Counterpoint SCI* Dividend Equity Fund

Minimum Disclosure Document

As of 2020/07/31

MDD Issue Date: **2020/08/24**

Fund Objective

The portfolio follows a total return approach, with a significant portion of returns coming in the form of dividends.

Fund Strategy

The fund employs a 'dividend *growth plus yield*' strategy and targets total returns. Long term views are taken on investments. The fund seeks to hold lucrative investments for extended periods in order to capture the benefit of compounding.

The strategy seeks to invest in *quality* businesses exhibiting the following attributes:

- Sustainable real growth in *future* expected earnings and dividends
- A *track record* of predictable cash flow and healthy profit and dividend growth
- High prospective returns on capital with conservative use of gearing
- Robust business model, customer value offering and competitive strengths
- Management who display integrity, stewardship and continuous improvement
- Forward dividend *yield* greater than the market average
- Price which offers attractive *absolute value,* at a conservative margin of safety

The fund's investment universe includes equity and property securities, preference shares, assets in liquid form as well as participatory interests in collective investment schemes registered in the Republic of South Africa. The fund may invest in listed and unlisted financial instruments, in accordance with the provisions of the Act and Regulations, as well as in offshore investments as permitted by legislation.

Fund Information

Ticker	MEHA1
ISIN	ZAE000172771
Portfolio Manager	Ray Shapiro, Sam Houlie & Piet Viljoen
ASISA Fund Classification	South African - Equity - General
Risk Profile	Aggressive
Benchmark	Peer Group Average of the General Equity Sector
Fund Size	R 224 727 464
Portfolio Launch Date*	2012/12/07
Fee Class Launch Date*	2012/12/07
Minimum Lump Sum Investment	R 10 000
Minimum Monthly Investment	R 500
Income Declaration Date	June & December
Income Payment Date	1st business day of July & 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)

Fees (Incl. VAT)	A1-Class (%)
Maximum Initial Advice Fee	3,45
Maximum Annual Advice Fee	—
Manager Annual Fee	0,95
Total Expense Ratio	1,02
Transaction Cost	0,11
Total Investment Charges	1,13
Performance Fee	—
TER Measurement Period	01 April 2017 - 31 March 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.

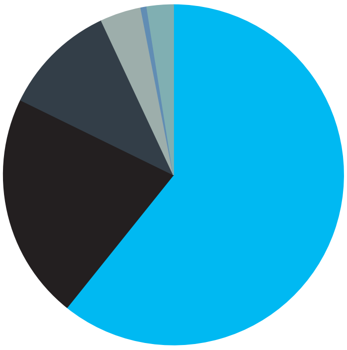
*The Counterpoint Sanlam Collective Investments Dividend Equity Fund transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 2 December 2017.

Top Ten Holdings

Top Ten Holdings	(%)
British American Tobacco	6,4
Spar Group	5,7
JSE Limited	4,1
FirstRand	3,9
Santam	3,4
RMI Holdings	3,3
Storage Property Reit Ltd	3,1
Quilter	2,9
Hudaco Industries Ltd	2,3
Netcare Limited	2,2

Asset Allocation

Portfolio Date: 2020/06/30



	%
SA Equity	60,8
Global Equity	21,5
SA and Global Cash	10,8
SA Property	3,9
SA Pref Shares	0,6
FRN	2,5
Total	**100,0**

Annualised Performance (%)

	Fund	Benchmark
1 Year	-14,1	-2,8
3 Years	-1,9	-0,3
5 Years	0,3	0,9
Since Inception	4,3	5,2

Cumulative Performance (%)

	Fund	Benchmark
1 Year	-14,1	-2,8
3 Years	-5,7	-0,9
5 Years	1,4	4,4
Since Inception	38,1	47,2

Highest and Lowest Annual Returns

Time Period: Since Inception to 2019/12/31

Highest Annual %	14,5
Lowest Annual %	-2,4

Risk Statistics (3 Year Rolling)

Standard Deviation	12,1
Sharpe Ratio	-0,7
Information Ratio	-0,2
Maximum Drawdown	-22,5

Distribution History (Cents Per Unit)

2020/06/30	2.71 cpu	2018/06/30	2.13 cpu	2016/12/31	1.74 cpu
2019/12/31	2.57 cpu	2017/12/31	0.65 cpu	2016/06/30	0.96 cpu
2019/06/30	2.58 cpu	2017/12/01	1.38 cpu	2016/04/30	1.65 cpu
2018/12/31	2.58 cpu	2017/06/30	2.15 cpu		

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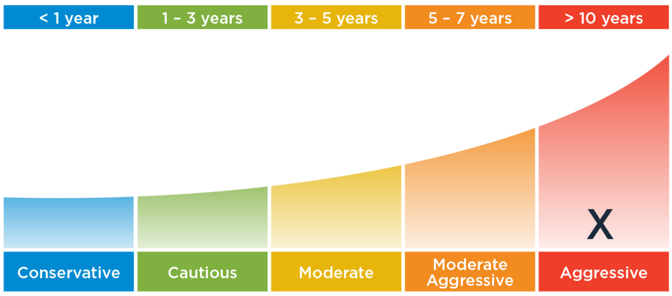
COUNTERPOINT ASSET MANAGEMENT
CONTEXTUAL VALUE™

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.

