

# Sygnia Skeleton Balanced 60 Fund

Minimum Disclosure Document (MDD)

Class A

South African - Multi-Asset - Medium Equity

29 February 2024

Portfolio Managers	Iain Anderson; Kyle Hulett
Regulation 28	Compliant
Fund launch date	15 January 2014
Class Launch Date	29 May 2014
Fund Size	R 1 783.00 Million
Unit Price	151.86
Units in Issue	1,171,918,519.00

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 Oct 2023 - 3.35 cents per unit

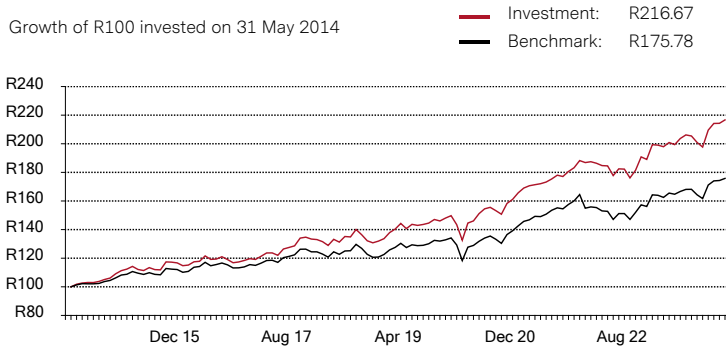
Payment: 1 Apr 2023 - 2.83 cents per unit

Trustees

Standard Bank Trustees (021 441 4100)

## Cumulative Investment Performance

Growth of R100 invested on 31 May 2014



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

## Performance Analysis

Periodic Performance	Fund	*BM	Difference
1 Month	1.1%	0.8%	0.3%
3 Months	3.4%	2.7%	0.7%
6 Months	5.5%	4.5%	0.9%
Year to Date	1.2%	1.0%	0.2%
1 Year	8.9%	7.2%	1.7%
**3 Years	8.6%	6.4%	2.2%
**5 Years	9.5%	6.9%	2.5%
**Since Inception	8.3%	6.0%	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

## Historical Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
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%	1.5%	-0.7%	2.1%	1.2%	-0.4%	-2.2%	-1.6%	6.0%	2.2%	13.3%
2024	0.0%	1.1%											1.2%

## Risk Statistics

	Fund	BM
% Negative Months	36.7%	35.0%
Avg Negative Return	-1.6%	-1.9%
Maximum Drawdown	-11.5%	-11.8%
Standard Deviation	8.9%	8.9%
Downside Deviation	6.2%	7.3%
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.

## Asset Allocation

Asset Class	Percentage	Allocation
Domestic Equities	28.3%	
Domestic Property	1.0%	
Domestic Bonds	17.8%	
Domestic Income	13.6%	
Domestic Money Market	2.4%	
International Equities	30.9%	
International Fixed Interest	3.0%	
International Cash	2.9%	

## Manager Allocation

Manager	Percentage
Sygnia Asset Management	74.5%
BlackRock Investment Management	10.2%
Standard Bank Ltd	6.5%
Other	8.8%

## Fees

Initial Fee	0.00% **
Management Fee	0.35% **
Performance Fee	N/A
Other costs	0.02% **
VAT	0.05%
Total Expense Ratio (TER)	0.42% (Dec 2023)
Transaction Costs (TC)	0.07% (Dec 2023)
Total Investment Charge (TIC)	0.49% (Dec 2023)

LOW MANAGEMENT FEES AT 0.40%



# Sygnia Skeleton Balanced 60 Fund

## Fund commentary

Minimum disclosure document (MDD)

Class A

South African - Multi-Asset - Medium Equity

4th Quarter 2023

### RISK PROFILE



### TIME HORIZON



### Market performance

At the December 2023 Federal Open Market Committee (FOMC) meeting, the US Federal Reserve (the Fed) cut its median interest expectation for 2024 by 50 bps, from 5.125% to 4.625%. This very dovish move was amplified by Fed Chair Jerome Powell's comments at the subsequent press conference. The shift in the Fed's reaction function reduces the risk of a recession and brought Christmas early to markets, effectively bringing some of 2024's gains forward into late 2023. The markets' jubilation reflects the potential for downside inflation surprises this year, and while bonds and stocks have gotten ahead of themselves in the short term, the underlying trend remains solid.

In the US, the procyclical fiscal policy tailwind is coming to an end, as is the period of excess pandemic savings, and higher interest rates will impact with a lag. However, a soft landing remains our base-case scenario, as financial conditions have eased in the wake of the dovish Fed and rising equity markets, business and consumer confidence indices are holding steady, US banks and household contagion risks are low and have healthy balance sheets, house price falls will be limited by low supply and unemployment has not yet been impacted by falling job openings. Importantly, disinflation is on track, with Shelter inflation set to drop dramatically, oil prices falling and productivity improving, lowering the unit labour costs and offsetting wage inflation. And because 2024 is an election year, pressure will be on the Fed to stay dovish – as a result, we remain overweight US.

