

# SYGNIA ITRIX 4TH INDUSTRIAL REVOLUTION GLOBAL EQUITY ETF

31 DECEMBER 2018

PORTFOLIO MANAGERS **SYGNIA ASSET MANAGEMENT**  
 INCEPTION **6 DECEMBER 2017**  
 FUND SIZE **R 376.04 MILLION**  
 INSTRUMENT PRICE **2 040 cents**  
 UNITS IN ISSUE **18 435 016**

FUND OBJECTIVE



**TO REPLICATE THE PRICE AND YIELD PERFORMANCE OF THE KENSHO NEW ECONOMIES COMPOSITE INDEX**

INCOME DISTRIBUTION

**PAYMENT: JUN 2018 - 1.15918 CENTS PER UNIT**

TRUSTEES

**STANDARD BANK TRUSTEES (021 441 4100)**

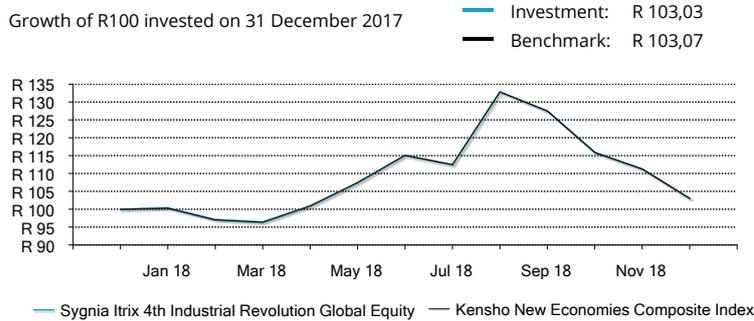
## FUND INFORMATION

Classification	Global - Equity - General
Asset Allocation	100% Offshore Equity
Portfolio Currency	USD
NAV/Index Ratio	ca. 1/1000
Financial Year End	31 December
Index Tracking	Fund tracks the Kensho New Economies Index
Dividend Distribution	Semi-annual distribution
NAV Publication	Daily on sygnia.co.za

## LISTING INFORMATION

Exchange	JSE Limited
Exchange Code	SYG4IR
Trading Currency	ZAR
ISIN	ZAE000252433
RIC	SYG4IRJ
Bloomberg Ticker	SYG4IR:J
Trading Hours	9:00 am - 17:00 pm
Portfolio Valuation	Index close of business 17:00 pm SAST
Transaction cut-off	JSE trading hours 17:00 pm

## CUMULATIVE INVESTMENT PERFORMANCE



Cumulative investment performance is for illustrative purposes only and is calculated using the NAV before any distributable income and management fee.

## TOP 10 HOLDINGS

INSTRUMENT	PERCENT
Bruker Corp	1.3%
Kratos Defense and Security Solutions Inc	1.1%
Tesla Inc	1.0%
Raytheon Co	1.0%
Thermo Fisher Scientific	0.9%
ABB Ltd	0.9%
Microsoft Corp	0.9%
Lockheed Martin	0.8%
Pacific Biosciences of California Inc	0.8%
Ametek Inc	0.8%

## ASSET ALLOCATION

ASSET	PERCENT	ALLOCATION
Offshore Equity	100.0%	
Cash	0.0%	

## SECTOR ALLOCATION

SECTOR	PERCENT	ALLOCATION
Information Technology	37.1%	
Industrials	23.2%	
Health Care	14.4%	
Utilities	7.6%	
Consumer Discretionary	7.1%	
Telecommunication Services	5.4%	
Materials	2.4%	
Financials	1.6%	
Energy	1.2%	
Consumer Staples	0.1%	
Cash	0.0%	

## PORTFOLIO PERFORMANCE ANALYSIS

PERIOD	SYGNIA ITRIX 4TH INDUSTRIAL REVOLUTION GLOBAL EQUITY	KENSHO NEW ECONOMIES COMPOSITE INDEX (ZAR)	USD/ZAR*	KENSHO NEW ECONOMIES COMPOSITE INDEX (USD)
1 Month	-7.4%	-7.4%	3.7%	-10.7%
3 Months	-19.2%	-19.2%	1.7%	-20.5%
6 Months	-10.5%	-10.4%	5.0%	-14.7%
Year to Date	3.0%	3.1%	16.2%	-11.3%
Since Inception	3.0%	3.1%	16.2%	-11.3%

\*A positive performance in currency reflects a depreciation of ZAR against base currency and vice versa.

