

# SYGNIA ITRIX SWIX 40 ETF

31 JANUARY 2020

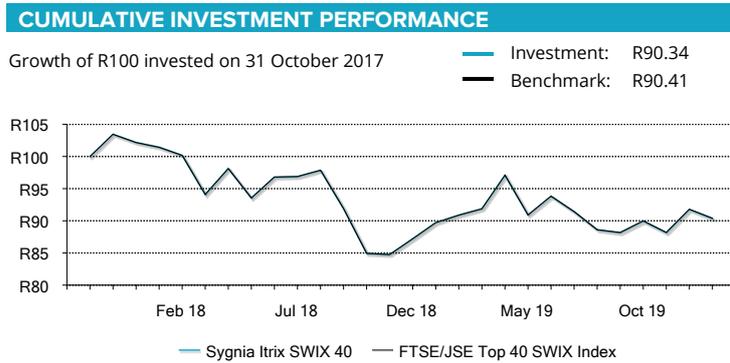


PORTFOLIO MANAGERS	<b>SYGNIA ASSET MANAGEMENT</b>
INCEPTION	<b>30 OCTOBER 2017</b>
FUND SIZE	<b>R 202 Million</b>
NAV PRICE	<b>1 059 cents</b>
UNITS IN ISSUE	<b>19 091 629</b>

INVESTMENT OBJECTIVE	<b>TO REPLICATE THE PRICE AND YIELD PERFORMANCE OF THE FTSE/JSE SHARE WEIGHT 40 INDEX</b>
INCOME DISTRIBUTION	<b>PAYMENT: DEC 2019 - 16.50932 CENTS PER UNIT PAYMENT: JUN 2019 - 15.48797 CENTS PER UNIT</b>
TRUSTEES	<b>STANDARD BANK TRUSTEES (021 441 4100)</b>

FUND INFORMATION	
Classification	South Africa - Equity - General
Asset Allocation	100% South African Equity
NAV/Index Ratio	ca. 1/1000
Financial Year End	31 December
Index Tracking	Fund tracks the FTSE/JSE SWIX 40 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

LISTING INFORMATION	
Exchange	JSE Limited
Exchange Code	SYGSW4
Trading Currency	ZAR
Portfolio Currency	ZAR
ISIN	ZAE000251344
RIC	SYGSW4J
Bloomberg Ticker	SYGSW4 SJ EQUITY
Trading Hours	9:00 am - 16:50 pm
Transaction cut-off	JSE trading hours



Cumulative investment performance is for illustrative purposes only and is calculated using the NAV before any distributable income and management fee.

TOP 10 HOLDINGS	
INSTRUMENT	PERCENT
Naspers Ltd	24.1%
Anglo American PLC	4.6%
Standard Bank Group Ltd	4.6%
British American Tobacco PLC	4.3%
FirstRand Ltd	4.2%
Prosus N.V.	3.9%
MTN Group Ltd	3.3%
Sasol Ltd	3.0%
Sanlam Ltd	2.9%
Bid Corporation Ltd	2.5%

ASSET ALLOCATION	
ASSET	PERCENT ALLOCATION
Domestic Equity	99.9%
Cash	0.1%

SECTOR ALLOCATION	
SECTOR	PERCENT ALLOCATION
Consumer Discretionary	32.8%
Financials	24.6%
Materials	19.6%
Consumer Staples	11.1%
Telecommunication Services	5.9%
Real Estate	3.3%
Industrials	1.6%
Health Care	1.0%
Other	0.1%

PORTFOLIO PERFORMANCE ANALYSIS		
PERIOD	SYGNIA ITRIX SWIX 40	FTSE/JSE TOP 40 SWIX INDEX**
1 Month	-1.5%	-1.5%
3 Months	0.4%	0.4%
6 Months	-1.2%	-1.1%
Year to Date	-1.5%	-1.5%
1 Year	0.7%	0.8%
Since Inception	-4.4%	-4.4%

Performance of the fund is calculated by Sygnia Asset Management as at reporting date.  
\*\*Price return.

