

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

ASISA Fund Classification	South African - Equity - General
Risk profile	Aggressive
Benchmark	Proprietary Satrix Quality Index
Portfolio launch date	Aug 2015
Fee class launch date	Aug 2015
Minimum investment	Manual: Lump sum: R10 000 Monthly: R500 SatrixNOW.co.za: No minimum
Portfolio size	R96.9 million
Last two distributions	30 Jun 2023: 25.85 cents per unit 31 Dec 2023: 25.41 cents per unit
Income decl. dates	30 Jun 31 Dec
Income price dates	1st working day in July & January
Valuation time of fund	17:00
Transaction cut off time	Manual: 15:00 SatrixNOW.co.za: 13:30
Daily Price Information	www.satrix.co.za
Repurchase period	T+3

TOP 10 HOLDINGS

Securities	% of Portfolio
Naspers Ltd	8.67
Firststrand Ltd	8.37
Capitec Bank Holdings Ltd	6.50
Standard Bank Group Ltd	5.47
Bhp Group Limited	4.93
Clicks Group Ltd	4.62
Anglo American Platinum Limited	4.22
Kumba Iron Ore Ltd	4.09
Prosus Nv	3.88
Woolworths Holdings Ltd	3.67

as at 29 Feb 2024

PERFORMANCE (ANNUALISED)

Retail Class	Fund (%)	Benchmark (%)
1 year	5.31	6.47
3 year	1.62	2.71
5 year	2.54	3.61
Since inception	3.59	4.75

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

ACTUAL HIGHEST AND LOWEST ANNUAL RETURNS*

Highest Annual %	37.01
Lowest Annual %	(13.82)

FEES (INCL. VAT)

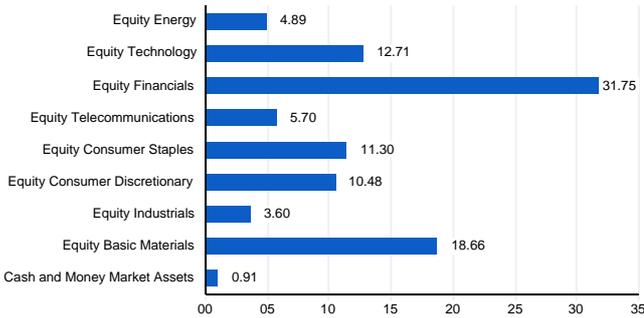
	Retail Class (%)
Advice initial fee (max.)	N/A
Manager initial fee	N/A
Advice annual fee (max.)	1.15
Manager annual fee	0.69
Total Expense Ratio (TER)	0.80
Transaction Cost (TC)	0.36

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 January 2021 to 31 December 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

ASSET ALLOCATION



PORTFOLIO QUARTERLY COMMENTARY - 31 DEC 2023

2023 got off to a rocky start, with markets fearing a possible global recession, ongoing conflicts in the Middle East, and Russia's continued assault on Ukraine. However, inflation would soften quicker than expected, changing investor sentiment as reserve banks around the globe paused on rate hikes. Contrary to the expected recession, there was an Artificial Intelligence (AI) boom which saw stocks like NVIDIA climbing to returns north of 200% for the year. The fixed-income and equity markets rallied, with Information Technology becoming one of the most rewarded sectors for the year.

In rand terms, the fourth quarter saw the MSCI World Index go up 8.2%, the MSCI Emerging Markets Index up 4.7%, and the MSCI USA Index up 8.5%. The MSCI India Index was up 8.6% during the quarter, while the MSCI China Index was down 7%. The MSCI Europe Index was up 7.8% while the MSCI United Kingdom Index was also up 3.7%.

As the US Federal Reserve (Fed) transitioned from a hawkish outlook to being neutral, and then dovish on interest rates, the markets started to propel upwards. The conflicts in the Middle East also brought about uncertainty in oil prices, with Brent oil ending the quarter at US\$77.04 a barrel, a 14.7% decrease from the start of the quarter. The Fed's dovish comments and anticipation of rate cuts drove the gold price, which hit a record high of US\$2 077 in November and ended the quarter at US\$ 2 062.59, up 11.6% since the beginning of the quarter. The US 20-year Government Bond yield eased from its record 5.29% level and closed the quarter at 4.18%.

In local markets, the FTSE/JSE All Share Index (ALSI) was up 6.9% for the final quarter, closing the year on a positive. In this period, the FTSE/JSE Top 40 Index (Top 40) and FTSE/JSE Capped Shareholder Weighted All Share Index (Capped SWIX) were also up 6.6% and 8.2% respectively. The South African 10-year Government Bond yield closed the quarter at 9.77%, while the All Bond Index (ALBI) was up 8.1%. The cash benchmark, the Alexander Forbes Short-Term Fixed-Interest (STeFI) Composite Index, delivered positive money market returns of 2.1%, while the FTSE/JSE SA Listed Property Index (SAPY) was up 16.4% for the quarter.

The year 2023 marked the worst period for South Africans in terms of loadshedding, with the country plummeting into sporadic darkness for over 330 days (90%) of the year. This took place the year before the country goes to the polls in what is expected to be the most hotly contested election since the first democratic elections in 1994. The ongoing loadshedding is one of the factors that have influenced the performance of the South African rand. Markets watched the South African Reserve Bank (SARB) halting interest rate hikes as the rand appreciated by 2.9% to the US dollar, closing at R18.29 to the greenback, R23.31 to the pound and at R20.20 to the euro.

Portfolio Performance, Attribution and Strategy

The last quarter of 2023 closed positive, as the MSCI World Index was up 11.5% in dollar terms for the period, largely driven by the 'magnificent seven' stocks in the US. These stocks contributed 40% to the total return of the MSCI World Index, largely driven by the artificial intelligence boom with information technology companies coming from year 2022 lows. Though the universe is seen as broad, the performance in the quarter also highlights the concentration and crowding risk in the equity markets.

Offshore, Quality and Momentum were the only factors that outperformed the markets for the quarter in developed regions. Factors that underperformed the most were Low Volatility, Dividend Yield and Value, with Growth flat together with Low Size. In emerging markets, Quality, Dividend Yield and Value were the top performers, with the Momentum and Low Size factors struggling the most and underperforming the regional index.

Locally, the Price Momentum sub-factor has a strong quarter while Earnings Revisions were down. This led to the Momentum factor outperforming the markets over the quarter. The strongest performance came from the Quality factor over the quarter, while the Value factor also outperformed, as the Earnings Yield and the Price-to-Book factors did well over the quarter.

Effective 1 December 2023, the Quality strategy was switched from the S&P South Africa Quality Index to the proprietary Satrix Quality Index. The combined performance of the indices outperformed the FTSE/JSE Shareholder Weighted All Share Index (SWIX) during the quarter. During the strategy rebalance, the index added 26 constituents and deleted 6.

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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