Sentio Sanlam Collective Investments Hikma Shariah Balanced Fund

Minimum Disclosure Document

As of 28/02/2025

MDD Issue Date: **17/03/2025**

Fund Objective

The objective of the Sentio Sanlam Collective Investments HIKMA Shariah Balanced Fund will be to provide long term capital growth while preserving capital with a reasonable level of income that complies with Shariah (Islamic Law) and the standards prescribed by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Fund Strategy

The manager invests in an actively managed balanced portfolio, with an equity exposure (including international equity) between 0% and 75% at all times. The investment policy followed by the manager will focus on achieving this by investing in a wide variety of asset classes such as equity securities, non-equity securities, listed property, money market instruments and assets in liquid form, both domestically and internationally, that have been approved for investment by the Shariah Supervisory Board (SSB) or Shariah Advisory Committee (SAC) from time to time. The portfolio shall invest in Shariah compliant domestic and global equities, domestic and global property companies, listed commodity ETF's, Sukuks, Shariah compliant instruments and listed equity capital protection instruments, that have been approved for investment by the SSB from time to time.

The portfolio will be predominantly invested in domestic assets, but may also invest internationally, within the statutory investment limitations and prudential investment requirements. The portfolio may also invest in participatory interests of underlying unit trust portfolios. The portfolio is compliant with regulation 28 of the Pension Funds Act.

Why Choose This Fund?

You should choose that fund if you are looking for a fund that generates capital growth with a reasonable income in a Shari'ah compliant way, benefiting from a detailed bottomup stock picking integrated in a robust risk-management framework.

Fund Information

Ticker	SSCBA2
Portfolio Manager	Imtiaz Suliman & Sanveer Hariparsad
ASISA Fund Classification	South African - Multi Asset - High Equity
Risk Profile	Moderate
Benchmark	ASISA Category Avg: SA - Multi Asset - High Equity
Fund Size	R 286,296,583
Portfolio Launch Date*	01/06/2016
Fee Class Launch Date*	08/09/2017
Minimum Lump Sum Investment	R 100,000
Minimum Monthly Investment	R 10,000
Income Declaration Date	June & December
Income Payment 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)	A2-Class (%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	1.02
Total Expense Ratio	1.11
Transaction Cost	0.21
Total Investment Charges	1.32
Performance Fee	—
TER Measurement Period	01 January 2022 - 31 December 2024

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.

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.

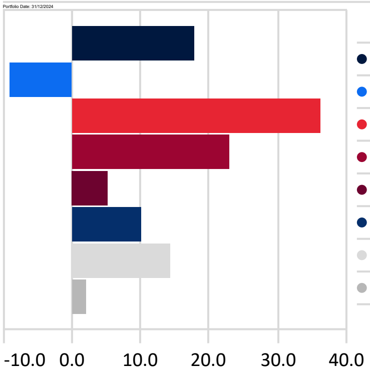
Total Investment Charges (TER + TC) is the total percentage value of the Financial Product that was incurred as costs relating to the investment of the Financial Product.

Effective 1 December 2024, SCI will change a monthly administration fee of R23 (VAT Inclusive) on retail investors whose total investment value is less than R50 000. Clients with an active recurring monthly debit order will not be levied this fee.

Top Ten Holdings

Top Ten Holdings	(%)
The RSA Domestic Sukuk Trustee	8.42
Dubai Islamic Bank	4.48
Clicks Group Ltd	3.96
Islamic Term Deposit	3.29
Islamic Term Deposit	3.14
Islamic Term Deposit	2.92
Bidvest Group Ltd	2.91
AVI Ltd	2.86
DAE Sukuk (DIFC) Ltd 3.75% 15022026	2.68
TJX Companies	2.60

Asset Allocation



	%
SA Cash	17.86
Non-SA Cash	-8.90
SA Equity	36.24
Non-SA Equity	22.95
Non-SA Sukuk	5.26
SA Money Market	10.10
SA Sukuk	14.39
Non-SA Property	2.10
Total	**100.00**

Annualised Performance (%)

	Fund	Benchmark
1 Year	12.11	13.77
3 Years	5.40	8.93
5 Years	9.74	11.07
Since Inception	7.11	7.94

Cumulative Performance (%)

	Fund	Benchmark
1 Year	12.11	13.77
3 Years	17.08	29.27
5 Years	59.15	68.99
Since Inception	67.13	76.99

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2024

Highest Annual %	21.63
Lowest Annual %	-1.27

Risk Statistics (3 Year Rolling)

Standard Deviation	6.39
Sharpe Ratio	-0.28
Information Ratio	-0.77
Maximum Drawdown	-7.62

Distribution History (Cents Per Unit)

31/12/2024	19.63 cpu
30/06/2024	27.81 cpu
31/12/2023	19.03 cpu

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Risk Profile

Moderate
This is a medium-risk portfolio that aims to deliver income and capital growth over the medium term. This portfolio is designed to minimise volatility and aims to cultivate as smooth a ride as possible. There is some exposure to risky asset classes (such as equities) necessary to grow capital over the medium to long term. This portfolio has a medium to long-term investment horizon. The portfolio is diversified across all major asset classes with an average exposure to equities, and offers real (after inflation) returns but with lower volatility.

