

SATRIX PROPERTY PORTFOLIO
AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Satrix Property Portfolio

Annual Financial Statements

for the year ended 31 December 2020

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Satrix Managers (RF) (Pty) Ltd
Building 2
4th Floor
11 Alice Lane
Sandton
Gauteng
2146

30 March 2021

Attention: **Rick Martin**

SATRIX Collective Investment Scheme – (the Scheme) Year end 31 December 2020

We, Standard Chartered Bank, Johannesburg Branch, in our capacity as trustee of the Scheme, are required in terms of Section 70(3) of the Collective Investments Scheme Control Act, 45 of 2002, as amended (the “**Act**”), to satisfy ourselves that every Statement of Financial Position, Statement of Comprehensive Income and other return prepared by the manager of the Scheme in terms of Section 90 of the Act (the “**Accounts**”) fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme administered by the manager of the Scheme.

We note that responsibility for the Accounts rests with the manager of the scheme in terms of the Act and that they have the obligation to ensure that the Accounts have been properly drawn up in accordance with both generally accepted accounting principles and the Act and that they fairly represent the financial position of each portfolio of the Scheme. Nothing in this report can be construed as us giving an accounting opinion in relation to the Accounts.

Based on our records, and the Accounts, we hereby report that nothing has come to our attention that would lead us to believe anything other than:

- (a) the fact that the Accounts fairly represent the assets and liabilities of every portfolio of the Scheme;
- (b) the fact that the Accounts fairly represent the income and distribution of income of every portfolio of the Scheme; and
- (c) the fact that the Manager has administered the scheme in accordance the provisions of the Act and the relevant deed.

Sincerely,

Chantell Kruger
Senior Manager, Trustee Services

Chantelle Gertenbach
Manager, Trustee Services

Standard Chartered Bank

Johannesburg Branch

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Satrix Property Portfolio

Directors' approval of the financial statements

for the year ended 31 December 2020

The directors of Satrix Managers (RF) Proprietary Limited ("the Manager") are ultimately responsible for the preparation and fair presentation of the financial statements of the Satrix Property Portfolio comprising the statement of financial position as at 31 December 2020, and the statement of comprehensive income, changes in net assets attributable to investors and statement of cash flows for the year then ended, and the notes to the financial statements, which includes a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and the requirements of the Collective Investment Schemes Control Act of South Africa.


The directors are also responsible for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Portfolio's ability to continue as a going concern and have no reason to believe the Portfolio will not be a going concern in the year ahead. The directors have as part of this assessment considered the impact of COVID-19 and considered any material uncertainties that may impact the Portfolio's ability to continue as a going concern.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented, in accordance with the applicable financial reporting framework.

Approval of annual financial statements

The annual financial statements of the Satrix Property Portfolio, as identified in the first paragraph, were approved by the directors of the Manager on 30 March 2021 and are signed on their behalf by:


Director
Director

Independent Auditor's Report

To the Manager and holders of securities in the SATRIX PROPERTY PORTFOLIO

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SATRIX PROPERTY PORTFOLIO set out on page 9 to 32 which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to investors and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the SATRIX PROPERTY PORTFOLIO as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Collective Investment Schemes Control Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the SATRIX PROPERTY PORTFOLIO in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the SATRIX PROPERTY PORTFOLIO and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the SATRIX PROPERTY PORTFOLIO and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International

Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other Information

The directors are responsible for the other information. The other information comprises of the Trustees' Report, Directors Approval of the financial statements and Managers' Report included in the document titled "SATRIX PROPERTY PORTFOLIO Financial Statements for the year ended 31 December 2020". The other information does not include the financial statements and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the SATRIX PROPERTY PORTFOLIO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the SATRIX PROPERTY PORTFOLIO or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SATRIX PROPERTY PORTFOLIO's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the SATRIX PROPERTY PORTFOLIO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the SATRIX PROPERTY PORTFOLIO to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst and Young has been the auditor of SATRIX PROPERTY PORTFOLIO for 4 years.

Ernst & Young Inc.

Ernst & Young Inc.

Partner - Jaco du Plessis

Registered Auditor

Chartered Accountant (SA)

Johannesburg, South Africa

31 March 2021

Satrix Property Portfolio

Manager's report

for the year ended 31 December 2020

The Manager has the pleasure in presenting its report for the year ended 31 December 2020.

Nature of business

The Satrix Property Portfolio was launched on 23 February 2017 and is registered in terms of the Collective Investment Schemes Control Act ("CISCA") as set out in the supplemental Portfolio Trust Deed. The investment objective of the Portfolio is to track the price and yield performance of the S&P SA Composite Property Capped Index.

Satrix Property securities are securities listed and traded on the JSE Limited ("JSE") in much the same way as any listed share. By owning Satrix Property securities, an investor will obtain market exposure to the S&P SA Composite Property Capped Index.

Trustee

The Trustee at the date of this report is Standard Chartered Bank.

Management Company

The Management Company at the date of this report is Satrix Managers (RF) Proprietary Limited.

Beneficiaries

Vested income and capital beneficiaries include all holders of Satrix Property securities.

Registered address

4th Floor, Building 2
11 Alice Lane
Sandton
2196

Postal address

P.O. Box 653477
Benmore
2010

Country of incorporation and domicile

South Africa

Auditors

Ernst & Young
102 Rivonia Road
Sandton
Johannesburg
2195

Supervised by

The preparation of the annual financial statements were supervised by Rick Martin CA (SA), Chief Financial Officer of Satrix Managers (RF) (Proprietary) Limited.

