

Sygnia 4th Industrial Revolution Global Equity Fund

Minimum Disclosure Document (MDD)

Class A

Global - Equity - General

31 May 2023

Portfolio Manager
Regulation 28
Fund Launch Date
Class Launch Date
Fund Size
Unit Price
Units in Issue

Iain Anderson; Wessel Brand
Non-Compliant
22 September 2016
19 October 2016
R 3 095 Million
252.30
932 468 352

Investment Objective

Income Distribution

Trustees

The Fund aims to provide investors access to new technology and innovation stocks and deliver long-term capital growth

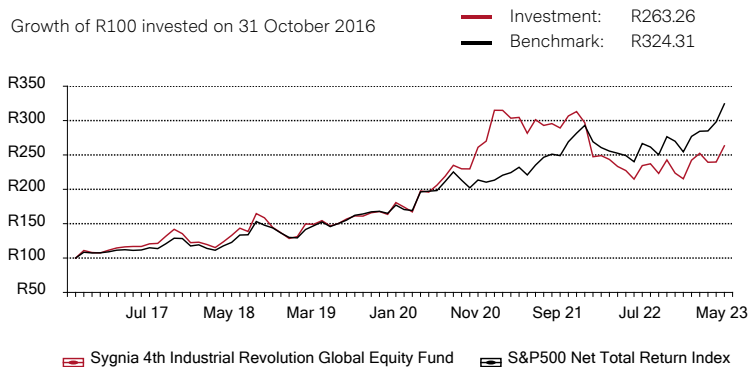
Bi-annually (September and March)

No distributions for the last 12 months

Standard Bank Trustees (021 441 4100)

Cumulative Investment Performance

Growth of R100 invested on 31 October 2016



Performance Analysis

Periodic Performance	Fund	*BM	Difference
1 Month	9.8%	8.8%	1.0%
3 Months	4.3%	14.0%	-9.7%
6 Months	17.8%	20.2%	-2.4%
Year to Date	22.3%	27.4%	-5.1%
1 Year	15.8%	30.2%	-14.4%
**3 Years	10.4%	18.0%	-7.7%
**5 Years	14.6%	21.4%	-6.8%
**Since Inception	15.8%	19.6%	-3.7%

Performance as calculated by Sygnia Asset Management as at reporting date

*S&P 500 Net Total Return Index

**Annualised performance figures

Historical Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2018	0.6%	-2.8%	-3.7%	7.3%	7.5%	7.9%	-3.4%	18.8%	-3.7%	-8.8%	-5.4%	-6.1%	5.0%
2019	2.1%	14.0%	-0.4%	3.6%	-5.0%	2.4%	4.4%	2.8%	-0.1%	3.0%	1.1%	-2.5%	27.3%
2020	10.5%	-3.6%	-4.0%	18.3%	-0.9%	5.2%	6.3%	7.3%	-2.2%	0.0%	13.7%	3.5%	65.2%
2021	16.6%	0.0%	-3.6%	0.4%	-7.6%	7.0%	-2.8%	0.9%	-2.1%	6.0%	2.1%	-5.2%	9.9%
2022	-16.7%	0.7%	-2.2%	-4.2%	-2.6%	-5.5%	9.1%	1.1%	-5.9%	8.8%	-7.9%	-3.7%	-27.5%
2023	12.6%	4.1%	-5.1%	0.1%	9.8%								22.3%

Risk Statistics

	Fund	BM
% Negative Months	48.3%	40.0%
Avg Negative Return	-4.2%	-3.3%
Maximum Drawdown	-31.8%	-18.0%
Standard Deviation	24.5%	18.3%
Downside Deviation	11.6%	6.7%
Highest Annual Return: Apr 2020 - Mar 2021	81.6%	32.6%
Lowest Annual Return: Jul 2021 - Jun 2022	-28.7%	2.1%

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
International Equities	100.0%	

Top 10 Holdings

Asset	Percentage
Oxford Sciences Innovations PLC (GBP)	2.6%
Braker Ord Shs	1.5%
Teledyne Technologies Ord Shs	1.5%
Meta Platforms Ord Shs Class A	0.8%
Lockheed Martin Ord Shs	0.8%
Liquidia Ord Shs	0.8%
PTC Ord Shs	0.8%
Boeing Ord Shs	0.8%
Elbit Systems Ord Shs	0.7%
NVIDIA Ord Shs	0.7%

Fees

Initial Fee	0.00% **
Management Fee	0.70% **
Performance Fee*	1.00% **
Other costs	0.01% **
VAT	0.26%
Total Expense Ratio (TER)	1.96% (Mar 2023)
Transaction Costs (TC)	0.09% (Mar 2023)
Total Investment Charge (TIC)	2.06% (Mar 2023)

** Fees are exclusive of VAT

*Please note, the performance fee is 20% of outperformance of the S&P500 Net Total Return Index benchmark with a cap of 2.30%.

