



Sanlam Collective Investments (RF) (Pty) Ltd
Annual Report | 2017

Investments

ELE^EENT
INVESTMENT MANAGERS

CEO

Report



Dear investor

I am pleased to share with you the highlights of Sanlam Collective Investments in 2017 and a preview of what you can expect in the year to come.

Overview of the markets

Despite the pervasiveness of political instability in South Africa and general ambiguity across the globe, 2017 turned out to be very rewarding year for investors. Locally the all share and listed property indices returned 21% and 17.2% respectively, bonds returned 10.2% and cash 7.5%; all comfortably outperforming the rate of inflation of 4.4%. The MSCI World Index and the MSCI Emerging Markets Index rewarded global investors richly with dollar returns of 22.4% and 37.4% respectively and notwithstanding the appreciation of the Rand of 10.5% against the US dollar and 1.15% against the British pound, Rand-denominated global returns were still very attractive.

Internationally, there were strong signs of economic recovery in Europe and in the US. American unemployment data hit a 28-year low, paving the way for a US interest rate hike. Economic growth in the US was also strong, despite the end of easy money from central banks, and China posted strong GDP figures, boosting commodity prices. US markets were particularly buoyed by the successful implementation of President Trump's proposals to cut corporate tax rates dramatically.

Unfortunately, South Africa did not share to the same extent in this global recovery. In the second quarter of the year SA entered a recession as GDP fell by 0.7% after the previous quarter's 0.3% contraction. In addition, SA debt was downgraded by Moody's, S&P and Fitch in April. Subsequently, GDP turned positive, but the final 2017 growth figure came in at only 1.3% - far lower than the growth figure needed to lift SA out of its persistently high unemployment figure (27.7% for most of 2017).

On a positive note, inflation remained contained, paving the way for the Reserve Bank to announce the first rate cut in five years - in July last year. Our currency also remains resilient. The rand ended 2017 at R12.29 against the dollar, significantly stronger than 2016's average level of R14.70 against the dollar.

In October, shortly after Minister Gigaba's Medium Term Budget Policy Statement, partly in response to the lack of policy certainty, S&P announced that SA local currency debt is now rated as non-investment grade (junk) and lowered SA's foreign currency debt one notch deeper into junk.

December was however an exciting month for South Africans with the ANC selecting its new Top Six leadership on 18 December. Markets and particularly the rand responded positively to the victory of Cyril Ramaphosa as president of the ANC.

Performance of the Sanlam fund range

We are very pleased that all three our Multi Asset unit trust funds, namely the SIM Balanced Fund, SIM Inflation Plus Fund and the SIM Active Income Fund, delivered either first- or second-quartile performance over the three- and five-year periods to 31 December 2017. The SIM Inflation Plus Fund is also top decile over both the three- and five-year periods. In addition, the SIM Enhanced Yield Fund is ranked number one in its peer category over the past three and five years; an exceptional achievement. The SIM Top Choice Equity Fund delivered a top quartile return in its category for the five years to end December 2017.

Fund rank in category - 31 December 2017

Fund	3 Years	5 Years
	Rank	Rank
SIM Enhanced Yield Fund	1/24	1/23
SIM Industrial Fund	2/5	2/5
SIM Small Cap Fund	4/7	3/6
SIM Inflation Plus Fund	10/100	7/79
SIM Balanced Fund	38/119	30/85
SIM Active Income Fund	20/59	10/43
SIM Top Choice Equity Fund	39/128	16/103
SIM General Equity Fund	52/128	26/103

Source: Morningstar Direct | 3-year and 5-year returns to 31 Dec 2017 | Past performance is not an indication of future performance. The return is calculated on a NAV-NAV basis, with income reinvested on a lump sum invested at the start of the measurement period.



Regulatory changes

Implementation of the Public Compliance Communication (PCC31)

