

GLACIER ANNUAL REPORT **2022**

glacier  
by Sanlam

# STATEMENT TO INVESTORS

2022 was a challenging year for markets and the economy in general, both locally and globally. We were still reeling from the effects of COVID-19 when Russia invaded Ukraine, setting in motion a chain of events that led to global high inflation. This, in turn, led to increases in interest rates in a bid to curb the resultant inflation. In addition, South Africa continues to feel the effects of the electricity crisis, which represents the biggest threat to economic growth in the country.

## **Asset class returns**

All asset classes delivered lacklustre returns in 2022. Locally, cash was the best-performing sector, delivering 5.21%. This was followed by SA bonds and SA equity, which returned 4.26% and 3.58%, respectively. Property was the worst-performing asset class, delivering -1.90%.

Global equities and global bonds returned -12.73% and -10.71%, respectively (in rand), despite the rand depreciating by almost 7% against the US dollar.

## **The Glacier Money Market Fund**

The Glacier Money Market Fund returned 5.19% in 2022, marginally underperforming cash (as measured by the STeFI Composite index) and outperforming the category average (4.67%). The Fund's allocation to quality short-dated corporate credit and SA treasury bills added positively to its performance.

## **The Glacier Global Stock Feeder Fund**

The Glacier Global Stock Feeder Fund, a rand-denominated global equity fund investing into the Dodge & Cox Global Stock Fund, had a good year when compared to its benchmark and category. The Fund returned -0.14% in rand

terms, greatly outperforming the MSCI World Index and category average, which returned -12.73% and -14.21%, respectively.

The relative outperformance of the Glacier Global Stock Feeder Fund was largely due to the value style-orientation of the Fund. Value (-0.34%) greatly outperformed growth (-24.53%) during the year, as growth suffered from global interest rate hikes while value pockets of the market benefited from the energy and banking sectors.

## **The Glacier AI Flexible Fund of Funds**

The Glacier AI Flexible Fund of Funds generated a return of -11.92% for the 2022 calendar year, underperforming its benchmark of CPI + 5% (12.32%) and the category average return of 0%. The high weighting in the Fund to government bonds, and the high allocation to US tech and growth companies towards the end of the year, hurt returns. The Fund was, however, able to keep its volatility at a lower level than the category.

## **The Glacier AI Balanced Fund**

2022 marked the first full year that the Glacier AI Balanced Fund was in existence, having launched during December 2021. 2022 was a difficult year for all asset classes, which hurt the performance of the Fund. The Fund returned -4.71%, underperforming the benchmark (CPI + 5%) return of 12.33% and the category average -0.17%. The return for the Fund was hurt by its majority holding in SA bonds, which delivered a negative return (-2.98%) for the year. The volatility in the market hurt the asset allocations of the Fund, causing underperformance of the category.

## STATEMENT TO INVESTORS (continued)

### Looking ahead

Global and domestic economic risks continue to prevail. However, globally, the 2022 sell-off in global equities presents great opportunities for patient and long-term focused investors. Locally, bonds and equities continue to offer great value. We urge investors to consult with their financial intermediaries and stay invested in line with their long-term goals.

Thank you for investing with Glacier. We wish you a successful 2023.

A handwritten signature in blue ink, appearing to read 'Khanyi Nzukuma', written over a horizontal line.

**KHANYI NZUKUMA**  
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 2022.

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 returns 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 present 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 present 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.



**SEGGIE MOODLEY**  
HEAD: FIDUCIARY SERVICES  
STANDARD BANK OF SOUTH AFRICA LIMITED  
28 MARCH 2023

# EXTERNAL AUDIT ON THE SUMMARY FINANCIAL STATEMENTS TO THE MEMBERS OF THE GLACIER MONEY MARKET FUND, THE GLACIER GLOBAL STOCK FEEDER FUND AND THE GLACIER AI FLEXIBLE FUND OF FUNDS

## **Summary Financial Statements**

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and the Collective Investment Schemes 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 thereon.

## **Management's Responsibility for the Summary Financial Statements**

The management take full responsibility for the preparation of the summarised report and that the financial information has been correctly extracted from the underlying Annual Financial Statements.

## **External Audit**

This summarised report is extracted from audited information, but is not in itself audited. The Annual Financial Statements were audited by Ernst & Young Inc., who expressed an unmodified opinion thereon dated 28 March 2023. The audited Annual Financial Statements and the auditor's report thereon are available to all investors for inspection at the company's registered office.

