Itransact Growth Regulation 28 Portfolio

2023-04-30

The objective of this investment vehicle is to provide a tax-efficient, high-growth option for medium to long-term savings with high equity exposure. 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	Growth
Inception Date	2013-05-10
TIC§	0.59%
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
1Nvest S&P500 It ETF	25.2%
Coreshares Preftrax	14.7%
1Nvest SA Bond ETF	13.7%
Satrix Value Equity ETF	11.3%
Satrix Resi Portfolio	9.5%
Satrix Indi Portfolio	7.3%
Satrix Govi ETF	4.5%
Satrix Traci 3 Month ETF	4.5%
Satrix Namibia Bond ETF	3.7%
Sygnia Itrix Msci Us	3.0%
Coreshares Globaldivtrax	1.4%
South African Rand	1.3%

Asset Class	Domicile	Weighting
Equity	Domestic	42.8%
Equity	Foreign	29.5%
Bond	Domestic	18.2%
Money	Domestic	4.5%
Bond	Foreign	3.7%
Cash	Domestic	1.3%

Performance

The performance table below is the performance as of 2023-04-30, running since the indicated number of years††.

Invested Period	Return
1 Year	6.51%
3 Years	7.59%
5 Years	5.46%
7 Years	4.62%
9 Years	6.55%
Since Inception (2013-05-10)	6.03%

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 equity markets to achieve high capital growth.
5. Need a long-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.

§. 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

Inflation was a cause for concern in 2022. Our expectation is for inflation to decrease to 4% easily, and we hope to achieve a target just above 2% without experiencing a double-dip where inflation rises again before decreasing. The question remains whether central banks will be satisfied with 4% inflation or continue pushing to reach the 2% target.

To control inflation, we rely on central bank interest rate hikes to slow down the economy. Although achieving a 4% inflation rate is expected to be manageable, reducing it to 2% will be challenging, and we should prepare for this. The market may underestimate the Fed's commitment to reaching this target, which may reflect in the pricing of securities. Therefore, we should expect a small and regular recession, possibly occurring late in 2023 and continuing into most of 2024, rather than a soft landing. While slowing inflation may appear harmless, it can have unpredictable consequences, such as the recent banking mini-crisis. As interest rates continue to rise, some corporations may face severe difficulties, and the Fed will be cautious in its approach. It's worth noting that headline inflation in most developed nations has halved since last year, and core inflation has decreased as well. However, the labour market remains tight, which complicates inflation control.

The current inflation rate of 4% is too high for the Fed, and it's likely to increase interest rates. There's evidence to suggest that the market often underestimates the Fed's actions. As multi-asset managers, we examine various markets and shift our asset class focus accordingly.

Equity markets are not inexpensive, especially in the US, where valuations appear unattractive. Company profit margins have decreased from their 2022 peak and may be below average. China's margins seem much better as they open up their market, making Chinese equity an appealing option. Nevertheless, political risks in China and Hong Kong make us wary of Asia. The semiconductor industry has been on a bull run, but current developments are concerning. Therefore, we're looking for equity opportunities outside of the US and will be monitoring the situation carefully. We're neutral on US equity and prefer quality factors over value or growth.

Bonds appear more favourable than equities in the current environment. However, bonds aren't significantly better at the moment and carry the risk of sudden drawdowns, which we're aware of. Therefore, we're slightly increasing our bond exposure.

Most real estate investment trust (REIT) shares have dropped by 30% to 50% over the past three years, which doesn't align with the valuation figures published by REITs. Hence, we're avoiding property investments until the situation resolves.

Lastly, we had a successful last quarter for most assets that declined in 2022. This serves as a reminder that staying invested in the long run is often a better strategy.

Disclaimer

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