Sanlam

Sanlam Corporate: Investments

Lifestage Report

Quarter 1 2022

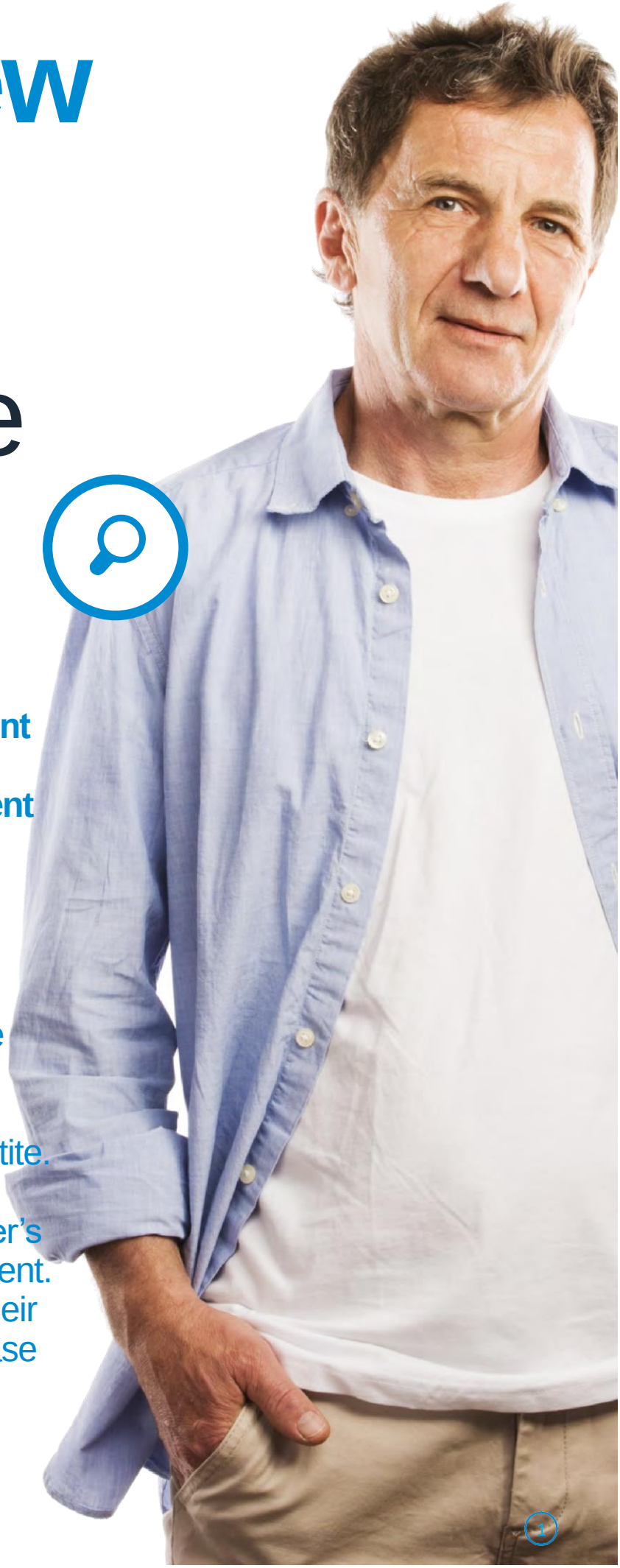
Insurance | Financial Planning | Retirement | Investments | Wealth

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

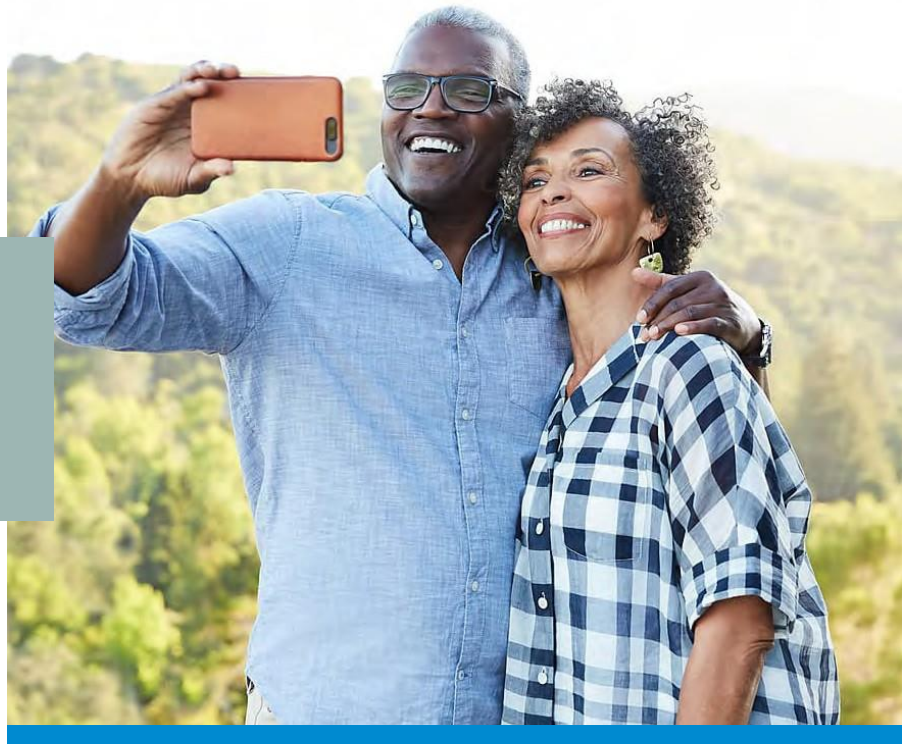
Sanlam Capital Protection Portfolio	Suitable for purchasing a guaranteed annuity
Sanlam Living Annuity Target Portfolio	Suitable for purchasing a investment-linked living annuity
Sanlam Inflation Annuity Target Portfolio	Suitable for purchasing a inflation-linked annuity

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

- US 10/2-year yield curve inverts, signals pending recession
- March Federal Open Market Committee (FOMC) minutes confirm faster pace of Fed balance sheet run-off
- What is the US neutral rate of interest?
- IMF, OECD revise global growth lower on Russia/Ukraine conflict
- China's zero-Covid policy a headwind for growth
- More Western sanctions for Russian economy

