



Market Commentary

The IMF highlighted that the world economy is plateauing as the lender cut its growth forecast for the first time in more than two years, citing escalating trade tensions and stresses in emerging markets. Investors have continued to overhaul their expectations for the US economy and the prospects for interest rate tightening after the dramatic sell-off on global sovereign debt markets early in October. Also, the sharpness of the bond sell-off has rattled equity investors. As such, global equities were hit by a heavy bout of selling, as participants continued to focus on the recent jump in global bond yields. Locally, the underlying economic conditions remain weak, with consumers under pressure from rising inflation and high unemployment, and businesses still grappling with weak demand conditions and a difficult policy environment. Also, the October MTBPS did not address fiscal slippage, and did little to convince investors that the stimulus package would materially drive short-term growth prospects.

Developed market equities were hurt by expectations of lower earnings as trade tensions escalated in October. Technology stocks were at the forefront of the selling. As such, the MSCI World index delivered some -3.32% in rands. Emerging market equities came under significant pressure, which reversed their outperformance of most of the past two years. The MSCI EM index underperformed their developed market counterpart delivering some -4.73% in rands. As developed market bond yields backed higher during the month, the JP Morgan Global Aggregate delivered some 3.12% in rands. Furthermore, emerging market bonds underperformed their developed counterparts delivering some 2.15% in rands. Given the rout in risk assets during October, the rand depreciated some 4.16% relative to the dollar.

Local equities came under pressure in October, hurt by economic weakness and rising global risk aversion. The weak economy translated into poor earnings prospects, pressuring financial and industrial stocks. The recent weakness in dominant Naspers due to a sell-off in Tencent also hurt the overall market. As such, the ALSI declined some -5.76% in rands. Longer dated bonds yields rose during October, largely on the back of the MTBPS. Also, bond yields were driven by movements in the rand, with currency weakness driving yields mostly higher. As such, the ALBI delivered some -1.71% in rands. Inflation-linked bonds outperformed their sovereign counterparts in October. Furthermore, the month presented a favourable inflation uplift as the lagged CPI prints generated 0.64% in rands. Given rising bond yields and equity market weakness, the listed property market also sold off. As such, the SAPY index delivered some -1.69% in rands. Money market rates were largely unchanged through October, and cash delivered some 0.59% in rands.

Market Index Returns

As of Date: 2018/10/31 Currency: South African Rand

	1 Month	3 Months	6 Months	1 Yr	3 Yr	5 Yr
Cash 0.6	Global Equities 6.3	Global Equities 15.7	Resources 13.9	Resources 11.9	Global Equities 15.4	
Property -1.7	Resources 2.5	Resources 11.3	Bonds 7.8	Global Equities 10.3	Emerging Market Equities 9.8	
Bonds -1.7	Cash 1.8	Cash 3.6	Cash 7.3	Emerging Market Equities 8.9	Financials 8.7	
Financials -3.2	Emerging Market Equities -0.4	Emerging Market Equities -1.1	Global Equities 5.6	Cash 7.4	Cash 6.8	
Global Equities -3.3	Property -2.2	Bonds -4.0	Financials 2.1	Bonds 6.6	Bonds 6.7	
Resources -4.0	Bonds -3.3	Equities -8.5	Equities -8.4	Equities 2.1	Equities 6.0	
Emerging Market Equities -4.7	Financials -4.9	Financials -9.4	Emerging Market Equities -8.6	Financials 1.2	Property 5.8	
Equities -5.8	Equities -7.6	Property -11.6	Property -18.7	Property -2.6	Resources -0.4	

■ Cash

■ Equities

■ Global Equities

■ Bonds

■ Resources

■ Emerging Market Equities

■ Property

■ Financials

In-Focus Fund Details



SIM Core Capability

Sanlam Investment Management (SIM) is the long-only active investment management business within Sanlam Investments.