HISTORICAL PERFORMANCE													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2017											3.5%	-1.2%	2.2%
2018	-0.7%	-1.2%	-6.1%	4.3%	-4.7%	3.5%	0.1%	1.0%	-6.1%	-7.5%	-0.2%	2.9%	-14.7%
2019	2.9%	1.3%	1.1%	5.7%	-6.4%	3.2%	-2.6%	-3.1%	-0.5%	2.1%	-2.0%	4.1%	5.2%
2020	-1.5%												-1.5%

RISK STATISTICS		
	FUND	^BM
% Negative Months	51.9%	51.9%
Average Negative Month	-3.1%	-3.1%
Largest Drawdown	-18.1%	-18.1%
Standard Deviation	12.6%	12.6%
Downside Deviation	8.7%	8.7%
Highest Annual Return: Nov 2018 - Oct 2019	5.9%	6.0%
Lowest Annual Return: Dec 2017 - Nov 2018	-18.1%	-18.1%
Annualised Tracking Error (Active Return)	-0.04%	-
Annualised Tracking Error (Std Dev of Active Return)	0.09%	-

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

FEES	
DESCRIPTION	PERCENT
Annual Management Fee	0.12% per annum (excluding VAT)
Total Expense Ratio (TER)	0.16% (Dec 2019)
Transaction Costs (TC):	0.07% (Dec 2019)
Total Investment Charge (TIC):	0.23% (Dec 2019)

# SYGNIA ITRIX SWIX 40 ETF

## FUND COMMENTARY

SOUTH AFRICA - EQUITY - GENERAL

4TH QUARTER 2019

### MARKET PERFORMANCE

December was a great month for equities, driven by bullish fundamentals and sentiment. The S&P500 ended the year up 31.5% in USD and the All Share closed up 12%. The JPMorgan Global Manufacturing PMI jumped into expansion for the first time in six months, driven by a supportive monetary policy. Looking into 2020, a recession looks unlikely. The US and China finally agreed to a phase-one deal and the UK's Conservative Party achieved a majority victory, reducing the likelihood of a no-deal Brexit. China and India are expected to provide 55% of global GDP growth in 2020. Fiscal and monetary stimulus in both countries remains high and should support this growth. However, escalating tensions between the United States and Iran and a looming impeachment trial is keeping markets off-kilter.

The economy contracted by a shocking 0.6% in the third quarter, and Eskom reached a new low, implementing stage 6 load shedding and operating at a meagre 60% of capacity due to heavy rains, unplanned outages and possible sabotage, sending the economy and markets into a panic. Steps in the right direction are being taken, however, as Public Enterprises minister Pravin Gordhan announced that Eskom power stations are again drawing their fuel from nearby coal mines offering preferential prices – during the years of state capture, politically connected mines were preferred. The ANC also announced that they are in talks to introduce equity partners at SOEs, provided that government remains the majority shareholder. The government placed SAA under business rescue to allow a “radical restructuring” under which it will receive R4 billion. Inflation came in at a depressed 3.6%, its lowest rate since December 2010, still with no further rate cuts, driving SA real yields to amongst the highest in the world and constraining growth.

The SACCI business confidence index fell to 89.1 points in August, the lowest level since April 1985. The Chamber noted that the “current state of fiscal deficiencies, social injustices and unemployment necessitates an urgent adjustment”, and Moody's noted that Eskom's financial position remains a significant threat to economic growth and government debt levels. However, the agency acknowledged that progress would be slow, offering South Africa a temporary reprieve from a sovereign downgrade for the next 12 to 18 months.

The 2010s saw the longest expansion in US history, a decade without a recession. The S&P500 closed the decade near an all-time high despite US House Democrats delivering two articles of impeachment against President

Trump, for abuse of power and obstruction of Congress. The process will now shift to a Senate trial, where he is expected to be acquitted by the Republican majority there. The Federal Reserve maintained the Federal funds target rate range at 1.50–1.75%, but the “dot plot” witnessed a downward revision to 2020 projections, with participants now expecting interest rates to remain steady. This, together with continued quantitative easing and slowing growth, has kept the US dollar weak.

Chancellor Angela Merkel's government suffered a defeat as her coalition partner, the Social Democrats, replaced vice chancellor Olaf Scholz with Norbert Walter-Borjans. Scholz expects the SPD to put forward a set of demands that includes abandoning Merkel's balanced-budget stance to stimulate growth. At her inaugural ECB meeting as chair, Christine Lagarde reiterated that monetary policy would remain highly accommodative but noted that fiscal policy is the next tool that can be used. Sweden's Riksbank became the first central bank to exit negative interest rates, the rates having been negative since 2014.

