

Sygnia Itrix S&P 500 ETF

Regional - Equity - General

30 June 2021

Portfolio Managers **Sygnia Asset Management**
 Inception **30 October 2017**
 Fund Size **R 2.653 Billion**
 NAV Price **6 168 cents**
 Units in Issue **43 011 094**

Investment Objective

To replicate the price and yield performance of the S&P 500 Index

Income Distribution

Bi-Annually (December and June)

Payment: 13 Jan 2021 - 25.25734 cents per unit

Payment: 13 Jul 2020 - 36.68486 cents per unit

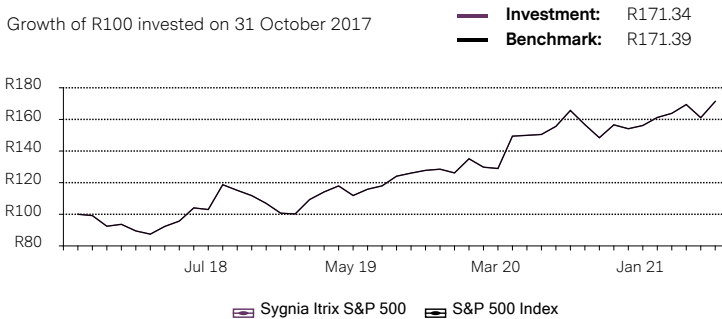
Standard Bank Trustees (021 441 4100)

Trustees

Fund Information	
Classification	Regional - Equity - General
Asset Allocation	100% Offshore Equity
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
Portfolio Valuation	Close of relevant market
Foreign exchange source	World Market fix rate 16:00pm EST

Cumulative Investment Performance

Growth of R100 invested on 31 October 2017



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
Apple Ord Shs	5.9%
Microsoft Ord Shs	5.6%
Amazon Com Ord Shs	4.0%
Facebook Class A Ord Shs	2.3%
Alphabet Ord Shs Class A	2.0%
Alphabet Ord Shs Class C	2.0%
Berkshire Hathaway Ord Shs Class B	1.4%
Tesla Ord Shs	1.4%
NVIDIA Ord Shs	1.4%
JPMorgan Chase Ord Shs	1.3%

Historical Performance

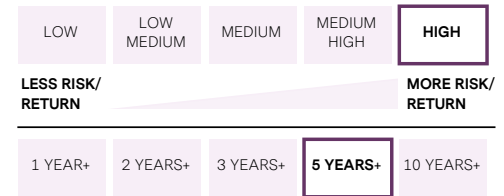
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2018	1.3%	-4.5%	-2.3%	5.6%	3.6%	8.7%	-1.0%	15.2%	-3.0%	-2.9%	-4.4%	-5.8%	8.9%
2019	-0.5%	9.1%	4.4%	3.3%	-5.2%	3.6%	1.8%	5.2%	1.6%	1.4%	0.6%	-1.8%	25.3%
2020	7.1%	-3.9%	-0.6%	15.9%	0.3%	0.4%	3.4%	6.5%	-5.4%	-5.3%	5.5%	-1.6%	22.2%
2021	1.3%	3.2%	1.6%	3.4%	-4.9%	6.4%							11.2%

Risk Statistics

	Fund	^{BM}
% Negative Months	40.9%	40.9%
Average Negative Month	-3.4%	-3.4%
Largest Drawdown	-15.6%	-15.6%
Standard Deviation	18.0%	18.0%
Downside Deviation	7.0%	6.9%
Highest Annual Return: Feb 2019 - Jan 2020	34.8%	34.8%
Lowest Annual Return: Sep 2018 - Aug 2019	4.5%	4.5%
Annualised Tracking Error (Active Return)	-0.01%	-
Annualised Tracking Error (Std Dev of Active Return)	0.06%	-

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

Minimum Disclosure Document - Issue Date: 12 Jul 2021



Listing Information

Exchange	JSE Limited
Exchange Code	SYG500
Trading Currency	ZAR
Portfolio Currency	USD
ISIN	ZAE000251377
RIC	SYG500.J
Bloomberg Ticker	SYG500 SJ EQUITY
Trading Hours	9:00 am - 16:50 pm
Transaction cut-off	JSE trading hours

