Sanlam

Sanlam Corporate: Investments

Lifestage Report

Quarter 4 2019

Insurance | Financial Planning | Retirement | Investments | Wealth

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Overview of the Sanlam Lifestage solution

Sanlam Lifestage aims to meet a member's retirement savings requirement in a single seamless investment solution.

The product is designed to adapt to the time remaining for the member to retire, and to invest member's funds according to their risk appetite. Our solution is specially designed to meet member's income needs after retirement, this is done by investing member's funds in a preservation portfolio that is suitable for the member's annuity choice during retirement.

In terms of the Lifestage approach, a member's savings are initially invested in a portfolio that places emphasis on long-term capital growth with some tolerance for short-term market volatility.

As retirement approaches, member's savings are automatically switched to a preservation phase. A preservation phase protects a member against the specific risks inherent in the purchase of the particular annuity that the member is targeting to obtain an income in retirement.

Lifestage Solution

6 YEARS FROM RETIREMENT AGE

Accumulation phase

All members **more than 6 years** from Retirement Age

GROWTH

The Accumulation Portfolio aims to provide market-related capital growth to members (more than six years from retirement) who need to grow their retirement savings

Sanlam Lifestage Accumulation Portfolio

As members may employ a range of different income strategies at retirement, three Sanlam Lifestage Preservation Portfolios are available, each designed to align capital to an income strategy for an almost seamless transition into retirement. Should the member not make a choice of their preservation portfolio, their funds will automatically be invested in the default preservation portfolio, the Sanlam Capital Protection Preservation Portfolio.

Transition from the accumulation phase to the preservation phase takes place by means of 50 monthly switches, starting 6 years prior to retirement. This is essential to reduce market timing risk. The transitioning switches that shift exposure from the Sanlam Lifestage Accumulation Portfolio to the Sanlam Lifestage Preservation Portfolios are calculated and implemented monthly based on the actual age of the member. A member may plan to retire earlier than the normal retirement age determined by their employer, if this is allowed by their retirement fund. In such cases, planned retirement dates instead of normal retirement ages can be used to determine the timing of the transitioning process. This is done at no additional cost to the member.

22 MONTHS FROM RETIREMENT AGE

RETIREMENT AGE

Systematic automated monthly transition

All members less than **6 years but more than 22 months** from Retirement Age

Preservation phase

All members **22 months and less** from Retirement Age

50 MONTHLY SWITCHES

Transition from the accumulation phase to the preservation phase takes place by means of **50 monthly switches**

PROTECTION

A preservation phase protects a member against the specific risks inherent in the purchase of an annuity

Sanlam Lifestage Capital Protection Preservation Portfolio → Suitable for purchasing a guaranteed annuity

Sanlam Lifestage Investment-linked Living Annuity (ILLA) Preservation Portfolio → Suitable for purchasing a investment-linked living annuity

Sanlam Lifestage Inflation-linked Preservation Portfolio → Suitable for purchasing a inflation-linked annuity

Investment Portfolios offered in Sanlam Lifestage

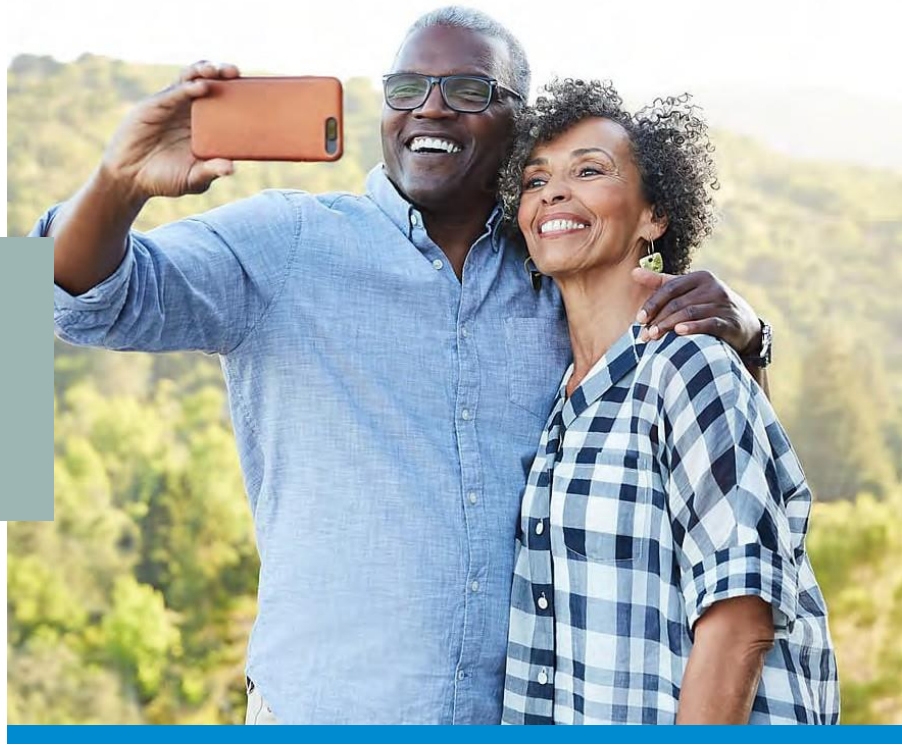
Accumulation Phase

Sanlam Lifestage Accumulation Portfolio

The Sanlam Lifestage Accumulation Portfolio aims to provide market - related capital growth to members who are more than six years from retirement and who need to grow their retirement savings.