**GLACIER** MONEY MARKET FUND

## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022

	<b>2022</b> R'000	<b>2021</b> R'000
<b>ASSETS</b>		
<b>Investments</b>	<b>4 720 861</b>	<b>3 773 466</b>
Money market instruments	4 720 861	3 773 466
Cash and cash equivalents	545 735	180 125
Accrued income and debtors	83 866	45 066
<b>Total assets</b>	<b>5 350 462</b>	<b>3 998 657</b>
<b>LIABILITIES (excluding net assets attributed to unit holders)</b>	<b>33 177</b>	<b>16 032</b>
Trade and other payables	75	80
Related parties payable	1 768	1 522
Distribution payable	31 334	14 430
<b>Net assets attributable to unit holders</b>	<b>5 317 285</b>	<b>3 982 625</b>

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	<b>2022</b> R'000	<b>2021</b> R'000
<b>Income</b>	<b>253 054</b>	<b>192 346</b>
Interest income	258 523	192 276
Net fair value (losses)/gains on financial instruments	(5 469)	70
<b>Operating Expenses</b>	<b>(18 964)</b>	<b>(23 206)</b>
Service fees	(18 688)	(22 921)
Audit fees	(66)	(63)
Custodians, trustee and bank charges	(201)	(215)
Transaction costs	(9)	(7)
<b>Net profit for the year</b>	<b>234 090</b>	<b>169 140</b>
Distribution to unit holders	(238 943)	(168 962)
<b>Increase/(Decrease) in net assets attributable to unit holders</b>	<b>(4 853)</b>	<b>178</b>



## FUND DISTRIBUTION PER FEE CLASS

<b>Monthly distributions</b>	<b>Cents per unit</b>		
<b>Month</b>	<b>Class A</b>	<b>Class B</b>	<b>Class D</b>
January	0,35	0,36	0,38
February	0,32	0,33	0,35
March	0,37	0,38	0,40
April	0,37	0,38	0,40
May	0,39	0,40	0,42
June	0,4	0,41	0,43
July	0,43	0,44	0,46
August	0,46	0,47	0,49
September	0,47	0,47	0,49
October	0,52	0,53	0,54
November	0,53	0,54	0,56
December	0,58	0,59	0,61

## FEES (FOR ALL CLASSES)

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

	2022/12/31	2021/12/31
Overnight	10,78%	4,14%
0 - 3 Months	36,98%	58,22%
3 - 6 Months	37,55%	24,66%
6 - 9 Months	11,09%	10,14%
9 - 12 Months	3,60%	2,84%
12+ Months	0,00%	0,00%

	Class A	Class B	Class C*	Class D
Annual fees (VAT incl.)	0,58%	0,46%	Closed	0,23%

\* 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 managed 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 are outsourced to Sanlam Investment Management (Pty) Ltd (FSP 579), an authorised financial services provider.

## PORTFOLIO MANAGER'S COMMENT

### Market overview

2022 was a tough year with the war in Ukraine and central banks' battle against inflation being equity and bond markets' main sources of difficulties. At their last meeting, the US Federal Reserve (Fed) slowed from their recent 75-basis point (bps) hikes by hiking their benchmark interest rate by a further 50 bps, reaching the highest level in the last 15 years. Fed officials indicated that they expect to keep rates higher next year and that it's important to keep up the fight against inflation so that the expectation of higher prices does not become entrenched. Furthermore, the declines in inflation in October and November were welcomed, but substantially more evidence is needed to have confidence that inflation is on a sustained downward path.

Not everything was negative, however, as global supply chain constraints continued to ease, and European governments showed their intention to limit the impact of the energy crisis and mitigate the risks of a harsh recession. In the UK, Rishi Sunak was appointed as the new prime minister, while the new chancellor, Jeremy Hunt, reversed many of the previous chancellor's tax cuts and promised to deliver a more restrained budget in mid-November. In China, policymakers started easing their strict zero-COVID policy measures, creating hope for the rest of the world that their economy will open fully in the near future again. In Japan, the Bank of Japan surprised the markets by widening the gap in which 10-year government bonds can trade from 25 bps to 50 bps, which led to the highest yields on two- to 10-year yields since 2015.

Local GDP in the third quarter of 2022 (3Q22) surprised strongly to the upside at 1.6% quarter-on-quarter (q/q) from the 0.7% q/q contraction in 2Q22. Eight out of 10 activities expanded in 3Q22, with the agricultural sector making the biggest contribution (19.2%). The unemployment rate declined to 32.9% in 3Q22 from 33.9% in 2Q22, which is the lowest jobless rate since the first quarter of 2021.

In October, Finance Minister Enoch Godongwana, presented a 2022 Medium-Term Budget Policy Statement (MTBPS) which projected a much stronger fiscal consolidation path compared to the February budget, but the spending targets were unrealistically low. The reason for this was because they were not including various upside spending pressures, such as a public sector wage hike for 2023/2024, the extension of the Social Relief of Distress grant beyond 2023/2024, and the costs of any Eskom debt deal, etc.

