Denker SCI Equity Fund*

Minimum Disclosure Document

As of 31/08/2023

DENKER CAPITAL

MDD Issue Date: **18/09/2023**

Fund Objective

The objective of the fund is to offer investors a reasonable level of current income and long-term wealth creation through active management of the portfolio.

Fund Strategy

This is an equity fund which diversifies across all sectors of the JSE and may invest a maximum of 45% in offshore assets. The fund invests in listed shares of financially sound companies that we think are mispriced by the market and offer exceptional value.
These companies:

- have favourable long-term economic characteristics,
- are run by a competent management team and
- trade at a price which is attractive when measured against the long term return potential and intrinsic value of a business.

The fund may also include participatory interests of collective investment schemes and listed and unlisted financial instruments (derivatives) for efficient portfolio management.

Why Choose This Fund?

- To grow real wealth over time, through opportunities identified in SA and global listed companies.
- To invest alongside a highly experienced team with a disciplined investment process and proven track record.
- For diversified equity exposure across small, mid and large cap listed companies.
- To invest with a team that understands the risks companies face and invests in them with a sufficient margin of safety**.

Fund Information

Ticker	SAVB3
Portfolio Manager	Claude van Cuyck
ASISA Fund Classification	South African - Equity - General
Risk Profile	Aggressive
Benchmark	Composite: 87.5% FTSE/JSE Capped SWIX & 12.5% MSCI World Index
Fund Size	R 1,658,712,450
Portfolio Launch Date	01/10/1998
Fee Class Launch Date	02/07/2007
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 & www.sanlamunittrusts.co.za
Repurchase Period	2-3 business days

Fees (Incl. VAT)

	B3-Class (%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	1.04
TER	1.51
TC	0.13
TIC	1.64
Performance Fee	0.43
TER Measurement Period	01 July 2020 - 30 June 2023

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. Calculations are based on actual data where possible and best estimates where actual data is not available.

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.

Manager Performance Fee (incl. VAT) | Performance Fee Benchmark: 87.5% of the FTSE/JSE Capped Shareholder Weighted Index (J433) and of the 12.5% MSCI World Net Total Return USD Index (NDDUWI), Base Fee: 1.53%, Fee at Benchmark: 1.53%, Fee Hurdle: 87.5% of the FTSE/JSE Capped Shareholder Weighted Index (J433) and 12.5% of the MSCI World Net Total Return USD Index (NDDUWI), Sharing Ratio: 20%, Minimum Fee: 1.53%, Maximum Fee: 3.42%, Fee Example: 1.53% p.a. if the fund performs in line with its Performance Fee Benchmark.

*The Denker Sanlam Collective Investments Equity Fund was renamed from the SIM Value Fund.

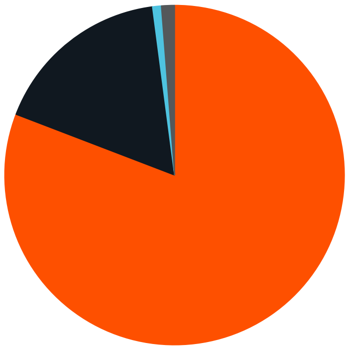
**The difference between our assessment of the company's value and its market price.

Top Ten Holdings

	(%)
Portfolio Date	**30/06/2023**
Denker SCI SA Equity B3	17.63
Denker Global Financial Fund	6.60
Naspers Ltd	5.73
Prosus (PRX)	4.86
Denker Global Equity Fund	4.26
Oracle Corporation	3.95
Anglo American Plc	3.59
Firstrand Ltd	2.92
MTN Group Ltd	2.64
Sun International Ltd	2.36

Asset Allocation

Portfolio Date: 30/06/2023



	%
SA Equity	80.83
Non-SA Equity	17.10
SA Cash	0.84
Non-SA Cash	1.24
Total	**100.00**

Annualised Performance (%)

	Fund	Benchmark
1 Year	12.84	13.22
3 Year	17.18	14.49
5 Years	8.14	7.31
10 Years	6.90	8.50
Since Inception	8.27	8.99

