

### INVESTMENT POLICY SUMMARY

The Satrix Quality Index Fund is an equity only portfolio. To capture this investment style and its effect, Satrix has developed the proprietary Satrix Quality Index. It aims to capture the return of the equity market enhanced by the Quality risk premium. This is achieved by constructing a portfolio tilted toward stocks (or equities) that display positive quality characteristics and away from stocks showing negative quality characteristics. Quality is defined for the index in terms of a composite of Profitability (Return on Equity) and Balance Sheet Quality (accruals). The index is reviewed and rebalanced twice a year (June and December) where parameters are recalculated with cognizance given to the liquidity of individual counters and the turnover of the index as a whole. The index is also moderated in terms of sector and stock specific risks. The universe for selection of stocks to be included in the Satrix Quality Index is all stocks on the JSE that meet the applicable liquidity screening requirements referred to in the calculation methodology, excluding listed property stocks.

### WHY CHOOSE THIS FUND?

- Offers exposure to the Quality factor, which has delivered higher returns in the long-term by investing in companies that score high in Profitability and Balance Sheet quality.
- Provides diversification benefits when combined with other factor strategies.
- Single factor strategies, like Satrix Quality, offer an effective means of gaining exposure to a particular factor or style in order to compliment or offset other exposures, and should form part of a well-diversified portfolio.

### FUND INFORMATION

<b>ASISA Fund Classification</b>	South African - Equity - General
<b>Risk profile</b>	Aggressive
<b>Benchmark</b>	Proprietary Satrix 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>	R101.8 million
<b>Last two distributions</b>	30 Jun 2023: 25.85 cents per unit 31 Dec 2023: 25.41 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
Firstrand Ltd	8.29
Naspers Ltd	7.99
Standard Bank Group Ltd	6.70
Capitec Bank Holdings Ltd	6.60
Gold Fields Ltd	5.95
Mtn Group Ltd	5.89
Harmony Gold Mining Company Ltd	4.78
Bhp Group Limited	4.74
Shoprite Holdings Ltd	4.22
Clicks Group Ltd	3.99

as at 30 Apr 2024

### PERFORMANCE (ANNUALISED)

Retail Class	Fund (%)	Benchmark (%)
1 year	11.59	12.97
3 year	2.78	3.92
5 year	2.39	3.48
Since inception	4.06	5.24

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

### ACTUAL HIGHEST AND LOWEST ANNUAL RETURNS\*

Highest Annual %	34.01
Lowest Annual %	(20.53)

### FEES (INCL. VAT)

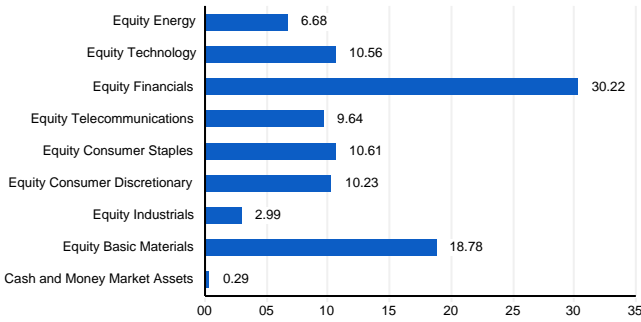
	Retail Class (%)
<b>Advice initial fee (max.)</b>	N/A
<b>Manager initial fee</b>	N/A
<b>Advice annual fee (max.)</b>	1.15
<b>Manager annual fee</b>	0.69
<b>Total Expense Ratio (TER)</b>	0.81
<b>Transaction Cost (TC)</b>	0.38

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 April 2021 to 31 March 2024. 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 - 31 MAR 2024**

Offshore equity markets started the year strong as optimism surrounding Artificial Intelligence (AI) and strong economic growth prospects continued, allowing central banks to keep their interest rate-cutting plans in play. Annual inflation in the US edged up 3.2% in February while unemployment ticked up to 3.9% from 3.7%. China set an ambitious 5% growth target for the year, while it vowed to transform its development model and lower risks associated with its property sector being bankrupt.

In rand terms, the first quarter of the year saw the MSCI World Index up 12.7%, the MSCI Emerging Markets Index up 6%, and the MSCI USA Index up 14.2%. The MSCI India Index was up 9.8% during the quarter, while the MSCI China Index rose 1.3%. The MSCI Europe Index was up 9% while the MSCI United Kingdom Index rose 6.8%.

