



H2 **FUND**
UPDATE 2022





equities



Agenda

SIM Active Equities

- Team update
- Active equity playbook

Investment themes in 2022

Portfolio review:

- SIM General Equity Fund
- SIM Top Choice Equity Fund

Equities

Investment team



Andrew Kingston

Co-Head of Equities

Experience: 29 years
BCom, GDip Acc, CA(SA), CFA



Vanessa van Vuuren

Portfolio Manager/Equity Analyst

Experience: 17 years
B.Bus Sci, BCom (Hons), CFA



Jade-Nathen Anthony

Quantitative Analyst

Experience: 8 years
BCom Hons in Finance and Investments, CFA



Zintle Gantsho

Equity Analyst

Experience: 11 years
BCom Investment Management &
BCom Honours Financial Management, MBA



Cromwell Mashengete

Co-Head of Equities

Experience: 22 years
BA (Hons) Economics, MA, MBA



Andrew Snowdowne

Portfolio Manager/Equity Analyst

Experience: 24 years
BSc (Metallurgical Engineering)



Derick Deale

Equity Analyst

Experience: 8 years
BCom Econ, BCom (Hons) Econ & MCom Econ, CFA



Marlo Scholtz

Head of Equity Research

Experience: 17 years
BCom Hons (Financial Analysis), CFA



Jasmine Lin

Equity Analyst

Experience: 14 years
BCom (Hons) Actuarial Science



Sipehele Mhlongo

Equity Analyst

Experience: 6 years
BCom Acc; Diploma in Accounting (PGDA),
CA(SA)

Introducing our new colleagues

Investment team



Stephen Arthur
Portfolio Manager

Qualifications

BSc. Eng, CFA

Experience

16 years with ABAM
34 years industry
experience

Responsibilities

Resources
Co-manager on all
funds



Carmen Mpelwane
Analyst and Portfolio
Manager

Qualifications

BBusSci (Finance), CA
(SA), CFA

Experience

3 years with ABAM
14 years industry
experience

Responsibilities

Healthcare and Retail
Co-manager Absa Core
Equity Fund



Dale Hutcheson
Analyst and Portfolio
Manager

Qualifications

BCom Dip (Acc), HDip
(Tax), CA (SA)

Experience

15 years with ABAM
20 years industry
experience

Responsibilities

Industrials
Co-manager Absa
Prime Equity Fund



Roy Mutooni
Analyst and Portfolio
Manager

Qualifications

BSc (Hons) Economics,
MBA Finance, CFA

Experience

7 years with ABAM
22 years industry
experience

Responsibilities

Mid and Small Caps
Co-manager Select
Equity Fund



Cornette van Zyl
Analyst and Portfolio
Manager

Qualifications

Bcom (Acc) (Hons), CA
(SA), CFA

Experience

9 years with ABAM
12 years industry
experience

Responsibilities

Financials
Co-manager Absa Core
Equity Fund

Equities

Investment team

Our mission and purpose

- A fiduciary responsibility to be custodians of our clients' capital
- **To generate superior equity returns over a medium- to longer-term investment horizon**

Our investment philosophy

“PRAGMATIC VALUE”

- Buy at a discount to intrinsic value
- Long-term, through the cycle assumptions
- Incorporate structural shifts
- Scenario analysis (base, bear and bull)

Our investment process

- **Embed a culture of high-quality RESEARCH**
- Portfolio construction is an outcome of bottom-up stock selection within the parameters of our investment philosophy
- Disregard short-term noise – strictly focused on medium/long term
- Critical risk management overlay (thematic; capital loss)

An aerial photograph of a pod of whales breaching the ocean surface. The water is a deep, vibrant blue, and the whales' dark, sleek bodies are visible as they rise from the water, creating white splashes and ripples. The whales are scattered across the frame, with one large whale in the upper right and several others in the lower half.

Investment themes of 2022

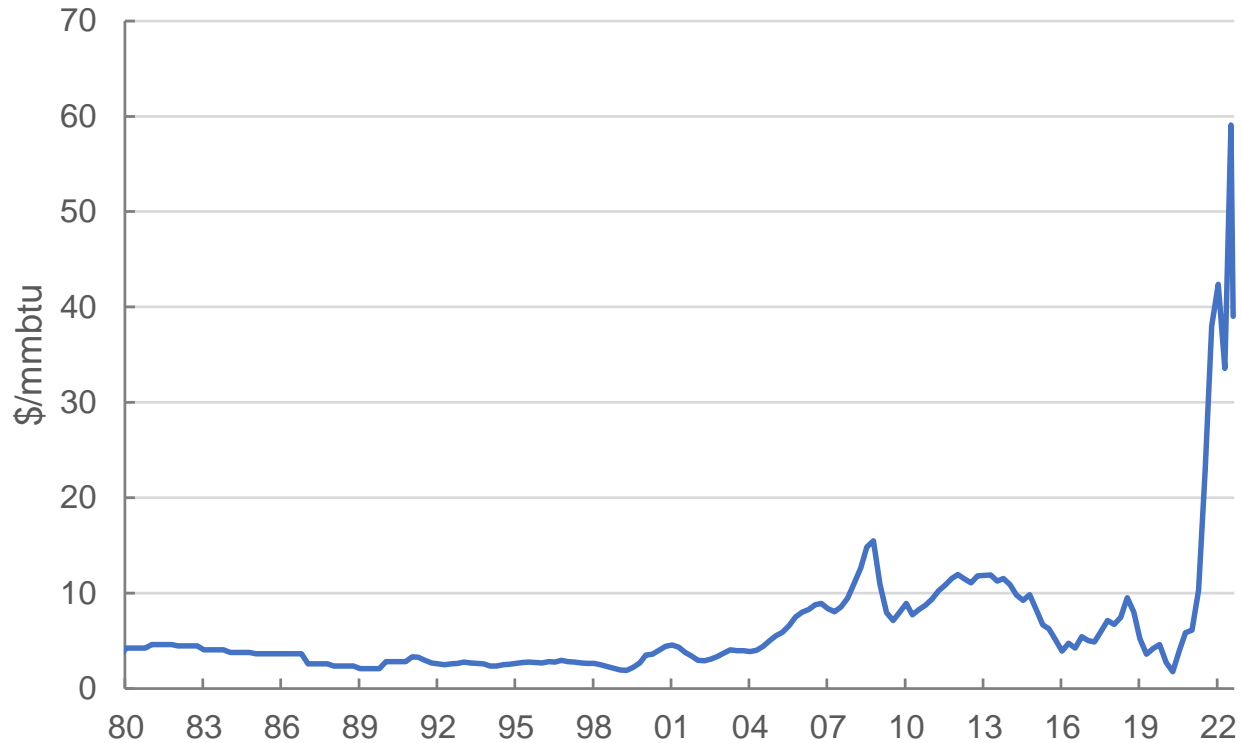
Confidence Rule 47:

**A SUSTAINABLE FUTURE
IS THE BEST LONG-TERM
INVESTMENT YOU CAN MAKE**

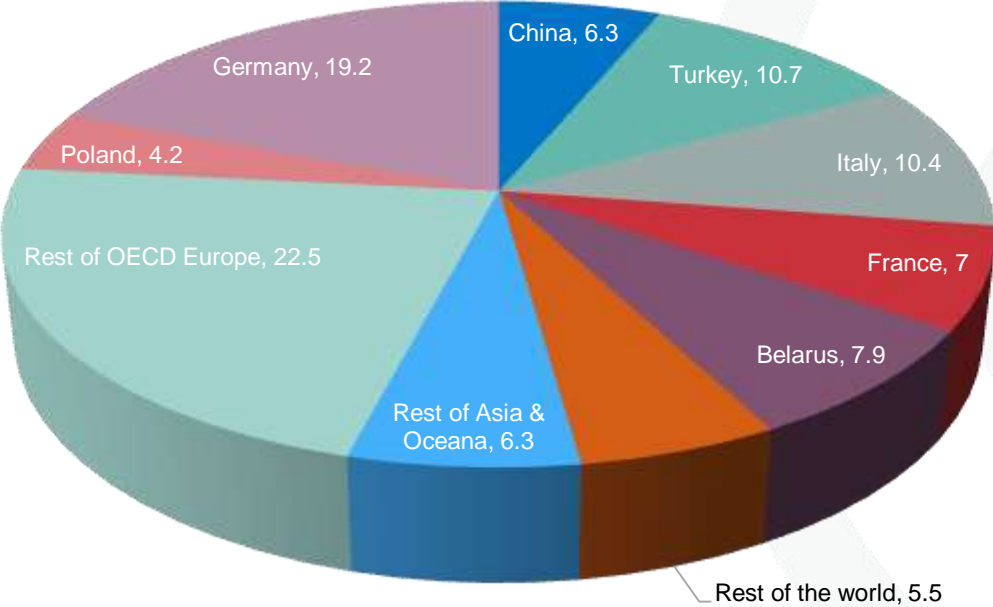
Key investment themes: 2022

1. War in Ukraine
2. Energy shock, commodity prices remaining elevated
3. Inflation higher than expected, higher interest rates, liquidity withdrawal
4. Weaker global economic growth, particularly in Europe
5. Growth assets repriced, particularly tech
6. China slow-down, accentuated by property weakness and lockdowns
7. Weak SA environment, accentuated by global factors