Local

- SA MPC raises rates 25 basis points in 3:2 split vote
- National Treasury cuts basic fuel price levy by R1.50/l for two months
- Moody's upgrades SA's sovereign debt to Ba2 stable from Ba2 negative

Global economics

Global Equities

Following two months of negative returns, developed market equities experienced a 2.7% US dollar-relief rally in March, despite expectations of more aggressive Fed rate hikes and a faster pace of balance sheet reduction. For the quarter, however, the MSCI World Index fell 5.2% in US dollars and 13.2% in rands. Unsurprisingly, emerging markets declined by an even larger 7% in US dollars (-14.8% in rands) due to contagion from the Russia/Ukraine conflict and a sharp sell-off in Chinese stocks linked to lockdowns in Shenzhen and Shanghai and an ongoing regulatory crackdown on technology stocks. Inflation misses due to global supply chain dislocations saw producer and consumer prices in the US, EU and China rise further, suggesting that the peaking inflation cycle is yet to come, most likely in the second half of the year, on base effects and a lower oil price.

Prospects for lower oil prices were boosted by the IEA's announcement that it would release 140million barrels of oil from strategic fuel reserves over the coming six months, necessary to compensate for reduced supply following sanctioned Russian oil exports. Concerns about Chinese demand are a further headwind for oil prices given China's ongoing zero-Covid policy that has perpetuated lockdowns in the country and reduced economic activity. Along with an OPEC commitment to produce an extra 435,000 barrels per day from May, oil prices are likely to be anchored at below US$100 per barrel. But natural gas prices remain a material risk for Eurozone aggregate demand, having risen by a staggering 75.4% over the quarter.

Industrial metals prices were also higher on expectations the EU would accelerate the transition to a greener economy that is less dependent on Russian exports. Early in April, the EU imposed additional sanctions on Russia, foregoing Russian coal imports from August and the closing of its ports to Russian ships.

This follows an earlier announcement that the region would cut its imports of Russian gas by two thirds by the end of the year. Russian truckers were also banned from operating in the bloc while exports of high-tech goods such as aircraft, parts and equipment were also banned. The US, in turn, banned Russian oil, gas and coal imports and closed its airspace to Russian aircraft. Russia and Belarus's most favoured nation status with the US was also revoked, resulting in higher import duties on Russian imports. But Russian vodka, seafood and diamonds have been banned outright as is new investment in Russia. Since commodity futures curves are highly backward dated for the coming two years, inflationary pressures are expected to ease, even if inflation exceeds the 2% target set by most central bankers. With the Fed having left the door open for rate hikes of 50 basis points rather than the typical 25 basis points, accompanied by a US$95 billion monthly balance sheet run-off beginning in May, equity markets will experience near-term volatility as investors price in a higher discount rate as a result of rising long bond yields. The derating in equity markets as a result of rising US 10-year Tip yields is a further headwind, given the relationship between the real yield and the forward price-to-earnings ratio. Although markets shrugged off the inversion in the 10/2-year US treasury yield curve towards quarter end, market participants are betting on a pending US recession, most likely in 2023 or 2024.SMMI's preferred measure viz. the 10-year/3-month spread, inverts on average 11 months before a recession and 6 months before the S&P500 peaks. Since the spread is wide, at 1.7%, a recession over the coming year appears unlikely as the fed funds rate is expected to be below the neutral rate of interest. However, the Markets Live Weekly Survey shows that 48.4% of the 525 respondents now expect a recession in 2023, while 20.8% expect a recession in 2024 and 16% in 2025 or later. In contrast, the OECD in its Interim Economic Outlook report forecasts that global growth will be 1.1% lower and inflation 2.5% higher than its baseline estimates if the conflict drags on for a year. Similarly, the IMF's World Economic Outlook report shows that global growth is expected to slow from 6.1% last year to 3.6% this year and next, some 0.8% and 0.2% lower than their January estimate. This suggests that neither the IMF nor the OECD see a recession over the coming years, lending some support to equities. Despite the headwinds discussed above, MSCI World consensus earnings estimates were revised higher over the quarter, possibly due to higher inflation prints that are shoring up earnings estimates. Given the price drop in the index, the forward price-to-earnings ratio decreased from 20.3X to 17.9X, still above the 16.1X mean. As the rate tightening cycle continues, however, the gains from rising prices are expected to be offset by the higher cost of capital, which in turn will result in earnings downgrades. Given total return estimates in the mid-single digits over the coming year, even after adjusting for a further derating as real yields rise, an overweight bias is still retained in developed market equities on a six to twelve-month view. This view is based on the 2.5% fed funds rate priced into the futures market, which is below the neutral rate of interest, estimated at around 3.5%. Over the near term, however, a neutral weighting can be justified given the number of red flags identified, especially those relating to 50 basis point rate hikes (by the Fed) and a faster balance sheet runoff than in 2017

Looking back at the Fed's past four rate tightening cycles, volatility in stocks typically rises when the Fed starts raising rates, only to post gains thereafter provided that rates do not move into restrictive territory. While emerging market equities are tactically treated in a similar way to that of their developed market counterparts, the reasons are somewhat different. In contrast to developed market equities, emerging market earnings have been revised lower since the start of the year. This is largely because emerging markets in general are ahead of the rate tightening cycle, having started raising rates early in 2021 to fend off inflation and to support their currencies. Since further rate hikes will be limited this year, the long end of emerging market yield curves is becoming anchored, suggesting risk is dissipating. In addition, emerging markets have de-rated to well below their historical mean, suggesting a market re-rating rather a de-rating is likely in the year ahead. Despite low single digit earnings growth expected over the coming year, earnings are expected to rebound in year two, helping to underpin total returns.

Global Listed Property

Due to the front-loading of interest rate hikes and the resultant upward shift in yield curves, global listed property declined by 3.8% in US dollars and 11.9% in rands over the quarter. In March, however, listed property rebounded some 4.6% in US dollars (-1.1% in rands) on investor demand for inflation-hedged assets. Since inflation is fueling nominal growth in turnover, higher rental escalations are expected going forward. Although pandemic related fiscal stimulus has ended in many advanced economies, US consumers are expecting a tax refund windfall for 2021 estimated at some US$415 billion, up from US$365 billion the previous year. The tax refunds relate to expanded child tax credits and other fiscal transfers that will help offset the inflationary effects of food and energy costs on household disposable incomes. Consequently, pent-up demand and pre-emptive buying by consumers is likely to continue for longer, helping to support turnover growth. Although the sector has derate over the quarter, with the price-to-book ratio decreasing from 1.6X to 1.54X, it is still well above the 1.47X mean supporting a small underweight position in this asset class.

