

Investment Objective

The Fund's investment objective is to deliver capital growth, with limited risk of capital loss, over the long-term. It aims to outperform its benchmark, the SA CPI + 5% over rolling 3 year periods.

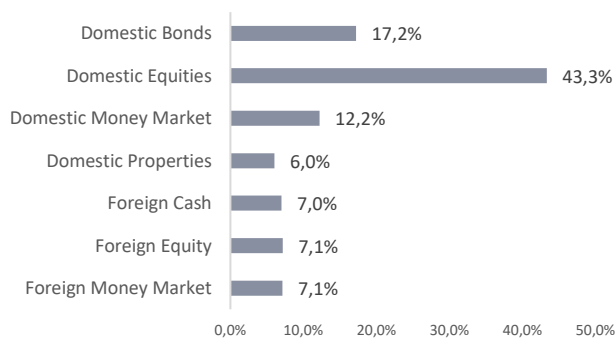
Investment Process

To achieve the investment objective, the Fund's portfolio will invest in a combination of equities, fixed income, property and cash, in both domestic and international markets. A macro orientated active asset allocation process is combined with the relevant asset class's investment process, with the latter being fundamental of nature.

Fund Profile

The Fund is a multi-asset high equity collective investment scheme, with a broad mandate to invest across the asset classes. The Fund may be invested with up to 75% exposure to equity markets and will generally have a high equity exposure. The Fund may allocate up to 30% to international market exposure, with a further 10% to Africa (ex South Africa) and will comply with the Regulation 28 limits governing retirement funds.

Asset Allocation



Returns ¹	Fund %	CPI+5 ² %	SWIX ² %	ALBI ² %
3 Month	16.0	1.1	22.1	9.9
Year to Date	-0.4	3.9	-6.3	0.4
Latest 1 Year	1.4	7.9	-6.1	2.9
Since Inception	2.9	9.3	-3.4	5.2

Risk Measures (since inception)	Fund	SWIX	ALBI
Sharpe Ratio³	-0.3	-0.5	-0.1
Standard Deviation p.a (%)	12.8	19.0	9.8
Sortino Ratio⁴	-1.3	-2.6	-0.4
Correlation	1.0	1.0	0.5
Positive Months (%)	60.7	53.6	60.7

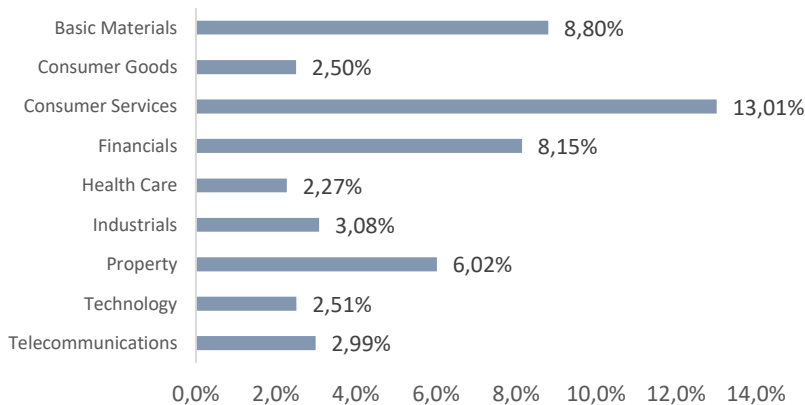
Investor Profile

The Fund is suitable for investors seeking capital growth, with limited risk of capital loss over the long term. It is suitable for investors with an investment horizon of at least 3 years. It could be utilised as a stand-alone diversified fund for retirement savings or as part of a portfolio of multi-asset funds.

Risk Profile



Fund Information:	Class A2
ASISA Fund Classification	South African – Multi Asset – High Equity
Benchmark⁵	SA CPI + 5%
Fund Size	R30.5 million
Regulation 28 Compliant	Yes
Fund Launch Date	1 March 2018
Class Launch Date	1 March 2018
ISIN Number	ZAE000253027
Minimum Lump Sum Investment	R5 000
Minimum Debit Order investment	R500 pm
Participatory Interests (Units) in Issue	3 055 044
Net Quarterly Units Subscriptions/(Redemptions)	40 615
NAV per Participatory Interest (cents)	998.46
Income Declaration Dates	June, December
Previous Distributions (cents per unit)	Jun 2020: 15.68 Dec 2019: 21.38
Daily Pricing Information	www.morningstar.co.za
Annual Management Fee	0.8% per annum (excl. VAT)
Total Investment Charge (incl. VAT)⁶	As at 31 March 2020
Management Fees	0.92%
Other Costs	0.26%
Total Expense Ratio (TER)	1.18%
Transaction Costs	0.42%
Total Investment Charge (TIC)	1.60%

