

SIM Global Market review

Issue 16 | August 2015

SIM Global merges with SIM Unconstrained Capital Partners to form an independent boutique called **Denker Capital in which Sanlam has 49% shareholding, Denker Capital 42% and 9% held in a shared trust.**

*Some of you would have seen that our e-mail addresses and logos changed to **Denker Capital** yesterday, and I must say that until then I hadn't appreciated that the deal meant I wouldn't work for Sanlam anymore. For 11.5 years I've been a "blue man" and Sanlam/Sanlam Investments have been incredibly good to me. I will take a while to get used to not being a Sanlam employee, but fortunately our new corporate colour is orange (and I had nothing to do with that).*

Denker Capital?

I can't recall how Petro and I decided on our children's names, but it was certainly easier than getting a group of analysts and highly competent operational people to agree on a name. Besides, most names we at first hit upon had been reserved. But Denker (English: "Thinker") has grown on us and the more we thought about it, the more it grew. Importantly, it reflects what we do.

In the end a name is relevant only if it represents something. At both SIM Unconstrained and SIM Global the names (and we hope our names as individuals) stood for integrity, transparency, availability, performance orientation, etc.

We'll know we've succeeded if surveys show that clients identify Denker Capital with those adjectives.

Rationale?

Only if it's good for clients. In everything we did this was our mantra. Without clients there is no business. So the main advantage for clients is the increased sustainability of both businesses. But in addition it's the increased focus on investment returns. Being independent is great, but it means the safety net of a parent is gone.

Yet what makes the transaction so good is that it is done with the full support and encouragement of Sanlam. Hence the 49% shareholding is vital and we remain dependent on Sanlam for support services and distribution.

Background

I'm writing this primarily to our SIM Global Market Review distribution list, and I suppose you'll ask: Who is/are our new "Unconstrained" partners?

Ricco Friedrich and Claude van Cuyck have over many years made their names as analysts and portfolio managers in many roles, but the SIM Small Cap fund and the SIM Value fund are the best known.

They and the team they've built subscribe to the same unconstrained, value based investing philosophy as we do. As we exchanged ideas through their investment in Best Ideas and individual global stocks, we realised we can harness the synergy better in one business to the benefit of our clients and shareholders.

When we put the two investment philosophies next to each other we were amazed at the extent of the overlap, and just as important: We found that culturally and our thinking of how to manage a business and people was remarkably similar.



Unconstrained?

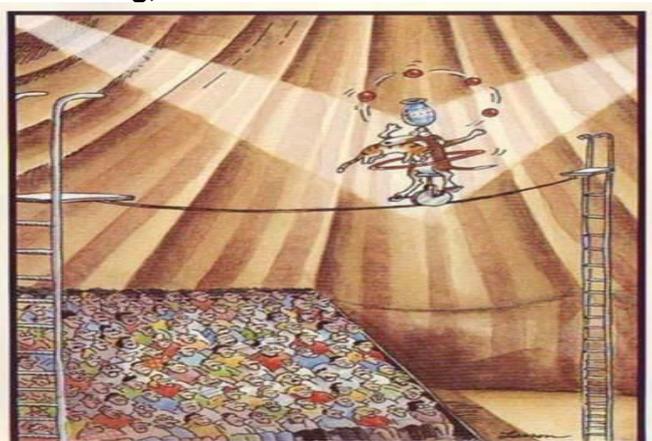
In Afrikaans unconstrained can be translated as “bandeloos” or “onbeperk” but rest assured, unconstrained managers follow a very disciplined process. *A better translation would be: an investment style that is not constrained by the index (nie beperk deur die indeks nie).*

So What Changes?

We are now independent and 42% of the shares of Denker Capital will be owned by “Denkers” with 49% owned by Sanlam Investments and 9% held in a shared trust. Our focus is and will remain on investment performance, but good systems and client communication are “mission critical”. Hence we’re proud of our website (www.denkercapital.com) where you can find the press announcement of the transaction as well as three short interviews with Johan van der Merwe, Ricco and I as well as recent Market Reviews, Cognitios, and Fund Fact sheets and importantly, forms to invest right now should you want to (not a bad idea in terms of the recent market fall).

The website was completed under considerable time pressure and (as usual) we welcome criticisms/hints. Being independent and relatively small means we can and will react quickly to suggestions. We aim to improve.

An old dog, but old tricks



High above the hushed crowd, Rex tried to remain focused. Still, he couldn't shake one nagging thought: He was an old dog and this was a new trick.

Deon Gouws, sharp as ever, immediately sent the above Far Side Cartoon to me when he saw the announcement. True, we have a few old dogs in our team. But also quite a few puppies in training and vital:

in the investment world experience is more important than anything else. The average years of *experience in the combined team is 14 years).*

At our age we won't be trying any new tricks! We've learnt many lessons along the way and the most important one is that the cycle of emotions in markets keeps repeating itself.

The trick is simple: Invest in good companies, invest when they trade below their intrinsic value, understand and price risk and don't hesitate to invest when everyone is fearful. And then be patient.