In November, during its last Monetary Policy Committee (MPC) meeting for the year, the South African Reserve Bank (SARB) hiked the repo rate by another 75 bps, with three members voting for 75 bps and two members voting for 50 bps. They raised their near-term inflation forecasts for 2023 slightly while emphasising that risks remain to the upside. They also significantly lowered their growth forecast for 2023. Earlier in the month SARB Governor Lesetja Kganyago, said the high unemployment rate is due to structural issues rather than an overly restrictive monetary policy.

## PORTFOLIO MANAGER'S COMMENT (continued)

S&P Global Ratings left SA's long-term sovereign credit ratings unchanged at BB for local currency and BB- for foreign currency with a positive outlook. Moody's refrained from issuing a statement, effectively leaving the ratings unchanged at Ba2 with a stable outlook. S&P emphasised the importance of growth and continued fiscal consolidation. They forecast growth of 1.9% this year, 1.5% in 2023 and 1.7% trend growth thereafter, with ongoing deep-rooted structural constraints, and downside risks. Fitch also affirmed SA's foreign and local currency sovereign ratings at BB- with a stable outlook.

On the political front, Parliament voted as expected not to adopt the Section 89 panel's report that found that President Cyril Ramaphosa had a prima facie case to answer, but the issue will drag into 2023 with other investigations continuing.

Headline CPI inflation declined to 7.4% year-on-year (y/y) from 7.5% y/y during the quarter. PPI inflation declined to 15% y/y from 16.3% y/y, largely due to lower fuel prices. The rand strengthened significantly to 17.04 against the US dollar from 18.07 during the quarter. The 10-year SA government bond yield also strengthened substantially to 10.90% from 11.39% during the quarter. The trade balance decreased to a surplus of R7.98 billion from R25.91 billion.

The money market yield curve flattened over the quarter following the 75-bps interest rate hike in November. With inflation slowing, the real repo rate approaching positive territory and the Fed hiking with only 50 bps in December, the curve now prices in a 50-bps hike at the January MPC meeting.

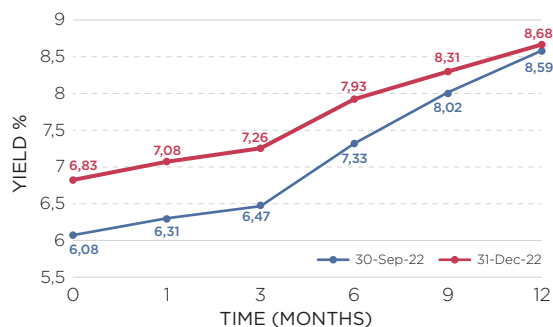
### What Sanlam Investment Management (SIM) did

Quality corporate credit and RSA Treasury Bills, which are yielding higher than JIBAR rates, were added to the portfolio. The combination of corporate credit, high-yielding RSA treasury bills, negotiable certificates of deposit (NCDs) and floating-rate notes (FRNs) will enhance portfolio returns.

### SIM strategy

Our preferred investments would be a combination of fixed-rate notes (FRNs) and quality corporate credit to enhance returns in the portfolio. With the money market yield curve remaining very steep, fixed-rate bank notes are potentially more attractive than FRNs. This is because bank FRN spreads have recently declined due to the steep money market/forward rate agreement curve, making their performance very dependent on the future interest rate path. Only some RSA treasury bills yield slightly higher than bank negotiable certificates of deposit now.

### MONEY MARKET YIELD CURVE



**GLACIER** GLOBAL STOCK FEEDER FUND

## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022

	<b>2022</b> R'000	<b>2021</b> R'000
<b>ASSETS</b>		
<b>Investments</b>	<b>1 314 101</b>	<b>768 337</b>
Collective Investment Scheme	1 314 101	768 337
Cash and cash equivalents	34 784	13 300
Accrued income and debtors	191	346
<b>Total assets</b>	<b>1 349 076</b>	<b>781 983</b>
<b>LIABILITIES (excluding net assets attributed to unit holders)</b>	<b>622</b>	<b>382</b>
Trade and other payables	52	50
Related parties payable	570	332
<b>Net assets attributable to unit holders</b>	<b>1 348 454</b>	<b>781 601</b>

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	<b>2022</b> R'000	<b>2021</b> R'000
<b>Income</b>	<b>20 453</b>	<b>143 715</b>
Interest income	1 307	381
Foreign exchange losses		
Other gains/(losses)	19 146	143 334
<b>Operating Expenses</b>	<b>(5 530)</b>	<b>(3 336)</b>
Service fees	(5 341)	(3 200)
Audit fees	(46)	(43)
Custodians, trustee and bank charges	(143)	(93)
<b>Net profit for the year</b>	<b>14 923</b>	<b>140 379</b>
Distribution to unit holders	0	0
<b>Increase/(Decrease) in net assets attributable to unit holders</b>	<b>14 923</b>	<b>140 379</b>

