Sanlam

Sanlam Corporate: Investments

Lifestage Report

Quarter 4 2020

Insurance | Financial Planning | Retirement | Investments | Wealth

Contents

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 until a member retires, and to invest a member's funds according to their risk appetite. Our solution is specially designed to meet a member's income needs after retirement, this is done by investing their funds in a preservation phase portfolio 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, the member's savings are automatically switched to a preservation phase portfolio. A preservation phase portfolio protects against specific risks inherent in purchasing an annuity that suits the member's retirement income needs.

Lifestage Solution

6 YEARS FROM RETIREMENT AGE

Accumulation phase

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

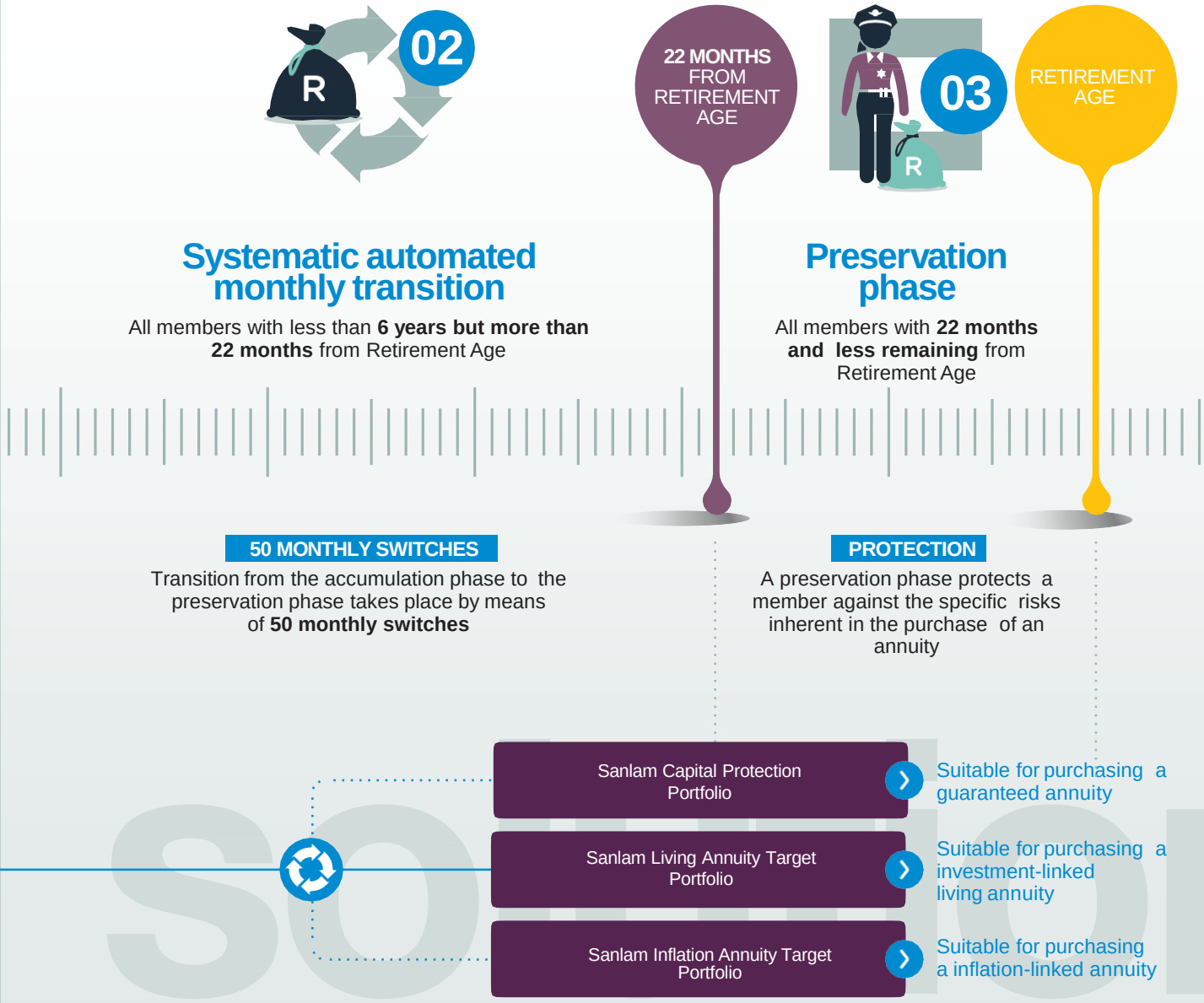
GROWTH

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

Sanlam Lifestage Accumulation Portfolio

As members may employ a range of different income strategies at retirement, three Sanlam Lifestage Preservation Phase 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 phase portfolio, their funds will automatically be invested in the default preservation phase portfolio, the Sanlam Capital Protection Portfolio.

Transition from the accumulation phase to the preservation phase takes place by means of 50 monthly switches, starting 6 years prior to retirement and is essential to reduce market timing risk. The aim of the switches is to transition exposure from the Sanlam Lifestage Accumulation Portfolio to the Sanlam Lifestage Preservation Portfolios, and these switches 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 at no additional cost to the member.



