Sanlam

Live with confidence

# Strategies and solutions for Retail Investors

Investments

# Introducing Sanlam Investments

With over *R540 billion in assets under management across both our retail and institutional businesses, Sanlam Investments is one of South Africa's largest asset management companies.
We leverage areas of competitive advantage to develop and grow high-quality investment solutions that are differentiated but relevant within a changing asset management landscape.
In doing so, we remain responsive to our clients' changing needs.
As the South African asset management arm of the Sanlam Group, we leverage the depth and breadth of our expertise across active management, index tracking, alternative investments, responsible investing, multi-management and international investments to create more optimal portfolios for our clients.
At the heart of our purpose is our journey towards long-term sustainability for South African investors and future generation, our economy, our planet and our business.

* Assets under management as at January 2021.

# Investing for impact

## People, Purpose & Planet

As a leading asset manager, sustainability investing has always been part of our DNA and continues to be of strategic importance to us. Aligned with the global sustainable development goals, impact first frameworks are anchored into all our investment processes to ensure sustainability.

We do this by leveraging strategically aligned partnerships, such as Robeco and Climate Fund Managers, and measure our success by the positive impact on people, communities and the environment.

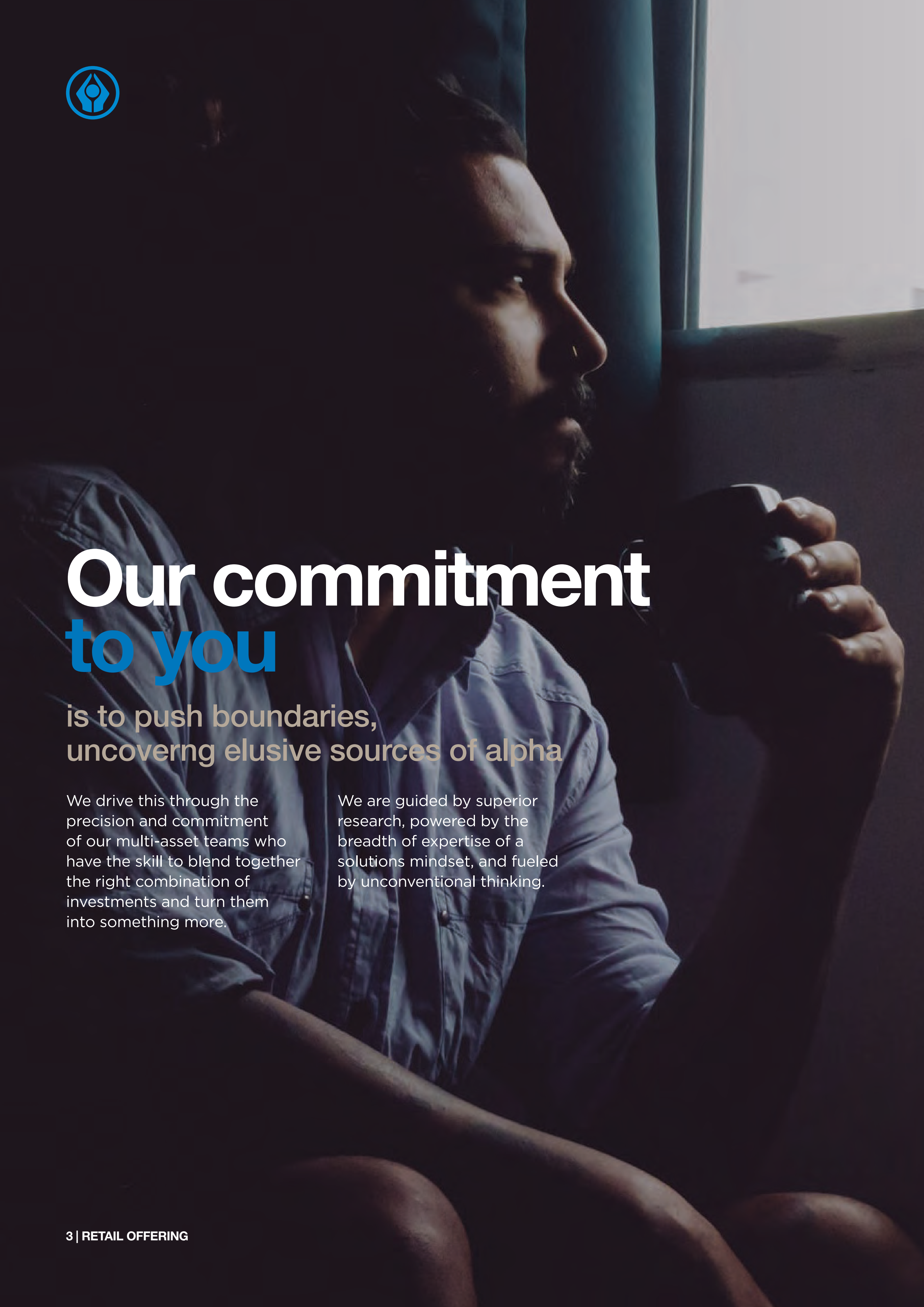
Moving into the future, our strategic priority is to be more than just an asset manager; we want to be agents of sustainable change to help each South African build a meaningful financial footprint while significantly decreasing our own carbon footprint.