Glossary Terms

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 foreignbased 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.

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.

Additional Information

Investment Manager Information
Sentio Capital Management (Pty) Ltd
(FSP) License No. 33843
Physical Address: Illovo Edge, Building 3, 1st floor, 5 Harries Road, Illovo, Johannesburg, South Africa, 2196
Postal Address: Illovo Edge, Building 3, 1st floor, 5 Harries Road, Illovo, Johannesburg, South Africa, 2196
Email: Info@sentio-capital.com
Website: www.sentio-capital.com

Manager Information
Sanlam Collective Investments (RF) (Pty) Ltd
Physical Address: 55 Willie van Schoor Avenue, Bellville, South Africa, 7530
Postal Address: Private Bag X8, Tygervalley, 7536
Tel: +27 (21) 916 1800
Email: service@sanlaminvestments.com
Website: www.sanlamunittrusts.co.za

Trustee Information
Standard Bank of South Africa Ltd
Tel: +27 (21) 441 4100
Email: compliance-sanlam@standardbank.co.za

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Portfolio Manager Comment

2024 – The year that was:
2024 was characterised by a mix of ongoing US exceptionalism, powershifts as 65 countries involving 4.2bn people and representing more than 60% of the world's GDP went to the polls. The result was an expression of discontent with the incumbents, with a many government changes from the United Kingdom and the United States to South Africa, India, Japan, and South Korea, just to name a few. US rate expectations gyrated wildly during the year and after the Fed eventually started cutting rates, economic data suggest that the rate cycle might actually be a soft one. Elsewhere in macro land, the ECB started their rate cutting cycle, while Japan hiked rates for the first time in years. China continued to stutter, without a decisive stimulus and the many policy announcements failing to address the main issues around the malaise in the property market and rock-bottom consumer and business confidence. 2024 was also still rife with geo-political tension as the Russia/ Ukraine war went into its third year, the Middle East Conflict spread beyond Gaza and saber-rattling in the East involved China, Taiwan and the Philippines.

Markets responded to the above with low breadth across geographies and sectors, US exceptionalism driven by Tech (Magnificent 7), and high levels of stock volatility that only occasionally saw expression in index volatility levels.

Back home, in South Africa, the general elections in May yielded a new government in form of a Government of National Unity (GNU), that survived the first 7 months against many commentators' expectations and instilled the feeling of a "new dawn" into the economy and markets, with loadshedding eradicated, and economic reforms – if tepidly – advancing. Investors rewarded this backdrop with solid returns across asset classes, and even foreigners playing a part, albeit only in bond markets for now.

Outlook & Strategy

"Never confuse a single failure with a final defeat."
-F Scott Fitzgerald

US Politics and Trumponomics 2.0
The year 2025 is expected to be dominated by U.S. politics, with Donald Trump's return to office likely reshaping global economic and market dynamics. "Trumponomics 2.0" will emphasize trade negotiations, immigration reform, fiscal stimulus, and deregulation, positioning the U.S. for relative economic outperformance but fostering heightened policy uncertainty. Trump's zero-sum negotiation approach, often leveraging threats to secure favorable terms, is expected to create significant pressure on key trade partners like China and Europe. Tariffs may be introduced as a tactical tool, particularly against ideological competitors, but high inflation concerns could limit their implementation. Volatility is anticipated as the administration's policies evolve, and the global economy reacts to shifts in U.S. trade, fiscal, and monetary strategies.

Global Economic Landscape
The U.S. economy is projected to maintain robust growth, supported by recent productivity improvements and resilient consumer spending. However, higher inflation and tighter financial conditions may weigh on momentum in the second half of the year. While the policy mix is expected to favor U.S. economic strength, risks from fiscal excesses and trade tensions persist. In contrast, China continues to face structural and cyclical challenges, including weak consumer confidence, a sluggish property sector, and limited effectiveness of monetary policy under Xi Jinping's leadership. Growth in China is forecasted to fall below the official 5% target, with reforms and confidence restoration efforts failing to deliver significant results.