## FEES AND FUND DISTRIBUTION

<b>Portfolio breakdown</b>	<b>2022/12/31</b>	<b>2021/12/31</b>
<b>Cash</b>		
USD	2,45%	1,57%
ZAR	1,83%	1,70%
<b>Regional exposure</b>		
United States	47,02%	45,02%
United Kingdom	8,15%	8,85%
Pacific (excluding Japan)	10,90%	9,44%
Latin America	2,85%	3,64%
Japan	2,45%	3,34%
Europe (excluding United Kingdom)	19,73%	21,82%
Canada	4,12%	4,23%
Africa/Middle East	0,00%	0,39%
Australia	0,49%	
<b>Distributions</b>	<b>Payment date</b>	<b>Local interest (cents per unit)</b>
<b>Declaration date</b> Saturday, 31 December 2022	1st working day of the following month	0,00
<b>Annual fees (VAT incl.)</b>		
Class B*	0,58%	0,58%
Class B2**	0,40%	

*The Glacier Global Stock 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 Stock Feeder Fund invests in the FSCA-approved Dodge & Cox Global Stock Fund, managed by Dodge & Cox Worldwide Investments.*

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

*\*Class B was previously the B3 class*

*\*\*Class B2 inception February 2021*

Glacier Management Company (RF) (Pty) Ltd is a registered and approved Manager in Collective Investment Schemes



## PORTFOLIO MANAGER'S COMMENT

The Glacier Global Stock Feeder Fund had a total return of +13.17% (+6.65% in ZAR) for the fourth quarter of 2022, compared to +9.77% (+3.92% in ZAR) for the MSCI World Index. For the trailing year ending 31 December 2022, the Fund had a total return of -6.30% (-0.14% in ZAR), compared to -18.14% (-12.73% in ZAR) for the MSCI World.

### **Investment commentary – in USD**

After three consecutive quarters of negative returns, global equity markets appreciated in the fourth quarter of 2022, but still finished down for the full year. The MSCI ACWI posted its worst calendar year return since 2008, as every sector of the index declined with the sole exception of energy (up 33%). Geopolitical conflict, high inflation, and interest rate hikes continued to fuel concerns about the potential for and the depth of recession across various markets. Many companies juggled the challenging combination of supply chain bottlenecks, higher input prices, weaker end-market demand, and tighter credit markets. Against this backdrop, value stocks outperformed growth stocks by 8.9% in the fourth quarter and 21.1% for the year. Despite value stocks' recent outperformance, however, the valuation disparity with growth stocks remains very wide by historical standards. The MSCI ACWI Value Index now trades at 11.3 times forward earnings compared to 20.7 times for the MSCI ACWI Growth Index, a gap that places it in the 85th percentile of historical observations.

Dodge & Cox's persistent and patient valuation-based approach contributed to the Fund's outperformance this year. The Fund had a positive return for the fourth quarter, outperforming the MSCI ACWI. For the full year, the Fund had a negative return, but declined significantly less than the MSCI ACWI. The Fund's overweight in value sectors, such as energy and financials, as well as its underweight in information technology and other expensive parts of the market, all contributed to the Fund's outperformance.

Dodge & Cox believe the Fund is well positioned for the long term, based on the portfolio's attractive valuation and current exposures. The portfolio currently trades at 9.8 times forward earnings, well below the MSCI ACWI. The Fund continues to maintain key overweight in financials, healthcare, and communication services, and underweight in information technology, consumer staples, and consumer discretionary. Over the course of 2022, the Fund started 11 new positions and sold nine holdings. The largest trims by sector occurred in energy and healthcare, while the largest additions were in consumer discretionary and communication services.

Their long-term, active, value-oriented management style has allowed the firm to navigate many uncertain environments for over 90 years. They have found that periods of market uncertainty can provide attractive opportunities for investors with patience, discipline, and a long-term investment horizon.

## PORTFOLIO MANAGER'S COMMENT (continued)

### **Fourth quarter performance review – in USD**

The USD Accumulating Class outperformed the MSCI World by 4.9 percentage points during the quarter.

