Sanlam

Sanlam Corporate: Investments

Lifestage Report

Quarter 2 2022

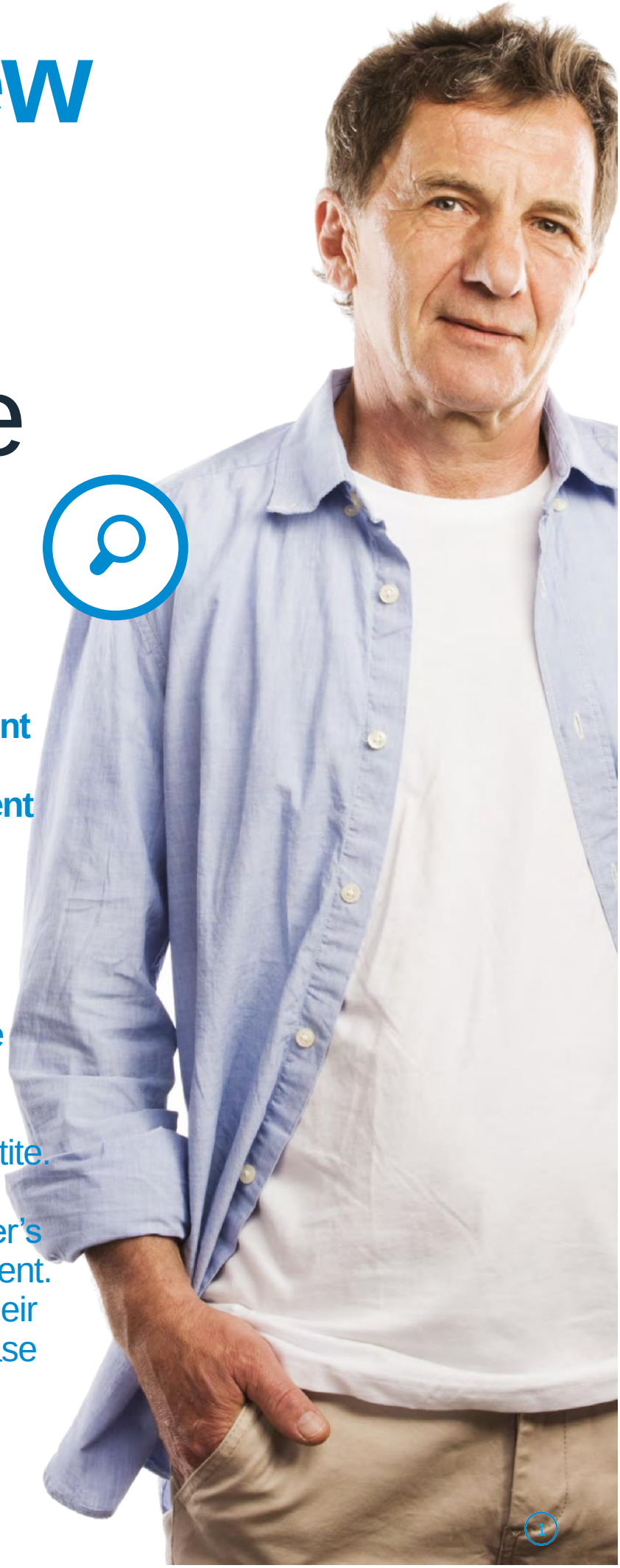
Insurance | Financial Planning | Retirement | Investments | Wealth

Contents

Overview of the Sanlam Lifestage solution

Sanlam Lifestage aims to meet a member's retirement savings requirement in a single seamless investment solution.

The product is designed to adapt to the remaining time until a member retires and invest a member's funds according to their risk appetite. Our solution is specially designed to meet a member's income needs after retirement. This is done by investing their funds in a preservation phase portfolio suitable for the member's annuity choice during retirement.



In the Lifestage approach, a member's savings are initially invested in a portfolio that emphasizes long-term capital growth with some tolerance for short-term market volatility.

As retirement approaches, the member's savings are automatically switched to a preservation phase portfolio. A preservation phase portfolio protects against specific risks inherent in purchasing an annuity that suits the member's retirement income needs.

Lifestage Solution

6 YEARS FROM RETIREMENT AGE

Accumulation phase

All members with **more than 6 years** from Retirement Age

GROWTH

The Accumulation Portfolio aims to provide market-related capital growth to members who need to grow their retirement savings and have more than six years from retirement.

Sanlam Lifestage Accumulation Portfolio

As members may employ a range of different income strategies at retirement, three Sanlam Lifestage Preservation Phase Portfolios are available, each designed to align capital to an income strategy for an almost seamless transition into retirement. Should the member not choose from their preservation phase portfolio, their funds will automatically be invested in the default preservation phase portfolio, the Sanlam Capital Protection Portfolio..

The transition from the accumulation phase to the preservation phase occurs through 50 monthly switches, starting 6 years before retirement and is essential to reduce market timing risk. The switches aim to transition exposure from the Sanlam Lifestage Accumulation Portfolio to the Sanlam Lifestage Preservation Portfolios. These switches are calculated and implemented monthly based on the actual age of the member. A member may plan to retire earlier than the normal retirement age determined by their employer if this is allowed by their retirement fund. In such cases, planned retirement dates instead of normal retirement ages can be used to determine the timing of the transitioning process at no additional cost to the member.

22 MONTHS FROM RETIREMENT AGE

RETIREMENT AGE

Systematic automated monthly transition

All members with less than **6 years but more than 22 months** from Retirement Age

Preservation phase

All members with **22 months and less remaining** from Retirement Age

50 MONTHLY SWITCHES

Transition from the accumulation phase to the preservation phase takes place by means of **50 monthly switches**

PROTECTION

A preservation phase protects a member against the specific risks inherent in the purchase of an annuity

