

## SATRIX INVESTMENT PLAN

### Client Letter – February 2008

#### SATRIX PERFORMANCE

The past year, 2007, saw some slowdown in the performance of the JSE. Following three years in a row of more than 35% per annum growth in the Top 40 index, the JSE Top 40 grew by only 16% in 2007.

The JSE grew strongly in the first ten months of 2007, by October 2007, the market was up some 27% from end-2006, but as the year came to an end: the sub-prime crises in the USA; a temporary rally in the value of the rand; and political uncertainty around the Polokwani Conference, helped to turn the market sentiment negative.

These uncertainties have continued into 2008 and the JSE has shown further strain, although to a lesser extent in the large cap shares on the JSE (which are all in the Satrix 40 and Satrix Swix Top 40), than in small and medium cap companies.

Stockmarkets do have periodic setbacks as can be seen from the underlying Graph 1, slowing the All Share Index over the past 13 years. In 1998 and 2002, the JSE suffered periods of reversals, but these were of fairly short duration and the stockmarket resumed its long-term upward trend shortly thereafter.

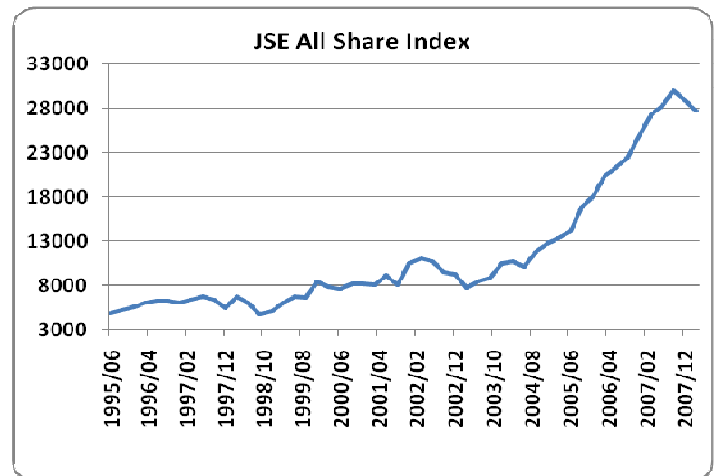
Equity investments ideally should be made for long-term, periods of 3-5 years or longer. Remember, over the past thirty years, the JSE has grown by some 21% per annum on average. That means that an investment such as the Satrix 40, which closely reflects the total market performance, would have doubled every 4,5 years (compounded) over this entire period.

For investors worried about the shorter-term periods of volatility which plague the JSE, or any other stockmarket for that matter, the following action should be considered:

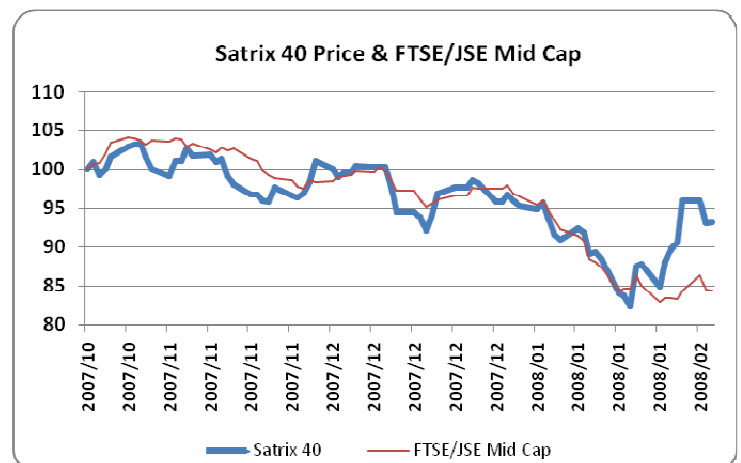
- **Sit it out** – over time, the stockmarket always recovers and as Graph 1 shows, in the medium to long term, you will be rewarded for not reacting to short-term movements
- **Shift to quality** – a characteristic of all stockmarkets is that big investors always embark on a flight to quality shares in times of uncertainty. In other words, they reduce their holdings of small and medium cap companies and switch to investing in large companies that are better able to ride-out difficult times.

The Satrix Swix Top 40 and Satrix 40 portfolios solely consist of these 40 largest blue chip shares on the JSE. These Satrix securities have performed better than the overall market and particularly better than the small and mid cap indices, since the market peaked last October (see Graph 2).

