Fund Objective

The Satrix 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**
  - Smart SA equity Core (46%)
  - Satrix SmartCore™
  - S&P SA Sovereign Inflation-Linked Bond Index
  - FTSE/JSE SA Listed Property Index
  - FTSE/JSE All Bond Index
  - Satrix Balanced Index Fund
  - MSCI All Country World Index (ACWI)
  - STeFI Composite

Why choose this fund?

- The SmartCore™ reflects the equity characteristics we feel are most significant.
- The strength in combining portfolios of these different characteristics is that they perform predictably and reliably with one another providing a smoother and diversified performance experience.
- The international portion of the fund (25%) provides some rand-hedge protection.
- You gain access to a fund that aims to grow capital steadily, while providing income over the medium to longer term.
- The high equity exposure gives you material exposure to an asset class that, though more volatile than others, usually delivers superior performance in the long term.

Fund Information

- **ASISA Fund Classification**: SA - Multi-Asset - High Equity
- **Category Benchmark**: SA - Multi-Asset - High Equity - Median
- **Risk profile**: Moderate Aggressive
- **Benchmark**: Proprietary Satrix Balanced Index
- **Portfolio launch date**: Oct 2013
- **Fee class launch date**: Oct 2013
- **Minimum investment**: Manual: Lump sum: R10 000; Monthly: R500
- **Portfolio size**: R6.1 billion
- **Last two distributions**: 30 Jun 2021: 21.71 cents per unit, 31 Dec 2020: 17.04 cents per unit
- **Income decl. dates**: 30 June & 31 Dec
- **Income price dates**: 1st working day in July and 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
- **Fees (Incl. VAT)**
  - **B1-Class (%)**
    - Advice initial fee (max.): N/A
    - Manager initial fee: N/A
    - Advice annual fee (max.): 1.15
    - Manager annual fee: 0.29
    - Total Expense Ratio (TER): 0.37
    - Transaction Cost (TC): 0.10

Performance (Annualised) as at 30 Sep 2021 on a rolling monthly basis

<table>
<thead>
<tr>
<th>B1-Class</th>
<th>Fund (%)</th>
<th>Benchmark (%)</th>
<th>Category (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>25.36</td>
<td>26.42</td>
<td>18.72</td>
</tr>
<tr>
<td>3 year</td>
<td>9.17</td>
<td>9.96</td>
<td>7.25</td>
</tr>
<tr>
<td>5 year</td>
<td>8.43</td>
<td>9.25</td>
<td>6.18</td>
</tr>
<tr>
<td>Since inception</td>
<td>8.29</td>
<td>9.17</td>
<td>6.67</td>
</tr>
</tbody>
</table>

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

Performance (Cumulative) as at 30 Sep 2021 on a rolling monthly basis

<table>
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<tr>
<td>3 year</td>
<td>30.11</td>
<td>32.95</td>
<td>23.38</td>
</tr>
<tr>
<td>5 year</td>
<td>49.87</td>
<td>55.66</td>
<td>34.94</td>
</tr>
<tr>
<td>Since inception</td>
<td>87.89</td>
<td>100.29</td>
<td>66.74</td>
</tr>
</tbody>
</table>

Cumulative return is aggregate return of the portfolio for a specified period.

Actual highest and lowest annual figures for the last 10 years

- **Highest Annual %**: 25.36
- **Lowest Annual %**: (0.96)

This monthly Minimum Disclosure Document should be viewed in conjunction with the Glossary Terms Sheet.
Vaccination in emerging markets has picked up pace since the beginning of the year, but trailed far behind developed markets. This had led to a continued uncertainty regarding the spread of Covid-19 and an emergence of new variants caused by the slow rate of vaccination and people hesitating to get the jab. As a result, we saw emerging markets fall during the quarter, while developed markets were fairly flat. Local equities were up in July but then lost that performance through August and September, ending the quarter negative.

For the quarter, the returns were mixed, with the MSCI World Index posting a negative return of 0.01%, the MSCI Emerging Markets Index dropping 8.1% and the MSCI USA Index gaining 0.3% in net US dollar. The Latin American emerging markets fell in the third quarter of the year with the MSCI EM Latin American Index declining 13.3%. The MSCI South Africa Index (-5.8%) was in negative territory over the quarter while the MSCI China index fell 18.2%. The MSCI Europe Index lost 1.6% while the MSCI United Kingdom Index returned 0.3%. All returns are in net US dollar.