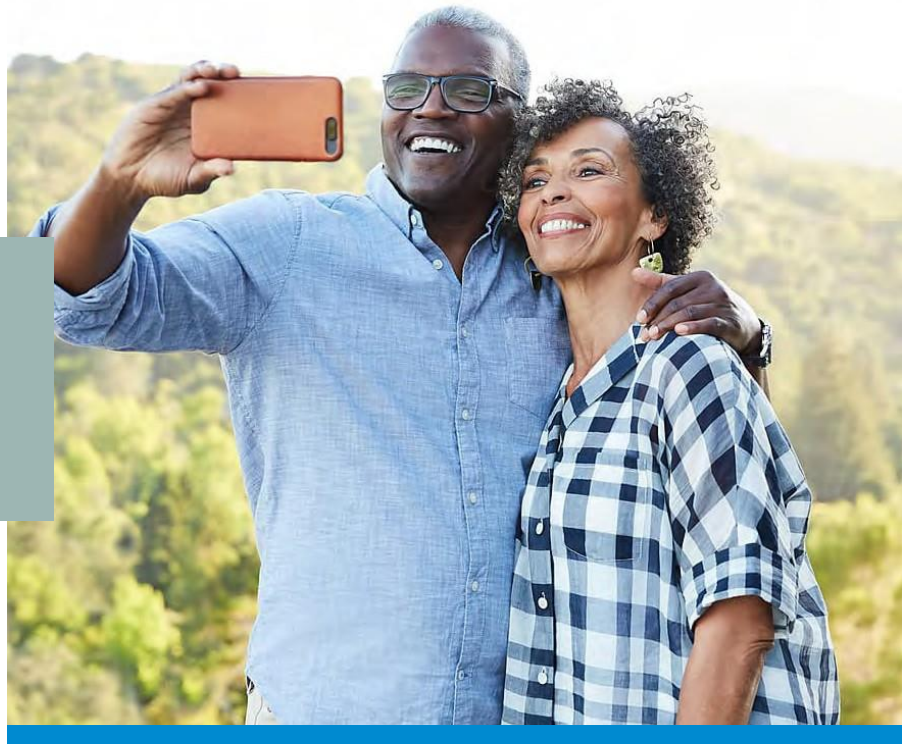
Sanlam Capital Protection Portfolio	Suitable for purchasing a guaranteed annuity
Sanlam Living Annuity Target Portfolio	Suitable for purchasing a investment-linked living annuity
Sanlam Inflation Annuity Target Portfolio	Suitable for purchasing a inflation-linked annuity

Investment Portfolios offered in Sanlam Lifestage

Accumulation Phase

Sanlam Lifestage Accumulation Portfolio

The Sanlam Lifestage Accumulation Portfolio aims to provide market-related capital growth to members who are more than six years from retirement and who need to grow their retirement savings. The multi-managed portfolio allocates its assets across equities, bonds, property, private markets, and cash. A core-satellite investment strategy is generally employed. The core is a low-cost index-tracking strategy, around which the satellite managers aim for active returns through the outperformance of their respective benchmarks. The portfolio is an aggressive portfolio displaying high levels of volatility over the short term and aims to provide market-related growth.



Preservation Phase

Sanlam Capital Protection Portfolio

The Sanlam Capital Protection Portfolio invests entirely in the Sanlam Stable Bonus Portfolio. The portfolio aims to protect the invested capital by exposing investors to the investment markets while safeguarding them against adverse market movements.

This is achieved by smoothing returns over time and offering capital protection on the capital invested and the vested bonuses. Benefit payments include resignation, retirement, death, retrenchment and disability. A bonus is declared monthly in advance, which consists of vesting and non-vesting components.

The Capital Protection Portfolio is appropriate for a member who wishes to purchase a guaranteed annuity at retirement or is uncertain about which annuitisation strategy they want to employ. The portfolio has a conservative risk profile.

Sanlam Inflation Annuity Target Portfolio

The Sanlam Inflation Annuity Target Portfolio aims to provide members nearing retirement with the ability to buy a post-retirement income that will grow in line with inflation after retirement. As such, the value of the investment portfolio may fluctuate when interest rates rise or fall. The portfolio aims to match the movement in purchasing prices of inflation-linked annuities rather than protect or maximize capital growth in the short term.

The portfolio invests in a long-duration bond portfolio, the Sanlam Corporate Inflation Annuity Tracker Portfolio, with the SALI Real as the benchmark. Sanlam has developed the SALI Real Index to track the cost of purchasing an inflation-linked annuity. The portfolio has a conservative risk profile.

Sanlam Living Annuity Target Portfolio

The Sanlam Living Annuity Target Portfolio aims to provide moderate market growth. The portfolio allocates its assets across equities, bonds, property and cash.

A core-satellite investment strategy is generally employed where the core is a low-cost index-tracking strategy, around which the satellite managers aim for active returns through the outperformance of their respective benchmarks.

This portfolio is suitable for members who want to invest in an investment-linked living annuity at retirement.

This portfolio has a moderate risk profile.

Macroeconomic commentary

Highlights

Global

- Recession fears drag equities, bonds, and commodities (excluding natural gas) lower
- Fed raises rates 75 bps: signals similar rate hike in July
- Earnings downward revisions a near term headwind for equities
- China mulls US$220 billion fiscal stimulus but new Covid strain risks lockdowns, again
- US 10/2-year yield curve inverts following June FOMC minutes; futures point to rate cuts in 2023
- ECB's announced anti-fragmentation toolkit keeps peripheral bond spreads in check

Local

- Fitch Ratings retains SA's BB- sovereign rating with stable outlook
- SA Q2 GDP expected to contract on KZN floods, infrastructure bottlenecks and load-shedding
- SA break-even inflation rises to 7.2% on big inflation miss

Global economics

Global Equities

Recession fears weighed heavily on risk assets in the second quarter of the year with central bankers turning more hawkish on the interest rate front as inflation continued to rise well above target levels. Up to now, recession risks have been reflected in market prices because of multiple compression from rising Tip yields, rather than a change in earnings expectations. Over the near term (3 to 6 months), downward revisions to consensus earnings estimates will be a further headwind for equities, given the current dislocation between consensus earnings and market prices. The MSCI World Index fell a hefty 16.2% in US dollars (-6% in rands), bringing the year-to-date decline to 20.5% (-18.4% in rands). In contrast, emerging market equities fell a more muted 11.4% in US dollars, bringing the year-to-date decline to 17.6%. But it was Chinese stocks that underpinned emerging market returns, gaining some 4.5% for the quarter.

The Chinese market has outperformed the global market over the past two months, in line with an improvement in the economic outlook from continued stimulus efforts – 33 mostly supply-side stimulus measures were recently announced by China's State Council – a relaxation of Covid lockdown restrictions – at least for now – and the absence of anti-market friendly regulations from the government. Recession fears also spilled over into commodity markets with $-metals prices sinking 21.5% over the quarter. The biggest losers were aluminum (-31.6%), nickel (-30.8%), rhodium (-28.2%), copper (-20.2%) and iron-ore (-17%), whereas natural gas futures were up a further 378.8% as Russian supply concerns intensified.

Following a 75-basis point hike in the fed funds rate in June, the US Fed signaled further jumbo rate hikes through to the end of the year, necessary to rein in inflation that is now at multi-decade highs. Any inflation misses could however trigger even larger rate hikes, with a 100-basis point increase a distinct possibility.