Satrix Property Portfolio

Statement of financial position

at 31 December 2020

	Notes	2020 R	2019 R
Assets			
Listed equities measured at fair value through profit or loss	3	134 623 695	228 193 130
Other receivables		934 789	1 444 887
Interest receivable		3 935	31 027
Cash and cash equivalents		2 206 660	7 314 359
Total assets		137 769 079	236 983 403
Liabilities			
Other payables		810 532	1 447 537
Distributions payable to investors		2 169 791	7 353 192
Total liabilities (excluding net assets attributable to investors)		2 980 323	8 800 729
Net assets attributable to investors		134 788 756	228 182 674

Satrix Property Portfolio

Statement of comprehensive income

for the year ended 31 December 2020

	Notes	2020 R	2019 R
Income			
Dividend income		1 658 934	2 928 212
REIT income		6 899 810	13 912 143
Interest income		57 158	174 863
Total income		<u>8 615 902</u>	<u>17 015 218</u>
Expenses			
Management fee		(358 264)	(436 039)
Trustee and custodian fees		(101 080)	(131 608)
Transaction costs		(6 109)	(115 420)
Tracking, licence and listing fees		(19 162)	(24 248)
Total operating expenses		<u>(484 615)</u>	<u>(707 315)</u>
Income attributable to investors before distributions		8 131 287	16 307 903
Income distributions	4.2	<u>(7 955 770)</u>	<u>(16 361 419)</u>
Income attributable to investors		175 517	(53 516)
Realised losses on financial instruments measured at fair value through profit or loss	4.1	(73 274 101)	(6 159 129)
Unrealised losses on financial instruments measured at fair value through profit or loss	4.1	(33 476 564)	(22 348 202)
Total fair value adjustments	6	<u>(106 750 665)</u>	<u>(28 507 331)</u>
Decrease in net assets attributable to investors after distributions		<u>(106 575 148)</u>	<u>(28 560 847)</u>

Satrix Property Portfolio

Statement of changes in net assets attributable to investors

for the year ended 31 December 2020

	<i>Notes</i>	Capital attributable to investors R	Income attributable to investors R	Net assets attributable to investors R
Balance at 1 January 2019		106 534 865	43 060	106 577 925
Creation of Satrix Property Securities		162 376 190	-	162 376 190
Redemption of Satrix Property Securities		(12 210 594)	-	(12 210 594)
Decrease in net assets attributable to investors after distributions		(28 507 331)	(53 516)	(28 560 847)
Balance at 31 December 2019		228 193 130	(10 456)	228 182 674
Creation of Satrix Property Securities	4.1	74 149 618	-	74 149 618
Redemption of Satrix Property Securities	4.1	(60 968 388)	-	(60 968 388)
(Decrease) / increase in net assets attributable to investors after distributions		(106 750 665)	175 517	(106 575 148)
Balance at 31 December 2020		134 623 695	165 061	134 788 756

Satrix Property Portfolio

Statement of cash flows

for the year ended 31 December 2020

	Notes	2020	2019
		R	R
Cash flows from operating activities		7 999 542	16 314 114
Cash utilised by operations	7.1	(643 452)	(679 320)
Interest received	7.2	84 250	153 079
Dividend received		1 658 934	2 928 212
REIT income received		6 899 810	13 912 143
Cash outflow from investing activities		(13 789 389)	(148 766 269)
Purchase of underlying constituents		(119 959 695)	(175 428 637)
Sale of underlying constituents		106 170 306	26 662 368
Cash inflow from financing activities		682 148	137 530 226
Creation of Satrix Property Securities		74 789 707	160 931 303
Redemption of Satrix Property Securities		(60 968 388)	(12 210 594)
Cash distributed to security holders	7.3	(13 139 171)	(11 190 483)
Net (decrease) / increase in cash and cash equivalents		(5 107 699)	5 078 071
Cash and cash equivalents at the beginning of the period		7 314 359	2 236 288
Cash and cash equivalents at the end of the period		2 206 660	7 314 359

Satrix Property Portfolio

Notes to the financial statements

for the year ended 31 December 2020

1 Basis of preparation

1.1 Basis of measurement

The financial statements are prepared on a historic cost basis, except for financial instruments which are accounted for as set out in note 2.4.

1.2 Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in accordance with the requirements of the Collective Investment Schemes Control Act of South Africa ("CISCA"), in order to meet the requirements of the Trust Deed approved by the Financial Sector Conduct Authority ("FSCA").

1.3 Functional and presentation currency

These financial statements are presented in South African Rand, which is the Portfolio's functional presentation currency.

2 Accounting policies

The financial statements incorporate the principal accounting policies set out below, which are consistent with those adopted in the previous financial year.

2.1 New standards and interpretation

The new pronouncements applicable for the financial year ending 31 December 2020 for the first time, were assessed and did not have a significant impact to the financial position or performance of the portfolio.

2.2 Forthcoming requirements

New standards and interpretations not yet adopted

A number of standards, amendments to standards and interpretations are not effective for the year ended 31 December 2020, and have not been applied in preparing these financial statements. All standards and interpretations issued but not effective for the year ended 31 December 2020 have been considered. The following applicable standards are not expected to be applicable to the financial statements of the Portfolio.

Standard/Interpretation		Effective date
IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39	<i>Interest rate benchmark reform – Phase 2</i>	Annual periods beginning on or after 1 January 2021
IAS1	<i>Classification of Liabilities as Current or Non-current</i>	Annual periods beginning on or after 1 January 2022
IAS16	<i>Property, Plant and Equipment: Proceeds before intended use</i>	Annual periods beginning on or after 1 January 2022
IAS37	<i>Onerous Contracts – Cost of Fulfilling a Contract Amendments</i>	Annual periods beginning on or after 1 January 2022
IFRS 17	<i>Insurance contracts</i>	Annual periods beginning on or after 1 January 2023

Satrix Property Portfolio

Notes to the financial statements

for the year ended 31 December 2020

2 Accounting Policies (continued)

2.3 Judgements and Estimates

The preparation of the annual financial statements necessitates the use of judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities and contingent liabilities at the reporting date, as well as affecting the reported income and expenses for the year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Use of available information and application of judgment is inherent in the formation of estimates. Actual results in the future could differ from estimates, which may be material to financial statements within the next financial period.

Major items subject to the application estimates, assumptions and judgement include:

Classification and valuation of financial instruments:

- Judgement is applied in the the classification of financial instruments within the fair value hierarchy. The valuation methods adopted are disclosed in note 9.2.

COVID-19 pandemic

- The impact of COVID-19 has resulted in increased market volatility and, as such, may have increased the level of uncertainty around certain valuation inputs. Management has considered the impact of increased uncertainty on the valuation model and regards the inputs used as appropriate.

