

# Sygnia FAANG Plus Equity Fund

Minimum Disclosure Document (MDD)  
Class B (Tax Free Savings Account Only)  
Global - Equity - General

30 June 2023

Portfolio Manager **Iain Anderson, Kyle Hulett**  
Regulation 28 **Non-Compliant**  
Fund Launch Date **23 August 2018**  
Class Launch Date **31 August 2018**  
Fund Size **R 746 Million**  
Unit Price **254.68**  
Units in Issue **36 365 024**

Investment Objective

The Fund aims to provide investors access to top-performing, popular technology stocks and deliver long-term capital growth

Income Distribution

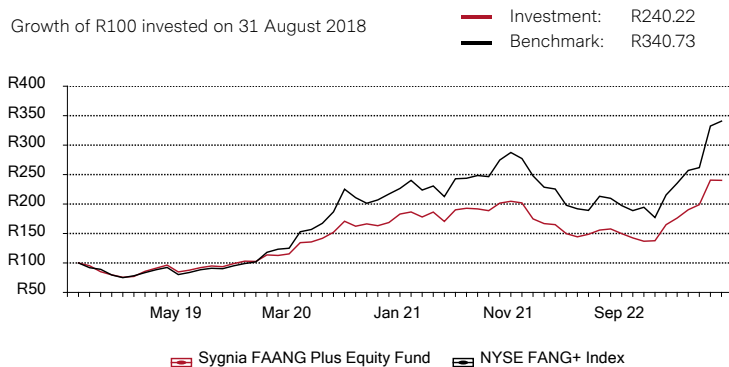
Bi-annually (September and March)  
Payment: None to date

Trustees

Standard Bank Trustees (021 441 4100)

## Cumulative Investment Performance

Growth of R100 invested on 31 August 2018



## Performance Analysis

Periodic Performance	Fund	*BM	Difference
1 Month	-0.1%	2.5%	-2.6%
3 Months	26.2%	32.6%	-6.3%
6 Months	74.4%	92.4%	-18.0%
Year to Date	74.4%	92.4%	-18.0%
1 Year	61.6%	80.1%	-18.5%
**3 Years	19.2%	26.8%	-7.5%
**Since Inception	19.9%	28.9%	-9.0%

Performance as calculated by Sygnia Asset Management as at reporting date

\*NYSE FANG+ Index (Rand)

\*\*Annualised performance figures

## Historical Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2018									-4.7%	-10.7%	-6.2%	-5.2%	-24.4%
2019	1.9%	11.3%	6.2%	5.7%	-12.0%	3.5%	4.9%	3.1%	-1.3%	5.6%	4.2%	-0.5%	35.6%
2020	10.8%	-0.8%	2.4%	16.5%	0.9%	4.5%	7.3%	12.3%	-4.9%	2.4%	-1.9%	3.3%	64.4%
2021	8.5%	1.9%	-4.6%	4.7%	-8.5%	11.5%	1.4%	-0.6%	-1.6%	6.8%	1.6%	-1.3%	19.8%
2022	-13.4%	-4.6%	-1.1%	-9.3%	-3.6%	3.0%	4.8%	1.2%	-5.0%	-4.9%	-4.0%	0.6%	-31.8%
2023	19.8%	6.9%	8.0%	4.6%	20.9%	-0.1%							74.4%

## Risk Statistics

	Fund	BM
% Negative Months	41.4%	37.9%
Avg Negative Return	-4.6%	-5.8%
Maximum Drawdown	-33.1%	-38.4%
Standard Deviation	24.6%	30.1%
Downside Deviation	13.1%	13.0%
Highest Annual Return: Sep 2019 - Aug 2020	80.1%	147.6%
Lowest Annual Return: Dec 2021 - Nov 2022	-33.1%	-32.3%

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

LOW	LOW MEDIUM	MEDIUM	MEDIUM HIGH	HIGH
LESS RISK/ RETURN				MORE RISK/ RETURN
0 - 2 YEARS	2 YEARS+	3 YEARS+	5 YEARS+	7 YEARS+

