

**THIS DOCUMENT (“OFFERING CIRCULAR”) CONTAINS IMPORTANT INFORMATION ABOUT SATRIX AND ITS SECURITIES AND SHOULD BE READ CAREFULLY BEFORE INVESTING. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS OFFERING CIRCULAR YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISOR.**

The directors of Satrix Managers (Proprietary) Limited (“**Satrix Managers**”), whose names are set out on page 13 of this offering circular, collectively and individually, accept full responsibility for the accuracy of the information contained in this offering circular and certify that, to the best of their knowledge and belief, no facts have been omitted the omission of which would make any statement in this offering circular false or misleading, that they have made all reasonable enquiries to ascertain such facts and that the offering circular (as read together with the applicable supplement) contains all information required by law and the JSE Listings Requirements.

**If a prospective investor is in any way unclear as to the correct procedure to be followed, or the terms and conditions applicable to subscriptions for Satrix securities under the initial offer (as detailed in the applicable supplement), the investor is advised to contact his JSE broker or professional advisors.**

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# SATRIX

*Own the market*

Satrix Collective Investment Scheme,  
a collective investment scheme in securities  
registered in the Republic of South Africa in terms of  
the Collective Investment Schemes Control Act, No. 45 of 2002 (“the Act”)  
 (“**Satrix**”)

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## OFFERING CIRCULAR AND PRE-LISTING STATEMENT

Under the terms of this offering circular, Satrix Managers may from time to time establish additional portfolios in the Satrix Collective Investment Scheme and issue and list on the JSE participatory interests over an index. Each issue of participatory interests will be issued on the terms set out herein and under the conditions and on such additional terms as will be set out in the supplement, which will be delivered to and approved by the JSE prior to the date of listing of such participatory interests in accordance with the JSE Listings Requirements. This offering circular is to be read and construed in conjunction with any supplement.

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Corporate advisor  
Legal advisor  
Sponsor

JAVACAPITAL

Satrix Managers

SATRIX  
*Own the market*

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*A copy of this offering circular in the English language, accompanied by copies of the relevant supplement and the documents available for inspection (as described in this offering circular) is available at the registered office of Satrix Managers.*

**Prospective investors in Satrix participatory interests, as with any other Exchange Traded Fund, should ensure that they fully understand the nature of the Satrix participatory interests and the extent of their exposure to risks, and that they consider the suitability of the Satrix participatory interests as an investment in light of their own circumstances and financial position. The JSE’s approval of the listing of the Satrix participatory interests should not be taken in any way as an indication of the merits of Satrix or of the Satrix participatory interests. The JSE Issuer Services Division has not verified the accuracy and truth of the contents of the documentation submitted to it and, to the extent permitted by law, will not be liable for any claim of whatever kind. Claims against the JSE Guarantee Fund may only be made in respect of trading in Satrix participatory interests on the JSE and in accordance with the rules of the Guarantee Fund and can in no way relate to the new issue of Satrix participatory interests.**

The distribution of this offering circular and the offering for sale of the participatory interests in certain jurisdictions may be restricted by law. Persons into whose possession the offering circular comes are required by the issuer to inform themselves about and to observe any such restrictions. The offering circular does not constitute, and may not be used for the purposes of, an offer or solicitation by any person in any jurisdiction in which the offer or solicitation is not authorised or to any person to whom it is unlawful to make an offer or solicitation.

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Date of issue: 15 March 2006

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## CORPORATE INFORMATION

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### Corporate advisor, legal advisor and sponsor

Java Capital (Proprietary) Limited  
(Registration number 2002/031862/07)  
2 Arnold Road  
Rosebank, 2196  
(PO Box 2087, Parklands, 2121)

### Trustee

Absa Bank Limited  
(Registration number 1986/004794/06)  
180 Commissioner Street  
6th Floor  
Absa Towers North, 6E1  
Johannesburg, 2001  
(PO Box 61218, Marshalltown, 2107)

### Manager

Satrix Managers (Proprietary) Limited  
(Registration number 2004/035580/07)  
One Exchange Square  
2 Gwen Lane  
Sandown, 2196  
(Private Bag X991174, Sandton, 2146)  
Contact: Mike Brown on (011) 520-7356  
Website: [www.satrix.co.za](http://www.satrix.co.za)

### Asset manager

Sanlam Investment Management (Proprietary) Limited  
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55 Willie van Schoor Avenue  
Belville, 7530  
(Private Bag X8, Tygervalley, 7536)

### Market makers

Deutsche Securities (Proprietary) Limited  
3 Exchange Square  
87 Maude Street  
Sandton, 2196  
(Private Bag X9933, Sandton, 2146)

and

Sanlam Securities (Proprietary) Limited  
3A Summit Road  
Dunkeld West, 2196  
(PO Box 411420, Craighall, 2024)

### Registered office of Satrix

One Exchange Square  
2 Gwen Lane  
Sandown, 2196  
(Private Bag X991174, Sandton, 2146)

### Auditors

KPMG Inc.  
(Registration number 1999/021543/21)  
Chartered Accountants (SA)  
Registered Accountants and Auditors  
85 Empire Road  
Parktown, 2194  
(Private Bag X9, Parkview, 2122)

### Participating broker

Standard Securities (Proprietary) Limited  
(Registration number 1972/008305/07)  
trading as Standard Bank Online Share Trading,  
a subsidiary of The Standard Bank of South Africa Limited  
78 Marshall Street  
Johannesburg, 2001  
(PO Box 61309, Marshalltown, 2107)  
Contact no: (011) 0860 121 161  
E-mail: [securities@standardbank.co.za](mailto:securities@standardbank.co.za)

### Registrar of Collective Investment Schemes

c/o Financial Services Board  
446 Rigel Avenue  
Erasmusrand, 0181  
(PO Box 35655, Menlo Park, Pretoria, 0102)

### Company secretary of the Manager

Gary Clarke  
JSE Limited  
1 Exchange Square  
2 Gwen Lane  
Sandown, 2196  
(Private Bag X991174, Sandton, 2146)

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## INTERPRETATION

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In this offering circular, unless the context clearly indicates a contrary intention, the following expressions have the following meaning:

“Act”	the Collective Investment Schemes Control Act, 45 of 2002 (as amended or replaced from time to time) and the regulations promulgated thereunder;
“applicant”	an investor who applies to subscribe for Satrix participatory interests on the basis described herein;
“asset manager”	Sanlam Investment Management (Proprietary) Limited (Registration number 1967/011973/07) or such other asset manager appointed by the manager from time to time;
“auditors”	the auditors of Satrix and the manager for the time being, being KPMG Inc. as at the date of this offering circular, or such other internationally recognised auditing firm appointed from time to time;
“Base Level”	a number chosen as the starting point of an index which is divided into the aggregate market capitalisation of the constituent companies included in the Index in order to calculate the Index Level;
“basket” or “basket of shares”	a portfolio of securities which comprises the minimum number of shares or other securities issued by each of the constituent companies contained in the Index (in the same weighting as they are included in the Index) that can be acquired with an amount of money having a Rand value equal to 1 000 times the Index Level. The composition of a basket on a given day may be obtained from the manager or the website. One basket entitles an investor, in respect of an <i>in specie</i> application, to 1 million Satrix participatory interests;
“cash subscriptions”	applications for the acquisition of new participatory interests to be settled in cash;
“closing date”	the date on which the initial offer closes, as specified in the relevant supplement;
“common monetary area”	includes South Africa, the Kingdoms of Swaziland and Lesotho and the Republic of Namibia;
“constituent companies”	the entities or companies included in the Index, the securities of which will be held by the Satrix portfolio in the same proportions in which they are housed in the Index;
“controlled clients”	clients of a broking member of the JSE whose funds and uncertificated securities are under the control of such broking member. A controlled client does not have a direct relationship with a CSDP, the client’s securities being held in the broker’s nominee account with the broker’s CSDP. The cash balances of controlled clients are, in accordance with the requirements of the Securities Services Act, held by JSE Trustees to ensure segregation between broker and client funds;
“constituent securities”	securities issued by the constituent companies;
“CSDP”	a participant duly accepted by STRATE as a Central Securities Depository Participant in terms of the Securities Services Act;
“distribution period”	the distribution period applicable to the portfolio in question, as described in the applicable supplement;
“ETF”	an Exchange Traded Fund and specifically, the Exchange Traded Funds currently operated and to be operated under the name Satrix, as described in this offering circular;
“Exchange Control Regulations”	the Exchange Control Regulations promulgated in terms of section 9 of the South African Currency and Exchanges Act, 9 of 1933;

<b>“FSB”</b>	the Financial Services Board;
<b>“ground rules”</b>	the published ground rules of the Index, as amended from time to time;
<b>“holder”</b>	in relation to any Satrix participatory interests, the person or entity whose name is entered in the register as the holder of such participatory interests;
<b>“in specie subscriptions”</b>	applications for the acquisition of new participatory interests, to be settled “in kind” by the delivery of one or more baskets, subject to an obligation to subscribe for a minimum of 1 million securities;
<b>“income accruals”</b>	any dividends or interest or any other income for distribution (i) received by the trustee or manager (on behalf of investors in a portfolio) in the course of any accounting period of a portfolio and/or (ii) carried forward from a previous accounting period of a portfolio and/or (iii) due to investors in a portfolio in respect of dividend, interest or any other income declarations made but not yet distributed out of a portfolio;
<b>“Income Tax Act”</b>	the Income Tax Act, 58 of 1962;
<b>“Index”</b>	the index, the major objectives of which are to provide a standard against which portfolio performance can be measured objectively and to provide a description of the relevant market at a point in time in terms of price levels, dividend yields and earnings yields, as described in the relevant supplement;
<b>“Index exchange”</b>	the JSE or if not listed on the JSE, any other exchange on which the securities of the constituent companies are listed;
<b>“Index Level”</b>	the level of the Index calculated periodically during a trading day by dividing the Base Level into the aggregate market value of the shares included in the Index;
<b>“Indexco”</b>	collectively, Indexco Limited, Indexco II Limited and Indexco III Limited;
<b>“initial offer”</b>	the first offer to be made to retail investors in South Africa to subscribe for Satrix participatory interests in the new Satrix funds, as described in this offering circular as read together with the relevant supplement;
<b>“initial offer period”</b>	the period during which the initial offer will be open, being 09:00 on the opening date until 12:00 on the closing date;
<b>“investors”</b>	holders of Satrix participatory interests;
<b>“Java Capital”</b>	Java Capital (Proprietary) Limited (Registration number 2002/031862/07);
<b>“JSE”</b>	JSE Limited, a public company duly registered and incorporated with limited liability under the company laws of the Republic of South Africa under registration number 2005/022939/06 and licensed as an exchange under the Securities Services Act;
<b>“JSE Listings Requirements”</b>	the Listings Requirements of the JSE from time to time and for the time being, as published by the JSE;
<b>“last practicable date”</b>	the last practicable date prior to finalisation of this offering circular, being 15 March 2006;
<b>“manager” or “Satrix Managers”</b>	Satrix Managers (Proprietary) Limited (Registration number 2004/035580/07), a private company duly incorporated in accordance with the laws of South Africa, with its registered office at One Exchange Square, 2 Gwen Lane, Sandown, 2196 (Private Bag X991174, Sandton, 2146);
<b>“management fee”</b>	the fee to be paid to the manager in respect of its administration of the portfolios, the details of which are set out in the relevant supplement;
<b>“market makers”</b>	collectively, Deutsche Securities (Proprietary) Limited and Sanlam Securities (Proprietary) Limited, details of which are set out on the inside front cover of this offering circular or such other market maker appointed by the manager from time to time;

