Sentio Sanlam Collective Investments Hikma Shariah Balanced Fund

Minimum Disclosure Document

As of 31/03/2024

MDD Issue Date: 23/04/2024

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 409,366,997
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.sanlamunittrusts.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	0.91
Transaction Cost	0.19
Total Investment Charges	1.10
Performance Fee	—
TER Measurement Period	01 January 2021 - 31 December 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.

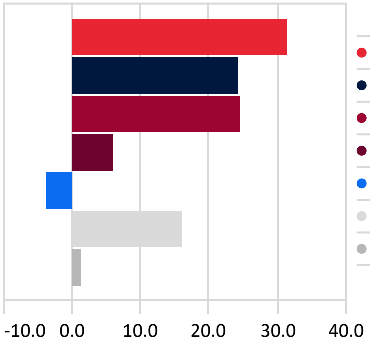
Transaction Cost (TC) is the percentage value of the Financial Product that was incurred as costs relating to the buying and selling of the assets underlying the Financial Product. Transaction Costs are a necessary cost in administering the Financial Product and impacts Financial Product returns. It 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	11.85
Dubai Islamic Bank	4.06
Clicks Group Ltd	3.56
Bidvest Group Ltd	3.21
Mondi Plc	2.75
Google Inc	2.71
Anglogold Ashanti Ltd	2.54
Islamic Term Deposit	2.46
Vodacom Group Ltd	2.22
National Central Cooling Co.	2.11

Asset Allocation

Portfolio Date: 31/03/2024



	%
SA Equity	31.44
SA Cash	24.19
Non-SA Equity	24.58
Non-SA Bond	6.00
Non-SA Cash	-3.72
SA Bond	16.14
Non-SA Property	1.37
Total	**100.00**

Annualised Performance (%)

	Fund	Benchmark
1 Year	7.50	9.43
3 Years	6.56	8.46
5 Years	6.92	8.33
Since Inception	5.99	7.36

Cumulative Performance (%)

	Fund	Benchmark
1 Year	7.50	9.43
3 Years	21.02	27.59
5 Years	39.75	49.24
Since Inception	51.02	65.34

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	6.79
Sharpe Ratio	0.10
Information Ratio	-0.39
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

Administered by

Sentio Sanlam Collective Investments Hikma Shariah Balanced Fund

Minimum Disclosure Document

As of 31/03/2024

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 foreignbased 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

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: 55 Willie van Schoor Avenue, Bellville, South Africa, 7530
Postal Address: Private Bag X8, Tygervalley, 7536
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

Sentio Sanlam Collective Investments Hikma Shariah Balanced Fund

Minimum Disclosure Document

As of 31/03/2024

Portfolio Manager Comment

Following two months of negative performance, SA equities rebounded to be the top performing asset class in March 2024 with the AllShare index posting a total return of +3.2%, The positive month for equities in March was not enough to save the quarter though, as Property outperformed all asset classes with a total return of +3.8%. Cash (+2.1%) was the second-best performing asset class. Bonds lost -1.8%, while Equities lost -2.2%. Within Equities, SA Industrials fared best with a small total return gain of +0.6%. SA Resources recorded a loss of -1.6%, while SA Financials recorded a loss of -6.1%.

“Patience is a necessary ingredient of genius.”
-Benjamin Disraeli

The Powell pivot in November of 2023 lit the animal spirits and triggered what has been a material risk on rally in equities globally. Only a few weeks ago, markets had settled on a soft landing, with inflation seen defeated and 6-7 cuts for 2024 priced in, and the only question left to answer being if the cutting cycle was going to start in March or later.

Since then, March got pushed out to July and suddenly even later is not out of the question. This, as inflation data came in hot for a couple of months, and several Fed members indicating that a first rate cut earlier than spring/ summer was unlikely, with now data dependency the order of the day. Post that we had continued hawkish tilts from several Fed members, all raising the probability of higher for longer and causing some to ask: what if we're all wrong and that the risks of re-acceleration and hotter inflation are greater than we're currently pricing? Bottom line is that the 6 cut bull case has withered and died. The market is now looking to maximum 3 cuts with a July kick off date still the base case. but a keen focus on data, which is unlikely to be linear, causing ongoing market uncertainty and volatility.

In today's dynamic market environment, the path to being proven right or wrong for fundamental investors has become more volatile than ever before. Structural shifts, such as the rise of non-fundamental market participants like passive investors and retail traders, combined with uneven liquidity, have led to increased alpha volatility. Traditionally, generating alpha was gradual and rational, with investment processes identifying valuation or sentiment dislocations and exploiting them for profit. However, markets now often lag in confirming investment theses, leading to prolonged periods of uncertainty and delayed returns.

