

Sanlam Employee Benefits

Sanlam Umbrella Fund investment report to the Joint Forum

June 2017

Insurance

Financial Planning

Retirement

Investments

Wealth

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Background and overview of the Fund

Investment Strategy

The trustees take responsibility to ensure that the fund offers an appropriate range of investment choice options. Under the Sanlam Umbrella Fund, employers can choose to participate in a pension fund or a provident fund and can choose from a number of investment structures.

- The **Standard Option**: all members' are invested in the employer selected default investment strategy, i.e. no member investment choice is available. A choice of four default strategies are available.
- The **Optimal Option**: members are invested in the Sanlam Blue Lifestage Strategy. Conservative members have the option to opt out and invest in the Sanlam Monthly Bonus Fund. Qualifying members have access to more than 1 000 retail collective investment schemes available on Sanlam's Glacier Retirement Fund Solution. Members can also choose to invest the equity component in their own share portfolio.
- The **Comprehensive Option**: members are invested in the employer selected default (a choice of four default strategies are available). Members can choose a tailored investment strategy that suits their personal needs, selecting from the 4 trustee approved default investment strategies, a range of institutionally priced investment portfolios, including passive, smoothed bonus, multi-managed, absolute return and single manager balanced funds. Qualifying members have access to more than 1 000 retail collective investment schemes available on Sanlam's Glacier Retirement Fund Solution. Members can also choose to invest the equity component in their own share portfolio.

The Trustees have approved four default investment strategies to choose from for the Standard & Comprehensive Options, which are selected at participating employer level depending upon the investment objectives of the employer's members.

- **Sanlam Lifestage** aims over the long term to maximize retiring members' post-retirement income within acceptable risk levels as they approach retirement. The accumulation phase is a multi-managed strategy combining the best of both a passive and active management style. Also unique to Sanlam Lifestage is its ability to match the member's pre-retirement investment strategy to what the member intends on doing post their retirement date
- **Volatility Protection Strategy** is suitable for members who wish to achieve inflation-beating real returns over the medium to long term, but who are concerned about protecting against significant short term investment losses.
- **Passive Lifestage Strategy** is suitable for members who aim to contain investment management costs by choosing a passive investment management strategy tracking market indices.
- **Sanlam Blue Lifestage Strategy** invests in a "Best of Sanlam" lifestage model and aims over the long term to provide strong inflation-beating returns whilst offering capital protection as members approach retirement. This is also the only default investment strategy available on the Optimal Option.

The performance of the portfolios selected will directly affect member's eventual retirement benefit. The trustees regularly monitor the investment strategy and the investment choices on offer to ensure their appropriateness. A key part of this process is monitoring the performance of the portfolios selected and comparing it to the agreed investment benchmarks. The trustees appointed Simeka Consultants & Actuaries as investment consultants to assist them to monitor and manage the Funds' investments.

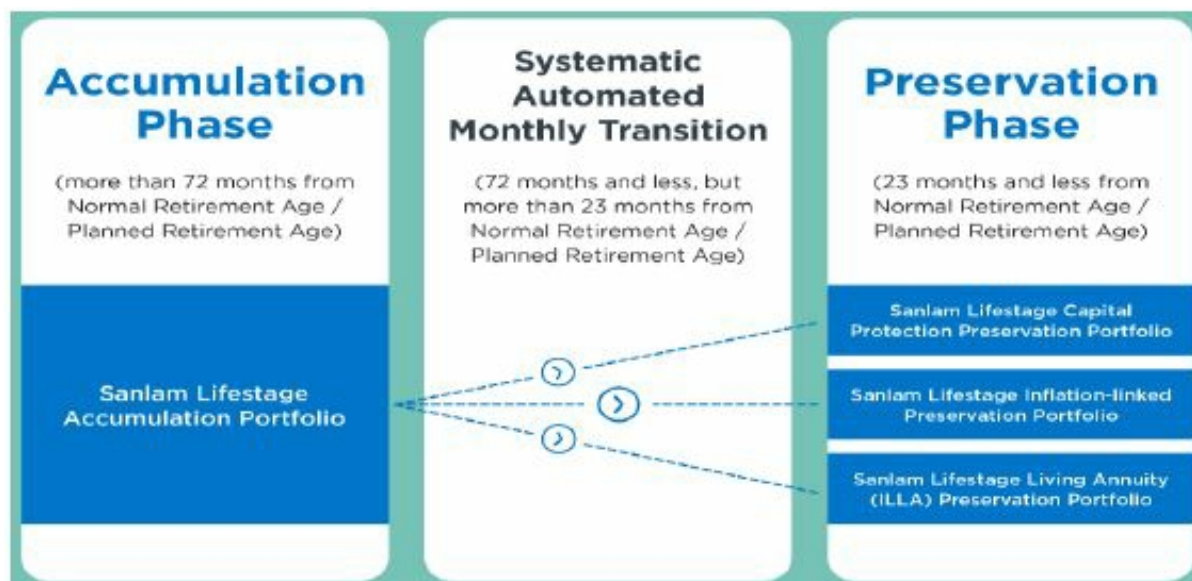
Background and overview of the Fund

The role of the Joint Forum

Each participating employer is required to establish and maintain a Joint Forum. This is a representative forum with equal representation by member and employer representatives where retirement fund benefits are considered and agreed upon. This forum therefore ensures member participation in the decision making and monitoring processes. One of the most important roles of the Joint Forum is to consider the appropriateness and performance of the default strategy as selected. Note that the employer technically remains the contracting party who acts on the decisions taken at the Joint Forum.