President Xi Jinping rang in the new year declaring China's focus on "high-quality development", but while China's economic data are holding steady, a recovery is unlikely. Consumer and business confidence remain depressed after falling house prices, insufficient government fiscal thrust and a sharp fall in exports. In one of China's biggest-ever bankruptcies, shadow banking giant Zhongzhi Enterprise Group filed for bankruptcy as a result of the property crisis, putting more stress on already fragile consumer and investor sentiment. In addition, China released draft gaming regulations that sent Tencent – and consequently Naspers – plunging. Naspers closed 18% down on the day, but the share price recovered half its losses after authorities said they would listen to feedback from industry players, over 100 online games were approved and the head of publishing in the Communist Party's Publicity Department was removed. Unfortunately, the damage to investor confidence had already been done.

2023 saw the world's hottest 12 months on record, with the global near-surface temperature 1.4°C above average, its warmest in 174 years. Despite this, China connected the greatest number of new coal plants in history and US oil production hit the highest level of any country in history. Not surprising, then, that the 2023 UN Climate Change Conference (COP28) was a disappointment. Instead of explicitly phasing out fossil fuels, COP28 agreed to transition away from them. While this includes tripling renewable energy targets, Professor Michael Mann of the University of Pennsylvania described the conference's failure to phase out fossil fuels as

"devastating". The first comprehensive assessment of progress under the Paris Agreement highlighted that current efforts are not enough to limit global warming to 1.5oC, and governments are expected to revise their Nationally Determined Contributions upwards. We expect more volatile weather patterns to disrupt global trade.

As South Africa heads into elections this year, we still face a lack of service delivery. The Department of Water and Sanitation's Blue Drop Report for 2023 reported that 46% of the water supply system in South Africa is undrinkable. Dr Anthony Turton of the University of the Free State believes that 90% of the country's wastewater works are to some extent dysfunctional. Eskom's system status outlook for 2024 is dire, with a likely shortfall of over 2 001 MW every week. PetroSA wants to partner with Russia's Gazprombank in a R3.7bn deal to restart the gas-to-liquid refinery in Mossel Bay. The unusually strict criteria of the project bid saw the other 19 bidders disqualified, but Gazprombank is under US sanctions due to Russia's invasion of Ukraine. The government announced a new nuclear procurement process for 2 500 MW of power, claiming that the National Regulator of South Africa (NERSA) had approved the procurement process. However, none of the details requested by NERSA in September have yet been provided. The state attorney's office sent an inquiry to the Department of Home Affairs, asking why the visa backlog continues to grow and now sits at close to 100 000 applications.

Our outlook remains steady. The US economy will remain resilient despite the lagged effects of monetary tightening in 2024. Growth and inflation will slow, but the scope for interest rate cuts, improved productivity, global product disinflation and strong household and business balance sheets reduce the risk of recession. While the US remains expensive relative to history, we remain overweight US within global equity allocations and neutral global bonds. China needs a huge government fiscal campaign to revive growth – which is unlikely, as growth is stable despite being low. Absent a fix to the property sector, a strong revival of consumer and business confidence is unlikely. US rate-cut expectations have grown quickly, as has the belief in a soft landing. This leaves markets vulnerable to bad news in the short term, such as higher inflation numbers or rising oil prices caused by geopolitical risks. With weather volatility likely to increase and 2024 being a bumper year for national elections – nearly half the world's population will have the opportunity to vote for new leadership – there is no shortage of potential risks to precipitate short- or long-term stumbles in the market.

### Fund performance

The Sygnia Skeleton Balanced 60 Fund returned 6.6% for the quarter, while its strategic benchmark returned 6.2%.

Markets were buoyed by indications from the US Federal Reserve that they had begun to discuss the timing of interest rate cuts, sending markets higher, with global equities rising 8.5% in rand terms over the quarter and 33.4% for the year. As measured by the Barclays Capital Global Aggregate Bond Index, global bonds returned a modest 2.7% for the quarter as yields on ten-year US Treasury assets declined by over 100 bps.

While the domestic market enjoyed a year-end rally with the FTSE/JSE Capped SWIX All-Share Index up 8.2% for the quarter, South African assets were largely disconnected from the global exuberance, with the local market only returning 7.9% for the full year. Load shedding remains an issue, and the upcoming national election in 2024 has kept global investors on the sidelines. Domestic bonds returned 7.8% for the quarter and 9.4% for the calendar year. Cash returns for the quarter as reflected by the STeFI Index remained stable at 2.0%.

The fund's positioning is in line with its investment objective of maximising long-term returns, with 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.

## 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 deductions from the portfolio, divided by the number of units in issue. Forward pricing is used and fund valuations take place at approximately 17:00 each business day. Purchases and redemption requests must be received by Sygnia 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: 07 Mar 2024