Challenging markets
Therefore, the question arises: are public markets broken? The answer is nuanced. Generally, liquidity has fallen and shifted with much of it now coming through “private” darkpools and away from the public eye – even here in SA, players like Investec and RMB actively market their own pools of liquidity. With this, the “headline liquidity” that many investors model their activity off is simply wrong.

Further, the focus has shifted from single stocks to themes, baskets, ETFs, and factors, diminishing the influence of fundamentals on stock direction.The result is that public markets are increasingly driven by indexation and correlation and an effective momentum increase as a proxy of weighting and the need to own the winners. Investors must adapt to this evolving landscape, balancing traditional approaches with an understanding of changing market dynamics.

And even for South Africa, the global significance and lead of markets like the US impacts local dynamics. Worse, South Africa’s weight in global equity indices having shrunk from its peak of c13% in 2001 to the current 2.84% in the MSCI All World Country index renders our market virtually irrelevant for global investors, leaving little or no incentive to commit money. And a low-to-zero growth economy, really only leaves room for opportunistic, speculative investments by Hedgefunds, etc. Add to this the recent Reg 28 offshore limit changes which further drained support from large parts of the domestic investor base exacerbating the already dire liquidity situation even further, and SA domestic small or mid-caps seem doomed relative to a vastly diversified global universe.

To reverse this trend, South Africa's economic outlook and corporate success will matter greatly.

Budget and SARB battling
From an economic standpoint, the recent 2024 Budget in South Africa focused on fiscal consolidation, aiming to reduce borrowing costs and debt burdens. Measures included accessing reserves to pay down debt, reducing borrowing requirements, and improving fiscal metrics. However, structural challenges remain, and the success of economic growth initiatives will be crucial.

At the same time, the South African Reserve Bank (SARB) faces challenges in managing inflation and interest rates amid fiscal constraints and global economic trends. The bank's ability to cut rates is constrained by the need to maintain attractive real rates to prevent capital flight. The upcoming elections and global economic conditions will influence the SARB's decisions in that regard and it is uncertain if cuts can be implemented before the Fed cutting cycle starts.

Corporates more optimistic, Valuations cheap
On the other hand, a recent investor conference by Bank of America suggested cautious optimism in sentiment in Corporate South Africa, with companies focusing on efficiency, diversification, and market share growth. However, challenges such as load shedding and consumer pressures persist, requiring flexible strategies to navigate.

Fundamentally, South African equities remain cheap compared to emerging and developed markets, presenting opportunities for value seeking investors. However, challenges such as earnings revisions and liquidity issues must be considered when evaluating investment prospects.

A further positive could be, signs of broadening investor interest are emerging globally, with fundamentals and dispersion starting to make more sense. While challenges remain, there are indications of improvement in market dynamics.

Fund strategy
Globally, asteady stream of M&A activity in 2024 (+70% ytd), seems to indicate a more positive investment environment for now, as CEO’s shift from defense to offense in their strategies and start to refocus on growth and the future rather than rates/ inflation uncertainty. All the while central bank policies, particularly the Fed, will play a pivotal role to shape this environment going forward. For SA, at this stage we believe that 1% growth in SA GDP for the current 2025 fiscal year is achievable, while upside and downside risks from that base scenario exist.The SARB is likely to only start cutting rates following the first Fed easing, with 50bps cuts penciled in for the SA repo rate by 4Q24.

On a fundamental basis our expectation for market returns at this stage have reduced somewhat to mid-teens, however, our fundamental bottom-up analysis still highlights attractive alpha opportunities across a variety of sectors, some of them indicating upside in excess of 30%.

And while large parts of the SA market seem undervalued, to unlock the value, in our view, will require a Regime shift from the current Quality/ Growth environment to Value. And this will likely only be catalysed by a weaker Dollar, which needs the Fed to start the cutting cycle in the US.

In Fixed Income/ Sukuks, our valuation and macro models suggest an indecisive macroeconomic environment based on uncertainty around the number of Fed rate cuts priced into the futures market, SA fiscal slippage, and re-accelerating inflation. Thus, the fund will be conservatively positioned for now, while aiming to exploit any opportunities in the Sukuk markets to buy into weakness as the above risks materialise.

Overall, we are extremely confident that the portfolio is appropriately positioned to take advantage of the current price distortions in the market as in our view, fundamental valuations remain the most important factor for stocks over time and will *ultimately* drive share prices (the market will want to take advantage of “cheap” over “expensive” assets).

However, given the dynamics described above, there might be delays in some of the price discovery and thus distortions in the short- and even medium-term crystallisation of those returns, caused by the changing drivers of liquidity. The result could be one of alpha generation becoming increasingly “lumpy”, requiring more patience from investment managers and clients alike.

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)