

# SYGNIA ITRIX TOP 40 ETF

30 JUNE 2019



PORTFOLIO MANAGERS	<b>SYGNIA ASSET MANAGEMENT</b>
INCEPTION	<b>30 OCTOBER 2017</b>
FUND SIZE	<b>R 222 MILLION</b>
NAV PRICE	<b>5 285 cents</b>
UNITS IN ISSUE	<b>4 200 353</b>

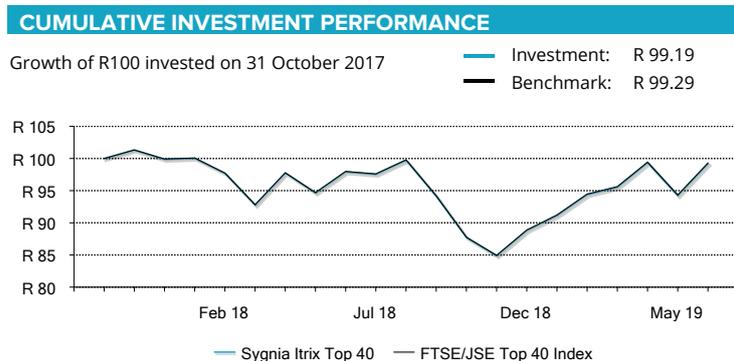
INVESTMENT OBJECTIVE **TO REPLICATE THE PRICE AND YIELD PERFORMANCE OF THE FTSE/JSE TOP 40 INDEX**

INCOME DISTRIBUTION **PAYMENT: DEC 2018 - 80.85093 CENTS PER UNIT**  
**PAYMENT: JUN 2018 - 65.25727 CENTS PER UNIT**

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

FUND INFORMATION	
Classification	South Africa - Equity - General
Asset Allocation	100% South African Equity
NAV/Index Ratio	ca. 1/1000
Financial Year End	31 December
Index Tracking	Fund tracks the FTSE/JSE Top 40 Index
Dividend Distribution	Semi-annual distribution
NAV Publication	Daily on sygnia.co.za
Portfolio Valuation	Close of relevant market
Foreign exchange source	World Market fix rate 16:00pm EST

LISTING INFORMATION	
Exchange	JSE Limited
Exchange Code	SYGT40
Trading Currency	ZAR
Portfolio Currency	ZAR
ISIN	ZAE000251351
RIC	SYGT40J
Bloomberg Ticker	SYGT40 SJ EQUITY
Trading Hours	9:00 am - 17:00 pm
Transaction cut-off	JSE trading hours 17:00 pm



ASSET ALLOCATION	
ASSET	PERCENT ALLOCATION
Local Equity	98.7%
Cash	1.3%

SECTOR ALLOCATION	
SECTOR	PERCENT ALLOCATION
Consumer Discretionary	34.1%
Materials	27.1%
Financials	20.8%
Consumer Staples	6.8%
Telecommunication Services	5.0%
Real Estate	2.6%
Industrials	1.0%
Other	1.3%
Cash	1.3%

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
Naspers Ltd	22.5%
BHP Group PLC	11.7%
Compagnie Financiere Richemont SA	9.4%
Anglo American PLC	6.2%
Standard Bank Group Ltd	3.9%
FirstRand Ltd	3.4%
Sasol Ltd	3.0%
MTN Group Ltd	3.0%
British American Tobacco PLC	2.2%
Sanlam Ltd	2.1%

PORTFOLIO PERFORMANCE ANALYSIS		
PERIOD	SYGNIA ITRIX TOP 40	FTSE/JSE TOP 40 INDEX
1 Month	5.3%	5.3%
3 Months	3.8%	3.8%
6 Months	11.7%	11.7%
Year to Date	11.7%	11.7%
1 Year	1.3%	1.3%
Since Inception	-0.5%	-0.4%

