Sygnia All Bond Index Fund

Minimum Disclosure Document (MDD)
Class A
South African - Interest Bearing - Variable Term

31 March 2024

LOW MANAGEMENT FEES AT 0.40%

LOW	**LOW MEDIUM**	MEDIUM	MEDIUM HIGH	HIGH

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

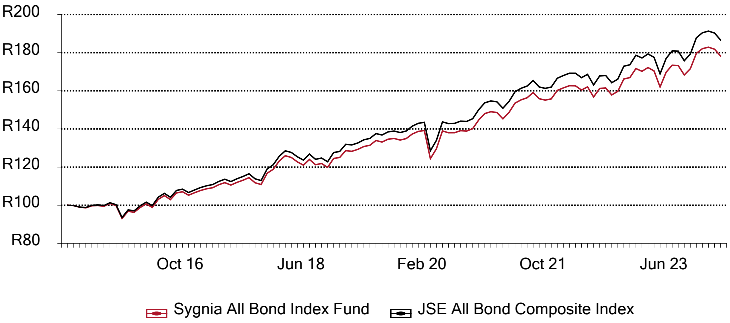
Portfolio Managers	**Steven Empedocles, Anrich de Jager**
Regulation 28	**Non-Compliant**
Fund launch date	**10 February 2015**
Class Launch Date	**31 March 2015**
Fund Size	**R 1 268 Million**
Unit Price	**82.86**
Units in Issue	**685 601 250**

Investment Objective	**The Fund aims to deliver performance in line with the returns of the JSE All Bond Composite**
Income Distribution	**Bi-annually (September and March)** **Payment: 1 Apr 2023 - 4.13 cents per unit** **Payment: 1 Oct 2023 - 4.04 cents per unit**
Trustees	**Standard Bank Trustees (021 441 4100)**

Cumulative Investment Performance

Growth of R100 invested on 31 March 2015

Investment: R178.28
Benchmark: R186.66



Maturity Profile

Maturity Band	*Percentage*	*Allocation*
1-3 Years	17.9%	
3-7 Years	19.6%	
7-12 Years	21.7%	
> 12 Years	40.7%	

Performance Analysis

Periodic Performance	*Fund*	**BM*	*Difference*
1 Month	-2.0%	-1.9%	0.0%
3 Months	-2.1%	-2.0%	-0.1%
6 Months	5.9%	6.2%	-0.3%
Year to Date	-2.1%	-2.0%	-0.1%
1 Year	3.5%	4.1%	-0.6%
****3 Years**	7.1%	7.3%	-0.3%
****5 Years**	6.6%	7.1%	-0.4%
****Since Inception**	6.6%	7.2%	-0.5%
****Gross Current Yield**	10.7%		

Performance as calculated by Sygnia Asset Management as at reporting date
**JSE All Bond Composite*
***Annualised performance figures*
****These are approximate yields which may differ from actual monthly distributions*

Modified Duration

Maturity Band	*Modified Duration*
1-3 Years	2.2
3-7 Years	4.6
7-12 Years	6.0
> 12 Years	7.3
Overall	5.5

Historical Performance

	Jan	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*	*Year*
2020	1.0%	0.3%	-10.6%	4.2%	7.2%	-0.7%	0.0%	0.8%	-0.2%	0.9%	3.2%	2.3%	7.8%
2021	0.7%	-0.3%	-2.2%	2.3%	3.3%	1.1%	0.7%	1.8%	-2.1%	-0.5%	0.4%	2.9%	8.2%
2022	0.8%	0.7%	0.0%	-1.4%	1.0%	-3.3%	2.9%	0.2%	-2.3%	1.2%	4.1%	0.4%	4.2%
2023	2.8%	-0.8%	1.2%	-1.0%	-4.9%	4.8%	2.2%	-0.1%	-2.8%	1.9%	4.7%	1.4%	9.1%
2024	0.4%	-0.6%	-2.0%										-2.1%

Risk Statistics

	Fund	*BM*
% Negative Months	33.3%	33.3%
Avg Negative Return	-1.8%	-1.8%
Maximum Drawdown	-10.6%	-10.4%
Standard Deviation	8.8%	8.8%
Downside Deviation	8.4%	8.3%
Highest Annual Return: Apr 2020 - Mar 2021	16.8%	17.4%
Lowest Annual Return: Apr 2019 - Mar 2020	-3.8%	-3.1%

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

Fees

Advisory Fee	None
Initial Fee	0.00% **
Management Fee	0.36% **
Performance Fee	N/A
Other costs	0.02% **
VAT	0.06%
Total Expense Ratio (TER)	0.43% (Mar 2024)
Transaction Costs (TC)	0.03% (Mar 2024)
Total Investment Charge (TIC)	0.46% (Mar 2024)

Sygnia All Bond Index Fund

Fund commentary

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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 All Bond Index Fund tracked the performance of the JSE All Bond Composite Index (ALBI) during the first quarter, in line with its investment objective, and delivered a return of -2.1%.

The modified duration of the fund was slightly lower at 5.5 years, matching the modified duration of the ALBI.

TN30 (Transnet) was removed from the index during the quarter, while TN25 (Transnet) was added. The short 1–3-year bucket delivered the best return over the three months, with only the R186 delivering positive returns at 0.8%.

In the US, 10-year treasury yields were back above 4.2% at the end of March, with markets pricing fewer rate cuts later in the year as economic data kept coming in stronger than expected, including core personal consumer expenditure, which printed at 2.9% year-on-year for February 2024.

Domestically, inflation's recent upward trend continued, with headline consumer price index (CPI) printing at 5.6% for February, while core CPI came in at 5%, compared to January's 4.6%. Unsurprisingly, the SARB Monetary Policy Committee kept the repo rate unchanged at 8.25% at its March meeting. The SA money market continues to discount fewer rate cuts in 2024 than the US Fed.

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

A member of the Association for Savings & Investment SA

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Sygnia

Important information to consider before investing

Investment Objective & Strategy

The investment objective of the Sygnia All Bond Index Fund is to achieve a return which will equate to the annual return of the portfolio benchmark which is the index. The South African interest rate bearing fund is passively managed and the portfolio is constructed to match constituents of the index as closely as possible and deliver returns in line with its benchmark, the FTSE/JSE All Bond Composite Index (ALBI). Derivatives are allowed for efficient portfolio management.

Balancing Risk and Reward

The Sygnia All Bond Index Fund targets an overall 100% allocation to a broad selection of South African bonds and has a low to medium risk profile. It is a suitable investment for investors who are risk averse and seek exposure to less volatile assets. The Fund is also suitable for investors seeking an investment vehicle focused equally on capital growth and income generation. Given the specialist nature of the Fund, it should be used as part of a broadly-diversified investment strategy.

The recommended investment term for investors in the Sygnia All Bond Index Fund is a minimum of three years. The Fund has a 100% strategic allocation to South African bonds. The structure of the Fund is dictated by the composition of the JSE All Bond Composite Index. The Fund may be exposed to certain risks such as credit risk, where an issuer of a non-equity security may not be able to make interest payments or repay the capital, impacting the value of the Fund, as well as 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 in the fund. However, The structure of the Fund is dictated by the composition of the JSE All Bond Composite Index and there are regulations in place which limit the amount a unit trust may be exposed to each Issuer thereby spreading the risk across 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. Performance data for the index is available from the JSE and is also available through many daily financial publications and websites. 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.

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 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).

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