# "OUR PURPOSE HAS EVOLVED WELL BEYOND JUST WEALTH CREATION; WE ARE ANCHORED IN A GREATER PURPOSE".

Moving into the future, our strategic priority is to be more than an asset manager; we want to be agents of sustainable change: to help each South African build a meaningful financial footprint while significantly decreasing our harmful environmental imprint. In 2021, we will continue on our path to achieve our objective of being a leader in sustainable investing.

We invest in people, we are aligned with the UN sustainable development goals, and we measure our success by the positive impact we have on people, communities and the planet."

Nersan Naidoo | Chief Executive of Sanlam Investments



# Our commitment to you

## is to push boundaries, uncoverng elusive sources of alpha

We drive this through the precision and commitment of our multi-asset teams who have the skill to blend together the right combination of investments and turn them into something more.

We are guided by superior research, powered by the breadth of expertise of a solutions mindset, and fueled by unconventional thinking.

# Solutions thinking

Using our in-house portfolio construction tools and finely-tuned research and insights, we blend a range of investment strategies to customise unique solutions for our clients. This allows us to craft the ultimate portfolio shaped to your objectives, preferences, capital constraints and appetite for risk.

## Strategies

**(Individual investment building blocks or asset classes).**
These are the basic building blocks that form the foundation of any portfolio. They cover different investment styles (active, index tracking, multi-managed and alternative) and all asset classes, locally and globally.

## Solutions

**(Customised or pre-packaged)**
We select and blend individual building blocks into solutions to strengthen and diversify investors' portfolios. Our solutions range spans the entire risk-reward, multi-asset spectrum – from conservative through to aggressive – and across actively, passively and multi-managed solutions, including a hybrid of these.

This is supported by our insights, research and portfolio construction tools.

We are also able to customise a unique blend of solutions and strategies, according to your specific mandate or investment objectives.

## Insights

**(Research & tools)**
Using our in-house investment research, tools and insights, we combine our in-house research with investment insights and sophisticated portfolio construction tools to build the most robust portfolios.

Our investment teams share a common research platform, ensuring that they interact, share ideas and engage in robust debate, contributing positively to the portfolio construction process.

# Our platform

## Our investment platform caters for range of solutions, packaged as follows:

**Unit Trusts**
**(Collective Investment Schemes)**
A unit trust is a collective investment scheme, constituted under a trust deed and governed by independent trustees. Unit trusts are open-ended investments; for this reason the underlying value of the assets is always directly represented by the total number of units issued, multiplied by the unit price less the management fee and any other transaction or associated costs. Each fund has specified investment objectives and limitations.

