

# Sygnia Skeleton Balanced 60 Fund

Minimum Disclosure Document (MDD)

## Class A

South African - Multi-Asset - Medium Equity

31 March 2023

## LOW MANAGEMENT FEES AT 0.40%



Portfolio Managers	Iain Anderson; Kyle Hulett
Regulation 28	Compliant
Fund launch date	15 January 2014
Class Launch Date	29 May 2014
Fund Size	R 1 580 Million
Unit Price	144.86
Units in Issue	1 088 086 750

### Investment Objective

The fund aims to maximise returns by investing in multiple asset classes while maintaining a medium level of risk

### Income Distribution

Bi-annually (September and March)  
Payment: 1 Apr 2022 - 2.17 cents per unit  
Payment: 1 Oct 2022 - 3.04 cents per unit

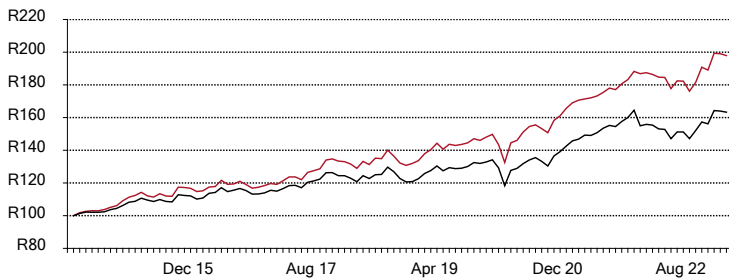
### Trustees

Standard Bank Trustees (021 441 4100)

### Cumulative Investment Performance

Growth of R100 invested on 31 May 2014

Investment: R197.94  
Benchmark: R163.30



■ Sygnia Skeleton Balanced 60 Fund ■ Median of South African - Multi-Asset - Medium Equity Category

### Asset Allocation

Asset Class	Percentage	Allocation
Domestic Equities	34.0%	<div style="width: 34%;"></div>
Domestic Bonds	19.3%	<div style="width: 19.3%;"></div>
Domestic Income	9.6%	<div style="width: 9.6%;"></div>
Domestic Money Market	8.7%	<div style="width: 8.7%;"></div>
International Equities	26.2%	<div style="width: 26.2%;"></div>
International Property	0.4%	<div style="width: 0.4%;"></div>
International Cash	1.8%	<div style="width: 1.8%;"></div>

### Performance Analysis

Periodic Performance	Fund	*BM	Difference
1 Month	-0.6%	-0.4%	-0.1%
3 Months	4.7%	4.6%	0.1%
6 Months	12.4%	11.0%	1.4%
Year to Date	4.7%	4.6%	0.1%
1 Year	6.2%	5.1%	1.1%
**3 Years	14.3%	11.3%	3.0%
**5 Years	9.0%	6.2%	2.7%
**Since Inception	8.0%	5.7%	2.3%

Performance as calculated by Sygnia Asset Management as at reporting date

\*Median of South African - Multi-Asset - Medium Equity Category

\*\*Annualised performance figures

### Manager Allocation

Manager	Percentage
Sygnia Asset Management	86.0%
Standard Bank	4.8%
Taquanta Asset Management	3.3%
Other	5.8%

### Historical Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	1.3%	3.2%	1.8%	2.8%	-2.5%	2.1%	-0.5%	0.4%	0.7%	1.7%	-0.7%	1.4%	12.2%
2020	1.1%	-4.2%	-7.6%	9.1%	1.0%	3.5%	2.2%	0.7%	-1.5%	-1.6%	5.0%	1.8%	8.8%
2021	2.8%	2.0%	1.0%	0.4%	0.4%	0.7%	1.2%	1.5%	-0.5%	2.0%	1.4%	2.7%	16.8%
2022	-0.7%	0.3%	-0.6%	-0.9%	-0.1%	-3.7%	2.6%	-0.1%	-3.4%	3.0%	5.1%	-0.9%	0.4%
2023	5.4%	-0.2%	-0.6%										4.7%