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Fund Commentary

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1st Quarter 2023

Market Performance

March got off to a difficult start as a higher-than-expected US Core Personal Consumption Expenditures Index sent markets lower. Things were significantly complicated by the back-to-back failures of Silicon Valley Bank (SVB) and Signature Bank. US two-year Treasury yields incurred their steepest drop since the early 1980s, from above 5% to below 4%, causing the dollar to plummet. Only days later Credit Suisse, Switzerland's second-largest bank and a 167-year-old institution, became a takeover target after two years of scandals, leadership changes and legal issues drove its shares from above CHF12 to below CHF1. Swiss National Bank (SNB) offered a CHF54bn support package to Credit Suisse, and UBS agreed to acquire the troubled Swiss lender for USD3.2bn soon after. These events can be compared to other isolated pockets of tension over the last six months, including the plunge in crypto assets after the failure of cryptocurrency exchange FTX.com and the UK's Liability Driven Investment (LDI) pension fund turmoil, which sent the pound into a tailspin. These are all symptoms of the Covid zero-interest-rate regime, and more pockets of fragility and imbalance exist. However, we do not believe that they will lead to another global financial crisis, particularly as central banks have learned many lessons from the Great Financial Crisis (GFC) of 2008. The Federal Reserve rolled out emergency measures in the aftermath of SVB's closure, including a backstop to all depositors. First Citizens BancShares eventually agreed to acquire SVB in the US, while in the UK, HSBC stepped in to rescue SVBUK.

First Republic Bank was looking like it might join the failed regional banks, but the US' biggest banks deposited USD30bn to tide it over. "This show of support by a group of large banks is most welcome and demonstrates the resilience of the banking system," said US Treasury Secretary Janet Yellen. Implicit in the US leadership's set of responses to the banking upheaval is the notion that the large legacy banks are the stronghold of public guarantees, with Yellen clarifying that Treasury's goal is not to provide "blanket insurance" to all bank deposits. The safety harnesses that regulators put around the systemically important financial institution (SIFI) banks after the GFC will go a long way toward preventing systemic threat, with capital levels for the SIFI banks far stronger than during the 2008 crisis. While every bank has been squeezed by the swiftness and magnitude of the Fed's rate hikes over the last 12 months, the new Bank Term Funding Program has eased liquidity pressures and allowed the Fed to raise rates for the ninth consecutive time, by 25 bps in March. This has brought the federal funds rate to its highest range (4.75% to 5%) since September 2007, when rates were at their peak on the eve of the GFC. The US consumer was traditionally something of a last resort to keep the world afloat during slowdowns, with US consumption the largest in the world in dollar terms, but prior to Covid China had overtaken the US as the world's largest consumer (as measured by dollar retail sales). Stringent Chinese lockdowns caused Chinese consumption to slow, contrasting with the US, where huge monetary support pushed consumption above trend. As US interest rates rise and Chinese consumption recovers, China may become home to the largest consumer base in the world again.

If we skip the banking contagion this time round (compared to the GFC) and the Fed still slows down rate hikes because of the banking risk, dollar depreciation is likely and rest-of-world equities should outperform those of the US. This is strengthened in light of China's reopening (still under way) and Europe's resilience in the face of their energy crisis. We are not out of the woods yet, but the "Fed Put" is back, even though the Fed hiked rates by 25 bps. Assets held on the Fed's balance sheet by all Fed banks increased by USD392bn between 8 and

22 March, unwinding 69% of the quantitative tightening since last April. US banks borrowed a combined USD164.8bn from two Fed backstop facilities over the course of a week, breaking a record set in the 2008 GFC. Central bankers have decided to use interest rates (which will increase, albeit slowly) to fight inflation and balance sheets, i.e. quantitative easing (QE), to provide financial stability. Looking forward, the Fed now sees rates lower by the end of 2024, at 4.25%, even with inflation above its 2% target. Higher inflation, higher rates and higher volatility match our forecasts and will lead to a weaker dollar, which is good for the rest of the world's liquidity, cost of capital and, hence, growth. At the same time, lower bank earnings in the US will press on US earnings, while tighter lending standards will constrain growth, meaning a US recession later in the year is still on the cards.