The portfolio is a multi-managed portfolio which allocates its assets across equities, bonds, property and cash. A core - satellite investment strategy is generally employed whereby the core is a low-cost index-tracking strategy, around which the satellite managers aim for active returns through the out - performance of their respective benchmarks.

The fund is an aggressive portfolio displaying high levels of volatility over the short-term and is aiming to provide market - related growth.



Preservation Phase

Capital Protection Preservation Portfolio

The Sanlam Lifestage Capital Protection Preservation Portfolio invests fully in the Sanlam Stable Bonus Portfolio. The portfolio aims to protect the invested capital. The Stable Bonus Portfolio provides investors with exposure to the investment markets, while protecting them against adverse market movements.

This is achieved by smoothing the returns over time and offering capital protection on the capital invested together with the vested bonuses. Benefit payments include resignation, retirement, death, retrenchment and disability. A bonus is declared monthly in advance, which consists of vesting and non-vesting components. Bonuses cannot be negative.

The Capital Protection Preservation Portfolio is appropriate for a member wishing to purchase a guaranteed annuity at retirement, or who is uncertain on which annuitisation strategy they wish to employ at retirement.

The portfolio has a conservative risk profile.

Inflation-linked Preservation Portfolio

The Sanlam Lifestage Inflation-linked Preservation Portfolio aims to provide members nearing retirement with the ability to buy a post-retirement income that will grow in line with inflation after retirement. As such, the value of the investment portfolio may fluctuate when interest rates rise or fall, as it aims to match the movement in purchasing prices of inflation - linked annuities rather than protect or maximise growth of capital in the short-term.

The portfolio invests in a long-duration bond portfolio, the Sanlam Corporate Inflation Annuity Tracker Portfolio, where the benchmark for this portfolio is the SALI Real. The SALI Real Index has been developed by Sanlam to track the cost of purchasing an inflation - linked annuity.

The portfolio has a conservative risk profile.

Investment-linked Living Annuity (ILLA) Preservation Portfolio

The Sanlam Lifestage Investment-linked Living Annuity (ILLA) Preservation Portfolio aims to provide moderate market growth. The portfolio allocates its assets across equities, bonds, property and cash.

A core-satellite investment strategy is generally employed where the core is a low-cost index-tracking strategy, around which the satellite managers aim for active returns through the outperformance of their respective benchmarks.

This portfolio is suitable for members who want to invest in an investment-linked living annuity at retirement.

This portfolio has a moderate risk profile.

Macroeconomic commentary

Highlights

Global

- US Fed cut rates in October with a further 25 basis point cut expected in 2020
- China's Central Bank cuts Required Reserve Ratio by a further 50 basis points
- US-China "phase one" trade deal brings relief to markets; partial rollback of September tariffs and scrapping of December tariffs announced
- Brexit concluded on Conservative Party majority victory – now for an EU trade deal
- Leading economic indicators allay recession fears; point to moderate recovery in 2020

Local

- MTBPS warns of fiscal cliff
- Resumption of load-shedding risks technical SA recession
- Taylor Rule supports call for more aggressive SA rate cuts in 2020

Global economics

Global Equities

Global equities rallied strongly in Q4 2019 on receding trade tensions, a diminished risk of a hard-Brexit, liquidity injections by the Fed, the ECB and China and improvements in leading economic indicators. The MSCI World Index gained some 8.6% in US dollars, while emerging markets rallied a staggering 11.7% in US dollars on improving investor sentiment. Agreement reached on a "phase one" trade deal between the US and China was the primary catalyst for the rally, with the US agreeing to roll back the September tariff increases from 15% to 7.5% on USD121 billion of Chinese imports, and the removal of new tariffs on $156 billion of Chinese consumer goods, effective on 15 December.

In return, China committed to large annual purchases of US farm goods and made pledges related to intellectual property and the currency.

Boris Johnson's Conservative Party majority victory in December elections also diminished the risk of a hard-Brexit, although the tight deadline for reaching a trade agreement with the EU before the end of 2020 is likely to rekindle investor anxieties later in the year. Liquidity injections by the US Fed (USD60billion per month) into the repo market, ongoing quantitative easing by the ECB (Euro20billion per month) and the Bank of China's 50 basis point cut in the Required Reserve Ratio (USD115 billion) all underpinned risky assets.

Leading economic indicators also pointed to an economic recovery with indicators bouncing off their recent cyclical lows. Business and consumer confidence improved, US CFO optimism rose to an 18-year high and global PMIs advanced back to above the expansion line.

