Sanlam

Sanlam Corporate: Investments

Lifestage Report

Quarter 4 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 remaining time until a member retires and 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 the Lifestage approach, a member's savings are initially invested in a portfolio that emphasizes 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 choose from their preservation phase portfolio, their funds will automatically be invested in the default preservation phase portfolio, the Sanlam Capital Protection Portfolio..

The transition from the accumulation phase to the preservation phase occurs through 50 monthly switches, starting 6 years before retirement and is essential to reduce market timing risk. The switches aim to transition exposure from the Sanlam Lifestage Accumulation Portfolio to the Sanlam Lifestage Preservation Portfolios. 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.

22 MONTHS FROM RETIREMENT AGE

RETIREMENT AGE

Systematic automated monthly transition

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

Preservation phase

All members with **22 months and less remaining** 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

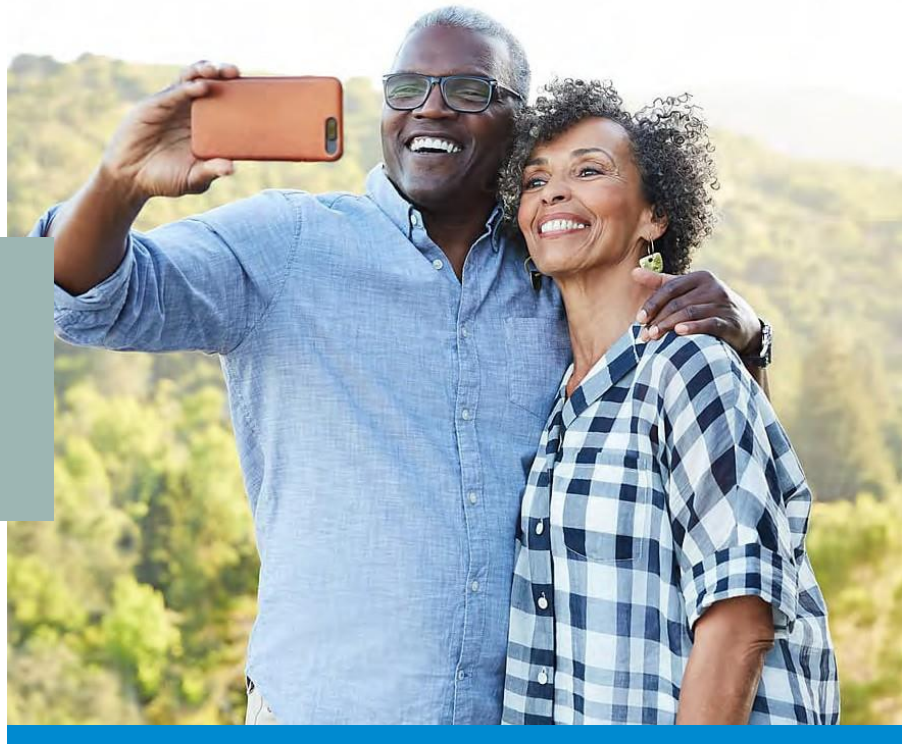
- Sanlam Capital Protection Portfolio — Suitable for purchasing a guaranteed annuity
- Sanlam Living Annuity Target Portfolio — Suitable for purchasing a investment-linked living annuity
- Sanlam Inflation Annuity Target Portfolio — Suitable for purchasing a inflation-linked annuity

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 multi-managed portfolio allocates its assets across equities, bonds, property, private markets, and cash. A core-satellite investment strategy is generally employed. 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. 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 entirely in the Sanlam Stable Bonus Portfolio. The portfolio aims to protect the invested capital by exposing investors to the investment markets while safeguarding them against adverse market movements.

This is achieved by smoothing returns over time and offering capital protection on the capital invested and 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 who wishes to purchase a guaranteed annuity at retirement or is uncertain about which annuitisation strategy they want to employ. 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 maximize capital growth 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. Sanlam has developed the SALI Real Index 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

- Hawkish Fed signals faster pace of tapering and rate hikes as economy nears full employment
- Joe Biden's US$1.75 trillion social spending plan derailed by Democratic Senator
- ECB may bring forward rate hikes to 2022 on soaring inflation
- PBOC cuts one-year lending rate by 5 basis points, RRR by 50 basis points
- ISM sub-indices point to lower inflation and reduced supplier delivery delays
- Natural gas prices a risk to EU growth outlook
- China's zero-Covid policy a near term consumption and supply-chain risk

Local

- Omicron triggers renewed lockdowns even though variant seen as more transmissible but less deadly

Global economics

Global Equities

Global equities rallied strongly in the fourth quarter of 2021 with most equity indices experiencing above-average returns for the month. The MSCI World Index rallied some 7.8% in US dollars and 14.3% in rands, bringing the annual return to 21.8% in US dollars and 32.4% in rands. In contrast, emerging market returns materially underperformed their developed market counterparts as slowing Chinese growth linked to a regulatory crackdown and a property market slump weighed on returns. Aggressive interest rate increases by several emerging markets last year also contributed to the disappointing returns. The MSCI Emerging Markets Index yielded -1.4% in US dollars and 4.6% in rands, bringing the annual return to -2.6% in US dollars and 5.9% in rands