**ETFS**
**(Exchange Traded Funds)**
An exchange traded fund (ETF) is also a collective investment scheme, constituted under a trust deed and governed by independent trustees. Instead of opening an account with a platform or management company and only being able to subscribe or redeem once a day, ETFs can be traded intra-day on a stock exchange such as the JSE, while offering the benefits of tracking an index and offering a variety of investment strategies across a range of asset classes locally and abroad.

# Actively managed investments

## Our Investment philosophy

As pragmatic value managers we believe that markets are mainlydriven by emotions – such as excitement, fear or greed. We actively exploit the tactical opportunities that arise when prices deviate from their fair value in the short term.

The core principles of our philosophy are:

- Markets are inherently inefficient.
- Cycles will normalize, and asset class returns will revert to their long-term averages.
- We place more emphasis on track records than on forecasting and speculation.
- We recognize the importance of understanding a company's history so that we have a better idea of where it is within its current cycle relative to its past, and how it is likely to normalize in the future.

A key contributor to our performance is having a comprehensive research base and efficient systems, with teams devoted to asset allocation, equity and macro-economic research.

## Active strategies

These are the basic active building blocks that form the foundation of your portfolio and can be individual asset classes or funds.

**Equities**

The cornerstone of our equities process is the in-depth proprietary research performed by our diverse team of specialist analysts. Our research team covers 96% of the JSE, including different sectors, eg: resources, financials, industrials, property, and many more. This gives you the broadest access to potential sources of alpha.

Our analysis drives the decision-making and stock selection process. As bottom-up investors we focus on the fundamentals, such as the drivers of sales growth, a detailed understanding of margins, cash flow, balance sheet strength and valuations. We believe that companies with sound business models may underperform because of poor management decisions – which gives us the opportunity to buy stocks that are undervalued in the short term.

**Fixed Interest (Bonds & cash)**

Our bond portfolios are either managed in a 'best house view' way or in a risk-controlled fashion against a benchmark. We invest across the entire spectrum of the fixed interest investment universe, including corporate bonds, government bonds, parastatal bonds and inflation-linked bonds. These are managed by experienced credit research and portfolio management teams.