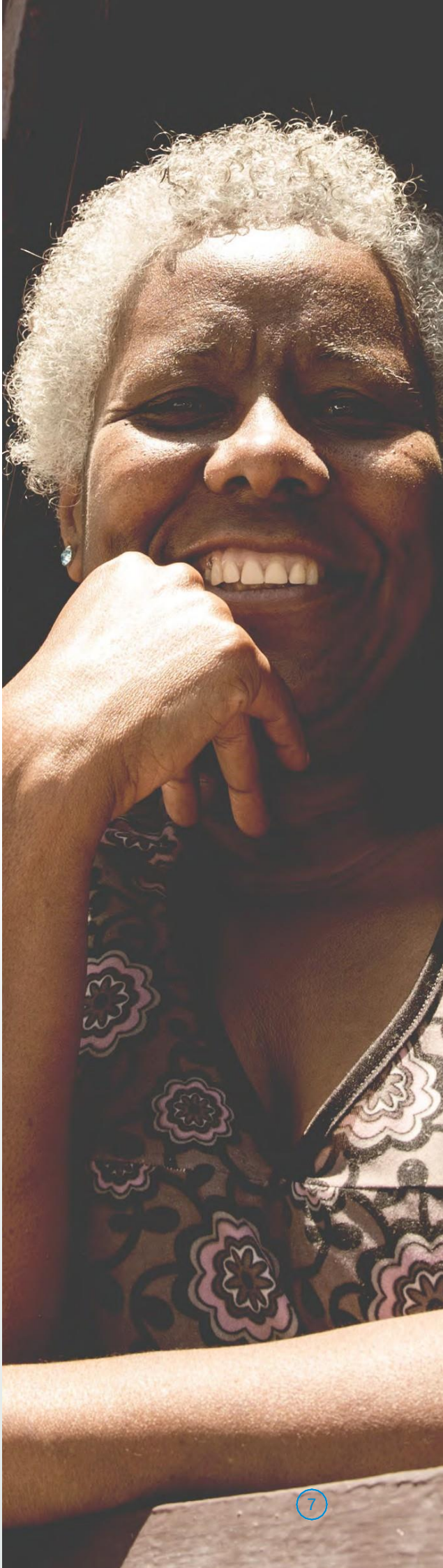
Japanese and EU manufacturing PMIs also gave back some of their November gains, suggesting that the global economy is not out of the woods yet. Nonetheless, improvements in US and Chinese PMI export orders, and improvements in South Korean and German exports point to a moderate recovery in global trade. Risks to the view include geopolitical shocks (a US-Iran proxy war) which will encourage capital flight back into safe-haven assets, a sharp increase in US inflation triggering a tightening in the fed funds rate, renewed US-China and US-EU trade tensions and a Democrat win in the upcoming November US elections

Consensus earnings expectations for the MSCI World Index are generally supportive of the base case view, with bottom-up earnings estimates for the MSCI World pointing to growth in the low double digits in the year ahead. Since EU equity markets are the driver of these earnings expectations, it is no wonder then that an emerging consensus view is for investors to overweight EU equities and to underweight the US. With trailing earnings contracting by some 4.8% for the year ending December, positive base effects should see an improvement in earnings growth this year. On a normalized basis (the 2-year average of expected consensus earnings), however, earnings growth in the high single digits is expected, capping returns in the year ahead. The justification for using normalized earnings as opposed to the 12-month estimate is that equity markets are statistically forward looking by around 9 months, with the price of the market implying a certain level of earnings.

A slight steepening in the yield curve, consistent with a modest economic recovery and rising commodity prices, could also result in a small market derating this year, limiting expected returns to around 6% in US dollars. In contrast, emerging market equities are expected to fare better on a normalized basis, with earnings in the low double digits factored into our valuation models. As a consequence, emerging markets are expected to deliver returns in the low to mid-teens in the year ahead. In the event that the cost of capital decreases on interest rate cuts and lower bond yields, a small rerating in emerging markets could elevate returns even further

Global Bonds

Given the risk-on environment in Q4 2019, global bonds gained a pedestrian 0.5% in US dollars but declined some 7.3% in rands. Amid indications that the global economy was gaining traction, the yield curve steepened with the yield on the Barclays Capital Global Aggregate Bond Index increasing from 1.3% to 1.5%. Breakeven inflation also increased, suggesting the market is pricing in higher inflation over the longer term. Concerns that US wage inflation would put upward pressure on overall inflation in 2020, in line with the trend in the Philips Curve, appears to have broken down following the release of December US non-farm payroll data. Wage inflation increased by 3% year/year, down from some 3.4% in November and 3.6% in October. Furthermore, with demographic changes bringing about structurally lower global aggregate demand as populations age, demand-pull inflation is expected to remain subdued, leaving the door open for accommodative monetary policy in 2020.



Since emerging markets have a greater leeway for rate cuts this year, downward shifts in their yield curves offer investors not only higher absolute yields, but also greater scope for capital appreciation and currency gains. It is no wonder then that emerging market bonds rallied some 3.4% in US dollars in the fourth quarter, outperforming their developed market counterparts. Inflation-linked bonds underperformed their sovereign counterparts in the fourth quarter of 2019, yielding some 0% in US dollars. The underperformance was due to an increase in real yields from -1.2% to -0.9% as insurers and defined benefit funds continued to unwind liability matching strategies.

