Sanlam

Sanlam Corporate: Investments

Lifestage Report

Quarter 2 2021

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

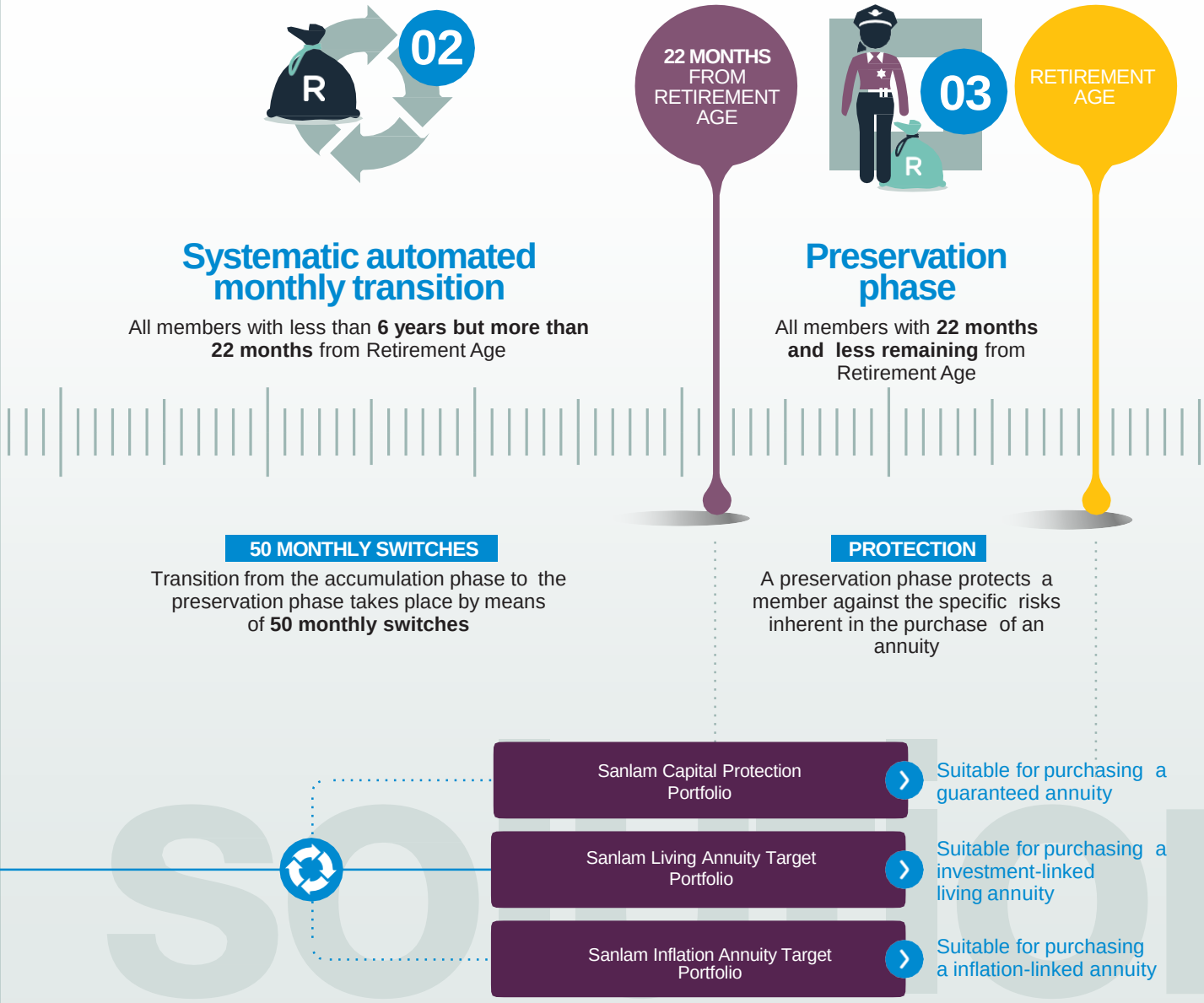
GROWTH

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

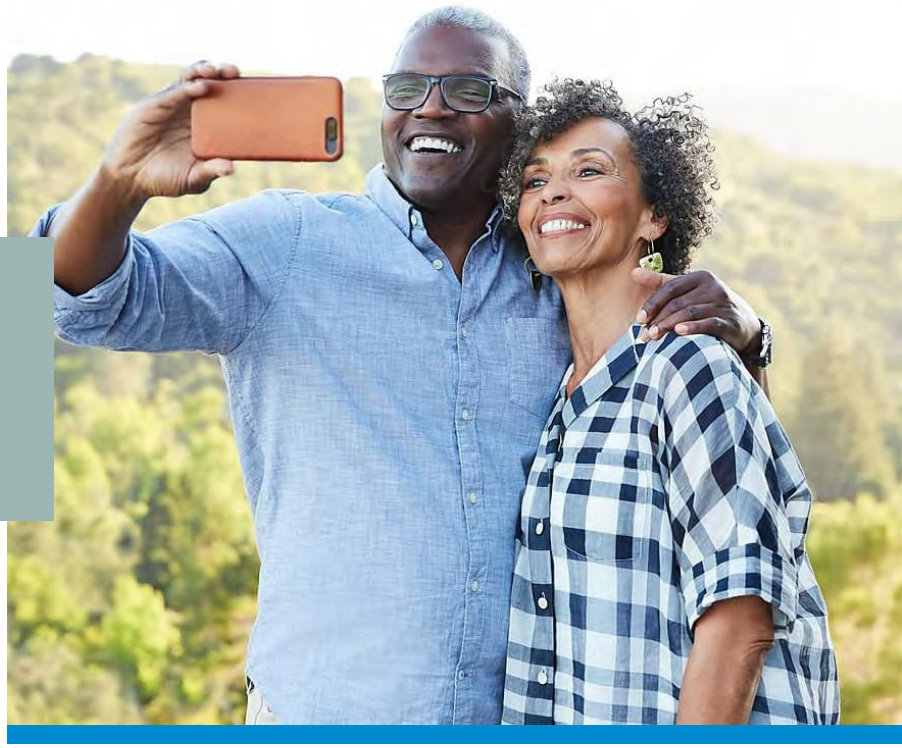
Accumulation Phase

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 portfolio 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

- FOMC turns more hawkish as dot-plot brings rate hikes forward to 2023
- Chinese regulatory crackdown on tech giants to include blocking of new listings on overseas exchanges
- China raises Required Reserve Ratio on foreign exchange deposits to curb Rmb appreciation
- Biden blacklists 59 Chinese companies in amendment to Trump-era legislation
- Delta coronavirus variant a headwind for global growth on uneven vaccination rollouts
- EM financial conditions tighten as Brazil, Russia and Mexico raise interest rates