OPEC continued with its decision to increase output only in November despite all the pressure the body had received from countries like the US to do this earlier. The US and other countries like India called on OPEC to increase the supply of oil, to help industries and consumers as mobility around the world had started to increase. The oil price dropped during the month of July and August but then started to rally just before the beginning of September. The Brent crude price ended the quarter at $78.3 a barrel, a 5% gain from the start of the period. The gold price was volatile during the third quarter, moving around July 2020 levels as the US Federal Reserve (Fed) planned on reducing stimulus, and the uncertainty from Chinese real estate group Evergrande’s debt crisis prevailed. For the quarter, the price of the precious metal was down 2.1%, ending at $1,729. The US Government 10-year bond closed the quarter at 1.49% as worries continued over increased inflation and an early Fed tapering.

Locally, the South African equity indices, namely the FTSE/JSE Top 40 (-1.6%), FTSE/JSE All Share (ALSX) (-0.8%) and FTSE/JSE Capped Shareholder Weighted All Share (Capped SWIX) (3.2%), had mixed returns through the quarter. The South African 10-year Government Bond started the period at a yield of 8.9% and closed the quarter at 9.2%, resulting in the All Bond Index (ALBI) (0.4%) ending the quarter with a positive return. The cash benchmark, the Alexander Forbes Short-Term Fixed Interest (STFII) Composite Index (1.0%) delivered positive money market returns for the quarter. The FTSE/JSE SA Listed Property Index (SAPY) (5.9%) ended the quarter in positive territory.

The South African rand weakened against the US dollar through the period. For the full quarter, the rand depreciated by 5.6% to the dollar, closing at R15.11 to the greenback, R20.31 to the pound and at R17.49 to the euro.

The SARB again unanimously voted to keep its repo rate unchanged at 3.5% during its September meeting, as expected by analysts. There was still uncertainty with the Covid-19 virus in South Africa, but the SARB held rates to support South Africa’s economic recovery as inflation was being contained within their target range.

Forecast inflation for South Africa was revised up to 4.4% from the previous 4.2%, while President Cyril Ramaphosa eased lockdown restrictions to Level 1 as the country prepared to go to the voting stations in November.

Equity performance, attribution and strategy

Global stock markets posted negative returns for the third quarter of 2021, ending the equity rally since March last year. From a style perspective, year to date Value is still the best performing factor though in the third quarter it has added little outperformance as the dividend yield subfactor underperformed while earnings yield and book-to-price added positive. For the quarter, Momentum was the best performing factor followed by the Low Volatility factor. Locally, Value still leads the way though it was fairly flat during the quarter from a long-short return spreads point of view, while Momentum continued to struggle. The Quality factor continued being out of favour followed by underperformance from Low Volatility stocks.

The fund uses a multi-factor approach where stocks are selected based on their combined Value, Momentum and Quality signal. The multi-factor model added value over and above the Quality and Momentum single factors, but underperformed the Value factor and ended up with an outperformance versus the Capped SWIX index. Over the past 12 months the multi-factor approach managed to outperform the Capped SWIX benchmark as it also outperformed the average of the single factors deployed in the multi-factor model.

From an attribution perspective, underweight positions in Naspers (NPN) and Impala Platinum (IMP) and an overweight position in MTN Group (MTN) added value to the strategy over the quarter. Counters that detracted value from the strategy included overweight positions in Sibanye-Stillwater (SSW), Royal Bafokeng Platinum (RBP) and Kumba Iron Ore (KIO).

The Satrix Smartcore™ Index rebalanced in September and the fund added positions in DRDGOLD (DRD), Distell Group (DGH), Hammerson (HMN) and Montauk (MKR), while positions in Anglo American plc (AGL), Kumba Iron Ore (KIO) and Woolworths (WHL) were increased. These were funded by deletion in Mediclinic (MEI) and Thungela Resources (TGA), while positions in Investec Ltd (ILN), Investec PLC (INP), Prosus (PRX) and Royal Bafokeng Platinum (RBP) were decreased.

Portfolio Manager(s)
The Satrix Investment Team

Management of Investments
The management of investments are outsourced to Sanlam Investment Management (Pty) Ltd, FSP 579, an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act, 2002.
The portfolio management of all the portfolios is outsourced to financial services providers to new investors to manage them more efficiently in accordance with their mandates. The Manager has the right to close any limitations on the availability of market information. The fund may from time to time invest of income as well as dividend withholding tax. Forward pricing is used. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The portfolio options presented are approved collective investment schemes in terms of Collective Investment Schemes Control Act, No 45 of 2002 (“CISCA”). The fund may from time to time invest of information of the proposed investment, including brochures, application forms and annual or quarterly reports, can be obtained from the Manager, free of charge. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. Collective investments are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accruals and less any deductible expenses such as audit fees, brokerage and service fees. Actual investment performance of the portfolio and the investor will differ depending on the initial fees applicable, the actual investment date, and the date of reinvestment of income as well as dividend withholding tax. Forward pricing is used. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The performance of the portfolio depends on the underlying assets and variable market factors. Performance is based on NAV to NAV calculations with income reinvestments done on the ex-div date. Lump sum investment performances are quoted. The portfolio may invest in other unit trust portfolios which levy their own fees, and may result in a higher fee structure for our portfolio. All the portfolio options presented are approved collective investment schemes in terms of Collective Investment Schemes Control Act, No 45 of 2002 (“CISCA”). The fund may from time to time invest in foreign instruments which could be accompanied by additional risks as well as potential limitations on the availability of market information. The Manager has the right to close any portfolios to new investors to manage them more efficiently in accordance with their mandates. The portfolio management of all the portfolios is outsourced to financial services providers authorized in terms of the Financial Advisory and Intermediary Services Act, 2002. Standard Chartered Bank is the appointed trustee of the Satrix Managers Scheme.