Cumulative Performance (%)

	Fund	Benchmark
1 Year	12.84	13.22
3 Years	60.92	50.09
5 Years	47.88	42.31
10 Years	94.88	126.03
Since Inception	261.28	301.89

Highest and Lowest Annual Returns

Time Period: 01/01/2013 to 31/12/2022

Highest Annual %	31.32
Lowest Annual %	-5.94

Risk Statistics (3 Year Rolling)

Standard Deviation	11.82
Sharpe Ratio	0.97
Information Ratio	0.50
Maximum Drawdown	-7.99

Distribution History (Cents Per Unit)

30/06/2023	56.60 cpu	30/06/2022	55.07 cpu
31/12/2022	65.65 cpu	31/12/2021	41.14 cpu

Administered by

Sanlam

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Risk Profile

Aggressive

You can afford to take on a higher level of risk (i.e. will have a greater exposure to equities in your portfolio) because of your investment time horizon, or your appetite for risk. You know that in taking the risk, you need to be patient if you want to achieve the results. So you are willing to invest for the long-term and are prepared to tolerate some volatility in the short term, in anticipation of the higher returns you expect to receive in five years or beyond.

Glossary Terms

Active Stock-picking Process
This is when asset managers actively and tactically vary their stock selections based on economic and market data, and fundamental valuations, etc. This should lessen an investor's exposure to declining markets and helps preserve capital.

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 Growth
Capital growth is the profit made on an investment, measured by the increase in its market value over the invested amount or cost price. It is also called capital appreciation.

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

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.

Feeder Fund
A feeder fund is a South African-based fund that feeds exclusively into its primary foreign-based fund. It allows investors easy access to investing in an offshore fund, eliminating complicated tax and other implications. The shares of the feeder fund represent shares in the primary fund (called a master fund).

Liquidity
The ability to easily turn assets or investments into cash.

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.

LISP (Linked Investment Service Provider)
A Linked Investment Service Provider is a financial institution which packages, distributes and administers a broad range of unit trust based investments. Any investment made through these products gives an investor a single point of entry into a selection of different investments.

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

Money Market Instruments
A money market instrument is a low risk, highly liquid, short-term (one year or less) debt instrument, issued by financial institutions or governments, that tend to have lower returns than high-risk investments.

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.

Regulation 28
Regulation 28 of the Pension Funds Act sets out prudent investment limits on certain asset classes in investment funds. It applies specifically to investments in Retirement Annuities and Preservation Funds. The allowed maximum exposures to certain asset classes is: 75% for equities; 25% for property; 45% for foreign (offshore) assets.

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.

Undervalued Equity Stocks/ Investing in Neglected Global Equities
This is a strategy of selecting shares that trade for less than their intrinsic values. Value investors actively seek stocks that they believe the market has undervalued. They believe the market overreacts to good and bad news, resulting in stock price movements that do not correspond with the company's actual long-term fundamentals. The result is an opportunity for value investors to profit by buying when the price is deflated.

Additional Information

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Portfolio Manager Quarterly Comment

Quarter to June 2023

Market review

Global markets

It has been a year of two halves. The first quarter's banking stress in the US resulted in a sharp repricing of the likely path for interest rates. The 2-year bond yield in the US rallied from a high of 5.07% on 8 March to a low of 3.78% a few weeks later. In Q2, global markets delivered very attractive returns. This performance was largely due to robust economic growth data, moderating inflation numbers, resolution on the US debt ceiling standoff and lower risk. The 2-year bond yield rose to 4.88% at the end of the quarter, the price of gold - which had a very strong run in March (coincident with US bank stress) - gave back some of these gains in the quarter. YTD global market performance has been notable for the very narrow returns – i.e. a large part of market returns have been driven by only a handful of shares. The strong run has not been the result of a broad rally in shares or sectors.

Finally, no commentary would be complete without noting the rebellion of the CEO of the Wagner group in Russia. Speculation about the implications and consequences of these events are rife, we'll be keeping a close eye on how these events play out.