Asset Allocation

Asset	Percent	Allocation
International Equity	99.5%	

Sector Allocation

Sector	Percent	Allocation
Information Technology	27.3%	
Health Care	12.9%	
Consumer Discretionary	12.2%	
Financials	11.2%	
Communication Services	11.1%	
Industrials	8.5%	
Consumer Staples	5.8%	
Other	10.9%	

Portfolio Performance Analysis

Period	Sygnia Itrix S&P 500	S&P 500 Index (ZAR)**	S&P 500 Index (USD)**	Sygnia Itrix S&P 500 (TR)
1 Month	6.4%	6.4%	2.2%	6.4%
3 Months	4.6%	4.6%	8.2%	4.6%
6 Months	11.2%	11.2%	14.4%	11.7%
Year to Date	11.2%	11.2%	14.4%	11.7%
1 Year	13.9%	13.9%	38.6%	15.1%
3 Years	18.1%	18.1%	16.5%	19.7%
Since Inception	15.8%	15.8%	15.0%	17.1%

Performance of the fund is calculated by Sygnia Asset Management as at reporting date.

Performance figures greater than one year are annualised.

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

**Price return.

Fees

Management Fee	0.15%
Other costs	0.01%
VAT	0.02%
Total Expense Ratio (TER)	0.18% (Jun 2021)
Transaction Costs (TC)	0.00% (Jun 2021)
Total Investment Charge (TIC)	0.18% (Jun 2021)

Sygnia

Sygnia Itrix S&P 500 ETF

Fund Commentary

Regional - Equity - General

2nd Quarter 2021

Market Performance

Global equity markets had a tough June, falling with gold (which had its largest monthly fall since 2016), copper and bitcoin as the Fed signalled a more hawkish outlook. The resource sector was down 9% at the lows before Fed chair Jerome Powell stepped in to calm markets and confirm that the inflation is transitory. We expect a lot of volatility in the second half of the year as the Fed tries to stop asset bubbles from forming (talks rates up) while protecting the economy (talks rates down). The Fed will ideally want to calm markets without actually slowing the economy by raising rates.

The WHO notes that the Delta variant is about 55% more transmissible, making it the dominant Covid-19 force. It has already breached Australia's defences, forcing 80% of the population into lockdown. The Delta variant appears to overcome the first-round dose of the vaccine, highlighting the need for full vaccination. Global vaccination rates remain very unequal, with the US and Europe having vaccinated nearly half their populations and emerging markets and Asia lagging significantly behind. On the bright side, the vaccination rate is accelerating, healthcare providers have become better at triaging and treating, governments have become more targeted in their lockdown measures, and households have become more adept at living in the new normal.

South Africa has moved to level four lockdown until Monday, 12 July, at which point the presidency will "reassess" the situation. However, with the third wave underway and infection numbers significantly high (between 16 000 to 18 000 new infections daily), it is most likely that the lockdown will be extended. The toll this will take on an economy that was just starting to recover remains to be seen, but several industries will take another hit, from the restaurant and hospitality sector through the alcohol industry to gyms and even churches that rely on weekly member collections. More concerning is the recently released Sanlam Benchmark Survey, which showed that 27% of stand-alone retirement funds and 41% of umbrella funds' employers suspended retirement fund contributions last year.

Strong inflationary pressures and recovering growth prompted a sharp shift towards normalising policy, with the Fed providing a hawkish surprise in June. The dot plot showcased seven members seeing a rate hike in 2022, with the majority (13) expecting at least one rate hike before the end of 2023 and the median projection showing two hikes. Speaking at a press conference, Powell acknowledged "the possibility that inflation could turn out to be higher and more persistent than we expect". Additionally, his comments suggested that tapering talks had been initiated. However, monetary policy will remain accommodative, and many key input prices are already lower as commodity prices roll over. The end of Covid unemployment benefits should replenish labour supply, and unemployment is too high at this point to generate wage growth, with the US only likely to return to full employment in 2024.

Longer term, interest rates are unlikely to rise significantly as the global debt load stands at record highs. As of 31 March, outstanding debt was at US\$290 trillion, or c.360% of GDP (Chart 2). Global economies have continued to respond to crises by taking on more debt and kicking the can down the road, but if bond yields surge higher without policy support, this tightening of financial conditions will push major economies into recession. Any sharp increase in bond yields will impact the cost-servicing debt supporting \$300 trillion worth of global real estate, unleashing a deflationary downward spiral.

