

## 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.

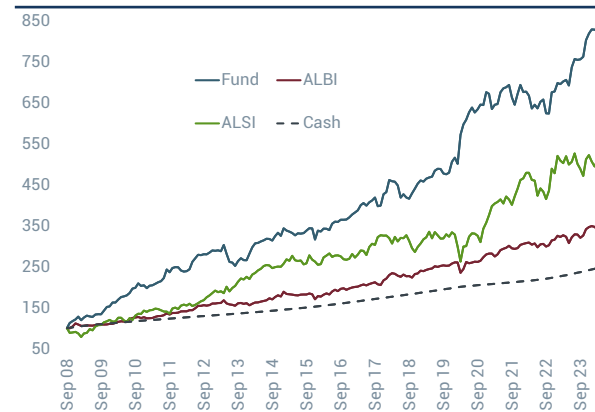


## Investment Process

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<sup>1</sup>



Returns (%) <sup>1</sup>	Fund	ALBI <sup>2</sup>	ALSI <sup>2</sup>	CASH <sup>2</sup>
3 Months	-0.1	-1.2	3.7	2.0
Year to Date	1.2	-0.4	0.6	2.6
Latest 1 Year	17.3	6.8	1.1	8.2
Latest 3 Years	8.6	7.2	8.8	5.9
Latest 5 Years	12.1	7.2	9.4	5.5
Latest 10 Years	10.4	7.8	8.1	5.9
Since Inception	14.5	8.3	11.2	6.0
Highest Annual Return <sup>4</sup>	33.7	16.0	32.1	8.4
Lowest Annual Return <sup>4</sup>	-8.2	-3.9	-8.5	3.5

Risk Measures (since inception)	Fund	ALBI	ALSI
Month End 99 VaR <sup>3</sup> (%)	-16.0	NA	NA
Standard Deviation (%)	11.2	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 573 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)	1 094 286
Net Monthly Unit Subscriptions / (Redemptions)	33 249
NAV per Participatory Interest (cents)	10 213.80
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 <sup>5</sup>
Management Fee	1.20% per annum (excl. VAT)
Performance Fee <sup>6</sup>	20% sharing ratio subject to the performance hurdle (excl. VAT)
Total Investment Charge (incl. VAT)	As at 31 March 2024
	1 YEAR PERIOD      3 YEAR PERIOD
Management Fees	1.39%      1.39%
Performance Fees	4.97%      2.20%
Other Costs	0.03%      0.03%
<b>Total Expense Ratio (TER)</b>	<b>6.39%</b> <b>3.61%</b>
Transaction Costs (TC)	0.31%      0.22%
<b>Total Investment Charge (TIC)</b>	<b>6.70%</b> <b>3.84%</b>



## 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.*

### Market Commentary

US Treasuries experienced a sharp 45 basis points sell-off in April, with yields rising to year-to-date highs across the curve against a backdrop of elevated inflation and stronger-than-expected US economic releases. The US 10-year treasury yield rose above 4.7% and the 2-year above 5.0%. The shift higher was given momentum by Fed Chair Powell and other speakers making notably hawkish statements at the start of the month. Intensifying geopolitical tensions and rising energy prices also proved challenging.

Although headline prints released in April for US retail sales, jobless claims, and consumer price inflation provided signs of labour market loosening and inflation slowing, the rate of deceleration is slower than expected and indicates that high real rates are having less of an effect on demand than in the past, and that less restrictive monetary policy is not yet required. Consequently, expectations for the first Fed rate cut have been shifting toward a later start date as the FOMC waits for a higher degree of certainty about unemployment heading above 4% and inflation being on a sustainable path back to 2%. US interest rate derivatives repriced rate cut expectations for year-end from 67bp worth of cuts at the end of March to 28bp by the end of April. We note that the US yield curve remains inverted, which implies that market participants still expect rates to be lower in the future than they are currently, but when this will play out is a moving target.

In response to higher global rates and a strong USD, by the end of April SA interest rate derivatives had priced out cuts by the SARB and had even started to price for a hike. Interestingly, unlike both the SA derivatives market and US bond yields, which both remained elevated over the month, South African bonds experienced a month of two halves, with the bear curve

steepening in the first half and bull flattening over the second. The R2032 and R2040 rose 40 basis points in the first two weeks to 11.72% and 13.10% and ended the month lower at 11.52% and 12.75%. The US bond market returned -6.0% while the SA bond index returned +1.4% in April.

