd	5.57
Anglo American Plc	4.56
Prosus (PRX)	3.75
MTN Group Ltd	3.38
Denker Global Equity Fund	3.11
Firstrand Ltd	3.09
British American Tobacco Plc	2.97
Sasol Ltd	2.86

Asset Allocation

Portfolio Date: 30/06/2022



	%
SA Equity	85.02
Non-SA Equity	14.39
SA Cash	0.40
Non-SA Cash	0.19
Total	**100.00**

Annualised Performance (%)

	Fund	Benchmark
1 Year	7.79	3.36
3 Year	11.98	10.08
5 Years	7.38	5.79
10 Years	8.45	9.38
Since Inception	9.36	9.40

Cumulative Performance (%)

	Fund	Benchmark
1 Year	7.79	3.36
3 Years	40.43	33.37
5 Years	42.79	32.52
10 Years	125.03	145.20
Since Inception	306.21	308.63

Highest and Lowest Annual Returns

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

Highest Annual %	32.64
Lowest Annual %	-5.58

Risk Statistics (3 Year Rolling)

Standard Deviation	15.07
Sharpe Ratio	0.51
Information Ratio	0.32
Maximum Drawdown	-21.15

Distribution History (Cents Per Unit)

30/06/2022	73.19 cpu	30/06/2021	35.99 cpu
31/12/2021	75.58 cpu	31/12/2020	48.16 cpu

Administered by

Sanlam

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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

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Portfolio Manager Quarterly Comment

Quarter to June 2022

Market review

Global markets

Global market volatility remained elevated. The economic uncertainty as a result of the ongoing Russia/Ukraine conflict, the risks of rising inflation, and the likelihood that interest rates will ease inflation pressure but increase recession risk, has seen sentiment remain 'risk off'. For the quarter, the MSCI World Index lost 16.2% in US dollar terms; the MSCI Europe Index lost 14.2%; the MSCI North America Index lost 16.8%; the MSCI Pacific Index lost 14.4%; and the MSCI Emerging Markets Index was down 11.4%.

At a sector level consumer discretionary (-23.7%) and technology (-21.7%) were hardest hit, followed by materials (-19.7%) and communication services (-19.4%). The less cyclical sectors held up better: healthcare (-7.2%), consumer staples (-6.4%) and utilities (-7%). Energy also held up relatively well (-5%) despite a sharp correction (-15%) during the last month of the quarter.

South African markets

Cash was the only place to hide over the past quarter, being the only asset class to post a positive return of 1.2%. Nevertheless, the South African market gave back some of the first quarter's relative outperformance against global markets. The SA rand lost 11.4% relative to the US dollar over the quarter. The FTSE/JSE Capped Swix Alsi fell 10.6%. Within equities, SA industrials performed the best but still declined by 3.0% (supported by a strong recovery in both Naspers and Prosus, up 42.3% and 32.6% respectively). Financials fell 15.3% in the quarter, while resources lost 20.7%. On a year to date basis, cash has outperformed with a 2.2% return; bonds have lost 1.9%; The FTSE/JSE Capped Swix Alsi is down 4.7; and property is down 12.7%.

Portfolio review

It would be an understatement to say that the macro environment is challenging. Rising global inflation and interest rates, coupled with the Russian invasion of Ukraine and the increased risk of a global recession makes navigating markets interesting. However, as we've seen in the past, with every challenge, comes opportunity. South African management teams are not new to facing challenges. They've dealt with high inflation, interest rates, low growth and poor performing State-Owned Enterprises many times in the past and indeed, become stronger.

Although the portfolio has outperformed its benchmark over the past quarter and year to date, the last quarter has been particularly challenging from an absolute return perspective. Fortunately, the returns over the past 12 months for the portfolio remain positive and comfortably ahead of its benchmark. The recent sell off in markets has also created several attractive opportunities.

There have been a few significant relative moves in stocks held in the portfolio over the past quarter. Our holdings in Naspers (up 42.3%), Prosus (up 32.6%), as well as Mediclinic (up 30.4%) partly offset the general weakness in the market. Prosus and Naspers announced an 'open ended' share buyback programme. The buybacks involve a further reduction in their Tencent holding which will be used to fund the buyback of shares in both Prosus and Naspers. The news was positively received by the market. In addition, Mediclinic announced that a consortium, including Remgro and MSC Mediterranean Shipping company have made an offer to buy out minorities at £460 per share (plus a dividend of 3p per share). This announcement supported the strong share price performance over the quarter.

In these uncertain times, the benefits of a diversified portfolio become more evident. The small cap shares in our portfolio (a competitive advantage relative to our larger peers) have continued to perform well relative to the large cap shares. Alviva Holdings, Combined Motor Holdings, Hudaco and, the recently added, Famous Brands and Sun International have performed well and continue to offer compelling value. Some of our 'rand hedge' defensive stocks have also performed well relative to the rest of the market, including British American Tobacco (up 13.6%) and Anheuser Busch (down 0.4%). Unfortunately, the banks, insurance companies and most of the commodity stocks have come under pressure this quarter.

As mentioned in our previous quarterly report, we have also added to selective domestic defensive positions like AVI and Remgro where we see value. We also mentioned that "although resource stocks have performed extremely well over the past few years on the back of higher commodity prices, we are mindful that they are cyclical. Margins and Return on Capital for many of the miners are at peak levels. We will continue to monitor our overall exposure to commodities given the increased risks". Therefore, it does not surprise us that we've seen weakness in the commodity prices as risk of a potential recession increases. We also mentioned in our last quarterly report that "the strong performance from local and global developed market equities that we witnessed last year will be difficult to replicate. We are more modest with our expectations for 2022, however, we still expect real returns from equities in 2022, in particular SA local equities". Given the weakness in the market in Q2 and a more challenging macro environment, it may be more difficult to achieve real returns for calendar 2023. However, current valuation levels for SA equities remain relatively attractive.

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