The European Central Bank (ECB) in turn signaled a less aggressive stance with the deposit rate expected to end the year at 0.75% and to reach 1.25% in March next year, pointing to 25 basis point rate hikes per meeting. It was previously seen reaching the 1.25% level only in June next year. Other central bankers followed the Fed's lead, raising rates more aggressively than in previous cycles to ensure that interest rate differentials with the US dollar did not place undue pressure on their currencies. With the peak-to-trough equity market drawdown more than 20% and the treasury yield curve having inverted, the equity and bond markets are both pricing in a high probability of recession. The slowing growth dynamic is reflected in the Bloomberg GDP global tracker that has fallen to 0.4% in the second quarter, whereas the Atlanta Fed's GDP now model points to a US contraction of 1% in the second quarter. This would represent a technical recession, defined as two consecutive quarters of negative growth.

However, the National Bureau of Economic Research's Business Cycle Dating Committee considers a broader range of measures when defining the business cycle. On this front, employment, income, consumption, and industrial production do not point to an imminent recession in the US economy, but to a slowdown. This can be seen in the purchasing manager indices for both the manufacturing and the services sectors where the indices are holding above the 50-point level, indicating expansion. However, future production is showing signs of contraction with the US new orders-to-inventories ratio having dropped to below zero. This suggests new orders are slowing while inventories are rising, likely due to deferred consumption because of rising prices. The reverse is the case for China, where the ratio has increased in recent months as lockdown restrictions have been eased. While US jobs are plenty and the unemployment rate is holding at 3.6%, a more than one-third of a percentage point rise in the unemployment rate has historically always been accompanied by recession. Lastly, with household and corporate balance sheets in good shape, a recession is likely to be shallow rather than deep and protracted.

Following the release of the June FOMC minutes (in July), fed fund futures' pricing changed with the market now expecting interest rate cuts in 2023 and 2024, following the front-loading of rate hikes to an expected 3.3% this year. In 2023 and 2024, the fed funds rate is expected to end the year at 3% and 2.75% respectively. This change in trajectory suggests that inflation risks are abating as can be seen in consumer surveys and lower breakeven inflation rates. With commodity prices also coming off the boil, wage increases moderating and supply chains normalizing, a compelling case can be made for lower inflation over the coming years. The University of Michigan Consumer Survey shows long-term inflation expectations lower at 2.8%, while the New York Fed's Survey of Consumer Expectations shows three-year ahead inflation at 3.6% (3.9%) and five-year ahead inflation at 2.8% (2.9%). This suggests the Fed's credibility is still intact and that inflation expectations remain anchored.

Prospects for the Eurozone are especially negative with the ZEW Business Survey showing a sharp contraction in growth expectations, while economists polled by Bloomberg have raised bets of a recession to 45% from 30% in the previous survey.

Surging energy costs, in particular natural gas prices, have raised input costs for businesses, thereby squeezing margins given the more muted feedthrough effect of producer prices into consumer prices. Households, in turn, battling the high cost of living are expected to reduce consumption expenditure over the remainder of the year, a further headwind for growth. Given the risk that Russia will cut off Nord Stream 1 gas supplies to the region this winter, rationing of gas will further limit output growth. But Europe is responding with substantial policy initiatives to reduce the continent's dependence on Russian energy and to fortify the financial system against the risk of fragmentation, namely a sharp rise in peripheral country bond spreads over German Bunds that could further raise recession risks within the region. While gas prices could remain elevated due to additional LNG capacity only coming online in 2025 and 2026, margin pressures could persist for longer. However, energy's contribution to overall inflation is expected to peak over the coming six months and could support an improvement in economic activity in the new year. To maintain the same inflationary impact as it had over the past 18 months, Dutch natural gas prices would need to rise to Euro500-600/MWh, a massive increase from the current level of Euro163/MWh.

Financial conditions in Japan remain accommodative while China is expected to loosen conditions ahead of the Communist Party's Elective Conference later this year. A sharp rebound in aggregate financing coupled with expectations of interest rate cuts and reductions to banks' required reserve ratios, is expected to engineer a modest recovery in the second half of the year. More importantly, the Ministry of Finance is considering allowing local governments to bring forward 1.5 trillion yuan ($220 billion) of next year's special bond issuance into the second half of this year to accelerate infrastructure funding and support the aggregate economy. The relatively large magnitude of the allowance – amounting to ~40% of the official 2022 quota for new special local bonds – highlights that the policymakers are concerned about the growth outlook. However, given sluggish housing dynamics and slowing global demand for manufactured goods, a boost to infrastructure spending will have a limited effect on overall growth since infrastructure only accounts for around 17% of Chinese GDP, putting the growth target of 5.5% this year out of reach.

Consensus earnings estimates are at all-time highs, with consensus estimates only now showing a peak in the earnings cycle. Emerging markets are the notable exception, where consensus estimates have been revised lower since the start of the year. Since the market is always forward-looking, pricing in expectations of future earnings, the current dislocation between consensus earnings and prices points to a further down-leg in equities over the near term. Even though forward price-to-earnings ratios are trading below their historical means – in some instances well below their mean – valuations will deteriorate as earnings are revised lower, setting the scene for a further sell-off.

Global Bonds

Inflation misses dominated bond market pricing in the second quarter of the year with the yield on the Bloomberg Global Aggregate Bond Index tracking US treasuries higher, increasing from 2.15% to 2.91%. Global bonds returned -8.3% in US dollars but 2.9% in rands, courtesy of a 10.8% depreciation in the rand/US dollar exchange rate. US 10-year bond yields were also higher, up from 2.34% to 3.02%. But the rise in yields was uneven as yields spiked to 3.48% mid-June, following another higher-than-expected US inflation print, only to ease back later in the month as recession fears intensified. Corporate bonds underperformed their sovereign counterparts yielding -8.7% in US dollars as yields on the Bloomberg Corporate Bond Index climbed from 3.1% to 4.34%. Emerging market bonds also declined by 8.7% in US dollars as spreads increased sharply from 320 basis points to 407 basis points amid investor capital flight. With US long bond yields becoming anchored at around the 3% level given the tradeoff between inflation and recession, US treasuries are upweighted to neutral over the coming quarter. On a six-to-twelve-month view, emerging market bonds are also upweighted to neutral given expectations of a weaker US dollar as the fed funds rate approaches the neutral rate of interest.

The Eurozone bond market showed increasing fragmentation fears amid more hawkish policy guidance, inflation concerns, mounting recession fears, and country-specific political uncertainty. The Italian/German 10-year spread rose to almost 250 basis points at quarter-end, the highest level since the Covid pandemic. In an emergency meeting, the ECB signaled the deployment of its anti-fragmentation toolkit, via the pandemic emergency purchase programme, which successfully helped compress the spread.

Despite ongoing inflationary pressures globally, global inflation-linked government bonds declined by 9.8% in US dollars as real yields increased from -1.34% to -0.06%. Similarly, yields on US 10-year Tips increased from -0.52% to 0.65%, still short of the 0.8% long term average. However, with the Fed having started quantitative tightening in June (the process where the Fed runs down its balance sheet), Tip yields could push past the long-term average in much the same way that quantitative easing helped push real yields deep into negative territory. This would pose a headwind for equity markets; in that it would imply a further market derating. Given the relatively larger increase in Tip yields, 10-year break-even inflation rates eased to 2.35% (2.83%), whereas five-year rates fell to 2.61% (3.37%) suggesting that the market believes that the Fed will contain inflation via its aggressive rate hiking policy.