Local economics

Local Equities

SA equities tracked their developed and emerging market counterparts higher in the fourth quarter of 2019, in spite of expectations that the domestic economy may have entered a technical recession in the fourth quarter, following the resumption of load-shedding. Growth expectations for 2020 have been revised lower with many analysts making some assumption about the persistence of load-shedding in their estimates. The World Bank in its Global Economic Prospects report revised its growth outlook lower to 0.9% for 2020, marginally higher than the estimated 0.4% for 2019. The World Bank cited persistent policy uncertainty, constrained fiscal space, subdued business confidence, infrastructure bottlenecks — especially in electricity supply — and weakening external demand, particularly from the Euro Area and China, as reasons for the downgrade. Financial stresses at Eskom also worsened the government's budget balance and has raised debt sustainability concerns, further weighing on sentiment.

Given the deterioration in proxies for household final consumption expenditure and for gross fixed capital formation, the World Bank estimates appears to be realistic, if not on the higher end of economists' most recent forecasts. Headwinds for household final consumption expenditure include high levels of unemployment and an erosion of household incomes due to tax increases expected to be announced in the February Budget. While the usual sin taxes will be increased, no adjustments for fiscal drag are expected, while wealth taxes (capital gains and dividend taxes) and even personal income tax for higher income earners, could be increased. Fuel and electricity levies are expected to rise, with Eskom also likely to get the green light from Nersa to raise tariffs by substantially more than the projected 8.1% for the current year. The expected shortfall in revenue could also force the Treasury to raise VAT by a further 1%, despite the political resistance to such a move.

Despite the poor outlook and expectation that per capita growth will continue to decline, the All Share Index rallied some 4.6% in rands and 13.5% in US dollars, courtesy of a 8.4% appreciation in the rand/US dollar exchange rate. A 6.2% gain in $-metals prices accompanied by gains of 2.5% and 7.9% respectively in dollar gold and platinum prices, buoyed the resources sector with the Resi-10 advancing some 13.5% in rands. The Fini-15 gained a more subdued 2.6%, while the Indi-25 brought up the rear with a disappointing -0.1%. Although rand-induced inflation is not our base case view for the year, a weaker rand is expected in the run-up to the National Budget given the heightened probability of a Moody's downgrade. Other risks to the inflation outlook include higher global food prices feeding into domestic food inflation, and higher electricity tariffs representing a further drag on disposable incomes. The only respite for consumers in 2020 is a possible cumulative 50 basis point cut in interest rates, with the first cut already delivered in January in what was a surprise move by the MPC. Following the rate cut, a further 25 basis point cut is still expected before the end of the year.

Similarly, the Council for Medical Schemes' (CMS) banning of low-cost health care products by March 2021, well before National Health Insurance's (NHI) 2026 starting date, not only deprives an estimated 500,000 low-income households from access to private health care, but could spell the end for medical schemes once NHI is promulgated.

Despite the regulatory uncertainties, pedestrian economic growth and an expected slowdown in earnings growth in 2020, an overweight tilt is retained in domestic equities given return expectations of around 10%. Catalysts that could trigger a market rerating and higher returns include prosecutions of high-profile state-looters and concrete plans to restructure failing SOE's, including greater private sector participation in these entities. While not our base case view but still an elevated risk, any moves to introduce prescribed asset requirements would be a big negative for equities as capital would flow out of equities into bonds.

Local Bonds

SA bonds gained 1.7% in rands and 10.3% in US dollars in the fourth quarter as yields on the All Bond Index increased from 9.47% to 9.55%. Better-than-expected inflation readings partially offset details of the sharp deterioration in the country's fiscal dynamics highlighted in the Medium Term Budget Policy Statement. While the search for yield has helped to underpin the market, the resilience of the bond market could however prove to be short-lived in the near term, given the State of the Nation Address (SONA) and the National Budget scheduled for February. This policy stance will make it even more difficult for the reformer Minister of Finance to reign in the public sector wage bill, reduce head-counts or implement wage freezes or below-inflation salary increases.

The extent of the country's fiscal slippage has increased the probability of a Moody's ratings downgrade in March, which will compel investors with investment grade mandates to exit their South African positions. While SA's foreign currency debt is small relative to other emerging economies at some 10% of total issuance, the short term effect could be a sharply weaker rand and a back-up in bond yields. With the fiscal deficit likely to remain elevated at 6% to 6.5% over the coming years, a repricing of default risk will be the catalyst for higher yields.

As investment-grade investors exit the bond market, junk bond investors are expected to take up the slack, providing a tactical trading opportunity for domestic institutional investors to increase their bond exposure. Even though bonds currently yield close to 6% in real terms, well ahead of our fair value estimate of 3.5%, bonds are downweighted due to an expected repricing of risk. In the event that our base case view proves to be correct and that a tactical trading opportunity does present itself, a more aggressive position will be taken in upweighting domestic bonds.

Inflation-linked bonds bore the brunt of lower-than-expected inflation in the fourth quarter, declining some 1.0% in rands but gaining 7.3% in US dollars. The real yield on the Barclays Capital Inflation-Linked Bond Index increased from 3.51% to 3.81%, accounting for the disappointing returns. Against the backdrop of benign inflation in 2019 and the expectation that inflation will be anchored at around the mid-point of the SARB's target range in 2020, a preference is retained for nominal rather than inflation-linked bonds. This is borne out by the spread between breakeven inflation of some 5.3% and our 4.8% inflation estimate. While an underweight position is retained in inflation-linkers until after the Moody's ratings decision, inflation-linkers will be upweighted to neutral on real yields of around 4%.