Local

- SA Q1 GDP rises by 4.6% qqsaa but contracts by 3.2% year/year
- SA moves to adjusted Level 4 lockdown restrictions as Delta variant hits Gauteng
- Cyril Ramaphosa raises self-generation threshold to 100MW from 1 MW; announces unbundling of Transnet's ports business
- Constitutional Court sentences Jacob Zuma to 15 months in jail for contempt of court

Global economics

Global Equities

Global equities rallied further in the second quarter, buoyed by strong economic data releases and a loosening of lockdown restrictions in the US, UK and Europe. Services PMIs rebounded sharply, overtaking manufacturing as the driver of growth. The MSCI World Index gained 7.7% in US dollars and 4.2% in rands, courtesy of rand appreciation. Towards quarter-end, however, volatility increased following the release of a hawkish June FOMC statement that brought forward the timing of US interest rate increases to 2023. The revised dot-plot pointed to two interest rate increases of 25 basis points each in 2023, up from zero increases at the time of the March FOMC meeting. In an acknowledgement of recent inflation dynamics, the Fed revised its personal consumption expenditure projection higher for the current year, from 2.4% to 3.4%, with only a modest increase in projections for 2022 and 2023 (to around 2%), a confirmation of the Fed's transient view of inflation. The Fed also indicated it would want to see proof that the spike in prices is more than transitory before taking any action on rates.

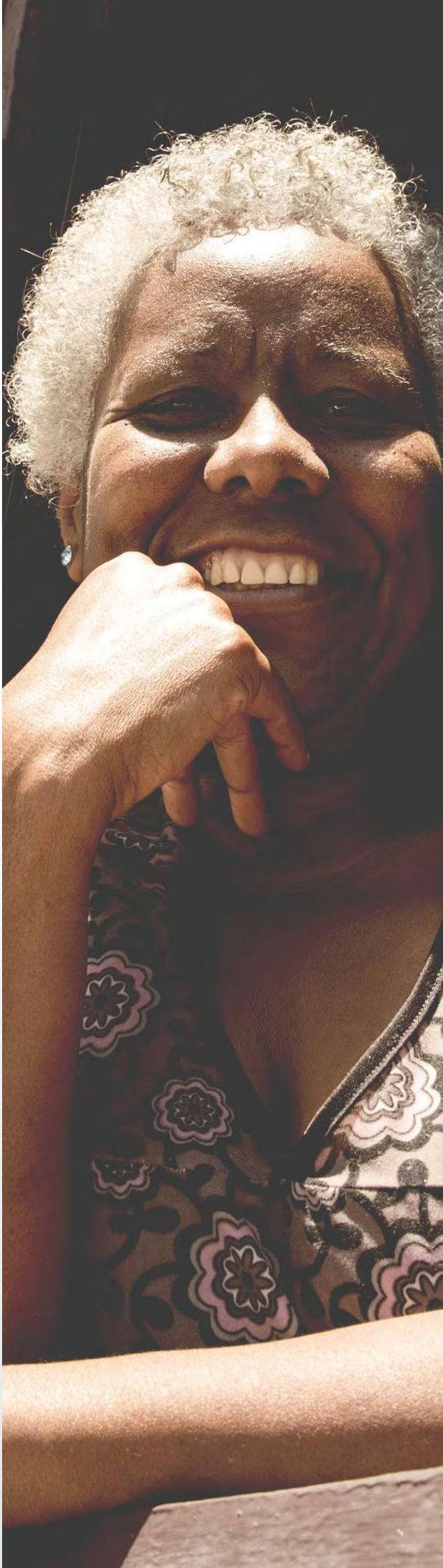
But, progress toward the Fed's dual employment and inflation goals is happening somewhat faster than anticipated, with US growth revised higher from 6.5% to 7%, whereas the unemployment estimate remained unchanged at 4.5%. In 2022 and 2023, however, growth estimates were little changed.

In a further boost to the growth outlook, the European Commission also revised Eurozone growth higher to 4.8% this year and 4.5% in 2022, up from 4.3% and 4.4% previously. That would take real GDP back to its pre-crisis level in the final quarter of this year, sooner than the Commission had predicted as recently as this spring. The improving outlook is being fuelled by rapid progress with vaccinations, which has enabled many European countries to ease restrictions, boosting service businesses in particular. Tourist travel within the EU is also beginning to revive, aiding consumer spending.

The emergence of the Delta variant of the coronavirus towards the back-end of the quarter has, however, raised concerns that growth could be negatively affected by the uneven pace at which vaccinations are taking place between countries, thereby further delaying the re-opening of economies. Even in countries where vaccination rates are high such as the US and the UK, the increase in new daily infections highlights the need for an even greater percentage of the population to be vaccinated in order to achieve herd immunity. This is even more pressing for emerging economies, where vaccination rates are still low and the percentage of positive tests high. By way of example, as at 7 July, South Africa had vaccinated only 5.6% of its population while the percentage of positive tests had surged to almost 30%. In all instances, South Africa lagged well behind countries such as Brazil, Russia and India.

While the broader market shrugged off signs that the Chinese economy was slowing, in part due to an ongoing slowdown in the country's fiscal and credit impulse, the ongoing crackdown on technology companies weighed on emerging market risk assets. The MSCI Emerging Markets Index gained a more subdued 4.4% in US dollars (1.0% in rands) in the second quarter as the selloff in technology stocks weighed on returns. While China has also clamped down on speculative activity in commodity markets such as the offshore hoarding of commodities, this appears to have had a limited effect on prices with most industrial metals and product prices still elevated. High input costs have resulted in a step-wise jump in producer price inflation in the US, China, Japan and the EU, while the feed-through into consumer prices has been more muted, particularly in China, the EU and Japan. While commodity futures curves point to backwardation in iron-ore, coal and oil prices, aluminium and nickel futures have pushed higher, with only copper futures showing signs of softening. With certain soft commodity prices such as corn and wheat also in backwardation, a case can be made for the transient nature of inflation. The risk, however, is that industrial metals prices could remain elevated for longer as it will take time to ramp up supply.

With the Chinese regulator having fined the likes of Alibaba for anti-competitive behaviour earlier in the quarter, its focus has now shifted to tighter regulation of fin-tech businesses, the forced unbundling of media groups linked to internet platforms and more recently the banning of ride-hailing service Didi Global Inc's app for new customers. The State Council's decision was not only for national security reasons given that Didi's shareholders are foreign (Softbank Group and Uber) but also to ensure the privacy of personal data. The decision highlights the state's desire to own the troves of information that internet companies gather daily given China's stated intention of dominating artificial intelligence and Big-Data globally. Other foreign owned companies subject to the cybersecurity probe include Full Truck Alliance Co. (part of Tencent) and Kanzhun Ltd.



