Matrix SCI* Fixed Income Retail Hedge Fund

Minimum Disclosure Document and Quarterly Investor Report - 31 March 2024

administered by Sanlam

Investor Profile

The Fund is suitable for investors seeking potential portfolio diversification benefits from uncorrelated hedge fund returns. Investors should have a long term investment horizon and understand the risks associated to being invested in a hedge fund.

Investment Objective

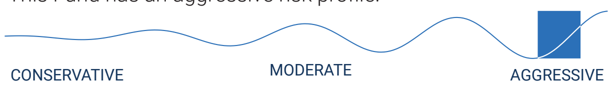
The Fund's investment objective is to achieve a net annualised return exceeding the Short-Term Fixed Interest Call Deposit Index (STFCAD) at a level of volatility commensurate with the higher return objective.

The target return is to exceed STFCAD by 8% per annum.

The Fund is regulated as a Retail Hedge Fund under the South African Collective Investment Schemes Control Act.

Risk Profile

This Fund has an aggressive risk profile.

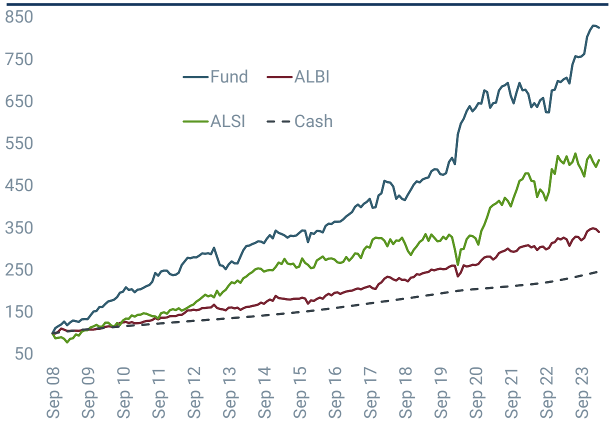


Investment Process

The Fund pursues opportunistic, directional, relative value and correlation strategies in South African fixed income and related derivative markets.

The Investment Manager identifies investment opportunities through macro-economic forecasting and rigorous analysis of the term structure of interest rates. Various fixed income and derivative investment strategies are managed by specialist portfolio managers who invest independently, with no house view approach adopted. Risk management and capital allocation is overseen by the Investment Manager's investment committee.

Net Fund Performance – Class B1[1]



Returns (%) [1]	Fund	ALBI [2]	ALSI [2]	CASH [2]
3 Months	0.7	-1.8	-2.2	1.9
Year to Date	0.7	-1.8	-2.2	1.9
Latest 1 Year	17.4	4.2	1.5	8.0
Latest 3 Years	8.5	7.4	8.1	5.7
Latest 5 Years	12.2	7.0	9.7	5.5
Latest 10 Years	10.4	7.7	8.1	5.9
Since Inception	14.6	8.2	11.1	6.0
Highest Annual Return [4]	33.7	16.0	32.1	8.4
Lowest Annual Return [4]	-8.2	-3.9	-8.5	3.5

Risk Measures (since inception)	Fund	ALBI	ALSI
Month End 99 VaR [3] (%)	-14.4	NA	NA
Standard Deviation (%)	11.22	7.7	14.8
Largest Draw Down (%)	-16.8	-9.8	-21.7
Correlation	1.0	0.4	0.0

Fund Information	Class B1
ASISA Fund Classification	RHF – SA – Fixed Income
Benchmark	Cash (STFCAD)
Fund Size	R4 535 million
Inception Date (unregulated fund)	1 October 2008
Conversion to CIS Retail Hedge Fund	1 September 2016
Minimum Lump Sum Investment	R50 000
Participatory Interests in Issue (units)	1 061 036
Net Quarterly Unit Subscriptions/ (Redemptions)	22 791
NAV per Participatory Interest (cents)	10 455.37
Dealing frequency	Monthly (first business day)
Redemption Notice Period	30 calendar days
Income Declaration Dates	March, June, September, December
Distributions over the past 12 months (Cents per Unit)	Mar 2024 289.94 Dec 2023 0.00 Sep 2023 235.48 Jun 2023 117.02
Pricing Information	Priced monthly and published in the MDD [5] (available on website)
Management Fee	1.20% per annum (excl. VAT)
Performance Fee [6]	20% sharing ratio subject to the performance hurdle (excl. VAT)