World Bank, commodity prices, natural gas, Europe

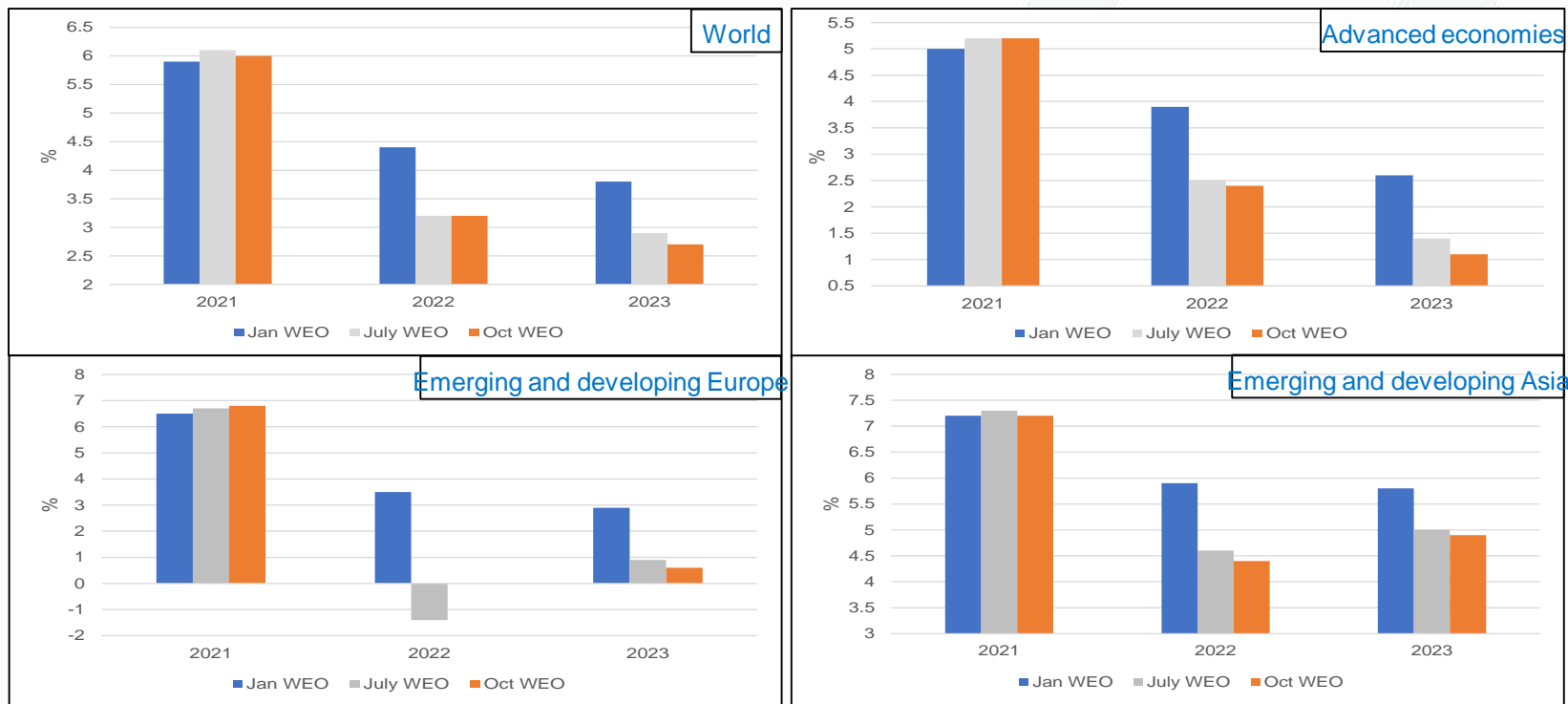


Russian natural gas exports in 2021



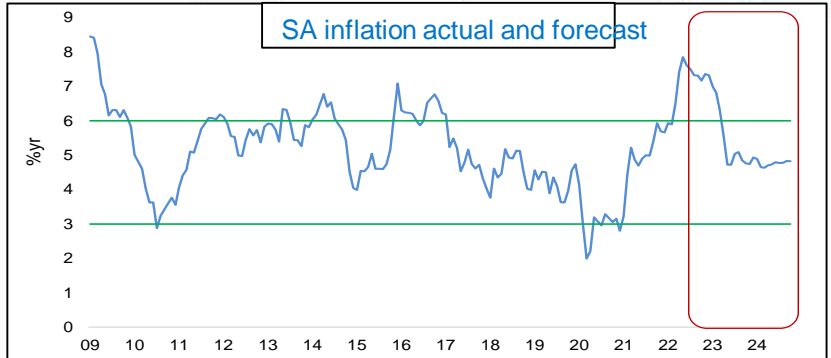
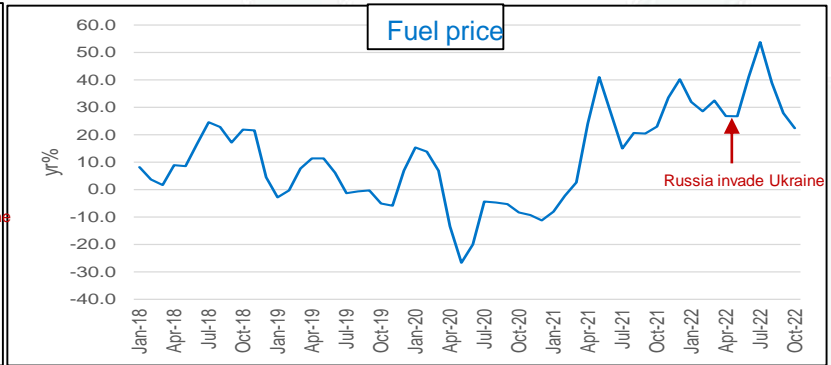
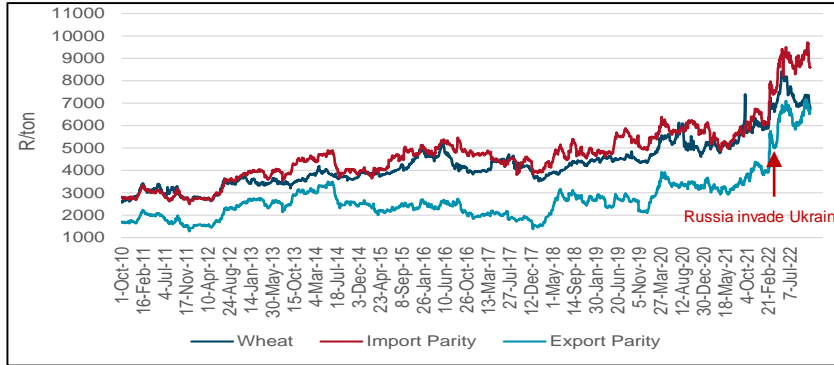
Global economic growth revised lower persistently in 2022

High inflation, monetary policy tightening, prolonged war in Ukraine and China zero-Covid policy



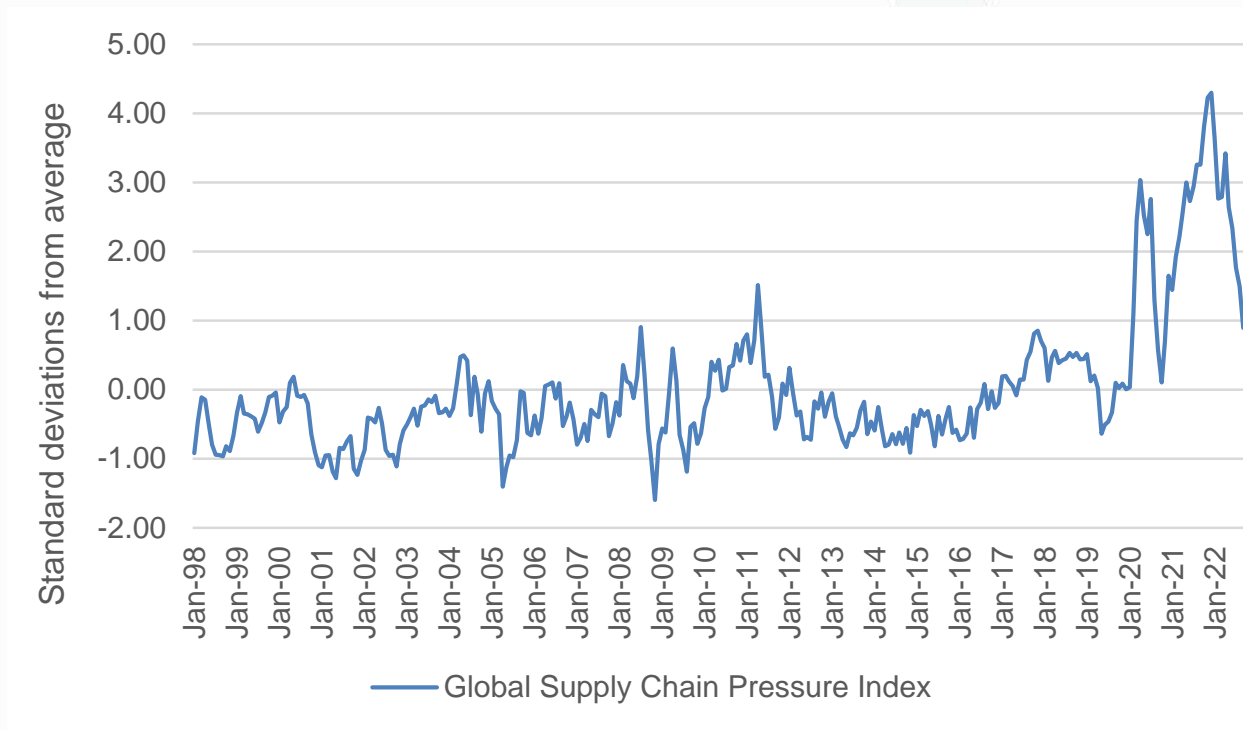
War in Ukraine pushed commodity prices higher