The Fund's default investment strategies

Sanlam Lifestage Strategy



Product Name	MRQ	1 Year	3 Years	5 Years	7 Years
Sanlam Life Stage Accumulation Portfolio	0.3	2.0	5.8	---	---
Sanlam Lifestage Capital Protection Portfolio	1.9	8.1	10.6	13.6	12.6
Sanlam Inflation Annuity Tracker Portfolio	0.6	-0.8	4.3	---	---
Sanlam Lifestage ILLA Preservation Portfolio	0.5	3.5	7.1	---	---

Volatility Protection Strategy

The trustees have agreed the following objectives for the Volatility Protection Strategy:

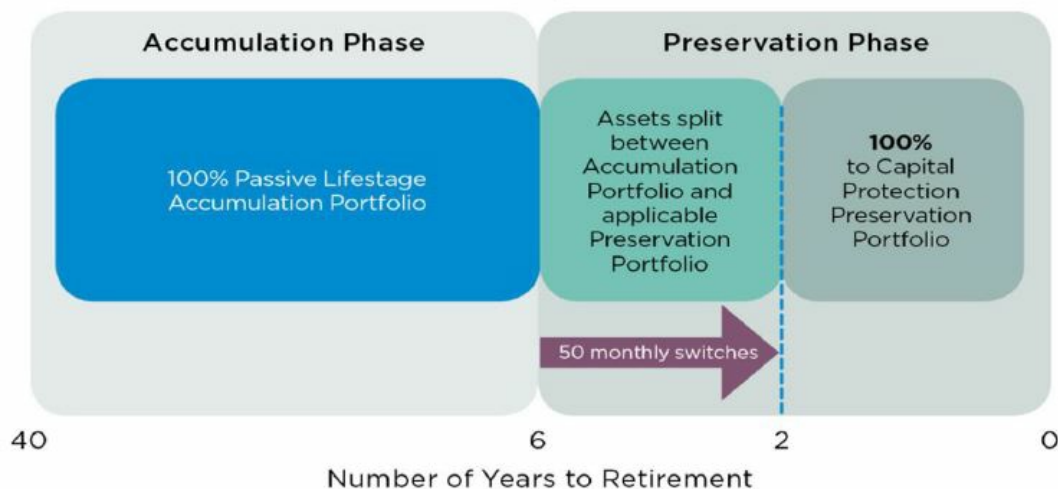
- An investment return of CPI + 3% net of fees over any 3 year rolling period (i.e. long term, inflation-beating returns);
- Aim to prevent capital loss not greater than 10% in any 12 month rolling period or 5% in any one month (i.e. protection against significant short term losses);
- "Volatility Protection" does not necessarily imply a 100% capital guarantee (however still structured to protect assets against significant losses).

The trustees review the investment strategy of the Volatility Protection Strategy continually, and will make periodic changes to the underlying investments in line with the objectives of the strategy. The Volatility Protection Strategy has historically invested contributions in the Sanlam Monthly Bonus Fund, but in early 2017 has commenced the process of investing new cash flows in the Satrix (SWIX) Balanced Tracker Fund with the intention that over time the Volatility Protection Strategy will be invested 75% in the Sanlam Monthly Bonus Fund and 25% in the Satrix (SWIX) Balanced Tracker Fund.

Product Name	MRQ	1 Year	3 Years	5 Years	7 Years
SATRIX (SWIX) Balanced Tracker Fund	0.5	2.1	7.5	13.1	13.7
Sanlam Monthly Bonus Fund	1.8	7.6	10.4	12.5	11.5

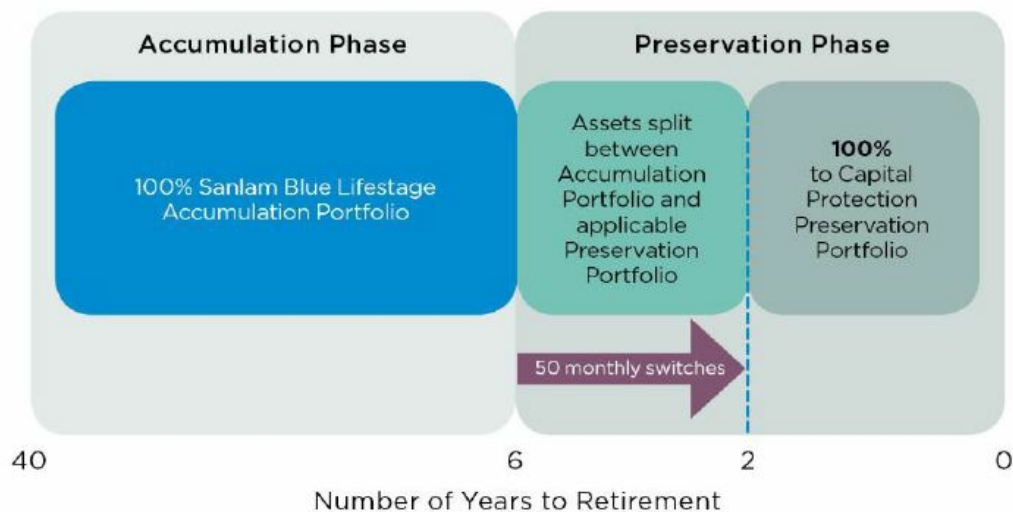
The Fund's default investment strategies

