

#### INVESTMENT POLICY SUMMARY

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. 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

<b>ASISA Fund Classification</b>	SA - Equity - General
<b>Risk profile</b>	Aggressive
<b>Benchmark</b>	S&P SA Quality Index
<b>Portfolio launch date</b>	Aug 2015
<b>Fee class launch date</b>	Aug 2015
<b>Minimum investment</b>	Manual: Lump sum: R10 000   Monthly: R500 SatrixNOW.co.za: No minimum
<b>Portfolio size</b>	R96.7 million
<b>Last two distributions</b>	30 Jun 2023: 25.85 cents per unit 31 Dec 2022: 29.89 cents per unit
<b>Income decl. dates</b>	30 Jun   31 Dec
<b>Income price dates</b>	1st working day in July & January
<b>Valuation time of fund</b>	17:00
<b>Transaction cut off time</b>	Manual: 15:00 SatrixNOW.co.za: 13:30
<b>Daily Price Information</b>	www.satrix.co.za
<b>Repurchase period</b>	T+3

#### TOP 10 HOLDINGS

Securities	% of Portfolio
Oursurance Group Limited	11.90
Capitec Bank Holdings Ltd	11.09
Clicks Group Ltd	10.73
Bhp Group Limited	9.64
Exxaro Resources Ltd	9.08
Thungela Resources Ltd	6.88
Kumba Iron Ore Ltd	6.08
Anglo American Platinum Limited	5.75
Truworths International Ltd	5.07
Avi Ltd	4.79

as at 31 Aug 2023

#### PERFORMANCE (ANNUALISED)

Retail Class	Fund (%)	Benchmark (%)
1 year	6.29	7.33
3 year	5.81	6.86
5 year	0.81	1.84
Since inception	2.88	4.02

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

#### ACTUAL HIGHEST AND LOWEST ANNUAL RETURNS\*

Highest Annual %	16.39
Lowest Annual %	(6.43)

#### FEES (INCL. VAT)

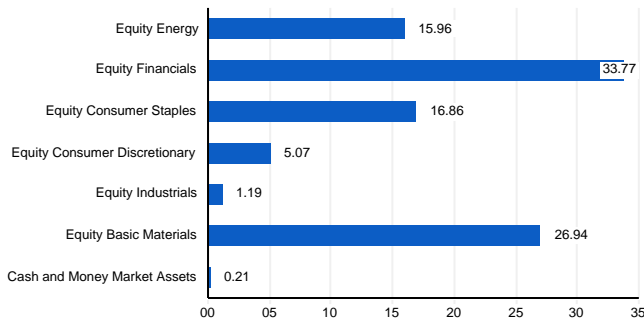
	Retail Class (%)
<b>Advice initial fee (max.)</b>	N/A
<b>Manager initial fee</b>	N/A
<b>Advice annual fee (max.)</b>	1.15
<b>Manager annual fee</b>	0.69
<b>Total Expense Ratio (TER)</b>	0.80
<b>Transaction Cost (TC)</b>	0.34

**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 3 years. The TER is calculated from 01 July 2020 to 30 June 2023. 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 3 years. Obtain the costs of an investment prior to investing by using the EAC calculator provided at [www.satrix.co.za](http://www.satrix.co.za)

## ASSET ALLOCATION



## PORTFOLIO QUARTERLY COMMENTARY - 30 JUN 2023

### Market comments

Global shares continued to rally in the second quarter with the advance led by developed markets, where geopolitics and central banks were the main focus. Following Ukraine's long-awaited counteroffensive, Putin's rule appeared to be challenged domestically. US-China tensions seemed to de-escalate after Antony Blinken, the US Secretary of State, unexpectedly held a meeting with Xi Jinping, President of the People's Republic of China, during his Beijing trip. Elsewhere, Saudi Arabia announced further oil production cuts at the OPEC+ meeting, but Brent Crude only rose by 3.1% in June. Major central banks raised interest rates in the period although the US Federal Reserve elected to keep rates on hold in June. Government bond yields rose, resulting in bond prices falling.

