



Minimum Disclosure Document

As of 31/12/2023

MDD Issue Date: 25/01/2024

Fund Objective

The objective of the Sentio Sanlam Collective Investments HIKMA Shariah Balanced Fund will be to provide long term capital growth while preserving capital with a reasonable level of income that complies with Shariah (Islamic Law) and the standards prescribed by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Fund Strategy

The manager invests in an actively managed balanced portfolio, with an equity exposure (including international equity) between 0% and 75% at all times. The investment policy followed by the manager will focus on achieving this by investing in a wide variety of asset classes such as equity securities, non-equity securities, listed property, money market instruments and assets in liquid form, both domestically and internationally, that have been approved for investment by the Shariah Supervisory Board (SSB) or Shariah Advisory Committee (SAC) from time to time. The portfolio shall invest in Shariah compliant domestic and global equities, domestic and global property companies, listed commodity ETF's, Sukuks, Shariah compliant instruments and listed equity capital protection instruments, that have been approved for investment by the SSB from time to time.

The portfolio will be predominantly invested in domestic assets, but may also invest internationally, within the statutory investment limitations and prudential investment requirements. The portfolio may also invest in participatory interests of underlying unit trust portfolios. The portfolio is compliant with regulation 28 of the Pension Funds Act.

Why Choose This Fund?

You should choose that fund if you are looking for a fund that generates capital growth with a reasonable income in a Shari'ah compliant way, benefiting from a detailed bottomup stock picking integrated in a robust risk-management framework.

Fund Information

Ticker	SSHBF
Portfolio Manager	Imtiaz Suliman & Sanveer Hariparsad
ASISA Fund Classification	South African - Multi Asset - High Equity
Risk Profile	Moderate
Benchmark	ASISA Category Avg: SA - Multi Asset - High Equity
Fund Size	R 391,839,933
Portfolio Launch Date*	01/06/2016
Fee Class Launch Date*	01/03/2017
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) A1-Class (%)

Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	—
Manager Annual Fee	1.02
Total Expense Ratio	0.92
Transaction Cost	0.20
Total Investment Charges	1.12
Performance Fee	—
TER Measurement Period	01 October 2020 - 30 September 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.

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.

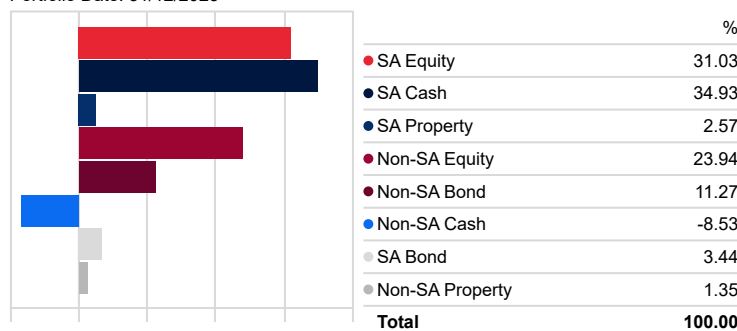
Total Investment Charges (TER + TC) is the total percentage value of the Financial Product that was incurred as costs relating to the investment of the Financial Product.

Top Ten Holdings

	(%)
Islamic Term Deposit	5.50
Islamic Term Deposit	4.97
Dubai Islamic Bank	4.04
Clicks Group Ltd	3.38
Bidvest Group Ltd	2.92
Resilient Reit Ltd	2.57
Google Inc	2.55
Islamic Term Deposit	2.50
Vodacom Group Ltd	2.49
Islamic Term Deposit	2.48

Asset Allocation

Portfolio Date: 31/12/2023



Annualised Performance (%)

	Fund	Benchmark
1 Year	7.39	12.25
3 Years	8.85	10.49
5 Years	7.55	9.21
Since Inception	5.88	7.38

Cumulative Performance (%)

	Fund	Benchmark
1 Year	7.39	12.25
3 Years	28.96	34.84
5 Years	43.87	55.34
Since Inception	47.76	62.68

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2023

Highest Annual %	21.63
Lowest Annual %	-1.28

Risk Statistics (3 Year Rolling)

Standard Deviation	7.20
Sharpe Ratio	0.44
Information Ratio	-0.32
Maximum Drawdown	-7.62

Distribution History (Cents Per Unit)

31/12/2023	18.87 cpu
30/06/2023	25.85 cpu
31/12/2022	13.10 cpu



Minimum Disclosure Document

As of 31/12/2023

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

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; 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.

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 Sentio Capital Management (Pty) Ltd, (FSP) Licence No. 33843, 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

Sentio Capital Management (Pty) Ltd
(FSP) License No. 33843
Physical Address: Illovo Edge, Building 3, 1st floor, 5 Harries Road, Illovo, Johannesburg, South Africa, 2196
Postal Address: Illovo Edge, Building 3, 1st floor, 5 Harries Road, Illovo, Johannesburg, South Africa, 2196
Email: Info@sentio-capital.com
Website: www.sentio-capital.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



Minimum Disclosure Document

As of 31/12/2023

Portfolio Manager Comment

In 2020, the U.S. economy faced a severe downturn due to the COVID-19 pandemic, prompting substantial stimulus injections by the U.S. government and others globally. However, these stimulus measures inadvertently led to sticky (non-transitory) inflation, prompting the Federal Reserve to implement a series of rate hikes totalling 525 basis points to counteract inflationary pressures.

As 2023 unfolded, initial bear theses of a recession, earnings growth implosion, and uncertainty about the Fed's rate plans dissipated. However, concerns lingered about valuations, with the S&P trading at a P/E of 19x despite the Fed funds rate reaching 20-year highs.