The moderation in SA yields may have been in response to marginally reduced concern over negative tail risks associated with the country's upcoming election outcome. We see scope for SA assets to strengthen materially if the election outcome is market friendly. Considering the degree of uncertainty about the outcome, it is not priced and markets will react to the results as they are announced and remain volatile over the subsequent two weeks as the outcome of coalition negotiations are anticipated. According to the constitution, within two weeks of the election results being announced, the National Assembly must sit to elect the Speaker and the President. We expect coalitions may need to be finalised within this two-week period.

In early May, the FOMC meeting ushered in a rally in fixed income assets and a selloff in the US dollar, as Powell provided comfort that hikes were not on the cards. However, cuts are still data dependent.

### Market Performance

Global equity markets weakened in April returning -3.6% in USD terms. EM equity markets outperformed on a relative basis returning +0.3%. South African equities bounced back strongly in April returning +3.2% in ZAR, with an equivalent USD return of +3.9% as the USD weakened by -0.7% to the ZAR over the month.

Domestically, in April, SA money market returned +0.7% in ZAR. After a tough first quarter, SA bonds bounced back and gained +1.4% in April, while the World Government Bond Index was down -2.6% and US long bonds returned -6.0% over the month in USD. The SA listed property index was down -0.6%

over the month after recent strong performance.

### Fund Performance and Positioning

The Fund delivered performance of +0.1% after fees in April, resulting in a net 12-month return of +12.8%. USD Cash returned +5.4% over the past 12 months.

The Fund remains 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 1-year area of the curve.

Interest rate derivatives underperformed SA Government Bonds significantly – largely reversing the opening of asset packs in March. 12-month forward deposit rates increased by 40 bps, now pricing virtually zero chance of interest rate cuts.

We are of the opinion that election risk premium contained in SAGB pricing is approximately 50 to 60 bps whilst the increase in the front end of the curve has been as consequence of both election concerns, DM re-pricing of rate expectations and the likely implementation of a lower domestic inflation target (3.0% instead of 4.5%).

Should the local national election outcome be consistent with our broad expectation of inconsequential coalitions between the ANC and smaller parties, we would expect a further flattening of the forward curve as front end FRAs likely lag a more material SAGB rally.

We continue to expect mild policy loosening by the SARB over a 12 to 15 month horizon but note that a lower inflation target will likely curb any sharp and immediate policy normalisation.

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 March 2024	Month ending: 30 April 2024
ABSA Bank	8.8%	10.3%
FirstRand Bank	6.1%	9.9%
Nedbank	0.0%	0.0%
Standard Bank	46.5%	45.8%
Investec	16.1%	15.8%

Actual Exposure	Quarter ending: 31 March 2024	Month ending: 30 April 2024	1 Month 99% VaR Limit
Highest 99% VaR	-21.5%	-18.0%	-20%
Period ending 99% VaR	-14.4%	-16.0%	-20%

## Footnotes

- 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.
- JSE Composite All Bond Index (ALBI) & FTSE/JSE All Share Total Return Index (ALSI /J203) and STEFI Call Deposit Index (STFCAD) (Source: JSE).
- 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.

- These are the highest or lowest full calendar year returns since inception of the Fund.
- MDD stands for minimum disclosure document.
- 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.

## 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	0.5									1.2
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 with 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.



**MATRIX**  
FUND MANAGERS

# Matrix SCI\* Fixed Income Retail Hedge Fund

Minimum Disclosure Document - 30 April 2024

administered by  
 **Sanlam**

## 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](mailto:service@sanlaminvestments.com) and website: [www.sanlamunitrusts.co.za](http://www.sanlamunitrusts.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](mailto:info@matrixfm.co.za) and Website: [www.matrixfundmanagers.co.za](http://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](mailto: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.

## Disclaimer

This document is for information purposes only and does not constitute or form any part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase any particular investment. Whilst reasonable care has been taken in ensuring that the information contained in this document is accurate, neither the Management Company nor the Investment Manager accept liability in respect of damages and/or loss (whether direct or consequential) or expense of any nature which may be suffered as a result of reliance, directly or indirectly, on the information in this document. Nothing in this document will be considered to state or imply that the Fund is suitable for a particular type of investor. The fund may from time to time invest in foreign countries and therefore it may have risks regarding liquidity, the repatriation of funds, political and macroeconomic situations, foreign exchange, tax, settlement, and the availability of information. The Manager has the right to close any portfolios to new investors to manage them more efficiently in accordance with their mandates. The performance of the portfolio depends on the underlying assets and variable market factors.

### 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.sanlamunitrusts.com](http://www.sanlamunitrusts.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](http://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](https://www.sanlaminvestments.com/individual/fundsandproducts/hedgefunds/Documents/HedgeFund_FAQ.pdf)