But, further headwinds are looming for Chinese tech companies which could trigger a valuation reset by investors. These include rule changes that would allow the Regulator to block or even ban a Chinese company from listing on US or other overseas exchanges, even if the unit selling shares is incorporated outside of China. Once amended, the rules would require firms structured using the Variable Interest Entity (VIE) model to seek approval before going public in Hong Kong or any other foreign exchange. The proposed change is the first indication of how Beijing plans to implement a crackdown on overseas listings flagged by the country's State Council and could also be a reprisal for President Biden's blacklisting of 59 Chinese companies in an amendment to Trump-era legislation. To skirt China's restrictions on foreign investment in certain industries, many firms adopt a complex VIE structure which means foreign investors don't technically own overseas-listed Chinese stocks but rather a share in the profits.

Despite the generally positive outlook for global growth this year, analyst expectations (as measured by the ZEW expectations index) are for growth to slow, whereas ISM sub-indices suggest that the earnings growth cycle will peak in coming months. The bond market concurs with US treasury yields having moved lower over the month, while US Tips (Treasury Inflation Protected Securities) have moved deeper into negative territory, supporting the thesis of a slowdown in economic growth. The move from an early-cycle recovery to a mid-cycle recovery is nonetheless still expected to be supportive of risk assets with bottom-up consensus earnings estimates also having been revised marginally higher over the past month. In coming months, even if earnings expectations are revised lower, this is unlikely to derail the equity market since equity valuations are not disconnected from the yields on US Tips. While forward price- to-earnings ratios for the MSCI World Index are high at 20.6X earnings, well above the 16X mean, yields on Tips would need to increase markedly from current levels to derail the momentum in markets. Similarly, forward price-to-earnings ratios for emerging markets are also high at 14.6X earnings, also ahead of their 11.7X mean. But consensus estimates are for earnings to grow some 45.4% and 17.6% respectively over the coming 12-months, sufficient to yield returns in the low teens, even after allowing for a marked de-rating in valuations.

Since the equity risk premium also still favours equities over bonds, an overweight position is retained in developed and emerging market equities, tilted more in favour of developed markets in the near term as Chinese tech company valuations are reset.

Over the longer term, emerging markets are expected to outperform their developed market counterparts as emerging markets accelerate their vaccine rollouts and unlock their economies. While interest rate increases in Russia, Mexico and Brazil are headwinds for emerging markets, China is expected to ease monetary conditions in H2 either through interest rate cuts or through a reduction in the required reserve ratio for banks. China recently announced an increase in the required reserve ratio on foreign exchange deposits, a move intended to curb Rmb appreciation as exports have become less competitive.

Global Bonds

The debate around whether inflation would be transitory or structural continued to dominate activity in the bond market in the second quarter, with the Barclays Capital Global Aggregate Bond Index increasing by a subdued 1.3% in US dollars and -2% in rands. The yield on the index was marginally lower over the quarter, declining from 1.16% to 1.13%. In contrast, emerging market bonds yielded some 3% in US dollars as higher absolute yields and a 10 basis point compression in yields lifted returns. But, yields on 10-year US treasuries fell even more sharply, down to 1.48% from 1.74% the previous quarter, even as US consumer inflation increased to 5% and producer inflation to 6.6%. While the increase in producer price inflation can be attributed to commodity price inflation of 18.9%, the increase in consumer price inflation is still due to pandemic-related factors such as airfares, hotels, admissions to events, new and used vehicles, and vehicle rentals increasing sharply. Furthermore, ongoing assurances from the Fed that inflation would be transitory has also helped allay concerns about the recent spike in inflation. Break-even inflation rates concur, with five-year and ten-year rates having fallen to 2.5% and 2.3% respectively, ahead of the Central Bank's targeted 2% rate but still consistent with the US Fed's average inflation targeting regime.

A similar view played out in the inflation-linked bond market, with the Barclays Capital Inflation Linked Bond Index increasing by 2.9% in US dollars (-0.5% in rands) as real yields moved deeper into negative territory. It must be noted, however, that the gains in inflation-linked bonds were front-loaded in the quarter when inflation concerns were elevated. Since the Fed has a dual mandate to manage inflation expectations and achieve full employment, a tightening bias can be expected once the US economy nears full employment with asset purchase tapering expected to lead any rate increases.

The medium term risk, however, is that with job openings increasing sharply, wages will increase as companies raise wages to entice workers back to work. But, as stimulus measures are withdrawn and workers return to work, a step-wise adjustment higher in wages is expected. Since wages are sticky and don't readily decline, costs are likely to be passed onto producers and consumers. Furthermore, since the pandemic exposed the weaknesses in just-in-time manufacturing, companies are expected to carry higher inventory levels in future, while on-shoring some of their supply chains. This could further fuel cost and wage increases. In light of these risks and the belief that the bond yields will rise as labour markets recover, an underweight position is retained in global bonds given their low yields and modified duration risks.

Global Listed Property

Global listed property continued to gain ground in the second quarter as the rapid rollout of vaccines in the US, UK and the EU fuelled the re-opening trade. The EPRA/NAREIT Developed Markets Property Index gained a stellar 9.4% in US dollars and 5.8% in rands. The sector rerated further over the quarter, with the price-to-book ratio climbing to 1.53X from 1.39X, well ahead of the 1.43X mean. While infection rates in the UK and Spain have started to rise again accompanied by lockdowns in Japan, Australia and South Korea due to the spread of the Delta variant of the virus, the market is likely to look through the short term impact on foot traffic volumes and mobility data. With further upside expected in coming months as the European Union re-opens and herd immunity is achieved through its vaccination programme, a near-term neutral weighting is retained in listed property. Over the medium term, however, global listed property is downweighted to underweight as valuations are becoming stretched.

Local economics

Local Equities

SA equities underperformed their developed and emerging market counterparts in the second quarter as a sell-off in technology (-15%) and resource stocks (-5%) weighed on the bourse. Technology stocks were hard hit by a proposed share swap arrangement between Naspers and Prosus and China's regulatory crackdown on technology giants such as Tencent. Resources, in turn, were dragged lower by rand appreciation and decreases in PGM prices.

Expectations that industrial metal prices would also fall as a result of China's clampdown on commodity speculators and hoarders, was a further factor. The contributors to overall market returns included consumer services (20.1%), healthcare (10.1%), telecoms (9.7%), financials (7.5%) and industrials (5.5%). Given the backdrop of slightly better-than-expected Quarter One GDP growth and the President's announcement of a number of structural reforms, SA Inc counters performed well, with value stocks outperforming growth stocks. Net foreign sales of equities totalling some R27.9bn and downward revisions to earnings estimates across the broad sectors were in all likelihood the primary catalysts for the selloff, while the SARB's talk of normalising interest rates may have been a further headwind. Bottom-up consensus 12-month earnings estimates moderated to 20.6% from 34.9% the previous quarter, while the 12 to 24-month estimate was revised lower to -1.2% from +3.9% the prior quarter. Consequently, the All Share Index disappointed with a 0.05% return in rands and some 3.5% in US dollars.