Global Bonds

Higher than expected inflation prints, the front loading of interest rate hikes and the Fed's announcement that it would begin its balance sheet run-off of some US$ 95 billion per month in May, saw bond yields push higher across the curve. The Bloomberg Capital Global Aggregate Bond Index returned -6.2% in US dollars and -14.1% in rands, as yields increased from 1.32% to 2.15%. US 10-year bond yields were also higher at 2.34%, up from 1.49% the previous quarter. The two-year yield, in turn, was at 2.37%, up from 0.7% the quarter before. The sharp upward moves in the yield curve reflect the front-loading of Fed rate hikes and the expectation that the term premium will rise once the Fed begins unwinding its balance sheet.

At the time of writing, the 10-year yield was at 2.73% and the two-year yield at 2.4%, highlighting how quickly the bond market has discounted the Fed's guidance. But, it was the inversion in the 10/2 year bond spread towards quarter-end that got the markets' attention, since an inverted yield curve typically signals a pending recession.

Emerging market bonds suffered a bigger drawdown, declining by 9.2% in US dollars and 16.9% in rands as spreads widened. Even an appreciation of 1.8% in the emerging market currency basket against the US dollar failed to stem the poor returns. Since emerging economies started their rate tightening cycle early in 2021, long bond yields are becoming more anchored, accounting for the relative outperformance over developed market bonds. Over the coming quarters, however, global bonds will be upweighted to overweight as the rate tightening cycle becomes more advanced and long bond yields anchored at higher levels. Despite the higher-than-expected inflation readings, global inflation-linked bonds yielded -4.4% in US dollars and -12.5% in rands, as real yields increased from -1.7% to -1.3%. Yields on 10-year US Tips increased from -1.1% to -0.49%, while at the time of writing, real yields were even higher at -0.1%, just shy of a positive real yield. The upward shift in the inflation-linked bond curve is a function of the rate tightening cycle, that has pushed both nominal and inflation-linked yield curves higher. Break-even inflation was also higher, with the five-year rate at 3.4% (from 2.9%) and the 10-year rate at 2.8% (from 2.6%), while the University of Michigan's one-year inflation forecast was also higher at 5.4% (from 4.8%) and the 5 to10 year rate at 3% (from 2.9%). Given the duration risk embedded in the ILB index and expectations that inflation will trend lower in the second half of the year on base effects and an easing in used car and truck prices and in durable goods prices, we retain an underweight position in global inflation-linkers. Already there are signs that US core inflation probably peaked in March.

Local economics

Local Equities

South African equities outperformed their developed and emerging market counterparts in the first quarter of the year, yielding 3.8% in rands and 13.4% in US dollars. The catalysts for the gains included a 20.3% rally in financials and a 19% gain in resources. The rally in financials was broad based, with banks gaining 25.2%, non-life insurers 13.5% and life insurers 16.7%. Large cap winners included Nedbank (33.2%), Standard Bank (30.1%), FirstRand (30.0%), Discovery (26.9%) and Absa (24.8%). Resources, in turn, were buoyed by higher commodity prices, most notably in nickel (59.6%), coal (56.3%), rhodium (38.3%), oil (34.6%) and iron-ore (25%). Resource sector winners included Kumba (49.9%), Sasol (37.1%), Goldfields (32.4%), African Rainbow Minerals (29.0%), Sibanye Stillwater (25.3%) and Sappi (24.6%).

Technology stocks were once again under pressure with the sector contracting by 34.7% as it emerged that Tencent faced a possible fine from Chinese regulators for violating some central bank regulations by its WeChat Pay mobile network and financial results that failed to inspire as a result of Beijing's crackdown on online gaming. Consumer discretionary stocks were 16.1% lower with Richemont down 21.6%, while telecoms (12.6%) and consumer staples (2.7%) were higher on investor demand for defensive equities.

The long-awaited broad-band spectrum auction finally took place in March raising about R14.5 billion, well ahead of Treasury's R8 billion estimate. Although Telkom had a pending court case against Icasa over the spectrum auction process, an out of court settlement between the two parties in April has paved the way for spectrum licenses to be made available on 1 July. The step is an important one in reforming SA's network industries, announced by the President in his State of the Nation address. In a further move towards reforming the country's network industries, Transnet opened its rail network to private freight rail operators, inviting bidders on 1 April. Successful bidders would need to use 75% of their allotted rail slots, failing which, under-utilized slots would be reallocated. Transnet announced it would immediately make 16 slots available to private firms, brought in on a "take it and pay" arrangement. The slots would be allocated for a period of two years which could still prove to be too short-term for investors. Although the application process is expected to be completed by end-May, Transnet will retain grandfather rights on the entire network and maintain its monopoly on the coal and iron-ore export lines.

In a move designed to help ease surging fuel cost pressures on consumers and the economy in general, National Treasury announced a R1.50/l reduction in the general fuel levy for the period 16 April to 31 May 2022. This has helped cap the expected April price rise of between R1.73/l to R1.81/l and has also smoothed the impact of surging oil prices on the consumer price index. As a consequence, should oil prices ease over the coming months, inflation is expected to come in lower than expected. In a first step towards deregulating the petrol price, a price cap will be introduced on 93 octane, with wholesalers and retailers allowed to sell below the capped price. With respect to 95 octane, Treasury indicated that it too would be deregulated but at a later stage given the projected loss of revenue totaling R90 billion per year. While South Africa is benefitting from higher commodity prices, helping to offset the impact of higher oil prices on the terms of trade, South Africa is nonetheless at the mercy of the Eurozone, since the region accounts for 20% of the country's exports. A protracted Russia/Ukraine war accompanied by disruptions to economic activity in the region could become a headwind for the currency and inflation expectations, should net exports decline. Despite a 4.9% recovery in GDP growth last year, up from the massive 6.4% contraction in 2020, the economy is still almost 2% smaller than it was in 2019. The three main growth drivers were the mining sector, which grew by 11.6% on the back of the global commodities rally; agriculture, which benefited from good rainfall, leading to an 8.3% increase; and manufacturing, which recorded a 6.6% rise

Since average growth of only 1.8% is projected by Treasury over the next three years, the question then is what will drive earnings growth over the coming years. Bottom-up consensus earnings estimates point to growth of around 9.5% this year, followed by a contraction in earnings of some 5% in the second year. The primary source of the slowdown in earnings is the resources sector, expected to see a contraction in earnings of 15.8% in year two. However, since the ALSI's price-to-earnings ratio is currently well below the historical mean, with total returns expected in the low mid-teens over the coming year, an overweight position is retained in domestic equities. On a six to twelve-month view, however, domestic equities are downweighted to neutral, as other competing asset classes are expected to deliver more competitive returns.

