

### INVESTMENT POLICY SUMMARY

The Satrix Low Equity Balanced Index Fund is Regulation 28 compliant and offers diversified exposure to all the key local and international asset classes. The Fund tracks a composite index benchmark, with a long term strategic asset allocation, rebalanced on a bi-annual basis in March and September.

### FUND STRATEGY

The composite benchmark of the fund comprises the following asset class building blocks.

#### Asset Class Index Exposure

SA Equity (15%)	Satrix SmartCore™ Index
SA Bonds (30%)	FTSE/JSE All Bond Index
SA Inflation-linked bonds (15%)	S&P SA Sovereign Inflation-Linked Bond Index
SA Cash (15%)	STeFI Composite
International Equity (15%)	MSCI All Country World Index (ACWI)
International Property (5%)	FTSE EPRA/Nareit Developed Dividend+ Index
International Infrastructure (5%)	FTSE Global Core Infrastructure Index

### WHY CHOOSE THIS FUND?

- The Satrix SmartCore™ Index targets stocks with positive exposures to multiple desired attributes, such as Momentum, Value and Quality.
- These attributes are rewarded drivers of returns, and when combined using a multi-factor approach, offer strong overall exposure to the desired factors, while managing a variety of risks relative to the SA equity market.
- Investment in a stable, low equity multi-asset class fund.
- Exposure to multiple asset classes in South Africa and abroad.
- The benefit of significant local and global diversification.
- Access to a fund that aims to steadily grow capital, whilst providing income over the medium to longer term.

### FUND INFORMATION

<b>ASISA Fund Classification</b>	SA - Multi Asset - Low Equity
<b>Category Benchmark</b>	SA - Multi Asset - Low Equity - Median
<b>Risk profile</b>	Cautious
<b>Benchmark</b>	Proprietary Satrix Low Equity Balanced Index
<b>Portfolio launch date</b>	Jul 2014
<b>Fee class launch date</b>	Jul 2014
<b>Minimum investment</b>	Manual: Lump sum: R10 000   Monthly: R500 SatrixNOW.co.za: No minimum
<b>Portfolio size</b>	R2.4 billion
<b>Last two distributions</b>	30 Jun 2023: 34.22 cents per unit 31 Dec 2023: 36.92 cents per unit
<b>Income decl. dates</b>	30 June   31 Dec
<b>Income price dates</b>	1st working day in July and 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
Republic Of South Africa 8.00% 31012030	5.03
Ish Dvl Mkt Prpty Yld Usd A	4.93
Ishares Gbl Infrastructure	4.71
Republic Of South Africa 10.50% 211226	4.60
Republic Of South Africa 8.25% 31032032	3.72
Republic Of South Africa 8.75% 280248	3.40
Republic Of South Africa 8.875% 28022035	3.12
Republic Of South Africa 8.50% 31012037	2.61
Republic Of South Africa llb 2.5% 311250	2.31
Republic Of South Africa llb 2% 310125	2.30

as at 31 Dec 2023

### PERFORMANCE (ANNUALISED) AS AT 31 DEC 2023

B1-Class	Fund (%)	Benchmark (%)	Category (%)
1 year	11.93	12.29	11.05
3 year	9.40	10.02	8.51
5 year	8.67	9.19	7.85
Since inception	7.31	7.71	6.62

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

### ACTUAL HIGHEST AND LOWEST ANNUAL RETURNS\*

Highest Annual %	16.85
Lowest Annual %	0.10

### FEES (INCL. VAT)

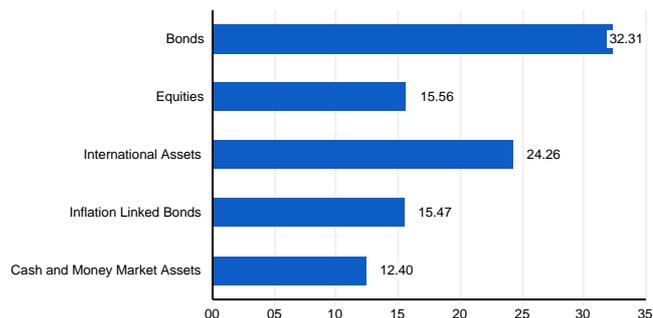
	B1-Class (%)
<b>Advice initial fee (max.)</b>	N/A
<b>Manager initial fee</b>	N/A
<b>Advice annual fee (max.)</b>	1.15
<b>Manager annual fee</b>	0.29
<b>Total Expense Ratio (TER)</b>	0.40
<b>Transaction Cost (TC)</b>	0.06

**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 October 2020 to 30 September 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 - 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.

