

Sygnia Skeleton Balanced 70 Fund

Class A

South African - Multi-Asset - High Equity

31 December 2022

Portfolio Managers	Iain Anderson, Kyle Hulett
Regulation 28	Compliant
Fund launch date	2 July 2013
Class Launch Date	10 October 2013
Fund Size	R 4 605 Million
Unit Price	154.69
Units in Issue	2 950 825 857

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 Apr 2022 - 2.14 cents per unit
Payment: 1 Oct 2022 - 3.16 cents per unit

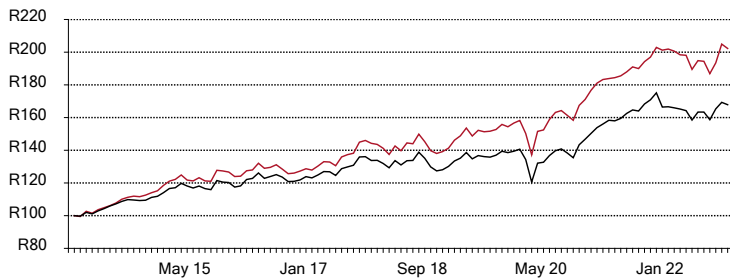
Trustees

Standard Bank Trustees (021 441 4100)

Cumulative Investment Performance

Growth of R100 invested on 31 October 2013

Investment: R202.27
Benchmark: R167.87



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

Performance Analysis

Periodic Performance	Fund	*BM	Difference
1 Month	-1.3%	-0.9%	-0.4%
3 Months	8.2%	5.8%	2.5%
6 Months	6.8%	5.9%	0.8%
Year to Date	-0.3%	-4.1%	3.8%
1 Year	-0.3%	-4.1%	3.8%
**3 Years	8.9%	6.4%	2.5%
**5 Years	7.0%	4.7%	2.3%
**Since Inception	8.0%	5.8%	2.2%

Performance as calculated by Sygnia Asset Management as at reporting date

*Median of South African - Multi-Asset - High Equity Category

**Annualised performance figures

Historical Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2018	-0.5%	-1.7%	-2.7%	3.8%	-2.0%	3.4%	-0.4%	4.1%	-3.1%	-3.8%	-1.2%	0.8%	-3.5%
2019	1.5%	3.4%	1.8%	3.2%	-3.2%	2.3%	-0.6%	0.2%	0.7%	2.0%	-0.9%	1.5%	12.5%
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%

Risk Statistics

	Fund	BM
% Negative Months	40.0%	38.3%
Avg Negative Return	-2.1%	-2.2%
Maximum Drawdown	-13.3%	-14.3%
Standard Deviation	10.4%	9.9%
Downside Deviation	6.9%	7.8%
Highest Annual Return: Apr 2020 - Mar 2021	33.6%	29.4%
Lowest Annual Return: Apr 2019 - Mar 2020	-7.8%	-10.8%

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

Asset Allocation

Asset Class	Percentage	Allocation
Domestic Equities	45.0%	<div style="width: 45%;"></div>
Domestic Bonds	15.0%	<div style="width: 15%;"></div>
Domestic Income	6.1%	<div style="width: 6.1%;"></div>
Domestic Money Market	5.3%	<div style="width: 5.3%;"></div>
International Equities	27.3%	<div style="width: 27.3%;"></div>
International Property	0.5%	<div style="width: 0.5%;"></div>
International Cash	0.7%	<div style="width: 0.7%;"></div>

Manager Allocation

Manager	Percentage
Sygnia Asset Management	82.1%
Standard Bank	4.3%
Other	13.7%

Fees

Initial Fee	0.00%
Management Fee	0.35% per annum (excluding VAT)
Performance Fee	N/A
Other costs	0.02%
VAT	0.05%
Total Expense Ratio (TER)	0.42% (Dec 2022)
Transaction Costs (TC)	0.09% (Dec 2022)
Total Investment Charge (TIC)	0.51% (Dec 2022)

Sygnia Skeleton Balanced 70 Fund

Fund Commentary

Class A
South African - Multi-Asset - High Equity

4th Quarter 2022

Market Performance

The soaring dollar played havoc with financial markets for the first nine months of 2022. The Fed's aggressive rate hike enhanced the dollar's attractiveness but pushed other asset classes down. Stocks and bonds fell, resulting in additional dollar demand as currency hedges were unwound. Consequently, the surging dollar added to the volatility in the market. October's US CPI print was the largest downward inflation surprise since the start of the pandemic. Our well-founded cautious optimism has positioned us favourably to use the bounce to trim risk.

UK Chancellor of the Exchequer Jeremy Hunt's Autumn Statement was cautious and markedly different from his predecessor's approach – the GBP55 bn plan includes GBP30 bn in spending cuts and GBP25 bn in tax increases.

Despite Russian gas exports to Europe having fallen 82% YoY, EU gas inventories are now close to record highs as a result of demand reduction and a switch to liquid natural gas.

In the US midterm elections, Republicans took control of the House of Representatives and Democrats retained control of the Senate, creating a split Congress. Fortunately for markets, evidence from the post-World War II period suggests that equities favour a gridlock in US leadership, with US stocks tending to outperform their global peers in the third year of a first-term US president.

A short-lived rout in Chinese stocks on the back of Xi's consolidation of power at the 20th Congress of the Chinese Communist Party (CCP) in October was dramatically reversed. A wild rebound in the first week of November saw Hong Kong's Hang Seng Index post its best gain since 2011.

