Sygnia Skeleton Balanced 70 Fund

Minimum Disclosure Document (MDD)
Class A
South African - Multi-Asset - High Equity

30 November 2024

LOW MANAGEMENT
FEES AT 0.40%

LOW	LOW MEDIUM	MEDIUM	**MEDIUM HIGH**	HIGH

LESS RISK/ RETURN — **MORE RISK/ RETURN**

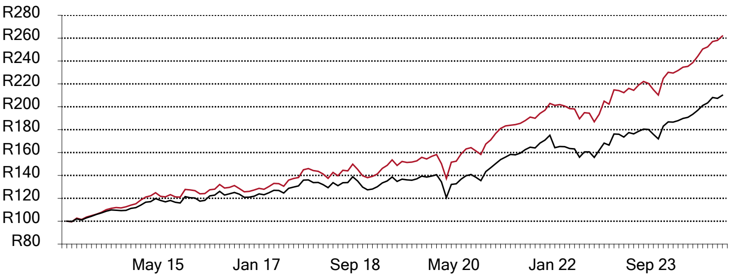
Portfolio Managers	**Iain Anderson, Kyle Hulett**
Regulation 28	**Compliant**
Fund launch date	**2 July 2013**
Class Launch Date	**10 October 2013**
Fund Size	**R 7 664.0 Million**
Unit Price	**185.98**
Units in Issue	**4,096,186,215.00**

Investment Objective	**The fund aims to maximise returns by investing in multiple asset classes while maintaining a high level of risk**
Income Distribution	**Bi-annually (September and March)** **Payment: 1 Oct 2024 - 3.74 cents per unit** **Payment: 1 Apr 2024 - 2.82 cents per unit**
Trustees	**Standard Bank Trustees (021 441 4100)**

Cumulative Investment Performance

Growth of R100 invested on 31 October 2013

Investment:	R261.87
Benchmark:	R210.08



Sygnia Skeleton Balanced 70 Fund   Median of South African - Multi-Asset - High Equity Category

Asset Allocation

Asset Class	*Percentage*	*Allocation*
Domestic Equities	38.6%	
Domestic Property	1.1%	
Domestic Bonds	11.1%	
Domestic Income	4.0%	
Domestic Money Market	6.1%	
Cash	1.0%	
International Equities	27.9%	
International Fixed Interest	2.4%	
International Property	1.5%	
International Cash	6.3%	

Performance Analysis

Periodic Performance	*Fund*	**BM*	*Difference*
1 Month	1.5%	1.3%	0.2%
3 Months	3.8%	3.3%	0.5%
6 Months	9.8%	8.6%	1.2%
Year to Date	13.8%	12.5%	1.3%
1 Year	16.5%	14.8%	1.7%
****3 Years**	10.0%	7.1%	2.8%
****5 Years**	11.1%	8.7%	2.5%
****Since Inception**	9.1%	6.9%	2.1%

Performance as calculated by Sygnia Asset Management as at reporting date
**Median of South African – Multi-Asset – High Equity Category*
***Annualised performance figures*

Manager Allocation

Manager	*Percentage*
Sygnia Asset Management	75.7%
BlackRock Investment Management	11.5%
Taquanta Asset Management	5.4%
Ashburton Investments	1.6%
Other	5.8%

Historical Performance

	Jan	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*	*Year*
2020	1.0%	-5.1%	-8.7%	10.4%	0.6%	4.2%	2.7%	0.7%	-1.8%	-1.9%	5.8%	2.2%	9.2%
2021	3.3%	2.5%	1.2%	0.3%	0.3%	0.6%	1.3%	1.6%	-0.5%	2.2%	1.4%	3.0%	18.6%
2022	-0.8%	0.3%	-0.6%	-1.1%	-0.1%	-4.4%	2.8%	-0.2%	-3.9%	3.5%	5.9%	-1.3%	-0.3%
2023	6.2%	-0.3%	-0.8%	1.8%	-0.8%	2.1%	1.4%	-0.8%	-2.5%	-2.2%	6.9%	2.4%	13.8%
2024	-0.3%	1.0%	1.3%	0.3%	1.4%	2.3%	2.6%	0.7%	1.9%	0.4%	1.5%		13.8%