With more than R460 billion in assets under management, SIM is one of the largest asset managers in South Africa. SIM offers client-focused solutions based on a comprehensive range of investment portfolios, namely unit trusts, life pooled portfolios and segregated portfolios for third-party institutional and retail clients, as well as the Sanlam Group.

SIM's portfolios are managed by multi-specialist investment teams that share a common research platform and offer the following capabilities: equities, fixed interest, balanced funds and absolute return funds. These teams interact, share ideas and engage in robust debate, ensuring that the investment ideas generated are a result of the interaction of a variety of investment professionals with rich and diverse skills and backgrounds.

SIM believes investment performance is the outcome of many factors and that the team has successfully combined all of these to deliver strong performance across the entire investment range.

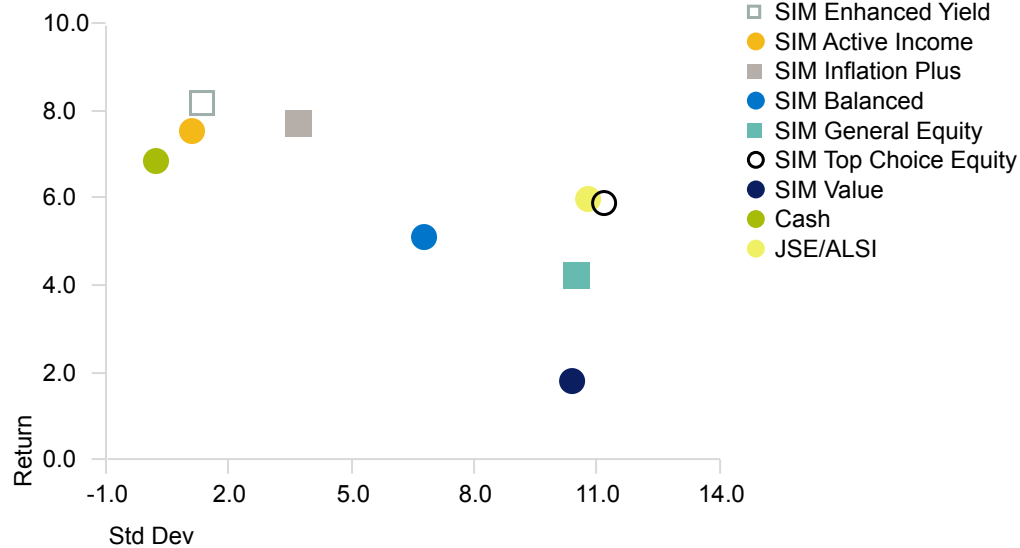
SIM Core Fund Range

Fund Name	Description	Risk profile	Minimum time horizon	Asset class exposure	Equity exposure
SIM Enhanced Yield	Targets higher level of income than a traditional money market fund	Conservative	1-2 years	Cash & bonds	None
SIM Active Income	Allocates assets across the income producing asset classes	Conservative	1-2 years	Multi-asset	Max 10%
SIM Inflation Plus	Delivers smooth, positive real returns (adjusted for inflation)	Cautious	3 years	Multi-asset	Max 40%
SIM Balanced	Our best investment view across all asset classes	Moderate	5 years	Multi-asset	Max 75%
SIM General Equity	Our best domestic equity view (less concentrated exposure than Top Choice)	Aggressive	5 years +	Equity	Min 80%
SIM Top Choice Equity	A focused portfolio of our top stock picks on the JSE	Aggressive	5 years +	Equity	Min 80%
SIM Value	Diversifies across all JSE sectors, with potential for long-term outperformance	Aggressive	5 years +	Equity	Min 80%