Trustee Information

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

Glossary of Terms

Collective Investment scheme (CIS)
A collective investment scheme (or unit trust) comprises a pool of assets such as equities, bonds, cash and listed property, which are managed by an investment manager and is governed by the Collective Investment Schemes Control Act no 45 of 2002. Each investor has a proportional stake in the CIS portfolio based on how much money he or she contributed. The word “unit” refers to the portion or part of the CIS portfolio that is owned by the investor. The “trust” is the financial instrument that is created in order to manage the investment. The trust enables financial experts to invest the money on behalf of the CIS investor.

Composite benchmark
Multi-asset class funds offer exposure to various asset classes including cash, equity, bonds and property both locally and internationally. In a passively managed multi-asset class fund each underlying asset class is managed to deliver the return of its respective index. For example, in the SATRIX Balanced Index Fund the property exposure is managed to deliver the performance of the FTSE/JSE SA Listed Property Index (J253). The composite index simply combines the underlying indices, each adhering to a specified weight.

Linked Investment Service Provider (LISP)
A Linked Investment Service Provider is a financial institution which packages, distributes and administers a broad range of unit trust based investments. Any investment made through these products gives an investor a single point of entry into a selection of different investments.

Index
An index is a unique grouping of shares, selected according to a pre-defined methodology e.g. largest market capitalisation or highest dividend yield. An index can be constructed to represent the overall market, a specific sector or a theme. The index performance can be used as a benchmark against which to compare active fund performances. A well-constructed index should be transparent, replicable and investable.

Long term strategic asset allocation
The long term strategic asset allocation is the target allocations for the various asset classes within the composite benchmark. The composite is rebalanced back to the strategic asset allocation biannually (March and September). The strategic asset allocation of the SATRIX Balanced Index aims to return CPI+5.5%pa, over the long term.

Rand-hedge protection
A Rand-hedge is a way of maximising returns on your investment in rand terms, through an offshore investment. The rand value of your investment increases if the currency depreciates (when the rand depreciates, the rand value of your offshore investment appreciates).

Smart beta
Before we can explain smart beta, we need to define the investment terms beta and alpha. Simply put, beta is the return you as an investor receive simply by being invested in the market. For example, the return you receive by investing in the FTSE/JSE. All Share index is a beta return. If you employ an active fund manager (one who studies companies and chooses a basket of shares for you) who gives you a return which is different to that of the market (either positive or negative), this under- or outperformance of the market is called alpha. Alpha = Fund performance - market performance (beta)

Smart beta funds attempt to capture excess returns in a systematic way. The idea is to deliver a better return while taking on less risk than the JSE All Share index. The result of weighing stocks differently to the JSE is that you have a fund which differs from the JSE in terms of: (a) individual stock exposure (b) sector exposure (e.g. resources, financials and industrials), and (c) factor exposure (e.g. foreign, size, yield and market sensitivity).

Tax Free Investing
This Fund qualifies as a tax free investment according to section 12T of the Income Tax Act, with effect from 1 March 2015. South African individuals qualify for the associated tax benefits namely: no tax on dividends, income or capital gains whilst still enjoying all the benefits of a unit trust. Note contributions to tax free investments are limited to R36 000 per tax year, with a lifetime limit of R500 000. Amounts invested in excess of these permissible thresholds are subject to tax penalties.

Total Expense Ratio (TER)
This is the total costs associated with managing and operating an investment (excluding administration, financial planning and servicing fees). These costs consist primarily of management fees and additional expenses such as trading fees, legal fees, auditor fees and other operational expenses. The total cost of the fund is divided by the fund’s total assets under management to arrive at a percentage amount, which represents the TER.

Volatility
Volatility is a measure of ‘risk’, and refers to the extent to which the price of an investment or fund fluctuates over a certain period of time. Funds with a high volatility usually offer the potential for higher returns over the longer term than low volatility funds but also the potential for significant downside.