Sygnia Itrix FANG.AI Actively Managed ETF

Minimum Disclosure Document (MDD)

31 March 2024

LOW	LOW MEDIUM	MEDIUM	MEDIUM HIGH	**HIGH**

LESS RISK/ RETURN — MORE RISK/ RETURN

1 YEAR+	2 YEARS+	3 YEARS+	**5 YEARS+**	10 YEARS+

Portfolio Managers	**Sygnia Asset Management**
Inception	**29 September 2023**
Fund Size	**R 870 Million**
NAV Price	**1 322 cents**
Units in Issue	**65 798 285**

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.**
Income Distribution	**Bi-Annually (June & December)**
Trustees	**Standard Bank Trustees (021 441 4100)**

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	10.9%
Amazon Com Ord Shs	10.7%
Apple Ord Shs	10.6%
Alphabet Ord Shs Class A	10.6%
Meta Platforms Ord Shs Class A	10.3%
NVIDIA Ord Shs	9.8%
iShares NASDAQ 100 UCITS ETF USD (Acc)	7.0%
Tesla Ord Shs	6.1%
Snowflake Ord Shs Class A	6.1%
Broadcom Ord Shs	6.0%

Listing Information

Exchange	**JSE Limited**
Exchange Code	**SYFANG**
Trading Currency	**ZAR**
Portfolio Currency	**USD**
ISIN	**ZAE000327870**
RIC	**SYFANGJ.J**
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	90.0%	
United Kingdom	7.0%	
Cash	3.0%	

Sector Allocation

Sector	*Percent*	*Allocation*
Information Technology	46.5%	
Communication Services	26.7%	
Consumer Discretionary	23.8%	
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

1st Quarter 2024

RISK PROFILE

LOW	LOW MEDIUM	MEDIUM	MEDIUM HIGH	**HIGH**

LESS RISK/ RETURN — MORE RISK/ RETURN

TIME HORIZON

0-2 YEARS	2 YEARS+	3 YEARS+	**5 YEARS+**	7 YEARS+

Market performance

Global stock markets recorded their best first-quarter performance in five years, buoyed by hopes of a soft economic landing in the US and enthusiasm about artificial intelligence. This is working perfectly for our funds.

The US unemployment rate increased unexpectedly from 3.7% to 3.9%, its highest rate in two years, while average hourly earnings fell, suggesting decelerating wage growth pressures. Similarly, the latest JOLTS data show the quits rate has continued to decline, and the employment components of the ISM manufacturing and services purchasing managers indices both contracted in February. The jobs data are consistent with a gradually softening labour market. Retail sales rose 0.6% month-on-month in February, below consensus. With consumer Covid savings depleted, the US consumer is under pressure. Money and credit growth are weak, delinquency rates are rising for non-mortgage debt and banks have continued to tighten lending standards.

Non-mortgage debt payments have surged and for the first time on record, interest payments on non-mortgage debts are as high as mortgage interest payments. This will constrain consumer spending and confidence. Office real estate is a major risk. At nearly 20%, office market vacancy is at its highest since the data series began in 1979. The share of delinquent loans in commercial real estate collateralised loan obligations surged fourfold in January, to 8.6%.

This suggests the Fed should cut interest rates sooner, but inflation has picked up slightly. Prices paid to US producers rose in February by the most in six months, driven by higher fuel and food costs, and the US core consumer price index came in slightly hotter than expected at 3.8%, though this was down from January's 3.9%. Fortunately, this is unlikely to change the Fed's plans to cut interest rates in June.

Fed Chair Jerome Powell made dovish comments at his semi-annual testimony to the Senate Banking Committee, adopting the language of European Central Bank President Christine Lagarde in his statement that inflation is "not far" from where it needs to be for the Fed to start cutting interest rates. In addition, the Fed lowered the bar for policy easing by raising expected core personal consumption expenditure for 2024 up to 2.6%, while still projecting three cuts this year.

Inflation could actually fall faster than these expectations. Chinese export prices are still falling, suggesting that the US will continue to import disinflation. Both the Zillow and New Tenant rent indices suggest lower owners' equivalent rent, and the US has lost nearly 2 million full-time jobs over the last three months, suggesting payroll growth has been driven by part-time jobs.

Premier Li Qiang announced at the March National People's Congress that China will target economic growth at around 5% for 2024. Despite a higher base, this matches 2023's target of around 5%, but it will require more stimulus to lift confidence in an economy already constrained by a property slump and entrenched deflation. Premier Qiang himself acknowledged that "It is not easy for us to realise these targets … We need policy support and joint efforts from all fronts." The budget is likely to boost GDP by 0.6 ppt in 2024 after the broad deficit, which combines the general public budget and government funds budget. China's economic performance year to date reflects robust gains in manufacturing output and capital investment against a tepid recovery in consumer spending.

According to China's National Bureau of Statistics, Chinese exports increased 32.6% from a year earlier in the first two months of this year, to 15.9m tonnes. However, the adjustment in China's real estate sector is not over, and the property market is likely to contract for the fourth year in a row. While supply-side stimulus and a boost in export demand has helped, consumer demand continues to face headwinds from falling property prices.

The Bank of Japan ended eight years of negative policy rates with its first hike in 17 years! The central bank set a new policy rate range of between 0% and 0.1%, shifting from -0.1% short-term interest. Despite Chinese stagnation, manufacturing green shoots are evident in the rest of the world. Taiwan's trade figures point to an improvement in global trade, and the Swedish krona's appreciation suggests global growth is improving.

US exceptionalism is helped by its energy independence. According to the US Energy Information Administration, the US produced 28% more oil in 2023 than the world's previous top producer, Russia, and 33% more than Saudi Arabia. US economic resilience will be tested by the lagged effects of monetary tightening, but a recession is unlikely in light of the room for monetary easing, a productivity resurgence and strong household balance sheets. The Fed is likely to cut three times this year.

Inflation expectations could increase in response to stronger economic growth or an oil spike related to geopolitics. Crude oil prices have risen steadily this month as Ukrainian drone attacks on Russian oil facilities are estimated to have shut down 7% of Russia's refining capacity. Vladimir Putin unsurprisingly won Russia's presidential election – the vote, which included the five Ukrainian regions occupied by Russia, was never in doubt after the Kremlin blocked any opposition candidates from running.

Climate change also poses a risk to the inflation outlook. Our oceans have experienced record-breaking global sea surface temperatures, fuelling concerns of extreme weather patterns – any major weather event could cause supply chain disruptions and higher inflation. Election risks also loom large, both in South Africa on 29 May and in the US on 5 November. With Biden currently leading by 1% point, the US election will be closely contested.

We maintain an overweight position in US equities for now. The dollar may weaken due to narrower interest rate differentials or a rest of world growth recovery, but US elections and China weakness are likely to keep the dollar strong.

Fund performance

The Sygnia Itrix FANG.AI Actively Managed ETF had a strong quarter as the US Technology sector surged higher, returning 17.5% in rand terms, while slightly underperforming its benchmark.

The fund's slight overweight position in Meta Platforms and underweight positions in both Tesla and Snowflake added to the fund's relative performance, while its slightly overweight position in Apple detracted from the fund's relative performance. The fund's investment in Nvidia made a significant contribution to the funds' absolute performance, returning 82% for the quarter in dollar terms.

The bulk of the fund is comprised of shares known as "the Magnificent Seven", whose influence on global markets is significant. They lead the charge in innovation, while their strong balance sheets prove defensive.

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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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.

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