**Fund Objective**

The Satrix Balanced Index Fund is Regulation 28 compliant and offers diversified exposure to all the key local and international asset classes. The Fund tracks a composite index benchmark, with a long term strategic asset allocation, rebalanced on a bi-annual basis in March and September.

**Fund Strategy**

The composite benchmark of the fund comprises the following asset class building blocks:

**Asset class Index exposures**

- **Smart SA equity core (55%)**
- **SA bonds (8%)**
- **SA property (6%)**
- **SA inflation-linked bonds (6%)**
- **SA cash (5%)**
- **International equities (15%)**
- **International bonds (5%)**

The asset composition of the index aims to target a CPI+5.5% return over the long term.

**Why choose this fund?**

- The Smart SA Equity Core reflects the equity characteristics we feel are most significant.
- The strength in combining portfolios of these different characteristics is that they perform predictably and reliably with one another providing a smoother and diversified performance experience.
- The international portion of the fund (20%) provides some rand-hedge protection.
- You gain access to a fund that aims to grow capital steadily, while providing income over the medium to longer term.
- The high equity exposure gives you material exposure to an asset class that, though more volatile than others, usually delivers superior performance in the long term.

**Fund Information**

- **ASISA Fund Classification**: SA - Multi-Asset - High Equity
- **Category Benchmark**: SA - Multi-Asset - High Equity - Median
- **Risk profile**: Moderate Aggressive
- **Benchmark**: Proprietary Satrix Balanced Index
- **Portfolio launch date**: Oct 2013
- **Fee class launch date**: Oct 2013
- **Minimum investment**: Manual: Lump sum: R10 000 Monthly: R500 SatrixNOW.co.za: No minimum
- **Portfolio size**: R3 136.4 million
- **Last two distributions**: 30 Jun 2017: 16.49 cents per unit 31 Dec 2017: 16.92 cents per unit
- **Income decl. dates**: 30 June & 31 Dec
- **Income price dates**: 1st working day in July & January
- **Valuation time of fund**: 17:00
- **Transaction cut off time**: Manual: 15:00 SatrixNOW.co.za: 13:30
- **Daily price information**: Local newspaper and www.satrix.co.za
- **Repurchase period**: 3 working days

**Fees (incl. VAT)**

<table>
<thead>
<tr>
<th>Retail Class (%)</th>
<th>Manager initial fee</th>
<th>Manager annual fee</th>
<th>Total Expense Ratio (TER)</th>
<th>Transaction Cost (TC)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.40</td>
<td>0.26</td>
</tr>
</tbody>
</table>

**Advice fee** | Any advice fee is negotiable between the client and their financial advisor. An annual advice fee negotiated is paid via a repurchase of units from the investor. Where this fund invests into other unit trusts, it does so into zero fee classes except for offshore equity (0.30%) and offshore bonds (0.12%).

**Total Expense Ratio (TER)** | The TER is the charges incurred by the portfolio, for the payment of services rendered in the administration of the CIS. The TER is expressed as a percentage of the daily NAV of the CIS and calculated over a period of 1 year. The TER is calculated since inception from 01 April 2017 to 31 March 2018. A higher TER does not imply a poor return nor does a low TER imply a good return.

**The Transaction Cost (TC)** | The cost incurred by the portfolio in the buying and selling of underlying assets. This is expressed as a percentage of the daily NAV of the CIS and calculated over a period of 1 year. Obtain the costs of an investment prior to investing by using the EAC calculator provided at www.satrix.co.za

**Top 10 Holdings**

<table>
<thead>
<tr>
<th>Securities</th>
<th>% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Naspers -N-</td>
<td>6.16</td>
</tr>
<tr>
<td>Stanbank</td>
<td>3.86</td>
</tr>
<tr>
<td>FirstRand / RMBH</td>
<td>2.91</td>
</tr>
<tr>
<td>Mr Price Group Limited</td>
<td>2.43</td>
</tr>
<tr>
<td>Sanlam</td>
<td>2.34</td>
</tr>
<tr>
<td>Clicks Group Ltd</td>
<td>1.99</td>
</tr>
<tr>
<td>Capitec</td>
<td>1.89</td>
</tr>
<tr>
<td>Woolies</td>
<td>1.82</td>
</tr>
<tr>
<td>Tiger Brands</td>
<td>1.76</td>
</tr>
<tr>
<td>JSE</td>
<td>1.67</td>
</tr>
</tbody>
</table>