# We offer client-focused solutions

## Actively-Managed Solutions

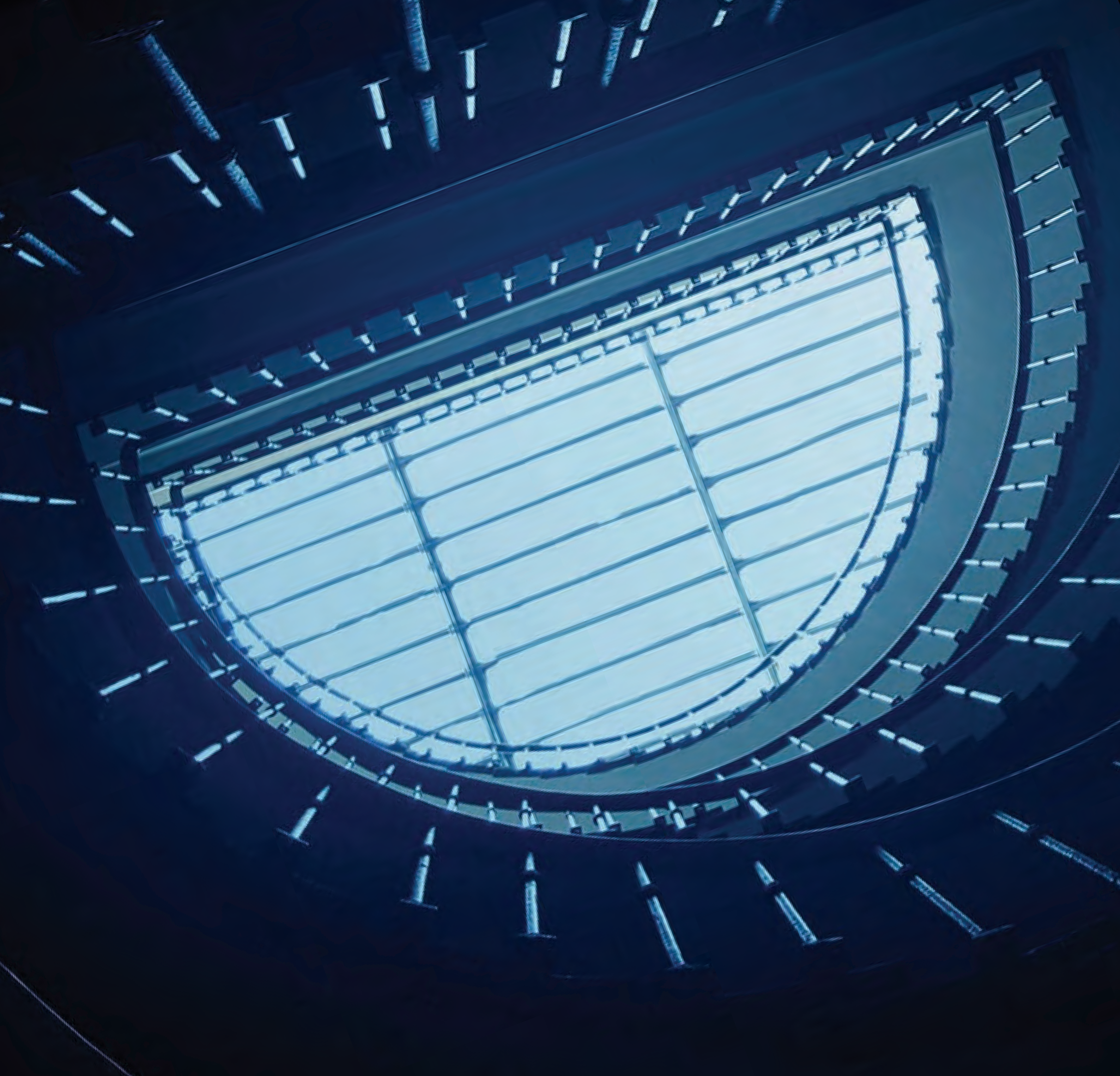
We blend individual building blocks, such as equities and fixed interest, into risk-profiled multi-asset solutions to strengthen and diversify client portfolios. Our range of prepackaged actively-managed multi-asset solutions lie within our top-performing absolute return and balanced teams.

**Absolute Returns**

Our absolute returns solution is risk-profiled for your convenience, and is designed to give you inflation-beating returns at minimal levels of volatility. High priority is given to minimizing capital losses, and we apply both a capital protection and real return mindset. Our absolute return solutions target a range of inflation-plus returns and aim to preserve your capital, regardless of market ups and downs. The key to this is a dynamic risk management process that limits the probability of large portfolio losses.

**Balanced**

Our balanced multi-asset solution is ideal for investors who are looking for strong, risk adjusted returns over the long term, and diversification across all asset classes, with a slighltly higher allocation to equities. Our balanced solutions offer exposure to growth assets, delivering competitive performance with some downside protection, over the long term.



## "WE DON'T BELIEVE IN 'PASSIVE' INVESTING. ALL INVESTING, INCLUDING INDEX TRACKING, IS A HIGHLY ACTIVE ENDEAVOUR".

Kingsley Williams – SATRIX CIO

# Index-tracking through SATRIX

## Pioneers in index tracking; authority on factor investing

Satrix is the leading provider of indextracking solutions in South Africa, with over R120 billion in assets under management, invested across our wide range of offerings. We manage index tracking and factor-based (smart beta) portfolios through segregated mandates, exchange traded funds (ETFs), life pools, unit trusts and offshore UCITS.

