

Glacier Annual Report **2016**

glacier
by Sanlam

Statement to investors

While volatility continued to affect global markets throughout the year, 2016 will be remembered as the year of surprises. Markets, and investors, were caught off-guard by events such as Brexit and Donald Trump winning the US presidential election. Politics played a major role in investor sentiment during the year.

At the beginning of last year, there were concerns of a potential major recession, based largely on the slowdown in China's economy and the slow recovery in US markets. Sentiment concerning global growth has since improved, with growth forecasts increased for 2017. December saw a rally in risky assets as investors bought into a Trump administration.

Local markets continued to be affected by political events. Many factors contributed to the slowing growth. In particular, the drought led to a spike in food prices and the subsequent rise in the inflation rate saw two interest rate increases during the year. However, we saw the rand strengthening against the major currencies towards the end of the year. We also avoided a downgrade which would have had a significant impact on the local markets.

Locally, three of the four main asset classes returned a better performance in 2016 than they did the previous year. Bonds was the top performing asset class in 2016, returning 15.42%. This was followed by SA listed property at 10.20% and cash at 7.37%. Equities, however, delivered a muted 2.63%.

The Glacier Money Market Fund returned 7.5% for the year. The two interest rate hikes of 0.5% in January and 0.25% in March – taking the interest rate to 7% - had a positive impact on this fund. Chris Hamman left Sanlam Investments in 2016 and the fund is now managed by Donovan van den Heever and Johan Verwey, both experienced fund managers.

Given the impending closure of the fund underlying the Glacier Global Strategic Liquidity Feeder Fund (the Sanlam Strategic Cash Fund), Glacier obtained FSB approval for a name change and amendment to the investment policy and the fund was converted to the Glacier Global Stock Feeder Fund, a rand-denominated global equity fund investing into the Dodge & Cox Global Stock Fund.

Market commentators are expecting an improvement in both global and local markets in 2017, with growth forecasts revised slightly upwards. Uncertainty remains though, and we're yet to see and experience the effects of the Trump administration and Brexit in 2017 and going forward.

With so much "noise" in the media and the marketplace, we continue to urge investors to stick to their long-term investment strategies unless their personal circumstances have changed. It is precisely in times like these that those who remain invested in the markets are likely to reap the benefits.

2016 was a year of exciting transformation for Sanlam Personal Finance (SPF). As a result of the change, Glacier is responsible for all single premium investment business within SPF. We are now able to offer clients a range of investment solutions which includes guarantees, traditional life investments as well as platform investment products. While the Glacier solution set will remain as is, adding the Sanlam Life single premium investment products to our offering allows us to meet a broader range of investment needs, including the needs of those clients seeking certainty amid the current market volatility.

Following on the success of the Glacier Storms River Traverse in the Western Cape, we'll also be sponsoring the Glacier Cradle Traverse – Gauteng's new mountain bike stage race. The event takes place in May at Avianto, northwest of Johannesburg, and will be a family-oriented four days, showcasing the history and beauty of the area.

I wish all our investors a successful year ahead.



ANTON RAATH
CHIEF EXECUTIVE

Report of the trustee for the Glacier Collective Investments Scheme

We, the Standard Bank of South Africa Limited, in our capacity as Trustee of the Glacier Collective Investments Scheme (“the Scheme”) have prepared a report in terms of Section 70(1)(f) of the Collective Investment Schemes Control Act, 45 of 2002, as amended (“the Act”), for the financial year ended 31 December 2016.

In support of our report we have adopted certain processes and procedures that allow us to form a reasonable conclusion on whether the Manager has administered the Scheme in accordance with the Act and the Scheme Deed.

As Trustees of the Scheme we are also obliged in terms of Section 70(3) of the Act to satisfy ourselves that every statement of comprehensive income, statement of financial position or other return prepared by the Manager of the Scheme as required by Section 90 of the Act fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme.

