

Sygnia Itrix FANG.AI Actively Managed ETF

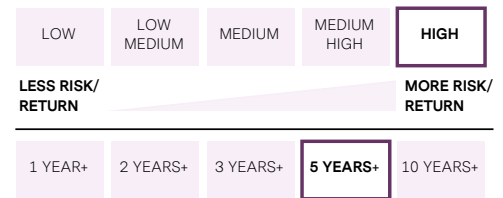
Minimum Disclosure Document (MDD)

30 June 2024

Portfolio Managers
Inception
Fund Size
NAV Price
Units in Issue

Sygnia Asset Management
29 September 2023
R 1.152 Billion
1 433 cents
80 393 259

Investment Objective



The instrument aims to provide a simple vehicle to investors who wish to gain investment exposure to companies which use advanced technologies to acquire and retain users, including industry disrupting technologies such as artificial intelligence, large language models, cloud storage, big data, social media, and e-commerce tools.

Fund Information	
Classification	Global- Equity - General
Asset Allocation	100% Offshore
NAV/Index Ratio	ca. 1/1000
Financial Year End	31 December
Benchmark	NYSE® FANG+™ 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

Top 10 Holdings	
Instrument	Percent
Microsoft Ord Shs	11.3%
Alphabet Ord Shs Class A	11.1%
NVIDIA Ord Shs	10.6%
Amazon Com Ord Shs	10.6%
Meta Platforms Ord Shs Class A	10.1%
Apple Ord Shs	10.1%
Snowflake Ord Shs Class A	6.3%
Netflix Ord Shs	5.9%
Broadcom Ord Shs	5.8%
Tesla Ord Shs	5.4%

Income Distribution

Bi-Annually (June & December)

Trustees

Standard Bank Trustees (021 441 4100)

Listing Information	
Exchange	JSE Limited
Exchange Code	SYFANG
Trading Currency	ZAR
Portfolio Currency	USD
ISIN	ZAE000327870
RIC	SYFANGJJ
Bloomberg Ticker	SYFANG SJ Equity
Trading Hours	9:00 am - 16:50 pm
Transaction cut-off	JSE trading hours

Asset Allocation		
Asset	Percent	Allocation
International Equity	97.0%	
International Cash	3.0%	
Domestic Cash	0.0%	

Geographic Allocation		
Region	Percent	Allocation
United States	90.1%	
United Kingdom	6.9%	
Cash	3.0%	

Sector Allocation		
Sector	Percent	Allocation
Information Technology	47.1%	
Communication Services	27.0%	
Consumer Discretionary	12.9%	
Cash	3.0%	

Fees	
Management Fee	0.70%
VAT	0.11%
Other costs	0.01%
Total Expense Ratio (TER)	Not applicable at this time
Transaction Costs (TC)	Not applicable at this time
Total Investment Charge (TIC)	Not applicable at this time

The TER and Transaction Costs cannot be determined accurately because of the short life span of the Financial Product. Calculations are based on actual data where possible and best estimates where actual data is not available.

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Fund commentary

Minimum disclosure document (MDD)
Global - Equity - General

2nd Quarter 2024

Market performance

According to the World Economic Forum's survey of leaders, the top two global risks for 2024 – after extreme weather – are AI-generated disinformation and societal and political polarisation, with the latter linked to the former. Geopolitical and societal risks rose further in the second quarter after a number of election surprises around the world, including results in South Africa, Mexico and India, and early election announcements in the UK and France.

In Mexico, the peso and Mexican stocks collapsed after Claudia Sheinbaum's surprise landslide victory brought about a near super-majority in congress. While the tailwinds of Chinese manufacturing's relocation to Mexico have outweighed the costs of the hard-left ruling Morena party's redistributive policies in recent years, the sustainability of these policies is now under question and has investors concerned. The following day, investors dumped stocks in India and triggered a \$386 billion wipeout in the Indian stock market after Narendra Modi's victory was not as decisive as expected. Prime Minister Modi's setback reduces the likelihood of an acceleration in structural reforms and increases political uncertainty.

In South Africa, the rand, bonds and equity markets rallied on the news that the ANC, IFP, PA, RISE and DA, representing 68.4% of the national vote, had struck an agreement to form a Government of National Unity (GNU) and had voted Cyril Ramaphosa in for his second term as president. The alliance is expected to deepen and widen reforms, but the deal is only a preliminary framework. There will be challenges from the MKP and the EFF, who were both left out in the cold. The SA economy shrank below expectations in the first quarter of 2024. Fortunately, after the GNU announcement, the FRA market has priced in at least one 25bps rate cut from the SARB in September.

Sygnia funds upgraded South Africa to neutral on the GNU announcement, which has worked well, with bond yields falling 1%, the rand strengthening by around a rand and equities rallying 6%. Ramaphosa announced his new cabinet on 30 June. To accommodate all 11 GNU parties, the executive has grown to an enormous 32 cabinet members and 43 deputy ministers. The most market-friendly news is that Enoch Godongwana remains Finance Minister, thus ensuring continuity in fiscal prudence and structural reforms; the portfolios focused on policy reform also include several improvements. Reforms take time, however, and the fragility and constant gridlock of coalition governments remain a significant risk. We refrain from going overweight for now.