In-Focus Risk and Performance

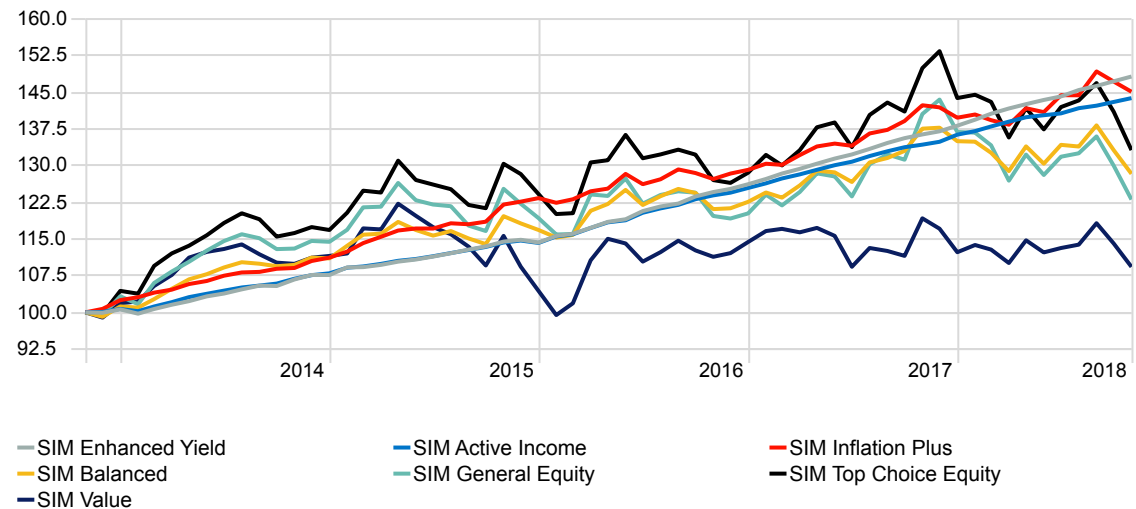


Risk-Reward - 5 Years



Investment Growth

Time Period: 2013/11/01 to 2018/10/31



Performance

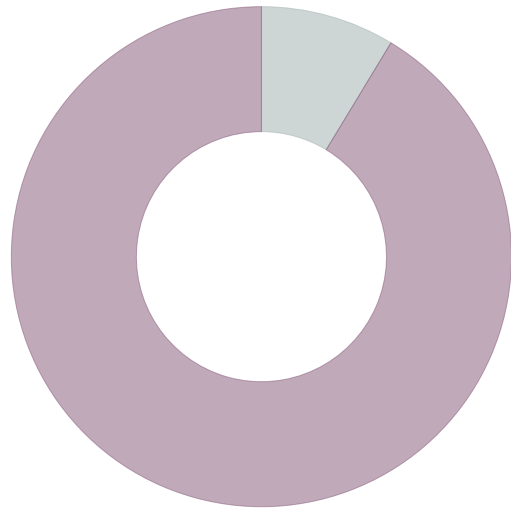
	1 Year Return	3 Year Return	5 Year Return	10 Year Return	Since Inception	Inception Date
SIM Enhanced Yield	8.69	9.00	8.19	—	7.85	2011/05/03
SIM Active Income	7.09	7.96	7.54	8.23	8.54	2006/11/03
SIM Inflation Plus	1.94	5.94	7.73	9.33	9.02	1999/04/01
SIM Balanced	-6.72	2.36	5.12	10.11	12.47	2004/07/01
SIM General Equity	-12.45	-0.59	4.24	12.48	15.06	2004/07/01
SIM Top Choice Equity	-11.19	0.71	5.90	12.94	11.83	2006/08/18
SIM Value	-8.33	-1.86	1.80	10.74	16.56	1998/10/01