**Performance (Annualised) as at 30 Apr 2018 on a rolling monthly basis**

<table>
<thead>
<tr>
<th>Retail Class (%)</th>
<th>Fund (%)</th>
<th>Benchmark (%)</th>
<th>Cat. Performance (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>12.62</td>
<td>13.78</td>
<td>5.24</td>
</tr>
<tr>
<td>3 year</td>
<td>5.81</td>
<td>6.94</td>
<td>3.80</td>
</tr>
<tr>
<td>5 year</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Since inception</td>
<td>8.65</td>
<td>9.94</td>
<td>6.66</td>
</tr>
</tbody>
</table>

Annualized return is the weighted average compound growth rate over the period measured.

**Performance (Cumulative) as at 30 Apr 2018 on a rolling monthly basis**

<table>
<thead>
<tr>
<th>Retail Class (%)</th>
<th>Fund (%)</th>
<th>Benchmark (%)</th>
<th>Cat. Performance (%)</th>
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</thead>
<tbody>
<tr>
<td>1 year</td>
<td>12.62</td>
<td>13.78</td>
<td>5.24</td>
</tr>
<tr>
<td>3 year</td>
<td>18.47</td>
<td>22.31</td>
<td>11.84</td>
</tr>
<tr>
<td>5 year</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Since inception</td>
<td>45.28</td>
<td>53.20</td>
<td>33.64</td>
</tr>
</tbody>
</table>

Cumulative return is aggregate return of the portfolio for a specified period.

**Highest and lowest annual returns**

- **Highest Annual %**: 15.99
- **Lowest Annual %**: 2.44
Global and local market review

Global equity markets declined in Q1 2018 with investorsunnerved first by concerns about the path of US interest rate rises and then worries over trade. US equities began the year strongly, buoyed by ongoing strength in economic data, robust earnings and the confirmation of a major tax reform package. US business confidence reached an unexpected, multi-decade high in March, while GDP for Q4 2017 was revised upwards to show growth of 2.9%. The latter part of the quarter, however, saw a marked increase in volatility as investors first digested the destabilising potential of an elevated US inflation reading and the possibility that the Fed may need to become more proactive in raising interest rates, as well as escalating US-China trade sanctions, which precipitated a renewed bout of turbulence in March.

In the Eurozone, the economic backdrop remained encouraging over the three months. GDP growth for Q4 2017 was confirmed at 0.6% quarter-on-quarter. Unemployment was stable at 8.6% in January 2018. However, forward-looking surveys painted a picture of slower future growth. The composite PMI hit a 14-month low in March, albeit the reading of 55.3 still implies solid growth. European Central Bank chairman Mario Draghi reiterated that interest rates would not rise until well past the end of the quantitative easing programme. European Central Bank chairman Mario Draghi reiterated that interest rates would not rise until well past the end of the quantitative easing programme. On the political front, the key event of the quarter was Italy’s election, which yielded no overall winner. Germany formed a new government after its inconclusive elections in September 2017. Angela Merkel remains as chancellor after her centre-right CDU/CSU agreed another grand coalition with the centre-left SPD.

Emerging markets saw positive returns in the first quarter despite a rise in market volatility stemming from tensions over global trade. Brazil’s former president Luiz Inácio Lula da Silva saw his criminal conviction upheld, while in Russia the central bank cut interest rates and the country’s debt was upgraded to investment grade by ratings agency S&P. In China, macroeconomic data remained broadly stable, albeit there were ongoing signs of a gradual slowing in momentum, with official PMI easing to 50.3. By contrast, there was concern in India over reported fraud at a state-owned bank.

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implementation and extraction of the factor.

Quality: After a stellar 2017, the S&P Quality South Africa Index experienced another strong quarter as investors continue to favour stocks with defensive characteristics. Despite largely pro-cyclical domestic sentiment (e.g. leadership optimism, declining risk of credit rating downgrade, improving inflation outlook), global macro concerns have instead dominated mindshare and subsequently weighed on the local share market.