Total Investment Charge (incl. VAT)	As at 31 December 2023 1 YEAR PERIOD	3 YEAR PERIOD
Management Fees	1.39%	1.38%
Performance Fees	4.97%	2.79%
Other Costs	0.03%	0.03%
Total Expense Ratio (TER)	**6.39%**	**4.20%**
TransactionCosts (TC)	0.32%	0.21%
Total Investment Charge (TIC)	**6.71%**	**4.41%**

Investment Manager Commentary

Disclosure: Any forecasts or market commentary, whether express or implied, are not guaranteed to occur and may change without notification at any time after publication.

Rates move higher on stronger US data, central bank credibility at stake

Over the first quarter of 2024, SA bonds contended with a massive shift higher in global rates and higher than expected domestic inflation - resulting in analysts revising their inflation forecasts which average above 5.0% in 2024 and 2025. In addition, election jitters have kept foreign investors on the sidelines.

Comments out of the Fed and upside surprises to US data saw US FRAs revise January's expectations for 180bp worth of cuts to only 70bp of cuts currently. And, although EU inflation moderated to 2.4% in March versus 2.5% expected, inching closer to its 2.0% target and supporting expectations for the first cut to be in June, January's expectations of 150bp worth of cuts have been pared to 86bp.

The SA bond curve shifted higher by between 50bp and 60bpt while swaps shifted higher by between 25bps and 35bps. SA's money market and FRA curve steepened in March and the first rate cut is now only priced for the November MPC meeting.

A consistent theme in our monthly commentary has been the dilemma facing the Fed, that although real interest rates are historically high, data releases indicate that the US consumer remains resilient, and financial conditions remain loose.

Interest rates are likely to matter less during periods of fiscal dominance. In the US covid stimulus measures resulted in consumer's real disposable incomes rising 16% from May 2020 to May 2021. This allowed savings to rise from a long-term average of 7.0% of disposable income to 26% of disposable income. Those savings allowed consumers to deleverage - delaying the effect of higher interest rates on credit, and to negotiate better wages - delaying the pass-through from lower CPI inflation to lower wage inflation.

The apparent ineffectiveness of interest rates on inflation has raised questions globally about the role of policy rates in the current global business cycle. If high real rates can coexist with loose financial conditions on a sustained basis, how effective is monetary policy? In other words, do policy rates matter? SARB governor Lesetja Kganyago added to this debate recently arguing that the current generation has a lower tolerance for inflation, having become accustomed to the post GFC period in which inflation remained unusually low. The role of central banks and monetary policy is being questioned, as is their ability to forecast inflation. Central bank credibility is at stake.

The Bank of International Settlements has responded and recently released a paper evaluating the "role of monetary policy in the 2021–23 inflation hump". Perhaps predictably it argues that while much of the post-pandemic inflation increase was due to sectoral shocks on which monetary policy has little traction, the inflation unwind would have been slower and less complete without monetary policy tightening.

This debate is important for investors as it is key to our understanding of when the Fed may start to cut and by how much. Unlike in previous cycles, it has become more important to monitor financial conditions as well as inflation; the Fed may only need to cut the policy rate once financial conditions tighten, as opposed to when inflation is comfortably below 3%? The Fed has stated repeatedly that it will cut rates later this year. If cuts do not materialise it is likely financial markets will be disappointed, and rates and equity markets will need to weaken further.

A revision of South Africa's inflation target

Lesetja Kganyago has accepted another 5-year term as SARB Governor. In a recent interview he discussed updating and reviewing the SARB's 5-year strategic plan, starting in 2025. Of significant importance will be a review of the inflation target, which is currently at between 3% and 6%. Over the previous 5-years, the SARB has been successful in adjusting inflation expectations lower. It was made clear that inflation at or below 6.0% was no longer acceptable, and that the SARB's inflation target is the middle of the band, or 4.5%.

The Governor explained that serious technical work has already been done, concluding that inflation targets must be more in line with South Africa's trading partners, which would imply something closer to 2% (DM) or 3% to 4% (EM peers). The point was re-emphasised that there is no virtue in high inflation, and that lower inflation improves competitiveness. In addition, the Governor noted that credibility is not bestowed on you, you have to prove you act independently, "without fear or favour".