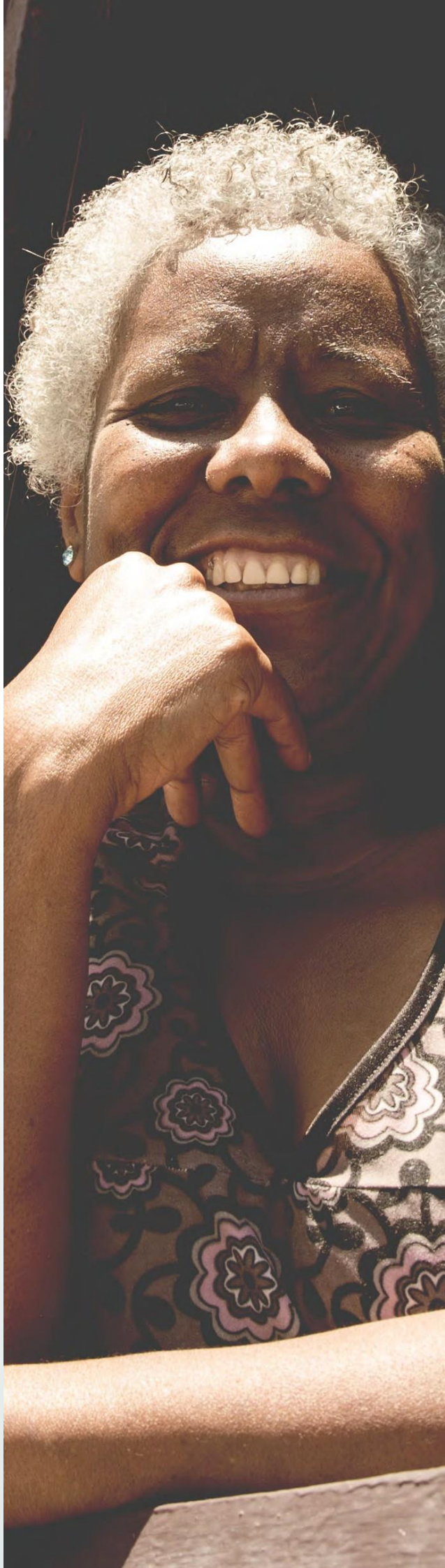
Investors appeared to shrug off comments by the Fed on accelerating the pace of asset class tapering and interest rate hikes, the failure of the Biden administration to reach agreement on a US$ 1.75 trillion social spending plan and the emergence of the Omicron variant that has resulted in the re-imposition of lockdown restrictions and travel bans. However, early indications that the new Covid-19 strain is less lethal than earlier variants has no doubt contributed to the fleeting impact on markets, with investors believing the new variant will not derail the economic recovery. Bloomberg's daily GDP tracker supports this view suggesting that while growth will come under pressure early in the new year, a sharp rebound is anticipated thereafter. In general, the market view is that global growth will slow in 2022 but that growth will still exceed trend growth. The drivers of growth are expected to be a large inventory rebuild as companies restock and consumers draw down on their excess savings, while fixed investment expenditure is expected to increase given the current divergence between capital goods orders and shipments.

While China still adopts a zero-Covid policy with hard lockdowns in Xi'an (Delta variant) and Tianjin (Omicron variant), most others have adopted a "living with Covid" policy, suggesting that restrictions on the mobility of people will likely be replaced with vaccine mandates, helping to insulate economies from sharp contractions in overall activity. But, with China likely to retain its zero-Covid stance ahead of next month's winter Olympics, the National Legislature meeting in March and the 20th Communist Party Congress in the fourth quarter of the year, the risk of supply chain dislocations may persist with inflation remaining elevated for longer. Despite this risk, supply chain indices are improving at a time when input cost pressures are also easing. This suggests that favourable base effects aside, inflation will decline over the course of the year, particularly in the second half of the year. The derailing of the Biden administration's social spending plan is also likely to defuse some inflationary pressures as the demand-supply imbalance improves.

While market participants brought forward their US interest rate hike expectations, the release of the FOMC minutes in January – from the December meeting – did spark a brief equity market sell-off as the dot-plot pointed to at least three rate hikes in 2022, with lift-off now expected as early as March. More worrying was the FOMC's discussion around reducing the Fed's balance sheet by not reinvesting maturing securities. Although no decision was taken on the timing or quantum of the balance sheet runoff, the Fed could begin this process in July. The Fed's actions did spur on the Bank of English (BOE) to raise its benchmark rate by 15 basis points, while the European Central Bank (ECB) signaled a cautious taper of its own quantitative easing (QE) programme.

With EU consumer inflation now at 5% and producer inflation at 23.7% given the surge in natural gas prices, consumption is expected to come under pressure, while energy-reliant industries could be forced to curtail output, dealing a blow to overall growth. The EU remains dependent on Russia for its natural gas supplies which could be cut further if the US and EU impose sanctions on Russia should it invade Ukraine. The sanctions being proposed include limiting Russian access to the SWIFT global payments system and the imposition of export controls on advanced technologies used in aviation, semi-conductors, computers and other consumer goods. While US exports of liquefied natural gas (LNG) helped to alleviate some natural gas pricing pressures early in December, this proved to be short-lived with prices ending the quarter up 66.5%, bringing the yearly increase to a staggering 549%. Since Russia holds all the aces, a geopolitical stand-off with Russia is the single biggest risk for the region this year.

In contrast, the People's Bank of China (PBoC) announced an interest rate cut, with the one-year lending rate cut by 5 basis points to 3.8% and the required reserve ratio (RRR) by some 50 basis points. The PBoC's actions suggest further interest rate and RRR cuts in the year ahead as the central bank takes proactive steps to stabilise economic growth ahead of the annual meeting of the National Legislature – when China's growth target for 2022 is announced – and the 20th Communist Party Congress where President Xi Jinping is expected to secure a third term. The PBoC is expected to front-load its rate cuts with a 10-basis point cut in the medium-term lending facility rate early in the year, while a further 5 basis point cut is expected in the second quarter. Similarly, two 50 basis point cuts in the required reserve ratio could come into effect at the end of quarters one and two.



With private consumption expenditure weak due to pandemic outbreaks and lockdowns and the property sector in free-fall, the government will need to increase fiscal spending in order to achieve a growth rate of between 5% and 6% this year. Given the slowdown in real estate investment, the 14th Five Year Plan (2021-2025) called for investment that targets new infrastructure, green energy, public housing and healthcare. The National Development and Reform Commission has already instructed local governments to spend more in the first three months of the year in order to stabilize the economy. Given the expected rebound in credit growth, China's economy should turn upwards in the second quarter of the year, helping to underpin emerging market economies and commodity prices.

Due to Covid-19 concerns, the front-loading of US rate hike expectations and slowing economic growth, bottom-up consensus earnings estimates are being revised lower, reflecting also the maturing of the economic cycle. This view is consistent with the rolling over of the ISM backlog in orders less inventories sub-indices, which point to a slowdown in S&P500 earnings in the year ahead. Despite the slower growth in earnings and a market derating consistent with a rise in US Tips (as yield curves reprice on higher policy interest rates), high single digit $-returns are expected for the MSCI World Index over the coming year. With the 10-year US treasury yield expected to end the year around the 2% to 2.25% level, we retain a value bias overgrowth stocks given the latter's interest rate sensitivity. The outlook for emerging markets is no different with earnings growth also expected to slow in the year ahead. One difference, however, is that valuations are relatively more attractive for emerging

markets with return expectations also higher for 2022. Our base case view is that developed market equity returns are likely to be front-loaded in 2022, justifying an overweight position, while emerging market returns are expected to be back loaded in the year. The justification for upweighting emerging markets relative to developed markets in the second half of the year is that there is roughly a six to nine-month lag between an inflection point in Chinese policy and a turning point in emerging market equities or currencies. Emerging market equities are therefore upweighted relative to developed markets on the stabilization in Chinese growth and attractive relative valuations.