There are no other significant assumptions or sources of estimation uncertainty included in the financial statements for the current year. The portfolio is not exposed to any areas of estimation, as investments are all level 1 fair value.

2.4 Financial instruments

Recognition

Financial instruments are recognised when, and only when, the Portfolio becomes a party to the contractual provisions of that particular instrument. Purchase or sales of financial assets are recognised on the trade date, i.e. the date that the Portfolio commits to purchase or sell the asset. The amount expected to be recovered or settled for each asset and liability line item is no more than twelve months after the reporting period.

In accordance with IFRS 9, the initial recognition of the Portfolio's financial instruments are classified into the categories of financial assets and financial liabilities as per the discussion below.

Financial assets

The Portfolio subsequently measures its financial assets at amortised cost or fair value through profit or loss based on:

- The portfolio mandate for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset

Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding
or;
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell
or;
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Satrix Property Portfolio

Notes to the financial statements

for the year ended 31 December 2020

2 Accounting Policies (continued)

2.4 Financial instruments (continued)

The Portfolio includes in this category:

- Investments

The Portfolio invests in listed equities which are publicly tradable in the open market. These are generally settled in cash within seven days. Listed investments are classified as measured at fair value through profit or loss.

These investments are held under a business model to manage them on a fair value basis for investment income and fair value gains.

The fair value of financial instruments that are traded in an active organised financial market is determined by reference to quoted market prices, at the close of business on the reporting date, without any deduction for transaction costs. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

All changes in fair value, other than dividend income, REIT income and interest income are recognised in profit or loss as a net fair value gain / (loss) from financial instruments at fair value through profit or loss.

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Portfolio includes in this category:

- Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise current accounts, deposits held on call with banks that are highly liquid and readily convertible to cash. These current accounts, cash on call and deposits are net of outstanding bank overdrafts where the Portfolio currently has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis. Current accounts, cash on call, and deposits are measured at amortised cost, based on the relevant closing exchange rates at the reporting date, where applicable. The portfolio manager is of the opinion that the carrying value approximates the fair value, due to the short term nature of these items.

- Other receivables

Other receivables are measured at amortised cost and include debtors resulting from asset sales, unsettled creations and dividends receivable. On initial recognition other receivables are measured at fair value. Subsequent to initial measurement, other receivables are measured at amortised cost using the effective interest method, less impairment losses. Other receivables are short term in nature and are not discounted. The carrying value approximates the fair value.

- Interest receivable

Interest receivable includes interest on cash and cash equivalents. On initial recognition interest receivable is measured at fair value. Subsequent to initial measurement, interest receivable is measured at amortised cost using the effective interest method, less impairment losses. Interest receivable is short term in nature and is not discounted. The carrying value approximates the fair value.

Satrix Property Portfolio

Notes to the financial statements

for the year ended 31 December 2020

2 Accounting Policies (continued)

2.4 Financial instruments (continued)

Financial liabilities

Financial liabilities measured at fair value through profit or loss (FVPL)

A financial liability is measured at FVPL if it meets the definition of held for trading. The portfolio includes in this category, derivative contracts in a liability position and equity and debt instruments sold short since they are classified as held for trading. The portfolio also includes its net asset attributable to investors in this category and the Portfolio's accounting policy regarding the redeemable participating shares is described in note 2.11 below.

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss.

The Portfolio includes in this category:

- Other payables

Other accounts payable are measured at amortised cost and include creditors resulting from asset purchases, unsettled redemptions, management, audit and trustee fees payable. Other payables are recognised when the Portfolio becomes obliged to make future payments resulting from the purchase of goods and services. Other payables are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when creditors are derecognised as well as through the amortisation process. The carrying value approximates the fair value.

- Distributions payables

Distributions payables are classified as financial liabilities at amortised cost, using the effective interest rate method. The carrying value approximates the fair value.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when the Portfolio has a currently legally enforceable contractual right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, for example, gains and losses arising from a group of similar transactions such as gains and losses from financial instruments at fair value through profit or loss.

Derecognition of financial instruments

The Portfolio derecognises financial assets when and only when:

- The contractual rights to the cash flows arising from the financial assets have expired or have been forfeited by the Portfolio; or
- It transfers the financial assets including substantially all the risks and rewards of ownership of the assets and no longer retains control of the asset.

Satrix Property Portfolio

Notes to the financial statements

for the year ended 31 December 2020

2 Accounting Policies (continued)

2.4 Financial instruments (continued)

Financial liabilities (continued)

A financial liability is derecognised when and only when the liability is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

On derecognition of a financial instrument in its entirety (or part thereof), the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

2.5 Interest income

The interest income is earned from cash balances in the settlement accounts and is recognised in profit or loss as it accrues, using the effective interest method. Interest income is recognised on a gross basis.

2.6 Dividend income

Dividend income is recognised on the date when the Portfolio's right to receive the payment is established and includes scrip dividends where there is a cash option, for which the last date to register falls within the accounting period, as well as manufactured dividends. Foreign dividend income is accrued net of withholding taxes, where applicable. Withholding taxes are measured at the amount expected to be paid to the relevant tax authorities in the country from which dividend income originates. The tax rates and tax laws used to compute the amount are those that are enacted when the income was earned.

2.7 Real Estate Investment Trust income (REIT income)

REIT income is recognised on the date when the Portfolio's right to receive payment is established and comprises distributions from Real Estate Investment Trust investments.

2.8 Taxation

Income is taxed in the hands of the investor if distributed within 12 months, failing which the revenue will be deemed to be received by and accrued to the Portfolio and will be taxed in its hands. Capital gains and losses incurred in the Portfolio are not taxed in the hands of the Portfolio. The Portfolio is not liable for any taxation during the period under review as all revenue received was or will be distributed within 12 months.

2.9 Expenses

Expenses are recognised in profit or loss as the related services are performed or incurred.

2.10 Creations and redemptions

Primary market creations and redemptions

Investors can acquire or redeem Satrix securities in the primary market by either a cash subscription / redemption or the delivery of one or more full basket of constituents securities. Investors trading in the primary market are obligated to subscribe or redeem securities in blocks of 100 000 Satrix securities.