The domestic economy grew by 4.6% quarter-on-quarter seasonally adjusted and annualised in the first quarter, supported by the mining (18.1%), finance (7.4%) and trade industries (6.2%). On the expenditure side, household final consumption expenditure increased at a rate of 4.7% and government final consumption expenditure by 1%, whereas changes in inventories added some 8.7% to total growth. In contrast, net exports decreased by 0.9%, mainly due to a large increase in imports, whereas gross fixed capital formation decreased by some 2.6%, dragged down by the machinery and equipment category. Although growth was lower than the 5.8% recorded in quarter one, second quarter growth is expected to record a modest increase as measured by the production side of the economy. On a year/year basis, however, quarter one growth was still 3.2% lower, an improvement from the -4.2% recorded in the fourth quarter of last year. For quarter two, however, year/year GDP growth is expected to rebound sharply on base effects, following the -17.8% contraction in the second quarter of last year. Given the slightly better-than-expected GDP print, the consensus estimate for the year was revised upwards to some 4% from some 3.6% previously.

This forecast may, however, be at risk from the looting of shops and the torching of trucks at the start of quarter three, ostensibly under the "free Zuma" campaign, following the start of his 15-month jail term. Scenes of wide-spread looting can only serve to undermine the President's efforts to kick-start fixed investment expenditure, the key missing ingredient to lift the economy onto a higher growth trajectory. The President's announcement of an increase in the self-generation threshold to 100MW from 1 MW and the unbundling of Transnet's ports business now seems to have been all for nought. Even the announcement that SAA will sell a 51% stake to the Takatso Consortium has lost its impact. Prior to the looting, the expenditure side proxies for gross fixed capital formation and household final consumption expenditure had pointed to a sharp upturn in activity through to the end of the year. With unemployment now expected to rise, consumption expenditure to slow as shoppers avoid malls and new investments to be postponed or even shelved, third quarter GDP growth is likely to disappoint. A further consequence of the disruption to logistics and supply chains is that prices will rise, particularly in food products where shortages are expected to be the most acute.

Despite the uncertainty surrounding the growth outlook and the likely impact this will have on earnings, the domestic equity market is cheap when measured on a forward price-to-earnings basis or a price-to-book basis. Since the composition of the domestic equity market is weighted in favour of rand hedge stocks, the equity market acts as a partial hedge against weak economic growth and elevated political risk. In addition, the domestic equity market is trading at a substantial discount to both developed and emerging markets. This discount can however be justified given the country's structurally low growth rate, a point made by both Fitch and S&P in their latest country review and more recently echoed by the World Bank. At 10.6X earnings, the forward price-to-earnings ratio is well below the historical mean of 13X earnings, supporting total returns in the low to mid-teens in the year ahead. Since the equity risk premium has improved in recent months, following lower nominal bond yields, an overweight position is retained in domestic equities over a three to six-month horizon, whereas over six to twelve months, equities are downweighted to neutral.

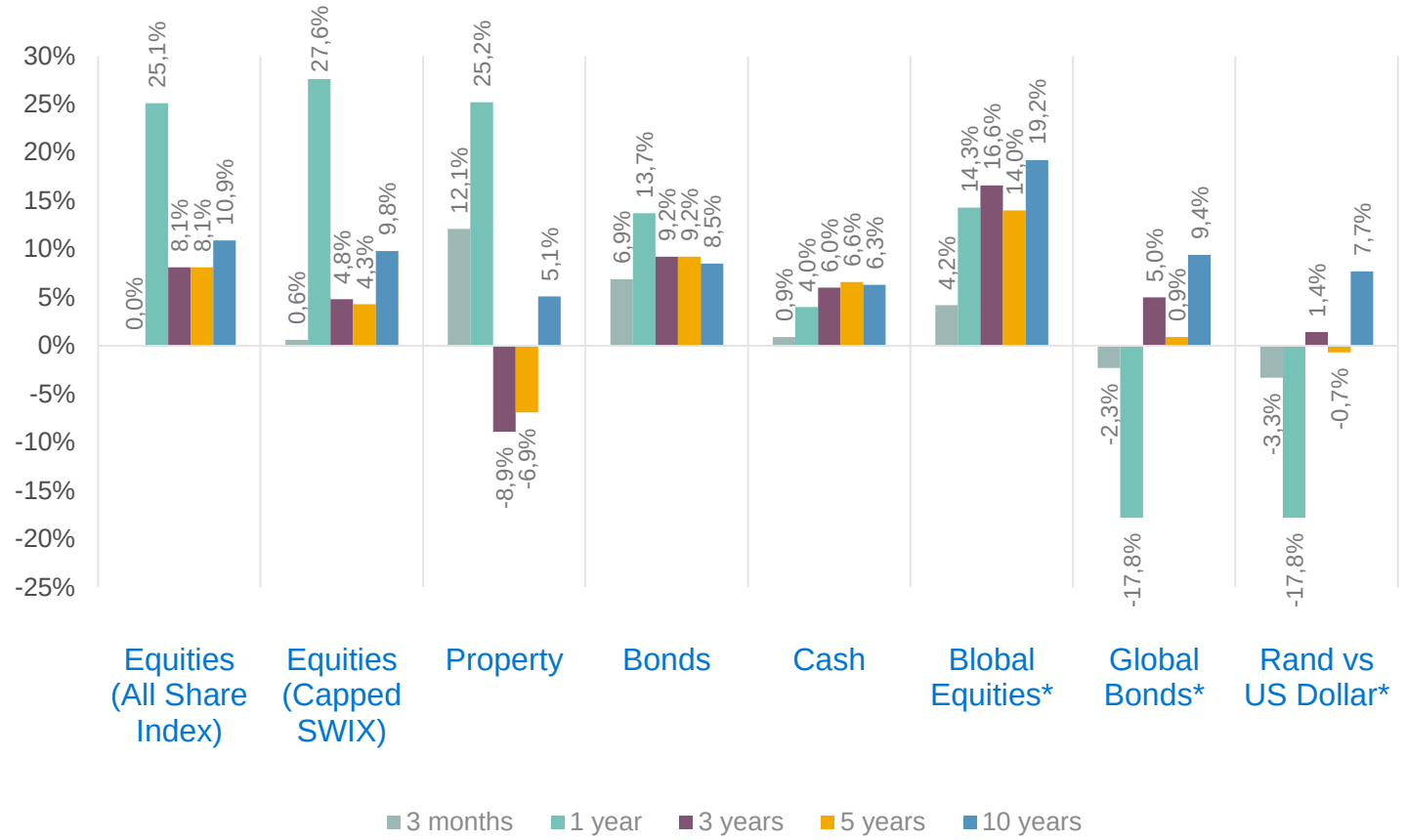
Local Bonds

SA bonds gained some 6.9% in rands and 10.5% in US dollars in the second quarter as yields on the All Bond Index fell from 10.2% to 9.66%. Due to improvements in the country's terms of trade, higher tax revenues from mining companies and a current account surplus of 5% of GDP, the bond market shrugged off a spike in inflation and net foreign sales of bonds totalling some R18.9bn. Lower weekly bond auctions and expectations that the fiscal deficit for 2021/22 will also come in at around 8% of GDP, ahead of the consolidated budget deficit estimate of 9.4% of GDP, further underpinned the market. Although consumer price inflation increased by 5.2% and producer price inflation by 7.4%, investors still see the spike in inflation as transitory and the result of base effects from quarter two in 2020.