Outgoing Premier Li Keqiang presented a GDP growth target for China of 5% for this year, below consensus estimates of 5.3%, and the lowest target in over three decades as focus shifted to "prioritising economic stability". In addition to strong spending, the People's Bank of China cut the reserve rate requirement by a further 25 bps. Another key priority appears to be strengthening the Chinese military, with defence expenditure set to benefit from a 7.2% increase. Comments from both Chinese and US politicians underscore simmering tensions, especially over access to advanced technology. The Biden administration continues to restrict Chinese access to American technology, while China has attempted to shore up the private sector's role in technological innovation. The Chinese also came up with a 12-point plan for ending the Russia-Ukraine war, and Xi Jinping met with Vladimir Putin in Moscow. Kyiv had little opposition to such an idea, having sought leader-level talks with China since the invasion began. In addition, China brokered a peace deal between Saudi Arabia and Iran, noticeably leaving the US on the sidelines. The Saudis have expressed interest in joining the Shanghai Cooperation Organization, which would herald the end of the 1945 deal to sell oil exclusively in dollars.

President Cyril Ramaphosa finally announced anticipated changes to his cabinet, appointing Paul Mashatile as the new deputy president and Kgosietshe Ramokgopa as electricity minister. The latter's role "will be to significantly reduce the severity and frequency of load shedding as a matter of urgency". Headline GDP fell by 1.3% on a quarter-on-quarter seasonally adjusted basis in Q4 2022. ABSA estimates that load shedding shaved a full 1.7 pp from Q4 GDP. S&P Global's unexpected downgrading of SA's credit rating from positive to stable added to domestic woes, sounding a warning that SA's economic growth is under increased pressure from crippling power cuts. The IMF similarly downgraded 2023 growth to 0.1% on the back of power outages and weaker commodity prices. The SARB estimates that load shedding will shave 2% from GDP through 2023, and as the privately owned Kelvin coal power station continues to boast an 80% electricity availability factor, the private sector solution beckons. SARB governor Lesetja Kganyago warned against fiscal reliance on cyclic mining windfalls just as data pertaining to 2022 showed SA's first current account deficit in three years. The additional risk in South Africa and lower commodity prices are reflected in the rand, which has weakened significantly more than emerging market peers and developed market currencies. Not only has load shedding slowed growth, but the consequent additional costs pushed inflation higher than expected after rising to 7% YoY in February, forcing the SARB to raise rates another 0.5%. The rand recovered some of its relative losses on the news.

RISK PROFILE



TIME HORIZON



Fund Performance

The Sygnia 4th Industrial Revolution Global Equity Fund narrowly underperformed its broader market index, the S&P500 Net Total Return Index, in rand terms over the quarter. Overall, technology stocks delivered positive performance.

From a sector perspective, the fund benefitted from exposure to Distributed Ledger technology as well as Virtual Reality, while the Genetic Engineering and Nanotechnology sectors were the largest detractors. From an individual stock perspective, the fund benefitted from exposure to Meta Platforms Inc, C3.ai Inc and Embraer SA, while its exposure to Meta Materials Inc, Leidos Holdings Inc and View Inc detracted from performance.

The fund continues to hold companies at the forefront of technological development, and it is thus expected to yield the benefits of innovation over the long term.

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Important information to consider before investing

Investment Objective and Strategy

The Sygnia 4th Industrial Revolution Global Equity Fund is a Global-Equity-General portfolio which seeks to deliver long-term capital growth by investing in financially sound equity securities, preference shares which generate capital growth, property shares and property related assets in liquid form listed internationally. The fund offers investors access to global companies optimally positioned to benefit from new technologies and innovations that have the potential to transform the global economy. These global technologies include autonomous vehicles, clean tech, drones, 3D printing, robotics, nanotech, smart buildings, virtual reality, cybersecurity, space and wearables, among others. Derivatives are allowed for efficient portfolio management.

Balancing Risk and Reward

The fund has a high risk profile as it has a high strategic allocation to global equities, which combines both equity market and currency risk. Furthermore, the fund invests specifically in companies involved in new and emerging technologies. The payoff profile and the time horizon to profitability of these technologies are not certain. Risk is managed by spreading investments across a large number of companies operating in different industries. 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.

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 basic fees paid to underlying managers and Sygnia's annual service fee. Performance-based fees are calculated in terms of the supplemental deed fee for certain of our asset managers when they outperform the fund's stated benchmark. This performance fee will be paid by the fund to the underlying investment manager only when the fund's performance exceeds that of the benchmark. The performance fee, if any, shall be calculated and accrued daily, and payable monthly. The performance fee is based on a sharing ratio of 20% capped at 2.30% per annum, 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, auditors 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.

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.

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The fund may be closed to new investments at any time in order to be managed in accordance with its mandate. Sygnia Asset Management (Proprietary) Limited (FSP Registration No. 873), an authorised financial services provider, is the appointed investment manager of the Fund. 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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