Local Bond

South African bonds side-stepped the global sell-off in the first quarter of the year, aided by a positive terms-of-trade and well contained inflation relative to other countries. The real SA/US interest rate differential of around 650 basis points helped to underpin the rand, partially offsetting the impact of surging oil prices on the overall terms-of-trade. Furthermore, the 750-basis point spread between the SA/US 10-year bond yield – well above the historical mean of some 588 basis points – has supported domestic demand for South African bonds at a time when foreigners were small net buyers of R2.9billion. Yields ended the quarter slightly higher (20 basis points) despite a short-lived 80 basis point spike in the 10-year yield in early March. Ongoing buoyancy in revenue collection, a Moody's upgrade to Ba2 stable from negative, and a well-received Budget have been further tailwinds for the bond market, helping to anchor the long bond yield at a time of emerging market contagion. The All Bond Index yielded 1.9% in rands (11.3% in US dollars), handsomely outperforming both developed (-14.1%) and emerging market bonds (-16.9%).While a revenue over-run in the current fiscal year is likely once again, the size of the over-run is unlikely to match the R182billion recorded in the 2021/22 fiscal year. Revenue data released by Treasury show that for the month ended February, revenue receipts were some 16.2% ahead of the same period last year, well ahead of the 2.9% increase budgeted for in the current year and the 4.8% average increase over the medium-term expenditure period. Corporate tax collections were up 21.5%, VAT collections were 16.8% higher and personal income tax receipts some 9.5% higher. On a year/year cumulative basis, however, revenue growth has slowed from 26.7% for the period to end February. This suggests that the revenue over-run will be smaller this year.

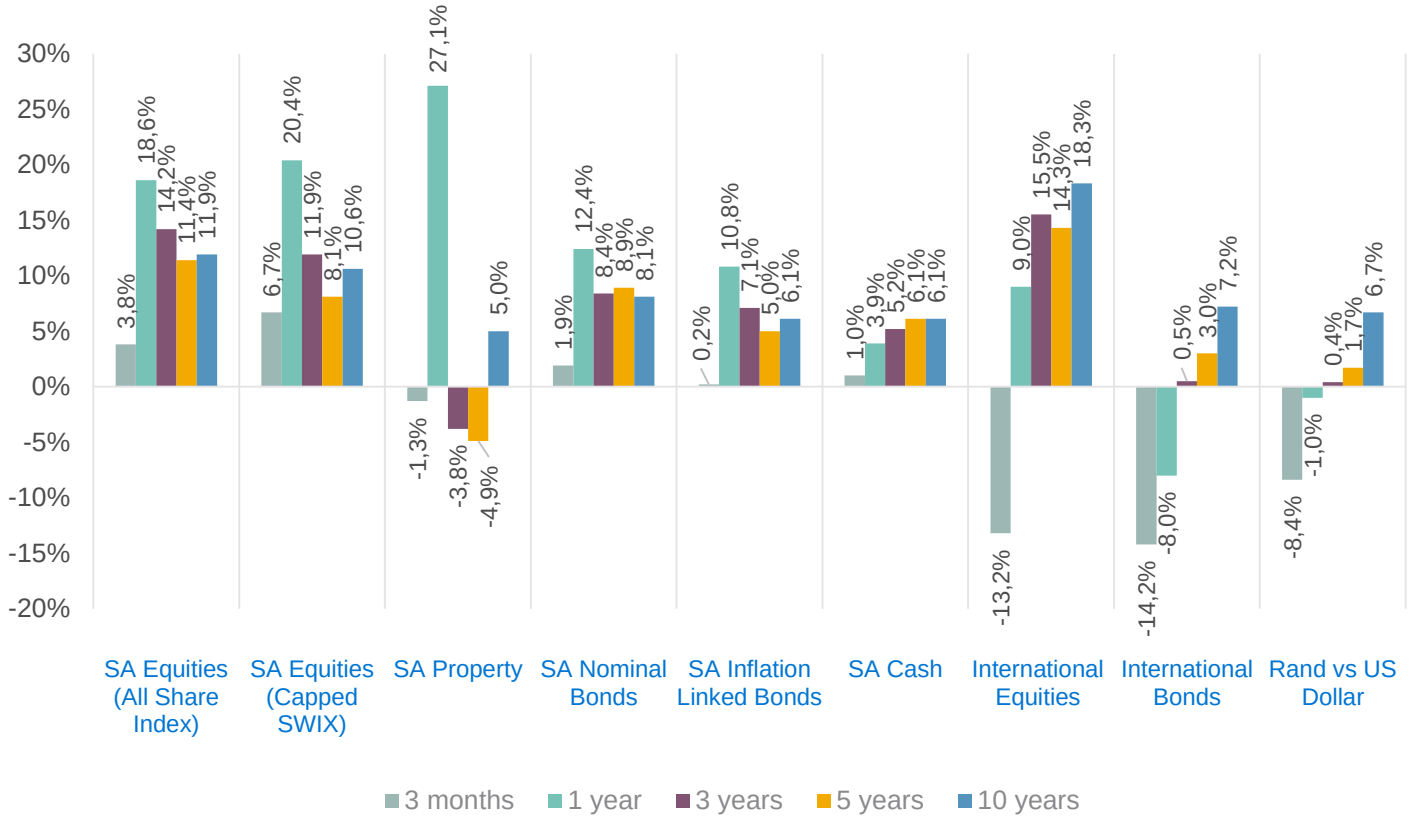
While inflation has increased from the mid-point of the SARB's target range, it has not yet breached the 6% upper limit. Treasury's R1.50/l reduction in the general fuel levy for April and May has come at an opportune time since inflation was expected to breach the upper limit in the second quarter of the year, primarily due to fuel and food price hikes. That breach has now likely been -