HISTORICAL PERFORMANCE													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2017											1.3%	-1.4%	-0.1%
2018	0.2%	-2.3%	-5.1%	5.4%	-3.2%	3.5%	-0.4%	2.2%	-5.6%	-6.8%	-3.2%	4.6%	-11.1%
2019	2.6%	3.6%	1.2%	4.0%	-5.1%	5.3%							11.7%

RISK STATISTICS		
	FUND	^BM
% Negative Months	45.0%	45.0%
Average Negative Month	-3.7%	-3.7%
Largest Drawdown	-16.2%	-16.2%
Standard Deviation	13.6%	13.6%
Downside Deviation	7.3%	7.3%
Highest Annual Return: Apr 2018 - Mar 2019	3.0%	3.0%
Lowest Annual Return: Dec 2017 - Nov 2018	-16.2%	-16.2%
Annualised Tracking Error (Active Return)	-0.06%	-
Annualised Tracking Error (Std Dev of Active Return)	0.09%	-

FEES	
Annual Management Fee	0.10% per annum (excluding VAT)
Total Expense Ratio (TER)	0.12% (Jun 2019)
Transaction Costs (TC)	0.03% (Jun 2019)
Total Investment Charge (TIC)	0.15% (Jun 2019)

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.

# SYGNIA ITRIX TOP 40 ETF

## FUND COMMENTARY

SOUTH AFRICA - EQUITY - GENERAL

2ND QUARTER 2019

### MARKET PERFORMANCE

Developed-market central-bank policy easing has contributed to the longest-ever economic expansion – over 10 years. Global monetary policy easing reached new highs as the universe of negative-yielding bonds jumped to a record \$13tn, gold to six-year highs and the S&P500 to all-time highs. Both the US Fed and ECB vowed to cut rates if necessary. The Bank of Japan has continued to ease monetary policy, because, on the back of trade tensions, global-manufacturing confidence indices have fallen into contraction, Citi's Global Economic Surprise Index has experienced the longest period of disappointing economic data on record and the Brent crude oil price dropped 20%. Amid escalating disputes, the World Bank downgraded its global growth outlook to the weakest pace in three years, forecasting 2.6% this year. The largest threat to the economic outlook is U.S. President Donald Trump's trade and tech wars, the latter being of particular concern, as 27% of the S&P500 Tech sector's revenue is exposed to China. Trump has an incentive to keep the market buoyant with 2020 elections around the corner, but the risk of miscalculation is high when using untested tools. Trump said that his meeting with China's President Xi Jinping at the G20 leaders' summit in Osaka went far better than expected and that he would not increase tariffs. He added, however, that he was "in no hurry" to cut a trade deal.

South Africa's Q1 GDP fell the most in a decade, down 3.2% on the back of load-shedding issues. Seven of nine areas of the economy are in decline: agriculture declined a massive 13%, with farmers still unsure of their property rights, and mining was down 10% on power concerns. The rand lost considerable ground, breaking above R15 to the USD, and the yield curve rose to its steepest levels on record in response to a statement by ANC Secretary-General Ace Magashule that the organisation had decided to change the Reserve Bank mandate and begin "quantity" easing. The ANC's economic transformation head, Enoch Godongwana, SARB governor Lesetja Kganyago, Finance Minister Tito Mboweni and President Cyril Ramaphosa confirmed that the party would not seek to nationalise the central bank nor expand its mandate. The South African Chamber of Commerce expressed concern that the government is "at war with itself". The debt market is concerned about continuing to fund state-owned enterprises, after Ramaphosa announced more front-end loaded support for Eskom in his State of the Nation address. Inflation rose to 4.5% in May, but the SARB's forecasting model suggests there is room for interest rate cuts.