In-Focus | Asset Allocation and Top Holdings



SIM Enhanced Yield

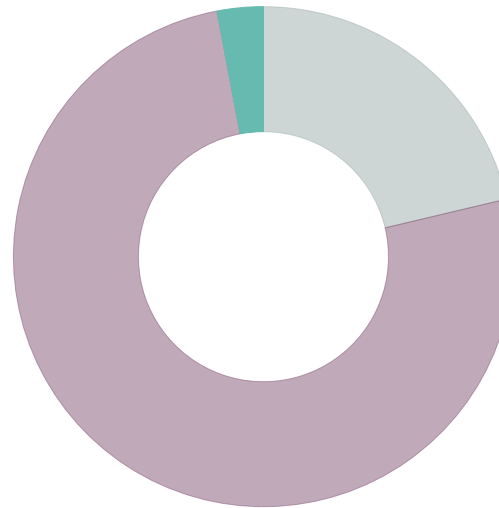
Portfolio Date: 2018/09/30



	%
SA Cash	8.7
SA Bond	91.3
Total	100.0

SIM Active Income

Portfolio Date: 2018/09/30



	%
SA Cash	21.3
SA Bond	75.7
SA Property	3.0
Total	100.0

SIM Enhanced Yield- Fixed Income Maturity

Portfolio Date: 2018/09/30

Maturity 1-3 Yr	17.8%
Maturity 3-5 Yr	35.1%
Maturity 5-7 Yr	15.5%
Maturity 7-10 Yr	20.4%
Maturity 10-15 Yr	1.6%
Maturity 15-20 Yr	0.0%
Maturity 20-30 Yr	0.0%
Maturity 30+ Yr	1.2%

SIM Active Income- Fixed Income Maturity

Portfolio Date: 2018/09/30

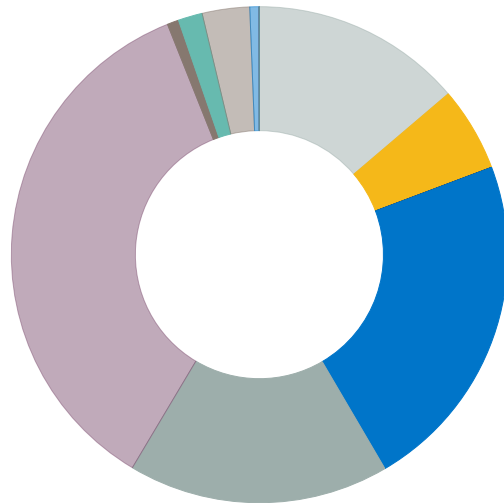
Maturity 1-3 Yr	26.7%
Maturity 3-5 Yr	33.5%
Maturity 5-7 Yr	5.8%
Maturity 7-10 Yr	6.5%
Maturity 10-15 Yr	0.2%
Maturity 15-20 Yr	2.5%
Maturity 20-30 Yr	0.8%
Maturity 30+ Yr	0.4%

In-Focus | Asset Allocation and Top Holdings



SIM Inflation Plus

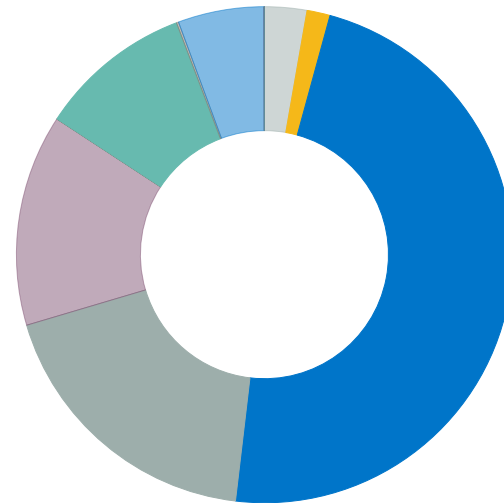
Portfolio Date: 2018/09/30



	%
SA Cash	13.8
Non-SA Cash	5.5
Africa Equity	0.0
SA Equity	22.3
Non-SA Equity	17.0
SA Bond	35.4
Non-SA Bond	0.8
SA Property	1.6
Non-SA Property	3.1
SA Unit Trust (Undisclosed Holdings)	0.6
Non-SA Unit Trust (Undisclosed Holdings)	0.0
SA Other	0.0
Non-SA Other	0.0
Total	100.0