Subsequently, SA headline inflation breached the upper target band

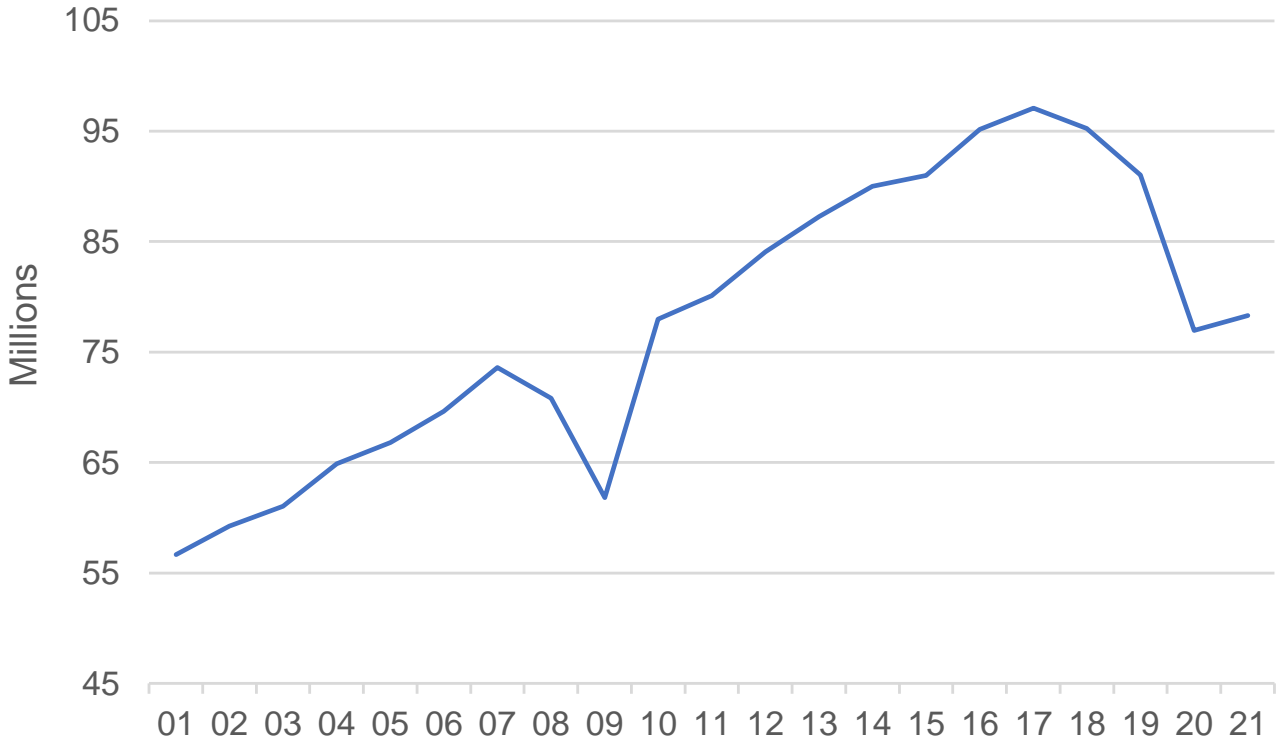


Global supply chain pressure index

Subsequently, SA headline inflation breached the upper target band



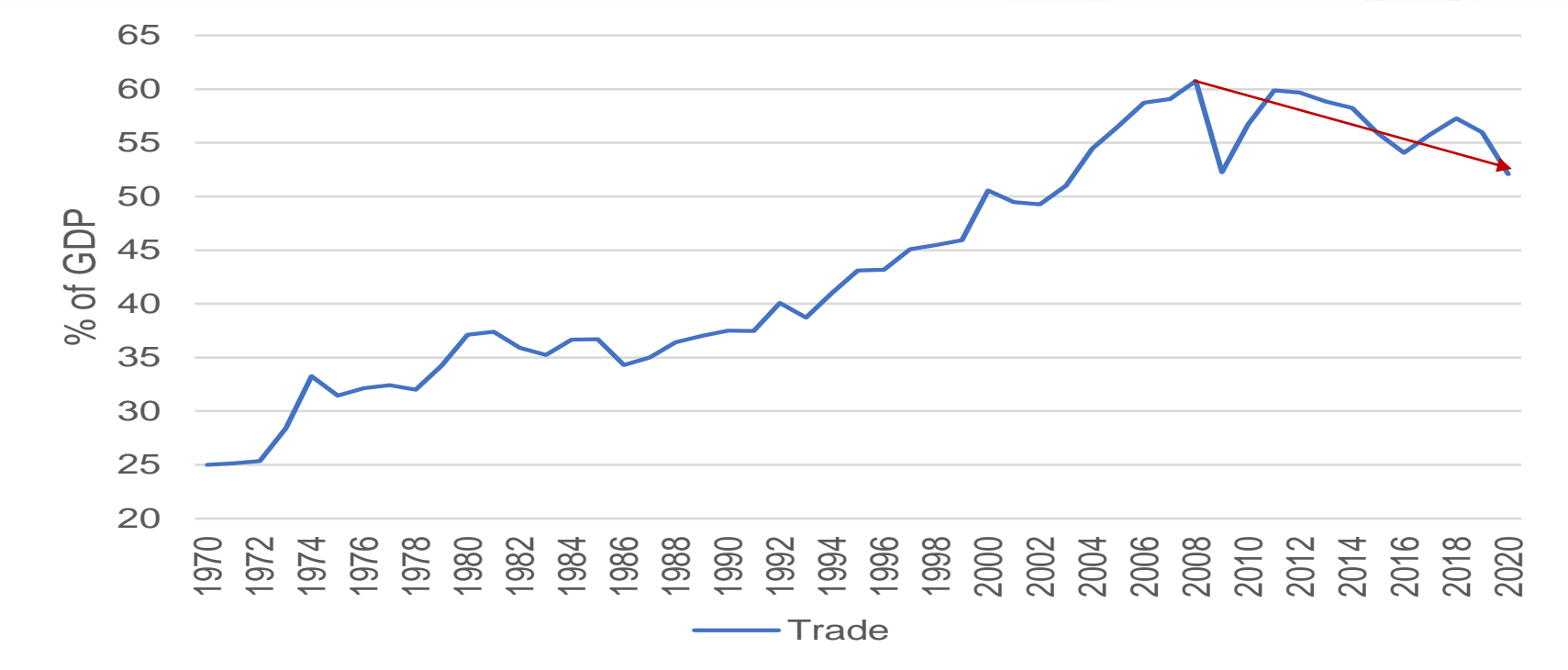
Shortages of computer chips took a toll on global vehicle production



Source: Bloomberg

Global trade as a percentage of GDP has trended lower

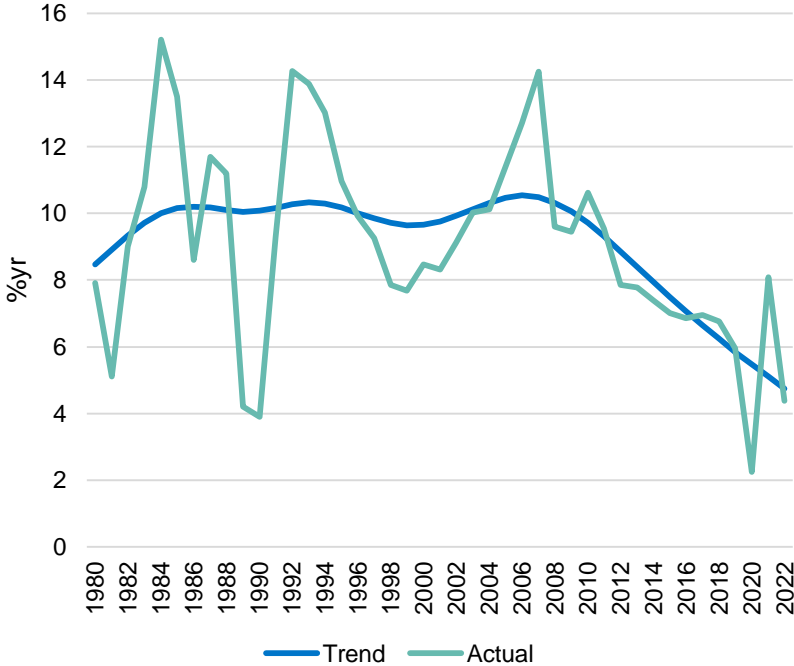
International trade growing less than GDP in the aftermath of the GFC