### Risk Statistics

	Fund	BM
% Negative Months	38.3%	36.7%
Avg Negative Return	-1.7%	-2.0%
Maximum Drawdown	-11.5%	-11.8%
Standard Deviation	9.1%	9.0%
Downside Deviation	6.2%	7.1%
Highest Annual Return: Apr 2020 - Mar 2021	28.7%	24.1%
Lowest Annual Return: Apr 2019 - Mar 2020	-5.6%	-7.2%

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	0.35% **
Performance Fee	N/A
Other costs	0.04% **
VAT	0.06%
Total Expense Ratio (TER)	0.45% (Mar 2023)
Transaction Costs (TC)	0.06% (Mar 2023)
Total Investment Charge (TIC)	0.51% (Mar 2023)

\*\* Fees are exclusive of VAT

# Sygnia Skeleton Balanced 60 Fund

## Fund Commentary

Minimum Disclosure Document (MDD)

### Class A

South African - Multi-Asset - Medium Equity

1st Quarter 2023

### RISK PROFILE



### TIME HORIZON



### 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 Kgosientsho 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.

### Fund Performance

The Sygnia Skeleton Balanced 60 Fund returned 4.7% for the quarter, while its strategic benchmark returned 4.6%. Both global and domestic markets started the year on a very strong note before giving up some gains on the back of the banking crisis precipitated by the collapse of Silicon Valley Bank.

The rand weakened by 4.3% against the US dollar over the quarter, which boosted rand returns. The MSCI All Country World Index showed double-digit positive returns for the quarter despite a difficult March, while global bonds as measured by the Barclays Capital Global Aggregate Bond Index returned 7.0%.

South African equities started the year strong but reversed in February and March; they nonetheless ended Q1 2023 on a positive note, with a return of 2.4%. Domestic bonds performed well despite the currency weakness, returning 3.4% for the quarter, while quarterly cash returns as reflected by the STeFI Index were 1.7%.

The fund currently has a small overweight position to domestic bonds and a small underweight position to international cash. The fund's positioning is in line with its investment objective of maximising long-term returns and maintaining some focus on managing the risk of short-term capital losses while maintaining a medium level of overall risk.

### 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 Objective and Strategy

The Sygnia Skeleton Balanced 60 Fund is a South African - Multi Asset Medium Equity portfolio and shall comprise of investments in multiple asset classes, which may also include international assets. The effective equity exposure (including foreign equities but excluding listed property shares) will always be below 60%. The Portfolio will not exceed a combined foreign and domestic equity exposure of 60% (excluding listed property). The Portfolio will not exceed listed property exposure of 25%. The Portfolio will not exceed a combined equity and property exposure of 85%.

### Balancing Risk and Reward

The Fund has an overall 60% allocation to South African and global equities and has a medium risk profile. It is a highly suitable vehicle for long-term retirement funds seeking medium risk strategies. It is also suited to individual investors seeking to maximise their long-term returns in a risk-controlled manner. The strategy complies with Regulation 28 of the Pension Funds Act, so is suitable for investors in retirement annuities, preservation, pension and provident funds.

The recommended investment term for investors in the Fund is a minimum of three to five years. The risk is managed by spreading investments across asset classes, which deliver uncorrelated returns over time. This ensures diversification of sources of returns over market cycles. Tactical asset allocation is used to take advantage of short-term mispricing opportunities in the market in an efficient and cost-effective manner and as a risk management tool in times of market downturns. 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. The Fund may also be exposed to credit risk where an issuer of a non-equity security may not be able to make interest payments or repay the capital. This will impact the value of the Fund. Regulations also limit the amount a unit trust may be exposed to each issuer, thereby spreading the risk across various 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. 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.

### 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 (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.

This document is for information purposes only and does not constitute or form any part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase, any particular investment. Whilst reasonable care was taken in ensuring that the information contained in this document is accurate, Sygnia accepts no liability in respect of any damages and/or loss (whether direct or consequential) or expense of any nature which may be suffered as a result of reliance, directly or indirectly, on the information in this document.

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).

**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](http://www.sygnia.co.za) | [info@sygnia.co.za](mailto:info@sygnia.co.za)

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

A member of the Association for Savings & Investments SA

Minimum Disclosure Document - Issue Date: 12 Apr 2023

