

# Sygnia Itrix S&P 500 ETF

Regional - Equity - General

31 March 2021

Portfolio Managers **Sygnia Asset Management**  
 Inception **30 October 2017**  
 Fund Size **R 2.476 Billion**  
 NAV Price **5 884 cents**  
 Units in Issue **42 071 289**

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

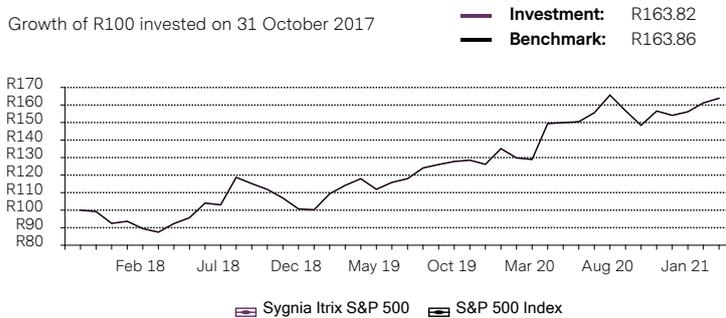
Standard Bank Trustees (021 441 4100)

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	5.7%
Microsoft Ord Shs	5.3%
Amazon Com Ord Shs	3.9%
Facebook Class A Ord Shs	2.1%
Alphabet Ord Shs Class A	1.8%
Alphabet Ord Shs Class C	1.8%
Tesla Ord Shs	1.5%
Berkshire Hathaway Ord Shs Class B	1.4%
JPMorgan Chase Ord Shs	1.4%
Johnson & Johnson 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%										6.3%

## Risk Statistics

	Fund	<sup>BM</sup>
% Negative Months	41.5%	41.5%
Average Negative Month	-3.3%	-3.3%
Largest Drawdown	-15.6%	-15.6%
Standard Deviation	18.1%	18.1%
Downside Deviation	7.0%	7.0%
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. <sup>BM</sup>Benchmark is the Index.



## 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	99.7%	

## Sector Allocation

Sector	Percent	Allocation
Information Technology	26.6%	
Health Care	13.0%	
Consumer Discretionary	12.4%	
Financials	11.3%	
Communication Services	10.9%	
Industrials	8.9%	
Consumer Staples	6.1%	
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	1.6%	1.6%	4.2%	1.6%
3 Months	6.3%	6.3%	5.8%	6.8%
6 Months	4.5%	4.6%	18.1%	5.0%
Year to Date	6.3%	6.3%	5.8%	6.8%
1 Year	27.0%	27.1%	53.7%	28.4%
3 Years	23.3%	23.3%	14.6%	25.0%
Since Inception	15.5%	15.6%	13.5%	17.0%

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	0.02%
VAT	0.02%
Total Expense Ratio (TER)	0.19% (Mar 2021)
Transaction Costs (TC)	0.00% (Mar 2021)
Total Investment Charge (TIC)	0.19% (Mar 2021)

# Sygnia Itrix S&P 500 ETF

## Fund Commentary

Regional - Equity - General

1st Quarter 2021

### RISK PROFILE



LESS RISK/  
RETURN

MORE RISK/  
RETURN

### TIME HORIZON



### Market Performance

Markets are up a roaring 13% in the first quarter of 2021 but with such a swift rally, the question of a bubble arises. Unfortunately, a market bubble is a phenomenon best identified with hindsight. Having said that, there are bubble characteristics that you can watch out for, such as exponential price movement, extreme valuations, retail leverage and a "this-time-it's-different" investment case. Looking at price action, the only truly exponential moves seem to be linked to digital innovation and ESG. Since 2014 cryptocurrencies have risen by a factor of 160, innovation stocks are up six times, special purpose acquisition companies (SPACs) and solar energy have tripled while European renewables have doubled. A lot of this meteoric rise has happened in the last year and is most likely linked to extreme activity (relative to the past) in US retail trading. Fortunately, the recent price correction in this area has reduced some concerns.

Despite respite in most of the world, Central and Eastern Europe are currently being overrun by a third wave, forcing countries such as Italy, Estonia, and Hungary to introduce new lockdown restrictions. This comes at a time when vaccination rollout is struggling across the EU and is further complicated by developments regarding the AstraZeneca/Oxford vaccine, where the Netherlands, Ireland, Germany, Italy, Spain, Portugal and France suspended use of the vaccine over potential blood clotting concerns. AstraZeneca and the World Health Organisation (WHO) are denying reports that the vaccine is linked to blood clotting risks. Towards the end of the month Europe restarted AstraZeneca vaccines following a safety endorsement from the European Medicines Agency, but now the EU is threatening to stop exports of the vaccine from EU production facilities into the UK and ongoing bickering continues between EU countries over all vaccine allocations. South Africa has vaccinated just over 200 000 people. However, the South African government has not yet set up the required compensation to cover damage claims as the rollout is still part of a clinical trial; and incoming shipments of the Johnson & Johnson vaccines have been delayed.