The Conservatives won their largest majority since 1987 under Margaret Thatcher, which should allow for easy passage of the Brexit withdrawal agreement, with the UK set to leave the EU by the end of January. Focus will then move to EU trade negotiations, which currently have a 31 December 2020 deadline. This deadline is unlikely to be met, however, as the EU/Canada trade negotiations took eight years to complete. His 80-seat majority should give Prime Minister Boris Johnson ample room to seek transition-period extension.

Japan announced a stimulus package amounting to 26 tn yen (\$239 bn), including 13.2 tn yen in fiscal measures to boost real growth, of which 9.4 tn yen is new spending.

The CBRT cut rates by 200 bps at its 12 December meeting. The Bank of Russia cut its key rate by 25 basis points as inflation slowed. India's budget deficit is expected to be at 7% in 2020 to boost growth.

China PMI data surprised on the upside. The official CFLP manufacturing PMI rose from 49.3 to 50.2 in November, taking the economy into expansionary territory for the first time in seven months. In December, the index continued to expand steadily, at 50.2.

The CNH fell below the 7 mark as President Donald Trump signed off on a phase-one trade deal with China, averting the 15 December introduction of US tariffs on \$156 billion of consumer goods.

### RISK PROFILE



### TIME HORIZON



The terms also cut existing tariffs by 50% on \$360 bn worth of Chinese imports in exchange for a boost in purchases of US farm products and enhanced protection of intellectual property rights. The deal is expected to be signed on 15 January. China started 2020 with a 50-basis-point reserve-rate requirement cut, which further buoyed markets. China's budget deficit is expected to stay at a high of 6.5% in 2020.

### FUND PERFORMANCE

The Sygnia Itrix SWIX 40 ETF delivered 4.1% for the quarter, in line with its benchmark, the FTSE/JSE Shareholder Weighted Top 40 Index. The Fund benefitted from exposure to Impala Platinum Holdings, Sibanye Gold and Sasol, while its exposure to MTN Group, Prosus and Standard Bank Group detracted from performance.

There were several changes to the tracked index's constituents over the period, including the addition of Aspen Pharmacare Holdings and the removal of Exxaro Resources.

The Fund remains true to its investment objective of delivering returns that mirror those of the FTSE/JSE Shareholder Weighted Top 40 Index.

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# IMPORTANT INFORMATION TO CONSIDER BEFORE INVESTING

## INVESTMENT APPROACH

The Sygnia Itrix SWIX 40 ETF is a high risk, passively managed index tracking fund, registered as a Collective Investments Scheme, and is listed on the Johannesburg Stock Exchange as an Exchange Traded Fund. The objective of this portfolio is to provide simple access to investors who wish to track the movements of the FTSE/JSE SWIX 40 Index through investing in the physical index securities. The FTSE/JSE SWIX 40 Index consists of the largest 40 companies, listed on the JSE, ranked and weighted by market capitalisation on the South African register. The investment policy of the portfolio is to track the Index as closely as practically and feasibly possible by buying securities included in the Index at similar weighting as they are included in the Index. Whenever the Index gets rebalanced, the Portfolio will purchase the newly included constituent securities and will sell the constituent securities which were excluded from the Index.

## BALANCING RISK AND REWARD

The Fund has a 100% strategic allocation to South African equities. The structure of the Fund is dictated by the composition of the FTSE/JSE SWIX 40 Index. It is a suitable investment for investors seeking higher returns, those who are willing to tolerate higher volatility and investors who aim to maximise capital accumulation over a longer-term time horizon. For changes in the index constituents, please refer to the published SENS. Performance data can be sourced from Bloomberg, Reuters, other data providers and at [www.sygnia.co.za](http://www.sygnia.co.za).

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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 based on the NAV to NAV calculation of the portfolio. Individual investor performance may differ as a result of initial fees, the actual investment date and dividend withholding tax.

## 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. 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.

## 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 year. 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.

## 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.

## EXCHANGE TRADED FUNDS VS UNIT TRUSTS

Whilst both unit trusts and ETFs are regulated and registered under the Collective Investment Scheme Control Act, ETFs 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 ETF 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 ETFs 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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