Security prices are determined by reference to the net assets of the Portfolio divided by the number of securities in issue. For security pricing purposes, net assets are determined using the last reported trade price for securities. These prices may differ from the market price quoted on the JSE.

The cash subscription price will be a function of the *pro rata* cost to the Portfolio of acquiring the underlying basket of securities.

Satrix Property Portfolio

Notes to the financial statements

for the year ended 31 December 2020

2 Accounting Policies (continued)

2.10 Creations and redemptions (continued)

Secondary market

Investors can acquire or sell Satrix securities by trading on the JSE. These purchases will be made at the current market price of the securities plus a brokerage fee that is negotiable with the broker and any additional transaction costs applicable to such a trade.

2.11 Redeemable securities

All redeemable securities issued by the portfolio provide investors with the right to require redemption for cash or *in specie* at the value proportionate to each investor's share. Redeemable securities are classified as financial liabilities as they do not meet the conditions to be classified as equity. The value of redeemable securities is measured at the redemption amount that is payable (in cash and securities representing each investor's equal, undivided and vested interest in the assets as a whole, subject to liabilities, as defined by the Portfolio's Trust Deed). The securities are redeemable at any time at the option of the security holder at the net asset value per share at the time of redemption, in accordance with the Portfolio's Trust Deed and CISC.

2.12 Distributions

In accordance with the Portfolio's Trust Deed, the Portfolio distributes its distributable income and any other amounts determined by the Management Company, to security holders in cash. The distributions are payable at the end of each quarter. Distributions payable to the investor on redeemable securities and payable by the investor on securities created, are recognised in profit or loss as distributions when they are authorised. Refer to note 4.2.

2.13 Segment Reporting

The portfolio trades under the umbrella of the Satrix Collective Investment Scheme ("CIS") as a separate exchange traded fund. The Portfolio is separately listed and trades on the JSE. Thus each of the separate portfolios fall within the Scope IFRS 8: Operating Segments. This Portfolio has a narrowly defined mandate and operates in a single line of business. Therefore the portfolio as a whole is considered to be one operating segment.

2.14 Capital and Income attributable to investors

Income attributable to investors relates to the income remaining in the portfolio after distribution.

Capital attributable to investors relates to the realised and unrealised gains/losses on financial instruments measured at fair value through profit and loss.

2.15 TER

The TER is a standard measure used by the Collective Investment Schemes ('CIS') industry to illustrate costs of portfolios on a comparable basis. The TER includes the management fee, audit fees, bank charges, custodian fees, tracking and licence fees, listing fees and taxes. In line with the FSCA requirement, the TER is calculated on a one year period.

Increased consumer demand for greater transparency in financial services and the recognition thereof by the Collective Investment industry requires managers to calculate and publish a total expense ratio for each Portfolio under their management.

Satrix Property Portfolio

Notes to the financial statements for the year ended 31 December 2020

3 Listed equities measured at fair value through profit or loss

Name of company	No. of shares	2020				2019			
		Current price	Fair Value R	% of the Portfolio	No. of shares	Current price	Fair Value R	% of the Portfolio	
Arrowhead Properties Ltd A	723 599	2.32	1 678 750	1.25%	880 230	3.80	3 344 874	1.47%	
ATTACQ Ltd	608 668	4.97	3 025 080	2.25%	728 965	12.35	9 002 718	3.95%	
Capital & Regional Plc	-	-	-	0.00%	77 930	5.35	416 926	0.18%	
Capital & Counties Prop Plc	172 356	28.56	4 922 487	3.66%	266 625	48.31	12 880 654	5.64%	
Emira Property Fund	334 477	6.66	2 227 617	1.65%	402 710	13.21	5 319 799	2.33%	
EPP N.V.	301 549	10.35	3 121 032	2.32%	371 920	17.15	6 378 428	2.80%	
Equities Property Fund Ltd	497 295	17.37	8 638 014	6.42%	540 749	20.00	10 814 980	4.74%	
Fortress Reilt Limited A	965 256	13.65	13 175 744	9.79%	1 155 244	19.26	22 249 999	9.75%	
Fortress Reilt Limited B	717 305	3.01	2 159 088	1.60%	858 026	8.00	6 864 208	3.01%	
Growthpoint Prop Ltd	1 045 499	12.57	13 141 922	9.76%	1 026 601	22.11	22 698 148	9.95%	
Hammerson Plc	341 406	5.20	1 775 311	1.32%	105 176	56.53	5 945 599	2.61%	
Hyprop Investments Ltd	207 289	29.52	6 119 171	4.55%	249 575	56.05	13 988 679	6.13%	
Intuprop Plc	1 183 988	-	-	0.00%	904 936	6.26	5 664 899	2.48%	
Investec Property Fund Ltd	456 418	9.11	4 157 968	3.09%	-	-	-	0.00%	
Irongate Group Ltd	247 593	13.75	3 404 404	2.53%	-	-	-	0.00%	
Liberty Two Degrees Ltd	309 072	4.25	1 313 556	0.98%	-	-	-	0.00%	
Lighthouse Capital Ltd	469 620	6.83	3 207 505	2.38%	-	-	-	0.00%	
Mas Plc	275 422	12.75	3 511 631	2.61%	340 628	19.10	6 505 995	2.85%	
Nepi Rockcastle Plc	153 176	93.50	14 321 956	10.64%	182 516	123.83	22 600 956	9.90%	
Octodec Investments Ltd	135 850	7.52	1 021 592	0.76%	-	-	-	0.00%	
Real Estate Diversified Income REIT Plc	86 261	18.00	1 552 698	1.15%	169 932	24.14	4 102 158	1.80%	