<b>“minimum investment criteria”</b>	compliance by a proposed investor with the Financial Intelligence Centre Act, 38 of 2001 and with the minimum investment limits imposed by the manager from time to time, currently one basket, in respect of <i>in specie</i> applications and in respect of cash subscriptions under the initial offer, R1 000 or multiples of R1 000;
<b>“NAV”</b>	net asset value, calculated on the basis set out in paragraph 7 of Part VII;
<b>“new Satrix fund”</b> or <b>“new Satrix portfolio”</b>	a portfolio in Satrix established after Satrix was registered as a collective investment scheme and pursuant to this offering circular;
<b>“new Satrix participatory interests”</b>	participatory interests in a new Satrix fund;
<b>“non-controlled clients”</b>	clients of a broking member of the JSE who have appointed their own CSDPs and have a direct relationship with the CSDP. Securities are held in the CSDP account in the client’s name. No funds are held by the broking member in such a case;
<b>“offering circular”</b>	this offering circular and pre-listing statement, together with all the annexures hereto, contained in this bound document, as read together with the relevant supplement;
<b>“opening date”</b>	the date on which the initial offer opens, as specified in the relevant supplement;
<b>“principal deed”</b>	the written deed (as amended, notated and/or replaced from time to time) concluded by the manager and the trustee on 28 July 2004 in terms of which Satrix was converted into a collective investment scheme, the salient provisions of which are set out in <b>Annexure 1</b> ;
<b>“permissible deductions”</b>	amounts which may be deducted from the portfolio, as detailed in paragraph 3 of Part V of this circular;
<b>“ramp up period”</b>	the period during which the manager will procure the acquisition of baskets with the cash proceeds derived pursuant to the initial offer or subsequent cash subscriptions, as the case may be, which in respect of the initial offer, shall commence on the day immediately succeeding the closing date and end on a date not more than five South African business days thereafter and in respect of subsequent cash subscriptions, a date not more than five South African business days following receipt of such cash subscriptions, provided that if the ramp up period falls over one or more public holidays in South Africa then the duration of the ramp up period shall, if necessary, be extended accordingly;
<b>“register”</b>	the register of Satrix participatory interests, which register shall be maintained by STRATE;
<b>“Registrar”</b>	the Registrar of Collective Investment Schemes referred to in section 7 of the Act;
<b>“Satrix”</b>	Satrix Collective Investment Scheme, a collective investment scheme in securities established in South Africa in terms of the Act and registered as such by the Registrar on 30 July 2004, to which all the rights and obligations of Indexco were ceded and assigned with effect from 1 August 2004;
<b>“Satrix Investment Plan”</b>	the arrangement whereby an administrator manages investments in Satrix securities on behalf of the investors who do not have accounts or stockbrokers, contact details of which are set out on the inside front cover of this circular;
<b>“Satrix portfolio”, “fund”</b> or <b>“portfolio”</b>	any one of the portfolios in Satrix, the participatory interests issued by each of which portfolios is or will in the future be separately listed on the JSE;
<b>“Satrix security”</b> or a <b>“participatory interest”</b>	a security, issued by a Satrix portfolio, representing a beneficial interest in such Satrix portfolio;
<b>“Satrix Deed”</b>	collectively, the principal deed read together with the applicable supplemental deed;
<b>“Securities Services Act”</b>	the Securities Services Act, 36 of 2004;
<b>“SENS”</b>	the Securities Exchange News Service, operated by the JSE;

“SIM”	Sanlam Investment Management (Proprietary) Limited (Registration number 1967/011973/07), details of which are set out on the inside front cover of this circular;
“South Africa”	the Republic of South Africa;
“South African business day”	a day (other than a Saturday, Sunday or official public holiday) on which commercial banks are generally open to settle payments in Rand in Johannesburg;
“specified cash amount”	<ul style="list-style-type: none"> <li>• a <i>pro rata</i> portion of the income accruals in the portfolio up to and including the subscription date; and</li> <li>• transfer duties and taxes (including UST, if applicable) arising on the acquisition by the portfolio of the underlying basket; and</li> <li>• any other cost that may be determined by the manager from time to time;</li> </ul>
“STRATE”	STRATE Limited (Registration number 1998/022242/06), a public company duly incorporated in accordance with the laws of South Africa;
“STRATE system”	the electronic settlement system utilised by the JSE and administered by the Central Securities Depository, STRATE, which facilitates the electronic clearing and settlement for all transactions concluded on the JSE;
“supplement”	a supplement issued in conjunction with or after issue of this offering circular containing the terms specific to an issue of Satrix securities in relation to a particular new Satrix portfolio, substantially in the form of <b>Annexure 5</b> to this offering circular;
“supplemental deed”	a written supplemental deed (as amended, novated and/or replaced from time to time) concluded by the manager and the trustee, establishing a portfolio of Satrix. Each portfolio is established by means of a separate supplemental deed, the salient terms of which will be set out in the relevant supplement;
“trading day”	a day on which the exchange on which the constituent securities are listed is open for trading;
“transaction costs”	the costs payable by the investor in respect of the transfer of ownership of participatory interests, including the JSE’s Insider Trading levy plus any other costs or levies as determined by the JSE from time to time, including, but without being limited to, UST and any other brokerage and other transaction charges;
“trustee”	Absa Bank Limited (Registration number 1986/004794/06), the trustee for the time being of Satrix appointed in terms of the Act or such other trustee appointed by the manager in accordance with the Satrix Deed and the Act from time to time;
“UST”	uncertificated securities tax levied in terms of the UST Act;
“UST Act”	the Uncertificated Securities Tax Act, 31 of 1998;
“VAT”	Value-Added Tax;
“VAT Act”	the Value-Added Tax Act, 89 of 1991;
“website”	the Satrix website, the address of which is: <a href="http://www.Satrix.co.za">www.Satrix.co.za</a> ; and
“X-Markets”	X-Markets Investment Holdings (Proprietary) Limited (Registration number 2005/011132/07).

All references in this offering circular to any Act, regulation or other statutory provision shall be a reference to such Act, regulation or other statutory provision as amended and/or re-promulgated and/or replaced from time to time and for the time being.

All expressions in this offering circular which denote the singular shall include the plural, any gender shall include the other genders and a natural person shall include artificial or juristic persons and *vice versa*.

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## PART I – INTRODUCTION

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### 1. WHAT IS SATRIX?

Satrix was established and listed on the JSE on 27 November 2000 and on 30 July 2004 was converted to a collective investment scheme under the Act, with the cession and assignment of all of the rights and obligations of Indexco. At the time of issue of this offering circular, Satrix comprised three portfolios, namely Satrix 40, Satrix FINI and Satrix INDI, each of which is listed on the JSE as an ETF. The investment objective of each of the Satrix portfolios is to replicate as far as possible the price and yield performance of a chosen index. Further details regarding the investment objectives of Satrix are set out in Part II of this offering circular. Any additional portfolios established under Satrix pursuant to this offering circular and the relevant supplement will be listed on the JSE in the Exchange Traded Funds sector.

### 2. WHAT IS A COLLECTIVE INVESTMENT SCHEME?

A collective investment scheme is a scheme established in terms of the Act in which members of the public are invited or permitted to invest money or other assets in one or more funds (known as portfolios) and share the risks and benefits in the underlying assets of the particular fund or portfolio in which they have invested.

The assets of each portfolio comprise shares or other securities in the constituent companies which make up the Index from time to time. Each portfolio holds shares of each of the constituent companies in the same proportion as the shares are represented in the Index.

### 3. WHAT IS AN ETF?

An ETF, otherwise known as an exchange traded fund or an index tracking fund, is a passively managed investment fund the aim of which is to track the performance of a particular index, the units of beneficial interest in which fund are listed on an exchange. There are currently approximately 420 ETF's listed globally, into which in excess of US\$360 billion (R2,3 trillion) has been invested.

### 4. WHAT IS A SATRIX PARTICIPATORY INTEREST?

Each of the Satrix portfolios is divided into units of beneficial interest known as participatory interests, much like shares in a company. A Satrix participatory interest is a security issued by the fund and listed on the JSE. Each Satrix participatory interest affords the owner thereof an equal proportionate interest in the portfolio in respect of which it is issued (which proportion is equivalent to the percentage which a single Satrix security represents in relation to all Satrix securities issued by such portfolio).

### 5. WHAT ARE THE RIGHTS OF THE HOLDERS OF SATRIX PARTICIPATORY INTERESTS?

One Satrix participatory interest entitles the holder thereof to a proportionate share in the risks in and benefits of the underlying assets of the Satrix portfolio in which the holder is invested (including a proportionate share in the distributions thereof). As a holder of a participatory interest in a portfolio, one is effectively a co-owner of that Satrix portfolio.

The rights of holders of Satrix participatory interests are set out in the Act and the Satrix Deed. The salient provisions of the Satrix Deed are set out in **Annexure 1**.

### 6. HOW WILL THE MARKET VALUE OF SATRIX SECURITIES BE DETERMINED?

At any point in time the market value of a Satrix security may be expected to reflect 1/1 000th of the Index Level, plus an amount which reflects a *pro rata* portion of any accrued distribution amount within the portfolio. Actual market values may be affected by supply and demand and other market factors, but the ability of a holder to “switch out” of Satrix securities by redeeming them *in specie* for one or more baskets of the constituent securities, subject to a minimum of 1 million participatory interests being delivered, should operate to substantially avoid or minimise any differential which may otherwise arise between the relevant basket price/Index Level and the value at which the Satrix securities trade on the JSE from time to time.

## **7. HOW DOES AN INVESTOR BUY OR SELL SATRIX SECURITIES?**

An investor may buy or sell Satrix securities through a registered member of the JSE or directly through the manager.

## **8. HOW DOES AN INVESTOR FIND OUT THE PRICE AND OTHER INFORMATION RELATING TO SATRIX SECURITIES?**

On each trading day the manager publishes the NAV per Satrix security, the market value of Satrix securities and the level of the Index. Any other information which an investor may require in respect of Satrix securities and any rights attaching thereto shall be available from the manager on request or on the Satrix website: [www.satrix.co.za](http://www.satrix.co.za).

## **9. IS IT POSSIBLE FOR THE RIGHTS ATTACHING TO SATRIX PARTICIPATORY INTERESTS TO BE CHANGED?**

The rights attaching to Satrix participatory interests could be changed if the provisions of the Act or the Satrix Deed were varied. Any amendment of the Satrix Deed may only be effected if the consent of the Registrar and a majority in value of the investors participating in a ballot conducted by the manager has been obtained on the terms set out in clause 65 of the Satrix Deed (as set out in **Annexure 1**).

The Satrix Deed may (with the approval of the Registrar) be amended without investor approval if the amendment:

- is required only to enable the provisions of the Act or the Satrix Deed to be given effect to more conveniently or economically;
- will benefit the investors;
- will not prejudice the interests of investors;
- does not amend the fundamental provisions or objects of the Satrix Deed; and
- does not release the trustee or the manager from any responsibility to the investors.

## **10. HOW IS THE INDEX CALCULATED?**

The Index is calculated by the calculation agent on the basis of the ground rules available on the FTSE/JSE website: <http://ftse.jse.co.za>.

## **11. WOULD THE INDEX EVER BE ADJUSTED?**

The Index may be adjusted from time to time because of mergers, re-organisations, schemes of arrangement or other corporate activity involving constituent companies. Any adjustments in the Index will be implemented as determined from time to time in terms of the relevant ground rules, for example if a constituent company pays a special dividend.

The adjustments may require the removal of a constituent company from the Index and the substitution thereof with a new constituent company while at the same time, if necessary, adjusting the Base Level. The adjustments to the portfolio will be made in such a way that the portfolio will at all times remain aligned with the Index Level.

## **12. WHAT HAPPENS IF A TAKE-OVER BID IS MADE FOR A CONSTITUENT COMPANY?**

If a take-over bid is made for shares of a constituent company included in the Index, the manager will not tender the shares held in the Satrix portfolio in respect thereof. Shares held in the Satrix portfolio which are subject to a takeover bid will only be surrendered if such surrender is mandatory in terms of the applicable legislation.

If a takeover bid results in a constituent company no longer qualifying for inclusion in the Index, it will be removed from the Index and another company substituted. Any shares of the constituent company still held in the Satrix portfolio after the take-over bid will be disposed of by the Satrix portfolio and the proceeds will be applied in effecting the appropriate adjustments to the portfolio.

Certain events, such as a consolidation or share split by a constituent company, will result in an automatic adjustment to the number of shares of that constituent company included in the Index and accordingly, in the Satrix portfolio.

In other circumstances, whenever there is an adjustment to the Index by the addition or subtraction of shares of a constituent company, the Satrix portfolio will acquire or dispose of the appropriate number of shares of the applicable constituent companies.

### **13. WHAT IS MEANT BY THE TERM “TOTAL EXPENSE RATIO”?**

The total expense ratio of the fund, which will be calculated on an annual basis and published in the annual report, refers to the total costs (less securities lending revenue) incurred by the portfolio (i.e. at the level of the fund and not the costs incurred by the manager for its own account) as a percentage of the closing net asset value of the portfolio during the year in question.

### **14. WHAT IS MEANT BY THE PRICE AND YIELD OF THE INDEX?**

The price of the Index is the aggregate market value of all of the constituent companies, each constituent company weighted according to its market value. The weighting has the result that the price movement of a larger constituent company will have a larger effect on the price of the Index than that of a smaller company.

The yield of the Index is calculated by dividing the aggregate of the income distributions payable on the shares of the constituent companies by the aggregate value of such constituent shares, weighted accordingly.