So no new tricks but a consistent adherence to our philosophy and process. The long-term track records of the SIM Value, Sanlam Global Financial fund and Nedgroup Investments Financial funds attest to that.

The Sanlam Global Best Ideas track record is an example of what happens when we did try new tricks in China.

In that regard I can report that Douw has righted that ship, and that from 1 August 2015 Pierre Marais co-manages the Sanlam Global Best Ideas fund with Douw. Two old dogs, but they learnt their lessons over many years and honed them during the 4 years they worked together at Orthogonal.



What about the portfolio managers and analysts?

Nothing changes. Portfolio manager and analyst responsibilities of both SIM Global and SIM Unconstrained will remain the same – but within a larger team within which to test and challenge ideas. The combined wisdom should really be a big benefit to clients.

We've got an incredibly strong operational team which both teams rely on and which will allow Ricco, Claude, Douw, Pierre, Neal and myself to focus on managing our funds as in the past.

And that's why it is so important that Sanlam remains a 49% shareholder. Being able "to stand on the shoulders of a giant" is hugely important.

Summary

The press release is attached at the end of this Market Review and available on the Denker Capital website (www.denkercapital.com).

For both SIM Unconstrained and SIM Global clients: Nothing changes in terms of the management of the funds clients are invested in.

But, if you do have further immediate questions, please do not hesitate to phone/e-mail Nora or Ricco/Claude/Douw etc.

Please look out for e-mails from Denker going forward for more writings from our team, including myself.

Kokkie Kooyman

27 August 2015

Our new logo

DENKER
CAPITAL

I hope you believe I had nothing to do with our new colours...



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Media release

Award-winning Sanlam businesses merge, rebrand to better serve clients

Cape Town, 26 August 2015: With the support of Sanlam Investments, two award-winning businesses within its fold are joining forces to create an independent business under a separate brand. Known as Denker Capital, the merger will bring together SIM Global and SIM Unconstrained Capital Partners.

Denker Capital will enable both businesses to capitalise on opportunities created by greater diversification and enhanced scale to the benefit of clients. Sanlam Investments clients can already choose between passive, alternative, Africa-focused, and the SIM houseview benchmark-cognisant active managers. Now they will also enjoy access to an unconstrained active management business with a comprehensive fund offering.

According to Sanlam Investments chief executive, Johan van der Merwe, the merger is in line with the Sanlam Group's entrepreneurial approach, enabling the best people to drive investment performance for clients in the most appropriate structures. In particular, a boutique model backed by the strong operational and distribution capabilities of Sanlam provides the ideal model for the portfolio managers involved here. Denker Capital will establish itself as an independent and owner managed business with its own cultural autonomy and vision. Sanlam Investments will have a 49% shareholding, management will own 42% and the balance will be held by a share trust.

"The merger between these businesses is a logical evolution of the collaboration that has already taken place between them over the years to enhance each unit's offering to clients," Van der Merwe says.

SIM Global is an entrepreneurial unit within Sanlam Investments with almost R9 billion in assets under management. It is independent from the active manager Sanlam Investment Management in terms of philosophy and investment process and decisions, while making use of the latter's infrastructure and facilities.

Managed by Kokkie Kooyman, SIM Global was created in February 2004 to focus on global financial markets. Kooyman received UK based publication Investment Week's Fund Manager of the Year award for four years in a row, from 2010 to 2013. SIM Global's funds have won several awards over the years, including Raging Bull awards and the Lipper Award (UK).



SIM Unconstrained Capital Partners is a stand-alone business within Sanlam Investments with around R11 billion in assets under management. The business was set up in 2011 to allow the portfolio managers, Claude van Cuyck and Ricco Friedrich, to give their undivided attention to managing the SIM Unconstrained Equity Fund and the award-winning SIM Value Fund. Van Cuyck and Friedrich have won several Raging Bull and S&P awards.

Kooyman says the combined business will be able to offer a broader choice of investments to meet client demand. “In future Denker Capital will be able to offer solutions according to client risk appetites. Denker Capital will allow us to move from providing niche funds to providing solutions. The larger business will enable us to use technology efficiently and provide an even better service to clients.”

“Denker Capital will lead to enhanced investment synergies between local and global opportunities, and brings together two teams which already have a great fit in terms of investment thinking and leadership culture,” says Friedrich.

The SIM Global team of 10 investment professionals, 3 portfolio managers and 7 analysts has a combined 140 years of experience, whereas the SIM Unconstrained Capital Partners team of 5 investment professionals, 3 fund managers and 2 analysts has a total of 67 years of experience and expertise to offer clients.

Friedrich says while the combined business will offer significant benefits to both existing and future clients of SIM Global and SIM Unconstrained Capital Partners, existing clients will not be impacted on an operational level. “The funds, processes and structures of the two businesses will remain exactly the same. It will be business as usual for the fund managers of all the funds. They will continue to employ the same common investment philosophy that has delivered award-winning performances across the fund ranges.”

Ends

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