Matrix SCI Multi Strategy Retail Hedge Fund

Minimum Disclosure Document and Quarterly Investor Report - 30 June 2023

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

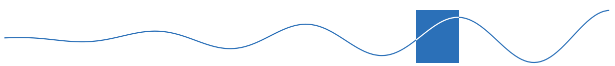
The Fund's investment objective is to achieve a net annualised return exceeding the Short-Term Fixed Interest Call Deposit Index (STFCAD) return, measure over rolling three-year periods, at a level of volatility commensurate with the return target. Emphasis is on absolute return, thus achieving return targets independent of market performance.

The target return is to exceed STFCAD by 5% per annum.

The Fund is regulated as a Retail Hedge Fund under the South African Collective Investment Schemes Control Act. The Fund may invest across a range of financial markets that include listed and OTC equity, fixed income and related derivative markets.

Risk-Return Profile

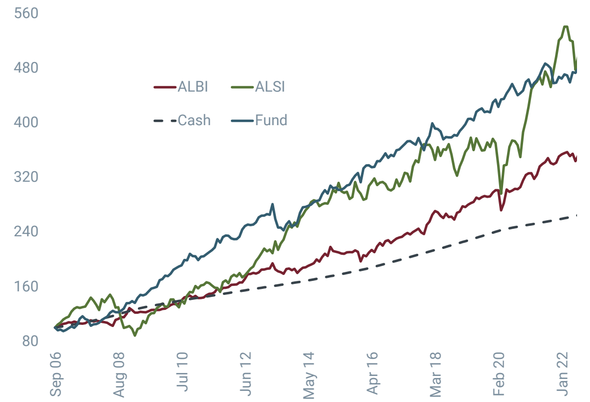
This Fund has a moderate to high risk-return profile.



Investment Process

The Investment Manager pursues market opportunities across multiple investment strategies, with a risk allocation process that targets efficient capital utilisation. Investment strategies are managed by specialist portfolio managers who invest independently, with no house view approach adopted. Risk limits and capital allocation is monitored and overseen by the investment committee.

Net Fund Performance – Class B1[1]



Returns (%) [1]	Fund	ALBI [2]	ALSI [2]	CASH [2]
3 Months	2.4	-1.5	0.7	1.9
Year to Date	6.0	1.8	5.9	3.6
Latest 1 Year Rolling	5.8	8.2	19.6	6.6
Latest 3 Year Rolling	3.7	7.6	16.1	4.6
Latest 5 Year Rolling	5.9	7.4	9.6	5.3
Latest 10 Year Rolling	7.3	7.4	10.3	5.7
Since Inception	10.1	8.2	11.0	6.4
Highest Annual Return [4]	29.2	17.0	32.1	11.3
Lowest Annual Return [4]	-5.3	-3.9	-23.2	3.5

Risk Measures (since inception)	Fund	ALBI	ALSI
Month End 99 VaR [3] (%)	-1.8	NA	NA
Standard Deviation (%)	8.0	7.7	15.3
Largest Draw Down (%)	-13.7	-9.8	-40.4
Correlation	1	0.3	0.1

Fund Information	Class B1
ASISA Fund Classification	RHF – SA – Multi Strategy
Benchmark	Cash (STFCAD)
Fund Size	R48.5 million
Inception Date (unregulated fund)	1 October 2006
Conversion to CIS Retail Hedge Fund	1 October 2016
Minimum Lump Sum Investment	R50 000
Participatory Interests in Issue (units)	71 195
Net Quarterly Unit Subscriptions/ (Redemptions)	-78
NAV per Participatory Interest (cents)	8 812.38
Dealing frequency	Daily
Income Declaration Dates	March, June, September, December
Previous Income Distributions (Cents per Unit)	Jun 2023 0.00 Mar 2023 0.00 Dec 2022 0.00 Sep 2022 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 March 2023	
	1 YEAR PERIOD	3 YEAR PERIOD
Management Fees	1.38%	1.38%
Performance Fees	0.00%	1.25%
Other Costs	0.14%	0.13%
Total Expense Ratio	**1.52%**	**2.76%**
Transaction Costs (TC)	0.12%	0.17%
Total Investment Charge (TIC)	**1.64%**	**2.93%**

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.