Passive Lifestage Strategy



Product Name	MRQ	1 Year	3 Years	5 Years	7 Years
SATRIX (SWIX) Balanced Tracker Fund	0.5	2.1	7.5	13.1	13.7
Sanlam Lifestage Capital Protection Portfolio	1.9	8.1	10.6	13.6	12.6

Sanlam Blue Lifestage Strategy



Product Name	MRQ	1 Year	3 Years	5 Years	7 Years
SIM Balanced Fund	1.2	5.6	6.7	12.6	13.4
Sanlam Lifestage Capital Protection Portfolio	1.9	8.1	10.6	13.6	12.6

Please note:

- Investment returns for the Lifestage Programme are quoted gross of investment management fees but net of performance fees.
- For the Smooth Bonus range, the bonuses declared are gross of investment management fees, but net of guarantee charges and performance fees.
- Investment returns for periods greater than 12 months are annualized.

Summary of Returns

Multi-Manager Range

Product Name	MRQ	1 Year	3 Years	5 Years	7 Years
SMM 70 Portfolio	-0.2	1.7	5.0	11.9	12.8
SMM 50 Portfolio	0.4	3.1	5.9	11.0	11.6
SMM 30 Portfolio	1.3	5.2	7.4	10.6	10.6
SMM Absolute Return +5% Portfolio	0.8	3.8	7.3	11.3	10.4
Sanlam NUR Balanced	-1.4	3.2	3.6	---	---

SIM Single Manager Range

Product Name	MRQ	1 Year	3 Years	5 Years	7 Years
SIM Balanced Fund	1.2	5.6	6.7	12.6	13.4
SIM Inflation Plus Fund	1.7	7.0	8.9	11.4	11.6
Sanlam Cash Fund	2.1	8.5	7.6	6.9	6.7

External Single Manager Range

Product Name	MRQ	1 Year	3 Years	5 Years	7 Years
Sanlam Allan Gray Domestic Balanced	-1.0	4.0	7.6	12.0	12.6
Allan Gray Global Balanced	0.3	4.0	8.0	13.7	13.7
Coronation Global Houseview	0.5	5.0	7.0	14.3	14.6
Sanlam Foord Balanced	1.2	2.0	6.2	11.3	---
SA Balanced (International)	0.8	4.0	8.4	12.6	13.4
Sanlam Prudential Balanced	0.4	4.7	8.4	14.3	---

The SA Balanced (International) portfolio is the Investec Balanced portfolio.

Index Tracking Range

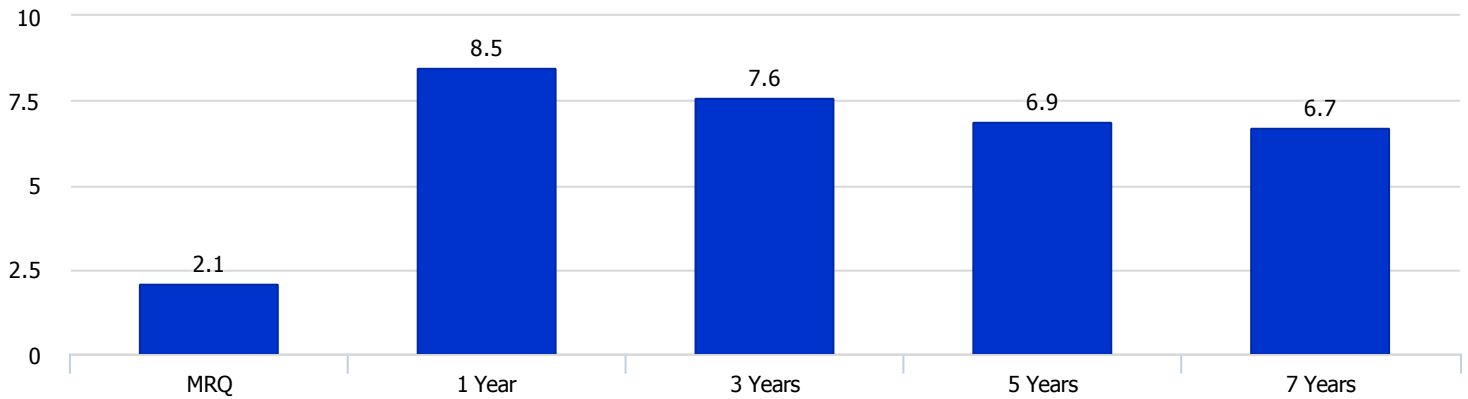
Product Name	MRQ	1 Year	3 Years	5 Years	7 Years
SATRIX (SWIX) Balanced Tracker Fund	0.5	2.1	7.5	13.1	13.7