Global Listed Property

Global listed property came under significant selling pressure in the second quarter as the front-loading of rate hikes and higher bond yields saw the EPRA/NAREIT Developed Markets Property Index shed a massive 17.3% in US dollars and 7.2% in rands, the second worst performer of the broad asset classes. This brings the year-to-date decline to 20.4% in US dollars.

The sector derated sharply over the quarter with the price-to-book ratio declining from 1.53X to 1.27X, well short of the 1.44X mean. Consequently, the dividend yield rose to 3.9%, in line with the historical mean.

While valuations are beginning to look attractive again, the near-term outlook for listed property will be dictated by expected earnings downgrades across markets more broadly, supporting a near-term underweight position in this asset class. With recession risks rising, coupled with US retail sales misses, surging energy costs, declining real incomes and expected corporate layoffs, turnover growth and rental escalations are expected to be a headwind for the sector, lending further support for the underweight position. On a six-to-twelve-month view, however, the sector is upweighted to neutral on relatively attractive valuations, an expected peak in the interest rate cycle and an easing in inflationary pressures.

Local economics

Local Equities

The sharp sell-off in commodities in the second quarter of the year dragged the JSE All Share Index down by 11.7% in rands, well behind the returns from developed and emerging market equities. Even material gains in Naspers (+42.3%) and Prosus (+32.6%) failed to stem the slide, buoyed by news that Naspers/Prosus management were selling shares in Tencent to affect a share buy-back that would reduce the massive discount at which the shares trade at relative to their underlying holdings. Unsurprisingly, resource counters sold off a staggering 21.6%, with industrial metals declining by 21.8% and precious metals some 27.7%. The large cap losers included Gold Fields (-32.9%), Sibanye Stillwater (-32.0%), African Rainbow Minerals (-25.3%) and Anglo American (-24.7%). Other sectoral losers included telecommunications (-25.4%) due to a sharp decline in MTN (-30.5%), and financials (-15.8%) led by Quilter Plc (-37.7%), Sanlam (-26.8%), Ninety-One Ltd (-21.4%), Ninety-One Plc (-19.9%), Old Mutual (-19.9%) and FirstRand (-19.5%). Even more defensive sectors such as healthcare (-15.1%) and consumer staples (-3.0%) reported negative returns, while consumer discretionary stocks, were surprisingly, only 9.6% lower.

While foreigners were net sellers of domestic equities, totaling some R51.2 billion, sharp declines in the BER Business Confidence Index and the BER Consumer Confidence Index weighed on the growth outlook and investor sentiment. Even upbeat purchasing manager indices (PMI) failed to inspire the market with both the May S&P Global Manufacturing PMI and the Standard Bank PMI gaining ground. The optimism reflected in the PMIs proved to be short-lived however as the June data showed a deterioration in expected business conditions, a contraction in employment, a rise in input costs, a contraction in new orders and an increase in supplier delivery delays. Consequently, the new orders-to-inventories ratio declined suggesting that production will slow over the next one to two quarters on lower demand.

Similarly, the Business Confidence Index for the second quarter declined from 46 to 42 points, while the Consumer Confidence Index declined from -13 to -25 points, in line with recessionary levels. Expectations that second quarter GDP would also disappoint were a further contributing factor, with negative growth (quarter/quarter seasonally adjusted) expected on the back of the KZN floods in April and the

extensive damage caused to rail and port infrastructure that has increased supply chain bottlenecks. The increase in loadshedding has been a further contributing factor, one that may continue to be headwind for domestic economic growth over the coming quarters. Should loadshedding persist in the third quarter, South Africa may experience a technical recession.

Despite the weaker growth outlook, 12-month consensus earnings estimates were revised higher in June, up from 9.5% the previous quarter to 14%. While rand weakness may have contributed to the upward revisions, the forward price-to-earnings ratio improved further from 10.5X to 8.4X earnings. Similarly, the multiple on the MSCI SA Index also improved, declining from 10.6X to 8.6X, the lowest level since the Great Recession of 2008. With consensus earnings also expected to be revised lower over the quarter, in line with global markets, a further down-leg in equity prices is expected over the near term. This is likely to offer a re-entry point for investors given expected returns in the mid-teens.

Local Bond

South African bonds came under selling pressure in the second quarter of the year as emerging market bond spreads widened on capital flight, a higher-than-expected domestic inflation print and sharply lower commodity prices, pointing to a deterioration in the terms of trade and the outlook for the fiscal deficit. Yields on the All Bond Index rose from 10.08% to 11.05%, not too dissimilar to the 87-basis point increase in emerging market bond spreads. The 6.5% headline CPI print for May, primarily due to higher food and fuel prices, was the largest miss to forecasts since the beginning of 2009. Food inflation increased sharply to 7.8% from 6.3% the previous month, whereas fuel inflation increased to 32.5% from 29.2% the month before.

Even though core inflation was well contained and in line with estimates at 4.1%, the SARB will be under pressure to act more aggressively on rates to maintain the interest rate differential with the US dollar, especially given the sharp depreciation (-10.8%) in the rand over the past three months. While the money market is pricing in another 50-basis point rate hike at the July MPC meeting, the SARB could surprise with a 75-basis point increase given that the central bank is already behind the Fed's June rate hike, with a further 75 to 100 basis point increase likely in July.