Global Listed Property

EPRA/NAREIT Developed Markets Property Index surged some 10.4% in US dollars (17.1% in rands) even as the emergence of the Omicron variant of the virus triggered renewed lockdowns and flight bans.

The sector rerated sharply with the price-to-book ratio climbing to 1.62X from 1.49X, well above the historical mean of 1.46X. The gains were, however, driven by early indications that the Omicron variant was less lethal than previous variants, even if it was more transmissible. With hospitalizations and fatalities much lower than those during previous waves of the virus, investors are betting that any disruptions to the services sector will likely be short-lived. Even though listed property counters are an inflation-hedge that will benefit from pent-up consumer demand and rental escalations linked to inflation and nominal sales growth, a small underweight position is retained in listed property given that the sector is expensive on a price-to-book basis.

Global Bonds

Global bonds came under some selling pressure in the fourth quarter of the year as the US Fed announced an acceleration to its asset tapering programme from US$ 15 billion per month to US$ 30 billion, suggesting that tapering will end in March 2022. The reference to inflation as being transitory was also dropped, with the Fed Chairman signaling a faster pace of interest rate hikes in 2022. Although the two-year treasury yield increased to 0.73% from 0.28% the previous quarter following the FOMC meeting, the 10-year yield increased only marginally from 1.49% to 1.51%. The yield on the benchmark Barclays Capital Global Aggregate Bond Index also pushed higher as bonds repriced relative to US treasuries. The yield on the benchmark index increased from 1.17% to 1.32%, accounting for the -0.7% US$ quarterly return (5.4% in rands). But it was the release of the FOMC minutes in January that saw yields rise sharply in the early part of the year. The minutes indicated that the FOMC had discussed reducing the Fed's balance sheet by not reinvesting maturing securities, otherwise referred to as quantitative tightening (QT). Since QT had not been mentioned in December, the release of the minutes sparked a more aggressive rise in bond yields. The two-year treasury yield rose further to 0.89% as the Fed's dot plot showed at least three increases of 25 basis points each in the fed funds rate this year, while the 10-year yield rose to 1.74% at the time of writing. Even though the yield curve steepened as the 10-year yield rose, the curve is expected to flatten as short rates rise faster than long bond rates, pointing to a slowdown in economic growth this year. Our base case remains that 10-year yields will rise, even as the yield curve flattens, but that yields will likely be anchored at around the 2% to 2.25% level by year-end. Given the duration risk inherent in nominal bonds, an underweight position is retained in both developed and emerging market bonds. Towards the latter part of the year, however, global bonds are upweighted to neutral as long bond yields become anchored at higher yields, supporting a long duration position.

Inflation-linked bonds held up well over the quarter as investors sought out assets that would shield them from ballooning inflation. Due to heightened demand, real yields on the Barclays Capital Global Inflation-linked Bond Index increased from -1.56% to -1.71%, driving returns 2.7% higher in US dollars and 9.0% in rands.

This positioning is, however, expected to be short-lived since yields on both nominal and inflation protected securities typically rise as policy rates are tightened. In January, the yield on the 10-year Tip increased to -0.77% from -1.1% at the end of December, reflecting this upward shift in the curve. It is also for that reason that equities came under pressure, albeit only briefly. With yields on Tips rising, equity markets are expected to derate further, resulting in increased equity market volatility. A further consideration is that the bond market is beginning to anticipate a slowdown in inflation this year, given declining input costs, reduced supply chain disruptions, positive base effects and a normalization in consumer demand. A normalization in consumer demand will see demand for durable goods shift more towards services, further reducing inflationary pressures. Even though the inflation carry will be supportive of inflation-linked bonds, at least over the next six months, the duration risk inherent in inflation-linked bonds supports an underweight position in this asset class.

Local economics

Local Equities

South African equities outperformed their developed and emerging market counterparts in the fourth quarter, yielding 15.1% in rands and 8.5% in US dollars. The gains were driven by consumer discretionary stocks (40.7%), resources (21.6%) and telecommunications (13.7%), while healthcare (-7.5%), financials (2.5%) and technology (3.5%) brought up the rear. Within the consumer discretionary economic grouping, Richemont (55.2%) led the charge, whereas Goldfields (41.3%), Anglo Platinum (39.3%) and Anglogold Ashanti (38.3%), buoyed returns within the resources sector. Resource counters benefitted from gains in the $-prices of gold and platinum group metals and a 5.7% depreciation in the rand/USD exchange rate. Within telecoms, MTN returned another pleasing 20.8%, bringing the annual gain to a staggering 183.6%. Somewhat surprising was that growth stocks (16.3%) outperformed value stocks (12.5%), an outcome at odds with both the MSCI World and Emerging Market Indices where value outperformed growth.

A worse-than-expected third quarter GDP reading of -1.5% quarter-on-quarter seasonally adjusted (2.9% year/year) failed to deter sentiment given that the July unrests and electricity supply constraints were expected to negatively impact growth. But it was the primary sector that surprised to the downside with agriculture, forestry and fishing declining by 13.6% q/qsa, detracting 0.4% from overall growth.

The decrease was mainly due to lower production of field crops and animal products.

Other detractors included the trade industry that declined by 5.5% q/qsa and the manufacturing sector that was down 4.2% q/qsa. Within the trade, catering and accommodation industry grouping, decreased economic activity was reported in the wholesale, general retail, motor retail and catering/accommodation sectors. The manufacturing industry, in turn, reported negative growth in eight of the ten manufacturing divisions, with motor vehicle parts and accessories and other transport equipment the biggest drag on growth. This can be attributed to a shortage of semiconductors globally that has materially constrained the supply of vehicles. Other noteworthy detractors included food and beverages, basic iron and steel, non-ferrous metals, metal products and machinery. The trade and manufacturing sectors detracted 0.7% and 0.5% respectively from overall third quarter GDP growth.

In terms of expenditure on GDP, household final consumption expenditure (HFCE) decreased by 2.4% q/qsa, detracting 1.6% from overall growth. The largest decreases were reported for expenditure on durable and non-durable goods. The main detractors from HFCE included expenditure on transport (-4.1%), furnishings (-9.9%), recreation (-7.0%), food (-1.8%) and restaurants (-6.1%), all of which can largely be attributed to electricity shortages, supply chain disruptions and lockdown restrictions. While supplier delivery delays are still a constraint within manufacturing, resulting in rising input costs, the country is expected to benefit from an inventory rebuild given that drawdowns have totaled almost R300billion over the year to end September. But with business confidence weak and expected business conditions slowing, growth in 2022 is unlikely to materially exceed 2%. With respect to expenditure on gross fixed capital, growth was flat between the second and third quarters with growth reported for “other assets” (8.8%), machinery and equipment (1.8%) and residential buildings (1.5%). The “other” category includes research and development, computer software, mineral exploration and cultivated biological resources. Net exports, in turn, contributed positively to overall growth.