SIM Balanced

Portfolio Date: 2018/09/30



	%
SA Cash	2.8
Non-SA Cash	1.5
SA Equity	47.6
Non-SA Equity	18.5
SA Bond	13.8
Non-SA Bond	0.0
SA Property	10.0
Non-SA Property	0.1
SA Unit Trust (Undisclosed Holdings)	5.6
Non-SA Unit Trust (Undisclosed Holdings)	0.0
SA Other	0.0
Non-SA Other	0.0
Total	100.0

SIM Inflation Plus - Fixed Income Maturity

Portfolio Date: 2018/09/30

Maturity 1-3 Yr	15.4%
Maturity 3-5 Yr	16.6%
Maturity 5-7 Yr	0.8%
Maturity 7-10 Yr	2.0%
Maturity 10-15 Yr	0.0%
Maturity 15-20 Yr	1.0%
Maturity 20-30 Yr	0.0%
Maturity 30+ Yr	0.2%

SIM Inflation Plus - Equity Sectors

Portfolio Date: 2018/09/30

Basic Materials	9.9%
Consumer Cyclical	8.8%
Financial Services	20.7%
Real Estate	10.6%
Consumer Defensive	9.0%
Healthcare	5.8%
Utilities	1.2%
Communication Services	3.8%
Energy	5.8%
Industrials	5.8%
Technology	18.6%

SIM Balanced- Fixed Income Maturity

Portfolio Date: 2018/09/30

Maturity 1-3 Yr	0.1%
Maturity 3-5 Yr	1.1%
Maturity 5-7 Yr	0.4%
Maturity 7-10 Yr	2.8%
Maturity 10-15 Yr	2.7%
Maturity 15-20 Yr	3.0%
Maturity 20-30 Yr	3.8%
Maturity 30+ Yr	0.0%

SIM Balanced - Equity Sectors

Portfolio Date: 2018/09/30

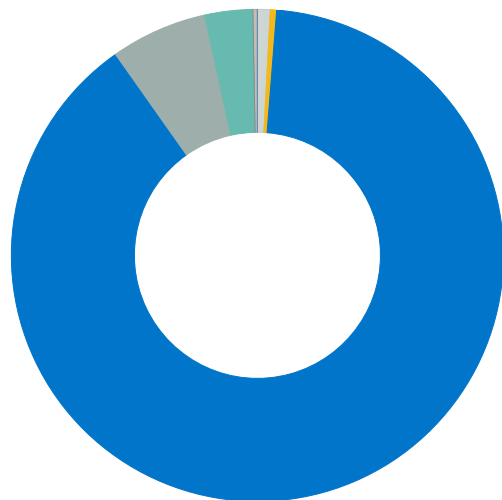
Basic Materials	10.1%
Consumer Cyclical	8.1%
Financial Services	21.7%
Real Estate	13.3%
Consumer Defensive	10.8%
Healthcare	5.3%
Utilities	0.4%
Communication Services	2.9%
Energy	4.4%
Industrials	2.8%
Technology	20.1%

In-Focus | Asset Allocation and Top Holdings



SIM General Equity

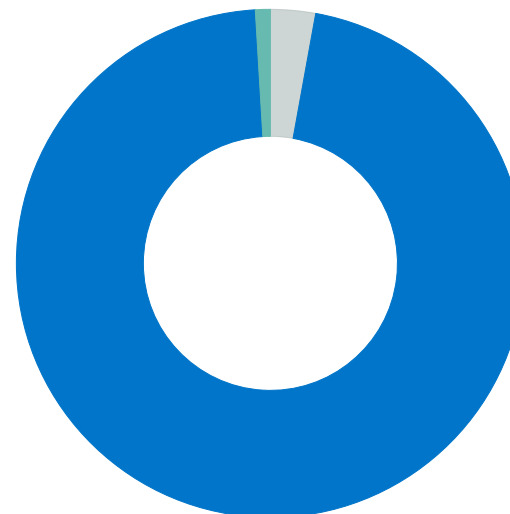
Portfolio Date: 2018/09/30



	%
SA Cash	0.8
Non-SA Cash	0.4
SA Equity	89.0
Non-SA Equity	6.3
SA Property	3.2
Non-SA Property	0.3
Non-SA Unit Trust (Undisclosed Holdings)	0.0
Total	100.0