This environment continued to suit companies with strong balance sheets, clean earnings and high return to equity, as represented in our Quality basket. Furthermore, based on our analysis, the valuation gap between Quality and the market is still not pricing in the substantial historic premiums of a Quality strategy, and thus still presents value to investors who seek the strategy’s diversification benefits within this factor portfolio construct.

In terms of stock selection, the largest relative outperformance over the quarter came from the overweight positions such as Mr Price (MRP), Truworths (TRU), Standard Bank (SBK) and Clicks (CLS), as well as underweight positions such as Naspers (NPN), Resilient (RES) and NEPI Rockcastle (NRP). By not holding these stocks, the fund accreted substantial value relative to the Swix. On the other hand, the largest two detractors in Value came from overweight positions in Capitec (CPI) and Tiger Brands (TBS), as a speculative report from Viceroy and an outbreak of listeriosis respectively weighed on these counters. Other overweight detractors included Exxaro (EXX) and Kumba Iron Ore (KIO). There were no constituent changes to the S&P Quality South Africa Index over the prior quarter, as this index rebalances in June and December each year.

Stable Dividend: After a fantastic performance during the 2016 calendar year, Value measures have experienced a disparate 2017 and start to 2018. The divergence between deep value measures (e.g. price-to-book) and yield measures (e.g. dividend yield) has been substantial, with the former struggling, and the latter continuing to perform well as investors seek defensive qualities during a period of high levels of uncertainty and flight to safety.

The impact of the news in December regarding the accounting irregularity at Steinhoff still has investors on edge, with further speculation surrounding Capitec and technology shares continuing to weigh on market sentiment. Further to these stock-specific issues, global forward macro momentum has slowed, which has largely favoured defensive shares with high dividend yields, in particular domestic-orientated shares, of which the Stable Dividend strategy has significant exposure to.

During Q1 2018, overweight exposure to Foschini (TFG), Mr Price (MRP), Truworths (TRU), AECI (AFE) and JSE played a strong positive role here, while an underweight position in Naspers (NPN) also added excess return. Holdings in Exxaro (EXX) and African Rainbow Minerals (ARI) detracted from the index’s relative performance.

There were many changes to the Satrix Stable Dividend strategy during the prior quarter, including 13 counters coming into the index, and 10 counters leaving the index.

In Closing

Volatility has once again become the dominant factor in financial markets globally, exemplified by the VIX fear index experiencing its biggest daily spike in history during the quarter. There are growing concerns that global businesses may be subject to new regulation and be the target of tariffs if a US-China trade war escalates. Political risk is dominating fundamentals and we now have progressed into a new era where central banks are not the backstop supporting financial markets.

In South Africa, the sentiment pendulum has swung from pessimism to optimism with the new political administration driving business and consumer confidence higher with expectations of a solid economic recovery being discounted. Either way, economic mood swings tend to be exaggerated. Also, the expectation that President Ramaphosa will, in one fell swoop, reverse years of maladministration and corruption are unrealistic.
Risk Profile (Moderate)

This is a medium-risk portfolio that aims to deliver income and capital growth over the medium term. This portfolio is designed to minimise volatility and aims to cultivate as smooth a ride as possible. There is some exposure to risky asset classes (such as equities) necessary to grow capital over the medium to long term. This portfolio has a medium to long-term investment horizon. The portfolio is diversified across all major asset classes with an average exposure to equities, and offers real (after inflation) returns but with lower volatility.

Additional Information

Although all reasonable steps have been taken to ensure the information on this website/advertisement/brochure 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 highest and lowest annualised performance numbers are based on 10 non-overlapping one year periods or the number of non-overlapping one year periods from inception where performance history does not yet exist for 10 years.

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 from the Manager, Satrix Managers (RF) (Pty) Ltd, a registered and approved Manager in Collective Investment Schemes in Securities. Additionally, information of the proposed investment, including brochures, application forms and annual or quarterly reports, can be obtained 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 reinvested dividends on the ex-div date. Lump sum investment performances are quoted. The portfolio may invest in other unit trust portfolios which 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 ("CISCAct"). The fund may from time to time invest in foreign instruments which could be accompanied by additional risks as well as potential limitations on the availability of market information. The Manager has the right to close any portfolios to new investors to manage them more efficiently in accordance with their mandates. The portfolio management of all the portfolios is outsourced to financial services providers authorized in terms of the Financial Advisory and Intermediary Services Act, 2002. Standard Chartered Bank is the appointed trustee of the Satrix Managers Scheme.