The IHS Markit US manufacturing purchasing managers index (PMI) declined to 50.1, its lowest level since September 2009, and consumer confidence is at two-year lows. The Fed cut its inflation forecast and suggested a rate cut could happen as early as July unless trade tensions and economic data improve. The 10-year Treasury note yield fell below 2% as US rates markets moved to price in roughly three rate cuts from the Federal Open Market Committee (FOMC) in 2019. This aggressive move is normally only associated with an economic recession, but the Fed is changing the reaction function that will encourage an inflation overshoot.

Eurozone inflation expectations plunged to a record low (1.1% on the five-year forward rate) as investors worry that the economy is slipping into "Japanification", an inescapable period of stagnant growth and low interest rates. Unsatisfied with the market's view, Mario Draghi, President of the ECB, announced possible interest rates cuts and a fresh round of bond purchases. The TLTRO-III stimulus programme will start in September, and tax cuts have been announced in some of the major economies.

After three years of political deadlock over Brexit, the ruling Conservative Party is picking a new leader. Boris Johnson is the favourite to succeed Prime Minister Theresa May, and the new prime minister should be in place by the end of July. Johnson vowed to deliver Brexit with or without a deal. Brussels has underlined that it will not reopen Britain's EU withdrawal deal, stressing that the next prime minister should honour the deal that Theresa May brokered.

China's central bank added 500 billion yuan (\$72 billion) to the financial system, the second-largest injection on record. The financial support was required after the government's first seizure of a bank in more than two decades drove up funding costs. The Chinese services sector is holding up well despite a slowing manufacturing sector (Chinese factory output slowed to its weakest pace on record), and infrastructure investment is being encouraged in order to ensure growth does not slow beyond the government's "reasonable range".

India's central bank cut its benchmark interest rate for the third time this year, to 5.75%, the lowest level in nine years, and signalled the possibility of further easing in a bid to support growth. However, the central bank suffered a blow to its credibility after the resignation of deputy governor Viral Acharya.

### RISK PROFILE



### TIME HORIZON



Russia's central bank cut the key interest rate and hinted at future reductions. Australia's central bank cut interest rates to a record low of 1.25%.

Fitch and Moody downgraded Mexico's credit rating against the backdrop of rising trade tensions. Fortunately, President Trump "indefinitely suspended" his plans for U.S. tariffs on Mexico, removing the threat of a 5% tariff on Mexican imports.

Turkey's opposition party, the Republican People's Party, secured 54.2% of the vote in a re-run Istanbul mayoral election, striking a blow to President Tayyip Erdogan. The total is a massive 6.5% of GDP. Initial March data indicates domestic demand is improving on the back of policy support.

### FUND PERFORMANCE

The Sygnia Itrix Top 40 ETF delivered 3.8% for the quarter, in line with its benchmark, the FTSE/JSE Top 40 Index. The Fund benefitted from exposure to Compagnie Financiere Richemont, Naspers and MTN Group, while its exposure to Sasol, British American Tobacco and Netcare detracted from performance.

Single changes were made over the index rebalancing period, including the addition of Exxaro Resources and the removal of Netcare.

The Fund remains true to its investment objective of delivering returns that mirror those of the FTSE/JSE Top 40 Index.

### DISCLAIMER

Sygnia Itrix (RF) (Pty) Ltd is a registered and approved Manager under the Collective Investment Schemes Control Act, 2002. Sygnia Itrix does not provide any guarantee with respect to the capital or return of the portfolio. Collective Investment Schemes (CIS) are generally medium to long-term investments. The value of participatory interests may go down as well as up and past performance is not necessarily an indicator of future performance. CIS are traded at ruling prices and can engage in borrowing and scrip lending. ETFs trade on stock exchanges and may therefore incur additional costs associated with listed securities. Unlike a unit trust, which can be bought or sold only at the end of the trading day, an ETF can be traded intraday, during exchange trading hours. ETFs may invest in foreign securities, which may be exposed to macroeconomic, settlement, political, tax, illiquidity and foreign exchange risks. Additional information on the Index including its performance and tracking error can be viewed on the relevant Fund Fact Sheets on [www.sygnia.co.za](http://www.sygnia.co.za). A schedule of fees and charges may be requested via [admin@sfs.sygnia.co.za](mailto:admin@sfs.sygnia.co.za) or 0860 794 642 (0860 SYGNIA). The complete terms and conditions of your ETF investment are contained in the fund's offering circular, pre-listing statement, programme memorandum and/or supplemental. These documents may be obtained from [www.sygnia.co.za](http://www.sygnia.co.za) or on request from Sygnia. Nothing in this document shall be considered to state or imply that the Fund is suitable for a particular type of investor.