Key contributors to relative performance:

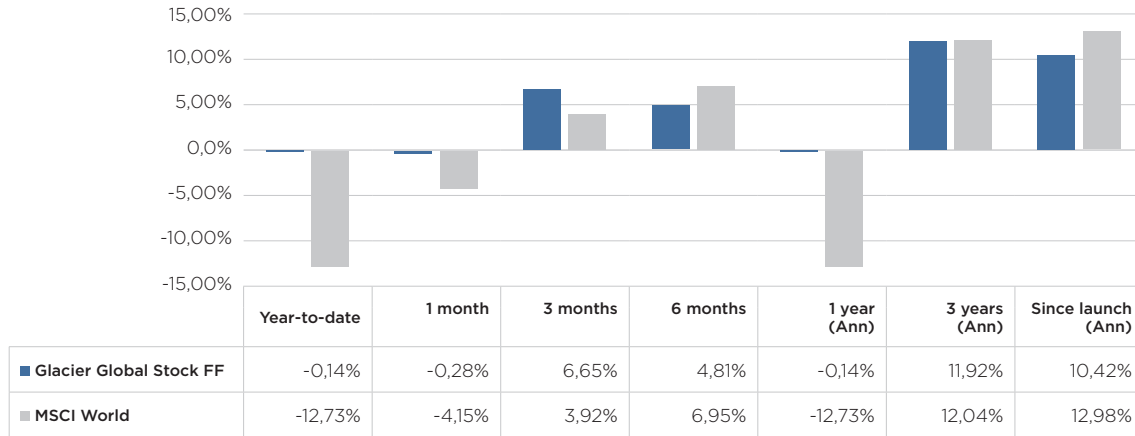
- Consumer discretionary holdings (up 15% compared to down 1% for the MSCI ACWI sector), particularly in Prosus and Amazon.
- Information technology holdings, due to positive stock selection and an underweight position in the sector.
- Overweight position in financials and selected holdings, notably BNP Paribas, Banco Santander, UBS Group, and Axis Bank.
- Positions in Sanofi, Anheuser-Busch InBev, General Electric, and Johnson Controls.

Key detractors from relative performance:

- Overweight position in communication services and select holdings, including Baidu.
- Energy Holdings, notably Occidental Petroleum.
- Position in XP.

## PORTFOLIO MANAGER'S COMMENT (continued)

### GLACIER GLOBAL STOCK FEEDER FUND PERFORMANCE (IN ZAR) AS AT 31 DECEMBER 2022



Source: Morningstar Direct & Glacier Research

### MSCI WORLD STYLE INDICES PERFORMANCES (IN ZAR) AS AT 31 DECEMBER 2022

	Year-to-date	1 month	3 months	6 months	1 year
MSCI World Growth	-24,53%	-6,01%	-0,86%	3,27%	-24,53%
MSCI World Quality	-17,06%	-4,28%	4,30%	6,25%	-17,06%
MSCI World Value	-0,34%	-2,36%	8,62%	10,53%	-0,34%
MSCI World Momentum	-12,36%	-2,35%	6,96%	10,59%	-12,36%

Source: Morningstar Direct & Glacier Research

**GLACIER** AI FLEXIBLE FUND OF FUNDS

## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022

	<b>2022</b> R'000	<b>2021</b> R'000
<b>ASSETS</b>		
<b>Investments</b>	<b>483 950</b>	<b>746 086</b>
Participatory Interest in Collective Investment Scheme - Local	311 487	528 589
Participatory Interest in Collective Investment Scheme - Foreign	172 463	217 497
Cash and cash equivalents	14 767	28 791
Accrued income and debtors	1 688	524 046
<b>Total assets</b>	<b>500 405</b>	<b>1 298 923</b>
<b>LIABILITIES (excluding net assets attributed to unit holders)</b>	<b>17 365</b>	<b>550 550</b>
Trade and other payables	64	517 270
Related parties payable	336	506
Distribution payable	16 965	32 774
<b>Net assets attributable to unit holders</b>	<b>483 040</b>	<b>748 373</b>

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	<b>2022</b> R'000	<b>2021</b> R'000
<b>Income</b>	<b>(87 159)</b>	<b>88 828</b>
Interest income	28 616	30 852
Dividend income	2 553	7 873
Other gains/(losses)	(118 328)	50 103
<b>Operating Expenses</b>	<b>(7 956)</b>	<b>(12 527)</b>
Service fees	(4 779)	(5 450)
Custodians, trustee and bank charges	(232)	(210)
Other	(2 945)	(6 867)
<b>(Loss)/Profit the year</b>	<b>(95 115)</b>	<b>76 301</b>
Distribution to unit holders	(20 879)	(32 877)
<b>Increase/(Decrease) in net assets attributable to unit holders</b>	<b>(115 994)</b>	<b>43 424</b>

## FEES AND FUND DISTRIBUTION

<b>Portfolio breakdown</b>	<b>2022/12/31</b>	<b>2021/12/31</b>
<b>Local</b>		
Local Equity	0,00%	42,40%
Local Property	0,00%	12,90%
Local Bonds	5,70%	6,50%
Local Cash	55,80%	8,20%
<b>International</b>		
International Equity	37,70%	28,10%
International Property	0,50%	1,00%
International Bonds	0,00%	0,50%
International Cash	0,30%	0,40%
<b>Distributions</b>	<b>Payment date</b>	<b>Local interest (cents per unit)</b>
<b>Declaration date</b> 30 June 2022 and 31 December 2022	1st working day of the following month	7.27 (June 2022) & 35.47 (December 2022)
<b>Annual fees (VAT incl.)</b> Class B	0,78%	0,78%