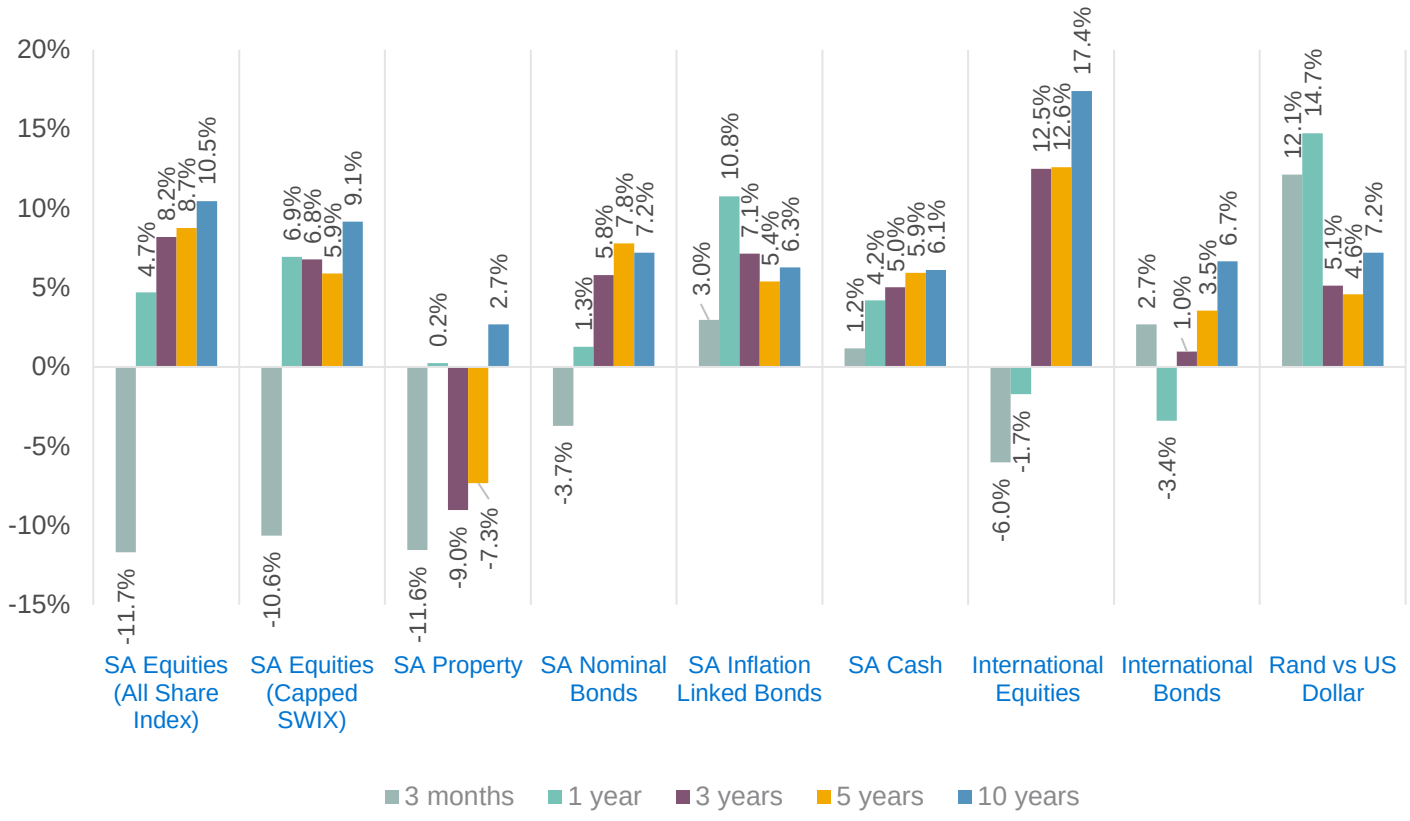
Inflation-linked bonds were the best performing of the broad domestic asset class in the second quarter, yielding 3% in rands as real yields on the CILI Index eased slightly from 3.84% to 3.82%. Inflation-linkers also benefitted from the inflation carry, which helped to prop up returns for the quarter.

The sharp increase in break-even inflation in June will be a further concern for the SARB since the 10-year rate exceeded the five-year rate, suggesting that inflation will be structurally higher over the long term. Ten-year break-even inflation rose to 7.2%, whereas the five-year rate was lower at 6.5%. At the time of writing, the yield on the CILI had risen to 4.2%, ahead of our fair value estimate of 4%.