# IMPORTANT INFORMATION TO CONSIDER BEFORE INVESTING

## INVESTMENT APPROACH

The Sygnia Itrix Top 40 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 FTSE/JSE TOP 40 Index through investing in the physical index securities. The FTSE/JSE TOP 40 Index consists of the largest 40 companies, listed on the JSE, ranked by investable market capitalisation in the FTSE/JSE All Share Index. 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 South African equities. The structure of the Fund is dictated by the composition of the FTSE/JSE Top 40 Index. 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. 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 RATIO (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.

## 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.

## EXCHANGE TRADED FUNDS VS UNIT TRUSTS

Whilst both unit trusts and ETFs are regulated and registered under the Collective Investment Scheme Control Act, ETFs trade on stock exchanges just like any other listed, tradable security. Unlike a unit trust, which can be bought or sold only at the end of the trading day, an ETF can be traded intraday, during exchange trading hours.

## 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.

## DISCLAIMER

Sygnia Itrix (RF) (Pty) Ltd is a registered and approved Manager under the Collective Investment Schemes Control Act, 2002 (Act No 45 of 2002). Sygnia Asset Management (Pty) Ltd, an authorised financial services provider, is the appointed investment manager of the fund. Sygnia Itrix does not provide any guarantee with respect to the capital or return of the portfolio. Nothing in this minimum disclosure document will be considered to state or imply that the collective investment scheme or portfolio is suitable for a particular type of investor.

This document is for information purposes only and does not constitute or form any part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase any particular investment. Whilst reasonable care was taken in ensuring that the information contained in this document is accurate, Sygnia accepts no liability in respect of any damages and/or loss (whether direct or consequential) or expense of any nature which may be suffered as a result of reliance, directly or indirectly, on the information in this document. Additional information such as fund prices, brochures, application forms and a schedule of fees and charges be requested via [admin@sfs.sygnia.co.za](mailto:admin@sfs.sygnia.co.za) or 0860 794 642 (0860 SYGNIA).

You should be aware that certain transactions give rise to substantial risk. Product values may be affected by market values, interest rates, exchange rates, volatility, dividend yields and issuer credit ratings. The complete terms and conditions of your ETF investment are contained in the fund's offering circular, pre-listing statement, programme memorandum and/or supplemental. These documents may be obtained from [www.sygnia.co.za](http://www.sygnia.co.za) or on request from Sygnia.

Sygnia Limited and any of its affiliates may make markets or hold units in the fund or hold positions in the investments in which the fund invests. As set out in the offering circular, the sale of securities is subject to restrictions in some jurisdictions. In particular, any direct or indirect distribution of this document into the United States, Canada or Japan, or to U.S. persons or U.S. residents, is prohibited.

## INDEX DISCLAIMER

"FTSE®" is a trade mark of the London Stock Exchange Group Companies, "JSE" is a trade mark of the JSE Limited and both are used by the JSE under licence. The FTSE/JSE TOP 40 Index is calculated by FTSE in conjunction with the JSE. Neither the JSE or FTSE sponsor, endorse or promotes this product and are not in any way connected to it and does not accept any liability. All intellectual property rights in the index values and constituent list vests in FTSE and the JSE. Sygnia Itrix (RF) (Pty) Ltd has obtained full licence from the JSE to use such intellectual property rights in the creation of this product.