Investment Portfolios offered in Sanlam Lifestage

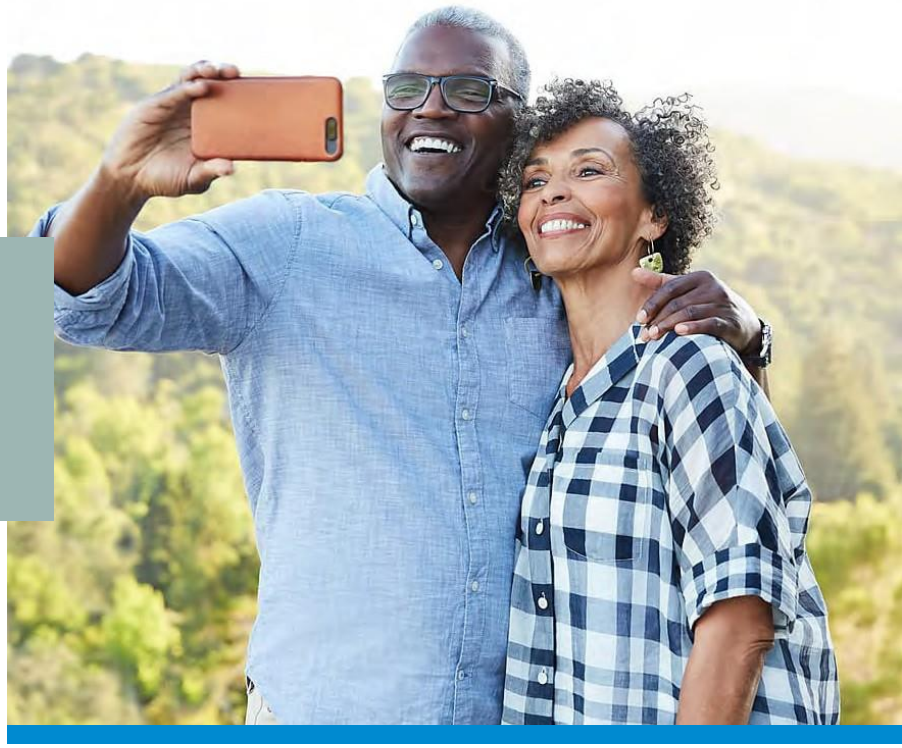
Accumulation Phase

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, private markets 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 aims to provide market - related growth.



Preservation Phase

Sanlam Capital Protection Portfolio

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

This is achieved through smoothing of 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.

The Capital Protection 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.

Sanlam Inflation Annuity Target Portfolio

The Sanlam Inflation Annuity Target 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. The portfolio 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, with the SALI Real as the benchmark. 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.

Sanlam Living Annuity Target Portfolio

The Sanlam Living Annuity Target 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

- Vaccine rollouts support reflation trade
- Trump signs USD900bn pandemic stimulus bill
- Lockdowns spread across the UK and EU
- FOMC revises US growth higher to 4.2% in 2021; retains bond purchases at USD120bn per month
- ECB to expand pandemic purchase programme by Euro500bn to Euro1.85 trillion; TLTROs extended to June 2022
- China/US trade tensions escalate over proposed delistings and bans on Chinese companies
- Democrats win Georgia Senate seats for clean-sweep of the House and Senate
- EU/UK conclude Trade and Cooperation Agreement (Brexit deal)
- EU/China Comprehensive Agreement on Investments signed
- Extreme market valuations a material risk to equity markets in 2021

Local

- SA Q3 GDP recovers from -17.5% to -6.1% year/year
- Slowing PMI momentum a headwind to near-term growth outlook
- SA moves from Level 1 to adjusted Level 3 lockdown restrictions

Global economics

Global Equities

Global equities continued their ascent in Q4 of 2020, buoyed by regulatory approval of Covid-19 vaccines and the start of nationwide vaccinations in the UK and the US. With the Pfizer/Biotech and Moderna vaccines given the green light, the MSCI World Index gained some 14.0% in US dollars and 0.4% in rands. The disappointing rand returns were due to a 13.6% appreciation in the rand/US dollar exchange rate, fuelled by an improving terms of trade (price of exports divided by the price of imports), a weaker US dollar and a current account surplus.

Emerging markets fared even better, gaining some 19.6% in US dollars and 5.3% in rands as optimism about a synchronised global economic recovery underpinned emerging markets. Nationwide vaccinations will likely end lockdown restrictions, fuelling the reopening/reflation trade. As a consequence, value stocks are expected to outperform growth stocks, small caps to outperform large caps and inflation-linked bonds to outperform their nominal counterparts. The sector rotation out of growth into value stocks was evident over the quarter, with value returning 15.9% in US dollars and growth some 12.6%.

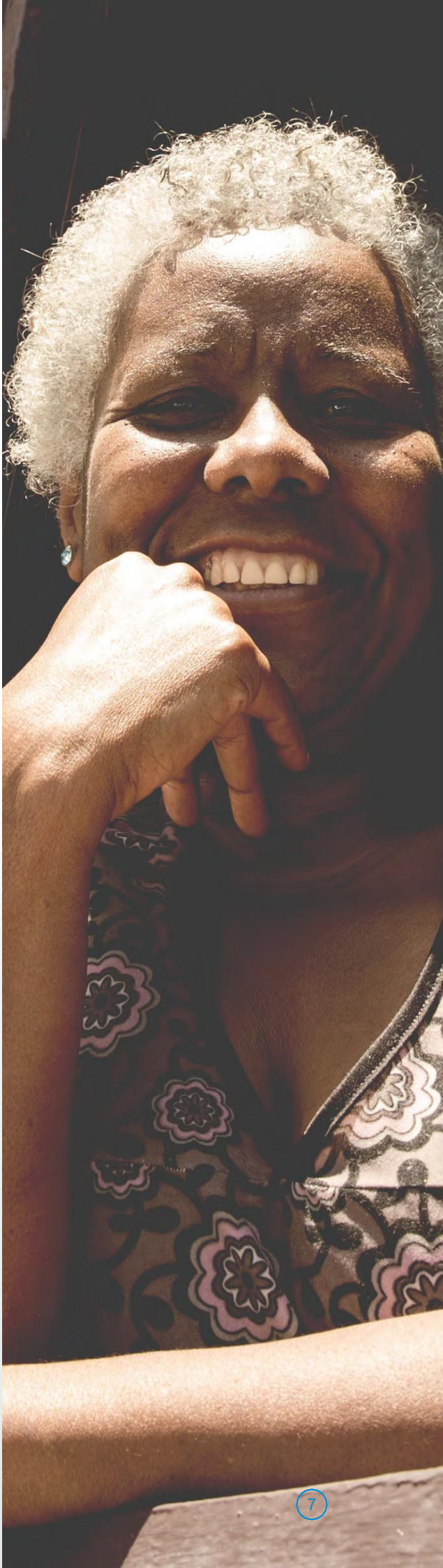
While emerging market stocks are expected to outperform their developed market counterparts over the next two years, supported by rising commodity prices and a weaker US dollar, over the next few quarters emerging markets may lag their developed market counterparts as vaccine rollouts face delays in these countries. But valuations pose the most material risk to equities in the year ahead. The MSCI World Index is trading on a forward price-to-earnings ratio of 25.5X, well ahead of the 16X mean. Similarly, emerging market equities are trading on a forward multiple of 20X earnings, also well ahead of the 11.9X mean. If our base case view materialises and inflation trends higher, a steepening in yield curves and rising bond yields will put downward pressure on equity multiples, risking a correction in prices. It must be stressed that although multiples are extremely rich, relative to bonds the equity risk premium still favours an overweight position in equities. While both developed and emerging market equities are overweighted, a larger overweight position is accorded to emerging market equities in the second half of the investment horizon.