We have been tracking market indices since 2000, when we launched the very first exchange traded fund (ETF) in South Africa.

Since then we have developed many innovative index-tracking solutions across a diverse range of asset classes, locally and globally.

Satrix has been managing factor-based (smart beta) portfolios for investors since 2007.

Over the years, we have accumulated vast insights into crafting these strategies, which have high predictability and reliability through all market cycles.

We empower our clients to achieve their investment objectives through the transparent use of factor exposures, systematically extracting long-term excess returns to build risk-smart portfolios.

## Our investment philosophy

We believe that understanding the source and nature of all the risks that investors face provides insight into the potential returns available. Combining this with sound risk management is essential to reaching your investment objectives.

Our approach is completely solutions oriented and our commitment to understanding your specific needs enables us to tailor unique investment solutions.

## Index tracking strategies

Index investing is an investment style in which the investment manager tracks or replicates the performance of a market index, such as the FTSE/JSE All Share Index. The investment manager will do this by holding some or all of the securities (bonds, equities, property and cash) in similar proportions to the index.

**Index tracking strategies offer investors:**

1. Access to the markets at lower costs.
2. Reduced manager selection risk, which reduces the risk of underperformance.
3. Greater certainty and peace of mind by providing consistent exposure to the beta risk premium, relevant to a specific asset class.

It is also possible to create an indexation solution that consists of multiple asset classes or several indexation strategies blended together for diversification and growth.

**“AS DRIVERS OF ACTIVE RETURNS, FACTORS PROVIDE GREATER CONSISTENCY IN CLIENTS’ PORTFOLIOS, AND IMPROVE THE PREDICTABILITY OF RETURNS”.**

Kingsley Williams – SATRIX CIO

# The power of factor investing

At Satrix we offer you unique research and insights to develop a tailored investment strategy, be it delivering an index tracking solution, enhancing your existing portfolio with factor components, or building an entirely new customised solution.

Factors are intuitive, measurable investment ideas that explain stock behaviours over long periods of time. They are able to unleash valuable insights and improved predictability in returns for investors.

As drivers of persistent excess returns, they are critical in helping investors achieve their investment goals, be they generating above-market returns, managing risk or enhancing diversification. An understanding of a portfolio's exposure to the various factors is critical, and can reveal a portfolio's mix of factor exposure as well as pure alpha. Adding or reducing certain factor exposures is key to enhancing targeted exposures or mitigating the negative effects of unintended factor exposures.

**How factors benefit you:**

- Greater predictability from portfolio performance.
- A well-constructed core solution combined with strategic satellites to enhance returns over time.
- Strategic or tactical exposure to a range of geographies, market segments, asset classes, investment styles, or any combination of factors.

# Multi-Asset index tracking solutions

Our approach is solutions oriented, where our commitment to understanding your clients' specific investment needs enables us to precisely tailor solutions to meet your objectives.

Indices, whether vanilla or factor, can be tracked and blended across the range of traditional asset classes, locally and globally.

These indices can be combined to form multi-asset class indices, which can be tracked by balanced index funds. A key decision we make is how to combine these different indices to match the client's investment needs and objectives, as well as appetite for risk.

Our multi-asset (balanced) index solutions offer investors:

**1. Certainty and consistency**

- When investing in multi-asset index funds, investors enjoy the consistency of asset allocation over time because our balanced funds rebalance periodically back to their strategic asset allocation.
- Investors also get the certainty of performance within each asset class because the investment manager is tracking an index.

**2. Portfolio Diversification**

- Investment managers will use their investment skills to get the ideal mix of assets at the lowest possible cost.
- This involves optimally combining different asset classes to diversify the portfolio, giving clients the best possible chance of reaching their investment objectives.