The biggest challenge facing South Africa is its persistently low growth rate which could become a headwind for SA Inc. counters in the years ahead. The Treasury expects GDP growth to average around 1.8% over the next three years, whereas the IMF expects growth of only 1.4%, warning that structural rigidities were depressing private investment and hindering inclusive growth and job creation. At 13.1% of GDP, gross fixed capital formation is at its second lowest level ever, beaten only by the 12.9% of GDP recorded in the first quarter of 2021. The IMF warned that the government would need to fix its public finances and put a lid on its public debt level, while also raising efficiencies in the economy, particularly in network industries (electricity, telecommunications and transport) which raise the cost of doing business. The IMF went even further stressing that government also needed to intensify efforts to address weak governance and corruption. All eyes will now be on the President to see what action he will take against those implicated in the Zondo Commission’s first report. With the ANC’s elective conference expected to take place in November, the President may seize the opportunity to rid the party of Radical Economic Transformation (RET) faction members.

The slowdown in projected growth this year is being reflected in downward revisions to bottom-up consensus earnings estimates which slowed further in December to some 5.6%, down from 13% in September. Since the market has already de-rated substantially over the past year, a small rerating over the coming two years is factored into total return expectations of around 11.1% and 9.4% respectively. Due to these return expectations, an overweight position is still retained in domestic equities.

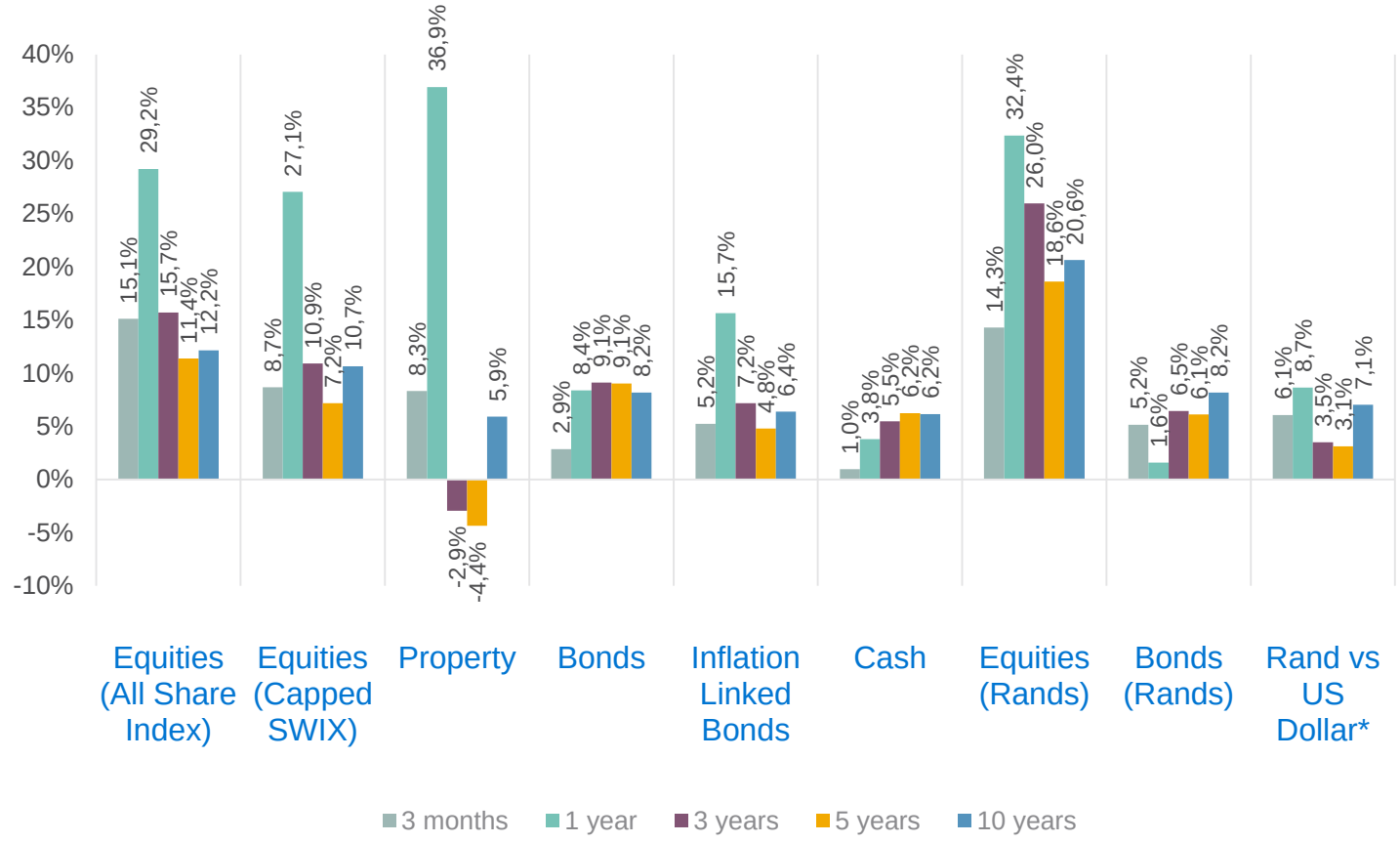
Local Bonds

South African bonds underperformed their developed and emerging market counterparts in the fourth quarter, yielding some 2.9% in rands but -3.0% in US dollars, courtesy of rand depreciation. The yield on the All Bond Index was marginally lower, easing from 9.99% to 9.96% even as inflation ended the quarter slightly higher than expected at 5.5%. Although inflation is expected to climb further to around 5.8% in December (to be released in January) following a further petrol price hike and food price increases, this is likely to be the high point in the current inflation cycle, with inflation expected to move back to the mid-point of the SARB's target range in the second half of the year. Furthermore, the release of provisional financing figures for the fiscal year to end November showed a healthy revenue overrun of some 33.9% when compared with the same period the previous year, buoyed by corporate income tax receipts that were a 100.5% higher. Similarly, expenditure was well contained, up 5.1% for the period to end November. Therefore, the main budget balance was 40.4% lower than the previous year, with domestic long-term bond issuance some 44.4% lower. Given the more favourable fiscal dynamics, bond yields could have drifted even lower but remain constrained by an oil price trading above $84 per barrel, rising international food prices and expectations of softer commodity prices in the year ahead.