Support for value over growth stocks was also due to Trump's executive order banning US investors from investing in Chinese companies with supposed links to the Chinese military. Other headwinds this year include anti-trust legislation in the US, UK, EU and China and a push for digital taxation to be introduced.

While lockdowns have been extended in the UK, Germany, Italy, France, Japan and China, near term growth prospects are expected to be negative as the services sector, in particular the seasonal tourism and hospitality sectors, suffer the effects of the lockdowns. However, progress made in mass vaccinations and herd immunity could see lockdown restrictions reversed sooner rather than later, with growth expected to rebound in the second half 2021. In contrast, manufacturing has held up well, in spite of the new lockdown restrictions. While momentum has eased, PMI indices are holding well above the 50 index neutral level, indicating ongoing expansion in the sector.

Further support for risk assets was President Trump's pandemic stimulus bill that was signed into law at the backend of the month. Totalling some USD900 billion, the bill includes $600 in one-off stimulus checks to individuals and a further $300 in weekly jobless benefits, half of what people received under the CARES Act. The pandemic bill was part of a larger USD2.3 trillion spending bill, intended to fund government through to the end of September 2021.

December also saw the conclusion to Brexit talks that resulted in the EU-UK Trade and Co-operation Agreement and the signing of the EU-China Comprehensive Agreement on Investments. In brief, the EU-UK trade deal avoids a hard border with Northern Ireland and preserves the four freedoms of the single market, namely free movement of goods, services, capital, and people. The UK achieves "zero tariff, zero quota" trade in goods with its main trading partner and avoids any role for the European Court of Justice in settling trade disputes. The EU-China Comprehensive Agreement on Investments (CAI), signed on 30 December, removes barriers to foreign investments in China for certain EU industries, such as new energy vehicles, cloud computing services, financial services and health.



Global Bonds

Despite the risk-on environment, yields on the Barclays Capital Global Aggregate Bond Index eased further from 0.91% to 0.83% as markets discounted a Republican win in the Georgia run-off elections. With Republicans expected to control the Senate, fiscal stimulus measures would be less expansionary than under a Democrat controlled Senate, thereby constraining inflation risks and capping bond yields at levels well below 1%.

Given this view, global bonds returned 3.3% in US dollars (-9.1% in rands) even as break-even inflation rates pushed higher across the treasury curve. US 10-year break-even inflation rates increased from 1.6% to 2% as investors betted on a global economic recovery that would reinflate economies. The widening spread between nominal and inflation-linked bonds was reflected in a further move lower in inflation-linked bond yields, resulting in a 4.9% US dollar return for the quarter. The real yield on the Barclays Capital Global Inflation-linked Bond Index fell from -1.48% to -1.64%, lending further support to equity market valuations.

While the Fed would welcome higher inflation, the fed funds rate is still expected to be anchored at near zero percent through to 2023, while the term premium increases across the curve, reflecting expectations of higher growth and rising inflation.

Sharply lower credit spreads highlight the risk of asset price bubbles in the corporate bond market as yields on investment grade credit are now at levels last seen in 1998. US BBB spreads are trading at 0.89%, down from 1.31% the previous quarter. Even in the high yield credit space, spreads have narrowed sharply although they may not yet be at an inflection point, suggesting some further near term gains in this asset class

Global Listed Property

Global listed property rallied an impressive 13.5% in US dollars over the quarter, supported by a 13.3% rally in November and a further 3.6% in December. The market appeared to shrug off concerns about the reimposition of lockdown restrictions in the EU, US and UK on optimism that a Covid-19 vaccine would result in the lifting of lockdown restrictions and a “normalisation” in back-to-work trends.

The sector rerated on a price-to-book basis from 1.2X to 1.35X, still below the historical mean of 1.43X. In light of the rerating and strong gains, however, the global listed property sector has been downweighted to neutral from overweight

Local economics

Local Equities

South African equities tracked their developed and emerging market counterparts higher in Q4 of 2020, yielding some 9.8% in rands and 24.6% in US dollars. The improvement in the growth outlook for the year ahead buoyed commodity prices with $-metals prices (28.6%), Brent oil (22.5%), platinum (21.6%) and rhodium (21.5%) all rallying strongly over the quarter. Given the sharp appreciation in the rand, resources lagged financials to yield some 8.3% for the quarter, but platinum stocks were the outright winners, surging by 29.1%. The stronger rand and lower domestic bond yields boosted financials by 19.5%, led by banks which rallied 25.9%.

While industrials (19.0%), consumer services (13.8%) and consumer goods (12.0%) outperformed the broader market, telecommunications (6.4%), technology (2.8%) and healthcare stocks (-0.02%) fell well short of the benchmark returns. It is no surprise then that value stocks (11.7%) outperformed growth stocks (8.2%) as investors betted on the reflation trade. Foreigners were largely absent from the domestic equity market over the quarter, selling a net R1.9billion in equities. This was, however, a vast improvement on the net sales of R49.8billion in the previous quarter.