Risk Statistics

	Fund	*BM*
% Negative Months	33.3%	35.0%
Avg Negative Return	-1.9%	-2.0%
Maximum Drawdown	-13.3%	-14.3%
Standard Deviation	10.1%	10.3%
Downside Deviation	7.4%	8.8%
Highest Annual Return: Apr 2020 - Mar 2021	33.6%	29.4%
Lowest Annual Return: Oct 2021 - Sep 2022	-1.6%	-5.1%

The risk statistics reflected above are calculated on a 60-month or since-inception basis, depending on which period is shorter.

Fees

Initial Fee	0.00% **
Management Fee	0.35% **
Performance Fee	N/A
Other costs	0.06% **
VAT	0.06%
Total Expense Ratio (TER)	0.46% (Sep 2024)
Transaction Costs (TC)	0.08% (Sep 2024)
Total Investment Charge (TIC)	0.54% (Sep 2024)

*** Fees are exclusive of VAT*

Sygnia

Sygnia Skeleton Balanced 70 Fund

Fund commentary

Minimum disclosure document (MDD)
Class A
South African - Multi-Asset - High Equity

3rd 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

The S&P 500 closed at record highs after the first cut in the current cycle by the Federal Reserve. The Fed cut interest rates by 0.5% and updated its economic projections to reflect increased confidence for lower inflation while raising risks around the labour market. Despite the cooling labour market, the consumer sector appears robust. Household wealth has significantly increased on the back of rising values in both housing and financial markets, and household balance sheets are in good shape, having undergone a prolonged period of deleveraging. With reduced debt levels and increased net worth, the debt service ratio is at manageable levels, consumers are less under pressure to save for debt repayment and credit is expanding alongside bank loan growth. The Atlanta Fed's GDPNow model projects a healthy annualised gross domestic product (GDP) growth rate of 2.9% for the third quarter, suggesting a robust US economy.

Looking beyond the first US rate cut, the question becomes whether this is an opportune time to invest in small-cap stocks and real estate. Over half of the bottom 1 000 companies in the Russell 3000 are unprofitable, a stark contrast to the 10% of 1996. The economic landscape is complicated by the fact that interest rates are unlikely to return to the near-zero levels of the Covid-19 pandemic. This persistent higher-rate environment could inhibit recovery for many small-cap firms, particularly those that survived in the era of low rates but that may not be fundamentally sound enough to thrive now. While a decrease in interest rates could provide some relief for the property sector given its high levels of leverage, the ongoing structural challenges posed by remote work and the rise of online shopping continue to disrupt the demand–supply balance in real estate. These factors suggest that even with rate cuts, fundamental issues within the sector may persist, making recovery uncertain.

China's central bank unveiled a huge stimulus package to boost its economy, sending commodities and emerging market stocks higher. Key interest rates were cut and plans were announced to reduce the bank's required reserve ratio to its lowest level since 2018. Mortgage rates were lowered and rules for second home purchases will be eased. 100% of loans for local governments buying unsold homes will be covered, up from 60%. A stock stabilisation fund of 500 billion yuan was also announced, with measures to encourage mergers and acquisitions to be announced soon. This is a step in the right direction but is unlikely to sufficiently improve domestic consumer confidence, and China faces a significant deflationary spiral. Weak demand conditions are further reflected in stagnating imports, and the housing sector is still struggling with excess supply, showing a sharp decline in both housing starts and sales. China is also experiencing a large trade surplus as it attempts to export its excess production.

The core issue is not that the Chinese government has excessive debt – this debt can be financed domestically – but that the ageing population and property market crunch have diminished consumer confidence and spending. The government needs to step in with supportive fiscal spend, i.e. take on more debt.

