Sygnia Itrix Top 40 ETF

South Africa - 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	**30 October 2017**
Fund Size	**R 362 Million**
NAV Price	**5 906 cents**
Units in Issue	**6 124 779**

Investment Objective	**To replicate the price and yield performance of the FTSE/JSE Top 40 Index**
Income Distribution	**Bi-Annually (December and June)** **Payment: 13 Jan 2021 - 51.08851 cents per unit** **Payment: 13 Jul 2021 - 89.13491 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**

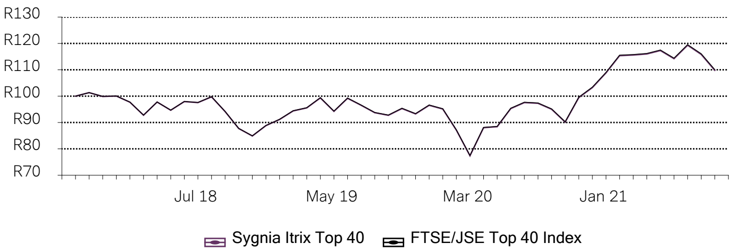
Listing Information

Exchange	**JSE Limited**
Exchange Code	**SYGT40**
Trading Currency	**ZAR**
Portfolio Currency	**ZAR**
ISIN	**ZAE000251351**
RIC	**SYGT40J.J**
Bloomberg Ticker	**SYGT40 SJ EQUITY**
Trading Hours	**9:00 am - 16:50 pm**
Transaction cut-off	**JSE trading hours**

Cumulative Investment Performance

Growth of R100 invested on 31 October 2017

Investment: R109.80
Benchmark: R110.07



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

Asset Allocation

Asset	*Percent*	*Allocation*
Domestic Equity	97.7%	

Sector Allocation

Sector	*Percent*	*Allocation*
Materials	36.6%	
Consumer Discretionary	26.3%	
Financials	18.2%	
Consumer Staples	6.4%	
Communication Services	5.7%	
Other	5.2%	
Health Care	1.5%	

Top 10 Holdings

Instrument	*Percent*
BHP Group Ord Shs	11.9%
Richemont GDR	11.7%
Anglo American Ord Shs	9.7%
Naspers Limited N Ord Shs	7.8%
Prosus Ord Shs	5.3%
Firstrand Ord Shs	4.7%
MTN Group Ord Shs	3.7%
Standard Bank Group Ord Shs	2.7%
Mondi Ord Shs	2.6%
Sasol Ord Shs	2.3%

Portfolio Performance Analysis

Period	Sygnia Itrix Top 40	FTSE/JSE Top 40 Index**	Sygnia Itrix Top 40 (TR)*
1 Month	-5.2%	-5.2%	-5.2%
3 Months	-3.9%	-3.8%	-2.6%
6 Months	-5.0%	-5.0%	-3.7%
Year to Date	6.3%	6.4%	8.7%
1 Year	15.5%	15.6%	18.1%
3 Years	5.3%	5.3%	8.2%
Since Inception	2.4%	2.5%	5.0%

Performance of the fund is calculated by Sygnia Asset Management as at reporting date.
Performance figures greater than one year are annualised.
***Price return.*

Historical Performance

	Jan	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*	*Year*
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%	-2.7%	-2.9%	-1.1%	2.8%	-2.1%	3.5%	8.7%
2020	-1.5%	-8.4%	-11.2%	13.8%	0.4%	7.8%	2.4%	-0.3%	-2.3%	-5.1%	10.3%	3.8%	7.0%
2021	5.4%	6.0%	0.2%	0.4%	1.1%	-2.6%	4.5%	-2.9%	-5.2%				6.3%

Risk Statistics

	Fund	*^BM*
% Negative Months	46.8%	46.8%
Average Negative Month	-3.7%	-3.7%
Largest Drawdown	-23.6%	-23.5%
Standard Deviation	16.7%	16.7%
Downside Deviation	9.2%	9.3%
Highest Annual Return: Apr 2020 - Mar 2021	49.4%	49.4%
Lowest Annual Return: Apr 2019 - Mar 2020	-19.0%	-19.0%
Annualised Tracking Error (Active Return)	-0.06%	-
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.

Fees

Management Fee	0.10%
Other costs	0.06%
VAT	0.02%
Total Expense Ratio (TER)	0.18% (Sep 2021)
Transaction Costs (TC)	0.06% (Sep 2021)
Total Investment Charge (TIC)	0.24% (Sep 2021)

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Sygnia Itrix Top 40 ETF

Fund Commentary

South Africa - 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

The Sygnia Itrix Top 40 ETF delivered -3.9% for the quarter, marginally below its benchmark, the FTSE/JSE Top 40 Index. The Fund benefitted from exposure to MTN Group Ltd, FirstRand Ltd and Aspen Pharmacare Holdings Ltd, while its exposure to Naspers Ltd, Compagnie Financiere Richemont SA and BHP Group PLC detracted from performance.

There were no changes to the tracked index's constituents over the period.

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

SYGNIA COLLECTIVE INVESTMENTS RF (PTY) LTD
Registration No. 2009/003063/07

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Sygnia

Important information to consider before investing

Investment Objective and Strategy

The objective of this Sygnia Itrix Top 40 ETF 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. This is a high risk, passively managed index tracking fund, with an objective 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 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. Derivatives are allowed for efficient portfolio management.

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.

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

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