The strength in combining portfolios of these different characteristics is that 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.

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

- **Asset class Index exposures**
  - Smart SA equity core (49%)
  - SA bonds (10%)
  - SA property (8%)
  - SA inflation-linked bonds (6%)
  - SA cash (2%)
  - International equities (21%)
  - International bonds (4%)
  - SatrixSmartCore™
  - FTSE/JSE SA Listed Property Index
  - JSE All Bond Index
  - SAP SA Sovereign Inflation-Linked Bond Index
  - STeFI Composite
  - MSCI All Country World Index (ACWI)
  - Bloomberg Barclays Global Aggregate

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 I Monthly: R500
- **Portfolio size**: R3 447.2 million
- **Last two distributions**: 31 Dec 2017: 16.92 cents per unit
  - 30 Jun 2018: 22.13 cents per unit
- **Income decl. dates**: 30 June I 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>Fees</th>
<th>Retail Class (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advice initial fee (max.)</td>
<td>N/A</td>
</tr>
<tr>
<td>Manager initial fee</td>
<td>N/A</td>
</tr>
<tr>
<td>Advice annual fee (max.)</td>
<td>1.15</td>
</tr>
<tr>
<td>Manager annual fee</td>
<td>0.40</td>
</tr>
<tr>
<td>Total Expense Ratio (TER)</td>
<td>0.58</td>
</tr>
<tr>
<td>Transaction Cost (TC)</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%).

**Top 10 Holdings**

<table>
<thead>
<tr>
<th>Security</th>
<th>% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>FirstRand / RMBH</td>
<td>5.18</td>
</tr>
<tr>
<td>Vodacom</td>
<td>3.24</td>
</tr>
<tr>
<td>Mondi</td>
<td>3.10</td>
</tr>
<tr>
<td>Nedbank</td>
<td>3.06</td>
</tr>
<tr>
<td>Truworths</td>
<td>2.90</td>
</tr>
<tr>
<td>Clicks Group Ltd</td>
<td>2.78</td>
</tr>
<tr>
<td>Anglo</td>
<td>2.59</td>
</tr>
<tr>
<td>Naspers -N-</td>
<td>2.39</td>
</tr>
<tr>
<td>AngloPlat</td>
<td>2.36</td>
</tr>
<tr>
<td>GrowthPoint</td>
<td>2.34</td>
</tr>
</tbody>
</table>

Top 10 Holdings as at 30 Sep 2018

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

<table>
<thead>
<tr>
<th>Retail Class</th>
<th>Fund (%)</th>
<th>Benchmark (%)</th>
<th>Category (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>5.75</td>
<td>6.82</td>
<td>5.99</td>
</tr>
<tr>
<td>3 year</td>
<td>7.10</td>
<td>8.14</td>
<td>6.25</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>7.40</td>
<td>8.68</td>
<td>6.90</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Retail Class</th>
<th>Fund (%)</th>
<th>Benchmark (%)</th>
<th>Category (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>5.75</td>
<td>6.82</td>
<td>5.99</td>
</tr>
<tr>
<td>3 year</td>
<td>22.86</td>
<td>26.47</td>
<td>19.95</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>42.07</td>
<td>50.57</td>
<td>38.84</td>
</tr>
</tbody>
</table>

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

**Actual highest and lowest annual returns**

| Highest Annual % | 8.32 |
| Lowest Annual % | 5.63 |
and China responded with tariffs on $110 billion of US goods. Turkey was the weakest index market amid a sharp sell-off in the Lira. South Africa also underperformed. The market is vulnerable to global liquidity tightening given the economy’s twin deficits, and Q2 2018 GDP growth disappointed, slowing to 0.4% year-on-year. SA Resources and SA Financials outperformed in Q3 2018 with total returns of 5.2% and 2.8% respectively, while the SA Industrial sector was the drag on the index, shedding 7.8% over the same period.

Core government bond yields rose over the quarter due to positive economic data, particularly from the US. This outweighed a bout of safe-haven demand in August caused by concerns related to emerging market instability, trade and political issues in Europe. The Fed implemented its third rate hike this year, removing references to ‘accommodative’ policy and striking an optimistic tone. In commodities, the S&P GSCI Spot Index posted a marginally negative return in Q3 2018 with US Dollar strength weighing on prices. Industrial metals were weaker on global trade uncertainty. Copper was down 5.5%, while nickel (-15.6%) and lead (-15.9%) registered steeper declines. Precious metals were also weaker, with silver and gold down 8.9% and 4.4% respectively. By contrast, the energy segment posted a positive return as spot prices for Brent crude gained 5.5% and natural gas was up 2.9%.

