

SYGNIA INTERNATIONAL FLEXIBLE FOFS

CLASS B
GLOBAL - MULTI-ASSET - FLEXIBLE

31 AUGUST 2018

PORTFOLIO MANAGERS **IAIN ANDERSON, RIAN BRAND**
REGULATION 28 **NON-COMPLIANT**
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CLASS LAUNCH DATE **15 MAY 2014**
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FUND OBJECTIVE

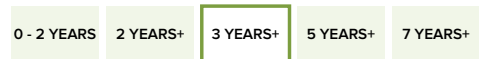
INCOME DISTRIBUTION

TRUSTEES

RISK PROFILE



TIME HORIZON



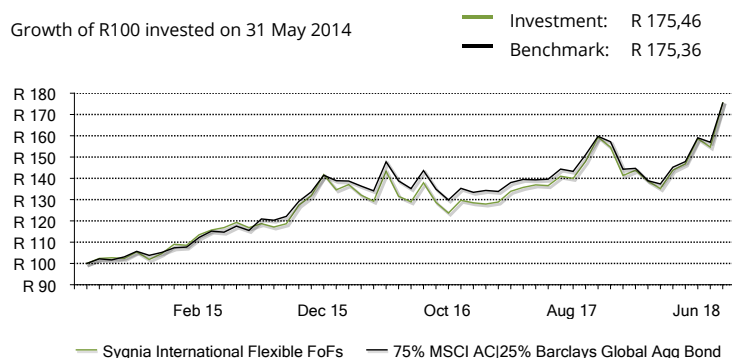
MAXIMISATION OF LONG-TERM RETURNS WITH LIMITED FOCUS ON MANAGING THE RISK OF SHORT-TERM CAPITAL LOSS

**BI-ANNUALLY (SEPTEMBER AND MARCH)
PAYMENT: NONE TO DATE**

STANDARD BANK TRUSTEES (021 441 4100)

CUMULATIVE INVESTMENT PERFORMANCE

Growth of R100 invested on 31 May 2014



PERFORMANCE ANALYSIS

PERIODIC PERFORMANCE	FUND	*BM	DIFFERENCE
1 Month	13.4%	11.7%	1.7%
3 Months	19.6%	18.6%	0.9%
6 Months	26.5%	26.3%	0.2%
Year to Date	24.2%	21.5%	2.6%
1 Year	25.4%	22.4%	3.0%
**3 Years	14.4%	13.4%	1.0%
**Since Inception	14.1%	14.1%	0.0%

*75% MSCI All Country World Index | 25% Barclays Global Agg Bond Index

**Annualised performance figures

HISTORICAL PERFORMANCE

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2014						2.4%	0.3%	-0.3%	3.0%	-3.4%	2.7%	4.2%	9.0%
2015	-0.4%	4.5%	2.0%	1.0%	2.1%	-2.1%	1.6%	-1.3%	1.3%	7.3%	3.5%	7.5%	30.0%
2016	-5.0%	1.8%	-3.6%	-2.1%	10.8%	-8.2%	-2.0%	6.9%	-6.7%	-3.9%	4.9%	-0.9%	-9.4%
2017	-0.4%	0.7%	3.9%	1.4%	0.9%	-0.3%	3.2%	-0.7%	5.7%	7.7%	-3.0%	-8.6%	10.0%
2018	1.7%	-3.5%	-2.6%	6.4%	2.0%	8.1%	-2.5%	13.4%					24.2%

RISK STATISTICS

	FUND	BM
% Negative Months	41.2%	43.1%
Avg Negative Return	-2.9%	-2.2%
Maximum Drawdown	-15.2%	-14.0%
Standard Deviation	15.7%	13.5%
Downside Deviation	8.5%	7.5%
Highest Annual Return: Jan 2015 - Dec 2015	30.0%	31.8%
Lowest Annual Return: Jan 2016 - Dec 2016	-9.4%	-5.7%

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

GEOGRAPHIC ALLOCATION AS AT 30 JUNE 2018

REGION	PERCENTAGE	ALLOCATION
North America	62.3%	
Europe (incl UK)	16.7%	
Developed Asia Pacific	9.8%	
Emerging Markets	9.6%	
Cash	1.7%	

ASSET ALLOCATION

ASSET CLASS	PERCENTAGE
International Equities	79.1%
Int Property	3.1%
Cash	17.8%

FEES

Initial Fees:	0.00%
Management Fees:	0.80% per annum (excluding VAT)
Performance Fees:	10% of outperformance of the BM
Total Expense Ratio (TER):	1.13% (June 2018)
Transaction Costs (TC):	0.10% (June 2018)
Total Investment Charge (TIC):	1.23% (June 2018)