SA Equity Asset Allocation

Top 10 SA Equity Holdings (%)

Naspers Limited	8.6
GrowthPoint Property	3.1
Anglogold Ashanti	2.8
Prosus	2.5
British American Tobacco PLC	2.5
Firststrand Limited	2.4
Vukile Property Fund	2.3
Anglo American PLC	1.9
Bidvest Group Limited	1.8
Standard Bank Group	1.8

Manager Commentary: June 2020

Risk assets have been surfing the liquidity wave brought about by QE infinity from the Fed, ECB and many other central banks. However, countries may have to deal with the risk of a “second wave” of Covid-19 infections as politicians ease the stringency measures. Until now, the US has been the prime example of a “second wave” meeting up with the broadening “first wave” of infections.

The challenge for investors is to distinguish the temporary from the permanent effects associated with the Covid-19 pandemic and the attendant policy response. The rebound in macro data, such as US non-farm payrolls and retail activity, and the surge in economic surprise indices (again most notably for the US) indicate that much of the demand shock was temporary and due to the restrictions. However, the economic scarring could be longer lasting.

For South Africa, the recovery will also be constrained by an uncompetitive economy. Importantly, the pandemic has brought forward the long-feared fiscal cliff, which will force the government into austerity at time when the economy can least afford it. Structural reform is long overdue, but these reforms often entail short-term pain for long-term gain, which then reduces the political appetite to implement reforms.

In the short term, a resumption of capital inflows may partially mask South Africa’s ills. A steady rand, anchored inflation expectations, and a wide output gap should allow for further monetary policy easing.

Market developments

Following the market rout in 1Q20, equities (23.2%) rebounded sharply in Q2, followed by listed property (20.4%), where the performance was off a very low base. Fixed-rate bonds posted a respectable 9.9%, double the return from inflation-linked bonds (4.7%), as all the asset classes managed to outperform cash (1.5%).

FX markets were range bound in June, as initial dollar weakness proved temporary. The risk-on associated with the reopening of the US economy gave way to concerns about a renewed escalation of Covid-19 infections in the US. The dollar ended the month down 1.1%, while the EM FX performance was wide-ranging. USD/ZAR fell to 16.60, but ended the month close to 17.40, leaving the rand 18% weaker year-on-year. Based on our estimates the rand is moderately undervalued, but sustained gains will depend on the dollar weakening further and the global growth recovery gaining more traction.

US breakeven inflation widened alongside the rebound in oil prices as TIPS yield fell but nominal yields remained stable. EM yields compressed moderately further, but SA did not benefit from falling global yields as the 10-year yield rose by 30bp. The local bond market has built in renewed risk premium associated with the fiscal deterioration and funding requirement. While tactically bonds screen cheap, the rise in the debt ratio implies upward pressure on funding costs.

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.

A “second wave” of Covid-19 infections, most notably in the US, countered the benefit from unprecedented monetary stimulus leaving the S&P 500 only 1.8% higher in June. Even so, higher commodity prices, competitive exchange rates, and improving global data supported EM equities. The MSCI EM index gained 7.4%, substantially outperforming the MSCI World index (2.7%). SA was an outperformer in June, with the MSCI SA index returning 10.4% in dollar terms. The reopening of the economy triggered a reversal in sectoral performance as lockdown beneficiaries gave way to improving retail demand. The 7.7% rise in the ALSI was driven by Technology (13.3%) and Basic Materials (8.8%) – most notably Chemicals (41.3%) and Gold Mining (20.0%). Consumer Services (7.1%), Consumer Goods (4.5%) and Financials (4.2%) put in moderate performances, while Telecommunications (1.1%), Industrials (-1.5%), and Health Care (-1.5%) were the laggards.

Portfolio performance and positioning

The fund’s performance (16.0%) in 2Q20 was driven largely by our holdings in domestic equity (11.4% contribution), followed by domestic bonds (2.1%), offshore equity (1.7%), and domestic property (1.1%). While domestic cash was neutral for performance (0.0%), offshore cash (-0.5%) was a detractor due to the rally in the rand, which also diluted the performance from offshore equity. During the quarter, we lowered our exposure to domestic bonds, local equity, and offshore equity, and increased our exposure to domestic cash.