Europe faces its own set of challenges, grappling with structural inefficiencies, a leadership vacuum, and low investor confidence. Japan struggles to revive consumption, with its economy weighed down by demographic pressures and weak domestic demand. In this context, global growth in 2025 is expected to remain stable but regionally uneven, with emerging markets (EMs) bearing the brunt of U.S. dollar strength, elevated rates, and geopolitical risks.

Inflation and Monetary Policy
Global inflation is gradually converging toward central bank targets, though the final leg of this journey is likely to be uneven and region-specific. In the U.S., potential tariffs and fiscal easing could introduce upside risks to inflation, complicating the Federal Reserve's efforts to guide the economy toward stable growth. We expect the Fed to cut rates toward a terminal level of 4%, while the European Central Bank (ECB) is likely to aim for 1.5%. The divergence in policy rates reflects varying inflation and growth challenges across regions. Bond markets, particularly in the U.S., could see continued volatility, with investors demanding higher risk premiums in response to fiscal profligacy and increased government debt issuance. Rising yields may also exert downward pressure on equity markets.

Market Dynamics
Equities are expected to deliver positive returns in 2025, led by U.S. markets, where earnings growth is likely to remain a key driver. However, higher bond yields and potential disappointments in economic data could lead to corrections. Emerging markets present a mixed outlook. While they have benefited from global economic resilience and rate cuts in 2024, uncertainties around U.S. policy, China's growth trajectory, and geopolitical dynamics pose significant risks. A strong dollar, uneven global growth, and lingering inflation concerns further cloud the outlook for EM assets.

In commodities, a robust U.S. dollar and subdued demand from anemic global growth are likely to keep oil prices under pressure. Bulk and industrial metals may struggle, while gold could gain support from central bank purchases and increased safe-haven demand amid global uncertainties.

South Africa: Opportunities and Challenges
South Africa stands out as a potential outperformer in 2025, benefiting from economic reforms, attractive valuations, and a recovery from a low base. Positive domestic trends, including capex growth, retail recovery, and reforms in state-owned enterprises, offer opportunities for investors. Recent developments, such as pension reform, rate cuts by the South African Reserve Bank (SARB), and growth in the tourism sector, underscore the improving domestic landscape. Visa reforms to facilitate tourist inflows from India and China could further boost economic momentum.

However, external risks persist. The possibility of fresh U.S. tariffs on Chinese imports could weaken the Chinese yuan, triggering broader depreciation in emerging market currencies, including the South African rand (ZAR). For South African investors, the key question will be whether earnings growth can outpace potential currency weakness. Given the low base for earnings and the ongoing reform momentum, there is optimism that domestic markets could deliver healthy returns.

Investment Strategy and Risks
Volatility will likely remain a defining feature of 2025, driven by uncertainties around U.S. policy under Trump, China's economic challenges, and broader geopolitical risks. For emerging market investors, the outlook is particularly convoluted, with fiscal, political, and geopolitical issues intersecting to create a challenging environment. While EM assets have shown resilience in 2024, they remain vulnerable to shifts in U.S. rates, a stronger dollar, and potential trade conflicts.

Globally, equity markets are expected to benefit from growth muddling through and lingering inflation concerns vs bonds, with sectors resilient to policy shocks likely to outperform. Commodities, while under pressure, may see selective gains in precious metals and PGMs. As always, diversification and a cautious approach to risk management will be critical in achieving targeted outcomes in 2025.

The strategy for navigating these risks involves balanced portfolio construction and a focus on economies demonstrating prudent fiscal and monetary policies. For South Africa, attractive valuations, improving fundamentals, and reform momentum make it a compelling investment case. The ALSI forward P/E of 10.5x and the recovery in key sectors signal potential for strong returns.

In summary, while challenges remain, 2025 should offer significant opportunities active investors, particularly in regions like South Africa that combine attractive valuations with positive structural momentum. By balancing geographic, factor, sector and asset class exposures, the fund will aim to navigate the complexities of a volatile year while targeting healthy returns.

Portfolio Managers
Mohamed Mayet
BCOM (Wits), BCOM Hons (Adv Fin), NASD (USA)

Rayhaan Joosub
BSc Chemical Engineering (Wits) , BCom (Unisa)

Imtiaz Suliman
CFA: CFA Institute , BSc: Financial Mathematics, University of Pretoria

Olwethu Notshe
B.Bus Sci, CFA, CAIA

Sanveer Hariparsad
CFA; CAIA; MSc (Fin Eng); BSc (Hons) (Fin Math) (Cum Laude); BSc (Act Sci)