The inflation target is set through a conversation between SARB and NT , with the ministry of finance making the announcement. It is important for the process to be robust, evidence based, and to have a clear timeline.

South Africa's upcoming elections

Looking ahead to the elections on 29 May, our base case is that the risk of a market negative outcome is small.

Analysts have provided clearly defined scenarios for which there are bearish, neutral and bullish narratives. Post the election results being announced, the market is likely to react based on which scenario is most representative of the possible reality. Thereafter, markets will look for evidence of increased leanings either towards a more populist government or one that is a more growth oriented. An ANC/EFF coalition is likely to be market negative and more extreme. Most other scenarios should be relatively well received.

Considering our base case, we expect a positive reaction by the bond and currency markets to the election results, but this will likely fade over the subsequent weeks as markets await the outcome of likely coalition negotiations.

Market performance

The USDZAR ended to quarter at 18.88, after ending February at 19.20. QTD the ZAR weakened 3.4% against the USD. This is partly due to the USD strengthening by 3.1% against a basket of its trading partners over 1Q24.

SA cash returned 2.0% and was the best performer for the quarter. It was also the only asset class of the three to provide a positive return.

SA equities were the best performing asset in March, returning +2.9%, although over the quarter they were down -2.3%. Putting SA performance into perspective, globally, EM equities returned 1.9% in 1Q24 and DM equities 7.3%. This reflects the constraints to growth faced by the domestic economy, but also of the extent to which local asset managers continue to increase the size of their offshore holdings.

SA bonds returned -1.9% in March rendering them the worst performing domestic asset in that month. According to JP Morgan's index of local currency EM bonds, returns (in USD) were flat in March, implying that SA bonds underperformed peers quite significantly. In the first quarter, SA bonds returns were down -1.8% while the EM LC index returned -2.2% (in USD). Local bond performance was driven by the fall in global bond prices; the WGBI returned and 0.4% MTD and -2.4% QTD.

Portfolio performance and positioning

The Fund delivered performance of +0.5% after fees over the first quarter of 2024, resulting in a net 12-month return of +17.2%. The SteFI Call Deposit index returned +1.9% over the quarter and +8.0% over the past 12 months.

The Fund is positioned to benefit from carry and less imminent interest rate cuts being long the market in the 3-to-5-year area of the forward curve vs short the market in the 2-year area of the curve.

As rate cuts are being priced out, long positions in the forwards may become more vulnerable. We have also entered into some long dated (14-month) call options on back end bonds (R2037 and R2040) where we are looking to benefit from the steep carry and elevated levels.

The 2-year area largely kept pace with the 5-year area with an increase of roughly 20 bps through March. Bonds underperformed swaps by approximately 20 bps as 5-year swap yields increased by 20 bps vs equivalent tenor bonds increasing in excess of 40 bps. Performance detractors were from a mild steepening of the forward curve as well as an increase in the absolute levels on bonds.

The rand traded within a tight range of 18.60 to 19.20 and exhibited in large some strength associated to improvement in terms of trade. Core yields were largely unchanged with UST 2Y trading around 4.50 and UST 10Y around 4.20 through March.

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Asset Allocation (Net Exposure)	%
Cash and Money Market	75.1
Bonds and Listed Notes	9.5
Interest Rate Derivatives	15.4
	100.0

Portfolio Counterparty Exposure per BN52 Table 3 Item 2	Quarter ending: 31 Dec 2023	Quarter ending: 31 Mar 2024
ABSA Bank	6.0%	8.8%
FirstRand Bank	3.7%	6.1%
Nedbank	0.0%	0.0%
Standard Bank	44.9%	46.5%
Investec	15.7%	16.1%

Actual Exposure	Quarter ending: 31 Dec 2023	Quarter ending: 31 Mar 2024	1 Month 99% VaR Limit
Highest 99% VaR	-21.0%	-21.5%	-20%
Period ending 99% VaR	-17.3%	-14.4%	-20%