At a sector level, during Q2 the strongest performing sectors were once again technology (+16%), consumer discretionary (+10.9%) and communication services (+9.6%). This is attributed to a great extent by the inflation and interest rate outlook that has improved somewhat during 2023. The technology performance has been due to the breakthroughs that have been made in the field of AI technology. The semiconductor subsector was a notable outperformer, with Nvidia leading the pack.

Sector laggards were mainly sectors that are more defensive in nature such as consumer staples, healthcare and utilities. These sectors were essentially flat during Q2.

South African markets

South Africa had a very tough quarter. Substantial amounts of loadshedding weighed on the economy in the first half. More recently lower consumption, improved performance of the generation plants (i.e. reduced unplanned outages) and heavy winds contributed to better than expected energy availability. In addition to the burden of loadshedding, allegations by the US ambassador to South Africa that arms had been loaded onto *Lady R*, the Russian vessel that docked in Simonstown in December, had a severely negative impact on the value of domestic assets. The rand weakened from R18.33 at the start of the week to R19.81 two weeks later. Government bonds with 10 years to maturity saw yields rise from 10.1% to 11.3% over the same period. The value of the domestic equity market, with its large weight to foreign companies and earnings were far more resilient.

The FTSE/JSE Capped Swix was up 1.2% in the second quarter. The SA financial index generated a positive return of 5.3% and industrials generated 3.4%, while the resource index suffered a loss of 6.1%. The SA market underperformed global markets as domestic news caused the exchange rate to weaken by 5.9% against the US dollar for the quarter.

Portfolio review

Forecasting returns is not for the faint hearted. Who would've predicted, six months ago, with the world facing high inflation, rising interest rates, and a potential recession that the MSCI World Index would be up 15.4% in US dollar terms, with North America gaining 16.7%? It is a reminder that long-term returns are generated by time in the market, not by trying to 'time the market'.

The Rand (ZAR) has been under tremendous pressure this year, depreciating by 11% relative to the US dollar for the period ending 30 June 2023. Our loadshedding challenges and political blunders have paid a significant role in this weakness. This has clearly impacted the performance of domestic SA Inc. stocks negatively relative to the 'rand hedge' stocks that are listed in SA. Stocks like Richemont and Aspen are up 43.6% and 33.4% respectively on a YTD basis. We own both in the portfolio. Naspers and Prosus are up 20% and 17% respectively. The recent announcement that they will simplify their shareholding structure and eliminate the cross holding between Naspers and Prosus is a positive development. Fortunately, we have large holdings in both.

Unfortunately, we gave back some of this performance over the last quarter with the performance of stocks like Libstar (down 18.6%), Northam (down 13%) and Sun International (down 20.3%). We still see significant value potential in all three of these holdings.

Notwithstanding the macro challenges, the current environment has offered opportunities for us to add to good quality, well managed businesses that are offering significant upside to intrinsic value. We recently added Pick 'n Pay to the portfolio. Although the recent increase in loadshedding costs is having a negative impact on margins in the short term, the new CEO, Pieter Boone, is having a positive impact on the business. We see improved market share gains over time, with scope to dramatically improve profitability. In addition, we have added to our existing holdings in AVI and Ninety One, both high quality, well managed businesses.

As mentioned in our last quarterly comments, the outlook both globally and locally remains uncertain, given the higher levels of inflation and uncertain interest rate outlook as well as the potential for the world to enter a recession. However, there are always opportunities to exploit. In South Africa, our universe of approximately 100 stocks still offers attractive investment opportunities. Based on our research: The median stock in our universe is on a one year forward price to earnings (PE) multiple of 9.4x, with an average forward dividend yield of 5%; the average normalised return on equity of our portfolio is 24%; and the median normalised PE multiple in the portfolio is 9.2x. These metrics remain attractive relative to historical levels. Buying equities at these levels has historically proven to offer good long-term returns for investors. After all, long-term returns are highly dependent on the price you pay.

Portfolio Manager
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