# Counterpoint SCI* Global Owner Managed Feeder Fund

## Minimum Disclosure Document

As of 2020/09/30

COUNTERPOINT ASSET MANAGEMENT

**MDD Issue Date:** **2020/10/16**

## Fund Objective

The investment objective of the portfolio is to provide investors with long-term capital growth.

## Fund Strategy

The portfolio will apart from assets in liquid form, invest solely in the participatory interest of the Counterpoint Global Owner Managed Flexible Fund established under the Sanlam Global Funds PLC approved by the Central Bank of Ireland in August 2016. The fund will seek to achieve its investment objective by investing globally in equities, bonds, property related securities (which may include real estate investment trusts and equities in real estate companies) and money market instruments. This underlying fund will invest primarily in securities of companies whose key individual shareholder is actively involved in the business, in the capacity of Chief Executive Office, Director or Executive Chairman. In normal market conditions the underlying funds exposure to Owner Managed Securities will at all times be at least 60% of its net assets. The underlying fund may also invest indirectly in such assets through investment in Collective Investment Schemes which invest in assets described above. The underlying fund may use specialist financial techniques (derivatives) to manage the underlying funds risk exposure and for efficient portfolio management.

## Fund Information

| | |
|---|---|
| Ticker | CPGFFB |
| ISIN | ZAE000278479 |
| Portfolio Manager | Sam Houlie & Piet Viljoen |
| ASISA Fund Classification | Global Multi Asset - Flexible |
| Risk Profile | Aggressive |
| Benchmark | 75% MSCI World + 20% US$ Cash + 5% Stefi |
| Fund Size | R 6 013 056 |
| Portfolio Launch Date* | 2019/10/15 |
| Fee Class Launch Date* | 2019/10/15 |
| Minimum Lump Sum Investment | R 10 000 |
| Minimum Monthly Investment | R 500 |
| Income Declaration Date | December |
| Income Payment Date | 1s business day of January |
| Portfolio Valuation Time | 15:00 |
| Transaction Cut Off Time | 15:00 |
| Daily Price Information | Local media |
| Repurchase Period | 2-3 business days |

| Fees (Incl. VAT) | B-Class (%) |
|---|---|
| Maximum Initial Advice Fee | 3,45 |
| Maximum Annual Advice Fee | — |
| Manager Annual Fee | 0,11 |
| Total Expense Ratio | 1,96 |
| Transaction Cost | 0,15 |
| Total Investment Charges | 2,11 |
| Performance Fee | — |
| TER Measurement Period | 15 October 2019 - 30 June 2020 |

Total Expense Ratio (TER) is the percentage value of the Financial Product that was incurred as expenses relating to the administration of the Financial Product. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's.

Transaction Cost (TC) is the percentage value of the Financial Product that was incurred as costs relating to the buying and selling of the assets underlying the Financial Product. Transaction Costs are a necessary cost in administering the Financial Product and impacts Financial Product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.

Total Investment Charges (TER + TC) is the total percentage value of the Financial Product that was incurred as costs relating to the investment of the Financial Product.

***SCI is an abbreviation for Sanlam Collective Investments.**

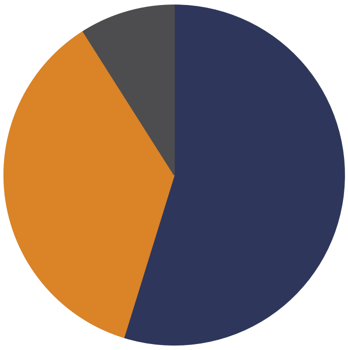
****Returns and expense measures (excluding the annual manager fee) are only published from the fund's first 12-month anniversary.**

## Top Ten Holdings

| Top Ten Holdings | (%) |
|---|---|
| Berkshire Hath-B | 5,3 |
| Brookfield Asset Management | 5,2 |
| Fairfax Financial | 4,5 |
| Novagold Resources | 4,4 |
| Loews Corp | 4,3 |
| Fairfax India Hold | 4,3 |
| Greenlight Capital | 2,3 |
| Amerada Hess | 2,0 |
| Simon Property | 2,0 |
| Stitch Fix Inc | 2,0 |

## Asset Allocation

Portfolio Date: 2020/09/30



| | % |
|---|---|
| Global Equity | 54,8 |
| Global Cash | 36,2 |
| Global Real Estate | 9,0 |
| **Total** | **100,0** |

## Annualised Performance (%)**

| | Fund | Benchmark |
|---|---|---|
| 1 Year | — | — |
| 3 Years | — | — |
| 5 Years | — | — |
| Since Inception | — | — |

## Cumulative Performance (%)**

| | Fund | Benchmark |
|---|---|---|
| 1 Year | — | — |
| 3 Years | — | — |
| 5 Years | — | — |
| Since Inception | — | — |

## Highest and Lowest Annual Returns**

Time Period: Since Inception to 2019/12/31

| | |
|---|---|
| Highest Annual % | — |
| Lowest Annual % | — |

## Risk Statistics (3 Year Rolling)

| | |
|---|---|
| Standard Deviation | — |
| Sharpe Ratio | — |
| Information Ratio | — |
| Maximum Drawdown | — |