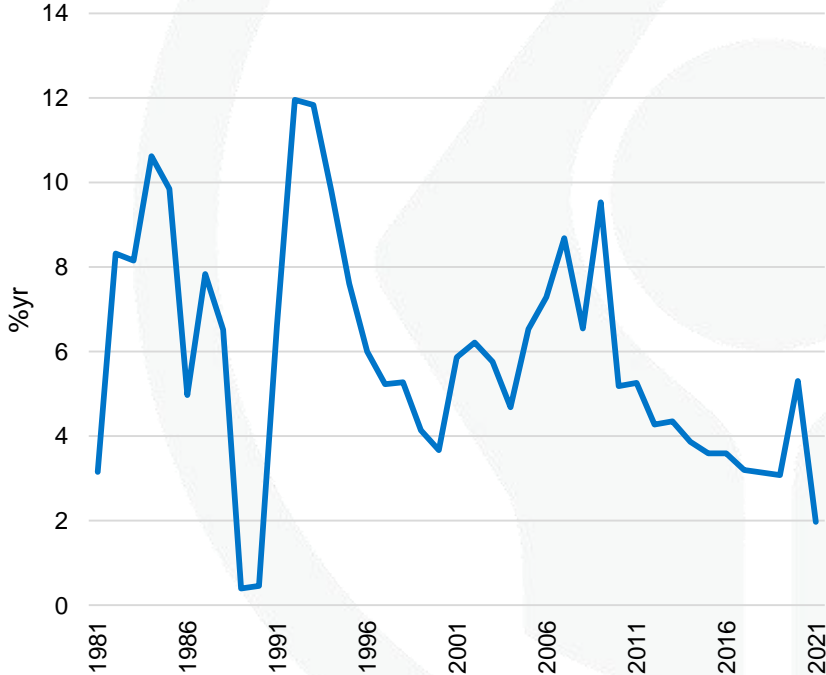
Source: World Bank

China and world GDP

China actual and trend growth

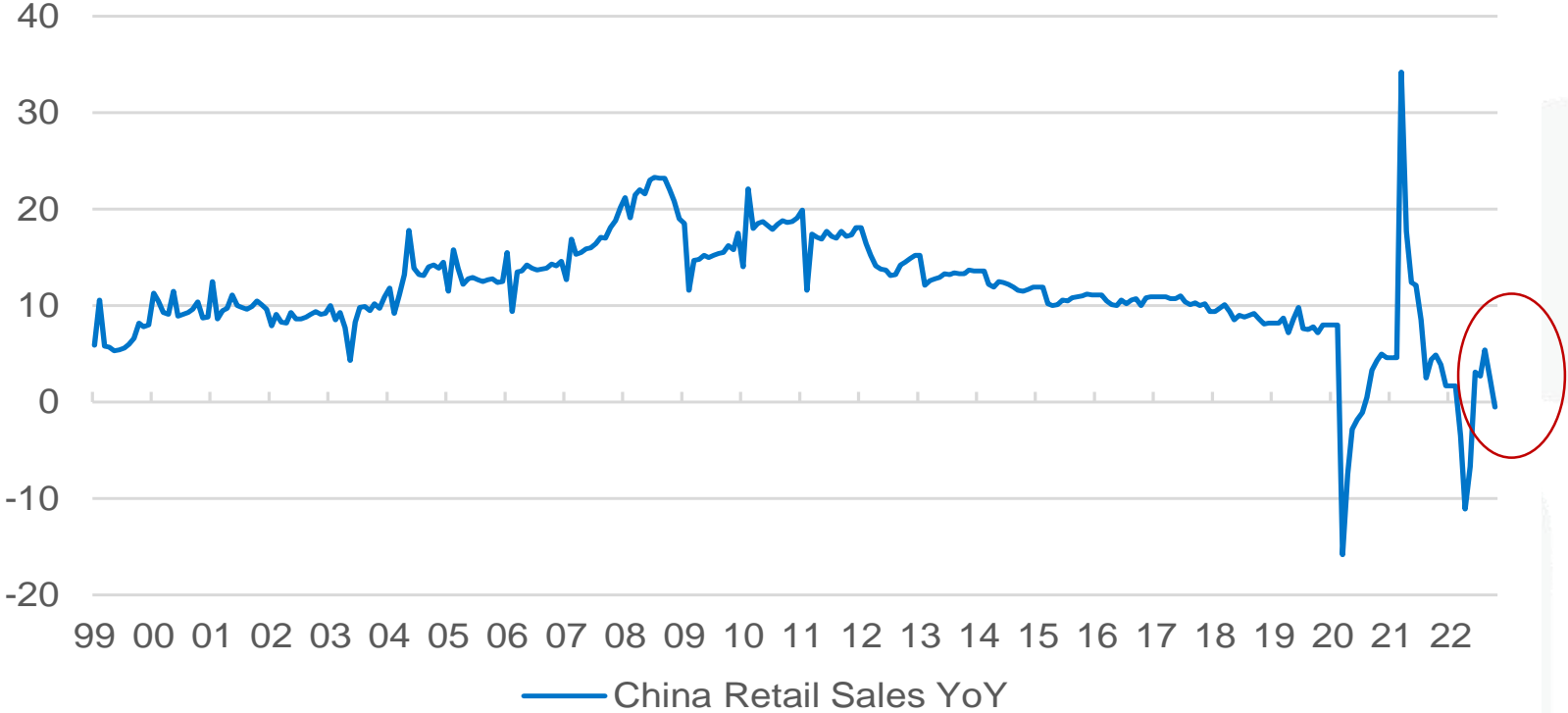


Growth differential: China - world



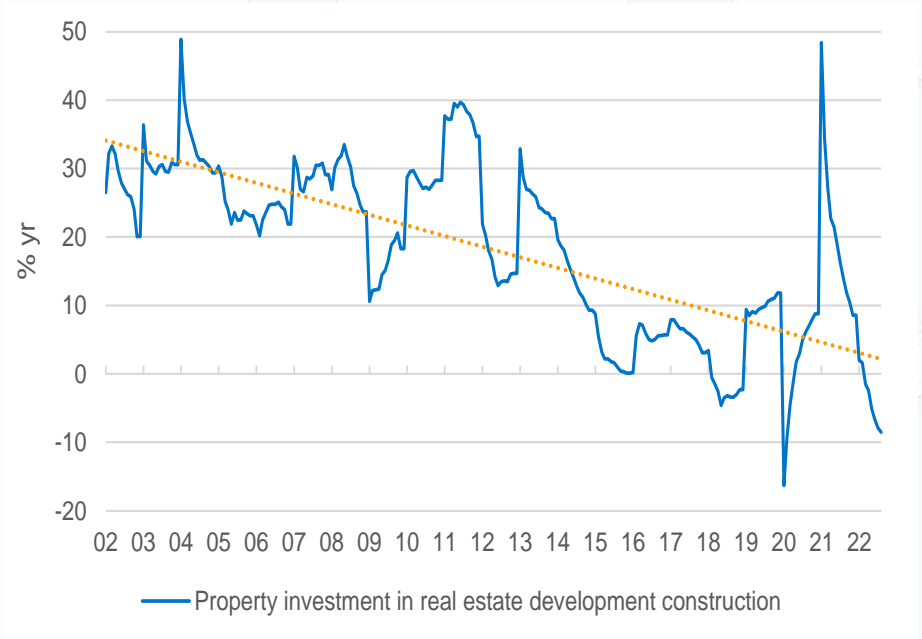
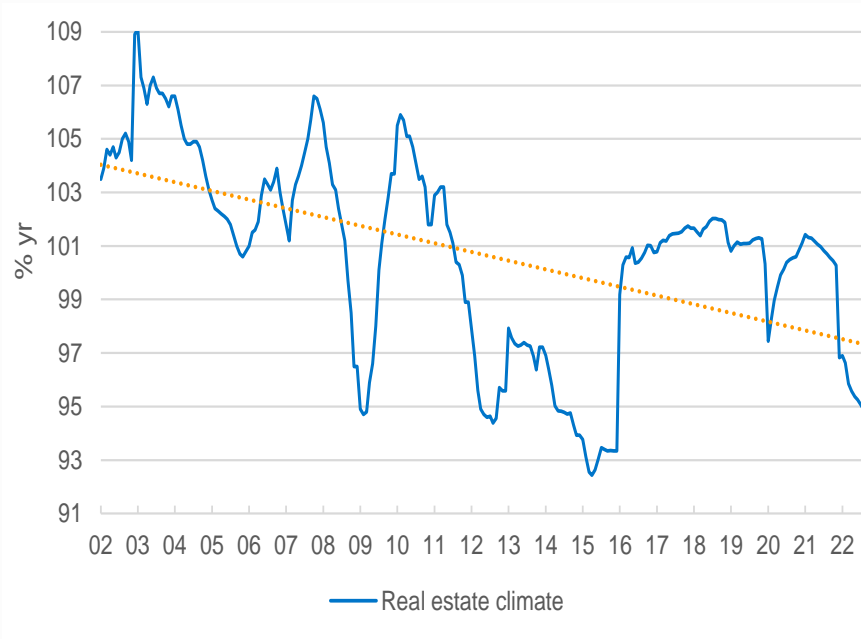
Source: IMF, Sanlam Investments

China Covid-19 restriction dragged retail sales

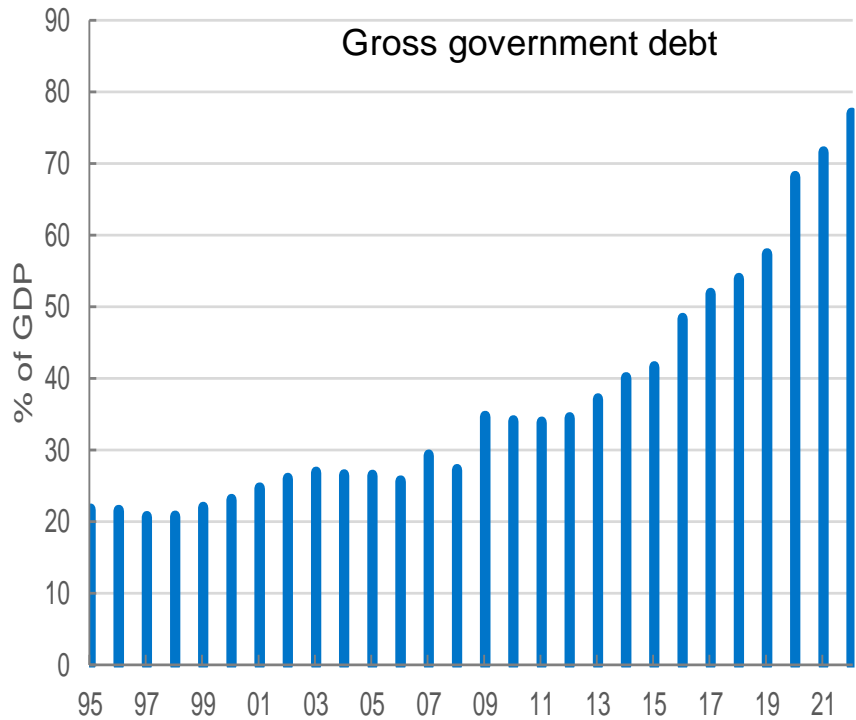
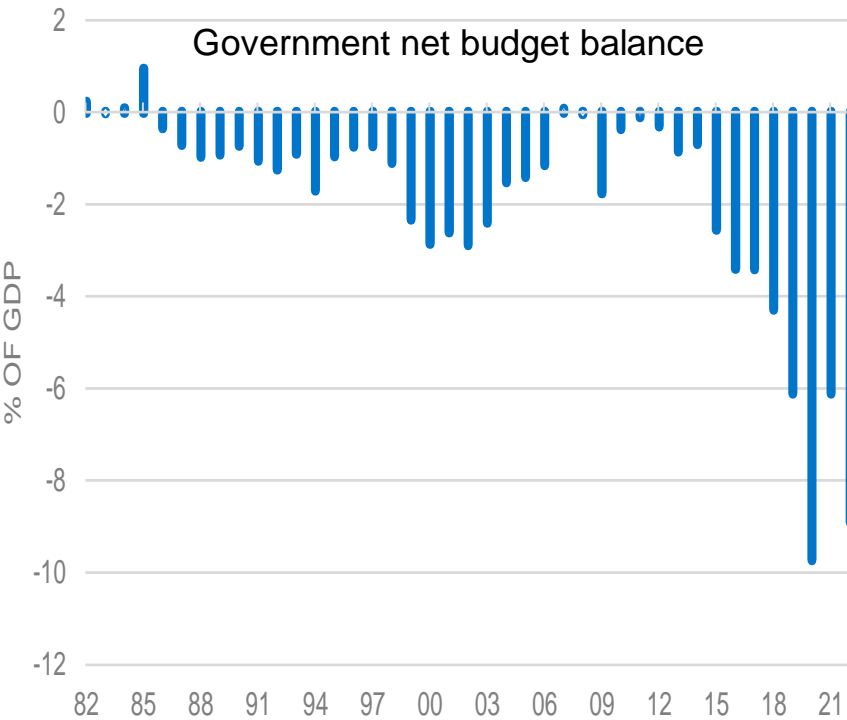