The Smartcore™ fund uses a multifactor approach where stocks are selected based on their bottom-up combined Value, Momentum and Quality signal. In the fourth quarter of the year, the multifactor model added value over and above the Momentum, Value and Quality single factor strategies. Over the same period, the SmartCore™ fund outperformed the Capped SWIX benchmark while it also outperformed the average of the single factors deployed in the multifactor model. During the quarter, a pure blend approach of the Satrix proprietary Quality, Value and Momentum indices also outperformed the Capped SWIX index.

Issue Date: 19 Jan 2024

From an attribution perspective, underweight positions in Sasol (SOL) and Anglo American plc (AGL) and an overweight position in Harmony Gold (HAR) added value to the strategy over the quarter. Counters that detracted value from the strategy included overweight positions in Thungela Resources (TGA) and Absa Group (ABG) and an underweight position in Capitec (CPI).

The Satrix Smartcore™ Index rebalanced in December and the fund added Ninety One Ltd (NY1) while positions in Standard Bank (SBK) and Thungela Resources (TGA) were increased. These were funded by deleting Northam Platinum (NPH) and MultiChoice Group (MCG) while positions in Mr Price (MRP), BHP Group Limited (BHG) and Woolworths (WHL) were reduced.

## Local Nominal Bonds

The FTSE/JSE All Bond Index (ALBI) delivered a strong return for the quarter of 8.08% to rescue what would otherwise have been a dismal year. For the first 10 months of the year the ALBI delivered just 3.23%, less than half the return of the Alexander Forbes Short-Term Fixed-Interest (STeFI) cash index of 6.6%. Following a strong rally in November and December the ALBI delivered 9.67% for the year compared to 8.03% for the STeFI. The performance of the bonds followed a similar rally in global bonds, which was sparked by dovish comments from Fed Chair Jerome Powell and reinforced by soft data.

The Medium-Term Budget Policy Statement (MTBPS), delivered on 1 November, held little positive news for the bond market. The debt trajectory continues to deteriorate due to slow revenue growth and continued support for state-owned entities. However, the market was somewhat buoyed by indications that weekly issuance will be held at current levels against some market expectations of an increase. The inaugural rand sukuk auction was very successful delivering R20.3 billion in new funding and alleviating any residual fears of an imminent increase in issuance for this fiscal year. The bond curve steepened significantly during November and December rallies with the R213 (8-year bond) outperforming the R2048 (25-year bond) by nearly 50 bps. This shows that for the market lingering doubts remain about the fiscal trajectory.

## Local inflation-linked bonds

Local inflation-linked bonds (ILBs) were up 6.2% for the last quarter of 2023. Longer-dated nominal bonds and ILBs were the better performers for the final quarter as we witnessed yields trace sharply lower. The 7-12 year area of the nominal bond curve delivered 9.4% for the final quarter while 12+ year maturity bonds delivered 9.2%, as compared to the 1-3 year area and 3-7 year area, which delivered 4.1% and 5.7% respectively. As for ILBs, the 12+ year linkers delivered 7.6% for the final quarter, outperforming the shorter maturity sectors with the 3-7 year and 7-12 year areas delivering 4.2% and 5% respectively.

## Local property

In the last quarter of 2023, the FTSE/JSE SAPY Index had a return of 16.37%, with property being the best performing asset class for the quarter. For the year to date in 2023, the SAPY had a return of 10.15%. Not one stock in the index had a negative return for the quarter with NEPI Rockcastle (NRP) (+21.4%) being the largest contributor to the strong positive return of the index. Lighthouse Properties (LTE) (+36.1%), SA Corporate (SAC) (+20.1%), Growthpoint (GRT) (+18.3%) and Equites Property Fund (EQU) (+17.1%) returned high double-digit figures during the quarter. At the December 2023 FTSE/JSE index review there were no constituent additions or deletions to the index. The one-way turnover was 0.76%.

## Offshore

In rand terms, the fourth quarter saw the MSCI All Country World Index (ACWI) go up 7.7% (11.15% in US dollar terms). The fund invests in the Satrix World Equity Tracker UCITS and the Satrix Emerging Markets Tracker UCITS by holding these investments in the same weight as that of the MSCI ACWI. These funds track performance of the respective indices through a process of optimisation with an ex-ante tracking error varying around 10 basis points and 18 basis points respectively. The MSCI ACWI captures large and mid-cap representation across 23 developed market and 24 emerging market countries\*. With 2 921 constituents, the index covers approximately 85% of the global investable equity opportunity set.

## RISK PROFILE (CAUTIOUS)

This portfolio aims to protect capital in real (after inflation) terms, while providing a reasonable level of income. The portfolio displays low volatility levels, designed to reduce the probability of capital losses. This portfolio has limited exposure to equities. It is designed for maximum capital protection and aims to ensure a stable income and/or income growth.

#### 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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