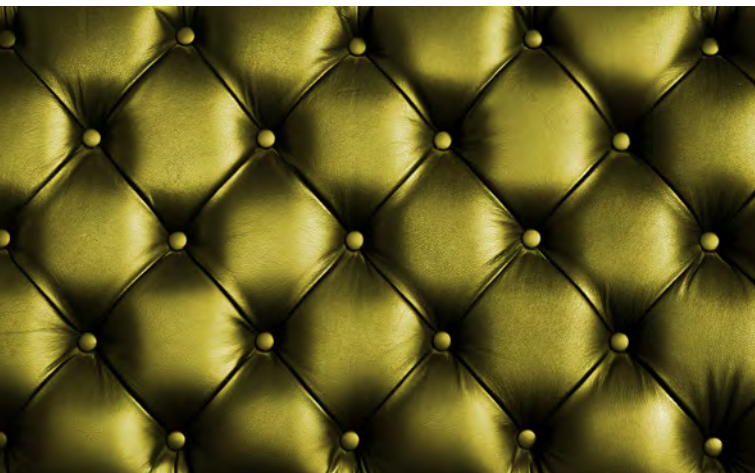
The Financial Intelligence Centre issued a Public Compliance Communication (PCC 31) to financial institutions to ensure that we perform client identification and verification procedures before processing new investments. This communication also states that financial institutions should not encourage prospective clients to deposit funds into their bank account prior to clients being identified and verified. We will therefore remove our banking details from our new business application forms. This will have an impact on clients who wish to process new investments and who want to make a payment via EFT. This change will be implemented in April 2018 and we will clearly indicate the process on our new business application forms.

FIC Amendment Act

The Financial Intelligence Centre (FIC) Amendment Act 1 of 2017 became effective on 2 October 2017. The key objective of this law is to improve the protection of the integrity of South Africa's financial system and strengthen its ability to prevent and punish financial crimes like money laundering, illicit capital flows, tax evasion, corruption and bribery, and financing of terrorism.

This legislation provides the legal basis for a shift to a risk-based customer due diligence approach, which requires a better understanding of investors and their behaviour on an ongoing basis rather than simply identifying and verifying their personal details upon initial registration. It should enable the efficient utilisation of resources and make compliance easier for low risk clients.

Businesses have until the end of 2018 to comply with the Act, but Sanlam Collective Investments (SCI) plans to introduce the change in approach by the middle of the coming year.



A peek at 2018

Real GDP growth of around 1.75% is expected for South Africa in 2018. Should our political situation stabilise in the near future, the impact could be positive for South African bond prices and the Rand.

Economic indicators are demonstrating synchronised global growth, resulting in continuous positive earnings revisions by global companies, which are supported by the actual GDP and corporate financial results. Given that this is happening while global interest rates are either kept stable or raised very modestly, growth assets continue to see support and in the past quarter it again delivered strong returns, especially in emerging markets where there should be much benefit from synchronised growth.

The low prospective returns from foreign fixed interest assets continue to support valuations of foreign growth assets, despite them looking expensive by historic standards on most traditional measures. As long as global interest rates remain very low or rise very slowly and earnings don't contract, equities will likely continue to deliver superior returns relative to fixed interest assets. For this reason, we have retained a small overweight position in foreign growth assets and an underweight position in foreign fixed interest assets.

We continue to see good returns on offer from just about all local fixed interest assets. We have moved to a neutral position in SA equities. Companies with a South African earnings base (i.e. financials and retailers), have re-rated given the outcome of the ANC elective conference in mid-December. The SA equity market is currently fairly priced in the context of globally re-priced equity markets. To what extent the management of the country will improve given the change in leadership remains to be seen. A lot of good news has been priced in, even though the government's financial position remains precarious.

Other developments

During 2017 we entered into co-named partnerships with a number of new third party fund managers, with the objectives of offering our investors diversification in investment philosophies and styles and leveraging our existing platform in pursuit of economies of scale. This strategy alone resulted in an increase of R26.5bn of assets under management during the year.

The new co-name funds proved to be valuable additions to our platform, with some generating very attractive returns and featuring on our list of top performers for 2017, based on a one-year performance horizon:

Top 5 Funds	1-Year Performance
Sanlam India Opportunities Feeder Fund A	28.08%
Denker SCI Emerging Markets Feeder Fund A1	24.87%
Saffron SCI Large Cap Fund A	22.18%
Element Balanced SCI Fund A	21.08%
Maru SCI Swix Enhanced Fund A	20.27%

Source: Morningstar | 1-year return to 31 Dec 2017 | Past performance is not an indication of future performance. The return is calculated on a NAV-NAV basis, with income reinvested on a lump sum invested at the start of the measurement

Sanlam Collective Investments also embarked on a number of projects to improve investors' and financial intermediaries' experience in doing business with us. We have simplified and shortened all instruction forms and are in the process of enhancing our digital platforms in terms of content, the ease of use and tools that will help investors keep track of their investment goals. We will keep you informed about these developments as the year progresses.

We are here for you

Throughout 2018 we will persist in our endeavours to improve your client experience and hope your investment outcomes will meet your expectations and help make your dreams a reality. Thank you for your continued support.