SYGNIA INTERNATIONAL FLEXIBLE FOFS FUND COMMENTARY

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2ND QUARTER 2018

MARKET PERFORMANCE

Market sentiment in the second quarter of 2018 was largely driven by the erratic behaviour of US President Donald Trump, starting with his withdrawal from the nuclear treaty with Iran and followed by the imposition of further sanctions against Russia, an aggressive stance at the G7 meeting and all-consuming tit-for-tat trade battles with China and other allies. The US Federal Reserve added to the toxic investment environment by raising interest rates and signalling two more increases in 2018 and three in 2019, while the ECB indicated that it would wind down its €30 billion-a-month bond-buying program by December as inflation rose to meet the ECB's 2% target in June. This translated into a massive sell-off of emerging markets. A number of countries, such as India, Turkey, Indonesia and Argentina, increased interest rates to protect their currencies. The stock market oscillated between optimistic belief that Trump was merely posturing to a growing fear that he is single-handedly disturbing the world order and destroying the prospects of synchronised global growth. Other geopolitical tensions added to the noise. The historic summit between the US and North Korea yielded little. In Europe, Italy's new coalition government confirmed that although it had no intention of leaving the euro, it wanted a revision of budgetary constraints. And in Turkey, Recep Tayyip Erdogan was re-elected president, leading to concerns that he would exert more control over the country's monetary policy.

South Africa and other emerging markets reeled from a sharp sell-off with currencies near multi-year lows. The countries most at risk are those with large US dollar-denominated debt levels, such as Argentina, Turkey and Brazil. Adding to the problem is that lack of liquidity in the bond markets places additional pressure on the currencies, which can be used quickly to hedge against a broader deterioration by selling them short.

Unfortunately, stability is not on the horizon as Trump continues his quest to get China to reduce its US\$375 billion trade deficit with the US by US\$200 billion. Trump ordered the identification of US\$200 billion in Chinese imports for additional tariffs of 10%, with yet another US\$200 billion in the offing if Beijing retaliates. While the US\$50 billion in tariffs announced in April were mainly on industrial goods, the new move is broader. It was followed by an announcement that the US plans to halt Chinese investment in US technology. China promised to retaliate. It could do so by imposing higher tariffs, making life harder for US companies such as Ford, General Motors and Apple, which generate significant revenues in China, or simply by devaluing its currency and negating the effect of Trump's tariffs on the economy. The latter move risks triggering capital outflows, however. In the meantime, China's central bank cut the amount of reserves the country's banks are required to keep on deposit, freeing up more than US\$100 billion to help cushion the impact.

The US followed through on its decision to impose tariffs on steel and aluminium imports

from the EU, Canada and Mexico. The EU, in turn, proposed levies worth US\$3.3 billion on US exports. Trump responded with a threat of 20% to 25% tariffs on European car imports. The last couple of days of the quarter brought some market stability as Trump seemingly softened his stance on China's technology-investment restrictions in the face of growing political and business backlash. At the same time, softer US GDP growth of an annualised 2% in the first quarter calmed concerns about a hawkish US Fed. And finally, the EU Summit migration agreement reduced the political risk of Germany's coalition government collapsing.

On the economic front, according to the IMF the US remained on course for 2.9% GDP growth this year and 2.7% in 2019, thanks to US\$1.5 trillion in tax cuts and US\$300 billion in federal spending increases. However, the IMF also warned that growth is likely to drop to 1.9% in 2020 and 1.7% in 2021 based on the US's unsustainable rising public debt load and the shift towards greater protectionism. US inflation came in slightly higher than expected at 2.8% in May, on the back of higher petrol prices. It is the highest number since February 2012. The unemployment rate fell to an 18-year low of 3.8%.

China's economy expanded at a faster-than-expected 6.8% in the first quarter, though flagging exports and factory output may prove a drag in the coming months. The eurozone economy entered 2018 on a high, having recorded its fastest expansion in a decade during 2017, as it outpaced the US for the second straight year. However, the economic indicators for the first three months of 2018 recorded a sharp slowdown, which continued into the second quarter. The eurozone's GDP grew by an annualised 1.7% in the first quarter, down from 2.7% in the fourth quarter of last year. Despite this, most economists still expect the year as a whole to register growth close to last year's 2.4%, with unemployment of 8.5% at its lowest level since December 2008 and consumer inflation in June at 2% year-on-year. Core inflation, which excludes volatile items such as energy and food, fell to 1% in June from 1.1% in May.

The ECB announced it will end its government bond purchases in December 2019 but extended the life of negative interest rates past the summer of 2019. The central bank has bought €2.4 trillion of bonds over three years. The ECB lowered its forecasts for 2018 GDP growth to 2.1% but raised its inflation projections for this year and next to 1.7%. In South Africa, the rand came within a hair's breadth of the R14/US\$ level, while yields on benchmark 10-year government bonds spiked above 9% for the first time since December 2017. The rand has lost about 17% against the US dollar in the current quarter alone, as foreign investors sold R34.7 billion worth of South African bonds between January and June, the highest sell-off on record. Last year, the first six months of the year recorded an inflow of R45.7 billion.

