Itransact Conservative Regulation 28 Portfolio

2023-05-31

The objective of this investment vehicle is to provide a tax-efficient and low-risk retirement savings option for risk-averse investors. It aims to conservatively grow capital during cautious times or for short-term savings when unnecessary risk cannot be tolerated. This vehicle complies with Regulation 28 of the Pension Funds Act of 1956.

Each investor owns a fully segregated portfolio that we manage individually. We calculate performance and TIC by aggregating all portfolios in this product, which act as a guide for each portfolio. However, individual portfolios may vary due to differences in investment size and timing.

Portfolio Information

The Manager	Index Solutions
The Distributor	The Itransact Investment Platform
Fund Category	Managed Portfolio of Exchange Traded Funds
Risk Band	Conservative
Inception Date	2014-02-28
TIC§	0.54%
Daily Portfolio Information	www.itransact.co.za
Custodian/Trustees	Societe Generale
Minimum Monthly Investment	ZAR 300
Minimum Lump Sum	ZAR 5,000
Distributions	Reinvested

Investment Strategy

This portfolio is part of a suite of discretionary managed personal portfolio products that track the market by investing in a range of index-based Exchange Traded Funds (ETFs). We use an algorithm to select and allocate each client's ETF portfolio. These ETFs represent domestic and offshore equity, bonds, property, and money. Our method selects a small set of the most efficient and diverse ETFs, and we allocate capital to create five risk-banded portfolio products that provide maximally-diversified, multi-asset-class, broad-market exposure.

The risk designations below suggest approximate investment horizons for each of the available risk categories. The investment horizon and risk band of this particular portfolio product is highlighted in blue.

Risk Band	Investment Horizon [years]
Conservative	1 - 3
Cautious	3 - 6
Moderate	6 - 8
Growth	8 - 11
Aggressive (or Maximum for the RA)	11+

Asset Allocation

Instrument Name	Weighting
Satrix Traci 3 Month Money ETF	24.0%
1Nvest S&P500 InfoTech ETF	17.9%
1Nvest SA Bond ETF	17.3%
CoreShares Yield Selected Bond ETF	8.5%
Sygnia Itrix MSCI US ETF	7.5%
Satrix Value Equity ETF	7.1%
Satrix Namibia Bond ETF	5.9%
Satrix Resi ETF	5.5%
Satrix Indi ETF	3.4%
Satrix Divi Plus ETF	2.8%

Asset Class	Domicile	Weighting
Bond	Domestic	25.8%
Equity	Foreign	25.4%
Money	Domestic	24.0%
Equity	Domestic	18.7%
Bond	Foreign	5.9%

Performance

The performance table below is the performance as of 2023-05-31, running since the indicated number of years††.

Invested Period	Return
1 Year	7.43%
3 Years	5.63%
5 Years	5.59%
7 Years	4.77%
9 Years	6.40%
Since Inception (2014-02-28)	6.18%

Suitability Of This Investment Plan

This portfolio product is suitable to those who:

1. Seek a tax-efficient retirement product that avoids income tax, capital gains tax, or dividend withholding tax on savings.
2. Prefer a retirement product with no penalties, which allows starting or stopping premiums as needed.
3. Require a forced savings vehicle for disciplined saving.
4. Are comfortable investing mostly in fixed income markets to achieve low capital growth.
5. Need a short-term savings vehicle.
6. Want to minimize investment fees and charges.

Fees

We calculate fees and charges on a daily basis and deduct them from the portfolio on a quarterly basis. Fees and charges are a percentage of the portfolio value and comprise a management fee of 0.30% and trading costs.

How To Invest

We firmly believe in the value of impartial, independent financial advice and only distribute this portfolio through authorized financial service providers. Ask your financial advisor how our low-cost retirement savings portfolios will give you the best chance of achieving your savings or retirement goals. They will provide you with advice and expertise and facilitate your application and manage the paperwork.

Online Support

Investors and financial advisors are encouraged to sign up for online services with Itransact at www.itransact.co.za, where they can view all their investment information online.

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§. The TIC includes investment management fee, brokerage fees, settlement costs, statutory costs and VAT.

††. The performance shown is net of all The Manager's total expenses and fees for running the portfolios as well as net of all the expenses and fees of the underlying ETFs. The performance is not net of any platform or any IFA expenses and fees.

Manager Comments

South Africa: South Africa's annual inflation rate declined to an 11-month low of 6.8% in April 2023, below market forecasts but still above the upper limit of the South African Reserve Bank's target range. As a response, the Monetary Policy Committee increased the repurchase rate by 50 basis points to 8.25% per year, effective from May 26, 2023. Headline inflation is projected to fall back within the SARB's target range in the second half of 2023. However, due to factors such as power cuts, weaker commodity prices, and external conditions, real GDP growth is expected to decelerate sharply to 0.1% in 2023.

United States: The annual inflation rate in the US likely fell to 4.1% in May 2023, the lowest since March 2021, primarily driven by lower energy prices. The Federal Reserve responded by raising its key interest rate from 5% to 5.25% as part of its ongoing efforts to combat inflation. However, the Fed has indicated a possible pause in rate increases to evaluate the impact of monetary tightening on the US economy.

Global Economic Outlook: The global economy continues to face significant challenges, including weak growth prospects, elevated inflation, and increased uncertainties. Factors such as the legacy effects of the COVID-19 pandemic, the protracted war in Ukraine, the impacts of climate change, and shifting macroeconomic conditions are weighing on the global outlook. Aggressive interest rate hikes, prompted by stubbornly high inflation in both developed and developing countries, have tightened financial conditions and amplified debt vulnerabilities.

China: The economic recovery in China following its lockdown is questionable, as companies may have already made alternative manufacturing plans excluding China. The expected post-lockdown recovery has not materialized, despite initial positive news in that regard.

Europe: The European economy has displayed resilience within a challenging global context. Lower energy prices, reduced supply constraints, and a robust labour market supported moderate growth in the first quarter of 2023, dispelling concerns of a recession. As a result, the growth outlook for the EU economy has been revised to 1.0% in 2023.

Japan: Japan's economy experienced a positive turnaround in the first quarter, surpassing expectations and showing signs of a sustained recovery. Despite global challenges, the country emerged from recession as a result of a post-COVID consumption rebound. Government data revealed that the world's third-largest economy grew at an annualized rate of 1.6% between January and March, exceeding market predictions of a 0.7% increase.

Namibia: By the end of September 2023, the Namibia 10 Years Government Bond Yield is expected to be 16.912%.

Investment Strategy: In light of the current economic climate, our investment strategy focuses on portfolio diversification and offshore allocation. This approach aims to mitigate domestic risks associated with load-shedding while taking advantage of favourable economic data and growth prospects in the US and EU markets. We have chosen to avoid investments in China due to the faltering post-lockdown economic recovery. Additionally, we are exploring opportunities in the Japanese market, which shows promising signs of growth. By July 2023, we anticipate reaching a full 45% offshore allocation in our Regulation 28 portfolios, with offshore Namibian bonds contributing to enhanced portfolio diversification.

Please note that the information provided in this fact sheet is based on the latest available data, analysis and forecasts up 3rd quarter 2023. Investors should conduct thorough research and seek professional advice before making any investment decisions.

Disclaimer

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