## Asset Allocation

Asset Class	Percentage	Allocation
International Equities	100.0%	

## Top 10 Holdings

Asset	Percentage
Amazon Com Ord Shs	11.9%
Alphabet Ord Shs Class A	11.1%
Microsoft Ord Shs	11.1%
Apple Ord Shs	10.2%
Meta Platforms Ord Shs Class A	9.9%
Netflix Ord Shs	7.2%
Snowflake Ord Shs Class A	6.0%
Alibaba Group Holding ADR Representing 8 Ord Shs	5.8%
International Business Machines Ord Shs	3.1%
Advanced Micro Devices Ord Shs	3.0%

The above percentages include effective exposure in underlying unit trusts.

## Fees

Initial Fee	0.00% **
Management Fee	0.79% **
Performance Fee	N/A
Other costs	0.02% **
VAT	0.12%
Total Expense Ratio (TER)	0.93% (Jun 2023)
Transaction Costs (TC)	0.03% (Jun 2023)
Total Investment Charge (TIC)	0.96% (Jun 2023)

\*\*Fees are exclusive of VAT

# Sygnia FAANG Plus Equity Fund

## Fund Commentary

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2nd Quarter 2023

### Market Performance

Markets performed well in June, buoyed by the raising of the US debt ceiling, falling energy prices and resilient economic growth – but this resilience will lead to higher inflation for longer and a longer pause in interest rate hikes by the Federal Reserve (the Fed). It is therefore important to focus on what global policymakers do, rather than on what they say. The Fed maintained a hawkish tone but did not raise rates in June. On the other side of the world, China's official policy of prioritising economic growth was reflected in yet another rate cut and further fiscal stimulus, causing the market to rally briefly.

However, the market is not yet convinced there is sufficient stimulus to promote robust reflation. While global energy prices have fallen, the current Ukrainian counteroffensive unfortunately aggravates geopolitical risk. If significant territorial shifts occur and Russia loses major ground, Russia may intensify its military pressure and further cut commodity exports. The Wagner group's push towards Moscow increases this risk. Meanwhile, risks between the US and China are "stabilising" but could escalate again as next year's US presidential elections draw nearer. Despite facing multiple legal troubles, former President Donald Trump continues to dominate the political landscape, enjoying a unique advantage in the Republican Party due to his strong personal following. It is thus likely that the Republican Party will stick with Trump until he is either exonerated or convicted. For now, Trump leads the pack for the Republican nomination, with DeSantis a distant second.

We are bullish on Japan and believe that Japanese equities offer attractive value. Like China, Japan is reopening from lockdowns later than other developed markets, suggesting there is still room for growth normalisation. The normalising inflation will boost real wages, asset values and pricing power, with economic surprises in Japan greater than in the G10. There are also a number of catalysts for rerating in Japanese equities. The Tokyo Stock Exchange has announced several reforms aimed at improving corporate governance and shareholder returns. Japanese companies are also taking action to improve shareholder returns, with a third of Japanese companies with stocks trading below book value announcing measures to narrow their discounts in the market. Japan is also benefitting from various government-led structural reforms aimed at making it a more attractive place to do business.

We remain overweight Emerging Markets. Global trade is not falling, it has simply moved South: Huawei phones are popular across Africa, and Chinese brands are displacing Peugeot and Ford in Latin America. Not only is trade shifting, it is moving away from dollar pricing: Saudi Arabia and China have set up a joint oil futures exchange, bypassing the New York Mercantile Exchange; Brazil and China have agreed to settle trade in their local currencies; India and Malaysia have signed an agreement to use the rupee in cross-border business; and even France, a US ally, is starting to use the yuan. China and France signed cooperation agreements on aviation, space research and nuclear power.

The great splintering of global trade is underway, and countries that can play both the US and China will benefit. India, Indonesia and Brazil are well-positioned to do so, as they can tap into the growth of the Global South while maintaining strategic independence from China.