Yours sincerely

Liezl Myburgh

CEO: Sanlam Collective Investments

Report of the trustees



We, the Standard Bank of South Africa Limited, in our capacity as Trustee of the Sanlam Collective Investments Scheme (“the Scheme”) have prepared a report in terms of Section 70(1)(f) of the Collective Investment Schemes Control Act, 45 of 2002, as amended (“the Act”), for the financial year ended 31 December 2017.

In support of our report we have adopted certain processes and procedures that allow us to form a reasonable conclusion on whether the Manager has administered the Scheme in accordance with the Act and the Scheme Deed.

As Trustees of the Scheme we are also obliged to in terms of Section 70(3) of the Act to satisfy ourselves that every statement of comprehensive income, statement of financial position or other return prepared by the Manager of the Scheme as required by Section 90 of the Act fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme.

The Manager is responsible for maintaining the accounting records and preparing the annual financial statements of the Scheme in conformity with International Financial Reporting Standards. This responsibility also includes appointing an external auditor to the Scheme to ensure that the financial statements are properly drawn up so as to fairly represent the financial position of every portfolio of its collective investment scheme are in accordance with International Financial Reporting Standards and in the manner required by the Act.

Our enquiry into the administration of the Scheme by the Manager does not cover a review of the annual financial statements and hence we do not provide an opinion thereon.

Based on our records, internal processes and procedures we report that nothing has come to our attention that causes us to believe that the accompanying financial statements do not fairly represent the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme administered by the Manager.

We confirm that according to the records available to us, no losses were suffered in the portfolios and no investor was prejudiced as a result thereof.

We conclude our report by stating that we reasonably believe that the Manager has administered the Scheme in accordance with:

- (i) the limitations imposed on the investment and borrowing powers of the manager by this Act;
- (ii) and the provisions of this Act and the deed;

Melinda Mostert
Standard Bank of South Africa Limited

Seggie Moodley
Standard Bank of South Africa Limited

29 March 2018

Summarised information for the year ending 31 December 2017

	Element Balanced SCI Fund	Element Earth Equity SCI Fund	Element Flexible SCI Fund	Element Global Equity SCI Fund	Element Islamic Balanced SCI Fund
Condensed Statement Of Comprehensive Income	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Income	-440	19 198	7 171	2 800	4 151
Expenditure	173	1 867	1 614	535	540
Operating profit/(loss) for the year before finance costs	-613	17 331	5 557	2 265	3 611
Distribution of income	83	1 113	1 568	-	5
Change in net assets attributable to unit holders	-696	16 218	3 989	2 265	3 606
Condensed Statement Of Financial Position	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Net assets attributable to unit holders	38 147	256 616	148 679	58 546	68 118
Trade and other payables	141	557	473	92	233
Related parties payable	-	-	-	-	-
Cash overdraft	-	-	-	-	-
Derivatives	-	-	-	-	-
Distributions payable	83	1 113	1 568	-	5
Liabilities other than net assets attributable to unit holders	224	1 670	2 041	92	238
Investments	36 508	250 569	144 552	55 833	65 384
Accrued income & debtors	129	219	1 214	52	114
Cash and bank balances	1 734	7 498	4 954	2 753	2 858
Total Assets	38 371	258 286	150 720	58 638	68 356
Investments	36 508	250 569	144 552	55 833	65 384
Cash and bank balances	1 734	7 498	4 954	2 753	2 858
Portfolio composition	(%)	(%)	(%)	(%)	(%)
Basic Materials	8.86	22.35	7.58	1.97	10.79
Bonds	10.05		7.96		5.71
Consumer Goods	5.85	15.14	5.01	5.03	6.57
Consumer Services	1.20	3.54	1.04	1.95	
Financials	4.99	11.85	4.27	3.93	0.81
Health Care	1.34	4.46	1.16	2.00	5.23
Industrials	5.58	13.78	4.77	9.63	7.19
Oil & Gas	3.62	8.46	3.09	4.09	5.38
Property	9.14	2.03	7.86		2.22
Technology	1.62	3.84	1.39	12.62	2.92
Telecommunications	2.48	3.10	2.05	7.86	4.04
International Assets				40.23	
Other Securities	8.24	8.67	7.14	4.22	
Holdings in Collective Investments Schemes - International	18.53		15.71	1.92	19.36
Holdings in Collective Investments Schemes - Local	13.62		26.76		
Liquid Assets	4.88	2.78	4.21	4.55	29.78
TOTAL	100.00	100.00	100.00	100.00	100.00
Investment Performance	(%)	(%)	(%)	(%)	(%)
One year up to 31/12/2017	21.08	14.10	12.47	10.70	11.09
One year up to 31/12/2016	-	-	-	-	-
All-share Index 2017: 17.47% 2016: 0.08%					
Fees	(%)	(%)	(%)	(%)	(%)
Maximum Initial fee	3.42	3.42	3.42	3.42	3.42
Service fee (including VAT)	1.71% (A)	1.71% (A)	1.71% (A)	0.86% (A)	1.71% (A)
Total Expense Ratio (TER)	3.12 (A)	1.9 (A)	1.82 (A)	1.32 (A)	1.87 (A)