**Momentum:** Global trade uncertainties and other geopolitical risks once again weighed heavily on investor minds over the prior quarter. This result in rotation between the Momentum/Growth and Value strategies during Q3 2018 as the slope of the yield curve gyrated. Short interest in the Price Momentum strategy globally has stabilised near historical averages, suggesting it is not as crowded anymore. The Momentum strategy’s macro risk has also declined recently, and it has become more defensive to credit risk. Additionally, the performance of the Price Momentum strategy started to diverge from the Growth strategy as they become much less correlated.

In South Africa, both the Price Momentum and Elections Momentum strategies have endured a tough quarter. With broad equity indices down in absolute terms over the period, these cyclical strategies are expected to experience some underperformance. Whereas previous quarters saw Elections Momentum (a sub-component of Headline Momentum) and Price Momentum exhibit divergent performances, during Q3 2018 we saw synchronised underperformance, as investors eschewed growth-oriented styles. Typically, however, the Elections Revisions strategy encompasses a more defensive component, and we expect Elections Momentum to fulfil its role going forward in our overall Momentum strategy.

We remain convinced of the factor’s medium-term to long-term significance and the premium it offers in the South African capital market and remain disciplined in our implementation and extraction of the factor.

**Quality:** Globally, Quality strategies have been bid up and valuation spreads have widened significantly this year. In Europe, this was driven by weaker economic data and rising geopolitical risks, whereas in the US, despite the strength in the US economy, valuation spreads for Quality have also widened reflecting perhaps uncertainties around changes in the US trading policies and the potential impact that this might have.

Domestically, the risk-off environment provided fertile ground for Quality factors. In particular, Return on Equity (ROE) continued to experience strong signal strength year to date as investors favour stocks with defensive characteristics. Macro concerns continue to weigh on risk appetites, which have compelled investors to seek companies that return high profits despite macro headwinds. As opposed to Q2 2018 where this signal was overwhelmed by stock-specific and currency impact, the Quality signal was successfully extracted into the portfolio producing healthy excess returns over the period by the strategy.

The index and portfolio remain focused in its extraction of Quality and should markets give way to further risk aversion, the defensive character of the basket should prove rewarding while not meaningfully compromising returns during up markets.

**Value:** We identify a clear reversion in Value/Momentum performance during the quarter in both Europe and the US and we attribute this change of behaviour to movements in the US yield curve and political instability in Europe. This resulted in rotation between Momentum/Growth and Value during the quarter as the slope of the yield curve gyrated. The yield curve slope remains the key driver for Value movements in the US yield curve and political instability in Europe. This resulted in rotation between Momentum/Growth and Value during the quarter as the slope of the yield curve gyrated. The yield curve slope remains the key driver for Value
deepen, we may see a shift towards more defensive Value or Quality strategies. Dividend Yield (a strategy which focuses on high dividend-paying stocks) in particular experienced a corker of a quarter, as the environment was primed for stocks which provided more defensive type of Value. There were no changes to the Satrix Stable Dividend Index over the prior quarter.

In Closing

South Africa remains on a low-growth path. The aftershocks of State Capture and policy uncertainty persist, constraining confidence and investment. Structural economic reforms remain slow in coming, though the finalisation of the Mining Charter before the end of the year marks an important milestone. South Africa needs growth in order to arrest further fiscal, socio-economic and credit ratings decline. Moody’s review of the sovereign’s ratings around middle October is unlikely to deliver any surprises (no change to its stable outlook or its Baa3 rating), though we think there is a chance the review could be delayed until after the 24 October medium-term budget. Although local factors have weighed on the Rand, i.e. Ramaphoria sentiment souring, risks of a Moody’s downgrade, uncertainty surrounding the Mining Charter and land expropriation without compensation, much of the weakness in the Rand has been driven by external developments - a stronger US Dollar, weaker commodity prices, tighter monetary policy from the Fed, contracting global Dollar liquidity and lately, emerging market contagion risks from Turkey and Argentina.

Portfolio Manager(s)

The Satrix Investment Team

Management of Investments

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.
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 minimize 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 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/unit trusts may go down as well as up. A schedule of fees and charges and maximum commissions is available from the Manager, Sanlam Managers (RF) (Pty) Ltd, a registered and approved Manager in Collective Investment Schemes in Securities. Additional 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 income reinvestments done 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 ("CISCA"). 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: zatrustee.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 (J253). 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 financial 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 improves).

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 weighing 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. 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 R500 000. Amounts invested in excess of these permissible thresholds are taxable.

Manager Information: Satrix Managers (RF) Pty Ltd (Reg. No. 2004/009205/07). 4th Floor, Building 2, 11 Alice Lane, Sandown, 2146.