Smoothed Bonus Range

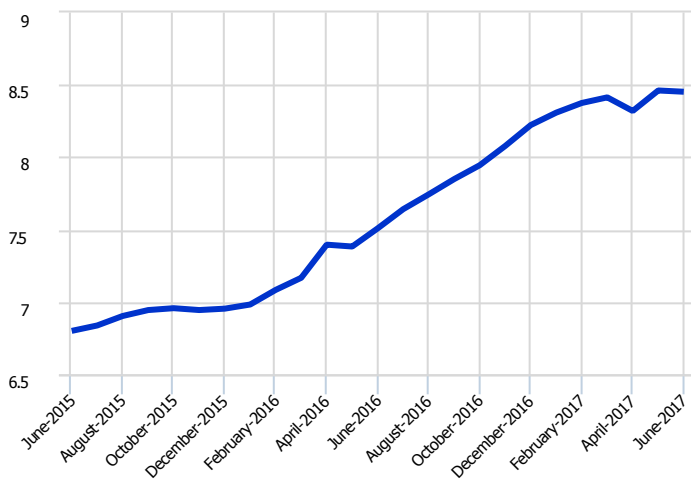
Product Name	MRQ	1 Year	3 Years	5 Years	7 Years
Sanlam Monthly Bonus Fund	1.8	7.6	10.4	12.5	11.5
Sanlam Stable Bonus Portfolio	1.9	8.1	10.6	13.6	12.6

Fund Analysis (Domestic Money Market)

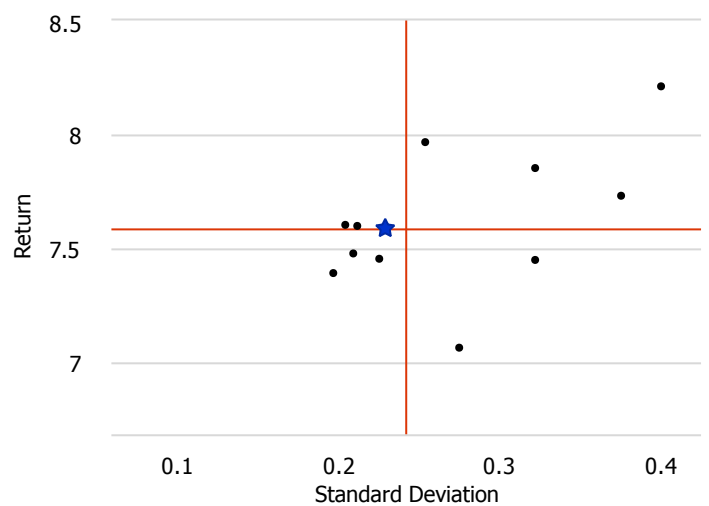
Historical performance as at June 2017



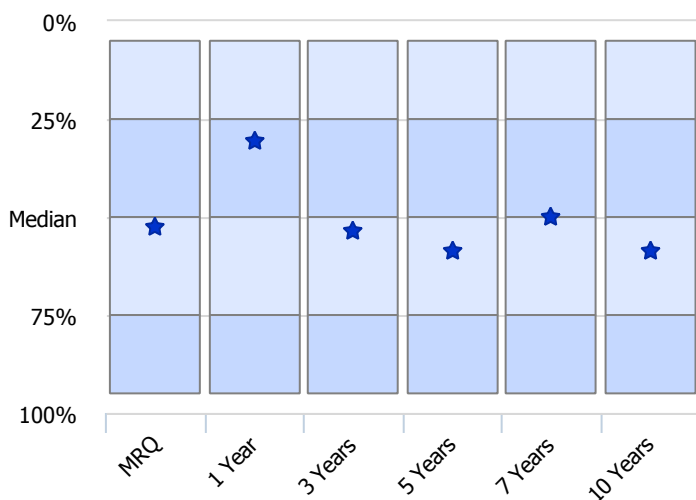
1 Year rolling returns as at June 2017



3 Year risk-return analysis as at June 2017



Peer ranking as at June 2017

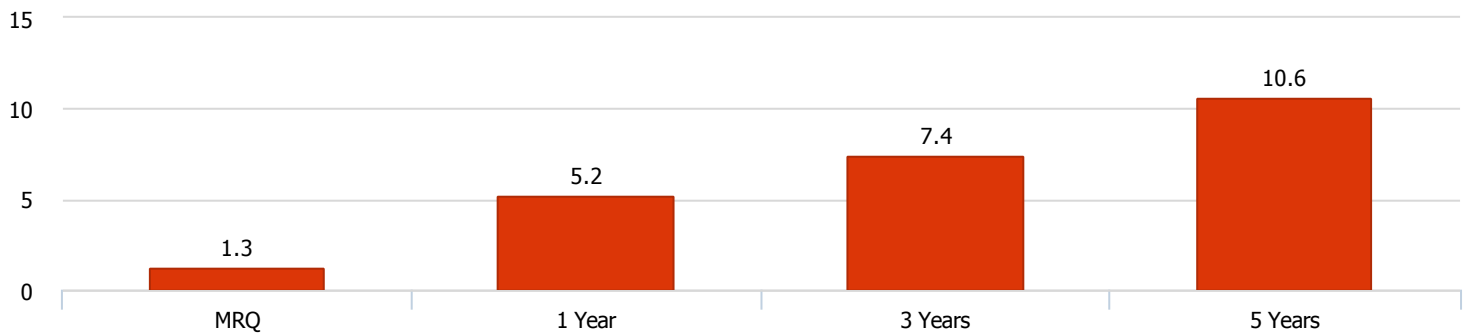


Universe: Domestic Money Market (includes Enhanced Cash)