The Manager is responsible for maintaining the accounting records and preparing the annual financial statements of the Scheme in conformity with International Financial Reporting Standards. This responsibility also includes appointing an external auditor to the Scheme to ensure that the financial statements are properly

drawn up so as to fairly represent the financial position of every portfolio of its collective investment scheme in accordance with International Financial Reporting Standards and in the manner required by the Act.

Our enquiry into the administration of the Scheme by the Manager does not cover a review of the annual financial statements and hence we do not provide an opinion thereon.

Based on our records, internal processes and procedures we report that nothing has come to our attention that causes us to believe that the accompanying financial statements do not fairly represent the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme administered by the Manager.

We confirm that according to the records available to us, no losses were suffered in the portfolios and no investor was prejudiced as a result thereof.

We conclude our report by stating that we reasonably believe that the Manager has administered the Scheme in accordance with:

- (i) The limitations imposed on the investment and borrowing powers of the manager by this Act; and
- (ii) The provisions of this Act and the deed.



MELINDA MOSTERT
HEAD: TRUSTEE SERVICES
STANDARD BANK OF SOUTH AFRICA LIMITED
23 MARCH 2017



SEGGIE MOODLEY
HEAD: RISK AND LEGAL (TRUSTEE SERVICES)
STANDARD BANK OF SOUTH AFRICA LIMITED
23 MARCH 2017

Report of the independent auditor on the summary financial statements to the members of the Glacier Money Market Fund and the Glacier Global Stock Feeder Fund (previously known as Glacier Strategic Liquidity Feeder Fund)

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 2016 and the summary statement of comprehensive income for the year then ended, are derived from the audited financial statements of Glacier Money Market Fund and Glacier Global Stock Feeder Fund (previously known as Glacier Strategic Liquidity Feeder Fund) for the year ended 31 December 2016.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the basis of preparation for these entities.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and the Collective Investment Scheme Control Act, 2002. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's reports there on. The summary

financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 23 March 2017.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements, in accordance with the basis of preparation for these entities.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Ernst & Young Inc.

ERNST & YOUNG INC.
DIRECTOR – LEIGH-ANN CAROLINE KILLIN
REGISTERED AUDITOR
CHARTERED ACCOUNTANT (SA)
ERNST & YOUNG
35 LOWER LONG STREET
CAPE TOWN
23 MARCH 2017

Glacier Money Market Fund

Statement of Financial Position at 31 December 2016

| | 2016 R'000 | 2015 R'000 |
|--|------------------|------------------|
| ASSETS | | |
| Investments | 3 245 787 | 3 120 604 |
| Money market instruments | 3 245 787 | 3 120 604 |
| Cash and cash equivalents | 85 409 | 14 952 |
| Accrued income and debtors | 66 839 | 52 573 |
| Total assets | 3 398 035 | 3 188 129 |
| LIABILITIES (excluding net assets attributable to unit holders) | 23 145 | 17 812 |
| Trade and other payables | 57 | 31 |
| Related parties payable | 2 040 | 1 994 |
| Distribution payable | 21 048 | 15 787 |
| Net assets attributable to unit holders | 3 374 890 | 3 170 317 |

Statement of Comprehensive Income for the year ended 31 December 2016

| | 2016 R'000 | 2015 R'000 |
|---|----------------------|----------------------|
| Income | 261 824 | 217 216 |
| Interest income | 258 733 | 219 196 |
| Net fair value gains/(losses) on financial instruments | 3 091 | (1 980) |
| Operating Expenses | (23 997) | (24 528) |
| Service fees | (23 728) | (24 326) |
| Audit fees | (76) | (36) |
| Custodian, trustee and bank charges | (193) | (166) |
| Net profit for the year | 237 827 | 192 688 |
| Distribution to unit holders | (234 853) | (194 685) |
| Increase/(Decrease) in net assets attributable to unit holders | 2 974 | (1 997) |