Economic performance summary to 31 December 2019

Asset Class Specific	3 Months	6 months	1 Year	3 Years	5 Years	10 Years
All Share Index (ALSI)	4.6%	-0.1%	12.0%	7.4%	6.0%	10.8%
Shareholder Weighted Index (SWIX)	4.8%	0.3%	9.3%	5.4%	4.8%	11.1%
Capped SWIX	5.3%	-0.1%	6.8%	3.5%	3.7%	N/A
Property (SAPY)	0.6%	-3.9%	1.9%	-3.7%	1.2%	10.8%
All Bond Index (ALBI)	1.7%	2.5%	10.3%	9.4%	7.7%	8.9%
STEFI Composite	1.7%	3.6%	7.3%	7.4%	7.2%	6.5%
MSCI World Index (Rand)	0.1%	8.2%	24.1%	13.4%	12.9%	16.7%
JP Morgan Global Agg	-8.3%	-0.2%	3.1%	4.8%	6.1%	8.9%
RAND vs US$	-7.8%	-0.8%	-2.8%	0.7%	3.9%	6.6%

SA Equity Sector Specific	3 Months	6 months	1 Year	3 Years	5 Years	10 Years
Financials	2.8%	-4.1%	0.6%	3.5%	3.9%	12.3%
Resources	13.8%	6.5%	28.5%	20.5%	8.2%	3.3%
Industrials	0.0%	-2.5%	8.9%	3.2%	3.5%	13.8%

SA Equity Size Specific	3 Months	6 months	1 Year	3 Years	5 Years	10 Years
Small Cap	0.7%	-2.5%	-4.1%	-5.5%	-0.4%	9.3%
Medium Cap	12.9%	10.9%	15.6%	3.9%	5.6%	12.1%
Large Cap	4.5%	-0.9%	12.4%	8.3%	6.1%	10.5%

Portfolio Commentary

Quarter ending December 2019

Sanlam Lifestage Accumulation Portfolio

The Lifestage Accumulation fund outperformed its benchmark over the quarter by 0.68% buoyed by a risk on environment both locally and globally. This is because many of the global geopolitical factors that had weighed on financial markets eased. In addition, monetary policy conditions remained very accommodative.

Within the manager selection portion the best performers were the equity blend, which added 0.07% of outperformance and International Cash, which returned 0.41%. The other managers to contribute positively to performance were the SA Property and SA Hedge Funds along with the International Bond managers. On the asset allocation side, International Bonds, International Equity, Offshore Emerging Equity were positive contributors. Locally the asset allocation to SA ILBs and SA Property contributed positively to the funds' performance.

Looking at the current positioning of the portfolio, the overweight's are Offshore Africa Equity, Offshore Emerging Equity assets and locally SA Cash, SA Hedge Funds and SA Equity are the overweight positions. The underweight positions in the portfolio are SA Bonds, SA Property, SA ILBs, International Equity and International Bonds.

Sanlam Lifestage Investment Linked Living Annuity Preservation Portfolio

The Lifestage ILLA Preservation fund outperformed its benchmark over the quarter by 0.25% buoyed by a risk on environment both locally and globally. This is because many of the global geopolitical factors that had weighed on financial markets eased. In addition, monetary policy conditions remained very accommodative.

Within the manager selection portion the best performers were the International Bonds, which added 0.03% of outperformance and International Cash, which returned 0.40%. The other managers to contribute positively to performance were the SA Equity, SA ILBs, SA Property and SA Cash managers. On the asset allocation side, International Bonds, International Equity, Offshore Emerging Equity were positive contributor. Locally the asset allocation to SA ILBs and SA Property contributed to the funds' performance.

Looking at the current positioning of the portfolio, the overweight's are International Equity, Offshore Africa Equity, Offshore Emerging Equity assets make up all the overweight position. The underweight positions in the portfolio are SA Bonds, SA Property, SA ILBs, SA Equity and International Bonds.

Sanlam Lifestage Capital Protection Preservation Portfolio

The portfolio aims to deliver consistently smooth investment returns through monthly bonuses declared in advance. In addition the portfolio provides guarantees on invested capital.

The portfolio is slightly underfunded as at December 2019, this is the result of poor market performance and the portfolio delivering consistently positive bonuses. The portfolio continues to strike a balance between two often conflicting objectives: downside protection (through smoothing and guarantees) and investment growth.

The portfolios funding level for Quarter 4 2019 is 98.1%, the annual return is 7.1% and the long-term return is 8.7% over the past 5 years. The bonuses are net of capital guarantee fee of 0.9% p.a., and gross of investment management fee.

Sanlam Lifestage Inflation Linked Preservation Portfolio

The portfolio aims to closely match movements in its benchmark index, the SALI Real. This index tracks the changes in the cost of an inflation linked annuity caused by changes in real interest rates. The portfolio therefore aims to preserve a member's ability to purchase an inflation linked annuity. As at 31 December 2019, the portfolio has consistently outperformed its benchmark, thus preserving the purchasing power of individuals to purchase an inflation linked annuity upon retirement.