China weak property market

Real estate development construction and real estate climate have deteriorated due to regulators curbing excessive borrowing



China government debt has increased due to a wide budget deficit



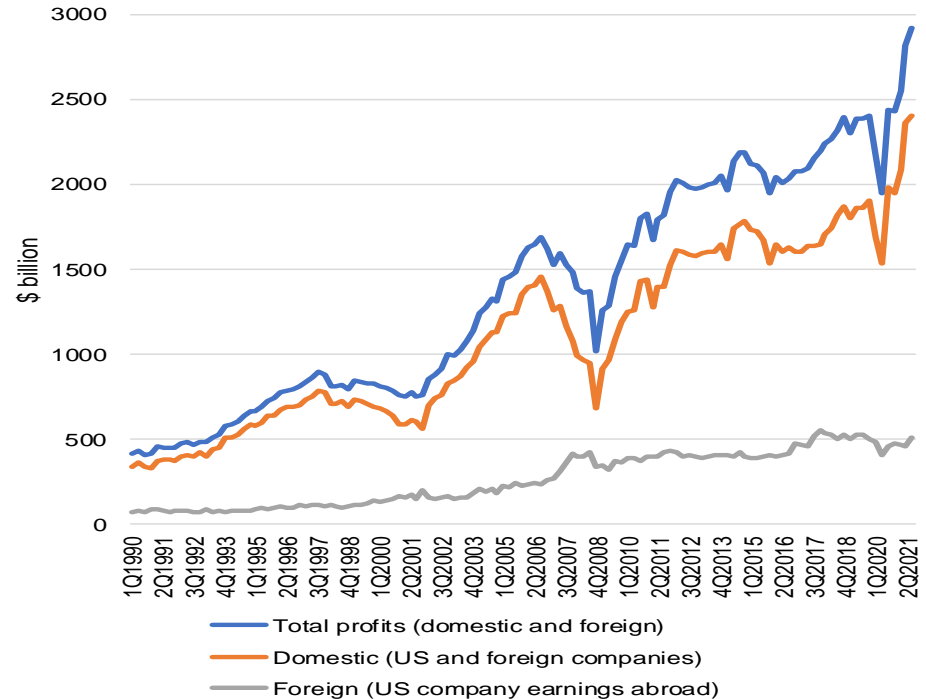
Source: IMF

The impact of the knowledge economy

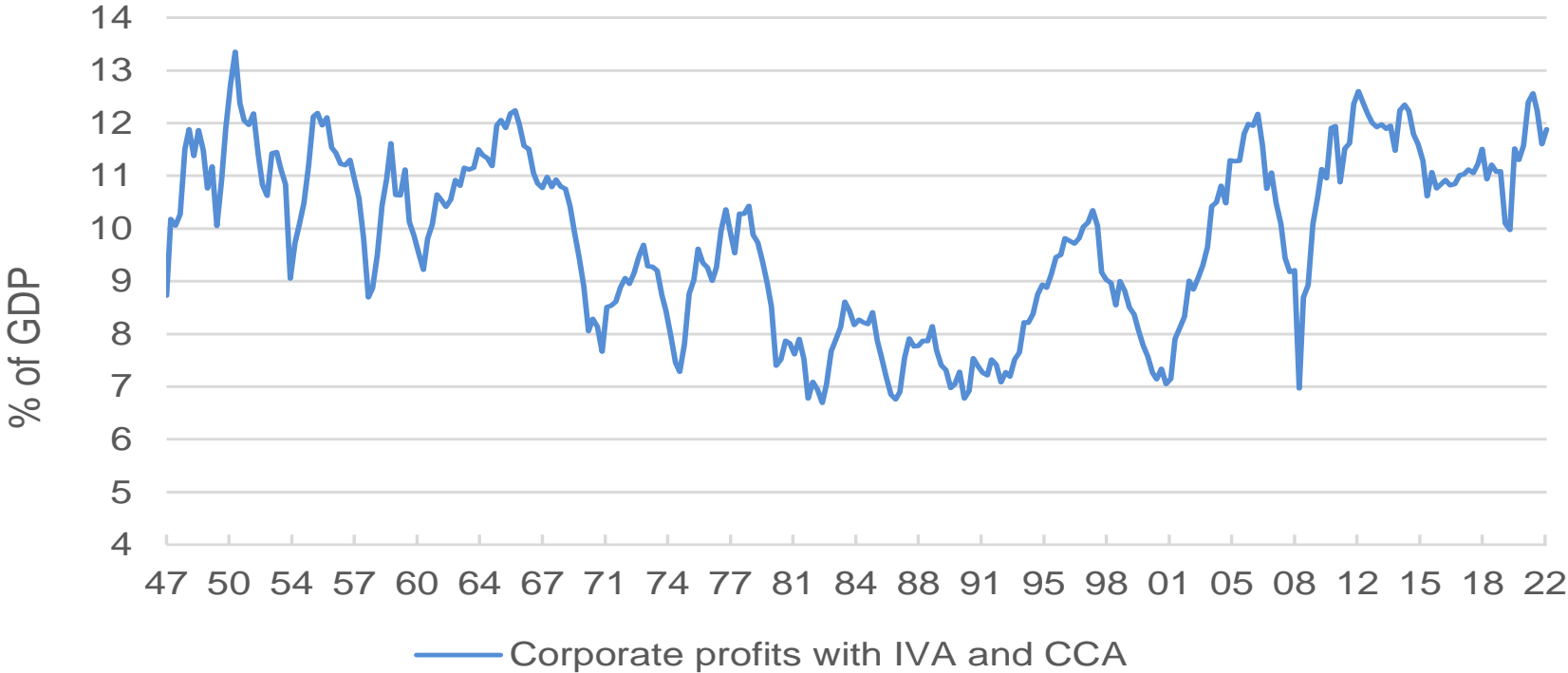
Luigi Zingales

- “Software differs from traditional goods.
- The more people use software, the more worth it gains.
- Apps are expensive to develop, but the marginal cost is practically nil.
- The best app captures the entire market (“winner takes all”) by just giving it away.
- For traditional goods we trade current goods for a lower price.”

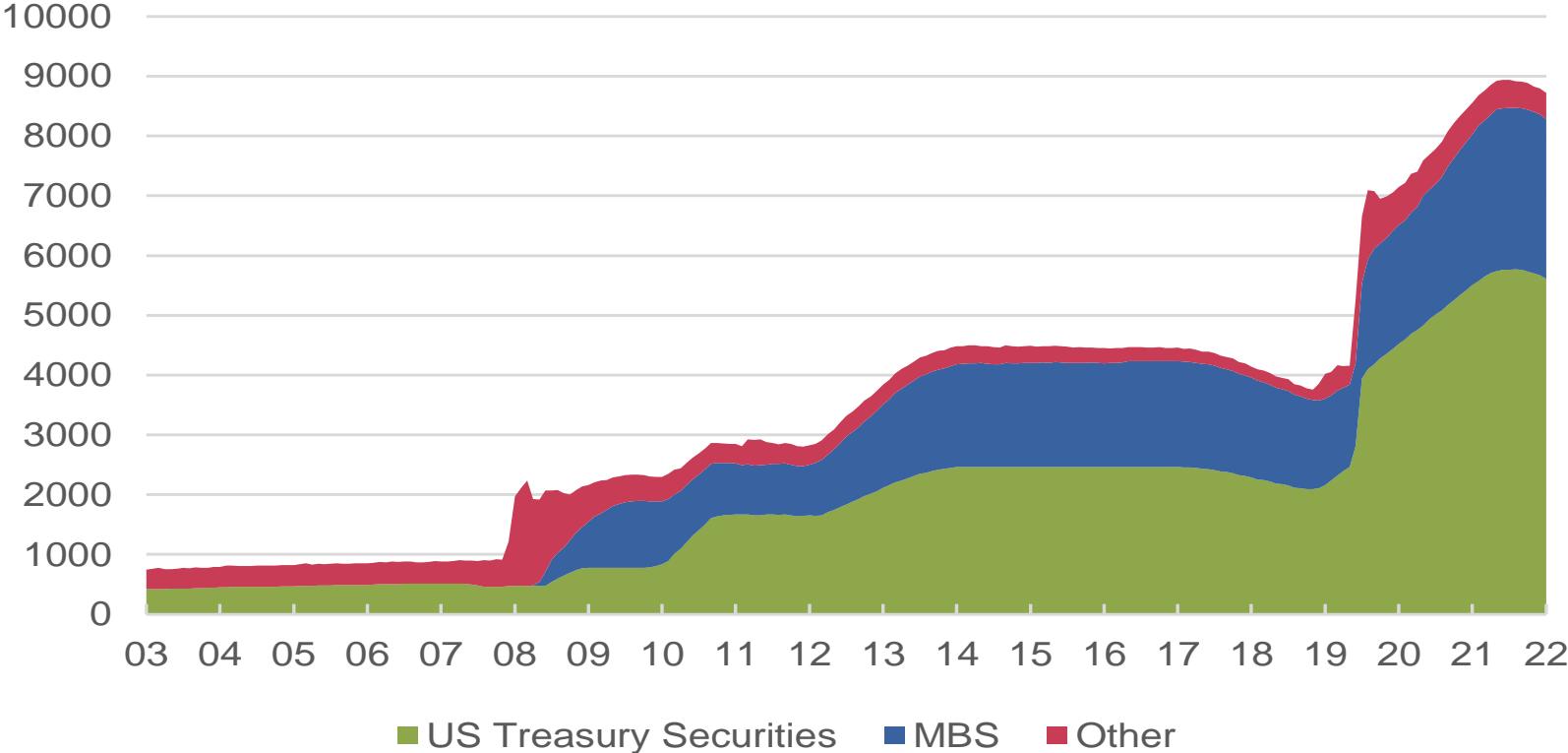
US profits with inventory value adj and capital accumulation



