

30 June 2018

Enhance Cautious

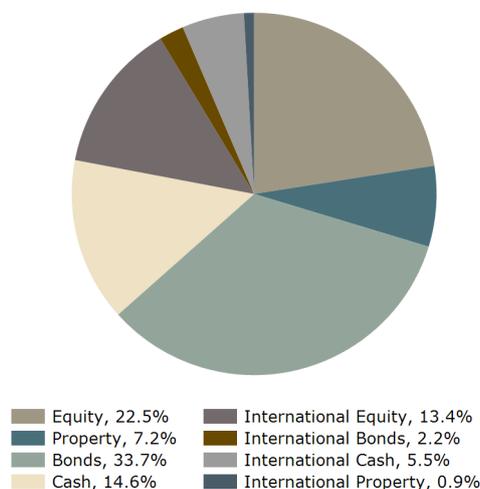
**Fund Details**

<b>Fund Category</b>	SA Multi Asset Low Equity
<b>Benchmark</b>	Avg SA Multi Asset Low Equity
<b>Risk Profile</b>	Cautious
<b>Investment period</b>	3 years
<b>Launch Date</b>	01 August 2012
<b>Fund Size</b>	R 266 million

**Fund Objective**

The wrap fund aims to provide investors with stable income and a high level of capital stability. The probability of capital loss over the medium to long term is low. The fund will consist primarily of income orientated assets with a below average exposure to equities (maximum of 40%). Investors in this fund should have a minimum investment horizon of 3 years. The fund is compliant with Regulation 28 of the Pension Funds Act, 1956.

**Asset Allocation**

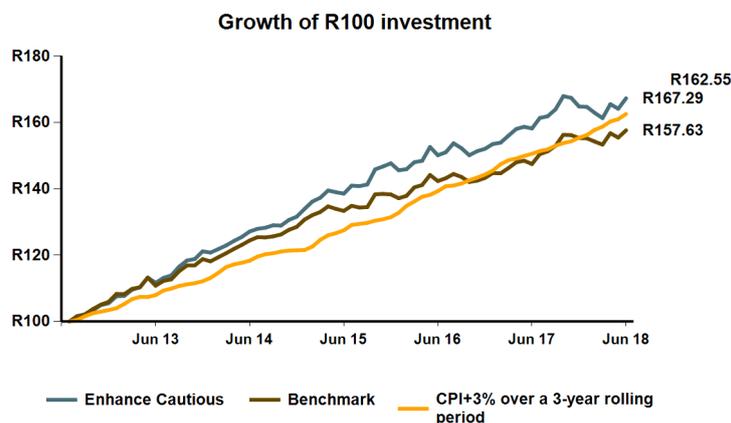


**Investor Profile**

This fund is suitable for investors looking for:

- Stable income and a high level of capital stability
- Low probability of capital loss over the medium to long term
- A minimum investment horizon of 3 years

**Cumulative performance since launch \***



Performance (%)	Fund*	Fund Benchmark	CPI+3% over a 3-year rolling period
1 Month	1.93	1.41	0.97
3 Months	3.71	2.81	2.40
6 Months	1.50	1.50	4.60
1 Year	5.75	6.89	7.96
2 Years (annualised)	5.56	5.23	8.02
3 Years (annualised)	6.49	5.73	8.44
5 Years (annualised)	8.42	7.30	8.53
YTD	1.50	1.50	4.60
Since Launch	9.09	7.99	8.56

Risk statistics (2 years)	Fund*
Returns (annualised)	5.56%
Standard deviation (annualised)	4.25%
% Positive months	62.50%
Maximum drawdown	-3.95%
Sharpe ratio	-0.45

**Manager Selection (%)**

Allan Gray Stable	15.00	Matrix Defensive Balanced	15.00
Coronation Balanced Defensive	15.00	Prescient Income Provider	10.00
Coronation Global Emerging Markets	2.50	Prudential Enh SA Property Tracker	3.00
Coronation Strategic Income	10.00	PSG Equity	6.00
Fairtree Equity Prescient	6.00	SIM Inflation Plus	15.00
Investec Global Franchise Feeder	2.50		

Monthly Fund Performance* (%)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2018	-0.08	-1.08	-0.98	2.61	-0.84	1.93							1.50
Fund 2017	0.95	0.27	1.37	1.30	0.40	-0.31	2.00	0.32	1.28	2.43	-0.31	-1.56	8.39
Fund 2016	-1.42	0.22	1.44	0.29	2.80	-1.63	0.59	1.80	-0.95	-1.41	0.81	0.47	2.95