deferred to June once the fuel subsidy ends. The R6billion loss in revenue will have no impact on the fiscus since the shortfall is to be funded from the sale of the country's strategic oil reserves. Much like the extension of the Special Relief of Distress Grant to March 2023, one wonders if government will be under pressure to extend the fuel subsidy to the end of the fiscal year at a cost of R36billion. Since the extension of the Covid-19 relief grants will cost an additional R40billion, it remains doubtful that the subsidy will be extended. Inflation-linked bonds also squeezed out positive returns over the quarter, even as the real yield on the Barclays Capital Inflation Linked Bond Index increased from 3.68% to 3.87%. The catalyst for the rise in the real yield was most likely Treasury's announcement of a reduction in the fuel levy which will have the effect of lowering the expected inflation carry. Profit-taking may also have been in play since the real yield is trading below our fair value estimate of 4%. With break-even inflation holding up at around 6%, the yield pickup on nominal bonds over inflation-linkers is some 110 basis points, even after adjusting for the inflation risk premium. Therefore, an overweight position is retained in domestic nominal bonds over the investment horizon..

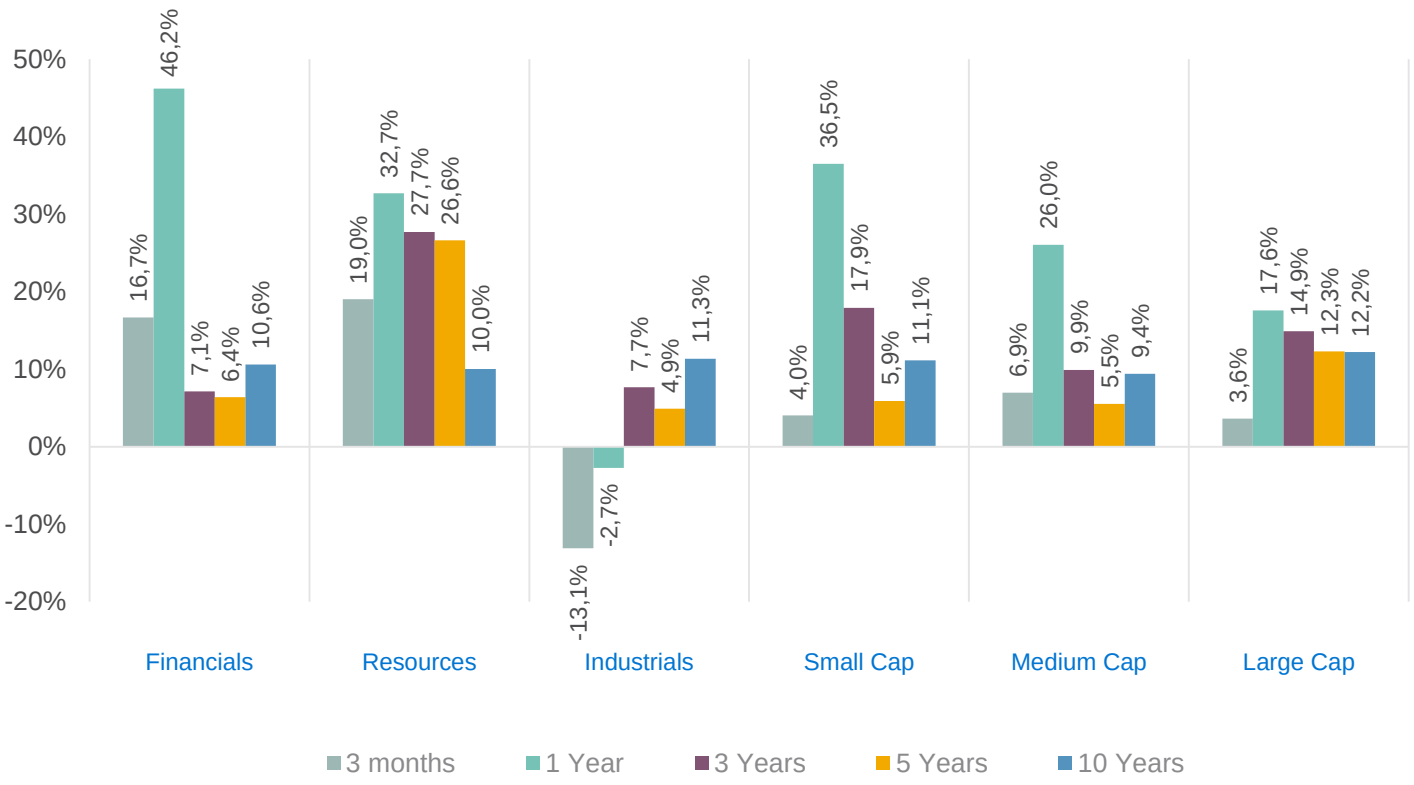
Local Property

Domestic listed property stocks tracked their global counterparts lower in the first quarter of the year, yielding -1.3% in rands and 7.8% in US dollars. The sector de-rated with the property-to-bond yield ratio, increasing to 0.8X from 0.75X, still below the 0.9X mean. The sector de-rating was however more than enough to offset a 6.7% quarterly increase in dividends per share. Despite the negative quarterly returns, listed property stocks rebounded in March, gaining some 5.1% in rands (11.1% in US dollars). The catalysts for the monthly gain included a 6.6% increase in dividends per share and the expectation that the Disaster Management Act would be lifted with the economy re-opening in totality. This followed the further relaxation of adjusted level one restrictions on 22 March. An 8.6% rally in January's real retail sales also contributed to the positive sentiment, given that rental escalations are typically linked to turnover growth. Property counters like Liberty2Degrees and Hyprop reported that tenant turnovers had returned to, or even exceeded, pre-Covid levels, further boosting investor confidence in the sector. With the re-opening trade having gained momentum since November last year as the country moved to adjusted level one, investors were seeking confirmation from property owners that the sector was normalizing. In general, domestic focused counters outperformed their global counterparts with Emira (17.8%), Fortress B (14.5%), Vukile (13.7%), Investec Australia (8.1%), SA Corporate Real Estate (6.8%) and Redefine (5%) leading the pack. Despite the optimism, a neutral weighting in retained in listed property, given competing risk-adjusted returns from other asset classes.