Satrix Property Portfolio

Notes to the financial statements for the year ended 31 December 2020

3 Listed equities measured at fair value through profit or loss (continued)

Name of company	2020			2019				
	No. of shares	Current price	Fair Value R	% of the Portfolio	No. of shares	Current price	Fair Value R	% of the Portfolio
Redefine Properties Ltd	3 803 192	3.33	12 664 629	9.41%	2 948 693	7.56	22 292 119	9.77%
Resilient Property Income Fund Ltd	233 372	42.30	9 871 636	7.33%	253 662	68.04	17 259 162	7.56%
Sa Corp Real Estate Fund	2 037 068	1.73	3 524 128	2.62%	2 468 190	3.06	7 552 661	3.31%
Sirius Real Estate Ltd	245 569	19.30	4 739 482	3.52%	-	-	-	0.00%
Stenprop Ltd	36 304	27.47	997 271	0.74%	-	-	-	0.00%
Storage Property Reit Ltd	343 174	13.55	4 650 008	3.45%	383 282	14.78	5 664 908	2.48%
Vukile Property Fund Ltd	712 627	8.00	5 701 016	4.23%	858 003	19.40	16 645 258	7.29%
			134 623 695				228 193 130	
Sector								
Real Estate			134 623 695				228 193 130	
			134 623 695				228 193 130	

Segment Reporting

The investment vehicle offers only one product, being the specific exchange traded fund, tracking the specific identified index.

The minimum disclosure requirement is to disclose reportable segments based on their geography. Satrix Property net assets attributable to investors and the increase in net assets attributable to investors are generated from investments where the primary listing of the individual index securities is in South Africa as well those countries listed below.

Geography	% of total		% of total	
	Investment	Total Investment	Investment	Total Investment
South Africa	77.4%	104 235 362	99.8%	227 776 204
United Kingdom	10.5%	14 087 214	0.2%	416 926
Australia	2.5%	3 404 404	-	-
USA	9.6%	12 896 716	-	-
		<u>134 623 695</u>		<u>228 193 130</u>

Satrix Property Portfolio

Notes to the financial statements

for the year ended 31 December 2020

4 Satrix Property Portfolio

4.1 Reconciliation of fair value of financial instruments measured at fair value through profit or loss	Number of Satrix Property securities in issue	Fair value of underlying constituents Rand
Opening balance at 1 January 2019	6 671 525	106 534 865
Unrealised fair value loss		(22 348 202)
Creations during the year	10 300 000	162 376 190
Redemptions during the year	(800 000)	(12 210 594)
Realised fair value loss		(6 159 129)
Closing balance at 31 December 2019	16 171 525	228 193 130
Opening balance at 1 January 2020	16 171 525	228 193 130
Unrealised fair value loss		(33 476 564)
Creations during the year	9 200 000	74 149 618
Redemptions during the year	(8 300 000)	(60 968 388)
Realised fair value loss		(73 274 101)
Closing balance at 31 December 2020	17 071 525	134 623 695

The reconciliation above details the changes in the value of the underlying constituents of the portfolio, reflecting the capital attributable to investors as per the Statement of changes in net assets attributable to investors.

4.2 Distributions

The Portfolio effects quarterly distributions. All distributions are made out of income of the Satrix Property Plus Portfolio. The record dates are 17 April 2020, 17 July 2020, 23 October 2020 and 15 January 2021.

During the year under review the following distributions were effected per Satrix Property Security.

	2020 R	2019 R
20.57 cents per security		
Declared 31 March 2020 and paid 22 April 2020	3 831 403	
22.40 cents per security		
Declared 29 March 2019 and paid 23 April 2019		2 567 841
5.52 cents per security		
Declared 30 June 2020 and paid 22 July 2020	775 988	
38.02 cents per security		
Declared 28 June 2019 and paid 24 July 2019		5 958 314
4.15 cents per security		
Declared 30 September 2020 and paid 26 October 2020	907 848	
16.71 cents per security		
Declared 30 September 2019 and paid 6 November 2019		2 652 132

Satrix Property Portfolio

Notes to the financial statements

for the year ended 31 December 2020

4 Satrix Property Portfolio (continued)

4.2 Distributions (continued)

45.47 cents per security

Declared 31 December 2020 and paid 20 January 2021 2 440 531

45.47 cents per security

Declared 31 December 2019 and paid 22 January 2020 5 183 132

Total distributions	7 955 770	16 361 419
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4.3 Total Expense Ratio ('TER')

The Portfolio had a TER of 29.90 (2019: 29.10) basis points (annualised) for the period 1 January 2020 to 31 December 2020.

4.4 Quarterly review of Satrix Property Security prices

	High	Low	Close
Quarter ended			
2020	Cents	Cents	Cents
31 March 2020	1476	607	728
30 June 2020	940	640	797
30 September 2020	865	625	662
31 December 2020	860	595	810
2019			
31 March 2019	1818	1566	1602
30 June 2019	1698	1490	1576
30 September 2019	1635	1401	1466
31 December 2019	1550	1434	1456

The above prices represents the market price of the securities as quoted on the JSE.

Satrix Property Portfolio

Notes to the financial statements

for the year ended 31 December 2020

5 Securities lending

The Manager of the Satrix Property Portfolio is permitted to engage in securities lending in respect of the securities held by the Satrix Property Portfolio as envisaged in the offering circular. CISCA also permits securities lending in the Portfolio, subject to the following limitations:

- Not more than 70% of the market value of all the securities in the Portfolio can be lent;
- The securities that can be lent to one borrower are limited to 30% of the market value of all securities in the Portfolio; and
- The Portfolio's exposure to credit risk is mitigated by the management company only accepting the following minimum collateral in the form of:
 - * 105% Cash Deposit;
 - * 110% Bonds restricted to the top South African Banks and Government Bonds;
 - * 105% Money Market Instruments restricted to the top South African Banks; and
 - * 115% - 120% Equities.

At reporting date significant concentrations of credit risk existed as the management company engaged in significant lending with Investec Bank Limited and Sanlam Investment Management Proprietary Limited.

