

Research News: Sygnia Itrix FANG.AI Actively Managed ETF

October 2023

LAUNCH OF THE LATEST AMETF ON THE JSE

A well-known unit trust fund is now available in the form of an Actively Managed ETF, as a listed instrument on the JSE. The Sygnia Itrix FANG.AI Actively Managed ETF (SYFANG), listed on the JSE on the 29th of September 2023. It falls into the category of “Foreign Thematic” and aims to provide exposure to artificial intelligence (AI) and technology as a megatrend theme. This AMETF targets companies involved in industry disrupting technologies, such as cloud services, big data, block chain, social media, and e-commerce tools.

The investment philosophy of the SYFANG AMETF, mirrors that of the Sygnia FAANG Plus Equity Fund unit trust. FAANG is an acronym for five prevalent technology stocks that were consistently among the highest growth stocks in the market, and together, they were known by the acronym, FAANG. This includes the likes of Meta (formally called Facebook), Amazon, Apple, Netflix, and Alphabet class A (the parent company of Google). Jim Cramer is credited for inventing the original FANG acronym in 2013, which he further expanded in 2017 with the inclusion of Apple. Since then, there have been significant changes, including corporate name changes, and Cramer introduced the new acronym, MAMAA (Meta, Apple, Microsoft, Amazon, and Alphabet), replacing Netflix with Microsoft. Sygnia has now applied to change the name of their unit trust from ‘FAANG Plus’ to ‘FANG.AI’ to better reflect the underlying investment theme and the investment philosophy remains the same.

For more information on Actively Managed ETFs (AMETFs), listen to the etfSA Investor Podcast on Actively Managed ETFs (Episode 50), under the [etfSA.co.za website](https://www.etfsa.co.za) > **Media Center** > **Podcasts: Episode 50** of [The ETF Investor - Episode 50 - Actively Seeking Income Yield](#)

Source: Forbes, Fortune, Yahoo Finance

OVERVIEW

The Sygnia Itrix FANG.AI AMETF is actively managed and can be used to get exposure to mega-cap global companies that use advanced technologies to acquire and retain customers. According to Sygnia, big tech companies are embracing Large Language Models (LLM), which analyse natural language patterns and produces responses similar to that of a human (e.g., chatbots and virtual assistants). This aids in the revolution of the way business is done. The ability for these big tech companies to have a larger budget for research and development, enables them to be at the forefront of AI.

This FANG AI-focused AMETF is suitable for investors who are looking to get exposure to some of the world’s most famous tech brands that are revolutionising artificial intelligence in the communication, consumer discretionary and technology industries.

Investments into this AMETF are made in South African Rands; however, the underlying investments are in US Dollars. This means that the performance is exposed to some currency risk (i.e., the exchange rate differential).

The details of the new product are as follows:

ETP Name	JSE Code	MANCO	Listing Date	ISIN	Thematic Exposure
Sygnia Itrix FANG.AI Actively Managed ETF	SYFANG	Sygnia	29 September 2023	ZAE000327870	Artificial Intelligence

- **The annual management fee is 0.70% (excl. VAT) | Performance fee is 20% of the outperformance of the benchmark, which is calculated and accrued daily, and is deducted monthly** (for example, if the excess returns of the outperformance in a Portfolio is 10%, it will be 20% of the 10%, which is 2%).
- In terms of income distributions, it is a distributing ETF that pays out semi-annually after June and December.
- **This AMETF is not available for Tax Free Investment products due to the performance fee levied.**
- **This AMETF is suitable for investors with a medium to long-term view and the risk profile is high. [Invest now on the etfSA Investor Hub Portal: https://invest.etfsa.co.za](#)**