# Alternative Investments

**Alternative investments are a powerful lever for investors to spread their risk and earn less volatile, inflation-beating returns. When blended with traditional asset classes, alternative assets can create diversified solutions with better risk-adjusted real returns.**

- **Powerful risk-adjusted returns**
- **Diversification from (and low correlation with) traditional asse classes**
- **Real (after inflation) returns**

# Alternative Strategies

We offer access to a broad range of non-traditional investment strategies covering South African and, broader African markets. Our strategies include private equity, private debt (including socially responsible strategies), unlisted real estate, infrastructure and alternatives in listed markets such as hedge funds and African equities. We offer these strategies primarily for our large institutional clients, while our hedge funds are available for our retail clients.

## Hedge funds for retail clients

Allocating a portion of your portfolio to hedge funds allows you to benefit from a valuable source of diversification due to low correlation with traditional asset classes and protection against inflation and downside risk.

There is a strong emphasis on absolute returns (capital appreciation under all market conditions) with good liquidity (access to cash) and risk discipline.

Our single manager strategies include a commodities hedge fund and a macro opportunities fund which invest across multiple asset classes both locally and offshore, as well as equity indices, fixed income, currencies and commodities.

# Multi Managed Investments

Our multi management team researches, blends and manages solutions that give you access to the best combination of passive, smart beta, traditional and alternative investment strategies, managed by skillful asset managers for optimal diversification. They aim to combine different sources of risks or style betas to achieve the best possible returns, at a given level of risk. We design and blend unique solutions for our clients, based on a deep understanding of their investment aims and a fundamental insight into how they perceive risk.

## Our investment philosophy

We believe that capital markets are inherently inefficient in the short term. This creates the potential for superior investment managers to take advantage of these inefficiencies. Our investment philosophy is embedded in distinguishing between whether a manager's outperformance was due to luck (and is therefore unlikely to be repeated) or due to true skill (and therefore repeatable). We believe that not all managers perform equally well in all phases of the market cycle. At times the market favours a particular investment style, while another style or bias may outperform at a different time in the cycle. Our investment philosophy ensures we analyse the performance characteristics of various managers and develop an understanding of their particular way of constructing portfolios.

We believe exploiting this short-term mispricing gives superior investment managers the potential to outperform substantially over time. These inefficiencies also provide us with opportunities to add value to our clients' portfolios by:

- Skillfully combining complementary investment strategies and style betas.
- Selecting truly skillful managers.
- Successful tactical asset allocation and risk management.
- Optimally blending all the investment opportunities through a robust portfolio construction process.

## Solutions architects

We are solutions architects, and we believe that through an in-depth understanding of our clients' needs combined with our ability to construct portfolios which optimally blend multiple investment strategies and sources of risk and return, we enable our clients to achieve their desired investment outcomes.

We are able to offer our clients a convenient and cost-effective solution to the portfolio construction challenge, drawing on our extensive investment strategy, manager selection, market research and portfolio construction skills.

Our solutions are designed to suit the needs of a variety of investors, ranging from conservative investors to those targeting more aggressive growth strategies. Our solutions range uses tactical asset allocation to tailor the portfolio and exploit short-term asset pricing inefficiencies as the economic landscape changes.

For those who prefer to choose from our existing risk profiled solutions, we offer a range of pre-packaged solutions from a variety of established asset managers.

We are also able to offer those clients who are constructing their own portfolios, access to a range of managers' style betas as well as consistent alpha in the portfolio construction processes.

## Solutions

**Pre-packaged, risk profiled solutions**

For your conveneince, we offer five risked-profiled solutions, namely conservative, cautious, moderate, moderately aggressive and aggressive. These are constructed using a blend of the best asset managers available. These solutions are managed within pre-determined asset allocation ranges, which helps us manage advice risk and making these ideal for Independent Financial Advisers. We also offer risk profiled solutions that place more emphasis on the solution outperforming its peer group, as opposed to a fixed benchmark.