In South Africa, the rand was aided by sorely needed good economic news last month. The economy grew more than expected in the first quarter of 2023 and the current account deficit improved more than expected, while manufacturing output rose by 3.4% on an annual basis in April. Inflation rose less than expected, to 6.3%. In addition, government is trying to backtrack on some of the mistakes of last month that saw the currency slip into freefall.

The International Monetary Fund (IMF) has warned that South Africa needs to reform its state-owned enterprises to achieve energy security, create jobs and reduce poverty and inequality. The IMF has also said that private investment is held back by low levels of competition, high labour costs, infrastructure deficiencies and an unfavourable business environment.

Parliament passed the "revolutionary" National Health Insurance (NHI) bill, paving the way for universal healthcare, but the South African Medical Association has rejected the NHI Bill in its current form. Chairperson Dr Mvuyisi Mzukwa said the "NHI Bill in its current form sets up the healthcare system for failure at the expense of further deterioration of the health and wellbeing of all who live in the country." Business Leadership South Africa CEO Busi Mavuso said the government is ignoring the successful public-private partnerships that developed during the Covid-19 pandemic. Mavuso pointed to the Affordable Care Act (Obamacare) in the US as a viable alternative to NHI. Trade union Solidarity is taking the fight to the constitutional court, so legal challenges may stall the process until the bill can be modified to become more workable and open to a blended funding method. The rand remains exceptionally cheap, but risk in South Africa remains exceptionally high, particularly as elections approach.

Equities are due for a correction, but a deep correction is not expected. The short-term outlook is dominated by two risks: China's policy support and the Fed's rhetoric on inflation. Further negative news on either of these fronts could be a catalyst for a pullback in equity markets. However, there are reasons to believe that should a US recession occur, it will be a shallow one. First, there are no major imbalances or debt build-ups in corporates or individuals. Second, high cash balances have put a floor under household wealth. Third, the US regional banking system remains contained. Fourth, inflation is continuing to fall. BCA estimate that with inflation below 4%, real earnings will turn positive and a US earnings rebound in 2H is likely.

And in China, small steps are already being made to increase policy support. Absent a major escalation in geopolitical risk, earnings should continue to grow this year, supporting equities. However, the lagged impacts of higher interest rates could take their toll next year.

### RISK PROFILE



### TIME HORIZON



### Fund Performance

The Sygnia FAANG Fund had another stellar quarter, returning more than 26% for the period, but underperformed its benchmark.

The fund's overweight position in Meta Platforms Inc contributed to its absolute performance. Overweight positions in Alibaba Group and Apple Inc and underweight positions in Nvidia Corp and Tesla Inc detracted from the fund's relative performance.

The artificial intelligence (AI) theme is likely to continue as a significant driver of growth for the majority of the fund's constituents. These companies are well-positioned to benefit from demand for AI-powered products and services as it becomes more widely adopted.

Looking ahead, the fund's performance is likely to remain volatile as investors continue to assess the impact of rising interest rates and geopolitical uncertainty on the global economy. However, the long-term outlook for the fund remains positive, as the underlying companies are well-positioned to benefit from the continued growth of the technology sector.

### 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 FAANG Plus Equity Fund is a Global-Equity-General portfolio which seeks to deliver long-term capital growth by investing in financially sound equity securities, and assets in liquid form. The primary objective of this fund is to provide a simple vehicle to investors who wish to gain investment exposure to the most popular and best performing technology stocks in the market where the business focus is on industry disrupting technologies such as cloud storage, big data, social media and e-commerce tools. FAANG is an acronym for five popular tech stocks, namely Facebook, Amazon, Apple, Netflix and Google (Alphabet). The fund is a high risk dynamically-managed fund and will at all times have a min 50% to these instruments. The benchmark of the fund is the NYSE® FANG+™ Index. 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 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, 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 published returns. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The TER and transaction costs cannot be determined accurately because of the short lifespan of the specific class of the Financial Product. Calculations are based on actual data where possible and best estimates where actual data is not available.

## 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](http://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](mailto:admin@sfs.sygnia.co.za) or 0860 794 642 (0860 SYGNIA).

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