

Sygnia Skeleton International Equity

FoFs

Class A
Global - Equity - General

28 February 2021

Portfolio Managers **Monique Davidson*; Kyle Hulett**
Regulation 28 **Non-Compliant**
Fund Launch Date **15 October 2015**
Class Launch Date **27 November 2015**
Fund Size **R 933 Million**
Unit Price **181.19**
Units in Issue **437,267,024**
*Under supervision

Investment Objective

Income Distribution

Trustees

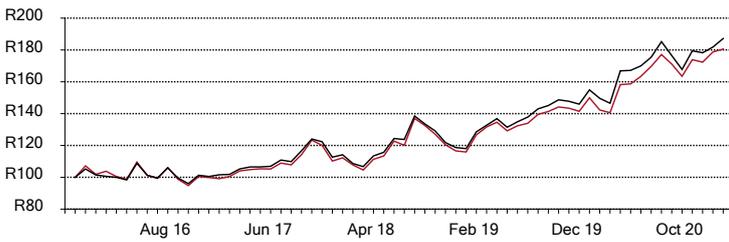


The fund targets an annual return in excess of the total return of the MSCI All Country World Index Bi-annually (September and March)
Payment: 1 Oct 2020 - 1.02 Cents per Unit
Payment: 1 Apr 2020 - 0.81 Cents per Unit
Standard Bank Trustees (021 441 4100)

Cumulative Investment Performance

Growth of R100 invested on 30 November 2015

Investment: R180.58
Benchmark: R187.19



■ Sygnia Skeleton International Equity FoFs ■ MSCI All Country World Index

Geographic Allocation as at 31 December 2020

Region	Percentage	Allocation
North America	50.3%	
Europe (incl UK)	19.6%	
Emerging Markets	18.7%	
Developed Asia Pacific	10.8%	
Cash	0.6%	

Performance Analysis

Periodic Performance	Fund	*BM	Difference
1 Month	1.0%	3.0%	-1.9%
3 Months	3.9%	4.3%	-0.5%
6 Months	1.9%	1.1%	0.9%
Year to Date	4.8%	5.0%	-0.2%
1 Year	26.9%	25.1%	1.8%
**3 Years	18.8%	19.9%	-1.1%
5 Years	11.7%	13.2%	-1.5%
**Since Inception	11.9%	12.7%	-0.8%

Performance as calculated by Sygnia Asset Management as at reporting date
*MSCI All Country World Index (ZAR)
**Annualised performance figures

Sector Allocation as at 31 December 2020

Sector	Percentage
Information Technology	19.7%
Health Care	13.7%
Consumer Discretionary	13.0%
Financials	12.1%
Industrials	9.4%
Utilities	8.1%
Consumer Staples	6.4%
Telecommunication Services	6.2%
Materials	5.1%
Other	6.3%

Historical Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2016	-5.0%	1.9%	-3.2%	-1.8%	11.0%	-7.6%	-1.9%	6.8%	-6.9%	-4.0%	6.0%	-0.6%	-6.8%
2017	-0.8%	1.4%	3.5%	0.8%	0.5%	-0.1%	3.5%	-1.0%	5.9%	8.0%	-2.7%	-8.2%	10.3%
2018	1.8%	-4.0%	-3.0%	6.4%	1.9%	8.2%	-2.1%	14.1%	-3.2%	-4.1%	-5.2%	-3.2%	5.8%
2019	-0.6%	9.3%	3.9%	2.3%	-4.0%	2.5%	1.2%	4.2%	1.3%	2.0%	-0.5%	-1.4%	21.3%
2020	6.0%	-5.1%	-1.2%	12.5%	0.3%	3.0%	3.8%	4.4%	-3.4%	-4.5%	6.4%	-0.9%	21.8%
2021	3.7%	1.0%											4.8%

Risk Statistics

	Fund	BM
% Negative Months	46.7%	43.3%
Avg Negative Return	-3.0%	-2.9%
Maximum Drawdown	-15.4%	-14.8%
Standard Deviation	16.9%	16.0%
Downside Deviation	7.6%	7.5%
Highest Annual Return: Nov 2016 - Oct 2017	30.1%	29.2%
Lowest Annual Return: Jun 2016 - May 2017	-3.9%	-2.1%