# Partnering with the multi-management team

As solution architects, we partner with intermediaries to better understand their client liabilities and to involve them in the portfolio construction process.  We do this through our Implemented Consulting framework. This framework allows us to manage portfolios with a deeper understanding of the asset-liability analysis and its outputs, leading to tailored portfolios that uniquely suit the needs of clients.

# Our investment process

**We follow a disciplined framework and process, with strong emphasis on rigorous manager and market research as well as portfolio construction, which is fundamental to making sound investment decisions. This gives us a distinct competitive edge.**

**1. Manager Research**

In our manager research process, we continually look for future leaders in investment management. These are asset managers with consistent philosophies and superior ability to continually extract inefficiencies from the market through a repeatable investment process, allowing them to deliver alpha through the cycle.

We meticulously screen the full universe of asset managers and their investment strategies, following a quantitative and qualitative process. We assess managers based on the three precise drivers and philosophies that underpin their investment performance: investment skill, risk factors and distinctive style.

The skill and risk assessments tell us whether we will invest or not, while the style beta determines how we will combine managers and strategies. Our role is to understand how managers' performance is likely to change throughout the market cycle based on the interplay of all the above factors.

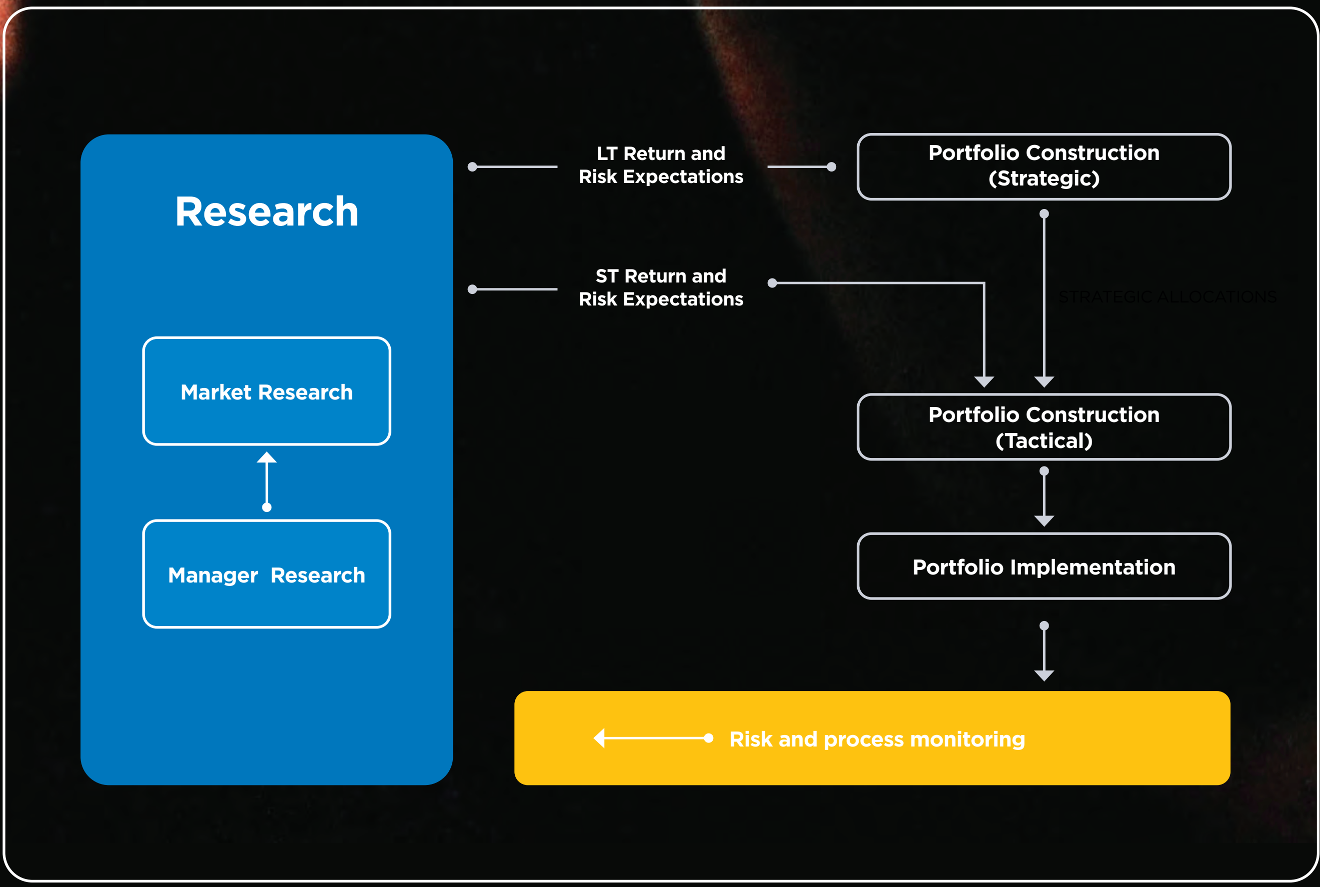
**2. Market Research**

In this step we determine the long term (strategic) and short term (tactical) expectations of the market – risk and return – such as which asset classes and styles are likely to perform well. We then overlay this research onto our manager buy list, then select managers by blending a variety of complementary styles to address those specific long and short-term expectations.

**3. Portfolio Construction**

Our portfolio construction process is derived from the traditional asset management building blocks and our ability to understand how passive, smart beta and alternatives all combine together to deliver the right outcomes for clients. The process begins with our houseview asset allocation, which aims to identify the current market regime along with the expected market risks and returns. This is overlaid with the output from the manager research process that aims to identify a range of available