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).

Standard Deviation
Standard deviation (also called monthly volatility) is a measure of how much returns on an investment change from month to month. It is typically used by investors to gauge the volatility expected of an investment.

Additional Information

Investment Manager Information
Counterpoint Boutique (Pty) Ltd
(FSP) License No. 44508
Physical Address: 6thFloor, Claremont Central, 8 Vineyard Road, Claremont, Cape Town
Postal Address: PO Box 5291, Tygervalley, 7530
Tel: +27 (21) 943 4480
Email: Nicolel@cpam.co.za
Website: www.cpam.co.za

Manager Information
Sanlam Collective Investments (RF) (Pty) Ltd
Physical Address: 2 Strand Road, Bellville, 7530
Postal Address: P.O. Box 30, Sanlamhof, Bellville, 7532
Tel: +27 (21) 916 1800
Email: service@sanlaminvestments.com
Website: www.sanlamunittrusts.co.za

Trustee Information
Standard Bank of South Africa Ltd
Tel: +27 (21) 441 4100
Email: compliance-sanlam@standardbank.co.za

Administered by

Sanlam

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Portfolio Manager Comment

As at 30 June 2020

Market overview

The JSE All Share Index advanced by 23.2%, which reversed most of the losses in the first quarter of 2020.

A global market resurgence had a knock-on effect on SA risk assets, including Bonds and the ZAR. In line with the rest of the world, South Africa is struggling with a Covid-19 induced economic slowdown. The Moody's downgrade in the previous quarter is now fully discounted. The country nevertheless faces severe economic headwinds and the downgrade is likely to raise the future cost of capital at a time when bond issuance is likely to increase.

The advance in the ALSI was broad-based and in terms of sectors, Resources was the best performer, returning 41.2%, followed by Industrials with a total return of 16.6% and Financials, which returned 12.4%. Mid-Caps bounced, with a 15.4% return, while Small-Caps staged a resurgence with a 17.2% return. Small-Caps has declined every year for the last 6 years and remains a long-term laggard in relative returns.

In terms of equity sectors, the top performers were Chemicals (+160.5%), Gold Mining (+68.0%), Industrial Metals (+65.4%) and Platinum (+62.0%). The worst performers were Health Care Equipment (-6.0%), Food Retailers (-2.0%) and Food Producers (-1.6%).

In Q2, SA equities outperformed most other emerging markets. The quarter was highly volatile and dominated by rapidly increasing appetite for risk assets in general and EM equities more specifically. Domestically-oriented equities, most notably small-caps, recovered the least and valuations are very cheap relative to history. The valuation of domestic equities, now discounts very low expectations and represents a multi-decade opportunity for investors to participate in the recovery on a more rational basis. Current valuations are reminiscent of the early 2000s, when negative sentiment towards domestic small and mid-caps provided a platform for high prospective returns in the ensuing years.

The President and domestic policymakers have demonstrated strong leadership during the Covid-19 crisis and there remains a resolve to address the structural impediments in the fiscus and critical institutions. The response to the crisis has added to fiscal strain in the shorter-term but investors appear willing to look beyond the next 2 years.

Domestic equity valuations remain attractive relative to long-term growth prospects. The rand is likely to remain range-bound and could even stage a comeback, as the US dollar weakens. SA Inc equities are undoubtedly cheap and discounting very weak prospects. We continue to believe that we are entering a prolonged period that will suit stock-pickers and active managers.

The probability is high that equities, as an asset class, will generate inflation-beating returns from current levels. Risk assets are set to continue the recovery that started at the end of the previous quarter.

The magnitude and speed of the recent rally has surprised us. For that reason, we have maintained a level of conservatism and slowed down our deployment of cash into the myriad of opportunities that continue to become available

Portfolio overview

The Counterpoint SCI Dividend Equity Fund follows a long-term objective-based approach. The Fund's primary objective is for total investment returns to exceed SA Inflation + 6% per annum, over the long run (7yrs and longer). Parallel and contributing objectives are for the Fund to provide an income yield (after dividend withholding taxes) greater than the FTSE/JSE All Share Index (ALSI); to grow distributions ahead of SA inflation; and to achieve its objectives at a lower level of risk* than the ALSI.
The Fund employs a 'dividend growth plus yield' strategy and targets total returns. Long term views are taken on investments. The Fund seeks to hold lucrative investments for extended periods to capture the benefit of compounding.