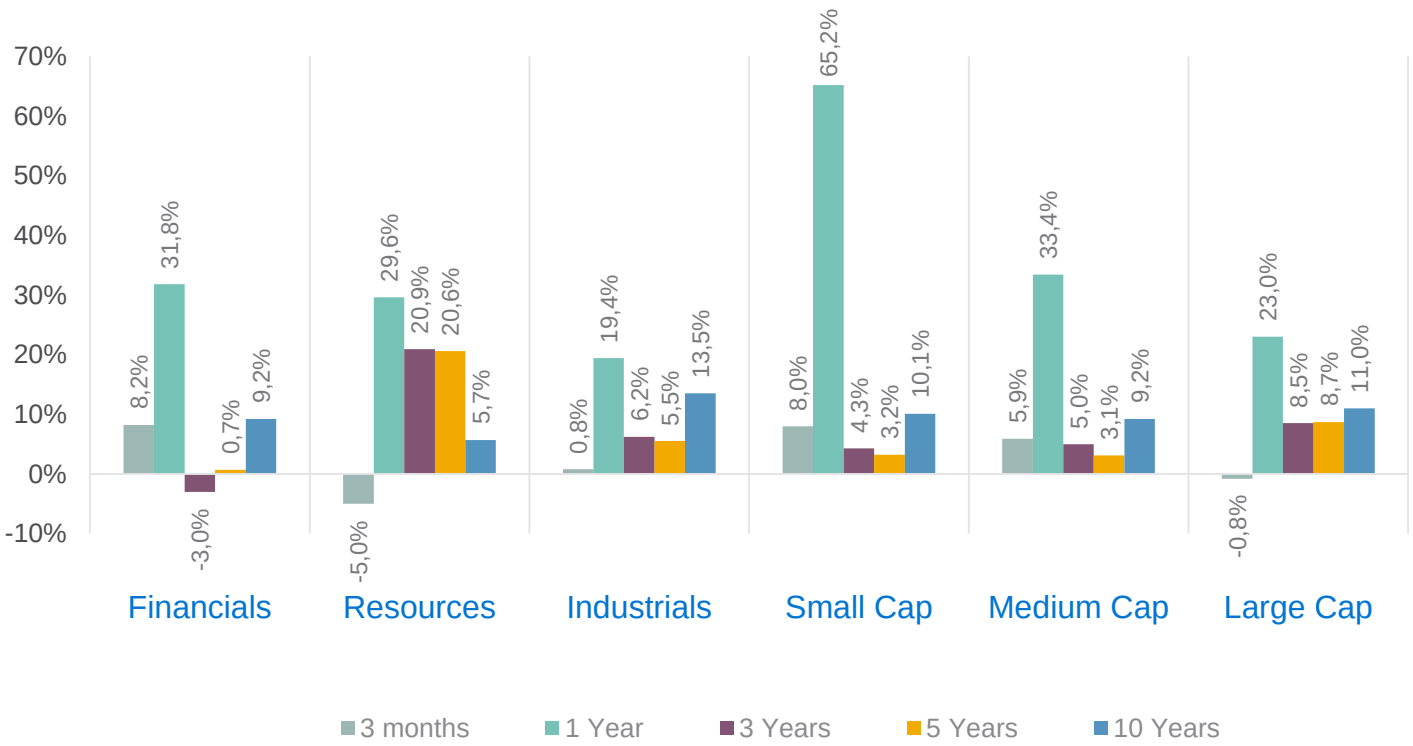
Support for this view can be seen in the monthly change in the consumer price index, with the index increasing by only 0.1% in May, following monthly increases of 0.7% in the previous three months. Similarly, the monthly increase in producer price inflation has also slowed from an average of 0.9% to 0.4% in May. With inflation expected to average around 4.5% over the next few years, the real yield on nominal bonds of some 5.2% is still slightly ahead of our fair value estimate of some 5%.

Inflation-linked bonds lagged their nominal counterparts yielding some 3.2% in rands (6.7% in US dollars) as the real yield on the Barclays Capital Inflation Linked Bond Index eased from 3.93% to 3.88%, and the inflation carry underpinned returns. Since break-even inflation, even after adjusting for the inflation risk premium, still offers a yield pick-up of some 104 basis points over inflation-linked bonds, an overweight position is retained in nominal bonds and a neutral weighting in inflation-linkers. The neutral weighting to inflation-linkers is premised on the fact that real yields on inflation-linkers are trading below our fair value estimate of 4%.

Market performance summary to 30 June 2021



*Index return in Rands



Portfolio Commentary

Quarter ending June 2021

Sanlam Lifestage Accumulation Portfolio

The Lifestage Accumulation fund has underperformed its benchmark over the quarter by 0.64%. The quarter's performance globally was characterized by risk assets outperforming their defensive counterparts as strong economic data and a loosening of lockdown restrictions offset concerns about rising inflation, the emergence of the Delta coronavirus variant and the Fed bringing forward its timeline for interest rate hikes. Emerging markets underperformed their developed market counterparts as Chinese regulators cracked down on technology companies for anti-competitive behavior, tightening regulations on fin-tech businesses and imposing greater restrictions on offshore listings by Chinese companies. South Africa though, bucked the risk-on trend with fixed income asset classes outperforming domestic equities.

A sharp decline in Naspers and Prosus shares following their proposed share swap arrangement and China's crackdown on technology companies such as Tencent were the primary reasons for the flat returns, while weakness in resource counters was a further contributor. For fixed income asset classes it was all about the better fiscal outlook supported by improvements in the country's terms of trade, higher tax revenues from mining companies, a current account surplus and lower bond issuance. But, it was the SA listed property sector that stole the show, the best performing of all the broad asset classes.

Within manager selection, our SA Bonds, SA Cash, SA Hedge Funds, SA ILBs and Foreign Cash managers allocation added value, while the other assets namely SA Equity, SA Property and the other Foreign managers detracted from performance. On the asset allocation side, the allocation to SA Bonds, SA Cash, Foreign Property, Offshore Africa 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 are the overweight positions. 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 underperformed its benchmark over the quarter by 0.33%.