### **15. WHAT IS MEANT BY PASSIVE MANAGEMENT?**

Active management involves the buying and selling of securities based on economic, financial and market analysis and through the exercise of investment judgment. Passive management on the other hand involves the buying and selling of securities only due to movements in the Index with the aim of tracking the Index. No independent economic, financial and market analysis or investment judgment will be applied in making adjustments to the portfolio, save as is necessary in order to track the Index.

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## PART II – INVESTMENT OBJECTIVE AND BENEFITS

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### 1. WHAT IS THE INVESTMENT OBJECTIVE OF SATRIX?

The investment objective of each of the Satrix portfolios is to replicate, as far as possible, the price and yield performance of the relevant Index by holding a portfolio of securities substantially equivalent to the basket of securities comprising the Index in the same weighting as the Index. The Satrix portfolio will be adjusted as determined by the ground rules to conform to changes in the basket of securities comprising the Index so as to ensure that the composition and weighting of the securities comprising the relevant Satrix portfolio at all times substantially reflect the composition and weighting of the securities comprising the Index.

A Satrix portfolio's ability to replicate the price and yield performance of the Index will be affected by the costs and expenses incurred by the portfolio in question. Costs and expenses may result in the Index not being replicated perfectly by the portfolio. Any adverse cost implications may be countered through the generation of securities lending revenue. In addition, the manager may, where necessary or in the interests of countering any adverse cost implications, use derivatives for investment purposes. Securities lending and derivative transactions will only be used within the lending and investment limits stipulated in the Satrix Deed and the Act.

### 2. WHAT ARE THE BENEFITS TO INVESTING IN SATRIX?

#### *Accessibility*

Tracking an index through a direct investment in its constituents is very difficult, particularly for a small investor. To track the Index effectively, investors need to monitor the Index and any index developments on a daily basis. All constituents of the Index have to be traded individually and dividends have to be managed whenever paid. Satrix participatory interests confer on the holder of one Satrix security a proportionate share in the economic benefits of all of the securities issued by the constituent companies comprising the Index. The Satrix securities are attractive to professional investors, providing a useful asset allocation and cash management tool.

#### *Liquidity and tight spreads*

Given that Satrix securities are listed instruments, they are capable of being bought and sold on the JSE through a JSE member. In addition, you can sell your participatory interest to the manager, which is obliged to buy it from you.

Further, the market makers will attempt to maintain a high degree of liquidity through continuously offering to buy and sell Satrix participatory interests at prices around the NAV of the participatory interest, thereby ensuring tight buy and sell spreads. You will under normal circumstances and conditions be able to buy Satrix securities from or sell them to the market makers.

#### *The most transparent way to invest*

The exact composition of the Index, the NAV of the Satrix participatory interests and the market price thereof will be published daily on the Satrix website ([www.satrx.co.za](http://www.satrx.co.za)). This allows an investor full price transparency and the ability at any time to compare the traded value of Satrix participatory interests with the actual value of the corresponding securities in the constituent companies at any time.

#### *Low cost*

Investing in Satrix participatory interests is an efficient way of gaining diversified equity market exposure at low costs while avoiding the costs and risks associated with active investment management. The manager may waive some or all of the upfront fees, exit fees and/or management fees which it is entitled to charge in respect of an investment in Satrix.

#### *Flexibility*

The minimum unit of investment in new Satrix securities in terms of the initial offer for cash subscriptions will be R1 000 (or multiples of R1 000). After the listing on the JSE of the Satrix participatory interests, an investor will be able to purchase as few as one participatory interest on the secondary market.

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## PART III – MANAGEMENT AND OPERATION OF SATRIX

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### 1. HOW IS SATRIX MANAGED AND OPERATED?

The portfolios of Satrix will not be actively managed (i.e. through the buying and selling of securities based on economic, financial and market analysis and investment judgement) but will rather be passively managed (i.e. the only movement in a portfolio will be movements caused through index-tracking or re-balancing and only securities in the constituent companies will be acquired). The asset manager is obliged to ensure tracking of the Index by purchasing and holding the actual securities comprising the Index in the correct proportions, to the extent possible. In exceptional circumstances, the asset manager may, on a short-term basis only, employ other investment techniques and acquire other listed securities as will ensure the most efficient tracking of the Index, subject always to the terms of its mandate with the manager.

### 2. WHEN WOULD THE ASSET MANAGER NEED TO EMPLOY ALTERNATIVE INVESTMENT TECHNIQUES?

The need to employ alternative investment techniques would only arise in the event of a liquidity problem, for example if it is not possible to acquire any of the securities comprising the Index due to there being no sellers of such security.

In addition, the manager may, where necessary or in the interests of countering any adverse cost implications, use derivatives for investment purposes. Derivative transactions will only be used within the investment restrictions set out in the Satrix Deed and the Act.

### 3. HOW IS SATRIX REGULATED?

Satrix is managed by Satrix Managers, a registered manager in terms of the Act. The manager is bound by the provisions of the Act, the Satrix Deed and the JSE Listings Requirements. The salient provisions of the Satrix Deed are set out in **Annexure 1**.

### 4. WHAT REPORTS DO INVESTORS RECEIVE IN RELATION TO AN INVESTMENT IN A PORTFOLIO OF SATRIX?

In terms of the Act, the manager must, not later than 90 days after the close of the financial year of the portfolio, electronically transmit a report to every investor containing the information determined by the Registrar in relation to the portfolio.

Audited financial statements of the Satrix portfolio will be made available on the Satrix website and on request to an investor.

Detailed statements reflecting the breakdown of distributions, detailing the component income elements and (if appropriate) capital elements of the distribution, will be available on request from an investor's CSDP or broker.

### 5. WILL INVESTORS HAVE VOTING RIGHTS OVER THE SECURITIES OF THE CONSTITUENT COMPANIES HELD IN THE SATRIX PORTFOLIO?

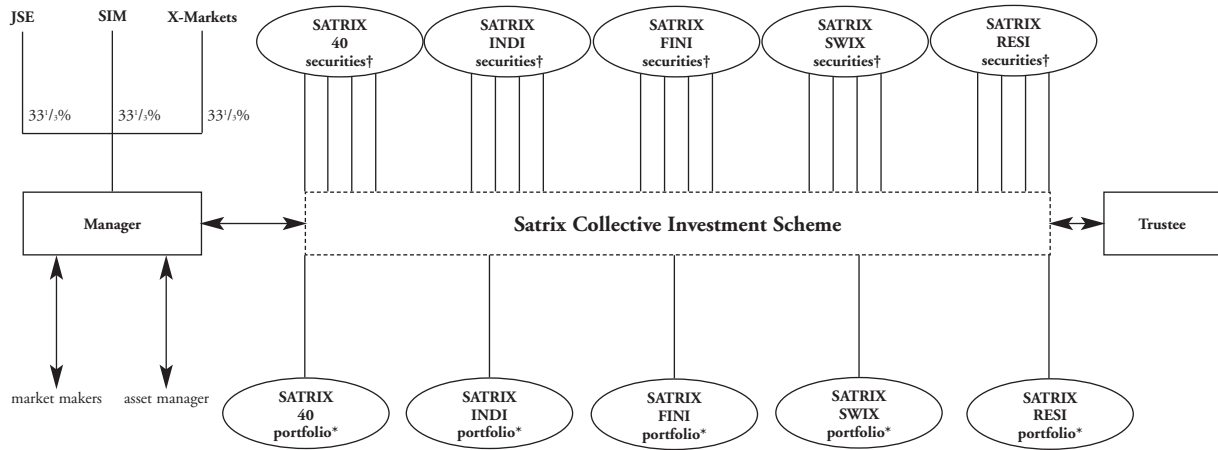
In terms of the Satrix Deed, the trustee may delegate to the manager or its nominee the right to attend or vote at a meeting of a constituent company or to take part in or consent to any action of a constituent company. However, no investor has any right in relation to any of the underlying assets of the Satrix portfolio or to attend or vote at any meetings or take part in or consent to any action of constituent companies.

### 6. CAN THE SATRIX PORTFOLIO BORROW MONEY?

The Act allows the manager to borrow on behalf of the portfolio the necessary funds where insufficient liquidity exists in the portfolio or where the underlying assets of the fund cannot be realised for the repurchase or cancellation of participatory interests, subject to a borrowing limit of 10% of the market value of the portfolio at the time of borrowing and subject to the terms of the Satrix Deed.

## PART IV – STRUCTURE OF SATRIX

### 1. THE STRUCTURE



↔ = Contractual arrangement

\*Satrix may comprise any number of portfolios, each of which will track a chosen index.

†Satrix securities or participatory interests entitle the holder thereof to a co-ownership share of the Satrix portfolio in respect of which the Satrix security is issued.

The functions of the manager and trustee are set out below.

### 2. THE MANAGER

Satrix is managed by Satrix Managers (Proprietary) Limited, a manager approved and registered by the Registrar to manage the Satrix scheme. The manager is a special purpose vehicle, incorporated on 5 April 2004 under the name Blue Nightingale Trading 128 (Proprietary) Limited. On 28 May 2004, the name was changed to Satrix Managers (Proprietary) Limited.

The relationship between Satrix and the manager is governed by the Satrix Deed, the salient terms of which are summarised in **Annexure 1**.

The share capital in the manager is held in equal shares by the JSE, SIM and X-Markets, a wholly-owned subsidiary of Deutsche Overseas Holdings (Netherlands) B.V., which is ultimately owned by Deutsche Bank AG.

Details of the directors of the manager are set out below:

Full name	Business address	Function	Capacity	Qualifications and experience
Russell Loubser	c/o JSE One Exchange Square 2 Gwen Lane Sandown	Chairman	Non-executive	CA(SA), MCom CEO of the JSE
Niall Smith	c/o Deutsche Securities 3 Exchange Square 87 Maude Street Sandton	Director	Non-executive	BSc Managing Director of Deutsche Bank responsible for all equity and debt derivative structuring in emerging markets
Roger Koep	c/o Deutsche Securities 3 Exchange Square 87 Maude Street Sandton	Director	Non-executive	BCom (Hons), LLB Vice President of Deutsche Bank responsible for investment products in South Africa
Freda May Evans	c/o JSE One Exchange Square 2 Gwen Lane Sandown	Director	Non-executive	CA(SA) Chief Financial Officer of the JSE
Pierre Ernest Rodrigues	c/o SIM 55 Willie van Schoor Avenue Belville	Director	Non-executive	BCom, LLB, LLM Client Fund Manager, SIM
Francois Johannes Kellerman	c/o SIM 55 Willie van Schoor Avenue Belville	Director	Non-executive	CA(SA) Head of Finance, SIM

The names of all companies in which each of the directors is or has been a director at any time in the previous five years are listed on **Annexure 2**. All directors are South African citizens.

None of the directors of Satrix Managers has been appointed for any specific term of office and they will not retire by rotation. Each of the directors of Satrix Managers will accordingly hold office until he/she resigns, is replaced by the person that appointed him/her or otherwise becomes ineligible to be a director of a company. None of the directors of Satrix Managers will, in his or her capacity as such, be remunerated.

The salient provisions of the memorandum and articles of association of the manager are set out in **Annexure 3**.

### 3. THE ASSET MANAGER

SIM, the asset manager of Satrix for the time being, manages the assets of the Satrix portfolios on behalf of the manager. All fees payable to the asset manager are payable by the trustee on behalf of the relevant portfolio.

### 4. THE TRUSTEE

Absa Bank Limited is the trustee of the Satrix scheme. Its responsibilities are governed by the Act and the Satrix Deed and encompass, *inter alia*, the protection of investors' interests, acting as trustee of the assets of each of the Satrix portfolios and ensuring compliance by the manager with the Satrix Deed.

### 5. THE MARKET MAKERS

Sanlam Securities (Proprietary) Limited and Deutsche Securities (Proprietary) Limited are appointed as market makers to the fund in order to encourage and facilitate liquidity in the secondary market. It will be possible for you to deal directly with the market makers.

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## PART V – INCOME AND COSTS

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### 1. WHAT FEES ARE PAYABLE BY INVESTORS?

#### *Management fee*

The manager is entitled to an all-in management fee in respect of the administration of each portfolio on the basis set out in the Satrix Deed (and as disclosed in the relevant supplement) calculated as a percentage of the market value of the total assets of the portfolio (excluding any income accruals and permissible deductions, if any) accrued daily and payable out of the distributable income of the portfolio after the end of every accounting period (unless investors agree, in the manner determined in the Satrix Deed, to a higher fee). In the event of a shortfall in the distributable income, the management fee may be paid by the issue of Satrix securities to the manager or an amount, equivalent to the shortfall, may be deducted from the capital account of the portfolio. If this occurs, a tracking error would likely result. In order to ensure efficient tracking of the Index, the manager may waive its fee (or a portion thereof).