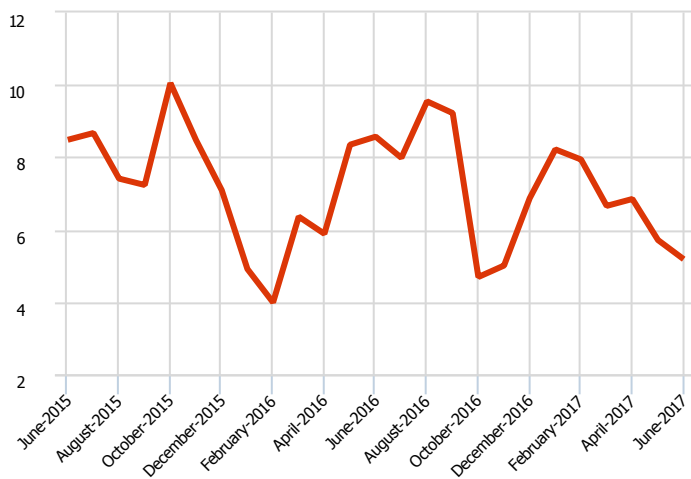
★ Sanlam Cash Fund + Universe Median

Fund Analysis (Conservative Global Multi-Asset Class)

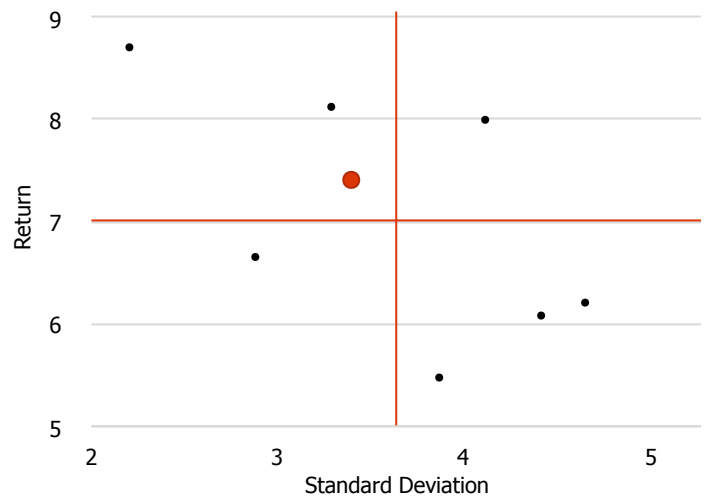
Historical performance as at June 2017



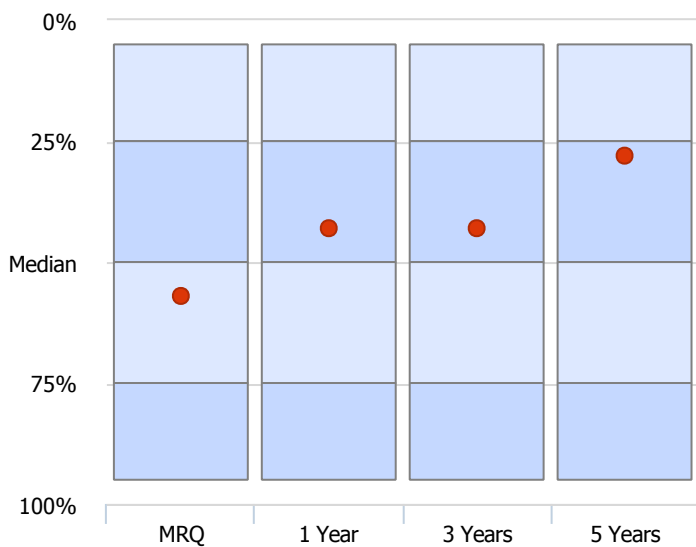
1 Year rolling returns as at June 2017



3 Year risk-return analysis as at June 2017



Peer ranking as at June 2017

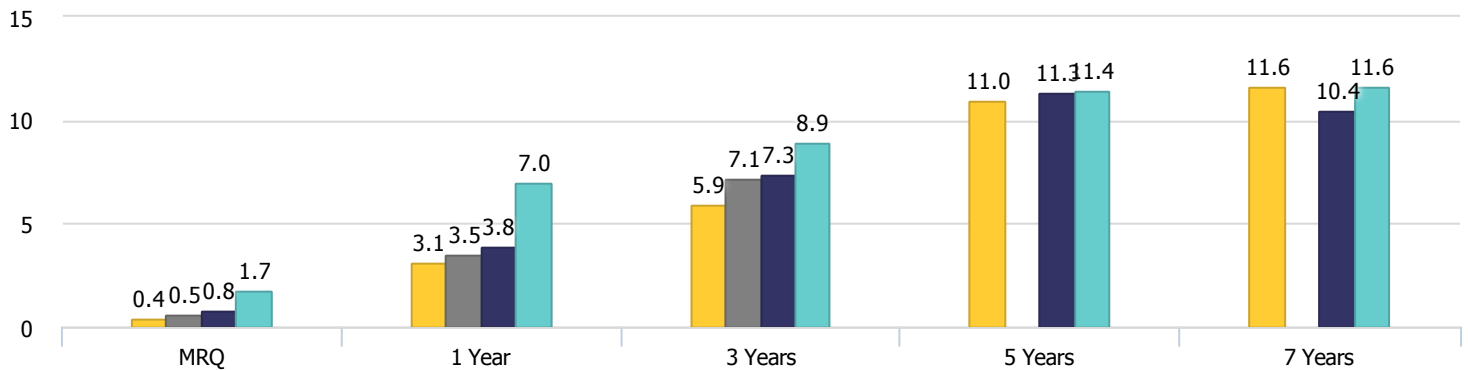


Universe: Conservative Global Multi-Asset Class

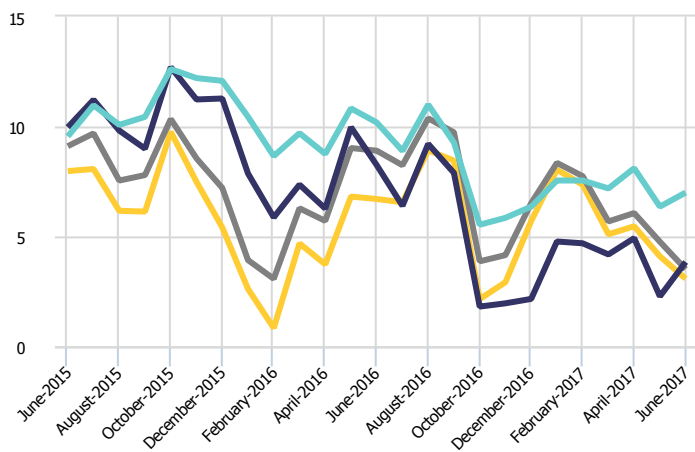
● SMM 30 Portfolio + Universe Median

Fund Analysis (Moderate Global Multi-Asset Class)