## Distribution History (Cents Per Unit)

| | | | | | |
|---|---|---|---|---|---|
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |

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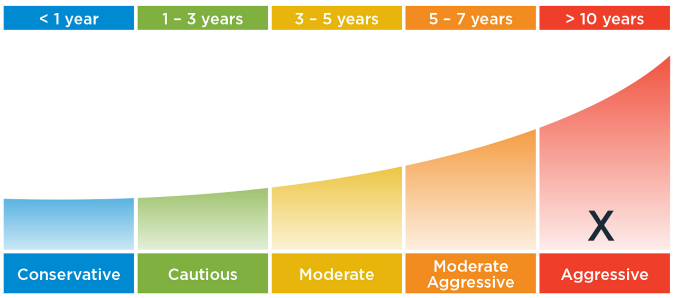
## Risk Profile




## Glossary Terms

**Annualised Returns**
Annualised return is the weighted average compound growth rate over the period measured.

**Asset Allocation**
Asset allocation is the percentage holding in different asset classes (i.e. equities, bonds, property, etc.). It is used to determine the level of diversification in a portfolio.

**Distributions**
The income that is generated from an investment and given to investors through monthly, quarterly, bi-annual or annual distribution pay-outs.

**Derivatives**
Derivatives are instruments generally used as an instrument to protect against risk (capital losses), but can also be used for speculative purposes. Examples are futures, options and swaps.

**Liquidity**
The ability to easily turn assets or investments into cash.

**Information Ratio**
The Information Ratio measures the market risk-adjusted performance of an investment or portfolio. The greater a portfolio's Information Ratio, the better its risk-adjusted performance has been compared to the market in general.

**LISP (Linked Investment Service Provider)**
A Linked Investment Service Provider is a financial institution which packages, distributes and administers a broad range of unit trust based investments. Any investment made through these products gives an investor a single point of entry into a selection of different investments.

**Maximum Drawdown**
The maximum drawdown measures the highest peak to trough loss experienced by the fund.

**Money Market Instruments**
A money market instrument is a low risk, highly liquid, short-term (one year or less) debt instrument, issued by financial institutions or governments, that tend to have lower returns than high-risk investments.

**Participatory Interests**
When you buy a unit trust, your money is pooled with that of many other investors. The total value of the pool of invested money in a unit trust fund is split into equal portions called participatory interests or units. When you invest your money in a unit trust, you buy a portion of the participatory interests in the total unit trust portfolio. Participatory interests are therefore the number of units that you have in a particular unit trust portfolio.

**Regulation 28**
Regulation 28 of the Pension Funds Act sets out prudent investment limits on certain asset classes in investment funds. It applies specifically to investments in Retirement Annuities and Preservation Funds. The allowed maximum exposures to certain asset classes is: 75% for equities, 25% for property, 25% for foreign (offshore) assets and 5% African assets.

**Risk-adjusted returns**
Risk-adjusted return refines an investment's return by measuring how much risk is involved in producing that return, which is generally expressed as a number or rating.

**Sharpe Ratio**
The Sharpe Ratio measures total risk-adjusted performance of an investment or portfolio. It measures the amount of risk associated with the returns generated by the portfolio and indicates whether a portfolio's returns are due to excessive risk or not. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been (i.e. a higher return with a contained risk profile, where the portfolio manager is not taking excessive risk to achieve those returns)....

## Additional Information

All reasonable steps have been taken to ensure the information on this MDD is accurate. The information to follow does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act. Use or rely on this information at your own risk. Independent professional financial advice should always be sought before making an investment decision. The Sanlam Group is a full member of the Association for Savings and Investment SA. Collective investment schemes are generally medium- to long-term investments. Please note that past performances are not necessarily a guide to future performances, and that the value of investments / units / unit trusts may go down as well as up. A schedule of fees and charges and maximum commissions is available on request from the Manager. Sanlam Collective Investments (RF) Pty Ltd, a registered and approved Manager in Collective Investment Schemes in Securities. Additional information of the proposed investment, including brochures, application forms and annual or quarterly reports, can be obtained on request from the Manager, free of charge. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. Collective investments are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accruals and less any deductible expenses such as audit fees, brokerage and service fees. Actual investment performance of the portfolio and the investor will differ depending on the initial fees applicable, the actual investment date, and the date of reinvestment of income as well as dividend withholding tax. Forward pricing is used. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The performance of the portfolio depends on the underlying assets and variable market factors. Performance is based on NAV to NAV calculations with income reinvestments done on the ex-div date. Lump sum investment performances are quoted. The portfolio may invest in participatory interests of other unit trust portfolios. These underlying funds levy their own fees, and may result in a higher fee structure for our portfolio. All the portfolio options presented are approved collective investment schemes in terms of Collective Investment Schemes Control Act, No 45 of 2002 ("CISCA"). The Manager may borrow up to 10% the market value of the portfolio to bridge insufficient liquidity. The fund may from time to time invest in foreign countries and therefore it may have risks regarding liquidity, the repatriation of funds, political and macroeconomic situations, foreign exchange, tax, settlement, and the availability of information. The fund may invest in financial instruments (derivatives) for efficient portfolio management purposes. A feeder fund is a portfolio that invests in a single portfolio of a collective investment scheme, which levies its own charges and which could result in a higher fee structure for the feeder fund. The Manager has the right to close any portfolios to new investors to manage them more efficiently in accordance with their mandates. Management of the portfolio is outsourced to Counterpoint Boutique (Pty) Ltd, (FSP) Licence No. 44508, an Authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act, 2002. Sanlam Collective Investments (RF) (Pty) Ltd retains full legal responsibility for the co-named portfolio. Standard Bank of South Africa Ltd is the appointed trustee of the Sanlam Collective Investments scheme. Sources of Performance and Risk Data: Morningstar Direct, INET BFA and Bloomberg. The risk free asset assumed for the calculation of Sharpe ratios: STEFI Composite Index. The highest and lowest 12-month returns are based on a calendar year period over 10 years or since inception where the performance history does not exist for 10 years. Obtain a personalised cost estimate before investing by visiting www.sanlamunittrustsmdd.co.za and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 266.