#### *Upfront and exit fees*

The manager is also permitted in terms of the Satrix Deed to charge either an upfront fee or an exit fee in connection with the expenditure incurred and administration performed by it in respect of the creation, issue and sale of participatory interests and the repurchase of participatory interests, respectively. Such fees (disclosed in the relevant supplement or on the website and in marketing material published by the manager from time to time) would be expressed as a percentage of the consideration received from or payable to an investor and charged on a sliding scale. No exit fee may be charged if an upfront fee was levied by the manager at the time the investor purchased the participatory interests. The manager may at any time in its discretion waive or rebate the upfront and/or exit fee (or any portion thereof) in respect of all investors, any category of investor or any particular investor.

#### *Other costs and charges*

All taxes (including, but without limitation, UST), duties, administration, transaction and custody charges and brokerage fees are for the investor's account.

### 2. DO I EARN DIVIDENDS AS A HOLDER OF SATRIX PARTICIPATORY INTERESTS?

As the companies comprising the Index declare distributions, such distributions will accrue to the Satrix portfolio. In addition, scrip lending revenue (if any) generated by the Satrix portfolio, manufactured dividends (if applicable), interest on any cash held and any other income earned will be added to the gross income pool. All costs and expenses (including the management fee referred to in paragraph 1 above) will be deducted from such gross income figure and the net income will be distributed.

At the end of every distribution period, the Satrix portfolio will distribute all of its net income to investors in proportion to the number of participatory interests held by them. The net income available for distribution to investors will be calculated as follows:

	Dividends declared by constituent companies
<b>PLUS</b>	Scrip lending revenue and manufactured dividends (if any)
<b>PLUS</b>	Any interest earned on cash held and any other income
<hr/>	
	Gross income
<b>LESS</b>	Costs and expenses
<hr/>	
	Net income available for distribution (“NI”)
<hr/>	

$$\text{Distribution per participatory interest} = \frac{\text{NI}}{\text{number of participatory interests in issue}}$$

By way of example: assume you are the holder of 1 000 Satrix participatory interests and that there are 1 million Satrix participatory interests in issue. If the net income available for distribution is R500 000, you will receive as a distribution:

$$\frac{\text{R500 000}}{1\,000\,000} \times 1\,000$$

i.e. R500 (or 50 cents per participatory interest).

### 3. WHAT COSTS AND EXPENSES ARE DEDUCTED FROM THE INCOME OF THE SATRIX PORTFOLIO?

The deduction of expenditure from the income of the portfolio is restricted to the following items, subject to the terms of the Act and as stipulated by the Registrar from time to time:

- charges payable on the buying and selling of assets for the fund such as broking commissions, value-added tax or stamp duties;
- auditors' fees, bank charges, trustee and custodian fees, asset management and administration fees and other levies or taxes directly related to the fund on the basis permitted by the Registrar;
- costs incurred in the creation and issue of participatory interests;
- any permissible service charges payable to the manager; and
- any license fees and costs incurred as a result of the fund being listed on an exchange (provided the approval of the Registrar has been obtained).

Any costs and expenses over and above those permitted to be deducted in terms of the Act will be borne and paid by the manager.

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## PART VI – THE INITIAL OFFER

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### 1. WHAT IS THE INITIAL OFFER?

The initial offer is an initial public offering regarding an investment in new Satrix participatory interests for the price detailed in the relevant supplement.

### 2. HOW MAY THE ISSUE PRICE OF A SATRIX PARTICIPATORY INTEREST BE DISCHARGED DURING THE INITIAL OFFER?

The price payable by an investor if he subscribes for participatory interests during the initial offer period may be settled in one of two ways, either by a payment in cash in Rands or by the delivery of one or more baskets (i.e. *in specie* subscriptions).

A cash transaction fee will be payable on all subscriptions for Satrix securities. The transaction fee will be a function of the cost to Satrix of issuing the participatory interests in question and shall include an administration fee. Details of the transaction fee payable upon subscription under the initial offer will be disclosed in the applicable supplement and thereafter will be disclosed on the Satrix website and in all marketing material. Investors will be liable for any brokerage or other transaction costs, including any taxes payable.

#### *Cash subscriptions*

The issue price of a Satrix participatory interest (prior to deduction of any transaction or brokerage costs or fees) will, during the initial offer period, be one millionth of the average price at which the baskets of constituent securities are acquired during the ramp up period.

#### *In specie subscriptions*

In respect of *in specie* subscriptions, the minimum price payable by an investor (entitling the investor to 1 million participatory interests) is one basket of shares.

The value of the Satrix participatory interest is subject to fluctuation from time to time relative to the market value of the assets comprised in the relevant Satrix portfolio.

### 3. HOW MANY SATRIX PARTICIPATORY INTERESTS CAN I BUY AND IS THERE A MINIMUM APPLICABLE?

Given that the portfolios are not closed-ended funds, there is no upper limit on the number of participatory interest available for purchase by you.

In respect of cash subscriptions, the subscription pursuant to the initial offer must be made for a minimum amount of R1 000. After the initial offer period, you will be able to trade in as few as one participatory interest through your broker.

### 4. WHAT IS THE PERIOD OF THE INITIAL OFFER?

The initial offer opens at 09:00 on the opening date and closes at 12:00 on the closing date, as detailed in the relevant supplement.

### 5. WHEN WILL THE SATRIX PARTICIPATORY INTERESTS BE LISTED ON THE JSE?

The dates on which the listing on the JSE of the new Satrix securities will commence will be announced on SENS and detailed in the supplement applicable to the new Satrix securities in question.

#### **6. WILL I RECEIVE A CERTIFICATE AS EVIDENCE OF MY INVESTMENT?**

No, you will not receive a certificate. Satrix participatory interests are in dematerialised form only, meaning that they are not evidenced by a certificate, but instead are held in electronic form and recorded in a sub-register maintained by a CSDP.

#### **7. HOW DO I GO ABOUT PARTICIPATING IN THE INITIAL OFFER?**

Contact your broker. If you do not have a broker, then contact the participating broker, the details of which are set out on the inside front cover. Information regarding the subscription procedures, together with conditions of the offer, is set out in **Annexure 4**.

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## PART VII – PURCHASE AND SUBSCRIPTION AND SALE OR REDEMPTION OF SATRIX PARTICIPATORY INTERESTS AFTER THE INITIAL OFFER

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### 1. WHO SHOULD I CONTACT SHOULD I WISH TO PURCHASE, SELL, REDEEM OR OTHERWISE DEAL IN THE PARTICIPATORY INTERESTS?

In the first instance you should contact your JSE broker who will be able to assist you in the purchase or sale of Satrix participatory interests.

Should you not have a broker, you can contact the participating broker, namely Standard Securities, trading as Standard Online, who will subscribe on your behalf, or the JSE, who will be able to furnish you with contact details for JSE members. Contact details are set out on the inside front cover. A list of JSE members may be found on the JSE's website: [www.jse.co.za](http://www.jse.co.za).

If you wish to subscribe for new Satrix securities after the initial offer or you wish to redeem your participatory interests, you should contact the manager, details of which are set out on the inside front cover.

### 2. CAN I BUY SATRIX PARTICIPATORY INTERESTS AFTER THE INITIAL OFFER CLOSES?

Yes, given that the Satrix portfolios are not closed-ended funds, there is no restriction on the number of participatory interests that may be issued. You can acquire additional participatory interests from the manager or on the secondary market through your broker. Once listed, it should be possible to trade the participatory interests at any time during market hours (being 09:00 until 17:00 in South Africa) on South African business days given normal trading conditions.

### 3. HOW CAN I SELL MY SATRIX PARTICIPATORY INTERESTS?

Should you wish to sell your participatory interests you should contact your broker to facilitate their sale on the JSE.

Satrix securities are freely tradable. Given that they are issued only in dematerialised form, any trades are settled through STRATE. In terms of the Act, you may also contact the manager who will repurchase your participatory interests from you, except in circumstances when the repurchase of participatory interests may be suspended (as set out in paragraph 5 below). If the manager effects a repurchase from you, you may elect to receive the consideration in cash or you may take delivery of one or more baskets (in exchange for multiples of 1 million participatory interests) taking into account any upfront or exit fees charged by the manager.

The market maker will also purchase your securities from you.

### 4. PROCESS FOR SUBSCRIPTIONS AND REDEMPTIONS

If you choose not to trade on the secondary market but rather to apply for the creation of new Satrix participatory interests or to redeem your participatory interests (i.e. sell them back to the manager), then you should contact the manager, contact details of whom are set out on the inside front cover. No *in specie* creations will be permitted without delivery of the underlying securities in full baskets together with the specified cash amount. Likewise, no *in specie* redemptions will be permitted otherwise than in respect of full baskets.

The manager is entitled to charge upfront or exit fees, in accordance with the provisions of the Act or the Deed, on creations and redemptions.

The conditions and detailed description of the procedures for subscriptions and redemptions is set out in **Annexure 4**.

## 5. WILL THE REPURCHASE OF SATRIX PARTICIPATORY INTERESTS EVER BE SUSPENDED?

The repurchase of participatory interests may, subject to the Act and the Satrix Deed, be suspended temporarily in exceptional circumstances. For example, this would occur if:

- pursuant to a request by an investor for delivery of one or more baskets, the manager is unable to deliver any of the constituent securities to an investor due to the fact that trading in any one or more of the Satrix securities is restricted, terminated or suspended and/or assets are not at the manager's disposal as a result of a suspension or de-listing of any of the Index constituents or for any other reason (in which event, such security or securities shall be excluded from the portfolio and delivered to the investor within three business days after the suspension is lifted or after the de-listed securities become available, as the case may be); or
- if offers for the repurchase of participatory interests are received, the aggregate amount of which (after netting off any subscriptions on the same day) is more than five per cent of the market value of a portfolio (provided that the manager may agree with the investor in question to a more restrictive basis on which the repurchase offer will be honoured).

The repurchase of participatory interests, irrespective of their aggregate amount or value, may not be suspended if 10 business days' valid notice of the offer for repurchase has been given to the manager or if participatory interests offered for repurchase by an investor do not exceed an aggregate amount or value of R50 000 on the day of the offer.

If the manager is unable to deliver any of the constituent securities to the investor pursuant to a repurchase request for any reason other than a suspension or de-listing, then the security or securities in question will be excluded from the basket of securities delivered to the investor and such investor will instead be paid an amount in cash equal to the value of the security or securities in question (being the ruling price quoted on the JSE at close of trade on the date on which the repurchase notice was received by the manager).

## 6. WHAT PRICE WILL I PAY OR RECEIVE FOR PARTICIPATORY INTERESTS AFTER THE INITIAL OFFER?

If you buy or sell your participatory interests on the JSE after the initial offer, the price that you pay or receive for your participatory interests (net of brokerage commission, UST and any other trading costs) will be determined by the prevailing market price on the JSE at the time of the trade. At any point in time the market value of the Satrix securities may be expected to reflect 1/1 000th of the Index Level plus an amount which represents a *pro rata* portion of any income accruals (less permissible expenses). Actual market values may be affected by supply and demand and other market factors, but the ability of a holder of Satrix securities to take delivery of the underlying basket of shares, should operate to substantially avoid or minimise any differential which may otherwise arise between the price at which the Satrix securities trade and the value of the underlying basket of securities.

If you subscribe to the manager for new participatory interests after the initial offer closes or redeem your participatory interests, the price (which is calculated on every trading day) will be the NAV of the participatory interest at the time of issue or redemption thereof (less any transaction costs, such as UST, upfront fees or exit fees payable to the manager).

If you buy or sell your participatory interests on the secondary market then the price will be the market price, being the price agreed between a willing buyer and a willing seller. Any transaction on the secondary market will be subject to the customary STRATE fees, brokerage and transfer duties (such as UST) associated with trading on the JSE.

Due to market influences, the NAV per participatory interest may differ from the market price obtainable on the secondary market.

## 7. HOW IS THE NAV OF THE PARTICIPATORY INTERESTS CALCULATED?

The Net Asset Value ("NAV") of the portfolio is calculated by deducting from the value of the assets held by the fund (which is determined with reference to the market value of the underlying securities on the Index exchange and takes into account both income for distribution received by the fund on behalf of investors and amounts which investors must pay the manager on the creation of new participatory interests to afford them equal participation in the income which has accrued in the portfolio) all permissible deductions. The NAV per participatory interest is calculated by dividing the NAV of the portfolio by the number of participatory interests in issue at the time of the calculation. This information is determined at close of trade on each trading day. A detailed explanation as to the calculation of the NAV is set out in clause 28 of the Satrix Deed, the salient features of which are set out in **Annexure 1**. The NAV will be published on the website daily.

