

# SYGNIA ITRIX S&P 500 ETF

31 DECEMBER 2018

**PORTFOLIO MANAGERS** SYGNIA ASSET MANAGEMENT  
**INCEPTION** 30 OCTOBER 2017  
**FUND SIZE** R 1 137.47 MILLION  
**INSTRUMENT PRICE** 3 645 cents  
**UNITS IN ISSUE** 31 206 454

**FUND OBJECTIVE**

**INCOME DISTRIBUTION**

**TRUSTEES**



**TO REPLICATE THE PRICE AND YIELD PERFORMANCE OF THE S&P 500 INDEX**

**PAYMENT: JUN 2018 - 23.21386 CENTS PER UNIT**  
**PAYMENT: DEC 2017 - 6.002 CENTS PER UNIT**  
**STANDARD BANK TRUSTEES (021 441 4100)**

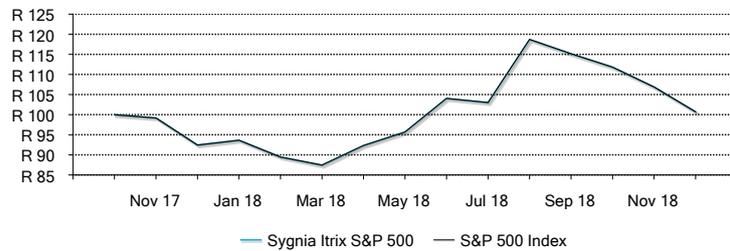
## FUND INFORMATION

Classification	Regional - 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 S&P500 Index
Dividend Distribution	Semi-annual distribution
NAV Publication	Daily on sygnia.co.za

## CUMULATIVE INVESTMENT PERFORMANCE

Growth of R100 invested on 31 October 2017

Investment: R 100,68  
 Benchmark: R 100,72



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
Microsoft Corp	3.7%
Apple Inc.	3.3%
Amazon.com Inc	2.9%
Berkshire Hathaway B	1.9%
Johnson & Johnson	1.6%
JPMorgan Chase & Co	1.5%
Alphabet Inc C	1.5%
Facebook Inc A	1.5%
Alphabet Inc A	1.5%
Exxon Mobil Corp	1.4%

## HISTORICAL PERFORMANCE

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2017											-0.8%	-6.8%	-7.6%
2018	1.3%	-4.5%	-2.3%	5.6%	3.6%	8.7%	-1.0%	15.2%	-3.0%	-2.9%	-4.4%	-5.8%	8.9%

## RISK STATISTICS

	FUND	^BM
% Negative Months	64.3%	64.3%
Average Negative Month	-3.5%	-3.5%
Largest Drawdown	-15.2%	-15.2%
Standard Deviation	21.4%	21.4%
Downside Deviation	7.1%	7.1%
Highest Annual Return: Nov 2017 - Oct 2018	11.8%	11.8%
Lowest Annual Return: Dec 2017 - Nov 2018	7.7%	7.8%
Annualised Tracking Error (Active Return)	-0.03%	-
Annualised Tracking Error (Std Dev of Active Return)	0.10%	-

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.

## LISTING INFORMATION

Exchange	JSE Limited
Exchange Code	SYG500
Trading Currency	ZAR
ISIN	ZAE000251377
RIC	SYG500JJ
Bloomberg Ticker	SYG500: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

## ASSET ALLOCATION

ASSET	PERCENT	ALLOCATION
Offshore Equity	97.3%	
Offshore Property	1.6%	
Cash	1.1%	

## SECTOR ALLOCATION

SECTOR	PERCENT	ALLOCATION
Information Technology	25.0%	
Health Care	14.9%	
Financials	13.3%	
Consumer Discretionary	12.8%	
Industrials	8.9%	
Consumer Staples	7.7%	
Energy	5.2%	
Utilities	3.3%	
Real Estate	2.9%	
Materials	2.7%	
Telecommunication Services	2.1%	
Cash	1.1%	

