

Fund Objective

To provide investors with income and capital growth in the medium to long term by tracking the S&P South Africa Quality Index as closely as possible.

Fund Strategy

We believe that the benchmark choice and resulting returns form the most important elements of an equity strategy - by investing in a passive vehicle the returns to investment strategies are known. By applying a full replication strategy, the fund will mirror the composition of the chosen benchmark.

Why choose this fund?

- The S&P SA Quality Index, which the fund tracks, can have very dissimilar performance relative to broader market indices like the FTSE/JSE ALSI or -SWIX. This makes the fund a good diversifying equity bet.
- Over the medium to long term the S&P SA Quality Index provides a superior relative return experience to that of the broader market.
- While the index exhibits a better absolute drawdown experience, the time to recovery (post a volatile market) is also far quicker.
- The S&P SA Quality Index may underperform the broader market in a protracted and trending bull market.
- The addition of the S&P SA Quality Index to a portfolio of smart beta funds tracking factors like Momentum, Value and Size adds to the diversification benefit of the overall portfolio.

Fund Information

ASISA Fund Classification	SA - Equity - General
Risk profile	Aggressive
Benchmark	S&P SA Quality Index
Portfolio launch date	Aug 2015
Fee class launch date	Aug 2015
Minimum investment	Manual: Lump sum: R10 000 Monthly: R500 SatrixNOW.co.za: No minimum
Portfolio size	R557.5 million
Last two distributions	30 Jun 2019: 24.11 cents per unit 31 Dec 2018: 13.74 cents per unit
Income decl. dates	30 Jun 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	www.satrix.co.za
Repurchase period	T+3

Fees (Incl. VAT)

	Retail Class (%)
Advice initial fee (max.)	N/A
Manager initial fee	N/A
Advice annual fee (max.)	1.15
Manager annual fee	0.69
Total Expense Ratio (TER)	0.75
Transaction Cost (TC)	0.37

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. The portfolio manager may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. This fund is also available via certain LISPS (Linked Investment Service Providers), which levy their own fees.

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 from 01 October 2018 to 30 September 2019. A higher TER does not imply a poor return nor does a low TER imply a good return.

The Transaction Cost (TC) is 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

Securities	% of Portfolio
Clicks Group Ltd	9.66
Old Mutual Limited	9.57
Stanbank	9.43
Woolies	7.90
AngloPlat	7.84
Mr Price Group Limited	7.78
FirstRand / RMBH	6.77
Naspers -N-	6.73
Tiger Brands	5.45
Quilter PLC	4.65

Top 10 Holdings as at 31 Oct 2019

Performance (Annualised) as at 31 Oct 2019 on a rolling monthly basis

Retail Class	Fund (%)	Benchmark (%)
1 year	3.59	4.80
3 year	7.73	9.05
5 year	N/A	N/A
Since inception	4.33	5.61

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

Performance (Cumulative) as at 31 Oct 2019 on a rolling monthly basis

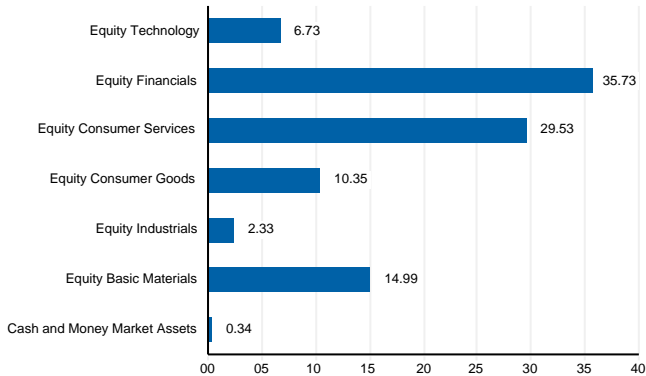
Retail Class	Fund (%)	Benchmark (%)
1 year	3.59	4.80
3 year	25.01	29.66
5 year	N/A	N/A
Since inception	19.32	25.53

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

Actual highest and lowest annual returns*

Highest Annual %	13.89
Lowest Annual %	(5.79)

Asset Allocation



Portfolio Manager(s) Quarterly Comment - 30 Sep 2019

Market comments

In the third quarter of 2019, the MSCI Emerging Markets (EM) EMEA Index (Europe, Middle East and Africa, including South Africa) fell 7.02%, which was a worse performance than that of the MSCI EM Index, which posted a negative return of 4.25%, and far behind the MSCI World Index's return of 0.53%. Year to date, the picture does not change much with the MSCI EMEA at 5.13%, relative to the MSCI EM return of 5.89% and way behind the 17.61% for the MSCI World.

The US Federal Reserve and the European Central Bank (ECB) both eased policies to offset signs of weaker global growth. The US economy has weakened but is not in a recession mainly due to fiscal support offsetting the adverse impact of the trade war. The inversion of the US yield curve is perceived as tolling the bell for a near-term global recession whilst ECB President Mario Draghi also added to the call for fiscal easing.