Within manager selection, our SA Bonds, SA Cash, SA ILBs allocation added value, while the other assets namely SA Equity, SA Property and the other Foreign managers detracted from performance. On the asset allocation side, the allocation to SA Bonds, SA Cash, Foreign Property, Offshore Africa Equity, Foreign Cash 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 assets and locally SA ILBs, SA Equity and SA Bonds are the overweight positions. The underweight positions in the portfolio are SA Property, SA Cash, Foreign DM Equity, Foreign Cash and Foreign Bonds.

Sanlam Capital Protection Portfolio

The portfolio aims to deliver consistently smooth investment returns through monthly bonuses declared in advance. In addition, it aims to protect the invested capital by providing investors with exposure to the investment markets, while protecting them against adverse market movements.

Over the longer term, the portfolio has managed to deliver returns in excess of inflation and continues to strike a balance between two often conflicting objectives: downside protection (through smoothing and guarantees) and investment growth.

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 30 June 2021, the portfolio has consistently outperformed its benchmark, thus preserving the purchasing power of individuals to purchase an inflation linked annuity upon retirement.

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

30 June 2021	3 Months	6 months	1 year	3 years	5 years	7 years
Accumulation Phase						
Accumulation Portfolio	1.8%	10.7%	19.7%	8.0%	7.0%	7.2%
Benchmark	2.4%	10.5%	19.0%	7.4%	6.6%	7.6%
Preservation Phase						
Capital Protection Portfolio*	1.8%	3.7%	7.4%	6.8%	7.4%	8.6%
CPI**	1.4%	2.6%	5.2%	3.9%	4.3%	4.60%
Inflation Annuity Target Portfolio	3.0%	8.4%	15.1%	4.9%	2.9%	4.0%
Benchmark	3.2%	9.5%	16.8%	3.3%	1.6%	3.1%
Living Annuity Target Portfolio	2.5%	9.1%	17.2%	8.0%	7.2%	7.7%
Benchmark	2.8%	8.7%	16.0%	7.6%	6.6%	7.4%

** The Capital Protection Portfolio does not have an explicit benchmark.*
***CPI figures are calculated to end of May 2021*

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.

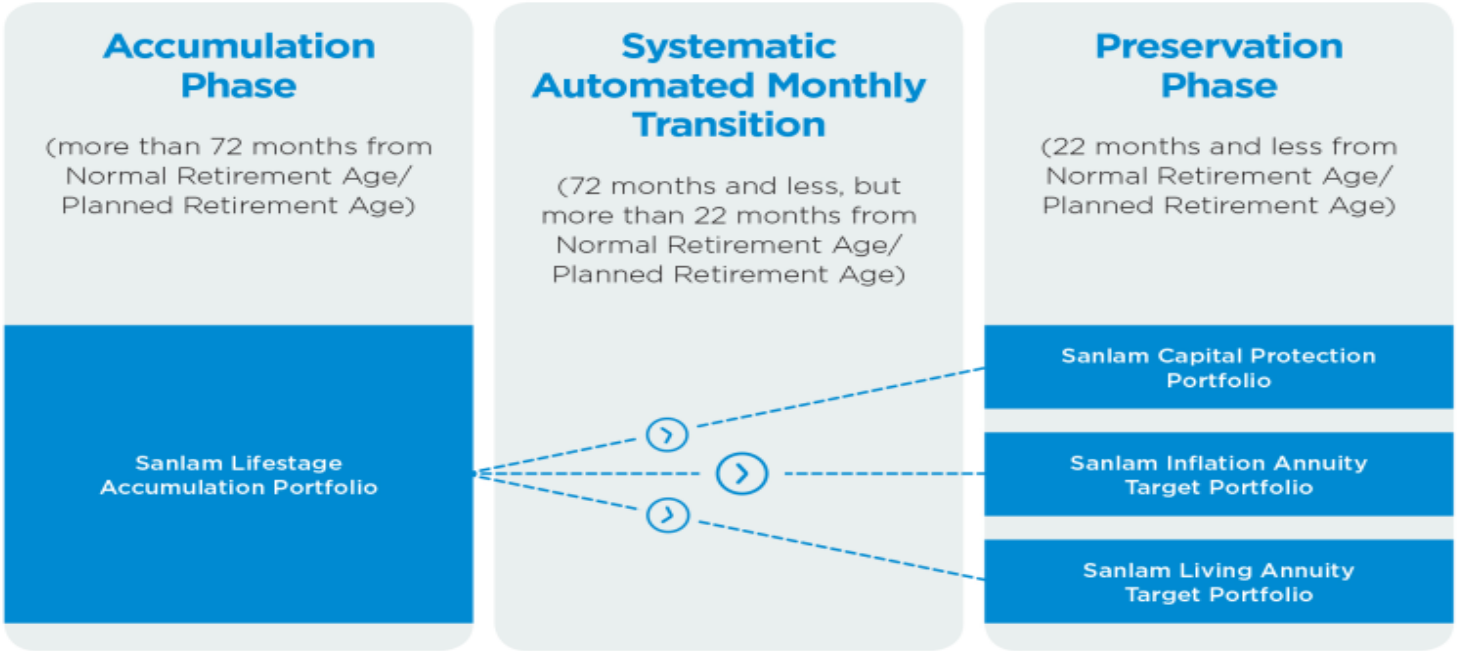
Six years (72 months) before a member reaches his/her Planned Retirement Age, the member is gradually switched from the Sanlam Lifestage Accumulation Portfolio to his/her selected Sanlam Lifestage preservation portfolio by means of 50 monthly switches.

Fund performance

Phase	1 month	3 months	1 year	3 years	5 years
Accumulation Portfolio	0.1%	1.8%	19.7%	8.0%	7.0%
Preservation Portfolios:					
Capital Protection	0.6%	1.8%	7.4%	6.8%	7.4%
Inflation Annuity	-1.7%	3.0%	15.1%	4.9%	2.9%
Living Annuity	0.1%	2.5%	17.2%	8.0%	7.2%

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	30-Jun-21
Fund Size	R 18,544 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

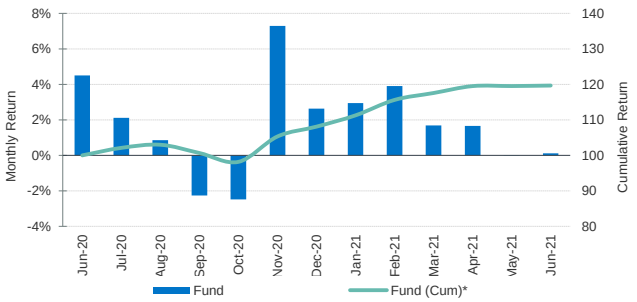
This portfolio has an aggressive risk profile