Summarised information for the year ending 31 December 2017

	Element Islamic Equity SCI Fund	Element Islamic Global Equity SCI Fund	Element Real Income SCI Fund	Element Specialist Income SCI Fund
Condensed Statement Of Comprehensive Income	(R'000)	(R'000)	(R'000)	(R'000)
Income	11 069	305	3 575	1 469
Expenditure	1 486	781	1 294	695
Operating profit/(loss) for the year before finance costs	9 583	-476	2 281	774
Distribution of income	9	-	4 694	7 467
Change in net assets attributable to unit holders	9 574	-476	-2 413	-6 693
Condensed Statement Of Financial Position	(R'000)	(R'000)	(R'000)	(R'000)
Net assets attributable to unit holders	144 621	70 650	162 551	207 831
Trade and other payables	405	124	407	259
Related parties payable	-	-	-	-
Cash overdraft	-	-	-	-
Derivatives	-	-	-	-
Distributions payable	9	-	3 083	4 223
Liabilities other than net assets attributable to unit holders	414	124	3 490	4 482
Investments	141 889	58 489	158 045	202 736
Accrued income & debtors	159	42	1 617	3 489
Cash and bank balances	2 987	12 243	6 379	6 088
Total Assets	145 035	70 774	166 041	212 313
Investments	141 889	58 489	158 045	202 736
Cash and bank balances	2 987	12 243	6 379	6 088
Portfolio composition	(%)	(%)	(%)	(%)
Basic Materials	23.54			
Bonds	3.17		17.91	37.41
Consumer Goods	9.43	13.05		
Consumer Services				
Financials	1.44		1.77	1.90
Health Care	10.55	1.87		
Industrials	8.83	12.56		
Oil & Gas	7.73	9.31		
Property	1.58	1.91	12.40	16.04
Technology	4.54	3.00		
Telecommunications	6.26	4.85		
International Assets		34.34		
Other Securities	1.80	1.96	6.92	7.93
Holdings in Collective Investments Schemes - International	19.24		13.34	
Holdings in Collective Investments Schemes - Local			29.71	
Liquid Assets	1.89	17.15	17.95	36.72
TOTAL	100.00	100.00	100.00	100.00
Investment Performance	(%)	(%)	(%)	(%)
One year up to 31/12/2017	12.20	1.29	10.13	7.77
One year up to 31/12/2016	-	-	-	-
All-share Index 2017: 17.47% 2016: 0.08%				
Fees	(%)	(%)	(%)	(%)
Maximum Initial fee	3.42	3.42	3.42	3.42
Service fee (including VAT)	1.71% (A)	0.86% (A)	0.86% (A)	0.85% (A)
Total Expense Ratio (TER)	1.8 (A)	2.32 (A)	1.48 (A)	1.00 (A)

The full annual report is available to all investors.

Kindly send your personal details together with your collective investment account number to:

Sanlam Collective Investments, PO Box 30, Sanlamhof 7532

Or visit our **Client Contact Centre** at:

Sanlam Head Office, 2 Strand Road, Sanlamhof, Bellville, South Africa

An electronic version of our annual report is available on our website or can be requested from our Client Contact Centre or via e-mail.

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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 an accurate determination of 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"). International investments or investments in foreign securities could be accompanied by additional risks such as potential constraints on liquidity and repatriation of funds, macroeconomic risk, political risk, foreign exchange risk, tax risk, settlement risk 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. A fund of funds is a portfolio that invests in portfolios of collective investment schemes that levy their own charges, which could result in a higher fee structure for the fund of fund. A feeder fund is a portfolio that invests in a single portfolio of collective investment schemes, which levies its own charges and which could result in a higher fee structure for the feeder fund. A money market portfolio is not a bank deposit account. The price is targeted at a constant value. The total return to the investor is made up of interest received and any gain or loss made on any particular instrument and in most cases the return will merely have the effect of increasing or decreasing the daily yield, but that in the case of abnormal losses it can have the effect of reducing the capital value of the portfolio. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressures and in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. Total Expense Ratio (TER) is a percentage 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) is a percentage 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. The Manager retains full legal responsibility for the third-party-named portfolio. 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.



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