INDEX ANALYSIS

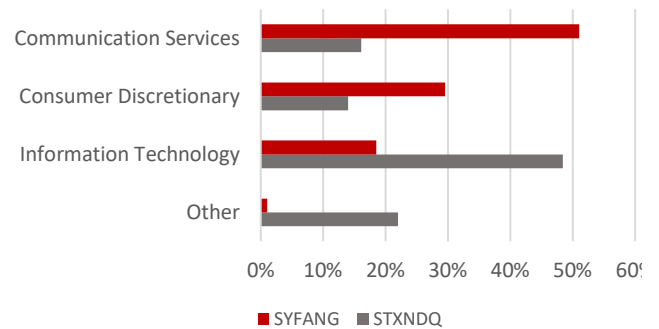
The Sygnia Itrix FANG.AI Actively Managed ETF (SYFANG) makes use of the NYSE FANG+® Index (“The Index”) as its benchmark. The Index consists of 10 highly traded growth companies in the technology and tech-enabled industry, including media and communications consumer discretionary sectors. Even though the SYFANG AMETF makes use of the Index as its benchmark, the AMETF is comprised of 30 stocks instead of just 10 in the benchmark Index, and has a focus on companies that are at the forefront of AI. For a comparative view on AI and technology as a mega theme, the Satrix Nasdaq 100 ETF (STXNDQ) has been included in this analysis. The NASDAQ 100 Index consists of 100-plus of the largest U.S. and international non-financial companies that are listed on the Nasdaq Stock Market. The Index typically has a large exposure to the information technology sector.

Looking at the sector focus* comparison, the fund strategies differ. SYFANG has a higher allocation towards the communication and consumer discretionary sectors, whereas STXNDQ has a higher allocation towards information technology.

Technology as a sector, covers a vast spectrum of various industries*. **SYFANG** has a niche focus towards AI and currently offers a larger exposure to **interactive media & services** (e.g., pay-per click ads on search engines and social media), **and broadline retail** (e.g., online retailers selling food, household and personal care products), in comparison to STXNDQ. It also offers exposure to tech hardware, storage & peripherals (e.g., cell phone and computer manufacturers), whereas STXNDQ does not. From a diversification perspective, however, STXNDQ is exposed to a wider range of industries as depicted in the allocation graphs towards, “Other”. STXNDQ currently has a marginally higher allocation towards **semiconductors & semiconductor equipment** (e.g., microchips), in comparison to SYFANG. The niche exposure to AI illustrates how diverse SYFANG is to the likes of a general tech-heavy Index. This AMETF could be used to supplement a portfolio alongside the Satrix Nasdaq ETF (STXNDQ) and the Sygnia Itrix 4th Industrial Revolution Global Equity ETF (SYG4IR).

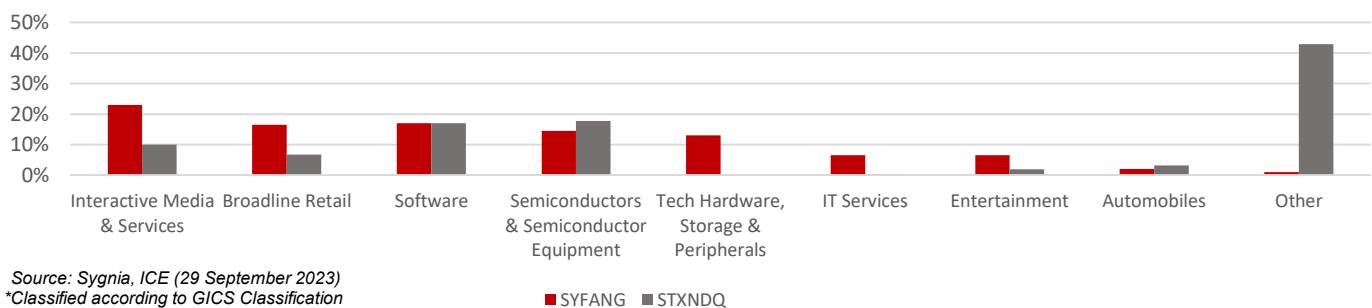
Keep in mind that the SYFANG AMETF is actively managed, so the exposures may change at any time. Be sure to obtain the latest information from the fund manager’s website and/or fact sheet.