The strategy seeks to invest in quality businesses exhibiting the following attributes:

- Sustainable real growth in future expected earnings and dividends
- Track record of predictable cash flow and healthy profit and dividend growth
- High prospective returns on capital with conservative use of gearing
- Robust business model, customer value offering and competitive strengths
- Management who display integrity, stewardship and continuous improvement
- Forward dividend yield greater than the ALSI
- Price which offers attractive absolute value, at a conservative margin of safety

Given the emphasis on predictable dividend growth the Fund is unlikely to hold a significant weighting in resource shares due to the highly unpredictable nature of future earnings and dividend growth in these businesses. Additionally, due to its yield objective the Fund is unlikely to hold significant positions in low-yielding stocks.

The Fund is mandated to invest up to 30% of the portfolio in offshore investments plus a maximum of 10% in Africa (excluding South Africa) investments.

A minimum of 80% of the market value of the Fund must be invested in equities.

*risk as measured by standard deviation over a 3-year rolling period

The Fund posted a 6.2% return for the quarter, as local and international markets rebounded from the global coronavirus sell off. The Fund's benchmark, the South African General Equity Peer Group Average, returned 19.3% for the period. The Fund's zero exposure to SA internet and mining stocks, not being aligned to the Fund's style, accounts for this difference in relative performance. The Fund's SA assets rose 7% over the period, contributing 3.9% to returns. Offshore assets contributed 2.6% to total Fund performance. Major domestic contributors included British American Tobacco, which rose 11.9%; Rand Merchant Investments, up 35.2% and the JSE Ltd, which gained 20.5% over the period. Major detractors included Spar, down 4.5%; Netcare, losing 9.2%; and Octodec, which lost 21.7% over the quarter.

The Fund's offshore exposure stood at 24% at quarter end. The Fund's offshore securities as a group rose 9% in rands and 12% in US dollars over the period. Key positive contributors in the offshore portion (in US$) were Union Pacific, rising 20.6%; Abbvie, up 30.7% and Investor AB, gaining 17.6%. The only detractors were Wells Fargo, down 9% and Philip Morris International, down 2.4% in US$ over the quarter.

The Fund has a 5.8% allocation to property stocks (local and offshore) which rose 6% during the quarter. Exposure to property was lightened during the period, principally through the sale of Growthpoint, which we believe faces long and short-term challenges to its growth that are not adequately reflected in its price. The Fund has a 2.5% position in select corporate debt instruments. These instruments are offering yields of c.8%, which we believe to be attractive on a relative basis.
The historic weighted average yield of all the securities in the Fund is 5.2%, with the SA Equity portion being over 6%.

Given the significant degree of uncertainty surrounding the current coronavirus pandemic, and its effect on companies locally and globally, it is at this time not prudent to make a reliable forecast of Fund distribution growth or forward yield for the coming year.

However, given the underlying strength of the businesses in which we choose to invest and the significant weighting of the Fund in companies providing goods of a defensive nature, we are confident Fund distributions will remain attractive relative to the general equity market.

Note: all yields are quoted on a gross basis before deducting local and offshore withholding taxes.

Portfolio positioning

As mentioned in our previous commentary the coronavirus pandemic is precipitating massive and pervasive change globally. Existing trends, such as the use of technology, have been accelerated. Additionally, new attitudes, behaviours, policies and economic realities are rapidly evolving. Businesses will need to adapt or face extinction, only the extent of adaption varies. The role of government in economic and social affairs is becoming larger, a trend whose impact should not be underestimated.

Given the unprecedented uncertainty prevailing at present we have more confidence than ever in our core philosophy of investing predominantly in attractively valued quality companies. Over a full market cycle, we believe this approach to be best suited to delivering the Fund's stated objective.

We focus on investing in companies with predictable cash flows and the ability to pay healthy dividends. Which companies will fit this criteria in the future needs to be evaluated. Existing business models are being disrupted and how lasting the coronavirus induced changes will prove to be is uncertain. As such, we are cautious of knee-jerk reactions, chasing fads as well as complacency. Decisions enacted in such frames of mind most often turn out to be very damaging to long term returns.

Cardinally, we believe prudent long term equity investing is best implemented with a solid and significant core of businesses *less affected by change*. As such, we ensure we own a significant weighting in such companies, while remaining disciplined on the price paid.

Currently 11% of the Fund is held in cash, up from 16% at last quarter-end. We have deployed cash selectively into attractively priced equities, mostly domestically listed. New positions include PSG Konsult, Distell and Transaction Capital. We remain careful and cautious, as despite significant rebounds in many markets, actual business conditions remain very strained and uncertain. As always, we look to limit downside risk while remaining alert to opportunities. Domestically listed South African biased companies or 'SA Inc.' stocks are still down 30% year to date as a group, not having meaningfully recovered - unlike most developed market and SA rand hedge stocks. We are actively researching opportunities in these stocks as many quality SA Inc. equities are trading significantly below their intrinsic values. Valuations of course need to be weighed against the backdrop of the material headwinds faced in the local investment environment and economy. Our contextual value approach thus remains central in our portfolio management actions.

Portfolio Managers
Ray Shapiro
B.Bus.Sc (Finance), PGDA, CA(SA), CFA

Sam Houlie
CA(SA) & CFA

Piet Viljoen

B Com (Hons), CFA

Administered by