

Fund Objective

The objective of the portfolio is to provide investors with a regular and stable income that targets inflation beating returns over the long-term, while actively managing risk of capital loss in the short-term.

Fund Strategy

Investments to be included in the portfolio will, apart from assets in liquid form, consist of equity and non-equity securities, fixed interest instruments (including but not limited to bonds, cash deposits and money market instruments), debentures, preference shares and property securities as well as any other income enhancing securities which are consistent with the portfolio's primary objective and that the Act may allow from time to time. The portfolio's equity exposure will be limited to a maximum of 10% of the portfolio's net asset value. The manager may also include any forward currency, interest rate and exchange rate and exchange rate swap transactions for efficient portfolio management purposes. The portfolio will be managed in accordance with regulations governing pension funds.

Fund Information

Ticker	NMIF
Portfolio Manager	Mark Seymour
ASISA Fund Classification	South African - Multi Asset - Income
Risk Profile	Conservative
Benchmark	110% STeFI Call Deposit
Fund Size	R 492,351,978
Portfolio Launch Date	22/07/2014
Fee Class Launch Date	22/07/2014
Minimum Lump Sum Investment	R 10,000
Minimum Monthly Investment	R 500
Income Declaration Date	March, June, September & December
Income Payment Date	1st business day of April, July, October & 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)

	A1-Class (%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	0.97
Total Expense Ratio	1.03
Transaction Cost	0.05
Total Investment Charges	1.08
Performance Fee	—
TER Measurement Period	01 July 2017 - 30 June 2020

The manager decreased the annual management fee on 1 October 2017 to 0.96% from 1.14%.

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.

*Highest and Lowest annual returns are updated annually at year end.

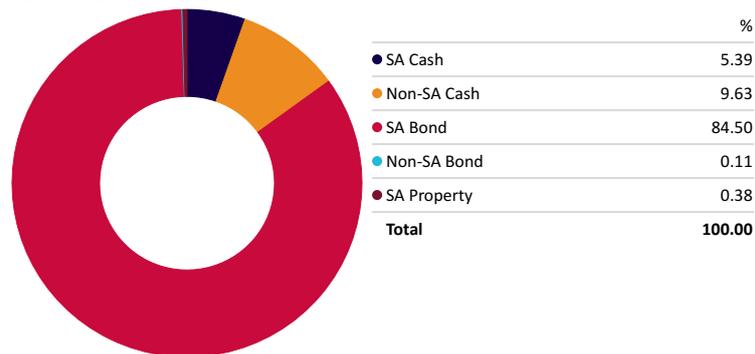
The Northstar Sanlam Collective Investments Income Fund transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 08 September 2017.

Top Ten Holdings

Portfolio Date	30/09/2020	(%)
R197 Government Bond		8.87
Standard Bank Group Ltd Bond 07122023		8.79
R212 Government Bond		8.23
FirstRand Ltd Bond 07122023		7.65
FirstRand Bank Ltd Bond 31012025		7.23
I2025 Government ILB		5.80
Barclays Africa Group Ltd Bond 11092026		5.08
FirstRand Ltd Bond 31032028		4.00
Absa Group Ltd 22022016		3.64
Absa Group Ltd Bond 07122023		3.14

Asset Allocation

Portfolio Date: 30/09/2020



Annualised Performance (%)

	Fund	Benchmark
1 Year	8.38	5.82
3 Years	8.39	6.82
5 Years	7.97	7.07
Since Inception	7.46	6.92

Cumulative Performance (%)

	Fund	Benchmark
1 Year	8.38	5.82
3 Years	27.34	21.88
5 Years	46.77	40.77
Since Inception	56.17	51.32

Highest and Lowest Annual Returns*

Time Period: Since Inception to 31/12/2019

Highest Annual %	8.31
Lowest Annual %	3.94

Risk Statistics (3 Year Rolling)

Standard Deviation	2.73
Sharpe Ratio (geo)	0.76
Information Ratio	0.52
Maximum Drawdown	-2.55

Distribution History (Cents Per Unit)

30/09/2020	0.95 cpu	30/09/2019	1.48 cpu	30/09/2018	1.85 cpu
30/06/2020	1.09 cpu	30/06/2019	1.47 cpu	30/06/2018	1.77 cpu
31/03/2020	1.23 cpu	31/03/2019	1.46 cpu	31/03/2018	1.63 cpu
31/12/2019	1.36 cpu	31/12/2018	1.70 cpu	31/12/2017	1.71 cpu

Administered by

Risk Profile

Conservative

You prefer to receive stable income flows and are determined to keep your capital intact at all times. You understand that comfort means that you may not receive outside returns but that your capital will be safe and the likelihood of losing money slim. The portfolio that gives you the most comfort consists primarily of income-oriented asset classes such as cash, nominal and inflation-linked bonds and property. You shy away from too much exposure to equities because of their higher volatility.