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	0.57% per annum (excluding VAT)
Performance Fee	0.00%
Other costs	-0.19%
VAT	0.06%
Total Expense Ratio (TER)	0.44% (Dec 2020)
Transaction Costs (TC)	0.06% (Dec 2020)
Total Investment Charge (TIC)	0.50% (Dec 2020)

Fees are inclusive of VAT

Sygnia Skeleton International Equity Fund

Fund Commentary

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4th Quarter 2020



Market Performance

While many are hailing 2020 as one of the worst years in history, the year actually ended on more than one positive note, starting with the markets. The Rand/dollar ended the year at 14.69. Gold was the best performer up 31% in Rands, followed by emerging markets which rose 24%. Locally the SWIX rose 3%, led by resources which were up 21% inversely mirroring the financial index which fell 20%. The All-Bond Index returned 8.7%, well above cash at 5.4%. Property remained the loser falling by 34%.

Markets were buoyed in December mostly on great vaccine news. The biggest vaccination programme in history kicked off with more than 15.9 million doses in 37 countries administered by the end of the first week of 2021 (Bloomberg, 7th Jan).

AstraZeneca's vaccine has the largest number of pre-purchase agreements in place - enough to cover 1.46 billion people. The Pfizer-BioNTech vaccine has been approved in North America, Europe and the Middle East. China approved Sinopharm's vaccine and is aiming to vaccinate 50 million people by early February. There has been a bit of a bunfight over who gets what. More affluent countries such as Canada have bought enough vaccines to vaccinate every Canadian four times, while poorer countries will rely on securing vaccines through Covax, a consortium backed by the World Health Organization to ensure equitable vaccine distribution.

After lengthy (seemingly endless) negotiations, a Brexit deal was finally concluded on Christmas Eve. Outcomes include a visa requirement for UK nationals wanting to stay in the EU for more than 90 days in a 180-day period, as well as customs and regulatory checks for goods. The UK government has escaped the jurisdiction of the Court of Justice of the European Union, while retaining tariff-free access to the EU. The deal requires constant dialogue with the EU and agreement on issues such as government subsidies, in a similar position to Switzerland.

The UK is also already in talks with the US, Australia and New Zealand - all countries that do not currently have free trade agreements with the EU.

Although the Brexit deal and the fact that the UK was the first country to approve and distribute a Covid-19 vaccine both herald good news, this was tempered by a third national lockdown to contain a surge in Covid-19 cases.

Tesla replaced a Real Estate Investment Trust in the S&P500 - a clear symbol of tech replacing bricks and mortar. In other news, the US Federal Trade commission has filed an antitrust lawsuit against Facebook.

The Fed vowed to keep its monthly bond purchases around at least \$120 billion until it sees "substantial economic progress" and signalled interest rates will hold near zero at least through 2023.

Powell indicated that the pace of buying could even increase if the economy deteriorates. However, the Blue Wave could impact this liquidity. Democrats won control of the Senate following the Georgia run-off elections, delivering a 'blue wave' for the Democrats in both houses of Congress and the White House for the first time in 10 years.

This makes it far easier for the Biden administration to pass legislation to promote climate change and health care reform. ESG and Healthcare stocks are likely to benefit at the expense of tech stocks. Fiscal policy is

now more likely to be used which places less pressure on monetary policy and this could result in US interest rates rising earlier than expected.

Saudi Arabia has boosted the oil price. The kingdom will unilaterally cut one million barrels a day for February and March, offsetting the increases coming from Russia and Kazakhstan as part of the OPEC+ deal. WTI (West Texas Intermediate) crude oil breached \$50 for the first time since February.

Locally, SA's third quarter GDP beat expectations, falling only 6% year-on-year. Mboweni's call to cut public wages was backed by the Labour Court, putting a significant amount of R38 billion firmly back in government coffers and strengthening South Africa's financial position incrementally. While it may be a drop in the ocean relative to the country's debt, every little bit helps and it signals a step in the right direction, which should reassure foreign investors.

South Africa has been slow to make a deal through the Covax initiative. Health Minister Zweli Mkhize announced that South Africa will pay R20.6 billion to inoculate two thirds of the population by year end. The majority of the doses will come from AstraZeneca at R54 per dose. However, the Serum Institute of India stepped in to allocate 1.5 million doses of the AstraZeneca vaccine to South Africa with one million doses scheduled for delivery in January and the remaining 500 000 doses to be delivered in February. Healthcare workers will be prioritised for the initial vaccine rollout.