Performance summary

Sanlam Lifestage to 31 December 2019	3 Months	6 months	1 Year	3 Years	5 Years
Accumulation Phase					
Accumulation Portfolio	3.1%	2.9%	12.2%	6.9%	6.2%
Benchmark	2.4%	1.8%	10.9%	6.6%	6.5%
Preservation Phase					
Capital Protection Preservation*	1.9%	3.7%	7.1%	7.6%	8.7%
CPI	0.5%	1.4%	4.2%	4.5%	5.1%
Inflation-Linked Preservation Portfolio	-0.8%	-0.2%	3.5%	1.9%	2.9%
Benchmark	-1.7%	-2.2%	0.6%	0.1%	1.7%
ILLA Preservation Portfolio	2.1%	2.6%	10.6%	6.9%	6.9%
Benchmark	1.9%	1.9%	9.9%	6.5%	6.4%

** The Capital Protection Preservation Portfolio does not have an explicit benchmark.*

Fund Fact Sheet

Sanlam Life Stage Accumulation Portfolio

December 2019

Fund Description

The portfolio is designed to provide long-term returns higher than that of a typical global balanced fund. The portfolio is suited for investors who have a long term investment horizon and can accept short term volatility. The fund has a multi-managed investment approach that incorporates a blend of active and passive investment strategies.

Fund Information

Inception Date	01-Jul-2013
Fund Size	R 15 823 million
Portfolio Manager	Sanlam Investments
Legal Structure	Pooled Life Policy

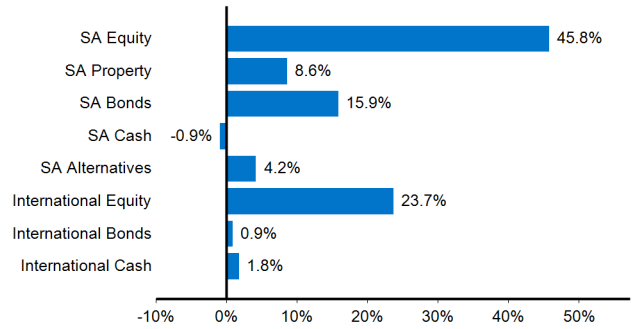
Benchmark

SA Equity - FTSE/JSE Capped SWIX	24.5%
SA Equity - FTSE/JSE Shareholder Weighted All Sh (SWIX)	24.5%
SA Property - FTSE/JSE SA Listed Property Index (SAPY)	8%
SA Bonds - All Bond Index (ALBI)	10%
SA Inflation Linked Bonds - JSE Inflation-linked Govt Bond Index (IGOV)	6%
SA Cash - STeFI Composite	2%
International Equity - MSCI World Equity Index (Developed Markets)	21%
International Bonds - Barclays Global-Aggregate Index (GABI)	4%

Asset Manager Allocation

Asset Class	Managers
SA Equity	Satrix, SMMI
SA Property	SMMI
SA Bonds	Matrix, Prescient
SA ILB	SSS
SA Cash	Coronation, SIM, SMMI Cash
SA Alternatives	Blue Ink, Ethos Mid Market
International Equity	GinsGlobal, ML Capital Drakens, Sanlam, Satrix
International Bonds	Investec
International Cash	JP Morgan
International Money Market	HSBC

Asset Composition



Risk Profile

Cautious	Moderate	Moderate-Aggressive	**Aggressive**

Time Horizon

0 - 2 years	2 - 3 years	5 years +	**7 years +**

Returns	Fund (%)	Benchmark (%)
1 Month	1.7	1.2
3 Months	3.1	2.4
6 Months	2.9	1.8
Year to date	12.2	10.9
1 Year	12.2	10.9
3 Years	6.9	6.6
5 Years	6.2	6.5
Since inception	9.1	9.5

Top 10 Equity Holdings	% of Fund
Naspers	4.8
Anglo American	1.5
British American Tobacco Plc	1.3
Firstrand Limited	1.3
Prosus	1.2
Standard Bank Group Limited	1.2
Impala Platinum Holdings Limited	1.1
Sasol Limited	0.9
BHP Group	0.8
ABSA Group Limited	0.7

Total Investment Costs (TIC)

Total Expense Ratio (TER)	Transaction Costs (TC)	Total Investment Charges (TER + TC)
1.14%	0.14%	1.28%

The TER was incurred as expenses relating to the administration of the Financial Product. The TC was incurred as costs relating to the buying and selling of the assets underlying the Financial Product. The TIC was incurred as costs relating to the investment 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 shown above is based on the highest fee tier where applicable and is calculated as at 30 June 2019.

Inclusive in the TER of 1.14%, a performance fee of 0.10% was recovered.

Contact Information
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Fund Fact Sheet

Sanlam Life Stage Capital Protection Preservation Portfolio

December 2019

Fund Description

The portfolio offers investors stable, smoothed returns with a partial guarantee on benefit payments (death, disability, resignation, retrenchment and retirement). A non-negative bonus is declared monthly in advance, which consists of a vesting and non-vesting component.