Trustee Information

Standard Chartered Bank
Tel no.: 011 217 6600, E-mail: zatrix trustee.securities@sc.com

Glossary of Terms

Collective investment scheme (CIS)
A collective investment scheme (or unit trust) comprises a pool of assets such as equities, bonds, cash and listed property, which are managed by an investment manager and is governed by the Collective Investment Schemes Control Act No 45 of 2002. Each investor has a proportional stake in the CIS portfolio based on how much money he or she contributed. The word "unit" refers to the portion or part of the CIS portfolio that is owned by the investor. The "trust" is the financial instrument that is created in order to manage the investment. The trust enables financial experts to invest the money on behalf of the CIS investor.

Composite benchmark
Multi-asset class funds offer exposure to various asset classes including cash, equity, bonds and property both locally and internationally. In a passively managed multi-asset class fund each underlying asset class is managed to deliver the return of its respective index. For example, in the SATRIX Balanced Index Fund the property exposure is managed to deliver the performance of the FTSE/JSE SA Listed Property Index (\#225). The composite index simply combines the underlying indices, each adhering to a specified weight.

Linked Investment Service Provider (LISP)
A Linked Investment Service Provider is a fraternal institution which packages, distributes and administers a broad range of unit trust based investments. Any investment made through these products gives an investor a single point of entry into a selection of different investments.

Index
An index is a unique grouping of shares, selected according to a pre-defined methodology e.g. largest market capitalisation or highest dividend yield. An index can be constructed to represent the overall market, a specific sector or a theme. The index performance can be used as a benchmark against which to compare active fund performances. A well-constructed index should be transparent, replicable and investable.

Long Term strategic asset allocation
The long term strategic asset allocation is the target allocations for the various asset classes within the composite benchmark. The composite is rebalanced back to the strategic asset allocation biannually (March and September). The strategic asset allocation of the SATRIX Balanced Index Fund aims to return CPI+5.5%pa, over the long term.

Rand-hedge protection
A Rand-hedge is a way of maximising returns on your investment in rand terms, through an offshore investment. The rand value of your investment increases if the currency declines (when the rand depreciates, the rand value of your offshore investment appreciates).

Smart beta
Before we can explain smart beta, we need to define the investment terms beta and alpha. Simply put, beta is the return you as an investor receive simply by being invested in the market. For example, the return you receive by investing in the FTSE/JSE All Share index is a beta return. If you employ an active fund manager (one who studies companies and chooses a basket of shares for you) who gives you a return which is different to that of the market (either positive of negative), this under- or outperformance of the market is called alpha. Alpha = Fund performance - market performance (beta)

Smart beta funds attempt to capture excess returns in a systematic way. The idea is to deliver a better return while taking on less risk than the JSE All Share index. The result of weighting stocks differently to the JSE is that you have a fund which differs from the JSE in terms of: (a) individual stock exposure (b) sector exposure (e.g. resources, financials and industrials), and (c) factor exposure (e.g. foreign, size, yield and market sensitivity)

Total Expense Ratio (TER)
This is the total costs associated with managing and operating an investment (excluding administration, financial planning and servicing fees). These costs consist primarily of management fees and additional expenses such as trading fees, legal fees, auditor fees and other operational expenses. The total cost of the fund is divided by the fund's total assets under management to arrive at a percentage amount, which represents the TER.

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

Tax Free Unit Trust
This Fund qualifies as a tax free investment according to section 12T of the Income Tax Act, with effect from 1 March 2015. This means that South African individuals qualify for the associated tax benefits namely no tax on dividends, income or capital gains whilst still enjoying all the benefits of a unit trust. Note contributions to tax free investments are limited to R33 000 per tax year, with a lifetime limit of R50 000. Amounts invested in excess of these permissible thresholds are taxable.