Global interest rate normalisation continued in 2Q23 as US 5-yr real rates rose around 35bp to 1.8%. This structural shift in the global risk-free rate has seen the SARB and other emerging market central banks being forced to hike, to protect the value of their currencies and continue to attract capital inflows. The SARB hiked the policy rate by another 50bp in May to 8.25% and markets are priced for a 25bp hike in July. SA's equivalent 5-yr real rate rose 38bp to 4.2% over the quarter, bringing the real rate differential with the US to 2.5%, below its historical average. While higher interest rates usually protect the value of the Rand via the FX basis, there comes a tipping point where the effect of higher rates on GDP growth starts to impact the currency negatively. Portfolio flows have been affected by lower growth, which has seen fiscal risks rise and impacted investor appetite for both bonds and equities. Capital outflows by domestic and foreign investors are feeding back into a weaker currency.

Foreign holdings of SA bonds continued to decline in the second quarter. According to monthly data released by National Treasury, the percentage of SAGBs held by foreigners fell to 25.1% in May 2023 from 28.1% in May 2022. The close relationship between net foreign ownership of SAGBs and the USD/ZAR exchange rate implies that the dramatic sell-off in the currency in May is likely to have been aggravated by offshore investors reducing their exposure to SAGB risk, selling R14bn worth of SA government bonds.

Domestic fund managers have also reduced exposure to SA bonds and equities. Since February 2022, when a change in exchange control regulation allowed local SA funds to increase their offshore allocation from 30% to 45%, offshore allocations have risen from 29.8% in 1Q22 to 36.7% in 1Q23 and an estimated 38.7% in 2Q23.

South Africa has experienced an additional structural shift with respect to its sovereign risk premium due to continuing loadshedding. Should the US and EU impose sanctions on South Africa because of the ruling party's perceived alliance with Russia, this would trigger an additional higher shift in the country's risk premium. As things stand, accusations made in May by the US that SA supplied arms to Russia in December 2022 led to one of the most significant sell-offs of South African assets in recent years. While much of that has now reversed, risks remain as the BRIC's Summit draws near. Factors which raise SA's cyclical risk premium are a deterioration in the outlook for the trade balance, and an impending recession.

Structural and cyclical risks intensified in April and May such that financial asset prices fell to reflect the increased sovereign risk associated with SA. June saw some correction in financial asset prices, as global and local inflation slowed, and markets began to anticipate the end of the interest rate hiking cycle. An end to the central bank's hiking of rates would provide a cyclical reprieve for bonds.

Market developments

In 2Q23, the SA interest rate market underperformed cash (+1.9%), JSE All Share equities (+0.7%) and listed property (+0.7%). Fixed-rate bonds measured by the ALBI (-1.5%) underperformed inflation-linked bonds (-0.7%). The 5.9% fall in the Rand versus the US Dollar would have been positive for offshore returns.

Total returns for the month of June differ markedly from 2Q23 performance and are indicative of the perception that a turning point had been reached in inflation and the monetary policy cycle, as well an improvement at the margin in loadshedding and geopolitical risk as the SA government attempted damage-control. Markets started to factor in disinflation and contemplate the timing of potential future rate cuts. Fixed-rate bonds (+4.6%) was the best performing SA asset class, followed by SA equities (+1.4%) and inflation-linked bonds (+1.2%). The interest rate market outperformed cash (+0.6%) and listed property (+0.9%).

The US Fed kept the policy rate on hold in June while the ECB raised rates by 25bp. This saw the US Dollar weaken; the DXY index lost 1.4% in June but managed to hold its value over the quarter.

EM FX lost 1.1%, on average in June and 3.4% over the quarter. Meaningful declines in commodity prices did nothing to help the Rand which is spite of a recovery of 4.6% in June, still lost 5.9% over the quarter.

The US banking crisis triggered a substantial reassessment of monetary policy, with US nominal and real yields falling sharply. The 10-year US Treasury yield declined by 45bp, to 3.5%, broadly matching the 40bp decline in the 10-year TIPS yield, to 1.15%.

US growth resilience and advances in the tech sector countered banking sector woes with the S&P500 gaining 8.3% as large cap tech drove the market higher on growing AI optimism. The Eurostoxx Index underperformed for the quarter, being up 1.9%. The FTSE 100 Index lost 1.3% while the Shanghai Composite declined by 2.2%. EM equities were broadly flat in US Dollar terms, while the MSCI World Total Return Index rose by 5.6%. The MSCI South Africa Index posted a total return of -5.2% in US Dollar terms.