**Fees (% incl. VAT)**

Annual wrap fee	0.58
Underlying Manager TER's	1.10

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**Manager Comment**

The global outlook continues to be positive for growth, with some deterioration in economic momentum as the winds of trade war, geopolitical risk, domestic political fractures, and debt-related risks loom, with financial markets already reflecting mounting vulnerabilities. The positive cyclical backdrop is expected to support earnings growth over the rest of the year. The risks to this outlook, however, are elevated, and include the mature stage of the economic and financial cycle and increased trade tensions. Among developed markets it is expected that falling unemployment and slowly building inflation drive central banks towards monetary tightening. Furthermore, heightened trade tensions are a threat to the positive global trend and tit-for-tat measures could derail the momentum of investment and trade. As such, the World Bank highlighted that global growth is set to slow over the next two years as central banks raise borrowing rates and fiscal stimulus starts to fade in countries such as the US and China.

Global equities made gains in a volatile quarter, as resilient economic and earnings data contended with an unsettling geopolitical backdrop. The MSCI World index delivered 1.73% in dollars while emerging market equities declined some 7.90% in dollars, as emerging market currencies depreciated on capital flight and an unwinding of the carry trade. This saw the rand depreciate some 13.55%. In bond markets, US 10-year Treasury yields rose significantly in April, and touched a seven-year high in May, before the risk-off investment environment led to the buying of safe-havens assets. Subsequently, The JP Morgan Global Aggregate index declined some 2.46% in dollars as bond yields pushed higher. Emerging market bonds had a difficult quarter and underperformed their developed market counterparts. As such, the JP Morgan EM index slumped 4.14% in dollars. Furthermore, the global property market rerated over the quarter, gaining some 5.43% in dollars.

The local equity market fared better than the broad emerging market basket during the second quarter. The ALSI gained 4.54% in rands. A strong quarter for Resource and Industrial shares helped the local market post positive returns. As such, in rands, the Resi20 index and Indi25 index delivered 21.73% and 5.29% respectively. The Fini15 bucked the trend, delivering -6.63% for the quarter. Foreigners were net sellers of the local bond market to the tune of R68.1 billion for the quarter, as investors remain concerned about the recurring theme related to the reversal of 'easy money'. The SA 10-year yield pushed 85 bps higher and settled at 9.04% at month end. As such, the ALBI delivered -3.78% in rands. Inflation-linked bonds underperformed their sovereign counterparts, delivering -4.99% in rands. Furthermore, the local listed property market came under pressure as bond yields pushed higher. As such, the SAPY index delivered -2.19% in rands. Furthermore, local cash returned 1.76% for the quarter.

Fund with larger offshore and equity exposures therefore performed well with the Investec Global Franchise and Coronation Global Emerging Market leading the gainers over the quarter while the Prudential Enhanced SA Property Tracker and PSG Equity lagged.

**Investment Committee**

The investment committee forms an integral part of the investment management process. The investment committee members are involved in the process of multi management by participating in the Investment Committee Framework (the "Framework"). This Framework provides intermediaries with a platform to share their research and views with qualified investment professionals who will, based on certain constraints, construct a portfolio taking the intermediary's research into account.

Peter Strydom  
Garth Strydom  
Kevin Fowle  
Rafiq Taylor  
Barbara Erni

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**Portfolio Manager**



**Rafiq Taylor**

BCom (Hons) Financial Analysis and Portfolio Management, BCom (Politics, Philosophy & Economics)

**About the Portfolio Manager**

Rafiq heads up the retail consulting function within the investment team. This follows his roles at Sanlam Investments' multi manager business, Sanlam Multi Manager International, which he joined in 2006. He was initially appointed as an Investment Analyst and was responsible for carrying out manager research analysis. He was later promoted to Portfolio Manager, managing investment portfolios for institutional and retail investors. In 2012, Rafiq helped establish the retail investment consulting offering that he now heads up.

He started his career in the financial services industry in 2004 as a Client Service Consultant at Glacier Financial Solutions (previously Innofin), where he serviced financial advisers.

Rafiq holds B.Com in Politics, Philosophy and Economics and B.Com (Honours) in Financial Analysis and Portfolio Management from the University of Cape Town.

**Manager Information**

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