The market value of securities lending exposures not derecognised as at 31 December are as follows:

	2020 R	2019 R
Securities out on loan		
Zarclear Holdings Ltd	-	33 010 422
Sanlam Investment Management Proprietary Limited	17 939 121	18 060 372
Investec Bank Limited	14 991 324	8 386 811
	<u>32 930 445</u>	<u>59 457 605</u>

The collateral held, but not recognised, by the management company for the securities lending in the form of cash, bonds, equities and money market instruments as at 31 December is as follows:

	2020 R	2019 R
Collateral held on securities out on loan		
Zarclear Holdings Ltd	-	52 440 049
Sanlam Investment Management Proprietary Limited	19 364 137	19 621 713
Investec Bank Limited	18 195 685	10 246 750
	<u>37 559 822</u>	<u>82 308 512</u>

The maximum credit risk the Portfolio is exposed to is R32 930 445 (2019: R59 457 605) should the borrowers default. The securities out on loan represents 24% (2019: 26%) of the market value of the portfolio. The fees earned for the administration of securities lending activities are received by the management company and are distributed to the benefit of all investors by way of reduction of management fees.

Satrix Property Portfolio

Notes to the financial statements

for the year ended 31 December 2020

6 Decrease in net assets attributable to investors	2020	2019
	R	R
Decrease in net assets attributable to investors include:		
Fair value losses on financial instruments measured at fair value through profit or loss	(106 750 665)	(28 507 331)
Management fee paid to Satrix Managers (RF) Proprietary Limited	(358 264)	(436 039)
Portfolio expenses	(126 351)	(271 276)
– Trustee and custodian fees	(101 080)	(131 608)
– Transaction fees	(6 109)	(115 420)
– Tracking, licence and listing fees	(19 162)	(24 248)

The Management Company is entitled to a service fee per accounting period equivalent to 35 (thirty five) basis points of the market value of the total assets in the Portfolio. The Management Company has decided to waive a portion of these service fees in order to achieve efficient tracking of the S&P SA Composite Property Capped Index.

7 Notes to the statement of cash flows	2020	2019
	R	R
7.1 Cash utilised by operations		
Decrease in net assets attributable to investors after distributions	(106 575 148)	(28 560 847)
Adjusted for non-cash and separately disclosable items:		
Distributions	7 955 770	16 361 419
Dividend income	(1 658 934)	(2 928 212)
REIT income	(6 899 810)	(13 912 143)
Interest income	(57 158)	(174 863)
	<u>(107 235 280)</u>	<u>(29 214 646)</u>
<i>Fair value adjustment</i>		
Realised losses on financial instruments measured at fair value through profit or loss	73 274 101	6 159 129
Unrealised losses on financial instruments measured at fair value through profit or loss	33 476 564	22 348 202
	<u>106 750 665</u>	<u>28 507 331</u>
<i>Changes in other payables</i>		
Increase in other receivables	(129 991)	-
(Decrease) / increase in other payables	(28 846)	27 995
	<u>(158 837)</u>	<u>27 995</u>
	<u>(643 452)</u>	<u>(679 320)</u>
7.2 Interest received		
Receivable at beginning of year	31 027	9 243
Recognised in profit or loss	57 158	174 863
Receivable at end of year	(3 935)	(31 027)
	<u>84 250</u>	<u>153 079</u>
7.3 Distributions paid		
Payable at beginning of year	(7 353 192)	(2 182 256)
Recognised in profit or loss	(7 955 770)	(16 361 419)
Payable at end of year	2 169 791	7 353 192
	<u>(13 139 171)</u>	<u>(11 190 483)</u>

Satrix Property Portfolio

Notes to the financial statements

for the year ended 31 December 2020

8 Related parties

Related parties include Satrix Managers (RF) Proprietary Limited in its capacity as the management company of the Portfolio.

The following related party balances and transactions occurred during the year:

	2020 R	2019 R
Management fee paid		
Satrix Managers (RF) Proprietary Limited	386 759	414 772
Management fee payable at 31 December		
Satrix Managers (RF) Proprietary Limited	12 987	41 482

Outstanding balances will be settled in the ordinary course of business.

Satrix Property Portfolio

Notes to the financial statements

for the year ended 31 December 2020

9 Financial instruments

9.1 Financial risk management

Exposure to credit, index, investment, liquidity, market, operational and secondary trading risks arise in the normal course of investment activities in listed Index securities. The Portfolio's acceptance of risk is directly attributable to the risks associated with any investment in equities.

The objectives for managing the risks associated with financial instruments held for investment purposes as well as a brief description of the relevant risks and methods adopted to mitigate these risks, are outlined in more detail below. The Satrix Property Portfolio is an underlying portfolio of the Satrix Collective Investment Scheme which is regulated by CISC. In terms of the Act, the Management Company must appoint a Trustee.

The Management Company has outsourced a number of key processes to services providers. The Management Company monitors compliance in terms of the CISC requirements and reports are submitted to the FSCA on a quarterly basis.

Daily net asset value of the Portfolio is publicly available.

The investment policy of the Portfolio shall be to track the S&P South Africa Composite Property Capped Index (hereinafter referred to as "the Index") as closely as possible, by buying only constituent securities in the same weightings in which they are included in the S&P South Africa Composite Property Capped Index and selling only securities which are excluded from the Index from time to time as a result of periodic Index reviews or corporate actions or which are required to be sold to ensure that the Portfolio holds securities in the same weighting as they are included in the Index. The Portfolio shall not buy or sell securities for the purpose of making a profit nor for any purpose other than tracking the Index. The Portfolio will not be managed according to traditional methods of active management, which involve the buying and selling of securities based on the economic, financial and market analysis and investing judgement. Instead the investment objective and style will be full replication of the Index. As a result the financial or other condition of any company or entity included from time to time in the Index will not result in the elimination of its securities from the Portfolio unless the securities of such company or entity are removed from the Index itself. The Portfolio will acquire and hold a portfolio of securities that substantially represents all of the component securities of the Index in substantially the same weighting as in the Index. However the Portfolio shall also be entitled, in its discretion and only on a temporary basis, to employ such other investment techniques and instruments as will most effectively give effect to the object or the investment policies of the Portfolio.

The composition of the Portfolio will be adjusted periodically to confirm to changes in the composition and weighting of the securities in the Index so as to ensure that the composition and weighting of the Portfolio are a reflection of the composition and weighting of the securities contained in the Index. The Portfolio's ability to replicate the price and yield performance of the Index will be affected by the costs and expenses incurred by the Portfolio.