The relatively muted changes at an overall SA equity index level belie the significant volatility experienced in the quarter. Most notable was the significant drop in financial and industrial "SA Inc" names in May on rising load shedding and geopolitical concerns, only for these moves to reverse in June as fears receded. Resource sectors were equally volatile, holding up relatively well in May as the Rand weakness offset hard currency declines, and then falling sharply in June as a strengthening Rand amplified further falls as pessimism grew around China's lacklustre reopening. The overall market ended up +1.1% (Capped SWIX) in local currency for the quarter, with financials the largest contributor and resources the largest detractor.

Portfolio performance and positioning

The Fund delivered positive performance of +2.3% over 2Q23 and +6% for the YTD, after fees. Over the quarter the returns were primarily from the fixed income strategies, while on a year-to-date basis the two primary fixed income strategies as well as the equity long short strategy were the largest positive contributors to returns.

The long-short equity strategy had a flat quarter as gains from consumer and financial shorts were offset by losses from relative value positions in the same sectors. The systematic equity strategy was lower for the quarter primarily due to short positions in the gold sector.

We have been net received (long rates) albeit in moderate size and varying degree over the course of Q2. This was a performance detractor in May but more than compensated for in June as rates reversed course sharply. The sharp depreciation of the Rand in May led to market consensus implying at the height of the sell off a total of 130bp of cumulative policy tightening over the next 9 months. The SARB opted for 50bp in May after inflation data surprised somewhat softer than expectations.

The subsequent recovery and stabilisation in the Rand, continued softer local inflation outcomes and firmer SA Government Bonds led to a reversal of implied cumulative policy tightening (after the 50bp hike in May) of a mere 30bp further cumulative tightening. We concur that SA is approaching the end of the tightening cycle as by the SARB's own admission SA is already in a restrictive policy setting notwithstanding significant pressure on the consumer, growth and potential growth. It is our base case that we experience a further (and final) 25bp of rate increase in July after which we believe the policy setting may be unchanged for a prolonged period of time.

The weak Rand, continued restrictive policy in developed markets (and by implication risk of narrowing interest rate differentials) and sticky inflation expectations would in our minds keep the SARB reluctant to deliver imminent policy accommodation.

Due to recent outflows and fund size restrictions, we have been obliged to de-risk the fund during the month of June and the fund is now wholly invested in cash until further notice.

MATRIX FUND MANAGERS

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Asset Allocation (Net Exposure)	%
Cash and Money Market	98.41
Bonds	0.00
Interest Rate Derivatives	1.59
Local Equity	0.00
	100.0%

Portfolio Counterparty Exposure per BN52 Table 3 Item 2	Quarter ending: 31 Mar 2023	Quarter ending: 30 June 2023
ABSA Bank	20.6%	68.9%
FirstRand Bank	34.6%	29.0%
Nedbank	10.5%	0.0%
Standard Bank	33.2%	0.0%

Actual Exposure [3]	Quarter ending: 31 Mar 2023	Quarter ending: 30 June 2023	1 Month 99% VaR Limit
Highest 99% VaR	-13.4%	-21.2%	-20%
Period ending 99% VaR	-8.6%	-1.8%	-20%

Net Monthly Performance Track Record (%) [1]

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	1.6	0.1	1.8	0.7	-1.2	2.8							5.9
2022	-0.6	1.4	-0.3	-2.2	3.2	-0.2	1.4	0.6	-3.2	0.3	2.3	-1.4	1.1
2021	0.8	-2.4	1.3	0.9	1.6	2.1	1.6	-0.6	-0.9	-4.6	0.1	1.9	1.7
2020	1.0	-2.5	2.6	0.2	1.8	1.4	1.7	-1.7	-1.9	0.7	0.8	2.8	7.0
2019	1.1	1.3	2.0	0.1	-0.6	3.1	0.7	0.5	-1.3	0.2	-0.3	3.5	10.7

(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.

For the fixed income exposure we simulate interest rate movements 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 from October 2006 to September 2016 is for the unregulated product, while performance from October 2016 is for the regulated product.
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 all performance subject to the investor receiving the benchmark return over a rolling 12 month period.

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. Registration no: 1981/009543/06.

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 business day. Purchase and redemption requests must be received by the Management Company by 14:00 each business 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 Dislosure

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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