Fund Distribution Per Fee Class

| Monthly distributions | Cents per unit | | | |
|------------------------------|-----------------------|----------------|----------------|----------------|
| Month | Class A | Class B | Class C | Class D |
| January | 5.59 | 5.68 | 4.38 | 5.83 |
| February | 5.36 | 5.45 | 4.24 | 5.59 |
| March | 5.89 | 5.99 | 4.68 | 6.14 |
| April | 5.82 | 5.92 | 4.66 | 6.06 |
| May | 6.15 | 6.24 | 4.94 | 6.39 |
| June | 6.07 | 6.16 | 4.90 | 6.31 |
| July | 6.30 | 6.40 | 5.09 | 6.54 |
| August | 6.33 | 6.43 | 5.13 | 6.58 |
| September | 6.15 | 6.24 | 4.98 | 6.39 |
| October | 6.41 | 6.50 | 5.20 | 6.65 |
| November | 6.20 | 6.29 | 5.03 | 6.44 |
| December | 6.40 | 6.50 | 5.19 | 6.64 |

Fees (for all classes)

Portfolio breakdown: Glacier Money Market A, B, C and D classes**

| | 2016/12/31 | 2015/12/31 |
|---------------|------------|------------|
| Overnight | 2.51% | 1.11% |
| 0 - 3 Months | 75.72% | 76.50% |
| 3 - 6 Months | 9.25% | 8.73% |
| 6 - 9 Months | 8.86% | 6.92% |
| 9 - 12 Months | 3.66% | 6.74% |

| | Class A | Class B | Class C * | Class D |
|--------------------------|---------|---------|-----------|---------|
| Initial fees (VAT incl.) | 0.00% | 0.00% | 0.00% | 0.00% |
| Annual fees (VAT incl.) | 0.57% | 0.46% | 2.00% | 0.29% |

* All-in fee class

**Portfolio breakdown did not form part of the annual external audit.

A money market portfolio is not a bank deposit account. The price of a participatory interest is targeted at a constant value. The total return to an investor is made up of interest received and any gain or loss made on any particular instrument. In most cases the return will merely have the effect of increasing or decreasing the daily yield. However, in the case of abnormal losses it can have the effect of reducing the capital value of the portfolio. The yield of the fund is calculated as the interest earned by the fund during a seven day period less any management fees incurred during those seven days. Excessive withdrawals from the fund may place the fund under liquidity pressures; in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed.

The management of investments is outsourced to Sanlam Investment Management (Pty) Ltd (FSP 579), an authorised financial services provider.

Portfolio Manager's comment

Market review

At the start of 2016 global markets were affected by fears of a Chinese economic slowdown and depreciating currency. Brent crude oil also slumped and caused a sell-off in energy sector stocks and bonds. In addition, Japan adopted a negative interest rate policy which resulted in investors dumping bank shares and buying higher yielding US, UK and Eurozone debt.

Locally, the South African Reserve Bank raised the Repo rate by 50 basis points, from 6.25% to 6.75% at its January Monetary Policy Committee (MPC) meeting because of increased inflation risks. The February 2016 Consumer Price Index (CPI) of 7% year-on-year contributed to another 25 basis point hike at the March MPC meeting. The Repo rate remained unchanged at 7% for the rest of the year.

The mid-year Brexit vote outcome was a shock, given that investors were confident that the UK would stay in the European Union. This caused some market volatility and a substantial devaluation of the pound sterling.

Local politics also caused turmoil in South African markets, specifically the fraud accusations against the Finance Minister (Pravin Gordhan), the so called "state capture" and the later dropping of the fraud charges.

In November the market experienced Brexit déjà vu when Donald Trump unexpectedly won the US elections. This resulted in the so called Trumpflation, which is an expected increase in inflation and growth and a steeper interest rate trajectory because of intended economic/trade policies. In December the Federal Reserve increased their benchmark interest rate by 25 basis points.

Non-OPEC oil producing countries agreed to cut their daily oil production by 558 000 barrels for the first time since 2001. Agreements with OPEC and non-OPEC members contributed to a 17% increase in the oil price in quarter four.

Towards the end of November and beginning of December, South Africa's foreign credit ratings were kept at investment grade level by Moody's, Fitch and S&P.