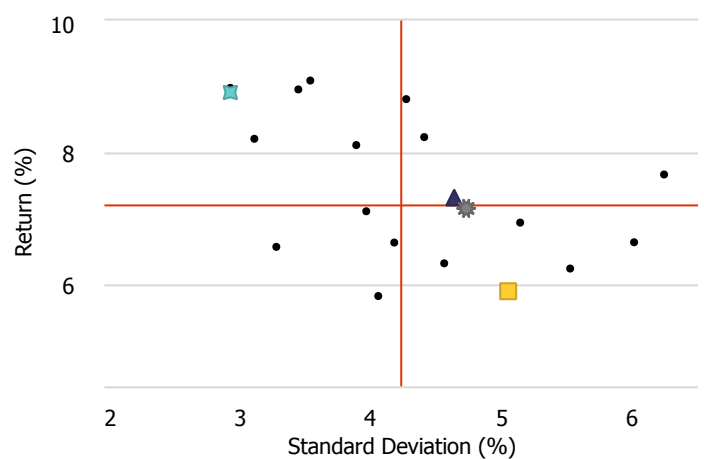
Historical performance as at June 2017



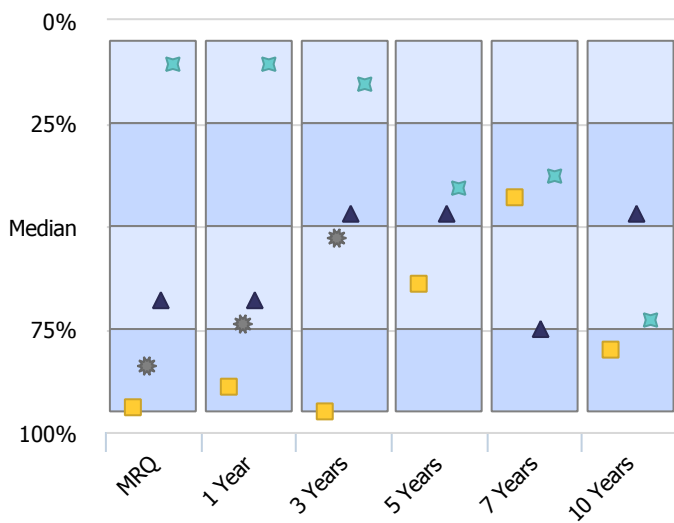
1 Year rolling returns as at June 2017



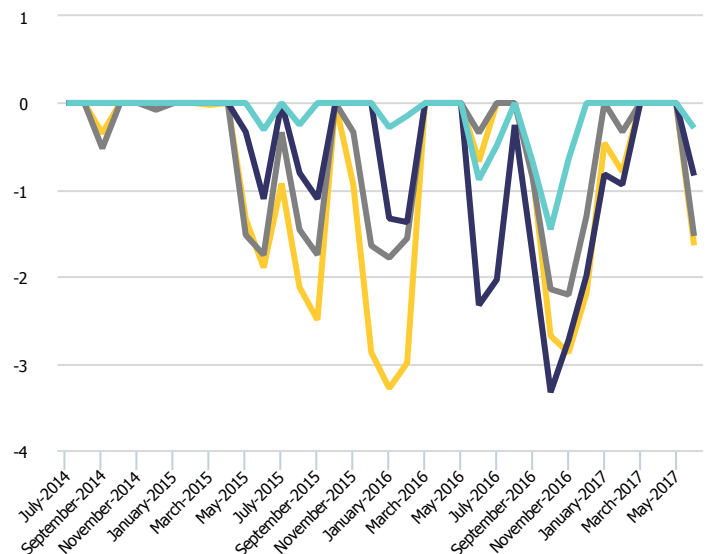
3 Year risk-return analysis as at June 2017



Peer ranking as at June 2017



Maximum 3-year drawdown as at June 2017

