

Fund Objective

The objective of this portfolio is to provide investors with steady compounding of capital overtime through a concentration of holdings in companies of the highest quality. Growth of income is more important than level of income.

Investment Policy

The portfolio will invest in assets in liquid form and in shares across all economic groups and industry sectors of the JSE Securities Exchange South Africa as well as across the range of large, mid and smaller cap shares and such other financial instruments as may be permitted by the prevailing regulations. This will be a highly focused quality equity portfolio concentrating on a maximum of 20 securities of the highest quality. The portfolio may also invest in collective investment schemes in property as well as any other securities that the Act may allow from time to time. When investing in derivatives, the manager will adhere to the prevailing regulations.

Fund Information

Ticker	MTLE
Portfolio Manager	Hlelo Giyose
ASISA Fund Classification	South African - Equity - General
Risk Profile	Aggressive
Benchmark	FTSE/JSE Shareholder Weighted Index (SWIX) (J403T)
Fund Size	R 207,262,250
Portfolio Launch Date*	19/08/1991
Fee Class Launch Date*	19/08/1991
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 & www.sanlamunitrusts.co.za
Repurchase Period	2-3 business days

Fees (Incl. VAT)

A-Class (%)

Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	1.44
Total Expense Ratio	1.49
Transaction Cost	0.27
Total Investment Charges	1.76
Performance Fee	—
TER Measurement Period	01 October 2020 - 30 September 2023

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. Cost figures are not yet available.

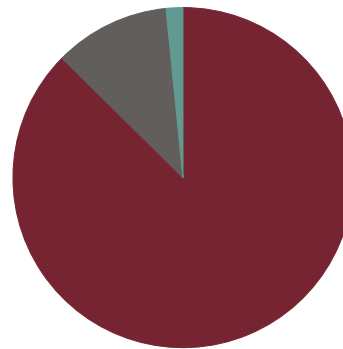
*The First Avenue Sanlam Collective Investments Focused Quality Equity Fund transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 17 February 2018.

Top Ten Holdings

	(%)
Naspers Ltd	9.97
Bidvest Group Ltd	9.73
Firststrand Ltd	8.88
BHP Group Limited	7.02
Bid Corporation Ltd	5.67
Tiger Brands Ltd	4.43
Woolworths Holdings Ltd	4.42
Northam Platinum Holdings	4.38
Gold Fields Ltd	4.16
British American Tobacco Plc	4.06

Asset Allocation

Portfolio Date: 30/09/2023



Asset Class	Percentage
SA Equity	87.39
SA Cash	11.01
SA Property	1.60
Total	100.00

Annualised Performance (%)

	Fund	Benchmark
1 Year	3.28	3.66
3 Years	6.22	11.01
5 Years	1.20	6.86
10 Years	1.24	6.35
Since Inception	8.23	12.56

Cumulative Performance (%)

	Fund	Benchmark
1 Year	3.28	3.66
3 Years	19.82	36.77
5 Years	6.13	39.36
10 Years	13.08	85.03
Since Inception	462.13	1,222.64

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2022

Highest Annual %	40.43
Lowest Annual %	-23.72

Risk Statistics (3 Year Rolling)

Standard Deviation	11.64
Sharpe Ratio	0.12
Information Ratio	-0.79
Maximum Drawdown	-10.45

Distribution History (Cents Per Unit)

30/06/2023	21.20 cpu	30/06/2022	29.12 cpu	30/06/2021	7.45 cpu
31/12/2022	25.66 cpu	31/12/2021	7.62 cpu	31/12/2020	2.95 cpu

Risk Profile

Aggressive

You can afford to take on a higher level of risk (i.e., have a greater exposure to equities) because of your investment time horizon and/or your appetite for risk. You know that in taking the risk, you need to be patient if you want to achieve the results. So you are willing to invest for the long-term and are prepared to tolerate some volatility in the short term, in anticipation of the higher returns you expect to receive in five years or beyond.

Glossary Terms

Capital growth

Capital growth is the profit made on an investment, measured by the increase in its market value over the invested amount or cost price. It is also called capital appreciation.

Equities

An equity or share represents an institution/individual's ownership in a listed company and is the vehicle through which they are able to 'share' in the profits made by that company. As the company grows, and the expectation of improved profits increases, the market price of the share will increase and this translates into a capital gain for the shareholder. Similarly, negative sentiment about the company will result in the share price falling. Shares/equities are usually considered to have the potential for the highest return of all the investment classes, but with a higher level of risk i.e. share investments have the most volatile returns over the short term. An investment in this type of asset should be viewed with a 7 to 10 year horizon.

Fundamental analysis

This is a method of evaluating a share that involves attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the share's value, including macroeconomic factors (like the overall economy and industry conditions) and company-specific factors (like financial statements, cashflow and management).

Total Expense Ratio (TER)

This is the total costs associated with managing and operating an investment (excluding administration, financial planning and servicing fees). These costs consist primarily of management fees and additional expenses such as trading fees, legal fees, auditor fees and other operational expenses. The total cost of the fund is divided by the fund's total assets under management to arrive at a percentage amount, which represents the TER.