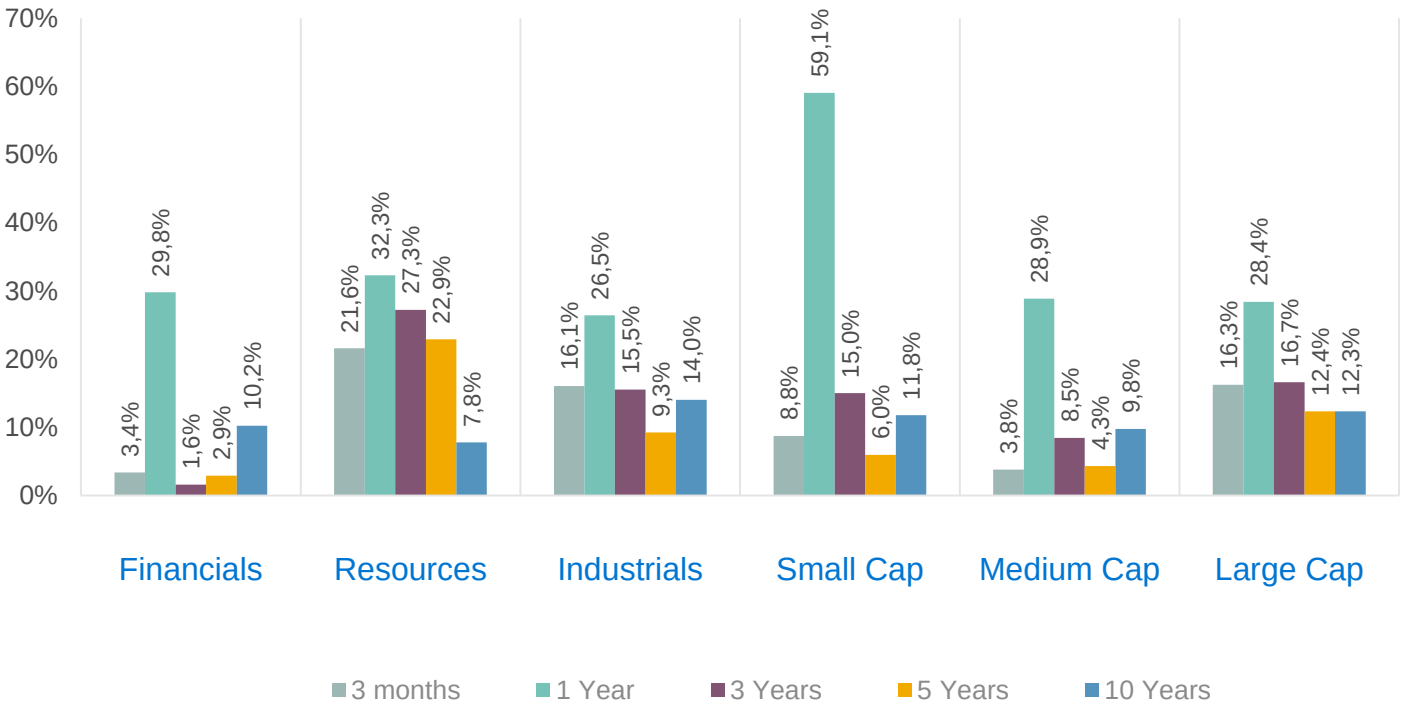
Since real yields on nominal bonds are trading below our 5% fair value estimate at some 4.5%, bond rotation may have taken place as real yields on inflation-linked bonds were trading around our fair value estimate of 4%.

Given the relatively attractive real yield as well as the inflation carry seen in recent months, inflation-linked bonds yielded an impressive 5.0% (in rands), bringing the annual return to 14.9%, well ahead of the 8.4% yielded by the All Bond Index. The real yield on the Barclays Capital Inflation linked Bond index declined from 3.9% to 3.7% accounting for the positive returns. Although real yields are now trading below our fair value estimate, a neutral weighting is retained in inflation-linkers over the near term, given expectations of a favourable inflation carry that could extend beyond the first quarter of the year. Support for this view comes from the Absa manufacturing purchasing managers' index that shows ongoing increases in the prices paid sub-index along with increases in supplier delivery delays linked to supply chain disruptions. On a six to twelve-month view, however, inflation-linkers are downweighted to underweight as inflation moves back to the mid-point of inflation target range.

Market performance summary to 31 December 2021



*Index return in Rands



Portfolio Commentary

Quarter ending December 2021

Sanlam Lifestage Accumulation Portfolio

The Lifestage Accumulation Portfolio returned 8.9% for the quarter and 23.4% for the year ended 31 December 2021. The portfolio marginally underperformed its benchmark over the quarter by 0.1%. Despite ongoing COVID-related uncertainty, associated lockdowns, supply chain challenges and persistent inflation, a combination of continued monetary and fiscal support, strong company earnings and a broadly positive economic outlook for 2022 continued to drive returns higher. The onset of the fourth wave of Omicron-led infections poses further downside risks to the pace of the economic recovery. The FTSE/JSE All Share Index (ALSI) delivered impressive returns for the quarter ended 31 December 2021 returning 15.1% and was the best performance for the year since 2009. At a super-sector level, Resources returned 21.6% while Industrials returned +16.1%, while Financials recouped prior losses with strong performance in December to end the quarter up by 3.4%.

Within manager selection, SA Equity, SA Hedge Funds, SA Bonds, Offshore Africa Equity and International Bonds added value. SA ILB's, SA Cash, International Cash were neutral while International Property, SA Property, Offshore Emerging Market equity and International Cash detracted from performance. On the asset allocation side, the allocation to SA ILB's, SA Cash, International Bonds contributed positively to performance. SA Property was neutral while the other asset classes detracted.

Looking at the current positioning of the portfolio, we are overweight on SA Alternatives, SA Bonds, International Cash, International Equity and International Property. The underweight positions in the portfolio are SA Inflation Linked Bonds, SA Cash, International Bonds, International Inflation Linked Bonds and International property. We are in a neutral position for SA Equity.

Sanlam Living Annuity Target Portfolio

The Lifestage ILLA Preservation portfolio returned 7.2% for the quarter ended December 2021 and 19.9% for the 2021 calendar year. Despite ongoing COVID-related uncertainty, associated lockdowns, supply chain challenges and persistent inflation, a combination of continued monetary and fiscal support, strong company earnings and a broadly positive economic outlook for 2022 continued to drive returns higher. The onset of the fourth wave of Omicron-led infections poses further downside risks to the pace of the economic recovery. The FTSE/JSE All Share Index (ALSI) delivered impressive returns for the quarter ended 31 December 2021 returning 15.1% and was the best performance for the year since 2009. At a super-sector level, Resources returned 21.6% while Industrials returned +16.1%, while Financials recouped prior losses with strong performance in December to end the quarter up by 3.4%.