*The Glacier AI Flexible Fund of Funds utilises an artificial intelligence machine-learning investment engine that dynamically alters the fund's asset allocation in accordance with market movements.*

*The fund invests in a range of local & international equity and fixed income ETFs in accordance with maximum allowable limits set by regulation.*

*Capital growth is of primary importance and results in a higher allocation to equities. The portfolio may display capital fluctuations over the shorter term, however, volatility levels should be lower than a pure equity fund.*

*The management of investments are outsourced to Sanlam Investment Management (Pty) Ltd, FSP 579, an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act, 2002.*

Glacier Management Company (RF) (Pty) Ltd is a registered and approved Manager in Collective Investment Schemes

# PORTFOLIO MANAGER'S COMMENT

## Market overview

During the fourth quarter of 2022, the South African equity market experienced significant growth, with the FTSE/JSE All-Share index reporting a return of 15.16%. Large-cap stocks recorded the highest growth at 17.11%, followed by mid-cap stocks at 7.97% and small-cap stocks at 4.44%. The resource sector in South Africa outperformed, reporting a return of 16.14%, followed by SA industrials at 15.67% and financials at 11.94%. The South African listed property sector also recorded growth, with a return of 18.28%.

In an effort to control inflation, the South African Reserve Bank raised the repo rate by 75 basis points in November 2022, marking the seventh consecutive interest rate hike since November 2021. The repo rate stands at 7% and the prime lending rate of commercial banks is 10.5%. The SARB emphasised that inflation risks remain on the upside due to factors such as the impact of the Russia-Ukraine conflict on global food prices, vulnerabilities in the energy market, and potential increases in domestic wages. The South African rand appreciated by 6.29% against the US dollar but decreased by 1.58% against the pound and 2.34% against the euro during the fourth quarter of 2022.

The fixed income market also performed well in the fourth quarter, with SA bonds seeing gains. The ALBI reported a return of 5.68%, with the majority of gains experienced in the seven- to 12-year area at 6.30%, and the one- to three-year area at 3.69%. Cash (STeFI) returned 1.58% and inflation-linked bonds reported a return of 2.22%.

Globally, the equity market ended the year with positive growth in the fourth quarter, as Asian equities were boosted by China's relaxation of its zero-COVID policy and European equities also advanced. Despite central banks reiterating plans to tighten monetary policy, government bond prices decreased and yields increased towards the end of the quarter. Developed markets outperformed emerging markets, with the MSCI Developed World reporting a return of 3.92% (in ZAR) and the MSCI Emerging Markets reporting a return of 3.86% (in ZAR). Global bonds reported a loss of 1.02% (in ZAR) for the quarter.

## Fund performance

Over the fourth quarter of 2022, the Glacier AI Flexible Fund of Funds posted a return of +2.38%, underperforming the ASISA SA Multi-Asset Flexible category which returned +6.27%. For the trailing year ending 31 December 2022, the Fund had a total return of -11.92%, compared to 0% for the category average.

The Fund's underperformance was mainly as a result of its allocation to global equities and local bonds. In particular, the material exposure (i.e., 50% average weight) to local bonds detracted, as the NewFunds GOVI ETF was only up 3.11% for the quarter. On the equity side, a lack of exposure to local equities also detracted from performance as the FTSE/JSE All Share Index was up 15.16%.



## PORTFOLIO MANAGER'S COMMENT (continued)

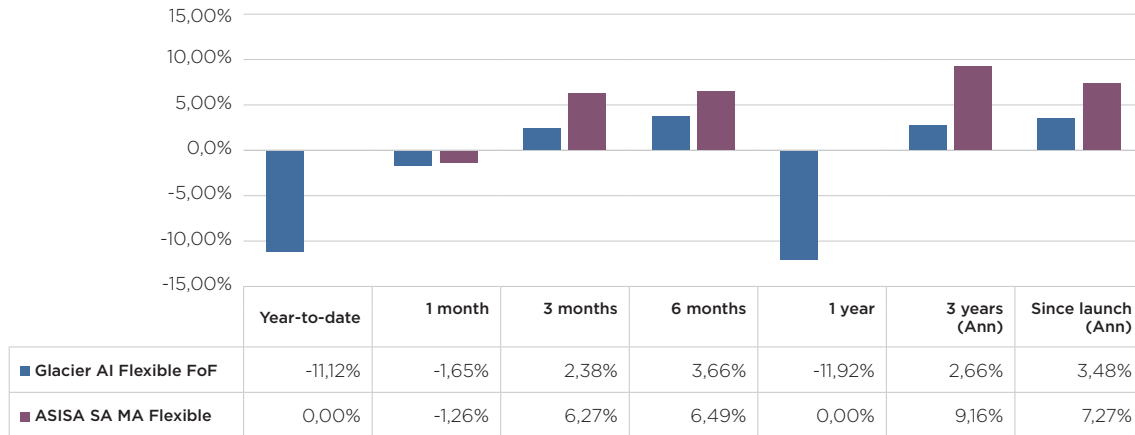
Property also recovered nicely as the Satrux Property ETF rose 15.86%. However, the Fund's lack of exposure to the asset class limited potential gains. Lack of exposure to SA industrials also muted the performance of the portfolio as SA industrials rose, delivering a return of 15.67%.