Better-than-expected Q3 GDP figures further boosted sentiment, with GDP growth surging some 66.1% quarter-on-quarter seasonally adjusted and annualised (qqsaa), ahead of market expectations for a 50% gain. On a year/year basis, however, the economy was still 6.1% lower than the previous year. While PMI and other high-frequency data point to further qqsaa gains in GDP growth in the final quarter of 2020, the outlook for quarter one 2021 is less positive, with a contraction in growth likely due to the extension of the adjusted Level Three lockdown restrictions, including the ban on alcohol sales, to mid-February. Using forward looking proxies for private sector gross fixed capital formation and household final consumption expenditure, GDP growth is expected to remain subdued through the first half of 2021, on a year/year comparative basis.

Since the government's Covid-19 vaccine programme is expected to face delays due to the state's inability to negotiate and prepay for vaccine supplies, other than those that have been secured under the Covax initiative, South Africa could face a protracted period of varying lockdown restrictions, although a hard lockdown is not expected. With the roll-out of vaccines expected only after June, quarter two's GDP could also be muted. Some relief to employers and employees under the Temporary Employer/Employee Relief Scheme (TERS) could be forthcoming since government and its social partners are discussing the extension of the scheme at Nedlac. The UIF currently has around R60billion in liquid assets to extend the programme, which expired in October last year.

In terms of equity market valuations, the All Share Index appears to be fairly valued, trading on a forward price-to-earnings ratio of 13.1X, much in line with the 13X mean. Embedded in the valuation is a consensus earnings growth estimate of around 34%, in line with implied earnings growth of 34.5%. Since trailing earnings growth is down some 26% year/year, the recovery in consensus earnings over the coming year does not appear to be onerous. With no mispricing seen in current valuations, an overweight bias is retained in domestic equities. Further support for the overweight SA position is that the MSCI SA Index is trading at a discount of 36% relative to the MSCI World Index and some 41% relative to the MSCI Emerging Markets Index.

Although it can be argued that the discount at which SA is trading is due to structurally low growth and the absence of meaningful economic reforms, the quantum of the discount is not justified given the dominance of rand-hedge stocks in the index. However, with consensus earnings expected to slow from some 34% this year to 8.0% in 2022, a rotation out of domestic equities into emerging market equities is proposed in the second half of the investment horizon. The justification for the move is that emerging market consensus earnings estimates are expected to accelerate from 27% this year to 32.5% in 2022. With SA expected to benefit from the rebound in commodity prices this year and a gradual recovery in SA Inc. businesses, equities are expected to deliver low double digit returns in the year ahead. Unlike developed equity markets where the equity risk premium still favours equities over bonds, in SA this is not the case.

Local Bonds

SA bonds gained some 6.7% in rands (21.2% in US dollars) in Q4 of 2020 as yields on the All Bond Index fell from 10.2% to 9.62%, buoyed by the search for yield, subdued inflation and rand appreciation. The long end of the yield curve (12+ years) was the best performing segment of the market, yielding some 8.7% for the quarter. This suggests that duration was rewarded, at least over the past three and six months. The search for yield continued to lure investors back into the market with foreigners' net buyers of bonds, totalling some R6.1billion. This was a vast improvement on the net sales of R48.6billion the previous quarter.

The decision by the Labour Court to throw out the public sector unions' application forcing government to pay their 2020 wages increases (as part of the 2018 settlement agreement) also boosted bonds as investors anticipated the likelihood that the Minister of Finance would have some success in cutting the public sector wage bill over the next three years, even though the quantum of R300billion was unlikely. With wage negotiations for the 2021 to 2023 period still to take place, much can change that will have a bearing on the stabilisation of the country's debt.

Inflation-linked bonds marginally underperformed their nominal counterparts in Q4 of 2020, largely due to the absence of any inflation-carry. The real yield on the Barclays Capital Inflation-Linked Bond Index declined from 4.4% to 4.2%, accounting for the positive quarterly returns. A decline in break-even inflation from 5.5% to 4.9% is also supportive of an overweight inflation-linked bond position, if a 1% adjustment is made for the inflation-risk premium. With the adjusted yield on nominal bonds falling to 3.9%, below the real yield on inflation-linkers, an overweight position to inflation-linkers is recommended.

Market performance summary to 31 December 2020

Asset Class Specific	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
All Share Index (ALSI)	9.8%	10.5%	7.0%	3.1%	6.4%	9.6%
Shareholder Weighted Index (SWIX)	9.9%	9.5%	2.6%	-0.3%	4.6%	9.3%
Capped SWIX	11.5%	12.6%	0.6%	-1.5%	3.2%	N/A
Property (SAPY)	22.2%	4.9%	-34.5%	-20.7%	-8.4%	3.5%
All Bond Index (ALBI)	6.7%	8.3%	8.7%	8.9%	10.4%	8.2%
STEFI Composite	1.0%	2.1%	5.4%	6.6%	7.0%	6.4%
MSCI World Index*	0.4%	4.0%	21.7%	17.0%	11.0%	19.0%
JP Morgan Global Agg*	-9.9%	-11.4%	15.2%	11.1%	3.5%	11.0%
RAND vs US$	-11.9%	-15.5%	5.0%	5.9%	-1.1%	8.3%

*Index return in rands

SA Equity Sector Specific	3 months	6 months	1 year	3 years	5 years	10 years
Financials	19.5%	17.6%	-19.7%	-9.7%	-1.3%	8.2%
Resources	8.3%	14.9%	21.2%	21.6%	23.3%	4.1%
Industrials	7.4%	4.9%	12.0%	0.2%	2.9%	12.4%