Sector Exposure



Source: Sygnia, ICE (29 September 2023)
*Classified according to GICS Classification

Industry Exposure



Source: Sygnia, ICE (29 September 2023)
*Classified according to GICS Classification

The underlying holdings of the SYFANG AMETF is dependent on various factors, one of which is the holdings of the NYSE® FANG+™ Index (benchmark Index). This portfolio is actively managed, so it may deviate from the benchmark Index by excluding certain holdings and/or including other securities that are not held in the benchmark Index. Visit <https://www.sygnia.co.za> to view the latest information on the portfolio’s holdings.

METHODOLOGY

Understanding the investment strategy is vital to know what you will be investing in. The Sygnia Itrix FANG.AI Actively Managed ETF follows the same investment philosophy as the Sygnia FAANG Plus Equity Fund unit trust fund, which aims to gain exposure to mega-cap global companies that make use of advanced technology, such as cloud storage and generative AI (e.g., ChatGPT), in obtaining and retaining clients. This is done through the emphasis of investing in these FANG-themed stocks, which is now, MAMAA (Meta, Apple, Microsoft, Amazon, and Alphabet).

FANG → MAMAA

The unit trust fund and the AMETF make use of the same benchmark Index (NYSE FANG+® Index). The Index invests in 10 companies, including Alphabet, Amazon, Apple, Broadcom, Meta, Microsoft, Netflix, Nvidia, Snowflake, and Tesla, whereas the unit trust and the AMETF aims to further diversify the portfolio. Just like the unit trust fund, this AMETF focuses on the five MAMAA-themed stocks, as well as their competitors. The balance of the 20 instruments places an emphasis on companies with a strong history of above-market earnings growth; and displays prominent AI characteristics of an industry disruptor, such as chip manufacturers, cloud providers, and AI applications. To fully capture the stocks at the forefront of AI, the AMETF does not employ an equal weighting methodology like the Index does.

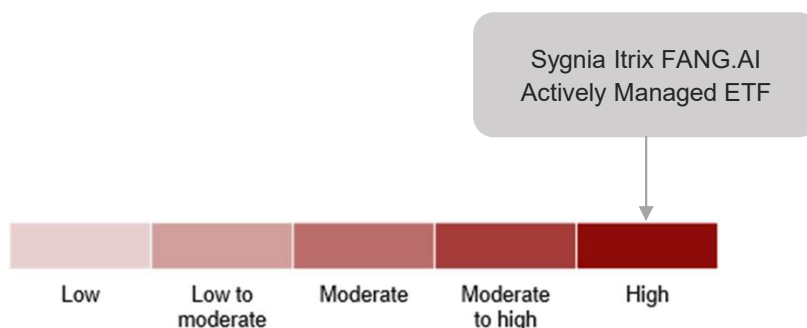
Source: Sygnia, ICE (1 October 2023)

RISK PROFILE

The risks highlighted below are some of the factors that investors should consider when investing in actively managed fund. These factors are not intended to be comprehensive or exhaustive. Various other risks may also apply. Investors should be aware of their risk appetite and should be mindful of the risks associated with investing in this AMETF. Be sure to obtain the latest information and risk considerations of the ETF from the fund manager's website and/or fund fact sheet. etfSA classifies the risk profile of the SYFANG AMETF as high. [Invest now on the etfSA Investor Hub Portal: https://invest.etfsa.co.za](https://invest.etfsa.co.za)

Details on some of the risks to be aware of is as follows:

- **Active Risk:** The fund may be exposed to active risk which may arise when a fund manager may underperform its benchmark
- **Capital Risk:** The fund may potentially lose part of an investment's capital
- **Currency Risk:** The fund may be exposed to currency risk in relation to the valuation of assets held in other currencies besides the Rand
- **Market Risk:** Market risk exists because of price changes. As the portfolio will always be exposed to markets, it is exposed to market-related volatility
- **Liquidity Risk:** A risk that an investment cannot be bought or sold on time to prevent or minimise a loss



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