Sygnia Itrix Solactive Healthcare 150 ETF

Global - Equity - General

30 September 2021

LOW	LOW MEDIUM	MEDIUM	MEDIUM HIGH	**HIGH**

LESS RISK/ RETURN — MORE RISK/ RETURN

1 YEAR+	2 YEARS+	3 YEARS+	**5 YEARS+**	10 YEARS+

Portfolio Managers	**Sygnia Asset Management**
Inception	**6 August 2021**
Fund Size	**R 413 Million**
NAV Price	**2 424 cents**
Units in Issue	**17 048 632**

Investment Objective	**To replicate the price and yield performance of the Solactive Developed Markets Healthcare 150 Index**
Income Distribution	**Bi-Annually (December and June)** **No distributions for the last 12 months**
Trustees	**Standard Bank Trustees (021 441 4100)**

Fund Information

Classification	**Regional - Equity - General**
Asset Allocation	**100% Offshore**
NAV/Index Ratio	**ca. 1/1000**
Financial Year End	**31 December**
Index Tracking	**Solactive Developed Markets Healthcare 150**
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**

Top 10 Holdings

Instrument	*Percent*
Johnson & Johnson Ord Shs	5.8%
UnitedHealth Group Ord Shs	5.0%
Roche Holding Par Shs	3.5%
Pfizer Ord Shs	3.3%
Thermo Fisher Scientific Ord Shs	3.1%
Abbott Laboratories Ord Shs	2.8%
Eli Lilly Ord Shs	2.7%
Novartis Ord Shs	2.6%
Danaher Ord Shs	2.6%
Merck & Co Ord Shs	2.6%

Disclaimer

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Listing Information

Exchange	**JSE Limited**
Exchange Code	**SYGH**
Trading Currency	**ZAR**
Portfolio Currency	**USD**
ISIN	**ZAE000300521**
RIC	**SYGHJ.J**
Bloomberg Ticker	**SYGH SJ Equity**
Trading Hours	**9:00 am - 16:50 pm**
Transaction cut-off	**JSE trading hours**

Asset Allocation

Asset	*Percent*	*Allocation*
International Equity	99.8%	

Geographic Allocation

Region	*Percent*	*Allocation*
United States	71.6%	
Switzerland	8.1%	
Japan	5.0%	
United Kingdom	3.6%	
Denmark	3.1%	
France	2.7%	
Germany	2.4%	
Australia	1.8%	
Other	1.6%	

Sector Allocation

Sector	*Percent*	*Allocation*
Health Care	98.3%	
Consumer Discretionary	0.8%	
Consumer Staples	0.5%	
Materials	0.3%	
Other	0.2%	

Fees

Management Fee	0.50%
VAT	0.08%
Other costs	-0.08%
Total Expense Ratio (TER)	0.50%
Transaction Costs (TC)	Not applicable at this time
Total Investment Charge (TIC)	Not applicable at this time

Sygnia

Sygnia Itrix Solactive Healthcare 150 ETF

Fund Commentary

Global - Equity - General

3rd Quarter 2021

RISK PROFILE

LOW	LOW MEDIUM	MEDIUM	MEDIUM HIGH	**HIGH**

LESS RISK/ RETURN — MORE RISK/ RETURN

TIME HORIZON

0-2 YEARS	2 YEARS+	3 YEARS+	**5 YEARS+**	7 YEARS+

Market Performance

Global equity markets collapsed in September, with commodities particularly hard hit – the JSE Top 40 fell 14% from its August peak to September lows. Market turmoil came on the back of slowing economic growth, Covid uncertainty, Fed tapering, China's debt crisis, Biden's tax hikes and steep valuations. Commodities in particular were hard hit by the Chinese housing growth slow down (catalysed by the Evergrande default), China's energy supply being hampered by its "Olympic Blue Sky" environmental projects and additional supply coming online where some bottlenecks have improved. The vaccination campaign in emerging markets has accelerated, but it has decelerated in developed markets, leading to a convergence of mobility. While the spike in cases in highly vaccinated countries such as Israel and the UK shows that complete immunity is unlikely, hospital utilisation rates continue to fall. As long as everyone who wants a vaccine is able to receive one, the political pressure to maintain lockdowns will decrease and economies will remain open. Corrections are frequent and probable, and this pullback is no exception. Bear markets typically coincide with recessions, and the outlook over the next 12 months is consistent with a continued economic expansion.

However, while we are positive on the short term, longer term we remain focused on a more volatile, lower- return global outlook. The world is experiencing financial repression as the role of governments increase:

1. Central banks are keeping interest rates lower for longer via quantitative easing (QE), reducing real rates to negative, which is a tax on savings. This is likely to continue.
2. QE has the unfortunate consequence of increasing inequality by driving up the price of assets. To counter this, governments increase direct taxes, particularly wealth taxes, to pay for e.g. the large fiscal programs and Covid support initiatives.
3. For similar reasons, governments have increased prescribed assets and retirement fund-partnered projects, which has led to a crowding out of private investment and lower growth – a tax on future returns.