In another shock, the economy shrank by 2.2% in the first quarter of 2018 compared with the final quarter of last year, with the agricultural sector plunging by 24.2%. This is the largest quarterly

RISK PROFILE



TIME HORIZON



fall since the second quarter of 2009. The IMF forecasts growth of 1.5% in 2018 and 1.7% in 2019. And the current account deficit widened more than expected, to 4.8% of GDP, from 2.9% in the previous quarter and 2% the year before. Consumer inflation fell to 4.4% in May despite a 1% VAT rate hike in April, mainly due to lower food prices. The Reserve Bank kept interest rates on hold at 6.5%, citing upside risks to the inflation outlook from US dollar strength and the surge in oil prices. The sell-off in emerging markets comes at a time when South Africa is desperately trying to attract foreign investment. President Cyril Ramaphosa led a delegation to the G7 Summit in Canada, South Africa's first invitation in seven years.

On a positive note, the new version of the Mining Charter recognised the key principle of "once empowered, always empowered", although ownership targets have been raised from 26% to 30%. Ramaphosa also gave an indication of what land redistribution would look like at the Drakensberg Inclusive Growth Forum. Measures proposed included giving arable land and agricultural support to emerging black farmers, providing labour tenants with security of tenure, housing poor families in well-located urban areas and ensuring that communal land is used for the benefit of communities. The quarter ended with the FTSE/JSE SWIX Index up 2.7%, the JSE All Bond Index down 1.2% and the rand 8.1% weaker relative to the US dollar.

FUND PERFORMANCE

The Sygnia International Flexible Fund of Funds returned 17.4% for the quarter, outperforming its benchmark, which returned 15.8%. The Fund benefitted from an overweight position in US equities and strong performances from two of the Fund's active global equity managers. An off-benchmark position in European equities detracted from performance. During the quarter we continued to downweight our emerging market equities position. The Fund remains true to its mandate of delivering strong, long-term, real returns with a focus on longer-term capital preservation.

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.

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

A member of the Association for Savings & Investment SA

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

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

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

Sygnia 

IMPORTANT INFORMATION TO CONSIDER BEFORE INVESTING

INVESTMENT APPROACH

The Sygnia International Flexible Fund of Funds is a high equity offshore fund that seeks to outperform its benchmark on a regular basis. The Fund operates on a fund of funds basis and has exposure to both foreign equities and foreign fixed interest assets through a number of underlying funds managed by a range of different managers selected by Sygnia. The Fund has a composite benchmark of 75% MSCI All Country World Index and 25% Barclays Capital Aggregate Bond Index. The fund uses tactical asset allocation to reduce risk and enhance returns.

BALANCING RISK AND REWARD

The Sygnia International Flexible Fund of Funds has a strategic allocation to global equities of 75% and 100% exposure to the volatility of the rand. As a result, it has a medium to high risk profile. It is a suitable investment for investors seeking currency diversification and higher returns who are willing to tolerate higher volatility and aim to maximise capital accumulation over a longer-term time horizon.

The recommended investment term for investors in the Sygnia International Flexible Fund of Funds is a minimum of five years. The Fund has a high risk profile as it is fully invested in global equities. The risk is managed by spreading investments across geographical regions and well diversified indices. This ensures diversification of sources of returns over market cycles. Tactical allocation is used to take advantage of changing market dynamics in an efficient and cost-effective manner and as a risk management tool in volatile markets. The Fund invests in underlying unit trusts which predominantly invest in equities. 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 other unit trusts portfolios, 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.

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 fund of funds is a portfolio that invests in portfolios of collective investment schemes that levy their own charges, which could result in a higher fee structure for the fund of funds. Performance-based fees are calculated in terms of the supplemental deed fee for certain of the underlying portfolios. This performance fee will be paid to the underlying investment manager only when the underlying portfolio performance exceeds that of its benchmark. The performance fee of the Fund of Funds, if any, shall be calculated and accrued daily and payable monthly. The performance fee is based on a sharing rate of 10% on the outperformance of the benchmark, where the portfolio has been in existence for more than 365 days. Where the portfolio has been in existence for less than 365 days, this percentage will be pro-rated based on the number of days since inception.

A schedule of fees and charges is available on request from Sygnia. Permissible deductions may include management fees, brokerage, STT, 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 RATION (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.

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.

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. The exception takes place at month end, when valuations are performed at 17:00. 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.

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.

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, 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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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 T +27 10 595 0550

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

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