Matrix NCIS Multi Strategy Retail Hedge Fund

Minimum Disclosure Document and Quarterly Investor Report - 30 September 2021

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 and Policy

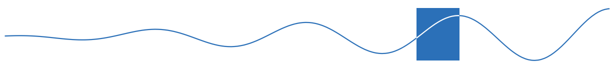
The Fund's investment objective is to achieve consistent absolute returns that target Cash +8% per annum over rolling three year periods.

The investment objective is pursued irrespective of the performance of the financial markets or any particular asset class.

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

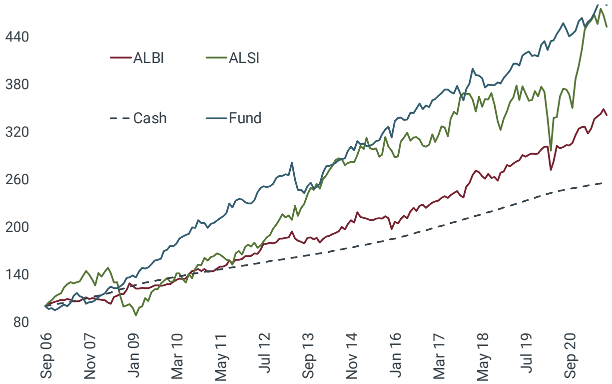
This Fund has a moderate to high risk-return profile.



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	0.1	0.4	-0.8	0.9
Year to Date	4.4	5.4	12.2	2.6
Latest 1 Year Rolling	9.0	12.6	23.2	3.5
Latest 3 Year Rolling	8.2	9.1	8.6	5.1
Latest 5 Year Rolling	6.2	8.5	7.8	5.8
Latest 10 Year Rolling	7.9	8.3	11.5	5.6
Since Inception	11.0	8.5	10.6	6.5
Highest Annual Return [4]	29.2	17.0	32.1	11.7
Lowest Annual Return [4]	-5.3	-3.9	-23.2	4.5

Risk Measures (since inception)	Fund	ALBI	ALSI
Month End 99 VaR [3] (%)	-15.8	NA	NA
Standard Deviation (%)	8.1	7.7	15.2
Largest Draw Down (%)	-13.7	-9.8	-40.4
Correlation	1	0.3	0.0

Fund Information	Class B1
ASISA Fund Classification	RHF – SA – Multi Strategy
Benchmark	Cash (STFCAD)
Fund Size	R178.8 million
Inception Date (unregulated fund)	1 October 2006
Conversion to CIS Retail Hedge Fund	1 October 2016
Minimum Lump Sum Investment	R50 000
Minimum Debit Order investment	R1 000 per month
Participatory Interests in Issue (units)	313 582.49
Net Quarterly Unit Subscriptions/ (Redemptions)	-42 946
NAV per Participatory Interest (cents)	8 457.40
Dealing frequency	First business day of each month
Redemption notice period	30 calendar days
Income Declaration Dates	March, June, September, December
Previous Income Distributions (Cents per Unit)	Sep 2021 0.00 Jun 2021 0.00 Mar 2021 0.00 Dec 2020 680.81
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 30 June 2021

Management Fees	Performance Fees	Other Fees	Total Expense Ratio (TER)	Transaction Costs (TC)	Total Investment Charge (TIC)
1.38%	1.77%	0.12%	**3.27%**	0.27%	**3.54%**

MATRIX FUND MANAGERS

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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.

After a relatively benign second quarter, risks escalated during the third quarter. China's regulatory tightening turned more aggressive, while last year's "three red-lines" for developers came home to roost in the threat of an Evergrande default. The US debt ceiling deadline loomed increasingly large, while the Fed moved the dot plot higher and confirmed a more rapid pace of tapering in the September FOMC meeting.

The surge in US inflation is a potential challenge for the Fed. While it is correct to look through the first round effects of a supply shock, there is a risk that a wage-price spiral could ensue, which would trigger quicker rate hikes and higher long-term yields. Yet, elevated debt levels require low rates for them to be sustainable.

The SARB shifted to risk management mode in March this year, with a temporary dovish tilt in July following the social unrest. The rhetoric following the September MPC meeting signalled that the start of policy normalisation is nearing and that there is a strong view that it is better to do a little bit (of hikes) sooner than being forced to do a lot (of hikes) later.

In more orthodox monetary policy implementation, pre-emptive normalisation would ensure that low inflation remains banked in anchored expectations, contained wage inflation, and exchange rate stability. Yet being too pre-emptive could have negative consequences via slower cyclical growth and lower confidence. The SARB seems willing to run this risk given existing binding constraints on structural growth.