## HISTORICAL PERFORMANCE

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2018	0.4%	-3.3%	-0.7%	4.7%	6.5%	7.1%	-2.3%	18.1%	-4.0%	-9.1%	-4.0%	-7.4%	3.0%

## RISK STATISTICS

	FUND	^BM
% Negative Months	58.3%	58.3%
Average Negative Month	-4.4%	-4.4%
Largest Drawdown	-22.4%	-22.4%
Standard Deviation	26.1%	26.1%
Downside Deviation	10.1%	10.1%
Highest Annual Return: Jan 2018 - Dec 2018	3.0%	3.1%
Lowest Annual Return: Jan 2018 - Dec 2018	3.0%	3.1%
Annualised Tracking Error (Active Return)	-0.04%	-
Annualised Tracking Error (Std Dev of Active Return)	0.18%	-

The risk statistics reflected above are calculated on a 60-month or since-inception basis, depending on which period is shorter. ^Benchmark is the Index.

## FEES

Annual Management Fee	0.40% per annum (excluding VAT)
Total Expense Ratio (TER)	0.63% (Dec 2018)
Transaction Costs (TC)	0.16% (Dec 2018)
Total Investment Charge (TIC)	0.79% (Dec 2018)

# SYGNIA ITRIX 4TH INDUSTRIAL REVOLUTION GLOBAL EQUITY ETF FUND COMMENTARY

GLOBAL - EQUITY - GENERAL

4TH QUARTER 2018

## MARKET PERFORMANCE

December 2018 brought to an end a year of turbulence and uncertainty, as markets worldwide delivered some of the worst investment performance seen since the global financial crisis. Synchronised global growth, touted at the start of the year, gave way to decelerating growth, with only the US showing strong numbers. However, by year end the strong US dollar, rising US interest rates and political trade wars led even the US economy to start buckling, with corporate earnings disappointing and forecasts for 2019 cut. Global debt levels hit a record high of 225% of GDP. Unsurprisingly, December saw investors moving back into safe-haven assets, including the Japanese yen, while abandoning equities. The US yield curve flattened, often an indicator of a looming recession.

We enter 2019 with a hope that the wild market swings of 2018 are not repeated and that the slowdown in global growth is more gradual. The IMF predicts that growth should slow to 3.7% in 2019, from 3.9% in 2018, with a recession unlikely in the next 18 months. However, the primary risks to a benign scenario include a spike in US inflation, which would force additional interest rate hikes; an escalation in the US-China trade war; and uncertainty in European politics. On the upside, it is likely that oil prices will stabilise at current low levels, as will the US dollar, while China intervenes domestically through further stimulus measures.

The events of December can only be described as the "wild west" of investing. The US Federal Reserve increased interest rates for the ninth time since the end of quantitative easing, despite increased attacks from President Donald Trump. US equity markets experienced their worst month since 1931, dropping by 15% at mid-month before recovering 5% of the loss in a matter of days. A partial government shutdown over Trump's commitment to forcing

Congress to allocate US\$5 billion towards the building of a border "wall", as promised in his election campaign, means that the US enters 2019 deeply divided as the Democrats take over control of the House of Representatives.

The euro celebrated its twentieth birthday on 1 January 2019, a milestone many thought would never be achieved given the tumultuous EU politics.

In a historic monetary policy meeting, the ECB ended its massive bond-buying programme, which saw it accumulate a portfolio of €2.6 trillion in assets over nearly four years to stimulate the eurozone's recovery. The ECB reiterated that it would continue to reinvest the principal payments from maturing securities "for an extended period time" and that interest rates would remain at their present record-low levels until at least the end of next summer. This was due to growth dropping to its lowest level in over four years in the third quarter against a gloomier global backdrop and sluggish industrial activity that hurt dynamics. The eurozone recovery is still on track despite the slowdown, although the ECB has acknowledged that the balance of risks has moved to the downside since the last meeting.

In 2019, China is expected to overtake the eurozone as the world's second-largest economy. However, the headwinds emanating from the US trade war are substantial and are already evident in disappointing economic growth, trade and retail sales figures. China has indicated that it will provide more monetary and fiscal support to the economy in 2019 to counteract the effects of the slowdown.

After suffering for much of the year, emerging markets fared much better in the last quarter of 2018 relative to developed markets. This included the FTSE/JSE SWIX Index, which lost 4.9% – compared to the MSCI World Index in rands, which fell 11.8% over the quarter. Locally,

## RISK PROFILE



## TIME HORIZON



Industrials led the fall with a 6.8% loss, while Financials were almost flat, losing only 0.4%. The JSE All Bond Index gained 2.7%, while the rand depreciated by 1.9% relative to the US dollar. Despite a better end to the year, most equity markets ended 2018 sharply down, with the FTSE/JSE SWIX Index falling by 11.7%.