Market performance summary (in ZAR) to 31 March 2022



Equity Sector Perfomance (in ZAR) summary to 31 March 2022



Portfolio Commentary

Quarter ending March 2022

Sanlam Lifestage Accumulation Portfolio

The Sanlam Lifestage Accumulation Portfolio returned -0.5% outperforming the benchmark by 0.4% which returned -0.9% for the first quarter of 2022 and 13.0% against the portfolio return of 13.8% for the year ended 31 March 2022. The economic environment was dominated by the impact of Russia's invasion of Ukraine and its impact on inflation.

Within manager selection, domestic bonds, offshore property, offshore bonds, and offshore equity (developed, emerging and Africa) added value. Domestic ILB's, property and cash were neutral while domestic equity and hedge funds detracted from performance from a manager selection perspective. From an asset allocation perspective, the allocation to domestic equity and hedge funds as well as offshore equity, property and bonds contributed positively to performance. Domestic property was neutral while offshore emerging market and Africa equity detracted.

Looking at the current positioning of the portfolio, we are overweight domestic equity, bonds and hedge funds as well as offshore emerging market and Africa equity. The underweight positions in the portfolio are domestic inflation-linked bonds, cash and property as well as offshore equity, property and bonds..

Sanlam Living Annuity Target Portfolio

The Lifestage ILLA Preservation portfolio returned -0.1% for the quarter ended March 2022 and 12.5% for the one-year period, comfortably outperforming its benchmark which stood at -0.8% and 12.1% respectively.. With the EU in the firing line from surging energy costs, the risk of recession there has risen, while China's ongoing lockdowns due to its zero-Covid policy continues to hamper production and consumption

Within manager selection, domestic bonds and property as well as offshore equity (developed, emerging and Africa), bonds and property added value. Domestic equity, inflation-linked bonds and cash detracted from performance. On the asset allocation side, the allocation to domestic equity, bonds and inflation-linked bonds as well as offshore equity and property contributed to performance. Domestic property, cash and offshore emerging market and Africa equity as well as bonds detracted from performance.

We are currently overweight domestic equity, bonds and inflation-linked bonds as well as offshore bonds and emerging market and Africa equity. We are underweight domestic property and cash, as well as offshore equity and property.

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.

The portfolio has managed to consistently 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 March 2022, the portfolio has outperformed its benchmark over the long term 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 March 2022	3 Months	6 months	1 year	3 years	5 years	7 years
Accumulation Phase						
Accumulation Portfolio	-0.4%	8.4%	13.0%	10.8%	8.9%	7.5%
Benchmark	-0.9%	8.1%	13.8%	10.4%	8.7%	7.5%
Preservation Phase						
Capital Protection Portfolio*	2.2%	4.2%	8.0%	7.2%	7.4%	8.0%
CPI**	1.4%	2.4%	5.6%	4.4%	4.2%	4.9%
Inflation Annuity Target Portfolio	-0.8%	5.9%	11.4%	6.7%	4.8%	4.6%
Benchmark (SALI Real)	-0.8%	6.3%	12.0%	6.1%	3.8%	3.8%
Living Annuity Target Portfolio	-0.1%	7.1%	12.5%	10.0%	8.5%	7.8%
Benchmark	-0.8%	6.6%	12.1%	9.4%	8.2%	7.2%

** The Capital Protection Portfolio does not have an explicit benchmark.*
***CPI figures are calculated to end of February 2022*

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.

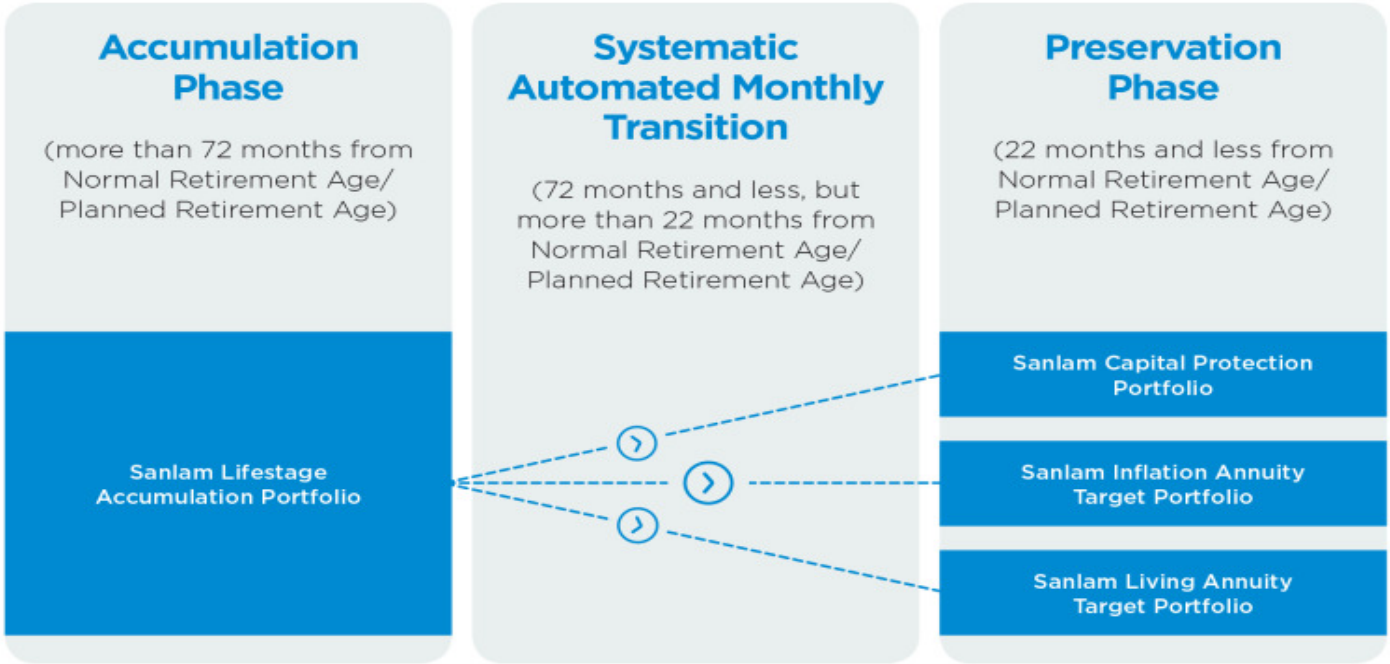
Six years (72 months) before a member reaches his/her Planned Retirement Age, the member is gradually switched from the Sanlam Lifestage Accumulation Portfolio to his/her selected Sanlam Lifestage preservation portfolio by means of 50 monthly switches.