SIM Top Choice Equity

Portfolio Date: 2018/09/30



	%
SA Cash	2.9
SA Equity	96.2
SA Property	0.9
Total	100.0

SIM General Equity - Equity Sectors

Portfolio Date: 2018/09/30

Basic Materials	17.9%
Consumer Cyclical	5.7%
Financial Services	25.2%
Real Estate	3.5%
Consumer Defensive	8.9%
Healthcare	3.5%
Utilities	0.0%
Communication Services	3.2%
Energy	6.6%
Industrials	2.9%
Technology	22.6%

SIM Top Choice Equity - Equity Sectors

Portfolio Date: 2018/09/30

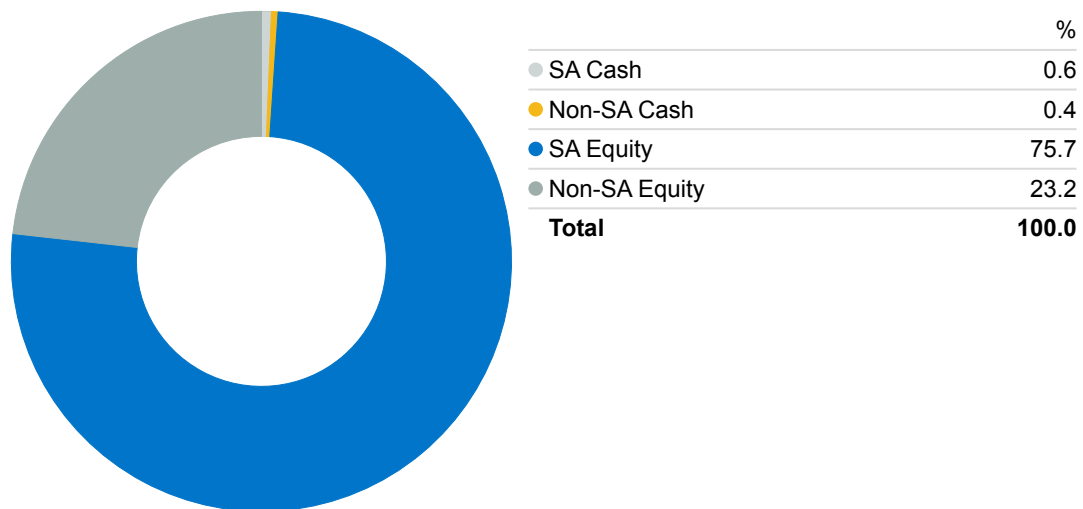
Basic Materials	21.9%
Consumer Cyclical	1.4%
Financial Services	26.5%
Real Estate	1.0%
Consumer Defensive	13.1%
Healthcare	2.1%
Utilities	0.0%
Communication Services	0.0%
Energy	9.6%
Industrials	0.0%
Technology	24.5%

In-Focus | Asset Allocation and Top Holdings



SIM Value

Portfolio Date: 2018/09/30



SIM Value - Equity Sectors

Portfolio Date: 2018/09/30

Basic Materials	9.0%
Consumer Cyclical	21.3%
Financial Services	29.7%
Real Estate	0.0%
Consumer Defensive	6.6%
Healthcare	3.7%
Utilities	0.0%
Communication Services	2.0%
Energy	4.4%
Industrials	5.1%
Technology	18.3%

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