

Northstar Sanlam Collective Investments Income Fund

Minimum Disclosure Document

As of 31/10/2017

NORTHSTAR

Fund Objective

The objective of the portfolio is to provide investors with a regular and stable income that targets inflation beating returns over the long term, while actively managing risk of capital loss in the short term.

Fund Strategy

Investments to be included in the portfolio will, apart from assets in liquid form, consist of equity and non-equity securities, fixed interest instruments (including but not limited to bonds, cash deposits and money market instruments), debentures, preference shares and property securities as well as any other income enhancing securities which are consistent with the portfolio's primary objective and that the Act may allow from time to time. The portfolio's equity exposure will be limited to a maximum of 10% of the portfolio's net asset value. The manager may also include any forward currency, interest rate and exchange rate and exchange rate swap transactions for efficient portfolio management purposes. The portfolio will be managed in accordance with regulations governing pension funds.

Fund Information

Ticker	NMIF
Portfolio Manager	Mark Seymour
ASISA Fund Classification	South African - Multi Asset - Income
Risk Profile	Conservative
Benchmark	110% STeFI Call Deposit
Fund Size	R 354,134,403
Portfolio Launch Date	22/07/2014
Fee Class Launch Date	22/07/2014
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
Repurchase Period	2-3 business days

Fees (Incl. VAT)

	A1-Class (%)
Maximum Initial Advice Fee	3.42
Maximum Annual Advice Fee	1.14
Manager Annual Fee	0.96
TER	1.25
TC	0.01
TIC	1.26

The manager decreased the annual management fee on 1 October 2017 to 0.96% from 1.14%.

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. The TER presented is for the period 1 October 2014 to 30 September 2017. The one year TER and TIC for the period 1 October 2016 to 30 September 2017 were 1.16% and 1.18%, respectively.

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.

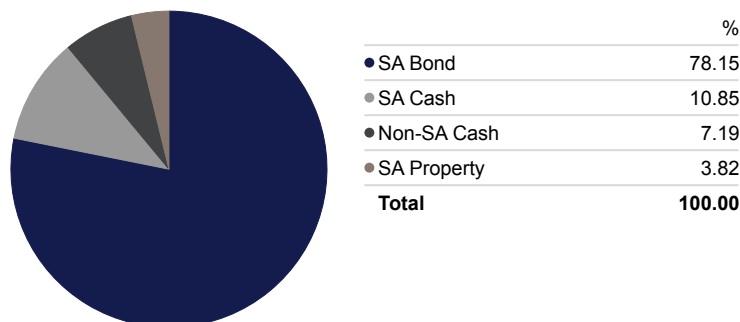
Total Investment Charges (TER + TC) is the total percentage value of the Financial Product that was incurred as costs relating to the investment of the Financial Product.

The Northstar Sanlam Collective Investments Income Fund transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 08 September 2017.

Top Ten Holdings

	% of Portfolio
INVESTEC BANK LTD 29/09/26 11.97%	4.98
INVESTEC BANK LTD 22/03/19 8.542%	4.85
THE STANDARD BANK OF SOUTH AFRICA LTD 12/11/20 8.608%	4.36
ABSA BANK LTD 11/11/20 8.508%	4.33
INVESTEC BANK LTD 20/05/21 10.32%	3.02
ABSA BANK LTD 14/05/20 8.538%	2.90
BARCLAYS AFRICA GROUP LTD 19/11/24 10.358%	2.90
THE STANDARD BANK OF SOUTH AFRICA LTD 31/01/22 9.455%	2.89
INVESTEC BANK LTD 25/11/18 8.45%	2.88
SUPER GROUP LTD 09/09/19 9.342%	2.86

Asset Allocation



Annualised Performance (%)

	Fund	Benchmark
1 Year	8.24	7.64
3 Years	6.72	7.11
Since Inception	6.59	7.04

Cumulative Performance (%)

	Fund	Benchmark
1 Year	8.24	8.36
3 Years	21.55	25.28
Since Inception	23.04	27.37

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2016	
Highest Annual %	8.26
Lowest Annual %	3.94

Risk Statistics (3 Year Rolling)

Standard Deviation	1.42
Sharpe Ratio	-0.23
Information Ratio	-0.73
Maximum Drawdown	-1.27

Distribution History (Cents Per Unit)

30/09/2017: 0.44 cpu	31/12/2016: 1.84 cpu	31/03/2016: 1.64 cpu
08/09/2017: 1.31 cpu	30/09/2016: 1.78 cpu	31/12/2015: 1.70 cpu
30/06/2017: 1.80 cpu	30/06/2016: 1.23 cpu	30/09/2015: 1.62 cpu
31/03/2017: 1.85 cpu	30/04/2016: 0.56 cpu	30/06/2015: 1.49 cpu

Administered by



Risk Profile: Conservative

You prefer to receive stable income flows and are determined to keep your capital intact at all times. You understand that comfort means that you may not receive outside returns but that your capital will be safe — and the likelihood of losing money slim. The portfolio that gives you the most comfort consists primarily of income-oriented asset classes such as cash, nominal and inflation-linked bonds and property. You shy away from too much exposure to equities because of their higher 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 Volatility

Volatility is a measure of 'risk' and refers to the extent to which the price of an investment or capital value fluctuates over a certain period of time. Funds with high volatility usually offer the potential for higher returns over the longer term than low volatility funds.