## **8. HOW DO I FIND OUT PRICE AND OTHER INFORMATION CONCERNING SATRIX PARTICIPATORY INTERESTS?**

The information set out below will be published on each business day on the Satrix website: [www.satrix.co.za](http://www.satrix.co.za):

- the NAV of the Satrix participatory interests;
- a history of the market price of Satrix participatory interests;
- the income accruals (if the information is available);
- the costs applicable to the portfolio and investors;
- the constituents of the Index; and
- any change in the composition of the Index.

The price at which Satrix participatory interests trade on the secondary market is also published in business newspapers daily.

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## PART VIII – EXCHANGE CONTROL CONSEQUENCES

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### What are the exchange control consequences of an investment in Satrix?

The following summary is intended as a guide only and is not comprehensive. Any applicants who are in doubt as to their applications should consult their professional advisors.

#### *Non-South African Residents*

If any Satrix participatory interests are issued to non-residents of the common monetary area, the custody or broker accounts of such investors will be designated “Non-Resident”. If the Satrix securities are rematerialised, the share certificates will be endorsed “Non-Resident”.

A person who is not resident in the common monetary area should obtain advice as to whether any governmental and/or legal consent is required and/or whether any other formality must be observed to enable a subscription for Satrix Securities to be made under the initial offer and thereafter.

Nothing contained in this offering circular constitutes an offer in any area of jurisdiction in which it is illegal to make such an offer. In such circumstances, this offering circular is sent for information purposes only.

#### *Emigrants from the common monetary area with Blocked Rand*

- Former residents of the common monetary area who have emigrated are permitted to use their emigrant blocked funds (i.e. money which, in terms of the Exchange Control Regulations, is not permitted to be taken out of South Africa or paid into a non-South African resident’s bank account) (“**blocked Rand**”) to subscribe for Satrix participatory interests.
- All payments using blocked Rand must be made through the authorised dealer in foreign exchange.
- Satrix securities issued pursuant to the use of blocked Rand will be credited to the applicants’ blocked share accounts at the CSDP controlling their blocked portfolios.
- Share certificates in respect of any Satrix securities which are rematerialised and statements issued in respect of dematerialised securities will be endorsed “Non-Resident” and will be placed under the control of the authorised dealer through whom the payment was made.
- If applicable, refund monies payable in respect of unsuccessful or partially successful applications for Satrix securities emanating from emigrant blocked accounts will be returned to the authorised dealer in foreign exchange through whom the payments were made, for credit to such applicants’ blocked accounts.

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## **PART IX – TAXATION CONSEQUENCES**

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The following summary is intended as a guide only and does not purport to be exhaustive. The information set out below is accurate as at the date of issue of this offering circular, but is subject to change in the event of any changes in tax policy. Investors' tax consequences will vary depending on their individual tax status. Accordingly investors are strongly advised to consult their professional tax advisors.

### **1. HOW IS SATRIX TAXED?**

As at the date of issue of this offering circular:

- Satrix is exempt from income tax on all income which has been received or has accrued to the Satrix portfolio and which is distributed by way of a dividend to holders of participatory interests in the year of receipt or accrual;
- any capital gain or capital loss realised by Satrix on the disposal by it of securities held in the Satrix portfolios must be disregarded (i.e. Satrix will not be liable for capital gains tax on any realignments within the portfolios); and
- no VAT will be payable in respect of the issue, allotment or transfer of ownership of a participatory interest.

### **2. HOW WILL I AS THE HOLDER OF SATRIX PARTICIPATORY INTERESTS BE TAXED?**

If you hold your participatory interest as trading stock (and not as a long term investment), then the proceeds of sale thereof will be of a revenue nature and will be included in your "gross income" for income tax purposes.

If you hold your participatory interest as a capital investment, any proceeds of a sale thereof will be of a capital nature and will give rise to a capital gain or a capital loss. Any capital gain will be subject to Capital Gains Tax.

A holder of a participatory interest which is a pension, provident or retirement annuity fund:

- will be exempt from income tax on any income distributed by Satrix; and
- must disregard any capital gain or capital loss on the disposal of a participatory interest.

A holder of a participatory interest which is an untaxed policyholder fund of a long term insurance company:

- will be exempt from income tax on any income distributed by Satrix; and
- will not realise a taxable capital gain on the disposal of a participatory interest.

Holders of participatory interests who do not fall into any of the categories referred to above should consult their tax advisors for advice regarding the tax treatment of distributions received by them on their participatory interests.

### **3. WHAT TRANSFER TAXES ARE PAYABLE BY THE INVESTOR ON THE PURCHASE OR SALE OF SATRIX PARTICIPATORY INTERESTS?**

UST at the rate of 0.25% on the price of the participatory interest is as at the date of the issue of this offering circular payable by the buyer's broker or CSDP in respect of any change in beneficial ownership in a participatory interest. The buyer's broker or CSDP may in terms of the UST Act, recover such amount from the buyer. At the date of this offering circular, no UST is payable on the new issue of participatory interests.

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## PART X – RISKS OF INVESTING IN SATRIX

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Investors' attention is drawn to the following risk factors. This does not purport to be an exhaustive list of the risk factors relating to an investment in Satrix.

### 1. INVESTMENT AND MARKET RISK

- There is no guarantee that the Satrix portfolio will achieve its investment objective of perfectly tracking the Index.
- The value of the participatory interests and the distributions payable by the Satrix portfolio will rise and fall as the capital values of the underlying securities housed in the portfolio and the income flowing therefrom fluctuate (which fluctuations may be caused by events specific to the constituent companies) and as the expenses of the Satrix portfolio rise and fall. Satrix participatory interests can accordingly have a value below the price paid by the investor. Prospective investors should be prepared for the possibility that they may sustain a loss.
- The Satrix portfolio may not be able to perfectly replicate the performance of the Index because:
  - the fund is liable for certain costs and expenses not taken into account in the calculation of the Index;
  - certain Index constituents may become temporarily unavailable; or
  - other extraordinary circumstances may result in a deviation from precise index weightings.

### 2. TAX RISK

The tax treatment of holders will vary depending on the tax status of the holder in question.

Investors should seek their own professional tax advice.

### 3. SECONDARY TRADING RISK

- There is no guarantee that a liquid secondary market in Satrix participatory interests will develop.
- Satrix participatory interests may trade at a discount or premium to their NAV.
- There is no guarantee that the Satrix participatory interests will remain listed on the JSE.
- Any termination of listing would be subject to the JSE Listings Requirements.

### 4. INDEX RISK

- There is no guarantee that the Index will continue to be calculated in the manner in which it is currently calculated.
- The past performance of the Index is not necessarily an indication of future performance.
- Neither the licensor of the Index, nor the manager nor the trustee:
  - guarantee the accuracy and/or the completeness of the Index or any data included in the Index;
  - will bear any liability for any errors, omissions or interruptions in the Index; or
  - warrant or make any representation as to the results to be obtained by the Satrix portfolio or any investor in Satrix from the use of the Index or any data included in the Index.
- Given that the Index is created as a measure of market performance and not for the purpose of trading in Satrix participatory interests, the Index may be adjusted by the licensor without regard to the interests of holders of participatory interests, but solely with a view to the original purpose of the Index.
- If for any reason the Index ceases to exist then:
  - if there is, in the reasonable opinion of the manager, a successor index composed and weighted according to substantially similar criteria as are applied in respect of the Index, the portfolio of securities housed in the Satrix portfolio shall be adjusted to track the successor index;
  - if there is not, in the reasonable opinion of the manager, an appropriate successor to the Index, then the Satrix portfolio will be wound up.

- Satrix participatory interests are not in any way sponsored, endorsed, sold or promoted by the licensor of the Index, which makes no warranty or representation whatsoever, expressly or implied, either as to the results to be obtained from the use of the Index and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The licensor shall not be liable (whether in negligence or otherwise) to any person for any error in the Index and/or its calculation and shall be under no obligation to advise any person of any error therein. The Indices utilised are trade marks and are used by the manager under licence.

## **5. POLITICAL RISK**

The performance of the fund may be affected by changes in economic and market conditions, political developments, changes in government policies or changes in legal, exchange control, regulatory and tax requirements.

## **6. SECURITIES LENDING RISK**

The manager of Satrix may engage in securities lending (on the terms stipulated in the Satrix Deed). If the Satrix portfolio engages in such securities lending transactions and a borrower of securities fails to perform its obligations, then Satrix may be unable to recover the loaned securities. This risk is minimised however, given the obligation on the manager to obtain collateral, the limits imposed in terms of the Satrix Deed and the institutional nature of the borrowers.

## **7. INVESTMENT IN DERIVATIVES**

The manager of Satrix may invest in derivatives from time to time. While an investment in derivatives will only be employed within the investment restrictions stipulated in the Satrix Deed and the Act, the following risks may be associated with such an investment:

- the time-limited rights acquired can lapse or diminish in value;
  - the risk of loss may be unquantifiable; and
  - transactions by means of which the risks are to be eliminated or reduced may be impossible to conclude or else only at a loss-inducing price.
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## **PART XI – GENERAL**

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This section covers regulatory, statutory and other information relevant to the listing of the Satrix participatory interests on the JSE.

### **1. FINANCIAL INFORMATION**

Each of the new Satrix portfolios will be newly established portfolios and as such there is no historical financial information available. A history of the performance of the Index will, where available, be contained in the relevant supplement.

### **2. KING CODE OF CORPORATE PRACTICE AND CONDUCT**

The directors of the manager endorse the Code of Corporate Practices and Conduct as set out in the King Committee Report on Corporate Governance (the “King Code”) and recognise their responsibility to conduct the affairs of Satrix with integrity and accountability in accordance with generally accepted corporate practices.

The directors have, accordingly, established procedures and policies appropriate to Satrix’s business in keeping with its commitment to best practices in corporate governance. These procedures and policies will be reviewed from time to time.

Satrix is a statutory entity and is regulated in terms of the Act. Certain of the requirements of the King Code are therefore not directly applicable to Satrix. However, the manager will adopt the principals of the King Code, being fairness, accountability, responsibility and transparency. The directors of the manager recognise that they are ultimately responsible for the performance and affairs of Satrix.

Absa Bank Limited is the trustee of the scheme. Its responsibilities are governed by the Act and the Satrix Deed and encompass protecting the interests of holders of participatory interests, acting as the trustee of the fund’s assets and ensuring compliance by the manager with the Satrix Deed.

### **3. ISSUE OF PARTICIPATORY INTERESTS**

All participatory interests issued in terms of the initial offer will be issued in dematerialised form to the broker or CSDP nominated by the applicant, which will hold such participatory interests on behalf of the relevant investor. An advice note will be issued by the broker or CSDP to the participatory interest holder as evidence of ownership of the participatory interests and will be posted, at the risk of the investor, by registered post in the time periods prescribed in terms of the agreement between the investor and its CSDP or broker.

### **4. LISTING ON THE JSE**

Application will be made to the JSE for the listing of the new Satrix participatory interests.

### **5. MATERIAL CONTRACTS**

In order to run the fund, the manager will rely upon the Satrix Deed, the salient provisions of which are set out in **Annexure 1**, which is available for inspection at the registered office on the dates stipulated in paragraph 9 below.

### **6. OTHER JURISDICTIONS**

This initial offer is not an offer in any jurisdiction in which it is illegal to make this offer and in those circumstances this offering circular is issued for information purposes only. In particular, the Satrix participatory interests have not been registered under the US Securities Act of 1933 (as amended) and may not be offered or sold in the USA, to US persons or US residents.

## **7. LITIGATION**

There are no legal or arbitration proceedings of which the manager is aware (including any proceedings which are pending or threatened) which have or may have had a material effect on the financial position of Satrix.

## **8. EXPERTS' CONSENTS**

Java Capital has consented to its name being referred to in this offering circular in the form and context in which it is included and had not withdrawn its consent at the last practicable date.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office, c/o JSE Limited, One Exchange Square, 2 Gwen Lane, Sandown, 2196, at any time during office hours from Wednesday, 15 March 2006 to Tuesday, 2 April 2006:

- the memorandum and articles of association of Satrix Managers;
- the Satrix Deed;
- the written consent of Java Capital to act in the capacities stated; and
- a signed copy of this offering circular and any supplement issued in connection herewith.

**SIGNED AT JOHANNESBURG BY OR ON BEHALF OF ALL OF THE DIRECTORS OF SATRIX MANAGERS (PROPRIETARY) LIMITED.**

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## SALIENT PROVISIONS OF THE SATRIX DEED

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### EXTRACT FROM THE PRINCIPAL DEED

#### 5. “REMUNERATION OF MANAGER

- 5.1 The manager is remunerated for its services and reimbursed for its expenses in performing its obligations under this Deed.
- 5.2 The manager may at any time in its discretion waive or rebate its remuneration or reimbursement or any part thereof.”