Graph 1



Graph 2



- **Maintain monthly debit orders** – a big advantage of making regular debit order investments is that you will be receiving more Satrix securities for your monthly amounts invested as the price of these securities is now lower – this reduces the average price of the Satrix securities held in your portfolio.
- **Take advantage of dips** – most long-term investment studies indicate that the one sure way to beat the average returns of the stockmarket over time, is to buy when the market dips. This may require some courage, but makes sense as the market tends to return to its previous highs relatively quickly (called mean reversion), so you are locking in this mean revision profit, and more if the market goes to new highs.

For such investors who accept this type of risk profile, it might be worthwhile looking at the two Satrix products that have fallen the most recently, namely the Satrix Fini and the Satrix Divi. Financial and retail companies make up the bulk of these portfolios and they have been amongst the hardest hit sectors of the JSE. However, the companies in the Fini and Divi portfolios are excellent companies offering extremely good value (and high dividend yields) at present and, when the market recovers, these shares will probably recover faster than the market as a whole.

<b>SATRIX PERFORMANCE*</b>				
<b>(For Year Ending 31 December 2007) (% return)</b>				
	<b>1 Year</b>	<b>2 Year (per annum)</b>	<b>3 Year (per annum)</b>	<b>5 Years (per annum)</b>
Satrix 40	18,6	29,1	35,1	27,8
Satrix Indi	17,2	28,3	30,6	-
Satrix Fini	1,0	16,4	21,5	-
Satrix Resi	27,8	-	-	-
Satrix Swix Top 40	17,0	-	-	-

*Source: Unit Trust Survey (December 2007), University of Pretoria.*  
*\* Measured growth in Satrix share prices, plus reinvestment of dividends.*  
*Satrix performance figures include 0,1% upfront fee and 1,0% per annum management fee as for the Satrix Investment Plan.*  
**Note:** *The Satrix 40 was the top performing fund in its category (large cap) for the 2 and 3 year periods measured in the above Unit Trust Survey.*

#### **Administration of Satrix Investment Plan**

The Satrix Investment Plan is administered by Automated Outsourcing Services Limited (AOS). In November 2007, it was announced that Pan African Capital Holdings (Pty) Ltd (PACH) had purchased ownership of AOS from the curators of the Fidentia Group.

PACH is a black-owned and operated financial services and private equity company led by its Chairman Prof. Wiseman Nkhulu and Chief Executive Dr Iraj Abedian. Prof. Nkhulu served as the Chief Economic Advisor to the Presidency of South Africa from 2000 to 2006 and Dr Abedien was the main architect of the Growth and Economic Redistribution (GEAR) policy and Chief Economist of Standard Bank from 2000 to 2004.

A partnership has been formed between PACH and AOS management providing 55% black ownership of the company, making AOS fully compliant with the provisions of the Financial Services Charter. The business objective of AOS is to operate as a fully independent (meaning no direct connection to any of the providers of financial products) administrative service provider to the global collective investment scheme industry. AOS provides administration services to more than twenty South African financial services providing companies, including Satrix, and to a growing number of international companies.

Now that the link with Fidentia has been broken, we would like to express our appreciation to investors who maintained or increased their Satrix investments over this period of curatorship of Fidentia and by implication of AOS as a subsidiary thereof. We are pleased to say that the structure of Satrix – being a Collective Investment Scheme where the assets are protected in Trusts under the CIS Act, plus the fact that all investor's holdings are registered independently and protected by the Securities Services Act and the custodian rules of the JSE and STRATE – meant that there was very little risk that Fidentia could gain access to the assets, or cash flows of assets held in the Satrix Investment Plan. This has indeed been the case and no Satrix investors in the Investment Plan were prejudiced by the collapse of Fidentia.

The Pan African/AOS partnership has already resulted in improved services to clients – the number of personnel working on the Satrix Investment Plan in the contact centre and back office has increased significantly; internet based service platforms will be implemented during the coming year; system upgrades and administration process streamlining are an ongoing process.

**Mike Brown**  
**Satrix Managers (Pty) Ltd**

**Tel: 011- 784-0641 Fax: 086 508 7170 Email: mikeb@satrix.co.za**

Satrix securities are listed on the JSE Limited and the trading of participatory interests on the Exchange will incur trading and settlement costs. The price at which a participatory interests trades on an exchange, may differ from the price at which the manager repurchases participatory interests. As with all stock exchange investments, the market price of Satrix securities will fluctuate according to market conditions, general sentiment and other factors.

Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. CIS products are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from the company/scheme. Commission and incentives may be paid and if so, would be included in the overall costs."