While monetary stimulus continues to underpin risk assets, the renewed escalation in Covid-19 infections in the US has countered improving data as the economy has opened up. This has left risk assets range-bound as uncertainty increases. Given the rebound in global markets during 2Q20, the risk to asset prices is to the downside if countries re-enter lockdowns, even if the Fed provides a floor via infinite quantitative easing. Local growth forecasts have been cut sharply over the course of Q2, leaving the consensus estimate with two-sided risks. Even so, the lagged impact on earnings, income, employment, and tax revenues warrant ongoing caution. While we remain conservatively positioned within local equities, we have increased our allocation to high-quality SA Inc counters where valuations screen excessively cheap in light what should be a temporary hit to earnings. We continued to favour SA equity over offshore equity given the more defensive earnings profile of the local market, which should benefit from the positive translation gains of the weaker rand and the rebound in commodity prices. Moreover, the rand continues to trade somewhat cheap, while valuations in developed markets have rebounded more sharply. Following the large rally in yields, break-even inflation has widened anew and the implied real yield on local fixed-rate bonds has increased to around 5%. While fiscal risk justifies a substantial bond risk premium, we have increased our duration stance moderately in June given yields that have become more attractively value.



Important information:

Management Company

Novare CIS (RF) Proprietary Limited (Novare CIS) (the 'management company') (Registration No.2013/191159/07) is an authorized Management Company registered according to the Collective Investment Schemes Control Act (CISCA) and regulated by the Financial Sector Conduct Authority (FSCA). Directors: Mr. DA Roper, Mr. JS du Preez, Mr. GL Carter, Mr. A du Toit, Ms. N Smith. Contact details: P.O. Box 4742, Tyger Valley, 7736, South Africa. Call Centre: 0800 668 273 (0800 Novare). Email: clientservice@novare.co.za. Website: www.novare.com

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. Directors: Mr. R Briesies, Mr. RA Coombe, Ms. R Dean, Mr. NR Naidoo, Mr. LW Pretorius. Contact details: Postnet Suite 80, Private Bag X1005, Claremont, 7735, South Africa. Telephone: +27 21 673 7800, Email: info@matrixfm.co.za and Website: www.matrixfundmanagers.co.za Matrix Fund Managers 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

FirstRand Bank Limited. Registration number: 1929/001225/06. Physical address: 1st Floor, Nr.3 Jeppe Place, Bank City, Corner of Jeppe and Simmonds Streets, Johannesburg, 2000. Postal address: 1st Floor, Nr.3 Jeppe Place, Bank City, Corner of Jeppe and Simmonds Streets, Johannesburg, 2000. Telephone number: 011 282 8000. E-Mail address: Trusteeservices@rmb.co.za. Website: www.rmb.co.za. The trustee/custodian is registered as a trustee of collective investment schemes, in terms of the Collective Investment Schemes Control Act.

Fund Administration

Maitland Group South Africa Limited. Registration number: 1981/009543/06. Physical address: Maitland House 1, River Park, Gloucester Road, Mowbray, 7700. Tel. number: 021 681 8000

Auditor

PKF Cape Town, a member of PKF South Africa Inc. Registration Number: 2013/188449/07. Physical Address: Tyger Forum A, 2nd Floor, 53 Willie van Schoor Avenue, Tyger Valley, Cape Town, South Africa. Postal Address: P.O. Box 5700, Tyger Valley, 7536. Contact details: +27 21 914 8880.

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 Securities (CIS) 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 are provided for illustrative purposes and are for lump sum investments with income distributions reinvested. Actual investor performance may differ as a result of the investment dates, reinvestment dates, dividend withholding tax and other factors.

Fund Mandate

The Fund may be closed to new investors at any time in order for it to be managed more efficiently in accordance with its mandate. CIS's are traded at ruling prices, the CIS may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity.

Unit Prices

Unit prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund including any income accruals and less any permissible deductions from the Fund divided by the number of participatory interests (units) in issue. Forward pricing is used and fund valuations take place at approximately 15:00 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.morningstar.co.za

Fees

Permissible deductions include manager fees, brokerage and other market related costs, Securities Transfer Tax (STT), auditor's 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.

Additional Information

Additional information such as daily fund prices, brochures, application forms, a schedule of fund fees and the annual report is available on our website, www.matrixfundmanagers.com or by contacting us.

Footnotes:

1. Based on the completed monthly data, all returns for periods greater than 12 months are annualized.
2. Consumer Price Index (CPI), JSE Composite All Bond Index (ALBI) & FTSE/JSE SWIX All Share (J403T) Index (Source: JSE).
3. The Sharpe ratio is the average return earned in excess of the cash rate per unit of volatility or total risk.
4. The Sortino ratio is a variation of the Sharpe ratio that differentiates harmful volatility from total overall volatility by using the assets standard deviation of negative asset returns, called downside deviation.
5. The Consumer Price Index (CPI) is a measure of monthly prices for a range of consumer products and services. The year-on-year percentage change in the CPI is recorded as the rate of inflation. The Headline CPI, as calculated by Stats SA, is used for the benchmark calculation and it is released with a one-month lag.
6. The TIC is for the period 1 February 2018 up until 31 March 2020. For more information refer to Important Information above.

Disclaimer

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