Cumulative Returns

Cumulative return is the total growth experienced over the period measured.

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.

Distributions

The income that is generated from an investment and given to investors through monthly, quarterly, bi-annual or annual distribution pay-outs.

Diversification

This is a strategy designed to reduce risk within a portfolio by combining a variety of investments (or asset classes) such as equities, bonds, cash or property, which are unlikely to all move in the same direction at the same time. This is designed to reduce the risk (and protect against capital losses) within a portfolio. Diversification allows for more consistent performance under a wide range of economic conditions as it smoothes out the impact of negative market events. The positive performance of some investments or asset classes should neutralize the negative performance of others.

Financial Instruments

Derivatives also known as financial instruments (such as a future, option, or warrants) whose value derives from and is dependent on the change in value of an underlying asset (such as a commodity, currency, or security) to protect against risk (capital losses).

Fund Objective

The fund objective is the portfolio's core goal.

Fund Strategy

The fund strategy is the way that the fund is managed to achieve the fund objective.

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.

Collective Investment Schemes

Collective Investment Schemes (CIS) (also called unit trusts) are portfolios of assets such as equities, bonds, cash and listed property, in which investors can buy units. They allow private investors to pool their money together into a single fund, thus spreading their risk across a range of investments, getting the benefit of professional fund management, and reducing their costs.

Market Capitalization

Market capitalization is the total value of the issued shares of a publicly traded company; it is calculated by multiplying the share price by the number of shares in issue.

Maximum Drawdown

The maximum drawdown measures the highest peak to trough loss experienced by the fund.

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.

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.

Portfolio Manager Comment

The Northstar Income fund returned 0.39% vs 0.56% for the STeFI call deposit for the month of October, which proved to be a tough month for all local fixed income assets in the wake of the dreadful medium-term budget policy statement (MTBPS).

The market's worst fears were realised in Gigaba's maiden MTBPS, where it was confirmed: 1) South Africa's debt ratio was expected to blow-out to 60% and not stabilise, 2) debt servicing costs would increase to 14.9% of revenue and 3) and the budget deficit was estimated to increase from 3.1% to 4.3% of GDP. In the absence of a constrained spending plan, the government's continued commitment to funding failed state-owned enterprises and the ongoing political uncertainty and increased policy risk all point to further credit downgrades.

The Rand quickly faded to 14.30 to the US dollar and the local long-dated bond yields crashed through 10% to settle around 10.5%. For the month of October: The All Bond index dropped -2.3%, longer dated bonds -2.7%, the listed preference share index -1.4% and the South African inflation linked bond index down -0.6%. The SA listed property index was spared with a positive return of 2.0%, with companies generating offshore revenue benefiting from a 4% weakening of the Rand vs. the US dollar.

The strongest contributors to returns for the month included the portfolio's 7.2% holdings in foreign currencies (which was increased prior to the MTBPS), Redefine international and the 45% holding in a broad range of floating rate notes with an average spread of 173bps above 3m Jibar. Detractors to performance included the 31% exposure to fixed bonds, with yields rising 54bps on average during the month and the portfolio's 1.5% holdings across Redefine, SA Corporate Real Estate and Hyprop which detracted 2.2bps.

Over the next couple of months we expect market conditions to become increasingly volatile in the lead up to the ANC's 54th national conference which takes place between the 16th and 20th of December, the imminent credit rating updates and the 2018 budget speech in February next year.

In light of these dynamics, the Northstar SCI Income fund is well positioned with a yield of 8.35% and is conservatively positioned with a modified duration of 1.2. The portfolio is predominantly exposed to high quality credit with low duration, in addition to a 7.2% foreign cash exposure which offsets the duration risk and a select exposure to property with decent growth and yield characteristics.

Portfolio Manager

Mark Seymour

B.Sc Engineering (UCT)

Investment Manager Information

Northstar Asset Management (Pty) Ltd

(FSP) License No. 601

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Manager Information

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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 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 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 instruments which could be accompanied by additional risks as well as potential limitations on the availability of market 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 Northstar Asset Management (Pty) Ltd, (FSP) Licence No. 601, 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.