Matrix SCI Fixed Income Retail Hedge Fund

Minimum Disclosure Document - 29 February 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

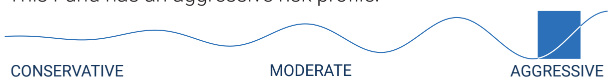
The Fund's investment objective is to achieve a net annualised return exceeding the Short-Term Fixed Interest Call Deposit Index (STFCAD) at a level of volatility commensurate with the higher return objective.

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.

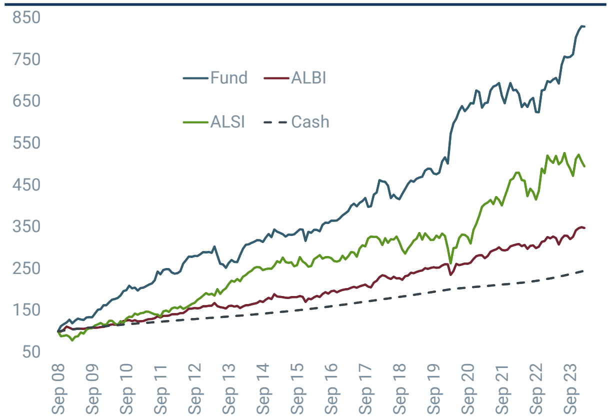


Investment Process

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	3.2	1.6	-3.4	2.0
Year to Date	1.2	0.1	-5.3	1.3
Latest 1 Year	19.1	7.6	-2.9	8.0
Latest 3 Years	9.3	7.2	7.5	5.6
Latest 5 Years	12.6	7.7	9.3	5.5
Latest 10 Years	10.8	8.1	7.9	5.9
Since Inception	14.7	8.4	10.9	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] (%)	-16.5	NA	NA
Standard Deviation (%)	11.24	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 544.7 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)	1 038 638
Net Monthly Unit Subscriptions/ (Redemptions)	33
NAV per Participatory Interest (cents)	10 507.38
Dealing frequency	First business day of each month
Redemption Notice Period	30 calendar days
Income Declaration Dates	March, June, September, December
Distributions over the past 12 months (Cents per Unit)	Dec 2023 0.00 Sep 2023 235.48 Jun 2023 117.02 Mar 2023 0.00
Pricing Information	Priced monthly and published in the MDD [5] (available on website)
Annual 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	**6.39%**	**4.20%**
TransactionCosts (TC)	0.32%	0.21%
Total Investment Charge (TIC)	**6.71%**	**4.41%**

**The legal registered name of this fund is: Matrix Sanlam Collective Investments Fixed Income Retail Hedge Fund*

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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.

SA Budget and fiscal realities

The main budget deficit for 2023/24 is likely to be at least R50bn more than budgeted in February 2023, due almost entirely to overspending. We expect GDP growth will also disappoint and that the deficit is likely to total around 5.4% of GDP, versus 4.7% budgeted.

Tax revenue is growing at 2.5% y/y, slightly slower than 2.7% y/y estimated in February 2023's budget, which if sustained would leave National Treasury about R3.5bn short by the 31 March fiscal year-end. Non-tax revenue is running R4bn behind budget.

Year-to-date spending is up 5.2% y/y, well ahead of Treasury's budgeted 1.7% y/y. At this rate, spending will be R68bn over budget for the full fiscal year. Around R18bn of unbudgeted expenditure YTD has been for transport, R4bn for police, R5bn for defence, R5bn for National Treasury, R5bn for local government, R5bn for servicing debt and R11bn for provinces.

Excluding debt service costs, Treasury has managed to contain main budget spending growth in 2023/24 at 3.3% y/y year-to-date, which is commendable considering inflation has averaged 5.5%. In real terms non-interest spending has actually contracted by 1.7%. Treasury had budgeted for non-interest main budget spending to contract 0.7% in nominal terms, or a phenomenal 6.1% in real terms. This was never realistic. Looking ahead main budget non-interest spending is budgeted to grow 3.9% y/y in 2024/25, or -1.1% in real terms. Considering the likelihood of a higher spending base in 2023/24, even if Treasury stay within their extremely conservative budget, government will spend R68bn more than allocated in 2024/25.

This begs the question, what is being sacrificed? Essentially, Treasury has cut transfers to provinces and municipalities marked for infrastructure – both new build and maintenance - and reallocated it to wages and the SRD grant. Over the three-year Medium Term Expenditure Framework (2024/25 to 2026/27), Treasury has increased the allocation to wages and the SRD grant by R250bn and has funded this by reducing the infrastructure budget by R200bn and raising an extra R50bn in taxes through bracket creep. By their own admission this is detrimental to growth but is politically 'unavoidable'.

US rate cuts in 2024 affirmed

US Fed chair Powell gave testimony on Thursday March 7, that rate cuts can and will begin in 2024, putting paid to rising bets that the Fed may not cut rates and that the next move could be a hike. His comments provided much needed guidance and should reduce uncertainty and compress risk premia in fixed income asset classes.

We expect the Fed took comfort from the steep and persistent decline in Supercore PCE inflation (Services PCE less Energy and Housing), which slowed in February to 3.1% from 3.5% in January. This measure is key with respect to the wage-price spiral since employment inflation lags the index by three quarters. The interest rate markets imply that there will be 100bps of cuts by the Fed to December 2024, up from 88bps at the start of March.