Fund performance

Phase	1 month	3 months	1 year	3 years	5 years
Accumulation Portfolio	0.1%	-0.5%	13.0%	10.8%	8.9%
Preservation Portfolios:					
Capital Protection	0.7%	2.2%	8.0%	7.2%	7.4%
Inflation Annuity	-1.2%	-0.8%	11.4%	6.7%	4.8%
Living Annuity	0.1%	-0.1%	12.5%	10.0%	8.6%

Please note:

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



Sanlam Lifestage Accumulation Portfolio

Period Ending	31-Mar-22
Fund Size	R 20,060 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

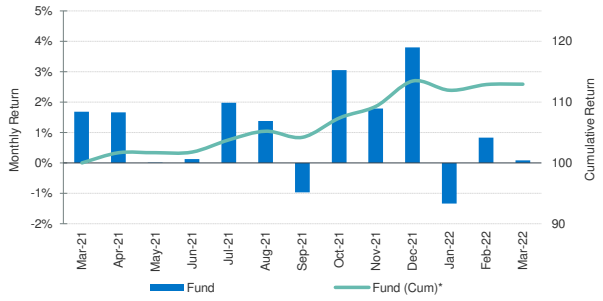
This portfolio has an aggressive risk profile

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%	0.1%
3 Months	-0.5%	-0.9%
6 Months	8.4%	8.1%
1 Year	13.0%	13.8%
3 Years	10.8%	10.4%
5 Years	8.9%	8.7%

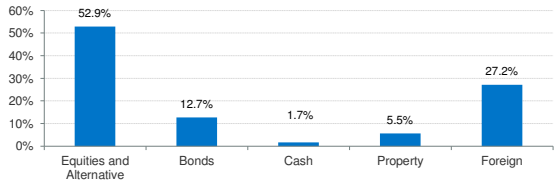
Top 10 holdings (% of Equities)

Share Name	% of Equities
Anglo American Plc	5.1%
Firstrand Limited	4.7%
MTN Group Limited	4.7%
Naspers	4.1%
Standard Bank Group Limited	3.4%
Impala Platinum Holdings Limited	3.3%
Prosus	3.2%
British American Tobacco Plc	3.0%
Sasol Limited	2.9%
Capitec	2.6%

Benchmark

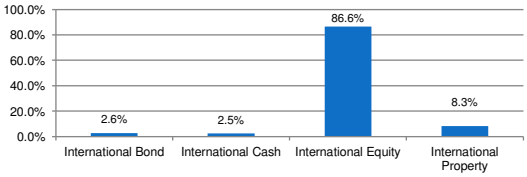
23.0% SWIX (Shareholder Weighted Index)
23.0% Capped SWIX (Shareholder Weighted Index)
11% BEASSA Total Return All Bond Index
6.0% FTSE/JSE SAPY Index
2.0% Short Term Fixed Interest Index (STeFI)
7% JSE Inflation-linked Govt Bond Index
2% FTSE EPRA/NAREIT Developed Dividend+Index
24% MSCI World (Developed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

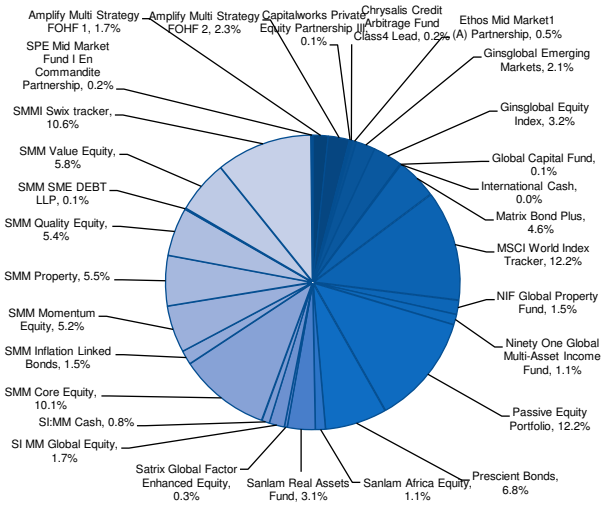
Foreign split



Equity sectoral exposure (%)

	Fund	Benchmark
Financials	27.0%	18.8%
Resources	27.3%	46.2%
Industrials	45.7%	35.0%

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	-3.1%
Downside risk *	8.4%

of the portfolio relative to CPI

Sanlam Capital Protection Portfolio

Period Ending	31-Mar-22
Fund Size (Book Value)	R 4,411 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

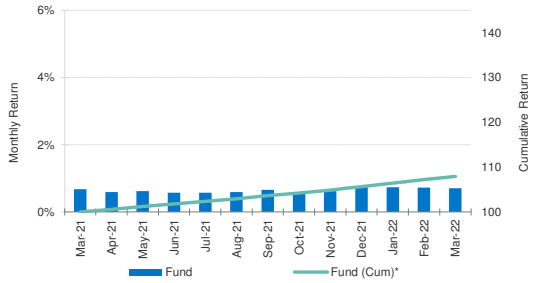
Sanlam's cost in relation to the investment plan is recouped by recovering the following fees:

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	2.2%
6 Months	4.2%
1 Year	8.0%
3 Years	7.2%
5 Years	7.4%
10 Years	10.5%

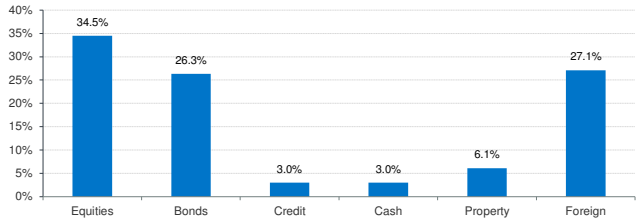
Top 10 equity holdings (% of Equity)

Share Name	% of Equity
FirstRand	6.4%
Naspers	5.9%
Anglo American	5.6%
MTN Group	5.6%
British American Tobacco	4.5%
Standard Bank Group	4.1%
Prosus	3.8%
Consol Holdings	3.7%
Sasol	3.3%
Impala Platinum Holdings	3.2%