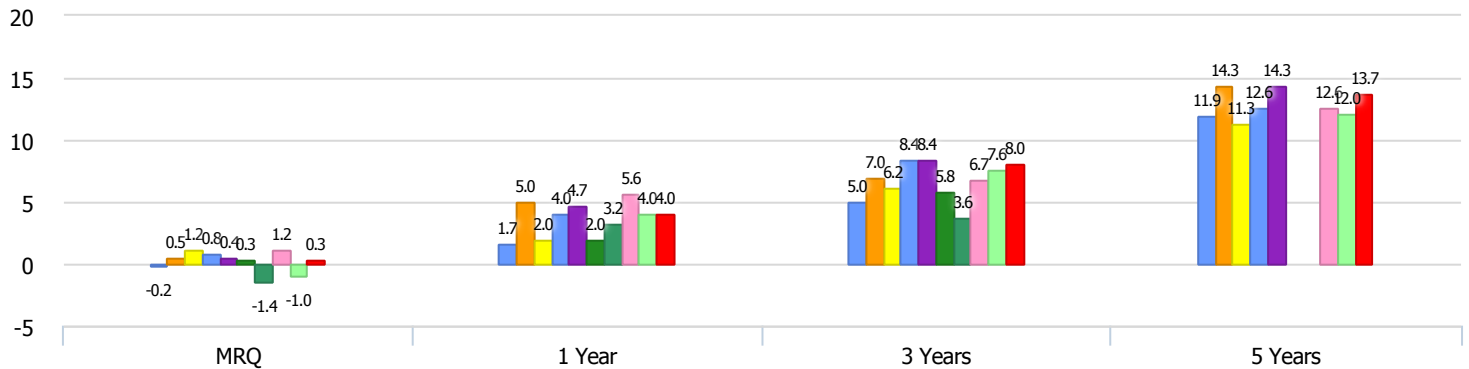


Universe: Moderate Global Multi-Asset Class

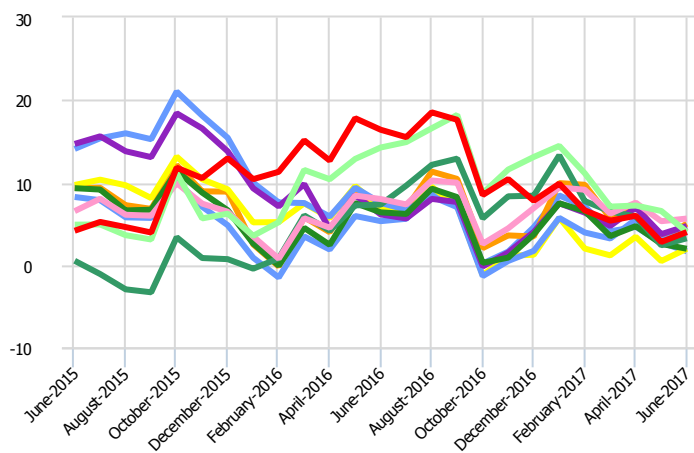
- SMM 50 Portfolio
- Sanlam Lifestage ILLA Preservation Portfolio
- ▲ SMM Absolute Return +5% Portfolio
- SIM Inflation Plus Fund
- + Universe Median

Fund Analysis (Aggressive Global Multi-Asset Class)