The Portfolio has exposure to the following risks from its use of financial instruments:

- Credit risk
- Index risk
- Investment risk
- Liquidity risk
- Market risk
- Operational risk
- Secondary trading risk

The abovementioned risks have been addressed below in more detail.

Satrix Property Portfolio

Notes to the financial statements

for the year ended 31 December 2020

9 Financial instruments (continued)

9.1 Financial risk management (continued)

Credit risk

The Portfolio's exposure to credit risk could be as a result of a counterparty to a transaction failing to meet its contractual obligations. This could arise primarily from the Portfolio's investment and securities lending activities. Credit risk arising on cash deposits is mitigated by depositing funds with reputable banks with acceptable credit ratings. Credit risk relating to unsettled transactions is considered low due to the short settlement period involved. There were no non-performing or past due debtors at 31 December 2020. The Portfolios financial assets subject to the expected credit loss within IFRS 9 are only short-term trade and other receivables. There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period.

All trade receivables are expected to be received in three months or less. An amount is considered to be in default if it has not been received 30 days after it is due.

The maximum credit exposure at the statement of financial position is equal to the carrying amounts of the following assets disclosed on the face of the Portfolio's statement of financial position:

- Interest receivable
- Other receivables
- Cash and cash equivalents

These assets are held with bank and financial institution counterparties, which are rated AA- to A, based on Standard & Poor's ratings.

None of these assets are impaired nor past due but not impaired.

In terms of CISCAs, the Management Company may, subject to the requirements of section 85, lend or offer to lend assets included in a portfolio within the limits or on the conditions determined by the Portfolio's Trust Deed. The Trustee of the Portfolio gives authority to the Management Company to lend or offer to lend securities with a value not exceeding 70% of the market value of all securities included in the Portfolio. The Management Company has engaged in securities lending in respect of the securities held by the Portfolio on this basis.

In terms of the Trust Deed, the Management Company may engage in securities lending under section 85 of CISCAs subject to the following limits and conditions:

- The securities lending must be beneficial to all investors;
- The Management Company may lend or offer to lend securities with a value not exceeding 70% of the market value of securities included in the Portfolio;
- The securities that may be lent to one borrower are limited in accordance with the limits determined by the Registrar for the inclusion of money market instruments in the Portfolio;
- Collateral held for the securities loaned must have an aggregate value that exceeds the market value of the securities loaned by not less than five percent at all times and may only consist of:
 - Cash
 - Other securities
 - A combination of other securities
- Securities may not be lent:
 - For a period longer than 12 months
 - Unless subject to a right of recall

In terms of the securities lending agreements, it is the duty of the Management Company to take delivery of the collateral assets, any appropriate instruments of transfer or instrument of title in respect of the Service Level Agreement ('SLA'). Collateral assets and instruments of transfer or title are held on behalf of, and for the benefit of, the principal as represented by the Satrix Property Portfolio.

Satrix Property Portfolio

Notes to the financial statements

for the year ended 31 December 2020

9 Financial instruments (continued)

9.1 Financial risk management (continued)

Credit risk (continued)

The Portfolio could be exposed to credit risk to the extent that inadequate collateral is held on the underlying assets. If a borrower fails to perform its obligations, the Portfolio may be unable to recover the loaned securities. However, the Management Company only engages in securities lending with credible financial institutions. Please refer to note 5.

Index risk

There is no assurance that the Index will continue to be calculated and published on the same or similar basis indefinitely. The Index was created by S&P as a measure of market performance and not for the purposes of trading Portfolio Index securities. The past performance of the Index is not necessarily a guide to its future performance.

The Index may be adjusted from time to time as a result of mergers, re-organisations, schemes of arrangement or other corporate activity involving constituent companies. Any adjustments to the Index will be implemented as determined from time to time in terms of the relevant Index stipulations, for example, if a constituent company pays a special dividend.

The adjustments may require the removal of a constituent company from the Index and the substitution thereof with a new constituent company while at the same time, if necessary, adjusting the base level. The adjustments to the Portfolio will be made in such a way that the Portfolio will remain substantially aligned with the Index level at all times.

Investment risk

There can be no assurance that the Portfolio will achieve its investment objectives of replicating the price and yield performance of the S&P South Africa Composite Property Capped Index.

The following factors could impact negatively on the investment performance of the Portfolio:

- Certain costs and expenses incurred by the Portfolio could cause the underlying Portfolio to mistrack against the Index;
- Temporary unavailability of securities in the secondary market or other extraordinary circumstances could cause deviations from the exact weightings of the Index;
- In circumstances where securities comprising the Index are suspended from trading or other market disruptions occur, it may be impossible to rebalance the Portfolio of securities held by the Portfolio and this may lead to a tracking misalignment;
- Misinterpretation of information on the calculation of the Index could result in mistracking of the Index; and
- Significant cash flows.

Liquidity risk

Liquidity risk is the risk that the Portfolio will not be able to meet its financial obligations towards investors when they fall due.

The approach to managing liquidity risk is to ensure that the Portfolio would be able to pay suitable distributions to investors on a quarterly basis. All dividend distributions are approved by the Trustee and calculated by the Management Company.

The Portfolio could also be exposed to liquidity risk in cases where insufficient liquidity on certain securities is available to affect the necessary changes in Index constituents. The need to employ alternative investment techniques would only arise in the event of a liquidity problem, for example, if it is not possible to acquire certain securities comprising the Index due to there being no sellers of such securities.

Satrix Property Portfolio

Notes to the financial statements

for the year ended 31 December 2020

9 Financial instruments (continued)

9.1 Financial risk management (continued)

Liquidity risk (continued)

Satrix Property securities are listed instruments which are bought and sold on the JSE through a JSE member. The Satrix Property securities can be sold to the Management Company, which is obliged to buy them from the investor.

Market makers will attempt to maintain a high degree of liquidity through continuously offering to buy and sell Satrix Property securities at prices around net asset value (NAV) of the Satrix Property securities thereby ensuring tight buy and sell spreads. Under normal circumstances and conditions, the investor will be able to buy or sell Satrix Property securities from the market makers.