Benchmark

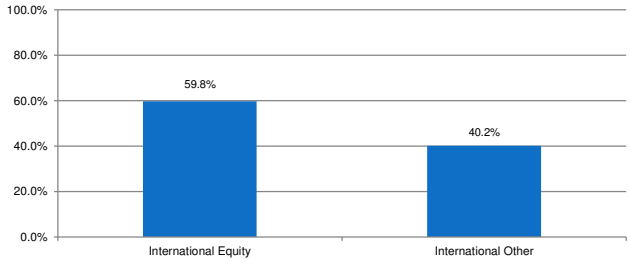
16.0% SWIX (Shareholder Weighted Index)
16.0% Capped SWIX (Shareholder Weighted Index)
19.0% BEASSA Total Return All Bond Index
5.5% 3 month JIBAR +1.25%
2.0% IGOVI
17.5% MSCI World Index (Dev. Markets)
5.0% Bloomberg Global Aggregate Index (GABI)
2.5% US 3 month LIBOR+2.5% (net of fees)
2.5% US 3 month 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	25.7%
Resources	26.2%
Industrials	48.1%

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

Sanlam Umbrella Pension Fund	8.28%
Sanlam Umbrella Provident Fund	7.15%

** 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

April 2022: Fully funded

Sanlam Living Annuity Target Portfolio

Period Ending	31-Mar-22
Fund Size	R 37 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

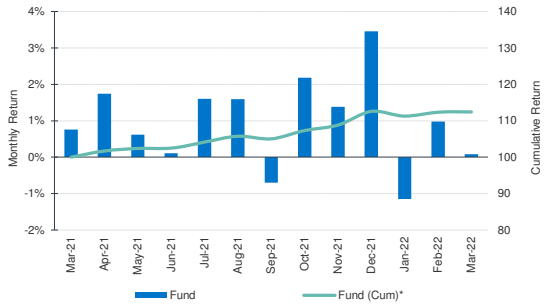
The portfolio has a moderate risk profile.

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

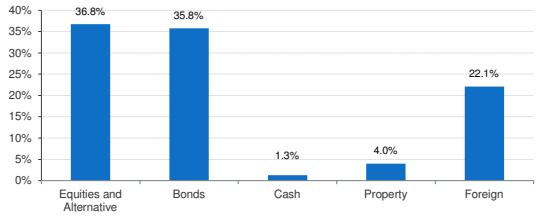
Fund performance (%)

	Fund	Benchmark
1 Month	0.1%	0.0%
3 Months	-0.1%	-0.8%
6 Months	7.1%	6.6%
1 Year	12.5%	12.1%
3 Years	10.0%	9.4%
5 Years	8.6%	8.2%

Top 10 equity holdings (% of Equities)

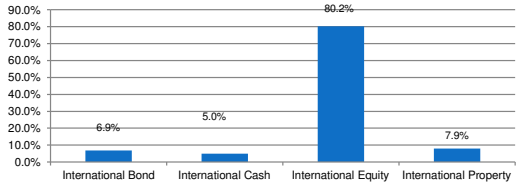
Share Name	% of Equities
Anglo American Plc	5.5%
Firstrand Limited	5.3%
MTN Group Limited	5.2%
Naspers	4.6%
Standard Bank Group Limited	3.7%
Impala Platinum Holdings Limited	3.4%
Prosus	3.2%
Sasol Limited	3.1%
British American Tobacco Plc	3.1%
Capitec	2.8%

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.

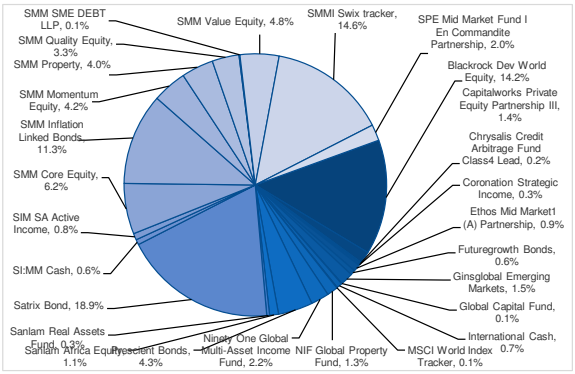
Foreign split



Equity sectoral exposure (%)

	Fund	Benchmark
Financials	27.2%	18.8%
Resources	27.2%	46.2%
Industrials	45.6%	35.0%

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	-2.6%
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-Mar-22
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.

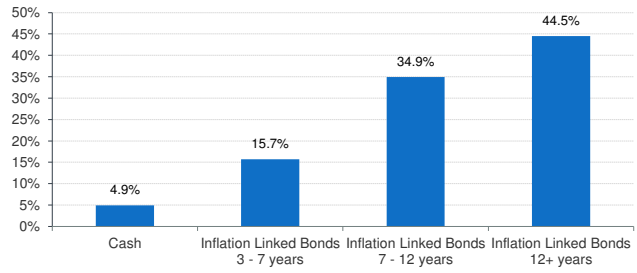
Risk profile

This fund has a conservative risk profile

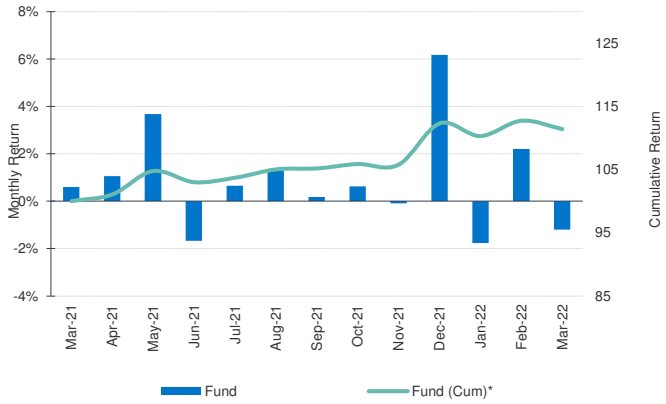
Fees

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	33.3%
Average capital loss in one month	-1.8%
Downside risk *	6.0%

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

Fund performance (%)

	Fund	Benchmark
1 Month	-1.2%	-1.5%
3 Months	-0.8%	-0.8%
6 Months	5.9%	6.3%
1 Year	11.4%	12.0%
3 Years	6.7%	6.1%
5 Years	4.8%	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