South African assets and the rand rallied on the back of the Fed cuts, which weakened the dollar and lowered global interest rates, and further on the Chinese stimulus, which drove up commodity prices and resources. The South African Reserve Bank cut interest rates by 0.25% – less than the Fed despite SA inflation being closer to target. The new two-pot retirement system went online in September; outflows so far seem lower than expected, which may mean less of a once-off boost to GDP. We remain neutral on SA assets.

The S&P Global flash purchasing managers (PMIs) indexes show that the contraction in manufacturing activity in developed markets has accelerated. The weakness in Europe is likely driven by China moving up the value chain and by ongoing high energy prices, while the weakness in the US is a result of the ongoing normalisation of Covid goods spend. Services PMIs continue to expand in most regions. We remain overweight US, where the US consumer accounts for 69% of GDP. The US is a consumption-based economy and is often seen as the global consumer of last resort; while headwinds are rising, the US consumer remains robust. Eurasia and emerging markets (EMs) are largely production-based economies heavily linked into the global manufacturing supply chain. As the world is currently in a manufacturing recession, the producing economies led by China's slowdown are struggling. This suggests that the dollar will not fall as much as interest rate differentials might suggest after the Fed's rate cut, as the US economy remains relatively strong. Thus, while commodity prices, EMs and Eurasia may rally in the short term on the back of rate cuts and the Chinese stimulus, longer-term commodity prices will continue to struggle and EMs and Eurasia will continue to underperform.

Based on the nine easing cycles that have occurred since 1974, performance after the initial rate cut is heavily dependent on the state of the economy. No recession occurred in the subsequent 12 months of four of the nine rate-cut cycles. Equities posted positive returns in all four of these instances, delivering an impressive median gain of 18% – against a fall of 10% when recessions did occur. We do not believe the US is heading for a recession within the next 12 months, and we remain overweight equities.

As always, however, risks remain. Global shipping costs remain elevated and geopolitical risks continue to rise, with Israel escalating its campaign against the Iran-backed Hezbollah militant group through a massive bombardment of Lebanon.

Fund performance

The Sygnia Skeleton Balanced 70 Fund returned 5.3% for the quarter, outperforming its strategic benchmark, which returned 5.1%.

The rand strengthened 5.6% against the US dollar in the third quarter of 2024, bringing the total appreciation for the past 12 months to 8.5%. Global markets showed positive performance for the quarter, although rand returns were muted due to the rand's increased strength against the US dollar. As measured by the Barclays Capital Global Aggregate Bond Index, global bonds returned 1.1% for the quarter, while the MSCI All Country World Index returned 0.6% in rand terms.

South African markets continued their rally throughout the third quarter, with the FTSE/JSE Capped SWIX Index rising by 9.6% for the quarter and the JSE AI Bond Index rising 10.5%. Over the past year, domestic equities and bonds returned 25.4% and 26.1% respectively. Cash returns for the quarter, as reflected by the STeFI Index, remained stable at 2.1%.

The fund's positioning is in line with its investment objective of maximising long-term returns combined with some focus on managing the risk of short-term capital losses, while maintaining a high level of overall risk.

Important information to consider before investing

Investment Objective and Strategy

The Sygnia Skeleton Balanced 70 Fund is a South African - Multi Asset High Equity portfolio and shall comprise of investments in multiple asset classes , which may also include international assets. The effective equity exposure (including foreign equities but excluding listed property shares) will always be below 75%. The Portfolio will not exceed a combined foreign and domestic equity exposure of 75% (excluding listed property). The Portfolio will not exceed listed property exposure of 25%. The Portfolio will not exceed a combined equity and property exposure of 90%.

Balancing Risk and Reward

The Fund has an overall 70% allocation to South African and global equities and has a medium to high risk profile. It is a highly suitable vehicle for long-term retirement funds seeking higher risk strategies. It is also suited to individual investors seeking to maximise their long-term returns in a risk-controlled manner. The strategy complies with Regulation 28 of the Pension Funds Act 1956, so is suitable for investors in retirement annuities, preservation, pension and provident funds.