SA Equity Size Specific	3 months	6 months	1 year	3 years	5 years	10 years
Small Cap	21.9%	26.1%	-0.3%	-6.5%	0.3%	6.8%
Medium Cap	13.7%	15.2%	-14.4%	-3.7%	4.0%	7.5%
Large Cap	8.9%	9.6%	10.0%	4.3%	6.5%	9.8%

Portfolio Commentary

Quarter ending December 2020

Sanlam Lifestage Accumulation Portfolio

The Lifestage Accumulation fund has underperformed its benchmark over the quarter by 0.37%. The quarter's performance was characterised by risk assets outperforming their fixed income counterparts over the quarter as regulatory approval of Covid-19 vaccines and the start of nationwide vaccinations in the UK and the US boosted sentiment. The sector rotation seen out of growth stocks into value stocks reflects market expectations of a rebound in global economic activity this year, accompanied by rising inflation. Further support for value over growth stocks comes from Trump's executive order banning US investors from investing in Chinese companies with links to the military, deepening the tech trade war between the two countries and risking further tit-for-tat reprisals. Other headwinds include anti-trust legislation and the push for digital taxation to be introduced this year.

Within manager selection, our SA Bonds, SA Cash, SA Hedge Funds, Foreign Cash and Foreign Bonds managers allocation added value, while the other assets namely SA Equity, SA Property, SA ILBs and the other Foreign managers detracted from performance. On the asset allocation side the allocation to SA Equity, SA ILBs, SA Cash, Foreign Equity and Foreign Bonds contributed positively to performance while the other asset classes detracted.

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

Sanlam Living Annuity Target Portfolio

The Lifestage ILLA Preservation fund has outperformed its benchmark over the quarter by 0.30%.

Within manager selection, our SA Bonds, SA Cash, Offshore Africa Equity, Foreign Bonds and Foreign Cash managers allocation added value, while the other assets namely SA Equity, SA Property, SA ILBs and the other Foreign managers detracted from performance. On the asset allocation side the allocation to SA Equity, SA Bonds, SA Cash, Foreign DM Equity and Foreign Cash contributed positively to performance while the other asset classes detracted.

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

Sanlam Capital Protection 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 continues to deliver returns in excess of inflation over the longer periods. The portfolio continues to strike a balance between two often conflicting objectives: downside protection (through smoothing and guarantees) and investment growth.

The portfolio managed to outperform inflation in the past and deliver real returns to the investors despite the difficult economic environment. The bonuses are net of a capital guarantee fee of 0.9% p.a., and gross of the investment management fee.

Sanlam Inflation Annuity Target 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 2020, the portfolio has consistently outperformed its benchmark, thus preserving the purchasing power of individuals to purchase an inflation linked annuity upon retirement.

It is important to highlight that the aim of the portfolio is not necessarily to deliver high return, but rather to deliver returns that are in line with the price of an inflation linked annuity at retirement.

Performance summary

31 December 2020	3 Months	6 months	1 year	3 years	5 years	7 years
Accumulation Phase						
Accumulation Portfolio	7.4%	8.1%	5.2%	3.7%	5.9%	7.0%
Benchmark	7.7%	7.7%	4.8%	3.1%	5.8%	7.4%
Preservation Phase						
Capital Protection Portfolio*	1.7%	3.6%	6.0%	6.9%	7.5%	9.6%
CPI**	0.4%	2.4%	3.2%	4.0%	4.6%	4.8%
Inflation Annuity Target Portfolio	5.6%	6.2%	1.4%	1.6%	2.6%	4.1%
Benchmark	6.5%	6.6%	0.4%	-0.4%	1.2%	3.1%
Living Annuity Target Portfolio	6.9%	7.4%	5.7%	4.8%	6.6%	7.4%
Benchmark	6.6%	6.8%	5.6%	4.3%	6.2%	7.2%

** The Capital Protection Portfolio does not have an explicit benchmark.*
***CPI figures are calculated to end of November 2020*

Sanlam Lifestage

Mandate description

Sanlam Lifestage is the Fund's trustee approved default investment strategy and aims to meet each member's savings requirement by working towards a target date, which would be the Normal Retirement Age or the Planned Retirement Age (if different).

How Sanlam Lifestage works

The investment strategy consists of two phases and members are automatically switched from one phase to another as they near retirement. The two phases are:

- Accumulation phase
- Preservation phase

As retirement approaches, this target date strategy invests in an investment portfolio matching the member's postretirement needs or plans, but in the years prior to this greater emphasis is placed on achieving capital growth. Members with more than 6 years before reaching their Normal Retirement Age or Planned Retirement Age (if different) are fully invested in the Sanlam Lifestage Accumulation Portfolio which aims to achieve capital growth. Six years (72 months) before a member reaches his/her Normal Retirement Age or Planned Retirement Age (if different), the member is gradually switched from the Sanlam Lifestage Accumulation Portfolio to his/her selected Sanlam Lifestage preservation portfolio by means of 50 monthly switches.

Members with more than 6 years before reaching their Planned Retirement Age are fully invested in Sanlam Lifestage Accumulation Portfolio which aims to achieve capital growth.