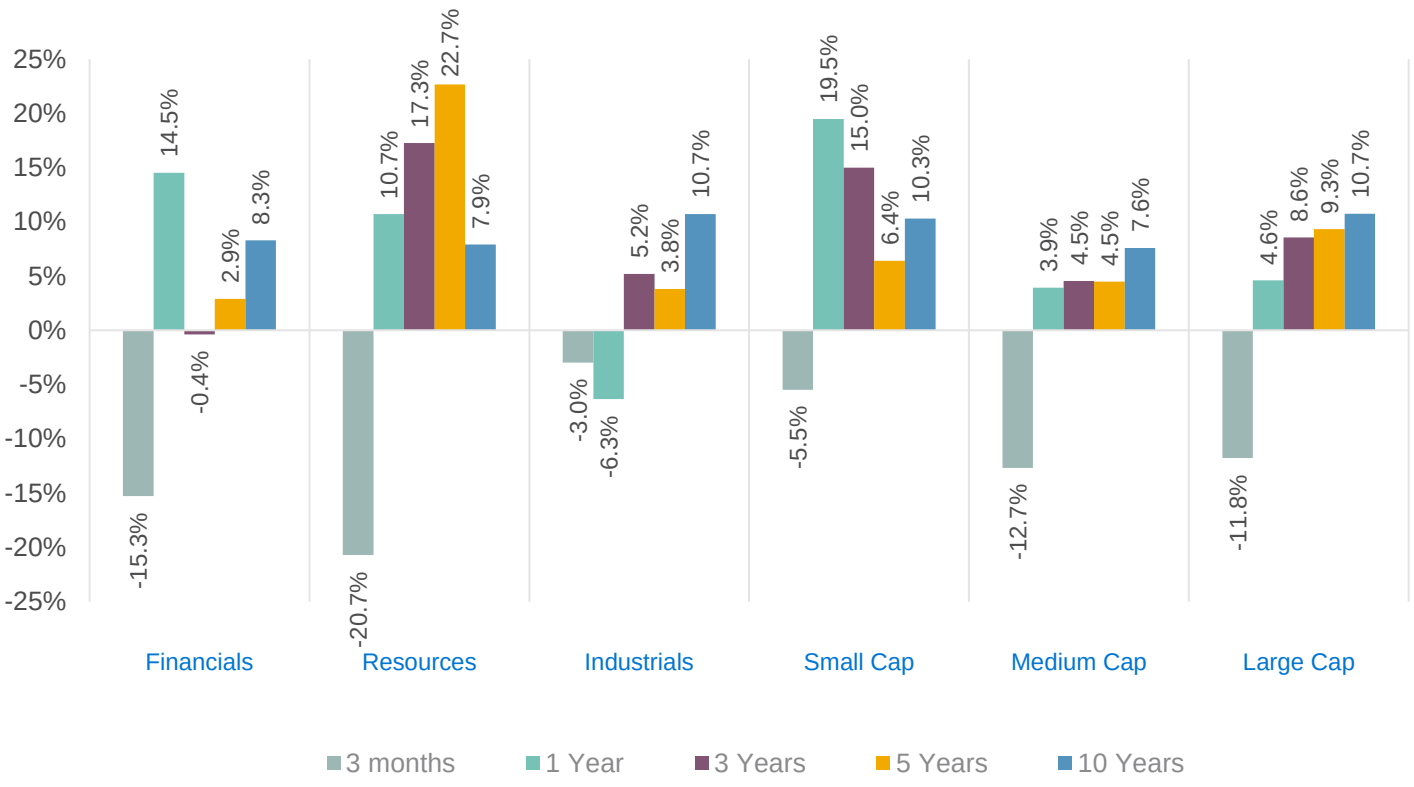
Local Property

Due to the rout in global listed property and the sharp increase in domestic bond yields and interest rate expectations, domestic listed property took a beating in the second quarter, with the SAPY declining by 11.6% in rands and -21.1% in US dollars, even as dividends increased by some 5%. With fuel and food costs pressuring disposable incomes, and private sector wages not keeping up with inflation, consumers are expected to cut back on discretionary spending, limiting tenant turnover growth. Therefore, the SAPY derated sharply with the property-to-bond yield ratio increasing to 0.88X, up from 0.8X the previous quarter, but still below the long-term mean of 0.9X. Following a 6.1% rally in listed property stocks during the first week of July, accompanied by a market rerating and 1.3% increase in dividends, the sector is downweighted to underweight from neutral. Counters that came under extreme selling pressure in the second quarter included Hammerson Plc (-40.3%), Attacq (-25.4%), Sirius Real Estate (-27.1%), SA Corporate Real Estate (-23.1%), Lighthouse Capital (-23.1%) and Equites Property Fund (-23%).

Market performance summary (in ZAR) to 30 June 2022



Equity Sector Performance summary (in ZAR) to 30 June 2022



Portfolio Commentary

Quarter ending June 2022

Sanlam Lifestage Accumulation Portfolio

The Lifestage Accumulation Portfolio returned -7.09% for the quarter and 3.11% for the one year ended 30 June 2022.

Within manager selection, our SA Equity, Foreign bonds, and Foreign DM Equity added value. Foreign Cash, SA Cash and Foreign Property was neutral while other assets namely SA Property, SA Bonds, SA ILBs, SA Hedge Funds, Offshore Africa Equity, and Foreign EM Equity detracted from performance from a manager selection perspective. On the asset allocation side, allocation to SA Property, SA Bonds, SA Hedge Funds, Foreign DM Equity, Foreign EM Equity and Foreign Cash contributed positively to performance while the other asset classes detracted.

Looking at the current positioning of the portfolio, the portfolio is overweight in SA Equity, SA Bonds, SA Hedge Funds, Offshore Africa Equity, Foreign EM Equity and Foreign Cash. The underweight positions in the portfolio are Foreign Bonds, Foreign Property, Foreign DM Equity, SA Cash, SA ILBs, and SA Property.

Sanlam Living Annuity Target Portfolio

The Lifestage ILLA Preservation portfolio returned -4.89% for the quarter and 4.36% for the one year ended 30 June 2022.

Within manager selection, our SA Equity, Foreign DM Equity and Foreign bonds added value. SA Cash, Foreign Cash and Foreign Property was neutral while other asset classes namely SA Property, SA Bonds, SA ILBs, Offshore Africa Equity, and Foreign EM Equity detracted from performance from a manager selection process. On the asset allocation side, allocation to SA Property, SA Bonds, SA ILBs, Foreign DM Equity, Foreign EM Equity, Offshore Africa Equity, Foreign Bonds, Foreign Cash and Foreign Property contributed positively to performance while the other asset classes detracted.

Looking at the current positioning portfolio, the portfolio is overweight in SA Equity, SA Bonds, SA ILBs, Offshore Africa Equity, Foreign EM Equity, Foreign Cash, and Foreign Bonds. The underweight positions in the portfolio are Foreign Property, Foreign DM Equity, SA Cash, and SA Property.

Sanlam Capital Protection Portfolio

The portfolio aims to deliver consistently smooth investment returns through monthly bonuses declared in advance. In addition, it seeks to protect the invested capital by providing investors with exposure to the investment markets while safeguarding them against adverse market movements.

The portfolio has managed to consistently deliver returns above inflation. It continues to strike a balance between two often conflicting objectives: downside protection (through smoothing and guarantees) and investment growth.

Sanlam Inflation Annuity Target Portfolio

The portfolio aims to closely match movements in its benchmark index, the SALI Real. This index tracks the changes in the cost of an inflation-linked annuity caused by changes in real interest rates. The portfolio, therefore, aims to preserve a member's ability to purchase an inflation-linked annuity.

As of 30 June 2022, the portfolio has outperformed its benchmark over the long term thus preserving the purchasing power of individuals to purchase an inflation-linked annuity upon retirement.

The aim of the portfolio is not necessarily to deliver high returns but rather to provide returns that are in line with the price of an inflation-linked annuity at retirement.

Performance summary

30 June 2022	3 Months	6 months	1 year	3 years	5 years	7 years
Accumulation Phase						
Accumulation Portfolio	-7.1%	-7.5%	3.1%	7.3%	7.2%	6.3%
Benchmark	-7.3%	-8.1%	3.0%	6.7%	6.9%	6.4%
Preservation Phase						
Capital Protection Portfolio*	1.6%	3.8%	7.8%	7.1%	7.3%	7.4%
CPI**	2.3%	3.7%	6.5%	4.6%	4.5%	5.0%
Inflation Annuity Target Portfolio	2.9%	2.1%	11.3%	6.9%	5.2%	4.9%
Benchmark (SALI Real)	3.1%	2.4%	11.9%	6.3%	4.3%	4.1%
Living Annuity Target Portfolio	-4.9%	-5.0%	4.4%	7.3%	7.3%	7.0%
Benchmark	-5.4%	-6.2%	3.1%	6.4%	6.8%	6.4%

** The Capital Protection Portfolio does not have an explicit benchmark.*
***CPI figures are calculated to end of May 2022*

Fund Fact Sheet

Sanlam Lifestage Accumulation Portfolio

June 2022

Fund Description

The portfolio is designed to provide long-term returns higher than that of a typical global balanced fund. The portfolio is suited for investors who have a long term investment horizon and can accept short term volatility. The fund has a multi-managed investment approach that incorporates a blend of active and passive investment strategies.
The Portfolio comply with the provisions of Regulation 28, issued under the Pension Funds Act (Act No. 24 of 1956), as amended.