The November MPC meeting will follow the local government elections, the Medium Term Budget Policy Statement, and the Fed FOMC. That is a lot of event risk to digest. The hurdle for a structural positive improvement in the fiscal outlook remains high, given renewed support, wage increases, and socio-economic pressures. The Fed is expected to confirm the timing and pace of the taper and although this is now partially priced, the flow effect may still be negative for the rand and SA rates. With a surging oil price, the SARB is set to up the ante on pre-emptive to avoid the cure of a substantially higher policy rate.

Market developments

During September, inflation-linked bonds (0.3%) were the only major asset class to meet the return on cash (0.3%). Listed property (-0.8%), fixed-rate bonds (-2.1%), and equities (-3.1%) underperformed sharply. The rand lost 4.0% against the US dollar, which would have been accretive to offshore asset. For 3Q21, listed property (5.9%) and inflation-linked bonds (2.0%) beat cash (1.0%), while fixed-rate bonds (0.4%) and equities (-0.8%) underperformed. The rand depreciated by 5.3% against the US dollar, which would have enhanced offshore asset returns for the quarter.

The dollar gained 1.7% in September, which took the DXY to a year-to-date high and a similar level to a year ago. While the greenback was range bound earlier on in Q3, Delta fears and a dovish Fed gave way to risk off and renewed hawkishness. Concerns about China's property sector and the US debt ceiling boosted safe-haven demand for the dollar. The hawkish dot plot and stronger taper talk from the September FOMC meeting, alongside inflation persistence lifted US yields quite sharply in the final week of the quarter, further benefiting the US dollar. The stronger dollar and risk aversion hit EM FX hard in September, with average depreciation of 2.5% month-on-month. The underlying performance was wide-ranging with the Turkish lira down 6.6% as the central bank surprised the market with a 100bp rate cut, while the Russian rouble gained 0.7% amid the surge in the oil price. The rand lost 4.0% against the dollar, with USD/ZAR back above 15.00 and marginally cheap versus our 14.50 – 15.00 short-term fair-value range.

After moving broadly sideways in July and August, US yields sold off sharply in the final week of September on the confluence of a hawkish Fed and inflation fears. The move was parallel, with the shape of the nominal, TIPS, and breakeven inflation curves unchanged month-on-month. Higher nominal yields were more a function of rising TIPS yields, with only modestly wider breakeven inflation. Other core rates also sold off due to more hawkish monetary policy rhetoric. The BOE turned more hawkish, signalling the potential for a hike before the end of the year, while the Norges Bank was the first of the G10 central banks to lift off the Covid lows. Lower commodity prices, outside of the energy complex, and moderating global growth were exacerbated by the rise in real US yields to push EM local bond yields sharply higher by the end of the quarter. EM yields rose by 36bp, on average, with Philippines yields unchanged at the low end and Turkish yields 135bp higher on the top end. The SA 10-year yield was almost 50bp higher by month end, leaving the market outright cheap versus our fair-value estimates.

Equity markets had a tough end to Q3 with intensifying risk aversion from China's property sector concerns, the US debt ceiling, inflation fears, and tighter monetary policy conditions weighing on risk assets in September. While the S&P500 reached a record high in early September, the index lost 4.8% for the month. The MSCI World Index lost 4.2%, marginally underperforming the 4.0% drop in the MSCI Emerging Markets Index. Notable gains were limited to Russia (6.3%) and Norway (4.1%), where the rising oil price provided a buffer. Brazil (-13.0%) and Turkey (-12.4%) fared the worst in the risk off, while South Africa lost a middling 4.8%. The ALSI declined by 3.1%, while the SWIX lost 1.4%. At a sector level, healthcare (16.4%), telco's (4.7%), and financials (1.7%) ended in the black, while consumer staples (-1.0%), technology (-2.2%), consumer discretionary (-2.6%), and industrials (-2.8%) ended in the red. Basic materials (-9.8%) was a notable laggard amid falling commodity prices, except for chemicals (25.4%) where the surging oil price (in dollar and rand terms) boosted returns.

Portfolio performance and positioning

The fund lost 0.8% in September and gained 0.1% for Q3 2021, underperforming its alpha objective. On balance, the gains in the equity books were offset by losses in the fixed income strategies.

During the quarter, the equity books benefited from long positions in non-mining resources and diversified mining, as well as stock selection within the healthcare sector. Generally, commodities faced headwinds during the third quarter, but energy-related prices, such as oil and coal surged amid resilient demand and supply uncertainty. The short positions in Telco's and food and food services, and long platinum holdings were dilutive to performance. Elevated global growth risks prompted us to de-risk the portfolio, moving from 20% long in July to 12% long, on average, in August. We maintained a more moderate exposure of 10% - 15% for the remainder of the quarter.