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	0.1%	0.2%
3 Months	1.8%	2.4%
6 Months	10.7%	10.5%
1 Year	19.7%	19.0%
3 Years	8.0%	7.4%
5 Years	7.0%	6.6%

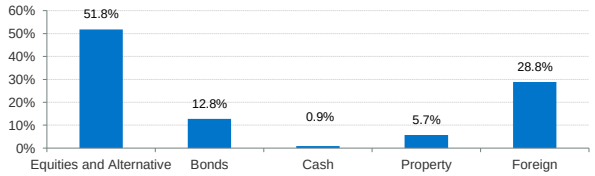
Top 10 holdings (% of Equities)

Share Name	% of Equities
Naspers	14.9%
Anglo American Plc	4.5%
Firstrand Limited	4.1%
Impala Platinum Holdings Limited	3.9%
Sibanye Still Water Limited	2.9%
MTN Group Limited	2.7%
British American Tobacco Plc	2.7%
Prosus	2.4%
Capitec	2.2%
Standard Bank Group Limited	2.1%

Benchmark

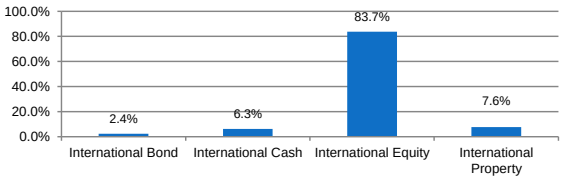
24.5%	SWIX (Shareholder Weighted Index)
24.5%	Capped SWIX (Shareholder Weighted Index)
10%	BEASSA Total Return All Bond Index
8.0%	FTSE/JSE SAPY Index
2.0%	Short Term Fixed Interest Index (STeFI)
6%	Barclays SA Inflation Linked Index
21%	MSCI World (Developed Markets) Equity Index
4%	Barclays Global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

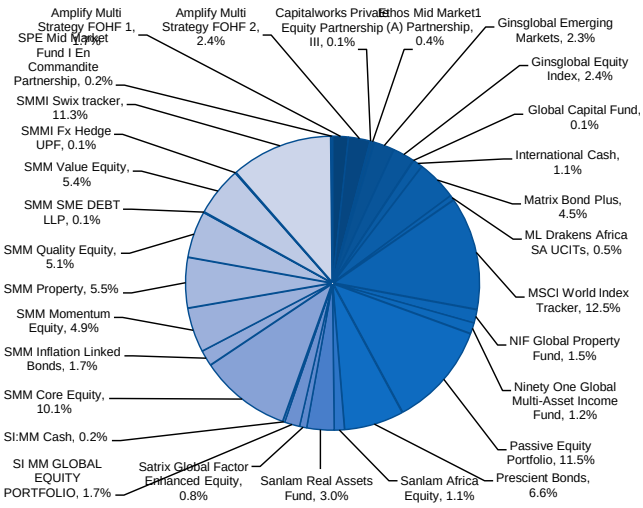
Foreign split



Equity sectoral exposure (%)

	Fund	Benchmark
Financials	22.4%	15.7%
Resources	25.3%	40.1%
Industrials	52.3%	44.2%

Fund manager breakdown



Please refer to the "Local equity manager breakdown for SMMI portfolios" for a detailed outline of

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

% of negative months over the last 3 years	30.6%
Average capital loss in one month	-3.3%
Downside risk *	8.7%

of the portfolio relative to CPI

Sanlam Capital Protection Portfolio

Period Ending 30-Jun-21
Fund Size (Book Value) R 4,008 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.

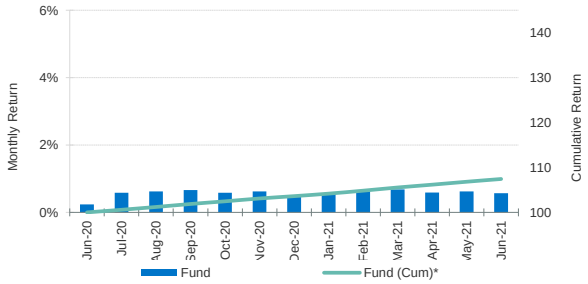
Risk profile

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	0.6%
3 Months	1.8%
6 Months	3.7%
1 Year	7.4%
3 Years	6.8%
5 Years	7.4%

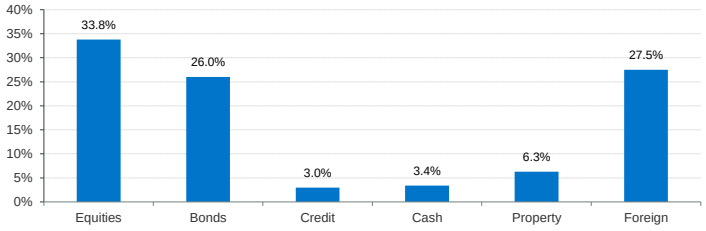
Top 10 equity holdings (% of Equity)

Share Name	% of Equity
Naspers	16.4%
FirstRand	5.3%
Anglo American	4.8%
British American Tobacco	4.6%
MTN Group	3.7%
Impala Platinum Holdings	3.4%
Standard Bank Group	3.3%
Consol Holdings	2.9%
Sibanye Stillwater	2.8%
Billiton	2.6%

Benchmark

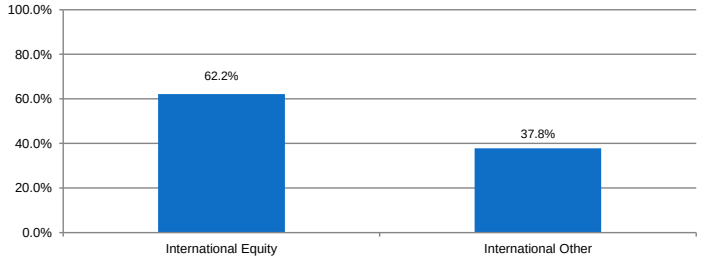
16.0% SWIX (Shareholder Weighted Index)
16.0% Capped SWIX (Shareholder Weighted Index)
19.0% BEASSA Total Return All Bond Index
5.5% 3 month JIBAR +1.25%
2.0% IGOVI
17.5% MSCI World Index (Dev. Markets)
5.0% Barclays Global Aggregate Index
2.5% US 3 month LIBOR+2.5% (net of fees)
2.5% US 3 month LIIBOR
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	23.3%
Resources	23.2%
Industrials	53.5%

The Non-vested bonuses as a proportion of book value.