The CPI (year-on-year) weakened from 4.8% in November 2015 to 6.6% in November 2016, and the Producer Price Index from 4.3% to 6.9%. The ZAR strengthened against the USD from 15.49 in December 2015

to 13.73 in December 2016, and the 10-year South African government bond yield declined from 9.80% to 8.92% signalling an improvement in bond valuations while the SA equity market was roughly flat.

The money market yield curve on the short end (up to one year) flattened because of the above-mentioned 75 basis point increase in the Repo rate.

What we did

New inflows into the fund, as well as maturing investments, were invested optimally and timeously across the money market yield curve. Quality corporate credit, which traded above the three-month money market rates, was added to the portfolio. We implemented a combination of investments into floating rate notes (FRNs), together with some fixed rate negotiable certificates of deposits (NCDs), in the portfolio. The combination of quality corporate credit, NCDs and FRNs enhanced portfolio returns.

Our strategy

Our preferred investment strategy to enhance returns in the portfolio is a combination of fixed rate notes, floating rate notes and quality corporate credit. We expected the Repo rate to increase during the year and utilised the steep curve in combination with the full universe of investable money market instruments to obtain optimal investment performance.



Glacier Global Stock Feeder Fund

The Glacier Management Company (Manco) officially received notification from Sanlam Universal Funds plc of their intention to close the Sanlam Strategic Cash Fund – the underlying fund of the Glacier Global Strategic Liquidity Feeder Fund. The Glacier Manco duly informed clients of the notification of closure. All clients invested in the retail B1 class exited the fund on or before 18 May 2016. All clients invested in the B3 class exited the fund before mid-March 2016. The fund was therefore empty on 19 May 2016 (except for Management Company seed capital invested in South African rand-denominated cash) and ‘closed for new investments’.

The Glacier Manco then officially applied to the Financial Services Board (FSB) to change the name and investment policy of the fund. The Glacier Global Stock Feeder Fund was approved by the FSB on 8 November 2016, but only invested according to the new investment policy (global equity) in February 2017.

Statement of Financial Position at 31 December 2016

| | 2016 R'000 | 2015 R'000 |
|--|---------------|---------------|
| ASSETS | | |
| Investments | 0 | 37 821 |
| Investments in Collective investment scheme | 0 | 37 821 |
| Cash and cash equivalents | 1 145 | 13 511 |
| Accrued income and debtors | 2 | 7 |
| Total assets | 1 147 | 51 339 |
| LIABILITIES (excluding net assets attributable to unit holders) | 43 | 461 |
| Trade and other payables | 43 | 23 |
| Related parties payable | 0 | 11 |
| Distribution payable | 0 | 427 |
| Net assets attributable to unit holders | 1 104 | 50 878 |

Statement of Comprehensive Income for the year ended 31 December 2016

| | 2016 R'000 | 2015 R'000 |
|---|----------------------|----------------------|
| Income | (79) | 13 632 |
| Interest income | 83 | 100 |
| Other (losses)/gains | (162) | 13 532 |
| Operating Expenses | (152) | (194) |
| Service fees | (23) | (107) |
| Audit fees | (56) | (22) |
| Custodian, trustee and bank charges | (73) | (65) |
| Net (loss)/profit for the year | (231) | 13 438 |
| Distribution to unit holders | 0 | (427) |
| (Decrease)/Increase in net assets attributable to unit holders | (231) | 13 011 |

Fees and Fund Distribution

| Portfolio breakdown | 2016/05/19* | 2015/12/31 |
|----------------------------|--------------------|-------------------|
| USD | 98.71% | 97.39% |
| ZAR | 1.29% | 2.61% |

| Distributions | Payment date | Local interest (cents per unit) |
|--------------------------------|---------------------|--|
| Declaration date | | |
| 31/12/2014 | 01/01/2015 | 0.00% |
| 31/12/2015 | 01/01/2016 | 0.00% |
| Initial Fees (VAT incl.) | 0.00% | 0.00% |
| Annual fees (VAT incl.) | | |
| Class B1 | 0.68% | 0.68% |
| Class B3 | 0.00% | 0.00% |

The Glacier Global Strategic Liquidity Feeder Fund is a feeder fund and as such it invests in a single portfolio of a collective investment scheme which levies its own charges and which could result in a higher fee structure for the feeder fund. The Glacier Global Strategic Liquidity Feeder Fund is invested in the Sanlam Strategic Cash Fund.