Adding to that, commodity prices took a dive with key iron ore benchmark prices plunging some 20% in a matter of weeks and the key industrial metal, copper, hitting two-year lows. The key global manufacturing indices have also dived and are at five-year lows - but was at least stable over the last two months.

In the UK, Eurosceptic Boris Johnson has become the prime minister after being elected as leader of the Tories. There appears a greater likelihood of a no-deal Brexit or, at the very least, yet another postponement of the October decision deadline. The market has discounted this in large part with a weaker Sterling. As business decisions get postponed, the UK could dip into a technical recession.

In **South Africa** the SA Reserve Bank held the policy rate unchanged at 6.5% at its September meeting, but their statement was more dovish than in July when it did cut. For the second quarter, GDP was 3.1% quarter-on-quarter, above the consensus of 2.4% and reversing the first three months' contraction. SA headline CPI accelerated from 4% in January to 4.5% in March and then settled around 4.3% in August 2019. Forward rate agreements are now pricing in a 25-basis point rate cut in the next six months.

From an SA asset allocation perspective, cash (STeFI +1.8%) outperformed SA Bonds (ALBI +0.8%) and the FTSE/JSE All Share Index returned a negative 4.2% (Capped SWIX -5.1%) in the third quarter of 2019. In Dollars, the MSCI SA (-12.60%) continued to underperform the MSCI EM (-4.25%) mainly due to a weak Rand (-6.9%). SA equities and SA bonds saw outflows of \$5.7 billion and \$2.4 billion respectively year to date. Property, after stabilising somewhat over the first half of 2019, experienced a tough three months, losing about -4.4%.

On the corporate side the most important news was the Naspers spin-off of Prosus, which listed on 11 September 2019. Prosus is now the largest listed EU consumer internet company.

Portfolio performance, attribution and strategy

Globally, factor performance has continued the general trend for the year with Low Volatility and Momentum outperforming and Value underperforming up to the end of August. In September there was a significant rotation from Momentum, Quality and Low Volatility into Value, but this was short-lived and it does not seem like a structural shift in trends has occurred. It is interesting to note that historically there

has been no structural relationship between Value and Low Volatility, but in 2019 these two factors behaved like polar opposites, which was especially true from May onward, where Low Volatility generated strongly positive returns and Value significantly negative returns.

Domestically, Quality continues to experience profit-taking as profitability factors such as Return on Equity continue to underperform over the quarter, while Debt to Equity marginally offset the underperformance. Investors have been favouring more cyclical mining stocks, which are growing its margins off a low base, instead of more stable high-margin local companies. The tough local economic sentiment has contributed negatively to the Rand over the quarter, which had an impact on the relative performance of the fund over the quarter.

In terms of stock selection, the largest contributions to outperformance over the quarter came from overweight positions in Woolworths, Clicks and Anglo Platinum, while underweight positions in Sasol and Shoprite also added value. Detractors in relative performance came from overweight positions in Mr Price, Truworths, Kumba Iron Ore and Assore, as well as an underweight position in British American Tobacco.

There were no additions and deletions as the index only rebalances in June and December each year. Having said that, Naspers listed its internet assets in Amsterdam via Prosus (PRX), which the fund holds as a result of the corporate action.

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.

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 (Aggressive)

This is an aggressively managed, high-risk portfolio that aims to deliver capital growth over the long term (greater than 5 years). It is designed to track the benchmark and is a pure equity fund. There may be some capital volatility in the short term, although higher returns may be expected from five years or beyond.

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. 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 is 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.

Equities

Equities are shares that represent an institution's or individual's ownership in a listed company. These shares are also the "vehicle" through which they are able to "share" in the profits made by that company. As the company grows, and the expectation of improved profits increases, the market price of the share will increase which translates into a capital gain for the shareholder. Similarly, negative sentiment about the company will result in the share price falling. Shares / equities are usually considered to have the potential for the highest return of all the investment classes but also have the highest level of risk i.e. share investments have the most volatile returns over the short term. An investment in equities should be viewed with a 7 to 10 year horizon.

S&P SA Quality Index

The objective of the index is to capture the stock performance of high quality South African companies based on: their future profitability potential; the integrity of their earnings; financial robustness.

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.

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.

Market capitalisation (or market cap)

Market capitalisation (or market cap) is the total value of the issued shares of a publicly traded company; it is calculated by multiplying the current share price by the number of shares outstanding. This value is an indication of a company's size (or capitalisation).

Passive investment

Passive investment is a style of investing where a fund replicates the performance a particular market index. Passive investment vehicles include Exchange Traded Funds (ETF's) and index tracking unit trusts. They are so called because the portfolio manager doesn't choose the underlying portfolio. They simply replicate the index they have chosen to track.

Pure equity fund

A pure equity fund invests only in equities (also referred to as stocks or shares) and aims to achieve aggressive capital growth over the very long term. This type of fund will experience volatility in the short term.

Replication strategy

This fund employs a *full replication* strategy i.e. it replicates the index exactly by buying the same shares as those in the index in the same proportions, re-balancing whenever the index is rebalanced.

Tax Free Investing

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 subject to tax penalties.

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.