In Europe, eurozone equities sold off 7% from their 6 June highs and French bond yields widened on surprise early French legislative elections. French President Emmanuel Macron's gamble to call snap parliamentary elections has backfired: Marine Le Pen's radical right-

wing National Rally party and a rising far-left coalition are leading in the polls, and the market is worried about extreme economic policies and possible European Union exits. The French parliamentary elections will take place from 30 June to 7 July.

While volatility is expected to remain high, a full-blown EU financial crisis is unlikely. Even if the far-right National Rally wins the election, EU member economic constraints will reduce the impact of their policies. The UK is also heading to early elections, on 4 July. According to an IPSOS survey, the Conservatives have lost up to a third of the voters who would have backed the party just four months ago, and the polls predict a historic defeat. The opposition Labour Party has limited the number of non-market-friendly policies it can put in place. Tough fiscal constraints have been promised which should calm investors, but this will likely mean a continuation of low growth and poor investment opportunities for overseas investors.

The rise in energy prices after Russian energy sanctions led to a severe contraction in UK and European real wages, but this headwind has ended. European natural gas prices are down 90% from their peak, inflation has dropped and the ECB has cut rates. Real wages are rising, while the US is seeing a contraction in real wages. This should support European household confidence and lead to an increase in consumption – but the results of the latest German IFO survey show that sentiment deteriorated slightly in June. Similarly, Chinese data continued to indicate weak demand in May, with housing the key drag. Chinese growth – and consequently EU, EM and Japanese growth – will likely remain constrained by China's property deflation. We remain underweight these regions.

Trump's lead in the election polls has surged, but some of his extreme policies are not yet reflected in markets. Trump wants to limit immigration, enact 10% tariffs on all US imports and cut corporate tax rates to 20% while increasing fiscal support. These would all be inflationary and would worsen an already ballooning US budget deficit. The US FNB small business uncertainty index has risen back to its highs of the previous Biden-Trump election face-off. As we near November's presidential elections, volatility may impact markets more meaningfully. Preliminary purchasing managers' index (PMI) numbers show that the US remained the global economic leader in June, despite signs that the rest of the world was accelerating even as the US slowed. US growth remains resilient. The Kansas City Fed's Labor Market Conditions Indicator, based on 24 variables, expects the US jobless rate to drift higher, which will have two important implications for the Fed: it will alleviate wage inflation and will allow the Fed to focus on the dual mandate of employment and inflation. We remain overweight the US but are keeping an eye on inflation, the labour market and US politics.

RISK PROFILE

LOW	LOW MEDIUM	MEDIUM	MEDIUM HIGH	HIGH
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LESS RISK/
RETURN

MORE RISK/
RETURN

TIME HORIZON

0-2 YEARS	2 YEARS+	3 YEARS+	5 YEARS+	7 YEARS+
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Fund performance

The Sygnia Itrix FANG.AI Actively Managed ETF slightly underperformed its benchmark, returning 8.8% in rand terms, but had yet another strong quarter as the US technology sector kept trending higher.

The fund's slight overweight position in Apple and underweight position in Snowflake added to its relative performance, while its slight overweight position in AMD and underweight position in Broadcom detracted from relative performance. The fund's investment in Nvidia made a significant contribution to its absolute performance, returning 37% for the quarter in dollar terms.

The bulk of the fund is comprised of investments into companies referred to as "the Magnificent Seven", whose influence on global markets is significant, leading the charge in innovation while proving defensive through their strong balance sheets.

The fund remains true to its objective of giving investors exposure to some of the most advanced US technology companies, with a focus on areas such as artificial intelligence, cloud computing and online services.

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Sygnia 

Important information to consider before investing

Investment Approach

The objective of the Sygnia Itrix FANG.AI Actively Managed ETF is to provide a simple vehicle to investors who wish to gain investment exposure to companies which use advanced technologies to acquire and retain users, including industry disrupting technologies such as artificial intelligence, large language models, cloud storage, big data, social media, and e-commerce tools. The portfolio is actively managed and its holdings will depend on a number of factors including the underlying benchmark which is the NYSE® FANG+™ Index (although the portfolio is not obliged to hold all the benchmark constituents).

Balancing risk and reward

The fund has a high risk profile, as it is predominantly invested in global equities, which combines both equity market and currency risks. Furthermore, the fund invests specifically in companies involved in new and emerging technologies, which have a high degree of volatility. Risk is also high as the fund is a concentrated portfolio, with the fund's benchmark comprised of only ten shares. Effective exposure of the portfolio invested outside South Africa will always be above 80%, and is affected by, among other factors, general market risk, exchange rate risk, interest rate risk, liquidity risk and legal and regulatory risk.

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. 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.

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 three years. 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.

Actively Managed Exchange Traded Funds vs Unit Trusts

Whilst both unit trusts and AMETFs are regulated and registered under the Collective Investment Scheme Control Act, AMETFs 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 AMETF 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 AMETFs 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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Minimum Disclosure Document - Issue Date: 09 Jul 2024