Net Monthly Performance Track Record (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	1.3	-0.1	-0.5										**0.7**
2023	3.1	-0.4	0.9	0.6	-1.9	6.5	2.7	-0.3	0.2	0.8	5.3	2.0	**20.9**
2022	-2.5	0.2	-1.5	-4.7	1.5	-1.4	2.6	0.9	-5.1	-0.1	8.3	0.3	**-2.3**
2021	-0.6	-5.6	1.7	0.2	4.4	1.4	0.4	0.8	-4.4	-2.7	4.1	3.3	**2.6**
2020	1.9	-2.9	14.1	4.4	1.9	3.0	1.8	-1.9	1.2	1.8	-0.1	4.7	**33.6**

(monthly return history prior to 2019 is available upon request from the investment manager)

Disclosures and definitions

The permitted exposure limit as per the founding document and mandate

The portfolio's exposure limit is measured by Value at Risk (VaR) as defined by BN52, with the 1 Month 99% VaR being limited to 20% of the portfolio's net asset value.

Methodology for conducting stress testing

Daily stress testing is conducted by varying input parameters for pricing purposes. These calculations are performed on latest portfolio holdings by a third party risk services provider. The risk services provider creates hypothetical market environments where asset prices exhibit extreme moves. The results are monitored by our risk management team independently of the investment team and communicated to investment team, executive management and compliance.

In addition we simulate interest rate movement in increments of 50 basis points, both up and down, to see the effect of parallel moves in the yield curve, and shock the curve through twists or butterfly moves where the long end could move up and the short end down. From the results we analyze changes in VaR, PV01 (rand per point) as well as potential profit or losses resulting from such moves.

Leverage

The portfolio's sources of leverage are financial derivatives and security short selling. The providers of leverage are the portfolio's counterparties through the prime brokers and the JSE via its listed derivative markets.

Encumbered Assets

The portfolio's prime broking arrangements permit the prime brokers to encumber assets of the portfolio as security collateral against the portfolio's obligations to the prime broker and for the prime brokers to re-hypothecate (on-lend) encumbered assets to other parties. In practice re-hypothecation does not happen.

Liquidity Risk Profile

The portfolio provides its investors with monthly redemption liquidity. The liquidity of assets in the portfolio aligns to the redemption period. Since most assets in the portfolio are OTC securities, the price of liquidity is dependent on supply and demand in the market.

Footnotes

1. All returns for periods of greater than 12 months are annualized. Performance returns for all periods up to 1 September 2016 reflect the fund's performance prior to its conversion to a regulated CIS Hedge Fund. Performance returns for the period 1 September 2016 to 31 March 2023 are those of the Matrix NCIS Fixed Income Retail Hedge Fund, which amalgamated with the Matrix SCI Fixed Income Retail Hedge Fund from 1 April 2023.
2. JSE Composite All Bond Index (ALBI) & FTSE/JSE All Share Total Return Index (ALSI /J203) and STEFI Call Deposit Index (STFCAD) (Source: JSE).
3. VaR (Value-at-Risk) is a measure of the possible loss that could arise in the current portfolio over one month, based on 2000 days of historical data.
4. These are the highest or lowest full calendar year returns since inception of the Fund.
5. MDD stands for minimum disclosure document.
6. Performance fees are levied on total performance subject to investors receiving the benchmark return in the relevant measurement period. With effect from 1 January 2022 the measurement period is a calendar year, with performance fees crystallised annually. A high water mark is applied. Up to 31 December 2021 a rolling 12 month measurement period, with quarterly fee crystallisation, was applied.

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Important information

Management Company

Sanlam Collective Investments (RF) Proprietary Limited (the 'management company') Contact details: 55 Willie Schoor Avenue, Bellville, 7530. Postal Address: P.O Box 30, Sanlamhof, Bellville, 7532. Telephone 021 916 1800. Email: service@sanlaminvestments.com and website: www.sanlamunittrusts.co.za

Investment Manager

Matrix Fund Managers Proprietary Limited (the 'investment manager') (Registration No: 2007/028504/07) is an authorised financial services provider under the Financial Advisory and Intermediary Services Act - FSP No: 44663. Contact details: The Terraces, 25 Protea Road, Claremont, 7708. Postal Address: Postnet Suite 80, Private Bag X1005, Claremont, 7735, Telephone: 021 673 7800, Email: info@matrixfm.co.za and Website: www.matrixfundmanagers.co.za. The investment manager is supervised by the FSCA and is a member of the Association for Savings and Investment South Africa (ASISA).