With the exception of net assets attributed to investors, which are payable on demand, all liabilities are payable within 30 days at the carrying value as reported on the statement of financial position.

The Portfolio is allowed to borrow up to 10% of the market value of the Portfolio to bridge insufficient liquidity.

Market risk

Market risk exists where significant changes in equity prices will affect the value of the Portfolio's financial instruments. The investment mandate is that the Portfolio is passively managed and as a result the management of market risk is not possible.

There is no guarantee that the Portfolio will achieve its investment objective of perfectly tracking the Index.

The value of Satrix Property securities and distributions payable by the Portfolio will rise and fall as the capital values of the underlying securities housed in the Portfolio and the income flowing there from fluctuate. Prospective investors should be prepared for the possibility that they may sustain a loss.

The Portfolio may not be able to perfectly replicate the performance of the Index because:

- The Portfolio is liable for certain costs and expenses not taken into account in the calculation of the Index; or
- Certain Index constituents may become temporarily unavailable; or
- Other extraordinary circumstances may result in a deviation from precise Index weightings.

Price risk

Price risk is the risk that the fair value or future cash flows of the instrument will fluctuate as a result of changes in market prices other than those caused by interest rate risk and currency risk, whether caused by factors specific to an individual investment, its issuer or all factors affecting all similar instruments traded in the market.

The Portfolio's investments in the following instruments as disclosed on the face of the statement of financial position are subject to price risk:

- Equities

Sensitivity analysis

The price of a Satrix Property security is closely correlated to the movements in the S&P South Africa Composite Property Capped Index. Any movement or adjustment in the Index, or the underlying constituents of the Index, will have an impact on the price of the security. At any point in time the market value of a Satrix security may be expected to reflect 1/100th of the Index level, plus an amount which reflects a pro rata portion of any accrued distribution amount within the Portfolio.

Satrix Property Portfolio

Notes to the financial statements

for the year ended 31 December 2020

9 Financial instruments (continued)

9.1 Financial risk management (continued)

Price risk (continued)

	2020		2019	
	Satrix Property Portfolio R'000	S&P SA Composite Property Capped Index R'000	Satrix Property Portfolio R'000	S&P SA Composite Property Capped Index R'000
Market Capitalisation	134 624	215 083 410	228 193	567 521 322
1% increase in index	135 970	217 234 244	230 475	573 196 535
1% decrease in index	133 278	212 932 576	225 911	561 846 109
Movement	1 346	2 150 834	2 282	5 675 213

The analysis reflects the sensitivity of the Portfolio's underlying constituents with that of its Index underlying constituents based on Market Capitalisation as at 31 December. The analysis is based on the assumptions that the S&P South Africa Composite Property Capped Index was increased and decreased by 1% (2019: 1%), with all other variables held constant. An adjustment of 1% in the Index will result in a movement of R1 346 237 (2019: 2 281 931) in the Portfolio. The sensitivity is linear and any change will be a factor of this 1% movement.

Operational risk

If shares in the underlying companies are suspended or cease trading for any reason, the suspended shares will not be delivered to a holder exercising its right to take delivery of the underlying shares until the suspension on the trading in respect of those shares is lifted.

If the computer facilities or other facilities of the JSE malfunction, calculation and trading in the Portfolio Index securities may be suspended for a period of time.

Issues, redemptions and adjustments to rebalance the underlying Portfolio of shares in the Portfolio could affect the value of the underlying shares constituting the Index and thereby also have an impact on the value of the Portfolio Index securities.

Secondary trading risk

There can be no guarantee that the Portfolio Index securities will remain listed on the JSE.

Satrix Property Portfolio

Notes to the financial statements

for the year ended 31 December 2020

9 Financial instruments (continued)

9.2 Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading at the year end date. The quoted market price used for financial assets held by the Portfolio is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 7 requires the Portfolio to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (from unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Portfolio. The Portfolio considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following tables analyse, within the fair value hierarchy, the Portfolio's financial assets and liabilities (by class) measured at fair value at 31 December:

Financial instruments measured at fair value through profit or loss:	Items at fair value		
	Level 1 R	Level 2 R	Level 3 R
31 December 2020			
- Listed equities	134 623 695	-	-
- Net assets attributable to investors	-	(134 788 756)	-
Total	134 623 695	(134 788 756)	-
31 December 2019			
- Listed equities	228 193 130	-	-
- Net assets attributable to investors	-	(228 182 674)	-
Total	228 193 130	(228 182 674)	-

Valuation techniques and inputs

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities.

The valuation technique applied in order to value the net assets attributable to investors is the net asset value of the fund which is linked to the observable price of the underlying market traded instruments.

Transfers did not occur between levels in the period under review.

Management considers that the carrying value of all other financial instruments is an approximation of fair value.

Satrix Property Portfolio

Notes to the financial statements

for the year ended 31 December 2020

10 COVID-19 pandemic

The coronavirus outbreak was first reported near the end of 2019. Since then, the virus has spread worldwide. On 11 March 2020, the WHO announced that the coronavirus outbreak can be characterised as a pandemic.

The virus has significantly impacted the world economy. Many countries have imposed travel bans on millions of people and more people in more locations are subject to quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. While some countries have started to ease the lockdown, the relaxation has been gradual and, as a result of the disruption to businesses, millions of workers have lost their jobs. The pandemic has also resulted in significant volatility in the financial and commodities markets worldwide. Various governments have announced measures to provide both financial and non-financial assistance to the disrupted industry sectors and the affected business organisations.

Management still considers the value of investments at 31 December 2020 to be acceptable and represent the fair value of the investments. The most material item, as per the statement of financial position, is the value of investments and the net asset value attributable to investors. A change in the value of investments will result in a similar change in the net asset value attributable to investors, therefore there is a limit in the residual exposure should the value of assets diminish. Management still considers that the portfolio will be a going concern over the next 12 months, as the portfolio has not seen large outflows relative to the size of the portfolio since the COVID-19 pandemic and the portfolio currently remains at an acceptable manageable size.