For the second quarter of the year, the MSCI World Index was up 6.8%, the MSCI Emerging Markets Index was flat at 0.9%, lagging after a strong first quarter, and the MSCI USA Index was up 8.7% in US dollar total returns. The information technology (IT) sector led the stock market advance in the US. The MSCI India Index was up 12.2% during the quarter in US dollar terms while the MSCI China Index was down 9.7% amid concerns over a weaker-than-expected recovery. The MSCI Europe Index was up 3.3% while the MSCI United Kingdom Index was also up 2.1% in US dollar total returns.

Local markets were flat for the second quarter of the year, with the FSTE/JSE All Share Index (ALSI) up a mere 0.6%. The FTSE/JSE Top 40 Index (Top 40) rose 0.9% and the FTSE/JSE Capped Shareholder Weighted All Share Index (Capped SWIX) was up 1.1%. The South African 10-year Government Bond Yield closed the quarter at 10.5%, while the All Bond Index (ALBI) was down 1.5% for the quarter. The cash benchmark, the Alexander Forbes Short-Term Fixed-Interest (STeFI) Composite Index, delivered positive money market returns of 1.9% for the quarter while the FTSE/JSE SA Listed Property Index (SAPY) was up 0.6% for the quarter.

The South African Reserve Bank (SARB) raised the repo rate to 8.25% - its 10th consecutive hike in a row - taking it to a 14-year high as the central bank scrambled to tame inflation. SARB Governor Lesetja Kganyago cited the inflationary impacts of a weakening rand, ongoing load shedding and elevated global pricing levels as the primary drivers of the hike. The Reserve Bank's decision prompted the most undesirable response possible by markets as the rand plunged to a three-year low. The extreme depreciation of the currency experienced during the month of May was exacerbated by the bad sentiment surrounding Eskom and potential stage 8 and above load-shedding, weak economic growth data and reports that the country may have supplied weapons to Russia.

### Portfolio Performance, Attribution and Strategy

The second quarter of the year was also as strong as the first, as the MSCI World Index was up 6.8% in dollar terms for the period. The risk appetite held on since the last quarter and there was also a noticeable shift in market sentiment regarding the pace at which rates might decline in the future. With increased expectations around Artificial Intelligence (AI) and for businesses to adopt it, stocks related to AI ended the quarter very strong, which pushed Quality stocks to outperform for the quarter. For the quarter, the Quality factor was the only outperformer in the US with Low Volatility, Yield and Value being the worst underperformers. Momentum and Value did well in Emerging Markets while Quality, Low Size and Growth were poor. Locally, it was a very poor quarter for some of the factors. Momentum outperformed the market as Earnings Revisions had a stronger quarter than Price Momentum and the Dividend Yield factor did poorly during the quarter. The Value factor also underperformed as Earnings Yield had a very poor quarter, trending similarly to the Dividend Yield factor.

The Quality strategy underperformed the FTSE/JSE Shareholder Weighted All Share Index (SWIX) during the quarter. From an attribution perspective, underweight positions in Sibanye-Stillwater (SSW) and Impala Platinum (IMP) and an overweight position in Sasol (SOL) added value to the strategy over the quarter. Counters that detracted value from the strategy included an overweight position in Exxaro (EXX), Thungela Resources (TGA) and Anglo American Platinum (AMS).

During the second quarter of the year, the index that this portfolio tracks rebalanced and deleted positions in Aspen Pharmacare (APN), Blue Label (BLU), Motus (MTH), South32 (S32) and Sasol (SOL). New positions in African Rainbow Minerals (ARI), Astral (ARL) and Grindrod (GND) were added to the index.

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

## 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.

## CONTACT DETAILS

### Manager

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

### Investment Manager

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

### Trustee

Standard Chartered Bank, Tel No.: 011 217 6600, E-mail: southafrica.securities-services@sc.com

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\*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.

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