

## Fund Managers Thoughts

The old trading adage of “sell in May and go away” held strong, with the South African market reporting its worst May performance in a decade. Post Capricorn’s outperformance in Quarter 1, we have given back the gains due to an unforeseen pullback in SA Inc. Higher US yields and a stronger dollar made emerging markets appear less attractive, resulting in record net outflows from emerging markets in May, with South Africa not being spared. The relentless selling was internationally driven resulting in SA trading cheaper today than before the ANC December Conference. We believe the banking, retail and industrial sectors now appear too cheap and we will start selectively deploying our cash into the weakness as the sectors appear oversold. Through the relentless SA Inc. selling, Capricorn SCI Balanced Fund reported a disappointing performance at -3.6% versus its benchmark at -2.0%. The underperformers in the period were SA Inc. stocks; The Foschini Group, Massmart and Barloworld, and gainers were the commodity stocks BHP Billiton, Glencore and Exxaro in the period. The fund’s offshore portfolio was positive in May, despite having EM exposure including Argentina. The diversity of our offshore portfolio proved its worth in May as Alibaba (online retail), Nvidia (Chip technology) and NMC Healthcare all countered a collapse in Argentinian currency and shares.

## Fund Managers



### Matthew Auerbach

Fund Manager  
M.COM, CA(SA), CFA  
15 yrs industry experience



### Seten Naidoo

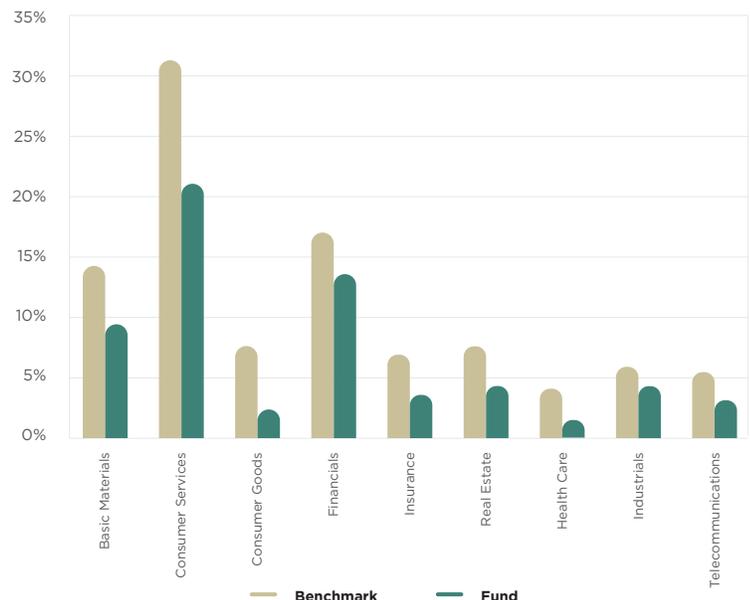
Fund Manager / Analyst  
BBuSci (Fin Hons)  
8 yrs industry experience  
Top rated equity analyst

## Positioning Our Portfolio

Our portfolios are now more balanced since Q1, although our positioning favours SA Inc. outperforming as earnings delivery comes through in the second half of 2018 and materially into 2019. We currently hold high cash levels and will be deploying the cash selectively into the current market weakness. We believe the Rand is strong at current levels and may weaken with its emerging market counterparts. Accordingly, we have increased our commodities exposure which will benefit from a weaker Rand and healthier commodity prices into H2, with a potential rally in copper prices due to strike season commencing in Chile. We have also introduced Freeport into the portfolio, a pure play copper exposure in the US. In our view, it is incomprehensible to think that the outlook for SA Inc. companies did not improve dramatically since the election of Mr Ramaphosa. Recent data points to green shoots appearing in the banking, retail and industrial sectors which should result in earnings growth improving in the second half of 2018 and materially improving in 2019. Accordingly, we have positioned our portfolio to favour this turnaround.



## Sector weightings: Benchmark vs Fund



Date: as at 31/05/2018 Source: Capricorn Fund Managers (Pty) Ltd

The information contained in this document are the views of the fund manager and does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act, and should be read in conjunction with the MDD. Use of or reliance of this information is at own risk. Independent professional financial advice should be sought before making any investment decision. Past performance is not necessarily a guide to future performance.

# Sanlam Collective Investments Balanced Fund

May 2018 · Market Commentary

## Why choose our fund

The Capricorn Sanlam Collective Investments Balanced Fund is a well-diversified portfolio housing moderate risk qualities with the primary objective of capital preservation, while generating long term real returns. The portfolio invests in a combination of equities, bonds, money market instruments, listed property as well as international equities and fixed interest investments to diversify return streams and reduce risk. This fund has a maximum equity exposure of 75% and maximum allocation of 25% to offshore asset classes. The fund is Reg 28 compliant, therefore suitable for pension funds and retirement savings.

