

# Sygnia Money Market Fund Unit Trust

Minimum Disclosure Document (MDD)

Class A

South African - Interest Bearing - Money Market

29 February 2024

Portfolio Managers	<b>Anrich de Jager; Chanté Burger</b>
Regulation 28	<b>Compliant</b>
Fund Launch Date	<b>29 July 2016</b>
Class Launch Date	<b>13 October 2016</b>
Fund Size	<b>R 1 818.00 Million</b>
Unit Price	<b>100.17</b>
Units in Issue	<b>1 174 074 697</b>

Investment Objective

The fund aims to maximise interest income, preserve capital and provide immediate liquidity

Income Distribution

Monthly

Payment: 1 Feb 2024 - 0.77 cents per unit

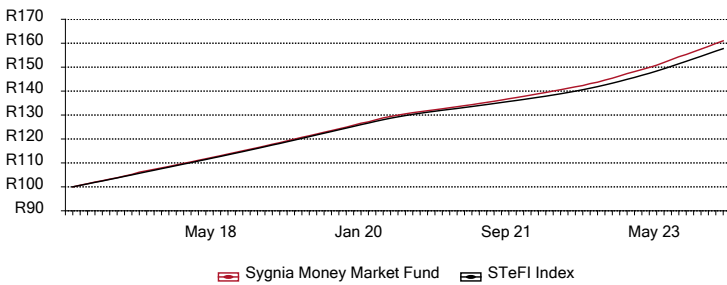
Payment: 1 Jan 2024 - 0.64 cents per unit

Trustees

Standard Bank Trustees (021 441 4100)

## Cumulative Investment Performance

Growth of R100 invested on 31 October 2016



## Performance Analysis

Periodic Performance	Fund	*BM	Difference
<b>1 Month</b>	0.7%	0.7%	0.0%
<b>3 Months</b>	2.2%	2.1%	0.1%
<b>6 Months</b>	4.3%	4.2%	0.1%
<b>Year to Date</b>	1.5%	1.4%	0.1%
<b>1 Year</b>	8.7%	8.3%	0.4%
<b>**3 Years</b>	6.5%	5.9%	0.5%
<b>5 Years</b>	6.3%	6.0%	0.4%
<b>**Since Inception</b>	6.7%	6.4%	0.3%
<b>***Gross Current Yield</b>	9.0%		

Performance as calculated by Sygnia Asset Management as at reporting date

\*STeFI Index\*

\*\*Annualised performance figures

\*\*\*These are approximate yields which may differ from actual monthly distributions

## Historical Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2019</b>	0.6%	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.7%	7.4%
<b>2020</b>	0.7%	0.5%	0.7%	0.6%	0.5%	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	5.5%
<b>2021</b>	0.3%	0.3%	0.3%	0.3%	0.4%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	4.3%
<b>2022</b>	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.6%	0.4%	0.6%	0.5%	0.7%	5.8%
<b>2023</b>	0.7%	0.6%	0.6%	0.6%	0.6%	0.8%	0.8%	0.8%	0.6%	0.7%	0.7%	0.7%	8.4%
<b>2024</b>	0.8%	0.7%											1.5%

## Risk Statistics

	Fund	Benchmark
<b>% Negative Months</b>	0.0%	0.0%
<b>Avg Negative Return</b>	0.0%	0.0%
<b>Maximum Drawdown</b>	0.0%	0.0%
<b>Standard Deviation</b>	0.5%	0.5%
<b>Downside Deviation</b>	0.0%	0.0%
<b>Highest Annual Return: Mar 2023 - Feb 2024</b>	8.7%	8.3%
<b>Lowest Annual Return: Aug 2020 - Jul 2021</b>	4.0%	3.9%

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

## ISSUER EXPOSURE

Issuer	Percentage	Allocation
<b>RSA National Treasury</b>	32.5%	
<b>Absa Bank Ltd</b>	15.6%	
<b>Nedbank Ltd</b>	15.2%	
<b>Investec Bank Ltd</b>	11.6%	
<b>Growthpoint Properties Ltd</b>	3.3%	
<b>Shoprite Holdings Ltd</b>	2.2%	
<b>Discovery Holdings Ltd</b>	2.0%	
<b>MTN Group Ltd</b>	2.0%	
<b>Pepkor Holdings ORD SHS</b>	2.0%	
<b>Other</b>	13.6%	

## Duration Exposure

Duration	Percentage
<b>0 to 1 month</b>	29.9%
<b>1 to 3 months</b>	21.0%
<b>3 to 6 months</b>	31.0%
<b>6 to 12 months</b>	18.2%

## Fees

<b>Initial Fee</b>	0.00% **
<b>Management Fee</b>	0.25% **
<b>Performance Fee</b>	N/A
<b>Other costs</b>	0.02% **
<b>VAT</b>	0.04%
<b>Total Expense Ratio (TER)</b>	0.31% (Dec 2023)
<b>Transaction Costs (TC)</b>	0.00% (Dec 2023)
<b>Total Investment Charge (TIC)</b>	0.31% (Dec 2023)

\*\*Fees are exclusive of VAT

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## Fund commentary

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4th Quarter 2023

### 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 1.5°C, 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.

### RISK PROFILE



### TIME HORIZON



### Fund performance

The Sygnia Money Market Fund returned 2.2% for the quarter, outperforming its benchmark, the Short-Term Fixed Interest Index.

No significant changes were made to the fund during the quarter, with the fund still positioned to maximise interest income, preserve capital and provide immediate liquidity.

The three-month Jibar floating reference rate ended the quarter higher at 8.4%, while long-dated treasury bills and negotiable certificates of deposit were lower, yielding 9.2% and 9.1% respectively (on a forward-looking basis).

Domestically, the repo rate remained unchanged, with market participants now focused on potential rate cuts next year. SA CPI came in at 5.5% for November, down from 5.9% for October. The rand finished the year stronger, around R18.30 to the dollar.

In the US, the Fed left the policy rate unchanged. Markets rallied on the back of more dovish rhetoric from the Federal Open Market Committee and data prints showing an improvement in inflation. The US 10-year bond yield rallied by 70 bps to end the year around 3.9%.

### 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 & Strategy

The Sygnia Money Market Fund is a money market portfolio that seeks to maximise interest income, preserve the portfolio's capital and provide immediate liquidity. This is low risk money market fund aims to offer investors access to a well-diversified money market portfolio, which shall consist of short-term, highly liquid money market instruments with a maturity of less than thirteen months. It may also invest in interest rate swaps. The fund will be managed with prudential guidelines.

### Balancing Risk and Reward

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.

Please note that the Sygnia Money Market Fund is a variable priced fund and therefore does not have a fixed unit price of R1.00 per unit. The price of a unit is a marked-to-market value. The yield is calculated monthly on a historic basis, based on the actual distributions declared over the relevant calculation period, divided by the average daily NAV price for the fund, expressed as a nominal annual rate. The total return to the investor is made up of interest received and any gain or loss made on any particular instrument. In most cases the return will merely have the effect of increasing or decreasing the daily yield, but in the case of abnormal losses it can have the effect of reducing the capital value of the portfolio.

The Fund may 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. There are regulations in place which limit the amount a unit trust may be exposed to each Issuer, thereby spreading the risk across various Issuers.

The Sygnia Money Market Fund is not a Bank Deposit Account. Excessive withdrawals from the Fund may place the Fund under liquidity pressure. Should this occur, a process of ring-fencing the withdrawal instruction and managing the pay-out over time may be allowed.

### 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.

### 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).

### 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

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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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Registration No. 2009/003063/07

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Minimum Disclosure Document - Issue Date: 07 Mar 2024

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