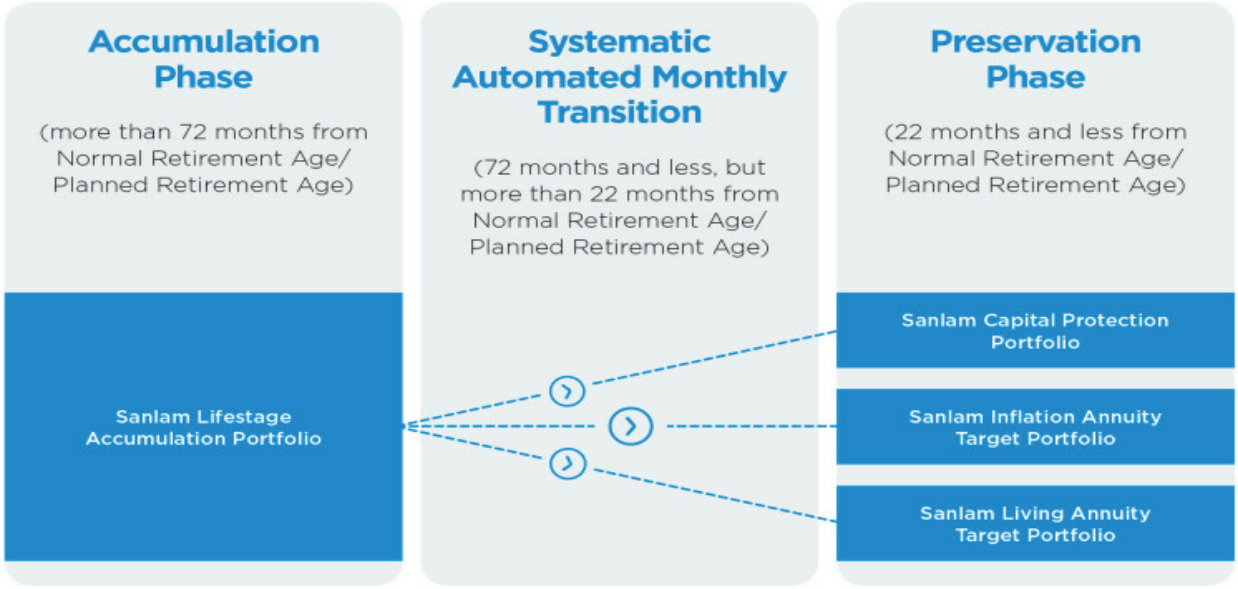
Six years (72 months) before a member reaches his/her Planned Retirement Age, the member is gradually switched from the Sanlam Lifestage Accumulation Portfolio to his/her selected Sanlam Lifestage preservation portfolio by means of 50 monthly switches.

Fund performance

Phase	1 month	3 months	1 year	3 years	5 years
Accumulation Portfolio	2.6%	7.4%	5.2%	3.7%	5.9%
Preservation Portfolios:					
Capital Protection	0.5%	1.7%	6.0%	6.9%	7.5%
Inflation Annuity	2.6%	5.6%	1.4%	1.6%	2.6%
Living Annuity	2.5%	6.9%	5.7%	4.8%	6.6%

Please note:

Sanlam Lifestage investment reporting only commences from 1 August 2013, but the following longer term performance was achieved applicable to members previously invested in the Accumulation Phase of the Sanlam Umbrella Fund's discontinued Lifestage Programme, and whose investments were transitioned to Sanlam Lifestage during the month of July 2013.



Sanlam Lifestage Accumulation Portfolio

Period Ending	31-Dec-20
Fund Size	R 17,791 million
Inception Date	Jul-13

Fund objective

The fund is an aggressive portfolio displaying high levels of volatility over the short term and is aiming to provide market related growth.
Scrip lending may be performed on the passive equity component.

Risk profile

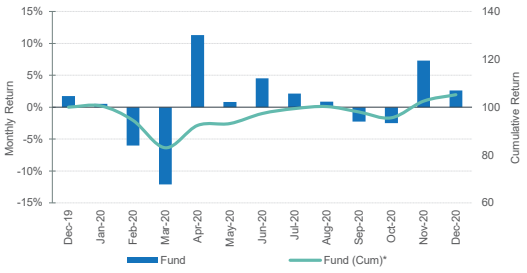
This portfolio has an aggressive risk profile

Fees

1.00% per annum

A rebate is payable to Sub-funds investing in excess of R50 million in respect of this Portfolio, and quantum thereof will be formally confirmed by Sanlam in writing.

Monthly and cumulative returns



*Based on 1 year returns

Fund performance (%)

	Fund	Benchmark
1 Month	2.6%	3.4%
3 Months	7.4%	7.7%
6 Months	8.1%	7.7%
1 Year	5.2%	4.8%
3 Years	3.7%	3.1%
5 Years	5.9%	5.7%

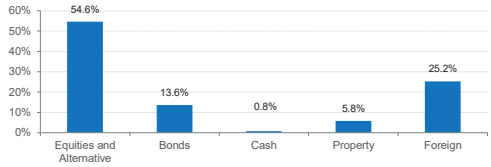
Top 10 holdings (% of Equities)

Share Name	% of Equities
Naspers	17.4%
Anglo American Plc	4.7%
Firstrand Limited	4.5%
Prosus	3.6%
Impala Platinum Holdings Limited	3.5%
Sibanye Still Water Limited	3.3%
British American Tobacco Plc	3.0%
Standard Bank Group Limited	2.6%
Sanlam	2.0%
Northam Platinum Limited	2.0%

Benchmark

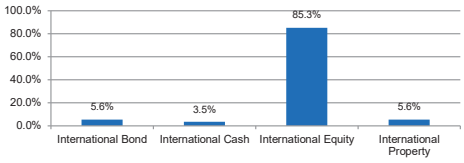
24.5%	SWIX (Shareholder Weighted Index)
24.5%	Capped SWIX (Shareholder Weighted Index)
10%	BEASSA Total Return All Bond Index
8.0%	FTSE/JSE SAPY Index
2.0%	Short Term Fixed Interest Index (STeFI)
6%	Barclays SA Inflation Linked Index
21%	MSCI World (Developed Markets) Equity Index
4%	Barclays Global Aggregate Index

Asset class breakdown



The benchmark reflects the fund's long-term strategic asset allocations. Fund asset allocations may be allowed to vary from the benchmark, depending on market conditions.