**Investment Manager Information**
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## Portfolio Manager Comment

**As at 30 September 2020**

**Portfolio overview**

The Fund had a pedestrian quarter, returning -0.8% in US dollars.

Market leadership has been very narrow and sector specific over the year-to-date, with sector allocation explaining most of the Fund's lag in performance. Our defensive positioning, which did well to protect capital in the first half of 2020, has since been a net detractor in relative terms. In addition to this, our lack of exposure to big global technology firms, which continue to see share prices surging beyond even the most optimistic of expectations for the underlying businesses themselves, exacerbated the performance lag during the most recent quarter.

For the majority of the third quarter, Technology and Consumer Cyclicals led the market higher with the "risk-on" trade being funnelled into mega cap technology through strong price momentum. As such, at the sector level, lower exposure to Technology was the single biggest detractor. On the other hand, our significant underweight position in Healthcare and Real Estate contributed to relative returns.

Dollar weakness provided a mild tailwind to non-US listed stocks. Emerging market equities, to which the Fund has low exposure, advanced more than developed markets during the quarter. The impact of stock selection was mixed, with an eclectic group of Retail and Precious Metal winners contributing.

Our diversified selection of quality Owner-Managed equities has a natural bias towards Consumer Cyclicals, Real Estate and Diversified Financials. In the third quarter our particular selection of financial stocks underwhelmed in share price terms, with value remaining to be unlocked. Our technology and consumer names were generally ahead of the market, but our low aggregate weighting did not offset the impact of the detractors in the Fund, most notably Insurers.

We have an intentional bias towards Owner-Managed stocks with strong balance sheets, cheaper valuations and solid fundamentals. We continue to anticipate an environment where excessive debt and high valuations provide significant headwinds for equities. In March 2020, the US Federal Reserve acted aggressively to thaw the credit markets and consequently, excessive debt has temporarily become less of an issue. Equity market participants continue to embrace liquidity and seem willing to disregard the high valuation of momentum stocks, particularly within the technology sector. This cannot be sustained indefinitely. Our holdings are different to the index with good reason, the consequence of this is that our Fund returns are out-of-sync with the broader market advances since March lows. We are comfortable that this positioning remains appropriate if one properly considers the potential excessive risk inherent in a system fuelled by artificially excessive liquidity.

**Portfolio positioning**

We are patient. Fund positioning has changed marginally in response to market conditions. We remain confident in the prospective return and capital preservation attributes of our portfolio. The overall slant of the Fund remains intact.

In the previous quarter we sold down a selection of consumer cyclicals and technology stocks, including "market darlings" Amazon, Facebook and Google. The mega-cap Technology stocks are the quintessential owner-managers but valuations have simply become too rich for us to justify our holding without concern for a potential unwind which could result in permanent capital losses for investors. As a consequence, our lack of exposure was a significant detractor in Q3. We are comfortable that enduring FOMO (the fear of missing out) is a price worth paying to protect our investors' capital. We utilised cash to proactively increase exposure to NovaGold, Berkshire Hathaway and Fairfax Financial instead – where lower valuations protect investors and provide significant potential for upside from current prices.

Fund liquidity levels are back to the same level as at the start of the year. We aggressively reduced cash during March and April, to fund our purchases of technology and cyclical stocks. The rapid ascent of the market towards the end of the quarter, led us to reduce overall equities and portfolio risk. The overwhelming signal from our underlying Owner-Managers remains cautious, with high levels of cash on company balance sheets.

We hold high quality businesses, with resilient earnings prospects, solid balance sheets and cheap valuations. We remain ready to recalibrate the portfolio, as and when market opportunities unfold.

**Portfolio Manager**
Sam Houlie
CA(SA) & CFA

Piet Viljoen
B Com (Hons), CFA

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