## FUND PERFORMANCE

The Sygnia Itrix 4th Industrial Revolution ETF delivered -19.2% for the quarter in rand terms, in line with its benchmark, the Kensho New Economies Composite Index. The Fund benefitted from exposure to Tesla, Pacific Biosciences of California and Esterline Technologies Corp, while its exposure to 3D Systems Corp, Nvidia Corp and FARO Technologies detracted from performance.

There were a large number of changes to the tracked index's constituents over the period, including the addition of Twilio, Atlassian Corp and Alteryx and the removals of K2M Group Holdings, Trinity Industries and Rockwell Collins. K2M Group was removed after being acquired by Stryker Corp while Rockwell Collins was removed after being acquired by United Technologies Corp.

The Fund remains true to its investment objective of delivering returns that mirror those of the Kensho New Economies Composite Index.

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# IMPORTANT INFORMATION TO CONSIDER BEFORE INVESTING

## INVESTMENT APPROACH

The Sygnia Itrix 4th Industrial Revolution Global Equity ETF is a high risk, passively managed index tracking fund, registered as a Collective Investments Scheme, and is listed on the Johannesburg Stock Exchange as an Exchange Traded Fund. The objective of this portfolio is to provide simple access to investors who wish to track the movements of the Kensho New Economies Composite Index (KNEX) through investing in the physical index securities. KNEX comprehensively captures the 21st Century Sectors that are propelling the 4th Industrial Revolution and fostering new industries that will transform every facet of our lives. The term "4th Industrial Revolution" has become widely accepted as the name associated with the concept of a revolution which will fundamentally change the way we live, work and relate to one another. It is characterised by the coming online of a range of new technologies that are fusing the physical, digital and biological worlds and impacting all disciplines, economies and industries. These technologies include autonomous vehicles, cleantech, drones, 3D printing, robotics, nanotechnology, smart buildings, virtual reality, cybersecurity, space and wearables, among others. The investment policy of the portfolio shall be to track the Index by buying securities that substantially make up the Index at similar weighting as they are included in the Index.

## BALANCING RISK AND REWARD

The Fund has a 100% strategic allocation to global equities. The structure of the Fund is dictated by the composition of the Kensho New Economies Composite Index and managed with the aim to produce the same level of income as that produced by the index. Investors are alerted to the fact that the Fund is not a general equity product, but one with a specific focus, and thus a specific risk and return profile. For a change in the index constituents, please refer to the published SENS. Index Performance data can be sourced from Bloomberg, Reuters, other data providers and at [www.sygnia.co.za](http://www.sygnia.co.za).

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## HOW ARE NAV PRICES CALCULATED?

Net Asset Value (NAV) prices are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accruals and less any permissible deductions from the portfolio divided by the number of units in issue. The price at which ETFs trade on an Exchange may differ from the NAV price published at the close of the trading day, because of intraday price movements in the value of the constituent basket of securities.



**SYGNIA ITRIX (RF) (PTY) LTD**  
Registration No. 2004/035580/07

## FEES

A schedule of fees and charges is available on request from Sygnia Itrix. Permissible deductions may include management fees, brokerage, STT, auditor's fees, bank charges and trustee fees. Sygnia Itrix ETFs are Exchange Traded Funds that trade on stock exchanges and may therefore incur additional costs associated with listed securities. Sygnia Itrix does not provide advice and therefore does not charge advice fees.

## WHAT IS THE TOTAL EXPENSE RATION (TER) AND TRANSACTION COSTS (TC)?

The total expense ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past year. Transaction costs are a necessary cost in administering the Fund and impact Fund returns. They should not be considered in isolation as returns may be impacted by many other factors over time, including market returns, the type of financial product, the investment decisions of the investment manager and the TER. Since Fund returns are quoted after the deduction of these expenses, the TER and Transaction Costs should not be deducted again from the published returns. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return.

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**CAPE TOWN:** 7th Floor The Foundry Cardiff Street Green Point  
8001 T +27 21 446 4940

**JOHANNESBURG:** Unit 40 6th Floor Katherine & West Building  
West Street Sandton T +27 10 595 0550

[www.sygnia.co.za](http://www.sygnia.co.za) | [info@sygnia.co.za](mailto:info@sygnia.co.za)

## FOREIGN SECURITIES

The fund invests in foreign securities, which may be exposed to macroeconomic, settlement, political, tax, reporting or illiquidity risk factors that may be different to similar investments in South African markets. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down.

## CUMULATIVE INVESTMENT PERFORMANCE

Cumulative investment performance is for illustrative purposes only. The investment performance is calculated by taking all ongoing fees into account for the amount shown, with income reinvested on the reinvestment date.

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