strategies, style betas, and skillful managers ranked on their expected alphas (skill rating) and maximum allowable position-sizing within client portfolios (risk ratings).expected market risks and returns. This is overlaid with the output from the manager research process that aims to identify a range of available strategies, style betas, and skillful managers ranked on their expected alphas (skill rating) and maximum allowable position-sizing within client portfolios (risk ratings).

**Investment Process Flow Chart**




Market Research + Manager Selection + Portfolio Construction = Multi-Manager Value Add

# Benefits of parternering with Sanlam Investments

As an authority on portfolio construction and leaders in sustainability investing, Sanlam Investments has been built to give you specialist expertise that draws on a depth and breadth of expertise. Our diverse teams share the stability and security of a common operational and research platform. This combination gives you the best of a multi-specialist model as well as the backing and stability of the Sanlam Group.

## What we provide

- Unrivalled breadth of investments expertise
- Unconventional solutions thinking
- The finest sustainability investing minds under one roof

**Proprietary research:**
We do it ourselves, following a disciplined and focused research driven process. The integrity of the process builds trust in the team, increases convictionin our calls, ensuresquality control and, most importantly, attracts thinkers and pioneers who push boundaries four clients.

**Dynamic team:**
Among the largest in South Africa, our highly skilled investment team is a balanced blend of experience and talent. Our thinking is pioneering – challenging the status quo and exploring new ways of doing things.

**Bespoke solutions:**
We have invested heavily in decision support systems, tools and technology, as we believe good investment decisions rely on quality research and insights, which in turn deliver the most optimal blend of solutions. Our solutions are informed by precision & skill; guided by superior research; powered by a breadth of expertise and a solutions mindset; fueled by unconventional thinking. We recognize that it is how you blend different strategies together that ultimately makes the difference.

**Size and scale:**
Our size provides us immediate access to the information, resources, networks and liquidity we need.



Sanlam

Live with confidence

Investments

**55 Willie van Schoor Ave, Bellville 7530 | Private Bag X8,
Tyger Valley 7536, South Africa**

**T** **+27 (0)21 950 2500**
**F** **+27 (0)21 950 2126**

**www.sanlaminvestments.com**