US corporate profits remain elevated

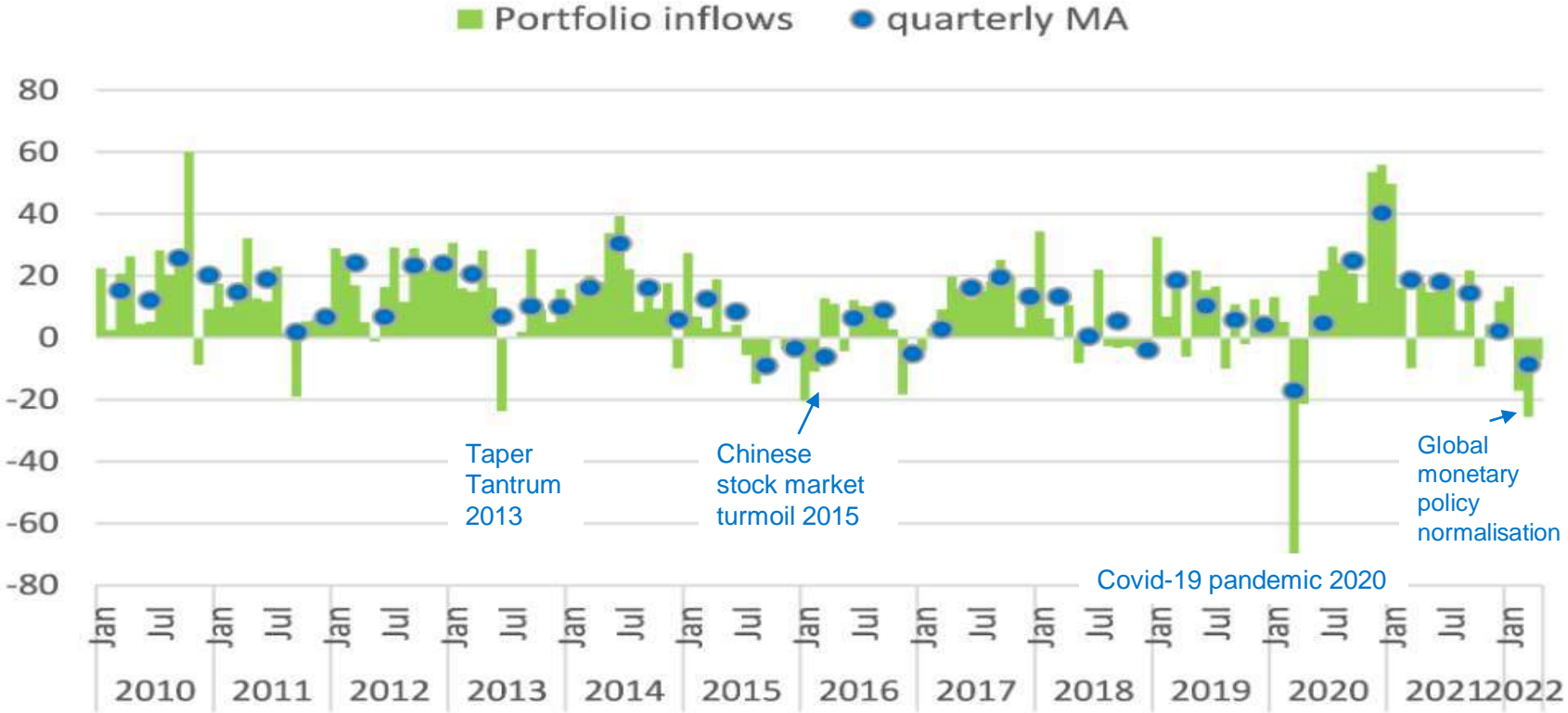


Fed is shrinking its balance sheet



Source: Bloomberg

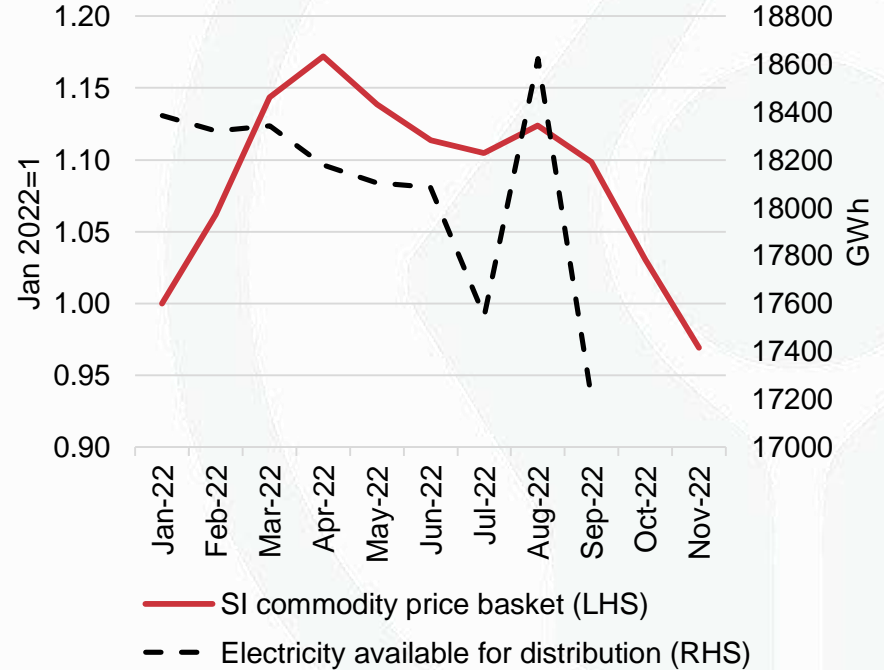
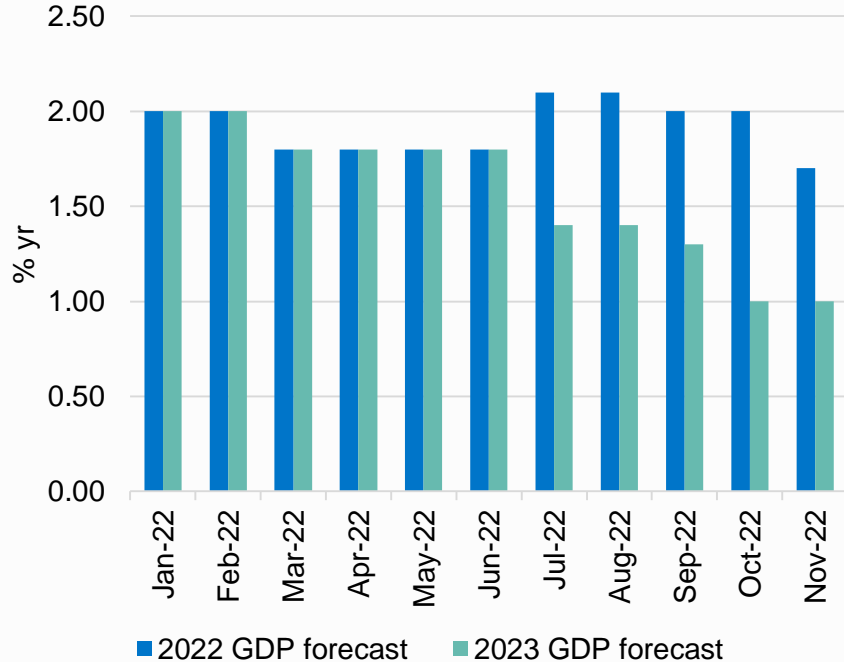
Portfolio inflows to emerging markets since 2010 (bn USD)