However, Japan has managed to kick the can down the road, take on more debt and avoid inflation for 30 years; debt-funded growth has less and less impact as debt grows higher, so it is highly unlikely that the world will inflate or grow its way out of debt with more debt.

The pseudo-capitalism model will likely continue, further blurring the boundary between the "independent" central banks and the governments from which they buy bonds as fiscal support.

China's economic growth has become more balanced. Consumption and services have continued to recover, while exports and the housing market are fading on lower Covid-related demand. Commodity prices have begun to drop on the back of this normalisation and on China's strong rhetoric against commodity price manipulations. China's slowdown is a headwind for commodity prices (Chart 3), and despite global fiscal spend supporting commodities, we expect further commodity headwinds into the end of the year.

South Africa's first quarter GDP rose more than expected, at an annualised 4.6% quarter-on-quarter, but growth remains constrained by load-shedding, which returned to stage four in June. President Ramaphosa announced that the Department of Mineral Resources and Energy will amend Schedule 2 of the Electricity Regulation Act to raise the licensing threshold for embedded generation projects from 1 MW to 100 MW within the next 60 days. This is double the limit announced at SONA, but the SONA limit change was also promised within three months, and that deadline has already been missed. The announcement was timely, as the R225-billion Karpowership emergency power deal may have been sunk by the Environment Department, which turned down the Turkish consortium's proposal.

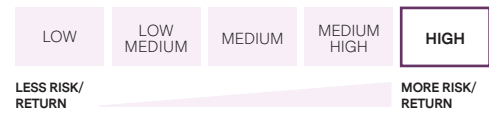
Meanwhile, money management within municipalities remains dismal, with the latest audit of South African municipalities giving only 27 of 257 municipalities a clean bill of financial health. Twenty-two municipalities managed to go through a combined R5.5 billion in the 2019/20 financial year, but officials are unable to explain where or how the money was spent. In fact, the South African Institute of Chartered Accountants estimates that South Africa lost R1.5 trillion through corruption in the five years between 2014 and 2019. The wheels of justice are turning very slowly but, finally, perceptibly, with South Africa's top court sentencing ex-president Jacob Zuma to 15 months' imprisonment for contempt of court.

Globally, the Covid-19 Delta strain has perpetuated global lockdowns, while pharmaceutical companies face a race against the clock with regard to mass vaccine production and rollouts. Economies are still recovering, and a recovery to pre-2019 levels may take some years, particularly in terms of debt repayments. Locally, businesses are braced for the inevitable economic impact of the current level four lockdown (likely to be extended beyond two weeks).

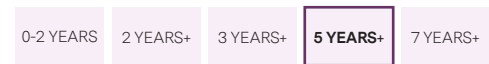
The light at the end of the corruption tunnel is getting distinctly brighter. The Constitutional Court ruling sentencing Zuma to 15 months' in jail for contempt of court has set a legal precedent and sent a very loud signal that no South African is above the law. This is sure to have several high-ranking ANC members quaking somewhat in their boots - Ace Magashule is at the top of the list, followed by Zweli Mkhize.

It looks like the South African rollercoaster is set for another downhill turn, but we should see an improvement towards the third quarter as the national vaccine rollout gathers momentum.

RISK PROFILE



TIME HORIZON



Fund Performance

The Sygnia Itrix S&P 500 ETF delivered 4.6% for the quarter, in line with its benchmark, the S&P 500 Index. The Fund benefitted from exposure to Microsoft Corp, Apple Inc and NVIDIA Corp, while its exposure to Intel Corp, Walt Disney Co and AT&T Inc detracted from performance.

There were several changes to the tracked index's constituents over the period, including the addition of Charles River Laboratories International Inc, PTC Inc and Organon & Co and the removal of Varian Medical Systems Inc, FLIR Systems Inc and HollyFrontier 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 Objective and Strategy

The objective of the Sygnia Itrix S&P 500 ETF is to provide simple access to investors who wish to track the movements of the S&P 500 Index through investing in the physical index securities. The S&P 500 Index consists of 50 of the largest companies from the S&P 500, reflecting U.S. mega-cap performance. This is a high risk, passively managed index tracking fund, the objective of this portfolio is to provide simple access to investors who wish to track the movements of the S&P 500®. 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. Derivatives are allowed for efficient portfolio management.

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.

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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