#### 6. “POWERS OF MANAGER

Subject to the Act and this Deed, the manager may in its absolute and uncontrolled discretion:

- 6.1 do all such things and enter into all such arrangements as are necessary for the administration of the scheme and to achieve the investment objectives of a portfolio of the scheme;
- 6.2 select, purchase, sell, exchange or change any of the assets of a portfolio;
- 6.3 in writing appoint persons to exercise powers and perform duties on its behalf ...;
- 6.4 ...;
- 6.5 borrow money under section 96 of the Act subject to the following limits and conditions:
  - 6.5.1 the manager must obtain the prior consent of the trustee to the borrowing;
  - 6.5.2 the term of the loan may not exceed 61 days, provided that if insufficient liquidity continues thereafter the loan may be renewed with the consent of the trustee;
  - 6.5.3 the loan may not bear a penalty for early settlement;
  - 6.5.4 the loan must be serviced in sequence of priority out of:
    - 6.5.4.1 inflows to the portfolio; and
    - 6.5.4.2 realisation of assets;
  - 6.5.5 the outstanding capital amount of the loan must be used when computing a portfolio’s net asset value price in terms of clause 28;
  - 6.5.6 as security for the repayment of the loan the manager may:
    - 6.5.6.1 cede a proportionate share of the assets of the portfolio to the lender on condition that ownership of the ceded assets will only be transferred to the lender if the manager is in default; or
    - 6.5.6.2 grant an option to the lender to purchase a proportionate share of the assets, equal in value to the outstanding amount of the loan, at the end of the term of the loan;
  - 6.5.7 the manager may only borrow funds if liquidity cannot reasonably be obtained without encumbering the assets of the portfolio;
  - 6.5.8 the amount borrowed must be limited to an amount necessary to repurchase or cancel participatory interests;
  - 6.5.9 the manager must disclose in its point of sale documents that an investor is required to sign, that the manager may borrow up to 10 per cent of the market value of the portfolio to bridge insufficient liquidity;
- 6.6 engage in scrip lending under section 85 of the Act subject to the following limits and conditions:
  - 6.6.1 the scrip lending must be beneficial to all investors;
  - 6.6.2 the manager may lend or offer to lend securities with a value not exceeding 50 per cent of the market value of all the securities included in a portfolio;
  - 6.6.3 the securities that may be lent to one borrower are limited in accordance with the limits determined by the Registrar ...;

- 6.6.4 collateral security for the securities loaned must have an aggregate value that exceeds the market value of the securities loaned by not less than five per cent at all times and may only consist of:
  - 6.6.4.1 cash; or
  - 6.6.4.2 other securities or a combination of securities;
- 6.6.5 securities may not be lent for a period longer than 12 months;
- 6.6.6 securities may not be lent unless subject to a right of recall;
- 6.6.7 all fee income earned from securities lending, less necessary expenses, must be administered for the benefit of investors;
- 6.6.8 the manager must disclose in the quarterly and annual financial statements the securities that are lent, the value thereof and the composition and the nature of the collateral security held in respect of such loan;
- 6.6.9 the agreement of loan and the agreement relating to the security furnished by the borrower must be in writing and must at least provide for:
  - 6.6.9.1 the period of notice of termination of the loan;
  - 6.6.9.2 payments that may be made by the borrower to the portfolio *in lieu* of dividends accrued or paid in respect of the securities borrowed;
  - 6.6.9.3 fees or charges payable by the borrower to the portfolio;
  - 6.6.9.4 charges payable by the borrower to the portfolio to compensate investors for additional taxes in respect of taxable earnings in the form of payments by the borrower to the manager *in lieu* of dividends accrued or paid on the securities loaned;
  - 6.6.9.5 reservation of the right of execution without court order and immediate transfer to the manager of the ownership of and all rights, including voting rights, attached to the collateral security, if the borrower defaults or becomes insolvent;
  - 6.6.9.6 an undertaking by the borrower to deliver to the portfolio securities equivalent to any rights in respect of the loaned securities that may become exercisable before redelivery of the loaned facilities.
- 6.6.10 In order to ensure that investors do not suffer any additional taxes in respect of taxable earnings arising from the lending activities contemplated, the trustee shall be entitled to distribute, at their discretion, certain forms of income to certain investors only and not to others, provided that every investor receives its *pro rata* share in Rands of the total distributions paid to investors out of a portfolio.”

## 10. “RETIREMENT AND SUBSTITUTION OR LIQUIDATION OF MANAGER

- 10.1 The manager may, with the written approval of the trustee and the Registrar, in writing appoint any other company qualified to act as manager in terms of the Act, as manager in its stead.....
- 10.2 ....
- 10.3 If the manager is liquidated, the trustee must take immediate steps for the appointment of a new manager.”

## 11. “APPOINTMENT AND POWERS OF TRUSTEE

Subject to the Act and this Deed, Absa Bank Limited is the trustee of the scheme. The trustee has all the powers necessary to protect the interests of investors in terms of the Act and this Deed and has, save as otherwise provided in this Deed, the powers necessary to perform its functions to achieve the objectives of the scheme and its portfolios.”

## 13. “REMUNERATION OF TRUSTEE

- 13.1 In every accounting period, the manager must:
  - 13.1.1 authorise payment to the trustee by way of remuneration for the trustee’s services, of such amount as may be agreed between them;
  - 13.1.2 reimburse the trustee for all its expenses incurred in connection with the scheme, other than expenses expressly required by this Deed to be paid out of a portfolio, and other than expenses incurred by it as a result of its own negligent and unlawful conduct.
- 13.2 ...”

#### 14. "REGISTRATION AND RETENTION OF ASSETS BY TRUSTEE

- 14.1 The assets of a portfolio must be registered either in the name of the trustee or, with the written consent of the Registrar in the name of the nominee company of the trustee, the trustee or its nominee company must take delivery of and retain in safe custody and under its own supervision and control the documents of title to the assets.
- 14.2 Subject to the provisions of this Deed with regard to scrip lending and the borrowing of money by the manager, the assets must be held by the trustee or its nominee company in its name in trust for the investors and the trustee or its nominee company may not allow the whole or any part of such assets to be pledged or encumbered in any way."

#### 20. "REMOVAL OF TRUSTEE

- 20.1 Subject to the Act, the manager may with the written approval of the Registrar:
- 20.1.1 pursuant to a ballot of investors in all portfolios (to which clause 65 of this Deed applies); or
- 20.1.2 at the written request of not less than 50 per cent of the investors, excluding the manager, in all the portfolios holding not less than 50 per cent in value of the total number of participatory interests then in issue,
- require the trustee by notice in writing to resign from office."

#### 23. "INITIAL OR ADDITIONAL PORTFOLIO AND OFFER OF PARTICIPATORY INTERESTS

.... The manager is responsible for the payment of all expenses (including permissible deductions) arising out of and relating to the formation of the initial and any additional portfolio. ...."

#### 24. "CREATION OF PARTICIPATORY INTERESTS

- 24.1 The manager has the exclusive power to secure the creation and issue of participatory interests in a portfolio.
- 24.2 ..."

#### 26. "UNDIVIDED INTEREST IN PORTFOLIO

Each investor is, equally with every other investor, entitled to one undivided proportionate participation in a portfolio but is, subject to clause 35, not entitled to any particular asset of the portfolio. ...."

#### 28. "NET ASSET VALUE AND SALE PRICE OF PARTICIPATORY INTEREST

Unless participatory interests are offered at a fixed price pursuant to section 94(1)(b) of the Act, the manager must issue participatory interests in a portfolio at the net asset value price per participatory interest, which price is calculated on the date on which any participatory interest is issued or the previous date, whichever is consistently applied, according to the formula:

$$\frac{A + B}{C}$$

Where:

- A** = the aggregate market value of the assets in the portfolio, excluding the income accruals and payments referred to in B ...;
- B** = the aggregate of all income accruals and payments received *in lieu* of income accruals from the creation of new participatory interests in the portfolio, during the relevant accounting period up to the said date, but excluding:
- (i) any part of those income accruals and payments *in lieu* of income accruals, set aside at the last preceding distribution date for distribution, but not yet distributed; and
- (ii) such further amount, out of those income accruals and payments *in lieu* of income accruals, as in the opinion of the manager represents a fair proportion, at the pricing date, of the permissible deductions for the relevant accounting period;
- C** = the total number of participatory interests in issue in the portfolio on the pricing date."

### **31. “MANAGER’S CHARGE TO THE INVESTOR**

- 31.1 The manager shall be entitled to charge the investor any of the charges set out in clause 31.6 below:
- 31.2 The amount of the manager’s charge, if any, must be fixed by the manager in its discretion and:
- 31.2.1 may be expressed as a percentage of the amount received, or proceeds paid; or
- 31.2.2 may be calculated ... in accordance with a sliding scale as agreed by the investor; or
- 31.2.3 may be a fixed amount per specific type of transaction, which amount must be disclosed to the investor;
- or
- 31.2.4 may be a combination of the above.
- 31.3 The manager must give not less than three months’ written notice to investors of any increase in the manager’s charge or any change in the method or calculation thereof that could result in an increase thereof.
- 31.4 Nothing herein contained precludes the manager from reducing the manager’s charge or from not rendering any manager’s charge.
- 31.5 The scale of the manager’s charge applicable to varying sizes of investment, if any, must be determined and published by the manager in all relevant marketing material.
- 31.6 For the purpose of this scheme the following manager’s charges (if any) shall be applicable:

#### *31.6.1 Upfront manager’s charge*

In relation to a participatory interest, means that portion of the amount received from an investor which represents the manager’s charge in respect of expenditure incurred and administration performed by it in connection with the creation, issue and selling of such participatory interest which, subject to any notice referred to in clause 31.3,

- is expressed as a percentage of the consideration received from an investor; and
- is calculated ... in accordance with a sliding scale.

#### *31.6.2 Manager’s charge, charged on exit*

In relation to a participatory interest, means that portion of the proceeds of the sale of the investor’s participatory interests, as determined by the manager from time to time, which represents the manager’s charge in respect of expenditure incurred and administration performed by it in connection with the repurchase of such participatory interests, which, subject to any notice referred to in clause 31.3,

- is expressed as a percentage of the proceeds from the sale of the investor’s participatory interests;
- is calculated ... in accordance with a sliding scale reducing over a period as determined by the manager from time to time; and
- may not be charged in addition to an upfront manager’s charge levied at the time of the purchase of such participatory interests.

*31.6.3* The manager may at any time in its discretion waive or rebate any, or any portion of the charges referred to in clause 31.6, either in respect of all investors, any category of investors or any particular investor.”

### **35. “MANAGER TO REPURCHASE PARTICIPATORY INTERESTS**

- 35.1 Given that the participatory interests are listed on the JSE, investors shall be able to sell their participatory interests on the secondary market through a trade on the JSE.
- 35.2 However, it shall be incumbent on a manager at the request of an investor, to repurchase any number of participatory interests offered to it by an investor as determined in this Deed.
- 35.3 Notwithstanding anything to the contrary set out in this Deed, if the manager is unable to deliver any of the securities to an investor exercising its repurchase rights:
- 35.3.1 as a result of the suspension or de-listing of one or more of the securities on the JSE, then such security or securities shall be excluded from the portfolio and delivered within three business days after the suspension is lifted or after the de-listed securities become available, as the case may be;
- 35.3.2 for any reason other than a suspension or de-listing, then the security or securities in question will be excluded from the basket of securities delivered to the investor and such investor will instead be paid an amount in cash equal to the value of the security or securities in question (being the ruling price quoted on the JSE at close of trade on the date on which the repurchase notice was received by the manager).

35.4 ....

35.5 ....

35.6 A manager, when it receives a request for repurchase of participatory interests under circumstances determined by the Registrar under section 114(3)(f) of the Act:

35.6.1 may, with the prior consent of the trustee ...; or

35.6.2 must, without delay when the trustee ... so requires,

suspend the basis of the repurchase of the relevant participatory interests, if the manager or trustee ..., is of the opinion that the circumstances referred to, warrant the suspension in the interests of investors.

35.7 The repurchase of such participatory interests shall be priced and settled in accordance with the conditions determined by the Registrar under section 114(3)(f) of the Act.”

### **37. “REPURCHASE PRICE**

Subject to clause 35, the repurchase price per participatory interest payable by the manager must be the amount determined in terms of clause 28....”