During their March meeting, the US Federal Reserve (Fed) left rates unchanged for the fifth time in a row, since pausing last year. Oil prices spiked during the quarter with oil producers like Russia and members of OPEC cutting production to tighten the supply-demand in the market. Brent oil ended the quarter at US\$86.97 a barrel, a 12.9% increase from the start of the quarter. The gold price ended the quarter up 8.5%, hitting a record high of US\$2 238. The US 20-year Government Bond yield ticked up to 4.46% at the end of the quarter.

The story was different in local markets, as the FTSE/JSE All Share Index (ALSI) was down 2.2% for the first quarter and the FTSE/JSE Top 40 Index (Top 40) was down 2.3%. The underperformance was largely driven by local Financials being down 7.1% for the quarter with Resources and Industrials up 0.6% and 0.7% respectively. The South African 10-year Government Bond yield closed the quarter at 10.9%, while the All Bond Index (ALBI) was down 1.8%. The cash benchmark, the Alexander Forbes Short-Term Fixed-Interest (STeFI) Composite Index, delivered positive money market returns of 2%, while the FTSE/JSE SA Listed Property Index (SAPY) was up 3.8% for the quarter.

South Africa heads to the polls in May this year, and the elections might prove to be the most contested since 1994. The markets will be watching how the exchange is impacted with the potential coalition permutations that may be spun out of the election results. The markets are also keeping a close eye on the South African Reserve Bank (SARB)'s policy on rate cutting anticipated for this year. At their last meeting, the SARB kept rates unchanged, though it cited some inflation risks as it moved closer to the top of the central banks' 3-6% inflation target range, printing 5.6% in February. During the quarter, the rand depreciated by 3.5% to the US dollar, closing at R18.94 to the dollar, R23.92 to the pound and at R20.45 to the euro.

**Portfolio performance, attribution and strategy**

The first quarter of 2024 had a strong start, with the MSCI World Index up 8.3% in dollar terms, on the back of strong economic growth prospect, delayed rate cuts and the optimism around Artificial Intelligence (AI). Again, the so-called Magnificent Seven stocks led the performance during the quarter (except Apple and Tesla), driving the Growth factor even further.

Offshore, Quality, Growth and Momentum outperformed the MSCI World Index over the quarter with Momentum the best performer. Risk-averse investors were the least rewarded during the quarter as Low Volatility underperformed, though the worst underperforming factor was Equal Weighting, which up-weights smaller companies while down-weighting on Large Caps. Factors that also underperformed were Dividend Yield and Value. In Emerging Markets, Momentum was the only factor that outperformed the MSCI Emerging Markets Index, with the Equal Weighting and Quality factors struggling the most and underperforming the region index.

Locally, the Price Momentum and Earnings Revisions sub-factors had a strong quarter while the Leverage sub-factor was also relatively strong, contributing positively to the Quality factor. The Price to Book sub-factor outperformed during the quarter, adding to the Value factor performance, while Dividend Yield, Earnings Yield and Price to Cash Flow were down for the quarter. Low Beta and Low Volatility underperformed while Profitability was flat.

During the quarter, the Satrix Quality strategy underperformed the FTSE/JSE Shareholder Weighted All Share (SWIX) Index. From an attribution perspective, underweight positions in Sasol (SOL) and Remgro (REM) and an overweight position in Mr Price Group (MRP) added value to the strategy over the quarter. Counters that detracted value from the strategy included overweight positions in

Kumba Iron Ore (KIO) and Anglo American Platinum (AMS) and an underweight position in Richemont (CFR).

At the last rebalance in March 2024, we transitioned the portfolio based on the evaluation of new factor signals and the risk levels in the portfolio. Based on these signals, Richemont (CFR) and Harmony Gold (HAR) were added as new positions to the portfolio while Gold Fields (GFI), MTN Group (MTN), Standard Bank (SBK), Shoprite (SHP) and Thungela Resources (TGA) were increased. To fund the buys, Anglo American Platinum (AMS), Bytes (BYI), Glencore (GLN), Pick n Pay (PIK), Sanlam (SLM) and The Spar Group (SPP) were deleted while Naspers (NPN), Prosus (PRX) and Truworths (TRU) were reduced.

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

**DISCLAIMER**

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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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