On the offshore front, exposure to UK equities (36% average weight over the quarter) was positive as the

iShares Core FTSE 100 ETF gained 9.20%, in rand terms, over the quarter, thanks to the dominance of energy and financials in the FTSE 100.

Towards the end of the quarter, the Fund took a position in the iShares NASDAQ ETF, finding some opportunity in growth stocks as the NASDAQ Index was still down 6.07% over the fourth quarter.

### GLACIER AI FLEXIBLE FOF PERFORMANCE AS AT 31 DECEMBER 2022



Source: Morningstar Direct & Glacier Research

**GLACIER** AI BALANCED FUND OF FUNDS

## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022

	<b>2022</b> R'000	<b>2021</b> R'000
<b>ASSETS</b>		
<b>Investments</b>	<b>52 270</b>	<b>49 989</b>
Bonds	31 958	19 723
Participatory Interest in Collective Investment Scheme - Local	-	14 532
Participatory Interest in Collective Investment Scheme - Foreign	20 312	15 734
Cash and cash equivalents	3 288	8 758
Accrued income and debtors	1 515	4 317
<b>Total assets</b>	<b>57 073</b>	<b>63 064</b>
<b>LIABILITIES (excluding net assets attributed to unit holders)</b>	<b>1 506</b>	<b>10 757</b>
Trade and other payables	10	10 493
Related parties payable	6	1
Distribution payable	1 490	263
<b>Net assets attributable to unit holders</b>	<b>55 567</b>	<b>52 307</b>

Glacier Management Company (RF) (Pty) Ltd is a registered and approved Manager in Collective Investment Schemes

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	<b>2022</b> R'000	<b>2021</b> R'000
<b>Income</b>	<b>(1 946)</b>	<b>1 596</b>
Interest income	2 893	169
Net fair value (losses)/gains on financial instruments	(4 948)	1 427
Other income	109	-
<b>Operating Expenses</b>	<b>(322)</b>	<b>(27)</b>
Service fees	(35)	(1)
Other	(287)	(26)
<b>(Loss)/Profit the year</b>	<b>(2 268)</b>	<b>1 569</b>
Distribution to unit holders	(2 913)	(263)
<b>Increase/(Decrease) in net assets attributable to unit holders</b>	<b>(5 181)</b>	<b>1 306</b>

## PORTFOLIO MANAGER'S COMMENT

### Market overview

Global financial markets recovered some of the losses from the year during the fourth quarter of 2022. During the quarter, buyers were attracted by cheaper asset valuations, falling fuel and food prices. Better sentiment emerged as the pace of the interest rate hikes slowed during December. Key central banks – the Bank of England, European Central Bank and the US Federal Reserve – raised rates by 50 basis points, down from 75 basis-point hikes in November. Some caution returned in December, relating to a possible global growth slowdown in 2023, a new COVID wave in China, the impact of the Ukraine-Russia war, and the stickiness of inflation in large economies. The MSCI World gained 3.92% (in ZAR), with the strengthening rand lowering returns (9.77% in USD). The MSCI Emerging Markets was up 3.86% (in ZAR). Global bonds were down 1.02% (in ZAR).

The South African Reserve Bank (SARB) matched the Federal Reserve's 75 basis-point rate hike in November. Despite continued loadshedding, local equities and bonds benefitted from positive investor sentiment, outperforming major global indices. The JSE All Share Index ended the fourth quarter, up 15.16%. Resources were the best-performing sector, returning 16.14%, followed by SA industrials (15.67%) and financials (11.94%). Property returned 18.28%. On the fixed income side, bonds returned 5.68%. Cash (STeFI) had the lowest return for the quarter, returning 1.58%.