### **38. “DATE OF PAYMENT OF REPURCHASE PRICE**

Subject to clauses 35.6 and 35.7, payment in respect of an offer for the repurchase of a participatory interest must be made to the holder of such participatory interest within 14 days of the receipt of such offer.”

### **44. “PAYMENT OF RECEIPTS TO TRUSTEE**

44.1 The following receipts in cash must be deposited in a separate trust account for each or all portfolios with a bank, registered in terms of the Banks Act, 1990 (Act 94 of 1990), or the Mutual Banks Act, 1993 (Act 124 of 1993), being an account under the control and supervision of the trustee:

44.1.1 all monies which are received for investment as a result of the sale of participatory interests;

44.1.2 all dividends, interest or other income which accrue to the underlying assets; and

44.1.3 the proceeds of all capital profits, rights and bonus issues.

44.2 ....

44.3 ....

44.4 All income accruals received during an accounting period must be credited to an account called the “Income Account” ... under the supervision and control of the trustee. If a portfolio receives any bonus, right or benefit in respect of any of the assets, whether in cash or scrip or by warrant, cheque, credit or otherwise, which is in the nature of income, the manager must convert such bonus, right or benefit into cash for the credit of the relative Income Account. Any other bonus, right or benefit must be treated as a capital gain and must be included in the relevant portfolio. No new participatory interests may be created out of income accruals or such capital gains.

44.5 All amounts received *in lieu* of income accruals from the creation and sale of participatory interests in a portfolio during an accounting period and all amounts received as income accruals in terms of clause 44.4 must be credited to the Income Account in that portfolio at the next ex dividend date and must be available for distribution to investors by the next distribution date.”

### **45. “MANAGER’S DECISION ON NATURE OF BONUS CONCLUSIVE**

If any doubt arises as to whether any bonus, right or benefit referred to in clause 44.4 constitutes an income accrual or a capital gain, such question must be resolved by the manager after consulting the trustee and the auditors and such resolution is conclusive.”

#### 46. "DISTRIBUTION OF INCOME"

- 46.1 The manager must on each declaration date publish an announcement in compliance with the JSE Listings Requirements notifying investors ... the amount verified by the trustee as available for distribution in that portfolio ....
- 46.2 On each ex-dividend date, the amount required to effect distribution must be set aside and may no longer be taken into account in determining the market value of a portfolio for the purpose of calculating the selling and repurchase prices of a participatory interest. On each declaration date the said amount shall be transferred from the Income Account to a Distribution Account under the supervision and control of the trustee, which must be distributed for the benefit of investors .... The aggregate balance remaining to the credit of the Distribution Account on completion of the distribution shall be carried forward and added to the amount available for distribution in the next accounting period.
- 46.3 The amount available for distribution will be paid to investors on the business day immediately following receipt by the Trustee of the last of the income accruals and payments *in lieu* of income accruals accruing to the portfolio in respect of the accounting period in question, which shall be a date not later than the distribution date."

#### 47. "DETERMINATION OF AMOUNT AVAILABLE FOR DISTRIBUTION"

An amount equal to the income accruals during the accounting period plus all payments *in lieu* of income accruals accruing to the portfolio during the accounting period, and any balance carried forward, less any permissible deductions, must be distributed to investors."

#### 48. "CHARGES AND METHOD OF CALCULATION"

- 48.1 The charges that may be levied in respect of each portfolio and the method of calculation of those charges are set out in the supplemental deed establishing each portfolio.
- 48.1 The manager may, subject to clause 48.1, change any charge of a portfolio or change the method of calculation of such charge or introduce an additional charge: Provided that any such change or introduction of an additional charge that could result in an increase of charges for investors is of no force unless the manager has given not less than 3 months' written notice to every investor and has effected the necessary amendment to such supplemental deed."

#### 49. "PAYMENT OF SERVICE CHARGE"

- 49.1 The manager shall be entitled to a service charge payable at the end of every accounting period out of the income account of the portfolio in question.
- 49.2 The manager shall be permitted on the last day of each of the 1st and 2nd months in each accounting period to receipt of an advance against the service fee, provided that such monthly advance shall never be greater than 1/12th (one-twelfth) of the annual fee ("**the advance**"). The advance shall not bear interest and the manager shall not be required to provide security in respect thereof.
- 49.3 At the end of each accounting period the manager shall advise the trustee in writing as to whether its service fee for the accounting period in question shall be the fee set out in the supplemental deed establishing the portfolio in question or a lower amount (in which event it shall specify such lower amount).
- 49.4 The advance paid to the manager during the accounting period in question shall be set-off from the service fee payable at the end of the accounting period to the manager. To the extent that the amount of the advance exceeds the service fee payable to the manager for the accounting period in question, the manager shall pay the shortfall to the trustee by no later than 7 (seven) days after the end of the relevant accounting period.
- 49.5 If there is a shortfall in the Income Account:
- 49.5.1 participatory interests may be issued to the manager; or
- 49.5.2 an amount deducted from the Capital Account may be paid to the manager, equal in value to such shortfall."

### **63. “FINANCIAL YEAR-END OF MANAGER AND PORTFOLIO**

The financial year-end of the manager and of each portfolio of the scheme is the end of December of each year.”

### **65. “AMENDMENT OF DEED AND BALLOTING OF INVESTORS**

The consent of investors for an amendment of the Satrix Deed must be obtained in the following manner:

- 65.1 Where such an amendment only affects one or more than one class of participatory interests in a portfolio, the investors, excluding the manager, holding no less than 25 per cent in value of the total number of participatory interests then issued in that class of participatory interests or those classes of participatory interests of that portfolio, as the case may be, must respond in writing in a ballot conducted by the manager. The amendment must be consented to by investors holding a majority in value of the participatory interests held by the investors who have responded.
- 65.2 Where the amendment affects more than one or all the portfolios in the scheme, investors, excluding the manager, holding no less than 25 per cent in value of the total number of participatory interests then issued in those portfolios affected, must respond in writing. The amendment must be consented to by investors holding a majority in value of the participatory interests held by the investors who have responded.
- 65.3 If the investors holding less than 25 per cent in value of the total number of participatory interests then issued have responded in accordance with clauses 65.1 and 65.2, a second ballot must be conducted. In this ballot investors holding a majority in value of the participatory interests held by the investors who have responded, must consent to the amendment.
- 65.4 Every registered investor may vote in the case of a ballot in respect of each participatory interest held by him or her ....
- 65.5 ...
- 65.6 For the purposes of clauses 65.1, 65.2 and 65.3 only ballot papers which are received by the manager within thirty business days after dispatch to investors may be taken into account and be regarded as valid. Ballot papers must be counted by the auditors of the scheme and their finding, as conveyed in writing to the manager, is final and binding.”

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**PREVIOUS AND CURRENT DIRECTORSHIPS HELD BY THE DIRECTORS OF THE MANAGER**

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<b>Niall Smith:</b>	Deutsche Securities (Proprietary) Limited, Itrix Managers (Proprietary) Limited and JSE Limited
<b>Roger Koep:</b>	Itrix Managers (Proprietary) Limited, Marlin Holdings (Proprietary) Limited, Marlin Corporation Limited and Gallic Highbury (Proprietary) Limited
<b>Russell Loubser:</b>	JSE Limited
<b>Freda Evans:</b>	Itrix Managers (Proprietary) Limited, Indexco Limited, Indexco II Limited and Indexco III Limited
<b>Pierre Rodrigues:</b>	Not applicable
<b>Francois Kellerman:</b>	Not applicable

None of the directors of the manager has been involved in or has been subject to any:

- bankruptcies, insolvencies or individual voluntary compromise arrangements;
- receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements, or any compromise or arrangement with creditors generally or any class of creditors of any company where the director is or was a director with an executive function at the time of or within twelve months preceding such events;
- compulsory liquidations, administrations, or partnership voluntary arrangements of any partnerships where the director was a partner at the time of or within twelve months preceding such events;
- receiverships or any asset/s of such person or of a partnership of which the individual is or was a partner at the time of or within the twelve months preceding such event;
- public criticism by statutory or regulatory authorities or disqualified by a court from acting as a director or in the management or conduct of the affairs of any company; or
- offence involving dishonesty.

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**SALIENT PROVISIONS OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF SATRIX MANAGERS (the “company”)**

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**Main business**

“The main business of the Company is to carry on the business of a manager of collective investment schemes in accordance with section 42 of the Collective Investment Schemes Control Act, No. 45 of 2002 (“the Act”), or in terms of such other conditions as may be determined by the Registrar of Collective Investment Schemes in terms of the Act from time to time and for that purpose to enter into Deeds with trustees in order to establish and register under the Act collective investment schemes or for such other purpose as approved by the Registrar of Collective Investment Schemes from time to time.”

**Main object**

“The main object of the Company is to create and cause to be registered under the Collective Investment Schemes Control Act, No 45 of 2002 (“the Act”), collective investment schemes and for that purpose to enter into deeds with trustees in terms of which the Company is appointed and acts as a manager of collective investment scheme/s in accordance with section 42 of the Act and to do everything necessary to manage and administer such collective investment schemes and to carry out the obligations and functions of such management company, in particular to transfer assets to the trustees with the object of issuing participatory interests in such collective investment schemes and to purchase, sell, realise and cancel participatory interests as contemplated in the Act and as determined by the Registrar of Collective Investment Schemes or in terms of such other conditions as may be determined by the said Registrar in terms of the said Act from time to time.”

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## SUBSCRIPTION AND REDEMPTION CONDITIONS AND PROCEDURES

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The subscription conditions and procedures set out below are applicable both to the initial offer and any subsequent subscriptions (other than secondary market trades) thereafter. For so long as Satrix securities are listed, you will be able to buy and sell Satrix securities on the JSE through your broker.

### 1. OFFER STRUCTURE

The initial offer comprises an offer to the public consisting of an offer both to institutional investors and to retail investors.

There is no maximum number of Satrix securities which may be issued in terms of the initial offer.

### 2. CONDITIONS OF THE INITIAL OFFER

- You cannot withdraw an application once submitted. It will be irrevocable.
- All subscriptions for new Satrix securities will be treated as primary market acquisitions. No application forms are required.
- All subscribers for new Satrix securities must have a valid account with a broking member of the exchange and must either be a controlled or a non-controlled client. Standard Securities, trading as Standard Bank Online Share Trading, has been appointed as the participating broker, to assist first time retail clients in opening an account. Further information can be obtained on their website at <https://www.scmb.co.za/Equities/index.html>.
- Subscribers that do not have an account with a JSE member can contact Standard Bank Online Share Trading or any other broker on the JSE to open an account. A list is available on the JSE website at: [www.jse.co.za](http://www.jse.co.za).
- Satrix securities are listed securities as defined in the Securities Services Act and accordingly the provisions of section 140A of the Act (pertaining to the disclosure of beneficial interests in securities) shall apply to holders of Satrix securities.
- If a prospective investor is in any way unclear as to the correct procedure to be followed, or the terms and conditions applicable to subscriptions for Satrix securities under the initial offer, the investor is advised to contact his professional advisors, alternatively to contact the manager directly on +27 11 520-7356.
- A controlled client should liaise with his broker which will send a message to its nominated CSDP.
- A non controlled client should liaise with his nominated CSDP who will send a message to the Issuer CSDP.

### 3. CASH SUBSCRIPTIONS

Cash subscriptions under the initial offer must be in a minimum amount of R1 000 (or in multiples of R1 000).

A cash subscription under the initial offer will be based upon the amount which an applicant applies to invest in Satrix securities rather than a function of how many Satrix securities an applicant wishes to acquire in terms of the subscription. The cash subscription price and the number of Satrix securities to be issued to an applicant for cash will be determined by the amount which the applicant invests (net of the transaction costs) and will be a function of the *pro rata* cost to the fund of acquiring the underlying basket.

Cash applicants should be aware that the applicable transaction fee (determined by reference to the applicable supplement) will be deducted from any payment accompanying their applications and, accordingly, the net amount will be invested in Satrix securities.

Following the close of the initial offer letters of allotment (“**LAs**”) will be issued for the total Rand amount subscribed for on the basis of R1.00 for one LA. Applicants’ statements at STRATE will reflect the holding of their LAs. There shall be a ramp up period during which the fund will acquire the appropriate underlying baskets of shares (comprising the Index) utilising the cash raised during the initial offer period.

The duration of this ramp up period shall be dependent upon prevailing market liquidity and the aggregate amount received in cash subscriptions under the initial offer.

After the ramp up period the manager shall publicly announce the number of Satrix securities allotted and issued per the LAs together with details of the basis on which Satrix securities were allocated under the initial offer.