The European Central Bank (ECB) announced they are slowing the pace of their bond-buying pandemic stimulus into the fourth quarter of 2021, firmly naming it a "recalibration" rather than a "taper". With expansionary monetary policy dipping to a "moderately lower pace" in Europe, investors' growth worries have been calmed. Recent price underperformance and improved earnings have taken European stocks' relative valuation to US peers to a 23% discount. Cheaper valuations, a dovish ECB and looser fiscal policy are some of the reasons we prefer European to US equities.

The August CPI report provides further evidence that inflationary pressures peaked in the second quarter. Notably, the weaker print reflects continued easing among sectors that experienced strong upside pressures during the pandemic, such as airline fares, new and used vehicle prices and vehicle rental fees. This trend supports the argument that the forces that have been driving up US CPI are transitory. Federal Reserve Chair Jerome Powell says the US central bank could begin scaling back asset purchases in November and complete the process by mid-2022. Powell does not expect the Fed to begin rate increases until after completion of the taper process, which will wrap up "sometime around the middle of next year." The Federal Open Market Committee dot plot suggests that the first hike has moved from early 2023 to late 2022. What will matter for the Fed is where inflation is next year: whether core inflation, excluding Covid-impacted services, remains contained or rises above levels consistent with the Fed's target.

The Chinese economy weakened further in August on stringent public health restrictions. Retail sales growth slowed to 2.5% year-on-year in August, from 8.3% year-on-year in July, as outbreaks weighed on consumer spending and travel. Production and investment remained relatively stable. While we expect volatility to remain high, we are positive on China and emerging markets.

- The Chinese government has not launched a broad attack on tech companies and, in fact, heightened geopolitical tensions with the US have made it more important than ever for China to support its tech sector. China's top regulators defended their crackdown in a meeting with Wall Street executives and reassured investors that stricter rules are not aimed at stifling the private sector.
- Evergrande's default, sitting on more than $300 billion of liabilities, has raised concerns over the scope of China's housing slowdown and how sustained the broader contagion will be. Beijing will continue to balance "common prosperity" with economic stability, and authorities will ease recent restrictions. Evergrande shareholders and bondholders will likely be sacrificed, but the key takeaway is that the real estate sector and the economy will survive.
- China's policy is becoming more stimulative. The People's Bank of China cut bank reserve requirements in July. In September, the State Council announced an additional RMB 300 billion in credit support for SMEs, and China pumped $17 billion into the financial system amid Evergrande concerns – the most short-term liquidity in eight months.
- Emerging markets (EM) and China are cheap, and current valuations offer a margin of safety. Emerging market stocks currently trade at a Shiller PE ratio of 14.7, compared to 36.8 for the US, 22.2 for Europe and 24.1 for Japan. The EM discount to the global index is as large now as it was during the late 1990s, and MSCI China is trading at its greatest discount to MSCI World in as far back as the indices go, over 20 years.

As expected, South Africa left its benchmark rate unchanged at 3.5%. The SARB's rates model implies a much faster-tightening path than previously indicated and now forecasts the benchmark rate at 6.5% at the end of 2023, implying two extra increases of 25bps each. This is the seventh consecutive time the Monetary Policy Committee has left rates unchanged, with the prime lending rate of commercial banks at a five-decade low of 7%. Speaking at the University of Stellenbosch earlier this month, Reserve Bank Governor Lesetja Kganyago said that South Africa's inflation-targeting framework is set to be examined as part of a macroeconomic review by the National Treasury. The current inflation target of 3% to 6% was set over 20 years ago, in 2000. "If we want to keep interest rates low, the most important thing we can do is to lower the inflation target," Lesetja said, adding that he viewed 3% as a good point target.

The world's largest number of HIV cases is complicating South Africa's efforts to fight the coronavirus pandemic, raising the risk of more mutated versions emerging and spreading across the globe. HIV raises the risk of death from Covid-19 in South Africa, and Dr Mary-Ann Davies of the Western Cape Health Department says that around 8% of Covid-19 deaths are attributable to HIV in that province. As at 29 September, more than 17 million Covid-19 vaccines had been administered nationally, while the death toll stood at 87 417. The National Institute of Communicable Diseases (NICD) believes the country is past the third wave, resulting in a drop to lockdown level one from 1 October.

Fund Performance

Sygnia Itrix Solactive Healthcare 150 ETF was launched in August 2021 and as per regulation, "since inception" return figures will only be available from 6 months.

Important information to consider before investing

Investment Objective and Strategy

The objective of the Sygnia Itrix Solactive Healthcare 150 ETF is to provide an investment vehicle to investors who want to achieve long term capital appreciation in tracking the performance of the Solactive Developed Markets Healthcare 150 Index (.SDMH150P) ("benchmark index").

In order to achieve this objective, the Sygnia Itrix Solactive Healthcare 150 ETF shall track the Solactive Developed Markets Healthcare 150 Index (.SDMH150P) Index as closely as practically and feasibly possible by buying securities that substantially make up the index at similar weighting as they are included in the Index. Whenever the Index gets rebalanced, the Portfolio will be rebalanced to align its holdings to that of the benchmark and to the extent that it's performance will not deviate from its benchmark.

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 Solactive Developed Markets Healthcare 150 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.

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.

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.

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.

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