Within manager selection, SA Equity, Offshore Emerging Market Equity, SA Property, International Property and International Cash allocation detracted from performance, while the other assets namely Offshore Africa Equity, SA Bonds, International Bonds, SA Inflation Linked Bonds, International Equity, SA cash added value. On the asset allocation side, the allocation to SA Cash, SA Equity, SA Inflation Linked Bonds and Offshore Africa Equity contributed positively to performance while the other asset classes detracted.

Looking at the current positioning of the portfolio, we are overweight in SA Equity, SA Bonds, SA Alternatives and International Cash. Our position is neutral on SA Property, SA Inflation Linked Bonds, International Property and International Bonds. The underweight positions in the portfolio are SA Cash and International Equity.

Sanlam Capital Protection Portfolio

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

Over the longer term, the portfolio has managed to deliver returns above inflation. It 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 of 31 December 2021, the portfolio has consistently outperformed its benchmark over the period greater than 1 year, 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 returns but rather to provide returns that are in line with the price of an inflation-linked annuity at retirement.

Performance summary

31 December 2021	3 Months	6 months	1 year	3 years	5 years	7 years
Accumulation Phase						
Accumulation Portfolio	8.9%	11.5%	23.4%	13.4%	9.7%	8.4%
Benchmark	9.0%	12.1%	23.9%	12.9%	9.5%	8.6%
Preservation Phase						
Capital Protection Portfolio*	1.9%	3.8%	7.6%	6.9%	7.3%	8.2%
CPI**	1.0%	2.7%	5.5%	4.1%	4.4%	4.8%
Inflation Annuity Target Portfolio	6.7%	9.0%	18.1%	7.5%	4.9%	4.7%
Benchmark (SALI Real)	7.1%	9.4%	19.7%	6.5%	3.8%	3.9%
Living Annuity Target Portfolio	7.2%	9.8%	19.9%	11.9%	9.1%	8.5%
Benchmark	7.4%	9.9%	19.4%	11.5%	8.8%	8.1%

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

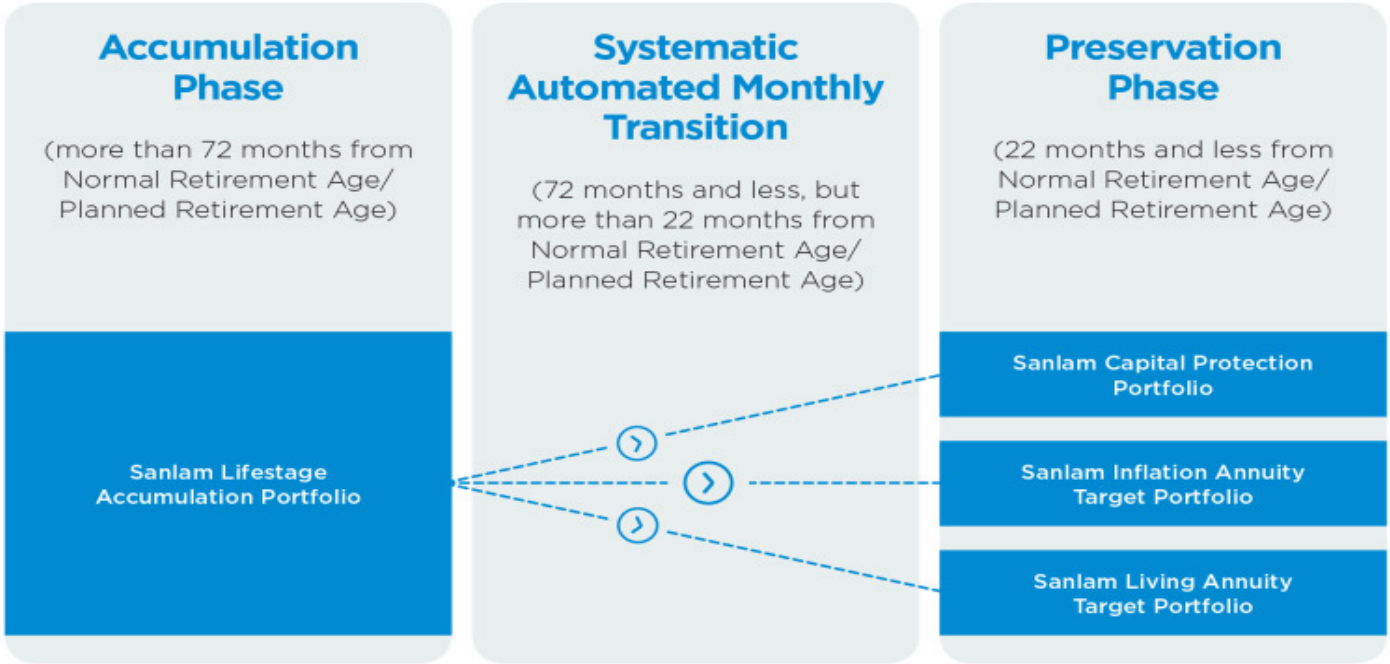
Six years (72 months) before a member reaches his/her Planned Retirement Age, the member is gradually switched from the Sanlam Lifestage Accumulation Portfolio to his/her selected Sanlam Lifestage preservation portfolio by means of 50 monthly switches.

Fund performance

Phase	1 month	3 months	1 year	3 years	5 years
Accumulation Portfolio	3.8%	8.9%	23.4%	13.4%	9.7%
Preservation Portfolios:					
Capital Protection	0.7%	1.9%	7.6%	6.9%	7.3%
Inflation Annuity	6.2%	6.7%	18.1%	7.5%	4.9%
Living Annuity	3.5%	7.2%	19.9%	11.9%	9.1%

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-21
Fund Size	R 20,231 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

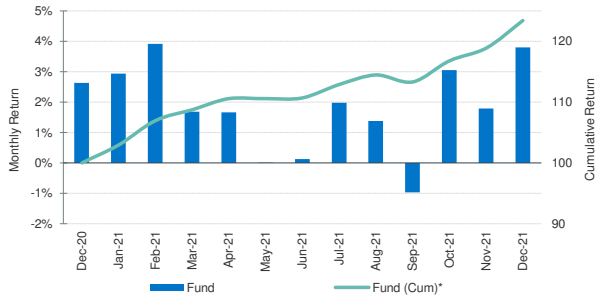
This portfolio has an aggressive risk profile