In the month, Congress passed President Joe Biden's \$1.9 trillion Covid relief bill - the second largest ever US fiscal stimulus package. This adds \$1.9trn worth of fiscal stimulus on top of the \$900bn already introduced by former president, Donald Trump, at the end of last year, bringing the total estimated combined fiscal support from these two packages to the significant amount of 13% of GDP.

Focus now turns to Biden's \$2.25trn infrastructure package, a massive number. According to the Bureau of Economic Analysis, the current value of government fixed assets considered as infrastructure is about \$6trn, so this represents about more than a third of the stock of fixed assets. Concerns are now being raised about inflation risks, given the huge amount of stimulus. Clearly the US has learned from Japan and is fighting tooth and nail to avoid deflation. In the short-term, inflation and US rates will certainly rise, but we maintain that this will be a one- or two-year event.

The biggest challenge facing advanced economies remains the weak rate of productivity growth. This is a result of several factors including:

- quantitative easing.
- low rates of business cost of capital which allows inefficient businesses to survive; and
- the failure of new "social media" digital technologies to feed through into productivity.

Remember that all stimulus is just stealing from the future. Biden is already planning the first major federal tax hike since 1993 to help pay for his long-term economic programme.

The tax changes in the infrastructure program will likely include repealing portions of Donald's 2017 tax law that benefitted corporations and wealthy individuals and making the tax code more progressive by providing relief for middle-class households. Taxes are low by historical standards. Biden's plan sees the corporate tax rate rising from 21% to 28%.

The South African economy contracted by 7.0% in 2020 from an increase of 0.2% in 2019. While this was better than expected, electricity generation continues to constrain growth. Load shedding continued unabated in March. Aside from Eskom's spiralling debt, fading sales, and ailing power stations, the utility faces another unsustainable predicament. There is a growing trend of serious allegations against executives from staff who have been taken to task for underperformance, with more than 3 686 of Eskom's 44 000 employees facing disciplinary proceedings.

South Africa announced preferred bidders to provide emergency power to prevent load shedding. The eight bidders - Acwa Power Project DA, Karpowership SA Coega/ Saldanha/ Richards Bay, Mulilo Total Coega, Mulilo Total, Hydra Storage, Oya Energy Hybrid Facility and Umoyilanga Energy - will provide a total of 1.8MW from various technologies to be connected to the grid by August 2022. There is some concern as a number of these projects are foreign-owned, expensive, and using dirty power. Turkish-owned Karpowership ships are anchored off our shores and produce power via Liquid Natural Gas while Acwa is a Saudi company. Black ownership for these projects is at 41%, according to Minister of Mineral Resources and Energy Minister, Gwede Mantashe. A pending request for proposals for procurement of an additional 2600MW for private power producers is expected to further boost energy supply. Pension funds will be able to invest in a number of these projects as part of the new Private Public Pension Infrastructure Programme. Draft regulation 28 has several shortcomings, and Sygnia has submitted feedback to National Treasury.

China's economic activity surged in the first two months of the year, exports soared 61% in dollar terms reflecting strong global demand and imports climbed 22.2% highlighting a divergence in the economy as demand for iron ore and crude slowed and imports of high-tech parts accelerated. China's 14th five-year plan has a dedicated section for tech development with the clear objective of self-reliance for the country. The plan lays out seven technology research areas of focus including artificial intelligence, quantum computing, semi-conductors, and space. Premier Li Keqiang said that China would increase research and development spending by more than 7% a year over the next four years, in pursuit of "major breakthroughs" in technology.

We've seen increased focus on regulation with China's antitrust regulator issuing fines against some of its largest tech giants including Tencent. Alibaba has been asked to dispose of its media assets. Alibaba, China's largest e-commerce operator, is planning to offer its bargains service on rival Tencent Holdings' WeChat platform in a major concession to regulators seeking to crack down on monopolies.

While Covid-19 is not quite done with us yet, the pace of events (and recovery) is picking up. Leaders the world over can be seen to be taking swift action to correct the plummets of 2020 by putting recovery plans into motion. From concrete steps locally to address South Africa's energy crisis to Biden's stimulus package and infrastructure plans in the US, to China's ambitious 14th five-year-plan - all point to concerted efforts to ease financial pressures by stimulating growth and pressing forward. How successful each of these initiatives will be remains to be seen (and a sigh of relief is not in order yet), the shoots of a global recovery are already breaking ground.

### Fund Performance

The Sygnia Itrix S&P 500 ETF delivered 6.3% for the quarter, in line with its benchmark, the S&P 500 Index. The Fund benefitted from exposure to Microsoft Corp, Alphabet Inc and JPMorgan Chase & Co, while its exposure to Apple Inc, Amazon.com Inc and Tesla Inc detracted from performance.

There were several changes to the tracked index's constituents over the period, including the addition of NXP Semiconductors NV, Penn National Gaming Inc and Generac Holdings Inc and the removal of Vontier Corp, Xerox Holdings Corp and Flowserve 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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Sygnia 

# 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](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.

## 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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