Fund Information

Inception Date	01-Jul-2013
Fund Size	R 18 599 million
Portfolio Manager	Sanlam Investments
Legal Structure	Pooled Life Policy

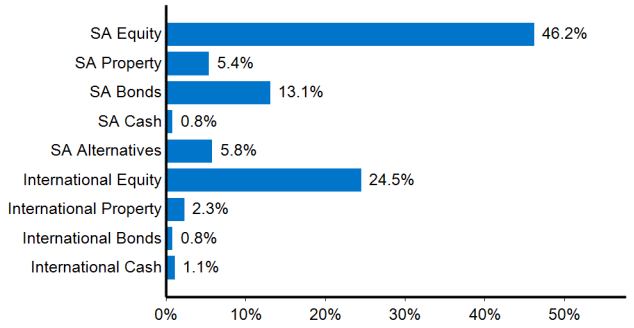
Benchmark

SA Equity - FTSE/JSE Capped SWIX	23%
SA Equity - FTSE/JSE Shareholder Weighted All Sh (SWIX)	23%
SA Property - FTSE/JSE SA Listed Property Index (SAPY)	6%
SA Bonds - All Bond Index (ALBI)	11%
SA Inflation Linked Bonds - JSE Inflation-linked Govt Bond Index (IGOV)	7%
SA Cash - STeFI Composite	2%
International Equity - MSCI World Equity Index (Developed Markets)	24%
International Property - FTSE EPRA/NAREIT Developed Dividend+ Index	2%
International Bonds - Bloomberg Global Aggregate Index	2%

Asset Manager Allocation

Asset Class	Managers
SA Equity	Equity Blend, Sanlam, Satrix
SA Property	Property Blend
SA Bonds	Matrix, Prescient
SA ILB	Sanlam
SA Cash	Sanlam
SA Alternatives	Amplify, Capitalworks Private Equity, Chrysalis Capital, Ethos Mid Market, SANNE
International Equity	GinsGlobal, Sanlam, Satrix
International Property	Nedgroup
International Bonds	GinsGlobal, Ninety One
International Cash	JP Morgan

Asset Composition



Risk Profile

Cautious	Moderate	Moderate-Aggressive	**Aggressive**

Time Horizon

0 - 2 years	2 - 3 years	5 years +	**7 years +**

Returns	Fund (%)	Benchmark (%)
1 Month	-5.5	-5.5
3 Months	-7.1	-7.3
6 Months	-7.5	-8.1
Year to date	-7.5	-8.1
1 Year	3.1	3.0
3 Years	7.3	6.7
5 Years	7.2	6.9
Since inception	8.7	8.9

Top 10 Equity Exposures	% of Fund
Naspers	3.8
Prosus	2.3
Firstrand Limited	2.2
Anglo American Plc	2.0
MTN Group Limited	1.9
Sasol Limited	1.7
British American Tobacco Plc	1.6
Standard Bank Group Limited	1.6
Impala Platinum Holdings Limited	1.4
ABSA Group Limited	1.2

Total Investment Costs (TIC)

Total Expense Ratio (TER)	Transaction Costs (TC)	Total Investment Charges (TER + TC)
1.26%	0.12%	1.38%

The TER was incurred as expenses relating to the administration of the Financial Product. The TC was incurred as costs relating to the buying and selling of the assets underlying the Financial Product. The TIC was incurred as costs relating to the investment 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 shown above is based on the highest fee tier where applicable and is calculated as at 31 December 2021. Fees are inclusive of any VAT.

Inclusive in the TER of 1.26%, a performance fee of 0.21% was recovered.

Contact Information
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Fund Fact Sheet

Sanlam Capital Protection Portfolio

June 2022

Fund Description

The portfolio offers investors stable, smoothed returns with a partial guarantee on benefit payments (death, disability, resignation, retrenchment and retirement). A non-negative bonus is declared monthly in advance, which consists of a vesting and non-vesting component. The Sanlam Capital Protection Portfolio may be used as a default investment portfolio for retirement fund members and complies with the conditions set out in the FSCA Conduct Standard 5 of 2020 (RF). The Portfolio comply with the provisions of Regulation 28, issued under the Pension Funds Act (Act No. 24 of 1956), as amended.

Fund Information

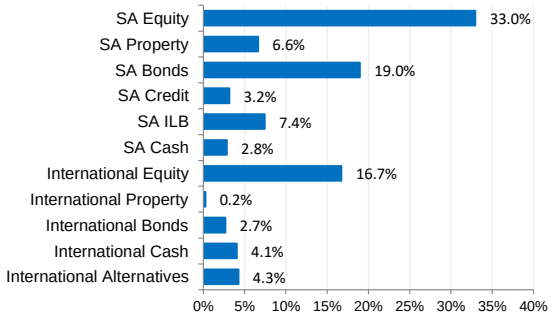
Inception Date	01-Sep-1986
Fund Size	R 4 469 million
Portfolio Manager	Sanlam Investments
Legal Structure	Pooled Life Policy

Strategic Asset Allocation

SA Equity – FTSE/JSE Capped SWIX	16.0%
SA Equity – FTSE/JSE Shareholder Weighted All Sh (SWIX)	16.0%
SA Property – JSE 7 – 12 years Total Return Index + 1.0%	6.5%
SA Bonds – All Bond Index (ALBI)	19.0%
SA Credit – 3 month JIBAR + 1.25%	5.5%
SA Inflation Linked Bonds – JSE Inflation-linked Govt Bond Index (IGOV)	2.0%
SA Cash – SteFI Composite	7.5%
International Equity – MSCI World Equity Index (Developed Markets)	17.5%
International Bonds – Bloomberg Global Aggregate Index (GABI)	5.0%
International Cash – 3m USD LIBOR	2.5%
International Alternatives – 3m USD LIBOR + 2.5% (net of fees)	2.5%

Sectoral Exposure (Equity) %	% of Fund
Technology	4.8
Telecommunications	2.0
Health Care	0.8
Financials	7.8
Real Estate	0.7
Comsumer Discretion	1.2
Consumer Staples	4.2
Industrials	1.2
Basic Materials	7.7
Energy	0.4
Additional	2.2

Asset Composition



Risk Profile

Conservative	**Moderate**	Moderate Aggressive	Aggressive

Time Horizon

0-2 years	2-3 years	**5 years +**	7 years +

Funding level

July 2022	95.96%

Gross Bonuses*	Fund (%)	CPI (%)**
1 Month	0.3	0.7
3 Months	1.6	2.3
6 Months	3.8	3.7
1 Year	7.8	6.5
3 Years	7.1	4.6
5 Years	7.3	4.5
10 Years	10.4	5.1
Since inception	13.6	-

* Net of guarantee fee, gross of investment fee ** 31/05/2022 CPI figures

Top 10 Equity Exposures	% of Fund
Naspers	3.2
FirstRand	2.0
British American Tobacco	1.8
Prosus	1.7
Anglo American	1.6
MTN Group	1.5
Standard Bank Group	1.3
Sasol	1.3
Impala Platinum Holdings	1.0
BHP Group	0.8

Total Investment Cost (TIC)

Total Expense Ratio (TER)	Transaction Costs (TC)	Total Investment Charges (TER + TC)
1.335%	0.070%	1.405%

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The TER shown above is based on the highest fee tier where applicable and is calculated as at 31 March 2022. Fees are inclusive of any VAT.

Inclusive in the TER of 1.335%, a guarantee premium of 0.9% and a performance fee of 0.000% were recovered.