Change did not come soon enough, though, and social unrest in late November revealed the extent of citizen dissatisfaction with draconian lockdown rules. Markets responded with a bit of a sell-off, and focus turned to whether Xi would respond to the root cause of the unrest or the unrest itself. China's 2023 social-hosting diary is a busy one and includes the Asian Games, the World University Games and the Chinese Grand Prix, which significantly added to expectations for the CCP to transition to some sort of "living with Covid" approach.

In the property sector, the CCP delineated 16 measures to address issues ranging from developers' liquidity to easing down-payment requirements for homebuyers. A pre-sale funding scheme for homebuyers was also launched, whereby local governments were instructed to set up rescue funds to deliver stalled projects. Given that advanced sales accounted for about half of developer funding before the housing crash, the policy is well-targeted. The CCP set up a central rescue fund through policy banks (currently worth about ¥200 bn, with an ¥800 bn target). Finally, property companies will also be able to tap cash in escrow accounts from homes still in the building process, which is set to substantially boost liquidity in the sector. A soft landing for the sector is expected.

The South African government has unveiled its spending plan for the partially secured \$8.5 bn climate-finance package offered by wealthy nations.

The investment plan delineates how an estimated 90% of secured funds will be spent to decommission coal-fired power plants and develop renewable-energy generation. The remaining 10% is set to be allocated to green hydrogen and electric vehicle industries. While \$8.5 bn is an encouraging sum, President Cyril Ramaphosa's message was that the package is not sufficient to meet the scale of his government's ambitions going forward.

South Africa's unemployment rate fell to 32.9% but is still among the highest in the world. SARB Deputy Governor Rashad Cassim proposed that the economy needs to expand systematically at 5% for many years to create enough jobs to solve this problem. However, the SA economy has only grown at an average rate of about 1% for the past decade.

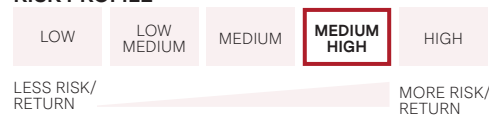
We believe a significant amount of variance in portfolio returns over the next business cycle will be explainable by dollar dynamics. According to research from JPMorgan, the dollar is at its most overvalued level since the Bretton Woods break-up of the 1970s. Over the medium term, deglobalisation and geopolitical competition may cause global players to intensify their search for a greenback alternative. Considering the dollar from within an economic growth framework, a mild US recession/soft landing should see a weaker dollar; by contrast, a deep recession is likely to spark further strength.

In this context, the mild recession alternative with dollar weakness seems a more likely outcome. We also expect China's reopening to improve currency market dynamics from both the demand and supply side, adding another layer to medium-term USD weakness.

Although we have not forecast a recession in 2023, rapidly tightening financial conditions will slow growth in 2023 and remain tight, constraining economic growth and creating a headwind for risk assets. More volatility is expected. From a pure economic theory perspective, the unprecedented distortions in US money is likely to sever the all-important ties between the nominal and real economy. This underpins our conviction that global economies have entered a low-growth environment, where beta and alpha should be chased conservatively via themes that drive the world economy's return to fundamental health.

Against this backdrop, three pivotal forces have underpinned the reoptimisation of our strategic asset allocation framework: higher yields, a weaker dollar and lower SA growth. The combination of these factors offers a unique opportunity to decrease the risk-return ratio across our product range, and our optimisation process has resulted in an asset mix with the greatest probability of robust returns across a wide-ranging set of hypotheses. A key attribute of our findings is a subtle but well-founded increase in offshore equity investments, where select alternative investments have been found to offer superior risk-adjusted return prospects in our conservative hunt for alpha. Similarly, various likely scenarios show that global bonds and global cash do not offer the low-risk, uncorrelated return distributions (on a risk-adjusted basis) that they are often advertised to do, and we have trimmed exposure to these assets accordingly. We believe a select set of thoroughly researched alternative investments positions us well to hunt alpha in a low-growth world.

RISK PROFILE



TIME HORIZON



Fund Performance

The Sygnia Skeleton Balanced 70 Fund returned 8.2% for the quarter, comfortably outperforming its strategic benchmark, which returned 5.8%. Global markets recovered some of their losses from earlier in the year, but volatility remained high throughout the last quarter of the year.

The rand strengthened by 5.3% against the US dollar over the quarter, detracting from the positive global equity return in rand terms but still ending the year with a 3.9% return for the MSCI All Country World Index (ZAR).

On the domestic front, South African equities returned an impressive 12.2% for the quarter. Domestic bonds showed a strong recovery, with a return of 5.7% for the quarter and 4.4% for the year, while quarterly and yearly cash returns as reflected by the STeFI Index were 1.6% and 5.2%, respectively.

The fund is currently overweight domestic bonds and domestic income and slightly underweight domestic equities. The fund's positioning is in line with its investment objective of maximising long-term returns, with some focus on managing the risk of short-term capital losses while maintaining a high level of overall risk.

Disclaimer

Sygnia Collective Investments RF (Pty) Ltd is incorporated and registered under the law of South Africa and is registered under the Collective Investment Schemes Control Act, 2002 (Act No 45 of 2002). The company does not provide any guarantee with respect to the capital or return of the portfolio. Nothing in this document will be considered to state or imply that the collective investment scheme or portfolio is suitable for a particular type of investor.

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

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 permissible deductions from the portfolio, divided by the number of units in issue. Forward pricing is used and fund valuations take place at approximately 15:00 each business day. Purchases and redemption requests must be received by the manager 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 (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).

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