Complaints and Conflicts of Interest

The complaints policy and procedure, as well as the conflicts of interest management policy, are available on the management company's website. Associates of the management company may be invested within certain portfolios, and the details thereof are available from the management company.

Trustee/Custodian/Depository

Standard Bank of South Africa Limited. Telephone 021 442 4200,
Email: compliance-sanlam@standardbank.co.za

Fund Administration

Apex Fund Services South Africa Limited.

Auditor

PwC Incorporated.

Co-Naming Agreement

The Management Company and the Investment Manager have entered into a co-naming agreement regarding the administration of the co-named Fund. The Management Company retains full legal responsibility for the co-named Fund and performs risk management over the portfolio.

Performance

Collective Investment Schemes in Hedge Funds (CIS Hedge Funds) are generally medium to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to future performance. The Management Company does not provide any guarantee in respect of the capital or the performance of the Fund. Performance figures for the period prior to the Fund being converted to a regulated CIS Hedge Fund are included and are thus from an unregulated environment. The investment performance is for illustrative purposes only. The investment performance is calculated by taking the actual initial fees and all ongoing fees into account for the amount shown. Income is reinvested on the reinvestment date. Actual investor performance may differ as a result of the investment dates, reinvestment dates, dividend withholding tax and other factors.

Unit Prices

Forward pricing is used and fund valuations take place at close of business each valuation day. Purchase and redemption requests must be received by the Management Company by 14:00 each dealing day to receive that day's price. Unit trust prices are available daily on www.sanlamunittrusts.com

Fees

Permissible deductions include manager fees, brokerage and other market costs, securities transfer tax (STT), auditor fees, bank charges and trustee fees. A schedule of fees, charges and maximum commissions is available on request from the Management Company.

Total Expense Ratio (TER) and Total Investment Charge (TIC)

The TER is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past 3 years (or shorter periods, where applicable). The TER includes the annual management fees that have been charged (both the base fee and any performance related fee), VAT and other expenses. The TER does not include transaction costs. As expenses vary, the current TER cannot be used as an indication of future TER's. A high TER ratio does not necessarily imply a poor return nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be consistent with the investor's objective and compared against the performance of the Fund. The TER should then be used to compare whether the Fund's performance offers value for money. Transaction Costs (including brokerage, STT, STRATE and FSCA Investor Protection Levies and VAT thereon) are shown separately. Transaction Costs are a necessary cost in administering the Fund and impact Fund returns. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of financial product, the investment decisions of the investment manager and the TER. The sum of the TER and Transaction Costs is shown as the Total Investment Charge.

General Disclosure

While CIS in hedge funds differ from CIS in securities (long-only portfolios) the two may appear similar, as both are structured in the same way and are subject to the same regulatory requirements. The ability of a portfolio to repurchase is dependent upon the liquidity of the securities and cash of the portfolio. A manager may, in exceptional circumstances, suspend repurchases for a period, subject to regulatory approval, to await liquidity and the manager must keep the investors informed about these circumstances. Further risks associated with hedge funds include: investment strategies may be inherently risky; leverage usually means higher volatility; short-selling can lead to significant losses; unlisted instruments might be valued incorrectly; fixed income instruments may be low-grade; exchange rates could turn against the fund; other complex investments might be misunderstood; the client may be caught in a liquidity squeeze; the prime broker or custodian may default; regulations could change; past performance might be theoretical; or the manager may be conflicted.

Additional Information

Additional information about the Fund may be obtained free of charge from the investment managers website, www.matrixfundmanagers.com or by contacting the investment manager. This information includes brochures, application forms and any annual reporting.

Hedge Fund Forms:

https://www.sanlaminvestments.com/individual/fundsandproducts/hedgefunds/Pages/default.aspx

Hedge Fund PF FAQ:

https://www.sanlaminvestments.com/individual/fundsandproducts/hedgefunds/Pages/default.aspx

Hedge Fund Upfront Disclosures:

https://www.sanlaminvestments.com/individual/fundsandproducts/hedgefunds/Documents/HedgeFund_FAQ.pdf

Disclaimer