

Fund Objective

This is an actively managed, multi asset income fund which aims to provide a high level of income whilst maximising returns and diversification across bond and market instruments with equities being limited to 10%. Despite the fact that this fund may also invest 25% offshore, this is currently not being implemented and no offshore funds are being held at this stage. The fund is Reg. 28 compliant.

Fund Strategy

Returns are sought through tactical asset allocation and high conviction bets across the income-yielding universe, including corporate and government bonds, money market instruments, preference shares and listed property. The fund may also invest in derivatives allowed by the Act. Opportunities are taken across the entire duration and credit spectrum.

Why choose this fund?

*If you don't want to be making decisions about how to position your fixed interest exposure as market conditions change (i.e. interest rates and inflation), then this is the fund for you.

*The fund is actively managed and well diversified.

*An experienced specialist team implements high conviction ideas across the credit and duration spectrum.

*Historic returns are testament to the efficacy of the investment strategy which provides superior fixed interest returns through the interest rate cycle.

Fund Information

ASISA Fund Classification	SA - Multi Asset - Income
Risk profile	Conservative
Benchmark	*STeFI +1% p.a.
Portfolio launch date	03 Nov 2006
Fee class launch date	03 Nov 2006
Minimum investment	Lump sum: R5 000 Monthly: R200
Portfolio size	R5 712.3 million
Yield	7.85%
Last four distributions	30 Jun 2015: 17.62 cents per unit 30 Sep 2015: 18.68 cents per unit 31 Dec 2015: 18.98 cents per unit 31 Mar 2016: 19.31 cents per unit
Income decl. dates	31 Mar 30 Jun 30 Sep 31 Dec
Income price dates	1st working day in April, July, October and January
Valuation time of fund	15:00
Transaction cut off time	15:00
Daily price information	Local newspaper and www.sanlamcollectiveinvestments.com
Repurchase period	3 working days

Fees (Incl. VAT)

	Retail Class (%)
Advice initial fee (max.)	1.14
Manager initial fee	0.57
Advice annual fee (max.)	1.14
Manager annual fee	0.91
Total Expense Ratio (TER)	0.92

Please note: As a result of African Bank being placed under curatorship, which occurred on 10 August 2014, Sanlam Collective Investments (RF) (Pty) Ltd immediately wrote down the relevant asset values to levels in line with where the market priced these impaired assets. A very small portion (0.7%) of this fund is still exposed to African Bank debt instruments.

Total Expense Ratio (TER) | PERIOD: 2 January 2013 to 31 December 2015

Total Expense Ratio (TER) | 0.92% of the value of the Financial Product 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) | 0.03% of the value of the Financial Product 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) | 0.95% of the value of the Financial Product was incurred as costs relating to the investment of the Financial Product.

Income funds derive their income from interest-bearing instruments as defined. The yield is a current yield and is calculated daily.

The portfolio manager may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. This fund is also available via certain LISPS (Linked Investment Service Providers), which levy their own fees. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down.

Top 10 Holdings

Securities	% of Portfolio
R209 RSA 6.25% 310336	2.42
CAP Sett Acc SACTIV	2.39
Investec F/R 310717	1.70
R186 RSA 10.50% 211226	1.68
FirstRand F/R 180817	1.58
Capitec Bank F/R 06052016	1.48
FirstRand F/R 051217	1.42
Capitec Bank F/R 080816	1.40
Standard Bank F/R 01032017	1.35
Nedbank F/R 130916	1.34
Top 10 Holdings as at 31 Mar 2016	

Performance (Annualised) as at 30 Apr 2016 on a rolling monthly basis

Retail Class	Fund (%)	Benchmark (%)
1 year	7.12	7.68
3 year	6.74	7.05
5 year	7.14	7.59
Since inception	8.67	8.23

Annualised return is the weighted average compound growth rate over the period measured.

Performance (Cumulative) as at 30 Apr 2016 on a rolling monthly basis

Retail Class	Fund (%)	Benchmark (%)
1 year	7.12	7.68
3 year	21.63	22.68
5 year	41.14	44.14
Since inception	118.71	110.60

Cumulative return is aggregate return of the portfolio for a specified period

Risk statistics: 3 years to 30 Apr 2016

Std Deviation (Ann)	1.36
Sharpe Ratio (Ann)	0.50

Actual highest and lowest annual figures since inception

Highest Annual %	15.80
Lowest Annual %	5.52

Asset Allocation

Portfolio Manager(s)

Philip Liebenberg

M. Eng, Phd (Chem Eng), CFA

Management of Investments

The management of investments are outsourced to Sanlam Investment Management (Pty) Ltd, FSP 579, an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act, 2002.