Volatility

Volatility is a measure of 'risk', and refers to the extent to which the price of an investment or fund fluctuates over a certain period of time. Funds with a high volatility usually offer the potential for higher returns over the longer term than low volatility funds.

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 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 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 other unit trust portfolios which 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 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 Manager has the right to close any portfolios to new investors to manage them more efficiently in accordance with their mandates.

The Manager retains full legal responsibility for the co-named portfolio. First Avenue Investment Management (Pty) Ltd is responsible for the management of the investments held in the Fund. The management of investments are outsourced to First Avenue Investment Management (Pty) Ltd, FSP 42693, an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act, 2002.

Manager Information

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Portfolio Manager Comment

As at 30 September 2023

We ended this quarter flat with the benchmark when in fact most managers did well. The reason is that in the last six months (since April) we used the downdraft in resources to add mining positions (to the portfolio) that we think can outperform the market in the long term. Even though our timing to start long positions in resources was not optimal, the sales we made to fund the purchases were outstanding from a valuation standpoint (Figure 2). As far as the purchases were concerned, our overriding concern was valuation and not timing (which can never be perfect). That the resources counters we bought fell some more after we bought them, (despite the starting point being attractive valuations) eroded our rolling 12-month alpha by September quarter end (Figure 1). Yet, we are pleased to share with you that post quarter end, those very shares have bounced materially, reinstating our alpha on a rolling 12-month basis. The dip in 12-month rolling returns has not deterred us from posting lower volatility than the market. We are not about to change this. We think our fiduciary responsibility to clients is to outperform the market without taking excessive risk in owning businesses with inferior capital allocation. As we mentioned earlier, we sold out of winners that brought us positive returns in the short to medium term. The problem often with selling is that what you sell goes up while the problem with purchasing is that what you buy goes down. We got the former right immediately, while the latter only came right after quarter end. Even with the new addition of resource counters, we have not lost our sports. The beta of the portfolio remains low enough to withstand unforeseen and unpredictable systemic maladies in the global economy. A case in point is our addition of Anglo Gold and Goldfields between Q2 and Q3. The war between Hamas and Israel, really a proxy war between the United States and Iran, has not only introduced significant upheaval into the capital markets, but has pushed up energy prices (oil and coal). Post quarter end, our overweight positions in both gold equities have added alpha to the portfolio as the price of gold, seen as a haven from economic and geopolitical uncertainty, rallied hard. This diversification effect will continue to work as gold equities capture economic uncertainty and other portfolio holdings with pricing power pass on inflation reignited by the increase in energy prices.

While we were hurt by an underweight in Sasol (see figure 4), it does not bother us in the least. Sasol is a structurally deformed company that is also run badly. Any outperformance by the stock is temporary. Our overweight in AngloGold (ANG), however, is a long-term proposition. No doubt ANG is currently benefitting from the military conflict in the Middle East. In the longer term, ANG will benefit from a cost efficiency, asset productivity, and portfolio reorganization program that will count it among the lowest cost producers and high return on equity gold miners in the world. That it has also moved its domicile to the UK and primary listing to the United States means it will benefit from a rerating of the stock to levels comparable to global peers such as Freeport McMoran. We are confident that the reversal of Q3's negative contribution to returns that we are seeing so far in Q4 will continue for the foreseeable future. While our preferred holding in the gold sector is ANG, we used the downdraft in Goldfields' share price (GFI) to go overweight. GFI is already the most cost-efficient gold miner on the JSE. As well it is favorably positioned relative to global peers and possesses far greater growth potential than all its global competitors. Its large Chilean operation, Salares Norte, has the potential to generate 20% growth in production once in full swing in Q2 of 2024. Production growth assists in compensating for any fall in the gold price. As importantly, volume growth lowers unit costs and pushes further GFI down the cost curve. Extractive businesses at the bottom of the cost curve are better placed to return capital to shareholders than those higher up the cost curve. We are confident that for the first time in more than half a century, gold equities could return capital to shareholders at a rate better than producers of bulk and base metals.

While in Q2 we generated a significant amount of alpha from being underweight Basic Materials, that positioning did not work this quarter. We will never be overweight resources. Our job is to focus our selection of stocks on both valuation and capital allocation. In a normalized monetary policy environment, stock selection trumps sector thematic investments by a long shot.

Interestingly, the third largest contributor to our relative performance was cash. One could easily argue that we should have held more cash in the portfolios as the high yield earned on cash makes it more attractive than most equities (who struggle to pass on inflationary expenses to consumers). Nonetheless, we are happy to have deployed the cash into resource companies with an improving profile of capital allocation. It is precisely because of high interest rates that value has become apparent in resource companies. Once again, we do not claim to have timed the bottom in resources perfectly. We have simply taken advantage of the appealing valuation opportunities the market presented to us. The capital allocation in the companies we bought will power them to compounding shareholder and market returns simultaneously over time.

Portfolio Manager

Hlelo (Lo) Giyose
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