Source: OECD

SA GDP forecast stable

Terms of trade upside cancelled by electricity downside



SA Market PE – our market still looks cheap



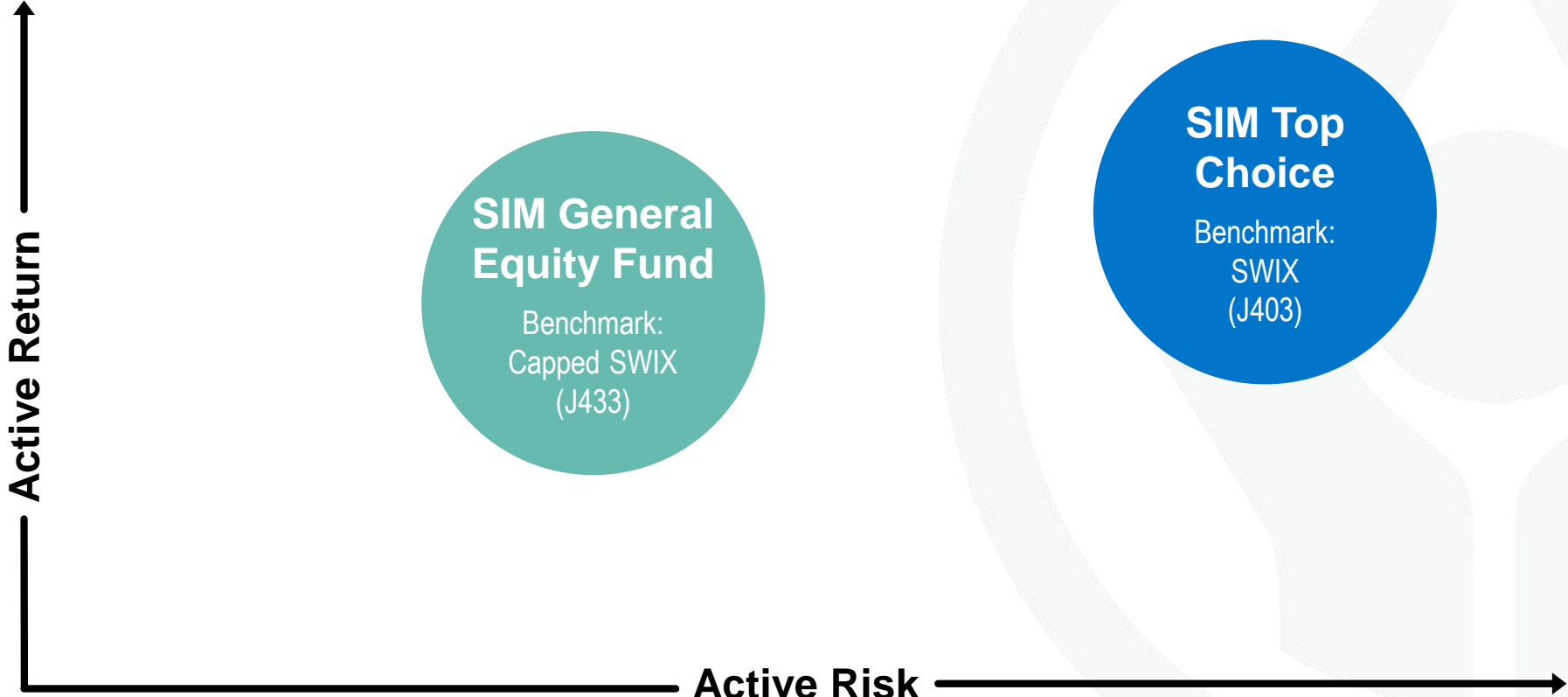
An aerial photograph of a winding asphalt road with white lane markings, curving through a dense, lush green forest. The trees are tall and thick, creating a rich canopy. The lighting is soft, highlighting the textures of the road and the foliage.

Portfolio review

Confidence Rule 47:

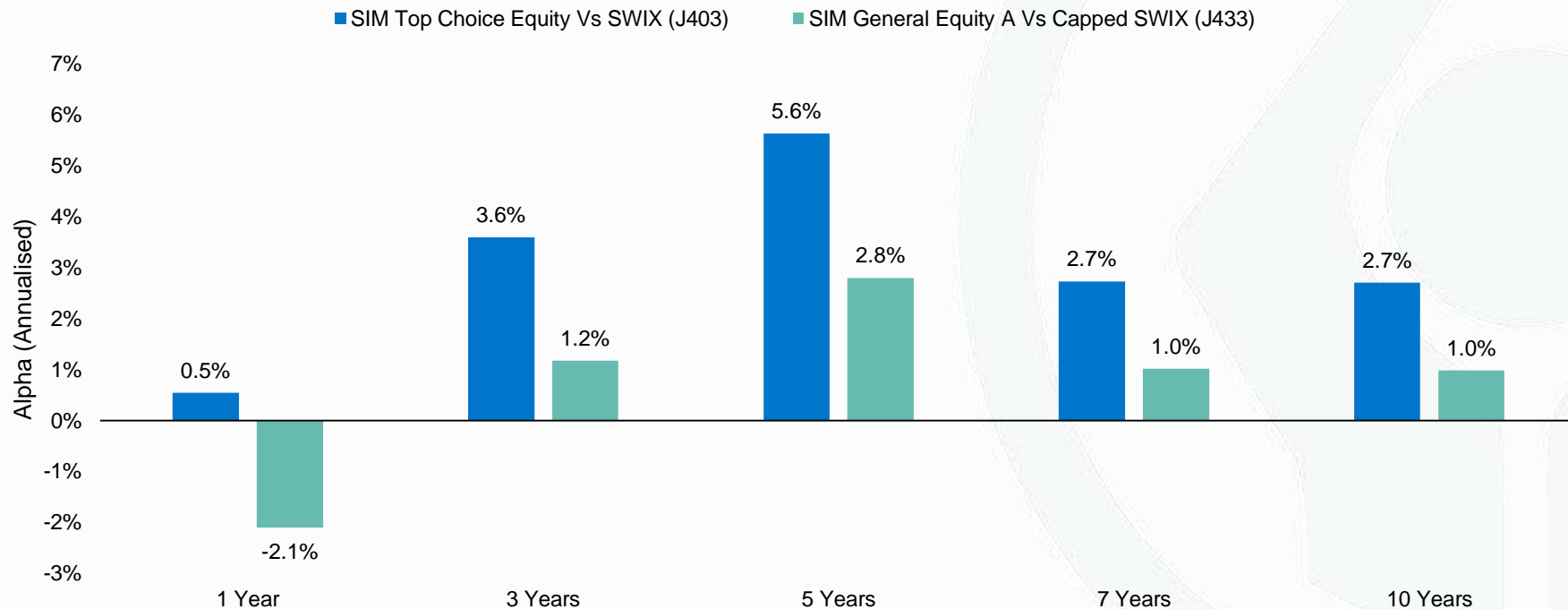
**A SUSTAINABLE FUTURE
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INVESTMENT YOU CAN MAKE**

Retail product suite



Relative performance (alpha generated)

As at 31 December 2022



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

Source: Morningstar, December 2022

Note: Top Choice inception: 1 Sept 2006, General equity inception: 1 July 2004. Highest/lowest annual performance: Top choice: +29.16%/-15.28% GE: +32.19%/-16.51%

SIM General Equity Fund performance

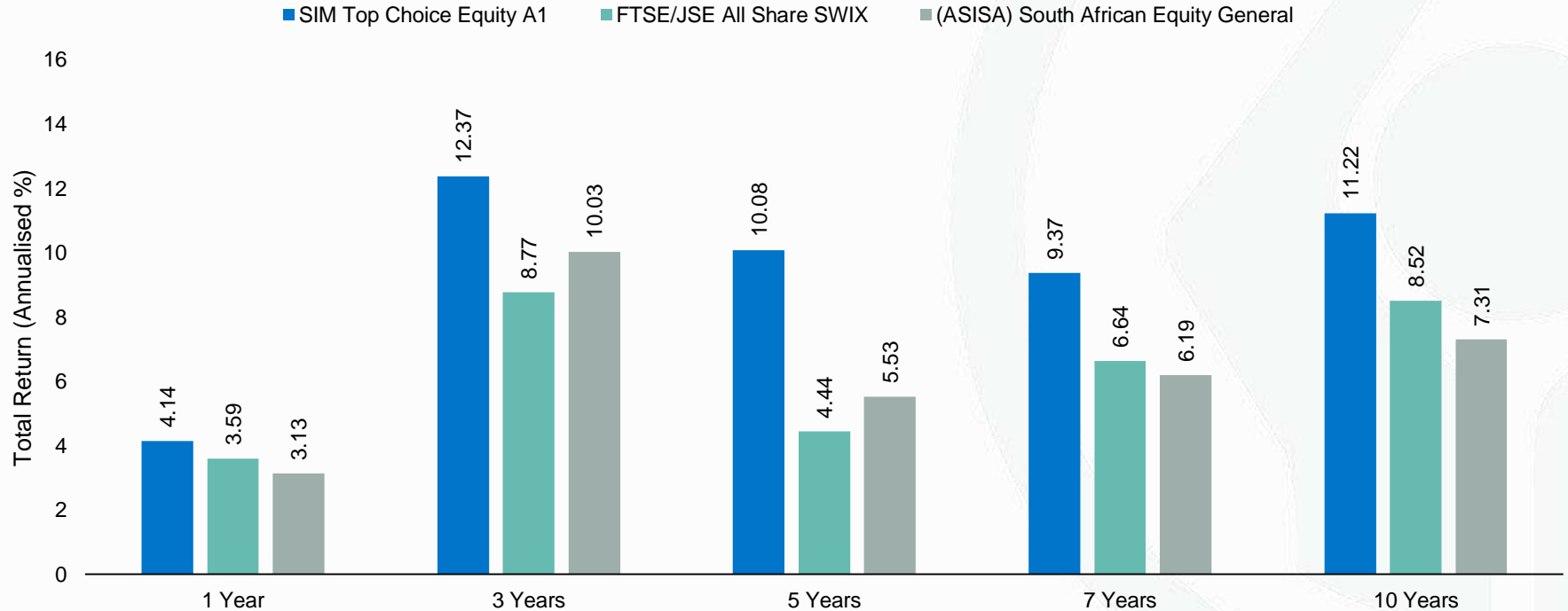
As at 31 December 2022



**Annualised return is the weighted average compound growth rate over the period measured
Source: Morning Star, December 2022