In the EU, analysts have taken comments made at the ECB's March meeting to infer that cuts will begin in June. The ECB lowered their forecasts for average inflation in 2024 to 2.3% from 2.7% in December. EU CPI is expected to average 2.0% in 2025 and 1.9% in 2026. The EU is expected to grow 0.6% in 2024 in real terms. Strong economic activity from the "post-pandemic reopening of the economy has faded, while the drag from tight financing conditions and elevated consumer uncertainty remains significant. Forward-looking survey indicators remained in contractionary territory on average in the first two months of 2024. Nevertheless, declining inflation and robust wage growth, in the context of a still tight labour market, should underpin households' purchasing power in the first half of this year."
Global inflation risks from Red Sea disruptions muted, so far...

The ECB has provided useful scenario analyses of the risks from shipping disruptions in the Red Sea and the Gulf of Aden. Attacks by Houthi rebels on cargo vessels passing through the Bab-el-Mandeb Strait have reduced transit volumes by about 70% since the beginning of December. The ECB approximates that 12% of global crude oil shipments and 10% of all global seaborne trade by volume pass through the Suez Canal. However, according to the analysis, "oil tankers transiting the region are largely unaffected and only a few oil companies have suspended operations in the area." If the conflict results in partial closure of the Strait of Hormuz this would have more significant economic effects given the 20% volume of oil trade that takes place via this route.

While oil prices are unaffected, freight costs for shipping containers have significantly increased along specific routes. Freight between Asia and Europe takes about 30% longer owing to shipping rerouting around the Cape of Good Hope, and has resulted in increased demand for container shipping capacity. As a result, higher transportation costs could feed into higher consumer prices. Shipping delays could also disrupt supply chains and January's PMIs indicated that suppliers' delivery times rose for countries more exposed to disruptions.

Market performance

Global equity markets strengthened in February returning +4.3% in USD terms. The US outperformed, returning +5.2% while emerging market equities returned +4.8%. South Africa was amongst the worst performers, with equities down -5.6%. The ZAR sold off -2.9% on USD strength, but as at 8 March it is back at 18.68, where it ended January as the dollar weakened in response to signs of continued moderation in US inflation.

Domestically, in February, SA cash was the best performer and returned +0.65% in ZAR. SA bonds lost -0.6%, while the World Government Bond Index returned -1.3% and US long bonds returned -2.3% over the month in USD.

Portfolio performance and positioning

The Fund delivered flat performance of -0.1% in February and +19.1% over the past 12 months, net of fees. The 12-month return is well in excess of cash that delivered +8.0%, outperforming the return objective and highlighting favourable long-term alpha with low correlation to traditional asset classes.

Bonds yields and rates moved higher in February, both globally and locally. Continued robust labour data in the US, coupled with evidence of sticky inflation and cautious rhetoric by global monetary authorities, resulted in rate cut expectations for 2024 being walked back from around 160bps to 80bps. This is now aligned with the Fed's dot plot estimates of rate cuts for the year. US benchmark 10-year yields also sold off 40bps in a largely parallel upward shift in the yield curve.

South African rates (12x15 FRA) also weakened, moving up by approximately 50bps, in line with our broader expectation that monetary policy in SA is largely linked to that of global policy makers. We are pricing approximately 50bps of cumulative rate cuts in SA over the next 12 months.

SA government bonds weakened by about 20 bps and largely in sympathy (albeit more muted) with upward moves in global bond market yields. We view the budget as bond and rates friendly from a stable fixed rate issuance perspective. The intended spending cuts will likely be challenging to achieve. The use of the SARB's unrealised gains on FX reserves as a source of funding we view as an inevitable "damned if you do, damned if you don't" outcome, yet we believe it does alleviates some short term pressure from upcoming bond maturities.

The Fund benefitted somewhat from curve flattening between the 2-year and 5-year area of the forward curve and it extracted some positive time decay and carry. Performance detractors were the general upward move in rates as well as the flattening between the 9-month and 18-month area on the curve. We continue to believe monetary policy easing will be gradual and patient and linked to moves by global monetary authorities.

Our current portfolio construction favours positive carry and a flatter forward curves.

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Minimum Disclosure Document - 29 February 2024

Asset Allocation (Net Exposure)	%
Cash and Money Market	74.9
Bonds and Listed Notes	11.4
Interest Rate Derivatives	13.7
	100.0

Portfolio Counterparty Exposure per BN52 Table 3 Item 2	Quarter ending: 31 Dec 2023	Month ending: 29 Feb 2024
ABSA Bank	6.0%	7.8%
FirstRand Bank	3.7%	5.8%
Nedbank	0.0%	0.0%
Standard Bank	44.9%	46.0%
Investec	15.7%	15.9%

Actual Exposure	Quarter ending: 31 Dec 2023	Month ending: 29 Feb 2024	1 Month 99% VaR Limit
Highest 99% VaR	-21.0%	-20.5%	-20%
Period ending 99% VaR	-17.3%	-19.1%	-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											**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 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.
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.

Matrix SCI Fixed Income Retail Hedge Fund

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Important information

Management Company

Sanlam Collective Investments (RF) Proprietary Limited (the 'management company') Contact details: 2 Strand Road, 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

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