The recommended investment term for investors in the Fund is a minimum of five years. The risk is managed by spreading investments across asset classes, which deliver uncorrelated returns over time. This ensures diversification of sources of returns over market cycles. Tactical asset allocation is used to take advantage of short-term mispricing opportunities in the market in an efficient and cost-effective manner and as a risk management tool in times of market downturns. 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. This may impact on liquidity and in the case of foreign securities, the repatriation of funds. The Fund may also be exposed to credit risk where an issuer of a non-equity security may not be able to make interest payments or repay the capital. This will impact the value of the Fund. Regulations also limit the amount a unit trust may be exposed to each Issuer, thereby spreading the risk across various Issuers.

Collective Investment Schemes in Securities (unit trusts) 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. Unit trusts are traded at the ruling price and are allowed to engage in borrowing and scrip lending.

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 for the portfolio. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Reinvestment of income is calculated on the actual amount distributed per participatory interest, using the ex-dividend date NAV price of the applicable class of the portfolio, irrespective of the actual reinvestment date.

Fees

Sygnia charges an annual management fee comprised of applicable basis fees paid to underlying managers and Sygnia's annual service fee. The fund may invest in other unit trusts (underlying funds) that levy their own charges and which may charge performance fees in the event that the underlying fund's performance exceeds its benchmark. A schedule of fees and charges is available on request from Sygnia. Permissible deductions may include management fees, brokerage, levies, stamps, auditor's fees, bank charges and trustee fees. Sygnia 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 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 may also invest 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.

Tax-Free Unit Trust

This fund qualifies as a tax-free investment according to section 12T of the Income Tax Act, effective from 1 March 2015. South African individuals qualify for the associated tax benefits – namely no tax on dividends, income or capital gains – while still enjoying all the benefits of a unit trust. Contributions to tax-free investments are limited to R36 000 per tax year, with a lifetime limit of R500 000. Amounts invested in excess of these permissible thresholds are taxable.

How are unit prices calculated?

Unit 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 deductions from the portfolio, divided by the number of units in issue. Forward pricing is used and fund valuations take place at approximately 17:00 each business day. Purchases and redemption requests must be received by Sygnia by 14:00 each business day to receive that day's price. The price shown is specific to this class. The fund size represents the portfolio size as a whole. Unit prices are updated by 10:00 every business day and are available on our website, www.sygnia.co.za.

Disclaimer

The fund may be closed to new investments at any time in order to be managed in accordance with its mandate. Sygnia Collective Investments RF (Pty) Ltd is incorporated and registered under the laws of South Africa and is registered under the Collective Investment Schemes Control Act, 2002 (Act No 45 of 2002). Sygnia Asset Management (Proprietary) Limited (FSP Registration No. 873), an authorised financial services provider, is the appointed investment manager of the fund. Sygnia Collective Investments RF (Pty) Ltd does not provide any guarantee with respect to the capital or return of the portfolio. Nothing in this minimum disclosure document will be considered to state or imply that the collective investment scheme or portfolio is suitable for a particular type of investor.

This document is for information purposes only and does not constitute or form any part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase, any particular investment. Whilst reasonable care was taken in ensuring that the information contained in this document is accurate, Sygnia accepts no liability in respect of any damages and/or loss (whether direct or consequential) or expense of any nature which may be suffered as a result of reliance, directly or indirectly, on the information in this document.

Additional information such as fund prices, brochures, application forms and a schedule of fees and charges can be requested via admin@sfs.sygnia.co.za or 0860 794 642 (0860 SYGNIA).

SYGNIA COLLECTIVE INVESTMENTS RF (PTY) LTD
Registration No. 2009/003063/07

A member of the Association for Savings & Investments SA

CAPE TOWN: 7th Floor, The Foundry, Cardiff Street, Green Point, 8001 T +27 21 446 4940

JOHANNESBURG: Unit 40, 6th Floor Katherine & West Building, West Street, Sandton, 2196 T +27 10 595 0550

DURBAN: Office 2, 2nd Floor Ridgeview, 1 Nokwe Avenue, Ridgeside, Umhlanga Ridge, 4319 T +27 31 001 0650

www.sygnia.co.za | info@sygnia.co.za

Sygnia