Sanlam Umbrella Pension Fund	7.55%
Sanlam Umbrella Provident Fund	6.72%

** 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

July 2021: 99.57% funded

Sanlam Living Annuity Target Portfolio

Period Ending	30-Jun-21
Fund Size	R 52 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

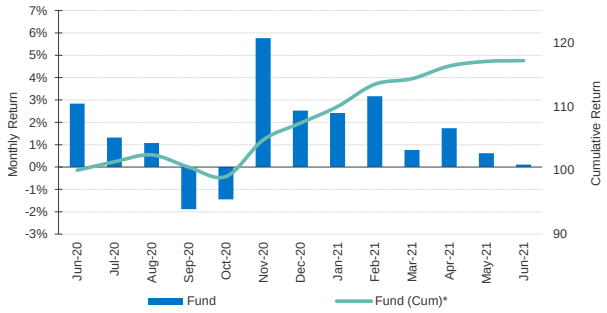
The portfolio has a moderate risk profile.

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

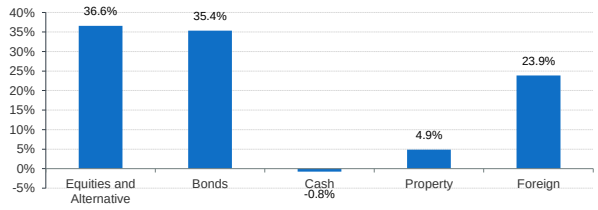
Fund performance (%)

	Fund	Benchmark
1 Month	0.1%	0.3%
3 Months	2.5%	2.8%
6 Months	9.1%	8.7%
1 Year	17.2%	16.0%
3 Years	8.0%	7.6%
5 Years	7.2%	6.6%

Top 10 equity holdings (% of Equities)

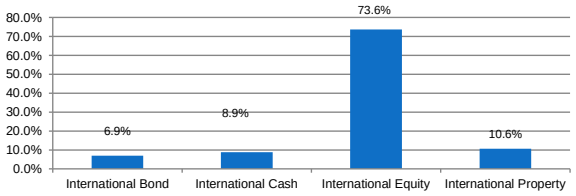
Share Name	% of Equities
Naspers	17.1%
Anglo American Plc	4.7%
Firstrand Limited	4.4%
Impala Platinum Holdings Limited	3.9%
MTN Group Limited	3.1%
Sibanye Still Water Limited	3.0%
British American Tobacco Plc	2.8%
Standard Bank Group Limited	2.3%
Capitec	2.3%
Prosus	2.3%

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.

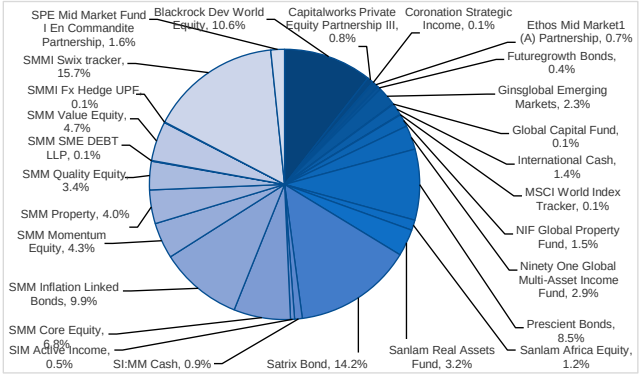
Foreign split



Equity sectoral exposure (%)

	Fund	Benchmark
Financials	22.4%	15.7%
Resources	25.2%	40.1%
Industrials	52.4%	44.2%

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	27.8%
Average capital loss in one month	-2.6%
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	30-Jun-21
Fund Size	R 7 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.

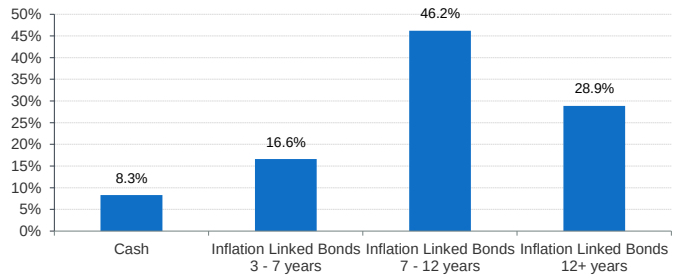
Risk profile

This fund has a conservative risk profile

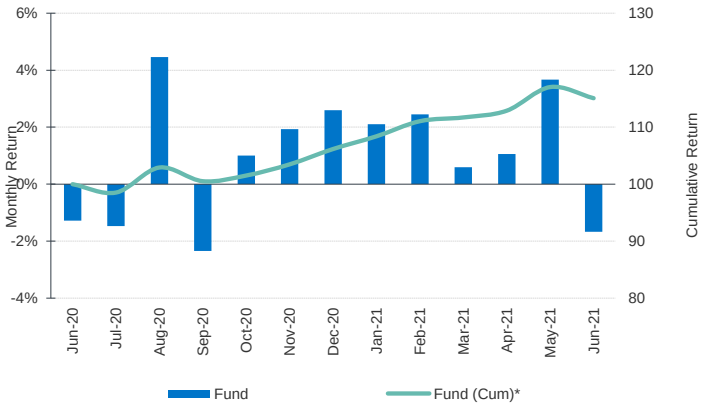
Fees

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	33.3%
Average capital loss in one month	-1.7%
Downside risk *	5.9%

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

Fund performance (%)

	Fund	Benchmark
1 Month	-1.7%	-2.4%
3 Months	3.0%	3.2%
6 Months	8.4%	9.5%
1 Year	15.1%	16.8%
3 Years	4.9%	3.3%
5 Years	2.9%	1.6%

Local equity manager breakdown for SMMI portfolios

	Lifestage Accumulation	SMM 70 Portfolio	SMM 50 Portoflio	SMM 30 Portfolio	ILLA Preservation
Domestic Equity					
Core Equity					
Fairtree Equity	1.9%	3.8%	2.8%	1.5%	1.3%
Truffe Equity	2.1%	4.1%	3.0%	1.6%	1.4%
ABAX Eqity	1.8%	3.6%	2.7%	1.4%	1.2%
Coronation Equity	2.7%	5.3%	3.9%	2.1%	1.8%
Quality Equity					
First Avenue	0.7%	1.3%	1.0%	0.6%	0.5%
Steyn Equity	0.7%	1.3%	0.9%	0.6%	0.5%
Bataleur Equity	0.8%	1.5%	1.1%	0.7%	0.6%
Satrix Quality Index	0.3%	0.5%	0.3%	0.2%	0.2%
Momentum Equity					
Kaizen Thematic Equity	1.0%	1.9%	1.3%	0.8%	0.9%
Satrix Momentum	2.4%	4.5%	3.1%	2.0%	2.1%
Value Equity					
ABSA Select Equity	1.0%	1.8%	1.3%	0.8%	0.9%
Ninety One Value	0.8%	1.4%	1.1%	0.7%	0.7%
SIM General Equity	1.9%	3.3%	2.5%	1.5%	1.7%
Satrix Stable Dividend	1.7%	3.0%	2.2%	1.4%	1.5%
Total	**20.0%**	**37.4%**	**27.2%**	**16.0%**	**15.2%**

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