

New Product Research – Sygnia Itrix New China Sectors ETF

April 2022

OVERVIEW

The **Sygnia Itrix New China Sectors ETF** (JSE Code: **SYGCN**) provides sector specific exposure to China. This new ETF tracks, as closely as possible, the S&P New China Sectors Index using a physical replication strategy, whereby securities that make up the index are purchased at a similar weighting to the index and is rebalanced when the index rebalances. The Index is weighted by float-adjusted market cap and has a single stock cap of 10%. By investing in this product, you are investing into China-and-Hong Kong-domiciled companies within the consumption and service-orientated industries. The underlying companies are selected according to the GICS (Global Industry Classification Standard) sectors, among other factors, and consists of approximately 243 constituents. This ETF is a Distributing ETF, which means that dividends will be paid out if the underlying holdings declare any dividends. The targeted TER of this ETF is 0.50% and provides 100% exposure to global equities. It is suitable for investors with a high-risk profile and long-term investment horizon. Investments into this ETF are made in **South African Rands**; however, the underlying investments are in Renminbi, which is converted into US Dollars. This means that the performance is exposed to some currency risk (i.e., exchange rate differential).

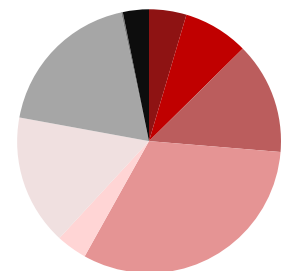
WHY INVEST IN THIS CHINA ETF?

According to the S&P Dow Jones Talking Points on the S&P New China Sectors Index and the ETFSA Investor Podcast with Sygnia, the investment case for China's sector specific exposure is as follows:

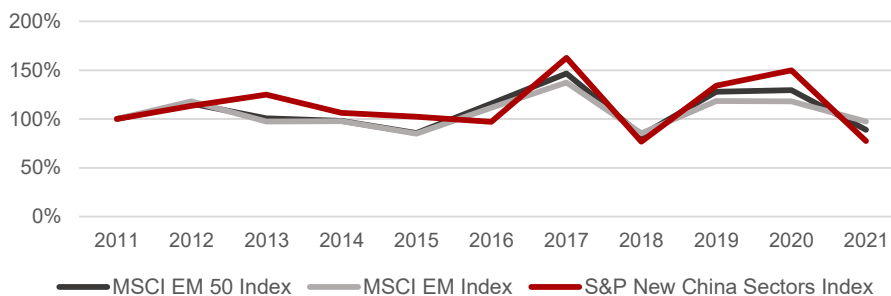
- China's economy is starting to mature, and as China transitions to a more consumer and service-driven economy, consumption and service-orientated industries are increasingly becoming more important from a structural perspective.
- Market participants are seeking alternative opportunities to participate more directly in China's rapid growth areas, such as consumption and service-orientated sectors. The Sygnia Itrix New China Sectors ETF provides access to all major Chinese share classes, including the A class shares, which provides exposure to mainland China.
- Given the specific sector exposure that allows for a different insight into 'New China', the Sygnia Itrix New China Sectors ETF offers an additional layer of diversification, enabling the addition to an existing China-exposed portfolio.

SECTOR FOCUS

The chart below shows the composition of the Sygnia Itrix New China Sectors ETF sector focus. The main sector exposure is to Consumer Discretionary (32%), Consumer Staples (19%), Communication Services (16%) and Health Care (14%).