The management of investments is outsourced to Sanlam Multi-Manager International (Pty) Ltd (FSP 845), an authorised financial services provider.

*The Glacier Global Strategic Liquidity Feeder Fund's underlying investment, the Sanlam Strategic Cash Fund, was closed on 19 May 2016. All assets were repurchased before this date, except the Glacier Management Company's seed capital (invested in SA Cash).

Portfolio Manager's comment (as at 31 March 2016)

The first quarter of 2016 saw an increase in the volatility across all asset classes which began in January and February, with the headwinds of 2015 continuing to dominate headlines in the early part of 2016, including weakness in China and a weak commodity price environment. Over the last two weeks of the quarter we heard from a more dovish Janet Yellen, emphasising the external factors that could influence the US economy. From 11 February 2016 we saw a rebound in risk assets after some banks reassured the market of their ability to pay back their debt by buying back some of their bonds. This was assisted by the ECB announcing further quantitative easing that supported risk assets. The US LIBOR rate increased to 0.62% at the end of March 2016 from 0.61% in December 2015, despite it being quite a volatile period for the LIBOR rate.

Glacier Fund Performance and TER Report

NAV to NAV - local currency from 31 December 2015 to 31 December 2016

| Fund Performance | 1 year performance | Benchmark* |
|---|--------------------|------------|
| Glacier Money Market - Class A (CMF) | 8.07% | 6.81% |
| Glacier Money Market - Class B | 8.20% | 6.81% |
| Glacier Money Market - Class C (Fusion)** | 6.42% | 6.81% |
| Glacier Money Market - Class D | 8.40% | 6.81% |
| Glacier Global Strategic Liquidity Feeder Fund - Class B1 | -10.87% | 2.42% |
| Glacier Global Strategic Liquidity Feeder Fund - Class B3 | -10.62% | 2.42% |

The Glacier Global Strategic Liquidity Feeder Fund's performance is from the 31/12/2015 to 19/05/2016 as it was closed to clients on our platform on that day. The funds performance was directly impacted by the outflows in terms of client being forced to sell out.

*** Benchmark**

The benchmark for the Glacier Money Market Funds is the Stefi – 3 months.
The benchmark for the Glacier Global Strategic Liquidity Feeder Fund is: 3 months USD LIBOR.

**** All-in fee class**

Collective Investment Schemes and Securities (unit trusts) are generally medium- to long-term investments. The value of participatory investments (units) may go down as well as up and past performance is not necessarily a guide to the future. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from the company/scheme. The manager does not provide any guarantee either with respect to the capital or the return of the fund. Copies of the audited Annual Financial Statements of the manager and funds are available free of charge on request.

Total Expense Ratio (TER)* as at 31 December 2016

| | |
|---|-------|
| Glacier Money Market - Class A (CMF) | 0.57% |
| Glacier Money Market - Class B | 0.46% |
| Glacier Money Market - Class C (Fusion) | 2.00% |
| Glacier Money Market - Class D | 0.29% |
| Glacier Global Strategic Liquidity Feeder Fund - Class B1** | 1.74% |
| Glacier Global Strategic Liquidity Feeder Fund - Class B3** | 1.06% |

* The TER percentage of the average Net Asset Value of the portfolio was incurred as charges, levies and fees related to the management of the portfolio. The ratio does not include transaction costs. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER can not be regarded as an indication of future TERs. TERs did not form part of the annual external audit.

Collective Investment Schemes and Securities (unit trusts) are generally medium- to long-term investments. The value of participatory investments (units) may go down as well as up and past performance is not necessarily a guide to the future. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from the company/scheme.

**As at 31 March 2016.

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