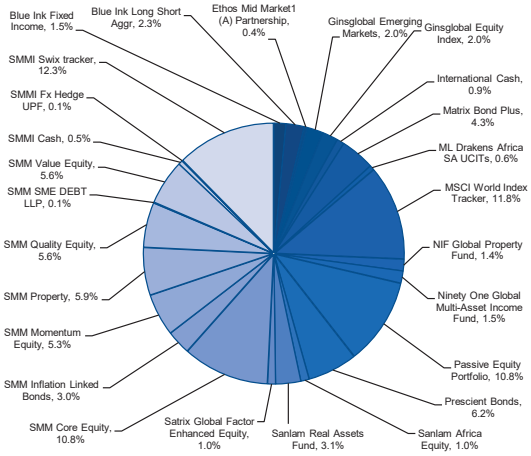
Foreign split



Equity sectoral exposure (%)

	Fund	Benchmark
Financials	22.2%	15.4%
Resources	26.1%	48.4%
Industrials	51.7%	36.2%

Fund manager breakdown



Please refer to the "Local equity manager breakdown for SMMI portfolios" for a detailed outline of the underlying equity managers within this portfolio.

Risk analysis

(based on the last 3 years' monthly returns)

% of negative months over the last 3 years	41.7%
Average capital loss in one month	-3.0%
Downside risk *	8.8%

of the portfolio relative to CPI

Sanlam Capital Protection Portfolio

Period Ending 31-Dec-20
Fund Size (Book Value) R 3,743 million
Inception Date Nov-86

Fund objective

The Portfolio offers investors stable, smoothed returns with a partial guarantee on benefit payments. A bonus, which consists of a vesting and non-vesting component is declared monthly in advance. Bonuses cannot be negative. The portfolio offers 100% capital guarantee and partially vesting bonuses.

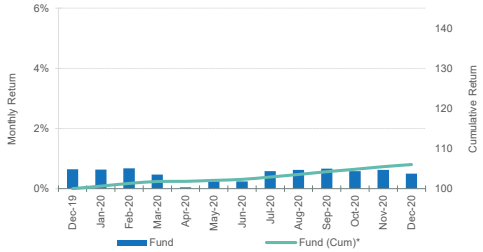
Risk profile

The portfolio has a conservative risk profile

Fees

Sanlam's cost in relation to the investment plan is recouped by recovering the following fees:
Investment Management Fees:
0.425% per annum
Guarantee Premium:
A guarantee premium of 0.90% per annum
Annual Performance Linked Fee:
The investment manager may be incentivised with performance fees (capped at 0.30% p.a.)

Monthly and cumulative bonuses



*Based on 1 year returns

Fund bonuses (%)

	Fund (gross of fees)
1 Month	0.5%
3 Months	1.7%
6 Months	3.6%
1 Year	6.0%
3 Years	6.9%
5 Years	7.5%

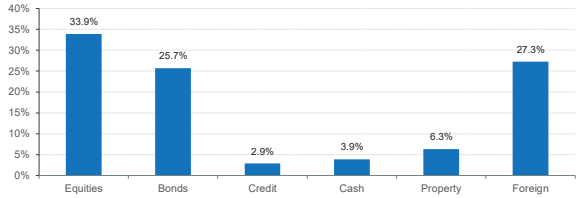
Top 10 equity holdings (% of Equity)

Share Name	% of Equity
Naspers N	17.2%
FirstRand / RMBH	5.4%
Anglos	4.5%
British American Tobacco	4.3%
Stanbank	3.5%
SIBANYE-S (SSW)	3.4%
Implats	3.2%
Prosus (PRX)	3.2%
Consol Holdings	2.7%
BILLITON (BHP)	2.5%

Benchmark

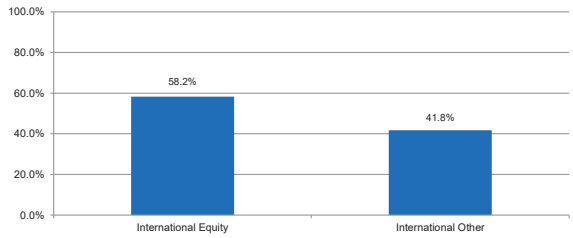
16.0% SWIX (Shareholder Weighted Index)
16.0% Capped SWIX (Shareholder Weighted Index)
19.0% BEASSA Total Return All Bond Index
5.5% 3 month JIBAR +1.25%
2.0% IGOVI
17.5% MSCI World Index (Dev. Markets)
5.0% Barclays Global Aggregate Index
2.5% US 3 month LIBOR+2.5% (net of fees)
2.5% US 3 month LIIBOR
7.5% STeFI Index
6.5% BEASSA 7-12 years TRI plus 1.0% p.a.

Asset class breakdown



The benchmark reflects the fund's long-term strategic asset allocations. Fund asset allocations may be allowed to vary from the benchmark, depending on market conditions.

Foreign split



Equity sectoral exposure (%)

	Fund
Financials	23.2%
Resources	23.6%
Industrials	53.2%

The Non - Vested bonuses as a proportion of the total Sanlam Stable Bonus Portfolio holdings:

Sanlam Umbrella Pension Fund	8.30%
Sanlam Umbrella Provident Fund	9.47%

** Only impacts Sanlam Lifestage members opting for this preservation strategy in the last 6 years before retirement.*

Risk analysis

(based on the last 3 years' monthly returns)

% of negative months over the last 3 years	0.0%
Average capital loss in one month	0.0%
Downside risk *	0.5%

* Downside risk is measured as the standard deviation of the underperformance of the portfolio relative to CPI

Funding Level

January 2021: 97.68% funded

Sanlam Living Annuity Target Portfolio

Period Ending	31-Dec-20
Fund Size	R 56 million
Inception Date	Oct-13

Benchmark	17.5%	Capped SWIX (Shareholder Weighted Index)
	17.5%	SWIX Index
	20.0%	BEASSA Total Return Index
	10.0%	Short Term Fixed Interest Index (STeFI)
	6.0%	SAPY Property Index
	9.0%	Barclays SA Inflation Linked Index
	15.0%	MSCI World Equity Index
	2.0%	US 3 month Libor Rate
	3.0%	Barclays Global Aggregate Index

Fund objective

The relatively high equity allocation of the Fund should occasionally result in high volatility but also a high rate of growth compared to funds with a moderate risk profile.

