

GIPS Composite Name: **Vunani Domestic Active Inflation Linked Bonds**

Jun 2021

Benchmark: **Composite Inflation Linked Bond Index (CILI)**

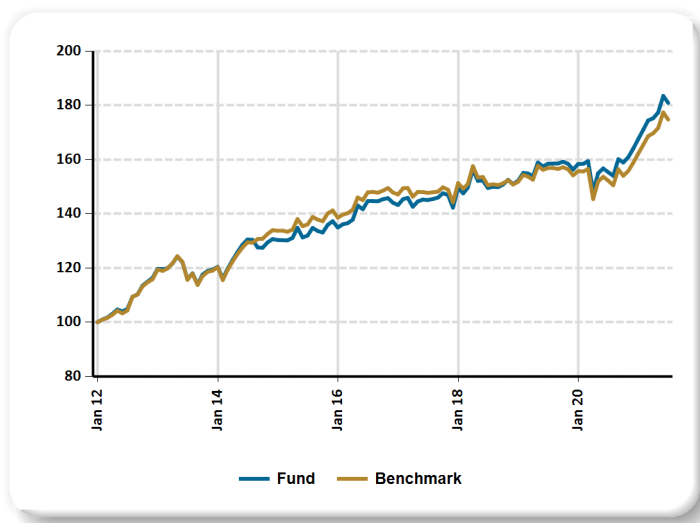
Composite Creation Date: **31 Dec 2011**

Period	Gross return	Bmk return	No of Portfolios	Total Assets (million)	% of Firm Assets	Total Firm Assets (million)	Dispersion	3 yr Ann Std Dev	Bmk 3 yr Ann Std Dev
01 Jan 2012 to 31 Dec 2012	19.67%	19.42%	2	708.38	8.57%	8,266.44	N/A	N/A	4.77%
01 Jan 2013 to 31 Dec 2013	0.66%	0.75%	2	711.64	5.87%	12,130.48	N/A	N/A	6.45%
01 Jan 2014 to 31 Dec 2014	8.19%	11.16%	2	755.26	5.99%	12,612.31	N/A	6.92%	6.95%
01 Jan 2015 to 31 Dec 2015	3.54%	3.62%	2	780.22	5.43%	14,362.23	N/A	6.92%	6.79%
01 Jan 2016 to 31 Dec 2016	6.15%	6.16%	2	776.84	5.32%	14,597.04	N/A	5.72%	5.25%
01 Jan 2017 to 31 Dec 2017	4.42%	2.87%	2	600.50	2.97%	20,191.39	N/A	5.71%	5.37%
01 Jan 2018 to 31 Dec 2018	1.77%	0.30%	2	456.96	1.72%	26,600.26	N/A	5.99%	5.74%
01 Jan 2019 to 31 Dec 2019	4.05%	2.59%	3	651.43	1.63%	40,000.45	N/A	5.93%	5.81%
01 Jan 2020 to 31 Dec 2020	5.87%	4.21%	3	704.52	1.45%	48,623.29	N/A	7.25%	7.28%
01 Jan 2021 to 30 Jun 2021	7.89%	7.68%	4	834.03	1.52%	54,724.95	N/A	6.83%	6.89%

Vunani Fund Managers (Pty) Ltd has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®)

SUPPLEMENTAL INFORMATION

FUND PERFORMANCE



FUND MANAGEMENT COMMENT

As if to remind us that financial markets never perform in a simplistic, mechanical, or easily predictable fashion, the CILI index of inflation-linked bonds lost 1.49% in June, breaking an eight-month winning streak, despite reported inflation rising sharply from 4.4% in April to 5.2% in May.

The performance of government ILBs decreased monotonically with increasing term to maturity. At the short end, the R212 returned +0.60% while at the long end the I2046 lost 3.60% and the I2050 lost 4.56%.

It is tempting to assign this weak performance in the face of rising inflation to the market's conviction (shared by the Fed in the USA) that current elevated inflation is fleeting and a mere manifestation of consumers resuming spending after easing of lockdown restrictions in most parts of the world. That is a credible explanation for recently realised inflation (think particularly of oil futures being briefly negative in April 2020) but the market's conviction about future inflation must be tempered by the dreadfully inaccurate forecasting record of inflation by economists.

NOTES:

1. **COMPOSITE DESCRIPTION** : The goal of the fund is to produce excess returns above the benchmark over the long-term while minimising volatility by building a diversified portfolio of inflation-linked bonds.
2. **BENCHMARK CREATION** : Published Index: Composite Inflation Linked Bond Index (CILI)
3. **FIRM DEFINITION** : Vunani Fund Managers (Pty) Ltd is registered with the Financial Sector Conduct Authority (FSCA) as a discretionary Financial Service Provider, License 608. The GIPS firm includes all portfolios managed by Vunani Fund Managers.
4. **MINIMUM ASSET LEVELS** : Vunani Fund Managers excludes all portfolios with an asset value less than R20 million.
5. **CURRENCY** : Vunani Fund Managers uses South African Rand to express all performance.
6. **PERFORMANCE CALCULATION** : Performance results are presented gross of management and performance fees, after deducting trading expenses, custodial fees and bank charges. Trading expenses include brokerage, trade settlement fees, taxes and trading levies as well as VAT thereon. The aggregate return method is used which combines all the composite assets and cash flows to calculate composite performance as if the composite were one portfolio.
7. **LIST AND DESCRIPTION OF COMPOSITES** : A complete list and description of all composites is available by emailing a request to info@vunanifm.co.za.
8. **LEVERAGE AND DERIVATIVES** : The use of derivatives is limited to exchanged traded futures and options for the purpose of maintaining the correct exposure to asset classes whilst providing liquidity.
9. **LEVERAGE AND DERIVATIVES** : Derivatives may be employed as risk mitigating strategies.
10. **INCONSISTENCIES IN EXCHANGE RATES** : Vunani Fund Managers use I-Net quotations for foreign exchange (FX) rate conversions. Due to timing differences, FX rates used to value instruments in the individual client portfolios may differ from the FX rates used by Vunani Fund Managers for benchmark conversion to local currency. Vunani Fund Managers accepts this variance in FX rates as immaterial and do not make any adjustments for such variances.
11. **DISPERSION** : Vunani Fund Managers uses the standard deviation across portfolio returns represented within the composite for the full year to calculate dispersion. Portfolios must be in a composite for the full period for which dispersion is being measured.
12. **FEE STRUCTURE** : A fee of 40 bps on market value.
13. Vunani Fund Managers negotiates fees with each individual client in line with the standard company fee schedule.
14. **WITHHOLDING TAXES** : Proceeds on sales and income are accounted for net of any withholding taxes until such time as any reclaimable portion is received.
15. Additional information regarding policies for calculating and reporting returns is available on request.
16. **CASH FLOWS** : A fund may be removed from the composite, should a cash flow be greater than 5% of that fund. Once the fund has been realigned, it will be included again.
17. Benchmark components, weights, and the rebalancing process is available on demand.
18. **VERIFICATION** : Vunani Fund Managers claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. Vunani Fund Managers has been independently verified for the periods 2004 to 2019. The verification report(s) is/are available on request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.
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