A retrospective overview of 2023 reveals one of market volatility driven by higher interest rates, uncertainty about their peak, and increased market instability. Events such as a systemic risk flare-up (SVB crisis), China's economic slowdown affecting miners and luxury sectors, and an AI narrative boosting tech stocks by and large shaped the market narrative. Additionally, a slowdown in inflation provided breathing room for multiple assets, duration assets, and non-profitable tech companies.

The latter part of 2023 then saw a strong market expectation for the continuation of the Federal Reserve's hawkish stance. Alas, Fed Chair Powell's acknowledgment of a shift towards rate cuts – the Fed Pivot - fuelled another market acceleration. This led to beta chasing, systematic de-grossing, short squeezes, and ended a year of a perplexing, concentrated and thus "unpleasant" bull market to remember.

We are still concerned....

Looking forward to 2024, the key question is whether the full impact of past central bank tightening is behind us or still in the pipeline. The latter seems more likely to us due to the typical lag of around 18 months for monetary policy effects. With loose U.S. fiscal policy support for corporates running out, a potential weakening in global growth momentum is anticipated, posing risks to financial markets. Importantly, while a year ago risky assets were fully pricing in a recession, and economists unanimously agreed with that, now the picture is quite different, recession probabilities are currently near the lows of the range, and most macro forecasts are hopeful, while valuations are rich. This might be too optimistic.

....while the current Goldilocks environment is likely to persist for now...

Notwithstanding the current Goldilocks environment, characterized by ongoing economic expansion and positive global manufacturing and trade trends, continuing for a bit, the currently 6 cuts priced is a lot, and Cyclical/Defensives and equities in general have started decoupling from this accommodation. 3 to 4 cuts could mean normalization, in our view, but any more could be signalling bad things for growth, which equities wouldn't like. This might signal that the unstable - while equilibrium - of high growth and lower rates since November is ending. The possibility of another upswing in bond yields could become another equity headwind as well.

Higher rates likely to take their toll eventually...

The aftermath of early-2023 events, particularly the regional banking crisis, highlighted vulnerabilities in the system. Elevated rates exposed areas of concern, including access to finance for smaller companies, credit pressure on small banks, and a slowdown in mortgage, housing, and commercial real estate activities.

...and will impact labour markets...

Labour markets are also expected to be impacted, especially if small and medium-sized enterprises (SMEs) start retrenching since small businesses employing less than 250 people account for 75% of US private sector employment. As SMEs cannot access the bond market like larger corporations, a higher cost of borrowing may lead to tangible evidence of labour market weakness. The recent NFIB small business survey indicates a reduction in hiring plans, and potential labour weakness could occur if top-line revenue growth faces downward pressure. And as excess savings have come down by almost 90% since the August 2021 peak, the labour participation rate has also been rising. Indeed the participation rate of people in the key 25-54 prime working age category now exceeds the pre-pandemic level.

...while inflationary pressures might prevent more rate cuts...

Inflation remains a critical factor, and geopolitical tensions in the Middle East could pose risks to the global economy. Disruptions in commodities or freight costs due to geopolitical events may contribute to stagflationary pressures. With large shippers now also unable to pass through the Panama Canal due to drought, this may all lead to renewed inflation pressures, especially in destination countries, and give rise to downside risks for trade volumes.

...in summary...

The odds of a US soft-landing have certainly risen, while substantial risks for a no-landing or even a recession remain. What seems the most obvious is the exuberance of the amount of rate cuts versus growth expectations which, in our view, is mutually exclusive. Should indeed more than 3 rate cuts occur over the next 12 months, then this will in all likelihood be coupled with an economic "accident" that markets will not like. Rather a more measured, data dependent decline in rates is more realistic, unless substantial economic weakness. Ultimately, it is possible that US retail buying continues to push the market higher, along with general FOMO, and cash on the sidelines coming in to the market. Earnings will be key over the next earnings season as well and could drive upside (or downside). However, we don't think a grind higher without any pullback should be the base case for market expectations, given the recent highs in positioning and historical precedents that suggest potential weakness. For SA, it's going to be an eventful 2024, with the Budget in February, elections likely in May, and SARB cutting cycle likely in 2H24. Left tail risks are much talked about and seem largely priced in, while upside surprises around budget (rabbit out of the hat regarding funding opportunities, rate cuts (driving consumption) and economic growth (and thus foreign interest) could provide unexpected boosts to capital markets.

Fund strategy

Given the above backdrop, the fund will continue to seek exposure to cheap assets with a tilt to the Growth and Quality styles. A variety of our data and macro models, indicate that the market's reaction to the December Fed pivot was an aberration, exacerbated by seasonality, pertaining to year-end drivers (for many Mutual Funds and Hedgefunds) and related thinning liquidity. Sentio's bottom-up fundamental valuation models indicate robust upside for the portfolio in the current and expected environment, and the fund will continue to be nimble and navigate through current volatility to pursue its goal of achieving optimal risk-adjusted returns.

Portfolio Managers

Mohamed Mayet
BCOM (Wits), BCOM Hons (Adv Fin), NASD (USA)

Rayhaan Joosub
BSc Chemical Engineering (Wits), BCom (Unisa)

Imtiaz Suliman
CFA; CFA Institute, BSc: Financial Mathematics, University of Pretoria

Olwethu Notshe
B.Bus Sci, CFA, CAIA

Sanveer Hariparsad
CFA; CAIA; MSc (Fin Eng); BSc (Hons) (Fin Math) (Cum Laude); BSc (Act Sci)