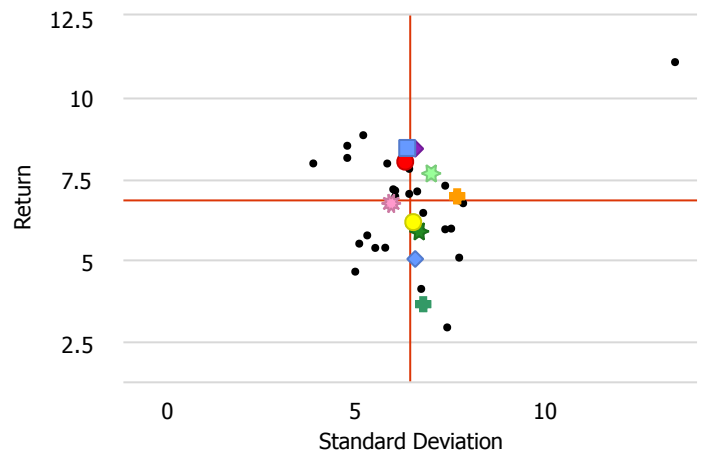
Historical performance as at June 2017



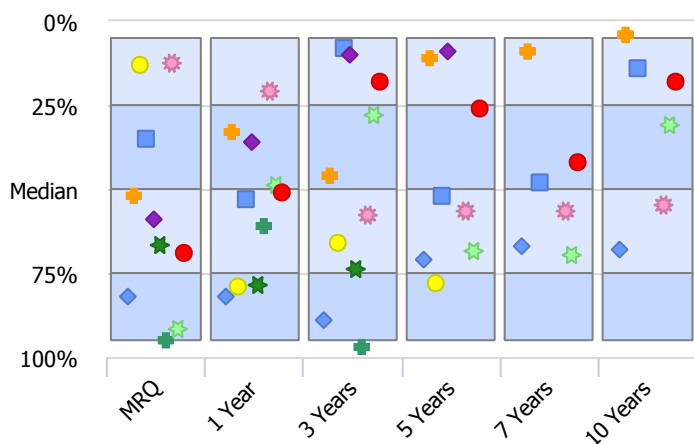
1 Year rolling returns as at June 2017



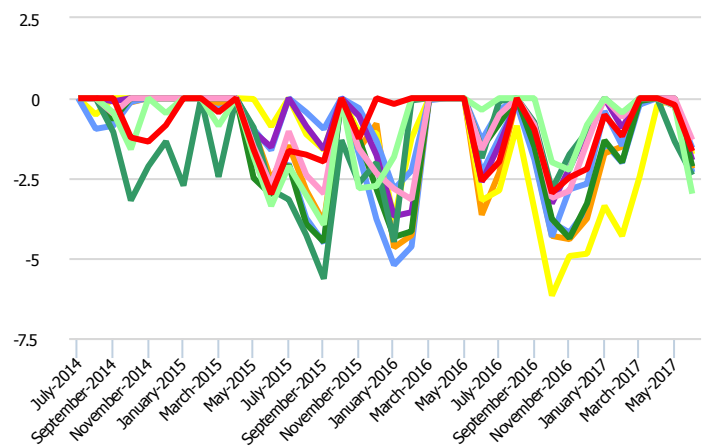
3 Year risk-return analysis as at June 2017



Peer ranking as at June 2017



Maximum 3-year drawdown as at June 2017



Universe: Aggressive Global Multi-Asset Class

- ◆ SMM 70 Portfolio
- ◆ Coronation Global Houseview
- Sanlam Foord Balanced
- SA Balanced (International)
- ◆ Sanlam Prudential Balanced
- ★ Sanlam Life Stage Accumulation Portfolio
- Sanlam NUR Balanced
- ◆ SIM Balanced Fund
- ★ Sanlam Allan Gray Domestic Balanced
- Allan Gray Global Balanced
- + Universe Median

All results in ZAR.

Performance Fee

The following table represents the impact which performance fees had on the following funds over a rolling one year period ending June 2017

Portfolios	Rolling 1 year Performance fees							
SMM 70 Portfolio	0.01%							
SMM 50 Portfolio	0.01%							
SMM 30 Portfolio	0.01%							
Sanlam Allan Gray Global Balanced	0.00%							
Sanlam Foord Balanced Fund	0.00%							
Sanlam Lifestage Accumulation Portfolio	0.01%							
Sanlam Preservation: ILLA	0.01%							
SMM Absolute Return CPI + 5% Portfolio	0.00%							
Multi Managed Portfolio	2011	2012	2013	2014	2015	2016	2017	Average
Sanlam Lifestage Accumulation	0.00%	0.00%	0.10%	0.03%	0.00%	0.01%	0.01%	0.02%
Sanlam Lifestage Living Annuity (ILLA) Preservation	0.00%	0.00%	0.10%	0.03%	0.00%	0.01%	0.00%	0.02%
SMM 70	0.01%	0.05%	0.08%	0.04%	0.02%	0.01%	0.01%	0.03%
SMM 50	0.01%	0.08%	0.01%	0.04%	0.00%	0.01%	0.01%	0.02%
SMM 30	0.00%	0.07%	0.01%	0.03%	0.00%	0.01%	0.01%	0.02%
Smooth Bonus Portfolio								
Sanlam Monthly Bonus	0.00%	0.00%	0.05%	0.10%	0.00%	0.00%	0.00%	0.03%
Sanlam Stable Bonus	0.00%	0.00%	0.05%	0.10%	0.00%	0.00%	0.00%	0.03%
Single Manager Portfolio								
Sanlam Allan Gray Global Balanced	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sanlam Foord Balanced Fund	0.00%	0.00%	0.31%	0.11%	0.03%	0.00%	0.00%	0.08%