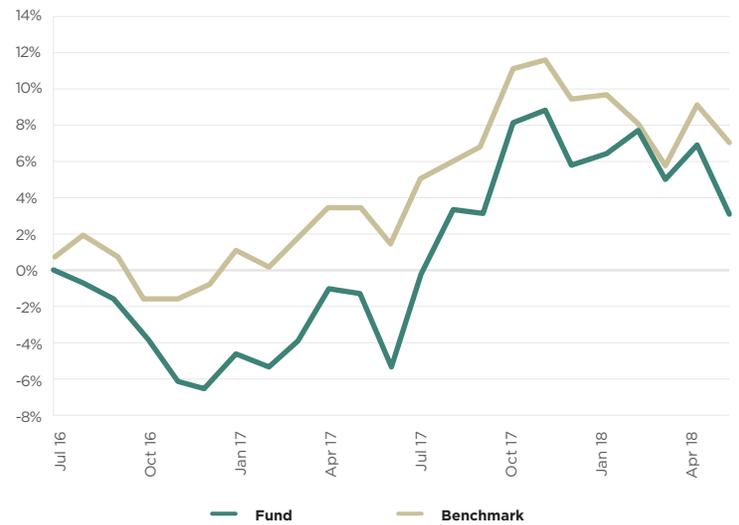
Fund Facts	
Portfolio Size	R417m
Minimum Investment	R100,000
Manager Annual Fee	1.02%
Launch Date	01/07/2016
Benchmark	Asisa Multi Asset High Equity

Date: 31/05/2018 Source: Capricorn Fund Managers (Pty) Ltd  
 \*Annualised Return is calculated from the historical returns of the fund since inception and is the annual growth rate that gets you from the initial investment value to the ending investment value if you assume that the investment has been compounding annually over the time period.

## Inception to date

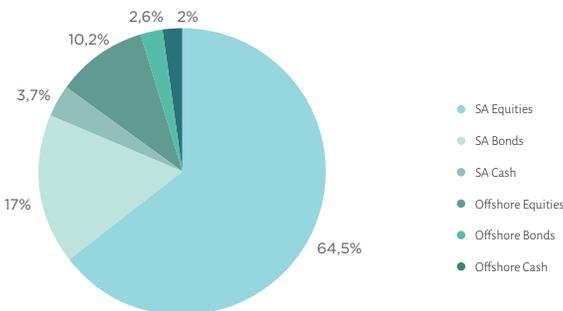


## Cumulative Performance Since Inception



Date: as at 31/05/2018. Source: Capricorn Fund Managers (Pty) Ltd

## Equity Asset Allocation



## Largest Holdings

- |                    |                          |
|--------------------|--------------------------|
| Naspers            | Balwin                   |
| The Foschini Group | Mr Price Group           |
| Standard Bank      | British American Tobacco |
| Capitec            | BHP Billiton             |
| Libstar            | Tencent                  |
| Glencore           |                          |

## Historical Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Benchmark
2016							(0.0%)	(0.5%)	(1.4%)	(1.5%)	(2.5%)	(0.4%)	<b>(6.1%)</b>	<b>(0.9%)</b>
2017	1.8%	(0.5%)	1.2%	2.8%	(0.2%)	(3.9%)	5.0%	3.3%	(0.2%)	5.1%	0.5%	(3.1%)	<b>11.9%</b>	<b>9.9%</b>
2018	0.8%	1.1%	(2.4%)	1.9%	(3.6%)								<b>(2.3%)</b>	<b>(1.7%)</b>

Date: as at 31/05/2018 (net of fees). Source: Capricorn Fund Managers (Pty) Ltd

## Important information

Sanlam Collective Investments (RF) (Pty) Ltd registered and approved Manager in Collective Investment Schemes in Securities. 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 Manager 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. Performance fees are calculated at 20% above the benchmark performance (Asisa Multi Asset High Equity). Lump sum investment performances are being quoted. Sanlam Collective Investments retains full legal responsibility for this co-named portfolio. The portfolio management of the fund is outsourced to Capricorn Fund Managers, an authorised financial services provider in terms of the FAIS Act. The Manager has a right to close the portfolio to new investors in order to manage it more efficiently in accordance with its mandate. The information contained within this document has been prepared by Capricorn Fund Managers (Pty) Ltd and is unaudited.

## Contact Information

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