Contact Information

E-mail: SCInvestments@sanlam.co.za Web: http://sanl.am.sebi

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Fund Fact Sheet

Sanlam Living Annuity Target Portfolio

June 2022

Fund Description

The portfolio is designed to provide moderate investment growth and is suitable for members who intend investing in an investment-linked living annuity at retirement. The portfolio invests across the equity, bond, property and cash asset classes.

The Portfolio comply with the provisions of Regulation 28, issued under the Pension Funds Act (Act No. 24 of 1956), as amended.

Fund Information

Inception Date	01-Oct-2013
Portfolio Manager	Sanlam Investments
Legal Structure	Pooled Life Policy

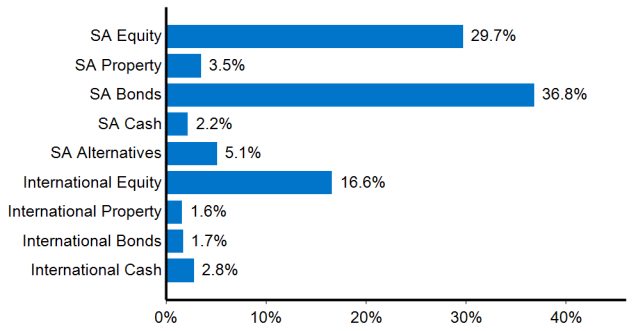
Benchmark

SA Equity - FTSE/JSE Capped SWIX	15.5%
SA Equity - FTSE/JSE Shareholder Weighted All Sh (SWIX)	15.5%
SA Property - FTSE/JSE SA Listed Property Index (SAPY)	4%
SA Bonds - All Bond Index (ALBI)	22%
SA Inflation Linked Bonds - JSE Inflation-linked Govt Bond Index (IGOV)	11%
SA Cash - STeFI Composite	9%
International Equity - MSCI World Equity Index (Developed Markets)	19%
International Property - FTSE EPRA/NAREIT Developed Dividend+ Index	2%
International Bonds - Bloomberg Global Aggregate Index	2%

Asset Manager Allocation

Asset Class	Managers
SA Equity	Equity Blend, Satrix
SA Property	Property Blend
SA Bonds	Futuregrowth, Prescient, Satrix
SA ILB	Sanlam
SA Cash	Coronation, Sanlam
SA Alternatives	Capitalworks Private Equity, Chrysalis Capital, Ethos Mid Market, SANNE
SA Absolute Return	Sanlam
International Equity	Blackrock, GinsGlobal, Sanlam
International Property	Nedgroup
International Bonds	GinsGlobal, Ninety One
International Cash	JP Morgan

Asset Composition



Risk Profile

Cautious	**Moderate**	Moderate-Aggressive	Aggressive

Time Horizon

0 - 2 years	**2 - 3 years**	5 years +	7 years +

Returns	Fund (%)	Benchmark (%)
1 Month	-4.3	-4.3
3 Months	-4.9	-5.4
6 Months	-5.0	-6.2
Year to date	-5.0	-6.2
1 Year	4.4	3.1
3 Years	7.3	6.4
5 Years	7.3	6.8
Since inception	7.9	7.5

Top 10 Equity Exposures	% of Fund
Naspers	2.4
Prosus	1.4
Firstrand Limited	1.4
Anglo American Plc	1.3
MTN Group Limited	1.2
Sasol Limited	1.1
British American Tobacco Plc	1.1
Standard Bank Group Limited	1.0
Impala Platinum Holdings Limited	0.9
ABSA Group Limited	0.8

Total Investment Costs (TIC)

Total Expense Ratio (TER)	Transaction Costs (TC)	Total Investment Charges (TER + TC)
0.99%	0.09%	1.08%

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Inclusive in the TER of 0.99%, a performance fee of 0.05% was recovered.

Contact Information
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Investments

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Fund Fact Sheet

Sanlam Inflation Annuity Target Portfolio

June 2022

Fund Description

The portfolio aims to provide members nearing retirement with the ability to buy a post-retirement income product that will grow in line with inflation after retirement. The investment portfolio may fluctuate when interest rates rise or fall, as it aims to match the price movements of inflation-linked annuities, rather than protect or maximise investment growth in the short term.

The portfolio invests in a long-duration bond portfolio, the Sanlam Corporate Inflation Annuity Tracker portfolio. The benchmark for this portfolio is the SALI Real, which has been developed by Sanlam to track the cost of purchasing an inflation-linked annuity. The Portfolio comply with the provisions of Regulation 28, issued under the Pension Funds Act (Act No. 24 of 1956), as amended.

Fund Information

Inception Date	01-May-2013
Fund size	R7 million
Portfolio Manager	Sanlam Investments
Legal Structure	Pooled Life Policy

Benchmark

SALI stands for Sanlam Asset Liability Index. In the same way the All Share Index (ALSI) tracks the change in value of the stocks on the Johannesburg Stock Exchange over time, so SALI tracks the change in the cost of purchasing an annuity.

Real refers to inflation linked. Members, who want to maintain their standard of living in retirement, should consider buying an annuity that protects them against increases in the cost of living i.e. inflation. An inflation linked annuity is guaranteed to provide increases equal to inflation.

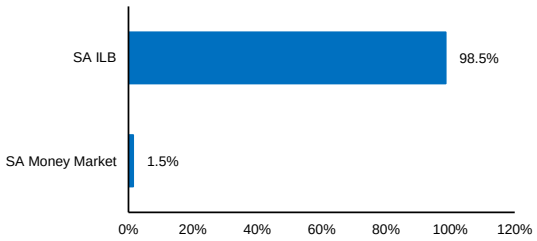
The SALI Real has been developed by Sanlam to track the cost of purchasing an inflation linked annuity.

As real interest rates move up (and down) and the cost of an inflation linked annuity decreases (or increases), so the index will change to reflect this change in

Duration Distribution

Cash & Nominal Bonds	1.5%
Inflation Linked Bonds 0 – 3 years	-
Inflation Linked Bonds 3 – 7 years	15.1%
Inflation Linked Bonds 7 – 12 years	35.6%
Inflation Linked Bonds 12+ years	47.8%
Average Duration	**11.4%**

Asset Composition



Risk Profile

Conservative	Moderate	Moderate Aggressive	Aggressive

Time Horizon

0-2 years	2-3 years	5 years +	7 years +

Gross Returns	Fund (%)	Benchmark (%)
1 Month	-1.5	-1.8
3 Months	2.9	3.1
6 Months	2.1	2.4
1 Year	11.3	11.9
3 Years	6.9	6.4
5 Years	5.3	4.3
Since inception	5.1	4.5

Total Investment Cost (TIC)

Total Expense Ratio (TER)	Transaction Costs (TC)	Total Investment Charges (TER + TC)
0.700%	0.010%	0.710%

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Sanlam

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