Cumulative Index Performance - Net Returns



Source: MSCI & S&P Dow Jones, 31 March 2022

*Past performance is not indicative of future performance

LAUNCH OF THE NEW ETF ON THE JSE

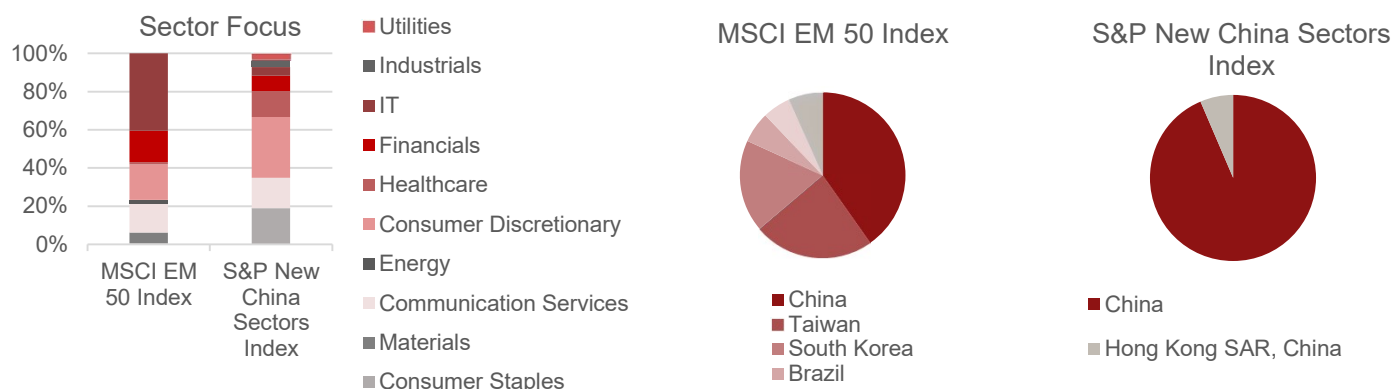
The details of the new product are as follows:

ETF Name	JSE Code	Issuer	Listing Date	ISIN	Geographic Exposure
Sygnia Itrix New China Sectors ETF	SYGCN	Sygnia	20 April 2022	ZAE000309159	Emerging Markets - China

This ETF will be available post-listing on all the etfSA.co.za platforms for tax-free and discretionary investments and will be carefully considered for inclusion in the retirement fund portfolios and wealth management portfolio services offered by etfSA.co.za.





INDEX COMPARISON

Companies that are established or listed directly in mainland China or Hong Kong, can issue different share classes depending on where they are listed and the type of investor (local or foreign). Foreign investment directly into mainland China is becoming increasingly open to foreign investors. In a comparative view, the MSCI EM 50 Index, of which the Sygnia Itrix MSCI Emerging Markets 50 ETF tracks, has approximately 40% exposure to China with a focus on 50 of the largest and most liquid companies. The exposure to the MSCI EM 50 Index is mainly comprised of Hong Kong (H shares) and US-listed Chinese (ADRs – American Depository Receipt) companies, most of which have a high IT sector focus. On the other hand, the S&P New China Sectors Index, of which the Sygnia Itrix New China Sectors ETF tracks, consist of all Chinese share classes, including exposure to mainland China (A shares) companies; with a focus on consumption and service-related sectors. While there may be some underlying constituent (holdings) overlap, the core sector focus allows for overall greater diversification in a portfolio.



Source: MSCI & S&P Dow Jones, 31 March 2022

TOP 10 HOLDINGS

COMPANY		SECTOR	%
 Tencent 腾讯	Tencent is a Chinese multinational entertainment and technology conglomerate	Communication Services	10.20
 Alibaba Group 阿里巴巴集团	Alibaba Group Holding Limited is a Chinese multinational online and mobile company that specialises in internet, retail and e-commerce services	Consumer Discretionary	7.90
 MOUTAI	Kweichow Moutai Co Ltd is one of China's largest liquor producers, specializing in the production and sale of 53-degree Feitian Moutai drink	Consumer Staples	5.90
 AIA	AIA Group is one of the largest pan-Asian insurance providers. It is an American-founded Hong Kong multinational finance and insurance company.	Financials	4.70
 美团 美团点评 Meituan Dianping	Meituan Dianping is a Chinese online shopping platform for local consumer products and retail services such as travel, entertainment and dining	Consumer Discretionary	3.30
 JD.COM	JD.com, also known as Jingdong, and formerly as 360buy, is a Chinese e-commerce company	Consumer Discretionary	2.70
 Midea®	Midea Group Co., Ltd. Is one of China's largest household appliance manufacturers, producing washing machines, refrigerators, and small household appliance products	Consumer Discretionary	1.80
 五粮液 WU LIANG YE	Wuliangye Yibin Co. Ltd is a Chinese alcoholic beverage company that specializes in manufacturing distilled liquor	Consumer Staples	1.80
 Bai 百度	Baidu.com is China's largest internet search engine and is also a technology-driven company that specializes in AI-cloud, video streaming services and voice recognition tech	Communication Services	1.60
 PING AN Finance · Technology	Ping An Insurance (Group) is a financial services provider in China that specialises in banking, insurance, financial services, asset management and healthcare	Consumer Staples	1.60

Source: S&P Dow Jones, Sygnia

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