## PORTFOLIO PERFORMANCE ANALYSIS

PERIOD	SYGNIA ITRIX S&P 500	S&P 500 INDEX (ZAR)	USD/ZAR*	S&P 500 INDEX (USD)
1 Month	-5.8%	-5.8%	3.7%	-9.2%
3 Months	-12.5%	-12.6%	1.7%	-14.0%
6 Months	-3.2%	-3.2%	5.0%	-7.8%
Year to Date	8.9%	8.9%	16.2%	-6.2%
Since Inception	0.6%	0.6%	2.6%	-2.3%

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

## FEES

Annual Management Fee	0.10% per annum (excluding VAT)
Total Expense Ratio (TER)	0.16% (Dec 2018)
Transaction Costs (TC)	0.00% (Dec 2018)
Total Investment Charge (TIC)	0.16% (Dec 2018)

FIND OUT MORE ABOUT OUR FUNDS:  
[WWW.SYGNIA.CO.ZA](http://WWW.SYGNIA.CO.ZA)



# SYGNIA ITRIX S&P 500 ETF

## FUND COMMENTARY

REGIONAL - 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 S&P 500 ETF delivered -12.5% for the quarter in rand terms, in line with its benchmark, the S&P 500 index. The Fund benefitted from exposure to Procter & Gamble, Merck & Co and Verizon Communications, while its exposure to Apple, Amazon.com and Nvidia Corp detracted from performance.

There were several changes to the tracked index's constituents over the period, including the addition of Diamondback Energy, First Republic Bank and Maxim Integrated Products and the removals of Aetna Inc, Express Scripts Holding Co and Rockwell Collins. Aetna Inc was removed after being acquired by CVS Health Corp in a \$68bn deal, one of the biggest healthcare mergers of the past decade. 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 S&P 500 index.

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# IMPORTANT INFORMATION TO CONSIDER BEFORE INVESTING

## INVESTMENT APPROACH

The Sygnia Itrix S&P 500 ETF is a high risk, passively managed index tracking fund, registered as a Collective Investment 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 S&P 500® through investing in the physical index securities. The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities, includes 500 leading companies and captures approximately 80% coverage of available market capitalisation. The investment policy of the portfolio is to track the Index as closely as practically and feasibly possible by buying securities included in the Index at similar weighting as they are included in the Index. Whenever the Index gets rebalanced, the Portfolio will purchase the newly included constituent securities and will sell the constituent securities which were excluded from the Index.

## BALANCING RISK AND REWARD

The Fund has a 100% strategic allocation to US equities. The risk in the Fund is managed by spreading investments across sectors and individual shares. However, the structure of the Fund is dictated by the composition of the S&P 500®. The focus on a high dividend stream and mid-to-large cap companies provides an added benefit in terms of risk management. It is a suitable investment for investors seeking higher returns, those who are willing to tolerate higher volatility and investors who aim to maximise capital accumulation over a longer-term time horizon. For changes 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).

Collective Investment Schemes (CIS) are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily an indicator of future performance. CIS are traded at ruling prices and can engage in borrowing and scrip lending. Equity markets are volatile and the price of equities fluctuate based on a number of factors such as changes in the economic climate, general movements in interest rates and the political and social environment which will also affect the value of the securities held in the unit trust, thereby affecting the overall value of the unit trust. There are regulations in place which limit the amount that a unit trust may invest in securities, thereby spreading the risk across securities, asset classes and companies. The fund may also be exposed to liquidity risk. This relates to the ability of the unit trust to trade out of a security held in the portfolio at or near to its fair value.

Annualised performance figures represent the geometric average return earned by the fund over the given time period. Unannualised performance represents the total return earned by the fund over the given time period, expressed as a percentage.

Performance is calculated based on the NAV to NAV calculation of the portfolio. Individual investor performance may differ as a result of initial fees, the actual investment date and dividend withholding tax.

## 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.

## 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.

## 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.

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