### Fund performance

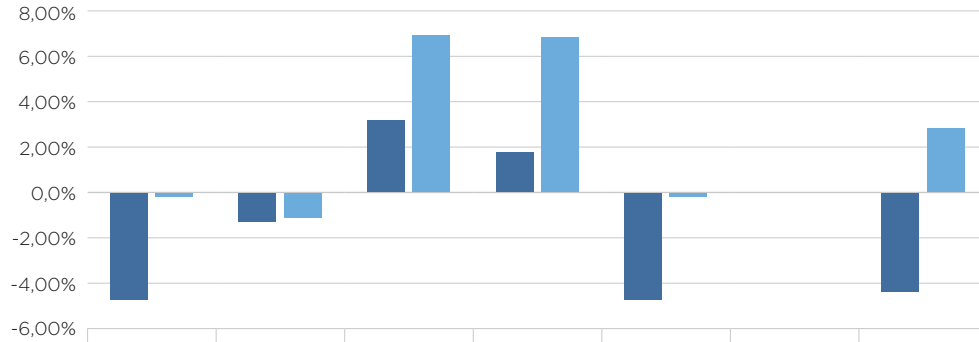
Over the fourth quarter, the Glacier AI Balanced Fund returned 3.14%, underperforming the ASISA SA Multi-Asset High Equity category average, which returned 6.91%. For the trailing year ending 31 December 2022, the Fund had a total return of -4.71%, compared to -0.17% for the category average.

The Fund's lack of SA equities contributed to relative underperformance compared to peers, as the ALSI returned 15.16% over the quarter. The majority of the Fund's holdings were in SA bonds, which hurt relative returns, as bonds underperformed equities for the quarter with the risk-on sentiment that emerged among investors. The Fund invested in the NASDAQ index at the end of November, which hurt returns, as the NASDAQ returned -8.91% during December. The overall strengthening of the rand during the quarter reduced the returns of the roughly 40% offshore allocation of the Fund. The reduced exposure to the MSCI World index during December helped returns, as the MSCI World index returned -4.15% for the month.

From an asset allocation perspective, at quarter-end, the Fund's exposure to SA equities was at 0%, decreasing from 5.61% at the end of the previous quarter. Exposure to local listed property also moved down to 0% from 3.08%. On the fixed income side, exposure to local bonds moved up from 48.32% to 57%. Within the global component, exposure to foreign market equities increased from 20% to 31.80%. Exposure to US inflation-linked government securities fell to 0% from 20%. The Fund had no exposure to offshore nominal bonds. A 5.3% position was added to developed market property during the quarter.

## PORTFOLIO MANAGER'S COMMENT (continued)

### GLACIER AI BALANCED FOF PERFORMANCE AS AT 31 DECEMBER 2022



	Year-to-date	1 month	3 months	6 months	1 year	3 years (Ann)	Since launch (Ann)
■ Glacier AI Balanced FF	-4,71%	-1,27%	3,14%	1,76%	-4,71%	-	-4,35%
■ ASISA SA MA High Equity	-0,17%	-1,08%	6,91%	6,80%	-0,17%	-	2,81%

Source: Morningstar Direct & Glacier Research

**GLACIER** FUND PERFORMANCE  
AND TER REPORT

## NAV TO NAV – LOCAL CURRENCY FROM 31/12/2021 TO 31/12/2022

<b>Fund Performance</b>	<b>1 year performance</b>	<b>Benchmark*</b>
Glacier Money Market – Class A	5,19%	5,21%
Glacier Money Market – Class B	5,30%	5,21%
Glacier Money Market – Class D	5,54%	5,21%
Glacier Global Stock Feeder Fund – Class B**	-0,14%	-12,73%
Glacier Global Stock Feeder Fund – Class B2***	0,03%	-12,73%
Glacier AI Flexible Fund of Funds – Class B****	-11,92%	12,32%
Glacier AI Balanced Fund – Class B*****	-4,71%	12,33%

\* *Benchmark*

*The benchmark for the Glacier Money Market Fund is the STeFi composite*

*The benchmark for the Glacier Global Stock Feeder Fund is the MSCI ACWI*

*The benchmark for the Glacier AI Flexible Fund of Funds is CPI+5% over a three-year rolling period*

*The benchmark for the Glacier AI Balanced Fund is CPI+5% over a three-year rolling period*

\*\* *The Glacier Global Stock Feeder Fund's inception date is February 2017.*

\*\*\*\* *The Glacier AI Flexible Fund of Fund's inception date is 3 September 2018.*

\*\*\*\*\* *The Glacier AI Balanced Fund's inception date is February 2021.*

*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 2022

	%
Glacier Money Market - Class A	0,58%
Glacier Money Market - Class B	0,47%
Glacier Money Market - Class D	0,24%
Glacier Global Stock Feeder Fund - Class B	1,05%
Glacier Global Stock Feeder Fund - Class B2	0,88%
Glacier AI Flexible Fund of Funds - Class B	0,86%
Glacier AI Balanced Fund - Class B	1,09%

\* 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.

## CONTACT DETAILS

The full annual financial statements are available to all investors.

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