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	3.8%	4.3%
3 Months	8.9%	9.0%
6 Months	11.5%	12.1%
1 Year	23.4%	23.9%
3 Years	13.4%	12.9%
5 Years	9.7%	9.5%

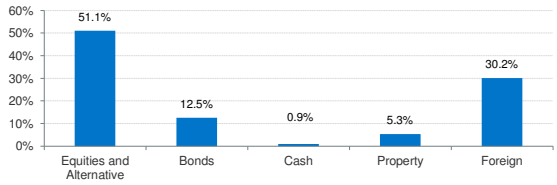
Top 10 holdings (% of Equities)

Share Name	% of Equities
Naspers	5.8%
Prosus	5.7%
Anglo American Plc	4.6%
MTN Group Limited	4.4%
Firstrand Limited	4.1%
Impala Platinum Holdings Limited	3.5%
IB ZARINDEX ELN 8JULY26 NOTE	3.3%
British American Tobacco Plc	3.0%
Capitec	2.3%
Standard Bank Group Limited	2.3%

Benchmark

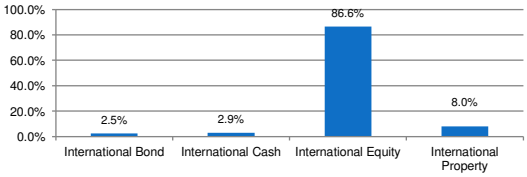
23.0% SWIX (Shareholder Weighted Index)
23.0% Capped SWIX (Shareholder Weighted Index)
11% BEASSA Total Return All Bond Index
6.0% FTSE/JSE SAPY Index
2.0% Short Term Fixed Interest Index (STeFI)
7% JSE Inflation-linked Govt Bond Index
2% FTSE EPRA/NAREIT Developed Dividend+Index
24% MSCI World (Developed Markets) Equity Index
2% Bloomberg 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.

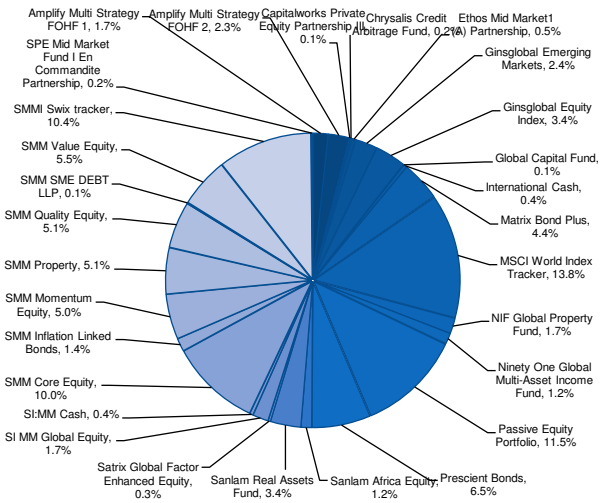
Foreign split



Equity sectoral exposure (%)

	Fund	Benchmark
Financials	23.9%	16.9%
Resources	25.5%	41.8%
Industrials	50.6%	41.3%

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	25.0%
Average capital loss in one month	-3.3%
Downside risk *	8.5%

of the portfolio relative to CPI

Note: Performance figures are gross of investment management fees, but are net of any performance fees (if applicable). For portfolios in the Smoothed Bonus Range ,the returns are gross of investment management fees, but are net of any guarantee premiums. Performance figures for periods greater than 12 months are annualised. All data shown is at the month-end, unless specifically indicated differently. Changes in currency rates of exchange may cause the value of your investment to fluctuate. Past performance is not necessarily a guide to the future returns. The value of investments and the income from them may increase or decrease and are not guaranteed. You may not get back the amount you invest. The product information sheets are prepared for the SANLAM UMBRELLA FUND by its investment consultants. The product information sheets are prepared in good faith and the information, data and opinions contained in the product information sheets are based on source information considered reliable. However, no guarantee, explicit or otherwise are provided that the information and data contained therein are correct and comprehensive. The SANLAM UMBRELLA FUND and the investment consultants cannot be held liable for any loss, expense and/or damage following from the use of

Sanlam Capital Protection Portfolio

Period Ending 31-Dec-21
Fund Size (Book Value) R 4,253 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.

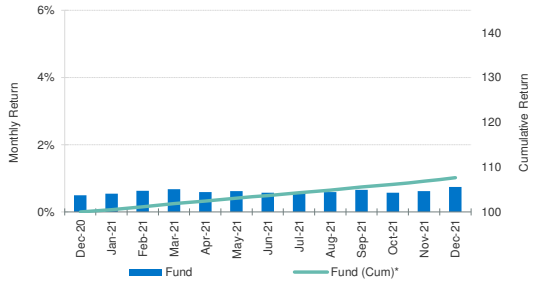
Risk profile

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	0.7%
3 Months	1.9%
6 Months	3.8%
1 Year	7.6%
3 Years	6.9%
5 Years	7.3%
10 Years	10.5%

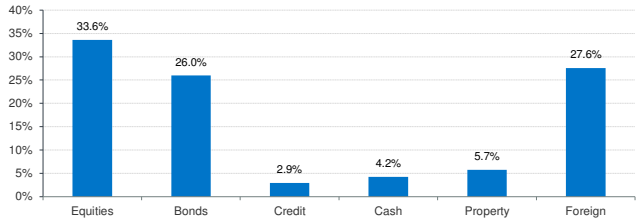
Top 10 equity holdings (% of Equity)

Share Name	% of Equity
Naspers	8.4%
Prosus	5.9%
FirstRand	5.4%
MTN Group	5.3%
Anglo American	4.9%
British American Tobacco	4.6%
Consol Holdings	3.8%
Standard Bank Group	3.4%
Impala Platinum Holdings	3.3%
Billiton	2.5%

Benchmark

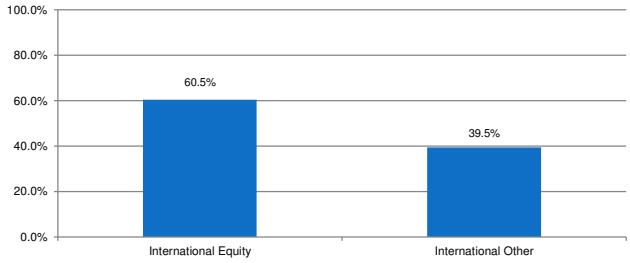
16.0% SWIX (Shareholder Weighted Index)
16.0% Capped SWIX (Shareholder Weighted Index)
19.0% BEASSA Total Return All Bond Index
5.5% 3 month JIBAR +1.25%
2.0% IGOVI
17.5% MSCI World Index (Dev. Markets)
5.0% Bloomberg Global Aggregate Index (GABI)
2.5% US 3 month LIBOR+2.5% (net of fees)
2.5% US 3 month 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	23.5%
Resources	23.5%
Industrials	53.0%

