Sygnia Skeleton Balanced 70 Fund

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

30 June 2024

LOW MANAGEMENT FEES AT 0.40%

LOW	LOW MEDIUM	MEDIUM	**MEDIUM HIGH**	HIGH

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

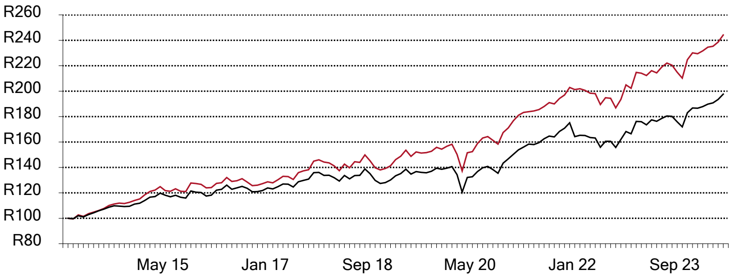
Portfolio Managers	**Iain Anderson, Kyle Hulett**
Regulation 28	**Compliant**
Fund launch date	**2 July 2013**
Class Launch Date	**10 October 2013**
Fund Size	**R 6 793.0 Million**
Unit Price	**176.95**
Units in Issue	**3,816,869,732.00**

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 2023 - 3.29 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: R244.18
Benchmark: R197.66



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

Asset Allocation

Asset Class	*Percentage*
Domestic Equities	37.8%
Cash	6.8%
Domestic Property	0.9%
Domestic Bonds	10.8%
Domestic Income	3.7%
Domestic Money Market	0.5%
International Equities	23.9%
International Fixed Interest	2.7%
International Property	1.3%
International Cash	11.6%

Performance Analysis

Periodic Performance	*Fund*	**BM*	*Difference*
1 Month	2.3%	2.2%	0.2%
3 Months	4.1%	4.1%	-0.1%
6 Months	6.1%	5.8%	0.3%
Year to Date	6.1%	5.8%	0.3%
1 Year	11.5%	10.7%	0.8%
****3 Years**	9.6%	7.4%	2.2%
****5 Years**	9.9%	7.6%	2.3%
****Since Inception**	8.7%	6.6%	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	78.4%
BlackRock Investment Management	8.9%
Other	12.8%

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%							6.1%

Risk Statistics

	Fund	*BM*
% Negative Months	36.7%	38.3%
Avg Negative Return	-1.8%	-1.9%
Maximum Drawdown	-13.3%	-14.3%
Standard Deviation	10.1%	10.2%
Downside Deviation	7.1%	8.5%
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% (Jun 2024)
Transaction Costs (TC)	0.08% (Jun 2024)
Total Investment Charge (TIC)	0.55% (Jun 2024)

*** Fees are exclusive of VAT*

Sygnia

Sygnia Skeleton Balanced 70 Fund

Fund commentary

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Class A
South African - Multi-Asset - High Equity

2nd 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

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 FNIB 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.

Fund performance

The Sygnia Skeleton Balanced 70 Fund returned 4.1% for the quarter, in line with the performance of its strategic benchmark, which returned 4.1%.

Following the South African elections in May, the rand strengthened to below R18 against the USD and ended the quarter 3.6% stronger. Over the past year, the rand has appreciated by 3.3% against the USD as global investors view the newly formed government of national unity in South Africa favourably.

The stronger rand also bolstered domestic equity markets, with the FTSE/JSE Capped SWIX Index rising by 8.2% for the quarter, outperforming the MSCI All Country World Index, which declined by 0.8%. Global bond performance, as measured by the Barclays Capital Global Aggregate Bond Index, was negative, down 6% for the quarter as expectations for US interest rate cuts were deferred.

Domestic bonds had a robust quarter, with the JSE All-Bond Index up 7.5% as international investors began cautiously returning to the South African market. Over the past year, domestic bonds have returned 13.7%, outperforming local equities, which have risen 10.0%. 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.

Disclaimer

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.

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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).