Portfolio Manager(s) Quarterly Comment - 31 Mar 2016
Market review

The start to 2016 can be labelled as more of the same. Domestic political upheaval and weak domestic growth coupled with a slow international economic growth scenario left most investors with more questions than answers after the first quarter of 2016. We started the year with equity markets falling by more than 10% on the back of lower oil prices, concerns about debt in the Chinese economy and talk of possible global economic recessions, even in the more stable United States. We saw some stabilization in the latter part of the quarter after the Bank of Japan introduced negative interest rates, the European Central Bank reiterated their commitment to a loose monetary policy, and Janet Yellen sounded more dovish and mentioned their concerns around international markets.

The weaker US dollar brought some relief to emerging markets and commodity prices. The rand staged a mild recovery in the latter half of the quarter and ended at R14.71/\$. The ramifications of a possible sovereign ratings downgrade during the year is still, however, a concern to many investors. The Reserve Bank responded to the weaker rand and higher inflation by hiking rates by 50bps and 25bps respectively during the quarter. Domestic inflation printed 7.0% yoy in February and highlighted the Monetary Policy Committee's earlier concerns.

Bond yields compressed and the 10-year RSA yield closed at 9.03% from 9.69% end of December on the back of a stronger currency and improving sentiment towards emerging markets. South African bond yields are, however, still significantly higher than a year ago. Nominal bonds returned 6.6% for the quarter, followed by inflation-linked bonds at 2.2% and cash at 1.7%. Listed property recovered all of its fourth quarter losses and posted a gain of 10.1%.

What we did

We added to duration assets late in 2015 and early in 2016, including listed property. Property rerated very quickly, however, and towards the end of the first quarter we started reducing some counters after posting returns of more than 20% over a couple of months. We still prefer nominal bonds over listed property and inflation-linked bonds. Credit spreads widened slightly over the quarter, giving us some opportunities to invest in attractively priced counterparties, including a small allocation to inflation-linked credit. The recent hike in interest rates is also benefitting the significant floating rate debt component of the fund with the resultant higher reset of yields.

Our strategy

During the last quarter of 2015 and first few weeks of 2016 investors got an opportunity to buy attractively priced domestic fixed income and listed property assets. While we've seen some gains of late we still believe nominal bonds are cheap from a longer-term perspective. Our 10-year government bonds are trading above 9%. Therefore, with a high long-term inflation assumption of 6% investors will be receiving a real return of at least 3% - we view this as attractive. Current sentiment is still fairly pessimistic and this coupled with volatility will in all likelihood give us more opportunities to buy attractively priced fixed income assets.

Risk Profile (Conservative)

This portfolio aims to ensure stable income flows and capital preservation is of primary importance. The portfolio invests in a combination of low-risk asset classes, but exposure to equities is limited to protect against volatility and risk of capital losses. It aims to provide a high level of income, while maximising returns above cash. Capital preservation is achieved through diversification across a variety of high yielding assets.

Additional Information

Although all reasonable steps have been taken to ensure the information on this MDD is accurate, the Sanlam Collective Investments (RF) (Pty) Ltd ("Sanlam Collective Investments") does not accept any responsibility for any claim, damages, loss or expense; however it arises, out of or in connection with the information. No member of Sanlam gives any representation, warranty or undertaking, nor accepts any responsibility or liability as to the accuracy of any of this information. 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 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 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 other unit trust portfolios which 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 fund may from time to time invest in foreign instruments which could be accompanied by additional risks as well as potential limitations on the availability of market information. The Manager has the right to close any portfolios to new investors to manage them more efficiently in accordance with their mandates. The portfolio management of all the portfolios is outsourced to financial services providers authorized in terms of the Financial Advisory and Intermediary Services Act, 2002. 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 annualised performance numbers are based on 10 non-overlapping one year periods or the number of non-overlapping one year periods from inception where performance history does not yet exist for 10 years.

Trustee Information

Standard Bank of South Africa LTD

Tel no.: 021 441 4100, E-mail: Compliance-SANLAM@standardbank.co.za

Glossary Terms**Active stock selection**

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 total returns

Annualised return is the weighted average compound growth rate over the period measured.

Capital Preservation

This is an investment strategy where the primary goal is to preserve (protect) capital and prevent losses in a portfolio. Preserving capital is a priority for retirees and those approaching retirement, since they may be relying on their investments to generate income to cover their living expenses, and have limited time to recoup losses if markets experience a downturn.

Downside protection

This is a strategy which aims to protect investors against capital losses when the markets go down. It is often referred to as protecting against downside risk (the likelihood of a fund's potential to decline in value if market conditions change).

High conviction bets

High-conviction active management, characterized by a more concentrated, low-turnover investment approach, may improve investment performance as managers are better able to develop a thorough understanding of portfolio companies and factors that influence their long-term business values. The patience to invest in a company for a longer period of time may also allow ample time for its intrinsic value to be fully reflected in its underlying stock price.

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.

Preference shares

Preference shares rank higher than ordinary shares in terms of dividends and capital, if the company goes into liquidation. They do not have voting rights. Dividends on preference shares are normally a predetermined percentage of the nominal value of the share.

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) assets and 5% African assets.

Sharpe ratio

The Sharpe ratio measures 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).