Risk profile

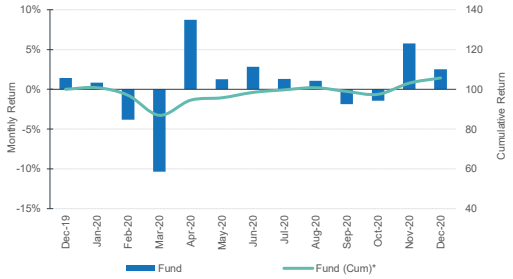
The portfolio has a moderate risk profile.

Fees

Investment Management Fees:
0.80% per annum.

The underlying investment managers may be incentivised on a performance fee basis.

Monthly and cumulative returns



*Based on 1 year returns

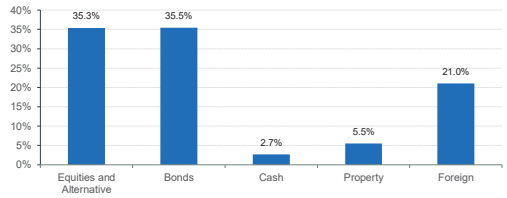
Fund performance (%)

	Fund	Benchmark
1 Month	2.5%	2.8%
3 Months	6.9%	6.6%
6 Months	7.4%	6.8%
1 Year	5.7%	5.6%
3 Years	4.8%	4.3%
5 Years	6.6%	6.2%

Top 10 equity holdings (% of Equities)

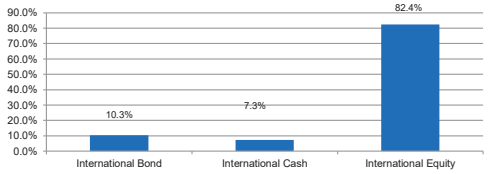
Share Name	% of Equities
Naspers	19.3%
Anglo American Plc	4.7%
Firstrand Limited	4.7%
Impala Platinum Holdings Limited	3.5%
Prosus	3.5%
Sibanye Still Water Limited	3.3%
British American Tobacco Plc	3.1%
Standard Bank Group Limited	2.8%
BHP Group	2.0%
ABSA Group Limited	2.0%

Asset class breakdown



The benchmark reflects the fund's long-term strategic asset allocations. Fund asset allocations may be allowed to vary from the benchmark, depending on market conditions.

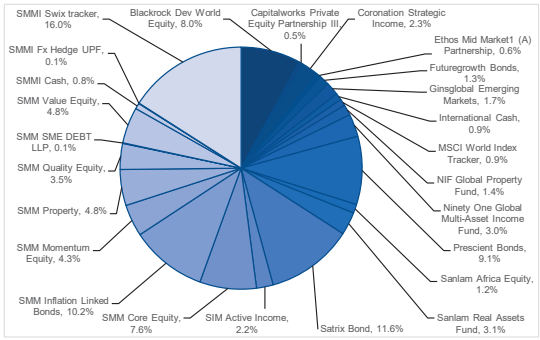
Foreign split



Equity sectoral exposure (%)

	Fund	Benchmark
Financials	22.2%	15.4%
Resources	26.2%	48.4%
Industrials	51.6%	36.2%

Fund manager breakdown



Please refer to the "Local equity manager breakdown for SMMI portfolios" for a detailed outline of the underlying equity managers within this portfolio.

Risk analysis

(based on the last 3 years' monthly returns)

% of negative months over the last 3 years	38.9%
Average capital loss in one month	-2.2%
Downside risk *	7.0%

* Downside risk is measured as the standard deviation of the underperformance of the portfolio relative to CPI

Sanlam Inflation Annuity Target Portfolio

Period Ending	31-Dec-20
Fund Size	R 6 million
Inception Date	May-13

Benchmark Sanlam Asset Liabilty Index Real (inflation linked)

Fund objective

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.

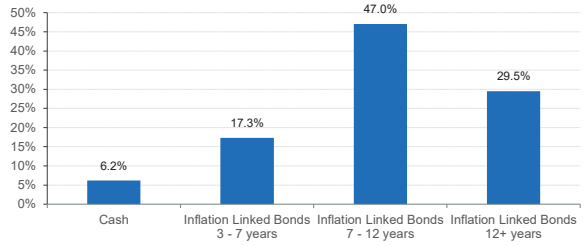
Risk profile

This fund has a conservative risk profile

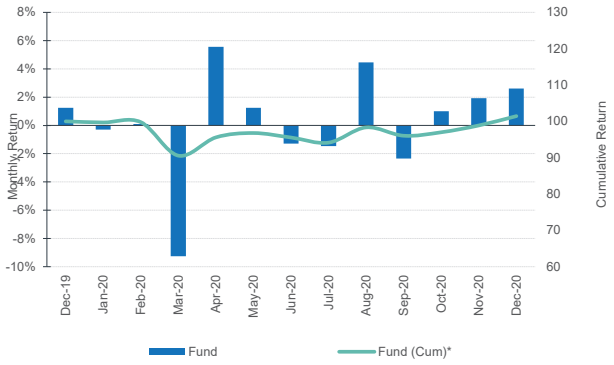
Fees

Investment Management Fees:
0.70% per annum.

Asset class breakdown



Monthly and cumulative returns



*Based on 1 year returns

Risk analysis
(based on the last 3 years' monthly returns)

% of negative months over the last 3 years	41.7%
Average capital loss in one month	-1.7%
Downside risk *	6.2%

* Downside risk is measured as the standard deviation of the underperformance of the portfolio relative to CPI

Fund performance (%)

	Fund	Benchmark
1 Month	2.6%	3.1%
3 Months	5.6%	6.5%
6 Months	6.2%	6.7%
1 Year	1.4%	0.4%
3 Years	1.6%	-0.4%
5 Years	2.6%	1.2%

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