

## **SATRIX COLLECTIVE INVESTMENT SCHEME**

### **SATRIX SA BOND PORTFOLIO**

JSE Code: STXGOV

ISIN: ZAE0000285862

("Satrix Bond")

A portfolio in the Satrix Collective Investment Scheme, registered as such in terms of the Collective Investment Schemes Control Act, 45 of 2002

### **SATRIX SA BOND PORTFOLIO TO CHANGE FROM A REINVESTING PORTFOLIO TO A DISTRIBUTING PORTFOLIO**

#### **1. Introduction**

Satrix SA Bond Portfolio unitholders ("**Unitholders**") are referred to the FSCA Conduct Standard 1 of 2020 (CIS) ("**Conduct Standard**") issued by the Financial Sector Conduct Authority ("**FSCA**") on 19 May 2020.

The Conduct Standard is applicable to portfolios comprising collective investment schemes registered in terms of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002) ("**CISCA**").

The Conduct Standard is intended to set minimum requirements for net asset valuation calculation and pricing for collective investment scheme portfolios registered in terms of CISCA and are therefore applicable to the STXGOV Portfolio.

In terms of the Conduct Standard, and as further set out below, the STXGOV Portfolio distribution method which currently allows for the re-investing of all coupons received, will now be adjusted to one in which all coupons received are paid out in cash to Unitholders.

#### **2. Background on the STXGOV**

The STXGOV Portfolio tracks the S&P South Africa Sovereign Bond 1+ year Index (the "Index"), an index designed to track the performance of South African Rand-denominated securities publicly issued by the South African government for the domestic market.

Coupons and interest from the underlying bonds are reinvested monthly. The STXGOV Portfolio declares a notional (deemed) distribution to unitholders bi-annually. The value of this bi-annual deemed distribution equates to the cumulative value of coupons earned and reinvested in the preceding six month period by the STXGOV portfolio, into constituents securities of the Index. Such coupons and interest in respect of the distribution does not incur dividends tax as it is not considered a dividend however unitholders will be liable for income tax at their marginal rate of tax on the coupons and interest declared and deemed to have been received.

The STXGOV Portfolio is considered to be a reinvesting portfolio as all income, which as stated above primarily consists of coupons and interest, is declared to Unitholders on declaration date and then is reinvested by Satrix on behalf of Unitholders into constituent securities of the Index in the exact proportions as per the Index.

### **3. Rationale for the change in distribution methodology**

The Thirteenth Supplement to the Offering Circular and Pre-listing Statement Methodology issued in terms of the STXGOV Portfolio on 2 April 2020 stipulates the re-investment of distributions declared in terms of the STXGOV Portfolio.

As such, the Thirteenth Supplement Methodology is therefore not in compliance with paragraph 10.1 ("**Conduct Standard Distribution Methodology**") which reads as follows:

*"All income received and accrued by a portfolio or class after deducting permissible costs must be distributed to investors so that it is taxed in the hands of the investor and that the nature of the income is preserved in the process."*

The Conduct Standard Distribution Methodology therefore gives rise to distributions, which must be distributed to investors and not re-invested.

Hence, as a result of the Conduct Standard Distribution Methodology, distributions declared by the STXGOV Portfolio shall be distributed in cash to Unitholders on a quarterly basis and not reinvested in the Portfolio.

### **4. Effective date of the Conduct Standard**

The Conduct Standard took effect from 19 November 2020, meaning all distributions declared on or after this effective date, shall be governed in terms of the Conduct Standard.

The first such distribution to be declared by the STXGOV Portfolio to be governed by the Conduct Standard shall be the distribution for the quarter ending 30 June 2022. The salient dates of which are as follows:

Declaration date Tuesday, 26 July 2022  
Last day to trade Tuesday, 2 August 2022  
Ex date Wednesday, 3 August 2022  
Record date Friday, 5 August 2022  
Payment date Monday, 8 August 2022

### **5. Financial effect on Unitholders**

The change from the Thirteenth Supplement Distribution Methodology to the Conduct Standard Distribution Methodology will have no financial effect on Unitholders. Unitholders will realise the same economic outcome and subject to the same tax principles.

### **6. Application of JSE Listings Requirement and amendment of the Thirteenth Supplement**

Paragraph 19.20(a) of the Listings Requirements of JSE Limited reads as follows:

*"An issuer is required to comply with the following continuing obligations once its securities have been listed:*

*(a) in the event that the issuer makes any changes to the placing document or pricing supplement that affect the terms and conditions of the securities or the guarantee, other than changes which are of a formal, minor or technical nature or are made to correct a manifest error or to comply with mandatory provisions of the law, the applicant issuer must obtain approval from holders of securities, holding not less than 66.67% of the value of a specific class of securities;"*

Hence as the change in distribution methodology is necessitated by the Conduct Standard which is considered to be a change to comply with mandatory provisions of the law, no approval from Unitholders is required to implement the STXGOV Portfolio distribution method.

The Thirteenth Supplement will be amended in due course to reflect the change in distribution methodology as set out in the Conduct Standard.

25 July 2022

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