SIM Top Choice Equity Fund performance

As at 31 December 2022

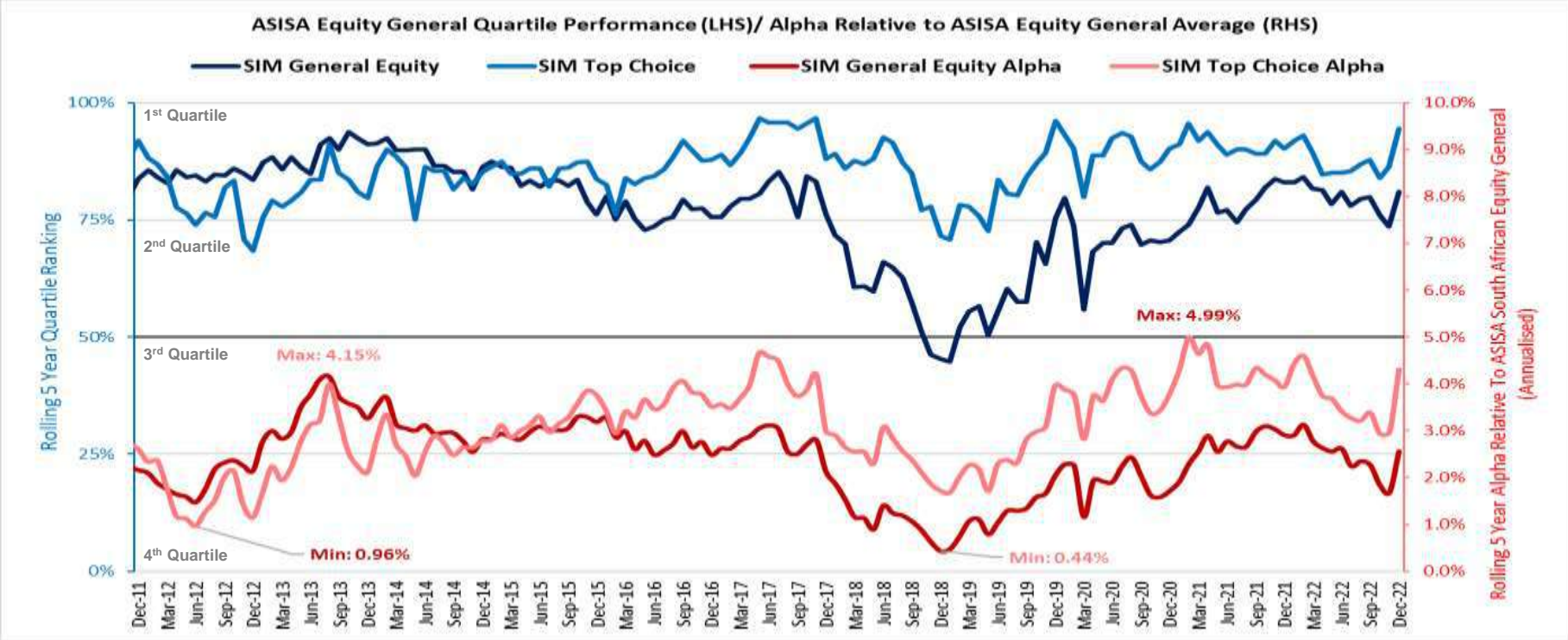


**Annualised return is the weighted average compound growth rate over the period measured

Source: SI Performance Team and Morning Star, December 2022

Relative performance vs equity peers

As at 31 December 2022



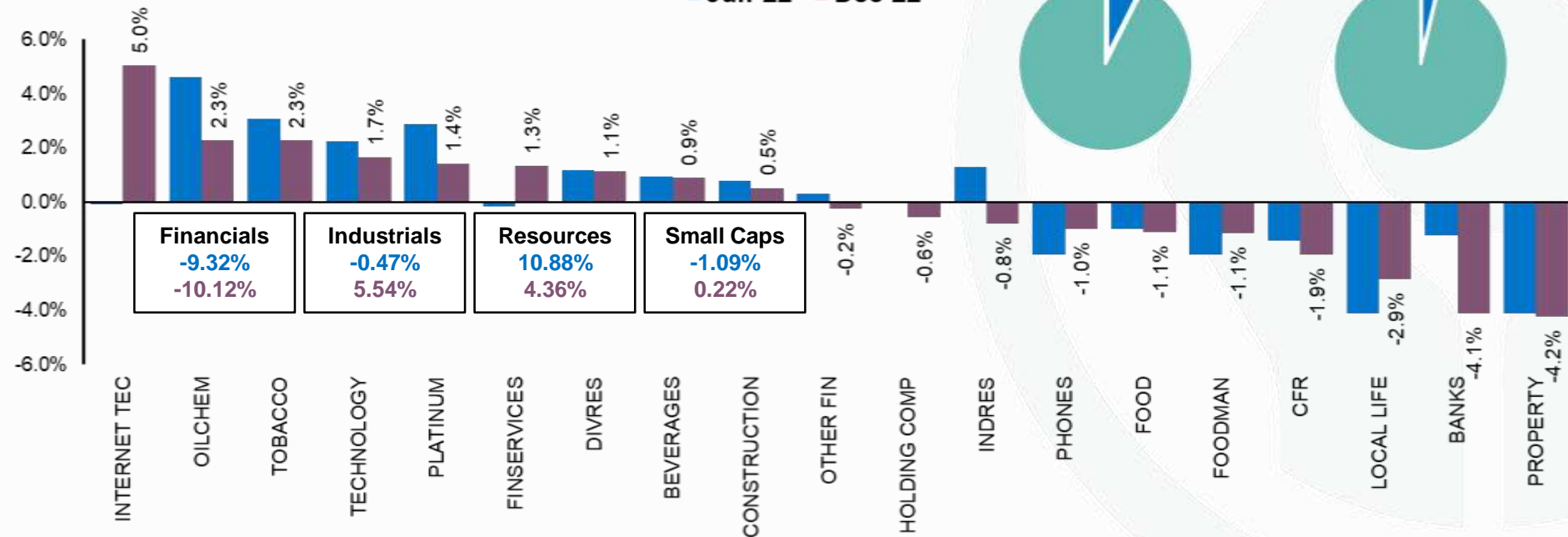
**Annualised return is the weighted average compound growth rate over the period measured
 Source: MorningStar, December 2022

SIM General Equity Fund sector positioning

As at 31st December 2022

Cluster Active Weight

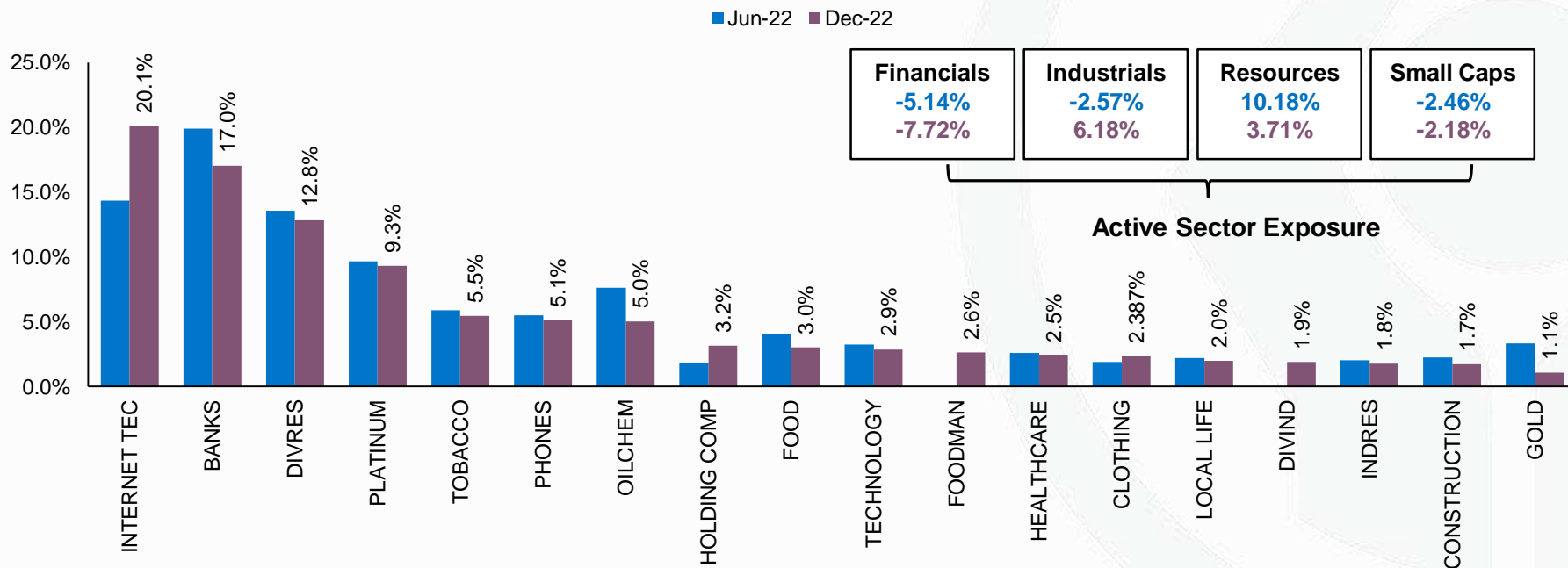
■ Jun-22 ■ Dec-22



SIM Top Choice Equity Fund cluster positioning

As at 30 December 2022

Cluster Weight



Sanlam Investments Active Equity

- We are defined by our **PHILOSOPHY** of Pragmatic Value.
- Our process is **BOTTOM UP** and **VALUATION** focused.
- Our scale allows us to invest in the resources required to generate high-quality research.
- The team has been working together for an extended period. Depth of experience is significant.
- No star manager, multi-counsellor approach.
- The Sanlam General Equity and Top Choice Funds have both materially outperformed most of our peers and the index over the longer term (3, 5, 10 years).

Disclaimer

Sanlam Collective Investments (RF)(Pty) Ltd (“SCI”) and Satrix is a registered and approved in Collective Investment Schemes in Securities and the retains full legal responsibility for the co-brand portfolios. Collective investment schemes are generally medium- to long-term investments.

Past performance is not necessarily a guide to future performance, 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 from the on request. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. Performance is based on NAV to NAV calculations with income reinvestments done on the ex-div date. Performance is calculated for the portfolio and the individual investor performance may differ as a result of initial fees, actual investment date, date of reinvestment and dividend withholding tax. The performance of the portfolio depends on the underlying assets and variable market factors. All the portfolio options presented are approved collective investment schemes in terms of Collective Investment Schemes Control Act, No 45 of 2002 (“CISCA”).

International investments or investments in foreign securities could be accompanied by additional risks such as potential constraints on liquidity and repatriation of funds, macroeconomic risk, political risk, foreign exchange risk, tax risk, settlement risk as well as potential limitations on the availability of market information.

The manager has the right to close the portfolio to new investors in order to it more efficiently in accordance with its mandate.