Investors should be aware that transaction costs will be deducted from the subscription amount accompanying their applications, and accordingly, the relevant subscription amount (less transaction costs) shall be invested in Satrix securities. The LAs will then be converted into Satrix securities in accordance with the published conversion ratio. Although the basis of allocation will be publicly announced on the trading day following the end of the ramp up period, applicants will only be informed of their actual individual allocations on receipt of their statements from their broker or CSDP. Accordingly applicants who deal prior to receipt of their statements do so at the risk of selling Satrix securities in respect of which they have not received confirmation of an allocation.

If a cash subscription is accepted in part, the balance of the money paid on application (in excess of R15.00) will be returned to the applicant without interest. Amounts less than R15.00 will be used to defray costs and expenses incurred by the fund. If following the allotment and issue of Satrix securities under the initial offer, it is apparent that an applicant's cash subscription (net of the applicable transaction costs) is not an exact multiple of the cash subscription price under the initial offer, then the applicant in question shall be allotted and issued with as many Satrix securities as may be fully paid up out of his subscription application (less the applicable transaction costs), and the balance of the applicant's cash subscription amount shall be applied to costs and expenses of the portfolio. The portion of an applicant's cash subscription not utilised to acquire Satrix securities will not exceed an amount representing the cash subscription price in respect of a single Satrix security – in other words it shall be less than a Rand amount equal to approximately 1/1 000th of the Index level.

All taxes (including, but without limitation, UST), duties, custody charges, brokerage fees, JSE Insider Trading fees and any other costs and expenses will be for your own account.

Satrix securities will not be issued unless Satrix's CSDP (as appointed by the manager from time to time) ("**Issuer CSDP**"), is satisfied that the relevant constituent securities and the requisite cash amount have been received by it.

Satrix securities will be issued to successful applicants and will be booked to applicants' relevant securities account in the books of their broker or CSDP on the listing date, provided that the aforesaid requirements have been fulfilled and the minimum investment criteria have been met.

Neither Satrix, Satrix Managers, the trustee, the manager, nor the JSE Issuer Services Division will accept responsibility for any payment made, LA or statement that is lost or stolen in the post.

**PLEASE NOTE THAT NO LATE APPLICATIONS WILL BE ACCEPTED UNDER THE INITIAL OFFER.**

If an application is rejected or unsuccessful, then the party with whom the application was lodged shall be responsible for returning any money received by it in respect of any unsuccessful or rejected application to the appropriate applicant, as soon as is reasonably possible.

#### **4. "IN SPECIE" SUBSCRIPTIONS**

Investors subscribing for Satrix securities *in specie*, by the delivery of one or more full baskets of constituent securities, are obliged to subscribe for securities in blocks of 1 million Satrix securities.

The subscription price under the initial offer in respect of 1 million Satrix securities shall be discharged by the delivery of a single basket of shares. In addition to the delivery of a basket, an applicant shall be required to pay, in cash, *inter alia*, a *pro rata* portion of the income accruals and transactions costs, such as UST (if any) payable on the transfer of the constituent securities.

Satrix securities will not be issued unless the Issuer CSDP is satisfied that the relevant securities and the specified cash amount have been received by it.

##### *Procedures*

Investors must give their broker or CSDP instructions that they wish to subscribe for Satrix securities. Such an instruction is akin to an instruction to purchase on the market, is irrevocable and is binding on the client and the broker or CSDP.

The procedures for subscriptions, which will be in accordance with STRATE's requirements, will be available from the manager, contact details of which are set out on the inside front cover.

Investors wishing to subscribe *in specie* should contact the manager directly prior to subscribing and confirm their South African CSDP details. The manager will publish on its website the basket constituents and the specified cash amount for the subscriptions.

On the closing date of the initial offer the relevant CSDP will notify applicants as to whether their respective applications have been accepted or rejected, whether in whole or in part. Such notice will also give details of the exact number of shares in each constituent company which the investor is required to deliver in order to be issued with Satrix securities allotted to that investor. The investor will be required to instruct its CSDP to deliver the constituent securities to the manager who will arrange *via* an offmarket transaction to have the basket registered in the name of the portfolio for settlement five trading days later.

Satrix securities will be registered in the applicant's name on the listing date provided that the aforesaid requirements have been fulfilled. Statements will be issued to applicants by their CSDPs.

## 5. SUBSCRIPTIONS AFTER THE INITIAL OFFER

After the listing date investors shall be able to acquire Satrix securities on any trading day in any one or more of the following ways (i) on the secondary market (ii) *via* the Satrix Investment Plan, subject to the Satrix securities in question being available on the Investment Plan (iii) by subscription for cash (iv) by subscription *in specie*.

### *Secondary market purchases through a broker*

Investors can acquire Satrix securities through a member of the JSE. These purchases will be made at the current market price of the securities plus a brokerage fee that is negotiable with the broker and any additional transaction costs applicable to such a trade.

### *Subscriptions in specie*

Investors subscribing for Satrix securities *in specie*, by the delivery of one or more whole baskets of constituent securities, shall be obliged to subscribe for Satrix securities in blocks of 1 million Satrix securities.

The subscription price in respect of one block of Satrix securities comprises two components: the delivery of the prescribed number of baskets and a cash component representing (i) a *pro rata* portion of any accrued distributable amount within the portfolio as at the subscription date (ii) any small cash amount that arises as a result from rounding the number of constituent securities to be delivered and (iii) the transaction costs (such as UST) payable in connection with the subscription (details of which can be found in the applicable supplement).

On each trading day the manager (or his duly appointed agent) will determine the provisional specifications for *in specie* subscriptions for the following trading day. The manager (or his duly appointed agent) will accordingly specify the number of shares of each constituent company (rounded up or down at the discretion of the manager) comprising a basket as well as the cash component to the subscription price. This information will be available from the manager upon request or on the Satrix website.

The manager reserves the right to accept or reject any application in whole or in part.

If an application is accepted, the applicant will receive an acknowledgement on the same date to which the application refers confirming that the application has been accepted. This acknowledgement will include the precise details of the constituent securities and the cash amount to be delivered and the details of where they should be delivered by the applicant.

Satrix securities shall be issued to applicants when the basket has been transferred in the name of the portfolio and the required cash amount received.

The settlement period for *in specie* subscriptions for Satrix securities shall conform to standard STRATE settlement periods.

When an application is rejected, in whole or in part, a proportionate share of the transaction fee paid by the applicant shall be returned to the applicant without interest. Repayments shall be made by cheque or electronic transfer. Payments by electronic transfer will be made within 14 days of the date on which the application was received by the manager. Payments by cheque shall be posted, by registered post (at the risk of the applicant), within 14 days of the date of receipt by the manager of the application.

The manager reserves the right, subject in terms of the Act and the Satrix Deed, to temporarily close applications.

## 6. REDEMPTIONS

### *Procedure for taking delivery of a basket of constituent securities*

In addition to being able to sell Satrix securities through a trade on the JSE, holders of in excess of 1 million Satrix securities shall be entitled to take delivery of one basket per 1 million participatory interests delivered on any trading day.

There are certain circumstances in which the manager may suspend the repurchase of Satrix securities. Refer to paragraph 5 of Part VII of this circular for further information in this regard.

Upon the physical delivery of one or more baskets of shares to the manager, a holder will be entitled to receive from the manager an amount in cash representing a proportionate interest in any accrued distribution amount within the portfolio (less any applicable transaction costs). The value of such interest may be determined by multiplying the accrued distribution amount by the number of securities held by the holder, divided by the number of securities in issue.

The Satrix securities delivered to the manager in exchange for one or more baskets shall be cancelled against delivery of the prescribed number of baskets (together with the appropriate cash amount) to that holder. A transaction fee will be payable by a holder effecting an *in specie* redemption of Satrix securities. Details of the transaction fee appear in the applicable supplement and on the Satrix website.

Where the manager, for any reason, is unable to deliver any constituent security represented in the underlying portfolio to a holder pursuant to an *in specie* redemption, the manager will exclude that constituent security from the baskets delivered to the holder, and will instead pay the holder an amount in cash equal to the value of that constituent security on the date on which the composition of the basket was determined (being the trading day preceding the date on which the delivery notice was received by the manager).

The standard settlement period for the delivery of baskets (and the payment of any ancillary cash amounts) shall be the standard settlement periods applied to securities traded on the JSE in the ordinary course.

Any stamp duty or other transfer duty or tax payable in respect of an *in specie* redemption shall be for the account of the investor.

Holders of Satrix securities are advised to consult with their broker or advisor prior to effecting an *in specie* redemption.

### *Redemptions for cash*

In addition to being able to dispose of Satrix securities in the secondary market (on the JSE) for cash on any trading day, the manager will redeem (or repurchase) Satrix securities from holders for cash on any trading day, subject to the suspension of repurchases in the circumstances described in paragraph 5 of Part VII of this circular. In effect the manager will dispose of the relevant Satrix securities in the secondary market on behalf of the holder. The holder will receive an amount in cash equal to the market price at which the manager is able to dispose of the Satrix securities, less an administration fee plus a *pro rata* portion of the accrued distributable amount. The administration fee will be a function of the number of Satrix securities required to be redeemed. Details of the administration fee are set out in the applicable supplement and on the Satrix website.

Any UST or stamp duty or other transaction costs incurred in the disposal of the Satrix securities as well as the cost of any settlement by electronic bank transfer shall be for the account of the holder.

## 7. CONVERSION OF SATRIX SECURITIES

With the prior consent of the manager, an investor may convert 1 million or multiples of 1 million Satrix securities of a particular portfolio (e.g. Satrix 40 securities) (“the existing securities”) into Satrix securities of any other portfolio (the “new Satrix securities”) in issue at the time (eg Satrix FINI Securities) (the “new Satrix portfolio”). There shall be a switching charge attached to such conversion. Conversion will take place in accordance with the following formula:

Where:

$$NS = \frac{(A \times B) - C}{D}$$

**NS** = the number of new Satrix securities of the new portfolio which will be issued or acquired on behalf of the investor;

**A** = the number of existing Satrix securities to be converted (a minimum of 1 million or multiples thereof);

**B** = the net asset value of one existing Satrix security (on the trading day immediately preceding the relevant trading day);

**C** = the applicable switching charge; and

**D** = the net asset value of one new Satrix security on the trading day immediately preceding the relevant trading day.

## 8. OTHER

### *Publication of the price of the Satrix securities*

Except where the determination of the net asset value has been suspended, in the circumstances described below, the net asset value per Satrix security shall be made available at the office of the manager on or before the close of business on each trading day as well as on the Satrix website. Such information shall relate to the net asset value per Satrix security for the previous trading day and is published for information purposes only.

### *Temporary suspension of valuation of Satrix securities and of sales, conversions and the ability to redeem Satrix securities in specie*

The manager may temporarily suspend the determination of the net asset value and the sale, conversion and/or redemption of Satrix securities subject to compliance with the Act and the Satrix Deed.

Any such suspension shall be published by the manager in such manner as it may deem appropriate to the persons likely to be affected thereby. Where practicable, the manager shall take all reasonable steps to bring such a suspension to an end as soon as possible.

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**FORM OF SUPPLEMENT**


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**1. SUMMARY OF OFFERING**

- |   |                             |
|---|-----------------------------|
| 1.1 Issuer/Portfolio:   | _____                       |
| 1.2 ISIN:   | _____                       |
| 1.3 Share code:   | _____                       |
| 1.4 Long name:  | _____                       |
| 1.5 Abbreviated name:   | _____                       |
| 1.6 Index:  | _____                       |
| 1.7 Description of participatory interests:   | _____                       |
| 1.8 Distribution or accounting period:  | _____                       |
| 1.9 Opening date of the initial offer:  | _____                       |
| 1.10 Closing date of the initial offer:   | _____                       |
| 1.11 Ramp up period commences:  | _____                       |
| 1.12 Listing date:  | _____                       |
| 1.13 Ramp up period ends:   | _____                       |
| 1.14 Release of announcement on SENS<br>as to the results of the initial offer:   | _____                       |
| 1.15 Any other special conditions and<br>modifications to the terms and<br>conditions set out in the offering<br>circular dated _____ in<br>respect of the new Satrix participatory<br>interests: | _____                       |
| 1.16 Investment policy:   | Refer to <b>Annexure A.</b> |
| 1.17 Management and other fees:   | Refer to <b>Annexure B.</b> |
| 1.18 Preliminary expenses:  | Refer to <b>Annexure C.</b> |
| 1.19 Composition of the Index:  | Refer to <b>Annexure D.</b> |
| 1.19 Performance of the Index:  | Refer to <b>Annexure E.</b> |

Please refer to the Satrix offering circular, dated \_\_\_\_\_ for further information regarding the participatory interests.