The last decade has been fraught with event risks including the Great Financial Crisis, Grexit, Chinese shadow debt defaults, US/China trade wars, Brexit and, most recently, Covid-19. The world muddled through the various events by lowering interest rates and using creative monetary policy. Covid-19 changed that, forcing conservative governments to engage in what turned out to be the largest fiscal support in two decades.

2021 will see the impacts of the fiscal spend, alongside a continuation of \$4 trillion in quantitative easing, as the global economy recovers strongly on the back of vaccine rollouts. At the same time global trade is likely to rise due to a more collaborative US foreign policy and falling trade costs because of low oil prices and low US interest rates. All of which creates a fantastic mix for Emerging Markets. Already China's industrial output in November grew at the fastest pace in 20 months, rising 7% YoY. In addition, there is ample cash sitting on the side-lines waiting for risk to settle.

Unfortunately, the world has survived the last decade by taking on more and more debt with global debt-to-GDP ratios at record highs. This high level of global gearing or leverage intensifies any risk events that may occur and reinforces the current secular stagnation or low growth environment. While the strong fiscal and monetary support and earnings rebound over 2021 should help the world push through any small event risks, we could end up paying the price beyond 2021 for simply kicking the can down the road.

President Cyril Ramaphosa must balance reducing infection rates and boosting public safety with trying to bolster a failing economy and supporting businesses that have already taken huge knocks last year. Lockdown measures are likely to resemble a roller coaster ride in the year ahead. Buckle up until the vaccine is fully deployed.

Fund Performance

The Sygnia Skeleton International Equity Fund of Funds returned 0.7% for the quarter, underperforming the MSCI All Country World Index, which returned 1.0%. The final quarter of 2020 started with markets sharply lower leading up to the American elections in early November, but markets began a rally that lasted through to the end of one of the most volatile years in memory once it became certain there was a clear winner in President-elect Joe Biden. While 2020 is widely regarded as a terrible year, it actually ended with a number of positives. Gold was the best performer, up 31% in rands, followed by emerging markets, which rose 24%. The S&P 500 and the MSCI World Index both returned 22% for the year in rand terms.

The positive news flow around vaccine development and subsequent rollout has been offset by the reintroduction of lockdowns around the world as the second wave of the virus hits hard. Fiscal response by governments around the world has kept markets buoyant while the US creeps ever closer to a transition of power away from the chaotic Trump regime to a government under full Democrat control. This "blue wave" may have a negative impact on liquidity, but we are confident that global trade can rise as a result of a more collaborative US foreign policy and falling trade costs caused by a lower oil price and low US interest rates.

The fund remains well positioned to manage the risk around these events and remains true to its investment objective of targeting an annual return in excess of the total return of the MSCI All Country World Index.

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 objective of this Sygnia Skeleton International Equity Fund of Funds is to target an annual return in excess of the total return of the MSCI All Country World Index, with a similar risk profile. This is a high equity offshore fund that seeks to outperform its benchmark (MSCI All Country World Index) on a regular basis through tactical asset allocation to reduce risk and enhance returns. The fund operates on a fund of funds basis and has exposure to foreign equities through underlying passively managed funds selected by Sygnia. Derivatives are allowed for efficient portfolio management.

Balancing Risk and Reward

The Sygnia Skeleton International Equity Fund of Funds is a suitable investment for investors seeking offshore exposure, but who do not wish to make use of their offshore allowance or whose offshore allowance has already been fully utilised. The Fund is also suitable as a part-investment for strategies compliant with Regulation 28 of the Pension Funds Act 1956, as amended.

The recommended investment term for investors in the Sygnia Skeleton International Equity 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. 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.

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.

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 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.

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. 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 (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).

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, 2196 T +27 10 595 0550

DURBAN: Office 2, 2nd Floor Ridgeview, 1 Nokwe Avenue, Ridgeside, Umhlanga Ridge, 4319 T +27 31 001 0650

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

SYGNIA COLLECTIVE INVESTMENTS RF (PTY) LTD
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