Fears of the Delta variant early in 3Q21 quickly gave way to optimism on reopening, while the dovish Fed at the July FOMC and a soft tone at Jackson Hole boosted risk assets. However, the record high in the S&P 500 in early September belied a more challenging backdrop for global equities. The strong signal on the timing and pace of taper in the September FOMC meeting, as well as moderating global growth momentum, most notably in China, put renewed pressure on global equities. Ongoing regulatory tightening in China and softening commodity prices had a more pronounced impact towards the end of Q3.

Domestic equity continues to trade at a substantial discount compared to historical valuations as well as the emerging market average. The rating has cheapened further, to being in line with the Covid lows, despite the negative earnings revisions over the past month. The bulk of the pressure comes from the resources sector where valuations and earnings expectations have been pared following the recent decline in commodity prices. Softening global growth, US interest rate normalisation, and regulatory uncertainty are headwinds to returns in the coming months. Domestically, upside risk stems from the move to alert level 1 lockdown, which should support the services sectors, while international tourism has also started to open up.

The fixed income book was net received rates throughout the quarter, with a bias was towards received positions in swaps and longer-dated forwards given the overly hawkish longer-term pricing of monetary policy. This was accretive to performance for most of the quarter, but detracted notably from performance in September given the sharp sell-off in rates towards the end of the month. The fund was net paid in FRAs for most of the quarter, with a focus on the shorter end of the curve. The social unrest in July prompted the SARB to turn more dovish, which lowered the FRA curve and so diluted returns. However, the quicker recovery in the activity data, weaker rand, and higher oil price reversed the bias in the September MPC meeting. The subsequent rise in the FRA curve contributed positively to returns in September.

While the September MPC statement and post-meeting Q&A were not quite as hawkish as the market had expected, the SARB's repo rate model maintained a hike for the November MPC meeting and added a hike in 2022. This triggered a steepening in the FRA curve as the market needed to catch up to the model. Stronger growth expectations, a narrower output gap, and upside inflation risks have opened the door to the hiking cycle, despite the unanimous decision in September to keep the repo rate unchanged. The SARB remains concerned about the underlying fiscal risks, while elevated input cost pressures emanating from global supply disruptions, international food prices, and the higher oil price have featured more strongly in discussions. Some of the MPC members are of the view that a pre-emptive start to policy normalisation would negate the need for aggressive hikes later on in the cycle. As such, a November start should not be ruled out.

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Net Monthly Performance Track Record (%) [1]

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	0.83	-2.40	1.30	0.87	1.56	2.10	1.56	-0.57	-0.87				4.38
2020	1.02	-2.49	2.62	0.17	1.84	1.37	1.70	-1.73	-1.90	0.70	0.84	2.79	6.99
2019	1.14	1.33	2.01	0.06	-0.60	3.11	0.74	0.50	-1.32	0.24	-0.32	3.46	10.74
2018	2.01	4.82	-1.94	-0.16	-0.92	-3.01	0.92	-0.14	-0.01	0.96	-0.32	1.84	3.89
2017	2.5	0.32	1.11	1.06	1.12	0.06	-0.76	-0.66	2.65	-2.48	-2.32	3.81	6.38

(monthly return history prior to 2017 is available upon request from the investment manager)

Actual Exposure [3]	Quarter ending: 30 June 2021	Quarter ending: 30 September 2021	1 Month 99% VaR Limit
Highest 99% VaR	-16.6%	-15.8%	-20%
Period ending 99% VaR	-12.1%	-15.8%	-20%

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.

Portfolio Counterparty Exposure per BN52 Table 3 Item 2	Quarter ending: 30 June 2021	Quarter ending: 30 September 2021
ABSA Bank	11.3%	25.6%
FirstRand Bank	60.5%	54.5%
Nedbank	0.0%	0.0%
Standard Bank	11.5%	13.9%

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 2008 to August 2016 is for the unregulated product, while performance from September 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. The 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.

MATRIX FUND MANAGERS

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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.novarecis.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. 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 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.

Fund Mandate and Investment Policy

The Fund may invest in South African bonds, equities, derivatives (interest rate, equity and currency) and the money market. Securities may be traded either Over the Counter (OTC) or On Exchange. CIS Hedge Funds may engage in scrip lending and borrowing, leverage and short selling. The Fund may not invest in participatory interests or any other form of participation in portfolios of collective investment schemes. 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.

The portfolio will not change its investment policy without prior approval from the FSCA and investors. The ballot procedure as indicated in CISCA will be followed. Counterparty exposure is restricted to the prime broker(s) of the portfolio and other approved bank counterparties. The liquidity risk management policy is available on request.

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 the end of the last business day of each month. Subscriptions requests must be received by the Management Company by 14h00 two business day prior to the month ends, with proof of payment submitted before 14h00 on the last business day of the month, in order to receive that month's price. Redemption notices must be received by the Management Company by 14h00 on the last business day of the prior month (30 days' notice).

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.

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.

Disclaimer