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

Sanlam Umbrella Pension Fund	7.66%
Sanlam Umbrella Provident Fund	6.53%

** 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 *	0.6%

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

Funding Level

January 2022: Fully funded

Sanlam Living Annuity Target Portfolio

Period Ending	31-Dec-21
Fund Size	R 43 million
Inception Date	Oct-13

Benchmark	15.5% Capped SWIX (Shareholder Weighted Index)
	15.5% SWIX Index
	22.0% BEASSA Total Return Index
	9.0% Short Term Fixed Interest Index (STeFI)
	4.0% SAPY Property Index
	11.0% JSE Inflation-linked Govt Bond Index
	19.0% MSCI World Equity Index
	2.0% FTSE EPRA/NAREIT Developed Dividend+ Index
	2.0% Bloomberg 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

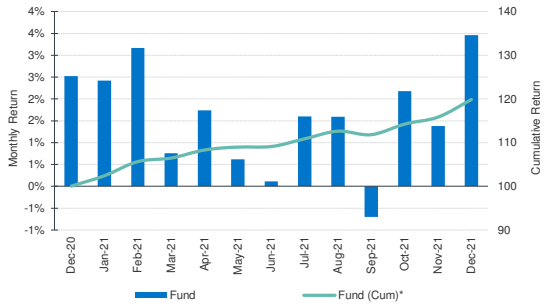
The portfolio has a moderate risk profile.

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

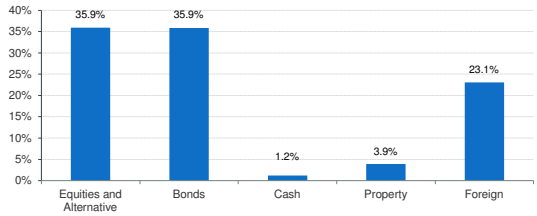
Fund performance (%)

	Fund	Benchmark
1 Month	3.5%	3.8%
3 Months	7.2%	7.4%
6 Months	9.8%	9.9%
1 Year	19.9%	19.4%
3 Years	11.9%	11.5%
5 Years	9.1%	8.8%

Top 10 equity holdings (% of Equities)

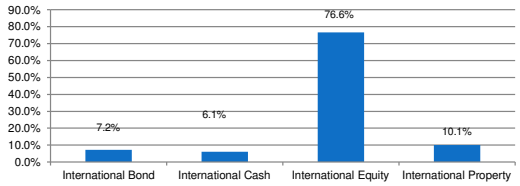
Share Name	% of Equities
Naspers	6.9%
Prosus	6.1%
Anglo American Plc	5.0%
MTN Group Limited	5.0%
Firstrand Limited	4.6%
Impala Platinum Holdings Limited	3.7%
British American Tobacco Plc	3.1%
Standard Bank Group Limited	2.6%
Capitec	2.6%
Sasol Limited	2.3%

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.

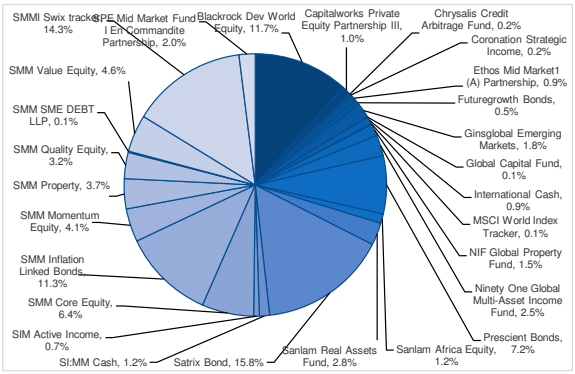
Foreign split



Equity sectoral exposure (%)

	Fund	Benchmark
Financials	24.0%	16.9%
Resources	25.4%	41.8%
Industrials	50.6%	41.3%

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	22.2%
Average capital loss in one month	-2.8%
Downside risk *	6.9%

* 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-21
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.

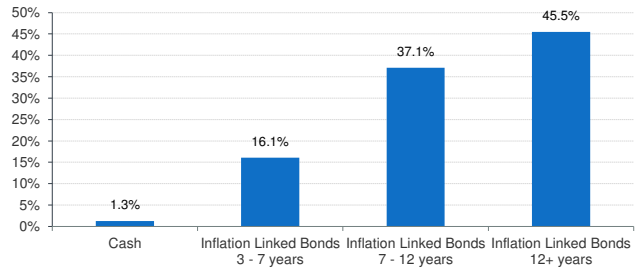
Risk profile

This fund has a conservative risk profile

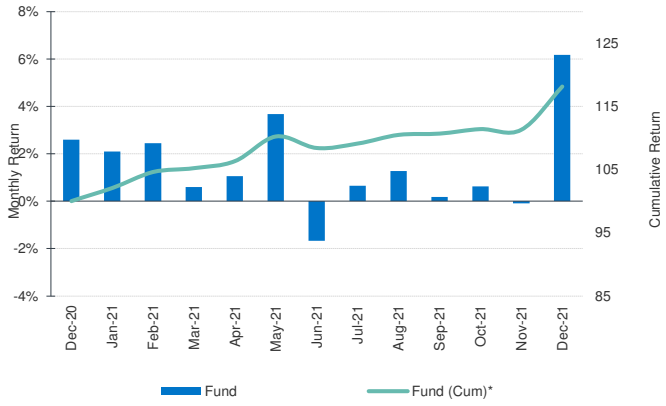
Fees

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	30.6%
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	6.2%	6.5%
3 Months	6.7%	7.1%
6 Months	9.0%	9.4%
1 Year	18.1%	19.7%
3 Years	7.5%	6.5%
5 Years	4.9%	3.8%

call us

Darryl Moodley
Sanlam Corporate Investments
+27 (21) 950 2088
Darryl.moodley@sanlam.co.za

Tshegofatso Sekgwele
Sanlam Corporate Investments
+21 (21) 950 2860
Tshegofatso.Sekgwele@sanlam.co.za

Sanlam

Live with confidence

2 Strand Road, Bellville, Cape Town | PO Box 1, Sanlamhof 7532, South Africa

T +27 (0)21 9479111
F +27 (0)21 947 8066

www.sanlam.co.za