Fund Information

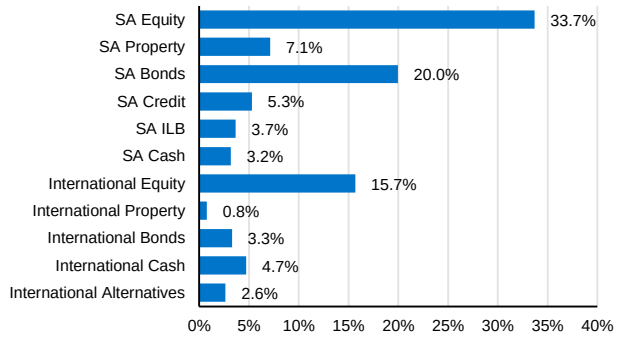
Inception Date	01-Sep-1986
Fund size	R3 327 million
Portfolio Manager	Sanlam Investments
Legal Structure	Pooled Life Policy

Strategic Asset Allocation

SA Equity – FTSE/JSE Capped SWIX	16%
SA Equity – FTSE/JSE Shareholder Weighted All Sh (SWIX)	16%
SA Property – JSE 7 – 12 years Total Return Index + 1.0%	6.5%
SA Bonds – All Bond Index (ALBI)	19%
SA Credit – 3 month JIBAR + 1.25%	5.5%
SA Inflation Linked Bonds – JSE Inflation-linked Govt Bond Index (IGOV)	2%
SA Cash – SteFI Composite	7.5%
International Equity – MSCI World Equity Index (Developed Markets)	17.5%
International Bonds – Barclays Global-Aggregate Index (GABI)	5%
International Cash – 3m USD LIBOR	2.5%
International Alternatives – 3m USD LIBOR + 2.5% (net of fees)	2.5%

Sectoral Exposure (Equity) %	% of Fund
Basic Materials	6.5
Industrials	1.1
Consumer Goods	2.1
Health Care	1.1
Consumer Services	2.1
Telecommunications	1.2
Financials	9.5
Technology	5.4
Additional	4.7

Asset Composition



Risk Profile

Conservative	**Moderate**	Moderate Aggressive	Aggressive

Time Horizon

0-2 years	2-3 years	**5 years +**	7 years +

Funding level

January 2020 — 97.86% funded

Gross Bonuses*	Fund (%)	CPI Inflation (%)
1 Month	0.6	0.1
3 Months	1.9	0.4
6 Months	3.7	1.3
1 Year	7.1	3.6
3 Years	7.6	4.5
5 Years	8.7	4.9
10 Years	11.2	5.1

* Net of guarantee fee, gross of investment fee

** 30/11/2019 CPI figures

Top 10 Equity Holdings	% of Fund
Naspers	4.4
FirstRand	1.6
British American Tobacco	1.5
Standard Bank Group	1.4
Anglo American	1.3
Prosus	1.2
Sasol	1.1
Implats	0.9
MTN Group	0.9
Consol Holdings	0.9

Total Investment Cost (TIC)

Total Expense Ratio (TER)	Transaction Costs (TC)	Total Investment Charges (TER + TC)
1.429%	0.070%	1.499%

The TER was incurred as expenses relating to the administration of the Financial Product. The TC was incurred as costs relating to the buying and selling of the assets underlying the Financial Product. The TIC was incurred as costs relating to the investment 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 shown above is based on the highest fee tier where applicable and is calculated as at 30 June 2019.

Inclusive in the TER of 1.429%, a guarantee premium of 0.9% and a performance fee of 0.020% were recovered

Contact Information

E-mail: SEBinvestments@sanlam.co.za Web: http://sanl.am.sebi

Fund Fact Sheet

Sanlam Life Stage ILLA Preservation Portfolio

December 2019

Fund Description

The portfolio is designed to provide moderate investment growth and is suitable for members who intend investing in an investment-linked living annuity at retirement. The portfolio invests across the equity, bond, property and cash asset classes.

Fund Information

Inception Date	01-Oct-2013
Fund Size	R 59 million
Portfolio Manager	Sanlam Investments
Legal Structure	Pooled Life Policy

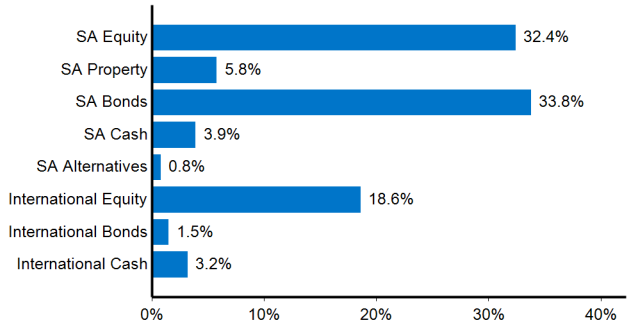
Benchmark

SA Equity - FTSE/JSE Capped SWIX	17.5%
SA Equity - FTSE/JSE Shareholder Weighted All Sh (SWIX)	17.5%
SA Property - FTSE/JSE SA Listed Property Index (SAPY)	6%
SA Bonds - All Bond Index (ALBI)	20%
SA Inflation Linked Bonds - JSE Inflation-linked Govt Bond Index (IGOV)	9%
SA Cash - STeFI Composite	10%
International Equity - MSCI World Equity Index (Developed Markets)	15%
International Bonds - Barclays Global-Aggregate Index (GABI)	3%
International Cash - 3m USD LIBOR	2%