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.

Capital Volatility

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

Cumulative Returns

Cumulative return is the total growth experienced over the period measured.

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.

Distributions

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

Diversification

This is a strategy designed to reduce risk within a portfolio by combining a variety of investments (or asset classes) such as equities, bonds, cash or property, which are unlikely to all move in the same direction at the same time. This is designed to reduce the risk (and protect against capital losses) within a portfolio. Diversification allows for more consistent performance under a wide range of economic conditions as it smoothes out the impact of negative market events. The positive performance of some investments or asset classes should neutralize the negative performance of others.

Financial Instruments

Derivatives also known as financial instruments (such as a future, option, or warrants) whose value derives from and is dependent on the change in value of an underlying asset (such as a commodity, currency, or security) to protect against risk (capital losses).

Fund Objective

The fund objective is the portfolio's core goal.

Fund Strategy

The fund strategy is the way that the fund is managed to achieve the fund objective.

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.

Collective Investment Schemes

Collective Investment Schemes (CIS) (also called unit trusts) are portfolios of assets such as equities, bonds, cash and listed property, in which investors can buy units. They allow private investors to pool their money together into a single fund, thus spreading their risk across a range of investments, getting the benefit of professional fund management, and reducing their costs.

Market Capitalization

Market capitalization is the total value of the issued shares of a publicly traded company; it is calculated by multiplying the share price by the number of shares in issue.

Maximum Drawdown

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

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.

Performance Fee

Performance fees are incentive fees earned by the manager for performance in excess of the benchmark.

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.

Portfolio Manager Comment

As at 30 September 2020

Performance has been robust over the last quarter, with several drivers coming to the fore. Fixed bonds enjoyed modest gains of 1.45% at an index level (ALBI), with shorter-dated bond yields rallying and longer-dated yields selling off marginally. The portfolio realised a 1.1% contribution from the 20% exposure to the fixed curve's short-end, coupled with credit spread compression gains for a portion of these holdings. The portfolio's 60% holding in short-dated inflation-linked bonds, made the largest contribution of 2.5%, after a strong rally in the front-end of the inflation-linker curve.

Apart from the windfalls mentioned above, the Northstar Income fund enjoyed relative gains of 70bps versus the strategic benchmark after avoiding the 14% slump in listed property prices. The portfolio made relative gains of 30bps due to a marginally underweight exposure to foreign currencies and gave up 30bps of relative gains due to an underweight exposure to floating rate notes and money market instruments.

The dynamics mentioned above contributed favorably to the Northstar Income fund's one-year performance of 8.38% vs the benchmark return of 5.81%.

As a result of low central bank rates, the environment remains challenging for money market instruments, which provide negative real yields on a forward-looking basis. The only reprieve in the market's non-interest rate sensitive segment are the wider credit spreads available on Tier 2 and additional Tier 1 debt, ranging between 300bps and 375bps (3-year term to first call date). Preference shares face the same depressed yield challenges, with interest rates set to remain at a low level. However, prices have dropped to more reasonable levels, resulting in more attractive yields on a forward-looking basis.

From a valuation perspective, mid to longer-dated bonds are discounting heightened fiscal challenges. Unfortunately, the negative impact of the covid crisis derailed GDP growth, and real GDP may only recover to pre-covid levels after the year 2024. Also, the government has not been able to reduce or even contain expenditure. As a result, the budget deficit is expected to soar, resulting in a sharp increase in borrowings (70% Debt/GDP and climbing) and debt servicing costs likely to exceed 20% of revenue. The government has no choice but to take dramatic steps to stabilize the nation's debt. In the meantime, investor sentiment remains negative. International investors have reduced their exposure to SAGBs (38% to 29% over the last year), with local banks having to take up the bulk of the slack.

On a relatively positive note, inflation remains contained on the back of stable oil and food prices. Also, weak demand and excess capacity are providing a cap on consumer prices. Disinflationary forces are playing out globally and resulting in lower central bank rates, which is very supportive of lower bond yields. Although South Africa's fiscal challenges continue to mount, tangible progress on government's expenditure cuts and growth policies may provide a cap on higher bond yields. It's worth noting that current real yields on local government bonds are at their highest levels since the Asian financial crisis of 1997, when there were fears of a worldwide economic meltdown.

Interest rate risk has moderated in the Northstar Income fund, with a weighted maturity profile of 3.4 years. The overall credit quality and liquidity within the portfolio remain high. Being mindful of the potential binary outcomes, we maintain an underweight to property and marginally increase foreign currency exposure to offset the rising fiscal risks. The Northstar Income Fund yields 6.1% vs deposit rates ranging between 3.4% (3 months) and 4.7% (3 years).

Portfolio Manager

Mark Seymour
B.Sc Engineering (UCT)

Investment Manager Information

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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. 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 Northstar Asset Management (Pty) Ltd, (FSP) Licence No. 601, 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.