Asset Manager Allocation

Asset Class	Managers
SA Equity	Satrix, SMMI
SA Property	SMMI
SA Bonds	Futuregrowth, Prescient, Satrix
SA ILB	SSS
SA Cash	Coronation, SIM, SMMI Cash
SA Alternatives	Ethos Mid Market
International Equity	Blackrock, GinsGlobal, Sanlam
International Bonds	Investec
International Cash	JP Morgan

Asset Composition



Risk Profile

Cautious	**Moderate**	Moderate-Aggressive	Aggressive

Time Horizon

0 - 2 years	**2 - 3 years**	5 years +	7 years +

Returns	Fund (%)	Benchmark (%)
1 Month	1.4	1.1
3 Months	2.1	1.9
6 Months	2.6	1.9
Year to date	10.6	9.9
1 Year	10.6	9.9
3 Years	6.9	6.5
5 Years	6.9	6.4
Since inception	7.9	7.7

Top 10 Equity Holdings	% of Fund
Naspers	4.8
Anglo American	1.4
Firstrand Limited	1.2
British American Tobacco Plc	1.2
Standard Bank Group Limited	1.1
Prosus	1.1
Impala Platinum Holdings Limited	1.0
Sasol Limited	0.9
BHP Group	0.7
MTN Group Limited	0.7

Total Investment Costs (TIC)

Total Expense Ratio (TER)	Transaction Costs (TC)	Total Investment Charges (TER + TC)
0.90%	0.11%	1.01%

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The TER shown above is based on the highest fee tier where applicable and is calculated as at 30 June 2019.

Inclusive in the TER of 0.90%, a performance fee of 0.06% was recovered.

Contact Information
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Fund Fact Sheet

Sanlam Life Stage Inflation-linked Preservation Portfolio

December 2019

Fund Description

The portfolio aims to provide members nearing retirement with the ability to buy a post-retirement income product that will grow in line with inflation after retirement. The investment portfolio may fluctuate when interest rates rise or fall, as it aims to match the price movements of inflation-linked annuities, rather than protect or maximise investment growth in the short term.

The portfolio invests in a long-duration bond portfolio, the Sanlam Employee Benefit Inflation Annuity Tracker portfolio. The benchmark for this portfolio is the SALI Real, which has been developed by Sanlam to track the cost of purchasing an inflation-linked annuity.

Fund Information

Inception Date	01-May-2013
Fund size	R5 million
Portfolio Manager	Sanlam Investments
Legal Structure	Pooled Life Policy

Benchmark

SALI stands for Sanlam Asset Liability Index. In the same way the All Share Index (ALSI) tracks the change in value of the stocks on the Johannesburg Stock Exchange over time, so SALI tracks the change in the cost of purchasing an annuity.

Real refers to inflation linked. Members, who want to maintain their standard of living in retirement, should consider buying an annuity that protects them against increases in the cost of living i.e. inflation. An inflation linked annuity is guaranteed to provide increases equal to inflation.

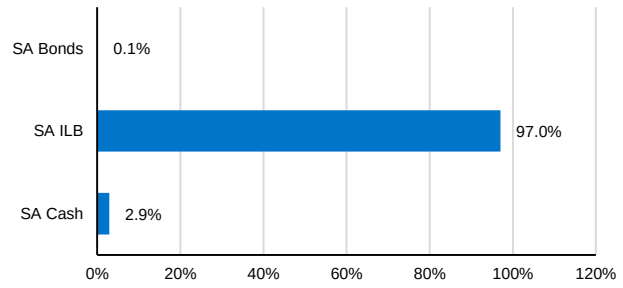
The **SALI Real** has been developed by Sanlam to track the cost of purchasing an inflation linked annuity.

As real interest rates move up (and down) and the cost of an inflation linked annuity decreases (or increases), so the index will change to reflect this change in cost.

Duration Distribution

Cash & Nominal Bonds	3.0%
Inflation Linked Bonds 0 – 3 years	-
Inflation Linked Bonds 3 – 7 years	13.1%
Inflation Linked Bonds 7 – 12 years	55.0%
Inflation Linked Bonds 12+ years	28.9%
Average Duration	**11.2%**

Asset Composition



Risk Profile

Conservative	Moderate	Moderate Aggressive	Aggressive

Time Horizon

0-2 years	2-3 years	5 years +	7 years +

Gross Bonuses	Fund (%)	Benchmark (%)
1 Month	1.2	1.4
3 Months	-0.8	-1.7
6 Months	-0.2	-2.2
1 Year	3.5	0.6
3 Years	1.9	0.1
5 Years	2.9	1.7

Total Investment Cost (TIC) *

Total Expense Ratio (TER)	Transaction Costs (TC)	Total Investment Charges (TER + TC)
0.700%	0.000%	0.700%

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The TER shown above is based on the highest fee tier where applicable and is calculated as at 30 June 2019.

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